

# Social Enterprise: Development and Funding

UBC Sauder Social Entrepreneurship –

September 26, 2022

Sean Condon, Vancity Community Foundation

**Vancity**

*Make Good Money.™*

# Vancity Community Foundation





# Megaphone Magazine









# 312 Main





# Downtown Eastside





# Social ventures and social enterprises

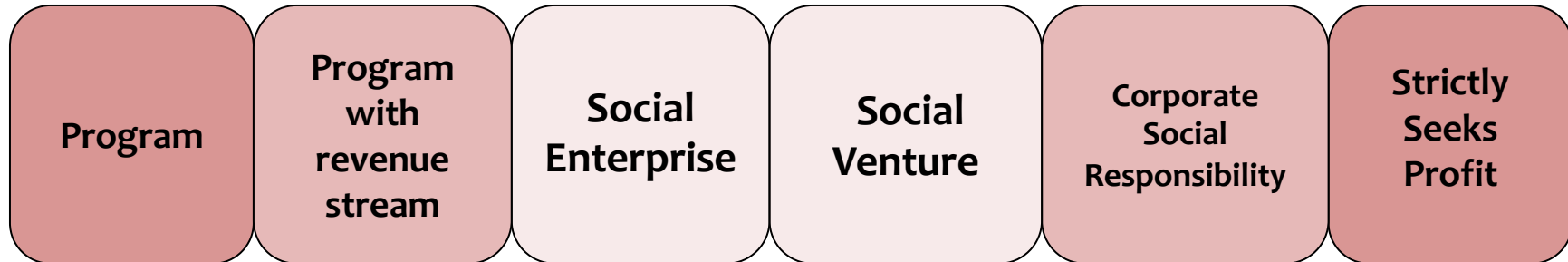


# Enterprise continuum



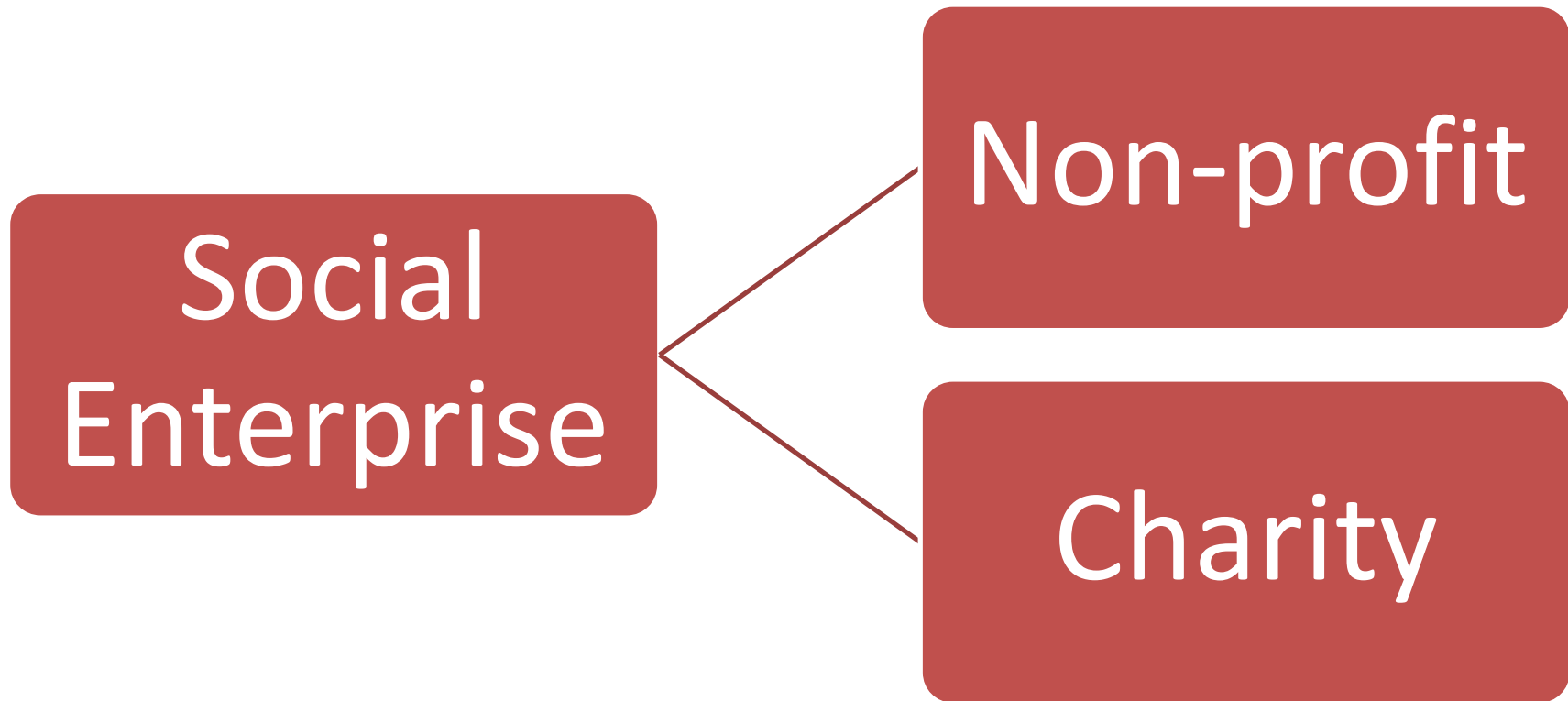
**Not-for-Profit Ownership**

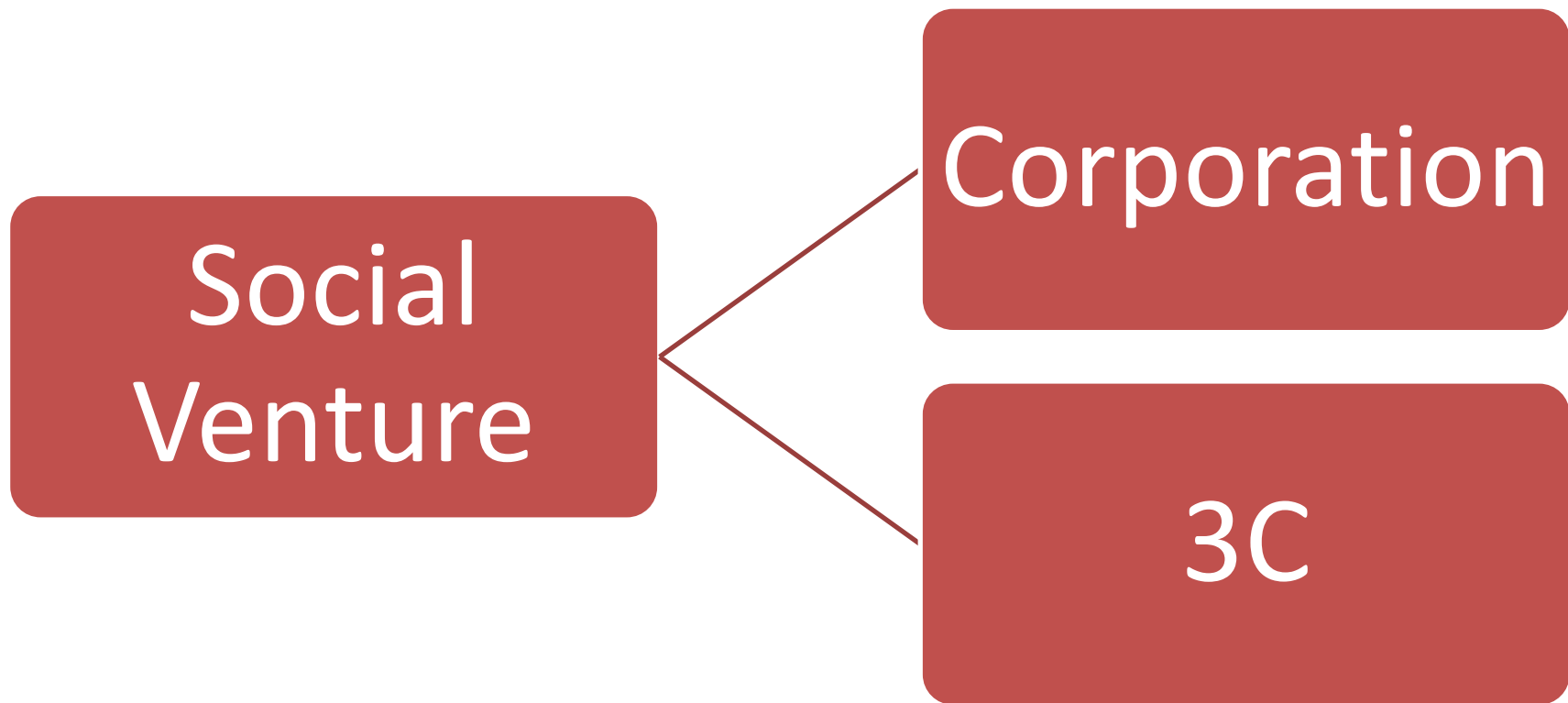
