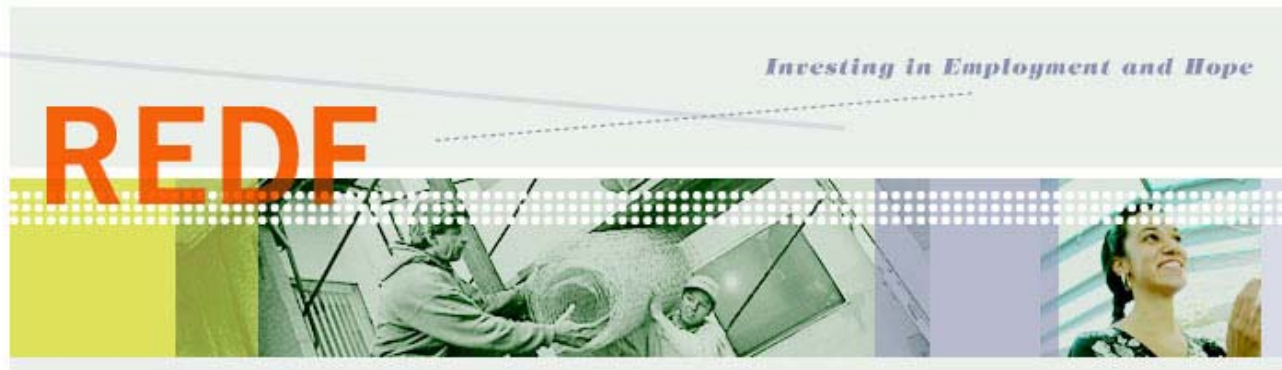

Creating A Social Enterprise Business Plan

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REDF

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



Juma Ventures empowers youth to make successful transitions to independence in adulthood, through an innovative program that integrates employment in social enterprises and essential support services. Juma was in REDF's portfolio until 2006.

Juma's social enterprises:

- Initial: three Ben & Jerry's scoop shops in SF
- Current: ballpark concessions – at-risk teens sell ice cream and coffee during games, gaining employment and job skills training
- Expansion: concessions in Oakland, Berkeley, San Diego, Washington DC


Today we will discuss:

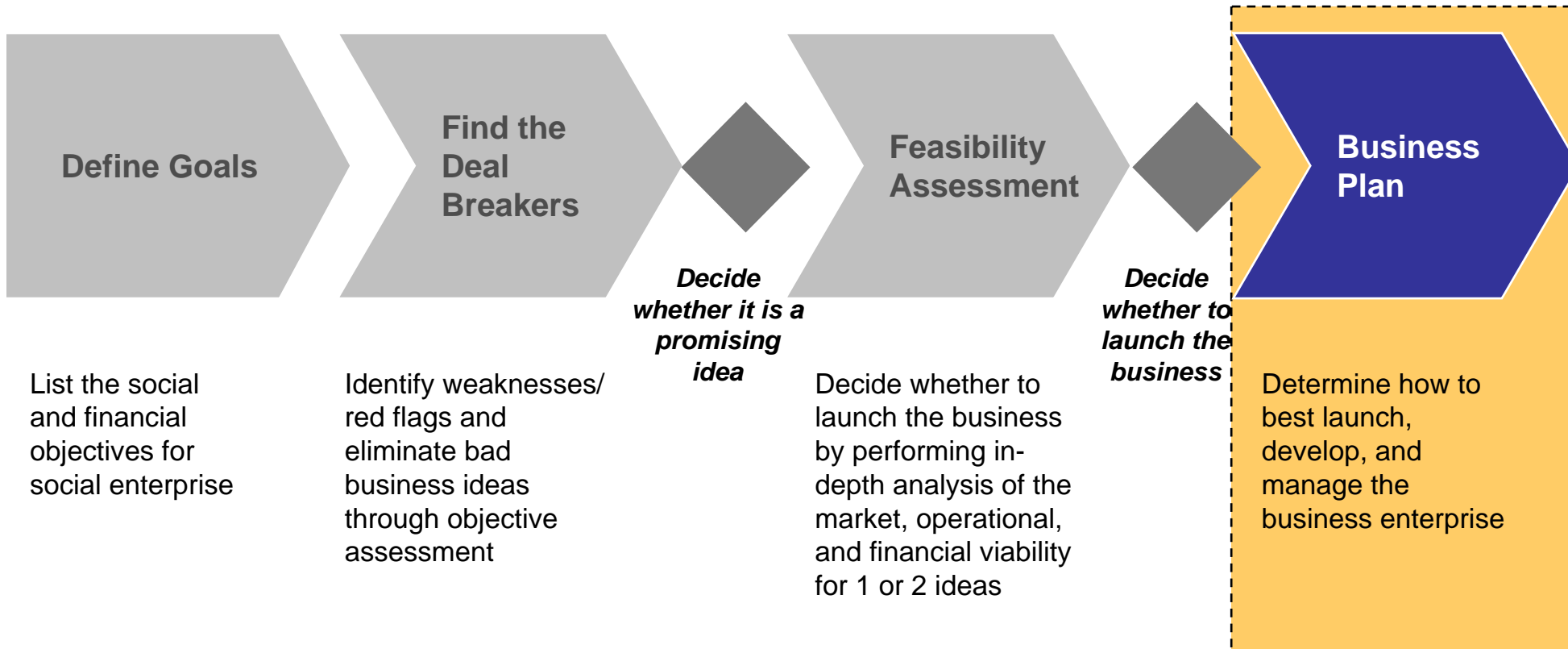
- A. PURPOSE of a social enterprise business plan
- B. ELEMENTS of a social enterprise business plan (+ Juma Ventures case examples)
- C. TECHNIQUES: tips and resources to get you started

