Social Enterprise Readiness Assessment

A self-guided decision-making tool for nonprofit leaders

Acknowledgments

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Preface

Why Consider New Funding Models?

Sustainable financing is crucial for nonprofit organizations that provide HIV prevention, care, and treatment services to vulnerable communities worldwide. These organizations are instrumental in scaling up the global HIV response and introducing innovations to reach previously unserved groups, especially key populations. However, organizations often rely on international donors, leading to instability in services when donors shift funding priorities or reduce their financial commitments. Dependence on a single funding source also limits organizations' ability to adapt to changing community needs and innovate in service delivery.

Diversified funding sources increase the stability and flexibility of organizations, allowing them to adapt to economic downturns and changing donor priorities while supporting organizational priorities. Transitioning to new revenue models can also lead to innovation in service delivery while increased unrestricted funding supports organizations to spend in line with their priorities. While a few studies have shown the potential for offering differentiated services for a fee, ensuring equity in service coverage, continued uptake, and financial risk protection for clients who cannot pay is essential. Therefore, identifying sustainable financing options is imperative for organizations to ensure continued progress in the global fight against HIV.

Leveraging market-based strategies to generate revenue is only one path to diversifying funding. For most organizations, multiple funding sources are necessary for long-term sustainability. For more on this topic and strategies to complement the social enterprise model, see the companion guide: Financing the Future: A Primer on Sustainable Funding Models for Civil Society Organizations Supporting the HIV Response.

What is a social enterprise?

A social enterprise is an organization that achieves positive social or environmental impact while generating revenue. Social enterprises bring together the market-based approach of the private sector with the value of community well-being. Here are some of the models within the health sector that blend impact and revenue:

Model #1: Health Services Providing health services for a fee. Clinics using blended finance, subsidy, or cross-subsidy models or adding services beyond basic health care to sustain service delivery.

Examples: For-profit or nonprofit private clinics

Model #2: Safe Spaces Creating welcoming, stigma-free businesses that provide access to information, testing, and care services.

Examples: Salons and cafes

Model #3: Improved Livelihoods Small and medium-sized enterprises or collectives that generate income for individuals impacted by HIV, thereby supporting clients to afford health services or improve their quality of life.

Examples: Handcrafts, artisan collectives, cafes, food preparation, and delivery

Model #4: Gaps in the Market Problems faced by people living with HIV (PLHIV) and the organizations that serve them reveal gaps in the market that health innovators can solve and transform into value propositions for new business models.

Examples: Pharmaceutical delivery, online counseling, emergency transport, specific financial inclusion products, and ICT tools for health clinics

While the type of models is wide ranging, all provide a unique value proposition to their clients or program participants, including higher quality or specialty services; emphasis on respect, privacy, dignity, and comfort; and increasing efficiencies in health systems.

Social Enterprise vs. Nonprofit

Though specific legal definitions vary by country, generating revenue while remaining a nonprofit is often possible. For many social enterprises, revenue is only one stream of funding and does not fully cover costs. Other social enterprises may embrace a for-profit model but retain their improvement purpose and mission. Alternatively, a social enterprise can launch a separate for-profit subsidy or affiliated organization focused solely on revenue generation to support the nonprofit mission. The possibilities for organizational form are numerous.

What unites social enterprises is the double bottom line: the imperative of positive social impact balanced with financial performance through the sale of a product or service.

Benefits and Risks of Becoming a Social Enterprise

In addition to longer-term sustainability, health organizations may choose to become social enterprises for other reasons. Here are some of the benefits:

1. Stability: By generating income, social enterprises can create a more sustainable financial model that allows them to continue their work without fear of funding gaps from donors or delayed payments from government contracts.

2. Fostering innovation: Social enterprise models may allow organizations to develop innovative programs, offer new services, or tailor services and products to specific demographics.

3. Greater control over operations: By running a social enterprise, organizations can have greater control over their operations, including making strategic decisions and adjusting their business and programmatic models as needed.

4. More efficient resource utilization: Social enterprises are often required to operate with a level of efficiency not always required in traditional donor-funded models, leading to better resource utilization and improved outcomes.

While benefits are clear, potential downsides do exist. Here are some challenges to consider:

1. Lack of expertise: Starting and managing a social enterprise requires a different skill set than managing a nonprofit. Lack of experience or expertise in business development and management can lead to challenges to a sustainable and profitable social enterprise.

2. Risk of mission drift: A focus on generating income through the social enterprise could risk distraction from the organization's core mission of providing health services to the community.

3. Financial risk: Social enterprises may be exposed to financial risks that traditional nonprofits do not typically face, such as market fluctuations, supply chain disruptions, and other external factors.

4. Legal and regulatory challenges: Social enterprises must obtain the necessary permits and licenses, comply with tax laws, and navigate complex regulations related to business operations.
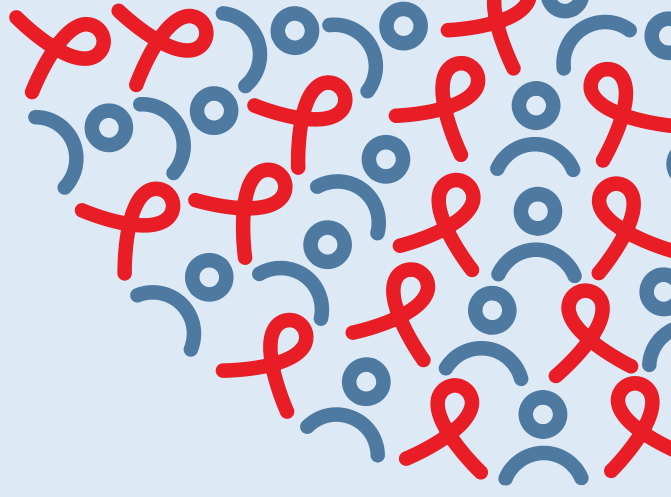
PART ONE

Understanding the guide and how to use it effectively

Social Enterprise Readiness Guide Fundamentals

Who Is this Readiness Guide for?

