

Social Enterprise in the Caribbean NGO Sector: The Case of Pinelands Creative Workshop

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Is a Social Enterprise Model suitable for your organization?

ACRONYMS

ABC	Amalgamated Baking Company Inc
BFW	Bikes for the World
CASE	Centre for the Advancement of Social Entrepreneurship
CDFIs	Community Development Financial Institutions
CEO	Chief Executive Officer
COGs	Cost of Goods
CPDC	Caribbean Policy Development Centre
CSR	Corporate Social Responsibility
ICT	Information and Communications Technology
LCLS	Local Capacity for Local Solutions
MGRDC	Marcus Garvey Resource Centre
NGO	Non-Governmental Organization
NFP	Not-For-Profit
NSEs	Non-profit Social Enterprises
OJT	On the Job Training
PCW	Pinelands Creative Workshop
SE	Social Enterprise
USAID	United States Agency for International Development
UNDP	United Nations Development Programme



THE LOCAL CAPACITY FOR LOCAL SOLUTIONS PROJECT

The United States Agency for International Development (USAID) is funding a three-year Local Capacity for Local Solutions project geared at improving the managerial and operational capacity of non-governmental organizations (NGOs) in the Eastern and Southern Caribbean (ESC). The project will utilize innovative methods that support organizations to be more efficient, effective and sustainable. The project targets 10 countries namely: **1) Antigua and Barbuda; 2) Barbados; 3) Dominica; 4) Grenada; 5) Guyana; 6) St. Kitts and Nevis; 7) St. Lucia; 8) St. Vincent and the Grenadines; 9) Suriname; and 10) Trinidad and Tobago.** It aims to build the hard and soft skills of NGOs working in the focal areas of the environment,

HIV/AIDS, youth/citizen security and lesbian, gay, bisexual, transgender, or intersex (LGBTI).

RTI International is the prime implementer of the project. RTI International is one of the world's leading research institutes, dedicated to improving the human condition by turning knowledge into practice. Our staff of more than 2,800 provides research and technical expertise to governments and businesses in more than 40 countries in the areas of health and pharmaceuticals, education and training, surveys and statistics, advanced technology, international development, economic and social policy, energy and the environment, and laboratory and chemistry services. For more information, visit www.rti.org. RTI International

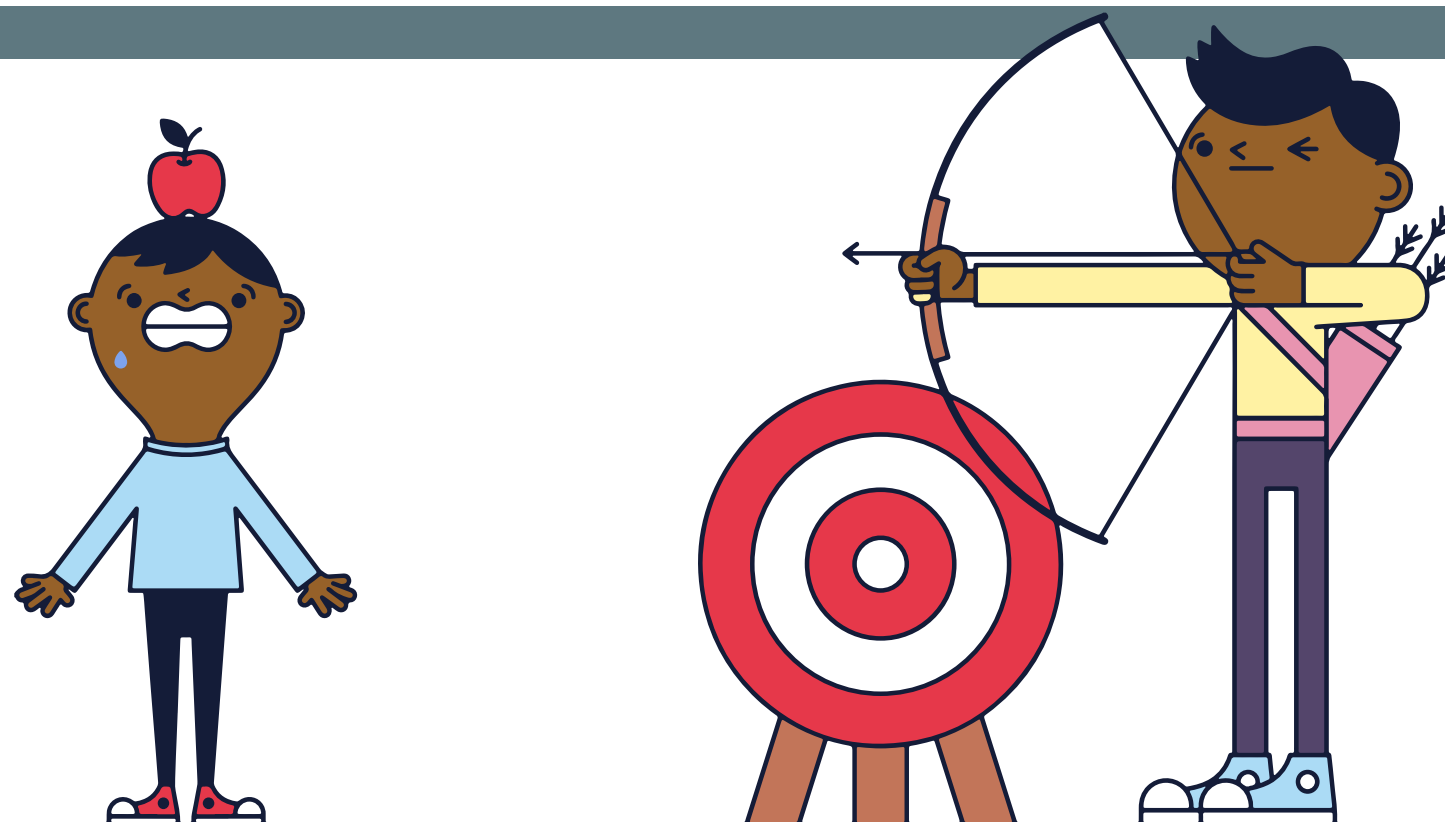
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The Caribbean Policy Development Centre (CPDC) delivers technical implementation. CPDC is a regional non-governmental organization formed in 1991 and based in Barbados. It is membership based and managed by the NGO sector through its elected Board of Directors. The mission of the organization is "to build civil society organizations' partnerships through engagement with people, governments, and other relevant partners to influence the design and implementation of policies that empower and improve the lives of Caribbean people."

OBJECTIVE

This Case Study on social enterprise commissioned by the Caribbean Policy Development Centre (CPDC) is part of a series of capacity development materials **being formulated and made available to NGOs** under the Local Capacity for Local Solutions project. While the **case study examines the social enterprise initiatives of one organization, it is intended that the strategies and lessons identified can encourage other such initiatives among NGOs in the ESC. This would aid in reducing their overreliance on donor funding and strengthening their sustainability.** The contents of this case study was abstracted from the larger research report¹.

