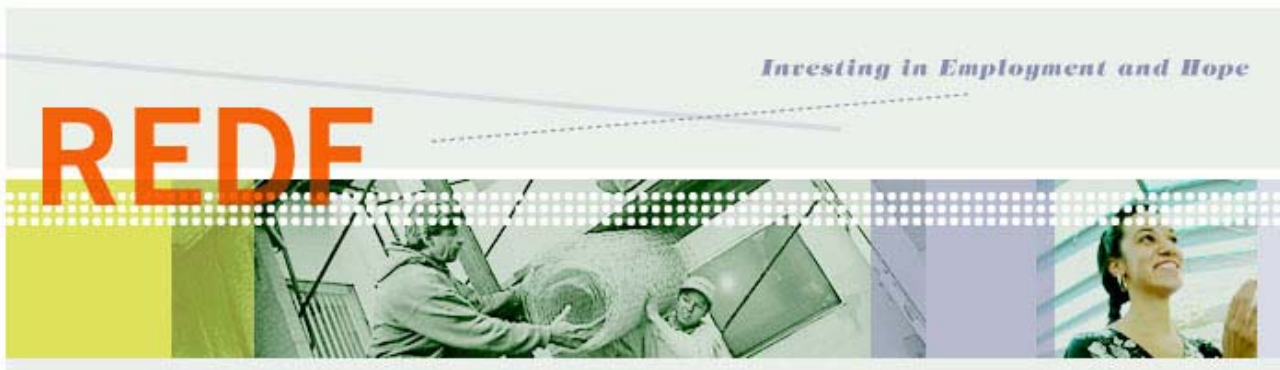


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# Social Enterprise Pre-Feasibility Assessment

*National Transitional Jobs Network  
April 1, 2008*



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**REDF**

REDF creates job opportunities and pathways to employment for people with the greatest barriers to work.



Clean City's mission is to build bridges between quality of life resources and the neighborhood groups, merchant associations, and residents that need them.



San Francisco Conservation Corps offers young people opportunities to develop themselves, their academic abilities and marketable job skills while addressing community needs through service work.

## Objective:

- A practical guide to conducting a pre-feasibility assessment

## Key Concept:

- Upfront goal setting is critical to social enterprise start-up
- The pre-feasibility assessment focuses on quickly assessing multiple business ideas to find the most promising idea(s)

## Agenda:

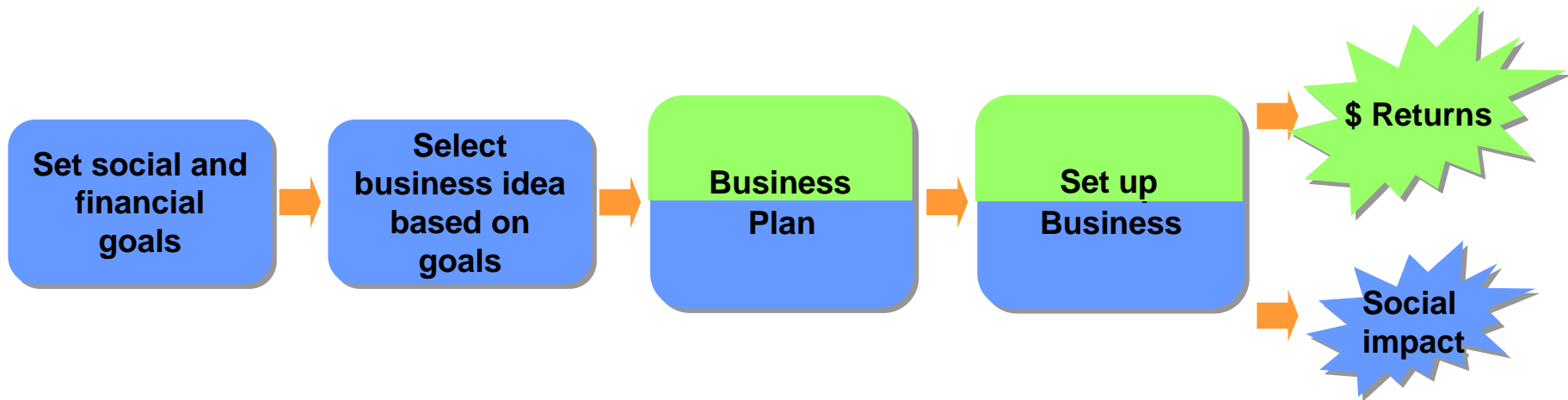
- GOAL SETTING: Why it is important and how to do it
- GETTING TO “NO”: How to identify “deal breakers” as early as possible

