10 Strategies for Scaling in Social Entrepreneurship

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Learning goals
Upon completing this chapter, you should be able to accomplish the following:

- Explain the difference between organizational growth and replication by others.
- Explain major scaling strategies and their distinctive features.
- Understand advantages and disadvantages of the scaling strategies.
- Recognize the perspective of social investors towards scaling.
- Explain implications of scaling and how hurdles could be overcome.

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10.1 Introduction

The concept of social entrepreneurship is getting a lot of attention from the business-, the educational-, and research field (Hoogendoorn, Pennings and Thurik, 2010). Several business schools have set up centers for education and research in the area of social entrepreneurship and many articles dealing with social entrepreneurship have been published within the last 10 years. However, there is not yet a common definition (Mair and Marti, 2006). According to chapter two of Huybrechts and Nicholls in this book, we define social entrepreneurs as individuals who try to solve a social problem with an entrepreneurial approach. The pursuit of a double bottom line with social and financial goals typically distinguishes social enterprises from for-profit enterprises and nonprofit organizations (Martin and Osberg, 2007).

Former US President Bill Clinton once said: "Nearly every problem has been solved by someone, somewhere. The challenge of the 21st century is to find out what works and scale it up." (quoted in Olson, 1994). Practitioners as well as researchers put high emphasis on the importance of scaling successful approaches of social enterprises (Bloom and Smith, 2010; Tracey and Jarvis, 2007). Funding organizations emphasize the entrepreneur's ability to scale his approach as a crucial selection criterion for investment decisions. Investors who provide equity or debt to social enterprises often demand scaling in order to guarantee refund of their resources. Sometimes, scaling successful approaches is even seen as an "obligation" of social enterprises in order to increase the number of beneficiaries and improve the social impact (Ahlert et al., 2008).

Scaling is defined according to Dees (2008) as "increasing the impact […] [of an approach] to better match the magnitude of the social need or problem it seeks to address". The definition of scaling already indicates that scaling of social enterprises does not correspond to growth of business enterprises. Whereas the former focus on expanding the impact for society, which is hardly measurable, the latter mainly focus on parameters like economic success or shareholder value (Uvin, 2000). Thus, scaling of social enterprises does not necessarily imply organizational growth, but includes replication of the approach by others as well. Furthermore, business enterprises benefit from increased revenues as well as decreasing costs per unit due to economies of scale when they are growing. In contrast, social enterprises often have limited possibilities to generate own income and mostly offer services that require big adaptations to local peculiarities and thus provide only minor possibilities for economies of scale. Another important distinction is that social enterprises rarely offer mainstream products or services like many business enterprises, but rather address niches. Thus, it is not possible to simply transfer growth strategies of business companies to scaling of social enterprises.

In the following, strategies for scaling of social enterprises will be outlined and promoting as well as inhibiting factors to scaling will be named. While addressing barriers to scaling, solutions are identified as well.

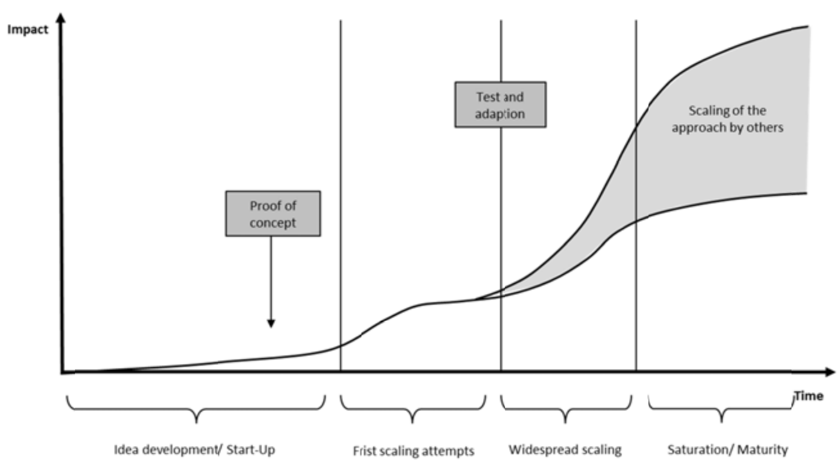
10.2 Theory on Scaling

In general, it is distinguished, whether a social organization is scaling deep, i.e., addressing more aspects of a single problem in order to provide a more holistic solution, or scaling wide, i.e., increasing the number of beneficiaries (Bloom and Chatterji, 2009). This chapter mainly focuses on scaling wide. However, most aspects can be transferred to scaling deep as well.