**For Profit / Private Ownership**



**Financial Resiliency**





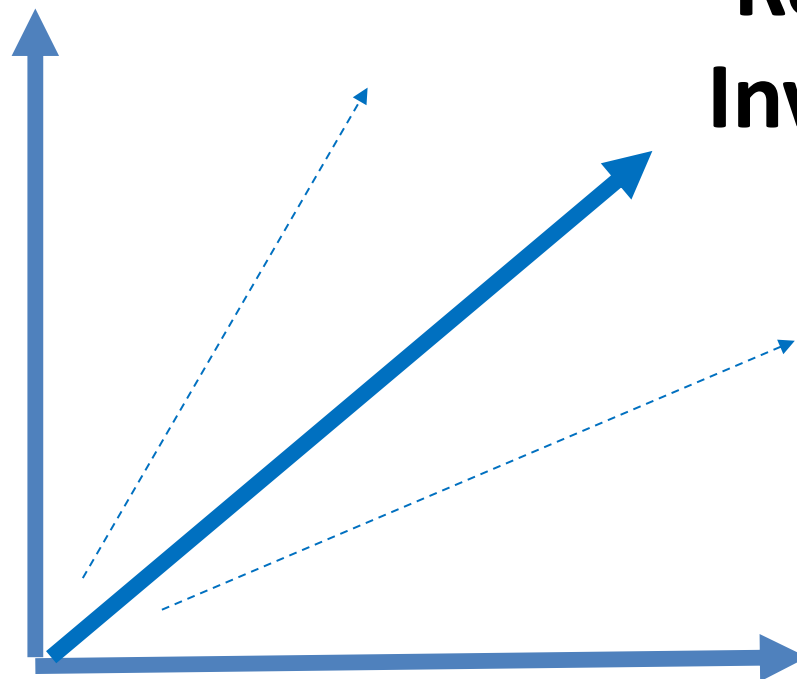






**Social Return on  
Investment**

**Blended Value  
Return on  
Investment**



**Financial Return  
on Investment**

# Mission





# Employment and Training





# Financial Sustainability

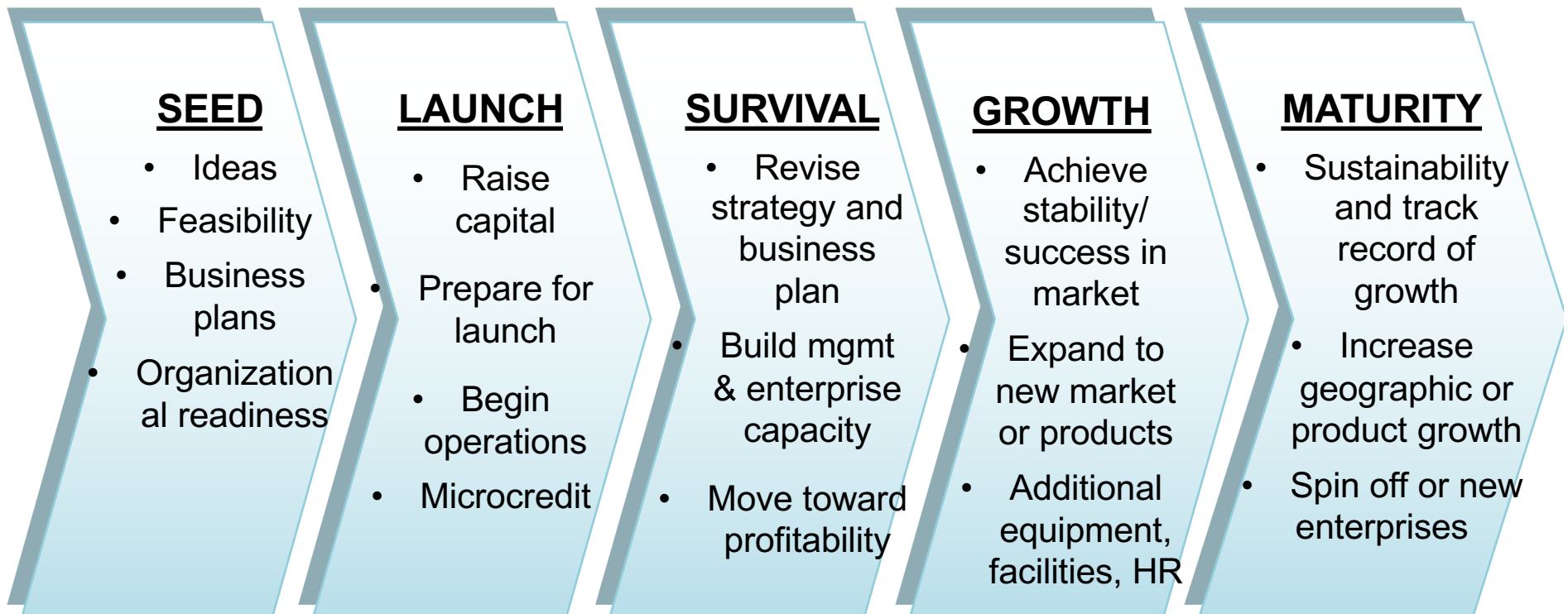




# Social enterprise development



Strategic support aligned to development

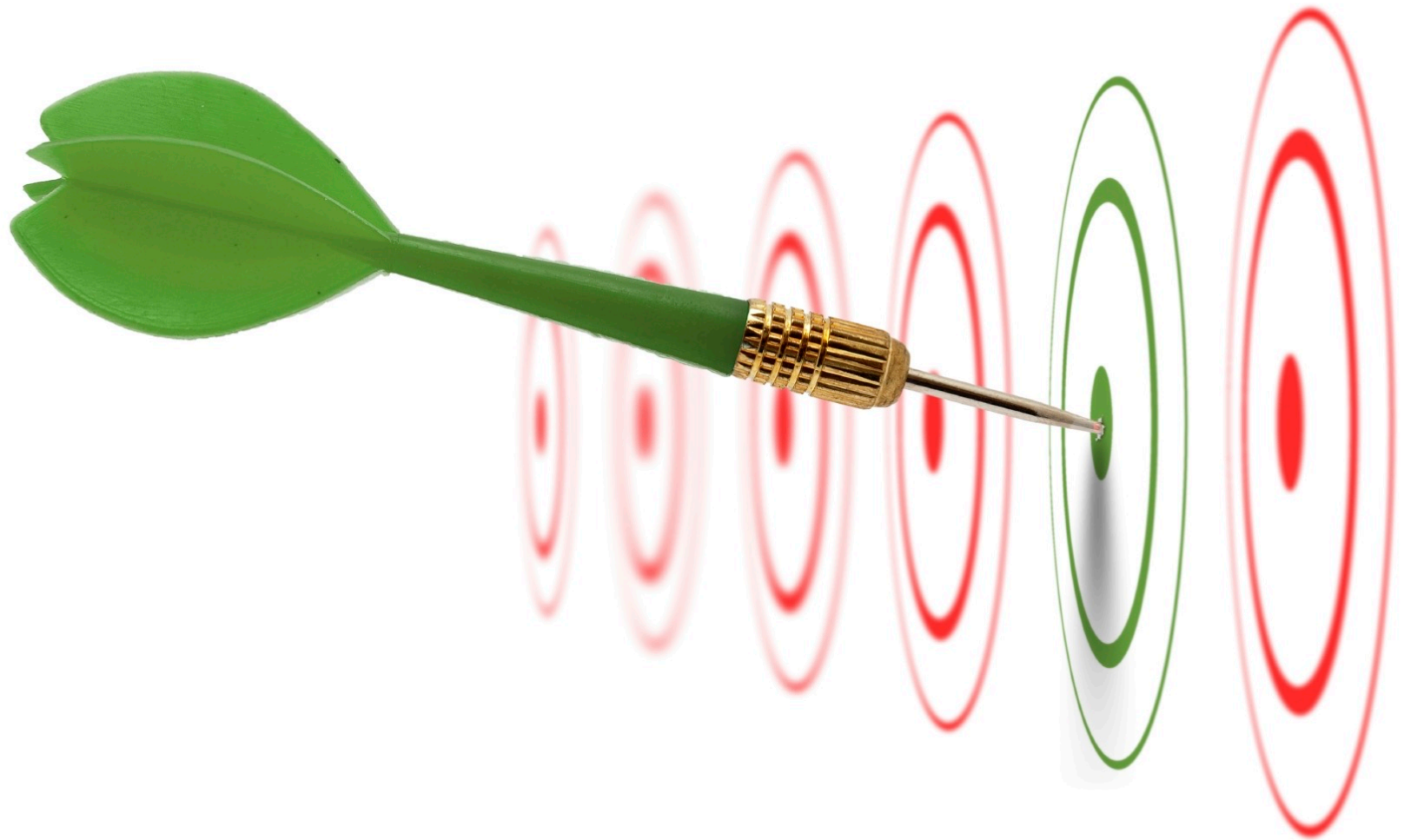


