THE SOCIAL ENTREPRENEUR'S GUIDE TO CHANGING THE WORLD

**FROM INSPIRATIONAL VISION
TO SUCCESSFUL IMPACT VENTURE**

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ABOUT THE AUTHORS

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Professor Santos' research on organisational theory, entrepreneurship, and social innovation has received several international awards and been published in top journals, having been cited more than 3000 times in Google Scholar. As a teacher, Professor Santos won INSEAD teaching awards for MBA and EMBA courses on entrepreneurship. He speaks regularly on topics of entrepreneurship and innovation. He also mentors entrepreneurs and advises venture investors. A native of Portugal and a serial social entrepreneur, Filipe was a co-founder of IES – Social Business School in 2009 and the Social Investment Lab in 2013. He is currently President of "Portugal Inovação Social" (Portugal Social Innovation), a government initiative created in January 2015 with the mission of promoting social entrepreneurship and impact investing in Portugal. He is a visiting professor of social entrepreneurship at INSEAD and at Católica Lisbon.

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PREFACE

The capacity for entrepreneurship and innovation is one of the primordial aspects of human nature, founded on our impulse to create and the need to resolve problems and overcome obstacles. The history of humanity, since its very beginnings, cannot be separated from entrepreneurship and innovation.

This view of human history also finds echoes in the path pursued by the Calouste Gulbenkian Foundation, which seeks to perpetuate the spirit of its founder, a great entrepreneur of his time who, at the end of his life, made the philanthropic gesture of offering his fortune in the service of society. Throughout its nearly 60 years of existence, the foundation has made the promotion of entrepreneurship and innovation the driving force of its approach in all of its focus areas – Art, Education, Science and Development.

In this latter field, which includes the foundation's social interventions within the scope of its Gulbenkian Human Development Programme, the concepts of entrepreneurship and social innovation serve as the pillars of its actions. This means engaging all of its efforts in seeking new and improved solutions for ongoing social needs, including those affecting the most vulnerable groups in the population.

The manual we present here exemplifies this model of approach. Its content was developed by the Institute for Social Entrepreneurship and INSEAD as training modules for the FAZ – Ideias de Origem Portuguesa [DO IT – Ideas of Portuguese Origin] initiative. This initiative is a civil society movement that aims to promote social entrepreneurship in Portugal and invites the Portuguese diaspora to actively contribute in the areas of ageing, social inclusion, intercultural dialogue and environmental sustainability. Under the moto "Lá se pensam, cá se fazem" [It's conceived there, it's done here], it aims to encourage, share and select ideas and to support the realisation of social entrepreneurship projects that help transform the migration phenomenon into an effective opportunity for Portuguese society and Portugal.

Today, this movement is comprised of thousands of members spread around the globe and teams that are engaged and motivated to transform the society in which we live. From the very beginning, the initiative has worked with the Institute for Social Entrepreneurship and INSEAD as a partner in training, and we would like to thank them for the exemplary manner in which they have carried out this work, as shown in the publication of this manual.

Amidst these times of crisis in which we live, we often hear that we need to "do more with less". We believe, however, that the true response to the urgent issues that we have to deal with is to "do more with more": more people, more resources that are not exclusively financial, more institutional involvement in the execution of projects, more capacity to create effective partnerships based on a shared agenda of causes. The publication of this manual aims to illustrate how to better pursue this path. Together, we will transform the world each day by making a positive difference in the name of our society's greatest causes.

Gulbenkian Human Development Programme

November 2015

CONTENTS

INTRODUCTION

BUILDING
THE IMPACT
ECONOMY

In the 1980s, a new movement known as "social entrepreneurship" emerged globally. The movement was led by a new generation of entrepreneurs dedicated to solving societal problems through innovative, sustainable, and scalable business models. The growth of this movement has triggered a transformation in the behaviour of players from the commercial, social, and public sectors, engaging them in cross-sector dialogue and joint initiatives. Inspired by social entrepreneurs, corporations have begun to change their traditional corporate social responsibility policies by increasingly engaging in impact initiatives and practices that benefit society, while public officials have started incorporating practices and policies validated by social entrepreneurs. Given the growing visibility and success of social entrepreneurs, over the last decade an impact investing space has emerged to finance these innovative initiatives and organisations, beginning a transformation in the finance sector that has gained momentum since the 2008 financial crisis.

Social entrepreneurship is thus a movement that has conquered a wider space in society, and is establishing the foundations for a truly impact-oriented economy. Each one of us can be a part of this movement. We just need to focus on a societal problem we care about that is being neglected by society, understand it deeply, develop a novel solution to the problem, and put the solution in practise.

This Guide provides the tools, knowledge, and inspiration to help you become an effective social entrepreneur. It is the result of a partnership that connects the excellence of INSEAD's academic knowledge in social entrepreneurship with the practical knowledge of IES – Social Business School, a marriage of reasoned knowledge and inspired action, with the intention of creating value for society.

The Calouste Gulbenkian Foundation has been a key partner in the development of this Guide and and we deeply appreciate the continued support they have given to IES. We also thank the pioneering partners that enabled the training programmes "IES powered by INSEAD in Portugal" – the Municipality of Cascais and EDP Foundation, as well as the Apax Foundation for supporting the INSEAD social entrepreneurship initiative efforts to expand its training programmes worldwide. We thank, in particular, the more than two thousand participants in Social Entrepreneurship Bootcamps who applied and validated the Bootcamp framework and helped us improve the manual. We also thank all the people and institutions who believed in and supported the project of creating a pioneering social business school in Portugal, the first of its kind in the world. This Guide is for them and for all those who believe that we have the power within us to create a better world.

For those who are now beginning their social entrepreneurship journey, we thank you for possessing the courage to embark on a path to change the world.

CASCAIS fundação edp IES SOCIAL BUSINESS SCHOOL INSEAD The Business School for the World

GUIDE FRAMEWORK

The practice of social entrepreneurship is a constructive process that can be divided into three main phases. The "envision" phase is related to the social entrepreneur and the team, what drives them, what kind of societal problems they seek to solve, and the better world they want to create. The "design" stage that follows is essential to developing a robust solution with a sustainable model that generates measurable impact. These elements are then put together in a coherent model with a strong value generation potential.

After the design stage it's time to "act"! In this stage, a clear focus is needed to launch pilots to validate and refine the solution. It is also essential to effectively mobilise resources and to be able to communicate, in an inspiring way, the novel solution and how it can change the world for the better.

Each of these ten steps is developed in a chapter of this manual. At the end of each chapter there is a *Task* that summarises the key ideas and allows social entrepreneurs to apply them to their impact initiative.

Naturally, this is not a linear process, but rather an iterative one, with frequent discoveries and opportunities for refinement. This guide allows social entrepreneurs to confidently engage in this learning process, being better prepared for the obstacles and surprises that they will encounter along the social entrepreneurial path.

ENVISION
SOCIAL ENTREPRENEUR · SOCIETAL PROBLEM · VALUE PROPOSITION

DESIGN
SOLUTION ARCHITECTURE · SUSTAINABLE MODEL · IMPACT FRAMEWORK · VALUE GENERATOR

ACT
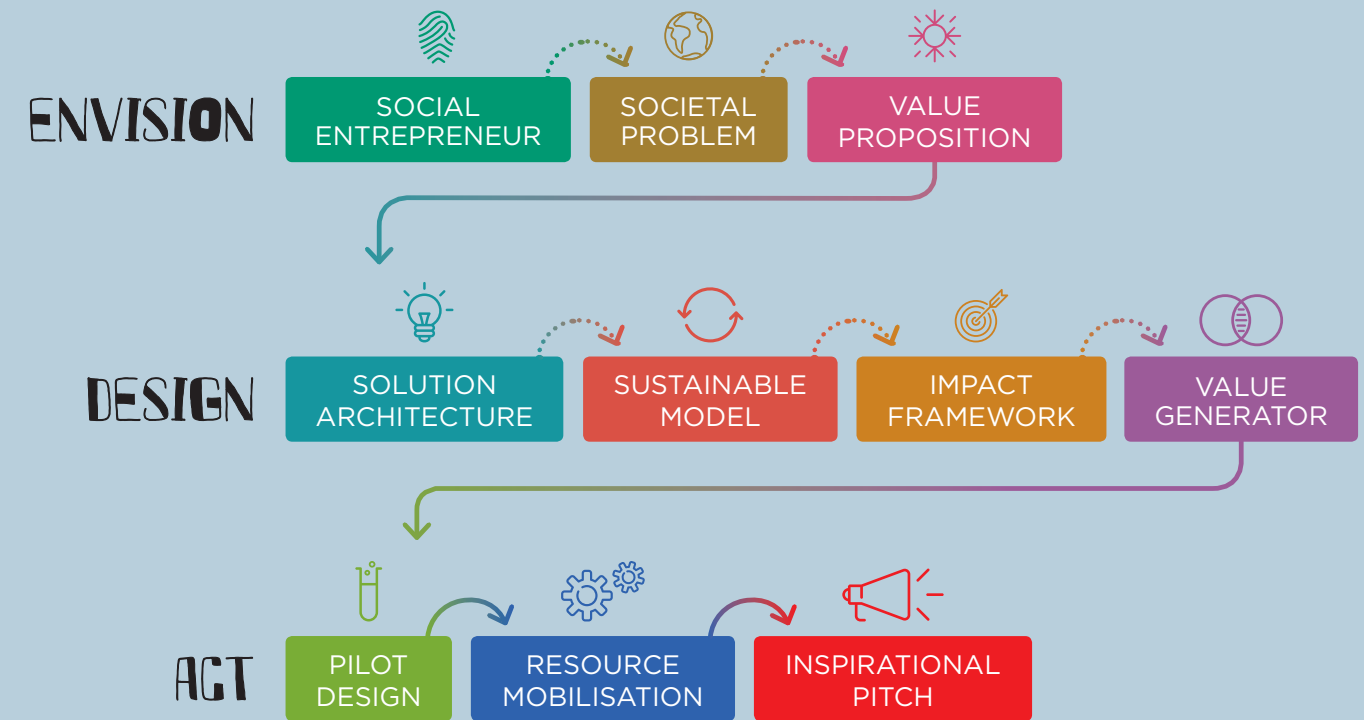PILOT DESIGN · RESOURCE MOBILISATION · INSPIRATIONAL PITCH

Figure 0.1 – The Step-by-Step Process of Social Entrepreneurship

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We are truly grateful to Coloradd for all the support provided

This guide uses the color identification system ColorADD®

ColorADD

Color Identification System
Daltonism, or color blindness, is a limitation that affects 10% of men's world population – approximately 350 million people worldwide. This inherited condition is transmitted through the X chromosome. It creates to his/her carrier significant constraints regarding social and professional integration.

Simbols that include Color
Developed based on the three primary colors represented by graphic symbols, the ColorADD code is based on the "adding colors" concept, allowing the colorblind to relate the symbols and quickly identify all the palette. White and Black come to guide the light and dark shades. The code becomes a "mental game" simple and easy to remember and to apply in the day-to-day!

PRIMARY COLORS | BLACK AND WHITE

BLUE YELLOW RED

WHITE BLACK

Colors | Symbols

Blue Green Yellow Orange Red Purple Brown

White | Black | Gray

White Black Light Gray Dark Gray

Metallic Shades

Gold Silver

Light Shades

Dark Shades

"
We can change the world
and make it a better place.
It is in your hands to make
a difference.
"

Nelson Mandela

SOCIAL ENTREPRENEUR

SOCIAL ENTREPRENEUR

> **GOALS OF THIS CHAPTER:**
>
> At the end of this chapter, you should be able to:
>
> ✔ Discover what social entrepreneurship is and understand what drives social entrepreneurs
>
> ✔ Interpret and classify societal problems
>
> ✔ Recognise the importance of the entrepreneurial team

GETTING STARTED...

A new generation of entrepreneurs is developing solutions that have the potential to improve lives around the globe. They are driven by the will to solve major societal challenges in an effective way, are relentless in the pursuit of their vision, and will not give up until they have spread their solutions widely (Austin & Reficco, 2009). They are people with a deep desire to help others by developing solutions with positive impact. Resilience, creativity, passion, energy, and optimism are traits that often characterise them. Because of these characteristics, social entrepreneurs often succeed in creating innovative and sustainable solutions to important and neglected societal problems, which is the essence of the process of social entrepreneurship.

Although there have been many examples of social entrepreneurs throughout history, such as Saint Francis of Assisi, Florence Nightingale, and Michael Young, only recently has this movement gained global momentum, scale, and credibility. Social entrepreneurship is becoming established as a professional vocation, a viable career path, and an area of academic inquiry. Commercial, public, and social sector leaders have begun to see social entrepreneurship as a powerful mechanism to create value and are increasingly engaging with social entrepreneurs to develop innovative actions that benefit society. Academic institutions are also entering this field, often driven by the enthusiasm of students, and are multiplying the number of courses, case studies, and research projects that they offer focused on social entrepreneurship.

Social entrepreneurship is the process of designing and implementing innovative solutions to important and neglected societal problems. When a solution is proven more effective and efficient than the established ones, we have a social innovation (Santos, 2012).

In this guide, we call initiatives developed by social entrepreneurs with the primary goal of creating societal value "impact ventures". It is common to find six main characteristics in impact ventures:

MISSION aim to solve important and neglected societal problems.

INNOVATION develop novel approaches that challenge traditional views.

IMPACT change behaviours and structures to contribute towards improvements in societal and individual well-being.

EMPOWERMENT engage with and build the capacity of stakeholders.

SCALABILITY implement business models that can achieve scale and reach.

SUSTAINABILITY use resource mobilisation strategies that can sustain the solution over time.

In developing impact ventures, social entrepreneurs typically act differently than commercial entrepreneurs, sharing what they know with others, empowering partners and customers, and implementing co-created solutions. Their goal is not to build an organisation that endures over time, but rather to develop a solution that is sustainable and can be widely adopted and disseminated to other communities and countries. Effective social entrepreneurs aim to address the root causes of societal problems and not just the symptoms, thus creating conditions for positive and sustainable impact.

SOCIETAL PROBLEMS ADDRESSED BY SOCIAL ENTREPRENEURS

In which domains can social entrepreneurs potentially achieve the most impact? There is little potential impact in focusing on domains that benefit from an efficient market solution or from a universally available and effective public service. On the contrary, social entrepreneurs often look for the gaps, the market failures, the neglected areas, the injustices, and the societal inequalities.

As the main goal of social entrepreneurs is to have a positive impact on society, they tend to tackle societal problems that have three main characteristics: they display *Spillovers*, are *Important*, but *Neglected*. These are what we call "SIN problems" (Santos, 2012).

✓ SPILLOVERS

Problems that have spillovers (value to society that goes beyond the value for the parties considered in a market transaction) are preferred domains of action for social entrepreneurs. These are domains where markets fail to generate societal value and that governments often ignore, particularly when they affect mainly disadvantaged or excluded populations. When a problem with spillovers is solved, a multiplier impact happens, as positive impacts are created or negative impacts are cancelled.

EXAMPLE

Four billion people worldwide lack reliable access to electricity and thus have no access to light once the sun sets. The regions most affected are Sub-Saharan Africa and India, regions where most of the lighting needs are provided through the buying and burning of kerosene. Yet, kerosene is costly, emits noxious fumes, can cause fires and releases carbon dioxide. Thus, kerosene use has strong negative spillovers:

1. Poor people have less disposable income since kerosene can cost up to 40% of household income;

2. Higher incidence of illnesses, in particular those associated with fumes (equivalent to smoking two packs of cigarrettes per day for 780 million people);

3. Thousands of fire accidents happen every year, causing injuries and property damage;

4. Millions of tons of carbon dioxide are emitted every year, worsening the greenhouse effect.

Given these negative spillovers, replacing the use of kerosene with a safe, cheap, and healthier lighting solution can create significant value for society.

✓ IMPORTANT

The importance of a problem depends on:

(A) its scope, which is related with the geographical relevance of the problem. The greater the territorial coverage and the proportion of the population negatively affected by the problem, the greater the opportunity for the social entrepreneur to create value for society.

(B) the severity of the negative consequences of the problem and the irreversibility of the effects. The greater the negative consequences for the target population and the greater the irreversibility of the effects, the greater the opportunity for the social entrepreneur to create value for society.

EXAMPLES

1. Globally, there are more than 650 million people living with disabilities. In terms of blindness, 285 million people are estimated to be visually impaired worldwide, of which 39 million are blind. Blind people face severe challenges in the labor market and in their daily lives, being confronted with stereotypes, fears, avoidance and prejudice . Yet, 80% of all visual impairment causes can be prevented or cured , although once a person becomes blind it is frequently an irreversible situation. If blind people are not properly included in society, there is a waste of human capital as they have a higher probability of being unemployed and requiring social support, which means that society has to bear these costs.

2. About 1.3 billion tonnes of food are wasted every year all over the world. This has an economic cost of $750 billion USD, adds 3.3 billion tonnes of carbon dioxide to the atmosphere and wastes 1.4 billion acres of arable land (28% of the world's total).

✓ NEGLECTED

A problem is neglected when it is not addressed by governments, markets, or civil society. The level of neglect of a problem is associated with the lack of an effective dominant solution. The reason can be a general lack of awareness of the problem or a low effectiveness of the existing solutions that aim to address the problem. In either case, the greater the neglect, the greater the potential for an impact initiative to create value for society.

EXAMPLE

There are around 350 million colour blind people in the world. 10% of the male population suffers from a degree of colour blindness.

According to research, 42% of colour blind people feel it is hard to be fully integrated socially; for example, 88% have trouble dressing or have to ask for help to choose what to wear. This is a problem that has been neglected by society, despite colour being regularly used as a mechanism to guide, signal, and share (ignoring the needs of colour blind people).

Naturally, not all problems are SIN and deserve to be tackled by social entrepreneurs. A societal problem such as the lack of tools specifically built for left-handed people may affect many people, but the negative impact is not severe, so its importance is low. The need for entertainment does not have many spillovers beyond the person who wants to be entertained, so the traditional offering of such items, such as the market for cinema or music, is generally an effective mechanism to deliver value. Other societal problems, such as the diagnosis and prevention of HIV infections, have received so much attention in Western societies (also because of its importance and spillovers) that effective and freely available public services were deployed in many countries, thus lowering the level of neglect of the problem.

Still, many societal problems exhibit a high level of SIN characteristics. From all these potential areas of work, how does a social entrepreneur identify the opportunities for value creation that he or she should be tackling? In other words, what is the ideal intervention space for those who want to embark on the adventure of social entrepreneurship?

INTERVENTION SPACE FOR SOCIAL ENTREPRENEURS

There are three major drivers of effective value creation for the social entrepreneur - problem, passion, and knowledge. These three elements constitute the social entrepreneur's intervention space. It can be generated by answering three simple questions, as illustrated in the following figure.

SIN PROBLEMS
WHICH SOCIETAL PROBLEMS ARE WORTH SOLVING?

PASSION
WHAT ARE YOU PASSIONATE AND/OR DEEPLY CARE ABOUT?

KNOWLEDGE
WHAT DO YOU UNDERSTAND AND HAVE EXPERTISE IN?

Figure 1.1 - Intervention space for social entrepreneurs

PROBLEM: WHICH SOCIETAL PROBLEMS ARE WORTH SOLVING?

Social entrepreneurs are people committed to solving a societal problem, often because they faced the problem first-hand, or a family member or friend has, or because they worked on the problem for a long time. However, it should be a societal problem whose solution is relevant – a SIN problem, as explained earlier, or else the ability of the social entrepreneur to create value for society is reduced, becoming just a personal interest with little relevance for society.

PASSION:
WHAT ARE YOU PASSIONATE OR DEEPLY CARE ABOUT?

Social entrepreneurs focus on solving societal problems they feel passionate or care about, which gives them the motivation and resilience to overcome challenges and stay engaged.

Passion can be defined as a positive, intense feeling that you have towards something that is profoundly meaningful to you as an individual (Gallo, 2014). Passion for solving a problem or improving a situation is something that is at the core of a person's identity.
When you're passionate about something, you can't help yourself from thinking about it, acting on it, and talking about it to other people. As a social entrepreneur, you should find your passion, what motivates you in searching for opportunities to improve the world; in other words, what makes your heart sing. Sometimes the passion resides not in the societal problem you choose to tackle, but in the passion for certain activities or themes – like sports, animals, arts or music, that can then be used as a tool to solve societal problems. The value creation potential of the social entrepreneur resides in placing that passion at the service of society.

KNOWLEDGE:
WHAT DO YOU UNDERSTAND AND HAVE EXPERTISE IN?

Social innovation often comes from the application of knowledge to a societal problem. What social entrepreneurs know, their experience and expertise, is highly relevant for their effectiveness. Whereas other people may look at the problem from the outside, social entrepreneurs try to understand problems intimately, usually from within, through personal experience, direct observation or field research. With persistence, they discover mistaken assumptions and act to correct them. Due to the relevance of their expertise for the development of specific solutions, they propose novel contributions that increase their chances of having a strong impact.

It is at the crossroads of problem, passion, and knowledge that great impact ventures arise. Ideally, all three elements should be present, or at the very least two of them in some significant measure.

At the same time, you should not be alone in your social entrepreneurship journey - teamwork is extremely relevant. A focus on team building can reinforce and complement the identification of the intervention space of the social entrepreneur.

THE SOCIAL ENTREPRENEUR AND THE TEAM

Social entrepreneurs need to be humble and recognise that it is difficult to do everything alone. They must ask themselves questions such as: What do I enjoy doing? What am I really good at doing? What am I not good at doing? What kind of people do I need around me? (Below & Tripp, 2010). A strong and talented management team is essential to the success of the impact venture. A strong team means that people are working towards a common purpose and shared goals and, in doing so, they are combining their varied skills in complementary roles and in cooperation with each other.

Impact ventures are more likely to perform well when their founders work effectively as a team. Good teamwork creates synergies – the combined effect of the team is greater than the sum of individual efforts. By working together, a team can apply individual perspectives, experiences, and skills towards solving complex problems, creating new solutions that may be beyond the scope of any one individual. It enables mutual support and learning, and can strengthen the sense of belonging and commitment to the impact venture.

CLOSING THE CHAPTER...

Francis of Assisi, one of the greatest social entrepreneurs of his time, built multiple organisations that created structural changes in their fields (Bornstein, 2004). He once said, "Start by doing what's necessary; then do what's possible; and suddenly you are doing the impossible". The capacity to generate impact grows in an individual as small-scale efforts gradually lead to more ambitious ones. Thus, social entrepreneurs often start with small-scale innovative solutions to neglected problems of society that, if well designed and deployed, can achieve great impact.

With this guide, we aim to help social entrepreneurs develop their impact ventures and create more value for society. This will be an inspirational journey marked with victories, challenges, mistakes, and learning.
Are you ready?

KEY SOURCES OF INSPIRATION:

This article describes the theoretical foundations of social entrepreneurship and why the social entrepreneur should focus on SIN societal problems:

Santos, F. M. (2012). A Positive Theory of Social Entrepreneurship. Journal of Business Ethics, 111(3), 335–351. doi:10.1007/s10551-012-1413-4

In this book, you will discover how pioneers are disrupting industries, value chains, and business designs, creating fast-growing markets in every corner of the world:

The Power of Unreasonable People: How Social Entrepreneurs Create Markets that Change the World, by J. Elkington and P. Hartigan. (2008) Boston – Harvard Business School Press.

This book provides vivid profiles of many social entrepreneurs who are pioneering problem-solving models that will reshape the 21st century and what they have in common:

Bornstein, D. (2004). How to Change the World: Social Entrepreneurs and the power of new ideas. New York: Oxford University Press.

