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# Using the Business Model Canvas for Social Enterprise Design

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2nd Edition

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The Yunus Centre

# The story of this publication

This is the second edition of a booklet that was first published in 2013, which outlined how I had used, tested and learnt about the Business Model Canvas in designing and growing social enterprises. Since this time I have applied the Canvas in a range of contexts, and learnt more about some of the nuances of using it in relation to social enterprises. Also, the resources, additional publications and video materials that Alex Osterwalder and his colleagues have created since they first published their book 'The Business Model Generation' has been phenomenal. I have continued to explore the materials they have created and where necessary have added context for how this material relates to social enterprise. This updated version includes both the original material and my updated learnings. I should also add that I now tend to use the nomenclature of 'impact enterprises' rather than just 'social' enterprises, but for ease of continuation from the first edition, I am going to use 'social enterprise' throughout this publication. It should, however, be recognised that the 'impact' could refer to social, environmental, cultural or economic outcomes that impact people, places and/or our planet.

My interest in BMC grew out the realisation that many social enterprises found it difficult to explain their business models, and that many started work on their business plans before understanding their business models thoroughly, which seemed like a topsy-turvy process to me! When I first discovered the BMC and tried to apply it to social enterprises I believed, like many others, that social enterprises and not-for-profit organisations needed their own 'special' canvas. As I worked with the BMC in and around the social enterprise sector I came to realise that this was not the case - however, I also realised that there were some 'special' things about social enterprises that could easily be reflected in the BMC using a few simple adaptations.

This guide is not a substitute for deeper materials on the Business Model Canvas nor for the Business Model Generation book (or any of the books that have come out since this original book) written by Alex Osterwalder and Yves Pigneur and I would urge anyone using BMC in social enterprises to also access the books, apps and some free web resources at [www.businessmodelgeneration.com](http://www.businessmodelgeneration.com), and [www.strategyzer.com](http://www.strategyzer.com).



*The photo on the cover was taken at the Haley House Bakery Cafe in Roxbury Massachusetts when I first visited there in 2008. I don't know who the artist is who painted this picture which hung in their front room, but it impressed me as a wonderful summary of the intention of many social enterprises - to nourish community and build economic independence. In their own words, "a model of social enterprise, Haley House Bakery Café promotes the physical, economic and social well-being of the community. Our programs provide on-the-job training for those seeking to become financially independent and introduce young people to the power of cooking from scratch and making other healthy life-style decisions". Since I visited they have continued to thrive and deepen their impact, and have celebrated their 50th Anniversary! They continue to inspire others both in their home city of Boston and around the world. Check them out at: <http://www.haleyhouse.org/>*

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## The Yunus Centre Griffith University Queensland, Australia

Impact-led innovation is the business of The Yunus Centre. Our purpose is to equip people with the know-how to navigate change and create positive, societal impact. We focus on how innovation can foster inclusive and regenerative economies. Specifically:

1. Navigating impact-led innovation: understanding the history, context and conditions for societal change and the impact economy.
2. Developing impact literacy: improving capabilities for designing, measuring, and demonstrating impact.
3. Growing the impact economy: designing and implementing impact-led approaches to investment, market building, commissioning and collective action.
4. Fostering impact entrepreneurship: capability-building for change-making, venture development and blended business.

We deliver this through: learning and professional development, applied research, demonstration projects, advisory, and supporting innovation through partnerships and engagement.

The Centre is part of the Griffith Business School and based out of the Logan Campus. We are active across Griffith's campuses and work at the local, regional, national, and international levels.

# What are Social Enterprises?

Social Enterprises are organisations that<sup>1</sup>:



Have an **economic, social, cultural or environmental mission aligned to public or community benefit.**



**Trade** to fulfill their mission.



Derive a **substantial portion of their income from trade.**



**Reinvest the majority of their profit/surplus, or majority of expenditure is aligned to the fulfillment of their mission.**

There are three main types of social enterprise that organise themselves around different combinations of these features<sup>2</sup>:

1. **Type One: Employment focussed Social Enterprises** who directly support, train and employ people who are experiencing some form of exclusion and disadvantage (for example, a social enterprise cafe may employ people who have been homeless and unemployed);
2. **Type Two: Social Enterprises who provide services in direct response to a social or economic community need or achieve a particular social impact** (for example, a community supported agriculture enterprise may make fresh,

local produce available whilst also supporting smaller, local farmers); or

3. **Type Three: Social Enterprises who generate income for charitable or impact purposes** (for example, an op shop may generate income to support a larger charity or deliver other social purpose programs).

Each of these types of social enterprises have different business models that reflect what the relationship is between their commercial and impact objectives. We will return to these differences later in the booklet.

<sup>1</sup> This definition comes from FASES (2016) [https://www.csi.edu.au/media/uploads/FASES\\_2016\\_full\\_report\\_final.pdf](https://www.csi.edu.au/media/uploads/FASES_2016_full_report_final.pdf)

<sup>2</sup> Social Traders calls these the 'three buckets' of social enterprise ([www.socialtraders.com.au](http://www.socialtraders.com.au))

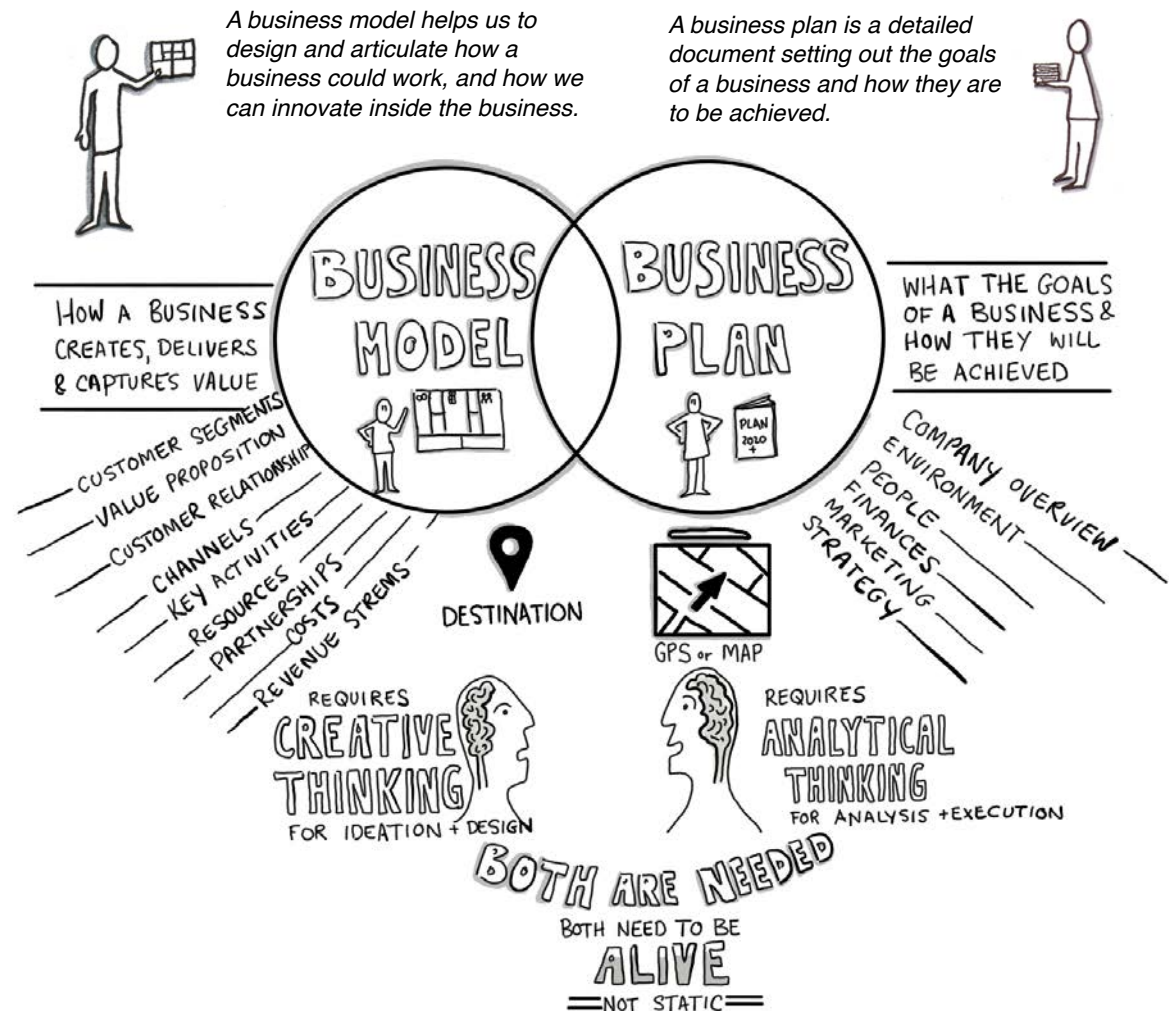
## What is a Business Model?

If we boiled down the idea of an enterprise or a business to its essence, we could say that it is all about the exchange of value. I create something inside my business that is of value to others, so they seek this out, and in exchange they give me something that I value (usually money!).

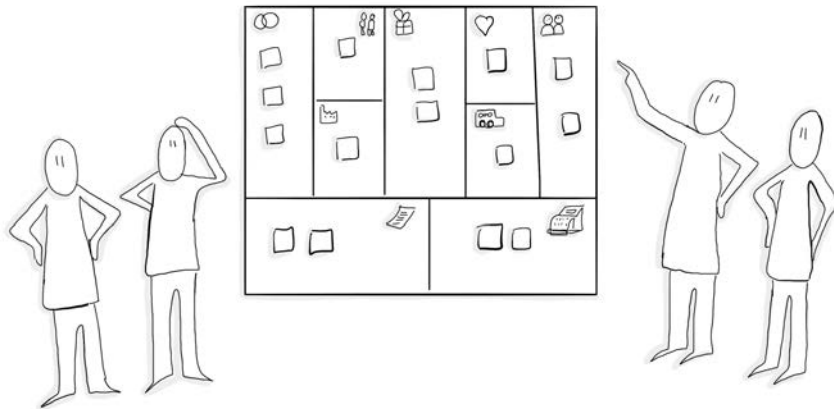
**A BUSINESS MODEL** clearly articulates “the rationale of how an organisation creates, delivers and captures value” (Osterwalder and Pigneur, 2009; p14).

A new social enterprise may need both a business model and a business plan - however they may be needed at different times, and for different purposes. In my experience a business model is required first - and it is required earlier. It is the destination you are heading towards as a business. Whereas the business plan provides a more detailed map of your goals and how you may achieve them. I see too many social enterprise who develop this detailed map before they know what destination they are heading towards - which doesn't make much sense to me!

The purpose of a **business model** is to ensure that all the stakeholders can understand and clearly articulate how a business is configured so that it creates, delivers and captures value. In the case of a social enterprise this would ultimately be about how the enterprise will generate both financial and social value, and what the relationship is between the two types of value in the enterprise. The business model should be able to be articulated in one page, and its substance focusses on: how an organisation does business; how that business generates revenue; what value a business offers to whom; who the customers are; and why customers would keep coming back to us. It can help us understand how and why our business works, and it can help us to design and innovate our business, and then iterate how it works over time.



A **business plan** is a much more detailed, lengthier document that sets out in detail the goals of the business, how they will be attained and what evidence there is that the methods employed will attain those goals. Business plans outline our mission, vision, goals, strategies, our financial assumptions and projections, and our marketing strategies. Business plans have dominated the business strategy landscape. However, increasingly there are suggestions in both practice and research that business plans may be too static and cumbersome to help businesses survive complex and constantly changing environments (see for example, Martin, 2014; Lange et al, 2007; Harroch, 2018). They are still helpful in mapping out the goals of an enterprise and helping to articulate how the business proposes to achieve these goals. They are also needed in order to access some forms of finance and investment, but business plans alone won't necessarily help us design and test business ideas, nor to innovate within a constantly changing environment. In many ways the business plan is the document that outlines how the business model will be implemented and grown / sustained over time.



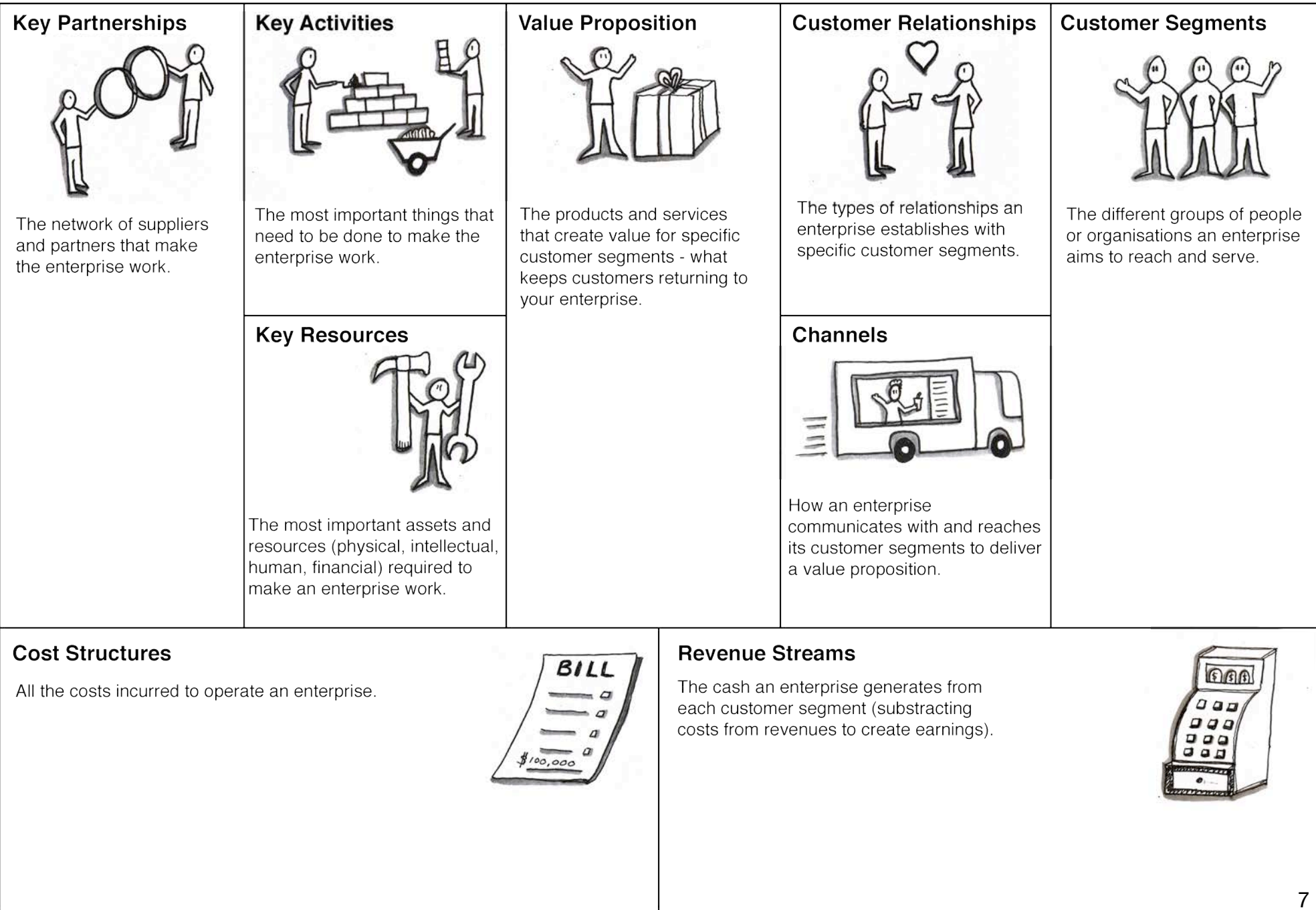
## Business Models for Social Enterprise

Social enterprises are often started by people who are passionate about making a difference. Often it is not the actual 'business' that captures their imagination, but the impact it will have for the economic, social, cultural, or environmental issues they are seeking to address.

