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*Strictly Confidential*

**Unaccompanied Refugee Children.  
Improving the Status Quo - Sustainably**

By

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## **Abstract**

This paper focuses on the process of building a business case based on our client (Magnus Lindblom)'s social venture idea of setting up a high quality home for care (HVB) in order to achieve a better and faster integration of unaccompanied refugee children therefore improving this reality in Sweden. This included analyzing the context, the industry, competition, the business model and financial scenarios. With this, one was able to derive strategic options and a final recommendation for the client. From the team's perspective, our client should start an HVB for URC, with a positioning as a focused provider for URC with selected DSM IV diagnosed psychiatric disorders, and with a maximum of eight spots. By doing this the client would be addressing a niche market not yet explored in Sweden. Furthermore, the author studies how one can accurately value social enterprises and what are actually the main drivers influencing it, a topic that has been highly discussed recently.

**Key words:** HVB; Unaccompanied Refugee Children; URC; Humanvård; Social Venture; Valuation; Financial Analysis; Social Return on Investment.

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## List of Abbreviations

BMC	Business Model Canvas
BP	Business project (CEMS)
BPM	Business Performance Model
BSC	Balanced Score Card
HVB	Hem för vård eller boende, i.e. homes for care or residence
IVO	Health and social care inspectorate in Sweden
SSE	Stockholm School of Economics
URC	Unaccompanied refugee children
USP	Unique selling proposition

## 1. Brief Context

The current work project was carried out in the sequence of a business project between a group of four students of the CEMS - Master in International Management and an individual, namely Magnus Lindblom, as a partner. This project was conducted under the format of a consulting project where the team aimed to provide useful recommendations in order to overcome a challenge our client was facing. The purpose of the challenge will be explained following, together with the client's current situation as well as the market he is facing with his future venture.

When looking back at our project's process and outcome, it becomes obvious that our project differs in many ways from other regular business projects. Several factors shaped our project and its uniqueness. Firstly, the business in question is a start-up in a pre-seed stage; hence no operations have been established thus far. Secondly, the client we are consulting is neither an established organization nor a team of business people, but an individual person. Thirdly, the market is strongly influenced by political and institutional forces as well as migration developments on a global level. Therefore market characteristics differentiate from many industries we have analysed previously. For instance, the business will be operating in a non-buyer market. The market can be categorized as a business-to-government (B2G), as marketing and communications are targeting institutions and agencies on various governmental levels. Due to such a specific and special project the author advises the reader to resort to the detailed analysis present in the files, *Individkraft\_context analysis.pdf*, *Individkraft\_financial analysis.xlsx* and *Individkraft\_pitch deck.pdf* for a better understanding.

### 1.1 Client

Our client Magnus Lindblom was the driving force of our project around Humanvård. Originally it was a team of five, but four of them resigned shortly before our kick-off session. Hence our project had to be redefined from scratch. He is the founder and CEO of two Stockholm-based companies, Individkraft and Framtidsplatsen (founded in 2010 and 2013 respectively) (Allabolag, 2015). Both companies aim to improve the integration of people suffering from psychological disorders into society. However, the severity of disorders varies between the two companies. The treatment programs include practical education, which enable his clients to find employment in IT-related or handcrafting sectors (AB Individkraft, 2015). Our client himself has a major in psychology and extensive experience within the industry by being a psychologist with professional experience working in psychiatric wards and other HVBs. To develop his business knowledge he currently completes a MBA program at Stockholm School of Economics (SSE).

According to the five criteria characterizing a social entrepreneur (Ashoka, 2015), our client can be classified as one since he fulfils most of the criteria. His two existing businesses are proof of his creativity and entrepreneurial quality, while the idea of a new HVB has clearly a social impact.

Based on our interactions, we are convinced that the criterion of ethical fiber is met as well. However, the idea is lacking true innovativeness. His main goal with this project is to improve the integration of URC in Sweden. Based on his own development, the WINTRA model, he wants to set up and operate a highly effective HVB for URC.

## **1.2 Market overview**

In recent years, wars around the globe are forcibly displacing individuals, over 50 million in 2013 only, thus leading to a constantly increasing number of refugees (UNHCR, 2014a). Among these refugees unaccompanied refugee children (URC) are particularly vulnerable. In 2013, more than 24,700 URC were seeking asylum worldwide (UNHCR, 2014c). Right after Germany and France, Sweden as a small country took on the highest absolute share of URC in Europe according to UNHCR (2014b). The trend of a growing number of asylum claims in Sweden is expected to further increase according to Migrationsverket (2015f). As a result, the Swedish Migration Agency (SMA) sees a strong demand for accommodation of the URC (Migrationsverket, 2015e). Besides a lack of accommodation, the Swedish population perceives the integration of immigrants to be a major issue (The Local, 2015a + 2015b).

As in many industrialized countries, the amount of asylum applications submitted in Sweden has grown steadily during the last years and is expected to remain at high levels in the upcoming years. While in 2013 Sweden received nearly 54,300 asylum applications, in 2014 it recorded more than 81,000 (Migrationsverket, 2015f). UNHCR reports Sweden as one of the main destinations of industrialized countries. Sweden also ranked among the top countries when comparing the number of applications to the total size of population (UNHCR, 2014b). The number of URC seeking asylum in Sweden is predicted to increase this year compared to 2014 (Migrationsverket, 2015e). In January and February 2015, 1,051 URC applied for asylum in Sweden, thus confirming that forecast firmly (Migrationsverket, 2015f). Most of the asylum-seeking children in Sweden came from Afghanistan, Eritrea, Syria, and Somalia.

Among the URC, the average acceptance rate for asylum was as high as above 80% (UNHCR, 2014c). Hence, many children need accommodation and care throughout their stay in Sweden. Based on previous developments and forecasts, the SMA expects that there will be a strong demand for additional accommodation to cope with the high level of arrivals (Migrationsverket, 2015e).

## **1.3 Current client situation**

The business idea emerged when his friend, who works closely with refugees in Sweden, asked our client to create a psychological treatment model. The idea was not pursued further until he investigated the potential business case again with four colleagues at SSE. However, before the BP started, his colleagues bailed out due to perceived conflicts of interest with their employers'

real estate businesses. Our client kept his motivation to operate an HVB. Existing business partners from his other ventures also expressed interest to invest in the project.

This particular treatment model aims to improve the integration of URC into society by combining several scientifically proven methods. One is working on the self-image and consequently being guided into society by an attachment person, until an independent living is feasible. Based on the business model spectrum, we classified his project as a social enterprise, more precisely a mission-driven for-profit enterprise (Renner, 2013).

The underlying aim of our client is ultimately to improve the situation of URC in Sweden while operating a financially sustainable business. Our client has a strong know-how and experience of the operations of the business he wants to start. However, since the beginning of the BP we have identified several misconceptions and that he lacks specific market knowledge and business background to evaluate the opportunity thoroughly. His business case for instance was not close to sound; his perception about the external processes and actors partly contradicted those of his assistant. Hence, our goal was to address these issues and support him with our knowledge and experience by providing him with valuable insights so that he is well prepared to evaluate the venture's potential and successfully turn his business idea into a feasible business case. The group's underlying aims were also consistent with the client ones, as the potential to achieve social impact was the reason for this specific BP choice.

#### **1.4 The Business Project challenge**

Our client, Magnus Lindblom, who is an experienced psychologist, is interested in opening an HVB for Unaccompanied Refugee Children with the purpose of achieving a faster and better integration of this type of asylum seekers. Besides accommodation, care and day structure, Magnus believes he can improve this process by applying his psychological treatment model WINTRA, which he perceives as exceptionally suitable in this situation. However, our client was lacking a business background and therefore unsure if his plan would turn out to be a feasible business model. We aimed to provide Magnus with insights and advice on the business side of this project and develop tools, scenarios and recommendations for him to be of value when taking current and future crucial decisions.

The intended future situation pictured our client being well prepared to start implementing his business idea. By the end of the project, our client gained the necessary knowledge about the industry, relevant institutions and their processes. Consequently, he is now able to deal with complex institutional procedures and assess his competition more precisely. Furthermore, Magnus gained more clarity, structure, and a deeper understanding of the business and operating model underlying his business idea. In addition to that, he developed a more integrated perspective and thinking towards his business, thus being able to challenge assumptions on a more concrete level for the future.

From a broader societal perspective, the intended effect yet to come in the long term is having a positive impact on the integration of URC – a target which is clearly based on the scenario of Magnus starting up Humanvård successfully. When he succeeds in establishing Humanvård, i.e. setting up an HVB for URC, the business will aim to deliver a high reintegration rate due to its outstanding treatment model. That major objective will be achieved while remaining profitable in a sustainable way and thus enabling Humanvård's social impact and economic value to prosper and grow steadily and efficiently.

## **2. Reflection on the work done**

In this following section the author will reflect on the consulting engagement as a whole, split into its three different components: the problem, the process, the results. The problem will be analysed further as a way to better understand what was the actual challenge that the group was facing and also the rationale for the client to engage the consultants in his business idea. The process section describes how the study was conducted in terms of its methodology, the initial hypothesis taken, the tools and assumptions used in the detailed analysis which derived important results and how the project evolved throughout time influenced by the critical decisions undertaken. Finally, the final outcome of the project under the form of recommendations given to the client as well as the limitations faced during the process will be specified.

### **2.1 Problem definition**

Who is more innocent and vulnerable than a child growing up, protected and nurtured by its social support system, and above all, its parents? Can you imagine how a child feels when it is completely apart from its parents? A child who experienced war and violent conflicts in the immediate vicinity, or even is a victim of them?

This is where our team wanted to help our client, social entrepreneur Magnus Lindblom, with his project to establish an HVB for these children, officially called unaccompanied refugee children. According to UNHCR, almost 10% of URC worldwide apply for asylum in Sweden (UNHCR, 2014). Of these 7,049 URC seeking asylum in Sweden in 2014 (Migrationsverket, 2015), 40% suffer from psychiatric disorders according to DSM IV (Jakobsen et al., 2014).

Our client has developed the innovative WINTRA model for the treatment and integration of URC, which he believes to be superior to any incumbent alternatives. Despite this venture being clearly a social enterprise, our client was lacking knowledge and resources regarding the business savvy and market intelligence necessary to make the project feasible.

### **2.2 Methodology**

The process relates to the work approach used by the team of consultants. Methodology embodies the initial hypothesis taken when confronted with the initial problem, the entire analysis conducted and the tools used during the project which was modelled by the initially set work plan



for the team, which ended up being adjusted when facing unknown challenges and new information and perspectives.

### **2.2.1 Hypothesis**

The hypothesis is an initial answer to the problem definition that guides the direction of the research process. It is an intuitive first statement that is subject to testing through analysis so that it can be proved or disproved. To what regards this specific business project, at the outset of it, the initial hypothesis formulated was exactly what our client had on his mind for his future venture. Magnus planed to open a privately owned HVB under the name of Humanvård in the Stockholm area for around ten normal<sup>1</sup> URC. What we thought to be the most promising option after developing a basic understanding of the industry and a first analysis of the operating model ended up shifting completely whilst the group went further on with the analysis and field investigation. This happened for two main reasons. Firstly because the data collection we pursued was far from being a solid case and once the project went by and with the team challenging it, we ended up changing our initial perceptions. Secondly, during our thorough analysis we discovered a niche market that we considered being a huge opportunity to be exploited and that ended up to be the actual final recommendation to our client.

### **2.2.2 Analysis**

Starting off with our client's core idea and model, we realized we would be able to help him across the business spectrum. Our approach was framed with the Social Business Model Canvas (SBMC) to understand the mechanics of the business. We deep-dived in socio-political processes and institutions to understand regulations, procedures, and market dynamics and consequently, the industry and competition was analysed.

As a result of our project, we provide our client with a comprehensive set of strategic options to start up his business. This includes the context analysis, Social BMC, positioning and competitor profiles, financing requirements and projections. As tools, we produced a pitch deck for potential investors and a comprehensive financial model in great detail containing investment needs, cost structure, cash burn rates, revenue and EBITDA projections, sensitivity analyses and valuations. (Check Individkraft\_extended client presentation.pdf and Individkraft\_financial analysis.xcl for a more detailed analysis) In order to do so we used primary data from governmental agencies and experts, secondary data available in English and to some extent Swedish.

#### **2.2.2.1 PESTL Analysis**

To integrate the following industry analysis more effectively into a national market context, a PESTL analysis was conducted. Our findings were based on reports and statistics of the SMA, OECD, World Bank, and additional sources as well as on in-depth discussions with our client and

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<sup>1</sup> *Normal cases* are classified as those where integration is possible and the psychological problems are not extreme. *Intense cases* refer to those with severe psychological or even psychiatric problems and where application to a higher payment by the government is necessary to face a more costly and specialized treatment method.

other relevant stakeholders (e.g. representatives of SMA). Below, the most relevant aspects of the political analysis and implications for our project are summarized. The migration and asylum policy in Sweden plays a crucial role for our project, as it shapes the context in which our client aims to operate in. Commissioned by the Swedish national government, the SMA is the countrywide authority in this field (see figure 1 for a detailed structure). It shares responsibilities in the immigration procedure with municipalities (incl. social services units), i.e. institutions on a local level (Migrationsverket, 2015a).

