

# Toolbox

for the social business

Ruth Brännvall

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## **Why Sweden?**

Tolerance, openness and equality are hallmarks of Swedish society. Sweden is one of the most vocal countries when it comes to supporting global peace, democracy and social welfare. Technologically advanced and open to new concepts and ideas, Swedes take pride in a rich tradition of innovation.

## **Swedish Institute**

The Swedish Institute (SI) is a public agency that promotes interest and confidence in Sweden around the world. SI seeks to establish cooperation and lasting relations with other countries through strategic communication and exchange in the fields of culture, education, science and business. SI works closely with Swedish embassies, consulates and representatives of trade and industry. For more information about SI and Sweden, please visit [Si.se](http://Si.se) and [Sweden.se](http://Sweden.se).

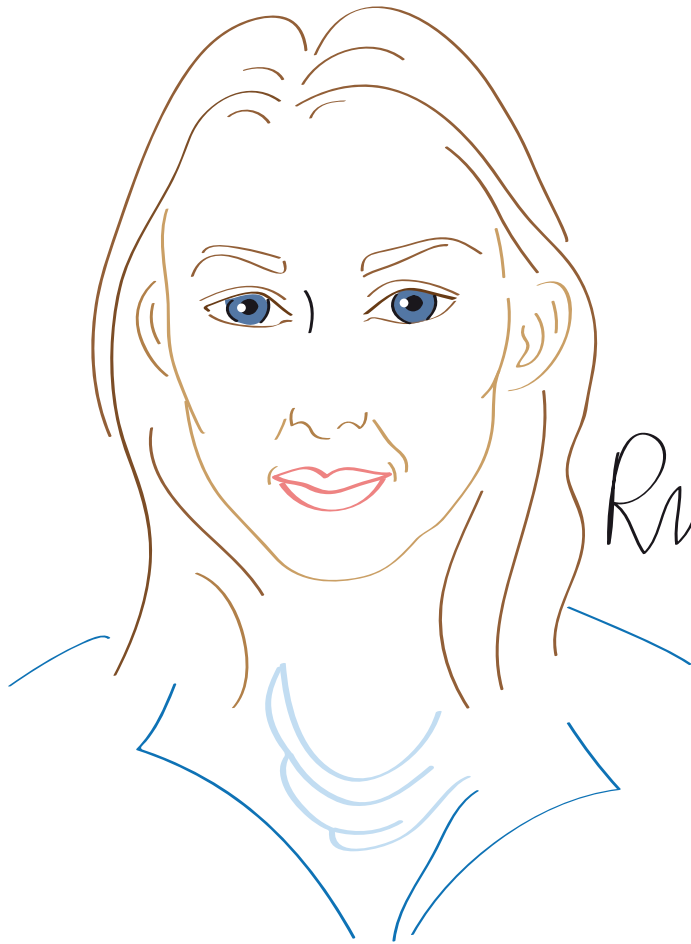
## Empower and inspire

The **She Entrepreneurs programme** is an initiative by the Swedish Institute (SI) that started in 2011 with an idea to empower and inspire young women working to address social challenges and striving for positive social change through entrepreneurship. She Entrepreneurs is today a recognised leadership programme combining personal and professional development for young emerging women social entrepreneurs in the Middle East, North Africa and Sweden. The programme is designed to give participants inspiration and innovative tools to drive change through creative solutions based on entrepreneurial principles.

The She Entrepreneurs programme offers participants the opportunity to further develop a social initiative that they have already started to work on. Through theoretical and practical seminars, workshops and discussions on topics such as leadership, social entrepreneurship, business communication, branding, finance and funding, the Swedish Institute wants to capitalise on these women's capacities of bringing solutions to many of society's major challenges.

The aim of She Entrepreneurs is to increase the participants' knowledge and skills in order to more actively promote positive social change through entrepreneurial approaches, and thereby improve people's living conditions and promote democracy and human rights in their respective contexts. In a long-term perspective this will also lead to greater equality between men and women.

She Entrepreneurs participants become members of an active network of young emerging women social entrepreneurs who support each other in driving change through innovative solutions.



Ruth

## About the author

Ruth Brännvall is working in the field of innovation for under-served markets and social businesses. She is an advisor, trainer and business angel to ventures that have potential for positive social and ecological change. Her PhD research at the Royal Institute of Technology in Stockholm focuses on the relationship between social entrepreneurs and their beneficiaries.

Over the past decades Ruth has mainly worked with companies and projects in emerging markets, for different international donors, social business incubators and for the Orange/France Telecom group. As an expert advisor and member of the Swedish Technical Committee she helped develop ISO 26000, a guide to social responsibility. She has also been advising the UN High-level Panel on Global Sustainability and helped set up Sida's challenge fund Innovations Against Poverty, which funds innovative solutions for the poorest.

Ruth holds degrees in journalism and economics and a Master of Business Administration from Warwick Business School in the UK.

All illustrations in this book were created by Eva Strindlund.

# The social business

## Not like any other business

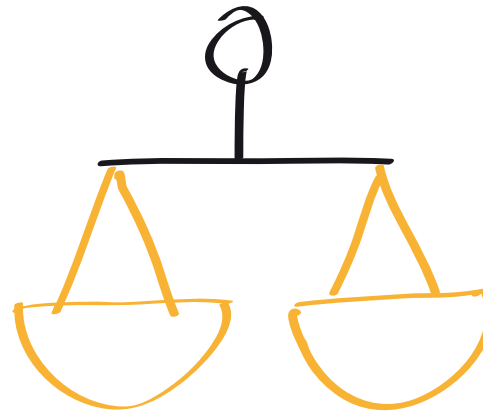


Social businesses and social entrepreneurs come in different shapes and forms. This book is for those who are starting or are already running a social business, and who want to understand how to build and develop a business that will create value for society and at the same time generate money.

This book is written with two general types of enterprise in mind. The first type is an organisation which was initiated to address a social need, to change something in society or to work towards a social or ecological cause. It may have been set up as a foundation or a non-governmental organisation (NGO) and the founders have started thinking about entrepreneurship as a way to create income streams to the organisation, making it less reliant on donations and grants. The other type of organisation was set up as a profit-making enterprise from start. The entrepreneur had a business idea, with potential for social or ecological impact. What these two types of enterprise have in common is the passion for making a difference in the world.

The fact that a social business has a *social* mission will bring opportunities, but also challenges. Most of the existing start-up literature and advice in business modelling rarely talk about any of

these challenges and how to marry the worlds of commercial thinking with the best of activism and societal impact. The Toolbox for the Social Business will explain different approaches to developing a profit-generating organisation by a mission-driven entrepreneur, or profit-generating ventures within an NGO. The different chapters are intended to give you ideas and tools, as well as discussing some of the opportunities and challenges that are particular to social businesses.



### What is social entrepreneurship?

Entrepreneurship and innovation are two very popular words, which people – entrepreneurs, incubators, business people and government employees included – often use in any way it suits their own purposes. Before diving into the practical ‘how-to’ discussions in the following chapters, we will start with some brief definitions of entrepreneurship and descriptions of some common characteristics of social entrepreneurs.

Entrepreneurship originally comes from the French word ‘*entreprendre*’, which means undertake.

This term was used for a person to undertake the risk of a profit or loss in a company. Today, it most often refers to the process of creating something new with value and assuming the financial and social risks and uncertainties. The entrepreneur is trying to spot and understand opportunities, and then develop or exploit



them. To be enterprising is therefore to be curious, exploring, risk-taking, and also to be able to plan, organise and own.

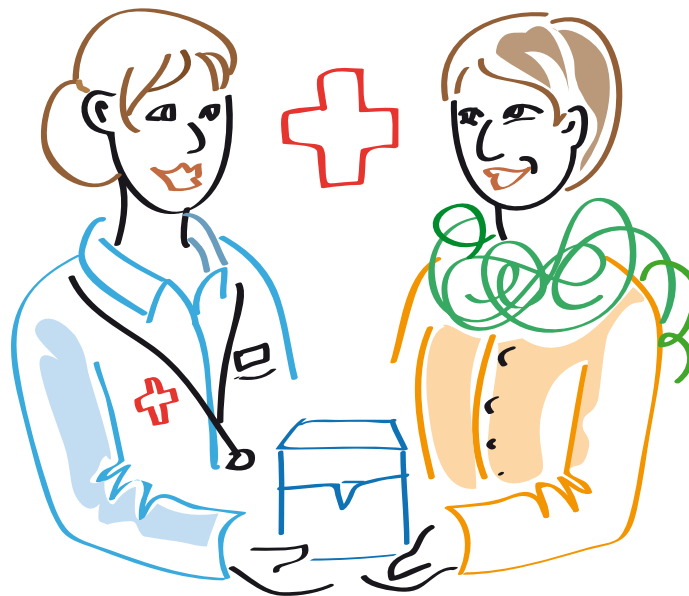
All of these activities engage other people and entrepreneurial activities are therefore about social interactions between individuals, networks and organisations. The ‘normal’ entrepreneur is not a hero who was born with some special skills, but is more often someone who has trained her or his abilities to be creative and to turn ideas into action.

If we then add ‘social’ to entrepreneur, two of the leading figures within social entrepreneurship, Muhammad Yunus (Noble Peace Prize winner and founder of Grameen Bank), and Bill Drayton (founder of Ashoka), explain it like this:

*‘[It is] a new form of capitalism and a new form of enterprise based on the selflessness of people. It is a kind of business dedicated to solving social, economic, and environmental problems that have long plagued human kind – hunger, homelessness, disease, pollution, ignorance.’<sup>1</sup>*

*‘Social entrepreneurs are individuals with innovative solutions to society’s most pressing social problems. They are ambitious*

<sup>1</sup> M Yunus (2010), *Building Social Business – The New Kind of Capitalism that Serves Humanity’s Most Pressing Needs*. New York: Public Affairs.



*and persistent, tackling major social issues and offering new ideas for wide-scale change. Rather than leaving societal needs to the government or business sectors, social entrepreneurs find what is not working and solve the problem by changing the system, spreading the solution, and persuading entire societies to move in different directions.’<sup>2</sup>*

Muhammad Yunus and some other authorities on the matter would however limit the definition of a social business to those organisations that focus on marginalised and poor people. This may depend on what they mean by ‘marginalised’. Can an entire population be marginalised? Yes, in countries where authorities deny people their basic human rights (according to the UN declaration), people are treated as insignificant or peripheral to the centre of power. Some of the entrepreneurs that the Swedish Institute have supported in its She Entrepreneurs programme have demonstrated that it is possible to address entire nations. You can read about one of them, Qabila, in the ‘Five social businesses’ section.

Does social entrepreneurship have to make money? Some organisations, which support social entrepreneurs, would not be so particular on this point, as they see a social entrepreneur as

<sup>2</sup> Ashoka [https://www.ashoka.org/social\\_entrepreneur](https://www.ashoka.org/social_entrepreneur)

somebody who for example applies ‘practical, innovative and sustainable approaches to benefit society in general’<sup>3</sup>. They can be making profits, or not, as they choose, depending on what kind of organisation the entrepreneur wishes to run.

Muhammad Yunus on the other hand thinks that it is not possible for a social business to be profit-making. Working towards a social purpose while trying to make a profit clouds the thinking, he argues, and money usually wins. But if we talk about any organisation that wishes to work towards societal benefits as a social enterprise – then they may just as well be about activism, volunteerism, philanthropy, certain scientific activities or politics – and the topic of how to develop a social enterprise would become unmanageably large to address. To conclude, delivering societal impact can take many forms, but business principles may not always be applicable or even appropriate.

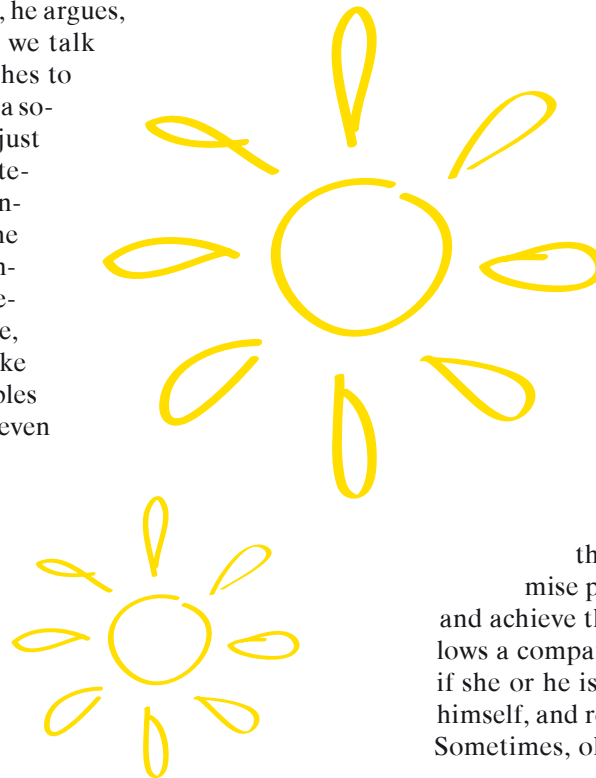
This book will focus on those social entrepreneurs who wish to run a *business* or at least an organisation for which the income-gene-

<sup>3</sup> The Schwab Foundation for Social Entrepreneurship

rating activities are essential. It will combine market-based methods with thoughts on how to deliver social impact. What is special about the social business, compared to an NGO, is that it will use approaches for how to develop, market and organise its offering in ways which have been tested and proven to work in commercial markets. ‘Business modelling’ is an example of a tool that was developed for commercial purposes and which we can use to also deliver a social value – but it needs to be adapted in order to be practically useful.

## How will you define ‘success’?

An enterprise has potential mainly in relation to its size and how it will scale (reaching more and more customers, selling more and more products). ‘Scaling up’ and ‘high-growth’ are words used like mantras in the world of social entrepreneurs, just as it is for traditional start-ups. They signify the natural proofs of success. The rationale for this is most often the traditional ‘economics-of-scale’ logic, which says that when we reach a certain scale we can optimise production, delivery, organisations and so forth and achieve the lowest possible costs. This consequently allows a company to maximise profits. The entrepreneur can if she or he is still the owner, pay out the profits to her- or himself, and reap the reward of having taken the initial risks. Sometimes, old logic needs to be questioned though. If low



costs occur at the expense of the environment or the working conditions of those people whom the organisation hire, then scaling up can conflict with the purpose of being an organisation based on social and ecological values. What can be used as alternative success indicators and targets of a social business? If scaling up is a horizontal measure, then an alternative may be what I would call ‘deepening’: the enterprise delivers more and more value to the same people. Another measure may be its catalytic effect: the enterprise is inspiring others to replicate the idea in other regions, or pushing the government to take action about an issue. The purpose of a business is closely linked to the values of the founders. Is it money that drives you, or is money the means to create and deliver an impact? When you describe the vision that you have for your company, think about what the signs and measures of success would be in your case. This vision is what should guide your business strategy and how you define your business model.

### **Mission-driven = challenge-ridden**

Most start-ups are created by people who come up with what they think is a very smart new product or service idea. They will then go and try to build it and/or sell it. No wonder that seven out of ten businesses are dead within five years. When an entrepreneur imagines that potential customers think like she or he does, there will



be many mistakes made. Some start-ups begin at the other end, by discovering a need that is not met, or something that can be improved where the current product is perhaps of too low quality, uncomfortable, not in sync with things that it is supposed to work with and so on.

This is more similar to how a social entrepreneur considers a business idea. The need of people and the planet is the mission of the company.

But it is also where the challenge starts: Who is the organisation serving and who is the customer? A customer is somebody whom I will sell to and who will pay me. The people I wish to serve, or solve a problem for, may not be the paying customer. They may be end-users, employees, suppliers, patients, students or families. This group is sometimes referred to as ‘beneficiaries’ or ‘users’ as opposed to customers.

An example: Elena is an entrepreneur who is concerned with women and girls stuck in trafficking. She first created a safe house for them to escape their perpetrators. After a couple of years of doing this on a volunteer basis, Elena and her co-founder started to think about ways to generate income for the work they did and at the same time create awareness about the issue of trafficking. Elena is interested in fashion and design, and the founders started to engage the women in jewellery making. The products of JewelleryGirls are today sold online and at fairs. Customers can also request special designs that are custom-made.

**Challenge number one – priorities.** When an organisation have more than one target group, priorities will be a challenge. In the case of the JewelleryGirls, the entrepreneurs needed to decide how much resources and attention were required for their beneficiaries versus their customers. The women who make the jewellery are not professional artisans; they are with the organisation for a limited period of time and have varying personal interests in making the jewellery. Customers, on the other hand, especially those who buy online, will require high quality and will expect what they have ordered to be exactly what they receive.

The circumstances of the production is such that it is likely to be very costly to produce each set of jewellery compared to the cost of a commercial jewellery maker with trained craftsmen. On the other hand, besides generating income, the activities at JewelleryGirls may also have a therapeutic purpose and be an opportunity for the women to think of other ways to earn money, not to mention their escaping trafficking. The social mission clearly guides the decision in this challenge; the first priority of the founders will be the beneficiaries, not the customers.

**Challenge number two – resources.** As a social business is engaging people who in one way or another may be marginalised, poor, illiterate and vulnerable, it will require more resources



and more time to develop a business. Many entrepreneurs find themselves doing all things in a start-up, and for some social entrepreneurs the feeling of having to hand-hold and directly overlook most things in the business may never leave them, as operations are more complex and often more unstable in terms of income. If a majority of resources are used internally and possibly at the expense of taking care of existing and new customers, then the enterprise may need to simplify and standardise things 'inside' the business. This will be discussed in the business modelling chapter, as we look at costs.

## Examples of different types of social enterprises

A social business can be run as a company, but is sometimes an NGO with a well-defined area of commercial activities. Below are examples of areas that social entrepreneurs address and different ways in which they engage the beneficiaries of the organisation. The first example also shows that social businesses are not a new phenomenon; in the last century of capitalism, the purpose of these companies was nearly forgotten in most countries. The organisations have different business models; some can sustain themselves from what they sell and become profitable, while others will depend on donations, sponsorships and volunteers.

### Income generation for marginalised groups

In 1902 a political organisation for visually impaired persons in Sweden decided to start buying material for brush-binding and basket-weaving to provide visually impaired artisans with cheaper material for them to produce brushes and other products, which would also provide an income for them. A few years later the organisation bought a property to allow the craftspeople to work together and to expand the activities with offices, a library and a shop. This enterprise became so successful that it lives on today, as **Iris Hantverk** (Iris' Crafts), which sells its products in stores all over the world, as well as online.

**The Big Issue** was launched in London 1991, as a business solution to help homeless earn an income from selling a magazine whose content was about the situation of homeless people and other social issues. The magazine has a weekly circulation of 100,000 copies, sold by homeless and long-term unemployed people, and the idea has been replicated in more than 120 countries. The foundation of Big Issue supports the vendors in different ways, for example helping them to open bank accounts, access health services, find accommodation, reconnect with families and friends, train and learn for future job opportunities.

### Serving the underserved

**iDE** is an NGO that works with market-based approaches to reduce poverty among rural people in Asia. In addition to developing their own products, they support other organisations to generate income or to address issues related to poverty. Quite often charity organisations, as well as entrepreneurs, who come up with 'solutions' for poor people are ill-informed about user behaviours, desires and preferences, which leads to failure. iDE is constantly asking and researching questions like: What are the primary drivers that motivate people to act? What are the triggers that may be able to move and motivate people in a particular community? Together with the world-leading

design firm IDEO, iDE developed a 'human-centred design toolkit', which is a free innovation guide for social enterprises and NGOs.

**Shai Rashef** started the **University of the People (UoP)** with a vision to provide degrees in Business Administration and Computer Science to those who would otherwise not afford or have the possibility to get an international high-quality university degree. In 2014 the UoP became accredited by the US Department of Education and has succeeded in cutting most of the cost of higher education for their students.

### The enterprise as an advocate and mobiliser

**GroPlay** was one of the first children's game providers in Sweden to teach children about sustainability and wellbeing. Their puzzles and board games teach kids how we can make personal choices about polluting or preserving nature and what actions are necessary to live a sustainable life-style. As they started to develop online games, the element of competition has helped GroPlay to create an experience that kids love to return to. Their business model is just like any other game developer, but everything is focused on teaching children how they can contribute to persevere and nurture nature, and themselves.

Documentary filmmaker **Ulla Lemberg** has spent decades highlighting the situation of sexually abused children. Most often filmmakers are completely dependent on grants to be able to produce documentaries. She started her own foundation **Change Attitude** to be able to engage award-winning directors in different countries with Ulla's vision of a world free from sexual abuse of children. She is collaborating with a producer who complements her with his sales skills. Thanks to the high quality of the productions, the documentaries are sold to TV channels and other organisations.

## Who is fit to be a social entrepreneur?

In the previous description of entrepreneurship, there are many different characteristics and properties of an enterprise, which has to be embodied by the entrepreneur: *understanding opportunities, organising* and *risk-taking*. The entrepreneur needs to be driven (i.e., willing to take the lead and work hard) and have a clear idea about what the objective and purpose is. The entrepreneur does not need to know *how* or exactly *what* can be developed and delivered to reach this objective, but needs to be able to sacrifice the time needed and most often tolerate the non-existent or unstable income. A clear idea about what results and what impact it should lead to must be available from the start. Anything else means that the enterprise keeps you busy, but it will not go from pilot stage or freelance work to a proper business.

The ability and willingness to take risks in order to develop new products – as well as paying for marketing and other expenses where you simply cannot know if it pays back – is something else you must be prepared to do as an entrepreneur. The financial uncertainty is of course a real, practical barrier for many, but an entrepreneur will find a way, such as starting the company part-time or getting supplementary income from contracted work.

Perseverance and flexibility are other key assets. One out of three start-ups go out of business after only three years. Typically, it is only after five to seven years that companies become profitable. Entrepreneurs probably don't want to think about this fact, as most develop business plans that show fantastic growth and profits after a few years. Natural as it is to set ambitious targets, one also needs the flexibility to change plans

when profits are further away in reality. Some serial entrepreneurs that I have interviewed share one common piece of advice: 'Fail fast and cheap'. The important thing is not to be right from start, but to act quickly and not take too long to create the perfect product. Near perfect is good enough when you run a start-up and your priority is to get income as quickly as possible.

Are entrepreneurs born or can a person become an entrepreneur? Some seem naturally born entrepreneurs who start setting up companies at a young age and whose formal education does not seem to matter. Yes, for a lucky few that works, and quite often it is because they have been wise enough to understand that they are definitely not good at everything, but need other people to bring key skills to the team. Research shows that some entrepreneurial capabilities can be enhanced with training and business coaching; for example we become more comfortable taking on risks the more we practice doing it. We get better at being flexible and mentally prepared to change things if we are disciplined about evaluating several business scenarios, not just believing that the first plan we come up with is the one that must work. Entrepreneurs, however, tend to be more optimistic than the average person. That is why failing is not the worst thing that can happen to an entrepreneur; it is just a matter of trying something different.





# Identifying business opportunities that solve problems in society



A commercially driven entrepreneur is often basing her or his business idea on improvements of existing products and services, or a combination of services and business models that may not have existed or been exploited before. The social entrepreneur can also come from a similar product or innovation perspective, with an idea that can improve or develop the social and environmental aspects. Examples include changes in design, production processes, material and so forth according to the principles of circular economy, and improvements in HR policies and pricing to change the distribution of economic value among stakeholders.

Then there are social businesses, which start in response to a need among people who are underserved or marginalised. These are the challenges of poverty, unemployment, social integration, affordable health care and so forth. Regardless of which approach you take, the saying ‘ideas are cheap, but action is difficult’ is very applicable when it comes to making business ideas a reality, because of the need to make money.

Entrepreneurs coming from a product perspective have a shorter way to go, since a concrete product or service idea can be tested against a potential market. A venture that starts assessing potential solutions to the needs expressed by people, nevertheless, need to define the specific service or product (which can

help solve the need) and be clear about who will pay for this, before the opportunity can be assessed properly.

