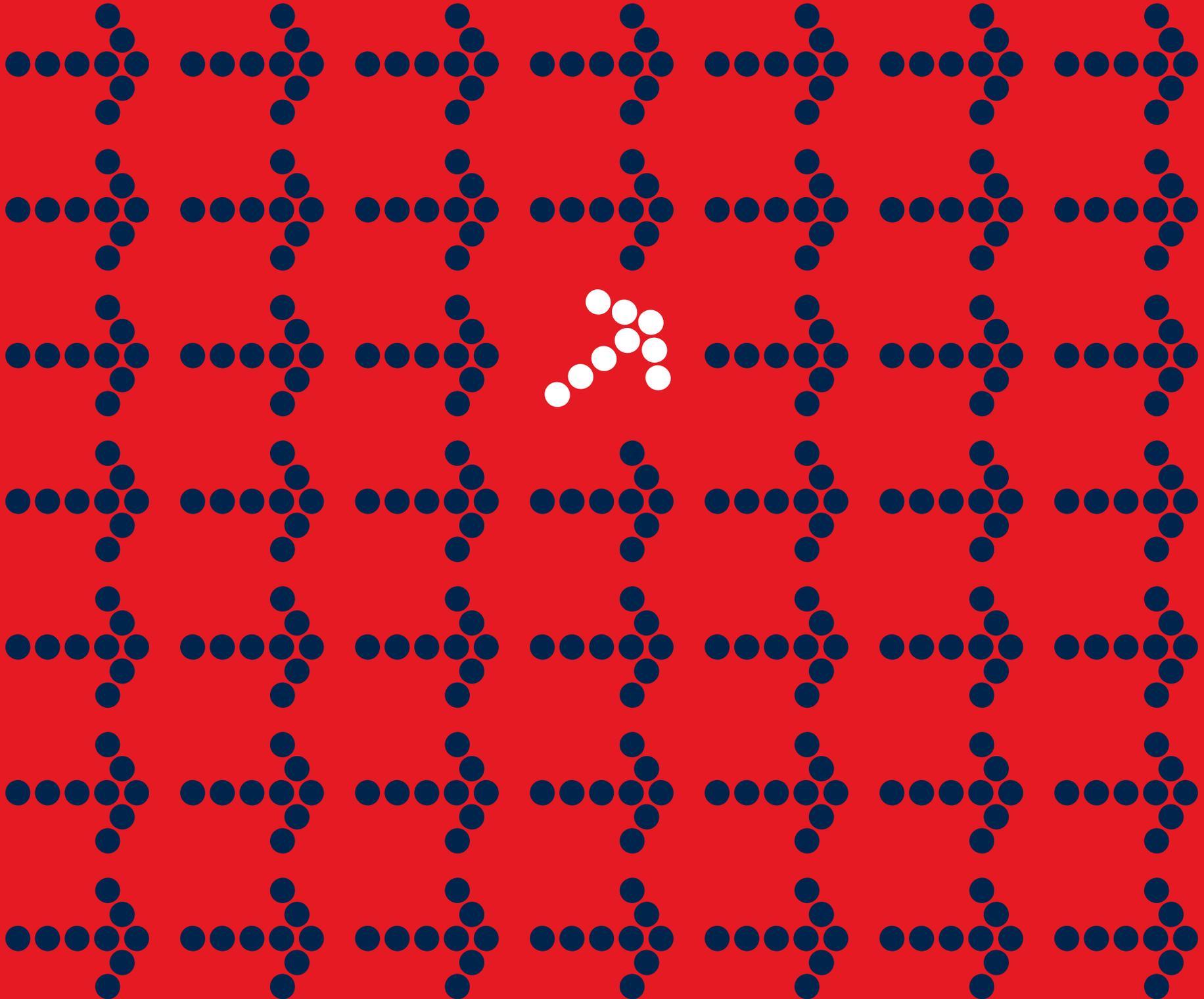


# A Toolkit for Developing a Social Purpose Business Plan

Funding provided by Mizuho USA Foundation



## Foreword and Acknowledgements

A Toolkit for Developing a Social Purpose Business Plan grows out of Seedco's recognition that many nonprofits are eager to launch business ventures but lack targeted resources to help them through the planning process. Over the past three years, the Nonprofit Venture Network (NVN) has provided intensive technical assistance to 21 nonprofit organizations in New York City and Tampa Bay and has conducted introductory workshops with more than 250 nonprofits interested in developing social purpose businesses. Based on our experience and expertise, we designed this step-by-step business planning guide especially for nonprofit organizations. It is our hope that it becomes a valuable resource to organizations exploring the possibility of social enterprise and to more seasoned entrepreneurs.

