Rethinking Revenue: Building and Managing a Sustainable Social Enterprise

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Hello, my name is....

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• Social Impact / Social Enterprise Consultant
• Board Member, Social Enterprise Alliance – Los Angeles
• Professional Experience:
  • Director of Business Development at Homeboy Industries
  • Strategic Planning / Finance / Corporate Brand Management and Strategy at The Walt Disney Company
  • Mergers and Acquisitions Advisory Services at KPMG LLP
• Volunteer Experience:
  • Habitat for Humanity Global Village Program
  • Taproot Volunteer – Marketing and Business Development
  • Junior Achievement – Business Economics /Entrepreneurship
Introductions

- Name
- # of Years in the Nonprofit Industry
- Organization and Mission
- Role in Organization

- One word that characterizes your nonprofit
- What are you hoping to learn from today’s session?
Agenda

- What is a Social Enterprise?
- Social Enterprises in Los Angeles
- Business Considerations for a new Social Enterprise
- Logic Model Overview
- Design Thinking Process Overview
- Legal Considerations
- Different Social Enterprise Business Models
- Successes and Challenges
- Lessons Learned
- Keys to Success and Sustainability
- Creating a Sustainable Future
What is a Social Enterprise?

- Applies commercial strategies to maximize improvements in human and environmental well-being, rather than maximizing profits for external shareholders
- Can be structured as a for-profit or non-profit, and may take the form of a cooperative, mutual organization, a social business, or a charity organization

- Directly addresses social needs through products and services offered or through the number of underserved people employed
- Uses earned revenue strategies to pursue a double or triple bottom line, either alone or as a significant part of a non-profit’s mixed revenue stream
Social Enterprises in Los Angeles

- Homeboy Industries
- 360° Solutions
- Downtown Women's Center
- Chrysalis
- The Giving Keys
- L.A. Kitchen
- 3 Worlds Café
- LA Conservation Corps

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Business Considerations

• Leverage your existing strengths
  o Proven track record in food space
  o Large labor force

• Identify physical and intellectual assets

• Build your network and leverage your connections

• Understand the needs of your clients as well as the target audience (know your target market)

• Ensure that proper plans and processes are in place so that operations will run as smoothly as possible

• If entering a brand new market, conduct a market analysis so you’re aware of what the market landscape looks like, who your target audience is, who your “competitors” are
Identify Your Strengths

• Marketing/Branding
• Legal
• Strategy
• Operations
• Administrative
• Fundraising
• Strong and healthy workplace culture / human resources
• Sales
• Technology
• Social Media
• Partnerships

• Event Planning
• Volunteer Management
• Programs and Services Delivery
• Finance and Accounting
• Technical / Industry Expertise (i.e. food industry, e-commerce, etc.)
• Other: _____________________

RANK EACH ITEM ON A SCALE OF 1-5

1 = NO EXPERIENCE
5 = EXPERT
SWOT Analysis

Strengths

Weaknesses

Opportunities

Threats
Asset Mapping

- Organizational Assessment
  - What are your physical assets?
    - Capital Equipment
    - Real Estate / Location
    - Products
  - What are your intellectual assets?
    - Technical expertise
    - Access to volunteers with various skillsets
    - Staff / Board of Directors / Donors
- Community Assessment / Neighborhood Strengths
- Align other businesses with your mission
A good vision statement is....
• clear, inspirational, memorable, and concise
• very specific to your line of business
• in alignment with your organization’s core values

- What do you hope to achieve with this new social enterprise?
- What are your goals for this new line of business?
- What are you passionate about?
- What problems do you hope to solve?
- Other than building a new revenue stream, how will the creation of this social enterprise benefit your organization as a whole?
Conducting market research answers the following questions:
• Is there a market for what I am trying to do?
• What is the market size?
• How many other players are in the market?
• How much of the market share can I capture?
• What are the needs of my target market?

✓ Primary Sources
✓ Secondary Sources
✓ Qualitative Data
✓ Quantitative Data
Primary sources:
• Interviews (in person or via phone)
• Surveys/Questionnaires (online, phone, or via mail)
• Focus Groups

Secondary sources:
• Research articles/journals
• Industry related websites and reports
• News sites
• Blogs

COLLECTING QUALITATIVE AND QUANTITATIVE DATA

Qualitative Data:
• Smaller number of respondents
• Not generalizable to the whole population
• Typically used for exploratory purposes

Quantitative Data:
• Larger sample size
• Uses random sampling techniques so data is generalizable
• Typically used for conclusive purposes
Who are your competitors in this space?

Your new social enterprise

Value Proposition?

Low Quality

High Price

Low Price

High Quality
For [insert Target Market], the [insert Brand] is the [insert Point of Differentiation] among all [insert Frame of Reference] because [insert Reason to Believe].

