



HARVARD | BUSINESS | SCHOOL

Social Enterprise Initiative



## Creating a Social Enterprise Business Plan

Professor Michael Chu, February 8, 2010



# Definitions

Entrepreneurship as 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.



# SE Business Plan Elements

- The problem and the opportunity
- Mission
- Theory of change
- Your solution (strategy & business model)
- The team
- Growth strategy
- Measuring results
- Competition
- Risks
- Financial Plan



# The problem and opportunity

What specific problem does your idea solve?

*problem*

- Why is it important?
- What is the scale of the problem?
- What are the contributing factors to the problem? What are the root causes?

*opportunity*

- Why is it solvable?
- What would the world look like 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
- Educating leaders who make a difference in the world



# Theory of Change

A belief about “causality” that connects mission to action

- Based on your understanding of the problem, what is your theory about which actions will lead to the results you want to achieve? In other words, what are your assumptions about cause and effect in your logic chain?

Inputs → Activities → Outputs → Outcomes → Impact

- Are there leaps of faith in the theory? How do you defend them?
- 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 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.



# Theory of change – Examples: ACCION

It will take over \$250 billion to bring financial services to 500 million poor people. Our current objective is to help provide 6 million of those people with access to microfinance by 2011.

To achieve this, we must increase reach of microfinance services to the poor on a global scale: financially efficient & self-sustaining m/f through innovative approaches that reduce cost to the poor and reach millions of poorer and more remote people via:

- Partnerships: Currently, ACCION partners with 32 MFIs
- Creation, expansion & training
- Innovation
- Access to further funding
- Leadership



# Strategy and business model

How will you put your theory into action?

- **Who** is the “customer” or beneficiary?
- **How** will you serve them? What specifically will your organization do?

Inputs → Activities → Outputs → Outcomes → Impact

- What does the initial management and governance structure look like to implement the strategy?
- What partnerships will you need?
- Is there an earned revenue stream?
- Corporate form – what decision criteria did you use to choose to be a nonprofit or for-profit? (especially important if going to be for-profit)



# Team

- What is it about this team that makes it likely that you can execute this plan?
  - Personal connection to mission?
  - Background, experience, expertise?
  - Network
  - Advisors
- What expertise don't you have and how will you get it?
- How will the team composition change over time?



# Growth strategy

- Do you plan to grow? If so, how – replication of your organization or your model? (will you launch more sites or make your model available for others to implement?)
- Thoughts about growth:
  - What value are you trying to create?
  - At what level of quality do you need to perform on which critical variables in order to continue to create value as you grow?
  - Given this, how do you balance the “need for speed” with the quality hurdle to maximize social value creation?



# Measuring results

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

Inputs → Activities → Outputs → Outcomes → Impact

- Indicators should link back to your theory of change and strategy, just enough indicators and no more.
  - On what time horizon does it makes sense to measure at each stage?
  - Set interim milestones and longer-term goals.



# Competition

What other solutions exist and what are the implications for your team?

- What other service providers or models are there?
- What's distinctive about yours?
- How much money flows to your 'issue' annually and how is it distributed? How will you capture some of those dollars or attract others?



# Risks

- What could go wrong?
  - Contextually
  - Strategically
  - Programmatically
  - Financially
- How will you mitigate these risks?
- Don't overdo it, but don't avoid raising and addressing key risks to your plan.



# Financial plan

What is your strategy for financing your plan?

- Start-up
  - How much start-up capital do you need?
  - How will you spend it?
  - What sources are available to provide seed capital?
  - Pay attention to cash.



## Financial plan (2)

- Sustainability
- Revenue mix
- Identify fixed and variable costs of operating your model.
- Cost structure – unit cost? What’s the right “unit”? How does growth affect your unit cost?
- Pay attention to cash.
- Cash flow projections & income statement  
(3 - 5 year pro-forma)



# Final thoughts

Act of imagination

-Bill Sahlman

Act of aspiration

Act of inspiration