

Lisbon, 29/may/2008

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next   
REV SOCIAL INNOVATION  
INTERNATIONAL CONGRESS

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**sitawi**   
capital discipline advice  
for social impact

**Next Rev**

***Social Innovation  
Conference***

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**Social Businesses**

[www.sitawi.net](http://www.sitawi.net)

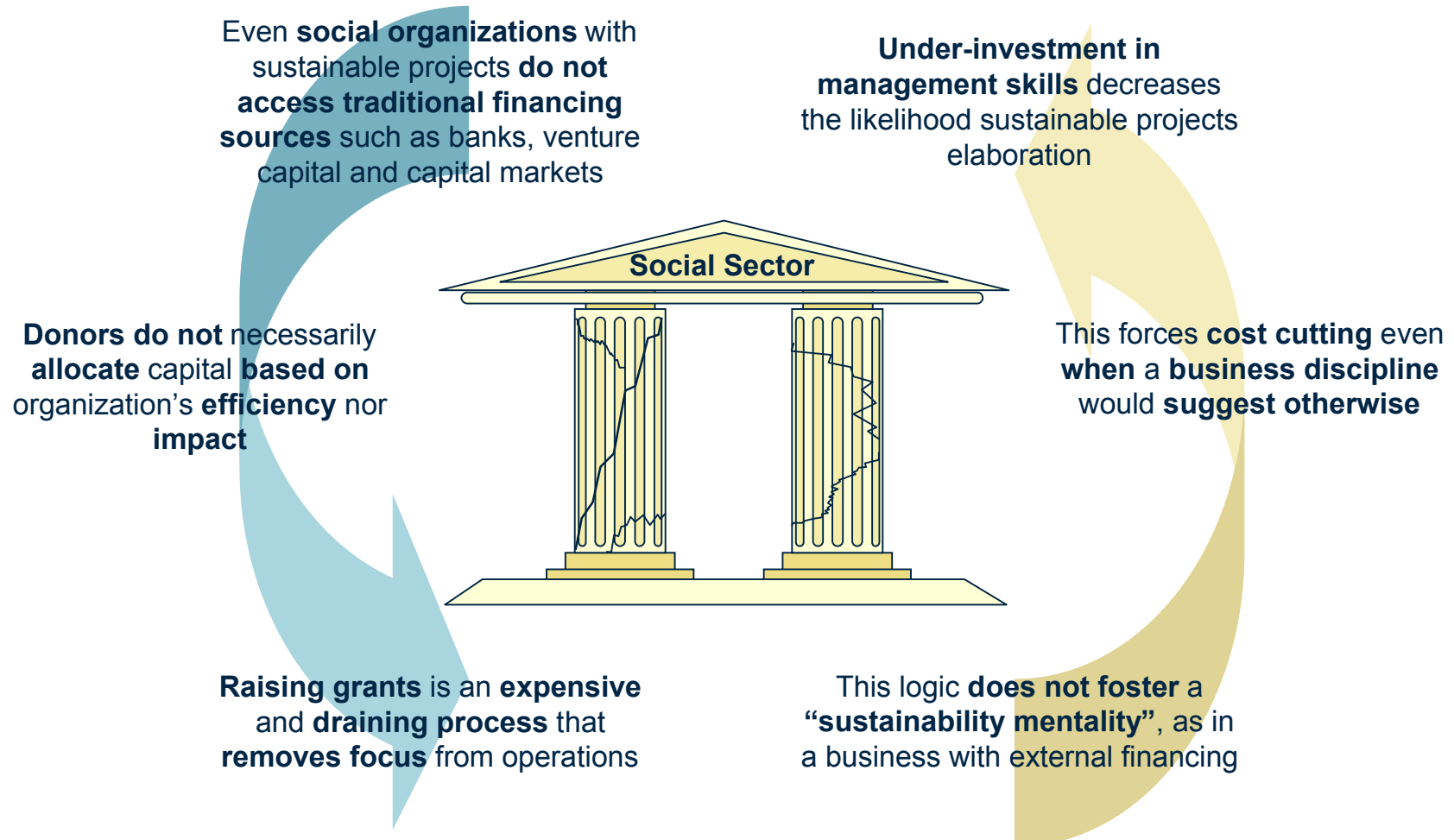
# Proposed Agenda

- **Introduction** *(10 min)*
- **7 key questions to consider before, during and after you launch your social business** *(35 min)*
- **Business plan, pitch, presentations and group feedback** *(45 min)*