The SMA, being the first institution involved in the asylum procedure, receives asylum claims and evaluates whether a public counsel is needed. The investigation is primarily carried out on a regional level, i.e. by municipalities and their institutions (city council: social services), although the SMA is involved in the decision concerning asylum. (Migrationsverket, 2015d). The investigation procedure regarding asylum decisions usually takes three to nine months. Since the “establishment reform” was implemented, people who are granted residential permit have to be supported in their integration (e.g. Swedish language classes, application support, etc.) (Migrationsverket, 2015d). This responsibility lies also on a local authority level (see figure 2 for an overview of the asylum application process). When the asylum claim is rejected, a structured appeal process is implemented with three authority levels possibly being involved (see figure 3).

In Sweden, one is defined as a child before the age of 18. The asylum application process for URC follows the same logic. However, procedures regarding children are always handled with priority. Additionally, URC are assigned a custodian who provides support throughout the asylum procedure. Independent of the investigation’s outcome, dental care and health care is provided to the children at all times (Migrationsverket, 2015c). Table 1 shows the responsibilities of the SMA and local municipalities, respectively. The social services unit of a specific municipality are given the task to evaluate which accommodation will be the most suitable depending on a child’s needs. Besides that investigation, it is also in charge of finding an interim placement until the in-depth investigation is completed. The BBIC<sup>2</sup> triangle is used as a framework for assessment in child welfare, thus social agents apply it<sup>3</sup> during their investigation. The framework is based on the UN Child Convention and the Social Services Act, i.e. in obedience with Swedish law. It was introduced to establish a more systematic and comparable approach for investigation across municipalities (Socialstyrelsen, 2012). The three dimensions of the triangle are the child’s developmental needs, family and environmental factors and parenting capacity (see figure 4). For URC however, the child’s developmental needs will be the relevant dimension for the assessment.

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<sup>2</sup> BBIC = Barns behov i centrum, i.e. children’s needs in focus

<sup>3</sup> i.e. employees of the social services unit

### **2.2.2.2 Implications of PESTL analysis for our project**

The results of our PESTL analysis supported the findings above that Sweden is likely to remain an attractive country for immigration. In addition to that, migration is perceived as a positive force from the country's perspective, which is reflected in its well-established migration policy (MIPEX, 2015). Hence, a similar development of trends as in recent years is expected, creating a high demand for HVBs in the mid and long term. Sweden is one of the most pro-immigrant nations worldwide, but recently its population perceived the integration of immigrants to be a major issue (The Local, 2015a + 2015b). Once again, this confirms a high need for a better integration, which is Humanvård's ultimate objective.

From a macroeconomic market entry perspective, our analysis proved Sweden to be an attractive market to start this business due to a variety of factors, including:

- Institutional stability and functioning state of law (MIPEX, 2015)
- Real GDP growth rate of 2.5 – 3% expected for the upcoming years (see figure 5)
- Availability of highly skilled labour force (OECD, 2014)
- Entrepreneurial-friendly environment (Marketline, 2014)

However, the technological analysis also revealed a major challenge of starting up Humanvård: the property market in Sweden has experienced increasing prices throughout the last 10 years, thus increasing one of the main cost blocks tremendously (see figure 6).

### **2.2.2.3 Process Flows and Value Chain**

After performing the PESTL analysis, it is important to understand how different process levels work. In specific, we want to understand the end-to-end process of an URC, the process of payment streams and value added per entity at an institutional level and finally the value chain for an HVB (see figures 7 - 9). The logic is according to an increasing unit of analysis, starting with a single URC, moving to an HVB and finally to include supranational levels.

The three diagrams are based on information obtained from various sources of the SMA, Socialstyrelsen, and IVO as well as personal discussions with Magnus, Sophie, and experts of the SMA, HVBguiden, and IVO.

### **2.2.2.4 Competitive Landscape**

The three major players are Attendo, Fräsunda and Världus together sharing 76% of the national Swedish HVB market (HVB Guiden, 2015). However, URC constitute only a fraction of their business among other target groups that require a similar setting. The remaining market share is split among mostly small actors. Based on the IVO database (IVO, 2015), there are currently 1,400 HVBs nationwide, of which 582 offer places for URC. There is an evident concentration of HVBs for URC in the municipalities of Uppsala and Malmö with 15 according homes. The municipality Göteborg has nine, Trelleborg seven, Sköndal and Järfälla six each. All other 282

municipalities are in the range one to four such institutions. Two of the market leaders, Attendo and Frösunda, can be described as integrated and comprehensive health care providers.

Attendo is a large multinational private care provider, with 56% of revenues in Sweden and 39% in Finland (Attendo, 2015). 77% of Attendo is owned by IK 2004 Fund and Co-Investors, which is a fund mainly serving institutional investors. A 15% of equity is owned by managers and employees of the firm and the remaining share by ICG and Varma. The company is active in four divisions, being the market leader in the Nordic countries for elderly care and among the top players in disability. Attendo provides comprehensive health care services and employs 18,000 people internationally. Currently, the firm operates 17 HVBs accepting URC in Sweden across the process states transit, asylum or permanent residential permit. Attendo covers the entire process an URC goes through starting from the transit, the HVB, and the subsequent integration via training homes and finally individual housing with supervision.

Frösunda is also one of the largest private care providers in Sweden (Frösunda Omsorg AB, 2015). It is owned by the sector-specialized private equity holding HG Capital. It has 8,000 employees of which 5,300 are full time equivalents (FTE) and operate in the following four divisions: disability, elderly care, personal assistance, and individuals & families. HVBs for URC are included in the division individuals & families. As only three of its 18 regional managers are responsible for HVBs and only 208 employees are working in this division in Sweden and 262 in Norway, it is not to be considered as their core business. However, economies of scale and scope especially regarding operational synergies, knowledge transfer and networks can be assumed.

The third main player is Världus, a private care provider owned by 17 municipalities around Stockholm and mainly operating HVBs for URC (AB Världus, 2015). It operates 16 group homes, one transit home and seven assisted living homes. Världus is specialized on URC and operates their HVBs on behalf of municipalities only, which implies strong local networks in the social and political sectors in the Stockholm area.

Based on our current understanding, it is important to clearly define our client's unique selling proposition. Our competitive mapping suggested that competitors are very strong and besides scale economies, synergies, experience and financial resources, they have social capital to rely on. (A more detailed analysis of the competition can be found in the file Individkraft\_extended client presentation.pdf)

#### **2.2.2.5 Humanvård - Social Business Model Canvas**

To gain an understanding of the status quo of our client's business idea, the group analysed it by applying the Social Business Model Canvas in order to structure the concept more efficiently. (See figure 10)

*Value proposition:* Humanvård will be best in class in gradually integrating URC into society by applying the WINTRA model to its HVB operations. It is based on proven research and relies on

a higher number of more skilled employees, thus driving superior treatment and care and ultimately integration. Treatment, appropriate care and reintegration are the utmost priority. Magnus explains his objective by stating “Humanvård can be seen as the Rolls Royce among HVBs“. The social value proposition defines a systemic approach towards higher & faster integration while the customer value proposition points at taking care of "difficult“ cases among URC. The impact measures would be done through integration rate, feedback and long-term socio-economic impact.

*Type of Intervention:* The intervention our client is pursuing is perceived as a superior service by municipalities among all the other competitors.

*Client segments:* Here it is important to distinguish between who are our customers and our beneficiaries since we are considering a social venture. HVBs usually cover a much broader clientele than just URC. They basically provide a home with supervision, care and treatment to varying extents and can include individuals or families of all ages facing for instance psychological issues, domestic violence, substance abuse, delinquency, to name a few. The beneficiaries for our project, however, are only URC coming to Sweden, minors by definition, but may be treated until the age of 23. According to Magnus, these children are mainly at the age of 15 to 21. The URC usually suffer from psychological difficulties, e.g. post-traumatic stress disorder or schizophrenia, with varying degrees of severity. The usual placement is made with relatives, foster families, foster homes, HVBs of different kinds, and psychiatric wards. The main segment Magnus is aiming for are children who do have psychological and psychiatric difficulties, but reintegration still seems feasible. The customer in terms of contractual counterparty is the relevant city council (on a municipal level) or its social services agency. On an operational, business development, and marketing level, the social agents and the procurement<sup>4</sup> experts who are actually dealing with investigation and allocation proposals for the URC are highly relevant.

*Distribution channels:* There are two options to open a private HVB. Firstly, an application for permission can be submitted to IVO, the SMA’s regulatory agency. The according application process takes three to nine months. After that, the HVB can submit an offering in public tenders placed by the city council. On contractual closure, a regular payment stream is secured as described in the paragraph revenue streams.

Secondly, a private operator can become a municipal HVB by settling a contract with the local municipality. This option does not require the permission by IVO, but is audited by the same.

These are the contractual options through which you are allocated with URC and the designated payment. However in periods of high demand with an incoming wave of children you may be

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<sup>4</sup> procurement are set from time to time – explain the difference

asked to host a child for a small period of time until the right place is found after the proper background investigation is made.

With regards to marketing and business development, it is important to develop and maintain good relationships with social agents and also build a solid reputation for decision makers who may not be operationally involved in the HVB sector. Therefore it is important to be present with a website, in online platforms such as HVB guiden, at conferences, and other networking events.

*Client relationships:* The beneficiary relationships are core to the WINTRA model. Each child shall develop a strong relationship to an attachment person working in the HVB who will be the closest person for the child and fill the gap that the lacking presence of parents constitutes. The customer relationships with the governmental agents from Socialstyrelsen and city council are of high importance to gain contracts. A social agent is assigned a certain number of specific children and is assigned the task of investigating the case and submitting a proposal of placement to superiors (European Migration Network, 2009). The IVO is the institution granting the permission to run a private HVB and also responsible for the audits. The importance of relationship management with governmental agents dealing with HVBs cannot be overestimated.

*Key activities:* Humanvård will perform several activities to achieve a fast and better integration of URC into society. In particular, the activities compromise providing food and shelter, medical care as well as psychological treatment to reduce suffering from mental distress caused before/during the escape process. Daily routines will be established and access to education will be assured. The treatment model also includes an attachment person serving as a safe haven and is who will build up a new support system for this particular child when being gradually integrated into society.

*Key resources:* Besides the founder's experience, expertise, entrepreneurial track record in the field and his WINTRA model, Sofie (Magnus assistant) is of high value. She has worked at a municipal level in the Stockholm region as a social agent and had been responsible for the placement of URC during her tenure. She was involved in the investigation of the cases and did prepare the proposals for their placement. Therefore, she has an extensive knowledge of the process, key factors for investigations as well as a valuable network including relevant people from the city council of Stockholm. Regarding operations, the key resources are a real estate property to be built, bought or rented that accommodates for the regulatory requirements. Additionally, the personnel is key which can be split up in five rate card levels depending on its qualification (see table 2 for a breakdown of levels and job profiles).

*Key partners:* Magnus has a potential investor who is interested in this endeavour. Since this is a very capital-intense business, an external financing is required. As the actual property is a crucial component, it may be valuable to have someone from the real estate sector as an advisor. The labour office is an important partner in order to gain access to affordable but sometimes highly

suitable personnel. Marketing, platforms and associations such as HVBguiden and organizers of relevant conferences, forums, and other networking opportunities are important as well.

*Revenue streams:* There are four types of fixed daily rates per bed or spot. The prerequisite to be eligible for these funds is the permit to run a private HVB by the IVO or to become a municipal provider as an HVB operator (in the latter case, the IVO permit is not required). Usually, for every contractually agreed spot or bed, a rate of SEK 1,600 per day and spot is paid. If the spot is filled, SEK 300 are paid in addition to that. For more difficult and hence labour-intensive children, an HVB can apply for higher rates, in steps up to a maximum of SEK 5,000 per day and child. However, each case is negotiated individually so these rates can vary slightly depending obviously on the type of child, the cost structure of the HVB and the bargaining power the company possesses which is intrinsically related with its number of assigned spots.

*Cost structure:* The main cost blocks are personnel and the property cost - either financing cost of a purchase; construction; or monthly rental fee and finally other daily operating costs. During our analysis we found out that this business is mainly driven by the staff cost, of course depending on the segment choice, on the positioning decision (Staff/spot) of the HVB and on in vs. outsourcing decisions.

*Surplus:* Due to the social nature of this venture, the idea is not to provide to its investors the maximum possible financial return but instead create a stable and scalable business that will eventually create a big social impact in the long-term. Having said this, the profit generated will have as its main destination the reinvestment in increasing the size of the business although a dividend payout may occur to provide some financial return to investors.

#### **2.2.2.6 Financial Analysis**

After having an overview of the industry, the market itself, the political processes and how on a micro level an HVB operates, the team started working on the final recommendations to be delivered to the client. In order to find the most promising ones and narrow down our choices we conducted several financial analyses by resorting to financial tools like the cash-burn rate, EBITDA and revenue projections, sensitivity analysis, growth vision and scalable scenarios and finally company valuation and return on financial investment. In order to have a clearer sense of these, one requests the reader to access the file `Individkraft_financial analysis.xcl`, which provides a detailed analysis of these financial tools. Furthermore, this influenced in a great extent our final recommendation present in the file `Individkraft_pitch deck.pdf`.