10.2.1 Prerequisites

Before scaling their approaches, social entrepreneurs have to consider several prerequisites. First of all, social enterprises should have identified a precise definition of their mission and their core values as well as developed an established business model (Dees, Anderson, and Wei-Skillern, 2004). Furthermore, there must be an objective evidence of success often referred to as "proof of concept" i.a. to emphasize the relevance of scaling in front of stakeholders and to obtain acceptance when targeting a new area (Roob and Bradach, 2009). If scaling takes place too early or too quickly and takes up too many resources of a social enterprise, there is a danger that advancing the enterprise's approach is sacrificed to maximize scale. Thus, it might be better to scale the approach to a limited extent in the first place. After a reevaluation, it might be scaled further. An illustrative lifecycle of a social enterprise that takes into account the considerations mentioned above, is presented in **Figure 10.1**.

Figure 10.1 Illustrative lifecycle of a social enterprise



Own illustration

The x-axis displays time and the y-axis the impact achieved. In order to measure the impact key performance indicators are defined. A common measure to express impact is number of beneficiaries. Certainly, the impact will not always increase as smoothly as illustrated in the figure, but may decrease at times due to reasons like economic condition or bad management. However, decreasing impact is neglected in the figure due to reasons of simplification. As will be shown in the following, scaling does not take place just within a single organization. Instead, organizations could collaborate with others and imitators may appear that further scale the approach. Replication of the approach by others is depicted in the grey area.

Besides strategy, organizational resources for scaling should be in place (Dees, Anderson, and Wei-Skillern, 2004). Resources include, for example, capital, managerial talent and local knowledge. Furthermore, the circumstances under which an approach should be applied have to be considered and it has to be determined whether the approach can be adapted to changing conditions and whether there is a clear social need as well as sufficient market potential. When an organization has proofed that its approach is ready to scale, the question of how to reach scale arises.

10.2.2 Scaling Strategies

Referring to Dees Anderson and Wei-Skillern (2004), we focus on dissemination, affiliation, and branching. Furthermore, franchising as a form of tight affiliation is mentioned.

10.2.2.1 Dissemination

Dissemination is comparable to the open source approach in IT. The founding organization makes its social innovation available by providing information and sometimes technical assistance to others interested in replicating the approach (Dees, Anderson, and Wei-Skillern, 2004). The main advantages are the speed of reaching scale and low costs and efforts. Furthermore, people adopting an approach of an existing organization to their region know local peculiarities and take them into account. A disadvantage lies in the lack of control mechanisms for the original organization regarding who replicates the approach and whether they preserve its quality (Ahlert et al., 2008). Open source approaches seem to be more appropriate for social enterprises than for business enterprises because social enterprises have the primary goal of increasing their social impact and thus focus mainly on value creation for society. In contrast, business enterprises seek to capture the value created using their approach and thus primarily strive for value appropriation of their owners (Santos, 2009). Common strategies for dissemination are publications (e.g., brochures, manuals, and public speeches), training, consulting and definition of standards sometimes in conjunction with accreditations.

Example of dissemination – Montessori Schools
The training methods of Montessori schools are an example for a dissemination strategy. Maria Montessori developed a concept for kindergartens and basic education that focuses on self-determined learning in the early 20th century. The approach quickly attracted interest from others. In order to give them the possibility to implement the approach, a book explaining the concept was published, trainings for teachers were offered and educational material was made accessible. Nowadays, the concept is applied in schools all over the world. **(www.montessori-ami.org)**

10.2.2.2 Affiliation

Affiliation is another type of scaling. It is defined as the collaboration of a parent organization with one or more partners who are responsible for the implementation of the approach in a specific area. The relationship is defined by an agreement between the parent organization and its partners. Agreements may have general or specific guidelines concerning areas such as the use of a common brand name, program content, funding responsibilities, and reporting requirements (Dees, Anderson, and Wei-Skillern, 2004). The relationship between both parties can range from loose cooperation between organizations sharing the same mission to strongly linked affiliate systems. In case of tighter systems, it is referred to social franchising. Affiliates normally benefit from network synergies. In comparison to dissemination, affiliation allows the parent to gain more control over its adopters. However, compared to dissemination, affiliation takes longer to establish, and needs more resources as well as more support from the originating organization. Since local partners are involved, affiliation also takes geographic peculiarities into account. Two common forms of affiliation of business enterprises are joint ventures and licensing. In a joint venture, two or more partners found a new company and share know-how, resources, and risks. Licensing refers to transferring rights like the right to use intellectual property to license holders.

