Business Models for Social Entrepreneurs

Presented by Marcus Coetzee at the Graduate School of Business, University of Cape Town

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Agenda

1. What is a Business Model
2. Business Activity versus Social Activity
3. Social Enterprise Models
4. Class Exercise.
WHAT IS A BUSINESS MODEL?
One secret to maintaining a thriving business is recognizing when it needs a fundamental change.

Reinventing Your Business Model

by Mark W. Johnson, Clayton M. Christensen, and Henning Kagermann
4 x Interlocking Components

**Customer Value Proposition.**
“The model helps customers perform a specific ‘job’ that alternative offerings don’t address.”

**Profit Formula:**
“The model generates value for your company through factors such as revenue model, cost structure, margins, and inventory turnover.”

**Key Resources:**
“A company has the people, technology, products, facilities, equipment, and brand required to deliver the value proposition to its targeted customers.”

**Key Processes:**
“A company has processes (training, manufacturing, service) to leverage those resources.”
Customer Value Proposition (CVP)

• Who is the customer?
• What do they need help doing?
• What is their shortage of money, time, skill or access?
• What product(s) would best meet the needs of this customer?
• Will they be purchasing the product for themselves or someone else?

Clothing Bank assists its customers (large retail businesses in clothing industry) to dispose of excess stock, build their brands and comply with enterprise development codes.

“The most important attribute of a customer value proposition is its precision: how perfectly it nails the customer job to be done – and nothing else.”
Profit Formula

- Revenue Model – total revenue that could be earned = volume x unit cost
- Cost structure – fixed costs, variable costs, economies of scale
- Margin Model – required profit margin to meet targets
- Resource velocity – speed at which resources (inventory) etc. need to be used.

The Peninsula School Feeding Association currently feeds 24,000 children in 119 schools in the Western Cape. Over the past 50 years, PSFA has fine-tuned its profit formula by achieving economies of scale and decentralizing kitchens.
GreenPop runs environmental awareness campaigns and greening projects. Its key resource are its volunteers and its ability to keep these volunteers engaged and feel part of the GreenPop brand.

Since 2010 it has worked with 3,778 volunteers to plant 48,000 trees in 344 locations around Southern Africa.
Key Processes

- Organizational processes – operational processes, HR processes, design processes, logistical processes, staff selection and training processes etc.
- Rules – organizational policies and standards etc.
- Metrics – outputs, outcomes, efficiency etc.

FoodBank receives excess food that is about to expire from retailers throughout South Africa. This food must be collected and distributed quickly to ensure that it reaches its beneficiaries before it is consumed. It has recently started decentralizing its logistics to shop level.
Beneficiary Value Proposition

- For social entrepreneurs, the customer is not always the beneficiary. This means that a Beneficiary Model is also needed.
  - Who is the beneficiary?
  - What do they need help doing?
  - What is their shortage of money, time, skill or access?
  - What product(s) would be meet the needs of this beneficiary?

Open Africa designs tourism routes in rural areas. Its value proposition to local businesses is to provide them with technical training and mentoring, send customers to them, and help their businesses become successful.
(4 + 1) = 5 Interlocking Components

**Customer Value Proposition.**
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**Beneficiary Value Proposition**
The model helps beneficiaries to overcome a social or environmental problem they are faced with.
When is a new business model needed?

New model required when:
- New social problem
- Failure of an existing model to fix this problem
- Changing marketing conditions or industry dynamics.

Shout it Now is a youth HIV/AIDS-awareness organisation established in 2007. Their programme placed young people in front of computers to learn about HIV/AIDS from celebrities and then complete a risk profile. This was followed by an HIV testing and counselling process, and referral to appropriate care. Over 300,000 youth have gone through this programme.
Challenges with New Business Models

**Break the Rules** – The fundamental approach of company or industry must change.

- Disruptive Innovation.

**New Competencies** – the business model requires that new organizational and individual skills are developed.

- New skillset
- New values
- New work-behaviour profile

Home-based Care Model

Citizen Surveys – A Social Business
BUSINESS ACTIVITY VERSUS SOCIAL PROGRAMMES
Mission Drift

Those social entrepreneurs that work in social enterprises need to balance their social mission with their business mission. The tendency for the business mission to undermine the social mission is called “mission drift”.

- Mission drift can:
  - Undermine focus
  - Undermine funding
  - Undermine partnerships
  - Stress organizational culture

- Particularly a problem with nonprofit organizations that are transitioning into social enterprises. The solution is to:
  - Setup a hybrid social enterprise
  - “Lock” social value into the business objectives.
Social Programmes versus Business Programmes

Which of these models is the most vulnerable to mission drift?

Extracted from Kim Alter’s Typology of Social Enterprise Models.
Social Enterprise Academy delivers training and mentoring programmes directly to its beneficiary organizations. Its business programmes align directly with its social programmes.
Business Programmes overlap with Social Programmes

Oasis Association employs its beneficiaries in a recycling operation. Since its primary intention is to support and provide employment to the intellectually disabled, there is a degree of overlap.
Shawco runs a community transport service to help generate income for its education and health social programmes. This business activity is unrelated to its core social programmes.

