

“How socially oriented startups  
can have a large impact.”

HSE

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# Who am I?

**5 startups myself**

**Accelerated  
>200 startups**

**Seed stage  
investor**

**4 years teaching**

**Passionate  
about startups  
and creating  
innovative  
ecosystems**

- **Intrapreneur- SAIC, Inc. \$6 Billion IT company (sold subsidiary)**
- **Investor in innovation – ISTC, \$1 Billion fund with 25k scientists (State Dept appointee)**
- **Serial entrepreneur - New Realm Investments, Solid Power Batteries, Xlerate Technologies, GVALG**
- **Endowed Chair of Entrepreneurship at top business school in Russia, Skolkovo (spun out)**
- **Co-Founder/Chairman – GVA LaunchGurus + Seed Fund I**
- **Viaduct Ventures!**



# Biggest world problems

- Hunger/food security
- Unemployment – 500m unemployed by 2020
- Climate change
- Global finance – 2billion people lack financial services
- Internet – <half of world pop connected
- Energy
- Gender equality
- Globalization effects
- ...

# SE in the USA

Employing over  
10 million  
people, with  
revenues of  
\$500 billion;  
about 3.5% of  
total US GDP

- Around 40% of U.S. social enterprises have < 5 employees; just 8% have >100
- 45% of U.S. SEs have less than \$250,000 in revenue; 22% have over \$2,000,000
- Roughly ½ are non-profit and ½ are for-profit companies
- Just 7% are working internationally.
- **60% of U.S. social enterprises were created in 2006 or later, with 29 percent created since 2011.**

# Never before could so small a group of people had such a global impact

- Henri Dunant → Red Cross
- Bernard Kouchner → Doctors without Borders
- Fazel Abed → BRAC (120k employees)
- Jerroo Billimoria → Child Helpline Int'l (142 countries)
- Bunker Roy → Barefoot College
- ...

COMMON: All use leverage to drive disproportional change

# Traditionally...

## **NGO focuses on:**

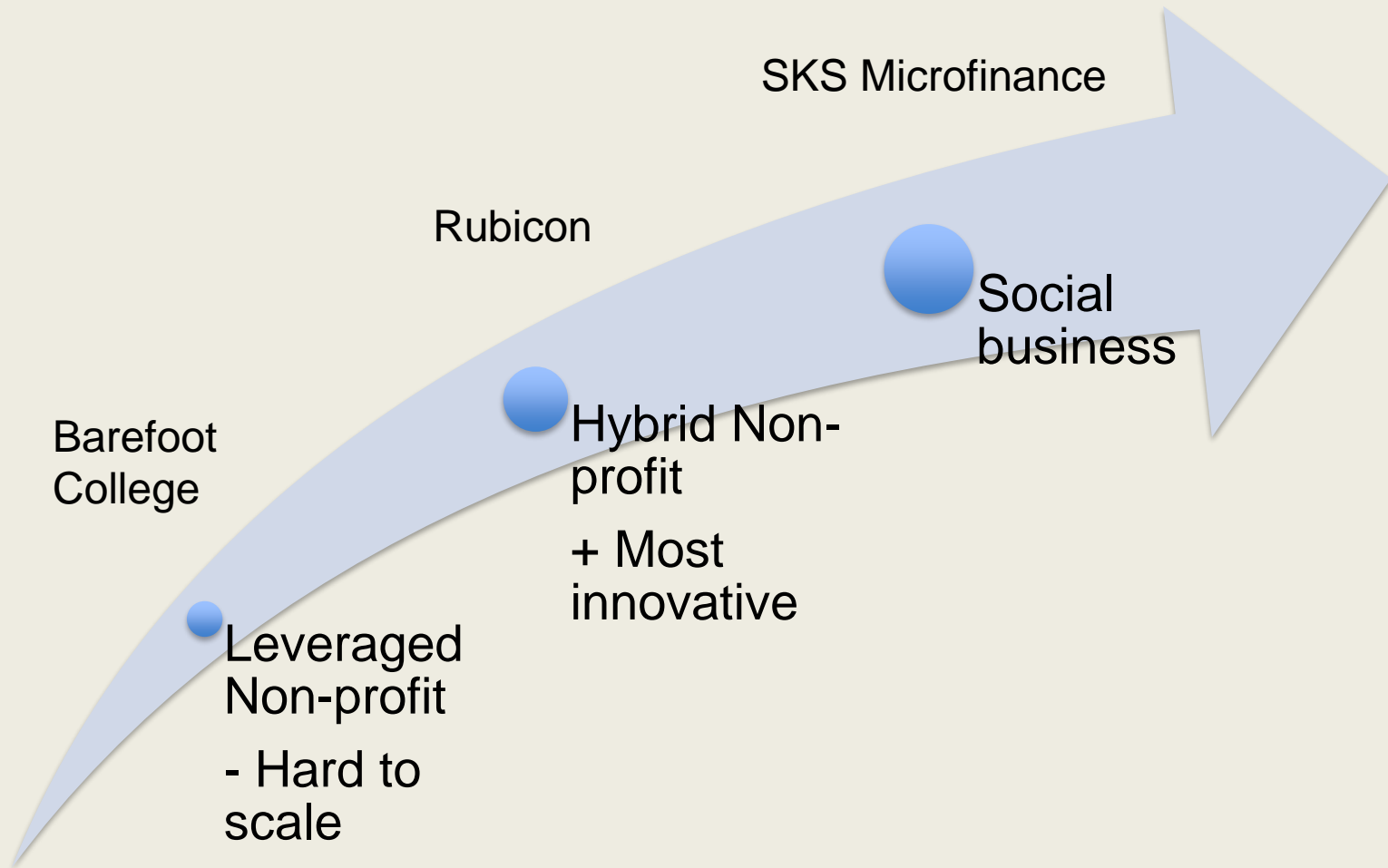
- Transparency
- Integrity
- Risk aversion