This self-assessment tool is designed for nonprofit leaders who are considering launching a social enterprise. It serves three purposes:

1. Educating leaders on the critical capacities needed for social enterprises to succeed.

2. Providing guidance on potential strengths and weaknesses of their organizations before embarking on this journey.

3. Offering a path to strengthen or adapt critical components of their organization.

Additionally, donors, investors, or international nongovernmental organizations (INGOs) supporting organizations to diversify funding and embrace market-based approaches can easily adapt and implement this assessment tool. A facilitator can guide capacity development efforts and funding decisions based on the assessment results.

How the Assessment Helps

This assessment is a diagnostic for organizational leadership to consider readiness and a technical resource for strengthening readiness.

The document is divided into six stages of readiness, each with guiding questions. Users select the response that best fits their organization's current situation. Alternatively, users can manually total their score to assess their organization's readiness to launch a social enterprise.

The stages are sequential. Aim to achieve a medium (yellow) or high (green) score and eliminate any red flags before moving on to activities in the next stage.

In addition, each section can be used as a technical resource, offering red flags and best practices, and recommended resources.

How to Interpret Your Score

#1 Red Flags: These essential factors must be present and strong to move forward successfully. If these criteria are weak or absent, they are red flags that need urgent attention. A red flag indicates that the user should seriously reconsider before launching a social enterprise or moving to the next stage.

#2 Relative strengths and weaknesses: The absolute or total score is less important than how the user decides to address it. The evaluation of these factors can be subjective. However, the user should be able to identify areas of relative strengths and weaknesses. These scores help set priorities for action.

#3 Prioritization: The assessment follows a logical order of activities for launching a social enterprise: (1) align the leadership, (2) create a business model, (3) decide on a legal structure, (4) leverage partnerships, (5) build organizational capacity, and (6) develop a strategy and resources to deliver. Therefore, a low score or red flags in Stage 1 should alert the organization to pause other activities and address these issues before moving to Stage 2. Similarly, red flags in Stage 2 should be tackled before Stage 3 activities (and so on). Activities will not be perfectly linear, and your organization's situation may vary.

#4 Improvements: After taking the self-assessment, choose priorities for action, set a timeline for improving your score, and chart your progress. You can retake the assessment to track improvements in your score.

Section	Details

Stage I: Leadership

Leadership Team Readiness	Is the leadership team knowledgeable and aligned in their intention to become a social enterprise?

Stage 2: Business Model

Business Model Canvas	What is the fundamental business model for the social enterprise?
Financial Model	Once the business model canvas is completed: Have you created a financial model for the social enterprise? Can staff and leadership use the financial model to monitor the financial health of the social enterprise and adjust plans?

Stage 3: Structure and Compliances

Structure	What should the social enterprise's organizational model and legal designation be based on its business model?
Compliances	Based on the business model and legal designation, what legal compliances are required to operate?

Stage 4: Partnerships and Relationships

Partnerships	Based on the business model, organizational model, and legal status, does the social enterprise have the necessary formal partnerships to support implementation and growth?
Relationships	What types of informal and formal relationships with individual stakeholders are necessary? What exists and what needs to be built?

Stage 5: Culture and Capabilities

Operational Capacity	Does the organization have the necessary operational capacity to become a social enterprise?
Organizational Culture and Staff Capacity	Does the organization have the necessary staff capacity to become a social enterprise?

Strategy	Is there a SMART strategy for launching and growing the social enterprise?
Resources	What are the resources and investments needed to implement the strategy?

Reviewing Results: Creating a Strategy

Once you have assessment results, create or update your organization's social enterprise strategy.
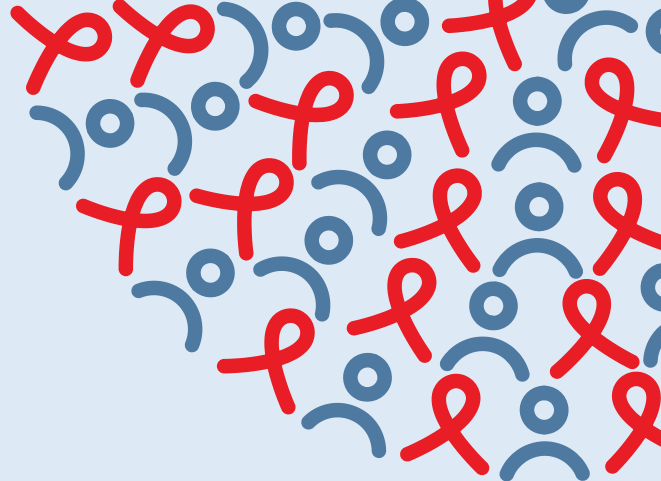
Parameters for readiness assessment and scoring

Stage One: Leadership

Leadership's vision, alignment, and expertise: The leadership teams' understanding of social enterprise and alignment with each other will determine the vision and strategy for the social enterprise. This sets the tone for the organization's values, priorities, and goals, and drives decision-making that is aligned with the social mission.

Red Flags

- The leadership team is not clear on how a social enterprise model will support the organization to create impact.

- The leadership team has not vetted a specific social enterprise model for their organization.

- The leadership team is not aligned on the motivations or timeline for becoming a social enterprise.

- The leadership team acknowledges a lack of capacity or resources to become a social enterprise.

- The leadership team has limited experience with social enterprise or revenue-generating models.

Best Practices

- The leadership team has identified how a social enterprise model will support them to achieve impact. They have evidence from internal or external examples that the model can lead to the impact they expect.

