Scaling Impact Enterprises through Innovative Platforms

GIIN Investor Forum

October 10, 2013
Why this Initiative?
### Background to This Initiative

**Rockefeller Foundation believes Impact Enterprises** - enterprises that intentionally seek to grow to sustain financial viability, realize increasing social impact, and influence the broader system in which they operate - are a promising means of addressing social issues and the wider challenges affecting the poor and/or vulnerable.

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Our Initiative</th>
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<tbody>
<tr>
<td>Impact investors observe there are too few investable impact enterprises in the world</td>
<td>The Rockefeller Foundation seeks to identify and support innovative acceleration solutions to help social enterprises achieve scale</td>
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<tr>
<td>Today, limited insight exists into what it takes to build impact enterprises that are ‘investor ready’ and operate at scale</td>
<td>As part of this initiative, we aim to …</td>
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</table>

- Conduct research to understand current best practices and promising innovative practices
- Encourage experimentation by funding innovative acceleration models across North America, Sub-Saharan Africa, and Asia
- Deepen our understanding of what works (and what doesn’t) with recipients of our grant funds and the field
The Challenge: A Lack of Investable Impact Enterprises

Average Range of Individual Investment Commitment into Private Equity, by Asset Owner (Globally), 2012

- Public Pension Fund: $15,361
- Asset Manager: $49,591
- Private Pension Sector Fund: $6,043
- Insurance Company: $54,108
- Family Office Multi: $3,040
- Family Office Single: $2,177
- Foundation: $833
- Endowment Plan: $980

Range of investments that impact investment funds typically seek (US$ 3.5-12 million)

Note: Sovereign Wealth Funds (SWFs) average allocation range to Private Equity ranges from US$46 - $116 million (but n= 10, so was excluded from the analysis). Analysis assumes that impact investment funds seek between 3 – 10 percent of fund size.

Source: Prequin, Deloitte Analysis; World Economic Forum From the Margins to the Mainstream, 2013
This Initiative: Supporting Innovative Acceleration Models

**Impact Enterprises**

are a promising means to address the challenges facing the poor and vulnerable, but often lack the scale to have significant impact.

**Impact Investors**

seek to support impact enterprises while generating financial returns, but often struggle to find investable impact enterprises.

**Acceleration Models**

form a meaningful way for bridging the ‘supply and demand gap’ that exists in the market today.
### Acceleration Models

form a meaningful way for bridging the ‘supply and demand gap’ that exists in the market today

### This Initiative: Why Accelerators

This initiative is focused on supporting innovative acceleration models given the existence of …

<table>
<thead>
<tr>
<th>Early ‘Proof of Concept’</th>
<th>Innovation &amp; Impact Potential</th>
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<tbody>
<tr>
<td><strong>Investors &amp; Impact Enterprises see value in accelerators</strong></td>
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<td>– A recent survey by I-Dev revealed that 2 of 3 investors believed that accelerators save time and money in deal origination or due diligence</td>
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<tr>
<td>– Nearly 90% of enterprises surveyed saw value in accelerators and 36% indicated having improved their business model as a result</td>
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<tr>
<td><strong>Investors are increasingly turning to accelerators for support</strong></td>
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<tr>
<td>– According to research by Village Capital and I-Dev, up to 50% of investors in their studies have used an accelerator to source a deal</td>
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<tr>
<td><strong>Impact Enterprises require a range of assets and capabilities to scale</strong></td>
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<tr>
<td>– E.g., Market research, strategy development, financing, sales and marketing, distribution</td>
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<tr>
<td><strong>Acceleration models typically address multiple needs, unlike some other intermediary models</strong></td>
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<tr>
<td>– E.g., Innovation challenge funds and impact investors only help with financing needs, while ‘leadership intermediaries’ primarily provide leadership and business skill support</td>
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<tr>
<td><strong>The multi-faceted nature of acceleration models signals significant innovation and learning as well as impact potential</strong></td>
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</table>
Research Findings

innocuous
innocuous
mushrooms
deadly.

innovation
innovation

An innovation is a new introduction of doing something.
Overview of Research Agenda

**Challenges**

*Identify the challenges impact enterprises face when seeking to scale*

**Accelerator Support**

*Identify the typical services accelerators provide to address these challenges and how these differ across regions*