#### **2.2.3 Work Plan**

The process started once we got assigned to our BP and obtained the chance to get to know the other team members and discuss our expectations and approach towards such a project. Even though we represented four different nationalities with varying professional backgrounds, we noticed the similarity of our personal goals and expectations. We agreed that there should be one

person in charge of external and internal communications in order to provide our client with one contact person: Jessica was selected to be responsible for communication tasks.

Content-wise, we started off by structuring our project with the help of “Problem on a page” (Bain & Company, 2013), a tool to effectively approach a client problem. The Business Performance Model (BPM) was applied to carve out on which process level change is needed, thus which level to target with our actions. After formulating the problem, a high amount of time and effort was allocated to gain an accurate understanding of our client’s business idea and the business model to date, which was merely a first draft. Consequently, we shifted to the environment’s perspective to build and deepen our knowledge of the business’ context by conducting a proper market analysis. Furthermore, we performed a benchmarking to map the competitors’ operations and profiles. Based on our evolved understanding, we continued our work by refining the business model. The Social BMC was used to carve out the different aspects of the business model more precisely and adjust it whenever new findings required it. In addition to that, we had a clear focus on the financial part. Hence, the operating model was developed and potential scenarios our client might encounter were created and eventually narrowed down to three possible outcomes through an iterative process. As a result of our analysis and development of models and tools, we reached a final recommendation, which enabled our client to face the challenges of setting up an HVB well-prepared. Looking back, our project can be divided into three stages as visualized in figure 11.

To be able to develop accurate recommendations, we were relying on many different sources. Firstly, we used desktop research and contacted several institutions that provided us with relevant data (e.g. complete data set of all registered HVB in Sweden). Our client also shared his initial calculations with us. Secondly, we conducted primary research through phone calls and personal meetings with experts in the field like municipal procurement officers, social workers, an HVB manager and representatives of IVO and HVBguiden. For those interviews we developed questionnaires tailored to the background and knowledge of the respective expert. To validate our data, we continuously challenged it, especially regarding the operating model.

Throughout the project, our group developed many options in terms of information collection as well as potential strategies. Initially we intentionally worked divergently to keep many alternatives not miss out on relevant factors. However, due to the project’s scope and the necessity to progress, we were not able to follow up on all available options. Thus, we continuously made explicit and implicit decisions that influenced the path our project was taking. Our approach was characterized by decreasing the level of abstraction. Hence, our discussions usually started on a very broad level, including many aspects, and gradually became more focused and specific. Generally speaking, we based our project on a funnel approach (see figure 12).



Throughout our project, explicit and implicit decisions were taken which ultimately affected its final outcome. The project results were influenced by our effort to continuously eliminate options with low potential or a low fit to our client's resources and capabilities.

*Explicit decisions:* One major decision, which occurred in the initial phase, relates to the project scope. Due to our ambitions to create an actual impact, we proposed more deliverables than originally planned. Following the process seminar's feedback, we addressed this topic in a client meeting and restructured our workload to focus on core areas that added the most value. We also decided to provide the client with more options than the one he considered, and discard them consciously respectively. Hence, change alternatives were defined, following the logic of the Y model (Lundeberg, 2006). Challenging assumptions and data provided by our client as much as possible was another decision our group has taken. In a later stage, we included an intense case scenario in our recommendations due to the strong potential we discovered after completing our analysis.

*Implicit decisions:* During the initial project phase, we took implicit decisions due to a lack of knowledge and dependency on client information. The first one refers to the geographic dimension of our recommendations: we implicitly narrowed down the geographic scope to Stockholm and surrounding areas because of our client's idea. The categorization of URC was another aspect where we followed our client's request (i.e. not targeting intense cases) without questioning. However, we reversed our initial implicit decision because of the potential we spotted. Various assumptions by our client regarding main drivers of the cost structure were accepted initially and only in later stages challenged and adjusted.

*In retrospect:* From the beginning of the BP, we applied a structured approach and had a clear idea in mind regarding the main objectives to be achieved. We faced critical changes throughout the process leading us to different paths, requiring minor adjustments from client interaction, and sometimes making us feel somewhat lost. However, we were able to maintain the project's consistency and practicality, thus completing the deliverables that we agreed upon with the client. The assessment of our client's project changed towards the end of our BP. Initially, we perceived it as an opportunity to create an actual impact by providing our client with findings and tools to implement his business idea. We assumed the project to have great potential because of our client's enthusiasm when presenting it. However, in a later stage, our thinking shifted gradually as we realized that different strategies should be pursued and some levers needed to be adjusted to the client's initial plans. This change of mind-set was supported by the process seminars, which forced us to think outside the box, and offered fresh perspectives. The interviews' results influenced our thinking and the BP's development considerably as well.

## **2.3 Recommendations to the company**

Before providing our client with a final recommendation and after narrowing down the huge amount of options we were facing during the project, the group developed a set of 3 possible strategies that were feasible for the client to undertake having always in mind its limitations and requirements as well as the entire research and financial analysis previously done. For this purpose we classified these 3 final strategies according to 3 levers: *Target beneficiary*, *positioning* and *key resources*. (See figure 13)

### **OPTION 1 – GENERALIST, BEST PRICE FOR QUALITY**

This strategy in terms of target beneficiary takes into account all URC with or without DSM IV diagnosis, covers all diagnoses and all methods with no specialization and all ages from childhood to age of 23. To what regards, the positioning of the firm the strategy adopted would be cost leadership. The HVB would have space for 15+ spots with a staff per spot ratio obviously low (0.5). It would undertake a fragmented approach, case by case. Regarding key resources, a demand-driven decision would be pursued locating the actual HVB in a remote/semi-rural location where the GAP between spots available for asylum and the contingent of children assigned for 2015 is higher (Skane Lan or Vastra Gotlands - both 200+ gaps). It wouldn't be located in the 3 counties required by the client once the others show much higher gaps (Stockholm 40; Sodermanland Lan and Uppsala below 15). On top of this, full outsourcing of psychological & psychiatrist expertise on public expense would be assured.

### **OPTION 2 – SPECIALIZED & FOCUSED NICHE PLAYER**

In terms of target beneficiary it would take into account only URC with DSM IV psychiatric diagnosis / specific ones (40% of total population) within the specific age group of 12-16 or 16-20. It would specialize in selected diagnoses (1-2 in-depth focus) and according methods to treat them. To what regards the positioning of the firm the strategy adopted would be differentiation. The HVB would have space for 8 spots or less with a high staff per spot ratio higher than every competitor (>1.5). It would undertake a systemic and integrated approach. Regarding key resources, a convenience-driven decision would be pursued locating the actual HVB in an urban location once the local demand is actually not relevant for this type of HVB. On top of this, in sourcing of psychological & psychiatrist expertise would be assured.

### **OPTION 3 – HYBRID: BLUE OCEAN**

The final strategy in terms of target beneficiary would take into account only URC with DSM IV psychiatric diagnosis / specific ones (40% of total population) within the age group of 12-23. It would specialize on certain diagnoses (3-5 diagnoses in-depth focus) and according methods to treat them. To what regards, the positioning of the firm the strategy adopted would be the blue

ocean<sup>5</sup> one. The HVB would have space for exactly 8 spots with a high staff per spot ratio between 1.375 - 1.5 as some of its competitors. It would undertake a systemic and integrated approach. Regarding key resources, a cost-driven decision would be pursued locating the actual HVB in a suburban or even semi-rural location once the local demand is again not relevant for this type of HVB. On top of this, in sourcing of psychological & psychiatrist expertise would be assured.

After analysing in the detail the options the client could undertake (see figure 14 and 15) the team came up with a final recommendation that client should pursue. From our perspective, our client should start an HVB for URC, with a positioning as a focused provider for URC with selected DSM IV diagnosed psychiatric disorders, and with a maximum of eight spots. The investment should be SEK 2.5 million, and the choice of location should primarily be driven by cost-efficiency considerations. To cater the needs of the superior quality of service provided to URC, a staff per spot ratio of 1.5 should be the lower limit. With this setting, a stable EBITDA of around SEK 1.3 to 3 million per HVB would be achieved. However, the social value created exceeds these numbers by far, as only one lifetime generates SEK 2 million in GDP (The World Factbook, 2015), let alone healthcare and social cost; and ultimately, the life of each one of these children is invaluable. With this start up, our client could improve the lives of unaccompanied refugee children, sustainably.

## **2.4 Limitations**

Our business project was mainly limited by language and time constraints. First of all, it had to be completed within five months, thus only allowing a certain scope to be considered. Since a thorough business plan is not feasible, we only focused on the crucial parts as agreed with our client. Due to the time constraint, we did not consider potential political changes that may possibly influence the industry in the years to come. In order to have the highest possible impact, we provided Magnus with the necessary analysis of the business model instead of going into depth with understanding this highly complex industry.

In addition, one of the project's obstacles was the lack of information in English, as none of us is Swedish-speaker. Therefore, secondary data was not our priority due to being available only in Swedish. This also impacted our analysis of administrative processes that Magnus needs to go through and criteria to be met when setting up an HVB. As a result, we sought information mainly through discussions with people who have relevant experience in the area in order to reduce the risk of missing information that could be relevant to the project. Although this issue

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<sup>5</sup> Blue ocean strategy is the simultaneous pursuit of differentiation and low cost to open up a new market space and create new demand. It empowers organizations by providing a set of analytical tools and frameworks that any company can apply to reshape industry boundaries in their favour and leave the competition behind. - <https://www.blueoceanstrategy.com/bos-question-answer/what-is-blue-ocean-strategy/>

existed, the group still went through a detailed desktop research and resorted to several sources in order to challenge every piece of information we came across.

Furthermore, reliability remains a big issue since we had to work with the information from external people we talked to as well as Magnus himself. It might happen that some of it is not accurate or even flawed. However, we challenged it as much as possible keeping our project's time frame in mind while focusing on high impact activities.

To what regards the process itself, in every project, one faces some challenges, however it is crucial whether a team is able to recognize potential traps. Mårtensson (2003) explain difficulties that may arise in change projects ("seven typical traps") and how they can be avoided upfront.

When reflecting upon our process, we identified three traps that played a significant role:

- The chameleon trap occurs when a written deliverable is meant to meet the requirements of different target groups with the risk of not being useful for anyone. Our BP was characterized by its two-fold approach of delivering to our client and SSE. We believe we successfully avoided this trap due to our strong focus on the outcome and delivering what was truly relevant. Furthermore, we distinguished sharply between reports we produced for our client and SSE.
- The bravery trap occurs when every new information is included in the project, thus the scope is growing steadily. This trap implies the risk of harming the project's quality. In the early stage we faced those difficulties. However, by redefining the deliverables and communicating clearly what was out of scope we stayed on track, even if we believe to have widened the scope significantly.
- The jeopardy trap takes place when the solution of the change project is predetermined from the start. This might lead to commitment to a non-feasible solution and exclusion of more suitable alternatives. In the beginning we were tempted to fall into this trap because of focusing only on our client's ultimate goal. Later we realized that there is a strong need to evaluate the potential more carefully. Hence, we became open to varied results and accepted uncertainty more willingly.

Besides, one can face ethical dilemmas while working on a project. A certain level of awareness of that and reflection on your actions is required to avoid ethical dilemmas before some damage has taken place such as exploitation of trust a stakeholder might have given us (Smith et al., 2005). Consequently, we explained the BP's background and objective to each expert we were contacting.

Moreover, one main challenge we have faced throughout the process was a private issue that came to our knowledge after the mid-term report submission. An unbalanced workload and conflicting perceptions of performance led to tensions among team members, worsened by a lacking understanding for each other's actions and attitude. Here I think I was crucial once I was

able to impartially and effectively manage the group members' relationships and act as a mediator between them. However, Daniel decided to share his background, i.e. his current health condition, which partly explained his behaviour and was affecting the way we developed our BP. Despite feeling compassionate, the remaining team was struck in a dilemma between personal understanding and professional quality and performance expectations for project, which was not to be compromised by these circumstances. As a result, Daniel's workload was reduced considerably with the others overtaking. We agreed that he should speak openly to the team whenever he felt overloaded. Additionally, we offered extensive feedback to overcome different expectations towards the deliverables' quality. As a team, we decided to inform our supervisor of those internal developments, but she made clear that we were more than capable to cope with it ourselves.

### **3. Reflection on Learning**

In this last section, the author will reflect on the individual learnings from the consulting engagement. These learnings will be split into three distinct groups: previous knowledge applied, new knowledge developed and the skills applied throughout the assignment. Previous knowledge will reflect the extent to which the previous knowledge gained in the Master in Finance was applied to the consulting project. In new knowledge the author will develop the topics applied social entrepreneurship and how to actually value a social venture or assess social impact. Finally, the skills used will be critically evaluated both in terms of the personal experience and the benefit of hindsight derived.

#### **3.1 Previous knowledge**

##### **3.1.1 Masters content applied**

In the beginning, this specific BP that I was assigned to did not seem a Finance related project. However, throughout the process, a considerable amount of skills and knowledge that I acquired during my MSc. in Finance proved to be extremely helpful and enriching to meet what we set as our final objective. Since our host school (Stockholm School of Economics) required that all groups made a reflection focusing on the processes and management knowledge applied (such as frameworks and theories used), it can be said that the overall project was a perfect mix between management and finance.