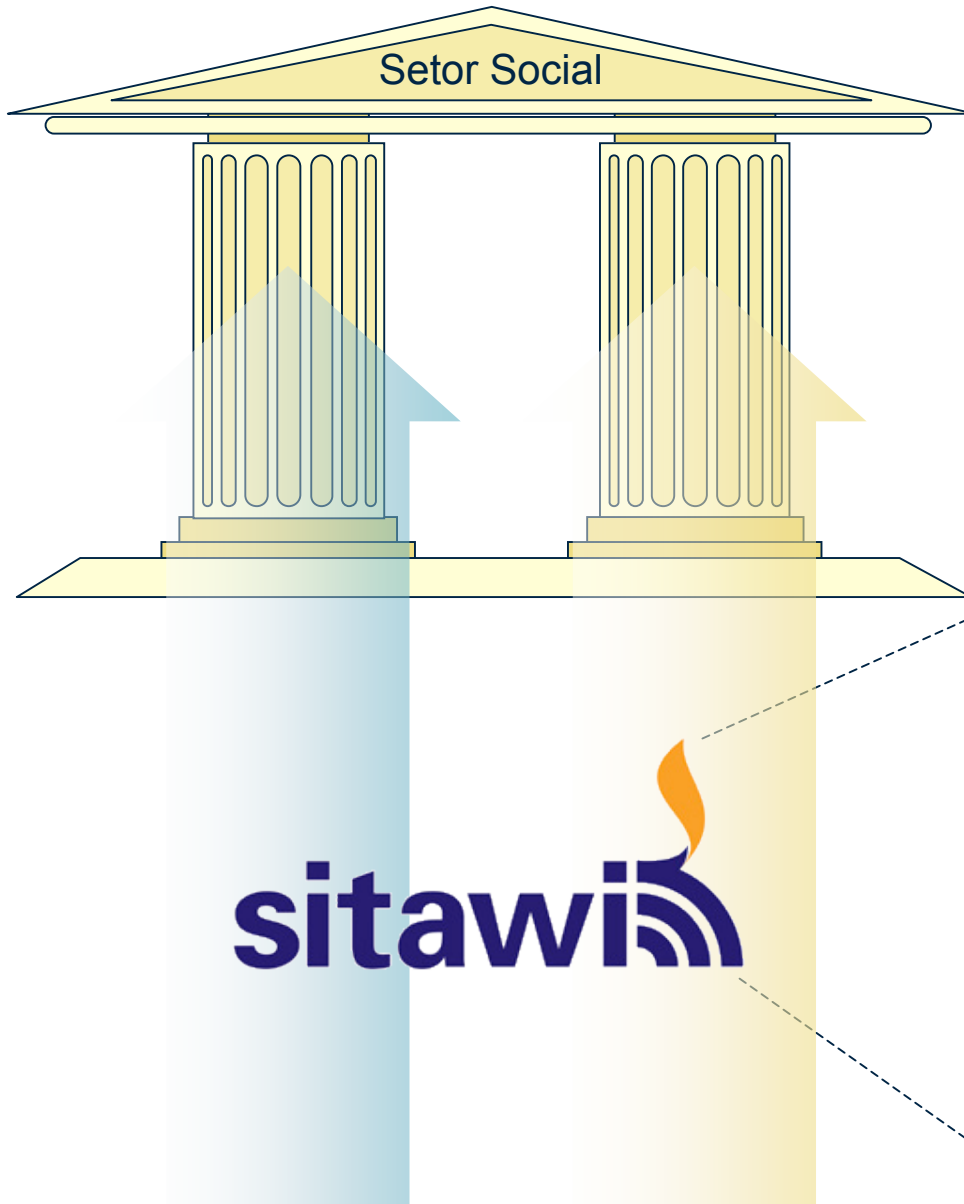
# The current funding and skill building context in the social sector does not foster the development of sustainable models of social impact generation

Flaws in the current financing model in the social sector...

