

# Developing a Strategic Plan for a Social Venture



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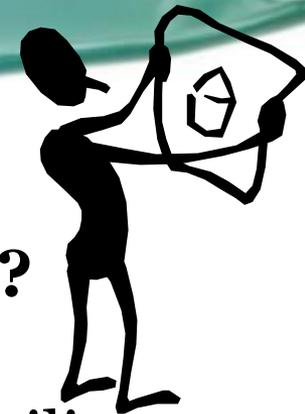


# Learning Objectives

- To gain an understanding of the importance of strategic planning to a new social venture
- To provide an understanding of the relevant information needed within a social venture plan
- To explain how to develop an initial concept summary for a social venture
- To provide a framework and steps for structuring a social venture plan
- To demonstrate how to put all the social venture plan sections together in a compelling and concise manner
- To provide an example of a social venture plan to review and critique

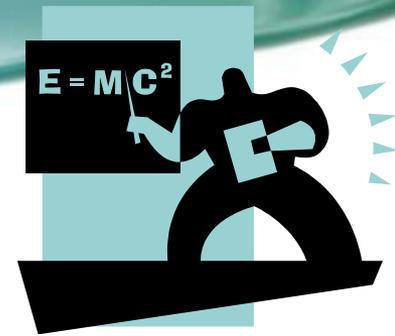
# What is Strategy?

- *Defined*: “The patterns of decisions that shape the venture’s internal resource configuration and deployment, and guide alignment with the environment”
  - *Strategy Formulation* – Planning and analysis
  - *Strategy Implementation* – Execution and evaluation of the activities that make up the strategy



## So, Why Plan for a Social Venture Business?

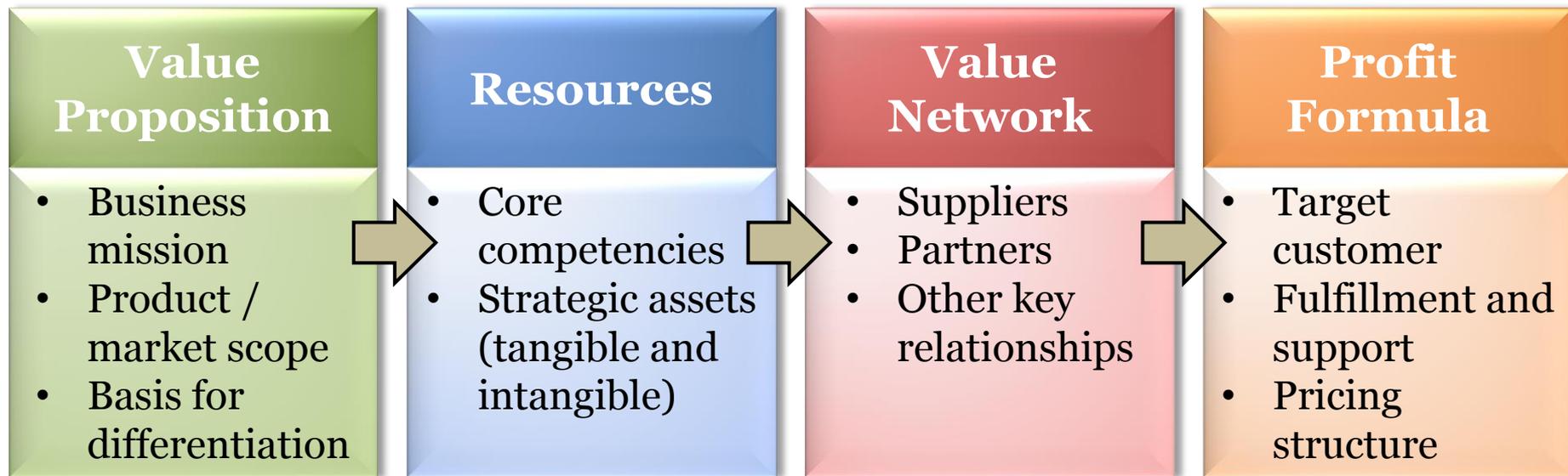
- Increases the probability for success and sustainability:
  1. Creates a framework for making the idea happen
  2. Managerial leaders can more effectively adapt to change by thinking about scenarios
  3. Provides a meaningful context and direction for employees and volunteers
  4. Internal due-diligence tool by aligning controls to key social and economic objectives
  5. Method of external communication