What we won't discuss in detail (covered elsewhere, or not enough time):

- Feasibility or pre-feasibility analyses
- Definition of a social enterprise
- Financial modeling, market research

A) PURPOSE: Where the Business Plan Fits in the Social Enterprise Planning Process


 Focus of this session



The feasibility process should provide much of the raw material for the business plan

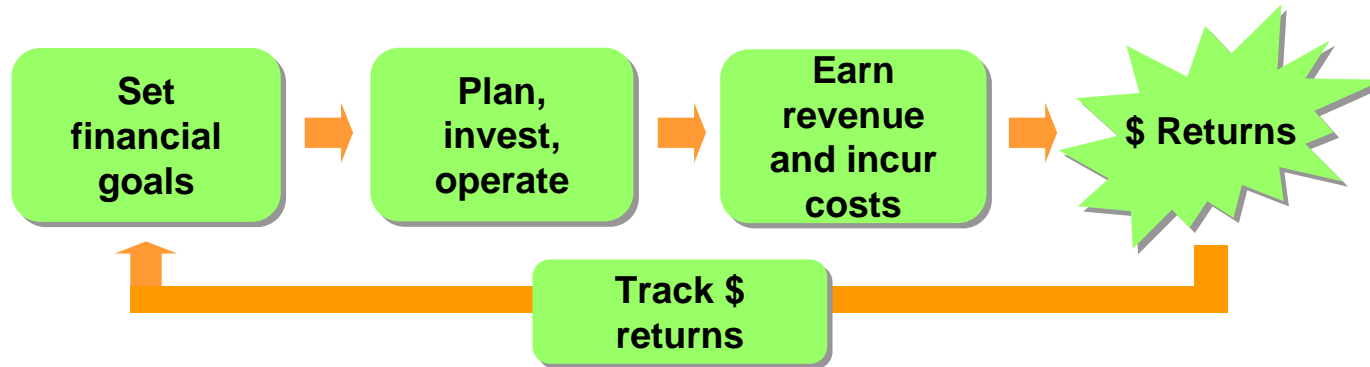
A) PURPOSE: Why Write a Business Plan For Your Social Enterprise?

