

Developing and Organizing a Viable Business Model

Session 2

Levitt Social Entrepreneurship Program

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Facilitators



Stages of Development

- Opportunity Identification, Clarification, and Assessment
Leads to
- Feasibility Plan (or Viability Assessment)
Leads to
- Business Plan Development

But not in a single cycle linear process: a strong venture development process will involve multiple iterations, gaining refinement from each cycle.

Opportunity Identification, Clarification and Assessment

- Who are you?
- What are your core competencies?
- What are you offering?
- To whom are you offering this?
- Why will they care?

Result: Overall Assessment of Opportunity Worth Further Exploration and Development (the “super hunch zone” from the sketch pad)

Sketching It Out: The Social Lean Canvas

<p>PURPOSE</p> <p>Clearly defined in terms of the social/environmental impact that is intended and any financial goals as well as any other key aspects of the vision. This will include the overarching problem/s that the venture will look to solve. This box is not really part of the canvas as it is not part of the business model that needs to be validated. This needs to be in place before starting on the rest of the canvas as it will serve as a set of guiding principles for the development of the business model.</p>				
<p>PROBLEM</p> <p>What are the biggest problems? Note these are specific problems faced by the customers (in customer segments) not the overarching problems that arise in the Purpose section.</p> <p><i>Existing Alternatives</i></p> <p>How are these problems currently being solved?</p>	<p>SOLUTION</p> <p>What solution will deliver the UVP/s to the different customer segments?</p>	<p>UNIQUE VALUE PROPOSITION</p> <p>What single or multiple value propositions remove the problems faced by the different customer segments?</p> <p><i>High Level Concept</i></p> <p>A one-liner explaining what your organisation does.</p>	<p>UNFAIR ADVANTAGE</p> <p>Why will this venture succeed?</p>	<p>CUSTOMER SEGMENTS</p> <p>Who do you need to move to make this business model work?</p> <ul style="list-style-type: none"> - Customers - Users - Investors/Funders - Volunteers etc <p><i>Early Adopters</i></p> <p>Which customers will move first?</p>
	<p>KEY METRICS</p> <p>What key numbers tell you whether your venture is succeeding?</p>		<p>CHANNELS</p> <p>How will you reach your customers in a scalable way?</p>	
<p>COST STRUCTURE</p> <p>How much will it cost to deliver your solution to customers at scale?</p>		<p>FINANCIAL SUSTAINABILITY</p> <ol style="list-style-type: none"> 1. Traditional Revenue Model - ongoing income, e.g. customers paying for your product/service, ongoing donations etc. 2. Funding Model - individuals or organisations contributing initial capital (also include the ownership structure proposed for this venture) 		
		<p>IMPACT</p> <p>What social or environmental impact will result and who are the beneficiaries? Including defined metrics for how these outcomes will be measured (these assumptions will be validated (and potentially pivoted on) like every other part of the business model).</p>		



V1.04 Available at www.socialleancanvas.com

Social Lean Canvas is adapted from The Lean Canvas, from leanbusinessmodel.com and is licensed under the Creative Commons Attribution Share Alike 3.0 Unported License.

Social Lean Canvas: Sequence

- Purpose
- Problem (existing alternatives?)
- Customer Segments (early adopters?)
- Unique Value Proposition (high-level concept?)
- Solution
- Channels
- Financial Sustainability
- Cost
- Key Metrics
- Unfair Advantage
- Impact (long term)

The Cascade of Strategic Choices

THE CASCADE OF STRATEGIC CHOICES:



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Social Venture Planning

In other words, social venture planning is the process by which we plan and articulate how we will integrate

