

SOCIAL BUSINESS PLAN PARADIGM

- Mission/Opportunity/Strategies
- **External Environment Analysis**
- Beneficiary (“Market”) Analysis
- Operations
- Organization and Human Resources
- Financial Plans and Reports
- Metrics and Accountability

EXTERNAL ENVIRONMENT ANALYSIS READINGS

- *Carlson and Koch, Chapter 5*
- Also Useful: www.doingbusiness.org
(on top right: *select a country; select a topic, such as enforcing contracts*)

EXTERNAL ENVIRONMENT ANALYSIS TOPICS

- Why External Environment Analysis is Critical to a SB
- Elements of the External Environment
 1. Economic Environment / Market-Oriented Ecosystem
 2. The Legal/Regulatory Environment—Transaction Governance Capacity (TGC)
 3. The Information/Communication Environment and the Disintermediation Opportunity
 4. The Community/Cultural Environment
 5. The Natural Environment (geography, climate)
- Government and Non-Governmental Organizations (NGO)
- External Environment Analysis Matrix
- The Impact of External Environment on Sustainability/Scalability

Why External Environment Analysis is Critical to a Social Business

SB often operate where:

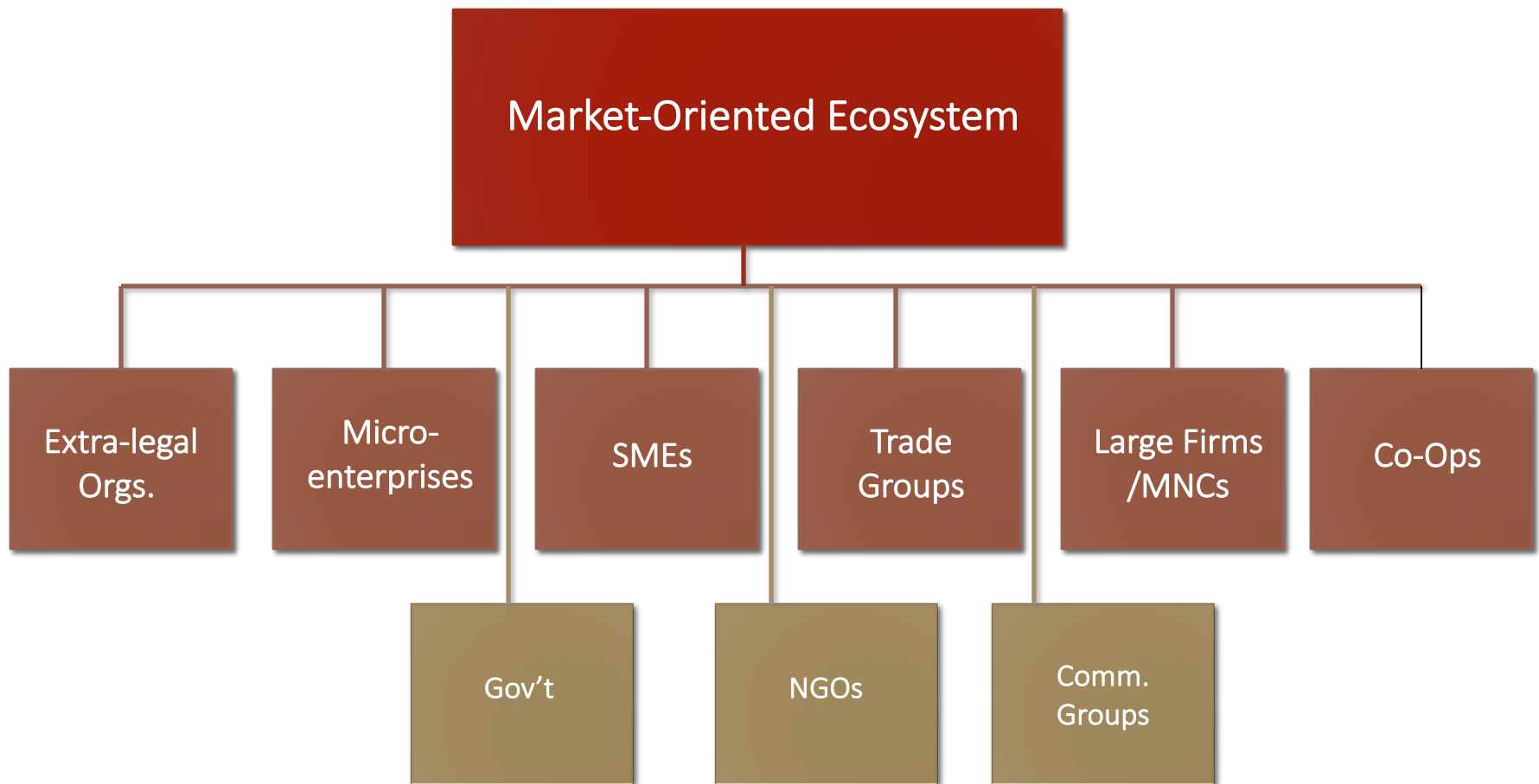
- Economic environment (market-oriented ecosystem) is not fully developed
- Assets cannot be converted to capital
- Business processes (TGC) are informal (not codified or enforced), and possibly corrupt
- ICT facilities are not easily accessible
- Community/culture is non-supportive (or hostile)
- Government and NGO roles often are critical success factors (or critical impediments)
- Natural Environment is “extreme”