...further promote management inefficiencies in social businesses



**sitawi covers these funding and qualification gaps in the social sector by providing an innovative financing and management consulting services**



### **Our vision**

**sitawi** believes in the development of a sector with economic and social performance dominated by organizations that combine social, business efficiency and scale

### **Financing**

To tackle the financing challenges in the social sector, **sitawi** offers loans to the social organizations with productive activities and supporting its implementation through strong business advice

### **Management consulting**

Additionally, **sitawi** develops management consulting projects for companies and organizations in social sector who wish to develop activities with a joint business and social impact generation mentality



Harvard Business School, MBA  
USP, Industrial Engineering

Over 10 years of Business and Social consulting experience – at McKinsey & Co. and independently – for clients such as Ashoka, CDI, Associação Saúde Criança Renascer, Modern Art Museum/SP and large scale industrial and service businesses in strategic and operational issues

**Leonardo  
Letelier,**  
*Founder & CEO*



**Pedro Brasil,**  
*Officer*

**Founder of Pointer  
Market Intelligence**



**Cristina Kimura,**  
*Research*

**Former VP at Women's  
Bank in Brazil**  
*(microcredit institution)*



**David Python,**  
*Officer*

**Former McKinsey  
consultant**

# Proposed Agenda

- **Introduction** *(10 min)*

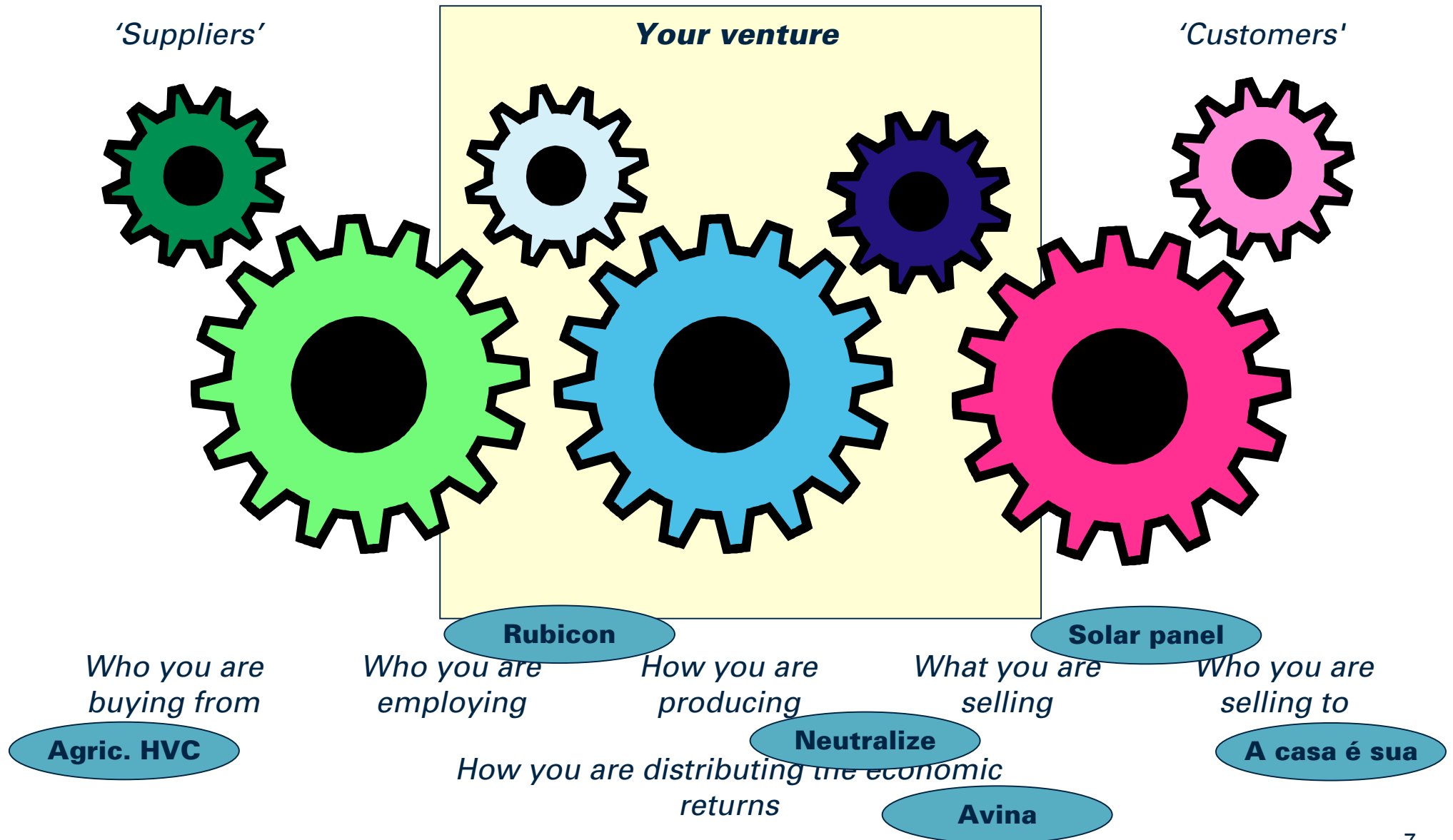
- **7 key questions to consider before, during and after you launch your social business** *(35 min)*