**Innovation**

*Identify and learn from promising innovations in accelerator support that can address challenges and scale impact enterprises*
## Research Methodology

### Primary Research

- **20+ interviews were conducted with various stakeholders in the field**
  - Accelerators (e.g., Village Capital, NESsT)
  - Investors (e.g., Bridges Ventures)
  - Funders (e.g., Hitachi Foundation)
  - System Players (e.g., Global Accelerator Network, Impact IQ, Emory University, ANDE)

- **Typical Questions**
  - Challenges facing impact enterprises
  - Accelerator best practices
  - Innovative practices
  - Gaps in the market

### Secondary Research

- **Mapping of 150+ accelerators in the US, SSA, and Asia**
  - Description of organization
  - Program inception date
  - Length of program
  - Scale of program
  - Impact of program
  - Lifecycle or Industry Focus of program
Challenges Facing Impact Enterprises as they Scale

Challenges

*Identify the challenges impact enterprises face when seeking to scale*

Accelerator Support

*Identify the typical services accelerators provide to address these challenges and how these differ across regions*

Innovation

*Identify and learn from promising innovations in accelerator support that can address challenges and scale impact enterprises*
Overview of Impact Enterprise Development Needs

1. Market Research
   (Research and analytics on the social need, existing policies, complementary institutions, etc. that inform and shape the development of business strategy)

2. Business Development & Strategic Planning
   (Business structures and strategies that enhance the performance and impact of the enterprise)

3. Financing
   (Seed funding, funds for the supply chain, fixed assets, marketing, and inventory and funds for expansion)

4. Supply Sourcing and Production
   (Sourcing of raw materials and production or manufacturing of a good or service)

5. Sales and Marketing
   (Promotion and sales of goods or services)

6. Distribution & Market Access
   (Access to appropriate distribution channels - both individuals & 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/Business Acumen
   (The leadership and business skills of the enterprise team – this component is the core of the enterprise that supports success in all other areas)

Source: Analyses conducted by Monitor Deloitte in support of Rockefeller Foundation’s Innovations in Accelerating Impact Enterprise Growth to Scale Project
Key Challenges for Impact Enterprises Globally

8 Leadership & Business Acumen

“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

6 Distribution & Market Access

“Access to customers remains a critical gap holding back social ventures”

– Nesta

2 Business Development & Strategic Planning

“The challenge for entrepreneurs… is the ability to attract and retain managerial talent, especially in light of severe competition with well-established corporate firms”

– Omidyar Network

3 Financing

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

– ANDE

Source: Analyses conducted by Monitor Deloitte in support of Rockefeller Foundation’s Innovations in Accelerating Impact Enterprise Growth to Scale Project
Accelerating Organization Support for Impact Enterprises

Challenges

Identify the challenges impact enterprises face when seeking to scale

Accelerator Support

Identify the typical services accelerators provide to address these challenges and how these differ across regions

Innovation

Identify and learn from promising innovations in accelerator support that can address challenges and scale impact enterprises
Profile of a Typical Accelerator Program

Pathway of an Impact Enterprise through an Accelerator

1. Office space and other physical infrastructure
2. Pro-bono services (e.g. legal, accounting)
3. Introductions to Investors
4. Demo/Pitch Day
5. Seed Funding

- Training on business strategy development, financial modeling, marketing, etc.
- Mentorship from business experts, industry experts, etc.
- Discussion and engagement with fellow enterprises to refine business strategy

Source: Analyses conducted by Monitor Deloitte in support of Rockefeller Foundation’s Innovations in Accelerating Impact Enterprise Growth to Scale Project
<table>
<thead>
<tr>
<th>Areas of Accelerating Organization Support</th>
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<tbody>
<tr>
<td><strong>Direct Resource Provision</strong></td>
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<tr>
<td>![Direct Resource Provision Icon]</td>
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<tr>
<td>Providing enterprises needed resources such as funding or office space directly</td>
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<tr>
<td><strong>Networks</strong></td>
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<td>![Networks Icon]</td>
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<tr>
<td>Providing access to networks of funders, mentors, suppliers, etc.</td>
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<tr>
<td><strong>Capability Building</strong></td>
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<td>![Capability Building Icon]</td>
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<tr>
<td>Building the capacity of enterprise leaders to develop and scale their business</td>
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<tr>
<td><strong>Enabling Ecosystem</strong></td>
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<tr>
<td>![Enabling Ecosystem Icon]</td>
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<tr>
<td>Undertaking market-level interventions such as research, policy advocacy, customer education, etc. that support the development of the broader impact enterprise environment</td>
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</tbody>
</table>