Given that the project was focused on early stage ventures and especially on a social setting, the knowledge I acquired during the courses Microfinance and Entrepreneurial Finance and Venture Capital was of extreme importance. On an indirect way, what I learnt on the courses Applied Corporate Finance and Mergers & Acquisitions helped to some extent when tackling some challenges we faced. At an earlier stage we had to analyse the market, the industry and competition so more management tools were required. However, on a later stage when performing the financial analysis and having in mind that I was the only person in the group that

had taken these courses thus being the only one with the required expertise, I was definitely able to add value to the group and contribute to a more accurate and detailed analysis of the strategic options the client could pursue.

To what regards the Entrepreneurial Finance and Venture Capital it was extremely useful in order to apply the right financial tools and project the proper scenarios for the company. Since we are speaking of a venture, it was really important in order to accurately come up with a valuation range for the firm and also the projected respective return on financial investment. Another course that was quite important for this BP and for this work project was Microfinance. This enabled me not only to look at the problem financially wise but also consider that there is an actual social return in it and that it has to be considered as well in our analysis. Moreover, it was extremely useful to analyse the main options that our client had to raise capital not only to kick-off its business but also to scale it up further on.

Furthermore, some technical skills that I acquired during my Masters in Finance proved to be crucial in the development of the final deliverables. Here I am referring not only to the advances excel skills but also powerpoint skills in order to produce a captivating and well-structure pitch deck for investors (Finance for start-ups course at SSE was extremely helpful for this). In order to analyze the data that we collected from databases and from interviews an Excel model/database had to be developed so that we could sum up everything not only about the industry but also competition. I was responsible to structure it and keep it up to date given the knowledge and experience that I had acquired during my academic studies at my home school. Moreover my experience was crucial in developing the entire financial analysis since I was the only one comfortable with applying the right tools and develop them, resorting to excel. This enabled me to illustrate all the results in a way that was legible for everyone, contributing for an easy, quickly and smooth understanding on behalf of the client and its partners. I also constructed the excel file in a way the client could adapt it to its own ideas and adjust every assumption whenever required. All in all, the experience and knowledge that I have gathered throughout my studies, both at NOVA School of Business and Economics and at Stockholm School of Economics, revealed to be fundamental. Teamwork and presentation skills as well as working under pressure and manage several tasks at a time with tight deadlines was actually a thing that I practiced during my finance masters and that I was able to apply effectively during my business project.

### **3.1.2 Masters content adjusted**

As described before, I was able to effectively leverage on my previous knowledge to be extremely helpful for this project. However there were some topics that in the beginning I lacked expertise and that I had to go individually through them in order to be in the same page as my group members. Those topics were usually related to management theories and models that we had to apply during our industry and market analysis where competition was also addressed. With

this, and in order to add value in discussions, I had to study these specific topics in a more deep and insightful way. After some research, I was able to do it not only by providing a different perspective but also because finance related topics where I felt more comfortable appeared to be the next step to take. Finally, a more deep study of the social venture world was conducted because the knowledge gained by doing the previously referred courses at NOVA, was not enough to understand how to accurately analyze each strategy and provide a final recommendation to our client.

## **3.2 New knowledge**

### **3.2.1 New methodologies and frameworks used**

Throughout the project we applied various theoretical tools for two main reasons: to categorize our project and to analyze. The former refers to tools which structured our project and increased our understanding. The latter relates to theories and models, which were used for developing our client's deliverables. Table 3 that one can see in appendix was created to explain which theoretical tools were used, which purpose they were serving and how we evaluated their suitability. The tools are listed in order of our application in the course of the project. The actual reflection demanded by SSE helped me to gain knowledge of several frameworks, models and theories that are extremely useful when conducting such projects.

### **3.2.2 Status Quo and Importance of Social Ventures**

*“Whenever society is stuck or has an opportunity to seize a new opportunity, it needs an entrepreneur to see the opportunity and then to turn that vision into a realistic idea and then a reality and then, indeed, the new pattern all across society. We need such entrepreneurial leadership at least as much in education and human rights as we do in communications and hotels. This is the work of social entrepreneurs.”*

*Bill Drayton - Founder of Ashoka: Innovators for the Public*

The term “social enterprise” was created by the American non-profit community in the 1970s, which began to create and operate their own businesses as ways to create job opportunities for the disadvantaged, homeless and other at-risk people. The idea is that a non-profit business venture or revenue-generating activity can create positive social impact while operating with reference to a financial bottom line. Today, NGOs understand that only by establishing an independent means of support, can they continue to fulfil their mission. An NGO's new vigour and growth enables it to provide and expand vital services to its constituents and members while moving the organization toward self-sufficiency.

The concept of social entrepreneurship is centred not just on mission, but on entrepreneurship, making a social benefit-focused organization become more like a business. The idea is that non-profits can benefit from the focus of for-profit businesses – customer focus, sound strategy, effective planning, efficient operations, and financial discipline. Hopefully the social

entrepreneur focuses as intently on excellence in all of these as any back-to-the-wall for-profit entrepreneur. For them, as perhaps it should be for all of us, success is social value. (See figure 16). Definitions of social entrepreneurship range from broad to narrow. In the former, social entrepreneurship refers to innovative activity with a social objective in either the for-profit sector, such as in social-purpose commercial ventures (e.g., Dees & Anderson, 2003; Emerson & Twersky, 1996) or in corporate social entrepreneurship (e.g., Austin, Leonard, Reficco, & Weiskillern, 2004); or in the non-profit sector, or across sectors, such as hybrid structural forms which mix for-profit and non-profit approaches (Dees, 1998) (See figures 17 and 18). Under the narrow definition, social entrepreneurship typically refers to the phenomenon of applying business expertise and market-based skills in the non-profit sector such as when non-profit organizations develop innovative approaches to earn income (Reis, 1999; Thompson, 2002). Common across all definitions of social entrepreneurship is the fact that the underlying drive for social entrepreneurship is to create social value, rather than personal and shareholder wealth (e.g., Zadek & Thake, 1997), and that the activity is characterized by innovation, or the creation of something new rather than simply the replication of existing enterprises or practices. The central driver for social entrepreneurship is the social problem being addressed, and the particular organizational form a social enterprise takes should be a decision based on which format would most effectively mobilize the resources needed to address that problem. Thus, social entrepreneurship is not defined by legal form, as it can be pursued through various vehicles. Indeed, examples of social entrepreneurship can be found within or can span the non-profit, business, or governmental sectors. Entrepreneurship is understood in institutional economics to play an essential role in advancing economic development and human well-being (Gimmon and Levie 2009; Klein 1988; McDaniel 2003, 2005; Warnecke 2013). Increasingly there has been an interest in social entrepreneurs who seek to promote social value, economic development, and environmental sustainability (Mair and Mati 2006; Warneck 2013). The interplay between growth, the environment, and development has been heavily discussed in institutional economics (van den Bergh and Kallis 2012). Much of the social entrepreneurship literature portrays the process of social entrepreneurship as starting with the passion for or recognition of a social problem (Dacin, Dacin and Tracey 2013). Social entrepreneurship, or entrepreneurial activity with an embedded social purpose, has been on the rise in recent decades. A partial indicator of this surge is revealed by the growth in the number of non-profit organizations, which increased 31% between 1987 and 1997 to 1.2 million, exceeding the 26% rate of new business formation (The New Nonprofit Almanac and Desk Reference, 2002). However, the dynamic is even more robust, as other forms of social entrepreneurship, beyond that occurring within the non-profit sector, have also flourished in recent years. The recent boom in social entrepreneurial activity makes a comparative analysis between commercial and social entrepreneurship timely. Social entrepreneurship is still emerging as an area for academic inquiry. Its theoretical underpinnings



have not been adequately explored, and the need for contributions to theory and practice are pressing.

### **3.2.3 Valuation of an early stage venture and its social impact**

Valuation is the process of determining the economic value of a business or company – it reflects both past performance and expectations of future performance. Valuation can be arrived at through objective analysis, but the final price is that at which the seller is willing to sell and the buyer willing to buy. Entrepreneurs need to put a value on their business in order to raise finance or equity. Investors need to put a value on the businesses to ensure adequate return on investment. Company valuation is one of the great myths of early stage company finance. Both investors and entrepreneurs get themselves endlessly tied in knots trying to calculate a start-up's value despite the fact that the whole concept of valuation is entirely artificial. Even more so when we speak about social ventures when usually the impact is really in the long-term. Venture investing is more art than science. A Social venture investing takes that art to a whole new level. What discount rate should we use to value the cash flows? Standard venture capitalists use 30%, but often use a rate of 35 or 40% in emerging markets. Should we go even higher because we are serving riskier customers in these risky markets, or should we have a social discount because these investments need our patient capital? If so, how low should we go? What assumptions should we use about how we exit? In all of these discussions, we also have to keep the customer front and center. How do we do the analysis in such a way that doesn't overlook the end consumer, simply aggregating daily challenges into quarterly revenues, and individuals touched into market share? We are talking about real lives, real problems, and real solutions. Discussions usually try to balance the need for fiduciary responsibility with the empathy that drives the investor to support businesses that were designed to serve those in need.

Over the last few decades, many people have attempted to measure what is sometimes called social, public, or civic value—that is, the value that nongovernmental organizations (NGOs), social enterprises, social ventures, and social programs create. The demand for these metrics has come from all sectors: Foundations want to direct their grants to the most effective programs; public officials, policymakers, and government budget offices have to account for their spending decisions; investors want hard data analogous to measures of profit; and non-profits need to demonstrate their impact to funders, partners, and beneficiaries. Metrics to meet these needs have proliferated over the last 40 years, resulting in hundreds of competing methods for calculating social value. How do we measure what benefit organizations create and deliver for society? This question gains prominence across all projects that aim at providing 'social wealth' (Zahra et al. 2009). The issue of social impact assessment thus affects a variety of established and emerging research fields: Philanthropy, the Third Sector, social entrepreneurship or (strategic) Corporate Social Responsibility (Porter & Kramer 2006, 2011). Two factors drive this development: a higher demand for accountability (Kearns 1994; Young et al. 1996; Nicholls 2009), and a need

for higher effectiveness of investments in the face of limited public resources (Murray et al. 2010; Weisbrod 1998; Defourny 2004). There is still the need to build information systems and processes capable of measuring the creation of value in this changed context. Various emerging efforts include: The Balanced Scorecard (Kaplan, 1999), Family of Measures (Sawhill, 1999), Social Return on Investment (Emerson, et al, 1996/2000), WebTrack/OASIS (Twersky, 2000), and other types of impact documentation all being advanced as alternative frameworks for tracking performance. Some emphasize managerial performance and others capital performance. However, all such efforts are important.

### **3.2.4 Social Impact assessment applied to the Business Project**

The relationship between business and community is becoming increasingly important, especially with the current blurring of the boundaries between profit and not-for-profit sectors, and the growing number of hybrid organizations such as social enterprises. For these organizations, the assessment of social impact plays a strategic role in helping them understand to what extent their social mission has been accomplished. As a result of increasing interest in the practice of Social Impact Assessment (SIA), many models have been developed, but a system to classify them is still lacking, and so the overall picture remains rather fragmentary, if not confusing.

Although many managers today run their businesses without sufficient information on the impact of their actions on the environment and society, and many guidelines have been proposed since the early 1990s, there is no framework to quantify the value of a company's impact on people and the environment. To address implementation issues influencing the credibility and standardization of social impact analyses, the Standard for Social Return on Investment (SROI) analysis was developed as a way to measure these methods and their implementation. The SROI analysis includes four steps: (1) the collection of on-going social performance data; (2) the prioritization of data important enough to track; (3) the incorporation of data into management decision-making and reporting; and (4) the valuation (to understand what amount of social value is created or destroyed, and where resources should be allocated). The SROI analysis helps managers and investors accomplish three critical tasks: plan, manage, and assess. To determine the true value of SROI, companies must create SROI analyses based on actual performance. The findings indicate that the process of calculating an SROI, actual or projected, may help companies identify opportunities to create social value and increase financial value.

This was exactly what we tried to assess by using the tool that you can see in figure 19 called the Social Impact Map. We could only do this in the end of the project due to the fact that it was a qualitative assessment that depends in a great extent on the knowledge and expertise we have regarding the industry itself and which are the effects we project a business like this has in a long-term horizon. Bear in mind though, that we didn't include this analysis in our financial calculations due to the subjectivity inherent to it, thus keeping our conservative approach. However we assessed it for our own understanding and to elucidate our client & partners that this

is a point that must be valued and considered due to the nature of their social investments. Moreover, we suggested that they applied this tool to their existing businesses in order to have a cleared sense of the social impact they are causing in society.

### **3.3 Personal experience**

#### **3.3.1 Your key strengths & weaknesses**

As the BP started, we discussed our backgrounds, interests, and relevant skills. Very soon it became clear that we could draw upon different skillsets and experiences in our project, being a diverse group. One skill we were strongly missing however was a member capable of understanding the Swedish language.

To what regards strengths applied, I believe that my level of commitment and determination was crucial for this project. I was not naturally assigned the leader of the group since the beginning once at that time I didn't know each others capabilities but gradually I took this role once I proved to be extremely effective managing not only the members' interactions but also the direction we needed to follow as a group. Furthermore, by being a result-oriented person and by having good planning and prioritizing skills, delegating tasks become easier specially after creating a detailed work-plan scenario that had into account each group member's availability. The only issue that happened had to do with one of the group members' condition which ended up creating an unbalanced workload however not affecting the quality of the final outcome.

