Social Enterprise Institute
In the business of building social wealth

SOCIAL ENTERPRISE WORKSHOP CHRISTCHURCH 2014

Presenter
Lindsay Jeffs, Social Enterprise Institute & Unitec
Managed CSBEC for 24 years and its trading arm – Barefoot Accounting Group – since 1987.

Mange CCBT established in 1998 to promote social enterprise and to run several business initiatives. Currently owns a driver training school and SEI.

Governance member of COMMACT, Aotearoa, Social Audit NZ, and Social Entrepreneurs Australasia.

Completed several overseas social enterprise study trips – UK, Ireland, Canada, USA, Australia and SA.

Co-founder of NZCED Trust in 2009 to run successful CED conferences in 2010 and 2011 plus undertake research work into social enterprises in 2012/13.
Income Generating Options for NFPs

1. **Self-help and mutuality**, – **we fund ourselves** through membership, voluntary input, tithes, bring and buys etc.

2. **Charity or state funded** – **they fund us** through grants, donations, bequests etc.

3. **Exchange or trading income** – **we earn the funds** through trading activities, contracts of service, interest received, cooperatives or social enterprises
1. Grant-makers are predicting reduced funding pools.

2. Emphasis on self-help, cooperation and mutuality rather than individualism and competition.

3. Renewed interest by government (OCVS) and nfp sector peak bodies (eg. NZCOSS and )

4. Reduced risk of funder capture.

5. Assists in achieving organisational financial viability and sustainability.

6. Asset based approach to scarcity
Hybrid Spectrum

Traditional Nonprofit

Nonprofit with Income-Generating Activities

Social Enterprise

Socially Responsible Business

Corporation Practicing Social Responsibility

Traditional For-Profit

Mission Motive • Stakeholder Accountability • Income reinvested in social programs or operational costs

• Profit-making Motive • Shareholder Accountability • Profit redistributed to shareholders
A Social Enterprise is an entity with primarily social, environmental or cultural objectives whose surpluses are re-invested back into the entity, a charitable organisation or the community rather than individual owners.”

**Key Characteristics:**

1. Social, environmental, cultural or community economic development purpose
2. Engaged in trading (50% or more of its income derived from trading activities)
3. Not distributing profits to individuals
4. Holding assets and wealth in trust for community benefit
5. Independent organisation accountable to a defined constituency
Social Enterprises - Some New Zealand Examples

1. Traditional social enterprises - cooperatives, mutuals and credit unions
2. Government contracts to community initiatives - community economic development, healthcare, community recycling, energy, social housing
3. Social movements - environment, fair trade, Maori development
4. Faith based - Friendship Centre Trust, Glen Eden, Auckland, Spreydon Baptist Church, Christchurch.
5. Organisational or individual responses to social change - Wai Ora, Whalewatch
Complete the Agency Self- Assessment Questionnaire handout.

This considers:
- Basic organisational readiness
- Social enterprise readiness
- Business readiness

Score???
1. List the organisation's activities run over the last 5 years.

2. Do your organisation's activities align with your mission, culture and values?
Income Stock Take
Outline the current sources of income for your organisation

<table>
<thead>
<tr>
<th>Income Stream</th>
<th>Number of Providers</th>
<th>Funding length</th>
<th>Amount $</th>
<th>Level of Dependency</th>
<th>Importance to Achieving your organisation’s mission</th>
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<td>Low &lt;10% Medium &lt;50% High &gt;50%</td>
<td>High Low</td>
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<td>Donations</td>
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<td>Individuals</td>
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<td>Private Sector</td>
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<td>Bequests</td>
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<td>Grants</td>
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<td>Trusts and Foundations</td>
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<td>Public Sector Agencies</td>
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<td>Contracts</td>
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<td>Government/Public Sector Agencies</td>
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<td>Private Sector</td>
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<td>Trading/earned income</td>
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<td>Fees for service</td>
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<td>Trading ventures</td>
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<td>Investment income</td>
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<td>Membership fees</td>
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<td>Gifts in kind</td>
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<td>Sponsorship/cause related marketing</td>
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<td>TOTAL</td>
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# Social Economy Spectrum

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<thead>
<tr>
<th>Purely Philanthropic</th>
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<th>Purely Commercial</th>
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<tbody>
<tr>
<td><strong>Motives, Methods, Goals</strong></td>
<td>Appeals to goodwill; Mission driven; Social value</td>
<td>Mixed motives; Mission &amp; market driven; Social, environment &amp; economic value</td>
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<tr>
<td><strong>Beneficiaries</strong></td>
<td>Pay nothing</td>
<td>Subsidised rates; or mix of full payers &amp; pay nothing</td>
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<tr>
<td><strong>Capital</strong></td>
<td>Donations and grants</td>
<td>Below-market capital; or mix of donations/market</td>
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<td><strong>Workforce</strong></td>
<td>Volunteers</td>
<td>Below-market wages, or mix of volunteers &amp; paid staff</td>
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<td><strong>Suppliers</strong></td>
<td>Make in-kind donations</td>
<td>Special discounts, or mix of in-kind &amp; full-price donations</td>
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<td><strong>Application of profit</strong></td>
<td>Staff receive wages only No bonus or performance pay Surplus used to provide extra services</td>
<td>Staff paid mix of wages/salaries or on performance Some Bonus Surplus used for mix of extra services and new services development</td>
</tr>
</tbody>
</table>
Develop an Asset Map for your Organisation

**Brand**

- Physical resources:
  - eg. building, parking, equipment

- Methods:
  - eg. Training methods, intellectual property

- Human resources:
  - eg. skills of staff, Board, volunteers; specialist knowledge held by organisation

- Mission–Related Resources
  - Organisational Culture and Values
  - Successful programmes, stories, case studies, testimonials, awards

- Financial Resources:
  - eg. Investments, surplus funds, reserves, cash flow, equity

- Relational Resources:
  - eg. regular donors, friends.