- *Money*
- *Market*
- *Management*

To successfully deliver social value & impact

BUT...The Opportunity for Social Impact Is Not Enough



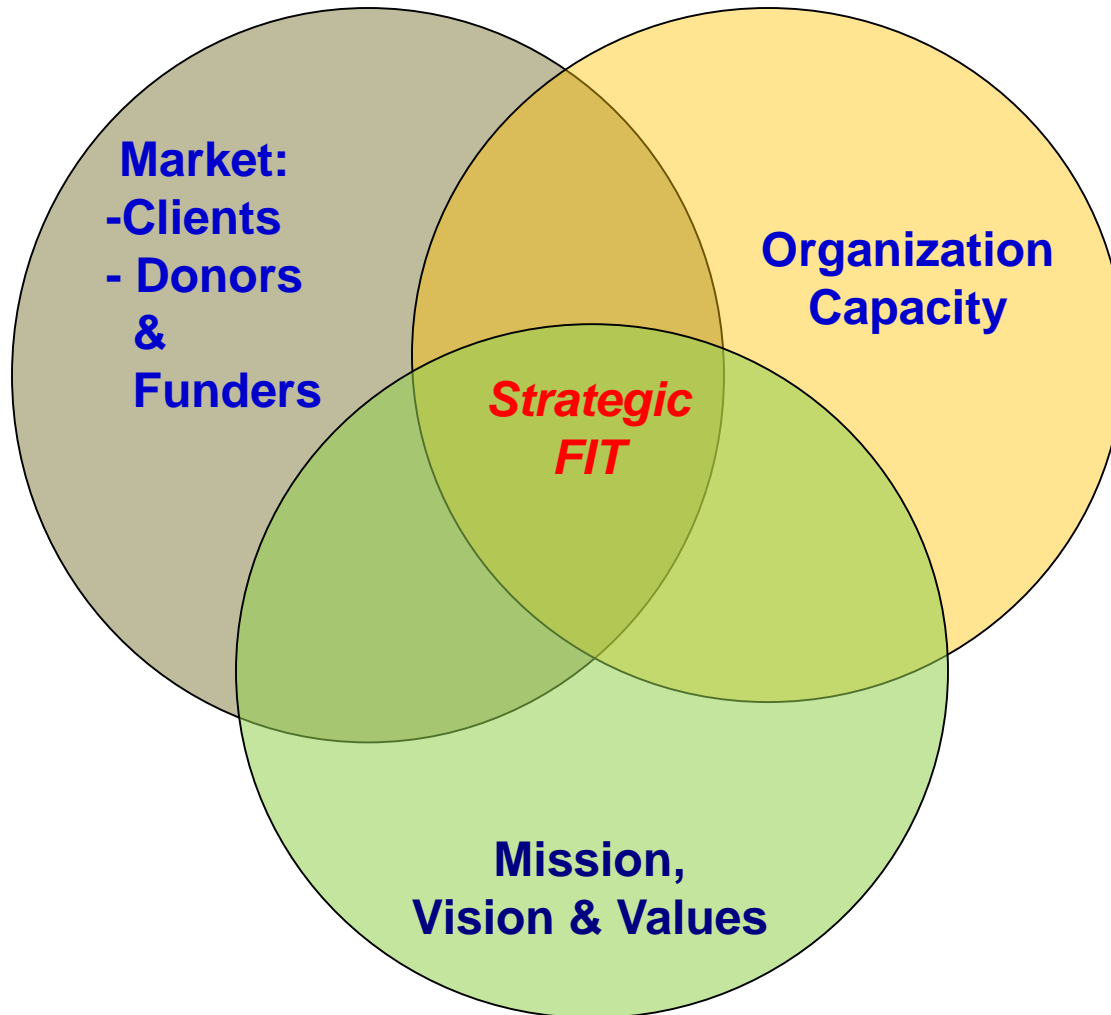
Let's Talk...

- ***What is a “Business Model?”***
- ***What does it mean to have a “Viable Business Model?”***

A Sound Business Model Integrates

- Viable and Relevant Mission and Vision (the social purpose)
- Real Value Proposition
 - Social Value Creation Cycle (in the form of a logic model or theory of change)
- Resources to Finance and Fund It
- Capacity to Implement It

Strategic Fit



Competitive Advantage (The Social Impact Version)

This is the ability to produce social value by:

- Using a unique asset
- or
- Delivering outstanding execution
- Or Both

Let's Talk...

What are the similarities and differences between a grant proposal to a foundation or government funder and a social venture development plan?

Logic Models: The Basis for the Understanding Social Impact

Theories of Change: The Chain to Impact



Mission, Vision, Values

- The Mission:
 - Purpose: Makes explicit the reason for the agency's or program's existence
- The Vision
 - The Dream: The Result of Our Work
 - The End State: What can be accomplished by providing mission services
- Values: Guiding Principles & Core Beliefs

Objectives

- Provide short-term and long-term outlook
 - Intermediate results: Immediate impact or change
 - Final results: The long-term impact or ultimate change
- Should be stated in measurable terms
 - Time frame
 - Target of change
 - Results

Components of the Venture

- Inputs
 - Clients
 - Funds
 - Staff
 - Material resources
 - Facilities & Equipment

Components of the Venture

- Throughputs (Activities)
 - Service Definition(s)
 - Service Task(s)
 - Method(s) of Intervention

Components of the Venture

- Outputs
 - Client satisfaction
 - Units of service or product produced
 - Quality of services/products
 - Numeric Counts
 - Standardized Measures
 - Level of functioning scales
 - Levels of client satisfaction
- Outcomes

These Add Up to Become a “Logic Model”

