



Social Enterprise: Is it for You?

February 28, 2013



What we will cover this morning



- Overview of Social Enterprise
- Organizational Readiness
- Identifying Social Enterprise Ideas
- Wrap-Up



How to make the most out of this seminar

- **Active participation**
 - Sharing insights, full input from everyone
 - Constructive feedback from everyone
 - Critique the idea, not the person
 - Be open to feedback
- **Stopping and asking questions**
- **Building off the experience of peers**

Introductions

- Name
- Organization
- Current Social Enterprise Activity
- One thing people would be surprised to learn about you



Expectations



Test

1. Are You a Self-Starter?

- a. If someone gets me started, I keep going all right.
- b. I do things my own way. Nobody needs to tell me to get going.
- c. Easy does it. I don't put myself out until I have to.

2. How Do You Feel About Other People?

- a. Most people bug me.
- b. I like people. I can get along with just about anybody.
- c. I have enough friends and I don't need anybody else.

3. Can You Lead Others?

- a. I can get people to do things if I drive them.
- b. I can get most people to go along with me without much difficulty.
- c. I usually let someone else get things moving.

4. Can You Take Responsibility?

- a. I'll take over if I have to, but I'd rather let someone else be responsible.
- b. I like to take charge of and see things through.
- c. There's always some eager beaver around waiting to show off. I say, let him.

Test

5. How Good a Worker Are You?

- a. I can't see that hard work gets you anywhere.
- b. I can keep going as long as necessary. I don't mind working hard.
- c. I'll work hard for a time, but when I've had enough, that's it.

6. Can You Make Decisions?

- a. I can if I have plenty of time. If I have to make up my mind fast, I usually regret it.
- b. I can make up my mind in a hurry if necessary, and my decision is usually O.K.
- c. I don't like to be the one who decides things. I'd probably blow it.

7. Can You Stick With It?

- a. If a job doesn't go right, I turn off. Why beat your brains out?
- b. If I make up my mind to do something, I don't let anything stop me.
- c. I usually finish what I start.

8. Can You Keep Records?

- a. Records are not important. I know what's need to be known without keeping records.
- b. Since they are needed I'll keep records even though I don't want to.
- c. I can, but it's more important to get the work out than to shuffle numbers.

Are you an entrepreneur? Am I the type?

- **Drive**
 - Responsibility/initiative/persistence
- **Thinking ability**
 - Creative/critical/analytical
- **Competency in human relations**
 - Sociable/considerate/cheerful/cooperative
- **Communication skills**
 - Verbal/oral/written
- **Technical knowledge**
 - Service understanding, using the information purposely

What is Social Enterprise?



What is Social Enterprise?

Market Solutions to Social Issues



- Any business venture whose primary purpose is to address social and/or environmental issues.
- Like any business, a social enterprise needs to sell products or services to paying customers, in a financially-sustainable manner.
- Any legal form of organization *can* be or operate a social enterprise.
- A social enterprise can be an initiative within a larger organization or be a free-standing business

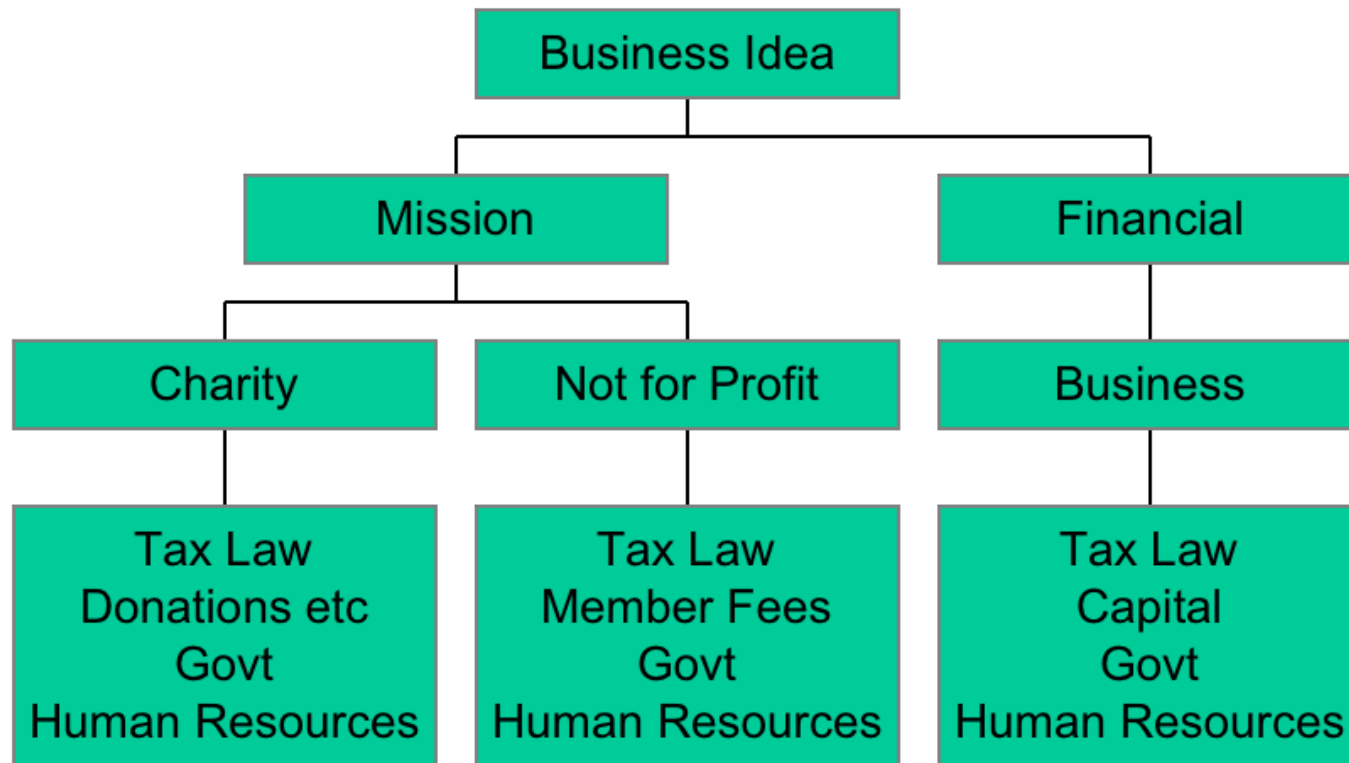
What is Social Enterprise?