CHAPTER 1 | TASK **1**

SOCIAL ENTREPRENEUR

TASK 1

IMPACT VENTURE NAME

TEAM MEMBERS

PROBLEM

Briefly describe the problem you would like to address and why it is relevant as a SIN problem (Spillovers, Importance, Neglect).

(1-2 sentences)

TEAM:

How can each member contribute to the success of team?

(Expertise, experience, skills, access to partners or clients, etc.)

WHY?

Why is this problem important to you? What connects you to this problem (passion, knowledge, motivation, personal experience)**?**

SOCIETAL PROBLEM

"If I had an hour to solve a problem I would spend 55 minutes thinking about the problem and 5 minutes thinking about solutions.

Albert Einstein

SOCIETAL PROBLEM

GOALS OF THIS CHAPTER:

At the end of this chapter, you should be able to:

✔ Find your focus and identify the core problem you want to solve and its main causes and effects

✔ Describe the problem quantitatively and qualitatively

✔ Analyse its main causes and effects by applying the problem tree

GETTING STARTED...

Social entrepreneurs create innovative solutions to address important and neglected societal problems, mobilising the ideas, capacities, resources, and social arrangements required for sustainable social transformations (Bornstein, 2004). More than inventors, social entrepreneurs are architects of solutions who do not remain overly attached to their own ideas, having the humility to see them evolve into something bigger that empowers others to act for change. In this regard, social entrepreneurs differ from commercial entrepreneurs.

While commercial entrepreneurs seek opportunities to create and capture value, being driven by financial results (Boschee, 1995), social entrepreneurs focus their attention on the societal problem to be solved, even if their proposed solution does not appear to make significant profits. Given the centrality of the societal problem to social entrepreneurs, a careful analysis of the problem becomes essential for the development of an effective solution. For this reason, we present the "problem tree" tool that provides a framework for analysing the causes and effects of a chosen problem.

WHAT IS THE PROBLEM TREE?

The problem tree is a tool that promotes the understanding of the anatomy of the societal problem through the identification of its causes and effects and the causality links between them.

The chosen problem – which we will call the "core problem" - is organised as a tree that has roots and branches - causes and effects. These are schematically organised as shown in the following figure:
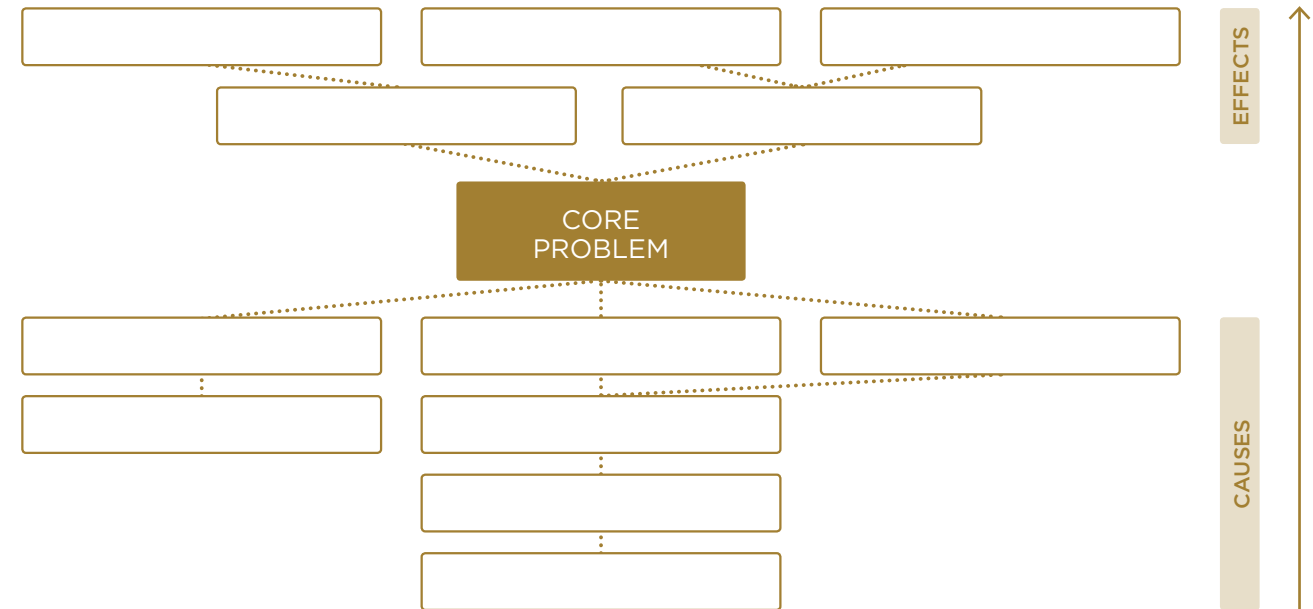

Figure 2.1 - Problem Tree

WHY USE THE PROBLEM TREE?

Social entrepreneurs should always try to tackle the root causes of problems rather than their symptoms or effects. The problem tree tool helps represent reality and to focus the process of analysis: the problem is understood in its entirety but is also broken down into its different components.

The problem tree facilitates not only the discussion and clarification of the causes and effects of problems, but also the understanding of why a specific problem persists and has not yet been solved by society.

This tool also allows social entrepreneurs to:

✔ Establish what additional information or evidence is needed in order to proceed with the development of an effective solution;

✔ Understand the challenges they may face in the development of the solution, for example, at the level of the resources required or relevant partnerships;

✔ Find domains of intervention that best fit with the team's competencies and where it is easier to leverage resources.

HOW TO DEVELOP THE PROBLEM TREE

STEP 1
Choose the core problem

The purpose of this first step is to discuss and agree on the main problem to be analysed and tackled. Defining a problem is not the simple task that one might assume it to be – what at first seems to be a central problem is often merely a symptom or effect of a deeper problem, so it is important to collect, compare and discuss different points of view throughout the definition process.

It is useful to avoid defining the problem based on generalisations and vague concepts. The more broadly and vaguely defined the problem, the more likely it is that the roots will be widespread. As a result, mapping out the causes can quickly get out of hand, making the problem seem overwhelming and hampering the development of a meaningful and effective solution. For example, the core problem should not be simply "unemployment". It is a very broad problem and its causes are different depending on the type of unemployment under discussion. It should be reframed, for instance, as "long-term unemployment"

or "youth immigrant unemployment". Following the same reasoning, "ageing population" should not be framed as a problem, as "ageing" is not a problem in itself. Social entrepreneurs need to identify what kinds of problems are related with ageing, for example "elderly isolation in rural or urban areas" or "deterioration of physical health among people over 65 years old".

Finally, social entrepreneurs should not get stuck on trying to find the right wording for the core problem. There will be an opportunity to 'reframe' the problem during the iterative process of designing the impact venture. At this initial stage, it is important to be sure that all team members understand the identified problem. It is critical to ensure that it has the SIN elements described earlier (spillovers, importance, and neglect) and that the team feels passionate about its resolution.

STEP 2
List all the problems that cause the core problem

In this step, the causes of the problem are developed sequentially. First, the direct causes of the problem are identified, followed by the underlying causes of those direct causes, and so on, until the roots of the core problem

become clear. The key mechanism to build the problem tree is to ask "why?" After doing the "why?" exercise two or three times, social entrepreneurs are usually close to the root causes.

It is important to formulate problems and their causes without naming specific solutions, because doing otherwise may block the team's ability to think of alternative solutions. For instance, don't formulate the problem as "immigrants don't have a government pension plan". Instead, the problem is: "older immigrants have no savings for their retirement years", which may open the discussion to different possible solutions. Also, do not make formulations of your own interpretations, i.e., "the government is lazy", but formulate objective issues, such as "the government does not issue licences". Social entrepreneurs may need to move causes around as they decide whether they are primary, secondary, or tertiary causes.

Next, we present two detailed examples of the problem tree analysis, focusing on childhood obesity in developed countries and inefficient rural transportation in Mozambique.

CASE 1
THE CAUSES OF CHILDHOOD OBESITY

Childhood obesity is one of the most serious public health challenges of the 21st century. The problem is global and is steadily affecting also low- and middle-income countries, particularly in urban settings. The prevalence has increased at an alarming rate. Globally, 170 million children (aged < 18 years) are estimated to be overweight.

42 million children under the age of 5 were overweight or obese in 2013 . There can be genetic or hormonal causes of childhood obesity, but excess weight is mainly due to overeating and under-exercising. If children consume more calories than they expend, the result will be unnecessary weight gain. Childhood obesity is mostly the result of a number of causes working together to increase the risk. For instance, unhealthy food is identified as one of the direct causes of childhood obesity.

What are the causes of unhealthy eating habits? On one hand, there is an oversupply of unhealthy options in schools, which promotes the regular consumption of high-calorie foods, cookies, sodas, candy, chips, and snacks. On the other hand, unhealthy eating habits can be promoted in the family environment. If a child opens up the refrigerator or kitchen cabinets and is greeted by bags of chips, candy bars, and microwave pizza, then they are likely to eat them.

And what are the causes of these two problems? One can be related with the excessive marketing of unhealthy, mass-produced foods, which are usually high in total calories, sugars, salt, and fat, and are low in nutrients. These types of foods are highly advertised through media targeting children and adolescents, while advertising for healthier foods is less prevalent in comparison.

Additionally, one of the causes specifically related to unhealthy eating habits at home is the lack of time of parents and caretakers to cook healthy food for their children as compared with fast food.

This exercise of going to the root causes of the problem should be repeated for the other identified main causes, as exemplified in the following figures.
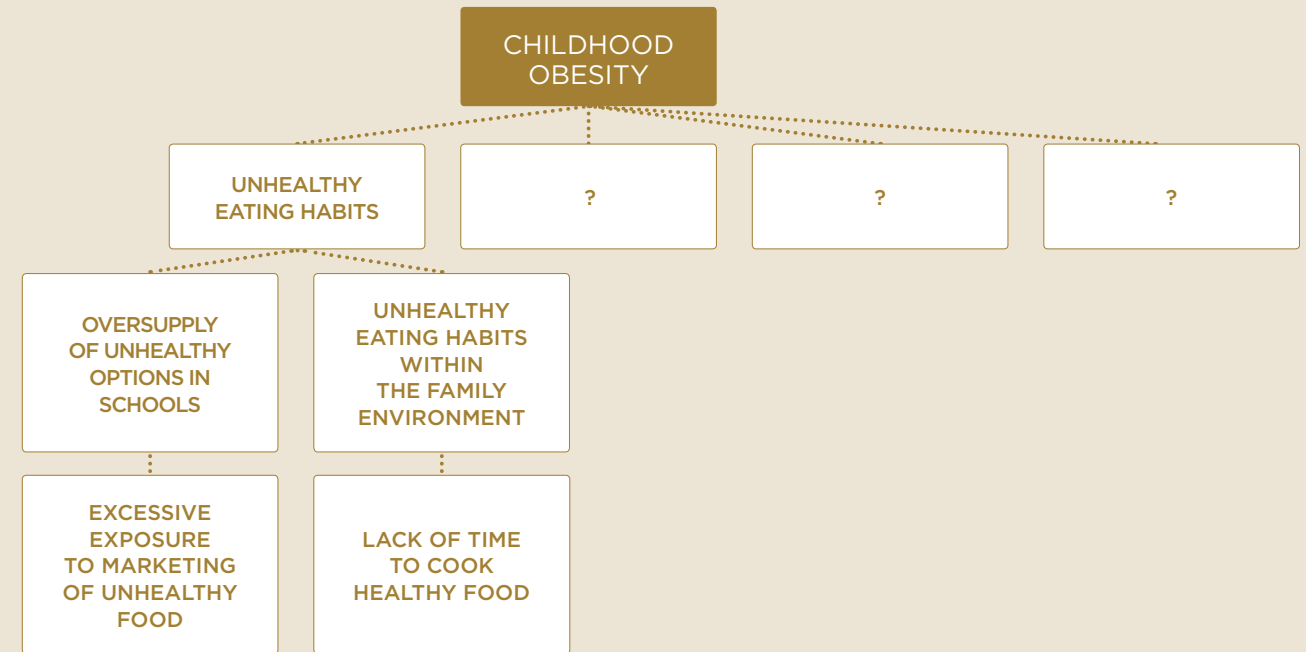

Figure 2.2 – Exploring the Causes of Childhood Obesity

CASE 2
THE CAUSES OF THE INEFFICIENT RURAL TRANSPORT SYSTEM IN MOZAMBIQUE

Mozambique, a developing East African country, still faces critical infrastructure challenges. The starkest lies in the transport sector due to a lack of an efficient and affordable transportation system. One of the reasons for this is that road networks in rural areas are in bad conditions and, in some cases, can only be used seasonally. Also, there is insufficient investment in the rehabilitation and maintenance of roads and/or poor construction work.

In Mozambique's rural areas, many "roads" are simple tracks, trails, paths and footbridges. Most mobility activities occur by foot, less by animal traction and even less by motorisation. Besides the poor condition of rural roads, there is limited access to convenient transportation. Public transportation is mainly available in cities like Maputo, Beira, and Nampula. There is an alternative transport in cities and some rural zones, called "chapa", run by private companies.

However, these vehicles are usually 9-seat vans or pick-ups and normally carry a greater number of passengers, leaving little or no room for carrying goods. On the top of this, these vehicles are in poor condition and are extremely unsafe. This scarcity of public transport in rural areas, the high cost of a personal vehicle, as well as their low quality and reduced lifespan, leave rural Mozambicans (an average Mozambican earns <$2 USD/day) with few transportation alternatives.

INEFFICIENT RURAL TRANSPORT SYSTEM IN MOZAMBIQUE

POOR ROAD NETWORKS IN RURAL AREAS

LIMITED ACCESS TO CONVENIENT TRANSPORTATION

?

?

LACK OF MAINTENANCE OF EXISTING ROADS

INSUFFICIENT INVESTMENT IN PAVED ROAD NETWORK

LOW NUMBER OF PEOPLE WITH PERSONAL MEANS OF TRANSPORTATION

?

INCAPACITY TO BUY VEHICLES DUE TO LOW INCOME

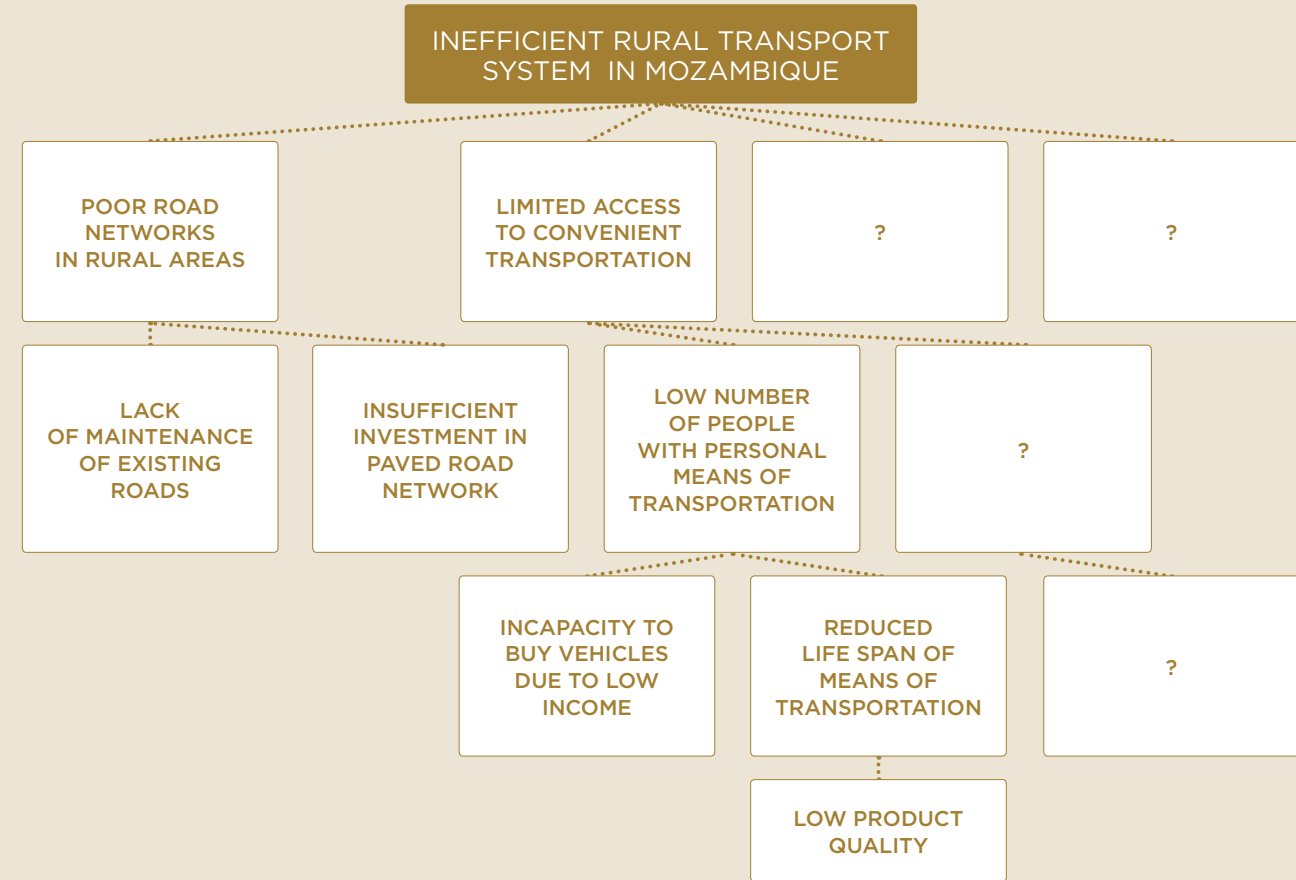REDUCED LIFE SPAN OF MEANS OF TRANSPORTATION

?

LOW PRODUCT QUALITY

Figure 2.3 – Exploring the causes of inefficient rural transport system in Mozambique

STEP 3

List all the effects caused by the core problem

After focusing on the causes, the next step is to consider the effects (or symptoms) of the problem. First, the direct effects of the core problem are identified. Then, the secondary effects are pointed out, and so on, until the end effects that are associated with the core problem are reached. Be careful not to mix the causes of a problem with its effects; a cause is the reason why something happens, while an effect is usually what we see as the result of a problem.

Be aware that some causes can simultaneously be effects. This happens when we are in the presence of vicious cycles. For instance, stress causes sleep disturbances, which, in turn, cause more stress. Or childhood obesity leads to a decrease in physical exercise, which then reinforces obesity.

CASE 1
THE EFFECTS OF CHILDHOOD OBESITY

Overweight children, compared to children of a healthy weight, are more likely to develop many health problems, such as high cholesterol and high blood pressure, which are associated with heart disease in adults. Type 2 diabetes, previously considered an adult disease, has increased dramatically in overweight children and adolescents. They also suffer from poor psychological health, as the most immediate consequence of being overweight (as perceived by children themselves) is social discrimination and low self-esteem.

There are also social implications, such as bullying at school, discrimination, difficulties playing sports, and fatigue that severely affect the children's well-being. It is important to note as well, that, over a lifetime, the increased medical costs associated with childhood obesity are estimated at $19,000 USD per child (Finkelstein, Graham, & Malhotra, 2014).

INCREASE IN LIFETIME MEDICAL COSTS

POOR PHYSICAL HEALTH: HIGH CHOLESTROL, TYPE 2 DIABETES, ETC.

POOR PSYCHOLOGICAL HEALTH: LOW SELF-ESTEEM, DEPRESSION, ETC.

SOCIAL IMPLICATIONS: DISCRIMINATION AND SOCIAL EXCLUSION, BULLYING IN SCHOOLS

OVERWEIGHT REDUCES THE LEVEL OF PHYSICAL EXERCISE

CHILDHOOD OBESITY

Figure 2.4 – Exploring the effects of Childhood Obesity

CASE 2
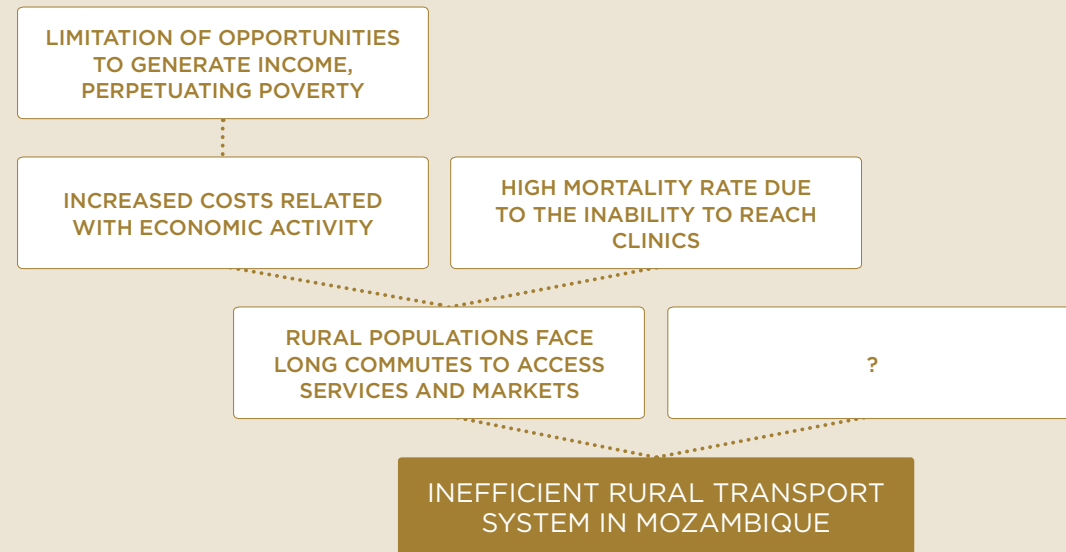### THE EFFECTS OF THE INEFFICIENT RURAL TRANSPORT SYSTEM IN MOZAMBIQUE

LIMITATION OF OPPORTUNITIES TO GENERATE INCOME, PERPETUATING POVERTY

INCREASED COSTS RELATED WITH ECONOMIC ACTIVITY

HIGH MORTALITY RATE DUE TO THE INABILITY TO REACH CLINICS

RURAL POPULATIONS FACE LONG COMMUTES TO ACCESS SERVICES AND MARKETS

?

INEFFICIENT RURAL TRANSPORT SYSTEM IN MOZAMBIQUE

Figure 2.5 – Exploring the effects of the inefficient rural transport system in Mozambique

The inefficient rural transport system contributes towards an increase in the journey times of the rural population, leading to difficult commutes. What are the effects of these increased journey times?

They lead to an increase in the costs related to developing economic activities, such as trade and employment. The majority of jobs consist of collecting or growing, and selling product daily in markets. As such, incomes are limited by strength (carry capacity), speed (product spoils), and health (long commutes in the hot sun). And what are the effects of these increased costs?

It limits the opportunity for people to generate income and, as such, decreases the participation rate of rural areas in the regional and national economy, thus perpetuating the poverty cycle. Also, over 60% of people are illiterate due to lack of schools and thousands die from HIV and malaria each year, frequently due to their inability to reach clinics for medical treatment.

STEP 4
Organise causes and effects in a tree format

Finally, the identified causes and effects of the core problem are organised schematically in one single tree as shown in the following figures. The core problem is the "tree trunk" and should be placed at the centre of the tree, the identified causes become the roots of the tree, and the effects will become the branches of the tree. Any vicious cycles can be indicated with a link between the effects and the causes.

CASE 1
CHILDHOOD OBESITY

POOR PHYSICAL HEALTH: HIGH CHOLESTEROL, HIGH BLOOD PRESSURE, TYPE II DIABETES, AND CARDIOVASCULAR DISEASE

POOR PSYCHOLOGICAL HEALTH: LOW SELF-ESTEEM, DEPRESSION, ETC.