Source: Analyses conducted by Monitor Deloitte in support of Rockefeller Foundation’s Innovations in Accelerating Impact Enterprise Growth to Scale Project
Typical Accelerator Initiatives to Address Challenges

Key Challenges for Impact Enterprises

2. Business Development & Strategic Planning
   - Human capital challenges are often overseen in today’s support packages

3. Financing
   - Accelerators typically offer **significant support to address financing challenges**, including:
     - Direct funding support
     - Individual introductions to investors
     - Exposure to investors during ‘demo days’ or other events
     - Getting entrepreneurs ‘investor ready’ through education and training (e.g., pitch practices, tutorials on financing terms)

6. Distribution & Market Access
   - Few models exist today to address distribution and market access challenges
   - Those that do tend to offer training on the topic, and/or – in the case of industry focused models – facilitate introductions to possible customers

8. Leadership Skills and Business Acumen
   - Accelerators undertake an **array of initiatives in this domain**, including:
     - Connections to business mentors
     - Leadership training programs
     - Group learning models, across a diverse set of enterprises
     - “Mixers” between business leaders and entrepreneurs

Source: Analyses conducted by Monitor Deloitte in support of Rockefeller Foundation’s Innovations in Accelerating Impact Enterprise Growth to Scale Project
Landscape Overview: Asia

- Less developed impact enterprise market with fewer investors and impact accelerators overall; India most developed
- Social enterprises typically focused on solutions to basic needs (e.g. health, education, etc.)

36 accelerating organizations examined

Average Age of Programs: 5.8 years

% of Programs Reporting Impact Data: 17%

Average Length of Programs: 8.3 months

Note: N for each indicators calculation equals 23, 12, and 9 accelerators

Source: Analyses conducted by Monitor Deloitte in support of Rockefeller Foundation’s Innovations in Accelerating Impact Enterprise Growth to Scale Project
Landscape Overview: Sub-Saharan Africa

- 88 mph
- Afribiz Accelerator
- Althea Capital
- Angels Initiatives
- Anzisha Prize
- Burundi Business Incubator
- CTIC Dakar
- FATE Foundation
- Founder Institute
- Ghana Multimedia Incubation Centre
- Global Catalyst Initiative
- Growth Africa
- Growth mosaic
- Growthhub
- Heart Social Enterprise Accelerator
- Idea2Seed Incubation Program
- IFC SME Solutions Centre
- iHub
- iLab Liberia
- Impact Amplifier
- Innodev Incubator
- iSpace
- Kinu Tanzania
- Lagos Angel Network
- m:lab East Africa

Mara Foundation
Meltwater Entrepreneurial School of Technology (MEST)
mlab
Nailab
Nigeria Co-Creation Hub
One Acre Fund
Open Capital Advisors
Orange African Social Venture Prize
Raizcorp
Reach for Change
Reachup!
Rlabs
Root Capital
Sinapis Group
Spark
Stanford (SEED)
Synapse Center
The IVD
The REAL Business Accelerator
Unltd South Africa
Venia Business Hub
Wennovation Hub
World Bank CIC: Climate Innovation Centre Kenya
Zenzele Circle

Market Overview

- Growing market with a small but increasing number of accelerators and a fair amount of impact investor interest
- Many accelerators do not focus on social enterprises per se, but work directly with poor & vulnerable groups to facilitate business start-ups

Average Age of Programs: 3.7 years
% of Programs Reporting Impact Data: 20%
Average Length of Programs: 9 months

Note: N for each indicators calculation equals 37, 20, and 22 accelerators
Source: Analyses conducted by Monitor Deloitte in support of Rockefeller Foundation’s Innovations in Accelerating Impact Enterprise Growth to Scale Project
Landscape Overview: USA

