

Social Enterprise 101:
*Advancing Your Mission Through
Enterprising Business Opportunities*

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Did you know?

Economically disadvantaged teens are more likely to be un- or under-employed in the summer job market.

Early work experience improves prospects for employability and real wages in the later teens and early 20s.

Work experience in high school also increases the likelihood of graduation and lowers teen pregnancy and delinquency.



Juma Ventures develops and operates concessions at stadiums for the purpose of providing job opportunities to economically disadvantaged teens.




Source: Social Enterprise Alliance



Did you know?

In 2007, 20.9 million U.S. women lived below the federal poverty threshold.

Source: Social Enterprise Alliance



The **Women's Bean Project** in Denver, CO employs women from backgrounds of chronic unemployment and poverty to manufacture gourmet foods.



Source: Social Enterprise Alliance

The Women's Bean Project does not hire women to make and sell bean products.

It makes and sells bean products to hire women.

Source: Social Enterprise Alliance

Did you know?

Each year, more than 600,000 Americans aged 70 and older stop driving and become dependent on others to meet their transportation needs.

How will your elderly friends and family get around if they become unable to drive themselves?



The **Independent Transportation Network** provides rides with door-to-door, arm-through-arm service to thousands of seniors nationwide.



Source: Social Enterprise Alliance

Did you know?

A microenterprise, commonly called “mom and pop” business, is a business with 5 or fewer employees and a seed capital of \$35,000 or less.

There are more than 23 million micro-enterprises, representing 18% of all private employment and 87% of all businesses in the U.S.

Micro-enterprises tend to obtain credit from non-traditional sources such as owners' loans and personal credit cards rather than traditional loans.

Source: Social Enterprise Alliance

Did you know?

136 million tons of building-related waste is generated in the U.S. annually.

But only 20 to 30% of this building-related waste is estimated to be recovered for processing and recycling.

Source: Social Enterprise Alliance



Materials Matter diverts construction waste and materials from landfills and sells the products at discounts through a Home Improvement Outlet to nonprofits working in housing and community development.



Source: Social Enterprise Alliance

What do all these solutions have in common?

They are using business methods to solve a social problem.

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Social enterprise enables organizations to harness the power of the marketplace to solve critical social or environmental problems.

Workshop Objectives

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- Learn about the field of social enterprise through examples from around the country
- Understand the characteristics of successful social enterprises
- Discuss both the benefits and possible roadblocks when pursuing social enterprise
- Identify legal issues and tax implications associated with social enterprise

Workshop Objectives

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- Discover and evaluate your organization's leverageable strengths through an organization audit
- Learn how to decide which promising opportunities have the most potential
- Provide an overview of a feasibility assessment and business plan

Agenda

- 10:30 am **Introduction**
- 10:40 am **Defining Social Enterprise**
- 11:00 am **Process for Exploring Social Enterprise**
- 11:10 am **Organizational Audit to Identify Strengths**
- 11:20 am **Evaluation of Strengths**
- 11:25 pm **Opportunity Assessment**
- 11:30 pm **Feasibility Assessments and Business Plans**
- 11:45 pm **Discuss Next Steps**

What is social enterprise and is it just a fad?

How is social enterprise defined?

Social Enterprise Alliance

- An organization or venture that achieves its primary social or environmental mission using business methods.



REDF

- A revenue-generating venture founded by a nonprofit to create jobs or training opportunities for very low-income individuals, while simultaneously operating with reference to the financial bottom-line.



Greg Dees, Center for the Advancement of Social Entrepreneurship

- "...blending of sectors—a mixture of the social purpose we typically associate with nonprofits and the kind of entrepreneurial orientation we associate with business, particularly with the most creative and dynamic aspect of business."



What do these definitions have in common?

Social enterprise is a hybrid organization

	Purely Philanthropic Organization	Hybrid Organization	Purely Commercial Organization
Motives	Appeal to goodwill	Mixed motives	Appeal to self-interest
Methods	Mission-driven	Balance of mission and market	Market-driven
Goals	Social value creation	Social and economic value creation	Economic value creation
Destination of Income/Profit	Directed toward mission activities of nonprofit organization	Reinvested in mission activities or operational expenses, and/or retained for business growth and development	Distributed to shareholders and owners

Source: Virtue Ventures Consulting

Social enterprise is not a new fad. Some of the largest and most well-known nonprofit organizations have long engaged in income generation and businesses to either supplement or complement their mission activities.

