

INVENT

**Promotion of Innovation Culture
in the Higher Education in Jordan**

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EDUCATIONAL MATERIAL

HOW TO CHOOSE PROPER BUSINESS MODEL FOR SOCIAL ENTERPRISE

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“ In a gentle way you
can shake a world. ”

Mahatma Gandhi



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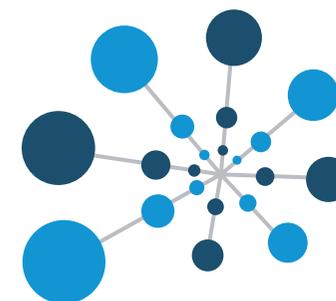
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GENERAL TERMS

Strategy for SE startup - basics
SE startup – critical points
Starting SE startup – legal form
Starting SE startup – accounting
Starting SE startup – legal documents
Recommended sources

¹SE – social entrepreneurship

PARTNERS:



Social Entrepreneurship Support Network
of the Baltic Sea Region



Social Capital Forum

Introduction



INTRODUCTION

While social entrepreneurship (SE) is a fancy topic in Baltic Sea region countries, Europe and even globally, ensuring the survival of the social enterprises is not often easy task even for well established players. As a key to the success of every successful business we can consider their business model, and in social entrepreneurship this is no exception.

One of the main aims of the project “Social entrepreneurship development in the Baltic Sea region” is to educate and inform potential and existing social entrepreneurs about business models. When developing business, “insufficient financial resource” is often mentioned as the main barrier. However, our project team believes that the lack of a very well defined and established business model, which sustainably delivers value to the customer, is an important obstacle for successful business development.

Social enterprises operate by applying a business approach to solve social problems and that is not an easy task in a lot of a cases. The situation is tough and that means that the only way to success is to **apply a proper business model**. Besides business model, there are a lot of other elements, which influence successful development of social entrepreneurship. It is not possible to cover all of them, but other two topics we want to explain in more detailed way are related to **social media** and **SE startup issues**.

In a special issue of the journal *Long Range Planning*, Charles Baden-Fuller and Mary Morgan say that business models can be short-hand descriptions of how firms operate. The primary value here is that you can **use the business model to ensure that you have a strategic fit across activities**. Or they can be role models; you can use them to describe how you want your organisation to function.

The aim of the educational material is to offer easy to read and attractive guidelines. The material is based on some academic findings; it is visual, not overloaded with information. Each section contains **recommended links**, those to be inspected by the readers on their own, while the aim of the education material is to provide basic understanding and core concepts of the specific topics: business models, social media and general issues of social SE startup enterprises.

Enjoy and get inspired to develop your social entrepreneurship!

Business models



WHAT IS A BUSINESS MODEL?

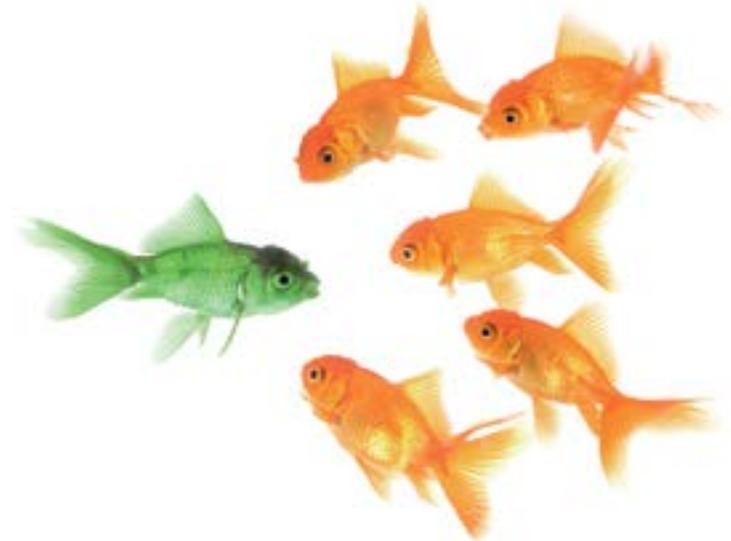
In a few words the business model defines what a business does and how it makes money doing that. In a more complicated explanation Zott & others

(2011) in the research paper “The Business Model: Recent Developments and Future Research” stated that there are plenty of definitions concerning the term business model but what they have in common is that business models combine a firm’s **value proposition, its revenue model and a value network.**

Tim Kastelle in the article “Eight Models of Business Models, & Why They’re Important” states that one of the confusing things about the business model concept is that there are a **wide variety of business models**, and it seems as though every person that talks about them makes up a new one. This can be frustrating if you are trying to figure out how to use the concept.

A very simple and easy explanation he gives concerning business models is that they have all something in common. All business models are designed to address the same question:

“How do we sustainably deliver value to our customers?”



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WHAT IS A SE BUSINESS MODEL?

“How to generate social impact?”



The business model for a social enterprise differs from the classical business model, as aside from showing a roadmap how to generate economic value, it has to show also how to create social value in a measurable way. In other words, social impact also has to be a part of an SE business model.

According to the Yunus & others (2009), building social business models relies on some of the same strategic moves as conventional business model innovation. However, the specificities of this type of business model: the need to take into account all stakeholders, not only shareholders, and the need to define the social profit that is the aim of the social business.

D.Mills-Scofield (2014) in the article “Every business is (or should be) social business” states that there is no significant difference in the business models themselves. In fact, social businesses are a powerful way to increase social impact.