SOCIAL IMPLICATIONS: DISCRIMINATION AND SOCIAL EXCLUSION, BULLYING IN SCHOOLS

OVERWEIGHT REDUCES THE LEVEL OF PHYSICAL EXERCISE

CHILDHOOD OBESITY

UNHEALTHY EATING HABITS.

GENETIC PROPENSITY TO OBESITY

PHYSICAL INACTIVITY

OVERSUPPLY OF UNHEALTHY OPTIONS IN THE SCHOOL

UNHEALTHY EATING HABITS WITHIN THE FAMILY ENVIRONMENT

PARENTAL OBESITY

FAMILY PRACTICES THAT PROMOTE A SEDENTARY LIFESTYLE

EXCESSIVE EXPOSURE TO MARKETING OF UNHEALTHY FOOD

LACK OF TIME TO COOK HEALTHY FOOD

HEALTHY EATING OFTEN PERCEIVED TO BE MORE EXPENSIVE THAN LESS HEALTHY OPTIONS

CHILDREN SPEND AN EXCESS OF TIME IN SEDENTARY ENTERTAINMENT (TV, COMPUTERS, VIDEOGAMES)

MORE SCHOOL-AGE CHILDREN ARE DRIVEN TO SCHOOL BY THEIR PARENTS, REDUCING PHYSICAL ACTIVITY

Figure 2.6 - Problem Tree of Childhood Obesity

CASE 2
INEFFICIENT RURAL TRANSPORT SYSTEM IN MOZAMBIQUE

LIMITATION OF OPPORTUNITIES TO GENERATE INCOME

INCREASED COSTS RELATED WITH ECONOMIC ACTIVITY

HIGH MORTALITY RATE DUE TO THE INABILITY TO REACH CLINICS

HIGH ILLITERACY RATE DUE TO THE INABILITY TO REACH SCHOOLS

RURAL POPULATIONS FACE LONG COMMUTES TO ACCESS SERVICES AND MARKETS

COMMUNITIES ARE ISOLATED DURING THE RAINY SEASON

ENTERPRISES HAVE HIGH TRANSPORTATION COSTS

INEFFICIENT RURAL TRANSPORT SYSTEM IN MOZAMBIQUE

POOR ROAD NETWORKS IN RURAL AREAS

LIMITED ACCESS TO CONVENIENT TRANSPORTATION

INSUFFICIENT INVESTMENT IN ROAD REHABILITATION AND MAINTENANCE

REDUCED NUMBER OF PEOPLE WITH PERSONAL MEANS OF TRANSPORTATION

LIMITED AVAILABILITY AND REACH OF PUBLIC TRANSPORTATION

REDUCED LIFESPAN OF MEANS OF TRANSPORTATION

LARGE SHARE OF OLDER AND POOR-CONDITION VEHICLES THAT GENERATE HIGH VEHICLE OPERATING COSTS
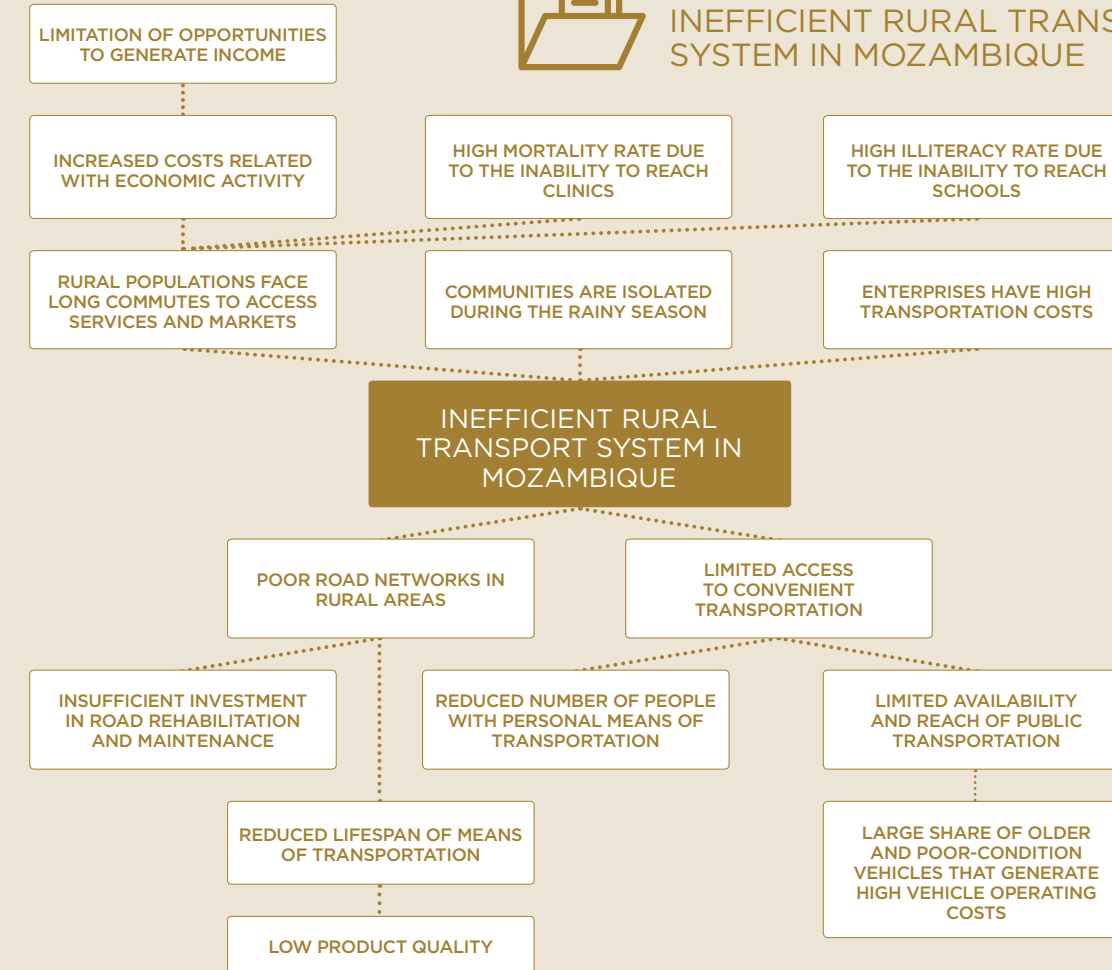
LOW PRODUCT QUALITY

Figure 2.7 - Problem Tree of inefficient rural transport system in Mozambique

CLOSING THE CHAPTER…

The purpose of this exercise is to foster a discussion and dialogue about the core problem as causes and effects are organized in roots and branches, in multiple layers. Take time to allow each team member to explain their feelings and reasoning, show available data, and record related ideas and points that come up under titles such as solutions, concerns, and decisions. Using sticky notes and/or an erasable board is also conducive to a better brainstorming session. It is also important to work on the problem tree not only with your team members, but together with other stakeholders who will usually bring up new ideas from their specific contexts. For instance, doing this exercise with service users, staff, or volunteers may provide a different angle than working with managers or entrepreneurs. Finally, you should accompany the problem tree analysis with thorough research and understanding of the societal problem you are approaching. It is excellent if your analysis entails an in-depth understanding of the economic cost of a societal problem, the different segments of the population most affected, as well as those that are more costly to society. This analysis should draw upon field knowledge and be corroborated with quantitative and qualitative data. For the quantitative data, you can use available statistics about the problem you are approaching or conduct questionnaires to collect standardised data. This gives strength to your analysis and answers questions such as how much, how many, how often, and to what extent. The qualitative data looks at "why" and attempts to further and deepen the understanding of the societal problem. This type of data is frequently concerned with opinions, feelings, and experiences, and can be collected through direct observation in the field and by interaction with individuals on a one to one basis or in a group setting . There are tools such as the "empathy map" (Osterwalder & Pigneur, 2010) that can be useful to distil and organise qualitative data, as it helps sketch the profile of a target segment and understand its environment, behaviours, concerns, and aspirations to help uncover causes and effects, and come up with new ways to tackle the identified societal problem.

KEY SOURCES OF INSPIRATION:

More information about practical methodologies for implementing the problem tree and examples related to other contexts can be found here:

Dearden, P., Jones, S., & Sartorius, R. (2003). Tools for Development - A handbook for those engaged in development activity. Available at: http://webarchive.nationalarchives. gov.uk/+/http;/www.dfid.gov.uk/Documents/publications/ toolsfordevelopment.pdf

More information about concrete applications of the problem tree and other problem-solving methodologies can be found here:

Brown, D., & Kusiak, J. (2007). Problem Analysis Techniques. Melbourne: IRM Training. Available at: http://www.rmchsa.org/wp-content/uploads/2014/04/Problem-Analysis-Techniques.pdf

You can find tips for examining how a team currently frames an issue or topic, helping to reveal their unspoken assumptions about how they interpret what is going on and why it matters:

Julier J., Kimbell L. (2012). Problem Definition. The Social Design Methods Menu. Available at: http://www.lucykimbell.com/stuff/ Fieldstudio_SocialDesignMethodsMenu.pdf
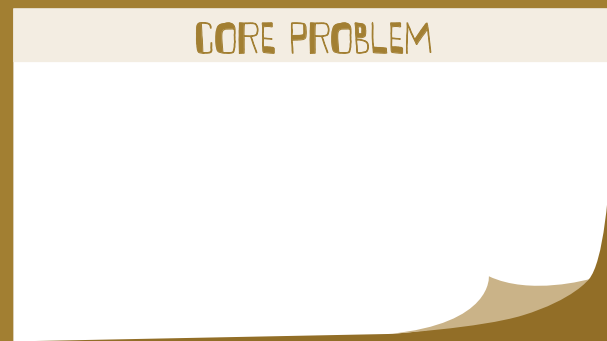
CHAPTER 2 | TASK **2**

SOCIETAL PROBLEM

TASK 2

1.

Write down a clear description of the "core problem" your impact venture wants to solve.

Tip: Select a problem with SIN characteristics;
The more focused the problem statement the better

CORE PROBLEM

2.2.

List all of the effects resulting from the core problem

Tip: Ask, "What are the negative consequences related with the existence of this problem?"

2.

Develop the Problem Tree (causes and effects)

Tip: It is useful to use sticky notes so the tree can be reorganised easily.

CAUSES

EFFECTS

2.3.

Organise the causes and effects hierarchically in the problem tree

Tip: The tree roots represent the different levels of causes and the tree branches represent the different levels of the effects.
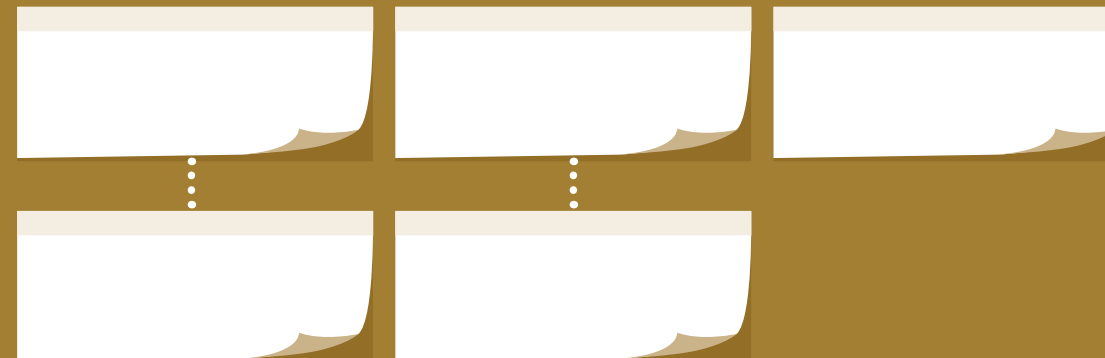
2.1.

List all of the causes that lie at the origin of the core problem

Tip: Ask several times why the problem and each direct cause happens.
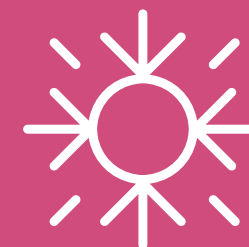
EFFECTS

CORE PROBLEM

CAUSES

"

Anything the mind
can conceive and believe,
it can achieve. "

Napoleon Hill

CHAPTER 3

VALUE PROPOSITION

VALUE PROPOSITION

GOALS OF THIS CHAPTER:

At the end of this chapter, you should be able to:

✔ Analyse the design alternatives available for the solution and narrow its scope

✔ Scan the market to get to know who else is working in your field

✔ Identify the core elements of your value proposition

GETTING STARTED...

After the core problem is broken down into its causes and effects, it is time to focus energy on solving it by developing an effective solution with a strong value proposition.

The value proposition describes how the offer that is proposed to the target audience differs from the dominant solution(s) available (assuming that such solutions exist) and explains why the target audience may prefer it to the these other options (Lindic & Silva, 2011). A value proposition thus defines what the impact venture intends to provide to the customer's life and well-being (Lanning, 2000), taking into account what they truly value. The goal of this chapter is to identify the main elements of the value proposition that increase the likelihood of solving the identified societal problem and generating positive impact. For this purpose, we will go through a set of steps that enable the transition from the problem tree to the value proposition.

HOW TO DEVELOP THE VALUE PROPOSITION

The process presented in this chapter is organised in 3 steps:

STEP 1   Compare with the dominant solution.

STEP 2   Value differentiation.

STEP 3   Define core elements of the value proposition.

STEP 1
Compare with the dominant solution

The problem tree usually offers alternative intervention paths. In order to define where to focus, it is important to find the key causes where a future intervention may be more effective in tackling the societal problem.

To guide this choice, it is important to search for other solutions that are well established and identify which causes, if any, are already being effectively addressed. You should then try to understand why the problem persists and narrow the possible scope of intervention by selecting which set of causes are not being addressed. It is important to develop some research in order

to find out who is working in your field, which solutions are being implemented, what is actually working and what is not, and what is the potential for value-creating improvements. This is the equivalent of market research or analysis of the "competition" – although it makes more sense to see other solution providers not as competitors at all, but instead as potential allies in the search for better solutions. In fact, the true competition for social entrepreneurs is the absence of effective solutions or their weak implementation.

To do this solution benchmarking, basic internet search methods may be a good way to start the research, but they are far from sufficient. Other types of sources should be used, such as:

✔ Calling up experts for more information and references. At the end of the conversation, be sure to ask them for recommendations as to the most effective solutions and references of other people to contact;

✔ Setting up site visits to other organisations that are doing similar work in the local community, asking them about the solutions that have been tried and the obstacles that they have encountered;

✔ Reading material related to the societal problem. There are probably numerous books, newspapers, magazines, and journal articles about your subject;

✔ Getting experience in the field and immersing in the reality of the problem being addressed.

Note that the point of this exercise is not to criticise other solutions. Social entrepreneurs are trying to add value by thinking about alternative solutions to a problem. The other players may be potential partners and allies, as will become clear in the following chapters.

In some cases, social entrepreneurs may find that society is completely ignoring the problem and its causes, providing them with an open field to innovate, as long as they are able to raise awareness about the importance of the problem that is being neglected.

In other cases, social entrepreneurs may find that society has actually developed a standard and dominant approach to address the specific problem that they have decided to tackle. This dominant solution (DS) may be widely used, but is inefficient or ineffective, which would explain why the problem is still categorised as a SIN problem with negative implications for society

DOMINANT SOLUTION	WHY IS THIS SOLUTION CURRENTLY FAILING TO SOLVE THE EXISTING PROBLEM?

Table 3.1 – Analysis of the Dominant Solution

(the use of kerosene to address the lack of access to electricity being a case in point, as explained earlier). In these cases, the DS should then become your true competition – your goal is to either make people adopt your solution over the DS or complement it with a new offer.

However, established solutions are hard to dislodge. They can become a norm, a habit, or even an institution. For this reason, to break the status quo, social entrepreneurs need to be disruptive innovators, i.e., they need to develop a new solution that is much better (10 times better!) than the DS in at least one relevant characteristic (price, ease of use, accessibility, etc.). The DS, if it exists for the societal problem they are tackling, provides a reference point for building a differentiated solution by developing the core elements of the value proposition.

STEP 2
Value Differentiation

Now that social entrepreneurs have a deeper understanding of a particular set of causes and the existing solutions for tackling them, they need a process to help choose the best cause (or set of causes) to address and to build a differentiated solution. To do so, it is important to reflect on the following four questions:
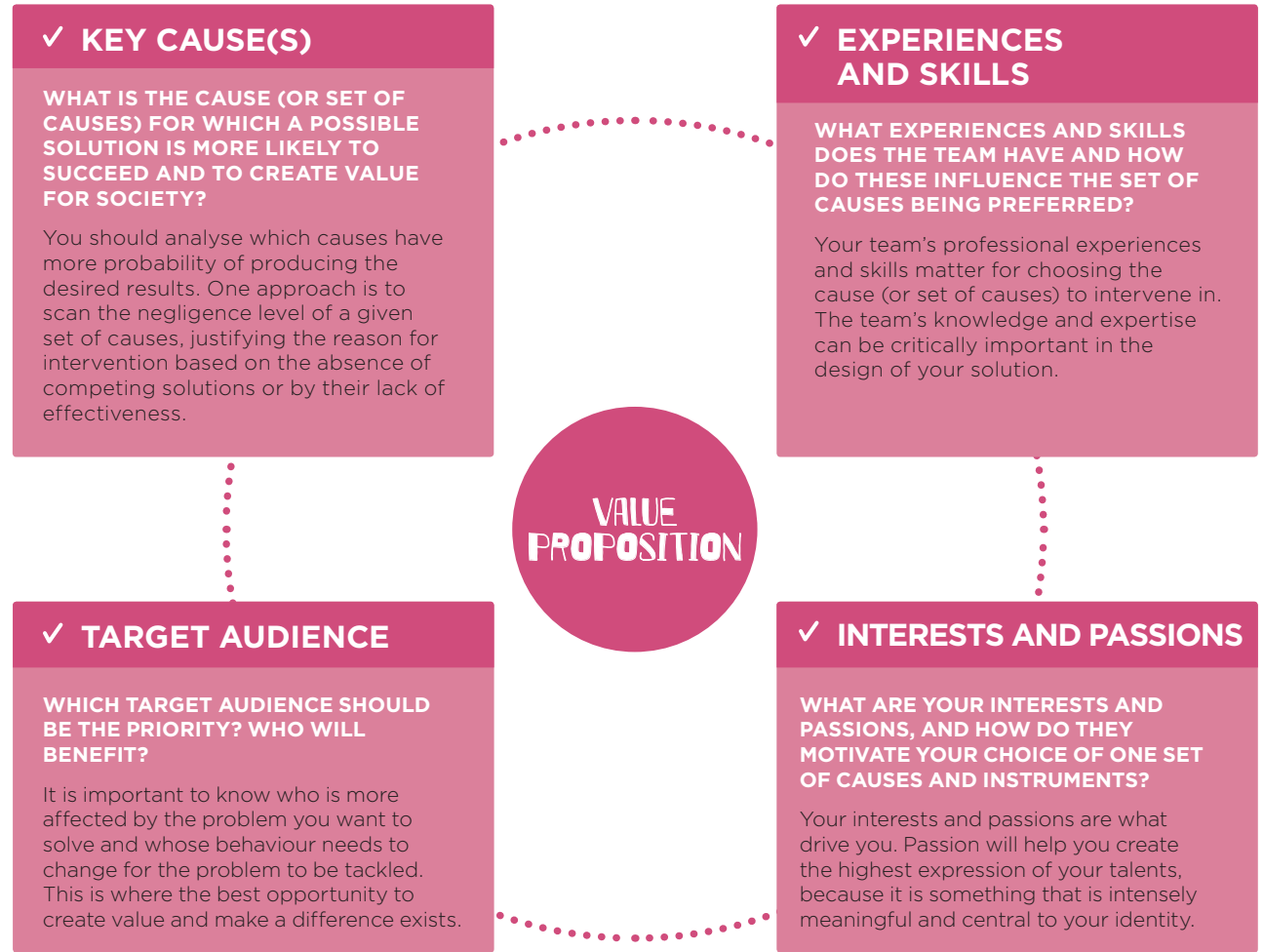
✔ KEY CAUSE(S)

WHAT IS THE CAUSE (OR SET OF CAUSES) FOR WHICH A POSSIBLE SOLUTION IS MORE LIKELY TO SUCCEED AND TO CREATE VALUE FOR SOCIETY?

You should analyse which causes have more probability of producing the desired results. One approach is to scan the negligence level of a given set of causes, justifying the reason for intervention based on the absence of competing solutions or by their lack of effectiveness.

✔ EXPERIENCES AND SKILLS

WHAT EXPERIENCES AND SKILLS DOES THE TEAM HAVE AND HOW DO THESE INFLUENCE THE SET OF CAUSES BEING PREFERRED?

Your team's professional experiences and skills matter for choosing the cause (or set of causes) to intervene in. The team's knowledge and expertise can be critically important in the design of your solution.

✔ TARGET AUDIENCE

WHICH TARGET AUDIENCE SHOULD BE THE PRIORITY? WHO WILL BENEFIT?

It is important to know who is more affected by the problem you want to solve and whose behaviour needs to change for the problem to be tackled. This is where the best opportunity to create value and make a difference exists.

✔ INTERESTS AND PASSIONS

WHAT ARE YOUR INTERESTS AND PASSIONS, AND HOW DO THEY MOTIVATE YOUR CHOICE OF ONE SET OF CAUSES AND INSTRUMENTS?

Your interests and passions are what drive you. Passion will help you create the highest expression of your talents, because it is something that is intensely meaningful and central to your identity.

VALUE PROPOSITION

Figure 3.1 – Framework to narrow the scope of intervention

CASE 1
VITAMIMOS
CHILDHOOD OBESITY

Childhood obesity is one of the main global challenges of our time. The World Health Organisation (WHO) estimates that, in 2013, the number of obese children under 5 years old was over 42 million, 75% of whom lived in developing countries.

The problem also affects developed countries. For example, in Portugal, 32.1% of children between 6 and 9 years old are overweight, of which 14.5% are obese (this sums up to a prevalence of overweight of 32.1% within this population).

VITAMIMOS is an impact venture that aims to reduce childhood obesity.

It is a nutrition education centre located in a public park that empowers children to develop healthier eating habits and lifestyles.

This impact venture was launched in 2008 by Ana Quintas, a schoolteacher with an undergraduate degree in Geography and a vast experience in projects related to education and health promotion. She was passionate about healthy cooking and innovative teaching methodologies for children.

As a schoolteacher, she had close contact with children and the problem of childhood obesity concerned her greatly. She felt that she had to do something about it. Given her expertise in this area, Ana concluded that a potentially effective way to prevent childhood obesity was to promote healthy eating habits by empowering children as change agents – instead of telling them what they should or should not eat, what if they could learn to cook for themselves and see how tasty and fun cooking healthy food can be?

