

Summary of Major Changes in 2011-2012 by SAGE GLOBAL

OUR PURPOSE

To help teenagers start real-life businesses that are profitable and have significant social impact

GOALS

To vastly expand the number of secondary school students involved in SAGE competitions

To considerably simplify the competitions themselves

To increase SAGE's sustainability by making better use of its financial resources □

CHANGES

Each team will consist of **at least three contributing teenagers**; thus, a high school or organization may sponsor several SAGE teams.

Each country will choose to conduct one or both of two separate competitions:

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| I. Socially Responsible Business (Not applicable for SAGE Singapore Nationals 2012) SRB (emphasis on earned | II. Social Enterprise Business (SAGE Singapore Nationals 2012 will only involve this category) SEB (emphasis on social impact, but must strive for earned income) |
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| income) | |
| <ul style="list-style-type: none"> • A for-profit enterprise with customers who pay for its goods or services | <ul style="list-style-type: none"> • A for-profit or nonprofit enterprise that explicitly intends to address a social problem by using earned revenue strategies; this may be any type of business so long as: <ul style="list-style-type: none"> ○ its products or services themselves directly address a social need and are paid for by customers (i.e., a customer-focused social enterprise) ○ it employs a significant number of the people it serves -- at least 50 per cent of the company's direct labor force (i.e., an employee-focused social enterprise) |
| <ul style="list-style-type: none"> • Focus is on financial profits derived from paying <i>customers</i> *; <i>these</i> profits are known as earned income | <ul style="list-style-type: none"> • The focus is on providing social value but with a strategy in place to eventually achieve sustainability through earned income • During the startup phase in both types of businesses, financial resources may also include a mixed revenue stream that includes “unearned income“ (e.g., donations, |

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| | <p>fundraisers corporate grants, charitable contributions from philanthropists, public sector subsidies) to help meet expenses</p> <ul style="list-style-type: none"> • At least 50% of the financial resources during the first year of business must come from earned revenue and the business must have a clear plan to eventually achieve profitability from earned revenue alone |
| <ul style="list-style-type: none"> • Must operate the business in a socially-responsible manner | <ul style="list-style-type: none"> • Acts on opportunities to fulfill the unmet needs in society; metrics other than only net income are needed to measure impact; these metrics measure outcomes, not inputs |
| <ul style="list-style-type: none"> • Focus is on classical entrepreneurship; structured as a for-profit business in the private sector | <ul style="list-style-type: none"> • Emphasis is on making an impact by innovatively addressing a social problem |

SAGE Global has made four substantial changes:

Change # 1: Distinguishing between a Nonprofit Social Enterprise and a Nonprofit Organization

We considered changing the SEB category to a pure, nonprofit organization category, but decided not to do this because we believe that an enterprise must have some type of earned income strategy to be considered entrepreneurial. Enterprise can be defined as follows:

Enterprise (noun)—a business entity that seeks to add value to society by seeking financial profits as its primary emphasis, or by making a social impact as its primary emphasis; in both cases, the entity must strive to earn income in order to provide long-term financial sustainability.

There are two types of enterprises:

- a. Business enterprise: An entity that sells goods or services to paying customers (e.g., a for-profit commercial entity in the private sector); its primary emphasis is to make a financial profit;
- b. Social enterprise: A for-profit or nonprofit enterprise that explicitly intends to address a social problem by using earned revenue strategies; this may be any type of business so long as:
 - its products or services themselves directly address a social need and are paid for by customers (i.e., a customer-focused social enterprise) **OR**
 - it employs a significant number of the people it serves -- at least 50 per cent of the company's direct labor force (i.e., an employee-focused social enterprise)

The focus is on providing social value but with a strategy in place to eventually achieve sustainability through earned income. During the startup phase in both types of businesses, financial resources may also include a mixed revenue stream that includes “unearned income” (e.g., donations, fundraisers, corporate grants, charitable contributions from philanthropists, public sector subsidies) to help meet expenses

Please don't be confused about terms. By our definition, a “nonprofit social enterprise” is required to earn income. Contrast this with a nonprofit organization (NPO) or a nongovernment organization (NGO) that derives all financial resources from unearned income. NPOs and NGOs are valuable to society, but rely mostly on charity, fundraisers, philanthropy, and government subsidies to ensure financial

sustainability. NPO and NGOs, for the most part, are fundamentally not constructed to run efficiently, and often times fail to meet their original mission. Without an external market for its social goods and services as a motivating factor, the mission often becomes one of continued employment for the people originally hired to run the “business” and a need to increase “income” through grants and donations.

