

Writing the Social Venture Business Plan

Presented by
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**The Berkley Center for
Entrepreneurial Studies**

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About the Presenter

Jeffrey Robinson joined the faculty the Stern School of Business of New York University July 2003 as an Assistant Professor of Management and Entrepreneurship. He holds a B.S. in Civil Engineering and a B.A. in Urban Studies from Rutgers, The State University of New Jersey; an M.S. in Civil Engineering Management from Georgia Institute of Technology and a pending Ph.D. from Columbia University's Graduate School of Business. His dissertation, "An Economic Sociology of Entry Barriers" explores the processes and challenges of entrepreneurs and firms entering inner city markets. His findings provide fascinating insights for policy makers and practicing entrepreneurs. His work has caught the attention of the President's Commission on White House Fellowships. He was recently named a National Finalist in the prestigious White House Fellowship Program.

Mr. Robinson is committed to three aspects of community and economic development: community building, entrepreneurship and the development of social enterprises. His unique combination of experience and training has prepared him well for the research, policy making and leadership endeavors in his future. He spends much of his time these days researching entrepreneurship and community/economic development issues for urban areas. He believes that long lasting change for inner city communities is stimulated when religious institutions, community leaders and business people work together toward the common goal of community revitalization.

Mr. Robinson is a 3rd generation entrepreneur. Both his grandmother and father had active businesses in the 1980s and 1990s. Mr. Robinson has co-founded two social enterprises: MBS Enterprises, LLC and Building Community Technology (BCT) Partners. As Seniors at Rutgers University, Robinson along with his college roommates Randal Pinkett and Aldwyn Porter, developed an on-campus music retailing business that funded educational programs they presented in underserved communities. As graduate students in 2001, Pinkett, Robinson, and three other co-founders launched BCT Partners, a community technology services and consulting firm that develops affordable solutions for non-profits, foundations, corporations and government agencies that use technology to support change strategies and improve organizational effectiveness. Through BCT he has worked on numerous community technology and community building projects in the State of New Jersey, and the cities of New York, Baltimore, and Atlanta. He now serves as the Chairman of BCT's Advisory Board.

Mr. Robinson is a passionate advocate for entrepreneurship and the development of social enterprises. In 2000, he co-created the e-Commerce Development Program, an AOL funded entrepreneurship program in the Harlem, New York based community technology center named Playing2Win. By November 2001 the course he taught assisted 45 inner city entrepreneurs and small business owners in getting on-line and developing business plans used in pursuing seed funding. As a visiting doctoral fellow, he teaches entrepreneurship and business strategy to graduate, undergraduate and executive students at Loyola College's Sellinger School of Business & Management in Baltimore, Maryland. He is often called on to speak about inner city entrepreneurship and business strategy for non-profit organizations. As a result, he is in demand as a consultant and advisor to several non-profits and social enterprises in Baltimore, New York, Atlanta, and Chicago metropolitan areas.

Mr. Robinson is the son of the late Pastor Ron and Doreen Robinson of Parsippany, New Jersey. He resides in Piscataway, NJ with his wife, Valerie Mason-Robinson, formerly of Chicago, Illinois.

