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Fundraising and managing risk

Outline of the presentation

Fundraising / fund-raising (FR)

- Key concepts and terms
- Types of fundraising

Managing risks & sustainability strategies

- Key concepts and terms
- Risk assessment methodology

Good practice & lessons learnt

- Eu study: social enterprises and their ecosystems in Europe inspiration

Conclusion

Fundraising / fund-raising (FR)

Fundraising - key concepts and terms

Fundraising does not have a clear, generally valid definition.

Fundraising or fund-raising is the process of seeking and gathering voluntary financial contributions by engaging individuals, businesses, charitable foundations, or governmental agencies. Although fundraising typically refers to efforts to gather money for non-profit organizations, it is sometimes used to refer to the identification and solicitation of investors or other sources of capital for for-profit enterprises.



Source: <https://en.wikipedia.org/wiki/Fundraising>

FR campaign

For a targeted and successful campaign, it is necessary to choose a **suitable fundraising strategy** (similar to a strategic plan).

Advantages of the FR strategy:

- define the real needs of the company,
- helps to align strengths with opportunities around and choose the optimal methods for achieving the set goals,
- creates positive advertising,
- helps orient yourself in the corporate environment.

Types of fundraising

Fundraising can be divided according to several criteria.

The basic breakdown is based on the nature of the benefit obtained. These are mainly:

- Financial performance,
- material performance,
- provision of the service.

Furthermore, it is possible to divide Fundraising according to the donors themselves into small donors or significant donors.

Divided on the basis of the approach method used:

FUNDRAISING WITH INDIVIDUALS

- Direct mail (in the form of distribution)
- Direct dialogue (in the form of direct address)

ANONYMOUS WIDE ADDRESS

- Internet and social networks (Facebook),
- Inserting
- Online FR, crowdfunding campaigns (CF)

COMBINATION

- Community FR
- Internet and social networks,
- Online FR / CF

Targeted address – address form of fundraising

If there is a targeted approach, the clear procedure is defined. Firstly, it is necessary to get in touch with a potential donor, then to address them appropriately, to attract and inspire them for the cause.

Ideally, the contact becomes a donor and then the relationship maintenance phase begins.



Anonymous massive and wide address

If the internet is used as a distribution channel, we are talking about so-called **online fundraising**.

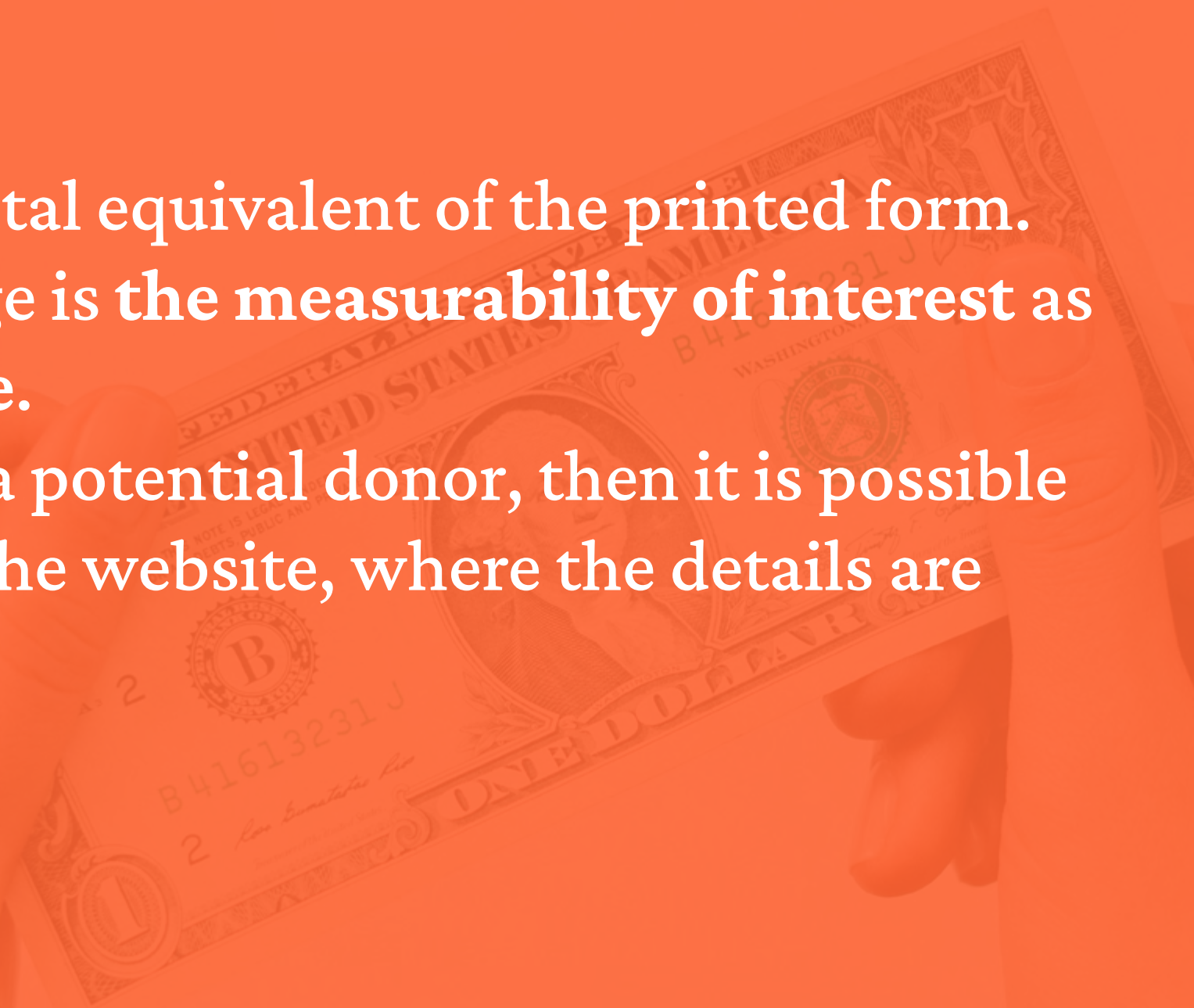
This channel is very suitable for social enterprises.

