



HARVARD | BUSINESS | SCHOOL

Social Enterprise Initiative



## Creating a Social Enterprise Business Plan

Professor Michael Chu, February 3, 2011



# 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.
  - Whether non-profit, for-profit, or public sector



# 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



# 1. 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?



## 2. 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



## 3. Theory of Change

The *rationale* that connects action to mission

- Based on your understanding of the problem, what is your theory about which actions will lead to the results you want to achieve?
  - Assumptions re cause & 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



## 4. Strategy and business model

### Implementing theory into action

- **Who** is the end user: 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 for-profit)



## 5. 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?



## 6. Growth strategy

- How will you grow: Replication of your organization or your model, or both?
  - Launch more sites, others replicate your model? How will this be accomplished?
- Considerations re growth:
  - How do you maximize the value you are trying to create?
  - At what level of quality do you need your critical variables to perform 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?



## 7. 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: i.e., the critical ones
  - On what time horizon does it makes sense to measure at each stage?
  - Set interim milestones and longer-term goals.



## 8. 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 new sources?



## 9. 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.



## 10. Financial plan

What is your strategy for financing your 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?



## Key Elements of a 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)
- Good and Bad Projects: All die when cash ends



# The End Objective for all Social Enterprises

## BEST

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



# Social Venture Track of HBS Business Plan Contest

## 2010-11 KEY DATES

- December 17: Contest Entry and Faculty Advisor Forms Due for teams **with** an HBS MBA Student\*
- February 7: Contest Entry and Faculty Advisor Forms Due for teams **without** an HBS MBA Student\*
- March 28: Intent to Present and Executive Summaries Due (also deadline to submit Contest Entry and Faculty Advisor forms if not previously submitted)

\* to be eligible for expense reimbursement

## UPCOMING WORKSHOP

- *Legal Aspects of Starting a Social Enterprise*, February 15, 5:00 - 6:00 pm, Aldrich 210