
Incubation support for India's social entrepreneurs



Huge social issues exist in India, from health to poverty to illiteracy. New ideas and socially-conscious leaders are desperately needed to develop these ideas into sustainable solutions. Social entrepreneurs - those who bring an entrepreneurial approach to solving social problems - are a growing breed in India. Often they need help during the first few years of inception which would speed up the progress of their project, and ultimately the social impact they want to make.

Through research carried out between 2005 and 2007, **Richard Alderson**, director of UnLtd India, told INSEAD Knowledge that the results clearly showed that there was a gap in the market for support for start-up social entrepreneurs, particularly in the first three to four years of their project lifecycle. “This is the stage when entrepreneurs are moving from idea, to proof of concept, to registered organisation, to early-stage viable organisation, and prior to a stage when most other funders or investors would get involved. Furthermore,



the research also showed that both financial and non-financial support were important.”

Providing support for social entrepreneurs

UnLtd’s field research showed that start-up social entrepreneurs require financial support for expenses such as running a pilot, registration of the organisation, initial materials and event planning, says Alderson, whose organisation he co-founded provides support for early stage social entrepreneurs in India.

Once social entrepreneurs decide to go full-time on projects, they require initial funding to sustain themselves individually.

“In an urban environment, such as Mumbai, we found that up to Rs 80,000 (US\$1,600) over a year as contributions to start-up costs was appropriate, with up to Rs 200,000 (US\$4,100) over a year for more developed projects where some or all of the money was going towards covering living expenses for the social entrepreneur,” he adds.

In terms of non-financial support, the research showed that support for the development of the individual social entrepreneur as a leader and the development of the organisation that he ran was critical. “In particular, we saw that coaching, information provision, training in key skills such as business planning, financial planning, legal structures, governance and marketing, mentoring, recognition, access to networks and brokering of relationships with further funders and investors were important,” Alderson says.

Secret of success

Deval Sanghavi, president of Dasra, the organisation which incubated UnLtd India, told INSEAD Knowledge that when it first started supporting early stage social entrepreneurs, it made four investments – three succeeded and one failed. He believes that the three enterprises succeeded because the funding and the non-financial support that it brought in enabled them to focus on their core competencies.

“I don’t think we had a magic wand or we were smarter investors and I don’t think that the management team that we invested in were necessarily the

smartest in India. They just had the zero- to three-year opportunity to focus on one area, make mistakes and learn from that. One of the lessons that came out of that was clearly to provide organisations room to grow, to make mistakes and to learn.”

At the same time, Dasra gave the organisations some boundaries as to where they should not go out of in terms of their vision and focus. Most organisations unfortunately don’t have seed capital, says Sanghavi, and because they are in survival mode in the first three to five years, they end up taking every single project that comes to them with the intention of taking 10 per cent off the price of each of the projects. Invariably, they only spend a fraction of their resources and time on what they feel are the real needs of the community and most of it on managing donor-driven projects.

Challenges and outcomes

One of the challenges for Dasra in selecting social entrepreneurs is to ensure they are able and willing to learn and change, as is the challenge for entrepreneurs in general. “You have this great vision, idea and passion but if you are not able or willing to change that, that idea will stay with you and will not be able to grow. The one failed investment was due to that. The idea was great but the person who was running it did not want to bring about change when implementing that idea,” Sanghavi says.

For Alderson, selecting start-up social entrepreneurs to back is as much an art as it is a science. Because they’re so early-stage, the decision is made mostly on the qualities of individual over anything else.

“Some degree of failure is important for both the entrepreneur and the organisation that is supporting the entrepreneur,” says Alderson. For the social entrepreneur, there is often no better way to learn than to fail. For the organisation, if some of the projects do not fail, that means it is not taking enough risk.

He adds that there is a constant challenge for them in balancing a structured support process that is more practical and cost-efficient from their side, with a more responsive, on-demand support process which is more costly, less easily managed but that is often what the social entrepreneur most needs.

Alderson says his experience when incubating social entrepreneurs is that although it’s often the financial support that is initially most attractive to the

social entrepreneurs, it's the non-financial support they end up valuing the most.

Alderson and Sanghavi were panellists at the International Social Entrepreneurship Conference held recently in Chennai.

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