- The leadership team is aligned on the purpose, motivations, and timelines for becoming a social enterprise.

- The leadership team is confident in the organization's capacity and resources to undergo this change (or has a plan for external support).

- The leadership team has experience with revenue-generating models or external mentorship or counsel.

- The leadership team has significant experience in similar social enterprise models they are interested in pursuing. If not, they pursue new employees, consultants, mentors, or partnerships who have deep expertise in relevant models.

Leadership Team Readiness	Score

KNOWLEDGE AND UNDERSTANDING OF SOCIAL ENTERPRISE

The leadership team is unsure what it means to become a social enterprise.	0 🚩
The leadership team theoretically understands what is involved with becoming a social enterprise but does not yet know how the organization might become a social enterprise.	1 🚩
The leadership team has investigated multiple social enterprise models that may be applicable to the organization.	2
The leadership team has identified a likely model for the organization and is in the process of testing and exploring that model.	3
The leadership team has already tested or has been running a revenue-generating model within the organization.	4

ALIGNMENT ON IMPACT

The leadership team believes becoming a social enterprise will reduce the organization's social impact and has not identified ways to prevent or mitigate that outcome.	0 🚩
The leadership team does not understand (or agree on) how adopting a social enterprise model will help the organization achieve impact.	1 🚩
The leadership team has identified, in theory, how becoming a social enterprise would help the organization achieve impact, but has no evidence or examples to support these ideas.	2
The leadership team has identified how becoming a social enterprise would help the organization achieve impact. The organization has internal evidence or examples from similar models or contexts that support understanding how becoming a social enterprise would help the organization achieve impact.	3
The leadership team has early-stage evidence from the organization of how social enterprise or revenue-generating models are helping achieve impact.	4

CAPACITY AND RESOURCES

The leadership team is unwilling to devote time and budget to developing and launching the social enterprise.	0 🚩
The leadership team is willing to devote resources but lacks the time, budget, advisory support, or other critical resources necessary to develop and launch the social enterprise.	1 🚩

The leadership team is aligned on the need to devote time and budget to developing the social enterprise but is unsure exactly what resources might be needed.	2
The leadership team is aligned on the need to devote time and budget to developing the social enterprise and has identified some, but not all, the resources needed.	3
The leadership team agrees they have the appropriate capacity and resources to pursue this organizational change.	4

EXPERTISE

The leadership team has no experience running a revenue-generating enterprise.	0 🚩
The leadership team has no experience running a revenue-generating enterprise, but has secured mentorships or are recruiting new talent.	1
The leadership team has at least some experience running a social enterprise but in a different sector or with a different business model.	2
The leadership team has significant experience with social enterprise models and revenue-generating models similar to the models the organization is considering.	3
The leadership team has been successfully implementing a revenue-generating model within the organization and is ready to become a full social enterprise.	4

Total Score

Pause (0 – 7)	Consider (8 – 11)	Move Forward (12 or Higher)
Consider focusing first on the leadership team's vision, alignment, and expertise in social enterprise before taking the next step to establish a social enterprise.	The organization may be ready to move to Stage 2 while continuing to make progress on building the leadership team's vision, alignment, and expertise in social enterprise.	Leadership is on track.

🚩 Did your score include any red flags? Be sure to prioritize those before moving on to Stage 2.

Improve Your Understanding Score:

- Read Financing the Future: A Primer on Sustainable Funding Models for Civil Society Organizations Supporting the HIV Response and discuss the options outlined with the leadership team. Review the report Market-Driven Approaches to Advance the Financial Sustainability of Community-based HIV Services for real world examples of nonprofit organizations launching social enterprises.
- Explore recent models of social enterprise: read about examples of health social enterprises in *Reaching the Last Mile: Innovative Business Models for Inclusive Development* here (see chapter 3).
- Have the leadership team read *The Social Entrepreneur's Playbook, Online Learning Edition*.
- Take the free course Social Entrepreneurship 101 from Acumen to sharpen your idea.

Improve Your Alignment Score:

- Identify and invite social enterprise leaders or experts to talk with the leadership team about their experiences in achieving impact while generating revenue.
- Visit social enterprise sites and activities and ask customers, clients, and staff to describe the impact.
- Take the free course Social Impact Analysis from Acumen Academy to create or sharpen the organization's theory of change and impact framework or read Module 2: Measuring Impact of the *Social Investment Toolkit*.

Improve Your Capacity and Resources Score:

- Ask social enterprise leaders what types of resources are needed to explore, develop, and launch a social enterprise.
- Host a brainstorming session for ideas on how to free up resources or identify new ones.

Improve Your Expertise Score:

- Consider promoting or recruiting experts to leadership positions.
- Add relevant expertise to the organization's board.
- Seek out formal and informal advisors and mentors for the leadership team.

Stage Two: Business Model

Creating a business model will align the organization around key elements necessary to generate revenue for the social enterprise. Each aspect of the business model should be tested and revised before fully committing to it.

Red Flags

- The organization does not currently have a product or service that might be monetized.

- The organization is unsure who the target customer is or why they would value the product or service offered.

- Any competition that may exist for the product or service is unknown.

- The organization is enthusiastic about an idea, but has not tested it with potential customers.

- A business model has been created, but the organization does not have a plan to iterate as progress is made.

- An outside firm is being hired to create a business model.

Best Practices

- Social enterprise models are more successful when the organization has direct experience with the product or service they intend to monetize.

- To generate revenue, the organization should have a deep understanding of the target customer and competing services and products.

- Business models may make sense on paper, but encounter problems in the real world. Test the idea and iterate based on what is learned before launching.

- External expertise is valuable, but the organization should not fully outsource the creation of a business model.