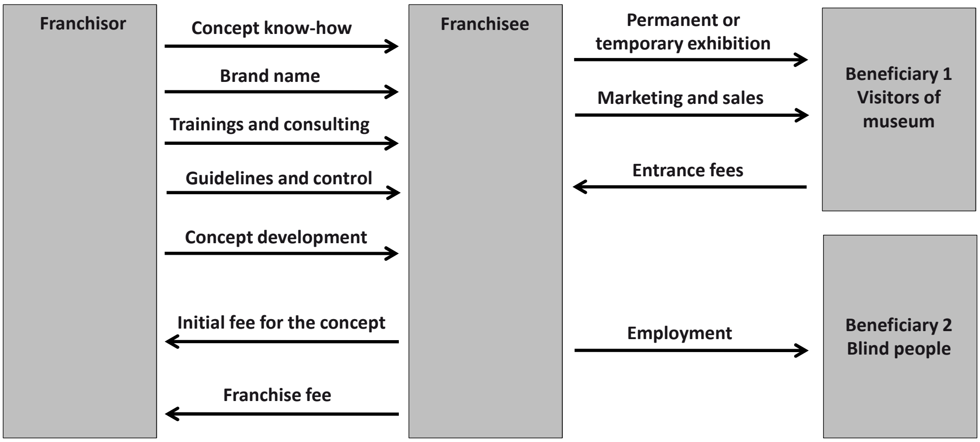
Example of affiliation – Parliamentwatch (German: abgeordnetenwatch)
Parliamentwatch offers a webpage where citizens can inform themselves about parliament members and ask them their questions. The aim of Parliamentwatch is to increase political transparency and participation of citizens in the democratic process. They have implemented their approach for most German parliaments as well as for German representatives in the EU parliament. In order to scale its approach across German borders, Parliamentwatch offers to partner with interested entrepreneurs or organizations. Parliamentwatch sets up the website for the partners, offers maintenance and gives partners access to their system. On exchange, partners pay a monthly license fee. Partners are free to operate under their own names and each partner adapts the approach to the political framework of its own country. In addition to technical services, Parliamentwatch offers a lot of information material. So far, partner organizations have been set up in Austria and Luxembourg. **(www.abgeordnetenwatch.de/international-248-0.html)**

10.2.2.3 Social Franchising

Social franchising is a very tight form of affiliation. Recently, it gained significant prominence in the social sector (Tracey and Jarvis, 2007). Franchising offers the possibility to adopt an already proven approach and to benefit from network synergies as well as systematic know-how transfers among franchisor and its franchisees. Similar to business franchises, social franchises allow a large number of units to operate under the same business model and brand name in different locations (Hackl, 2009). Within franchising systems, brand consistency is regarded as critical to mobilizing resources because consistent appearance of the individual units seems to facilitate the creation of reputation, trust as well as visibility of the brand (Ahlert et al., 2008). However, social entrepreneurs have to be aware of the threat of mission drift and reputational loss: If a franchisee presents himself in a way which contradicts the mission of the founding organization, the reputation of the organization as a whole can get damaged. Therefore, the franchisor has to select his franchisees carefully considering characteristics such as trustworthiness or allegiance. Furthermore, he should set up appropriate control mechanisms. However, this is a difficult balancing act because independence of franchisees is considered as an important aspect of social franchising (Ahlert et al., 2008). Compared to franchising of business enterprises, reporting and justification of the franchisees are often neglected in the early stages of social franchising. Furthermore, franchising of social enterprises is often not conducted as systematically as franchising of business enterprises and regulated approaches are often developed too late (Schöning, 2007). As social enterprises mostly offer services, it is often hard to define the value proposition for the franchisees besides brand name and initial know-how transfer.

Example of social franchising – Dialogue in the Dark
Dialogue in the Dark offers exhibitions where blind guides lead visitors in total darkness. After opening exhibitions and offering workshops in Germany, the founder, Andreas Heinecke, has scaled his approach via social franchising to over 30 countries. Within his model only basic standards are defined to ensure a quality level. The model is depicted in the following **Figure 10.2**. **(www.dialogue-in-the-dark.com)**

Figure 10.2 Franchising model of Dialogue in the Dark



Own illustration based on Hackl (2009)

10.2.2.4 Branching

Branching refers to the creation of local sites through one organization, similar to company owned stores, offices, or plants in the business world (Dees, Anderson, and Wei-Skillern, 2004). It represents the strategy in which scaling can be controlled best by the founding organization. Thus, branch structures are particularly convenient when successful implementation of the approach depends on tight quality control, specific practices and tacit knowledge (Dees, Anderson, and Wei-Skillern, 2004). A central coordination of all branches may help to build a recognized brand, exploit economies of scale, and transfer intangible assets such as culture (Dees, Anderson, and Wei-Skillern, 2004). However, there is the risk that the central organization focuses too much on coordination of its subsidiaries and thereby disregards the day-to-day running of its business leading to decreasing quality in service provision. High costs resulting from the need of more resources and slow progress in reaching scale denote further drawbacks. Additionally, it is difficult for a central organization to take local peculiarities into account as it mostly lacks local knowledge (Ahlert et al., 2008).