A very useful device to plan and explain:

- Your **assumptions and expectations** for how you expect to link:
- **Inputs**, which will support
- **Activities**, which will lead to
- **Outputs**, which will add up to
- **Outcomes**, which will result in
- **Long-term Outcomes**
and **Community Impact**

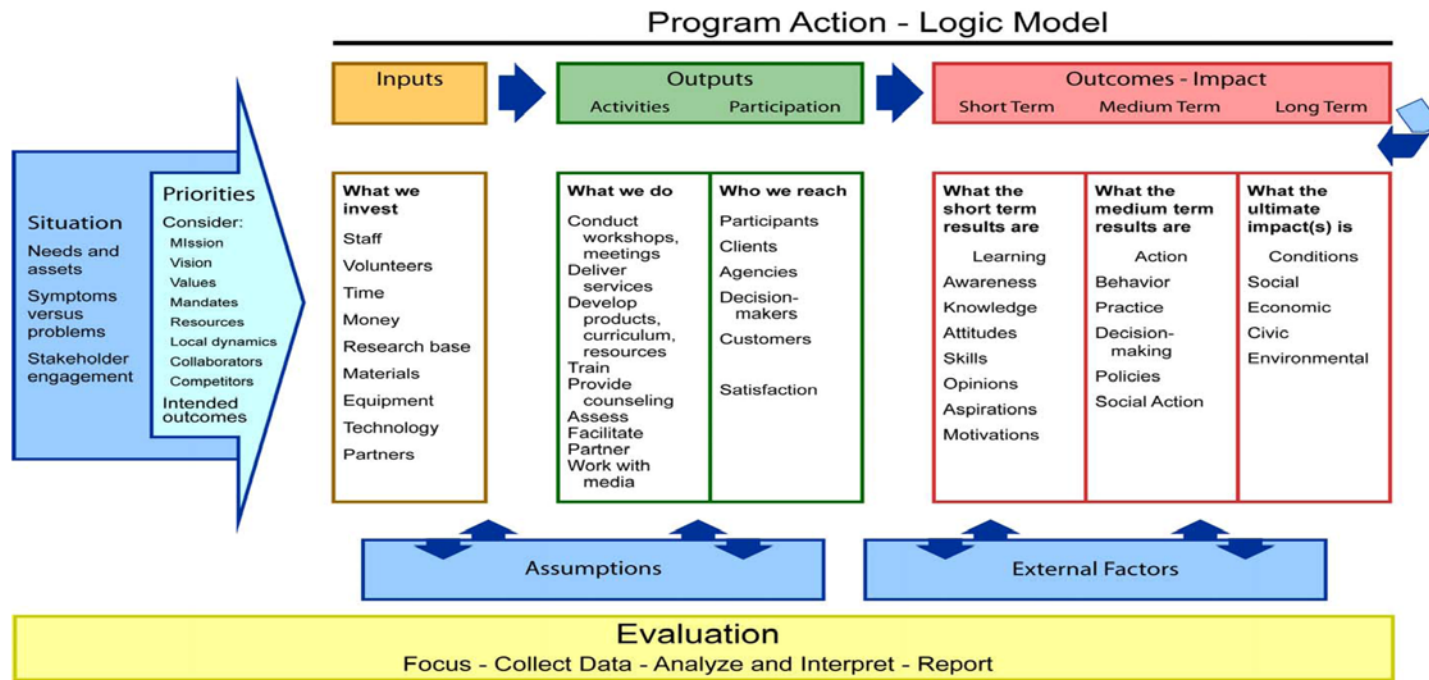
Basic Model

Inputs	Activities (what, who, when)	Outputs	Outcomes
<p><i>Resources dedicated to or consumed by the project (e.g. Board members, staff, consultants, trainers, facilitators, equipment, technology, supplies, funding)</i></p>	<p><i>What the project does with the inputs to fulfill its mission. Therefore, in order to address X problem or asset we will accomplish the following activities.</i></p>	<p><i>We expect that once accomplished these activities will produce the following evidence or service delivery. Products of the project (e.g. number of persons trained, plans developed, equipment/technology upgrades accomplished, etc.).</i></p>	<p><i>Changes in the capacity of the organization to deliver services to its clientele</i></p> <p><i>Outcomes are the impacts on those people whom the organization wanted to benefit with its programs. Outcomes are usually specified in terms of:</i></p> <ul style="list-style-type: none"> <i>a) learning, including enhancements to knowledge, understanding/perceptions/attitudes, and behaviors</i> <i>b) skills (behaviors to accomplish results, or capabilities)</i> <i>c) conditions (increased security, stability, pride, etc.)</i> <p><i>Specify outcomes in terms of short-term, intermediate and long-term.</i></p>

Variation on the Concept

PROGRAM DEVELOPMENT

Planning – Implementation – Evaluation



Starting to Think It Through

Based on what you know today, what are the key elements of your program's logic model? Please use the worksheet to sketch this out. Then we'll share with a partner.

