



Hybrid Models for Social Enterprises

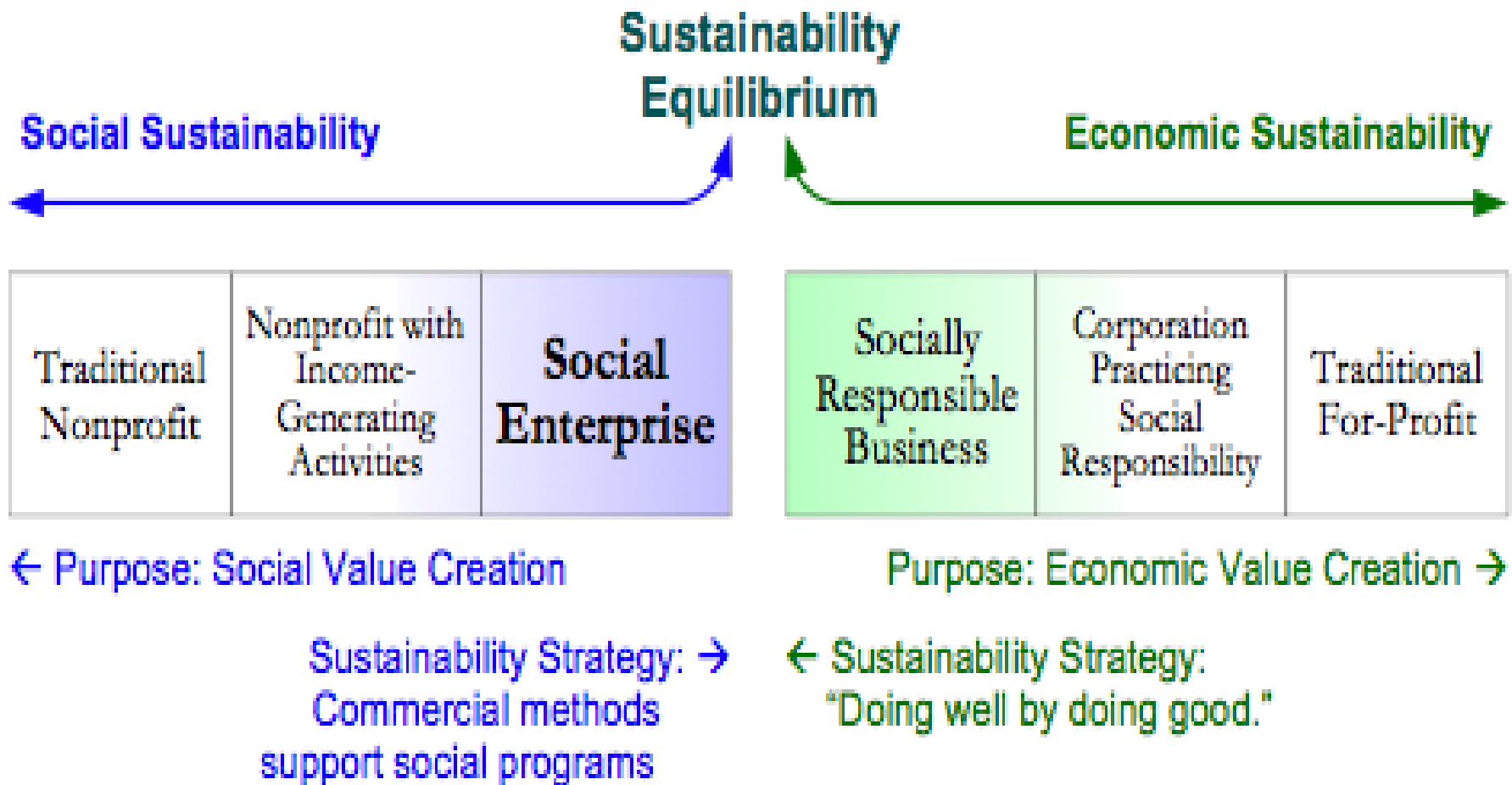
Jill Kickul, PhD

*Director, Stern Program in
Social Entrepreneurship*

NYU STERN SCHOOL OF BUSINESS



“There is an idea that values are divided between the financial and the societal, but this is a fundamentally wrong way to view how we create value. Value is whole. The world is not divided into corporate bad guys and social heroes.”

