Scaling Up: Catalyzing the Social Enterprise

A.T. Kearney explores the main factors that enable social enterprises to grow and prosper. No factor alone is sufficient; rather it is how the factors work together that ensures success.
Social Is the Future

The recent proliferation of social enterprises around the world has been nothing short of breathtaking. Entrepreneurs—young and old—have come together to start companies aimed at achieving social and environmental missions, with only a secondary focus on profitability. Organizations such as Ushahidi, BRAC, TOMS, Khan Academy, d.light, Aravind Eye Hospital, Grameen Bank, and Barefoot College are among the better known social enterprises. Some analysts view social enterprises as a “niche sector,” a “fad,” or a “gray area” nestled somewhere between the for-profit and not-for-profit sectors. Others view social enterprise as a movement, believing it is only a matter of time before these players become a permanent and necessary part of the emerging “new economy.”

The current broad definition of a social enterprise is a business whose main objective is to tackle social problems, improve lives, and advance society. This definition is destined to expand as more social enterprises emerge on the scene. Additionally, a common characteristic shared by all social enterprises is sustainability—both social and economic. Figure 1 illustrates where social enterprises fall on the sustainability spectrum. Organizations in general balance social and economic sustainability differently, placing various levels of emphasis on each. Not surprisingly, social enterprises focus more on societal aspects, but economic sustainability is also important.

In the United Kingdom, there are more than 70,000 social enterprises employing nearly one million people. The sector has experienced significant growth over the past few years, and its contribution to the UK economy has been valued at more than $40 billion—nearly 2 percent of

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**Figure 1**

Where social enterprises fall on the sustainability spectrum

Source: The Four Lenses Strategic Framework, Virtue Ventures LLC, 2010; A.T. Kearney analysis

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the country’s total GDP. Social businesses are also outperforming the small and medium-sized enterprise (SME) segment—proportionally almost a third more social enterprises than SMEs increased their revenues in 2012. In the United States, estimates suggest that social businesses employ more than 10 million people and generate annual revenues of $500 billion. This equates to an enormous 3 to 5 percent of total GDP—double the size of the mining industry.

The developing world is also experiencing a fairly substantial growth of social enterprises. While the social sector has always been sizeable (with 2 million NGOs in India alone by some estimates), a small but increasing number of sustainable business models are being tested to replace traditional donation-led philanthropic ventures. In fact, some of the earliest successful social enterprises were developed and scaled in these developing markets in the form of microfinance, leading the path to social entrepreneurship.

However, the challenge for many social enterprises is that they are recently established and operating at a sub-optimal scale. In the United States, approximately 40 percent of these businesses have fewer than five employees, while just 8 percent have more than 100. Furthermore, 60 percent were founded in 2006 or later, and because of this, nearly half generate revenues of less than $250,000. In the United Kingdom the sector is also in its infancy, with one-third of organizations three years old or less—three times the proportion of SME start-ups.

The importance of scalability for social businesses is no different than for other sectors. But given the relative youth of so many social enterprises, most of their leaders are more focused on short-term performance than on long-term sustainability. While this mindset is beginning to shift, there are various changes both policymakers and the social enterprises can make now to facilitate growth and prosperity.

This paper identifies and explores the critical factors that enable social enterprises to grow and prosper using A.T. Kearney's Social Enterprise Accelerator, a model developed from extensive experience working with businesses—large, medium, and small—across a variety of sectors. The paper also incorporates insights gathered from interviews with a number of social enterprise leaders who have successfully grown their organizations, including Sir Fazle Hasan Abed, the founder of BRAC, one of the world’s largest NGOs.

A.T. Kearney's Social Enterprise Accelerator has three layers:

- **Layer 1** comprises the foundational factors, the prerequisites that any social enterprise needs to get off the ground and be sustainable
- **Layer 2** comprises the growth levers that allow a social enterprise to progress to the next stage in organizational size and impact
- **Layer 3** comprises the market makers, the attitudes and behaviors necessary for a social enterprise to become a true force

Social enterprises must consider each of these as they seek to achieve maximum social impact, while always remembering that it is a balancing act—neglecting even one of the layers can become a barrier to growth.

