

RISE Social Venture Rubric: A Diagnostic Tool¹

What is the RISE Social Venture Rubric?

The RISE Social Venture Rubric is a diagnostic tool that was developed at Columbia Business School to aid the in-class evaluation of social ventures. It was designed to stimulate for discussion and to help a student, entrepreneur, investor or consultant identify points of relative strength or weaknesses of a social venture. At Columbia, we define a social venture as a nonprofit or for-profit venture that explicitly aims to achieve two kinds of returns: financial return through earned income or revenue, and social returns by creating tangible positive impact on society at large.

RISE publishes case studies for use at Columbia as well as by other MBA programs, and many of these cases use the RISE Rubric as a preliminary diagnostic tool.

Why is there a need for a diagnostic tool?

Social ventures are by their very nature complex undertakings. It is hard enough to create a new company that can identify a new market need and serve it while building infrastructure, raising capital and meeting customer demands all in careful synchrony with the growth of its income. Social ventures aim to do all of this as well as another daunting task – creating value for society beyond the financial bottom line. For example, charter school ventures aim to improve education, community development ventures aim to create jobs and long-lasting skills in economically depressed areas, and alternative energy companies aim to prove more efficient and effective use of natural materials in the production of power. We believe that given the diverse goals of social ventures, management and investors must identify some ways to align values and priorities in order to come to agreement about strategies and solutions to everyday operational issues. The Rubric is one possible diagnostic tool to begin that discussion and can also be used throughout the lifecycle of the venture to consider structural issues and refine them.

The Rubric encourages the assignment of rankings to different aspects of nonprofit and social ventures, but should not be considered a rating mechanism. The goal is not to compare different ventures but to break down elements of a venture into parts and explore how well they combine into a coherent vision and implementation that can create long-term value. No venture or business plan is ever perfect. Ventures also evolve as

¹ Cathy Clark, Director of RISE and Adjunct Professor of social entrepreneurship at Columbia, originally developed the Rubric in December 2002. She wants to thank Murray Low of the Eugene M. Lang Center for Entrepreneurship for contributing the analytical framework he developed for Columbia's Intro to Venturing class to help form the financial side of the rubric. In addition, in September 2003, the Rubric was updated to incorporate concepts of theories of change, key drivers, and stakeholder alignment that emerged from the author's collaborative work with Will Rosenzweig of UC Berkeley, David Long of Abt Associates, and Sara Olsen of SVT Consulting.

they grow and management may need to make decisions to keep a financial issue on track that will affect the venture's social objectives. The Rubric is designed to help identify current or future weaknesses and help provide insight into how well possible solutions to individual weaknesses will integrate into the existing structure of the venture.

What is the essential framework of the Rubric?

The Rubric identifies 10 broad areas of inquiry to analyze the strengths of social ventures. Five of the elements are based on an analytical framework developed and taught in venturing courses at Columbia to diagnose the strength of the venture as a revenue-generating enterprise. Some of these have been modified for the Rubric to include concerns unique to social ventures. Five of the elements are specific to social ventures. These elements diagnose the strength of the venture as a vehicle for achieving and communicating social impact. There are obviously many other elements that can be diagnosed and discussed within a social venture; the Rubric attempts to boil down the elements to the most essential.

What are the elements of the Rubric?

There are five financial rubric elements:

1. Market Potential and Rate of Return - What is the potential market and rate of return of this venture?
2. Product/Service - What is the strength of the demand for the product and/or services of this venture?
3. Competitive Insulation - What kind of competition insulation does this venture have?
4. Annuity and Cash Flow - What kind of cash flow does the venture have?
5. People -- How well suited are the people involved to the needs of the business?

And there are five social rubric elements:

6. Mission and Theories of Change -- What is the mission of the venture and what are its key theories of change?
7. Social and Financial Alignment -- What are the key social and financial drivers of this venture and how well are they aligned?
8. Metrics -- What systems are in place to measure social impact?

9. Pace of Growth -- What is the best pace of growth for this venture?
10. Legal Form/ Financing -- What is the best legal form and financing structure for this venture?

A detailed one-page version of the Rubric is in Appendix A. This is the version used in our course on social entrepreneurship, with detailed questions under each of the 10 elements to help students diagnose the venture's strengths and weaknesses. In addition, the elements can be ranked on a scale of 1(low) to 10 (high) for a quick snapshot of where discussion time can be spent. In our experience, students begin to be able to intuit patterns that help them more quickly recognize where a venture's potentials for misalignment might be.

Can I see an example of a full Rubric diagnostic?