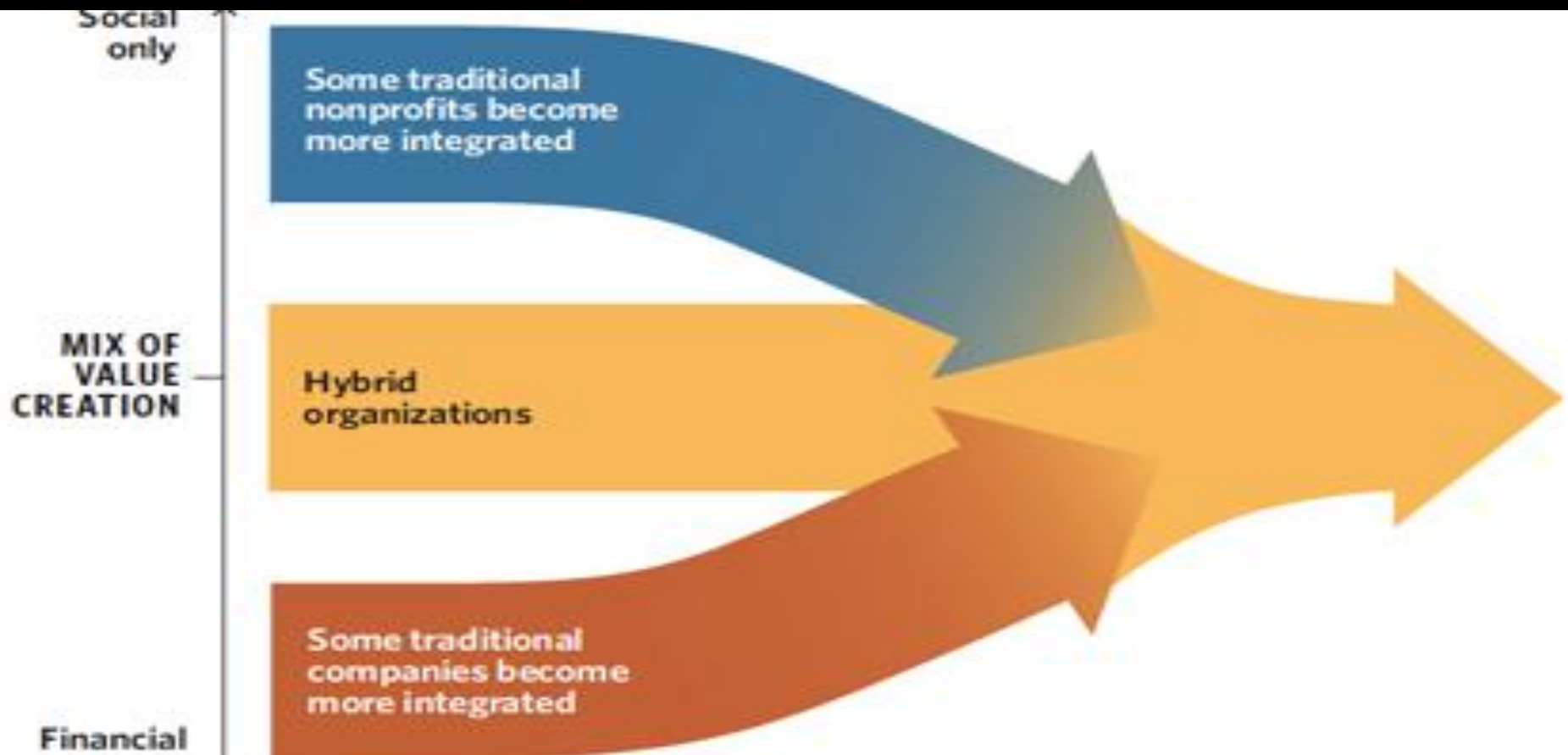


Theory of Change – Your Social Impact

Resources (Resource Strategy)	Activities (Business Model)	Outputs	Short and Long Term Outcomes	Impact
In order to accomplish our set of activities, we will need the following:	In order to address our problem, we will accomplish the following activities	We expect that once accomplished these activities will produce the following evidence or service delivery	We expect that if accomplished, these activities will lead to the following changes in 1-3 then 4-6 years	We expect if accomplished these activities will lead to the following changes in 7-10 years
Tangibles: •Funding Intangibles: •People (social capital)	Assembling of the Business Plan Itself: •Vision & Mission •Strategy (includes Go-to-market strategy, marketing plan) •Competition •Team and Operational Plan •Growth Strategy •Measuring Results •Financial Plan			

Hybrid Organizations

-produces both social value and commercial revenue through a single, unified strategy



Hybrid Business Model

Why?.....

- ① To attract different types of capital / investors
- ② To invest in basic research
- ③ To prepare immature markets





**THINK BIG
BE BOLD
DRIVE CHANGE**

- 3,500 recent Echoing Green Fellowship applications
- In 2010 and 2011, almost 50 percent relied on hybrid models vs. 37 percent in 2006