Understanding the business model of a social enterprise can have two key benefits:

1. It can help us to understand, design, articulate and discuss the 'nuts and bolts' of our business concept;
2. It can help us to test, and develop prototypes so that we can see if what we passionately believe about our impact and our business actually 'stacks up' in practice.

Over the last decade I have met many social enterprise managers and stakeholders, and have helped to start up a number of social enterprises myself. Working with social enterprises I have come to appreciate the value of clear business models. I believe that if more social enterprises learnt to use and develop their business models, many of their challenges could be more easily identified early on in their evolution, and we would then have greater opportunities to work to design solutions to these challenges. Understanding business models and their potential in terms of designing social enterprises could help us to avoid some of the pitfalls and increase the likelihood that more social enterprises become viable and sustainable both financially and in terms of their social impact.



## What is the Business Model Canvas?

The Business Model Canvas (BMC) was developed by Alex Osterwalder and Yves Pigneur, and co-created with an array of 470 practitioners from around the world. It offers a simple, visual, one-page canvas on which we can design, innovate and dialogue about our business models. It is not the only framework that has been developed to articulate business models. Like many of the frameworks this one was built out of careful research, but unlike many others, it has also been tested and enhanced through the input of many practitioners. In addition, the BMC itself sits inside a very innovative business model, which includes licencing under Creative Commons and a commitment to co-creative innovation within the methods around the BMC (see [www.businessmodelgeneration.com](http://www.businessmodelgeneration.com)).

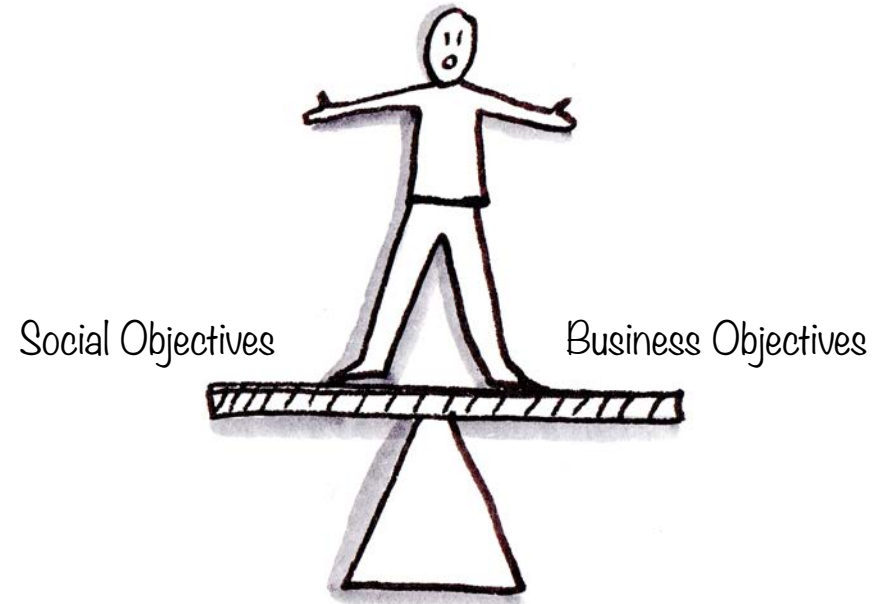
I have used the BMC to work in the social enterprise sector and have found the canvas to be very helpful, particularly in early exploratory stages of development and in relation to growth and innovation stages. In using the BMC inside social enterprises I have found a few additions and adaptations helpful, and it is these that I want to focus on in the remainder of this booklet.

## What's special about Social Enterprise?

Managing a social enterprise is not about just adding business skills to the realm of social impact and stirring nor just adding a social goal or activity to a commercial business! Balancing a social (or environmental, cultural or economic) mission WITH an intention to trade and manage a business requires a blending of skills which is greater than the sum of each set of skills alone.

Furthermore, achieving a social impact through a business operation is not necessarily cost neutral - so both the skills

needed to deliver on a social impact and the costs involved in doing so need to be considered in designing a viable and sustainable business model. If, for example, you are focussed on employment outcomes for people who have previously experienced long-term unemployment, then you need to be fully aware of the business model implications of supporting and training people who may not have worked for some time. There may be cost implications, in addition to challenges in relation to key activities, customer relationships and key resources. Profits from the business may not actually cover the wages needed to pay for support workers. Therefore, your commercial strategy needs to generate sufficient income to cover the additional costs; or, you may need to explore options for accessing non-trade income to pay for additional supports that are needed to ensure that employees can sustainably participate in the workforce over time.





However that doesn't mean that a viable business model cannot be developed! It is just that we need to recognise that social enterprises have business models that can be a little different from an ordinary business - indeed social enterprises are EXTRAORDINARY BUSINESSES!

It is not that we need totally different business model canvasses nor that there are wildly more complex business characteristics. It is just that somehow we need to build into the canvas a clear picture of the social objectives (or the mission) of the enterprise, in addition to all the commercial dimensions of the actual business of the social enterprise.

For social enterprises, the business model canvas should provide an opportunity to see not just the BUSINESS, but also to identify the SOCIAL IMPACT they are trying to achieve. And importantly, to see clearly how the two interact - how they are symbiotic, how they compete, what opportunities there are to bring them into alignment and what tensions exist in between them. Understanding this is imperative to social enterprises as it underpins their capacities to effectively manage for viability and sustainability. The reality for social enterprises is that they cannot work if the business model does not survive financially (as then there is no business). But they also cannot work if the social objectives are not realised within the business (as then there is no social enterprise, just a business). Business models that generate both social and financial value are by no means impossible - they are very possible and they are very special!

It can be helpful to see this separation between 'commerce' and 'impact' as a variation of what is called a 'double-sided platform' in business modelling. This is where a business services two different customer groups, and in the case of a commercial business, the aim is to facilitate interaction between these different customer segments. In social enterprises, the aim may not be to facilitate interaction between



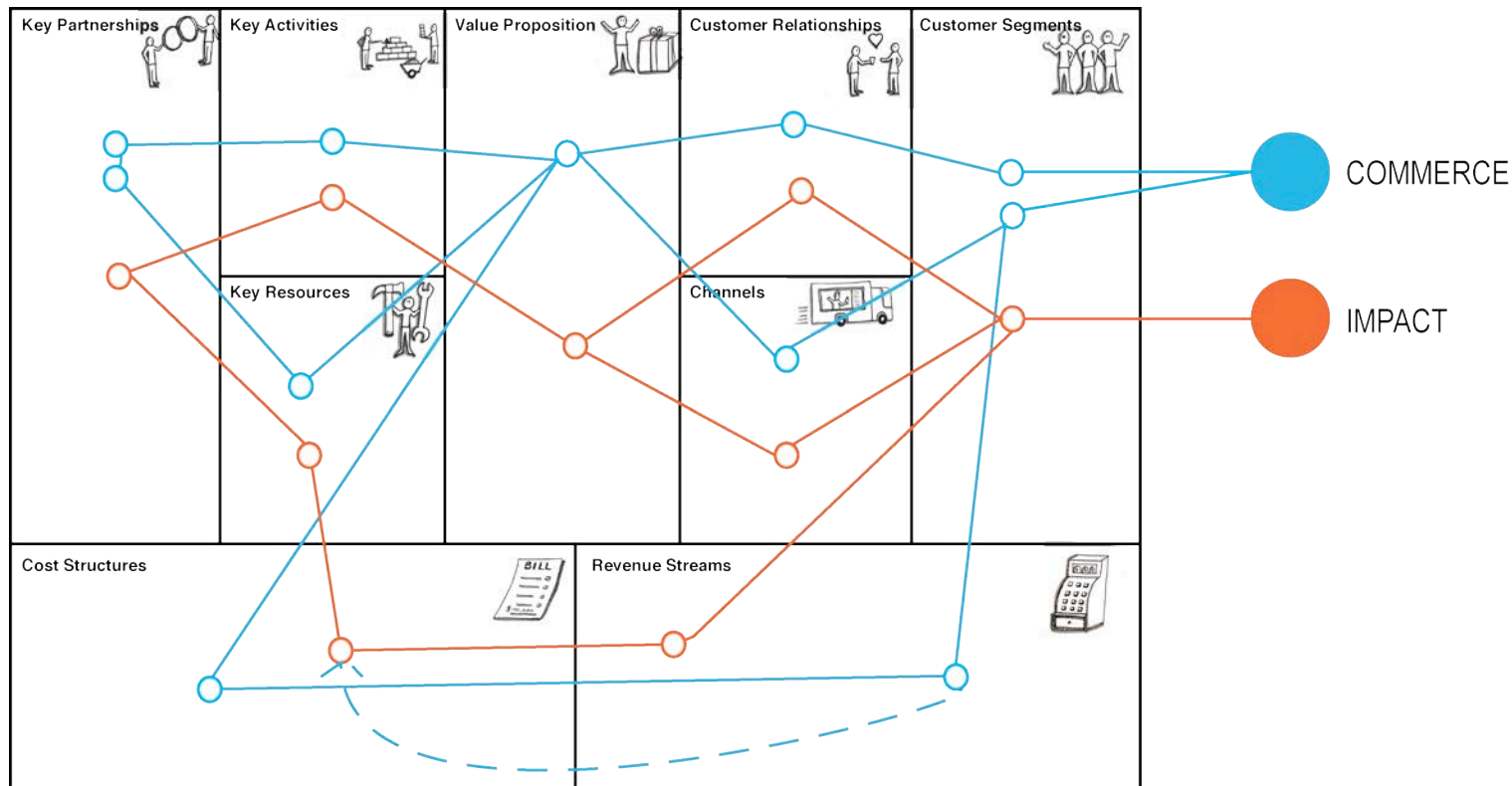
these groups, but rather, to facilitate a connection that enables the delivery of sustainable social impact within a viable business model. In this way the social enterprise becomes an intermediary between impact and commerce.

The way to represent this on the Business Model Canvas is to differentiate between that side (or sides) of the social enterprise that is directed to impact, and that side directed to commerce. By separating and visualising both sides on the canvas we can begin to see how they interact and what the story of the social enterprise is in relation to both commerce and impact. In a social enterprise neither the commercial nor the impact story is sufficient in and of itself - the important part of telling a business model story is that there is a coherent and sensible relationship between commerce and impact.

Being able to visually and concisely tell the story of how commerce and impact are linked through a social enterprise business model is a critical part of designing an effective and sustainable enterprise. If the social enterprise management team is expecting to be able to fund a significant and complex social issue using a flimsy and unrealistic commercial model, this will be obvious to an astute observer as soon as the

elements and the relationships are mapped out on a business model canvas. If, on the other hand, the commercial model is robust, but the impact is weak or meaningless, using the canvas will help all involved to develop a shared understanding of this and potentially open dialogue to deepen and strengthen the impact through business model innovation.

Mapping both impact and commerce models on the one canvas helps us to understand and innovate around not just each element alone, but about how they interact and support each other. This is an essential part of social enterprise design.



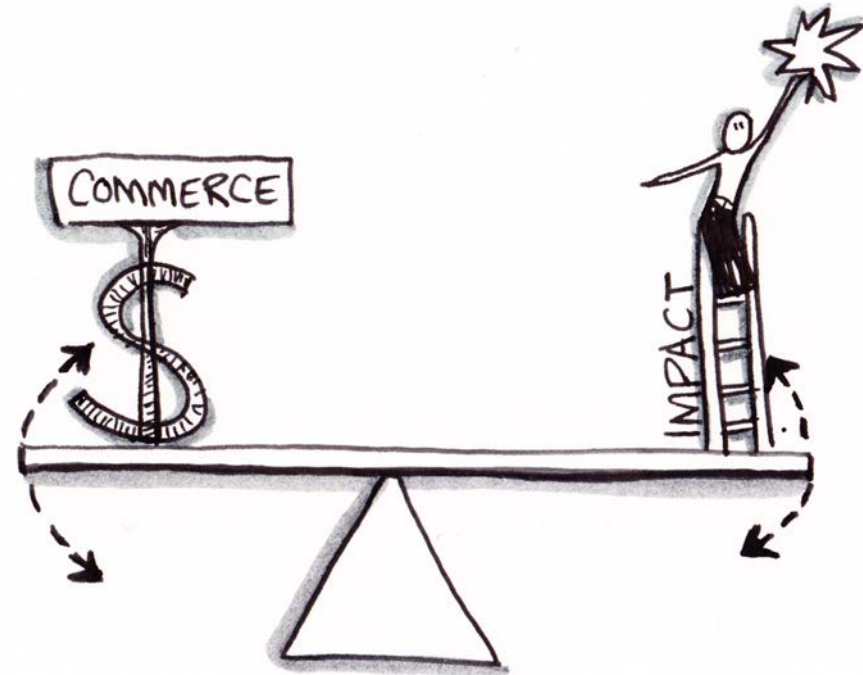
**The key to using the BMC in social enterprise is to separate out our commercial and impact models, but then to integrate them within the story of the business model.**

## How are 'social impact' and 'commerce' related?

The relationships between commerce and impact in a social enterprise are not 'one-size fits all'. The relationships are always dynamic, but their nature, and how visible they are on the BMC depends on two key factors. First, the relative value of the social impact you are seeking to achieve, to you and your constituents; combined with the extent to which this is dependent on the commercial income generated through the business model. Second, the type of social enterprise you are designing (of the three types listed above). Let's address these in turn.

