

Accelerating Impact

*Exploring Best Practices, Challenges, and
Innovations in Impact Enterprise Acceleration*

February 2015

Funded by:

THE
ROCKEFELLER
FOUNDATION

Authored by:

Monitor **Deloitte.**



Contents

Definitions and Acronyms	1
Introduction	2
The Evolution of Solutions.....	2
Why Focus on Impact Accelerators?	3
The Rockefeller Foundation Impact Enterprise Project.....	3
Objectives of this Report.....	4
Insights around Impact Enterprise Acceleration	5
Key Needs of Impact Enterprises	5
Typical Accelerator Support for Impact Enterprises.....	8
Best Practices for Accelerating Impact Enterprises	9
Common Impact Accelerator Challenges.....	12
Case Studies on Innovative Accelerator Models	15
1. Unreasonable Institute.....	16
2. Village Capital	25
3. The Social Franchise Accelerator: Bertha/ICSF/Franchising Plus	34
4. African Management Initiative	42
5. Shujog.....	48
Summary Analysis of Survey Data.....	56
Conclusion	57
Collaboration Holds the Key to Market Evolution.....	57
Closing Remarks.....	58
Appendix 1: List of Additional Shujog Programs	59
Appendix 2: List of Global Impact Accelerators.....	61
Acknowledgements and Disclaimers	63

Definitions and Acronyms

Social Enterprise	A form of hybrid organization that pursues a social mission using business methods <i>Source: Stanford Social Innovation Review</i>
Impact Enterprise	An organization that intentionally seeks to grow and sustain financial viability, realize increasing social impact, and influence the broader system in which they operate There are two concepts that set impact enterprises apart from standard social enterprises: <i>Enterprises must be scalable:</i> It is essential to expand the reach and targeted impact of each initiative, as well as the ability to absorb the capital needed to grow activities. Expanding the scale also leads to organizational complexities that need to be addressed (i.e., what is needed to accommodate a larger organization with a more expansive reach) <i>Enterprises intentionally contribute to systemic change:</i> Impact enterprises catalyze changes in the attitudes and views of the government, civil society, and private sector, changing the way markets respond to the new way of doing business and changing the way people respond to these shifts <i>Source: The Rockefeller Foundation</i>
Impact Accelerator	Any intermediary organization or platform working to scale impact enterprises by providing support for multiple impact enterprise needs <i>Source: The Rockefeller Foundation and Monitor Deloitte</i>
Impact Investments	Investments made into companies, organizations, and funds with the intention to generate social and environmental impact alongside a financial return <i>Source: the Global Impact Investing Network (the GIIN)</i>
Impact Investor	Any organization acting in its capacity as an investor to intentionally generate social and/or environmental impact alongside a financial return <i>Source: the Global Impact Investing Network (the GIIN)</i>
ACTS	Assistance for Capacity-Building and Technical Services
ANDE	Aspen Network of Development Entrepreneurs
AMI	African Management Initiative
GIIN	Global Impact Investing Network
HR	Human Resources
ICSF	International Centre for Social Franchising
IE	Impact Enterprise
IT	Information Technology
MOOC	Massive Open Online Course
TAP	Technical Assistance Provider
SE	Social Enterprise
SSA	Sub-Saharan Africa
UCT GSB	University of Cape Town Graduate School of Business
UK	United Kingdom

Introduction

The Evolution of Solutions

The world faces tremendous social and environmental problems. Despite global economic growth, 1.2 billion people still live in extreme poverty.¹ More than 1.5 million children under five die from diseases that could be prevented by existing vaccines.² One-fifth of the world's population faces water scarcity.³ More money will be needed to address these issues than philanthropic organizations and governments have at their disposal. Recognizing this challenge, they are seeking innovative ideas that leverage their resources. At the same time, private sector actors are bringing market-based solutions to the space, as they look to generate profits alongside social impact. Working together, these different actors can successfully deliver innovative, market-based solutions that address the problems facing poor and vulnerable people globally.

An impact enterprise is one such promising solution. Impact enterprises are organizations that intentionally seek to grow and sustain financial viability, realize increasing social impact, and influence the broader system in which they operate.⁴ Collectively, they have the flexibility needed to adapt to the changing dynamics of problems and can deliver inventive and timely solutions.

The challenge is that many impact enterprises are successful at a small scale, within a local context, but cannot increase the size of their operations to expand their impact. As they attempt to scale, they often struggle to reach more customers, attract talented human capital, obtain the right types of funding, and access the technical expertise that can help them adapt their business models at each stage of development.⁵ Impact investors are interested in supporting these enterprises, but often have trouble finding investment-ready impact enterprises that do not need significant business support.⁶

The Rockefeller Foundation has been one of the foremost champions of impact investing since its inception. In 2013, it began focusing more on the “demand side” of the impact investing field and examined the challenges for impact enterprises more closely. The Rockefeller Foundation recognized the struggle enterprises face when trying to scale and chose to support intermediaries that could help enterprises expand their impact and increase the positive benefits for poor and vulnerable populations. These intermediaries are often called impact accelerators.⁷

¹ United Nations Millennium Development Goals

² UNICEF

³ UNDESA Water Factsheet on Water Scarcity

⁴ Definition of an impact enterprise as defined by The Rockefeller Foundation. There are two concepts that set impact enterprises apart from standard social enterprises. One distinction is that impact enterprises must be scalable: it is essential to expand the reach and targeted impact of each initiative, as well as the ability to absorb the capital needed to grow activities. Expanding the scale also leads to organizational complexities that need to be addressed (i.e. what is needed to accommodate a larger organization with a more expansive reach.) The second distinction is that impact enterprises intentionally contribute to systemic change: changing the way markets respond to the new way of doing business, and changing the way people respond to these shifts. Impact enterprises catalyze changes in the attitudes and views of the government, civil society, and private sector.

⁵ Grimm, Daniel, Mike Kubzansky, and Kurt Dassel. *Enabling Conditions for the Growth of Impact Enterprises: Observations from the Field*. Working paper. Monitor Group, 2012 with support from The Rockefeller Foundation.

⁶ An impact investor is any organization acting in its capacity as an investor to intentionally generate social and/or environmental impact alongside a financial return. Definition of an Impact Investor as defined by the Global Impact Investing Network (the GIIN). Source for statement: Koh, Harvey, Ashish Karamchandani, and Robert Katz. *From Blueprint to Scale: The Case for Philanthropy in Impact Investing*. Rep. N.p.: Monitor Group, 2012. Print. Produced by Monitor Group in collaboration with Acumen Fund. Created with funding from the Bill & Melinda Gates Foundation.

⁷ In this report, the term accelerator refers to any intermediary organization or platform working to scale impact enterprises by providing support for multiple impact enterprise needs

Why Focus on Impact Accelerators?

Accelerators offer impact enterprises support across their spectrum of needs as they seek to scale

There are several different platforms that can support enterprises as they grow. Many focus on just one of the myriad of challenges that face enterprises. For instance, impact investment firms, challenge funds, grant-making organizations, and crowd-funding platforms all address financing needs but rarely support enterprises in refining their business models or establishing relationships with partners. Conversely, social entrepreneurship schools and social venture networks provide enterprises with this support, but they often do not help with funding or with establishing a rigorous monitoring and evaluation system.⁸ Accelerators focus not just on a single issue but typically aim to support a broad spectrum of impact enterprise needs as they seek to scale. This support is provided through an array of resources and services, offered both by accelerators themselves and through their networks.

A few indicative studies highlight the potential promise of the accelerator approach. A study by Syracuse University examined 950 business accelerators/incubators operating from 1990-2008 and found organizations that graduated from an accelerator/incubator had slightly higher employment growth and sales growth versus un-incubated businesses.⁹ Similarly, a study from the University of Cambridge found that accelerators tend to increase survivorship rates of start-up organizations by 10-15% by year five.¹⁰

Over the past several years, a number of incubators and accelerators focused specifically on impact enterprises have emerged. In a 2013 landscaping exercise conducted by The Rockefeller Foundation and Monitor Deloitte, more than 160 of these “impact accelerators” were found just in the United States, Sub-Saharan Africa (SSA), and Southeast Asia. The average age of the accelerators surveyed through this work was less than five years.

There is a need for more knowledge sharing and understanding of best practices amongst impact accelerators and the broader community

Given the nascent nature of this field, many impact accelerators have focused primarily on internal operations thus far. They are concerned with refining their business models - developing the right configuration of services and identifying the best way to deliver those services to impact enterprises. As a result, they often do not have time to share lessons learned with peers, and thus, many accelerators undergo the process of evaluating and adopting (or not adopting) the same curriculum or services simultaneously. Industry experts and accelerators are increasingly recognizing that they frequently “re-invent the wheel.” As the industry matures, there is a need to better understand best practices and promising new innovations in impact acceleration. This is the basis of The Rockefeller Foundation Impact Enterprise Project.

The Rockefeller Foundation Impact Enterprise Project

Over the past year, The Rockefeller Foundation, in conjunction with its grantee Monitor Deloitte, sought to identify best practices and innovative new ideas for scaling impact enterprises. There were several phases of work under this project. The first phase focused on understanding the needs of impact enterprises as they seek to scale. In the second phase, the team conducted primary and secondary research and developed a landscape of more than 160 impact accelerators

⁸ More details on the various types of intermediaries that provide people, expertise, and networks can be found in the following report: Shanmugalingam, Cynthia, Jack Graham, Simon Tucker, and Geoff Mulgan. *Growing Social Ventures*. Rep. London: NESTA, 2011. Print.

⁹ Amezcua, Alejandro S., “Boon or Boondoggle? Business Incubation as Entrepreneurship Policy” (2010). *Public Administration - Dissertations*. Paper 80.

¹⁰ Birdsall, Michael, Clare Jones, Craig Lee, Charles Somerset, and Sarah Takaki. *Business Accelerators: The Evolution of a Rapidly Growing Industry*. Rep. N.p.: U of Cambridge, Judge Business School, 2013. Print.

in the United States, Sub-Saharan Africa, and Southeast Asia to understand both the typical support accelerators provide for impact enterprises as well as promising new practices. To have a greater impact on poor and vulnerable populations, the next phase encouraged further accelerator experimentation by giving grants to organizations testing innovative new models. Grants were given to five organizations: African Management Initiative (AMI), the Social Franchise Accelerator, Shujog, Unreasonable Institute, and Village Capital. Overall, this work sought to deepen and disseminate knowledge in the impact accelerator market.

Objectives of this Report

Summary of Report: This report provides an overview of the findings from the project, describing best practices and challenges learned from accelerators themselves, while also summarizing promising, yet unproven, innovations that are currently being tested by The Rockefeller Foundation grantees.

Audience & Intended Purpose: The aim is to give accelerators, researchers, and funders a qualitative understanding of “what works” and “what is promising” in accelerating impact enterprises and to highlight the key challenges that must be addressed by all stakeholders in order for the field to continue to grow.

Although there is certainly a need for more quantitative validation of the findings in this report as the field continues to mature, these insights reflect the leading qualitative thinking in impact acceleration today.

Insights around Impact Enterprise Acceleration

Key Needs of Impact Enterprises

In order to understand what type of accelerator support is beneficial to enterprises, it is important to first understand the needs of enterprises as they develop and grow their businesses. Thus, The Rockefeller Foundation and Monitor Deloitte team began this research project by identifying the eight discrete needs or steps that impact enterprises follow in order to grow their organizations. These are listed below.

Exhibit 1: Eight Scaling Needs of Impact Enterprises



1. **Market Research:** Research and analytics on market dynamics, relevant policies, customers, and potential competitors. This research informs and shapes the development of business strategy.
2. **Business Development and Strategic Planning:** Business structures and strategies that enhance the performance and impact of the enterprise. This category includes all the needs of an impact enterprise as they establish and develop their business, such as the procurement of physical office space, establishment of back-office functions (such as information technology (IT) support and human resources (HR)), recruitment of human capital, and any legal support. In addition, this category includes the development of a business plan and ongoing business strategy.

3. *Financing*: Seed funding; funds for ongoing operations, such as equipment, raw materials, marketing, and inventory; and funds for expansion.
4. *Supply Sourcing and Production*: Sourcing of raw materials and production of goods.
5. *Sales and Marketing*: Promotion and sales of goods or services.
6. *Distribution and Market Access*: Access to appropriate distribution channels - both individuals and organizations - to reach target markets and consumers.
7. *Monitoring and Evaluation*: Performance and impact metrics of the enterprise that provide insights on how to adjust and optimize the business model.
8. *Leadership Skills and Business Acumen*: Leadership and business skills of the enterprise team — this component is the core of the enterprise and supports success in all other areas. It addresses the inherent qualities that make an impact enterprise leader not just a social visionary, but also someone who has the skills to commercialize an idea and perform basic management tasks, such as conducting meetings, overseeing employees, and coordinating disparate workstreams.

As an impact enterprise grows, it will repeat the cycle and go through these eight steps again, but with nuanced needs depending on the stage. For instance, an early stage company will focus on developing the right business plan and getting seed funding while a more mature company will need to refine its strategy on an ongoing basis and secure growth capital.

Common Challenges as Impact Enterprises Seek to Scale

Based on primary and secondary research, four out of the eight key needs appear to be particularly challenging for enterprises as they try to increase their scale and impact.

Business Development and Strategic Planning: Enterprises often struggle to attract and retain talent, particularly given competition from the private sector. In addition, the ability to continually adapt a business plan or business strategies is a difficult skill for entrepreneurs to master, but is absolutely essential to the growth of the organization.¹¹

“Social entrepreneurs struggle to access finance and face capital that is inappropriately structured for their needs”

— ANDE, “Toward an Ecosystem for Early-Stage Incubation of Social Enterprises in East Africa”

Financing: Availability of financing, access to financing, high cost of financing, and onerous financing terms are all common and difficult challenges.¹²

Distribution and Market Access: Despite having products or services that would be highly beneficial to poor and vulnerable populations, impact enterprises often lack access to sufficient distribution channels to connect with new markets or customers,¹³ including the inability to identify new markets and determine ways in which to enter them.

Leadership and Business Acumen: Developing the skills and business acumen necessary to be a strong leader and successfully manage a business is a challenging process and is a crucial gap in enabling social enterprises to scale successfully.¹⁴ Charismatic founders with brilliant ideas are not necessarily the best CEOs. It is also often difficult for entrepreneurs that come from the social sector to run their organization as a true “business” or “enterprise” in order to ensure success and, ultimately, impact on their intended beneficiaries.

Most social enterprises require significant capacity building and training to attain the education, skills, and access to information in order to execute their business plan.”

— GIZ, “Enablers for Change — A Market Landscape of the Indian Social Enterprise Ecosystem”

¹¹ Koh, Harvey, Ashish Karamchandani, and Robert Katz. From Blueprint to Scale: The Case for Philanthropy in Impact Investing. Rep. N.p.: Monitor Group, 2012. Print. Produced by Monitor Group in collaboration with Acumen Fund. Created with funding from the Bill & Melinda Gates Foundation.

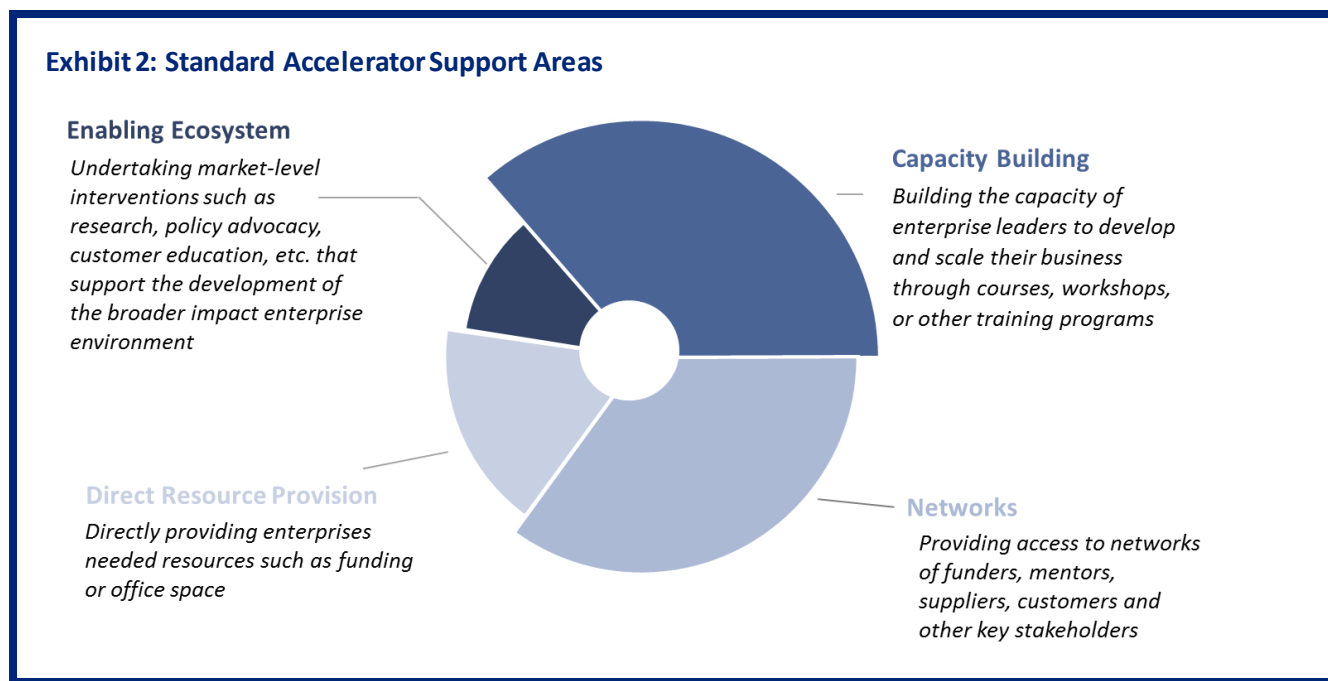
¹² Koh, Harvey, Ashish Karamchandani, and Robert Katz. From Blueprint to Scale: The Case for Philanthropy in Impact Investing. Rep. N.p.: Monitor Group, 2012. Print. Produced by Monitor Group in collaboration with Acumen Fund. Created with funding from the Bill & Melinda Gates Foundation; Shanmugalingam, Cynthia, Jack Graham, Simon Tucker, and Geoff Mulgan. Growing Social Ventures. Rep. London: NESTA, 2011. Print; Haebig, Manfred. Enablers for Change: A Market Landscape of the Indian Social Enterprise Ecosystem. Rep. Ed. Katherine Miles, Trina Datta, and Ernst and Young Pvt. Ltd. New Delhi: Deutsche Gesellschaft Fur Internationale Zusammenarbeit (GIZ) GmbH, 2012. Print; Grimm, Daniel, Mike Kubzansky, and Kurt Dassel. Enabling Conditions for the Growth of Impact Enterprises: Observations from the Field. Working paper. N.p.: Monitor Group, 2012. Print. With support from The Rockefeller Foundation.