## Crowd-source knowledge

Whichever perspective you come from, a key success factor to be able to identify opportunities is (some) prior knowledge of the field that you are interested in, plus a desire to understand the problem in-depth. If you are unfamiliar with the area, acquiring as much knowledge as you can by connecting with other people (not just searching for answers online) is essential for a productive process. An ‘outside perspective’ on a problem can be good if this means some kind of knowledge applied into a new area, but not if it is just a blank mind without any particular expertise or contribution.

An inclusive approach to product and service development – where you validate ideas together with end-users and customers after your internal round of idea development – is recommended in order to align your own ideas to assess the business opportunity. The process of identifying opportunities needs to be done continuously. Put the ideas into practice as soon as possible.



Identifying opportunities is a creative process, where you can use the following steps:

### 1. Problem identification.

Coming from a product perspective you can for example describe existing value-chains or business models in the area you are interested in. What is the problem from an environmental or social perspective?

Coming from a needs-based perspective, describe the problem of the target groups as specific as you can by answering when, where, who, what, why and how the problem is manifested.



### 3. Idea development

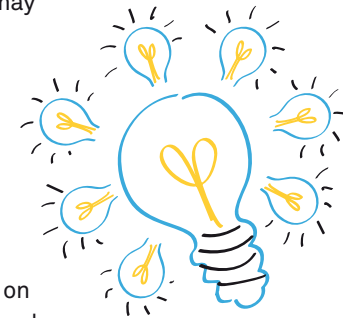
Cluster the ideas that were generated in the previous step. Think about how you cluster; an innovative idea may be developed by bringing together two previously unrelated items such as product features or a new way of combining resources.

Review which ones to consider developing by assessing the following aspects: How new is the idea? (Do not answer this question without some research!); Does it target a user who would be able and willing to pay for it?; If the user cannot pay, how would the company get paid?



### 2. Idea generation

Write down and draw pictures of as many potential solutions as possible. Brainstorming and mind-mapping are useful methods when engaging many people with different types of backgrounds and professions. There is little point trying to search for possible answers for too long. The best ideas are most often realised quite quickly or even 'accidentally'. You may find that you leave the exercise for a while and as you do something completely different or talk to other people, a possible solution comes to mind. It can therefore be fruitful to do the idea generation exercise on two occasions, about a week apart.



After this you go outside your own team. Continue to develop the idea in collaboration with the beneficiaries or potential customers. Use your social network. The further away your social connections are from yourself, the better they are in helping you provide more diverse input and evaluate your idea.

Some organisations have taken the three steps of opportunity identification and used them to solve human needs in communities. Here is a short summary of their practical advice, when it comes to 'grass-root' involvement in the ideation process. More information is available at each organisation's web site.

#### The Honey Bee Network

Honey Bee was started by one of the early pioneers of social entrepreneurship, Anil Gupta. His philosophy is that even in a poor community people already know what solutions they would need, but they do not have the means to develop them. The volunteers of Honey Bee therefore collect and document grass-root ideas and traditional knowledge in order to promote them in their network for further development. Twice a year they organise Shodh Yatras – 'journeys of exploration': People who are interested in participating are invited to walk to villages with an objective to discover, learn and share. Different events are organised such as 'Creative Problem Solvers' to discuss and explore new organic farming techniques; recipe competitions to explore use of lesser known crops and herbs with medicinal values; scanning of old literature to identify ideas and wisdom that has not been spread, and so forth.

#### IDEO's Human-Centred Design Toolkit

IDEO call the different steps 'Hear', 'Create' and 'Deliver', and the results should be solutions that are desirable, feasible and viable. When talking to people in the target community, they recommend that one-third of participants are the 'ideal' users: Those who adopt technologies and who are leaders or influencers. One-third are the opposite extreme: Low users of technology, possibly because of poverty and low levels of education, and less 'successful' in the community. The one-third in between are the 'average' people. Choose an appropriate research method, depending on area of interest: Individual or group interviews, work alongside people, stay overnight, self-documentation, etc. Try to ask basic questions, without making assumptions about what people will say, or about what you observe is happening.



# 'Business modelling' they call it

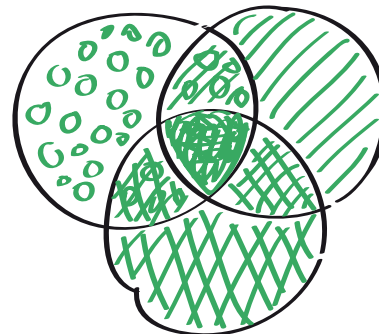


The term *business model* is one of those expressions that is so often used, but with different meanings attached to it. I used to work in the internet industry and the standard question in Silicon Valley when start-ups met was 'So, what's your business model?' This question meant 'how and who do you charge for your services?', as the internet was moving from all-free to paid services. Even the investor community seemed to use the concept of business modelling in this most simplified meaning.

We still see company valuations that are mostly related to the number of (potential) users, rather than based on a deeper understanding of the other elements of a business model. Let us take a look at what they are. Below is a summary of the different building blocks of a business model. Each element will be explained in more detail after this. A traditional business model starts with the customers. For the social business it will start with the beneficiaries.

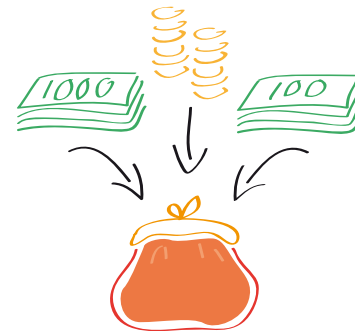
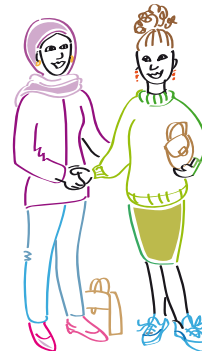
## Business model components

1. **Beneficiaries** – *the people whose problems and challenges the organisation wants to address. They should be well-defined groups that the company targets and engages. Beneficiaries can be an external target group and/or an internal resource for the organisation.*
2. **Value Propositions** – *designed to solve the problems and needs of the segment you have selected. If you target several segments, your propositions need to be adapted accordingly. As a social business, you will probably develop a social value proposition as well as one or several commercial value propositions.*
3. **Customer Segments** – *the different types of paying customers that the business is targeting. Addressing a niche in a market, or the mass market, will have implications on all the other elements. How you define your target customer segment (the key attributes) is important for how you will later identify them for communications and sales.*



4. **Channels** – *the places where you communicate, sell and distribute your products or services. There are direct channels (your own stores, delivery directly to customers, etc.) and indirect channels (you sell via others).*
5. **Customer Relationships** – *developing and maintaining a relationship with the customer segments by defining what the customer experience should be when a person interacts with your organisation.*
6. **Resources & Capabilities** – *internal resources and skills that are needed to develop and deliver sustainable and competitive products and services.*
7. **Partnerships** – *external resources such as funding, development, distribution, etc. Many start-ups are naturally very limited by their own resources, and can take advantage of acquiring knowledge and input to the organisation by developing external networks and partnerships.*
8. **Revenue Streams** – *a business should strive to develop several ways to generate income to the company in order to minimise financial dependency on one type of revenue, or revenue from a limited number of customers.*
9. **Cost Structure** – *low costs to operate is of course imperative to succeed in underserved markets. This is an area often overlooked by start-ups, who set a market-based price on a product and turn a blind eye to what the real costs to produce and deliver the product are.*

Some would add one more element to these building blocks: 'Key Activities'. This, however, is not essential to a business model, but more about how you will execute the model. After you have analysed and described the different elements of the business model and your strategy, you list the activities which will be necessary to operationalise it.



One of the purposes of going through the exercise of carefully designing the business model is that it should help you see how you can create competitive advantage. Competition may seem far away, and perhaps not even relevant to a social business, but competition also refers to people's existing behaviour. If they do not buy your solution, what are the alternatives? A good business model will be very clear about what your organisation is offering and how it is offered, in a way that is economically sustainable.

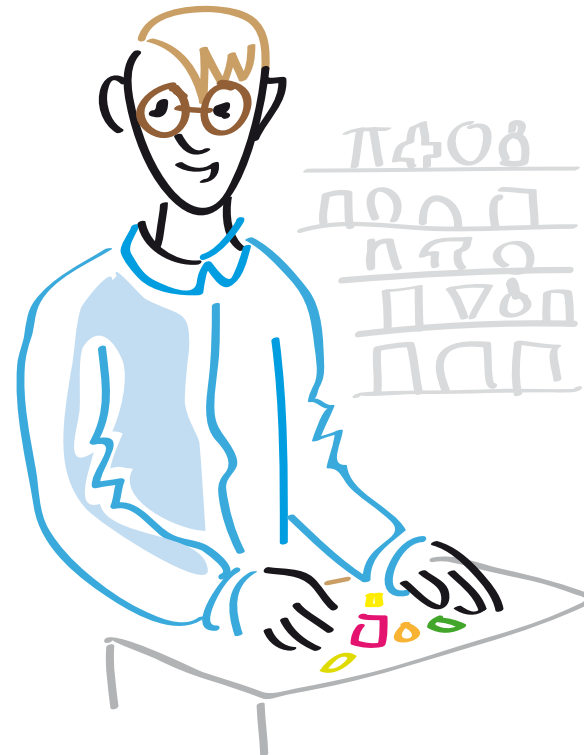
## The business challenge

What are the most common difficulties that social businesses have when using a business model approach? Firstly, the entrepreneur or the management needs to be clear about how important profit making is to the organisation. Whether the profits are re-invested is a later question, and first you need to consider its level of priority. When is making money the main focus of the business? It is very difficult to always have two equal priorities (profit/income generation and social value creation)? These two objectives can be managed practically by first developing a business model that will allow for both. After the first or second year in operation, you may allow different objectives to take priorities at different times.

Let us look at an example: A vocational training centre for people with cognitive difficulties in India is aiming to teach youth different agricultural skills in order to help them find jobs as adults and to showcase to the communities in the area that a mental or physical limitation of a person does not make them com-

pletely incapacitated. To keep the centre operational, it needs to finance a part of its budget by generating its own income.

At first the centre tried many different crops to grow and had several types of animals, which gave the students good possibilities to practice many different things. The result, however, was also that the centre did a little bit of everything, and the crop output was quite



poor. The centre decided to take some time to review things and reconsider their operations.

An agricultural expert came on board to help judge what crops would create the best yields considering both the local geographical conditions; what type of work the students could do with mostly manual labour; and how the products could differ from what was already available in markets. Most of the animals were sold and the centre concentrated on fewer things.

By allowing the financial perspective to take priority for a while, the organisation could also increase its social value creation as the students were involved with a more business-like operation, proving that they have a value in production.

The main, practical differences between a traditional business model and the social business model lie in this challenge, which has implications mostly for the resources – how much of the resources is spent on the beneficiaries and how much on the customers.

Getting the business model right is difficult and will most certainly require several iterations. Do not be afraid to try things out and test what works. Research and fine-tuning can be done in parallel to marketing and selling your product. It is also important for one’s confidence and encouragement to get some early, no matter how small, successes that the business can continue to build on. Long-term success is built on a succession of short-term successes.

## The social value proposition

A social business is based on a mission to contribute to society by offering a solution of some kind. This solution needs to be concrete and have a clear value to the individuals, groups or other organisations that it is offered to. Who will benefit from the solution that you are proposing and in what ways? These are the beneficiaries or stakeholders. What you are offering as a solution is expressed as the organisation’s ‘Social Value Proposition’.

In the introduction to this book, there were several examples of social businesses and the beneficiaries that they are addressing, such as people with varying physical and mental abilities, victims of sex trade, poor and low-income households and so on. Their social value propositions are intended to offer not only ‘productive’ value, such as income opportunities and new skills, but also intangible values such as opportunities to build positive self-images and dignity, safe work and living environments, hope for the future for oneself and one’s family. A social value proposition can be rich and contain many of these aspects of tangible and intangible values. For those organisations that are focused on environmental sustainability, the proposition will be a ‘Social and Ecological Value Proposition’.

It is a good exercise for the organisation to take some time as a team to discuss and list what these values are in your current offer, and what they could be in the future. It can be helpful to first be clear about who the stakeholder is – draw a concrete picture of her or him. Who is this person, what does she or he want in

life and what are her or his likes. Many social enterprises spend too much time thinking about what their beneficiaries or stakeholders *need*, as oppose to what they want and *desire*. It has left many entrepreneurs surprised and disappointed that their offer has not been accepted and taken up, as it was so clear that their product had major benefits.



## Working with beneficiaries versus customers

The social (and ecological) value proposition is the foundation of the social business' reason to exist. It can be adapted over time, refined or expanded, as the organisation grows. It also lays the foundation for the Commercial Value Proposition (CVP). These two types of propositions need to be separated and clearly distinguished if the beneficiaries are not the ones who will be the paying customers. Quite often in a social business, the beneficiaries or stakeholders are part of the production or delivery of a product or service, which is delivered to a customer. Hence, the word *customer* means an individual buyer or a buying organisation that bring revenue to the social business.

Zainab is running a cleaning and maid service in Cairo and her business is the first local organisation that can offer women proper employments including training and insurances. She can

offer fair and safer working conditions compared to agents who hire and fire cleaners on behalf of clients. The commercial value proposition is based on the high quality of the services. When the women are trained and well looked after they can also do a better job, and this creates a possibility to charge a premium fee to the customers. On the surface, this business may look like any other cleaning company, but it was started out of a concern for how low-skilled women are being contracted with no job security and no possibilities to protect their employments, for example if they would be absent due to sickness. When the beneficiaries and the customers are different, as in this example, one common consequence is that it will require more resources than a traditional commercial business.

A traditional business hires those that are most suitable and available to the organisation, and ideally it has a choice among competing candidates for each position it needs to fill. In the social business, the organisation may work with the reverse logic – the less employable a person is, the more value could the business possibly deliver by taking on this person and starting to train him or her. Developing and supporting human resources in the organisation is something that many managers find take up a large share of their time and energy. If the business works with this reverse social 'employment logic', then this will require a lot more resources and focus on the people that the organisation engages internally. It will be a people-based business and as an entrepreneur you will simply need to love to work with and patiently support individuals. Who you can and



want to employ is a key factor in determining how long time it will take to develop and grow the business.

## Participation

Another difference between working with beneficiaries and customers are the extent to which you allow for participation. If you are serving a community, for example, you may rely on the community’s acceptance and trust as a collective in order to develop your organisation and work with this community. Their participation could mean a greater commitment to implement a project or achieve certain objectives. Another argument is that the participation of beneficiaries is about mutual learning. A traditional company wants to know as much as possible about its customers and users, but has little obligation to give anything in return. A social business will strive for dialogue and a process in which a mutual learning experience involves their beneficiaries and/or their communities, for example during the opportunity identification process (described in the previous chapter).

*People cannot be developed; they can only develop themselves by participation and co-operative activities which affect their wellbeing. People are not being developed when they are herded like animals into new ventures.’ (Julius Nyerere, 1986)*

Participation and co-creation means working *with* people, rather than for them.

## The commercial value proposition

Companies create value by producing and delivering different kinds of products and services. The ‘Commercial Value Proposition’ is simply the offer you are making for your paying customers: consumers or other businesses. The value of this offer can be described and communicated in many different ways. Ask yourself if your value proposition to customers allows the product or service to ‘stand on its own feet’. Do customers need to be convinced to buy something from you because it is simply a very attractive product, or does it need to be sold with the ethical value attached to it? There are pros and cons to making the social aspects of the proposition into a customer-oriented part of the sales message.

**When it works well:** Fair trade coffee has become the standard preference in Northern Europe among those who are buying premium coffee. No coffee producer can sell its product without a fair trade label, since coffee is a commodity product sold in an extremely competitive market, where additional attributes to the product (such as ecological and fair production) are expected by the consumer.

**When it works less well:** Poor quality handcraft that is sold in special charity shops with the main message of



buying anything as long as it is produced by a person in a poor country. This is not a value proposition, but an appeal to donate money in exchange for a token.

Research shows that the more requests for help that a person sees, the less willing that person becomes to spend money. The simple 'help' message therefore does not always work; the product or service needs to fulfil another – and let us be realistic – probably more egoistic need for the customer.

## Market research

In order to understand what potential customers are willing to buy, you need to acquire independent data. Surveying friends and family and anybody you know is not a good idea. People you know may give you good business advice on many points, but if you have 'friendly users' from the start to provide first feedback on your product, be sure to test your value proposition properly with the real target group(s). Doing focus groups (group interviews) may provide very valuable insights and give a good idea about the immediate, spontaneous reaction to a value proposition.

It can also provide information about where and when a person would prefer to buy something, what would make the offer more



attractive and so on. It is very important to consider how questions are asked in order to get useful answers. Market surveys should not be used to prove to anybody outside of your organisation that people will buy your product, but should be used mainly in order to *learn* about the customer and *what you need to improve*. Individual or group interviews are the most common methods to gain customer insights.

Some guidelines for market research: Be careful about the **selection of participants** so that you know what profile they have. Do you wish to include 'early adopters' and 'opinion leaders', or 'ordinary' consumers? If the price is an important factor of what you offer, then make sure that each focus group has participants with the same socio-economic profile. If there are other demographic attributes, which are important to the benefits of your offer, you must make sure to include those participants to validate – or reject – these benefits.

**Location** may have great importance to the results. Try to ensure that you do focus groups in several locations to spot differences and similarities.

**Questions** can include four or more areas:

- 1) Questions that relate to peoples' existing behaviour. How are they currently solving the problem that you are trying to address with your products or services? Are they happy or discontent with their current solution? What is important to them when they buy what they currently use? Who is making the decisions in the family (if they have a family) about what to buy? How much money do they currently spend in this area?
- 2) Questions that relate to peoples' personal needs. What is most important to them in life? What do they want for themselves and for their family (if they have one)? How important are traditions? How important is personal success? What do they think about the environment?
- 3) Describe or show your product and ask open, neutral questions about what participants think about. For example: 'If there was a product that could... (describe functionality and benefits), would you consider using this product?', 'When/how would you use it?', and 'Where would you like to buy it?' Ask questions that relate to each benefit that you have suggested and ask participants to rank how important this benefit is to them. Ask if any specific functionalities or conditions influence whether they would buy the product or not.
- 4) Find out about the competition. Ask participants if they have seen or used a similar solution. How does it compare? What do they think of the companies behind those solutions?

Other ways to get customer insights is to ask them to describe and document something, for example a day in their life through pictures, videos and texts. You can also gain customer insights when you

allow customers to try a product for a limited time while you are trying to find out as much as possible about how they use it, what works well and what may work less well. This can be done by observations during the trial and by formal questionnaires or interviews after the trial.

Find out more about different methods and how to prepare yourself in IDEO's Human-Centred Design Toolkit at [www.ideo.com/by-ideo/human-centered-design-toolkit](http://www.ideo.com/by-ideo/human-centered-design-toolkit)

#### **Combining social and commercial value propositions**

Iris Hantverk is, as you may remember from the first chapter, an organisation that has created job opportunities for blind and visually impaired people in their production of brushes and other handicrafts. The first impression Iris wishes to create is about the beauty and quality of the well-designed, handmade products, produced with century-old traditions.

The fact that employees are visually impaired is translated into the marketing message that Iris' products are made 'by hand, with sensitivity'. Their commercial value proposition is 'well-designed everyday items with a long shelf life, objects worthy of nurture and love!' Note that it does not give the customer any ethical reason to buy the products and that love can certainly be a commercial message. The story behind the organisation and how products are made is embedded in product leaflets and on the web site. The commercial and social propositions blend in a well-balanced marketing message.

In some sectors the commercial and social propositions are naturally blended, for example in the health, education and renewable energy sector. There are still ways to develop a business

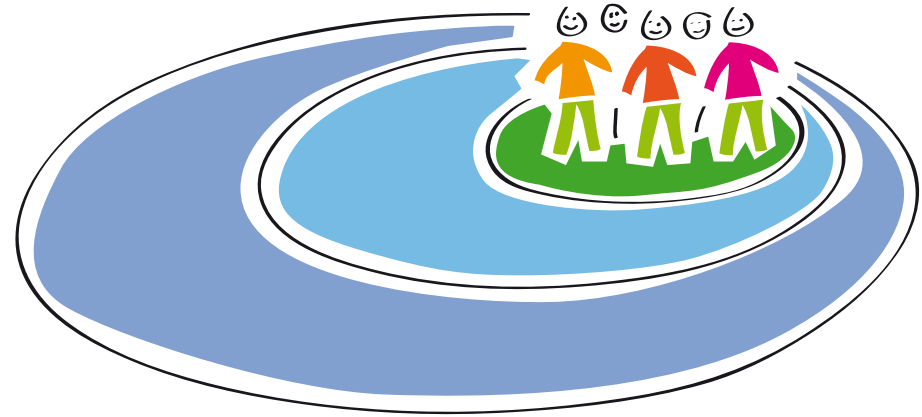
model which creates more social value. This can often be done by choosing target customers, and paying attention to features in the value proposition which make the product or service useful and attractive for those who are currently underserved in these sectors.

The existing, established companies will not be bothered with this; they are used to doing business in a certain way and with a certain type of customers. Established businesses are slow to change their business models. For example, certain technologies and skills that used to be provided only at large clinics, entrepreneurs can now bring to smaller medical centres. A very limited set of high-quality health services are offered, so that more people get affordable health care, as demonstrated by HealthPoint Services in India and MeraDoctor, that provides consultations over the phone.

## Judging the potential of a CVP

The potential market for your value proposition is in its simplest form expressed as the number of people who are in the target group (or *customer segment*, which is explained in the next chapter), which your company may be able to reach. Be practical. First decide whether your market is local, regional (nation-wide or neighbouring countries) or global. If you are a business offering something to other businesses, the geography may not matter as much as the sectors you are addressing.

Far too often I have seen business plans where the entrepreneurs confuse *their* potential market with the entire market. 'XXX address people in Africa who live on less than \$2 a day'. This



gives a rather naïve impression, putting all African countries together as one market, and it is completely unhelpful as a starting point for a marketing strategy for a small company.

Once you have narrowed down which geography and/or sectors that you operate in, you decide which customer segments that you are addressing and the size of these in number of individuals, households, groups or organisations. The last thing, an important step that many skip, is to think about what portion of these segments the company may realistically be able to address. This is not the same as how many will become your customers, since only a fraction of all potential customers do become customers. This is called a 'conversion rate'. How many people or organisations you need to talk to in order to win one customer naturally varies a great deal, depending on what kind of product and service you offer, as well as how effective your marketing strategy is. The portion of a potential market which a business can win is called 'market share'.

The first launch is most challenging, when nobody knows who you are and what you offer. Many start-ups find that there is a network effect to acquiring customers and growing the company. You need a so-called 'critical mass' of customers or users that may be acquired over a longer period while you are trying different marketing strategies. After reaching this point, customers will start recommending the service to new customers, your brand will become more known and you will get visibility in the market, which will accelerate new customer acquisitions.

## Identifying your customers

If you have defined a very specific need, and spotted a business opportunity, you will then need to assess what kind of people who have this need or challenge. They are not necessarily the same type of people with the same personalities only because you identified a common issue or a common need. People vary in many different aspects, and the business needs to know some key facts about its customers in order to successfully market to them and build customer relationships.

Customer segmentation is firstly a method to split the population or market into smaller pieces, so that a business can practically work with a market. Secondly, it is a method which requires a company to investigate what customers really are like, how they think, and how they behave.

### The benefits of segmentation

The main reasons to do customer segmentation are:

**Identify** your customers and users. How many are they and where are they?

Understand what they **need, aspire to** and how they **behave**.

Understand the best way to **reach** them for your communications, for sales and after-sales.

**Tailor the value proposition** – including features of the product or service, the packaging and the marketing – to each customer segment in order to increase chances to sell.

