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Introduction

OVERVIEW

In this chapter you will learn about the following:

- ▶ The Need for Social Entrepreneurs in a Mission-Based Organization
- ▶ The Intended Audience for This Book
- ▶ The Benefits of Reading This Book
- ▶ Chapter-by-Chapter Overview
- ▶ How to Get the Most from This Book

A. THE NEED FOR SOCIAL ENTREPRENEURS IN A MISSION-BASED ORGANIZATION

Social entrepreneurs are different, and every not-for-profit organization needs them. Social entrepreneurs are *people who take risk on behalf of the people their organization serves*. Traditional entrepreneurs take risk on their own behalf, or on the behalf of their company's *stockholders*. In not-for-profits the risks are taken on behalf of the *stakeholders*. That difference is significant, and it all comes back to mission. The reason you, your staff, and board take entrepreneurial risks is to get more mission out the door, sooner, better, and in a more focused manner.

Social entrepreneurship is one of the essential characteristics of successful not-for-profits. Social entrepreneurs have the following characteristics that we will discuss at great length in Chapter 2, The Benefits of the Social Entrepreneurism Model.

They are constantly looking for new ways to serve their constituencies and to add value to existing services.

They are willing to take reasonable risk on behalf of the people that their organization serves.

They understand the difference between needs and wants.

They understand that all resource allocations are really stewardship investments.

They weigh the social and financial return of each of these investments.

They always keep mission first, but know that without money, there is no mission output.

Being a social entrepreneur is increasingly important as the environment for the charitable sector becomes more and more competitive for donated dollars, traditional grants and contracts, and even for quality staff and volunteers.

While social entrepreneurs can and should take risks, as stewards of their not-for-profits, they should make sure that those risks are reasonable. Thus the need for the business-planning and development skills and techniques that will be covered in the following chapters. The use of for-profit business techniques in the not-for-profit environment is an accelerating reality in most parts of the philanthropic sector. It probably is in your area of service as well, and that may be why you have chosen to read this book.

But being “businesslike” is still controversial in a mission-based organization. Does your organization really need business development skills, even though it is a not-for-profit? *Absolutely*. For far too long, mission-based organizations have suffered under the illusion that they, as charitable organizations, don’t need anything from the business world. “*We’re different*,” I’ve heard a thousand, perhaps 10,000, times, “*We are about our mission, not about money. Using business techniques is totally inappropriate. I wouldn’t even consider it.*”

Let me count the ways that this perception is inaccurate, outdated, and harmful to your organization’s ability to do your mission more effectively in increasingly competitive times.

First, your organization already is a mission-based *business*. You need to think of your entire organization as a business “with a heart,” as one client of mine puts it, but one that is businesslike, uses business techniques to pursue its mission, and worries about the bottom line, both in terms of finance and mission. You are in the business of doing mission, not solely making money, but you are *not* a charity. Later in the book we’ll discuss return on investment—a very businesslike concept—but one that we will focus on in terms of mission return. You see, you can use business ideas, business concepts, and business techniques to further your mission. Being businesslike can and should increase your capacity to do excellent mission, it should not in any way reduce your capacity to care, your concern for your community, or your humanity as an individual or an organization.

Second, you are a steward. Whether you are a paid staff member or a volunteer, you are a steward of the resources of your organization. You are charged with getting the most mission you can out of the resources at hand, and, as I pointed out earlier, some of those resources are business techniques. Wouldn't you use a grant from a foundation to do something needed in your community (if you could do it well)? Of course you would! Then why wouldn't you adopt good marketing practices to do more mission? Or do good cash flow analysis, or practice good property management, good human resources techniques, inventory management, investment strategies, or any of the hundreds of other business practices that are available to you for the asking? If you turn away from these resources, you are simply *not* doing your job as a steward.

