Bertelsmann Stiftung (Hrsg.)

Skalierung sozialer Wirkung

Handbuch zu Strategien und Erfolgsfaktoren von Sozialunternehmen

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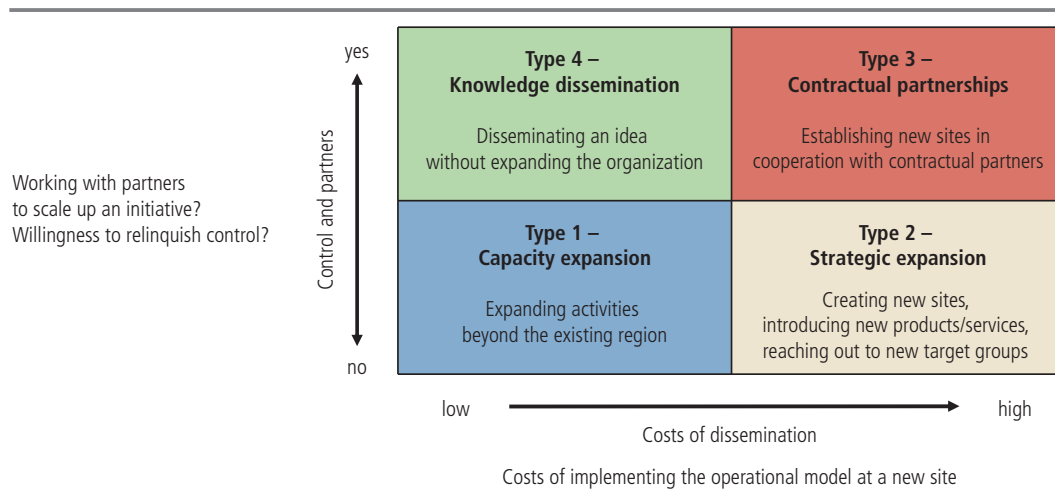Gerald Labitzke, Bertelsmann Stiftung

Executive Summary

"Social entrepreneurs," "social entrepreneurship," "hybrid organizations," "the new civic engagement" – these are buzzwords that we are hearing more often than ever in the media, the political arena and academia. A new kind of entrepreneurship is emerging. Entrepreneurs are setting new priorities, but without losing sight of traditional business principles, past experience and existing insights. Indeed, they are making good use of what has proved itself in the past, and putting it into a new framework.

All social enterprises share the goal of improving society and its existing structures and processes by finding new kinds of solutions to familiar problems. If that goal is to be achieved, however, those new solutions need to reach a certain number – a critical mass, as it were – of people who can benefit from them. The first step is to make new ideas known to a wider audience. In doing so, social enterprises may encounter varying degrees of difficulty, depending on the complexity of the issue and the respective target group. Encouraging emulation often requires adjustments to accommodate municipal ordinances, state-level legislation, requests from industrial partners or foundation requirements, for example.

This book was motivated by the observation that while many social enterprises want to, or feel pressure to, disseminate or *scale up* their innovations, they are often uncertain about how that process should be structured. Our goal is to provide solid scientific evidence to help such enterprises select the right *dissemination or scaling strategy*. Based on empirically identified *success factors* and a number of *case studies*, we have produced a guide to this process. It raises a number of essential questions, then answers them point by point to identify the most appropriate dissemination strategy. A particular focus is to show the limits of various strategies and possible stumbling blocks, as well as to outline ways to deal with such problems.

Looking at two essential success factors – control and partners – as well as the costs of dissemination, we have developed a four-part strategy matrix based on the four main scaling strategies: (1) *Capacity expansion* – Expanding activities beyond the existing region, (2) *Strategic expansion* – Creating new sites, introducing new products/services, reaching out to new target groups, (3) *Contractual partnerships* – Establishing new sites in cooperation with contractual partners, as well as (4) *Knowledge dissemination* – Disseminating an idea without expanding the enterprise itself.

Figure: Four-part strategy matrix

Working with partners to scale up an initiative? Willingness to relinquish control?

Control and partners — yes / no

Type 4 – Knowledge dissemination
Disseminating an idea without expanding the organization

Type 3 – Contractual partnerships
Establishing new sites in cooperation with contractual partners

Type 1 – Capacity expansion
Expanding activities beyond the existing region

Type 2 – Strategic expansion
Creating new sites, introducing new products/services, reaching out to new target groups

low — high
Costs of dissemination
Costs of implementing the operational model at a new site

The main findings of the study can be summarized as follows:

- *Operational model:* A sound and fully developed operational model is a fundamental requirement for scaling up a social enterprise.
- *Conviction/Identification:* The implementation of upscaling efforts is greatly facilitated by a clear commitment on the part of the originator of the idea, since it is crucial, from the very beginning, to develop structures and processes with a view to such essential factors as replicability, simplicity, standardizability, etc.
- *Management skills:* Management skills are extremely important for successful upscaling. An effect analysis early on is particularly crucial, since this is a way of legitimizing social enterprises.
- *Replicability:* Replicability is at the heart of scaling efforts, and absolutely essential. It pays off to focus clearly on the core of the operational model: the processes that truly create social value. Standardization and mechanization are helpful in achieving replicability.
- *Mobilizing necessary resources:* Strong partners in the spheres of industry, academia and politics, as well as non-governmental organizations (NGOs), can be very effective in the scaling process, thanks to the resources they have at their disposal. It clearly makes sense to involve these partners at an early stage so that the enterprise can concentrate on content during the initial growth phase, rather than facing a constant need to mobilize resources. NGOs, in particular, must be brought on board early on, so that they will not perceive the social enterprise as a threat and fall prey to the »not invented here« (NIH) syndrome. The main disadvantage of such cooperative arrangements is that the social enterprise may find itself dependent on a stronger partner, which may exert its influence on strategic development and/or threaten the enterprise's existence by withdrawing financial support.
- *Legitimacy and reputation:* Large industrial enterprises, foundations, NGOs, prominent patrons and other multipliers can not only raise the profile of social enterprises in the market, but also enhance their legitimacy and reputation. This provides new access to relevant resources such as funding, information, personnel and additional contacts, while also increasing demand among the target group for the products and services that are being offered.
- *Control and partners:* The more closely involved social enterprises are with their partners, the more willing the partners will be to invest in the relevant project. As the partnership intensifies, however, it is common for partners to (attempt to) take over control of certain activities, thereby reducing the influence of the social enterprise and its ability to make decisions. Accordingly, the right choice of a scaling strategy also depends on the degree to which the social entrepreneur is prepared to relinquish responsibility and accept a lower level of influence.
- *Costs of dissemination:* Any scaling process involves dissemination costs – but they vary widely depending on the selected scaling strategy. Such costs are a result of the complexity of the operational model, but they also stem from the need to adjust to changed contexts, new target groups, market conditions and product requirements. Some adjustments, while not absolutely necessary, may be made in order to encourage active participants or volunteers to remain loyal to the organization. In many cases, efforts to scale up an initiative are associated with substantial dissemination costs because of Germany's federal system.