

## **BUSINESS DEVELOPMENT**

### **Social Enterprise**

Use these standards for a nonprofit organization's social enterprise. A social enterprise is essentially a business of the organization, and it achieves a social purpose while using private sector approaches and business models.

#### Level 1: Program Feasibility Assessment

These basic criteria determine the feasibility of a social enterprise. The focus is on the organizational and financial readiness of the social enterprise.

##### 1. NEED

- a. Community Need
  - i. The social enterprise serves a need in the community for the service or goods it provides.
- b. Market Study
  - i. The study confirms the need for, and viability of the social enterprise.
  - ii. The study informs the organization about competition, demographics of target customers, and barriers to entry.
- c. Local Support
  - i. Neighbors and local community members support the social enterprise.
  - ii. The social enterprise is compatible with local land use.
  - iii. The social enterprise is in alignment with local city, county, state and/or federal development and transportation goal(s).
  - iv. The social enterprise is not located in an area with a moratorium or interim control ordinance that cannot be bypassed.

##### 2. ORGANIZATIONAL READINESS

- a. The organization is willing and able to do the social enterprise.
- b. The social enterprise is in alignment with the mission of the organization.
- c. The Board of Directors embraces a CED strategy and/or embraces the social enterprise as a part of the CED strategy.
- d. The organization and/or its partners have a track record of participating in similar social enterprises.
- e. The organization has the financial and operational capacity to undertake the proposed social enterprise.
  - i. The organization can support the additional debt (if any) created by the social enterprise.
  - ii. The organization has qualified staff that can undertake the social enterprise.
  - iii. The organization has access to reliable, qualified vendors and service providers.

##### 3. FINANCIAL FEASIBILITY

- a. Program cost
  - i. The social enterprise is affordable to the organization, and the projected cost is appropriate to the concept.
  - ii. The operator or staff providing the cost estimates is qualified and experienced with social enterprises.
- b. Funding sources
  - i. There are enough sources of funding for the uses.
  - ii. The organization has endeavored to secure all available competitive and noncompetitive funding sources for which the social enterprise qualifies.
  - iii. The actual disbursement of each source is timely and in sync with the needs of the social enterprise.
  - iv. The organization is aware of the compliance implications of each source.
- c. Cash flow
  - i. The social enterprise produces enough cash flow to support the proposed debt structure (if any).
  - ii. The social enterprise minimally pays for itself over time. It has a sustainable cash flow.
    1. If the social enterprise is low-cost or free, it is subsidized enough to sustain the program.

#### Level 2: Practical Considerations

These criteria are essential for a successful, operating social enterprise.

1. MARKET BARRIERS

- a. The organization understands why past social enterprises have not worked and instead addresses prior issues in innovative and alternative ways.

2. DEVELOPMENT TEAM & PARTNERSHIPS

- a. The organization has assembled the best team for the social enterprise, including vendors, employees, trainers, and management staff.
- b. If the organization is lacking in any area (financial, experience), it has partnered with another entity to operate the social enterprise.
- c. The social enterprise is supported by public sector, private sector, and community partners.
- d. Through an open dialogue with the community, the organization has sought and incorporated community participation in the social enterprise.

3. SITE CHARACTERISTICS

- a. The location makes sense for the social enterprise and the target customers.
- b. The project is located near or adjacent to transit.

4. BUSINESS DESIGN & OPERATION

- a. The social enterprise is run in the appropriate language(s) for its target customer base.
- b. The social enterprise is culturally appropriate to its target customer base.
- c. If applicable, the social enterprise is tailored to the geography of its target population base.

Level 3: From Feasible to Exemplary

These criteria elevate a social enterprise to an exemplary one.

1. FUNDING & FUNDING REQUIREMENTS

- a. The social enterprise uses a funding program or funding source that is new and innovative.
- b. Each funding source was heavily leveraged to gain further resources.
- c. Certain features of the social enterprise were adapted to capture funding, but the social enterprise was not completely changed in order to capture one particular funding source.
- d. There are multiple stakeholders providing funding, and this mix of funding sources maximizes the feasibility of the social enterprise.
- e. The social enterprise exceeds minimum standards required by funding sources.
  - i. There is deeper low and moderate income targeting than required by funding sources.

2. FUTURE PROJECTS

- a. The social enterprise strengthens the position (financial, political, capacity, experience) of the organization.
- b. Through the social enterprise, the reputation of the organization was enhanced. Issues that the staff faced were dealt with in a diplomatic manner, enabling future programs.
- c. The success of the social enterprise will enable future funding on other programs.
- d. The community is happy with the social enterprise and will participate in more/similar social enterprises in the future.
- e. The community is more knowledgeable about social enterprise.

3. ENVIRONMENTAL IMPACT

- a. The social enterprise has less environmental impact than traditional businesses during operation.
- b. The social enterprise fulfills the triple bottom line.
- c. The social enterprise incorporates green features.
  - i. The social enterprise conserves energy and water.
  - ii. The social enterprise has an effective recycling program.
- d. The social enterprise takes advantage of green tax incentives.
- e. The social enterprise provides green jobs.

4. ECONOMIC IMPACT

- a. The social enterprise creates jobs.
  - i. Jobs created provide a living wage.
  - ii. Jobs created are for local hires.

- iii. Jobs created are for low and moderate income individuals.
  - iv. Jobs created provide life skills.
  - v. Jobs created provide health benefits.
  - vi. Jobs created have potential for upward mobility.
  - vii. Jobs created require less funding per jobs created.
5. COMPREHENSIVENESS
- a. The organization provides or connects to other programs that provide multiple services e.g. social services.
6. DIVERSITY
- a. The social enterprise serves a mixed income clientele.
  - b. The social enterprise encourages mixed age, gender, ethnic, etc. participation.
  - c. The social enterprise supports minority businesses.
7. PUBLIC BENEFITS
- a. The social enterprise provides a service or good that is needed by the community but is currently lacking.
  - b. The profit from the social enterprise is re-invested into the community
  - c. The social enterprise stimulates long-term job creation.
  - d. The social enterprise results in other positive physical impacts.
  - e. The social enterprise results in other positive economic impacts.
  - f. The social enterprise results in other positive social impacts.
8. REPLICABLE/SCALABLE
- a. This social enterprise can be replicated in other communities, regions, and/or states.