
SCALING SOCIAL ENTREPRENEURIAL IMPACT

HOW DO SOCIAL ENTREPRENEURS FIND A SUITABLE WAY TO SCALE THEIR IMPACT?

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ABSTRACT

Today's world is facing fundamental challenges. One concept of increasing popularity to fight these challenges is social entrepreneurship – addressing social goals with business means. One of the main issues within the field is the growth or scaling of social entrepreneurial impact. Even though there are several theoretical approaches to scaling, there is no holistic framework considering the individual context of the social entrepreneur. How do social entrepreneurs find a suitable way to scale their impact? Two in-depth case studies have been chosen to analyze this question.

In order to provide a holistic framework, several existing theories are combined, providing a preliminary theoretical explanation to the questions (i) how scaling forms are chosen, and (ii) how scaling activities are prioritized. By applying the framework to the case studies, it can be tested and extended.

The impact of individual conditions on the choice of scaling form assumed in the framework could be confirmed by empirical data. However, the significance of the drivers of scaling varies considerably; some relation can be confirmed between the nature of the drivers of scaling and the scaling form. Furthermore, there are indications that the framework could be extended by the following findings: Readiness and receptivity might be overestimated in theory, the most suitable scaling form changes over time, potential downsides of a scaling form do not prevent from choosing it, there is a need for local adaptation and the importance of non-monetary return within the organization seems to be underestimated. While the prioritization of the drivers of scaling rather seems to be related to the business model than as assumed to the scaling form, some evidence could be found that the scaling form determines the nature of certain drivers of scaling.

Key words: Social Entrepreneurship, Social Enterprise, Scaling Social Impact, Replication, Social Innovation

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Abbreviations

CEO	Chief Executive Officer
CSR	Corporate Social Responsibility
DSE	Dialogue Social Enterprise
e.g.	exempli gratia; for example
ed	editor
edn	edition
eds	editors
et al.	et alii; and others
i.e.	id est; that is
ibid.	ibidem; the same place
UN	United Nations
WHO	World Health Organization

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1 Introduction

1.1 Background

It does not come as a surprise that today's world is experiencing fundamental change. Not only has the global economy just experienced the most severe crisis since the Great Depression in the 1930s, it is also dealing with serious social and environmental challenges. The UN names 30 different global issues as most pressing, amongst them e.g. climate change, the environment, health, human rights, peace and security, and population growth (UN 2011). Partly, today's challenges are caused by globalization and technological advancement, but the situation has become even more acute since the economic downturn (Schwab and Schwab 2009).

So, who is addressing those challenges? **The private sector has taken a great leap in redesigning business activities to be more sustainable – economically, socially and environmentally.** A survey conducted in 2007 amongst more than 1,000 global executives shows that while only a bit more than 25% said corporate responsibility had a high or very high priority to them in 2004, in 2007 more than 50% set the topic as being of such priority and even almost 65% expected it to be of high or very high importance in 2010 (Economist 2008). Also consumers are demanding companies to act upon their responsibility, e.g. by boycotting products produced with child-labor. Laws are forcing companies to internalize their externalities, see e.g. carbon emission trading. **However, as long as corporations act in a market economy, their ultimate goal will always be to increase profits.** Doing good for others can be a mean to reach this goal, but it is not a goal in itself.

What about the public sector? The traditional political system – not being able to establish any international law without the consent of its member states – is hardly suited to deal with problems of an increasingly global scope. Secondly, state budgets are limited and due to the financial crisis cut even further. The developed countries announced to cut budgets in 2011 by more than 1% of their GDP (Micklethwait 2010). Even though the state plays an important role in tackling society's challenges, this is by no means sufficient.

However, the civil sector's role in meeting societal needs is increasing.¹ “We are in a transition from a big state to a small state, and from a small society to a big society” (Economist 2011: 3). Ma Hong,

¹ The civil sector – also referred to as civil society or third sector – includes every actor not belonging to either private or public sector, e.g. social entrepreneurs.

one of China's most important bureaucrats, identifies a global trend considering e.g. David Cameron's *Big Society* in the UK or Barack Obama's *Office for Social Innovation and Civic Participation*. In March this year, the EU launched the *Social Innovation Europe* Initiative. During the past 30 years, the civil sector experienced "an historical transformation of unprecedented speed and scale" (Drayton 2008: 45). Ashoka² estimates that the productivity gap between the civil sector and the business sector is halved every ten to twelve years. Salamon et al. (2003: 13) researched the civil sector in 35 countries³ and found that in these countries alone the sector amounted to US-Dollar 1.3 trillion as of the late 1990s. This would already make it the world's seventh-largest economy.

A concept of increasing popularity is *social entrepreneurship*, a global phenomenon addressing unmet social needs that neither public nor private sector solved (Nicholls 2008). Nicholls and Cho (2008: 111) attribute its popularity to the fact that it is seen as "a source of new and innovative solutions to persistent social problems". Bornstein (2007) mentions a compelling advantage of social entrepreneurship: it supports bottom-up change often involving the persons affected rather than imposing change and creating dependency. Just as the Schumpeter's entrepreneur brings about innovation and drives economic progress by causing *creative destruction* (Schumpeter 1975), it is the social entrepreneur's role to introduce social change and social innovation to society. As Dees (1998a: 2-3) points out: "Mission-related impact becomes the central criterion, not wealth creation."

One of the most well-known examples for successful, large-scale social entrepreneurship is the Grameen Bank, started in 1976 by Muhammad in Bangladesh. Today, the Grameen Bank provides 4.7 million poor people with microcredits and other microfinancing products (Nicholls 2008) and the idea of microfinancing has spread around the globe. It is because of these compelling advantages that Bornstein (2007: ix) believes social entrepreneurs have "the potential to transform life around the globe".

However, one of the biggest challenges remains the growth and replication of social entrepreneurial impact. More often than not, impact is regionally limited, excluding the majority of people from its benefits (Hackl 2009: 1). As Anderson and Dees (2008: 152) state: "The issue of scale has been a central one in the social sector where spread of effective innovations appears to be very slow, especially when compared to business". Even though it seems questionable whether the scaling of

² Ashoka is an organization supporting social entrepreneurs that were selected as fellows both with financial support and advice.

³ Argentina, Australia, Austria, Brazil, Colombia, Czech Republic, Egypt, Hungary, Italy, Japan, Belgium, Finland, France, Netherlands, Norway, Spain, Germany, Ireland, Israel, Kenya, Mexico, Morocco, Pakistan, Peru, Philippines, Poland, Slovakia, South Africa, South Korea, Sweden, Romania, Tanzania, Uganda, United States, United Kingdom.

social impact can and should be compared to growing a business⁴, it seems to be a valid point that in scaling lies huge, untapped potential for facing social ills. It is only when they find a way to scale their innovation, that social entrepreneurs can unleash their potential as “*transformative forces*” in society (Bornstein 2007: 1).

1.2 Research question and purpose of the thesis

What is it that allows social entrepreneurs to successfully scale their impact? The topic has received quite a lot attention within the research field. Many researchers have written about the different forms to scale and have pointed out related challenges (Hackl 2009, Ahlert et al. 2008, Dees et al. 2004, Bradach 2003, Uvin et al. 2000, Wazir and van Oudenhoven 1998); others identified activities that are positively correlated with increasing social entrepreneurial impact (Bloom and Smith 2010, Bloom and Chatterji 2009).

However, it remains rather unclear how social entrepreneurs decide for a certain way of scaling, i.e., how they chose a form of scaling mentioned considering their individual conditions. Furthermore, there seems to be limited knowledge about whether a certain form is more successful in some situations than in others. The research question will therefore be:

“How do social entrepreneurs find a suitable way to scale their impact?”

This breaks down into several sub-questions:

- (i) What options are there to scale social entrepreneurial impact?
- (ii) Are there preconditions for scaling? If so, which?
- (iii) What are the influencing factors determining which way is most suited?
- (iv) Are these factors internal or external?
- (v) Do they change over time?
- (vi) How should the investment of scarce resources be prioritized?

Anderson and Dees (2008: 144) highlight the need for a solid basis of knowledge in social entrepreneurship – even more so considering the “diversity of purposes” and the “differences in culture, wealth, infrastructure, government, history, and legal system” in the social sector. As Nicholls (2008: xvi) pointed out: “For the continued development of the field there are three main

⁴ The difference is that traditional businesses often just scale the organization in order to increase their financial profits, while social entrepreneurial organizations aim at scaling their social impact which can require a different replication strategy.

priorities: more and better empirical data; deeper and more rigorous theory building and testing across disciplines; and establishing academic credibility by publishing in the top journals.”

This thesis will add to the research field of social entrepreneurship as follows:

- (i) it will deliver two in-depth case studies on social enterprises that faced different challenges and followed different ways of scaling their social impact
- (ii) it will both test existing theories of scaling social entrepreneurial impact and at the same time give new insights from the cases and add to existing theory.

1.3 Disposition

In order to answer the research question, this thesis will first review existing literature on social entrepreneurship in general and on scaling social entrepreneurial impact in particular (chapter 2). Moreover, particular challenges in the scaling process will be highlighted; both by pointing out what existing literature say. In the following chapter (chapter 3), first different scaling forms are identified from the literature and in a second step, existing theories are reviewed to allow creating a holistic framework.

After discussing methodology and methods of this thesis as well as reliability and validity of this research contribution in the subsequent chapter (chapter 4), empirical findings of the two case studies are presented (chapter 5). After having applied the theoretical framework in order to analyze the empirical findings, (chapter 6) implications are deducted (chapter 7). Finally, in the last chapter, findings are summarized and limitations discussed.

2 Literature Review

2.1 Social entrepreneurship

2.1.1 Mapping the field

During the past two decades, the field of social entrepreneurship advanced quickly. Not only has the number of both social entrepreneurs and supporting organizations been steadily increasing, but also are there growing numbers of researchers and students devoted to the topic (*ibid.*). Drivers on both demand and supply side are fostering the growth of social entrepreneurship (Nicholls 2008: 2).

However, there remains a lot to do. In *practice*, social entrepreneurs need more support – first and foremost from support organizations like Ashoka or the Schwab Foundation⁵ providing (financial) resources and expertise, but also from both public and private sector. Public policy needs to keep pace with the development of social ventures and offer “more sophisticated contracting and funding methods” (Mulgan 2008: 89) as well as more advanced metrics for measuring impact. At the same time, partnering with the private sector needs to evolve further. Drayton and Budinich (2010: 58) point out the huge potential of “hybrid value chains” to tackle “large-scale problems that neither group has been able to solve on its own”.

At the same time, social entrepreneurship as a *research* subject is still in its infancy (Urban 2010: 115, Weerawardena and Sullivan Mort 2006: 22)⁶. One of the main concerns hindering its advancement is the lack of a generally accepted definition amongst researchers; the term “has become so inclusive that it now has an immense tent into which all manner of socially beneficial activities fit” (Martin and Osberg 2007: 30) or as Harding (2004: 40) said: “The meaning of 'social enterprise' potentially covers everything”. On the one hand, the term has to be kept quite broad in order to include all relevant initiatives that are very diverse by their very nature. The success of social entrepreneurship can be partly attributed to the fact that social entrepreneurs do adapt very well to the problem they address

⁵ Similarly to Ashoka, The Schwab Foundation selects promising social entrepreneurship that already proved initial success and supports them.

⁶ However, even though social entrepreneurship as a research subject is still emerging, the phenomenon itself is by no means new (*ibid.*: 116). Also Mair and Martí (2006: 36) mention its “long heritage” and see its values rooted in, amongst other things, Victorian Liberalism. For a statistical overview of domains publishing and citing social entrepreneurship research see Short et al. (2009)

and the context they act in.⁷ On the other hand, there has to be a clear definition as a basis for research. Adding to that, there is rather little knowledge about size and nature of the total population of social entrepreneurs and many of them would not even call themselves a social entrepreneur.

Research that goes beyond the question of definition is often concerned with differences between traditional entrepreneurs and social entrepreneurs (e.g. Austin et al. 2006, Urban 2010), regional differences of social entrepreneurship (e.g. Kerlin 2006 on differences between the US and Europe; eds Nyssens and Defourney 2008 on social entrepreneurship in different European countries), and measuring social entrepreneurial impact (e.g. Emerson 2003, eds Olsen and Nicholls 2005; Nicholls 2009). Mulgan (2008: 91) identified nine different research areas concerning social entrepreneurship “where reasonably rapid progress could usefully be made”: (1) social entrepreneurs themselves, (2) social entrepreneurial teams, (3) growth of social ventures, (4) governance in social ventures, (5) networks, (6) systems in which social entrepreneurs operate, (7) social innovation, (8) the core skills involved in social entrepreneurship, and (9) cross-national comparisons.

2.1.2 Defining social entrepreneurship

As mentioned, there are numerous definitions of social entrepreneurship and most of them are rather broad (for an overview of definitions see e.g. Zahra et al. 2009: 521 or Weerawardena and Sullivan Mort 2008: 23-24). Most commonly accepted seems the definition by Dees (1998a: 4)⁸: “Social entrepreneurs play the role of change agents in the social sector, by:

- Adopting a mission to create and sustain social value (not just private value),
- Recognizing and relentlessly pursuing new opportunities to serve that mission,
- Engaging in a process of continuous innovation, adaptation, and learning,
- Acting boldly without being limited by resources in hand, and
- Exhibiting heightened accountability to the constituencies served and for the outcomes created.”

Martin and Osberg (2007: 35) also chose a quite broad definition, but a micro-economic point of view: They define the social entrepreneur as someone who succeeds in “(1) identifying a stable but inherently unjust equilibrium [...]; (2) identifying an opportunity in this unjust equilibrium [...]; and (3)

⁷ Hackl (2009: 6) cites a conversation with Jäger (2007), Managing Director at the Center for Social Enterprise, University of St. Gallen in Switzerland, who claims that a wide spectrum of definitions will persist due to the fact that the phenomenon appears in such diversity.

⁸ Like several others, Dees defines social entrepreneurship by describing the activities the social entrepreneur is engaged in.

forging a new, stable equilibrium that releases trapped potential or alleviates the suffering of the targeted group [...]”. Both definitions provide a good description of the core of the concept: The social entrepreneur is someone who finds innovative solutions for social needs by identifying them as opportunities – just like an entrepreneur for business opportunities.

The dimensions of social entrepreneurship

Several authors discussed the dimensions or elements that constitute social entrepreneurship in more detail. Whereas some distinguish between the *social* and the *entrepreneurial* element of the concept (e.g. Mair and Martí 2006), Nicholls and Cho (2008) name three different dimensions: *sociality*, *innovation*, and *market orientation*. Depending on the nature of the activity, these dimensions can be present to various extents (see Figure 1: Dimensions of social entrepreneurship (Source: adapted from Nicholls and Cho 2008: 103)).

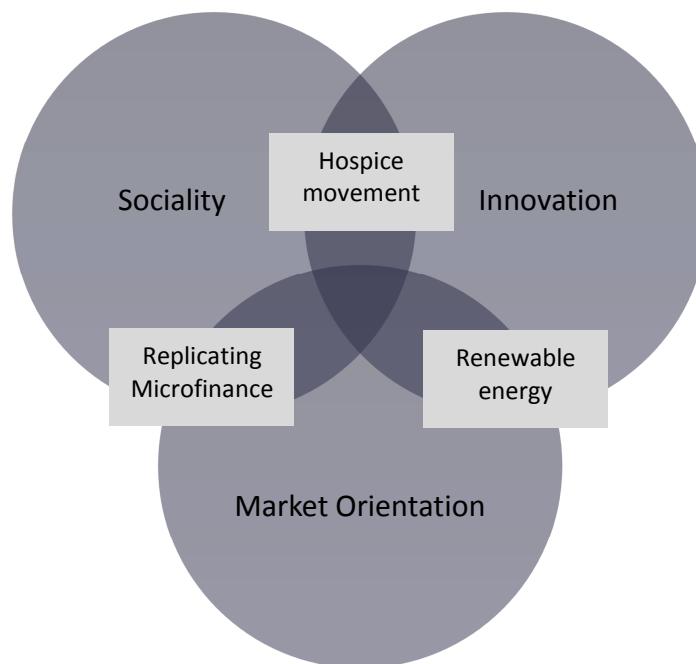


Figure 1: Dimensions of social entrepreneurship (Source: adapted from Nicholls and Cho 2008: 103)

With *sociality*, it is referred to the fact that the social entrepreneur “links the instrumental means of entrepreneurship [...] to putatively social objectives” (ibid.: 105). Hence, the main goal is to increase social, not financial impact. However, Mair and Martí (2006: 38) argue that traditional entrepreneurship also has a social aspect, whereas the social entrepreneur’s motivation not necessarily is solely altruistic. They analyzed three very successful examples of social

entrepreneurship⁹ and identified the social element rather as “creatively combin[ing] resources – resources that often they [the social entrepreneurs] themselves do not possess – to address a social problem and thereby alter existing social structures.”¹⁰ Thus, sociality is on the one hand understood as following a social, rather than a purely financially motivated mission, on the other hand it also describes the fact that social entrepreneurs often appear in the role of an agent for social change.¹¹

The social entrepreneur’s role as a change agent is what Nicholls and Cho (2008: 102) define as the dimension of *innovation*: a social entrepreneur causes disruptive innovation that reshapes the institutional context which caused or sustained the unjust equilibrium (similarly Perrini and Vurro 2006: 69, Dees 1998a: 4). Combining Nicholls and Cho’s dimensions of *sociality* and *innovation*, Mulgan et al. (2007: 8) define “new ideas that work in meeting social goals” as *social innovation*, a term often associated with social entrepreneurship.¹²

Market orientation is the feature that distinguishes social entrepreneurs from other actors and organizations pursuing a social mission and it implies “the most effective deployment of resources towards achieving a social goal” (Nicholls and Cho 2008: 107). Thus, it again points out the fact that social entrepreneurs employ business means and methods in order to most effectively achieve their social mission. Amongst others, Chell (2007) sees the entrepreneurial element, i.e. innovation and market orientation, as a necessary condition for a social entrepreneurial organization to be self-sustaining. Mohammad Yunus stated: “The more we can move in the direction of business, the better off we are – in the sense that then we are free; we have unlimited opportunities to expand and do more, and replication becomes so much easier” (Herbst 2004).

2.1.3 Defining the social enterprise

Similar to the broad variety of definitions for the concept of social entrepreneurship, there is no single definition for the social entrepreneurial organization either (Achleitner et al. 2007). Some researchers simply define it as the organization in which social entrepreneurship activities result and which enables the social entrepreneur to achieve the social mission (Weerawardena and Sullivan

⁹ the Grameen Bank in Bangladesh, the Aravind Eye Hospital in India and Sekem in Egypt

¹⁰ At the same time, they explain that the social entrepreneur differs from the traditional entrepreneur in that the latter attributes higher importance to social value versus economic value (ibid.: 36). Similarly sees Dees (1998a: 2) the social entrepreneurs as one type of entrepreneur amongst many, distinguishing himself by following a social mission.