# 10 Things...





# 1. Purpose and goals



## 2. Pivot





### 3. Committed entrepreneur



## 4. Value Proposition





# 5. Understand the marketplace



**Customers**



**Competition**



**Suppliers**

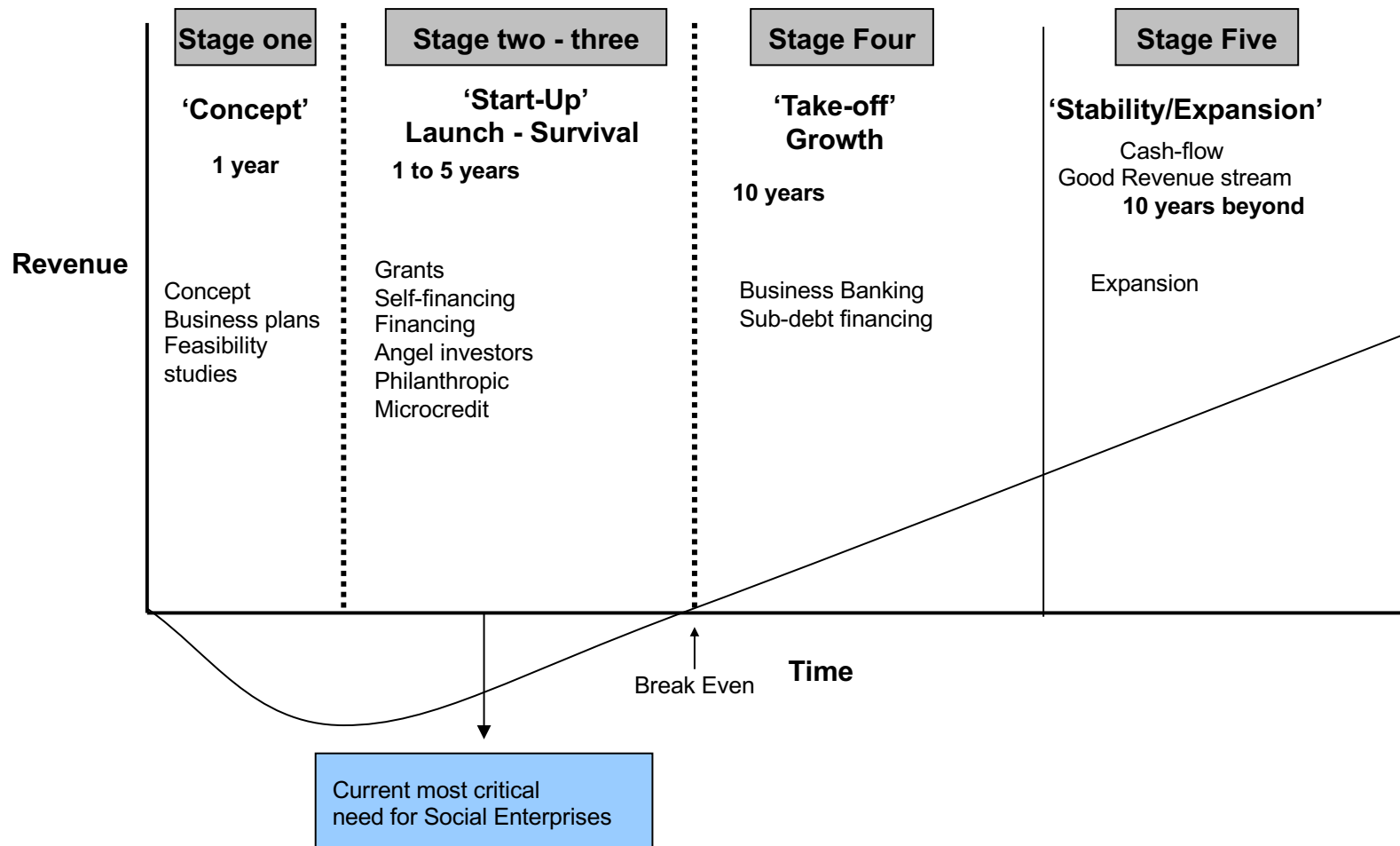


**Industry factors & trends**



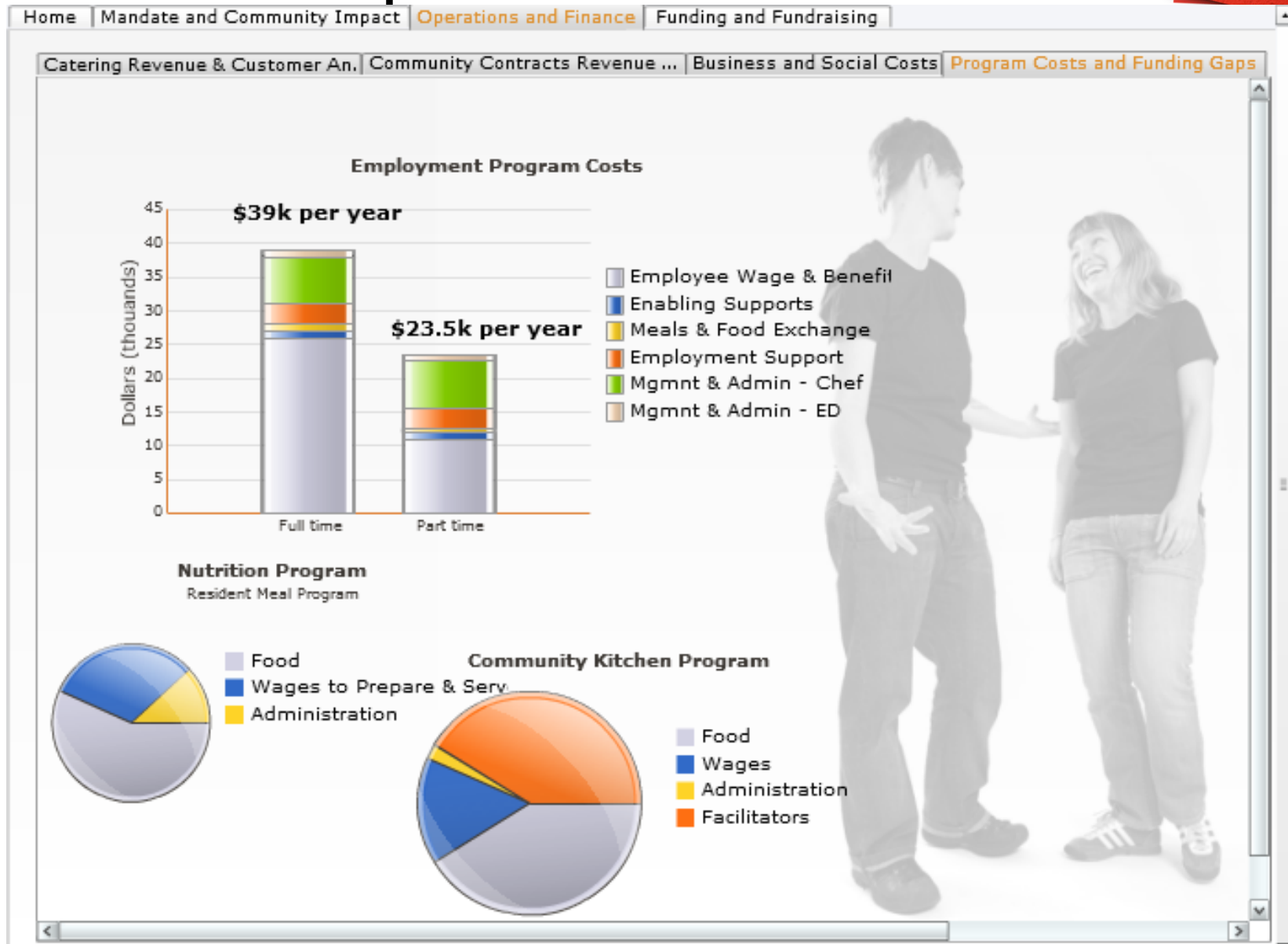
**Build into financials**

## 6. Financial plan





# 7. Social impact costs



## 8. Build a team





## 9. Strong management



## 10. Monitoring & Evaluation



= Your business case



1

Problem

2

Solution

3

Customers/Market

4

Opportunity Size

5