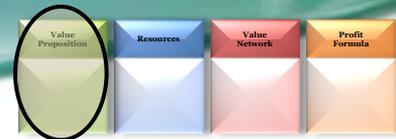


## Then, What is a Business Model?

- An abstract visualization of how the mission will be achieved and how the enterprise will **create** and **capture** value to sustain itself
- Specifies how it obtains and uses its **resources** (people, money, materials) and structures its internal and external **relationships** to **profit** from serving its customers, beneficiaries, and partners
- A clearly articulated business model:
  - Assures all the elements fit together in a holistic manner
  - Describes why the network of participants needed to make a business idea viable are willing to work together
  - Articulates a company's core logic to all its stakeholders

# Key Components of a Business Model





## Components of a Business Model (Cont'd.): *Value proposition*

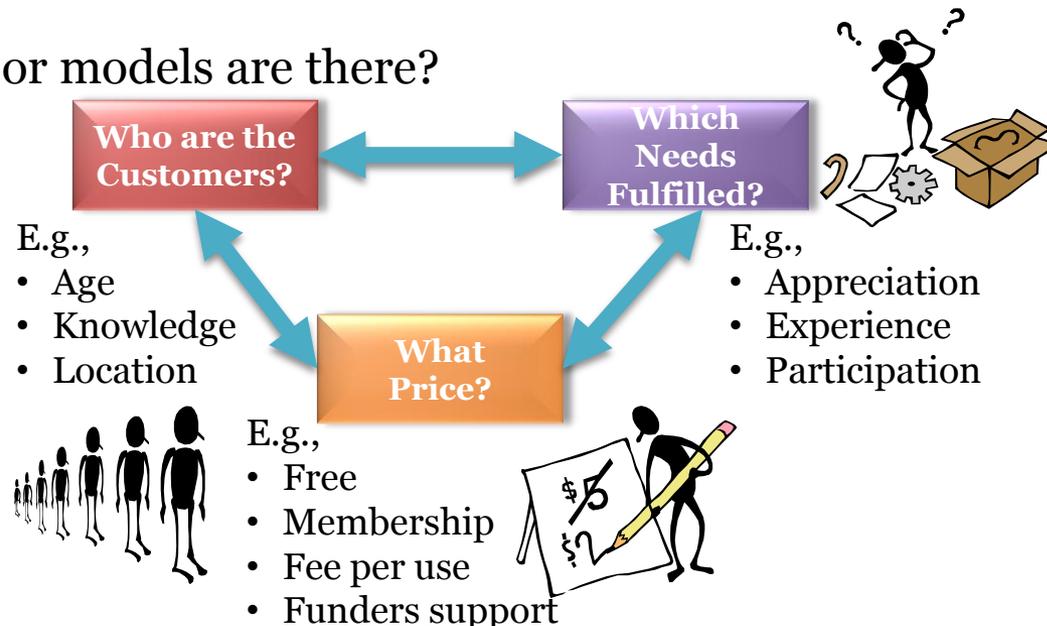
- “**BHAG**” (Collins & Porras, *Built to Last*)
  - Big, Hairy, Audacious Goal
- Unique product or service offering
  - How a firm competes relative to its rivals

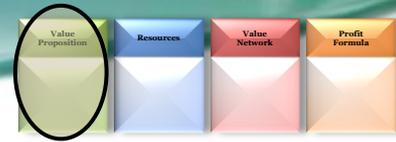
### Primary Element

Mission Statement	Describe why you exist and what your business model is supposed to accomplish
Product/Market Scope	Define the products and markets on which you will concentrate
Basis of Differentiation	Must differentiate from competitors in some way that is important to your customers/clients

# Components of a Business Model (Cont'd.): *Value proposition (cont'd.)*

- What other solutions exist and what are the implications for your team?
- What is distinctive about your venture?
- How much money is distributed to your “cause” annually and how can your venture capture it?
- What other service providers or models are there?





