



The Human Resource Plan

Chapter 7

“The people are a [social enterprise’s] most valued resource.”

— Unknown



Overview: People are the heart of every business. Especially in light of the tension between social and economic goals, it is overwhelmingly the right mix of high-quality people that ensures the success of a social enterprise. Talented, well-qualified people are needed to handle the occasionally tangled enterprise reins and manage the realization of its targets. For this reason, investor-donors ask that résumés be attached to proposals and give generous scoring weight to enterprise programs staffed with competent people. Indeed, the same is true in the private sector, where many venture capitalists base their investment decisions more on the strength of the skills and experience of a company’s management and employees than on its products or services.

Capacity building is a critical piece of the social enterprise to create a sustainable and viable venture. How your program is structured among donors, the parent organization, field offices, the implementing partner, the enterprise, and clients has huge implications for the success of the enterprise. The multiple layers in social enterprise programs add complexity, and a lack of clarity about the **roles and relationships** of these actors can convolute business operations and diffuse accountability. Attention must also be given to **training** and **technical assistance** as they apply to skills transfer among the target population, enterprise managers, and technical specialists.

Human resource requirements for social enterprises often fall outside the realm of traditional development professionals, favoring functional skills acquired in the private sector over those of project managers, development generalists, or technical professionals in specialties like health, education, or emergency response. Even professionals with experience in “income-generating projects” or “microcredit” often do not have the sophistication in financial and business management and strategic planning needed for a prosperous social enterprise. Striking a balance among staff members who possess both hard skills and share the enterprise’s social values can be challenging. Finding nontraditional development staff requires new **recruitment strategies** and **incentive programs** to retain employees.

Social Enterprise Actors

There are several layers of actors in social enterprises, which can complicate program execution and blur roles and responsibilities. First, there is the *target population*, the poor and disadvantaged people whose income or economic opportunity social enterprise programs seek to improve. Second, there is the *donor*, to whom

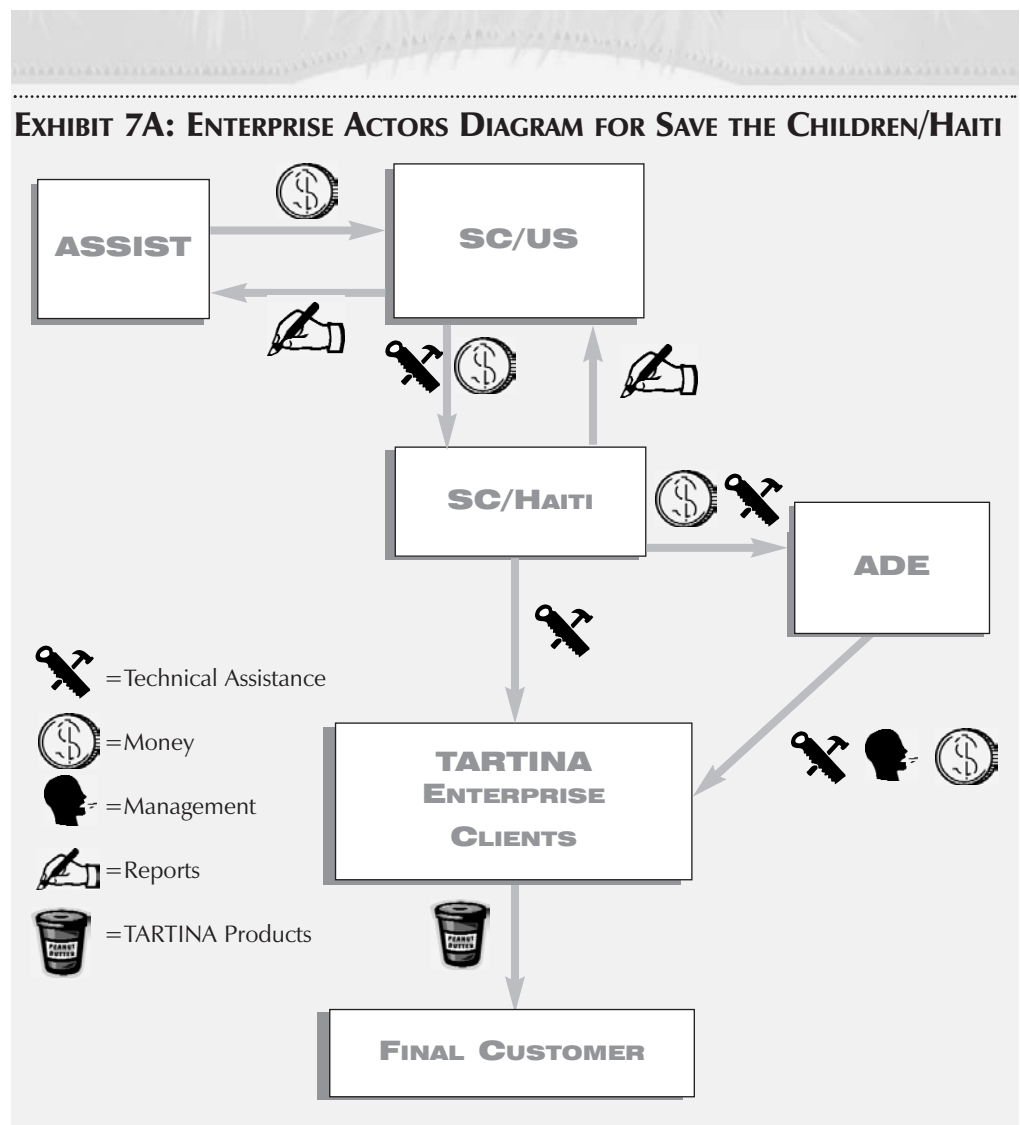
Capacity building—the act of transferring skills or management knowledge through training, technical assistance and applied learning. Capacity building occurs on two levels. Client capacity building refers to hard and soft skills development aimed to increase clients’ employability, economic security and self-esteem. In some cases, clients are also trained in management. Institutional capacity building transpires at the level of the social enterprise. It is the supported process of transforming a nonprofit program into a business. Management capability of nonprofit and business professionals is developed to simultaneously achieve the enterprise’s financial and social objectives.

the parent organization is accountable for reaching certain targets stated in the project's design. Third, there is the *implementing partner* (nonprofit, private sector), whose capacity to execute is often largely dependent on the technical and financial inputs provided by the parent organization (PO). Fourth, there is the social enterprise itself, which is being developed in the course of the program. And last, there is the *target market*, the customer who is purchasing the final product or service that the social enterprise or the self-employed client is selling. To some extent, all social enterprise actors are "customers," so it is imperative to delineate who is serving whom, and their respective responsibilities, early on.

SORTING OUT WHO'S WHO

Rationale:

Our social enterprise experience has shown that a lack of clear roles and responsibilities leads to duplication of efforts, tensions around authority issues, and low efficiency. Identifying the layers in your program structure will help you avoid certain pitfalls down the road. In Haiti, we were surprised to discover that six levels of actors were involved in the social enterprise program. The following two-part exercise is intended to help you clarify these roles and responsibilities in your enterprise.



Save the Children's Enterprise Program Structure

TARTINA Enterprise is centrally funded by a grant from a donor, ASSIST. SC/US manages the grant, acting as a financial conduit and providing some technical assistance to the SC field office in Haiti. SC/Haiti manages the program, with overall responsibility for developing capacity of the implementing partner, ADE (an nonprofit), to create a viable enterprise, TARTINA. The target population, self-employed and economically disadvantaged women microentrepreneurs living in the Colline area, are housed within the enterprise; they are the producers of TARTINA's goods. ADE, with the assistance of SC/Haiti, manages the business and provides technical assistance to TARTINA staff, including the clients.

EXHIBIT 7B: ENTERPRISE ACTORS CHART

ENTERPRISE ACTORS FOR SAVE THE CHILDREN'S PROGRAM IN HAITI¹

Who	Roles	Responsibilities	For Whom
1. SC/US	1. Financial conduit; communication; oversight	1. Achieve final and intermediate program targets; ongoing communications w/ASSIST on behalf of project	Donor: ASSIST
2. SC/Haiti	2. Reporting	2. Business plan, quarterly reports; secondary responsibility for meeting project targets	
1. SC/US	1. Technical support; donor communication	1. Technical assistance visits and support; communication with ASSIST on behalf of SC/Haiti	Parent Organization: SC/Haiti
1. SC/Haiti	1. Technical assistance; financial positioning	1. Build sufficient capacity of ADE to manage and sustain TARTINA Enterprise by project's end; help ADE gain access to additional funding as required	Implementing partner: ADE
2. SC/US	2. Technical assistance (TA) as needed	2. Technical assistance as requested by SC/Haiti	
1. ADE	1. Management	1. Management and oversight of business operations	Social enterprise: TARTINA Enterprise
2. SC/Haiti	2. TA - TARTINA staff	2. TA in all components of business operations	
3. SC/US	3. TA	3. TA as requested by SC/Haiti	
4. Consultant	4. Specific TA	4. TA for specific technical constraints	
1. ADE	1. Organize/mobilize clients; provide TA, facility and equipment, limited financing	1. & 2. Build production and management skills and self-esteem of clients; provide economic opportunity and increased income (at some point, responsibility may be transferred to TARTINA)	Target population: Poor and economically disadvantaged women in Colline
2. TARTINA staff	2. Training, scheduling, targets, supervision, skills transfer, encouragement	2. Realize production targets	
1. Target population	1. Quality production	1. Purchase TARTINA products that meet customers' wants and needs	Customer: Buyers of TARTINA products
2. TARTINA	2. Marketing, quality assurance, production, inventory management, customer service	2. Access to high-quality TARTINA products in the market; realize marketing targets; develop new product to better serve customer demands	

¹Primary and secondary parties and their roles are indicated by descending numbers. For example, Save/US plays a technical support role to Save/Haiti in the enterprise program; therefore, in the first cell, under "Who," Save/Haiti is denoted by the number 1 and Save/US by 2.