Note: the External Environment may differ (substantially) by (or within) country.

Note: a successful Social Business may stimulate change in one or more parts of the External Environment (e.g micro-finance helped empower women in Bangladesh)

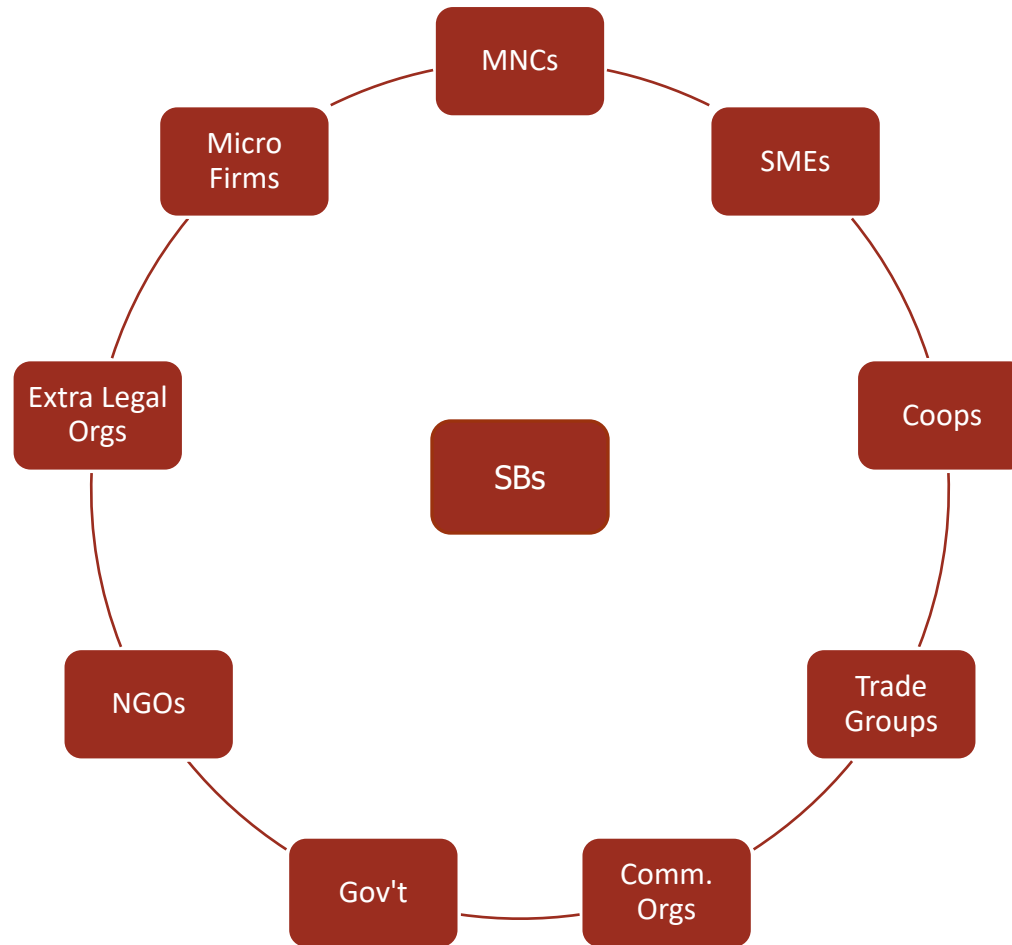
THE ECONOMIC ENVIRONMENT

Market-Oriented System (Prahalad)



THE MACRO-ECONOMIC ENVIRONMENT

Market-Oriented System (Prahalad)



THE MICRO-ECONOMIC ENVIRONMENT FOR SB

- Personal savings
- Credit
- Banking and financial transaction systems
- Accounting/financial reporting rules and regulations
- Firms/systems to form “supply chain”
- “Trapped” capital
- Funding Sources (e.g., NGOs, Foundations, Social VCs, Banks)
- Taxation
- Bribes
- Costs of being “in the system” may be > costs of being “outside the system”

The Legal/Regulatory Environment— Transaction Governance Capacity (TGC)