¹¹ See section 2.2.1 for a definition of social impact.

¹² However, it should be noticed that social entrepreneurs are not the only actors engaged in social innovation; there are also non-government organizations, politics and government, markets, movements, and academia (Mulgan et al. 2007: 4-5). The European Union defines social innovation as innovations that are social in both its ends and its means, e.g. “new ideas (products, services and models) that simultaneously meet social needs (more effectively than alternatives) and create new social relationships or collaborations” (Hubert 2010: 7).

Mort 2001). Most prominently used today – even if somewhat problematic¹³ – is the term *social enterprise* (see e.g. Thompson 2008, Chell 2007, Dart 2004). Perrini and Vurro (2006: 57) prefer the terms “socially entrepreneurial ventures” (e.g., Waddock and Post 1991) and “innovative social business enterprises” (e.g., Campbell 1998), because they pay equivalent tribute to the social and the entrepreneurial element of the concept. However, due to its prominence, the term *social enterprise* will be used in this thesis.

The social enterprise spectrum

In order to define the social enterprise and its various forms in more detail and to differentiate it from other organizations creating social or economic value, Dees (1998b: 60) introduced the *social enterprise spectrum*. Charities, at one end of the spectrum, first and foremost aim at social value creation. They are mission-driven and rely on donations and grants as well as on a mostly voluntary work force. Traditional businesses find their place at the other end of the continuum. Their market-driven activities aim at economic value creation. Any organization being situated in the spectrum between the two poles and combining them is what Dees classifies as a *social enterprise*.


		Charities	Social enterprises	Traditional businesses
Goals				
Motives		Appeal to goodwill	Mixed Motives	Appeal to self-interest
Methods		Mission-driven	Mission and market-driven	Market-driven
Key stakeholders	Beneficiaries	Pay nothing	Subsidized rates or mix of full payers and those who pay nothing	Market-rate prices
	Capital	Donations and grants	Below-market capital, or mix of donations and market-rate capital	Market-rate capital
	Workforces	Volunteers	Below-market wages, or mix of volunteers and fully paid staff	Market-rate compensation
	Suppliers	Make in-kind donations	Special discounts, or mix of in-kind and full-price donations	Market-rate prices

Figure 2: The Social Enterprise Spectrum (Source: adapted from Dees (1998b: 60) and John (2006: 13))

Thompson (2002: 413) as well as Mair and Martí (2006: 37) identified three different organizational contexts where social entrepreneurship is found:

- (1) Traditional businesses engaged in corporate social responsibility or philanthropy
- (2) Organizations in the social sector that are led entrepreneurially

¹³ For critique, see Peredo and McLean 2006: 57.

(3) Social enterprises aiming at social impact but acting market-oriented.

While the third kind is very similar to Dees' social enterprise, the other two represent organizations being situated somewhere in between the social enterprise and the respective pole of the continuum. Altering a charity into being more market-oriented and entrepreneurially led – that is, moving it closer to the center of the spectrum – is what Dees (1998b) calls “enterprising nonprofits”.¹⁴ Turning a traditional business into a social enterprise would require altering its goals towards social value creation. Hereby, it is important that social value creation is an end in itself, not solely a means to increase profits. Traditional businesses that serve the *base of the pyramid*¹⁵ or are engaged in *corporate social responsibility* (CSR) activities¹⁶ can therefore rarely be classified as social enterprises – even though the initiative or project itself could be termed as social entrepreneurship.

Legal form and earned-income

Some researchers limit their definition of the social enterprise to a certain *legal form*. Particularly those stemming from nonprofit management research (e.g. Uvin et al. 2000) do often not include for-profit organizations in their definition. Others are aware of the fact that there are both for- and not-for-profit social enterprises but limit their research to either (Haugh 2006a on nonprofit social entrepreneurship, Dees and Anderson 2003 about for-profit social ventures). However, the same researchers point out: “Social entrepreneurship research must encompass the full range of organizations that can serve a social purpose, regardless of legal structure.” (Anderson and Dees 2008: 156).

It could be argued that the legal form was suited to differentiate a social (non-profit) enterprise from traditional businesses. However, Mair and Martí (2006: 39) explain: “Rather than profit versus not-for profit, we argue that the main difference between entrepreneurship in the business sector and social entrepreneurship lies in the relative priority given to social wealth creation versus economic wealth creation”. It is the relative priority given to social versus economic value that is determining whether or not a social enterprise can be considered as such – not its legal form. In fact, the legal form of a social enterprise often has considerable impact on its financing strategy¹⁷ and is therefore one of those parameters that allow for adapting the social enterprise and its business model to its

¹⁴ See section 2.1.3 for a discussion about the legal form of the social enterprise.

¹⁵ See Prahalad and Hart (2002) for an introduction or Pitta et al. (2008) for recent challenges and potential.

¹⁶ See Porter and Kramer (2006) for an introduction to CSR and the link between CSR and competitive advantage, Carroll (1991) for the pyramid of CSR and Halme and Laurila (2009) on CSR innovation.

¹⁷ The B-Corporation in the U.S. allows for acting like a for-profit company while at the same time being bound to social purposes.

specific context. Hence, it is very important to include all social enterprises into the definition that fulfill the above named criteria – regardless their legal form.

Some researchers argue that *generating earned income* was a sine qua non for a social enterprise. Earned income is defined as generating income from selling products or services.¹⁸ Even though this implies to engage in profit-generating activities, an organization can still be registered as a nonprofit if net income is re-invested in the organization. Boschee and McClurg (2003: 1) state: “Unless a nonprofit organization is generating earned revenue from its activities, it is not acting in an entrepreneurial manner. It may be doing good and wonderful things, creating new and vibrant programs: But it is innovative, not entrepreneurial.” However, Anderson and Dees (2008) claim that there was no empirical evidence that earned income-strategies would increase self-sufficiency or sustainability of a social enterprise, nor would it support the scalability of its social impact or increase its financial freedom.

Often, the closer a social enterprise is located to the side of traditional businesses on the social enterprise spectrum, the more important is a project’s economic feasibility when deciding about its carrying out. Charities at the other end of the spectrum often rely on financing that is decoupled from the profitability of their activities. Hence, they can also engage in meeting social needs that cannot be phrased as business opportunities. Following the social enterprise spectrum, Yunus (2008: 49) grouped possible financial selection criteria for carrying out a project by making the following distinction: “We may classify the social entrepreneur, who uses money, into four types:

- (1) No cost recovery,
- (2) some cost recovery,
- (3) full cost recovery,
- (4) more than full cost recovery.”

Unlike many other researchers, Yunus differentiates further and defines the social business entrepreneurs as a type of entrepreneur achieving at least some cost recovery.

2.2 Scaling social impact

Before dealing with the process of scaling, the characteristics of social impact and social value will be examined.

¹⁸ This does not require beneficiaries to pay for the product or service themselves. Often, social entrepreneurs develop creative and innovative financing models. E.g., if they can offer public services for lower costs than the government, the latter outsources the service and pays a fee to the social enterprise. See Appendix I for an overview of different financing strategies.

2.2.1 Defining social impact

Only very few scholars define what they mean by *social impact* or *social value*. Often, it is implied that social value is non-financial value, foremost aiming at improving society for the better. Most commonly, the term not only includes social, but also environmental impact.¹⁹

Young (2008: 56) defines social value as something that “benefits people whose urgent and reasonable needs are not being met by other means”. Similarly, Smith and Stevens (2010: 13, paraphrasing Austin et al. 2006) state that social value creation “involves the pursuit of societal betterment through the removal of barriers that hinder social inclusion, the assistance of those temporarily weakened or lacking a voice and the mitigation of undesirable side effects of economic activity”.

Specifics of social value

Young (2008: 57-58) points out five specific characteristics of social value. First, unlike financial value, *social value is subjective*, making it difficult to find an objective measure. Second, social value is often *negotiated between stakeholders* with different motivations and demands and cannot easily be ascribed to a person or an organization. Third, *social value is reassessed over time*, that is, there is no price mechanism determined at the point of sale at a particular point in time as there is for economic value. Making predictions is therefore all the more challenging. Fourth, *social value combines different, incommensurable elements*, which makes it difficult to aggregate social impact within a single metric. Fifth, *any social activity is inseparably linked to personal values*. Thus, measuring social impact always implies a normative consideration of social values, i.e. deciding upon which values are important and why. These differences convey once again that there are significant differences between social and economic value creation.

Measuring social impact

Just like traditional entrepreneurs, social entrepreneurs are not only concerned with creating value, but also with its measurement (Smith and Stevens 2010, Mulgan 2008). Thompson (2008: 155) states: “social accounting, measuring the value of the impact on society of an organisation’s activities, is clearly relevant for a social enterprise”. However, unlike financial value, social value is – due to its specifics described above – much more difficult to quantify (e.g., Zahra et al. 2009). The Rockefeller Foundation and The Goldman Sachs Foundation identified the following challenges:

¹⁹ For an overview of possible economic, social, and environmental outcomes see Haugh (2006b: 186-187).

Conceptual	<ul style="list-style-type: none"> • Best practices are not standardized. • Theories of change need to be aligned among grantors, investors, and nonprofits.
Operational	<ul style="list-style-type: none"> • Value cannot always be measured. • Quality implementation is essential. • Third parties can help to achieve more technically sound data collection. • Time horizons for output and outcome measurement are long.
Structural	<ul style="list-style-type: none"> • Significant diversity exists within each field. • Reporting requirements are usually not aligned.
Practical	<ul style="list-style-type: none"> • Goals are often unclear. • Inconsistent funding priorities. • Trust and mutuality are limited.

Table 1: Specific challenges for the field of social impact assessment (Source: Carlson 2003: 14-15)

One of the most prominent approaches to measure social impact is the Social Return on Investment (SROI) Analysis. This method aims at “understanding non-financial value by quantifying, and including monetary values of, some indicators of the added value. These are then converted to net present value and divided by the amount of monetary investment to arrive at 'social return on investment'” (Olsen and Nicholls 2005: 4).

As a matter of fact however, social entrepreneurs do not only create social, but also economic value. Zahra et al. (2009: 522) state that “measurement or evaluation of social entrepreneurship should reflect both social and economic considerations.” They suggest the term *Total Wealth* (TW) to measure the social entrepreneurs’ impact, consisting of *Economic Wealth* (EW) and *Social Wealth* (SW):

$$TW = EW + SW,$$

in which EW = Economic Value – Economic Cost – Opportunity Cost and SW = Social Value – Social Cost – Opportunity Cost. Similarly, Emerson (2003: 37) emphasizes the importance of pursuing an “embedded value proposition” composed of both social and economic value and proposes the concept of Blended Value. However, he also points out: “What we are lacking is a cultural currency to compare relative investments and understand the various forms of value creation taking place, whether social, economic, environmental, and so forth” (ibid.: 40).

Impact measurement is a highly debated issue amongst researchers and practitioners and there have been numerous efforts to develop new approaches (Mulgan 2008). It will take more time until a commonly accepted framework is established. In fact, today’s frameworks for assessing and measuring financial performance also took several decades to be commonly accepted (Emerson

2008: 398). Nevertheless, today's social entrepreneurs clearly need to and do measure their impact.²⁰

2.2.2 Defining scaling

As mentioned in the introduction, scaling²¹ belongs to the biggest challenges both for social entrepreneurs in practice as well as in social entrepreneurship research (e.g., Anderson and Dees 2008). It belongs to those topics in the field that receive most attention. A central insight is that – as Sherman (2006: 1) points out – “pattern-changing social entrepreneurs are more concerned with scaling their impact than with growing their enterprises” or as Uvin et al. (2000: 1409) said: “Scaling up is about 'expanding impact' and not about 'becoming large', the latter being only one possible way to achieve the former.” Although researching geographic expansion of non-governmental organizations, Bradach (2003: 19) achieves the same insight: “The objective is to reproduce a successful program's *results*, not to slavishly recreate every one of its features”.

Related to the challenges of measuring social impact, defining its scaling seems problematic. Generally speaking, scaling social impact can be equated with increasing or growing social impact. The Association of German Foundations phrases it like this: “Scaling up refers to increasing the scope of an organization or a project with the aim of reaching a larger number of beneficiaries or of increasing awareness of a specific issue” (Ahlert et al. 2008: 10). Bloom and Smith (2010: 127) also name the *quantitative* dimension of scaling, but add its *qualitative* dimension; to them, scaling is about “how to take a program that has helped to resolve a social problem in a limited way and then scale it up so that the program's impact on society becomes *wider* (i.e. helps more people in more places) and *deeper* (i.e. reduces the problem's negative effect more dramatically)” (italics by author).²² Moreover, a distinction can be made between *direct* and *indirect impact*. While direct impact refers to “expanding coverage and size” or “increasing activities” of the social enterprise itself, indirect impact means to influence and encourage others to bring about social change (Uvin et al. 2000: 1411).

²⁰ See case studies in the empirical part for two examples of how impact is measured in practice.

²¹ Scholars use different terms for this activity, e.g. *replicating* social impact (e.g., Wazir and van Oudenhoven 1998, Bradach 2003). However, most common is the expression of *scaling up* (e.g., Uvin et al. 2000, Alvord et al. 2004) or *scaling* social impact (e.g., Dees et al. 2004, Sherman 2006, Bloom and Chatterji 2009, Smith and Stevens 2010) which will therefore be used in this thesis.

²² Also Uvin et al. (2000) make a distinction between quantitative and qualitative scaling. For qualitative scaling they use the term *functional scaling up*.

Rationale and necessity of scaling

The need for social value creation in society is tremendous. Although social entrepreneurship seems to be a promising approach to solving pressing social issues, the concept seems not to have taken off yet. The problem is not a lack of good ideas, knowledge or experience (Wazir and van Oudenhoven 1998), but instead “one of speed and scale” (The Economist 2010: 55). As the Center for the Advancement of Social Entrepreneurship (2008: 18) points out: “success for the field of social entrepreneurship requires that social entrepreneurs ultimately achieve significant 'scale' relative to the magnitude of the problems they are tackling”; otherwise, “the field is likely to be marginalized”.

In business, it is assumed that growth is good and that size brings several advantages: “An enhanced chance of survival, capturing economies of scale and scope, taking advantage of the learning curve effect, and the ability to attract resources are just a few.” (VanSandt et al. 2009: 421). Even though it remains to a certain extent unclear how far these advantages can be transferred to social enterprises, it seems quite clear that scaling social impact entails significant benefits. From the perspective of the individual social entrepreneur, scaling seems like a natural step towards achieving one’s social mission.²³ Similarly, on a society level, scaling allows to employ scarce resources in an efficient way by supporting programs that have already proven successful instead of re-inventing the wheel (Bradach 2003). Ahlert et al (2008: 4) go even further and state that scaling not only leads to “greater efficiency and faster expansion” as well as higher quality, but also creates “intelligent project networks with positive qualitative effects”.

2.2.3 Challenges in scaling social impact

The rationale for scaling social impact seems compelling and the concepts seems to offer advantages to both the individual and society. So why have successful innovations only spread slowly?

Researchers point out several challenges. They can be grouped into five categories: (1) measuring impact, (2) financing, (3) the role of the social entrepreneur, (4) environmental conditions, and (5) strategy (see table 2).

²³ In a survey initiated by the Center for the Advancement of Social Entrepreneurship at Duke University (2006: 1), it was found that all of the 151 interviewed social-purpose organizations planned on scaling their social impact.

Measuring impact	<ul style="list-style-type: none"> • Difficulties to prove success of pilot: Creating a “strong theory of change” in the beginning in order to “achieve evidence of success to justify replication” is difficult as it often takes years until outcomes materialize and even then they are hard to measure (Bradach 2003: 21) • Governments and financiers pressured to show results: “In an environment of shrinking resources for the social sector, both funding agencies and governments are coming under increasing pressure to show 'results'” (Wazir and Oudenhoven 1998: 146)
Financing	<ul style="list-style-type: none"> • Tendency to support innovation: There is a “prevailing bias among funders to support innovative 'breakthrough' ideas” (Bradach 2003: 19) • Limited access to funding: Financial capital markets are difficult to reach for social enterprises (Bloom, Smith 2010) • Limited possibility to generate income from beneficiaries: Beneficiaries often have a limited ability to pay (Bloom, Smith 2010) • Tendency to internalize cost: Nonprofits and social enterprises tend to be less profitable because they often internalize cost and externalize benefits, which is the opposite of what most businesses do (Murdoch 1999)
The role of the social entrepreneur	<ul style="list-style-type: none"> • Lack of skills: “Often, the social entrepreneur who founds an organization does not have all the skills required to take it to scale and may not enjoy that process as well as the start-up and initial success” (Center for the Advancement of Social Entrepreneurship 2008: 18) • Reluctance to give up autonomy: “For many people, the concept [of scaling] conjures up images of bureaucracy and centralized control”, “for many social entrepreneurs, autonomy is an important psychic income, and it becomes easy to understand why implementing someone else’s dream tends not to be nearly as satisfying as building one’s own.” (Bradach 2003: 19)
Environmental conditions	<ul style="list-style-type: none"> • Natural limit to growth as it requires detailed knowledge of the community, and it is difficult to supervise workers (VanSandt et al. 2009) • Institutional isomorphism shapes different organizations in the same context to become similar, so they become competitors (VanSandt et al. 2009) • Lack of financial incentives: Compared to traditional business, external environment is less likely to give financial incentives for growth (Bloom and Smith 2010) • Lack of Infrastructure: infrastructure (e.g., retailers, brokers, raw material suppliers) does often not exist (Bloom and Smith 2010)
Strategy	<ul style="list-style-type: none"> • Avoiding risks: Avoid risks of scaling: e.g. mission drift, resource strain, quality dilution (Smith, Stevens 2010) • Timing: It is “important not to press organizations to scale prematurely” (Center for the Advancement of Social Entrepreneurship 2008: 18) • Lack of strategic approach: “social entrepreneurs, foundations officers, and policy makers need to step back and take a more strategic and systematic approach to the question of how to spread social innovations” (Dees et al. 2004: 26)

Table 2: Challenges in scaling social impact (Source: own overview, compiled from literature)

Moreover, Ashoka (Höll and Oldenburg 2011: 5) identified different hurdles in the process of growing both direct and indirect social impact. After 1.5 up to 3 years, access to decision-makers was most crucial. Between 4 and 6.5 years of existence, the main challenge seems to be getting follow-up financing while from 6.5 up to 8.5 years, it is the lack of partners that hinders growth. Finally, when a social enterprise reaches about 8.5 years of age, growing indirect impact was most challenging, mostly hampered by the lack of suitable personnel.

In order to get to know more about both the challenges that social enterprises are facing today and scaling social entrepreneurial impact, an expert interview was conducted (see Appendix II).