Return to Viability Assessment

Three Basic Elements:

- Market Assessment
- Money Assessment
- Management Assessment

*Leads to Overall Assessment of Venture
Feasibility and Viability*

Market

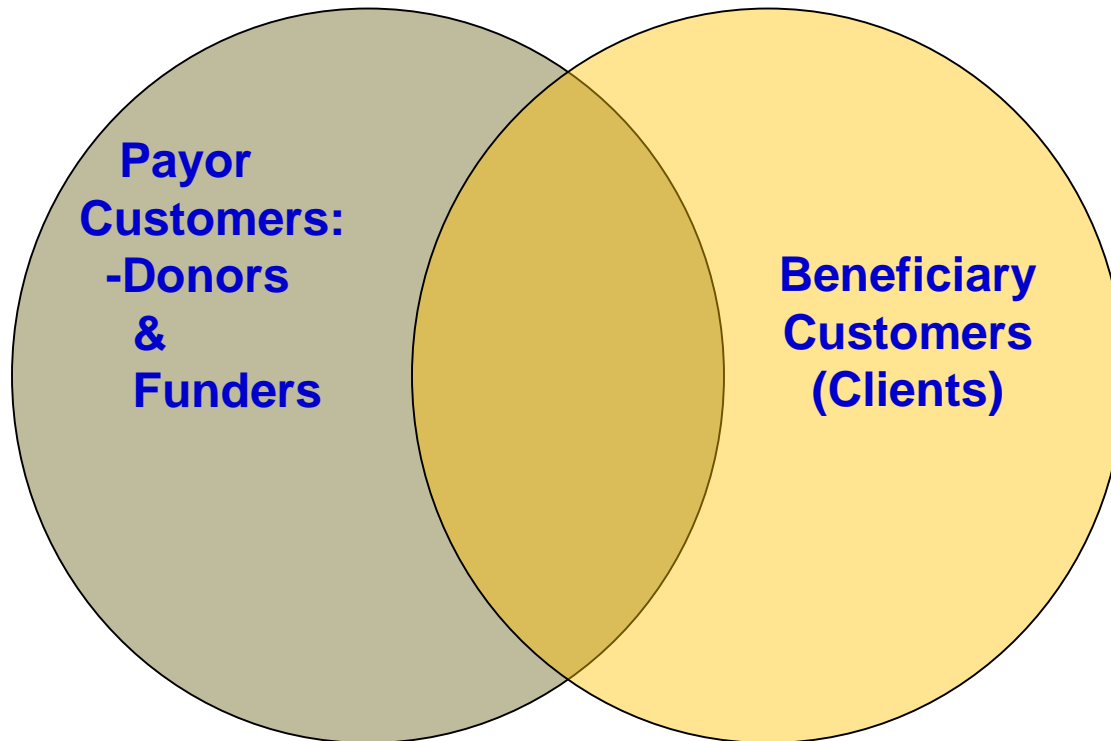
- Who will pay for this?
- What is (are) the target market(s)?

Market Viability Assessment

Focus on:

