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.
THE ENTERPRISE SPECTRUM

Social Value Creation with Revenue Generation

Charity / NGO
- Funding from Grants & Donations
- Some market-based revenue streams

Social Enterprise
- Potentially self-sustainable
- Self-sustainable with majority of surplus reinvested
- Profitable - some surplus reinvested

Primary driver is social value creation

Socially Motivated Business
- Profit distributing with strong CSR

Fully Commercial Business
- Pure Profit maximising

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)
TIME FOR A BREAK

TAKE 10 MINUTES
• 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
<table>
<thead>
<tr>
<th>ACTIVITY</th>
<th>AFAC STAFF MEMBER</th>
<th>ALFANAR STAFF MEMBER</th>
<th>ATTENDEES</th>
<th>DONOR</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACE III Training session</td>
<td>ACCOUNTABLE</td>
<td>RESPONSIBLE</td>
<td>CONSULTED</td>
<td>INFORMED</td>
</tr>
</tbody>
</table>
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 Costs

<table>
<thead>
<tr>
<th>Activity / Department</th>
<th>Cost Type</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>CREATE TRAINING VIDEOS FOR NEW CLIENT</td>
<td>Salaries</td>
<td>$12,000</td>
</tr>
<tr>
<td></td>
<td>Transport</td>
<td>$2,000</td>
</tr>
<tr>
<td></td>
<td>Activity Costs</td>
<td>$14,000</td>
</tr>
<tr>
<td></td>
<td>Capital Assets</td>
<td>$3,000</td>
</tr>
<tr>
<td></td>
<td>Rent</td>
<td>$1,000</td>
</tr>
<tr>
<td></td>
<td>Overhead</td>
<td>$500</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td></td>
<td><strong>$32,500</strong></td>
</tr>
</tbody>
</table>

### Activity / Department Revenue

<table>
<thead>
<tr>
<th>Activity / Department</th>
<th>Revenue Type</th>
<th>Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>CREATE TRAINING VIDEOS FOR NEW CLIENT</td>
<td>Grant</td>
<td>$20,000</td>
</tr>
<tr>
<td></td>
<td>Self Generated</td>
<td>$10,000</td>
</tr>
<tr>
<td></td>
<td>Other</td>
<td>$500</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td></td>
<td><strong>$</strong></td>
</tr>
</tbody>
</table>

### Cost Recovery

<table>
<thead>
<tr>
<th>Activity / Department</th>
<th>Grant</th>
<th>Self Generated Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>CREATE TRAINING VIDEOS FOR NEW CLIENT</td>
<td>62%</td>
<td>32%</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td></td>
<td><strong>94%</strong></td>
</tr>
</tbody>
</table>
QUESTIONS

PLEASE ASK ANY QUESTIONS &
LETS USE YOUR
ORGANISATIONS AS EXAMPLES