Literature review on social entrepreneurs as change makers for food security
Literature review on the opportunities, challenges and lessons learned of social entrepreneurship for food security in developing countries

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1 Social entrepreneurship in the context of food security

Worldwide social entrepreneurs have the ambition to be change agents by making use of the market. The Global Entrepreneurship Monitor’s 2009 Global Report (Bosma & Levie, 2009) shows that social entrepreneurs in developing countries focus mainly on elementary issues and pressing needs such as basic health care provision, access to water and sanitation or agricultural activities in rural areas. Social entrepreneurs in high income countries are more active in launching culture-related organizations, providing services for disabled people, focusing on waste recycling and nature protection or offering open-source activities such as online social networking.

This literature review focuses on that group of social entrepreneurs whose aim it is to tackle major problems in the food value chains in developing countries by exploring their opportunities, challenges and lessons learned. The review will also point out empty spots for further investigation. The rationale behind it is that social entrepreneurship is a worthwhile concept to explore in the context of food and nutrition security. In theory, social entrepreneurship has the opportunity to improve (rural) employment, to empower communities, and to tackle all kinds of constraints in the whole food value chain. While private sector actors (e.g. short-termism), public sector actors (e.g. budget constraints), and civil society (e.g. entrepreneurial limitations) leave many options open for improvements, it is social entrepreneurs’ mission to fill this gap by combining social and entrepreneurial values.

Joost Vervoort, researcher for the Environmental Change Institute of Oxford University, concluded in his research paper about the opportunities of social entrepreneurship for food and nutrition security that weak governance in developing countries could strengthen the capacities of social entrepreneurs by using “the freedom that relatively low level of effective regulation allows to move quickly and effectively in the local markets” (Vervoort, 2014). According to him, there are three specific opportunities for social entrepreneurship for food and nutrition security:

- To link across domains, food systems and across geographical levels;
- To reframe dominant narratives in the market by empowering vulnerable groups;
- To educate and develop stakeholder networks to facilitate change.

The question is how this all works in practice. This review will further examine that by exploring the existing literature, and explore the understanding of bottom-up approaches for community involvement in social enterprises, their strategies for partnerships to increase social impact, and how they make an earned income by selling services and products to some of the poorest communities. By doing so this literature review will also answer many of the questions that were raised at the Pop-up Friday with social entrepreneurs and impact investors that the Food & Business Knowledge Platform (F&BKP) co-organized in February 2015 in the Netherlands. The ultimate purpose of this literature review is to inform and support professionals that will further map and investigate the challenges and opportunities for social enterprises related to food and nutrition security in a selection of developing countries. That project will be conducted by SocietyWorks in partnership with Impact Hub Amsterdam in cooperation with Dutch embassies, and supported by the F&BKP.
2 Defining the social enterprise

Since the 1990s, when the concept of social enterprise became prominent and the debate about the characteristics of this organizational form emerged, there has been no agreement on the definition of social entrepreneurship and what separates it from private entities and NGOs (Galera & Borzaga, 2009). In the 1990s, the dominant view was that the social enterprise was a not-for-profit organization, like charities, but one that embraced the market to generate earned income with the aim to become less dependent from fundraising. The work of Duke University Professor J. Gregory Dees was influential in describing the not-for-profit social enterprise (Dees, 2001).

At the same time, some businesses started to act more responsibly. That raised the question of what separates a modern and conscious entrepreneur — someone who takes corporate social responsibility and Shared Value Creation seriously — from a social entrepreneur? Roger L. Martin of University of Toronto and Sally R. Osberg of the Skoll Foundation answered this question in their influential 2007 publication. They stated that unlike the entrepreneurial value proposition that assumes a market that can pay for the innovation, the social entrepreneurial value proposition, “targets an underserved, neglected, or highly disadvantaged population that lacks the financial means or political clout to achieve the transformative benefit on its own” (Martin & Osberg, 2007).

There is now consensus that social entrepreneurs are aiming at transforming systems and practices that are the root causes of poverty, marginalization, environmental deterioration and accompanying loss of human dignity. That is why they are also called “impact entrepreneurs”. Their social mission defines them, not profitability. They could seek profits to increase their social impact, where others would function more as a hybrid social enterprise that needs public money or philanthropy along with their earned income to fulfill their social mission (Bosma & Levine, 2009). 1

With the lack of an accepted definition, but with the urgency to separate social entrepreneurship from private entities and NGOs, social enterprises have thus been framed around a set of essential values that should be embraced in doing business. An influential framework is the EMES International Research Network approach to social entrepreneurship that contains three dimensions:

- The economic, or entrepreneurial, dimension guarantees that the productive activity represents the reason for its existence. Social entrepreneurs face an economic risk in the activities required to meet the demand, which set them apart from NGOs.
- The social dimension must guarantee that at the heart of the social enterprise is the social mission. A bottom-up approach should embed the activities within local communities and avoid any profit-maximizing behavior, which set them apart from mainstream businesses.
- The governance dimension ensures that decision-making is not based on capital ownership but on the voice of stakeholders who are affected by the activity and that there is an open and participatory approach, which sets them apart from a shareholder model (Defourny & Nyssens, 2012).

Innovativeness (technical and social) could be added as a separate dimension. Ashoka, the largest network of social entrepreneurs worldwide, describes social enterprise as “disruptive innovation in resolving social problems in an entrepreneurial way.” Thus, this review will follow these four dimensions. Whether the enterprise is for-profit or hybrid, the main value proposition of social enterprise is their innovative and inclusive approach, their social mission to tackle important social and environmental problems, and their ambition to form partnerships with different stakeholders with the ultimate aim to become change agents. 2

Such a debate about frameworks and definitions matters because it helps to understand how social entrepreneurship can be supported and accelerated by policies and educational systems. However, a fully categorized social entrepreneurial sector could also harm the dynamics and ultimate purpose of social entrepreneurship as change agents. In this view, the concept of social enterprise is just a transitional form (Trexler, 2008). As its lessons are learned within mainstream business, social entrepreneurship can gradually disappear.