# Why Is Planning For A Social Enterprise Different To Planning For Any Small Business?

The desired outcome of for-profit business is already known: to make a profit



The desired outcomes of a social enterprise are not obvious and so the goals need to be established first




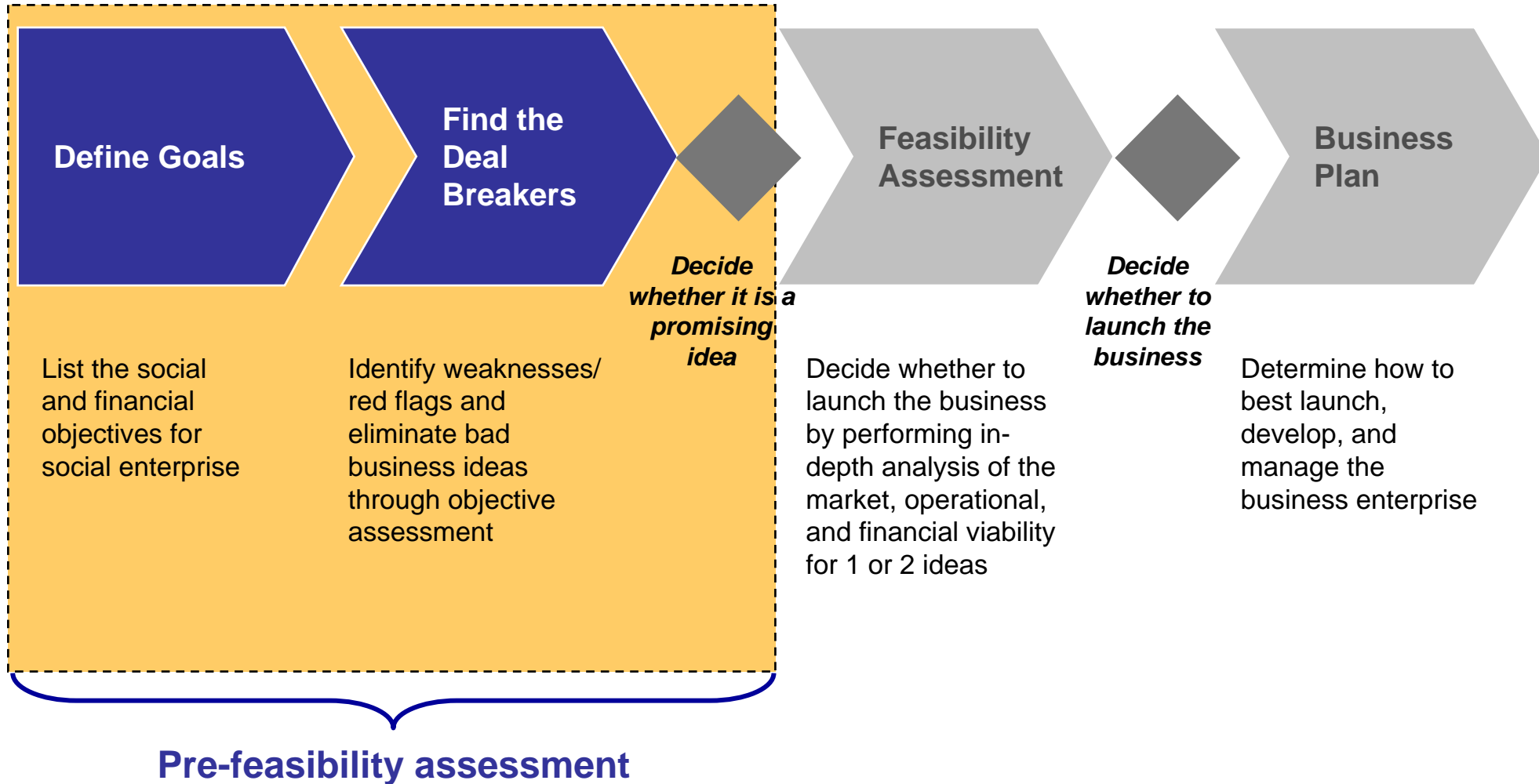
## Where Were SFCC And Clean City At The Start Of This Process?

