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Self-sustainability  
Team (NESsT)

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# Parques Para Chile: Creating an Organization While Simultaneously Developing a Social Enterprise

## **Social Enterprise Summary**

**NESsT Venture Fund Portfolio Member Since:** 2002

**Sector:** Environmental protection and preservation

**Social Enterprise Activity:** Sale of sustainable land management services

**Target Percentage of Budget from Self-financing:** 50% of staff salary costs

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## Executive Summary

- 1 Nature conservancy areas of high biodiversity value owned and managed by private individuals or communities.

Parques Para Chile, an organization based in the cities of Valdivia and Pucón, Chile, strengthens and connects the various players in biodiversity conservation initiatives by supporting the creation of well-planned and managed Private Protected Areas (PPAs).<sup>1</sup> There are some 500 PPAs in Chile, and it is estimated that 70% of them are in the hands of private individuals (families, groups of friends, rural communities and indigenous groups).

Parques Para Chile emerged as part of a project focused on the development of private-public mechanisms for biodiversity conservation in the 10<sup>th</sup> Region of Los Lagos. Since public institutions have limitations in their abilities to meet conservation goals, part of the team involved in the project decided to continue promoting PPAs by creating a new organization. This organization would work with the owners of PPAs and would contribute to conservation and public policy goals in the area.

During the organization's creation process, as part of an effort to reduce dependence on project-based funding and to be able to grow within an uncertain funding environment, the Parques Para Chile team defined their vision to include achieving financial self-sustainability through the sale of services.

In order to achieve its financial sustainability goals, Parques Para Chile sought assistance from NESST (the Nonprofit Enterprise and Self-sustainability Team), an international nonprofit dedicated to strengthening the financial sustainability and mission impact of civil society organizations focused on systemic social change. With NESST's help, Parques Para Chile was able to develop a business plan for the sale of specialized consulting services based on its own methodology focusing on the planning and implementation of PPAs. The goal of the social enterprise is to generate income to support operational costs and mission-oriented program activities, without the financial and tax restrictions that affect nonprofits. At the same time, the social enterprise would help PPAs meet national conservation goals by becoming well-managed and sustainable.

This case study closely follows and analyzes the specific social enterprise development process that Parques Para Chile undertook. It describes sections of the Parques Para Chile business plan, and highlights issues that are unique to a nonprofit organization planning a business. It then recounts the specific story of how the organization and NESST worked together to complete each step of the process and to address associated challenges. It then summarizes how NESST mentored Parques Para Chile in specific business concepts and describes the skills and benefits gained by the team from this process. The case also looks to the near future in terms of challenges that the organization will likely face as well as how it will measure the performance of the enterprise using the NESST Tool. Finally, the case provides lessons learned by both organizations and outlines recommendations for improving the process.

The NESST social enterprise development process allowed Parques Para Chile to clarify its vision of the business and its relationship to the organization. It also



allowed the selection of a social enterprise idea that was consistent with the organization's criteria, and mission and financial goals. Through the feasibility study and business plan, the organization defined its services, analyzed the market, defined its targets, assessed operations, developed financials and assessed risks as well as the enterprise's potential impact on mission. Two key areas of learning for Parques Para Chile were the redefinition of the services to be offered based on market research and the identification of a legal structure for the enterprise that was simpler than originally anticipated, but that met both enterprise and organizational goals.

The process also posed several important challenges such as its unexpectedly long duration, the lack of specific business skills among the staff, and additional organizational and programmatic demands on their time. Despite these challenges, Parques Para Chile has maintained its strong commitment and desire to develop a social enterprise to achieve sustainability and today has gained the in-house capacity to do so.

## Section A. Background

### A.1. Country Overview

Chile has experienced a wide range of political movements and pressures throughout its history. It was colonized in the sixteenth century by the Spanish conquistador Pedro de Valdivia, creating violent conflict between the indigenous habitants and the colonizing forces. Spain controlled Chile for several centuries until Spanish power was rocked by Bonaparte's forceful usurpation of the Spanish throne. This change in power led to a nearly decade-long battle for independence from Spain, which was finally declared in 1818. The nineteenth century ushered in a period of a weak democracy, with frequent political struggles, including a civil war in 1891.<sup>2</sup>

Coming into the twentieth century, a political tug of war grew between conservatives and leftists. After a narrowly won election of a Marxist president in 1970, Chile became highly polarized as the socialist government began an expansive program of applying socialist principles to economic policies, including price-fixing. In 1973, the Marxist government was overtaken by the Chilean General, Augusto Pinochet, in a military coup. For seventeen years, the Pinochet dictatorship controlled Chile, secretly kidnapping key political figures, torturing and executing thousands of dissidents, and committing many other human rights abuses.

The regime also overturned the Marxist economic reforms. Influenced by University of Chicago economic professors, Pinochet's economic advisors introduced a radical program of privatization, including cutting tariffs and government welfare. The Pinochet dictatorship began to weaken in the mid-eighties as in-fighting and relations with neighboring countries grew strained. Democracy was restored to Chile in 1990 after a narrowly won democratic election. Chile has since then experienced strong economic and political growth.<sup>3</sup>

- 2 <http://en.wikipedia.org/wiki/Chile/History>, accessed March 15, 2006.
- 3 Ibid.



- 4 Civil Society Organizations (CSO) are those organizations outside of government and traditional business sectors that engage in non-profit, social-based activities, including non-governmental organizations and community associations.
- 5 Clewett, Elizabeth Rachel. *Constructing Civil Society in a Neo-liberal Age: A Case Study of NGOs, GROs, and the Chilean State in the 1990s*. [Doctorate Thesis]. United States, Washington DC: The George Washington University; 2001, page 8.
- 6 Stanziola, Javier. *Neo-Liberalism and Cultural Policies in Latin America: the Case of Chile*. International Journal of Cultural Policy, 2002 Vol. 8 (1), p. 32.
- 7 Etchart et al. *The Legal and Regulatory Framework for CSO Self-Financing in Chile*. Santiago, 2002. p. 19.
- 8 Mangili Pelech, Jobanni. *El sector sin fines de lucro en el mundo: Oportunidades y desafíos para Chile*, Universidad Técnica Federico Santa María, published January 9 2006 in www.diariopyme.cl.
- 9 Irarrázaval, Ignacio. *Estudio Comparativo del Sector Sin Fines de Lucro Chile*, ISBN 956-310-150-2, Santiago, Chile, April 2006.