3 Theoretical Framework

3.1 Approaches to scaling social entrepreneurial impact

Researchers propose different approaches to go about the challenge of scaling social entrepreneurial impact. Bloom and Chatterji (2009) for example developed the SCALERS Model by identifying seven different capabilities that drive successful scaling: Staffing, communicating, alliance-building, lobbying, earnings-generation, replicating, and stimulating market forces.

In one of the most prominent papers on the topic, Dees et al. (2004: 26) found that “social entrepreneurs, foundation officers, and policy makers need to step back and take a more strategic and systematic approach to the question of how to spread social innovations”. They propose a broader approach that first identifies the innovation to be scaled (organizational model, program, or principles) and then in a second step find the most suitable form to scale it (*Dissemination*, *Affiliation*, and *Branching*) by considering readiness, receptivity, resources, risk and returns. Bradach (2003) – even though only focusing on only two of these forms, *Affiliation* and *Dissemination* – suggests to: first define a growth strategy, second design a network before finally defining the role of its center²⁴. Unlike Dees et al. but similar to Bloom and Chatterji, he recommends to consider people, context, financial structure and service recipients. Although referring to nongovernmental organizations, Uvin et al. (2000), mainly advocate indirect scaling or what Dees et al. (2004) call *Dissemination*.

Wazir and van Oudenhoven (1998: 147) differentiate between *universalist* and *contextual approaches*. While universalist approaches, being supply-driven, “share a belief in universal principles that can be applicable to a very wide band of practices and situations”, contextual approaches are demand-driven and emphasize “local practice, local initiative, spontaneity, mutual learning and problem-solving”. Scaling under the universalist approach often occurs in a very planned and structured manner, the contextual approach implies however that scaling arises need-based and often involves beneficiaries. They identified five forms of scaling: *Mandated replication* (similar to *Branching*), *Staged replication* (also similar to *Branching*, but clearly structured into a three-step process: pilot phase, demonstration phase, and replication phase), the *Franchise approach* (*Affiliation*), *Concept replication* (like *Dissemination*), and finally *Spontaneous* or *Endogenous*

²⁴ The role should entail (1) ensuring quality, (2) facilitating learning, and (3) providing central services.

replication. The latter form is not part of Dees et al.'s model and is characterized by non-permanent collaboration initiated by the beneficiaries.

3.2 Forms of scaling

What different forms of scaling social entrepreneurial impact are there? Across the literature, researchers propose different forms of scaling. Summarizing the most prominent ones, there remain four options: Branching, Affiliation, Dissemination and Spontaneous replication (see Figure 5 for an overview).

Branching

Branching is the form of scaling where growth of social impact is closest linked to organizational growth. Dees et al. (2004: 28) define it as “the creation of local sites through one large organization, much like company-owned stores in the business world”.

There are several advantages and disadvantages linked to Branching (ibid.): Due to the close hierarchical relation between the board and the branches, this form of scaling is most promising whenever tight control and collaboration is decisive. However, it requires investing many resources – which can pose a huge challenge especially on young social enterprises. Furthermore, if resources are invested, the risk of financial losses is significantly higher than with other forms of scaling.

Affiliation

According to Dees et al. (2004: 28), this is the scaling form that offers the broadest range of possibilities, defined as “[...] a formal relationship defined by an ongoing agreement between two or more parties to be part of an identifiable network.” Guidelines can be general or specific and regulate anything from a common brand name, to program content, financing and reporting requirements. The difference to Branching is that here, the contractor bears the risk and invests resources.

All kinds of networks, partnerships and joint ventures fall into this category – as well as *social franchising*, a concept that has become increasingly popular during recent years. Bradach (2003: 20) makes the case for social franchising by pointing out its benefits: It reduces risk, makes use of an already strong brand name, and grants access to resources and expertise as well as a network. This usually allows for faster scaling than Branching. However, social franchising also increases the risk of

opportunistic behavior of the franchisee. Moreover, choosing the right franchisees and cancelling a franchise agreement can prove challenging to the franchiser.²⁵

²⁵ Usually, problems occurring in social franchising are explained with the *Principal-agent theory*, assuming incomplete contracts (see e.g. Hackl 2009).

	Branching	Affiliation	Dissemination	Spontaneous replication
Definitions	<p>Dees et al. (2004: 28): “<i>Branching</i> is the creation of local sites through one large organization, much like company-owned stores in the business world.”</p>	<p>Dees et al. (2004: 28): “<i>Affiliation</i> is a formal relationship defined by an ongoing agreement between two or more parties to be part of an identifiable network.”</p> <p>Bradach (2003: 19) on replication: “The objective is to reproduce a successful program’s <i>results</i>, not to slavishly recreate every one of its features”</p>	<p>Dees et al. (2004: 28): “<i>Dissemination</i> is actively providing information, and sometimes technical assistance, to others looking to bring an innovation to their community”</p> <p>Uvin et al. (2000: 1411): “<i>Indirect activities</i> are those in which NGOs seek to affect the behavior of other actors [...]. Thus, they reach their target group only indirectly, through the actions and decisions of others.”</p>	<p>Wazir, van Oudenhoven (1998: 147): “[...] the demand for information comes from below. It is need-based and is characterized by spontaneous and informal contacts between like-minded individuals. Additionally, the communication flow is [...] a two-way process of convergence where participants 'create and share information'.”</p>
Form (Uvin et al. 2000)	Direct scaling		Indirect scaling	
Label (Wazir, van Oudenhoven 1998)	Universalist approach		Contextual approach	

Figure 3: Forms of scaling social entrepreneurial impact (Source: own figure)

Dissemination

Dissemination differs significantly from how traditional enterprises grow. Austin et al. (2006: 18) explain: “Networking across organizational boundaries to create social value is a powerful strategy for social entrepreneurs because the objectives of creating social value do not require that value be captured within organizational boundaries.” Dees et al. (2008: 28) describe dissemination as an “‘open-source’-approach” and define it as “actively providing information, and sometimes assistance, to others looking to bring an innovation to their community”. This does not necessarily entail a contractual relationship between the involved parties like for example the one between franchiser and franchisee.

Although involving a much higher risk for the brand and making quality control as well as control in general the more difficult, this form of scaling also entails the advantage of very low resource-intensity which often allows for faster scaling. Furthermore, the willingness of the target community to accept the social innovation can be assumed to be higher as community members are involved in the initiative themselves.

Spontaneous replication

Similarly to Dissemination, the relationship between the involved parties engaged in Spontaneous replication does not need to be based on legal agreements. In fact, collaboration is even less formalized than with Dissemination and usually initiated by interested parties, not top-down: “The essential difference here is that the demand for information comes from below. It is need-based and is characterized by spontaneous and informal contacts between like-minded individuals” (Wazir, van Oudenhoven 1998: 147). Moreover, collaboration does not have to happen on a permanent basis.

The advantage here is that there remains little to do for the social enterprise whose idea is replicated – as scaling has been initiated by the target community, it can be assumed that there is demand and a high willingness for the social innovation to be spread. However, this form of scaling also brings about huge challenges. Maintaining a flow of information between the initial social enterprise being engaged with the topic as well as amongst its offspring (e.g., sharing best practice), is very hard to organize if collaboration is spontaneous and informal.

3.3 How scaling forms are chosen: Taking individual conditions into account

There seems to be only little known about the factors that make a certain form of scaling to be more suitable under certain conditions than under others. The only paper covering this issue is one by Dees et al. (2004), mainly addressing practitioners – the authors point out on a very general level that scaling efforts would suffer from not being sufficiently strategic and systematic. However, they present their idea of how social entrepreneurs *should* scale rather than analyzing why they do scale the way they do in more detail and – based on the results – suggesting recommendations on how to overcome the challenges they face.

This section presents *The Five R's* – *readiness, receptivity, resources, risks, and returns* – suggested by Dees et al. (2004) as guiding factors in finding the right form of scaling. Furthermore, their relation to the different forms of scaling – identified in the previous section – is pointed out.

Before social entrepreneurial impact can be scaled, **readiness** of an innovation needs to be assessed. Core elements of the business model, responsible for the impact created, need to be identified and replicated (Dees et al. 2004: 30). Readiness seems to be a general pre-condition to scaling that does not differ between scaling forms.

The **receptivity** of the social innovation in target communities needs to be examined. The less well-received the organization's activities are and the more resistance there is, the more important it will be to include members of the community. As Dees et al. describe, problems can occur if the need in the community does not translate into demand. For instance in a case where many are infected with a certain disease, creating a great need for receiving a certain medication, while cultural hurdles hinder patients to do so. This makes it difficult to include locals into the project and can, according to Dees et al. – require “marketing” efforts.

There is no doubt about the importance of **resources** for scaling. Dees et al. recommend identifying those resources necessary for the chosen form of scaling and building alliances in case they are not sufficient. In general, it can be said that the looser the collaboration with the offspring, the fewer resources are to be invested by the headquarters. However, coordination efforts in looser forms of collaboration can prove quite resource-intensive, too. After having analyzed cost, opportunities to generate revenues should be assessed. This can mean for the headquarters or center to charge fees for general administration and coordination efforts while local sites earn revenues or set up a donor base.

With **Risk**, Dees et al. mean both risk to the organization, but also risk to society overall. How easy is it to implement the innovation correctly? What happens if it is implemented incorrectly? The higher the risk is, the closer the collaboration between the center and its offspring needs to be. At the same time, risks should be mitigated as much as possible.

With **returns**, Dees et al. (2004: 31) refer to the bottom line of the scaling efforts, the impact of the social enterprise – both quantitative and qualitative: “Impact is not just about serving more people and communities, but about serving them well”. In order to increase efficiency and effectiveness as well as ensuring quality, closer collaboration might be necessary. However, whenever speed is crucial, looser affiliation is the option to choose. Considering the individual conditions, tight quality control of the qualitative aspect and high speed of the quantitative aspect need to be balanced.

Linking the Five R’s to the scaling forms presented above shows that each of the scaling forms can be advantageous, depending on the *internal* and *external conditions* of the social enterprise. While readiness of the social innovation is seen as an internal precondition to scaling, receptivity can be seen as an external precondition. Nevertheless, low receptivity in the target community can, according to Dees et al., be compensated for by looser affiliation, i.e. by including members of the target community into the process. Additional internal conditions are the availability of resources and the risk to the organization. While considering risk to society is another external condition, targeted returns are given by both internal and external factors.

Figure 6 shows the relation between individual conditions and the scaling forms. The arrows indicate the situation that is more advantageous or easier to handle. Although Branching entails considerable advantages – more efficient collaboration, easier quality control and lower risk – it requires a high resource-investment and often does not allow for replication as fast as with the other scaling forms. Spontaneous replication at the other end of the spectrum does not bring about these downsides, but it does make collaboration more difficult and increases risk of incorrect implementation, i.e. does not allow for such tight quality control of returns.





		Branching	Affiliation	Dissemination	Spontaneous replication
Individual conditions (Dees et al. 2004: The Five R's)	Readiness Is the innovation ready to be spread?	Precondition			
	Receptivity Will the innovation be well-received in target communities?				
	Resources What resources, financial or otherwise, are required?				
	Risk What's the chance the innovation will be implemented incorrectly, or will fail to have impact?				
	Returns What is the bottom line? Impact should not only be scaled quantitatively, but also qualitatively.				

Figure 4: Individual conditions (The Five R's) and the forms of scaling (Source: own figure)

3.4 How activities are prioritized: Drivers of scaling

The SCALERS Model (Bloom, Chatterji 2009; Bloom, Smith 2010) identified seven organizational capabilities that are positively correlated with successful scaling (see figure 7). Although there is little known about importance and nature of certain SCALERS in specific contexts, the authors say that the SCALERS importance can vary depending on both situation and organization. Moreover, very strong capabilities in a certain area can often make up for abilities in other areas that are less developed.

However, from assessing the model, it remains somewhat unclear how the SCALERS have been identified and whether they provide an exhaustive collection of activities and capabilities that drive scaling. Nevertheless, due to the lack of alternative approaches, the model will be used despite its inaccuracies.

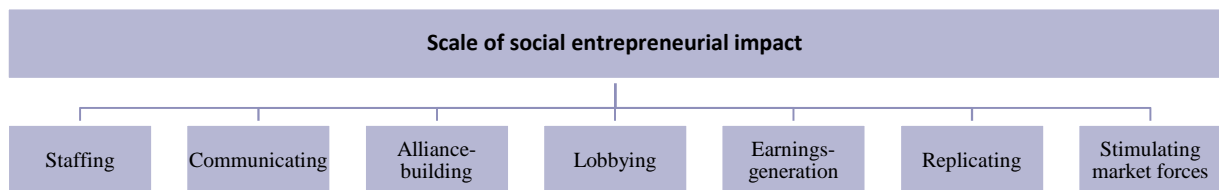


Figure 5: The SCALERS Model (Source: Bloom and Smith 2010: 128)

With **staffing**, it is referred to the ability of an organization to attract and maintain skilled personnel. **Communicating** is seen as very important in order to convince key stakeholders from the social innovation and the business model. No matter how good the idea is, if not communicated in the right way, it can become difficult to secure the necessary support. **Alliance-building** describes the capability to set up “partnerships, coalitions, joint ventures, and other linkages to bring about social change” – preferably with organizations sharing the same goals. (Bloom, Chatterji 2009: 119). **Lobbying** characterizes the capability of persuading the government to act in its favor. The driver that has the highest impact on scaling is **Earnings-generation** (Bloom, Smith 2010) – the capability of creating financial value that exceeds expenses. Hereby, earnings entail income from sales, donations, grants, sponsorships, membership fees, investments and other sources (Bloom, Chatterji 2009). **Replicating** refers to how effectively the organization can scale its idea of change. Finally, **Stimulating market forces** describes the organization’s capability to “encourage people or institutions to pursue private interests while also serving the public good.” (ibid.: 123).

Considering the specific strength and weaknesses of the scaling forms, it appears that certain SCALERS have a higher priority under some conditions than under others. Moreover, it seems that not only does their importance vary with the scaling form, but also does their nature (see Table 3).

		Branching	Affiliation	Dissemination	Spontaneous replication
Drivers of scaling (Bloom, Chatterji 2009; Bloom, Smith 2010)	Staffing	attract, retain and train own staff for branches	find suitable franchisees/partners and manage collaboration	find entrepreneurs who work independently	train own staff to be open for spontaneous, informal collaboration with interested parties
	Communicating	communication between organization and target communities critical	communication to franchisees and amongst them critical	maintaining communication with all parties involved critical	communication to attract interested parties
	Alliance-building	alliances with locals for increasing receptivity alliances for acquiring resources			
	Lobbying	no significant differences			
	Earnings-generation	no extra financing of headquarters required	financing of headquarters as additional challenge	financing of headquarters as additional challenge	financing of headquarters as additional challenge
	Replicating	-			
	Stimulating market forces	no significant differences			

Table 3: Relation between the scaling forms and the drivers of scaling (SCALERS) (Source: own figure)

3.5 A holistic framework for scaling social entrepreneurial impact

Although there are several theoretical approaches on how to scale social entrepreneurial impact, there is no holistic framework explaining how successful social entrepreneurs find a suitable way to scale *their* impact – that is, considering their individual conditions and challenges – and how they prioritize the investment of scarce resources – i.e., decide what to dedicate their limited time and money to. In order to find an answer to these questions, the theoretical approaches introduced in the previous sections will be combined, providing a holistic framework for scaling social entrepreneurial impact.

The ultimate goal of social entrepreneurs is to contribute to their vision by accomplishing their mission. As argued in the previous chapter, it is most efficient to do so by scaling impact. The individual conditions determine what scaling form is most suitable. In order to achieve the mission, both the individual conditions and the scaling form influence which drivers of scaling are most efficient to employ and where their focus lies (see Figure 8).

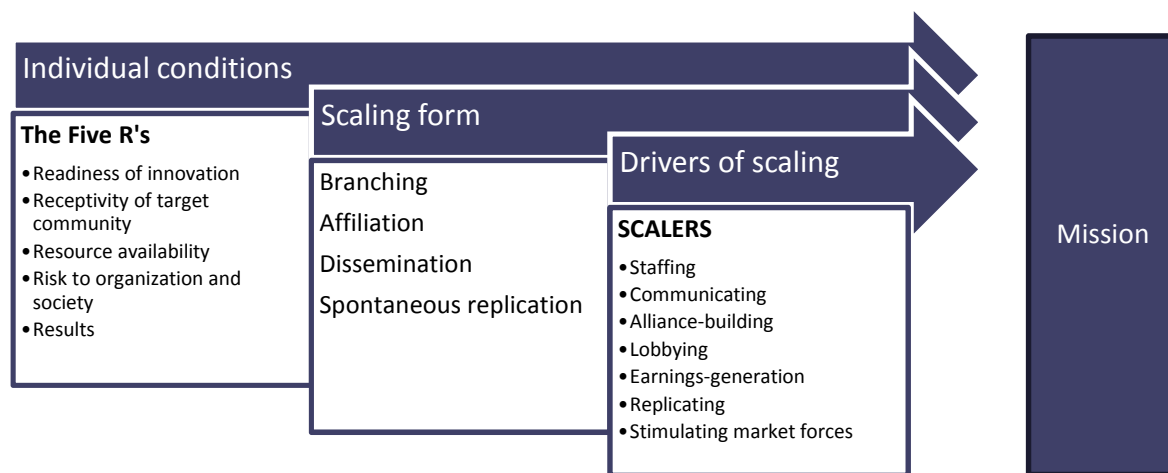


Figure 6: A holistic framework for scaling social impact (Source: own figure)

3.6 Interim conclusion

Combining several theoretical approaches for scaling social entrepreneurial impact provides a holistic framework for explaining the social entrepreneur's individual way of scaling. Revisiting the research

question and its sub-questions shows that this framework provides a sufficient theoretical basis for answering them:

“How do social entrepreneurs find a suitable way to scale their impact?”

- (i) What options are there to scale social entrepreneurial impact?
- (ii) Are there preconditions for scaling? If so, which?
- (iii) What are the influencing factors determining which way is most suited?
- (iv) Are these factors internal or external?
- (v) Do they change over time?
- (vi) How should the investment of scarce resources be prioritized?

However, before doing so, the framework will be tested in practice. In the following chapter, the research methodology will be presented, followed by two case studies and their analysis by means of the framework. Finally, general implications will be drawn.

4 Methodology and Research Design

This chapter presents and justifies the methodology and the research design that were chosen for this thesis. First, the process of choosing the research questions will be described. Second, it will be explained why the abductive approach and the case study method were deemed appropriate for answering the research question. Then, the collection and analysis of the empirical data will be illuminated – before finally elaborating on validity and reliability of the conclusions that were drawn.

4.1 Research question and objectives

Starting off from a very strong personal interest in the topic of social entrepreneurship, the first step was to get a more detailed overview of the research field and identify research gaps as well as pointing out the challenges that practitioners are dealing with. Hence, an extensive and broad screening of the existing literature was done while also discussing the issue with both researchers²⁶ and practitioners²⁷.