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1 There is a trend to distinguish a social business from a social enterprise (Van Der Velden & De Greve, 2016). Both are combining social and commercial goals, but the difference is that the latter is a pure not-for-profit entity that makes use of a mix of financial resources (subsidies, donations, social capital); it refers to the adoption of entrepreneurial approaches in order to earn income but not necessarily a profit. On the other hand, the social business creates social value in a financial sustainable way through its business activities. Increasing investments in the activities will generate a direct increase in social impact.

2 The Overseas Development Institute (ODI) separates four types of doing business that characterizes the social enterprise in its publication on social entrepreneurship in Kenya (Griffin-EL & Darko, 2014). 1. Sharing of financial surpluses with customers by including them as co-owners of the enterprise to achieve a social objective (co-operatives). 2. Purposefully reducing financial surpluses by paying above-market premiums or guaranteed prices to suppliers (fair trade), above market wage rates to employees, restraining business margins within fixed limits (Grameen Bank) etc. in order to achieve a social objective. 3. Purposefully cross-subsidizing a specific category of customer as part of core business practice in order to achieve a social objective. 4. Seeking a long term partial subsidy from a government, donor or NGO source in order to sustain a business which would not otherwise be viable in order to achieve a social objective. The subsidy may be provided in the form of direct financial subsidy or privileged or protected access to markets (e.g. government procurement contracts).
3 Categorizing the social enterprise in food security

To establish a mapping exercise on social entrepreneurship for food security, the social enterprise must somehow be categorized. There are many options for categories to separate the different social enterprises in food security, for example, on size, profitability, or ownership. However, because the crucial part of being a social enterprise is its social mission, this should be key in defining the categories. In the literature, there have been some attempts to categorize the social mission of social entrepreneurs in developing countries of whom many work in agriculture. Intellecap, for example, in its 2016 report on social entrepreneurship in East Africa separated access, ability, and knowledge enterprises:

- Access enterprises engage with the low income populations as consumers and provide them with products and services. An example is Farm Shop in Kenya that works as a franchise network of rural shops for farmers. It aims at increasing access to farmers of a carefully selected range of products from basic fertilizers to advanced irrigation systems and solar products.
- Ability enterprises engage with the low income populations such as producers or partners, and provides them with skills and market linkages to gain livelihoods and earn incomes. One example is Agro-Hub in Cameroon that is working to help small-scale farmers gain access to sustainable domestic markets. It has built a small integrated factory to transform cassava into starch and garri, a type of tapioca, and sell it to its network of consumers through its own fresh food store, Agro-Mart.
- Knowledge enterprises disseminate information or knowledge to increase awareness and bring about behavioral change amongst low income and underserved populations. iCow, for example, is a service for dairy farmers in Kenya to keep track of individual cows through mobile phone technology. Farmers have to pay a small fee for the service and receive up to date information about caring for their cows to maximize returns (intellecap, 2016).

In a recent publication written by Rahman & Fong (2016) that is partly taking into account social enterprise, the Technical Centre for Agricultural and Rural Cooperation (CTA) made use of categories that describe the enterprise’s position in the food value chain. There are entrepreneurs in:

- production (e.g. extension and advisory services, smart technologies to increase productivity);
- marketing and trade (e.g. integrated services, linking farmers and agro-dealers);
- consumption (e.g. fighting food waste and malnutrition);
- finance (e.g. alternative financial services and support).

Both of the above mentioned studies focused on social entrepreneurs in Africa, but social enterprises could perfectly work in international food value chains. For example, there are social enterprises offering access to an international market for smallholder farmers (e.g. international consumption), such as Divine Chocolate, a social enterprise that sells fair trade chocolate in the international market. It is co-owned by over 80,000 cocoa farmers in Guana’s Kuapa Kokoo cooperative in Ghana. Members of the co-op receive the largest share (44%) of Divine’s distributable profits, giving farmers more economic stability and increased influence in the cocoa industry.

Finally, it could also be important to distinguish social enterprises that focus on existing markets from the ones that focus on building new markets for their innovative products and services. Divine Chocolate is an example of the first, their chocolate is only different from other chocolate on the shelves because of the social values. Or consider Sylvia Food Solutions in Zambia that creates a market for healthier and locally produced vegetables by creating menus for them in restaurants, as well as hubs that foster the sale of these foods in both rural and urban markets. The enterprise serves as an innovation hub with 100% of profits reinvested in training and outreach for farmers to increase vegetable production. An example of the latter is Coco Tech in the Philippines, which is a social enterprise that was innovative by making nets and other products from the waste of coconut husks. Coco Tech grew from a small community-based project into a medium-sized enterprise of 25 employees and more than 6,000 small-scale coconut farmers involved in the manufacture of Coco Tech products.
4 The challenges of social entrepreneurship in the food value chain

The opportunities of social entrepreneurship might seem boundless for food security, however there are some specific limitations, challenges and obstacles for social entrepreneurs, particularly for the ones working in rural areas. Some recently published studies have shed light on these issues. This part of the literature review makes use of the work by these organizations (e.g. ODI, Oxfam, British Council, Intellecap, Danish Centre for Business and Development Studies) which may not focus explicitly on food and nutrition security, but that take into account many social enterprises in agriculture in developing countries (e.g. Kenya, Vietnam, Philippines, Ghana). Their observations and research results obtained from interviews with social entrepreneurs can be clustered as follow.