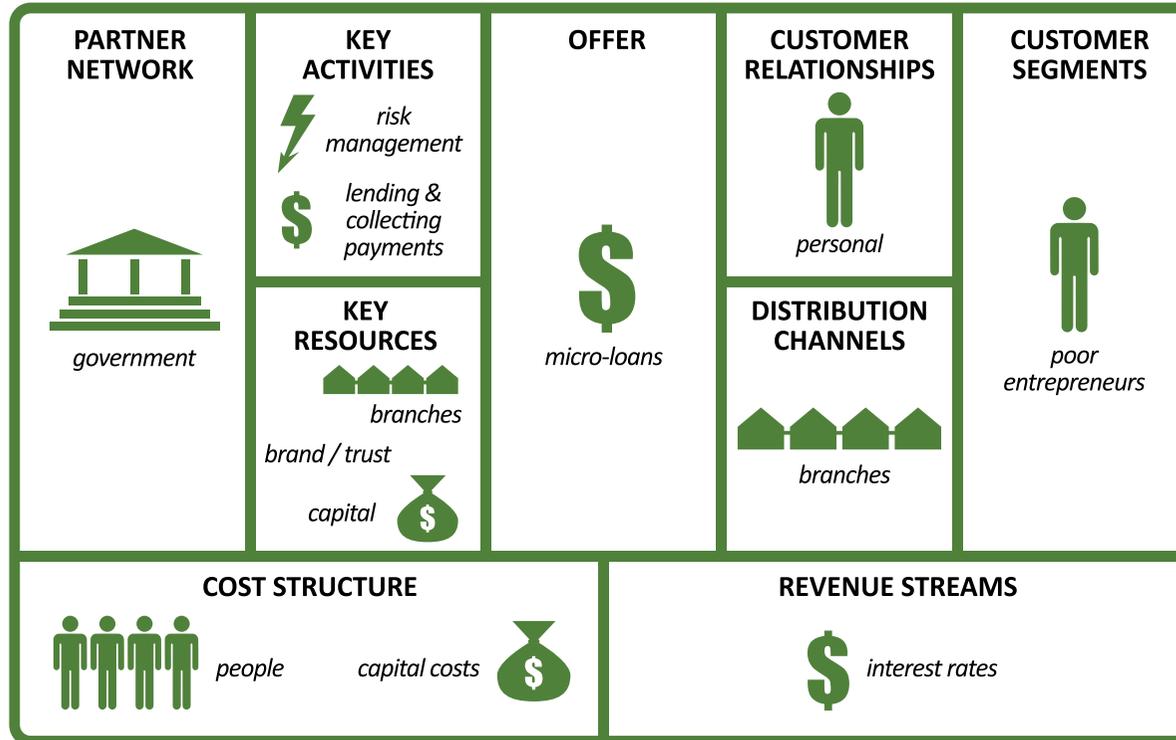
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EXAMPLES OF SE BUSINESS MODEL



GRAMEEN' s business model

Banking for the poor



Source: Business models beyond profit – social entrepreneurship lecture by A.Osterwalder

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HOW WE CAN CATEGORISE BUSINESS MODELS?

Traditional business models



Categorising business models, the simplest way is to categorise those into two categories: **traditional** business models and new or **innovative business models**. Speaking about traditional business those are typically ones **creating goods or services**. This is the most fundamental business model. Create a product or service and sell it – either directly to the customer or to a distributor. The primary challenge here is building the right product and finding the right channel partner.

New business models



However, **new** technology and **new** communication platforms have changed consumer behavior, and have left conventional businesses struggling to keep up with market requests. The planning of social business should not ignore rapid development of trends in technology and communication sectors.

More about business model innovations can be found in the report “Model behavior – 20 business models innovations for sustainability” (2014).

NOTES

ELEMENTS OF BUSINESS MODEL

One of the ways to define elements of business model are proposed by Zott & others (2011) in the article “Business Model Innovation: Creating Value in Times of Change”. These main elements are following:

First, a business model should illustrate how a firm is **doing business**.

Second, the business models should show how business is conducted followed by an illustration of how this conduction **creates value**.

Third, a business model conception should concentrate on possible **partners** that can enable these essential activities.

Besides these conventional business model elements, a social business model should also include **impact measurement description** or illustration.



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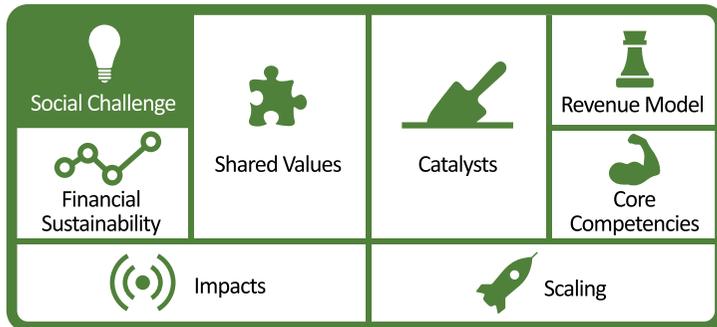
SOME POPULAR BUSINESS MODELS AND TOOLS



One of the most recently popular approaches to structuring the business model concept and propose components is so-called business model canvas (BMC). It is about creating a business model from scratch on a **single sheet of paper**. This concept is also applicable to existing companies who wants to visualize or even change their own business model.

For social enterprises adapted BMC exists. More links to the adapted models can be found under the section “Recommended Sources”.

Another tool, which can be used for social business planning is called **My Social Business Model (MySBM)**. MySBM is a set of questions, which take users through the thought process required to create a successful business model. It takes an educational and collaborative approach to building business models for social projects.



