

Financing Social Enterprise

HBS Business Plan Contest & Social Enterprise Club

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Measuring the Double Bottom Line

All social enterprises:

- Financial return
- Social return
 - Impact: social value creation

...whether non-profit or for-profit.

Financing Non-Profit SE: Capital & Revenue

Organizational stages

- Start-up
- Growth
- Sustaining

Sources

- Philanthropy, PRIs
- Government, US and/or International Agencies
- Fee for services

Virtues

- Sustainability: key
- Surpluses: +

Financing For-Profit SE: Traditional

Organizational stages

- Start-up
- Growth

Business Characteristics

- Market Rate of Return
- Liquidity Event

Traditional Sources: Similar to non-SE

- Angel, Venture Capital
- Private Equity
- Capital Markets

Examples: Princeton Review, Edison

Financing For-Profit SE: Non-Traditional

Organizational stages

- Start-up
- Growth
 - New coverage for proven program
 - R&D for new program

Business Characteristics

- Below Market Rate of Return or Unproven Return
- Questionable Liquidity Event

Non-Traditional Sources:

- Venture Philanthropy, PRIs
- Social investors, hybrid funds
 - New School Ventures Fund, Huron Foundation, Investors Circle
- Community Development Fund

SE Butterfly Model: From Non to For-Profit

Organizational Stage

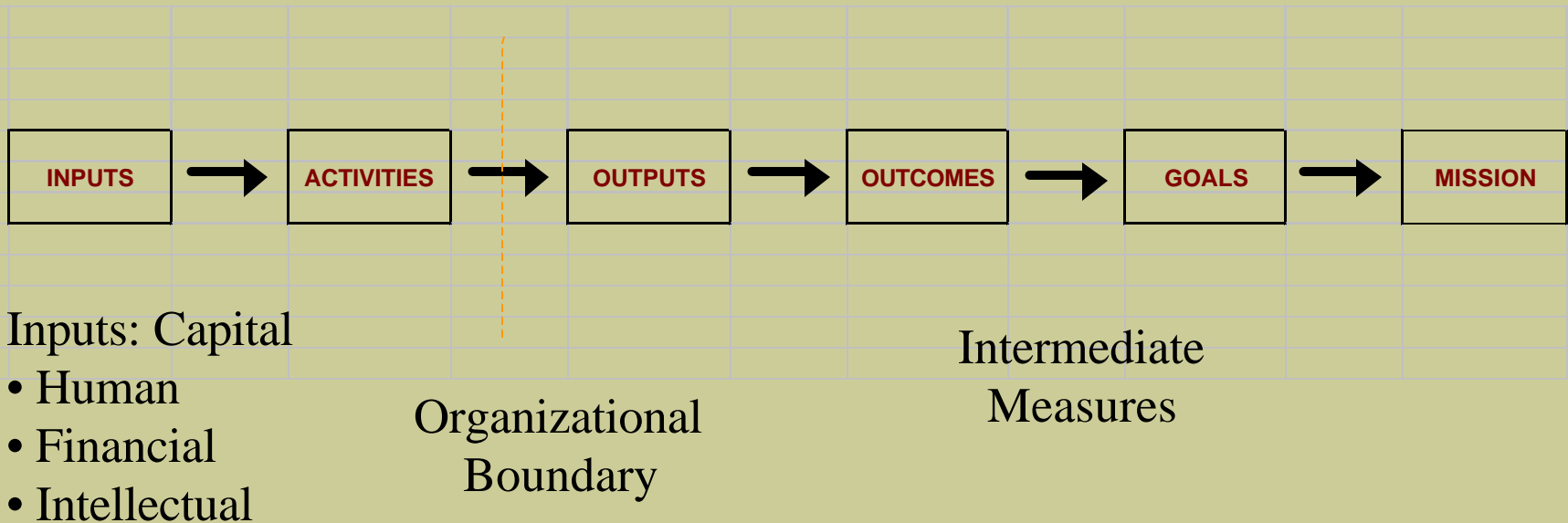
- Start-up
- Initial Growth
- Subsequent Growth

Nature of SE

- Non-Profit
- Non-Profit until B/E
- For-Profit

Example: Commercial Microfinance

Measuring Social Value: A Logic Model



Defining Social Value

Social need exists

- Size
- Importance

Theory of Change

- Cause and Effect

Mission

- Actionable
- Measurable

Harlem Children's Zone - 1

Need

- 5x poverty rate
- 4x Unemployment rate
- Less than 20% students read at grade level