## What is the relative value of the impact?

One of the biggest decisions that needs to be made when you establish a social enterprise and you start to look at the potential business models is the decision about what your social mission means for you (the stakeholders) and for the business of the enterprise. How often have we heard of the 'great idea' of starting a social enterprise cafe that employs people who have experienced long-term unemployment? Unless there is some remarkable business model design innovation it is unlikely that such a business will generate the sorts of profits needed to ensure that trade alone will be able to subsidise the costs of generating the social impact.



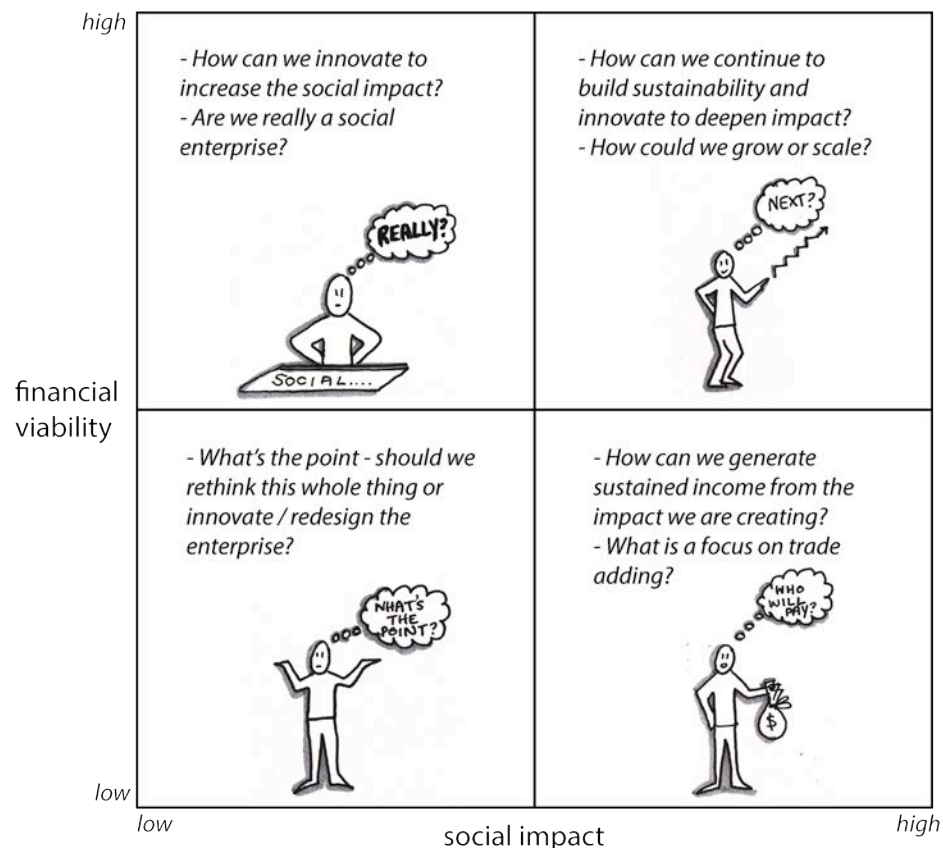
HOWEVER, this does not mean that an effective business model for this sort of a social enterprise cannot be generated - it just means that we need to go into the business model design process with our eyes wide open that we can actually make it work on both a commercial and an impact basis! Lets take a closer look at a matrix that can help us to make decisions about what to focus on in business model design. For the purposes of this exploration I'm going to focus on an employment-related social enterprise (type one).

### High levels of social impact and commerce can be balanced

This is a dream business model for a social enterprise! It does, however need some careful thought at the design stage! It means that we are looking for a business model that can generate sufficient revenue from operations to ensure viability for an enterprise. This is more likely if the business itself is one that has potential for viability even before the 'social' impact dimension. Many social enterprises begin with a business that is marginal at best and when you add the intention to generate social impact, it becomes financially non-viable without other types of support such as funding. Business model design is valuable for a social enterprise such as this because it makes visible and can direct potential innovations and opportunities for growth.

### When social impact is paramount

For some social enterprises, the social mission is paramount, and the business something of a sideline - it's great as a source of revenue, but there are bigger things at stake than the bottom line. For these social enterprises the business model needs to generate viable revenue flows from sources other than trade so that if push comes to shove, the enterprise can continue to operate even if costs exceed revenue generated from trade. It may be, for example, that a not-for-profit organisation sets up a social enterprise to offer employment to its constituents. They are fully aware that the cost of operations for the business exceeds the trade revenue it generates, but the social impact they can demonstrate is sufficiently attractive to a funding body that they are able to secure grants to off-set their additional costs. There is nothing wrong with this as a business model, except that it requires focussed attention on ensuring that the impact generated is, in turn, able to generate ongoing revenue across both the commercial and non-commercial streams. The big challenge in this type of model, however, is not to let the impact focus result in commercial complacency - even if the social impact is paramount, this should not be an excuse for poor commercial management!



### When it seems the 'social' is diminished

The BMC can help to explore the potential for strengthening the social impact dimension of a social enterprise. It can help to generate honest and open conversations about the links between financial viability and impact, and it can help to make some design decisions as to how to strengthen impact.

### When it is time to rethink and redesign

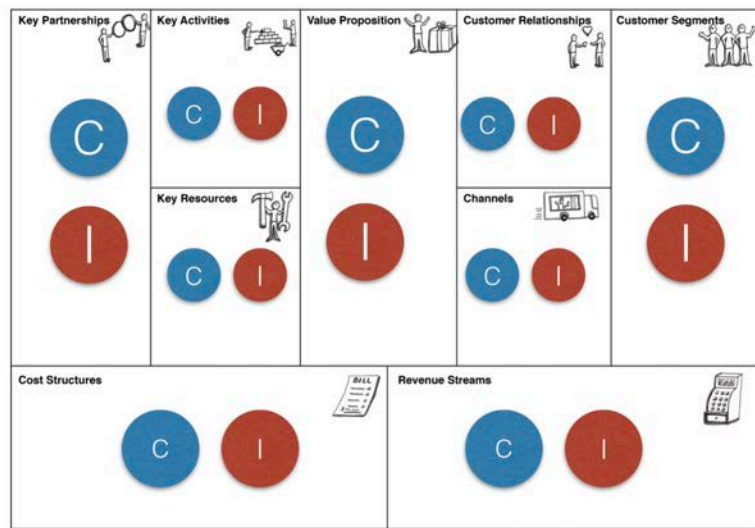
Finally, the BMC can help to visualise and understand when it's time to reassess whether there will ever be real social impact and/or opportunities for financial viability, and to either decide to redesign or to walk away.

## The type of social enterprise and what that means about the relationship between impact and commerce

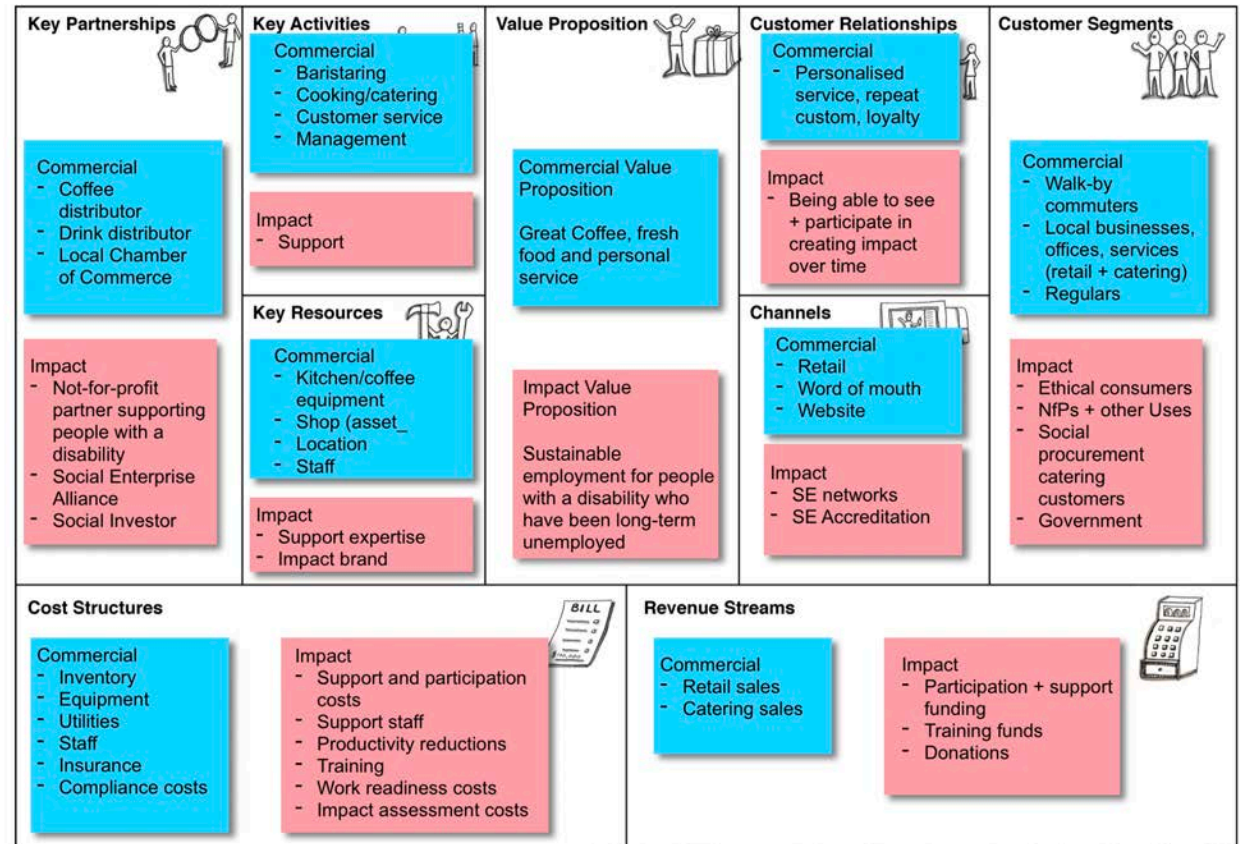
The relative balance between commerce and impact in different types of social enterprises means that for some types there will need to be more emphasis on one or the other, and for others decisions need to be made to ensure a more even balance between the two.

In **Type One** social enterprises, where the focus is on employing, training and supporting people who have been long-term unemployed or excluded from the labour market, the balance between the two (commerce and impact), needs to be strong and clear. Both need to

be evident in the BMC, and the story of how they interconnect needs to be clearly articulated. For this type of social enterprise the BMC helps us to tell both sides of the story, and to look at how commerce and impact interact across the business. The BMC should illustrate both commerce and impact in each segment as here (where C=commerce and I=impact). The Canvas for a coffee shop that employs people with disabilities illustrates the balance, and a strong narrative that flows between the commercial and impact dimensions of the enterprise.

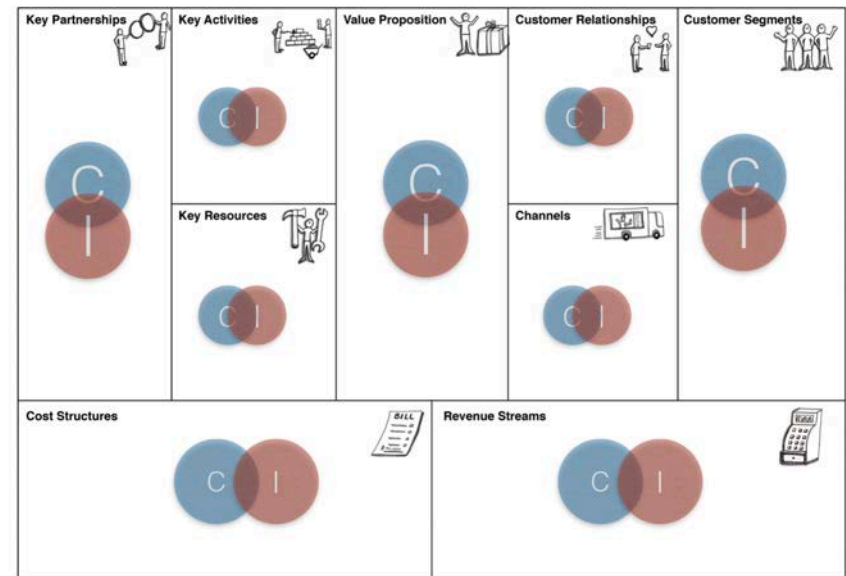
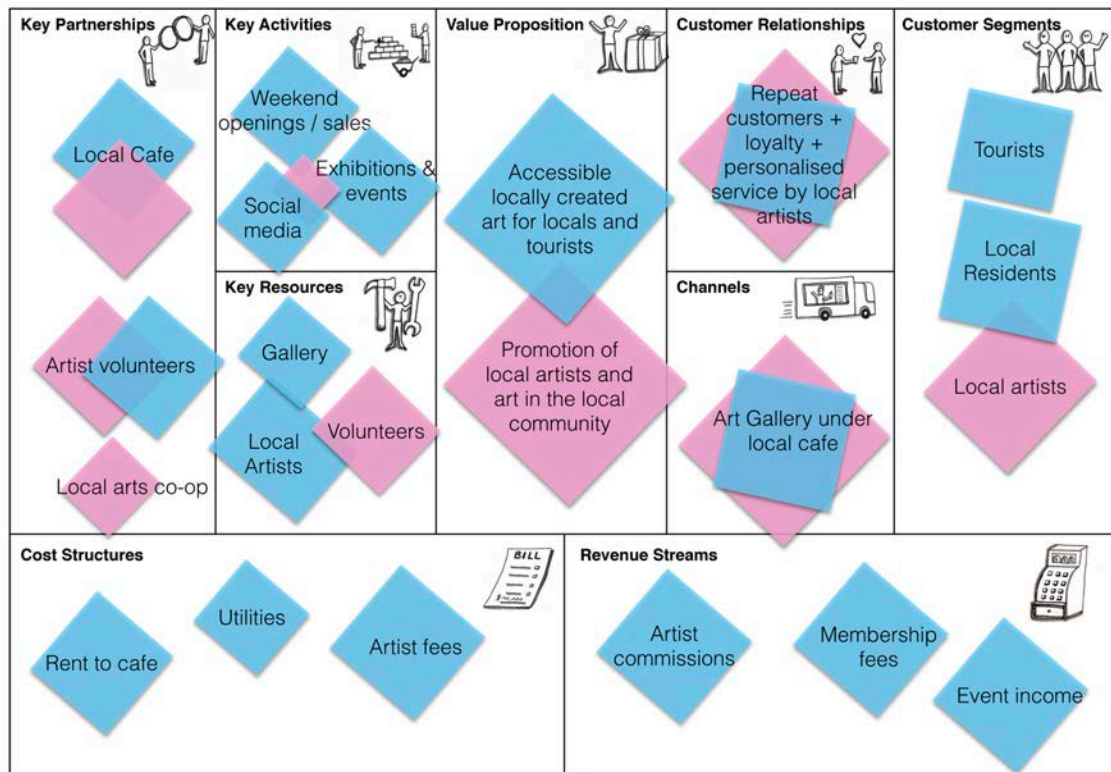


The Business Model Canvas, www.businessmodelgeneration.com and text from Osterwalder and Pigneur, 2009.