✓ My Social Business Model

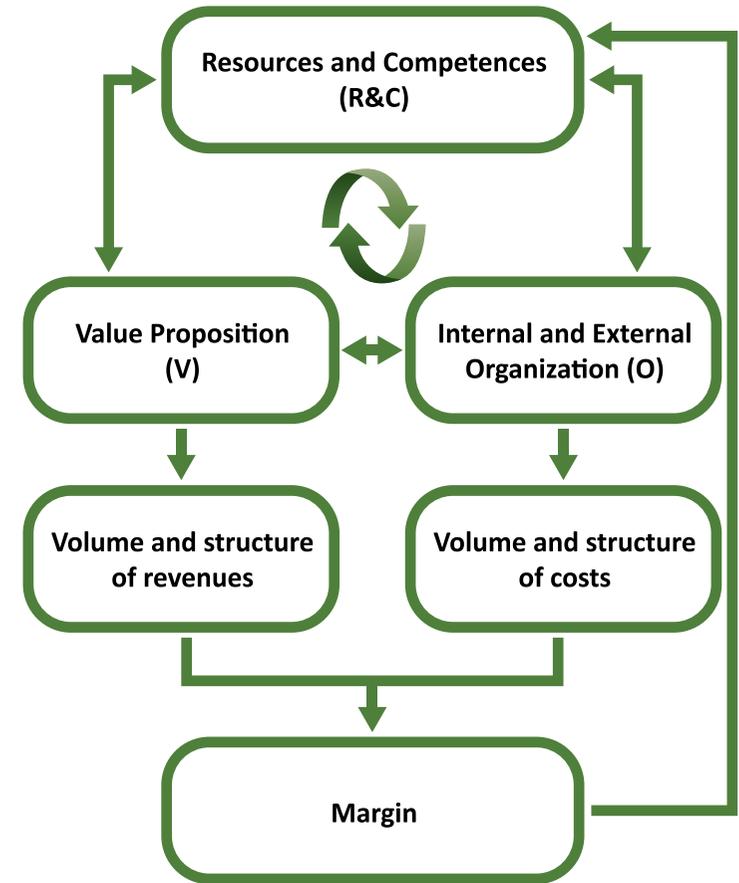
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SOME POPULAR BUSINESS MODELS AND TOOLS

RCOV framework. Resources and competences (RC), the Organization (O) and the Value Proposition (V) of the company are the **main components** interacting with each other. The RCOV framework does not concentrate on activities as such, but on **components** and how they are related to each other as illustrated by the figure (right). An RCOV model is relatively simple, but at the same time, it includes all the critical elements for any business. The business model is proposing **five main business model components**, illustrating the necessity of understanding the dynamic interrelation between the diverse components.

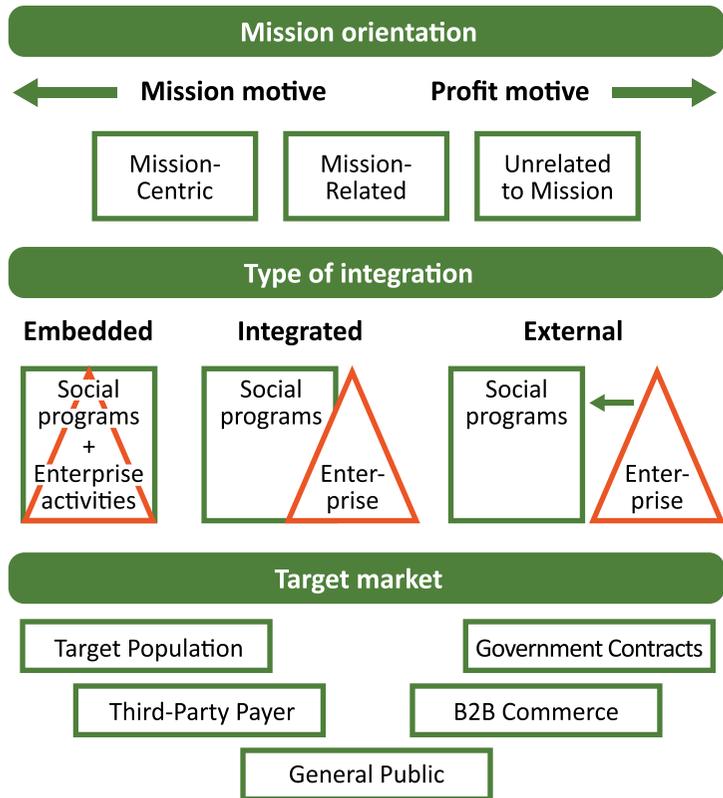
The RCOV framework focuses on value creation and **value capture** through the virtuous circle in the middle. This dynamic approach illustrates business model components do interrelate as a bundle of resources.

T.Kastelle in his article “Eight Models of Business Models, & Why They’re Important”, he lists several more business models to be discovered.



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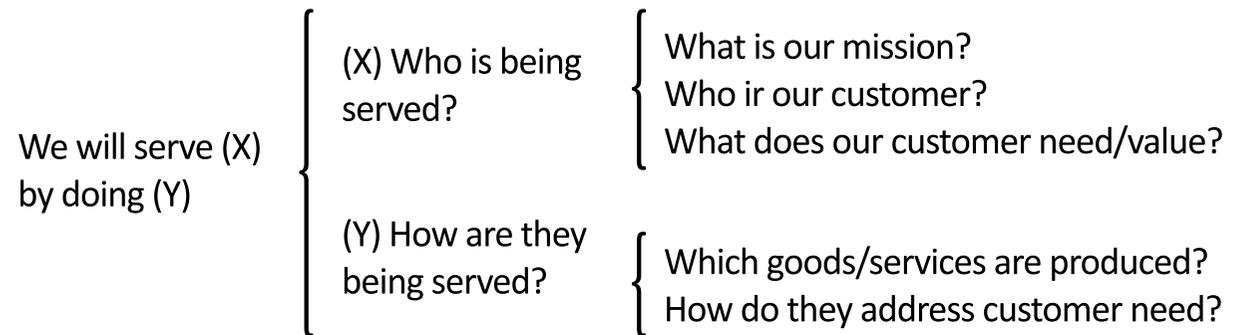
PRECONDITIONS FOR SUCCESSFUL SE BUSINESS MODEL



Micro-typology of social enterprises

According to W.Grassl (2012) from a design perspective, a business model must at minimum specify: what, for whom and why.