SHAWCO Community Transport Services – at your service.

Is your NGO, school, club, church group or business looking for transport services? SHAWCO has the solution!

Our fleet of well-maintained vehicles, used to transport our student volunteers from the University of Cape Town to our various education projects and health clinics in disadvantaged communities, can also be rented at very competitive rates in and around the Cape Metropole.

The fleet consists of:

- 1 x 69 Seater
- 1 x 32 Seater
- 3 x 22 Seater
- 1 x 14 Seater
- 1 x 7 Seater

You are guaranteed to receive professional and friendly service and you will be supporting the amazing work our health clinics and education projects deliver to the disadvantaged communities in which they serve.

SHAWCO Community Transport Services is insured with passenger liability and all our drivers have valid driver’s licenses and Public Drivers Permits (PDP).

SHAWCO Community Transport Services offers short and long distance hiring options.

For a full quote please contact Alida Nel: Alida.Nel@uct.ac.za / 021 406-6742.
SOCIAL ENTERPRISE MODELS
Social Enterprise Typology

Updated November 27, 2007

Kim Alter
Virtue Ventures LLC
Key to Operational Models

- Social Service Organization
- Target Population
- External Market
- Internal Market
- Social Enterprise

Delivery of Products ➔ Flow of Money
JOHN ELIOT

Dream!!

You will not do incredible things without an incredible dream.
1. Entrepreneur Support Model

Social Enterprise provides business support services to its beneficiaries (e.g. small businesses) and helps them to become more capable and serve their markets.

**Examples:**
- The Business Place
- SAB Foundation
- Fetola
- Impact Hub
- Open Africa
- Hubspace
- CDRA
- Inyathelo

**Primary Income Source:**
- Sale of services to beneficiaries

*Social Activities = Business Activities*
We offer a broad scope of services including catalogue ranges, custom designed art works and handmade, unique gifts for the corporate and eventing sectors.

export orders

Spread the love! Streetwires is a registered exporter and exports to over 15 countries. Postage is quoted per order and we will offer a variety of options to suit our clients’ needs. Contact us to receive our catalogues.
Social Enterprise acts as a middle-man or broker and helps connect its beneficiaries (e.g. small businesses or sole proprietors) with their market.

Examples:
- Streetwires
- Wola Nani
- Township Patterns

Primary income Source:
- Membership/registration fees
- Resale of products with markup
- Consignment sales with markup

Social Activities = Business Activities
A protective Work Centre for adults with cerebral palsy / multi disabilities

About Us
We are a protective Work Centre for adults with cerebral palsy/multi disabilities. The Centre commenced in 1984 with 15 workers under the name The Palms Work Centre...

Clients
At The Village Work Centre we pull out all stops for our clients. It is truly a privilege for us to work with such wonderful people that trust our very capable team who take pride in their work and produce a job well done...

Event Gallery
Take a look through our event gallery to see our clients, associates and sponsors...

Contact Us: Tel: (021) 683 1300/1 | Fax: (021) 683 8780 | Email: frontdesk@villageworkcentre.org.za

social development
Department of Social Development
Republic of South Africa

COMMUNITY CHEST

harris birch

EVENTS

THE D.G MURRAY TRUST

ABSA

Unilynx

take aim
3. Employment Model

Social Enterprise employs beneficiaries, provides them with training and support, and uses them to produce products for a market.

**Primary Income Source:**
- Sale of products to open market

**Examples:**
- Oasis Association
- Carpenter’s Shop
- Work 4 You
- Village Work Centre
- NICRO Social Enterprise
- Livity Africa (Live Magazine)
- Learn to Earn

Social Activities = Business Activities
ABOUT US:

The CJCP is unique within South Africa in its ability to integrate cutting edge research and theory with the design, implementation and management of social crime prevention practice, as well as providing training to high level public officials.

LEARN MORE
4. Fee for Service Model

Social enterprise packages its social services and sells them directly to its beneficiaries.

Primary Income Source:
- Sale of services to beneficiaries

Examples:
- Centre for Justice and Crime Prevention
- Greater Capital

Social Activities = Business Activities
Welcome to Communicare

Thank you for visiting the Communicare website and for your interest in the work we do. We are the oldest social housing non-profit company in South Africa. Our core business is the provision of affordable rental accommodation in well located areas with a stock holding of 3600 rental units.

As you journey through our site, you will find information on our history, mission, community involvement and rental opportunities available to you. We pride ourselves on being the leading provider of affordable rental accommodation in the Western Cape.

We trust your visit is rewarding.

Purpose Statement:

The active pursuit of an equitable society characterised by dignity, self awareness and community cohesion achieved through trusted partnerships, innovation and standards of excellence.