Regarding weaknesses, I think the two most important ones to correct had to do with managing people's expectations and communication & feedback. These affected the BP in the beginning but ended up being adapted and somewhat corrected over the course of it. Personally, I think I could have been more effective at communicating not only my ideas but also the negative feedback that I find a hard time to provide to other people. Finally, respecting the group's internal deadlines was not always done due to time constraints. Having this in mind, in the next project, I want to ensure that they are respected and team members' expectations are made explicit right from the beginning.

#### **3.3.2 Plan to develop of your areas of improvement**

Self-assessment is a critical tool to foster future performance. During the consulting assignment, I found some of my personal traits to be important for the achievement of the group's objectives while other traits I have realized can be improved in the future. Clearly, I have broadened my knowledge regarding the start-up environment, financial analysis, and developing business models. Moreover, since it was the first that I was involved in a consulting project, working together with a real company, management of client's expectations was definitely a central issue. In the beginning, I have to admit it was challenging to understand not only the client's business idea but also what he expected from us as external consultants. What was interesting to observe was that it turned out to be an interactive process where the client viewed us as more business

partners rather than people working for him. This made it easier to adjust and set the final deliverables that ended up surprising the client who was expecting much less from our side. I believe this alignment and/or management of expectations was a fundamental step towards a successful project thus being crucial for future projects.

During this process crucial insights were experienced which should be improved and applied in future situations.

Learnings I have experienced by working within a group contain:

- Keep challenging business ideas which sound promising and stay critical.
- Work together as a group instead of working separately. This reduces the time necessary for integrating parts and making deliverables coherent. Besides, one develops a broader common understanding when discussing each one's perceptions of difficult questions.
- If a team member is missing, it is crucial to bring them back on track as soon as possible, since a project can change very fast in terms of present state of information.

As already mentioned, a very different set of skills was present within our group. On the one hand, that made distributing roles easier as we had different strengths and interests. On the other hand, different levels of know-how made it sometimes difficult to give valuable feedback to each other. My key learnings here include:

- Give each other constructive feedback continuously.
- Balance workload between team members to avoid tensions and enforce equal contribution.
- Understand each other's working style, respect it, and develop solutions how to cope with conflicting styles.

Regarding our attitudes, I have found the following insights the most valuable ones:

- Manage expectations (individual goals, skills, capacity) in the beginning and update each other throughout the process.
- Group-related issues need to be communicated clearly, as it is important to know how members feel in/about the project.
- The personal situation of team members can have a huge impact on the delivered work.

### **3.4 Benefit of hindsight**

Starting by the results we achieved with this project, we can clearly state that they were extremely positive. Our client was extremely satisfied with our final deliverables and with the final presentation we did to him. He even asked the group to produce an investor pitch deck and present it again to his financial partner in order to "sell" this idea. This clearly showed his interest and willingness to kick-off this project in the future. In terms of the project process, it was extremely interesting to work in such a diverse team, with the members having different nationalities and backgrounds. It was extremely helpful to overcome several challenges as the different insights and knowledge helped us have a broader perspective but at the same time

narrow it down to specific solutions. Furthermore, the fact that each one of us had different academic paths contributed to a better understanding of the actual business project challenge and better adaptation of each one's skills to the specific tasks. This enabled every group member to be self-motivated and proactive throughout the whole semester.

Moreover, this project and more specifically the tools we delivered to our client will be extremely useful for him to not only think but also to implement his future social venture. Even after we provided him with these tools he was interested in applying them to his existing businesses and further develop them with the right team. However, a lot is yet to be done in order to do so effectively. Even though, in terms of project scope, I think we adjusted it exactly to the amount of time we had available and we focused on those areas we thought to be the most valuable to our client. Nevertheless, this topic was discussed together with the client and we reached a consensus regarding the final outcome.

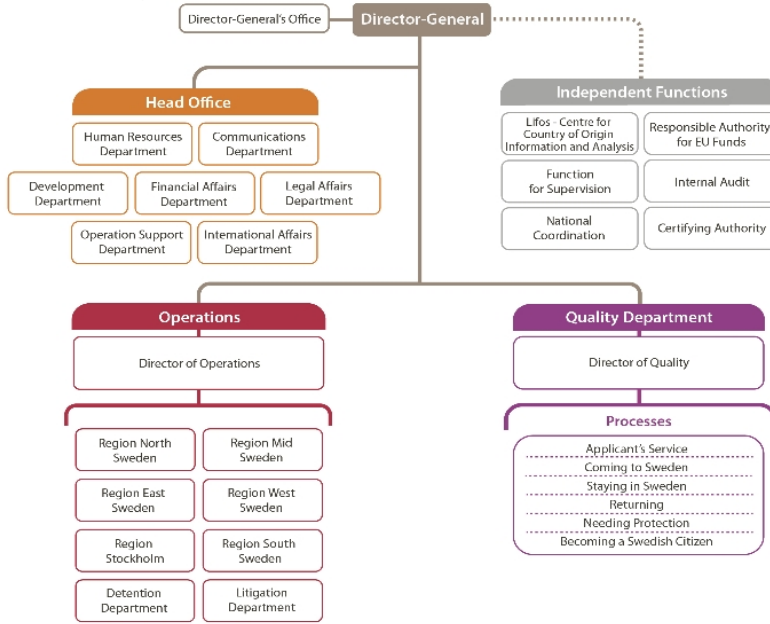
Finally, the BP was extremely enriching not only in terms of knowledge acquired in areas where I had no experience but also when speaking of the ability to manage different people expectations and goals that ultimately influenced our group dynamics. Also it allowed me to experience different things and to acquire several practical key-learning points that I will certainly implement in future projects. Many aspects were similar to other projects I had experienced so far. However, there were some peculiarities to this one. The mastered challenge of gaining an understanding of a public sector in a different language from the macro to the micro level reaffirmed my confidence regarding international projects. I also extended my knowledge regarding business development in a start-up setting. I personally realized that I also expect a very high level of quality as a standard and I am able to effectively work on solutions for problems at a people and project levels. On top of this, I took over many such tasks implicitly due to my structured way of working and the positive feedback I received from my team gave me confidence to keep being effective and hard working. Retrospectively speaking, I also feel extremely positive about my performance, especially when the positive feedback came from our client and its financial partners that were not directly involved in the project.

All in all, this project contributed in a great extent to my personal and professional development. I had never conducted such type of consulting project with a real client and where such a great impact could be achieved. I definitely grew with this project and I learnt what is to have a great sense of responsibility with people counting on your work for future and important decisions. It was without any doubt a valuable experience. I will certainly apply all the knowledge I gathered in future career and life situations.