Why do we emphasize such a distinction? One of SAGE’s greatest supporters is its Chairman of the Board, Mr. Jerr Boschee. Boschee described this well in his book called, *Migrating from Innovation to Entrepreneurship* (2006). On page 12, he says, “Without self-generated revenue, NGOs remain forever dependent on the generosity of others, and that is a risk that social entrepreneurs are unwilling to take. They are passionately committed to their mission—but they are just as passionately committed to becoming financially sustainable or self-sufficient in order to do more mission!”

Though many of SAGE’s stakeholders indicated a preference to keep two competition categories as SRB and SEB, some preferred the categories to be SRB and NPO/NGO. We decided not to make NPO/NGO as a separate category because we want to encourage SAGE teams to start enterprises that are not merely charities or community service organizations. What sets SAGE apart is that we are about enterprise and entrepreneurship, not public service or charity. In order to “do real good projects” rather than “feel good projects,” we insist on the earned income strategy.

SAGE teams who have previously structured themselves as nonprofit organizations are now asked to step beyond their status as a nonprofit organization to become a nonprofit SEB. Therefore, during the startup phase of a for-profit or nonprofit SEB, financial resources may also include a mixed revenue stream that includes “unearned income“ (e.g., donations, fundraisers corporate grants, charitable contributions from philanthropists, public sector subsidies) to help meet expenses. However, at least 50% of the financial resources during the first year of

business must come from earned revenue and the business must have a clear plan to eventually achieve profitability from earned revenue alone.

Change # 2: Change in Judging Criteria

Starting in 2011-2012, there are four new judging criteria, and each criterion has an equal weight. The new criteria are similar to prior years, but put additional emphasis on innovation, impact and continuation of the business beyond the school year. The written annual report will remain at 40 points, the oral presentation at 40 points, and the question and answer period at 20 points.

Teams that enter the Social Enterprise Business (SEB) tournament should do their best to meet the following four judging criteria:

| Social Enterprise Business (SEB) Judging Criteria | Written Annual Report | Oral Presentation |
|---|--------------------------------------|------------------------------|
| 1. Does the business have <u>measurable and proven impacts</u> ? Has the business succinctly defined exactly what change it is trying to achieve? How has the business measured the desired changes, and demonstrated that they are caused by the actions/interventions of the business? | 10 | 10 |
| 2. What are the <u>community resources</u> obtained by the business in helping it achieve its mission, and how were these resources employed (e.g., earned income; sources and uses of unearned income; cooperation from community organizations, volunteers, local government; note: at least 50% of the financial resources during the first year of business must come from earned revenue | 10 | 10 |

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| and the business must have a clear plan to eventually achieve profitability from earned revenue alone)? | | |
| 3. Has the business exhibited <u>sustainable business practices</u> ? Does the business meet the needs of the present without compromising the ability of future generations to meet their own needs? Has the SAGE team understood the importance of being responsible stewards of the environment in a market economy, either through its products or services, or by its actions in the community? | 10 | 10 |
| 4. Is there evidence that the business has a <u>succession plan</u> in place? In other words, has the team demonstrated that the business continue after the current year? Will the team carry on over the summer, winter and spring? Is there a chance that this business's effectiveness can be expanded locally and replicated in new settings? | 10 | 10 |
| TOTAL POSSIBLE POINTS | 40 pts | 40 pts |

Change # 3: Focus on One Primary Business

SAGE teams must operate *only one primary business* (SRB or SEB) during the year, and not claim separate, ancillary activities as separate parts of the business unless it is directly related to the primary business. Several judges last year commented that some teams operate more as a “club” rather than a “business.” To avoid this, we explicitly mandate that a team must describe its one and only SRB or SEB. They should present the business model and address the judging criteria in their presentations, If SAGE teams choose to complete any peripheral

activities, they must demonstrate the importance of these activities in meeting the primary business mission.

