

# REDF

## Business Operational and Organizational Analysis

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### Part 3

# Agenda

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## Framing

- Structuring Your Analysis

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## Tools / Examples

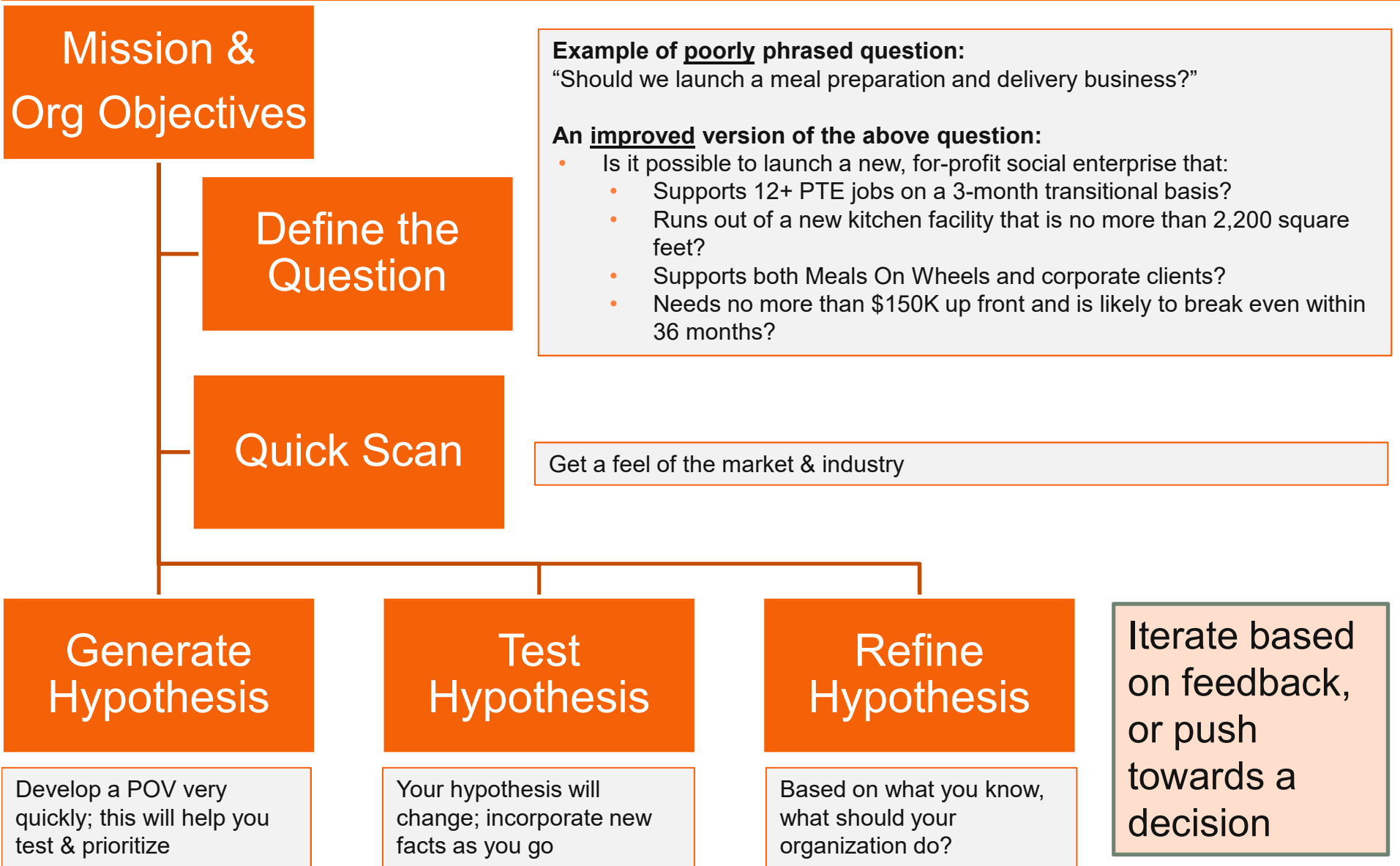
- Organizational Analysis

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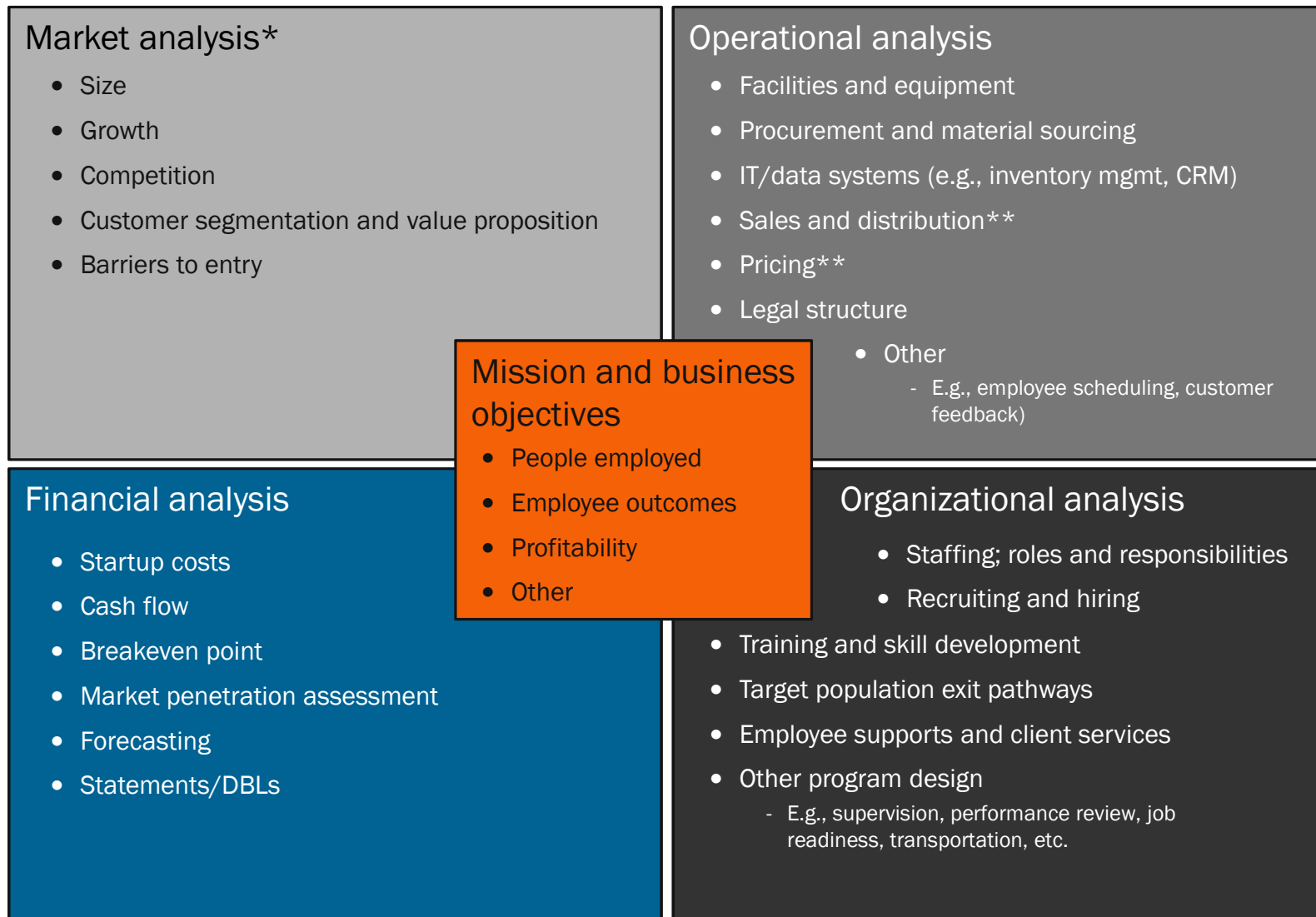
## Peer Feedback

- Small Group Feedback

# Refresher: Structuring Your Analysis



# Refresher: REDF feasibility framework: key areas within each bucket



\*In each bucket, think of as “activities” for established social enterprises; \*\*These areas certainly tie into market analysis, particularly with regard to customer segmentation and value proposition

# Second GSV example: Aging-in-place home remodeling

## Project overview

- Two projects; several key objectives for each
  - 1) Determine whether to launch an SE focusing on aging-in-place (AIP) home remodeling
    - Complete feasibility analysis: decide yes or no
    - If yes, develop tactical and specific business plan
    - Determine how best to structure job training & partnerships
  - Determine whether to pursue an SE focusing on meal preparation & delivery
    - Complete feasibility analysis: decide yes or no
    - If yes, develop high-level timeline for next steps

## Key questions

- AIP home remodeling
  - What is the market opportunity? How financially viable would the startup likely be?
  - How many jobs would this create? How would employees be trained and placed thereafter?
  - How should GSV enter the market? What specifically do they need to do? When?
- Meal preparation & delivery
  - How large is the market opportunity? What are the different customer segments?
  - How financially viable would this startup likely be? What are the key cost drivers?
  - How many jobs would this create? How would employees be trained and placed thereafter?

## Process

- Conduct primary interviews with a) market incumbents, b) market experts, c) service-givers, d) potential employees, and e) potential customers
- Conduct secondary market analysis to identify key trends & validate interview analysis
- Develop POV on each SE; vet recommendations with GSV & REDF
- Develop tactical implementation plans (e.g., marketing, pricing, sales, training, etc.)

# Initial hypothesis: reasons for and against home remodeling launch (1/2)

## Reasons in favor of launch

- **Attractive market size & growth opportunity**
  - Huge market in \$\$ terms
  - Elderly population one of the fastest growing segments (baby boomer generation)
  - Spend among low-income and minority populations projected to increase