The great advantages of online fundraising are

- minimal entry costs,
- speed and measurability of the reaction,
- massive addresses.

In most cases, advertisements are graphically processed into a banner.

The banner is the digital equivalent of the printed form. A significant advantage is **the measurability of interest** as well as **rapid response**. If the banner attracts a potential donor, then it is possible to immediately go to the website, where the details are usually given.

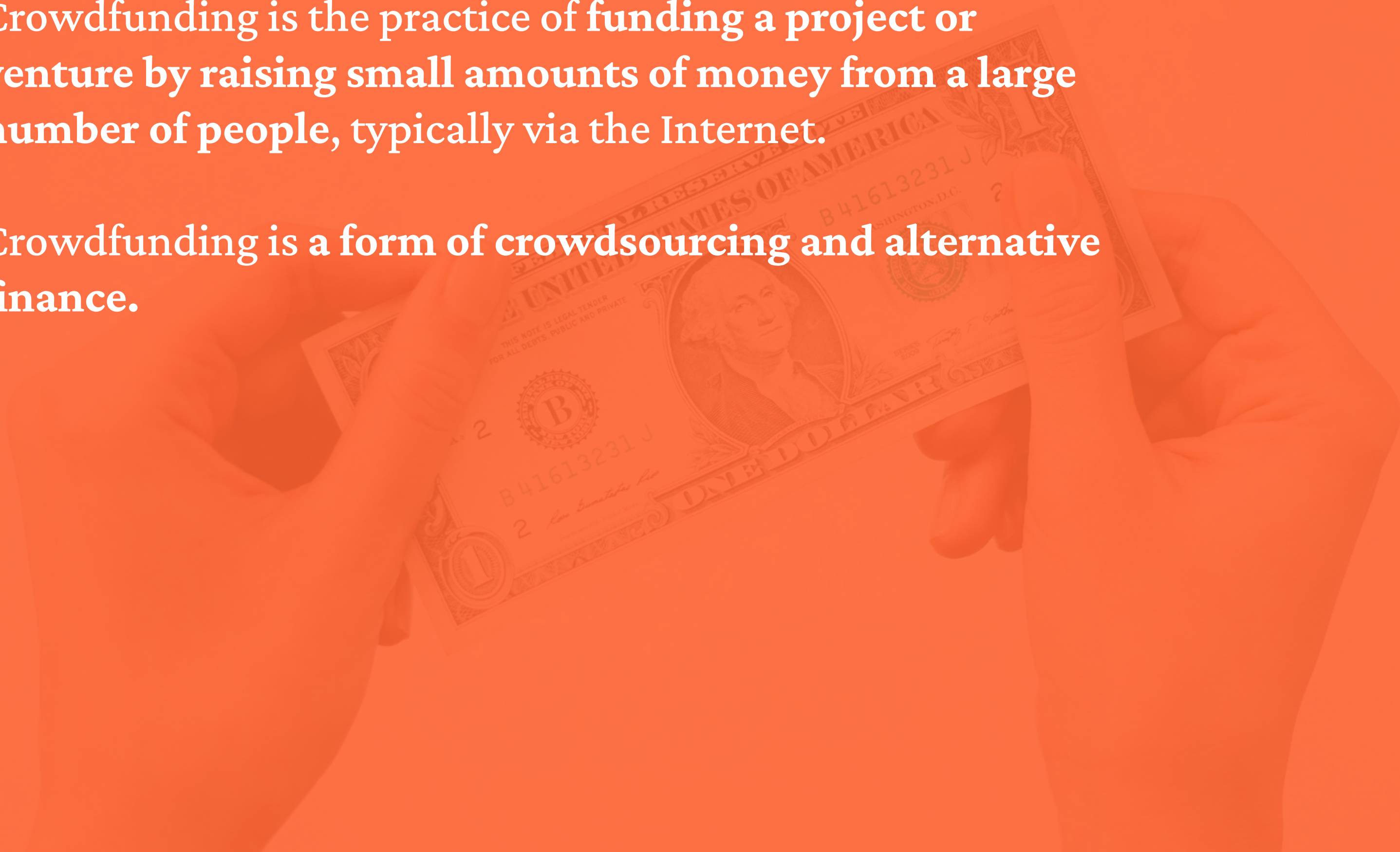


Next possibility: **donation pages** are also commonly used to foster charitable giving, e.g. Darujme.cz. the largest platform for online giving, which has been promoting philanthropy and community life in the Czech Republic since 1997.

These platforms **provide a safe space** for organizations, institutions, cities, municipalities and regions to **apply for a donation and maintain a great relationship with their donors.**

Another way to reach donors is through **Crowdfunding**. Crowdfunding is the practice of **funding a project or venture by raising small amounts of money from a large number of people**, typically via the Internet.

Crowdfunding is a form of **crowdsourcing and alternative finance**.



Crowdfunding

Rewards-based crowdfunding – original model

- musical bands, authors, new products
- 2012: Pebble Watch Kickstarter Success
- Kickstarter: 350,000 + campaigns since founding (new Marketing channel?)

Donation-based crowdfunding

- fast follower, numerous but smaller campaigns

Debt crowdfunding (P2P lending)

- large and growing market (disrupting banks?)

Equity crowdfunding

- fast growing niche authorized in 2012-2013 (UK, US, etc)

Civic crowdfunding

- a collective option for urban sustainable development
- the financing of projects dedicated to a 'civic' purpose, initiated by 'civic' initiatives, supported by individuals and organizations with 'civic' intentions, and (often) intermediated on online platforms which dedicate themselves to 'civic' purposes and stakeholders. The term 'civic' itself can refer to the actions of and within cities or municipalities, but also to the actions of citizens towards a common goal (Wenzlaff 2020)