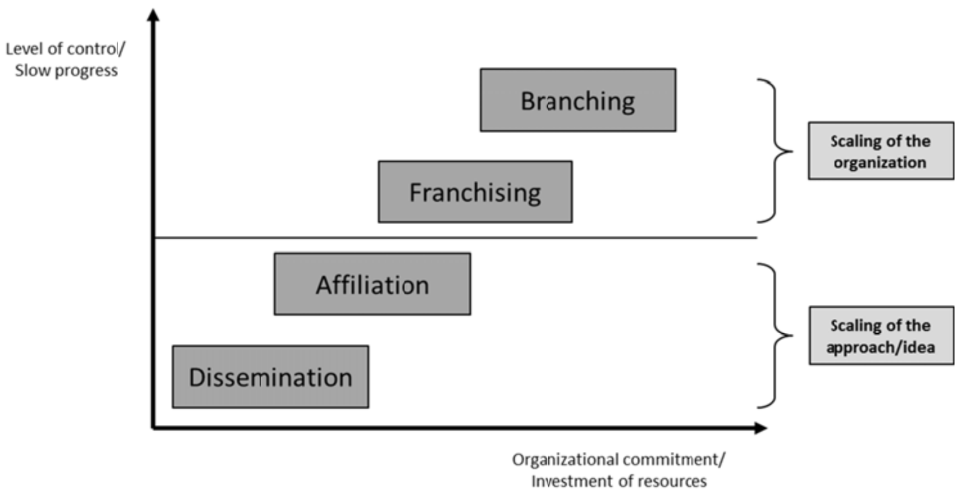
Example of branching – Ashoka

In 1980 Bill Drayton founded "Ashoka – Innovators for the Public" in the US. Ashoka supports leading social entrepreneurs by providing living stipends as well as non-financial support and helps to build an infrastructure for social enterprises. Nowadays, Ashoka is represented in over 60 countries worldwide. All subsidiaries of Ashoka pursue the same mission of promoting positive social change. Ashoka has managed to provide high quality services and build up strong networks in all countries where it is represented. The ultimate decision-making power over the selection of leading social entrepreneurs resides by an international board in order to guarantee that the standards of Ashoka are maintained by every subsidiary. **(www.ashoka.org)**

10.2.3 Choosing the Appropriate Scaling Strategy

Social entrepreneurs have to consider several aspects, before deciding which strategy to apply. Generally, there are strategies with rather tight or loose control of scaling. Furthermore, the resources required for a specific strategy have to be considered. The approaches can be classified according to the framework depicted in **Figure 10.3**.

Figure 10.3 Scaling Strategies of Social Enterprises



Own illustration based on Ahlert et al. (2008)

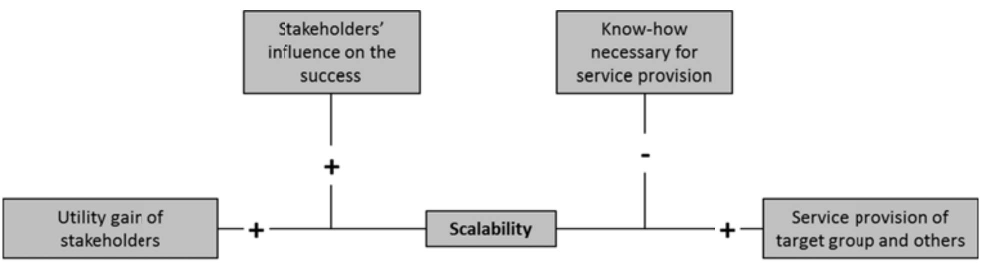
While dissemination and loose affiliation require lower commitment and may scale an approach more quickly, these benefits are only of value if the approach is spread in a form that guarantees the required quality standard. In some cases, greater coordination and slower scaling via branching might be desirable to assure high quality despite the high costs that branching brings along (Dees, Anderson, and Wei-Skillern, 2004).

Branching has been applied frequently by business enterprises and is therefore well-known and researched. In contrast, there is not much knowledge on dissemination strategies (Waitzer and Paul, 2011). Previous studies have shown that social enterprises tend to use dissemination or affiliation strategies instead of branching due to the increasing organizational complexity and the high funding requirements that branching induces (Waitzer and Paul, 2011). Often, different scaling strategies are combined to reach the full scaling potential of an approach.

10.2.4 Scalability from the Perspective of Investors

Achleitner and Heister (2009) investigated the assessment of scalability of social enterprises by social investors. According to their framework, scalability is positively influenced by the utility perceived by stakeholders. The utility gain of stakeholders has an even greater influence on scalability, when stakeholders have possibilities to influence the success of a social enterprise. In fact, it has been shown that ideas spread more quickly when recognition for their success is shared (Waitzer and Paul, 2011). Another factor positively related to scalability is the percentage of service provided by the target group and other persons not working for the social enterprise. By empowering stakeholders to take part in the service provision process of a social enterprise, dependence on the founding organization is decreased and thereby transferability is increased. Thus, beneficiaries and other stakeholders should be integrated into the service provision process of a social enterprise and thereby be transformed into co-creators (Waitzer and Paul, 2011). Others have fewer possibilities to participate in the service provision process if a great amount of know-how is required. Thus, the factor "service provision of target group and others" is negatively moderated by the knowledge necessary for service provision (Achleitner and Heister, 2009). Figure 4 depicts the relations.