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 <b>CLEAN CITY</b>	<b>Potential New Business Line</b>		<b>Potential Business Expansion</b>
	<p><b>Biodiesel production - for Clean City's fleet and to sell</b></p> <p>Believed that the opportunity might create employment opportunities and revenue for the agency</p> <p>Interested in the potential to train participants in alternative fuel production</p>		<p><b>Recycling buyback center on Treasure Island to serve both residents and businesses</b></p> <p>Appeared to be an untapped market with projected growth over the next ten years</p> <p>Would build on SFCC's existing skills</p> <p>Would provide new skills and experience for Corpsmembers</p> <p>Enable SFCC to build a presence in a new market with the potential for other business opportunities</p>

# How Did We Assess The Ideas?

 Focus of this session



- **Ensure agreement between stakeholders**

- Gain agreement from staff with different roles, the board and any other stakeholders on the objectives of the enterprise

- **Select a business idea and guide the business planning**

- Business ideas can be evaluated objectively using the enterprise criteria

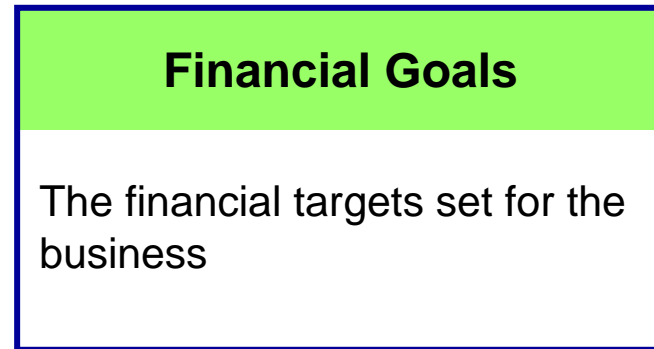
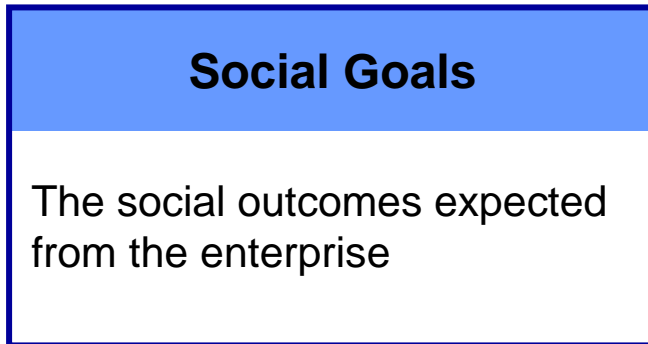
- **Guide business operations**

- Clear social and financial goals help the enterprise manager make operational decisions

- **Evaluate whether the enterprise is successful**

- Tracking financial and social metrics against initial goals shows whether the enterprise is fulfilling stakeholders' expectations

**Social enterprises have both social and financial goals**



 **These goals can co-exist but organizations need to prioritize among them.**

## What is the goal of the employment for our clients?

### Structure of Employment

- Should the employment be permanent or transitional (or a mix)?
- How long should our clients be employed for?
- Should the employment be full or part time?
- What is the minimum/ maximum number of hours clients should work?
- What is the maximum shift length?
- Should the hours be flexible or fixed?
- Are there any times when employees are unable to work? (e.g. weekends, evenings,..)