¹ The larger research report is available on request from the CPDC or available on the organization's website



THE CASE STUDY

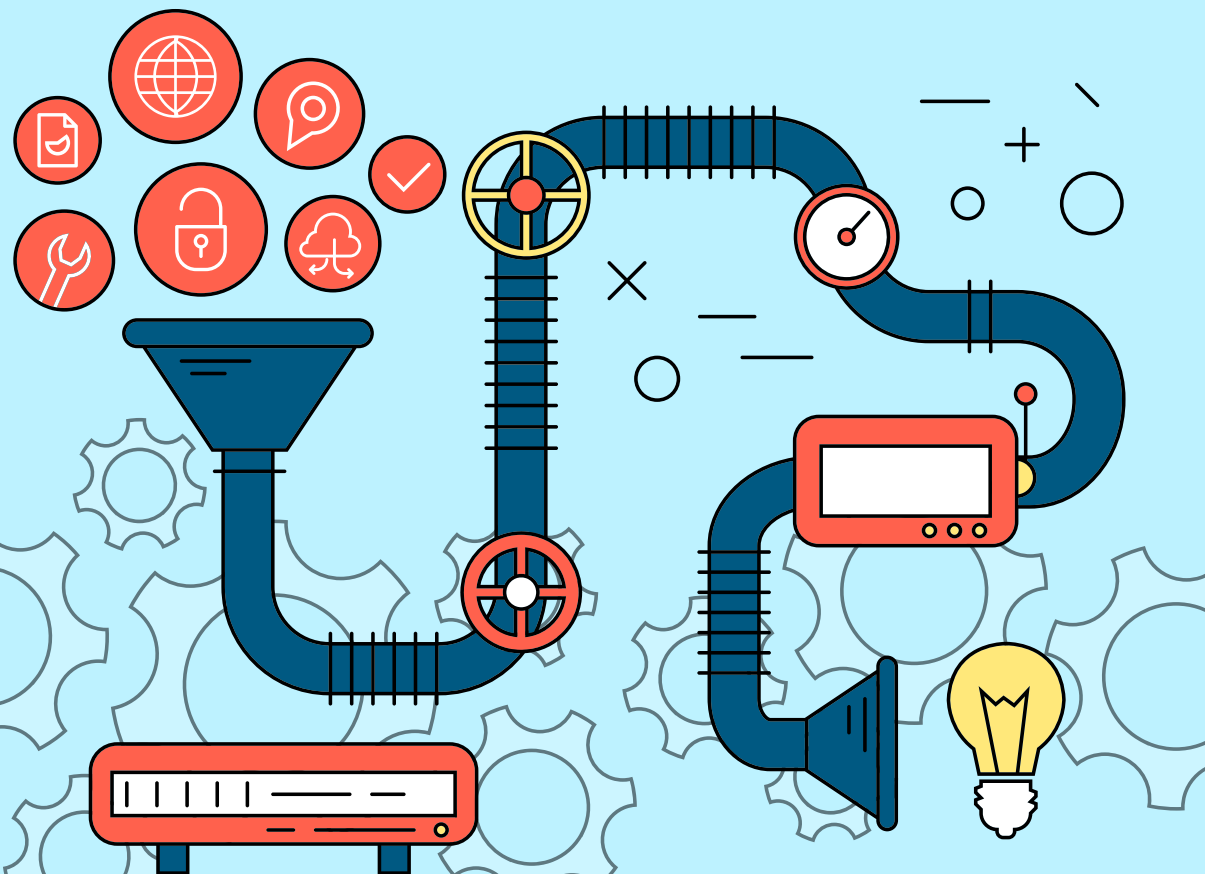
The case under review is the Pinelands Creative Workshop (PCW), a non-governmental organization (NGO) based in Barbados. The organization was formed in 1978 in response to socio-economic challenges faced by the Pinelands community, an urban housing area based in St. Michael. The case study highlights the strategies, successes, and lessons learned from the social enterprise/entrepreneurship activities of PCW. It presents **four business** initiatives of the NGO and specifically details one **of** its most successful enterprises, the PCW Bicycle project.



SELECTION PROCESS/METHODOLOGY

PCW was chosen because of its long history of social enterprise initiatives and its advocacy for its greater adoption throughout the NGO sector. The organization has also been used as a best practice of community mobilization regionally and internationally. It is also one of the few NGOs in the ESC that has sustained a social enterprise initiative for over ten years.

The data collection process used desk research and key informant interviews with present and past staff. Research articles/journals that examined social entrepreneurship and its relevance to NGO self-sufficiency were also reviewed.



KEY INSIGHTS ON SOCIAL ENTREPRENEURSHIP & SOCIAL ENTERPRISE

The **case study** uses the concepts of social enterprise and social entrepreneurship **interchangeably**. While recognizing the subtle distinctions between the two terms, the paper focuses on the applicability to the NGO sector and the underlying intent of both concepts to building social change.

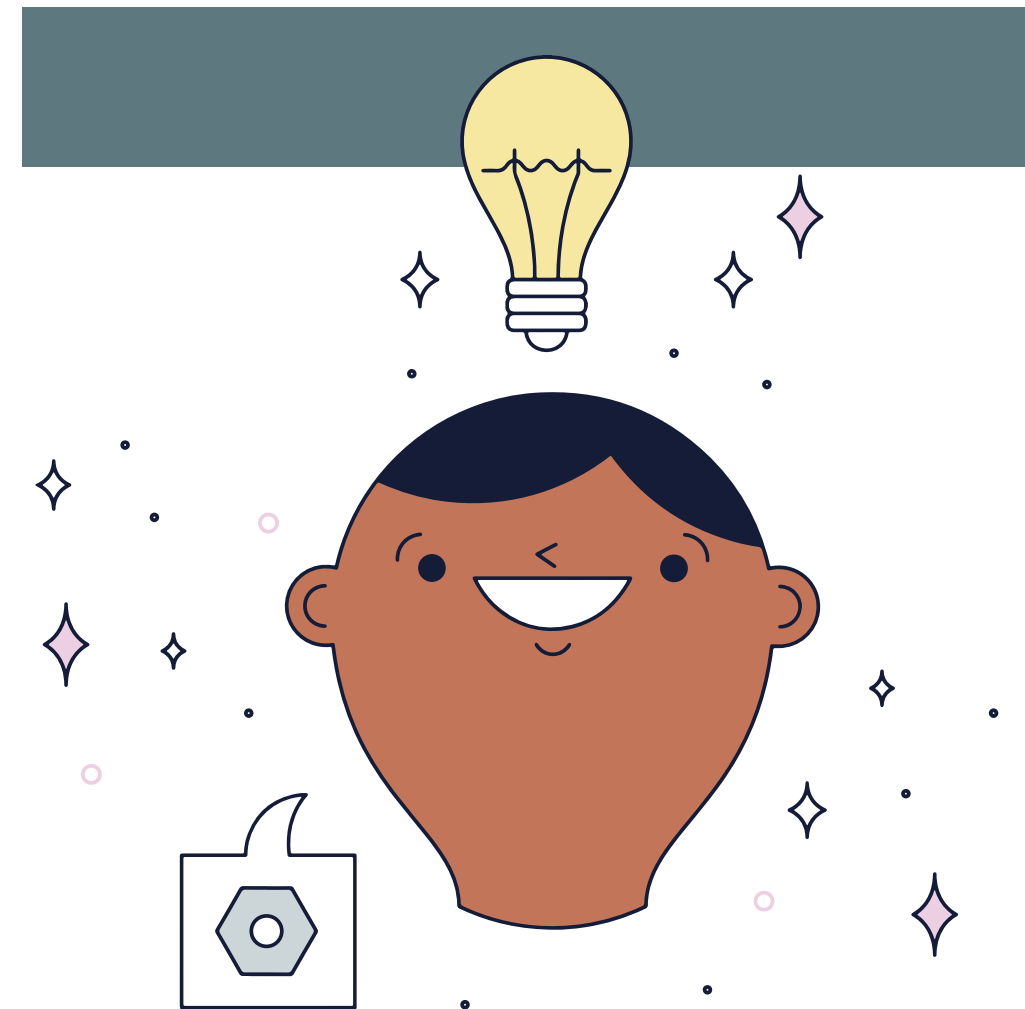
The concept of Social Entrepreneurship is not new having been coined in 1981 by Bill Drayton, founder of Ashoka, the world's first organization to promote social entrepreneurship. The theory and practice of social entrepreneurship have grown significantly over the years.