Quite quickly, it became clear that the topic as a research field is still in its beginnings. The literature is rather limited, so that the majority of all existing papers could be read. It became obvious that scaling social entrepreneurial impact was an area that was highly relevant to both theory and practice. However, both empirical data as well as theoretical approaches turned out to be very limited. This lead to the objectives of this thesis to add to the research field of social entrepreneurship as follows:

- (i) it will deliver two in-depth case studies on social enterprises that faced different challenges and followed different ways of scaling their social impact
- (ii) according to the abductive research approach²⁸, it will both test existing theories of scaling social entrepreneurial impact and at the same time give new insights from the cases and add to existing theory.

²⁶ Researchers from Stockholm School of Economics as well as students from this and other universities.

²⁷ For instance, it was participated in monthly events of the Social Entrepreneurship Forum in Stockholm (www.se-forum.se), where social entrepreneurs presented their business models and their issues and put them up for discussion.

²⁸ See the following section for an explanation of this approach.

4.2 Research approach

In order to answer the research questions and to meet the objectives outlined above, the abductive research approach and the case study method were deemed most appropriate.

4.2.1 The abductive approach

In social science research, the *inductive* and the *deductive* approach are the ones that are most commonly used (Bryman and Bell 2007). While the inductive approach implies developing a theory from the collected data, the deductive approach means to explain the collected material by means of an existing general theory, starting with formulating hypotheses.

However, both approaches contain weaknesses. Due to the fact that the research question and especially the state of the field of this thesis do not allow for large, quantitative sampling, the inductive method seems rather risky. The deductive approach seems less risky, but bears the potential to miss underlying patterns and tendencies (Alvesson and Skoldberg 2009). Therefore, it can be desirable to combine the two approaches in order to mitigate their risks while taking advantage of their benefits. This is what is called the *abductive* approach: Whereas the existing theories can be a starting point for collecting data, the findings are then compared to the theories and can expand them (ibid.).

The abductive approach seems most suitable for this thesis due to the following reasons: First, there had not been a holistic framework for scaling social entrepreneurial impact before. That is, the developed framework needs to be tested by applying it to the cases. Second, new insights from the cases can expand the theory. By going back and forth between the deductive and the inductive approach, some general conclusions can be drawn.

4.2.2 The case study method

Schramm (1971, quoted by Yin 1989: 22) explained that “the essence of a case study, the central tendency among all types of case study, is that it tries to illuminate a decision or a set of decisions: why they were taken, how they were implemented, and with what result.” Yin (1989: 13) defines a case study as “an empirical inquiry that investigates a contemporary phenomenon within a real life context in which the boundaries between phenomenon and context are not clearly defined”. Hereby, it should be noted that – contrary to the common belief – case studies can use not only qualitative, but also quantitative evidence (Yin 1981: 58).

Benbasat et al. (1987: 370) named the advantages of case studies:

- (i) “First, the researcher can study [...] [the research subject] in a natural setting, learn about the state of the art, and generate theories from practice.
- (ii) Second, the case method allows the researcher to answer 'how' and 'why' questions, that is, to understand the nature and complexity of the process taking place.
- (iii) Third, a case approach is an appropriate way to research an area in which few previous studies have been carried out.”

These are three strong reasons for why this thesis is based on case studies:

- (i) As the research field is still emerging, it is important to study best practices and – based on this – develop or adapt theories.
- (ii) The research question aims at a holistic solution, providing answers to the complex problem of *how* social entrepreneurs find a suitable way to scale their impact. Part of the answer is to find out *why* social entrepreneurs in practice scaled the way they did.
- (iii) As there is very little research on this topic yet, the research approach has to be quite broad. Basis for more specific – let alone quantitative – research would require some indications about the total population of social entrepreneurs and presume a more specific definition of the concept.

According to Edmondson and McManus (2007: 1160), nascent theory, like in the field of social entrepreneurship, furthermore calls for collecting *qualitative data*.

However, there are considerable disadvantages connected with case study research: Voss et al. (2002) have pointed out that it is more time-consuming than other approaches. Furthermore, it requires interview skills and the generalizability of the conclusions can be limited. Eisenhardt (1989: 547) agrees and adds: She criticizes that this type of research can either result in “narrow and idiosyncratic theory” that is only applicable to the case that was studied but cannot be generalized, or in “overly complex theory”, trying to capture every detail.²⁹ Although all case research is potentially affected by these risks, they can be mitigated by using *multiple cases* (Voss et al. 2002). Given the constraints of any research project, it should however be noted that there is a trade-off between the number of case studies and the depth of observation.

²⁹ However, Yin (2009) points out that even though a case study cannot lead to statistical generalizations, *theoretical generalizations* can very well be drawn. For instance, while it could not be concluded from case study research that male/female drivers drive better than the respective other sex (statistical generalization), it can be said that there is a relation between the sex of the driver and his/her driving skills (theoretical generalization).

Given the early stage of the research field of social entrepreneurship and the fact that only very little is known about how social entrepreneurs identify a suitable way of scaling their impact, this thesis will focus on *qualitative research* and explore the field by means of *two comparative case studies*. Contrary to hypothesis-testing research which relies on statistical sampling, case study research, aiming at building theory, chooses cases by *theoretical sampling*, that is, for theoretical, not statistical reasons (Eisenhardt 1989). It was decided to use two case studies for two reasons: First, it makes the results more reliable and second to ensure that all categories of the theory are covered.

4.3 Data collection

This section provides information about how both organizations and interviewees were chosen and what methods were applied to collect the data.

4.3.1 Unit of analysis

Choice of organizations

As described above, the organizations for the case studies were chosen by theoretical sampling, not by statistical sampling. The following three criteria were developed:

- (i) the organization qualifies as a social enterprise according to the definition in section 2.1.3.
- (ii) the organization has already scaled its social impact and preferably applied different strategies
- (iii) the organization is large enough to allow several interviews
- (iv) should be headquartered in Europe.

The first condition is self-explanatory. The second condition also implies that at least three out of the four scaling forms identified in section 3.2 are covered by the two cases. Moreover, the longer the scaling history and the more interesting aspects of the theory the case covers, the better the organization would be suited. The third condition is important as it allows including different perspectives (e.g., franchiser and franchisee) and makes the data more reliable whenever something is confirmed by several persons. The fourth criterion was chosen to ensure that neither cultural differences nor huge variances in norms and values would falsify the results of the cross-case analysis. Moreover, it would allow talking to at least some of organizations' members in person and in addition to the interviews having informal conversations with them when visiting the sites.

When starting the search for suitable organizations, this task first proved challenging as there is no such thing as an index or commonly used database for social entrepreneurs. However, those organizations supporting social entrepreneurs like e.g. Ashoka have identified several successful social entrepreneurs for their fellowship programmes over the years. Even though several organizations would have fulfilled the criteria (i), (iii) and (iv), Dialogue Social Enterprise, the oldest social enterprise in Germany, and its founder Dr. Andreas Heinecke, the first Ashoka Fellow in Europe, provided a very rich history of scaling, having gone through many challenges and stages. Therefore, this organization fulfilled criterion (ii) the best.

With the first case already covering the scaling forms branching and affiliation, the second case should cover dissemination. However, there are not that many organizations that fulfill the four criteria above plus the criterion of having applied this scaling form. When discussing with practitioners from the Social Entrepreneurship Forum in Stockholm, they suggested choosing The Hub as the second case.

Choice of interviewees

After the organizations had agreed to participate in the research, the interviewees were selected. Hereby, it was important to choose sufficiently many interviewees so that the scaling process of the organizations could be reconstructed and verified by several persons.³⁰ This was not always possible, especially not in the very beginning when mainly the founders had been involved in the projects. Moreover, critical positions need to be covered, that is, the founders should be interviewed as well as current members of the organizations and people in the headquarters as well as in the affiliates.

One problem arose when it became clear that the founder of The Hub, not being involved with the organization any longer, would not be available for a personal interview. However, he could be contacted via email and sent a text he had written about the founding process of The Hub. Even though this is not as desirable as having interviewed him, but as he had written the text himself, it can be assumed that the text represents an appropriate substitute for the interview.³¹

4.3.2 Data collection methods

Case studies usually combine several methods of data collection, such as interviews, archival records, documentation, questionnaires, and observations (e.g., Eisenhardt 1989; Benbasat et al. 1987). Voss

³⁰ It was aimed at understanding what happened and why.

³¹ Certainly, there is difference between primary and secondary sources of data. By taking information from the text – even though written quite openly and answering most of the research questions – it does not allow assessing the interviewee's reaction to the questions and can therefore only assume how the statements are meant.

et al. (2002: 204) add: “Typically, the prime source of data in case research is structured interviews, often backed up by unstructured interviews and interactions. Other sources of data can include personal observation, informal conversations, attendance at meetings and events, surveys administered within the organisation, collection of objective data and review of archival sources.”

In this thesis, three ways were used to obtain data:

1. Interviews
2. Attendance and informal conversations
3. Documents.

Interviews

In-depth, *semi-structured* interviews were the main source of empirical data. Semi-structured interviews are in between the two extremes of open interviews – i.e. informal conversations – and pre-coded interviews – strictly following the interview guide (Fisher 2007: 159). Semi-structured interviews allow for changing the sequence of the questions in the interview guide as well as asking further questions to learn more about a relevant answer an interviewee might have given (Bryman, Bell 2007: 732). This type of interviews is especially suited whenever (i) the kind of answers that will be given is unknown, (ii) looking for new ideas (Fisher 2007: 165). Therefore, semi-structured interviews were deemed as the best option.

An interview guide had been developed and was adapted to the interviewee’s background, position in the organization, and the period that he or she had been working with the organization. The questions asked also depended on what information had already been found elsewhere. If, for instance, a certain fact could already be read on the webpage and had been confirmed in an interview, the question was skipped in the following interviews. Usually, the interview started with telling about the research project and it was asked whether the interviewees agreed with publishing their interview in the thesis. Then, the person’s background and actual position in the organization was asked about. In a next step, questions were asked about the organization’s scaling process and the challenges that occurred. Depending on their role and position, specific questions were asked. Finally, the interviewee was asked to give a short outlook about the future and whether he or she would like to add an aspect that had been neglected in the interview. The interview guide containing all questions can be found in Appendix IV.

In total, nine interviews have been conducted, whereof five were done with members at Dialogue Social Enterprise, three with The Hub and one interview was an expert interview (see Appendix II). As

its scaling history is much shorter than the one of Dialogue Social Enterprise and because the founder's perspective was included from the text he had written instead of from an interview, there were fewer interviews conducted at the Hub than at Dialogue Social Enterprise. In Appendix III, a list of interviewees, including their position, can be found.

It was gauged carefully whether or not interviews should be recorded. Even though recording could provide an accurate rendition of what was said, considerable downsides are connected to it as well: "On the negative side, transcribing tapes is very time consuming, it often takes place some time after the interview, can be seen as a substitute for listening and may inhibit interviewees" (Voss et al. 2002: 209). It was found that these disadvantages would weigh more than its advantages in this research design – especially for creating an atmosphere of trust, recording was assumed to be hindering. Instead, extensive notes were taken. This also allowed writing down own impressions in addition to what the interviewee said. In order to allow for the same validity of data as when recording the interviews, the notes were sent to the interviewee for checking.

Attendance and informal conversations

This method, similar to open interviews (see previous section), was mainly used in order to get an impression of the organizations, to get to know the interviewees, and to identify the most relevant issues and questions.

With Dialogue Social Enterprise, time was spent at their headquarters in Hamburg, Germany. As for The Hub, it was The Hub Stockholm that was chosen for attendance.

Documents

Documents, such as annual reports, brochures as well as newspaper and magazine articles were used to get to know more about the history of the respective organization. Furthermore, webpages and previous research on the organizations were also used to obtain data for the cases. The reason for doing so was on the one hand, to ensure that data was correct, on the other hand, this allowed for more time in the interviews to be spent on identifying causalities rather than objective facts.

4.3.3 Reaching closure

One important issue in case study research is to decide when to stop adding cases or interviews as well as when to stop iterating between empirics and theory. In an optimal world of endless resources, the point to stop would be when theoretical saturation is reached. However, as Eisenhardt

(1989: 545) points out: “In practice, theoretical saturation often combines with pragmatic considerations such as time and money to dictate when case collection ends.”

Given the time constraints of this master’s thesis, it was tried to balance the depth of the cases and the number of cases, which was found to be the case with two case studies and the respective number of interviews.

4.4 Analysis of the data

In a first step, the scaling history was reconstructed from the interview notes, the conversations and the documents. Then, in chapter 6, the data was regrouped by means of the theoretical framework that had been developed in chapter 3. When presenting the second case, comparisons to the first case are drawn. In an additional step, the results were summarized and grouped according to emerging themes. These themes seemed noticeable either due to:

- (i) contradiction of the theoretical framework,
- (ii) confirmation of the theoretical framework or
- (iii) expanding the theoretical framework.

Finally, the theoretical framework is adapted by means of the results from the analysis, implications are developed and overall conclusions are drawn.

4.5 Validity and Reliability

“It is our view that qualitative research can be performed as social science. Understanding the workings of a scientific endeavor [...] entails an appreciation of objectivity” (Kirk and Miller 1986: 12). Not only in quantitative research, but equally in qualitative research it is very important to ensure its validity and reliability (Voss et al. 2002). Among others, Yin (1994: 33) names the following dimensions: Construct validity, internal validity, external validity, and reliability.

4.5.1 Construct Validity

Construct validity refers to whether the measures that were chosen are suited for the concepts being studied (Voss et al. 2002). Was a representative proxy selected for examining the research problem? Does the researcher interpret the statement of the interviewee in the way he or she meant it to be interpreted? According to Yin (1994), there are mainly three tactics to prevent or address low

construct validity: (i) using multiple sources of evidence, (ii) establishing a chain of evidence, and (iii) having key informants review a draft of the case.

In this thesis, all three of these tactics were applied: (i) as described in the section on data collection above, interviews, attendance and informal conversations as well as documents were used to obtain the desired information (triangulation); (ii) a chain of evidence was created by reconstructing and documenting the organizations' respective scaling history in chronological order; (iii) even though the entire case study was not reviewed, the interviewees reviewed their own quotations – which still ensured that all facts stated are correct.

4.5.2 Internal Validity

“Internal validity is concerned with whether the evidence presented justifies the claims of cause and effect” (Fisher 2007: 296). This concerns mainly the analysis of data. Even though the analysis is the most important part of the research process, it is the least codified step in case study research (Eisenhardt 1989). Therefore, it is the more important to provide a detailed and sound description of how the analysis was done. Furthermore, Benbasat et al. (1987) point out that validating the collected data by triangulation could also increase the conclusions that were drawn. Yin (1994: 33) proposes to “do pattern matching or explanation building or time-series analysis”.

Once again, the method of data collection contributed to the validity of the thesis. By providing a detailed, chronological case description, some confusion could be prevented. Furthermore, findings were continuously challenged by considering alternative explanations or case-effect relationships.

4.5.3 External Validity

External validity deals with the question whether findings can be generalize, i.e. apply to the greater context (Fisher 2007). Yin suggests using multiple case study design to overcome this potential flaw. Although two cases are not a sufficient basis for legitimately transfer the results to the whole population, the findings can be considered to be much more valid than those derived from a single case study. Moreover, the goal of this thesis had not been to produce statistically sound knowledge, but rather to provide a first idea about a holistic approach to scaling social entrepreneurial impact. This could lead to first results and indications, but first of all, it should smooth the way for further research.

4.5.4 Reliability

Reliability is concerned with the replicability of research findings (Yin 1994). This can first and foremost be achieved by meticulously documenting the whole research process, “so that readers may apply their own standards” (Eisenhardt 1989: 544).

Reliability of this thesis was achieved in x ways: (i) ensuring that the collected data is correct by triangulation as well as by double-checking the quotations with the interviewees, (ii) having developed the theoretical framework from already existing theory, (iii) writing this chapter and explaining the methodology and research design.

Case Studies

In this chapter, the cases will be introduced. After a first section describing the social enterprises and their mission, business model and impact, their scaling history will be reconstructed.

4.6 Dialogue Social Enterprise

4.6.1 Background

Dialogue Social Enterprise GmbH³² (DSE), situated in Hamburg, Germany, was founded by Dr. Andreas Heinecke and goes back to its first exhibition in 1988. It is Germany's oldest social enterprise. In 2005, Andreas Heinecke became the first Ahoeka Fellow in Western Europe and was elected Social Entrepreneur of the Year by the Schwab Foundation in 2007. In the beginning of this year, he was awarded the German Founder's Prize for outstanding achievements 2011.

Mission

What social need is addressed? More than a billion people, i.e. 15% of the world's population, live with some kind of disability (WHO 2011: 7). 285 million of them are visually impaired: 246 million have low vision and 39 million are blind (WHO 2010) – the number of unreported cases might be even higher. According to the WHO (2011), people with disabilities are more likely to suffer from poorer levels of health and they experience lower educational achievements as well as less economic participation, higher rates of poverty, an increased dependency and restricted participation. Furthermore, they often face discrimination and social exclusion. Even in a developed country like Germany, according to DSE, only 15% are employed.

DSE's mission is twofold: It enables encounter between disabled and non-disabled people in order to change the perception of "disabled" and overcome prejudices. At the same time, it empowers disabled people through employment.

³² A GmbH (Gesellschaft mit beschränkter Haftung) is the term for a limited company in Germany.

Business model

How to achieve the desired state? DSE holds temporary and permanent exhibitions and business workshops³³ in total darkness (*Dialogue in the Dark*) or silence (*Dialogue in Silence*), creating a role reversal between disabled and non-disabled people. The visitors are led by blind or deaf guides, whose deficits turn into potential. The experience of visiting an exhibition or participating in a workshop provokes a change in visitors' understanding of disability.

The business model is based on social franchising. Franchisees pay an upfront payment as well as license fees to DSE and in turn get assistance in creating the exhibition and recruiting as well as training the guides. Furthermore, DSE provides access to its global network and the use of its brand and trademark services. Business workshops are held by both the franchisees and DSE itself. Major generators for income are ticket sales for the exhibitions, fees for the business workshops, revenues from Dinner in the Dark, public funding, events in darkness, license fees, strategic sponsorships, private donations, and merchandising.

Impact

What has the impact been so far? DSE creates impact on three levels: financial impact, social impact on society level by changing the perception of otherness, and social impact on individual level by changing the lives of the guides. In 2009, DSE generated 1.2 million Euro of revenues. During the past 20 years, more than 6 million people have visited exhibitions and workshops in 35 countries on 4 continents. 7.000 visually impaired and deaf people have been employed.