### Skills/ Work Environment

- What skill level should the entry jobs require?
- What skills should clients learn on the job?
- What sort of tasks should clients do on the job? (and what shouldn't they do)
- What stress level would clients be able to cope with?

### Wages and Promotion

- What promotion options should there be if any?
- What should the pay rate be? (hourly wage, pay increases, benefits)

### Supervision

- How much supervision will clients need?
  - How many clients per supervisor?
  - Which tasks would need supervision?

### What are the financial goals of the enterprise?

#### Financial Targets

- What is the long term financial goal of the enterprise?
- How many years can the organization support the enterprise for until the goal is achieved?
- How much money could the organization spend to subsidize losses in the first few years?

#### Start Up Costs

- How much money could the organization afford to spend to start up a new enterprise?
- Could the organization fundraise to cover the start up costs?

**Communicate specific, quantifiable goals in a simple framework**

<b>Social Goals</b>	
<i>Minimum number of transitional employees</i>	15
<i>Minimum number of permanent employees</i>	0
<i>Skills that employees must be able to learn</i>	teamwork, computer skills, communication
<i>Opportunities for career advancement</i>	At least 2 opportunities to move into supervisor roles
<i>Hours that the job must fit into for transitional employees</i>	10am - 4pm
<i>Maximum shift length for transitional employees</i>	5 hours

<b>Financial Goals</b>	
<i>Maximum start up costs</i>	\$50,000
<i>Maximum business losses per year</i>	\$20,000 in the first year, no ongoing subsidy
<i>Maximum number of months until the business breaks even</i>	12 months
<i>Minimum amount that the business must contribute to the agency</i>	The business does not need to contribute to the agency

# How Do You Use Goals To Filter Ideas?

The goals can be used to select the most promising ideas from a large number of suggested businesses

		Business Ideas														
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Social Goals	Minimum of 15 transitional employees	Doesn't meet criteria	Meets some criteria	Meets some criteria	Doesn't meet criteria	Meets criteria	Doesn't meet criteria	Meets criteria	Doesn't meet criteria	Meets some criteria	Meets criteria	Meets criteria	Meets criteria	Meets some criteria	Doesn't meet criteria	Doesn't meet criteria
	No minimum number of permanent employees	Meets criteria	Meets criteria	Meets criteria	Meets criteria	Meets criteria	Meets criteria	Meets criteria	Meets criteria	Meets criteria	Meets criteria	Meets criteria	Meets criteria	Meets criteria	Meets criteria	Meets criteria
	Employees must be able to learn team work, computer skills, communication	Meets some criteria	Meets criteria	Meets criteria	Meets criteria	Meets some criteria	Meets some criteria	Meets criteria	Doesn't meet criteria	Doesn't meet criteria	Meets criteria	Meets some criteria	Meets criteria	Doesn't meet criteria	Meets criteria	Meets criteria
	Must be at least 2 opportunities to move into a supervisor role	Meets criteria	Meets criteria	Meets criteria	Meets criteria	Meets criteria	Meets criteria	Meets criteria	Meets criteria	Meets criteria	Meets criteria	Meets criteria	Meets criteria	Meets criteria	Meets criteria	Meets criteria
	Hours for transitional employees must be between 10am and 4pm	Meets criteria	Meets some criteria	Meets criteria	Meets some criteria	Doesn't meet criteria	Meets some criteria	Meets criteria	Doesn't meet criteria	Meets some criteria	Doesn't meet criteria	Meets some criteria	Meets some criteria	Meets criteria	Meets criteria	Meets criteria
	Maximum shift length for transitional employees is 5 hours	Meets criteria	Meets some criteria	Meets some criteria	Meets criteria	Doesn't meet criteria	Meets criteria	Meets some criteria	Meets some criteria	Meets criteria	Meets some criteria	Meets criteria	Meets some criteria	Meets some criteria	Meets criteria	Meets some criteria
Financial Goals	Maximum business set up costs of \$50K	Meets some criteria	Meets criteria	Doesn't meet criteria	Doesn't meet criteria	Meets criteria	Meets some criteria	Meets criteria	Meets criteria	Doesn't meet criteria	Doesn't meet criteria	Meets some criteria	Meets some criteria	Meets criteria	Doesn't meet criteria	Meets criteria
	No business losses after the first year	Doesn't meet criteria	Doesn't meet criteria	Meets criteria	Meets criteria	Meets criteria	Meets some criteria	Doesn't meet criteria	Doesn't meet criteria	Meets some criteria	Meets criteria	Doesn't meet criteria	Meets some criteria	Meets some criteria	Meets criteria	Meets criteria
	Maximum of 12 months until the business breaks even	Meets some criteria	Doesn't meet criteria	Meets criteria	Meets criteria	Meets criteria	Meets some criteria	Doesn't meet criteria	Doesn't meet criteria	Meets some criteria	Meets criteria	Doesn't meet criteria	Meets some criteria	Meets some criteria	Meets criteria	Meets criteria
	Business does not need to contribute to the agency	Meets some criteria	Doesn't meet criteria	Meets criteria	Meets criteria	Meets criteria	Meets some criteria	Doesn't meet criteria	Doesn't meet criteria	Meets some criteria	Meets criteria	Meets some criteria	Doesn't meet criteria	Meets some criteria	Meets some criteria	Meets criteria