## A.2. Nonprofit Sector in Chile

There were few nonprofit sector organizations in Chile prior to the 1960s. Mainly fueled by the human rights abuses of Pinochet, the number of civil society organizations (CSOs)<sup>4</sup> exploded in the seventies and eighties. There was a significant need for support services after the Chilean government slashed welfare programs. These organizations mainly emphasized meeting basic human needs (poverty reduction, human rights, education). The CSOs struggled in their infancy, as they were often ill-equipped and not well-mobilized. There was however, a reasonable amount of foreign investments and aid packages that was available to CSOs. As the social conditions improved in the nineties, CSOs began offering expanded programs that addressed indigenous rights, the environment, and drug addiction.<sup>5</sup> It was also during this time that CSOs began to speak up about government policy changes toward the nonprofit sector. One major case for reform was the lack of transparency in the central government. For example, the government often took up to six months to grant a nonprofit incorporation status, but could easily take it away with little or no explanation.<sup>6</sup>

Within the past ten years, the central government has begun to introduce policy reform, but there is still much room for improvement. Nonprofits with a direct service or welfare mission have been granted a tax exemption from income tax. However, a very limited number of CSOs have been granted this exemption. In general, “community-based CSOs and those that work in areas such as human rights or the environment”<sup>7</sup> are not included in this tax break.

The nonprofit sector in Chile is growing and a recent study cites a total of 83,386 civil society organizations in the country. In terms of employment, the sector accounts for 300,000 salaried jobs and more than 350,000 volunteers in 2006.<sup>8</sup> Another study suggests that the sector employs 4.89% of the totally economically active population, which encompasses 160,259 salaried full-time salaried jobs and 143,624 full-time volunteers. This same study indicates that the relative size of the sector can be demonstrated in terms of expenditures, whereby nonprofit organizations encompass 1.5% of GDP.<sup>9</sup>

Since the stabilization of the Chilean economy in the late 1980s and the subsequent improvement of the political environment, the amount of foreign aid to Chile has dropped significantly. The improved socio-economic conditions in Chile have prompted foreign donors to move on to countries in more need of assistance. International donations provided much of the nonprofit sector funding during the Pinochet dictatorship, but the withdrawal of this funding has left CSOs either searching for new funding sources or having to trim down their existing programs. In order to continue to exist in the future, Chilean CSOs need to find new ways to fund their social change activities.

## A.3. Self-financing and Social Enterprise<sup>10</sup>

The terms “self-financing activities,” “social enterprise activities,” and simply “enterprise activities” are used to refer to various CSO revenue-generating strategies. Self-financing activities include fees for services, product sales, use of



hard assets, use of soft assets, membership dues, and investment dividends and are used by CSOs to generate revenues to supplement external donor funding. The terms “social entrepreneur” and “social enterprise” have been used in a range of contexts and may refer to individuals or entities that pursue social change through earned income or business activities or simply to individuals or entities that use innovative methods to advance social change but that are not necessarily generating revenues. In its work, NESsT uses the former definition of social enterprise, but specifies that a social enterprise is a planned activity that has a high potential for advancing social change and generating untied revenues for the organization.

Table I summarizes the different self-financing strategies for earning income. Parques Para Chile has adopted the “Fees for Service” model. It is important to remember, however, that no one self-financing or social enterprise strategy is the “right” model. Each model has its place. The applicability of each is context-specific and sometimes more than one can be used.

**Table I: Types of Self-financing Strategies**

<ul style="list-style-type: none"> <li>- <i>Fees for services</i>: contracting work for paying clients in the public or private sector (e.g., providing consultation services to businesses or local government);</li> <li>- <i>Product sales</i>: selling the products of a project (e.g., books or publications), reselling products (e.g., in-kind donated items) at a marked-up price, or producing and selling new products (e.g., T-shirts, handicrafts);</li> <li>- <i>Use of “hard” assets</i>: renting out real estate, equipment, or other physical resources when not in use for mission-related activities;</li> <li>- <i>Use of “soft” assets</i>: generating income from patents through licensing agreements or by endorsing products with the CSO name or reputation;</li> <li>- <i>Membership dues</i>: raising income by collecting dues from members or constituents of the organization in exchange for some product, service, or other benefit (e.g., a newsletter, a magazine, or discounts on CSO products or services);</li> <li>- <i>Investment dividends</i>: earning income from investments either passively, through interest from savings accounts or mutual funds, or actively, by trading on the stock market or engaging in debt swaps.</li> </ul>
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Taken from Lee Davis, Nicole Etchart, Brian Milder and Cecilia Jara, *Risky Business: The Impacts of Merging Mission and Market*, NESsT, Santiago, 2003, page 22.

Moreover, the business that the nonprofit engages in does not necessarily need to be central to the organization’s mission. See Table II for a spectrum of product or service /customer relevance to organizational mission.

10 The Section “Self-financing and Social Enterprise” is drawn from multiple NESsT publications, [www.nesst.org/publications](http://www.nesst.org/publications).



11 Etchart et al. *The Legal and Regulatory Framework for CSO Self-Financing in Chile*, Santiago, 2002, p. 20.

**Table II: Spectrum of NGO Self-Financing Activities**

PROGRAM ACTIVITIES	<RELATED TO NGO MISSION		UNRELATED TO NGO MISSION>	
	EXISTING PRODUCT/SERVICE EXISTING CUSTOMERS	NEW PRODUCT/ SERVICE EXISTING CUSTOMERS	EXISTING PRODUCT/SERVICE NEW CUSTOMERS	NEW PRODUCT/ SERVICE NEW CUSTOMERS
Services specified in the NGO charter, bylaws, mission	Earned income directly from the NGO's program activities	New products/services offered to the existing NGO constituents	Extension of the mission-related activities of the NGO to new paying clients	New product/service to new paying customers (unrelated/ ancillary business activities)
<i>Example:</i>	<i>Example:</i>	<i>Example:</i>	<i>Example:</i>	<i>Example:</i>
Environmental Education NGO offers public education seminars and publications	Environmental Education NGO charges fees for its educational seminars and charges for its publications	Environmental Education NGO opens vegetarian restaurant and environmental products shop	Environmental Education NGO offers cleaner technology seminars/ consulting to businesses	Environmental Education NGO opens Internet website design studio

Taken from Lee Davis, Nicole Etchart, Brian Milder and Cecilia Jara, *Get Ready, Get Set... Starting Down the Road Toward Self-financing*, NESST, Santiago, 2004, Guidebook, page 19.

#### **A.4. Legal and Regulatory Environment for Self-financing and Social Enterprise**

In Chile, the legal and tax environment provides minimal benefits for nonprofit organizations. As previously mentioned, welfare institutions are provided a tax exemption from income tax. This is the only exception. Those nonprofits that are not direct service or welfare organizations are subject to the same taxes as for-profit organizations: a flat 17% income tax and a value-added tax (VAT) of 19% on goods and services (sales tax). All commercial activities (term used in the legal framework), including those belonging to nonprofits or CSOs, are required to pay a provisional monthly payment (PMP) based on the expected annual income. Since many CSOs have low levels of commercial activity, most of the PMP is returned at the end of the year. The VAT, though, is charged to all business activity, even exempted welfare institutions. For example, a soup kitchen is required to pay VAT on the food it purchases, even though it is then distributed free of charge to their clients.<sup>11</sup> In short, the Chilean government offers minimal benefits in the way of tax benefits to promote the development of civil society. There are, however, no restrictions that prevent a nonprofit from selling products or services within this tax environment.



