Developing a Social Enterprise Business Plan

February 6, 2014

Margot Dushin, HBS Social Enterprise Initiative

Bryan Mezue (MBA ’13), WAVE Hospitality Academy
Definitions

Entrepreneurship is an activity or behavior as opposed to a person or an ideology

- **Entrepreneurship** – The pursuit of opportunity regardless of the resources you currently control

- **Social entrepreneurship** – The pursuit of an opportunity to create pattern-breaking social change regardless of the resources you currently control
  - Whether non-profit, for-profit, or public sector
SE Business Plan Elements

- The Problem and the Opportunity
- Mission
- Theory of change
- Your Solution
- The Team
- Context
- Scaling Strategy
- Measuring Results
- Risks
- Financial Plan
The Problem and Opportunity

What specific social problem does your idea address

**PROBLEM**
- Why is it important
- What is the scale
- What are the contributing factors
- What are the root causes

**OPPORTUNITY**
- Why is it solvable
- What other approaches have been tried and what are their results
- What would the world look like (your vision) if you solved it
Mission

Your statement of what you will achieve over the long term

4 “M”s of Mission Statements

• Memorable
• Manageable
• Measurable
• Motivational

*Source: 4 Ms developed by Professor Jim Austin, HBS*
Mission – Examples

• One day, all children in this country will have the opportunity to achieve an excellent education
• To give people the financial tools they need – microloans, business training and other financial services – to work their way out of poverty
• Tackling youth unemployment in West Africa
• Educate leaders who make a difference in the world
Theory of Change

The *rationale* that connects *mission* to *strategy*

- Based on your understanding of the problem, what is your theory about which actions and resources will lead to the results you want to achieve [an “If…then” statement]
- Assumptions of cause and effect in your logic chain
  Inputs $\rightarrow$ Activities $\rightarrow$ Outputs $\rightarrow$ Outcomes $\rightarrow$ Impact
- Is your theory of change based on research
- Are there leaps of faith in the theory that you must defend
- Is your theory focused on local or systemic change, or both
Theory of Change – Examples: TFA

We believe that all children deserve an excellent education and that high-quality teaching in every classroom is the most important ingredient in ensuring that all students learn at high levels. We also believe that the current education crisis is so urgent that we need a new generation of leaders in all sectors who are willing to take on the challenge, and that direct experience with the problem is the best way for young people to become committed to solving it.

Based on these beliefs, our theory of change is that if the brightest college graduates agree to teach in high poverty schools for two years, then:

a) the students they teach will receive a high-quality education now, and
b) those who teach will become lifelong leaders committed to social change.
Strategy and Business Model

Converting theory into action

• **Who** are the beneficiaries or customers
• **How** will you serve them
• **What specifically** does your program look like
• **What** initial management and governance structure will you put in place to implement the strategy
• **What** partnerships or collaborations would be critical or useful
• **What** criteria did you use for choosing to become a nonprofit or for-profit organization
Team

• What about your team makes it likely you can execute this plan
  - Personal connection to mission
  - Background, experience, expertise
  - Networks—access to resources
• What expertise don’t you have and how will you get it
• How might the team composition change over time
Context

What other approaches to solving the social problem have been tried

- What have been the experiences of other service providers
- What is distinctive about your approach and organization
- How much money flows to your ‘issue’ annually from all sources and how is it distributed
- How will you capture existing dollars or attract new resources
Scaling Strategy — the measurable increase in impact based on the spread of a practice, program or process

• How will you scale using one or more of the following:
  - Grow the organization, launch more sites
  - Replicate your model using other organizations
  - Create a social movement
  - Organize collective action
  - Change government policy and practice

• Considerations of scale:
  - How do you maximize the value you are trying to create
  - How do you balance the “speed of scaling” with program quality to optimize social value creation
Measuring Results—Early and Often

- How will you assess your organization’s effectiveness in achieving its mission

  Inputs → Activities → Outputs → Outcomes → Impact

- Indicators should link back to your mission, theory of change and strategy
  - Just enough indicators, and no more: i.e., the critical ones
  - Adapt measures and process to the stage of the organization
  - Set and measure interim milestones on the way to longer-term goals
  - Use measures to improve your program and organization
Risks

• What could go wrong
  - Contextually
  - Strategically
  - Programmatically
  - Financially

• How will you mitigate these risks

• Raise and address key risks but do not overdo it
Financial Plan

What is your strategy for financing your business plan

• Start-up
  - How much start-up capital do you need
  - What sources are available to provide seed capital
  - How will you spend it
  - What is your burn rate
  - How will you acquire capital to go to the next level
  - How will you fund scaling the organization
Key Elements of a Financial Plan (2)

- Revenue mix – contributed and earned
- Identify fixed and variable costs of operating your model
- Cost structure – what is your unit cost and how does growth affect it
- Cash flow projections and income statements (3 - 5 year pro-forma)
- **Sustainability**
- Good and bad projects **die** when cash ends—pay attention to cash
The End Objective for all Social Enterprises

- **BEST:** The most *effective* option
- **ECONOMICAL:** At the *lowest* cost
- **SOLIDARITY:** For *all* those who need it
- **TODAY:** As *urgently* as possible
Upcoming Workshops and Deadlines

Feb 20

*Social Entrepreneurship Workshop Series – Testing Your Social Venture: Iterating Based on Market Feedback*

Feb – March:
Other workshops and office hours

---

**HBS New Venture Competition**

- **March 25, 12:00 noon:** Intent to Present and Executive Summaries due (final deadline to submit Entry form)

www.hbs.edu/newventurecompetition