Purpose	<ul style="list-style-type: none">• A business plan is a roadmap for executing your business idea:<ul style="list-style-type: none">• HOW will I start and operate my social enterprise?• The business plan comes after the feasibility process, which should have answered:<ul style="list-style-type: none">• WHY am I starting a social enterprise?• WHICH social enterprise idea is the right one?• HOW FEASIBLE is this social enterprise?
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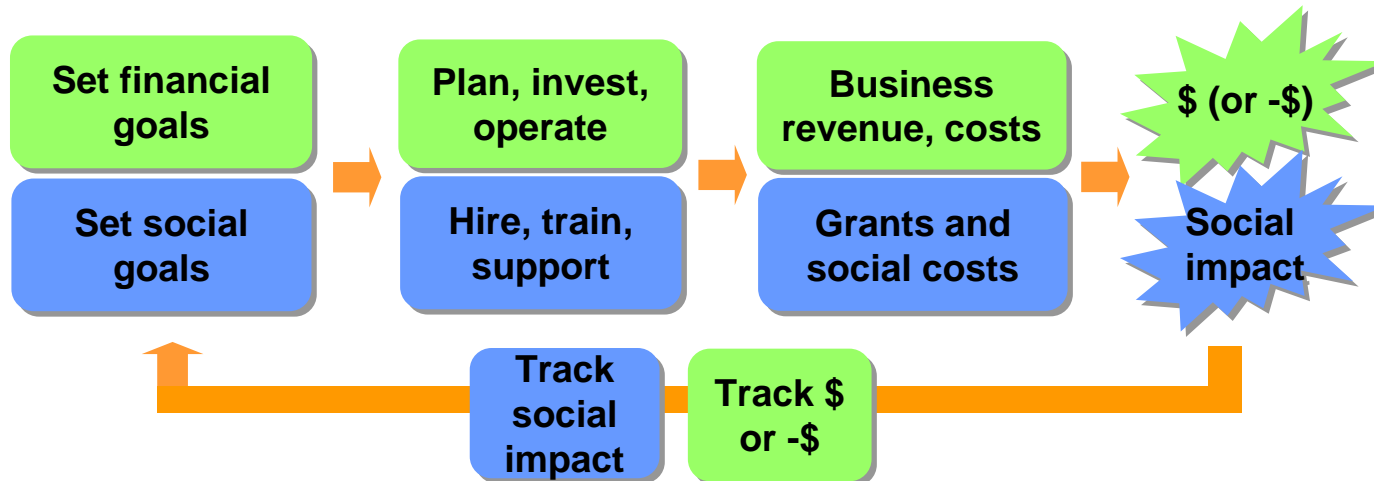
Audience	Who needs it?	Why?
	<ul style="list-style-type: none">• Potential business investors• Potential grantmakers• Executive team• Managers and supervisors	 <ul style="list-style-type: none">• Making the case for investment• Articulating how social benefit(s) will be delivered• Planning for the future• Operating the business• Delivering social benefit

A) PURPOSE: What Differentiates a Social Enterprise Business Plan?

A for-profit business plan focuses on meeting financial goals



A social enterprise business plan needs to describe how both financial and social goals will be met



B) ELEMENTS of a Social Enterprise Business Plan

1) Business description

2) Market analysis and positioning

3) Operations and technology plan


4) Marketing and sales strategy

5) Management and organization

6) Financial projection

7) Risks and mitigations

8) Implementation plan

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- Different business plans may group topics differently, but each section should answer key questions
 - Include enough detail – someone else should be able to read your plan and start your business
 - **Each element should address both business and social questions**

1) Business Description

Objective

Summarize the social enterprise in a nutshell

Key Questions: Business

- Products or services offered?
- Main selling points of products/services?
- Main customers?
- Business legal structure?
- Business requirements? (venture criteria)
 - Maximum willing to invest
 - Maximum breakeven time
 - Maximum willing to subsidize (if doesn't break even)

Key Questions: Social

- Description and mission of parent agency?
- Enterprise's strategic fit with agency?
- Social requirements? (venture criteria)
 - Target population employed?
 - How will this business help them?
 - What business environment is necessary to meet social criteria?