To qualify as a social entrepreneur, scale and focus must exist with the creative ability to harness business ideas and new approaches to produce sustainable social change for the benefit of society. Martin & Osberg, (2007) states, "the social entrepreneur aims for value in the form of a large-scale transformational benefit that accrues either to a significant segment of the society or to society at large." This 'primacy of social benefit' appears to be the driver for the social entrepreneur, although the need to make a profit is necessary.

Dees, (2001) notes that the social entrepreneur

combines the passion of a social mission with an image of business-like discipline, an approach that is needed to develop new models for a new century. Dees, (2001) further argues that with social entrepreneurs, the social mission is explicit and central, where mission-related impact becomes the central criterion and not wealth creation.

This does not negate the Social entrepreneur's responsibility to good business practices, which would enhance his/her ability to attract resources and retain and gain new customers within a competitive market. The social entrepreneur's ability to retain customers and attract new ones can also be measured by their social impact.



SOCIAL ENTREPRENEURS PLAY THE ROLE OF CHANGE AGENTS IN THE SOCIAL SECTOR, BY:

- **Adopting a mission to create and sustain social value (not just private value);**
- **Recognizing and relentlessly pursuing new opportunities to serve that mission;**
- **Engaging in the process of continuous innovation, adaptation, and learning;**
- **Acting boldly without being limited by resources currently in hand, and**
- **Exhibiting heightened accountability to the constituencies served and for the outcomes created.**

One very important observation that stands out is that social entrepreneurship does not require inventing something wholly new; it can simply involve applying an existing idea in a new way or to a new situation. Entrepreneurs need not be inventors. They simply need to be creative in applying what others have invented².

An important definition of social entrepreneurship highlights the point that the approach adds value to the historical norms of social provisioning.

Social Entrepreneurship aims to generate outcomes that are superior to conventional models through innovation in, and disruption to, the status quo of public, private, and civil society approaches to the provision of social and environmental goods. In this way, social entrepreneurship is best understood in a linear – rather than disruptive – relationship with the historical norms of social and community action (Nicholls & Collavo, n.d.).

This definition refutes the suggestion by some that NGOs which conduct business somehow disrupt the civil society code of social facilitation rather than add value. The approach shows that NGOs can utilize business models and approaches within their system of operations providing for greater functionality, planning, and strategic alliance.



SOCIAL ENTERPRISE AND THE NON-PROFIT SECTOR

While the idea of social enterprise has had a long history (particularly in international development work), it is becoming increasingly popular among non-profits in the developed world.

The idea of earned income is attractive to nonprofits whose sources of financing have shrunk due to global economic trends, including cuts to grant funding at all levels, shrinking foundation portfolios, and constantly changing donor priorities.

In addition to providing an alternative revenue source, social enterprises provide other benefits, including direct on-the-job (OTJ) training opportunities for targeted employees, marketing advantages, and the integration of innovative business frameworks into thinking and planning.

At the same time, socially responsible business practices have become an increasingly profitable and sustainable model. Fairtrade companies, green businesses, and worker-owned cooperatives have shown that socially conscious for-profit businesses can produce triple bottom line results (producing benefits regarding people, planet, and profit). Several states in the United States of America (USA), for instance, have passed legislation enabling a B-Corporation status which protects social enterprises investment in their social mission. Foundations, corporations and even the White House are increasingly looking to support social enterprises as a way to spark and support innovation.

At the same time, the enthusiasm for social enterprises often creates unrealistic expectations. Earned income is unlikely to fully replace other sources of funding. A social enterprise model should supplement, not replace, traditional funding sources for nonprofits.

In the ESC, nonprofit organizations are primarily financed by grants from philanthropic foundations, agencies or government entities. Grants can be used to fund a wide range of nonprofit activities and are not expected to be repaid; they generally support all ongoing operational costs of nonprofit organizations. Over the last fifteen years, grant financing has significantly declined for NGOs in the ESC.

² Schumpeter (2000)

Some of the circumstances responsible for the decline include the global economic downturn, shifting donor priorities, and graduation from concessional financing status of some Caribbean countries. Overall this has meant that the sector has seen a diminution not only in quantity but also the quality of donor financing. Pursuing social enterprises have emerged as a viable but under-discussed and practiced solution for NGOs in the region.

³ For a good discussion of the range of business models from nonprofit to for-profit see the “Hybrid Spectrum” developed by Kim Alter of Virtue Ventures: <http://www.4lenses.org/setypology/print>

⁴ See the website of the Office of Social Innovation and Civic Participation: <http://www.whitehouse.gov/administration/eop/sicp/initiatives/social-innovation-fund>.

TYPES OF FUNDING FOR SOCIAL ENTERPRISES

Loans are perhaps one of the most used methods to fund social enterprises unless some seed money can be sourced through donor grants. This, however, is the exception and not the norm. Loans to nonprofits are typically secured and are increasingly financed through impact investment organizations rather than traditional banks. Impact investors seek to make a profit but also aim to solve social or environmental challenges.

There are several kinds of loans available to nonprofits. These include personal loans (from friends and family, typically up to \$20,000), microloans (from \$500 to \$100,000), bank loans (typically up to \$3 million), and government-backed loans. Loans can be secured (tied to collateral that can be seized in the event of a default) or unsecured. Secured loans are generally available at lower interest rates.

Traditionally, lending decisions are based on “three Cs”: capacity (cash flow), character (management), and capital (collateral). These are meant to minimize the risk of default, defined as failure to repay a lender in full.



These lending criteria, when applied in the traditional lending sector can prevent those with little financial history from receiving needed money.

A variety of lending organizations make it their mission to provide capital to worthy social enterprises. These include social investors, impact investment lenders, microfinance organizations, and Community Development Financial Institutions (CDFIs).



CELEBRATING

40

1978 - 2018

REGISTERED CHARITY #212



THE PINELAND CREATIVE WORKSHOP

— The Evolution of its Social Enterprise Model

The Pinelands Creative Workshop (PCW), registered Charity #212, was formed in February 1978 and legally registered on 27th February 1992. It represents the cultural aspects of the Pinelands community of Barbados. The mandate of the organization in the early stages was to utilize the common interest of culture to build the morale and empower youth throughout the community. This approach proved to be a successful one, as it served to empower and strengthen the community spirit within the Pinelands Community.

The nature of the work of the PCW evolved with the changing community demands, and by the late 1980s, the PCW was attempting to empower the disadvantaged persons in other neighboring communities. The PCW's Marcus Garvey Resource and Development Centre (MGRDC) was established to provide a wide range of social, educational and technical services. During its first decade of existence, 1978-1988 PCW had in place the traditional Executive Body which was primarily voluntary. Hence its funding needs were limited to conducting cultural shows which were its main actions at the time. During the period 1988 – 1998, the organization expanded its services to

the community in the areas of education and informational, communication and technology (ICT) classes. One significant change was the renting of a facility to conduct classes and to function as a central Secretariat for the organization. It is noteworthy to mention that during this period the organization was commissioned to perform at a local dinner theatre show called, '1627 and all that'.

This show which was conducted twice a week provided the organization with much-needed resources to offset the payment of rents and other operational costs. It also allowed the organization to introduce an Educational Support Programme to assist members who required educational support. In the last two years of this period, the PCW was provided with facilities by the Government of Barbados under a 'peppercorn' arrangement. During the last two decades, 1998 – 2008 and 2008 to 2018, the portfolio of the organization expanded to include social, economic and cultural development. During this period the PCW also engaged full-time staff which fluctuated between five and ten persons.

⁵ A peppercorn fee is such that is way below the normal market value or cost.

GOVERNANCE AND PARTICIPATION IN PCW – A NEW CULTURAL BRAND

From as early as 1987, the PCW began to tinker with its model of participation and governance to attain a greater level and quality of results in its programmatic focus and implementation. This move coincided with the organization’s focus to become more entrepreneurial.