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2. [State of the Social Enterprise Survey 2013](#)
3. [Great Social Enterprise Census results](#)
4. [U.S. Department of Commerce, Bureau of Economic Analysis](#)
5. Central Bureau of Investigation estimates (India), Feb 2014
6. [Great Social Enterprise Census results](#)
What are the Barriers to Social Enterprise Growth?

While profit-oriented businesses have a defined set of financially focused measurements for gaining size and scale—such as revenue, profit, market share, and market capitalization—social enterprises use a range of metrics relating to environmental and humanitarian improvements. For example, some social businesses measure the number of lives impacted through their product or service, while others measure environmental outcomes such as reduced carbon emissions. The benefits of social enterprises are yet unproven. A lack of financial metrics combined with poorly articulated benefits makes it difficult to garner the resources they need to scale up.

The success of social enterprises will depend in part on an evolution in both the commercial and legislative mindset. Investors need to look beyond the expectation of turning a quick profit and consider the benefits of “patient” capital. On the legislative side, investment incentives, such as partial tax subsidies, would encourage investors to finance social enterprises over profit-oriented businesses that offer more compelling returns. From a policy perspective this is a justifiable trade-off, since social enterprises often substitute for or complement public sector services.

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**A lack of financial metrics combined with poorly articulated benefits** makes it difficult to garner the resources social enterprises need to scale up.

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Barriers to growth for social enterprises are not limited to the developed world; developing countries face their own unique challenges, including logistical and value chain barriers. For example, A.T. Kearney helped establish a cash-and-carry chain in Ethiopia, based on the government’s aspiration to lower food prices; our focus was on developing the resources and infrastructure behind the food supply chain. A product or service may be innovative, but particular ecosystem enablers must be in place to ensure access, availability, and affordability.

Individual geographies have their own economic and political issues that can constrain growth or impact the viability of a particular social enterprise model. This past year, we helped Acumen Fund assess the social enterprises in its global portfolio to determine which ones would best scale up in a particular country. That analysis yielded specific insights about the interactions among product innovations and ideas, business models, and country-specific conditions.

Until changes are incorporated into the ecosystem, the fundamental question social enterprise leaders should be asking is not just “How do we expand?” but rather “How do we expand in a commercial and regulatory environment that restricts our growth?”

It is imperative that the ecosystem continues to develop. Various players are trying to create better and deeper linkages across the ecosystem, thereby advancing the success of social enterprises. For instance, Jack Sim developed the concept and plan for the Base of the Pyramid (BoP) Hub, a way to better connect investors, social enterprises, intermediaries, and other players serving the BoP. He also organized the 2014 BoP Convention & Expo held in Singapore.
Insights from this event and others suggest a number of social enterprise pain points. In particular, while there is no shortage of ideas and capital, there is a shortage of tools for developing compelling propositions to promote investment. Some of this is being addressed through mentoring social entrepreneurs, developing networks, and improving the level of information on social enterprises, as well as by creating more diversified approaches to securing capital. But there is still a long way to go.

More importantly, social enterprises are generally failing to plan for expansion from their inception. BRAC’s founder, Sir Fazle Hasan Abed, says social entrepreneurs often insist that small is beautiful because they fear expansion. He believes that if social entrepreneurs have an understanding of how to plan for growth at the outset, they can better overcome these apprehensions (see sidebar: Interview with Sir Fazle Hasan Abed on page 5).

### A.T. Kearney’s Social Enterprise Accelerator

A.T. Kearney’s research and experience in the social sector provides insights that can help social businesses grow and replicate their social and environmental impact. Figure 2 illustrates our Social Enterprise Accelerator model and its three layers—foundational, growth, and market makers. The following is a detailed discussion of each layer.

#### Key factors that progressively help social businesses scale up

**A.T. Kearney’s Social Enterprise Accelerator Model**

![Diagram](source: A.T. Kearney analysis)
Layer 1: Foundational elements

Clear vision and mission

Every social enterprise must ask critical questions about its core aspirations, including its purpose and how it will create social value. The significance of a clear vision and mission may seem intuitive, but the challenge of articulating them is often underestimated. An organization with a unique value proposition for filling a societal gap has a distinct advantage over others whose approach is ill-defined, particularly when it comes to sustainability and garnering support.