- Ownership and transfer of property (assets)
- Intellectual Property (IP)
- Regulation of (complex) transactions (contracts)
- Processes and institutions for fairly implementing, enforcing, and changing laws and regulations
- Transparency and timeliness

THE INFORMATION/COMMUNICATION ENVIRONMENT

- ICT systems
 - Computing
 - Communication (telephone)
 - Networking (Internet)
 - Television
 - Radio
- Access to customers/clients/information
- Transaction processing
- Supply chain management
- Disintermediation

THE COMMUNITY/CULTURAL ENVIRONMENT

- Community/social groups
 - Family
 - Women
 - Religious
 - Ethnic
 - Interest (skills)
 - Service
- Education and training
- Economic groups (“classes”)
- Geographical groups (“tribes”)
- Historical practices (“ways of doing business”)

THE COMMUNITY/CULTURAL ENVIRONMENT

- Community “assets” (social capital)
 - Niche markets
 - Informal TGC
 - Distribution
 - Employees/volunteers
 - Partners
 - Institutions/property
- Community “impediments”
 - Disintegration (loss of community)
 - Divisiveness (discrimination)
 - Dinosaurs (resistance to change)
 - Diversification (communities within communities)
 - Diversions (distractions, loss of interest)

THE NATURAL ENVIRONMENT

- Geography
 - Occasionally responsible for opportunity (e.g., remote)
 - Often affects costs of access
- Climate
 - May be responsible for the “opportunity” (e.g. typhoons, earthquakes)
 - Often affects costs of products/services
- Quality (air, water)
 - Often responsible for the “opportunity” (e.g. pollution, disease)
 - Often affects costs of products/services

The Roles of Government and Non-Governmental Organizations (NGO)

- Safety
- Laws and regulations (TGC)
- Enforcement/resolution of disputes
- Infrastructure (roads, ICT, financing)
- Funding
- Education/training

EXTERNAL ENVIRONMENT ANALYSIS *MATRIX*

Environmental Factor	Action
Asset	Leverage
Impediment	Mitigate

EXTERNAL ENVIRONMENT ANALYSIS EXAMPLE:

Aravind Eye Care System

Environmental Factor	Action
<u>ASSET</u> <ul style="list-style-type: none">• Dr. “V’s” family• LAICO• Rotary International Eye Banks	<u>LEVERAGE</u> <ul style="list-style-type: none">• Core management team• Collaborate to fund camps• Collaborate for transplants
<u>IMPEDIMENT</u> <ul style="list-style-type: none">• Lack of financing• Lack/affordability of trained personnel• Resistance/cost of leaving locality	<u>MITIGATE</u> <ul style="list-style-type: none">• Bootstrap to self-sustaining• Develop “in house” training; hire those that fit culture

EXTERNAL ENVIRONMENT ANALYSIS EXAMPLE:

Jaipur Foot

Environmental Factor	Action
<u>ASSET</u> <ul style="list-style-type: none">• Government/Foundation financing• ISRO	<u>LEVERAGE</u> <ul style="list-style-type: none">• Attract existing financing with low cost product• Partner to reduce COGS
<u>IMPEDIMENT</u> <ul style="list-style-type: none">• Lack of trained personnel• Access to “clients”	<u>MITIGATE</u> <ul style="list-style-type: none">• Simplify product/process• BMVSS Camps

EXTERNAL ENVIRONMENT ANALYSIS EXAMPLE:

We Care Solar

Environmental Factor	Action
<u>ASSET</u> <ul style="list-style-type: none">• Perceived need/demand• Husband knows solar	<u>LEVERAGE</u> <ul style="list-style-type: none">• Attract demand and financing with appropriate product• Design the product
<u>IMPEDIMENT</u> <ul style="list-style-type: none">• Lack of mfg capability• No distribution	<u>MITIGATE</u> <ul style="list-style-type: none">• Build initial units; partner for growth• Personally deliver initial units; partner for growth

THE IMPACT OF THE EXTERNAL ENVIRONMENT

- Sustainability Factors
 - Financing sources
 - Costs of products/services
 - Costs of doing business
 - Cost/availability of human resources
- Scalability Factors
 - Market access
 - Distribution
 - Micro-financing

REPORT #2: External Environmental Analysis

1. List the key entities (organizations/groups/gov't bodies) and their “roles” in your organization’s “economic ecosystem.” (1 pt)
2. Create an external environment analysis matrix. (3 pts)

Environmental Factor	Action
Asset	Leverage
Impediment	Mitigate

Note: Environmental Factors include: (1) economic ecosystem, (2) TGC, (3) ITC, (4) community/culture, (5) Natural Environment

3. What positive (or negative) impacts does the external environment have on the sustainability and scalability of your organization? (1 pt)