

What is a Social Enterprise?

Social enterprise is any earned-income business or strategy undertaken by a nonprofit for the dual purpose of generating revenue and achieving the nonprofit's social mission!

BUSINESS RISKS AND CONCERNS FOR A NON PROFIT

- Damaged reputation
- Damaged Morale
- Mission Drift
- Loss of funder support
- Loss of tax exempt status!!!

THRESHOLD QUESTIONS FOR NONPROFITS

Nonprofits exploring the possibility of starting a business should first answer some fundamental questions:

- WHY...do we really want to do this?
- WHAT...are the implications?
- HOW...will we measure success?
- WHERE...are we now?
- WHO...will lead this process?
- WHEN...will we be ready to begin?

BENEFITS OF SOCIAL ENTERPRISE

- Earned income is discretionary income
- Earned income activities integrate mission and “fundraising”
- Earned income activities create new jobs & lead to an influx of talent
- Social ventures create benefits beyond revenue:
 - More powerful & diverse pursuit of mission
 - Growing public exposure and community support
 - Increased organizational efficiency & accountability

SOCIAL ENTERPRISE HURDLES

- Board understanding & support
- Lack of excess capacity
- Sources of seed capital
- Skill sets
- Strategy (identifying genuine market “pull”)
- Competition
- Infrastructure demands
- Culture

A GOOD EARNED INCOME VENTURE

Will always:

- Fit your mission
- Be feasible
- Respond to a genuine need in the market
- Build on your strengths and assets
- Energize your board members, senior managers, staff and stakeholders
- Make enough money to achieve your financial goals

TEN STEPS IN CHOOSING THE RIGHT SOCIAL ENTERPRISE

- Preliminary planning
- Create strategic framework
- Set core business strategy
- Establish screening criteria
- Brainstorm
- Apply screening criteria
- Choose finalists
- Conduct feasibility & market studies
- Select top prospects & entry strategy
- Present to board for approval

FEASIBILITY STUDY CHECKLIST

Product or service

Mission benefit

Customers

Critical Success Factors

Profitability

Market

Competition

Environmental Scan

Entry strategy

Distribution channels

Resource requirements

Intangibles

LESSONS

- Stick to the 3 C's: core competencies, capabilities, constituencies
- Hire a passionate champion
- Give him/her room (Separation Strategy)
- Calculate your maximum working capital budget and then increase it
- Don't mistake the plan for the business: be fast and flexible
- Customers care first about quality, price and delivery
- Failure to balance mission and margin leads to failure

REDUCING RISKS

- Building on what you know
- Giving priority to mission-related activities
- Reviewing options before committing to one
- Actively engaging your key stakeholders
- Testing feasibility before investing in planning and implementation
- Doing appropriate business planning
- Developing contingency plans
- Putting someone in charge of the business
- Starting small and growing as you're able
- Accounting separately for your business activities