■ Meets criteria   
 ■ Meets some criteria   
 ■ Doesn't meet criteria

How do you decide whether to move forward with the top ideas?

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**For the top business ideas select the potential “deal breakers” in the following areas:**

**Market Opportunity**

**Operational Feasibility**

**Financial Implications**

**The key at this point is to focus on high level issues and not get into the details**



## What is the market landscape?

- What do customers need? Why are customers buying the product/service?
- Who would your competitors be? Would you be able to compete against them?
- How difficult would it be for you to enter the market?
- Is the market growing?

## Where are the best opportunities for your organization in this industry?

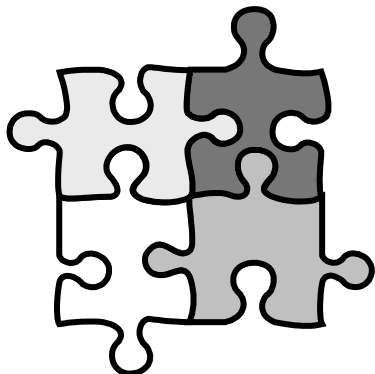
- Is there a specific niche that your organization could fill?
- Could your organization meet customers' needs in this niche?
- Could you provide the product/service better than your competitors?

## Will a business in this niche enable you to meet your social and financial goals?

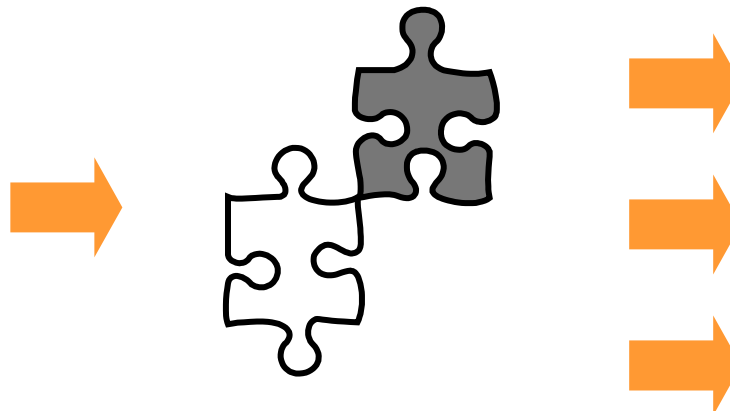
- How big is the market? (# products, annual \$ value)
- How many people can be employed in the market niche?