Since social enterprises often involve unique or hybrid business models, or new and disruptive products, the vision and mission are especially important to communicating the purpose and potential impact of the business. Although the vision is a high-level statement, how it is worded can profoundly impact the way in which the organization is perceived and who it appeals to. An inspirational statement alone is not enough; the vision must resonate with the organization’s target audience and articulate why the social enterprise exists and what value it offers to society. Furthermore, the vision must speak to a variety of key stakeholders—consumers and funders alike. It can also link the social enterprise to other like organizations that address the same or similar cause.

Interview with Sir Fazle Hasan Abed, Founder and Chairperson of BRAC

A.T. Kearney: What drives growth and expansion of Bottom of the Pyramid (BoP) enterprises?

Sir Fazle: BoP enterprises first need to meet the needs of a specific group of people at the bottom of the pyramid—if the need is not fulfilled, the enterprise doesn’t succeed. A second challenge is to scale the offering so that it meets the needs of an even larger group of people.

A.T. Kearney: What are some specific factors that drive scale? And what institutions or partners help these organizations expand the product?

Sir Fazle: You not only need a good product, but also financial strength. You need to be able to borrow money from banks when necessary. You have to be financially astute in how you borrow those funds, and have the right kind of technology. And the banks must trust you to invest that money to grow your business.

A.T. Kearney: How can social enterprises in particular attract more capital?

Sir Fazle: Capital is not an issue. If you demonstrate a good business proposition and if it helps people, there are lots of funds and banks looking for good projects. In fact, impact investing firms are coming around asking whether we know of any projects that could be scaled up. I think the basic problem is that most people, especially social entrepreneurs, want to remain small and beautiful.

A.T. Kearney: What is the key to BRAC’s success?

Sir Fazle: I worked for Shell Oil Company and I saw that a big organization can be run very well without being ugly. So, I was not afraid of scale. I wanted to be large because I wanted to have an impact on the lives of the poor in Bangladesh. I was ambitious and did not have a philosophical problem with being large.
The mission describes the ways in which the social enterprise delivers on its vision—how it does so, who it impacts, and in what ways. An organization’s mission and how it fulfills its mission can evolve without fundamentally changing the vision. However, the link between the vision and the mission must always remain clear. Social enterprises measure success against objectives that align to a clearly articulated mission making it especially important that they clearly define the scope as part of the mission.

The mission of a social enterprise should address what makes the societal value it delivers transformational, sustainable, and scalable. These characteristics distinguish social enterprises from community-specific service organizations or for-profit enterprises with tangential societal benefits. The mission must also point to how the organization measures its success, rather than relying on jargon. A recent article in the *Stanford Social Innovation Review* captures this well: “As investors in impact, we—the Mulago Foundation—don’t want to wade through a bunch of verbiage about ‘empowerment,’ ‘capacity-building,’ and ‘sustainability.’ We want to know exactly what you’re trying to accomplish. We want to cut to the chase, and the tool that works for us is the eight-word mission statement. All we want is this: A verb, a target population, and an outcome that implies something to measure—and we want it in eight words or less.”

In developing their vision and mission, social enterprises need to think about their growth plans. The fear of becoming too large limits what a social enterprise can achieve, and can influence its mission and vision.

**Exceptional leadership**

As the global growth trajectory of the social enterprise sector increases, there will be a record number of vacancies for senior managers and executives. Finding talent to fill these positions will not be easy (see sidebar: Building a Talented, Motivated Team).

Social enterprises need leaders who are not only visionaries, but who can juggle the myriad responsibilities of running an organization as it ramps up. These leaders must have business skills, a passion for a cause, and the ability to navigate and innovate in an emerging space.