Example



- Ben & Jerry's scoop shops supported Juma's overall social mission, but the scale of social impact was not adequate
 - Scoop shops only employed 10-20 youth per shop
 - Concessions able to employ over 200 youth per year

2) Market Analysis and Positioning

Objective

Describe market context, and the business's position in the market

Key Questions: Business

Industry context

- Competitive landscape?
- Supplier landscape?
- Barriers to entry (e.g., regulatory)?
- Industry and economic trends?
- Geographic scope?
- Other factors (e.g., unions, seasonality?)

Market context

- Market demand for product/service – does it exist? Size of potential market?
- Competitive advantage? Potential market penetration?

Key Questions: Social

- Scope of target population employment need being addressed? Trends?
- Sourcing and placement of target population?
- How is this enterprise uniquely positioned to meet this social need? Especially compared to alternatives?
- Match between business market and social labor market (e.g., are there enough target employees able to meet demand?)

Example



- Juma must compete with for-profit vendors for ballpark concession contracts
- Juma must simultaneously compete with other non-profits for grant funding
- Juma uniquely positioned to offer long-term part-time jobs to at-risk teens age 16-19

3) Operations and Technology Plan

Objective

Describe day-to-day business operations, including what's required to set it up

Key Questions: Business

Day to day operations

- Process flows and layout?
- Planning and scheduling?
- Supply chain and purchasing?
- HR processes?
- Contract management?
- Financial and operational management?
- Benchmarks and comparison?

Capital and infrastructure

- Equipment? Facilities? Website? IT?
- Management systems (financials, operations, contracts, inventory, billing)?

Key Questions: Social

- What, if any, challenges do target population bring to daily operations? (e.g., production efficiency)
- Vice versa? (e.g. deadline pressures)
- Social outcomes: what to track and how?

Example



- Juma's expansion into new markets has required new systems (both business and social) to support this growth, including:
 - Business: improved payroll, financial reporting systems
 - Social: outcomes tracking software, donor management software

4) Management and Organization Plan

Objective

Describe who will staff the business, and how it will be organized

Key Questions: Business

Organizational charts

- Who reports to whom? Accountability?
- Crew size, supervisor-employee ratios?

Job descriptions

- Job functions?
- Job characteristics?
- Skills and experience required?
- Wages and benefits?

Recruiting and retention

- Sourcing, recruiting of target population?
- Hiring, training, support, advancement?

Key Questions: Social

- Relationship between enterprise and parent agency?
 - fundraising
 - HR, IT, finance, admin
 - programs
 - management
 - pay scales of enterprise vs agency
- Balance between business and social skills/experience when hiring managers?
- Extra staffing needed to provide social supports?

Example



- Juma's social enterprise jobs have business-specific responsibilities that are distinct from Juma's support service jobs
- Juma seeks to hire people for the role, rather than just the mission. This is challenging, given different pay scales between for-profits and non-profits

5) Marketing Plan and Sales Strategy

Objective

Describe the target customers, and how they will be reached and acquired

Key Questions: Business

Marketing plan

- Who is the target customer?
- What do they need?
- How to reach the target customer?
 - Pricing strategy?
 - Promotional strategy?

Sales strategy

- Sales process?
- Sales staff and compensation?
- Sales targets and growth rate?

Key Questions: Social

- Which customers/contracts best meet the employment needs of our target population?
- Will our social mission carry a positive or negative effect on customer purchasing decision?
- Social mission link to marketing strategy?
- Relationship between enterprise marketing and fundraising?

Example



- Challenging to balance business and social marketing:
 - To ballparks, Juma emphasizes its business success in concessions, first and foremost. Only difference is the age of its staff
 - To funders and others, Juma emphasizes its mission focus and successes
- Juma's social enterprise is a driving force for agency fundraising

6) Financial Projections

Objective

Given business plan assumptions, forecast financial performance and needs

Key Questions: Business

Profit and loss

- Revenue projections?
- Capital costs?
- Operating costs – fixed and variable?
- Biggest cost drivers?
- Break even? Under what scenarios?