What is “Social Enterprise”?

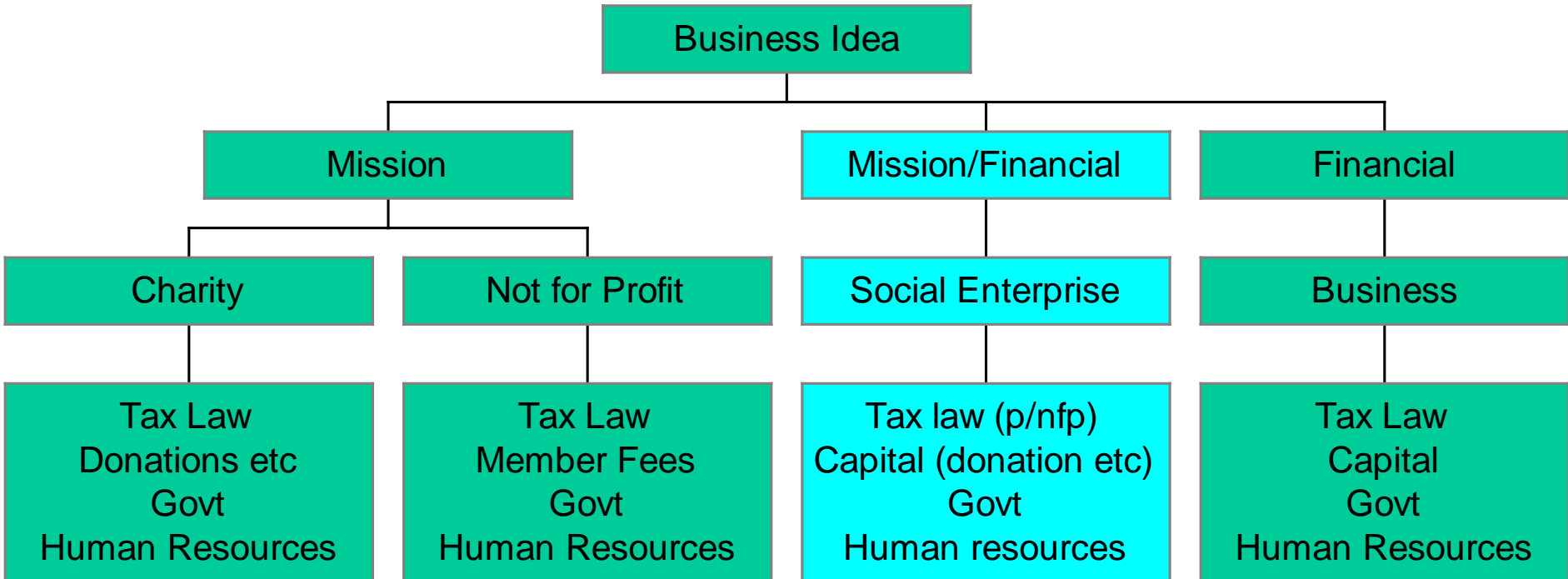


- **Social enterprise is about...**
 - Customer relationships
 - Social purpose organizations
 - Continuing operations
 - Repeat stream of customers and sales
- **Social Enterprise is NOT...**
 - A “one off” activity
 - An “event” (e.g. fundraising dinners, tag sales or auctions)