<table>
<thead>
<tr>
<th>List of 48 Accelerators Examined</th>
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<tbody>
<tr>
<td>Accelerating Appalachia</td>
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<tr>
<td>Blue Ridge Foundation NYC</td>
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<tr>
<td>Boston University Urban Business Accelerator</td>
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<tr>
<td>Capital Innovators</td>
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<td>CHANGE Accelerator</td>
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<tr>
<td>Compass Partners</td>
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<td>DreamIt Ventures</td>
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<td>Fledge</td>
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<td>Groundwork Labs</td>
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<td>HealthBox</td>
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<td>Hitachi Foundation Yoshiyama Young Entrepreneurs Program</td>
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<td>Hub Ventures</td>
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<td>Imagine K12</td>
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<tr>
<td>Impact Engine</td>
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<tr>
<td>Impact Space</td>
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<tr>
<td>Inner City Advisors</td>
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<tr>
<td>James Lee Sorenson Global Impact Investing Center</td>
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<tr>
<td>Joshua Ventures</td>
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<tr>
<td>Kaplan EdTech Accelerator</td>
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<tr>
<td>MassChallenge</td>
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<tr>
<td>Matter Media Entrepreneurship Accelerator</td>
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<tr>
<td>Merrimack Valley Sandbox</td>
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<tr>
<td>National Collegiate Investors and Innovators Alliance</td>
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<tr>
<td>New Profit Inc.</td>
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</tbody>
</table>

Market Overview

- Established market with the growing development of networks that bring diverse stakeholders in the impact enterprise space together
- Increased emphasis on making enterprises

Average Age of Programs: 4.5 years

% of Programs Reporting Impact Data: 33%

Average Length of Programs: 6 months

Note: N for each indicators calculation equals 38, 28, and 23 accelerators
Source: Analyses conducted by Monitor Deloitte in support of Rockefeller Foundation’s Innovations in Accelerating Impact Enterprise Growth to Scale Project
Landscape Overview: Globally Focused Accelerators

List of 24 Accelerators Examined

- Accion Venture Lab
- Hult Accelerator
- B Lab
- Imagine H20 Prize Competition and Accelerator
- Betaspring
- Innovation Hub
- Bid Network
- New Ventures
- Duke University Social Enterprise Accelerator
- National Collegiate Inventors and Innovators Alliance
- Echoing Green Fellowship
- Outreach Accelerator Program
- Emerge Venture Lab
- SOCAP Impact Accelerator
- Endeavor
- Social Innovation Camp
- Global Social Benefit Institute
- Unreasonable Institute
- GoodCompany
- Village Capital
- Grassroots Business Fund
- Women Change Makers
- GrowLab
- Yunus Social Business/AfDB

Market Overview

- Accelerators are typically located in the US or Europe and are focused on social enterprises globally
- Tend to be more established in the sector and likely have adjusted business model to different needs over time

24 accelerating organizations examined

Average Age of Programs: 5.8 years
% of Programs Reporting Impact Data: 28%
Average Length of Programs: 3.9 months
Innovation in Accelerating Organization Support for Impact Enterprises

**Challenges**
- Identify the challenges impact enterprises face when seeking to scale

**Accelerator Support**
- Identify the typical services accelerators provide to address these challenges and how these differ across regions

**Innovation**
- Identify and learn from promising innovations in accelerator support that can address challenges and scale impact enterprises
Reminder: Key Challenges for Impact Enterprises Globally

8. Leadership & Business Acumen

“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

2. Business Development & Strategic Planning

“The challenge for entrepreneurs …is the ability to attract and retain managerial talent, especially in light of severe competition with well-established corporate firms”

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3. Financing

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

– ANDE

Source: Analyses conducted by Monitor Deloitte in support of Rockefeller Foundation’s Innovations in Accelerating Impact Enterprise Growth to Scale Project

Additional Human Resources

Provide a fellow, business retiree, gap year student, or a private sector secondee to work within an enterprise

Example/Source of Idea:

Villgro places mid-career professionals in enterprises for one year

Source: Analyses conducted by Monitor Deloitte in support of Rockefeller Foundation’s Innovations in Accelerating Impact Enterprise Growth to Scale Project