The Business Model Canvas, www.businessmodelgeneration.com and text from Osterwalder and Pigneur, 2009.

In **Type Two** social enterprises, where the focus is addressing a specific need (social, cultural, environmental or economic) in a community or amongst a cohort, there may be greater overlap between the commerce and impact story within the enterprise. For example, if I am setting up a social enterprise arts co-operative to showcase and sell the work of local artists and cultural workers, sometimes it is going to be the case that both commerce and impact need to be articulated as distinct (such as in the value proposition and perhaps the resource), and in other segments of the business model commerce and impact may completely overlap, or one or the other may be missing. The relationship between commerce and impact may not be as clear cut as for Type One social enterprises - there is a little more blurriness (as depicted here). Take a look at the example of the local art gallery below to see how this may work in practice.

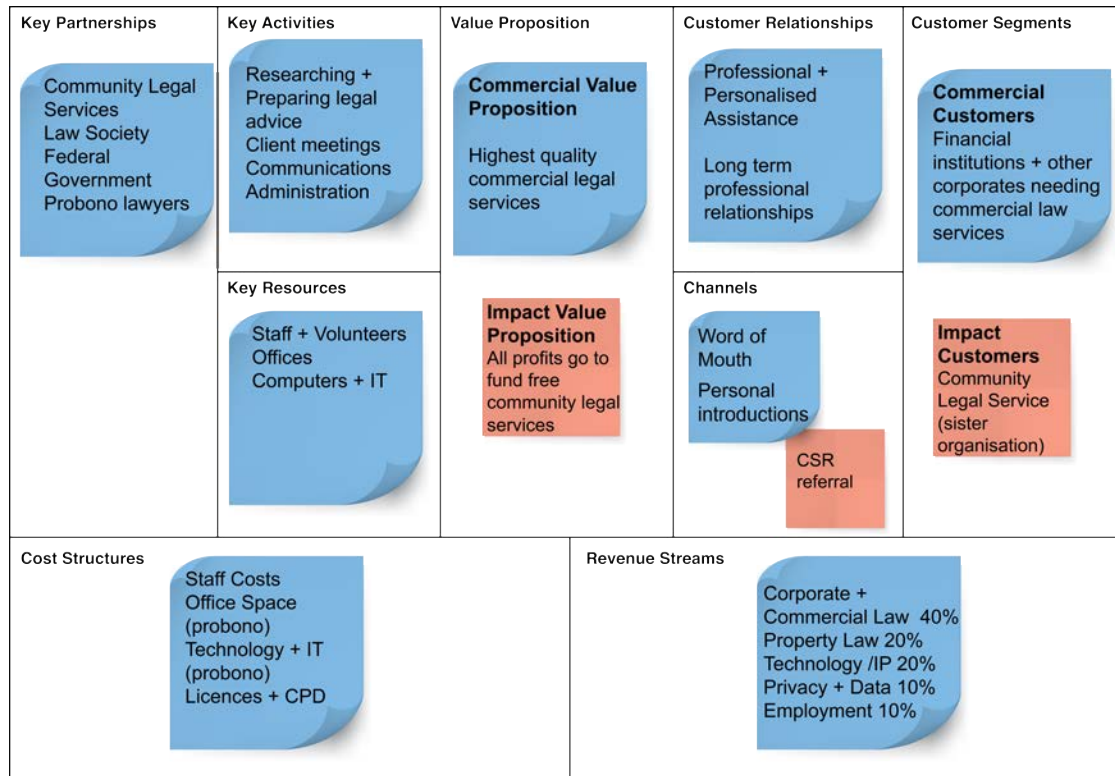


The Business Model Canvas, www.businessmodelgeneration.com and text from Osterwalder and Pigneur, 2009.

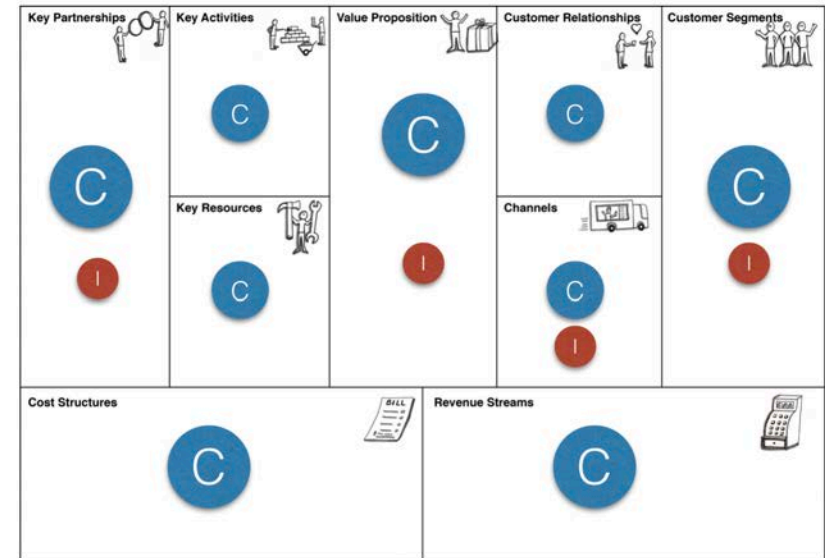


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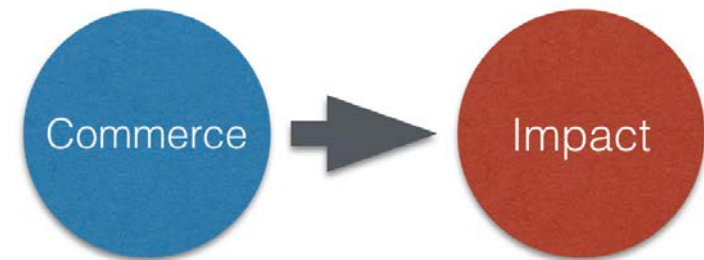
In **Type Three** social enterprises, where the focus is on using a commercial business model to generate revenue for an impact purpose, the key emphasis in here is on ensuring a viable and sustainable commercial focus, because if this is not present, there will be no revenue raised for impact. In the BMC this type of social enterprise may only make reference to the impact dimension in a few select segments of the canvas. For example, in the BMC below for a commercial legal firm that directs all its profits to support a free community legal service, the focus will be on ensuring that the commercial elements are strong across the business model, and most of the impact dimensions may not appear on the canvas at all (or only in a limited number of places). It can also be made clear that the intent of these social enterprises is to maximise commercial revenue so that it can be applied for an impact.



The Business Model Canvas. www.businessmodelgeneration.com and text from Osterwalder and Pigneur, 2009.



The Business Model Canvas. www.businessmodelgeneration.com and text from Osterwalder and Pigneur, 2009.



# Value Proposition

When exploring the business models of social enterprises we start with the question, 'what value are we creating?' When we use the BMC in commercial businesses we often start with the customers - because ultimately they are at the heart of the business. Of course this is the case for social enterprises as well, however, most social enterprises begin with a quest to generate some kind of 'social value' **through** a commercial value proposition. Social value is defined as the social outcomes and benefits that are generated through the enterprise - it's what makes the enterprise a 'social enterprise'!

Articulating the social value that we are seeking to generate through our social enterprise is a critical first step in designing a social enterprise. However, a social enterprise will not survive by generating social value alone! As an 'enterprise' it also needs to generate 'commercial value' - the goods or services that meet a need in the marketplace. So, a social enterprise has two value propositions: 1) the **impact value proposition** - the social value it seeks to deliver, and what makes this attractive to customers and other stakeholders; and 2) the **commercial value proposition** - the goods and services it produces and sells, and what makes these attractive to customers and other stakeholders.

At the early stages of designing a social enterprise it can help to separate out the commercial value proposition and impact value proposition. They are ultimately linked, but separating them out for discussion can help us to see how each relates to our different customer segments.



**Commercial Value Proposition**  
*Examples*



**Catering**  
Quality, affordable catering using local produce



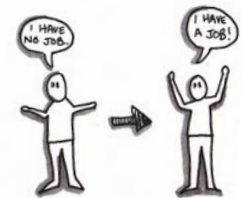
**Garden maintenance**  
Careful, chemical free and knowledgeable garden maintenance just the way you want it



**Retail**  
Clothes with a difference, flair and style made in Australia



**Impact Value Proposition**  
*Examples*



**Employment**  
Sustainable and meaningful jobs for people with disabilities



**Local Economic Development**  
Revitalising the local economy of this rural town



**Fair Trade**  
Quality coffee that ensures quality of life for producers



It is likely that the commercial and impact value propositions will be inter-dependent, but one may be more important to particular customer groups than the other. If government funders or philanthropists are our **customers**, then they may be much more interested in our impact value proposition than in our commercial value proposition. On the other hand, if we are operating a retail business, our retail customers may or may not be interested in our impact value proposition. Ultimately, if the business of the social enterprise is to be successful from a financial perspective, then our commercial value proposition has to hold up whether or not we have a parallel impact value proposition. Doing good will not suffice if the service or product is done badly.

For some social enterprises the commercial value proposition is taken for granted - we imagine that because we are 'doing good' that our customers will automatically be lining up for our products and services. Unfortunately this is a misguided assumption. There are only so many times I will buy a bad coffee or pay for a badly mown lawn - no matter how much good you are doing. And there's only so many times I'll believe that you're doing good if I can't see any evidence that that's the case.

In other words, no matter how laudable and ethical your impact value proposition, if the commercial value proposition doesn't add up for your customers then you may as well be running a vanilla not-for-profit organisation! A social enterprise can't run on an impact value proposition alone! Conversely, sometimes those positioning themselves as a social enterprise can fail to fully consider all the dimensions of the impact value proposition they are interested in contributing to. In these cases the impact is often 'tacked on' to a commercial business strategy rather than being core to the business itself.

It is important for social enterprises to work out how they will demonstrate their value propositions to customers. For some it

### Questions to ask about the value proposition of a social enterprise

- What value do you provide your customers? Why would they keep coming back?
- What is the relationship between your commercial value proposition and your impact value proposition?
- How visible or prominent is your impact value proposition?
- Who values and would pay for your impact value proposition?
- Who understands it?
- How do you account for / measure your value proposition (both commercial and impact)?

may be the case that the only visible part of the enterprise is the 'commercial value proposition' - the impact value proposition is inherent inside the enterprise but it is not what is visible to customers and it is not the reason customers engage with the enterprise. For others the impact value proposition may be very visible, and it may be important to present it in a way that will draw customers in. This will be discussed further in the 'Customer Relationships' section below.

Since the first edition of this booklet Alex Osterwalder and his colleagues have gone on to create the Value Proposition Canvas to help people to generate compelling value propositions that align to what customers are trying to achieve.

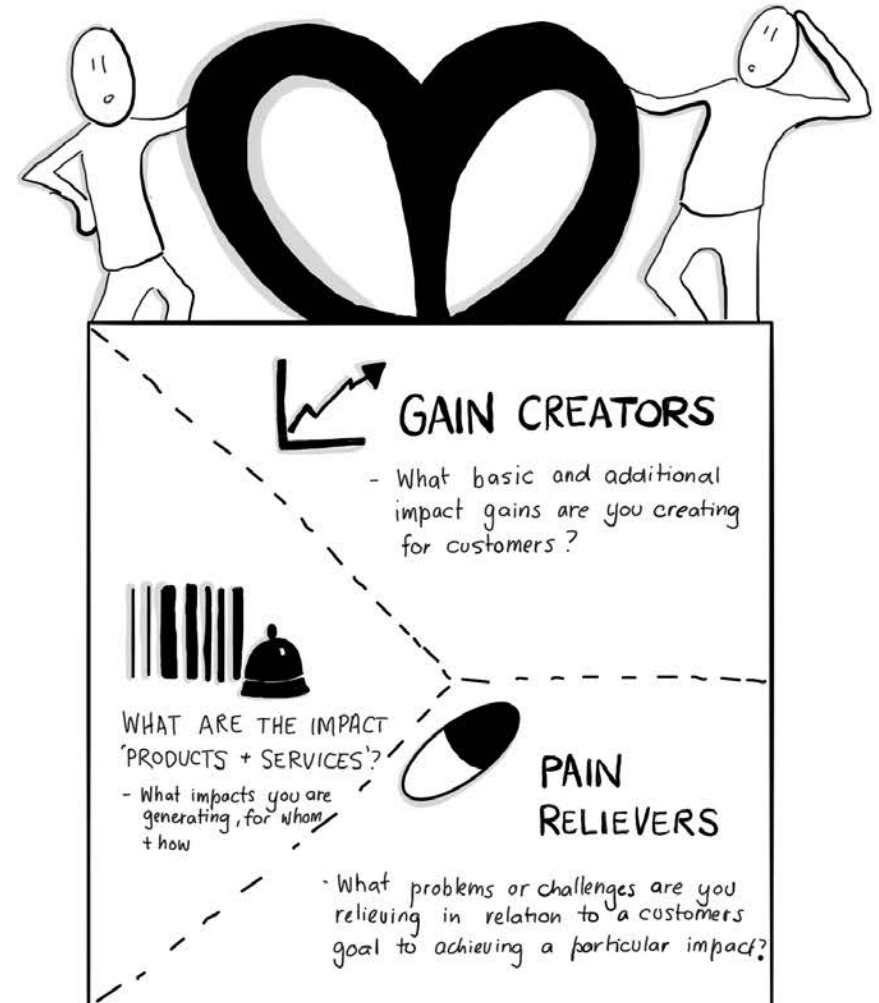
For social enterprises it is important to understand what 'value' the particular impact you are generating delivers for your impact customers, and to explore what the 'job to be done' is for your customer in relation to this impact. All social enterprises are solving problems in the impact space - they are helping customers who want to generate some kind of impact to accomplish this.