The flatter the program structure—e.g., a direct implementation of an enterprise program, thus bypassing the partner—the simpler your chain of command and, consequently, program execution. (See Lessons Learned in the last chapter of this manual.)



Executive and senior program, and enterprise management (PO, partner, enterprise)

Identifying Social Enterprise Actors

Step 1: Program Diagram

- ▲ Begin by drawing a diagram of all actors involved in your program. Pictorial representation can sometimes make it easier to understand the distinct levels.
- ▲ Use the Save the Children example in exhibit 7A as a guide for your diagram. It may be useful to employ icons to represent major responsibilities and arrows to refer to whom each party is accountable.

Step 2: Actors Roles and Responsibilities

- ▲ Complete **The Enterprise Actors Chart** found in *The Workbook* or create your own. An example is provided in exhibit 7B.
- ▲ Give thorough consideration to all customer levels. The list in exhibit 7B appears exhaustive, but there are other potential actors. An obvious one is when you have more than one donor. Others are subtler—for example, if your suppliers are small producers, you may want to include them in your chart.
- ▲ Write the name of each actor in the “Who” column; the actor’s roles and responsibilities in the next two columns, and whom each actor serves in the “For Whom” column. Actors’ roles and responsibilities should directly support the achievement of the enterprise’s vision, mission, and objectives (see chapter 2).
- ▲ Important points to keep in mind when you prepare your Enterprise Actors Chart:
 - Be very clear on where the target population is in the structure of your social enterprise program. Whether clients are integral to your business, as in TARTI-NA, whether they are suppliers, or whether they are customers has implications for human resources.
 - Also take note of capacity-building responsibilities at the different levels.

Staff Accountability

Lack of accountability for achieving objectives at the employee and management levels can be the epitaph of a social enterprise program. In this section we discuss some strategies to increase accountability among staff members by linking them to performance. There are no exercises at this juncture; rather, information herein is incorporated in later sections on human resource planning.

Save the Children advocates an approach that gives enterprise managers wide freedom to execute their program while maintaining strong external controls on achievement of targets. This method yields positive results in building confidence and self-esteem of staff, as well as in instilling integrity in and building capacity of the enterprise. Micromanagement, though tempting because of the large financial stakes involved in social enterprise programs, produces the opposite effect and often leads to tension over power and authority. The program management approach requires clear targets, defined roles and responsibilities, reporting lines, and a performance evaluation and appraisal process. Strategies follow.

LINKING PROGRAM FUNDING TO TARGETS

If you are in the early stages of social enterprise development and have not yet received funding, we suggest that you link disbursement of funds to accomplishing stated targets. It is much easier to begin a program on these terms than to invoke them later. Results-oriented contracts are a growing trend among larger donors and one that has worked well for Save the Children's microfinance programs.

Performance-based contracts are drawn up periodically at each level where money is handed over to finance program activities. In TARTINA's case, ADE still has overall management responsibility for enterprise results; therefore, the contract would be between SC/Haiti and ADE. Milestones or "sub-objectives" are taken from business plan objectives, for example, monthly or quarterly production/sales targets or benchmark progress toward achieving annual or final objectives in the business plan.

Targets can be a powerful way to elicit program results. A caveat is in order, however. Be careful about the timing of contract deadlines, as the aim is to stimulate performance, not to disrupt business operations. Performance-based deadlines should correspond to financial needs of the business cycle and should be done after completion of the cash flow analysis in the financial plan (chapter 8). If you fail to disburse needed resources at a critical period for enterprise investment or production, you could exacerbate the problem you are trying to resolve.

LINKING STAFF TO PERFORMANCE OUTPUTS

Individual enterprise staff members should be held accountable for realizing objectives under their jurisdiction. The simplest method for holding enterprise staff accountable is to begin by spelling out key outputs for which they are responsible in their job descriptions. For example, the "main output" for SC's Financial Director in the enterprise program is "building capacity of partner nonprofit to maintain adequate financial information systems to support enterprise program decisions." For TARTINA's Marketing Manager, the output is "achievement of marketing plan objectives" (exhibit 7C).

LINKING OUTPUTS TO PERFORMANCE OBJECTIVES

A staff performance plan highlights specific objectives for a defined period of time directed at accomplishing the staff's "main outputs." Typically, performance plans span a quarter, six months, or a year, but if you are using a contract approach to funding, then individual staff plans should correspond to the contract's time frame. Similar to performance-based contract objectives, these targets serve as milestones to measure staff performance at scheduled intervals. In the example of SC's Financial Director, performance objectives would indicate the specific number and type of accounting training or technical assistance sessions to hold. Detailed within her plan might be a three-day training with ADE and TARTINA management on principles of accounting and basic financial analysis; three technical assistance visits to help the ADE Financial Director, Business Manager, and Accountant prepare balance sheets and income and cash flow statements; and bookkeeping training for sales representatives. This might look like a light load, but the SC Financial Director spends only 15 percent of her time supporting TARTINA.

Since individual staff members themselves are best equipped to judge the demands required to meet objectives, they should prepare a draft of their own work plan. Feedback and approval are given by supervisors. Using performance plans requires regular appraisal of staff on progress toward reaching objectives. Performance should be tied to a positive reward—such as bonuses, merit-based salary increases, promotions, and nonfinancial enticements such as training opportu-

nities, travel, etc.—and determined in the evaluation process. (See Incentive Programs, in this chapter.)

JOB DESCRIPTIONS

Unambiguous job descriptions are also important for ensuring staff accountability. In addition to “main outputs,” job descriptions should describe general responsibilities and activities that support achieving the main outputs. Exhibit 7C is a sample job description for TARTINA’s Marketing Manager.

EXHIBIT 7C: JOB DESCRIPTION

Title Marketing Manager (100%)

Location	Port-au-Prince
Main Output	Achievement of marketing plan objectives
Responsibilities	<ul style="list-style-type: none"> * Recruit new sales agents and train new recruits and existing sales agents. * Develop and implement plans for sales agent staff development to improve productivity. * Monitor and evaluate sales staff performance. Make a priority the quicker recovery of cash following credit sales. * Identify market trends and new sales opportunities. * Coordinate market research activities. * Collaborate with Production Manager on the preparation of an operational plan for research and development. * Manage finished product inventory, including that of Port-au-Prince (PAP) and Colline (with support from the ADE Security Guard, who will physically monitor inventory flows in PAP; for Colline, inventory reports will be the responsibility of the Production Manager). * Coordinate marketing and sales activities with those of the production department on a weekly basis.

Human Resources

This section does not cover staffing enterprise programs at PO headquarters, field offices, or even the implementing partner in great detail; rather, it focuses on the staffing concerns of the enterprise itself. Before tackling enterprise staff issues, however, we devote some attention to PO personnel issues.

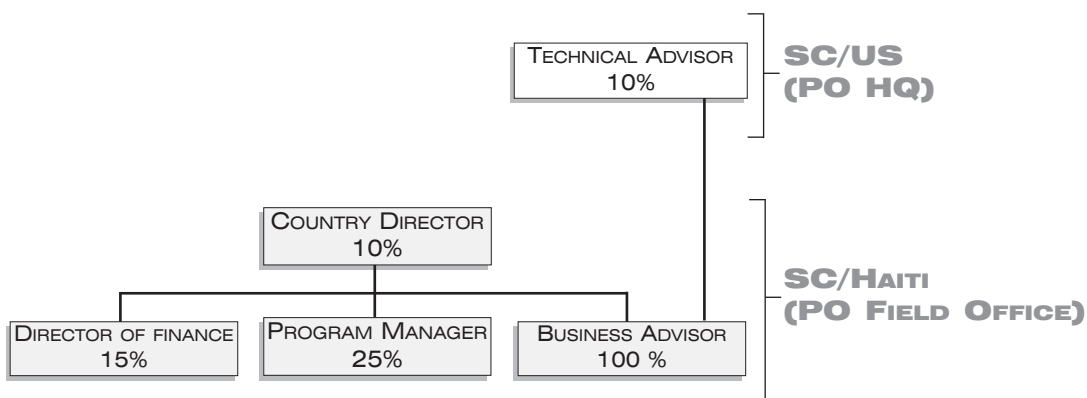
HQ AND ENTERPRISE PROGRAM STAFF (AND IMPLEMENTING PARTNERS)

Rationale:

Keep your program staff structure as light as possible. Avoid building in superfluous headquarters (HQ), field, or organizational personnel who are not directly working on the program. Social enterprises need support in technical functions apropos to their operations, i.e., finance, accounting, marketing, inventory management, product specializations, etc. In short, there is no room on the payroll for generalist project managers. Most POs that launch enterprise programs will have to recruit at least one business advisor to manage the program.

EXHIBIT 7D

SC Staff Involvement in Enterprise Program



This organizational chart 7D shows the program staffing at both PO headquarters and field offices for Save the Children. In the future, Save the Children's business programs will be staffed solely by technical professionals. They will report along technical lines rather than management lines directly to the Economic Opportunities Unit in Washington. This new structure is aimed at increasing efficiency through technical support and keeping the business focus.



Senior management–business manager, PO business advisor, program manager, HR manager, production manager, marketing manager, finance manager, etc.



Determining PO Staffing Needs

Note: This section can also be completed by nonprofits that have received direct funding to provide assistance to an enterprise program distinctly separate from their own structure.