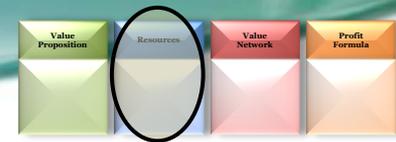
# Components of a Business Model (Cont'd.): *Value proposition (cont'd.)*

## Competitor Analysis

~~COMPETING TO BE THE  
BEST, CORRECT?~~

COMPETING TO BE  
UNIQUE

*The worst error in strategy is  
to compete with rivals on the  
**same dimensions***

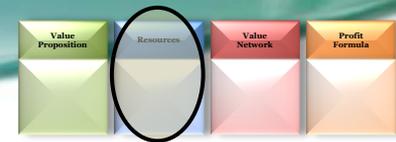


## Components of a Business Model (Cont'd.): *Resources*

- For a new venture, key resources may initially be limited to the competencies of its founders, the opportunity they have identified, and the unique way they plan to serve their market

### Primary Element

Core Competencies	A resource or capability that serves as a source of your competitive advantage
Strategic Assets	Anything rare and valuable that your firm owns, both tangible and intangible



## Components of a Business Model (Cont'd.) : *Resources (cont'd.)*

- A sustainable competitive advantage is achieved by implementing a value-creating strategy that is rare and not easy to imitate as well as organizationally-embedded and complex (“**VRIO**”)
- This type of advantage is achievable when a firm has key resources and the ability to use them
- Therefore, combine your core competencies and strategic assets to create a sustainable competitive advantage



## Components of a Business Model (Cont'd.): *Value network*

- New ventures in particular typically do not have the resources to perform key roles because the majority of tasks needed to build a product or deliver a service are not core to a company's competitive advantage

### Primary Element

Suppliers

A company that provides parts or services to another company (you might have suppliers or be one yourself)

Other Key Relationships

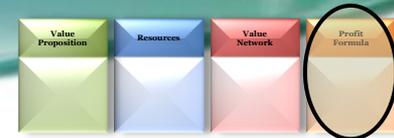
Partner with other companies to make your business model work because your ability to launch a firm that achieves a competitive advantage may hinge as much on the skills of partners as on your own skills



## Components of a Business Model (Cont'd.) :

### *Value network (cont'd.)*

Partnership Form	Description
Joint Venture	An entity created by two or more firms pooling a portion of their resources to create a separate organization
Network	A hub-and-wheel configuration with a local firm at the hub organizing the interdependencies of a complex array of firms
Consortia	A group of organizations with similar needs that band together to create a new entity to address these needs
Strategic Alliance	An arrangement between two or more firms that establishes an exchange relationship but has no joint ownership involved
Trade Association	Organizations in the same sector that collect and disseminate information, offer advice, furnish training, and provide collective lobbying



## Components of a Business Model (Cont'd.): *Profit formula*

- How a firm obtains its returns (“surplus”)
- The way a firm interacts with its customer hinges on how it chooses to compete

### Primary Element

Target Market	The limited group of individuals or businesses that you will go after or try to appeal to
Fulfillment and Support	The way your product or service reaches your customers, including the channels used and level of customer support provided
Pricing Structure	Pricing models vary, depending on the target market and pricing philosophy



## Components of a Business Model (Cont'd.): *Profit formula (cont'd.)*

**Arenas:** *Where will we be active?*

**Staging:** *What will be our speed and sequence of moves?*



**Vehicles:** *How will we get there?*

**Differentiators:**  
*How will we win?*

# Unique Characteristics of a Social Venture

- **Social/Environmental Innovation:**
  - Which actions will lead to the results you want to achieve?
  - Do you have a “social impact” theory of change (logic model) that identifies the resources, activities, and results necessary for an initiative’s success?
- **Sustainability/Scale:**
  - How do you plan to survive and replicate your operations?
  - What is the potential of the social business for other customer groups and locations around the world?
- **Social/Environmental Impact:**
  - How will you assess and measure your social impact?
  - Relate your venture’s outcomes and impact to your theory of change

*Note:* Covered in future sessions!