She researched the topic and discovered that, at that time, there were only two organisations developing culinary workshops for children. Nevertheless, she believed that the price of those workshops was a barrier to reaching a massive number of children. Furthermore, those ventures were not oriented towards intervening in the school, which is one of the places where children spend most of their time. So, she recognised an opportunity to do better that was worthy of exploration.
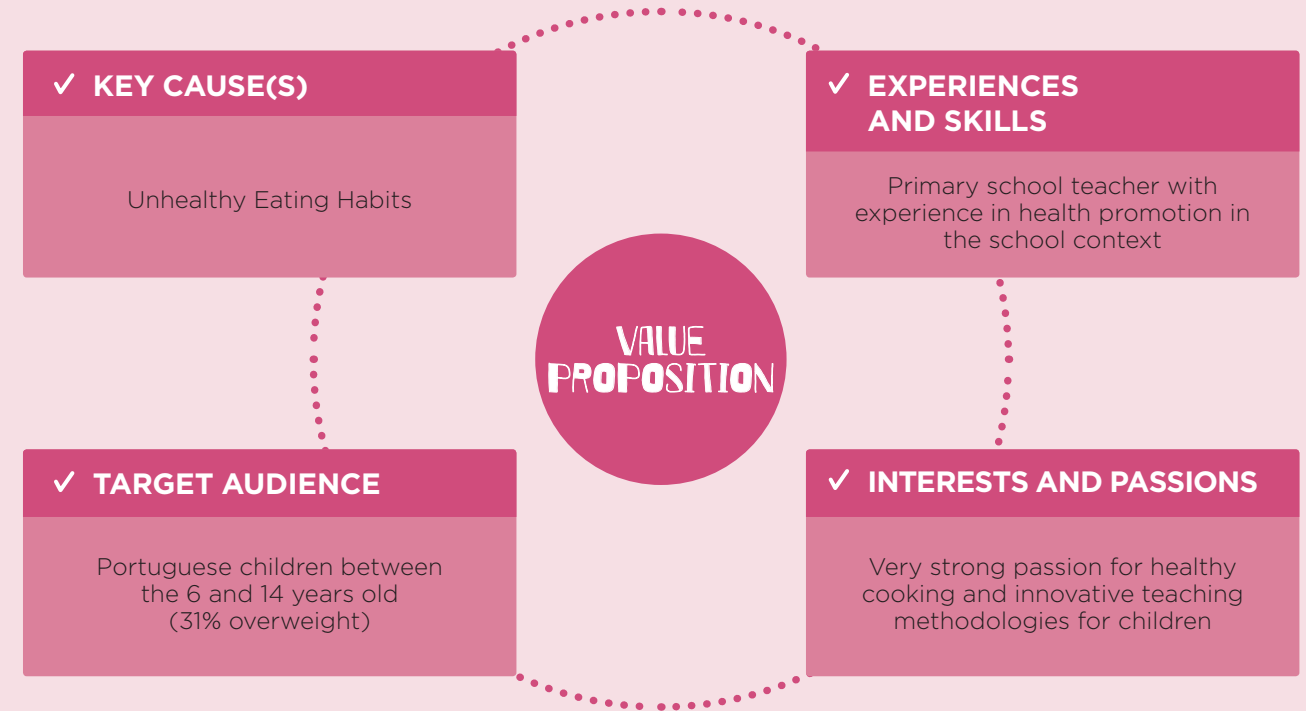

✓ **KEY CAUSE(S)**

Unhealthy Eating Habits

✓ **EXPERIENCES AND SKILLS**

Primary school teacher with experience in health promotion in the school context

VALUE PROPOSITION

✓ **TARGET AUDIENCE**

Portuguese children between the 6 and 14 years old (31% overweight)

✓ **INTERESTS AND PASSIONS**

Very strong passion for healthy cooking and innovative teaching methodologies for children

Figure 3.2 – Vitamimos framework to narrow the scope of intervention

CASE 2
MOZAMBIKES

Lauren Thomas and Rui Mesquita, the co-founders of Mozambikes, met in 2008 in Mozambique.

Lauren was doing a summer volunteer programme with TechnoServe and Rui had moved to Mozambique for professional reasons.

During that summer, Lauren and Rui quickly discovered that they were both passionate about cycling. Lauren used to rent bicycles to help her explore new places during her travels, including Cambodia, Vietnam, Singapore, Holland, and Spain. Rui also used to cycle as a hobby, especially mountain biking.

In the summer of 2009, Lauren went back to Mozambique and decided to go on a road trip throughout the country with Rui. During those days they found many people walking long distances, carrying heavy water containers or bundles of wood on their heads and backs. They quickly realised that transportation was an urgent need for these Mozambicans and started researching the subject. They became interested in why bicycles were not more prevalent in Mozambique. They then found some key bottlenecks in the bicycle industry and wanted to address them. The two big problems in Mozambique are (1) the quality of bicycles and (2) their high price. The bicycles are brought in by traders and are as cheap as possible, which means they are very low in quality. And yet, due to transport costs and trader margins, they are still too expensive for the people who really need them.

The low quality means also that the buyer will have to support high maintenance costs and there isn't any customer service available. By addressing the need for efficient, accessible, and reliable transportation with affordable and sturdy bicycles, they could bring significant benefits to the life of rural Mozambicans.
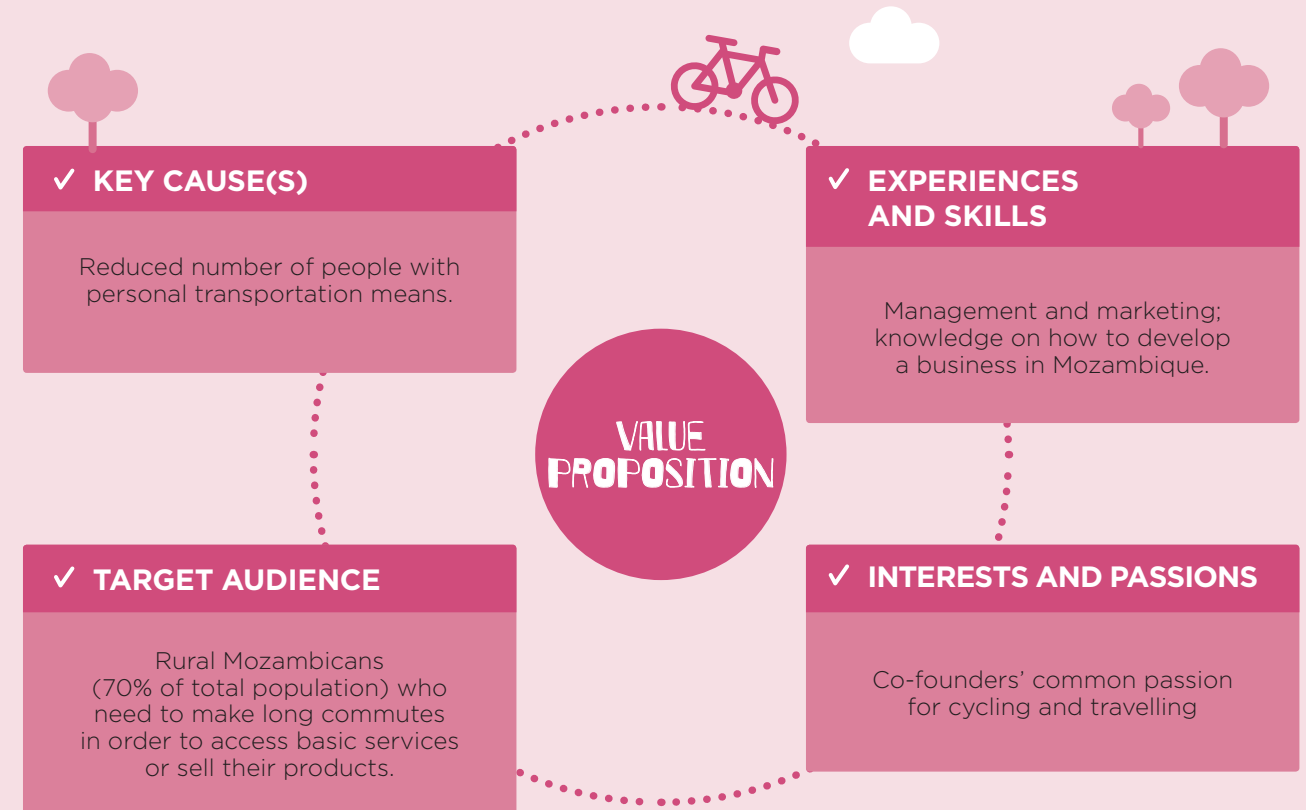

✓ **KEY CAUSE(S)**

Reduced number of people with personal transportation means.

✓ **EXPERIENCES AND SKILLS**

Management and marketing; knowledge on how to develop a business in Mozambique.

VALUE PROPOSITION

✓ **TARGET AUDIENCE**

Rural Mozambicans (70% of total population) who need to make long commutes in order to access basic services or sell their products.

✓ **INTERESTS AND PASSIONS**

Co-founders' common passion for cycling and travelling

Figure 3.3 – Mozambikes framework to narrow the scope of intervention

STEP 3
Define core elements of the value proposition

Once social entrepreneurs identify the key causes and target audience they aim to address, taking into account their experiences and skills, interests and passions, they can develop the core elements of their value proposition.

A value proposition should ultimately aim to provide distinct benefits that help solve target customers' problems by being distinctive (i.e., superior to the existent solutions), measurable (i.e., based on tangible points of difference) and sustainable (i.e., valid for a long period of time) (Anderson, Narus, & Van Rossum, 2006). Therefore, a value proposition is not about features or offerings but about the customers' perception in terms of their needs and wants (Barnes, Blake, & Pinder, 2009). Hence, customers assess a certain venture's value proposition based on the following formula: perceived value = perceived benefits minus perceived costs.

The perceived benefit of a venture is frequently equated with the characteristics and functionalities of its products/services and their quality. However, during the decision-making process, customers ultimately make decisions based on the benefits a product/service is perceived to offer, not its characteristics or features per se. During a value proposition assessment, customers also evaluate the perceived costs. These are a combination of price and other costs related to product/service acquisition, use, and disposal, such as time to acquire, risk, search, and effort. Both perceived benefits and perceived costs drive the value customers perceive: the higher the perceived benefits and lower the perceived costs, the higher the value perceived by the customer. As innovation per se does not have a direct link with enhanced benefits, it is important to decide carefully in which dimensions to innovate in order to offer customers an enhanced value proposition (Lindic & Silva, 2011).

A complication in using the concept of value propositions for impact ventures is that social entrepreneurs should not only be focused on the needs and wants of target clients, but should also be aware of the system improvements that their solutions may bring, even if these improvements benefit stakeholders who will not pay or benefit society at large. This is what distinguishes social entrepreneurs from commercial entrepreneurs.

Below is a non-exhaustive list of elements that may contribute to value creation, their definitions, and illustration with cases of impact ventures. Note that these elements are not mutually exclusive. You can have solutions that deliver a strong value proposition combining more than one element.
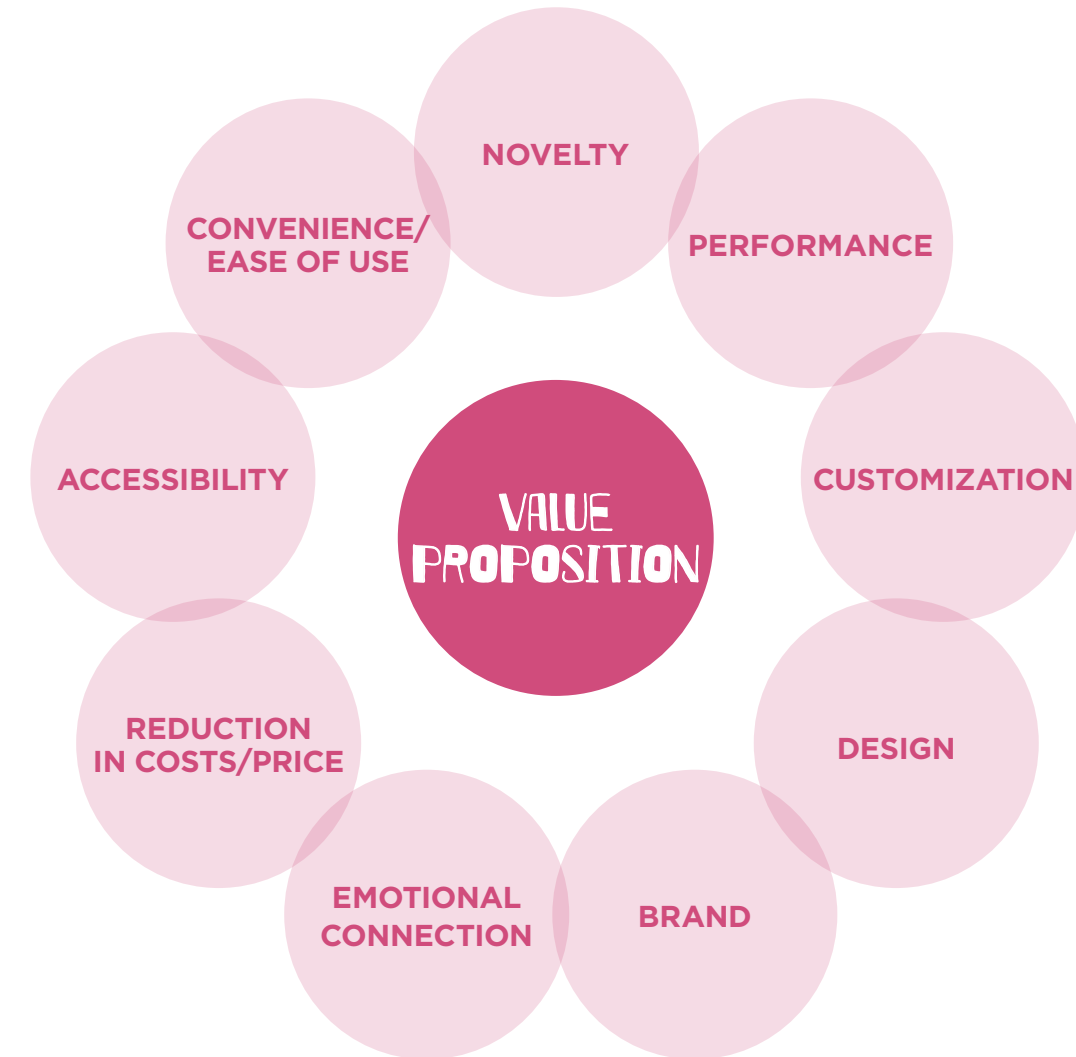

Figure 3.4 – Value Proposition differentiators

✓ NOVELTY

Satisfaction of a set of needs that clients were not fully aware of through a novel offering.

EXAMPLE
FRUTA FEIA (UGLY FRUIT), PORTUGAL

The European Union (EU)'s strict standards for fruit and vegetables are bolstered by supermarkets' own appearance-based quality controls and can result in farmers being unable to sell up to 25 percent of their crops based on aesthetic criteria. The rejected produce is generally left to rot. This contributes to an estimated 89 million tonnes of food wasted in the EU every year. In the United States (US), it is similarly estimated that around 30–40 percent of all food produced is wasted annually. Fruta Feia (Ugly Fruit) distributes fresh fruit and vegetables that supermarkets consider too ugly to sell, but that are just as nutritionally sound as their prettier siblings. It collects local farmers' products deemed too ugly to sell in supermarkets and distributes these products directly to consumers at reduced prices through two outlets in Lisbon. It provides a two-way benefit: helping struggling local producers to sell crops they would otherwise lose, and helping Lisbon consumers access affordable fresh fruit and vegetables. Customers pay a small registration fee to join the

programme, and then pay around $4.77 USD a week for an eight-pound box of fresh produce. By the end of 2015, Fruta Feia had saved 200 tonnes of "ugly" fruits and vegetables from going to waste and offered a strong value proposition to their suppliers and customers by solving a market inefficiency in a novel way.

✓ PERFORMANCE

Improve performance of already-existing products or services.

EXAMPLE
NURU ENERGY, KENYA

Off-grid technologies are a cost-effective and appropriate solution to meeting the energy needs of rural areas in developing countries. Current off-grid products (solar lamps, home solar lighting systems, etc.) are costly and unreliable. Because of these challenges, over 90% of the market still uses kerosene. Kerosene emits noxious fumes, causes fires and releases millions of tonnes of carbon dioxide annually. It can also use up 40% of household income per month. As a more efficient solution was needed, Nuru created The POWERCycle - the most efficient charger in the market, providing 240 minutes of light for every minute of pedalling, recharging 5 lights anytime, anywhere in just 20 minutes.

✓ CUSTOMISATION

Adapt products and services to the specific needs of clients.

EXAMPLE
SAÚDE CRIANÇA (HEALTHY CHILDREN), BRAZIL

Saúde Criança's work focuses on disadvantaged families whose children have recurrent health problems. Their approach is based on a Family Action Plan (FAP) - a set of actions with goals and deadlines unique to each family assisted. The FAP is developed by a multidisciplinary team of social workers, nutritionists, psychologists, psychiatrists, and lawyers, among others, with the collaboration of the family. Every family is assisted individually, according to their needs and potentials, during a period of approximately two years. The family's progress is tracked in regular meetings with the Saúde Criança team to help the family achieve dignity and autonomy.

✓ DESIGN

Differentiate the format of the product or service.

EXAMPLE
BEESWEET, PORTUGAL

Honey bees – wild and domestic – perform about 80 percent of all pollination worldwide. A third of the food eaten worldwide depends on pollinators, especially bees, for a successful harvest. Yet, since 2006 beekeepers have been noticing their honeybee populations have been dying off at increasingly rapid rates . Declining bee populations thus pose a threat to global agriculture. Beesweet, an impact venture focused on preserving the bees, markets honey naturally flavoured in an innovative package. The package has the form of a drop, it is ergonomic, lightweight, practical to use, zero waste and able to ensure the quality of the product.

✓ BRAND

The clients can find value in the simple act of using and showing a specific product or service because of the brand elements.

EXAMPLE
(RED), EUA

AIDS - which is preventable and now treatable - has killed 39 million people since 1985. Today, of the 35 million people living with HIV, only 13 million have access to life-saving treatment that costs $0.40 USD per day. (RED) is an impact venture founded in 2006 by Bono and Bobby Shriver to generate a sustainable flow of private sector funds towards fighting AIDS in Africa. The fundraising is done through the sale of (RED) products from iconic companies - like Apple, Starbucks, and Motorola – and from (RED) events. 100% of the money generated goes to AIDS work. Product (RED) was one of the first social enterprise efforts to go beyond charity because it didn't ask consumers for donations or to change their behaviour. Instead, it raised money by leveraging people's buying decisions and wants.

✓ EMOTIONAL CONNECTION

Positive feelings or emotions associated with using a venture's products or services.

EXAMPLE
TERRA DOS SONHOS (LAND OF DREAMS), PORTUGAL

Terra dos Sonhos was founded in 2007 and it grants the wishes of children with life-threatening medical conditions, helping them achieve their most inspiring dreams, regardless of their conditions and limitations, thus creating positive feelings of fulfilment and empowerment in the children. The Terra dos Sonhos model involves well-known people in the delivery of those dreams, thus creating a network of emotionally-connected supporters of the impact venture that includes celebrities, parents, and the medical community.

✓ REDUCTION IN COSTS / PRICE

Offer a similar value at a reduced price.

EXAMPLE
SPEAK, PORTUGAL

Sociocultural exclusion of immigrants due to cultural incomprehension, ignorance, or stereotypes is common in many parts of the world. SPEAK aims to solve this problem by providing a linguistic and cultural programme where any person can apply to be a volunteer teacher or a student of a particular language and culture. A teacher of one course can be a student of another course thus creating community and exchanges between Portuguese people and immigrants and among immigrants of different nationalities in a city.

SPEAK aims to solve a social problem but it also needs to be financially sustainable. For that, the founders developed SPEAK PRO, a commercial offer that aims to enable the financial sustainability of the project. SPEAK PRO offers fast and low-cost language and translation services leveraging the SPEAK community and IT tools. Thus, SPEAK, as a whole, is an impact venture: its mission is the inclusion of immigrants and promotion of cross-cultural understanding. The commercial offer exists to ensure the financial sustainability of the venture.

✓ ACCESSIBILITY

Make products and services accessible to clients that did not have access to them before.

EXAMPLE
DENTISTAS DO BEM (DENTISTS FOR GOOD), BRAZIL & PORTUGAL

Lack of dental care and oral hygiene is a serious health problem, especially among children from poor families. The many resulting health problems include facial malformations, tooth loss, and mouth cancer, in addition to a profound impact on self-esteem and the sufferer's social and professional life. Dentistas do Bem provides dental care to low-income children and teenagers living in poor neighbourhoods. Patients are selected from students in 5th to 8th grade schools who are given preference according to treatment urgency, income levels and how close they are to getting their first job.

Treatment takes place at a volunteer dentist's office. All the treatment costs are absorbed by the dentist. Patients receive oral care, reconstruction, preventive, and educative information until they reach 18 years of age.

✓ CONVENIENCE / EASE OF USE

Make products or services more convenient or easier to use.

EXAMPLE

COLORADD, PORTUGAL

There are close to 400 million colour blind people in the world. ColorAdd is a simple and universal code that enables colour blind people to identify colours. This code has a wide spectrum of application on different products or services that use colour as a factor of identification, orientation, or choice.

ColorAdd has 4 main areas of focus: education, health, transports, and accessibilities. Viarco's colour pencils, CIN's ink, Oporto's tube system and main hospital, Lisbon's central hospital, and the public agency for educational evaluation are among the most important ColorAdd clients. The expansion into clothing and footwear began in 2012 in collaboration with important brands (like Zippy, Modalfa and Dkode).
All the products and services that receive the ColorAdd code become easier to use for colour blind people and thus more inclusive.

Because of the differentiation and inclusiveness of these products, they also became more competitive in the market.

COMMUNICATING THE VALUE PROPOSITION

Once social entrepreneurs define the core elements of the value proposition, it is important to communicate them. The communication of the value proposition requires a clear, compelling, credible, and succinct statement (2-4 sentences) directed at the main clients/beneficiaries and other stakeholders, emphasising the unique and differentiating characteristics of the initiative that allow for the creation of value for the target-audience. In a value proposition, you should mention your target customer/segment, statement of need/opportunity, the key benefits you're going to offer, and statement of differentiation that is relevant to the target customer.

VALUE PROPOSITIONS...

...ARE NOT:

✓ A list of vague ideas or concepts

✓ Statements of what the initiative will do

✓ What clients want and demand

✓ Impossible promises

.... ARE:

✓ Measurable, with a proposed set of specific results

✓ Clear – they can be read and understood in less than 30 seconds

✓ Describe experiences that the client will value

✓ Differentiate what can and cannot be delivered to whom

CASE 1
VITAMIMOS

Vitamimos makes healthy eating for children fun and accessible. It implements hands-on cooking and nutrition education programmes for young people aged 5 through 12. The cooking classes introduce children to the fun of preparing and enjoying healthy food that is both nutritious and delicious - an essential step towards health and well-being. Students learn basic cooking skills and the joy of eating and cooking with fresh fruits and vegetables, becoming empowered as change agents who prefer to cook and eat healthy meals.

CASE 2
MOZAMBIKES

Bicycles have been proven to yield significant benefits for the development of third-world countries as they enable rural populations to transport more products, travel longer distances, reach schools or clinics, and access clean water. Mozambikes strives to offer these benefits by providing high quality bicycles at low market prices to rural populations in Mozambique.

CLOSING THE CHAPTER...

A value proposition is a promise of value to be delivered, as well as the belief on behalf of the client or beneficiary that that value will be superior to that provided by alternative solutions, in particular when compared to the Dominant Solution. It summarises why a potential customer would adopt a product or service and how it will add more value or better solve a problem compared to other offerings.

Your value proposition needs to be understandable to the final user and to the key stakeholders you are interacting with. In order to do that, you need to understand and adopt the language your customers and stakeholders use to describe your offering and how they will benefit from it.