Step 1: Responsibilities Summary

- ▲ Return to your Enterprise Actors Chart. Review the major responsibilities of PO staff (see exhibit 7B). For international organizations that have or are seeking a centrally funded grant, you may have two organizational levels, HQ and the field.
- ▲ Write a summary statement of PO responsibilities. An example for TARTINA is provided in exhibit 7E. This summary directs staffing at the PO level, asking the question, “What kind of staff do we need to meet our responsibilities?”
- ▲ List PO staff members by position title and the percentage of time they will be dedicated to the enterprise project. How many positions do you need to carry out PO responsibilities and achieve the enterprise’s mission and objectives? Which positions? Will these be full-time positions or part time ones? If part time, how much time will be dedicated to the program?

Step 2: Job Descriptions

- ▲ Elaborate a job description for each position that answers the following questions (an example for TARTINA is given in exhibit 7F):
 - What are the position’s specific responsibilities?
 - Where will the position be based? This question is important if the enterprise site is different from the home office.
 - For which output(s) will this position be held accountable?
 - What qualifications do you seek?
 - What are the anticipated costs for salary and benefits?
- ▲ Draw an organigram (see exhibit 7D). Be sure that reporting lines are logical with respect to achieving program objectives. In sum, are supervisors qualified to oversee and support enterprise staff, or would a less traditional reporting structure be more appropriate? Creating a program hierarchy for political or cultural appeasement reasons normally does not serve program objectives.



Responsibilities Summary included in the Business Plan.

EXHIBIT 7E: SC/HAITI’S MAIN RESPONSIBILITIES

SC/Haiti is the principal player in building the capacity of ADE management and TARTINA Enterprise to emerge as a viable enterprise. SC/Haiti’s main responsibilities lie in the provision of technical support; training; evaluation and monitoring of progress toward achievement of project and business plan objectives; and ensuring financial accountability as per the ASSIST cooperative agreement.

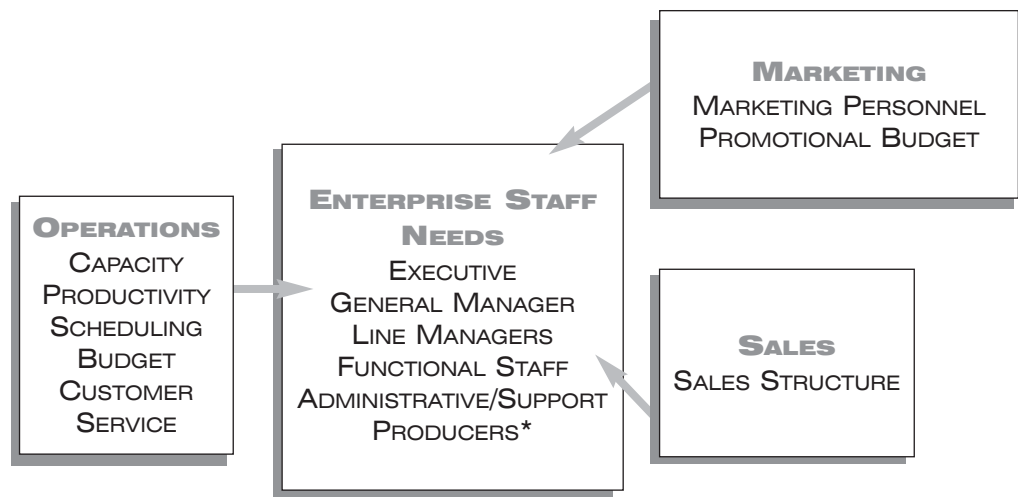
EXHIBIT 7F: JOB DESCRIPTIONS FOR SC/HAITI'S ENTERPRISE STAFF

Title	Executive Director (10%)
Location	PAP
Main Output	Provision of strategic direction to the enterprise program
Responsibilities	Provide oversight and institutional leadership to program
Qualifications	<ul style="list-style-type: none"> * Extensive development and management experience w/ Save the Children * Master's Degree in International Development, Public Administration or Management * French/Creole
Cost	Salary + benefits based on percentage of time dedicated to the project
Title	Business Development Advisor (100%)
Location	PAP and Colline
Main Output	Build capacity of program personnel to meet project objectives
Responsibilities	<ul style="list-style-type: none"> * Facilitate business plan preparation and execution * Advise on all business aspects of the enterprise project * Provide training on subjects appropriate to skills and experience * Coordinate all outside technical assistance, including that in food transformation. * Monitor, evaluate, and report progress on project activities to project partners and ASSIST.
Qualifications	<ul style="list-style-type: none"> * Private-sector experience * 5+ years of experience in social purpose business (some manufacturing preferred) * Master's degree in business administration * French
Cost	Salary + benefits based on percentage of time dedicated to the project
Title	Director of Finance (15%)
Location	PAP and Colline
Main Output	Building capacity of partner organization to maintain adequate financial information systems to support enterprise project decisions
Responsibilities	Provide financial and accounting technical assistance (TA) and training to partner and enterprise staff
Qualifications	<ul style="list-style-type: none"> * Formal accounting/financial management credentials (CPA, MBA) * 5+ years of professional accounting/financial management experience
Cost	Salary + benefits based on percentage of time dedicated to the project

ENTERPRISE STAFFING NEEDS

“What type of staff will I need to run my social enterprise?” “How much will they cost?” and “Where will I find them?” are questions typically addressed in human resource planning. Much of the information you will need to develop a staff plan for your social enterprise was uncovered in the marketing, sales, and operations planning segments. In this section you will determine staff needs by consolidating data from earlier chapters as well as examining other HR functions, such as management, administrative support, and finance.

EXHIBIT 7G: INFORMATION FLOWS FOR ENTERPRISE STAFF



*Manufacturing businesses

HUMAN RESOURCE CHART

Management falls into two categories: **line managers** and **general managers**. Line managers are those responsible for certain business functions (operations/production, HR, finance, management information system (MIS), marketing, sales, etc.). In a small enterprise it is not necessary to have a line manager for each function; often one manager supervises complementary functions, such as marketing and sales or production and inventory. Or the enterprise might hire a part-time manager. Every social enterprise needs a general (business) manager, who oversees all the functions. Not having this person in place usually leads to a breakdown in process, communications, and consequently, business performance.

Functional staff positions are those that support general and line managers in a technical or “functional” capacity, such as production or sales agents and production workers. Functional staff can have supervisory and management responsibilities, but they are not line managers. The Accountant is a functional employee of the Financial Manager or, in the case of TARTINA, the Business Manager. The organizational chart in exhibit 7J shows this relationship clearly.

Administrative and support employees are the backstops who assist the work of enterprise professional staff. These positions include secretaries, drivers, couriers,

guards, bookkeepers, administrative assistants, etc.

Producers are the worker bees of manufacturing companies, fabricating goods the enterprise sells. Those in SC's target population in Haiti are the producers for TARTINA.

In staffing, the **leadership** usually consists of a board of directors. The PO and implementing partner often provide leadership to the social enterprise during a definitive period; this structure may or may not continue, depending on the implementing partner's exit strategy. Optimally, the enterprise's leadership should be made up of its own staff and directed by a board and eventually shareholders.

Rationale:

The Human Resource Chart is a tool to help you identify permanent staff needs for your social enterprise. In addition, it serves as the basis for your recruitment plan and human resource budget. An example for TARTINA is shown in exhibit 7H.

A Note on Job Sharing

As a result of limited resources, many nonprofit professionals are multi-taskers, juggling several projects simultaneously to the point of near schizophrenia. Job sharing therefore is often a necessary evil of this type of work. Yet how jobs are divided can be controlled. In social enterprise programs it is far better to split jobs within the business than between the enterprise and the implementing partner (or even the parent organization). Remember chapter 2's discussion of the importance of not confusing the missions of the partner and the social enterprise? Our experience is that job sharing between the two entities at times creates a conflict of interest, but always results in competition for time and priorities. At least when a job is split within the enterprise, the person wakes up each morning thinking about how to make the business successful, even though he or she may be concerned with more than one function.

Unless the implementing partner (or PO) is a single-focus (business) organization, rarely does it warehouse all the appropriate business skills for a social enterprise. Check the motivations for wanting to put partner (or PO) staff in the enterprise program and be sure they are consistent with your objectives. Staff development and capacity building are integral to social enterprises, yet they should be done on a core basis of skills and potential. If partners are trying to cover salaries of existing staff, they definitely have the wrong motivation.



PO business advisor, business manager, human resource manager, marketing manager, other functional managers.




Determining Enterprise Staffing Needs

Step 1: Responsibilities of Enterprise Staff

- ▲ Return to your Enterprise Actors Chart. Review the major responsibilities of the enterprise's and/or implementing organization's staff (exhibit 7B).

Step 2: Identifying Individual Positions

- ▲ Be careful to distinguish where partners overlap with the enterprise and where they do not. In Haiti, human resources intersect at the general management level of TARTINA only (see, "Partner Staff," the last column in exhibit 7H).
- ▲ Locate the **Human Resource Chart** (exhibit 7H); a blank copy can be found in *The Workbook*, or you may create your own.
- ▲ Begin by sorting through the personnel information you obtained in earlier sections of this manual (chapters 5 and 6).

