



# **THINK LIKE A SOCIAL ENTERPRISE**

*e-book*

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# INTRODUCTION

- Social enterprises have been receiving increasing attention in the South African media. The government has also recognized their value and is developing policies to assist them. Various universities have developed social enterprise programmes. The star of social enterprises is clearly on the rise.
- You may have heard of local social enterprises such as Greater Capital, Clothing Bank, Greenpop, Impact Hub and Reel Gardening. These organizations blend business thinking with their social purpose, and overcome some of the constraints facing organizations that rely solely on grants. This means they are particularly relevant in South Africa's economic and social climate.
- I have been a big advocate of social enterprises since I heard of them 14 years ago, and believe that there is much we can learn from them. This e-book presents 10 key insights I've discovered through working with social enterprises and studying how they do business. These insights intend to complement rather than replace existing wisdom about strategy, leadership organization design and culture.
- I recognize that social enterprise business models may not be appropriate to many non-profit organizations. I do however strongly believe that we can all learn about how successful social enterprises operate, and believe that these principles can be applied regardless of business model or sector or legal entity or size or stage of development.
- Hope you find wisdom in the 10 exciting organizations presented in this e-book.

# WHAT IS A SOCIAL ENTERPRISE?

A social enterprise is an organization that adopts a business like approach to tackling a social or environmental issue. It is a social business.

Key ingredients include:

- It has an explicit social purpose.
- It generates the majority of its income through trading / business activities.
- It reinvests the majority of profits.
- It seeks to create social value throughout its operations.
- It is accountable and transparent.

Social enterprises can assume the legal form of a for-profit entity or non-profit entity or both (i.e. hybrid model).

The example alongside shows Shonaquip, a South African social enterprise started in 1992 that designs and manufactures mobility devices (e.g. wheel chairs and posture support) for the physically disabled. It uses a hybrid model.



SHONAQUIP  
mobility & seating solutions



UHAMBO  
FOUNDATION

Enriching lives

Inspiring positive change



# TEN PRINCIPLES OF SOCIAL ENTERPRISE THINKING

1. Adopt the social enterprise paradigm and blend business thinking with your social purpose.
2. Clearly define the purpose of your enterprise.
3. Define the positive outcomes that your enterprise achieves.
4. Gather convincing evidence of having achieved these formally-stated outcomes.
5. Demonstrate value-for-money, and refine your business model until this is achieved.
6. Earn income; don't rely on donations for your survival.
7. Market your successes more than the social problem you're tackling.
8. Sell benefits to your customers.
9. Collaborate with businesses, and give them real value.
10. Develop a powerful brand, around which you deeply engage communities.

# 1. ADOPT THE SOCIAL ENTERPRISE PARADIGM AND BLEND BUSINESS THINKING WITH YOUR SOCIAL PURPOSE

- There are two components to social enterprises: their business models and their paradigm.
- Although social enterprise business models may not be appropriate to certain organizations, the way they think has definite value.
- There are a number of tenants which I believe are at the core of the social enterprise thinking:
  - Use business thinking to tackle social issues
  - Be ambitious
  - Be willing to take calculated risks
  - Be passionate about your work
  - Be creative
  - Be comfortable with the idea of making a profit.
- Don't expect everyone to agree with the principles presented in this e-book. Some people may even feel that some of them are immoral. It has already taken over 15 years for South Africa's non-profit sector to see the value of generating an income and embracing certain business principles. It will take many more before the phenomena of social enterprises is embraced, and there will no doubt be some tensions along the way.
- Remember that "social enterprise" is as much a way of thinking as it is a business model.

# 1. ADOPT THE SOCIAL ENTERPRISE PARADIGM AND BLEND BUSINESS THINKING WITH YOUR SOCIAL PURPOSE – an example

While still at school, Claire Reid designed a method of preparing and packaging seeds for fruit and vegetable gardens that significantly increased the chances that gardens would grow and be fruitful.

She then setup Reel Gardening, and this enterprise has since expanded to include a variety of food gardening and carbon offset products.

Reel Gardening sees itself as a social enterprise and believes that the idea of making a profit should not be shunned, provided that profit is not made at the expense of people or the planet. Free from the burden of constraining and outdated stereotypes, Reel Gardening has the freedom to do whatever makes most sense to maximize its impact (such as establishing a hybrid enterprise).