**Building a Talented, Motivated Team**

One of the biggest barriers to growth is the inability to bring a sufficient number of talented people on board as the organization grows. The following are five important practices for building a strong and motivated team that can drive enterprise growth:

1. **Start early.** If the enterprise waits to expand the talent pool until the critical juncture when it has established its core offering and business model and is set to scale, it may be too late

2. **Conduct a creative search.** Look beyond the sector and geography, and consider candidates in corporate roles or in unrelated functions, with varied years of experience

3. **Encourage diversity.** Build a team with different personalities, points of view, and experiences

4. **Appoint a dedicated “talent officer” from the start.** Select a person to spearhead talent management when still in start-up mode; developing the team should be his or her primary objective

5. **Generate buzz.** Social enterprises can better attract the talent they need if they can create excitement in the marketplace about their mission and core offering; create a word-of-mouth plan across both internal and external networks, market to marketers, and get leaders out talking about the enterprise in a variety of forums and venues

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Social enterprise leaders must satisfy the needs of a diverse set of stakeholders, including investors, donors, regulators, and customers. They must also manage their volunteers, employees, and board of directors—all of whom are working for free or at below-market rates. Generating a profit while maximizing social impact is an inherently conflicting model for an organization; therefore, the ability to provide leadership and vision to diverse constituents, with limited resources, is paramount for social enterprise executives.

Perhaps even more important is the element of passion. Business skills can be taught, but passion cannot. Identifying and retaining leaders who combine on-the-ground experience with a commitment to the mission of the enterprise—and who are willing to accept lower pay than they would typically receive in more traditional for-profit organizations—is both a challenge and a critical success factor.

**Core product or service**

To expand, social enterprises need the right core product or service and the right mode of delivery. There are many innovative ideas in the market, but for the idea to be successful, it must be compelling, sustainable, and meet the needs of the target consumer. Additionally, the conditions and infrastructure need to be in place for the product or service to reliably reach the consumer. In our experience, enterprises that run into trouble often do so when they focus on one of these elements at the expense of the other.

The development of a unique product or service requires a strong understanding of the market and consumer. The product (or service) should be distinctive, memorable, and differentiated, serve an unmet or underserved need, and be accessible to consumers through a robust and viable delivery model. Ideally, it should be relevant over a period of time and generate increasing demand. Assumptions regarding ecosystem support and resource availability need to be realistic. These may be less of an issue at the outset, but can be fatal if they are not available as an enterprise grows.

Growth and expansion rely on the capacity of the social enterprise to navigate a complex system of players across sectors to bring the product or service to market and create a business and delivery model that works. As these networks develop, social entrepreneurs can achieve scale by leveraging relationships, resources, and the lessons learned by others to transform a compelling idea for a product or service into a core offering.

Jack Sim, founder of the BoP Hub and the World Toilet Organization, stresses the importance of knowledge sharing across the social enterprise ecosystem. Once the social enterprise has developed a compelling offering, cracking the business model often requires mapping the surrounding ecosystem and artfully engaging partners. For example, BoP Hub aims to better map, match, and motivate stakeholders to help reduce costs.
Adequate funding

Compared with traditional for-profit businesses, social enterprises often struggle to secure the funding they need to invest and grow their organizations. Funding is often cited by social enterprises as their greatest barrier to scaling up.[8] Due to the investment sources available to them, social enterprises may have to go through several rounds of financing to achieve sufficient funding to grow their operations. This puts them in a difficult situation, since predictable and sufficient funding is essential to plan for growth. In fact, Sir Fazle Hasan Abed cites financial strength and the ability to borrow from banks and other financial institutions as one of the strongest predictors of success for these organizations.

Social enterprises must be flexible and creative in their pursuit of funding, adopting a dynamic funding strategy that is continually reviewed and adapted. They must also be prepared to consider a range of intermediaries. Beyond the large start-up seed money, funding with a five- to ten-year time horizon is generally needed. As a result, growth capital in the form of a blend of patient capital, debt, and equity, or hybrid financing, would better serve the needs of social enterprises. However, currently there is a lack of such options.[9]

Social enterprises often get started with grant money and irregular donor funding. For some, once a product or service exists, microfinance is available. But at some point, if they are growing, they become too large for microfinance and need to seek out other sources of consistent funding. Many social enterprises find themselves between a rock and a hard place, victims of their hybrid missions. They are less likely than non-profit organizations to receive large philanthropic donations and they are also frequently excluded from certain types of government funding. Yet when they turn to commercial sources they find that most banks do not provide large three- to five-year loans. What’s more, they often do not meet the profitability requirements to qualify for commercial funds.