KEY SOURCES OF INSPIRATION:

This article explains what value propositions are and what steps are necessary to build an excellent value proposition:

Futurecurve. (2011). Winning value propositions. Available at: http://futurecurve.com/wp-content/uploads/2011/04/Value-Propositions-white-paper.pdf

This book presents the value proposition canvas which helps to develop products and services adjusted to the clients' most pressing needs:
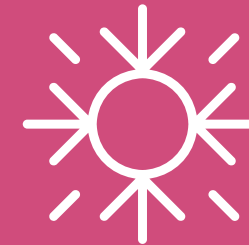
Osterwalder, A., Pigneur, Y., Bernarda, G., & Smith, A. (2014) Value Proposition Design: How to Create Products and Services Customers Want"

This toolkit has been designed for development practitioners to invent, adopt, or adapt ideas that can deliver better results:

Nesta. (2013). DYI – Development Impact and you. Available in: http://diytoolkit.org/

CHAPTER 3 | TASK **3**

VALUE PROPOSITION

TASK 3

☀ VALUE PROPOSITION

1.

What is/are the dominant solution(s) for the problem you propose to solve and how/why are they currently failing?

Tip: You should aim to create a solution that is 10 times better than the dominant solution(s) in at least one relevant aspect.

2.

Develop the basis of a differentiated solution using the following table:

KEY CAUSE(S)	EXPERIENCES AND SKILLS

VALUE PROPOSITION

TARGET AUDIENCE	INTERESTS AND PASSIONS

3.

Define and Communicate your value proposition (2-3 sentences)

Tip: Do not forget to mention your target customer/segment, statement of need/opportunity, the key benefits you're going to offer, and the core elements of value differentiation.

"

No solution can ever be
found by running in three
different directions.

"

Deepak Chopra

SOLUTION ARCHITECTURE

SOLUTION ARCHITECTURE

GOALS OF THIS CHAPTER:

At the end of this chapter, you should be able to:

✔ Understand the linkages between the core elements of your value proposition

✔ Identify the key activities that need to be developed to deliver value

✔ Map the activity system that connects key activities with core elements

GETTING STARTED...

After analysing the problem you are aiming to solve, selecting the target segment, and identifying the core elements of the value proposition, the next step of the venture design process is to develop a sustainable solution.

Yet, a solution orientation is often hindered by the obsession of our economic system with the concept of organisations - the private sector has corporations and the social sector has charities, associations, foundations, cooperatives, etc. These organisations often become the centre of attention for managers. However, what matters for social entrepreneurs is not the organisation itself, but the sustainable solution to the societal problem, which often requires interaction among different organisations that share resources in order to create value for society.

Sustainable solutions are approaches that either permanently address the root causes of a problem or institutionalise a system that continuously addresses the problem, ideally with minimal intervention from the original innovators. This means that true social entrepreneurs who deeply care about value creation should try to make themselves dispensable to the solution they are building.

Naturally, social entrepreneurs often get emotionally attached to what they are doing and may focus on sustaining the organisation more than on solving the societal problem. Yet, what should matter to the social entrepreneur is is designing, validating and disseminating an innovative solution to a societal problem (Santos, 2012).

The goal of this chapter is to define the key activities needed to deliver the solution as well as its interconnections. Social entrepreneurs need to ensure that this system of activities works with reliability and quality to solve the societal problem.

DEVELOPING THE ACTIVITY SYSTEM

An activity system is a tool that charts the significant activities and their relationships with each other and with the core elements of the value proposition. This exercise can be done in 3 steps, as explained below.

STEP 1
Revisit the core elements of the value proposition

The starting point is to look once again at the value proposition and its core elements. These core elements are the key design choices that simultaneously contribute to value creation and differentiate your solution from alternative solutions. Once you have identified them, it is essential to assess how well each of these core value elements fit together. Is each element consistent with the identified problem and the overall value that you are trying to create? Do the different elements reinforce each other?

CASE 1
VITAMIMOS

Vitamimos makes healthy eating fun and accessible for children. It implements hands-on cooking and nutrition education programmes for young people aged 5 through 12. The cooking classes introduce children to the fun of preparing and enjoying healthy food that is both nutritious and delicious - an essential step towards health and well-being. Students learn basic cooking skills and the joy of eating and cooking with fresh fruits and vegetables, becoming empowered as change agents who prefer to cook and eat healthy meals.

What are the core elements of the above value proposition? The educational programmes are entertaining, financially accessible, and experiential. This enables the effective transmission of healthy cooking skills and the empowerment process.

EMPOWERMENT FOR CHANGE
ACCESSIBLE
HANDS-ON COOKING AND NUTRITION EDUCATION PROGRAMMES
FUN EXPERIENCE

Figure 4.1 - Core elements of Vitamimos' value proposition

CASE 2
MOZAMBIKES

Bicycles have been proven to yield significant benefits for the development of third-world countries, as they enable rural populations to transport more products, travel longer distances, reach schools or clinics, and access clean water. Mozambikes strives to offer these benefits to Mozambique by providing higher quality bicycles at low market prices to rural populations in Mozambique.

The core elements of the value proposition are the high quality of the bicycles and the low market price.

HIGHER QUALITY BICYCLES
LOWER MARKET PRICES

Figure 4.2 - Core elements of Mozambikes' value proposition

STEP 2
Identifying the key activities

After mapping out the core elements of the value proposition, social entrepreneurs can start thinking about the necessary activities needed to deliver the value proposition.

At this stage, it is important to focus on key activities only, to reduce the complexity of the exercise (thus ignoring the more standard support activities). Therefore, you should identify the activities that create value for your target audience. You should develop this list of activities, not forgetting that you are just getting started, so begin with something simple and narrow at this stage.

CASE 1
VITAMIMOS

Vitamimos was launched in 2008 and started to develop its educational programmes in schools in order to reach as many children as possible. Vitamimos created the programme "The Fruit Grows at Home", a contest in which children up to 10 years of age were encouraged to pack one piece of fruit in their lunchboxes per day during one month. The teachers monitored the children's lunchboxes and gave them a stamp on their contest participation every time they brought fruit. At the end of the contest, the children received a diploma recognising their effort. Vitamimos developed this programme between 2008 and 2010 in the Carcavelos Group of Schools – Cascais (in Portugal). Later, the programme was disseminated by APCOI (Portuguese Association Against Childhood Obesity) under the name "Fruit Heroes" and became a national movement reaching 136,205 students in 2014 in several schools across the country. More recently, Vitamimos launched Eco-Chefs, an educational programme with the aim of promoting healthy eating habits

and environmentally-friendly practices. The project is based on the methodology of peer education, where middle school students (aged between 12 and 14 years) train primary school students (aged between 6 and 9 years) with the Eco-Chefs methodology. The first session is targeted towards the middle school students so they understand the goals of the programme. Then, interested students may volunteer to join the Eco-Chefs brigade. These volunteers take part in a specific training programme with Vitamimos in order to acquire the skills needed to organise the sessions for the primary school students, with the goal of raising awareness among children of the importance of healthy lifestyles and environmentally-friendly practices, always with a fun and hands-on approach.

In April 2011, the company founded the Vitamimos Nutritional Centre in Carcavelos, Portugal, strengthening a solution based on the different core elements of the value proposition. It runs several initiatives, such as a cafeteria where children and their families can have fun and eat in a healthy and accessible way. The space has child-adapted kitchen equipment and holds short thematic workshops in healthy cooking. It is also used for private theme parties in which healthy food cooked by participants is served. Concurrently, Vitamimos continues to develop activities in schools as well as other activities that guarantee the financial sustainability of their solution (such as catering for corporate events).

CASE 2
MOZAMBIKES

In March 2009, Rui and Lauren founded Mozambikes to produce high quality bikes and sell them at very low prices to populations that otherwise could not afford them. They created an innovative solution based on placing advertising on the bicycles. Mozambikes sells branded bicycles that promote company brands, projects and important social messages, so that the price can be subsidised through the selling of cost-effective advertising.

These bicycles are then either purchased by the branding customer to distribute to their employees, customers, and communities, or sold at reduced rates in rural markets. Acknowledging that there are people across Mozambique who cannot afford a bicycle, individual donors around the world can also donate bikes that will be given to residents in the poorest regions of Mozambique.

To guarantee the high quality of the bikes, they started to think about the product's characteristics, aiming to offer a well-built bicycle capable of carrying heavy loads and being used in rural areas with poor roads. Rui had already bought a standard bicycle in Maputo, and three weeks later it had fallen apart. The quality of the bicycle was extremely poor and he realised that Mozambikes' bicycles had to be stronger and prepared for bumpy roads, so the bicycles were carefully designed and produced in order to make them very resistant. Unfortunately, there were no locally-produced bicycle components, so they searched for suppliers in India and China.

They asked for a sample from three different suppliers and then chose a Chinese supplier who offered the best option in terms of price/quality. They looked for reinforced components designed for both men and women. They also planned a very strict assembly process, which was fundamental to guaranteeing higher-quality bicycles than the existent ones on the market. In addition, the paint and branding had to be resistant to wear and tear, so that the price of the bikes could be subsidised for a longer period of time.

STEP 3
Mapping the activity system

There is no linear or unique way to represent the activity system. It depends on the different elements of the value proposition and the links that exist between them and with the key activities. Nevertheless, it is important to graphically depict the key activities, their connections to each other and to the core elements of the value proposition for clients/ beneficiaries and main stakeholders. This activity system map will allow you to identify new connections or revisit proposed ones, and improve the solution design.

To begin the mapping process of the activity system, you can start by representing the core elements of the value proposition revisited in Step 1 of this chapter in a more salient way (e.g., with darker-coloured circles). Then, you can represent the key activities identified in Step 2 in a less salient way (e.g., with lighter-coloured circles). Finally, you can link the circles according to their relation to the value creation process. For example, the hands-on nature of Vitamimos' workshops reinforces the fun and empowerment core elements for children.

CASE 1
VITAMIMOS

Figure 5.1 – Activity system map - Vitamimos
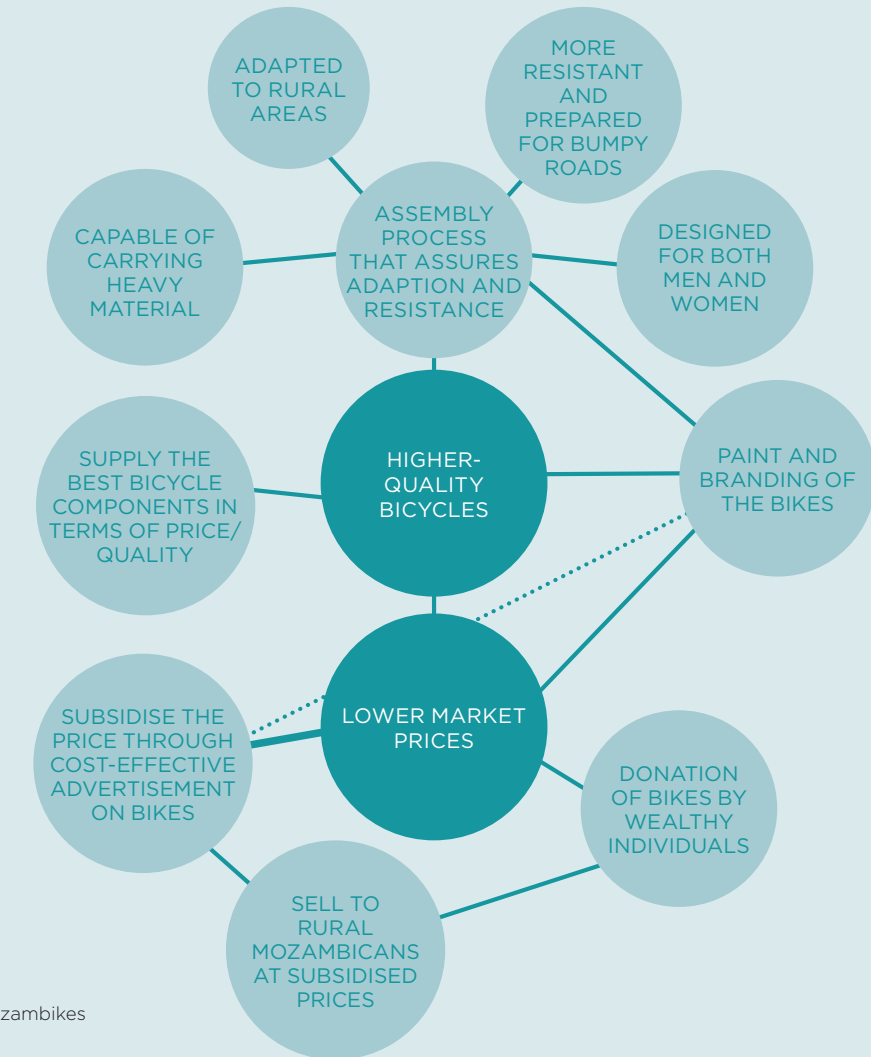
CASE 2
MOZAMBIKES

Figure 5.2 – Activity system map - Mozambikes

CLOSING THE CHAPTER...

The first part of this chapter required you to connect your impact venture's value proposition to the activities that will allow you to deliver this value proposition better than the existent solutions. This gives you a robust and consistent solution.

The relevance of a key activity will increase in function of its contribution to each of the core elements of the value proposition. On the other hand, a core element that is not supported by any key activity is probably one that will not be achieved in the solution and needs to be revisited. Also, it is important to make sure that both the core elements of the value proposition and the key activities are aligned with your experiences, skills, interests, and passions. At this stage it could be interesting to return to the previous chapter where this topic was developed to find out what other key activities could be brought in to reinforce the core elements.

There is an important tip at this stage: remain focused! There is a temptation to specify many activities at once in order to deliver value to multiple stakeholders. However, no solution can ever be found by running in multiple directions. So, start with a targeted offering and test if it works in practice (Chapter 8 will help you design a pilot). If it doesn't work, you can try other options. And if it does work, you will have the opportunity to scale it afterwards.

CHAPTER 4 | TASK **4**

SOLUTION ARCHITECTURE

TASK **4**

1.

Map the core elements of your value proposition and assess how they reinforce each other.

2.

Graphically represent your activity system, showing the links and interdependencies (both among activities and between activities and the core elements of the value proposition).

Tip: Focus on activities that reinforce each other and are able to create virtuous cycles within the system.

"

In the long history of humankind, those who learned to collaborate and improvise most effectively have prevailed.

Charles Darwin

"

SUSTAINABLE MODEL

SUSTAINABLE MODEL

GETTING STARTED...

Impact ventures face the dual challenge of achieving mission-related goals while maintaining a healthy financial condition that ensures the venture's economic viability. This is one feature that differentiates impact ventures from traditional models of charity. It is not possible to have a high-impact venture if there is no effective strategy for sustaining its impact over time. Nor is it enough to simply manage for profitability if the goal is to create value for society.

The key activities in the solution must be matched with key resources and partnerships, so that the solution develops the desired sustainability. The effective mobilisation of resources and partnerships is a key factor for social entrepreneurs' success. It is important to avoid the temptation to accomplish everything alone – the impact venture should look for options to leverage resources and activities that already exist in society whenever possible.

So, social entrepreneurs should design the business model in a way that it can generate sufficient revenue to cover expenses and allow for reinvestment in the scaling of the venture and/or in increasing its organisational capacity. To do so, they have to identify the resources required to develop the key activities (human resources, equipment, rents, etc.) and resources that the impact venture may generate (client

revenues, contracting services, external funding, etc.). If the resources that the venture generates are superior or equal to the resources that it consumes, then the model is sustainable. If it is not sustainable, social entrepreneurs need to rethink their business model and strategy to discover ways of increasing revenues, reducing operational costs, or looking for more partners to obtain the necessary resources.

This chapter presents several revenue streams and illustrates mechanisms for increasing efficiency and improving resource generation, with the goal of boosting the sustainability of the impact venture.

HOW TO ACHIEVE SUSTAINABILITY IN AN IMPACT VENTURE?

Sustainability is a broad concept that can be defined as the ability to continuously generate the physical and working capital needed for the development of the activities of an initiative so that it may achieve its mission.

The mission of impact ventures is to create value for their target audience and, at the same time, maintain a stable financial condition. In order to understand how an impact venture can develop a strategy for sustainability, it is important to understand its business model.

First, impact ventures will pursue activities that can only be implemented with a given set of resources that have a specific cost. This cost can be divided between financial and non-financial transactions, under the principle that everything should be accounted for. The reasoning is that social entrepreneurs bravely pursue opportunities without being constrained by the resources currently in hand. So, the focus of impact ventures should be leveraging all types of resources (not just money!) – skills, philanthropic or government support, business partnerships, etc.

According to Dees (2004), every social entrepreneur starts with a stock of intangible resources, including an idea, relevant knowledge, experience, relationships, reputation, passion, and commitment. These resources are used to attract the money and other resources needed to get the venture off the ground and generate impact in society.

To succeed in doing this, it is essential to explore the possibility of leveraging resources without compromising the quality of the products or services. Next, you will go through the steps of leveraging the resources needed for implementing effective solutions.

STEP 1
Link the activity system to the required key resources

Resources are fuel for the solution of the social entrepreneur. These may be physical, intellectual, human and relational, as shown in the table below:

PHYSICAL	INTELLECTUAL	HUMAN	RELATIONAL
Facilities, buildings, vehicles, machinery, equipment, etc.	Brands, skills, knowledge, patents, copyrights and databases, etc.	Specialised technical staff, administrative staff, volunteers, managers, etc.	Social capital, credibility, shared commitment, social network, etc.

Figure 5.1 - Key resources

It is easier to identify the necessary resources using the activity system as a base. The resource mobilisation tool is used to identify the existing resources, both financial and in-kind, that need to be mobilised in order to implement the solution. To fill it in you should:

- Analyse the activity system map that depicts the solution architecture

- List the resources that you need to deliver the solution

- Among these, identify the existing or internally available resources and the ones you need to mobilise

- After identifying the resources you need to mobilise, it is important to consider the potential resource providers: beneficiaries, other social organisations, central or local government, corporate partners, or other agents operating in the market

RESOURCES REQUIRED		INTERNALLY AVAILABLE (Y/N)	POTENTIAL RESOURCE PROVIDERS

Figure 5.2 – Key resources identification table

STEP 2
Define a strategy to obtain (and maintain!) key resources

Knowing how to maintain resources is just as important as knowing how to mobilise them. For example, it is not sufficient to simply ask a potential partner for resources once without maintaining the connection, because this means that you will find a closed door in the future. It is necessary to manage partnerships well, almost as if you were in a personal relationship, by maintaining open and honest lines of communication in order to build trust and foster vision alignment with your partners. Similarly, it is often not enough to get potential customers to use your product or service only once (unless it is a vaccine, surgery, or similar product that achieves impact through single usage). You must create an experience that the customer values, so that they desire to use it more often. Next we will discuss how to mobilise resources.

OPTIONS TO ACCESS RESOURCES

OPTION 1

Use abundant, free, accessible and endogenous resources, transforming financial transactions into non-financial transactions.

The goal is to activate the proposed solution in a sustainable way (ideally, without consuming more resources than those generated by the solution) and use resources that are cheap, abundant and locally available.

C.A.S.O - ORAL HEALTH SUPPORT CENTER
PORTUGAL

C.A.S.O is a social entrepreneurship initiative promoted by a nonprofit Organisation in Portugal with several Organisational branches in Portuguese Speaking Countries such as Cape Verde, Guiné-Bissau and S. Tomé & Principe and aims to promote health care across the world. The C.A.S.O Support center gives access to social and oral health quality treatments to underprivileged populations or target groups aiming social reinsertion. This initiative uses voluntary dentists as a way to sustain its business model and provide low cost services to the target population which has no ability to pay for the service in the market.

COZINHA COM ALMA
(KITCHEN WITH SOUL), PORTUGAL

Cozinha com Alma is a Portuguese impact venture that works as a take-away with top quality food, where clients can buy meals prepared to the highest standards. The profits from the sales to the public are used to subsidise the meal prices for a specific customer segment - low-middle class families that have fallen into poverty due to the economic crisis and can no longer afford to buy food for their family at regular prices. This gives families time to reorganise their lives and overcome their financial hardships with dignity and without having to resort to food banks. Aiming to optimise its financial model, the impact venture tries to find ways to reduce its operational costs by creating partnerships. In fact, the key cost-savers of the organisation's operational activity came from its different partners, in particular from social suppliers – that allow accessing specific raw materials and kitchen space at a reduced or zero cost – and to the agreement with the municipality of Cascais that ceded the land for the shop without charging rent. Furthermore, the organisation's network of sixty volunteers also helps reduce production costs, contributing to the economic feasibility of the model.

OPTION 2

Engage and empower beneficiaries and partners, making them part of the solution.
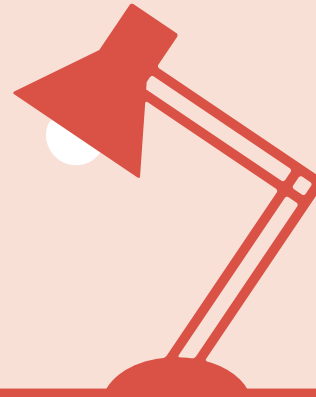
An effective strategy to mobilise resources is to empower beneficiaries to participate and engage with key partners who value the outcomes of the impact venture.

HISTÓRIAS DA AJUDARIS
(AJUDARIS STORIES), PORTUGAL

Histórias de Ajudaris is an impact initiative established in 2009 by the Ajudaris association, with the mission of promoting literacy skills among children. It develops and publishes books written by children for children, gathering their inspiration on issues such as citizenship, feelings, and the environment. Seven books have already been published, engaging more than 7000 young authors, guided by their teachers. This is a low-cost model that leverages the knowledge of the beneficiaries and, at the same time, offers a route to market as the families of the young authors also want to buy the books.

NURU ENERGY
INTERNATIONAL

Nuru Energy enlists micro-entrepreneurs to help fulfil the work of selling and recharging LED-based lamps in rural Africa. This impact venture developed a LED lighting solution combined with cycling-based chargers to replace the use of kerosene. Micro-entrepreneurs are then hired to sell and re-charge the LED lights they sell to customers. This has the added benefit of empowering people who are very close to the ones using the product or service and letting them co-create the solution.

Another resource mobilisation strategy is to identify partners. For this approach, each resource should be analysed one-by-one so as to understand who should be strategically involved as a partner. This does not mean that all resources should be outsourced. On the contrary, the social entrepreneur should balance which actions and resources should be kept in-house and which ones should be outsourced.

The following questions can help to guide this decision process (G. Dees, Emerson, & Economy, 2001):

• Which activities/resources is the impact venture particularly well-suited to provide? What are its main strengths?

• Which resources can be bought cheaper and more easily that they can be built?

• Can the users be empowered to deliver some activities?

• Which activities/resources are most crucial to the value creation process? To identify these, ask: Is this an area in which, without paying close attention to quality, errors are likely to be made? If errors are made, how much damage will they inflict?

Social entrepreneurs should be careful about outsourcing any activities for which errors have critical impact. If it is concluded that some activities/resources are core, but the current team is not particularly good at delivering them, it may be possible to try to build the capability in-house. Alternatively, perhaps a highly-motivated and skilled partner could be found to deliver these activities.

Using these questions, the social entrepreneur can design an operating structure that builds on strengths, protects core capabilities, keeps the team motivated, and is cost-effective.

STEP 3
Define a revenue generation strategy

Since social entrepreneurs are doing something that is valued by society, they should try to identify who is willing to pay for it.

"Earned income" refers to revenue generated by the commercial exchange of a product or service between a buyer and a seller. It is a legitimate source of revenue for an impact venture, but it is important to find a viable revenue stream that does not jeopardise the impact venture's mission. For that, it helps to ask the following questions (J. G. Dees, Emerson, & Economy, 2002):

1. WHO BENEFITS (OR COULD BENEFIT) FROM THE PRODUCTS OR SERVICES DELIVERED BY THE IMPACT VENTURE?

2. IS IT APPROPRIATE AND PRACTICAL TO CHARGE A FEE FOR THIS BENEFIT?

3. HOW MUCH COULD BE CHARGED WHILE STILL KEEPING THE OFFER ACCESSIBLE TO THE CLIENTS WHO MOST NEED IT, THUS PRESERVING THE MISSION OF THE VENTURE?