Understanding what it is that your customers want to accomplish from an impact perspective helps you to ensure that you are generating this value for them.

So, for example, if the impact I am generating through my social enterprise is the employment of people with a disability who are otherwise amongst those in Australia who are most significantly excluded from the labour market, then the 'job to be done' might look different for different kinds of customers. Some of the 'jobs to be done' are functional, but others are about more emotional and status dimensions.

Understanding the nature of the value that impact customers are seeking is a critical part of developing the business model of a social enterprise. Spending time with the impact customers, and seeing both what 'pains' they experience (what challenges they face in accomplishing their goals, and what pain points they encounter along the way); and what potential gains you can build into your impact value proposition will help you to shape an effective and compelling proposition.



# Customer Segments

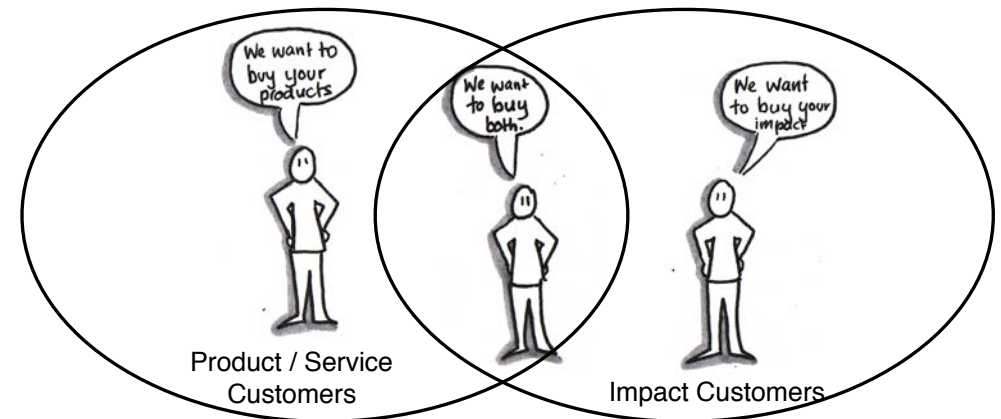
Given that social enterprises are in the business of trading for the purpose of generating social impact, they can have at least two different (though potentially overlapping) categories of customers - the customers who are wanting to purchase their goods and services (ie. the commercial customers) and the 'customers' who are wanting to support the social impact that they generate and/or potentially benefit from this impact (ie. the impact customers). Understanding these two key customer segments (which could potentially be further segmented within these categories) is critical to understanding a social enterprise business model.

When social enterprises use the BMC for discussion and design purposes it can be helpful to distinguish business and impact customers for a number of key reasons:

1. Some social enterprises don't see their 'impact' as potentially having 'customers', or don't **see the full range of possibilities** that could occur under this scenario. So, for example, some social enterprises might see funders as 'partners' rather than customers (and that's fine!). But this may make invisible the potential that there may actually be people/organisations/corporations out there who are willing to 'pay' for your impact services. If you are having a significant impact, for example, on crime rates in a local area, are there potential 'customers' who may benefit from this (eg. insurance companies) and who may indeed see a logic in paying for this service in some way?
2. Sometimes social enterprises can make **assumptions** about how important their 'social impact' is in the eyes of their customers. Exploring how much our customers value our impact and our products/services can yield some interesting design insights for social enterprises.

3. Understanding the different customer segments and whether they value your products/services and/or impact can help business **design innovation**. For example, if your 'impact customers' are currently all government and philanthropic funders, can you explore additional opportunities for growing the interest of these 'customers' in your products and services (eg. procuring your cleaning services through a contract)? Or if you have regular corporate customers purchasing your services, are they also interested in exploring potential opportunities in relation to the impacts that you generate (eg. could they encourage their employees to give to your enterprise through an internal gifting program)?

Operating a social enterprise involves a few more complexities than operating a traditional commercial business because social impacts are often complex and not necessarily cost-neutral, and sometimes our customers don't necessarily understand exactly what they are buying (ie. that their purchase of the service/product contributes to



the impact). Of course in some instances it is not necessary for customers to understand or even know about the impact (especially if the product/service speaks for itself). But in other social enterprises it can be important to 'sell' the impact and thereby ensure that the impact costs can be covered by revenue beyond the earnings from trade. Understanding the customer segments and their connection to and valuing of products/services and impact can provide some great food for thought in using the business model canvas for enterprise design. For social enterprises, understanding your customer segments is critical. In addition, it is vitally important to understand the balance within the customer segments. If an enterprise is consistently disappointing its core business customers and is increasingly relying on 'selling' its impact, then work needs to be done to understand the implications of this.

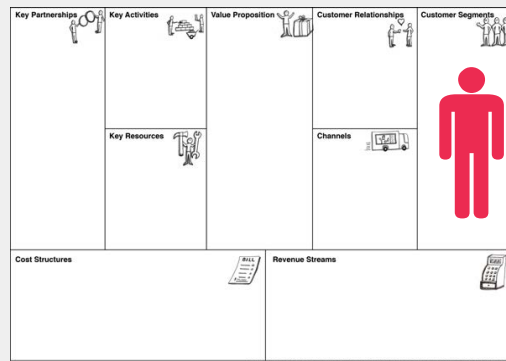
### Constituents as 'customers'

For some social enterprises it is important that 'clients', 'beneficiaries' or 'constituents' are co-creators of solutions. In this case it could be helpful for 'constituents' to be seen as a distinct customer segment, so that the value proposition needs to be co-created between the social enterprise and the 'constituent'.

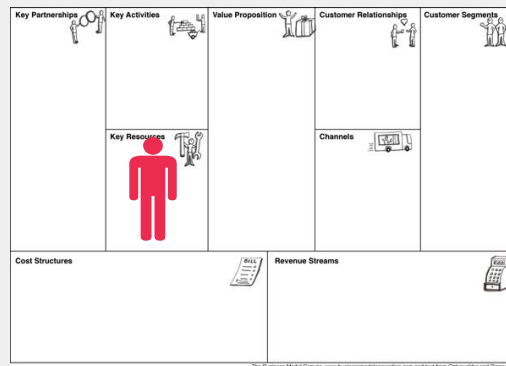
In some instances, particularly when 'constituents' have individualised support packages of funding, they are actually a key customer in the business. For social enterprises exploring their way into aged care or disability services (eg. NDIS) environment in Australia, for example, having a clear value proposition for constituent customers is critical. It is also going to be important that this value proposition is co-created with 'constituents' to ensure that support packages and services are actually meeting their needs.

## Where do your 'constituents' or beneficiaries sit + fit in the BMC?

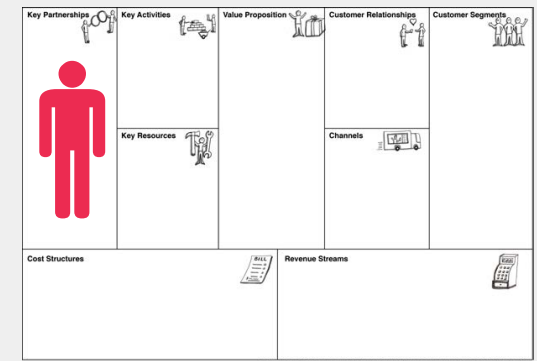
I am often asked where 'clients', or as I prefer, constituents, fit into the BMC, and my answer is that it depends on what kind of engagement or level of mutuality you are seeking to build into your business model. Traditionally, charities and services have externalised the constituent as the 'recipient' of services - the beneficiary. Designing (or better still, co-designing) the constituent into the business model of social enterprises is what makes them both more transformative and potentially more effective than traditional models of services based on poverty alleviation or charity. Below are four positions you could discuss with your constituents, with each challenging traditional models.



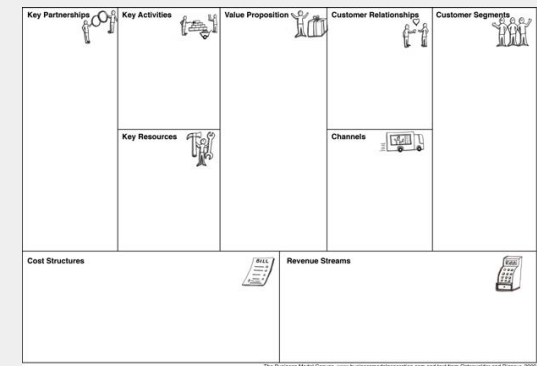
**Customer:** How do we 'serve' + relate to constituents as customers? Customers have choices - how we we understand why + how they choose us?



**Key Resource:** How do we work with the strengths and assets of our constituents?



**Partner:** How do we actively co-create and co-produce the business with our constituents?



**External:** The constituent remains the 'beneficiary' of 'revenue streams'...how do we grow this into a more mutual model?

### When are 'funders' really 'customers'?

Understanding where government funders and philanthropists fit into the business model of a social enterprise can help us to understand their role in relation to our business model. If they are customers then we will need to be clear about the value proposition we are putting forward to them, and to build a relationship with them that ensures their ongoing custom. If they are partners, then we may want to find ways to rely less on them as a source of revenue but to explore what other value they could add to our business model.

### Growing repeat customers

In both customer segments (commercial and impact) we need to look at ways to convert one-off customers to repeat customers. If we need impact customers to support our impact in an ongoing way, then we want these customers to commit to more than a one-off grant. We need to effectively frame our value proposition to them in ways that help them to commit to becoming repeat impact customers, and more than this, help them to explore opportunities to join our commercial customer base.


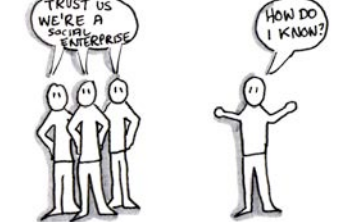



### Questions to ask about customer segments in a social enterprise

- For whom are we creating value - and what kind of value are we creating for them?
- Who are our commercial customers and why will they continue to be our customers? Who are our impact customers and what value are they seeking from us (and how much are they willing to pay for this)?
- How important is the linkage between our products/ services and our impact to our customers? Are they prepared to pay more for the impact? Who else would / could pay for the impact?
- Are our constituents customers? co-creators? partners?
- Are our funders customers or partners, or both?
- What kind of value proposition will keep customers coming back over the long term?



# Channels

Working out how to reach and communicate with customers and help them to evaluate a value proposition is a key part of opening business opportunities in social enterprises. For social enterprises it may not only be about helping customers to evaluate business value propositions - some customers may also need to understand our impact value proposition. Osterwalder and Pigneur (2009) outline five phases that are important in designing and nurturing effective channels inside businesses. They are equally important for social enterprises, and a few other questions are raised in the process!

					
	<b>Awareness</b>	<b>Evaluation</b>	<b>Purchase</b>	<b>Delivery</b>	<b>After Sales</b>
<i>Questions raised by Osterwalder and Pigneur (2009;p.27)</i>	How do we raise awareness about our company's products and services?	How do we help customers evaluate our organisation's Value Proposition?	How do we enable customers to purchase specific products and services?	How do we deliver a Value Proposition to customers?	How do we provide post-purchase customer support?
<i>Additional questions for social enterprises</i>	How does this social enterprise stand out in a crowded market? Do we raise awareness of products/services AND impact? If so, how? Particularly if we are wanting to raise awareness of our impact, how do we do this in a way which highlights our business, not just our cause?	How do we help our customers evaluate our organisation's impact value proposition? What evidence and stories can we / should we share? Why should customers buy from us as a social enterprise? Do we compete directly with mainstream businesses? If so, why would customers choose to buy from us?	How do customers find and access us? Are direct sales through retail outlets the only way customers can purchase from us? How can we extend the ways customers can find and purchase our goods/ services? Who can we partner with to extend our sales reach?	Can we extend our range of delivery mechanisms? Are there more efficient, effective or innovative ways we can deliver our goods/ services and/or impact? How can we connect our customers more effectively through our delivery mechanisms?	Do we follow-up our customers to ensure that they will be repeat customers? What after sales support or information do they need or want about our products/ services and/or impact? How can we ensure that they will champion social enterprise?
<i>Examples of where this can be important</i>	There is a growing interest in social procurement - but many procurement officers are not aware of social enterprises. How could this change?	Many corporate and government customers are interested in the value proposition of social enterprises but are looking for evidence. How could this happen?	It can be difficult to build financial sustainability into retail focussed social enterprises. How could you address this challenge?	Some social enterprises turn their 'customers' into their 'communities'. How could you connect your customers more directly?	Dissatisfaction can have a flow-on effect not just for repeat custom in this enterprise, but for purchasing from other social enterprises. How do we ensure satisfaction?

## Delivering Impact

The way a social enterprise communicates its impact value proposition is an important design decision, and requires a deep understanding of customers and of the nature of the impact itself.

