



2010-2011 NESsT Social Enterprise Competition, Croatia



Information session

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Zagreb,
June 18, 2010,



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NESsT Mission



NESsT works to solve *critical social problems* in emerging market countries by developing and supporting *social enterprises* that strengthen civil society organizations' *financial sustainability* and maximize their *social impact*.





NESsT Initiatives

NESsT Venture Fund

Philanthropic investment funds supporting social enterprise portfolios in emerging markets.



NESsT University

Promoting accountability, innovation, leadership and professionalism in the field of social enterprise through publications and various professional fora.

NESsT Consulting

Provides professional services in social enterprise development clients around the world.



NESsT support in Figures



Invested and leveraged more than **USD 3 million**

Introduced **1300+ orgs** to the concept and tools of self-financing

350+ orgs trained in social enterprise development

41 mature social enterprises in NESsT Later Stage portfolio, 8 exits





What is self-financing & social enterprise?



What is Self-financing?

- Strategies that CSOs use to generate their own revenues and further their mission impact
- Self-financing strategies can be mission or non-mission related



Methods of Self-Financing

METHOD	EXAMPLE	ADVANTAGES OR RISKS
<p>Membership Dues</p> <p>Collected from members or constituents in exchange for some product or service or other benefit.</p>	<p>Your nonprofit provides a magazine to members and/or offers other membership services or products.</p>	<ul style="list-style-type: none"> • reliable and plannable • time-efficient • easy to rely on • may require some service provision
<p>Fees for Services</p> <p>Charged in exchange for a provided service, oftentimes capitalizing on some existing skill or expertise</p>	<p>Your nonprofit provides consultation services to individuals, businesses or government agencies.</p>	<ul style="list-style-type: none"> • can be very profitable • enhances/uses existing skills • true profitability is difficult to calculate • may exclude some beneficiaries
<p>Product Sales</p> <p>Selling products produced by or for the nonprofit's constituents; reselling donated products; or producing and selling new products.</p>	<p>Your nonprofit sells its publications or products produced by your constituents as part of an employment generation program.</p>	<ul style="list-style-type: none"> • time consuming • provides good additional promotino • can be lucrative • time consuming



Methods of Self-Financing (continued)

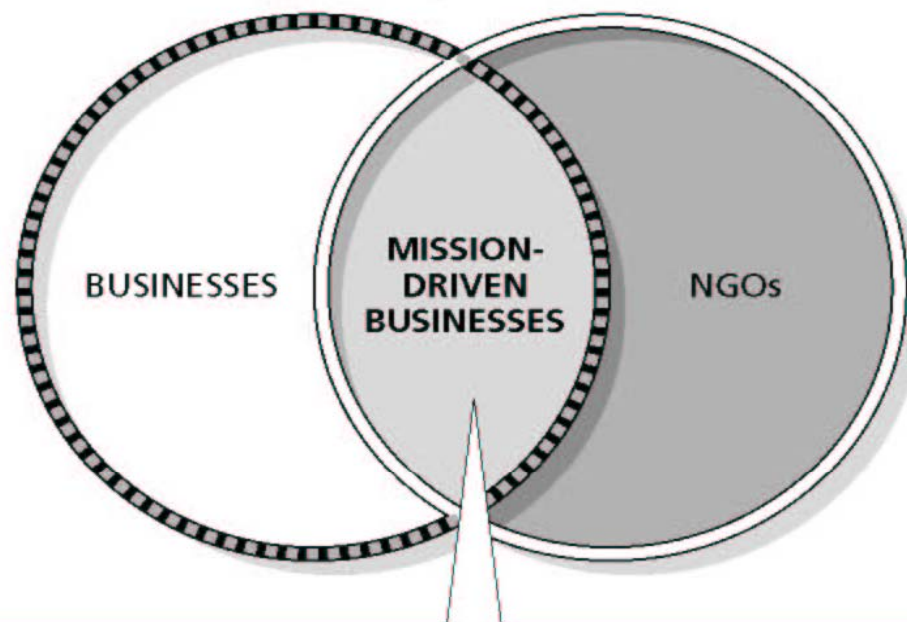
METHOD	EXAMPLE	PROFITABILITY/RISK
<p><i>Use of Hard Assets</i> Renting out real estate, space/facilities, equipment, etc. when not in use for mission-related activities.</p>	<p>Your nonprofit rents out its conference room space for trainings, workshops or meetings.</p>	<ul style="list-style-type: none"> • easy • can be a regular revenue stream • value appreciation • wear and tear and misuse
<p><i>Use of Soft Assets</i> Generating income from methodologies, patents, licensing agreements, royalties for intellectual property, or endorsements.</p>	<p>Your nonprofit endorses a product of a corporation, lending your name in exchange for a royalty fee.</p>	<ul style="list-style-type: none"> • once developed, an easy source • hard to develop ☺ • risk to reputation
<p><i>Investment Dividends</i> Dividends from investments of financial resources (e.g., savings, endowments, reserve funds, etc.).</p>	<p>Your nonprofit invests its savings in high-yield interest bearing accounts or mutual funds.</p>	<ul style="list-style-type: none"> • no time investment needed • regular revenue stream • plannable • few nonprofits have reserves • require specialized skills