He also presents value proposition for social enterprises.



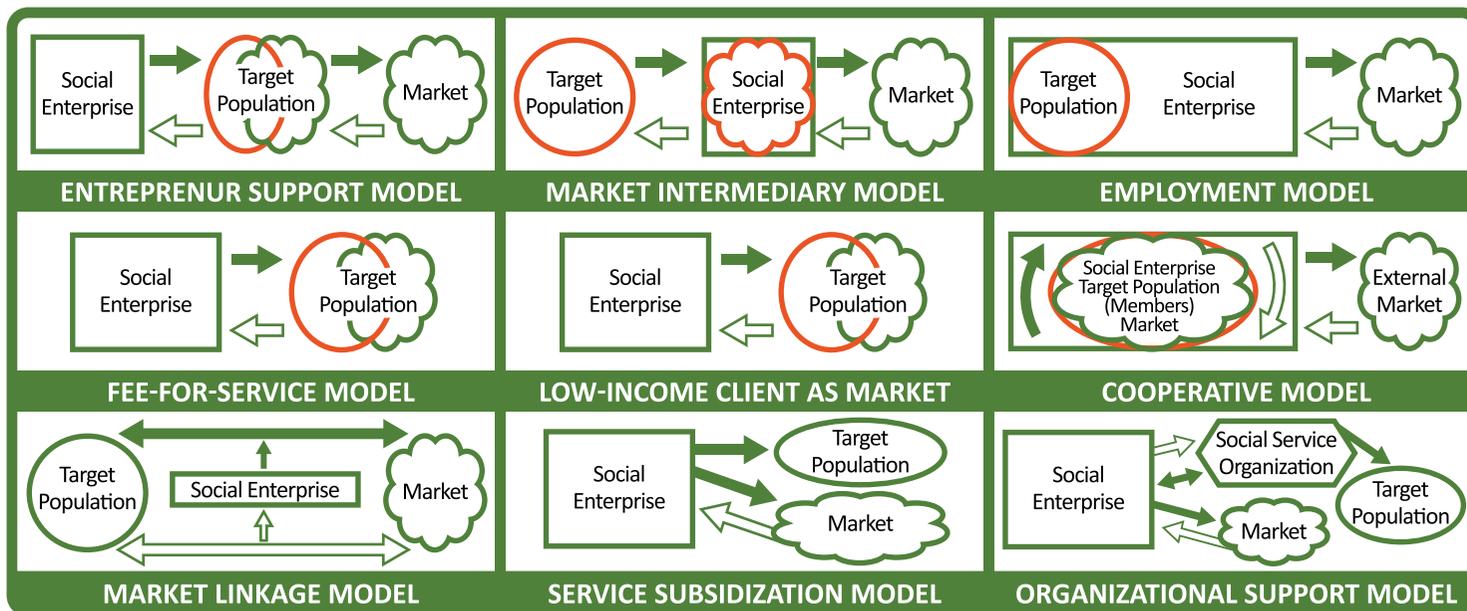
Value proposition for social enterprise

W.Grassl (2012) also prepares typology, where he describes mission orientation, type of integration and target market, (see more details in the “Recommended Resources” section) see figure “Micro-typology of social enterprises”.

NOTES

CHOOSING YOUR BUSINESS MODEL FOR SE

According to the logical structure presented by W.Grassl (2012), where mission orientation, target market and type of integration are main indicators, the specific models arise as a result from combinations between three elements. The options have been consolidated into **9 fundamental types of business models** for social enterprises. More information about typical examples can be found from W.Grassl paper under section "Recommended Resources".



Business models of social enterprise

NOTES

CHOOSING YOUR BUSINESS MODEL FOR SE

Social enterprises are different from non-profit organisations, because earned income is directly tied to their social mission. To have success on the market, a SE has to operate according to the commercial principles. **Virtue Ventures** provides once more an excellent summary of the various types of business models that are summarized in the table below. These social enterprise business models can be applied equally to institutions, programs, or service delivery. These models are designed in accordance with the social enterprises’ financial and social objectives, mission, marketplace dynamics, client needs or capabilities and legal environment. Most of the business models are embedded within the organization.

Business model	How it works	Examples	Key success factors
Entrepreneur support	Sells business support to its target population.	Microfinance organizations, consulting, or tech support	Appropriate training for the entrepreneur
Market intermediary	Provide services to clients to help them access markets.	Supply cooperatives like fair trade, agriculture, and handicraft organizations	Low start-up costs, allows clients to stay and work in their community
Employment	Provide employment opportunity and job training to clients and then sells its products or services on the open market.	Disabilities or youth organizations providing work opportunities in landscape, cafes, printing, or other business	Job training appropriateness and commercial viability
Fee-for-service	Selling social services directly to clients or a third-party payer.	Membership organizations, museums, and clinics	Establishing the appropriate fee structure vis a vis the benefits

NOTES

CHOOSING YOUR BUSINESS MODEL FOR SE

Low-income client	Similar to fee-for-service in terms of offering services to clients but focuses on providing access to those who couldn't otherwise afford it.	Healthcare (prescriptions, eyeglasses), utility programs	Creative distribution systems, lower production and marketing costs, high operating efficiencies
Cooperative	Provides members with benefits through collective services.	Bulk purchasing, collective bargaining (union), agricultural coops, credit unions	Members have common interests/needs, are key stakeholders, and investors
Market linkage	Facilitates trade relationships between clients and the external market.	Import-export, market research, and broker services	Does not sell clients' products but connects clients to markets
Service subsidization	Sells products or services to an external market to help fund other social programs. This model is integrated with the non-profit organization; the business activities and social programs overlap.	Consulting, counseling, employment training, leasing, printing services, and so forth	Can leverage tangible assets (buildings, land, employees) or intangible (expertise, methodologies, or relationships)
Organizational support	Similar to service subsidization, but applying the external model; business activities are separate from social programs	Similar to service subsidization—implement any type of business that leverages its assets	Similar to service subsidization.

