



H A R V A R D | B U S I N E S S | S C H O O L

Developing a Social Enterprise Business Plan

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THIS IS

social
enterprise...



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

SE Business Plan Elements

- The Problem and the Opportunity
- Mission
- Theory of change
- Your Solution
- The Team
- Context
- Scaling Strategy
- Measuring Results
- Risks
- Financial Plan

The Problem and Opportunity

What specific social problem does your idea address

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

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
- Educate leaders who make a difference in the world

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 [an “If...then” statement]
 - 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

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 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.

Strategy and Business Model

Converting theory into action

- **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

Team

- What about your team 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 change over time

Context

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

Scaling Strategy — 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

Measuring Results—Early and Often

- 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

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

Financial Plan

What is your strategy for financing your business 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
 - How will you acquire capital to go to the next level
 - How will you fund scaling the organization

Key Elements of a Financial Plan (2)

- 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

The End Objective for all Social Enterprises

BEST

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

Upcoming Workshops and Deadlines

- 3/7** Rock Center Speaker Series:
Crafting the Perfect Pitch, Michael Skok
 - 2/21** Rock Center Speaker Series:
Using Baker Library Resources
 - 3/13** Social Entrepreneurship Workshop Series:
Identifying the Market for Social Ventures
-

Student New Venture Competition

- **March 26, 12:00 noon:** Intent to Present and Executive Summaries due (final deadline to submit Entry form)

Perspectives from Past Participants

Social Enterprise Track of HBS New Venture Competition

- DJ DiDonna, Entrepreneurial Finance Lab (EFL)
- Lissy Hu, Careport Health