Venture Philanthropy: A new paradigm

MISSION-DRIVEN BUSINESSES

The crossover between the traditional for-profit business and nonprofit NGO form creates two types of hybrid "mission-driven businesses."



Type:	For-profit	Nonprofit
Priorities:	1) profit; 2) mission/values	1) mission/values; 2) profit
Destination of Income/ Profits:	Distributed to shareholders/ owners (perhaps a percentage is donated to charity depending on financial performance)	Reinvested in the mission-related activities or administration/core activities of the nonprofit (required by either law or organizational policy)
Accountability:	Shareholders	Stakeholders



Video from the 2008 Social Entrepreneurship Summit in Canada, organized by the Social Innovation Generation.



What is Social Enterprise?



High impact entrepreneurial activity designed to tackle a critical social challenge in an innovative way through the ongoing and professional ***provision of products and services***. Its primary objective is significant ***social impact***, while it also aims to strengthen its ***financial sustainability***.



NESsT traditionally supports social enterprises owned and ***operated by civil society organizations*** (CSO).



Portfolio examples: PRONI, Croatia

Mission: PRONI works to effect post-war social reconstruction and decrease the use of drugs and alcohol among Croatian youth by engaging young people in informal education and employment opportunities.

Social enterprise: At Pirovac, on the Adriatic Coast, PRONI offers commercial rental of its Residential Centre for seminars, retreats and private recreational use. PRONI also offers additional services such as training and event facilitation.

Results:

- 35 % annual increase of sales
- additional service of trainings
- efficient use of property
- hundreds of additional beneficiaries

www.proni.hr





Portfolio examples: RODA, Croatia

Mission:

Through education and awareness campaigns, RODA works to bring widespread change in Croatian maternal care and increase parental involvement in children's lives.

Social enterprise:

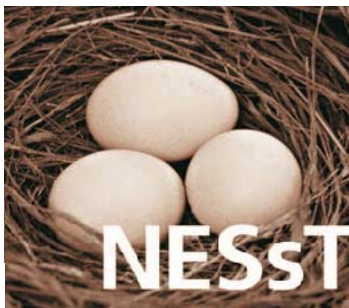
RODA produces and markets eco-friendly cloth diapers and accessories, offering health-related, environmental and social value as part of a high quality childcare product.

Results:

- 150 % increase in sales, more than doubled market share
- Already profitable
- introduced 7 new models and new materials
- half of total budget: 50 % self-financed!!
- widespread positive exposure and promotion

www.roda.hr





Partnership examples: OGI, Croatia

Mission: OGI initiates and supports social development in local communities through 3 programs: promotion of human rights, community development and support for nonprofit organizations.

Social enterprise: OGI provides specialized accounting and financial services to local small and medium size NGOs in the regions of Slavonija and Baranja, helping them to improve the quality of their financial planning and management capacities.

Results:

- 30% annual increase of turnover
- 20 institutional clients
- new skills and reputation
- successful exit

www.ogi.hr





Portfolio examples: Fruit of Care, Hungary

Mission:

FoC works to promote the social integration and acceptance of people with intellectual and combined disabilities.

Social Enterprise:

FoC is developing, creating and marketing a high quality, designer product line of unique home decoration and gift items created by people with intellectual disabilities.