Change # 4: Emphasis on Student-Driven Businesses

The SRB or SEB should be student-driven, student-organized, student-designed, student-developed, and student-presented. Of course, we encourage adults, including teachers, business advisers, parents and university mentors, to play key roles (especially in helping the business obtain start-up capital, and providing consulting and mentoring services after the business is launched). However, their direct participation in the business should be minimal. Accordingly, the coach/teacher overseeing a SAGE team will be required, starting in 2012, to complete a form similar to the SAGE Judges Oath, attesting to the fact that the SAGE team was student-driven and that the facts presented in the written and verbal presentations have not been overstated, embellished or manipulated.

As in prior years:

- Teams will no longer need to be linked to a secondary school; however, it will be necessary for each team to identify and work with a legitimate *sponsoring organization* and with a designated adult supervisor appointed by the organization (*e.g.*, a secondary school, a service organization such as a local Rotary or Lions club, a local non-governmental organization such as the Boys & Girls Club, a local Church/Temple/ Mosque, a local Chamber of Commerce); the sponsorship will not have to be financial, but will have to be significant in some way
- Each team will consist of at least three contributing teenagers; thus, a high school or organization may sponsor several SAGE teams
- Each country will have the *option* of continuing sub-national competitions

- While every SAGE national program is encouraged to use its own discretion in determining SAGE team eligibility, we urge each country to adopt a system where a SAGE team is eligible to participate only if it meets certain benchmarks throughout the year (note: this handbook provides a blueprint by describing how the SAGE USA program will be run).
- Each country will mount a marketing campaign at the beginning of the academic year to make sure teenagers throughout the nation are aware of the opportunity to compete in the SAGE tournament(s); the nature of the campaign will of course differ from country to country, but will include both traditional and social media; a second marketing campaign will be directed at potential sponsoring organizations, urging them to seek out and adopt one or more teams
- Each team will be allowed to enter just one of the two competitions (SRB or SEB) and can only enter the same business for a maximum of 3 years (note: we do this in order to prevent long-term dominance by a single team; also, once a business is established, simply adding new products or services does not make the business a new one); as 2010-2011 was a transition year, all businesses re-entered into the competition will be considered a YEAR 2 business.
- Each country will send one winning SAGE SRB team and one winning SAGE SEB team to the World Cup; however, if a country conducts only one competition, only the winning team will qualify for the World Cup
- A number of special awards will still be given at the World Cup in both competitions (*e.g.*, best business ventures addressing the Millennium Development Goals); each country can also present whatever special awards it desires during its national and/or sub-national competitions

- Note that each team has a 35-minute time slot. Presentation format and To review, the format and weightings are:
 - 10 minutes: Judges read and score the written annual report (40 points maximum)
 - 13 minutes: Judges observe the oral presentation
 - 7 minutes: Judges pose questions to the SAGE team (note: for teams that need translation services, this time will be extended as needed)
 - 5 minutes: Judges score the oral presentation (40 points) and how well students responded to judges' questions (20 points) as presenting team exits the room.

The minimum and maximum age requirements for student *presenters* for their SAGE team must be between the ages of 13 and 19. Specifically, a student must be at least age 13 years old on or before June 30, 2012 and no older than 19 years old on or prior to June 30, 2012.

Justification: SAGE is a global community of *teenage* entrepreneurs; thus, the main target audience is a student between the ages of 13-19. However, in some countries, a SAGE team member may be as young as 12 or, perhaps, older than 20. In order to focus on our target, we need to set boundaries. For a youngster to be a member of a SAGE presentation team, he or she must be at least 13 years old or no older than 19 years old on June 30, 2012.