¹³ Koh, Harvey, Ashish Karamchandani, and Robert Katz. From Blueprint to Scale: The Case for Philanthropy in Impact Investing. Rep. N.p.: Monitor Group, 2012. Print. Produced by Monitor Group in collaboration with Acumen Fund. Created with funding from the Bill & Melinda Gates Foundation; Shanmugalingam, Cynthia, Jack Graham, Simon Tucker, and Geoff Mulgan. Growing Social Ventures. Rep. London: NESTA, 2011. Print; Accelerating Entrepreneurship in Africa. Rep. N.p.: Omidyar Network, 2012. Print. Developed in partnership with Monitor Group; Grimm, Daniel, Mike Kubzansky, and Kurt Dassel. Enabling Conditions for the Growth of Impact Enterprises: Observations from the Field. Working paper. N.p.: Monitor Group, 2012. Print. With support from The Rockefeller Foundation.

¹⁴ Koh, Harvey, Ashish Karamchandani, and Robert Katz. From Blueprint to Scale: The Case for Philanthropy in Impact Investing. Rep. N.p.: Monitor Group, 2012. Print. Produced by Monitor Group in collaboration with Acumen Fund. Created with funding from the Bill & Melinda Gates Foundation

Typical Accelerator Support for Impact Enterprises

Accelerator support for the impact enterprise needs highlighted above typically falls into four categories. The most common type of accelerator support is capacity building for impact enterprises. Accelerators often provide formal training or workshops to teach entrepreneurs how to refine their model and scale their business. This can include specific courses regarding financing, marketing, or business plan development. Many accelerators also provide access to useful networks for enterprises - introducing them to investors and other funders, potential partners, suppliers, mentors, and customers and beneficiaries. In some cases, accelerators give enterprises resources directly, such as funding, office space, or pro bono services (such as legal services). A select number of accelerators are also starting to focus on building the wider impact investing ecosystem. This includes undertaking market-level interventions, such as research, policy advocacy, and customer education to support the development of the broader impact investing and impact enterprise environment. The graphic below provides an overview of the typical support delivered by accelerators, with the size of each component representing a qualitative assessment of its overall prevalence amongst impact accelerators.



Each accelerator typically combines and adapts these traditional support practices into a unique configuration for their particular model. From the research, it is clear that factors that make an accelerator program successful are often challenging to deliver. The key ingredients of success and key challenges in accelerating impact enterprises are highly interconnected.

In this next section, best practices and challenges are discussed separately, pulling from all of the Rockefeller Foundation Impact Enterprise Project grantees as well as the broader impact accelerator landscape, to provide useful, high-level insights for stakeholders in the field. In each of the grantee case studies, however, best practices and challenges are combined into *critical success factors* to highlight the complex reality of implementation for individual accelerators.

Best Practices for Accelerating Impact Enterprises

Looking across the five grantees and the broader impact accelerator landscape, a number of best practices for successfully accelerating impact enterprises have emerged. These insights have been further validated through engagement with funders and researchers in the industry and should be useful for accelerators looking to enhance their own models, as well as funders seeking to understand which practices to support. For each best practice, some examples of how the individual grantees implemented this practice are also included. More in-depth discussions of best practices, accelerator operating models, key challenges, and so forth are provided in the case studies (*found in the following section*).

1. *Develop a localized or sector-specific model*

As the impact accelerator market matures, there is increasing recognition that a one-size-fits-all approach is not effective. Market dynamics are highly unique in different industries or geographies, and thus it is most useful to give enterprises lessons and resources that are directly related to their specific niche. Accelerators are increasingly developing customized models of support with local or sector-specific case studies, mentors, and instructors. Customized case study examples enable entrepreneurs to understand how to apply general lessons to their specific business, and customized mentors can better understand challenges facing entrepreneurs and provide more beneficial guidance and connections.

Example: Unreasonable Institute is replicating its North American-based program in emerging market locations in order to enable impact enterprises in those regions to access more local connections and mentors with whom they can forge longer-lasting relationships (*see pp. 16-24*).

2. *Build a strong ecosystem of support*

No accelerator can provide support for all enterprise needs on its own. They must build a strong ecosystem of support around the enterprise — including mentors, investors, and sector stakeholders. Through partnerships, accelerators can provide better curriculum, connections, and expertise on specific geographic or sector dynamics. Furthermore, these partners will remain critical connections and avenues of support for entrepreneurs as they graduate from accelerator programs and continue to scale.

Example: Village Capital builds a supportive ecosystem for its problem-based programs. These are support programs specifically built for enterprises all tackling a specific problem (such as the lack of financial services for low-income households in the United States) from different angles. For each program, Village Capital establishes relationships with problem-specific experts, mentors, and customers, fostering a dedicated community that has both the motivation and expertise to help enterprises become successful and achieve scale (*see pp. 25-33*).

3. *Carefully screen impact enterprises for appropriate fit*

Depending on the type of support provided by an accelerator program, some impact enterprises will benefit more than others. Accelerators must screen their applicants to ensure an appropriate fit with the program. A robust, up-front screening process ensures impact accelerators can be effective in providing support and prevents impact enterprises from wasting time in a program that addresses skills they already have or that they are not ready for.

Examples: The Social Franchise Accelerator has a multistage application and interview process to identify organizations that have the key ingredients to make them suitable for social franchising (*see pp. 34-41*). Suitable businesses are those with a strong management team, a strong financial base that could support the initial costs of franchising, and strong operations systems that could be replicated effectively by franchisees. Similarly, Shujog’s innovative new program has a clear focus on preparing enterprises for capital raising — a process that should occur after the initial development and testing of a business model. If an enterprise is too early-stage, the entrepreneurs will often be too busy dealing with daily operational challenges and cannot focus on, or benefit from, lessons around how to raise capital. Therefore, Shujog focuses on more mature, investment-ready enterprises (*see pp. 48-55*).

4. *Develop a holistic model, but tailor support for individual enterprises*

Accelerators distinguish themselves from other intermediaries by offering holistic support across multiple scaling needs. They have a range of resources and curriculum from which they can draw. However, they are increasingly tailoring this holistic support to the needs of individual enterprises - taking the customized model highlighted above one level deeper. Many accelerators use competency assessments to understand enterprise strengths and weaknesses. With this understanding, accelerators can identify the aspects of their program that will be most relevant to the enterprise and optimize resources accordingly — pairing impact enterprises with specific mentors and experts or prioritizing courses that focus on skill gaps.

Examples: Each AMI member takes a competency assessment that evaluates their existing business and impact knowledge. Upon completion of the assessment, members receive a customized learning plan of specific courses that address their knowledge gaps (*see pp. 42-47*).

5. *Foster collaboration amongst impact enterprises*

Impact enterprises share a motivation to address complex social and environmental issues. Additionally, starting a business to address these issues involves common growth challenges, which all impact enterprises face. This creates a unique opportunity for collaboration. These enterprises can provide highly constructive guidance to their peers given their on-the-ground perspective. Collaboration also allows impact enterprises to share best practices, make connections for one another, and even partner together.

Examples: AMI requires its members to identify “buddies,” who help them stay on track against their learning plans. AMI also has online discussion forums where impact enterprises can communicate and seek advice from one another (*see pp. 42-47*). Village Capital has impact enterprise peers in a specific cohort publicly review each other’s business models to enhance constructive feedback and learning (*see pp. 25-33*).

6. *Maintain long-term enterprise engagement*

The scaling process is often long and arduous. Impact enterprises must test new ideas, fail, and refine them over time. Accelerators acknowledge that providing long-term support through this process is desirable to ensure enterprises remain on track with their plans. It is also beneficial to provide new connections for enterprises as their needs evolve over time.

Example: The Social Franchise Accelerator mentors remain with enterprises throughout the time it takes to develop and test an initial franchise pilot in order to provide guidance as needed (*see pp. 34-41*). Similarly, Unreasonable Institute mentors commit to six months of support after their main program, and a “lead” mentor periodically checks in with Unreasonable Institute to report on progress and request additional support and connections as needed (*see pp. 16-24*).

Common Impact Accelerator Challenges

As highlighted above, implementing some of the best practices can also create challenges for impact accelerators. Below is an overview of the common challenges that face impact accelerators as they seek to support impact enterprises and scale their impact. Some potential mitigation strategies that accelerators are currently testing are also listed, but at this point in time, it is unclear whether these will be successful in overcoming challenges.

1. *Lack of awareness*

The relative nascence of the impact accelerator market means many investors, impact enterprises, and other key stakeholders are unaware of their benefits. This challenge is especially acute in developing economies, where knowledge of even traditional accelerator models is not widespread. This limited awareness constrains accelerators' ability to attract both enterprises and relevant partners to their program.

Potential Mitigation Strategies: Many accelerators try to cultivate strategic partnerships with other ecosystem players to raise awareness. These partnerships allow accelerators to present their work at industry trainings and conferences and make connections to investors, enterprises, and other key partners such as potential mentors. Other accelerators have taken to traditional advertising mediums, such as radio interviews, to reach broader audiences.

2. *Developing a sustainable funding model*

The majority of impact accelerators cite funding as an acute constraint to their program. Accelerators reliant on philanthropic capital often find that donor timelines and spending requirements misalign with their own needs. For example, donors often need to fund specific initiatives that generate easily identifiable, large-scale impact, while accelerators often need funding to simply maintain and scale their operations or to test (potentially failing) innovations that could enhance their models. Accelerators exploring more sustainable funding models are often cautious about embracing traditionally commercial models (e.g., equity stakes) as they fear this will take them away from their impact goals. There is also a reluctance to embrace equity models given that many impact enterprises are nonprofit or generate minimal revenues.

Potential Mitigation Strategies: Accelerators focused on philanthropic capital are more consciously selecting funders who have long-term goals that align with their program. Partnering with more niche funders allows accelerators to develop ongoing relationships with fewer spending restrictions. For accelerators pursuing self-sustaining models, they are exploring revenue-sharing options, payback models where enterprises repay the cost of services over time, or equity stakes that enterprises can buy back over time under reasonable terms.

3. *Balancing business versus social impact*

For impact accelerators, "scaling" enterprises has many different facets. Impact enterprises need to focus on business growth, measured through traditional metrics such as revenue growth or employee growth. At the same time, they also need to increase social impact, measured through impact-specific metrics such as number of beneficiaries reached or specific measures such as reduced incidences of malnutrition. It is challenging for impact accelerators to determine the right

focus between scaling business impact versus scaling social impact. Often, they struggle to balance these two objectives and identify the appropriate support to provide enterprises.

Potential Mitigation Strategies: Some accelerators inherently link these two goals, whereby the social impact only increases as the business scales. For instance, a mobile payment system that gives farmers access to formal banking increases its impact as it gains more customers. Other accelerators focus on defining clear impact goals for an individual enterprise and then help the enterprise develop a strategy to meet these goals.

4. *Balancing standardization and customization*

Standardized curriculum enables materials to be refined and perfected over many iterations and eases the process of scaling an accelerator program. On the other hand, customized curriculum, case studies, and other tools allow impact enterprises to understand how to apply general lessons or theory to their own businesses. Accelerator programs need both, but finding the right balance is a challenge. Furthermore, customized programming is highly resource intensive.

Potential Mitigation Strategies: Some accelerators have identified a set of issues that nearly all impact enterprises experience, and have crafted a standard curriculum that addresses them. They then layer on tailored services by drawing on relevant case study examples or appropriate mentors from their network.

5. *Human capital resource constraints*

Impact accelerators need talented human capital to both deliver existing programs effectively and to scale their model. However, limited philanthropic funding for overhead costs, lower salaries compared to other private sector jobs, and often “unattractive” locations means that impact accelerators frequently cannot obtain the necessary talent.

Potential Mitigation Strategies: Many impact accelerators rely on mentors or sector experts who are willing to contribute their time free of charge. Some accelerators utilize private sector secondees or graduate students to provide temporary support on a specific initiative (e.g., developing a new course). Others focus on finding members of the local community that are capable of implementing a program and have the passion to support impact enterprises.

6. *Limited quantitative data to support insights on best practices*

Right now, there is limited data being collected and analyzed to understand the quantitative impact of different accelerator methods and approaches. Insights remain qualitative. To help accelerators feel even more confident in their choices and help other accelerators make informed decisions, the field must augment the types of qualitative insights found in this report with quantitative verification. Greater impact measurement by impact enterprises and impact accelerators, and better tracking by all parties will ensure innovative models and initiatives can be tested, validated, and scaled.

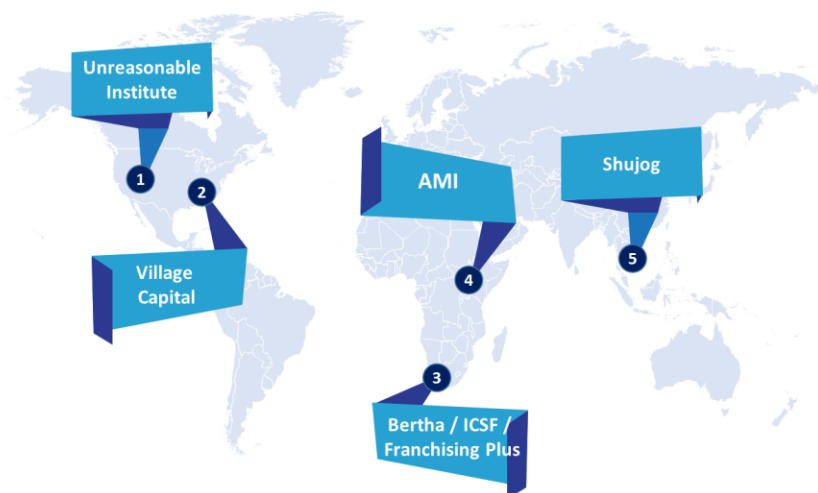
Potential Mitigation Strategies: Nearly all impact accelerators are prioritizing monitoring and evaluation, both for themselves and their impact enterprises. The key is to standardize this data collection and share it with researchers, who can develop cross-cutting quantitative insights around what is working and what is not working in impact acceleration. To make this successful, accelerators and researchers need to collaborate and work together on standardizing data.

Case Studies on Innovative Accelerator Models

The following section provides a detailed overview on the five accelerator grantees testing innovative new practices. The Rockefeller Foundation grant enables these organizations to test new models in order to generate promising lessons for themselves as well as others in the field. For quick reference, there is an up-front snapshot of each grantee's innovation at the beginning of each case study. Each case study then follows a similar format:

- It begins with an overview of the accelerator's existing model and approach. This overview demonstrates why each accelerator is already a leader and promising innovator in the field.
- Following this overview, the innovation being tested with The Rockefeller Foundation funding is introduced. Each case study provides a detailed summary of the innovation and the specific market gap it is addressing.
- Initial insights of the effectiveness of the innovation are outlined. Each accelerator surveyed their impact enterprises, asking them to rank the importance of each of the eight scaling needs highlighted above and then evaluate the effectiveness of the accelerator's support for each need. This is then compared to the importance that the accelerator said it placed on each of the scaling needs.
- To provide context on the sustainability of each model and the resources required to deliver the program, a brief synopsis of each accelerator's funding structure and operating model is provided.
- Finally, each case study provides a summary of the key ingredients of success and key challenges for each accelerator. As highlighted above, these two are highly interconnected. Therefore, each case study presents the critical success factors for the innovation being tested, which combine both best practices and challenges together in a way that highlights the evolving and experimental nature of each innovation.

Exhibit 3: The Rockefeller Foundation Accelerator Grantees



Unreasonable Institute

Model Replication

The Unreasonable Institute is replicating its model of intensive mentorship in new locations in order to provide localized support for impact enterprises. There are several benefits to replication. A local presence can provide access for enterprises that may not have time or resources to travel to the original Unreasonable Institute location in the United States. In addition, local mentors better understand the market dynamics and challenges that enterprises face and their physical proximity can lead to deeper, longer-lasting relationships. With local institutes, entrepreneurs can quickly test new ideas with customers and then return to mentors to share their discoveries. This translates to faster learning for enterprises. Finally, there is greater likelihood of collaboration amongst the various enterprises if they are all working in the same local context.

1

Summary of Organization

Established in 2009, the Unreasonable Institute is focused on finding capable entrepreneurs and enabling them to tackle the world's toughest environmental and social challenges. The core of the Unreasonable Institute model is providing mentorship support to help enterprises both refine their strategy for creating impact as well as enhance their ability to deliver that impact. Each year, Unreasonable Institute matches a dozen ventures from around the world with 50 mentors and 100+ potential funders at a five-week boot camp in Boulder, Colorado in the United States. As of August 2014, 93 Unreasonable Institute enterprises are operating in 41 countries.

Enterprises go through a rigorous four-month selection process for Unreasonable Institute, including a written application and interviews with the Unreasonable team and sector experts that seek to assess the viability of their business model. Once selected, Unreasonable Institute then conducts a series of diagnostic assessments with each entrepreneur to understand where they want their business to go and the support needed to get there.

Based on this diagnostic, Unreasonable selects potential mentors from its existing network and also recruits new mentors that can provide support for the enterprise's specific needs. It then facilitates introductory phone calls to test "chemistry" between the venture team and potential mentor. The idea is that the relationship should be mutually beneficial to both the mentor and mentee.

Once at the Unreasonable Institute boot camp, so-called *Ninja* mentors that have strong expertise in a particular subject matter (and are able to teach this subject in an easy-to-use framework) deliver workshops to all of the entrepreneurs. They cover a range of topics, such as fund-raising, testing core assumptions of a business using prototyping, and being an effective CEO.

Entrepreneurs then spend the majority of their time applying these concepts to their own businesses and engaging in one-on-one meetings with some of the mentors with whom they had

initial conversations. These are considered *Sage* mentors as they provide individual guidance to specific enterprises. Ideally, by the end of the program, each enterprise establishes a team of two to four dedicated *Sage* mentors that will continue to support them long term.

At the end of the five-week program, entrepreneurs attend two *Investor Days* where they meet more than 100 prospective funders who have been specifically curated based on their potential fit with the enterprises. After the program, alongside the long-term mentorship support, enterprises also receive a pro bono executive coach, who meets with them once a week to support them in running their businesses. These are professional development coaches that volunteer their time to work with enterprises and help them turn business plans and theoretical goals into actionable tasks.