Theory of Change

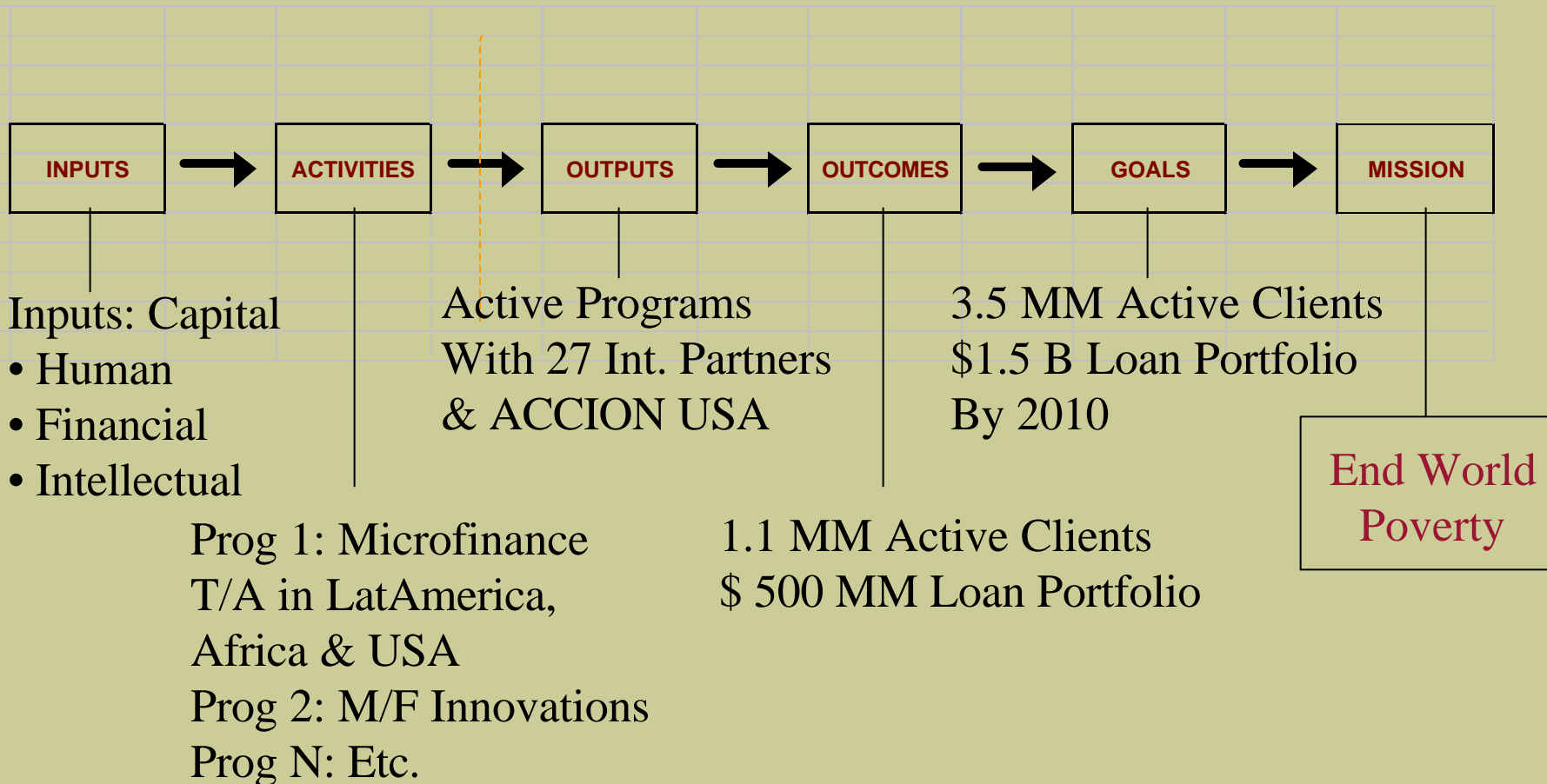
- Effective local institutions that draw families & young people together
 - Around common interests & activities
- Will help children succeed

Harlem Children's Zone - 2

Mission

- Create significant positive opportunities & outcomes
- For all children in 24-block area
- By helping parents, residents, teachers & other key stakeholders create a safe learning environment for youth

The Logic Chain: ACCION International



Financial Return and Social Value

Low tension

- FR and SV creation coexist in harmony
 - College Coach
 - Modulo

High tension

- FR and SV creation in constant tension (economically, politically or both)
 - HMOs, EMOs
 - Microfinance