	2009	2010	2011
Longterm exhibitions	10	14	16
Temporary exhibitions	4	3	3
Business workshops	322	513	600
Visually impaired employees	330	368	430

Table 4: Impact and scaling history of Dialogue Social Enterprise 2009-2011 (Source: Annual Report 2010)

A survey amongst visitors of the Dialogue in the Dark exhibition in Holon, Israel found that 96% thought that the exhibitions is of great importance to society, 93% said that visiting the exhibitions assists in improving attitudes towards the blind population, and 80% claimed that a visit leads to improving attitudes towards challenged populations in general. Furthermore, 82% stated that they

³³ A business workshop is similar to other teambuilding events with the special characteristic that it is held in total darkness, just like the exhibitions.

now have a better impression of the function ability of the blind and 71% said they were more open towards blind or visually impaired people now. SHM, a strategy and insight consultancy firm based in UK evaluated the impact and outcomes for guides employed by Dialogue in the Dark. They could identify profoundly positive psychological, social and practical/economic effects: “SHM’s overwhelming finding is that DITD is making positive difference to the lives of the guides and should keep on doing what it is doing” (SHM 2007: 2).

4.6.2 Scaling social impact

The scaling process at DSE can be structured into three phases. Phase one is characterized by its founding process and by proving first success with a pilot. It lasts until first scaling efforts are undertaken. In the second phase, the scaling process takes place. Towards its end, challenges occur and call into question whether the chosen way of scaling is still appropriate. Finally, the third phase begins with taking actions as a result of these challenges.

Phase 1: Pilot phase (1988-2005)

The first temporary exhibition of Dialogue in the Dark was organized in 1988 in collaboration with the Foundation for the Blind in Frankfurt am Main, Germany. It should take 12 more years until the first permanent exhibition was opened in Hamburg in April 2000. Until then, around 50 temporary exhibitions and workshops had taken place in Germany, Austria, France, Belgium, The Netherlands, Great Britain, Canada, Hungary, Italy, Switzerland and even Japan. Usually, exhibitions were held like other travelling exhibition in collaboration with existing museums.³⁴ Business workshops often took place at the companies’ commons. The Dialogue in Silence concept had its first exhibition in 1998, also in Frankfurt, but the main focus remained on Dialogue in the Dark.

In 1996, Andreas decided to start his own company, consens Dr. Andreas Heinecke, in order to be able to organize exhibitions independently from the Foundation for the Blind Frankfurt, who was mainly interested in supporting local activities. From the very beginning, the concept attracted attention, not only from the blind. The starting point of the first exhibition had been Andreas’ question why it is so difficult for blind people to find a job, followed by the insight that this is due to many prejudices. Thus, the initial goal had been to eliminate these stigmata. This could, so Andreas’ idea, in the long run change the perception of “otherness” in society and make people more open towards employing disabled people. Around 1998, it became obvious that also the concept itself is suitable for long-term employment of blind and visually impaired people.

³⁴ However, compared to other exhibitions, the Dialogue in the Dark exhibition requires its very special setting in total darkness. This can sometimes be challenging to establish and often requires a huge effort.

Finally, in April 2000, after a long period of looking for a suitable location, the first permanent Dialogue in the Dark exhibition opened in Hamburg. As Andreas said:

“Opening a permanent exhibition had been a goal from the very beginning. We needed a proof, a good reference before we could scale.”

Klara Kletzka, Partner and Senior Consultant of DSE with a background in Romance studies and Pedagogy and experience from founding an art house in Frankfurt, adds:

“Hamburg was a milestone. It was important as an employment project, and also as a reference for companies, even internationally.”

The exhibition proved to be very successful. While expecting around 30,000 visitors a year, numbers were twice as high from the very beginning. The main focus during that time was to get Dialogue in the Dark up and running while at the same time increasing its popularity and ensuring its sustainability. Being the exhibitor themselves instead of just a guest at a museum allowed for more freedom, but at the same time brought about new challenges. In addition to the usual challenges that every start-up is struggling with,³⁵ DSE was for the first time facing issues related to being a social enterprise. Andreas mentioned:

“The funding provided by the city of Hamburg was not sufficient to cover our costs. Our model was clear, we wanted to charge entrance fees – but the city was in favor of offering the exhibition free of charge. So we had to succeed in the balancing act between public funding and entrepreneurship.”

Klara attributes this mainly to the fact that at that time, social enterprises were not known and many were suspicious towards a for-profit organization following a social purpose. This changed only in 2005 when Andreas became Ashoka Fellow. Besides benefitting of their expertise, DSE also got access to a global network of social entrepreneurs which proved to be very helpful.

Orna Cohen, then director of La Cité de Science in Paris, contacted Andreas when she wanted to organize an exhibition about disability for children. In 2001, she did the first project with DSE. As she had gained much experience with interactive exhibitions, she brought a lot of useful knowledge with her. Her first project was to introduce evaluations of the exhibitions.

Phase 2: Scaling up (2005-2010)

In November 2005, the second permanent exhibition, the DialogMuseum in Frankfurt, owned by Klara and Andreas and directed by Klara, opened its doors to the public. Andreas explains:

³⁵ E.g. later in Thailand, the guides came out on strike just two weeks after the exhibition was opened.

“This wasn’t a strategic decision – I don’t think we need two show-rooms in the long run. This decision was related to Klara. I knew that if I wanted to keep her, she finally needed to do her own thing.”

Unlike the exhibition in Hamburg, the DialogMuseum in Frankfurt had to start without public funding which proved to be very challenging. Only in 2009, the city of Frankfurt finally agreed upon supporting the museum financially, starting in 2012.³⁶ One of the main issues the museum was facing when applying for funding was that it was unclear within whose department’s competence they would fall. Was it the department of culture, the department of social affairs or the department of education? Finally, the mayor decided to charge all of them.

During that time, requests increased from people who had visited one of the exhibitions and wanted to start one themselves. Orna states:

“Hamburg as a long-term exhibition was the most important reason for a high increase in requests. In 2007 and 2008, we were increasingly wondering how to cope with all these requests.”

The further away exhibitions were from the headquarter, the longer they lasted, and the more there were, the more obvious it became that increased formalization was necessary. Already in 1992, DSE had made first experiences with social franchising when contracting out an exhibition in Paris. Now, they were increasingly relying on this model. It allowed for local adaptation, i.e. helped to overcome language and cultural barriers. Nobody had to be hired, and there was no financial risk involved. Instead, local resources could be accessed, so that own capacity was free for other tasks. Furthermore, social franchising creates ownership by the people operating the exhibition, which as Andreas explains, is very important:

“Local identity is one of the main drivers to do this. People don’t want to make money with the exhibitions, but they want to do something for themselves and for the world. They see it as their thing.”

In 2008, the Dialogue Social Enterprise GmbH was founded as the successor of consens Dr. Andreas Heinecke and the headquarter hired its first employee. Orna initiated the creation of manuals for the franchisees in order to formalize the existing knowledge and make it transferable.

When a major consulting firm did a pro-bono project with DSE in 2009, it became clear that even more standardization was required. More people were hired, standard contracts and non-disclosure agreements were created, a standard branding was drafted and a common web-site created. Furthermore, more employees were hired. Orna described the development as follows:

³⁶ Still, the city saves four times the amount they will yearly give to the museum. Costs saved consist mainly of unemployment assistance that the city would have to pay to the guides that are now employed by the museum but had previously been unemployed.

“From a company that was doing everything self and was delivering everything, we were becoming a company that’s doing consulting. For example, the person who had been responsible for training the guides in Hamburg was now responsible for consulting the chief trainers in other locations on this.”

In parallel, the concept of the business workshops developed further. An important milestone was setting up a partnership with Allianz Global Investors and opening of the Allianz Global Investors’ Dialogue Training Center in Munich in March 2009. This is a permanent venue where business workshops are held, mostly for Allianz employees, but also for other companies. As Beat Bucher, Allianz Global Investors’ Global Head of Human Resources, says:

“I am proud to say that the training sessions we have run in our DTC [Dialogue Training Center] have had a very positive impact on all groups which attended. The reputation we have been able to build has also led to an increasing interest in the European market beyond Allianz Group companies. Several well-known companies have expressed interest in our facility, booked programs or have already held some.”³⁷

This was also very important financially, as it was clear from the beginning that the exhibitions were not covering their costs and other sources of income are needed to cross-subsidized them.³⁸ Since 200, more than 650 business workshops had been held, more than 500 in 2009.

In the beginning of 2009, Meena Vaidyanathan, having close to 17 years of experience in global marketing, sales, public affairs and business development, joined DSE as the Director for Development & Marketing and Business Workshops. She describes the challenges during that time:

“We faced several challenges then. First, the vision was there, but DSE was run as a closed-net, German company out of Hamburg. It was good that many internationals joined at that time. Second, the biggest challenge was and still is how to socialize and market our idea. The third challenge has to do with the concept of social franchising: What do we offer the franchisees after the initial set-up?”

Laura Gorni, Partner & Director of Exhibitions/Productions with a background in the history of arts and expertise in mid-eval paintings, based in Milan, states about social franchising:

“I never liked the term franchising because it reminds me of Benetton and McDonald’s, because for them it’s standardized and the same everywhere. For us it doesn’t work, believe me, the contact with the visitors and the taste of people, their culture is different everywhere. Also, the product is so personal that the franchisee doesn’t want it to be standardized, but differentiated. And after some years of running an exhibition, franchisees know better than us how to do it, so why should they pay?”

Andreas adds:

³⁷ See press release “First Anniversary of the Allianz Global Investors’ Dialogue Training Center” from March 2010 at http://www.dialogue-in-the-dark.com/wp-content/uploads/DSE_PressRelease_2020_03_DTC_anniversary.pdf.

³⁸ In order to cover costs, the entrance fee would have needed to be as high as 20 EUR per person when keeping quality at the desired level. As Klara said: “Raising entrance fees this high would have been like betraying our mission”.

“The ownership by the franchisees necessarily leads to a loss of control. This can make quality control very hard. At the same time, the franchisees’ demands are growing. We have to think about what our value proposition is to them after the set-up. What do we [the headquarter] have to offer in order to perform well over the years? Also, if we spend 80% of our energy keeping the franchisees happy, who is supposed to take care of scaling?”

Increasingly, the team wondered why and how much they should scale. What does sustainable growth mean for them? As Andreas put it:

“How much can we grow without selling our soul, without losing our characteristics and our charm? What is the motivation to work with us? What are indicators that it’s getting out of control?”

Laura points out that they always have been short of money, resources, and people, and that it therefore is very difficult to just plan and execute a growth strategy for a social enterprise.

Phase 3: Reconsideration (2010-today)

Increasingly facing challenges, the team started reconsidering their way of scaling. Several issues are discussed. One of those is the selection of partners, and related to this, quality control. Orna pointed out:

“We always said yes to everybody! You know our mission is to increase impact...”

Klara adds:

“The whole business grew rather re-active than active.”

In Austria and the Netherlands, there had been instances where the franchisee continued the exhibition under the brand of DSE after the contract had expired. DSE applied for an injunction and won the cases. From 2012 onwards, DSE will do a more detailed due diligence of potential franchisees.

DSE is also facing more and more trade-off decisions. Should money be spent for hiring high potentials and investing in an expensive IT-system? Is it a good idea to make big investments that could on the one hand increase growth and productivity, but on the other hand would tie up a lot of resources? Should the priority lie on the organization’s sustainability or on growth? As Andreas points out, decisions are made more strategic now by considering resources, risk and the opportunities for growth of the person in charge. There is a quarterly and annual assessment to adapt the business plan. More focus will be on bringing down costs by looking at where the contacts and the trainers are, and by having more workshops in the centers. However, Meena pointed out:

"In this point, social enterprises differ from traditional businesses. We cannot move too much into the direction of process-orientation, matrices and measures. There are no one-size-fits-all solutions in a social enterprise. We need to find a balance between making the organization people-independent while not killing the spirit. DSE has not found this balance yet, it swings from one side to the other."

Big milestones lying ahead are the opening of a branch in China (2011) and one in India (2012). These choices were a mix between personal initiatives of Meena in India and the COO Shiyin Cai from China on the one hand and already having the country as a potential market in mind, at least when hiring Shiyin. Before deciding upon opening the branches, business workshops were held in order to test for market demand. When asked why presence at these countries will be started as branches, Andreas explained that it made more sense to have a close affiliate in such big countries who can then develop the business from there. Moreover, he said that franchising would not work in China due to a high risk of copyrights being violated.

Today, several options are discussed. The first is to continue with the model of social franchising and increase the value added for the franchisees. Because quality control and brand protection will be much easier than with a looser affiliation with the franchisees, Orna is in favor of this solution, but points out the need to improve the value proposition:

"I believe that the license fee is a good solution, but as long as we don't succeed to deliver enough we will not be able to continue. We should become more like a think tank."

A second option would be to become leaner. An extreme idea would be switching to an open source model and making exhibition manuals available for down-loading at the web. However, quality control would be impossible in this scenario. Rather, Hamburg could become an umbrella organization a foundation owning the assets and being funded by grants and donations. As Andreas explains, financing the headquarters is a problem:

"If we had one million EUR annually from grants, donations and earned income, headquarters would be well-financed."

The third option would be to increase collaboration with partners. Meena suggested setting up more partnerships with companies like the Allianz Global Investors' Dialogue Trainings Center in Munich. Taking this idea further, even big traditional investors like Blackstone or a partnership with Disney could be conceivable. As Andreas pointed out, the underlying idea of the concept would be quite safe against abuse.

No matter which option will be chosen to allow DSE being as good a facilitator for the concept as possible, the mission comes first. Andreas stated:

"It is most important to stay flexible, to give up the big plans, but not to lose the core. You make concessions all the time. You're getting into this stakeholder thing. Don't get distracted by all the different interests. The only thing you keep is the mission. That's the point of reference."

Similarly said Laura:

"If we don't get a lot more money to grow, we have to go back to our mission and see what we do, maybe we have to shrink."

In October 2011 at the International Meeting in Hong Kong, a first decision was made: 5% of the franchise fees will be given to a foundation, whose chair will rotate between franchisees. Money will be spent for common projects, decided upon by the franchisees themselves.

According to the Ashoka Globalizer, DSE sees its full potential in 500 Dialogue Centers with exhibitions, restaurants and training facilities worldwide. This would enable employing up to 25.000 blind and disabled people and welcoming around 25 million visitors per year while creating EUR 250 million assuming every center generates yearly revenues of EUR 500.000 on average.

4.7 The Hub

4.7.1 Background

The Hub, today an association based in Vienna, Austria, was co-founded by Jonathan Robinson and some friends of his in London, UK, in 2005.

Mission

What social need is addressed? There are many social entrepreneurs around the world doing great things. However, they often do not know from each other, so that synergies cannot be exploited. As stated on The Hub's homepage:³⁹ "We believe that there is no absence of good ideas in the world. The problem is a crisis of access, scale, resources and impact."

The Hub's mission is to enable taking advantage of these synergies by connecting social change agents and social innovators. As Jonathan explains: "So it dawned to us; what if these people could come together in the same physical space and have a place to hang out? Then maybe they could be more than the sum of the parts. Maybe we could begin to cultivate some powerful collaborations between people with all sorts of different expertise?" (Baderman 2006: 106). Hagen Krohn from the

³⁹ <http://www.the-hub.net/about.html>, accessed at November 3, 2011.

Hub Zurich adds: “We help social enterprises in the start-up phase to accelerate their development and to be faster on the exponential curve from idea to action”.

Business model

How to achieve desired state? The Hub offers office space that can be rented according to the individual needs of its members – similarly to a mobile phone contract, there are memberships with unlimited use of office space, but members can also rent 5, 25, 50, or 100 hours a month and have access to meeting rooms. Besides renting office space, they become member of a global network and have access to resources, connections, knowledge, experience and investment. As Jonathan stated: “So The Hub is interested in creating the conditions for emergence” (Baderman 2006: 107). Powerful tools are e.g. the Business Booster as it is called in The Hub Zurich, where a member presents its idea to the other members and gets feed-back. Similarly, the Peer Lab provides members with expert advice.

The Hub’s decentralized, global network is organized as an association, owned by the Hubs around the world. Hubs are either for- or non-profit organizations and financed by the memberships and by renting out office space for events. Some Hubs have initiated further income sources, e.g., in collaboration with partners such as the World Wide Fund or the Mercator Foundation Switzerland, The Hub Zurich hosts a yearly competition offering a fellowships program to the winner.

Impact

What has the impact been so far? So far, there are Hubs in more than 30 cities on 5 continents uniting more than 4,000 entrepreneurs, thought leaders and market leaders. In total, there are 35 Hubs as of today, out of which 9 are in formation.

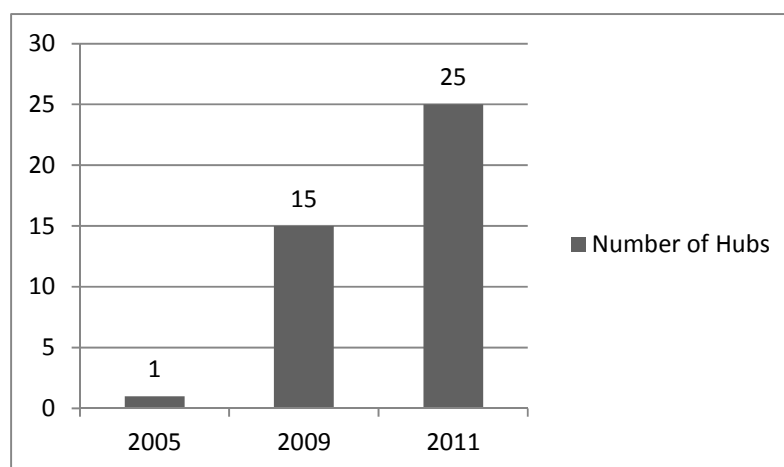


Table 5: Scaling history of The Hub 2005-2011 (Source: interviews)

Being an incubator for social entrepreneurs, a Hub's impact is defined by the impact of its members. As Hagen Krohn from The Hub Zurich⁴⁰ stated: "If there are not at least four or five successful start-ups at our Hub in five years' time, then we failed". However, it seems difficult to quantify the value added because it remains unclear what impact the social ventures would have had without being supported by The Hub. In external communication, Hagen explained, several successful members are used as positive examples to prove the Hub's impact. Moreover, he said that another indicator for how well a Hub is doing was how easy it is to get funding and set up partnerships.

4.7.2 Scaling social impact

Similarly to DSE, the scaling process of The Hub network can be structured into three phases. However, unlike at DSE, it was not possible to talk to the founder of The Hub. Therefore, information about the founding process is gained from an essay he wrote about the beginning of The Hub.

Phase 1: Pilot phase (2001-2005)

Jonathan and his friends came up with the idea of creating the first Hub around 2001 or 2002. While still studying at university, they felt that there was only little support for unconventional career paths, particularly for being a social entrepreneur. So the idea of The Hub was born.

Main challenges in the beginning were to secure funding and find a suitable location. After several setbacks, they succeeded in renting a place and finding investors. The latter proved to be especially difficult, as Jonathan (Baderman 2006: 106) explained:

"[...] it's about asking people to invest in a business, a business that they don't quite understand and that had never been done before."