During 1987 and 1990, PCW began to reform its governance and participatory model by first restructuring its administrative descriptions and roles to better reflect its programmatic focus and strategic vision. Hence the traditional roles of President, Vice President, Treasurer, Assistant Secretary-Treasurer and Public Relations Officer were all removed and replaced by an Executive Director, Business

Manager, Production Manager, Executive Secretary, and Communications Officer. The organizational culture of PCW was based on collectivist thinking, and characterized by shared values, beliefs, and objectives. This feature of PCW shadowed that of a Theory Z organization. Such an organization exhibits patterns of long-term commitment to employees; emphasis on communication, collaboration and consensus in decision making; individual responsibility; informal control but formal measures; concern for employees beyond the workplace; and career development. This combination has shown to benefit PCW as there is visible employee satisfaction, motivation, and commitment.

Table 1: Organizational Changes within PCW Between 1988 – 2008

1988 - 1990				
President	Vice President	Treasurer	Asst. Sec-Treasurer	Pro
Executive Director	Production Manager	Business Manager	Executive Secretary	Communications Officer
1998 - 2008				
Executive Director	Production Manager	Business Manager	Executive Secretary	Communications Officer
Chief Executive Officer	Special Project Director	Financial Executive Officer	Cultural Development Officer	Business Officer

These behavioral factors have served as the plank to move the organization into its desired state and to catapult its chosen self-reliance mechanisms.

To achieve sustained development and focus PCW then abandoned the process of voting for administrative members and implemented what was termed as a ‘selective process,’ of choosing persons whom they thought were apt for the roles to be undertaken. PCW sought to instill a different participatory process built on trust, commitment, and incentives. Inherent in these changes, the PCW in implementing paid staff to administer the affairs of the organization abandoned the annual change of Officers which they felt ran contrary to the pursuit of organizational sustainability.

Furthermore, to strengthen its ability to achieve results PCW introduced another significant change when they abandoned the paying of subs by members. The organization sought to use other means to encourage greater commitment to the philosophy of and commitment to the principles of PCW, particularly working towards the positive changes within the Pinelands community. PCW offered

incentives of educational and social support to its members as a reward for their commitment. Hence, participation towards the ideals, principles, and philosophy of the PCW was enhanced among the rank and file of the organization and the wider community(ies) which it served.

After its official registration as a legally Charitable Body in 1992, PCW introduced a three-member Board of Trustees to oversee and give support to their work. It is notable that they implemented the Advisory Board Model. The adoption of an Advisory model allowed the PCW to remain flexible and independent in making the crucial day to day decisions to move the organization forward with the support and advice of the Board. This complementary approach allowed PCW to easily implement their business focus aided by a Board that provided the necessary technical support. The Board viewed and reviewed minutes of meetings, financial reports, and provided advice on business options and on various elements of their business operations.

PCW'S ADAPTIVE PROCESS

The behavior of the organization is characterized as emergent in its approach to change instead of a planned approach. Emergent change is described as continuous and adaptive functioning in response to the changing internal and external environment, making this approach far more pertinent and a more accepted organizational-environment fit.

This adoption of an emergent approach by PCW suggests that the organization applied "an open learning system where the strategies and changes emerged from the way the organization as a whole acquired, interpreted and processed information about the environment" (Dunphy and Stace, 1993).

Throughout the emergent change process, PCW relied on its sense of community; its existing inclusive process and the ability of its leadership to clearly communicate the future or desired state for the organization.

The identity of the organization was also affected when it included a business arm moving from a 'managing culture' - a single/mono identity to social and economic which represented multiple identities that were still compatible with each other (Albert & Whetten, 1985). Ideographic organizations like PCW or those with multiple identities has been recognized as more adaptive to environmental change to the extent that it would be able to draw on different opinions to design the most

suited action and strategies for organizational adaptation and greater competitive advantage. The transition from mono to dual identity also requires leadership to guide the identity management process.

The leadership of PCW, has also been adaptive and risk-oriented, where, as the organization matured, its leaders also maneuvered between varied leadership styles in response to situations e.g., from situational to transformational and then entrepreneurial leadership. The incorporation of the latter, not only provided the gateway to recognize opportunities, but evaluated them by way of increasing the flow of information and also made allowance for organizational citizenship behavior and a psychological contract to be fostered. This reduced the level of resistance within an evolving organization with a risk orientation.



The change or transformation undertaken by PCW demonstrated an understanding of the importance of leadership to the change management process, which has been defined as "the process of continually renewing an organization's direction, structure and capabilities to serve the ever-changing needs of external and internal customers". The organization therefore prided itself on visionary leadership, and a learning culture, which allowed it to transform from one decade to the next and adapt to its changing environment.

PCW APPROACH TO SOCIAL ENTERPRISE

During the last three decades of PCW's existence, the introduction of full-time staff, the responsibility of managing a larger facility and an expanded program focus placed a significant responsibility on the Executive of the organization to meet all of its financial commitments, which led to the introduction of their social enterprise thrust. Hence during the periods mentioned PCW established several business entities (as shown in Table 2) as registered and incorporated companies.



8.1 LEGAL CONSIDERATIONS

It is important to note that the legal registration of PCW as a Charity under the laws of Barbados did not allow PCW to conduct business operations.

However, the ability to conduct business would have been possible if PCW was registered as a not-for-profit entity which would have allowed it to function as a charity and also conduct business.

A not-for-profit, also called a non-profit company, may be defined as any registered company without share capital. (Source: Section 312 (1) of the Companies Act, Cap. 308 of the laws of Barbados states "This Division applies to every company without share capital, in this Division called a 'non-profit company.'" Section 2 (b) of the Companies Act, Cap 308 of the laws of Barbados defines the word company to mean any Body corporate that is incorporated or continued under this Act.)

8.2 BENEFITS OF INCORPORATION

Under the Companies Act, a company means "a body corporate that is incorporated or continued under the Companies Act." It is a separate legal entity from its shareholders or, in the case of a non-profit company, from its members. Upon its incorporation, a company has the capacity, as well as the rights, powers and privileges of an individual.

One of the important considerations behind a decision to incorporate a company as distinct from conducting business as a sole trader, or in partnership with others, is the fact that upon incorporation, the liability of the owners or shareholders of the company is limited to the amount invested in the company or any amount unpaid on their shares.

Similarly, in the case of a non-profit company having no share capital, the members of the non-profit company incur no personal liability or individual responsibility for the debts or other liabilities of the company.

There are many other reasons for incorporating a company. Some of these include:

To create a legal entity, separate and distinct from its shareholders or members;

- **To limit the personal liability of the shareholders or members as this will make investment attractive;**
- **To create a legal entity with the capacity, rights, powers, and privileges of an individual;**
- **To create a legal entity with perpetual existence**

and which can, in theory, outlive its shareholders and members;

- **To qualify for incentives as an "approved small business" under the Small Business Development Act, 1999.**

Considering that PCW could not legally conduct business and that they were not registered as a not-for-profit Company, the PCW then set about to establishing several business entities as both Incorporated and Registered Business Names. These companies conducted various businesses (as shown below in table 2) and will be listed. However, for this case study only four (4) will be identified for significant mention.