- The leadership team has significant experience in similar social enterprise models they are interested in pursuing. If not, they pursue new employees, consultants, mentors, or partnerships who have deep expertise in relevant models.

Business Model	Score

BUSINESS MODEL CANVAS

Monetizable products and services

Do not yet have an idea for a product or service.	0 ⚑
Have an idea about a potential product or service that might generate revenue, but do not currently offer that product or service.	1 ⚑
Have a product or service that could be monetized but have not yet tried charging for it.	2
An existing product or service currently generates some revenue, but is not a substantial source of funding for the organization.	3
An existing product or service generates enough revenue to be a substantial funding source.	4

Target customer segments

A target customer segment has not yet been identified.	0 ⚑
Target customer segment has been identified, but research of the market to understand the segment (size of demographic, characteristics, preferences, etc.) has not been done.	1 ⚑
Target customer segment has been identified and market research completed.	2
Target customer segment identified, market research done, and product or service tested with potential customers and received feedback.	3
Existing customers currently pay for the product or service. The organization is looking to expand market share or attract new customer demographics.	4

Competition

Competitors have not been identified.	0 ⚑
Possible competitors have been identified, but no analysis has been done.	1 ⚑
A preliminary analysis of the competition has been conducted, and a few insights, like pricing, etc., have been obtained.	2
A full analysis of the competition, all possible customer segments, and product ideas has been conducted and integrated into the business model.	3
Trends, regulatory environments, and other factors have been identified and leveraged to inform the business model and create a competitive advantage.	4

Value proposition (i.e., why would customers buy the organization's products/services instead of other similar products/services available in the market?)

The value proposition for the product or service has not been defined.	0 🚩
The organization has some idea of the value proposition, but has not yet done research to understand its validity.	1 🚩
The value proposition has been defined and is currently being tested with potential customers.	2
The organization has existing customers for the product/service and clearly understands the value proposition.	3
The organization has existing customers, a strong value proposition, and continues experimenting with new pricing, product attributes, delivery channels, etc., to improve the value proposition with customers.	4

Market linkages

Supply chains and distribution channels needed for our product or service are not yet known.	0 🚩
Potential supply chain and distribution channels have been identified but feasibility has not been explored, and these ideas have not been implemented in the market.	1 🚩
A few ad hoc supply chains and distribution channels have been developed and are being leveraged to produce or sell the product or service.	2
A complete mapping and feasibility analysis has been done of the supply chain and distribution channels needed to make the business model work.	3
The organization has a robust, tested supply chain and distribution channels, and continues to explore new market linkages to expand business, reduce costs, and improve efficiencies.	4

Cost structure

Key costs for the model have not been identified.	0 🚩
The organization has some idea of the costs, but has not validated these yet.	1 🚩
Key costs and critical risks and assumptions about the drivers of these costs have been identified.	2
The organization is currently selling the products or services, so has real-world evidence and experience to validate that these are the key costs of the model.	3
The organization is developing contingency plans around the risks identified in the cost model.	4

Revenue streams

Unsure if customers would be willing to pay for the product or service	0 ⚑
Have evidence that customers are willing to pay, but are unsure what the appropriate price point is and whether that will cover operating costs as a social enterprise.	1
Understand what customers are willing to pay, and have identified possible additional revenue streams, subsidies, or payers to cover the costs of the model.	2
Understand what customers are willing to pay, and currently have alternative revenue streams, subsidies, or other strategies that help cover operating costs.	3

FINANCIAL MODEL

The organization is currently using project-based or nonprofit budgeting models instead of financial forecasts. The plan is to continue with the nonprofit budgeting model and not switch to or incorporate financial forecasts.	0 ⚑
The organization has not created a financial model that links revenue streams with costs to determine viability but has plans to.	1 ⚑
A financial model has been created, however, the organization has not begun to use it to guide operations.	2
A financial model has been created and is being used to guide operations. However, the organization is still struggling to transition away from project-based/nonprofit accounting or how to blend these two systems for its situation.	3
The organization has a robust financial model and has adapted budgeting and accounting systems as needed. Staff can do financial forecasts and provide them to leadership for review on a regular basis.	4
Total Score	

Pause (0 – 16)	Consider (17 – 23)	Move Forward (24 or Higher)
Your core business model is still theoretical and missing key elements. Focus on fixing red flags before finalizing the legal structure of your social enterprise.	You have planned for all the critical elements of a business model, but still need to test and validate aspects of the model. Keep making progress as you make decisions about the structure of your social enterprise, apply for any permits, and ensure compliance.	You have a comprehensive business model that has been validated in the market. Move to the next section to ensure you have the optimal social enterprise structure and necessary compliance plan.

🚩 Did your score include any red flags? Be sure to prioritize those before moving to the next stage.

Improve Your Business Model Score by creating a business model canvas:

- Read about the nine types of social enterprise business models here.
- Review Module 3 of the Social Investment Toolkit on creating social enterprise business models.
- Take the free course Lean Startup Principles for the Social Sector from Acumen Academy.
- Complete a Business Model Canvas or a Lean Business Model Canvas. Follow a video tutorial with examples here.

Improve Your Business Model Score by vetting the financial model:

- Learn about and test different strategies for making your product or service more affordable.
- Work with a skilled advisor or mentor to create a financial forecast. Train staff and leadership to use financial forecasts to inform strategy and decision-making.

Improve Your Business Model Score by testing and validating product or service ideas in the real world:

- Learn about prototyping a business before building it.
- Take a free course on Human-Centered Design to improve products and services.
- Brainstorm with the team to identify ways to test ideas and assumptions.
- Run a pop-up or brief trial to see if customers are interested in the product or service.