Competition

6

Competitive Advantage

7

Team

8

Finances



# Stage 1: Seed



Activities	Capital
<ul style="list-style-type: none"><li>• Idea / concept development</li></ul>	<ul style="list-style-type: none"><li>• \$1k to \$10k grants</li><li>• Personal equity</li></ul>
<ul style="list-style-type: none"><li>• Feasibility assessment</li></ul>	<ul style="list-style-type: none"><li>• Planning consultant (customer discovery)</li></ul>
<ul style="list-style-type: none"><li>• Business planning</li></ul>	<ul style="list-style-type: none"><li>• Resources to attend business incubator</li></ul>
<ul style="list-style-type: none"><li>• Research and product development</li></ul>	<ul style="list-style-type: none"><li>• Resources to test products and services</li></ul>

# Stage 2: Launch



Activities	Capital
<ul style="list-style-type: none"><li>• Raising capital</li></ul>	<ul style="list-style-type: none"><li>• \$10k-\$30k grants/donations</li><li>• Microcredit</li></ul>
<ul style="list-style-type: none"><li>• Prepare for launch (find site, pay staff, buy equipment)</li></ul>	<ul style="list-style-type: none"><li>• Capital to buy necessary equipment, inventory</li><li>• Grants for market research and product validation</li></ul>
<ul style="list-style-type: none"><li>• Enterprise begins operations</li></ul>	<ul style="list-style-type: none"><li>• Working capital (operating \$ for initial period)</li></ul>

# Stage 3: Survival



Activities	Capital
<ul style="list-style-type: none"><li>• <b>Revise strategy / business plan</b></li></ul>	<ul style="list-style-type: none"><li>• <b>\$15k-\$40k to hire additional staff / business manager, sales staff, etc.</b></li></ul>
<ul style="list-style-type: none"><li>• <b>Build enterprise &amp; management capacity</b></li></ul>	<ul style="list-style-type: none"><li>• <b>Continued \$ for working capital</b></li></ul>
<ul style="list-style-type: none"><li>• <b>Consolidate business / move to profitability</b></li></ul>	<ul style="list-style-type: none"><li>• <b>Resources to implement internal systems (eg. accounting, CRM, etc.)</b></li></ul>