# Exhibits

## Figures

Swedish Migration Agency



2015-05-02

Figure 1: Organizational structure of the Swedish Migration Agency

Source: Migrationsverket, 2015a

### The process of an asylum application

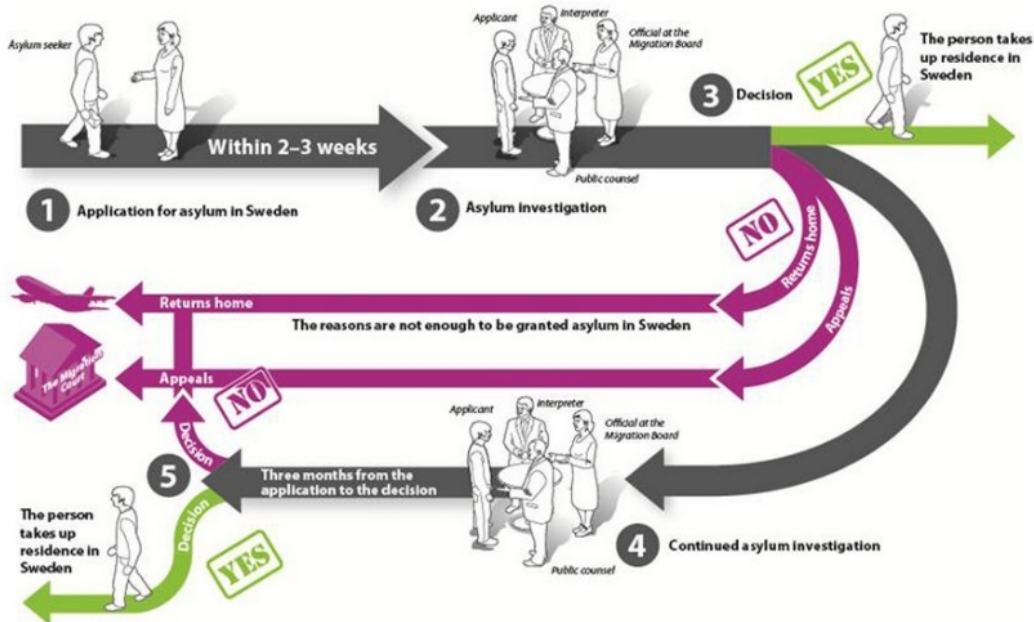


Figure 2: Process of asylum application in Sweden

Source: Migrationsverket, 2015d

### The appeal process

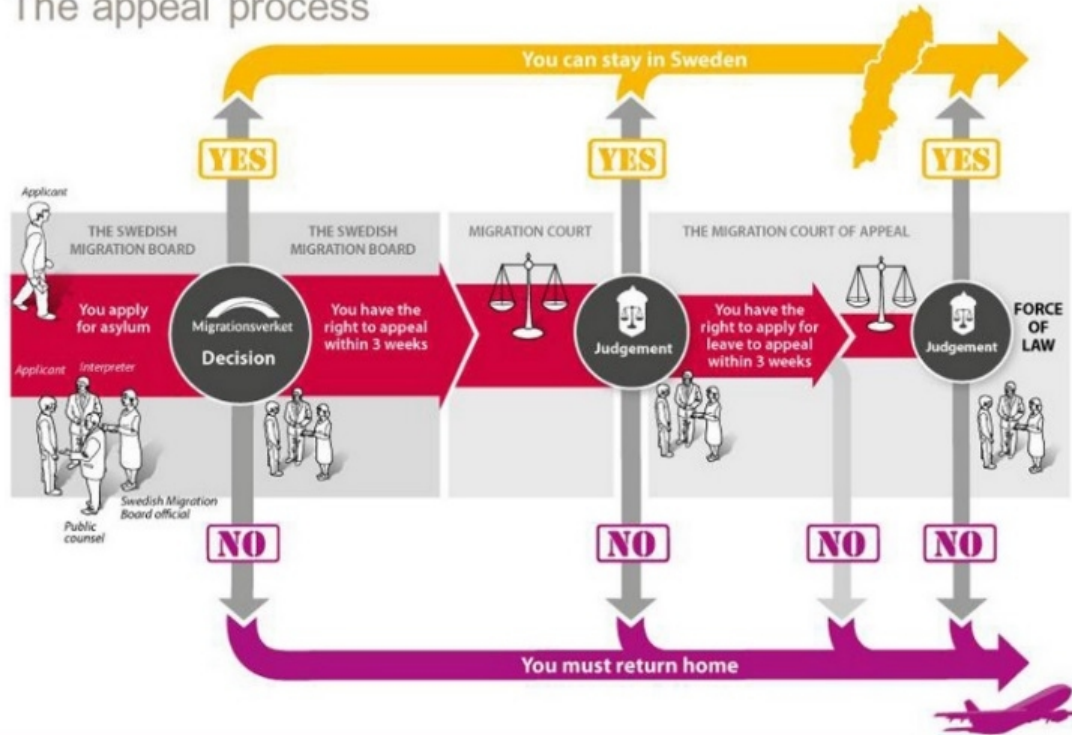


Figure 3: Appeal process for asylum applicants

Source: Migrationsverket, 2015d

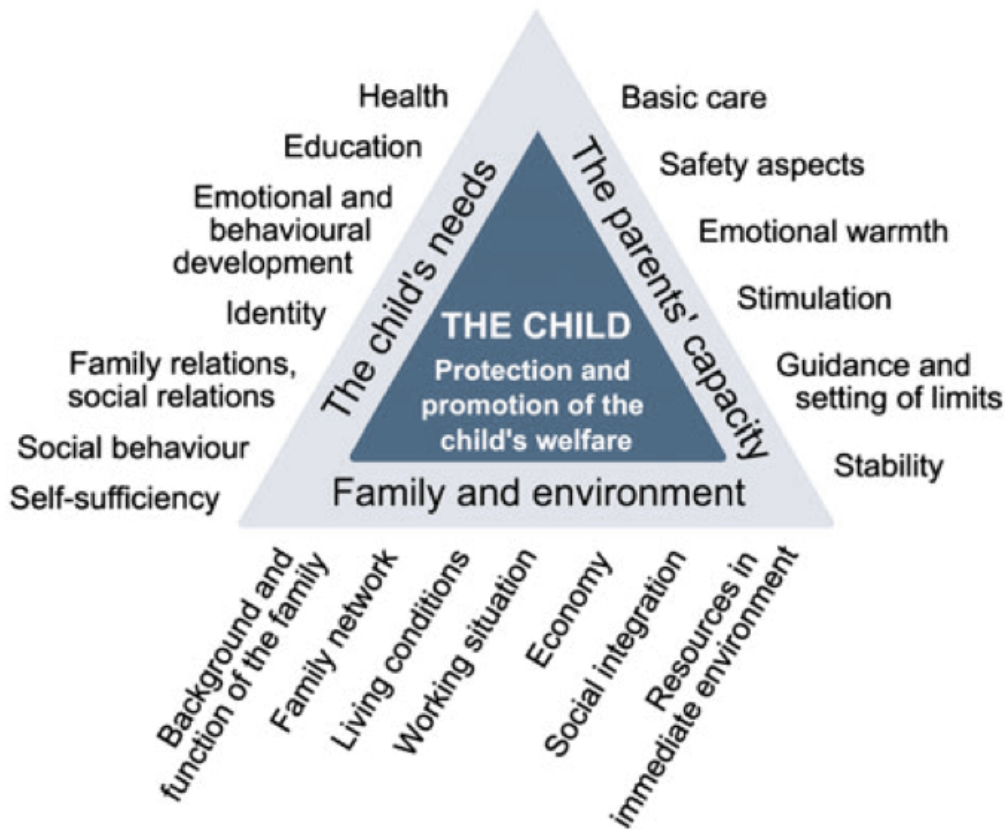
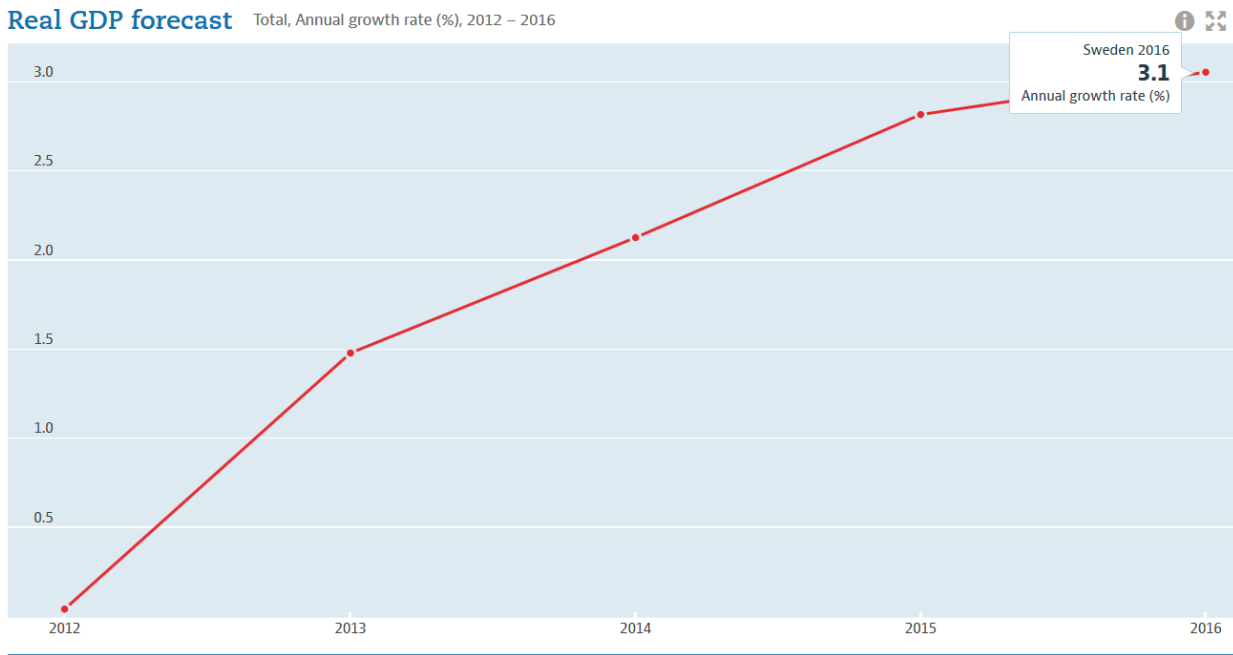
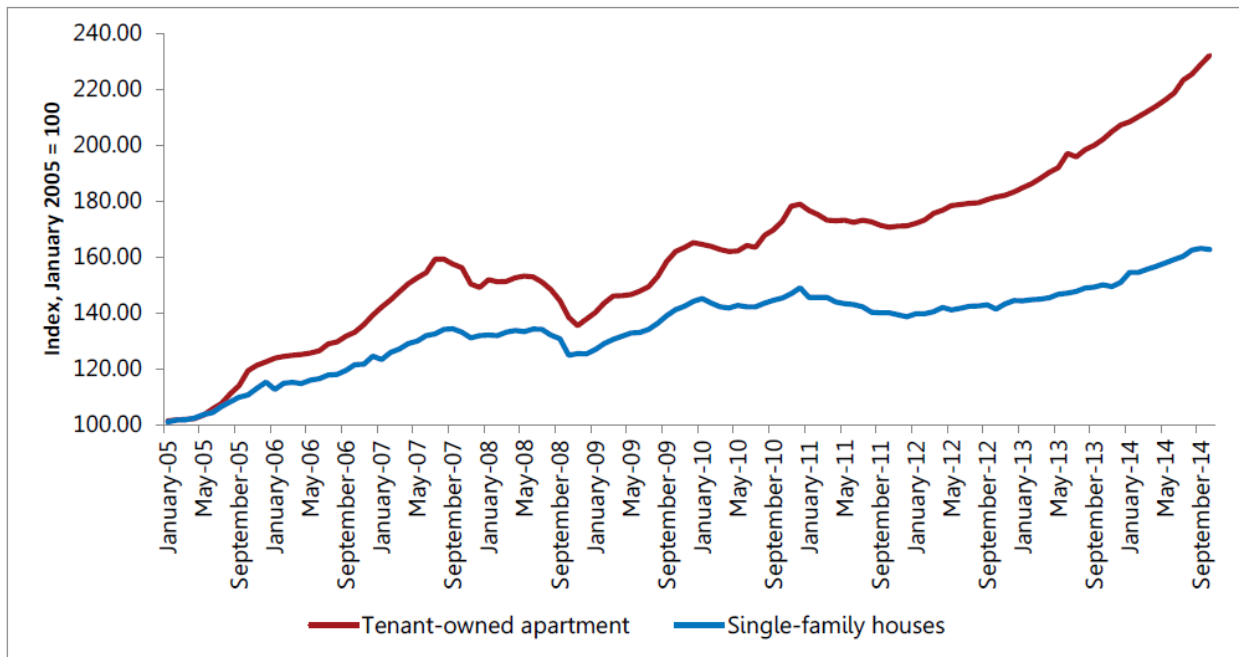


Figure 4: BBIC Triangle



**Figure 5: Real GDP forecast (annual growth rate) 2012-2016**

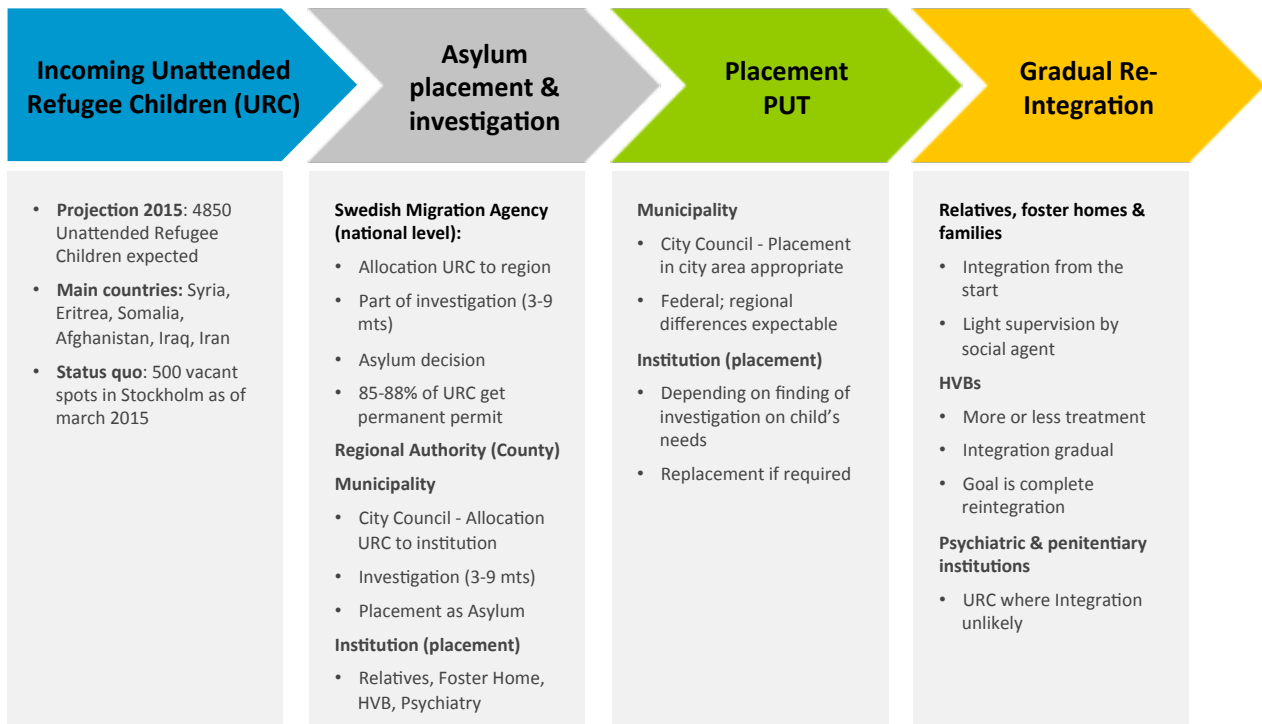
Source: OECD, 2015



**Figure 6: Housing prices in Sweden 2005-2014**

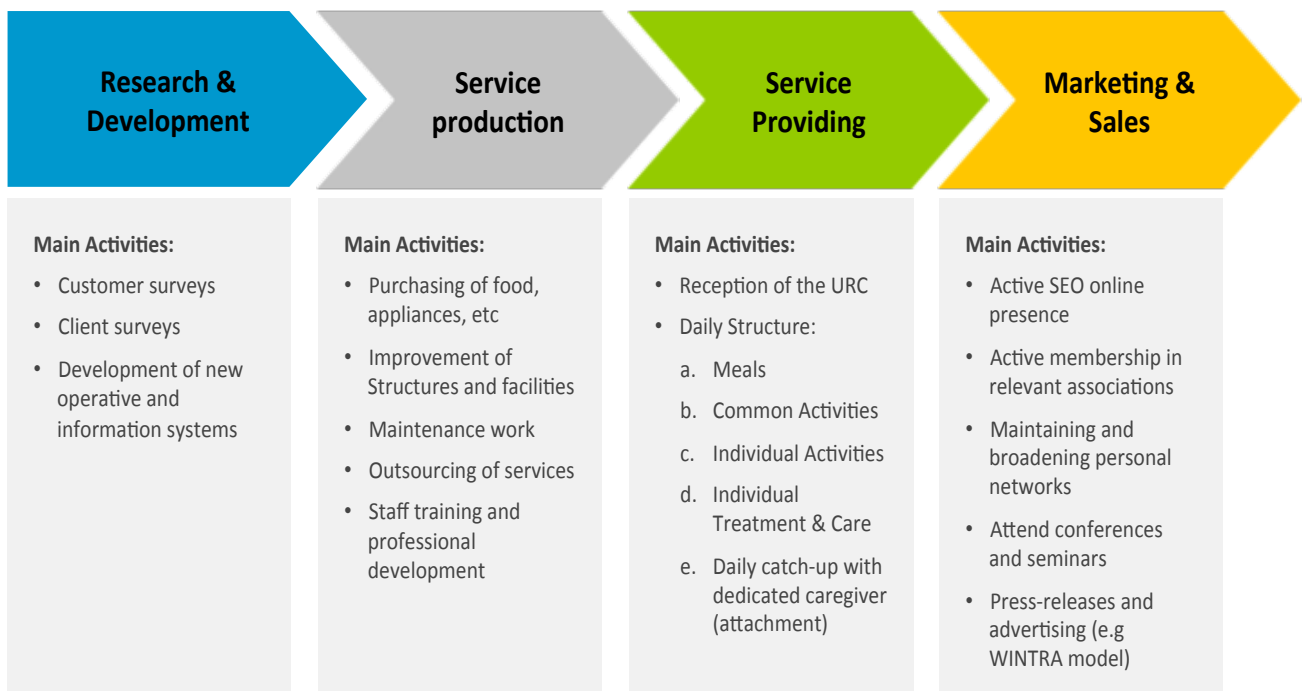
Source: Marketline, 2014





**Figure 7: Process flow from a URC's perspective**

This figure reflects the high-level end-to-end process of an URC, from arrival in Sweden, Asylum application and placement, permanent residential permit (PUT) and placement to successful reintegration. It is crucial to understand which role the different types of public local, regional and national institutions play.



**Figure 8: Value chain from an HVB's perspective**

This figure shows the value chain of a typical HVB and how its specific activities create value at different stages. Four main stages were identified and are described in figure 14.