Challenges of serving rural communities
First there are constraints and challenges of working directly with rural communities as main customers or stakeholders. Several examples have been mentioned in the literature:

- It is difficult to break down the negative misconceptions towards organizations extending assistance. Social entrepreneurs have to deal with mistrust among many farmers who have in the past been victims of scams and have been exploited by middlemen that took advantage of weak rural market networks (Institute for Social Entrepreneurship in Asia, 2015; Griffin-EL & Darko, 2014; Darko & Koranteng, 2015).
- The high level of illiteracy amongst smallholder farmers is another obstacle. Social entrepreneurs need to invest sufficient time in upskilling farmers to use their products and services. They require more demonstration, guidance and follow-up when offering services to a farmer (Griffin-EL & Darko, 2014; Darko & Koranteng, 2015; Thompson & MacMillan, 2010).
- Reaching remote rural areas with their teams and equipment can be challenging, especially during rainy seasons. To reach remote rural areas while being revenue-generating and commercially viable can mean that social enterprises are forced to be selective and limited about where they can operate to a greater extent than grant-reliant NGOs, for example (Griffin-EL & Darko, 2014; Darko & Koranteng, 2015).
- There are difficulties in identifying professionals who are equipped with both the necessary skills and knowledge and who share a vision of creating social impact and transformation. Some of the most vulnerable populations reside in remote rural areas, and social entrepreneurs struggle to find professionals willing to live in remote areas and to forfeit the larger salary they could receive in cities or overseas (Smith & Darko, 2014; Griffin-EL & Darko, 2014; Darko & Koranteng, 2015).

Challenges of receiving an earned income
In particular, it is difficult to find the right payment model for poor communities as part of gaining an earned income from provided services and products. Some communities are used to receiving free services and inputs as delivered by public and aid organizations. As a consequence, there remains a dependency environment around social enterprises, in particular, those that operate in rural areas, that want to rely on grants and subsidized loans from governments, donors and foundations instead of building the business case4 (Intellecap, 2016; Griffin-EL & Darko, 2014; Panum & Wendelboe Hansen, 2014).

Challenges to access finance
Access to finance is another challenge for social entrepreneurs in the food value chain, and also outside agriculture. Although there is often a reasonable flow of early-stage grant capital, for many social enterprises getting the first injection of capital can be difficult. In particular, there is a concentration of specific types of financial resources, which leads to resource gaps for certain sizes of enterprises and stages of growth. For example, one ODI study acknowledged that there are two stages at which social entrepreneurs can identify such challenges (Griffin-EL & Darko, 2014). The first is the “Seed/Blueprint” stage when social capital seems to play a role that has bias leaning towards less-well-connected entrepreneurs. The next growth phase at which social entrepreneurs struggle is the “Operationalize/Grow” stage, when the business model has been proven but is not yet sustainable so it is risky for commercial investors, and capital needs are too high for many grant schemes.

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3 There are two publications of the British Council on social entrepreneurship in Ghana (Darko & Koranteng, 2015) and another in the Philippines (British Council, 2015). A study (Panum & Wendelboe Hansen, 2014) of the Danish Centre for Business and Development Studies highlighted the lessons learned from social enterprises in Kenya. A publication of ODI focused on the constraints for social entrepreneurship in Vietnam and Kenya (Smith & Darko, 2014). Another study (Griffin-EL & Darko, 2014) of ODI looked specifically into the challenges of social entrepreneurship in health and agriculture in Kenya. An Oxfam and ISEA study (Institute for Social Entrepreneurship in Asia, 2013) examined social enterprises in Asia. And there is the publication on social entrepreneurship in Eastern Africa of Intellecap (Intellecap, 2016).

4 Social enterprises seeking to deliver products and services to farmer communities in remote areas need to invest significantly in building delivery and distribution channels. First mover social enterprises often have to build markets, create demand for their offerings, and educate customers. Despite their efforts, they have to deal with a reality in which most customers will opt out, for example, after a subsidized pilot phase with lower entry costs (Intellecap, 2016).
Challenges of a wider ignorance and understanding of the social enterprise

Another challenge can be clustered around a wider ignorance of the potential and lack of understanding of the social enterprise. There is a lack of understanding about the complexity of hybrid business models on the side of the entrepreneur, potential investors, and government agencies, for example. There is often no clarity about the legal status of social entrepreneurs in the absence of a separate legal entity for social enterprises due to the definition problems that surround social entrepreneurship. There are also stringent reporting requirements, particularly for donors and certain equity investments. In particular, there is a lack of skills and time for social entrepreneurs to collect and measure the impact (Institute for Social Entrepreneurship in Asia, 2015; intellecap, 2016; Darko & Koranteng, 2015).

Challenges of building and maintaining partnerships

The last cluster of challenges relates to building and maintaining partnerships with stakeholders with the aim to increase social impact. Some social entrepreneurs that were interviewed in the literature studies questioned the value of engaging with corporations for funding and of their endorsement in the start-up phases. Pursuing corporate social investment seemed to be “too much work for too little gain”, and that social entrepreneurs eventually end up compromising their mission and become increasingly dependent (Griffin-EL & Darko, 2014). Another stakeholder is the government. Partnerships with national governments can be very bureaucratic and time-intensive. To increase trust with (rural) communities, local governments sometimes assist social enterprises through validation of their products, however being involved in local power structures as an outsider could be very challenging for social entrepreneurs. To exchange lessons learned, peer-to-peer networks are necessary. However, such networks are limited in the rural context with most social enterprises concentrated in the largest urban areas (Institute for Social Entrepreneurship in Asia, 2015; Panum & Wendelboe Hansen, 2014; Darko & Koranteng, 2015).

