

# INVESTMENT READY SOCIAL ENTERPRISES

CAPACITY BUILDING PROGRAM

## HANDBOOK



This Handbook has been prepared within the "Investment Ready Social Enterprises: Capacity Building Program" funded by the European Union (Programme for Employment and Social Innovation "EaSI" (2014-2019)).



# INVESTMENT READY SOCIAL ENTERPRISES

CAPACITY BUILDING PROGRAM

## HANDBOOK

This Handbook has been prepared within the  
"Investment Ready Social Enterprises: Capacity Building Program"  
funded by the European Union Programme for Employment and  
Social Innovation "EaSI" (2014-2020).

May 2018



Bu program Avrupa Birliği İstihdam ve Sosyal Yenilik  
Programı "EaSI" (2014-2020) kapsamında mali  
destek almıştır.

## Authors

Agata Fortuna, Koç University Social Impact Forum  
Binnur Tanrıverdi, Mazars Denge  
Bjoern Struwer, Roots of Impact  
Celalettin Günçavdı, Mazars Denge  
Doğan Ruben, Mazars Denge  
Dr. İzel Levi Coşkun, Mazars Denge  
Elif Urgan, Mikado Sustainable Development Consulting  
Eşref Demir, Mazars Denge  
Göksel Gürsel, SOGLab Social Enterprise Laboratory  
Güray Öğredik, Mazars Denge  
Pınar İlkiz, Pikan Ajans  
Rabia Bayer, Koç University  
Rahşan Yasdıman, Mazars Denge  
Şeyda Taluk, Bahçeşehir University  
Yusuf Ozan Üstebay, Koç University Entrepreneurship Research Center  
Prof. Dr. Zeynep Gürhan Canlı, Koç University

## Compiled by

Serra Titiz  
Elif Urgan,  
Mikado Sustainable Development Consulting

## Editor

Nevra Yaraç

## Design and Application

Brand Suite İstanbul

## Contact

Mikado Sustainable Development Consulting  
Valikonağı Caddesi Modül Apt. No:11 D:7 K:7 Nişantaşı 34371  
İstanbul, Turkey  
Tel: +90 212 2345151  
E-mail: info@mikadoconsulting.com

## FOREWORD

As Mikado Sustainable Development Consulting, we have been working for sustainable development for 11 years. We are one of the first social enterprises in Turkey and are realizing projects to support Turkey's social entrepreneurship sector, and are engaged in various activities to strengthen and improve the ecosystem.

In order to support social entrepreneurs in their access to finance, we realized the "Investment Ready Social Enterprises: Capacity Building Program" between December 2016-June 2018 under the leadership of Mikado Sustainable Development Consulting and in collaboration with Koç University Social Impact Forum (KUSIF) and Ashoka Turkey.

The most important and influential activity of the program was the "Investment Ready Social Enterprises Certificate Program", which we have organized for social enterprises that have a strong social focus and continue to work passionately in order to reach their social goals, aiming to improve their impact and business focus and to be ready for investment.

We have prepared this Handbook in order to allow the contents of the Certificate Program to reach more social initiatives and to facilitate access to finance for social enterprises in Turkey.

We would like to thank all the authors and our project partners KUSIF and Ashoka Turkey who have provided support in preparing this handbook and contributing to social entrepreneurship under the "Investment Ready Social Enterprises: Capacity Development Program".

As Mikado, we are very happy to work in collaboration with the stakeholders in this field and to contribute to the field.

**Serra Titiz / Elif Urgan**  
Mikado Sustainable Development Consulting

## CONTENTS

WHAT IS THE PURPOSE AND TARGET AUDIENCE OF THIS HANDBOOK?.....	6
HOW WAS THE HANDBOOK PREPARED?.....	6
WHAT DOES THE HANDBOOK COVER?.....	6
<b>PART 1: SOCIAL IMPACT MANAGEMENT.....</b>	<b>7</b>
■ Basic Concepts of Social Impact .....	9
■ Impact Thinking and Social Impact Management .....	9
■ 4 Phases of Social Impact Management: Planning, Implementation, Evaluation, Revision .....	10
■ Resources Available for Social Impact Management .....	16
<b>PART 2: BUSINESS MODEL DEVELOPMENT .....</b>	<b>17</b>
■ From “Business Plan” to “Business Model” .....	19
■ Tabula Rasa .....	20
■ From Business Model to Investment .....	21
■ Sosyal Girişimler İçin Bir Başka Araç: Sosyal İşletme Tuvali .....	21
■ Resources .....	25
■ Tools .....	25
<b>PART 3: FINANCIAL LITERACY .....</b>	<b>29</b>
■ Differences Between, and Advantages and Disadvantages of Associations, Foundations, Companies and Cooperative Structures in Taxation, Income & Expense, and Accounting .....	30
■ Principles of Taxation and Tips for Reducing Costs .....	37
■ Terms of Granting Tax Exemptions to Foundations by the Council of Ministers .....	38
■ Terms of Granting “Association of Public Interest” Status to Associations .....	39
■ Online and Offline Tools to Easily Track the Work of the Accountant .....	42
■ Introduction to Balance Sheet Management .....	43
■ Basic Concepts for Association and Corporate Accounting .....	44
■ Basic Steps for Establishing Simple and Healthy Accounting Systems in Associations, Foundations, Companies and Cooperative Structures .....	47
■ Auditing Considerations for Associations .....	49

## **PART 4: MARKETING..... 53**

- Social Enterprise .....
- Big Picture System .....
- Enterprise Strategy .....
- Marketing Strategy .....
- Resources for Growth .....
- Market Segmentation, Target Audience and Brand Positioning .....
- Implementation: Marketing Components .....
- Evaluation .....

## **PART 5: LEADERSHIP AND HUMAN RESOURCES MANAGEMENT.... 61**

- Leadership in Social Enterprises .....
- Challenges in Leadership .....
- 1. Key Challenge: Creating a Management Team .....
- 2. Key Challenge: Task Assignment and Succession System .....
- 3. Key Challenge: Balancing and Integrating .....
- 4. Key Challenge: Personal and Professional Development .....
- References Available for Leadership and Human Resources .....

## **PART 6: SOCIAL MEDIA MANAGEMENT AND STORYTELLING..... 95**

- Social Media Management .....
- Tools Available for Social Media Management .....
- Storytelling .....

## **PART 7: IMPACT INVESTMENT..... 107**

- Preparation for Impact Investment .....
- Financial Model .....
- Create a Plan and a Document to Approach Investors .....
- Due Diligence Questionnaire (DDQ) .....

## WHAT IS THE PURPOSE AND TARGET AUDIENCE OF THIS HANDBOOK?

This Handbook has been prepared under the leadership of Mikado Sustainable Development Consulting and in collaboration with Koç University Social Impact Forum (KUSIF) and Ashoka Turkey, under the scope of the "Investment Ready Social Enterprises: Capacity Building Program" conducted in order to support social entrepreneurs in their access to finance. The Program is funded by the Employment and Social Innovation Program (EaSI) managed by the European Union for innovative social policy solutions, sustainable long-term growth and job opportunities.

In parallel with the purpose of the program, this Handbook also aims to help social entrepreneurs easily access social financial resources and obtain investment to both increase their social impact and to become scalable.

The main target audience of the Handbook is social enterprises with a strong social focus, who continue their work with the passion to reach their social goals, aiming to improve their impact and business focus, and to be prepared for investment.

## HOW WAS THE HANDBOOK PREPARED?

This Handbook has been created in accordance with the contents of the "Investment Ready Social Enterprises Certificate Program" which was organized as seven modules and a total of 14 days under the "Investment Ready Social Enterprises: Capacity Building Program" between June 2017 - December 2017.

The contents of the seven modules of the Program have been made shorter and more effective both by the experts involved in the program as instructors, and by experts in the field, and this Handbook has emerged.

Each part of the Handbook has been written by a different expert and these contents were compiled by Mikado Sustainable Development Consulting.

## WHAT DOES THE HANDBOOK COVER?

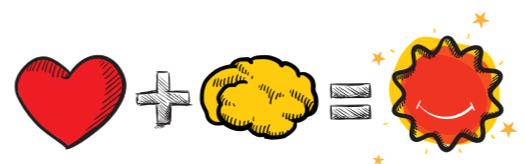
This Handbook consists of seven main parts:

- Part 1: Social Impact Management
- Part 2: Developing a Business Model
- Part 3: Financial Literacy
- Part 4: Marketing
- Part 5: Leadership and Human Resources Management
- Part 6: Social Media Management
- Part 7: Impact Investment

In particular, the Financial Literacy part involves more preparation than the others. The reason is that, in various research and studies previously conducted by Mikado Sustainable Development Consulting in Turkey, Koç University and Ashoka Turkey, it was observed that social enterprises had deficiencies, particularly in financial management.

Some parts such as Social Impact and Business Model Development are handled briefly because there were already resources and tools in this field.

Various resources and tools are shared within each part of the Handbook. Thus, those who read the Handbook will be able to access more resources and especially the implementation tools on the topic of their interest.



## PART 1: SOCIAL IMPACT MANAGEMENT

Author of the Part: Agata Fortuna, Koç University Social Impact Forum (KUSIF)



## PART 1: SOCIAL IMPACT MANAGEMENT

**S**ocial entrepreneurship is regarded as one of the models aimed at creating a positive social impact, and in recent years it has been increasingly recognized as a more sustainable and innovative way to change people's lives in a positive way.

A social enterprise should adopt and manage two dimensions that are equally important as a social enterprise: "creating income" and "creating social impact". Business model development can be more tangible, especially in the context of investment with specific requirements, but a lack of social impact planning and management can result in more difficulties. Nevertheless, it is very important for social enterprises to understand and measure their impact of managing and maximizing the positive changes that they create with the growth of their jobs. In the case of impact investments, a well-worked "Theory of Change" should be prepared and data collection plans should be provided. Having a culture-based decision-making culture within the organization, showing the readiness to change and adapt services and products to scale the impact, can significantly increase the chances of access to finance.

### ■ Basic Concepts of Social Impact

**Social impact** is the change in the lives of people as a result of an activity.

**Change/Outcome** refers to the different types of changes that occur as a result of the activities of social enterprises. Changes of top priority are important changes for people. The data concerning these changes affect the decisions to be made to maximize impact.

**Outputs** are products, services, and facilities that emerge as a result of the implementation of an organization or a project.

**Stakeholders** are people, groups or even organizations that influence or are influenced by the activities of the social enterprise.

**Activities** refer to all actions taken by social enterprises. These include providing products and services, running programs and conducting advocacy activities.

### ■ Impact Thinking and Social Impact Management

Impact thinking means creating the maximum net positive impact possible with the resources available. In this context, the "impact" is the change in the life of the person, created directly or indirectly through activities and interventions. Nevertheless, when thinking about impact, there is a risk of concentrating on data collection to prove the impact to others. Social impact management is a management model that supports collecting data, making operational and managerial decisions about the enterprise, improving the design of products and services, and reporting the changes that take place over time.

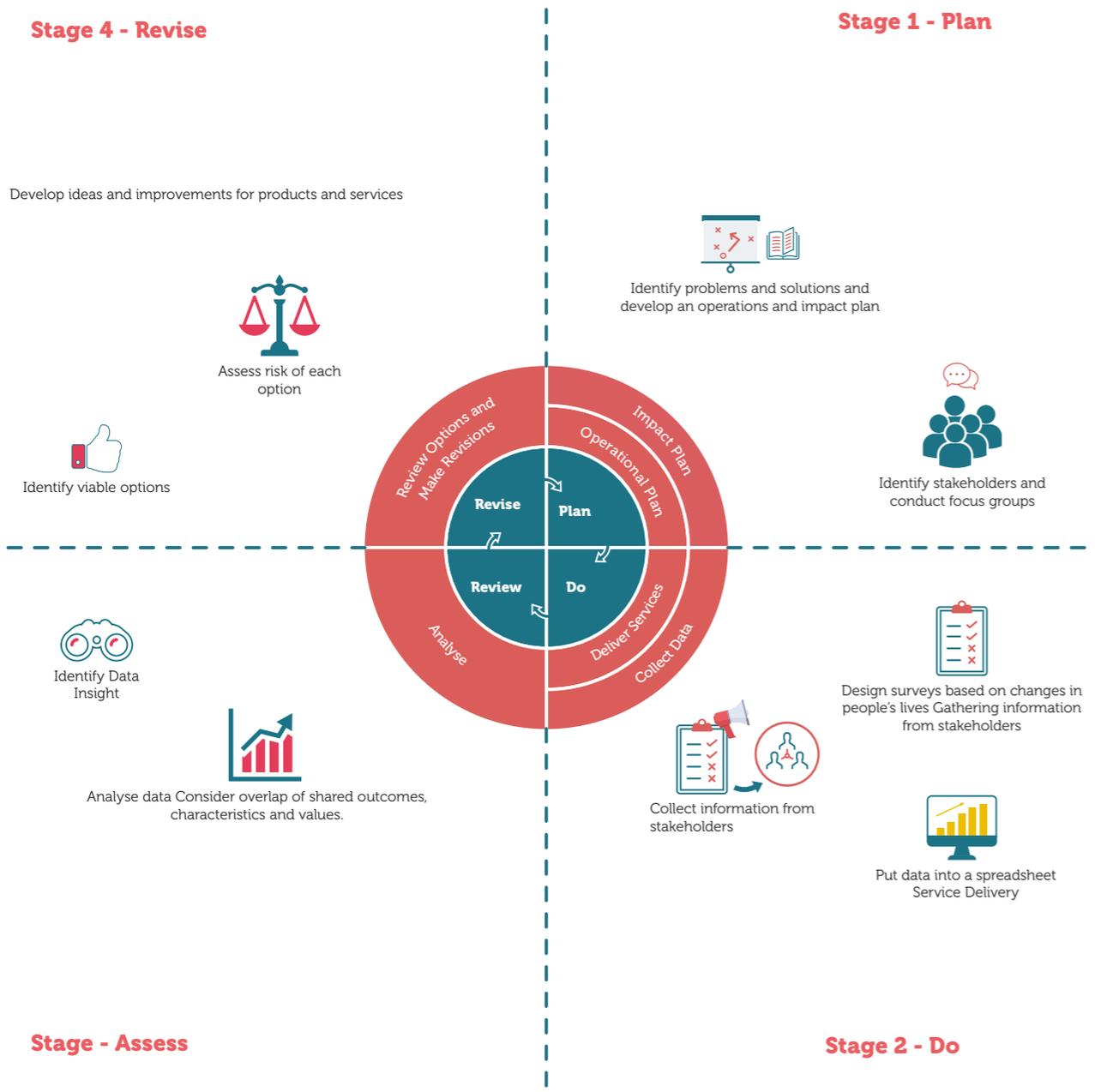
Operational and managerial decisions include:

- Revising existing products and services,
- Scaling the products and services that work,
- Revising or replacing products or services that are not good enough,
- Developing strategic partnerships,
- Complete renewal of the operations and/or objectives of the enterprise.

### 4 Stages of Social Impact Management: Plan, Do, Assess, Revise

"Social impact management" is a path that can be followed step by step in four stages (planning, implementation, evaluation and revision).

Figure 1: 4 Stages



### 10 Impact Questions

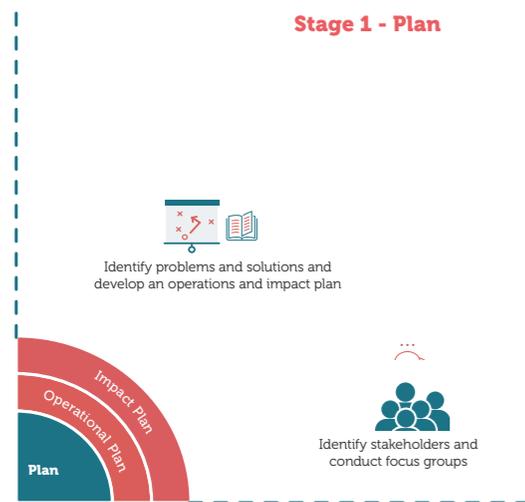
The impact questions listed in Table 1 constitute the basis for all aspects of social impact management. This table shows the impact questions to seek answers to and the phase of the process.

Table 1: 10 Impact Questions

	Planlama	Uygulama	Değerlendirme	Revizyon
1. What problem are we trying to solve?	X		X	X
2. What is our proposed solution to the problem?	X		X	X
3. Who experiences changes in their lives as a result of what you do?	X		X	X
4. What changes are (or are likely to be) experienced?	X		X	X
5. How can we measure these changes?		X	X	X
6. How much of each change has happened (or is likely to happen)?		X	X	X
7. How much of each change is caused by our activities?		X	X	X
8. How long do we need to measure the changes?		X	X	X
9. What is the relative importance of the different changes?	X	X	X	
10. Which changes matter and are important enough for us to manage?	X	X	X	X

## Stage 1: Plan

The main purpose of this stage is to prepare the strategy and business plan (if it is already operating, then it is to review). The plan is divided into two: the impact plan and operational plan. This is the longest stage. Business planning means identifying goals, activities and changes in consultation with stakeholders during start-up to maximize impact. The impact plan sets out the planning of how to respond to 10 impact questions.



At this stage it is necessary to find answers to the first impact questions:

1. What problem are we trying to solve?
2. What is our proposed solution to the problem?
3. Who experiences changes in their lives as a result of what you do?
4. What changes are (or are likely to be) experienced?
10. Which changes matter and are important enough for us to manage?

If the social enterprise is already operational, some of this impact plan may have already been prepared. In this case, it is important to remember to regularly review and update the plan as new data is collected regarding the impact. It is very important that stakeholders guide the impact plan. Their views are very valuable as to whether the problem being considered is real or not and whether the proposed solution will work. They will also influence the information that needs to be collected when the activities begin to take place. A start-up or new venture has no opportunity to ask for feedback from its stakeholders. However, questions may be asked to people with very similar characteristics to the stakeholders (or potential stakeholders), just as private businesses do market research with potential customers for a new product or service.

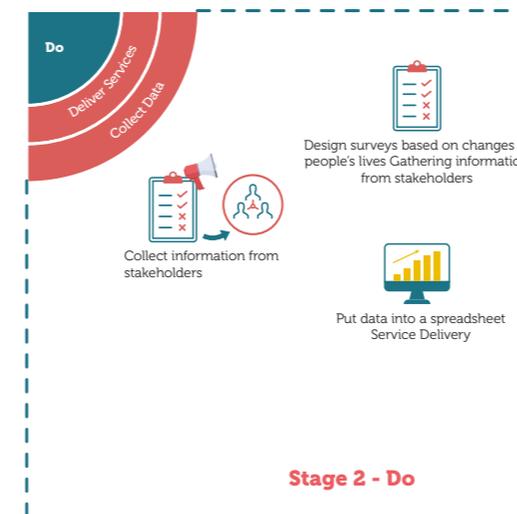
At the end of this phase, the following must have been prepared or updated:

- Problem Tree
- Target Tree
- Impact Target
- Theory of Change
- Stakeholder Analysis: Mapping, a table showing people to be included or excluded, basic attributes that help identify subgroups and segmentation.
- Outcome List: A list of changes showing the order of events, containing positive and negative consequences.
- Outcome Mapping: A table that brings together stakeholders and potential changes.

## Phase 2: Implementation

Stage: 'Do' is the conduct of the enterprise's activities and the collection of data. In the stage: Do, after the impact plan is created using qualitative data from the stakeholders, the next step is to measure the data generated (or planned to be created) by collecting quantitative data.

At this stage, it is recommended that quantitative data to be placed on qualitative data be collected and used to answer the impact questions from 5 to 9:



5. How can we measure these changes?
6. How much of each change has happened (or is likely to happen)?
7. How much of each change is caused by our activities?
8. How long do we need to measure the changes?
9. What is the relative importance of the different changes?

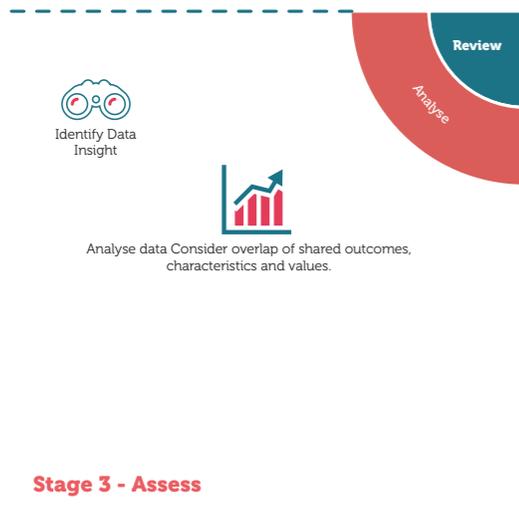
This phase focuses on approaches to how data are gathered and stored during quantitative research. Before starting, the quality of the data should be considered.

At the end of this stage, the following elements must have been prepared (or updated):

- A data collection plan that shows how to approach each stakeholder and how to respond to each impact question.
- Questions prepared to ask stakeholders (usually a questionnaire).
- Some (quantitative) data collected and stored in an Excel file or database.

### Stage 3: Assess

At this stage, the collected data are analyzed, evidence is sought that the activities met the objectives and ways to boost the impact are investigated. Has the impact target been achieved or not? If not, why? In this context, each of the 10 impact questions must be evaluated.



The evaluation of the data can be started from the moment the data is obtained. The faster the ways to improve the effect (by changing, scaling or stopping) are discovered, the faster the decisions can be made.

There are two things that need to be done in Stage 3:

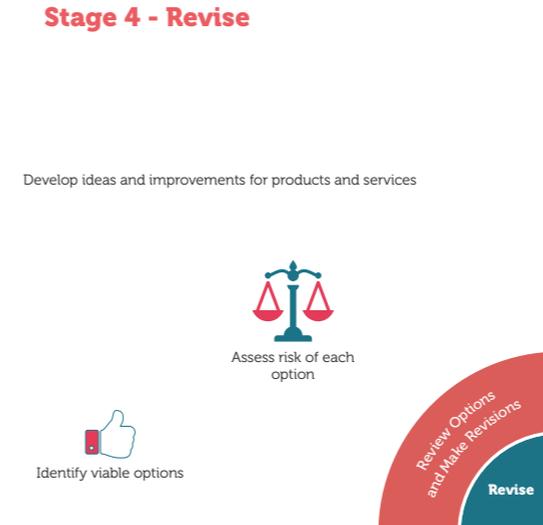
- Check whether the impact targets and estimates have been achieved.
- Identify the relationship between the outcomes and consequences of the activities and the different characteristics of the stakeholders (age, gender, coming from a rural area, living in an urban area, having family support or not, etc.) and take the necessary decisions to increase the impact within this scope.

When this phase is over, the following documents must have been prepared (or revised):

- A table showing the outcomes compared to the targets.
- A written report summarizing the results and analyzing the outcomes. (This may be addressed to an internal audience such as management/board of directors or an external audience such as funders.)
- Recommendation(s) that the objectives or services should be changed.

### Stage 4: Revise

During this stage it is necessary to decide how to increase the impact created for people, by using data and analysis. Most activities require making a choice among these three options: revise, stop, or scale. As at all stages of this approach, including stakeholders in the process at the 4th stage also ensures that the decisions to be made correspond to the objectives of the enterprise and meet the needs of the beneficiaries.



Impact thinking means constantly exploring different options and revising what has been done. This approach makes it more probable to create the highest level of impact possible with available resources. By being open to ongoing improvement and revising what has been done;

- Revising existing products and services,
- Scaling the ones that work,
- Revising insufficient products and services,
- Being open to strategic partnerships to increase impact,
- Being ready to make more radical revisions in strategy and in operations.

If information learned from stakeholders does not steer the entrepreneur away from the management model that they are accustomed to, the entrepreneur probably does not yet have that culture. It will be easier to maximize the impact of the enterprise if data collection, recording and analysis are used consistently in the decision-making process and in the effective use of available resources.

At this stage, 10 impact questions must be answered at once. Here are a few of the strategic questions to support the response to impact questions:

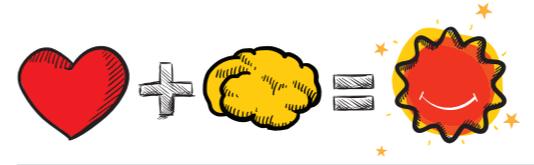
- Is the strategy right? Responding to this may mean that if not enough value is created for people, then it should be stopped.
- Should products and services be changed and should innovations be made to create more value for people?
- Should the activities be scaled to create more value for people?

At the end of this stage, the following must have been prepared (or updated):

- A table of suggestions for scaling, revising or stopping activities to be communicated to decision makers (board of directors or administrative committee).
- A set of suggestions for revising the targets (or reasons for not changing them).

## Resources Available for Social Impact Management

- Maximize Your Impact: A Guide for Social Entrepreneurs (both in English and in Turkish): <http://www.mikadoconsulting.com/dosyalar/yayinlar/225201815850.dosya.pdf>
- Maximize Your Impact: Cases of Social Enterprises Casebook (both in English and in Turkish): <http://www.mikadoconsulting.com/dosyalar/yayinlar/2252018142225.dosya.pdf>
- Social Impact Measurement: KUSIF's 4-Step Approach (in Turkish): <https://kusif.ku.edu.tr/sites/kusif.ku.edu.tr/files/kusif/KUSIF%20Social%20Etki%20Olcumlemesi%20Kilavuzu.pdf>
- Portal of Measurement and Evaluation of Social Impact (in Turkish): <http://socioetkianalizi.com/>



## PART 2: BUSINESS MODEL DEVELOPMENT

Author of Developing a Business Model: Yusuf Ozan Üstebay, Koç University Entrepreneurship Research Center

Author of Social Enterprise Canvas: Göksel Gürsel, SOGLab Social Enterprise Laboratory



## PART 2: BUSINESS MODEL DEVELOPMENT

*You see things; and you say 'Why?'*  
*But I dream things that never were; and I say 'Why not?'*  
- George Bernard Shaw

### ■ From “Business Plan” to “Business Model”

The concept of a “business plan” took its place in the rapidly developing business world after the day the University of Pennsylvania established its first business faculty in 1881 with a large donation from Joseph Wharton to increase the number of qualified people in business and management.