Unique features of Unreasonable Institute model

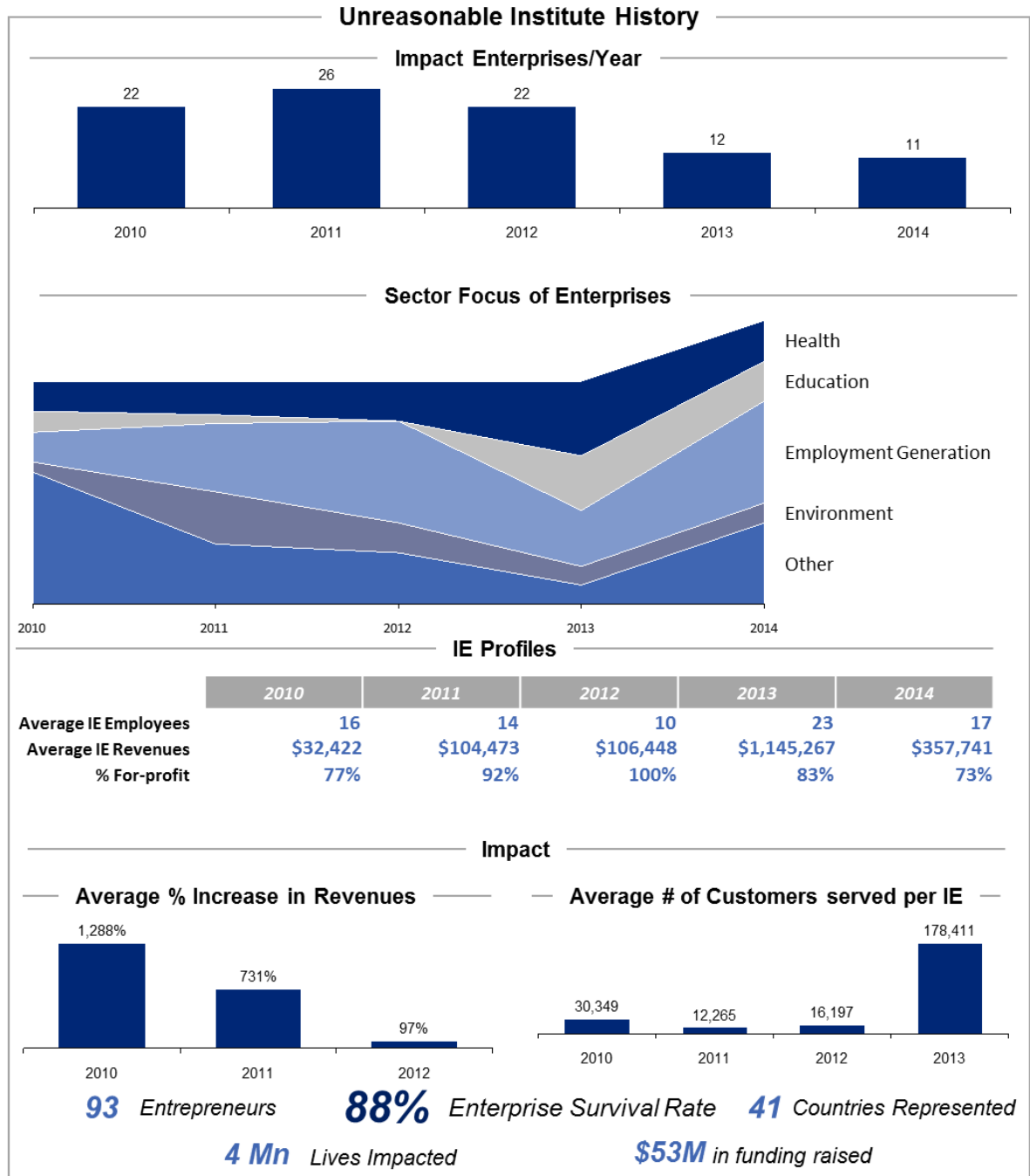
The unique value proposition of Unreasonable Institute is the cultivation of the long-term relationships between enterprises and teams of mentors. Impact enterprises are not simply exposed to experts on a specific topic—such as marketing, financing, etc.—for the short-time period of the program. Instead, Unreasonable Institute helps enterprises curate a hand-selected team of mentors that provide support for their specific business needs and will be there long term. By ensuring that mentors' input is actually valuable and beneficial to the enterprises, this motivates the mentors to remain engaged. The team mentorship structure also creates a sort of "coopetition," as the mentors all want to add at least as much value as their peers, if not more. Mentors are asked to commit to a minimum of six months of support with enterprises. As impact enterprises grow and their needs change, the mentor team can be refined. There is a "lead" mentor for each enterprise that regularly reports back to Unreasonable Institute so that it can provide additional connections as needed as the enterprise continues to evolve.

Unreasonable Institute ensures entrepreneurs fully leverage this opportunity by teaching them a framework on how to prepare for mentor conversations, how to structure their time and engage with mentors during interactions, and then how to follow up and continue to engage them long term. This framework can also be used for building relationships with funders, potential partners, suppliers, and other relevant stakeholders.

Another unique feature of Unreasonable Institute is the immersive environment of the boot camp. Mentors can come to stay for just a few days or for the full five weeks. This enables the mentor-mentee pairs to engage both formally and informally and, thus, develop long-term relationships.

History of the program

Since 2009, Unreasonable Institute has been able to support 93 different ventures in 41 countries. 88% of these enterprises are still active. Collectively, they have received more than \$53 million in funding and have positively affected more than four million lives. The graphic below provides an overview of Unreasonable Institute's historical success.



Summary of Unreasonable Institute's New Innovation: Model Replication

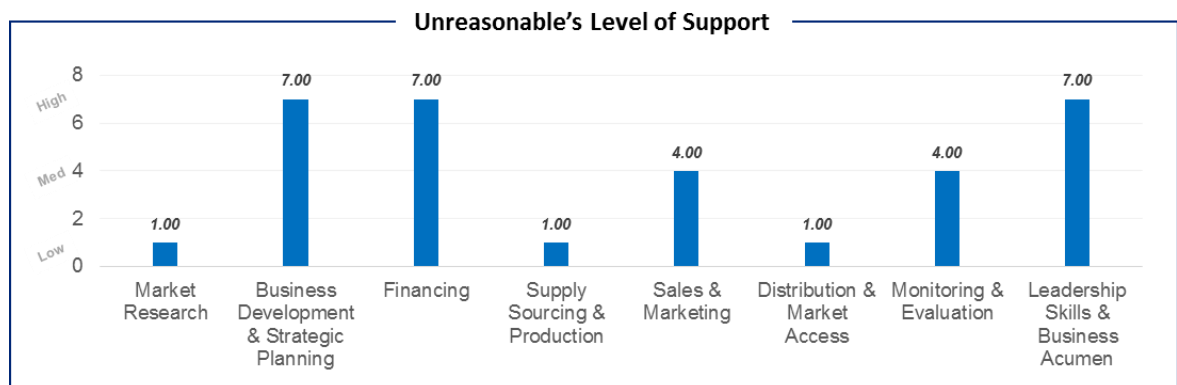
With support from The Rockefeller Foundation, Unreasonable Institute is replicating its model in Uganda and Mexico. If successful, the idea is to scale aggressively in subsequent years — ideally creating more than 100 Unreasonable Institutes around the world.

Unreasonable Institute puts forward several reasons for why replication is necessary to expand their impact. The first rationale for replication is better access for more entrepreneurs. There are entrepreneurs who are unable to speak English or face challenges that are highly unique to their local environment, and thus the current Unreasonable Institute program cannot provide relevant support. Second, Unreasonable Institute believes physical proximity leads to longer-lasting relationships with potential mentors (who have often faced the same challenges and have a stronger understanding of the local context) and faster learning on how to improve business models given the ability to interact with target beneficiaries more easily. With local institutes, entrepreneurs can quickly test new ideas with customers and then return to mentors to share their discoveries. Finally, there is a greater likelihood of collaboration amongst enterprises if they are all working in the same local context.

Detailed description of model and support provided for various impact enterprise needs

For replication, Unreasonable Institute selects a team of two cofounders that show high potential to run successful institutes in their own country and gives them a playbook (which provides a detailed overview of how to run each part of the program) and relevant infrastructure systems (including the application system and an online video library of workshops). These teams are invited to Unreasonable Institute in Boulder to receive in-person training and see on-the-ground operations. They also receive ongoing support from the Unreasonable Institute in Boulder through regular check-ins and an annual gathering to share learnings.

The overall structure of the new institutes will follow the program in Boulder, Colorado, where enterprises live together in a house for five weeks, get guidance from mentors, build their business toolkit, and develop connections with others that will lead to greater social impact. The chart below highlights the level of support that the Unreasonable Institute model provides for each of the eight scaling needs for impact enterprises.



Beyond the core intensive mentorship model, the exact workshops and guidance offered through the local institutes will be specific to the local context, the needs of the enterprises, and the mentors involved in the program. Over time, as local institutes get more established, they will likely focus more on product prototyping and ensuring market fit given proximity to customers

while the Boulder Institute may continue to focus more on investment readiness given proximity to investors.

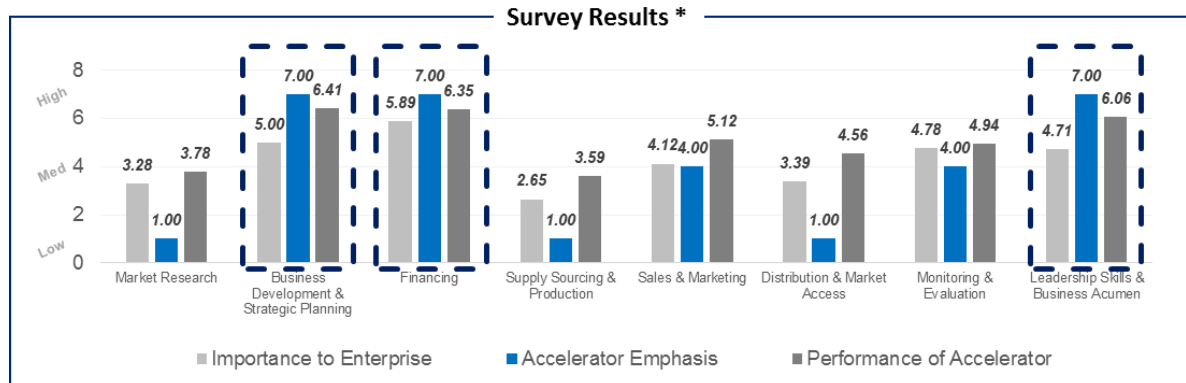
For instance, in Boulder, there are fund-raising workshops and regular check-ins to see where enterprises perform on a funding-readiness checklist. In addition, financial architects — individuals that have a financial background — dedicate approximately 50 hours of pro bono customized support to each enterprise. This helps enterprises clearly define their revenue streams, cost structures, and understand the basics of financial modelling so they can manage their money effectively.

There are other innovations also being tested in Boulder. Unreasonable Scrimmage is a one-day event connecting entrepreneurs to teams of other entrepreneurs, local experts in specific fields (e.g., engineering, IT), and investors. Within these teams, entrepreneurs then rapidly prototype to refine and enhance their product. While there are challenges in creating the right teams, this could be an interesting method to help create stronger business models. Unreasonable Launchpad provides an opportunity for entrepreneurs to pitch to more than 800 potential customers, investors, and individuals from the community in order to make connections and get feedback to refine their business model. While this has been an exciting initiative to gain visibility for enterprises, Unreasonable is considering smaller events with a select group of audience members to maximize the benefit of the event.

As these ideas are refined and the new Unreasonable Institutes become more mature, it is likely that promising initiatives will then be adopted in the new institutes (or vice versa).

Feedback on Unreasonable Institute

A brief survey of the participants in the Unreasonable Institute program assessed how the program performed across the eight scaling needs of impact enterprises.¹⁵



*How to interpret the survey results?

In this chart, there are three columns per scaling need. The first column (light grey) represents the relative importance of the scaling need, as assessed by the impact enterprises. The second column (blue) represents the importance of the scaling need, as assessed by the accelerator. The third column (dark grey) represents the impact enterprises' assessment of how well the accelerator addressed the particular scaling need.

All impact enterprise scores are calculated based on an average of responses.

In general, if Unreasonable Institute placed significant emphasis on a specific feature of its model, enterprises gave it a strongly positive evaluation. In particular, participants felt mentorship was highly valuable and gave high scores in areas where mentor support would likely be critical for success (such as strategic planning and business acumen). In addition, connections to funders helped enterprises with their financing needs significantly.

Entrepreneurs highlighted that Unreasonable Institute gave them “*exposure to great people who are doing incredible things*” and an “*amazing community*.” The pace of the program was intensive and some entrepreneurs thought additional time to apply concepts to their business would be useful versus having such a high volume of meetings with mentors. In addition, some participants mentioned the program “*could be more organized*” and “*more structured*” in order to help them better manage their time and responsibilities and maximize the benefits of the program.

Operating model

As highlighted above, each Unreasonable Institute location will have a founding team of at least two cofounders. Each cofounding team is then responsible for recruiting local staff to provide support on partnerships, logistics and other factors. There is also a Chief Scale Officer that provides expertise to the local teams on how to successfully replicate the Unreasonable Institute model.

Currently, Unreasonable Institute is funded through a mix of payments from the participating enterprises (covering approximately 18%-25% of program costs) and philanthropic capital (covering the remainder of costs). Enterprises typically crowd fund their fees (approximately 10-12,000 USD for the Unreasonable Institute in Colorado) from their contacts, thus minimizing their initial capital outlay. As Unreasonable Institute seeks to scale globally, there is a recognition that

¹⁵ Monitor Deloitte analysis surfaced eight needs of scaling impact enterprises: market research, business development and strategic planning, financing, supply sourcing and production, sales and marketing, distribution and market access, monitoring and evaluation, and leadership skills and business acumen

* n = 18

its reliance on philanthropic funding will impede its ability to replicate. Thus, it is focusing on developing a more sustainable funding model. One option it is exploring is a revenue-sharing model with enterprises. Initial feedback from enterprises on this approach has been positive.

Critical Success Factors

Unreasonable Institute has identified the following factors as critical to the success and sustainability of its model as it continues to scale. Many of these practices are important to the effectiveness of the model, but can be challenging to implement.

Building strong relationships with mentors and funders is crucial, but can be resource intensive

Long-term, high-quality mentor-mentee relationships is the cornerstone of the Unreasonable Institute model. In addition, connections to the right investors is a crucial factor in enabling enterprises to raise capital. Unreasonable spends significant time on cultivating and maintaining these relationships, creating a unique high-touch experience between enterprises and these partners in order to facilitate long-term engagement.

This dedication has been successful, but also highly resource intensive. Historically, all mentor relationships have been routed through one staff member and all funder relationships have been managed by another individual. They are responsible for all enterprise pairings and communications. These staff members have struggled to fully understand the needs of all enterprises *and* evaluate the effectiveness of matches *and* devote time to recruitment and relationship management with these partners. As it scales, Unreasonable Institute is considering more efficient models to match enterprises to mentors, such as surveys and short interviews to more quickly and effectively understand enterprise needs. In addition, it is continuing to refine its database tools (e.g., it has a database with the names of thousands of investors) to enable more efficient selection of appropriate partners for specific enterprises. Achieving the right balance between engagement and efficiency will be crucial for success.

Selecting the right teams and giving them tools for success is key to effective replication

The success of new Unreasonable Institutes rests largely on the founding teams. They must have dedication, relevant skills, and the ability to hire the right support to implement the program effectively. The two cofounders for each new team must have complementary skills and proven success in convening together stakeholders in the field. As part of the process to become local institute founders, they must run start-up weekends that provide mini-acceleration programs to local impact enterprises. It is also important to provide the founding teams with the right support to be successful. As highlighted above, Unreasonable Institute provides founders a playbook that outlines the details of how to set up and operate an institute, access to relevant systems, and trainings.

Despite the selection process and support, it can still be a challenge to find the right founding team. During this initial expansion into two new locations, one of the founders was unable to focus exclusively on Unreasonable Institute, which slowed progress, and led to the founder's eventual exit from the program. Given that the founders need to pass down both the mindset and the model of the institute, this founder's exit hindered the ability of local staff to successfully implement the program.

Unreasonable Institute is focused on refining the founder selection process and is currently exploring the idea of developing "local boards" that would invest in the new institute, engage in the selection process for founding teams, and could provide additional support and connections as the program grows. As these boards would have better networks in country, they would be best

placed to select the right founding teams and know the right stakeholders for success of the program. To provide additional local support, Unreasonable is planning a program where interns are trained in institute operations in Boulder and then dispatched to new locations for short stints. This will help the interns get real experience in new countries while enabling local teams to learn how to manage the logistics of the program.

A sustainable business model is increasingly important as Unreasonable Institute scales

Unreasonable Institute acknowledges the current funding model is not sustainable long term as its program scales. It believes it will be important to have up-front capital for new locations in order to attract and appropriately compensate the best founding team *and* ensure the team can focus on operations versus fund-raising as it starts the program. The “local boards” mentioned above could provide this up-front capital, utilizing stronger networks in country to tap into various funding sources.

Another component of financial sustainability is moving away from a philanthropic dependent model to an independent model over time. The revenue-sharing program mentioned previously could be a better means to cover program costs. One variation of this is to take a small equity stake (e.g., 6%) in an enterprise and then allow the enterprise to buy the stake back over time based on current and projected revenues. Applying one such model to enterprises that have participated in Unreasonable Institute over the past few years, Unreasonable estimated that it could have covered all costs and become profitable after a five-year period. This revenue-sharing model will be tested through various Unreasonable Institute’s programs over the next year.

Careful screening of applicants ensures only enterprises that are adequately prepared and can truly benefit from the program are selected

Currently, there is an intensive selection process for the Unreasonable Institute. Entrepreneurs must submit a written application to demonstrate their understanding of their market, their ability to execute the business model, their impact on the target population, and their ability to earn revenues through their business. The next step is an interview to test whether the team possesses the following four characteristics: integrity, coachability, team work, and motivation to “do their homework.”

Unreasonable Institute conducts reference checks to better understand the entrepreneurs. Sector experts also interview enterprises to determine the feasibility of each enterprise’s business. This enables Unreasonable Institute to make accurate evaluations without needing to have deep, sector-specific knowledge. Through this process, Unreasonable ensures that only enterprises that are at the right stage in their life cycle and would truly benefit from the mentorship support are selected. Selecting enterprises that are not a good fit for the Institute would be a disservice to those entrepreneurs.

The challenge is that this process can be time consuming and resource intensive. As a result, Unreasonable Institute is focused on developing new ways to streamline the process and make it more efficient, without losing its ability to select the right enterprises.

Ongoing reflection and evaluation ensures that the program continues to evolve and become more effective

As Unreasonable Institute continues to grow globally, it will remain important to continue to evolve and learn from past mistakes. The team is very open about learning from previous

successes and failures. In fact, there is a “failures” section of the Unreasonable Institute website, so that others can learn as well. As it replicates its model, the Boulder team speaks with the other founding teams regularly to understand what works (and what does not work) and consistently updates the playbook as a living document. There are unique challenges for each institute and opportunities for each location to learn from one another through more frequent interactions. By consistently iterating and refining its model, Unreasonable Institute can help ensure that the programs more effectively scale the impact of different enterprises.

Conclusion

The Unreasonable Institute has a proven model that can effectively support and scale impact enterprises. Replication of this model will help tailor support to local contexts and enable the impact of the program to scale in a more efficient manner. Initial indications demonstrate that replication is promising. Key factors to ensuring the model is successful is the selection of the right founding teams and the development of a more sustainable business model that moves away from dependence on philanthropic capital.

Village Capital

The Problem-Based Approach

Village Capital’s “Problem-Based Approach” is an innovative twist on accelerator support. Many accelerator programs focus on giving individual enterprises funding, connections, and training to enable them to raise capital and grow their own business. These programs accept the basic business model proposed by entrepreneurs and then simply work to refine it. This can lead to enterprises that are just “solutions looking for problems.”

Under the problem-based approach, Village Capital does not simply focus on supporting individual enterprises, but instead aims to solve a broader social and environmental problem. It recruits enterprises that all address one problem from different angles. Village Capital then develops an ecosystem of support around the problem, tailoring the connections, mentors, and curriculum to enhance the ability of enterprises to effectively tackle the issue. By focusing more on developing sustainable and effective solutions versus just making individual enterprises investment-ready, Village Capital ensures that its enterprises truly address societal challenges and make a tangible and beneficial impact. This approach also enables better engagement amongst enterprises themselves and between enterprises and policymakers, investors, customers, and mentors in the field as all stakeholders are passionate and knowledgeable about the same problems.