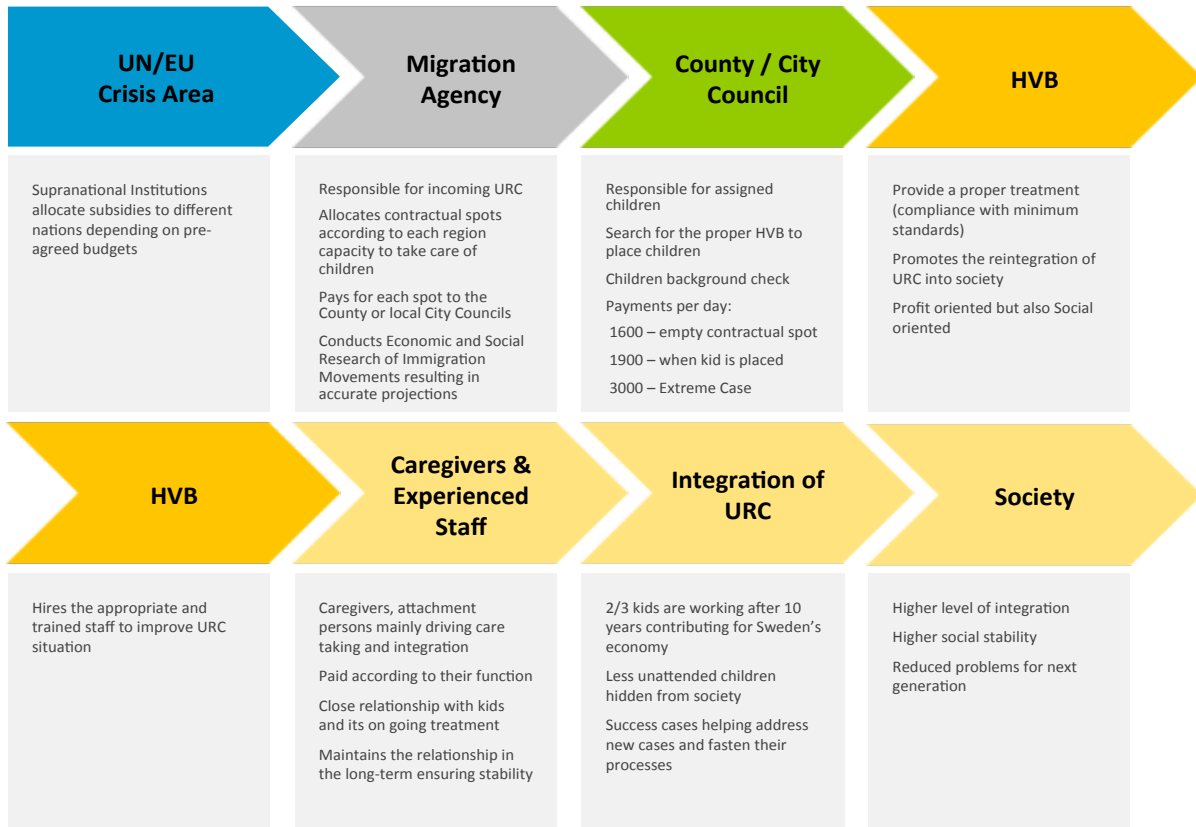


Figure 9: Value added by institutions

This figure displays the institutional level and how different entities add value in the process by taking over responsibility. Starting at a crisis country and their refugees emigrating, the high level role of supranational institutions like UN and EU is reflected, and narrowed to the SMA, the local city councils and, the HVBs and finally the society, benefitting from the successful reintegration.

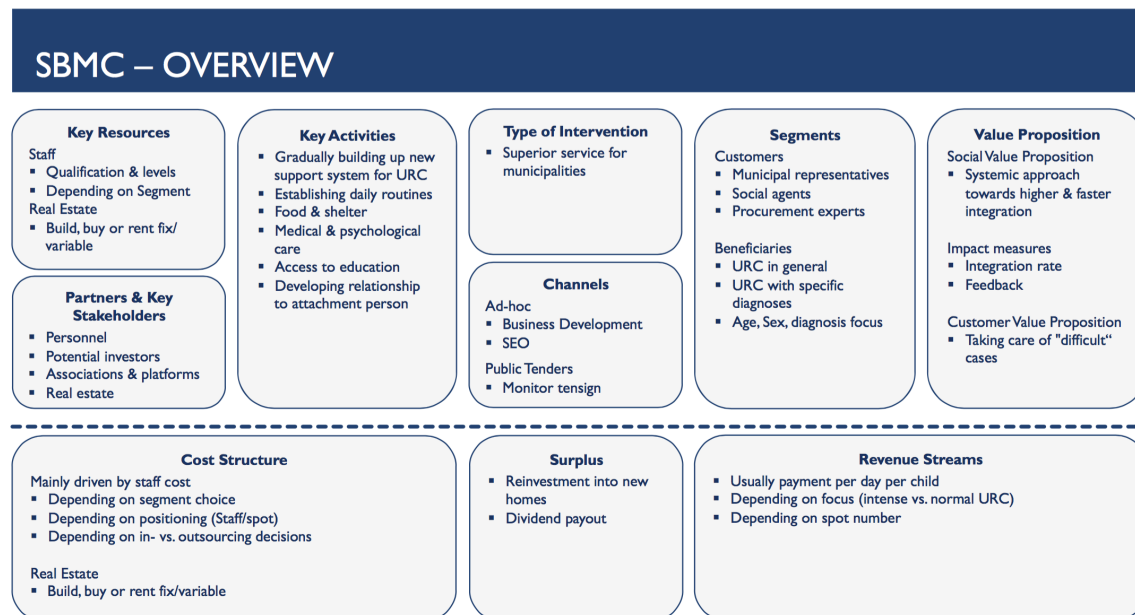


Figure 10: Social Business Model Canvas Overview

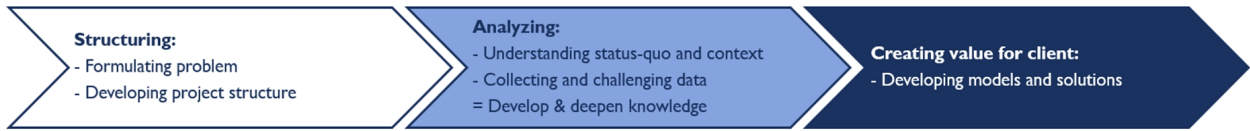


Figure 11: Project Stages

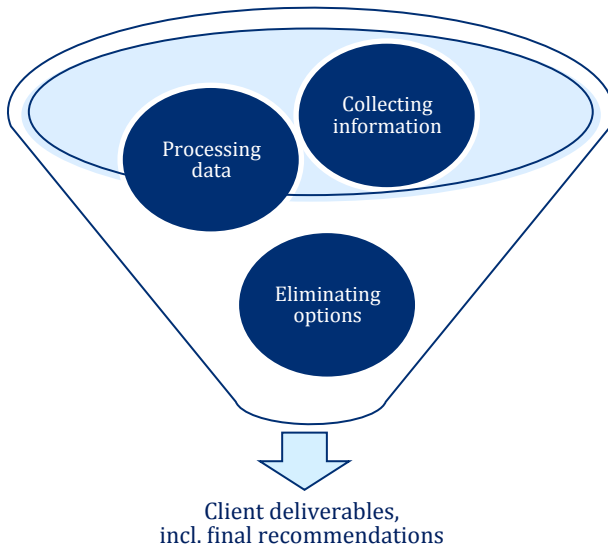


Figure 12: Funnel approach

OPTIONS 1, 2 & 3 VARIABLES	
Target Beneficiary	<ul style="list-style-type: none"> <li>• VP: specialized vs. general</li> <li>• Beneficiary: All URC vs. Only such with DSM IV psychiatric diagnosis / specific ones</li> <li>• Women / Men vs. both</li> <li>• All diagnoses vs. Specialized</li> <li>• Age group: early teens, late teens, teens to adults</li> </ul>
Positioning	<ul style="list-style-type: none"> <li>• Cost leadership vs. differentiator vs. blue ocean</li> <li>• Number of spots</li> <li>• Staff / Spot</li> <li>• Diagnoses coverage</li> <li>• Methods coverage</li> <li>• Systemic, integrated vs. ad-hoc</li> </ul>
Key Resources	<ul style="list-style-type: none"> <li>• Urban vs. Remote</li> <li>• Purchased vs. Rental property</li> <li>• Demand – GAP Analysis</li> <li>• In- vs. outsourcing of psychological / psychiatrist expertise</li> </ul>

Figure 13: Levers considered to classify strategic options

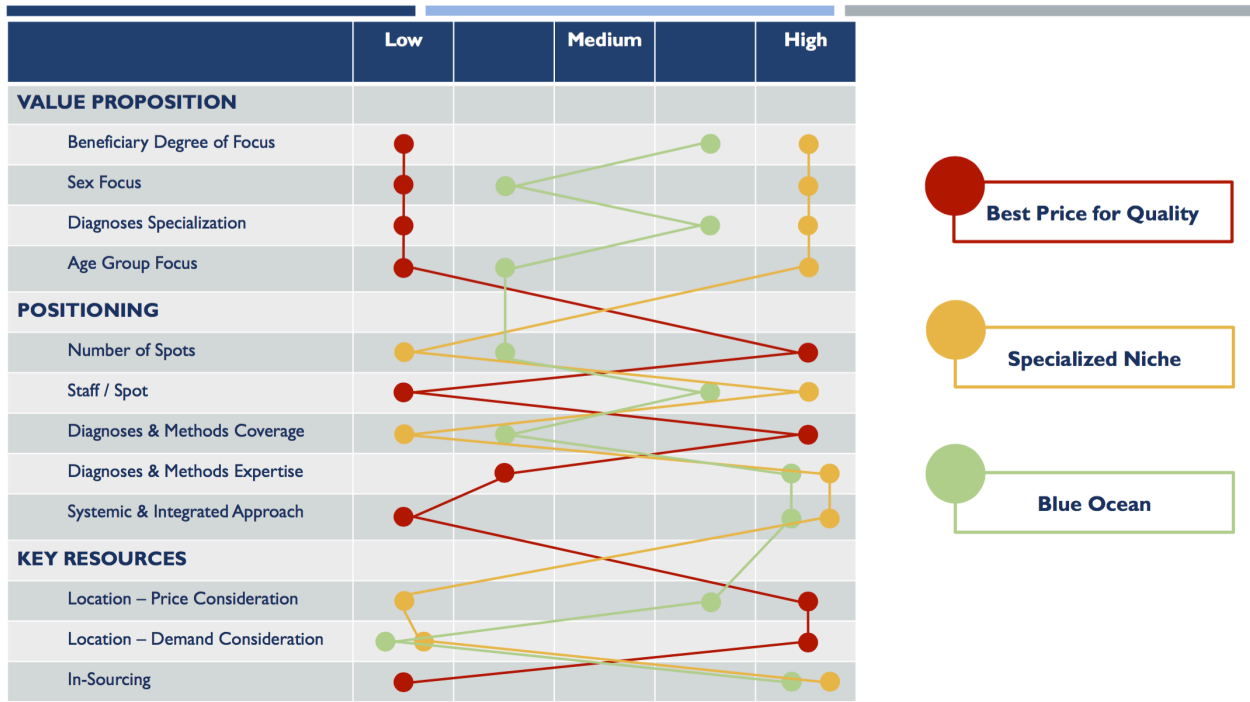


Figure 14: Ranking of each strategy according to main levers

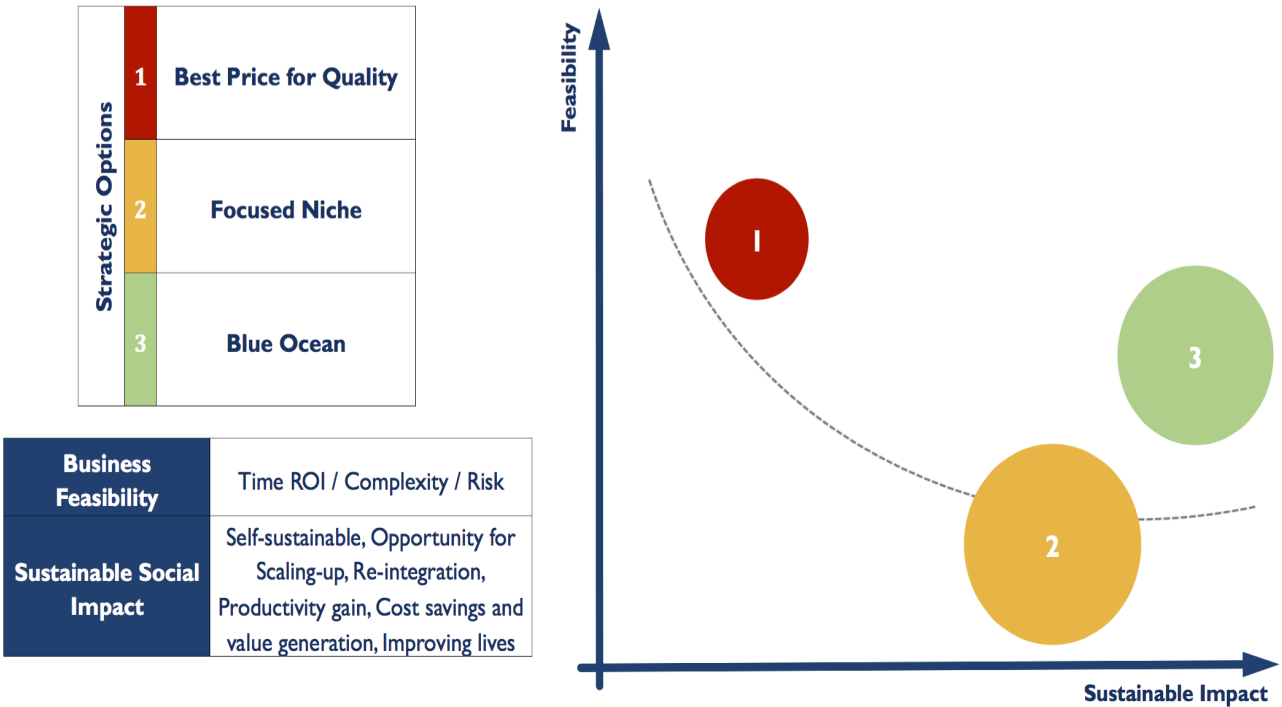


Figure 15: Feasibility vs. sustainable impact of each strategy (Size of bubbles – initial investment)