## **Startup focuses on:**

- Agility and speed
- Profits
- Competition

**Can SEs today combine the growth potential of startups with the high goals and transparency of non-profits?**

# SE Business Models



# L3C

- The low-profit, limited liability company, or L3C, is sometimes referred to as a type of hybrid of a nonprofit and for-profit organization. More specifically, it is a new type of limited liability company (LLC) designed to attract private investments and philanthropic capital in ventures designed to provide a social benefit. Unlike a standard LLC, the L3C has an explicit primary charitable mission and only a secondary profit concern. But unlike a charity, the L3C is free to distribute the profits to its members/owners.



# Benefit Corporation

- In the United States, a benefit corporation is a type of for-profit corporate entity, authorized by 30 U.S. states and the District of Columbia that includes positive impact on society, workers, the community and the environment in addition to profit as its legally defined goals. Benefit corporations differ from traditional C corporations in purpose, accountability, and transparency, but not in taxation.
- Since December 2015, the Italian Parliament has introduced a new type of for-profit corporate entity named Società Benefit, a virtual translation of the US form, thus making Italy the first country in the world to make this legal status available on its entire territory.
- Australia is in the process of drafting their own, similar, version, as of February 2016.

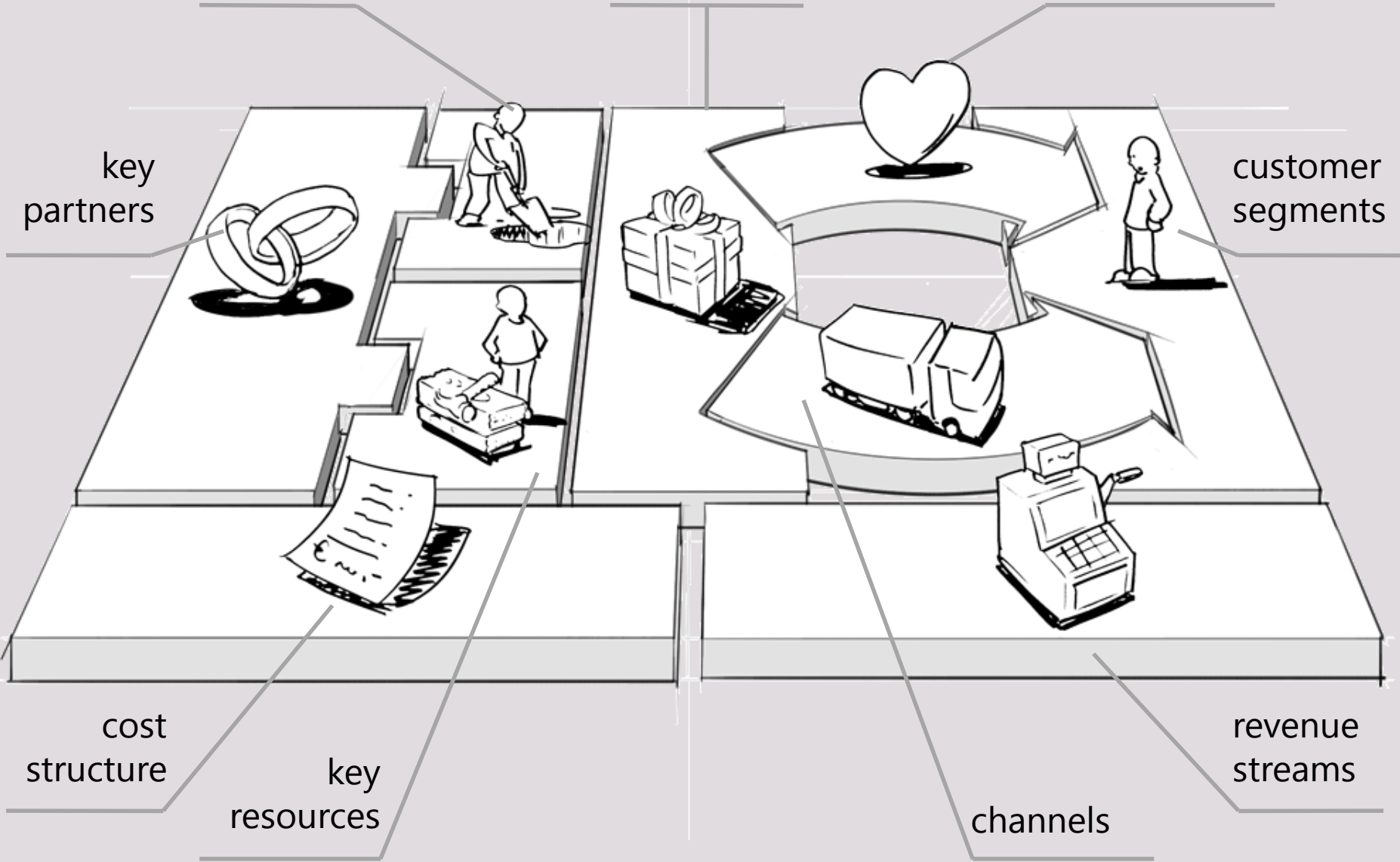
key activities

value  
proposition

customer  
relationships

key  
partners

customer  
segments



Standard Business Model Canvas

# Social Entrepreneurship Biz Model

## Social Business Model Canvas



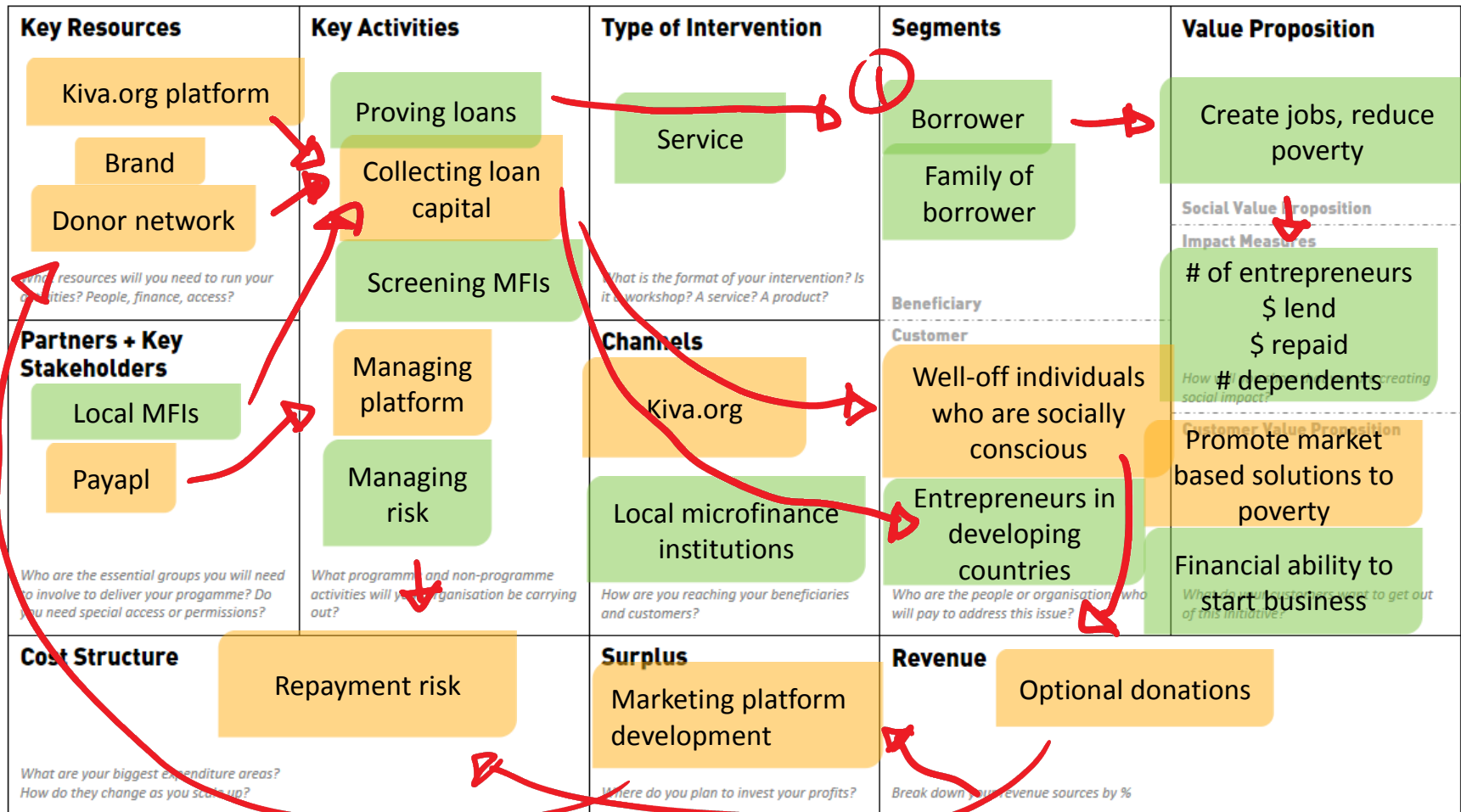
<b>Key Resources</b>  <i>What resources will you need to run your activities? People, finance, access?</i>	<b>Key Activities</b>  <i>What programme and non-programme activities will your organisation be carrying out?</i>	<b>Type of Intervention</b>  <i>What is the format of your intervention? Is it a workshop? A service? A product?</i>	<b>Segments</b>  <b>Beneficiary</b>	<b>Value Proposition</b>  <b>Social Value Proposition</b> <b>Impact Measures</b>
<b>Partners + Key Stakeholders</b>  <i>Who are the essential groups you will need to involve to deliver your programme? Do you need special access or permissions?</i>		<b>Channels</b>  <i>How are you reaching your beneficiaries and customers?</i>	<b>Customer</b>  <i>Who are the people or organisations who will pay to address this issue?</i>	<i>How will you show that you are creating social impact?</i> <b>Customer Value Proposition</b>  <i>What do your customers want to get out of this initiative?</i>
<b>Cost Structure</b>  <i>What are your biggest expenditure areas? How do they change as you scale up?</i>		<b>Surplus</b>  <i>Where do you plan to invest your profits?</i>	<b>Revenue</b>  <i>Break down your revenue sources by %</i>	