Set an **appropriate price** in relation to customers' income and willingness to spend.

Analyse the **profitability** of different segments once a segmentation model has been implemented.

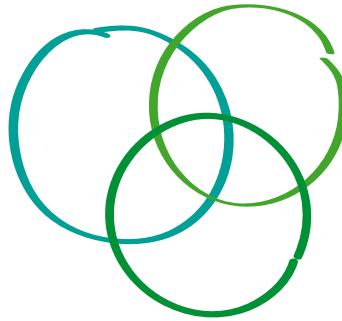
### Start with demographics...

The most common way to divide a market and to find common characteristics in different groups is by demographics: gender, age, location, income level, education level and profession. If you have problem finding data, even one attribute is better than none. Think of the simple difference between how marketing communication is done for women and men.

Let us use perfume as an example. Besides the actual difference in smell, other differences will be colours and images on the packaging, price (men always get away with a lower price on perfumes and cosmetics), and choice of advertising channels. Social propositions are very often communicated differently to men and women (for good or bad reasons). Since it is often presumed that a woman in a family will be the main caretaker, communications about health services, education, insurances and nutritious food are often tailored to a female audience.

Demographic attributes, which include where people live, make it easy to identify and to address people. In many countries it is

possible to buy lists of addresses to the people you wish to reach. This simplest type of segmentation works quite well for basic consumer goods and services, and it works when a company sells something that is in strong demand. But when there are lots of companies selling the same thing, then they also need to address more personal needs that the customer has.



### ...then add personal needs

Consumer marketing is based on psychology, and the Stanford Research Institute found through their global market research that there are three 'primary drivers'. These are *ideals/values* (traditional or politically aware people), *achievements* for one's family or for oneself, and *self-expression*. Think about what 'driver' your proposition may correspond to.

When you communicate with a segment that consists of ideal-driven people, include facts and principles. Achievers will be more interested in how your product or service can help establish and show their social status. This is why marketing and branding uses aspirational models and images. Self-expression is a common driver among quite affluent groups, including young professionals who do not yet have their own family, and are attracted to propositions that include variety, and social and physical activity. They are willing to try new things, as they are more risk-taking than other people.

Many companies that address underserved segments get this wrong and believe that if a person is poor, she or he will only care about basic needs and there is no point in communicating benefits that relate to more personal needs or use any aspirational branding. In my own research I have discovered that regardless of income status, young people in very poor communities will have high demands on a so-called 'essential' product and it will not sell if it is not perceived as attractive and well-suited to them, from several perspectives, not just the price. In other words, a person can have basic and advanced needs at the same time. If you can find out about personal needs and motivations, and not stop at what seems to be the most obvious physical need, you can build a stronger proposition.

### Business customers

If your customers are other companies, then the emphasis is mostly on demographics and purchasing behaviour. Business customers are typically grouped according to:

- Sector
- Size of organisation
- Purchasing behaviour (public tender, open to proposals, buy at certain points in time, etc.)
- Type of buyer within the company (HR, marketing, logistics, etc.)



## Defining your model

Once you have done your market research you should decide if you wish to address one or several customer segments, and how you will distinguish them from one another. The following models are the most commonly used in marketing. Cakes are used as a symbol for the market which you are addressing.

## Putting customer segmentation into practice

One reason so many start-ups do not survive in the long-term is that what they believed to be the greatest idea in the world, was not a good idea from the customer's point of view. Entrepreneurs tend to confuse their own preferences and beliefs with what potential users think. A market study is first done to learn about the different types of customers. Use this information to describe the most important characteristics of your target segments. Keep it simple and include just a few demographic and needs-based attributes for each segment.

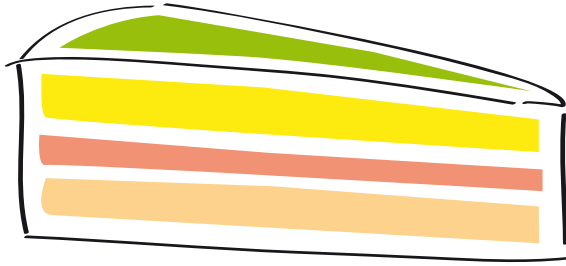
After you have developed your own customer segmentation model, you have a more clear idea about who your customer is and what she or he needs. The first opportunity to use your segmentation model is during the innovation process. There are many arguments for involving users early in the innovation process:

- Plenty of input and feedback at the start of your project or product development will help ensure that you have not missed information, wishes, and preferences, which make the offer more compelling.



This is simply called a 'segmented model'. Each slice represents customer groups that are quite similar to each other in demographics, needs or lifestyles, and each slice differ from the other slices in one or perhaps two main attributes. You decide which of these segments you wish to address. The more segments you address, the more resources it will require.

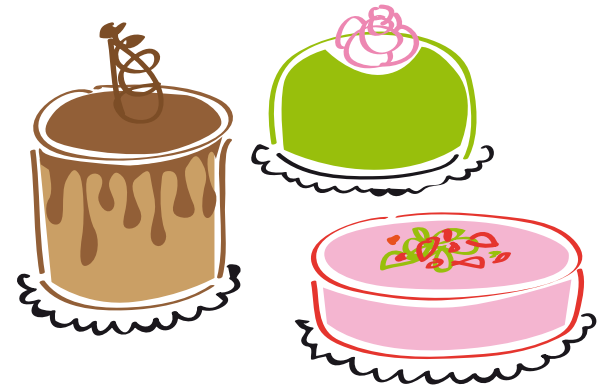




This is a 'niche segmentation model'. It is for a specific and quite small group of customers which you have identified as your target group. The more niche-segmented you are, the more intimately you can get to know your customers, and the closer your offer will be tailored to their needs. This is probably the most common model that companies use when they enter a market. If you are successful in a niche segment, you may expand into other niches later. A business can also grow by offering additional products and services to the same niche segment. Once you have acquired a customer there may be opportunities to offer services which support the product the customer has bought. This is an important strategy not only to grow profitability in a business, but also to offer a sustainable value proposition.

An example of this would be a gym and training centre like SheFighter in Jordan (see Entrepreneur portraits, page 87). The core offering is the physical facilities and group classes, and the revenue comes mainly from membership fees. The content of the classes, the instructors and what the gym looks like are important points of differentiation when a person compares different gyms. Once a customer starts coming to the gym, SheFighter has more to offer in terms of courses and personal coaching, which increases the income from the same customer segment.

Here are some cakes that are not related to each other at all. This is the case when companies realise after some time that there are new business opportunities that they had not initially thought of. The business 'diversifies' and starts offering a new service or product to new customer segments. The customers and the offers are unrelated to each other. An example is the largest manufacturers in the food industry. They develop different brands and different products to cater for different segments in a market.



This cake represents a so-called 'multi-sided platform'. It consists of two independent segments that must be connected to make the business model work. A credit card provider, for example, must address consumers as well as retailers to make their card used. Consumers and retailers are both customers, since both pay something to use the financial service from the credit card provider. Services that are partly financed by advertising and sponsorships will also have these very different types of customer segments.

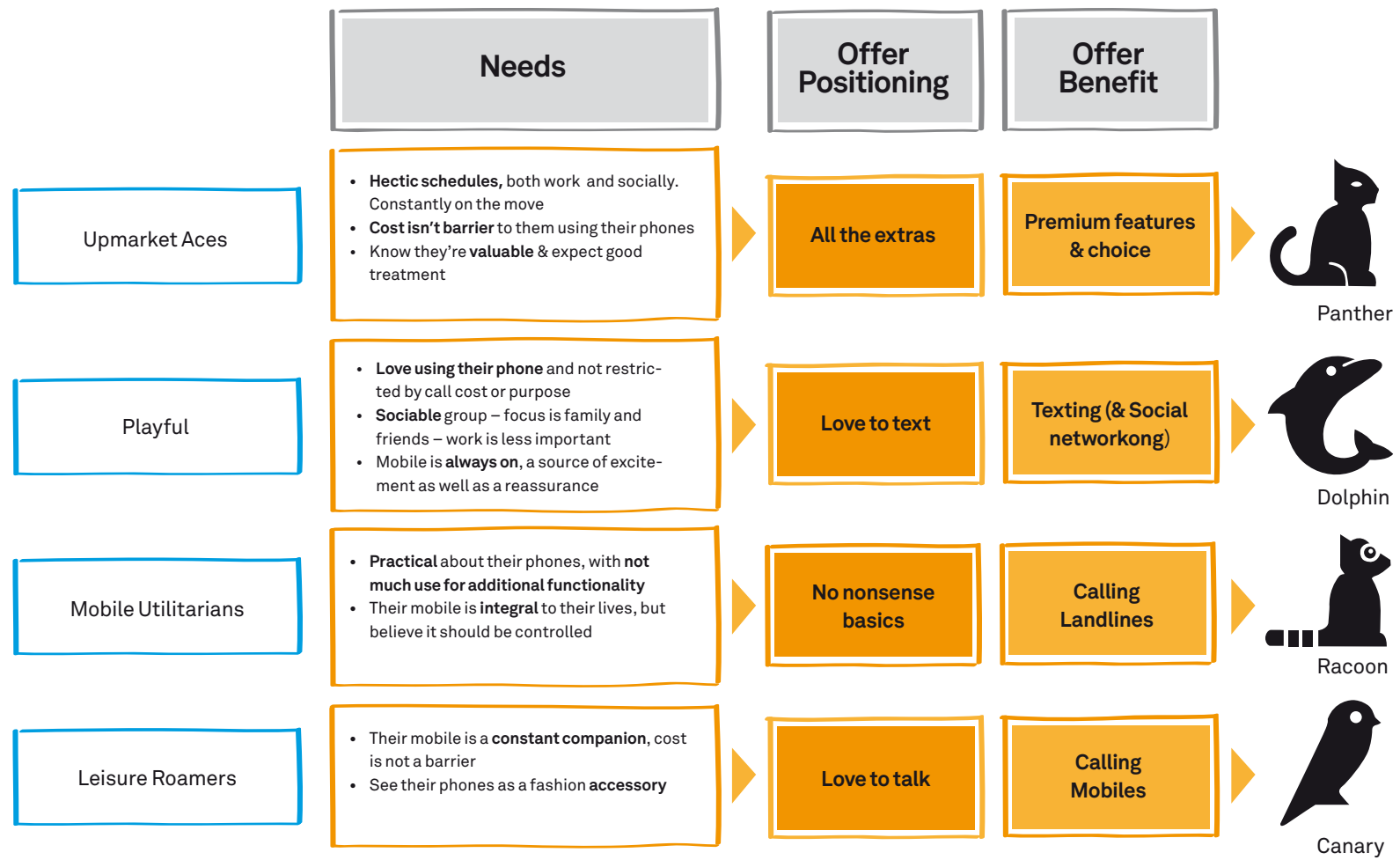
- Having more people involved in the innovation and co-creation stages will speed up your process, especially if you need knowledge and expertise which you do not have yourself.
- Detect early on how preferences differ between different customer segments, geographies or sectors.
- Users who participate in development and try early versions of products can become your advocates and references.

You may be surprised to find how many are willing to help you develop your idea. Offer something simple in return, such as being the first users and customers as you launch. In the discussion above about the social value proposition, there is also a social aspect of allowing stakeholders to influence the solutions that you intend to offer them. A feeling of joint ownership can increase the shared value that you are striving to deliver to society.

The second opportunity to use the segmentation model is when you describe the value proposition. Each segment should have its own value proposition, since the value should correspond to the uniqueness of each segment. You can start with a relatively simple model and refine it by helping potential customers choose you. How? It can for example be done by describing the benefits of each offer and create different packages.

Once you have defined the proposition(s), use customer segmentation to develop your go-to market strategy. This includes decisions about how and where you will make your product or service available to customers (the 'distribution channels'), what should characterise the customer relationships for each segment, and finally what communications and PR would be most appropriate for each segment.

Example of segmented value propositions:



One of the most successful marketing campaigns that Orange did for its mobile services was using a creative concept of picturing the different customer segments as different animals. Note how the benefits all refer back to the different needs.

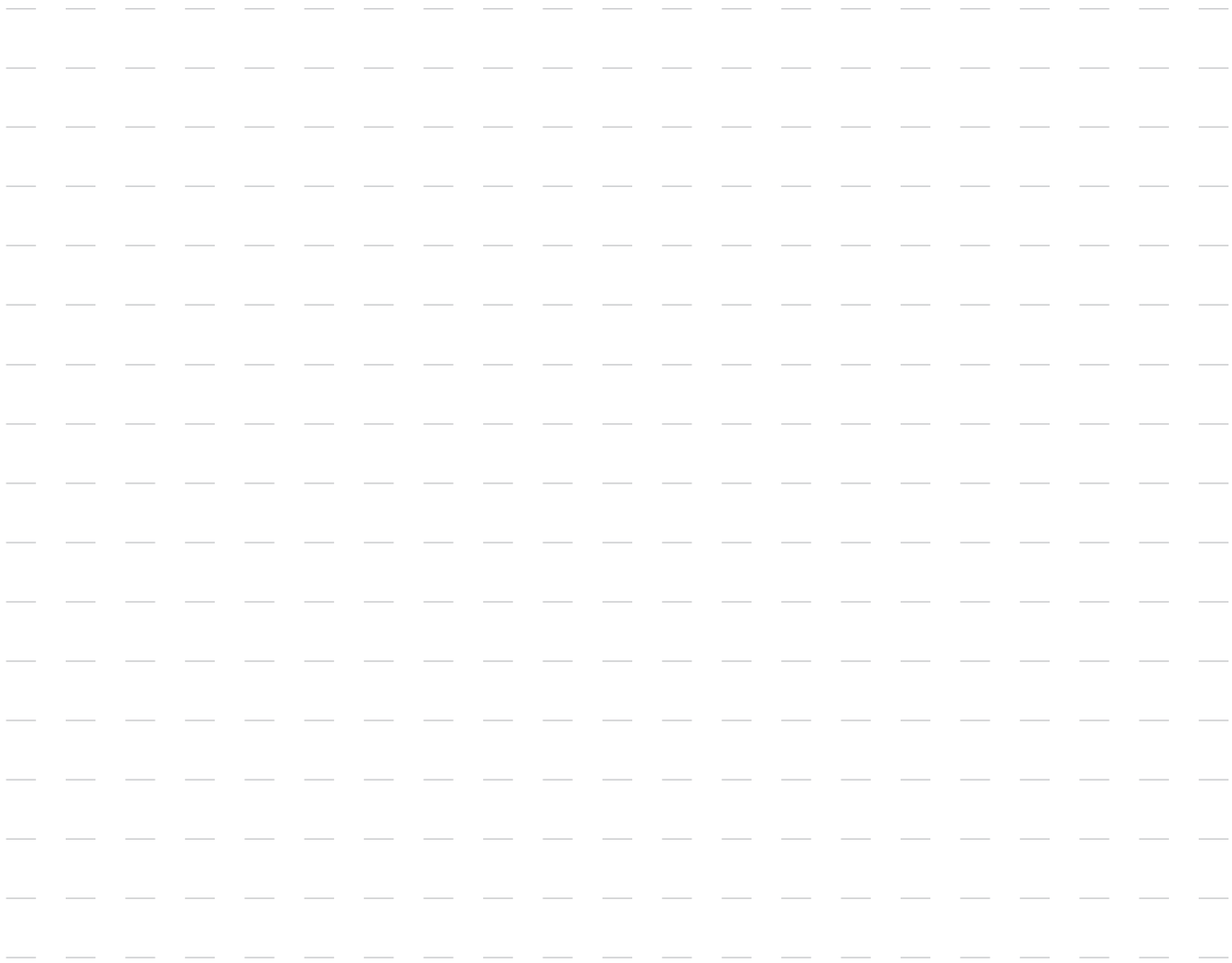
**Questions to consider**

*Who are my customers? What describes them?*

*What are their main drivers and motivations? What needs do they have?*

*What values and benefits can my organisation offer them?*

A series of horizontal dashed lines intended for handwritten notes.



## Choosing the right channels

Every time you walk into a shop, you are from a marketing perspective in a 'distribution channel'. The shop may be owned by the same company that has produced the items on the shelves – a 'direct' channel – or the store owner may simply stock products from different suppliers – an 'indirect' retail channel. A distribution channel (also called marketing channel) is where the interaction with your customer takes place through another organisation or via individuals. Channels can be online, by phone or physical places. They can be automated by a technical platform or staffed with people.

Channels are selected with the following things in mind: What is the best way to reach potential customers? What would be the easiest way for my customers? What is the most efficient from a cost perspective? Do I want to take advantage of other brands, which my customers trust, or do I prefer to build my own brand?

If your business is providing services, the channel can also include the customer's own premises. A catering service, for example, may use online, published media and word-of-mouth as the channels to announce its service to potential customers. It probably takes orders over the phone and then delivers the food to the customers. As we can tell by this simple example, companies most often need a mix of different channels for different purposes.

Intermediaries and agents may be important middlemen if your organisation is too small, or lack some of the criteria that the customer requires in order to be able to buy from you. This may be the case if your customer is a public organisation.

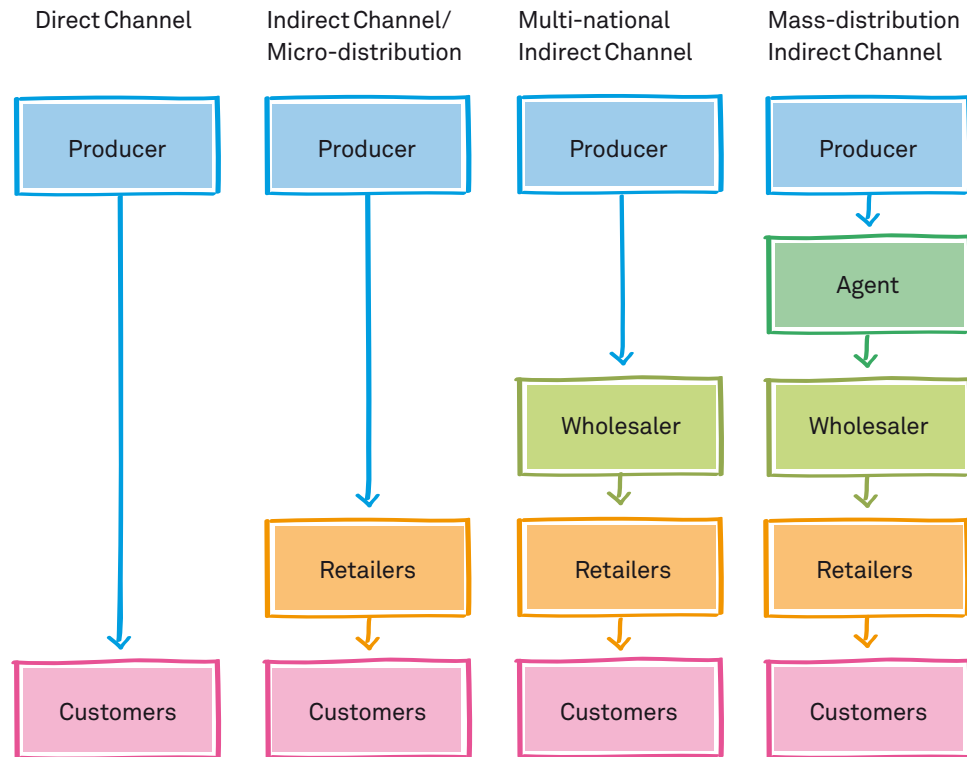
If your business idea is not to produce anything, but to be a retailer or re-seller of others' products, you face similar choices: Where would be the best place to locate your store in order to reach the customer segments that you have identified? Should you buy directly from manufacturers, or would it be more efficient to buy from a wholesaler? Should you sell under your own brand, or would it be better to use an existing brand (franchise model)?



## Micro-distribution channels

Franchise models and micro-distribution models are popular *in-direct channels* that are deployed among many entrepreneurs and small companies in underserved markets. In places where people normally buy their products in open markets or in small, simple stores, your product may also help develop these stores and create value for both of you.

An example of this is Eco-Fuel Africa in Uganda. The entrepreneur, Sanga Moses, wished to create job opportunities for marginalised women in his home village. After trying a number of different ideas, he started producing biofuel briquettes out of maize cobs and other agricultural residue. These products were cheaper than the charcoal that all families and local restaurants used and Moses realised it would be a quite attractive product to sell. He looked for women who were interested in running their own shops, selling the



biofuel and other things they could decide on for themselves. Moses paid for the cost of building the simple kiosks, to ensure that they would all look the same and that they would be ideally located to sell his products.

Eco-Fuel Africa created a distribution network, while ensuring that women who were single caretakers would be the main beneficiaries in this business model. The business also sells directly to restaurants and is considering selling to supermarkets, to cater to other customer segments.

Micro-distribution through individual sales representatives who bring products or services to customers are also common, in particular for things that are targeting women who may be spending much time in or close to their houses. Different ways to do this include door-to-door sales, local outreach events or home parties, for example.

## Pop-up stores

Sometimes your service or product is best positioned as a temporary offer. You may want to test a market, or you might be limited in the number of stores which you can afford to run. One solution is to make a store open for a limited period; you then may want to move on to another area. This is a common model for health services; mobile vaccination clinics and certain health scans are easy to move to different locations, and is done when a health organisation wants to reach out as broadly as possible to the general population. Businesses that include education of users and communities can also take advantage of putting up temporary locations, run activities and events for a limited period, and then move on.

## Customer relationships

Each customer segment may need a different type of relationship with your organisation, and this has implications for:

- How you win customers in the different segments
- How you create loyalty
- How you deliver more value to each customer

A good relationship reduces the rate of churn, customers who are not coming back. To win a new customer costs more than selling again to an existing customer, since the effort you need to convince someone for the first time will always be higher. This is the reason loyalty schemes of different kinds are so important, including discounts or a freebie after x number of purchases. Rewards that are promised in return for the customers' performance (most commonly how much money they spend with your company) will reduce the risk of bargaining and price comparisons at the first purchase.

Exceeding the customers' expectations also increases loyalty. The proof of an excellent or poor customer relationship is often evident in how companies treat complaints and claims: Is it easy or difficult to reach customer services if a person wants to return a faulty product or have a question about a service? What does it take to get money back, if the customer wants to return what she or he has bought?

Even though this is also regulated by consumer marketing law in most countries, this is a sensitive point in the customer relationship



where many companies do a poor job. A social business has to take particular care to ensure that weaker consumers – not all people understand what agreement they enter into when they buy a service, for example – are protected and looked after when it comes to their rights.



## Defining the points of interactions

A simple exercise to start managing your customer relationships in a professional way is to literally or imaginatively walk with the customer for half a day or a full day. What are their routines, how are they doing the things that you are interested in observing in relation to what you intend to offer? If you have already started selling a product or service, ask where and how they first came in contact with you (before having bought anything). What types of contact do the customers have with your organisation at the purchase or during the service delivery? What are the interactions and any types of communication after this point?

This exercise can also be done with beneficiaries. Edgar Schein came up with the concept of 'empathy walks': Think about someone who you consider to be **most different** from you. Establish a relationship and spend a few hours with this person. Write down notes of what you learn about **that person's world**.

Combine the insights you get from this exercise with the customers' needs that you identified earlier, and think about how you could ensure that each point of interaction between your organisation and the customer satisfy these needs. A customer who is value-driven could be presented with the social mission of your organisation as part of the first information you communicate with them. Where and how this is presented can be determined by what you noted during the customer day. Did the customer spend a lot of time in front of the computer, seem to prefer to ask other people for advice, or did adverts or offers in magazines seem to matter?