2

Summary of Organization

Established in 2009, Village Capital is a nonprofit impact accelerator that serves entrepreneurs across the globe. Driven by the belief that no leader has all the answers, Village Capital delivers business assistance programs that facilitate relationships with strategic partners and investors and provide expert coaching on business strategy. From 2009-2013, Village Capital conducted 27 programs across the United States, Asia, and Sub-Saharan Africa.

Impact enterprises selected by Village Capital commit to a 12-week program, which revolves around three in-person sessions that each last four days. During the sessions, entrepreneurs attend lectures and participate in small group learning forums. Entrepreneurs spend approximately 20% of their in-person sessions in lectures. These focus on business model refinement, team management, financial management, and overall business strategy. The lectures provide a concise framework for each topic, as well as case study examples that facilitate understanding of how frameworks have been applied under different circumstances. Entrepreneurs spend the remaining 80% of their session time in small group learning forums to apply topics covered in lectures to their own businesses and to receive guidance and feedback from peers and mentors.

Program mentors — typically sector experts and business executives — teach lectures and facilitate small group learning forums, leveraging their unique expertise (e.g., supply chain, marketing, product development and customer validation). Village Capital staff members also provide support in teaching and content generation.

Entrepreneurs spend time between sessions back “on the ground” at their organizations, applying lessons learned, testing new hypotheses, and gathering feedback and data on business performance. Village Capital holds weekly check-in calls with each enterprise team to discuss how they are interpreting their data and modifying their hypotheses accordingly. When entrepreneurs return for the next in-person session, they learn new skills and continue to refine their hypotheses and business models with peer and mentor support.

Unique features of Village Capital’s model

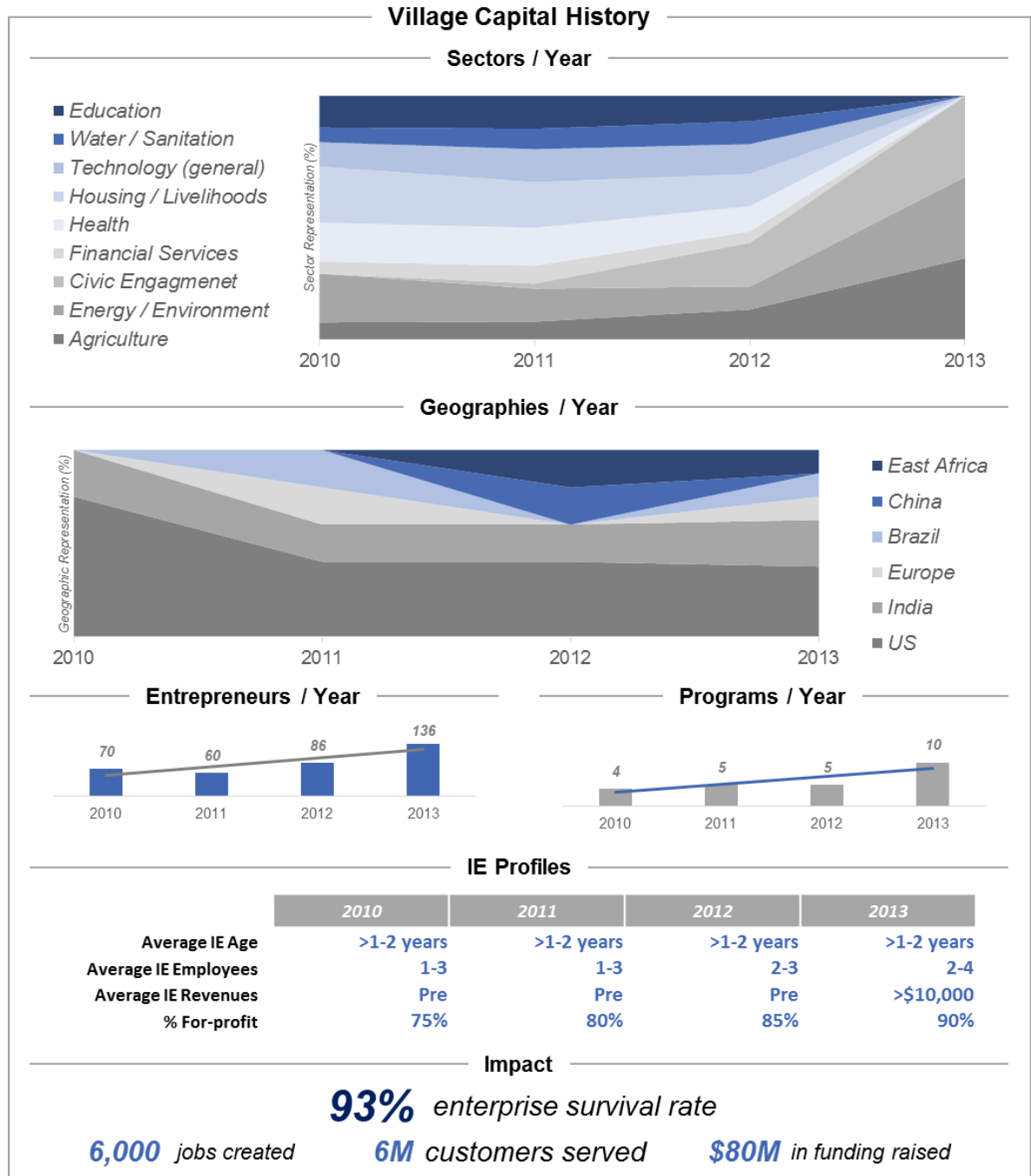
Village Capital’s most well-known characteristic is the peer review model, through which entrepreneurs publicly evaluate and rank peers within their cohort. This review process occurs during each of the program’s three in-person sessions. At the end of the program, the two entrepreneurs with the top ratings each receive \$50,000 — funded by Village Capital and local co-investors.

Village Capital is a strong believer in the power of this peer engagement. As entrepreneurs are often dealing with the same customers, market dynamics, and challenges as their peers, Village Capital believes they are best placed to evaluate the viability of a model and provide input to enhance one another’s ideas.

By tying peer review to funding, the model shifts the traditional dynamics of the early stage investment process by making entrepreneurs the investors. Giving entrepreneurs investment decision rights encourages a more critical, honest, and candid assessment of business models. Entrepreneurs are motivated to truly enhance their business model and its ability to positively benefit customers, instead of just developing a pitch around what they think investors want to hear. The peer review model also encourages greater engagement amongst entrepreneurs because they are incentivized to be regarded highly by peers and to provide constructive input, relevant contacts, and other support.

History of the program

Since 2009, Village Capital has delivered 27 business assistance programs in the United States, East Africa, India, China, and Brazil. With approximately 400 graduate enterprises to date, Village Capital's alumni have created 6,000 jobs and serviced more than six million customers worldwide, including 2.7 million customers living in poverty. The table below shows the evolution of participating enterprises and the program itself.



Overview of Village Capital’s New Innovation: The Problem-Based Approach

Through The Rockefeller Foundation grant, Village Capital is testing an innovation on its model called the problem-based approach. In this approach, Village Capital recruits impact enterprises that are working to solve specific subsets of a larger social problem and then focuses on ensuring their models truly address the problem and have a positive impact on customers and the communities in which they operate.

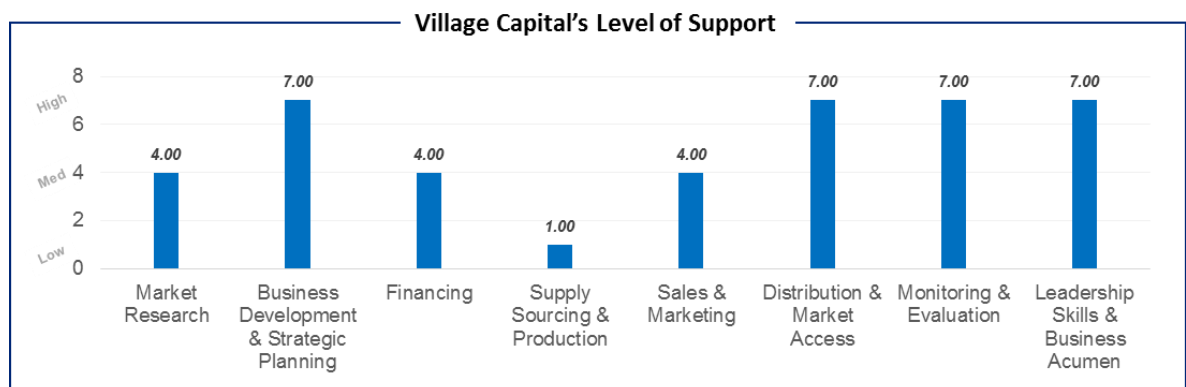
Many accelerators often focus on getting enterprises to be “investment ready” so they can raise capital and scale. These programs can be too solution-focused. When accelerators accept the business model proposed by an entrepreneur and then simply work to refine it — without questioning the validity of the problem being solved for — they can obscure blind spots. Village Capital’s review of its first ~400 impact enterprises revealed that the most consistent reason enterprises failed is that they were “solutions looking for problems.”

Under this new approach, Village Capital shifts its focus from making enterprises “investment ready” to ensuring that enterprises have the right tools to effectively address real problems. Enterprises are incentivized to refine their business model to create more efficient and sustainable solutions versus simply refining their model around what investors will find more attractive. This leads to more pragmatic businesses with robust customer validation.

Village Capital believes this approach also enables more effective engagement with customers, policymakers, corporations, technology experts, and other stakeholders who are vested in addressing these problems and can provide vital sector insight and support. In addition, as enterprises are all working on the same problem from different perspectives and thus face similar market dynamics, they are better incentivized to collaborate and can provide more insightful feedback, guidance, and relevant connections.

Description of model and support provided for various impact enterprise needs

Through a combination of the problem-based approach and its traditional support program, Village Capital is testing a promising and innovative model that meets the various scaling needs of impact enterprises. The table below shows the Village Capital program’s level of support for each of the eight scaling needs.



Each problem-based program begins with an industry roundtable, where Village Capital speaks with sector experts, policy makers, business executives, and experienced entrepreneurs in a specific location to discuss the top issues facing a particular sector (e.g., health care access for low-

income families).¹⁶ Through the discussion, participants arrive at a specific problem definition/statement that entrepreneurs must try to address.

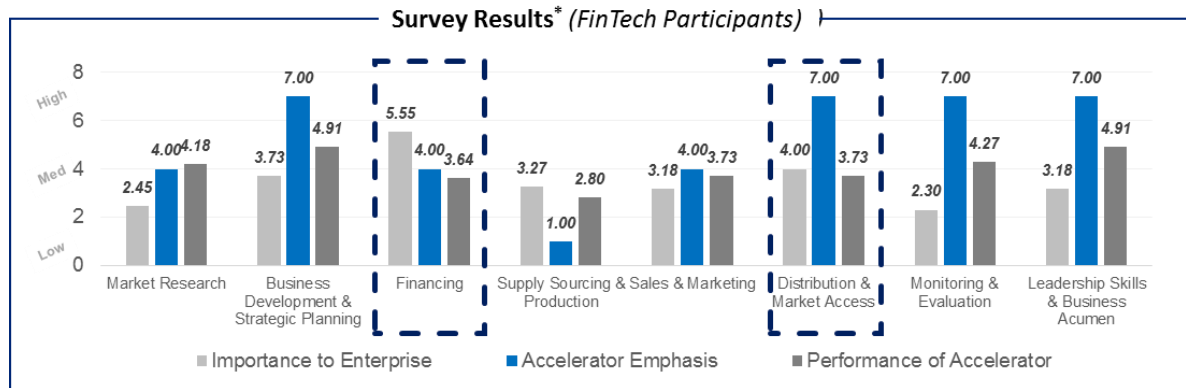
Applicants to the program must have a business model that aligns with the selected problem statement. Village Capital then selects up to 15 of the strongest enterprises that are working to solve aspects of the problem. Enterprises are also screened to ensure there are no direct competitors in the cohort, but rather complementary businesses. Through the extensive engagement with sector stakeholders, both in the development of the problem statement and throughout the program, Village Capital helps the entrepreneurs get continuous and in-depth market research.

Once in the program, all of the enterprises engage in the same 12-week program highlighted above, with case studies and mentors specifically tailored to the cohort's problem and sector. The first in-person session focuses on refining value propositions, demonstrating products/services, understanding risks to growth, and developing hypotheses to help validate the business model and customer demand. The second session focuses on developing a financial model (e.g., pricing, revenues, and costs) and developing a HR strategy. Village Capital also organizes customer forums to provide entrepreneurs an opportunity to pitch their products to real customers and receive actionable feedback. The third session focuses on investment readiness and monitoring and evaluation. Throughout the program, entrepreneurs are paired with Finance Associates, who provide tactical financial guidance and help improve financial models. The combination of lectures, support from Finance Associates, peer guidance, and mentorship enables Village Capital to provide support across all impact enterprise needs.

¹⁶ Roundtables are not necessarily in-person sessions, but rather a series of in-depth discussions with relevant stakeholders.

Interim feedback on new model

Overall, initial feedback on the problem-based approach has been positive. A brief survey of participants in the FinTech 2014 program assessed how the program performed across the eight scaling needs of impact enterprises.¹⁷

**How to interpret the survey results?**

In this chart, there are three columns per scaling need. The first column (light grey) represents the relative importance of the scaling need, as assessed by the impact enterprises. The second column (blue) represents the importance of the scaling need, as assessed by the accelerator. The third column (dark grey) represents the impact enterprises' assessment of how well the accelerator addressed the particular scaling need.

All impact enterprise scores are calculated based on an average of responses.

In general, if Village Capital placed significant emphasis on a specific feature of its model, enterprises gave it a positive evaluation. Two areas of feedback to highlight are related to financing support and market access support.

As mentioned above, Village Capital does not believe investment readiness should be the main focus of an acceleration program. It thus placed moderate emphasis on investment and financing support (through lectures, mentorship, and the use of Finance Associates). However, impact enterprises felt financing support was highly important for an acceleration program and subsequently rated Village Capital's support on financing needs lower than in other categories. One entrepreneur highlighted that investors either *"weren't real investors or were tapped out,"* while others indicated a general desire for *"more engagement with investors"* and more *"focus on pitch development."*

Another area to highlight is distribution and market access support. Despite a significant emphasis on this work and the recent introduction of customer forums, participants did not rate the support provided highly. Village Capital acknowledges that finding the right customers and distribution partners remains an ongoing challenge, and it is increasing resources dedicated to finding the right partners.

Participants were particularly enthusiastic about the peer support model, with many mentioning *"cohort selection," "peer review & feedback,"* and *"collaboration with teams"* as strong benefits of the Village Capital program. Mentorship was also considered highly beneficial. Several participants expressed the desire for more long-term mentors to not only help guide them through the

¹⁷ The FinTech cohort focusing on delivering financial services to low-income populations. Monitor Deloitte analysis surfaced eight needs of scaling impact enterprises: market research, business development and strategic planning, financing, supply sourcing and production, sales and marketing, distribution and market access, monitoring and evaluation, and leadership skills and business acumen

* n = 11

program, but also to provide support after they leave the program. Village Capital has expressed efforts to actively identify and recruit these long-term mentors.

Operating model

Both the existing model and the new model are funded through philanthropic capital. Village Capital believes it is important to remain funded by philanthropic capital in order to stay focused on their impact goals. In terms of their organizational structure, Village Capital selects a Recruitment Associate for each new program. The Recruitment Associate is responsible for identifying partner organizations, mentors, and appropriate impact enterprises. Once mentors, partners, and entrepreneurs have been identified, Village Capital identifies a Program Manager, who owns the delivery of his/her assigned program. Frequently, the Recruitment Associate transitions into the role of Program Manager. The Program Manager then works with mentors, partnering organizations, entrepreneurs, Village Capital staff, and other stakeholders to facilitate all aspects of the program.

To ensure continuous improvement to its model, Village Capital evaluates its programs via entrepreneur surveys and uses feedback to improve future offerings. Village Capital also participates in Emory's Global Impact of Entrepreneurship Database Program, which allows it to track progress on past cohorts and continue to assess the effectiveness of its programs.

Critical Success Factors

Village Capital identified the following factors as critical to the success and sustainability of the problem-based approach.

Developing an appropriate problem statement directly contributes to the success of this approach

The first, and arguably most important, success factor is a well-crafted problem statement. A statement that is too narrow may lead to overlapping businesses that compete with one another. A statement that is too broad, however, limits similarities and opportunities for enterprises to collaborate. It may also reduce the engagement of community stakeholders and hinder the overall effectiveness of the approach. In addition, understanding a problem deeply is important to be able to provide the right support to the enterprises.

To define a problem statement appropriately, Village Capital relies on a series of discussions or roundtables with sector experts and community leaders. Village Capital found it challenging to work with some sector experts that were too solution-driven. These experts were focused on recommending solutions to problems, instead of working to understand and define the problem itself. As the problem-based approach continues to grow, Village Capital is learning how to better communicate the purpose and value of the roundtables to stakeholders and better facilitate conversations. As some stakeholders will continue to engage in subsequent programs and cohorts, they are able to learn from the process and provide stronger input the next time. Most importantly, the types of applications received and the success of the enterprise cohort will also give Village Capital direct feedback on the effectiveness of the problem statement and enable it to further refine the process.

Having the right partners helps build an ecosystem of support for enterprises

Village Capital emphasizes the importance of local engagement and partnerships for the success of the problem-based approach. Partners not only help to define the problem statement, but also help create an ecosystem of support around the program. Local partners either serve as or identify mentors, investors, customers, instructors, and technical assistance providers. Having the right

partners ensures that Village Capital and the enterprises have credibility and the right connections to succeed.

To select the right partners, Village Capital makes a concerted effort to align problems with passions; ensuring that partners are incentivized to provide support because they identify with the problem and are excited to address it. Thus far, community stakeholders, mentors, and funders are all demonstrating increased interest and participation in the problem-based programs.

At the same time, maintaining these relationships on an ongoing basis is difficult for Village Capital. It can be hard for local communities and sector stakeholders to fully engage and feel connected with organizations that are only present for a three-month period. Facilitating long-term engagement with relevant stakeholders and providing ongoing opportunities for their input are key challenges.

Village Capital has a few different initiatives to address these challenges. Village Capital uses in-house tools to track growing relationships and ensure it does not lose sight of connections as it scales. As it expands to new locations, Village Capital aims to have two to three content partners per program. Each content partner shares ownership in the success of the program, helping to make the connections needed for success and providing relevant input into the curriculum such as sector-specific case study examples. These partners serve as a crucial long-term connection to other community stakeholders. Village Capital is also working to hire more local representatives within their organization. These full-time employees will live in local communities and engage with key stakeholders year round.

Obtaining sufficient funding will be critical to attracting the right human capital resources. Given Village Capital's financial structure, it is reliant on philanthropic funding — which often prioritizes funding spent directly on enterprise development versus on operational costs. Proving the value of these new resources will be important as the new model continues to scale.