Key Questions for Your Social Venture

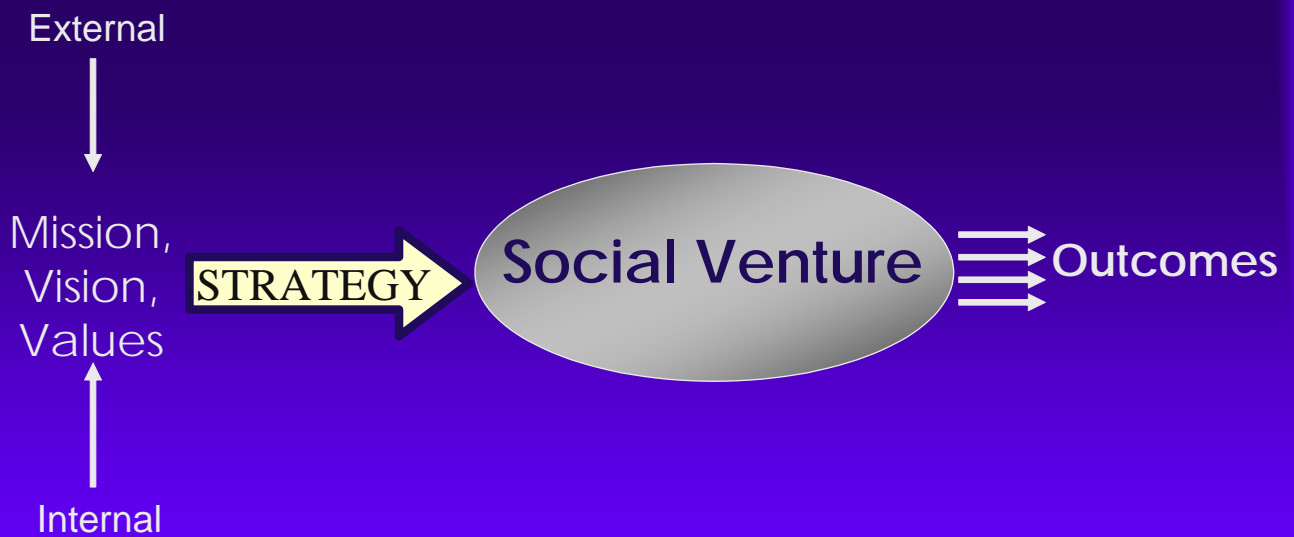
- How do you know what your clients customers, communities need? (external)
- How are your values reflected in your day-to-day operations? (internal)
 - HR Practices, Rewards, Recognitions, etc
- How do you measure *outcomes*? (external)
 - Businesses → Sales, Revenues, Profits
 - Non-profits → community change, jobs, housing, users, etc.
- What do people say about you and your services? (external)

Outcomes Oriented Organizations

1. Understand their mission
2. Know their values
3. Listen to their communities, clients, customers they serve.

What are some of the values of your social venture?

Outcomes Oriented Organizations



Two Points:

1. To have an effective venture it is important to be clear about the *mission, vision and values* that drive your venture's strategies. Strategy is the action you take toward a desired outcome.

Without a *mission* you have no reason to exist. Without a *vision*, you have no idea what the world should be when you achieve your outcomes. Without *values* you have no boundaries for your actions and activities.

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2. If your venture's *strategies* are not congruent with the other pieces of the venture the strategies will fail.

If a venture cannot implement its strategies the venture will fail.

Entrepreneurs know this intuitively (or they learn it quickly). This is why entrepreneurial thinking is critical for the 21st century organization – non-profit, for profit or social enterprises!

II

“The Questions Every Entrepreneur Must Answer”



From A. Bhide, SSRB Chapter 4

Social Entrepreneurs' Toolkit

Featuring:

- The Entrepreneurial Mindset: 7 Ways to Be an Entrepreneurial Non-Profit Director
- The Entrepreneurs Roadmap: Business Planning for Social Ventures
- Seek and You Shall Find: Three Ways to Finding the Entrepreneurial Edge

7 Ways to be an Entrepreneurial Executive Director

Create the Entrepreneurial Frame

1. Articulating the mission and the values of your organization

Make sure your people know and understand the big picture. Your organization's mission and values make these clear. Don't let them just be words on a page. Make them a part of every action and every process.

2. Setting the goal and letting people figure out how to get there.

By setting the goal you are defining what success will be for each program, process, or activity. Entrepreneurs realize that they can't do it all themselves and allow people the flexibility to achieve the organization's goals on their own. As an entrepreneurial ED you set the goal and release them to get it done.

Seek opportunities for constructive change

3. Redesigning existing offerings to serve constituents better; Transform the game or the rules of the game.

Entrepreneurs are *always* seeking new opportunities to provide their product/service better than before. Be on the look out for internal and external changes that will help you change for the better.

Focus on the Best Opportunities

4. Figure out which opportunities you should pursue

Knowing which opportunities to pursue is not an easy task. It is your job as an entrepreneurial ED to figure it out. In other words, as an entrepreneurial ED you sometimes have to take risks. Consider the mission and values of the organization, the strategic plan, the stakeholders and most importantly the clients, customers or communities you are serving and narrow the set of opportunities down to a few good ones.

Focus on the Best Opportunities - continued

5. Make a business plan

Creating a business plan may be the best way to evaluate an opportunity. (see page 19 for more)

Execute

6. Improvise as you implement

Sometimes the implementation of the plan has its problems. The entrepreneurial ED is ready to improvise as she implements. The best plans are never perfect. Some internal and external events change the nature of the opportunity. Be prepared to go off of the sheet of music and play a new song.