In the 1970s, almost every business faculty in the world was overflowing with students trying to prove graduation suitability by preparing a business plan. How many of these business plans could be realized has remained a mystery. Those same years were the scene of quite interesting developments as it was the time when the cycle of the first economic recession after World War II started. While the leading economies of the world, such as the US and the UK, had slowed down with structural crises, production-oriented Asian economies launched themselves on a path of rapid growth. The belief in the Kaizen concept, which means the continuous improvement of processes and methods, was the driver for this success and lasted until the 1990s, when globalization continued.

A second period of economic recession opened a page in which Kaizen appeared in a new form and field. With the 2008 Global Economic Crisis, at a time when knowledge and resources were moving at a rapid pace, the writing of business plans, which took long to prepare and were very difficult to implement in the early stages, had begun to evolve into developing “business models” based on continuous learning and improvement. As the continuous improvement-based business development methods that people such as Steve Blank, Eric Ries, and Alexander Osterwalder had been working on became the tools used by successful businesses and newly established companies, the “business model revolution” and “Lean Enterprise” wave had replaced the century-long reign of the business plan.

Some, including Blank and Ries, have defined start-up as a temporary organization that facilitates the search for a repeatable, sustainable and scalable business model, not just as an enterprise. The idea that a business model must be designed in order to increase the impact of the initiatives that rapidly grow and change traditional forms of business conduct became widespread.

It was possible for entrepreneurs to easily overcome the process of validating their ideas using the “Business Model Canvas” method designed by Osterwalder for the development and continuous improvement of a business model.

## ■ Tabula Rasa

The most important reason for shifting from business plans to business models is that about 70 percent of the business plans prepared fail at the implementation stage. Enterprises have been working on a five-year business plan for a long time, building their work on some assumptions. However, when these assumptions are not realized, the result is an unrealized business plan.

The business model, on the other hand, is the process of reflecting the models which were established through the verification of the basic assumptions of the entrepreneurs to workflow processes. A business model enables the company to easily explore how to create and deliver value to offer their customers. In other words, a business model describes every aspect of how a company earns money.

Osterwalder's business model development canvas roughly covers the value the company offers, stages of creation of this value and formation of its infrastructure and delivery to customers. The business model canvas enables users to discover the relationships between many topics from product development to sales and marketing. The business model canvas, consisting of nine building blocks, enables one to easily see who the customers and the users are, what the channels are to deliver value to the customer, how to produce the product, what type of financial structure must be established for the production process, and what type of partnerships must be established:

1. Value Proposition
2. Customer Segments
3. Channels
4. Customer Relationships
5. Revenue Model
6. Key Activities
7. Key Resources
8. Key Partnerships
9. Cost Structure

Probably the most critical building blocks in the business model canvas are Value Proposition and Customer Segments. The relationship between these blocks can easily be seen on the Value Proposition Canvas. Value Proposition, the most important building block of the business model canvas, appears to have a very complex structure; therefore the Value Proposition Canvas can be used to make it more comprehensible and to facilitate the discovery of the Value Proposition. In this work, which begins with the identification of the work that customers need to do, and the gains and losses of the users, it is possible to discover the value to be offered to the customer as well as the characteristics of the product or service. The far right side of this canvas includes identification of a representative character (persona) of a group of customers for which entrepreneurs offer values, and a definition of the reasons for this character's search for a solution, its problems and benefits. The value to be presented to the user is shaped by determining the revenue increasing and problem minimizing properties given on the left side of the canvas. Each value defined constitutes an assumption in the Business Model Canvas.

The value offered with the Business Model Canvas and the process of delivery to the customer is shaped by identifying the Channels and Customer Relations blocks.

In the Channels block, the channels which enable the delivery of the value to the customer are defined. The applications, software solutions that customers use, can each be channels and the stores they enter can be one of those channels that allow the value to be communicated to the customer. The Customer Relations block sets the outline of the relationship established with the customer. Improving customer experiences through a 24/7 call center or social media channels is a reasonable example for drawing a relationship diagram. How to derive profit for the value offered to the specified target audience can be defined in the Revenue Model block.

The creation of value proposition and formation of infrastructure process begins with the identification of the activities that will generate this value after defining the Value Proposition and Customer Segment blocks. This is the phase of defining the activities that will cover each assumption created in the Key Activities, Channels and Customer Relations blocks. With the determination of the key activities, the Basic Resources block is shaped. At this phase, the resources needed to carry out the activities are listed. Finally, the partnerships to be established for the creation of the value are placed in the block as the Key Partnership. Each one of the value creation and infrastructure formation activities on the left side of the canvas is shaped as related to the Cost Structure block because they are reflected as time or price. As the assumptions defined in each block of the business model canvas are validated, "problem-solution fit" and "solution-market fit" become clear. Each topic mentioned in this canvas and also in business plan titles can be seen on a single page in relation to each other.

## ■ From Business Model to Investment

Verification of the business model is one of the most critical thresholds of access to financial resources. Enterprises are quite expensive organizations. An enterprise requires significant investment especially in the stages of product development and delivery of the sustainable impact to users and customers on a larger scale. While traditional lenders such as banks find it too risky to offer lending options for early-stage ventures, risk capital, which has become widespread in the late 20th century, has managed to offset the funding needs of enterprises. Risk capital providers can be individual investors or investment companies that make risky investments. These capital providers (investors) acquire shares from newly established companies and become partners with them, and aim to obtain commercial value through the portfolio they generate from the shares they own.

Enterprises' access to investment depends on their taking the necessary steps to attract investors. The most fundamental of these steps is to determine how the enterprise creates value and how this reaches its customers. Thus the existence of a valid business model can be used to persuade investors. Finally, a business model can be advantageous in accessing finance and delivering value to users if it is established with continuous verification and improvement.

## ■ Another Tool for Social Entrepreneurs: Social Enterprise Canvas

If you are living in a country where there is no legal regulation regarding social entrepreneurship, it is necessary to take some meticulous and careful steps in order to explain that the enterprise activity is a "social enterprise" and to design the business model with good consideration of these steps.

The first and most important of these steps is the intention of the entrepreneur. Social entrepreneurs can make profit, but their values and behaviors differ from those of business entrepreneurs at critical moments because their primary objective is to solve a social problem from the root. Before addressing this topic in depth, it is useful to look at how a social entrepreneur can make their business model become "social" too.

The "Social Business Model" was regenerated based on the Business Model Canvas (Business Model Generation, Optimist Books) that was developed by Alexander Osterwalder in 2008, and since 2009, it has been one of the essential tools we use with young people in SOGLA, Turkey's first social entrepreneurship platform. When you look at the Social Business Model Canvas, you will notice that there are some points that differ from Osterwalder's original model.

### Target Audience

The Social Business Model starts with people, as does the Business Model. That is to say, for whom the service or value is being produced, what needs are met. The people who will buy or use the product or service produced by the social enterprise could be disadvantaged groups that are directly affected by the problem, or there may be some users completely separated from this group. Here are two distinguishing questions that matter: Who is buying the product? Who benefits from the product or who can solve their problem by using the product?

If the answer to these two questions is different, then the first one is "the user" and the second is "the beneficiary". To give an example; some social enterprises make a profit by focusing on a common market need, then use their profits to solve the needs of the beneficiary group. In this model, the beneficiary will not pay for the service. On the other hand, the beneficiary and user may be similar groups. Muhammad Yunus' Grameen Danone is an example: Children who cannot eat enough to meet basic nutritional needs become sick and lose their lives. They are able to meet their daily needs with a container of yogurt, produced for children and sold at a low price that their families can afford. Here, both beneficiary and customer are similar people. What is important is to clearly determine whose needs will the social enterprise solve, and who will be charged for the service/product provided.

When a product or service makes its debut, the people or groups who will use it first and give feedback to make the product deliver a greater social impact are called "early adopters". This group is determined from the start when designing the model and if it can really be achieved, reaching more people quickly is the expected outcome.

### Value Proposition

What is the value offered to the target audience? What needs of the target audience are met or what problem is solved? What kind of remedies are provided for their pain points? If the target audience is well known, their needs must be well understood and a "value proposition" should be designed accordingly. When working with young people and designing learning experiences in the SOGLab Social Enterprise Lab, where we work on quality education for everyone, we try to design the value proposition like a designer. The most important thing in this phase is the "unique value proposition" which differentiates the social enterprise from the others. A different innovation may have been introduced, focusing on a target audience that is at the bottom of the economic pyramid. However, what makes the social enterprise different must be made visible.

Sometimes the value proposition can be explained by creating social value by responding to a very clear need. This is called "social value proposition".

Yırcalı Kadınlar (Women from Yırca) and Sabuncu Kenan (Kenan the Soapmaker), who transformed the black of coal into the perfume of soap in Yırca, focus on a very clear need: Women are earning their economic freedom by producing and selling more ethical and fair natural soaps, not coal.

The value proposition sometimes leads to business models we call "comprehensive business-es". These businesses create social benefits by producing products with low cost and high social impact for a group that is very far out of the economy. Now again we can give Grameen Danone as an example. In cooperation with Muhammad Yunus, Danone has started to involve the groups called "others" and integrate them into the economic model by producing more accessible and purpose-oriented products.

### Service Model

Service models are constantly changing all over the planet because we can better understand users with the help of Big Data. What kind of relationship does the target audience expect to establish and maintain with the social enterprise? Some show loyalty if tailor-made services are designed, while others may want to be able to get the product and access the social enterprise easily when needed. The service model allows the creation of a community of users. At the same time, it is the method and spirit of the communication established with the target audience for whom the aim is to create benefits by trying to meet their needs. In demgoodcoffee, where coffee is ordered from deaf or hearing-impaired baristas in sign language, Ayşe Damla Iseri has tried to create an empathic atmosphere between the hearing people and hearing-impaired people, bringing together the beneficiary and the user. Iseri's service model of business is the empathy we will often hear of in the future.

### Kanallar

How is the target audience reached? Social networks, websites, via direct phone or email, or perhaps by knocking at their doors. As in many other phases, beneficiaries and users are also separated here. There is no problem if both groups are made up of the same people, but if they are people who have different life stories then the channels to communicate with them will also have to be different. In SOGLab Social Venture Lab, we work in collaboration with the public and private sector to solve the problem, "Quality Education in Turkey". The channels that we use to reach the authorities we communicate with in the public sector can vary from the private sector. And the channels and methods we use to reach young people and children who are our beneficiaries are completely different. We need to properly identify all of them.

### Key Activities

What activities need to be carried out in order for the social enterprise to continue creating social benefit? In fact, it is essential to identify the daily, weekly, monthly and annual routines of the enterprise. When the key activities are being planned, the value proposition can be extended to a year. This is also called a strategic plan. The key activities include the activities required for customer relations, visibility activities, social media strategy and all social activities carried out by the team outside the organization as well. When considering the key activities, it is important to take cash flow into account. What key activities for financial sustainability are realized? Clarifying and planning as a whole will mobilize the social enterprise in a more focused way.

## Key Resources

What essential resources do value proposals require? For example, in the Chapputz social enterprise by Yasin Sert, key activities first require Aunt Faize to produce rag rugs from scrap fabrics. Sert then produces more modern designs (handbags, iPad cases, etc.) using these rugs and makes an income from their sales, thus enabling Aunt Faize who is in her 70's to have an income. Key resources can be physical, as well as come from intellectual resources. For the training programs we conduct at SOGLab, we use many learning tools that we have designed all having intellectual property. It is clear that without them we would have difficulties in our activities. The key resources are also assets in colloquial speech. They are the assets to possess in order to realize the key activities.

## Key Partnerships

Who are the key activities carried out with? There are many answers to this question. The two most confused concepts are "stakeholders" and "partners". In the social work model, partners are individuals or organizations who have direct rights. They share profit, loss and benefit within the legal framework. Stakeholders are the individuals or institutions from which support is acquired at the basic level, work is carried out together or costs are reduced by sharing resources. SOGLA for example, is a stakeholder of SOGLAB. Each institution involved with education in Turkey has the potential to be a stakeholder of SOGLab or non-governmental organizations such as UNICEF, TEGV etc. The key partnerships, at the end of the day, must be determined by taking into consideration what needs to be improved on the planet.

## Cost Structure

What are the items that are expected to be out of pocket while the key activities are realized? Office rentals, employees' service costs, all the tools and materials used in the activities, all other things used in producing the product or service will technically be considered costs. No matter how well the cost structure is tried to be worked out (it would be better for new social enterprises not to spend too much time on this), unforeseen costs will arise. For this reason, in order to be able to properly see the costs of the key activities of the social enterprise, the model needs to be tested immediately in the field. Each step should be well measured and notes should be taken. As the best way to evaluate, all costs that are the result of key activities at the end of the first year should be calculated retrospectively. In the next step, costs can be reduced, upgraded at a certain scale to provide better service, or the key activities of the social enterprise can be tried and scaled with other target audiences.

## Financial Sustainability

This is exactly where the social enterprises dissociate with "difference making" activities, because the money must be earned so that the proposed value proposition can be delivered to the target audience. Social enterprises can position money as bad because of the voluntary nature of common civil society mentality. But it is not the money itself, but what is done with it that is good or bad. This should be kept in mind. Pricing of products and services must be well-structured so that financial sustainability can be achieved. This will provide the speed and power to turn the proposal phase with any institution or individual into a sale. Always being prepared also provides a cash flow which would bring self-confidence along with the passing of a year in which all expenses incurred in the cost structure for the first year are paid on a regular basis (taxes not to be forgotten). For this reason, it is important to identify the key activities for which the target audience is willing to pay. Which needs they are currently paying for should be determined. A better value proposition should be made to them, their pain points should be remedied and ways to touch their lives with both heart and the business model should be developed.

## Social Capital or Excess Profit

As a matter of fact, social enterprise should be the most profitable model of enterprise. Especially when there are no special legal arrangements for social enterprises (tax deductions, etc.), it is necessary to make a profit which can be used to scale, disseminate and copy the social benefits created. When the costs within the cost structure are deducted from the total economic value obtained from the key activities, the social capital is obtained which is called excess profit. This amount can be used for the development of people on the team, or for creating new value proposition designs and prototyping new products. It is possible to use this profit to generate social benefits, even if benefits are not generated directly by the key activities. One of the best examples of this is Finnegans Beer. They said "Our objective is to turn beer into food" and they are turning their profit into meals for the homeless via their own association.

The success of the Social Work Model again depends primarily on the intentions and priorities of the social entrepreneur. If the founder and the team lack vision or common values, even the most successful social business models will be lacking; the spirit will not be visible, and in short, it will not create excitement. That is why the entire planet needs to focus on the Social Work Model and act accordingly to fight climate change, poverty and famine, and combat inequality and injustice by 2030.

## ■ Resources

- Steve Blank, "How to Start a Startup" Lesson: <https://www.udacity.com/course/how-to-build-a-startup--ep245>
- Business model canvas: <https://strategyzer.com/canvas/business-model-canvas>
- Value proposition canvas: <https://strategyzer.com/canvas/value-proposition-canvas>
- Social business model canvas: <http://growingsocialventures.org/sites/default/files/uploads/Social%20Business%20Model%20Canvas.pdf?phpMyAdmin=fd9a32def56f49045b24db89a95c01ac>
- "Secrets of successful entrepreneurship decoded!" article by Dr. Subhash Chandra <https://medium.com/@SubhashChandra/secrets-of-successful-entrepreneurship-decoded-263829cb8d50>

## ■ Tools

### The Most Lean Solution (Minimum Viable Product) Tools

- WordPress: <https://wordpress.com>
- Unbounce: <https://unbounce.com>
- Launchrock: <https://www.launchrock.com>
- Squarespace: <https://www.squarespace.com>

### Digital Marketing Tools

- Mailchimp: <https://mailchimp.com>
- Buffer: <https://buffer.com>

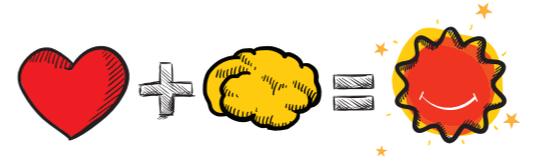
### Integration and Team Management Tools

- Slack: <https://slack.com>
- Zapier: <https://zapier.com>
- Trello: <https://trello.com>

Figure 2: Social Enterprise Model Canvas

SOGLA | Social Entrepreneur Young Leaders Academy

<p><b>Key Partnerships</b></p> <p>Who are our key partners? Who are our key suppliers? Which key resources are we acquiring from our partners? Which key activities do our partners perform?</p>  <p>Partners</p>	<p><b>Key Activities</b></p> <p>What key activities does our value proposition require? Our distribution channels? Our customer relationships? Our revenue stream?</p>  <p>Categories Production Problem solving Platform/network</p> <p>Beneficiaries</p>	<p><b>Value Proposition</b></p> <p>What value do we deliver to our target audience? Which one of our target audience's problems are we helping to solve? Which target audience needs are we satisfying? What bundles of products and services are we offering to our target audience?</p>  <p>Unique Value Proposition</p> <p>What is your most important characteristic that is unique to you?</p>	<p><b>Service Model</b></p> <p>What type of relationship does our target audience expect us to establish and maintain with them? Which ones have we established? How costly are they? How can they be integrated with the rest of our business model?</p>  <p>Categories Personal assistance Dedicated personal assistance Self-service Automated services Communities Co-creation</p> <p>Beneficiaries</p>	<p><b>Target Audience</b></p> <p>Who are the first users or beneficiaries of your service?</p>  <p>Early Adopters</p>				
<p>Stakeholders</p>	<p><b>Key Resources</b></p> <p>Which key resources do our value propositions require? Our sales channels? Our customer relationships? Our revenue stream?</p>  <p>Categories Physical Intellectual Human Financial</p> <p>Users</p>	<p><b>Social Value Proposition</b></p> <p>What problem do you solve and by creating which social benefit?</p> <p>Social Value Proposition</p> <p>What is your most important characteristic that is unique to you?</p>	<p><b>Channels</b></p> <p>Through which channels must we reach our target audience? How are our channels integrated with each other? Which ones work best? Which ones are most cost-efficient? How are we integrating them with customer routines?</p>  <p>Users</p> <p>Who are our most important users?</p>	<p>Beneficiaries</p> <p>Who are we creating value for?</p> <p>Users</p> <p>Who are our most important users?</p>				
<p><b>Cost Structure</b></p> <p>What are the most important costs inherent in our business model? Which key resources and activities are the most expensive?</p> <p>Categories: Cost-driven business models Value-driven business models</p> <p>Characteristics of cost structures Fixed costs Variable costs Economies of scale Economies of scope</p> 		<p><b>Social Capital</b></p> <p>How do you make use of profit?</p> 		<p><b>Financial Sustainability</b></p> <p>For what value is our target audience really willing to pay? For what do they currently pay? How are they currently paying? How would they prefer to pay? How much does each revenue stream contribute to overall revenue?</p>  <table border="0"> <tr> <td>Types Asset sale Usage fee Subscription fees Lending/Renting/Leasing Licensing Brokerage fees</td> <td>Advertising Fixed pricing List price Price determined by product specifications Price determined by customer segment</td> <td>Volume-based pricing Dynamic pricing Bargaining Yield management Real-time market Auctions</td> </tr> </table>		Types Asset sale Usage fee Subscription fees Lending/Renting/Leasing Licensing Brokerage fees	Advertising Fixed pricing List price Price determined by product specifications Price determined by customer segment	Volume-based pricing Dynamic pricing Bargaining Yield management Real-time market Auctions
Types Asset sale Usage fee Subscription fees Lending/Renting/Leasing Licensing Brokerage fees	Advertising Fixed pricing List price Price determined by product specifications Price determined by customer segment	Volume-based pricing Dynamic pricing Bargaining Yield management Real-time market Auctions						



## PART 3: FINANCIAL LITERACY

Mazars Denge Team



## PART 3: FINANCIAL LITERACY

### ■ Differences Between, and Advantages and Disadvantages of Associations, Foundations, Companies and Cooperative Structures in Taxation, Income & Expense, and Accounting Issues

#### 1. Is there an advantage in terms of tax, income & expense, and accounting among these organizations?

It is useful to give a short description of these organizations before answering this question.

**Foundation:** An establishment founded by a person by donating their goods or money or possession for the fulfillment of a particular service or for the benefit of others. The purpose of the foundation must be lawful, specific, apprehensible and sustainable. Foundations are affiliated with the General Directorate of Foundations. In order to establish a foundation, it is first necessary to create a foundation voucher.

**Association:** A group of individuals with legal entity, formed by consistently combining the knowledge and work of at least seven real or legal entities in order to, apart from sharing earnings, realize a specific and common objective not prohibited by law. Associations are affiliated with the Department of Associations.

**Cooperative:** A partnership with variable partners and variable capital established by real and legal entities with the aim of providing and protecting the specific economic interests of the partners, especially for their profession or livelihoods, with mutual aid, solidarity and guarantee with labor and monetary contributions. It may not be possible to say that cooperatives are non-governmental organizations (NGOs) such as associations or foundations since commercial aims are more prominent in this definition.

**Company/Commercial Enterprise:** Organizations founded by one or more persons (one or more of whom may also be legal entities) basically established for profit. Here, the interests of the people who established the company instead of the general interests of society have precedence. Perhaps it would seem more logical to establish a sole proprietorship in the beginning. However, as the volume of business grows, the pursuit of a corporation becomes more accurate and advantageous both in terms of accounting processes and taxation. Sole proprietorships (general partnership or limited companies) may be converted into capital companies (joint stock or limited liability company) by changing the type according to Article 181 of the Turkish Commercial Code no 6102.

NGOs, such as foundations or associations, may engage in a number of commercial activities only through the economic enterprise because they need financial resources to "fulfill their social objectives". Otherwise, associations and foundations are prohibited from carrying out commercial activities and there are very severe penalties.

## 2.Accounting System

Accounting systems of the abovementioned organizations are given in Table 2.

Table 2: Accounting System

	Bookkeeping and Document System	Tax Liability	Employment
COMPANY	Keeps books (general journal, general ledger and inventory register) on the basis of the balance sheet. Entry of accounting records and preparation of financial statements is done according to the General Communiqué on Accounting System Implementation (MSUGT) and Uniform Chart of Accounts (TDHP). In addition, keeps the stock ledger, the board of directors' resolution book and the general assembly meeting book under the Turkish Commercial Code (TCC). It is compulsory to also comply with the other relevant procedural provisions including especially the Tax Procedures Code (TPL) and the TCC in the documents that are the basis for the accounting records.	Every kind of income obtained is subject to corporation tax as "commercial income". (The corporate tax rate is normally 20% and will be applied as 22% for 2018-2019-2020.) A further 15% tax will be applied during the profit distribution stage. Of course, there will be compulsory reserves which should be separated from profit within the scope of TCC. Value Added Tax (VAT), withholding tax return, and provisional tax returns will be given. There may also be additional declaration obligations such as the stamp tax declaration and special consumption tax (SCT) based on the activity field, company type, and transaction type.	In case of employment of labor, it is obligatory to prepare a remuneration slip, to calculate the income tax and stamp duty deduction and declare these with a withholding tax return, and to give a workplace and statement of employment and to declare and pay social security premiums every month before the start of social insurant. Of course, depending on the employment of labor, compliance with the tax legislation, the Social Security Institution (SGK) legislation and other obligations under the Labor Law are also compulsory.



	Bookkeeping and Document System	Tax Liability	Employment
SOLE PROPRIETORSHIP	Those below a certain volume (small businesses/Second Class Traders) keep an operating ledger. Those who exceed a certain volume (First Class Traders) keep books in accordance with the balance sheet procedure.	Taxpayer of income. An annual income tax return is given for commercial income and income tax calculation is made according to the progressive tax tariff. Subject to the same principles as companies in terms of withholding, VAT, stamp duty, SCT, and temporary declarations.	Explanations for companies apply.

	Bookkeeping and Document System	Tax Liability	Employment
COOPERATIVE	The same legislation to which the companies are subject applies. They have to comply with all relevant procedural provisions including especially the TPL and TCC in the documents that are the basis for the accounting records.	Cooperatives are listed as corporate taxpayers in the Corporate Income Tax Law (CITL). However, according to clause 4/1-k of the same law; "With the exception of consumption and transportation cooperatives, the cooperatives whose articles of incorporation include provisions regarding not paying dividends out of capital, not giving shares to the chairman and members of the board of directors out of profit, not distributing the contingency reserves to partners, and only conducting business with the partners and which actually comply with these provisions are exempted from the corporation tax". The same clause gives special regulations for building cooperatives.	Explanations for companies apply.



	Bookkeeping and Document System	Tax Liability	Employment
ASSOCIATION	Associations having the status of working for the public interest and associations whose annual gross income exceeds TL 500,000 keep books based on the balance sheet. Records are entered based on TPL and GCASI. They also shall comply with the liabilities stated under the Regulation of Associations, especially TPL, in the documents that constitute the basis of their accounting records.	They are not taxpayers because they do not have revenue.	Explanations for companies apply.

	Bookkeeping and Document System	Tax Liability	Employment
FOUNDATION	Foundations whose annual gross revenues exceed a certain volume (TL 100,000 for 2018) and foundations that are granted tax exemption by the Council of Ministers; and foundations that have establishments, affiliates, branches and representatives shall keep books on the basis of the balance sheet. They shall comply with the UCA published by the General Directorate of Foundations in their accounting records. Other foundations can keep operating ledgers. They also shall comply with the liabilities stated under the Regulation of Foundations, especially TPL, in the documents that constitute the basis of their accounting records.	They are not corporate taxpayers.	Explanations for companies apply.