### Improved experience for cancer patients

An example of how insights about customer needs can shape the customer experience comes from the Princess Margaret Hospital in Canada. Researchers pretended to be patients through a typical day at the cancer treatment centre in order to get a first-hand experience of what it may be like for a patient. Some patients were also asked to write notes and take photos over a week, of the good and bad key moments for them. Besides the obvious medical treatment, cancer patients expressed other needs that related to their healing process: The connection to the outside world, the physical environment in the hospital and their own sense of control over the treatment. Afterwards, an 'ideal' patient journey was described, all the way from the home to the clinic and post treatment. Several mock-ups were built to test new ideas with patients. The hospital finally re-designed the space to promote a sense of well-being, designed a new chair for chemotherapy, and implemented a new IT system to allow patients and staff to get an improved overview of the treatment and communication.

*Source: Franser et al in HealthCare Quarterly, no 3, 2011.*

## Everyone has competitors

‘There really are no competitors, what we offer is unique.’ It is a very good thing to believe in what you are offering and its uniqueness, but this statement is just as wrong as the previous one about Africa being one, homogenous market. Those who believe they have no competition do not understand what competition means, and they may not understand at all why a great value proposition does not get accepted and bought. Competition consists of five different forces, according to classic marketing theory:

**1. The intensity of competitive rivalry.** Those organisations that offer similar things. For a social business, other organisations may not be seen as direct competitors but rather as ‘co-opetition’, – organisations you can partly collaborate with (for example in raising awareness around an environmental or social issue), and partly do something different from. You can start analysing the intensity of competition by asking the following questions: How many organisations are addressing the same beneficiaries and customers as you do? How innovative are they? Are they spending a lot on marketing and advertising? Is the total market growing (number of beneficiaries and potential customers is increasing) or is it stable?

**2. Threats of substitutes.** This includes customers’ existing behaviour. What alternative solutions exist? It is a difficult thing to motivate people to change their habits. What are your beneficiaries’ and customers’ propensity to switch to something else? What are the major barriers for users to choose your product? What would make it easy to try and to buy?

**3. Threats of new entrants.** Start-ups or existing organisations that start to operate in your area, offering something similar. It can be hard to follow the evolution of new entrants, especially online. Since it is relatively easy to start an online business, compared to off-line, you should expect new competitors all the time if you have an online business.

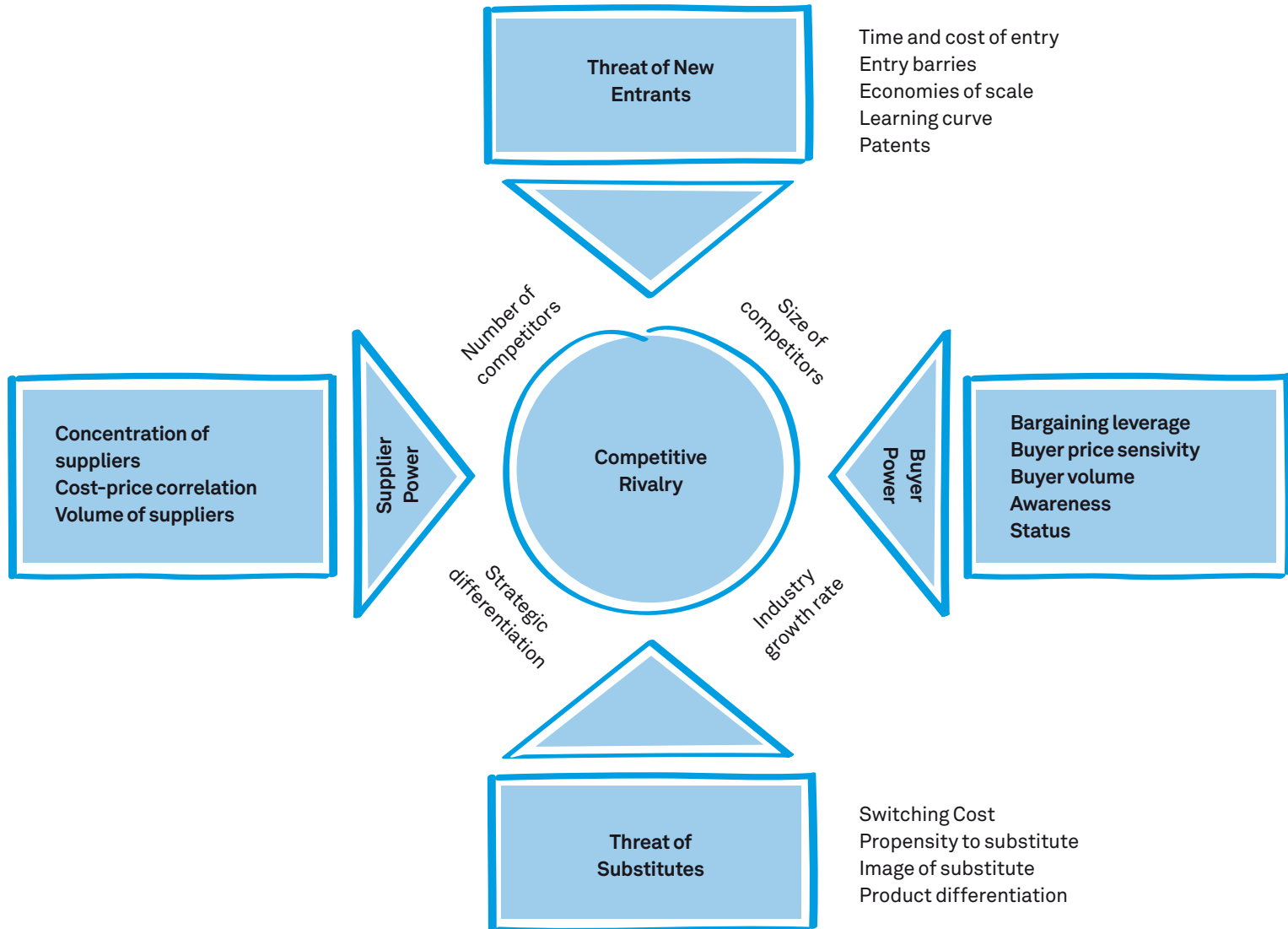
**4. Bargaining powers of customers.** Since customers work against you as they negotiate (trying to reduce price, for example), depending on how successful they are, it will affect how sensitive they are to price changes in the long-term. This is one reason many companies introduce different kinds of loyalty programmes.

**5. Bargaining power of suppliers.** As above but in the opposite direction. The suppliers may be very important in determining how competitive your product or service can be in terms of price, quality, features and availability. Do you have many or few to choose from?

The most common tool to win the competitive battle is for a company to differentiate its offer. It has to stand out from the crowd. Thinking about how you can differentiate is a creative exercise where you should try to pull in as much input and as many viewpoints as you can for your first brainstorm: Customer insights, competitor comparison, designers, behavioural experts, engineers, marketing. Differentiation of a product is often hard and costly to sustain, but when it comes to services we can use the human dimensions of relationships.

Now, think again about customer relationships and put yourself in the situation of a hotel customer. Which hotel visits do you remember for their beds, rooms and the building? Which hotels do you remember for what services it offered and how you were received? If we can engage more senses (for example a feeling) to something, we are more likely to remember it. Instant customisation, that the customer can co-create its own product or service, is another way to engage them and to gain their loyalty.

### Porter's competitive forces analysis



## Resources & capabilities

During the work with the previous elements in the business model, you have described *what* your social business will do for its different stakeholders. In this section, the next elements focus on *how* the business shall deliver its propositions. The organisation will need to build up certain resources and build the competences according to its business plan and product road-map. Resources are either tangible (e.g., staff, founders, board, equipment, money, land, buildings) or intangible (e.g., trademarks, copyrights, patents, brands, skills and competences).

A research study<sup>1</sup> done on the contribution of intangible resources and capabilities to business success showed that the most important resource is reputation. This refers to the reputation of the company, and secondarily to the reputation of the product or the service. Reputation is built on trust, and it takes often a decade to build this, whereas other resources can be changed in a much shorter time.

The resource needed during the start-up phase is naturally the most challenging to figure out. A start-up or small company faces many constraints and needs to be able to prioritise and work hard to get the first product or service out on the market. Try to think of how external resources could be mobilised to help you during this phase. Could the business possibly trade services with another business? Are there any professionals who would be willing to do a limited pro-bono work for the things the busi-

<sup>1</sup> Hall, R (1992), 'The Strategic Analysis of Intangible Resources', *Strategic Management Journal*, 13, page 135-144.

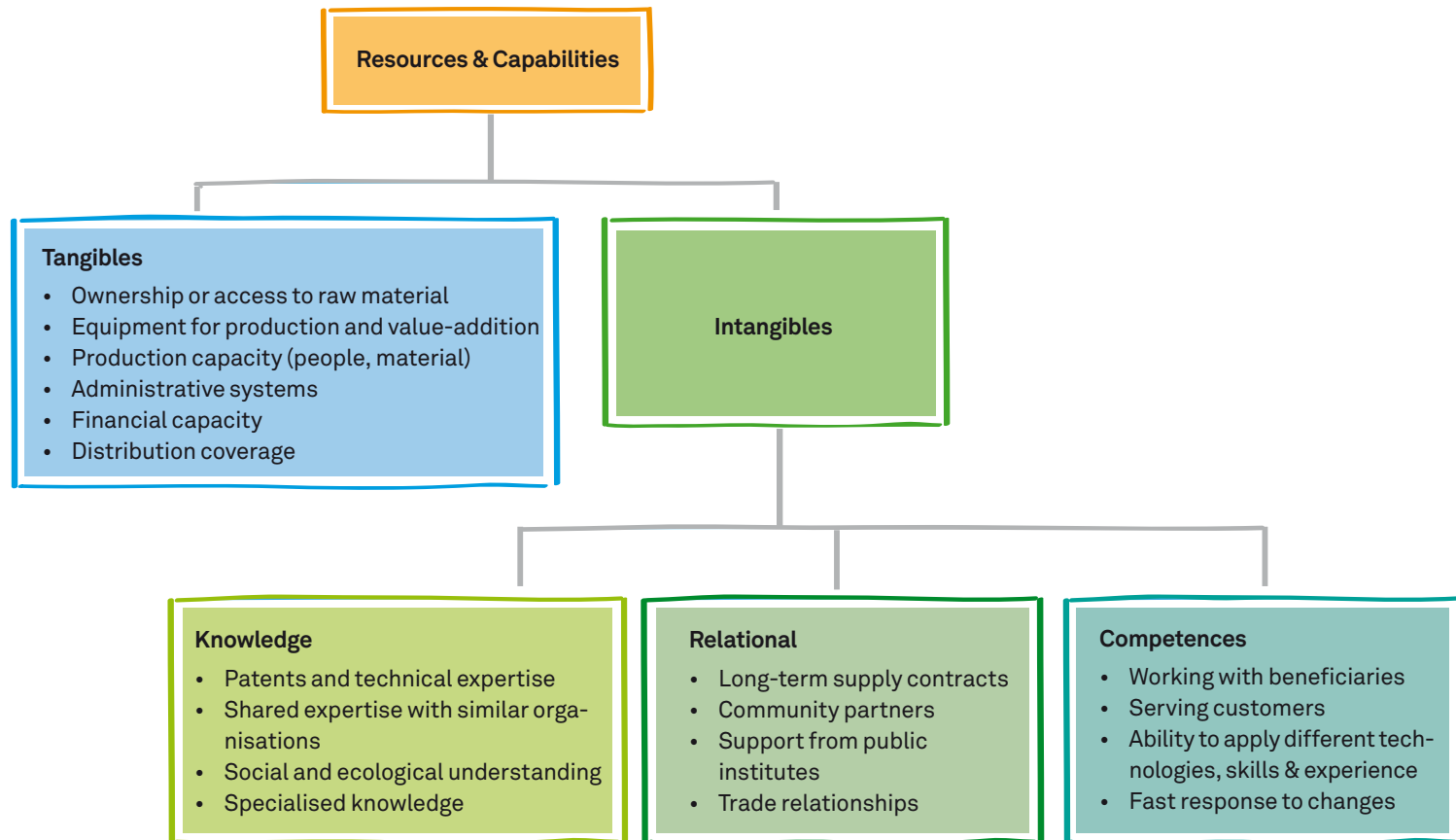
ness could not otherwise afford? Some take on volunteers and interns to solve resources issues. Volunteers need to be managed too, so be careful that people always bring the capabilities that the organisation needs. A volunteer can otherwise be taking up a lot of your time, with little productive output.

Define what resources the organisation needs long-term, and which resources are not core and can be bought as a service.

## A colourful, diverse team

To promote diversity within the organisation was initially a theory of how to differentiate a business by Arthur Koestler and other scholars. If you want to build an innovative organisation, do things differently from status quo and solve complex challenges, then it is quite natural that an organisation benefits from a mixed workforce. A start-up or young company needs to test new ways and most likely re-work its business model several times. It will help if the people on board can then provide input from many different angles and walks of life, rather than from the same background and schools. Diversity is also important for other reasons, such as equal opportunities in society. Entrepreneurs and managers need to be brave and hire people who are not like them.

If your beneficiaries are part of your organisation, or part of the production, there is a chance that a majority of resources are used internally. Sometimes this happens at the expense of taking care of customers and getting new customers. If this happens, the enterprise may need to simplify and standardise things 'inside' the business, or else the costs will be too high to allow for profits.



Adaption of the "Resource position" matrix. McGee et al, 2005

### Case Study: Hiring the first key team member

Depressions and mental problems are increasing problems in Scandinavia, and two Finnish entrepreneurs started an online service to make it easier to find a psychologist. As the company launched they needed to add more team members and identified a person who had a similar business idea, with the right competence to match the founders'. She would work full time in the company and would be in charge of continuing to develop the value proposition and the customer services.

A second person, with extensive background in ICT would possibly also join on a part-time basis. The start-up is seeking advice regarding what kind of offer they should make to these first team members, as they cannot offer much in salary.

*What would you suggest that the company offers? What are the key things that the founders must discuss and agree as part of an offer?*

## Partners and stakeholders

All businesses need different types of relationships with other organisations to function in a market. Those that would benefit from a long-term collaboration are viewed as partners, or stakeholders. Identify what relationships the business will have, dependent upon, e.g., channel partners, input providers and suppliers. Stakeholders are those that are affected by what your organisation does and who may have a strong influence over the issue which you wish to address. In the view of a business model, our concern is mainly if a stakeholder possesses any resource that your business needs.

Identify key partners as those actors which you have a strong interest in collaborating with because they have *resources*, as well as common interests and objectives with the relationship. Without the resources to back up the partnership, even with the best intentions, it will not be worth the time forming an alliance. Does the partner have a prior record of other collaborations? Can you complement each other?

Ideally, the partner selection is made among several potential partners. In the first formal meetings, ensure that each party's objectives are described and written down. What would you expect from the partnership and how will it be managed? A partnership is not likely to perform well if there is no expectation that it will need to be managed and evaluated.



In summary, the advantages of forming partnerships can be:

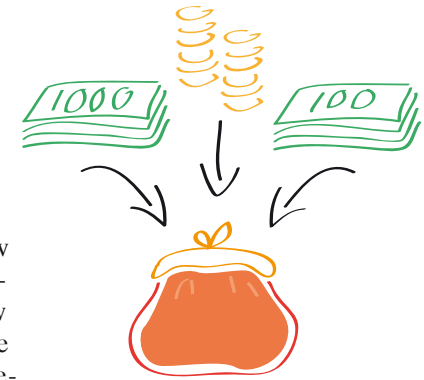
1. To extend beyond your own resources
2. Lower cost to develop the social and commercial value propositions
3. Access to knowledge, people, users

Partnerships are rarely straightforward and it is only natural that occasional conflicts occur. If there are serious problems, consider what the barrier to collaboration might be. Are they related to the limitations or differences in structures or processes of the organisations? Is it a financial matter, or related to differences in organisational culture? As with personal relationships, getting independent advice can help review a partnership and possibly also facilitate a dialogue if needed. In business though, the paying party has the upper hand.

## Money matters

There are certain terms used for understanding the economics of the business: revenue, cost, income and expense. You may recognise these terms from accounting.

- **Revenue** is the money that the business has generated over a certain time, e.g., the monthly revenue of the business. It is often related to certain customer segments, e.g., average monthly revenue per user.
- **Cost** is the value of the resources that have been used in order to produce the product/service during a certain period. There are three different types of costs in a business:
  - Production of your product or service. Development, manufacturing, supply of material, salaries for those engaged in the production.
  - Cost of sales. Logistics and distribution, commissions, sales campaigns, salaries for sales staff.
  - Administration and overhead. Offices, travel expenses, salaries for management, marketing costs.
- **Income** occurs when the business sends an invoice to a customer or charges for a cash payment.
- An **expense** occurs when the business receives an invoice or pays cash for something.



Strategic questions include how to extract money from each customer segment, as well as how you can develop several revenue streams in order to be less vulnerable from only one kind of income. Pricing and how the income and revenue is collected are tactical issues.

## Revenues

There are broadly speaking two types of revenue streams, either *transactional* or *re-occurring*. Re-occurring revenue means that the income is repeated over time, like subscription-based services or rent. All other income is transactional revenue streams. There are several advantages to the company from having a re-occurring revenue stream. As it makes the cash-flow smoother, it improves the possibility to budget. The greatest advantage, though, is that the customer does not have to be convinced again and again of buying something. They simply continue buying, especially if the payment method is automatic. It can be a good option for a customer as well, when the cost is divided into smaller portions.

From a sustainability perspective, it can also trigger better ideas if we think about how to change a typical product purchase to a service-based, subscription-based model: Car and boat pools instead of having to buy them; weekly food deliveries with set menus instead of buying food in packages that leave a lot of leftovers; gardening machinery and DIY tools for a neighbourhood, and so forth.

Revenues are related to how you will set the price. Will it be a fixed price or a dynamic price? A dynamic price changes with any parameter that makes sense for the product, and to the customer. The item price may become lower the more somebody buys of something, as you wish to encourage loyalty. Price may be different depending on time of usage (or purchase), and increase if many others are buying at the same time.

Some companies have a dynamic pricing to try to avoid mitigating peak productions (which can be very costly) and smoothen out usage throughout the day and night, for example for electricity. Paying ahead in time can also trigger a discount, which is typically the case in the travel industry. Whatever pricing model you choose, it must be linked to customer value. Sometimes, to ensure accessibility to those who really need the service or the product, a financing scheme may also be needed.

Many social businesses have a mixed revenue model. Let us consider a dental practice: The full cost of the dental care is often very high. For many patients funding is needed from other sources. In some countries the government pays subsidies for basic dental care, and the enterprise in that sense has the government as their customer and the patients are beneficiaries, as well as customers, as they pay part of the cost. In places where the government does not provide this cover,



or where the patient still cannot afford the service, some clinic owners make a specific low-cost or free offer to the poorest.

## Understanding costs

Why are different terms used for costs and expenses? Let us imagine that your business needs to buy new equipment this year, but your project gets delayed and the equipment will not be used until next year. The expense occurs this year, but not the cost, since no resource is used this year. The difference between an expense and the cost matters for example as you estimate the costs of the products and services that you wish to sell. How much resources and material was used to produce and sell a certain product? The equipment cost will only be a fraction per product sold, compared to the total expense of the equipment.

Expenses are quite easy to understand (you see them physically as bills and payments that you have made), whereas it is often difficult to estimate the so-called *cost of sales*. You can split it into the product costs and the direct sales costs. The product cost should include the cost of any raw or purchased material, and the production cost, which includes part of machinery, equipment and labour costs.

The direct sales costs are any costs that are necessary in order to deliver and sell something to



a customer, for example transport costs to deliver the product to a store, commission to a re-seller, transaction costs to a financial provider if you accept credit card payments, and so forth.

Indirect costs such as product marketing, offices and administration are so-called *overhead costs*, which are not included in costs of sales. They shall not be ignored, though, the way many start-ups tend to do when they do not yet pay themselves a salary. But that is something we will return to when we look at how to calculate profitability. It is necessary to understand the true costs of what the organisation is selling in order to decide whether a business idea is good and sustainable.

## Working under cost constraints

The reality for most companies is that they remain start-ups for quite some time, even when they have survived the first critical years. Profits may be small and often the founders work for years with minimum or no pay. This is the same all over the world. There are a few things you should consider to keep costs under control:

- Do not enter long-term rental agreements and contracts, and try to keep as many costs as flexible as possible.
- Seek sponsorships for a free office or store space from a corporate, institution or private owner. There is often unutilised space in decent locations. Check whom they belong to (and what you could possibly offer in return).
- Exchange favours and services with other start-ups and professionals.

- Use second-hand ITC equipment.
- Consider long-term pay-off plans or renting whenever you need to buy new equipment.

Analyse the cost of serving customers and what the most efficient way to deliver your product/service would be, but be careful not to appear cheap. A subscription-based service, which was sending its monthly packages by mail to its clients, started losing customers since packages did not always arrive. The customer simply lost their money when the company refused to send a replacement box, since they claimed they could not afford to.

## How to budget and forecast

Before handing over all your financial responsibilities to the accountants (as most entrepreneurs and business owners are tempted to do), there are few things you always need to stay on top of in order to know *what* you are doing with your business, and to follow-up *how* the business is doing over time.

As you do the budget and the forecasts, ensure that whatever figure you put under the income heading, it can be related to a revenue model. The revenue model should include, as a minimum, how many customers you expect to have, how this customer base grows over time and what they pay on average per month. If you offer several products or services, you estimate how often the different segments purchase the products before calculating the monthly revenue per customer.

Gross Sales		Jan	Feb
		13,000.00	
# CUSTOMERS BY SEGMENT			
	Segment A	100	
	Segment B	200	
	Segment C	300	
	Segment D	400	
AVERAGE MONTHLY REVENUE PER CUSTOMER			
USD	Segment A	50	
	Segment B	15	
	Segment C	10	
	Segment D	5	
GROSS REVENUE BY SEGMENT			
	Segment A	5000	
	Segment B	3000	
	Segment C	3000	
	Segment D	2000	
OR PAYMENT PLAN?			
% INFLATION?		0%	
% BAD DEBT?		5%	
SALES RETURNS?		%	

You can create a similar cost model, where those costs that will vary with the growth of customers and sales are modelled in a similar way.

This is a bottom-up exercise and is a smart way of making a budget, as you will understand what happens if you change the price or monthly revenue per user, or how different customer growth scenarios will affect the profits. If you work in excel, have the revenue model as a separate excel sheet, which you link to corresponding rows in the sheet of the total budget.

The best way to get a budget overview which resembles reality as much as possible is to do a cash-based budget. This means that if you are invoicing customers you enter income the month you get paid, not when you sell (since there is a time difference between the time of sales and the time of payment). Likewise, you enter your costs according to when expenses and taxes are paid.