- **Business plan, pitch, presentations and group feedback** *(45 min)*

## **Key questions to consider before, during and after you launch your social business**

- 1. In your venture, what is social/environmental and what is business (or what is both)?**
- 2. What is your real differentiating factor in the market?**
- 3. How will you integrate this business with your current structure?**
- 4. What are your short/medium/long-term goals and how will you get there?**
- 5. What can possibly go wrong?**
- 6. How will you evaluate and manage your social business' performance?**
- 7. How do you plan to finance it?**

# 1. In your venture, what is social/environmental and what is business?



## 2. What is your real differentiating factor in the market?

**There are important dimensions regarding your business success...**

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**...but what really makes the difference in the market?**

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- **What are your clients really buying?**
  - What they really want not what you believe they want
  - Intangible aspects (e.g. transparent, reliable organization)
- **What distinguishes you from competitors?**
  - That 'only' you can provide
  - Tax-exempts status is not enough

**A 'social' label is not enough**

- It is a differentiating factor only if product/service quality is equivalent
- It is more important for purchasing preference than pricing power

### 3. How will you integrate this business with your current structure?



- **Decisions** (e.g. salaries) **should balance internal harmony and effectiveness**
- **Physical distance can help a lot in case of very different dynamics, but beware of "us vs. them" syndrome**
- **Quarrels over pay can reflect more bruised egos than salaries itself**
- **There are 'no' and 'how to' lawyers. Talk to the right one about different scenarios: what if all goes right? wrong? Explore hybrid structures being created.**
- **Products and businesses might fail, so independence for making decisions also acts as insurance**