NAME OF BUSINESS	STATUS	BUSINESS FOCUS
Four Clover Inc.	Incorporated 26th/04/1999	
Pinelands Inc.	Incorporated 18th/11/1996	Cultural Products & Services; Unlimited actions
West Indian New Network Inc.	Incorporated 3rd/02/1999	Marketing; Management; Finances
Pinelands Entrepreneurial Facilitation Services Inc	Incorporated 2nd/02/1999	Micro-Loan Facility
Plan-It-Plus	Registered 15th/08/2006	Event Planning and Management
SCD Construction	Registered 19th/03/2009	Construction

Overtime, the PCW through its various business organs offered various business services and products:

- *Driving School*
- *Food Catering*
- *ABC Bakery*
- *Loan Facility*
- *Car Hire*
- *Consultancies*
- *Personal Care and Household Products*
- *Housing Construction*
- *Cultural Services*
- *Bicycle Sales*

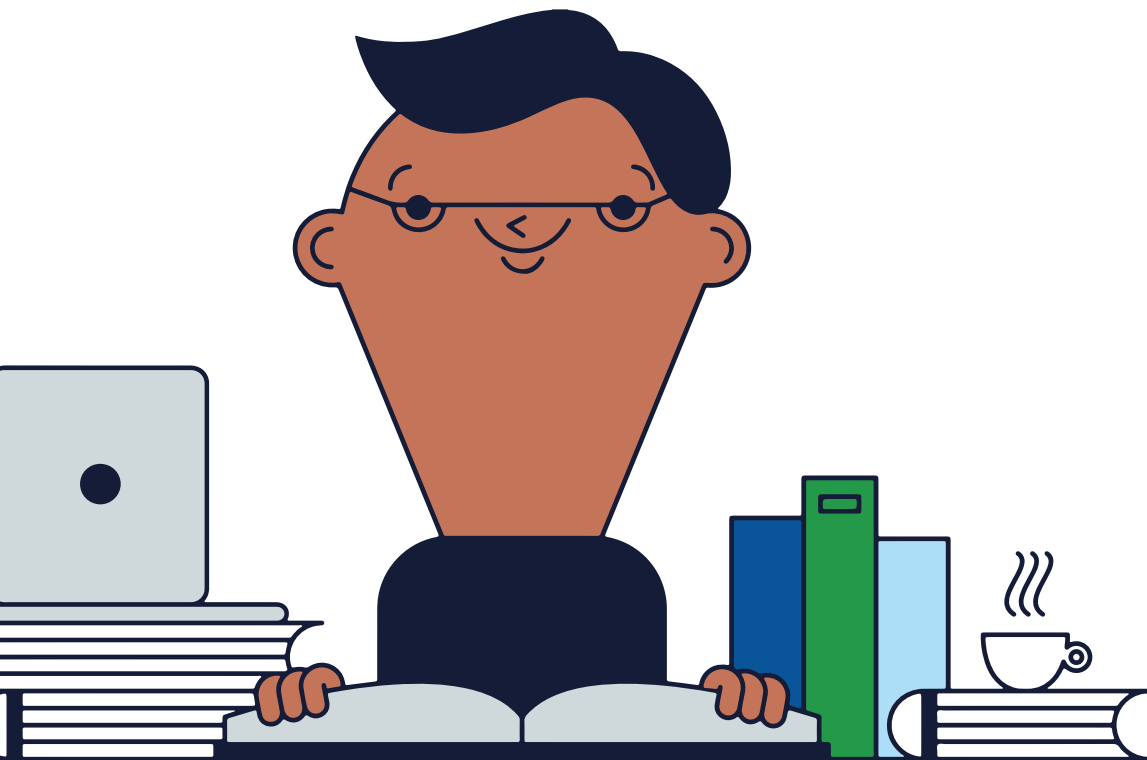
During a strategic planning process in 2000 the PCW mainstreamed its business operations, concluding with Pinelands Inc. as its main business operations. The process found that the organization had too many business entities registered or incorporated while recognizing that the core business interest of PCW could be undertaken under one entity. This also reduced the need for multiple bank accounts.

The study will therefore focus on four business actions of Pinelands Inc.,

the Housing Project, Car Hire, Bakery and the Bicycle Project. The Bicycle Project will be further expanded upon since it forms the core business entity of Pinelands Inc. and has been the most successful in relation to the Social Enterprise Model of the organization.



- **REGISTER**
- **INCORPORATE**



9

CASE STUDY THE CAR HIRE

<i>The Business - How it started (Product Choice)</i>	PCW rented vehicles from a vendor to transport cast to cultural shows and conduct business for the organization. The vendor offered PCW the opportunity to purchase the business as a going-concern.
<i>Finance Options</i>	A lease arrangement was put in place between vendor and the PCW to pay monthly installments on the cost of the six vehicles concerned in the deal.
<i>Sucesses</i>	<ul style="list-style-type: none"> • PCW eventually owned the business; • When not hired out PCW had access to vehicles for its own business use
<i>Market Approach</i>	As a going-concern clients from original owner were transferred to PCW.
<i>Customer Base</i>	Initially, overseas clients who rented long-term during specific times of year. After Gulf War in 1991, customer base changed to mostly locals; most overseas clients stop travelling or cut back.
Social Impact	Vehicles were used when not rented to provide free services for vulnerable groups within community and also transport members.
<i>Challenges/Constraints</i>	The main challenge was loss of long-term customers due to changes in the global economy (the Gulf War at that time). As prices for gas rose and long term overseas clients declined the business lost profitability.
Lessons Learned	<ul style="list-style-type: none"> • Buying a business as going concern was beneficial as it provided a ready market and reduced risk; • Ability to link business idea to social purpose was beneficial to building customer base & gaining competitive advantage; • Unforeseen circumstances including economic downturn can negatively impact the business model; and • Depending on long term customers might allow the business to maintain a certain level of operation but it is insufficient to keep it growing or sustainable in the long-term.

<i>The Business - How it started (Product Choice)</i>	ABC Inc. Bakery was bought as a going concern after PCW was looking for started (Product a business with a product that the community would want and easily buy into and could be expanded. Discussions were held with potential partners in Deacons and Haynesville community about establishing satellites in their areas.
<i>Finance Options</i>	The business was financed from moneys held in mutual funds by the organization. Partial funding was received from an International German Funding Agency, DOH International who requested that bags were branded with their logo.
<i>Sucesses</i>	PCW personnel capacity was enhanced around buying over companies and working in partnership with International Donor agencies. This was a first for a Donor Agency supporting a business venture in this region.
<i>Market Approach</i>	Mainly word of mouth
<i>Customer Base</i>	The business was bought as a going concern and came with a ready market and customer-base, which was mainly visitors from gas stations, personnel from businesses in the vicinity and walk-ins.
Social Impact	The Bakery employed persons from the immediate and other low-income communities.
<i>Challenges/Constraints</i>	<ul style="list-style-type: none"> • Inconsistent cash flow from low accounts receivables.¹¹ • Shortfalls were covered by either PCW or Pinelands Inc which created financial constraints in other areas; • Business was cash intensive which was needed on daily basis to buy stock • Inexperience in running and managing a business of this nature meant the organization did not anticipate challenges; • Inconsistent and poor financial management
Lessons Learned	<ul style="list-style-type: none"> • Delivering excellent customer service, even if it is a product that people need ensures repeat customers necessary to grow the business; • Continual and vigilant onsite management ensures that the organization can foresee challenges and be flexible in its management approach; • Establishing and maintaining a good financial management system with appropriate checks and balance, including timely reporting on accounts receivables is critical to accurately assessing the status of the business on an ongoing basis.

¹¹ Accounts receivable turnover measures the efficiency of a business in collecting its credit sales. Generally a high value of accounts receivable turnover is favorable and lower figure may indicate inefficiency in collecting outstanding sales.