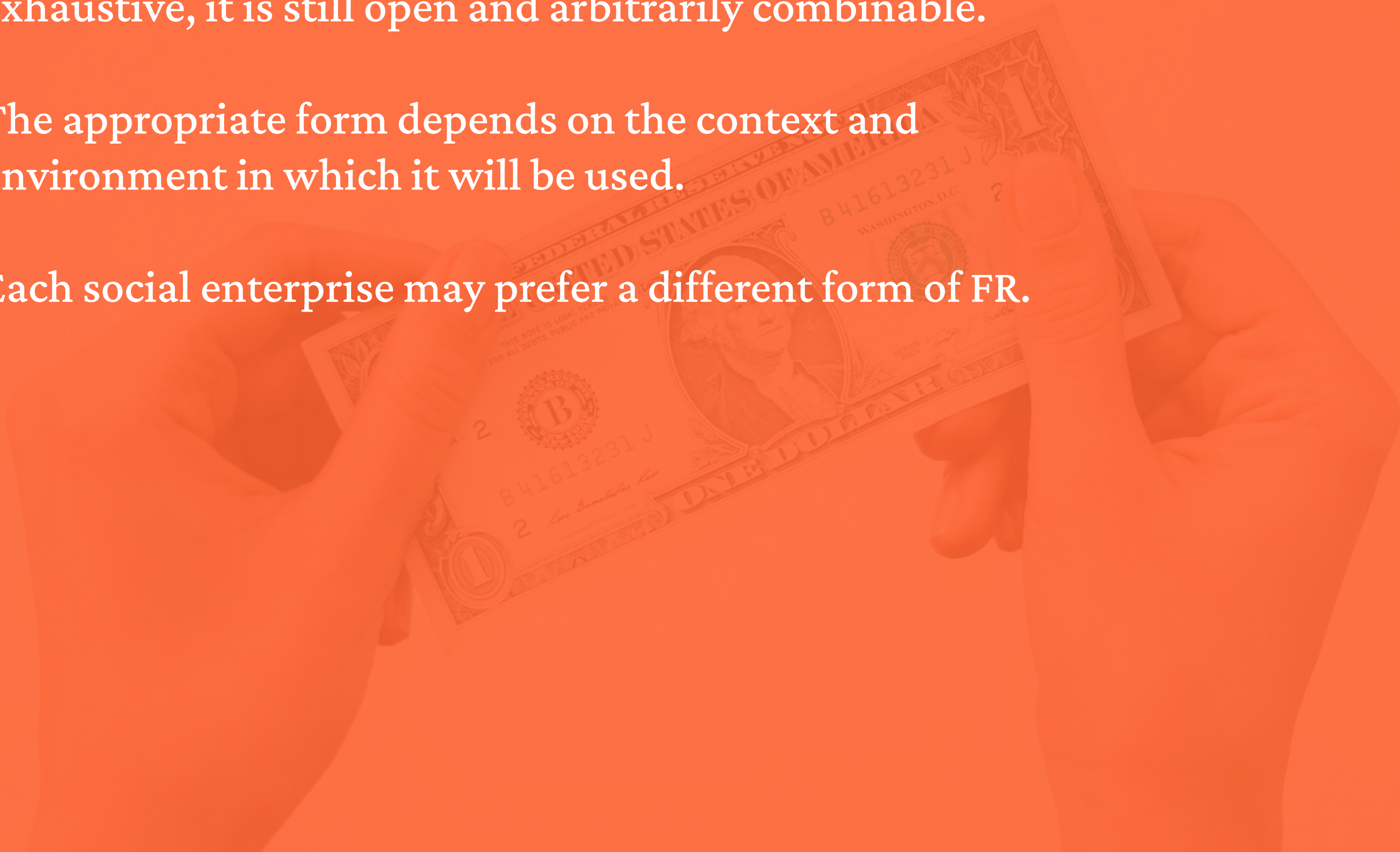
Types of fundraising

INDIVIDUAL FUNDRAISING	Gift, collection, lottery, volunteering, charity auction, will, membership fees
CORPORATE FUNDRAISING	Gift, sponsorship (advertising, promotion), corporate volunteering, internal charity auction among employees, loan of property or employee, discounts on the purchase of goods or services, payroll giving, matching, shared marketing
FOUNDATION, FOUNDATION FUNDS, PUBLIC ADMINISTRATION BODIES EU FUNDS	Endowment contribution, grant, subsidy (usually it is funds from public budgets)
INTERNAL FUNDRAISING	Sale of products, sale of services, club fees, property income

The list of types and classification of Fundraising is not exhaustive, it is still open and arbitrarily combinable.

The appropriate form depends on the context and environment in which it will be used.

Each social enterprise may prefer a different form of FR.