Traditional View



Social Enterprise View

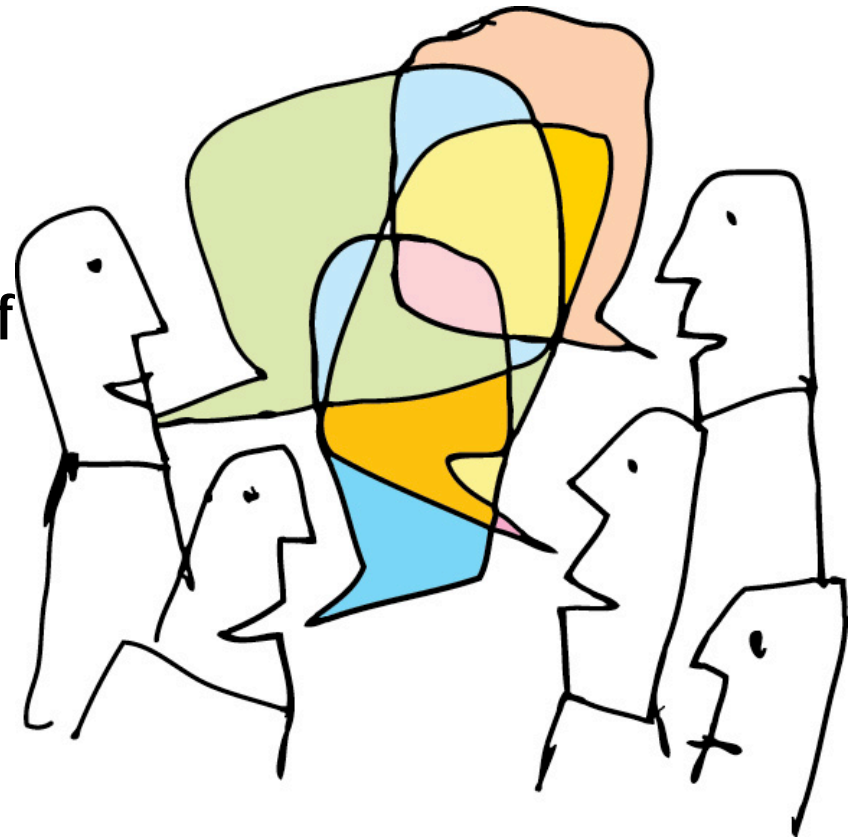




What is Social Enterprise? Some examples



- What are the benefits of Social Enterprise?
- What are the challenges of Social Enterprise?
- How have you addressed those challenges?



Why Social Enterprise?

- Advance mission
- Diversifies funding sources
- Generates unrestricted funding
- Creates an “entrepreneurial spirit”
- Enhances understanding of clients
- Adds skills and competencies to the organization
- Enhances the profile of the organization

Cautionary Notes

- Requires different capacity
- Investment costs
- Risk tolerance – failure rate
- Not a “silver bullet”



Common Myths

- The purpose of social enterprise is to make money
- The purpose of social enterprise is to employ people
- Social enterprise will distract my organization from achieving its mission
- We will lose our non-profit status
- Social enterprise is a new concept
- We will never need to fundraise again
- If we make too much money, funders will cut us off



Similarities with Private Business



- Competitive nature
- A long term endeavor
- Uncertainty and Risk
- Focus on opportunities

Differences from Private Business

- Ownership of earnings
- Avoidance of mission conflicting products
- Attitudes toward making money
- Concerns over marketing



Culture of Business Defined



What is culture?

- Values, norms, beliefs, assumptions
- Defines how people work in an organization
- The driving motivation of staff
- Incentive to encourage behaviour

Culture of Business Defined



A business-oriented organization knows what it is good at and markets this to customers who can realise value.

A business-oriented organization strives to create value for customers, and shares some of this value to help achieve its mission.

Culture of Business

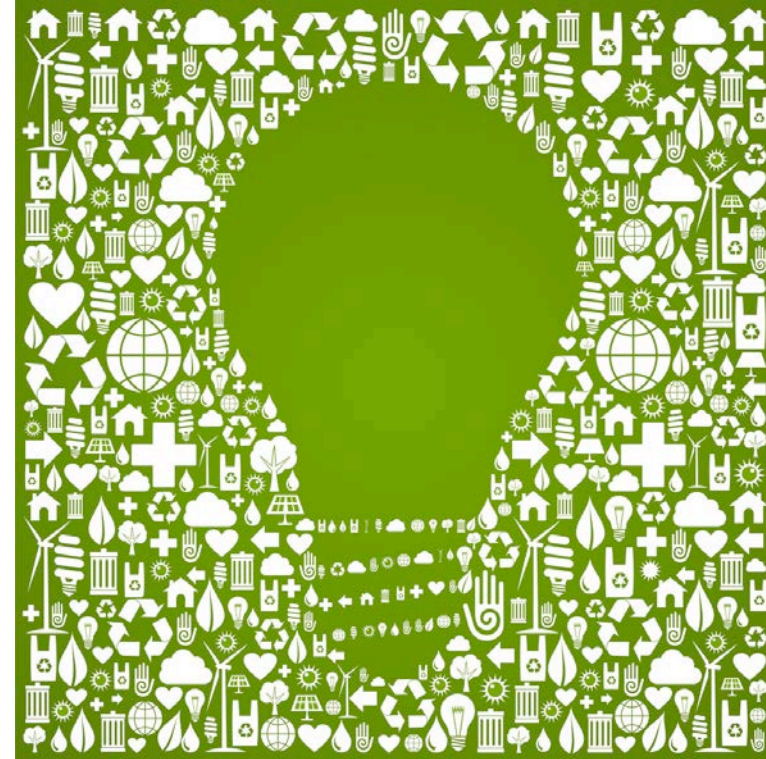
- Reflected in:
 - Strategic and business plans
 - Policies and procedures, incentives and training
 - Decision making processes
- Customer centric
- Cross marketing – deepen the relationship
- Maximize pricing or profit making/social impact
- Entrepreneurial

Being Entrepreneurial

- Create something new
- View change as the norm and as healthy
- Always searching for change
 - Responding to it
 - Exploiting it as an opportunity
- Take risks
- Constantly shift resources from lower to higher areas of productivity and yield

Sample Entrepreneurial Values

- We are client focused
- We strive for transparency and accountability
- We value effectiveness
- We embrace change and support excellence
- We are responsive to the environment



How/why do you think your organization is “ready” for social enterprise?