The problem-based approach naturally fosters beneficial peer collaboration

The nature of the problem-based approach has naturally increased the level of collaboration amongst participating enterprises. Because entrepreneurs are selected based on their complementary business models — each solves a subset of a broader problem — they are joined by the mission to fix it. They understand the need for an ecosystem of solutions and are thus more eager to work together. In fact, during one pilot program, 50% of participants entered into business relationships or partnerships with one another following the program.

An occasional challenge with this approach is that new funders or investors have been hesitant about peer review at first; they often voice an initial skepticism about placing the investment decision into the hands of the entrepreneurs. Through conversations about the structure and value of the program, these investors typically become receptive to the concept, but Village Capital remains cognizant of this challenge and has recently hired a Global Communications Manager to raise awareness and manage communication with key stakeholders.

Achieving the right balance between standardization and customization of curriculum is important.

Village Capital acknowledges the need to balance standardization and customization of curriculum content to ensure both scalability and effectiveness. Standardization facilitates easy replication and enables materials to be tested and refined repeatedly. Customization and concrete examples on how core frameworks apply to the specific sector or problem the cohort is engaged in amplifies

understanding and retention. The challenge is that developing customized content requires time and resources.

To address this constraint, Village Capital leverages its mentors and local stakeholders to deliver the curriculum in a manner that makes abstract concepts tangible. Village Capital has a core set of frameworks that are taught by stakeholders who have specific expertise (e.g., the Louisville-based logistics hub of the United Parcel Service (UPS) was involved in sessions around supply sourcing). Then, mentors and other relevant stakeholders provide case study examples and guidance to help make the lectures applicable to the individual entrepreneurs.

As the program scales, effective monitoring and evaluation will enable greater buy-in and engagement with this model.

As this problem-based approach continues to scale, a key challenge will be monitoring and evaluation. It is important to systematically track whether problems are being framed in the right way and solved by the right enterprises that can scale over time. This will enable continual refinement of the model and buy-in from future communities and sector stakeholders.

Conclusion

The problem-based approach is an innovative way to ensure that accelerators scale the *impact* of impact enterprises. By focusing on the problem itself, Village Capital can better support enterprises in developing business models that truly address the problem. This places the emphasis of acceleration away from focusing on individual enterprise metrics such as funding raised and revenue growth and toward the tracking of real social or environmental impacts.

As of now, it is unclear whether this approach is more effective in achieving those beneficial impacts and it will take several years to obtain sufficient data. However, this approach can certainly be seen as an effective means of obtaining greater excitement and engagement amongst stakeholders. Enterprises are more likely to collaborate and the local community is more likely to be motivated to solve a broader problem versus solely supporting an individual organization. Overall, the problem-based approach is a promising innovation on how to more effectively support and scale impact enterprises.

The Social Franchise Accelerator: Bertha/ICSF/Franchising Plus

Social Franchising

Based on the principles of traditional franchising, Social Franchising is an innovative method of scaling an impact enterprise by offering its products or services through independent franchisees. The Social Franchise Accelerator is a collaboration amongst three organizations – the International Centre for Social Franchising, the Bertha Centre for Social Innovation and Entrepreneurship, and Franchising Plus (see below for details) – to provide support for impact enterprises seeking to implement a franchise model.

Typically, impact enterprises need significant resources to scale, such as additional capital, new employees, and new assets. With social franchising, these enterprises can instead lean on independent franchisees, who then hire employees and acquire assets on their own. This reduces the resource burden for the impact enterprise, enabling it to expand operations far more quickly. In addition, these franchisees can more effectively build the business in new locations as they often have more local expertise than the enterprise. Overall, the positive social impact of an enterprise can be scaled more efficiently and effectively through a franchise model.

3

Summary of Organizations

Launched in 2014, the Social Franchise Accelerator is the first social franchising support program in South Africa. It is the result of a unique partnership between a nonprofit organization, an academic institution, and a private consultancy - combining the best of social sector expertise and private sector practices. Each organization brings a different perspective to the table, enabling the development of a program that can effectively support the scaling and franchising needs of South Africa's impact enterprises. An overview of each organization is provided below:

International Centre for Social Franchising (ICSF)

The International Centre for Social Franchising (ICSF) is a registered UK charity. Established in 2012, ICSF leads the social franchising sector globally, serving as a pioneer in the development of social franchising knowledge and support. ICSF champions the use of social franchising through several interrelated activities: advising clients on replication strategies, guiding clients through the replication process, conducting research on replication, and convening market players into an action-based support network.

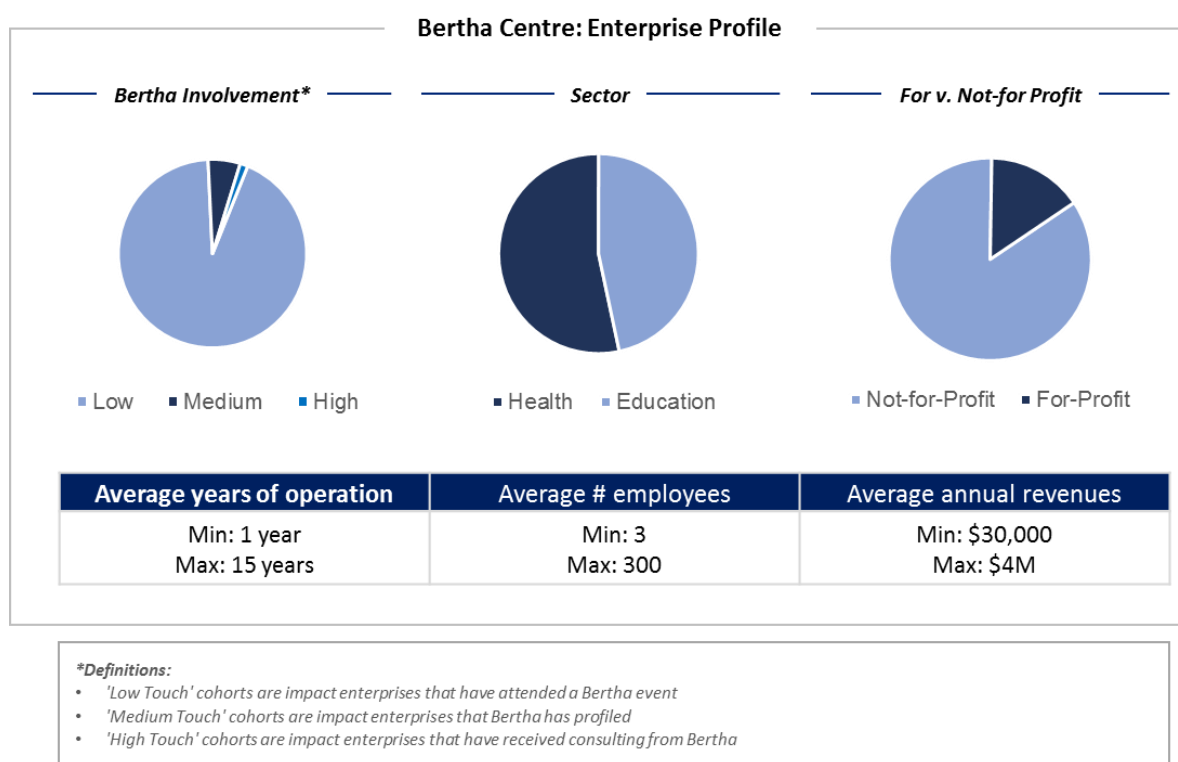
ICSF has provided consultancy services for numerous private companies, social sector organizations, and impact enterprises located in Africa, Latin America, and Asia. These organizations have focused on a range of different sectors, including health, education, and employment generation. ICSF has also conducted research for Girl Effect, Big Society Capital, GlaxoSmithKline, and a group of health care organizations that included Gates Foundation and Novartis. Through its

social franchise course, ICSF has also provided training for many other organizations interested in this method of scaling.¹⁸

The Bertha Centre for Social Innovation and Entrepreneurship

The Bertha Centre for Social Innovation and Entrepreneurship (“Bertha Centre”) at the University of Cape Town Graduate School of Business (UCT GSB) was established in 2011 as a center of excellence in social innovation and entrepreneurship. The Bertha Centre conducts research, promotes dialogue, and supports social innovations — particularly those looking to scale — through rigorous teaching, exposure to leading thinking in the space, and practical application of theory in real-world settings.

To date, the Bertha Centre has hosted more than 1,500 impact enterprises at various educational events and has provided advisory services and project support to more than 20 organizations. A brief overview of the enterprises it has worked with is captured below:



Franchising Plus

Franchising Plus is a leading private sector franchise consultancy in South Africa. Established in 1994, Franchising Plus delivers professional advisory services to businesses looking to expand their operations through franchising, licensing and other business distribution mechanisms.

Franchising Plus has worked with a large number of commercial businesses in South Africa, including First National Bank, Goodyear, Pick n Pay, SAB miller, Timber City, Battery Clinic, Dis-Chem Pharmacy's, and Nandos.¹⁹ Franchising Plus has also worked on a range of social sector projects in a pro bono capacity and advised the South African government on franchising and replication.

¹⁸ The availability of more quantitative historical data is limited.

¹⁹ The availability of more quantitative historical data is limited.

ICSF and the Bertha Centre collaborated in 2012 to run the first social franchising workshop in South Africa. The workshop provided an overview of social franchising and highlighted its benefits for impact enterprises. More than 100 organizations attended. Following the workshop, many organizations wanted to pursue social franchising further, but the lack of a social franchising sector in South Africa made it difficult for ICSF and Bertha Centre to connect these organizations with local resources and support. This market gap spawned the idea for a social franchise accelerator in South Africa.

Overview of the New Innovation: Social Franchising

Based off the principles of traditional commercial franchising, social franchising is essentially franchising for social good. It is an innovative way for impact enterprises to scale their impact efficiently and effectively. Many

impact enterprises can operate successfully as a small business. But scaling has proven to be difficult due to lack of funding, human capital, the right partners, and overall lack of scaling expertise. Social franchising helps overcome these barriers and enables the enterprise to deliver its proven model by leasing or licensing it to independent franchisees. Enterprises document their business models and internal processes in detailed operations manuals and provide training and ongoing support to enable the franchisees to replicate the business in new markets or geographies, using their own resources to do so. Franchisees typically pay a licensing fee to the enterprise for the ability to copy their business model, instead of developing their own business. While individual franchises may stay small, the overall impact achieved by the model can be quite large.

Social Franchising Example

FoodCycle – a UK charity that cooks meals for people at risk of food poverty and social isolation – sought help from ICSF to scale nationally. ICSF worked with FoodCycle to:

- *Design a franchise system*
- *Codify key processes, procedures and policies*
- *Support creation of operations manuals and training materials*
- *Support franchisee recruitment and the implementation of an initial pilot*

As a result, FoodCycle launched its franchise program in summer 2013 and within several months had its first three franchise FoodCycle kitchens that were ready to begin operations across the UK.

Social franchising is beneficial for numerous reasons. Impact enterprises can multiply impact and reach more beneficiaries far more quickly than would be possible if they were to rely solely on their own resources. Scaling is more likely to be effective as franchisees typically have stronger local expertise needed to successfully run a business in specific geographies. Franchising also enables the impact enterprise to make better impact and investment decisions from more data and become more financially sustainable through franchisee fees. For the franchisees, this is an opportunity to receive training and support from an experienced organization addressing a similar social need while having less financial risk and faster impact as compared to starting a new organization from scratch.

The Social Franchise Accelerator is a new program that supports impact enterprises in developing and implementing their social franchise strategy.

Description of model and support provided for various impact enterprise needs

The Social Franchise Accelerator combines training, consultancy support, funding, and mentorship to create a comprehensive package of support to help impact enterprises develop a franchise model and scale their social impact. Given that this accelerator is new, the overview provided below is a description of its first planned iteration of the program. As of October 2014, certain elements of the program are in progress and will be carried out over the next several months.

To select enterprises to support, the Social Franchise Accelerator conducts an in-depth selection process. Enterprises must first submit an expression of interest. The Social Franchise Accelerator then invites promising organizations to complete a more detailed application. In this first iteration of its program, the Social Franchise Accelerator used the detailed application to further screen participants and identified 10 enterprises to participate in a five-day introductory training workshop.

The workshop taught participants the theory and strategies behind franchising. Franchising Plus delivered its traditional “Franchising by Numbers” course, which focuses on topics such as franchise strategy and franchisee selection. The course was modified to focus on social franchising. ICSF delivered sessions on franchising in the social sector and how to conduct monitoring and evaluation at a large scale. During this workshop, the Social Franchise Accelerator interviewed each enterprise and selected three enterprises that would receive further in-depth one-on-one support.²⁰

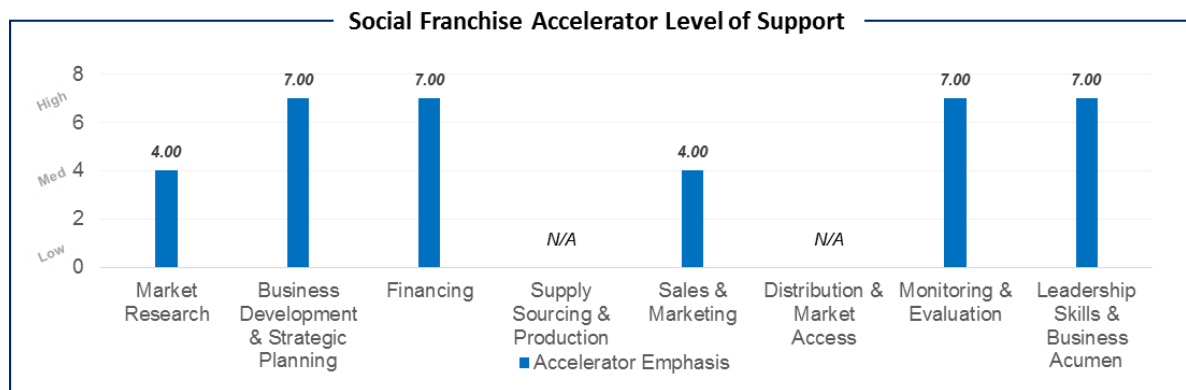
To be selected for training or more in-depth support, organizations must demonstrate they are suitable for franchising. Suitable businesses are those that have a product or service that can be ‘packaged up’ or codified into an operations manual and given to franchisees. In addition, they must have a commitment to scale, a sustainable business model, a strong management team, and a strong financial base that could support the initial costs of franchising.

As part of the in-depth one-on-one support, the Social Franchise Accelerator reviews each organization’s existing operations, current capabilities, and capacity for expansion. The team then provides guidance to each organization on various franchising options, organizational structure, necessary systems and controls, marketing, and the ideal franchisee. There are also site visits to actual franchise businesses (e.g., McDonald’s) to understand how the process works in reality. By the end of this consultation support, each impact enterprise has developed both a franchise model tailored to its organization as well as any necessary franchising documentation (e.g., an operations manual).

Enterprises then receive approximately \$25,000 to fund some of the initial one-time costs of developing a franchise system. The Social Franchise Accelerator also links enterprises with mentors, who are highly experienced professionals with practical social or commercial franchise experience. These mentors provide relevant connections to potential investors and franchisees and guide each enterprise through the implementation of an initial social franchise pilot.

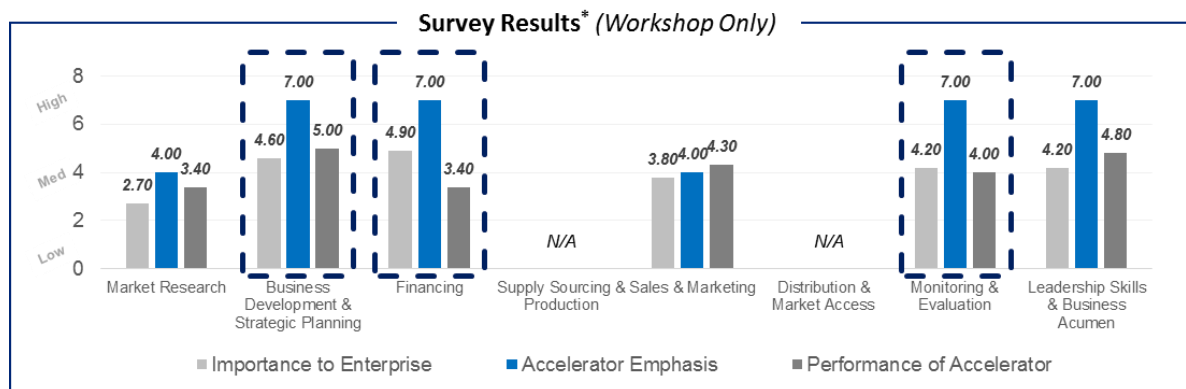
²⁰ While the Social Franchise Accelerator initially aimed to only support three organizations, a fourth enterprise was also selected to receive more limited support. The fourth enterprise is already using a franchise model, but the Social Franchise Accelerator is supporting it in developing impact reporting systems and tools that will be integrated into its franchising plans.

Below is a breakdown of how much support the Social Franchise Accelerator provides organizations across each of their eight scaling needs:



Interim feedback on new model

As of October 2014, the Social Franchise Accelerator is in the midst of its first iteration and only feedback on the initial training workshop is available. These results are reflected below.²¹



How to interpret the survey results?

In this chart, there are three columns per scaling need. The first column (light grey) represents the relative importance of the scaling need, as assessed by the impact enterprises. The second column (blue) represents the importance of the scaling need, as assessed by the accelerator. The third column (dark grey) represents the impact enterprises' assessment of how well the accelerator addressed the particular scaling need.

All impact enterprise scores are calculated based on an average of responses.

The Social Franchise Accelerator performed best in providing support on business development and strategic planning needs, which aligns with its focus on giving organizations the tools needed to develop a social franchising strategy.

Workshop participants indicated that support on financing was most important, but did not rate the Social Franchise Accelerator highly here. This lower rating is likely due to the fact that the Social Franchise Accelerator only dedicated significant time on financing support for the three organizations that had in-depth support. Of the 10 enterprises that participated in the workshop,

²¹ Monitor Deloitte analysis surfaced eight needs of scaling impact enterprises: market research, business development and strategic planning, financing, supply sourcing and production, sales and marketing, distribution and market access, monitoring and evaluation, and leadership skills and business acumen
* n = 10

the three that then received funding and one-on-one support rated the financing component of the program much higher (average score of 5.33 versus overall score of 3.40).

Overall, enterprises felt the workshop was effective in highlighting the benefit of social franchising, with one participant saying, *“As a whole, the programme was incredibly interesting...It allowed us to gain a clear understanding of the way forward with regards to scaling.”* However, most workshop participants expressed the desire for additional time and ongoing engagement in order to explore and test social franchising concepts within their own business. While this is provided to the three organizations selected to receive in-depth support, the Social Franchise Accelerator acknowledges that developing a longer workshop may also be useful in future iterations of its program.

Operating model

The Social Franchise Accelerator relies on philanthropic capital and pro bono support. The Rockefeller Foundation grant funding to the Bertha Centre covers various costs, including ICSF's franchising materials and both Bertha Centre's and Franchising Plus' time and resource commitments. Mentors provide their guidance in a pro bono capacity. This current model is allowing the partners to test whether social franchising trainings can be successful. They can then evaluate how funds are allocated and services are paid for in future iterations of the accelerator program.

