

# Scaling up: How big can a social venture get without compromising its model?

Round table // Social entrepreneurship



## Moderator

### Olivier Kayser

Managing Director, Hystra Consulting

## Speakers

### Laurence Grandcolas Lamoureux

Development Manager, Ashoka France

### Johnny Joseph

Director, Creative Handicrafts

### Laurent Muratet

Marketing and Communication Director, Alter Eco

### Christophe Roturier

Assistant director, Max Havelaar France

## Executive summary

The diversity of subjects and the variety of organizations attending the Convergences 2015 Forum is a token of the positive trend in the number of initiatives launched in favor of development. Such an evolution should be acclaimed. However, in light of the enormous challenges raised by the Millennium Development Goals, seeking a large-scale impact is key to run sound operations. In case they are still too few initiatives compared to this stake, we need to rely on the size of those initiatives. This round table raised several issues: how can social ventures develop while maintaining the culture that the entrepreneur set as the cornerstone of his project and the binding element of his team? If being smaller means being more flexible, how can we keep fueling innovation and adap-

tability and bring appropriate solutions to the field? When do we reach a critical size that guarantees the sustainability of the model? While Bill Drayton, the founder of Ashoka, defines social entrepreneurship as the reinvention of a whole industry to serve social purposes, can the mission of social ventures withstand size issues?

## Synthesis

Several actors from different countries and sectors shared their views on this subject.

**Johny Joseph** presented **Creative Handicrafts** (India), which distributes handcrafted products under the 'Fair Trade' label (toys, decorative objects, etc.). This organization has created jobs for nearly 1000 women and generates a 1 million Euros turnover. For **Johny Joseph**, every organization has a life cycle. It is natural to develop and to grow, the question is: "how much?". One needs to understand which type of growth we are talking about: there is financial growth (self-focused on financial results) and inclusive growth (which includes the redistribution of the added value to all stakeholders and answers the question "what can I do to make the business benefit more and more people?").

Achieving these objectives is not free of risk: the system can distort decision making processes and the responsibilities of the individuals who constructed it. Building on this idea, **Johny Joseph** ended with questioning our production systems: he advocated for switching from a mass market production to a mass based production that generates mass employment and revenue.

**Laurent Muratet** presented **Alter Eco** (France) which employs 45 people and sells eco-friendly products bought from local producers. Their mission deals with the interconnections in sustainable development by answering both social (increasing local farmers' income) and environmental issues (preserving and promoting natural and agricultural spaces). Alter Eco has existed for 11 years, but the business has only been profitable for 2 years and their sales reached 15 million Euros in 2010.

For **Laurent Muratet**, only through achieving a certain growth can a business become sustainable. This is the only way to ensure the survival of the model and thus to serve its mission in the long run. However, a business can reach an optimal size that has limits. The smaller a business, the more it seems connected to the field where it hopes to have an impact. While fair trade still represents less than 1% of global trade, the growth of this market requires raising consumers' awareness: spreading complex thoughts (value redistribution, relocation of the economy, fair price, agro-economics etc.) is not easy.

**Christophe Roturier** presented the **Max Havelaar** label which promotes fair trade and represents an estimated 3.4 billion Euros market worldwide and a 300 million Euros market in France. For **Christophe Roturier**, the growth of his organization is essential to achieve greater direct impact and to have a stronger influence on global trade rules. This growth thus

supports many objectives: strengthening the fair trade system, widening solidarity areas (supporting freshly labeled producers, integrating new organizations and new procedures) and reinforcing the impact of existing labeled productions.

**Christophe Roturier** stressed that a farmer can do nothing on his own; collective organizations are vital in order to influence trade negotiations and weigh on the development of a territory. However, the development of collective actions is not easy: how can we shed light on and encourage practices whose short-term perspectives can turn out to be restrictive? In Max Havelaars' fair trade model, producers are included in international governance entities so that they can weigh on the major guidelines of the system. Today it is estimated that roughly 1.5 million producers and union members have been positively impacted by fair trade in more than 800 organizations. Yet with respect to one billion local producers, development prospects remain enormous.

**Laurence Grandcolas Lamoureux** presented **Ashoka**, which is a support network that comprises 3000 social entrepreneurs spread across 70 countries. Created 30 years ago, Ashoka employs 200 people and manages 25 million Euros. Ashoka claims to improve the lives of 300 million beneficiaries through the entrepreneurial action that its network relays.

With a great deal of social venture experiences in this network, **Laurence Grandcolas Lamoureux** outlined that their growth is not only a central organic growth, but can be fueled by network effects, partnership development, open collaborations, and creation of spin-offs. The scaling up of a model's impact can also be reached through the enrichment of the project from other models.

**Laurence Grandcolas Lamoureux** then insisted on financing issues: how can we attract the necessary investments that development plans require? Another issue is the respect and transmission of the initial values that historical entrepreneurs bear. Different approaches prevent the size of the business from compromising its purpose and culture (for example, the chart of principles adopted by the social business Jardins de Cocagnes). Finally, the entrepreneur issue remains: growth can turn the founder away from the field and from the beneficiaries. Does he really want this? Does he have the skills to do it?

**Olivier Kayser** presented **Hystra Consulting** (France) which develops projects that bring social businesses experience and innovation skills together with the resources and operational capabilities of large groups. Formerly employed in the energy sector, particularly in the promotion of

small units of solar powered lamps, **Olivier Kayser** spoke of Grameen Shakti, which distributes goods to nearly 700,000 families. This organization is constantly looking for a double impact: providing essential equipment whilst creating local jobs (installation, training, and maintenance). Although it might be time consuming, the organization wants both to progress at the same pace.

This is often a concern for social entrepreneurs – the “what” and the “how” must both be successful. Beyond entrepreneurs’ strategic choices, **Olivier Kayser** insisted on the fact that the growth of their projects will depend as well on external factors and their ability to take advantage of them, for example by influencing the regulatory framework or the consumers’ level of information.

To fulfill his mission in time, a social entrepreneur must develop a sustainable business model. This may require the achievement of a critical size.

This growth could serve both the independence of the model and its efficiency in facing great solidarity challenges in the North and in the South. In this regard, several steps and key questions have been identified: the break-even point, the redistribution of wealth amongst stakeholders, the replication of the model in other territories, the respect for fundamental values, the model sustainability, the role of the entrepreneur in his business, and the place of this business in its ecosystem.

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