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Shared Resources

Facilitate the sharing of human capital across enterprises

or

Facilitate partnerships between impact enterprises for a discounted rate on support services (e.g., IT, HR)

Example/Source of Idea:


Source: Analyses conducted by Monitor Deloitte in support of Rockefeller Foundation’s Innovations in Accelerating Impact Enterprise Growth to Scale Project
Innovative Practices: Financing

Alternative Distribution Methods

Allow impact enterprise peers to select how accelerator seed funding is distributed amongst their cohort

or

Deliver financing to enterprises in tranches linked to different lifecycle stages

Examples/Source of Ideas:

Hitachi Foundation Interview

Note: All practices listed are for research purposes; The Rockefeller Foundation cannot provide grants for any activities of a brokerage nature
Source: Analyses conducted by Monitor Deloitte in support of Rockefeller Foundation’s Innovations in Accelerating Impact Enterprise Growth to Scale Project
Innovative Practices: Financing

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**Alternative Funding Platforms**

*Coordinate consortia of investors that can pool resources to fund individual enterprises or a group*

*Develop online crowdfunding platforms*

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Examples/Source of Ideas:

*Several Interviews*

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Note: All practices listed are for research purposes; The Rockefeller Foundation cannot provide grants for any activities of a brokerage nature

Source: Analyses conducted by Monitor Deloitte in support of Rockefeller Foundation’s Innovations in Accelerating Impact Enterprise Growth to Scale Project
Innovative Practices: Distribution and Market Access

Private Sector Linkages

Link with private sector organizations that can not only provide access to customers, but also access to potential suppliers and additional strategy guidance.

Examples/Source of Ideas:

- Program provides:
  - Market insights from Kaplan’s base of students & instructors
  - Access to potential customers given Kaplan’s relationships with school districts

Source: Analyses conducted by Monitor Deloitte in support of Rockefeller Foundation’s Innovations in Accelerating Impact Enterprise Growth to Scale Project
Innovative Practices: Distribution and Market Access

--- Linkages with Existing BoP Players ---

Facilitate enterprise linkages with existing groups and distribution channels that work with the BoP (e.g., microfinance groups)

Example/Source of Idea:

Frontier Markets links with microfinance groups, farmers associations, and NGO workers

Source: Analyses conducted by Monitor Deloitte in support of Rockefeller Foundation’s Innovations in Accelerating Impact Enterprise Growth to Scale Project
Innovative Practices: Leadership and Business Acumen

Best Practice Sharing

Organize forums or online locations where accelerators can come together, share best practices, curriculum, etc. and learn from one another to deliver the best leadership training

Example/Source of Idea:

Multiple Interviews

Source: Analyses conducted by Monitor Deloitte in support of Rockefeller Foundation’s Innovations in Accelerating Impact Enterprise Growth to Scale Project
Innovative Practices in Service Delivery

Accelerator Partnerships

Share resources such as mentors & curriculum between accelerators

or

Pass enterprises to accelerators in different markets to help them learn local contexts and adapt their strategy

Example/Source of Idea:

ANDE Annual Members Conference

Global Accelerator Network Interview

Source: Analyses conducted by Monitor Deloitte in support of Rockefeller Foundation’s Innovations in Accelerating Impact Enterprise Growth to Scale Project
Innovative Practices in Service Delivery

Distinct Training Platforms

Develop training programs specific to the unique needs of enterprises at different lifecycle stages

or

Develop online platforms to deliver training and connect mentors with enterprises in the field

Examples/Source of Ideas:

Three levels of support based on the lifecycle stage of the business

Helps enterprises on-the-ground to formalize their business models

Source: Analyses conducted by Monitor Deloitte in support of Rockefeller Foundation’s Innovations in Accelerating Impact Enterprise Growth to Scale Project
Next Steps in Rockefeller Foundation Work

Path Forward

- Proposals due Friday, October 11
- Winners publicly announced by December 31st
- Grantees tracked over the next year to test the effectiveness of their models

At the end of this initiative, the Rockefeller Foundation would have surfaced a number of innovative practices employed by accelerating organizations to scale impact enterprises in various markets.