## Section B. Parques Para Chile

### B.1. History, Mission and Objectives<sup>12</sup>

The importance of Chile's biodiversity has been recognized internationally by organizations such as the World Wildlife Fund, Conservation International, and the World Bank. The Valdivian eco-region has been classified as one of the 25 areas of greatest planetary conservation priority, given its density of endemic species and the many threats to its destruction. Additionally, the state's National System of Protected Forest Areas, the main tool for protecting the nation's biodiversity, is seriously inadequate and does not recognize key factors that would allow the fulfillment of long term goals.

The System would need to increase the variety of ecological species represented in its plans, to physically connect areas of biodiversity in order to fully maximize conservation efforts, and to increase budget allocations. It is highly unlikely that such inadequacies will be overcome in the near future. Meanwhile, natural spaces continue to be destroyed and fragmented as a result of forestry, agricultural, industrial and urban activities. The time remaining for a response is growing ever short.

"Private Protected Areas" (PPAs) have been identified as a solution for this conservation problem. Since the nineties they have grown explosively in number and have continued to gain strategic importance. Owners of PPAs are primarily normal citizens that, without incentive or recognition, have decided to protect 500 separate areas, totaling more than 1,250,000 hectares of endangered land.

This movement, that has led hundreds of Chileans to protect hundreds of thousands of hectares, holds enormous potential. Until now, however, this potential has been dispersed geographically and fragmented in terms of its objectives. In response to this untapped potential, in November 2002, 17 individuals, whose personal or professional backgrounds are linked with biodiversity conservation through PPAs, created Parques Para Chile. In January of 2004, Chile's Ministry of Justice approved its legal identity as a nonprofit corporation.

Parques Para Chile grew as a result of the CIPMA-FMAM Project<sup>13</sup>, "Valdivian Eco-region: Private and Public Mechanisms for the Conservation of Biodiversity in the 10<sup>th</sup> region." The project was implemented between October, 2000 and December, 2003 by the Center for Environmental Research and Planning. It was the first Chilean project approved by the Global Environmental Facility, and various public and private institutions participated in its implementation. The team in charge of the design, direction and execution of this project participated in the founding of Parques Para Chile and make up the organization's current staff.

12 Organizational information provided by Parques Para Chile, for further information, visit its website: [www.parquesparachile.cl](http://www.parquesparachile.cl)

13 [www.cipma.cl](http://www.cipma.cl).



A land-owner family that participates with Parques Para Chile's conservation efforts.



Parques Para Chile's mission is to contribute to the conservation and longevity of natural spaces of special value by supporting the creation of well-planned and well-managed protected areas that create benefits for local sustainable development, that encourage citizen responsibility in protecting biodiversity, and that promote its biological, social, and cultural value. To achieve its mission, the organization creates demonstration sites that are integrated with the local economy; they also provide technical assistance and support cooperation among stakeholders that share interests in the same territory.

To achieve the goals outlined in its mission, Parques Para Chile focuses its efforts on areas of high conservation and biodiversity priority within Chile. All projects take the form of medium and long-term initiatives, designed with a vision of conservation, and created in partnership with local stakeholders. Additionally, the organization participates in public policy development and advocacy in order to promote the design of public policies and conservation initiatives.

Parques Para Chile pursues its mission goals through the following program areas:

- Creation of demonstration sites, integrated into local economies,
- Provision of technical assistance to people, communities and organizations responsible for protected areas,
- Support of cooperation among stakeholders with the same territorial interests through networks of private parks,
- Promotion of the creation of biological corridors that connect private and public protected areas.

Current institutional programs include work in the following areas:

– Costa-Andes Biological Corridor, an initiative in partnership with World Wildlife Foundation- Chile and Fundacion Senda Darwin, with the goal of establishing a protected stretch of land that maintains the ecological connection between the Los Andes Mountain Range and Coastal Mountain Range of the Valdivia Province in Chile's 10<sup>th</sup> Region. Through this program, Parques Para Chile promotes the creation of networks of PPAs in the Valdivia Province through specialized support services.

– The Pichares Center for Biodiversity, a multimedia laboratory specialized in the development of applied research on biodiversity. This center created the first land guide, "Path of the Volcanoes".

– Namuncahue Biological Corridor, an initiative in partnership with public entities to develop a conservation strategy for the Villarica National Reserve and its surroundings. This area is highly threatened by tourist and urban development and forest exploitation. The Namuncahue demonstration site is located here, which was acquired by Parques Para Chile in April of 2003. The Pichares Center for Biodiversity is also based here.

– Tenth Region Coastal Mountain Range, an initiative coordinated with other private and public organizations of the 10th Region, to plan, administer, and manage the



Mapu Lahual Network of Indigenous Parks. Parques Para Chile participates as a member of the Coalition for the Conservation of the Coastal Mountain Range (CCCC), a nongovernmental entity that brings together various institutions to coordinate their efforts in conserving this area of high biodiversity value.

– Mocho Choshuenco Priority Site, a proposed project around the Mocho Choshuenco Nacional Reserve, a very high priority area for conservation in Chile. The development of a small project of the Environmental Protection Fund funded an assessment, which provided background for future proposals of larger scope.

– With the support of the Avina Foundation, Parques Para Chile designed conservation planning and monitoring instruments, and made them adaptable to the social characteristics of particular PPA owners. This work included the definition of standards and best practices for PPAs that evaluate the management effectiveness of these initiatives. The results formed the basis of the specialized services developed and offered through the newly created social enterprise. In addition to improving the management practices of PPAs, they were designed to meet the anticipated requirements of legal statutes that will be instituted in the near future.<sup>14</sup>

In addition, Parques Para Chile is one of the main civil society organizations involved in the Training for Temperate Forests' Biodiversity (July 2006- July 2009), a project recently initiated by the British Macaway Institution's Darwin Initiative.

The Parques Para Chile team is made up of seven full-time professionals:

- President, B.S. in Business Administration and expert in local development, in charge of coordinating the stakeholders associated with the Biological Corridor at the Namuncahue demonstration site.
- Executive Director, sociologist with a Masters in Human Settlements and Environment, also responsible for the specialized support services for PPAs.
- Program Director, environmental biologist with a Masters in Rural Development, in charge of the design of planning and methodologies for PPAs and the development of conservation strategies for priority areas.
- Director of the Pichares Center for Biodiversity, ecologist and expert in geographical information systems.
- Scientific Director of the Species Monitoring Program, ecologist and expert in population studies.
- Service Coordinator, forest engineer, responsible for managing support services for PPAs.

To date, Parques Para Chile has sustained itself financially almost entirely through project-based funding from international sources (79% in 2005 and an estimated 100% in 2006). The annual operational budget is approximately USD 80,000 (EUR 63,500), and since its creation, the organization has performed projects valuing approximately USD 460,000 (EUR 365,000). The institutions that have worked with and supported the work of the organization include government agencies and both national and international private organizations, such as: CONAF,<sup>15</sup> CONAMA,<sup>16</sup> Avina Foundation, Rainforest Concern and the World

14 Chile's current environmental protection law was passed in 1994. Although the law is not extensive, it provides more conservation and protection than previous laws. It also mentions the regulation of PPAs, but has yet to define or identify the regulating agency. A new law is under discussion that would provide a more complete legal framework, including the regulation of PPAs. Parques Para Chile has offered input on part of this new law, which may include incentives (such as subsidies) for land owners to create and manage PPAs. This new law, developed in 2003, has yet to be passed or implemented.

