Exploring the Social Enterprise Business Model: How to Write a Business Plan

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Introduction

• Managers of human service organizations and programs are finding the need to increasingly behave in business-like ways. Governments are significantly cutting back support that has previously been given to human service organizations. Although charitable giving is up slightly, competition between charities and human service organizations for funding has remained strong.

• It is clear that a viable option for human service managers to use a more entrepreneurial orientation in carrying out their missions, and if done appropriately, this could result in enhanced social justice, access to services, and equality across populations of service beneficiaries.

• Human service managers must increasingly view their programs as social businesses in order to sustain high-quality services going forward.

• A business plan is a tool with which a human service manager can demonstrate to a potential funder their agency’s capacity for sustainable program management.

• A business plan can also serve as a roadmap with which the manager can launch a new social program and track its success based on milestones.
Background on Social Enterprise, Entrepreneurial Orientation, and Entrepreneurial Human Service Management

- **Social enterprise** (or social entrepreneurship) is a practice in which an entrepreneur sets out to solve some social problem by way of combining business management skills with social sector acumen to yield a sustainable enterprise that produces both financial and social returns.

- The shift toward entrepreneurship over traditional revenue-generation models is the reactionary result of increased competition for funding and the associated budget constraints in the sector.

- Entrepreneurship in the for-profit sector is a proactive process in which funding often follows it. In contrast, for nonprofit or non-governmental (NGO) human service organizations, when traditional funding dries up, entrepreneurial activity is utilized as a reactive process in order to find other revenue streams.

- Entrepreneurial activity within an organization has been conceptualized as the process by which an entrepreneur or a team of entrepreneurial leaders implement innovative ideas for new products or services. The start of this process usually begins with a business plan, which is the foundation for funding and management of the project.

- Indeed, certain human service organizations have begun to partake in entrepreneurial activity as a way to cope with the current economy. Thus, marketing plans, outcome milestones, and earned income strategies have become part of everyday business – just as they would be in a for-profit enterprise.
Components of a Business Plan

Executive Summary

The executive summary is an opportunity to make the initial sales pitch for a particular social program idea. It should be no longer than two pages. This may often be the only section that investors or funders will read. If the executive summary sparks some interest, they may read further. It is essential that the executive summary include the following components:

- Basic program concept
- Market size and opportunity
- Key competition
- The general plan to make money and achieve impact
- Brief management biographies

Venture or Program Concept

is important to understand the program concept in the context of the entire market – there must be a demonstrated and strong grasp of the industry in which the social program resides as well as knowledge of the history of the particular service and its success or failure and why it did or did not succeed. The following components should be included in this section, which should be between two and four pages in length:

- Description of program service, or product in some cases
- Description of industry
- Overview and capacity of organization
- History of program service or product
- Description of market opportunity
- Explanation of milestones: How and when will venture achieve financial and social success?
Market Analysis (Needs Assessment)

This section emphasizes on what a customer wants and is willing to pay for. Very often, this section is based on surveys and primary data collected from the prospective market. The following should be expanded upon in this section:

- Demonstration of market need
- Who are the customers (these are the clients in a traditional sense)?
- Market share, size, and trends
- Willingness of customers to pay (or investors to fund)
- Value-added, customer benefits, problems solved
- Analysis of competition
- Statement of competitive ad-vantage

Marketing Plan

In this section, the business plan must effectively explain how the idea will connect with the market and fill the market demand. To keep things simple, a concise marketing plan for a social program idea housed within a business plan document should discuss the following frameworks in two to three pages:

- **Segmentation-Targeting-Positioning (STP) Framework**
  - Segmentation – What are the various groups?
  - Targeting – Who is the target?
  - Positioning – Why is this idea the best?

- **The 4 P’s Framework**
  - Product (or service) – what is being pitched to the market?
  - Price – how much will it cost?
  - Place – where will it be offered?
  - Promotion – how will customers know about the service?

Operations Plan

What are the mechanics of the actual program? How does it work? How does the organization execute the program? These questions should be answered in about two to three pages in length, and should include the following:

- Description of how venture or program works
- Operating cycle (timeline and schedule)
- Logistics (locations, delivery of product or service, manufacturing process, etc.)
- Human resource strategy and plan for acquiring talent
- Discussion of regulatory and legal issues as necessary
Financial Plan

The financial plan section of the business plan document is probably the most important section. The financial plan section should be presented with both financial projections in the form of a spreadsheet and with a narrative explaining the numbers in the spreadsheet and how they were derived. For the initial business plan, this section should encompass two to three pages of the following key elements:

* Start-up funds required and planned use
* 5-year summary projections for new venture/program
  - Income statement
  - Statement of cash flows
  - Balance sheet

Figure 1. Sample spreadsheet with 5-year summary projections:
Management Team

It is important to investors to understand that the management team is not only entrepreneurial and innovative, but also capable of managing investments. Therefore, a business plan should include bio sketches of all of the key personnel, including the board of directors and top management team. The following is a list of what should be included in this section, which should not to exceed five pages in length:

- Biographies of key personnel
- Board of directors listing/ biographies
- Management and key personnel compensation (and ownership structure if for-profit)
- Organizational chart

Appendices

Some items that may be important to include as appendices are the following as appropriate:

- References/Bibliography
- CVs of key personnel
- Media articles
- Product specifications
- Geo-spatial mappings
- Miscellaneous charts and tables

Helpful Online Resources

Ashoka – global organization supporting and promoting the work of social entrepreneurs:
http://www.ashoka.org


Social Enterprise Alliance – membership and networking organization based in the United States: https://www.se-alliance.org

NJ Social Innovation Institute – training program and symposia sponsored by Rutgers Business School-Newark and New Brunswick: http://www.njsesummit.org
References


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Huamin Philanthropy Brochure Series - 7

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