



**International Center for Social Entrepreneurship
(ISCE)
& IDE Abe Laboratory, Tokyo Tech**

How to Build Successful Social Enterprise

**Start-Up Business Strategy for
Social Entrepreneurs**

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Three key ingredients in entrepreneurship:

1. **Be passionate about what you do.**
2. **Know what your clients want.**
3. **Identify a business model that works for you.**

The rest are details.

Greatest Hint in BOP Business

- To develop a new BOP product & service which is truly useful for customers, the clue is always hidden among the lives of local people. (See #3. Problem)
- Bring yourself to people in need who may not be aware alternative means for improvement. (See #4. Solution)
- If possible show them the alternative (See #8. Prototype).
- Having a deep understanding of what people truly need – you then provide products and services of high-quality yet affordable to people in need. (See #5. Core Competence)



Okay, what about the details??

**Let us find out what
Venture Capitalists know
about identifying great
start-up
business/entrepreneurship**

What investors look for:

1. A strong sense of Mission

- Investors want to identify a strong sense of mission with entrepreneur's business plan
- Investors know by experience all enduring, successful companies have a strong sense of social contribution – returning something back to the society
- Successful businesses do not put money as their top priority.

Mission Examples:

- **Grameen Bank:**
To help the poor families to help themselves to overcome poverty. It is targeted to the poor, particularly poor women
- **Habitat for Humanity** works in partnership with God and people everywhere, from all walks of life, to develop communities with people in need by building and renovating houses so that there are decent houses in decent communities in which every person can experience God's love, and can live and grow into all that God intends.

What investors look for:

2. Setting a clear Vision

- Vision is a clear compelling goal which is a unifying focal point of effort – often creating immense team spirit. With clear finish line, it takes a little or no explanation for people.
- Often Mission and Vision are defined as one statement as Big Hairy Audacious Goals (BHAG).*

* Build to Last, J. Collins/J. Porras

Vision Examples:

- **Habitat for Humanity:**
A world where everyone has a decent place to live
- **Project Apollo:**
"I believe that this nation should commit itself to achieving the goal, before this decade is out, of landing a man on the moon and returning him safely to the Earth."
 - — Pres. Kennedy, May 25, 1961

What do investors look for?

3. The Problem:

- Sure grasp of “the problem” is an important factor for investor to proceed
- Successful business know the problem which exist in the market –successful entrepreneurs are thoroughly knowledgeable about the market – so as to provide what the customers want;
- **Never what the entrepreneur wants comes before what customers want.**
- Have you identified a niche market? (a niche you never miss)

What do investors look for?

4. The Solution:

- Once investor is satisfied with your understanding of “the Problem,” the next question is what is your “Solution” to the Problem?
- You want to be **“the Only One”** solution provider
- However, the Solution in BOP Business/Social Entrepreneurship may not be as simple as one may think... (see next page)

BOP Business / Social Entrepreneurship

Incentivize Stakeholders

- To be truly accepted in the target market, you must incentivize all relevant stakeholders. This means you must find **a win-win solution** for everyone including:
 - **Your customer** (end user)
 - **Your collaborators** (manufacturers, distributors, merchants...and established local competitors)
 - **Your financiers** (sponsors, donors, lenders)
 - **Regulators** (Government, local officials)

BOP Business/Social Entrepreneurship

Acknowledge Impediments

- Find out what impediments in the target market **exist**
 - **Such impediments as cultural, economics, political, social and geographical issues may exist**
- Find out issues with how established market players are doing business in the target market
 - **It may be that people simply don't know better, or**
 - **There may be established market players who do not like new comers to compete**
- Find out why big businesses are not doing business in the target market
 - **There may be a cost at issue – how do you make it affordable?**

What do investors look for?

5. Stay Within Your Core Competence:

- According to Bain & Co., **more than 70% of large-scale companies that started a new business outside of their core-competence failed**
- You **MUST** stay within your core competence when expanding into a new business
- **What is core competence?**
- It is your “**familiarity with the special industry specific knowledge**” for doing business; or
- **Having (minimum of) 3 years of working experience in the industry.**

What do investors look for?

6. Branding –Ultimate Unfair Advantage:

BOP Business/Social Entrepreneurship

- By developing a strong branding, you will create a positive spiral.

"Hedge Hog Concept,
Good to Great for Social Sector"
by Jim Collins



What do investors look for?

7. Business Model:

- **Do you have a business model?**
- This is one occasion where you don't want to invent a new business model
- Always use proven, time-tested business model
- Even if your business carries outstanding Mission, Vision, and having identified the Problem and the Solution...
- **Your business will not work unless you have a business model – how to make money/income stream.**

BOP Business Model

- **For Profit? (targeting BOP consumers)**
- Any creative way to pay for product/service?
- Who pays? How much?
- Disposable income of your target customers?
- Any similar business model?
- **For Non-profit? (donation based income stream)**
- Merit/appeal for donors?
- How do you collect donations?
- Competing NPOs for the money?
- Any similar business model?

Start-up Business is an Evolving Concept

- **Mohammed Yunus** started the **Grameen Bank** in his native country of Bangladesh over 20 years ago. Mr. Yunus had to iterate his idea considerably to incorporate key learnings along the way.
- **The Grameen Bank started out as a government program, not an NGO. It also started lending to men, not women, before discovering that this was as mistake.**

What do investors look for?

8. Prototype:

- **VCs don't invest in concept, you must present a prototype**
- A prototype is a very early stage (primitive) service and/or product that your customers can buy
- Having a prototype will raise valuation of your business
- **Never postpone the development of prototype – perfection is no necessary**
 - **Rather, improve on what you have based on customer feedback**

What do investors look for?

9. Track Record

- Track Record is an evidence of what you have accomplished so far
- **Start-up advice:**
- Take one small step forward at first, and then build “a displayable track record.” Continue working, then you will soon be ready for a giant leap.

What do investors look for?

10. Management Team:

- **If you get the people, you get the money—not the other way around. Build the team and the money will come.**
- Entrepreneurs usually think if they raise the funds, then they will have the money to pay for key executives. That is backward logic. If you get the team, you will get the money. But if you've got money, you won't necessarily get a team.