If none of these are applicable to the format you would like to work, W.Grassl in the article “Business Models of Social Enterprise: A Design Approach to Hybridity” (2012) states that social entrepreneurship creates new business models. Hence, if none of the models serves your needs, you are welcome to explore and create your own model.

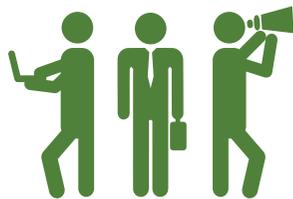
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So you are sure that you want to go for creating a business model for social enterprise? Here are the next logical steps, how business model is designed according to A.Osterwalder (www.businessmodelgeneration.com).

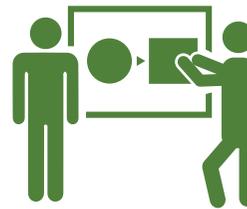
FIVE PHASES OF BUSINESS MODEL DESIGN



MOBILIZE
set the stage



UNDERSTAND
immersion



DESIGN
inquiry



IMPLEMENT
execution



MANAGE
evolution

NOTES

RECOMMENDED SOURCES:

1. MaRS workbooks are comprised of two elements—the workbook guide and the workbook template. <http://www.marsdd.com/mars-library/business-model-design/>
2. Canvas adapted for social business needs. <http://www.socialbusinessmodelcanvas.com/>
3. Knowledge game project: helps to visualize your business model by game. <http://businessmodelalchemist.com/2010/01/mapping-business-models-a-knowledge-game.html>
4. Variety of business models described. <http://theagni.com/2011/12/02/how-to-build-revenue-24-types-of-major-business-models-with-examples/>
5. The three models of social enterprises. https://www.cafonline.org/pdf/Ventursome3ModelsOfSocialEnterprise_Part1Jan2008.pdf
6. Free pedagogic app created to assist with the creation of business model for social projects. <http://mysbm.org/>
7. Using the business model canvas for social enterprise design by Ingrid Burkett Knode. Valuable material, explaining adapted business model canvas for social enterprises. http://knode.com.au/wpcontent/uploads/Knode_BusModCanv4SocEntDesign_E1LR_30p.pdf
8. Business Models of Social Enterprise: A Design Approach to Hybridity by Wolfgang Grassl, provides valuable insight in the hybridity concept of social enterprises. www.acrn.eu/.../Grassl_SE-Hybridity.pdf
9. Building social business models: lessons from the Grammen experience by Muhammad Yunus & others. <http://www.hec.fr/var/corporate/storage/original/application/4c2fc23d0007ff24248fc6f8003d468d.pdf>
10. Collection of SE business models <http://www.thesedge.org/whats-new/22-awesome-social-enterprise-business-ideas>
11. Social Enterprise UK guide. http://www.socialenterprise.org.uk/uploads/files/2012/07/start_your_social_enterprise.pdf

NOTES

RECOMMENDED SOURCES (NATIONAL LEVEL):

Estonia

Educational materials about social entrepreneurship, including social business model development

<http://sev.ee/tooriistakast/>

Social business model related videos in Estonian

<http://sev.ee/videod/>

Materials for consultants about social business models

<http://sev.ee/konsultant/>

Interactive material by Enterprise Estonia for any startup:

<http://www.eas.ee/et/alustavale-ettevotjale/ettevotlusega-alustamine/ettevotlusvormid-ja-alustamise-viisid/uue-ettevotte-rajamine>

Latvia

Research, examples and other materials about social entrepreneurship in Latvia and abroad

www.socialauznemejdarbiba.lv

Educational and informative resources about social entrepreneurship in Latvia and Europe

www.socialinnovation.lv

Facebook group for sharing information about social entrepreneurship in Latvia

<https://www.facebook.com/SocialaUznemejdarbibaLV>

Sweden

Main information and knowledge site in Sweden related to Social Entrepreneurship.

www.socialinnovation.se

Extensive information about how to run a social enterprise in

www.sofisam.se

Center for Social Entrepreneurship. Gives advice on business development in the field of Social Entrepreneurship.

www.cses.se

Denmark

Social Business Model Canvas developed by Mogens Thomsen based on Ostervalders model.

<http://www.startupsvar.dk/Download-files/Social-Business-Model-Canvas-Startupsvar.pdf>

Guide from the Danish National Centre for Social Enterprises

<http://socialvirksomhed.dk/>

Advice on how to get started as a social entrepreneur.

<https://startvaekst.virk.dk/idefasen/socialt-ivaerksaetteri>

RECOMMENDED SOURCES (NATIONAL LEVEL):

Finland

Guide: Many Paths to Social Entrepreneurship (2014):

<http://www.diak.fi/tyoelama/hankkeet/yyrittajyyys/materiaalit/Sivut/Monta-polkua-yhteiskunnalliseen-yritykseen-.aspx>

The Finnish Social Enterprise Mark by the Association for Finnish Work. Information about current social enterprises and the criteria for the Social Enterprise Mark in Finland:

<http://suomalainentyo.fi/yrityksille/yhteiskunnallinen-yritys/>

The Finnish Social Enterprise Research Network FinSERN. Research materials about social entrepreneurship:

<http://www.finsern.fi/site/>

Lithuania

Social Enterprise Summit Lithuania and other local information:

www.socialinisverslas.lt

Lithuanian Social Entrepreneurship and Social Innovation group on

FB: www.facebook.com/groups/193744704006846/

National Institute of Social Integration

<http://zmogui.lt/>

Poland

Educational and informative resources about social entrepreneurship in Poland

<http://www.ekonomiaspoleczna.pl/x/610047/>

Training materials about social economy entities in Poland

<http://ekonomiasolidarnosci.pl/materialy-edukacyjne/>

Publication: Why it's worth to establish a social enterprise

http://www.spoldzielnie.org/dlaczego_warto/

Educational Material: Before you will establish a cooperative.