The social entrepreneur should thus verify if the beneficiaries can afford to pay (partially or totally) for the products or services, which might be a different amount than what they are willing to pay.

However, earned income from market transactions is often not enough to sustain a social entrepreneurial solution (because of the target population's inability to pay) and alternative or complementary mechanisms to generate income have to be developed. A sustainable impact venture model typically mobilises different financing mechanisms.

MECHANISM 1
Charging customers or beneficiaries if they have the ability to pay

Many social entrepreneurs may be reluctant to charge their primary beneficiaries, especially when the beneficiaries are poor. This reluctance may be morally appropriate in some cases, but it can also be paternalistic.

A current trend in social entrepreneurship is encouraging people to take responsibility for addressing their own problems.

Sometimes charging a fee, even a small one, can add to a person's sense of empowerment and responsibility. It also introduces a market discipline that can be helpful, as paying also gives beneficiaries more of a right to complain than if they had received free services (G. Dees et al., 2001). If no one is willing to pay, it may be that the solution is not delivering the desired value.

Impact ventures that are able to charge fees for their products or services to cover the majority of their costs have what is typically called a "social business". However, social entrepreneurs have to be cautious in mobilising these revenue sources, as a common risk for consumer-paid services is that this strategy can shift ventures towards serving a higher-income population which may reduce the social impact of the venture.

In many cases, resource generation strategies are more complex than just charging clients and rely on multiple sources, including charging clients who are not beneficiaries or finding alternative revenue sources aligned with impact.

NURU ENERGY
INTERNATIONAL

Nuru Energy aims to provide affordable, clean, safe, and functional lighting solutions to rural households in India and East Africa that are unconnected to the electricity grid (off-grid). Nuru Energy accrues revenue from the sale of each light in 3 ways: 1) revenue from light sales; 2) revenue from carbon credits; and 3) "microfranchise fees" collected as a percentage of every entrepreneur's recharge fee earnings.

In particular, creative structures can be developed to address the issue of affordability for beneficiaries. These structures include sliding scales (with lower fees for poorer people), scholarships, and deferred payment options. The cross-segment subsidy model, also called "the Robin Hood model", is becoming increasingly common.

COZINHA COM ALMA
(KITCHEN WITH SOUL), PORTUGAL

The funding model of Cozinha com Alma is an example of a cross-segment subsidy (Robin Hood model) combined with a sliding scale. The surplus from sales to the general public goes to a social fund that subsidises the reduced pricing for lower middle-class families, who are selected by the Social Committee of the local Parish (Robin Hood model). The price per meal varies according to their financial situation (sliding scale model). There are 3 different payment levels according to per capita income, and each family has a monthly maximum amount available to spend. Each family has a client membership card (similar to the one of the general public) and the price for a full meal will vary from €0.50 to €1.50. Also, each family will be supported for a maximum of 6 months and during this time they should try to reorganise their lives. On average, 300 meals are sold per day to the general public, funding 100 meals per day out of the social fund.

Social entrepreneurs often find creative ways to serve their mission and generate revenue from customers who are not the direct beneficiaries. In this way, by producing benefits for paying customers, the impact venture can also achieve its social mission. However, it is important to have operational alignment – the activities that generate income are connected to the activities that generate impact.

SAOM
PORTO, PORTUGAL

The impact venture SAOM, founded in 1976, develops several reinsertion programs for youth and elderly people. The project "Give Meaning to Life" started in 2006 and aims to integrate people in homelessness situations or at serious risk of social exclusion into society, giving them training in hotel and restaurant services (ex: kitchen helper, waiter, confectioner, cook, etc.). The training has a strong practical component, with the involvement of trainees in various catering events throughout their training. For example, trainees work alongside the catering team, providing catering services to a paying general public. This project achieved great success with very high completion rates and employability, while generating market-based revenue to support it.

MECHANISM 2

Contract with third parties who have a vested interest in the offered benefits

Third-party organisations sometimes have a vested interest in the work that is being developed by the impact venture. Three likely candidates are the government, corporations, and foundations. Government agencies may save money by contracting service delivery for those receiving public services. This contracting can be made at the national, regional, or local level. Corporations may benefit from the positive externalities that are created when a certain social problem is addressed, but may also gain brand benefits, customer loyalty, employee loyalty, or product advantages from their involvement with an impact venture.

COLORADD
PORTUGAL

ColorADD's model of selling its code for use in products offered by companies and public entities is an example of a revenue stream that is generated through market transactions with clients who are not the beneficiaries. Partners buy a licence at a price tailored to their individual size in order to contribute to the dissemination of the code and ensure that its application is made correctly in coloured pencils, subway lines, clothing, etc. The beneficiaries (colour blind people), for whom the value is created, do not pay for it but benefit in terms of social inclusion from the availability of products and services that are inclusive for colour blind people.

Finally, foundations and public sector entities may want to contract certain impact results that are aligned with their mandate, thus providing impact ventures with sustainable funding.

PROJETO FAMÍLIA
(LIFE DEFENCE MOVEMENT), PORTUGAL

The NGO Movimento de Defesa da Vida (Life Defence Movement) launched Projeto Família in 2011, inspired by the programme Families First of Michigan. It offers families intensive, short-term crisis intervention and family education services in their home for four to six weeks using the Families First of Michigan model. Workers are available and accessible to the family 24 hours a day, seven days a week and assist families by teaching, modelling, and reinforcing parenting. The success rate (measured by the number of children that are not institutionalised) is 80%. The cost of one year of work by Projeto Família is approximately equal to the cost of institutionalising a child for one month. The Portuguese Social Security Institute funds around 80% of the total budget for the Lisbon region, giving support to 105 children. Private businesses, foundations, and local government fund the remaining budget.

MECHANISM 3
Use hybrid models

A model of full third-party payment doesn't have the advantages of user-based payment because the party most directly benefiting is not making the payment decision. This issue can be solved by using a hybrid system, with intended beneficiaries making small co-payments to complement third-party contributions linked to impact achieved. This has the advantage of diversifying the sources of revenue.

These hybrid financing models can be a source of innovation and sustainability but they also face challenges that may prevent them from thriving. When ventures combine a social mission with commercial activities, they create unfamiliar combinations of activities for which a supportive ecosystem may not yet exist. Hybrids must also strike a delicate balance between social and economic objectives in order to avoid "mission drift" in cases where there is an incentive to focus on generating profits in detriment of social goals.

MOZAMBIKES
MAPUTO, MOÇAMBIQUE

Mozambikes' revenue mainly comes from the branded bikes, which are bought by private business and NGOs (91.64%). Mozambikes' unbranded bikes represent 2.20%, donations around 4.38%, and other residual sources (like training and consulting) are about 1.78%. Structurally, Mozambikes is a for-profit venture with a non-profit arm - Mozambikes Social Development, which gathers donations and buys bicycles at cost from the Mozambican entity through a customer/supplier relationship. The non-profit then gives bicycles to people in Mozambique who earn below minimum wage. In this way, grant funders are comfortable with the social mission priorities in the non-profit entity, while investors like the fact that Mozambikes is able to fulfil its financial goals.

Nowadays, the pathway for funding hybrid models is not clear. One approach is to adopt a differentiated organisational structure that separates profit-seeking investors from non-profit fundraising and public subsidies.

Meanwhile, some hybrid impact ventures start to look for funding sources that are common in the private sector, such as business angels or risk capital. However, traditional early stage equity financing methods used by the venture capital industry are not immediately suited to impact ventures. Investors who believe in and embrace the same dual objectives as impact entrepreneurs are needed. One such group is impact investors, a growing segment of investors worldwide who are comfortable with hybrid models and their blend of social value creation and commercial revenue (Battilana, Lee, Walker, & Dorsey, 2012).

CLOSING THE CHAPTER...

Social entrepreneurship is about finding new and better ways to create value in a sustainable way. It is about serving a mission, first and foremost, while leveraging resources and revenue streams as means to that end. This chapter gives social entrepreneurs the tools to mobilise needed resources in an effective way and to create revenue generation strategies suitable for the needs and requirements of the impact venture.

KEY SOURCES OF INSPIRATION:

Chapter 4 of the book below provides information about the mobilisation of resources, such as evaluating the need for resources and the way in which resource mobilisation strategies can help reduce the need for initial investment.

Dees, G., Emerson, J., & Economy, P. (2001). Enterprising nonprofits: A toolkit for social entrepreneurs (p. 353). John Wiley & Sons, New York.

In the Chapter 9 of the book below, the authors expose some of the myths associated with earned income strategies and put forth a framework and many examples to help social entrepreneurs thoughtfully explore paths to revenue generation.

Dees, J. G., Emerson, J., & Economy, P. (2002). Strategic Tools for Social Entrepreneurs: Enhancing the Performance of Your Enterprising Nonprofit. Administration In Social Work (Vol. 30, p. 326). doi:10.1300/J147v30n01

The following book provides information on how to design a business model. Look particularly at the theme of Resources and Partnerships.

Osterwalder, A., & Pigneur, Y. (2010). Business Model Generation: A Handbook for Visionaries, Game Changers, and Challengers. John Wiley & Sons (p. 281). doi:10.1111/j.1540-5885.2012.00977_2.x

Among other themes, the following website explains partnerships in the non-profit sector and the shape they take, as well as how they can be built and what metrics and challenges exist in evaluating them.
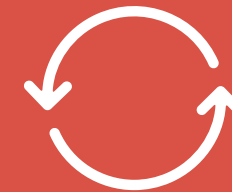
Partnerships: Frameworks for Working Together: http://www.strengtheningnonprofits.org/resources/e-learning/online/partnerships

This 2014 report, based on a global taskforce developed under the G8 UK presidency, describes the role of impact entrepreneurs and the growth of the impact investment sector worldwide.

"Impact Investment: The Invisible Heart of Markets – Harnessing the power of entrepreneurship, innovation and capital for public good": Report of the Social Impact Investment Taskforce.
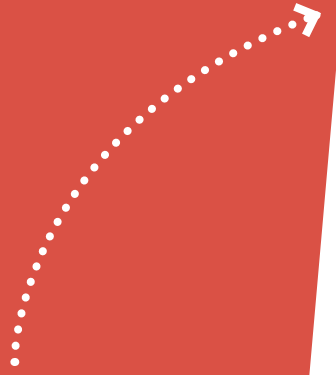
CHAPTER 5 | TASK **5**

SUSTAINABLE MODEL

TASK **5**

1.

Identify the key resources needed for the activity system of the impact venture, describing the resources that need to be acquired and possible resource providers.

REQUIRED RESOURCES	INTERNALLY AVAILABLE? (Y/N)	POSSIBLE RESOURCE PROVIDERS

2.

How are you going to secure the resources needed?

Tip: Use abundant, free, accessible and endogenous resources

Tip: Engage and empower beneficiaries and partners, making them part of the solution.

3.

Which revenue strategy is more suitable for the impact venture?

Tip: you can sell a product/service to beneficiaries or customers, or you can sell impact to other stakeholders.

"

If you can't
measure something,
you can't understand it.
If you can't understand it,
you can't control it.
If you can't control it,
you can't improve it.

"

H. James Harrington

IMPACT FRAMEWORK

IMPACT FRAMEWORK

GOALS OF THIS CHAPTER:

At the end of this chapter, you should be able to:

✔ Understand the process of measuring and analysing impact

✔ Apply a theory of change

✔ Find the most adequate indicators to measure change

GETTING STARTED...

Social entrepreneurs are driven by the desire to change and improve society. For that reason, they typically focus on societal problems that are SIN (with Spillovers, Important, and Neglected). Those are the ones that are more likely to allow for the creation of value for society and, as a result, achieve greater impact.

In this quest for impact, it is very important to understand if the solution is achieving the desired effects and how it can be improved over time. Hence, being able to measure impact is critical.

WHAT IS IMPACT?

Impact has a very broad definition and it is often used with different meanings. For the purpose of this chapter, impact is defined as the "significant and lasting changes in people's lives, communities or ecosystems brought about by a given action or series of actions" (Roche, 1999).

In this context, impact measurement refers to the process of analysing, calculating and monitoring the changes (positive or negative) that result from a given intervention (whether it is a venture, programme, project, or organisation).

WHY MEASURE IMPACT?

Impact measurement is essential for evaluating whether or not the venture is creating value for society. A systematic approach to impact measurement enables the organisation to not only communicate its impact to funders, investors, and beneficiaries, but also to maintain an informed understanding of what it is genuinely achieving and to be able to plan a growth strategy to increase its impact. It is important for social entrepreneurs to be open to learning from the process and to identify what may need to change so that they are able to maximise impact. Measuring impact thus serves three main purposes:

MEASURE FOR LEARNING	MEASURE FOR ACTION	MEASURE FOR ACCOUNTABILITY
TO UNDERSTAND PERFORMANCE	TO GUIDE BEHAVIOUR	TO REPORT PERFORMANCE
TO TEST ASSUMPTIONS	TO COMMUNICATE VALUE	TO BUILD RELATIONSHIPS

Figure 6.1 - Purposes of measuring social impact

The benefits of measuring impact can be summarised in the following way:

• **IMPROVED INTERNAL MANAGEMENT:** greater efficiency in planning and in the implementation of the activities; efficiency gains through better management and allocation of resources and/or activities;

• **IMPROVED EXTERNAL POSITIONING:** better differentiation of the impact venture in relation to its peers; more clarity of the value created; more attractive to investors.

| IMPROVED INTERNAL MANAGEMENT | IMPROVED EXTERNAL POSITIONING | INCREASED VALUE FOR SOCIETY |

Figure 6.2 - Benefits of measuring social impact

HOW TO BEGIN?

There are several methodologies and tools to assess impact, which serve different purposes and different target audiences. So, it is important to reflect honestly on the motivations for measuring impact and who will be using the data and analysis.

There are methodologies and tools more focused on the monetisation of outputs and impacts, often seeking some form of proxy from which financial comparisons can be drawn. Other methodologies are designed to serve as management tools and place a higher priority on performance indicators.

The nature of the data collected and how it is analysed is quite different for these two approaches, so the chosen approach should be tailored to the purpose that it is intended to serve.

In this chapter, we will introduce and apply one of the most well-known tools: the "theory of change".

THEORY OF CHANGE

A theory of change describes your intended strategy for achieving a desired change. It identifies the preconditions, pathways and interventions necessary for an impact venture's success, explaining how early results (immediate changes) relate to more intermediate changes and then to longer-term change. So, a theory of change works mainly at the strategy level, mapping out the interventions required to create outcomes that will lead to the ultimate impact. Sometimes outcomes are closely connected, but they may also occur relatively independently. These changes and connections are often represented visually, namely, through graphs, tables, or diagrams.

STEP 1
Determine impact goal(s) – What is the long-term change to be achieved?

It is important to articulate the change that the social entrepreneur is seeking to promote. The temptation is typically to mention the outputs, for example "we deliver bed nets in malaria-ridden locations". But there is an underlying impact goal. For instance, bed nets are presumably intended to reduce the incidence of malaria, improve health, and possibly increase lifespan or reduce poverty.

The desired impact should be clearly defined and stated in terms of the specific change desired and the specific population that will benefit.

CASE 1
VITAMIMOS

The ultimate social impact of Vitamimos is the reduction of childhood obesity.

CASE 2
MOZAMBIKES

The ultimate social impact of Mozambikes is to reduce poverty among rural Mozambicans.

STEP 2
Develop the theory – What will be done to achieve the impact goal?

Once the impact goal is set, the next step is to map the changes that need to happen in order to achieve it. It is helpful to think in terms of outcomes, which are the changes that will contribute towards achieving your impact goal.

Start with the question, "What outcomes must be brought about before we can achieve our impact goal?" These outcomes get placed directly underneath the impact goal.

This process is repeated for each of these identified outcomes in order to organise the connections between them sequentially, creating arrows in the direction of these links.

The final step is to link the activities to the outcomes and see if the flow makes sense.

It is important to note that any theory of change will rest on a number of assumptions that must be met in order for it to hold, so these assumptions should be made explicit.

WHAT KINDS OF CHANGES MAY OCCUR?

Change can occur at several levels and to different degrees. Below are illustrative examples:

- CHANGES IN LEARNING AND AWARENESS

- Ex: increased knowledge of a given subject; increased awareness of human rights

- CHANGES IN WELFARE:

- Ex: increases in physical or mental health

- CHANGES IN BEHAVIOUR

- Ex: increased proactive behaviour in looking for a job; risk behaviour reduction

- CHANGES IN ATTITUDES AND FEELINGS

- Ex: increased self-esteem; reduction of anger feelings towards others

- CHANGES IN SKILLS AND CAPABILITIES

- Ex: increases in the capacity to talk in public; increases in the capacity to work under pressure

- CHANGES IN RELATIONSHIPS

- Ex: unemployed people develop healthy relationships with their families

- CHANGES IN CONDITION

- Ex: unemployed people obtain and maintain a job for a given time

Also, the level at which change is measured should be identified:

- Individual

- Family

- Community

- Society
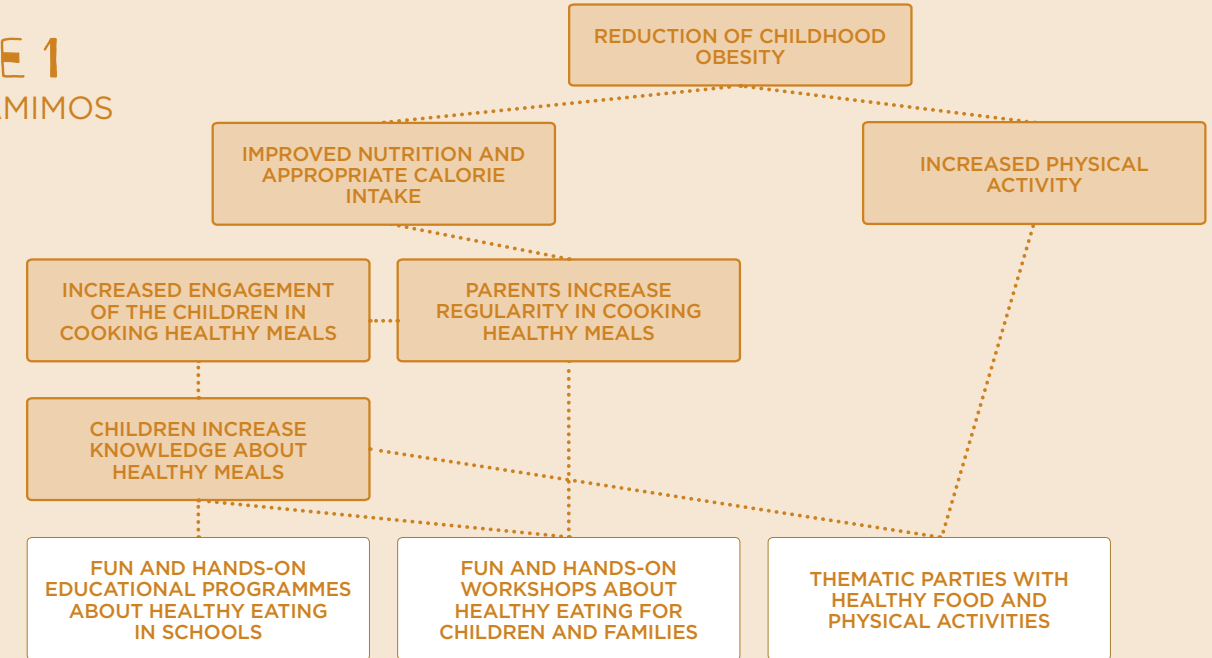
CASE 1
VITAMIMOS

Figure 6.3 - Theory of Change of Vitamimos

Core assumptions:

- Fun and hands-on approach is highly effective in empowering children

- Children are change agents who influence the behaviour of the family
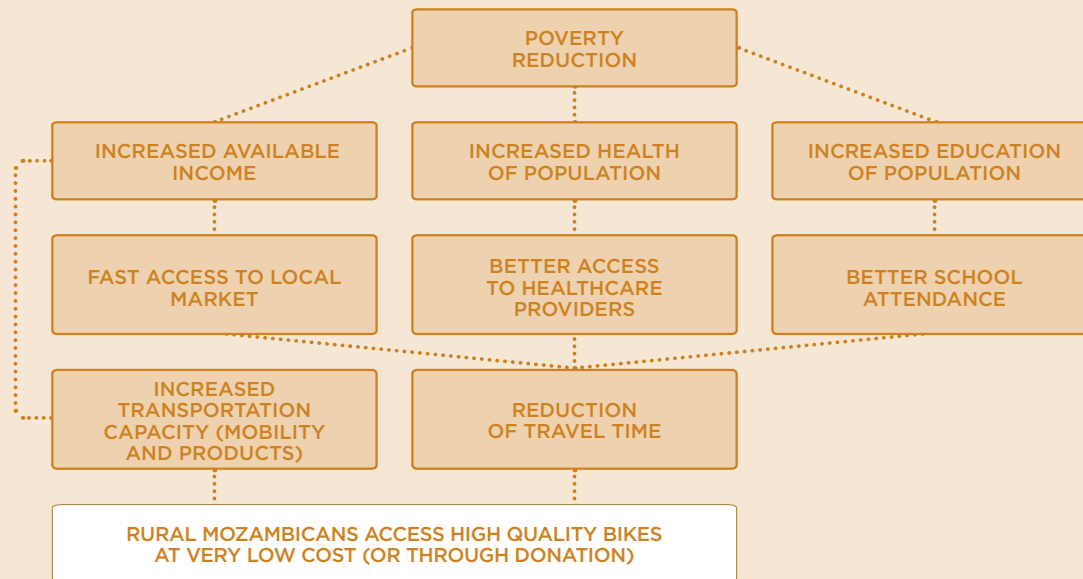
CASE 2
MOZAMBIKES


```
                        POVERTY
                        REDUCTION

INCREASED AVAILABLE   INCREASED HEALTH    INCREASED EDUCATION
     INCOME           OF POPULATION        OF POPULATION

FAST ACCESS TO LOCAL  BETTER ACCESS        BETTER SCHOOL
     MARKET           TO HEALTHCARE        ATTENDANCE
                      PROVIDERS

   INCREASED
 TRANSPORTATION       REDUCTION
CAPACITY (MOBILITY    OF TRAVEL TIME
 AND PRODUCTS)

       RURAL MOZAMBICANS ACCESS HIGH QUALITY BIKES
       AT VERY LOW COST (OR THROUGH DONATION)
```

Figure 6.4 - Theory of Change of Mozambikes

Core assumptions:

• Markets, schools, and healthcare providers are available within a reasonable distance if travelled by bicycle;

• Better access to markets and the ability to transport more product is key to increasing available income;

• Better access to healthcare providers is key to increasing the health of a population;

• Better school attendance is relevant for increasing school performance and education.

STEP 3
Validate the logic – Is there confidence that the actions will lead to the desired changes?

After a theory is agreed upon, it should be validated. Social entrepreneurs can achieve this in a number of ways. First, individuals with experience in the field should confirm the theorised relationships. Then, social entrepreneurs should look for peers active in the same domain to examine their successes and failures. Trade, academic, and government publications can also be important sources of evidence regarding how your theory of change holds up. Finally, but not least important, the theory should be vetted with stakeholders – particularly beneficiaries – to determine whether they believe in the theory.