    - Implications for “triple-bottom-line” business: \$\$, GSV jobs, providing real social benefit to those most in need
  - While there are many competitors, only a handful have CAPS or Universal certification
    - TBD whether certification matters a great deal... (not convinced it really does)
  - Low barriers to entry a good thing from new entrant’s perspective
- **Goodwill brand likely an asset in this market**
  - Reputation & trust seem to matter a great deal to consumers; non-profit will likely be regarded as not a company that will take advantage of folks
- **Already have head-start in training**
  - GSV will launch 16-week vocational program later this summer; potential built-in launch

## Reasons against launch



- **Extremely competitive and fragmented environment**
  - Very high failure rate, especially for smaller & general contracting firms
  - Low profit margins across most industry segments
    - Especially for contractors/sub-contractors; big bucks come from design → build (likely not a GSV capability)
  - Relatively few jobs/revenue, even for large firms
    - ~\$1-5M firms generally employ ~7-30 FTEs
    - More spots for transitional workers, but significant training needed (including on-the-job) implies relatively slow turnover
  - Highly volatile (like housing market); being single-location based is a major risk
  - Difficult to scale organically; always a competitor willing to lower price
  - Low barriers to entry a bad thing from incumbents’ perspective
- **Difficult to standardize for individual cust’s**
  - Home remodeling not “cookie-cutter;” unique needs for each person (physically, design, etc.)
  - Implies need for designer & occupational therapist

# Initial hypothesis: reasons for and against home remodeling launch (2/2)

## Reasons in favor of launch

- **Potential for partnership or other entry models appears high**
  - Track record of for-profit enterprises partnering with big-box shops (mfgs like Home Depot)
    - Non-profit partner may be seen as even more attractive
  - Potential for more “outside-the-box” partnerships as well (e.g., partnering with a nursing home & being funded with grant money; target low-income folks)
- **Startup costs & certification requirements likely won’t pose a huge impediment**
  - Only a few major capital expenditures (e.g., work truck or two)
  - Will need basic supplies upfront; most other supplies are bought on an as-needed basis
    - Also favorable implications for working capital needs → low inventory
- **“Business” side of things will make or break success, and Goodwill at least has a lot of \$**
  - Many competitors can’t afford back-end staff, marketing, forecasting, etc.