- Demand
- Competitive Advantage
- Differentiator(s)
- Price and Cost Structure

The Market (Customer) Question

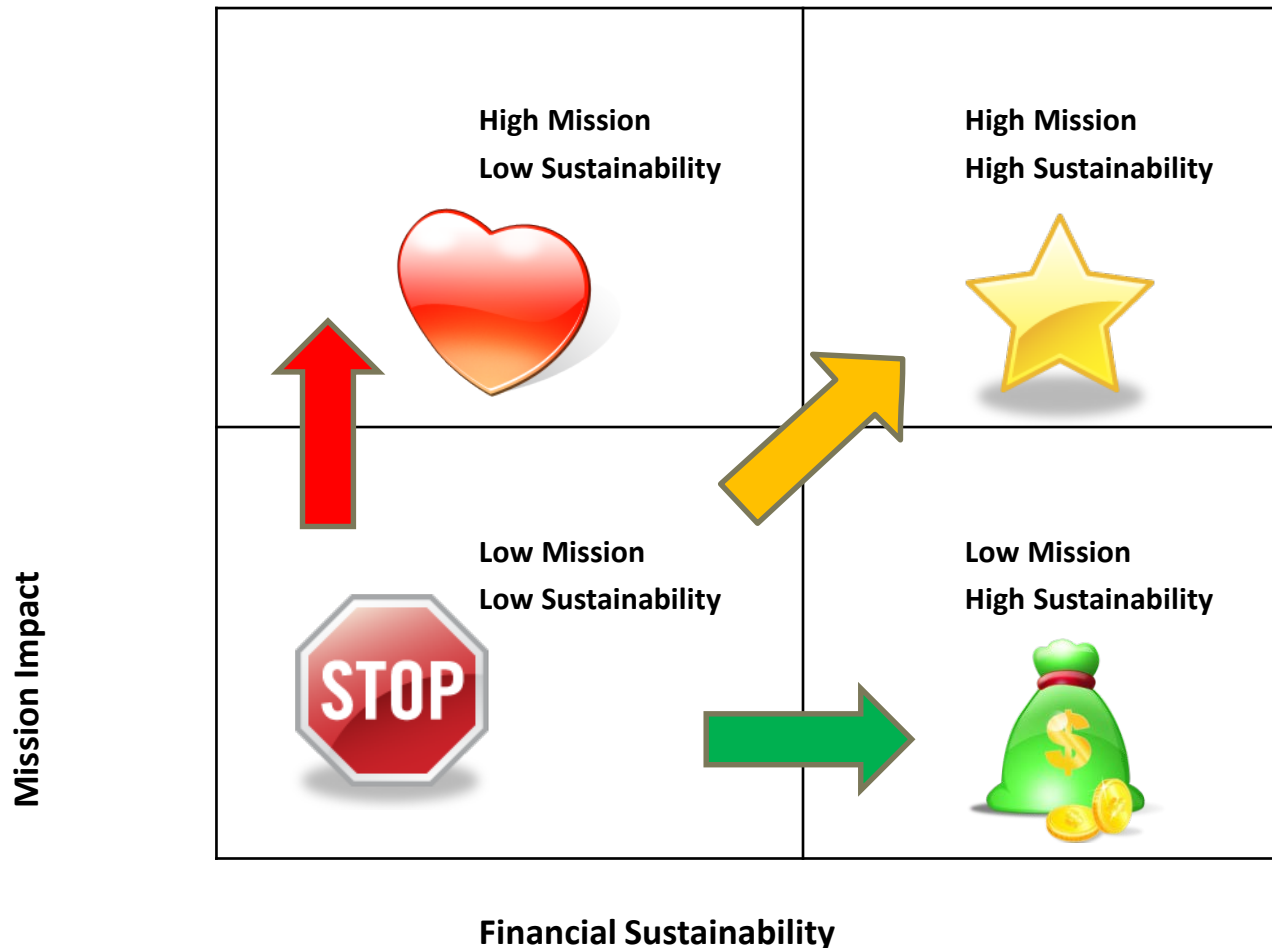


Money Viability Assessment

Initial Consideration of

- Revenue Potential
- Investor Potential
- Available Capital

Dual Bottom Line Matrix for Financial Decisions



Management Viability Assessment

- Mission Compatibility
- Core Competencies
- Venture Capacity (including complexity)
- Core Constituents or Stakeholders

Structure

- How will the program be structured?
- Will the venture be a program of the existing organization or will the venture be a separate subsidiary?

Structural Options

- Social enterprises typically take one of three general forms (Alter, 2009):
 - the social enterprise is constituted as a discrete organization,
 - the social enterprise is part of the organization, or
 - the social enterprise is a subsidiary or affiliate of the organization.
- Each has unique value and specific benefits and legal implications

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To successfully deliver social value & impact

Looking Ahead: These Become the Elements of Your Feasibility Plan

- 1. Explain the Venture**
- 2. Market research on potential customers**
- 3. Desire and Need for Product or Service**
- 4. Assets and Capacity (including management, personnel, facilities, & competence)**
- 5. General Business/Revenue Model and Pricing Strategy**
- 6. Preliminary Financial Information:**
 - a) Start-Up Costs and Time needed to begin to generate revenue**
 - b) Start-up capital needs and availability**
 - c) Pro Forma/ Financial Projections (including estimates of revenues needed to break- even and timing to break even)**
- 7. Discussion of feasibility:**
 - a. Mission relevance**
 - b. Risk acceptability**
 - c. Competitive capacity**
 - d. Quality & quality assurance**
 - e. Conclusion: Is it feasible? Can it be refined to be?**

Move to a Business Plan?

If the venture is deemed feasible...

- Build on all of the information of the feasibility assessment.
- Add depth to each of the elements of the feasibility assessment to create a business plan.
- ***For the Levitt Challenge, we move only to feasibility assessment level***