Beginning in the 1960's, a greater number of U.S. nonprofits began to experiment with enterprises to create jobs for disadvantaged populations.

Source: Virtue Ventures Consulting

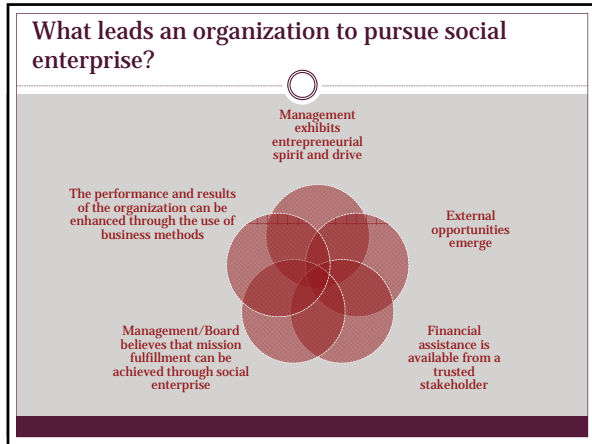
Recent growth in field

- It has only been the past 15-20 years that academics, practitioners, and donors have begun to study nonprofits adopting market-based approaches to achieve their missions
- Today, it is estimated that over 50% of social service organizations operate a social enterprise

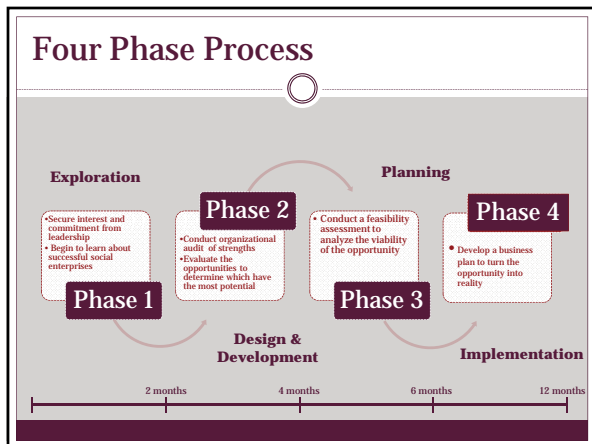
Source: Virtual Ventures Consulting, Center for the Advancement of Social Entrepreneurship

- The growth of the field has been fueled by nonprofit organizations' quest for sustainability, particularly in current times when support from traditional, philanthropic, and government sources is declining and competition for available funds is increasing

How do you get started?







Critical Success Factors

- Alignment with mission & assets
- Business mindset
- Balance between focus & flexibility

Source: Grant Makers in Health

Financial Benefits and Risks

Benefits	Risks
<ul style="list-style-type: none">Generates sustainable source of incomeDiversifies revenue streamsReduces donor dependencyLeverages existing assetsCreates unrestricted fundsCost savings in shared servicesIncreases credibility with funders	<ul style="list-style-type: none">Lose moneyStart-up costs higher than willing to commitTraditional nonprofit funders may decrease supportOpportunity cost (earned income vs. fundraising)

Source: Virtue Ventures

Mission Benefits and Risks

Benefits	Risks
<ul style="list-style-type: none">Sustainable programming vehicleAccountability for achieving social objectivesLeverages mission activities and core strength	<ul style="list-style-type: none">Mission and reputation could be compromisedOrganization has difficulty balancing mission and money, causing mission drift from core social activities to enterpriseEnterprise could have negative impact on clients

Source: Virtue Ventures

Operating Benefits and Risks

Benefits	Risks
<ul style="list-style-type: none"> • Incorporates business tools throughout organization • Provides double bottom line context for management • Requires organizations to manage social interest, assets, and investment • Enhances strategic thinking • Increases efficiency and cost-effectiveness • Improves market responsiveness 	<ul style="list-style-type: none"> • Venture may divert management and staff attention • Increased organizational complexity • New systems required to support enterprise add costs • Business skills needed for enterprise may necessitate hiring new staff