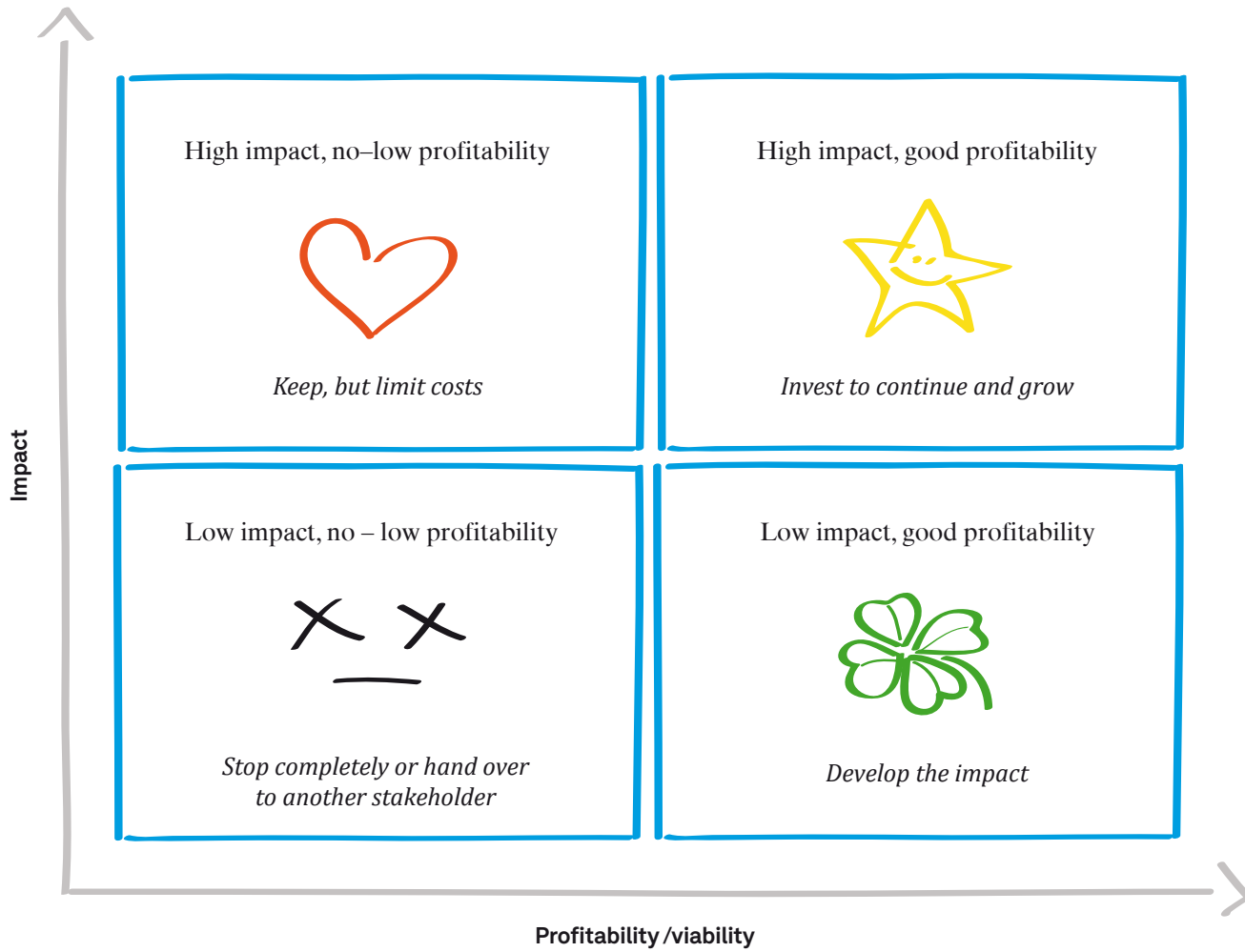
A cash-based budget is in particular important for those businesses that need to have a stock of products or raw materials. It helps you understand the working capital requirement and to plan ahead for occasional, larger costs, and not let them come as a surprise. An accountant can help you with this.

## Profitability

Profits are simply generated when the revenues are greater than the costs. The calculation for *gross profits* is therefore: (price x volume) – (cost per product x volume). The *net profits* (sometimes called *operating profit*) are calculated as: Gross profits – marketing costs (- sales commissions, if applicable) – overhead – administration costs. Mathematically they are very simple formulas, but as discussed above the difficulty lies in understanding the costs.

In order to compare profits of one business with another, profits are often expressed as a *profit margin*. This metric compares the profit to the total sales:  $\text{Net profit} / \text{Total sales} = X\%$

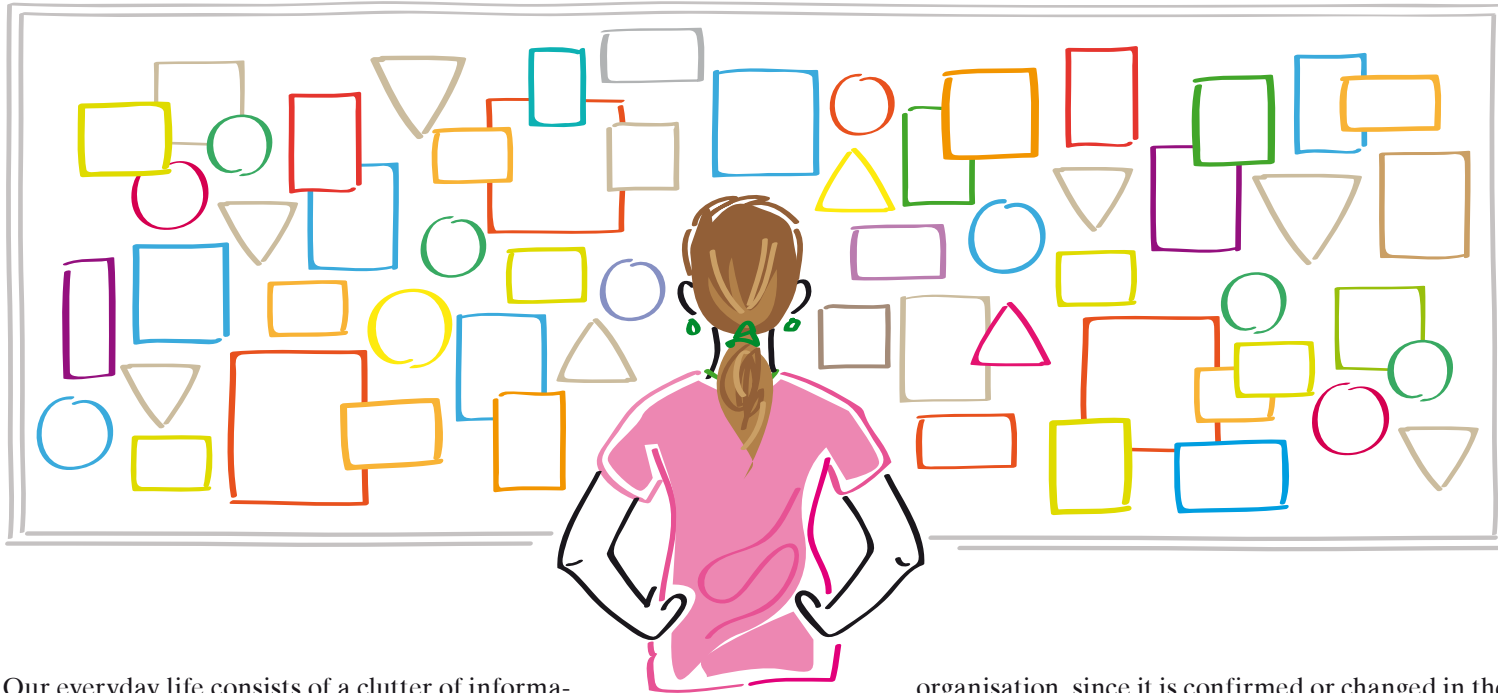
In a social business, profit is just one of the objectives, and it should be evaluated versus what impact the business is making. In traditional marketing strategy, a business portfolio can be evaluated in a matrix format according to market growth and the market share which the business has or can capture with each product. This helps a business analyse which products that make strategic sense to continue offering or to develop (the so called 'Boston matrix'). The social business is more interested in the mission impact of its value propositions, and the value that the organisation creates can therefore be analysed as in this impact–profitability matrix. If the organisation is non-profit, then viability can be used instead of profitability.







# Build your brand



Our everyday life consists of a clutter of information in the form of marketing messages, information, news and tweets. On a busy day, a consumer is exposed to thousands of messages. One of these messages comes from you. How will you get noticed? The vital importance of first impression is true also for what people see, read or listen to.

What you developed in the process of business modelling laid a good foundation for how a brand is built. You have described who you are and your purpose, what is important to your customers and your solution to help them. The combination of this is the so called *brand positioning* – what customers will think of you in comparison with your competitors (or compared to alternative ways of doing things). A brand is a living asset for an

organisation, since it is confirmed or changed in the mind of the customer and beneficiary every time they interact with your organisation.

All messages and interactions that are involved in a customer relationship form an overall impression in the mind of the customer, as well as in the minds of other stakeholders (employees, partners, board members, government officials, etc.). The strongest brands are the ones you immediately think of in different categories, i.e., they are ‘top of mind’. Brand is important since it first helps potential customers recognise you. After this, it helps create the loyalty you need. People generally keep what is perceived as good and functioning rather than trying something new. This will reduce marketing costs and can also help you leverage resources to the organisation.

## Creating a brand

A brand starts with a name and sometimes a logotype. In order to be noticed and stand out from the crowd, it should be energetic and relevant to your audience. An ‘energetic’ brand evokes curiosity and drives interest to find out more. This energy can be functional, emotional or self-expressive<sup>1</sup>. A female self-defence studio in Amman is branded ‘SheFighters’. This is functional (you immediately get an idea what it may mean), as well as self-expressive (the studio was founded by a woman who personifies the brand). The Liberian brand ‘Liberation Chocolate’ is emotional (evokes sweet-tasting associations) and self-expressive, since the founder engages former child-soldiers in the business.

This logic also goes for B2B brands. It is easy to believe that if a company has ‘professional’ buyers as customers, logical and functional benefits and associations have to be communicated. Research, however, shows that professional buyers, just like end consumers, are far from rational. The associations that brands stimulate can influence all purchasing decisions. Social businesses have a good chance to develop an energetic brand, bringing out the values, idealism or activism that the founder(s) are driven by.

Relevance is the other component of a great brand. You may for example admire a particular fashion brand, but if it is positioned as something that is out of reach or for another demographic (too expensive, not accessible in your area), it acquires a weak position in your mind. For a start-up it can be a good idea to add both energy

<sup>1</sup> Henrik Ugglå (2014), ‘Energy Versus Relevance in Comparative Brand Equity Context’, *IUP Journal of Brand Management*.

and relevance by associating with partners’ brands that are known and appreciated by your customer segment(s).

Whether the organisation is a non-profit organisation or profit-making company will also affect the brand. An experiment was done in which women’s bags were described as sold by Mozilla.org to one group of consumers (where ‘.org’ suggests a non-profit organisation), and the other group saw identical bags, described as sold by Mozilla.com. The group that thought they were buying from a non-profit associated the brand with warmth, and the group that thought they bought from a traditional commercial company associated the brand with competence.<sup>2</sup>

## You are the brand

A start-up or young organisation is often associated with its founder(s). The company is synonymous with you. This is a role you need to fill with the meaning of the brand. Using the example of SheFighter, what kind of person would you expect to meet when you meet the founder or the CEO?

<sup>2</sup> David Aaker (2010), *Brand Relevance. Making competitors irrelevant*. Jossey-Bass.



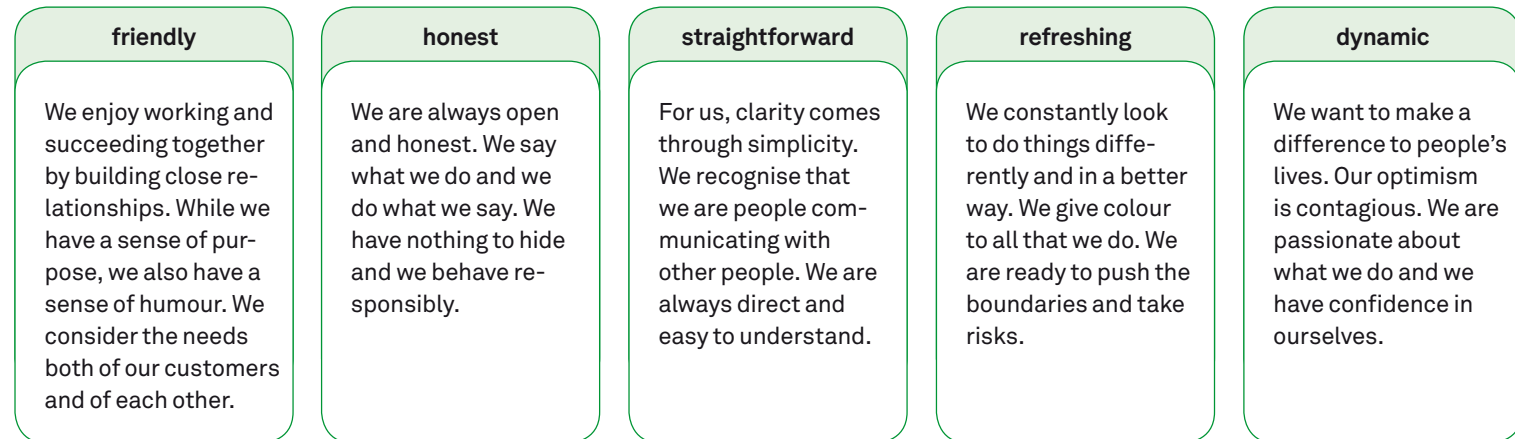
If you met a very shy person, who gives a very intellectual explanation for what the business is all about, you would probably walk away confused – and not interested. Try to think of your brand and yourself in this way, with an outsider’s perspective, and imagine how you can be and live the brand. This is not to say that you have to meet people’s expectations. Creating a surprise can be very good for differentiating your brand. The founder of BanaPads, which produces sanitary pads for women, is a man. Meeting him and hearing his passion and insights about such an intimately female issue, makes you remember him.

As a social entrepreneur you may prefer to associate your beneficiaries with the brand. Ambition Centric in Algeria is a business incubator, and the brand refers to the aspiring entre-

preneurs that the founder wants to promote. Brightful is a Swedish non-profit organisation that helps young students believe in the future and discover diverse choices.

## Developing a brand based on values

Continuously innovate and improve your services and products and it will make the brand more dynamic and interesting. The more the organisation learns about its customers’ and beneficiaries’ needs, the better it should become at delivering solutions. To create trust in a brand, one tool that is easy to test and implement is ‘brand promises’. This is a kind of translation of what the values of your organisation would mean to the customer and what the brand stands for.



*Brand values of Orange, 2002. Internal notebook.*



Orange in the UK was the first mobile operator in the world that created a brand with no association to telephony, since it wished to completely get rid of the technical lingo and complex pricing structures that existed at the time. The corporate values, which were ‘friendly, honest, straightforward, dynamic and refreshing’, became the foundation of a number of brand promises to its clients: simple pricing, transparent bills, to behave responsibly as a corporate citizen. The employee branding was also essential in developing the brand, for example by ensuring that all new employees thought about what the brand values would mean to them and how these values should guide their daily activities. This created a consistency between the creators of the brand and those people that represented the brand at each touch point with customers.

What would the brand promises be if Orange was a business with a social mission? In one of their CSR projects they focused on visually impaired people and sponsored the production of audio books. Would it be possible to make the brand values more concrete and more valuable with this target group in mind for any type of mobile or voice-based service? Read the values one more time. Think about how the descriptions of these values could be re-written as you envision what the mobile operation could deliver to a visually impaired person. If you can think of more appropriate values, replace them.

Values will be important for non-marketing related aspects of the business as well, since they should guide all major decisions. It is important to be clear about the values of a social business when for example selecting board members, investors, partners and so forth. Think about core values as something the organisation wish to live by and embody, not just ‘nice to have’.

## Positioning of a brand

Brand positioning is a marketing term which refers to how a brand should be positioned in the mind of a customer. The positioning is determined by the very first associations that customers or potential buyers make when they see an advert or hear about a company. It is worthwhile to spend some time analysing and developing a positioning strategy, since a successful positioning will support the value proposition and help appeal to the particular needs of the customer segments that the organisation has identified (see page 29 for customer segmentation and needs analysis). Regardless of which segment(s) that the company targets, the brand needs to be considered credible, distinct (from similar organisations) and positively valued.

In practice, positioning of a brand is done in your marketing communication by choice of words and images. Marketing communication typically consists of a creative or visual part and a text that includes information about the offer. In advertising you do not see or hear long explanations about a product or a service, as it needs to be very short and direct for people to understand the message without too much engagement. Also if you mainly rely on word-of-mouth, you need to think what the key messages ideally should be. Word-of-mouth carries very important information about a brand, since recommendations is one of the most powerful marketing tools (and negative brand information will obviously have a powerful, negative effect).

The marketing message contains the brand information; the words used to articulate your value proposition must connect with the main motivations and interests of your customers. The table below contains examples of different types of positioning.

Type of positioning	How to do it	Examples
Direct (functional) benefits	Communicate the advantages of using the product or service, the personal values that a consumer has, and possibly the solution of a problem that you are solving for the customer or beneficiary. Most often a very effective way to position a brand.	<ul style="list-style-type: none"> <li>‘Cost reduction’</li> <li>‘Save the environment’</li> <li>‘Preserving nature and history’</li> <li>‘Fun and educational’</li> <li>‘Health aspects’</li> </ul>
Indirect benefits	Talk about benefits that satisfy expressive, symbolic or hedonic functions. Give customers an indirect advantage, e.g., to support the perception of themselves or a social-image benefit.	<ul style="list-style-type: none"> <li>‘Ethically produced’</li> <li>‘Show that you care’</li> <li>‘Gives you respect’</li> <li>‘Good parenting’</li> <li>‘Contribute to job creation’</li> </ul>
Surrogate positioning	Communicate associations with things and people that allow the customer to make their own conclusions as they interpret the value and intangible aspects of the brand. This positioning is a bit difficult to do since it is quite abstract, but it has proven to be highly effective.	Portray a user type, e.g., ‘for people who lead the way’, associations to ‘good’ and people who are outstanding in different ways
Features and concrete attributes	Highlight the concrete attributes of the brand that are tangible and possible to search for. They should be specific to the type of products or services that the company sells.	<ul style="list-style-type: none"> <li>Material used</li> <li>Price</li> <li>Power output</li> </ul>
Abstract attributes	Intangible attributes of a product and something which customers often compare. It is a very common positioning, in particular among technical products. Using this positioning only, however, is not the most effective; it needs to be complemented with any other positioning.	Quality, style, innovation, references to sports and interests

*The main positioning types, based on research by C Fuchs and A Diamantopoulos, 2009.*

People may interpret the same brand claims differently depending on their situation at the time when they encounter it. When applied well and consistently across all marketing communications it is an essential factor behind a successful launch and continued sales performance.

## Visual identity

The visual identity of an organisation is most often associated with a logo. But there are several other tools that help communicate the brand's identity. Here are the most basic elements that will help create a consistent identity.

### Logo

A logo is a graphic symbol. Use a designer to create this, since it will be something you use over and over again. Develop a few variations, which you can use on different backgrounds (colour, black and white versions). The colours of the logo should be key colours of your organisations, so that you use the same colours on your web site, in brochures and other communication materials.

### Logotype

Logotype is the words of your company or product name set in a specific, fixed way.

### Typefaces

Choose one or two fonts for your website and the printed material that the organisation will use consistently and that works well together with the logotype. If you want a wider choice of fonts, other than the ones pre-installed on PCs or Apple computers, you can buy them online. If you buy a font, make sure it is available on all

the computers that will create these documents. Check also that the font will work on all browsers, that they are web-safe (search on 'web typography' to check the font you choose), as well as easy to read on a mobile device.

### Library of images

Create a library of images that anyone who works with the organisation's marketing can use. Besides photos, you can have illustrations, art, graphs. Make sure they are consistent in style and of high quality for both print and online publication. Remember also that small, graphic elements such as lines and blocks of colours behind text and so forth will affect the overall visual impression.





## Communication strategies

Successful marketing communication is determined by a combination of knowing where your audiences are, when they are approachable and how to best interact with them. In this chapter, the focus is on doing the best considering an organisation's limited resources. In an ideal world, the organisation knows where their target groups are and uses a combination of different media and ways to reach them. In reality, especially in the early stage of a business, a lot of assumptions and guessing is involved in trying to find the target group. Money and human resources are constrained, which may exclude several channels, such as print media and television. Most start-ups and small companies therefore rely on two main communications strategies: direct marketing to potential customers and a simple public relations (PR) strategy that will create brand visibility. It usually takes a lot of experimentation to find out what works best with a target market.

### Identify different audiences

Besides customers, an organisation will have different stakeholders that it wishes to engage with. A stakeholder is anybody that has a relationship with the organisation, or is influenced by the activities of the organisation. To manage the communication, one needs to prioritise these different audiences and tailor the communication to each audience. Target groups have highest priority for the communication. This is most often customers and end-users, but may also be politicians or decision-makers if the organisation is trying to change public policies. Other audiences that the organisation needs to communicate with are

donors and other supporters, including those that are helping you spread your message and promote the organisation. These are clearly the audiences to spend most resources on. Outside this 'inner circle' there is the wider audience, the public and the media, which can help create brand recognition and credibility if they are read, and which can be a point of reference for the target group(s).

### Get creative and experiment

Celpax is a company which has developed a product called 'Daily Pulse' to increase employee engagement. Their typical target customer is an HR manager in a company where the employees are spread out in different locations and the top management has very limited time to interact with all of its employees.

Celpax intended to develop their products through a series of pilots with companies that had received workplace awards. They set up an ambitious series of interviews with HR managers in these companies to test their concept and receive ideas for features of the product and the future roadmap. If leading firms would try their product, this would create brand recognition, they reckoned. They were very successful in setting up meetings and this strategy helped them create a large network, including other HR managers and potential customers. Celpax simultaneously initiated a simple PR-strategy by publishing news and reports about employee satisfaction and leadership in order for them to be seen as thought leaders.

After a year Celpax experienced a major problem with this strategy; it took a very long time to get pilots started, since the leading firms had little need to improve the employee engagement and in

many cases the ‘second tier’ companies had long decision-making processes. One of the key resources of Celpax is a very persistent and creative marketing manager. She recommended that the company would change its communication strategy and go for online campaigns only, since her conclusion was that HR managers who really needed their product would not need to think long about trying a new tool.

So the offer had to be created in such a way that it would be very easy to order and get started. The price would be nearly free during a trial period and there would be no obligations attached. An online campaign was created, targeting readers of HR articles and web sites, while the continuous PR campaign targeted different HR community groups online. Within six months, orders had come in from 40 countries. What previously took a year, suddenly happened within weeks.

‘We continuously change our marketing based on new input to better target our buyer personas. I make small changes to our communication almost daily, instead of mega-big updates,’ says Celpax Marketing Manager Rebecca Lundin and explains that another positive side effect was the goodwill the campaigns generated. People have spontaneously offered their help since they like what Celpax does. This free help has for instance given them possibilities



to translate their offer into more languages at no extra cost.

## Telling your story

The background of a social venture and what motivated the founder(s) often makes for fascinating stories. Telling stories is a good way to make people interested in a brand and to engage them. The founder of TOMS, a shoe company, would not have been as successful had he not realised early on that a part of the marketing and differentiation from other shoe makers had to be the story. Their brand story is based on how the founder, Blake Mycoskie, travelled to Argentina where he made observations about the country: firstly, how many children wandered the streets barefoot, and secondly, the brilliance of the traditional Argentine shoes, the ‘alpargatas’. He decided to produce shoes based on this type of design, and that with every sale one pair would be given to a child from Argentina. This buy-one–give-one concept is extremely easy to communicate and there are many other organisations that use the same concept.

In the storytelling of your organisation, you can use different themes. There will probably be one main theme for your organisation, but it is possible to use several different themes for different purposes and audiences.

## VISION STORIES

*Tells the story about the social change and the future you wish to create.*

The Swedish Childhood Cancer Foundation (*Barn cancerfonden*) decided to change its vision statement from 'A world where cancer is nothing to worry about' to 'Eradicating childhood cancer'. Both statements are visionary, since they seem nearly impossible to achieve and provide many different angles for engaging stories about the beneficiaries and their families.

## CO-CREATED STORIES

*The story includes beneficiaries and customers that are part of what the company produces.*

IFASSEN produce bags out of recycled plastics. They engaged both fashion designers and the women who make the bags in the design of the work process. The artisan model, created by one of the beneficiaries, became one of their best-selling bags. The craftswomen behind IFASSEN are an important part of the storytelling.

Customers are encouraged to submit their own designs. If they are good, they can become part of the serial production, based on a revenue-sharing model.

## HERITAGE STORIES

*History and traditions play a major role in the organisation's identity and objectives.*

The English non-profit SKINN wants to change the perception of the industrial region of Sheffield. It creates projects that are intended to change the environment, the public spaces, negative development and negative perceptions. Two students at the school of architecture founded the organisation and they are aiming to encourage 'a mind-set which looks both respectfully backwards whilst charging headlong into a glowing neon future'.