CASE STUDY

ABC INC. BAKERY



CASE STUDY

LOW INCOME HOUSING PROJECT

<i>The Business - How it started (Product Choice)</i>	A number of persons had registered with PCW for housing support. Therefore when the opportunity presented itself to bid on a Government Housing Project, PCW submitted a bid and won a contract to construct forty (40) low income houses for clients registered under their organization
<i>Finance Options</i>	Clients were directed to one of three mortgage companies to access funds for construction.
<i>Sucesses</i>	PCW was able to provide affordable houses and land for forty low income families
<i>Market Approach</i>	Most clients were already on a PCW register while others via heard word of mouth.
<i>Customer Base</i>	Low-income persons, mostly females
Social Impact	Families gained access to house and land at affordable prices
<i>Challenges/Constraints</i>	<ul style="list-style-type: none"> • Dishonest contractors who also did bad work; • Clients did not stick to contract and passed funds directly to contractors which created significant problems; • Project management and quality control issues were not addressed swiftly; • While the organization learned from previous initiatives and made sure that there was some on site staff, it was insufficient for the complexity of the initiative.
Lessons Learned	<ul style="list-style-type: none"> • Good Project Management and Quality control systems are essential to manage large endeavors of this nature; • Adherence to signed contracts by all parties is critical for ensuring accountability; • A vetting process for contractors and other service suppliers is important in this kind of venture; • Legal advice for the development of contracts for all parties involved should be sought; and • Onsite day to day management should match the complexity of each individual initiative.

10.0 BICYCLE PROJECT

The Pinelands Creative Workshop originally started the Bike Project back in 1998/9 through David Schweidenback of Peddlers for Progress at the invitation of Keith Oberg a former employee of the Inter American Foundation (IAF). In 2005, PCW shifted its operations to Bikes for the World (BfW) based in Washington DC and received its first shipment of 600 bikes. BfW is a non-profit in North America that collects donated bikes from across the USA to assist non-governmental organisations (NGOs) across the world as a means of economic sustainability. Since the project begun, PCW has received three (3) shipments annually equating to 36 shipments, or approximately 21,600 bikes received over the last 12 years or 1800 bikes per year consisting of children bikes at 28%, high-end bikes 5%, mountain bikes which are 50% of the shipment and racers 17%. See figure 2. The bikes have been able to generate an annual income of close to US\$200,000.

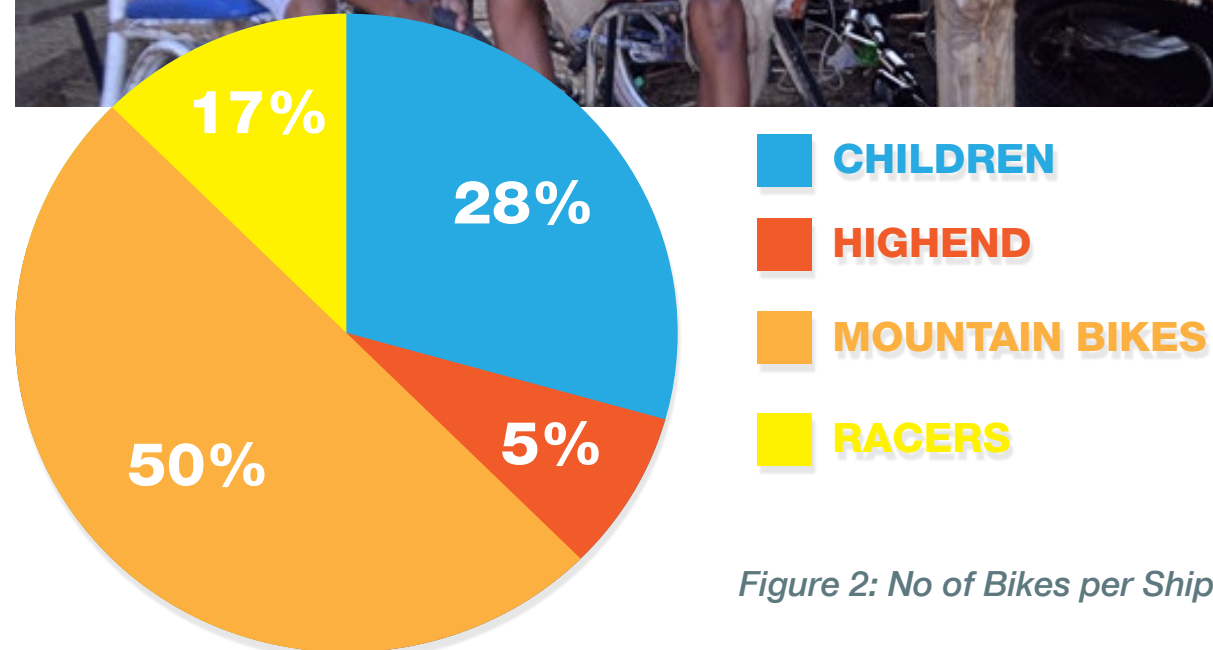
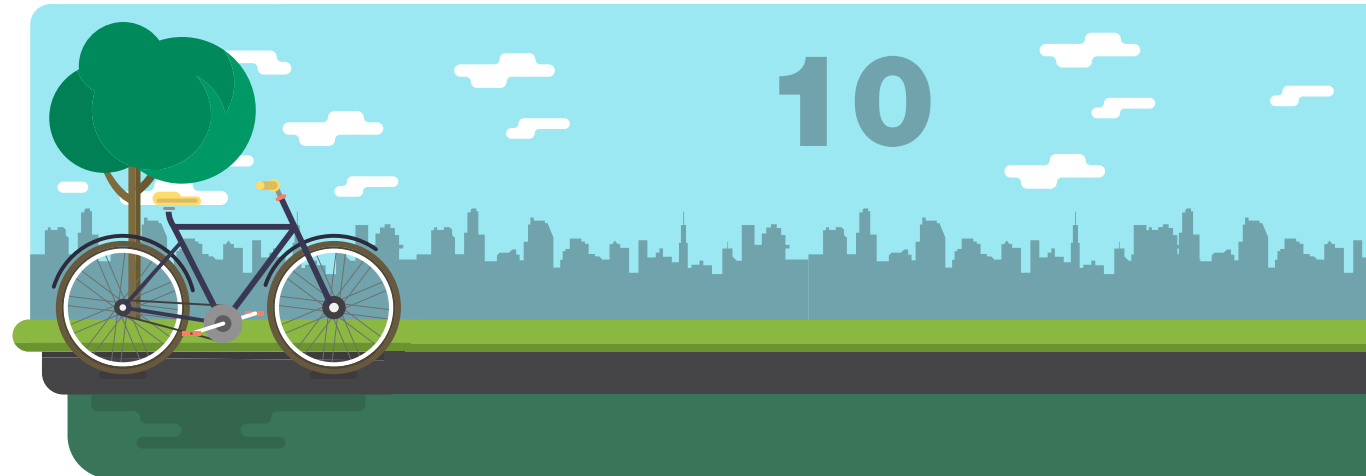


Figure 2: No of Bikes per Shipment



PRODUCT CHOICE

The opportunity to sell low-cost bicycles immediately resonated with personnel at PCW, who already understood the needs of the community in which they resided as well as the wider Barbadian community. As one employee put it, “we knew persons would jump at the opportunity to buy a bike at half of what the market was presently offering and at a competitive or even better quality despite most were second hand.” Hence, their go/no-go decision became an easy choice.

Furthermore, after analyzing the potential financial benefits based on the quantity of bikes per container and the cost associated with purchasing, landing and management the organization immediately saw an opportunity to gain considerable cash flow to support core administrative functions that were not supported through traditional grant funding. They also associated the profit margin with the ability to fund aspects of their social development thrust within the community, mainly educational and social support, in a way that development funds did not allow.

This was also an opportunity to gain further community buy-in, using corporate social responsibility approaches, by using the product as incentives for other community ventures, through giveaways and sponsors. Through this approach, the organization immediately added value to their product and PCW’s overall image and brand. PCW further expanded its product offering by introducing repairs and sale of parts. The repair aspect was not offered by its competitors, and the organization was also able to offer parts at a more reasonable price than their main competitors.



FINANCE OPTIONS

The financing of the Bike Project was made easy through the supplier allowing Pinelands Inc. to cover the administrative cost after sales. Thus, their only up-front cost are duties, taxes, broker and transport. Initially, these and other related costs/fees which had to be paid upfront were first accumulated from funds acquired through cultural performances (from the performing arm of PCW).

