
PRODUCT DEVELOPMENT

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EXECUTIVE SUMMARY

Social enterprises and their products and services count as novelties in both Hungarian and Serbian markets, therefore people are not aware of the activities of these businesses. The primary aim of this study is to show the stages of founding a social enterprise, helping the reader to get to the final stage of launching a new enterprise.

As a first step we look at the connection between concept and design, which are inevitable in the initial planning – mostly relying on things that need a different approach than the ‘average’ enterprise startup process. As the product and enterprise development are parallel factors, these two stages are introduced together in the following segment.

After the first step a well-planned concept is needed to enter the market (with products or services). The enterprises need to find ideas for manufacturing, packaging, delivery – they must map both the micro infrastructure and wider supplier lines. This might mean repackaging or other new decisions regarding shipping solutions. These decisions are not too late at this point of the process.

Overall, this study is about producing proper products and defining services in addition to launching the adequate operation of the social enterprise. For those who wish to find out more about the subject a bibliography listing various international studies and articles about the subject is provided at end of the study.



FROM IDEA TO CONCEPT

As a priority social enterprises need to shape an innovative and long-sustainable idea to penetrate the specific segment of the market. It is not true that social enterprises face a bigger risk factor than the average counterparts – their everyday operation is merely more defined by uncertainty. This uncertainty has several possible sources, the three most important are as follows:

- 1, The social enterprise chose to solve an issue that is constantly present in society, solving it would require immense energy, otherwise it would have been solved by an ‘average’ enterprise before.
- 2, Instead of simple market penetration, it is quite common that the social enterprise has to form its own market.
- 3, Social entrepreneurs work on a relatively uncharted territory, therefore there’s natural uncertainty showing in more areas. For example the before mentioned market insecurities (problems with both new and previously existing markets), the unstable pricing opportunities (deriving from the market issues), the unpredictable infrastructure and untested technologies. The frequent changes in law and the unpredictable feedback from society that changes from country to country can also be added to this list.

In order to minimize the above mentioned risks, the future entrepreneurs have to take many factors under consideration. First they need to break through the barrier that prevents an idea to become a fully developed concept, meaning they need to make it conceivable. For this they need to discover the exact social issue that they wish to solve. Many of them fail to fully estimate the specific issue, therefore they do not offer the adequate solution, do not narrow down the problems to be solved, meaning that the more or less incorrectly launched social enterprise will take a bad turn.

Mapping the exact source of social issues is not an impossible task, as using the right filters, we can find out the direction of the project. The following questions are really good filtering options for social issues:

- Who is the victim of the issue?
- What is the issue exactly and how long has it been present?
- What caused the issue?



- How many people are affected?
- How large is the geographical area where the issue takes effect?

As soon as these questions are replied, we may proceed with the next step, that is developing a solution strategy. It is important to answer the questions that will serve as the basic operational form of the enterprise. Some other questions arise: how the operation of the business will eliminate the issue, how many people will benefit from it, what expenditures will the entrepreneurs face and most importantly whether the enterprise should generate profit or not.

After these decisions one of the most important steps will follow, as the potential entrepreneur needs to find out how the feedback of the issues target group will change after the intervention.

As an example: Let's assume that our potential social enterprise wishes to create more job opportunities, therefore its activity will focus on increasing the employment rate of the target area. The opportunity provided by the enterprise is not enough by itself, the cooperation of the target group is also required. If the social group does not have the motivation to take the new jobs, then it is unnecessary to proceed with the next step of launching the new business.

After properly defining the idea, the next step is shaping the concept, which helps social entrepreneurs to provide more profound answers to any possible questions.



FROM CONCEPT TO DESIGN

To define the image of the products, plenty other aspects need to be taken into consideration. After laying the theoretic basis we need to find out about the product or service that the future entrepreneur will sell or provide. We might as well call it the designing process, that will challenge the entrepreneur with each product. Some general pieces of advice can help to narrow down the products and the course of their design.