Third, the world has changed. Businesses, at least the successful ones, know how to compete. They figure out who their target markets are, ask those markets what they want, and give it to them as best they can. They focus on their core competencies and cast off what they cannot do well. They focus on customer satisfaction, not just on customer service. They improve 1 percent a day, every single day of the year. Everyone in their organization is on the marketing team. They know who their competition is in every single arena, and they pay attention to what their competition does. They know every one of their costs and work to contain them. You and your organization are in an era that is more competitive, and less forgiving, and to survive and thrive, business techniques are essential. You are competing much more actively for donated dollars, quality staff and volunteers, and, in many cases, people to serve. You are expected to quantify your outcomes and be more accountable to the governments, foundations, insurers, and donors that provide you with the funds you need to provide your mission.

Now what about you? Are you still thinking of yourself as a charity? If so, you are way, way behind the curve. You need to discard the old ways of thinking (as I suspect you probably have because you are reading this) and adapt to the changing environment, the new reality.

If the preceding description of the successful organization sounds like your organization, great! You've made a good start and will hone your skills by going through these pages. If it doesn't, perhaps there are some ideas you can garner from the remainder of the book.

In the following pages, I'll show you the skills you need to become a social entrepreneur and help your organization survive and thrive in this new and increasingly hectic environment. I'll show you how to use business development skills to focus on what your community wants and needs, how to match those wants with your core competencies, how to develop new project ideas, test their feasibility, and then write a business

plan. We'll cover how to find money for your business and how to project finances in the plan. And, we'll go over some very technical issues as well, such as the Unrelated Business Income Tax and the myriad of corporate structuring options that you may want to use to house your business.

Becoming a social entrepreneur is not easy. It is not without risk, as you will see. But the skills and techniques I show you here are a method of assessing risk and gauging opportunity that can strengthen your organization, make your job as a mission-based manager more interesting and productive, and, ultimately, lead to more and better services for the people you serve. Not bad outcomes at all.

I hope that you are not just reading this book to develop one business and have it segregated from the rest of your not-for-profit. What I want you to do is to develop the idea of social entrepreneurship throughout your organization, and then to use business skills to further all parts of your mission. The skill of developing new businesses is just one of many such business-related capabilities that will help you and your organization. To eschew the idea that business can be good mission is, in the end, harmful to the mission capability of your organization.

B. THE INTENDED AUDIENCE FOR THIS BOOK

This book is specifically written for staff members, policy setters, and volunteers of mission-based organizations. No matter which of these important roles you fill, you will find information and ideas that you can put to immediate and mission-beneficial use in the following pages. Please don't limit the circulation of this text to just your policy-setting staff and volunteers. I hope that your social entrepreneur team will include people from throughout your organization, line staff, middle managers, and members of your senior management team. Similarly, volunteers from finance, marketing, services, and, of course, your board of directors may all have perspectives and input into the business-planning process, and thus will get value from the book.

There are several reasons why you might be considering reading this book. And, as you think through whether it is worth your time, let me list a few situations that could benefit from learning about social entrepreneurship.

1. You are considering expanding current services to a new community or county, or to a new population.
2. You are considering expanding the volume of services you provide. For example, a key funder comes to you with a potential expansion of an existing grant or contract.

3. You are considering establishing a completely new service, inside or outside of your current service area.
4. You are considering a collaboration with another organization.

If any or all of these sound familiar, this book has much to offer you, since you can apply the tenets of social entrepreneurship to them and make better mission decisions. You will learn a lot in these pages that will help you if these situations confront you.

C. THE BENEFITS OF READING THIS BOOK

What will you learn and how will you benefit from your investment of time? In at least the following ways:

1. You will learn how to be a social entrepreneur and how to develop or improve your business development skills, which in turn will make you a better manager in pursuit of your mission.
2. You will learn how social entrepreneurship can benefit your organization *even if you never develop an outside business*.
3. You will better understand the concept of needs and wants and how essential this concept is to the provision of high-quality services.
4. You will know more about return on investment—both financial and social. You will look on resource allocation as an investment, not as an expenditure.
5. You will know how to go through the entire business development process in a way that minimizes your risk and maximizes your mission outcome.
6. You will increase the likelihood that your organization can and will continue to survive and thrive in an increasingly competitive era.