Full applications of the Rubric are currently available in teaching notes that are part of RISE cases. These can be made available to faculty members only. We plan to post some other examples shortly.

What other kinds of diagnostic tools are there for social ventures?

There are several organizations and projects that have developed diagnostic and analytical frameworks for social ventures. A few of them are listed below:

Global Social Venture Competition. This partnership among Columbia, UC Berkeley and London Business Schools along with the Goldman Sachs Foundation identifies and awards prize money to emerging for profit and nonprofit social ventures around the globe. Competition criteria combine social and financial elements as well as fundability and feasibility for early-stage business plans. Criteria are published on the web at: <http://www.socialvc.net/judgingcriteria.cfm>.

Schwab Foundation for Social Entrepreneurship. This Geneva-based organization identifies talented nonprofit social entrepreneurs working around the world and names an annual group as Schwab Foundation Fellows. Screeners rank entrants on various factors related to innovation, direct social impact, sustainability and replicability. See <http://www.schwabfound.org/criteria.htm>

New Profit Inc. This Boston-based venture philanthropy has created a detailed diagnostic instrument for its internal due diligence to create its portfolio of nonprofit social entrepreneurs, some of which fit our definition of income-earning social ventures. Applicant criteria are available at: <http://www.newprofit.org./apply.html>

I have comments on the Rubric; where can I send them?

We welcome all comments on how to improve this continually evolving framework. Please send comments and inquiries to Cathy Clark, Director of RISE, at cathy@cathyhc.com.

RISE SOCIAL VENTURE RUBRIC

FINANCIAL		SOCIAL	
<p>1. Market Potential and Rate of Return</p> <ul style="list-style-type: none"> ■ What is projected IRR? ■ How many units must be sold to achieve this IRR? When is breakeven (time, units)? ■ How large is target market? ■ What percentage of total market is it? ■ How costly is it to reach breakeven and target – are assumptions reasonable? ■ Are there any likely economic risks in this market? 	<p>6. Mission Context/ Theories of Change</p> <ul style="list-style-type: none"> ■ What is/are the venture's mission(s)? ■ How important is this mission? To whom? ■ Is the mission affecting a system, a cause or a symptom? ■ What are the theories of change of this venture? What are its key assumptions? ■ Is the mission or leveraging strategy unique? ■ Are there potential competitors/partners in this area? ■ Are there any likely political risks in this market? 		
<p>2. Product/Service</p> <ul style="list-style-type: none"> ■ Define all product/service lines, now and in future ■ How strong is demand for these? Will it grow or change over time? ■ What is the lifecycle of this venture? Is demand aligned with pace of growth and return expectations? 	<p>7. Social/Financial Alignment</p> <ul style="list-style-type: none"> ■ Where in the venture does the social mission occur (product, supplier, profit donations, workforce etc.) ■ What are the key drivers of desired social outcomes? ■ Where are the alignments and advantages between this mission and financial return? ■ Are key stakeholders aligned? ■ Where are the friction points between this mission and financial return? ■ Have the risks of misalignment been acknowledged and addressed effectively? 		
<p>3. Competitive Insulation</p> <ul style="list-style-type: none"> ■ Are there clear barriers to entry? ■ Will barriers last or will they go away? ■ Who are competitors, now and in the future. Any threats/opportunities? ■ Is this venture trying to let barriers down so others can copycat? Have they planned for this effectively? 	<p>8. Metrics</p> <ul style="list-style-type: none"> ■ Has venture clearly defined success on its mission? ■ Has the venture distinguished outputs or outcomes? Targets for those? ■ How credible are its metrics or goals? ■ How feasible it is to collect information to know when and how org is successful? Are systems in place? ■ If successful, is there significance for this venture at the scale at which it is operating? 		
<p>4. Annuity and Cash Flow</p> <ul style="list-style-type: none"> ■ Is the revenue stream recurring? On what basis? ■ What are the key drivers of cash flow and financial return? ■ Is the customer base loyal – how will they maintain this? ■ Are lines of business complementary, aiding in cashflow, or disjointed and irregular 	<p>9. Pace of Growth</p> <ul style="list-style-type: none"> ■ Is venture growing slow/medium/fast. Why? ■ Is the pace of growth correct for this venture? 		
<p>5. People</p> <ul style="list-style-type: none"> ■ Are skill-sets of management team aligned with venture's needs? ■ What will be needed as venture grows? ■ Are ownership structures aligned with financial goals? 	<p>10. Legal Form/Financing</p> <ul style="list-style-type: none"> ■ Is venture correctly incorporated to achieve its financial and social goals? ■ What is the best form of funding and funder for this venture, today and in future? ■ Should venture change form in any way? 		