	Bookkeeping and Document System	Tax Liability	Employment
FOUNDATION AND ASSOCIATION ECONOMIC ENTERPRISES	Keeps books on the basis of the balance sheet. They should comply with the GCASI and UCA under the TPL in their accounting records. They have to comply with all other procedural provisions including especially the TPL and TCC in the documents that are the basis for the accounting records.	They are corporate taxpayers. They are subject to the same tax liabilities as companies. When transferring earnings to the foundation or association, they must make a 15% tax cut.	Explanations for companies apply.

### 3. Economic Enterprises Connected with Associations or Foundations ("Continuity" in Commercial Activity)

In order to be considered an economic enterprise connected with an association or foundation, an enterprise must be:

- Connected or affiliated with an association or a foundation (being connected means in terms of capital; affiliated means in terms of administration),
- "Not established" in the form of a capital company or cooperative; must be operating in commercial, industrial or agricultural field "on a regular basis".

"More than one" of the transactions that are "commercial" in the same or separate areas of activity within an "accounting period"; even if a single transaction takes place in the same period, "activity requires organization and the purpose is commercial"; it is accepted that "continuity is realized" in terms of commercial activities according to the interpretations and regulations of the Ministry of Finance in cases where such activities are repeated "periodically" even once a year (for example once a year).

According to Provisional Article 2 of the CITL, it cannot be said that an economic enterprise has been formed by associations or foundations because of earned income from rents or security income (e.g. interest on deposits) subjected to tax withholding. (This law shall be valid until 12.31.2020. It has been extended in the past. If the period is not extended again at the end of 2020, then the gains will be considered as a presumption that they are economic enterprises even though they are subject to "tax withholding".)

#### ■ Principles of Taxation and Tips for Reducing Costs

Exceptions and exemptions are granted to associations and foundations (the transactions they have carried out for their purposes, the proceeds they have obtained, the papers they have signed, the immovables they have, etc.) registered in the "public interest associations" and "tax exempted foundations by the Council of Ministers" lists in various tax laws such as VAT Law, Real Estate Tax Law, Inheritance and Transfer Tax Law, Stamp Tax Law, and Law of Fees.

"Social enterprises" established by the foundation or associations for commercial purposes (company or economic enterprise) also can benefit from tax advantages and can make tax planning within the scope of the legislation. For example;

- Accelerated depreciation,
- Fixed asset renewal fund,
- Interest rate cut for capital increases in cash for capital companies,
- R&D (Research & Development) and design discount,
- Insurance premium contribution, income tax withholding incentives,
- If R&D is to play a major role, founding of companies in technology development zones and being an R&D Center,
- Leasing instead of purchasing vehicles,
- Outsourcing of some work, (Accounting and payroll work can be outsourced during the establishment stage and afterwards until the entity reaches a certain size.)
- For a capital company, founding a joint stock company and issuing company shares if there is an intention to sell such shares in the future, (Thus, income from the future sale of shares will not be subject to tax.)
- If fixed assets are to be purchased by credit and/or by getting into debt over a foreign currency, doing such purchase towards the end of a given year, (This will allow for writing off a large part of interest costs and foreign currency transaction losses in the future.)
- Contribution provided under the scope of investment incentive legislation.

More examples can be given. However, these should be carried out with support from a financial advisor specialized in tax planning and tax management, depending on the structure of the enterprise (a company or economic enterprise). Reduction of operational costs is another business topic that should be handled separately. Here, the most important advice, as made possible by modern technology, is to bring the transactions (records, document flow, correspondence, meetings, etc.) to an electronic/online environment to the extent possible, offering the opportunity to work via remote access. This would not only make significant savings in office/operational costs possible but also increase productivity. At the same time, opportunities such as support from KOSGEB (Small and Medium Enterprises Development Organization of Turkey) should also be reviewed and applications filed if the requirements are met, since this would also create substantial financial sources.

## ■ Terms of Granting of Tax Exemptions to Foundations by the Council of Ministers

Foundations to apply for tax exemption should meet all of the criteria listed below on the date of such application.

### 1. Criteria of Assets and Annual Income

Figures applicable for 2018 are given in Table 3 and Table 4.

**Table 3: For Foundations Operational for at Least 1 Year**

Revenue-generating asset	<b>1.133.000 TL</b>
Annual revenue	<b>103.000 TL</b>

**Table 4: For Foundations Operational for at Least 6 Months**

Revenue-generating asset	<b>2.266.000 TL</b>
Annual revenue	<b>206.000 TL</b>

In the exemption application, grants made from the budgets of the general and special budgeted administrations and income that is classified as donations are not taken into account when determining annual income.

### 2. Diğer Şartlar

A foundation must comply with the following conditions to be exempted from tax:

- Its purpose should be working in health, social aid, education, scientific research and development, culture, and environmental protection and forestation fields and its operations should be open to the public and be on an adequate level to relieve some of the public service burden of the state,
- Its purpose should not be serving a specific region or population,
- It should have been active for "at least one year" since its establishment (It is enough to have been active for six months for foundations whose revenue-generating assets and annual income are more than twice the limits in force during the year of application and these foundations also need to meet the other conditions),
- It should keep books on the basis of the balance sheet,
- The foundation's revenue-generating assets and total annual income should be over the minimum values at the time of its application for a tax exemption.
- It should be written on the official foundation voucher that the foundation will spend "at least two-thirds" of its gross income for the purposes of the foundation and the foundation should have complied with these conditions during the last year or based on the average of the last two years,
- Also, the granting of tax exemption should be approved as a result of the investigation conducted by the Ministry of Finance and the relevant institutions.

## ■ Terms of Granting "Association of Public Interest" Status to Associations

Public benefit associations are determined following the positive opinion of the Ministry of Finance and the relevant ministries, if any, with the proposal of the Ministry of Interior and the decision of the Cabinet of Ministers.

According to the conditions set out in the Associations Statute, an association needs to meet the following conditions in order to be considered a public benefit association.

- It should be in operation for at least one year,
- During the previous year, it should have done commercial transactions exceeding 121,581 TL in value (for 2018) in compliance with the conditions of competition.
- Its purpose and activities should not be limited to its members, but should create solutions for the needs and problems of the community at a regional or national level and contribute to social development,
- It should spend at least half of its annual income for this goal,
- Its assets and annual income should be at a level which is sufficient to realize the goal specified in its charter.

This situation can be confirmed by the report issued by the Ministry's association auditors. Associations which are determined to lack these qualities cannot reapply for a public benefit decision until three years after the date of this determination.

What kind of an analysis and plan should be made to achieve long-term financial stability in today's market conditions where there is constant change, and which method should be used? We will now try to find the answers to these questions.

### Financial Analysis

Financial statements are analyzed by different groups using the below ratios in order to investigate the answers to the questions regarding the enterprise and practice.

This analysis makes it possible to assess the performance of the company and compare it with those of the other organizations in its sector.

1. Is the enterprise solvent?  
Current Ratio = Floating Assets/Short-Term External Resources (STFR)
2. Is the business financed in a balanced way?  
Financial Profitability Ratio (FRO) = Net Profit/Equity Capital (Resources)
3. Can the business manage its assets well?  
Return on Assets Ratio (RAR) = Net Profit/Total Assets
4. How much (%) of the enterprise's assets are financed with external resources?  
Financial Leverage Ratio (FLR) = Total Debts (Short- and Long-Term)/Total Assets
5. Are the primary operations of the business profitable?  
Real Operating Profit Ratio = Operating Profit/Net Sales
6. How profitable are the total assets of the business?  
Economic Profitability Ratio (EPO) = Profit for the Period/Total Assets
7. Are the operation results, or in other words, the profitability of the enterprise adequate?  
Net Profit Ratio/Margin = Net Profit/Net Sales
8. Could the enterprise reach the goals it had set in accordance with its strategic plans with regard to the economy (country) and industry it operates in and the previous years?

### a) Why is a Feasibility Study Necessary?

1. To learn the positives and negatives about the planned investment,
2. To predict if the investment will return its cost or how many years this will take,
3. To see all expenses (technical, operational, financial, legal) related to the investment.

### b) When Should the Feasibility Study Be Carried Out?

1. Before starting the work.
2. To see the status of the ongoing work,
3. To make a prediction about the future of the ongoing work.

### c) What is the Function of Financial Feasibility?

1. It allows seeing how much of the investment will be financed by equity (your own money) and how much of it will be financed by external resources (bank credit, leasing, money borrowed from family members).
2. It can be determined if the expense items and resources are sufficient to meet the expenditures.
3. If they are not sufficient, the amount of additional business capital required can be determined.
4. When establishing the business, a selection can be made between using the equity or the external resource.
5. Before making a decision on this subject, it can be learned if the equity is adequate to establish the business.

If the equity is adequate to establish the business, the following questions should be asked:

- How will the "daily" needs that will be encountered after the business is initiated be financed?
- Should a bank loan be taken to meet the daily needs of the company?
- Is it possible to create resources by buying goods on credit and selling them for cash?
- If this is difficult, should reserving a portion of the equity while establishing the business be considered?

If the equity is inadequate to establish the business;

- External resources should be found.
- Where can this resource be obtained? From family and friends or other sources such as KOSGEB, TÜBİTAK, KGF (Credit Guarantee Fund)
- What is the cost of the external resource to the company?

### d) How is Enterprise Cost Calculated?

The method of calculating the enterprise cost can be seen in Table 5. Thus, the planning to start the business and go through the first six months is done. This amount should be (101 TL in the example) before starting the work.

Table 5: Calculating the Enterprise Cost

	<b>I. Business Establishment Costs</b>	<b>Tutar/TL</b>
1	Foundation of company	1
2	Accountant	1
3	Costs such as workplace and decoration	1
4	Costs regarding licenses and permissions	1
5	Logo and design costs	1
6	Marketing and sales materials	1
7	The first month's rent and capital blockage fee	1
8	Insurance	1
9	Other expenses	1
	<b>II. If Acquiring Assets is Necessary to Start the Business:</b>	
10	Real estate price	1
11	Furniture and furnishings	1
12	Equipment and machines	1
13	Transportation vehicles	1
14	Inventory	1
15	Procurement	1
16	Other expenses	1
<b>a)</b>	<b>Sum of Initial Costs</b>	<b>17</b>
	<b>III. Sum of Initial Costs</b>	
17	Rents	1
18	Invoice payments	1
19	Wage payments	1
20	Expenses of the partner	1
21	Procurement	1
22	Insurance	1
23	Transportation costs	1
24	Transportation	1
25	Legal and financial obligations	1
26	Advertising and marketing expenses	1
27	Inventory	1
28	Taxes	1
29	Loan repayments	1
30	Business capital	1
<b>b)</b>	<b>Sum of Monthly Fixed Costs</b>	<b>14</b>
	Cash Required for 6 Months (bx6)	84
<b>c)</b>	<b>Sum of the Necessary Items for 6 Months (a+b)</b>	<b>101</b>

## Online and Offline Tools to Easily Track the Work of the Accountant

If an in-house or off-site accountant is employed, reviewing the financial statements periodically is important to achieve stable development. Document entry and bookkeeping can be realized with Excel, specially written programs or, if the company has an accountant, an accounting program. Entrepreneurs can monitor these programs with a remote connection by obtaining a viewing authorization if they wish. For companies who do not want to pay for an accounting program or employ personnel for accounting, outsourcing accounting (handing it over to an independent accountant financial advisor) may also be an option.

### 1. Accounting Programs

An accounting program consists of modules and it can be used by purchasing the desired modules (bookkeeping, fixed asset, stock, payroll, etc.) in accordance with the demand.

The things to be taken into consideration while choosing an accounting program can be listed as follows:

- It should be well-known and trusted in the market,
- It should have installation and extensive support services,
- It should be priced based on the number of users, allow simultaneous access for multiple users, and limit user access when necessary,
- It should allow project-based reporting with monitoring of trial balance, balance sheet, income statement, and if necessary, an expense center,
- It should be compliant with the accounting standards, updated in accordance with the changes in legislation, and suitable for printing books,
- It should be able to use Windows standards and transfer data to Excel,
- It should allow the transfer of bank data, stock data, etc.
- It should be able to work online and offline, and allow remote access,
- It should have full integration between modules,
- It should have a regular backup process,
- It should be a program which also allows remote access.

### 2. Cloud Computing

Cloud computing makes it possible to obtain services from those who provide these services via internet connection by paying certain fees without buying specific programs.

### 3. Companies Providing Special Software and Custom-Made Reporting

If companies require the accounting data to be in special report formats, the accounting program being used may not be suitable for generating reports in this format. In such cases, intermediate programs which allow transferring the data in the system to the desired report format may be required. For example, if it is desired to see the balance sheet, income statement, stock details or aging, etc. in a special format and the accounting program cannot provide this as an available format, this additional solution can be utilized. When using this kind of software, it is important to check whether the data is being transferred correctly or not by conducting a pilot run.

### 4. Excel

Excel is commonly used for tracking things such as accounting and invoices. Using the tables efficiently can be learned by receiving one or two days of training on the subject. For example, learning the pivot table or formulas such as "vlookup" and "sumif" makes things easier. However, trying to realize all accounting operations on Excel is a not a good practice. Accounting records and related reports should be created via a single program.

## Introduction to Balance Sheet Management

Financial literacy is important for entrepreneurs. It is possible for an entrepreneur to have control over finances by paying attention to basic accounting concepts and to prevent some risks in a timely manner by working on finances each month with their accountant.

For example, by examining the trial balance, the money in the bank and treasury can be seen and stock, receivables and debts, and tax and SGK obligations can be monitored. The details of all accounts can be seen with the subsidiary breakdown. Also, the company can keep its own records, and these records can be checked by comparing them to the records of the accounting department.

The two basic tables to know are the following:

**Balance Sheet:** It shows the financial structure and assets of the business and the resources used to finance those assets at a given time (See Table 6). The basic equilibrium of the balance sheet should be Assets = Resources.

**Income Statement:** It is the table which shows the revenue/income obtained and costs/expenses incurred by the enterprise during a specific accounting period in detail and defines the operation results of this period as profit or loss (See Table 7).

**Table 6: Bilanço**

Assets-Active	Resources-Passive
Floating Assets	Short-Term/Long-Term
Cash Account	Bank Loans
Banks	Vendors
Checks	Taxes Due
Buyers	SGK Due
Stocks	
Fixed Assets	Equity
Fixed Assets	Capital
	Profit/Loss of the Previous Year
	Net Profit/Loss of the Period

*\*all items were not placed.*

- Gross profitability is the amount obtained by deducting the cost of sales from the net sales in the income statement. Gross profitability rate is obtained by dividing this amount by net sales.

**Table 7: Income Statement**

Net Sales
Cost
Gross Sales Profit and Loss
Operating Profit and Loss
Normal Profit and Loss
Pre-Taxation Period Profit and Loss
Net Profit and Loss for the Period

*\*all items were not placed.*

The concepts which can be examined on the balance sheet;

- Treasury, bank balances,
- Receivable/debt calculations,
- Increases in the stocks, slowing down of the stock return rate,
- Status of the short- and long-term debts,
- Debts owed to the partners,
- Tax and SGK debts,
- Negative equity, capital losses,
- Financial ratios.

- Expenses which the enterprise has to incur to be able to continue operating, but cannot be added to its cost are called operation costs. Deducting the operation costs from the gross sales profit/loss yields the operation profit/loss. - Deducting the enterprise's usual and unusual revenues/expenses arising from operations other than its principal operation yields the pre-tax profit for the period.

## ■ Basic Concepts for Association and Corporate Accounting

These concepts, which shape the accounting practices, are called "Basic Accounting Concepts". Basic concepts of accounting are not invariable and definitive like the laws of nature, and they have a dynamic structure which can change over time according to needs.

Basic accounting concepts are the following:

1. Social Responsibility Concept
2. Entity Concept
3. Going-Concern Concept
4. Periodicity Concept
5. Monetary Unit Concept
6. Cost Concept
7. Reliability Concept
8. Consistency Concept
9. Full Disclosure Concept
10. Prudence Concept
11. Materiality Concept
12. Substance Over Form Concept

### 1. Social Responsibility Concept

It signifies that with regard to the organization of accounting, operation of accounting applications and editing and presentation of financial statements, rather than the interests of certain individuals or groups, the interests of the whole society should be looked after and accordingly, information production should be carried out in a truthful, unbiased and honest manner.

Example: Overstating or understating the profit of the enterprise would be a violation of the social responsibility concept as it affects various segments who are affected by accounting.

### 2. Entity Concept

This concept stipulates that the entity of the enterprise is separate from those of its owner or owners, managers and other officials (enterprise officials) and that the enterprise should realize the accounting operations only on behalf of this entity.

Example: Not including the home telephone invoice of the enterprise's owner in the expenses of the enterprise can be regarded as an example of this.

Business person A can have their child's tuition fee paid from the treasury of the business. However, in line with the entity concept, this amount is not included in the expenses of the enterprise. This payment is recorded into the private (current) account of the concerned person.

### 3. Going-Concern Concept

Unless otherwise specified in the contract, the life of a business is considered to be infinite at its inception.

Example: The death of one of the partners of the enterprise does not mean that the company will cease to operate.

The assets acquired by the enterprise are not appraised with the liquidation value with the assumption that the enterprise will immediately close down.

### 4. Periodicity Concept

Dividing the life of the enterprise, which is considered to be infinite as per the going-concern concept, into periods and comparing the revenue of a period with the expenses of the same period is a requirement of this concept. In accounting, a period generally means a calendar year. If it is not a special accounting period, a calendar year starts on January 1st and ends on December 31st.

Example: Even if an enterprise collects the one-year subscription fee in cash and issues its invoice on 1 July 2018, the part of this income covering the first six months becomes income of 2018, while the part covering the remaining six months becomes income of 2019.

If the enterprise pays 12,000 TL as the heating cost for 12 months on 1 March 2018, the part of this payment covering the first 10 months is written as an expense in 2018, and the part covering the remaining two months is written as an expense in 2019.

### 5. Monetary Unit Concept

Using the national currency (TL) in the accounting records and converting other currencies to the national currency before recording them is a requirement of this concept.

Example: The enterprise records the 1000 US Dollars which it had bought to make good use of its extra cash by converting it to the national currency according to the buying rate of exchange on the day of purchase. If the enterprise buys 20 raw materials or supplies, the accounting department cannot record this amount by only specifying the number of items that were bought. It should be recorded as a monetary amount.

### 6. Cost Concept

It means basing the accounting of the assets and services on their acquisition costs.

Example: The price of a purchased machine should be accounted by adding to the cost of the machine its transportation, installation, assembly or disassembly, and importation costs and if it was purchased with a loan, bank loan interest of the fiscal year it was obtained as per the periodicity concept and all other expenses that will be incurred until the machine is put into use at the enterprise.

### 7. Reliability Concept

This concept signifies that accounting records should be based on objective documents which reflect the actual situation and were duly issued and that selection of the methods which the accounting records will be based on should be realized in an impartial and unbiased manner.

Example: The explanations written on the invoices of received goods or services or the issued invoices should be compliant with the definition of goods or services.

### 8. Full Disclosure Concept

Full disclosure concept means that the financial statements should be adequate, clear and comprehensible enough to help the people and organizations who will use these statements to make correct decisions. Including possible events which are not among the financial statement items, but can affect the decisions to be made in the financial statements in addition to fully disclosing the financial information is a requirement of this concept.

Example: Financial statements should be adequate, clear and comprehensible enough to help the people and organizations who will use these statements to make correct decisions. If the full disclosure function cannot be realized adequately in the financial statements, important information is given in the footnotes of the financial statements. If the enterprise changes its cost method, it should explain the effects of this change in the footnotes of financial statements.

If there is a mortgage on assets, specifying this on the footnote of the financial statement is very important for the users of the information.

## 9. Consistency Concept

This concept stipulates invariability of the recording patterns and valuation criteria for similar events and transactions, and uniformity of form and content in financial statements. Enterprises can change their accounting policies when there are valid reasons for doing so. However, it is obligatory to explain these changes and their financial effects in the footnotes of financial statements.

Example: In an enterprise, if some fixtures are calculated in accordance with the normal depreciation method, other similar fixtures cannot be calculated in accordance with the declining balance method.

## 10. Prudence Concept

This concept means that it is necessary to act cautiously and consider the possible risks for the business in accounting events. As a result of this, enterprises reserve cash cover for their possible expenses and losses, and do not realize any accounting process for their possible income and profit until their period of occurrence. However, this concept cannot be an excuse for hidden backups or reserving cash cover which is more than necessary.

Example: It is also called the concept of being discreet and cautious. It means that it is necessary to act with caution regarding accounting events, and take the risks and uncertainties that can be encountered by the enterprise into account with unbiased judgement.

An enterprise which is sued by a worker after a work accident can reserve an expense corresponding to the estimated compensation amount as cash cover at the end of the period even if the trial is not concluded. When the decision becomes final, the necessary records are created separately according to the result.

## 11. Materiality Concept

This concept signifies that the relative weight and value of a booking item or financial event are at a level which can influence the evaluations based on financial statements or the decisions to be taken. It is obligatory to include important accounting items, financial events and other elements in the financial statements.

Example: Although the labor costs of the enterprise's workers accrue each day, they are accounted once at the end of each month.

Although the tangible fixed assets used at the business get older each day, their depreciation record is done monthly/every three months.

## 12. Substance Over Form Concept

The substance over form concept signifies that when reflecting the transactions in accounting and evaluating them, these should be done with respect to their substance, rather than their form. Although the form and substance of transactions are generally parallel, there may be differences in some cases. In this case, substance takes precedence over form.

Example: According to TCC, checks do not have a maturity. However, in commercial transactions, checks are given a maturity and cannot be collected before they become due. This means that checks are processed as bonds. Therefore, although it does not actually exist, the accounting process can be done as if checks have a maturity by taking the essence of the matter into account.

## Basic Steps for Establishing Simple and Healthy Accounting Systems in Associations, Foundations, Companies and Cooperative Structures

There is a single accounting system for all structures. When the system was being established, profit-oriented organizations and non-profit organizations were not distinguished from each other. As a principle, the same system is applied to both profit-oriented commercial enterprises and non-profit NGOs (especially associations and foundations).

The following points should be paid attention to when establishing a healthy accounting system for NGOs and commercial companies:

- It is necessary to receive financial advisory support to establish an accounting system and run the system in a healthy manner.
- Since the areas of interest and operation of commercial enterprises and NGOs are different, on condition that the essence of the system remains the same, some special adaptations should be made especially on the chart of accounts and it should be established correctly in the beginning according to this.
- It should be ensured that the records are healthier and more correct by keeping the accounting records based on the balance sheet within the framework of the basic concepts of accounting and generally accepted accounting principles and standards.
- All accounting records must be based on a document. The most basic function of accounting documents is providing written proof of the commercial transactions that took place. Alongside this basic function, the commercial transactions need to be archived and stored in chronological order. Therefore, a good filing and archive system should be established.
- An effective reporting system should be established in the accounting information system to be able to appropriately adhere to the principles such as fairness, transparency, openness and responsibility.
- The accounting department should have an adequate number of competent personnel.

## How is a Commercial Enterprise Established?

Associations and foundations can offer a commercial product or service only by means of a commercial enterprise established by them. Commercial enterprises are established with the purpose of making a profit and using this profit to create funds for the association/foundation.

It is necessary to follow the below process for being able to establish the commercial enterprise:

- First of all, the association charter or foundation voucher should contain a clause which authorizes it to establish a commercial enterprise.
- The general assembly or the board of directors should decide to establish the commercial enterprise. The title (Association/Foundation/Commercial Enterprise), address, capital and representatives of the commercial enterprise and the addresses of residence of the representatives, type of the representation and the activities to be carried out by the commercial enterprise are clearly written in this decision.
- A registration application is made to the Trade Registry Office at the relevant province with a notarized copy of the decision and the other requested documents regarding the association/foundation. The Trade Registry Office is obliged to notify the relevant tax office about the establishment of the commercial enterprise.
- When the tax office completes its inspection regarding the initiation of the enterprise, the commercial enterprise can start its commercial activities. The legal books of a commercial enterprise should be notarized at the latest on the day when the enterprise is registered.
- After the completion of the tax office opening, SGK workplace registration and employment procedures of the employees should be done.

### How Much Should the Capital of the Commercial Enterprise Be?

There are no obligations regarding the capital to be invested in the commercial enterprise by the association/foundation. It may be recommended to determine the amount which the commercial enterprise needs until it can generate income and reach a position where it can manage the cash flow as the capital.

### What Happens if a Commercial Enterprise Makes a Loss?

If a commercial enterprise which was founded with the purpose of making a profit from commercial activities and funding the association/foundation continuously makes a loss and cannot cover its expenses, this leads to financial difficulty. It is expected that the association/foundation should not provide funds other than the capital to the commercial enterprise and the commercial enterprise should not deplete the resources. Therefore, a commercial enterprise which continuously makes a loss will be criticized in the audits and will be requested to be closed down.

### How are the Expenses of a Commercial Enterprise Tracked with Accounting?

Since the income of the commercial enterprise will be subject to tax, all expenses of the commercial enterprise should be tracked separately from the association/foundation, and it should be ensured to invoice the correct establishment when expenses are being made. Similarly, the personnel working for the commercial enterprise should be permanent employees of the commercial enterprise. Covering the expenses of the association/foundation with the funds of the commercial enterprise would both decrease the profitability of the commercial enterprise and be subject to penalty due to not paying the full amount of tax.

### Are the Associations/Foundations Granted Any Exemptions or Incentives When Employing Personnel?

The salary of the personnel to be employed is subject to income tax, stamp duty and SGK premiums. There are no discounts, exemptions or incentives that differ from those offered to companies.