## Reasons against launch



- **Unclear who GSV would employ**
  - Previously incarcerated unlikely to sit well with consumers (same for mentally ill, homeless)
    - Working inside someone’s house makes most people uncomfortable regardless
  - At-risk youth may be only real REDF-target group
- **Reputation, quality, & experience likely the key purchasing criteria for profitable customer segments**
  - Customers generally willing to pay more for the job to be done well & right (less maintenance needed)
  - Important parameters in selecting a remodeler
  - May be difficult for GSV to win on given rotating employment model
  - Relationships also seem to matter; aging-in-place a touchy subject for most
  - Real purchasers often not those in need (e.g., grown children, caretaker, spouse) and may be willing to spend more for higher quality remodeling
- **Unclear which customer segments to target**
  - Profits only really made on high-end, design thru build projects; simple upgrades (e.g., putting bar in shower) will probably be breakeven at best

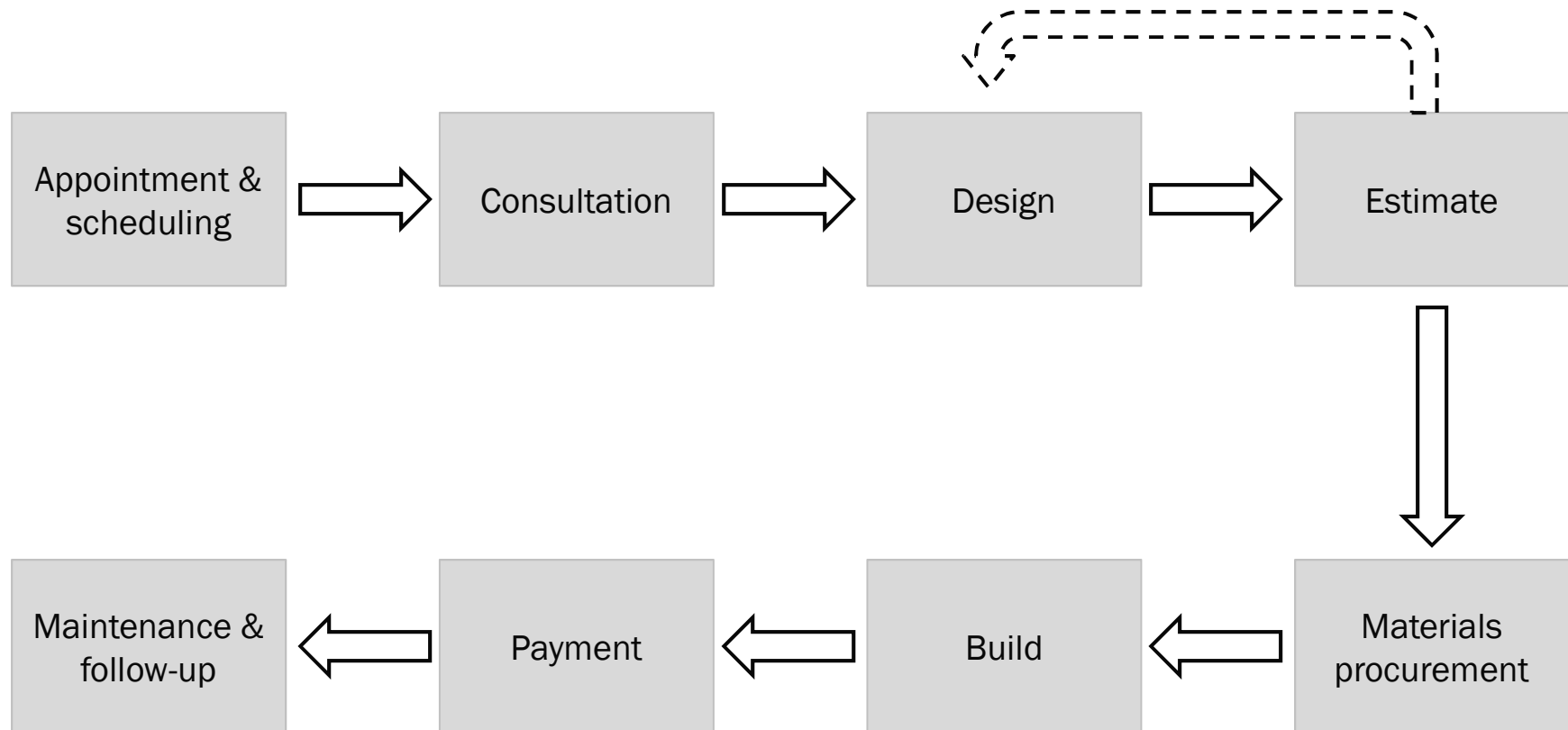
# Agenda

- Executive summary
- Home remodeling feasibility analysis
  - Market analysis
  - Operational and organizational requirements
  - Financial projections
  - Recommendation
- Appendix



# Key activities for a typical CAPS\* remodeling project (1/2)

\*CAPS – Certified Aging-in-Place Specialist



Source: Company websites; Literature search; Professional Remodeler Magazine, April 2014