To ensure continuous improvement in their model, ICSF and the Bertha Centre are collaborating to design a monitoring and evaluation system to capture organizational capacity and social impact. Monitoring will be done throughout the project and after its conclusion, using surveys and interviews to track outcome data. Workshop participants will be tracked for one year following the project's conclusion. Those who receive in-depth support will be tracked for three years.

Critical Success Factors

The Social Franchise Accelerator highlighted the following factors as critical to the success and sustainability of its program.

Marketing is necessary to raise awareness and acceptance of social franchising

Franchising is traditionally a commercial concept. Through its work in the United Kingdom and in other countries, ICSF has found that many impact enterprises are either unaware of franchising or resistant to using aspects of this model. For instance, some nonprofit impact enterprises can be hesitant to charge a licensing fee, particularly within existing networks where relationships previously existed without a financial obligation.²² Other impact enterprises are concerned about the lack of control on their services or products in the hands of franchisees.

To raise awareness specifically on the Social Franchise Accelerator, the three partners held two awareness-raising events around social franchising, published an official press release, and conducted radio interviews around South Africa. To raise awareness of social franchising in general, the partners plan to work with other stakeholders to develop and publish informative materials on social franchising, increasing both awareness and acceptance of franchising as a viable model for the social sector. The partners also plan to modify franchising training materials to be more customized for the social sector, reframing traditional concepts in social terms and working with enterprises to identify which components of the social franchising model work for

²² It is also important to note that social franchising works in a number of ways and does not always involve the franchisees paying a licensing fee; although the fee is a useful way to compensate the impact enterprise for the time and resources used to train franchisees and oversee their work. In addition, a fee is a way for a franchisee to signal it is serious about implementing the model correctly.

their particular goals and visions (e.g., enterprises who do not want to charge a fee could look for charity or non-governmental organization (NGO) franchisees).

Careful screening is critical to selecting organizations that are suitable to social franchising

Social franchising is more appropriate for some enterprises than others. As highlighted above, enterprises with a sustainable business model, a strong financial base that could support the initial costs of franchising, and strong operations systems that could be replicated effectively would be most suitable for franchising. In addition, it is important to have a dedicated and capable team in place. An enterprise that is too dependent on one or two founders is unlikely to have set processes for important aspects of its operations, and thus would be unsuitable for franchising.

Up-front screening for franchising suitability is important to avoid situations where organizations end up abandoning social franchising after valuable time and resources have been spent. As a result, the three partners dedicated significant time to the selection process. Before the Social Franchise Accelerator began, the partners held open, informational workshops to conduct early testing with interested organizations. Through discussions with these organizations, the partners developed a viewpoint on what makes an impact enterprise suitable for franchising. They then used these insights to develop the multistage selection process highlighted above where enterprises first had to express interest in franchising, then had to fill out a detailed application outlining how they were suitable for franchising, and then participated in an in-depth workshop where they were further interviewed and tested for suitability.

Ongoing testing and support is crucial in developing a successful social franchise model

A sustainable franchising model can take months or years to perfect. Both impact enterprises looking to franchise and accelerator programs looking to support these enterprises must be committed long term. Impact enterprises must refine their business models to make franchising more feasible, detail their processes, and develop and refine operations manuals. They also need to run test pilots with a few franchisees to perfect the model before expanding more widely in order to address implementation snags. This entire process requires significant time and commitment.

To deliver an effective program, the Social Franchise Accelerator identifies enterprises and implementation partners who share their commitment to practical learning over time. In addition, the program relies heavily on mentors. Each mentor works with one enterprise for the entire duration of its initial franchising pilot, supporting it as it tests its franchising model and irons out wrinkles. The Social Franchise Accelerator acknowledges that its program would benefit from a longer duration (more than a year) as well as from additional support in identifying franchisees, which have their own motivations and level of awareness for social franchising.

Local knowledge and expertise enhances program relevancy

Delivering an effective social franchise model can be incredibly complex, making localized knowledge and expertise crucial. Market differences across regions and sectors make it impossible to standardize insights around all aspects of implementation, such as navigating regulatory environments, selecting the best locations, assessing the competency and motivations of franchisees, and understanding distribution and supply chain networks. To be effective, training and support must address these local differences.

The Bertha Centre, ICSF, and Franchising Plus collaboration represents how partnerships address the need for customization. ICSF provides its leading content and training materials on social franchising, while Bertha Centre and Franchising Plus offer local knowledge and expertise —

Franchising Plus delivers consulting expertise catered to the South African market, while Bertha Centre leverages its contacts in the social and franchising spaces to identify mentors with practical experience and expertise. In particular, the mentors have social or commercial franchising backgrounds and provide tactical experience within local markets.

Conclusion

Social franchising represents an innovative solution to the scaling problem that plagues so many impact enterprises. By reducing the resource burden required to scale, social franchising enables quicker replication of a proven social impact model. Thus far, the Social Franchise Accelerator has succeeded in raising awareness for social franchising and in building interest in the approach, as demonstrated by program feedback and attendance. However, more time is needed before one can see whether these three impact enterprises can successfully franchise their models within South Africa. Ensuring markets, especially developing markets, have the suitable resources, infrastructure, and legal and regulatory structures to support social franchising efforts will be critical to its widespread adoption and success.

African Management Initiative

Online Training Delivery

The African Management Initiative (AMI) has developed an online learning platform specifically for the African context. Traditional entrepreneurship management programs provide in-person training and support to entrepreneurs, but AMI recognizes that African entrepreneurs do not have the same ability to travel and participate in person. Thus, they have developed an online platform of courses to provide entrepreneurs with an education they would otherwise find inaccessible. AMI's courses are enhanced by an online community of fellow learners, an innovative peer-to-peer accountability model, and optional off-line support. AMI is enhancing this existing online platform to develop content, resources, and tools specifically for African *impact* enterprises.

4

Summary of Organization

Founded in 2011, the African Management Initiative (AMI) is dedicated to empowering managers and entrepreneurs across Africa through affordable and practical learning. AMI offers a range of different learning resources, and entrepreneurs can pick and choose the programs that are most useful to them. Massive Open Online Courses (MOOCs) are free online courses that provide practical skills for entrepreneurial management through creative and engaging content, interactive exercises, and assessments. This can be supplemented by off-line learning through workshops or "Learning Labs." Entrepreneurs pay a small fee to participate in Learning Labs, which are often implemented through partner organizations such as traditional accelerators. MOOCs are designed for broad reach with relatively low touch, while Learning Labs take advantage of in-person sessions for high-touch engagement.

For more extensive resources, entrepreneurs can pay to become an AMI member. With membership, they receive online access to not just additional courses, but also a host of premium services, including curated online discussions and communities, a self-assessment tool that also creates a customized learning plan, and implementation toolkits and templates. AMI also offers business-to-business services, developing customized online programs and Learning-Lab-style environments for specific organizations and their employees.

Unique features of AMI's model

Research has found that a key constraint to the growth of impact enterprises in Africa is the lack of entrepreneurs' capacity to manage and scale their businesses.²³ It is difficult to build this capacity given the limited number of management schools in Africa and the high costs involved in building new programs throughout the continent. For programs already in place, impact entrepreneurs often lack access; they are unable to travel from remote locations, unable to leave their businesses for long periods of time, or unable to pay high costs for attendance.

The AMI model is specifically designed to overcome these challenges to provide crucial training and support in a way that is tailored to the African context. The online learning platform is designed to cope with a bandwidth-constrained environment and works not only on traditional

²³ Partridge, Paddy, Anne Stubert, Nathan Williams, and Alex Carter. "Special Report: Impact Investing." *This Is Africa 2010*: n. pag. Web. <http://www.thegiin.org/binary-data/RESOURCE/download_file/000/000/154-1.pdf>. This report was financially supported by The Rockefeller Foundation.

desktop devices but also on smartphones. This is particularly important in Africa, where desktop Internet access is lacking, but mobile Internet access is more prevalent.²⁴

Furthermore, AMI's content is designed specifically for African organizations — AMI works only with African content partners (including African business schools and professors); AMI case studies are all Africa-specific; and participants have the opportunity to connect with other learners across Africa.²⁵

History of the program

AMI developed a network of more than 6,000 managers and entrepreneurs through its initial online platform. AMI's first pilot course attracted 850 entrepreneurs and managers from 26 African countries. One-third described themselves as entrepreneurs or business owners, and half worked at organizations with fewer than 50 people.

In July 2014, AMI relaunched its brand and platform, and usage has increased sharply. There are now 10,000 managers in the broader network and more than 4,000 registered course users. Hundreds of managers and entrepreneurs have also attended Learning Lab workshops in Kenya, Tanzania, Uganda, Ghana, and South Africa.

Overview of AMI's New Innovation: Online Training Delivery

AMI is enhancing its existing learning platforms to develop content, resources, and tools specifically for African *impact* enterprises. AMI's primary focus is the development of three new MOOC-style courses that each target a practical management issue facing African impact enterprises. Topics include *Designing for Impact: Innovating with Communities*; *Financing Impact: Investment Readiness for Impact Enterprises*; and *Scaling Impact: Route to Market and Distribution for Impact Enterprises*. In addition to these courses, AMI is also creating a new virtual community for social impact entrepreneurs, designing a customized version of its competency assessment, producing new toolkits, and offering customized, in-person Learning Lab workshops. More information on these various offerings is detailed below.

Description of model and support provided for various impact enterprise needs

As with AMI's other MOOCs, registration for the impact-focused MOOCs is open and free.²⁶ However, to participate, impact enterprises must identify a peer accountability partner (a "buddy") who follows them throughout the course and helps them to identify and work toward personal performance and competency goals. These "buddies" represent a key component of every MOOC. AMI believes they foster accountability and help impact enterprises engage with the course over the long term.

Impact enterprises are encouraged to become members, in which they pay a small monthly fee to unlock the full suite of AMI resources.²⁷ For AMI members, the program begins with a diagnostic competency assessment. This allows impact enterprises to assess their respective strengths and weaknesses, benchmark themselves against others in the sector, and understand the skills required to be effective. The assessment then generates a personalized learning journey and performance plan. Impact enterprises use this learning journey to identify and enroll in various

²⁴ Mobile penetration in Africa is estimated to have reached nearly 80% by early 2013 and expected to grow at 4.2% annually. Source: *Serving Communities on the Cusp of Change*. Rep. TA Telecom, n.d. Web.

²⁵ Currently, all courses are provided in English.

²⁶ Registration for traditional MOOCs is free, but certification in a course typically costs \$25. For impact-focused courses, both registration and certification are currently free.

²⁷ The membership platform is scheduled to be launched in winter 2014.

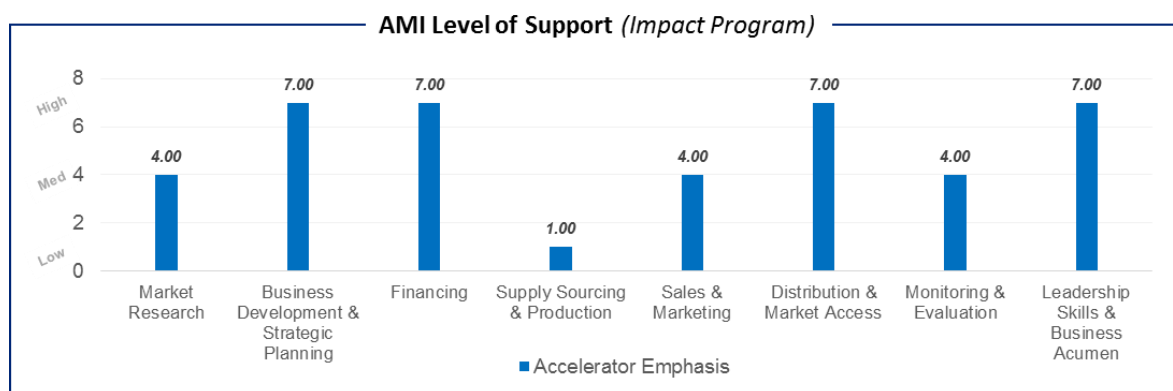
online courses and then measure their progress against their individual performance plan, instead of through generalized testing.

AMI members also receive access to proprietary AMI toolkits. These toolkits seek to enhance the practical design of AMI's courses — improving implementation of learning principles. Toolkits include document templates, step-by-step implementation guides, and other resources that help impact managers apply course content to their own organizations. As part of the impact-focused program, AMI is producing five new toolkits on core aspects of impact enterprise management, including business plan basics, impact sourcing/supply chain, route to market impact through technology, monitoring and evaluation, and a to-be-confirmed fifth toolkit.

Finally, AMI is developing an online community specifically focused on impact entrepreneurs, where entrepreneurs and managers can network, collaborate, and share ideas, experiences, and resources while learning from and with each other. These interactions are facilitated by social media tools, such as discussion boards.

The three impact courses described above are also offered as Learning Labs. AMI has identified partner organizations, such as other private sector and impact accelerators, to deliver the courses and recruit participants. After attending a Learning Lab, AMI's online communities and resources provide participants with a crucial outlet for continued learning and application. AMI is subsidizing Learning Lab licensing fees and delivery costs for implementing partners of the impact courses, as well as membership fees for impact managers.

Below is a breakdown of how AMI's offerings address each of the eight scaling needs for impact enterprises. It should be noted that this breakdown is specifically for the impact-focused program, and that some of AMI's existing content, while not targeted at impact enterprises, addresses various other needs in more detail.



Interim feedback on new model

It is too early for feedback on AMI's impact-focused program, as courses have just been launched. However, AMI received positive feedback on its Learning Lab pilots, including those in Kenya and Uganda, through the Nairobi iHub and Kampala Hive CoLab entrepreneurship accelerators. Although full evaluation of data is not yet available, AMI notes that the initial feedback thus far indicates that a majority of managers and entrepreneurs would apply the lessons learned to their enterprises and would be interested in attending another session or joining AMI as a member. Furthermore, Nairobi iHub now offers monthly workshops, and AMI has signed up numerous other intermediaries and business clients in five countries.

Operating model

AMI has a number of revenue streams and aims to become financially independent over the long term. Business-to-consumer revenue streams include membership fees, as well as small fees charged for certificates in some MOOCs. Business-to-business revenue streams include fees for customized training courses developed for specific organizations, distribution fees from intermediaries reselling Learning Labs, and potentially, the resale of member data and insights (once the AMI network grows large enough). Certain special projects, such as the development of impact enterprise-focused courses and other resources, rely on donor funds. These funds primarily cover costs for content creation and dissemination.

AMI consists of a content team which supports content development with partners, a business development team which supports B2B revenue streams, and a marketing team which works on B2C revenue streams. The majority of staff reside in Nairobi, Kenya.

AMI plans to conduct monitoring and evaluation by tracking the improvement of participants, both in terms of knowledge (assessed through the platform's evaluations systems) and on-the-job performance (as self-reported). The platform assess performance through test scores, a competency analysis tool, and progress against the personalized learning journey.

Critical Success Factors

The impact-specific courses and content have only been launched in fall 2014. Thus, AMI has identified the following factors as critical to the success and sustainability of AMI's existing offerings, which the impact-specific offerings mimic.

Content and delivery focused on the African context increase effectiveness

For learning materials to be effective in promoting understanding and behavior change, they must be accessible, high quality, locally relevant, and engaging. The African context poses a number of unique challenges. Inadequate infrastructure limits the ability of entrepreneurs to access training. In-person trainings are frequently difficult or expensive to reach and many entrepreneurs do not have access to broadband Internet access to take advantage of existing online education offerings. Meanwhile, economic and government instability create a more challenging operating environment for impact enterprises, making it difficult to apply theoretical business-school principles in the same way they are applied in other markets. As a result, many African entrepreneurs cannot secure effective management education and training to help them scale their impact enterprises.

To combat this challenge, AMI develops content and resources tailored specifically for the African context. Courses are developed by African professors at leading African business schools. They are designed to be practical and locally relevant, leveraging African case studies and incorporating the nuances and challenges of various African markets. Furthermore, AMI's entire delivery platform is designed around the African context — courses, resources, and tools are all designed to be accessed and used from a smartphone. AMI's targeted and practical approach increases the availability and effectiveness of education offerings for African impact enterprises.

Peer engagement is critical for both collaboration and accountability

MOOCs often struggle to retain engagement with learners. Online delivery means entrepreneurs are removed from other learners and instructors, and free, voluntary participation reduces

pressure to perform when timing is inconvenient or concepts are difficult. As a result, participants often lose interest and drop out. Completion rates are typically around 5%.²⁸

AMI believes that peer accountability and collaboration are critical to maintaining engagement. As a result, courses are designed to be social. First, participating entrepreneurs must identify a “study buddy,” who is charged with keeping his or her peer on track with course deadlines and milestones. Furthermore, AMI members become part of a larger online community, which leverages various “gamification”²⁹ and social media tools to enhance peer accountability and collaboration, including scoreboards, chat and study forums, and personalized notifications. An AMI pilot MOOC using some of these peer accountability and collaboration features showed an increase in completion rates to 15%. Moving forward, AMI seeks to enhance its user interface and continue refining social features to increase engagement and ultimately, completion rates.

This continued engagement is also important for Learning Lab workshops. AMI encourages Learning Lab participants to build on what they have learned on an ongoing basis, particularly through online discussions on local or timely topics. This enhances impact managers’ ability to internalize and apply workshop concepts. AMI is also exploring ways to increase engagement through the membership model, such as certifications for specific skills. Ongoing engagement will also ensure a consistent revenue stream for AMI.

Marketing raises awareness of AMI offerings and increases participation

The ability to have large-scale impact is also dependent on AMI’s ability to recruit impact enterprises to get involved with their various programs. Identifying and recruiting these enterprises is challenging given the lack of resources and infrastructure to support traditional advertising mediums (e.g., television, Internet, and newspaper). AMI must also differentiate itself from existing online offerings, which often have quality content but are rarely customized for the African context or infrastructure. Furthermore, many African entrepreneurs are not accustomed to an education system that relies on peers, and thus, communicating the value of AMI’s peer approach is critical to success.

AMI is using two key strategies to reach Africa’s impact enterprises. First, AMI is partnering with local organizations (including incubators and accelerators) to market AMI offerings. Second, AMI is creating a growing following using social media and advertising tools, such as Facebook, Twitter, and Google AdWords.

Partnerships enable content development and delivery

Partnerships are critical for AMI. Online MOOCs rely on content development partners at leading institutions, while Learning Labs rely on local implementation partners. Developing strong partnerships with the broader impact investing ecosystem will also be beneficial in encouraging managers at impact enterprises to take courses and engage in AMI programs, as they will know that certification or training from AMI means something to other market players. These broad partnerships may also lead to AMI integrating their learning with other types of support (e.g., funding and customer connections). AMI is keen to engage with investors, who might, for example, help fund learning for investees or encourage investees to build their skills and management capacity.

²⁸ AMI research

²⁹ Gamification is the use of game thinking and game mechanics in non-game contexts to engage users in solving problems. Gamification has been studied and applied in several domains, with some of the main purposes being to improve user engagement and timeliness.

Conclusion

AMI has developed an innovative learning delivery platform that caters specifically to the African context. By reimagining the content and format of training, AMI has provided access to thousands of impact enterprise managers who otherwise would not be able to receive this support to scale their enterprise and their impact. However, virtual training comes with innate challenges, namely engagement and retention. Without the immersive atmosphere of in-person trainings, managers may lose interest. AMI is cognizant of these challenges and is working on a number of initiatives to combat them. If AMI can succeed in engaging participants, they can empower untold numbers of African entrepreneurs.