15 Corporación Nacional Forestal (CONAF) is the institution of the Chilean government responsible for forest conservation.

16 La Comisión Nacional del Medio Ambiente (CONAMA) is the institution of the Chilean government responsible for environmental protection.



- 17 Claudia S., Executive Director of Parques Para Chile, interview April 26, 2006.
- 18 Claudia S., Executive Director of Parques Para Chile, interview April 26, 2006.
- 19 Parques Para Chile business plan, August, 2005.
- 20 Questionnaire responded to by Parques Para Chile for NESST study, *Motivations Behind Hybrid Legal Models*.

Wildlife Fund. The implementation of such projects has included the design of PPA planning services; the development of management plans; the design of tourist guides for the Path of Volcanoes; the evaluation of incentives for creating PPAs; and the purchase of land and creation of a demonstration site.

## B.2. Social Enterprise Development and Operations

Since its founding, Parques Para Chile has prioritized its long-term sustainability which the founders considered key to the independence of the organization. “The incorporation of self-financing has always formed part of Parques Para Chile’s identity; it is practically in its articles of incorporation”.<sup>17</sup>

Given the context of financing for civil society organizations in Chile, the decision to develop a social enterprise responds to the following realities:<sup>18</sup>

- The need to operate within an uncertain funding environment
- The need to diversify funding sources
- The need to eliminate dependence on project-based funds, and thus be able to define program areas, regardless of the existence of available project funding that might finance them.

After considering various social enterprise ideas, Parques Para Chile chose to develop services that will assist property owners to better manage and meet conservation goals for several reasons. The organization had already developed a set of planning and management tools for PPAs. Through its prior mission related work, Parques Para Chile had identified proprietors of small and medium-sized PPAs that were strongly committed to conservation goals and would also need private land management services. In addition, the environmental law of 2003, which is still under discussion, offered the possibility of financial incentives for the creation and maintenance of PPAs which would in turn create a demand for such services.

Parques Para Chile created its social enterprise as a separate for-profit legal entity. “Its role would be to generate profits to finance operational costs and mission-oriented program activities. It would also allow the organization more flexibility in handling financial and tax restrictions that affect Chilean nonprofits”.<sup>19</sup> This pairing of a nonprofit and for profit entity is a fairly common practice among CSOs in this country,

The Board’s reasons for creating a separate legal entity were:<sup>20</sup>

- To protect the organization’s image in the market
- To uphold and respect the culture of the organization
- To ensure transparency in accounting
- To expand fundraising possibilities and attract third party investors
- To allow for the independent and flexible management of the social enterprise, according to market needs/demands.

The organization originally considered a public limited company, 51% owned by Parques Para Chile, and 49% owned by a combination of distinct stakeholders. The original description read, “The public limited company offering support services will be comprised of a professional multidisciplinary team that will be in



charge of Parques Para Chile's program activities, who might or might not be members of the corporation. The corporation will own a minimum of 51% of the shares in order to guarantee that dividends are reinvested in the goals of Parques Para Chile".<sup>21</sup> Such a structure presented various challenges, detailed in further sections, and would later be revised based on NESsT recommendations.

From a professional point of view, Parques Para Chile recognizes its lack of experience in social enterprise. The multidisciplinary team has skills concentrated in social and environmental areas, and also has strong administration and accounting. It is clear that the founders were sufficiently visionary to begin searching for resources and building alliances, even before the formal founding of the organization, which would allow them to develop a self-financing component in the future. At that point in time, Parques Para Chile was still an idea that was being developed and it was with this purpose in mind that the current Executive Director of Parques Para Chile, Claudia S., contacted NESsT in June 2002 in search of support.

#### **B.2.1. NESsT and the NESsT Venture Fund**

The Nonprofit Enterprise and Self-sustainability Team (NESsT) is an international nonprofit organization that works to strengthen the financial independence of civil society organizations (CSOs) dedicated to systemic social change. NESsT believes that through social enterprise, some CSOs can both advance their missions and increase their long-term sustainability by generating their own, untied resources to supplement support from external donors. NESsT believes that the organization should manage its social enterprise and design a long-term sustainability strategy in line with their mission and core competencies.

The NESsT Venture Fund (NVF) process provides technical and financial assistance (on a case by case basis) to selected CSOs in Latin America and Central Europe to plan, launch, and develop their social enterprises. The fund defines social enterprise as a planned entrepreneurial activity (i.e., sale of a product or service) that shows a high potential for advancing social change and/or generating untied resources. Social enterprises developed and supported through the NVF should demonstrate potential to be innovative models that can be replicated for maximum impact.

The NVF is designed to demonstrate that:

- CSOs can strengthen their organizational sustainability and mission impact through social enterprise.
- Through a careful and well-planned enterprise development process, CSOs can reduce the risks of social enterprise and increase their chances of success.
- Funders can play an important role in supporting CSO financial sustainability.

NESsT uses the experiences and lessons of the NVF portfolio members to drive the development of the field by providing role models, replicable case studies and best practices. The process consists of two distinct, sequential stages:

21 *Self-sustainable Initiatives for Private Conservation, Parques Para Chile.*



- 22 Network of businesses and business professionals who donate their time to support the NESsT Venture Fund portfolio and that in some instances make investments in portfolio organizations for a social return.
- 23 A requirement for entering the NESsT Venture Fund portfolio is that the organization be officially incorporated and own at least 99% of the social enterprise. Parques Para Chile was in the process of incorporation and was considering owning only 51% of the social enterprise.

***Stage 1: NVF Early Stage Portfolio (feasibility of the social enterprise idea)***

During five to seven months of intense cooperative work, NESsT provides ongoing technical assistance and consulting advice to guide CSOs through the evaluation of their prospective social enterprises. The amount of assistance provided is approximately 30 full-time workdays. CSOs are provided with tools and training in organizational readiness for social enterprise, business plan development and sustainability planning. This assistance both helps to professionalize the CSO, and to evaluate the feasibility of the proposed enterprise. Each step in the process builds upon the previous one to deepen the level of analysis culminating with the development of a business plan. CSOs are assessed at the end of each stage to determine if they will advance to the next and are expected to take the initiative to push through the entire process.

***Stage 2: NVF Later Stage Portfolio (launch and implementation of the social enterprise)***

Organizations that are selected to join the NVF later stage portfolio receive tailored multi-year (three to five years) support combining strategic, managerial, and financial support from NESsT and its collaborating team of business experts and partner institutions. The amount of technical and financial assistance provided by the NVF to later stage portfolio varies according to the needs of each organization and depends on the levels of human and financial resources available by NESsT each year, but tend to average 30 days per year. Typical amounts of financial support range from USD 1,000-10,000 (EUR 800-8,000), with an average of USD 5,000 (EUR 4,000). NESsT works with each portfolio organization to ensure that it meets the enterprise development, social change impact, institutional development and financial sustainability goals established in the planning process. Over the period of time that CSOs are in the NVF, portfolio members develop the ability to operate their enterprises independently and in a sustainable manner.