### What Should Be Paid Attention to Regarding Service Invoices Received From Abroad?

Services received from foreign countries are subject to the reverse charge VAT (Value Added Tax) and stoppage. The fact that the association or foundation does not have VAT liability does not change the reverse charge VAT liability. VAT ratio is 18 percent, and the stoppage ratio varies between 0 and 20 percent depending on certain criteria. Therefore, before acquiring services from abroad and signing a contract, it is recommended to consult a financial advisor for the determination of the total cost of the service to be acquired.

### Is it Permissible to Accept Foreign Donations?

Associations and foundations can accept foreign donations. First of all, the donation received from abroad needs to be sent to the bank account of the association or foundation. Receiving donations in cash from abroad is prohibited by law and is subject to penalties. After the donation is deposited to the account, it is necessary to inform the Provincial Directorate of Associations/Regional Directorate of Foundations.

### Is it Obligatory to Give an Address While Establishing an Association? What Are the Things to Be Considered?

During the establishment of associations, it is sufficient to give an address which can be used to track transactions and to which correspondence and notifications can be directed. For this, it is necessary to make a contract between the owner of the residence and the association regarding the allocation of the residence.

The points to be considered are the following:

- If the person allocating a place for the association is also a tenant himself/herself, the main rental contract should not contain a limitation regarding a subtenant and allowing someone else to use the allocated place.
- If the place of residence of the association is seen as a residence in the land register, the decision taken by the unanimous vote of the board of property owners (deed of consent) will be added to the establishment documents.

After the establishment process is completed, it is recommended that the association should start its operations at an independent location to avoid facing legal problems in the future.

### ■ Auditing Considerations for Associations

An association needs to have the following books:

1. Member Registration Book
2. Decision Book
3. Income and Expense Book
4. Plant Register
5. Proof of Receipt Registry Book
6. Incoming and Outgoing Documents Register
7. Inventory Register

#### 1. Inspection of the Member Registration Book

- The book which should contain the photographs of the members should consist of two sections.
- The upper section should contain information about the member (birth date, job, telephone, etc.).
- The lower section should contain the membership fees paid by the member. This section does not contain donations of the members (Donations are recorded in the income and expense book). The auditing board should check that the membership fee payments are recorded in this section.

#### 2. Inspection of the Decision Book

- There must be a board of directors decision to be able to register members. In this book which contains the decisions, the member number recorded in the member registration book and the member number specified in the decision book should match.

- The inspection should be done after the last general assembly, and the existence of the new list of board of directors, budget and the other decisions should be checked.
- The last minutes of the general meeting must definitely be read by the auditing board.
- In the decision book, the names of the president and full and substitute members, and the existence of the signatures of five full members for the decisions should be checked. Here, it should be confirmed that the decisions taken have been approved by the new board of directors.
- While confirming the budget, the minutes of the general meeting that show whether the authorization for transferring between chapters was received or not should be checked.
- The presence of lists of authorized signatures should be checked.
- It should be confirmed that the bookkeeper has been authorized.

### 3. Inspection of the Income and Expense Book

- The income and expense book contains membership fees, donations, registration fees and expense items.
- In the decision book, the budget regarding each expense item should be approved.
- The conformance of the expenses to the budget should be determined in the income and expense book.
- The reasons for high-expense items should be investigated.

### 4. Inspection of the Plant Register

- The plant register should include all fixtures registered to the association.
- The presence of fixtures with high amounts are confirmed with the counts performed during the year.
- The compliance of the new fixtures to be bought with the budget is determined.

### 5. Inspection of the Proof of Receipt Registry Book

- This registry book contains the records of the written association receipts.
- Association receipts are in the form of a counterfoil and they are approved by the department of associations.
- The board of directors decides on who is authorized to write receipts and who should keep the receipt counterfoils.
- Filled receipt counterfoils should be submitted to the board of directors.

### 6. Inspection of the Incoming and Outgoing Documents Register

It should be checked if the records are added to this register regularly and on time, but this is generally not done.

### 7. Inspection of the Inventory Register

- The opening of the inventory register should be the same as the closure of the previous period.
- At the end of the period, the final statement of account should have been made. (The sums in the income-expense book should match the summary in this book.)
- At the end of the period, the closure of this register should be notarized.

Validation of all the abovementioned books should be checked by the auditing board.

According to the New Law of Associations, the annual statement that contains general information about and the annual activities of the association needs to be completed and submitted to the department of associations prior to April 30th each year.

In addition:

- The board of directors can be asked about differences between the confirmed budget and the actual budget every six months (finance and auditing).
- Receipts and accounting data can be checked every six months (by the auditing board) to avoid a backlog at the end of the period.
- Receivables from the members can be aged and submitted to the management once every six months (finance and auditing)

### How Can the Products and Services Be Priced?

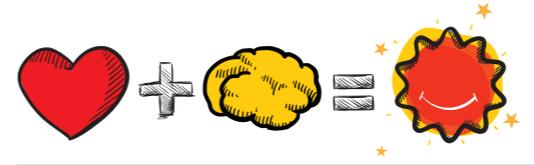
The methods that can be used for pricing the products and services are as follows:

1. For similar products and services, according to the prices of competitors,
2. By determining the amount the client can pay for the product or service by trial,
3. By calculating the cost per unit after taking all costs into account and adding the profit margin to this,
4. By using two or three of the above methods together.

Here, the two critical issues are defining the value proposition of the product or service very well and identifying the target audience clearly. Value proposition refers to the solution's quality, the problem it solves and who it is intended for. Therefore, the purpose is not to explain what is being done, but to explain why it is done.

The target audience is the group of people who are likely to show the highest interest in the product or service which is introduced to the market. Therefore, saying "I will sell this product or service to everyone" or having an approach such as "There are 80 million people living in this country, if I can reach 1% of them, this makes 800 thousand people" is extremely wrong when identifying the target audience.

The first two items above might require conducting market research. The help of a marketing professor who is also experienced in the private sector may be sought for this. For the 3rd item, it would be beneficial if the accountant provides guidance with correct costing management.



## PART 4: MARKETING

Prof. Dr. Zeynep Gürhan Canlı & Rabia Bayer, Koç University College of Administrative Sciences and Economics



## PART 4: MARKETING

### ■ Social Enterprise

Along with being a tool for making the world a better place, a social enterprise is also a business and offers its customers products and services in exchange for money in accordance with this definition. In comparison with the outputs of private sector businesses, measuring social value is more difficult. Therefore, social enterprises face obstacles while trying to plan, measure and maximize their activities.

Social entrepreneurs frequently strive to overcome the difficulties they encounter and make their social enterprise sustainable. Impact thinking requires regular consideration of the following questions:

- What is the correct strategy?
- How should the products and services be positioned in the market?
- How should the created changes be measured?
- How should the process be managed to make sure that the targeted social effect becomes sustainable?

The Big Picture System functions as an extensive guide for social enterprises with regard to finding the answers to these questions.

### ■ Big Picture System

The Big Picture System, which differs from the other systems which evaluate the marketing steps independently from each other, handles each key step as a whole with the others and deliberates on the roles within the general framework. This approach makes it possible to plan and examine all functions of the enterprise on a common ground and aims to minimize the marketing risks of the enterprise by observing the dynamics it has formed with the beneficiaries, customers, competitors and other stakeholders. Thus, in accordance with the impact strategy of the enterprise, its marketing strategy is determined, the target customer segment is clarified, the brand is positioned, marketing components are determined and the efficacy of all these steps is evaluated.

In addition, the Big Picture System makes it possible to handle and analyze the marketing problems that can occur at any point of the process in relation to other steps and solve these in the most efficient manner.

The basic questions answered by the Big Picture System are the following:

1. What is the enterprise strategy?
2. What is the marketing strategy?
3. What are the resources required for realizing these strategies?
4. Which consumer group should these resources be obtained from?
5. What are the ways of reaching this consumer group?
6. What are the required measurement methods for process monitoring and evaluation?

### ■ Enterprise Strategy

There are three basic issues that need to be addressed to determine the enterprise strategy which is the first step in a successful Big Picture System practice: Core identity and core operation, core competence and target planning of the enterprise.

Although it has similarities with the evaluation of profit-oriented enterprises, this evaluation process should be handled more meticulously for social enterprises. For example, the ability of a social enterprise which aims to reduce the unemployment rate among young people aged 18 to 25 years old to create an actual difference in real life depends on realizing its core competence and making its target planning correctly.

#### Core Identity and Core Operation of the Enterprise

In the most general sense, the core identity of the enterprise answers the question "Who are we?". Core identity generally represents the basic perspective which will be used to determine all steps within the Big Picture System. Who is the social enterprise which will handle the social situation that is aimed to be improved? In other words, the unit which will be used to deal with the core identity will also have an effect on the subsequent strategic steps. Based on this, the enterprise can consist of a single brand, contain completely different brands, have a hybrid branding or offer products to the market under an umbrella brand. The core identity of the enterprise brings along advantages and disadvantages. For example, whilst market positioning is easy for an enterprise which has different brands, managing these brands separately will have a high cost.

The core operation is the area of operation which the enterprise primarily focuses on such as transportation or informatics. Although determining this area seems to be easy, in practice, it requires having a detailed perspective. For example, whether the core operation of a newspaper is informatics or journalism, and whether a train enterprise operates in the field of transportation or rail systems are of critical importance for correctly identifying the customer needs and marketing components within the Big Picture System. In line with the above example, whether the core operation of a social enterprise which aims to increase the participation of young people in the workforce is human resources or occupational training should be clearly defined.

#### Core Capability

Core capability is the sum of the capabilities that set the enterprise apart from its competitors. These capabilities give the enterprise a sustainable competitive advantage in the market and contribute to the generation of a strategic asset which will later become a product or service. Knowing the core competence is important with regard to the marketing strategy that will be determined in the later steps of the Big Picture System and managing the related practices correctly. By this means, the enterprise can increase customer satisfaction and loyalty, gain new customers and thereby achieve long-term sustainability.

However, continuity of the core competence requires a significant resource investment and this needs to be correctly determined at the beginning of the process. For example, a social enterprise whose core operation is occupational training can focus on course variety as its core competence and render its social impact sustainable on the basis of competitive advantage.

#### Target Planning

Both the amount of the aimed short- and long-term product/service sales and the predicted monetary amount of this should be identified in the target planning of the enterprise. During this process, alternative scenarios should be evaluated, consistency of the targets should be established both between themselves and within the other steps of the Big Picture System, and the goal of continuous growth should be pursued. In addition to this, it is important for the targets to be measurable and realistic for the determined period to be able to play a role as criteria in the performance assessments of the relevant practices.

## ■ Marketing Strategy

In social enterprises, the target customer segment can also be the beneficiaries, or both of these can be different groups. For example, the customer segment and beneficiaries of WeWalk, which produces smart walking sticks to create a positive impact on the lives of visually impaired people, are the same people. On the other hand, the online marketplace application Givin uses all the income it generates by selling second-hand clothes for the education of children. While the beneficiaries of the Givin social enterprise are children, the customers are those who buy second-hand clothes.

Regardless of whether the beneficiaries and customers are the same group or separate groups, there are two basic marketing strategies for the growth and sustainability of the enterprise: Retaining the existing customers and gaining new ones. According to the customer-focused marketing model, a portion of the revenue obtained from the existing customers is spent to meet the costs necessary for retaining these customers and gaining new ones. The core identity of the enterprise is also important at this point. For example, a social enterprise which has an umbrella brand can use the income it generates from one of its brands to create a social effect for the beneficiaries of its other brand.

### Retaining Existing Customers

The most important subject that needs to be addressed when deciding on a marketing strategy is the meaning of the term "customer". The criterion which makes a person who purchases any product a "customer" is their purchasing behavior (the amount purchased, frequency) and the relationship they establish with the brand (brand loyalty).

Being able to retain existing customers is preferred by the enterprises which aim to maintain their profitability rather than increasing their market share. This strategy costs less than the strategies which aim to gain new customers and demonstrates the brand's power to survive in the long-term. However, if it is not implemented correctly, it may cause the brand to remain inactive among its competitors and lose its core competence.

Here, another issue that should be paid attention to is whether the customer has formed an emotional bond with the brand, makes their choice with a rational perspective or uses the brand out of habit. Therefore, the harmony between the brand loyalty of the customer and the brand's core competence is important. For example, a brand whose customers prefer the product out of habit when they see it in the market should focus on distribution channels as its core competency and be able to provide the product in places where the customers can easily access it.

### Gaining New Customers

Gaining new customers is a strategy that can be especially pursued by start-up type social enterprises that are entering the market for the first time or are aiming to increase their market share. Creating awareness among the customers using rival brands, ensuring that they try the new brand and finally turning them into loyal customers are high-cost activities with a high degree of uncertainty which require significant investments. Some of these activities are advertisement, developing new products, trial promotions and viral marketing.

## ■ Resources for Growth

Social entrepreneurs should not only think about what they want to achieve, but also how they can achieve it. The Big Picture System aims to choose the specific category that the brand will operate in according to the abovementioned enterprise and marketing strategies. After the core operation, core competence among its competitors and growth strategy of the enterprise are identified, the next

step is determining which resource will be used for this growth. For a sustainable social enterprise, an operating model which provides appropriate resource management is a must.

There are different sources of income for social enterprises:

- Sales of products and services
- Membership/registration fees
- Certification fees
- Donations
- Grants

There are two basic strategies which can be used to obtain resources from the sales of products and services: Increasing the prioritized demand and increasing the share received from the existing demand in the market.

### Increasing the Prioritized Demand

The strategy of increasing the prioritized demand is generally preferred by the brands who are market leaders and especially operate in developing sectors. Here, it should be noted that this strategy does not allow the brand name to be more important than the category of the product/service. The important thing is creating a category awareness among the customers and emphasizing the benefits of the category. As the category continues to grow, the brand will receive its share as it has a leadership position. Gaining new customers or increasing the level of sales to existing customers are goals which are in accordance with this strategy. However, it should be kept in mind that the goal of increasing the prioritized demand is a high cost and risky strategy. For example, Beesportive, who aims to unite people who enjoy doing physical exercise and prevent lack of mobility, generally encourages people to do exercises together. It is expected that the potential users will prefer the Beesportive application which is the leader in this category.

### Increasing Market Share

An enterprise which utilizes this strategy aims to increase the share it gets from general demand by using the aspects in which it is relatively strong among its competitors, rather than becoming the market leader. The brands which follow this strategy generally both increase brand awareness and distinguish themselves from the leader brand in the minds of the consumers by comparing themselves to the leader brand. For example, b-fit is a social enterprise which aims to increase the economic and social impact for women with a franchising system which only caters to women. b-fit is not the leader among the gyms in the market, but exercises its distinguishing power among its competitors and aims to increase its market share by emphasizing that it is a gym which is exclusive for women.

However, if this strategy is not implemented correctly (e.g. if a correct comparison is not made with the leader brand), this leads the customers to develop a negative attitude against the brand and harms the brand in the long-term.

## ■ Market Segmentation, Target Audience and Brand Positioning

According to the Big Picture System, market segmentation should be made based on the determination of the target customer segment and positioning the brand, the abovementioned enterprise strategy, marketing strategy and the method of finding the necessary resources for these. At this point, unlike profit-oriented enterprises, there is one extra step that social enterprises have to take: Determining their stakeholders. Each social enterprise leads to many different results for different stakeholders. For some enterprises, the "beneficiaries" who are aimed to be affected positively may not be the enterprise's customers. After making the difference, if any, between the customers and beneficiaries clear, the process moves on to the other steps for determining the marketing strategy.

In addition to this, determining which stakeholders are needed to be able to realize the activity (funders, employees, volunteers, etc.) and the groups which can be indirectly and/or negatively affected by the activity are also among the steps that social enterprises need to follow.

### Market Segmentation

Market segmentation is the process of identifying the consumer groups which have common characteristics that would increase the possibility of responding to the message conveyed by the concerned brand. This way, a higher return is received for the marketing activities and consumer demand increases. This process should proceed in line with the growth resource decision. For example, an enterprise which aims to obtain the growth resource from existing customers should focus more on this customer segmentation. On the other hand, an enterprise which aims to gain new customers should investigate the hidden demand in the market and perform a good analysis of potential customer segments.

Consumers can be separated into segments in accordance with their demographical, behavioral and psychological characteristics. Although measuring a segmentation which was done based on demographic variables is relatively easy, it may not provide adequate data for predicting sales. On the other hand, behavioral segmentation (e.g. when do the consumers prefer the product and their frequency of using the product) provides a greater ability to predict sales.

The other important point is that the size of the segment and the efficiency of the conveyed message are inversely proportional. Segments should be small enough to not decrease the efficiency of the marketing activities and large enough to not increase the cost of these activities.

### Choosing the Target Audience

After the market is divided into segments, the next step is analyzing the potential profitability ratio of each segment and choosing the segment which is most appropriate for the brand. While doing this, it is important to understand how the concerned brand is positioned among competitor brands according to the needs and demands of the customers. Such an analysis helps to understand the competitive superiority of the brand and determine the target customer segment accordingly.

If we revisit the abovementioned marketing strategies and growth resource selection, an enterprise which aims to increase the demand coming from the existing customers should prefer designating its loyal customers as its target audience, rather than focusing on potential customers. For example, Better World Books is an online social enterprise which aims to provide funds for literacy courses by selling the second-hand books donated by its members. This enterprise can encourage its members who currently donate books to donate more books or aim to create an awareness among people who never made a donation before to get them to use this application. This selection should be done in accordance with the cost-benefit ratio of the target audience.

### Brand Positioning

After the market segmentation is made and the target customer segment is determined, the next step is brand positioning. Brand positioning is the determination of the meanings which the customers will associate the brand with and the place of these meanings among the competitor brands.

Social enterprises delve into the social problem that they plan to work on and analyze its reasons, consequences and processes of emergence at the first steps of the Big Picture System, and determine their potential competitors and supporters. And when they reach this step, the analysis is used for realizing brand positioning in accordance with the determined enterprise strategy. If there are competitor brands which operate within the same category, these are compared with their similar and different features, and the perception that the relevant brand should create in the minds of the customers is planned. Here, the goal is deciding on the message to be conveyed by the brand to the existing or potential customer segments.

## ■ Implementation: Marketing Components

After the brand's market segmentation is done, the target audience is identified and positioning in accordance with this target audience is made, the next step is determining the marketing components in accordance with these strategies and implementing them in the field. Marketing components consist of four categories: Product, pricing, distribution and marketing communications.

### Product

Products and services are essentially used for the following purposes: Directly creating an impact or generating profit in order to finance the operations which will create the impact. These should be released to the market in accordance with the abovementioned marketing strategy and growth resource. For example, a social enterprise that wants to gain new customers should determine the potential customers who are its target audience with the market segmentation it will realize and plan the product features in accordance with the needs and demands of these customers. If the beneficiaries of the enterprise are different from its customers, the primary purpose of the product and service should be financing the activities that will create the social impact. The lifecycle of the product and its main benefit to the consumers should be made clear.

Another important detail is what will be offered (whether a tangible product or an intangible service). Additionally, how and when the customer can review the product or service is also important with regard to ensuring long-term customer satisfaction. For example, while performance evaluation of tangible products can be made by investigating the product features at the purchasing step, for intangible services, this evaluation can only be made after the service has been used. For some products and services, the customer cannot make a full performance assessment even after using it. Determining these points and implementing them in accordance with the marketing strategies and growth resources plays a key role in achieving high customer satisfaction and brand sustainability.

### Pricing

After the product or service is determined, the next stage is pricing. Pricing determines the margin of profit, and supply and demand, and affects other marketing components such as distribution and brand communication. On the other hand, the marketing strategy and whether brand growth will be achieved with the existing customers or the enterprise will focus on gaining new customers have an effect on the pricing decision.

It should be reemphasized that the Big Picture System handles all steps as a whole, as mentioned before, and aims to make sure that these steps are implemented compatibly with each other. For example, the pricing of a brand which aims to obtain its growth resource by gaining new customers should be made in a manner that allows potential customers to try the brand.

**Distribution**

Along with the product features and correct pricing, offering the product to the customers at the right time and the right place is also extremely important. Here, the term "correct" is used to refer to the compliance with the abovementioned enterprise strategy, marketing strategy and selection of growth resource. A correct distribution strategy provides benefits such as ease of access to the product and rapid delivery which are expected by the target audience.

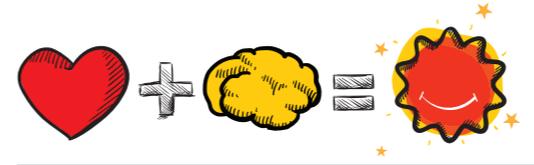
Distribution can be done in two ways: Direct or indirect. With direct distribution, the customer obtains the product from the producer, while with indirect distribution, the product is supplied by intermediaries. While direct distribution allows the producer to establish face to face contact with the customer, indirect distribution gives them an opportunity to reach a wider audience. The distribution method where both channels of distribution are used is called hybrid distribution.

The other important issue is whether the distribution will be intensive or exclusive. While intensive distribution is done for all customers in many outlets, in exclusive distribution the number of outlets is limited and the product is not easily accessible for everyone. While exclusive distribution is generally the preferred method for premium and luxury products, intensive distribution is considered to be appropriate for products which have a high purchase frequency and cater to the mass market.

**Marketing Communications**

Marketing communications include the communication studies aimed at the customers with regard to the features that will distinguish the brand from its competitors depending on the product features, determined price and distribution channels. These studies can be conducted through various methods such as product package, customer relations, advertisement, social media relations and sponsorship. In order to increase profitability and achieve the planned growth without deviating from the social mission, it is important for all activities to be compliant with the abovementioned strategies. For example, while communication which focuses on creating awareness among potential customers would be appropriate for a brand which chooses new customers as its growth resource, a brand which chooses increasing the demand of existing customers should direct its efforts towards activities which increase customer satisfaction and brand loyalty.

Social enterprises encounter some challenges regarding communication while creating value. Since they work with a very large range of stakeholders, enterprises may fail to communicate their missions clearly and they generally cannot meet the expectations of all stakeholders. For example, if a social enterprise aims to make a financial profit for being sustainable, they can be perceived by the customers as if they were private sector enterprises which are established with the sole purpose of making a profit. Moreover, since they start their journey with the social enterprise tag, having financial goals can create a feeling of being deceived for the customers. Against such risks, the social enterprise should create an optimum balance between financial gain and social impact, and communicate this correctly to its stakeholders.



**PART 5: LEADERSHIP AND HUMAN RESOURCES MANAGEMENT**

This part was compiled by using the content of the document named "Leadership in Social Enterprise: How to Manage Yourself and the Team" which was published by the Schwab Foundation for Social Entrepreneurship as a result of the investigations carried out in 2014 with the social enterprises that are members of the Schwab Foundation for Social Entrepreneurship network.



## Evaluation

According to the Big Picture System, the revenue obtained as a result of the investment made is mostly shaped by the implementation part of the process. Therefore, for sustainable success, it is very important to evaluate the effectiveness of the abovementioned practices.

The two most important criteria for these evaluations are that the practices should be measurable and compliant with the previously determined enterprise and marketing strategies. The extent to which advertisement increases sales as a communication activity or the customers' perception of the product pricing are examples of these kinds of evaluations. However, it should be kept in mind that the measurement of the value created by social enterprises is very important. A social enterprise which thinks with a focus on impact should have a measurable social impact. At this step, it reanalyzes and evaluates the data which it had collected within the framework of the impact plan that it had prepared based on the main changes and indicators which it had determined by using the theory of change, stakeholder analysis and change map that it had prepared while designing the solution of the social problem. Examining the common features of the stakeholders and revealing the relationships between the changes are also part of this process. The obtained result helps to prioritize the activities and helps the enterprise to see the possible opportunities, take strategic decisions and create a greater positive social impact.

For social enterprises which develop and expand their organization, a sense and practice of leadership are vitally important for the long-term success of the organization. Moreover, social enterprises have to manage countless challenges. Some of these challenges include finding the social-financial balance, managing the volunteers and personnel, ensuring the participation of stakeholders, and being accountable and transparent while doing all of these. This part aims to provide support for overcoming the challenges regarding leadership in social enterprises and facilitating the management of human resources-stakeholders.

## Leadership in Social Enterprises

The top 10 leadership qualities according to Forbes – honesty, the ability to delegate, communication, sense of humour, confidence, commitment, positive attitude, creativity, intuition and ability to inspire – are easy to understand and represent the main capabilities a leader should have (Prive, 2012). Other key values are expressed in the “4 E’s of leadership” – envision, energize, enable and empower – and plenty of examples of great leaders can be found who fulfil these criteria (Yates, 2004). However, leadership is about both character and competence, and the crucial question remains what leaders need to cope with, given constant changes, crashes and crises.

Specifically, leaders of social enterprises face manifold challenges: many leaders do not have a formal business education and were driven by the passion to solve a social cause. Their intrinsic motivation comes first and economic reasons rank low. But business procedures need to be implemented, teams built and money earned to run a social enterprise successfully. But “What are the key challenges for social entrepreneurs when it comes to leadership?”

Based on numerous in-depth interviews and a global survey of Schwab Social Entrepreneurs, four main challenges have been identified.

1. Building a management team
2. Delegation and succession
3. Balancing and integrating
4. Personal and professional development

Social entrepreneurs differ greatly in their demographic characteristics such as age, gender or education. However, social entrepreneurs seem to be rather similar in their leadership style. Social entrepreneurs across the board scored very high in ethical leadership, transformational leadership and empowering leadership.

Ethical leadership is characterized by trustworthy leaders, who serve as ethical role models and enforce clear standards for ethical behaviour among followers, and also conduct their personal life in an ethical manner. Ethical leaders also have the best interest of employees in mind and listen to what they have to say. Transformational leaders inspire followers with their vision and stimulate them to challenge themselves and their way of thinking, while uniting them around a common vision and core values. Empowering leadership includes aspects such as encouraging independent action, self-development of the employee and mutually-agreed performance goals, and is key to unleashing their followers' potential, engagement and creativity.