The process of producing a theory of change is as critical as the end result. It brings together all parties of the impact venture to talk trough the tough questions and assess key activities, contributing towards building an engaged team environment. It encourages team members to think deeply about what they are doing, why it matters, and what are the critical assumptions that need to be validated.

HENCE, YOUR DEVELOPED THEORY OF CHANGE SHOULD BE:

✔ **CREDIBLE:** Evidence and common sense should suggest that the implementation of the activities will lead to the expected outcomes.

✔ **ACHIEVABLE:** There are economical, technical, political, institutional, and human resources available to carry out the intervention as detailed.

✔ **TESTABLE:** The model is complete and will provide clear, specific, and comprehensive metrics for assessing progress and achievements.

✔ **SUPPORTED:** The stakeholders will be involved in defining and agreeing on the theory of change, which will allow a common language to create a common vision for the future.

DATA COLLECTION AND PROXIES USED TO ASSESS PERFORMANCE AT OUTCOME LEVEL

For each of the outcomes there should be one or more related indicators – observable signs of change - that are measurable and comparable. By using the same indicators over time, it is possible to evaluate the performance of the impact venture against defined targets and also to observe trends in the performance over time.

Also, finding indicators that have already been validated elsewhere can save time and increase the reliability and comparability of your findings. Equally important is to specify how that data will be collected, when, and by whom. This process is illustrated below using the examples of Vitamimos and Mozambikes.

CASE 1
VITAMIMOS

OUTCOMES (RESULTS)	INDICATORS FOR RESULTS	METHOD FOR DATA COLLECTION	WHEN AND BY WHOM
Increased knowledge of healthy meals	Test/Quiz score in healthy eating habits	Test/Quiz	Before and after the programme, by the teacher
Increased engagement of children in cooking healthy meals	% of parents who report increased interest of children in cooking at home	Parent surveys	Two weeks after the programme, by a Vitamimos worker
	% of parents who sign a statement saying that their children helped cook a given meal at home	Statements signed by parents	Two weeks after the programme, by a Vitamimos worker
Parents increase regularity of cooking healthy meals	% of parents who report they are cooking healthy meals with more frequency	Parent surveys	Two weeks after the programme, by a Vitamimos worker
Improved nutrition and appropriate calorie intake	% children who bring healthy food in their lunchboxes	In-class observation	Before and after the programme, by the teacher

Table 6.1 - Data collection for Vitamimos

CASE 2
MOZAMBIKES

OUTCOMES (RESULTS)	INDICATORS FOR RESULTS	METHOD FOR DATA COLLECTION	WHEN AND BY WHOM
Increased available income	% of people who report an increase in monthly income	Survey of people with bikes	Monthly, by a Mozambikes worker
Reduced time to access healthcare	Number of times that people access healthcare services	Survey of people with bikes	Before and six months after getting a bike, by a Mozambikes worker
Increased incentive to attend school	% of attendance at school	Observation	Before and three months after the programme, by a Mozambikes worker

Table 6.2 - Data collection for Mozambikes

ATTRIBUTION AND DEADWEIGHT EFFECTS

It is important to keep in mind that a portion of the results obtained can be attributed to other organisations and factors. Using the case of Vitamimos as an example – the increased consumption of fruits and vegetables could be due not only to the educational programmes of Vitamimos, but also to the existence of a TV contest that has motivated parents to cook healthy meals at home. Similarly, there may be results that would have happened even in the absence of Vitamimos' educational programmes – an effect called "deadweight". For example, the evolution of children's knowledge about health may have a positive historical evolution. The challenge is to identify, within this positive development, which part can, in fact, be attributed to the impact of the performance of Vitamimos versus the general trend in society. To estimate this impact, one can make predictions about the future development of children's knowledge about healthy eating, based on historical information. Another way to estimate the impact is by establishing control groups with those who did and did not attend Vitamimos' educational programmes. For instance, children's knowledge and interest in healthy eating habits can be measured by selecting a random sample of students to attend Vitamimos workshops and a control group who do not. However, even

if there is a correlation between variables – for instance, imagine that the Vitamimos student sample present 10% more interest in cooking healthy meals than the other group – that does not mean the relationship is causal. There could be other factors contributing to this differential and a deeper analysis should be conducted. Also, it is important to be rigorous in the selection of the control groups, which in many cases should be random in order to control for other variables that may influence the interpretation of the results. Naturally, investment in impact measurement has to be balanced against the benefits brought by the results and the scale at which the impact venture operates.

AT-RISK BENEFICIARIES AND MISSION DRIFT

Social entrepreneurs may find that a conflict exists between serving the most at-risk beneficiaries and the operational interests of the impact venture. Higher risk beneficiaries may be more demanding on resources and result in slower outcomes, and they may also present high risks financially. However, these beneficiaries may also be the most excluded and underserved, and therefore those who stand to benefit the most from the impact venture's intervention. For example, an impact venture focused on employment may find that there is an operational incentive to select those beneficiaries who are

already more capable of finding a job, but in doing so, it would neglect those who are most in need. Therefore, it is important for the venture team to reflect upon these issues and to have at least one champion for the beneficiaries' needs on the team or advisory board to make sure their interests continue to be taken into account as the venture grows and the pressures for operational efficiency increase. This helps avoid the risk of mission drift.

CLOSING THE CHAPTER...

Measuring impact is about finding out if the impact venture is really making a positive difference in the world. This chapter discussed the foundations for understanding and measuring impact: defining the impact goals, the theory of change, and indicators for measuring that change. Here is some additional advice regarding the impact measurement process:

• Decide on what is important. Accurately define the questions that need to be answered and be clear about what is important to achieve.

• Keep it simple. Concentrate on what is really meaningful to know and don't try to be too ambitious in the scope of the evaluation. Measurement should be manageable, so don't measure too many things at once. Measure a few important things, but measure them well.

• Know the limits. Select an impact measurement approach that matches the resources and the scale of the impact venture.

• Use the information that is collected: If the information is not used, it is not worth measuring.

KEY SOURCES OF INSPIRATION:

The following guide explains how to use the theory of change in planning, monitoring, and evaluating outcomes and impact and aims to help the impact venture understand how it can generate change.

Charities Evaluation Services (2010), Making Connections: Using a Theory of Change to Develop Planning and Evaluation. Available in: http://www.ces-vol.org.uk/index. cfm?format=808)

The following practical manual helps to identify and develop systems for data collection and to monitor the outcomes attained by the impact venture.

Charities Evaluation Services (2010), Assessing Change - Developing and using outcomes monitoring tools. Available in: http://www.ces-vol.org.uk/index.cfm?pg=719

If you are looking for a practical manual that explains the step-by-step application of the "Social Return on Investment" methodology, consult the following resource:

New Economics Foundation (2009): A Guide to Social Return on Investment. Available in: http://www.thesroinetwork.org/ publications

Reference websites for measuring social impact:

• *http://www.proveandimprove.org/*

• *http://www.globalvaluexchange.org*

• *http://www.bigsocietycapital.com/outcomes-matrix*

• *http://neweconomymanchester.com/stories/832-unit_cost_ database*

CHAPTER | TASK **6**

IMPACT FRAMEWORK

TASK 6

1.

Theory of change: How does the solution contribute to the change the impact venture aims to create?

Tips:

Identify the impact goal(s) – what is the final long-term change to be achieved?

What intermediate outcomes must occur?

What will be done to achieve the impact goal(s)?

Is there confidence that the actions will lead to the desired changes?

What are the most important assumptions of the theory of change? How can they be tested?

2. Identify the main elements of the theory of change that connect the outputs with the outcomes and the desired Impact.

OUTPUTS	OUTCOMES	IMPACT

3. Which indicators will be monitored to access the key outcomes?

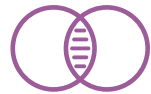| OUTCOMES	INDICATORS	METHOD FOR DATA COLLECTION	WHEN AND BY WHOM

CHAPTER 7

VALUE GENERATOR

VALUE GENERATOR

GOALS OF THIS CHAPTER:

At the end of this chapter, you should be able to:

✔ Have a clear picture of your impact venture's business model

✔ Define the vision that inspires the impact venture

✔ Visually represent the value generator model of the impact venture

GETTING STARTED...

By completing the steps outlined in Chapters 1 through 6, social entrepreneurs will have developed the business model of their impact venture. It is now time to visualise the resulting model and evaluate if all the pieces fit together. To facilitate this task, we propose a tool called "Value Generator".

The tool consists of building blocks that align with each other. The main goal is to get a clear view of the problem to be solved, what will be offered as a value proposition, what the impact venture will do, and the change it intends to create. The guarantee of this alignment is provided by the vision that sustains the initiative.

DEFINING THE VISION

Since generating impact is the key goal of social entrepreneurs, it is essential that they are able to envision the future and describe what changes they seek to achieve. Social entrepreneurs should clearly articulate the reasons for developing their solution and the aspirations they have for the long run. The definition of the vision serves that purpose.

The vision should be inspirational and compelling, and should describe how the world could improve within the domain that the impact venture is tackling.

The articulation of the vision will guide and align the social entrepreneurs, their team, and the key stakeholders in the implementation of the venture, always keeping the value they intend to create for society in sight. The vision will also serve as a beacon for the hard choices that social entrepreneurs will naturally encounter along the way.

HOW TO CREATE A VISION STATEMENT

The key challenge in building a vision is to convey great aspiration while being grounded in reality. The impact venture team and key stakeholders have to believe that the vision can become reality one day and is worth working towards. During the process of creating a vision, it is relevant to answer the following questions regarding the domain in which the impact venture is working:

• What image of the world do we hope to attain one day? What is our utopia?

• What would society look like if the impact venture is truly successful?

The vision statement articulates an ideal future to which people can aspire. Because impact ventures work in an ecosystem with many parts – beneficiaries, companies, associations, local authorities, schools, investors, suppliers, etc. – it is normal that each one of them may have their own mission statement. Having different missions is not necessarily an obstacle to working together if stakeholders are aligned by a shared vision, creating a common base for working together. So it is very important that the vision aligns the different stakeholders of the ecosystem.

CASE 1
VITAMIMOS

✔ VISION
Children growing up healthy and aware of the importance of a balanced diet.

CASO 2
MOZAMBIKES

✔ VISION
Mozambicans provided with means of transport and accessibility that allow them to achieve economic development and a better life.

Based on the inspiration and alignment brought by the vision, it is now time to bring all the work together within a single framework. The Value Generator presented below illustrates the main elements of the impact venture, so that they can be revisited and integrated.
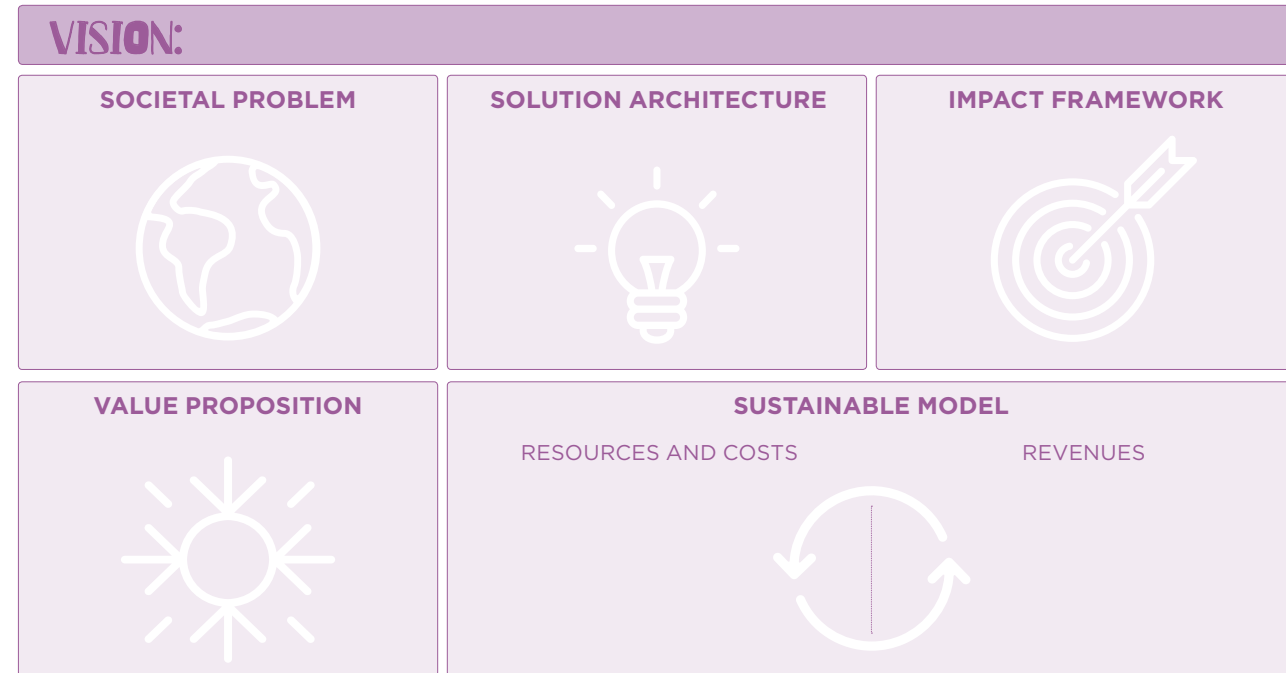
VALUE GENERATOR

CLOSING THE CHAPTER...

Congratulations! The business model design for your impact venture is now complete. Now it starts the validation stage, where the focus will be on designing the pilot project, mobilising resources for its implementation, and communicating - with plenty inspiration - the impact venture!

VISION:

SOCIETAL PROBLEM	SOLUTION ARCHITECTURE	IMPACT FRAMEWORK

VALUE PROPOSITION	SUSTAINABLE MODEL	
	RESOURCES AND COSTS	REVENUES

Figure 7.1 – Impact Venture Value Generator

CHAPTER 7 | TASK **7**

VALUE GENERATOR

TASK 7

The Impact Venture Value Generator allows us to synthesise, in an integrated manner, the architecture of the proposed model. This is a good opportunity to revisit and update the work done in previous chapters.
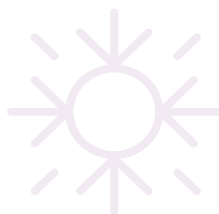
VISION:

SOCIETAL PROBLEM

What is the core problem to be solved?

VALUE PROPOSITION

What is the value proposition?

SOLUTION ARCHITECTURE

What solution are we creating?
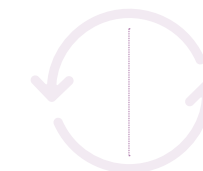
IMPACT FRAMEWORK

RESULTS   IMPACT

What is the expected impact resulting from the implementation of the solution?

SUSTAINABILITY

RESOURCES AND COSTS   REVENUE

What are the required resources and possible revenues?

"

I have been impressed with
the urgency of doing.
Knowing is not enough;
we must apply.
Being willing is not enough;
we must do.

"

Leonardo Da Vinci

CHAPTER 8

PILOT DESIGN

PILOT DESIGN

GOALS OF THIS CHAPTER:

At the end of this chapter, you should be able to:

✔ Learn how to design a pilot project

✔ Identify the scope, scale, and target audience of your pilot project

✔ Define the next steps you need to undertake to implement the pilot

GETTING STARTED...

Impact ventures are usually visionary and innovative, and only a few people believe in them at the beginning - often with good reasons. Frequently, the initial premises are wrong or the solution is not as effective as social entrepreneurs believe it to be.

The design and implementation of a pilot is an essential step before launching the solution at a larger scale. It is the first opportunity to test the innovations of the proposed model and the assumptions of the theory of change at a smaller scale and with lower risk, in order to verify if it works (or not) for solving the societal problem that the impact venture aims to solve.

WHY IS IT IMPORTANT?

A pilot is a small, simple, controlled experiment. It is the name given to trialling something for the first time – a new process, a practice run, a test.

In preparing a pilot, it is important to ensure the following outcomes:

LEARNING	QUALITY	ACCEPTANCE	FOCUS
Acquire important information about what does and does not work to reduce risks and better prepare the implementation of the solution. This gives valuable insights into the challenges that the impact venture will face.	Check the suitability, usefulness, and effectiveness of the model and with this information take steps to improve the final solution that will be developed.	Validate the idea so that others might believe in it and support it. If there is evidence that the solution works, it reduces the risks for a potential partner and increases the chances of obtaining resources.	Focus on what is essential and effective to implement the solution faster and with lower costs.

Figure 8.1 - Main outcomes to take into account while designing the pilot

The pilot provides a concrete means of communicating the potential of the solution. The results of the pilot provide immediate evidence of the tangible value of the proposed solution architecture

HOW TO DESIGN THE PILOT?

The choices that must be made during the design process of the pilot can be challenging, but they are critical to understanding if the proposed solution works in practice or not. In order to serve as an adequate test, the pilot must be designed and evaluated with some precision. At the same time, it should not be too complex or demand too many resources.

The pilot design can be divided into four main steps:

STEP 1 – SCOPE
Identify the scope of activities to be tested

There may be a tendency to select a subgroup of activities that are easier to test, but this may mean that you are not truly testing the key assumptions. The choice of activities of the pilot should not be based on how easy it is to implement them, but rather on the potential to test key steps of the theory of change and/or key linkages between the activities for the proposed solution. Therefore, you should take another look at your solution architecture and its theory of change and understand what subsystem of activities is critical to validate and learn from.

STEP 2 – SCALE
Identify the dimension/size/duration of the test

The dimension of the pilot can be established based on geographic criteria (specific region or place) or by quantity (a number of products or services provided). The scale should be set so that the pilot results have enough validity (would not occur by chance) and can be set to test some important decisions or contexts (if the solution would work in rural or in urban areas, for example). The length of the test should be enough to test some of the key assumptions of the theory of change.

STEP 3 – SEGMENT
Identify the target clients / beneficiaries for the pilot

In defining the scope and scale of the pilot, it is also important to define the public that will be targeted by the pilot. The solution can have several audiences (for example, children of different age groups or migrants from different origins, etc.). It is important that the pilot is focused either on a specific target audience, so that it can be tested quickly and the results can be analysed or, alternatively, on testing different segments in a controlled way in order to maximise the knowledge gained from the pilot.

STEP 4 – ACTION
Identify the main tasks to be undertaken

To finalise the pilot design process, it is important to define the concrete tasks that need to be undertaken to implement the pilot. These can be organised in a simple table as follows.

	DESCRIPTION OF TASKS	DURATION	RESOURCES	PERSON RESPONSIBLE
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				

Table 8.1 - Tasks to undertake to launch the pilot

It is important to emphasise that the main goal is to validate the core assumptions that support the theory of change. Frequently, pilots fail to attain the desired results, but learning about what failed allows social entrepreneurs to improve the proposed solution. In many cases, only after completing the third or fourth pilot are social entrepreneurs able to get some of the core assumptions validated. After validating the core assumptions, social entrepreneurs should be more confident in implementing the solution at a larger scale. Implementing a complete solution without testing it out as a pilot is a fast and painful way to lead the impact venture to failure. In contrast, interim failures during a pilot are not a problem when the pilot is designed and implemented as a step in a learning process.

CASE 1
VITAMIMOS

Before officially launching Vitamimos, Ana decided to conduct a quick test of her solution. She understood that she could not incur high costs and should first use available resources. She designed a simple educational programme about healthy eating habits in order to quickly understand if her approach had the desired quality and if it met the needs of the target audience. In the process, she gained knowledge about the core assumptions of her programme and, because they were successfully validated, she gained the confidence to implement her solution on a larger scale.

Vitamimos began in the school where Ana was working. Some teachers were shocked by the unhealthy food that children brought to school in their lunchboxes. Soups, salads and fruit - essential elements for healthy child development - were usually nowhere to be found. As a result, Ana decided to launch a contest called "The Fruit Grows at Home". For two months, children had to bring one

piece of fruit to school every day and their lunchboxes were monitored. The children who brought one item of healthy food in their lunchboxes received a stamped card to certify the accomplishment. Ana knew that parents or other carers normally decided what to put in the lunchboxes, but the strategy she followed was to not communicate with them directly. Instead, Ana interacted solely with children in order to understand in what ways they could be empowered to influence the actions of their parents or carers.

From the beginning of the pilot, the children's high level of involvement and acceptance of the programme was evident to everyone. Being in the fun format of a contest with simple rules and prizes (the stamped card) was somehow sufficient to guarantee a behavioural change in children. Unexpectedly, teachers noted the children's delight in eating the piece of fruit that they had decided (or influenced the parents) to bring in their lunchboxes. The contest proved

that stimulating healthy food consumption through fun activities could empower children to change the behaviour of the whole family. But it was important to test if the change was a lasting one. Thus, three months after the end of the challenge, the lunchboxes were monitored once again. They found that the majority of the students kept bringing pieces of fruit from home. It was concluded that the children could become change agents if effectively empowered, thus validating a core assumption of the theory of change.

With a small amount of resources, Ana efficiently tested the premises of her idea. She learned how her idea was accepted, the key elements to include, and how to positively change certain activities. She acquired knowledge, which enabled her to advance with her impact venture with more confidence.

CASE 2
MOZAMBIKES

Mozambikes is an example of social entrepreneurs having to launch a pilot at a larger scale and scope than initially intended in order to test their core assumptions. After designing the business model for Mozambikes, Lauren and Rui reached out to their existing contacts to pitch the idea and assess their interest. Before those meetings, the founders believed that these companies would pay for 50% of their orders of bicycles in advance.

While the companies understood the project's value, they asked for samples in order to see the bicycle in person. Therefore, at the beginning of 2011, Lauren and Rui took a risk and personally financed the first container order with components for 1,200 bicycles, as this seemed to be the minimum scale at which they could validate the assumptions of a low-cost and local assembly model.

The components took two months to arrive in Mozambique - one for production and one for delivery. The initial investment was $130,000

USD. Simultaneously with the order of the first container, and even before selling a single bicycle, the co-founders began looking for an assembly team. The original idea was to hire people with experience in construction, as it seemed to be the closest-matching skill.

However, they found many people with bicycle maintenance experience specifically who worked on the streets servicing occasional clients. Mozambikes was an opportunity for them to contribute their knowledge and secure a regular job. The company was thus launched with 6 employees working on bicycle customisation and assembly. One of their first workers was promoted to factory manager within two weeks due to his comprehensive knowledge of bicycles, allowing the co-founders to focus on reaching more clients, managing procurement and inventory, and ensuring operations efficiency.

In 2011, with the production of the first sample for Vodacom, with whom the co-founders

had already established a good relationship, other potential clients became excited with the offering. Having sample bicycles available meant that potential clients could observe the quality of the final product and how their brands would be promoted on the bicycle, motivating them to start ordering. The first big order of nearly 300 bicycles was from a US-based NGO present in Mozambique. This organisation decided not only to pay for the advertising, but also for the bicycles, as it was aligned with the impact goals of Mozambikes.

CLOSING THE CHAPTER...

Launching a pilot is an experiment that should be designed to reflect reality as closely as possible to make sure that it will provide genuinely useful results. All too often, those in charge of launching pilots design them for optimal conditions rather than representative ones, resulting in a pilot that doesn't produce knowledge about what does or does not work in a real life setting. There is a temptation to design pilot projects that will succeed rather than produce intelligent failures—those that generate valuable information. Verify if you are designing a genuinely useful pilot by answering these questions (Edmondson, 2011):

• Is the pilot being tested under typical circumstances (rather than optimal conditions)?

• Is the goal of the pilot to learn as much as possible (rather than to demonstrate the value of the proposed offering)?

• Is the goal of learning well understood by all the people involved?