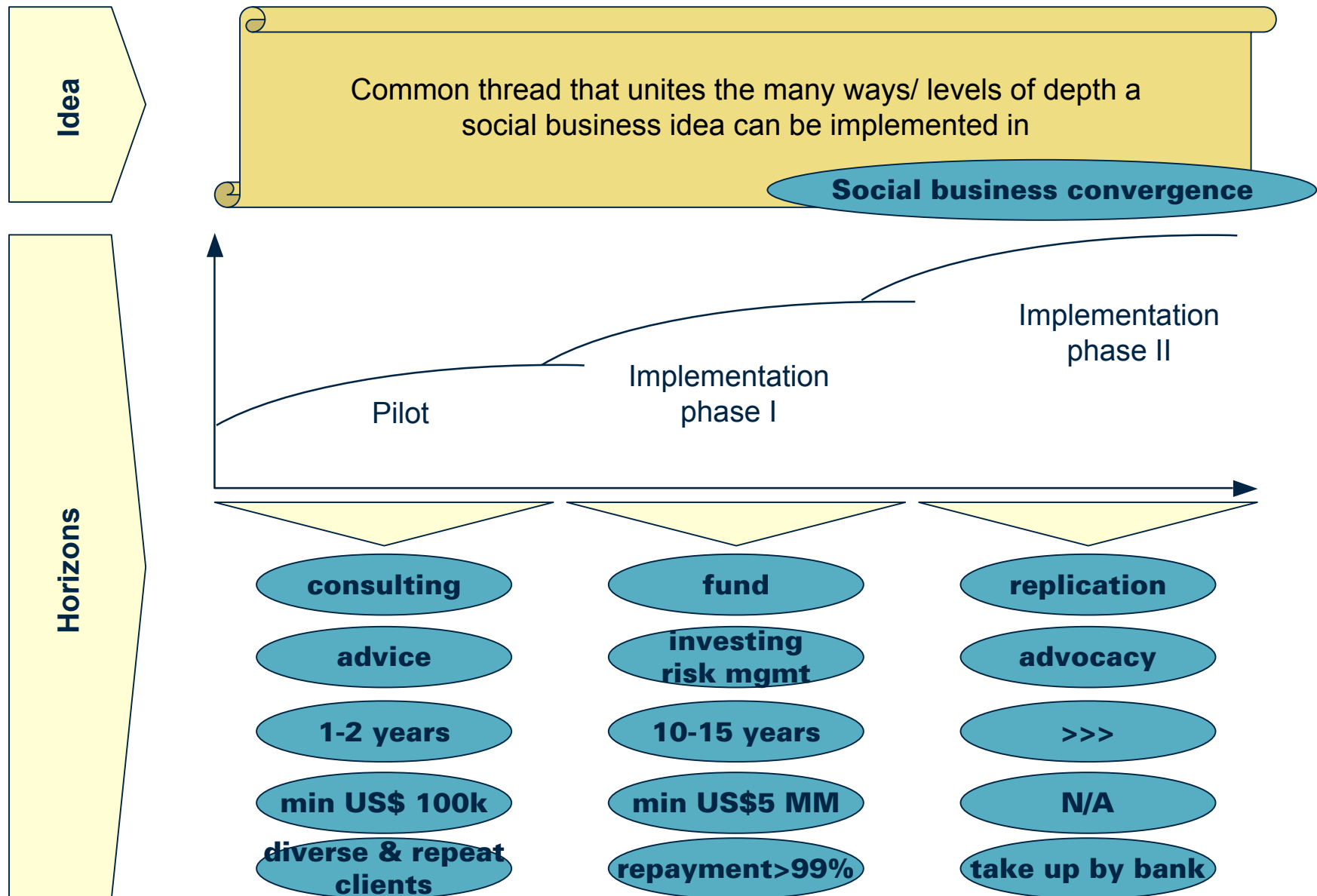
ASCR/Anzol

Grameen

Neutralize

Avina

# 4. What are your short/medium/long-term goals and how will you get there?



## 5. What can possibly go wrong?

### Externally

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- Market entrance barriers (e.g. technology, branding...) or excessive competitors
- Demand is not there or price is not realistic
- Lose tax-exempt status on social side

### Internally

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- Operations break-down, designed for too many/few clients or not properly structured (e.g. stable, standardized processes)
- Little managerial focus, providing insufficient guidance to the venture
- Not enough resources to succeed (marketing, additional salesperson...)

- **There are different types of risk to manage**

- Have clarity on go/no-go risks vs. more work/less margin risk

- **Budget time and resources (\$) for the venture**

- How much money will we set aside for this venture?
- What questions do I want to answer in the first 6 months?
- What are and how long will I wait for the signs we should go ahead to the next phase?