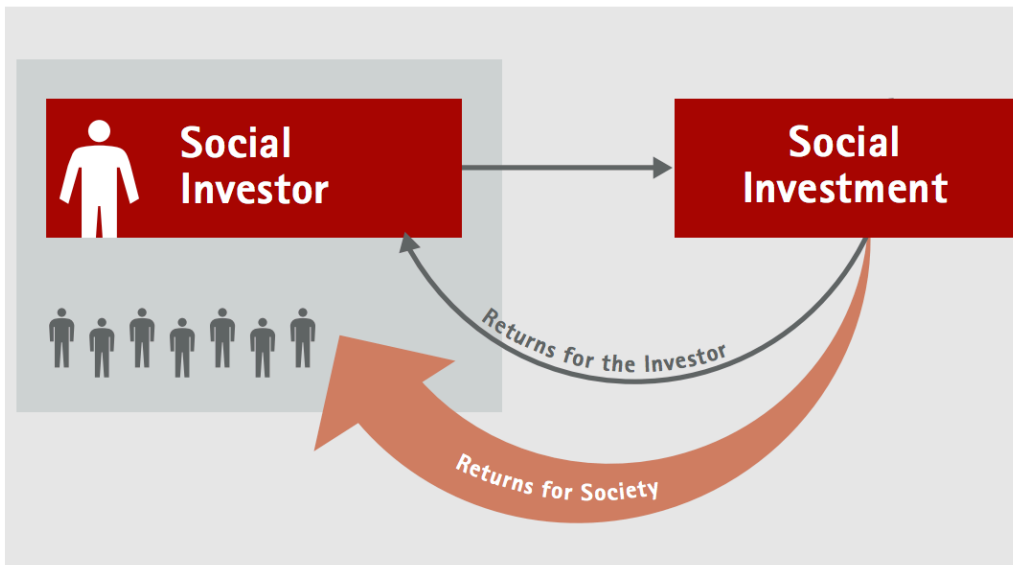


Figure 16: Social Entrepreneurship

CHART 2. A Spectrum of Investor Institutions and Factors Related to their Activities\*

<b>Traditional Philanthropy</b>	<b>Venture Philanthropy</b>	<b>Community Debt Financing</b>	<b>Community Development Equity</b>
<ul style="list-style-type: none"> <li>• Seeks to Maximize Social Return</li> <li>• Majority of applied funds not viewed as type of investment</li> <li>• May engage in Program Related Investments</li> <li>• "Evaluation" used to assess relative social impact</li> <li>• Often invests endowment in Traditional Capital Institutions</li> </ul>	<ul style="list-style-type: none"> <li>• Seed Capital for innovative social or economic programs</li> <li>• No Market ROI</li> <li>• Documented SROI</li> <li>• Application of Venture Capital practice within Philanthropic context</li> </ul>	<ul style="list-style-type: none"> <li>• Positive Financial Return (fixed rate)</li> <li>• Positive assumed social impact</li> <li>• Modest financial returns on investment compared to market rates</li> <li>• Includes CDFIs</li> </ul>	<ul style="list-style-type: none"> <li>• High Risk</li> <li>• No Liquidity Event</li> <li>• Financial Returns Minimized</li> <li>• Probably never going to get major money out, so how do you assess risk/reward?</li> </ul>

**Social Equity Investors** ←

Figure 17: Spectrum of Investors Institutions and main characteristics (1)

CHART 2. A Spectrum of Investor Institutions and Factors ... (continued)

<b>Angel Investors and Social Venture Capital</b>	<b>Socially Responsible Investment Funds</b>	<b>Traditional Capital Institutions (Banks, Mutual Funds, etc.)</b>
<ul style="list-style-type: none"> <li>• Seed funding of business start-ups</li> <li>• Seeks Market rate financial returns</li> <li>• "Qualitative" or anecdotal social impact assessment</li> <li>• "Do no harm" screen or perhaps facilitate some type of social good</li> </ul>	<ul style="list-style-type: none"> <li>• Seeks Market rate financial returns</li> <li>• Seeks to minimize negative social, environmental or other impacts</li> <li>• Pro-active social, environmental or other screen for investing</li> <li>• Engages in Social Audits and "follow-along" monitoring</li> <li>• Shareholder Activism</li> </ul>	<ul style="list-style-type: none"> <li>• No calculation of SROI</li> <li>• Seeks to Maximize Financial return</li> <li>• May engage in CRA lending, but not part of core mission</li> <li>• Analysts simply "observe" performance and make no direct effort to influence the operation of the investee corporation</li> <li>• May engage in traditional philanthropy by making grants to nonprofit organizations</li> <li>• No thought of SROI</li> </ul>

→ **Private Equity Investors**

Figure 18: Spectrum of Investors Institutions and main characteristics (2)

Social Return on Investment – The Impact Map																		
Organisation		Name		Date														
Objectives																		
Scope		Activity		Objective of Activity		Time Period		Forecast or Evaluation										
Contract/Funding/Part of organisation		Purpose of Analysis																
Stage 1		Stage 2		Stage 3		Stage 4												
Stakeholders	Intended/unintended changes	Inputs	Outputs	The Outcomes (what changes)				Deed-weight %	Displacement %	Attribution %	Drop Off %	Impact	Action Plan					
Who do we have an effect on? Who has an effect on us?	What do you think will change for them?	What do they invest?	Value £ Summary of activity in numbers	Description How would you describe the change?	Indicator How would you measure it?	Source Where did you get the information from?	Quantity How much change was there?	Duration How long does it last?	Financial proxy What proxy would you use to value the change?	Value £ What is the value of the change?	Source Where did you get the information from?	What would have happened without the activity?	What activity would displace?	Who else contributed to the change?	Does the outcome in future years?	Quantity times the proxy, less deadweight, displacement, and attribution.	What needs to be done?	

Figure 19: Social Impact Map

## Tables

Responsibilities of	
Swedish Migration Agency (National)	Municipalities (Local)
<ul style="list-style-type: none"> <li>▪ Investigation and decision regarding asylum (in coordination with municipality)</li> <li>▪ Appointment of a public counsel (knowledgeable about Swedish law)</li> <li>▪ Signing contracts with municipalities regarding accommodation</li> <li>▪ Assigning children to municipalities</li> <li>▪ Providing financial compensation to municipalities for assigned children</li> </ul>	<ul style="list-style-type: none"> <li>▪ Investigation regarding children's needs &amp; decisions on initiatives and placement in appropriate accommodation</li> <li>▪ Assuring children's access to education</li> <li>▪ Assigning custodian</li> <li>▪ Following up on development and integration of children once asylum is granted</li> </ul> <p>Municipal social services are in charge of most responsibilities described above.</p>

**Table 1: Shared responsibility of SMA and municipalities for URC**

Level	Employees	Magnus' basic scenario
1	HVB manager	1 person
2	Psychotherapist, psychologist	3 people
3	Nurse, caregiver (primary attachment person)	3 people
4	Employees responsible for administrative tasks, grocery shopping, free-time activities with children	4 people
5	On-call staff (partly very skilled labour force, subsidized by labour office)	Depending on business cyclicality

**Table 2: Personnel employed in an HVB**

Tool	Application	Assessment
<b>Problem on a page</b> ( <i>Bain &amp; Company</i> )	Analyzing (for client)	+ Used for defining problem and how to approach it + Basis for group discussions
<b>PESTL analysis</b> ( <i>Collins</i> )	Analyzing (for client)	+ Used for understanding business environment and context + Political analysis was deepened due to high relevance for our project - Many factors predetermined in our project, hence it seemed somewhat useless as no alternative markets would be considered by our client
<b>Social Business Model Canvas</b> ( <i>Social Innovation Lab</i> )	Developing (for client)	+ Very suitable tool for developing a business model (= client's deliverable) + Social BMC takes social component of

Tool	Application	Assessment
		<ul style="list-style-type: none"> <li>project into account</li> <li>+ Initially, tool was used to gain understanding of status quo; then to refine and strengthen business model</li> </ul>
<b>Value curve</b> <i>(Kim &amp; Mauborgne)</i>	Developing (for client)	<ul style="list-style-type: none"> <li>+ Used for carving out client's value proposition and positioning in market</li> <li>+ Visualizes how client can differentiate from competition</li> </ul>
<b>Balanced Score Card</b> <i>(Kaplan &amp; Norton)</i>	Developing (for client)	<ul style="list-style-type: none"> <li>- Used for implementing strategic management system</li> <li>- Not suitable for start-up in pre-seed stage</li> </ul>
<b>Y model</b> <i>(Lundeberg)</i>	Structuring	<ul style="list-style-type: none"> <li>+ Forced us to think out-of-the-box and create and consider alternatives</li> <li>+ Framed the project in regard to problem, solution, and actions</li> <li>- Better suitable for "classical" change projects</li> </ul>
<b>Change traps</b> <i>(Mårtensson)</i>	Reflecting	<ul style="list-style-type: none"> <li>+ Helped us recognizing traps we might fall into</li> <li>+ Learned how to cope with challenges and avoid traps proactively</li> </ul>
<b>Business model spectrum</b> <i>(Renner)</i>	Framing	<ul style="list-style-type: none"> <li>+ Used for categorizing client's venture on a scale between for-profit business and charity organization</li> <li>+ Helped understanding purpose of client's project</li> <li>+ Client's and team's perception of classification was matching</li> </ul>
<b>Value creation vs. value appropriation</b> <i>(Santos)</i>	Framing	<ul style="list-style-type: none"> <li>+ Project was classified as a social enterprise</li> <li>+ Underlined our perception of the project's low profitability</li> </ul>
<b>Social entrepreneur</b> <i>(Volkman et al.)</i>	Framing	<ul style="list-style-type: none"> <li>+ Evaluated client as a social entrepreneur</li> <li>+ Influenced client relationship positively as we understood his motives better</li> <li>- Innovativeness as a criteria tends to be subjective and is not applicable to client</li> </ul>
<b>Business Performance Model</b> <i>(Lundeberg)</i>	Structuring	<ul style="list-style-type: none"> <li>+ Used for defining on which process levels change is required to achieve objectives</li> <li>+ Enabled us to classify project's situation and decide which levels to target with our actions</li> </ul>
<b>X model</b>	Structuring	<ul style="list-style-type: none"> <li>+ Provided overview of project in regard to</li> </ul>



Tool	Application	Assessment	
<b>(Lundeberg)</b>		<ul style="list-style-type: none"> <li>results and effects</li> <li>+ Impact of project was visualized</li> <li>- Definition of deliverable vs. effect depends on one's perspective, this might lead to confusion</li> </ul>	
<b>Colours of change (Caluwe &amp; Vermaak)</b>	Reflecting	<ul style="list-style-type: none"> <li>+ Different approaches towards change are introduced</li> <li>+ Created awareness of team member's approach</li> <li>+ Suitable for comparing team's and project's colours and deriving implications</li> </ul>	
<b>Stages of team development (Gilley et al.)</b>	Reflecting	<ul style="list-style-type: none"> <li>+ Good foundation for reflecting on how we developed as a team</li> </ul>	
Suitability of tools for our project	High	Limited	Low

**Table 3: Overview of theoretical tools**

## **Client Deliverables**

### **Extended client presentation**

The final client presentation is an extensive report on all main findings displaying analysis and results of our work. It includes a competition overview, detailed competitor profiles, the Social BMC, three strategic options and recommendations, as well as specific next steps for our client. The presentation can be accessed in the separate file “Individkraft\_extended client presentation.pdf”.

### **Other client deliverables**

Additionally, the following deliverables were provided to our client: a context analysis, financial analysis, and a pitch deck.

#### a) Context analysis

The context analysis contains current migration trends, a political analysis (explaining relevant processes and introducing important institutions within the industry), implications of a PESTL analysis, and a visualization of process flows and the value chain. It can be accessed in the separate file “Individkraft\_context analysis.pdf”.

#### b) Financial analysis

The financial analysis is an extensive file we created (in Microsoft Excel) and worked with throughout the project. Our recommendations are to a large extent based on results derived from calculations within that file. It includes the operating model, a sensitivity analysis, cash burn rate computations, scenario planning, and a valuation of the venture. The financial analysis can be accessed in the separate file “Individkraft\_financial analysis.xcl”.

#### a) Pitch deck

The pitch deck is a presentation containing 15 slides which serves the purpose of “selling” our client’s business idea to potential investors, existing business partners, and other stakeholders. It can be accessed in the separate file “Individkraft\_pitch deck.pdf”.

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