SUCCESSSES

The PCW Bike Project is product oriented (Baines et al., 2007; Tukker, 2004) and provides quality and affordable products for work, transportation or recreation. When the initiative began it provided employment for two (2) permanent staff and numerous volunteers, guided by the Financial Manager of the Pinelands Creative Workshop. The project exists in a market with three (3) main competitors and two (2) indirect competitors. It continues to carve a niche because it is the only bike company that has established a social responsibility element, due to its positioning within PCW, which is a well-recognized NGO and a brand in itself.

MARKET APPROACH

PCW's leadership strength at the executive and organizational level within the immediate community of Pinelands and wider Barbados provided it with immediate market access. Hence their market approach was, and remains driven by a service approach already embedded in their community actions and service. This in itself set PCW apart from its competitors who lacked the appeal and (pull) with the low-income segment of the market which PCW targets.

The product choice of low-income bikes made market segmentation and targeting quite easy. PCW targeted low-income persons and communities in which they worked through word of mouth, direct contact, and online marketing. During, the early stages of the project they also established satellite sale points within three of these locations. This move helped to sensitize and promote the product directly, although after some time the project was again centralized at

PCW's headquarters. As the Barbadian economy started to go into recession, this latter move allowed the organization to save overheads of rent and additional management costs.

The Bike Product is advertised mainly through word of mouth, labeling and through social media by way of Facebook and the Organization's website. Social influences by way of suggestion or affirmation by a friend (Dennis, 2005) through word of mouth can be negative and positive but if used effectively has proven to be beneficial and impactful on consumer behavior (Solomon, 1996).

In this case, has proven to have a positive impact considering that despite the recession, consumers continue to purchase.

This could be linked to the Bike Project having a positive image due to PCW's track record and brand as well as the considerations or functional attributes that are favorable to customers like the price and customer services. Furthermore, the positive image



of the organization; the social responsibility element that is supported through the Bike Project has served as a positive influencer of consumer purchasing behavior leading to repeat customers .

This form of organizational design or culture is supported by Frederick (1986) who pointed out that "if enterprises undertake certain social responsibilities or

¹² Aaker (1996) & Esch et al. (2006).

obligations during the pursuit of commercial activities, they can consolidate their relationship with society and thereby enhance their brand image, achieve free advertising, expand their sales volume, and hire high-quality staff”.

In addition to word of mouth the Bike Project in the interest of further promotion of its social responsibility and building awareness has engaged in labelling of its bikes to further inform and evoke an emotional response among consumers as a means of cementing their shopping preference with the Bike Project as well as providing stimuli for brand recall and at the same time differentiate its product from that of others in the market to afford competitive advantage.

Parallel to word of mouth and labeling, social media via Facebook is used minimally to promote the Bike Project. This is an avenue that could be further explored to increase sales and by extension further build customer loyalty by having both a stronger social media or online presence and direct face to face interaction (Kimber, 2001).

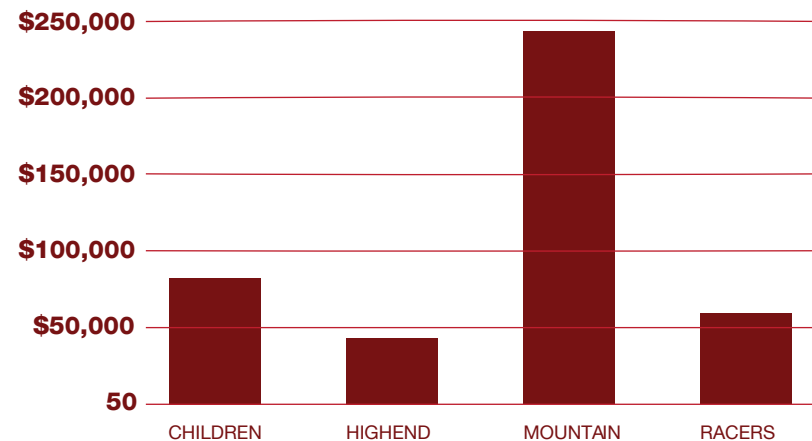
Currently, the presence on the website under the economic heading mainly provides valuable background and context but not necessarily evoke the same emotional response, cognitive recollection or drive the heuristic or persuasion process as well as using visual stimuli like photos and video messages from beneficiaries/customers.

CUSTOMER BASE

The customer base is a relatively broad number of customers, with a smaller section of the base comprised of repeat customers.

The customer base of the project comprises various target groups, leisure riders, members of bike clubs,

Figure 6: Bike Annual Revenue



bargain shoppers and low-income groupings. The project appeals to this broad base because of the low cost of the product and the high quality. Customers can also get repairs done relatively cheap, obtain replacements on short-term sales and access cheap parts. This product mix allowed Pinelands Inc. to control the majority share of the bicycle market and enjoy a high level of repeat customers, which is still evidenced currently.

SOCIAL IMPACT

The PCW Bike Project through the sale of bikes and maintenance services provides financial support to the social and cultural development arms of the organisation by way of supporting some of the programmatic and administrative expenses while still offsetting operational expenses linked to the economic development arm. Figure 6 shows the annual allocation.

This form of social enterprise has proven to provide much-needed cash-flow, especially during a period of economic downturn

and low-donor support which has impacted program support heavily to target groups within the low-income bracket. This approach was also taken to proactively mitigate the resurgence of violent activity which was/ is likely linked to the sale of illegal drugs.

The organisation via the Bicycle Project, in the interest of narrowing the opportunity deficit of young people within the community and allowing for greater social inclusion has been able to support educational initiatives such as:

- **homework and exam preparation programs for children;**
- **career and life management programs for out of school male and female youth, teens and out of work mothers and fathers;**
- **meals on wheels for the elderly, disabled and shut-ins;**
- **music programs of disadvantaged youth while simultaneously supporting an expanded cultural or arts education program.**

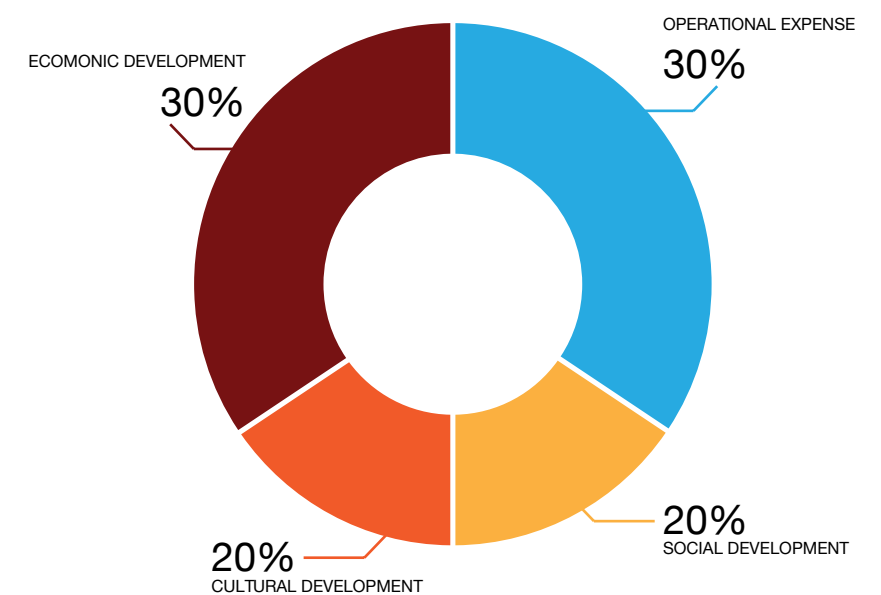


Figure 7 shows how the income generated from the bicycle project helped to fund other areas of PCW's operations.