## Is the opportunity large enough to meet your social and financial goals?

## Capabilities Needed



## Current Capabilities



## Operational Feasibility

Organization's ability to operate business

Annual # of entry level jobs

Appropriateness of entry level jobs

### How do businesses in this industry work?

- What are the operational keys to success in this industry?
- What are operational pitfalls that a new business could face?
- How do businesses in this industry grow? (is additional labor needed as the business grows?)

### What are the current capabilities of your organization?

- Does your organization have the capabilities needed to operate this business?

### How will your social goals affect the business operations?

- Will the business operations need to be modified to fit your social criteria? Is this possible? How will this affect the success of your business?

Does your organization have the technical expertise to operate this business?

Will this business provide enough of the right type of jobs?

## Start Up Costs



**Cost Benefit  
Assessment**

**How much will it cost to set up this business?**

- Are there costs such as equipment, store fit-out, or consulting fees?

**Does the potential social impact justify the upfront investment?**

## Break Even Assessment



**Break Even  
Feasibility**

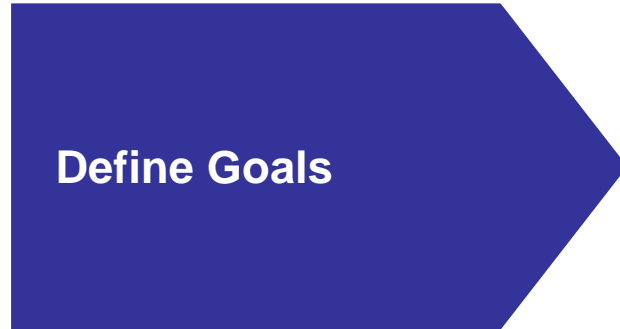
**How many units will you need to sell to cover the fixed costs?**

- What are the fixed costs of operating the business?
- What is the margin\* per unit sold?

**Could your business ever sell the break even number of units?**

# How Should You Perform a Pre-Feasibility Assessment?

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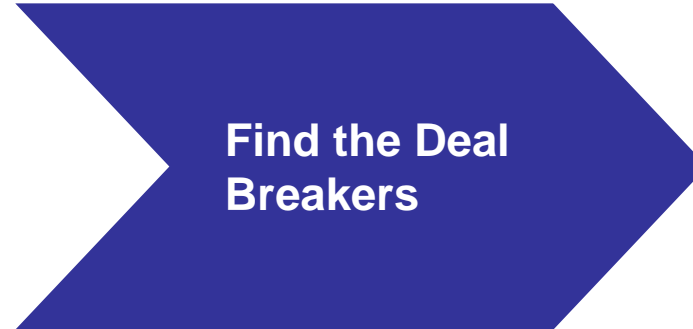
## Activities

- Meet with each stakeholder group to discuss and agree to goals
- Create venture criteria matrix to summarize key themes and findings
- Share the venture criteria with stakeholder groups



A matrix of venture criteria

## Output



- Focus on the key deal breaking questions for each idea and do further research to answer them
- Eliminate ideas that are unlikely to work



1-2 business ideas with the highest potential



***Decide  
whether it is  
a promising  
idea***

**For each set of deal breaking questions you can use a range of information sources to answer them:**

### Market Opportunity

- Interviews with potential customers
- Talking with similar social enterprises
- Interviews with industry associations
- Industry magazines
- Business directories (to understand the competitive landscape)

### Operational Feasibility

- Talking with similar social enterprises
- Visiting similar for-profit businesses
- Interviews with industry associations
- Industry magazines
- Small business associations