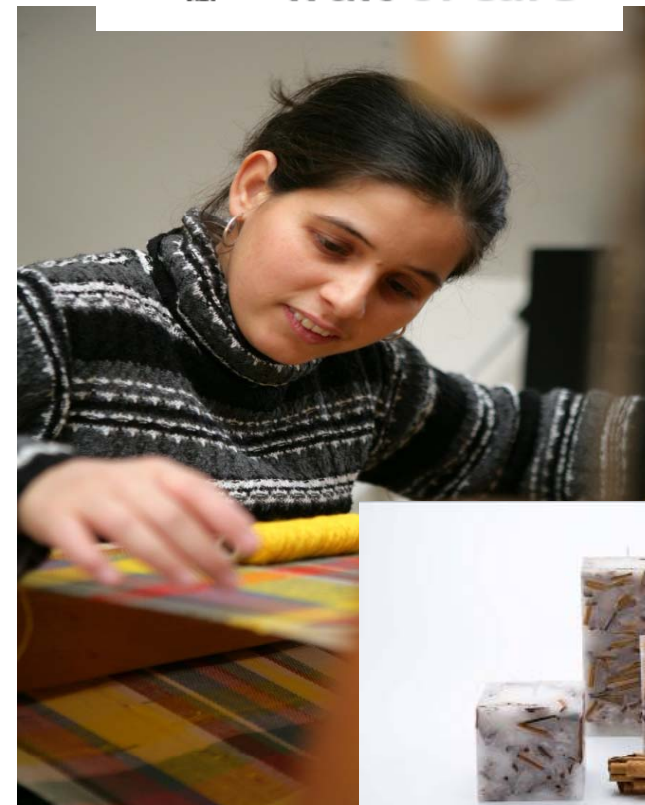
Results:

- doubled sales over two years
- obtained two new workshop partners, negotiating with 5 more
- giving employment to over 30 beneficiaries
- successful sales to companies, online webshop
- featured in Financial Times as a model social enterprise

www.fruitofcare.hu



fruit of care®





NVF Later Stage portfolio: Kek Madar Foundation Szekszard, Hungary

Mission:

To create economic and educational opportunities for unemployed and marginalized people, providing them temporary employment, job training and child care to help them transition to full-time employment and independent lives.

Social enterprise:

Restaurant that provides training and employment for physically and mentally disabled people

Results:

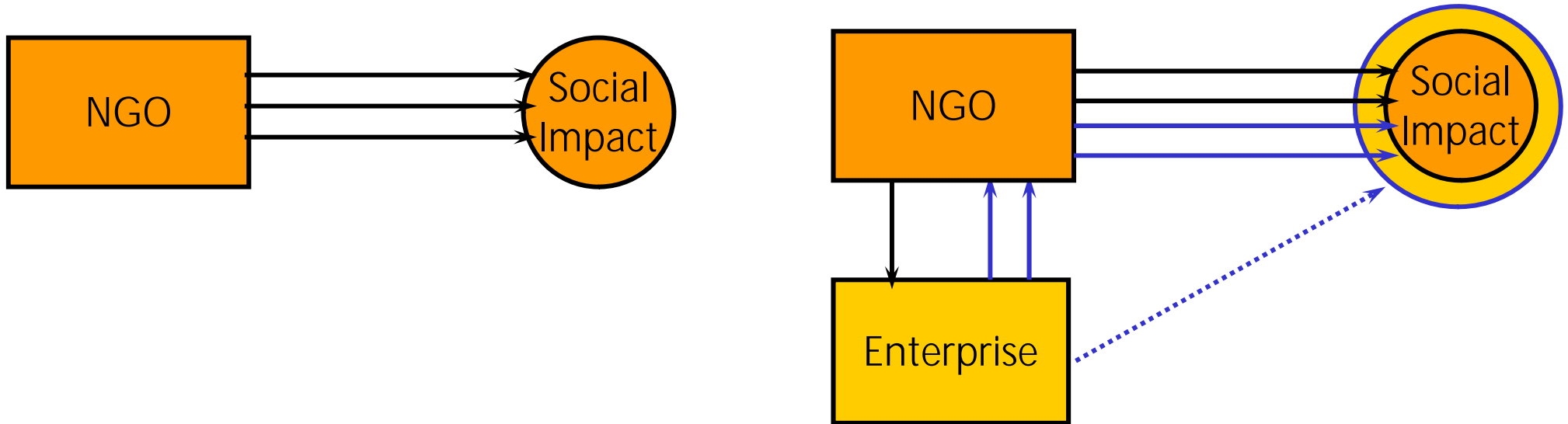
- 13 % of total budget
- 100 000 USD revenue
- 8 former trainees placed on job market
- 7 beneficiaries permanently employed
- White Lily Flag
- Fourfold expansion of seating capacity