At both early and later stages, NESsT is assisted by members of its Business Advisory Network<sup>22</sup>(BAN), who offer their knowledge and skills on a pro bono basis to members of the NVF.

During its initial contact period with NESsT, Parques Para Chile did not meet the necessary criteria for assistance from the NESsT Venture Fund.<sup>23</sup> Thus, NESsT was hired as a consultant for the project with funding from the Avina Foundation. The support provided to Parques was initiated with a workshop in July 2003. During this first stage, that lasted through January, 2004, the Parques Para Chile team developed a feasibility study for specialized PPA services. Later, in mid-2004, the development of the corresponding business plan continued, only this time with the support of the NESsT Venture Fund (for reasons that will be explained below on page 18). At the same time, Parques Para Chile put a new methodology to test that would be incorporated into the business plan which was completed in 2005.



### B.2.2. Parques Para Chile's Business Plan

Using NESST's methodology, Parques Para Chile defined the planned social enterprise's social and financial goals. The services would help PPAs meet national conservation goals by becoming better managed and sustainable. Parques Para Chile also aimed to increase the social recognition of PPAs, especially the smallest areas, by introducing conservation standards and best practices. The plan projected that by the third year of operations revenues would cover the monthly salaries of four part-time staff who would be involved in service provision.

The services were designed based on the wide range of experience of the Parques Para Chile team. They include four types of specialized support, planning, and implementation services for PPAs. Through such services, PPAs are better able to effectively meet the conservation goals sought by their proprietors. Three of the consulting services are designed for individual owners, structured in progressive modules that cover the distinct stages of planning for a PPA:

- *Land Conservation Diagnosis and Profile:* *Outlines the components and value of the land*
- *Land Conservation Prioritization Plan:* *Outlines a strategic plan for the potential and current use of the land*
- *Specific Conservation Management Plan:* *Outlines the methods and costs for managing the land*

The fourth service, designed specifically for groups of proprietors, emerged in 2004 while the other three were being tested. The PPA Justified Technical Profile and Report provides an overview of the land, and help owners identify conservation objectives, the type of management needed, and norms governing the land's use. The plan anticipated that this would be the service most in demand, given its lower cost and its focus on meeting the legal recognition requirements for PPAs. The group service would reach a larger number of proprietors increasing the visibility and social recognition of PPAs, a priority for Parques Para Chile.

Each service begins with a workshop for the proprietors, whose active participation is key in assuring that the plans generated reflect their interests and goals and contribute concretely to the management of the PPA. Parques Para Chile's experience showed that the initial stage of planning, where the purpose and vision of PPAs are defined, is a critical step. Then a more focused discussion of the work is held, and from there the goals, management categories, and the zoning and conservation activities for creating the PPA are decided upon. The services are understood as learning processes rather than expert consulting. The methodology includes site visits to the PPAs, whose duration and results depend on the respective service, as well as on the profile of the team leading it.



A group exercise demonstrating the interdependence within an ecological system.



PPAs began to emerge at a growing rate in the early nineties. In 1997, there were 25 PPAs over 40 hectares large, covering a total of 432,000 hectares. Today the PPAs cover around 1,250,000 hectares. Of this total, 14 large-size PPAs cover 1,190,000 hectares, while it is estimated that approximately 500 PPAs make up 150,000 hectares. It is this segment of PPAs - primarily in the hands of individual citizens, families and communities that combine conservation activities with other types of activities on the same property -, that comprise the key target market for Parques Para Chile services.

Secondarily, PPAs owned by nonprofits, forest companies, real estate companies and others whose primary objective is biodiversity conservation also form part of the target market. At a third level are the large PPAs, owned by individuals with a clear commitment to conservation.

The market study found a high interest in the proposed services. Seventy percent of those surveyed were willing to co-finance up to 30% of the cost and more than 50% said they would be willing to pay the prices listed. The study also allowed a reduction in prices based on feedback from potential clients which was in turn achieved through an adjustment and reduction in production costs. Additionally, the inclusion of the group service allowed an option at a cost 50% less than its original equivalent, the Land Conservation Prioritization Plan.

The proprietors that have no income from their land and those that acquired their properties in the past 20 years show the most interest in contracting the services. Proprietors who are familiar with the services or have received them previously were 100% willing to co-finance and expressed a strong interest in paying for the services.

An analysis of the competition found a low supply of similar services available, none of which were oriented towards owners of small and medium-sized properties, and only one other service focused on PPAs. In addition, the services available in the market focus on forest production and their prices are much higher.

Trends indicate that the number of PPAs will continue to grow, as will the market for these services. The institutional context is equally favorable if the regulation of PPAs is put into effect, allowing for the legal recognition of these initiatives and the generation of subsidies for conservation activities performed by owners. Both factors should create a greater demand for Parques Para Chile's services.

One of the financial goals of the social enterprise is to cover the monthly personnel costs of a part-time, four-person team involved in providing the services. Based on the financial goals, the maximum number of possible service units was determined, taking into account the real schedule and availability of the work team: a total of 40 days per month, 30 to directly produce the services and 10 to perform accounting and administrative tasks. According to the break-even analysis, an average sale of 3.68 services per month would be needed to cover fixed and variable production costs. This is equivalent to 62.37% of the capacity of the four-person, part-time team of professionals.



The income projections took into account the need for the team to consolidate its technical and business management skills, which would allow for a gradual increase in the estimated number of services sold. The total estimated number of services sold for the first year was 30; 46 for the second year; and 50 for the third. According to these figures, there would be an estimated loss of USD 14,150 (EUR 11,220) during the first year; a profit of USD 6,704 (EUR 5,315) for the second year; and a profit of USD 10,454 (EUR 8,290) for the third year.

These projections were deemed feasible: they showed that the established financial goal - covering 50% of the salary of staff by the third year of operation - was quite possible to achieve, by the beginning of the second year.

In assessing the potential impact the social enterprise could have on the mission of the organization, Parques Para Chile concluded that the services will contribute to achieving the social goals of the organization as long as they are performed with transparency and high quality standards.

Among the risks evaluated was the possibility that the social enterprise may not be capable of generating the resources necessary to sustain growth and that, on the other hand, the sale of services would not leave time for the development of program and project activities. For this reason it is key that the organization achieve a balance between program and enterprise activities, maintaining a clear division of tasks and definition of goals for both types of activities.

In response to a lack of business experience among the staff, Parques Para Chile plans to have an expert in business management that would perform his or her tasks separately from the staff that actually provides the services. In response to a greater demand for services than the team is capable of providing, the organization would hire external consultants. This process would take place in a gradual fashion, assuring that the consultants would share the values and vision of Parques Para Chile.

An ongoing task will be to identify the possible appearance of competitors. Also, the social enterprise could be vulnerable to economic recessions, given that the services are not a priority consumer need.