Source: Virtue Ventures

Culture Benefits and Risks

Benefits	Risks
<ul style="list-style-type: none"> • Innovation fosters increased innovation • Spirit of trying new ideas • Market orientation leads to a better understanding of costs and needs • Results orientation will encourage an organizational focus on results 	<ul style="list-style-type: none"> • Cultural differences in social programs and enterprise may cause tension • Staff may leave due to "business culture" • Board and staff may feel sold out to business culture • Resistance to change

Source: Virtue Ventures

Social enterprise is legal

- Nonprofits can launch and operate a social enterprise and maintain 501(c)(3) tax status
- **Income Related to Exempt Purposes**
 - Must be substantially related to exempt purposes
 - No limit on amount of revenue
- **Income from Unrelated Activities**
 - Not substantially related to exempt purposes
 - Produces unrelated business taxable income (UBTI)
 - If less than 10-15% of budget, okay
 - If more, consider moving activity outside of nonprofit entity




Source: Gray Plant Mooty

No standard legal structure

- Social enterprise can be operated as a department or division within the parent nonprofit organization



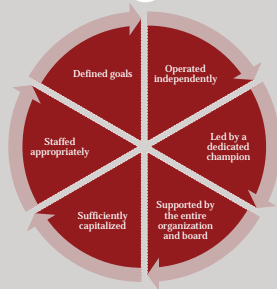
OR

- Social enterprise can be a separate legal entity from the parent nonprofit organization



Source: Gray Plant Mooty

Characteristics of Successful Social Enterprises



Source: Community Wealth Ventures - Powering Social Change

How do you conduct an organizational audit?

The most commonly used tool to conduct an organizational audit is the SWOT analysis, which is often used during the strategic planning process.

<p>Strengths</p> <ul style="list-style-type: none"> •What do you do better than anyone else? •What unique or lowest-cost resources or facilities do you have or have access to? •What do know you? 	<p>Weaknesses</p> <ul style="list-style-type: none"> •What could you improve? •What do others do better than you? •What inhibits your ability to achieve success?
<p>Opportunities</p> <ul style="list-style-type: none"> •Where are the good opportunities facing you? •What are the interesting trends you are aware of? 	<p>Threats</p> <ul style="list-style-type: none"> •What obstacles do you face? •What are other nonprofits doing that you should be worried about? •What are funders doing that you should be worried about?

To determine what types of social enterprises you should consider, we will focus today on your organizational strengths.

<p>Resources</p>	<ul style="list-style-type: none"> • Staff/Board • Infrastructure • Facilities • Publications/Manuals/ Training Materials • Products/Inputs
<p>Management</p>	<ul style="list-style-type: none"> • Program and process management • Networks • Linkages • Knowledge of local community • Access to information

Examples of strengths

- Well-known charismatic leader
- High quality publication
- Training manuals
- Conference rooms/banquet facilities
- Expertise in providing a service
- Unique method for doing something
- Access to low cost workforce
- Relationship with specific sector
- Knowledge of local community
- Acknowledged leader in the field
- Easily mobilized network
- Large membership base
- Expertise on specific subject matter

Be creative!



TAKE-HOME EXERCISE A: Identify your organization's strengths

1. **With the other members of your organization, brainstorm as many organizational strengths as possible.**

- *What do you do better than anyone else?*
- *What unique or lowest-cost resources, facilities or inputs do you have or have access to?*
- *What do know you?*

Key questions to translate strengths into opportunities

- **Is this strength different and distinct from the strengths of similar organizations in our community?**
- **Can this strength provide value?**
 - To whom?
 - How valuable is it? What are their other options?
 - Are they willing AND able to pay for this value?
- **Is this a long-term strength?**
- **What opportunities exist for the strength?**

TAKE-HOME EXERCISE B: Evaluate your organizational strengths

1. With your organizational colleagues, complete the *Evaluating Your Strengths* handout.
2. Based on the results, identify your top 5 strengths and the associated opportunity (ies).