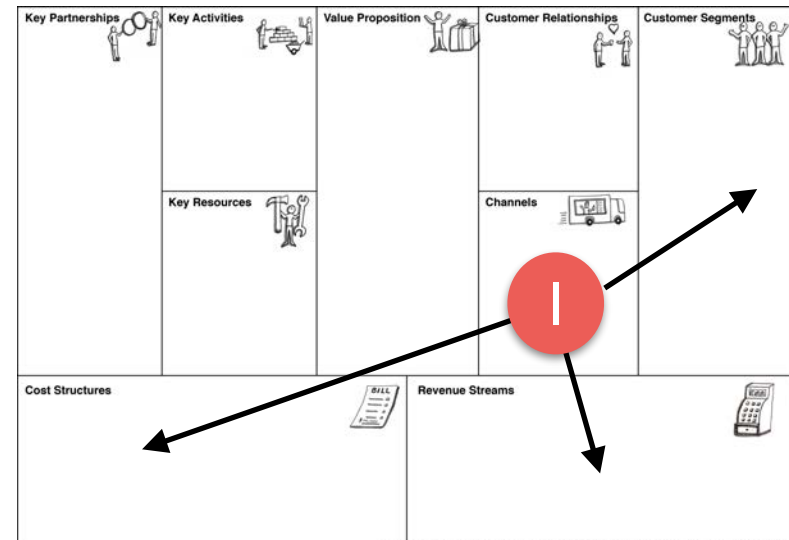
If your impact value proposition is centred, for example, on generating sustainable employment options for people who have experienced long-term joblessness, then articulating your impact value proposition to customers may involve sharing some employment success stories. However, sometimes customers want more detail about the impact before they 'buy' your impact value proposition. This may mean that you need to think through how to present the impact to customers - how will you measure the impact and how will you share the data on the impact with actual or potential customers.

Making decisions about what and how to share impact measures with customers can be an important part of making sure that your impact value proposition is a part of purchasing decisions by your customers. Do you share stories that illustrate your impact as part of your marketing? Do you share impact evaluation reports? Do you rely only on your commercial value proposition to promote your enterprise, leaving the impact value proposition implicit? Part of the challenge of channels in a social enterprise is working out how you will deliver an understanding of what impact you have created in the business.



It is increasingly the case that customers, partners and funders are seeking information about what your actual impact is, and how you have measured this impact. You may think about your impact in terms of:

- the change you have created in the lives of people, systems or for communities;
- The financial value you have created for because of those changes, or the savings you have generated through these changes for funders (usually government);
- The multiplier effects that have been generated in terms of attracting or enabling further impact as a result of the work the enterprise has undertaken.



The Business Model Canvas, www.businessmodelgeneration.com and text from Osterwalder and Pigneur, 2009.

**How do we 'deliver' our impact value proposition to those customers who are interested without it costing too much....and ensuring that impact remains part of our revenue stream?**

The channels through which we 'deliver' impact require us to help our customers see and understand the type, scope and direction of this impact.

That means we need to articulate and communicate what our impact is, how we generate it, and how we know this impact is occurring. We can spend lots of money in an enterprise evaluating impact, and even then our customers may not appreciate the value of this impact. The problem often lies in the 'channel' segment of our business model - the medium and form in which we are delivering the value of this impact.

There are many methodologies emerging that purport to help social enterprises articulate their impact value proposition - from Social Returns on Investment (SROIs), Social Accounting, and external bespoke evaluations. However, before you decide on the channel that best works for your business model, consider developing and testing an Impact Map. This is essentially a 'Theory of Change' - a structured and logical hypothesis that articulates what problem you are addressing, how you are addressing it, what the short, medium and long-term

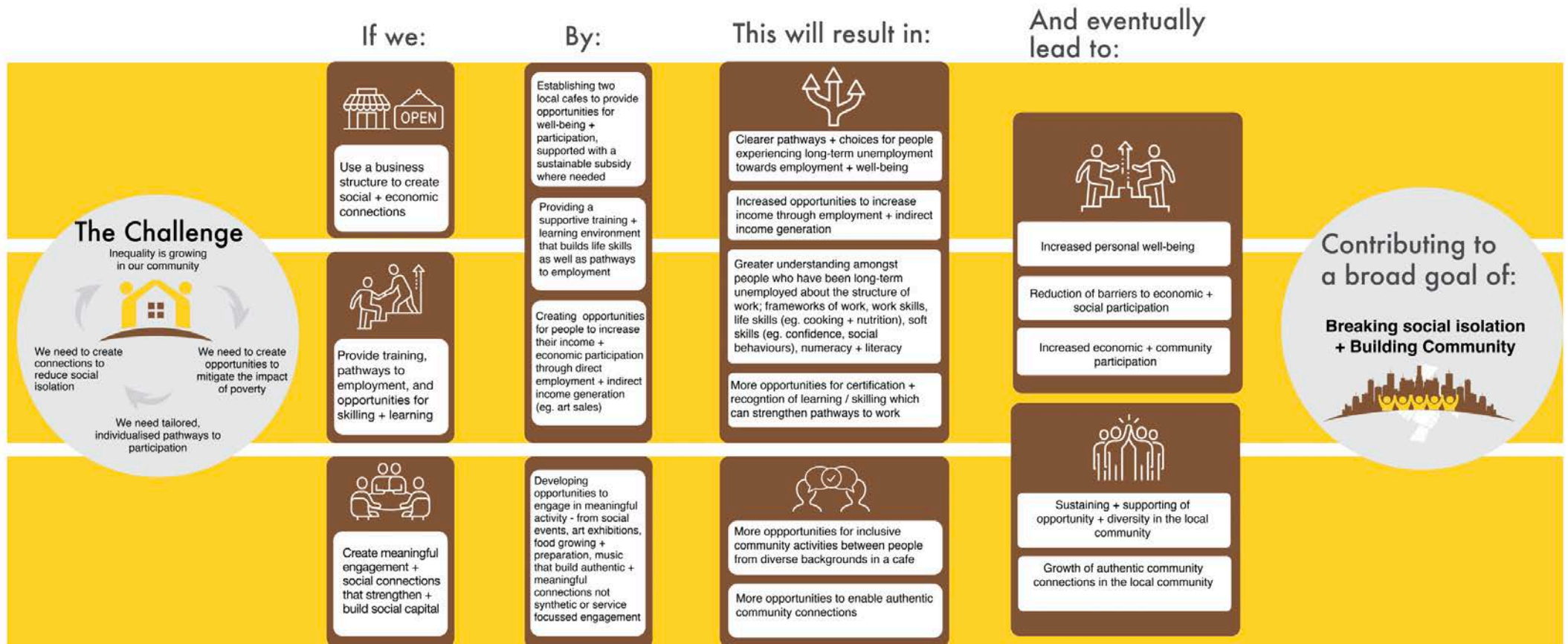
impacts are. This can then help you to articulate a basic framework for what changes you are aiming to make, and how you may measure whether you are actually making these changes.

Below is a basic overview of the elements of an Impact Map, and on the next page is a completed map for a Brisbane-based social enterprise "Hope Street Cafe". Having this Impact Map enabled Hope Street to shape the channel for delivering their impact value proposition to key funders, investors and their customers.





# Hope Street Cafes: Impact Map

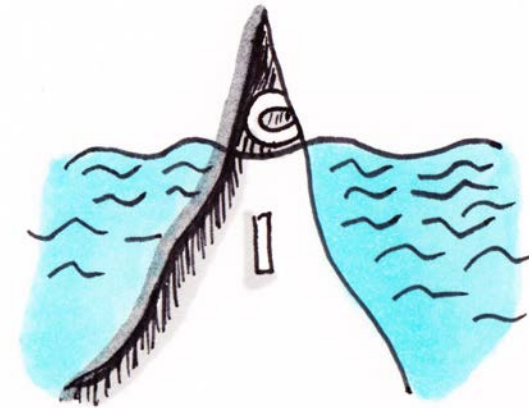


# Customer Relationships

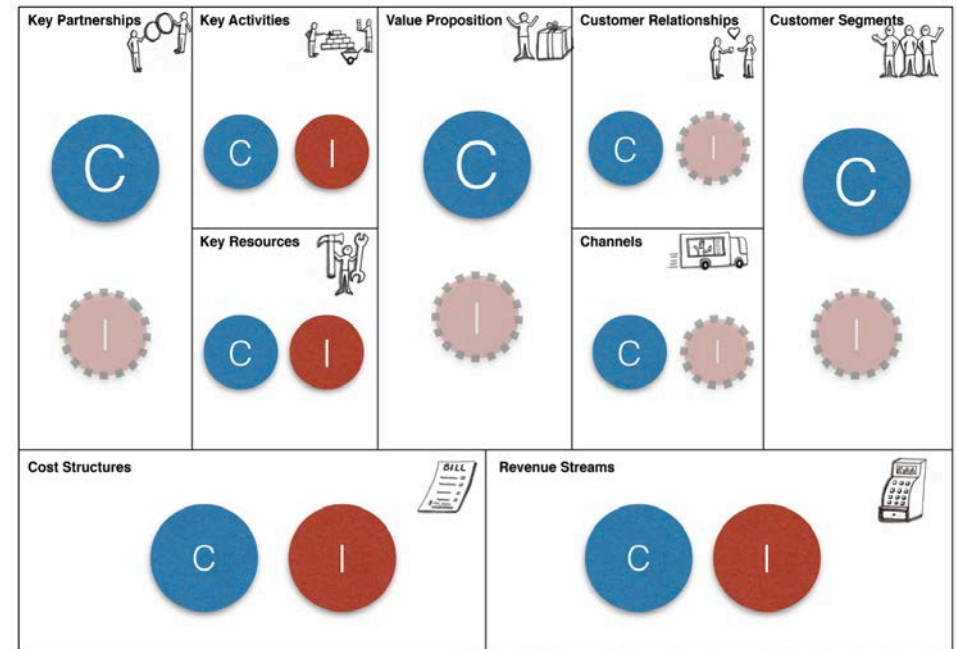
In social enterprises customer relationships are critical. Customers may be attracted to our value proposition just from a purely business perspective, and we should aim to retain their custom on this basis. However, some may 'fall in love' with us as social enterprises once they learn of the 'added value' our social impact brings to the exchange.

On a recent overseas trip I stayed in a hotel that is a social enterprise. They did not advertise it as such and there was no mention of it during my stay. In their relationship with me as their customer their primary concern was that I was happy with their service. They chose not to use their impact value proposition or their 'mission' in any of the information or advertising of the business and so most customers did not know of this when they chose to stay there or chose to come back on the next trip. This decision related partly to their commitment to offer their employees a job that did not stereotype or identify their personal circumstances. This meant that they embedded in to their business model a high degree of confidence in their employees and a belief that that the 'business' would speak for itself. However, knowing that they were a social enterprise employing people with mental illness meant that I was prepared to pay slightly more than I would usually pay for a hotel stay.

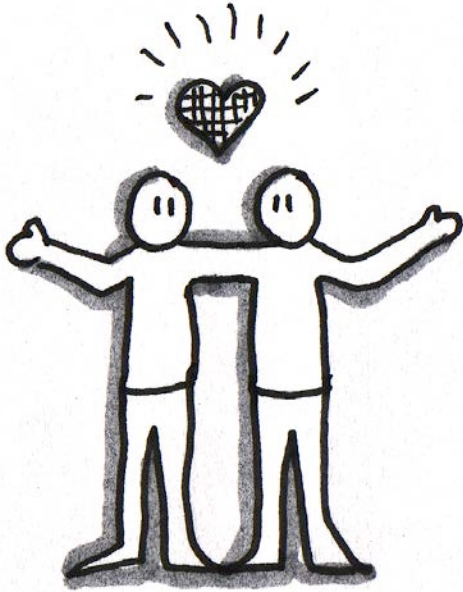
This story illustrates the importance of thinking through what role your 'impact' should play in the relationship you have with your customers. Sometimes it is important for the impact to be very present in the relationship (your customers may LOVE you for it!). In other circumstances it would be inappropriate for your mission to form any part of the relationship, particularly in cases where the impact goals include reducing stigma and improving esteem amongst a particular cohort of constituents. As mentioned before, if 'mission' is the only thing you are offering to your customers, and if the products/services you offer are inferior, exaggerate the value proposition, or if they are not delivered on time and on budget, then it is likely that no matter how much your customers love your mission, they will eventually decide that, unfortunately, they are not able to continue as your customers.



HOW VISIBLE IS YOUR IMPACT...ESPECIALLY TO CUSTOMERS?



The Business Model Canvas, www.businessmodelgeneration.com and text from Osterwalder and Pigneur, 2009.



For social enterprises it can be interesting to push out what we would consider 'traditional' customer relationships with a business, and explore how customers could become our 'community' or how they could co-create or co-produce the business with us. For example, Food Connect has established a network of customers referred to as 'City Cousins' who are willing to take on a role of distribution hub in their local communities. Indeed, the depth of the community established over many years through this distribution network was a foundation for Food Connect's recent successful crowd funding raise to purchase their shed which will become a local food hub. When customers become active in your social enterprise they can also take on roles associated with deepening or scaling your social impact. They can become champions of your cause; they could volunteer; donate; become your network or your partners. There is so much more to customer relationships than consumption in a social enterprise!

Another interesting way to approach customer relationships from the perspective of social enterprises centres on the idea of building customer loyalty, and in turn, what customer loyalty can build in terms of social impact. For many social enterprises, growing their customer base means that they also grow their potential to deliver on their social mission. So 'customer loyalty programs' may look different in social enterprises - they may focus on what can be co-created or what difference can be made together rather than what rewards individual customers could receive. Loyalty programs in social enterprises could thus be seen as potentially the base for an impact movement. There's exciting design possibilities up for exploration here and opportunities to reposition customers as change agents for your cause!

Of course it may well be the case that your customers only love you for the value you can produce for them and in that case we need to accept this or at least see it as the foundation for our business. As in any relationship, it takes two to tango, and there is no point trying to force an impact value proposition based on love into a relationship that is plutonic and focussed on commerce! In designing social enterprise business models it is all about what is appropriate for the particular circumstance, and what will drive the business engine so that ultimately you are able to achieve your social mission.

#### **Questions to ask about customer relationships in a social enterprise**

- What kind of relationships do our customers want? Are they or could they be interested in our social impact?
- What could happen if customers fell in love with our impact? What other roles would they be willing to play if they did?
- What do we need to be mindful of to ensure that we retain our customers?
- Are the relationships with 'impact customers' different? What do they expect when they 'purchase' impact from us? How can we ensure that they fall in love with our products/ services too?