- ▲ Fill out the **Marketing** section in the HR chart using information from **chapter 5**:
 - “Marketing Personnel” for staffing needs
 - “Sales Structure” and “Sales Costs”
 - Include both line management positions and functional staff
- ▲ Fill out the **Operations and Production** sections in the HR chart using information from **chapter 6**:
 - “Assessing Capacity”: labor and skills
 - “Productivity”: labor Organization and Specialization
 - “Operations Budget”: direct and indirect labor
 - “Scheduling Labor”
 - “Inventory”
 - “Customer Service”
 - “Impact Monitoring”
 - “MIS”
 - Include both line management positions and functional staff.
- ▲ Fill out the **Finance** section in the HR chart using information gathered in **Chapters 5 and 6**. If you lack sufficient information on your financial staffing needs at this time, delay completing this section until after you have worked through chapter 8.
- ▲ Fill out the **Social Program** section in the HR chart. This section pertains to social programming such as supplemental education and training, or services for clients' special needs such as counseling or in-house medical attention. Since Save the Children does not integrate its social services with business operations, social program staff are not reflected in our example.
- ▲ Look for this icon:  throughout the text.
- ▲ Check the box indicating whether you will be required to hire new staff, whether the person can be found in-house, and what percentage of staff time will be devoted to this position.

Step 3: Fill in HR Gaps

General and Line Management

- ▲ Fill out the Management section in the HR chart:
 - The sections of chapters 5 and 6 mentioned above have information on line management for marketing and operations/production functions; be sure you include it.
 - Consider line management for functions not addressed earlier, such as HR, MIS, and finance. Ask yourself these additional questions: Which functions do you need line managers for? Can one manager oversee two functions? Can someone in-house do the job part time?
 - What is your human resource solution to general management? Will this person be full time or part time, internally or externally recruited?

Functional Staff

- ▲ Include functional staff members who support line and general managers, such as accountants for finance, marketing assistants or sales agents for marketing, and computer programmers or technicians for MIS.

Administration/Support

- ▲ Indicate support staff positions for your enterprise (secretaries, drivers, couriers, guards, administrative assistants, etc.).

Producers (for Manufacturing Enterprises)

- ▲ Who is producing the goods for your final customer? How many production workers are needed to achieve full capacity?

Leadership

- ▲ Who provides the leadership for the social enterprise (board of directors, partner senior management, parent organization, or executive body at the enterprise level)? How is the leadership body structured? What are the backgrounds and key qualifications of members in the leadership body? What is the relationship between the leadership and the enterprise staff? What role does the leadership play (advise, oversight, fundraising, etc.)? What are the implications for human resources using your leadership structure (paid staff positions, time of project, etc.)?



Enterprise Staff Plan is included in the Business Plan.



Colline children help sort peanuts

EXHIBIT 7H: HUMAN RESOURCE CHART FOR TARTINA ENTERPRISE

Staff Needs	#	Time on Project	Currently on Staff	To Hire (external)	
PO FIELD OFFICE STAFF (SC)					
Country Director		10%	✓		
Program Manager		25%	✓		
Director of Finance		15%	✓		
Business Advisor		100%	✓		
Staff Needs	#	Time on Project	TARTINA Staff	To Hire (external)	Seconded from Partner
ENTERPRISE STAFF					
Management					
Business Manager	1	50%	✓		
HR Director	1	25%			✓
Marketing					
Marketing Manager	1	100%		✓	
Sales agents	5	100%	2	3	
Production					
Production Manager	1	100%	✓		
Production agents	4	100%	✓		
Purchasing agent	1	40%	✓		
Inventory Manager	1	50%	✓		
Logistics	1	60%	✓		
R&D Agent	1	50%	✓		
Production workers	120	25% - 100%	85	35	
Finance					
Financial Manager	1	30%			✓
Accountant (s)	1	100%	✓		
MIS		25%		✓ Contract	
Admin. & Support					
Accountant	1	100%	✓		
Secretary	1	40%			✓
Driver	1	100%	✓		
Security guards	2	100%	✓		

Recruitment

Enterprise Staff

Qualifications and, hence, recruitment channels for social enterprise staff may be somewhat different from those traditionally used by development professionals. Jeffery Ashe, founder of the organization *Working Capital*, refers to the quintessential social enterprise manager as “Joan of Arc with an MBA.” As previously mentioned, this combination of business skills and social values is not encountered readily. SC has found that entrepreneurial traits and business experience are preferable to academic credentials for social enterprise staff. Program facilitators (parent organizations) and implementing partners need to be clear about the type of qualifications they seek for enterprise positions and recruit staff through relevant channels, which by and large means the private sector.

Recruiting social enterprise staff from private business presents two potential dilemmas for social entrepreneurs. The first is salary scale. Private-sector candidates generally earn substantially more than development professionals. Thus, attracting and retaining social enterprise staff from the private sector requires remuneration commensurate with commercial pay. Salary inequities between private-sector and traditional development staff with similar levels of education and years of work experience can cause tensions. Additionally, higher pay scales inflate social enterprise overhead, requiring more donor capital for start-up and higher revenues to cover costs. The second potential conflict relates to institutional capacity building. Since social enterprises are programs destined to become sustainable businesses, questions arise regarding the role of the parent organization in developing the human resource capacity of partners to reach this goal. For some organizations, simply hiring experienced business staff from the formal sector runs contrary to their mission. Save the Children believes that ample capacity-building needs exist regardless of staff experience and that hiring ex-business professionals, provided they identify with the social enterprise’s mission, is part of a winning strategy for a successful enterprise.

Target Population

Another consideration is recruiting from your target population. In most social enterprises little attention has been given to qualifying those we endeavor to help. Some, however, like microfinance programs’ clients, are screened and selected by their peers. SC’s experience shows that it is important to set selection criteria (see Design for Risk Aversion, in Chapter 9, Lessons Learned). Initially, TARTINA clients, poor self-employed women, were expected to have had food-processing experience. A criterion of sorts, this proved to be of lesser significance than other factors because of the need to retrain production workers in order to standardize TARTINA products. TARTINA learned that “entrepreneurial traits,” including the willingness to assume risks, are more important than technical know-how or other prerequisites.

Selection criteria will differ depending on your type of enterprise and how your target population figures into it. For example, if your target population consists of your suppliers, you might establish criteria such as on-time delivery, dependability, or product consistency or quality. *Setting selection criteria also helps guide your capacity-building agenda.*

TARTINA production agents and workers (clients) screen TARTINA candidates through interviews, which use a rating system to determine if they meet qualifications. Simple questions indicate if candidates have the following characteristics: opportunity seeking, persistence, commitment to work contract, demand for quality and efficiency, risk taking, goal setting, information seeking, systematic planning, and self-confidence.

EXHIBIT 71: RECRUITMENT SCHEDULE

Position	Qualifications	Recruitment
Business Manager	Entrepreneurial, results oriented, prior management or business ownership experience in similar business, strong financial skills, understands systems, good human relations, able to delegate responsibilities and supervise. Relevant higher education credentials. Commitment to mission and targets.	Management consulting firm or like company Permanent hire
Marketing Manager	Entrepreneurial, creative, innovative, understands markets/customers, previous professional experience in marketing. Ability to motivate and mobilize sales staff. Market research and statistical analysis skills. Relevant higher education credentials. Commitment to mission and targets.	Market research or marketing firm or company selling similar products Permanent hire
Production Manager	Production process experience in food processing. Relevant production and plant management experience. Detail oriented. Knowledge of suppliers. Commitment to mission and targets.	Manufacturing company Permanent hire
Sales agents	Outgoing, knowledge of commercial outlets, excellent communications skills and personal relations, motivated, self-directed, networking skills, and the ability to "close" a sale. No formal marketing education or previous sales experience required. Commitment to mission.	Local community or private company, recent school graduates Permanent hire
Product Developer (R&D Agent)	Highly creative and innovative, product development experience with own business desirable, intimate understanding of market (customers' wants), expertise in production techniques, ability to communicate product development to production staff. No formal education required.	Food production business; buyer or product developer for like company Contract hire
Production agents	Responsible, reliable, commitment to mission, communications skills (local language and ability to impart information to workers), proactive and literate.	Local community Permanent hire
Production workers	Diligent, entrepreneurial traits, reliable (for TARTINA these are the clients). No formal education or literacy required.	Local community Contract hire Permanent hire
Inventory Manager	Honest, conscientious, detail oriented, strong basic math skills, able to keep accurate records (former ADE staff).	Local community Permanent hire

Rationale:

A recruitment schedule is a tool to identify the skills and experience you seek for each position and the corresponding recruitment channel.



PO business advisor, general and functional enterprise management and clients

**Planning Recruitment**Step 1: Enterprise Staff

▲ Drawing from the staffing needs you isolated in the “Human Resource Chart”, develop a recruitment schedule for social enterprise staff, including each position and associated qualifications you seek. Also indicate where you propose to find each person. You can add a column to include specific advertising sources or recruitment means you will pursue.

▲ Refer to exhibit 71, which provides examples from TARTINA Enterprise.

Step 2: Target Population

▲ Develop basic selection criteria for your target population.

▲ Also develop screening procedures: Who will be responsible for selecting members of the target population to participate in the enterprise, and what process will be used?

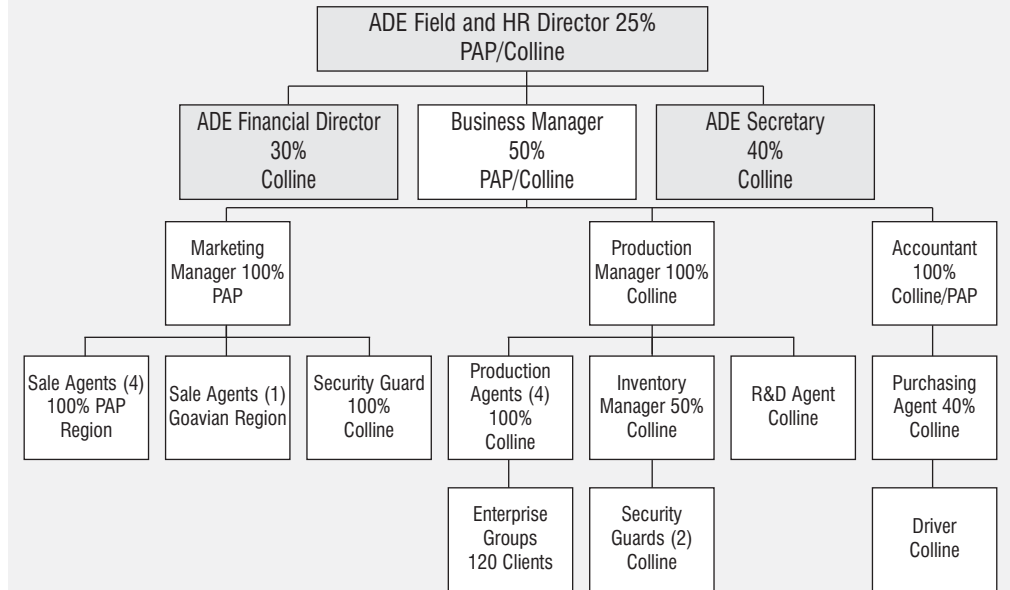


Recruitment Plans for both enterprise staff and target population are included in the Business Plan.

