Bertelsmann Stiftung (Ed.)

Scaling Social Impact in Europe

Quantitative Analysis of National and Transnational Scaling Strategies of 358 Social Enterprises

Bundesverband Deutscher Stiftungen

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Quantitative Analysis of National and Transnational Scaling Strategies of 358 Social Enterprises

Prof. Dr. Christiana Weber
Dr. Arne Kröger, Cihan Demirtas
Institute for Management and Organisational Behaviour
Gottfried Wilhelm Leibniz University of Hanover

Bundesverband Deutscher Stiftungen
BertelsmannStiftung

Responsible: Gerald Labitzke
Authors: Prof. Dr. Christiana Weber, Dr. Arne Kröger, Cihan Demirtas
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Preface

A wide variety of different socially motivated organisations perform exceptional feats in alleviating societal ills using creativity and entrepreneurial spirit in their quest to scale their social impact. Their focus is seldom limited to one specific region – instead they strive to benefit the largest possible number of people, thereby often transcending national borders. After all, societal issues usually don't stop at a countries' borders – why then should good ideas and impactful concepts aimed at solving these issues? For many socially motivated organisations, the goal of disseminating their social impact remains a solemn wish due to lacking experience and know-how of how to plan and conduct systematic scaling.

"Effekt^{n} – Growth and Impact in Civil Society", a joint project of the Bertelsmann Stiftung and the Association of German Foundations has systematically built up a body of scientifically sound knowledge and has recorded practical experience on how to scale social impact. The scientific analysis was conducted by Professor Christiana Weber from the Institute of Management and Organisational Behaviour at the Leibniz University Hanover. Professor Weber already developed the first international framework for the assessment of the scalability of social impact for the World Bank in 2011.

In 2013, the scaling strategies of 24 socially motivated organisations were analysed based on existing research. The results were published in the manual "Skalierung sozialer Wirkung" (Scaling Social Impact). This qualitative analysis is now complemented by a quantitative enquiry in six European countries with the goal of enabling socially motivated organisations to select appropriate scaling strategies using evidence-based knowledge and taking into account their respective national contexts. This publication is the first European study to analyse national and transnational scaling strategies and their success factors, providing a basis for further research in the area of scaling social impact in Europe. The study was published in German and English and falls under a creative common licence, which allows for partial or complete translation in any language.

We wish you an insightful read!

Bettina Windau	*Gerald Labitzke*
Program Director	Project Manager
Civil Society	Effekt^{n}

1 Introduction

Social segregation, childhood poverty and demographic change are examples of pressing social problems present in many European countries. Non-profit organisations (NPOs) in particular have traditionally been the ones to attend to society's disadvantaged. Many social problems have become more urgent and more complex, while government spending on social programmes has declined. Greater demands are therefore being placed on charitable organisations and, as a result, on the entire non-profit sector to increase its social impact. Consequently, some actors have had difficulties addressing this (new) level of social need within existing structures and resources, or competing for donations and funding from external partners.

In response to this changing socioeconomic and institutional environment, NPOs have recently begun adopting a range of strategies from the business world. Some NPOs are generating additional income from the sale of products and services. Others are partnering with organisations of various types – to create synergies, for example. Yet others are looking for critical factors that allow them to increase the effectiveness and/or efficiency of their social impact. This more entrepreneurial behaviour is particularly evident among social enterprises (see Info Box 1).

Social enterprises therefore seem to be in a position to transfer and/or scale their proven, innovative projects and programmes as part of their social engagement – with the goal of sustainably multiplying the social impact of their interventions using the relevant levers and strategies. The question of the scalability of social impact is thus of equal interest to

Info Box 1: What is a social enterprise?

Social enterprises are organisations that have identified a specific social problem and alleviate it using innovative, market-oriented approaches. In doing so, they often call existing and less efficient structures and processes into question. One aspect that all social enterprises have in common is their attempt to achieve as much social impact as possible using their innovative solution, thereby reducing the problem being addressed measurably and noticeably. These organisations therefore give higher priority to social objectives than to financial goals. The underlying operational model must be designed in a robust and financially sustainable manner in order to realise the social mission over the long term. Individuals who establish such enterprises are called social entrepreneurs.

Definition of a social enterprise

policymakers, the business community and society at large, as well as the non-profit sector (Kröger and Weber 2014). Our study also demonstrates its relevance, since more than half of all the European social enterprises surveyed said they had significantly scaled their social impact within the last three fiscal years.