## Key activities for a typical CAPS remodeling project (2/2)

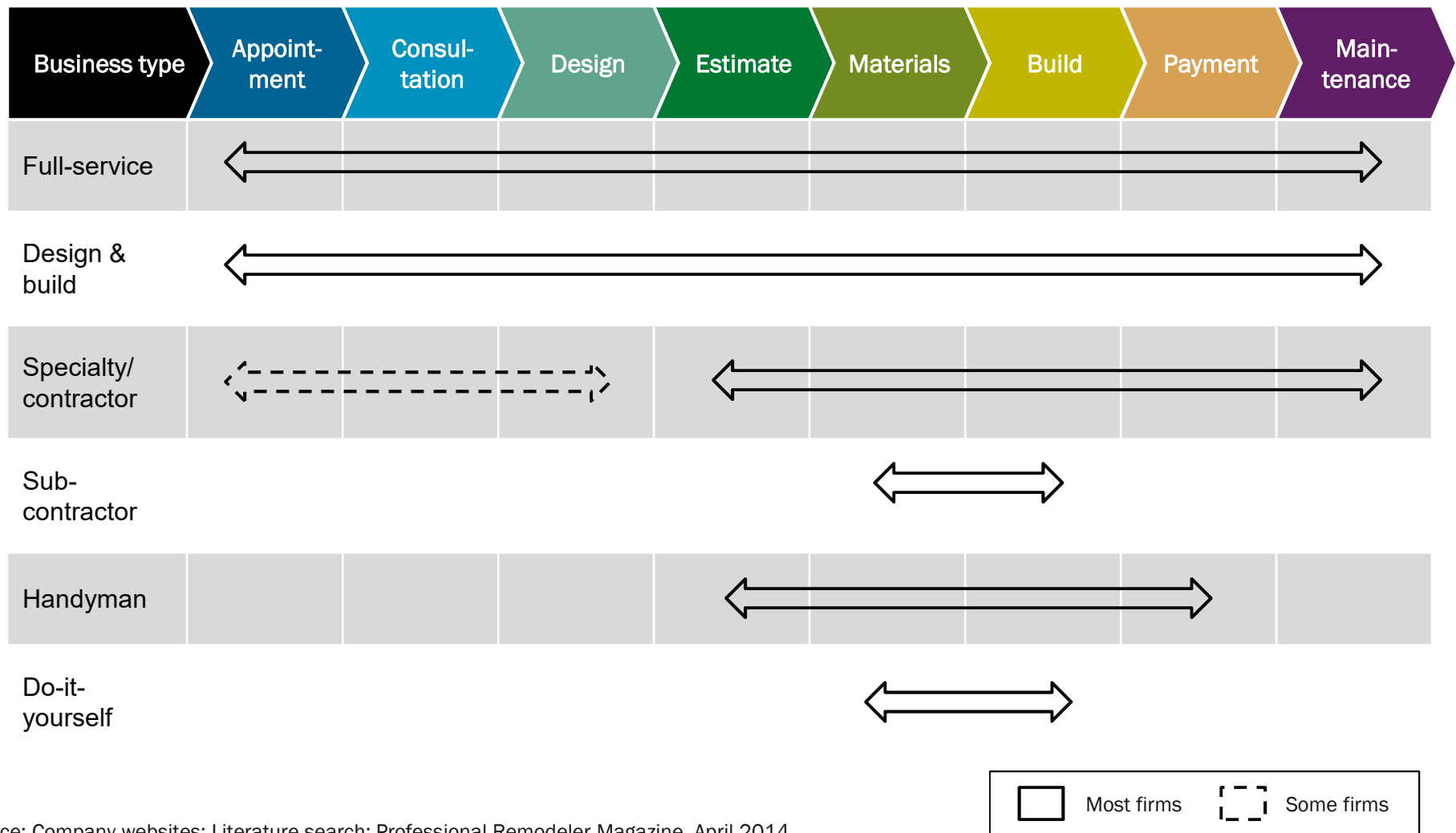
Step	Appointment	Consultation	Design	Estimate
Description	<ul style="list-style-type: none"> <li>Customer contacts remodeler</li> <li>Remodeler contacts customer (on referral)</li> </ul>	<ul style="list-style-type: none"> <li>Customer meets with member of design &amp; build team</li> <li>Usually at home</li> </ul>	<ul style="list-style-type: none"> <li>Designer makes initial plans</li> <li>Iterates based on customer needs</li> </ul>	<ul style="list-style-type: none"> <li>Designer shares plans with construction team</li> <li>Team creates initial estimate</li> </ul>
Key personnel	<ul style="list-style-type: none"> <li>Sales, Admin</li> </ul>	<ul style="list-style-type: none"> <li>Construction mgr</li> <li>Architect/designer</li> <li>Occupational therapist (often)</li> </ul>	<ul style="list-style-type: none"> <li>Architect/designer</li> </ul>	<ul style="list-style-type: none"> <li>Construction mgr</li> <li>Estimating agent</li> <li>Business leader</li> </ul>
Timing	<ul style="list-style-type: none"> <li>Minutes</li> </ul>	<ul style="list-style-type: none"> <li>&lt;1hour</li> </ul>	<ul style="list-style-type: none"> <li>1-5days</li> </ul>	<ul style="list-style-type: none"> <li>1day</li> </ul>

Step	Materials	Build	Payment	Maintenance
Description	<ul style="list-style-type: none"> <li>Direct materials purchased (if not in inventory)</li> </ul>	<ul style="list-style-type: none"> <li>Construction of project</li> </ul>	<ul style="list-style-type: none"> <li>Customer receives final bill (not always same as estimate)</li> <li>Customer pays</li> </ul>	<ul style="list-style-type: none"> <li>Under warranty, remodeler maintains previous work</li> </ul>
Key personnel	<ul style="list-style-type: none"> <li>Construction mgr</li> <li>Builders</li> </ul>	<ul style="list-style-type: none"> <li>Construction mgr</li> <li>Builders</li> </ul>	<ul style="list-style-type: none"> <li>Business leader</li> <li>Admin</li> </ul>	<ul style="list-style-type: none"> <li>Construction mgr</li> <li>Builders</li> </ul>
Timing	<ul style="list-style-type: none"> <li>Hours</li> </ul>	<ul style="list-style-type: none"> <li>1-2weeks</li> </ul>	<ul style="list-style-type: none"> <li>On-site</li> </ul>	<ul style="list-style-type: none"> <li>Variable</li> </ul>

Source: Company websites; Literature search; Professional Remodeler Magazine, April 2014