### Financial Implications

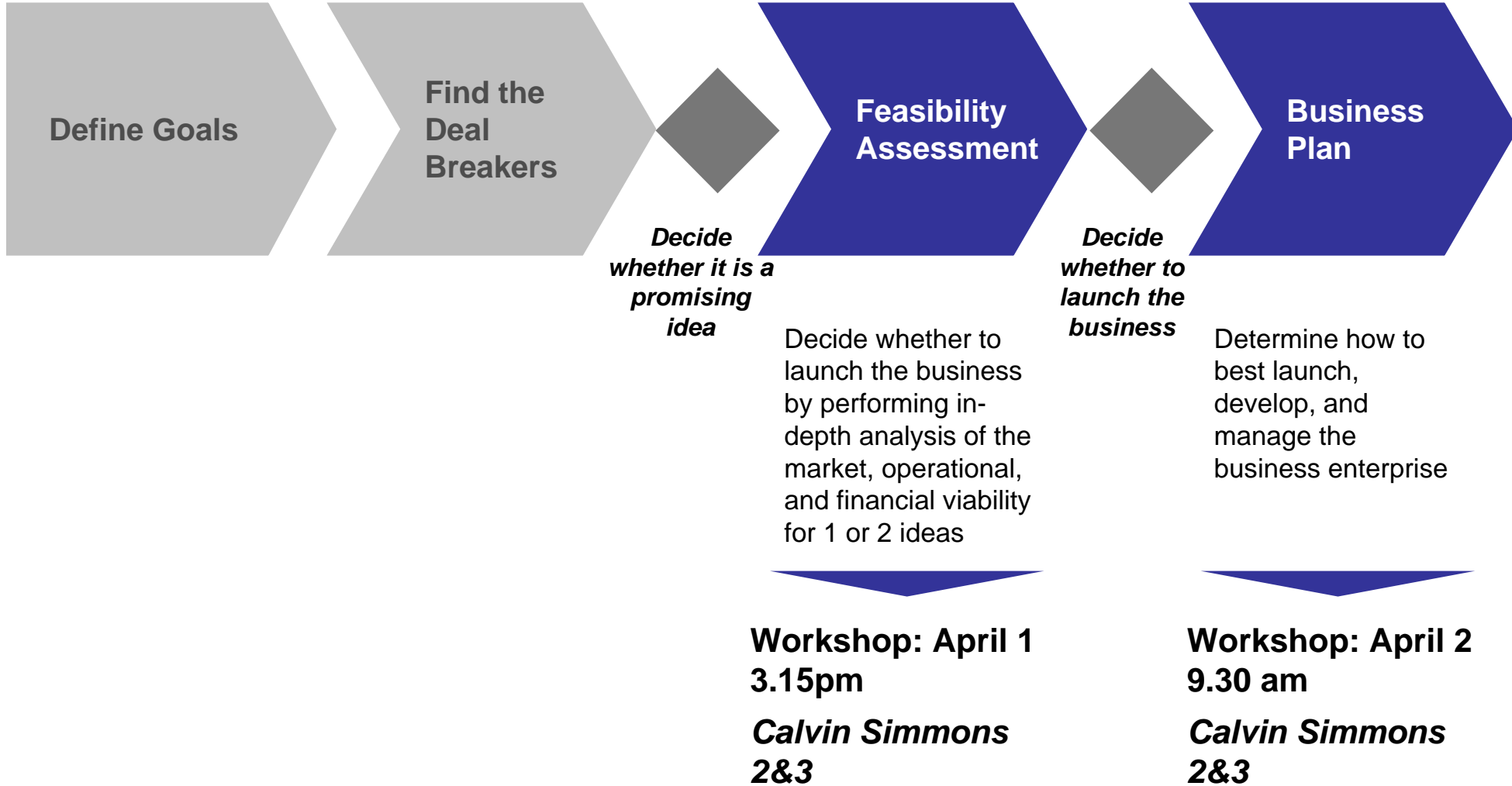
- Costs: internet research and discussions with suppliers
- Talking with similar social enterprises
- Interviews with industry associations
- Industry magazines
- Small business associations

**The REDF pre-feasibility tool\* will guide you through the process**

- This process helps an organization to focus on its priorities and clearly articulate its goals
- Analyzing an idea in this way helps you to look at the business holistically and incorporate important business factors that you might otherwise overlook
- It is not easy to be objective and to find the pitfalls in an idea that you think is brilliant
- Even if the original idea doesn't work new opportunities are often created by learning more about a business and a market

**It is better to find out an idea won't work before you invest money and management time in a new business**

**The next step is the feasibility assessment:**



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