However, after its opening in January 2005, the first Hub, located in London Islington, proved to be very successful. After only nine months in business, more than 100 members had joined and the business was financially sustainable; there was no debt and the team could even pay itself a salary. This was very important as initial costs had been higher than expected (Baderman 2006).

Phase 2: Scaling up (2005-2010)

Initially, there had not been explicit plans for expansion (van Ostren 2011). However, rather quickly, people from all over the world started to contact the Hub in Islington because they were interested in founding a Hub themselves. As Jonathan pointed out (Baderman 2006: 106-107):

⁴⁰ The Hub Zurich was started in autumn 2009 by Michel Bachmann, Christoph Birkholz, Hagen Krohn and Niels Rot and finally opened its doors in January 2011.

“There is something about what we've created in London that has really caught [...] attention, and our challenge is to work out how we replicate whilst still maintaining what is great about the Hub.”

The model chosen was social franchising. It allowed sharing the brand, the same business model and principles, but at the same time enabled adaptation to the local context. For a start-up fee and a revenue share, Hubs got support from a team based in London. In many issues, Hubs were and are free to decide for themselves. Jesper Kjellerås from the Hub Stockholm⁴¹ explained:

“The Hub in Stockholm is run for profit. However, other Hubs can be different and have different strategies. They are all run out of the local context.”

Expansion happened at a very high speed. When in the beginning of 2009 The Hub Tel Aviv opened its doors, it was already the 15th to join the global network. The 25th Hub, The Hub Zurich, started only two years later in January 2011.

However, many Hubs experienced difficulties during their founding processes. In addition to the usual obstacles that occur during founding processes like shortage of funding or lack of specific skills in the team, Hubs were also challenged by issues related to being a social enterprise. This even showed in the selection of their members. Hagen indicates:

“Every Hub is dependent on its members – on their financial impact, but then also on their social impact. Finding a balance between quantity and quality is very important.”

At The Hub Zurich, members are admitted if they convince the team in at least two out of the following three areas: personality, project, fit to the Hub culture and willingness to participate. Regarding the project, one important assessment criteria is whether it can be considered as social entrepreneurship or rather as a project in the “periphery”. Similarly, Jesper explained that at The Hub Stockholm, potential members are asked four questions: Who are you? What are your values? What do you contribute to the network? What is your business?

Due to its fast growth, the Hub network was also increasingly facing challenges. As Jesper stated:

“[The network] could neither take the scaling and fast expansion nor deliver the supporting system. How should a project be scaled if there is no financing project? How should the center be funded when the local Hubs already struggle with financial problems?”

Similarly, Hagen said:

“The start-ups paid the fee, but they didn't get much for it. There were too few people doing the support.”

⁴¹ The Hub Stockholm only joined the Hub network in 2007. Before, it was called R17. Around one third of its members from that time are still there.

Silje Grastveit from The Hub in Bergen⁴² described the situation as follows:

“There were limited resources due to fast growth and increasing work burden connected to that on a few people. It’s natural, as most growing organizations needs to re-organize. The more people are onboard, the more people also want to influence how things are done. I think the journey of the Hub as a global network is similar to the challenges many Hub faces on a micro-scale, and goes for many start-ups in growth - there is an increasing load of work, along with few resources to handle it.”

Another issue seemed to be how new members of The Hub network were selected. Hubs started in Berlin and Johannesburg had not been successful and as Hagen pointed out, the Hub in Berlin, that had been more like a commune in the end, did not bring The Hub network a very good name.

Phase 3: Rethinking (2010-today)

Given the challenges, it became obvious that the chosen model didn’t fit the current situation any more. Hagen explained what had happened next:

“A certain dynamic came up in the network. Jonathan left, the association was founded, and within a year, these changes succeeded in bringing back the positive spirit in the network. It had been unclear what would happen to The Hub, but now you see that every single Hub is taking ownership of the network.”

In 2010/2011, Jonathan sold his rights to The Hub Association that was founded and owned by the local Hubs. Based in Vienna, The Hub Association has three directors, elected for one year, and currently four employees. The Hub Association owns a limited company called The Hub Global, running the global development of the Hub network. The local Hubs pay a small % of their revenue to The Hub Global and a membership fee to The Hub Association. In turn, a platform for the network is provided and members can benefit from a coordinated strategy, a strong brand, common quality control and joint projects and initiatives as well as from mutual support. In March 2011, the first general assembly took place, a second one was held virtually during the summer, and in November they met for the third time. When implemented globally, common initiatives have to be agreed upon in the general assembly. At the same time, there are projects about which local Hubs decide individually whether to participate or not. E.g., there is a new promotion video that some local Hubs chose to publish on their website while others did not.

The new model is based on increased participation of local Hubs in the global development. As Jesper pointed out:

“Now it’s a lot about trust and giving people mandates to do something.”

⁴² The Hub Bergen, founded by Silje Grastveit, opened as a pilot in November 2010 and had its full size launch in September 2011. Before she heard about the network, Silje had already written two business plans to found something very similar to a Hub.

As Silje indicated, this also opens for a much closer collaboration amongst local Hubs that now have regular best-practice gatherings and global updates.

However, the empowerment of its members makes it the more important for the Hub network to get the right people onboard. After those bad experiences in Johannesburg and Berlin, it became clear that the application process for new Hubs had to be revised. In order to join the network, the first step is to talk to two existing Hubs. In case they give a recommendation, a feasibility study has to be presented. If the general assembly agrees, the Hub is officially started as a Hub initiative, closely supported by a Sister Hub, and has 12-18 months' time to achieve certain milestones and open the Hub. In case the foundation process is successful, the Hub becomes an official member of the Hub network and gets voting shares in The Hub Association.

Even though the new model seems to have reduced challenges and also entails a lower financial burden for local Hubs, there still are some issues. Silje said:

"We still face some growing pains, and still have some structures to be sorted out, yet it is going in a good direction."

Jesper adds:

"The biggest challenge today is to let it fly. We are still in the beginning, it's still a baby and people might be scared to make decisions. But at the same time there is this great energy, sharing, it's positive."

Regarding the admission of new Hubs, he pointed out some unsolved issues:

"How can we support new Hubs even better? Who are we going to accept? Are we just going to take people who approach The Hub or are we going to have a strategy and contact people? We also need a new admin system and an exit strategy."

According to van Ostren (2011), the Hub has great expansion plans. Quoting Simon Ulvund from The Hub Global, the network could grow by ten to twelve locations a year up to a total size of a hundred Hubs. In addition, there are planned to be more "pop-up Hubs" at conferences and forums.

What Jonathan had said about the idea of the Hub, became finally true for the Hub network as well (Baderman 2006: 107):

"I think we're speaking to powerful trends in the wider worlds around the disintegration of conventional ways of organising. No longer is the most effective way to get things done about top-down power and deployment, the organisational form for the future is one centred around networks."

5 Analysis

In this chapter, the theoretical framework that was developed in chapter 3 will be applied to the case studies presented in the previous chapter. In a first step, the factors that influenced the decisions for certain scaling forms will be reconstructed and compared to theory. In a second step, it will be tried to understand what the impact of both the organizations' individual conditions and the chosen scaling forms was on the activities that were pursued.

5.1 How scaling forms were chosen

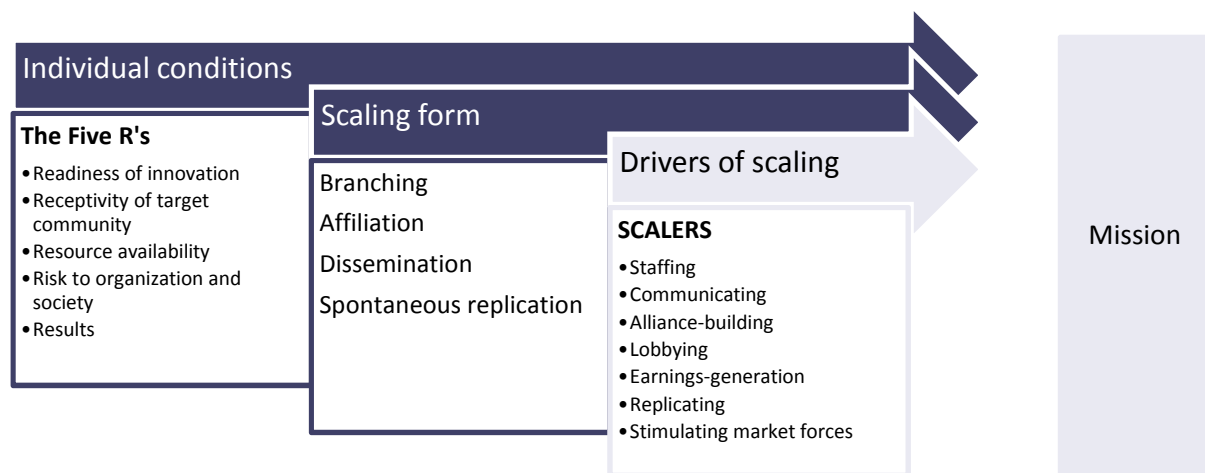


Figure 7: This section deals with the impact of the individual conditions on the scaling form (Source: own figure)

In this section, the first part of the framework will be analyzed. That is, the relation between the social enterprise's individual conditions and the chosen scaling form will be identified. It will be reconstructed why DSE and The Hub decided for the forms of scaling they chose and whether it was the individual conditions that were decisive. Then, the results will be compared to theory.

5.1.1 ...at Dialogue Social Enterprise

Before the opening of the first permanent exhibition in Hamburg in 2000, all exhibitions and workshops that had taken place were temporary and organized in collaboration with partners such

as the Foundation of the Blind in Frankfurt, museums, or other cultural institutions like e.g. a library. The table below (Table 6) shows the most important scaling decisions at DSE.

Year	Type of exhibition	Place	Scaling form
1988	First (temporary) exhibition	Frankfurt, Germany	-
1992	Temporary exhibition	Paris, France	Affiliation (social franchising)
2000	First permanent exhibition	Hamburg, Germany	Branch
2005	Permanent exhibition	Frankfurt, Germany	Branch
2005	Permanent exhibition	Milan, Italy	Affiliation (social franchising)
2011	Permanent exhibition	Hong Kong, China	Branch

Table 6: Scaling forms of DSE (Source: own table)

In order to get an impression of why DSE scaled the way they did, the most representative decisions will exemplarily be analyzed: The first permanent exhibition in Hamburg, the first “offspring” in Frankfurt, the first affiliate in Milan, and the branch in Hong Kong. The opening of the branch in **Hamburg** in 2000 marked a milestone in DSE’s history because it was the first permanent exhibition that served as a reference, e.g. when talking to financiers. In the interviews it became clear that opening the exhibition as a branch allowed for more freedom and tight quality control, which has ever since been very important due to the crucial role of this first permanent exhibition. However, challenges occurred, mainly concerning financing and regarding the employment of guides and other employees.

Looking at *Readiness of innovation*, the first of The Five R’s, it can be stated that the concept was ready to be implemented as a permanent exhibition. This was also due to the long experience that the team had gained between 1988 and 2000. *Receptivity* was less important in the decision-making process. Nevertheless, it proved to be sufficiently high for branching. *Resources* were crucial in the sense that finding the right location, i.e. building, for the exhibition had been decisive when choosing a city. The high resource-intensity of branching proved to be a challenge as the city of Hamburg only agreed to cover parts of the exhibition’s costs. However, the decision for branching was not made based on the financing available; it rather seemed to be the other way around: The funds required for opening the exhibition as a branch were raised after branching had been deemed the most appropriate form of scaling. *Risk* did not appear to have had much influence on the choice of scaling form, whereas *Return*, that is, ensuring high quality of the results, was one of the main reasons.

As described in the previous chapter, one of the main reasons for opening the DialogMuseum in **Frankfurt** as a branch was that one of the employees was looking for a new challenge. Clearly, the

precondition *readiness of innovation* was fulfilled; *receptivity of the target community* was also given. Both conditions did not influence the choice of the scaling form very much. However, *resources* obviously was a very important factor: creating a new opportunity for one of the employees was decisive but entailed the downside of consuming many other resources that could potentially have been employed more efficiently in another way. Neither would the low *risk* of incorrect implementation nor a special need for quality control of the *results* have required setting the exhibition up as a branch.

The affiliated exhibition in **Milan** is only one of many social franchises, which had become the main scaling form at DSE. The *readiness* of the innovation was given, even though the business model was adapted to fit the concept. One of the main reasons for social franchising has been a high degree of local adaptation helping to overcome cultural and language barriers. However, this was not just to increase *receptivity* in the target community, but rather to ease collaboration with local partners such as government agencies and companies. Besides local adaptation, low *resource-intensity* was stated to be another important reason. *Risks* related to setting up or operating the exhibition incorrectly were for instance that the exhibition room was not sufficiently darkened or that the franchisee increased the group size. Both would have led to a significant decrease in the quality of *returns* and compromised social impact. Yet, instead of choosing branching in order to avoid these risks, efforts were made to mitigate them. For instance, quality control was increased through creating franchise manuals giving detailed instructions. Another motivation for social franchising was the high degree of ownership, constituting the most important incentive for the franchisees, being social entrepreneurs themselves.

In 2011, a permanent exhibition in **Hong Kong** was opened as a branch. As Andreas stated, the main reasons for this were that it allowed for tighter collaboration and control (ensuring the quality of *returns*), making it easier to develop the China business from there and avoiding the country's high *risk* of copyright violations.⁴³ As had been tested with several workshops, *receptivity* amongst potential visitors of the exhibition was high and did not pose a challenge. However, knowledge of language and culture were again deemed crucial, not least for setting up local partnerships and collaborations. However, instead of choosing a loose affiliation with a local stranger, DSE entrusted their Chinese COO with the task of setting up the China branch. Again, *readiness* of the innovation was given and *resources* were available.

⁴³ The main problem related to copyright violations is not so much missing out on potential earnings, but rather that quality cannot be controlled. This would lead to a situation in which the quality of the social impact created through this business model could no longer be ensured. Also, the brand would suffer considerably.

5.1.2 ...at The Hub

The scaling decisions that will exemplarily be analyzed are the set-up of the first branch, the decision to use social franchising, and the recent change of scaling form. Similar to the opening of the first permanent exhibition of DSE in Hamburg, the first Hub was opened as an own **branch**. However, as scaling The Hub had not been intended from the beginning, the function of the first branch as a reference project to attract potential partners and future franchisees had not been planned either.

Year	Type of Hub	Place	Scaling form
2005	First Hub	London, UK	Branch, dissemination
2007	Existing Hub joined network	Stockholm, Sweden	Affiliation (social franchising), dissemination
2009	New Hub	Tel Aviv, Israel	Affiliation (social franchising), dissemination
2011	New Hub	Zurich, Switzerland	Affiliation (social franchising), dissemination
2011	All Hubs	Change from social franchising to association	

Table 7: Scaling forms of The Hub (Source: own table)

In addition to the question how its offspring is connected to the headquarters, The Hub is exceptional in that it also scales in a second way: The **business idea itself** is to scale social entrepreneurial impact and to support social entrepreneurs to make use of synergies and scale their own business faster and more successful. This form of scaling can be classified as *dissemination* or even *spontaneous replication* because it only enables the members of the respective Hub to increase their own, individual impact; the collaboration does not entail any objective agreements on nature or extent of this impact. This particular form of social entrepreneurial impact was chosen because it was deemed the most efficient use of *resources*. Clearly, own resources would not have sufficed for setting up all the social enterprises themselves that are Hub members now. Therefore, none of the other scaling forms would have worked as a business model.

As any other form of scaling, establishing new Hubs as **social franchises** required the innovation to be *ready to scale*. This did not pose a problem, the less as the contractual agreement does not regulate every detail and thus allows for adaptation to local circumstances. *Receptivity* did not seem to have much influence on this decision; the main stakeholder group is constituted the members of the respective Hub, and it turned out that there was quite a high demand amongst them. *Resources* – both time and funding – had been a major reason for social franchising. *Risks* – mainly to the brand – were in the beginning estimated lower than what they actually were but were mitigated later by choosing franchisees more carefully. The high number of requests from potential partners made social franchising and its potential for fast scaling even more suited for achieving the desired *results*.

However, even with social franchising, limited *resources* can turn out to be an obstacle. Often, coordination efforts for the headquarters are underestimated – as was the case with The Hub. Thus, its structure was changed and the **association** was set up. The scaling form can still be classified as affiliation, even though the new organizational structure is closer to dissemination than social franchising had been because relations are non-hierarchical now. While the *readiness* of the innovation was already given, *receptivity* and the embeddedness of the individual Hubs in their local context remained the same. However, fewer *resources* from the individual Hubs were invested into coordination efforts. Instead, efforts were focused on strengthening the network amongst the Hubs in order to share best practices and create synergies. *Risks* were re-assessed and as mentioned above, it was realized that tighter control of the brand name was necessary. As The Hub now rather is a network than a hierarchical organization with headquarters deciding upon new Hubs, the scaling pace can even be quicker while keeping quality control at the same level. Today, every Hub in the network can become a Sister Hub for a Hub in the founding process. This had not been a decision criterion, but it proved to be advantageous.

5.1.3 Conclusions

Having analyzed the most important decisions about scaling forms at both DSE and The Hub, it can be concluded that the individual conditions do have an important impact on the choice of scaling form. Dees et al.'s (2004) Five R's were a starting point for the analysis, but in some instances, the reason for the chosen scaling form was not related to the Five R's (see Table 8 for a summary of the results). In the following, the findings are presented.

Case	Scaling decision	Individual conditions – The Five R's					Other factors
		Readiness	Receptivity	Resources	Risk	Return	
DSE	First branch	given	*	*	**	***	
DSE	Branch Frankfurt	given	*	*	*	*	Human resources***
DSE	Social Franchising as general scaling form	given	*	***	*	*	Local adaptation***
DSE	Branch Hong Kong	given	*	*	***	*	
Hub	Dissemination of social entrepreneurial impact as business model	given	*	***	*	**	
Hub	Social Franchising as general scaling form	given	*	***	*	**	
Hub	Association	given	*	*	*	*	Lower coordination effort***

Table 8: Importance of individual conditions on scaling decisions (Source: own table; more stars express a higher importance)

Readiness and receptivity might be overestimated in theory

The importance of both *readiness* and *receptivity* was overestimated in the model. Both conditions had not significantly influenced the choice of scaling form in the two cases. Often, *readiness* of the innovation is a precondition that need to be fulfilled before starting to scale, but it did not influence the suitability of a certain scaling form later on in the process.

Receptivity did not seem to pose a challenge in the cases and thus did not have an impact on the scaling form. However, this could be caused by the nature of the social innovation that the two social enterprises are working with. Introducing a more delicate social innovation could definitely require a higher effort in this area. For instance, advocating the consequent use of HIV drugs in a Kenyan community that previously used to cure its members by witchdoctors required to collaborate with and convince the eldest in the community. In their role of being the highly respected head of the community, they could in turn convince the community.⁴⁴

Change of scaling form over time

In both cases, starting a representative pilot project – intendedly or unintendedly – was crucial for further scaling efforts. Due to the high importance of quality control for pilot projects, it seems safe to draw the conclusion that branching – allowing for tight control – is the most suitable scaling form for this first step in the scaling process.