Entrepreneurial Leadership

7. Set the climate for opportunity exploration

The more people who are seeking opportunities for your organization to be better, the more your job will be to choose the “right” opportunities. As an entrepreneurial ED you are the one who sets the climate for exploring new ways of doing what the organization has done. Are you a warm breeze or a cold shoulder?

Adapted from *The Entrepreneurial Mindset* (McGrath and MacMillan 2001)

Question about your ventures generally arise from four different areas:

Management Team
The Opportunity
The Resources
The Financials

Your business plan is only as good as it addresses potential concerns in these areas.

14 “Personal” Questions Every Business Plan Should Answer

Adapted from *How to Write a Great Business Plan* by William Sahlman

1. Where are the founders from?
2. Where have they been educated?
3. Where have they worked and for whom?
4. What have they accomplished – professionally and personally – in the past?
5. What is their reputation within the business community?
6. What experience do they have that is directly relevant to the opportunity they are pursuing?
7. What skills, abilities, and knowledge do they have?
8. How realistic are they about the venture’s chances for success and the tribulations it will face?
9. Who else needs to be on the team?
10. Are they prepared to recruit high-quality people?
11. How will they respond to adversity?
12. Do they have the mettle to make the inevitable hard choices that have to be made?
13. How committed are they to this venture?
14. What are their motivations?

9 Questions About the Business Every Business Plan Should Answer

Adapted from *How to Write a Great Business Plan* by William Sahlman

1. Who is the new venture's customer?
2. How does the customer make decisions about buying this product or service?
3. To what degree is the product or service a compelling purchase for the customer?
4. How will the product or service be priced?
5. How much does it cost (in time and resources) to acquire a customer?
6. How will the venture reach all the identified customer segments?
7. How much does it cost to produce and deliver the product or service?
8. How much does it cost to support a customer?
9. How easy is it to retain a customer?

Questions Likely to Be Asked

Adapted from *Entrepreneurship: Strategies and Resources* by Marc J. Dollinger

Resources

What rare, valuable, hard to copy, and non-substitutable resources does the firm have, can it control or will it produce?

What community resources are available to make this venture a reality?

The Financial Projections and Returns

What are the underlying assumptions?

What are the start-up costs? What are they used for?

What are the cash flows and projected returns on the investment?

How does this firm evaluate the double bottom line?

Business Planning for Social Ventures: A High Level Outline

The Opportunity

Describe the opportunity. Why is this the time for it? Why is this the *best* opportunity? How does it fulfill the mission of the organization? What values does it represent?

Business Model

A business model describes how this business (initiative/program) will be structured to achieve the objective. It answers the questions, How will this program work and How does it sustain itself?

Product/Services/Programs

Describe them in terms of benefits to the customers, clients, communities, etc. This is different than describing them in terms of the features or marketability.

Market Analysis

Describe the trends and the patterns you see in the community, the neighborhood, the population or the city.

Describe your target audience, client, customer, community, etc.

Describe the other non-profits, agencies, or for-profits that are doing something similar. What opportunities for partnerships and alliances exist? Answer the question, what makes this effort different from others that have been done?

Market Strategy

Answer two important questions: How do we let our clients, customers, communities know about us? How do we let our stakeholders/investors know about this opportunity? Both internal and external campaigns are critical to the success of this program/initiative/ business.

Management & Operations

Describe the project/program management philosophy and determine what human resources are necessary to get it done. Provide a brief operations plan of how this will be done.

Financial Plan

Describe your basic financial assumptions about funding, staffing, usage, etc. What financial resources are needed? How do we get this money? Prepare a financial analysis of the budget and cash flow issues.

Executive Summary

Summarize your business case for pursuing this opportunity. (Try to keep this to 1 page!) Do this last but place it first.

Business Plan Outline – The Details

The following is a top-level outline for a business plan. You should feel free to adapt this outline to the specific needs and nature of your business opportunity, but be aware that you should still incorporate the key elements.

Executive Summary

(The Executive Summary should encapsulate the key points from the full plan; it should grab the reader’s attentions, and be forced on the key arguments for investors. This will serve as a foundation for your oral presentation. It should be no more than two pages, although 1 page or 1½ pages are preferable). Make sure to briefly cover the following. It will need to be written or revised a number of times – when you start the plan, when you are in the middle and again when everything is done.