Figure 10.4 Factors influencing scalability

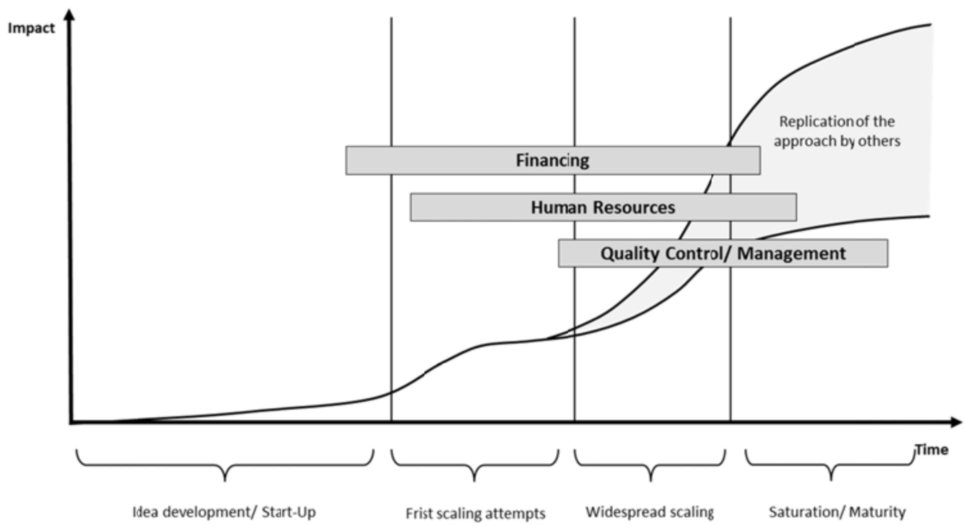


Own illustration based on Achleitner and Heister (2009)

10.3 Implications of Scaling: Barriers and Solutions

In the past, scaling of social enterprises took place quite slowly and seemed cumbersome due to barriers like financial and human resource mobilization (Hoogendoorn, Zwan, and Thurik, 2011). Hoogendorn, Zwan and Thurik (2011) even talk about social enterprises as start-up phenomena that rarely overcome the start-up stage. In the following, barriers to scaling are named and categorized into managerial factors relating to quality control and factors relating to human resources and financing. Potential solutions are also identified. Figure 5 shows the barriers integrated into the lifecycle of a social enterprise. While financing seems to be scarce all the time, it especially constitutes a problem after the initial start-up phase till maturity. Funders either provide low amounts, only sufficient for surviving during early start-up, or make deals that are not suited the financing needs of scaling activities because the deals are, e.g., too large or contractual agreements do not fit scaling (Milligan and Schöning, 2011). Other barriers relate to human resources of a social enterprise because new staff with relevant management skills is often hard to find. Quality control becomes important when others replicate an approach of a social enterprise. See **Figure 10.5**.

Figure 10.5 Hurdles within the lifecycle



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10.3.1 Financing

Social enterprises have a wide range of funding possibilities that even go beyond traditional sources and instruments of business enterprises or conventional nonprofit organizations (see *Financing of Social Entrepreneurship* in this book). Venture philanthropy funds e.g., apply principles of venture capital to the funding of social enterprises. Despite the various possibilities, access to finance is still perceived as a strong barrier to scaling (Hoogendoorn, Zwan, and Thurik, 2011).

10.3.1.1 Internal Financing

Concerning internal financing, social enterprises have the possibility to charge fees for their services. Fees are either paid by beneficiaries, by third parties, or by public authorities. Beneficiaries are often not able to pay for the service they receive (Glaeser and Shleifer, 2001). Furthermore, public funding imposes high liabilities on social enterprises and governments are often not prepared to cater the specific funding needs of social enterprises.

In order to solve the problems concerning internal financing, social enterprises could try to generate additional revenue streams, e.g., by selling merchandising products. Furthermore, governments should develop funding programs taking into account the specific characteristics of social enterprises. Governments could strengthen market mechanisms, especially competition, in the social sector by regularly inviting tenders to apply for funding and linking funding to the impact achieved. The government of Australia already allocates funds to social enterprises by giving out licenses for addressing problems that were formerly handled by governmental organizations. Those licenses are reallocated regularly (Obermüller, 2009).

10.3.1.2 External Financing

External financing possibilities of social enterprises include grants, equity, debt, mezzanine capital and hybrid capital (see *Financing of Social Entrepreneurship* in this book). It is difficult to obtain external financing for scaling activities because foundations and other investors like to see themselves as "social change agents" and therefore primarily fund new and innovative projects instead of scaling processes (Ahlert et al., 2008; Sharir and Lerner, 2006). Classical for-profit investors mostly retain from funding social enterprises as the legal form of social enterprises often restricts profit distribution and they mostly do not have the necessary know-how to fund social enterprises. Furthermore, social enterprises often lack knowledge about financing options for their venture and therefore do not address social investors properly.