# Revenue Streams

For just about all social enterprises I have worked or talked with, revenue streams are top of mind most of the time. Revenue streams are what enables social enterprises both to run the business and generate the impact - but they can also be the source of much debate and tension. The contention comes predominantly from different interpretations of the mix of revenue that flow into social enterprises. Sometimes the contentions stem from ideology rather than practical reality. Some people argue that social enterprises should avoid any revenue other than trade or earned revenue. In an ideal world this would be great! However in reality, this assumes that there is no difference between running a social enterprise and running a commercial business, and we know this is not the case. If we cut out the ideology and adopt a completely pragmatic perspective, we would see that the source of revenue is only part of the picture - and to make sense of a social enterprise the source of revenue needs to be linked to: its purpose and application inside the enterprise; the social benefits it can generate; and its contribution towards building viability and sustainability over time.

By definition, a social enterprise derives a majority of its revenue from trade. This is what makes it a social ENTERPRISE. However, it also needs to deliver a social impact, which is what makes it a SOCIAL enterprise. In many ways, understanding revenue inside a social enterprise requires some consideration of the monetary and opportunity costs of mixing together social purpose and commercial realities - ingredients that are sometimes like oil and water.

Let's first look at revenues generated from trade. To start up a social enterprise it is critical that we explore the business models of analogous commercial businesses and understand what makes these businesses viable over time. So, if we are wanting to set up a social enterprise cafe, then what do we know about the commercial realities of running a cafe? How much revenue is possible from operating a single, independent cafe? How much profit can we expect to generate? Understanding the commercial realities of a business can be very helpful if we are designing a social enterprise that wants to generate profits and IN ADDITION, deliver impacts.



If a commercial business in a particular sector and location has little potential to deliver profit, then a social enterprise operating in that sector and location will have very little chance of generating a profit sufficient to cover its impact costs! It is a never-ending source of fascination to me that social enterprises continue to pop up in business sectors or industries that struggle or are marginal in a purely commercial context. Expecting to operate a successful social enterprise in such a sector without significant non-trade revenue sources or substantially innovative business models is living in fantasy worlds.

Equally fantastical, however, is assuming that **all** social enterprises can get to a position where the impact they deliver can either be cost neutral, or that it can be cross subsidised from within commercial operations. As we will explore in the 'cost structure' section, impact is never or only very rarely, cost neutral. And given this, not only do we need to know the potential revenues that can be generated by any given business (to know if cross subsidy is even possible), but more importantly still, the costs need to be assessed in relation to the social value that is generated. It is ideological tomfoolery to assume that we can have a raft of completely commercial social enterprises across **all** impact fields that are independent of any kind of funding or donation revenue.



**Different revenue streams can have different functions in a social enterprise. The trick is to find the best fit between form and function of revenue in the model, and this will vary according to the impact, the industry, legal structures under which an enterprise is incorporated and business model itself. But as a broad proposition, using grant or philanthropic funding to cover up an inherently inefficient or failing business is not effective use of such monies, and neither is it helpful, in the long run, to delivering sustainable social impact.**

In some ways it is important to understand the impact and commerce inside a social enterprise as two separate but symbiotic systems. The commercial business around which a social enterprise is structured needs to operate as such - it needs to be able to get to a stage where it is viable, and hopefully sustainable, generating sufficient revenue from its trading activities to not only cover operating costs, but to generate a profit. At the same time, the impact system needs to be understood in terms of the social value it is generating. We need to be able to honestly and openly assess whether this social value is actually 'saleable' - whether our commercial customers, or impact customers will pay for this social value and thereby generate revenue. If the social value can be articulated in terms that it can attract revenue in its own right, then a social enterprise *may* get to a point where there could be independent revenue streams flowing into the enterprise around the impact value proposition. However, it may not be 'saleable' - in which case, the costs of generating this impact either need to be covered internally within the business model, or you could look at the

### Questions to ask about revenue in a social enterprise

- Can we unpack and unpick the revenues that are generated through the commercial activities of the business from the revenues generated through the impact? This means knowing where the various revenues are derived from, and how they are driving different parts of the business.
- Have we examined analogous commercial business models to explore potential revenue streams from our chosen business sector, which can help us to predict, to a certain extent, the potential for profits to cover impact costs;
- What ongoing sources of revenue could be generated in relation to impact delivery, and how are we 'valuing' this?



'key partners' part of the business model and develop partnerships around the social value in order to ensure that even if there are no direct revenue streams, the costs incurred in the process of generating the impact will be funded through external channels.

Problems arise when the symbiotic relationship between the two systems is not being kept in balance. When, for example, an unviable commercial model is being propped up by a temporarily funded impact system. Or, when an impact model is designed that doesn't deliver real or needed impacts, even when the commercial model is powering along!

What is important in a social enterprise is that there is a focus on RIGHT REVENUE - that is, a mix of revenue that is appropriate for the particular impact being delivered, and where there is a real probability that a the business of the enterprise will generate profits and become commercially viable.

We should also start to distinguish viability and sustainability of social enterprises. Too often funders or policy makers will ask 'when will this social enterprise be sustainable?' - by which they really mean, 'when will this social enterprise no longer require grant funding?' This is almost inevitably centred on assumptions that social enterprises can or should be independent of grant funding and that sustainability is focused only on financial measures. This is not helpful nor appropriate.

Sustainability is about the capacity to endure over time. In the context of social enterprise, sustainability has two sides. One side relates to the fact that an enterprise needs to be able to survive and endure financially over time. However, there seems to me to be little point in talking about financial endurance without asking whether an enterprise's social purpose can endure and whether it is able to maintain or evolve its impact over time. In social enterprises, impact and financial sustainability cannot be separated. Further, it is important that we start to understand sustainability as something that can only evolve after an enterprise



can establish that it is viable. In other words, we cannot even begin to expect an enterprise to become sustainable until it is demonstrated that it can achieve both impact and operational outcomes over a period of time. Lastly, it is important that we develop a more complex understanding of financial sustainability. There are actually three levels of financial sustainability:

**Operational Sustainability** - the revenue is consistently sufficient to cover all costs and meet all operational obligations into the future, including all employee and constituent related expenses (such as wages, leave entitlements etc);

**Financial Sustainability** - the revenue is consistently sufficient, and costs consistently managed, so that the enterprise is able to

generate a surplus or profit that can help to resource further development and impact; and

**Balance Sheet Sustainability** - the enterprise is growing their balance sheet, building equity, savings and assets that can help to deepen impact, and grow resilience over time.

Again it is important to re-emphasise that financial sustainability cannot be separated from **impact sustainability** when it comes to understanding social enterprise. Impact viability and impact sustainability should be the beginning and ending points for any analysis of social enterprise sustainability. The table below outlines this continuum of viability and sustainability.

<b>Impact Viability</b>	<b>Operational Viability</b>	<b>Operational Sustainability</b>	<b>Financial Sustainability</b>	<b>Balance Sheet Sustainability</b>	<b>Impact sustainability</b>
Ensuring best fit for impact	Ensuring a viable business	Covering costs + breaking even	Generating a surplus	Building equity	Maximising enduring impact
<ul style="list-style-type: none"> <li>- Is a social enterprise the best way to achieve maximum impact in relation to the challenge and purpose?</li> <li>- Can we demonstrate any viability of this social enterprise in achieving the intended impact through our impact map?</li> </ul>	<ul style="list-style-type: none"> <li>- Is the business of the enterprise viable (and do analogous businesses suggest that it could be?)</li> <li>- Are we able to meeting our operating costs?</li> <li>- Are we costing our goods and services appropriately to cover all our expenses and activities?</li> </ul>	<ul style="list-style-type: none"> <li>- Can we consistently cover the costs of our operation, all associated overheads, including impact costs?</li> <li>- Is our cash flow adequate and do we have adequate liquid funds?</li> <li>- Have we been able to project and plan for our operational costs into the future?</li> </ul>	<ul style="list-style-type: none"> <li>- Are we generating a profit / surplus?</li> <li>- Is our surplus adequate for growth, depth and/or development?</li> <li>- Do we have adequate plans and projects in place for growth, depth and/or development?</li> <li>- Are we confident that we are making use of our current revenues most effectively and efficiently?</li> </ul>	<ul style="list-style-type: none"> <li>- Are we building equity and savings adequately?</li> <li>- Could we weather a financial storm or change in our circumstances?</li> <li>- Are we building an effective asset base over time?</li> <li>- Are we using our equity and assets effectively given our business and proposed impact?</li> </ul>	<ul style="list-style-type: none"> <li>- Are we delivering the sort of social impact that we envisaged?</li> <li>- Are we effectively measuring, evaluating and learning about and from our impact?</li> <li>- Are there ways to grow our impact for greater transformation?</li> </ul>






# Key Resources

Key resources are the assets, tangible and intangible, that make your business model work - and in the case of social enterprise, this refers to the resources that drive your commercial model AND the resources that drive your impacts. The table below outlines both the commercial resources that may be needed by social enterprises (based on Osterwalder and Pigneur, 2009) and the impact resources.

Decisions need to be made within social enterprises about whether these resources need to be generated through the

commercial activities, or whether key partnerships can be developed to ensure that these resources are accessible to your social enterprise.

Of course when social enterprises start-up they, like many start-up businesses, may not have all the resources in place to scale up their businesses or their impact. This can be a work in progress. However, for social enterprises it is imperative to understand how critical it is to ensure access to the key resources needed to drive both the commercial business and the impact, and to plan ahead for how such resources can be developed and maintained. Further, it is

	<b>Commercial</b>	<b>+</b>	<b>Impact</b>
	<b>Physical Resources</b> Facilities, infrastructure, buildings, vehicles, systems, distribution networks	<b>+</b>	Special equipment and infrastructure, systems, accessible buildings
	<b>Intellectual Resources</b> Brands, knowledge, contact management systems, partners, business knowledge and skills	<b>+</b>	Impact knowledge and skills, pro-bono support partners
	<b>Human Resources</b> People, staff, members, partners	<b>+</b>	Champions, support staff, brokers, powerful allies, support networks, local communities
	<b>Financial Resources</b> Cash, lines of credit, access to finance	<b>+</b>	Access to funds to cover impact costs
	<b>Impact Resources</b>	<b>+</b>	Methods and networks to assess and evaluate impact, all other assets needed to ensure impact delivery



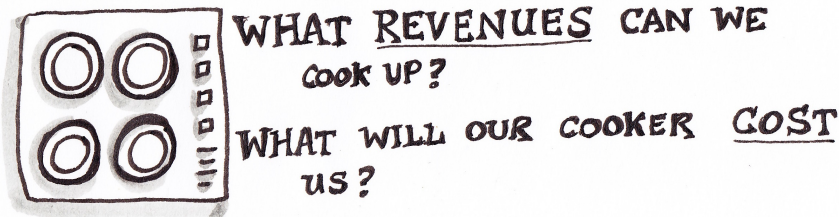
important to think through the best ways to access the necessary resources and the sorts of capital and networks that may be needed in the process.

For example, many new social enterprises use a bricolage approach, where they bootstrap themselves - relying on whatever resources are readily available at the time. Sometimes these are borrowed, or the founder's personal resources are used.

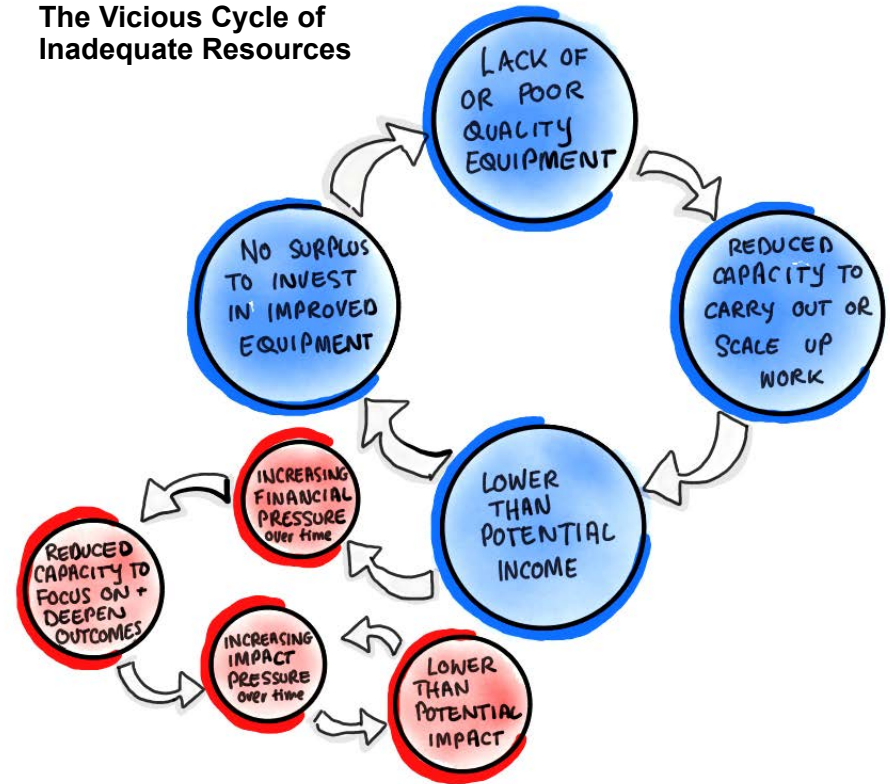
If, for example, you're running a gardening and landscaping social enterprise using the founder's truck and lawnmower, it should be a priority to acquire commercial equipment as soon as possible.

If you're running a social enterprise restaurant with a three-burner stove, then the limitations of this resource will be reflected in your bottom line, which in turn will limit your potential impact.

Resources are the tools for driving your business and delivering your impact. If the resources are lacking, then your business bottom line and your impact will suffer as a result.



### The Vicious Cycle of Inadequate Resources



### Questions to ask about resources in a social enterprise

- What physical, intellectual, human, and financial resources are needed for our commercial operations?
- What physical, intellectual, human, financial and impact resources are needed to ensure we can deliver on our impact objectives?
- How could lack of commercial resources impact on the achievement of impact objectives? And vice versa?
- Do all the resources need to be located inside the social enterprise, or can some of them be located with and accessed through partnerships?