There is much more, of course: examples, hands-on ideas, and some sample feasibility studies and business plans. I promise you that you will come away from this book both empowered and excited about quickly applying what you've learned to your day-to-day, month-to-month, and year-to-year mission provision. To help you as you navigate through the book, let's next examine how I've organized the materials.

D. CHAPTER-BY-CHAPTER OVERVIEW

This book is divided into 12 chapters. Each chapter is set up to help you receive the most benefit from your reading. Let's go over the features that you will find in every chapter. First, you will find an **OVERVIEW**, which

is a brief summary of the major subjects that I will cover in the chapter. In the body of the chapter you will find two other features. □ **FOR EXAMPLE** will indicate a story or short example from the not-for-profit or business world. These examples are designed to illustrate a point or an idea in the text. The ☞ **HANDS-ON** symbol is good news for readers who want ideas that they can immediately use; it means that just such a suggestion will be provided for you. The intent is to help you apply what you have just learned and give you a hint, idea, or gentle nudge to get you started.

At the end of each chapter are two additional features. The first is a **RECAP**, in which I review the key ideas that I provided you, as a reminder and summary. The final section of each chapter is entitled **QUESTIONS FOR DISCUSSION**, and it provides you with a number of questions that you can use with your fellow staff and/or volunteers to analyze the uses and impacts of the ideas that are contained in the chapter.

Now that you know the design of the individual chapters, let's look at their sequence and content.

Chapter 1, Overview. This is the chapter you are reading now. It provides a short discussion of why business development skills are so crucial in a mission-based organization, what comprises business development, who the book is written for, a listing of the benefits I promise to deliver as you read the book, a short description of the contents of each chapter, and some ways that I recommend to assure that you get the most out of the book.

Chapter 2, The Benefits of the Social Entrepreneurship Model. In this chapter I will start by defining the many activities that I feel qualify as social entrepreneurship. You will see that it goes far beyond just starting up a new service or outside business. Then, we'll lay the groundwork for your business development efforts. I know from helping hundreds of not-for-profits develop businesses that you will run into people (on your board, your staff, or from your funders) who disagree with your intent to develop or expand a business. This chapter will help, as I will lay out some very specific rationales for business development, including the benefits to your organization and the people you serve. I will also take a look at the downside of not using the model and give you some examples of the potential grief people come to.

Chapter 3, The Business Development Process. In this chapter we'll detail the seven essential steps of the not-for-profit business development process. These steps are not the same as those used by for-profit organizations, and we will go through them as a group and

individually to give you an overview of the process and why it is so important not to skip steps. Finally, I'll provide you with a self-assessment tool to see if your organization is ready for social entrepreneurship.

Chapter 4, First Steps: Mission Outcomes, Risk, and Idea Generation. Once we have gone through the seven steps, we will begin to go through them in great detail. In this chapter, we'll talk about mission outcomes, the concept of risk in the mission-based organization, and how you start to generate your ideas for new businesses or services.

Chapter 5, Feasibility Studies. You need to walk before you can run, and you need to determine feasibility before you spend the time and money developing a full business plan. In this chapter, we'll talk through why you should look at project feasibility and how to do so by writing a preliminary and then a final feasibility study. I'll show you the questions to ask and the places to find the information you need to answer them.

Chapter 6, The Business Plan. The business plan is the heart and soul of the process, and this chapter will show you why you should write one (even after all the feasibility work makes the project look good), what you should include in a business plan, and how you should go about setting your goals and objectives for the plan.

Chapter 7, Business Plan Financial Projections. The thing your board, staff, volunteers, and funders will want to see the most in your plan is your financials, and this chapter will give you the tools and formats you need to do them right. We'll start by giving you some common financial projection mistakes to avoid. Then we'll walk through the essential financial projections that your plan will need, including income and expense projections, cash flow estimates, start-up costs, breakeven analysis, and return on investment.

