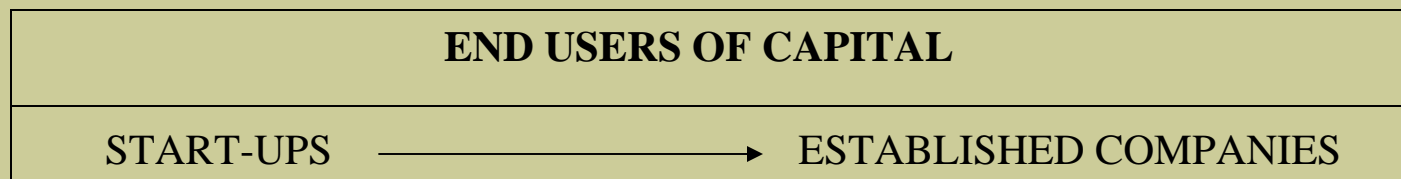

SOCIAL ENTERPRISE CAPITAL MARKETS

Michael Chu
Harvard Business School
2006

COMMERCIAL CAPITAL MARKETS

CAPITAL SEEKING DEPLOYMENT			
<ul style="list-style-type: none">• Highest return• At given level of risk			
INSTITUTIONS		INDIVIDUALS	
PRIVATE	PUBLIC	HIGH NET WORTH	GENERAL



SOCIAL ENTERPRISE CAPITAL MARKETS

SOURCES OF PHILANTHROPY			
INDIVIDUALS	FOUNDATIONS	BEQUESTS	COMPANIES

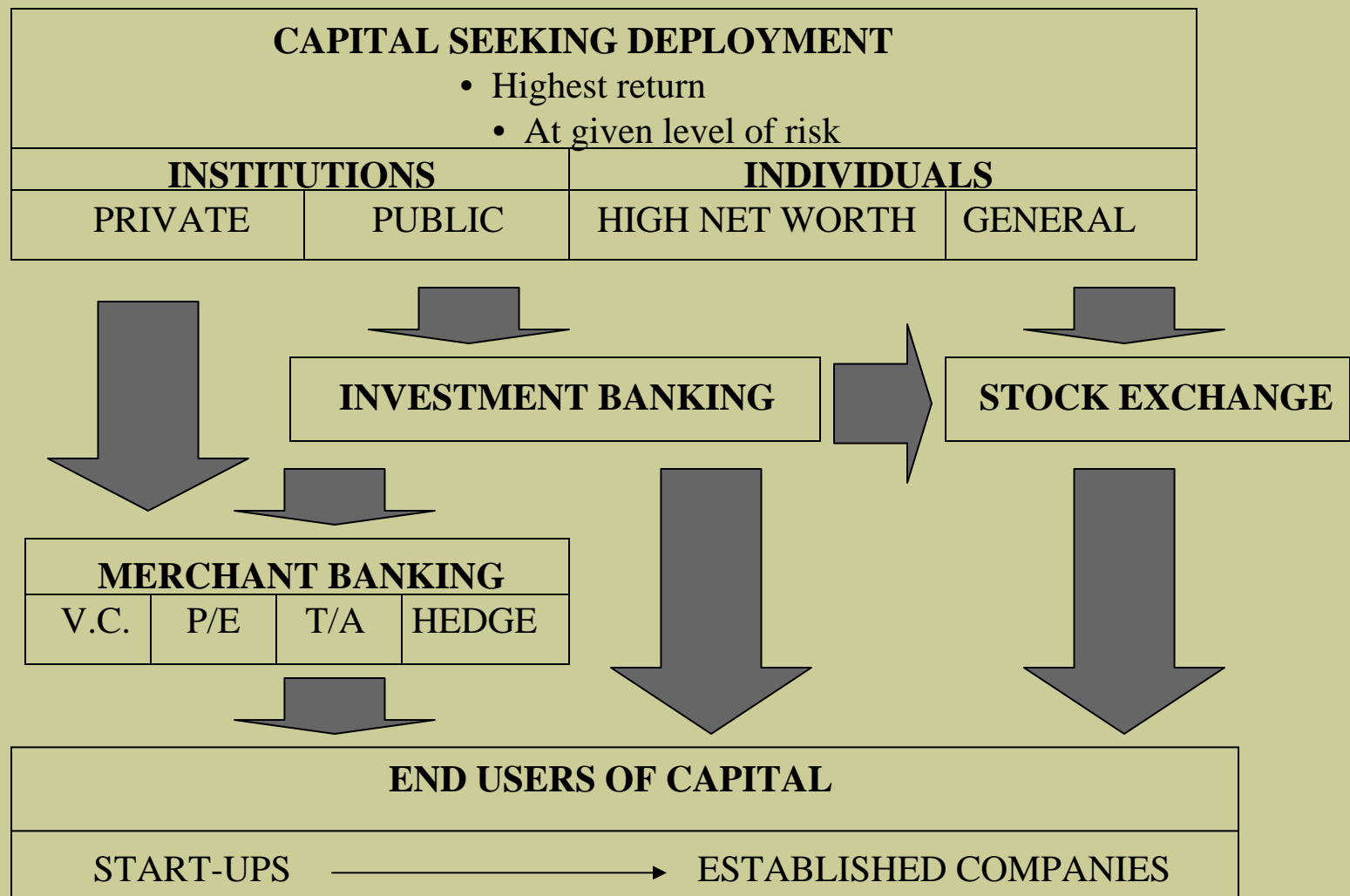
USERS OF PHILANTHROPY	
START-UPS	—————> MEGA ORGANIZATIONS
LOCAL	—————> GLOBAL
ONE SITE	—————> MULTI-SITE
SINGLE FOCUS	—————> MULTIPLE ACTIVITIES