- Business Concept – Mission & Vision
- Market Size and opportunity
- Product/Service Description
- Business Model (i.e. how you will make revenues and profits)
- Key Competition
- Key Points of Advantage and Difference
- Management biographies (1 paragraph)
- Financial Summary

Venture Concept

- Company Overview/History
- Description of Industry
- Product/Service/Program Overview
- Factors giving rise to opportunity
- Market opportunity and strategy to exploit it
- Industry segment and current participants
- Target addressable market and projections
- Sources of revenue (sustainability)
- Milestones
- Key drivers for success and critical assumptions

Market Analysis/Needs Assessment and Research

- Demonstration of market need
- Customer/Client/Community Base
- Market Size and Social Trends
- Target addressable market and projections
- Willingness of Customers to Pay or Philanthropists to Fund
- Value Added For Customers, Customer Benefits/Problems Solved
- Competition and Competitive Advantage
- Overall marketing and selling strategy (both to funders and to communities)
- Projected scope of program/initiative or project sales of product/services

Business Model Economics (as needed)

- Gross and Operating Margins
- Fixed and Variable Costs (administrative vs. operational)
- Cash Flow Analysis (time and money to sustainability)
- Break-even analysis (time and money to break-even)
- Product or service unit analysis (cost and profit margins)

Marketing Plan

- Strategy and positioning
- Tactics
- Pricing
- Distribution and selling
- Communication strategy (Advertising, promotion and PR)
- Implementation Strategy (Customer service, retention, warranty)

Product/Program Development

- Development Status and Next Steps
- Risk Factors
- Costs and Budget
- Opportunity Specific Issues

Operations Plan

- Operating Cycle
- How the Venture Works
- Manufacturing Process /Service Delivery/Retail Locations
- Shipping/Product Delivery
- Geographic Locations and Local Resources
- Physical Facilities and Equipment
- Human Resources (hiring, requirements, training, compensation)
- Regulatory and Legal issues
- Venture timeline and schedule

Management Team

- Organization (Chart)
- Key Management Personnel (biographies, esp. key relevant accomplishments)
- Management compensation and ownership
- Board of Directors and other advisors

Financing Requirements and Opportunity

- Start-up financings
- Use of Proceeds

Financial Projections

- 5 year summary projections
- 3 year detailed, quarterly projections
 - Balance Sheet
 - Income Statement
 - Cash Flow
 - Break-even Analysis

Appendices

- Exhibits, articles, tables, specifications, references

Resources

ON-LINE

Social Ventures Network www.svn.org

Ashoka www.ashoka.org

Inc. Magazine www.inc.com

FastCompany Magazine www.fastcompany.com

EntreWorld www.entreworld.org

Business Toolkit www.toolkit.cch.com

Google www.google.com

Social Return On Investment www.redf.org/pub_sroi.htm

ARTICLES

HBR Reprint #584X– “How to Write a Winning Business Plan” by Stanley Rich and David Gumpert

HBR Reprint – “How to Write a Great Business Plan” by William Sahlman

BOOKS

Enterprising Non-Profits. J. Gregory Dees. 2001.

The Entrepreneurial Mindset. McGrath, R. and McMillian, I. 2000.

ManagingNonprofit.org Hecht, B. and Ramsey, R. 2001

Building Communities from the Inside Out: A path toward finding and mobilizing a communities assets. Kretzman, J. and McKnight J. 1997.

Portable MBA for Entrepreneurship, 2nd Edition edited by William Bygrave

The Entrepreneurial Venture by Sahlman, Stevenson, Roberts and Bhide, 1999.

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Ways to Find the Entrepreneurial Edge in Your Organization

Somewhere between chaos and structure there is a place where opportunities are identified, evaluated and pursued; where the imagination of all the stakeholders is unleashed to fulfill the mission; where strategies are based upon the mission, values and outcomes; and where leadership energy is expended to the benefit of the people you serve. *This is the entrepreneurial edge!!*

1. **THINK like an entrepreneur**

- Never lose sight of the mission, vision, and values
- Be imaginative. Be creative.

2. **ACT like an entrepreneur**

- Conduct intelligent experimentation. There are always risks in this. Be cautious. Do your due diligence. But, remember that some level of risk is always necessary to move an organization forward.
- Seek opportunities; don't run from them.
- Implement and execute the strategies you create

3. **LEAD like an entrepreneur**

- Engage the energies of everyone inside and outside the organization
- Create a climate for opportunity exploration
- Remember, sometimes a little improvisation is necessary.