What areas do you think you need to address to become ready?

Organizational Readiness



- Strategy
- Governance
- Human resources
- Finances
- Operations, Products and Services
- Market perspective

Does Social Enterprise fit with your non-profit?

A good fit if your nonprofit has

- Support and encouragement from leadership
- Adequate flexibility in budget and staff time to allocate to venture activities
- Slow turnover of key personnel
- Ability to make quick decisions
- Recognition of uncertainty and long term nature of ventures

Does Social Enterprise fit with your non-profit?



A poor fit if your non-profit has

- A tight inflexible budget or an immediate funding crisis
- Overworked and stressed-out staff
- Poor support for ventures from senior staff or board
- Funders, regulators, and other key constituents who would undermine venture efforts
- Low level of innovation, risk taking or creativity
- Unrealistic expectations of a quick result

Product Development

- How do I find new opportunities?
- How do I discover if the new opportunity is any good?
- How do I make it work?

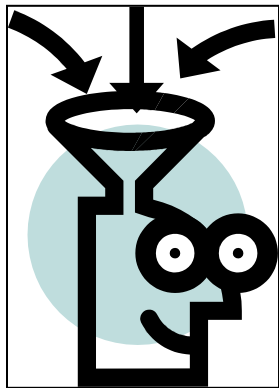
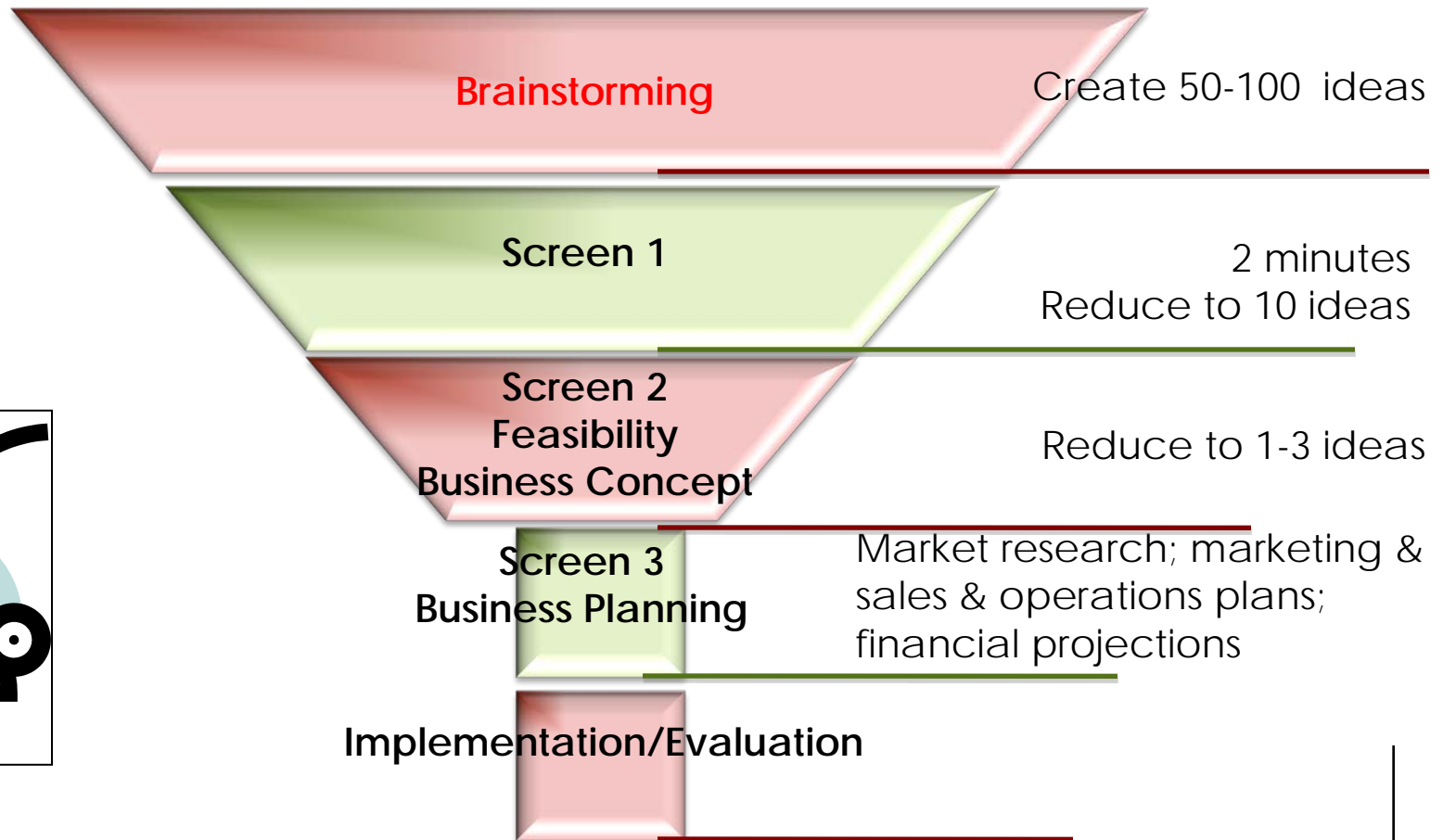
Definition of a “Good” Idea



- Meets a significant customer need – there is a market
- Return on Investment (ROI)
- Risk can be managed
- Competitive advantage
 - Price
 - Performance
- Leverages a strength/asset
- Fits with mission/values



New Product Development Funnel



Brainstorm....