Michael Chu, Harvard Business School, 2006

MARKET EFFICIENCY

- Clear definition of SUCCESS
- Clear measurement of SUCCESS
- Clear rewarding of SUCCESS
- Infrastructure to implement all the above

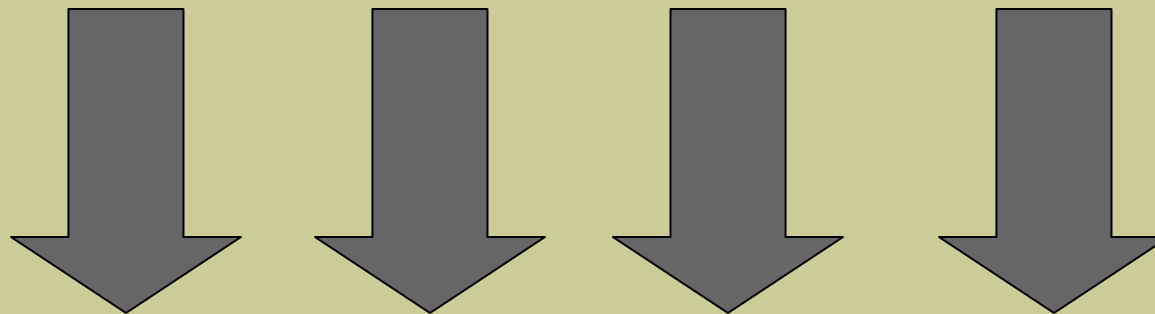
COMMERCIAL CAPITAL MARKETS



Michael Chu, Harvard Business School, 2006

SOCIAL ENTERPRISE CAPITAL MARKETS

SOURCES OF PHILANTHROPY			