Capacity implications for # clients at any given time

# Each remodeling business model employs different aspects of the activity chain “in-house”



Source: Company websites; Literature search; Professional Remodeler Magazine, April 2014

# Organizational requirements across each activity step: consultation & design are areas to develop (1/2)

Step	Appointment	Consultation	Design	Estimate
Key challenges	<ul style="list-style-type: none"> <li>Reliable scheduling</li> <li>Quick response to inquiry</li> <li>Efficient customer service</li> </ul>	<ul style="list-style-type: none"> <li>Expert technical and financial sense (e.g., what it will take, how much it will cost)</li> <li>Involving other relevant parties (e.g., occupational therapist)</li> </ul>	<ul style="list-style-type: none"> <li>Proficient design &amp; architect capabilities</li> <li>Ability to customize to specific house or customer need</li> <li>Designing with cost target in mind</li> </ul>	<ul style="list-style-type: none"> <li>Creating realistic estimate per design (and done the first time)</li> <li>Creatively finding cheaper raw materials</li> </ul>
Organizational requirements	<ul style="list-style-type: none"> <li>Dedicated front-office staff</li> <li>Scheduling software</li> </ul>	<ul style="list-style-type: none"> <li>Qualified supervisor</li> <li>In-house or contracted occupational therapist</li> </ul>	<ul style="list-style-type: none"> <li>In-house or contracted architect (or qualified designer)</li> <li>Design software (if applicable)</li> </ul>	<ul style="list-style-type: none"> <li>Financial software</li> <li>Raw materials database (products &amp; pricing)</li> </ul>
Current Goodwill capabilities	<ul style="list-style-type: none"> <li><b>High</b></li> <li>Need to hire FTE</li> </ul>	<ul style="list-style-type: none"> <li><b>Low</b></li> <li>Need to find and partner with occupational therapist</li> <li>Need to hire strong supervisor</li> </ul>	<ul style="list-style-type: none"> <li><b>Low</b></li> <li>Need to contract with designer or hire one externally</li> </ul>	<ul style="list-style-type: none"> <li><b>Moderate</b></li> <li>Should be able to develop capability with hire of supervisor</li> </ul>

Implications for customer segments served

Source: Company websites; Literature search; Professional Remodeler Magazine, April 2014

## Organizational requirements across each activity step: consultation & design are areas to develop (2/2)

Step	Materials	Build	Payment	Maintenance
Key challenges	<ul style="list-style-type: none"> <li>Effectively negotiating with big-box suppliers</li> <li>Keeping costs in line with estimates</li> </ul>	<ul style="list-style-type: none"> <li>Attention to detail &amp; quality; doing it right the first time</li> <li>Proactively problem-solving; adapting in real-time</li> <li>Managing time to completion</li> </ul>	<ul style="list-style-type: none"> <li>Reliable payment processing</li> <li>Management of accounts receivable</li> <li>Integration of finance department with other parts of organization</li> </ul>	<ul style="list-style-type: none"> <li>Preventing maintenance needs in build stage</li> <li>High-quality customer service</li> <li>Quick &amp; efficient follow-up</li> </ul>
Organizational requirements	<ul style="list-style-type: none"> <li>Relationships with big-box suppliers or other reliable groups</li> <li>Ability to access and transport materials (e.g., truck)</li> </ul>	<ul style="list-style-type: none"> <li>Trained group of builders</li> <li>Subcontractors (e.g., painting, flooring, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>Financial software</li> </ul>	<ul style="list-style-type: none"> <li>Trained group of builders</li> <li>Subcontractors (if necessary)</li> </ul>
Current Goodwill capabilities	<ul style="list-style-type: none"> <li><b>High</b></li> <li>Ability to develop relationships quickly</li> <li>Stores may like idea of partnering with non-profit</li> </ul>	<ul style="list-style-type: none"> <li><b>Moderate</b></li> <li>Need to build training model (leverage new program from summer 2014)</li> </ul>	<ul style="list-style-type: none"> <li><b>High</b></li> <li>Should be able to leverage capabilities in other social enterprises</li> </ul>	<ul style="list-style-type: none"> <li><b>Moderate</b></li> <li>Follows from 'Build' activity</li> </ul>

Source: Company websites; Literature search; Professional Remodeler Magazine, April 2014

# Stand-alone social enterprise will require a license from the CA Contractors State License Board (CSLB)

## Overview

- For projects >\$500, need CA license to operate as a contractor
- Licenses can be given out to individuals, partnerships, or corporations (but not LLCs)
  - Only need supervisor or business manager to be certified (i.e., doesn't apply to all employees)
- Can be licensed into one of three categories
  - Class "A" – General Engineering Contractor
    - Fixed works requiring specialized engineering knowledge and skill
  - Class "B" – General Building Contractor
    - Related to any structure being built that requires at least two unrelated building crafts
  - Class "C" – Specialty Contractor
    - E.g., plumbing, landscaping, etc.
- General requirements
  - 4+ (verified) years of experience at journey level, or as foreman, supervisor or contractor in the classification being applied for
  - Application & examination for specific licenses
  - Contractors' bond and minimum amount of operating capital
  - License fees once application & examination are verified and complete

## Costs

- Application: \$300
- License: \$180 (initial) + ~\$50 for each specialty trade added on
- Contractors bond: \$12,500

## Timing

- Seems to vary quite a bit, but would budget ~120 days from start to finish
- Exam may be waved under certain conditions; would expedite the process

Source: California Contractors State License Board website

# Workers' perspective: attractive job once in stable employment, but utilization and hours can vary widely

## Characteristics of job (particularly for entry-level workers)

- **Hours worked** (if contracted to job)
  - No more than **8 hours a day**
  - Often **early working hours** (e.g., 6am start)
  - Work typically broken into shifts or by job
- **Physical capabilities**
  - Ability to safely work with tools & raw materials
  - Standing, squatting, etc. (highly physical)
- **Customer-facing**
  - **Generally limited** (supervisor will be primarily customer-facing)
  - Professional in appearance & manner
  - Trustworthy: working in homes & around other peoples' belongings
- **Learning curve**
  - **Can be quite steep**: takes ~4 years to become proficient enough to be self-certified
  - Payoffs only to those that stay in field

