



Venturing for Social Good

5. Social Impact Business Models

"Build your own dreams, or someone else will hire you to build theirs." *Farrah Gray*

Now that you've identified a promising idea, it's time to outline the full social impact business model you're envisioning. A social impact business model is a detailed description or story that explains how executing your idea will create and deliver positive outcomes for beneficiaries and capture value from payers (or customers) to sustain impact. This video explores how to use a social impact canvas to develop an initial outline of your model.

Here is a social impact canvas, which is related to, but more complex than the business model canvas tools typically used in developing for-profit ventures. As you can see, this version of the canvas consists of 14 components, including the problem, solution, key resistances, key enablers (resources, partners, infrastructure), beneficiaries, payers (or customers), channels for reaching beneficiaries, channels for reaching payers, unique value proposition for beneficiaries, unique value proposition for payers, social impact, revenues sources (for sustainability), financial costs and unintended consequences.

Let's briefly review each of these components.

The problem is the societal or environmental problem that you are seeking to address through venturing. The bullet points used to outline the problem should convey the nature, magnitude and consequences of the problem. In other words, how does the problem affect people?, how many people are affected?, and what impact does the problem have on people's lives?.

The solution is a basic description of the product, service, program or policy that you've conceived to solve the problem. The bullet points used to outline the solution should describe what it is and what features and benefits it will provide.

In many cases, making a positive social impact requires behavior change by beneficiaries or overcoming political barriers to delivering a solution. The Key Resistances component of your social impact model outlines key obstacles that may result in beneficiary or community resistance to your proposed solution. For example, mistrust of outsiders or language barriers may make it difficult to engage a specific beneficiary group.

Key Enablers includes partners and available infrastructure that you can leverage to deliver your solution. It also includes your key resources, such as connections, funding, facilities and anything else that will help you to deliver your solution to beneficiaries and payers.

Beneficiaries are people and communities who stand to be positively impacted by your social venture. Bullet points should highlight the typical backgrounds, activities, motivations, worries, wants, needs

and/or goals of beneficiaries. Developing a rich understanding of who you are trying to benefit is helpful in two ways. First, it helps you to define and understand how to reach members of your targeted beneficiary group. Second, it helps you to understand how to craft your unique value proposition to maximize its appeal to beneficiaries.

Payers (or customers) are the people who actually pay for your product, service, program or policy. They may be beneficiaries or they may simply be people who want to make an impact. Developing a rich understanding of who will be willing and able to pay for your solution is critical to generating revenues to sustain your venture, so use this section of the social impact canvas to outline their typical backgrounds, activities, motivations, worries, wants, needs and/or goals.

Channels for reaching beneficiaries and payers pertain to the specific communication media and physical facilities through which you'll be able to inform beneficiaries about your solution and distribute it to them. For example, if you were trying to have a positive impact on young children, you might plan to communicate through schools, community centers, or churches to reach them and their parents.

Social impact refers to the effects of your solution on beneficiaries and their communities. Bullet points should describe both the nature of the effect - what benefits can beneficiaries expect? And the magnitude of the effect - how much of each benefit can be expected?

The Revenue Sources component of the social impact model refers to how you plan to make money to sustain your venture. This section should outline how much you think payers will pay for your solution and the terms under which you expect them to pay. For example, you might expect a one-time payment for a single product or an annual subscription for a frequently used service.

Unintended consequences are potential negative effects that could result when beneficiaries utilize your solution. For example, a solution that offers beneficiaries unlimited free food might increase their dependence and reduce their motivation to seek skills and opportunities that would increase self-sufficiency. One way to think about unintended consequences is that they are the non-monetary costs incurred by beneficiaries who use or consume the solution.

Financial costs represent the fixed and variable costs that you will need to pay to operate your venture and deliver your solution to beneficiaries and payers. Fixed costs include things like salaries and rent. Variable costs are expenses like marginal costs of goods sold, sales commissions and shipping that need to be paid to produce and deliver your solution.

The last two components of the social impact canvas relate to the unique value proposition of your solution for beneficiaries and payers, respectively. It's no coincidence that the value proposition components appear in the center of the canvas, as they are absolutely critical.

Your unique value proposition for beneficiaries is really your best answer to the question "why should someone who has the problem choose your solution instead of something else (or doing nothing)?" If you can't provide a short, compelling answer to this question, then there is little reason for prospective beneficiaries to choose your solution.

Similarly, your unique value proposition for payers is your best answer to the question "why should a customer pay for your solution instead of a competing alternative?". Having a great answer to this

question positions you for success. If you can offer truly unique benefits that customers strongly desire, then you'll have a great chance to make a sustainable impact.

Now that you understand the components of the social impact canvas, take some time to outline your vision and develop your social impact business model. Subsequent videos will go in-depth on a few key components of the model and discuss how you should begin to gather evidence to assess the validity of your model.

For now, keep in mind the words of Phil Libin:

“There’s lots of bad reasons to start a company. But there’s only one good, legitimate reason, and I think you know what it is: it’s to change the world.” - Phil Libin, CEO of Evernote.