www.izleloetterem.hu





Social enterprises can help organizations increase social impact



- Enterprises provide funding to the nonprofit organization
- They also create opportunities to support the mission through a business
 - Jobs for disadvantaged populations
 - Improvements in the environment

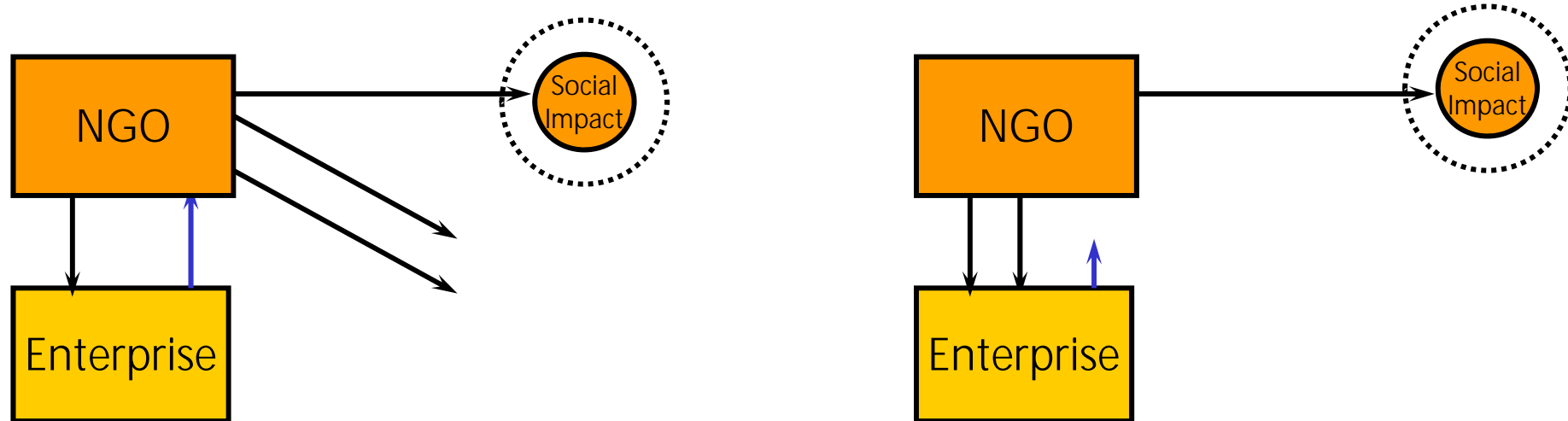


Benefits of Social Enterprise

1. Increased income	If/when a self-financing venture is "profitable."
2. Diversified revenues	Self-financing can help diversity your funding base and help reduce dependence on fluctuating funding sources.
3. Greater flexibility	Unlike many grant sources, self-financing income is "unrestricted."
4. Improved overall organizational performance	Financial and managerial discipline required for self-financing can also improve overall nonprofit efficiency, planning and systems
5. Positive impression on donors	Many donors like to see that a nonprofit is making a concerted effort to generate some of its own resources and diversify income.
6. Strengthened board	Self-financing can help engage board members and make use of their experience and skills in the business world.
7. Increased visibility	Marketing for self-financing can also help reach new audiences for the nonprofit and its mission.
8. Increased self-confidence	Nonprofit leaders and staff gain confidence from the realizing they have the ability to generate income for their mission



Goals will not be met if the enterprise is not well planned!