In the next sections of this literature review, these challenges will be further examined by focusing on the lessons learned. In Part 8 this review, there will be shared insights into how support organizations for social enterprises can try to support them by solving these challenges.
5 How to make an earned income

Social entrepreneurs must earn money in the market. As social business expert Tania Ellis wrote in her book “The new pioneers”, they may not seek the highest profit; holding costs low is evident to survive on the markets (Ellis, 2010). However as concluded above, social enterprises that particularly focus on rural change in developing countries have the disadvantage of serving customers who are mostly excluded, live in remote areas, and with limited capacity to pay. They, but also the social enterprises that focus on the customer side in the food value chain, are constrained due to infrastructure, uneven geographical distribution, and socio-economic constraints.

Such challenges complicate the ways of making an earned income for social entrepreneurs and limit their capacity to raise capital from investors. So what are the lessons learned from social enterprises that serve communities in their search to make the business case?

The literature that was used in Part 4 to identify the main challenges also gave some insights into the ways of how social entrepreneurs make an earned income. Intellecap (2016) observed in their study a shift in the way social enterprises in Eastern Africa react to the challenges of affordability. Creating affordable products was synonymous to creating low-cost products with basic features. However, social enterprises “now focus on designing innovative pricing and payment solutions for full-feature products and services”. They use sliding fee scales or special discounts for people of lesser means or introduce new payment models. Several payment models have been mentioned in the literature.

Rental model

The lease or rental model is particularly popular in agriculture where social enterprises lease out processing facilities to farmers and train them to use the facility. For example, Baridi Stores uses such a model to solve one of the biggest challenges in Uganda: wastage of agricultural produce due to lack of affordable storage infrastructure. Post-harvest, the shelf life of produce is limited and hence farmers are forced to agree to unfavorable prices or allow wastage. Baridi Stores has since designed and developed solar powered storehouses exclusively for agricultural products. These storehouses are leased out to farmers for a rental fee to prevent food waste, which simultaneously enables farmers to negotiate a better price for their produce.

Prepaid fee

The prepaid fee approach in the form of subscription payments is mostly used in ICT-enabled models that provide capacity building through mobile phones, for example, by creating market linkages or providing access to educational material. A traditional prepaid model requires the customer to purchase a particular amount of credit before services can be used. For customers, the prepaid model allows them to purchase services as and when cash is available, while for enterprises, the model allows them to eliminate the risk of payment defaults. For example, Sokonect in Kenya uses a technology-based platform to eliminate brokers in the agriculture value chain, thus enabling farmers to access markets directly. Farmers prepay a predetermined fee to use the platform.

Pay-as-you-go

Another trend is the pay-as-you-go model which is also referred to as a progressive ownership model or rent-to-own model. Social enterprises use this model to provide rural asset financing for the low income population. In this model, a consumer pays an initial deposit for an asset and pays installments on a regular basis. Once the installments are paid to cover the balance cost, the consumer owns the product and can stop paying installments. For example, Akili Holding in Kenya and Juhudi Kilimo co-invest this way with rural communities to provide them with tools and assistance.

Small percentage from sales

Most social entrepreneurs seek for ways to get a small percentage of the sales of products on the market while offering multiple services and capacity building. For instance, Tanzania-based East Africa Fruits Farm leases out farmland to farmers who earn less than US$1 per day. It provides training and support to farmers to increase yield and procures the harvest for distribution. EA Fruits Farm then cleans, processes and packages the produce for distribution in retail outlets and for door-to-door delivery. The enterprise pays farmers at regular intervals of seven to ten days. Another example is Kigali Farms in Rwanda that provides inputs, training and support for producing mushrooms which it buys back for processing and export.

Making use of third parties

When there are too many difficulties with charging the beneficiaries themselves, social entrepreneurs can earn income through third parties, like government agencies and corporations, that have a vested interest in an intended beneficiary group to pay for services or products for them. As The Broker article “Balancing social and entrepreneurial values” stated, governments can do this for collective goods and in the welfare of the poor, while corporations can pay for services that benefit their employees or suppliers (Khieng & Quak, 2013). Most beneficiaries share some of the costs through co-payments and deductibles. For example, Ireland-based Valid Nutrition works with local manufacturers in Malawi, Kenya and Ethiopia that produce their nutritious ready-to-eat
food products. Undernourished people are their clients, however the main part of their paid customers are public institutes, large international aid donors and multilateral organizations.

Most social enterprises develop throughout the years a mix of earned income strategies to deliver the highest impact. See the below case of Proximity in Myanmar as an example.

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**Case 1. Proximity in Myanmar**

Understanding its poor rural customers enables Proximity to meet their needs across the board. The organization designs its pumps and other irrigation products to be effective, durable and affordable, and tests its seeds to ensure healthy crops. However a substantial number of Myanmar’s farmers cannot afford new seed stock or even the least expensive device, so Proximity has added microcredit to its suite of services. In addition, it supplements its products and financial services with advisory support, providing the technical assistance that might otherwise be delivered by a country’s agricultural extension services. Finally, the organization engages deftly with the government, which considers it a trusted adviser on issues of food security and as a resource for training agricultural officers. Proximity’s operating-cost reengineering has enabled it to constantly improve and add to its line of products and services. This in turn has increased market demand, grown the organization’s customer base, dramatically increased revenue, and—most important—substantially improved food security and livelihood for millions of people.