# Value Creation and Capture

- The fundamental purpose of *any* enterprise is to create value

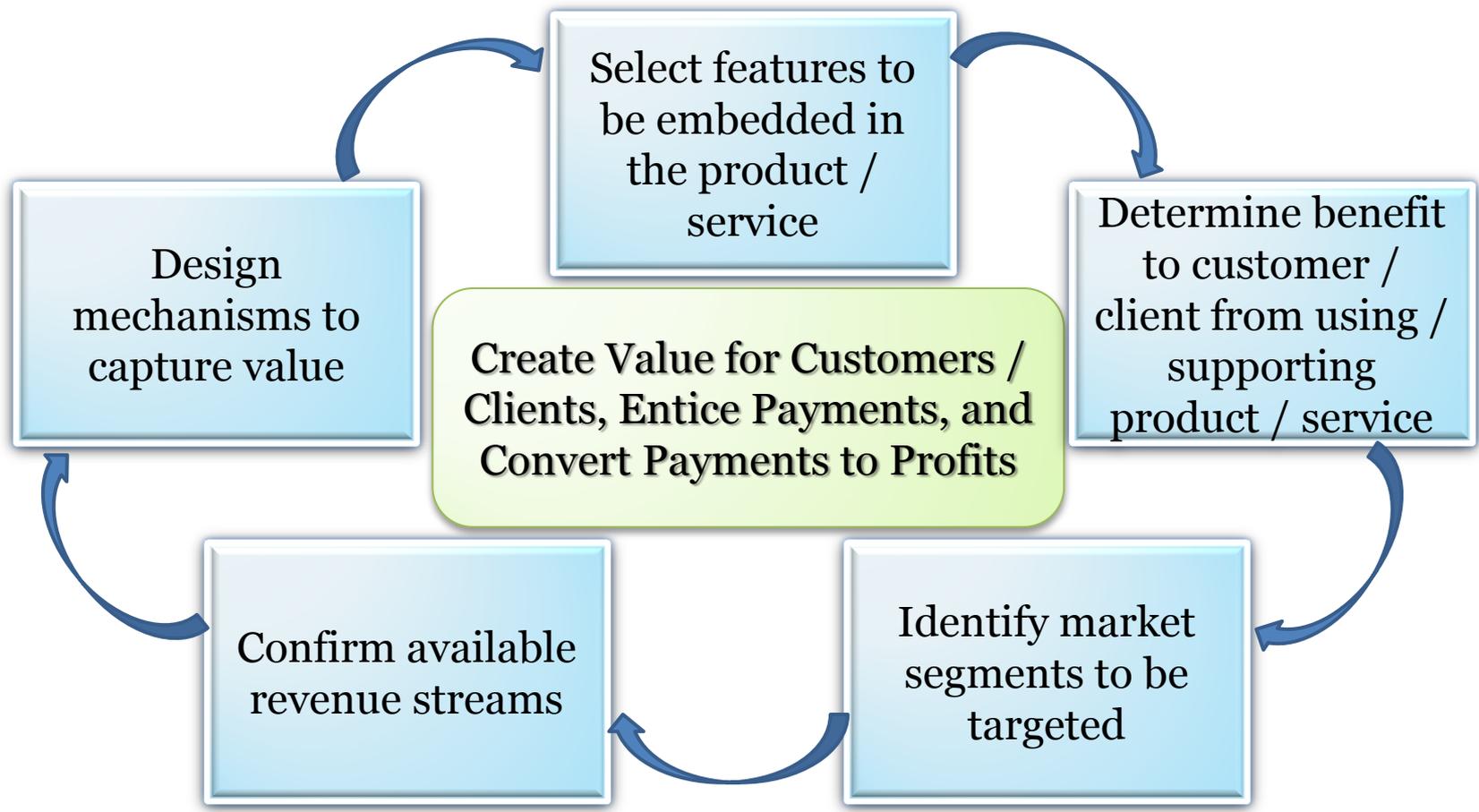
$$\text{Value} = \frac{\text{Financial} + \text{Social Benefits}}{\text{Cost of Delivering Them}}$$



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# Value Creation and Capture (Cont'd.)