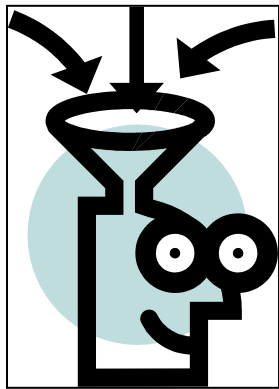
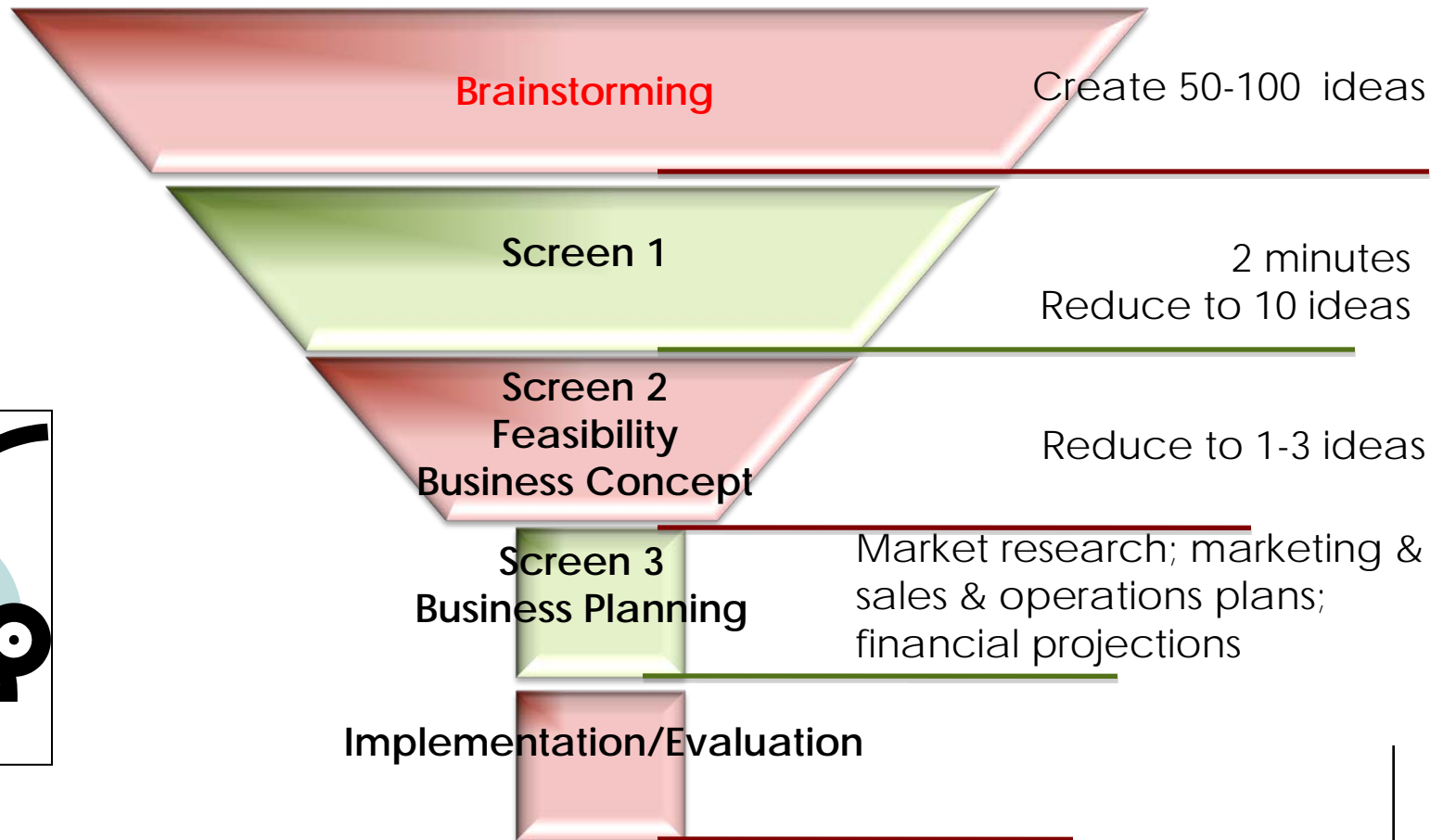


Sources of Ideas

		Customers		
		Current	New but Related	New, Unrelated
Products and Services	Current	“Increase Profits from Current Business”	“Develop New Customers”	
	New But Related	“Develop New Products”	“Diversify”	
	New - Unrelated			