Discovering Reel Gardening and chatting to Claire has been a very refreshing experience, and this type of attitude bodes well for the future.



## 2. CLEARLY DEFINE THE PURPOSE OF YOUR ENTERPRISE

- Clearly define the purpose of your enterprise.
- Be able to say “the purpose of [insert your enterprises name] is to ...., and we do this by...”
- Use precise language and avoid jargon. This will be more difficult than you think.
- I have found that it is impossible to develop a clear strategy while using abstract language and jargon as it muddles one’s thinking.
- Suggest you drop the baggage of vision and mission statements. Too many of these statements have become so abstract and full of jargon they’re useless and do not serve to focus an enterprise. It is also surprisingly difficult to get an enterprise to change their vision and missions, hence my recommendation to focus on purpose instead.
- A clear sense of purpose will have a number of positive consequence for your enterprise.

## 2. CLEARLY DEFINE THE PURPOSE OF YOUR ENTERPRISE – an example

Steps Charity (South Africa) is a hybrid social enterprise working to alleviate clubfoot in Southern and East Africa. It uses the Ponseti Method – a technique for correcting children’s feet when they are still very young and their muscles, tendons and ligaments are still very flexible.

Steps Charity’s purpose is very clear and focused – to ensure that every child born with clubfoot in Southern Africa has equal access to the Ponseti Method. This clarity of purpose enabled Steps to establish constructive partnerships with organizations such as miraclefeet and Ponseti Doctors Association. It has also enabled Steps to focus its efforts and track its successes.

Steps helps on average 800 children each year to correct this disorder and has helped established programmes at 10 clinics in South Africa as well as at a clinic in Namibia and in Botswana.



### 3. DEFINE THE POSITIVE OUTCOMES THAT YOUR ENTERPRISE ACHIEVES

- You must be able to answer the following question precisely – i.e. without using jargon or abstract language.
  - What changes will you see in the world if your enterprise is fulfilling its purpose?
- To answer this questions you will need to map out the changes in the world that are *directly caused* by your enterprise – not those that could be caused by other factors.
- We're most interested in the *outcomes* your enterprise intends to create, as opposed to its activities, outputs or long-term impact.
- Examples of outcomes include rehabilitated offenders, improved governance, treatment adherence, decreased rates of HIV or TB or teenage pregnancies, policy changes, reduced crime rates, functional clinics, job created, safer schools, healthier children, improved marks etc.
- Logic Models and Stakeholders Maps may be useful tools in this exercise.
- An outcomes orientation will change the way your enterprise runs. You will start paying less attention to how busy you are (e.g. activities and outputs) and more attention to the changes that you are creating in the world. This change in focus will in turn promote social innovation as you find much better ways of creating and sustaining social change.

# 3. DEFINE THE POSITIVE OUTCOMES THAT YOUR ENTERPRISE ACHIEVES

## – an example

TRADE-MARK connects township artisans with suburban clients. Artisans are recruited, screened and listed on a website where clients (e.g. small businesses or suburban households) needing artisans (e.g. carpenters, gardeners) can book an artisan as well as rate his/her services. TRADE-MARK's desired outcomes are as follows:

- Clients have positive experiences re the quality and professionalism of the artisans
- Increasing number of quality tradesman signing up, and the overall quality of tradesman listed
- Increased use of the services by suburban clients (diversity, number and repeat business of clients)
- Increased income earned by the artisans.

Partially because of this clarity of purpose and measurable outcomes, TRADE-MARK has just signed a R2.5 million deal with the IDC's social enterprise fund conditional on it's operations being scaled.



## 4. GATHER CONVINCING EVIDENCE OF HAVING ACHIEVED THESE FORMALLY-STATED OUTCOMES

- Philanthropists and investors want evidence that your enterprise is effective, and so should you.
- The big question is how to define effectiveness. Popular theories are that effective enterprises follow certain practices or produce certain outputs or are simply seen by stakeholders to be effective. There is even a body of theory that says organizational effectiveness is a social construct and too ethereal to measure.
- Unfortunately, none of these theories get down to what really matters.
- My view is that enterprises are only effective to the extent that they can provide convincing evidence of having achieved their formally-stated outcomes; those that cannot are by definition ineffective since anecdotal or biased evidence is all they have to go on.
- You will therefore need to set up a monitoring framework and implement sound research principles to track and evaluate the effectiveness of your enterprise.
- Also consider applying the Social Accounting Framework and get your social accounts audited.
- Having good evidence of your enterprise's effectiveness will help you to innovate and find the funding you need.