## EVERYDAY STORIES

*Everyday stories are product news, campaigns and brand promises that the organisation communicates as short stories.*

Snailday is an organisation which develops assistive technology for children with autism. It releases its news in the form of interviews with parents, support organisations and users. Blogs can be a simple and powerful way to demonstrate stakeholder engagement and integrate this into a story about how the organisation develops its services.



## Invest in marketing material

If marketing is an area which you intend to develop later, think again. A product does not sell itself, no matter how unique or fantastic it is. It is therefore just as important to build a professional ‘front’ of a business as it is to invest in the development of products. This does not necessarily mean that it will cost as much money, but it is essential that you have as much as possible of the marketing materials developed at the time of the launch. The minimum amount of marketing material that an organisation needs to have professionally made is a web page, social media pages and business cards. A template for the PowerPoint presentations with the visual identity of the organisation and marketing leaflets will probably be needed too.

Since marketing is a broad field in which many people work, there should be good possibilities to add this expertise on a pro-bono or volunteer basis at first, as long as the organisation has a compelling social mission.

## Using online tools

Social media is a winning channel for many social enterprises, at par with word-of-mouth. Of all the different advice this book can provide, advising which social media to use would clearly become outdated most quickly. The popularity of different sites vary. At the time of writing, Instagram has for example overtaken Twitter in terms of news buzz, but in a year this may have completely changed with some new up-and-coming platform. The advice here therefore relates to how to think about getting a message across, in the blur of constant feeds and images, and how to manage these channels effectively.

All marketing campaigns, in any media, should include a so-called ‘call to action’. The message of the campaign is followed by something that you encourage the customer to do. In social media this is particularly easy, since it often takes just a click to take action. Some actions have become standard, such as ‘share’ and ‘forward to a friend’. The organisation’s web site and social media pages should also encourage connection back to *your* organisation.

A few tips for how to make people take action and to stimulate engagement:

- Offer something that your target audience will value that is related to a topic of your business. For example: ‘5 tips to make your everyday life more eco-friendly’, ‘5 tips to stimulate social intelligence in your child’.
- Normative wording of ‘should’, ‘must’, etc. are very powerful to instigate action, since peer pressure works with most people. If you read ‘3 things you should know about harmful, common ingredients in food’ – would you not click? Obviously you need to be ethical in your marketing and use this technique with care. Most social businesses have an urgent message and sometimes it helps to phrase it in this manner, e.g., ‘Things you ought to know about the discrimination of...’.
- Messages that confirm self-perception get re-tweeted and shared. Think about the interests or professions of your target customers and use topics that are of interest to them. *The Seven Habits of Highly Effective People* (a book title) is one example of this.

- Ask questions and allow people to offer their own knowledge and expertise about things that you need.
- Use MailChimp and similar online tools for your newsletters. This makes it easy to have a professional look and embed links. With this tool you will see who opened the newsletter and who took action. Those who did not open a newsletter can get a reminder and you do not need to bother those who did open the newsletter. The basic version which covers most needs is free.

Short videos are sometimes the best way to get your content shared. Create your YouTube channel and get creative with the simple, free editing software that is available online. It does not require much resources and knowledge to produce a few simple videos. If a picture says more than a thousand words, then a video will say more than a million. To share the stories of your beneficiaries, video may prove very powerful since it can engage emotions in a way that a text or an image cannot. Once you have created your video, promote it in the different channels where your target audiences are. Finally, do not forget direct promotions by emails.





# Functional skills



This chapter is about some of the functional skills that are needed in order to develop a business. It includes short, practical advice on how to negotiate, how to network and how to write a business plan. The chapter finishes with a discussion about managing uncertainty, which is intimately related to entrepreneurship. In this section, there is a mix of practical approaches and advice on how to develop one's own ability to cope with risk and uncertainty.

## Negotiation skills

Negotiation is:

- A process to reach a compromise or an agreement
- A way of avoiding disagreement and conflict
- A method for settling differences.

To be able to negotiate is therefore crucial for a business person. Negotiations are needed in a number of situations, not just with customers. It may be negotiations with suppliers, employees or authorities. The format may vary as some negotiations are fast and straightforward, whereas others contain an amount of uncertainty and need a proper process.

For the best possible outcome, any negotiation should aim for a so-called 'win-win' result. This means that the process is undertaken with fairness, considering mutual benefits to the par-

ties. There are four stages of negotiation: preparation, discussion, proposal and bargaining. Preparation is key to the whole process. Questions to ask include: Who will be present in the meeting and what is their mandate to negotiate and make decisions? (Equally, make sure you know your own mandate; what can you decide without having to consult other partners and owners?) What does their decision process typically look like and what results can you expect in light of this? Do you understand what the counterpart would consider a beneficial outcome? Consider what questions may come up during the meeting and what options you have for the proposal you wish to make.

It is recommended that you have a meeting agenda, agreed upon by the parties prior to the meeting. As you enter a meeting, be prepared to break the ice and talk about some general things and introduce yourselves to each other. In some cultures it is natural to first talk about family and ask personal questions, whereas in other cultures it is safer to stick to general matters. As an entrepreneur, do not initiate a discussion about the weather (very common in Northern Europe) if you are meeting with somebody you do not know well, as it gives a rather unimaginative impression. Think of something a bit more interesting to say, since this situation is also part of how your brand is perceived.

When the formal part of a meeting starts, state the objective of the meeting to ensure that everyone has a common understanding of what you wish to talk about and achieve. Depending on how formal the meeting is, taking minutes of the meeting can be important to record decisions and agreements. Appoint someone at the start to do that. Let both parties present their case and perspectives, while listening carefully. A productive discussion clarifies goals, objectives and different points of view. The proposal may be made during

the first meeting or as a follow-up to the meeting. It can be verbal (as is usually the case in a meeting) or in writing. It concludes what the parties have agreed to do together and typically suggests what should be carried out and how. A business proposal usually ends with a price, and since it is part of a proposal, i.e. suggestion, alternative prices and compromises should be considered by the party writing the proposal, in case it does not get accepted.

Depending on the complexity of what is being discussed, further negotiations and new proposals may be needed. When there is a common agreement in place, make it routine to get it in writing. A contract should follow a business proposal. If the value of what is being negotiated is small, then a written confirmation by email may also be sufficient. Make sure that you confirm every important aspect of how something should be delivered, when it should be delivered, and whether you are dependent on the other party for any kind of input or resources.

Written agreements are important also for funding and sponsorships. For example, what do each party agree that the money can be used for, are there any conditions attached to the funding and what is expected in return?

## How to move things forward

Be positive during a negotiation and acknowledge the other person

or the other group of people. You can say things like: ‘Good of you to bring this up’; ‘You have great experience in this’; ‘I agree with you on this’. Avoid saying things that starts with a ‘no’ or a negative statement, such as: ‘That is wrong’; ‘That is not possible’; ‘It will not work’. Instead, try to confirm the principle. For example: ‘I agree that...but not that...’; ‘We would love to offer that, it would cost us a lot more to implement though...’; ‘That is worth considering for the future, but now we need to start with something more focused to make sure we are aligned’. Offer alternative solutions and do not be afraid to also ask the counterpart for alternative solutions. Be transparent about what your thoughts are and your rationale as to why the agreement is beneficial to both parties. If a negotiation does not come to a conclusion, it is usually fine to suggest that both parties think it over, and before parting to agree on the next step and when to reconvene or respond.

When you handle negotiations in a respectful and professional manner, your chances of establishing a long-term relationship increases. It can also grow your personal network and chances to get recommendations from others. Even if a negotiation does not result in an agreement, part in a positive spirit since you may meet at the negotiation table again in the future.



### Case study – customer negotiation

You just started your own fashion line. You want to produce trendy clothes that are produced by women in a cooperative. Most of the clothes will be sold to boutique stores that you will select based on reputation and customer segment. Some consumers, such as stylists, can buy from you directly.

One store manager tells you that she or he really likes your product and can take a larger amount of clothes than you expected, if you are willing to cut the price by an additional 25 per cent.

Another store is willing to buy at the price you offer, but say they will only try a small amount to see how it sells. They would like to have an exclusive deal with you for at least two months.

The first store is slightly larger and placed in a high traffic shopping mall, and the other is a smaller store, but located in an exclusive part of town with higher average pricing.

*How can you negotiate with these customers? If you must choose, which customer would you go with, and why?*

### Case study – partnership and ownership

You and three of your friends started a business selling ecological, healthy, ready-made meals. The ownership is distributed as follows:

- You – 30%
- Friend 1 – 30%
- Friend 2 – 20%
- Friend 3 – 20%

The business is a bit slow at the beginning, and after ten months you are the only one left working full-time since the

others have been offered other (well-paid) jobs. You decide not to give up as easily and work hard to market the business and build the brand. The others stay on as silent owners. After having worked on your own for a year with almost no salary, an investor approaches you to discuss a potential partnership. However, the investor starts to ask questions about the other owners, what roles they play and what kind of decision-making power they have in the business.

*What do you do? What are the risks/opportunities? Could the situation have been avoided or handled differently?*

*Contributor: Kajsa Nylander*

## Networking

Networking is key for a social business, since it aims to become embedded in society. There are different reasons to network. In general, it can help acquire additional resources by finding partners, getting in touch with potential customers and making your business known to a larger audience. In some communities it is necessary to meet the influencers and the decision makers in order to gain trust and license to operate in the community.

It may help to consider networking on two different levels: groups and communities versus individuals. Group networking is about meeting a lot of people and building quantities of contacts. Individual networking is for qualified meetings. It often takes a great deal of networking in order to find good opportunities to arrange meetings and to continue networking at an individual level. It takes patience and persistence and is something that all founders and managers of a business need to do continuously.

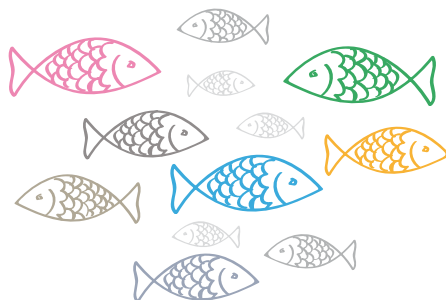
### How to network

Many people feel awkward approaching unknown people. Start practicing in a situation where you know you have something in common with other people. For example, if you are attending a conference on a particular theme, an easy opening can be to ask other participants if you may join them, then introduce yourself and ask what they think of the topics of the event. Take an interest in what

other people have to say. Contribute with something that naturally allows you to present what you do, for example: ‘I thought that was an interesting point since I run a business that...’.

Key to networking is to initiate small conversations, not to use it as a pitching opportunity. Be prepared to introduce yourself and your organisation in a couple of sentences. It should only be a teaser (for example the social mission of the organisation or a brief description of the beneficiaries that you work with), and try to make references to clients or business partners that the person may recognise, to create some common ground. If your new contact seems interested to hear more, this is the right moment to exchange business cards. Follow up within the next two days by email, phone or by adding them to an online group.

Smiling and acting confidently increases chances that people will be interested in talking to you; however, once in a while an event will not provide any useful contacts, and this is normal.



Once you have built a network of business contacts, think of how you will nurture these relationships and make them reciprocal. It can be a simple thing like sharing a news article you think may be of interest to someone. Go for coffee and lunch to socialise and catch up with different organisations. The clients or partners you want in three years' time are the ones you need to network with today.

*Contributor: Mikolaj Norek.*

## Writing a business plan

A business plan is a document in which you describe the opportunity, market, organisation and your business model. If you are seeking external capital you also add the funding needed at the end. If your organisation is non-profit you will probably not call it a ‘business plan’ but rather ‘strategic plan’ or ‘operational plan’.

Regardless if you are a profit-making or a non-profit entity, it is a useful exercise for founders, or the management team, to clarify that you have the same idea about business model and how the organisation should be run. It is often not until you see something in writing that you discover potential gaps or weaknesses in the business model or plan.

A professional, external reader (for example an investor or donor) will look for how well the different parts of the plan are integrated. This is referred to as the ‘fit’; to what extent is it likely that the described opportunity, people, deal and market context can be realised as a successful venture? In other words, the external audience of the business plan needs to be convinced that the people in the organisation have the right experiences, skills and values, given the described need(s) and opportunity.

The market context should also describe the timing of a venture. A new launch needs to happen at the right time, given some critical factors (you specify what these are in your case) of the context in which you operate. Many entrepreneurs and businesses have failed at introducing new services, because the ideas that they proposed were too novel, and too different from users’

existing behaviour. The latter is a very strong competitive force, and is described in the section about competition.

When you write the business plan you also need room for some flexibility. If your plan is robust the organisation and its overall mission should not fall apart if some of the assumptions in the plan change over time. ‘Robust’ here means that it is possible to differentiate what you do, defend this position against potential competitors and to become financially sustainable.

## How to structure the business plan

The plan should move from the most important sections with broad descriptions of the intention and opportunity, to the details about how it will be realised. Here is a suggested structure, which can be used as a starting point:

### 1. Vision of the organisation

Describe in one paragraph, no longer than a couple of sentences, what the overall objective of the organisation is. It should be ambitious, bold, yet realistic. It should be clear who the beneficiaries are and what social and/or ecological problem you wish to solve.

### 2. Company mission/Business idea

This can include several components from the business model. The most essential to include are the Social Value Proposition and the Commercial Value Proposition. Under this or a separate heading, describe the social or ecological need you have identified and the situation of the beneficiaries to provide the background for the SVP.



If your customers are different from the beneficiaries or end-users, describe what needs your CVP corresponds to.

### **3. The opportunity**

This section, which can also be phrased as ‘Our solution’ or similar, should describe how you intend to create a solution that solves the problems or needs that you have described. If the company intends to make a profit, describe how it will make money. If the organisation is non-profit with an income-generating project or activity, describe it but with less emphasis compared to a commercial venture. As long as you keep it concrete, you may include a brief explanation of what the key activities (operations) will be.

### **4. Marketing and operations**

In this section you continue describing the remaining components of the business model. Start with which customer segments you are addressing and their key attributes, followed by channels and potential partnerships that you have established.

Describe the resources of the organisation and provide a brief description of the key activities.

### **5. Impact**

In the business plan of a social business, describing how you will measure impact is essential. See the chapter on measuring impact for guidelines.

### **6. Founders and organisation**

Describe the people involved, including what relevant experience they have and what role each one will play in the company. Avoid fancy titles. It looks odd if a three-person team all have ‘chief’ something in their title (e.g., CEO, CTO, CMO) when there is no other people to be chief over.

### **7. Targets**

This is the operational plan that states the targets for a foreseeable future, for example the coming three years. State what your targets are by year, but expect these to be revised every six to twelve months since the business plan should be a living document that you go back and adjust according to new information.

### **8. Financials**

State some key metrics, such as expected break-even point and financial margin. If the plan will be used to seek external capital, explain how much capital is needed. Ideally, describe not only your current need but also the future need for capital. This is called the ‘capitalisation plan’ of a company, and for start-ups it is very difficult to estimate. If you feel uncomfortable with numbers, less is more. Use a few numbers with which you are comfortable and add more details later on. Non-profit organisations should explain to what extent the income-generating activities are expected to contribute to the total budget and how the remaining part of the budget is expected to be funded.

## Managing uncertainty

Uncertainty is the reality of those who run their own business. The risk that things will not go as planned is more or less always present. Risk consists of things that are beyond your control. For example, you may have the perfect product and marketing plan but you do not have complete control over when the customer will decide to buy. A supplier may claim costs are increasing and you are in turn forced to set a price which is not ideal for your target segment. Your co-founder may be offered an attractive job and leave.

The threat of these risks affects you as an entrepreneur at an individual level, emotionally and intellectually. It also affects the organisation in the same way, since the organisation is made up of people. How to think about risk and uncertainty can to some extent be learned, since most people usually feel more comfortable operating in an uncertain environment if they are somewhat prepared for what may happen.

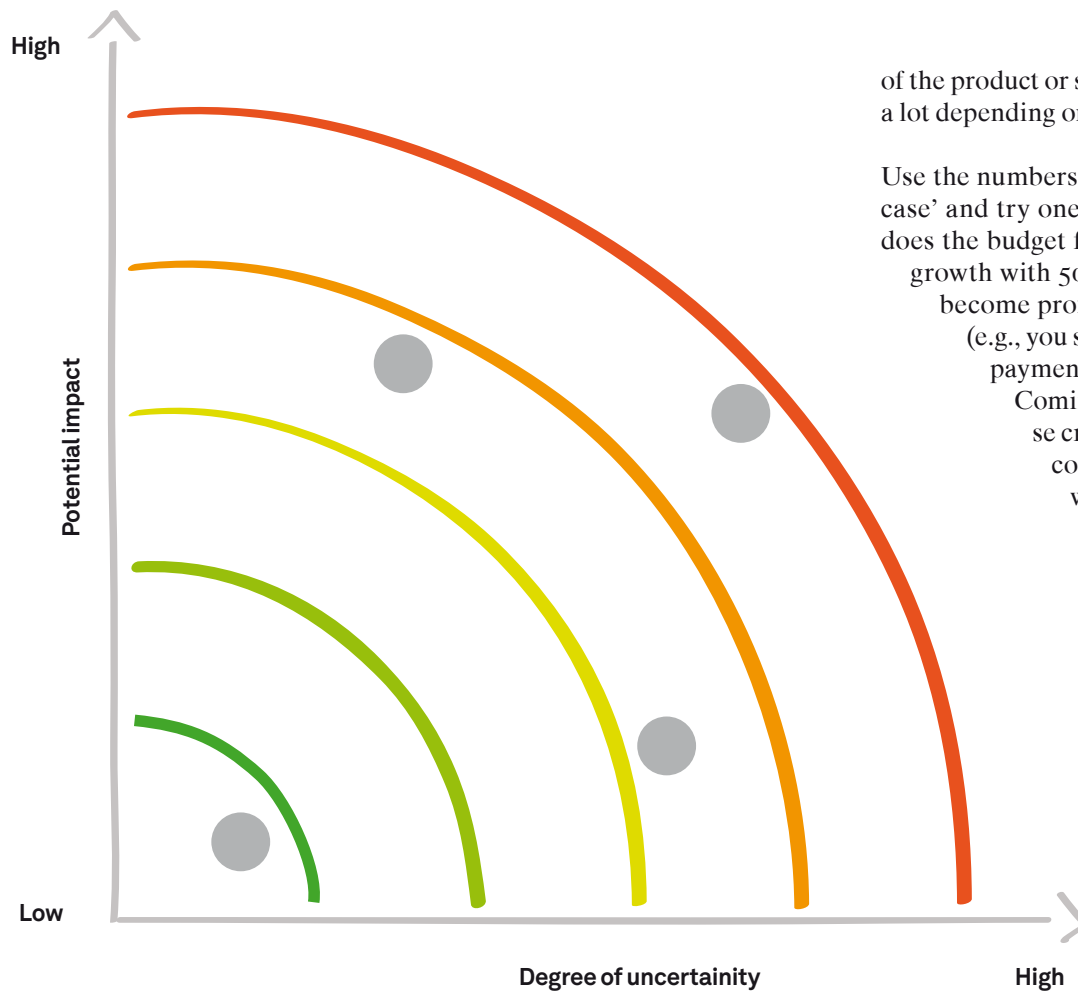
There is no evidence that risk takers are more successful entrepreneurs than others. Some research indicate that risk-taking entrepreneurs develop their businesses and achieve growth more quickly, but go through more ups and downs, while risk-averse entrepreneurs grow their businesses more slowly, but steadily. Most people probably try to avoid risk. At the end of the day, avoiding risk and uncertainty is impossible and we need to find ways to manage it best we can. Using a few different techniques can help.

## Scenario planning

By using scenario planning the organisation can test how some key assumptions affect the results and the plans if they change. The results are often named 'worst-case scenario', 'best-case scenario' and so forth. To do a proper analysis can be very complex, since there are so many factors that can change and the combination of changes in assumptions increases the number of possible outcomes exponentially. This is why weather forecasts are based on very complicated meteorological models, and yet they are not always correct even one day ahead.

The purpose is not to predict the future of the organisation, but to analyse for example how *average* revenues change as a result of a change in the mix of customers, how big *variance* you may have in financial results when costs or income changes, et cetera. This also requires that a range of possible outcomes be considered and further analysed for downstream effects. These are assumptions that relate to external factors such as market, customers, suppliers, interest rates. Then you have internal factors, which can sometimes represent even greater uncertainty. For example, you may have plenty of customers, but production is a key constraint since you need to put in a lot of resources to identify and train the kind of employees your social venture wishes to engage.

Even the largest corporations rarely develop more than four scenarios. You might want to identify the two or three most important assumptions for your business case over the next three years. If the organisation is a start-up, the number of customers at a given point in time and customer growth rate often constitute the two greatest uncertainties. Another common uncertainty relates to the real cost



of the product or service that is offered, since cost often change a lot depending on whether you sell small or large quantities.

Use the numbers that you have in your budget as the 'normal case' and try one or two assumptions at the same time. How does the budget for next year change if you reduce customer growth with 50 per cent? How much longer does it take to become profitable? If you have few and large customers (e.g., you sell to other businesses), is there a risk of non-payment and how might this change with new clients? Coming up with different scenarios will answer these critical questions and allow the management to consider what the options are if either scenario will happen in reality. You may of course also want to make more positive scenarios, especially if your constraint will be in production and delivery and you need to test how much growth the organisation can cope with.

The biggest uncertainty is of course the situation you did not anticipate or see coming at all. It may be good to have a mentor, an experienced entrepreneur or a friendly investor to look at your business plan and ask them what they believe to be the greatest risks and if there is something you have missed completely.

## Historical examination

Attempt to find other businesses (past or current) that have similar issues to yours. This may include a complex distribution network, or perhaps a high turnover rate in a particular customer segment. The key is to look for patterns, as well as previously implemented solutions. This should be used to help determine the next steps that your organisation should take. The comparison may be able to, at least in part, show you what not to do. This is by no means a decree to follow exactly in history's footsteps, but an attempt to learn from it and not to reinvent the wheel over and over again.

## Insuring against risk

Out of the risks and unlikely events that you have identified, some may be worth insuring against. There is a range of insurances for different commercial risks, and worth considering when you become well established. It is worth noting, however, that you are not insuring against the risk itself, but so you will have some room for recuperation. For a young and small organisation, the minimum insurance one should consider relates to yourself and your staff. Health and social insurances may need to be covered at least to some extent by the company, depending on which country you operate in. Pension may feel very far away and it is certainly not on top of somebody's mind who is busy developing a business, but when the company becomes profitable, pension savings should be a priority or you run a big financial risk in the long-term.

Theft, accident coverage and travel insurance is most often cheap compared to the damage these situations otherwise can cause. Under 'accident' you should also include computer virus and malfunctioning programmes, and make it routine to back up all your work and company files on a regular basis.

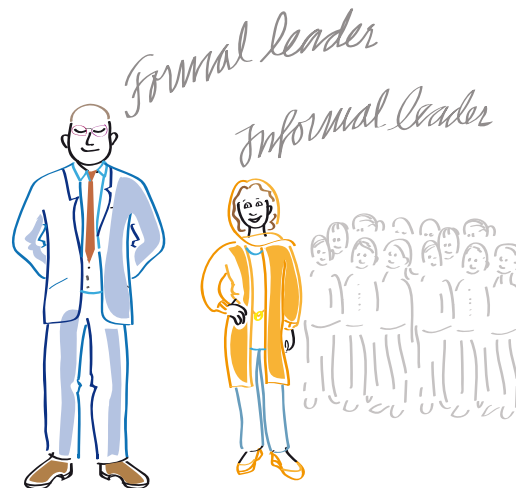


# Leadership



A manager is someone who is involved in the planning, administration and control of an organisation. A leader is someone whose main task it is to show the way and to guide others. There are currently about 130,000 books on Amazon about leadership on topics ranging from business management to motivational self-help. Just as entrepreneurship research is starting to abandon the idea that entrepreneurs are born (the idea that personality traits determine who will become successful), so has leadership studies concluded that even if some people are more 'natural' leaders than others, the skills and competences that leaders need can be learned and developed.