INDIVIDUALS	FOUNDATIONS	BEQUESTS	COMPANIES

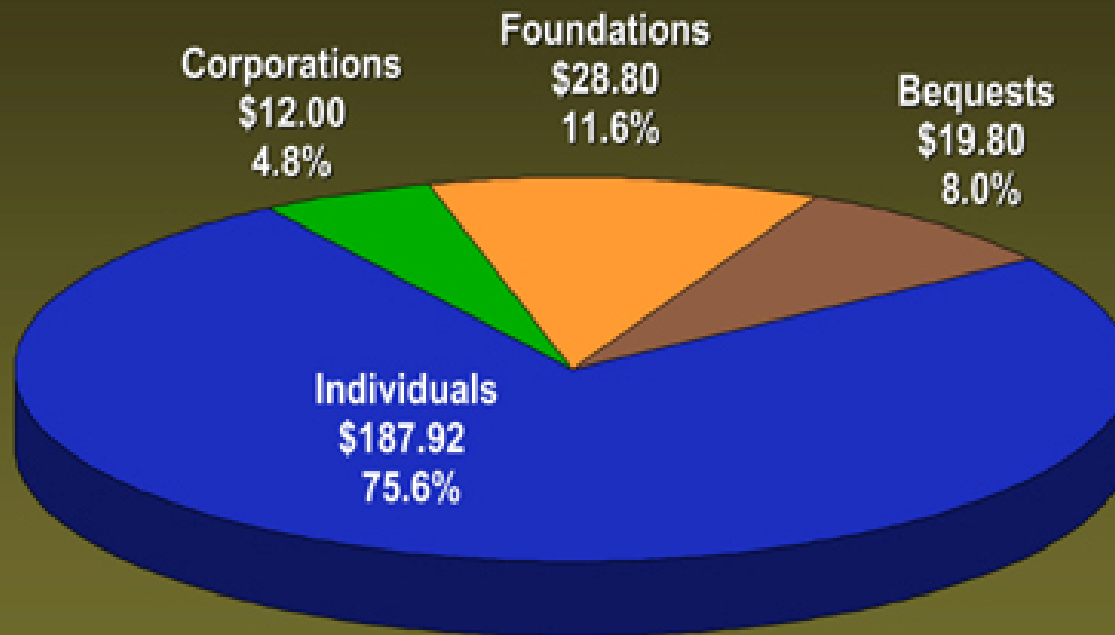


USERS OF PHILANTHROPY	
START-UPS	→ MEGA ORGANIZATIONS
LOCAL	→ GLOBAL
ONE SITE	→ MULTI-SITE
SINGLE FOCUS	→ MULTIPLE ACTIVITIES

Michael Chu, Harvard Business School, 2006

SE CONTRIBUTIONS BY SOURCE

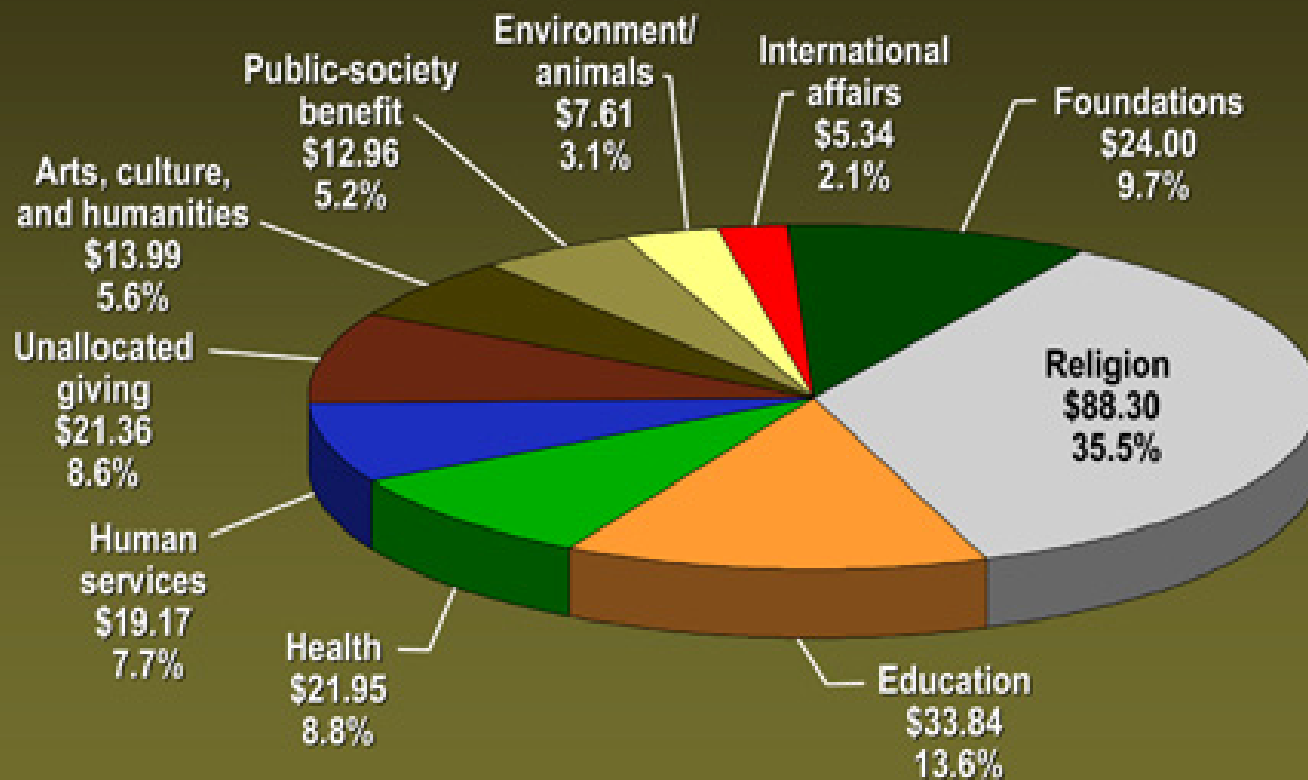
2004 CONTRIBUTIONS: \$248.52 BILLION BY SOURCE OF CONTRIBUTIONS