- However, social impact will decrease if the nonprofit is not healthy and/or the enterprise does not match the needs of the organization.
 - If the organization is not currently sustainable, the focus on the enterprise will further dilute its impact
 - If the enterprise does not fit with the current mission and culture of the organization, it will also limit the overall impact of the organization



Limitations of Social Enterprise

1. Not appropriate for all nonprofits	For whatever reason (financial, ideological, capacity, etc) self-financing may not be appropriate for you.
2. It's not easy	If making a profit were easy, everyone would already be doing
3. Not for nonprofits that are in a financial crisis	Self-financing requires a certain level of financial stability and expertise that not all nonprofits have.
4. Not a way to get "quick money"	Self-financing is a long-term financing strategy; it may take several years before a financial return is realized
5. Not risk free	Any kind of business activity is vulnerable to economic conditions, market fluctuations, etc.; and, if not well managed can place at risk a nonprofit's reputation and/or financial integrity.
6. There is no recipe	Self-financing is very specific to each nonprofits capacity, expertise, mission, skills, etc. There is no formula for success;
7. Can cause internal conflicts	Self-financing activities can cause a variety of internal organizational cultural dilemmas and or ideological conflicts with your mission.



Social Enterprise Development Program: the NESsT methodology



Three pillars of Social Enterprise Development

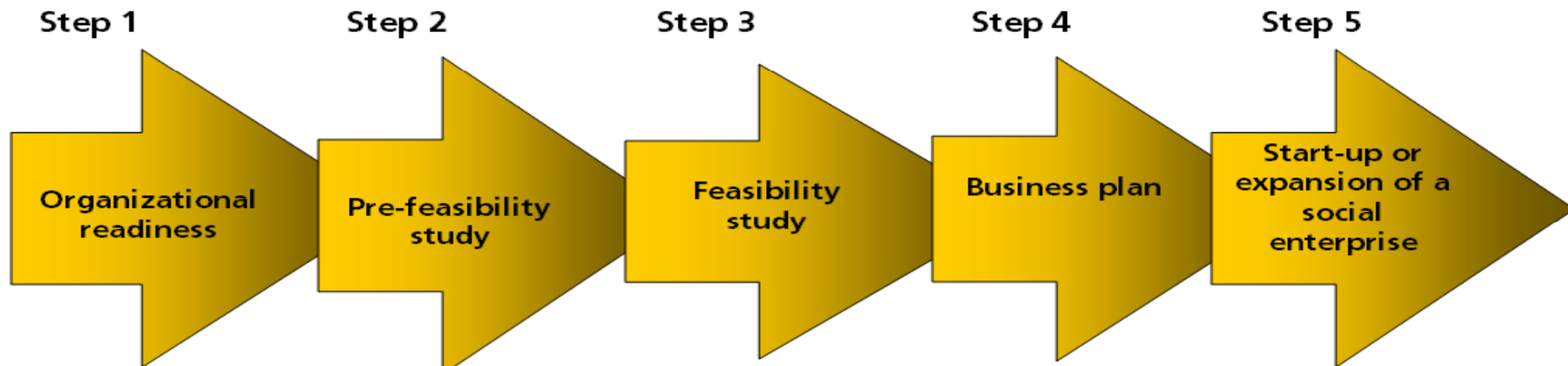




NESsT Social Enterprise Development Process

Early Stage Portfolio

Later Stage Portfolio





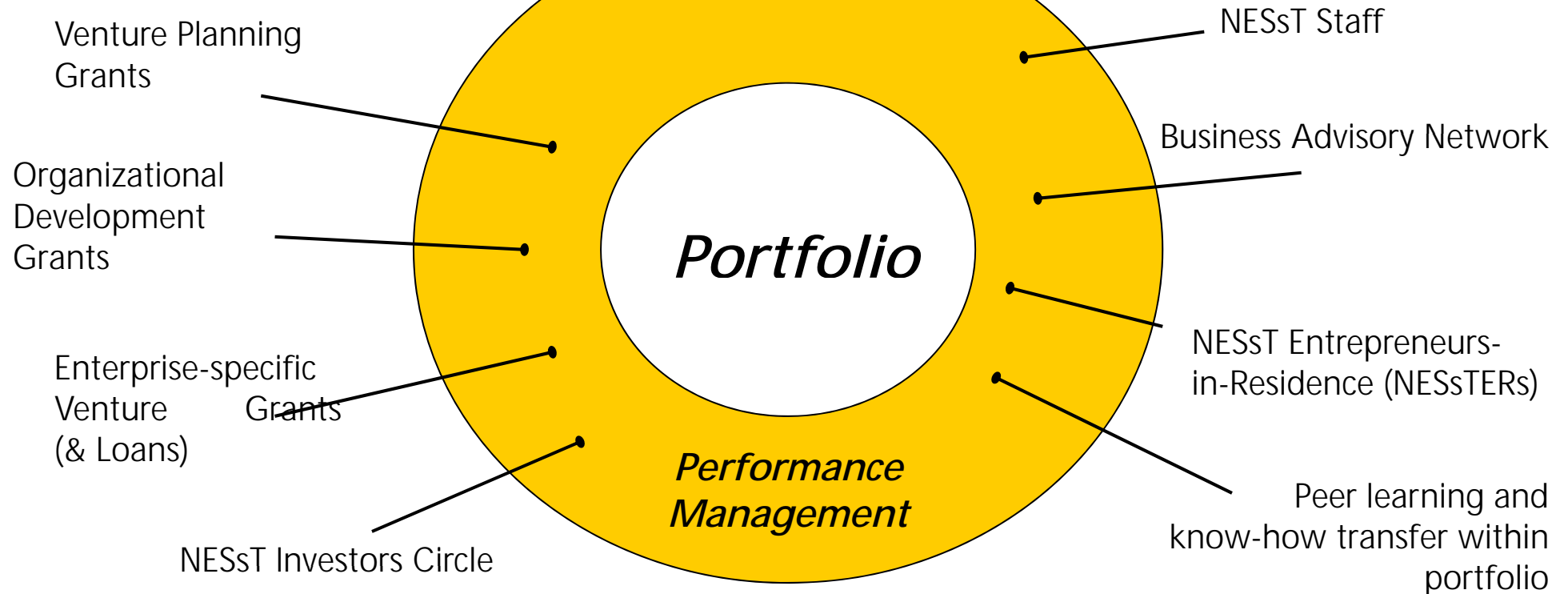
Financing and building capacity: NESsT Later Stage Support

Capital Investments

Package of financing tailored to organization/enterprise needs;

Capacity-Building

Close, tailored technical assistance from NESsT and strategic partners

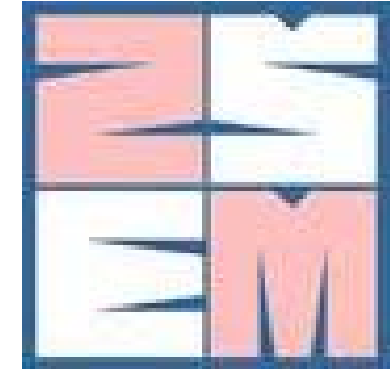




Building bridges: *NESsT Business Advisory Networks*

International and local *Business Advisory Networks (IBAN and BANs)*

A group of 40 international leaders and 100+ local business professionals provide pro bono advice and assistance to NESsT and our portfolio.





Social Enterprise Competition Process and Timing



Early Stage: Enterprise Development Process

Organizational Readiness:

Are we ready? Is this the best moment? Are we committed?

Timing: 2

Pre-feasibility:

Is the idea worth investigating in-depth?

Timing: 4 weeks
OVERVIEW

Feasibility:

Is the business worth pursuing?

Timing: 3 months
IN DEPTH

Business Plan:

How can I implement this business?