Stage Three: Structure and Compliance

Your organization may need to change legal structure or secure additional permits, licenses, or certifications to operate a revenue-generating model. Each organization should research the possible options, understand all necessary steps, and seek counsel or advice as necessary.

Red Flags

- The leadership team is unsure how laws limit or support social enterprise models.

- The leadership team is unsure how the organization's legal designation might change if revenue is earned.

- The leadership team is unsure what legal structure best suits the business model the organization is pursuing.

- National and local laws related to social enterprises are unclear.

- Relevant authorities are not clear on regulations.

- Identifying and securing necessary permits and certifications is difficult.

- The leadership team does not have access to necessary legal support or local advisory.

Best Practices

- The leadership team has identified the appropriate legal structure.

- The legal structure will support the proposed business model.

- The team has identified all necessary permits and certifications for the proposed business model.

- The leadership team has mapped out a realistic timeline and process for changing legal structure and/or securing permits and certifications.

- The leadership team has anticipated delays and built in contingencies.

- The leadership team has access to high quality legal support and/or locally appropriate advice.

- A monitoring system has been established to keep all licenses, permits, certifications, and/or registrations up to date.

- The leadership team has significant experience in similar social enterprise models they are interested in pursuing. If not, they pursue new employees, consultants, mentors, or partnerships who have deep expertise in relevant models.

Social Enterprise Structure and Compliances	Score

STRUCTURE

The leadership team is unsure about the legal ramifications of becoming a social enterprise or creating a revenue-generating model in their country.	0 🚩
The leadership team understands the legal ramifications and options but has not explored what organizational or legal structure makes sense based on the proposed business model.	1 🚩
The leadership team understands the possible models but has not made any decisions or taken action on their legal status.	2 🚩
The leadership team has identified the appropriate legal designation and organizational structure and is in the process of changing registration.	3
The organization has the appropriate organizational structure and legal registration.	4

COMPLIANCES

The relevant compliances, licenses, and certifications required to set up and run the enterprise have not yet been identified. The organization does not have the capacity to do this or hire advisors.	0 🚩
The relevant compliances, licenses, and certifications required to set up and run the enterprise have not yet been identified, but the organization has capacity to do so.	1 🚩
All relevant legal compliances, licenses, and certifications have been identified, and the organization is in the process of procuring them.	2
Relevant compliances have been partially procured and more criteria need to be fulfilled to procure the rest.	3
All required policy and regulatory compliances have been procured, and there is a systematic process to ensure they are always up to date and no risks arise from lack of compliances.	4

Pause (0 – 4)	Consider (5 – 7)	Move Forward (8)
You may not have the correct organizational or legal structure and the necessary compliances to operate. Focus on fixing red flags before launching your social enterprise.	Maintain your focus on organizational structure and legal compliance. Depending on the specifics of your situation, you might direct some efforts to culture and partnerships.	Move on to the next sections to ensure you are building the partnerships, culture, and capacity necessary to launch, grow, and sustain a social enterprise.

⚑ Did your score include any red flags? Be sure to prioritize those before moving to the next stage.

Improve Your Structure and Compliances Score:

- Your organization may be eligible for pro bono legal assistance from Lex Mundi or TrustLaw, two global foundations that support social enterprises with legal assistance.
- Consult guidance available on local regulations.
- Contact leadership from other social enterprises in your country or local area to get advice.
- Subnational governments (i.e., province, state, district, or even cities) often have guidance or a council for social enterprise. Investigate whether that is the case in your area and find a champion within local government.
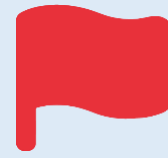
Stage Four: Partnerships and Relationships

Partnerships are integral to social enterprises because they provide a platform for leveraging complementary strengths, resources, and networks. They can foster innovation, expand the social enterprise's reach, and increase the impact of its mission. Partnerships can help social enterprises overcome resource constraints by pooling financial resources, sharing risk, and gaining access to new markets or expertise. They also offer opportunities for learning, capacity building, and scaling impact.

Red Flags

- The organization does not have a strategy for partnerships.

- The organization has not identified necessary or influential partners.

- Partnerships are formed ad hoc or based on personal relationships.

- The organization does not formally vet partners.

- The organization does not have a board or external advisors.

Best Practices

- The social enterprise leverages partnerships to create impact that it could not achieve alone.

- Leadership pursues partnerships with reputable organizations that can enhance the social enterprise's credibility and legitimacy.

- The social enterprise has a robust due diligence process.

- The social enterprise effectively leverages board members and other external advisors.

- to the growth and long-term success of the enterprise.

- Learning and innovation: Partnerships expose social enterprises to new ideas, perspectives, and ways of working. This exchange of knowledge can foster learning and innovation, enabling organizations to adapt to changing circumstances and continuously improve their offerings and operations.

- The leadership team has significant experience in similar social enterprise models they are interested in pursuing. If not, they pursue new employees, consultants, mentors, or partnerships who have deep expertise in relevant models.