In order to avoid spending too much on developing products before mapping out the potential customers, a key task is to define the customer base. In order to get the product to the proper customers, the following questions need to be decided: how close/far the customers are located from the enterprise premises – is it worth to risk to deliver to further Locations or foreign countries? obviously if a business wants to deliver products to foreign countries as well, then the product's form and shape should be well considered in order to avoid any logistic mishaps. In this case delivery capacities must be mapped, and looking for logistics partners prove to be promising, then again to filter the most ideal target group further questions should be considered. It is important to find out whether the potential customers share the same ideas about the social issue as the entrepreneur does, whether they agree with the importance of the enterprise, do they predict a positive outcome for the issue, how long would it take to solve the issue and whether the problems would reoccur if the enterprise stopped selling its product/service.

Another relatable issue: when some enterprises- against their own good intentions – only consider the market from their products'/services' point of view instead of putting the focus on the target population. An example for this took place in Africa in the 1990s: In order to reduce the fast spread of HIV/AIDS, condoms were handed out with the help of several national and civilian organizations. As it was later found out these condoms were not used - not because people were not aware of the problem's measure, but because using them would have violated social standards. This example shows the importance of being familiar with the standards and habits of the targeted social group. In order to avoid such situations a complete action plan is needed.



The next step is exploring and listing both material and intellectual materials needed for the operation. It is useful to make a table to separate the inevitable entities as follows:

- goals to be realized by the enterprise
- capacities of the enterprises
- needs and abilities of the beneficiaries
- the enterprise's expenses
- the enterprise's income

At first the first three and last two tables should be compared, then analyzing the two combined tables. If all fields are filled out correctly the strengths and weaknesses of the enterprise become apparent.

With the steps listed above the potential entrepreneur will form a picture about the image of the final product(s)/service(s). Another step is needed though to realize the first functional product.



FROM DESIGN TO ‘MVP’ (MINIMUM VIABLE PRODUCT)

After identifying the target audience and the basic functions of the enterprise the next step is to get to the so called MVP (Minimum Viable Product). For this, further factors should be taken into consideration. The ration between the income goals and social effect expenditures must be investigated before introducing the new product in the market. Based on this data we can calculate the necessary expenses required for the operation and daily activities. Then plan the costs of the usage and maintenance of long-wearing equipment. The thirds step is to document and assign milestones to the hypotheses that came up during the project. This helps to monitor the realization of the predictions.

Organizing the financial plan is the most important step of the project, as later on it will serve as the initial bases of all activities. In case an indicated course of line chosen at the beginning of the project, it's highly probable that a wrong decision is being hold on to, which might stir the enterprise towards bankruptcy or even put the business in red. Flexibility and consistency are important approaches in financial planning in addition to meticulously analyzing every possible outcome and short-term risk. If we can plan our goals both in regards of social activities and possible incomes for the following 3-5 years then we are ready to launch our new enterprise. We might run into contradicting results when calculating in two different ways (financial return and realizing social goal), as profitwise it might be enough to sell less products, yet the realization of the project goal is still out of reach. The situation might be worse the other way around, as if the project goal is realized before earning actual profit, then the target group has to be ‘forced’ to purchase more products than the social issue would suggest. All in all, the values of the two measurements should be approximate, or as close as possible, as the entrepreneur will have a clarified estimation before launching the new product on the market.

Operative costs should be categorized in order to avoid disruptions in everyday operation. As a priority, operative surplus must be generated to execute daily routine tasks. Financial surplus is needed for the accidental malfunctioning equipment, as these devices are necessary to keep up the daily work without any disruptions – protecting the interests of both the employees and customers. In the case of a physical product, a supply of ingredients is a must in order keep up continuous exchange in case of any possible delivery stalls. If the enterprise took out loan or plans to do so – it is important to keep in mind that there's a possibility of insolvency – even if for a short time. For this reason the necessary financial reserves are indispensable.