- **Develop scenarios and conduct pilots to test main premises**

*"We will figure it out when time comes" does not qualify as risk management ...*

## 6. How will you evaluate and manage your social business' performance?

### Why spending precious time evaluating the venture's performance?

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- **Support business decision making process**
  - Resource allocation, operations improvement, marketing actions elaboration...
- **Effectively manage risks**
  - Fast detection of performance slow downs
  - Agile action plan elaboration to mitigate risks/threats
- **Improve the venture's image**
  - Higher transparency and credibility
- **Create and disseminate social technology**

\* Specific, Measurable, Achievable, Relevant, Time-Bound

### How to embed performance management in your venture?

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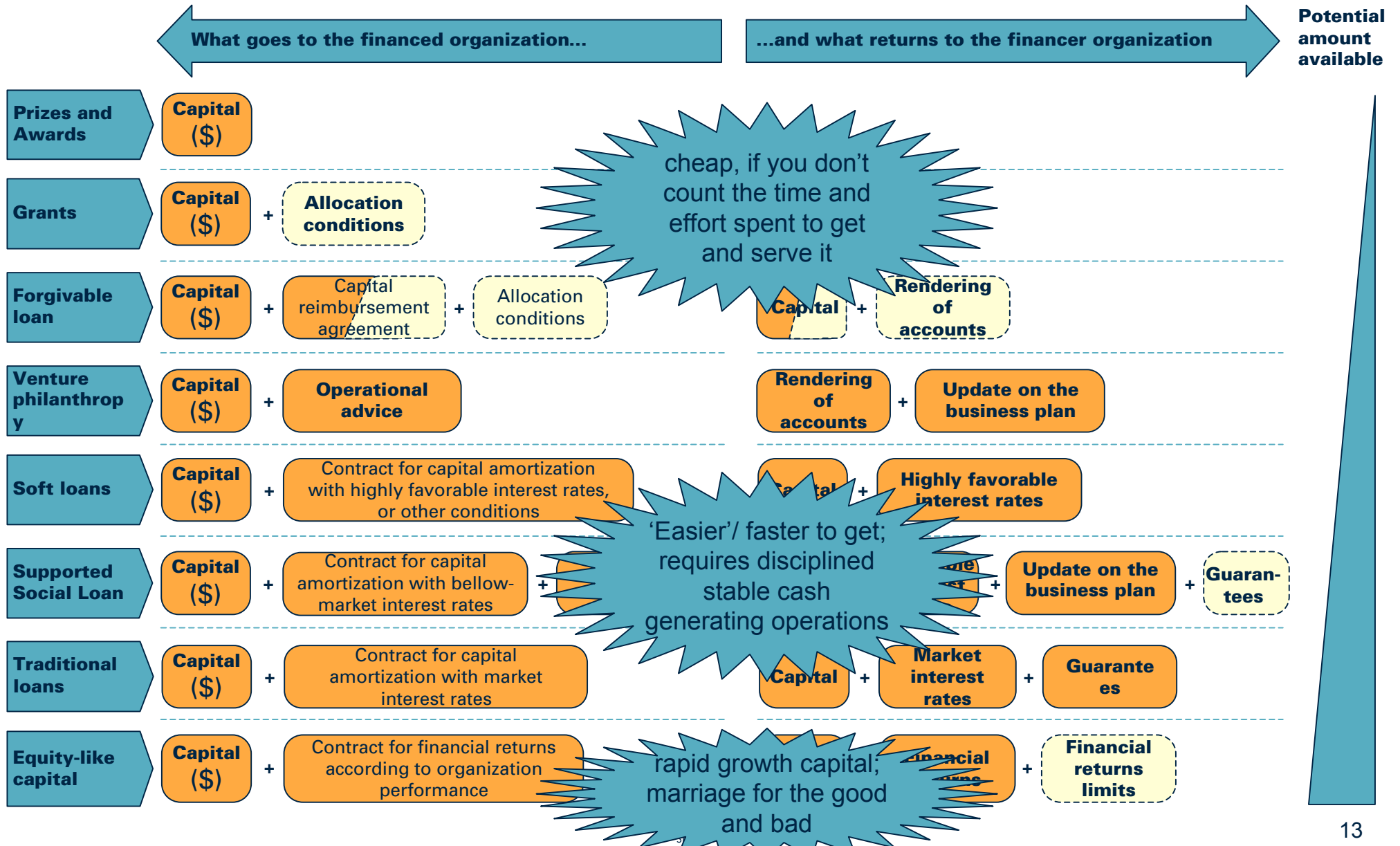
- **Identify the key performance indicators and milestones based on your venture's mission and "horizons of growth"**
  - Select only the most relevant to your success
  - Remember the SMART\* rule
- **Establish and disseminate a robust process to periodically collect and consolidate business data**
  - Attribute responsibilities
  - Implement necessary tools
- **Institute information report policy and performance reviews to generate action plans**
  - Establish deadlines
  - Closely monitor action results, starting new review cycles