Cash flow

- Timing of revenue and expenses?
- Upcoming cash flow gaps?

Balance sheet

- Debt vs equity?
- Cash balances and reserves?

Key Questions: Social

- Social cost of delivering social mission?
- Ongoing subsidy for social costs?
- Availability and stability of funding for social costs?
- Match between business commitments and funder requirements (e.g., for number of people employed)?

Example



- Juma reviews its social enterprise as a business rather than a program:
 - Agency-wide monthly reviews; P&L review after every event
- Ballpark attendance, product type/mix and product pricing are biggest variables for future financial projections

7) Risks and Mitigations

Objective

Anticipate major business and social risks, and potential mitigations for risks

Key Questions: Business

- Market risk – will customers buy?
- Competitive risk – price wars? Crowded market?
- Product risk – supplier problems?
- Execution risk – staffing, supply chain, delays?
- Capital risk – obtaining funding?
- External risks – regulatory, legal, economy?

Key Questions: Social

- What might compromise our ability to meet our social goals?
- How will social goals affect business risks?
- How to resolve conflicts between financial and social goals?

Example



Potential risks for Juma:

- Industry trends – ballparks seeking to reduce costs by hiring volunteer labor
- Funders' mandates – funders wanting to increase numbers of youth served, to the detriment of youth development or skill building
- Becoming too successful – if Juma is too profitable, less attractive to funders

8) Implementation Plan

Objective

Map out timeline of milestones, deliverables, and owners

Key Questions: Business

- Major tasks required to execute business plan?
- Linkages/dependencies among tasks?
- Start and end dates of tasks?
- Task owners?
- Major milestones?
- Major deliverables?
- Contract/business development plan?
- Key go/no-go events (e.g., funder decision?) Probability and timing of events?

Key Questions: Social

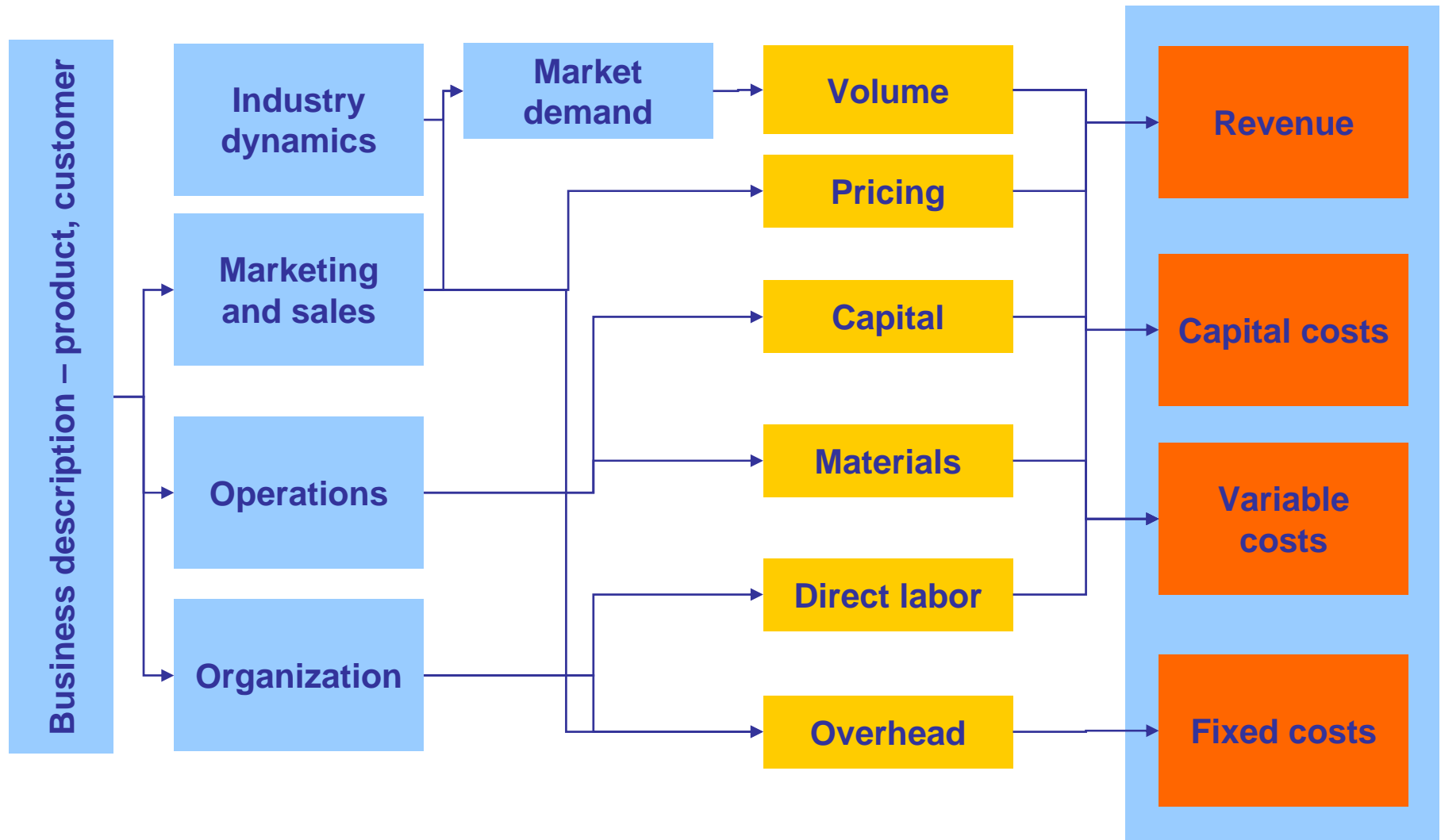
- Major additional tasks required to meet social goals?
- Fundraising plan to cover social costs?

