

SOCIAL BUSINESS MODELLING
FROM IDEA TO IMPACT

AFAC IV WORKSHOP

17 AUGUST, 2022

AGENDA

- REVIEWING A SOCIAL ENTERPRISE?
- THE ENTERPRISE SPECTRUM
- WHAT FORMS CAN IT TAKE?
- CLARIFYING YOUR THEORY OF CHANGE
- CAN SELF-GENERATED REVENUE FIT INTO YOUR IMPACT MODEL?
- FINAL ADVICE

WHAT'S A SOCIAL ENTERPRISE?

- Having a **social impact** implies solving a social, cultural or environmental need that helps improve the lives of disadvantaged communities
- A **social entrepreneur** is a change agent who identifies a need in the community & works to bring positive transformation to the poor, the marginalized and those who would be otherwise locked out of opportunities
- A **social enterprise** is an organisation that applies private sector business models to advancing social goals; their fundamental goal is to contribute to society while being financially self-sufficient

WHAT'S A SOCIAL ENTERPRISE

- Social and Creative Enterprises often occupy the space **between old-school commerce and old-school charity**. What does that mean?
 - Have a clear social, cultural and/or artistic mission
 - Generate the majority of their income through trade;
 - Reinvest the majority of their profits;
 - Autonomous of the state;
 - Majority controlled in the interests of the social mission;
 - Accountable and transparent.



FINANCIAL



ENVIRONMENTAL



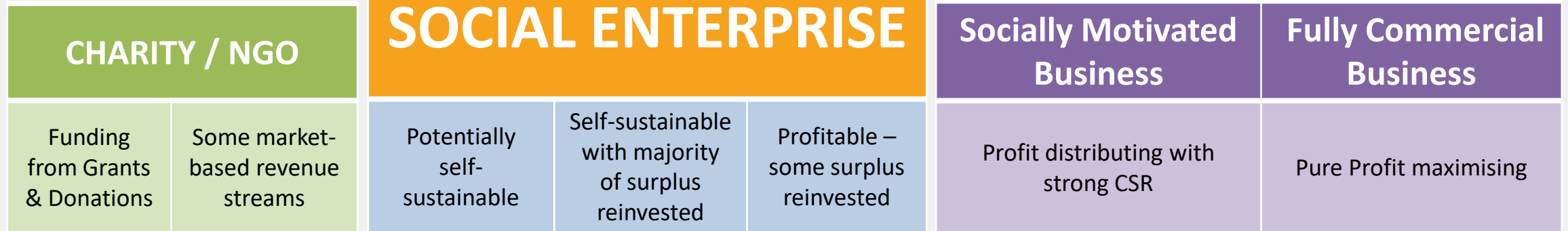
CREATIVE /
CULTURAL

THE ENTERPRISE SPECTRUM

**SOCIAL VALUE CREATION
with REVENUE GENERATION**

Primary driver is
SOCIAL VALUE CREATION

Primary driver is
FINANCIAL VALUE CREATION



- ✓ **Social impact is part of its articles of association**
- ✓ **Aims to scale its social impact**
- ✓ **Monitors & reports on its social impact**
- ✓ **& more... depending on funders or impact investors ...**

HOW CAN ENTERPRISES BE STRUCTURED?



The Profit Generator Model



The Trade-Off Model



The Lock-Step Model

THE PROFIT GENERATOR MODEL



Enterprise focuses on achieving a financial return that has no direct social impact. However, the profits from the endeavour are then reinvested into a separate social impact initiative and this is formalised in their bylaws

Example: Ben & Jerry's has a long tradition of social responsibility, particularly with respect to environmental and social endeavors. The company donated 7.5% of its pretax earnings to social causes starting in 1985.

THE TRADE OFF MODEL

Enterprise's trading activity is focused on generating a financial return AND creating social impact. The enterprise could increase its social impact by decreasing financial returns, or vice versa. In other words, there is a trade-off.



Examples: B.O.T (work with people trained up by other charities), SE Factory (would have higher rates if they can get people who graduated from computer backgrounds), ProAbled (dedicated to support the employment of persons with disabilities)