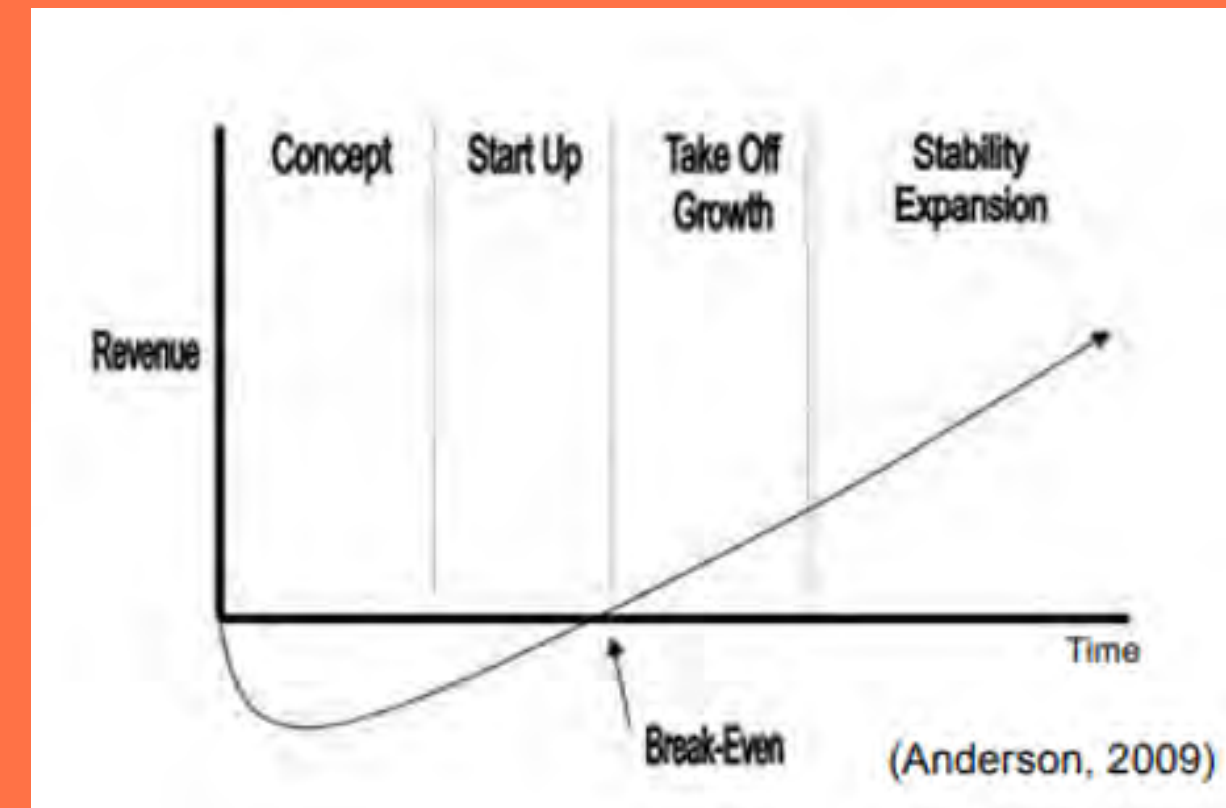
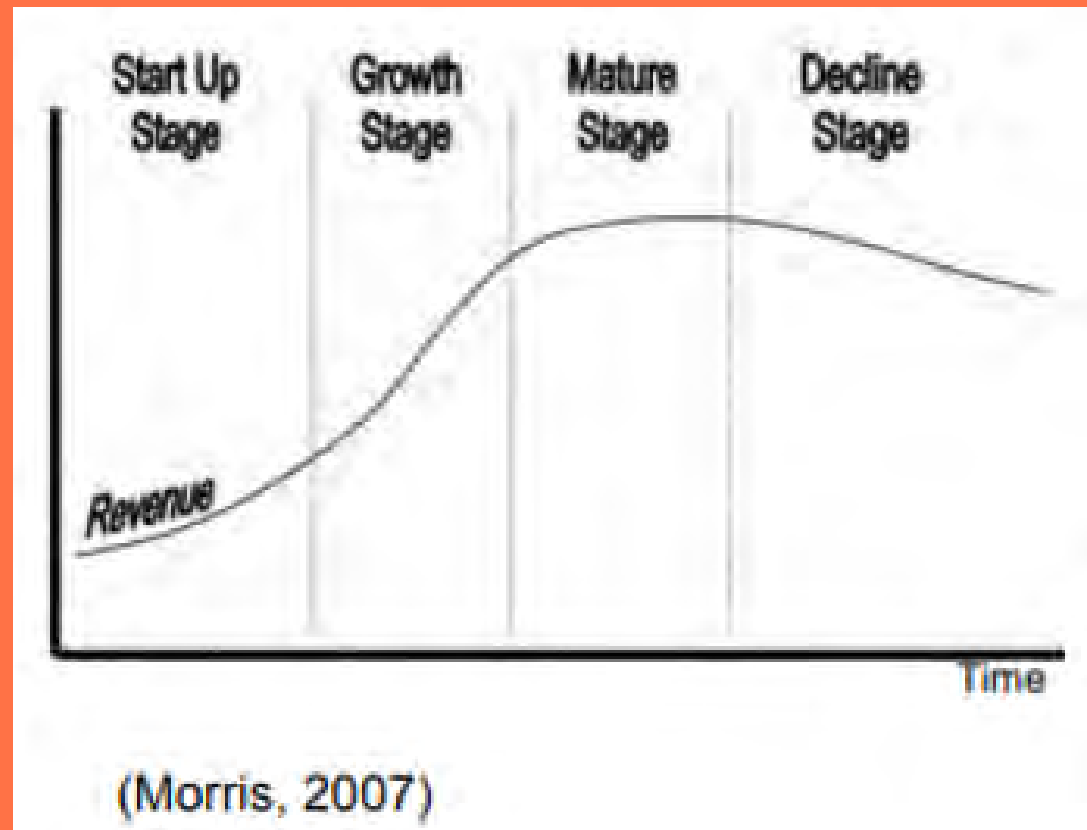
The advantages and disadvantages

TYPES OF FUNDRAISING	ADVANTAGES	DISADVANTAGES
GRANT	<ul style="list-style-type: none">• Great profit from relatively small effort• Finance for unattractive activities• There is no need to prove history and successes	<ul style="list-style-type: none">• Risk of funding outages• Screwing activities• Inflexible drawing of funds• Tied resources
INDIVIDUAL NON-ANONYMOUS	<ul style="list-style-type: none">• Long-term income assurance• Building relationships• Moral support• Coherence with PR, there is pressure on its quality	<ul style="list-style-type: none">• Financial complexity• Big need of time• Sufficient know-how• Difficult to finance non-attractive activities• Self-censorship

TYPES OF FUNDRAISING	ADVANTAGES	DISADVANTAGES
INDIVIDUAL ANONYMOUS	<ul style="list-style-type: none">• Large amounts in a relatively short time• Donor SMS	<ul style="list-style-type: none">• You are not building a relationship• You don't know your donors• One-off support• Administrative complexity
CORPORATE	<ul style="list-style-type: none">• Obtaining large sums from long-term cooperation• Building relationships• Not just financial benefits	<ul style="list-style-type: none">• Risk of loss of large donors• Ethical dilemmas• Great time consuming