<https://www.youtube.com/watch?v=08XgVcxTAA>

<https://www.youtube.com/watch?v=bXkcH8b-8Sc>

Social media



SOCIAL MEDIA

WHAT IS SOCIAL MEDIA?

Social media is a phrase being used a lot nowadays, but it can sometimes be difficult to answer the question of exactly what is social media.

The **WhatIs.com** definition of Social media is that social media is **collective of online communications channels** dedicated to community-based input, interaction, content-sharing and collaboration.

According to Daniel Nations, media is an **instrument of communication**, like a newspaper or a radio, so social media would be a **social instrument of communication**.

He provides easy to understand comparison of regular and social media. Think of regular media as a one-way street where you can read a newspaper or listen to a report on television, but you have very limited ability to give your thoughts on the matter.

Social media, on the other hand, is a **two-way street** that gives you the **ability to communicate** too.



NOTES

TYPES OF SOCIAL MEDIA

“ In social media, [...] you can talk, you can chat, you can follow and you can like, but there has to be a give and a take. There has to be a reason for that relationship on both parties. ”

*Angela Vithoulkas,
AWARD-WINNING OWNER OF VIVO CAFE.*



Social media is a broad term and covers a large range of websites, but common link between these websites is that **you are able to interact with the website** and with other visitors.

Websites and applications dedicated to forums, microblogs, social networking, social bookmarking, social curation, and wikis are among the different types of social media. Social media types classified by WhatIs.com:

A **forum** is an online “bulletin board” where you can leave messages and expect to see responses to the messages you have left.

Microblogging is a web service that allows the subscriber to broadcast short messages to other subscribers of the service.

Social networking is the practice of expanding the number of one’s business and/or social contacts. **Social bookmarking** is a user-defined taxonomy system for bookmarks.

Social curation is collaborative sharing of Web content organized around one or more particular themes or topics.

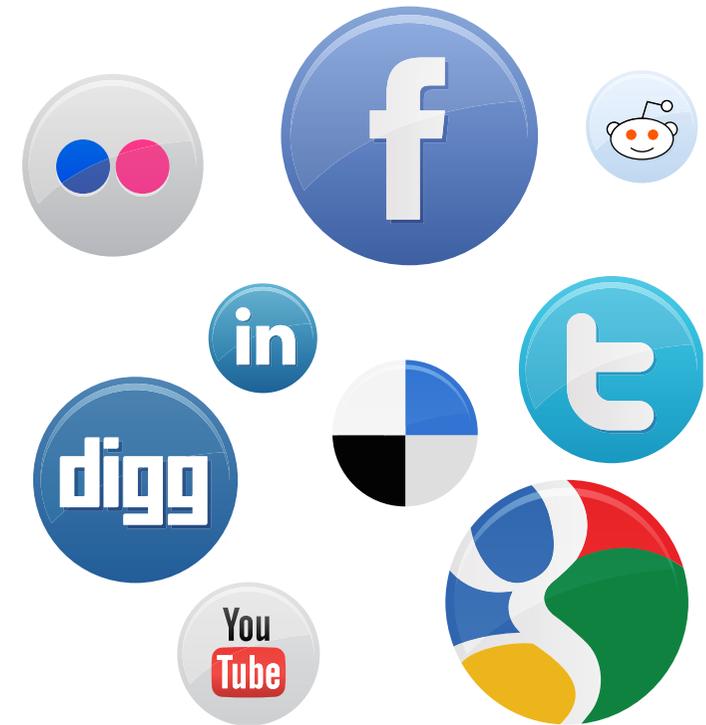
A **wiki** is a program that allows users to collaborate in forming the content of a Web site.

NOTES

EXAMPLES OF SOCIAL MEDIA WEBSITES

Continuing D.Nations' explanations on social media, we can move on to social media websites.

- **Social Networking** (Facebook; Google+, LinkedIn) Interact by adding friends, commenting on profiles, joining groups and having discussions.
- **Microblogging** (Twitter) is a free microblogging service that allows registered members to broadcast short posts called tweets.
- **Social News** (Digg, Propeller, Reddit) Interact by voting for articles and commenting on them.
- **Social curation** (Pinterest) Website for sharing and categorizing images found online.
- **Social Photo and Video Sharing** (YouTube, Flickr) Interact by sharing photos or videos and commenting on user submissions.
- **Wikis** (Wikipedia, Wikia) Interact by adding articles and editing existing articles, is a free, open content online encyclopedia created through the collaborative effort of a community of users.
- **Social Bookmarking** (Del.icio.us, Blinklist, Simpy) Interact by tagging websites and searching through websites bookmarked by other people.



NOTES

WHY IS SOCIAL MEDIA IMPORTANT FOR (SE) BUSINESS?



Social media is becoming an **integral part of life** online as social websites and applications make a higher impact on the daily communication patterns of individuals.

In business, social media is used to market products, promote brands, connect to current customers, and foster new business. **Social entrepreneurship** has to adapt social media usage for the development of business in the same way a conventional business would do. In other words, social entrepreneur has to treat social media the same high importance as any other business.

Meera Vijayann in the article *Five social media tips for social entrepreneurs* points out that young, new social entrepreneurs around the world face a similar problem: building an audience and sustaining virtual communities.

Social media marketing takes advantage of social networking to help a company increase brand exposure and broaden customer reach.

The goal is usually to create attractive content that users will share with their social networks. It is true also for social entrepreneurship, and may even be much more important. Well established and perceived **socially oriented brand**, gives huge advantages in the tough market competition.

Social CRM (customer relationship management) use of social media services, techniques and technology to enable organisations to engage with their customers.