Reporting Lines

Once you have identified your human resource needs, you will prepare an organizational chart (organigram). An organizational chart is useful in describing reporting lines between management and employees, as well as in creating a visual image of the hierarchical structure in your enterprise. (Frequently structures are heavy, filled with middle management positions and extraneous “assistants,” but a business model requires a relatively flat and light structure for maximum efficiency and minimal cost.) Most important for a social enterprise, an organizational chart delineates the relationship between the implementing partner and the social enterprise. Our recommendation is to separate these two entities, but early in an enterprise program, they usually overlap. An example is provided in exhibit 7J.

EXHIBIT 7J: TARTINA ENTERPRISE ORGANIZATIONAL CHART



In this example, the implementing partner (ADE) staff, represented by the shaded boxes, straddles the top of the hierarchy. Thus, TARTINA Enterprise is still controlled by ADE. The Business Manager below ADE's Field and HR Director is second in charge and may eventually assume the role of the enterprise's leader. Line managers for marketing and production and their functional staff can be seen to the left and right. Line managers and the enterprise Accountant report directly to the Business Manager.

Rationale:

Preparing an organizational chart allows you to organize the human resource and reporting structure of your social enterprise. Additionally, you will recognize any personnel gaps through this visual depiction and can plan for extra assistance.



PO business advisor, executive and senior management

Preparing an Organizational Chart

- ▲ Prepare an organizational chart (exhibit 7D). Be sure that reporting lines are logical with respect to achieving program objectives—in other words, that supervisors are qualified to oversee and support enterprise staff.



The Organizational Chart is included in the Business Plan.



PO business advisor, HR manager, general manager, functional manager (as needed)



WRITING JOB DESCRIPTIONS

Rationale: (See Staff Accountability: Job descriptions)

▲ Write a job description for each position (see exhibit 7K):

- What are the specific responsibilities?
- Where will the position be based? This question is important if the enterprise site is different from the home office.
- For which output(s) will this position be held accountable?
- What qualifications do you seek?
- What are the anticipated (new position) or current (existing position) salary and benefit expenses?



Job descriptions and key resumé of management and executive are included in the appendix section of the Business Plan.

EXHIBIT 7K: TARTINA JOB DESCRIPTIONS

Title	Business Manager (50%)
Location	PAP/Colline
Main Output	Achievement of enterprise objectives as expressed in the business plan
Responsibilities	<ul style="list-style-type: none"> * Monitor and evaluate progress against business plan. Develop and coordinate implementation of required corrective action to meet business plan objectives. * Supervise the integration of production, research and development, and marketing activities. * Oversee MIS, administration, and financial management. * Report to ADE Field and HR Director regularly on enterprise project's progress toward achievement of objectives. * Directly supervise the Marketing and Production Manager positions. * Complete annual performance appraisal for these supervised positions. * Participate in monthly Strategic Team meetings and in weekly operational meetings with TARTINA staff. * Prepare quarterly project reports. * Recruit enterprise staff.
Compensation Scheme	<ul style="list-style-type: none"> * Salary + year-end bonus based on realization of targets.

Title	Sales Agents
Location	Four in PAP (including existing) and one in Petit Goave.
Main Output	Achievement of sales objectives
Responsibilities	<ul style="list-style-type: none"> * Prepare sales reports. * Collect information on buying habits and motives of final consumer, purchaser for consumer (secondary consumer), and retailers. * Collect information on the competition.
Compensation Scheme	* 1/4 base salary + commission sales + bonuses.

Title	Production Manager (100%)
Location	Colline
Main Output	Development and achievement of production plan objectives
Responsibilities	<ul style="list-style-type: none"> * Develop and implement production plan. * Coordinate production activities with marketing and sales activities on a weekly basis. * Manage all stages of the production process including mobilization of clients; collection, storage, and conservation of raw materials; product transformation; packaging; inventory; quality control; and finished product storage. * Prepare plan for production research and development in collaboration with Marketing Manager. * Maintain necessary MIS to support timely production management decisions. * Initiate steps to increase productivity of production staff and of clients. * Perform annual performance appraisals for production staff. * Participate in weekly operational meetings. * Provide weekly finished and unfinished product inventory reports to Marketing Manager.
Compensation Scheme	* Salary + year-end bonus based on realization of targets.

Title	Production Agents (4)
Location	Colline
Main Outputs	Achievement of each product's production objectives for quality and quantity Building of clients' capacity to prepare high-quality products at maximum productivity levels
Compensation Scheme	* Base salary + performance-based bonus system.

Governance and the Board of Directors

Governance is a system of checks and balances whereby a board of directors is established to oversee the social enterprise managers.¹ Governance is about accountability and the exercise of authority to ensure that the social enterprise fulfills its mission and protects its assets. As a rule, the board should have ultimate decision-making power and culpability for results to the public trust and organizational constituencies. Board governance is reflected in its roles and responsibilities.

The role of the social enterprise board of directors is to:

- * articulate and protect the mission;
- * set the strategic direction of the enterprise;
- * secure necessary funds;
- * ensure ethical and legal obligations are met; and
- * approve plans and review performance of senior management.

Board Responsibility falls into four distinct areas.

- * **Fiduciary**—The board has responsibility for safeguarding stakeholder financial interests. They approve budgets and oversee budget adherence; contract external auditors; manage capital, investments and reserve funds; and help raise funds.
- * **Strategic planning and oversight**—The board participates in the strategic planning process; it approves strategic plans prepared by management, then supports and oversees execution of plans.
- * **Supervisory**—The board delegates authority for running social enterprise operations to management through an executive director² or chief executive officer (CEO). Directors are responsible for approving selection, compensation, performance evaluation and (if necessary) dismissal of the chief executive officer.
- * **Development and effectiveness**—The board is responsible for evaluating its own performance and maintaining an effective organization. This includes recruiting new board members, forming active special interest committees, managing CEO transitions, rotating board members (as specified in bylaws), developing clear procedures and evolving in step with the social enterprise maturity.

BOARD STAGES

Board structure evolves as the social enterprise matures—becoming more formal, with clear distinctions between management and governance. (exhibit 7L:

Characteristics of Board Stages).

- * **Stage One: Organizing Board**—The organizing board may be established at the time the social enterprise is changing from nonprofit program to enterprise. At first it may not function as a formal board, but rather as a loosely organized advisory body. Organizing boards tend to be small and hands-on, with their members committed to the mission and agenda of the executive director. Transition to the next stage is marked by financial problems, board/staff tension, resistance to the founders' agenda and a desire to formalize roles and responsibilities.

¹C-Gap, "Effective Governance for Micro-finance Institutions," *Focus*, Note 7, March 1997

²Ibid.

- ✳ **Stage Two: Governing Board**—In this stage, the board has more formal powers and distinct roles. The board assumes greater responsibility for organizational oversight and more accountability for performance. Board committees are developed to manage certain functions, and relations with staff principally occur between the executive director and the board chairs. Transition to the next stage is marked by a greater dependence on the board for fundraising, an increase in board size, and a desire to increase community representation and influence through the board.
- ✳ **Stage Three: Fundraising Board**—The final stage in board development, the fundraising board is common among large, mature organizations, such as Save the Children. This board's chief responsibilities are to raise money and to manage the organization's assets and investments. At this stage the board may be very large, meeting infrequently as a whole to approve budgets and strategic plans. Board committees are active and operate with great autonomy from the full board.

EXHIBIT 7L: CHARACTERISTICS OF BOARD STAGES

Organizing Board	Governing Board
Founding CEO is present	Founding CEO/Executive Director departs; new leader is selected and hired by board
Board members recruited by CEO	Members are elected and self-perpetuating
Program driven	Staff and management driven
Constituency based	Constituency and public trust based
Board does not fundraise	Board raises money
Parent Organization has seats	PO board presence is diminished; may hold minority equity stake in enterprise.
Homogenous representation	Diverse representation
Involved in implementation	Not involved in program management
Three to seven members	Up to 15 members
No term limits	Term limits

BOARD COMPOSITION

Ideally the board of directors should be composed of members that have specific technical skills, civic connections or political clout, money to contribute, respectable standing, and time. Maturity and reputation of the social enterprise, however, are determinates of attracting high-powered professionals to serve on your board. Of primary importance is a mix of leadership and technical skills (exhibit 7M: Recommended Board Member Skills). For social enterprises, pertinent skills include financial, nonprofit social program expertise, legal, business management, entrepreneurship, and industry expertise. Representation should also be demographically balanced vis-a-vis gender and ethnicity. The board is ultimately responsible for defining its process of recruiting new members, setting term limits, establishing working committees, deciding on the number of its members and meeting attendance, and evaluating member contribution and rules for expulsion.