Example



- Sequencing of ballpark expansion locations depended on three factors:
 - Operational efficiency (Oakland)
 - Strategic relationships (San Diego)
 - Being opportunistic (Washington DC)

B) ELEMENTS of a Social Enterprise Business Plan – They Are Connected In Many Ways



Elements should be consistent and fit together

Common mistakes and misconceptions to avoid:

1) ***“This isn’t breaking even... I’ll just add a salesperson to increase sales”***

- Adding a salesperson may increase revenue but will also increase costs (salary)
- Increasing sales volume will also increase costs (raw materials, labor)
- Does operations have the capacity to fulfill those orders?

2) ***“If I build this café/laundromat/dog-walking-service, they will come”***

- Make sure there is both demand for your service, and likelihood that demand will grow

3) ***“We have a business plan... it was written in 1998”***

- Like a new car, a business plan will be out of date as soon as it is done
- Revisit and revise your assumptions often

4) ***“This business will make lots of money to subsidize our programs”***

- Chances are it won’t. Majority of small businesses fail in the first 5 years, and yours is going to have extra costs!

C) TECHNIQUES: Tools and Resources to Get You Started

There are many social enterprise business planning tools available to get you started.

Templates, Software

- REDF Social Enterprise Business Plan Template – <http://www.redf.org>
- Business Plan Pro (SE Edition) – <http://www.paloalto.com/ps/bp/>

Toolkits, Publications

- Seedco: Toolkit for Developing a Social Purpose Business Plan (<http://www.seedco.org>)
- *Venture Forth!* by Rolfe Larson (book – <http://www.rolfelarson.com>)
- *Managing the Double Bottom Line* by Sutia Kim Alter (book)

Organizations, People

- Social Enterprise Alliance (<http://www.se-alliance.org>)
- Your local Small Business Development Center (SBDC)
- Local business school students

This is a reference list only - by no means meant to be exhaustive, nor is it an endorsement for any particular product or service.

Any other suggestions? Let us know!

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