To substantiate this, the Financial Manager, Shelly Durant-Forde has shared that **“the BFW Project has been beneficial to the PCW in more ways than one. Not only have we been able to offer low-cost bikes to persons but the funds received have been able to keep the organisation afloat despite the economic downturn.**

Without the project, PCW would have had to look for alternatives. The Bike Project has been a consistent and dependable provider of funds to the extent that PCW can provide lunch, bus fare, gas, school books, small social support to persons in the community. Without the bike project, this would be impossible”.

However, the project has not been without its challenges. There were a number of important lessons the organization had to learn in order to ensure the success of the project. In so doing, the organization used its adaptive and learning culture and introduced a number of mitigation strategies. Table 3 highlights the main challenges and mitigation strategies introduced by the organization.

10.8 MAJOR CONSTRAINT

One major constraint that stood out in relation to PCW’s transition to business appears to be the inability of its beneficiaries to distinguish between the social welfare character of the organization and its business arm. This seemed to limit the ability of the organization in many ways to transition smoothly to a business model, since most persons felt that they should be giving away the bikes, as they did not recognize the organization as a business entity.

In order to mitigate this constraint, PCW established the Pinelands Inc. However, the retention of the name ‘Pinelands’ did not help to change the perception, neither did the location of the business within the organization’s headquarters.

PCW therefore, had to work overtime in the promotion of Pinelands Inc. as the business arm of the organization through

TABLE3: CHALLENGES/CONSTRAINTS & MITIGATION STRATEGIES

CHALLENGES	MITIGATION STRATEGIES
No inventory system- When the project initially started there was no proper inventory system that accounted for the number of bikes brought in and sold.	Introduction of manual and electronic inventory system
Pilferage – a high level of pilferage was discovered which went undetected due in large part of the lack of an inventory system referenced above.	Introduction of inventory control system
The absence of daily sales records	Introduce receipt /sales book to record sales
No control over the stock type. Because of the nature of early agreement there was no agreement on the types, or other requirements for the bikes sourced.	Relay specific needs to suppliers
Market Competition while the organization had a dominant position in the market for sales of the bikes, other aspects of the project including parts for repair was shared by other market players	Establish a working relationship with competitors to access secondary products and replacement parts for the bike project
Insufficient Marketing- in the early stages of the project there was no need to market as the project serviced community needs. As the project expanded there was a need to increase marketing to embrace the entire Barbadian market	Establish social media presence
Inadequate storage space –	Purchase container as alternate storage
Inadequate workspace	Construction of an extension to provide coverage to the new workspace to enable repairs and preparation for dispatch
The transition from social provision to business – As the business focused on serving the community, there was a perception that organization because it was an NGO should supply the bicycles free of costs, as gifts or at even further reduced prices.	Continuous conversations with customers and the community

direct conversations with the community and its customers. Overtime, the message appears to have resonated, although there is still a strong perception of both entities as one and the same.

“ The BFW Project has been beneficial to the PCW in more ways than one. Not only have we been able to offer low-cost bikes to persons but the funds received have been able to keep the organisation afloat despite the economic downturn. Without the project, PCW would have had to look for alternatives. The Bike Project has been a consistent and dependable provider of funds to the extent that PCW can provide lunch, bus fare, gas, school books, small social support to persons in the community. Without the bike project, this would be impossible. ”

The Financial Manager, Shelly Durant-Forde





LESSONS LEARNED AND BEST PRACTICES FROM PCW'S ENTERPRISE EXPERIENCE

1. The concept of NGOs doing business for social-good is essential for their own sustainability; profits made from social enterprises can benefit both the value position of the organization as well as support administrative and operational cost.
2. Social entrepreneurship entails balancing actions between commercial, development work and organizational priorities. The act of managing a business can be very demanding to maintain market position and the bottom line. The NGO must find an approach to maintain the social provisioning as a priority. One practical approach is to focus on how profits are utilized across organizational priorities as opposed to supporting any personal needs.
3. Within PCW conscious decisions were made about business ventures that did not compete with the community which PCW served but rather complimented or filled existing gaps. Business decisions were carefully aligned to the brand, image, and philosophy of the organization.
4. Social entrepreneurship requires leadership that is diverse with different strengths and weaknesses while still being able to make collective decisions. PCW established an Economic, Cultural and Social Development Arm, which ensured that the organization developed persons with specific skills. In their monthly strategic meetings, persons from the social and cultural arm are allowed to make inputs into the social enterprise decisions, thus allowing the organization to remain grounded at all levels of engagement. In essence, this approach allows a true Social entrepreneurship model to evolve and be sustained.
5. Structures with clear roles and respecting such was essential and reduces role confusion. This is more so when some roles are integrated as in the case of PCW where all staff are allowed to input into each other's portfolio. Establishing clear structures reduces conflict among staff and allows for a more integrated work environment.
6. Within NGOs it is important to have un-structured downtime for informal discussions and planning. Almost every morning staff within PCW would look forward to informal chats with their CEO which reinforced their core mission, philosophy, and principles. These informal learning sessions allowed for non-intrusive engagement and often produced solutions to problems or opportunities. These sessions almost appear to have been informal strategic and visioning sessions.
7. Within NGOs engaged in social entrepreneurship, leadership must be organic enough for continuous engagement to facilitate the flow of ideas beyond immediate concerns to future plans. A continuous visioning process allows staff always to see opportunities rather than be bogged down in the day to day challenges of business, which can be a deterrent. In this regard sound leadership which is always engaged with new ideas and solutions helps to maintain staff confidence and morale.
8. PCW's business strategies were always thought through; they were never by chance or mistake. Even though at times ideas emerged from informal discussions the eventual idea was further brainstormed and strategically investigated before any final decisions were made. After brainstorming ideas, a structured approach is always necessary as a follow through.
9. Clear structures and processes need to be in place to match the specific requirements of each business type. Advice from business practitioners should

be sought either independently or directly through their involvement as part of some management process.

10. Knowing when to get out of a particular business deal is important, Pinelands Inc started several businesses but also made conscious decisions about when they should get out of a particular business and continuously applied the learning from each initiative.
11. There is a delicate balance that needs to be made between the social outreach and the business enterprise . One of the main challenges PCW encountered is that its customers who were also clients of its development arm could distinguish between the dual identifies of the organization. Having a clear identify and management structure to support social enterprise initiatives will be critical to ensuring that the organization can stay focused on its mandate while also managing its business.

IS A SOCIAL ENTERPRISE MODEL SUITABLE FOR YOUR ORGANIZATION?

A social enterprise model may not be right for all NGOs There are several questions to consider before adopting such a model in an existing nonprofit:

1. *Is our organization prepared to take on the risk, including the risk of failure, associated with growing a business?*
2. *Is our organization willing and able to be entrepreneurial? Can you reorganize or invest in the necessary infrastructure?*
3. *Do you clearly understand the costs and benefits associated with the venture?*
4. *What returns do you desire? What would success look like?*
5. *Is there a reasonable chance of success? Do you have a true competitive advantage? This is particularly important for social enterprises that start off with loans as their primary source of financing.*
6. *Do you have the appropriate industry expertise? Alternatively, do you have the capacity to hire for the skills?*
7. *Does the board understand the risks, timeline, and costs associated with starting a social enterprise and does it fully support this endeavor? A split board, over time, will slowly work against the initiative.*



If the organization determines that creating a social enterprise makes sense, the following questions may help to discern which of the organization's existing services can be monetized and which should remain social benefits:

1. *Would others pay for this service?*
2. *Are the existing clients that use this service deserving of social (philanthropic) subsidy? Can they afford market rates?*
3. *Can this service, with or without subsidy, compete in the private market?*
4. *Would offering this service dilute the organization's social mission?*
5. *Is there an opportunity for on-the-job training opportunities through this service?*
6. *Can philanthropy, rather than loans, support these existing services?*
7. *Would charging for this product help or hurt interactions with the clients?*
8. *Can the organization effectively manage this business transaction?*

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