Figure 3



Source: Illustration based on Maccoby, 2000, adapted

Also, there is a distinction between management and leadership characteristics and tasks even though they cannot be clearly separated, and every manager also has a leadership role, just as every leader also performs management functions. Maccoby (2000) makes the following distinction “Management is a function that must be exercised in any business, leadership is a relationship between the leader and the led that can energize an organization.”

Autocratic leadership is least represented among social entrepreneurs. Autocratic leaders are often described as tough-minded and dominant leaders who assume full responsibility for decision-making and policy, communicate in a commanding way and almost force opinions and values onto others.

However, there is an important leadership behaviour that is underdeveloped in many social entrepreneurs, which is transactional leadership. Transactional leadership – often associated with the more managerial side of running the organization – is important to provide followers with guidance and to manage the organization in an effective way.

Transactional leadership has a positive association with the intention to stay with the organization, the commitment to the organization and the satisfaction with their own competence and the people they work with. Also, giving positive feedback as part of transactional leadership is related to a higher perception of effectiveness of the social entrepreneurs in the study.

## ■ Challenges in Leadership

Leading a growing and maturing social venture, every founder will need strong support at a certain stage – be it due to missing managerial knowledge and experience to focus more on the mission instead of administrative tasks, or just due to the sheer size and complexity of the scaling organization.

## ■ Key Challenge 1: Building a Management Team

The top key challenge, building a management team, mainly consists of three elements: external recruiting, internal leadership development and retention.

While social entrepreneurs are champions when it comes to vision and inspiration, the majority of leadership challenges that were identified in the survey are related to the managerial aspects of leading a social enterprise. Social entrepreneurs are having a hard time building a stronger management team to be able to delegate and ensure the organization, while still protecting the organization's mission and culture.

Thus, to recruit more successfully, social enterprises need to build stronger competencies and professionalism in the field of HR. Apart from the skills and knowledge needed for a particular position, three dimensions of suitability are important for any staff member of a social enterprise, and critical for high-responsibility positions:

1. Social mission fit
2. Cultural fit
3. Founder fit

### Social mission fit

Social entrepreneurs typically take on the role as the guardian of the social mission of their organization. A passion for and understanding of the organization's social mission is an obvious criterion for suitable outside managers. Commitment to the mission and strong personal values are key to ensuring the new member of the management team will not readily compromise the mission for, as an example, financial stability in times of crisis.

### Cultural fit

Social enterprises thrive in an ethical, transformational and empowering culture and leadership style, which foster the employees' satisfaction, motivation, commitment and intention to stay. Work ethics are typically characterized by commitment and a certain degree of self-sacrifice to the mission and organization, while intra-organizational conflicts and politics seem to be not much of an issue. The majority of both leaders and their interviewed team members rated internal conflicts as low. However, a good fit with the organizational culture and leadership style must not be underestimated, as it may not be a natural consequence of the social mission fit.

Thus, a central aspect of culture should be everyone's motivation to work towards the achievement of the mission instead of focusing on individual rewards such as power or financial compensation. Relying strongly on volunteers who are not driven by financial compensation, however, bears its own risks; there is more emotional conflict and tension among members and between staff from different backgrounds in organizations with more volunteers. Also, organizations with more volunteers report significantly more conflicts with recruited managers from for-profit companies.

### Founder fit

The members of the management team need to be able to work together well with the founder in terms of personality, skills and attitude as well as loyalty to the founder and the founder's achievements. As the founder usually receives most of the external attention and praise, senior managers in social enterprises should be prepared to receive only little acclaim from outside the organization. More than other types of fit, founder fit is not just about similarities, but also about complementarities. To compose a strong and effective leadership team, senior managers should complement the particular strengths and weaknesses of the founder. Often, the founder of a social venture is more creative and visionary than organized and attentive to details, while the organization needs all these talents to develop successfully.



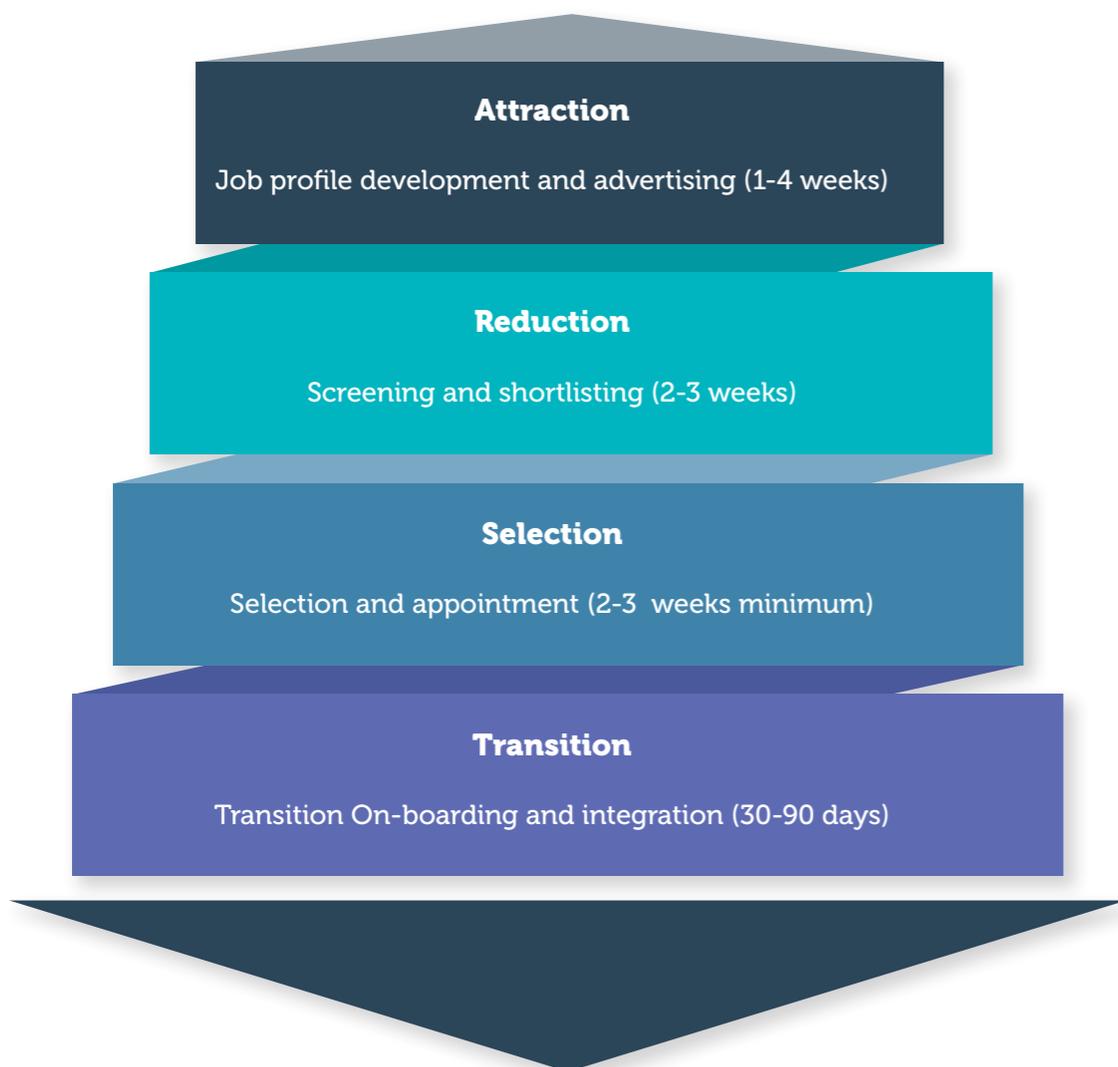
If you are not sure how to address some of the challenges found, bringing in a professional team coach will be worth the investment. You can also try to find a pro-bono consultant for this. It is essential to keep track of and work to improve on relevant issues throughout the whole year.

### The Recruiting Process

Recruiting is more than just reviewing CVs and talking to interesting candidates. And when recruiting for the management team, time and effort will pay off greatly, while mistakes can put the whole organization at risk. A skilled individual or a team must be in charge of coordinating the overall recruiting process as illustrated on the right, and executive search firms can also support and guide the process. It is important not to underestimate the overall duration of the process, which will take at least several months, and to ensure sufficient capacity for related administrative tasks.

Make sure to appoint someone in charge of the overall process to ensure professional coordination. To support the process, you can also contract a recruitment firm specialized in the field of development, sustainability or non-profit recruitment.

Şekil 4: İşe Alım Süreci



### Where to Find Candidates

To fill critical skills gaps in the management team, social entrepreneurs often wish for candidates with a for-profit background in education and experience.

There is a growing pool of mid-career personnel in the for-profit world who are ready to dedicate their talents to a more meaningful cause. However, as many social enterprises tend to communicate and fill open positions mainly through personal networks, it is hard for them to find such candidates.

It is a useful strategy to deliberately extend personal networks and HR advertising into often untapped areas such as those suggested in the table on the right.

#### Where to find candidates with a business background

- Business school alumni networks and career centers for executive MBA graduates
- Alumni networks of student organizations
- Large consulting firms offering leave options, as well as their alumni networks
- Specialized green/social/development job platforms (partly also recruiting services)
- Specialized non-profit/social enterprise recruiting firms

### How to Attract Candidates

Social enterprises typically cannot offer market-rate salaries for well-educated candidates in senior positions. Employer branding is therefore critical, and you need to advertise the most attractive features of your workplace and organization – the employee value proposition (EVP).

Apart from the typical features of social enterprises in a growth period as shown in the table on the right, it is important for your EVP to professionalize HR management in terms of, for example, dedicated support of individual employees' career development.

#### Typical EVP assets of social enterprises

- Meaningful work directly contributing to a social/environmental mission and vision
- Access to a network of interesting and inspiring social innovators
- Engaged and committed team of truly value-driven colleagues
- Un-bureaucratic organization welcoming creative problem-solving
- High responsibility in challenging and dynamic environment
- Flexibility for individual work-related needs and preferences
- External visibility and recognition, highly positive reputation of the organization

## Screening and Selection

### Step 1: Screening and shortlisting candidates

Applications need to undergo a first screening and shortlisting process, so that more sophisticated and time-consuming selection methods are focused only on potentially suitable candidates. The five factors of the person specification can be used for the initial screening process to identify who should be included in the actual selection process.

### Step 2: Selection methods

A variety of methods can be employed to select and rank the most suitable candidates. Key criteria of method choice should be the proven validity of the approaches, that means their ability to predict workplace success, and the organization's skills and capacity to implement them in the selection process.

The methods presented here can and should be combined. For example, a first round of telephone interviews will help to clarify mutual expectations. Personal meetings can then focus on the most promising candidates and should include some form of work sampling.

#### Interviews

- Validity research found interviews to have surprisingly little predictive accuracy regarding work performance of the candidate, even as it remains the most widely-used tool. However, with good planning and a combination of different interviewing techniques, results can be improved.
- Interviews should be structured in a standardized way between candidates and evaluated with a systematic scoring approach.
- Advance phone interviews can help clarify basic expectations.
- On site, schedule several interviews with different people, including group interviews, e.g. by the Board of Directors. More informal meetings with groups of staff including future subordinates enable a 360° perspective.
- Long days on-site wear off "facades" and enable a good familiarization with the candidate.

#### Screening and Shortlisting Check-List

	YÜKSEK	ORTA	NORMAL
Skills, knowledge and competencies			
Personality Characteristics (where known already)			
Level of experience			
Certificated qualifications			
Development potential of the candidate			
Overall assessment			

#### Work Sampling

- Work sampling has potentially high validity, and the needed effort for both parties is worthwhile for senior positions.
- Elements of work sampling can be integrated into the interview in terms of more informal hypothetical questions or a formal assignment to be conducted on-site within limited time and then presented for discussion.
- The assignment, which of course should be strategic in nature for senior positions, can also be communicated in advance to allow for thorough preparation in more real-life conditions.

#### Psychometric Tests

- Psychometric assessments consist of a questionnaire evaluation of individual personality characteristics, interpersonal style and/or work habits seen as relevant for job performance.
- They can complement other methods to provide clearer evidence of the 'soft' fit criteria that are vitally important in social enterprises.
- Various such assessments exist and can be purchased from specialized consultants – the choice should be based on sound proof of their validity as well as the needed resources in terms of cost and effort.
- Training might be required for the person conducting the evaluation.
- It is important to maintain strict confidentiality and respect the dignity of the individual when applying psychological tests.

#### Closing the Deal

Once a favourite candidate is selected, it can be disappointing if the offer is not accepted – often, this is not just about hard facts such as compensation and benefits. Candidates in waiting are sensitive and feeling ill-treated can lead to a loss of interest and even bad word-of-mouth about you as an employer. It is essential to build and maintain mutual trust and respect – in other words, to try to create a "psychological contract" with each promising candidate. The good news is that it does not require a trained HR specialist to avoid some common pitfalls of communication with candidates throughout the recruiting process. Here are some simple but important rules:

- 1. Application comes in:** Always send an immediate confirmation of receipt that gives a rough idea of the further process and timeline.
- 2. First screening is done:** Send a message to the (8-10) shortlisted candidates, with details about the process, and send a polite message to those who will not be included. It might be wise to keep a small buffer as an extended short-list.
- 3. During selection:** Communicate according to your timeline. You can indicate that you have many promising candidates but avoid seeming arrogant.
- 4. Top three are selected:** Wait until the contract is signed before you let the others know they were not selected but try to expedite the process.

## Successful On-Boarding

Getting a new member of the management team started needs support in three main dimensions:

- Training: Literature and/or seminars on organization-specific knowledge or for tailored skills development
- Cultural integration: Orientation on key specifics of the organization's culture and way of working as a team
- Network building: Introduction to key internal contacts and relevant outside stakeholders

For senior management positions, the on-boarding process does not need to be rigidly steered and controlled by a superior, although the CEO should be accessible and schedule regular meetings. Necessary support can be provided by nominating a "buddy" as an informal focal point for the newcomer, and by developing a self-directed on-boarding plan. The new manager can give input on its content and will then independently schedule the necessary appointments. A decreasing amount of guidance should be given for the first 30-90 days. If the predecessor is staying on for a transition period, it should not be longer than 30 days before full responsibility is with the new manager. A key success factor is the demonstrated attitude and behaviour of the social entrepreneur: if the new manager is taking over some of the workload, the entrepreneur needs to prove willing to let go of prior responsibilities and not interfere unnecessarily, and to let the newcomer shine both internally and to the outside (when relevant to the position).

## Leadership and Talent Development

Leadership development is both a program and a culture that needs to come from the top. The CEO, top management team and mid-level managers all need to be equipped, guided and held accountable for talent development as part of their regular job requirements and performance evaluation. Even if talented leaders might have good instincts for developing people, it should not be approached just by intuition but in a systematic manner that does not waste resources or potential.

### Step 1: Needs assessment

The needs of both the individual and the organization should be assessed on a regular basis and translated into goals for development efforts. Improvements along these needs should later serve as key criteria for evaluation development efforts.

Individual needs: Regular performance reviews and development outlook talks will reveal the potential and desire of an individual staff member for next steps in development towards a leadership position.

Organizational needs: A succession and development plan ( \_page 39) for all current and planned senior and middle management positions will ensure you are aware of what kind of positions you will want to fill from the internal talent pool in the near and further future, and what candidates will need to bring.

### Step 2: Development efforts

Developing leaders does not mainly mean to heavily invest in expensive training. Research has found that classroom training, executive education and literature are valuable, but are only a small part of where the most effective learning takes place.

The classic 70-20-10 model illustrates the key role of on-the-job learning from challenging experiences. This mainly depends on the awareness and competence of middle and senior management to actively facilitate such learning opportunities.

### Step 3: Evaluation

Development efforts need to be documented, tracked and evaluated against the goals that were defined on the basis of the individual and organizational needs assessment.

## Why Employees Leave

Voluntary employee turnover hurts the organization, as valuable inside knowledge and experience is lost, functioning teams might be broken apart, and new investments in recruiting and developing have to be made. Retaining employees and especially those at senior levels is crucial and can be triggered by good leadership as well as effectively supported by HRM tools, e.g. related to career development.

### Reasons for leaving

Looking at why people leave the organization and trying to improve on these areas, it is helpful to distinguish between push, pull and personal factors as detailed below. Beyond that, it is important to be aware of factors that make people stay at the organization or in a specific position, to maintain and strengthen what works well.

**Table 16: İtici, Çekici ve Kişisel Faktörler**

<b>Push Factors</b>	<p>...are aspects that are experienced as problematic of the job or organization and push people to look for a new employer. These can be directly influenced and you should work actively to reduce them.</p> <p>Critical dimensions typically are:</p> <ul style="list-style-type: none"> <li>• Problems with the leadership style of the direct supervisor</li> <li>• Lack of career progression opportunities</li> <li>• Lack of opportunities to implement own ideas</li> <li>• Lack of training and development opportunities</li> <li>• A problematic work-life balance</li> </ul> <p>Highly resource-constrained environments, such as many social enterprises, can create an attitude of only temporary engagement "for a good cause", as conditions are perceived as unsuitable in the long run. This can relate to, e.g.: – Low compensation – Insufficient workplace equipment</p>
<b>Pull Factors</b>	<p>...are features that are attractive in alternative employers and therefore cannot be directly influenced.</p> <p>Critical dimensions typically are:</p> <ul style="list-style-type: none"> <li>• Availability of positions that constitute career progression</li> <li>• Higher compensation and benefits</li> <li>• A more attractive location</li> <li>• A more attractive employer brand or industry/mission that is more interesting to the employee</li> </ul>
<b>Personal Factors</b>	<p>...such as relocating with a partner or change in domestic circumstances might seem hard to influence at first.</p> <ul style="list-style-type: none"> <li>• However, for key team members, it is highly recommended to be aware of such factors and proactively work with them to try and find a solution that would not require them to leave the organization, e.g. working long-distance</li> </ul>

**Retention measures**

Key team members in social enterprises are typically highly motivated, committed and loyal to their organization. However, as shown on page 33, there are many different reasons why employees decide to leave.

The boxes on the right show some tools that can help to keep track of employees' satisfaction and priorities. An overview of useful measures to increase retention is shown below.

**Table 17: Direct and indirect retention measures**

- Direct measures on the level of the supervisor concern individual aspects such as coaching, mentoring, giving feedback and providing space for own ideas and solutions as well as development opportunities.
- On the organizational level, direct measures include e.g. investing in human resources also in times of crisis and implementing leadership development efforts to motivate the best and most ambitious people to stay.
- Indirect measures relate to overall employee satisfaction and commitment through, for example, direct experience of the social impact created, an inspiring organizational culture, motivating collegial atmosphere, flexible work arrangements taking into account employee needs and preferences, and implementing survey and interview routines to further improve on critical aspects.

**Table 18: Regular Employee Surveys**

To keep track of strong and weak areas of the employee value proposition in general, regular anonymous employee surveys are important. They can sometimes be conducted in partnership with a university or research center at a low cost or designed and administered in-house with free online-survey templates and tools.

**Table 19: One-on-one Interviews**

To remain aware of specific concerns of management-level staff in particular, make sure that individual annual performance review meetings – as well as day-to-day interactions with the social entrepreneur – allow for open expression of any concerns they might have, and voicing suggestions and preferences for further development of their job profile and work environment.

**Table 20: Exit Interviews**

Interviewing staff after they have resigned is also valuable at all levels, but critical for senior positions, to gain insight that is less tainted by impression management or caution to voice criticism to current supervisors.

Even if criticism by some people who have already decided to leave the organization might appear exaggerated, there will always be a grain of truth that can be used to detect problems and avoid losing further key team members for the same reasons.

## ■ Challenge 2: Delegation and Succession

The second key leadership challenge consists of two related aspects, delegation and succession. Succession might be more challenging than delegation.

### Delegation

The challenge of delegation has at least two faces. While there needs to be a suitable candidate or team to fill the founder’s shoes – in part or fully, temporarily or permanently – the key factor is the social entrepreneur’s own attitude and ability to let go.

It is important for social entrepreneurs to develop a “lean-out” attitude over time and consciously disengage from operations in favour of a clear focus on strategic aspects of the organization’s development. To do so, it is important to be able to discern between key threats where they need to step in, and less critical issues that should be left to the team and responsible staff to decide.

What is true for the mere delegation of operational responsibilities also goes for the often-unpleasant realization that there will be the need to hand over the whole organization to others in the future. While challenges of succession affect the social enterprise in a hopefully distant future, delegation is important in day-to-day business. To focus on their core role as “evangelists” of their organization, social entrepreneurs need to delegate some responsibilities.

Apart from this, overall performance will benefit highly if responsibilities and tasks are distributed among a core team according to their respective strengths. Additionally, job satisfaction and retention of the team members might also increase significantly if the founder demonstrates trust in the team and gives them the space they need, assuming that delegation does not come with an overwhelming workload and amount of pressure.

### Succession

Succession of the founder can become necessary because the founder leaves the organization due to retirement, decides to pull out of the operations of the organization into an advisory role on the board, or embarks on a new venture or different career path. However, the organization should always be prepared for an unexpected emergency – anyone can fall seriously ill or have an accident and be temporarily out of the office, or even worse.

In such a case; the below can be taken into account:

- It is important to allow ample time for the succession process, which took almost two years in this case.
- Key considerations are knowledge management and minimizing an atmosphere of uncertainty and staff concerns.
- Knowledge management can be addressed by having the leader stepping down prepare documentation, by allowing a joint transition period where the head and successor work side by side, and by keeping the former head of the organization on-board in a consulting function after the transition.
- The atmosphere and staff concerns can be addressed by a well-managed process involving clear responsibilities and timely and transparent communication once decisions have been taken.

## Tools to Overcome Key Challenge 2: Delegation and Succession

Delegation of tasks and, more importantly, responsibilities, by the social entrepreneur is key to the success of a growing organization. A conducive organizational structure and environment needs to be built to allow for the heavy load of tasks and responsibilities to be distributed across the team, including a comprehensive organogram, job descriptions with clear allocation of responsibilities and defined processes for communication and decision-making.

For any highly engaged, overworked and self-sacrificing social entrepreneur, it is important to realize that appropriate delegation benefits not only themselves but also the team members and the organization as a whole.

- Less workload for the leader and more capacity for other important tasks
- Development opportunities for the team members and motivation from new challenges
- Better performance due to appropriate division of labour and avoiding bottlenecks in the organization

For any individual, direct delegation of a specific task or project, a key decision that should be consciously taken is how closely the process will be supervised. This will depend on the experience of the team member and the complexity and criticality of the task, but it is important to keep in mind that too close supervision will defeat the purpose.

It typically works well to be highly involved at the beginning of a new project and later step back to provide guidance and counseling, regularly or just on demand. For highly qualified team members, only communicate expectations regarding results, and do not unwarrantedly interfere with how they should be accomplished.

Delegation first and foremost needs to be based on trust in your team – and a certain amount of room for failure and learning from mistakes.

**Table 21: The 6 Questions of Delegation**

<b>What?</b>	What needs to be achieved? What is the expected result? What difficulties can be expected along the way?
<b>Why?</b>	What is the purpose of the task (development, motivation, goal achievement)? What happens as a worst case if the task is not completed?
<b>Who?</b>	Who has the necessary knowledge and skills? Who do I want to develop by giving the task to that person?
<b>How?</b>	How should guidelines and directions be followed? Which procedures and policies are necessary?
<b>With what?</b>	What resources and tools are needed? Who can provide support in completing the task? What else is needed (e.g. authority over people and/or budget)?
<b>When?</b>	When should the employee start? When should the person be finished? When will intermediate steps be reported and reviewed?

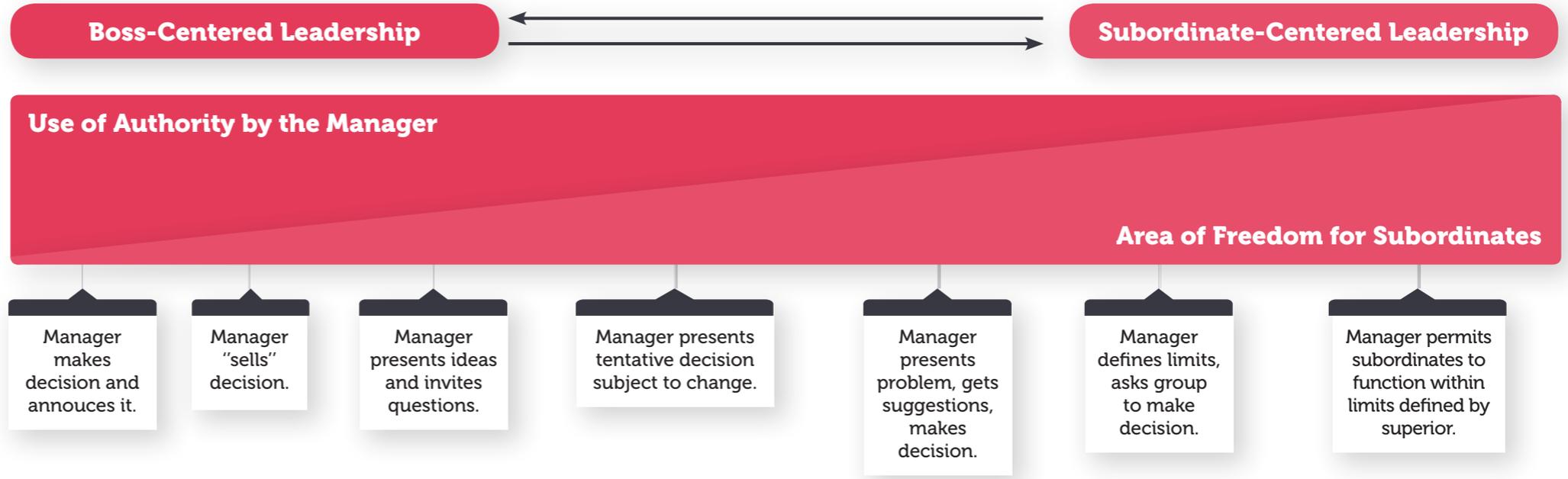
**Levels of Participation**

Including team members in decision-making can be seen as an aspect of delegation: taking a decision involves a range of steps such as understanding the problem and collecting information, preparing one or several proposals of action, and taking final decisions on the general course of action as well as on its detailed implementation.