Timing: 2 months

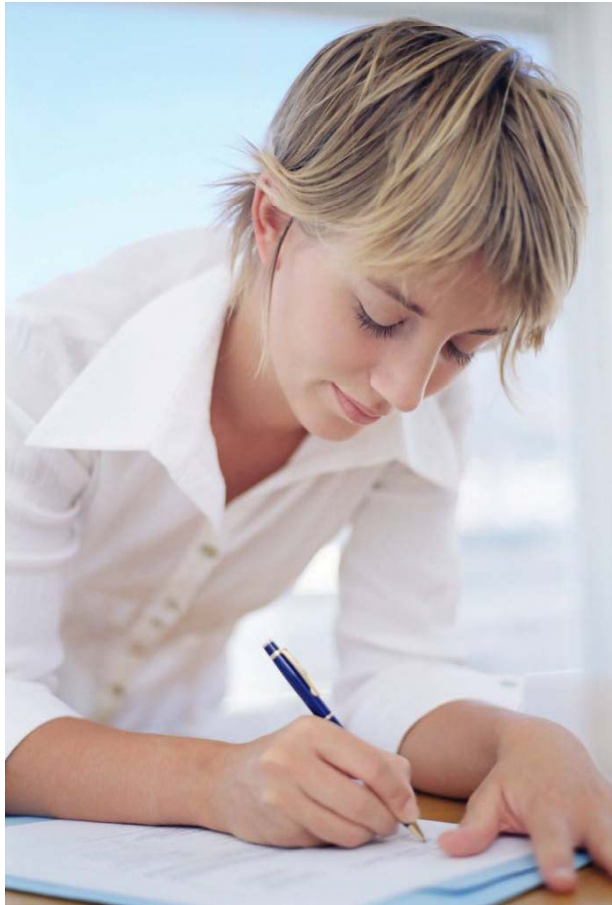


- It is risky to skip steps in this process:
 - putting significant effort/resources into a business not appropriate for you
 - starting a risky business that does not meet your financial/mission goals
- Objectives: minimize risk; build on previous stage; acquire a methodology and build capacity within your organization



2010-11 NESsT Croatia SE Competition Timeline

<i>Activity</i>	<i>JUL</i>	<i>AUG</i>	<i>SEP</i>	<i>OCT</i>	<i>NOV</i>	<i>DEC</i>	<i>JAN</i>	<i>FEB</i>	<i>MAR</i>	<i>APR</i>	<i>MAY</i>	<i>JUN</i>
<i>Application</i>	13											
<i>First Workshop</i>												
<i>Second Workshop</i>												
<i>Site visits</i>												
<i>Third Workshop</i>												
<i>Final decision and awarding</i>												



Application criteria and steps



Eligibility criteria

- Be legally incorporated as a non-profit organization in Croatia for a period of at least ***two years*** at the time of application.
- Work in one or more of the following fields: community/economic development, environment, education, health, culture, human rights, disabilities, citizenship/volunteerism, poverty reduction, children/youth.
- Have an annual budget that ***does not exceed US\$1 million*** a year.
- Be ***financially stable***, with at least one year of operational funding in place.
- Have at least ***one full-time paid staff***, as well as active volunteers.
- The following types of organizations will not be considered: proselytizing religious organizations, solely grant-making foundations, non-autonomous branches of international organizations or organizations tied to political parties or candidates.



3 different tracks based on the development phase of the social enterprise/idea

Track A:

Your organization wishes to *begin developing a social enterprise* that (you may be uncertain as to what or which activity should be developed).

Track B:

Your organization *already has a business plan* or an initial document that indicates the feasibility of a potential social enterprise.

Track C:

Your organization *already has a social enterprise*, and plans to improve it or expand its reach or impact.



Application process

The application form has two parts:

Part 1: an online form - general information about your organization and your social enterprise – *same for all 3 tracks*

Part 2: a Word document – further details about the organization and the social enterprise/social enterprise idea - *different versions for the 3 different tracks*



Application process

To-do:

1. Submit the online application form (Part 1)
2. At the end of the online form, you will be able to download the relevant Word document (Part 2), based on your track choice.
3. Fill out Part 2 and send via email to the given email address. Attach the supporting materials.
4. Print and have the Executive Director sign Part 2 and send via regular post to the given address.

Do all of this by the *13th of July, 2010*.

You will be notified if the application process is completed successfully.



Selection criteria

- Focus on addressing issues at their roots and working towards *systemic social change* through long-term sustainable processes,
- Potential to *demonstrate high social impact* and/or generate significant untied revenues,
- *Commitment* to pursuing a well-planned social enterprise,
- Potential for NESsT to *add significant value*,
- Commitment to NESsT methodology and an *open cooperation*.

A maximum of **20** nonprofit organizations will be invited to participate in the competition, based on these considerations.

Eligible organizations will be notified and invited directly by NESsT by the end of August.



for your attention!

Any

