



H A R V A R D | B U S I N E S S | S C H O O L

# Developing a Social Enterprise Business Plan

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# 20 YEARS OF IMPACT

SOCIAL ENTERPRISE INITIATIVE



# 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

# 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 → Activities → Outputs → Outcomes → 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

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## 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](http://www.hbs.edu/newventurecompetition)