Interestingly, the investor community also views funding of social enterprises as a challenge, although from a different perspective. Approximately $12.7 billion in impact investing funds were looking for investment-worthy social ventures in 2014, up 19 percent from the year before. “Lack of appropriate capital across the risk/return spectrum” and “shortage of high-quality investment opportunities with a track record” are identified as the key limiting characteristics of the market.[10] Unfortunately, this places social enterprises in a Catch-22 situation, since one of the main reasons they need funding is to develop a sustainable business model and build a track record. It is really matching the right type of funds to the right stage of the venture that is the biggest challenge, not a lack of capital waiting to fund these enterprises.

Social enterprises must consider which messages will resonate most with mainstream funding audiences and determine whether there are any one-off investors who may have a particular interest in their mission. This is especially true of social enterprises in their initial stages that are trying to expand: They are often attempting to appeal to several different types of investors across sectors and geographies, including large individual or organizational donors, governments, networks, and social enterprise enthusiasts.

Tailored messages for different stakeholders must be coupled with two critical elements for sustained funding: (1) transparency and (2) solid metrics. It is important to establish concrete ways to measure impact on a continuous basis. Mastering the art of measurement will help

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organizations crystallize their messaging and establish the “proof of concept” that is essential to growth.

The dialogue over metrics has become more sophisticated in recent years, leading to a number of hands-on initiatives. For example, the Global Impact Investing Network (GIIN) is trying to establish criteria for triple-bottom-line investing. Metrics are also part of the discussion among members of the European Venture Philanthropy Association (EVPA) and Asian Venture Philanthropy Network (AVPN). Still, market development and the legal framework cannot act alone. Social enterprises themselves must set up processes to collect and communicate metrics used for funding purposes.

Layer 2: Growth levers

Leveraged technology

It is often the extent to which social enterprises leverage technology that dictates their long-term success and scalability. As inherently resource-constrained organizations, social enterprises must be adept at leveraging technologies in order to grow. For example, Ushahidi, a technology start-up, operates globally with a virtual team across multiple time zones. At first, having such a dispersed workforce had a negative impact on engagement and teamwork. But as the organization built various applications to enable collaboration (for example, group instant messaging and multi-site video chat), this became less of a constraint.

The use of technology can help drive down costs and enable social enterprises to leverage assets from different geographies. It should be treated as a cost-saving, efficiency-driving priority.

It is highly likely that most successful social enterprises in the future will be virtual, global, and cloud-backed organizations that have transformed the majority of their fixed capital costs to operating expenses. Technology can help them scale up repetitive activities, which helps to significantly lower unit costs. For example, KaBOOM! is a U.S.-based social enterprise that helps communities build new playgrounds. When the organization was just starting out, its reach and the number of playgrounds it could build each year was limited by the number of designers it could deploy in the field. To address this problem, the company created a web-based platform that modularized the product offering and shifted the design responsibility to customers. This resulted in an exponential growth of projects within just three years.

Successful social enterprises also leverage technology to rethink and disrupt conventional business models. For instance, Africa-based M-KOPA completely redesigned the way low-income African consumers receive sustainable electricity in off-the-grid locations. The company came up with a way to remove the large upfront cost of solar panels. These costs
had deterred most people from using solar energy and resulted in the heavy use of dangerous and expensive kerosene lamps. M-KOPA instead offers an asset financing model and then uses technology to solve the payment problem: rather than deploying hundreds of credit handlers to the field, they embedded a device in solar panels that enables consumers to pay as they go and top up credit via their mobile phones.

Technology creates innovative options for social enterprises in all markets, including developing countries. The strategic use of technology can help drive down costs and enable social enterprises to leverage assets from different geographies. It should be treated as a cost-saving, efficiency-driving priority.

Cost-effective platforms

Social enterprises that hope to grow and expand must maintain cost-effective operations and find ways to overcome the typical platform creation and investment challenges of commercial businesses. In particular, they need to look for strategically appropriate opportunities to leverage existing platforms and access ecosystem support. Following is a list of ways social enterprises can leverage existing platforms and infrastructure to optimize costs and enhance the effectiveness of their businesses.