The Toolkit was created under the supervision of Jaycee Pribulsky, Senior Program Manager. Content was developed by a Seedco team including Sarah Eisinger and Rosanna Perry-Stephens, and led by Dawn Techow. A team of Seedco staff including Tracey Allard, Khary Cuffe, Rachel Bluestein and Nikhil Gadkari reviewed the document and provided insightful feedback. Asif Karmally, an intern from the New York University, Stern School of Management also assisted in writing and editing this document. Mimi Grinker and Betty Rauch kindly edited and produced the document. Giona Maiarelli of Maiarelli Rathkopf Design designed the Toolkit with assistance from Josh Reisner at Seedco.

Special thanks to Karen Overton, Executive Director of Recycle-A-Bicycle, for graciously allowing us to pick apart her business plan and use it as an example. She has been a strong supporter of the Nonprofit Venture Network and we value her enthusiasm and dedication to social enterprise.

The development of the Toolkit would not have been possible without support from the Mizuho USA Foundation. We are especially thankful to the foundation's Executive Director, Lesley Harris Palmer, for her support of the Nonprofit Venture Network since its inception.

NVN has also been supported by the MetLife Foundation, the United Way of New York City, the Eckerd Family Foundation and the World Trade Center Small Business Fund.

DIANE BAILLARGEON

*President*

Seedco and the Non-Profit Assistance Corporation

January 2004



# Social Purpose Business Development: How to Use this Toolkit

## Why a Social Purpose Business Planning Toolkit?

A social purpose business is a business activity started by a nonprofit organization that applies market-based solutions for the purposes of furthering the mission of the organization, generating income, and addressing social needs. Over the past five years, the social enterprise field has grown significantly. Nonprofits are seeking innovative methods of diversifying their revenues and building more sustainable organizations. As a result, nonprofits are seeking assistance in developing and launching these ventures.

While starting a social purpose business shares many characteristics with developing a traditional small business venture, there are marked differences. Most importantly, you are not an individual entrepreneur. You have stakeholders and clients, funders and staff who follow a mission to provide a needed service to the community. All of these constituents have opinions and ideas about how the organization should best use its resources. In addition, decision-making may happen at multiple levels, the organizational culture may be resistant to becoming more business-like and staff may fear mission creep. On the flip side, as an organization rather than an individual, you may have access to more resources, be able to build a planning team consisting of diverse backgrounds and expertise, and have a proven reputation in the community.

This Social Purpose Business Planning Toolkit takes the organization into consideration throughout the planning process. In addition, the Business Plan you develop with this toolkit will highlight the social components and social outcomes of the business. As a communications tool, these sections are important to your staff, Board and clients as they show the way that the organization and clients will benefit. In addition, these sections are important to socially conscious funders who are seeking a social return on their investments.

## Who Should Use this Toolkit?

The Social Purpose Business Planning Toolkit is designed for nonprofit organizations that are considering starting a revenue-generating activity or a business venture. The toolkit begins with the assessment of an idea in the context of your organization, so to begin, you will need to have a few ideas percolating. In addition, organizations that are currently operating a business might use the Toolkit as a guide for developing a plan for expansion or for revising their business model.

## Developing a Business Plan

Developing a business plan is an exciting, but challenging process. Developing your business and then writing the business plan can take anywhere from several months to over a year. Staff time, organizational resources, outside consultants or experts in the field are required for the process. In the end, the business plan serves as both a communications tool and a management tool to evaluate your performance and revise your assumptions. It will justify the risks and explain the rewards associated with the business. A good business plan will:

- Illustrate demand for your product
- Demonstrate stakeholders' interests and needs
- Confirm that the business concept is viable
- Post healthy and realistic financial projections
- Demonstrate staff and management expertise
- Explain your ability to meet the proposed social outcomes

## The Case Study

Throughout the Toolkit, we use an organization that Seedco has worked closely with for the past four years. This organization, Recycle-A-Bicycle, is an established social enterprise that has completed a business plan for expansion of the business and programmatic activities. We will refer to the Recycle-A-Bicycle business plan and pull examples to illustrate key points. The full text of the plan is available in Section V.

## Using the Toolkit

Throughout the Toolkit, you will find a number of icons, illustrated on the following page, indicating special sections. In addition, a disk is provided that contains the Financial Projections Workbook. This is an excel file that is meant to help you build your financial projections. If you have difficulty using the disk (PC-format), please go to [www.seedco.org/nvn](http://www.seedco.org/nvn) to download the files. You will need the user id and password below.

User id:        toolkit  
 Password:     business

If you have comments, would like to purchase additional copies of the Toolkit or are interested in learning more about Seedco or the Nonprofit Venture Network, please email us at [toolkit@seedco.org](mailto:toolkit@seedco.org).