The lifecycle phases of social enterprise

Typical depictions of the lifecycle of social enterprise



The life-cycle and financing

Start up phase

CHALLENGES AT THIS STAGES	FINANCING SOURCES
Analysis and understanding of social problems to solve	Donations (Individuals Foundation, municipality)
Development of an innovative solution (product or service or combination)	Crowdfunding
Clear definition of target segment and pilot launch	4 Fs (founder, friends, family and fools)
Growing commitment of entrepreneur and team formation	Ideas Competitions

Start up phase

inspiration from south bohemian region, czechia

TITLE	JIHOCZECH - REGIONAL STARTUP COMPETITION
DURATION	01 - 09/2020
TARGET GROUP	Start-ups / Young entrepreneurs / Social enterprises
RESULTS	3 selected start-ups having specialized consultancy in order to prepare a CF campaign
IMPACT	CF integrated in the regional start-up competition not only as a win prize but also as the important part of educational programme of the competition. www.jihoczech.cz



Development phase / growth

CHALLENGES AT THIS STAGES	FINANCING SOURCES
Validation and perfection of proposed solution	Venture Philanthropy
Full commitment of entrepreneur and core team	Impact Angels
Stronger understanding of the theory of change (how impact happens)	Impact awards
Balancing social and financial objectives	
Improvement of economic sustainability (strengthening business model)	

CHALLENGES AT THIS STAGES	FINANCING SOURCES
Codification of key processes and development of systems and controls	Social Impact Bonds
Development of key partnerships	Equity Impact Investing
Defining growth model (organic, replication, network, movement) and process	
Implementation of growth plan	
Managing growth, building the support organization and processes	