With increasing levels of participatory leadership, more and more of these steps are delegated to the team. The illustration below shows the classic Tannenbaum/Schmidt continuum of leadership styles, from authoritarian decision-making to autonomous decision-making by the team.

The leadership style that is most suitable depends on the situation: on the decision to take and its context (urgency, criticality), on the team characteristics, and on the organizational context and culture.

Şekil 5: Liderlik tarzları



**Situational Leadership**

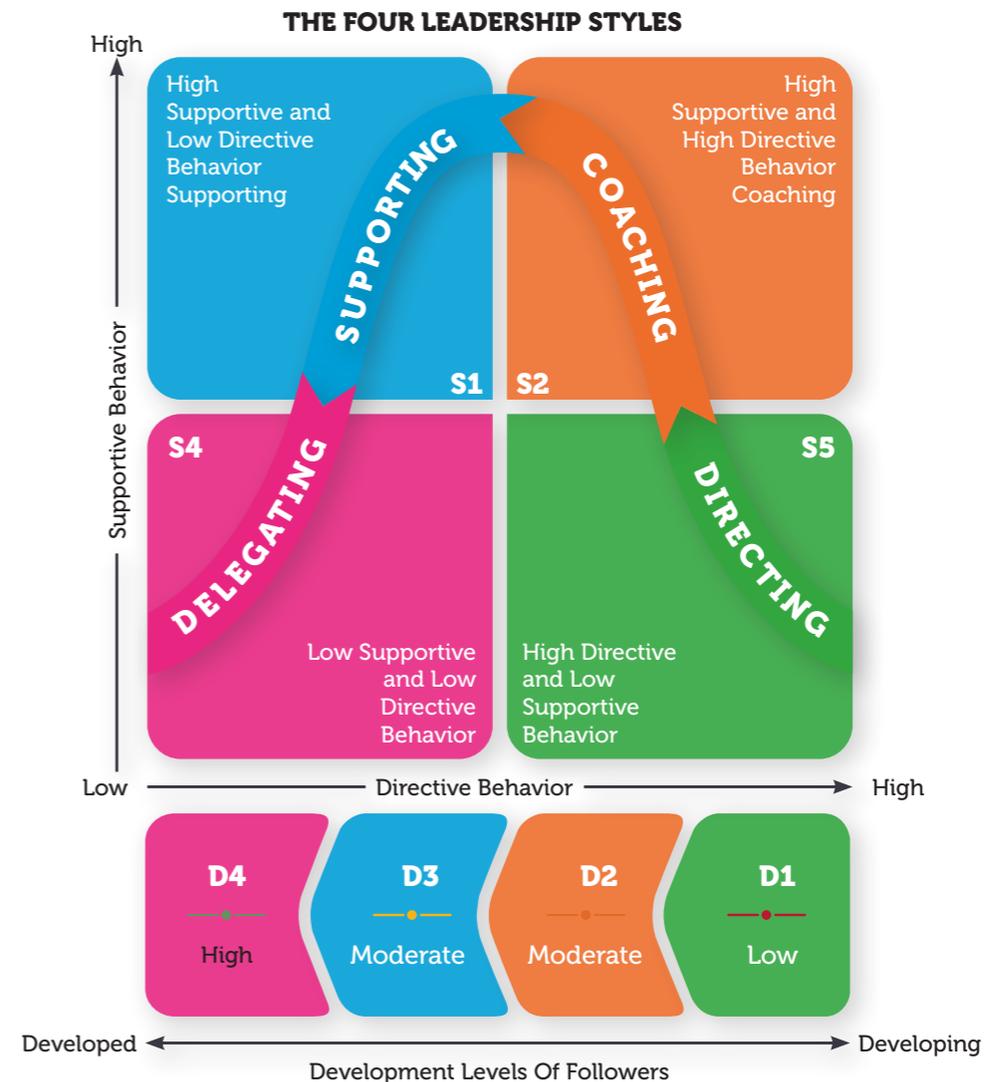
The "Situational Leadership II" model provides helpful guidance on how to adapt your leadership style to the needs and characteristics of individual team members and groups of staff or followers.

Leadership behaviour can be more or less people-oriented and supportive on the one hand, and more or less task-oriented and directive on the other.

The ideal combination of these behaviours depends on the development level of followers in terms of their competence and commitment.

As shown in the illustration, a directing and command-style leadership is most suitable for staff members with low levels of competence and commitment. With increasing levels of commitment, the model recommends a more coaching-style approach.

For followers with an intermediate level of competence and higher commitment, a supporting leadership style should show good results, while hands-off delegation is seen as most suitable for both highly competent and committed team members.



Source: Blanchard, K., Zigarmi, P., and Zigarmi, D. (2013). Based on the original model on situational leadership by Hersey and Blanchard (1969).

Figure 6: Situational Leadership II

### Leadership style self-assessment

**Instructions:** Read each item carefully and think about how often you (or the person you are evaluating) engage in the described behaviour. Indicate your response to each item by circling one of the five numbers to the right of each.

Table 21: Style questionnaire

1 = Never 2 = Seldom 3 = Occasionally 4 = Often 5 = Always	1	2	3	4	5
Tells group members what they are supposed to do					
Acts friendly with members of the group					
Sets performance standards for group members					
Helps others in the group feel comfortable					
Makes suggestions about how to solve problems					
Responds favourably to suggestions made by others					
Makes their perspective clear to others					
Treats others fairly					
Develops a plan of action for the group					
Behaves in a predictable manner towards group members					
Defines role responsibilities for each group member					
Communicates actively with group members					
Clarifies their own role within the group					
Shows concern for the well-being of others					
Provides a plan for how the work is to be done					
Shows flexibility in making decisions					
Provides criteria for what is expected of the group					
Discloses thoughts and feelings to group members					
Encourages group members to do high-quality work					
Helps group members get along with each other					

### Scoring

The style questionnaire is designed to measure two main types of leadership behaviours: task and relationship. Score the questionnaire by doing the following: first, sum the responses on the odd-numbered items. This is your task score. Second, sum the responses on the even-numbered items. This is your relationship score.

Total scores: Task \_\_\_\_\_ Relationship \_\_\_\_\_

### Scoring Interpretation

45 – 50 Very high range

40 – 44 High range

35 – 39 Moderately high range

30 – 34 Moderately low range

25 – 29 Low range

10 – 24 Very low range

The score you receive for task refers to the degree to which you help others by defining their roles and letting them know what is expected of them. This factor describes your tendency to be task-oriented towards others when you are in a leadership position.

The score you receive for relationship is a measure of the degree to which you try to make subordinates feel comfortable with themselves, each other and the group itself. It represents a measure of how people-oriented you are.

To gain more information about your style, you might want to have four or five of your co-workers fill out the questionnaire based on their perceptions of you as a leader. This will give you additional data to compare and contrast to your own scores about yourself.

### Succession Planning

In a mature governance structure, the board of directors is responsible for appointing a CEO successor. A succession plan will assist the board with this task – and if there is no strong board, it is even more critical to plan in advance to prevent a chaotic transition and detrimental power struggles at the top. Planning succession is not just about the founder and CEO. A succession plan will contain one or even several potential successors for each top position in the organization.

### Creating a succession plan

**Step 1:** Define the critical leadership capacities needed to fulfil your organization’s mission in the next three to five years.

**Step 2:** Assess the potential of your staff (current and future leaders) to take on greater responsibility.

**Step 3:** Create a clear plan for what leadership teams within the organization will look like in three years.

### Protecting the Mission

Succession of the founder(s) in a social enterprise that is incorporated as a business is not just about the right skills and culture. A main concern many founders have is how to protect the organization from mission drift in terms of compromising on the original vision for economic success. In addition to ingraining the mission in the culture and identity of the organization, the textbook approach is to create governance structures designed to rigidly safeguard the mission. It is critical to think about and implement this early on – once outside investors are engaged and have earned a right to sit on the board and co-shape the organization's strategy, it might be too late to install guidelines that could compromise their financial interests.

Table 22: Governance Models

<ul style="list-style-type: none"> <li>Controlling body within the organization</li> <li>Strong board of directors able and mandated to safeguard the mission</li> <li>Placing organization under external control</li> <li>Non-profit wing of the organization owning and controlling the for-profit entity</li> <li>Transferring majority of shares in the business to a foundation specifically created to serve and protect the mission of the organization</li> </ul>	 <p><b>Hybrid organizational models</b></p> <p>Example: Projeto CIES has created a “hospital in a truck” that has offered over 100,000 people in 28 Brazilian cities technology for 10 medical specialties</p>
--	---

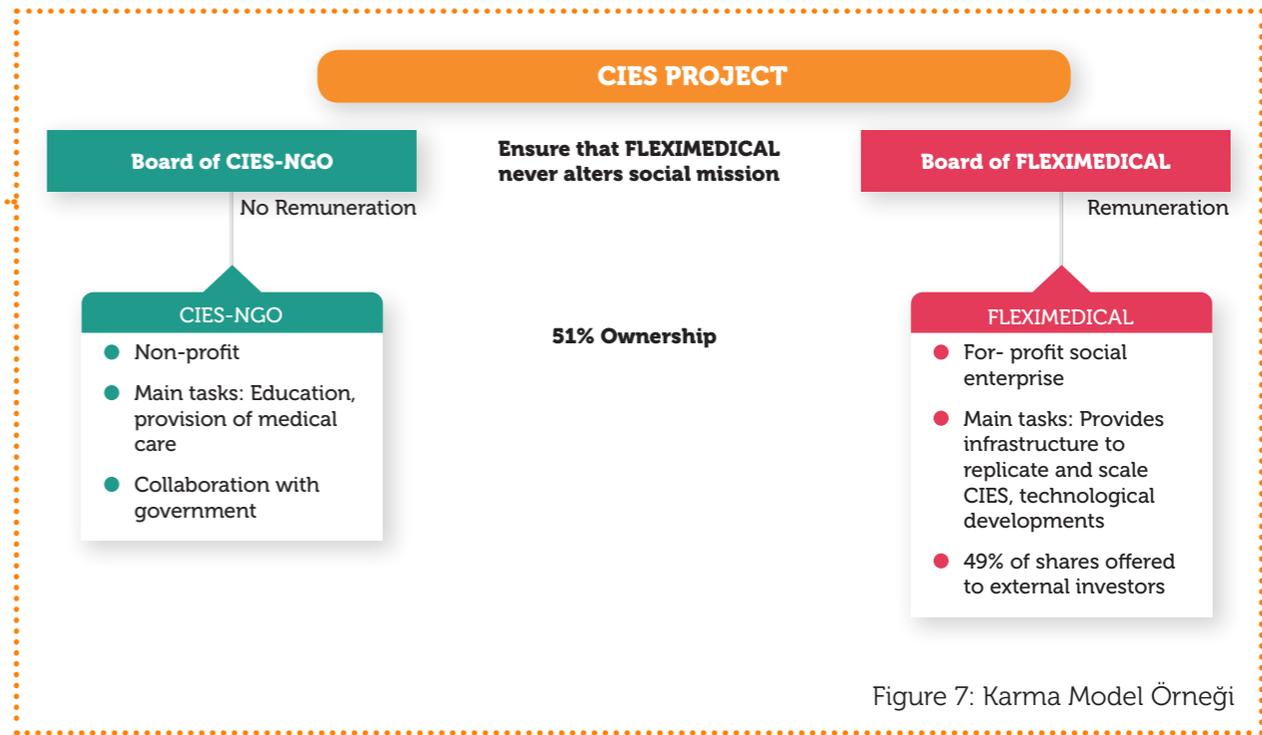


Figure 7: Karma Model Örneği

Table 23: Organizational Culture and Performance Guidelines

Organizational Culture	Performance Guidelines
<ul style="list-style-type: none"> <li>Openly and regularly discuss mission-related questions and potential tradeoffs within the core team to ensure transparency of arguments and strategic alignment</li> <li>Get the whole organization behind the mission through communication and awareness raising</li> <li>Emphasize cultural and mission fit in hiring decisions and support cultural integration and mission alignment</li> </ul>	<p>Especially for senior management, including CEO and CFO:</p> <ul style="list-style-type: none"> <li>Integrate mission-related goals into explicit performance expectations</li> <li>Ensure that compromising the mission can serve as a contractual reason for a termination of contract</li> <li>Draft clear guidelines for how to balance the social versus financial objectives of the organization</li> </ul>

### ■ Challenge 3: Balancing and Integrating

The third key leadership challenge of a social entrepreneur consists of two elements. One relates to balancing conflicting demands from the often-manifold roles and aligning daily work with actual strengths and preferences to ensure the highest effectiveness as well as motivation. The other is that this challenge is about integrating differing, often conflicting stakeholder interests inside and outside of the organization.

#### Balancing responsibilities and focusing

What is unique about social entrepreneurs is that they go far beyond their duties as leaders and managers of a single organization to achieve their mission. They also relentlessly advocate for their cause on any suitable occasion to achieve broader systemic change. Often, with increasing growth and acclaim comes more responsibility to represent the organization on a multitude of occasions related to, for example, fundraising, awareness raising, political advocacy and civil society coalition building, or spreading concepts and ideas through talks or direct consulting and training.

Torn between different aspects of their multi-faceted leadership roles, social entrepreneurs often have a hard time focusing on doing mainly what they are good at and also enjoy. Founders of a new organization often tend to – or have to – take over whichever responsibilities and tasks are not filled (yet) by suitable team members.

However, it serves the organization best if every member focuses on the tasks that are well aligned with their strengths and expertise. To keep up their spirits and energy, social entrepreneurs should also try to dedicate enough time to those tasks and responsibilities which they actually enjoy.

With organizational growth and professionalization, deliberate hiring and delegation are key to ensuring that the founders can focus energy and skills on what they do best and where they can put their hearts. But it is also important to base the allocation of time and energy on clear insight into what the organization really needs to fulfil its mission.

#### Integrating conflicting perspectives

Addressing the pressing needs of specific societal groups and often partnering with other institutions serving a similar purpose, social entrepreneurs are accountable to a diverse range of external stakeholders. Dealing with this situation is one of the key leadership skills most social entrepreneurs bring from the start.

This enriching, but also challenging diversity does not stop at the outer boundaries of the social enterprise. The diversity of stakeholders is also mirrored within the organization in terms of diverse backgrounds of staff, which brings together a variety of experiences but also sometimes very different perspectives or even conflicting logics and mindsets.

The social entrepreneurs perceive balancing responsibilities and stakeholder interests as more challenging when conflicts in the organization are stronger, probably because it makes the act of balancing external demands more difficult when internal stakeholders are in conflict as well. There was also a connection of conflict to the kind of people working with the organization. Emotional and

personality conflicts between members of the organization were reported as higher in organizations with more employees with a social work background. Conflicts related to different goals, mindsets or professional backgrounds were reported as higher in organizations with more employees with a business background.

Integrating different stakeholder groups is a key function of social entrepreneurs to make it easier for them to be replaced with a successor. To reduce this dependency, it might be helpful to establish a culture and practices across the organization that take advantage of diversity and integrate differing perspectives in everyday communication and decision-making.

#### Tools to Overcome Key Challenge 3: Balancing and Integrating

##### Managing Your Time and Energy

A key leadership insight is that the most valuable assets you have are your own time and energy, and it is critical to invest some time and thought into ensuring you allocate them in the most effective way.

The famous Eisenhower matrix helps to consciously face the key challenge of creating space for important work in a clutter of urgent tasks trying to eat up your time. However, the trick here lies in defining what is important to you. Look at your organization's true needs: what are your key income sources, strategic priorities, etc., and what is most important to achieve your core goals.

Another useful perspective of looking at your time is from your own strengths – to make sure you spend the most time on what you can do best and/or nobody else in the organization can do (better) – and your personal preferences, to make sure you spend time on what you actually like to do and what increases your motivation and energy levels.

You can also square your preferences in a similar way with the analysis of whether a specific task needs to be done by you. This can be the case because there is nobody else with the skill or ability, because of legal duties such as related to a CEO role, or because of representative duties as the public face of your company.

Another classic that is often recommended is the Getting Things Done system that can serve as inspiration or be fully implemented as a workflow system complete with all-aligned office set-up and software applications.

Table 24: Önem Önceliklendirmesi

	URGENT	IMPORTANT
IMPORTANT	<p>Urgent and important</p> <ul style="list-style-type: none"> <li>– Unexpected crises</li> <li>– Key deadlines</li> <li>– Key meetings</li> </ul> <p><b>IMMEDIATELY do yourself</b></p>	<p>Important, but not (yet) urgent</p> <ul style="list-style-type: none"> <li>– Key projects</li> <li>– Strategic planning</li> <li>– Health and family</li> </ul> <p><b>PLAN time to do yourself</b></p>
LESS IMPORTANT	<p>Urgent and less important</p> <ul style="list-style-type: none"> <li>– Technical crises</li> <li>– Other deadlines</li> <li>– Other meetings</li> </ul> <p><b>DELEGATE and shift remaining own involvement to less productive time</b></p>	<p>Not important and not urgent</p> <p><b>Do NOT WASTE TIME on these</b></p>

Table 25: Çok İyi Yapılanlar/Çok İyi Yapılmayanlar

	Like to Do	Don't Like to Do
Can Do Very Well	<p>"Your way to success" Your unique contribution to your organization. These tasks should make up at least 60% of your time – the more, the better</p>	<p>"Necessary evils" Delegate or try to change your attitude, and keep at maximum 25% of your time, if possible</p>
Cannot Do Very Well	<p>"Guilty pleasures" If they are not too important for your success, keep some of them that make you happy, but limit to maximum 20% of your time – and do consult with experts</p>	<p>"Help wanted" Try to find the resources to delegate or outsource to competent others; find a way to automate the tasks, or delete if not important</p>

### From Autocratic to Collective Leadership

In a common, vertical leadership model, it is the task and responsibility of the leader to integrate all the differing or even conflicting perspectives of followers or other stakeholders. Approaches of collective leadership such as democratic, consensus or consent decision-making shift this weight from one specific person towards a process designed to leverage collective intelligence and to take into account the needs of all affected parties.

Table 26: Decision-making system

	Advantages	Disadvantages
<p><b>Autocratic</b></p> <p>Leader is taking decisions, free to consult followers or not</p>	Fast decisions, effective and powerful	Excluding others from decision-making and loss of their potentially valuable contributions; Discouraging follower participation and de-motivating; Dominating and potentially abusive
<p><b>Majority vote</b></p> <p>Democratic decision-making by vote</p>	Including more perspectives and knowledge; Higher legitimation of results and more buy-in from affected parties; Fairness and transparency	Slower processes; Important minority perspectives can be neglected; Danger of short-sighted decisions, populism and tactical coalitions to ensure re-election
<p><b>Consensus</b></p> <p>Everyone contributes and fully agrees</p>	High buy-in, pooling of information; High motivation, low hierarchy; Embracing and leveraging diversity	Often slow and ineffective; Individual opinions and ego can block progress; "Tyranny of consensus"
<p><b>Consent</b></p> <p>Proposal is accepted if there is no valid/ grave objection</p>	Integration of key perspectives as in consensus but without most of the disadvantages, especially when clear process guidelines are applied	Requires a clear goal or purpose for the organization or group as a whole, enabling clear guidelines on what kind of objections are considered as valid for the group

### Integrated Decision-Making Process

A specific process for consent decision-making, the "Integrative Decision-Making Process" presented here is part of the organizational model and set of tools called Holacracy®.

Based on the sociocratic method of organizing in circles and deciding through consent, Holacracy® aims to provide a comprehensive set of governance systems, rules and procedures for a highly effective organization that applies the principles of dynamic self-governance and uses the full potential of its members.

To create a fast and effective process for consent decision-making, it is essential that the overall purpose of the group or organization is clear, and guidelines are derived from this to define what should be counted as a "valid" objection to a proposal. To raise a valid objection, there needs to be a clear argument why a given proposal would threaten or impede progress towards the overall purpose of the organization. Additional criteria can be defined, such as ruling out objections that are based on mere speculation about potential future problems – in a dynamically governed organization, agreements can be changed whenever such future problems would actually arise.

**Step 1:** Present proposal Who speaks: Proposer only, unless help is requested. The proposer has space to describe a tension and state a proposal to resolve it, with no discussion. The proposer can optionally request a discussion just to help craft a proposal, but not to build consensus or integrate concerns.

**Step 2:** Clarifying questions Who speaks: Anyone asks, proposer answers; repeat as needed. Anyone can ask a clarifying question to seek information or understanding. The proposer can respond or say "not specified". No reactions or dialogue allowed.

**Step 3:** Reaction round Who speaks: Everyone except proposer, one at a time. Each person is given space to react to the proposal as they see fit; reactions must be made as first or third person comments. No discussion or responses.

**Step 4:** Amend and clarify Who speaks: Proposer only. The proposer can optionally clarify the intent of the proposal further or amend the proposal based on the reactions, or just move on. No discussion is allowed; the facilitator cuts off any discussion or comments by anyone other than the proposer.

**Step 5:** Objection round Who speaks: Everyone including proposer, one at a time. The facilitator asks each person in turn: "Do you see any reasons why adopting this proposal would cause harm or move us backwards?" (an "objection"). Objections are stated, tested for validity and captured without discussion; the proposal is adopted if none surface.

**Step 6:** Integration Who speaks: Mostly objector and proposer; others can help. The goal is to craft an amended proposal that would not cause an objection, but that would still address the proposer's tension. Focus on each objection one at a time. Once all are integrated, go through another objection round

## ■ Key Challenge 4: Personal and Professional Development

Leadership – and leadership skills development – is first and foremost about self-leadership and self-development. While both technical and management skills will be necessary to found and lead an organization to success, it takes great clarity of mind and high awareness for complex realities to craft trailblazing strategies. A mature personality is needed, for example, to strike the right balance between showing pathways forward while empowering team members. Especially in the field of helping others and solving social problems, the critical role of strong personal ethics should be emphasized.

Concerning their development as effective leaders, entrepreneurs need to reduce the role of the ego in decisions and conflicts, and the value of religious values or spiritual practices such as meditation to achieve this goal.

Mastering the fourth key challenge of personal development is the basis for mastering all the other challenges. For example, it became clear from cases of conflict with newly hired managers or accounts of disappointed staff that the attitude and level of awareness of the founder is a main success factor for building – and retaining – a strong management team, which is the top key challenge of seasoned social entrepreneurs, according to the global survey. Similarly, effective delegation and succession planning appeared to depend heavily on the founders' realization of ever-present change, including their own limitations and finiteness. Self-management in terms of balancing responsibilities and focusing one's own time and energy on the right kind of tasks undoubtedly also depends on inner qualities of leaders that enable them to identify the right priorities and act accordingly, which often means doing less.

### Tools to Overcome Key Challenge 4: Personal and Professional Development

#### Most Helpful Resources

In terms of outside help or additional learning, the following three helpful resources for leadership challenges also rank highest among how they would like to be supported in the future:

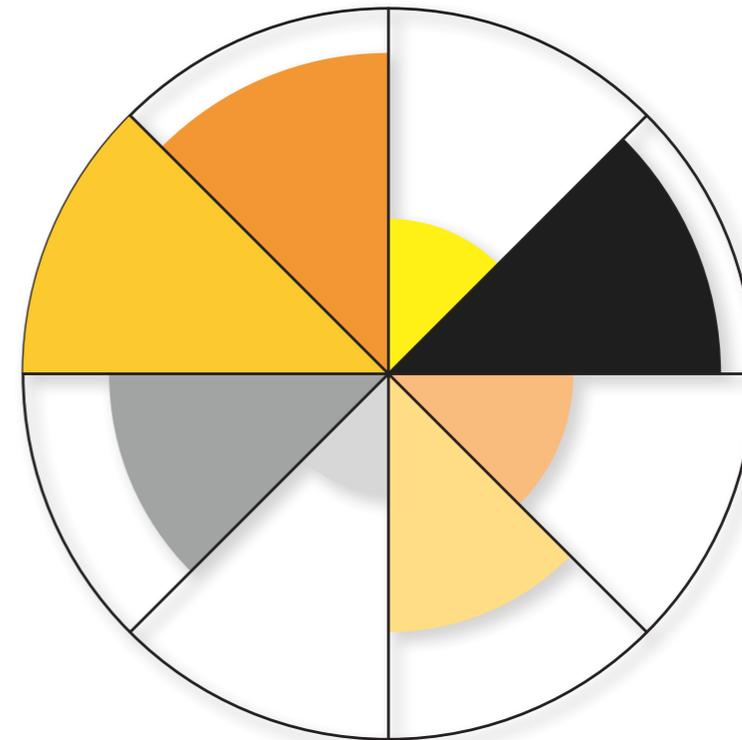
1. Informal exchange with other leaders, consultants or social entrepreneur peers
2. Cases and best-practice examples
3. Coaching or mentoring

#### Setting Personal Development Goals

Unfortunately, there is no turnkey way to personal development. Improving self-leadership needs to be steered just as proactively towards a specific vision as the leadership of an organization and/or social movement. The essential starting point is to become more aware of your inner context, potential and challenges. Discovering "blind spots" and translating them into development opportunities is the key message of classic concepts such as the Johari Window.

There are many ways to analyze your status quo and identify room for improvement. The 7 Habits of Highly Effective People is another classic that was recommended in many interviews, and social entrepreneurs also reported the revealing effect of the Wheel of Balance exercise. However, do not focus only on apparent problems and weaknesses, but appreciate your strengths and talents, and build on whatever works well for you.