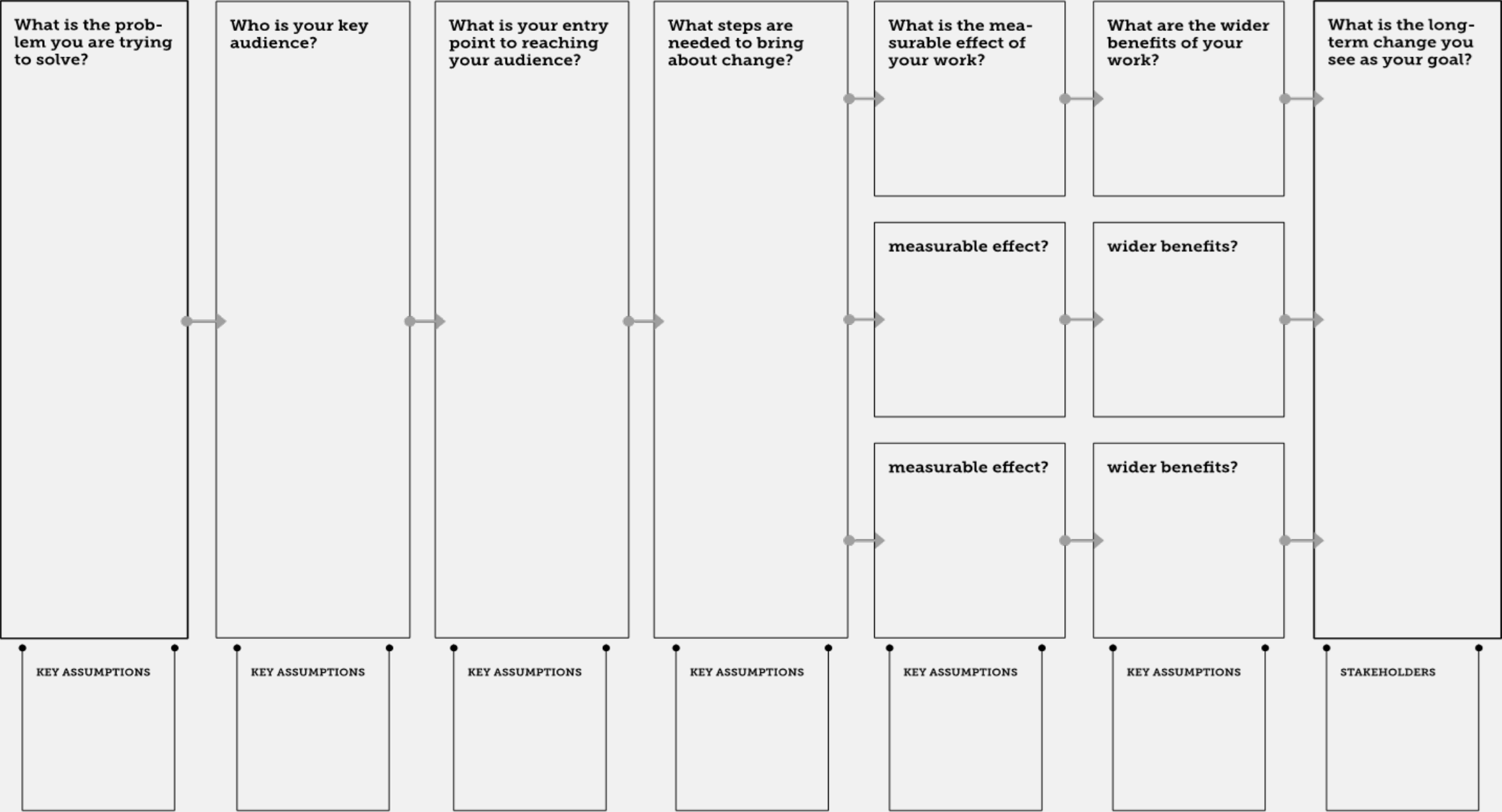
THE LOCK STEP MODEL



Social impact and the financial return are inextricably linked. If you increase your financial return, you automatically increase your social impact, as they move in parallel

Examples: NaTakallam (every dollar that they make automatically creates social impact), FabricAID (when they sell, less fabric is thrown into the bin), Abel & Cole Organic food (for every box, they donate a portion of fresh, organic fruit or veg. to those in need + less packaging and fewer chemicals)