In most cases, economic status will not matter either, since it is vision and inspiration that are two of the most important factors for leadership. Not all leaders will have the grand visions and charisma that create huge crowds of followers, which we often associate with the words leadership and vision. When we take a closer look at what it means to describe a vision, it is about *creation of meaning*. We want political leaders to tell us how we can create a society, which is meaningful to all its citizens, and set out the political direction that will make citizens believe that this vision is good and achievable.



We want business leaders who can create inspiring visions for organisations, which gives people purpose as employees and shows how the organisation is (a vital) part of society.

As you have probably realised, leadership is more than articulating a vision and communicating it. 'Leadership is a process whereby an individual influences a group of individuals to achieve a common goal', as the leadership researcher Peter G Northouse has found. So in fact, a leader is not necessarily at the very top of an organisation. There may be people within organisations that are far better at getting people enthusiastic and collaborative, than someone higher up in the hierarchy.

## Authentic leadership

An authentic leader builds her or his vision based on personal values. She leads in her own, personal way, guided by personal convictions, rather than by prestige and power ambitions. The authentic leader has the leadership role as an integral part of the self-image. It may feel natural and challenging at the same time. This requires a lot of self-awareness and self-knowledge.

To help create meaning for others, it is necessary to first make sense of one's own personal life and history. Starting with examining values and then building a narrative and a story about one's own life creates a personal brand. This brand is what helps leaders acquire and *earn* credibility. Referring to brand here does not mean this is about heroic, public figures. The brand is about what values you want to live by and what you want people to associate with you.

The Nobel Prize rewards outstanding leaders and scientists, and the first person to receive two Nobel Prizes in different sciences was Marie Curie. First she received the Physics Prize for the discovery of radioactivity and a few years later the Chemistry Prize for the isolation of pure radium. Throughout her life as a researcher she had to use very entrepreneurial ways to take the lead. The university where she worked neither supported her financially nor provided her with a laboratory. Already while a PhD student she discovered that radium could kill cancer cells, but being a woman she sometimes had to let her husband present the findings while she acted in the background (This was in the early 20th century).

When she was awarded the Nobel Prize, her husband was offered a new laboratory, but not Marie. She gave away most of the first prize money to friends, family and to the research associates who worked with her. Marie made the unusual decision not to patent the radium isolation process, so that the scientific community could make use of it for free. Among other things, she developed a mobile radiology unit that could be used for x-raying wounded soldiers, and, assisted by a military doctor and her daughter, Marie made sure that several hundred units could be installed in the field during the First World War. Marie Curie became known as an honest and modest leader who turned down a number of awards and prizes in order to concentrate on her work.

### **Leaders are not saints....**

Having strong values and being driven by altruistic motives does not necessarily exclude any self-interest. That is extremely rare,

and complete self-sacrifice is probably neither helpful nor healthy for a leader of a social business. It tends to lead to the match phenomena – it can burn with a big flame, but only for a short while. People are complex and often full of contradictions; it may even be impossible to truly know one's own inner motives. Inside, we are like abstract paintings rather than classic landscapes. To have mixed motives and to sometimes feel confused and pulled in different directions is a sign that you understand reality, and can also have empathy for other people. Rather than denying it or feeling inadequate, recognise it and let it humble you. It can be useful to have a mentor, an experienced leader to turn to, especially when it comes to ethical dilemmas.

### **....and rarely heroes**

Quite often successful entrepreneurs are portrayed as heroes, people who bounce back after each defeat. It looks as if their determination and positive thinking is the main reason for their success and that they were more or less born into their roles. Is this long-lived ideal really true? All people, including all entrepreneurs and leaders, have different starting points in life and different skills and resources. Would Muhammad Yunus have had the same success with his social enterprise had he not been a talented student as young and received a scholarship to go to the US? Nader Al-Khateeb would probably have had less chances of co-founding Friends of the Earth Middle East had he not done fifteen years of consulting work prior to this.

Being a woman entrepreneur and leader can also mean others put a lot of obstacles in the way, depending on the context in which the person works. The answer is not for women to work harder to improve themselves. 'Reach your full potential' followed by some self-help advice and physical exercise suggestions are common messages in popular media. The answer has much more to do with the need to change unequal societal structures and prejudice against women entrepreneurs, and the point

here is that you should define for yourself what kind of leader and change agent you wish to be. There is little point measuring yourself against others, since you are a unique individual.

## Handling team dynamics

It is natural to want to work with people who are like yourself, but it is not likely to be the best choice for your organisation. Complementary skills and personalities are essential characteristics of highly effective teams. Somebody in the team may have leadership competences, perhaps even more so than yourself. Think about what this would mean; how could you allow that person to grow and to develop her or his leadership skills? Can you do this without feeling threatened (if you are the founder or the director of the organisation)?

New teams go through phases of development. According to American psychologist William Schutz, there are three main phases. The first phase is the ‘belonging phase’ when all the members are keen to be accepted by the others and think a lot about whether they really want to belong to the group, and how much they are willing to adapt. After this initial ‘honeymoon’ comes the most demanding time in the group process when confrontations and disagreements start to arise. In this phase the teamwork and organisational culture is formed. Members typically wonder about how their competence and contribution will be used and what sort of influence they will have in the organisation. A leader needs to be very open, non-defensive and show that she or he is willing to allow all to participate in the decision-making. At the same time the leader needs to be clear about what the overall objective of the organisation is and define

the boundaries of acceptable behaviour. The final phase is when the team starts functioning again and can start putting its energy towards the common targets. People feel closer to each other and there is a sense of openness. A group goes through these different phases every time a new person joins the team, but the process is usually quicker when a greater part of the team remains.

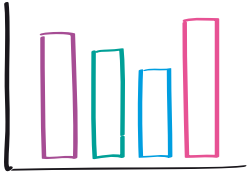
When interacting with a person who has a very different personality or opposite views to your own, as a leader it is important to restrain oneself (for example if you are expressive and you meet someone introvert, or you meet somebody who upsets you with his or her views and opinions). A trick I use sometimes, when I know I need to have a meeting about something that is likely to be quite emotional, is that I sit in the ‘listening/thinking position’ where my chin rests on my hand, so that I can put a finger discretely across my mouth. This reminds me that I should restrain myself from saying the first thing that comes to mind and to listen more than I talk. Mature leaders rarely rush forward with their own answer to things.

In your work, you will be constantly dealing with new problems and new opportunities, where you may not always know what to do. It is good to let your team know that you do not have all the answers and your job is not just to collect possible solutions from the team members, but to guide the team in learning and exploring. Careful consideration of multiple options, enquiries into the organisation’s network, research of customers and so forth may be needed in order to make business decisions. Think back on the opportunity process; a responsible leader ensures that the organisation’s members learn as much as possible about the field, including the situation of beneficiaries, and then jointly develop the right solutions.





# Measuring results



If you wish to prove that your organisation is making a positive social and/or ecological impact, you need to show evidence. To stay motivated, engaged and focused, the organisation needs feedback so that it can develop those activities that work well and stop doing what works less well or has no effect.

External stakeholders that are interested in evidence may include impact investors, donors, researchers and other social venture representatives. This chapter will discuss *what* kind of social change is of interest to measure and *how* the results of your activities can be evaluated and reported.

## Potential for change

What kind of change you wish to achieve will guide what kind of results you wish to track. The potential of your business idea can be assessed at three different levels. If your idea has potential for *systemic change*, this means that fundamental conditions for individuals or groups of people can radically change as a result of the work of your organisation.

An example: a social entrepreneur is providing trainee opportunities for asylum seekers and is lobbying for a change of current policies which restrict asylum seekers from engaging in any type of work until a residence permit has been granted. The current rule means that a person may have to wait several years before getting into the job market, which has consequences at an individual as well as societal level. A change in policy, hand in hand with successful projects that introduce immigrants faster into society, is a change at system level. Measuring these results will require national data.

Another example of systemic change is projects that are related to infrastructure. Lack of for example a public waste management system will have many negative effects. Changing this will require several interventions and partners. The systemic challenges are those large challenges where entrepreneurs may initiate an idea and create the concept, but will be dependent on collaboration with larger players to make a real difference.

Other ideas may have potential for *catalytic change*, meaning that what you do will have a domino effect. Let us say that the entrepreneurs who work with trainee opportunities for immigrants do not put any resources into lobbying, but they are particularly supporting immigrants with academic degrees. The immediate outcomes if they succeed will naturally be very positive for the individual, but the long-term objective of the entrepreneurs is to achieve more diversified leadership teams in large organisations and politics. The organisation can act as a catalyst for causing change elsewhere. Results to track may include career developments of the target group and level of diversity at executive level of client organisations.

Another type of catalytic result is if your organisation's idea is copied and replicated elsewhere by other individuals or organisations. If the organisation has no other ambition than to change circumstances for its beneficiaries, then the results are measured at the individual level only.

By using these examples, I also wish to illustrate that it may be possible to increase an organisation's social impact over time. When resources are limited, it makes sense to focus on the individual level, while still being visionary in order to see future possibilities and plan for those.

## Methods measuring change

There are several methods to choose from when measuring change. Described below are two models that are simple to apply to any type of organisation (profit or non-profit) and any organisational size. The impact model is becoming the leading method among impact investors and venture philanthropists in Europe. The European Venture Philanthropy Association (EVPA) undertook a consultative process to develop this method in collaboration with many other organisations.

The Logical Framework – a method used by donors in the international development community for several decades to design projects that achieve measurable results – is sometimes a reporting requirement when public donors sponsor projects. It is also a method that independent evaluators often use. It is good to be familiar with how social development and impact is assessed in the private versus public world of funding.

Environmental impact can use these methods to some extent, but may need to complement with other methods that also assess ecological footprint, carbon emissions and so on. Guidance on this can be found at the websites of organisations such as the Global Footprint Network (GFN) and World Wildlife Federation (WWF). There are also a number of different online carbon emission calculators to choose from.

## Impact measurement

Social impact is the *longer-term effect* of an organisation's activities. Compared to immediate results or outcomes, impact has a broa-

der and greater effect on an individual or a group of individuals. Impact is compared against what may have happened anyway, without any actions, interventions or unintended consequences. The current status, which is the starting point of measurement, is often referred to as the 'baseline'. If an organisation works with unemployed immigrants, the baseline will be that X number of individuals were unemployed plus some additional metrics, such as income status, number of dependent family members and health status. The outcome of the organisation's activities will be the number of jobs created and the impact sought after in the longer-term relates to increased well-being of the individual and her or his family, after income and social integration improves. Another phrase for this logic, which you may hear social incubators and social entrepreneur organisations use, is 'theory of change'.

Tracking results towards this long-term objective of social impact follows five steps, as illustrated in this value chain:

### **Inputs → Activities → Outputs → Outcomes → Impacts**

Inputs (resources that the organisation uses) and activities are the things that the organisation plans for and does. The intended results are split into outputs, outcomes and impacts since they are measured at different points in time. The outputs are the immediate results of activities, such as the number of people reached or the number of products sold. Outcomes are the changes, benefits, learnings and other effects that these activities result in.

## Defining what to measure

If you have not already defined a concrete impact objective, formulate the social issue or problem that the organisation is trying to solve. Use the description of the beneficiaries and their needs (as discussed on page 24). Through your business model and business plan (see page 72) you have described what the activities are and the targets for your activities, the outputs. The next question is what the expected outcomes are. This includes what the organisation needs to achieve in order to be on track towards making the intended impact. There may be a long list of possible outcomes, but select the ones that are most important and measurable.

Example: An organisation is building toilets in urban slums. The toilets will be run by local entrepreneurs, who will charge visitors. Hence, the organisation wishes to track its success in terms of usage of toilets as well as the effects on health and environment. Additionally, it will be interested in measuring the income generated by the entrepreneurs that look after the toilets, to understand whether they can make a living from this.

The *input* or resources are the equipment, staff, implementing partners and funding. The *activities* are the planning, building of toilets, identifying and training the entrepreneurs, collecting the waste and processing the waste into electricity and fertilizers. The expected *outcomes* include increased access to sanitation for those who live in the slums, job creation and improved local environment with less open water sewage. The organisation will measure *impact* by measuring improved physical well-being among the toilet users (reduced prevalence of diseases), improved material well-being for the local entrepreneurs and improved environment.

Outcomes may also be negative, which is also important to consider. In the example above this may include competition with existing sanitation centres, if such exist, and zero job creation if the people hired already had employment somewhere else.

To prove the impact, the organisation needs to validate the results. The kind of impact that the toilet company wants to achieve also demonstrates the complexity of this question. There are many things that affect the physical well-being among those who use the toilets. The organisation needs to be more precise about what well-being means. So they decide to use the following indicators or metrics: number of days that a user was sick due to some stomach-related illness, which is then compared to the number of sick days for that somebody who lives in the slum but is not using these toilets. They will also measure the number of outbreaks of typhoid and cholera in the area around the public toilets. These are better metrics, even though there will still be a number of things apart from personal hygiene and proper sanitation management that affect the prevalence of these diseases. A critical factor in trying to provide evidence will be how many toilets and users that are surveyed, since this becomes a statistical exercise, where reliability increases with the size of the sample.

A guide with many real case examples can be downloaded from EVPA.

## The Logical Framework

International development agencies (USAid, World Bank, AfDB, Sida, UNDP, and others) as well as international aid organisations need to justify programme expenditures based on results, as budget

austerity is essential when using tax payers' money. The Logical Framework, or LogFrame, was developed to help clarify the purpose of projects, to plan well and to be able to measure outcomes and impact. This method is similar to the impact model, but puts more emphasis on the underlying assumptions, data collection and follow-up of costs.

Narrative Summary	Indicators	Data Sources	Assumptions
Goal			
Purpose			
Sub-purposes			
Outputs			
Inputs			

The narrative summary identifies the logic and hierarchy of results in the hypothesis of the organisation's business plan or project plan. The *goal* is the same as the longer-term *impact* that the organisation works towards or that a specific project should contribute to. The *purpose* is the key results that should be achieved, similar to *outcomes* in the impact model. It is often a good idea to include *sub-purposes*, since there will be a number of results/outcomes in a project that contribute to the purpose. *Outputs* is the same as 'activities' in the impact model. *Inputs* is the same thing.

*Indicators* are the particular characteristics that are used to measure change. It is the same as the example above, the number of toilets operated in a slum area and the number of toilet users. Sometimes it will be difficult to measure certain things that are important in order to show impact. Poverty and health are very difficult topics to measure. Income levels and accurate measures of health may be possible to get for the target group by interviews, but comparison with the rest of the community or population may be impossible if there are no updated statistics available. It is therefore common to use *proxy-indicators* that are indirectly linked to results. For example, measure the number of mobile phones per household for a target area, or the percentage of children in the household that go to school for at least eight years. In the column for *data sources*, specify where the indicator data will come from and when it will be collected.

*Assumptions* are the most critical factors to judge whether the planned results are realistic and logical. Doing a plan without mentioning the underlying assumptions looks like this: 'If we build toilets, *then* people in the slum are likely to be less exposed to diseases related to sanitation'. With assumptions it looks like this instead: 'If we build toilets *and* assuming there is sufficient number of local entrepreneurs that can operate them *and* that people are willing to pay for using the toilets *then* people in the slum are likely to be less exposed to diseases related to sanitation'. The latter description provides a better understanding of all the factors that must contribute towards the objective of the organisation or what conditions need to be favourable.

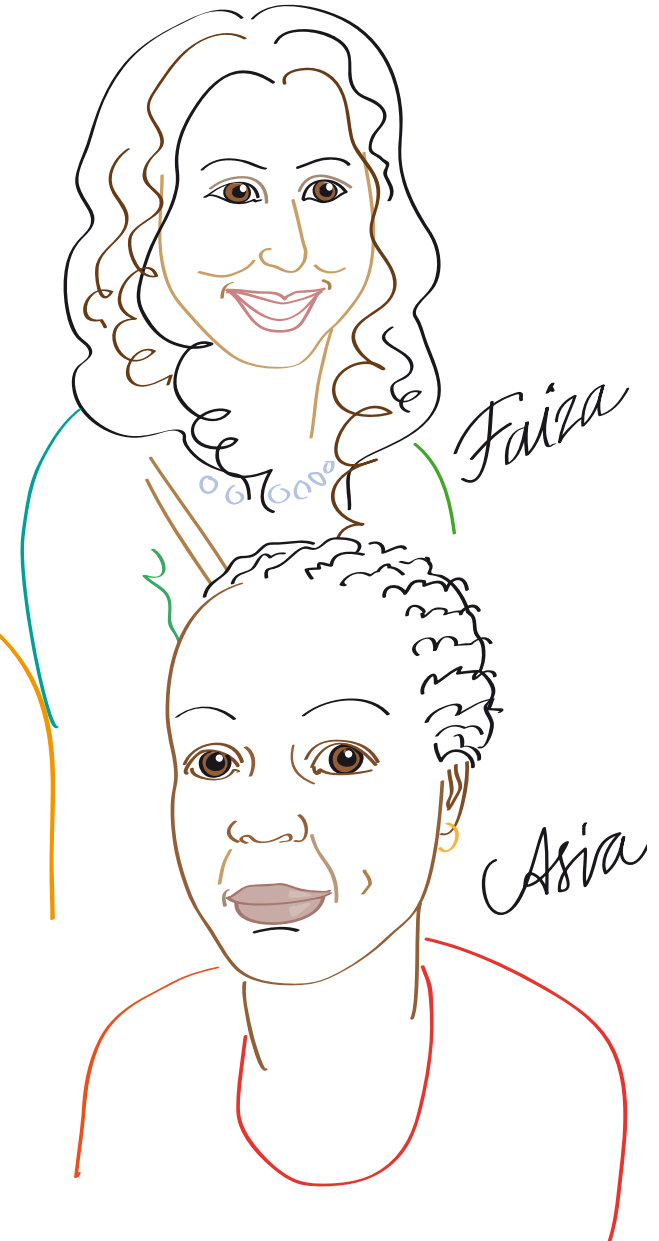
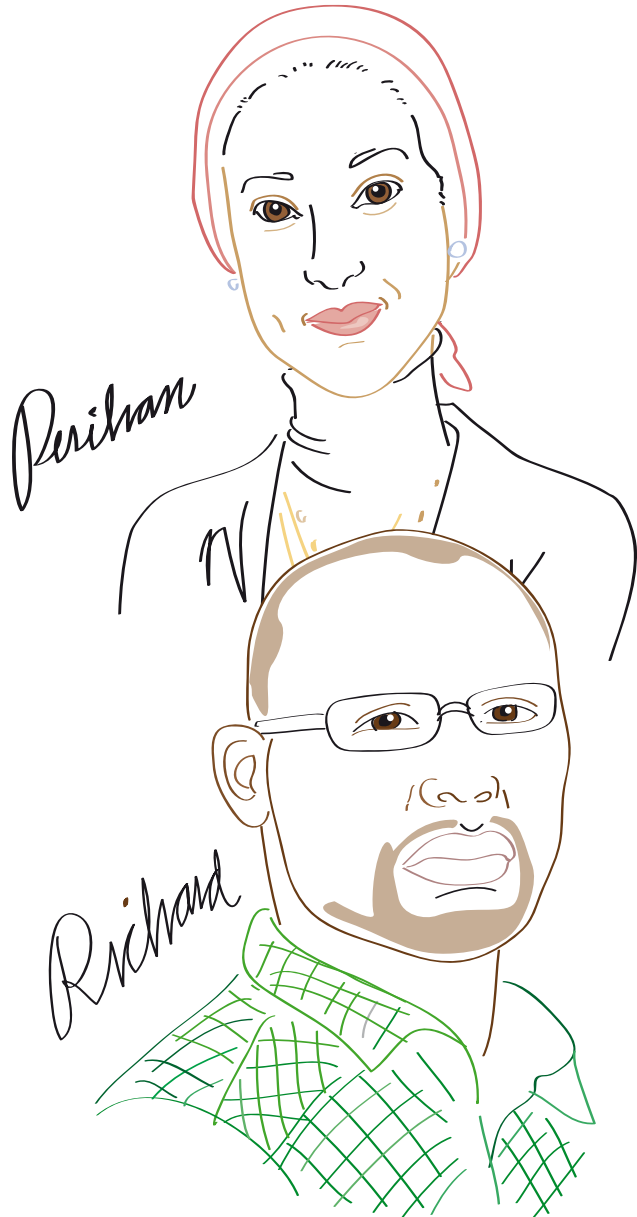
## Choosing metrics and collecting data

How much should one measure? For each indicator (or metric), some data needs to be collected. Collecting data costs time and money. It is important to consider this cost when planning a project. In reality, this is often the natural limitation to how much it makes sense to track and measure. Think about it the same way as you think about the business results. As a minimum the turnover and the costs (the reports that the accountants produce) plus the increase in number of customers are necessary to track on a monthly basis. Similarly, there are probably two or three indicators related to your beneficiaries and the social outcomes that you wish to measure.

In the IRIS guide there is a catalogue of metrics for measuring social, environmental and financial success. This has become the standard for impact investors globally. It is also used by corporates for their Global Reporting Initiative (GRI), the standard for how to write sustainability reports. It is helpful when enterprises, investors and donors use the same kind of language and definitions, and it also saves time as one can make use of what has already been developed. You can choose as few or as many metrics as the organisation will find useful internally and externally.

When measuring social change and impact you will likely need to use a combination of quantitative methods (surveys, for example) and more in-depth qualitative methods (such as interviews and observations). There may be opportunities to collaborate with research organisations and get external funding for independent evaluations, including data collection, if the goal is relevant (novel and significant from a research perspective) to the research organisation and the funder.

# Five social businesses



## Maendeleo

'I did not even know how to switch on a computer', says **Asia Kamukama**, the founder of Maendeleo Foundation. Now she is running an organisation that teaches computer literacy in rural areas of Uganda. When she was in her second year of university she was volunteering in the school library and was asked to come up with a database for over 30,000 books.

'I thought it was actually going to be easy to do this manually and I got 13 volunteers to help out. After a week there was not much progress. A guy with a computer saw what we were trying to do and said that he had a better way of doing it. He showed me his laptop, but although we were university students, we did not even know how to switch on a computer. I asked him for a lesson and if I could possibly borrow his computer,' Asia says.

As the man agreed to teach them how to use a computer, Asia started thinking that IT skills should be introduced at all schools. Shortly after she had been trained, Asia and an American friend, Eric Morrow, set up the foundation and decided to target primary schools. The scope soon expanded to include secondary schools, as well as doing classes in libraries. 'Some students drop out and we want to reach those who cannot continue school, so that they can find jobs.'

### How do you deliver high-tech training in low-resource settings?

Less than 15 per cent of Uganda's population has access to electricity. The areas which Maendeleo targets often lack electricity completely. Thanks to a partnership with the UN Millennium Villages Project they could set up a solar-powered computer lab. It worked as a way of trying the technology, but a permanent computer lab would not enable the foundation to increase its reach. Asia and the team started investigating how to make a mobile version of a computer classroom.

'By stripping the back seat out of a Toyota RAV4, adding a custom-built roof rack that could hold three solar panels, designing collapsible desks, chairs, and a robust tent, we began to take computers to villages and towns and set up the mobile classroom outside of schools and community centres. The first mobile solar computer classroom could run five computers at a time, not requiring any resources from the institutions visited. In 2008, it was introduced for the first time at Kitengesa Community Library near Masaka, where community members of all ages were able to touch a computer keyboard and mouse for the first time,' Asia says.

The foundation now operates two of these mobile classrooms. Each facility can provide training for 15 people at a time and up to 200 per day.