- Materials:
  - eg. Course material, stock

- Other key stakeholder relationships:
  - e.g. Government/local Government politicians and officials; other NGOs; suppliers and other business contacts; other community connections; philanthropic trusts; media,

**Political clout**

**Clients**

**Purchasing power**
1. What is unique about your organisation’s assets?

2. What assets are exploitable?

3. What assets can be developed?
Organisation's Entrepreneurial Edge (Mission + Culture + Activities + People + Risk Management)

Establish your organisation's entrepreneurial edge.

1. What is your organisation’s attitude to risk?
   Determine it by considering how risk is managed from the following perspectives:
   - Policy
   - Time
   - Dollars
   - Staff
   - Board
   - Volunteers
   - Physical Assets

2. Considering your organisation’s mission, culture, activities, people and attitude to risk now establish your organisation’s entrepreneurial edge.
Based on the organisation’s assets and entrepreneurial edge list the possible income earning opportunities.
1. List the most pressing needs of either your clients or community based on either market research or a community needs analysis.

2. Based on the above and considering the organisation’s entrepreneurial edge list the possible income earning opportunities.
1. Undertake a PESTE analysis to determine the major trends happening in your local society.

2. Based on the above and considering the organisation’s entrepreneurial edge list the possible income earning opportunities.
1. List the potential business partners (not for profit organisations, private businesses or government agencies) with you may be able to work.

2. Determine whether a partnership, strategic alliance or joint venture arrangement is the most appropriate for those organisations or private firms.
1. List the top five opportunities by considering such questions as:
   - How much money could this generate?
   - How long will the idea take to implement?
   - How much time or work is required to bring the idea to fruition?
   - Will the idea build wealth or just earn income?
   - Can the idea develop using existing or new resources?

2. Prioritise (rank) the ideas
Organisation's Concept Plan

Complete the following tasks

1. Select the top business idea identified
2. Outline the organisation’s strategic goals that this business idea fulfils
3. Describe the relevant organisation strengths and weaknesses
4. Identify if any outside help is needed
5. Identified consumer or business needs that will be fulfilled
6. Product or service identified
7. Verify organisation’s ability to make or provide the product or service
8. Physical prototypes available of the product or service
9. Market identified
10. Future market identified
11. Target market identified
12. Capital costs determined
13. Organisational investment capacity determined
14. Return on investment goals defined
15. Profit goals defined
16. Ballpark of operational costs estimated
17. Sales or income goals defined
18. Timing of venture evaluated
19. Legal constraints evaluated
20. Patent or intellectual property search undertaken
21. Check ideas organisational fit
22. Review and revision performed to decide whether to undertake a business plan
Overseas Experience

- Local people acting in their own interest
- Community development investment
- Community economic measures:
  - Nothing lifts the morale from a community like the sight of redundant factories and buildings coming to life again
  - Employment provides those most excluded with a sense of dignity, motivation and, most importantly, a route map out of welfare dependency and poverty
- Community ownership of knowledge, land, buildings and resources
New Zealand Experience

- Social enterprise needs to be within the organisation’s area of expertise
- Social entrepreneurs need support (internal & external) : legitimacy
- Needs a separate legal structure
- Requires full support of the board
- Strategic alliances vital - private, government & not-for-profit
- Social entrepreneur & manager roles are distinctive
- Social entrepreneurs use business to achieve their goals
- Don’t get involved in an area that the private sector is the primary provider
New Zealand Experience (Cont)

- Rapid growth can be a big problem - securing funds and people, puts mission and values under pressure
- Focus on the market
- Establish exit points prior to commencing
- Select the right people
- Get fixed and working capital
- Work towards owning land/buildings
- Recognise social enterprise is a driver for change.
- Big picture thinking is required.
- Profitability, growth and borrowing important
- Seldom goes as planned
- Establish good trading networks
- Enjoyment and excitement are crucial.
Organisation's Viability and Sustainability

Flow of: Capital + Support + Capacity Building

Viability
- Reliable income:
  - Contracts;
  - Regular and Loyal Customers;
  - Repeat business;
  - Referrals
- Managing Expenses
- Building Financial Capacity
- Smoothing cash flows
- Partnering with other organisations

Sustainability
- Building the balance sheet:
  - Assets (Current and Fixed)
  - Endowment
  - Equity
  - Managing Liabilities

Impact and blended returns
1. Initially divided costs into three areas. Each can be funded differently
   a) Impact, support + capacity costs fund by grants
   b) Core operational / activities costs fund by contracts / fees
   c) Infrastructure (Capital Costs) funded by donations/gift

2. As the social enterprise develops the need for grant income declines and the organisation can use its assets base to attract loan funding. Consider where your organisation is on the continuum grants to contracts / fees.
Further information is available from either:

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