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**Creating a  
Social Enterprise Business Plan**

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# Definitions

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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

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- 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?

*opportunity*

- Why is it solvable?
- What would the world look like if you solved it?

# Mission

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Your statement of what you will achieve over the long term

## 4 “M”s of Mission Statements

- Memorable
- Manageable
- Measurable
- Motivational

# Mission – Examples

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- One day, all children in this country will have the opportunity to achieve an excellent education
- Eradicate poverty housing in partnership with God and people from all walks of life
- We strive to bring forth a fresh and stylish fabric to the market in a socially conscious way and to dress timeless elegance with a touch of humanity and warmth
- 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 is 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

- Teach for America – 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 and b) the corps members will become lifelong leaders committed to social change
- Habitat for Humanity – If we provide families with simple, decent, affordable housing, then the cycle of generational poverty will be broken.
- Yashmere, now Shokay – If we source our yak fiber directly from Tibetan herders and reinvest our profits into their communities in areas such as health and education, then we will ensure the opportunity of choice to future Tibetan generations.

# 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

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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 & strategy, just enough indicators and no more.

- On what time horizon does it make sense to measure at each stage?
- Set interim milestones and longer-term goals.

# Competition

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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

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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

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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)

# Some thoughts on the Executive Summary

- They will read it first, but you should write it last.
- ES should motivate the reader to take some action – for your purposes, to read the rest of your plan.
- ES should communicate the essence and excitement of your plan:
  - Not an annotated table of contents
  - Not an abstract
  - Is your b-plan in miniature
- One page is great, two pages is fine, three pages is too long
- Reader should come away thinking, “So that’s what these folks are up to!”

# Tips for Getting Started on an ES

Attempt to crystallize the most important idea of each section of your plan into 2 or 3 punchy sentences (at most), including the financials.

- Everything in the ES should be backed up by more explanation and evidence in the rest of the plan.
- First sentence or two should describe your idea clearly and simply. This is also a useful way to begin your 30 second pitch (although not the only way).
- Make sure you tell the reader how much money you need to get started.
- Last sentence or two should answer the question, “Why is this a compelling idea?” (or in more mundane terms, why should I give these people money?)
- Enlist a few people who know little about your plan to read the ES and then explain what you’re doing to you. Revise until they “get it”.

# Final thoughts

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Act of imagination

-Bill Sahlman

Act of aspiration

Act of inspiration