### B.2.3. Social Enterprise History

Having made the decision at the beginning to create an organization with a self-financing component, Parques Para Chile confronted the challenge of evaluating and planning a social enterprise while simultaneously putting together the basics of the organization - developing strategic plans and program activities; generating funding; recruiting staff, and fostering an appropriate organizational culture.

Based on the knowledge and experience of the Parques Para Chile founders, this decision was made in response to an uncertain external funding environment and the desire for independence in pursuing mission goals. The organization had to begin the social enterprise evaluation process in its early stages of development. These conditions obligated the organization to plan on various fronts simultaneously.<sup>24</sup>

24 Conclusions of the first workshop conducted by NESsT in July, 2003.



- 25 Feedback from NESsT's first workshop, October, 2003.
- 26 ISEE was an intensive, week-long seminar in the form of site visits that focused on the NESsT Venture Fund social enterprise development process. The seminar was specifically designed for university students, and for-profit and nonprofit professionals.

Parques Para Chile's experience demonstrates the benefits that a start up organization can gain by developing a self-financing activity from the beginning. This is especially the case when both the organizational and the enterprise development processes are well-planned and implemented. There is the potential to directly impact the finances of the organization early on, and the opportunity to create immediate coherence between the social enterprise and all other institutional programs and activities that will be implemented. As a result, for Parques Para Chile self-financing became one of the pillars of the organization, reflected in a low resistance on the part of staff to entering the market. The acquisition of new tools and methodologies introduced by NESsT was later facilitated by this low initial resistance and open attitude.

#### B.2.4. The Steps Taken

NESsT's work supporting Parques Para Chile began when the organization was still just an initiative in the making, within the framework of the CIPMA-FMAM Project. The future Parques Para Chile staff contacted NESsT in June 2002 requesting support in developing a social enterprise.

In May, 2003 Parques Para Chile received confirmation of funding that would allow them to contract NESsT's consulting services, beginning with a first workshop in July, 2003. The results of the organizational readiness assessment and the first evaluation of Parques' social enterprise idea revealed the following strengths:<sup>25</sup>

The existence of a cohesive staff, with a high capacity for teamwork, with shared values, generating a favorable work environment;

- A professional, analytical, honest, and self-examining team, with a great predisposition to learn and understand NESsT's methodology;
- The existence of wide knowledge in the area of conservation, both public and private and on both national and international levels;
- A committed Board of Directors, technically strong and multidisciplinary.

Additionally, the existence of a strong network of contacts;

- Complete openness in discussing issues presented by NESsT, including market analysis, operations, financial analysis, mission impact and risks, along with factors that need to be defined before planning the launch, such as social enterprise mission, necessary staff, legal structure, and participation of the nonprofit corporation in the new public limited company.

Subsequently, Parques Para Chile received feedback from NESsT on their market survey that was designed to learn more about potential clients and competition. In November, 2003, the organization had already begun to integrate both the social enterprise development process proposed by NESsT, and the methodology for creating and implementing a planning tool that would define and help manage organizational functions.

As part of the process and as a way of promoting exchange of experiences, NESsT invited Parques Para Chile to participate in ISEE,<sup>26</sup> the International Social



Enterprise Exchange Program in Chile. In January, 2004, Parques Para Chile organized a visit to its demonstration site and gave a presentation on its social enterprise feasibility study.

In the coming months, Parques faced restrictions in its budget when one of its major projects was completed and fundraising efforts were only sufficient for covering the basic administrative costs of the organization. These restrictions meant there were no resources available to pay for the second part of the consulting plan originally budgeted for, and it was put on hold. Even so, the work completed up to that point, in April, 2004, confirmed that both parties had a desire to continue working together.

Taking into account the recommendations from NESsT, Parques Para Chile decided to change the legal structure originally planned for implementing the social enterprise. The new structure, described below, allowed Parques to meet the requirements for participation in the NESsT Venture Fund portfolio and they could continue receiving NESsT's assistance.

Parques Para Chile and NESsT met again to discuss creating a business plan. NESsT trained Parques on the purposes and components of the plan using the previously completed feasibility study as a basis. They worked on the plan and all team members shared their input on the process and its future implementation.

In July, 2004 - with less staff time available and still in the midst of an organizational learning process - Parques considered introducing a new, group-based methodology for the PPA support services. The new methodology was tested as a pilot in October, 2004, and proved to be attractive to potential clients, both in terms of cost and as an opportunity to exchange experiences with other PPA owners: "One of the participants who, received a written assessment of his PPA from Parques Para Chile said he felt understood for the first time in terms of what he was doing with his land".<sup>27</sup>

Moving forward with the process became more difficult, however, as the organization had to tend to other projects and external demands, particularly around major and time-sensitive advocacy efforts. "Parques Para Chile, because of its mission, must also consider getting involved and playing an important role in local citizen movements for environmental protection".<sup>28</sup> A first draft of the business plan was given to NESsT in May, 2005, to which NESsT provided feedback and recommendations, and a final plan was completed in August, 2005.

In order to evaluate the business plan from an objective viewpoint and in a more comprehensive manner, NESsT gathered three members of its Business Advisory Network, and NESsT's Executive Director and Enterprise Development Manager. Parques Para Chile's Executive Director, Claudia S. also attended to hear the observations and recommendations and to respond to any questions that arose about the business plan.

The business plan was then presented at the NESsT Investors Circle, organized by NESsT in September, 2005, to a group of business owners and top managers and

27 Interview with Parques Para Chile staff (Leonardo A., Monica P., Claudia S. and Alberto T.), April 5, 2006.

28 Interview with Parques Para Chile staff, April 5, 2006.



- 29 Parques Para Chile business plan, August, 2005.
- 30 Result of NESsT's first workshop, July, 2003.
- 31 Interview with Parque Para Chile staff (Leonardo A., Mónica P. Claudia S. and Alberto T.), April 5, 2006.

representatives of the private, public and civil society sectors. The goal of the event was to introduce Parques Para Chile's services and their professional work (along with two other organizations supported by NESsT), and to identify potential investors.

With a positive evaluation from the Business Advisory Network and the Investors Circle, NESsT formally invited Parques Para Chile to join the NESsT Venture Fund later stage portfolio. NESsT would invest USD 4,000 (EUR 3,170) in the organization to support the launch of the social enterprise.

### Section C. NESsT Value-Added

"This business plan has been developed by Parques Para Chile staff with the assistance of NESsT, whose professionals have guided this work not only in methodological and technical terms, but also with sincere communication and a commitment to the social mission that is the ultimate motivation behind this effort".<sup>29</sup>

Parques Para Chile staff refers to the process of developing a feasibility study and business plan with NESsT as an important process, considered key to its institutional development, and begun even before the organization formally existed. The development of a high quality business plan and its presentation to a group of philanthropic investors are the tangible results of a process that yielded many other lessons learned.



Children planting native trees in a conservation area.

Along with NESsT's original assessment, the staff recognized that although the team was cohesive and held an open mind toward the potential risks of launching a social enterprise, they had little experience in self-financing.<sup>30</sup> To make up for this shortcoming, they applied NESsT's methodology throughout the process.