(Source: Osberg & Martin, 2015)
6 Bottom-up approaches to increase social impact

One of the main dimensions of social entrepreneurship is the in-depth engagement with members of the communities they serve to ensure that the social mission meets local needs and to prevent any profit-maximizing incentives. However, very few studies mention the lessons learned of how social entrepreneurs engage with communities.

Some tactics have been mentioned in the literature (Institute for Social Entrepreneurship in Asia, 2015; Darko & Koranteng, 2015; Griffin-EL & Darko, 2014). For example, that social entrepreneurs must identify champions in the community to help carry out initiatives and mobilize others; to manage expectations of community members in terms of realistic outcomes from their participation; and to make the rewards of participation public and ceremonious with significant endorsements by local governments or rural agencies. This stamp of public approval could help distinguish the social enterprise from disingenuous organizations and increase the trust of populations that previously have been mistreated by companies or initiatives.

Most social entrepreneurs prefer to deal with cooperatives as it involves less duplication of efforts, provides economies of scale when obtaining inputs, and also makes it easier to aggregate smallholder produce, which makes it easier to get to market especially to the private sector companies that require great quantities of farm produce. Farmers’ cooperatives therefore form part of the emerging social enterprise landscape in many developing countries (Innlecapp, 2016; Darko & Koranteng, 2015). For example, in Ghana MoringaConnect makes use of a business model whereby out-growers are supported to produce and process moringa to improve their livelihoods and increase domestic nutritional intake. MoringaConnect provides farmers with nutrition training, extension services, agricultural inputs, and a guaranteed market for all their crops. To work effectively and generate the highest impact, it works with co-ops. Another example is Divine Chocolate that works with Guana’s Kuapa Kokoo cooperative in Ghana as mentioned previously.

The Institute for Social Entrepreneurship in Asia (2015) study showed that poor communities in Asia are indeed consulted in planning and processes, but that their participation in the governance structures was limited. In Bangladesh, for example, the poor are represented in the boards of 15% of the social enterprises. Social entrepreneurs noted that such participation tends to be largely symbolic, and the poor cannot play any effective role in decision-making. In the Ghana report of the British Council, a particular example was given of an agricultural social enterprise based in Tamale that faced problems with the governance structure, as there was conflict between board members on the extent of focus given to social and to-profit interests (Darko & Koranteng, 2015). This was dealt with in part by bringing farmers onto the board (through an association/co-operative set-up to nominate farmer representatives). In the model, farmers were paid a bonus when profits were made rather than shareholders.

Furthermore, gender and disability issues in communities offer opportunities for social enterprise, but can also act as constraints to operations and to female social entrepreneurs. There could be some fierce resistance to female economic empowerment. To understand the voice of all community members, most social entrepreneurs prefer to make use of a gradual approach for inclusion and change, as the ODI report concluded (Griffin-EL & Darko, 2014).


7 Building partnerships versus upscaling the business

The common direction of literature about upscaling impact by social enterprises – see the list of recommended literature on the website of Ashoka – is that social entrepreneurs need to move beyond thinking about scaling up as organizational growth. Jon McPhedran Waitzer, who worked for Ashoka and now for the Canadian Jeanne Sauvé Foundation, and Roshan Paul of the Armani Institute, stated in their article published in the journal Innovations the transition “from an enterprise to an ecosystem” in which social entrepreneurs have become part of strategic networks or alliances and adopt a broader, integral and more political approach to reach their goal (McPhedran Waitzer & Paul, 2011). Anna Davies and Julie Simon from The Young Foundation agreed in their paper as that they underlined the importance to distinguish the concepts of scaling and diffusion. They wrote that scaling is only useful in thinking about the growth of the social enterprise, where diffusion tools, although primarily descriptive, could help to understand how to increase social impact (Davies & Simon, 2013).

The book “Scaling Social Impact: New Thinking” that was edited by Paul Bloom of the Center for the Advancement of Social Entrepreneurship at Duke University, and Edward Skloot of the Center for Strategic Philanthropy and Civil Society at Duke University, showed that social entrepreneurs could be interesting partners for private sector, governments and civil society (Bloom & Skloot, 2010). For example, social entrepreneurs are often pioneers in new technology or finding new usages for existing technology, which makes them attractive partners. Seven drivers for scaling a social venture have been identified, also known as the SCALERS model (Staffing, Communicating, Alliance building, Lobbying, Earnings-generation, Replicating and Stimulating market forces), which Paul Bloom and Brett Smith of the Center for Social Entrepreneurship at Miami University empirically tested in their research paper (Bloom & Smith, 2010).

Building partnerships could help social entrepreneurs to be more cost efficient and to deal with the many specific challenges of serving communities. For example, to help improve the distribution channels in rural areas, social entrepreneurs are making use of partners instead of fixing the problems themselves. Some leverage informal retail chains, micro-enterprises, and village-level entrepreneurs to increase their reach across remote areas. For example, SunnyMoney in Kenya distributes lamps through cooperatives as well as local shops and agents. Others have partnered with large organizations that have existing channels to rapidly increase reach. This not only reduces cost but also in time involved in building their own networks. For instance, One Degree Solar entered into a partnership with Coca-Cola to market its solar power kits Brightbox to kiosk owners selling Coca-Cola.

Although there is very little literature on how social entrepreneurs are building and maintaining partnerships in the food and agro sectors in developing countries, from the cases in the literature one lesson learned can be distinguished: the importance of understanding what partnerships matter most for upscaling the organization and the social mission. Selecting the right partners, therefore, is one of the most important building blocks of the social business model canvas, designed by Social Innovation Lab. For example, Jiro-VE, a social enterprise that provides solar lights to rural communities in Madagascar, is deliberately not partnering with the national government because the political situation has been far from stable. “We have had great success partnering with associations in the country who also have a social purpose and prefer to work with the private sector rather than NGOs and aid organizations, because a business mentality often allows for a greater sense of sustainability,” described co-founder Rik Stamhuis in an expert opinion on the website of The Broker (Stamhuis, 2014).