### What does your revenue model look like?

The revenue model varies slightly by location. In most libraries, participants pay the training fee themselves. Some libraries, though, have a general license and pay for the availability of the software to any visitor. Schools pay a fee per term (€5) for the teaching and invest in computers that are shared among pupils. Five out of the ten schools that the foundation currently serves pay full fees for the programme. The others rely on sponsorships by local organisations.

'The schools are willing to pay since they want to be able to compete favourably in the national exams, and for the pupils to be able to go to good schools', Asia explains. But far from all schools can pay and this became an issue as the demand for Maendeleo's services grew.

'One of the weakest areas that we identified in the way we market and sell our product was nevertheless the sustainability and af-



fordability for the customers [of computers and the training]. If a school that can't pay pulls out halfway, we lose our income for the entire course.'

One of the partners of the foundation had been working with sustainable agriculture and came up with a project idea. The school raises chicken and use the profits from selling eggs to buy computers. Five schools in rural communities expressed their interest and two have now started that project with the expectation that the sales of eggs can pay for a computer within a few months.

Maendeleo have developed training software so that classes can be held without an instructor having to be present all the time. Teachers from the partner schools are involved in the development of the curriculum and agree with the team on how the classes should be scheduled. Some students are part of the testing of each new educational software package. The organisation has also started offering consultancy services, and five years after its inception it employs seven people.

### What have been your main challenges?

'Our first challenge was getting people excited about the programme and tailoring it to their needs. Our second challenge was getting staff trained and get them to understand the development of the organisation. After participating in the SE Forum (Social Entrepreneurship Forum) accelera-

tor in Nairobi, I shared everything with my team and that, together with being part of a mentorship programme here in Kampala with the Mara Foundation, has helped us turn our organisation into a social enterprise. We started as a non-profit but now we run it as a business. But it is still challenging for us to have a sustainable financial plan for all the activities that we do.'

At a personal level, Asia has dealt with her own challenge of doing it all by herself:

'I guess we [entrepreneurs] all begin thinking that we have to do everything on our own and everything it takes. Then we realise that we need more help, recruit people and train them. I have changed only one person on the team, but the rest we trained and are turning them into another direction. They actually said that they had wanted to tell me the same things, that we should try to generate more of our own income. Now I notice that they are more energised, they see the future. Some of them were very worried about the funding in the past, but now they see that people can pay for the services. It is challenging for them as well, everyone has to think outside of the box.'

Maendeleo now sees proof of the impact from their very first training at the secondary school of Ruhira.

'Some of the young people from that first visit are now studying computer science at universities in Kampala, and we are working with them to get their own computer service businesses running.'



## IFASSEN

**Faiza Hajji** enjoyed bicycling as a child. To avoid the boys who would yell at this odd girl who was on a bicycle (it went against what girls in her area was expected to do), she biked to places outside the city where no one knew her. One of those neighbourhoods was – and is still today – called ‘the plastic village’. The winds carry plastic bags from the city in this direction. Over the years, the amount of plastics has become enormous. It lies piled meters-high in some places where children play and cattle roam around.

‘My mother is a doctor and once she was offered a homemade basket by a poor woman in return for medical advice. This bag was made of old plastics and aluminium, and that is when I got the idea for what to do with all that plastic,’ Fazia says.

### How did you investigate the business opportunity?

‘I was studying engineering in France and started working on the idea of turning plastics into handbags. There was a business competition and I won first prize. That somebody believed in my idea was really encouraging and a designer contacted me and offered to help,’ Fazia says.

The designer and Fazia visited the Berkane Province in Morocco. Together they agreed on designs and started contacting women who might be interested in producing the bags. They participated with some sample products at the Paris fashion fare – and received orders for more than they could produce.

Shortly after this, Fazia set up her NGO to organise impoverished women, train them and start the production. Her idea is to do something about the environmental issue of plastic recycling, educate the community through engagement of schools and households, and to allow women with traditional skills to earn an income. IFASSEN has been developed as the commercial brand of the organisation. They sell their products at fairs, by direct marketing and online, and have so far mainly targeted the French market.

‘With our new website, people can submit their own designs. If we believe that design to be of interest to others, then we can produce it, sell it and share a percentage of the income with the designer,’ Faiza explains.

### Managing at a distance

Faiza runs the organisation together with a business partner in France, but has moved with her family to Latin America. Naturally, she now needs to rely on the people on the ground, who are in charge of the marketing, fundraising, production and educational programmes in schools. Three women work full-time in the production facility but IFASSEN provides work to more than 60 women in total, organised in four cooperative groups. The engagement of the cooperatives became possible through support by several UN agencies and Agence du Sud.

The supply of plastic materials comes from the ‘green spot’ recycling points that the organisation has placed at nearly a hundred sites. The NGO recruited ‘eco-families’ that pick up the waste at the green spots, collect plastic bags from dry-cleaners, and bring it all to the production facilities.

### How do you ensure the production quality?

‘The women in the production participated in the development of the process description. They can also contribute to the design. In fact, although we work with five profes-

sional designers, the artisan model that one woman made became our best-selling model. I also have a volunteer who is in charge of the operations.'

### What are your business objectives?

'To depend less on grants and donors! We want to make the organisation self-sustainable and we are not so far off now. We are likely to become profitable in 2016. The environmental education part will be split from the business to a separate entity. But sales is always a challenge. We had hoped to sell more by now,' Faiza says.

The company is now looking to promote its products in other geographical markets and to broaden the product line to include home decorations. They are also starting to get institutions as clients, requesting bespoke interior design pieces.

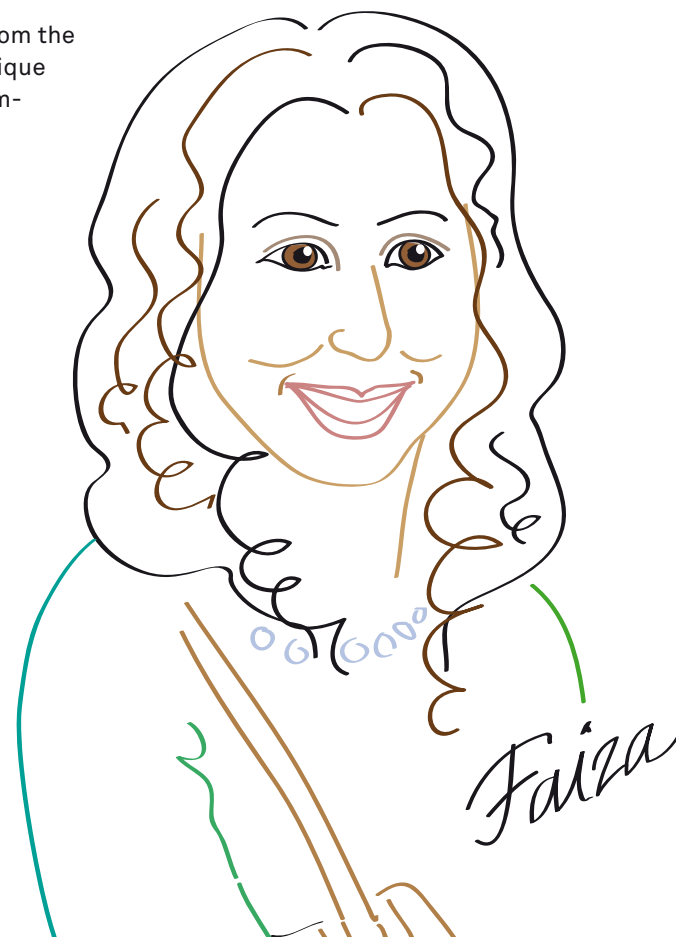
### What would be your advice to other entrepreneurs?

'Expect to change your business model many times. This is one of the things we discussed at the accelerator She Entrepre-

neurs. One needs to be very flexible, since a business model is not rigid and definite. Do not be afraid to ask for help, for example from partners, regarding capacity-building and so on. The worst thing that can happen is that people say no,' Faiza says.

The ecological and social impact from the project is clear. The weaving technique used by the women has a strong impact on environmental protection, since about 50 bags are required to manufacture one bag. One of the women in the production has earned enough money to buy her own house and send her daughter to school. Many of the other women have escaped the poverty they lived in and have learned to read and write.

Positive side effects have also ensued. One man offered to pay for a scholarship to one of the schools that the NGO works with. This sponsors 20 pupils, of which 15 are girls, with the cost of transport and school items.



## SheFighter

'I talk to myself every morning: "You are doing well!" As an entrepreneur I think you have to motivate yourself, no mentor can help you with that.'

More than anyone, **Lina Khalifeh** knows what it takes to swim against the tide. Her family and friends were very sceptical when she announced that she would set up a studio in central Amman in Jordan for women to train self-defence. She had been training girls and women in the basement of her parents' house after becoming a certified trainer in Canada and the US. Three years later, in 2015, she had 800 clients and a first franchise in Armenia, and had already expanded into a larger studio. A poster says 'The Pink Training Course'. The studio is full of friends, mothers with their children, teenagers and university students. All come to take self-defence classes, or one of the other classes that have been added to the programme: yoga, strength and fitness.

In 2014 Lina was awarded the United Nations Conference on Trade and Development Women in Business Award for her mission to generate awareness and decrease violence against women.

### How did you manage to grow the business so fast?

'There are many reasons: public speeches, marketing at schools and talking to other entrepreneurs. It has mainly been word of mouth,' explains Lina.

She has also implemented a consistent brand identity across marketing communications and the interior of the studio. Strong pink accents with black and grey associate well with the feminine and strong image Lina wants to project with her slogan 'Empowering women through self-defence'. The message is not only about physical strength and power. In social media SheFighter posts messages also about women empowerment in general.

Despite her success, SheFighter has no direct competition. There is no other gym for women only in the Middle East, according to Lina. Abroad some women-only gyms exist, but female martial arts centres are still extremely rare. It is not received well by everybody though. Lina has struggled a great deal with keeping staff, due to interference from men.

'It is so frustrating. I have a challenge finding people who are very good trainers.

One of the best had objections from her father, as he did not want her to train women to fight. It is the same problem again and again. A husband, father or brother will object. Sports are not taken seriously here.' Lina's own parents did not approve either at the beginning. Her father is a businessman and he did not believe that his daughter could make a living from running SheFighter.

'Now he is very proud!' Lina says with a smile. The growth has attracted both prospective business partners as well as investors. So far Lina has rejected all offers.

'It is risky, since I do not know these people so well. I try to trust them, but...no, so far so good. I am ok on my own,' she says.

### Do you fear losing control?

'Yes, it freaks me out! The investors that approached me would be minority shareholders, but still they asked for a lot of things. I am making a profit, paying myself and eight other people a salary, so there is no urgency to get funding.'

The will to control things comes perhaps as no surprise, since Lina is a competitive

taekwondo master. She has represented Jordan in many international championships, and she also practices kick-boxing, kung fu and boxing.

### Since you run the business on your own, is there any skill you lack?

'Yes, I would like to understand business models better for going international. I have started franchising, but would like to know more about that. And how to keep staff!' Lina dreams about opening SheFighter in the US, since she believes there is an unmet demand among Muslim women who cannot be in mixed gyms to train martial arts. But it is a big step and the US is an entirely different market compared to Jordan.

### What would be your advice to other start-ups?

'I thought I would be more free, working for myself instead of being employed. If you want to be successful though, you need to work a lot. All entrepreneurs can of course decide for themselves how much time they want to put in, but I think it is difficult to succeed without working hard. I also used

to be quite shy and had to learn to speak in front of audiences.'

### Have you seen any impact of your social mission yet?

'Yes, I see the women I train grow their self-confidence. Recently, I had an amazing example of the results from this. A woman who is training with us was attacked in the streets and could defend herself. Not only that, but she then chased the attacker and caught him. With the help from somebody else, they controlled the attacker until the police arrived. That guy went to jail.'



## Qabila

**Perihan Abou-Zeid** is co-founder of Qabila, a media content creator that capitalises on crowdsourcing and digital media. The founders wanted to revolutionise the media production industry in Egypt with a business model that is innovative, effective and, most importantly, realistic.

‘Our biggest source of inspiration – and frustration – was what we saw in the mainstream media. How negativity spread, especially towards the end of 2010, and how young Egyptian people were portrayed as weak, not interested to learn and not particularly loyal to their country. We decided to do two things: firstly, to create content that has a societal value (e.g. educational or showing a bit of our heritage), and secondly, with the same content we wanted to create a sense of pride and connection to our history,’ Perihan says.

‘We started producing videos that were explaining proverbs, but the quality was not very good. When the revolution happened we were inspired to create content that were educational and used animations. This became a better, nicer product. It went viral very quickly.’

Four people founded Qabila, and since they were open to include anyone who could con-

tribute, within two months the team had grown to eleven people. The organisation was non-profit at first and everyone was volunteering.

### What was key to getting the first clients?

‘We were kind of lucky. The key was mainly to be visible online. We put the Egyptian culture at the core of what we did. We did not worry about how to commercialise it, but it went viral and media picked up on it.’

The team was interviewed in large media channels and were invited to stream videos in the breaks between TV programmes. This attracted organisations which needed similar content. The first paid content that Qabila produced was a national campaign to vote in the national referendum. Their film explained how to vote and how to make sure a vote was valid. After this, the team received requests from different organisations, such as the World Bank and United Nations Development Programme. Six months after the launch of Qabila, the organisation changed its status to a corporation and could begin to pay staff.

### How did it work to have so many founders?

‘In total we were twelve shareholders and this ended up being one of our biggest chal-

lenges. It took us six months to define the governance model. It was very difficult to decide how we would work and vote. Since we were so many shareholders, the largest shareholder had 12 per cent and the smallest half a percentage,’ Perihan says.

The solution was initially to create an organisational structure where four of the shareholders were in the management team with organisational responsibilities. Over time, it became clear that having that many shareholders would still be an issue to grow the organisation further, if external capital was needed. Perihan and two of the other shareholders bought out the other shareholders and it took in total about two years to create the optimal organisation.

### What are the main challenges?

‘Finding talent is extremely difficult. The space is dominated by large agencies, which pay well so it has taken long finding people who are willing to accept a lower salary. The other thing is the regulation here. To publish our content on television, the censorship authority must first approve it. It is predominately for political reasons,’ Perihan says.

The business is cash intensive, which is another big challenge for the start-up. They need to invest early on and start producing content before clients pay them. This is a difficult revenue model and it leaves the bu-

business bootstrapped (low on cash) most of the time. Qabila has nevertheless not raised any external money so far, mainly since they are careful not to include too many shareholders again.

‘To maintain positive cash flow has been hard. We had a real dilemma whether we should spend our money on producing original content, which keeps us ahead of the competition, or if we should do white-label productions at the risk of our own brand being forgotten.’

Qabila cut back on original content in 2013, and are currently only doing on-demand content productions for clients to ensure that it can maintain the current organisation.

### **If you had less of these constraints, what would you do more of?**

‘We still want to make inspirational content. In our portfolio there is for example a video called “The aviation dream”. It tells the story of a scientist who in our [Egyptian] history is portrayed almost as an idiot who did not succeed. This is not true and we wanted to say that even if you fail, the dream lives on. We also want to make documentaries about the history of places, for example the city of Giza, and the people who lived there and their traditions.’

### **How does Qabila measure impact?**

The key metric is ‘viewership’; how many people view the videos, from which countries and with what demographics. Then, the company use qualitative measurement and analyse interaction and feedback about the content. Educational content that is produced on behalf of other organisations sometimes include client feedback such as the effect of campaigns. Overall impact linked to the social mission of the company is not measured yet.

### **What would be your advice to other entrepreneurs?**

‘Do your homework. Find the data that you need and treat your start-up as a big company from day one. Entrepreneurs also need to realise that they could be their very own enemies since they need to decide for themselves if they can make it or not. If somebody has a dream, the worst-case scenario is not to fail; it is not doing it at all. You always learn something.’



## BanaPads

Seeing his sister and her female friends miss school because they could not afford to buy sanitary pads, **Richard Bbaale** decided to try to develop a new solution during his time in college. Affordable, hygienic and good protection – this has been his mantra as well as his brand promise in determining the criteria of the products that his company BanaPads has developed and now sells in Uganda as well as in Tanzania.

Richard has taken a structured approach to develop a new type of sanitary pads. He was looking for a biological material, ideally growing in Uganda so that he could set up his own production. In his search, Richard learned that banana plant fibres have very good absorption properties so he started testing it. At the same time he asked many women what they were using while menstruating and what they would demand from a new product. Several alternatives, such as re-usable pads and menstrual cups, were rejected by the women for different reasons.

'I too had thought about something that was possible to use many times, but the need for clean water is an issue. BanaPads are one-time pads, but since they are made from only natural, processed material they degrade within a few weeks. They can even be flushed down the toilet without clogging the pipes,' Richard says.

### How do you engage customers in the development process?

'There have been several iterations of the product to ensure they meet the demands of women. Besides price, comfort is a key issue. The first customers were frustrated with the pad. They did not think it was soft enough and it did not have wings,' says Richard who managed to improve the pads.

The choice of packaging has also been informed by customer insights; how many pads per pack, the language on the packaging, and so forth. Next, Richard sees the need for selling the pads in a package together with underwear. These too, can be made of natural fibre. 'We can compete with any international pad in terms of quality now', he says with pride.

### BanaPads's distribution network consists of 'micro-entrepreneurs'. How does this model differ from having sales staff?

'This is a "business in a bag"-concept, where we give women a consignment of up to \$256 worth of products, which is 330 packages. This is considered a loan and they choose how they wish to sell it, but they come with a recommended price. It usually takes the women one or two months to sell the pro-

ducts, and the average profit for them is just over \$40 per month. Those who are good at selling can set up their own kiosk if they wish. We provide all entrepreneurs with marketing materials, such as t-shirts, bags and leaflets.'

The distribution network seems successful for all parties involved and BanaPads is now represented by more than 450 micro-entrepreneurs. It is, however, a rather complex model to implement. Each person that has been recruited goes through a long process. BanaPads operates in several parishes. Each parish has a chief from whom to get approval from for any official activity that should take place within his parish. The parish is then divided into sub-counties that are in turn divided into districts. There are several self-help groups and cooperatives to which several women can be recruited at once. The supply-chain is organised in a similar way. BanaPads has partnered with self-help groups in areas with banana plantations. There are 30 women per self-help group and BanaPads currently engages ten of these groups. One production centre employs ten women full-time and thanks to the growth in sales, it will soon be adding another shift to double its production capacity.



### Is there any downside with this distribution model?

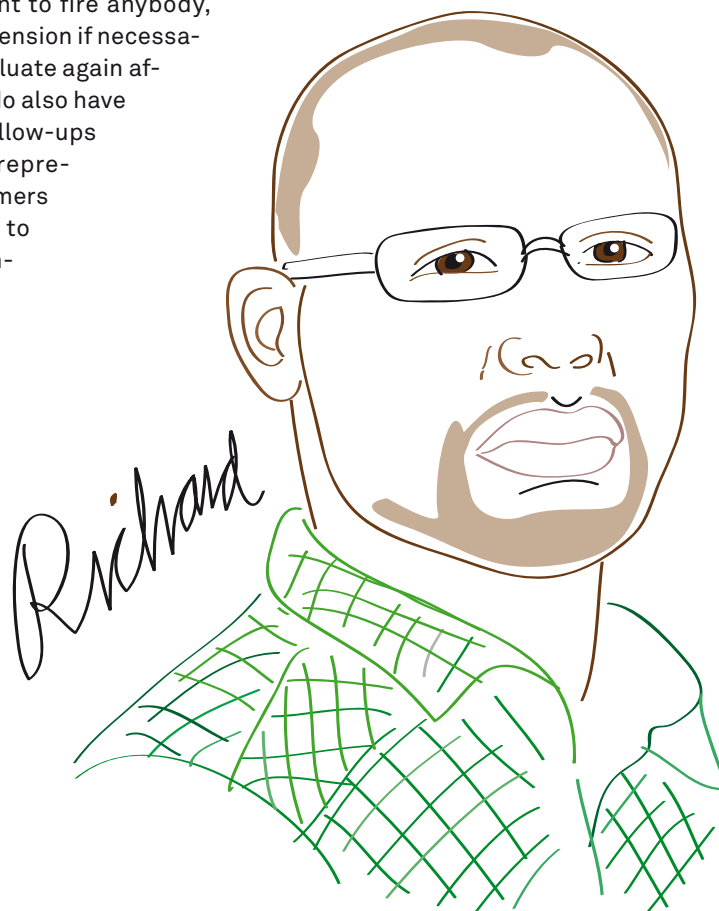
'The recruitment is not really an issue anymore. We had 600 candidates when we last announced that we were looking for more micro-entrepreneurs, and we found 500 of them to be serious candidates. We do have issues with money changing hands and inventory though. I have recruited an IT person now, since we need to shift to mobile money for payments. It means we are likely to need a call support centre as well,' Richard says and adds that this may be a good way to scale up the operations as they start selling in more countries. The mobile money provider will be different, but it is a better and safer way to manage payments.

### How does BanaPads measure impact?

'We have 80 women who help with surveys. They interview people before we have started selling in an area [baseline surveys], and then come back to follow-up. We track many different things, from current usage and issues, to school and work attendance. The impact we wish to see is less absence in primary and secondary schools [due to menstruation] and more days at work for working women.'

### Is there ever any tension between your social and commercial objectives?

'If someone is not good at selling and does not perform, we try to bring her somewhere else to try another area. If that has no effect, we will put that person aside for six months. We do not want to fire anybody, but use this way of suspension if necessary and are willing to evaluate again after the six months. We do also have mentors and regular follow-ups with all the micro-entrepreneurs. The worst performers so far took six months to sell their first consignments, so overall I do not see much conflict running a social enterprise with a commercial model.'



# Glossary



## **Beneficiary**

A person who derives advantage from something, especially a financial benefit. In the context of social business they are the main target group to benefit from the social and/or ecological value creation. Beneficiaries of social businesses are often vulnerable groups. These are groups of individuals who share one or several characteristics that are the basis of discrimination or adverse social, economic, cultural, political or health circumstances, which cause them to lack the means to achieve their rights or otherwise enjoy equal opportunities.

## **Cash flow**

The total amount of money being transferred into and out of a business, especially affecting its liquidity (cash or assets that can quickly be converted into cash).

## **Customer**

Organisations or individual members of the general public purchasing property, products or services for commercial, private or public purposes.

## **Governance/Organisational governance**

System or manner by which an organisation makes and implements decisions in pursuit of its objectives

## **Impact**

Positive or negative change to society, economy or the environment, wholly or partially resulting from an organisation's past and present decisions and activities. The phrase 'social impact' in this book is understood as positive impact, if nothing else is stated.

## **Scale-up**

Increasing something in size, number or extent.

## **Shareholder**

An owner of shares in a company.

## **Social responsibility**

Responsibility of an organisation for the impacts of its decisions and activities on society and the environment, through transparent and ethical behaviour that

- Contributes to sustainable development, including health and the welfare of society;
- Takes into account the expectations of stakeholders;
- Is in compliance with applicable law and consistent with international norms of behaviour;
- Is integrated throughout the organisation and practiced in its relationships.

## **Stakeholder**

Individual or group that has an interest in any decision or activity of an organisation. An organisation's objectives may be limited by the interests of its owners, members, customers or constituents, and other individuals and groups may also have rights, claims or specific interest that should be taken into account. Collectively, these individuals or groups comprise the organisation's stakeholders.

**Sustainability/Sustainable development**

Development that meets the need of the present without compromising the ability of future generations to meet their own needs.

Sustainable development is about integrating the goals of a high quality of life, health and prosperity, with social justice and maintaining the earth's capacity to support life in all its diversity. These social, economic and environmental goals are interdependent and mutually reinforcing. Sustainable development can be treated as a way of expressing the broader expectations of society as a whole.

**Transparency**

Openness about decisions and activities that affect society, the economy and the environment and willingness to communicate these in a clear, accurate, timely, honest and complete manner.

*Definitions from the ISO 26000 Guidance on social responsibility and Oxford Dictionaries.*

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