• The point of differentiation describes how your brand or product benefits customers in ways that set you apart from your competitors.
• The frame of reference is the segment or category in which your company competes.
• The reason to believe is a statement providing compelling evidence and reasons why customers in your target market can have confidence in your value proposition / differentiation claims.
Logic Model Overview

**Inputs**

- **WHAT WE INVEST**
  - In order to accomplish our goals, we need these resources

**Activities**

- **WHAT WE DO**
  - Result in measurable deliverables within outputs

**Participation**

- **WHO WE REACH**

**Outputs**

**Short-Term**

- **SHORT TERM RESULTS**

**Medium-Term**

- **MEDIUM TERM RESULTS**

**Long-Term**

- **LONG TERM RESULTS**
Design Thinking Process

**Empathize**
Learn about the audience for whom you are designing

**Define**
Construct a point of view that is based on user needs and insights

**Ideate**
Brainstorm and come up with creative solutions

**Prototype**
Build a representation of one or more of your ideas to show to others

**Test**
Return to your original user group and test your ideas for feedback

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Legal Considerations

• **Consider incorporating to avoid risks to founders personal assets**
• An LLC (Limited Liability Corporation) is a common form for new companies to take as it’s less bureaucratic than other forms of incorporation

**Benefit Corporation**

• A legal structure similar to other forms of corporations, but with greater purpose, transparency and accountability.
• Requires directors to pursue a social mission and minimize their environmental impact while also making a profit.
• Laws make the triple bottom line into an enforceable contract. They require directors to do things, and they give shareholders enforcement power if directors fail to do them.

**Social Purpose Corporation (“Flexible Purpose”)**

• Allows designating one or more social purposes.
• Although it requires their directors to consider these social purposes when making management decisions and to issue an annual social report, it does not require them to consider their environmental impacts, hire an auditor or release the report to the public.

PLEASE NOTE: This should not be considered legal advice but rather some items to consider when starting a Social Enterprise. Seek the counsel of professional attorneys or accountants for matters specific to your situation.

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### Different Types of Business Models

<table>
<thead>
<tr>
<th><strong>Homeboy Industries</strong></th>
<th><strong>Downtown Women’s Center</strong></th>
<th><strong>Isidore Electronics Recycling</strong></th>
<th><strong>Chrysalis</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Nonprofit organization (~28 years)</strong></td>
<td><strong>Nonprofit organization (~38 years)</strong></td>
<td><strong>For profit organization (~5 years); Triple-bottom line social enterprise</strong></td>
<td><strong>Nonprofit organization (~32 years)</strong></td>
</tr>
<tr>
<td>Provides hope, training, and support to formerly gang-involved and previously incarcerated men and women, allowing them to redirect their lives and become contributing members of our community.</td>
<td>Mission is to provide permanent supportive housing and a safe and healthy community fostering dignity, respect, and personal stability, and to advocate ending homelessness for women.</td>
<td>Provides electronic recycling services to LA residents, businesses, and government organizations, while functioning as an on-the-job training and employment program for previously incarcerated Angelenos who face barriers to employment.</td>
<td>Dedicated to creating a pathway to self-sufficiency for homeless and low-income individuals by providing the resources and support needed to find and retain employment.</td>
</tr>
<tr>
<td>~$18M Revenue (~50% contributed, ~45% social enterprises, 5% government)</td>
<td>~$7.5M Revenue (53% contributed, 19% government, 4% social enterprise, 24% other)</td>
<td>~$12.8M Revenue (28% contributed, 55% social enterprises, 9% government, 8% other)</td>
<td>~12M Revenue (28% contributed, 55% social enterprises, 9% government, 8% other)</td>
</tr>
<tr>
<td>Multiple social enterprises in different industries (i.e. food-based social enterprises, silkscreen and merchandise, etc.)</td>
<td>MADE by DWC social enterprise – resale boutique and café/gift boutique which includes handmade merchandise items by the homeless and low-income women at DWC.</td>
<td>Chrysalis Enterprises founded in 1991 - provides transitional jobs in the areas of facilities management, street maintenance, admin/customer service, for clients with the greatest barriers to employment.</td>
<td></td>
</tr>
</tbody>
</table>

Note: Data from annual reports/websites of the above organizations.
Future Sustainable Growth is Dependent on Businesses

- Cap on contributed revenue over the long-term
- Fuels economic growth / creates jobs and teaches new skills to population being served
- Many possibilities as long as it is in alignment with mission
- Helpful to diversify sources of revenue

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Successes and Challenges

- Accountability
- Business
  - "DO"
- Programs
  - "LOVE"
- Quality
- Communication

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Lessons Learned

What conditions must hold true for venture to work socially, financially, and operationally?

Valid Assumptions

Scalable

Trust

“I have not failed, I’ve just found 10,000 ways that won’t work.” – Thomas Edison

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### Keys to Success and Sustainability

#### MISSION

**Asset Mapping**
- Organizational assessment
- Community assessment
- Neighborhood strengths
- Align other businesses with your mission

**Business Plan**

- **Operations**
  - Process development
  - Proper Training
  - Coaches at trainee level

- **Finance/Legal**
  - Start-up funding & reserves
  - Financial Reporting / Management Processes

- **Marketing**
  - Marketing Plan / Strategy
  - Brand Awareness
  - Strong social media presence

#### PEOPLE - FOCUSED

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Creating a Sustainable Future

- Write down your mission.
- List out your organization’s existing strengths.
- Do those strengths align with the social enterprise you are thinking of building / with the enterprise you already have?
- What is your unique value proposition? Do you have a business plan in place? If not, start developing one.
- What are the needs of your clients?
- Who is your target audience for the potential or existing social enterprise?
- List out 3-5 connections in your network or community that you can reach out to that can help propel your organization forward.
THANK YOU!

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