However, small social entrepreneurs struggle in such relationships especially with larger or more powerful organizations. Al Hammond of Ashoka mentioned that also for food security, large companies are not partnering with social enterprises in ways that combine the technical skill, management depth and financial muscle of large companies with the bottom-up market knowledge, community trust and innovative approaches of social entrepreneurs. For The Broker’s dossier on Social Entrepreneurship, Al Hammond wrote in an expert opinion that “such partnerships have to have a basis in trust, secured by a legal contract that defines roles, milestones and obligations – such as a binding commitment not to develop the business without the participation of the social enterprise” (Hammond, 2013). However, companies insist on a high return on investments of around 20%, which is completely unrealistic for a social venture.⁵

Although the specific problems that occur in scaling a social enterprise is different in each case, success is related to a mix of maintaining and expanding partnerships combined with the struggles of dealing with a growing organization and client base. See for example how the Feeds Project in Zambia dealt with its struggles in the next case example.

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⁵ Al Hammond also mentions in his expert opinion that social entrepreneurs also often fail to understand the market pressures that public corporations and their management face, or fully subscribe to the need for a reasonable return of investment (Source: Hammond, 2013).
**Case 2. Feeds Project in Zambia**

The goal of this venture is to produce high-quality, low-cost animal feed in northwest Zambia so that small-scale chicken farmers generate food for themselves and income from the sale of surplus chickens at competitive prices. Initially, it could not poach customers from established regional competitors, nor could it purchase any assets before demonstrating proof of concept. However, Feeds Project acknowledged the difficulties of doing business in a region where bad debt was rampant and uncollectible, and established competitors responded to threats with drastic price-cutting. Furthermore, many small-scale farmers had little confidence in their ability to raise chickens profitably. So, with cooperation from leaders in each village, the lead entrepreneur of the project designed an education program to convince these potential beneficiaries of the viability of chicken farming. Only then did new growers begin buying the feed. Another obstacle was that farmers lacked easy access to affordable transportation and needed enough feed for six to eight weeks at a time. So the venture leaders updated their distribution system accordingly. As demand grew, they expanded their operations and product offerings, first by salvaging discarded equipment and then by purchasing new equipment that could churn out more than 2,000 tons of feed per month, including high-quality poultry pellets. As the plant expands to fulfill the demand for more feed for even more chickens, communities have had to deal with an excess of chicken feathers. So the social entrepreneurs are developing a furnace for the feathers. The greater efficiency of the feed market has led to greater investment: new hatcheries and processing facilities are being built across the region. Several churches are attempting to establish community-based poultry programs in remote areas, and a new market for product sales has opened up in a neighboring country where the project is already negotiating to develop a feed manufacturing plant. The Feeds Project offers now broader product lines (such as different size bags and life-cycle-stage formulations) as well as feed for other species, such as dairy cattle. The path to scaling the business has been through higher-quality machinery, expanded distribution, and moves into adjacent markets.

(Source: Thompson & MacMillan, 2010)
8 Support organizations for social enterprises

The complexity of social entrepreneurship, particularly in a hybrid model, that only works if it is linked and engaged within an ecosystem with stakeholders that together build trust and deliver a quality product or service to the poorest and most vulnerable communities, means that a lot of support is necessary to succeed in the build-up phase. Fortunately, many support organizations for social entrepreneurship have evolved, like incubators, accelerators, and global and local networks and platforms for social entrepreneurs.

Many support organizations use mentors to provide business development skills and technical support to enterprises. Mentoring can be formal – regular in-person meetings, informal and ad-hoc, or increasingly online, and often on a needs basis – whereby social entrepreneurs can access mentors with specific skills sets and ask for help with a particular area of their operations. Although this approach is used widely for SMEs, mentoring services that support social enterprises with the hybrid nature of their models are less common (Griffin-EL & Darko, 2014). This is partly due to the limited amount of successful social enterprises that can rely on proven experience of more than 15 years. More common in social entrepreneurship is to focus on creating work spaces and network meetings. iSpace in Ghana for example runs social programmes and events such as a Hack for Good event, which brought together teams of mobile app developers and social-service workers (healthcare and education professionals) and a program where female entrepreneurs are mentored on social media and marketing by high-achieving Ghanaian business people.

Many start-up social entrepreneurs kick start their business through incubator or accelerator funding. Some international NGOs and corporations have established such funds that run as a separate foundation or venture. Accelerators and incubators for social enterprises offer entrepreneurs opportunities early on. Social entrepreneurs get help and some financial support to test their business model, build partnerships and grow their business. The aim is to make them attractive for further investments from impact investors or angel investors. What makes them different is that accelerators “accelerate” growth of an existing company, while incubators “incubate” disruptive ideas with the hope of building out a business model and company. In other words, accelerators focus on scaling a business that already has proven itself while incubators are more focused on the initial stages of entrepreneurship and innovations.