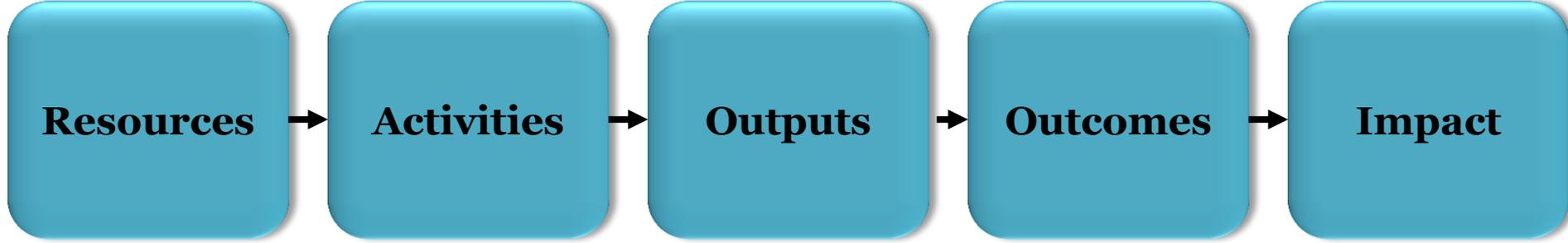


$$\text{Value} = \frac{\text{Financial} + \text{Social Benefits}}{\text{Cost of Delivering Them}}$$



# Value Creation and Capture (Cont'd.): A "logic model" for a social venture opportunity

*Mission???* ←



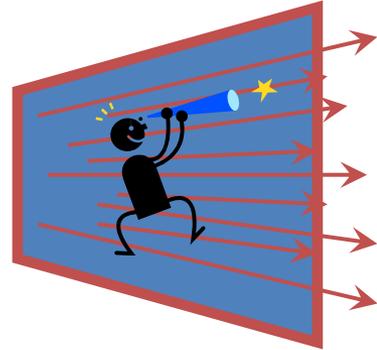
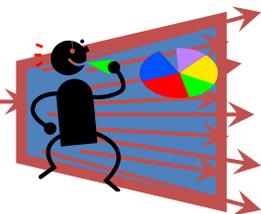
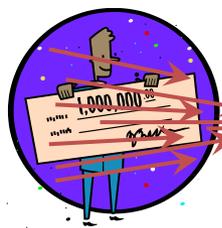
*Consider:*  
Management, employees, volunteers as well as securing financial capital to launch the social venture

*Consider:*  
Strategic planning and processes, marketing, operations, personnel, etc. that need to be implemented for the launch of the social venture

*Consider:*  
Evidence of service delivery

*Consider:*  
Changes in 1-3 years, then 4-6 years

*Consider:*  
Changes in 7-10 years



→ *Increasingly intangible, broader, longer-term*

# New Venture Team



- The group of founders, key employees, and advisers that move a new venture from an idea to a fully functioning firm
- Usually, the team doesn't come together all at once
  - Instead, it is built as the new firm can afford to hire additional personnel
- The team also involves more than paid employees
  - Many firms have boards of directors, boards of advisers, and professionals (lawyers, accountants, consultants) on whom they rely for direction and advice



## New Venture Team (Cont'd.): *The founder(s)*

- Characteristics of founder(s) and early decisions have significant impact how new venture team takes shape:
  - 50%-70% of all new ventures are started by more than one individual
  - New ventures that are started by a team rather than a single individual have an advantage
    - Provide greater resources and diversity of viewpoints
    - Higher education enhances entrepreneurial skills
    - Prior entrepreneurial experience avoids costly mistakes
    - Relevant industry experience offers better established professional networks and more applicable skills
    - “Network” offers additional know-how, capital, and customer referrals