# Stages 4 & 5: Growth & Maturity

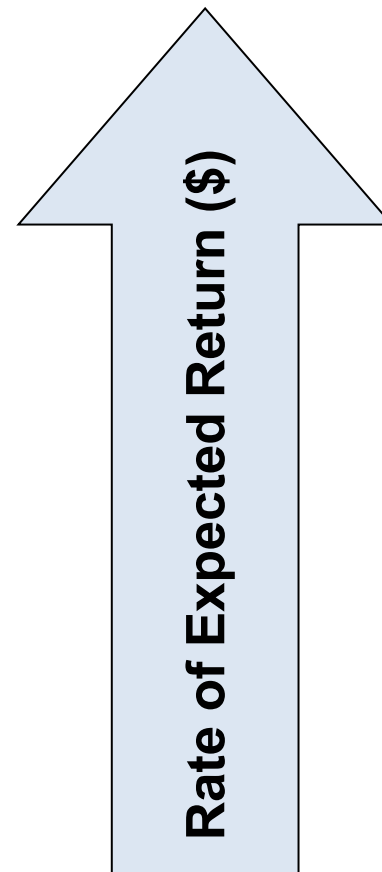


Activities	Capital
<ul style="list-style-type: none"><li>• Expand to new market / products</li></ul>	<ul style="list-style-type: none"><li>• \$ to support market growth or new product development</li></ul>
<ul style="list-style-type: none"><li>• Expand production capacity / facilities / staff</li></ul>	<ul style="list-style-type: none"><li>• \$ for new equipment or new facilities, technology</li></ul>
<ul style="list-style-type: none"><li>• Implement cost savings through improved systems or equipment</li></ul>	<ul style="list-style-type: none"><li>• Significant \$ at this stage (\$50k-\$100k)</li></ul>

# Types of financing



- Debt
- Equity (equivalent)
- Grants
- Self-generated





# Self-generated funds

## Examples:

- Reserves of parent non-profit
- Revenue from the enterprise operations
- In-kind contribution (staff, space, etc.)
- Crowdfunding
- Private donors (campaigns, angels, sponsors)

## Benefits:

- Shows commitment & willingness to take risk
- Flexible use of funds

## Drawbacks:

- Opportunity cost (time, resources, marketing)
- Organizations don't often have extra cash to invest



# Grants



## Examples:

- Technical assistance
- Project (eg. employment training)
- Expansion / growth
- Operational / Capacity building (holy grail)
- Government subsidies (WorkBC, Service Canada)

## Benefits:

- Not repayable
- Grants can act as equity in the enterprise (to leverage other dollars)

## Drawbacks:

- Timeline may not meet needs
- Costs to prepare applications and report out on grants
- Not usually a large amount
- Not often recurring

# Equity (equivalent)



## Examples:

- Patient capital (lower interest)
- Repayable grant
- Loan guarantee
- Community bonds

## Benefits:

- Repayment often based on venture success
- Other lenders consider equity
- Flexible repayment
- No interest or a below-market interest rate

## Drawbacks:

- Hard to find - few funders use these tools

# Debt



## Examples:

- Line of credit
- Term loans
- Leasing
- Customer / supplier financing
- Microloans

## Benefits:

- Quick access to funds
- Access to more dollars than free money
- Builds up experience and credit rating



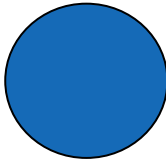



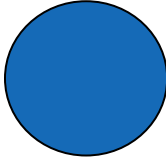

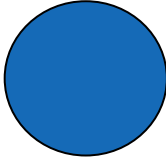
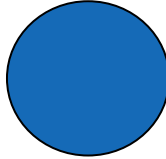
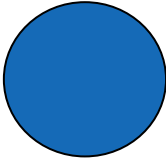
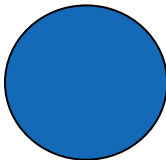

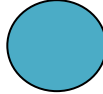


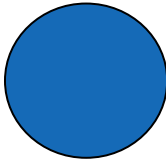
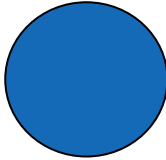
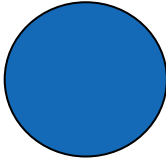
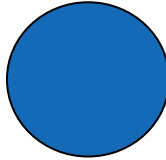
## Drawbacks:

- Often require collateral or security (from parent organization or directors)
- Risk of default if business fails



# Sources of funding



	Seed	Launch	Survival	Growth	Maturity
Equity					
Debt					
Grants					
Self-generated					

# Social Enterprise: Development and Funding

Questions

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