Assistance for Capacity-Building and Technical Services (ACTS)

Shujog ACTS is an innovative approach to investment-readiness preparation for impact enterprises looking to raise capital. Unlike other accelerator programs that provide direct support around capital-raising efforts (e.g., training or mentorship on financial models and investor presentations), Shujog ACTS provides impact enterprises with capital to procure investment-readiness support from existing professional services providers. Impact enterprises repay the majority of this capital advance once they secure investment. The model allows impact enterprises to secure the investment-readiness support they need, but it does so by forcing them to engage in traditional market mechanisms, instead of providing the services for free through donor subsidies. Shujog hopes the structure of ACTS will encourage impact enterprises to “think like a business,” reducing their reliance on grants and donor funding, encouraging financial responsibility, and fostering the development of the broader impact investing market by enabling existing professional services providers to see impact enterprises as viable customers.

5

Summary of Organization

Shujog is a nonprofit organization based in Singapore whose mission is to strengthen, deepen, and expand the impact that impact enterprises deliver in poor and vulnerable communities. To carry out this mission, Shujog has three objectives: 1) Magnify the impact that impact enterprises and inclusive organizations have on their communities, 2) Scale the quantity of successful Asian impact enterprises entering the expansion stage, and 3) Broaden awareness of and interest in impact enterprises through sharing of best practices across continents.

To meet these objectives, Shujog implements a range of different initiatives throughout Asia to help build the impact enterprise ecosystem. These initiatives include the provision of impact assessment tools for enterprises (*Shujog Assessment*), advisory services that range from institutionalizing impact measurement to converting an organization into an impact enterprise, development of industry papers to explore gaps in the market (*Shujog Research*), and a series of courses for individuals and organizations seeking to understand their role in growing the impact-investing space (*Impact Academy*). In addition, Shujog regularly brings together industry stakeholders through large in-person forums and interactive monthly discussions. Further details on each of these initiatives and other programs can be found in Appendix 1.

Unique features of Shujog model

Shujog’s comprehensive suite of initiatives distinguishes it from other business-assistance programs. Shujog does not just focus on one aspect of impact enterprise support, but rather helps build an entire ecosystem of support. Shujog designs each individual initiative to complement its overall portfolio — programs such as Shujog Research and Impact Academy enhance knowledge within the space, while Shujog Assessment helps enterprises evaluate and strategically grow their impact. By supporting players and needs across the social finance ecosystem, Shujog ensures impact enterprises have the market support they need to be sustainable long term. It is one of the only organizations in the region that works with such a wide array of stakeholders in the space and implements as many programs to enable learning and capacity building in the field.

History of the organization

To date, more than 1.4 million underserved people have benefited from social value creation through Shujog's various programs. More than 3,700 impact-investing professionals have been introduced to the social finance space through education and training, and more than 230,000 people have been exposed to social enterprises and impact investing through Shujog's work.

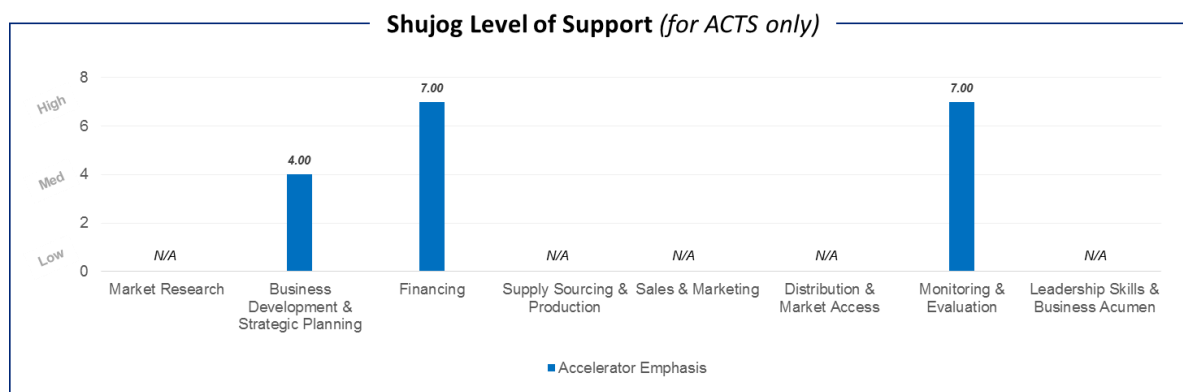
Overview of Shujog's New Innovation: Shujog ACTS

With support from The Rockefeller Foundation, Shujog launched its new *Assistance for Capacity-building and Technical Services* (ACTS) program. Shujog ACTS helps impact enterprises secure technical assistance to prepare for the capital-raising process. Oftentimes, enterprises are ill prepared for raising capital and do not obtain professional technical support because they either cannot pay or are unwilling or unable to offer equity. ACTS' unique model provides impact enterprises with up-front funding and connections to procure professional support for business plan development, financial modeling, impact assessment, and investor preparation. Impact enterprises repay the majority of this up-front funding once they raise capital.

The model not only allows impact enterprises to secure the investment-readiness support they need, but it does so by forcing them to engage in traditional market mechanisms, instead of providing the services for free through donor subsidies. Shujog hopes this structure will encourage impact enterprises to "think like a business," reducing their reliance on grants and donor funding, encouraging financial responsibility, and fostering the development of the broader impact investing market by enabling professional services providers to see impact enterprises as viable customers. By filling a unique gap in the market versus creating another comprehensive accelerator program, Shujog is better able to support the growth of the sector as a whole.

Description of model and support provided for various impact enterprise needs

ACTS purposefully focuses on enterprises' investment-readiness capabilities and does not seek to support other enterprise needs, such as sales, marketing, or distribution. This focus allows ACTS to complement — not compete with — Shujog's other initiatives and existing accelerator programs in the region. The table below shows Shujog ACTS' support for each of the eight scaling needs for impact enterprises.³⁰



Shujog screens potential ACTS enterprises using several criteria. They must work in a sector of interest for Shujog (agriculture, education, energy, health, or water), have a credible proof of

³⁰ This chart details the level of emphasis/focus that Shujog's ACTS program places on each of the eight needs impact enterprises face when scaling. Given that ACTS caters specifically to the investment-readiness process for impact enterprises, the program targets specific needs — business development and strategic planning, financing, and monitoring and evaluation — and does not address others. These focus areas reflect Shujog's belief in a need specifically for investment-readiness programs to complement existing programs that address the other scaling needs.

concept, and have evidence of or a clear trajectory towards a break-even point. They must also have a management team with the relevant skills and experience to inspire confidence in investors. Finally, Shujog looks for a basic business plan, financial model, and evidence of impact. While ACTS enhances these materials, the presence of basic versions suggests the enterprise is ready for investment.

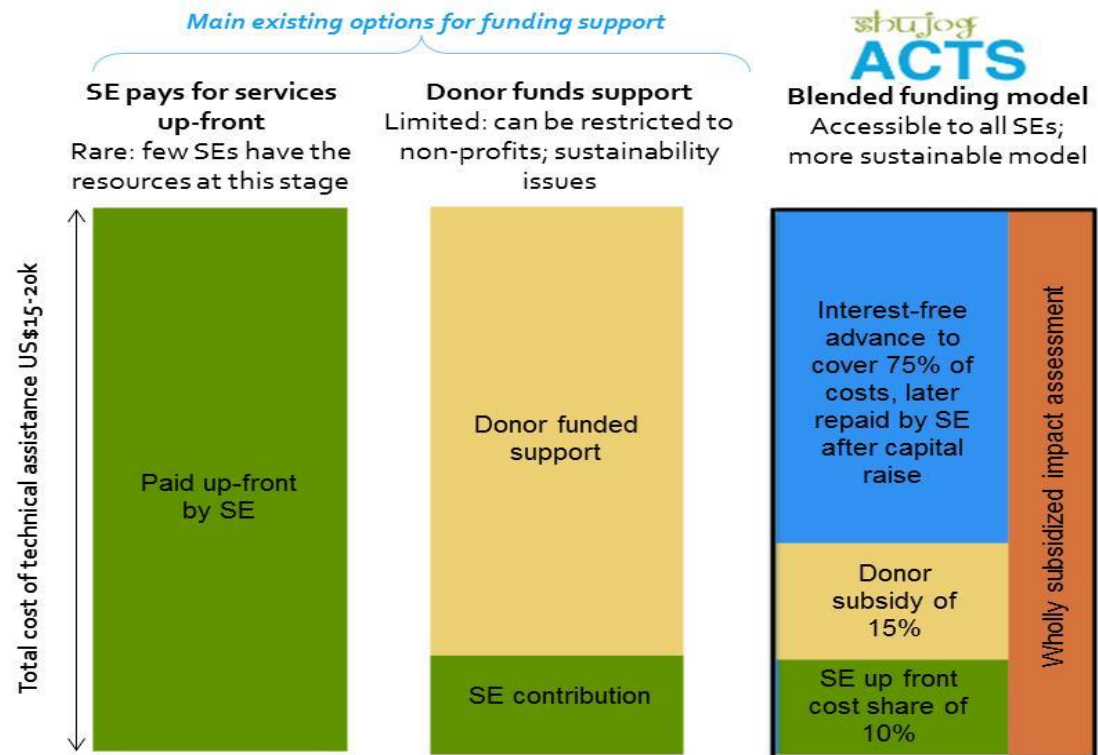
Once selected, Shujog conducts a needs assessment examining four basic aspects of each enterprise: business plan, financial model, social impact, and investor pitch materials. The assessment evaluates whether the enterprise is at a “Basic,” “Nearly Ready,” or “Investment Ready” stage for each aspect of the enterprise. Shujog then creates a road map for the enterprise, highlighting what is needed to achieve “Investment Ready” status in all aspects. Shujog also uses this assessment to identify an appropriate Technical Assistance Provider (TAP) that can provide the right type of support for the enterprise.

TAPs are specialist consultancies with strong expertise and networks across Asia that provide business development support to impact enterprises. Examples of these TAPs include Ennovent (an innovation accelerator in India) and DEVENCO (one of the first venture capital and investment consulting companies created in Cambodia). In preparation for capital raising, these TAPs work with enterprises to help with business plans, financial models, and other needs as identified by the assessment. In select circumstances, pro bono support from experts such as lawyers, marketing firms, or other specialized fields complements TAP support. Shujog liaises between the volunteer expert, the impact enterprise, and the TAP to scope out volunteer roles and then pairs selected impact enterprises with pro bono technical experts.

While receiving TAP support, enterprises also undergo an impact assessment, conducted by Shujog. Shujog aids each organization in determining their potential impact and key metrics to track. Shujog then provides pragmatic recommendations to help organizations maximize their impact on intended beneficiaries.

Providing funding for these professional services is a cornerstone of the ACTS offering. This funding comes through three to four different channels:

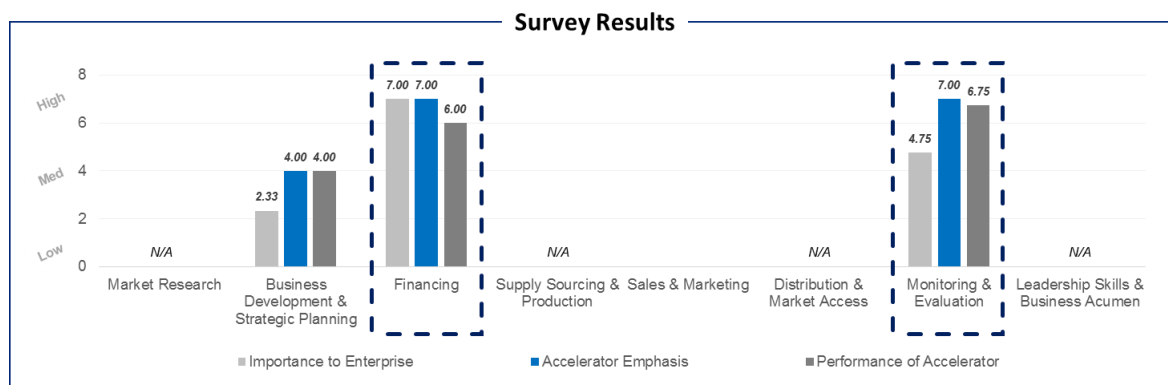
- 1) A working capital advance provided to the impact enterprise (~75% of total advisory cost).
- 2) A donor subsidy (~15% of total advisory cost).
- 3) Payment by impact enterprise itself (~10% of total advisory cost).
- 4) In certain cases — as highlighted above — pro bono support is also provided to augment the value of the program.

Exhibit 4: Typical Funding Models vs. ACTS Funding Model

Once impact enterprises succeed in raising capital, they repay the interest-free working capital advance. They repay this advance to the TAP, who then refunds Shujog. This reimbursable advance mechanism serves two critical purposes. First, it supports the sustainability of the program, minimizing the amount of grant funding used per enterprise whilst maximizing program reach. Shujog estimates that it allows support for 50% more impact enterprises than a purely subsidized model. Second, the mechanism encourages both enterprises and TAPs to think of social entrepreneurship in market-based, sustainable terms — a key component of building the strength of the entire social finance field.

Interim feedback on Shujog ACTS

Overall, initial feedback on the ACTS approach has been positive for the specific areas of support that the program provides. A brief survey of the first four participants in the program evaluated how ACTS performed across the different needs of impact enterprises.³¹ A total of 10 organizations will participate by the end of 2014.



How to interpret the survey results?

In this chart, there are three columns per scaling need. The first column (light grey) represents the relative importance of the scaling need, as assessed by the impact enterprises. The second column (blue) represents the importance of the scaling need, as assessed by the accelerator. The third column (dark grey) represents the impact enterprises' assessment of how well the accelerator addressed the particular scaling need.

All impact enterprise scores are calculated on a weighted average of responses.

Shujog designed ACTS to fill a gap in the current impact marketplace — the need for financing to support the investment-readiness process. As a result, ACTS focused on the needs related to raising capital — business development and strategic planning, financing, and monitoring and evaluation. Across these dimensions, Shujog aligns fairly well with the expectations of its impact enterprises. In the two areas where Shujog placed the highest level of emphasis — financing and monitoring and evaluation — impact enterprises evaluated Shujog quite positively.

Impact enterprises were also appreciative of the Impact Assessment provided by Shujog, with one respondent saying that *“we now have methods and tools to evaluate our impact. This is of course very important for both our mission and for future impact investors and funders. The Shujog report is an excellent educational tool for future investors/funders who may not be aware of impact of our products.”*

Operating model

Currently, Shujog ACTS fully relies on philanthropic capital and does not profit from the program. Repayment of each working capital advance is interest free. Given the lack of interest, philanthropic funding is not only used for the donor subsidy component of funding, but also to increase the overall pool of funds available for working capital advances. This thus increases the size and reach of the ACTS program. Philanthropic capital is also used to cover program management costs. As the ACTS program matures, Shujog may consider charging interest and

³¹ Monitor Deloitte analysis surfaced eight needs of scaling impact enterprises: market research, business development and strategic planning, financing, supply sourcing and production, sales and marketing, distribution and market access, monitoring and evaluation, and leadership skills and business acumen
* n = 4

becoming more of a “lender,” but the decision would depend on the resources needed to manage this program and the observed default rates for ACTS enterprises.

ACTS has one full-time program manager, one full-time support resource, and one adviser, who spends 20%-30% of her time advising the program. The program manager serves as the face of ACTS for potential TAPs, funders, and impact enterprises and creates and maintains those relationships. The rest of the ACTS program is supported by TAP practitioners who provide professional services to participating enterprises.

Critical Success Factors

Shujog highlighted the following factors as critical to the success and sustainability of the ACTS program.

Selecting the right TAPs for partnership ensures program quality

Perhaps the most critical element of the ACTS program is selecting the appropriate Technical Assistance Providers. Given that Shujog ACTS only provides certain tools (such as the impact assessment), but does not provide technical assistance itself, the program hinges on Shujog’s ability to identify capable and committed TAPs. Without TAPs who can adequately prepare impact enterprises for the investment process, ACTS collapses — enterprises remain underprepared, fail to raise capital, and thus cannot repay Shujog’s advance, hindering the further growth of the ACTS program and its ability to support the impact of other enterprises.

To participate, TAPs must be committed to the values and objectives of the program, have a proven track record of delivering investment-readiness support to social enterprises and small and medium enterprises in Asia, and be able to deliver the technical assistance for \$15,000 or less. Shujog prefers TAPs that have significant experience with enterprises either operated by or focused on women and an existing relationship or network with capital-raising platforms and impact funds in the region. These relationships with investors are key to ensuring the enterprises have the right connections to succeed in capital raising.

One challenge that ACTS faces in securing providers is underdeveloped TAP marketplaces in many Southeast Asian countries. While Shujog sees a strong TAP presence in India, markets are less developed elsewhere. This makes it difficult to identify TAPs and grow the ACTS program across the region. As a result, Shujog is working to expand their current networks and to identify and support emerging TAP markets as part of their overall portfolio of support for the wider social finance ecosystem.

A repayment model fosters the development of the entire social finance sector

The repayment model of ACTS is another key cornerstone of the program, designed to support the growth of the entire impact-investing sector. For impact enterprises, the model facilitates a perspective shift, where they become less dependent on grant funding and realize the importance of sustainable funding models as a means to scale. For TAPs, they begin to see impact enterprises as viable customers that can pay for professional services. By avoiding a pure subsidy model, ACTS serves as a catalyst within the impact-investing market — forging and fostering real business relationships. As more enterprises and intermediaries begin working together in traditional customer/seller relationships facilitated by ACTS, the space becomes increasingly self-sustaining.

One challenge with the model has been TAP concern about the repayment structure. Initially, some TAPs felt uncomfortable with the responsibility of collecting repayment from enterprises. Although they are simply the intermediary and pass the repayment back to Shujog ACTS, some

TAPs did not want to be “debt collectors.” As a result, Shujog developed two versions of the contract on repayment terms. One version has softer language around collection responsibilities to appease those TAPs who have greater concern around repayments (currently only one TAP), while the other contains more traditional terms.

Funding is also a challenge with this model. As highlighted above, Shujog relies on philanthropic capital for several components of the program. Although the working capital advances should be repaid, this philanthropic capital is still needed to cover nonpayments, the donor subsidy portion of the funding, and ongoing program costs. Given these constant needs, Shujog needs steady funding. The nature of philanthropic capital (where funders all have unique fiscal years and requirements for the type of initiatives they fund) can make it difficult to obtain this steady funding. As mentioned above, Shujog may consider taking on more of a lender role in the future, which would help support independent sustainability of the program.

Selecting impact enterprises at the right growth stage enhances the usefulness of ACTS

ACTS’ focus on the investment-readiness process makes it irrelevant or unhelpful for organizations that are not at the capital-raising stage. During initial programs, Shujog noticed that impact enterprises that still faced operational, distribution, or marketing challenges had difficulty with the ACTS process, as they were often distracted by needing to “put out fires” in their operations. As a result, Shujog targets only impact enterprises that are at the right growth stage and are prepared to receive investment.