## Potential risks during employment

- **Uncertain utilization**
  - Employment is very-much job-driven
  - Unless working within a large firm, laborers will go through significant periods of down-time
- **Seasonality of projects**
  - Winter months typically lower volume than Spring/Summer
- **Transportation**
  - Given variability of work sites, workers without cars may face additional barriers getting to work; higher social costs as a result
- **High-potential for layoffs**
  - Follows from uneven utilization and seasonality
  - Cheap labor substitutes for entry-level workers (e.g., day laborers)
  - Mental health risks associated with layoffs as well (may further discourage populations to rejoin workforce)

Source: Canadian Human Resource and Skill Development Organization; Expert interviews

# Attributes and skills required differ for each role (1/2)

## Foreman/Supervisor (full-time)

- **Strong leadership skills**
  - Accountable, responsible, efficient, decisive decision maker, supervision, etc.
  - Ability to delegate and prioritize tasks
  - Ability to hold others accountable (particularly important with target part-time population)
- **Strong technical background**
  - Significant experience as contractor (especially important since working with unexperienced crew)
  - Knowledge of business codes & regulations
  - Safety zealot: not being willing to cut corners
  - Creative and efficient problem-solver: understand and adapt to unique needs of each household
- **Able to develop strong customer relationships**
  - Strong interpersonal skills
  - Attention to customers' wants and needs
  - Follow-through: do what you say you will
- **Business savvy**
  - Good negotiator
  - Nose for value (e.g., how best to markup costs, which projects will be profitable, etc.)

## Salesman (full-time)

- **Strong interpersonal skills**
  - Develops customers' trust quickly, and able to resolve conflict and doubt
  - Works well and communicates with other members of the team
- **Business savvy**
  - Good negotiator
  - Nose for value (e.g., best bang-for-buck marketing and advertising)
- **Proactive deal-maker**
  - Continually seeking out new leads; not being content reacting
  - Creative in reaching new customer segments and bases



## Attributes and skills required differ for each role (2/2)

### Builder (part-time)

- Moderate technical background
  - Proficient understanding in basic home improvements
  - Basic understanding of building codes, regulations, etc.
  - Decent written and reading skills: ability to understand job plan, blueprints, etc.
  - Basic numeracy: proficient in measurement, simple calculations, etc.
  - Ability to employ safe practices while on the job
- Moderate interpersonal skills
  - Ability to work in pairs
  - Ability to communicate with supervisor (either about work or other related issues)
- Strong personal character
  - Trustworthy (in other peoples' homes)
  - Accountable (shows up for project when scheduled)
  - Professional in appearance and manner while on the job
- Ability to work steady hours in physical state
  - Generally normal working hours; standing all day, working with dangerous tools, etc.

### Other

- Occupational therapist
  - Attention to design & customer needs
  - Specialist in aging-in-place renovations
- Finance
  - Realistic forecasts that drive future employment projections
  - Attention to detail in record & bookkeeping
  - Relentlessly seeks ways to lower costs (especially important in low margin business)
    - E.g., negotiating raw materials discounts
- Back-office administration
  - Proficient in scheduling




















Source: Literature search; Canadian Human Resources and Skill Development Organization; Expert interviews

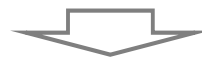
## Unfortunately, not all Goodwill SV-targeted populations will fit this particular model

Candidate group	Quality of fit	Rationale
At-risk youth	Moderate-high	<ul style="list-style-type: none"> <li>• Likely form of employment in any case</li> <li>• Apprentices generally start at 18+</li> <li>• Skills-set that they can build upon throughout their career</li> </ul>
Homeless	Low-moderate	<ul style="list-style-type: none"> <li>• Likely pushback from customers</li> <li>• Population generally overlaps with other unlikely candidates (e.g., previously incarcerated)</li> </ul>
Formerly incarcerated	Low	<ul style="list-style-type: none"> <li>• Perceived risk on behalf of customers (regardless of whether it's warranted)</li> </ul>
Mentally ill	Low	<ul style="list-style-type: none"> <li>• Little room for error in construction</li> <li>• Working with dangerous tools and products</li> <li>• Limited supervision while on-site</li> <li>• Expected customer pushback</li> </ul>
Addiction and recovery	Low	<ul style="list-style-type: none"> <li>• Significant temptation for theft</li> <li>• Limited supervision while on-site</li> <li>• Expected customer pushback</li> </ul>

Source: Literature search; Expert interviews; Internal discussions with GSV staff

## Laborers will need to be trained specifically for CAPS; basic construction training with AIP focus should work

Training required	Time needed	Goodwill capability	JobTrain capability	On-the-job training
<ul style="list-style-type: none"> <li>Introduction to home remodeling                             <ul style="list-style-type: none"> <li>- Basic overview</li> <li>- Aging-in-place</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>1 week</li> </ul>			
<ul style="list-style-type: none"> <li>Basic numeracy (e.g., measurement)</li> </ul>	<ul style="list-style-type: none"> <li>1-2 weeks</li> </ul>			
<ul style="list-style-type: none"> <li>Construction drawings &amp; blueprints</li> </ul>	<ul style="list-style-type: none"> <li>1-2 weeks</li> </ul>			
<ul style="list-style-type: none"> <li>Building codes and regulations</li> </ul>	<ul style="list-style-type: none"> <li>1 week</li> </ul>			
<ul style="list-style-type: none"> <li>Building materials</li> </ul>	<ul style="list-style-type: none"> <li>1 week</li> </ul>			
<ul style="list-style-type: none"> <li>Introduction to tool types and use</li> </ul>	<ul style="list-style-type: none"> <li>1 week</li> </ul>			
<ul style="list-style-type: none"> <li>Construction site preparation</li> </ul>	<ul style="list-style-type: none"> <li>1-2 weeks</li> </ul>			
<ul style="list-style-type: none"> <li>Specific project types:                             <ul style="list-style-type: none"> <li>- Shower/tubs</li> <li>- Toilets/sinks</li> <li>- Ramping</li> <li>- Door widening</li> <li>- Railing</li> <li>- Others as needed</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>2-4 weeks</li> </ul>			
<ul style="list-style-type: none"> <li>Finishing, maintenance, and cleanup</li> </ul>	<ul style="list-style-type: none"> <li>1-2 weeks</li> </ul>			
<ul style="list-style-type: none"> <li>Essential skills</li> </ul>	<ul style="list-style-type: none"> <li>1-2 weeks</li> </ul>			