New Product Development Funnel



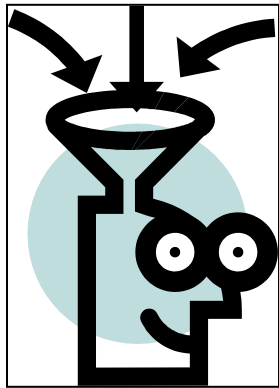
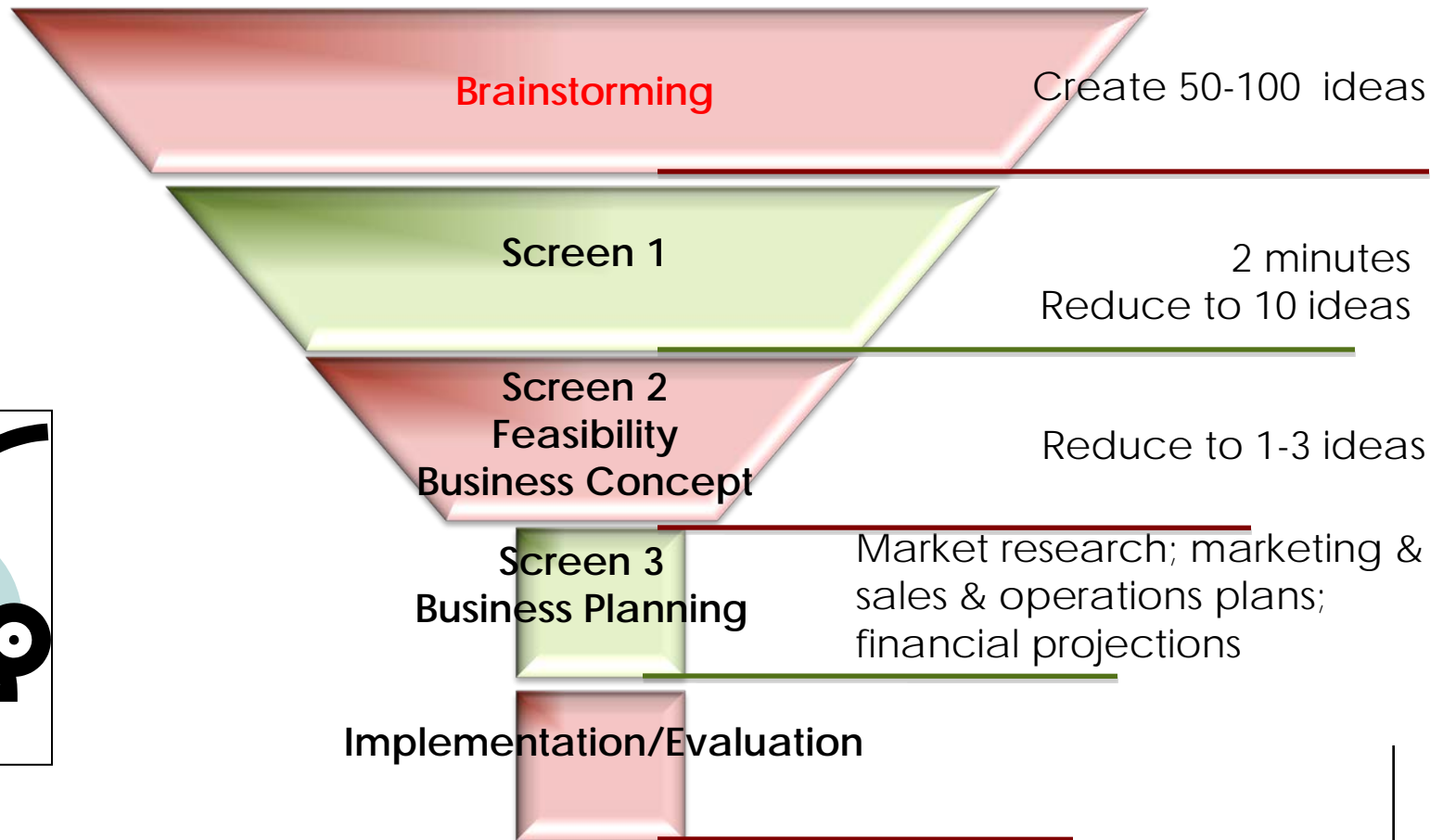
Level 1 Screening Criteria

- Does the idea further your vision, mission, values and strategic priorities?
 - 1=no, 2=partial, 3=full fit
- Is there a potential market/customer benefit?
 - 1=none, 2=some need/some customers, 3=urgent need/many customers
- Is there profit potential (by third year)?
 - 1=Breakeven, 2= \$10K-\$20K, 3=more than \$20K
- What investment is required?
 - 1=major investment (60K +) , 2=minor (up to 60K), 3 achieve with current resources
- Is there a champion?
 - 1=no, 2=neutral, 3=yes
- What is the level of risk with the idea?
 - 1 = high (not done before, not sure where get mitigation), 2 = medium (not done; have mitigation), 3 = low (done before)
- Do we have the existing skills/knowledge for this idea?
 - 1 = no, 2 = Know what skills needed, not in-house, 3 = have skills in-house.

Scoring: each idea will have a score of 7-21



New Product Development Funnel



Idea Review & Scoring

Business Potential



Business Potential

Measure	Rating			
	0	1	2	3
Level of Customer Need	Not a significant need	Need that is addressed by others reasonably well	Unmet need and strong customer base willing to pay for it	High level of unmet need amongst people with the ability to pay
Competitive Advantage	Competitive disadvantage – many other competitors are serving needs well	No significant difference from competitors	Good value proposition but could easily be matched	No other competitors, and sustainable unique solution for niche
Profit/Surplus Potential	Likely loss	\$0 - \$50,000	\$50,000 - \$100,000	\$100,000 +
Additional Investment Required	Major investment required (>\$20,000)	Moderate investment required (\$10,000-20,000)	Little investment required (<\$10,000)	Could be done with existing resources
Return on Investment Timeframe	Long payback period not justified by return	Reasonable ROI over 2 or 3 years	First year profit = first year investment	Strong positive return on investment in first year
Access to Required Start-Up Funds	Not fundable	Could be fundable but unsure of sources and or %; funding difficult to attain	Relatively easy to find funding for start-up costs, but for a smaller proportion	Very easy to get funding for start-up costs