**Kiva Microfunds** is a non-profit org that allows people to lend money via the Internet to low-income entrepreneurs and students in 80 countries. Since 2005, Kiva has crowd-funded more than a million loans, totaling in excess of \$950 million, with a repayment rate of >98%

## Social Business Model Canvas

Social Innovation Lab



# Barriers

- Business model
- Customer adoption
- Subsidies
- Infrastructure
- Hiring
- Policies/regulations

**Industry facilitators  
NEEDED**

# SE Scaling Factors (1/7)

**Staffing** refers to the organization's effectiveness at filling its labor needs—including managers, staff, and volunteers—with people who have the right skills for their positions. Organizations that prioritize this driver pay close attention to their personnel and human resource functions, so that recruiting, training, appraising, and compensating staff are done competently. Many organizations must pay equal or greater attention to recruiting, training, and managing unpaid volunteers, who are often the lifeblood of cash-starved social organizations. Boards of directors need to be adept at identifying, recruiting, guiding, and retaining top management to lead the organization.

# SE Scaling Factors (2/7)

**Communicating** refers to the organization's ability to convince stakeholders that its strategy is worth adopting or supporting. Placing a priority on this driver means the organization is successful at persuading potential beneficiaries to take advantage of its services or to change their behaviors in socially beneficial ways, convincing volunteers and employees to work for the organization, encouraging consumers to patronize the organization's income-generating activities, persuading donors to provide funds to the organization, or creating favorable public attitudes toward the organization's programs.

# SE Scaling Factors (3/7)

***Alliance building*** is the effectiveness with which the organization has forged partnerships and other linkages to bring about desired social changes. Recent research has identified alliance building as an essential ingredient in successful scaling. Organizations that employ this capability effectively do not try to do things on their own, but instead forge unified efforts.



# SE Scaling Factors (4/7)

***Lobbying*** is the organization's ability to advocate for government actions that may work in its favor. Organizations that lobby skillfully succeed in getting courts, administrative agencies, legislators, and government leaders to help their cause.

# SE Scaling Factors (5/7)

***Earnings generation*** refers to the effectiveness with which the organization generates a stream of revenue that exceeds its expenses. Organizations that are successful at generating earnings do not have trouble paying their bills or funding their activities.

# SE Scaling Factors (6/7)

**Replicating** refers to an organization's effectiveness in reproducing its programs and initiatives. An organization that is adept at replication ensures that its services, programs, and other efforts can be copied or extended without a decline in quality; training, franchising, contracting, and other tools are used to ensure quality control.

# SE Scaling Factors (7/7)

***Stimulating market*** forces covers an organization's ability to create incentives that encourage people or institutions to pursue private interests while also serving the public good. An organization with this capability is successful at creating markets for offerings (i.e., products and services) such as microloans or carbon credits. Stimulating market forces can lead to significant social change.

# CASE: Dialog in the Dark

- Social enterprise launched in 1988 in Germany by Andreas Heinecke to provide jobs for blind people and change people's minds about the disabled.
- Today in 110 cities and 39 countries around the world.
- 6M people visited DiD
- 6,000 blind people employed
- Franchise model



# DiD Hong Kong

- 2009 est.
- B2C: Exhibitions – 75-min tour
- B2B: Business management workshop
- B2C/B: Wine tasting in the dark (+ dinner..., relationship, birthday, etc)
- Passionate employees and many volunteers

# Social franchising model

- Temporary exhibitions (up to 1 year) with schools and museums.
- Permanent exhibitions with social enterprises
- Up front licensing fee and ongoing % of revenues

# Giving back (DISCUSSION)

- Is it in the Russian culture?
  - Why not?
  - What can be done to change this?
- 
- DiD products are successful because they allow 'identity shifting.'<sup>11</sup> People are touched when they see things from a perspective they failed to experience before



# Thank You!

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