Pazamanos

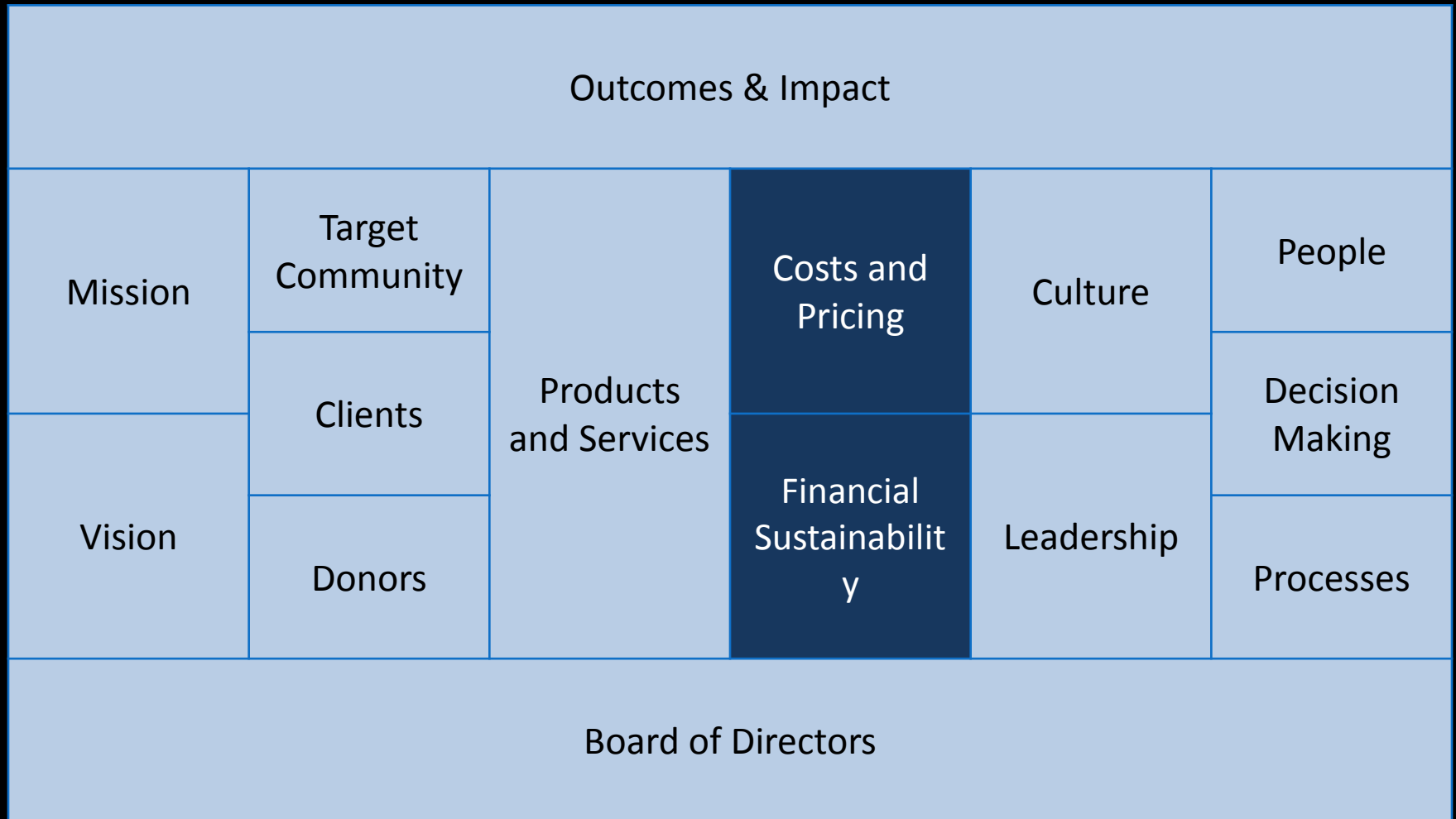


NYU Purpose: Why are we here?

- To help facilitate business growth that will allow Pazamanos' psychosocial community involvement to flourish and grow
- Business growth in social marketing will not only provide a means for community workshops but also provide positive social impact in its own right
- Pazamanos has significantly impacted Medellin over the last year and has the skills, people, and capabilities to continue to change their communities for the better
- We're here to provide a path to growth and sustainability