For example, Impact Hub Accra was set up to provide an educate-incubate-invest model with partners from an academic organization (Open University of West Africa) and an angel investor funds (such as Slice Biz) to support startups from idea stage all the way to being investable businesses. Other examples are: the Pan Africa AfriLabs and Social Franchise Accelerator in South Africa; Enablis and kLab in Rwanda; Hiveclob in Uganda; Ice Addis in Ethiopia; NaiLab in Kenya; the worldwide operating Unreasonable Institute; the Centre for Innovation Incubation and Entrepreneurship (CIIE) in India; and Better Stories in Bangladesh. A report of the Aspen Network of Development Entrepreneurs, Agora Partnerships, I-DEV International (2014) showed that social entrepreneurs in incubator and accelerator programs value the most the access to informal mentors and entrepreneurs, access to peer mentoring, business plan development, business strategy plan support, and working on a pitch.

Some other recently published reports give further insights into how incubators and accelerators operate. Yet no studies are focusing specifically on the food value chain. A study of Neste on social enterprise incubators in India showed that best-known incubators are mainly situated in India’s metropolitan cities where there is a strong enterprise ecosystem with a thriving startup scene, an entrepreneurial culture and easy access to talent, mentors and investors (Gabriel, Engasser, & Bound, 2016). Smaller cities and rural areas do not have all of these advantages. The report also digs deeper into what challenges there are for incubating social enterprises in rural areas. It shows that incubators who work in more remote areas rely on creative strategies to compensate for gaps in their enterprise ecosystems. For example, since there is not a ready supply of enterprises to incubate in Jaipur, Startup Oasis is working with local colleges to deliver enterprise boot camps aiming to build an entrepreneurial culture among students and bring forward more ideas to incubate.

In order to help entrepreneurs access finance in an area where there are few investors, Nativelead Foundation in Madurai has built its own angel investor network that appeals to local business leaders’ sense of pride in their area to encourage them to invest in local entrepreneurs. Because of the difficulties in attracting permanent staff to its

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6 Others make use of a growing market of crowdfunding platforms such as kickstarter and Indiegogo that have proven a great advancement for social entrepreneurs. They give startup founders a unique opportunity to sell their idea. One of the benefits is that none of the investors in crowdfunding are shareholders in the company. Danae Ringelmann, co-founder of Indiegogo, says that “a successful crowdfunding campaign helps prove to venture capitalists, angel investors and banks that there is a demand for a product in a marketplace, removing some of the risk from the equation.” (Source: Forrest, 2014)

rural location. UnLtd Tamil Nadu in Auroville has developed a resourcing strategy that differs from its “parent” incubator in Mumbai. It supplements its small staff team with volunteers who commit to spending at least half a day per week for six months providing hands-on support for entrepreneurs.
9 Recommendations

Although few studies on social entrepreneurship focus primarily on food security in developing countries, this literature review shows that social entrepreneurship as a concept of doing business with a social mission has the potential to increase food and nutrition security. The majority of cases in studies on social entrepreneurship in developing countries focused on agriculture, and having the farmers as their main customers and not specifically on food security. However, food security is more than providing inputs, increasing productivity, and supporting in off-farm distribution. The social mission of social enterprises seems to target far less the end-consumers, as for example Value Nutrition does, or have a combined approach, like Sylvia Food Solution that works with smallholder farmers and end-consumers. Taking this into account, any mapping exercise focusing on social enterprises for food and nutrition security in developing countries should categorize the activities of social enterprises by their position in the food value chain.

This literature review also shows the challenges and lessons learned in social entrepreneurship. Making an earned income, engaging with local communities, and being part of important stakeholder networks not only defines the social enterprise but also its success by increasing social impact (e.g. food and nutrition security). In practice, it is a bumpy road for social entrepreneurs. Specific challenges for serving rural communities have to be met, along with dealing with powerful stakeholders, complex governance structures, and working with various pay models that are suitable for the poorest communities.

Ultimately social entrepreneurs need a lot support not only financially but in capacity building and networking. This can come from governments, NGOs, donors, private sector actors (e.g. angel investors or impact investors), and increasingly specialized support organizations for the social enterprise. The support should not only target the individual social entrepreneur, but must seek to create the perfect ecosystem for social entrepreneurship to succeed in their mission for food and nutrition security. Because such ecosystems are less advanced in rural areas, support should take into account the special measures to succeed social enterprises in rural circumstances.

From the literature that was used in this review, the following recommendations can be made:

Recommendations for social entrepreneurs

- Enterprises seeking to develop and grow in what are often very marginal markets need to pay particular attention to realistic business planning, both to ensure that there really is a market opportunity that they can fulfill and also to gauge the extent to understand the cost of the modification of commercial orientation they propose. The planning needs to take into account potential competition from mainstream business and from state providers.
- Operating in marginal markets as many hybrid social enterprises do, access to grant funding or concessional loans is important. In addition to demonstrating sound management and financial reporting, social enterprises seeking to access these concessional forms of finance will also need to be able to show evidence of their performance and impact against social indicators. Although this is not a simple task, enterprises should take care to collect basic data on their clientele and operations that at least provides some indication of the effectiveness of their targeting and impact.
- It is important for social enterprises to recognize the need for strong management, establish strong governance structures within the organization, budget to pay market rate salaries for key personnel, and make use of training and support resources that are available. Social entrepreneurs not always implement an inclusive governance structure. Although this can make decision-making processes more complex, it will increase trust and respect among the local communities and ultimately generate impact. Most social enterprises just engage with them in product development and capacity building.
- Finding the right partners is one of the important drivers of success for social enterprises. It should take a central position in the social business model, for example to work together with several partners to be more cost efficient, to increase access to influential networks and capital, and to engage with local communities.