NOTES

SOCIAL MEDIA

WHAT KIND OF SOCIAL MEDIA TO USE IN (SE) BUSINESS DEVELOPMENT?

Should your business be on social media? **Absolutely.** But should you have an account on every platform? Not necessarily - Brittney Helmrich, Business News Daily Staff Writer (2015).

Social media selection depends largely on the type of business you run. Selection also depends on how much **time and effort** you intend to put into your social media strategy.

According to B.Helmrich, some networks, like Facebook, are more low-maintenance, and work for every type of business, while others, like Instagram, require more dedication, working best for businesses in certain niches.

Want to create an enviable social strategy? Familiarise yourself with all of the social networks at your disposal, figure out which features will work best with your business and focus on the platforms that best reflect your business's mission (more at "Recommended Sources").



NOTES

HOW TO CREATE A SOCIAL MEDIA STRATEGY?



J.Baer proposes 8 steps to create a social media strategy in the article *“Social medial strategy in 8 steps”*. More information can be found at *“Recommended Sources”*.

Another tool for developing social media strategy is **social media marketing plan**. It is the summary of everything you plan to do or hope to achieve using social networks.

The difference between strategy and plan is that a strategy is a solution to move from where you are now (A) to where you want to be (B). A plan is how you will move from (A) to (B). Or in another words: a **plan** is a combination of steps designed to accomplish a purpose, but a strategy overlooks the broader picture. According to E.Lepage there are 6 steps to get from (A) to (B) in reasonable way:

Step 1: Create social media objectives and goals

Step 2: Conduct a social media audit

Step 3: Create and improve social accounts

Step 4: Get social medial inspiration from industry leaders, competitors, clients

Step 5: Create a content plan and edit calendar

Step 6: Test, evaluate and adjust your social medial marketing plan.

NOTES

RECOMMENDED SOURCES:

1. News and articles about social media. <http://www.entrepreneur.com/topic/social-media>
2. Business owner's social media toolkit. <http://www.inc.com/business-owner-social-media-tool-kit/>
3. Five social media tips for social entrepreneurs <http://www.theguardian.com/social-enterprise-network/small-business-blog/2013/may/23/social-media-five-lessons-entrepreneurs>
4. Ten Myths About Social Networking For Business by Neal Rodriguez. <http://www.forbes.com/sites/nealrodriguez/2011/08/10/ten-myths-about-social-networking-for-business/>
5. 10 Benefits of social media for business every skeptic should know by Kristina Cisneros <http://blog.hootsuite.com/social-media-for-business/>
6. 3 Ways to use social media for business by Neil Patel. <http://www.socialmediaexaminer.com/social-media-for-business/>
7. A Beginner's social media guide for small businesses by Megan Conley. <http://www.socialmediaexaminer.com/social-media-guide-small-businesses/>
8. 22 Social media marketing solutions for small businesses by Sara Angeles. <http://www.businessnewsdaily.com/5782-social-media-marketing.html>
9. Social Media for Business: 2015 Marketer's Guide by Brittney Helmrich. <http://www.businessnewsdaily.com/7832-social-media-for-business.html>
10. Implementing A Small Business Social Media Strategy. <http://www.investopedia.com/university/implementing-small-business-social-media-strategy/>
11. Social media strategy in 8 steps by JayBaer <http://www.convinceandconvert.com/social-media-strategy/social-media-strategy-in-8-steps/>
12. How to create a social media marketing plan in 6 steps by Evan Lepage. <http://blog.hootsuite.com/how-to-create-a-social-media-marketing-plan/>
13. Social Media for Social Entrepreneurs <http://www.triplepundit.com/2014/06/social-media-social-entrepreneurs/>

NOTES

General terms



STARTING SE STARTUP - BASICS

“**Social business is an evolution** not something you become overnight”, is one of best quotes characterizing social entrepreneurship. If you are still reading this, that means that you have serious intentions, and are not afraid of the proper selection of business model, nor frustrated by targeting right audience by right channel and using right social media.

If you want to launch a social enterprise, according to the educational material of Toronto enterprise fund you should ensure that:

1. You know your industry
2. You treat your enterprise as a business
3. You hire the right people
4. You set realistic expectations
5. You improve your financial literacy

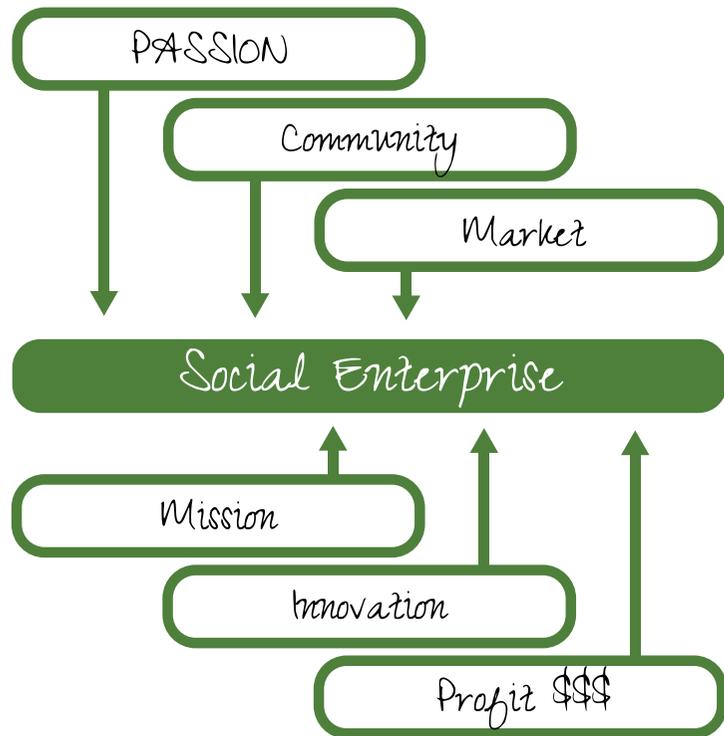
One of the best and most intensive guides for starting SE is **Social Good Guides**. It covers all areas social enterprise can be concerned, while starting, including social impact assessment.