Partnerships and Relationships	Score

PARTNERSHIPS

Leveraging partnerships

Leadership does not believe the organization needs partners or does not see partners as a priority.	0 🚩
No enabling partners have been identified.	1 🚩
A few enabling partners for the social enterprise model have been mapped or identified, but the organization has not taken action.	2
A few win-win partnerships for the enterprise have been formulated and leveraged intermittently for the enterprise.	3
The organization has a robust partnerships strategy that will support the social enterprise to create impact, increase reach or scale, and strengthen viability.	4

Due diligence

There is no formal process to evaluate potential partners. Partnership decisions are made based on personal relationships or cursory information.	0 🚩
Some vetting occurs. The due diligence process is informal and inconsistent; not embedded in the organization's culture or operations.	1 🚩
Due diligence is conducted before forming partnerships. However, the process is limited to certain areas such as legal or financial checks and does not include other important aspects such as strategic alignment, operational capacity, cultural fit, social impact, etc.	2
A formal and standardized due diligence process covers multiple areas (legal, financial, operational, strategic, etc.). A designated staff member or team is responsible for conducting due diligence, and the results are used to inform decision-making.	3
The due diligence process covers all relevant aspects, including legal, financial, operational, strategic, cultural, and social impact. The organization has a strong culture of due diligence; it is considered a shared responsibility.	4

RELATIONSHIPS

The leadership team does not seek out advice or support.	0 🚩
The leadership team has not engaged stakeholders to support or advise on the social enterprise model.	1 🚩

The leadership team has built some relationships for the social enterprise model and leverages them intermittently.	2
The leadership team has built a network of stakeholders and consults them frequently.	3
The leadership team has created a formal board or advisory committee and regularly recruits new board members and advisors to support the social enterprise.	4

Total Score

Pause (0 – 5)	Consider (6 – 9)	Move Forward (10 or Higher)
You are probably missing key partnerships or relationships that will enable your social enterprise to succeed. Focus on addressing the red flags.	Create or continue to implement a strategy for strengthening partnerships and relationships.	Your partnerships and relationships are likely robust and well vetted.

🚩 Did your score include any red flags? Be sure to prioritize those before moving to the next stage or thinking about growth and scale.

Improve Your Partnership and Relationships Score:

- Prepare a Partnership Proposition Worksheet or create your own version to support decision-making within your social enterprise.
- Create a robust due diligence process and train staff.
- Find mentors and advisors through the MicroMentor or MovingWorlds programs.
- Take the free course Board Strategy 101 from Acumen Academy.

Stage Five: Culture and Capabilities

Becoming a social enterprise requires a shift in the organizational culture and the acquisition of new skills and capacities. Once the leadership team is clear on the business model and organizational model, they can begin to assess, make changes, build capacity, and recruit new talent.

Red Flags

- The organization has not reviewed how internal systems and capacities might be adapted to support the social enterprise model.

- Leadership has not invested in supporting staff to understand the social enterprise idea and what aspects of the organization or culture will change.

- The organization has not created new departments or recruited new talent necessary for a social enterprise, such as sales or marketing.

- The organization lacks critical capacity or infrastructure necessary to run the social enterprise model.

- Staff are expected to run the social enterprise activities in addition to their previous job description and workload.

Best Practices

- The leadership team has identified how the organization's capacity and culture will need to be adapted and has developed a change management strategy.

- The organization is creating new departments and recruiting the talent necessary to support the social enterprise model.

- The organization has all critical capacities and infrastructure to run the social enterprise model.

- Staff have dedicated time to implement the social enterprise model.

- The leadership team has significant experience in similar social enterprise models they are interested in pursuing. If not, they pursue new employees, consultants, mentors, or partnerships who have deep expertise in relevant models.

Culture and Capabilities	Score

OPERATIONAL CAPACITY

Funds for start-up activities

No funds are available to support start-up activities.	0 ⚑
Funds are available that could be leveraged to support start-up activities, but the organization has no current plans to do so.	1 ⚑
The organization has allocated funding for social enterprise start-up activities. However, there is a gap between available and needed resources.	2 ⚑
The organization has created a realistic fundraising or financing strategy for start-up costs and working capital costs.	3
Revenue or other resources coming into the organization are sufficient to sustainably support the model's costs.	4
The organization has created a realistic fundraising or financing strategy to support the growth or scale-up of the social enterprise.	5

Financial systems within the organization

No financial management or accounting system exists.	0 ⚑
Nonprofit financial management or accounting systems exist, but the organization has not yet adapted to a new system to incorporate revenue-based and financial forecasting systems.	1 ⚑
The organization is in the process of adapting to revenue-based financial management models and simultaneously adapting the financial management and accounting systems.	2
The organization has new systems but needs to build staff capacity.	3
Organization-wide financial systems are fully adopted and are strong enough to handle the organization's requirements. Staff capacity is being built to manage them.	4
The organization's systems are robust enough to handle growth or scale.	5

Infrastructure and capital assets (i.e., buildings, land, vehicles, information and communications technology)

The organization is unsure what infrastructure, assets, or materials will be needed for the social enterprise model.	0 ⚑
The organization has identified what infrastructure, assets, or materials are needed for the social enterprise, but does not have the resources to procure them.	1 ⚑

Some existing infrastructure and assets can be utilized for launching the social enterprise.	2
Some existing infrastructure and tangible assets are already being utilized to plan for or prototype social enterprise activities.	3
The necessary infrastructure and assets are available to run the social enterprise, but the organization will face issues or need further investment as it grows.	4
The necessary infrastructure and assets are available to run the social enterprise, and the organization has a plan for further resource mobilization or investment as it grows.	5
Technology	
The organization does not leverage information technology (IT) for operations.	0 ⚑
The organization currently uses some IT for operations, but it is not optimized.	1 ⚑
The organization has an existing user-friendly IT system that is fully adopted by staff but has not reviewed how information technology should be leveraged to serve customers or scale the social enterprise.	2
The organization has identified how IT needs to be leveraged for the social enterprise model but does not have the resources or capacity to implement changes or updates.	3
The organization has identified how IT needs to be leveraged for the social enterprise model and is currently upgrading, adapting, or changing systems.	4
The organization has reviewed how IT needs to be leveraged for the social enterprise model, and no changes or further investments need to be made.	5
Monitoring, evaluation, and learning systems	
The organization does not have any monitoring and evaluation (M&E) frameworks or systems in place.	0 ⚑
The organization has an M&E system, but it has not been adapted for the social enterprise model.	1 ⚑
The M&E systems have been adapted, but the organization has not adopted a learning culture.	2 ⚑
The team has partially adapted the M&E system to the social enterprise, but there are gaps.	3
The M&E system has been fully adapted to the social enterprise model, and results are regularly reviewed and considered to guide activities and strategy.	4