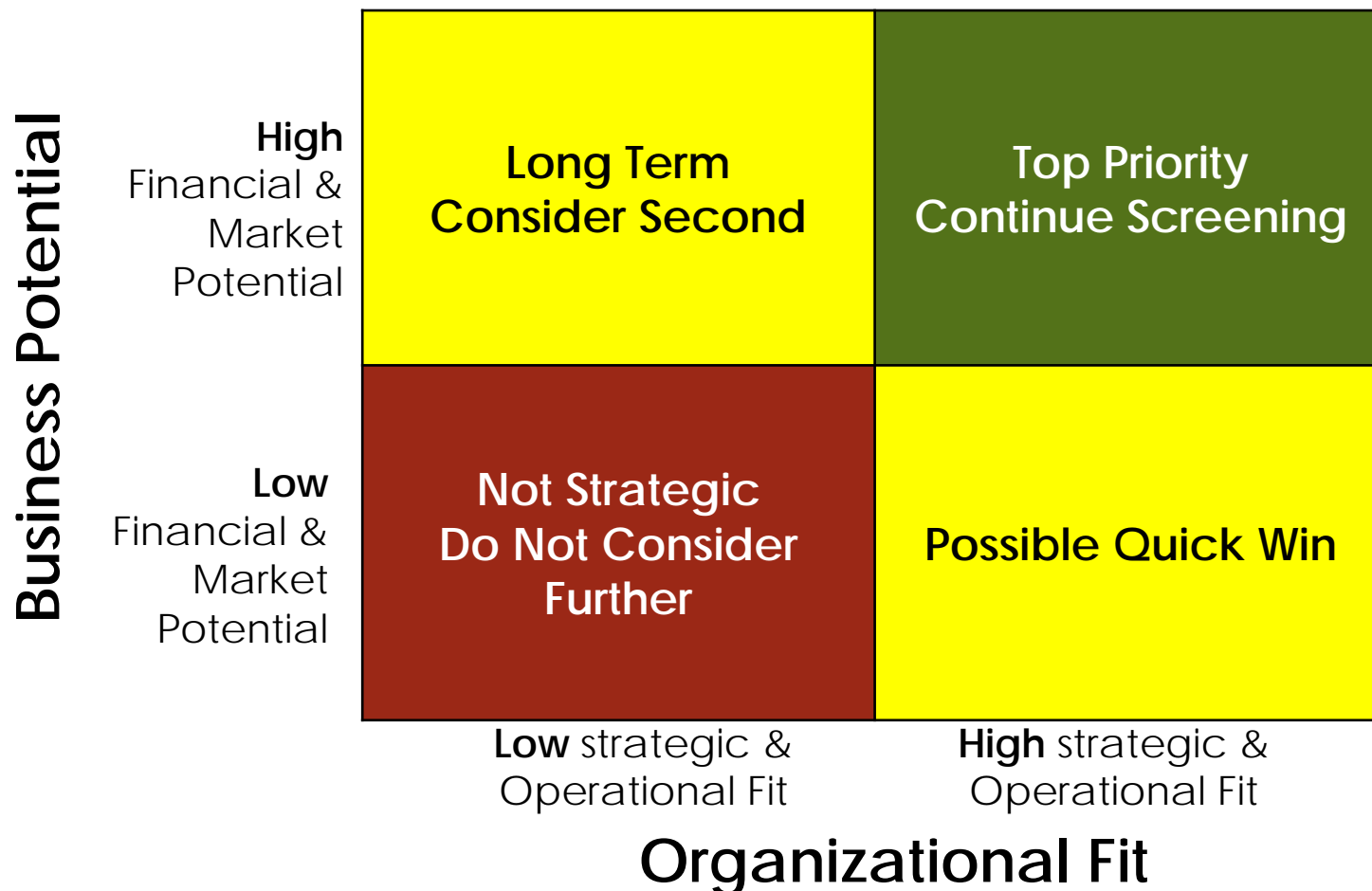
Idea Review & Scoring

Organizational Fit



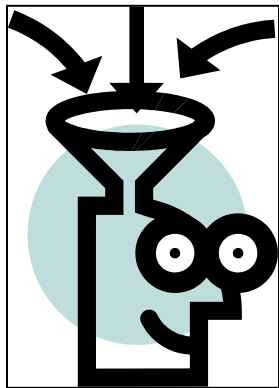
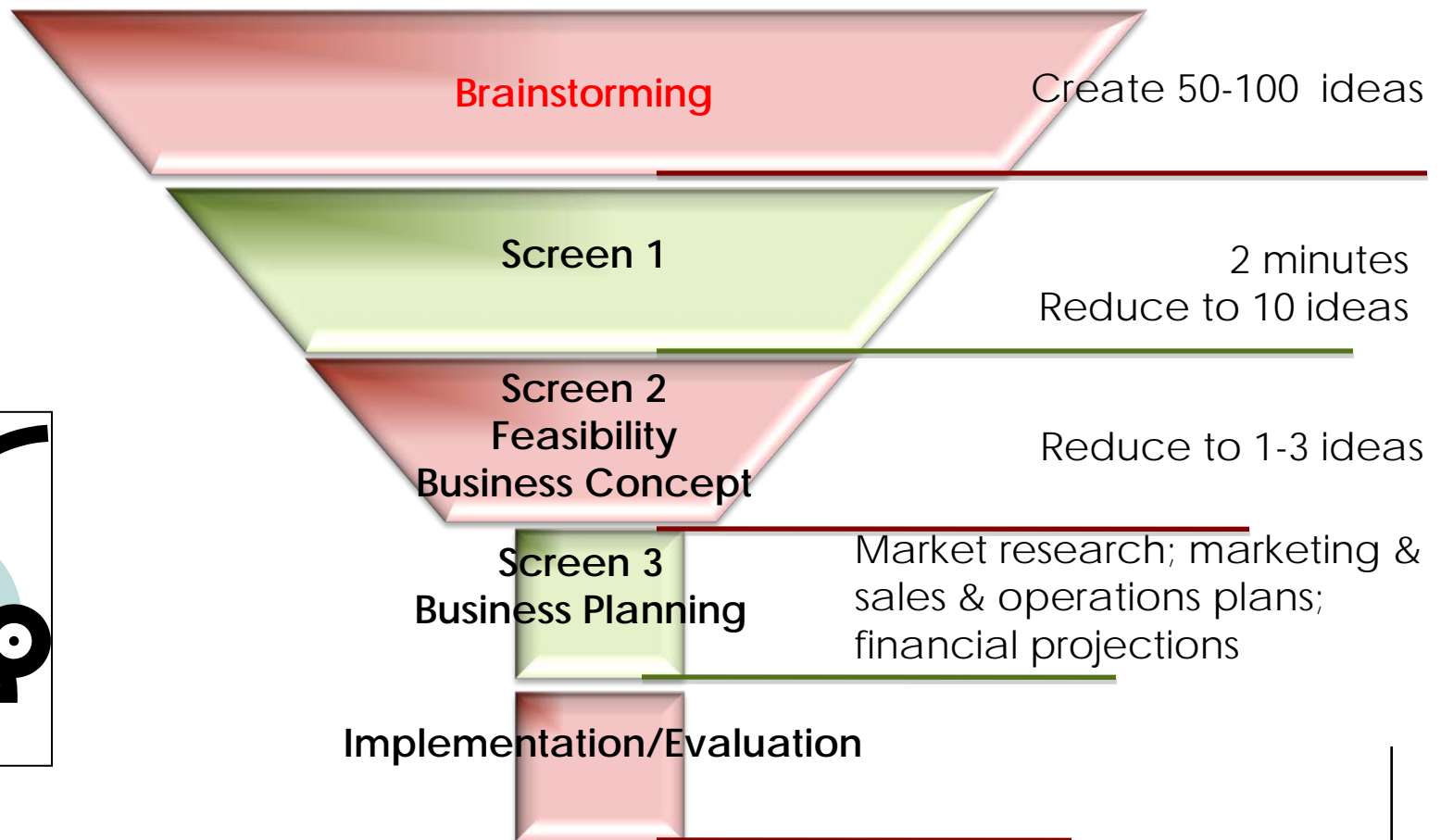
Organizational Fit				
Measure	Rating			
	0	1	2	3
Fit with Mission/Values	Does not fit with mission and values	Minimal link to mission, values and strategic priorities	Some fit with mission, values and strategic priorities	Strong fit with mission, values and strategic priorities
Social Benefit	None	Low	Medium	High
Existing Skills and Capacity	Large amount of skills missing	Skills available from partners and/or consultants	Minimal training necessary	Current employees/volunteers already have the necessary skills
Risk	High risk	Moderate risk	Manageable risk (strategies to address)	No risk
Partnership/Collaboration Opportunity	No probable partners exist			No partnership needed, or probable partners exist and are interested
Advances Org Name/Reputation/Values	Potential for negative impact	Slight increase in awareness of org	Moderate increase in awareness of org	Direct significant increase in awareness of org
Other Barriers	Significant cultural or other changes required	Some barriers which may be difficult to address	Some barriers, but likely to be able to address	No significant barriers

The Success Quadrant





New Product Development Funnel



Definition of a Good Process

- Simple
- Not onerous
- Fair and transparent
- Provides feedback
- Recognizes resources and limitations
- Encourages creativity
- Does not stifle energy
- Respects intuition, bound by logic



What makes a social enterprise successful?





Social Enterprise Success Factors

- Is consistent with mission
- Meets a significant customer need
- Has a competitive advantage
- Leverages the strengths and assets of the organization
- Has assumptions that make sense and are realistic
- Has a credible business plan
- Risk is managed and a reasonable exit strategy exists
- Has opportunities for growth
- Is not an “airline”
- Can be piloted on a small scale

Questions to Consider

- What do you want to accomplish through social enterprise? Make money? Serve clients?
- How will social enterprise further your mission?
- What level of financial risk are you willing to take on with a social enterprise/earned income venture?
- How does social enterprise fit with your strategic plan?
- Will your stakeholders support a new social enterprise initiative?
- Is the staff and board prepared to invest resources, including time, into exploring new initiatives?

Check-out

- What did you like the most about today's session?
- What was the most valuable thing you learned?
- What is one outstanding question or concern you have?



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THANK-YOU