In order to attract more investors to finance scaling of social enterprises, governments could set up programs that take on the risks related to financing social enterprises. Such programs include co-investments, guarantees or underwriting of loans. Experiences of Venturesome, a social investment fund, suggest that giving out guarantees for social enterprises actually requires only small amounts of money as the funds go undrawn in 90% of the cases (Venturesome, 2009). More information on external financing is also given in the chapter "*Financing of Social Entrepreneurship*" within this book. Furthermore, financial education of social entrepreneurs needs to be enhanced. A very good first step constitutes the Social Investment Manual (Achleitner et al., 2011).

10.3.2 Human Resources

Concerning human resources of a social enterprise, the founder and his team have to be considered. The founder is treated separately because practitioners as well as researchers put high emphasis on the founding entrepreneur. The social innovation school of thought observes the individual when researching social entrepreneurship (Hoogendoorn, Pennings, and Thurik, 2010) and awards are mostly granted to innovators instead of innovations (see Ashoka, Schwab Foundation for Social Entrepreneurship and Skoll Foundation). Sharir and Lerner (2006) even state that a founder's resignation is likely to induce a collapse of a social enterprise.

10.3.2.1 Founder Level

The founder often seems to be the bottleneck in times of scaling due to several reasons. First, a single person cannot be at every location at every time and thus needs to delegate a great amount of his work. However, social entrepreneurs are quite reluctant to give up control (Waitzer and Paul, 2011). Second, social entrepreneurs rarely possess all skills necessary for scaling. Often a lack of management capabilities poses a challenge. Limited creativity in adapting business models, e.g., often results in small income from revenue streams, another inhibiting factor. Third, the personality of the social entrepreneur might not fit scaling and social entrepreneurs often get frustrated during scaling (Dees, 2008) because their tasks change. During start-up, social entrepreneurs fulfill operational tasks that include working directly with the target group as well as strategic tasks, their work during scaling is mainly concerned with strategic purposes and includes governance of their organizations in large part. Additionally, social entrepreneurs have no incentive to become managers of large organizations when they only get paid a fraction of the salary of traditional managers. The problem of overreliance on a single person is especially relevant when thinking about succession.

Instead of transforming social entrepreneurs into managers of large organizations, it might be a good idea to replace the founder by a more appropriate manager when an organization gets too big to handle for the founder. Replacing the founder would free him up for new developments. The public, especially funding organizations and the research field, need to stop focusing on a single person and instead emphasize the importance of a team that possesses all relevant skills. If skills are missing, investors could demand a completion of the team as a prerequisite for their investment. Additionally, social entrepreneurs need professional coaching to disseminate their approaches. A central question is, how social entrepreneurs can learn to let others take over their approach (Waitzer and Paul, 2011). Social entrepreneurs need to be aware that they are inhibiting creative initiatives of replicators if they are acting in a way that is too self-absorbed (Bloom and Chatterji, 2009). In order to survive over the long term, succession plans have to be developed early on. Succession plans are of high relevance because social entrepreneurs are more often found in higher age categories than business entrepreneurs (Hoogendoorn, Zwan, and Thurik, 2011).

10.3.2.2 Staff Level

Concerning the team, social enterprises work with employed staff and volunteers. It is often assumed that staff and volunteers in the social sector have a high intrinsic motivation that compensates for low salaries (Mirvis and Hackett, 1983). In the beginning, social entrepreneurs are sometimes supported by their friends and family. In order to scale an approach, it is not a good strategy to rely strongly on intrinsic motivation and the help of family and friends. It is questionable, whether the team that enabled a social enterprise to reach its current level is appropriate for scaling because the former staff is often not prepared and motivated to fulfill management tasks that scaling brings along (Waitzer and Paul, 2011). Furthermore, the team is often unsatisfied with scaling because the working climate changes and more emphasis is put on efficiency instead of soft factors like visible outcome of their own work. However, when those people are alienated, a part of the spirit of the organization gets lost. New talented and capable staff members are difficult to attract because they often have no motivation to work in the social sector as salaries and prestige are low. Furthermore, it is hard to find persons with a mindset appropriate to the value proposition of social enterprises: focusing on the social value but also keeping in mind financial sustainability. The goal structure should be aligned in order to minimize agency conflicts.

