Developing a Social Enterprise Business Plan

February 11, 2015

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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
Developing your business plan

Nailing the Vision
• The problem and the opportunity
• Mission
• Tying the vision to action: Theory of change & your solution

What you have to get right early on to succeed *
• Leadership: team and board
• Revenue model
• Measurement and evaluation
• Messaging/communications

What else you need to know before you get started
• Ecosystem
• Risks
• Scaling strategy

* DRK focus areas with early stage organizations
NAILING THE VISION

The problem and the opportunity

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?
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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
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Mission - Examples

• One day, all children in this country will have the opportunity to achieve an excellent education.
• 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.
• Connect people through lending to alleviate poverty.
• Close the Opportunity Divide by providing urban young adults with the skills, experience, and support that will empower them to reach their potential through professional careers and higher education.
• Educate leaders who make a difference in the world
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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

  - 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
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.
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Theory of change example: Roca

Roca’s work is based upon the theory that when young people are **re-engaged** through positive and intensive relationships they can **gain competencies** in life skills, education and employment that **keep them out of prison** move them toward living out of harm’s way and toward **economic independence**.
NAILING THE VISION

Your solution

- **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?
- **On what premises** (experience/knowledge) did you build your solution?
- With whom and how have you **tested your vision**?
GET IT RIGHT EARLY

Leadership: team and board

• What about your team and board 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 and board change over time?
GET IT RIGHT EARLY

Revenue model

At start-up stage:

- 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?
GET IT RIGHT EARLY

Revenue model – key elements

• 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
GET IT RIGHT EARLY

Measurement and evaluation

• Create a measurement and evaluation/data system and culture

• 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
GET IT RIGHT EARLY

Messaging and communication

What is your message?

• How do you talk about the problem and solution?
• What stories can you tell and show; what examples can you share?
• How do you talk about your team?

How do you communicate it?

• Pitches (of varying lengths), exec summaries, PPT decks, full plans
• Social media and website presence
WHAT ELSE?

Ecosystem

- What are the rules of the game (i.e., regulatory, tax, political)?
- What is the market need and size of the opportunity?
- Competitive landscape: 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?
WHAT ELSE?

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
WHAT ELSE?

Scaling strategy

Scale: 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?
Upcoming workshops & deadlines

Feb 23
Testing Your Social Venture: Iterating Based on Market Feedback

Feb – March
Office Hours with social entrepreneurs

HBS New Venture Competition
March 11, 5:00 pm: Intent to Present and Executive Summaries due (final deadline to submit Entry form)

www.hbs.edu/newventurecompetition
If not you, then who?

If not now, then when?

What’s YOUR idea?

One simple idea can change everything
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