Expect ~6 months minimum of combined pre-training and on-the-job experience; turnover in part-time positions expected to be modest

# Should Goodwill decide to pursue this opportunity, it is recommended to partner with JobTrain

## Rationale

- Majority of training occurs while on-the-job
- A number of potential partners could work
  - Need to focus on basic tool use, introduce students to different materials, and provide practice with basic modifications
- JobTrain has track record of success here; potential to swap out certain training courses (e.g., forklift) and replace with AIP-specific modules

## Suggested structure of partnership

- GSV (through grant money) pays for training
  - May also have to provide a small stipend to trainees for 16 unpaid weeks
- GSV then retains profit-sharing proceeds from partnership
  - Unlikely that JobTrain will go into deal knowing there's a potential not to get paid
- JobTrain agrees to make minor modifications to its program (e.g., AIP-specific)

## Key concerns and considerations

- Will JobTrain be willing to make GSV-specific changes to its Project Build?
- Will GSV be able to secure grant money to cover the training costs?
- Will modifications to the program result in trainees no longer being certified to go into specific unions?
- Will the lack of pay or GED/HS diploma barrier narrow the applicant pool too drastically?

# There are, however, a number of potential – and attractive – post-employment pathways

Relatedness to transitional job

	Work to FTE (internally)	Work to FTE (externally)	Join a union	Join other discipline	Vocational school	Work at big-box retailer	Start solo venture
Description	<ul style="list-style-type: none"> <li>• Work as laborer for ~6 months to a year internally</li> <li>• Gain experience as laborer elsewhere</li> <li>• Transfer back when FTE spot opens up</li> </ul>	<ul style="list-style-type: none"> <li>• Work as laborer for ~6 months to a year internally</li> <li>• Land job as laborer at similar firm</li> <li>• Stay until a FTE spot opens up</li> </ul>	<ul style="list-style-type: none"> <li>• After several years as laborer, apply for an apprenticeship in a carpenter or related union</li> <li>• Work as union member full-time</li> </ul>	<ul style="list-style-type: none"> <li>• Stay within construction but focus on entering a similar field (e.g., electrician or plumber)</li> </ul>	<ul style="list-style-type: none"> <li>• After internal stint as laborer, expand knowledge by attending vocational school</li> <li>• Make transition to FTE or apprenticeship</li> </ul>	<ul style="list-style-type: none"> <li>• Work at big-box retailer (e.g., Home Depot, Lowe's, etc.)</li> <li>• Specialize in AIP tools and knowledge</li> </ul>	<ul style="list-style-type: none"> <li>• Any of a wide range of opportunities</li> <li>• E.g., start solo venture, become a handyman</li> <li>• Or, transition into unrelated field</li> </ul>
What add'l steps required	<ul style="list-style-type: none"> <li>• 1-2 years as laborer</li> <li>• Available FTE spots</li> </ul>	<ul style="list-style-type: none"> <li>• 1-2 years as laborer at same or similar organization</li> </ul>	<ul style="list-style-type: none"> <li>• Acceptance into union</li> <li>• Favorable timing (limited slots)</li> </ul>	<ul style="list-style-type: none"> <li>• Focus on related fields as laborer</li> <li>• Attend vocational school if necessary</li> </ul>	<ul style="list-style-type: none"> <li>• Small amount of tuition money</li> <li>• Savings to cover potential loss in earnings</li> </ul>	<ul style="list-style-type: none"> <li>• Few (i.e., job app is about all)</li> </ul>	<ul style="list-style-type: none"> <li>• For a new venture, would need some startup capital, customer base, referrals, etc.</li> </ul>
Feasibility							