## Helpful Hints



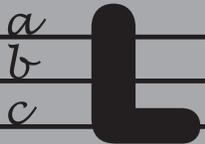
Helpful hints are provided to give you specific information on a topic.

## Action



Actions refer to templates, worksheets and examples which offer hands-on opportunities to put the concepts into practice. We encourage you to stop each time you see the Action symbol and pull out the corresponding worksheet from Part IV.

## Lessons from the Field



These are actual or “modified” examples of social purpose business.

## Developing your Story



These are questions to help you develop the Market Opportunity and Business Model Sections of your plan.

## Performance Measurement and Management



This section will assist you in developing your Logic Model or Action Plan with regard to different sections of the business plan.



## About Seedco

Founded in 1986, Seedco provides financial and technical assistance, and management support, for the community-building efforts of nonprofit organizations and small businesses in targeted disadvantaged communities throughout the United States. Working in partnership with local community organizations, universities, and other local and national groups, Seedco develops wide-ranging initiatives that support working families, promote community economic development, and strengthen community-based nonprofits. Seedco's approach focuses on increasing its community partners' capacity to implement high-impact projects that build community and individual assets.

Seedco's programs focus on workforce development, affordable homeownership, and entrepreneurship to achieve our community revitalization goals, including:

- Supporting working families;
- Promoting economic development;
- Strengthening community organizations; and
- Providing creative financing to support program activities.

### HOW WE WORK

Seedco is committed to innovative, high-impact program development and delivery. We provide intensive financial and technical assistance to our networks of neighborhood-based partners, enabling them to launch model projects and realize their community-building goals.

#### We Build Community Networks

Central to Seedco's work is the belief that neighborhood organizations are invaluable partners in planning and implementing community and economic development projects. Community-based organizations have the cultural competency and understanding of local needs that are essential in creating meaningful community-building initiatives. As part of our programs, Seedco brings our network of partner organizations together to foster peer learning and collaboration.

#### We Create, Develop, and Implement Model Projects

Seedco develops model projects designed to enable community partners to devote their critical resources to program implementation. Model projects may include fully developed business plans and financing strategies, program protocols, and web-based information systems that can be adapted to local needs.

## **We Provide Technical Assistance and Capacity Building**

To help our community partners achieve their goals, Seedco provides intensive technical assistance and capacity-building services, focusing on program implementation that leads to measurable outcomes. One tool that Seedco uses to assist organizations is its Performance Measurement & Management<sup>SM</sup> (PM&M<sup>SM</sup>) process, a technical assistance process that helps organizations plan, measure, improve, and be accountable for programs. PM&M helps managers articulate outcomes, collect data about these outcomes, and use that data to make and implement informed decisions.

## **We Offer Financial Assistance**

Seedco's Community Development Loan Fund provides low-cost financing for community-based organizations undertaking development activities. We also help community groups gain access to pre-operational and recoverable grants to enable them to absorb some of the early costs associated with developing business plans and other activities that build their organizations' assets. Seedco creates targeted loan products around three program areas: Affordable Homeownership, Workforce Development and Community Economic Development. In response to changing needs in the market, Seedco has launched our WTC Small Business Fund, which includes loan funding for small businesses affected by the September 11th attacks.

## About Seedco's Nonprofit Venture Network

The Nonprofit Venture Network (NVN) was established in 2001 with support from the MetLife Foundation, United Way of New York and Mizuho USA Foundation. NVN offers community-based nonprofit organizations a comprehensive package of technical assistance and financing designed to enhance their capacity to launch social purpose businesses. While there are several definitions of a social purpose business, we define it as a business activity started by a nonprofit organization that applies market-based solutions for the purposes of furthering the mission of the organization, generating income, and addressing social needs. In this context, social purpose businesses serve to:

- Promote innovative programs;
- Create job and training opportunities;
- Encourage entrepreneurial endeavors; and,
- Contribute to the financial viability of the parent nonprofit organization.

### The Challenge

In a demanding operating and funding environment, nonprofit organizations must look to new models of generating revenue streams while also fulfilling their expanding missions. Launching a social purpose business is an innovative economic development strategy that has emerged in recent years as a way for community-based nonprofits to do both. Through these ventures, nonprofits can increase their ability to fulfill the organization's mission while serving their constituents in new ways and diversify revenue sources.

Starting a social purpose business venture can pose risks for the sponsoring nonprofit. When a nonprofit launches a new business venture, it strives to earn income and achieve tangible social outcomes. This undertaking can quickly test an organization's culture and management practices. The organization must constantly strive to balance its internal goals of supporting a social mission and generating revenue. NVN helps organizations find that balance through a comprehensive package of technical assistance services and low-cost financing.

## The NVN Model

NVN technical assistance and services are delivered in three phases.

**Phase I: Learning.** This phase provides organizations with assessment and capacity building tools through the MetLife Introductory Workshop Series on Social Purpose Businesses.