## 4. GATHER CONVINCING EVIDENCE OF HAVING ACHIEVED THESE FORMALLY-STATED OUTCOMES – an example

James House is a child care centre based in Hout Bay, Cape Town. This organization runs a number of programmes aimed at supporting vulnerable children, particularly those that have developed dysfunctional and criminal behaviour.

James House's Boys Best Adolescent Programme is an intensive six-month therapeutic programme recognized throughout the province. This programme has clearly defined outcomes, and this enables these outcomes to be measured through statistics (e.g. school absenteeism stats), observation (by a trained psychologist against a formal developmental plan) and official psychometrics (e.g. Strengths and Difficulties Questionnaire, Alabama Parenting Questionnaire and Parent Child Conflict Tactics Scale.)

This level of rigour enable its partners to know that James House is having real success.



## 5. DEMONSTRATE VALUE-FOR-MONEY, AND REFINE YOUR BUSINESS MODEL UNTIL THIS IS ACHIEVED

- Your enterprise must be able to offer more value-for-money than its competitors. In this context, value for money is the ratio between the price of its products and the magnitude of these products' outcomes. Enterprises will tend to have a variety of products, with some providing more value-for-money than others.
- First step is to identify and measure the social outcomes of each product.
- Next step is to investigate whether these products are the most effective method of achieving the desired set of outcomes. If not, then the business model or social innovation or production process will need to be refined until the product is of the required standard.
- The ultimate goal is for your products to a better deal than your competitors, and you want to get to the point where all your competitors are trying to copy you.
- Consider calculating the Social Return on Investment (SROI) of each product.

# 5. DEMONSTRATE VALUE-FOR-MONEY, AND REFINE YOUR BUSINESS MODEL UNTIL THIS IS ACHIEVED – an example

Third Sector Insights is a growing social enterprise committed to improving the quality of governance in South Africa's nonprofit sector. Over the years it has realized that its training and consulting services were having limited reach, in addition to being too costly for many organizations.

Third Sector Insights went back to the drawing board and has recently launched a number of online learning products (e.g. 'ourGovernance') to enable organizations to learn about governance for a much reduced rate. Third Sector also re-examined its target market, and now sells this product to companies who want to improve the quality of the governance of the nonprofit organizations they sponsor.

Third Sector Insights is a good example of an enterprise that has revised its business model in order to expand its social impact.



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e-learning programme for directors



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Welcome Marcus Coetzee

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Modules

- Module 1: Introduction to Corporate Governance and the Nature of the Non-Profit Company
- Module 2: The Duties and Functions of a Board of Directors
- Module 3: Company Effectiveness
- Module 4: Statutory Requirements and Code of Conduct

Module 1 Quizz

2.3 Which of the following statements is incorrect?

- This manual is based on the positive to enhance performance and not the negative to prevent failure.
- It is not possible to make a corporate governance code contractually binding.
- The aim of this manual is to promote effective Board governance.
- This manual does draw attention to legal and statutory regulations.
- Laws and regulations exist independently of and outside this manual.

SECTION 6.0 – THE MEMBERS OF THE NON-PROFIT COMPANY

6.1 Which of the following statements is correct?

## 6. EARN INCOME; DON'T RELY ON DONATIONS FOR YOUR SURVIVAL

- Over reliance on donations can be a death sentence for non-profit organizations, particularly if more than one of these of these conditions are met:
  - Donations come from limited sources
  - Donations are given to cover the costs of specific activities
  - There is limited discretion on how to spend these funds
  - All income is derived from donations
  - The donors are not engaged and don't feel any loyalty to your enterprise.
- In contrast, earning an income will:
  - Give you much more freedom over how best to spend your funds
  - Allow you to build a reserve for “rainy days” and unforeseen circumstances
  - Allow your enterprise to scale if the business model is correct.
- The secret of earning an income is sell the social outcomes your enterprise creates and not the costs of its activities (as many non-profit organizations have traditionally done). Consider the value of a fully functioning clinic or rehabilitated group of former prisoners. Investigate what the private sector is charging. Remember that these social outcomes must come with a price tag (and profit margin), and marketing is about finding someone willing to pay the price.
- I also strongly believe that donors should pay for a set of outcomes to be achieved, and consider whether they are getting value for money. They should not fund activities or outputs.