Source: Expert interviews; NAHB; NARI

Most feasible
 Least feasible

# Should GSV decide to pursue home remodeling, there are several organizational models to consider

	Solo venture	Partner	License	Franchise
Description	<ul style="list-style-type: none"> <li>Start completely independent organization</li> <li>Conduct all training in-house</li> <li>Make all key decisions regarding materials, customers, projects, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Partner with organization across activity chain (e.g., with JobTrain)</li> <li>Partner with org. to secure customers and funding (e.g., nursing school, contractor)</li> </ul>	<ul style="list-style-type: none"> <li>License a specific product or service from parent company (e.g., Statewide &amp; Home Depot)</li> <li>Exclusively install that product</li> </ul>	<ul style="list-style-type: none"> <li>Purchase franchise from established brand</li> <li>Adapt central functions to local market</li> </ul>
Range of projects	<ul style="list-style-type: none"> <li>Full range of possibilities but likely at lower price point (e.g., simple-moderate jobs)</li> </ul>	<ul style="list-style-type: none"> <li>Aligned with what partner can provide support for (e.g., full design-thru-build)</li> </ul>	<ul style="list-style-type: none"> <li>Only those relating to licensed material or product</li> </ul>	<ul style="list-style-type: none"> <li>Projects of parent company</li> </ul>
Pros	<ul style="list-style-type: none"> <li>Can best customize to GSV's needs and target population</li> <li>All decision-making done in-house</li> <li>No penalties for exiting early</li> <li>Easy to pilot</li> </ul>	<ul style="list-style-type: none"> <li>Leverage best practices and competitive advantage of partner organization (e.g., customer base, gov't relationship, brand, etc.)</li> <li>Narrow focus likely leads to more efficient cost structure</li> <li>Potential to pilot</li> </ul>	<ul style="list-style-type: none"> <li>Ability to leverage brand, network, customers of parent organization</li> <li>Streamlined training</li> <li>Narrow focus likely leads to leaner cost structure</li> </ul>	<ul style="list-style-type: none"> <li>Leverage training, brand, &amp; organizational model or parent company</li> <li>Streamlined startup process</li> <li>Reduced variability in expected outcomes (i.e., know what to expect)</li> </ul>
Cons	<ul style="list-style-type: none"> <li>Low average price point and high startup/indirect costs</li> <li>Customer acquisition</li> <li>Inability to leverage best practice from other org.</li> <li>Steeper learning curve &amp; growing pains</li> <li>May need to acquire skills to expand to design-thru-build</li> </ul>	<ul style="list-style-type: none"> <li>Inefficient decision-making (when both groups equally powerful)</li> <li>Difficult to exit once started; must commit</li> <li>Potential geographic limitations</li> <li>May only launch venture if profit-maximizing from get-go</li> <li>Ability to back-out of partnership</li> </ul>	<ul style="list-style-type: none"> <li>Narrow focus may not be right fit for GSV's focus area</li> <li>Increased volatility (reliance on one product)</li> <li>Constrained decision-making</li> <li>Potential financial penalties for exiting</li> <li>Difficult to pilot</li> </ul>	<ul style="list-style-type: none"> <li>Highly constrained decision-making</li> <li>Potential misalignment with target population or mission</li> <li>Financial penalties for exiting</li> <li>Inflexible worker requirements (e.g., FTEs vs. PTEs)</li> <li>Higher fixed costs</li> <li>Difficult to pilot</li> </ul>
Likelihood of success	<ul style="list-style-type: none"> <li><b>Low-Moderate</b> – unlikely to breakeven in short-term without leveraging external expertise; long-term potential path to profitability</li> </ul>	<ul style="list-style-type: none"> <li><b>Moderate</b> – combining skills and experience best shot in tough marketplace; partnering with non-profit org may be best</li> </ul>	<ul style="list-style-type: none"> <li><b>Low</b> – likely difficult to reach scale in one specific geography</li> </ul>	<ul style="list-style-type: none"> <li><b>Low</b> – high potential for mismatch between parent company and GSV</li> </ul>

## High-level summary & implications for GSV

	Attractiveness of ecosystem		Key areas of concern
Operations		<ul style="list-style-type: none"> <li>• Complicated activity chain: many steps to do correctly in order to be full-service firm</li> <li>• Given organizational demands, small firms often forced into one activity (e.g., building/subcontracting)               <ul style="list-style-type: none"> <li>- These areas are significantly less profitable</li> </ul> </li> <li>• Profitable customers generally demand quality, experience, and reputation               <ul style="list-style-type: none"> <li>- Difficult for new firms to enter &amp; succeed</li> </ul> </li> <li>• New firms likely will need to partner with established firms in order to leverage cost savings across activity chain</li> </ul>	<ul style="list-style-type: none"> <li>• Key purchasing criteria may be misaligned with what GSV can provide</li> <li>• Segments easiest to target likely unprofitable</li> <li>• Finding the right partner</li> </ul>
Organization		<ul style="list-style-type: none"> <li>• At-risk youth likely the only target population for which this venture applies (significant risks, perceived or otherwise, with other groups)               <ul style="list-style-type: none"> <li>- No known “red flags”</li> </ul> </li> <li>• Attractive FTE opportunities for those with 6+ months on-the-job training/experience</li> <li>• Training requirements are relatively low given specificity of proposed model &amp; project type</li> <li>• GSV not equipped with right FTE currently to launch solo venture; realistically, would need to partner</li> </ul>	<ul style="list-style-type: none"> <li>• On-the-job training can vary; may ultimately depend on FTE employer’s relationship with partner</li> <li>• Hiring FTE in potential launch (need high quality)</li> </ul>

Jennifer	Thanh	Tasha	
Amanda	Carl	Maggie	Will
Andrea	Emily	Maryam	Paula
Dylan	Gary	Ian	
Gordon	Ilyssa	Jessica	Jon

## Small Group Exercise (45 min)


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- 10 min to identify required functions, existing capacity/capabilities, and gaps to fill
- 10 min each:
  - 5 min to share required functions, existing capacity/capabilities, and gaps to fill
  - 5 min to receive feedback – use format: I like, I wish, I wonder.



# Your turn...

Dimensions of analysis	Existing capacity/ capabilities	Gaps to fill
	<ul style="list-style-type: none"><li>•</li><li>•</li></ul>	<ul style="list-style-type: none"><li>•</li><li>•</li></ul>
	<ul style="list-style-type: none"><li>•</li><li>•</li></ul>	<ul style="list-style-type: none"><li>•</li><li>•</li></ul>
	<ul style="list-style-type: none"><li>•</li><li>•</li></ul>	<ul style="list-style-type: none"><li>•</li><li>•</li></ul>
	<ul style="list-style-type: none"><li>•</li><li>•</li></ul>	<ul style="list-style-type: none"><li>•</li><li>•</li></ul>
	<ul style="list-style-type: none"><li>•</li><li>•</li></ul>	<ul style="list-style-type: none"><li>•</li><li>•</li></ul>
	<ul style="list-style-type: none"><li>•</li><li>•</li></ul>	<ul style="list-style-type: none"><li>•</li><li>•</li></ul>
	<ul style="list-style-type: none"><li>•</li><li>•</li></ul>	<ul style="list-style-type: none"><li>•</li><li>•</li></ul>
	<ul style="list-style-type: none"><li>•</li><li>•</li></ul>	<ul style="list-style-type: none"><li>•</li><li>•</li></ul>



**New investments**

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**Expansion of current functions**

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