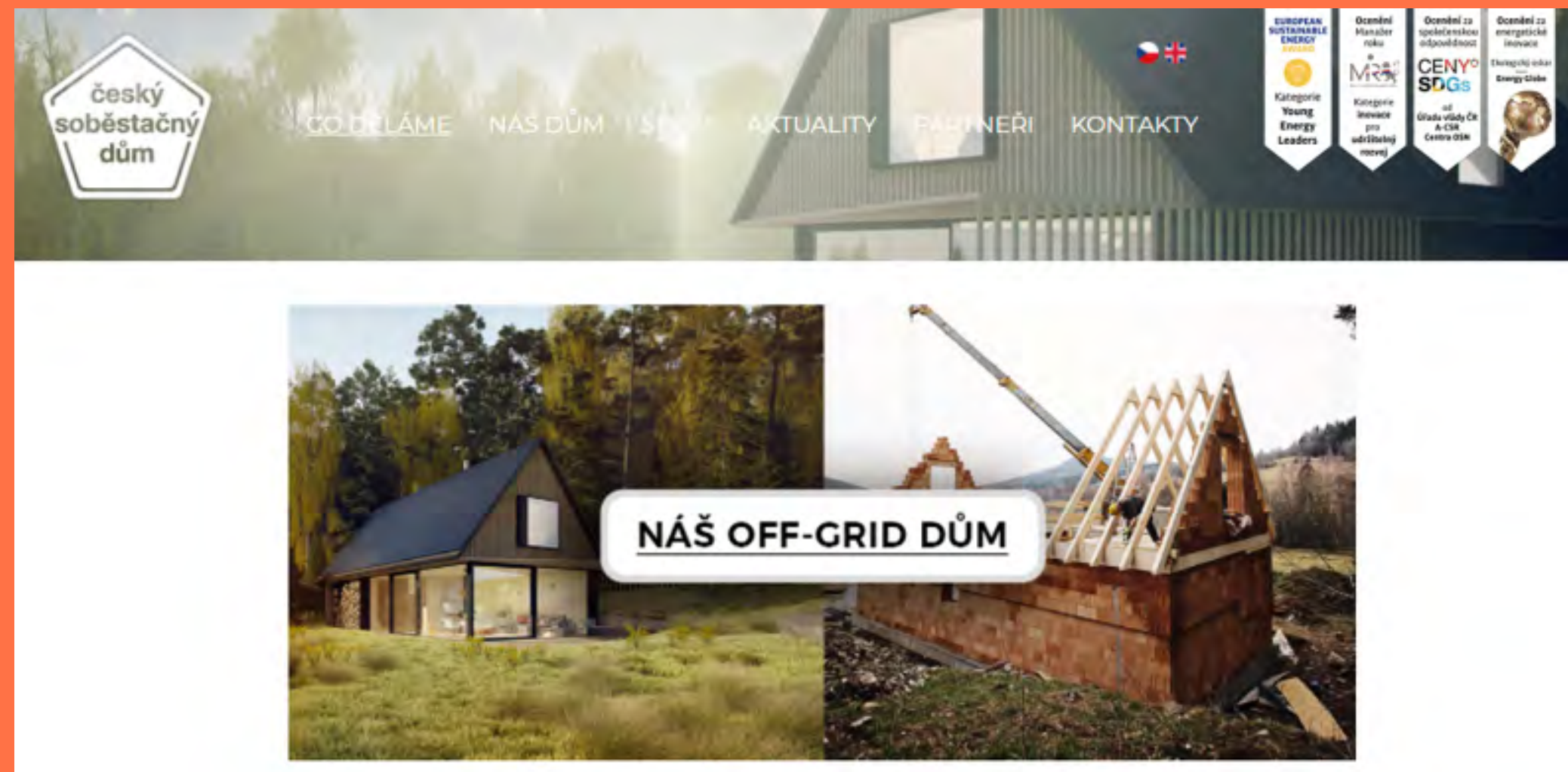
Growth phase

inspiration from south bohemian region, czechia

CZECH SUSTAINABLE HOUSES

- energy self-sufficient buildings and other cleaner technologies

Development of key partnership – Impact Angels



Maturity phase

CHALLENGES AT THIS STAGES	FINANCING SOURCES
Adoption of the social innovation through market offers, social sector provision or public policy (embedding of the social innovation)	Public commissioning
Promotion of changes in behaviour of society's members that prevent, reduce or cancel the social problem (evangelism)	Strategic Partnership
	Traditional Debt / Bonds

Maturity phase

inspiration from south bohemian region, czechia

LONG-TERM PARTNERSHIP

TKP GEO & DOMOV SV. ANEŽKY

TKP GEO Ltd. (AE), one of the biggest survey companies in the Czech Republic in land surveying and GIS for almost 30 years (originally GEFOS a.s.)

Domov sv. Anežky o.p.s. (SE) encourages the employment of the disabled and other socially excluded persons through the production and selling goods and services

TKP GEO Ltd. & Domov Sv. Anežky

- 100% wooden geodetic pins for more than 15 years
- involvement into the development of wooden pins
- the total transaction is more than 200 EUR



Risk management & sustainability

Crisis management

A brief theoretical background

In business, risk management is defined as the process of identifying, monitoring and managing potential risks in order to minimize the negative impact they may have on an organization.

Risk management is a very complex and systematic process that should be integrated into its daily activities.

Each risk analysis is associated with several steps, which intersect in almost all the methods used to assess the risks.



Methods for risk assessment

It is important to consider the degree of risk.
There are a number of methods for risk assessment.
The most commonly used methods include:

- Risk assessment – HSE
- Risk Assessment – OSHA
- Risk assessment using the CHECK LIST method
- Security Risk Assessment and Audit
- What-If Sensitivity Analysis
- Point method

Risk assessment – HSE

This is a method that is not too complicated and is suitable for usually smaller companies with up to 10 employees.

Method is based on five basic steps:

Step 1: Identify the hazards

Step 2: Decide who might be harmed and how