Şekil 8: Wheel of Balance



Coaching tool to identify areas in your life needing more attention:

1. Define up to 10 key areas in your life or roles that apply to you
2. Evaluate your satisfaction level on a scale from 1 to 10
3. Set a desired satisfaction level for each area
4. Analyse differences to create your goals and roadmap
5. Write down clear measures for each goal and track your progress

Free templates available online, for example at [www.mindtools.com](http://www.mindtools.com)

Source: Covey (2004)

### Personal Development Toolbox

Engaging in personal/leadership development seminars will help you to start compiling a personal toolbox of exercises and practices to support you. Pick and choose according to your preferences and needs, but make sure to cover the four fields of body, mind, spirit and the social/emotional sphere. Stay open and try out new things – and then make sure to integrate what works best for you into your routines.

Table 27: Examples of personal development tools

**Coaching** is a classic and effective way to get personal feedback and tailored advice. More senior leaders in particular can take great advantage of regular professional coaching to uncover remaining blind spots after years of successful practice, or identify the need to change previously suitable strategies or attitudes. Such coaching sessions, however, must not be misconstrued as the main or only time to dedicate to personal development, but merely as interim reflection points and as a source of new impulses along your self-guided trail.

**Peer-coaching** can also be a valuable approach to get free advice from those who know your situation best: other social entrepreneurs or leaders with similar challenges. Ideally, there should be regular meetings among a more or less fixed group of leaders. You can consult a professional coach in the beginning for advice on how to best structure these meetings.

**Personal retreats** for reflection can be an important tool and should be just as natural as your annual team retreat.

Reserve some time by yourself, for example near the end of the year or around your birthday; go through your diaries or look back at your goals a year ago, your achievements and unexpected events during the year, and emergent themes for the upcoming months and years. Stop, reflect and move on with renewed clarity and purpose.

**Mindfulness** practice can help you to develop calmness and clarity of mind, and real presence in the moment.

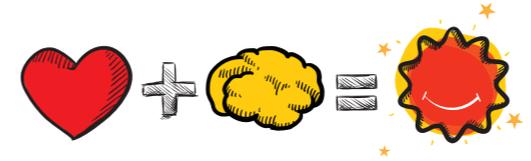
An increased awareness of both complex outer realities and your true inner voice will serve as a basis for great leadership of yourself and others. Commonly linked mainly to Buddhist traditions, mindfulness can be pursued through meditation or similar practices rooted in many different cultural and spiritual traditions.

**Theory U** – “Leading from the future as it emerges”. In his work on Theory U, Otto Scharmer speaks of the “inner place” from which a leader operates as the common “blind spot” of leadership.

To explore this place, the U-Process takes a person or group through five fundamental movements, from observing down into the inner world and back to the outside for prototyping and inspired, creative action. The U-Process can be applied to both personal and facilitated leadership development.

## ■ Suggested Reading Within the Scope of Leadership and Human Resources

- Below and Tripp, 2010: “Freeing the Social Entrepreneur”, SSI
- Blanchard et al. (2013). Leadership and the One Minute Manager – Increasing Effectiveness through Situational Leadership II
- Comprehensive free guidebook: [www.bridgespan.org/plan-a-leaders](http://www.bridgespan.org/plan-a-leaders)
- Covey, S. R. (2004). The 7 Habits of Highly Effective People: Powerful Lessons in Personal Change. Covey, S. R. (2003). The 7 Habits of Highly Effective People: Personal Workbook; Mindtools (2014). The Wheel Of Life, [www.mindtools.com/pages/article/newHTE\\_93](http://www.mindtools.com/pages/article/newHTE_93).
- GIZ (2013): AIZ Leadership Toolbox – Leadership for Global Responsibility: [www.giz.de/akademie/de/downloads/giz2013-de-aiz-toolbox-leadership-development.pdf](http://www.giz.de/akademie/de/downloads/giz2013-de-aiz-toolbox-leadership-development.pdf)
- Jon Kabat-Zinn, Wherever You Go, There You Are. Mindfulness Meditation in Everyday Life. Scham-er, C.O. (2009)
- Petrie, N. (2011). Future Trends in Leadership Development, [www.ccl.org/leadership/pdf/research/futuretrends.pdf](http://www.ccl.org/leadership/pdf/research/futuretrends.pdf)
- Recommended reading: [www.bridgespan.org/leadership-development-toolkit](http://www.bridgespan.org/leadership-development-toolkit)
- Schwab Foundation (2012): The Governance of Social Enterprises
- Schwab Foundation for Social Entrepreneurship, Leadership in Social Enterprise How to Manage Yourself and the Team, 2014: [http://www.schwabfound.org/sites/default/files/file\\_uploads/leadership\\_in\\_social\\_enterprise\\_2014.pdf](http://www.schwabfound.org/sites/default/files/file_uploads/leadership_in_social_enterprise_2014.pdf)
- Shortcut Summaries. (2012). Getting Things Done: A Time Saving Summary of David Allen’s Book on Productivity
- Tannenbaum, R., and Schmidt, W. H. (1973): How to Choose A Leadership Pattern. HBR.
- Theory U – Executive Summary: [www.presencing.com/sites/default/files/page-files/Theory\\_U\\_Exec\\_Summary.pdf](http://www.presencing.com/sites/default/files/page-files/Theory_U_Exec_Summary.pdf)
- Toolkit and free self-assessment: [www.bridgespan.org/leadership-development-toolkit](http://www.bridgespan.org/leadership-development-toolkit)
- [www.bridgespan.org/assessing-candidate-fit](http://www.bridgespan.org/assessing-candidate-fit)
- [www.bridgespan.org/conducting-successful-interviews](http://www.bridgespan.org/conducting-successful-interviews)
- [www.bridgespan.org/nonprofit-hiring-toolkit](http://www.bridgespan.org/nonprofit-hiring-toolkit) [tools and guidance for all steps of the process]
- [www.bridgespan.org/sample-interview-questions](http://www.bridgespan.org/sample-interview-questions)
- [www.bridgespan.org/screening-resumes](http://www.bridgespan.org/screening-resumes)
- [www.holacracyone.org/resources](http://www.holacracyone.org/resources)
- [www.sociocracy.info/what-is-sociocracy](http://www.sociocracy.info/what-is-sociocracy)



## PART 6: SOCIAL MEDIA MANAGEMENT AND STORYTELLING

Social Media Management: Pınar İlkiz, Pikan Ajans  
Storytelling: Şeyda Taluk, Bahçeşehir University



## PART 6: SOCIAL MEDIA MANAGEMENT AND STORYTELLING

### Social Media Management

All institutions/entities want to convey their message to larger audiences by using their knowledge and experience, and they use various methods to achieve this. What differentiates them from the others is not using the information, but using the information strategically and even with strategic tools. Using the information strategically as a whole consists of the method of using the information or selection of the means that are used to present the information to achieve the final goal (more funds, obtaining investments or donations, gaining more followers, etc.).

Having planned communication and determining the target and the addressed audience correctly ensures that the final goal is achieved faster. Because planning the communication will mean getting the maximum benefit in optimum time. Planning which messages and communication channels/platforms will be used and the duration/frequency of the communication makes it possible to make both short- and long-term plans.

When planning the communication activities, the first and principal need is having a guide. This guide is necessary for everyone who assumes the position to render the workload sustainable, independent of the current employee's knowledge and capacity. A guide which contains information about the obligations of the position, what kind of communication it should have with the internal departments, how the information flow is provided, who the position reports to, which platforms are used and which basic rules should be followed in these platforms will define the workflow and responsibilities for both the position and the people/departments that have contact with it more clearly.

Setting goals which are incompatible with the human resource may be the first mistake made. After creating such a guide, SMART (Specific, Measurable, Achievable, Relevant, Time-bound) goals which are related to the work and make the current workload more apparent can be set. SMART goals would also make things easier when giving reports about the operations due to their inherent rules as they will ensure that goals which are measurable and dependent on the schedule are set in the first place.

Now, the platforms that you will start using can be decided on in direct proportion to the existing workforce.

#### Character Limits and Ideal Lengths of the Platforms to be Chosen

Social media platforms have different character limits for sending messages or choosing a user name (See Table 28). If the messages are planned by taking these character limitations into account, multiple platforms can be used consistently.

Sometimes character limits may make it impossible to get the same user name in all platforms. In such cases, if it is desired to use the same user name in all platforms, a name which can be used on the platform which allows the lowest number of characters should be chosen. Then, it should be made sure that this user name is not being used by someone else. For this reason, checking the availability of the name beforehand would save time. Namecheckr shows the availability of the desired name on social media platforms on a single screen.

Table 28: Character Limits

Facebook content limit: 63,206 characters
Facebook user name limit: 50 characters
Facebook page description: 155 characters
Facebook comments: 8,000 characters
Ideal Facebook content: 40-80 characters
Maximum Tweet length: 280 characters
Private messages: 10,000 characters
Maximum Twitter user name length: 15 characters
Maximum Twitter profile name length: 20 characters
Ideal Tweet length: 71-100 characters
Instagram description limit: 2,200 characters
Instagram hashtag/label limit: 30 labels
Instagram profile description limit: 150 characters
Instagram user name limit: 30 characters
Ideal Instagram description length: 138-150 characters

Resource: [sproutsocial.com](https://sproutsocial.com)

#### Completeness of the Information

Before starting communication (i.e. before starting to use the channels/platforms chosen for communication), there are a few more steps which need to be completed. Let's assume that Facebook, Twitter and Instagram were selected as the social media platforms to be used. The first thing to be done is filling out the sections called "About" and "Our Story" or profile information completely. People who want to get an idea about the work being done or make an investment start their investigation by using search engines or social media platforms. Thus, before a person or organization finds a chance to express himself/herself or itself face to face, people come into contact with their storefronts. Hence, the storefront should be complete and orderly.

If certain content is desired to be remembered with the subject being worked on, a tag about this subject can be created and it can be used in the service texts of all possible content. This tag can also be added to the Twitter profile to direct the users with regard to the search they will perform.

#### The Language to be Used and Consistency

Buraya kadar olan kısmı binanın zemin katıydı. Artık yavaş yavaş katlar çıkılmaya başlanabilir. İlk olarak en önemli kriter kullanılacak dildir. Nasıl bir dil kullanılacağına, samimi mi yoksa mesafeli mi olunacağına, kurumun ilkeleri ve hitap ettiği kitle doğrultusunda karar verilmelidir. Ama karardan ziyade kural olarak koyulması gereken, dilin tutarlı olmasıdır. Buna en somut örnek dijital platformlarda bir iletide "A mekânında B etkinliği gerçekleştirdik" denirken başka bir iletide "A işbirliğinde gerçekleştirilecek B etkinliğine davetlisiniz" yazmaktır. Bu şekilde bir tutarsızlıktan kesinlikle kaçınılmalıdır.

## Tagging

Tagging people and organizations who are worked with on Facebook, Twitter and Instagram (if their profile settings allow it) should not be forgotten. As well as tagging organizations or people, Facebook also allows the tagging of events. Therefore, when deciding on the names of the events, this can also be taken into consideration.

Regarding tagging, when replying to a person or an organization or tagging them in content on Twitter, it should be ensured that the content is not started with the @ symbol. For example, when someone participates in one of Mikado's events, if they write "@Mikado\_info it was a very nice event, thanks!" after the event, Twitter perceives this content only as a conversation between Mikado and that person or institution. And this content can only be seen by the people who both wrote the Tweet and follow Mikado. This problem can be solved by either placing the user name at the middle or end of the sentence such as "Thanks to @Mikado\_info for today's lovely event!" or a dot can be placed before the user name such as ".@Mikado\_info it was a very nice event, thanks!".

## Sharing

When a link is going to be posted on Facebook, the link is automatically fed to Facebook, and Facebook displays the title, image and the first sentence of the text. Therefore, when this feeding occurs the link can be deleted. The content of the link remains there.

It should be ensured that the shared links do not start with "m". Links which start with an "m" display the mobile version of the link. If the link is shared this way, the title, image and text may seem too large for a person who views it on a desktop computer.

## Access and Interaction Data

View, access and interaction data of content can be viewed under "Insights" on Facebook (facebook.com/nameofyourpage/insights), by Twitter Analytics on Twitter (analytics.twitter.com) and under "View Insights" found immediately below each content or by clicking the icon which looks like a column chart located beside the "Archive" icon on the top right of the profile's home page on Instagram's mobile application. On Instagram, "Switch to Business Profile" should be selected under account settings to switch to business profile and connect to the Facebook page.

Data to be collected from these forms of media will determine the changes to be made to the communication strategy. The data will give an idea about what has been successful, what goes well and what should be repeated. There should be no hesitation in repeating successful content. Instead of being eliminated immediately, unsuccessful content may be reposted again later by changing a certain part (text, title, image, etc.).

## Planned Posts

It is not always necessary to be using a PC or phone to post content. Facebook's "Schedule" function or Twitter's TweetDeck application can be used to plan content in advance and post it when desired. Hootsuite and Buffer would make it easy to manage/plan both Twitter and Facebook posts over a single platform. Instagram has also opened the timing feature to those who are using HootSuite or Sprout Social platforms or those receiving services from any company that operates as a Facebook Marketing Partner or Instagram Partner.

## Announcements

As well as using platforms such as Facebook, Twitter or Instagram, sending e-bulletins or mass mails can also be preferred to announce news, successes or partnerships. E-mailing systems such as MailChimp, Sendinblue or Mad Mimi can be used to notify the followers, members or target audience about activities with a certain frequency (such as once a month, or once every 15 days). If there is a language barrier, InboxMailmarketing can also be counted among the services that can be chosen. This makes it possible to have continuous communication with the audience. People who do not use platforms such as Facebook, Twitter or Instagram can also be included in the communication.

## Security

It is necessary to pay attention to security while using social media platforms. Despite changing passwords regularly and using strong passwords, the allowed applications may also pose a risk to security. Checking which applications had been granted permission to access information from the "Applications" section of Facebook and Twitter and removing the unnecessary applications would provide a certain degree of security.

## Recommendations:

1. Write a guide before the strategy.
2. If the strategy is written for digital media, it should be updated every six months.
3. The business and operation should be described with short sentences.
4. Use consistent language.
5. Repeatedly test the content.
6. Do not leave the audience uninformed and maintain communication frequency.
7. The other platforms where the organization has a presence should be promoted in the platforms used to increase the size of the audience.
8. Have a few things to say about the links to be shared; prepare content which encourages people to talk and exchange their opinions.
9. A very long link should be shortened by using the link shortening platforms to make it easier to remember.
10. The links to be written on images should not be written unless they are short or clear enough to allow the users to manually write them down.

## ■ Tools Available for Social Media Management

### Timing Tools

<https://buffer.com/>  
<https://hootsuite.com/>

### Social Media Domain Name Checker

<https://www.namecheckr.com/>

### URL Shortener

<https://bitly.com/>

### E-bulletin/Mailing

<https://mailchimp.com/>  
<http://www.inboxmailmarketing.com/>  
<https://madmimi.com/>  
<https://www.sendinblue.com/>

### Facebook Security

<https://www.facebook.com/settings?tab=applications>

### Twitter Security

<https://twitter.com/settings/applications>  
<https://sproutsocial.com/insights/social-media-character-counter/>

## ■ Storytelling

### Storytelling for Social Entrepreneurs

I remember a conversation with a social entrepreneur whom I respect. This entrepreneur, who was appreciated worldwide and had realized revolutionary studies in their field in Turkey, was unfortunately not adequately known in Turkey and the necessary target audiences were unaware of their works. They told me that people neither understood nor wanted to understand them or their work. This persistent and visionary entrepreneur, who managed to overcome the most challenging obstacles in their work, was caught in the “communication” trap and having difficulty in telling their story to the correct target audiences. After patiently listening to their prejudices regarding communication and media, I asked a few simple questions and tried to talk about the communication process which is extremely easy. However, his attitude regarding this was “I do my job in the best way possible, and those who are capable can understand it”.

Knowing oneself is a precondition for being able to express oneself correctly and effectively. This means that the concerned person should be aware of their values. These are the values that are communicated by our stories. Our stories and values inspire actions and changes through emotions...

Since ancient times, the art of storytelling is the oldest known and universal method of influencing and convincing people. Therefore, storytelling has now become one of the most important strategic methods of effective communication.

A story means interpreting and narrating a previously conceived experience with details and emotions which would make the audience feel like they are experiencing it first-hand.

A story shapes people's perception of you. It empowers. The stories told detach the audience from their own reality and introduce them to different emotions in a world with clear boundaries for very short periods of time. And emotions play an active role in decision-making. Sometimes reason and logic are not sufficient to influence and convince people, and this is where emotions step in. And telling stories is the most effective tool that can be used to influence emotions, or in other words, the right side of the brain.

Aristotle talks about the importance of effective speaking in his work named Rhetoric. He says, "There is no one that a good orator cannot convince".

Research shows that we are telling stories in 65 percent of our conversations. Neuroscientists say that stories are 22 times more memorable than real events and numbers for the human brain. Stories have the power to shape the lives of both the narrator and the audience. Our personal experiences, or in other words, the stories which we are the subject of, make us the person we are today. And sharing this journey in a passionate and sincere manner makes us inspiring leaders.

To be able to write their stories, social entrepreneurs should first answer the following questions:

1. Which problem are you solving? What is the story of the problem that you have solved that affects daily life?
2. How will your solution change people's lives?
3. When did you first realize this idea?
4. How did you commit yourself to solving this problem?
5. Who are the people you really want to influence and convince?

### WHY?

Storytelling is an oral communication method which focuses on “why” and “how” something happened, rather than “what” happened. Generally, we focus on what we have done in our speeches and presentations. I recommend watching Simon Sinek's famous TED talk titled "How Great Leaders Inspire Action". Here you will find very useful tips about the priority you should give to the question “why” to be able to lead people.

Please specify your reason with 6 words to summarize your thoughts:

- Why did you initiate/establish this enterprise? (Remember that you should write your personal reason, and not your goal, here.)
- Are your personal values also visible within your reason?
- Why are you telling this story? What do you want to achieve by telling this story?
- What is the takeaway you want your audience to leave with?
- What kind of a change/action do you want to trigger in them? What do you want the audience to think and feel?
- Where do you want to take the audience? What do you want them to think, feel and do after listening to this story?
- Where do you want to go?
- Allow yourself some time to carry out this work. Check what you have written after a while. Evaluate it with your friends, family and colleagues.

**Table 29: My Reason in 6 Words**


### WHAT?

Stories are the easiest way of conveying your messages. First of all, decide on the messages you will convey. Think about the takeaway of the story that is being told and relate it to the things you will narrate. Will we only hear about how great you are and your skills in overcoming challenges or do you have a message that you want to communicate to the audience? Here I should quickly remind you that you can only include a maximum of 3 messages in a story or presentation. Conveying more messages would only lead to confusion. Speaking is an irresistible passion for many people. While speaking on the stage is daunting for some people, it is an opportunity to get everything off their chests for others. There is something such as the desire to talk. When we have an opportunity, we want to describe everything in full detail. So, I should remind you that you are not there to talk about yourself, but to share your stories in accordance with your purpose.

**Table 30: What is the desired message?**

•	.....
•	.....
•	.....

Actually, there is a road map for storytelling. Now, let's take a look at this map.

1. The title is the center of everything. The title tells us what the story is about.
2. Background: The situation which caused us to face this situation.
3. The title is the center of everything. The title tells us what the story is about.
4. Background: The situation which caused us to face this situation.
5. Opportunity is the challenge we are facing, and if we have to put up a struggle against this, it means that there is also an opportunity. And what is this opportunity?
6. The steps taken to change this situation, the details. In other words, the message you want to give. Meanwhile, do not try to give too many messages. You can add details which will make people laugh and feel relaxed, but do not forget that you are not a comedian.
7. And the Solution/Reward is choosing a different lifestyle and breaking the routine...

**Table 31: Map of Storytelling**

Title of the Story:	<hr/> <hr/>
The Situation or the Desired Situation:	<hr/> <hr/>
Problem or Obstacle:	<hr/> <hr/>
Solution or Problem:	<hr/> <hr/>

Hikâye yazılırken yararlanılacak ipuçları Table 32'de görülebilir.

**Table 32: Phrases Which Will Hook the Audience**

1. Talk about an event which the audience will consider to be impossible or interesting.
2. Find a key sentence which strengthens and complements your story.
3. Use a metaphor, analogy or a poetic phrase to let the audience make a comparison.
4. Show two conflicting ideas.
5. Use your intelligence and humor. If you have an idea about where you will be talking and the audience, include humor if it is appropriate for the subject and the audience.

### Preparation for the Story

The reason for telling stories is to cause a social change, altering people's opinions in the manner you wish, and convincing them to join you in your journey. And the most effective way of achieving this is convincing them that the problem you solve or the cause you defend is for the good of them, the whole and the society with the help of your stories.

Therefore, a good story is focused. The audience should be able to understand your purpose clearly and easily. Would an unfocused story which lacks structure be capable of helping you achieve your goal?

A good story has a positive tone. Although it involves challenges, it should have a happy ending and give hope. A good story requires preparation. Many people find making preparations and reading a previously written text unnatural. Being a good storyteller requires making preparations and practicing a lot.

A good story needs to have an established framework. You have to tell the audience what the meaning of something is and what it isn't to be able to take them on the journey you want and make them fully understand the importance of your purpose.

A good story requires doing rehearsals. In some cases you can give improvised speeches by trusting your instincts without prior preparation or rehearsals, but you need to do rehearsals before giving a speech to a large audience or being interviewed by the media.

Many people think that their personal stories do not have any effect and it is sufficient to only provide information about the work they do. And some people think that they do not have stories that are worth telling. If you want to strengthen participation and lead masses, you have to trust your stories and their captivating power. Stories have an indisputable effect on people. Stories are not only a communication method that lets you impress people with your past experiences and achievements, but also a journey that lets them imagine the world that you are striving to create.

Start writing your story in accordance with the below plan. The first and final sentences of the story are very important. Therefore, carefully deliberate on them. You should get the attention of the audience with your first sentence:

**Table 33: Preparation for the Story**

<b>Introduction</b>
Draw Attention Focus Reveal the Goal First Impression

<b>Body</b>
Your Story... Message and Support Message and Support Message and Support The Story Continues...

<b>Conclusion</b>
Remind the Audience of the Message Call to Action While Giving the Messages

The art of storytelling is the oldest known and universal method of influencing and convincing people. People seek "good reasons" when they are making a decision. And stories provide these "good reasons" to the people. Neuroscientists say that stories are exactly 22 times more memorable than facts and numerical data for the human brain.

## How Can You Use Storytelling in Your Presentations?

In fact, one of the biggest reasons why storytelling is becoming more important is that people no longer find “power point” presentations interesting and they find it difficult to maintain their focus for such a long time. TED talks are perfect examples of storytelling. The only way of conveying your message effectively by talking concisely is telling your stories.

Despite this, in many cases people still prefer using presentations. Therefore, I would like to share small recommendations about how you can include stories in your presentations:

- The presentation should begin with a short, simple and memorable introduction.
- A story about the problem solved or the value presented should be told. This will be decided by the person who will tell the story and the data should be placed very carefully here.
- The proposed solution and story should be shared with “Your Story”. How did you decide to become a Social Entrepreneur? Which conditions made you take this decision?
- A beautiful “Story About the Future” should be told. What kind of a world do you dream of? How will you change the world?: What will the world be like after the problem you are trying to solve has been solved?
- The story of the enterprise should be shared with “Our Story”. (Why does the enterprise need money and support, what this money will be spent on, what are the steps?)
- The action plan should be shared.
- The presentation should be concluded with an inspiring ending. If you would like, you can also share an experience/memory here. Regarding this, please watch the ending of the TED talk below.

## The Following are Necessary for Good Storytelling:

- Planning the story. What is important for the audience? The message and its effect on the audience should be considered.
- The story should be kept short. (3-5 minutes)
- An efficient story contains a challenge or conflict, this should not be ignored.
- Thinking visually.
- Being creative.
- Working on the tone of your voice.
- Not memorizing, but narrating the story.
- Doing a rehearsal.
- If a presentation will be made, using images and graphics.
- The opening and closing sentences should be chosen carefully.
- Most important of all, being original.

## These Should be Kept in Mind:

- Only focusing on telling stories should be avoided, and the stories of others should also be listened to.
- Stories do not have a formula.
- The introduction and conclusion sections, and especially the last words should not be ignored.
- In risky and difficult situations, the story should be written and worked on very carefully.
- The story should stick to the subject and should not have too many details.
- The end of the story should be meaningful and relevant to the entire story.
- People’s feelings should not be toyed with.
- The story should be told correctly.
- Stories of others should not be told. If these will be told, be sure that references are given.
- The stories of others should be shown respect. The principle of trust should not be forgotten.

## READ

### Simmons, Annette, *The Story Factor* (2008)

You can find step-by-step tips about storytelling in this book which explains that stories, which are the oldest means of influencing people, are also the strongest tool that can be used in communication.

### Gallo, Carmine, *Talk Like TED* (2015)

This book, which includes many pieces of important information for being able to make an effective, convincing and inspiring presentation, contains important examples about storytelling.

### Aristotle, *Rhetoric*

The oldest known and most important work concerning the art of effective speaking.