**Phase II: Planning.** Organizations that have completed the introductory workshop series are eligible to apply for pre-development grants generally in the range of \$5,000 to \$10,000 through Seedco's Entrepreneurial Assistance Fund, which begins Phase II of the program. Over the course of the year-long grant period, Seedco will work with organizations in group settings and one-on-one to develop a business plan.

**Phase III: Implementation.** Phase III offers grantees access to several forms of financial assistance to support their efforts in pursuing a social purpose business, ranging from grants to below-market loans and near-equity instruments. In order for organizations to move from Phase II to Phase III, eligible organizations must have a business plan and meet Seedco's due diligence requirements.

NVN held its Introductory Workshops Series in New York City and Tampa Bay in Fall 2003 and will bring on new cohorts in 2004. In addition, NVN plans to expand nationally and is exploring opportunities in several new cities.

## NVN Grantees

To date, Seedco has provided funding through the Entrepreneurial Assistance Fund and technical assistance to the following organizations:

### NVN: New York City

**Bedford Stuyvesant Restoration Corporation (BSRC)** is developing a multi-purpose technology store, an outgrowth of BSRC's computer access and training program, to offer employment and training opportunities for local youth.

**Brooklyn Children's Museum** is creating a museum store to provide employment and training opportunities for local youth.

**Brooklyn Woods, Inc.** is creating a woodworking business to provide employment and training to low-income and unemployed individuals.

**Center for Alternative Sentencing and Employment (C.A.S.E.S)** explored the creation of a greeting card business targeting the youth market that would develop the artistic and business skills of youth offenders participating in its community alternative sentencing program.

***The Children's Village*** is developing an automotive repair and gasoline business to provide employment and training to youth in its residential treatment center.

***The CityKids Foundation*** will launch MUSE Productions (Making Urban Solutions for Education), a youth development and educational product company specializing in issue-based video curricula and music, as well as youth outcome-measurement solutions.

***The Fifth Avenue Committee*** is creating Brooklyn Moves, a transportation and trucking business to provide employment to participants with multiple barriers to employment, including a history of incarceration.

***Gay Men's Health Crisis*** is developing a food service business that will serve staff, offer catering to groups using GMHC's office for events and meetings, and provide training and employment to clients who have experienced unemployment due to HIV/AIDS.

***Groundwork, Inc.***, a new Brooklyn-based youth leadership development program, is developing youth-run ventures that will provide community services to youth and families in East New York.

***Harlem Textile Works***, a design and printing business that provides employment training to youth in the textile and fashion field, is planning to expand its operations through new urban designs and additional product lines.

***Managed Work Services of New York***, a joint venture between VIP Community Services and the National Association on Drug Abuse Problems, Inc., provides employment to individuals with histories of alcohol/substance abuse through a temporary employment agency.

***Neighborhood Coalition for Shelter (NCS)***, a Manhattan-based housing provider, is developing an online business to sell donated new and used goods including CDs, DVDs, video games and books. NCS will employ and train homeless and formerly homeless individuals to operate the business.

***New Horizon Courier Service***, an outgrowth of Lenox Hill Neighborhood House's vocational training program, recently closed its courier business that provided employment for formerly homeless individuals.

***Pratt Area Community Council*** is developing a property management business to provide employment and training to residents of low- and moderate-income neighborhoods in Brooklyn.

***Project Reach Youth*** in Brooklyn is creating a catering business to provide training in the culinary arts and employment to local youth.

***Recycle-A-Bicycle*** is expanding its business which teaches low-income youth affiliated with the Henry Street Settlement House to refurbish used bicycles, which are then sold at two retail outlets in Manhattan and Brooklyn.

***TADA!***, a youth theater company in Manhattan, is developing a business to market and provide short-term theater opportunities for New York City youth during holidays and other school breaks.

#### **NVN: Tampa Bay**

***The Corporation to Develop Communities of Tampa*** will develop a plan and marketing strategy to increase traffic to an existing cluster of social purpose businesses on 29th Street: a coin laundry, an ice cream shop and an open air market.

***Eckerd Youth Alternatives (EYA)*** plans to develop a copy and computer services shop to provide training and job opportunities for rural youth in the Tampa Bay area.

***Tampa Bay Academy of Hope*** publishes the African American Listing, an annual reference manual with information on local minority-owned businesses and services that generates revenue to off-set the Academy's youth programs. The Academy plans to publish the listing on-line and employ and train youth in aspects of creating and publishing the Listing.

***The YWCA of Tampa Bay*** runs a successful youth development program for low-income girls, ages 10-16, which it plans to adapt into a for-profit venture called Y Girls, targeted to more affluent communities in Pinellas County with an aim to subsidize the Y's other programs.