- **Delivery platforms.** Take advantage of existing delivery infrastructure of business-to-consumer (B2C) companies (for example, leverage economies of supply chain, lead times, and storage locations)

- **Demand generation.** Partner with select businesses to build awareness and demand generation activities for products and services

- **Product development, engineering, or prototyping.** Leverage infrastructure and capabilities of larger enterprises to develop and refine the core offering

- **Infrastructure sharing and support.** Look for opportunities to share the cost of real estate, IT infrastructure (hardware, licenses), and support services such as finance, legal, and accounting with other organizations

These ideas require both innovative approaches and partners who are willing to share the platforms to reduce costs. Potential partners can include all kinds of organizations—from large commercial businesses, governments and local bodies, to beneficiaries and other social enterprise and ecosystem players.

Shared knowledge

The social enterprise space is evolving, and in some regions, it is still nascent. Social enterprises require capacity-building strategies and tools, as well as mentoring to help them reach a higher level of performance and achieve successful growth. Because established sources of information on such topics as funding sources and market-based solutions are limited, social enterprises can benefit greatly from connecting with one another, as well as to the entire global ecosystem of impact investors, grant-makers, governments, and other players.¹¹

Ideally, social enterprises will prioritize their participation in existing networks as well as help build such networks into a shared asset. Only through active and deep knowledge sharing can the flow of inputs be understood at a system level.¹² This greater understanding across the

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sector can help build the social enterprise ecosystem—ultimately benefitting social enterprises by providing them with the information and capabilities essential to scale.

Finally, an important element of shared knowledge is transparency. The concept of transparency has already been discussed in the context of social enterprise performance and securing funding from investors. But transparency in business practices and performance is important to a range of stakeholders, both those who are financially vested and those interested in the enterprise’s mission. Transparency generates trust in the social enterprise, which in turn helps the organization secure funding and talent. The ability to inspire confidence and trust also helps differentiate social enterprises. Since it is often challenging for early-stage social enterprises to turn a profit, transparency can help stakeholders better understand the business and its strategy for achieving growth and profitability.

Layer 3: Market makers

Changed attitudes and behaviors

Political, economic, social, and other environmental forces collectively shape the environment for social entrepreneurship. It is important for governments, investors, and other stakeholders to recognize the significance of social enterprises, especially the gap that they fill within societies. Once investors realize this value, it accelerates the flow of capital and financial innovation required for social enterprises to thrive. Interest groups that believe in the sector can influence policy makers and help them realize the benefits of supporting social entrepreneurship. Finally, more thought leadership is required to better understand and communicate the value of the sector.

It is important for governments, investors, and other stakeholders to recognize the significance of social enterprises, especially the gap they fill within societies.

Other trends are advancing the social enterprise agenda. For example, many employees today, especially younger workers, are expressing a desire to link their work to improving society. Organizations such as Ashoka, Skoll Foundation, Aspen Network of Development Entrepreneurs (ANDE), and Stanford Social Innovation Review are using their programs to help develop the sector in unique ways. New organizational concepts are emerging in the space: Impact Hub, for example, operates partly as a movement, partly as a business, and partly as a network to support social innovators. These organizations have accelerated the flow of resources into the sector globally—including funds, capacity building, and mentorship and networking opportunities. Educational institutions and political agendas increasingly include social entrepreneurship.

To continue to advance the movement and keep the dialogue alive, social enterprises themselves have a role to play, not only as participants of a network but also in crafting the sector’s agenda and shaping the market.

Players, Stakeholders, and the Implications

Developing and growing social enterprises is not easy. Many moving parts, including strategy, business models, funding, organization, and people need to be addressed in parallel. Typically, the social entrepreneur is intimately involved in all of these activities. However, because so many institutions in the ecosystem stand to benefit from social change, they too need to be involved. These include foundations, governments, multinationals, philanthropic investors, NGOs, and development finance institutions. Figure 3 illustrates the many players within the social impact ecosystem. The following discusses a few of the top players in more detail:

Figure 3
Several institutions in the ecosystem need to enable social change or benefit from it

Social impact ecosystem interactions

Sources of capital

Institutional or retail investors
Impact investment funds and networks
Individual philanthropic investors
Key stakeholders and investors
Customers and beneficiaries

Foundations
Governments
MNCs, private sector, local business
Development finance institutions
Financial institutions