Click here to view Annual Report
5. Low-Income Client Model

Social enterprise sells products to its beneficiaries. However, in this instance the services are carefully designed as BOP and low-cost versions of standard products.

Income Source:
- Sale of services to BOP beneficiaries

Examples:
- Shonaquip
- Communicare
- Dharma Life
- Econicom (EPAP)
- Iyeza Express
- Espinaca Innovations (Bread)
- Khulani Fund

Social Activities = Business Activities
SaveAct is a non profit organisation promoting and supporting the formation of Savings and Credit Groups as a simple but effective tool against poverty, as a foundation for building sustainable livelihoods and empowering women and other vulnerable groups.

“Economic growth is an important component of a strategy to tackle poverty, but it cannot be the only element. We must also give attention to other components: those that empower people living in poverty to claim their human rights so that they can be in control, rather than victims, of their destiny.”

– Irene Khan, Secretary General of Amnesty International in 'The Unheard Truth: Poverty and Human Rights'.

Subscribe here to receive occasional news and updates from SaveAct.

E-mail: [Enter email]  Subscribe here

ANNOUNCEMENTS

**33,000**

**MEMBERSHIP MILESTONE:** Membership of SaveAct-supported savings and credit groups reached 33,269 in October 2014.
6. Cooperative Model

Social enterprise provides services to cooperatives. These services range from access to information and technical support through to access to markets and bulk buying.

**Income Source:**
- Sale of services to beneficiary cooperatives.
- Membership fee.

**Examples:**
- SaveAct
- Sharing Our Ubuntu Legacy

*Social Activities = Business Activities*
Looking for a local, skilled tradesman?

Now operating in the greater Cape Town area

1. **Post a job**
   Tell us what you need doing, where and when

2. **Get a quote**
   A skilled tradesman will contact you within 24 hrs

3. **Hire a tradesman**
   And pay him directly

4. **Rate your tradesman**
   “Best price, very reliable, did a fantastic job!”

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I need a:
- [ ] Tiler
- [ ] Painter
- [ ] Carpenter
- [ ] Paver

*my name is:__

*my surname is:__

*my number is:__

*my email is:__

- [ ] I accept the terms and conditions

[FIND ME A QUALITY TRADESMAN]
Social enterprise acts as a broker and links its beneficiaries with a market. Social enterprise does not directly stock and sell members’ products but rather links them to markets.

**Income Source:**
- Membership fees
- Sale of services
- % of deals

**Examples:**
- TRADE-MARK

Social Activities = Business Activities
COMMONGROUND café
Social enterprises sell products to an external market and use the revenue to subsidize its services to its beneficiaries. Business activities are designed to subsidize and smaller in scope than social activities.

**Income Source:**
- Sale of products to Open Market

**Examples:**
- NICRO’s (Probation assessments)
- Carpentry Shop
- Shawco (Community Transport)
- Common Ground Café
- CWD Bookshop

Social Activities may overlap with Business Activities.
Social enterprise sells products to an open market, and then uses a share of its profits to fund a social service organization which serves its own beneficiaries. Business activities very large in scope and hybrid model is required.

**Examples:**
- Praekelt Foundation
- Salvation Army Charity Shops
- Goedgedacht Foods

**Income Source:**
- Sale of products to Open Market

*Social Activities ≠ Business Activities*
As part of a broader nutrition education initiative, the HSF has the Heart Mark endorsement programme, which gives food producers and manufacturers the opportunity to use, under licence, the Heart Mark for approved products.

Companies wishing to make use of the Heart Mark are required to have their product(s) tested by an independent laboratory, at their own expense. These results must be forwarded to the HSF together with an application form. Should the product(s) comply with the established criteria, for fat (saturated and trans fats), cholesterol, sodium, added sugar and fibre (where applicable), the company can enter into a formal licensing agreement with the HSF.

Heart Mark – helping South Africa to make heart healthier food choices!

Download Infographic here.
Social enterprise develops and markets a moral standard, and certifies businesses that adhere to it.

**Examples:**
- Heart & Stroke Foundation (e.g. Heartmark)
- Sustainable Seafood Initiative
- Forestry Stewardship Council
- South African Market Research Association
- Fairtrade International
- Proudly South African

**Income Source:**
- Certification fees
Social Enterprises gets donors to purchase products that get provided to beneficiaries.

**Income Source:**
- Donations
- Implementation Fees

**Examples:**
- Food and Trees for Africa
- Mandela Day Libraries
- Peninsula School Feeding Association
- Lapdesk
- Siyavula
- GreenPop
- James House
CLASS EXERCISE
Class Exercise: Trademark

6 Questions re TRADEMARK:

1. What is its Customer Value Proposition (CVP)?
2. What is its Beneficiary Value Proposition (BVP)?
3. What is its Profit Formula?
4. What Key Resources does it require?
5. What Key Processes does it employ?
6. What is its social enterprise model? - draw
Thank you

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Twitter: @MarcusCoetzee