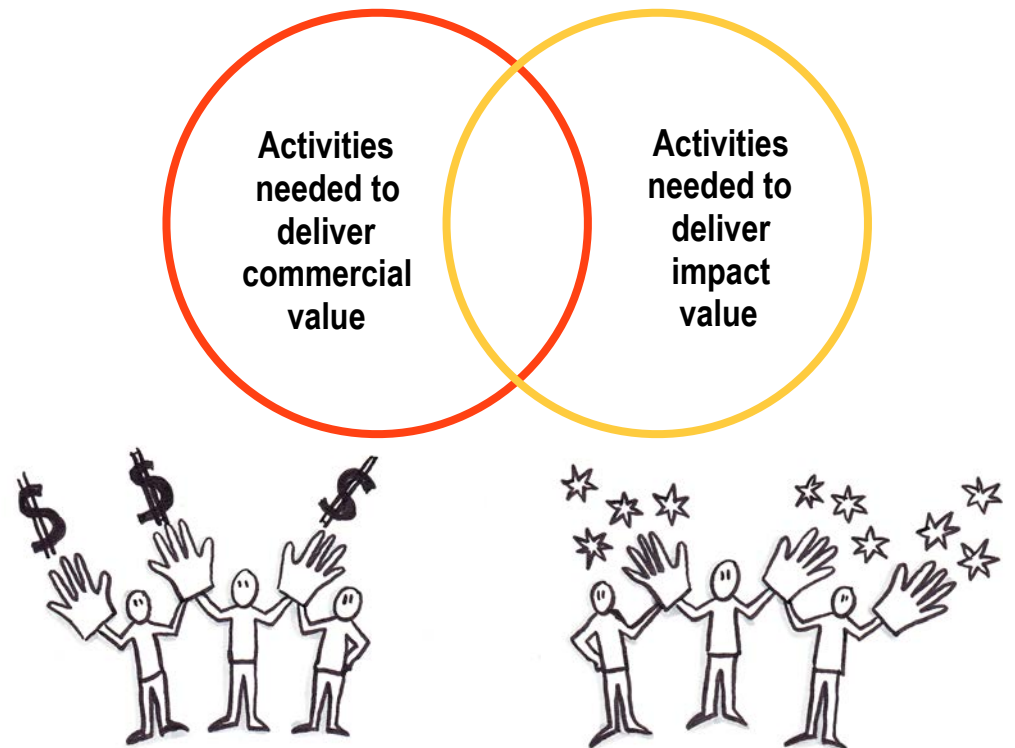
# Key Activities

The key activities of your social enterprise encompasses the things you must do to deliver value to your customers - to ensure both commercial and social value.

Key activities across the commerce and impact of social enterprise may be:

- **complementary** - that is, the business activities are complemented by and/or complement the impact activities. So, for example, in the cafe, having a range of activities in food preparation, customer service and cleaning, may offer an array of potential jobs suitable for staff needing support and having different interests. Complementary activities may be leveraged for greater efficiencies across the delivery of commercial and impact value.
- **opposing** - there may be activities where it is difficult to balance commerce and impact value delivery. For example, if the cafe regularly has times when there are long queues and the pressure to serve customers quickly and efficiently is very high, then these commercial imperatives and the activities needed to meet them may be in conflict with activities associated with supporting workers who may not have experience or capacity to cope easily with high stress customer service. In this case you may need to do some problem solving so that commercial and impact imperatives are balanced or at least can co-exist!

Being specific about what activities are critical to support and deliver your impacts is helpful not only in understanding what needs to be done on a daily basis to maintain your impact focus, but also to costing your impact. Unpacking your impact activities is an important part of understanding your business model as a social enterprise. Your relationships with your impact customers and partners will also benefit from understanding just what it takes to achieve your impact. This is also key to transforming these into deeper and ongoing relationships over time (as discussed earlier).



## Questions to ask about activities in a social enterprise

- What are the key activities that we undertake to deliver our commercial value propositions to customers?
- What are the key activities that are needed to deliver our impact value proposition?
- What overlaps are there between the two sets of activities?
- What are the complementary activities? Are there ways we can build efficiencies into these complementary activities?
- What oppositional activities are there? How can we address these so that they are more balanced?

# Key Partnerships

Partnerships refer to the network of suppliers, allies, supporters, co-creators and champions that are needed to ensure that a social enterprise can deliver on both impact and commercial objectives.

Partnerships can support and enhance both the commercial and the impact objectives of a social enterprise. The enterprise may have an active network of supporters who promote products and services or who are vital as a distribution network. Equally, the enterprise may have a network of partners who offer value-adds to your impact - they may support the participation of employees who have been unemployed, or they might help a social enterprise to scale its impact through mechanisms such as social franchising, using franchising to not only spread the commercial elements but also the impact.

There may be different motivations for engaging in partnerships according to whether the partnership is centred on commerce, impact or both.

## Questions to ask about partnerships in a social enterprise

- What partnerships are critical to helping us achieve our commercial objectives? How vulnerable are we to changes in these?
- What partnerships can help us deliver, strengthen or scale our impact objectives?
- What motivations underpin our partnerships?
- How do we structure our partnerships? How do we demonstrate the value of our partnerships to each other and externally?

### Commercial Partnerships

(drawn from Osterwalder, 2009)



- Optimisation and economy of scale
- Reduction of risk and uncertainty
- Acquisition of particular resources and activities

### Impact Partnerships

- Scaling / Maximising Impact
- Ensuring and Measuring delivery of impact
- Optimising economies of depth and scope (in relation to impact)



### Potential Motivations for Partnerships in a Social Enterprise

# Cost Structure

Like other parts of a social enterprise business model, the cost structure needs to take account of both the commercial operating and production costs AND the costs involved in delivering the chosen impact. For most social enterprises this means understanding the costs involved in keeping the 'business' going, and unpacking what extra costs are needed to actually deliver on the impact of the enterprise. Impact is rarely, if ever, cost neutral - if it was, then every business may be a social enterprise! If you are employing people who have experienced long-term unemployment, this can cost you in terms of extra training, support, reduced productivity, poor performance. These are costs that are incurred above and beyond the commercial costs of operating your business, and we call these impact costs. And of course, they are costs you are willing to incur in order to achieve your impact objectives!

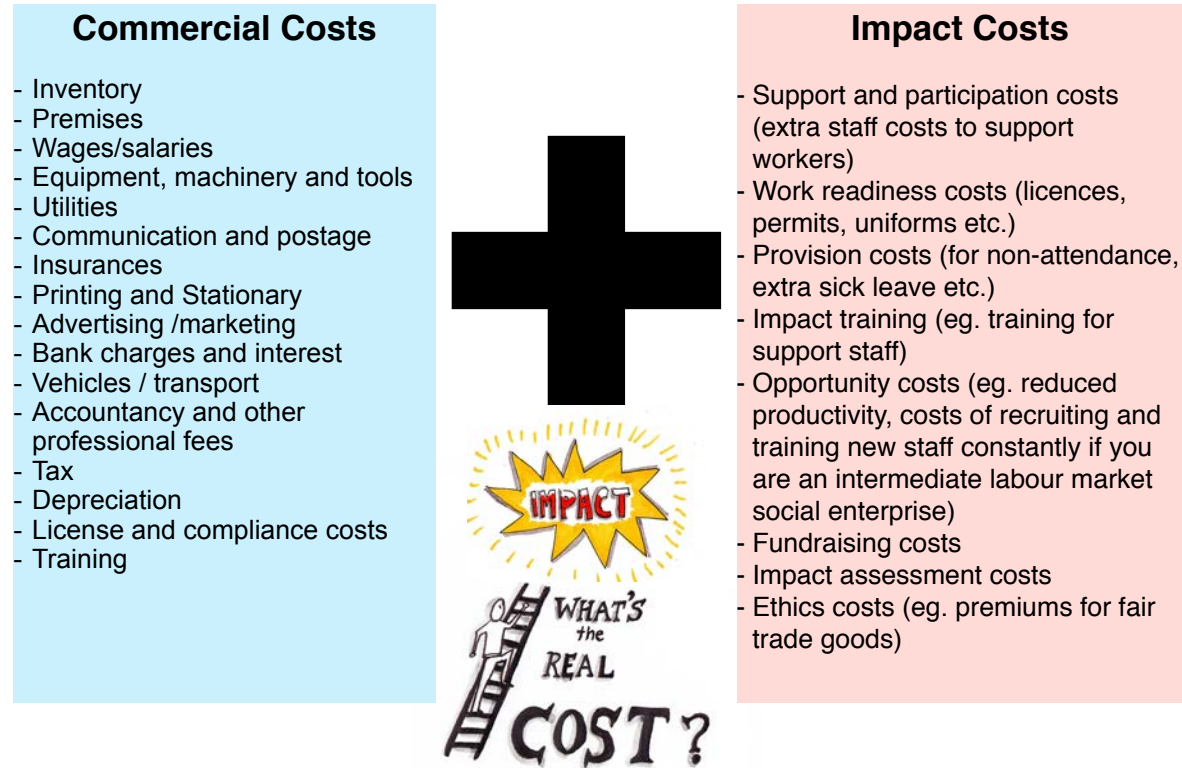
Similarly, if you are operating a social enterprise that aims to ensure the long-term survival of local farms and farmers by running a community supported agriculture model, then you need to think about the costs that are involved in achieving this impact by asking what costs you incur that most commercial operators do not incur? In other words, what costs are stopping commercial operators from purchasing from the local farms and farmers that you are building your business around?

**Understanding and articulating your impact is critical to being able to unpack its cost structure. If your impact is vague or ill-defined, costing it will be equally imprecise.**

Next it is important to articulate what activities are undertaken and what resources are needed to deliver your social impact.

This can be done visually by mapping the business process, all the activities that are undertaken in the course of delivering value to your customers, and then exploring the 'impact costs' associated with each of these activities. The resources needed to undertake these activities can then be added to the map, alongside additional resources needed to deliver on the impact.

**Separating out your impact costs from commercial operating costs can clarify important aspects of the business model.**



## Three Critical Questions to ask about Costs in a Social Enterprise

- 1
 What is the impact we are seeking to achieve in the social enterprise (and what is the difference between our ideal and real impact!)?
- 2
 What activities do we have to undertake to achieve this impact?  
 Which of these activities would not be undertaken if this was just a commercial business?  
 What costs do these activities incur?
- 3
 What resources are needed to achieve this impact?  
 Which of these resources would not be needed if this was just a commercial business?  
 What costs do these resources incur?

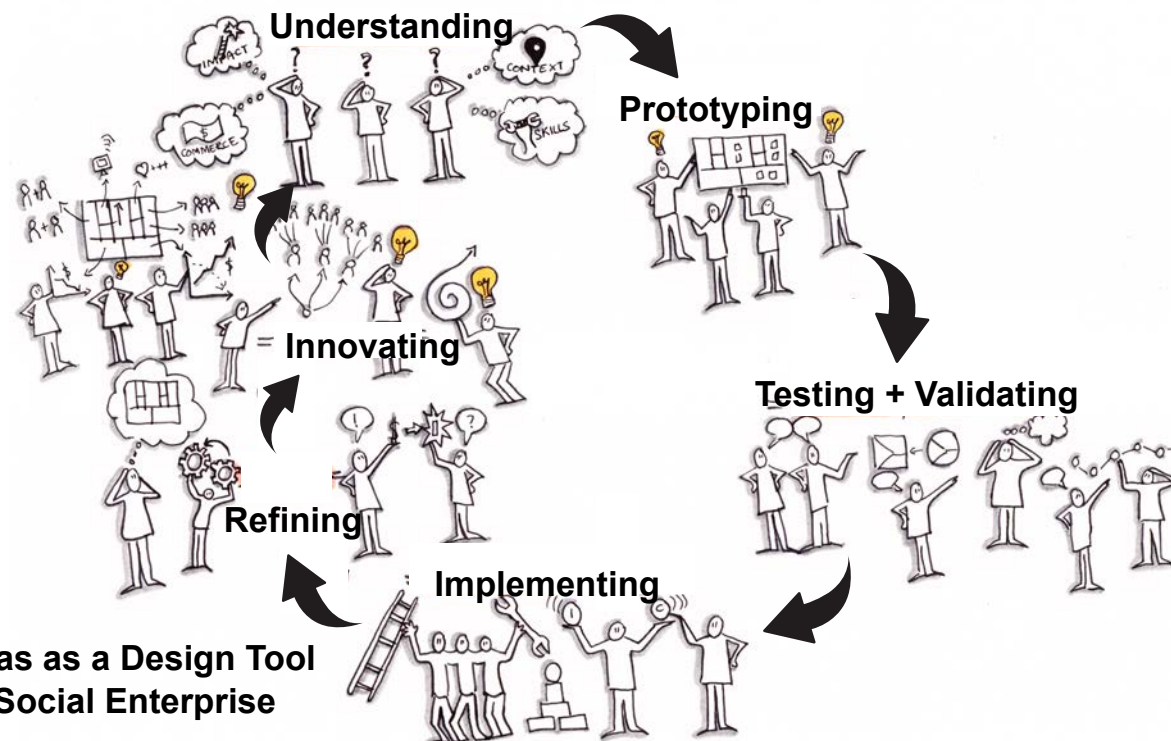
# Conclusion

The beauty of the business model canvas is that it is a design tool that can be used at any stage of an enterprise's lifecycle: before or at start-up; for testing a 'minimum viable product' model; for growth and development; and when pivots are required to build viability or sustainability. Completing a business model is not a desk activity, it is an immersive, practical, collective and engaged exercise that needs to be repeated over time.

I like to use large forms of the BMC, in group settings and I like to display the canvas following a workshop so that team members can engage, understand and continue to co-design the business model. This is particularly important in the context of social enterprises as designing and developing business models for impact requires the engagement of all those who will contribute to and benefit from the enterprise. Further, the story of the commercial and impact aspects of the enterprise will evolve over time. It is important that all those who have a stake in a social enterprise are able to tell the evolving story of how

commerce and impact relate across the business model, and what challenges, opportunities and adjustments result from this relationship. It is not necessarily a relationship that is straight-forward or easy. Just like oil and vinegar, the blending of commerce and impact requires that we shake up the status quo of both how we do business and what we believe will create change. But if we can blend these elements well, whilst also appreciating that they can also work separately (and sometime need to!), then the result can be extraordinary, creative and transformative.

Social enterprises are extraordinary entities. If we can design their business models to reflect the best blends of commerce and impact we have the opportunity to truly transform people, places and planetary futures. **What better way is there to do business!**



**The Business Model Canvas as a Design Tool across the Life Cycle of a Social Enterprise**

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