From the first stages, Parques Para Chile fully embraced the importance of having a clear vision, mission and goals for its enterprise, which was something that according to the executive director, Claudia S., "we learned from NESsT",<sup>31</sup> The team has built on these lessons and has begun to apply these concepts to their work with private proprietors and clients.

Additionally, the organization developed criteria to carefully select the social enterprise under consideration. They included: the opportunity to use Parques Para Chile's skills and experience; the potential for supporting the financial sustainability of the organization; the opportunity to support the organization's mission; and the potential for supporting the permanence of conservation areas.

Further, through the social enterprise development process, Parques Para Chile, was able to define the services that would be offered, improve them and assess their feasibility in the market place. Often when organizations develop an enterprise without a thorough planning process, the enterprise falls short in



either meeting mission or financial goals. The NESsT process assured that a measurable market demand existed for Parques Para Chile's mission oriented services and that financial projects were realistic.

In addition to providing tools and one-on-one support in the development of the feasibility study and business plan, NESsT also provided feedback and recommendations from the entire NVF team. One of the relevant issues discussed was the original legal structure that had been considered for implementing the social enterprise. NESsT felt that such a structure allowing for shared ownership of the social enterprise would present more challenges than benefits in terms of attracting investors and offering opportunities for participation of different stakeholders. NESsT saw potential operational and decision-making problems, which could work, for example, against Parques Para Chile's efficiency and agility in responding to clients. There was also the possibility that part of the ownership of the social enterprise would change hands, resulting in a change of priorities - reflected, for example, in a desire to place more importance on financial rather than mission goals.

NESsT recommended looking for a legal structure that would reflect as much as possible the values and criteria held by Parques Para Chile: one that would avoid conflicts of interest related to the control and distribution of dividends, and that would not require deep discussion of issues and knowledge of available legal tools.<sup>32</sup> The final recommendation was to create the social enterprise under the Parques Para Chile nonprofit corporation and postpone the decision of how to involve other groups of interest, which need not only happen through sharing ownership. This point was especially relevant for a start up organization where maintaining flexibility was most important since flexibility is always compromised to a certain extent when doors are opened to other groups of interest.

At each stage of the process, NESsT observations and recommendations for Parques Para Chile covered the areas of market analysis; operations and administration; financial analysis and projections; risks and risk-mitigating strategies, as well as impact on the mission. Here is some of the feedback that NESsT gave to the final business plan:

- Emphasis was placed on deepening the analysis of market information in order to identify the priorities of the target clients.
- NESsT asserted that the original pricing policy (that only covered costs and did not generate profit) presented a true risk for positioning, perception, and financial success of the enterprise. It was recommended that Parques examine this issue carefully and a detailed analysis of risks, costs, and benefits involved was provided. Alternatives considered were raising prices once a certain reputation was established and/or beginning with higher prices in the first year, as a way of testing the market.
- The positive feedback of those who are already familiar with and have used the services in the past should be leveraged in the marketing strategy. Prior clients can act as proponents of these services.
- The reasons behind a perceived lack of competition should be clarified and understood. For example, did competitors lack the specific skills for such a service? Was there no demand for this service? Or was it because no

32 NESsT feedback on first feasibility study, October, 2003.

"This business plan has been developed by Parques Para Chile staff with the assistance of NESsT, whose professionals have guided this work not only in methodological and technical terms, but also with sincere communication and a commitment to the social mission that is the ultimate motivation behind this effort."

- Parques Para Chile Business Plan, August, 2005.



- 33 Message sent by Claudia S., Executive Director of Parques Para Chile, October 21, 2003.
- 34 Interview with Claudia S., Executive Director of Parques Para Chile, April 26, 2006.
- 35 Interview with Claudia S., Executive Director of Parques Para Chile, April 26, 2006.
- 36 The Performance Management Tool (PMT) was developed by NESST for use by the members of the NESST Venture Fund (NVF) portfolio. The PMT helps enterprises develop and monitor their social and financial goals against established benchmarks. The Tool is based on NESST's extensive work with portfolio members. The basic framework considers social enterprise development as the driver for social impact, organizational development and financial sustainability.

- market yet existed?
- The opportunity to offer new unique services and to create a new market niche should be pursued. However, it is important to be constantly attentive to possible future direct competition that today might appear weak or nonexistent.
  - The price assigned to the services should initially be the ideal price (that would cover costs and generate a profit) and then clients that are not able to pay this price should be encouraged to seek subsidies either in the form of donations or funds from other sources, including the government. This could be done alone or jointly with Parques Para Chile.
  - In conducting break even analysis using different cost scenarios, Parques Para Chile should pay special attention to identifying which services would be more in demand as a way of connecting the financial analysis with the market research.
  - Market research information should inform the financial analysis and projections, and Parques should carefully assess whether these projections are truly feasible. This was emphasized because in terms of the market - although growth rates and segment distribution figures were clear - initial doubt existed as to whether there would be enough clients to maintain the projected growth.
  - The operations plan needs to be well thought out and should, for example, include mechanisms to balance and coordinate the work of the enterprise and the programs, and manage potential internal and image-related risks associated with hiring external consultants. Parques Para Chile should create organizational policies as part of the business plan to address such issues.

The process allowed Parques Para Chile to make decisions based on careful assessments of each aspect of its business and reflected the maturity of analysis that the staff achieved. Claudia S., executive director of Parques Para Chile said, "At the time of the feasibility study development, we were being asked to provide services as consultants in a wide range of areas.. [requests that were declined]...as you [NESST] say, planning ...is key for sustainability".<sup>33</sup>

The process in its entirety was also of value because it allowed the staff themselves to develop the business plan, adding this capacity to their strong technical expertise: "[Parques Para Chile] can finally say exactly what a business plan is, what we can and cannot expect of it, and in a concrete and realistic way".<sup>34</sup>

An important contribution to the process was having access to NESST's Business Advisory Network, whose members offer an objective business point of view, and share their commitment to environmental preservation. This opportunity, said Claudia S., "was extremely useful to gain clarity on what was missing and how people might perceive the services we plan to offer".<sup>35</sup>

Prior to the official launch of the PPA support services, Parques Para Chile has begun working on the previously mentioned Performance Management Tool (PMT).<sup>36</sup> This tool is intended to help Parques Para Chile to organize its



business plan goals in a structured fashion, and to create indicators that the organization can use to assess its progress in meeting mission, organizational, and enterprise goals. Claudia S. felt that the moment when the PMT was introduced was ideal, “it fits us like a ring on the finger”, given its close relationship with other recently proposed organizational projects.<sup>37</sup>

A final element worth noting was the fact that Parques Para Chile found a perfect niche for the self-financing strategy within the overall organizational strategy. The Executive Director recognized that it was also important for them because the development of the social enterprise converged with the formation of the organization, assuring the coherence of long-term strategic plans: “if the organization has a strategic plan, it is only logical that it ‘converse’ with the business plan”.<sup>38</sup> Parques Para Chile feels that, as an organization, they have developed the confidence to compare themselves to seasoned social enterprises, with a stronger and well-trained team, and with the ability to be more realistic and strategic in their decisions.