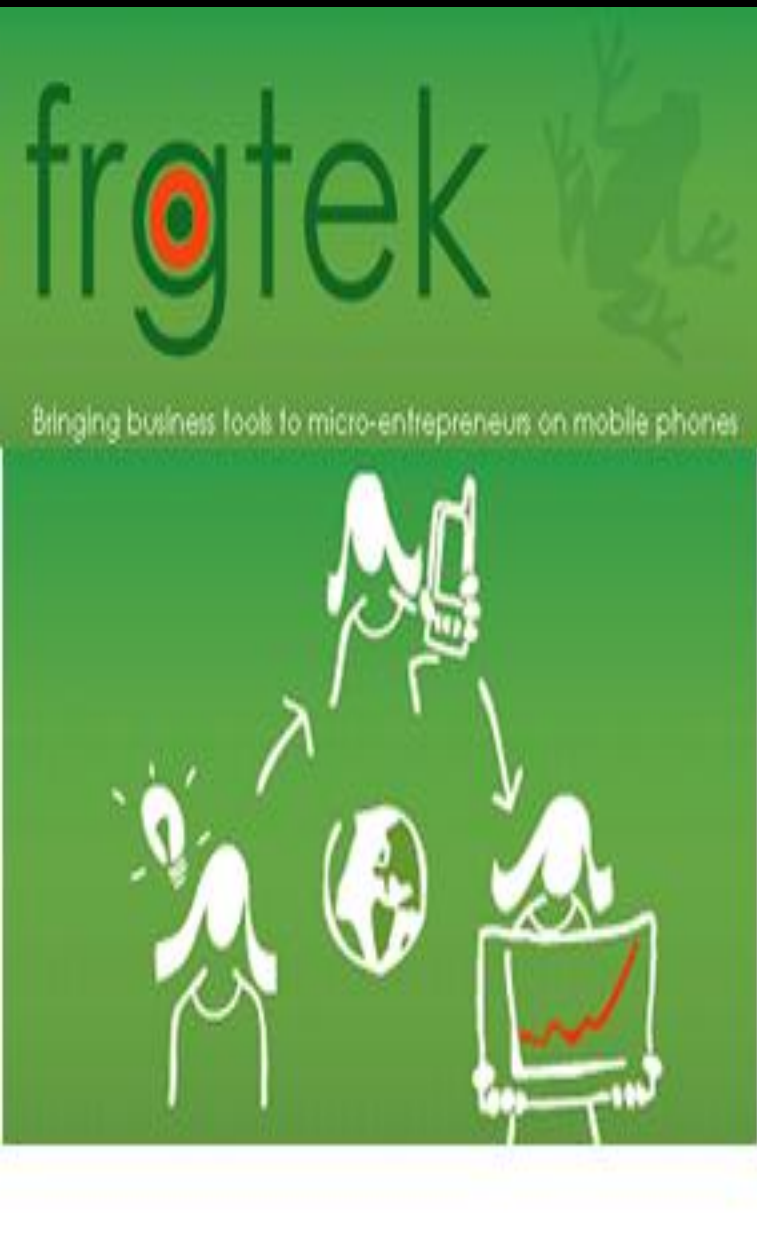
Strategic Canvas



Embrace

- Commercialize a low-cost incubator for premature infants, was originally a nonprofit social enterprise
- Financing alternatives under the 501(c)(3) umbrella limited!
- To access a wider pool of capital and scale up its operations
 - Embrace created a for-profit called Embrace Innovations
 - The nonprofit owns equity in the for-profit, a structure that gives the nonprofit power to control the activities of the joint venture while protecting its social mission