Recommendations for support organizations

- Support organizations – donors, technical assistance providers, incubators, accelerators, social investors – should make a distinction between private sector development activities and support for (hybrid) social enterprises. In mainstream private sector development, external support is typically limited and time bound to enable it commercially viable to get off the ground and then quickly start to make a profit. For social enterprises, in particular hybrid enterprises, when operating in more difficult markets with lower margins and lower (or non-existent) profit, there needs to be more intensive and longer term support.
- Support institutions in each country and sub-region will need to define appropriate platforms for innovation and change based on their own contexts. The objective of these platforms (e.g. on food security) could generally be to create an enabling environment and an ecosystem of support for the development and growth of these social enterprises.
Most of the literature that examines accelerators and incubators in developing countries notice that more best practices are needed to understand their successes and failure factors. They insist on developing more rigorous, multi-stage, selection processes that draw from best practices. Furthermore, the reports notice the necessity to build networks with the local financial sector, in particular domestic commercial investors, who may be able to directly support a plurality or majority of the graduated social enterprises more readily than impact investors.

Overall, more research on incubators and accelerators are necessary as there is very little knowledge about their performances and effectiveness of their mission to deliver well prepared social enterprises that are ready to scale up. One particular constraint that has to be tackled is the lack of consistent, standardized data collection within incubator programs. It has been difficult for incubators to prove their ability to create added value for social entrepreneurs.

There is little knowledge about the specific role that donors play in social enterprises. Donors could be very helpful for initial finance and to gain access into stakeholder networks. However, donors could also increase the dependency on grants for the social enterprise without moving into more financial sustainable solutions.

**Recommendations for governments**

- Government can play an important role in promoting social enterprises in specific sectoral contexts, in particular for food security in developing countries. They must create a level playing field for social enterprises. For example, they should be included and stimulated in tendering processes.
- Social entrepreneurship can only succeed if there is political commitment. And using it not to cover up cuts in public expenditure, but to promote equality, greater civic participation in the economy, and the small and medium sized productive sectors. This means an incentive package including public procurement, taxation and legal forms.
- Governments could help social entrepreneurs with controlled use of government subsidies. The most common example is provision of free or subsidized agricultural inputs – undermining local input suppliers (including social enterprise) and creating an expectation and dependence amongst their clients. Although with the best intentions, the literature shows that in particular the agricultural social enterprises that are involved in trying to establish sustainable systems of input supply to poor farmers, governments could be more efficient to contract and support social enterprises.

**Recommendations for further mapping and explorations on social entrepreneurship for food security**

- A mapping that targets specifically the social enterprises for food security in developing countries could be an added value as there are no examples of such studies. It could provide more insights in trends and developments of social entrepreneurship that are specific for dealing with food insecurity and malnutrition.
- The scope of such mapping should not focus on the individual social enterprises and their leaders only, but should map the whole ecosystem in which social enterprises operate to increase food security.
- The mapping should categorize the social mission, for example on which part of the food value chain the social enterprise is working (production, distribution, consumption, finance), and who they are targeting as a client. This will give insights into the priorities of social enterprises and will identify important gaps.
- The main challenges for social entrepreneurs in the food value chains have been identified in this study. Therefore, a mapping should not again focus on the main challenges but could better focus on strategies of the social enterprises in how to deal with the challenges. For example, providing the enterprise with an earned income while focusing on marginalized and poor communities is a real challenge. Therefore, the mapping should identify in more detail the strategies of social enterprises and how to make an earned income (e.g. payment models). Or what are the underlying decisions that social entrepreneurs make to find their preferred partners. The SCALERS-model that has been mentioned in this literature review could be a tool for identifying such strategies.
- The social enterprise can be a for-profit or hybrid enterprise, therefore it is important to separate the social enterprise clearly from NGOs and commercial SMEs in developing countries. However, it should not be ignored in a mapping that NGOs and SMEs could be in a transitional phase to become social enterprises. More importantly, recognize that social enterprises compete and cooperate with local SMEs and NGOs that could also strive for food security. The mapping therefore should generate insights into the specific relationships that social enterprises have with local SMEs and NGOs that can serve the same communities.
- The mapping must give insights into inclusive business models and governance structures for local stakeholders in the food value chain. This is part of what defines the social enterprise, but most studies do not explicitly focus on such strategies and what lessons can be learned from it. Identify opportunities and specific challenges related to include communities and local stakeholders within the social enterprise.
- Take into account the challenges for support organizations. Ask them for the specific challenges that they face, in particular to support their work outside metropolitan cities and into rural areas. Their support will be important for the social enterprise to succeed, but little is known about what determines their
successes. The mapping could give some more insights into what is needed to support the social enterprise for food security.

- Take also into account what measures governments are taking or not taking to stimulate and support social enterprises. What gaps or constraints are there regarding taxation, legal status, and access to special funds of social entrepreneurship for food security?

- Do not fall into the trap that social enterprises are per se the good guys. The sympathy for social enterprise is recognizable in much of the literature, but the mapping should also look into when a social enterprise is not adding value to, for example, rural communities or urban dwellers. Social entrepreneurship is not always the answer. Therefore, it is important that the mapping identifies if social enterprises really fill specific gaps where NGOs, governments and private entities are lacking to work on solutions to tackle food insecurity and malnutrition. Or that they are working too much in the same markets. By doing so, the mapping could recognize when a social enterprise is harming NGOs or private sector development and vice versa.

- A good example of a mapping exercise could be the Vietnam Social Enterprises Mapping Project (British Council, 2011) that was managed by CSIP in co-operation with British Council and Spark Initiative, or the ODI study and survey on social entrepreneurship in emerging countries (Whitley, Darko, & Howells, 2013).

- Finally, a more detailed mapping on social entrepreneurship for food security must result in specific recommendations for social enterprises, governments, support organizations (including donors) on how to make use of the concept of social entrepreneurship to reach food and nutrition security.
10 Literature references


