Developing a Social Enterprise Business Plan

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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
Your business plan: who is it for?

- You
- Advisors
- Potential investors & partners

Creating a road map

Identifying gaps

Telling story in a compelling way
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?

*Why does anyone care?*
NAILING THE VISION

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
NAILING THE VISION

Mission - Examples

- One day, all children in this country will have the opportunity to achieve an excellent education.
- 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.
NAILING THE VISION

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

*What's your “if...then” statement?*
NAILING THE VISION

Theory of change example: Global Citizen Year

We believe that the best way to improve college outcomes is to change the inputs.

Through world-class training and structured immersion we equip Fellows with global skills, empathy, and grit — the foundations for success in college, careers, and life.

We envision a world where this bridge year becomes a common expectation and opportunity — transforming education and unleashing the potential of a new generation of global citizens.
NAILING THE VISION

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 25:** Legal Aspects of Starting a Social Enterprise
- **March 2:** Testing Your Social Venture: Iterating Based on Market Feedback

HBS New Venture Competition

→ **March 9, 12:00 noon:** Final entry deadline and executive summaries due

[www.hbs.edu/newventurecompetition](http://www.hbs.edu/newventurecompetition)
If not you, then who?

If not now, then when?

What’s YOUR idea?

One simple idea can change the world
www.hbs.edu/newventurecompetition