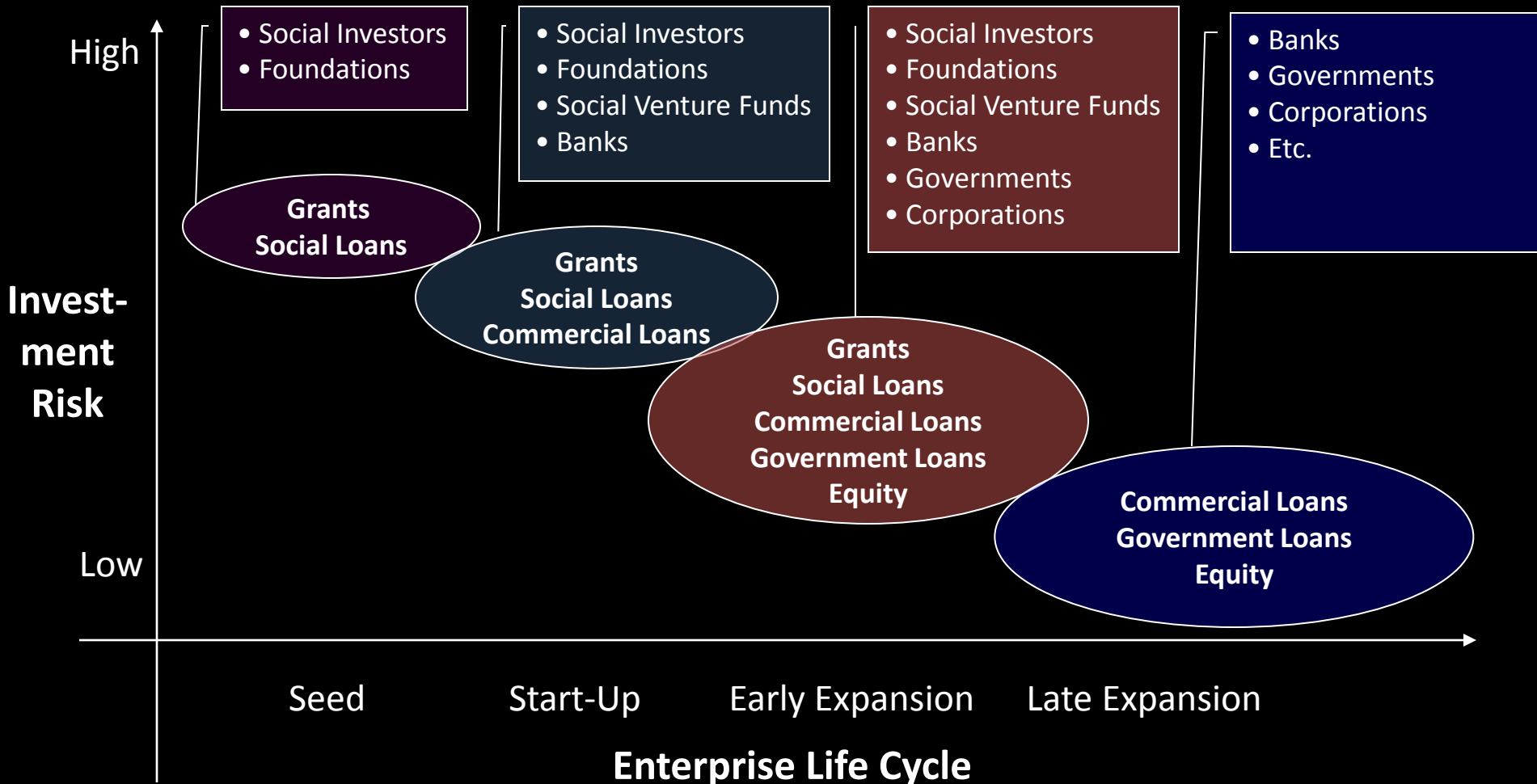


- Frogtex—a for-profit social venture that develops business tools for microentrepreneurs in emerging markets
 - CEO David del Ser decided to incorporate as a for-profit because he believed startup financing could come from mainstream venture capital, enabling faster growth
- Frogtex has been successful in engaging angel investors whose values align with those of the organization