Source: Community Wealth Ventures

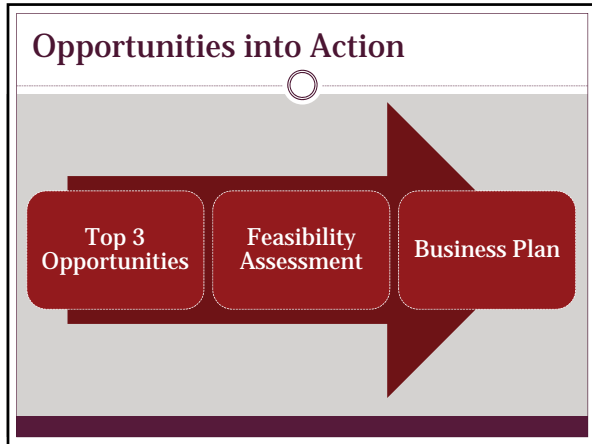
Key questions to screen your opportunities

- How easy will it be for my organization to implement this opportunity?
- How will this opportunity impact our ability to achieve our mission?
- What is the potential profit that this opportunity will generate for our organization?

TAKE-HOME EXERCISE C: Opportunity Assessment

1. With your organizational colleagues, complete the *Opportunity Assessment* handout for 5-8 opportunities.
2. Based on the results, identify your top 2-3 opportunities.

Source: Community Wealth Ventures



What is the difference between a feasibility assessment and business plan?

Feasibility Assessment

- An analysis of the viability of a social enterprise opportunity: does it make sense for us to proceed?
- Designed to provide an overview of the primary issues related to the opportunity: market opportunity, profitability and fit with the organization
- Identifies any “make or break” issues that would prevent the social enterprise from being successful in the marketplace
- Based on impartial market research and internal assessments

Why is it important to conduct a feasibility assessment?

- It is estimated that only 1/5 of business ideas are viable: why invest the time and money into an idea that is not viable?
- Serves as the precursor to the development of a business plan: the information gathered during the feasibility assessment will be leveraged for the business plan

Key Questions Addressed in a Feasibility Assessment

Market

- *Size:* How large is the potential customer base?
- *Outlook:* How favorable are the trends impacting the marketplace?
- *Profitability:* What are the costs and potential revenues?

Competition

- *Favorable Competitive Factors:* How competitive is the market?
- *Ease of Entry into Market:* How easy will it be to launch a social enterprise?
Is there a threat of competitive entry?

Fit

- *Mission:* Is the opportunity aligned with our mission?
- *Skills/Expertise:* Do we have the skills/expertise necessary to succeed?
- *Resources:* Do we have the necessary resources?

Answering the Questions: Market Research

- A systematic, objective collection and analysis of data about a particular target market, competition, and/or environment
- Aims to achieve an increased understanding of the subject matter
- Incorporates some form of data collection whether it be secondary research (often referred to as desk research) or primary research which is collected direct from a respondent
- Backward market research – start with the end in mind

Source: Market Research World

Market Research Resources

- Industry associations: American Society of Association Executive's Search tool
- Industry reports: First Research, BizMiner
- Federal government libraries and legislative websites: Thomas
- Philanthropic news and research organizations: Foundation Center, Charity Navigator, Chronicle of Philanthropy
- Federal government statistics: Census data

Market Research Resources

- Chamber of Commerce: Local
- Academic library or other public information centers
- Purchased databases: Hillsearch
- Competitor/collaborators' websites
- Similar social enterprises/social innovators: Social Enterprise Alliance

Business Plans

- If the feasibility study indicates that your business idea is sound, the next step is a business plan
- The business plan continues the analysis at a deeper and more complex level, building on the foundation created by the feasibility study
- Outlines the actions needed to take the opportunity from an idea to reality
- Serves as a "roadmap" for how the venture will be created and developed as well as the "blueprint" for implementation

Business Plan Outline

- Executive Summary
- Business Description
- Industry & Market Analysis
- Competitive Analysis
- Marketing & Sales Plan
- Operations Plan
- Personnel & Management Plan
- Financial Plan
- Risk & Contingency Plan
- Appendix

Resources

- **Social Enterprise Database:**
<http://www.communitywealth.com/Directory%20of%20Social%20Enterprises.htm>
- **CASE (Center for the Advancement of Social Entrepreneurship):**
www.caseatduke.org
- **Social Enterprise Alliance:** www.se-alliance.org
- **Social Enterprise Alliance Chapter in D/FW**

More about Suzanne

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