EXHIBIT 7M: RECOMMENDED BOARD MEMBER SKILLS

Leadership	Technical
Commitment to social enterprise mission	Industry expertise in business area
Integrity and trustworthiness	Expertise in social program areas
Demonstrated leadership success	Business management
Communications skills	Accounting and financial
Sound judgement	Marketing
Willingness to make time commitment	Human resources
Objectivity and independent thinking	Entrepreneurship
Ability to work with other board members	Information technology
Consensus building skills	Legal
“Can do” attitude	Fundraising
Willingness to participate	Operations/production management
Awareness of personal contribution	Product development/R&D

Rationale:

The importance of good governance in social enterprises has captured the attention of the donor community. Having an established board gives donor-investors confidence that their interests are being served, the mission is protected and enterprise managers are supervised. As in the private investment community, a functioning and qualified board is fast becoming a minimum requirement for donor funding from government agencies and foundations. To this end, board development built into capacity-building budgets is commonplace. This is particularly true for international development organizations mandated to foster self-reliance and local institutionalization of the social enterprise. From the donor-investors point of view a solid board of directors also assures that the enterprise has the ability to attract other investors.

The board of directors must be an independent body, separate from that of the implementing partner or parent organization to fully represent the interests of the social enterprise. Like venture capitalists, however, the parent organization may elect to hold board seats for a limited term. Save the Children routinely used this strategy to maintain involvement in the enterprise while it transitions to an independent entity.



Board members (if existing), PO advisor and senior management delegate, executive director and senior management of implementing partner, enterprise senior management

**Board of Directors**

- ▲ Locate blank **Board of Director’s Worksheet** in *The Workbook* or create your own.
- ▲ What is the board’s current stage of development?

- ▲ List board members by name, area of professional expertise and financial stake (if any). Use the blank Board Table Worksheet provided in The Workbook, or create your own.
- ▲ Describe board functions and responsibilities; who is the Board Chair?
- ▲ What committees have been formed and what are their functions?
- ❖ What is the plan for recruiting new board members?



Board of Directors information is included in the Business Plan.



Attach board members resumes in the appendix.

EXHIBIT: 7N: TARTINA'S BOARD OF DIRECTORS			
Name	Title	Area of Expertise	Financial Contribution
Melinda Tyler	Save Haiti Country Director	General Management	75K ³
Christine Peterson	Regional Business Advisor	Social Enterprise Management	
Luckner Bapiste	Managing Director, Charter National Bank	Banking	5,000
Michelle Alphonse	Marketing Director, Natural Trails	Processed Foods	2,500
Abner Gillet	CEO/President, Vallay-Bec Ltd.	Entrepreneurship	4,000
Robert Septembre	Attorney, Picard, Seplembre and Yves	Business Law	5,000
Guerda Saintus	Executive Director, Women's Business Association	Nonprofit Management Women-run businesses	- 0-

³Save the Children/US's offered of 75K in equity financing to TARTINA is currently under review in HQ.

Incentive Programs

In SC's experience, the best universal "carrot" is money, particularly in developing countries, where economic insecurity is a serious problem. Many enterprise programs shy away from financial incentive programs because of their costs. However, when employed wisely these programs result in high staff performance and yield financial returns over and above their investment. Nonfinancial enticements can be motivators, too, and though less effective, they also bear costs.

Remuneration should be at competitive, market rates. Enterprise staff often are poorly remunerated because POs and nonprofits have limited budgets. But underpaying staff members costs money in the long run because they either leave or underperform. Paying staff at or close to market rates increases retention and reduces recruitment, new-staff training, and lost time.

Financial incentives should be linked to targets and objectives *that earn income for the enterprise*. They can be in the form of sales commissions; bonuses based on targets, new customers, reduction of wastage during production, etc. (exhibits 7L and 7M). For example, TARTINA sales staff incentives are based on sales volume—a commission on sales plus a bonus on sales over quota. Other financial incentives are built in. For example, when a sales agent supervises a trainee, he or she receives any bonuses the trainee earns; and for signing up a new customer, sales reps are paid 3 percent of the value of the order. Financial incentives programs should be employed throughout the enterprise in instances where the net effect is of financial benefit to the enterprise.

Nonfinancial incentives include supplementary or staff-driven training for the purposes of career enhancement; travel; compensation time; flexible scheduling; opportunities for advancement; assumption of new responsibilities; and awards, recognition, and certification. Use of nonmonetary incentives benefits the enterprise by keeping morale high and improving efficiency—for instance, when employees receive cross-training to cover other employees' jobs. Giving awards and recognition, such as picking an "employee of the month," sparks a little healthy competition among staff and has only marginal costs.



PO business advisor, business manager, HR manager, financial manager



Devising Incentive Programs

- ▲ Develop financial incentives linked to job performance and enterprise income.
- ▲ Calculate the costs of the proposed incentive program as well as the projected revenues. 💰
- ▲ Refer to exhibits 7O and 7P for guidance or inspiration.
- ▲ Fashion a nonfinancial incentive program. What incentives will you use to motivate employees? What are the associated costs? 💰 Who will benefit from the program?



Information on Incentive Programs is included in the Business Plan.

EXHIBIT 7O: INCENTIVE PROGRAM FOR SALES AND PRODUCTION STAFF

Sales Staff and Status	Base or Salary	Commission	Bonuses	Production Staff	Salary	Bonuses
Senior sales	\$100/mo.	15% of sales price per unit \$1000 for targets (quota)	20% of sales price per unit after quota	Production Agent	\$300/mo.	5% of sales price per unit, if: targets are met with < 3% defect or error margin < 2% waste
Trainee	\$80/mo.	15% of sales price per unit \$800 for targets (quota)	None Bonuses to trainer	Agent in Training	\$200/mo.	Bonuses to Trainer

EXHIBIT 7P: FINANCIAL INCENTIVE PROGRAM FOR CLIENTS

MONTHLY INCENTIVES	FOR YEARS						
	1	2	3	4	5	6	7
Base Labor	\$25	\$26	\$27	\$28	\$29	\$30	\$31
Bonuses	\$42	\$47	\$51	\$57	\$62	\$68	\$75
Total monthly revenue per client	\$67	\$73	\$78	\$85	\$91	\$98	\$106

Motivate Your People (for Enterprise Managers)

Although people are motivated by different needs, two important motivators for most in a work situation are mutual respect and personal involvement. When employees feel good about themselves, the work they do, and the organization they work for, it is much easier to elicit their cooperation. Below is a list of ways in which social enterprise managers can get the best from employees, benefiting not only the social enterprise but also those working for it.

Establish a participatory decision-making process. Give staff members a share in decision-making. If they are not deciding what is to be done, then let them decide how it is to be done or when, in what way, and by whom. Let their “share” increase over time.

Maintain open communications. Keep staff informed about changes that directly affect them, such as policy changes, procedure or rule changes, product information changes, and performance changes. Always listen to and try to understand what employees are communicating.

Ask for suggestions. Be sure to invite suggestions and new ideas from employees concerning work. Be willing to put good ideas into action by making changes.

Watch for changes in morale. Be sensitive to changes in morale. Know when and why it goes up or down.

Develop employees professionally. A good manager trains, develops, counsels, guides, and supports his or her employees. As well, opportunity for professional advancement (via new skills acquisition and promotion) should be built into the enterprise structure.

Treat all staff with respect. Be thoughtful and considerate of all employees.

Recognize your staff. Give employees the appropriate praise and recognition for a job well done.

Set clear job responsibilities and reporting lines. Make certain employees know exactly what is expected of them and how their performance will be evaluated.

Create a high-quality work environment. Develop a favorable work environment with adequate resources and clear direction to enable employees to work to the best of their ability. Other factors that contribute to the quality of the work environment are flexibility, creativity, responsibility, education opportunities, and social benefits.

Emphasize the mission. Hire people who strongly identify with the enterprise’s mission; they will be motivated by working for a “cause.”

Maintain high standards. Involving employees in establishing high standards of performance will build their pride and self-confidence.

Remunerate well. Pay people fair, competitive salaries and employ financial incentive programs.

Capacity Building

The goal is to create a business that can compete effectively in the marketplace. This is done with external technical and financial support warranted by the decision to work with a particular target population. Sometimes, in a developing country, there are additional difficulties. And in any case, it can mean working through an inexperienced nonprofit partner. These characteristics ultimately set a social enterprise apart from private business, making it a so-called intervention for the benefit of improving economic opportunities and quality of life of poor and disadvantaged people.

Capacity building is needed to overcome obstacles of limited skills and low business acumen so that the social enterprise becomes viable and continues to serve its target population over the long term with little or no injections of external donor funding. Capacity building occurs on two levels: the enterprise and the client. Institution building develops capabilities of enterprise staff to effectively manage a successful commercial business; and client training imparts both hard and soft skills necessary to sustain a productive livelihood. Since capacity building implies a cost, capacity building decisions are investment decisions intended to render a net benefit to the enterprise (exhibit 7Q) and the clients (exhibit 7V). At times, these two are at odds; therefore, the social entrepreneur's challenge is to determine which capacity building investments present the highest return, and which do not justify their cost.

Decision-making flows from the mission and objectives that direct the social enterprise's capacity-building requirements (see chapter 2). So what are the implications of the program's mission for capacity building for the enterprise, the implementing partner, and the target population? Save the Children created an **Enterprise Capacity Building Plan** (exhibit 7R) that charts the training and technical assistance TARTINA Enterprise and ADE management need to accomplish their mission “to create a financially viable social enterprise.” For SC's target population—poor self-employed women—“increased economic opportunities and income” are the direct result of job creation and skills training.