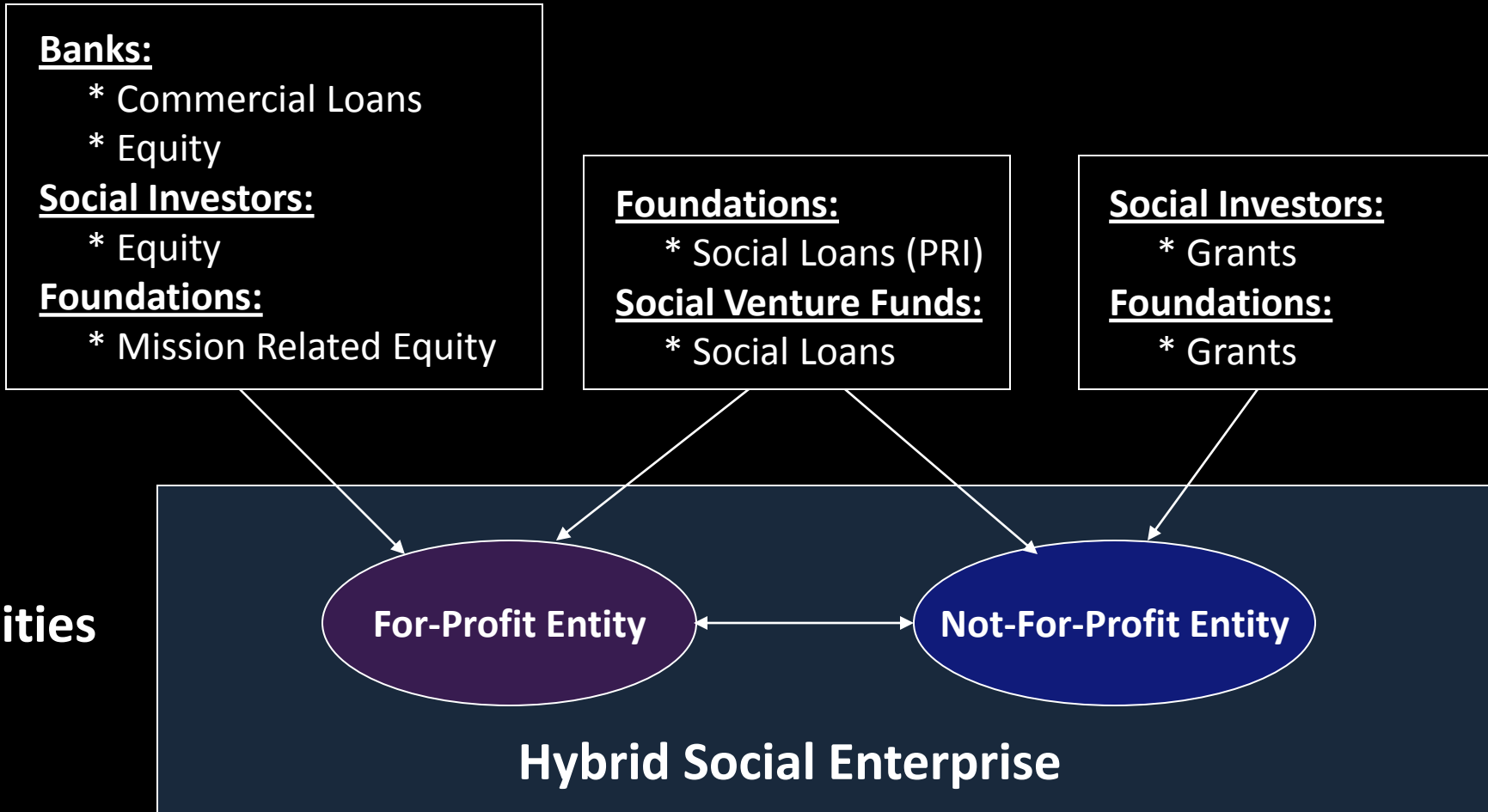
- Hot Bread Kitchen - widely acclaimed for its innovative selection of international breads, but it is simultaneously an award-winning workforce development program
- Its employees, mostly low-income immigrant women, bake bread inspired by their countries of origin, while learning job skills that can lead them to management positions in the food industry
- Hot Bread Kitchen combines two traditionally separate models: a social welfare model that guides its workforce development mission and a revenue generation model that guides its commercial activities

Hybrid Investment Strategies



Hybrid Investment Strategies

Investors



Conclusion

- Define mission of social enterprise, then implement best legal structure to support the mission, not the other way around
- Watch out for
 - ① Mission Drift
 - ② Clear value proposition for different types of investors / donors



FAST COMPANY

*For building a
bean-to-bar
chocolate
company in one of
the poorest
countries in the
world*

Seventy percent of the world's cocoa comes from West Africa, but less than 1% of the world's chocolate is made there.



FAIR TRADE (GOOD)



1. Cocoa purchased from farmers
2. Cocoa shipped out of country

MADÉCASSE MODEL (BETTER)



1. Cocoa purchased from farmers above fair trade price
2. Other investments in local ingredients, infrastructure
3. Chocolate made locally
4. Wrappers printed locally
5. Chocolate hand wrapped locally
6. Finished chocolate bars shipped out of country

More money invested in more communities up and down the entire value chain



Habitat Conservation

- Native species of birds and lemurs
- Indigenous hardwoods
- Sustainable Farming Practices



Creating Biodiversity

- Cocoa grown alongside local wildlife
- Fruit trees
- Edible Plants

Natural Farming

- No herbicides or pesticides
- Diverse tree plantings
- Diverse soil

*We Win.
Madagascar
Wins.
The World Wins.*