# New Venture Team (Cont'd.): *Board of directors*



- If a new venture organizes as a corporation, it is legally required to have a board of directors:
  - An inside director is also an officer of the firm
  - An outside director is not employed by the firm
- Formal responsibilities:
  - Most board of directors meet 3-4 times a year
  - Appoint the officers of the firm
  - Declare dividends
  - Oversee the affairs of the corporation
  - Provide guidance and support to the managers
- Well-known and respected board members bring instant credibility
- New ventures are more likely to pay their board members in company stock or ask them to service on a voluntary basis rather than pay a cash honorarium

# New Venture Team (Cont'd.): *Board of advisors*

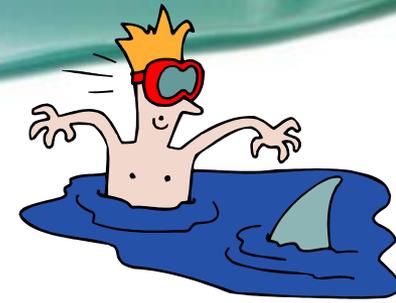


- A panel of experts who are asked by a firm’s managers to provide counsel and advice on an ongoing basis
- Unlike a board of directors, possesses no legal responsibility for the firm and gives non-binding advice
- An advisory board can be established for general purposes or can be set up to address a specific issue or need
- Many people are more willing to serve on a company’s board of advisors than its board of directors because it requires less time and there is no potential legal liability involved
- Like the members of a board of directors, the members of a company’s board of advisors provide guidance and lend credibility to the firm

# New Venture Team (Cont'd.): *Lenders and investors*

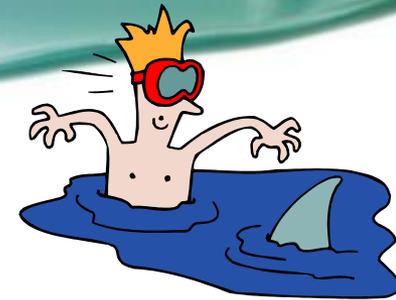


- Have a vested interest in the companies they finance, often causing them to become very involved in helping the firms they fund
- Like other non-employee members, help new firms by providing guidance and lending advice:
  - Help identify and recruit key management personnel
  - Provide insight into the markets that the new venture plans to enter
  - Help the venture fine-tune its business model
  - Serve as a sounding board for new ideas
  - Provide introductions to additional sources of capital
  - Recruit customers
  - Help to arrange business partnerships
  - Serve on the board of directors or board of advisors
  - Provide a sense of stability and calm
- In addition, assume the natural role of providing financial oversight



# Planning Pitfalls

- Threats that can derail a social enterprise:
  1. Product or service that finds no market – people don't want it
  2. Value not accepted by clients
  3. Substitute ways for clients to meet their needs
  4. Competition for donors who support other non-profits
  5. Competition with other groups serving the same clients
  6. Socio-economic or demographic changes in client needs or interest
  7. Public policy changes in regulation or funding levels
  8. Bargaining/market power of sellers and buyers (e.g., paid workers, lenders, land owners, third-party payers)
  9. Too much capital needed or too costly to sustain itself



## Planning Pitfalls (Cont'd.)

- Assembling:
  - Fail to communicate realistic goals
  - Fail to anticipate problems
  - Lack commitment or dedication to the venture
  - Lack experience
  - Fail to demonstrate market niche (e.g., complete misread of the customer)
- Presenting:
  - Too sloppy or too slick
  - Does not get to the point quickly enough
  - Unrealistic financial projections (e.g., utterly unsound economics)
  - Unclear stage of the venture
  - Unclear qualifications



# Conclusions

- Your USS Social Enterprise should be a “BHAG” that is innovative, sustainable, scalable, and measurable in creating and capturing value ... all within five years!
- Business models are abstract visualizations of what you want to do
- The strategic plan is a concrete statement of how you will get it done
- For more information and sources, see <http://pinterest.com/mgt460/business-plans-cases-examples/> and “Writing A (Social) Business Plan” in the course syllabus

# Course Purpose

- Summarize key principles of social entrepreneurship
- Identify the challenges and opportunities of social entrepreneurship
- Use evidence to analyze, evaluate, and exploit a social opportunity for an entrepreneurial venture
- Apply business functions to create and sustain a social venture
- Prepare a business plan for a social enterprise

# Questions?