KEY SOURCES OF INSPIRATION:

The following book explains how to pilot a project and learn from it:

Ries, E. (2011). Lean Startup. 1st Edition. Crown Business. US

The following Guide helps the social Entrepreneur to build a pilot project:

Prototyping Framework: a guide to prototyping new ideas. NESTA. Available in: http://www.nesta.org.uk/sites/default/files/prototyping_framework.pdf
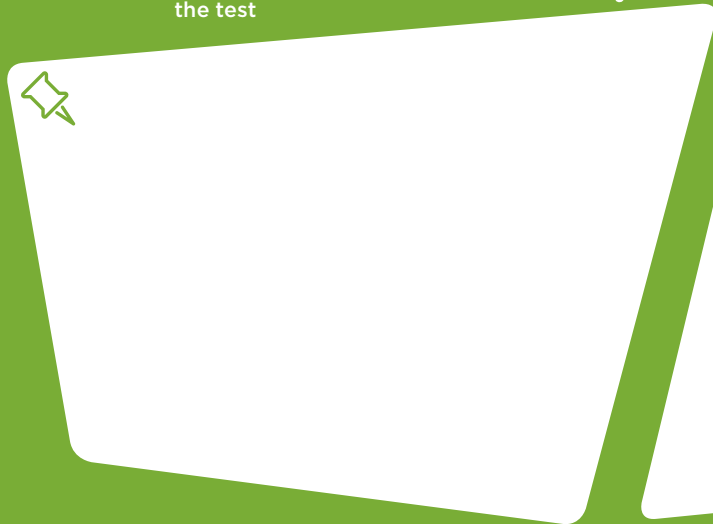
CHAPTER 8 | TASK **8**
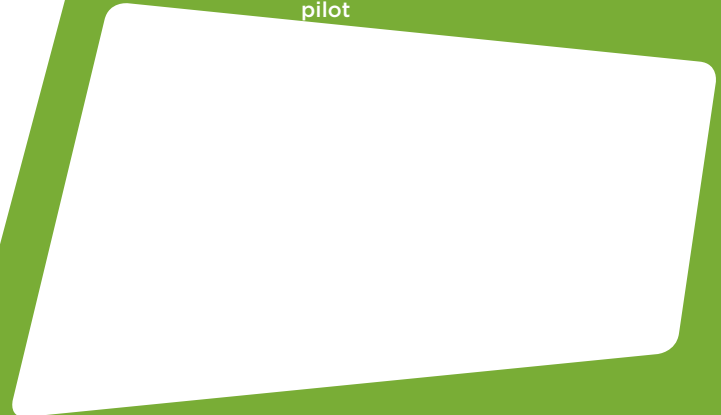
PILOT DESIGN

TASK 8

1.
Identify the scope of activities to be tested

2.
Identify the scale and duration of the test

3.
Identify the segment of the target audience that will be included in the pilot

4.
Identify the main tasks to be undertaken

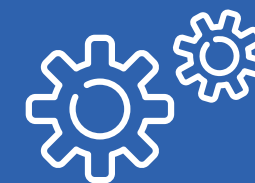|	DESCRIPTION OF TASKS	DURATION	RESOURCES	PERSON RESPONSIBLE
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				

RESOURCE MOBILISATION

> " The way to activate
> the seeds of your creation
> is by making choices about
> the results you want to create.
> When you make a choice,
> you activate vast human energies
> and resources, which otherwise
> go untapped. "
>
> *Robert Fritz*

RESOURCE MOBILISATION

GETTING STARTED...

As in all entrepreneurial projects, securing resources to transform an idea into reality is a formidable challenge.

Yet, launching a pilot is an extremely important step and its implementation should not be delayed.

In some cases, it can be necessary to use significant financial resources, such as in the case of Mozambikes, but in many cases there are underutilised resources that can be used to get the pilot up and running.

GOALS OF THIS CHAPTER:

At the end of this chapter, you should be able to:

✔ Identify the resources you need to implement the pilot and secure them using a bootstrapping approach

✔ Prepare a budget for your pilot

✔ Identify suitable sources of funding to launch your pilot

RESOURCE MOBILISATION

Even at the pilot stage, impact ventures have access to an uncommonly large set of resources and sources of income. They can generate resources "by themselves" through the sale of goods and services and also access resources from third parties with a vested interest in the societal problem that the venture is trying to solve. These resources can be financial or non-financial, taking the form of in-kind donations or volunteering work.

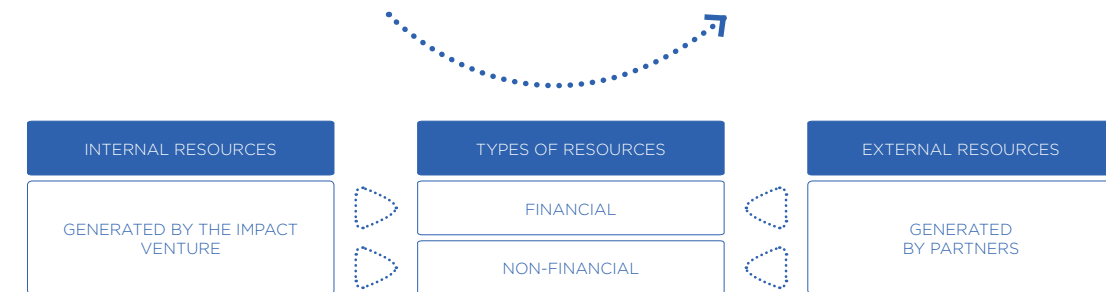| INTERNAL RESOURCES	TYPES OF RESOURCES	EXTERNAL RESOURCES
GENERATED BY THE IMPACT VENTURE	FINANCIAL	GENERATED BY PARTNERS
	NON-FINANCIAL	

Figure 9.1 - Sources for resources mobilisation

In terms of non-financial resources, social entrepreneurs can try to find local partners located within the geographical region where the pilot will be tested. They can look for partnerships with companies, associations, and local public entities, such as municipalities, museums, schools, hospitals, among others. Depending on the problem and the proposed solution, these entities may be willing and able to allocate resources to implement the pilot, in particular if there is vision alignment.

Given the strong interest in social entrepreneurship worldwide, there are a growing number of organisations from different sectors willing to support the launch of impact ventures. However, searching for the right supporters is a difficult task. It is important to understand which funders exist and which among them would best serve the impact venture. For example, a partnership with a high-status organisation will give the impact venture strong credibility, in addition to resources. Despite the availability of resources, it is wise to try to do as much as possible with as little money as possible – which is called "bootstrapping".

BOOTSTRAPPING

Often, in the early days of an impact venture, the desired resources are not immediately available. Funders may be interested in the societal problem that social entrepreneurs are trying to solve, but the disbursement of funding may be bureaucratic or could be associated with contests or calls for proposals that only run once a year. It is thus recommended that the social entrepreneur carefully activate his/her network of contacts and use as few resources as possible.

The concept of bootstrapping refers exactly to the process of working with a minimal amount of financial resources; in other words, it is the process by which the resources needed are obtained without spending money. The bootstrapping rule of thumb goes as follows:

• Never buy what you can rent;

• Never rent what you can trade for;

• Never trade for what you can borrow;

• Never borrow what you can get for free.

These simple rules exemplify the bootstrapping spirit. Knowing how to integrate this spirit on a daily basis is a key competence of the social entrepreneur because it addresses the challenging resource constraints in which social entrepreneurs typically operate.

BUDGETING THE PILOT

After structuring the business model of the impact venture and defining how to implement the pilot, we propose taking the following steps:

STEP 1
Build a credible budget

In this step, it is important to truly understand the costs that the impact venture will incur during the pilot phase. The costs might be related to human resources, space, specific equipment, raw materials, communication, etc. It is essential to use the bootstrapping spirit to produce a low-cost structure. Also, the budget has to be easy to read and clear in terms of the calculations made.

STEP 2
Analyse revenue generation strategies

Although less common at this stage, it is important to analyse the proposed pilot in order to understand if it can or should generate revenue (to validate willingness to pay assumptions, for example). There might be activities with potential to generate revenue, such as a fee charged for the delivery of a product or service. At this stage it is important not to develop complex ways to generate money that are only barely related to the focus of the pilot. What is important at this stage is to implement the pilot and accomplish its learning goals.

STEP 3
Analyse the possibility of accessing other sources of resources

In this step, social entrepreneurs should tap into their closest network (family, friends, colleagues, ex-colleagues, etc.) in order to assess if they can help secure the resources needed.

This network is valuable because they personally know and trust the entrepreneurs and may have a vested interest in what they are doing and be more likely to help. In this process, it is important to take into account the bootstrapping rule of thumb (e.g., volunteers instead of professional trainers, leverage vacant rooms for seminars instead of paying a rental fee, etc.), but always keeping the level of quality as high as possible. This may seem difficult, but it is a key skill of social entrepreneurs!

CASE

VITAMIMOS

The following table presents an example of a budget for a workshop of Vitamimos. It assumes four hours of training, with one trainer and 16 children:

A	B	C	D	E = C X D	ENABLING PARTNERS	COSTS REDUCED BY BOOTSTRAPPING APPROACH
RESOURCE	TYPE OF UNIT	NUMBER OF UNITS	UNITARY COST	TOTAL COST		
Training Room	Days	1	60€	60€	School provides a room	0€
Trainer	Hours	4	30€	120€	Social entrepreneur time	0€
Lunch	Lunches	16	5€	80€	School provides meals for half-price	40€
			Total	260€		40€

Table 9.1 - Budget of a Vitamimos workshop

In this example, despite the fact that there existed the potential to generate some revenue with this pilot (the workshop could be sold at 20€ per child and, in this case, the total costs would be covered by the total revenue), the social entrepreneur chose not to do it. She knew she had underutilised resources that she could leverage and it did not make sense to charge families at this stage.

The proximity between the social entrepreneur and the school (Ana worked at the school) and the fact that the school was interested in the success of the initiative enabled her to convince the school principals to provide a fully-equipped training room at no cost and the meals for each child at half-price. In addition, the social entrepreneur conducted the workshop herself and developed the pedagogical content with the help of friends who had specific knowledge in the topics of nutrition and healthy cooking.

SOURCES OF FUNDING FOR THE PILOT

The pilot stage is the beginning of the life cycle of the impact venture. At this point, the key focus of social entrepreneurs should be:

- A strong dedication to the analysis and in-depth understanding of the problem, its consequences, and its causes;
- Designing and developing an innovative solution to the problem;
- Clear definition of the target population and scope to launch the pilot;
- Validation and refinement of the proposed solution.

At this stage, potential investors are often friends and family or even "fools" that trust the social entrepreneurs, believe in their innovative solution, and are willing to invest in it. However, social entrepreneurs may also need to go beyond their personal network for funding.

Potential investors will be looking for a highly committed and informed social entrepreneurial team. In order to maximise the potential for impact, the proposed solution should be well-defined and combine innovativeness with some evidence of long-term sustainability.

Your impact venture is still in its earliest stages and therefore securing financing will not necessarily imply reimbursements and can take

the form of philanthropy. The focus of investors is mostly on the potential of delivering impact. Funding is allocated to the project in order to validate the solution. Interested investors are typically foundations, municipalities, and corporate social responsibility departments. Having a strategic alignment with the funding entity (e.g. foundation's mission, close relationship with the social responsibility department) is crucial for successful funding.

Other common financing sources at the early stage of development of impact ventures are competition awards and "crowdfunding" platforms – online platforms for fundraising campaigns. Competitions have the advantage of providing exposure and credibility to the venture, but they can involve a lot of effort from the entrepreneurs and the results are not guaranteed. Crowdfunding has been gaining momentum as a form of collective fundraising that allows beneficiaries to attract supporters at a very low economic cost and low time expenditure. Crowdfunding is thus a useful funding mechanism that offers the opportunity for the impact venture to do marketing while focusing on the essentials at this phase - the development of an innovative solution and validation of the business model (Miguel, Santos, & Ferreira, 2014).

INVESTORS' EXPECTATIONS	POTENTIAL INVESTORS	FUNDING MECHANISMS
✔ In-depth understanding/ analysis of the social problem ✔ Innovative characteristics of the proposed solution ✔ Implementation plan for a pilot in order to validate the solution ✔ Commitment and dedication of the social entrepreneurial team	✔ Charitable foundations ✔ Corporate social responsibility departments ✔ High net worth individualss ✔ Municipalities	✔ Corporate donations ✔ Philanthropy ✔ Crowdfunding ✔ Social business competitions and awards

Figure 9.2 - Investor expectations and funding mechanisms for the early days of impact ventures

CLOSING THE CHAPTER…

By now you should have the knowledge and the confidence needed to implement and finance a pilot for your impact venture. Your pilot budget should be low, developed in a bootstrapping spirit, and guarantee the most learning possible. At this stage, there are several funding sources that can give you an initial boost, but you need to be able to communicate your impact venture in a compelling way. The next chapter is focused on how to pitch the impact venture.

KEY SOURCES OF INSPIRATION:

The following guide is about the financial options available for the social entrepreneur that wishes to start her/his own business. It provides guidance on the different financial strategies that initiatives can adopt .
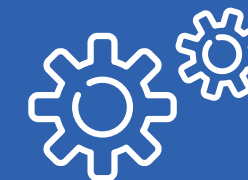
Small Business BC (2005). Guide to Financing Social Enterprise. Available in: http://www.csef.ca/guidetofinance_ june05_eng.pdf

The following manual is written from the perspective of a social entrepreneur, explaining the process of social investment and how to make the best of it step-by-step.

Social Investment Task Force (2011). Social Investment Manual - An Introduction for Social Entrepreneurs. Available in: http://www.schwabfound.org/pdf/schwabfound/ SocialInvestmentManual.pdf

CHAPTER 9 | TASK **9**

RESOURCE MOBILISATION

TASK **9**

1.

Build a simple and credible budget for the pilot project of your impact venture, taking available resources and the bootstrapping spirit into account.

A	B	C	D	E = C X D	ENABLING PARTNERS	COSTS REDUCED BY BOOTSTRAPPING APPROACH
RESOURCE	TYPE OF UNIT	NUMBER OF UNITS	UNITARY COST	TOTAL COST		
		Total				

2.

Does the pilot have potential to generate revenue with the activities to be developed? If yes, what kind of revenues and when will they be received?

3.

How are you going to cover operational costs if direct revenues are not enough?

Tip: Take your closest network and the contributions they may provide into account.

"
You can have brilliant ideas,
but if you can't get them
across, your ideas won't
get you anywhere.
"

Lee Lacocca

INSPIRATIONAL PITCH

INSPIRATIONAL PITCH

GOALS OF THIS CHAPTER:

At the end of this chapter, you should be able to:

✔ Understand the importance of communicating your venture

✔ Know how to structure the pitch of your impact venture

✔ Be able to deliver an inspirational pitch about your impact venture

GETTING STARTED...

Whether you are trying to mobilise resources or just want to get feedback to perfect your business model, a solid "elevator pitch" is an essential tool for communicating your impact venture. A pitch is an energetic and short presentation of a venture to an audience of potential investors or partners. It is often called an elevator pitch because it should ideally be short enough to be delivered during an elevator ride. In Silicon Valley, for example, funding is only given to 1 in every 300 presentations made to investors. In this context, potential investors are interested in listening to ideas that have the potential to change the world. This should should be in your mind as you prepare your pitch.

PITCH STRUCTURE

An elevator pitch usually takes 90 to 120 seconds to deliver and should include:

✔ THE PROBLEM TO ADDRESS, its importance, and the target audience. It is essential to demonstrate an understanding of the problem being addressed as well as to assertively justify its importance and the reason behind the choice of the target audience for which the solution is aimed at. Social entrepreneurs can use a combination of storytelling and compelling data that show the dimension/severity of the problem.

✔ A VALUE PROPOSITION, SOLUTION, SUSTAINABILITY AND IMPACT. Describe in concrete terms the solution you are proposing and present the unique benefits that the solution brings, the impact it will create, and how the model can be sustainable.

✔ WHO YOU ARE, WHAT DISTINGUISHES YOU, AND WHY YOU WILL SUCCEED IN CHANGING THE WORLD. Reference to who is on the team and the main elements that guarantee success. Essentially it should answer, "What do you want the listener to remember about you and your team?"

✔ YOUR NEXT STEPS, WHAT IS NEEDED TO MOVE FORWARD, AND HOW THE FUNDER CAN HELP. It is important to describe the immediate next steps in a straightforward and realistic way, stating specific time frames to undertake these milestones. As this is the last moment of the pitch, the listeners should be left with a clear idea of what is expected of them – their call to action. It is useful to integrate a statement of the vision in the closing of the pitch to provide a sense of the potential impact of the venture and to finish on a strong note.

PITCH PREPARATION

First, if social entrepreneurs know in advance that they will have to make a pitch, it is important to do preparatory work. For example, researching about the people to whom they will be presenting and finding out about the history of their organisations – how they started, their values, mission, investment strategy, etc. It is also important to know the people on a more personal level whenever possible, including their professional and personal paths, personality, motivations, possible affinities, etc. Prior to the pitch, it helps to understand what the audience expects to take away from it by the end.

BRAINSTORMING WITH THE TEAM

A strong team discussion helps to define the points that should be addressed during the pitch in order to find connections and angles through which to energise the presentation and relate to the listeners. The key is preparation – the better the preparation, the stronger the pitch will be!

THE MOMENT OF THE PITCH!

✔ PREPARE THE STAGE – make sure that the resources needed for the presentation are available.

✔ CONTROL THE TIME AVAILABLE – ask in advance what time is available to pitch the venture to ensure that the important things are said, making room for all the relevant questions being asked.

✔ BODY LANGUAGE – 50 to 80% of communication is non-verbal. The tone of voice, eye contact, the use of personal space, and body movements are factors that come into consideration for the effectiveness of the pitch.

✔ PRESENT AND LISTEN – present with confidence, passion, and clarity, but also

listen to and understand the questions that are asked, answering concisely, directly, and with honesty.

✔ CREATE RAPPORT – rapport is a state of harmonious understanding with another individual or group that enables greater and easier communication. In other words, rapport is getting on well with another person, or group of people, by having things in common. This makes the communication process easier and more effective. It is related with empathy. The word stems from the French word "rapporteur", which literally means to carry something back. Rapport is used to build relationships with others quickly and to gain their trust and confidence. Sometimes rapport happens naturally, but it can also be built and developed by finding common ground, developing a bond and being empathic. For example, social entrepreneurs can engage with the audience during the pitch by asking open-ended questions (questions that can't be answered with a "yes" or "no" answer) to involve them in the conversation, or by telling a story that they can relate to.

✔ ALSO PREPARE FOR QUESTIONS AFTER THE PITCH! It is important to prepare the pitch, but it is also crucial to prepare the answers to likely questions and to decide what member of the team will answer them

(a team presentation should not be a solo act or a one man/woman show!). This reveals team alignment and also that the team has done their homework well. It is important not to monopolise the time allotted for questions with a long answer. Allow the audience to ask several questions and be short but assertive in your reply.

TIPS FOR MEMORABLE PITCHES

The most powerful messages used by impact ventures embody at least one of these characteristics (Miller, 2010):

✔ LEVERAGE THE POWER OF STORIES - Stories are like data with a soul, because they transform abstract concepts into tangible, emotional, and memorable ideas. Take the audience on a journey. Make it so descriptive and rich with imagery that they are able to imagine it for themselves. If you have a personal story to emphasise the importance of what the impact venture does – tell it! The ability to tell a powerful story is an essential trait of inspiring communication.

✔ ESTABLISH AN EMOTIONAL CONNECTION – everyone wants to feel good about what they are doing, so people tend to make decisions with their hearts (or instinct) and

then selectively analyse the available facts in their heads to justify those decisions, such as if they will invest in a venture or not. So the ability to connect with the audience emotionally is key to creating a favourable impression.

✔ THE POWER OF PERSONAL IDENTITY - How supporters feel about themselves in relation to a cause or venture will affect how likely they are to support a particular initiative. Social entrepreneurs usually look for supporters with strong personal connections to the issue they aim to address.

✔ THE POWER OF A CLEAR CALL TO ACTION – a pitch should end with some kind of call to action or next step that engages the audience. Calls to action can be very forceful and direct (for example, "volunteer today" or "invest in us") or more suggestive and lighter in tone (for example, "learn more" or "help us with your knowledge").

Overall, the most engaging presentations are (Gallo, 2014):

✔ EMOTIONAL – they touch the heart. It is about humans connecting to humans. People should sense emotions, dreams, and imagination.

✔ NOVEL – they teach something new, they surprise and excite.

✔ MEMORABLE – they present content in ways that people never forget.

Despite the power of stories and emotional content, an effective pitch is one that is able to combine emotion with reason, stories with hard data, and inspiration with logic, being very clear and concrete about the impact of the proposed solution and the sustainability of the venture.

WHAT TO DO WHEN THE PITCH FAILS

When things don't go well, social entrepreneurs have to learn as much as possible from the failed attempt. Always leave-failed pitches with an understanding of what went wrong – knowledge that will be key to improving next time. Which points didn't they agree with? Which assumptions did they refute? In some cases, social entrepreneurs learn that there are important criteria for the audience that they didn't know about. It's also possible they objected to something about the pitch or communication style. It is useful to have an ally in the room during a pitch who can provide honest feedback afterwards. In summary, effective social entrepreneurs get as much feedback from each pitch as they can and they recoup their investment in a failed pitch by mining lessons that they can apply next time.

CLOSING THE CHAPTER...

Are you ready to present your pitch? Now is the time to let your passion shine! Science shows that passion is contagious. You cannot inspire others unless you are inspired yourself. Your audience wants to hear about your burning desire to solve societal problems and make the world a better place.

The pitch should be simple, avoiding grandiose statements. Your audience will be more impressed by a clear, concrete, and well-communicated solution. Do not forget to state what you want from your audience. If you don't say it, they may not ask and will disengage.

Also, it is good to explain where you want to go with the impact venture, but make sure that you are also ready to clearly explain how you are going to get there. It is essential to know your numbers, understand key data, and be ready to explain it. The floor is yours to inspire your audience!

CHAPTER 10 | TASK **10**

INSPIRATIONAL PITCH

TASK 10

INSPIRATIONAL PITCH

1.

Write a paragraph for each of the following pitch components:
• The problem being addressed, its importance, and the target segment
• Proposed solution, financial sustainability, and impact
• Who you are, what distinguishes your team, and why you will change the world
• Next steps forward – pilot launch, what you need, and how they can help.

2.

Write a pitch to communicate the initiative in 90 seconds (and then practice)
Tip 1: Make the societal problem concrete and clear through a compelling story complemented by data.
Tip 2: Do not waste time with a long introduction or "thank you so much, blah, blah, blah". Just dive in!
Tip 3: Passion is key, but clear reasoning also sells.

CONCLUSION

We hope that you have reached the end of this guide inspired, motivated, and equipped with the right tools to design and implement innovative and impactful initiatives.

If you have just now picked up the guide and began reading it from the conclusion, we have good news for you; you already reveal traces of a social entrepreneur – motivated, impatient, and eager to know how "The Social Entrepreneur's Guide to Changing the World" ends. We assure you that reading from the beginning will be worth your while.

Do not expect to be immediately successful, because designing an innovative solution to a societal problem is an iterative process and uncertainty is a key part of that process. Let's be realistic; social entrepreneurs, like commercial entrepreneurs, rarely have great success at first. What distinguishes the successful ones is their ability to embrace and accept their mistakes and failures and learn from them while being resilient in the pursuit of their vision. This is the "secret sauce" of creating solutions that truly work.

Finally, when your solution begins to change the world and impact the lives of many people, we would like to thank you for your vision. Thank you for being a pioneer and pointing others towards the right way forward. Thank you for your resilience and ability to inspire. Thank you for being the change you want to see in the world.

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