Source: Giving USA Foundation™ – AAFRC Trust for Philanthropy/Giving USA 2005

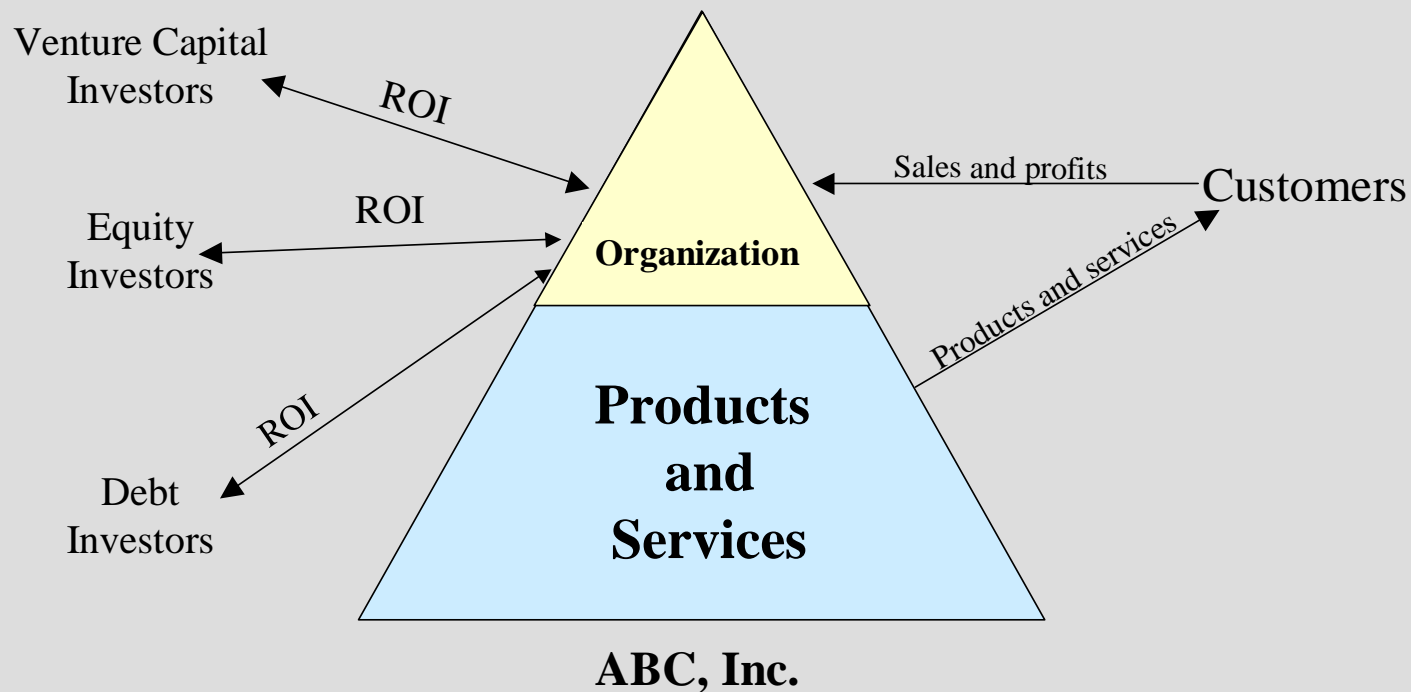
SE CONTRIBUTIONS BY RECIPIENT

2004 CONTRIBUTIONS: \$248.52 BILLION BY TYPE OF RECIPIENT



Source: Giving USA Foundation™ – AAFRC Trust for Philanthropy/Giving USA 2005

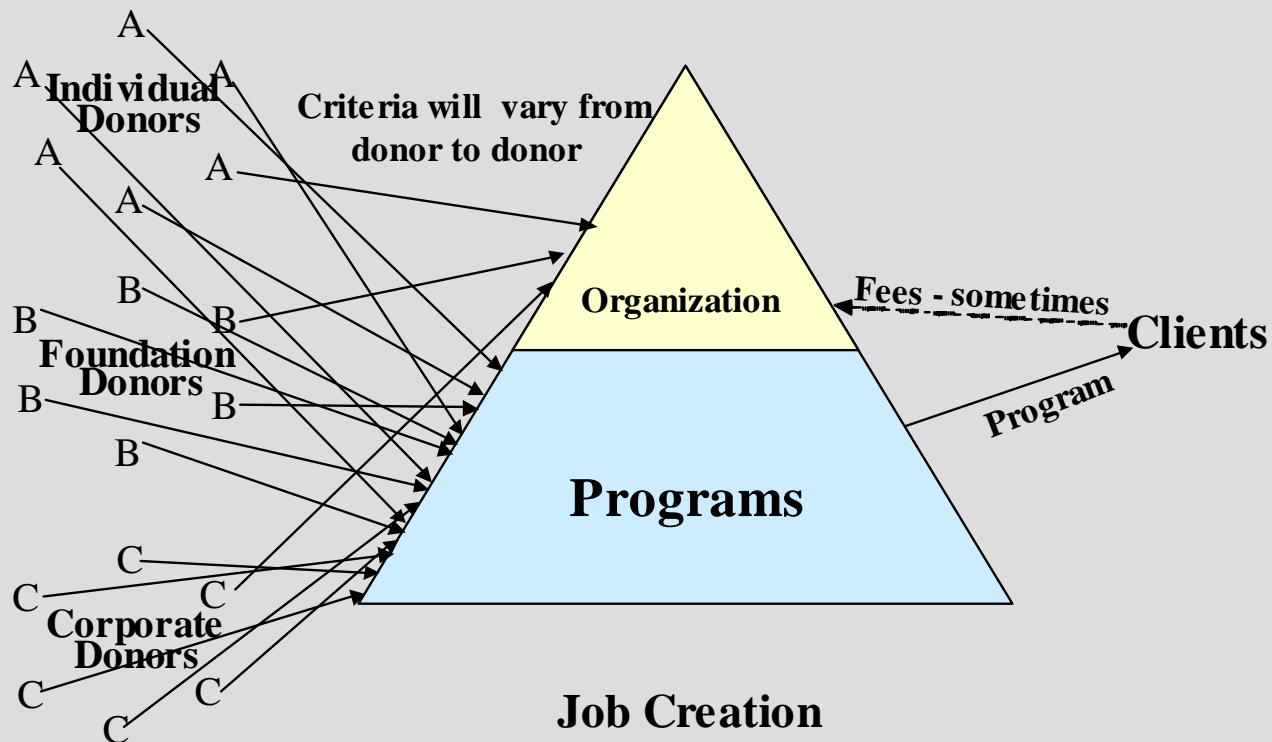
FOR PROFIT CAPITAL MARKET STRUCTURE



The greater the corporation's ability to cost-effectively satisfy the customers' needs > Sales and profit > Availability of funds.

Allen Grossman, Harvard Business School, 2006

PHILANTHROPIC CAPITAL MARKET STRUCTURE



The greater the nonprofit organization's ability to cost-effectively serve the clients' needs ??? Revenue ??? Availability of funds

IMPLICATIONS FOR SE

- Success in your organization's goals is no guarantee of funding
- Shakeouts rarely occur
 - Economic viability not relevant
 - Efficiency & efficacy not equal to reward
- Just because you are better than others does not mean you get more funds
- High inefficiency in raising capital
- Serve two masters:
 - Your mission's target population
 - Your funders
 - The two may not be aligned

MANAGEMENT RESPONSE

- Know who and how to access
 - Most receptive ears
 - Deepest pockets
- Know your own critical path: must do for mission
 - Theory of change
 - Link performance to theory of change
 - Measure performance
- Know when to say NO
 - The most expensive money is the dollar that makes you step off your critical path

The Full Business Plan

