NEW PARTNERSHIPS INITIATIVE
EXPAND
New Partners for Better Health

SUCCESS FACTORS FOR SUSTAINABLE SOCIAL ENTREPRENEURSHIP AND SOCIAL ENTERPRISE MODELS IN HEALTH

An NPI EXPAND Thought Leadership Brief

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INTRODUCTION

The New Partnerships Initiative EXPAND: New Partners for Better Health (NPI EXPAND) is designed to increase the availability and utilization of high-quality, high-impact health services through enhanced participation of local partners and to support the scale up of innovative interventions. To contribute to the thought leadership on organizational capacity for sustainability, NPI EXPAND conducted a study among different types of health organizations applying social entrepreneurial models. The goal of this study was to identify key enablers of organizational sustainability by reviewing the experiences of local organizations that have transitioned to or are applying social entrepreneurship or social enterprise models. Virtually all types of private, not-for-profit organizations are now focusing on resource mobilization and improving their own financial sustainability to reduce their dependence on external donor funding. For the purposes of this study, NPI EXPAND examined the experiences of three different categories of entrepreneurial-focused organizations: 1) social marketing organizations with several decades of experience with social entrepreneurial models; 2) service delivery organizations that have also relied increasingly on social entrepreneurial models; and 3) social enterprises that have introduced innovative supply chain solutions.

METHODOLOGY AND STUDY PARTICIPANTS

This study applied a qualitative approach to understanding organizational and senior management's perspectives on the factors that enabled organizations to transition from donor dependency to social entrepreneurship models, critical elements of their transition, and challenges in achieving financial sustainability. Nine organizations (three social marketing, three service delivery, and three innovative supply chain) were selected for in-depth analysis of their experiences based on criteria such as geographic coverage, organizational size, operational budget, maturity, and local management structures (Table 1). The study included a literature review, self-administered questionnaire, and follow-up key informant interviews. The literature review was used to identify common themes related to background and historical context, enabling environment, health impact, organizational and management practices, social enterprise examples, and sustainability. Self-administered interviews were used to gather insights into each organization's enabling environment, health impact, business model, and the trajectory of their journey toward a social entrepreneurship model. Finally, in-depth interviews were conducted with executive directors and senior management team to focus on organization/management structures, leadership, access to financing, and other unique challenges.

TABLE 1. CATEGORIZATION OF ORGANIZATIONS AS SOCIAL ENTREPRENEURIAL OR SOCIAL ENTERPRISE

ORGANIZATION NAME	ORGANIZATION TYPE	REGISTRATION STATUS
Nepal CRS Company	Social marketing	Non-profit with wholly owned for-profit subsidiary
TMARC	Social marketing	Non-profit
PSI LAC	Social marketing	PSI's social business units are registered independently as for-profit entities
Marie Stopes Ethiopia (1970)	Service delivery	Non-profit (NGO) with business license

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ORGANIZATION NAME	**ORGANIZATION TYPE**	**REGISTRATION STATUS**
ProSalud	Service delivery	Non-profit
Sehat Kahani	Service delivery – telemedicine	For-profit
Maisha Meds	Supply chain	Registered as 501(c)(3) in U.S. but as for-profit in countries of operation
mPharma	Supply chain	For-profit
SwipeRX	Supply chain	For-profit

DEFINITION OF SOCIAL ENTREPRENEURIAL VS. SOCIAL ENTERPRISE

The literature suggests that social entrepreneurship and social enterprise disciplines contain overlapping elements in the sense that both apply business and entrepreneurial approaches to solving social problems. It can be difficult to distinguish between the two given the lack of standardized definitions. From the literature, we found that the clearest distinction refers to "social entrepreneurship" as a specific initiative within an organization that may have multiple programs and initiatives, whereas "social enterprise" refers to an organization dedicated exclusively to applying business principles to achieve a social goal (Srinivas 2021). In contrast to social entrepreneurial approaches, social enterprises are organizations created to address social problems, but that are based on a viable business model to sustain themselves financially (Lokman 2021). Based on the literature, we define "social entrepreneurial" as an approach adopted by organizations that integrate business approaches for some elements of its overall organizational model where as "social enterprise" is an organization focused almost exclusively on applying business approaches to achieve social impact. In addition to their registration status (nonprofit vs. for-profit), another differentiator may be that social entrepreneurial organizations often maintain initiatives that focus on specific programs or services for underserved or vulnerable populations that will require some level of internal or external subsidy.

STUDY FINDINGS

ENABLING ENVIRONMENT

Without a consensus on the definition and with few legally recognized and accredited social enterprises, most social entrepreneurial organizations and social enterprises are self-identified. Many countries lack clear regulatory frameworks for recognizing social entrepreneurship models. While this creates some challenges for organizations such as limitations to accessing certain finance mechanisms, organizations have adapted within their existing legal frameworks, sometimes seeking dual registrations for example. Despite the lack of clear regulatory frameworks, none of the organizations interviewed for this study considered this an inhibiting factor given that they had operationalized their social entrepreneurial approaches and social enterprises within existing legal frameworks and country contexts. Other organizations felt it was more in line with their long-term goals to register as a for-profit entity.