### C.1. Next Challenges for Parques Para Chile

Implementing the business plan and launching a social enterprise are undoubtedly the next challenges for the organization. They will continue to receive support from NESsT as a later stage portfolio member of the NESsT Venture Fund. Even when their learning and preparation is evident, and despite the fact that the organization is committed to meeting its self-financing goals, the staff recognizes that “none of us have a business culture, we all come from academic and nonprofit backgrounds, and we have never run a business”.<sup>39</sup> The staff feels that they still hold a similar cultural barrier that any nonprofit would face.

Faced with this situation, the need to receive continued support and motivation becomes critical, even more so than during the business plan development process. In this respect, being able to count on the necessary capital and training to launch and begin selling the services to PPAs through the NVF later stage portfolio is the first step toward this end.

When Parques Para Chile considers it appropriate, another challenge will be identifying the legal structure that is most appropriate for the optimal functioning of the social enterprise, keeping in mind the overall objective of achieving financial and mission-related goals. Once the team understands the various incorporation alternatives available, and with the knowledge gained during the first year of operation, they can make any changes they deem necessary.<sup>40</sup>

Both present and future challenges include improvement of the website and positioning the Parques Para Chile brand. The organization hopes to use its accumulated experience to reach more clients, even before the marketing campaign has been launched. Advancement in these areas has been slow, and one of the reasons may be the staff’s high expectations; they want to be sure they are capable of doing it and doing it well.

- 37 Interview with Parques Para Chile staff (Leonardo A., Monica P., Claudia S. and Alberto T.), April 5, 2006.
- 38 Interview with Claudia S., Executive Director of Parques Para Chile, April 26, 2006.
- 39 Interview with Parques Para Chile staff (Leonardo A., Monica P., Claudia S. and Alberto T.), April 5, 2006.
- 40 NESsT feedback on first feasibility study, October, 2003.



The Parques Para Chile staff.



41 Interview with Claudia S., Executive Director of Parques Para Chile, April 26, 2006.

Because of the NESST process “we can finally say exactly what a business plan is, what we can and cannot expect of it, and in a concrete and realistic way.”

- Interview with Claudia S., Executive Director of Parques Para Chile, April, 2006.

## C.2. Anticipated Results of the Social Enterprise

The financial goals of the enterprise aim to cover operating costs and the half-time salaries of the four-person team responsible for offering the services, by the third year of operation. The social impact goals include PPAs becoming a tool in meeting national conservation goals. Furthermore, Parques Para Chile aims to increase awareness of PPAs, especially the smallest ones, through the introduction of standards and best practices for conservation.

It is also hoped that social enterprise will contribute to organizational development. The insertion of business logic into the organizational culture, which to a certain extent has already happened, will contribute to the standardization of processes, more efficient operations, and an improved positioning for Parques Para Chile.

With guidance from NESST’s Performance Management Tool, Parques Para Chile will measure the impact of their social enterprise based on specific objectives, categorized in the following four areas:

**Social enterprise performance:** Measures and monitors the performance of the social enterprise in relation to the goals defined in the business plan such as percentage of target market reached, sales revenues, financial projections and operational improvements.

**Social impact:** Measures and monitors social and mission-related achievements, such as additional beneficiaries reached, program services offered, public policies changed as well as mitigation of the mission risk that a social enterprise can pose.

**Financial sustainability:** Measures and monitors the contribution of the social enterprise to the organization’s percentage of untied revenues, level of funding diversification, accumulation of assets and financial transparency.

**Organizational development:** Measures and monitors the development of institutional systems — human resources, financial management, governance, planning — achieved as a result of the social enterprise.

## Section D. Lessons Learned and Recommendations

The social enterprise development process did entail certain costs particularly the extended length of the process itself caused by various factors. According to Claudia S.,<sup>41</sup> these factors included: the rigor of the NESST process; the need for Parques Para Chile to develop and test a methodology for group services; the demands of fundraising, and the fact that as a small start up organization, the staff could not focus exclusively on the process.

These delays can interrupt the flow of the process, reducing enthusiasm for social enterprise implementation and lowering staff motivation. There is a feeling among the Parques Para Chile team that the social enterprise could



have been launched earlier because they were experiencing a moment of enthusiasm and felt positive about the potential viability of the business,. This temporary moment of enthusiasm was tempered by the business development process. Claudia S. used the analogy of the ‘freshness’ of the moment before jumping into a pool. The desire and conditions to do so are there, but if you do not act in time and let the moment pass, the impulse disappears, and you start to pay attention to details like the cold water temperature, potentially deciding against the action.

Even though the social enterprise was developed simultaneously with the creation of Parques Para Chile as an organization, the staff does not believe that the two distinct processes were detached from one another. While it was a challenge to accomplish both tasks, they did not feel that their experience was different from what other organizations would experience who are exploring self-financing alternatives after their organization is founded. What was different and favorable was the relative lack of cultural resistance, and the organizational predisposition toward initiating self-financing strategies.

The lessons taken from this social enterprise development experience include the need to acknowledge the quantity of time that such a process can demand. It is not surprising that the entire process would take longer than originally envisioned for both internal and external reasons. Thus, it would be appropriate to maintain expectations in line with the process as it evolves. This realization has been an important lesson for NESsT since there are many organizations that face similar situations. As a result, NESsT has adjusted its methodology to include:

- Implementation of business plan competitions that offer a financial award as an incentive for completing each stage of the process in the requisite timeframe;
- Setting more realistic timelines for specific organizations, with the commitment on behalf of the organization that it will meet the overall deadlines, in order to maintain motivation;
- Together with the organization, searching for additional funding, when necessary, that would allow the organization to hire a paid staff member or volunteer to work with NESsT on the process, while assuring that the organization’s leadership continues to be involved.
- Making sure that regular meetings are held between NESsT and the organization despite geographic distance. (In this case, the offices are 840 kilometers apart).

More specifically, the experience gained shows the importance of not assuming that the tools or trainings provided are enough when it comes to those areas where the organization is weakest. It is necessary to create more opportunities for organizations that have been successful with social enterprise or that are at a later stage of its implementation to share their experience. It would also be helpful to have a close and deep contact with experts in specific areas, for example a ‘clinic’ to review and work on a marketing strategy.



Parques Para Chile made several recommendations based on their experience, and they highlighted that it would have been advantageous of having a single staff member who is exclusively dedicated to the development of the social enterprise. Obviously this possibility would represent quite the luxury for most nonprofits; however fundraising toward these ends could make a substantial difference in the quality of the process and the final result.

The final recommendation made for other organizations interested in developing self-financing strategies was to keep a balance between the initial enthusiasm and motivation in starting an enterprise and the objectivity and discipline that is required to develop a solid business plan .

The process with NESsT has created a high quality business plan that gives the organization confidence in managing an enterprise, the tools that will allow staff to begin its implementation and prepares them to face new challenges that arise in the future. With this built in capacity and the continued incubation provided by NESsT in the coming years, Parques is well-positioned to achieve its sustainability and independence and to reach its conservation goals.