The later in the process and the faster the organizations wanted to scale, the more they relied on looser forms of collaboration. Resource limitations was named the most important factor for these decisions. However, both organizations underestimated the high coordination effort for the headquarters and challenges in raising its funding, even when scaling through social franchising. At The Hub, this led to an even looser affiliation: parts of the coordination efforts were distributed to the members of the network and headquarters were redesigning as a center of the network that provides support. Also DSE is currently revising the collaboration with its franchisees, delegating more responsibility to them.

Potential downsides do not prevent from choosing scaling form

The potential disadvantages of certain scaling forms had little influence on their choice. In fact, if a certain scaling form had been deemed appropriate, it was chosen irrespective of its downsides. For instance, DSE's first permanent exhibition in Hamburg was set up as a branch to ensure tight quality

⁴⁴ This example was reported by a doctor working at the Central Hospital of Unilever Tea Kenya Ltd. in Kericho, interviewed in January 2010.

control even though financial resources had not been sufficient for this scaling form in the first place. But instead of choosing the scaling form according to the resource situation, the resource situation was adapted to the desired scaling form. Similarly, as quality control turned out problematic in some cases at The Hub, it was not the scaling form that was changed, but other means were introduced to improve quality control, i.e. new members of the network were chosen more carefully.

The only decision that was considerably influenced by the potential downsides of the scaling forms was DSE's decision to start the exhibition in Hong Kong as a branch. This leads to the conclusion that if the disadvantages cannot be mitigated and potentially pose a life-or-death issue to the organization, they are in fact decisive for the choice of scaling form.

Need for local adaptation – not only to enhance receptivity

In addition to The Five R's, the need for local adaptation and knowledge of culture, language, market and country influenced the way of scaling in the organizations examined. Not only can this be important for the receptivity in the target community in case the social innovation requires this, but also does it considerably ease the collaboration with other stakeholders such as local sponsors or government agencies. Besides low resource-intensity, this was the most important reason for DSE to decide for social franchising as their main scaling form and the same can be said about The Hub.

However, ensuring sufficient local adaptation does not necessarily require choosing a certain form of scaling. In fact, just as with the other factors explained above, a scaling form that does not lead to tight local integration can be adapted to do so. Once again, the Hong Kong branch of DSE serves as a suitable example: Given the high risk of copyright violations, branching was deemed the right scaling form even though it usually does not allow for local adaptation as much as the other scaling forms. Nevertheless, local integration was guaranteed for by assigning a Chinese person with the responsibility for this branch.

Importance of non-monetary return even within the organization

There is an aspect concerning human resources that seemed to be underestimated in theory. As already stated in some of the interviews, one of the challenges that social enterprises cope with is finding a balance between formalization and operating business-like on the one hand and keeping a special culture and staying people-oriented on the other. One reason for this can be assumed to be non-monetary returns for the employees, compensating for lower financial income.

In practice, this means that creating non-monetary incentives for employees or partners can also influence scaling decisions. DSE's branch in Frankfurt was mainly opened to offer the person in charge a new challenge, not because it was part of a larger scaling strategy.

5.2 How scaling activities were prioritized

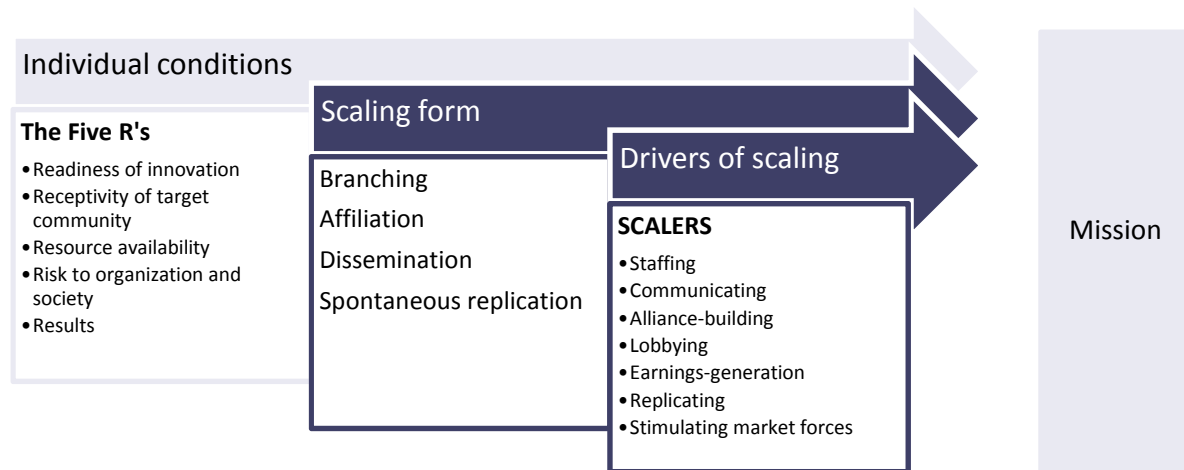


Figure 8: This section deals with the relation between scaling form and prioritization of activities (Source: own figure)

In the previous section, the relation between the individual condition of the social enterprise and the scaling form were analyzed. This section will deal with the relation between the second and the third part of the framework (see Figure 10), that is, with the influence of the scaling form on the capabilities and abilities that positively influence scaling efforts (the drivers of scaling or SCALERS). More specifically, it will be looked at the influence of the scaling form on

- (i) the prioritization among these activities
- (ii) the nature of these activities.

In the following sections, it will be identified and analyzed how these relations presented in the organizations and which conclusions can be drawn.

5.2.1 ...at Dialogue Social Enterprise

Staffing seemed to be a very important capability for the scaling process of DSE. Not only is it of high importance to staff headquarters in the right way, it was also crucial to choose suitable franchisees.

However, hiring and training the blind and visually impaired guides is the key part of staffing as it constitutes the heart of the business model and is a major driver of social impact.

Staffing of the headquarters did not issue a challenge to DSE. The contrary turned out to be true: It was easy for the organization to attract sufficiently many, high-skilled employees with diverse backgrounds. While some had been working in business before, others had considerable experience with organizing exhibitions. The same was the case with the franchisees: Many who had visited an exhibition or participated in one of the business workshops were interested in becoming involved with DSE. At some points in history, headquarters were wondering how to cope with all the requests. However, as their independence and personal development had always been important to Andreas, managing employees already proved more challenging: “More people means more problems!” Yet, hiring and training the guides proved to be a major challenge. As Andreas said, many of them had never been employed before and had to start with learning the very basics. An issue that had not caught much attention yet is exit strategies for collaborations that do not turn out as expected.

The focus within **communicating** was not to reach a high coverage in media,⁴⁵ but to talk to stakeholders. In the case of DSE this implied mainly to organize the collaboration with the franchisees as well as providing a platform for them to communicate amongst each other. Another function of communication was to foster the advancement of social entrepreneurship in general – especially in Germany, but increasingly internationally, too.

Alliance-building proved to be a good way of acquiring resources. One important partnership has been the fellowship of Ashoka, providing a worldwide network of social entrepreneurs and a lot of support. Moreover, partnering with Allianz Global Investors to set up a permanent Training Center for the business workshops proved very helpful and saved a lot of money. **Lobbying** was also important, but mainly to secure funding from public institutions. Therefore, it could also be seen as a sub-issue to **earnings-generation**. Clearly, as a for-profit social enterprise, earnings-generation is a crucial point. When choosing social franchising, it seems the more important to secure the funding of the headquarters which often do not have direct earnings, but are reliable on the license fees of the franchisees. This concept does of course only work if the franchisees are offered some value in return. With increasing size of the social enterprise, this can be a challenge. Another important point here was that DSE was engaged in various activities that were creating social and financial impact to different degrees. While the exhibitions are most closely linked to the mission, the business workshops bring in a lot of money.

⁴⁵ Being covered in the media as well as earning prizes does, according to Andreas, not lead to many advantages.

Scaling and growth requires **replicating** and formalization, independently from the scaling form that was chosen. At DSE, there was no strategy in the beginning planning replication during the next decade or two. Rather, as was stressed during the interviews, the process was opportunity-driven and had to be reviewed continuously and adapted to changing conditions. As Andreas said: “The only thing that stays is the mission!” **Stimulating market forces** did not pose a major challenge and seemed to be of lower importance in the scaling process at DSE.

Comparing these results to theory, it can be confirmed that earnings-generation seem to have a more important role in the scaling process than most of the other SCALERS. Yet, staffing turned out to be crucial, while lobbying and stimulating market forces seemed to be of low significance. In addition potential trade-off decisions at DSE did not just have to be made between these SCALERS, but also between sustainability of the organization and scaling.

5.2.2 ...at The Hub

Also at The Hub, **staffing** showed to be of major importance. Selecting franchisees has been one of the biggest challenges and involved some risk – as was experienced in Berlin where an unreliable franchise partner had been selected and the Hub finally had to be closed down. With the new, even leaner structure, the entrepreneurial spirit of the managers of new Hubs is of even higher meaning. Today, new Hubs can only become part of the network when the majority of existing Hubs agrees. Another novelty is exit criteria that are currently developed. In case a Hub does not meet these criteria any longer, it can be excluded from the network and divested the right to use the Hub brand.

Similar to DSE, staffing is also an issue that is closely linked to the business model. Selecting the members, i.e. the social entrepreneurs to be supported in their scaling efforts, of each single Hub was another important challenge. Not only is tight control hard to achieve when scaling through dissemination, nor was it a desired part of the concept. At the same time, the Hubs were in their impact fully dependent on the impact created by their members. In order to mitigate risk, the selection of the participants was of utmost significance. In this matter, every Hub could develop own criteria for admitting new members.

Similarly to DSE, **communicating** at The Hub was important to be coordinated and enabled amongst the franchisees. After having found the association and redesigning the structure, communication within the network became even more important as much of the collaboration is organized directly between peers, sometimes even in an informal way. In addition, it is an important responsibility of the managers of each Hub to facilitate or at least encourage communication amongst the members of each Hub as well as amongst members of different Hubs.

As the Hub is organized much leaner than DSE, many activities are organized and capabilities developed on a local level. For instance, The Hub does not **built alliances** on a global level, but rather does each Hub have different partners. The Hub Zurich for example announces a Fellowship in collaboration with the World Wide Fund for Nature (WWF) every year. Similarly, **lobbying** would be done on local level, too.

When looking at **earnings-generation**, it can be stated that The Hub was facing very similar issues as DSE – the bigger the network grew, the more complaints came from the franchisees that paid their license fees but felt they did not get much in return. With the new structure, this problem was alleviated. The Hubs in the network now pay less for central coordination efforts. As **replication** of social impact is the core of The Hub's business model, it is of higher importance than at DSE and approached in a more strategic way. The managers of a Hub are often in close contact with its members and can therefore support and check their scaling efforts. Furthermore, after having switched to the new structure, the scaling form of the Hub network seems to be able to cope with the high speed of scale much better than before. **Stimulating market forces** did – similarly to DSE – not have a high relevance in the scaling process.

At The Hub, earnings-generation, staffing, and replicating have been the most important SCALERS. Similarly to DSE, lobbying and stimulating market forces were not important. Another potential trade-off decision concerned the selection of members of the local Hubs: As the Hubs are dependent on their members' financial and social impact, it is a legitimate subject for debate how these should be prioritized.

5.2.3 Conclusions

Having assessed the prioritization of the SCALERS, it can be concluded from the cases that their significance varies considerably (see Table 9 for an overview of results). Furthermore, some relation between the nature of the SCALERS and the scaling form can be confirmed.

Drivers of scaling SCALERS	DSE	The Hub
Staffing	*** - Part of the business model - Focus on selecting franchisees	*** - Part of the business model - Focus on selecting franchisees/network members
Communicating	** - Amongst franchisees	** - Among the Hubs - Among the members of each Hub
Alliance-building	** - For acquiring resources	** - Hubs build alliances on local level
Lobbying	* - For acquiring resources	* - If of any importance, on local level

Earnings-generation	*** - Foundation for all activities	*** - Foundation for all activities
Replication	** - Opportunity-driven	*** - Synergies part of business model
Stimulating market forces	* - Not necessary	** - Local activities

Table 9: Importance of SCALERS and the relation of their nature to scaling forms (Source: own table; more stars express higher importance)

Prioritization of SCALERS related to business model

When analyzing the importance of each of the SCALERS for the scaling process, it occurs that their significance differs considerably. As already proposed by theory, earnings-generation was more important than the other capabilities. From the empirics, it seems that staffing in both cases and in one of the cases replication had also been vital.

However, the reason for the high variation of the SCALERS' importance seems to be the business model of the respective organization rather than its scaling form. All capabilities that are crucial parts of the business model also proved to be very important in the scaling process. For instance, finding a suitable and efficient way of replication, a key part of The Hub's business model, seemed to be crucial for scaling the Hub's impact on two levels: First, it is important for the local Hubs that their members increase their impact, because their impact is closely linked to the impact of the Hub itself. Second, the global network of Hubs also needs a form of replication fitting the conditions.

Scaling form determines nature of staffing, communicating and earnings-generation

Even though the scaling form does not imply a prioritization of the capabilities, it determines their nature. Revisiting the theory, the scaling form should have an impact on staffing, communicating and earnings-generation. Applying this to Table 9, this can be confirmed. In addition, some impact on the motivation for alliance-building and lobbying can be recognized.

Staffing was influenced by the scaling form in the way that the kind of people required and their role varies. While DSE had to find suitable persons for heading its branch in Hong Kong who in the best case was from China and was suited to become part of the organization and able to cope with the task of leading a branch. For the franchises however, social entrepreneurs were needed who spared no trouble in setting up the franchises and were not afraid to take personal risk. Selection criteria are necessarily very different. Furthermore, managing staff also varied. While with branches, close collaboration is very ease, managing social franchisees across organizational boundaries brings about more challenges as experienced in both cases.

Like staffing, communicating was to a high degree influenced by the scaling form. The main difference between these forms is where the most critical point lies. While with branches, communication between the organization and its branches to the target community can be challenging if no precaution is taken. As seen with DSE and even clearer with The Hub, the most critical aspect of communication when scaling through social franchising is often between the franchiser and the franchisees as well as amongst the franchisees.

Moreover, earnings-generation varies not only substantially with the business model; its focus also varies with the scaling form. The biggest challenge is to secure funding for headquarters when not scaling by branching – as could be seen at DSE. In the beginning of their scaling process when they were mainly using branching, there had not been difficulties in financing headquarters. However, the later in their scaling history and the looser the affiliation became, the more difficult proved this to be. Even donors prefer to see their money having direct impact rather than being invested in overhead cost. The Hub finally overcame this difficulty by turning headquarters into the association being owned by the hubs themselves.

The cases also showed that alliance-building and lobbying were influenced by the scaling form. While a looser affiliation like at The Hub lead to these activities often being followed by individual, local Hubs, central headquarters usually took on that task if tighter affiliation was prevalent – like at DSE.

Individual conditions influence the SCALERS indirectly

Although this section had its focus on the prioritization of the SCALERS and their relation to the scaling forms, the connection between the individual conditions (The Five R's) and the SCALERS should also be mentioned. Indirectly, the Five R's do influence the nature of the SCALERS through the scaling forms. For example, communicating with the target community would be more important, the lower receptivity is. However, at least in theory, lower receptivity should already have been mitigated – at least partly – by closer local adaptation.

6 Implications

The analysis in the previous chapter leads to implications for both the theoretical framework as well as for social entrepreneurs in practice. Even though the qualitative research approach, based on two case studies, that was chosen for this thesis does not allow for statistical generalizations, some indicative theoretical generalizations can be drawn.

6.1 Implications for theory

Taking the insights from the case studies back to the theory allows for careful adaptation of the suggested framework. Both parts of the analysis led to new insights that could be added to the figure below (see Figure 11).

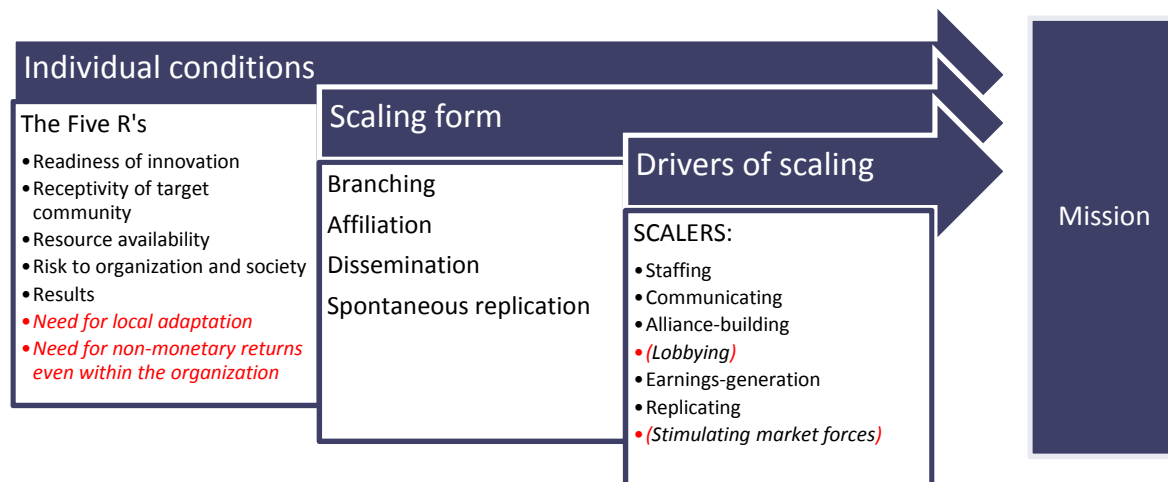


Figure 9: The adapted holistic framework for scaling social entrepreneurial impact (Source: own figure)

As was indicated by the case analysis, there are two additional factors among the individual conditions that influence the choice of scaling form: the need for local adaptation and the need for non-monetary returns, even within the organization.

In situations where it would be required by the type of social innovation, The Five R's were already suggesting looser forms of affiliation, that are usually accompanied by closer local integration. Thus, they had already built in the *need for local adaptation* inexplicitly. However, as indicated in the

analysis, its importance seems to be much higher and of wider scope than assumed. In the interviews, local adaptation was a topic that was repeatedly raised by the interviewees. First, interviews showed that the possibility for local adaptation – besides low resources-intensity – was the most important reason for DSE to choose social franchising as their main scaling form. Second, not only does local adaptation lead to higher receptivity among beneficiaries as suggested by The Five R's, it does also significantly ease the collaboration with other stakeholders such as local sponsors or government agencies. As social entrepreneurs seem to be highly dependent on the interaction with their environment and stakeholders in both acquiring resources and creating impact, identifying a means to ease this seems to ease the scaling process to some extent. Therefore, the need for local adaptation can be added to the individual conditions as an additional factor that influences the choice of scaling form.