# 6. EARN INCOME; DON'T RELY ON DONATIONS FOR YOUR SURVIVAL

## – an example

Greater Capital is a social enterprise involved in social research, enterprise development and due diligence.

When Greater Capital first started, it adopted a traditional approach and tried to raise funds to cover its costs. It quickly realized that it was difficult to find sufficient donations to sustain or expand its work. To remedy this, Greater Capital started packaging its work as consulting services and hunting for customers. Nowadays, Greater Capital has over 100 clients and earned income covers more than 80% of its operating costs.

Furthermore, Greater Capital has been able to build reserves and enjoy increased discretion on how best to spend its funds to further its social purpose. Greater Capital is continuing to grow and is a significant player in South Africa's social enterprise space.



## 7. MARKET YOUR SUCCESSES MORE THAN THE PROBLEM YOU'RE TACKLING

- It was much easier to raise money in the 1980s and 1990s.
- All organizations had to do was describe and provide evidence of the terrible problem that they were addressing. Some people referred to this as “poverty porn”. If this was done well enough, then moral donors would throw money at them.
- The world has changed.
- Our senses are saturated with stories of misery and poverty, and many of us have learned to filter out this information.
- Nowadays investors and philanthropists want to associate their brands with success in tackling these issues, rather than the issue itself.
- Study your successes. Gather evidence of your successes. Brand your successes. Develop stories of your successes. Use traditional and social media to share you successes.

# 7. MARKET YOUR SUCCESSES MORE THAN THE PROBLEM YOU'RE TACKLING – an example

The African Social Enterprise Network (ASEN) is an inclusive network of over 3,800 social entrepreneurs and enterprises.

The purpose of ASEN is to help create a vibrant social entrepreneurship sector across the continent. In addition to its advocacy work, ASEN hunts for opportunities (funding, learning and networking) for its members. ASEN also distributes valuable information on running a social enterprise and industry trends. Finally and perhaps most importantly, ASEN celebrates the work of social enterprises and social entrepreneurs in order to change mind-sets, share lessons and provide encouragement.

ASEN very deliberately associates its brand with success and records its achievements. It also fully endorses any organization working to improve the lives of social entrepreneurs. These are some of the reasons why so many organizations want to be part of ASEN.



## 8. SELL BENEFITS TO YOUR CUSTOMERS

- The traditional nonprofit voice says “please give us money, we’re doing good”. In contrast, the social enterprise says “would you like to buy this product, and here’s what’s in it for you”.
- Distinguish between customers and beneficiaries in your thinking. Customers are the people or organizations you want money from. They must be the focus of your marketing strategy, while beneficiaries are the parties that benefit from your products. In some instances, the customer and beneficiaries are the same, and in other cases they are different.
- In order to sell, you first need to develop a product:
  - Identify in clear and specific terms what changes you want to create in the world.
  - Package these social outcomes into a product.
  - Clearly describe what makes the product magical.
  - Show how much value-for-money it provides.
  - Explain the benefits for your customer, which could be philanthropists, beneficiaries or investors.
- Thinking about “selling” or “marketing” instead of “fundraising” encourages you to focus on the value being provided to the customer. Remember that the sale must be about them and not about you.
- Market the product to your customers using all the proactive marketing tools at your disposal.

## 8. SELL BENEFITS TO YOUR CUSTOMERS; DON'T BEG FOR FUNDING – an example

The Clothing Bank is a social enterprise based in Cape Town that helps unemployed mothers to gain self esteem and establish retail businesses in the clothing sector, in order to support themselves and their families.

The Clothing Bank collects surplus stock from large clothing retailers and removes the original branding thus preventing wastage and brand contamination. It provides unemployed women with approximately 500 hours of life-skills and business training over two years. These women are helped to setup businesses to sell this purchase the unbranded clothing from the Clothing Bank and resell it to the general public with a mark-up.

These 200 women and their businesses generated a total profit of approx. R4million in the most recent financial year. The revenue from selling clothing to these 200 businesses has decreased the Clothing Bank's reliance on donor funding and enabled it to expand.