The organization has clear impact metrics that satisfy external stakeholders (donors, investors, partners) and legal regulations.	5

Inventory, sales, and customer tracking and management

Systems needed to track social enterprise-specific data such as sales, inventory, and customers have not yet been identified.	0 🚩
The organization has identified how IT needs to be leveraged for the social enterprise model but does not have the resources or capacity to implement changes or updates.	1 🚩
Specific systems have been identified, and the organization is in the process of developing or implementing them.	2
Social enterprise-specific systems have been deployed, but staff are still in need of additional training and practice to use them effectively.	3
Social enterprise-specific systems have been deployed and are regularly and effectively used by appropriate staff.	4
The organization has the social enterprise-specific IT systems needed, is using them effectively, and has a plan for further resource mobilization or investment in systems development as it grows.	5

Total Score

Pause (0 – 13)	Consider (14 – 23)	Move Forward (24 or Higher)
Create a strategy for strengthening operational capabilities. This strategy will link closely with staff capacity building and talent management.	Create or continue to implement your strategy for strengthening operational capabilities. This strategy will link closely with staff capacity building and talent management.	Your operational capabilities are robust. With the right staff and talent, you may be ready to think about growth and scale.

🚩 Did your score include any red flags? Be sure to prioritize those before moving to the second part of stage 5.

Improve the operational capacity portion of the culture and capabilities score:

- Create a SMART strategy to prioritize and address red flags.

- Seek out and join business incubator programs for social enterprises.
- Take the free courses Inclusive Business: Balance Social Impact alongside Profitability, Building a Culture that Works, and Hiring Talent for Social Enterprises from Acumen Academy.

- Find a mentor to assist with strengthening operational capabilities. Explore global mentor matching programs such as Micro Mentor or Moving Worlds.
- Consult with other social enterprises to learn about their experiences and the pros and cons of different financial management, IT, or enterprise software systems.

Culture and Capabilities (Part Two)	Score

ORGANIZATION CULTURE AND STAFF CAPACITY

Organizational understanding and attitudes

	Score
The wider organization does not understand what it would mean to become a social enterprise. Leadership has not yet implemented efforts to build understanding.	0 ⚑
The wider organization understands the implications of becoming a social enterprise, but there is disagreement about whether it is the right strategy.	1 ⚑
The wider organization understands the implications and agrees with the strategy. However, there is confusion, anxiety, or conflict about the changes to come.	2
The wider organization understands the model, is aligned on strategy, and is excited about the change.	3
The organization has a change management plan or strategy to guide the transition, including opportunities for leadership to answer questions and hear concerns from staff.	4

Staff capacity

No time has been allocated for current staff to establish or run the new activities associated with the social enterprise. Or, the organization is currently relying on unpaid time and labor.	0 ⚑
Some staff time is allocated to social enterprise activities, but it is insufficient.	1 ⚑
The organization is in the process of revising job responsibilities, hiring for new roles, or bringing on additional staff.	2
Staffing is adequate to support the social enterprise model for now, but challenges may arise as it grows or is scaled.	3
Staffing is adequate and the organization has a realistic plan for growing staff as social enterprise activities grow.	4

Organizational structure

There is no established organizational structure.	0 ⚑
There is an informal organizational structure that is leveraged to run the social enterprise.	1 ⚑
Still operating with previous organizational structure and have not adapted it for social enterprise activities.	2 ⚑
Created a formal organizational structure with clearly allocated roles and responsibilities for social enterprise activities. However, it is new (less than one year) and not fully tested.	3

A formal organizational structure with clearly allocated roles and responsibilities for social enterprise activities is established. It has been tested and revised where needed.	4
A formal organizational structure with clearly allocated roles and responsibilities for social enterprise activities is established. It has been tested and revised where needed. Training and capacity building have been completed, ensuring the structure is not overly reliant on one person in a critical function.	5

Performance management

There are no structures for managing people, providing feedback on performance, or incentivizing social enterprise activities.	0 🚩
The organization has a performance management system, but has not adapted it to the specific needs of the new social enterprise model.	1 🚩
The organization is currently implementing new systems for supporting and motivating people, including feedback, recognition, and appropriate incentives for the social enterprise model.	2
The organization has a robust performance management system specifically designed for the social enterprise model.	3

Sales staff

The organization does not have a team (or staff person) for sales.	0 🚩
The organization currently lacks the capability for sales but is actively looking for new talent to grow the sales team.	1 🚩
The organization has a person (or team) who manages sales but does not actively pursue new customers or clients.	2 🚩
The organization has a team that sets targets, actively strategizes and acquires clients, and manages sales to meet periodic targets.	3
The organization's sales team actively coordinates with finance to update financial projections. Sales targets and performance are regularly reviewed with leadership.	4

Finance and compliance staff

Do not have a dedicated team (or staff person) for financial management.	0 🚩
Do not have a dedicated team for financial management, but leadership is responsible for financial management and compliance.	1 🚩
The organization has a person (team) for financial management who oversees project-based finances and compliances; that person/team leveraged periodically for social enterprise activities.	2 🚩
The organization has a dedicated finance management person (team) with the skills to manage social enterprise financial systems and compliances.	3

|	
The organization has created a financial system and a finance team to manage multiple funding streams (revenue, grants, government contracts, individual donations, etc.).	4
Marketing Staff	
Do not have a dedicated person or team for marketing.	0 🚩
Do not have the capability, but are actively looking for talent.	1
Have a marketing person (team) who has been marketing the organization's product/service, but do not have a marketing plan or strategy.	2
Have an experienced marketing team that has created and implemented a working strategy to maintain customers and acquire new ones.	3
Fundraising Staff	
Do not have a fundraising team.	0 🚩
Fundraising is led by leadership with intermittent support from other team members.	1 🚩
Have a dedicated person (or team) for fundraising, but their experience is only for nonprofits or project-based models.	2 🚩
The fundraising team is currently identifying new opportunities, revising fundraising materials, and testing new pitches with new donors for the social enterprise model.	3
The organization has a social enterprise fundraising strategy, and the fundraising team has the necessary skills and experience.	4
Total Score	