As suggested by the cases, scaling decisions are more opportunity-driven and people-oriented than implied by the theory. Even though human resources can be assumed to be included into “resources” as one of The Five R's, its significance is not mirrored. As became apparent when reconstructing the scaling history of the organizations, people-related reasons were very common to influence or even determine scaling decisions. The Hub bases its entire scaling strategy on people who proactively contact the network and wish to start a Hub in their community. However, as financial returns including wages in social enterprises are often lower than in traditional enterprises, the *need for non-monetary returns*, not online as social impact, but also as “the good conscience” and “self-fulfillment” increases as was indicated mainly in informal conversations. Thus, even though social entrepreneurs and employees of social enterprises do not seem to expect a financial income as high as in traditional enterprises, but they appear to look for non-monetary returns. Considering the high resource-constraints of social enterprises, it appears to be a somewhat simple solution to offer the employees more personal fulfillment and less financial rewards. Consequently, choosing scaling forms also according to the personal needs of the employees – as the organizations in the cases did – could presumably also allow other social enterprises to create a higher impact while employing fewer resources. Thus, the need for non-monetary returns can tentatively be added to the framework as well.

Further conclusions were readiness and receptivity might be overestimated in theory, change of scaling form over time, and potential downsides do not prevent from choosing scaling form. The *possible overestimation of readiness and receptivity in theory* seems to be right for the two cases that were examined, but empirical data are not sufficiently conclusive for justifying a generalization of this conclusion.

Change of scaling form over time emerged from the empirical data. Even though not included as part of the model, it can also easily be explained by means of the theory: The more an organization grows, the higher the coordination effort usually becomes. However, the looser the collaboration between the headquarters or the center and its affiliates, the more independent do they work. Thus, coordination efforts can be kept low much longer, which again makes scaling efforts more efficient and can therefore be seen as a potentially important factor in the scaling process.

Potential downsides do not prevent from choosing scaling form: This is not an additional factor that influences the scaling process, it rather points out that disadvantages of certain scaling forms can be mitigated and should not necessarily prevent from choosing this scaling form if it is otherwise suited. Even though this finding does not add to the framework explicitly, it can point out the complexity of practice, entailing possibilities such as mitigating risks and settling for compromises.

The second part of the analysis suggested that the importance of *the priority of the drivers of scaling employed rather seem to be influenced by the business model of the organization than by its scaling form*. While causal relationships between the scaling form that was chosen and the drivers of scaling that were prioritized could not be found in the empirical data, it was instead found in both cases that organizations seemed to prioritize those activities that were crucial parts of their business model. However, *the scaling form did seem to determine the nature of staffing, communicating and earnings-generation*. At least the cases that were examined seemed to show a relationship between these variables. Even though these findings do not allow for statistical generalization, they can give a first idea about how social entrepreneurs prioritize their activities in the scaling process and how these activities do best fit the scaling form that was chosen. This could not only encourage future research, it could also prove very useful, especially to start-up social entrepreneurs, as in practice it can easily appear unclear how to prioritize and design activities and capability-building.

6.2 Implications for social entrepreneurs

While the previous section aimed at providing some first generalization of the results, this section will derive some recommendations for social entrepreneurs in practice. The underlying strategic question of the research question is how social entrepreneurs can find a suitable way of scaling their impact.

The above framework can be applied to identify a holistic scaling strategy. In a first step, this would require assessing the individual conditions. Special attention should be paid to the ones named on the box, but there can very well exist additional conditions that need to be taken into account.

Consulting section 3.3, explaining the relation between individual conditions and the suitability of the scaling forms, makes the choice of scaling form even simpler. When a scaling form has been chosen, three points should be kept in mind:

- (i) Risks and disadvantages can often be mitigated, allowing for an even better fit between the individual conditions and the scaling form. See the cases in chapter 5 for best practices.
- (ii) As shown in the cases, several scaling forms can be adapted in parallel, allowing for the best fit in each situation. As suggested by the cases, the conditions can be reassessed for every new affiliate.
- (iii) Once in a while, reassess even scaling forms that seemed to be a perfect fit when implemented. As suggested by the analysis, individual conditions can change over time.

Even though the results from the second step of the framework cannot be easily generalized, it was confirmed by the empirics that there is some relation between the scaling form that was chosen and the nature of the drivers of scaling. Thus, section 3.4 can be consulted for some initial ideas.

7 Conclusion

7.1 Answering the research question

Social entrepreneurship is seen as an increasingly important concept in addressing today's social ills. As it is an emerging field, many areas have not yet been researched sufficiently. One of the most important subjects in both theory and practice is scaling social entrepreneurial impact. As there was no framework providing a holistic approach to scaling, this thesis combined several existing models and introduced an overall framework. This allows taking the individual conditions of the social enterprise into account when deciding for a scaling form and gives first suggestions on the factors influencing prioritization and nature of the drivers of scaling.

By applying the developed framework to two case studies, several relationships could be confirmed, some were found to be weaker than expected, and some additional ones were found (see previous section for the adapted framework). Table 10 summarizes the findings.

	How scaling forms are chosen	How scaling activities are prioritized
Overall results	The impact of individual conditions on the choice of scaling form was confirmed by the case studies.	The significance of the drivers of scaling varies considerably. Some relation between the nature of the SCALERS and the scaling form can be confirmed.
Suggested extensions of theory	<ul style="list-style-type: none"> • Readiness and receptivity might be overestimated in theory • Change of most suitable scaling form over time • Potential downsides do not prevent from choosing scaling form • Need for local adaptation - not only to enhance receptivity • Importance of non-monetary return even within the organization 	<ul style="list-style-type: none"> • Importance of SCALERS related to business model • Scaling form determines nature of staffing, communicating and earnings-generation

Table 10: Overview of research findings (Source: own table)

When revisiting the research questions and its sub-questions, it shows that they can now be answered, based on both theory and empirical findings:

“How do social entrepreneurs find a suitable way to scale their impact?”

- (i) What options are there to scale social entrepreneurial impact?
- (ii) Are there preconditions for scaling? If so, which?
- (iii) What are the influencing factors determining which way is most suited?
- (iv) Are these factors internal or external?
- (v) Do they change over time?
- (vi) How should the investment of scarce resources be prioritized?

The adapted holistic framework was developed by combining existing theories and tested by applying it to the cases and – as shown above – answers the research question as well as its sub-questions.

7.2 Limitations

Even though this thesis provides some valuable insights, there are several limitations to it. First, its generalizability is limited. This is a result of the research design and the methodology that were chosen. However, these were chosen for sensible reasons: due to the early stage of the field, quantitative methods, allowing for statistical generalizations, could not be applied. Furthermore, the limited scope of this project did not allow for examining more cases. Thus, even though this thesis added to the research field by providing two in-depth case studies and by providing a holistic framework for scaling social entrepreneurial impact, its generalizability is limited. The thesis can however be seen as a first qualitative exploration of the field and first indications about the relation between several variables. Future research could take these insights as a starting point and examine the subject in more detail.

A second limitation of this thesis is that its holistic framework adopted the flaws of the theories that it was combined of. Applying the framework to the empirical data could point out some potential inaccuracies. For instance, two individual conditions – even though not yet statistically proved – could tentatively be added The Five R’s. However, due to the scope of the thesis and the chosen methodology and research design, reliability and validity of the drivers of scaling (SCALERS) could not be examined. From assessing the paper, it remains somewhat unclear how the SCALERS have been identified and whether they provide an exhaustive collection of activities and capabilities that drive scaling. Nevertheless, due to the lack of alternatives, using this model still led to some interesting, first insights.

The third limitation of this thesis that should be discussed is the fact that research was done by a single researcher. Even though ideas and concepts were discussed with others, which already provided for greater reliability, this can still not compensate for conducting research in a group. It can prove to be a huge advantage to collect data together with a second person with whom subjective impressions and interpretations could be discussed. Nevertheless, it was still tried to increase the reliability of this thesis as much as possible, for instance by letting interviewees double-check how they were quoted.

7.3 Reflections

In this section, several controversial points will be discussed that arose during this research project and are worth some thoughts.

7.3.1 Is it a contradiction to promote scaling social impact while suing franchisees that do not pay their license fee?

Often, the social entrepreneur is seen as a solely altruistic person, persistently following his or her mission in order to approach the vision. But does this picture really mirror reality?

One thought-provoking instance was when Andreas Heinecke explained that DSE had sued two social entrepreneurs that had previously had franchise contracts, but were continuing the exhibitions without paying any license fee after the contracts were expired. Clearly, considering the legal situation, there is no doubt that Andreas was right, and so argued the court. Yet, what about moral aspirations? Does suing social entrepreneurs that create social impact fit the idea of scaling social impact, in some circumstances maybe even without capturing any social or financial impact within the organizational boundaries? At first sight it does not.

However, there are at least two possible explanations. First, there is no possibility for controlling quality if scaling is done in an uncontrolled manner without maintaining any continuous relationship between the parties involved. This in turn involves a high risk of damaging the brand and thus making doing business more difficult, also for the franchisee. In this scenario, the total social impact created could very well be lower than it had been initially. This explanation provides an explanation for the

situation above that does not require revisiting the picture of the social entrepreneur as society's altruistic hero.⁴⁶

The other explanation would be that the social entrepreneur does – as most other human beings – not like when property is taken away from him or her. This could either be interpreted as some form of egoism, or as a healthy attitude towards the own survival. No matter the interpretation, this explanation necessarily leads to the question between the remaining differences between traditional and social entrepreneurs.

7.3.2 Can a social entrepreneur bring about change while building an organization?

Schumpeter described the societal role of the social entrepreneur as being the one bringing about *creative destruction* of existing institutions in order to create social change. At the same time, most social entrepreneurs build up social enterprises. Is it a contradiction to at the same time act in a destructive manner in order to destroy barriers in society that hinder social change while in a constructive manner creating and developing an organization?

In the beginning, this seems quite contradictory to pursue these activities at the same time. Moreover, arguing on a very general level, it can prove challenging trying to fight existing institutions and norms by partly adhering to them. Assuming this really is a contradiction, two solutions would be possible: Not building an organization, but instead relying on market interactions. The other option would be to build an organization that in its very nature supports the approach of creative destruction. It seems however difficult to imagine such an organization.

7.3.3 Are there limits to growth?

An important question that arose when collecting the data was whether there are limits to growth. Looking at traditional enterprises, extensive research has been done in order to identify the optimal size of an organization.⁴⁷ This size is defined by the trade-off of costs and benefits between contractual and hierarchical relationships. Does this also apply to social enterprises?

Recalling the finding that there is a high need for non-monetary results and autonomy in a social enterprise and remembering that in the interviews, it was pointed out that a social enterprise should

⁴⁶ However, it does point out some reasonable critique for very loose scaling forms, such as spontaneous replication.

⁴⁷ Even though the optimal size of an organization does not indicate that any sort of limit to growth is reached, but limits to growth will be interpreted as sensible limits to growth.

not become as formalized as a traditional enterprise. This would imply that the optimal size of a social enterprise is defined by other determinants than the optimal size of a traditional enterprise. Assuming that the social entrepreneur really is the altruistic hero described above would imply that the most important goal should be increasing total social impact in the world. It would furthermore imply that it is of no difference to the social entrepreneur whether social value is created by the own or another organization. Assuming there were an infinite number of social entrepreneurs in the world, this setting would determine total social impact to be greatest whenever all social entrepreneurs create social impact themselves as long as they can create his impact at least as efficient as the other entrepreneurs.

Starting however off from a more realistic picture of the social entrepreneur who wants to maximize his or her own impact, limits to growth are given by the trade-off between increasing impact and losing the specific, personal culture within the organization. This culture was mentioned in the interviews and was highly valued by employees, thus could be seen as another form of non-monetary returns for organizational members.

7.3.4 Social entrepreneurship – the universal remedy?

This very basic question cannot be answered easily. However, as the concept of social entrepreneurship is praised so much in the entire thesis, some critique should be provided as well. The most common critique is an ethical concern about combining social and financial goals. Zahra et al. (2009: 527) pointed out: “Some believe social entrepreneurship represents a harmful marriage between opposing values”. Furthermore, they argue: “While social entrepreneurs are driven by an ethical obligation and desire to improve their communities and societies, egoism can drive them to follow unethical practices” (ibid.: 528).

These are valid points of critique and there definitely is a danger involved with seeing social entrepreneurship as the universal remedy for all kinds of social problems. However, every actor, addressing any kind of problem will involve the same risks. Even though it is important to know about these risks, it seems even more important to try to mitigate them. The “harmful marriage” seems quite harmless compared to e.g. CSR where financial impact still remains at least as important as social impact. In order to mitigate these risks and to enhance the social entrepreneurs’ credibility, many countries would benefit from introducing new legal forms of organizations like the B-

Corporation in the U.S., allowing for acting like a for-profit company, while at the same time being bound to social purposes.⁴⁸

7.4 Further research

Due to the early stage of the research field, there are countless opportunities for further research. However, research building upon this thesis will be identified in the following paragraphs. First, a possible next step would be to refining the holistic framework by more rigorous empirical testing.

Second, it would be interesting to see whether the indication of a sequence of scaling forms in the organizational life holds true. Third, it could provide interesting insights to research whether the relation between the business model and the activities that social entrepreneurs engage in can be confirmed by a larger sample. However, before quantitative research in this field will be possible, a common definition or groups of definitions are required. This seems to be a very important point, not only for gaining further evidence in the research areas that were addressed in this thesis, but also for the advancement of the whole field.

⁴⁸ See www.bcorporation.net/about for more information.

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Appendix I

Common sourcing strategies of social entrepreneurs

Strategy	Variations	Examples
Sale of products and services	<ul style="list-style-type: none"> • Mission-related <ul style="list-style-type: none"> – Beneficiaries are customers – Export-oriented • Not linked to mission 	IRUPANA, Bolivia Project Impact, USA APAEB, Brazil Population and Development Association, Thailand
Fees/cost recovery	<ul style="list-style-type: none"> • Membership fees • Licensing fees 	Self Employed Women's Association (SEWA), India All fairtrade/Max Havelaar organizations; Phulki, Bangladesh
In-kind resources	<ul style="list-style-type: none"> • Goods for programs or operations • Technical assistance and expertise • Volunteers 	CDI, Brazil; CHETNA, India Bily Kruh Bezpeci, Czech Republic CityYear, USA
Partnerships	<ul style="list-style-type: none"> • With businesses • With governments • With local communities 	ASAFE, Cameroon Childline Foundation, India EcoClubes, Argentina
Raising funds from the public	<ul style="list-style-type: none"> • Special events • Additions to customer bills (hotel, electricity bill, cell phone bill, ...) 	Endeavor, USA Habitat for Humanity, USA

(Source: Schöning 2003: 5)

Appendix II

Expert interview with Shawn Westcott

What are the biggest challenges for social enterprises today?	<p>1) Defining impact</p> <p>2) Measuring impact, as it takes a long time to materialize</p> <p>3) Competition, going out of business</p>
Do you think that the organizational development of social enterprises follows a sequence?	<p>Not sure, as there also is a more general trend from top-down to network organizations</p> <p>Internet age/social media age means to give up centralized power</p>
What factors influence the growth of social impact in a positive or negative way?	<p>Often, the goal is to build capacity and to make more money in order to employ and attract better people</p> <p>However, there are/were also many examples where a lot of money was available, but growth was still not possible, thus:</p> <p>It's the mission that is most important and should guide decisions, there need to be a clear sense and know-how about how to deliver, then it's gonna be easier to overcome obstacles</p> <p>Empowering the member base is another very important tool; the more important the more limited resources are</p> <p>A negative impact on social impact is growth of the organization (trade-off), example LIFT an NGO co-founded by Shawn (www.liftcommunities.org):</p> <ul style="list-style-type: none"> • after a year there was enough money to start 30 new offices and start headquarters in Washington, D.C. • there were no social workers or bureaucrats, but it was still scaled, even though those who were to train the new people were still trying themselves, • later, different people were attracted (students, social workers) who put their passion into the service itself • recently, two offices had to be closed because they realized that the competition was better, now there are 9 offices in 5 cities left • first step always to make the first impact • maintaining quality is a big issue (because it implies to get more money later) • LIFT (started as NSP) started as a NPO, but realized they have to operate like a company • "heart-driven people fear the structure"
Are there limits to growth?	<p>The trade-off is a different one compared to traditional enterprises</p> <p>As NPO it is often easier to justify existence and get money</p> <p>Limit to growth for NPO is often money</p>
General	<p>"everybody who wants to change the world wants be as quickly as possible" → often, initiatives are visionary-run, driven by the heart;</p> <p>SHOULD SOCIAL BUSINESSES BE DEFINED BY NOT CAUSING NEGATIVE IMPACT?</p>

Appendix III

List of interviewees

Interviewee	Organization	Position	Date	Place
Andreas Heinecke	DSE	Founder & CEO	23 August 2011	Hamburg
Meena Vaidyanathan	DSE	Director for Development and Marketing	19 August 2011	New Delhi (via phone)
Orna Cohen	DSE	Partner and Director of Research & Development	31 October 2011	Hamburg (via phone)
Klara Kletzka	DSE	Partner & Senior Consultant, CEO and partner of DialogMuseum in Frankfurt	28 October 2011	Frankfurt (via phone)
Laura Gorni	DSE	Partner & Director of Exhibitions/Production	25 October 2011	Milan (via phone)
Jesper Kjellerås	Hub Stockholm	CEO	25 October 2011	Stockholm
Hagen Krohn	Hub Zurich	Co-founder	3 November 2011	Zurich (via phone)
Silja Grastveit	Hub Bergen	Founder & CEO	16 November 2011	Bergen (via phone)
Shawn Westcott	SSD Advisors SE-Forum LIFT	Founder & CEO Chairman of the Board Co-Founder	01 November 2011	Stockholm

Appendix IV

Interview guide

Topic	Questions
Personal background and position	What is your background? When did you start working with DSE/The Hub? How did you learn about DSE/The Hub? What exactly does your role entail?
Scaling	What do you know about the founding process? What do you know about the scaling history? Were different scaling forms considered? Did today's mission already exist in the beginning? If not, how and why did the mission change over time? When did the idea of social franchising arise? How were franchisees and partners chosen? How was future expansion planned?
Questions specific to The Hub	How do the Hubs collaborate? What is their legal form and their contractual relation? What were challenges or advantages of your Hub related to being a member of the Hub network? What were the challenges prior to re-organizing and founding the association?
Questions specific to DSE	When and why did you decide for social franchising as the major form of scaling? What are its advantages and disadvantages? Why were branches set up in India and China?
Challenges and success factors	What were the biggest challenges when you joined? What are the biggest challenges today? What are success factors? What do you think are future challenges and opportunities?
Closing	Is there anything you would do differently today? Anything you would like to add?