Chapter 8, Applying the Lessons: A Step-by-Step Business-Planning Exercise. Now you get to apply what you have learned. This is really a fill-in-the-blanks chapter, with forms and formats for you to apply immediately. Be sure to make copies of this chapter, as you will want to use the forms many times.

Chapter 9, Financing Your Entrepreneurship. Now that you have your business plan in hand, where will you get the money to start and run the business? In this chapter, we'll review the places that your organization can seek funding, the different ways you can go about it, and some rules for financing that will keep both your costs and your stress levels to a minimum.

Chapter 10, Technicalities: Unrelated Business Income Tax and Corporate Structuring.

There are some technical things to consider beyond your financing when contemplating business development. This chapter will cover the two most common ones: the Unrelated Business Income Tax (UBIT), and uses of corporate structuring for your business. I'll show you how to determine your UBIT status and how to determine the best corporate configuration to meet your mission needs.

Chapter 11, Social Entrepreneurism for Funders. This chapter is specifically focused for those who fund a huge percentage of the not-for-profit sector: government, United Way, foundations, and corporations. There are things that those who pay can do to foster social entrepreneurs, and other things that they must do to assure high-quality services remain in an entrepreneurial environment. I'll show you both in this chapter, and I will try to convince the funders that social entrepreneurship is a good thing for everyone.

Chapter 12, Final Thoughts. Social entrepreneurship can help make your organization more mission-capable, can focus you on being market-driven and still mission-based, and can help you provide better services sooner to the people that depend on you in your community. It can also distract you, steer you away from your core values, and wind up bankrupting you. In this all-important final chapter, I'll show you the warning signals, how to avoid running your organization aground because you weren't paying attention to the charts and forgot that there were rocks out there. We'll look at ways to stay focused on your mission and to make sure that mission, not just money, is the end product of the process.

Resources for Further Study. This section includes a number of sources for business development assistance, training, and some Internet sites.

I'm sure that it sounds like a lot to cover, and I am sure you are both excited and a little apprehensive about starting to plow through it. With all that reading ahead, it makes sense to stop here and take a moment to think through how to go through the book efficiently and effectively.

E. HOW TO GET THE MOST FROM THIS BOOK

Let's look at the ways that you and your staff and volunteers can get the most from reading this book. Again, I want you to get the highest level of return from your investment of time and money.

First, read the book through in the order that it is written. I know that if you are like most readers, you have certain areas, such as feasibility studies, finance, or how to convince your funders, that you are most interested in, but I urge you to read the book in order. I wrote the chapters in this order for a reason: They build on each other, each subject leading to the next. Try to avoid moving back and forth, and read it through once from cover to cover. Then, if you want to, you can reread the parts that you need to focus on the most at a later time. If you don't read the book through, you run the risk of learning about just the issues that you feel you are short on, and not taking a look at areas in which you may have an organizational blind spot.

Second, read the book as a team, if you can. Read a chapter, pass it around to your social entrepreneur team and then use the questions at the end of each chapter to talk through ways to implement the ideas in each section. If you can afford to, buy multiple copies so that you can expedite the process. If you can't, fine. It will take a little more time, but going through the book as a group insures you will give all of my ideas a more complete examination, and it can build consensus for any changes that you may find are needed.

RECAP

In this initial chapter, you've learned why social entrepreneurs are crucial to the success of any not-for-profit organization. We briefly covered how quickly the world is changing and how good stewards are willing to exhibit the key characteristic of the social entrepreneur: the willingness to take risks on behalf of others, the people your organization serves.

Then, you learned more about this book and how to get the most out of it. I outlined the six major benefits of reading the book, gave you a summary of each chapter, and then provided some suggestions on how to get the most out of our time together.

In the following chapters, you will put this information to good use. Our first job is to define what a social entrepreneur is in more detail and how to link entrepreneurship with traditional business planning. That's the subject of our next chapter.