Another tool for planning social business, published by the British Council is the “Social Enterprise Planning Toolkit”, with practical “how-to”.



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SE STARTUP – CRITICAL POINTS



According to **Social Good Guides** contributor Kimberley Jutze, starting a social venture is a major undertaking that is **intensive in terms of time, money, labor**, and other resources. Factors to be taken into account in deciding whether to launch a social venture are too numerous to mention here. However, there are some critical aspects that are worth briefly touching upon:

- have **clearly defined mission** that explains what you want to achieve and how you will go about doing it;
- determine **legal structure**;
- recruit staff;
- develop an **organizational culture**, including the values and behavior that determine “how things get done”. That can create the conditions for a happy, healthy, and **productive work environment**.

Social Good Guides strongly advises those building social impact ventures to seek advice and support from reputable professionals who are licensed in and/or have area expertise in the country where you plan to build your businesses. It is critical, as social enterprise regulations differ from country to country and choosing right legal status according to national legislation is important part of establishing SE business.

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STARTING SE STARTUP –LEGAL FORM

As mentioned above, **legal form may differ from country to country**; hence there is no common guideline for the possible legal structure. For instance, in the UK a guide has been created to explain incorporated forms of social enterprise, which include limited companies, community interest companies (CICs), industrial and provident societies (ISPs) and limited liability partnerships (LLPs).

The issues to consider when deciding on a legal structure for your social enterprise include:

1. Personal liability
2. Ownership
3. Funding, both short and long term
4. Governance
5. Profit distribution

However, not in all countries legislation has been clear or developed, regulating legal base of social enterprises. That means that only general recommendations can be applicable. The fundamental principle to bear in mind is that, it is not the legal structure that makes an organisation a social enterprise – **it is its activities**.



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STARTING SE STARTUP –ACCOUNTING



According to **Aaron Fox** at Social Good Guides, most new startup change makers (and most people) don't have an understanding, nor are they interested in accounting and taxes.

In the **beginning phase**, most transactions will be expenses or cash outflows. When finally funding or donations or product/service begins to sell, revenue or cash inflows will begin. And once money comes in, it goes right back out again to pay for everything that continues to drive company forward. Before all that begins, **accounting infrastructure** has to be in place. It will help you:

1. Monitor the progress of your business
2. Prepare your financial statements
3. Identify the source of income receipts
4. Keep track of deductible expenses
5. Prepare your tax information

It is not necessary that you prepare accountancy; it can be organized with the right professional. You can find more information at "Recommended Sources".

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STARTING SE STARTUP – LEGAL DOCUMENTS

A new social enterprise will have similar issues to other business start-ups. Among other things it will need finance to buy assets, take on property and staff and start trading/providing services. It will also need to comply with the host of regulations that apply to all new businesses from tax to health and safety. That means that contracts, agreements and **legal documentation** have to be properly kept.

Some of the most typical according the Social Good Guides legal documents are following:

1. **Founders' agreement** - founders of startups should execute a founders' agreement, addressing such issues as the goals and visions for the company, the social mission, the ownership structure.
2. **Memorandum of understanding (MOU)** - an MOU is a flexible agreement that can be used in a number of different situations and customized to meet the needs of the parties.
3. **Confidentiality agreement** - used to protect confidential or sensitive information shared between business partners, with employees, or in negotiations or transactions with third parties.



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STARTING SE STARTUP – LEGAL DOCUMENTS



4. **Intellectual Property Agreements** - property rights (i.e., patents, trademarks, copyrights, and trade secrets) that allows creators to exercise a set of exclusive rights with respect to their works.

5. **Work for hire agreement** - founders of startups should execute a founders' agreement, addressing such issues as the goals and visions for the company, the social mission, the ownership structure.

6. **Assignment contract** - an agreement would generally include terms such as the definition of the work to be assigned, the consideration or purchase price, a statement assigning the work, representations and warranties that the assignor owns the intellectual property rights in the work to be assigned, and indemnification provisions.

7. **Licensing agreement** - A licensing agreement allows a holder of intellectual property rights to grant limited permission to another party to use the licensed work while still retaining ownership of the intellectual property rights at issue.

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GENERAL TERMS

RECOMMENDED SOURCES:

1. Doing Well While Doing Good: How to Launch a Successful Social Purpose Enterprise. www.torontoenterprisefund.ca
2. Social Good Guides. One of the most intensive collection related to SE. <http://www.socialgoodguides.com/>
3. Seven Legal Hiccups That Can Crush Your Startup by J.J.Colao. <http://www.forbes.com/sites/jjcolao/2012/08/27/seven-legal-hiccups-that-can-crush-your-startup/>
4. Five accountancy tips to save money for social enterprises by Heidi Harris. <http://www.theguardian.com/social-enterprise-network/2011/oct/05/accountancy-tips-save-money-social-enterprise>
5. Accounting and taxes for social enterprises. <http://www.socialgoodguides.com/#/accounting-taxes-your-journey-begins-here>
6. Positive change on social innovation. <http://www.legacy-socialenterprise.com/about-us/>
7. Lean Social startup. <http://leansocialstartup.com/>
8. Social enterprise planning toolkit. <http://www.britishcouncil.org/ua/en/programmes/society/social-enterprise-development>
9. The Do School Startup Lab. <https://iversity.org/en/courses?r=7ebf2>
10. How to Change the World (Coursera, Wesleyan University) <https://www.coursera.org/course/changetheworld>
11. A Legal primer for change makers. <http://www.socialgoodguides.com/a-legal-primer-for-changemakers-guide/>

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The end