The Woodcutter's Tale of Capacity Building

There once was an apprentice woodcutter. He had all the strength, zeal, and ambition to make a fine woodcutter. On his first day he felled 25 trees in eight hours of work. That evening he went to his Mentor and told him what he had done.

“Och, lad, you've done a fine job for a day's work. Aye, you've done better 'n many a men do in 10 years' cuttin' wood. You'll make a fine woodcutter, me lad.”

The boy left feeling proud. And he came to work the next day, and all that week, to fell 25 trees in eight hours. And each day his Mentor smiled and told him he'd done a fine job.

The following Monday didn't go quite so well; the boy cut 20 trees in eight hours. On the next day, the boy worked longer hours to make up the difference, yet in 10 hours he felled only 16 trees. By the end of the week, the boy was working 16-hour days but could only manage to cut down four or five trees. That Friday evening, the boy came to his Mentor with his head hanging low.

“I don't understand it, Mentor. I am now working harder and longer than ever, and I am able to cut fewer and fewer trees. Perhaps I will not make a fine woodcutter after all.”

The Mentor smiled warmly at the discouraged boy. “You've got to sharpen your ax, me lad,” he said with a wink.

Moral: Know the importance and appropriate timing of sharpening staff skills.

Institutional Capacity Building

Investments at the level of the enterprise include technical and management skills building; systems installation and development for accounting, impact monitoring, billing, inventory tracking, etc.; and equipment and infrastructure for your business activities. Each investment decision has a direct financial cost as well as a financial return quantified by revenue the social enterprise is able to generate. It is up to the social entrepreneur to weigh potential investment decisions against projected returns to gauge whether the investment is a legitimate business decision. The matrix in exhibit 7Q, "Institution Building Investments and Their Associated Costs," serves as an example. It is important to consider that investment decisions are not generic and are made according to the specific needs of the social enterprise.

However, some general rules do apply. As previously discussed, decisions to move existing social program staff into enterprise positions rather than hiring qualified professionals from similar private sector businesses bears implicit costs. Often the new social entrepreneur looks only at disparity in salary requirements between the nonprofit and private sector. This is a short-term view and neither considers direct capacity building costs to adequately train a former social service professional, nor indirect costs of lost revenue due the incompetence or inexperience, or worse, "cultural resistance" to adopting a businesslike approach to social programming. The latter can be particularly expensive, not to mention harmful in achieving business objectives.

Nonprofits often resort to using in-house expertise to meet all their capacity building needs, rather than hiring outside experts. Although the parent organization may have an excellent business advisor, invariably no professional is expert in all business functions. Therefore, consultants should be used strategically to provide specific skills or alleviate constraints that cannot be met with in-house talent. (The skills inventory in the following exercise helps to delineate in-house expertise from that which must be contracted externally). Finally, nonprofit run enterprises often cut or defer costs on accounting systems by depending on those used by the parent organization. This may seem like a savvy business decision at the outset, but parent organization financial reports (the timing of their issuance, their form and content) are designed to meet funders' requirements and are inadequate for use in a growing business.³ Social enterprises must have the capacity to generate financial reports that indicate trends in sales revenue and costs, and can be compared across their industry and benchmarked against like businesses (chapter 8, Financial Plan).

Try to heed these lessons to avoid typical pitfalls when planning capacity building investments. The adage "it takes money to make money" runs counter to many a nonprofit organization obsessed with minimizing expenditures. When entering the world of business this nonprofit thinking must change: Capacity building costs should be viewed as investments and analyzed for their potential long-term financial benefit to the social enterprise over immediate costs.

³"Accounting Issues for the Social Purpose Enterprise," by Cynthia Gair, from *Investor Perspectives*, Roberts' Foundation, 2000, San Francisco, CA.

EXHIBIT 7Q: INSTITUTION BUILDING INVESTMENTS AND ASSOCIATED COSTS

WHICH INVESTMENT COSTS JUSTIFY THEIR RETURN?

RETURN ON INVESTMENT (REVENUE)	HIGH	<ul style="list-style-type: none"> * In-house management training (has needed skills/qualifications) * Pro bono expert consulting * Purchase used and low technology equipment * Enhance existing facilities 	<ul style="list-style-type: none"> * Market rate external expert consulting * Purchase new systems/hire developer * Rent/purchase plant or offices to accommodate growth
	LOW	<ul style="list-style-type: none"> * In-house Management Training (lacks skills/qualification) * Use existing PO MIS systems * Share office space with PO despite growth/divergent needs 	<ul style="list-style-type: none"> * Buy/Maintain state-of-the-art equipment * Modify systems from PO * Build plant and offices
		Low	High
		C O S T O F I N V E S T M E N T	

Client home and peanut-grilling equipment



EXHIBIT 7R: INSTITUTIONAL CAPACITY-BUILDING PLAN FOR TARTINA

Topic	Benchmark	Participants	Method	Provider
Finance	Strong system of internal financial controls established	TARTINA/ADE Management, Finance	Three-day workshop on control system	SC/Haiti
			Technical assistance (TA) to reinforce learning	SC/Haiti
			External audit	Audit firm
Management	Complete operations, policies, personnel, and financial systems manual	TARTINA/ADE Management	Two-day workshop to review operations, policies, and financial documents	SC/Haiti
			TA writing manual	SC/Haiti
Governance and structure	Full agreement on future legal structure of TARTINA reached, i.e., registered business Strategic plan developed	Management and Board	Two one-day workshops	SC/Haiti Guest speakers
			One-day workshop	SC/Haiti
HR	Food-processing knowledge transferred to clients	Production agents	Two-day “training-of-trainers” (TOT)	SC/Haiti
Production	New product (sweetened peanut butter) and production techniques developed	Production Manager, agents, and workers	Four-week technical assistance visit for product development and processing	Farmer to Farmer Program
Marketing	New Mamba product tested in two markets	Marketing and sales staff	Two-day market research and product-testing workshop	Marketing firm
MIS	Learn how to use and maintain new inventory management system and accounting controls to support the multiplicity of distribution channels	Management and financial staff	Follow-up TA	SC/Haiti
			Five-day comprehensive training	Two business graduate students
			Follow up TA	Local Firm

⁴The plan is not a comprehensive one; selected capacity-building activities are shown for illustrative purposes only.

Rationale:

This three-part exercise will help you define the capacity-building needs of your enterprise program and the best methods for meeting them.



PO business advisor, program manager, enterprise general and functional management

Planning Enterprise Capacity-Building

Step 1: Capacity-Building Needs Assessment

- ▲ Start with your mission and objectives: What capacity-building activities will be needed to realize these goals? Ask these questions:
- ▲ What are the projected capacity-building needs of social enterprise and partner staff?
- ▲ The parent organization and enterprise leadership (board) may also require some development—what would that be?
- ▲ Augment mission information by employing needs assessment surveys or other tactics (as per standard practice—no example is included here).
- ▲ Review the business plan framework in chapter 1. Because the information is organized along functional lines and the participants are indicated, it may serve as an aid to thinking through capacity-building activities needed to support enterprise functions and the target participants.

Step 2: Internal Skills and Competency Inventory

- ▲ What technical capabilities do you have in-house among the parent organization, implementing partner, and enterprise staff?
 - To take an **internal inventory**, list all social enterprise participants (parent organization, implementing partner, enterprise staff, and leadership, i.e., board members). What are their functional skills and competencies? In what areas are they particularly strong? Could they be asked to lead or assist with training or technical assistance?

Step 3: Capacity-Building Plan

- ▲ Locate Enterprise Capacity-Building Plan in *The Workbook* or create your own. Use **SC's Capacity-Building Plan for TARTINA**, exhibit 7R, as an example:
 - Organize capacity-building needs of the enterprise by function.
 - Set clear benchmarks you expect to achieve.
 - Note the participants you have targeted for the capacity-building activity.
 - Note the method you will use to impart knowledge.
 - Note the provider that will deliver the information (specify internal or external).
 - Specify the time period for institutional development (yearly, quarterly, etc.).



The Enterprise Capacity-Building Plan is included in the Business Plan.

ENTERPRISE AND PARTNER STAFF TRAINING

Training is one of the chief capacity-building methods for all enterprise actors. Some training needs are evident at inception; others evolve over time. The type of training and who provides it are other planning decisions. Selective training can be done in-house. For example, included in the Marketing Manager's job description is "train new recruits and existing sales agents" (exhibit 7C). Other training must be conducted by external professionals.

Rationale:


Training needs to be well defined, well targeted and followed up on.



PO business advisor, business manager and functional management

**Preparing the Training Plan**

The following exercise is aimed at helping you project and plan for training needs of social enterprise participants and staff.

- ▲ Segregate training activities from your **Enterprise Capacity-Building Plan**; in our example there are two, **HR** and **MIS**.
- ❖ Write an outline for each training that includes the following information (two examples are provided in exhibits 7S and 7T):
 - Objective of the training
 - Who it is for (the participants)
 - Approximate date of the training
 - Who will provide the training (internal or external)
 - Estimated costs 
 - Follow-up

Depending on the number of projected training sessions for a period covered by the business plan, it may be too time-consuming to prepare an outline for each training. Instead, prepare annual or semiannual training outlines.

- ▲ Schedule training for the business plan period using a Gantt chart. (chapter 6: Gantt Chart for Training Institutions.)



Training plan for enterprise and partnership staff is included in the Business Plan.

EXHIBIT 7S: TARTINA INTERNAL TRAINING

Training Topic: Training-of-Trainers (TOT)

Participants: Production agents

Date: July 1999

Objective: *Production agents will learn techniques to transfer food processing knowledge to the clients.*

Provided by: This TA will be provided by SC/Haiti.

Cost: No additional money required.

Follow-up: A regular training/teaching program will be initiated and supervised by the TARTINA Production Manager to reinforce TOT training.