THEORY OF CHANGE TEMPLATE



THE BUSINESS MODEL CANVAS

Key Partners

Key Activities

Value Proposition

**Customer
Relationship**

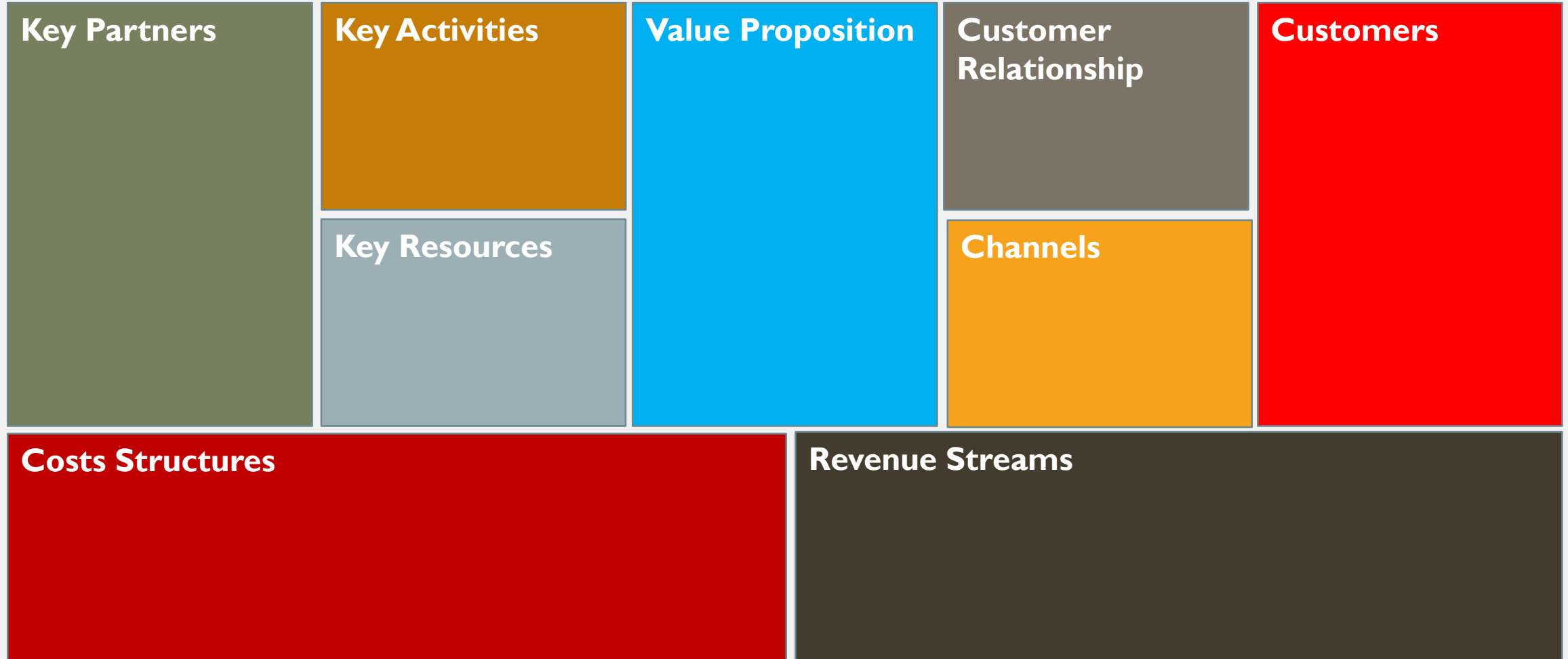
Customers

Key Resources

Channels

Costs Structures

Revenue Streams



TIME FOR A BREAK

TAKE 10 MINUTES

ROLES & RESPONSIBILITIES

- In many early stage social enterprises, it is very common for too few senior staff to take on too many responsibilities
- Often, one finds that the senior management team are working together on the same programme, and occasionally are duplicating each others work, or are waiting for one person to do something in order for them to finish their work
- A good exercise to overcome confusion in this respect is for a clear delineation of roles and responsibilities between different staff members
- To do this, we use the RACI matrix which identifies who is responsible and who is accountable for any piece of work, and who only needs to be informed or consulted

THE RACI MATRIX

ACTIVITY	<i>AFAC STAFF MEMBER</i>	<i>ALFANAR STAFF MEMBER</i>	<i>ATTENDEES</i>	<i>DONOR</i>
ACE III Training session	ACCOUNTABLE	RESPONSIBLE	CONSULTED	INFORMED

UNDERSTANDING COST RECOVERY

- A fundamental part of managing a social enterprise is understanding your costs, your income, and your cost recovery.
- Understanding your cost structure allows you to make strategic decisions on the work you do, how to mobilise the resources you have, and how to ensure that your pricing ensures your long term sustainability

UNDERSTANDING COST RECOVERY

ACTIVITY / DEPARTMENT		COST TYPE	COST
I	CREATE TRAINING VIDEOS FOR NEW CLIENT	SALARIES	\$12,000
		TRANSPORT	\$2,000
		ACTIVITY COSTS	\$14,000
		CAPITAL ASSETS	\$3,000
		RENT	\$1,000
		OVERHEAD	\$500
		Subtotal	

ACTIVITY / DEPARTMENT		REVENUE TYPE	REVENUE
I	CREATE TRAINING VIDEOS FOR NEW CLIENT	GRANT	\$20,000
		SELF GENERATED	\$10,000
		OTHER	\$500
		Subtotal	

COST RECOVERY	GRANT	SELF GENERATED REVENUE
I	CREATE TRAINING VIDEOS FOR NEW CLIENT	62%
		32%
Subtotal		94%

QUESTIONS

PLEASE ASK ANY QUESTIONS &
LETS USE YOUR
ORGANISATIONS AS EXAMPLES