Incentives to work for a social enterprise should be created in order to attract skilled personnel. Solutions might include forms of extrinsic motivation like recognition. Once people experience the endowment with meaning when working for a social enterprise, they might develop intrinsic motivation of their own. In order to motivate young people, governments could incorporate working at a social enterprise within programs like voluntary year of social services. Furthermore, topics related to social entrepreneurship should be included in management education like MBA programs to increase the awareness of such topics among students (Pirson and Bloom, 2011). For experienced management consultants, the possibility of a social leave could be set up, similar to a PhD- or MBA-leave. After the leave, the employees have the possibility to get back into their prior career. Thereby, experienced consultants could overcome the fear of stepping backwards in their career when working for a social enterprise. Similar programs could be structured by non-consulting companies in order to lend experienced managers to social enterprises for a limited amount of time. A good example is the I-Cats program of LGT Venture Philanthropy which offers scholarships for managers supporting selected social enterprises (http://www.icatsprogram.com/). The same could be done for outplacement of elder employees. Furthermore, pro bono services like free consulting or legal advice will always be important and should be promoted in corporate volunteering programs in order to assign volunteers based on their expertise.

10.3.3 Quality Control and Management

Social entrepreneurs need to have a clear strategy in order to scale successfully. However, social entrepreneurs often do not advance their scaling systematically but rather act arbitrary, seizing opportunities when they seem convenient. In order to avoid misuse of their approach, quality checks need to be in place. However, social enterprises face several challenges concerning a controlled scaling of their approaches.

10.3.3.1 Difficulties Concerning Quality Management

Controlling the replication of an approach is difficult because transparency is low and measures for social performance are limited (Achleitner et al., 2009; Austin, Stevenson, and Wei-Skillern, 2006). Furthermore, it is often not possible for social enterprises to apply for a patent in order to protect their approach from misuse because social entrepreneurs mostly offer services not suited for patents. Additionally, it is hard to judge whether adopters are serious about implementing an approach. In contrast to adopters of business models, adopters in the social sector often do not have to provide start-up-capital, because the initial costs are covered by someone else like a franchisor or a donor (Ahlert et al., 2008). Thus, adopters might behave opportunistically and their motivation to stick to the rules might be lower because there is no danger of capital loss (Ahlert et al., 2008). In case of the misuse of an approach, social entrepreneurs often have no possibility to sanction such behavior as there are mostly no contractual agreements that would enable them to enforce such an action.

10.3.3.2 Approaches to Ensure Quality

To overcome the problem of lack of transparency, performance indicators used by social enterprises should be gathered and consolidated to set up a pool of consistent measures. Programs like Social Reporting Standard (http://social-reporting-standard.de/) or Impact Reporting Investment Standards (http://iris.thegiin.org/) are already addressing this shortcoming. However, those programs need to be spread more in order to accomplish higher consistency and transparency. Instead of applying for patents, social enterprises could at least protect their trademark to avoid misuse or dilution of their brand name. Further possibilities to protect approaches of social enterprises include auditing, certifications, licensing fees, or setting up umbrella organizations that charge fees for membership. Fees induce that only persons that are serious about implementation join because misconduct would lead to exclusion (Gugerty, 2009). Furthermore, social entrepreneurs need coaching on how to evaluate concepts like empathy, trust, credibility, solidarity or endurance in order to assess adopters. Organizations like Ashoka might advise social entrepreneurs on the evaluation of adopters because their selection process takes into account such criteria.

10.4 Outlook

Considering barriers related to resource mobilization, it might be a good strategy for social entrepreneurs to partner with organizations that can provide the necessary infrastructure: After a social entrepreneur developed an idea, got it ready for the market and scaled it to a limited extent, he could partner with existing nonprofit organizations that possess the infrastructure and overhead needed to further scale his approach. By delegating a great amount of his responsibilities, a social entrepreneur would have time to develop new ideas. Thereby, social entrepreneurs would be turned into research and development facilities of larger organizations. Alliances of social entrepreneurs with larger organizations have previously been described as alliances of bees and tress (Mulgan et al., 2006). By partnering with well-known organizations, the viability of a social enterprise is increased. Furthermore, it is unlikely that well-known organizations misuse an approach as they would risk damaging their entire reputation. However, large organizations are often perceived as rigid and detrimental to innovations. So far, social entrepreneurs seem to be quite reluctant to cooperating with others in the sector.

Example for cooperation with nonprofit organization: Childline and Unicef
Childline, founded in 1986, offers a free and confidential hotline for children and young people in the UK. In order to scale its approach, Childline began to cooperate with Unicef in 2007. Childline gave Unicef the right to promote its service internationally using the concept as well as the name of Childline. In case of misuse of their concept, Childline pertains the possibility to withdraw these rights from Unicef. With the help and funding of Unicef, Childline has reached further countries such as Malaysia, India and Trinidad and Tobago. **(www.childline.org.uk)**

It is also conceivable that social entrepreneurs partner with business enterprises. However, the risk of a mission drift has to be kept in mind when partnering with for-profit organizations.