Step 3: Evaluate the risks and decide on precautions

Step 4: Record your findings and implement them

Step 5: Review your assessment and update if necessary

Risk assessment – OSHA

This method is based on the collection of all company inputs.

These inputs include, for example: information on workplaces, employees, production facilities, accidents at work etc.

Hazards are identified using checklists.

Risk assessment using the check list method

A checklist is a procedure based on a systematic check of compliance with predetermined conditions and measures. Lists of control questions are usually generated by a professional company or company management.

A disadvantage of the checklist is the fact that the list can lead to a mechanical approach without creating possible alternatives.

The advantage is the identification of danger through a checklist, which is quick and easy.

Security risk assessment and audit

This inspection looks for potential risk factors for the company. These can be, for example, accidents, operational problems and other dangerous situations. A kind of health and safety audit, in which the controller focuses on several areas. Especially for a detailed inspection of equipment, machines, tools, etc.

This audit is usually performed by an experienced employee, mostly focusing on occupational safety.

What-if sensitivity analysis

What-If Analysis (WFA, W-I) is a simple analytical technique used in decision-making and risk management. Its principle is based on the search for the potential impacts of selected situations. In essence, it is a structured brainstorming, where within the spontaneous discussion are sought.

What if analysis is usually attended by a group of experienced people who asks questions or expresses the possible impacts of questions using “what if ...”.

Point method

One of the most used methods in risk assessment is the point method.

The degree (sometimes also referred to as the magnitude) of a risk is a combination of the probabilities of the risk occurring and the possible severity of the consequence of the risk.

Risks are always related to a specific job position and job. The protected value is then human life and health.

Good practice & lessons learnt

Access to financial resources as well as risk management is of critical importance for social enterprises, as for all other types of businesses.