EXHIBIT 7T: TARTINA EXTERNAL TRAINING

Training Topic: Inventory Management

Participants: TARTINA Accountant, Business Manager, Inventory Manager, ADE Financial Director, Production Manager, Marketing Manager

Date: August 1999

Objective: Management and financial staff will learn how to use and maintain new inventory management system and accounting controls to support the multiplicity of distribution channels.

Provided by: Two business graduate students from Northwestern University's J.L. Kellogg Graduate School of Management.

Cost: No additional money required (included in scope of work for inventory system development—MIS packet, \$5,400 total).

Follow-up: System to some degree is self-regulating; SC and ADE management will supervise implementation and monitor for noncompliance. Reinforcement of technical assistance will be given if errors occur.

EXTERNAL TECHNICAL ASSISTANCE

Technical assistance reinforces enterprise staff members' ability to carry out their responsibilities. Internal technical assistance, supplied by the parent organization, is considered capacity building and is configured on an ongoing, as-needed basis for the duration of the program. Although we believe that technical assistance should be pre-programmed as much as possible (see example for SC's Financial Director in exhibit 7F), the structure fosters continuous support. External technical assistance, on the other hand, is usually short term and is aimed at alleviating distinct technical constraints or knowledge gaps. This type of technical assistance usually implies a cost and should be planned in advance.

Rationale:

External technical assistance is sought to maximize the likelihood of achieving the enterprise project's social and commercial objectives by contracting for specific technical expertise not warehoused within the business or supporting institutions.




Same as previous exercise



Planning External Assistance

- ▲ Segregate external technical assistance activities from your **Enterprise Capacity-Building Plan**; our example shows TA for **production, marketing and finance**.
- ▲ Write a scope of work for the provision of external technical assistance. Include the following information:
 - Type of TA
 - Specific technical area
 - Scope of work—goals and objectives, activities, and output (expected results)

- Which consultant will provide TA
 - Cost implications for TA 
- ▲ Refer to the examples (exhibits 7T and 7U) for illustration.
- ▲ Place External Technical Assistance Schedule on the Gantt Chart with training for the business plan period. (See chapter 6 for information on preparing a Gantt Chart.)

 **Technical Assistance Plans are included in the Business Plan.**

EXHIBIT 7T: SCOPE OF WORK FOR EXTERNAL TECHNICAL ASSISTANCE

Type of TA	Food processing
Specific Area	Product development (all peanut-based products)
Duties	<ul style="list-style-type: none"> ✱ Improvement of peanut storage and conservation. Peanuts are seasonal crops in Haiti. To be able to produce peanut-based products year-round, the enterprise last year stored peanuts during the off-season. Unfortunately, 30 percent of the stored peanuts were lost during the year as a result of inadequate storage techniques. ✱ Increasing peanut farmer productivity. Peanut supply will quickly become a serious constraint to higher production volumes of peanut-based products. ✱ Quality and variety of peanuts used in production. Better qualities of peanuts are being searched for. These will make for tastier peanut-based products. In the case of the peanut butter products, a variety of peanut is also being searched for that will reduce the amount of oil that rises to the top after a short period of time. ✱ Peanut-purchasing criteria. The enterprise needs to develop a “peanut purchase checklist” to ensure consistent selection of the highest grade of peanuts available on the Haitian market.
Consultant	Two American specialists in peanut harvesting and storage from Farmer to Farmer Program.
Cost Implications	<p>The costs associated with the continued international TA of the peanut specialists will be covered by the Farmer to Farmer Program of the organization Partners of the Americas, funded by ASSIST.</p> <p>Local logistical costs will be covered by ADE, with the exception of translation/interpretation expenses, which have been included in the business plan budget. (\$3,500)</p>

EXHIBIT 7U: SCOPE OF WORK FOR EXTERNAL TECHNICAL ASSISTANCE

Type of TA	Food processing
Specific Area	Product development (sweetened peanut-based products)
Duties	<p>Initial experiments conducted by ADE with this new product have produced very flavorful results. The sugar, however, appears to damage the peanut butter grinder used in the transformation of peanuts for the other flavors.</p> <p>National TA will be sought to resolve this issue. TARTINA Enterprise will be looking for recommendations for alternative sugar sweeteners that are less damaging to the grinder or for another type of grinder suitable to production of this type of product.</p>
Consultant	Haitian food technology specialist
Cost Implications	Fees for consultation, possible installation of a new grinder, and training in its use have been included in ADE's portion of the budget. This is expected to take only two or three days. The cost of purchasing a new grinder and of regularly servicing it has been included in the business plan budget, although this purchase may not be necessary if an alternative to sugar is found. (\$800)

TARGET POPULATION CAPACITY BUILDING

To meet your social enterprise's mission, what investments will you make in building the capacity of your target population? Where on the continuum (exhibit 7V) do you place your social enterprise in capacity-building activities? Will you simply provide a job or one that includes technical training and "hard skills" such as production methods, bookkeeping, sales methods, use of new equipment, etc.? Maybe you will incorporate "soft skills" training into your program, such as teaching clients the value of being reliable by showing up regularly and on time. Some social enterprise programs go farther, offering credit and savings components, and others integrate the training with nonbusiness disciplines such as environmental education, literacy training, or health care services.

EXHIBIT 7V: CLIENT CAPACITY-BUILDING INVESTMENTS

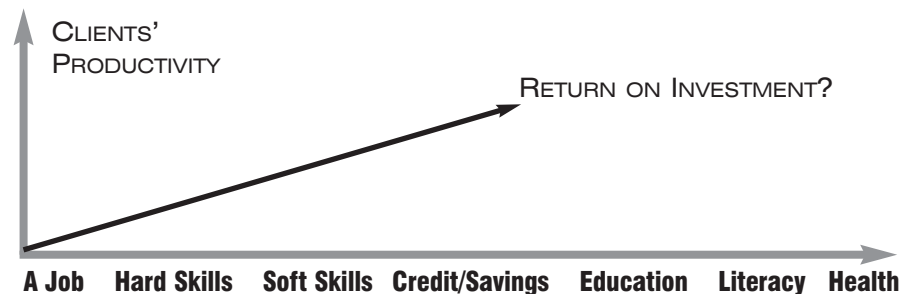


EXHIBIT 7W: TARGET POPULATION CAPACITY-BUILDING NEEDS

Capacity Building	Method	Benefit to Enterprise	Supports Mission
On-the-job learning	Provide a job	Labor	✓
Processing skills	Training/TA	Skilled labor improves productivity	✓
Peanut roasting	Training/TA	Improves product quality	✓
Labeling techniques	Training/TA	Improves product appearance, worker productivity	✓
Specialization	Training/TA	Improves productivity, product quality	✓
Inventory tracking	Training/TA	Improves inventory management	✓
Meeting behavior	Training/practice	Increased self-esteem, meetings more useful, higher morale, productivity	✓
Work etiquette	Training/practice	Stabilizes work force	✓
Decision-making	Training/practice	Higher self-esteem, morale, productivity, self-management	✓
Leadership development	Training/practice	Higher self-esteem, morale, productivity, self-management	✓
Understanding risk	Training/practice	Reduces risk aversion, more entrepreneurial	✓
Savings program	Savings service	Reduces risk aversion through financial security	✓
Credit program	Credit service	Clients assume risk of raw materials purchasing	No
Literacy	Literacy program linkage	Literate clients assume more responsibility, move up enterprise ladder	No
Environmental education	Environmental program linkage	Conservation of fruit trees	No
Health services	Health program linkage	Improved health = higher productivity	No

Rationale:

Target population capacity building is one of the most important aspects of your social enterprise program; it is directed by the mission.



PO business advisors, program partner manager, production manager, production agents, business manager, client representatives

Developing a capacity-building plan for target population

▲ Start with your mission and objectives, and ask these questions:

- What capacity-building activities will be needed to realize these goals and objectives?
- What will be the benefits to the enterprise from capacity building?
- What are the potential costs?
- What methods or capacity-building activities will be used?
- Who will be responsible for executing them?
- Refer to exhibit 7W for guidance.



The target population capacity-building plan is included in the Business Plan.

Human Resource Budget

Rationale:

A human resource budget is a good tool for scrutinizing the costs of capacity building, and it will be used in the financial plan.



PO business advisor, HR manager, business manager, finance manager or accountant

- ▲ Using the Human Resource Chart (exhibit 7H) as the template for your staffing needs, assign annual personnel costs, including benefits, based on employees' time percentage allocation to the program (an example for TARTINA is provided in exhibit 7X).
- ▲ Project costs for external training and technical assistance based on the analysis conducted in Capacity Building section.
- ▲ Information yielded in the human resource budget will be used in the financial section of the business plan (chapter 8).

EXHIBIT 7X: TARTINA HUMAN RESOURCE BUDGET

Staff Needs	Time on Project	Amount
Management		
Business Manager	50%	7,758
Financial Director (ADE)	30%	2,955
HR Director	25%	3,939
Admin. & Support		
Accountant	100%	6,909
Secretary (ADE)	40%	1,576
Driver	100%	1,970
Security Guards (2)	100%	2,915
Marketing		
Marketing Manager	100%	13,758
Sales Agents (4)	100%	5,999
Production		
Production Manager	100%	10,909
Inventory Manager	50%	1,891
Production Agents (4)	100%	5,727
Purchasing Agent	40%	2,705
Logistics	60%	4,360
Production Workers	25% - 100%	10,879
R&D	50%	5,567
Fringe (All Staff)		7,217
Incentives		
Bonuses, commissions, profit sharing		13,783
Nonfinancial incentive programs		N/A
Training		
In-house training (materials)		1,182
External training		2,950
Technical Assistance		5,666
TOTAL		\$120,615