Pause (0 – 18)	Consider (19 – 23)	Move Forward (24 or Higher)
You lack critical staff capacity for your social enterprise to be successful. Create a strategy for strengthening staff capacity. This strategy will link closely with operational capacity.	Create or continue to implement your strategy for staff capacity building and talent management. This strategy will link closely with strengthening operational capabilities.	The capacity of your staff is robust. With the right staff and talent, you may be ready to think about growth and scale.

Did your score include any red flags?

Improve the organizational and staff capacity portion of the culture and capabilities score:

- Ask for advice and recommendations from other social enterprise leaders as you recruit new talent.
- Take the free courses Inclusive Business: Balance Social Impact alongside Profitability, Building a Culture that Works, and Hiring Talent for Social Enterprises from Acumen Academy.
- Support staff to build new skills in marketing, sales, finance, and fundraising through free courses on Coursera, edX, or Stanford Online.
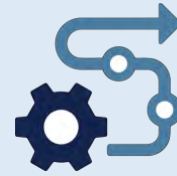
Stage Six: Strategy and Resources

Strategy is vital for social enterprises as it provides clear direction, optimizes resource allocation, and ensures sustainability.

Red Flags

- The organization has not created a strategy to launch a social enterprise.

- The organization has created a strategy, but the strategy is prescriptive and rigid versus flexible and adaptive.

- A strategy was created, but staff do not refer to it.

Best Practices

- The social enterprise has a well-defined strategy that serves as a road map.

- The strategy is used to help the organization stay focused on its purpose and make informed decisions to achieve impact.

- The strategy helps with the effective and efficient allocation of resources for the social enterprise: financial, human, and physical.

- to the growth and long-term success of the enterprise.

- Learning and innovation: Partnerships expose social enterprises to new ideas, perspectives, and ways of working. This exchange of knowledge can foster learning and innovation, enabling organizations to adapt to changing circumstances and continuously improve their offerings and operations.

- The leadership team has significant experience in similar social enterprise models they are interested in pursuing. If not, they pursue new employees, consultants, mentors, or partnerships who have deep expertise in relevant models.

Strategy and Resources	Score

STRATEGY

The organization does not have a social enterprise strategy. Activities are done on an ad-hoc basis.	0
There is some documentation and tracking of goals, but it is not a full strategy.	1
The objectives and goals to be achieved over the next year for the social enterprise are formally known across the organization and documented.	2
The goals and objectives are defined using SMART metrics.	3
The organization regularly reviews the strategy and revises the SMART goals and timelines based on new information. The organization can pivot as change happens.	4
Leadership is accountable to a Board of Directors and employees for progress against goals.	5

RESOURCES

Resources and investments needed to implement the strategy are unclear.	0
Resources and investments required to deliver the strategy are informally known but not documented.	1
Resources and investments required to deliver the strategy are documented as part of the strategy.	2
Resources and investments required to deliver the strategy are documented as part of the strategy, and the organization is seeking support or conducting fundraising for these resources.	3
Resources and investments required to deliver the strategy are documented as part of the strategy, and the organization currently has the resources needed.	4

Total Score	

Pause (0 –2)	Consider (3-5)	Move Forward (6 or Higher)
Work with leadership to create a SMART strategy for your organization.	Review the results of this assessment with relevant stakeholders in your organization. Discuss and update your strategy with priority actions.	Your strategy is well-defined and you have the resources you need in place or a clear pathway forward to secure them.

Improve Your Strategy Score:

- Create a SMART strategy for building, launching, and strengthening your social enterprise. Integrate any red flags or ideas for improvement from this assessment.

Next Steps

Reviewing Results: Creating a Strategy

Launching a social enterprise is a complex process that requires thoughtful planning. Indeed, this approach will not fit every organization. Upon initial exploration, some will discover compelling reasons to maintain their current model.

For those that decide to continue the journey to launch a social enterprise: consolidate your findings in the table below and take the following steps:

- Review and socialize the results of your assessment within your organization
- Identify and discuss key priorities
- Incorporate these priorities into your strategic plan

Consider this document your co-pilot, offering guidance as your organization charts a course through this transition. Navigating this shift with increased assurance and clarity will pave the way for you to build a more resilient, influential, and enduring organization, ready to make a sustainable difference in your community.

Section	Details

STAGE I: LEADERSHIP

🚩 **Red Flags:**

Priority Actions:	Time:	Measure of Success:

STAGE 2: BUSINESS MODEL

🚩 **Red Flags:**

Priority Actions:	Time:	Measure of Success:

STAGE 3: STRUCTURE AND COMPLIANCES

🚩 **Red Flags:**

Priority Actions:	Time:	Measure of Success:

STAGE 4: PARTNERSHIPS AND RELATIONSHIPS

🚩 **Red Flags:**

Priority Actions:	Time:	Measure of Success:

STAGE 5: CULTURE AND CAPABILITIES

🚩 **Red Flags:**

Priority Actions:	Time:	Measure of Success:

STAGE 6: STRATEGY AND RESOURCES

🚩 **Red Flags:**

Priority Actions:	Time:	Measure of Success:

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