## WATCH

### 12 Angry Men (1957)

The film is about the efforts of a jury member who tries to convince the remaining eleven members of the jury about the innocence of the suspect on trial. While watching this film, which gives important lessons on leadership and convincing people, browse the following links:

### The Great Debate: THE STORYTELLING OF SCIENCE (OFFICIAL) - (Part 1/2)

We are witnessing how the leading physicists of the world make science entertaining by using their storytelling skills:

<https://www.youtube.com/watch?v=qS2dN6gQTg8>

A few important TED talks:

[https://www.ted.com/talks/isabel\\_allende\\_tells\\_tales\\_of\\_passion](https://www.ted.com/talks/isabel_allende_tells_tales_of_passion)

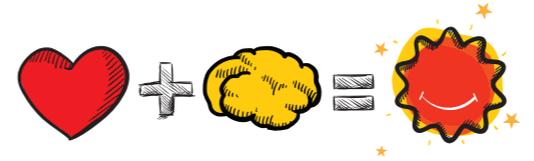
[https://www.ted.com/talks/andrew\\_stanton\\_the\\_clues\\_to\\_a\\_great\\_story](https://www.ted.com/talks/andrew_stanton_the_clues_to_a_great_story)

[https://www.ted.com/talks/nancy\\_duarte\\_the\\_secret\\_structure\\_of\\_great\\_talks](https://www.ted.com/talks/nancy_duarte_the_secret_structure_of_great_talks)

[https://www.ted.com/talks/ric\\_elias?language=tr](https://www.ted.com/talks/ric_elias?language=tr)

A course on Storytelling by Stanford Professor Jennifer Aaker.

<https://www.youtube.com/watch?v=9X0weDMh9C4>



## PART 7: IMPACT INVESTMENT

Bjoern Struewer, Roots of Impact, CEO



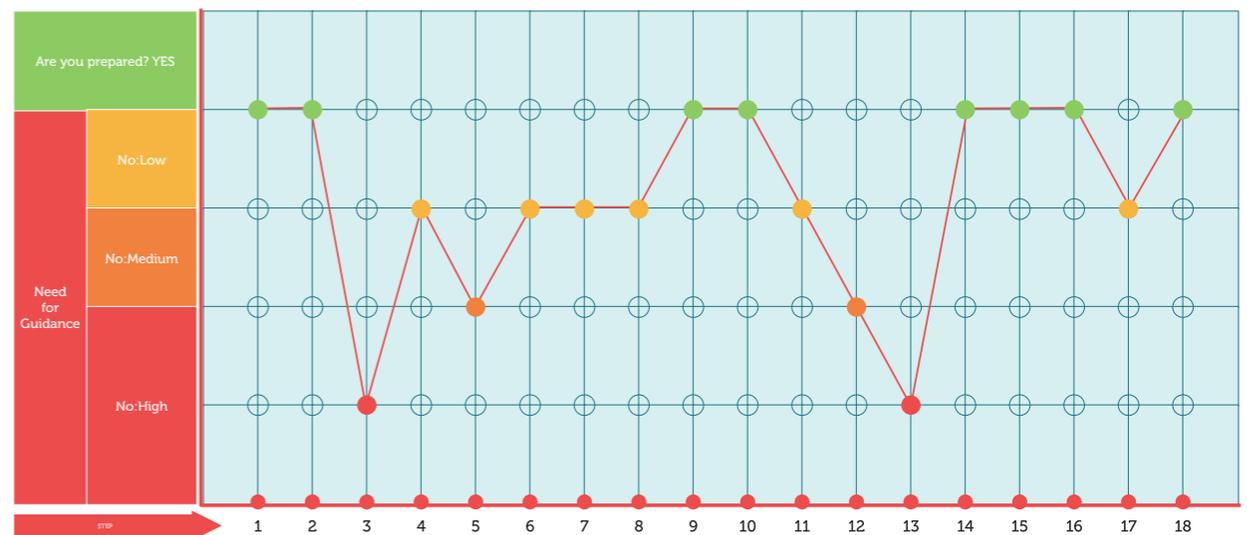
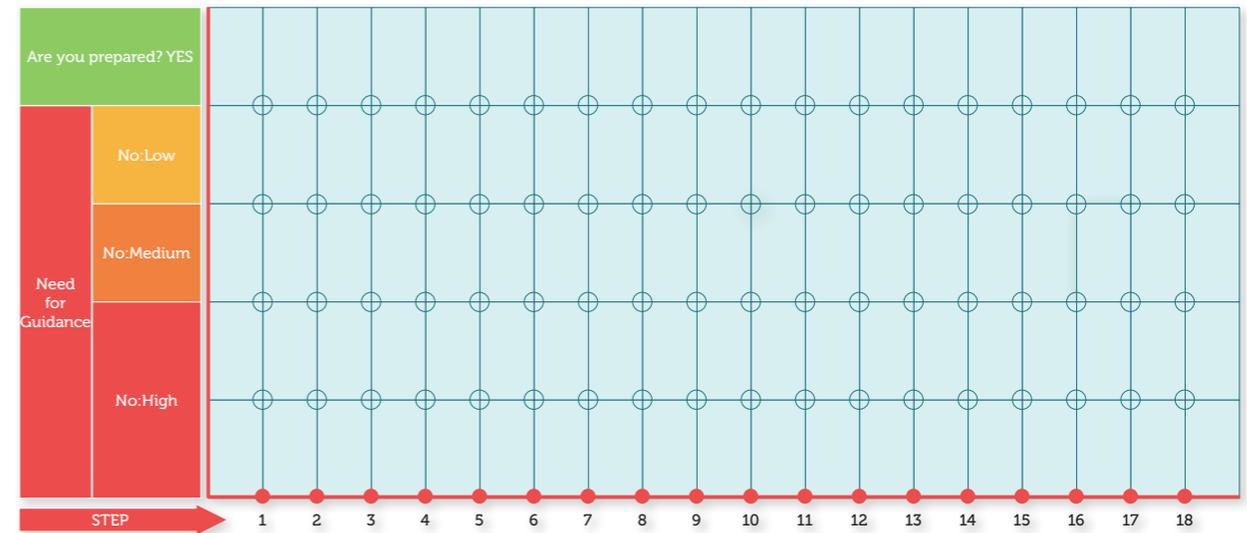
## PART 7: IMPACT INVESTMENT

Investment plays a crucial role for the sustainability of social enterprises. The goal of the impact investment part is increasing the social entrepreneurs' social impact, mission and ability to display the necessary work skills. This part includes the "Impact Investment Readiness Framework in 18 Steps" (INSIMA) methodology prepared by Germany-based Roots of Impact which was established with the goal of shaping the impact investment market and hybrid financing models in line with the objective of ensuring that social impact capital creates an actual difference. This methodology handles the social entrepreneurs' steps of getting ready to impact investment and the questions they need to ask themselves. Rather than providing information, the goal of this part, which requires the information obtained in all previous parts to be used, is making sure that everything that is learned up until now is used to get ready for investment. In its entirety, the part functions as a methodology and tool.

### Get ready to raise impact investment

Where are you on the 18 steps and where do you need guidance? Define for each of the 18 steps whether you think you are prepared for them and how much guidance you need.

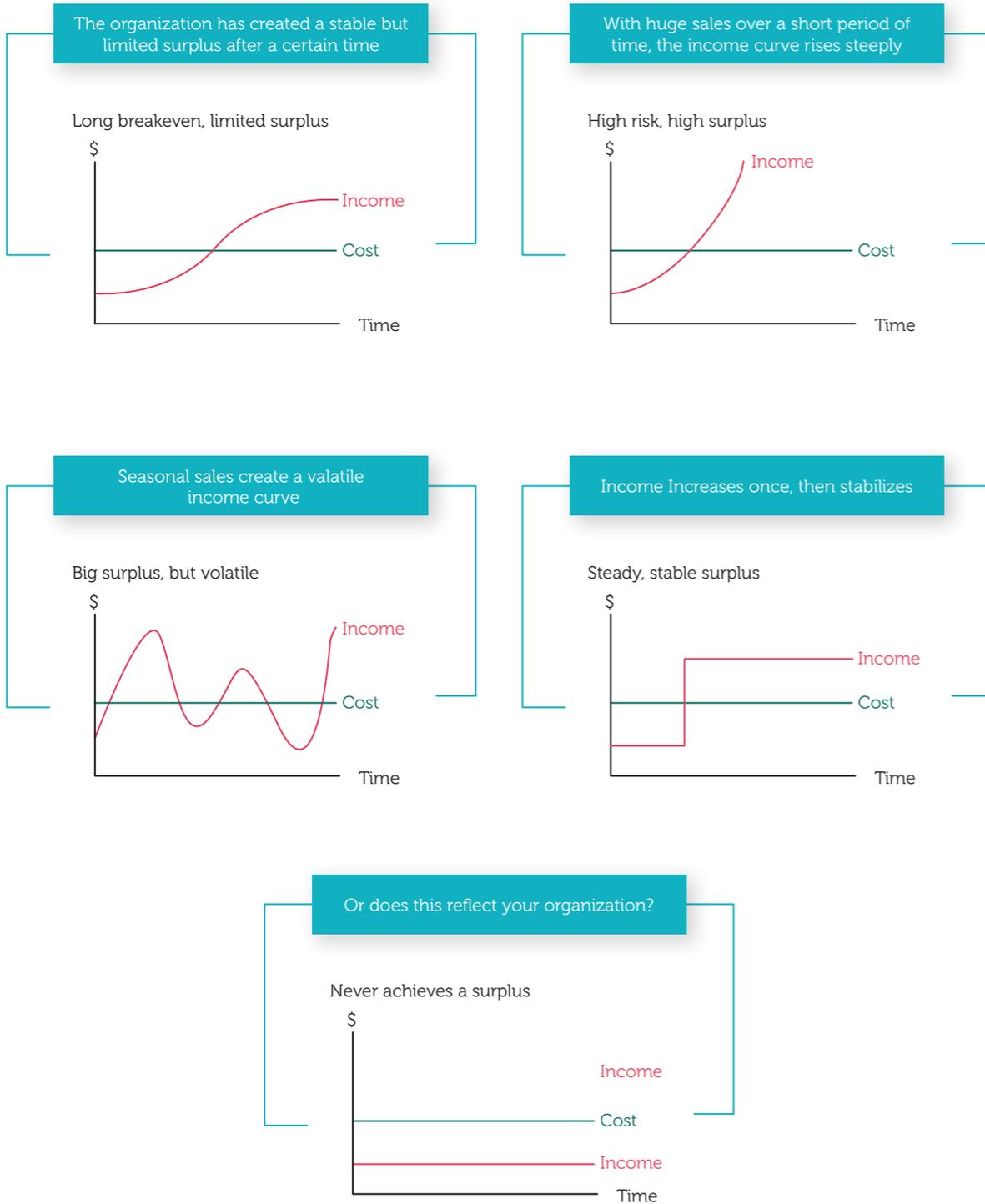
Figure 9: INSIMA Readiness Framework



## Financing Model

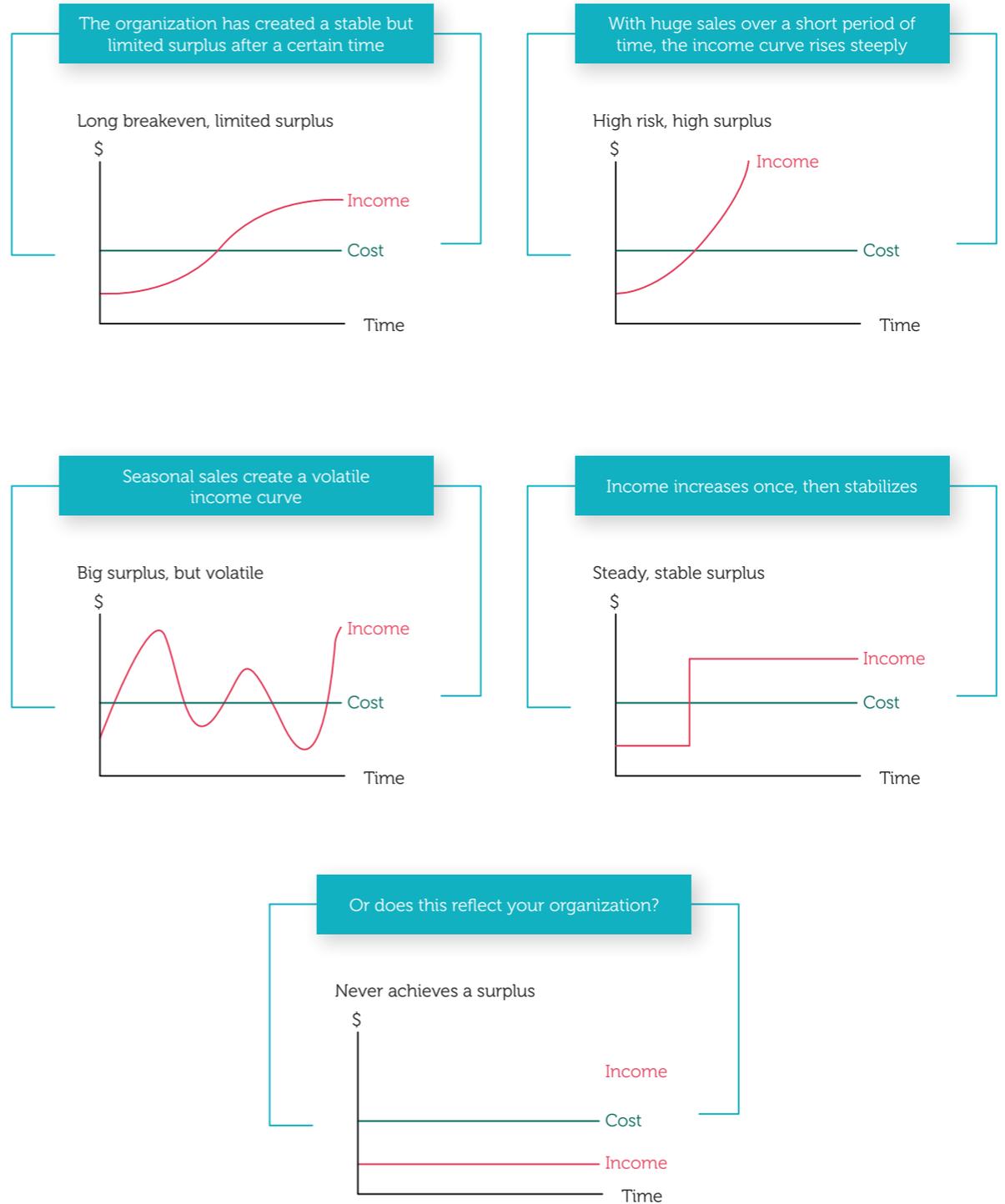
How does your financing model and cost-income profile look now/in the future?  
Indicate the cost-income profile that is closest to the one your organization currently has:

Şekil 10: Mevcut Gelir-Gider Profili



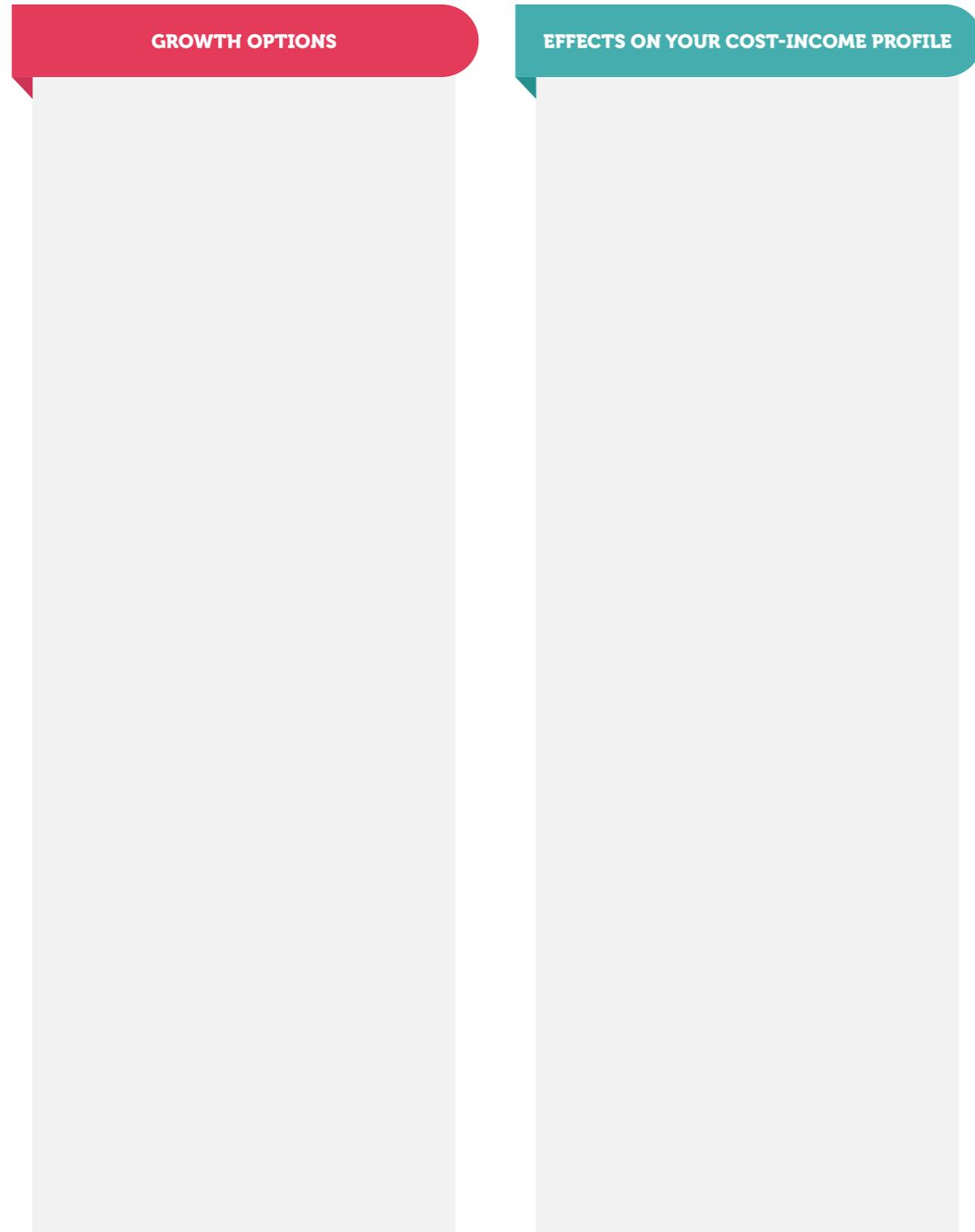
Indicate a cost-income profile that your organization is heading for in the future:

Şekil 11: Gelecek Dönemde Gelir-Gider Profili



If you plan/expect to change your profile - which basic growth options do you see and what will be their effects on your cost-income profile?

Şekil 12: Büyüme Seçenekleri ve Etkileri



■ **Identify your needs and options for financing**

Check the assumptions for your future cost-income profile

Take the future cost-income profile that you already selected in week 1.

Write down which are your 5 main assumptions for the next 5 years.

Assumptions could be, for example, that you will reach X% new customers/beneficiaries by the year Y, and/or that you will introduce a new service/product Y in year Z, or that you will expand into a new region Z in year X.

Table 33:

Empty table content
---------------------

Evaluate for each of your assumptions how likely it is that they will become reality (low, medium or high) and briefly explain why in the relevant box below.

**Table 34: Evaluation of Assumptions**

Assumption 1: Low: Medium: High:
Assumption 2: Low: Medium: High:
Assumption 3: Low: Medium: High:
Assumption 4: Low: Medium: High:
Assumption 5: Low: Medium: High:

### Identify your future financing needs

Take your medium-case cost-income profile from above. Roughly identify how much, how often and how long you will need financing based on this profile. You can either develop your own estimates or analyze your situation and plans by using our "Basic Cash Flow Planning Tool".

**Figure 13: Basic Cash Flow Planning Tool\***





**(b) Make a rough draft of a compelling pitch deck**

If you have never done this before, consider using our "Social Enterprise Pitch Deck Guideline" as an orientation (not mandatory). Prepare a short deck - free style - that tells your story and keeps your statements focused, simple and clear. Make sure that potential investors will remember your main messages.

What would a pitch deck structure look like? Feel free to fill in your ideas for a first sketch that you will then implement into a pitch deck draft.

**How should the presentation be drafted?**

Fill in the template in Figure 16 as you wish. Create your first draft of your presentation by writing down all the ideas that come to mind.

Figure 16: Presentation Draft



**DUE DILIGENCE QUESTIONNAIRE (DDQ)**

IMPORTANT NOTE: This list of topics is meant to give you basic guidance about how to structure your individual DDQ as a social enterprise when preparing for investors' due diligence. It is an outline of typical categories and sub-categories that social enterprises should be ready to address when seeking impact investment. Of course, there is always a very individual and also geographic aspect to this: questions and answers have much to do with business models, legal frameworks, impact sectors and the personalities involved on both sides.

The list below is long but not complete. Some impact investors may have more questions and some less. This greatly depends on their professionalism, experience, investment instrument and available time. Some even follow their own unique due diligence catalogue. Since you don't exactly know what's coming up, it makes sense to be prepared. Therefore, in case you decide to design your own DDQ before any investor will send you his or her catalogue of questions, feel free to change or amend the order of the (sub-) categories below - it is a suggestion and completely flexible.

The essence of due diligence is to establish transparency and trust – for the benefit of both potential investor and investee. Therefore, reserve enough time to carefully design your DDQ and to prepare convincing and honest answers. A typical DDQ can span 20-40 pages, will typically cover at least Business and Impact Due Diligence (Legal Due Diligence may come later) and can include a few meaningful graphs. In addition, it will be useful to have some backup material ready. This will support and substantiate your answers whenever an investor wants to dig deeper into the subject.

**a) Business Due Diligence**

**1. Social Enterprise (SE) and Management Team**

- Potential impact investors typically want to know:
- The legal form and structure of the SE (including all entities and offices)
  - When, where and by whom the SE was founded
  - The current size of the staff (full-time and part-time employees, pro bono workers and volunteers)
  - The experience and track record of the key management team
  - How long the SE's key team members have worked together
  - How the key team members are motivated and compensated
  - If the key management is sufficiently engaged (long-term and full-time?)
  - Who the existing SE shareholders are
  - Who the members of the board of directors or advisory committee are (if any)

**2. Market, Business Model and Competition**

- The exact social problem / unmet need that the SE addresses
- The vision and mission statement of the SE
- The size of the social problem / target market
- The projections for growth (how will the target market and the SE's market share develop?)
- How the SE fits into the market ecosystem and supply chain
- The market environment and its regulatory framework
- Who the target groups and beneficiaries are
- All products and services of the SE and their features and benefits
- Through which channels the products and services are distributed to the target groups and beneficiaries

- Who offers similar products and services in the market and what the competitive advantages - and weaknesses - of the SE's solution(s) are
- How income is and will be generated from these activities
- The capacity (and willingness) of the SE to scale
- What the major milestones that the SE has achieved to date are
- The proof of concept, i.e. the size, location and success of pilot projects
- The major milestones to come (e.g. new product launches, expansion steps, additional target groups),

### 3. Financial Status and Plan

- The profit and loss statement (past and future) including its basic assumptions and key metrics
- The expectations for the timing of break-even and the amount of surplus
- The cash flow projections and resulting financing needs
- What exactly the impact investment discussed shall be used for
- The existing investors and their investment sizes and instruments
- If the existing investors have indicated an interest to invest again (or not)
- If the SE has complied with all financial, tax and regulatory duties so far

## b) Impact Due Diligence

### 1. Impact Theory, Assessment and Reporting

- The SE's theory of change
- The SE's value chain (as presented with the I-O-O-I model or another logic framework)
- In which way the products and services are more efficient in achieving impact than other existing market solutions (i.e. what is the competitive impact advantage)
- Which impact assessment systems are in place
- Which impact metrics are tracked, how, how often and how reliably
- How the metrics are used to continuously improve impact performance
- How impact is reported to investors, with which metrics and how often
- If and how the team is incentivized for impact achieved
- What the impact achieved with pilot projects was and how the SE changed its solution(s) as a consequence of these results
- Academic or other independent studies that prove the impact of the solution(s)

### 2. Impact Scaling

- How, where and when the SE plans to scale its impact
- What the preconditions and assumptions to achieve these scaling goals are
- What the threats and worst-case scenarios to this scaling plan are
- If there are known risks for mission drift when pursuing this scaling plan

## c) Legal Due Diligence

### 1. Corporate Documents and Property

- The articles of incorporation and the by-laws of the SE
- The minutes of board of director and advisory committee meetings (if any)
- A list of all shareholders (incl. names, addresses, amounts, dates of purchase, prices paid) and share sellers (if any)
- The list of jurisdictions in which the SE is doing business, including licenses to do business there
- All shareholder agreements to date
- A list of the SE's subsidiaries and sales offices
- All important contracts that the SE has signed and that are material to its business (e.g. partnerships, joint ventures, acquisitions)
- If the SE has an agreement that restricts or forbids the payment of dividends (if relevant for its legal form)
- Documents of title for all material assets and equipment that the SE owns (e.g. land, real estate, machinery)
- Any patents, trademarks or copyrights that the SE holds
- Confidentiality or similar agreements with employees regarding these patents
- Documents about any pending or threatened litigations or claims against the SE
- All major insurance policies (e.g. for property, machinery, key staff members)

### 2. Customers and Suppliers

- A list of the SE's major customers and suppliers
- The breakdown of the SE's revenues per major customer
- Any license, distribution and support agreements that the SE has signed with suppliers and customers
- A list of distributors and their share in the sales of the SE
- The breakdown of revenues per geographic region
- If any customer has terminated the relationship with the SE and why

### 3. Investors

- Any agreements about current or future debt, guarantees, mezzanine and equity investments
- All documents regarding mortgages or pledges of property against or in favor of the SE
- A list of any person or entity whose consent is required once the SE wants to close the investment that is currently discussed
- Documents regarding sales of shares in the SE (if relevant)
- Information about potential transfer restrictions of shares (e.g. agreements to avoid mission drift and restrict who can buy shares in the SE)

### 4. Finance, Tax and Government

- The annual audited statements and quarterly or semi-annual financial statements of the SE
- Documents about all income tax returns (federal, state and foreign taxes)
- All government approvals, licenses or authorizations the SE has received
- Government contracts and major reports to public bodies in connection with these contracts

### 5. Employees

- Complete employee list
- All major employment agreements, including compensation, benefits, incentives and bonuses
- A management organization chart