## 9. COLLABORATE WITH BUSINESSES, AND GIVE THEM REAL VALUE

- Close-minded nonprofit organizations tend to see businesses as merely sources of funding.
- They feel that businesses have a moral and compliance obligation to give them funds via a dependent relationship, where businesses are the philanthropists or investors and nonprofit organizations are the beneficiaries.
- This is very short-sighted. There is much more value to be gained by integrating ones enterprise into the ecosystem of these businesses in a way that makes good business sense.
- There are four primary methods of doing this:
  - Help businesses to secure the supplies and inputs they need
  - Help businesses to attract and retain customers
  - Help businesses to improve the environment/context in which they work
  - Help businesses to honour their immediate social, environmental and legal responsibilities.
- If you achieve this and become useful to a business, then you will be able to tap into a far greater and stable pool of funding (e.g. enterprise development funding).

# 9. COLLABORATE WITH BUSINESSES, AND GIVE THEM REAL VALUE

## – an example

CapaCITi, a division of Cape Town IT Initiative, is an aspiring social enterprise focused on building skills in the South Africa's IT sector.

CapaCITi liaises with IT companies to identify skill shortages and with universities to develop the required fast-track IT programmes. CapaCITi then runs boot camps with young unemployed South Africans to identify aptitude to acquire the necessary IT skills. Those who survive the boot camp get bursaries to study one of these programmes. Graduates are then placed in paid internships with IT companies, which are carefully structured and monitored.

Next step is for CapaCITi to start charging placement fees to cover the costs of its activities. CapaCITi's provides IT companies with tangible value.



# 10. DEVELOP A POWERFUL BRAND AROUND WHICH YOU DEEPLY ENGAGE COMMUNITIES

- A brand is everything that someone experiences about your organisation. A news article, a Twitter feed, a meeting with one of your staff, your logo, your offices, hearsay ...It's what exists in someone's mind as a result of any of these interactions.
- A brand draws people to your organisation, it gives your organisation depth and soul, a feeling of belonging, a perception, it gives them something to engage with and believe in.
- When you become more social enterprise-oriented, your brand becomes even more paramount, to focus your marketing and often your business strategy.
- Enterprises with powerful brands are able to:
  - Attract philanthropists, investors, customers and partners.
  - Get past gatekeepers to access key people.
  - Get people to notice and to listen to them, because they have credibility.
  - Attract, inspire and retain competent staff.
- To develop a powerful and engaging brand you'll need to:
  - Work with your staff and partners to develop a brand that reflects the magic of what you do.
  - Ensure that this brand is reflected in all decisions, interactions, documentation and communications of your enterprise.
  - Live the brand - with passion, soul and consistency.
- Remember to associate your enterprise's brand with results that solve problems as people want to be associated with success, not failure.

# 10. DEVELOP A POWERFUL BRAND AROUND WHICH YOU DEEPLY ENGAGE COMMUNITIES – an example

Greenpop is a dynamic social enterprise that has built a very engaged community of customers and volunteers.

In order to address deforestation in Africa, Greenpop has planted and maintains 40,002 trees in 286 locations such as under-greened schools, creches, community centres and deforested areas. What's special about Greenpop is just how many volunteers (3,478) have joined Greenpop and paid their costs to travel to an African country to help plant trees.

Equally impressive is how many customers sponsor or gift trees and receive their Tree Gift Certificate with the GPS coordinates of 'their' trees. Greenpop has succeeded in building a community where people have fun doing good work. Visit their website (link on following page) and see the progress they're making.



## OUR PROGRESS

40002

Trees planted

286

Locations

121,624

People benefiting

3478

Volunteers Signed up

3½

Years



# Links to Examples

- Shonaquip - <http://www.shonaquip.co.za/>
- Reel Gardening - <http://www.reelgardening.co.za/>
- Steps Charity - <http://steps.org.za/>
- Trade-Mark - <http://www.trade-mark.co.za/>
- James House - <http://www.jameshouse.org.za/>
- Third Sector Insights - <http://www.thirdsector.co.za/>
- Greater Capital - <http://greatercapital.co.za/>
- African Social Entrepreneurs' Network - <http://asenetwork.org/>
- The Clothing Bank - <http://www.theclothingbank.org.za/>
- CapaCITI - <http://www.capaciti1000.org.za/>
- GreenPop - <http://www.greenpop.org/>

**Thank you**

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