Other more critical challenges for social entrepreneurial organizations and social enterprises included limited opportunities for access to financing, limited networking opportunities to share lessons learned and best practices with other social entrepreneurs/enterprises, and limited access to business advisory services. The literature also suggested several recommendations to address these challenges: 1) Create regional networks of social enterprises and government agencies to encourage cross-fertilization; 2) Possibly shift focus from accelerator programs to building an ecosystem so that innovators have somewhere to go after accelerating; 3) Shift finance reliance away from grants to income generation through equity, loans, or angel investments; 4) Increase targeted capacity building and education around social entrepreneurship; 5) Garner government and policy support to create pro-business environments; and 6) Relax rules, constraints, or perceptions that limit contributions to for-profits.

SOCIAL MARKETING ORGANIZATIONS (SMOS)

Among the first to apply business and marketing principles to health and development challenges, SMOs received early support from USAID with the goal of increasing access to family planning (FP) and reproductive health (RH) products and services in addition to other health products, e.g., oral rehydration salts, insecticide-treated nets, and water purification tablets. The three SMOs interviewed for this thought leadership paper all have decades of experience and have benefitted from extensive support from USAID as well as other international donors. As SMOs, all three organizations had some degree of revenue-generation since inception but were challenged to increase their overall sustainability as USAID and other donors reduced funding levels.

Image: ***TMARC****, Tanzania*

As SMOs transitioning from donor funding, these organizations articulated that their primary reason for strengthening their entrepreneurial focus was to continue to serve their mission and intended target audiences, including guaranteeing availability and accessibility of high-quality products/services and to leverage capacity, knowledge, positioning, and other resources built during project implementation. For most organizations, the transition did not require significant changes in core products/services being delivered, but nuanced transitions to increase overall organizational efficiency and effectiveness. Enabling factors for strengthening organizational and financial sustainability included senior leadership's vision and experience to manage the transition, committed and capable staff that could transition from an NGO mindset to a social entrepreneurial model, knowledge, and experience in diversification of products/services being offered, and a clear understanding of market gaps and opportunities. Other organizational, management, and financial issues included being able to secure their own office and warehousing space using previously generated program income, bringing on staff with commercial expertise, assessing and adapting to market competition, and having the necessary systems to manage and monitor expenses and financial performance.

All three organizations emphasized that the transition to a social entrepreneurial model takes time and dedicated resources, and that elements of their programs will likely need some level of cross-subsidy. Depending on the context, the need for internal or external subsidy may be short-term (e.g., for the introduction of a new product that will take some time to achieve financial sustainability) or long-term in cases where markets are nascent or programs are targeted to vulnerable populations with limited ability to pay. Key challenges included the difficulty of achieving financial sustainability while managing a narrow margin business, such as one that focuses on increasing access to FP/RH products. Critical factors included having adequate systems to be able to monitor financial performance and control expenses adequately, which also enabled identification of areas for improvement and decision-making. Other major challenges included addressing unforeseen policy and regulatory barriers, increased market competition, and shifting the organization in a social entrepreneurial mindset.

SERVICE DELIVERY ORGANIZATIONS

Several decades ago, private, not-for-profit service delivery organizations also began applying entrepreneurial approaches to diversify the range of services offered and create additional financial support for priority health initiatives. Two of the organizations interviewed had more than 30 years of experience providing services to underserved populations, increasingly refining their entrepreneurial approaches as they faced reduced donor funding. The service delivery organizations interviewed for this study expressed many of the same challenges that other social entrepreneurial organizations mentioned; the overall challenge of shifting organizational mindset and the need for strong business-oriented leadership and a clear business case. The challenges that were unique to service delivery organizations included shifting medical personnel to a more results-oriented mindset, the introduction of policies to measure performance of medical personnel, and the need for investment to keep pace with medical technology.

*Image: **Sehat Kahani**, Pakistan*

SUPPLY CHAIN SOLUTIONS

Representing a newer generation of social enterprise in health, the supply chain solution companies included in this study have a decade or less of experience. While each of these companies has a unique journey, there are some commonalities; they are all registered as for-profit entities in their countries of operation, they have all scaled their operations/business model regionally, and they have all received some type of international donor financing. Each of these companies started with the goal of achieving and sustaining social impact based on a financially viable business model.