Example for cooperation with business enterprise: Grameen and Danone
Grameen and Danone entered a joint venture in 2006 to produce and distribute yogurts for children to fight malnutrition and provide employment possibilities in Bangladesh. Via this cooperation, Danone's expertise in health foods as well as financing was brought together with Grameen's market knowledge.
(www.danone.com/en/what-s-new/focus-4.html)

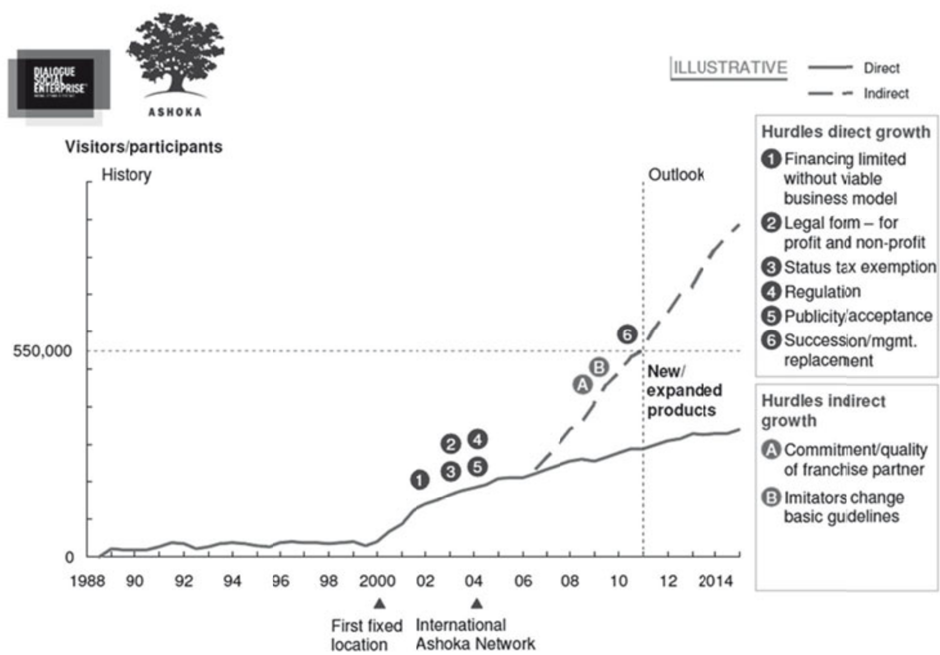
Sometimes, a social enterprise's approach is not suited for wide scaling. A reason might be that the approach does not work under changing conditions. In that case, social entrepreneurs should rather stick to their region and scale deep by reducing the problem's negative impact more dramatically and increasing the quality of their services.

Example for scaling deep: Iq consult
Iq consult, founded in 1994, initially just provided job training for unemployed and disadvantaged people in Berlin, Germany. Until today, iq consult has not spread widely or been replicated elsewhere. Instead, iq consult has expanded its impact by extending its program. Nowadays, iq consult provides training, mentoring as well as funding to long-term unemployed people who aim to become self-employed. Furthermore, Norbert Kunz, the founder, seeks to sensitize private and public decision makers for the topic of supporting long-term unemployed people and thereby indirectly widens its impact by targeting a system change.
(www.iq-consult.com)

10.5 Case Study

Andreas Heinecke has founded “Dialogue in the Dark” in 1988. He is a senior Ashoka Fellow and has been honored by the Schwab Foundation as an outstanding social entrepreneur. For a description of Dialogue Social Enterprise (DSE) please see the case study in the chapter *Financing of Social Entrepreneurship* and *Collaboration and Partnerships* in this book. As described beforehand, DSE applies franchising to scale its concept of Dialogue in the Dark. Together with Ashoka, the founder, Andreas Heinecke, identified hurdles to scaling that DSE was facing. The hurdles are presented in the following **Figure 10.6**.

Figure 10.6 Lifecycle of Dialogue Social Enterprise



Own illustration based on Ashoka

In addition to scaling the exhibitions via franchising, DSE also scaled deep. Business workshops for teams and leaders were developed and are now conducted in Germany together with Allianz Global Investors[21]. Furthermore, DSE expanded by offering exhibitions and workshops on non-verbal communication (called Dialogue in Silence).

21 For more information please see: http://dialogue.allianzgi.com/en/Pages/default.aspx

Questions:

1. What are the advantages and disadvantages of the chosen scaling strategy?
2. What is the value proposition for the franchisees of Dialogue Social Enterprise?
3. What can be solutions to tackle the hurdles shown in Figure 10.6?
4. What would be your advice for further scaling the approach of DSE?

10.6 Further Reading

[1] Ahlert, D., Ahlert, M., Duon Dinh, H.V., Fleisch, H., Heußler, T., Kilee, L. and Meuter, J. (2008), *Social Franchising: A Way of Systematic Replication to Increase Social Impact*, Bundesverband Deutscher Stiftungen, Berlin.

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