Beneficiary needs

Agriculture and food security
Economic development
Education
Environment
Governance
Health

Flow of capital

Source: A.T. Kearney analysis

Governments

Triggering a sustainable social enterprise ecosystem should be at the heart of policy making for governments worldwide. Designing policies that trigger the growth of social enterprises, attract investment, promote training, and provide tax incentives for donors and lower costs for social entrepreneurs will send a strong signal that governments recognize the value of social. There is an emerging structural imbalance between where the needs are the most pressing (developing
nations) and where the policies are more developed for social enterprises (industrialized nations). Governments have the unique ability to promote the sector and raise the profile of social entrepreneurs. This will encourage aspiring social entrepreneurs to pursue their ideas and further their country’s social policy agenda.

**Multinationals**

Multinationals have a growing and increasingly important role to play in nurturing social enterprises. In recent years, we have seen “traditional” corporate social responsibility (CSR) programs replaced with programs that offer more direct access to social enterprises. This trend is likely to continue, as multinationals come to realize that truly making an impact will require more than donations and as their employees push them to make a more meaningful contribution to society.

For example, Ashoka, the world’s largest network of social entrepreneurs, has programs in which multinationals or individuals finance the right to work with a social entrepreneur. Multinationals like Coca-Cola are actively articulating their social impact goals (the three Ws: women, water, well-being) as part of their corporate strategy and then sustainably mobilizing their employees around the specific goals, rather than simply donating and measuring the impact of their capital.

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**Triggering a sustainable social enterprise ecosystem should be at the heart of policy making for governments worldwide.**

Another way for multinationals to participate in the social enterprise ecosystem is by encouraging their own employees to be social entrepreneurs at work, considering the social, economic, and environmental impact of each project they undertake, rather than just the financial and economic returns. Private sector organizations could also support employee social enterprise by providing both resources and guidance.

**Foundations and the donor community**

Foundations around the world provide a valuable platform for social entrepreneurs to grow, increase their credibility, and gain access to the capital they need to scale up. The largest and best foundations, including Ashoka, Schwab, Skoll, and Omidyar, are all highly respected and supportive of their social entrepreneur membership.

However, feedback from social entrepreneurs around the world suggests that foundations can be bureaucratic and difficult to access—especially for dynamic social entrepreneurs. Transforming foundations overnight is not easy, and there are many good reasons for complex screening processes, stage-gate allocation of financial and other resources, or even paperwork in general. However, foundations and the donor community can do more.

It should be possible for social entrepreneurs around the world to rely on one another and to be able to come together to exchange ideas. However, the forums for doing so are limited. For example, the number of social entrepreneurs admitted into organizations like Skoll or Schwab...
is not large enough to ensure they can consistently pair up or experiment with other like-minded individuals or social-purpose businesses. Relaxing screening processes and admitting organizations into foundations based on their trial-and-error efforts and experimentation would give more social enterprises access to foundation resources and encourage more of them to compete to solve the world’s most pressing problems.

The funding gaps are still significant, especially for social enterprises that aim to address problems at the BoP. Research has shown much of the available supply of capital is seeking attractive financial returns combined with positive development impact. Unfortunately, few social enterprises are able to offer both. Institutions like Acumen offer patient capital, but this is an asset class that is in short supply around the world.

Bringing It All Together

None of the elements described in this paper is sufficient to scale a social enterprise; rather, all of the elements need to come together to allow an enterprise to grow successfully. Even in their earliest stages, social enterprises must consider each of these factors in planning. They must aspire to expand and strategically plan for growth. A.T. Kearney’s Social Enterprise Accelerator model provides a means to an end—an end that will lead to growth and prosperity for social enterprises worldwide.

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For more information, permission to reprint or translate this work, and all other correspondence, please email insight@atkearney.com.

The signature of our namesake and founder, Andrew Thomas Kearney, on the cover of this document represents our pledge to live the values he instilled in our firm and uphold his commitment to ensuring “essential rightness” in all that we do.

A.T. Kearney Korea LLC is a separate and independent legal entity operating under the A.T. Kearney name in Korea.

A.T. Kearney operates in India as A.T. Kearney Limited (Branch Office), a branch office of A.T. Kearney Limited, a company organized under the laws of England and Wales.

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