An interesting view of this issue is provided by an EU study – Social enterprises and their ecosystems in Europe.

It provides an overview of the social enterprise environment in Europe based on information available as of January 2020.

Source: SOCIAL ENTERPRISES AND THEIR ECOSYSTEMS IN EUROPE, Comparative synthesis report, ISBN 978-92-79-97734-3

The availability and origins of the diverse types of resources depending on their function:

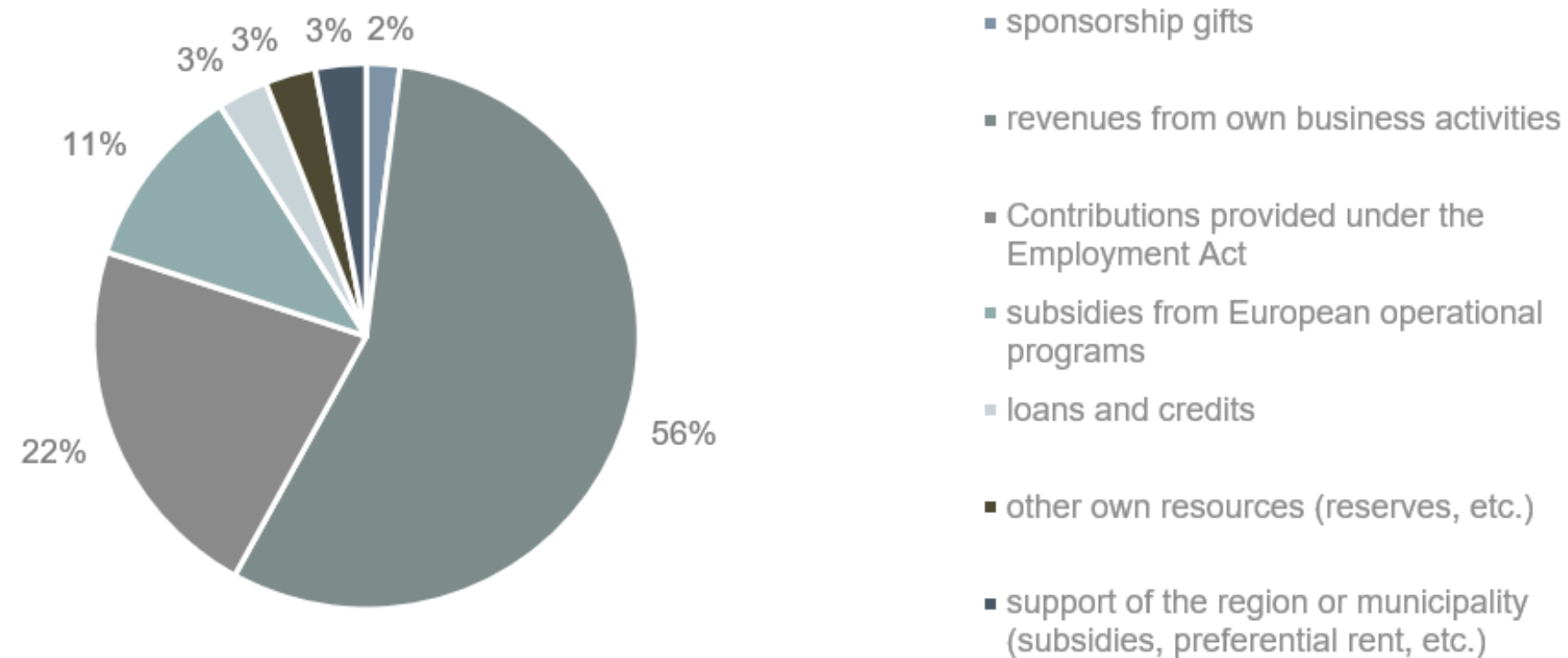
- non-repayable resources to start up and scale,
- resources from income-generating activities,
- repayable resources mainly used to finance investments, and
- fiscal breaks, advantages and incentives.

Case study from Czechia

Data sources:

- statistical data in the sector of SEs in the Czech Republic (published by the Ministry of Labour and Social Affairs, 2019)
- survey in the South Bohemian Region

FUNDING SOURCES OF SE IN CZECHIA in 2018



Source: https://ceske-socialni-podnikani.cz/images/pdf/Vyhodnoceni_dotaznikove_setreni_2019.pdf

In South Bohemian region we proved, that the tools supporting social enterprises in the various phases of their development are missing (life cycle management). The interviews confirmed that existing SEs appreciate subsidies and support during startup phase. Once the business is up and running, SEs prefer their products and services to be purchased rather than receiving subsidies and other types of support.

CONCLUSION

The access to financial resources for social enterprises is more complex than for other enterprises.

Since they aim at generating positive social impacts and can only distribute profits to their funders and owners to a limited extent.

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