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# 7. How to finance it? There are several funding mechanisms between the "donation" and "market" extremes

  Mandatory  
  Occasional

NON EXAUSTIVE



# Supported social loans offers low-cost credit, supported by formal monitoring and business advice *(think “macro-credit”, not microcredit) ...*

## To whom do we offer?



**Proven social impact**



**Revenue generating operations**, ideally presenting surplus



**Structured market and business vision**



**Prepared to incorporate business monitoring and advice**

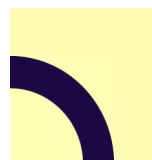
## What do we offer?



Capital

**Loans between R\$100.000 and R\$400.000**

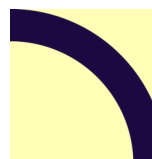
- Interest rates ~75% bellow market and repayment period between 3 to 5 years
- Guarantees are desirable, but will not restrain credit concession



Discipline

**Formal business plan monitoring process**

- Periodic reports with business' key performance indicators
- Predetermined interaction schedule



Advice

**Business advice by team specialized in convergence between business and social sectors**

- Support on strategy, sales, operations...
- Increase in financial sustainability and social impact

# ... and represents a bridge between traditional sources of financing and the social sector circumstances (75x more money)

Allocated resource volume in US market, US\$ billions, 2004

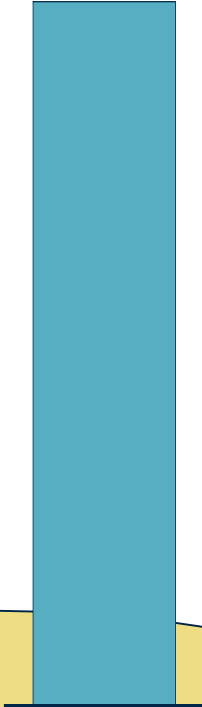
## Traditional financiers

Plenty of capital and multiple funding instruments available

High return rates and/or need of collateral

Limited understanding of the social sector

~17.000



## Civil society organizations

Limited capital, dependant of grants

Low-scale operations, without real guarantees

Uneven professionalization, limited business skills

~250



Supported Social Loan



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# Strategic planning and business plan... .. how do they correlate?

## Strategic planning for your social business must involve...

### ... determining where you will be in the next few years ...

- Expected market positioning, social and financial impacts
- Coherent with organization's mission and vision

### ... identifying external trends ...

- Market potential and expected growth
- Competitors and suppliers strength and strategies
- Innovation and new entrants influence

### ... assessing your internal capabilities ...

- Available capabilities and current value proposition
- Necessary skills, structure and processes to succeed

### ... choosing what you will do and not do to get there ...

- Elaboration/revision of value proposition and processes
- Resources allocation (personnel, marketing, new products...)

### ... stating how you will know you got there

- Quantification of key indicators and main milestones along the way

**A business plan is a structured way to communicate your social business' strategic plan**

- Demonstrate clarity on the choices made
- Recognize social and financial implications
  - Transmit competence and credibility
- Even if you are not starting a social business, go through the process - it is more important than the document itself (just change the name to operating plan)

# Business plan: reason > emotion (*manual*)



## Proposed activity

### Option A

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- Select two organizations to present their social businesses as we were all potential investors (7 min each)
- Split into two groups for feedback (15 min)
- Same organizations present the 'improved version' to the whole group again (7 min each)
- Show of hands vote on the best presentation

### Option B

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- Split into 4-6 groups
- 2 organizations present their social businesses in each group (7 min each)
- Each group provides feedback on the presentations (7 min each)
- Select two organizations to present their social businesses to the whole group (7 min each)
- Show of hands vote on the best presentation



***Best presentation gets symbolic prize***

# Pitch: emotion > reason (*advertisement*)





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