To identify these organizations, Shujog leverages its screening criteria and works with accelerators and other organizations involved in the impact space throughout Asia to identify high-potential impact enterprises. Additionally, Shujog identifies promising enterprises involved in its other initiatives and has begun marketing directly to those enterprises. Marketing typically occurs at workshops and industry events hosted by Shujog and its partners, where Shujog discusses the capital-raising process with enterprises, the various factors that should be considered when evaluating whether they are ready for the investment-readiness process, and the ACTS program. In future, Shujog aims to build more formalized partnerships with accelerators who prepare enterprises for the capital-raising process.

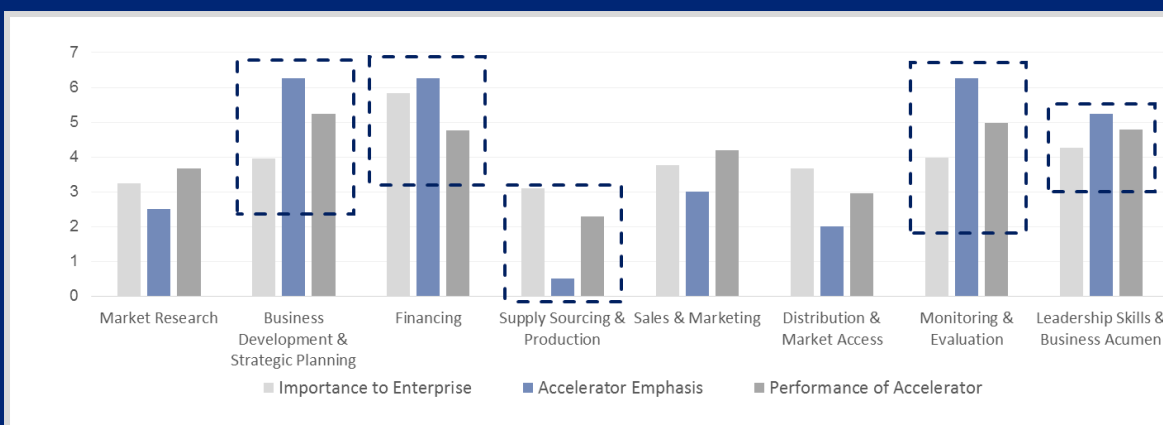
Conclusion

Shujog ACTS is an innovative program that fills a unique gap in the market and has the potential to not only scale impact enterprises, but also help build the wider impact investing ecosystem. Instead of simply creating a new technical assistance program, ACTS leverages existing programs and fixes the supply and demand gap by facilitating and funding enterprise interactions with these existing providers. Shujog ACTS is succeeding in raising awareness around the need for a sustainable technical assistance marketplace. This has been demonstrated by the interest in the program — TAPs are becoming more aware of the potential of impact enterprises to be sustainable customers and enterprises are beginning to understand why they need to repay financing. This awareness helps to build the sustainability of the market long term.

As of September 2014, Shujog ACTS had completed support for six impact enterprises — 50% of which had already attracted impact investment. While the enterprises remain in the final stages of negotiation, they have the collective potential to raise \$1.45M from impact investors. As Shujog expects the enterprises that have successfully raised capital to repay the advance, the reflow of funds will allow Shujog to redeploy funding back into the ACTS program to further support additional enterprises. It will take more time and a few additional cycles of the program to

determine whether significant numbers of impact enterprises are able to sufficiently scale and raise capital and thus repay ACTS, but initial progress is certainly promising. If enterprises are unsuccessful in raising capital, however, it may suggest that these enterprises need more support than currently available through ACTS' impact assessment training and technical assistance partners.

Summary Analysis of Survey Data



Looking at the aggregate survey results across all five grantees, a few observations are clear.³² First, The Rockefeller Foundation grantees spend the majority of their efforts focusing on a few impact enterprise needs, such as business development, investment readiness, monitoring and evaluation, and leadership skills. In these focus areas, impact enterprises generally rate the accelerators positively.

A key outlier is in financing support. Enterprises clearly identified this as their most crucial constraint and did not rate accelerators as highly here. In fact, many accelerators indicated that enterprises often came into programs with a single-minded focus on becoming “investment ready,” underestimating the importance of other aspects of accelerator support. In many cases, accelerators often needed to teach enterprises the value of trying to improve and refine their overall business model versus just focusing on financing.

This highlights an important part of an accelerator’s job: “truth telling.” Accelerators note that it is essential, yet sometimes difficult, to get enterprises to hear and heed their advice. Enterprises do not always want to learn and implement difficult lessons, but accelerators believe it is their responsibility to teach enterprises the value of these lessons in order to help them succeed. For example, Village Capital noted that some impact enterprises were initially very resistant to spending time on monitoring and evaluation of impact. However, Village Capital simply reframed this as a way for enterprises to accurately capture whether their business was successful, and entrepreneurs then became more open and favorable towards the lessons. Capturing these impact metrics long term will enable the enterprises to make better decisions on strategies that can help them reach their goals.

From the survey results, it is unclear whether impact accelerators would provide greater value to impact enterprises by also focusing on some of the more nuanced needs (e.g., sourcing and procurement), or whether, given the hyper-local characteristics of these needs, these are not topics where accelerators could give substantive support.

³² *n* = 43

Conclusion

Over the past year, Monitor Deloitte and The Rockefeller Foundation have analyzed the impact accelerator market by conducting secondary research, mapping the work of more than 160 accelerators, working in-depth with five accelerators, and talking with other stakeholders in the field. This project has led to qualitative lessons around what works in accelerating impact enterprises. Although there is certainly a need for more quantitative validation of these insights as the field continues to mature, the best practices, challenges, and innovations presented in this report reflect the leading thinking in impact acceleration today. They should resonate with both accelerators looking to enhance their own models as well as with researchers and funders seeking to understand the field. The lessons should also serve as a stepping stone in designing future accelerator interventions and overall market-making initiatives.

Collaboration Holds the Key to Market Evolution

As the market continues to mature, communication and collaboration would bring tremendous benefits. In particular, it would enable accelerators to identify and adopt the best practices suitable for their model and learn from the challenges and mistakes of others.

Collaboration would also help accelerators specialize and provide better support to enterprises. It is clear that enterprises have a broad spectrum of needs. Accelerators provide for all of these needs, but are acknowledging that customized support models focused on specific geographies, sectors, or life cycle stages of enterprises would be beneficial. Increased communication amongst accelerators will enable them to develop a unique value proposition amongst their peers and ultimately provide better support for specific niches of enterprises. Thus, collectively, accelerators can better provide for the needs of *all* impact enterprises.

Through conversations with stakeholders across the field, the following were identified as helpful next steps to increase the effectiveness of the impact acceleration space:

- Measure and share impact and performance data with other stakeholders — specifically researchers — in order gain a better quantitative understanding of best practices
- Codify choices within each of the best-practice buckets (e.g., what are the two or three options to screen enterprises) to enable quantitative analysis and specific, implementable guidance for accelerators
- Create an ecosystem map of accelerators, researchers, and funders; highlight each stakeholder's focus area in order to facilitate communication and specialization
- Develop formal collaboration & partnership mechanisms for accelerators, researchers, and funders to facilitate the sharing of best practices and to enhance the ability to “hand off” or “graduate” impact enterprises from one program to the next based on development needs
- Engage in more actionable networking by gathering stakeholders together around smaller topics and identifying and incentivizing ownership for various tasks

Closing Remarks

Through its work over the past year, The Rockefeller Foundation has focused on understanding effective and innovative acceleration practices. While insights from the sector landscaping and the grantees are highly promising, it will take additional time and data before conclusive, quantitative statements can be made in support of any one approach or another in terms of its effectiveness. Impact enterprises clearly have the potential to revolutionize how social and environmental problems are tackled, and with continued risk taking and innovation, coupled with detailed measurement and research, the sector will soon be able to definitively understand how best to support these enterprises. Social impact market makers and participants should absorb these lessons on best practices, innovations, and challenges as they seek to build this field further and positively impact poor and vulnerable populations.

Appendix 1:

List of Additional Shujog Programs

Shujog is a not-for-profit impact enterprise based in Singapore whose mission is to strengthen, deepen, and expand the impact that impact enterprises deliver in poor and vulnerable communities. To do this, Shujog works throughout Asia Pacific, implementing a range of initiatives to help build the impact enterprise ecosystem. Each initiative fits into one of three distinct objectives, as outlined below:

Objective 1:

Magnify the impact that IEs and inclusive organizations have on their communities

Shujog Assessment is a tool that gives pragmatic recommendations to help organizations maximize their impact on intended beneficiaries. It provides a framework for enterprises to determine which social and environmental metrics they should track, as well as what realistic impact projections and targets they could have (based on an enterprise's financial and business plan). Shujog Assessment then facilitates objective third-party verification of an organization's social and environmental impact.

Impact Mark is a public certification of high-impact enterprises. Shujog, as the third party, certifies high-performing enterprises that have a clear social or environmental mission, a framework in place to measure results, and evidence of impact. High performers in Shujog Assessment often qualify for Impact Mark certification. The certification gives enterprises public recognition and facilitates the decision process for investors.

Accredited Impact Assessors is an intensive training program that combines classroom learning with fieldwork to provide the skills and experience to independently conduct assessments using the Shujog methodology. Shujog accredits individuals upon successful completion of the course. Graduates build the ecosystem further by enabling enterprises and investors to better evaluate their impact.

Objective 2:

Scale the quantity of successful Asian impact enterprises entering the expansion stage

Advisory services provided by Shujog range from institutionalizing impact measurement to converting an organization into an impact enterprise.

Objective 3:

Broaden awareness of and interest in IEs through sharing of best practices across continents

Shujog Research prepares industry papers to explore gaps in the market and issues affecting the growth and sustainability of impact enterprises and impact investments.

Impact Academy is a series of courses for individuals and organizations seeking to understand their role in growing the impact enterprise and impact-investing space. Courses, which are between a half and full day, focus on a range of topics such as "An Introduction to Impact Investing," "The Importance of Impact Measurement," "How to Raise Capital," and "Building a Vibrant Ecosystem." The configuration of courses can be customized to meet specific learning needs and interests.

Impact Forum is the largest social finance gathering in Asia and is dedicated to connecting impact investors, enterprises, and ecosystem partners to share challenges, brainstorm solutions, and capitalize on opportunities.

Impact Chat is a monthly, interactive discussion with industry leaders and technical experts on ideas and trends in social entrepreneurship, social finance, and impact investing. Impact Chats are open to the public and are held throughout Asia.

Shujog and Impact Investment Exchange (IIX)

Shujog's sister organization is the IIX, whose mission is to provide impact enterprises in Asia with greater access to capital, allowing them to more rapidly expand the impact of their activities. IIX operates a platform to help impact enterprises access private impact investment capital through customized deals. It also operates Impact Exchange, the world's first social stock exchange, to allow larger impact enterprises to access public capital markets while also offering socially minded impact investors the opportunity to effectively direct their capital into liquid investments that align with their values.

Appendix 2:

List of Global Impact Accelerators

Sideas 88 mph Accelerating Appalachia Accion Venture Lab Afribiz Accelerator Agora Accelerator Alithea Capital Angels Initiatives Anzisha Prize Apna Aarsh Pakistan Artemisia Artha Venture Challenge Asian Social Enterprise Incubator (Philippines) B Lab Betaspring Bid Network Blue Ridge Foundation NYC Boston University Urban Business Accelerator Burundi Business Incubator Pre-Incubation Business Plan Support Capital Innovators CHANGE Accelerator Change Fusion Thailand Compass Partners CSIP Vietnam CTIC Dakar Dasra Social-Impact DreamIt Ventures Duke University Social Enterprise Accelerator Echoing Green Fellowship Emerge Venture Lab Endeavor Ennovent FATE Foundation Fledge Founder Institute Frontier Markets Ghana Multimedia Incubation Centre Global Accelerator Network Global Catalyst Initiative Global Social Benefit Institute GoodCompany Grassroots Business Fund Groundwork Labs GrowLab Growth Africa growth mosaic Growthhub HealthBox Heart Social Enterprise Accelerator Hired by Society	Hitachi Foundation Yoshiyama Young Entrepreneurs Program Hub Ventures Hult Accelerator iAccelerator Idea2Seed Incubation Program IFC SME Solutions Centre ihub iLab iLab Liberia Imagine H20 Prize Competition and Accelerator Imagine K12 Impact Amplifier Impact Engine Impact Space Indian Angel Network Inner City Advisors Innodiv Incubator Innovation Hub Insitor Management Intellectap Invest2Innovate iSpace James Lee Sorenson Global Impact Investing Center Joshua Ventures Kaplan EdTech Accelerator Karsim Khosla Labs Kinu Tanzania L5 Lagos Angel Network m: lab East Africa Make a Wave Pre-incubator programme Mara Foundation MassChallenge Matter Media Entrepreneurship Accelerator Meltwater Entrepreneurial School of Technology (MEST) Merrimack Valley Sandbox Milagrow Venture and Knowledge Solutions mlab Nailab National Collegiate Inventors and Innovators Alliance xAccelerator National Collegiate Investors and Innovators Alliance National Innovation Fund - Business Development Department NESsT New Profit Inc. New Ventures NewME Accelerator	Nextzon Enterprise Builders Nigeria Co-Creation Hub NYC Acre One Acre Fund Open Capital Advisors Orange African Social Venture Prize Outreach Accelerator Program Pacific Community Ventures Panzanee Pasha Social Innovation Fund Points of Light Civic Accelerator Points of Light Ventures in Residence Portland State University Social Innovation Incubator Praxis Accelerator Program Presentense Propeller Queen City Forward Raizcorp Reach for Change Reachup! reSET Rlabs RockHealth Root Capital Rural Technology Business Incubator Sara Dodds Enterprise Accelerator SBA Sbanj SE Hub Seed Spot Shujog SIDBI Innovation and Incubation Center - IIT Kanpur Sinapis Group Smiling World Accelerator Program SOCAP Impact Accelerator Social Innovation Camp Social Ventures Hong Kong Society for Technology and Action for Rural Advancement (TARA)	Spark Stanford (SEED) StartI Accelerator Start-up Hub StartUp! India StartX Accelerator Surf Incubator Sustainable Enterprise Hatchery Synapse Center Synergy Social Ventures Tata Social Enterprise Challenge Techno Vision The IVD The REAL Business Accelerator TREC STEP Tumml UnLtd Advantage UnLtd India UnLtd South Africa Unreasonable Institute Upaya Social Ventures Venia Business Hub Venture Center Venture Greenhouse Venture Nursery Village Capital Villgro Virtue Ventures Waste Ventures Wennovation Hub William James Foundation Women Change Makers World Bank CIC: Climate Innovation Centre Kenya Yunus Social Business/AfDB Zenzele Circle
--	---	--	---

Snapshot of Global Impact Accelerator Landscape

The following table provides a brief summary of the characteristics of the 165 accelerators that were analyzed as part of this project in 2013.

<i>Region</i>	Total Number of Accelerators	Average Years Active	Average Scale (per Year)	Average Length (Months)	Percent Tracking Impact
<i>Africa</i>	49	3.7	88.1	9.0	20%
<i>Asia</i>	36	5.8	31.4	8.3	17%
<i>Europe</i>	4	4.3	13.3	6.0	0%
<i>Global</i>	25	5.8	22.8	3.9	28%
<i>Latin America</i>	3	6.7	18.8	20.0	33%
<i>United States</i>	48	4.5	227.4	6.0	33%
<i>Total</i>	165	4.8	116.4	7.6	23%

**Not all accelerators surveyed could provide the necessary data. Therefore, averages are calculated on available data.*

Acknowledgements and Disclaimers

Contributors

The impact enterprise project was led by Saadia Madsjberg, C.D. Glin, Lorenzo Bernasconi, Amira Bliss, and Rehana Nathoo from The Rockefeller Foundation. Kurt Dassel, Rachna Saxena, Ben Funk, and Carolien de Bruin from the Monitor Deloitte team authored this report.

About The Rockefeller Foundation

For more than 100 years, The Rockefeller Foundation's mission has been to promote the well-being of humanity throughout the world. Today, The Rockefeller Foundation pursues this mission through dual goals: advancing inclusive economies that expand opportunities for more broadly shared prosperity, and building resilience by helping people, communities and institutions prepare for, withstand, and emerge stronger from acute shocks and chronic stresses. To achieve these goals, The Rockefeller Foundation works at the intersection of four focus areas – advance health, revalue ecosystems, secure livelihoods, and transform cities – to address the root causes of emerging challenges and create systemic change. Together with partners and grantees, The Rockefeller Foundation strives to catalyze and scale transformative innovations, create unlikely partnerships that span sectors, and take risks others cannot – or will not. To learn more, please visit www.rockefellerfoundation.org.

About Monitor Deloitte

Monitor Deloitte provides strategy consulting services to the world's leading corporations and social sector organizations, combining a rich heritage of leading-edge strategic thinking and innovation with deep experience in operations and implementation. Monitor Deloitte brings leading capabilities and high-quality service to clients, providing the insights they need to address their most complex business challenges in the areas of Corporate and Business Unit Strategy, Customer and Marketing, Strategy, Digital Strategy, Innovation, Pricing and Profitability Management, Social Impact Strategy, and Strategic Capabilities and Implementation.

Disclaimer

This report and the information contained herein has been prepared by Deloitte Consulting LLP solely for the purpose of dissemination of information. The reader shall not use this report for any other purpose and in particular shall not use the report in connection with the business decisions of any third party and for advisement purposes.

This report contains analyses that are intended to provide high-level information on the subject and are not an exhaustive treatment of the issues. The analyses contained in the report are limited by the study conducted, geographies surveyed, the time allocated, information made available to Deloitte Consulting LLP and are dependent on the assumptions specified in this report.

Deloitte Consulting LLP accepts no responsibility or liability to any party in respect of this report. It is not intended to be relied upon as a basis for any decision and the reader should take decisions only after seeking professional advice and after carrying out their own due diligence procedures, as well as detailed analysis to assist them in making informed decisions. This report is not and should not be construed in any way as giving any investment advice or any recommendations by Deloitte Consulting LLP to the reader or any other party. The reader shall be solely responsible for any and all decisions (including the implications thereof) made by them on the basis of this report.

This report has been prepared on the basis of information made available, obtained and collected by Deloitte Consulting LLP through surveys, primary research with individuals and organizations, and other secondary sources. The sources of any material, except that collected from primary sources, used in the report has been mentioned or cited herein. The information obtained and collected from the various primary and secondary sources has been used on an "as-is" basis without any independent verification by Deloitte Consulting LLP. Deloitte Consulting LLP shall not be responsible for any error or omissions, or for the results obtained from the use of this information and provides no assurance regarding the accuracy, timeliness, adequacy, comprehensiveness and/or completeness of such information and provides no warranty of any kind, express or implied, including, but not limited to warranties of performance and fitness for a particular purpose. Deloitte Consulting LLP shall not be liable for any losses and damages arising as a result of any inaccuracy or inadequacy or incompleteness of such information.

None of Deloitte Consulting LLP, Deloitte Touche Tohmatsu Limited, its member firms or their related entities (collectively, the "Deloitte Network") and other third parties involved with the preparation of this report shall be responsible for any loss whatsoever sustained by any person who relies on this material.