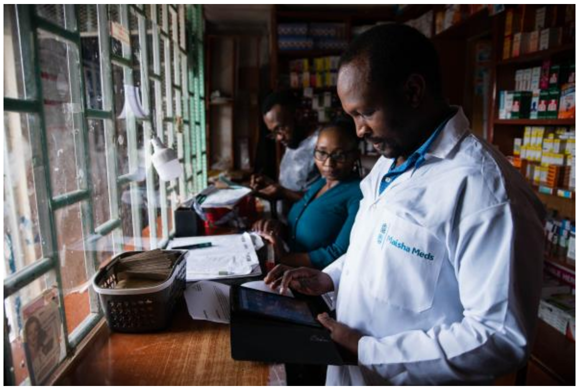

Image: ***Maisha Meds***, *East Africa*

One of the cross-cutting challenges for innovative supply chain organizations was the uncertainty around funding and program life cycles. One organization mentioned the challenges around grants with very short implementation timelines, which often meant funding was either "feast or famine," and which also affected the ability to hire new staff and make other strategic investments to continue to grow the business. One of the key lessons learned was the importance of longer-term funding that supported at least two to three years of program activities. One-year grants, for example, were very limiting. These social enterprises emphasized the importance of multi-year partnerships to facilitate scaled engagement. Another challenge mentioned was that public sector funding opportunities and solicitations often exclude for-profit entities or are designed for offline operational models and cost structures. Some of these companies have found it easier to seek public-private partnerships with multilateral and bilateral public health funders given that at the global level there is more familiarity with commercial and tech-based business models.

These social enterprises recognized that access to financing is critical as this provides the company with the financial means to maintain and strengthen its technology. Two organizations had successfully obtained financing from venture capital and impact funds. The inherent challenge is that private investors will be more demanding and expect strong performance and quick returns—so identifying the right kind of long-term investor is also critical. Ensuring the ability to manage and meet expectations for different types of investors is important for for-profit social enterprises using a blended financing approach.

KEY FINDINGS

ENABLING FACTORS

Most nonprofit organizations interviewed confirmed that the major motivation for moving toward a social entrepreneurship model stemmed from the desire to continue the organization's mission, social impact, and commitment to their target audience in countries where external support was reducing or completely phasing out. Within this context, organizations emphasized the importance of senior leadership's capability and commitment to achieving the organization's mission and leading the transition to an entrepreneurial mindset. Several marketing and service delivery organizations mentioned the importance of donor-supported revolving fund mechanisms that provided access to capital for strategic investments. Senior leadership also mentioned that to support the transition in mindset, they often recruited new staff with more direct commercial sector experience who could foster a culture of innovation, creative thinking, and the identification of new opportunities. Finally, the organizations mentioned the importance of being able to effectively analyze market opportunities and competition and pivot quickly when new issues/opportunities arise.

CRITICAL ELEMENTS OF SOCIAL ENTREPRENEURIAL MODELS

Organizations must adapt to the legal and regulatory environment in which they operate, and organizations integrating entrepreneurial approaches were able to adjust and adapt to these legal requirements as they diversified their product and service portfolio and pivoted into new areas such as telemedicine. These organizations relied on supportive governance structures to ensure that balance between social impact and financial performance is aligned and monitored. Also critical were the financial management systems capable of tracking and monitoring expenditures and financial performance. Building viable market opportunities for international donors is not the same as building a viable commercial market. With a donor-funded grant, efforts are focused on serving lower-income audiences that may not be well-served by a more commercial model. New organizations must build their credibility and visibility and create networking opportunities. These activities can also be supported by international funders/donors. Finally, they acknowledged that donor financing supported their organizational transition toward a diversified product/service portfolio.

CHALLENGES IN ACHIEVING FINANCIAL SUSTAINABILITY

Social entrepreneurial organizations interviewed highlighted the critical barrier of access to financing for business expansion and diversification, including financing new technologies (e.g., service delivery). Both social entrepreneurial and social enterprises that are nascent in their revenue-generating model will have a hard time accessing private finance and demonstrating that they have a viable and scalable business model. Only a few of the social enterprises interviewed for this study had successfully accessed private financing. Finally, another major challenge for social entrepreneurial organizations transitioning to financial sustainability is the fact that these organizations compete in a marketplace with other commercial entities, while trying to maintain relatively low margins to be able to serve their intended target audiences.

CONCLUSION

The experiences of these organizations suggest that even though most countries do not provide for a specific regulatory environment tailored to social entrepreneurships or social enterprises, this did not discourage the organizations or hinder their ability to find workable solutions. The more critical enabling environment issues were related to access to finance to scale approaches or investing in new technologies and access to business advisory services to help them improve overall management, marketing, and business practices. This type of support was often accessed through donors or charitable financing. The other major factor is the ability to strategically shift the organization's management and operational mindset, transitioning from a donor-funded organization to a self-financed social entrepreneurial or social enterprise model is a major challenge and takes time and resources. This includes educating both internal and external stakeholders about the organizational shift, integrating appropriate financial and management systems, balancing tensions between social impact and financial performance, and ensuring that the organization has the right leadership and personnel to achieve the vision. Finally, it is worth noting again that access and eligibility for other sources of finance, e.g., private capital or loans, for both social entrepreneurial organizations and social enterprises in health continue to be major barriers for continued expansion/diversification.

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