FROM 'MVP' TO PRODUCT MANUFACTURE

The entrepreneur must focus further criteria generated by continuous manufacture of products. Successful product manufacturing and sale needs a preliminary measurement of business team's capacities regarding general operations, financial and bookkeeping and negotiating skills. As the first customers are the basis of the enterprise's good reputation, negotiating skills, especially communication towards them is the most important at first. In order to solve a social issue maintaining good relations with customers and the ability of bargaining/discussing products are of utmost importance. If this criteria is not met, the enterprise will probably go bankrupt and new businesses will launch on the territory that learned from its mistakes. As a negotiating strategy we might want to estimate the outcome of the negotiation beforehand, and aim for the worst possible case that is still acceptable for us. This is necessary as the customer's needs are often put first in negotiations, and the entrepreneurs sometimes need to include bigger discounts that they can manage. The third most important challenge in communications is preparing for any interfering factors in the operation, starting from the sales of products to the delivery companies - for example in the case of a delayed delivery, the reasons and possible solutions must be investigated.

After acquiring the basic negotiating skills there's only one step left to start the business operation - that is the definition of the first buyers/customers. The easiest way to define our potential customers and their habits to answer these six questions: "Who?", "What?", "Where?", "When?", "Why?", "How?". By providing answers to these questions, an entrepreneur can easily see how his/her prerequisites and in given cases prejudices about customers actually compare to the real situation. It is useful to have the first 5-10 customers fill out this 'questionnaire' that will prove to be a great basis for further comparisons and fine-tuning in the enterprise's goal to meet the buyers' expectations. Another piece of advice that should be considered - after the initial success, it is inevitable to carry on on the assigned path - especially when it comes to upkeeping the quality of the products/services. Quality deterioration is unfortunately a common problem due to the pressure from customers and financial status. With the proper technique this pressure can be eased without sacrificing product quality, the first couple of months will show the best solution to entrepreneurs to establish their long-term success on the market.



RECOMMENDATIONS

The success of a social enterprise usually not only depends on the product and reaching the social goal, but on proper preparation and timing as well. If a potential entrepreneur thoroughly planned the above written step by step, the amount of unpleasant surprises is limited. Yet we summed up some general pieces of advice and recommendations to be taken into consideration.

1. properly addressing the specific social issue

If we are not completely aware of the social problem we wish to solve, our main goal might be quite disoriented and some of the groundbreaking questions and issues will not be addressed properly. With good followup and preparations misleading problems and false information spread regarding the enterprise and its workers' achievements can be avoided.

2. Defining the correct product/service

As soon as the problem to be solved is defined, the most suitable ways should be found. This also requires preparation and market research as well as surveying the needs of the target audience. For example: if someone wishes to decrease unemployment in a given region, he/she should find out which products/services are best suited for the solution.

3. Sufficient operation preparation

The biggest challenge is not in planning and manufacturing the product and service, but in toning in the everyday operation with the tasks. Lacking a proper conception about constant and sustainable manufacturing and providing will put the enterprise in an unbreakable downward spiral that will force the entrepreneur to end the entire operation.

As we learnt, starting up an enterprise and producing products/services have multiple components, but if there's ample focus on thorough preparation, adverse situations can be avoided.



SUMMARY

The primary goal of this study was to show a little insight to the world of enterprises for those starting entrepreneurs who wish to launch their own new social business. As social enterprises are characterized by intending to solve an issue, their activities and products should be parallel with this goal. It is not advised to start the business on a rush, even if there's a brand new or unique idea that is not handled by any other enterprise. The thorough combination of these two factors needs meticulous evaluating and planning.

To reach the final form we need to consider whether the product/service will reach the proper audience and if so, how large the generated effect will be? If it does not reach the target group, what measurements should be put in effect?

No doubt, that a social entrepreneur needs immense commitment, but the invested energy will be compensated by the joy of solving a target group's social issue.



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