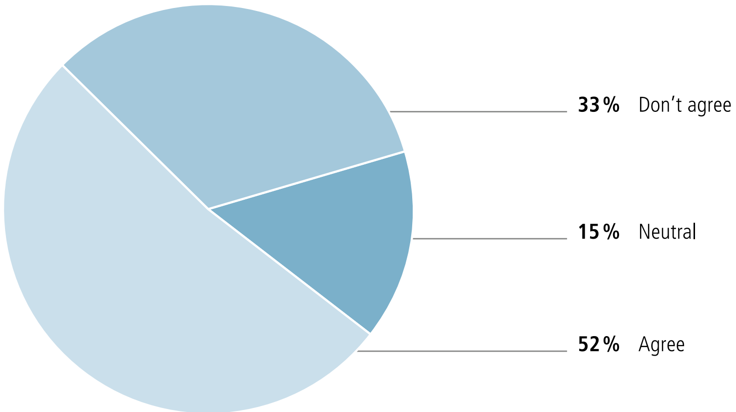
Discussion has been ongoing for quite some time, both in the environment surrounding social enterprises and among researchers, of how this success in transferring social interventions, i.e. how to increase the respective social impact, can be achieved. The same is true for the definition of scaling. In Info Box 2 we therefore explain how scaling social impact is defined in this study.

Reaching the goal requires the "right" combination of scaling strategy and success factors

Both research and direct observation show that numerous levers and strategies exist which social enterprises can use in their efforts to achieve scale (Bertelsmann Stiftung 2013). Conversely, it is not always evident and has been researched to a lesser extent which of the applied strategies is or is not successful in helping social enterprises reach their goal, and why this is the case. In any event, it can be said that a scaling strategy alone does not determine the success or failure of a social enterprise or social intervention, since the factors that influence success are numerous and their interdependencies complex (Weber et al. 2014).

Figure 1: Relevance of scaling social impact in Europe

"As a result of our activities, we have significantly increased the number of beneficiaries in the last three fiscal years"



Definition of Scaling social impact

Info Box 2: Scaling social impact

Scaling is defined here as the most effective and efficient possible increase in social impact created by a social enterprise based on its operational model, with the goal of satisfying the demand for the relevant product or service (Bertelsmann Stiftung 2013). This definition focuses on the increase in social impact and not necessarily on the relative growth of the social enterprise itself. In other words, it is entirely conceivable to scale a social enterprise's innovative concept using mechanisms that adhere to principles other than those used by a commercially oriented enterprise.

This complexity becomes clear in view of the framework we have developed, which integrates – based on a comprehensive literature review – all organisational and contextual core elements considered relevant in theory and practice for scaling social impact. Given this complexity, the following questions arise:

- Which strategies result under which conditions in successful scaling activities carried out by social enterprises?
- Which success factors should be combined with which strategies? Or:
- Which success factors need to be brought together in which configuration, and how?

In short, under which circumstances and in which context will a strategy prove success?

Idea underlying this study

By providing evidence-based findings, this study is intended to aid social entrepreneurs in choosing and implementing suitable (transnational) scaling strategies and making potential supporters more aware of the key elements relating to (transnational) scaling. The findings from our preliminary conceptual work and the empirical study "Skalierung sozialer Wirkung" (Scaling Social Impact) carried out on behalf of the Bertelsmann Stiftung (cf. Bertelsmann Stiftung 2013) serve as points of departure. The findings from that study must be tested in other European countries and augmented by additional country-specific contextual factors. Based on data from social enterprises in six European countries, the success factors conceptually generated in 2012 are being examined to verify their explanatory power and their relevance to the various types of scaling strategies. The present study should be seen as an aid for interested parties facilitating reflection in that it:

Goal of this study

- supports social enterprises with proven social programmes in choosing a national or inter-/transnational scaling strategy,
- assists social enterprises intending to scale their activities transnationally in choosing suitable countries,
- allows social enterprises to come to a better understanding of the necessary adaptations and the transfer costs potentially resulting from them,
- helps foundations and other supporting organisations in deciding whether and to what extent the scaling strategy – intended for use by a potential candidate for support – is feasible.

The best strategy cannot help if the success factors it requires – within or outside of the organisation – are not sufficiently present. Our focus is therefore on the fit between success factors and scaling strategy. If a social enterprise has already decided on a strategy, the question then arises of which success factors it must be aware of, as well as the degree to which these factors should be present and the form they should take. Should it become apparent that the chosen strategy and the success factors did not reinforce each other in a meaningful way and that the enterprise did not want to or was not able to make the necessary adjustments, then it should take a step back and consider a strategy that will better allow it to make use of its strengths.

The different combinations of success factors, strategy and overall success at the surveyed European social enterprises also confirm the so-called configurational approach, according to which certain organisational combinations, forms or "archetypes" are more successful than others and are therefore more prevalent (Mintzberg 1980, 1989).

Structure of the study

This study is structured using two different levels of analysis: the level of the organisation itself and/or its main programme or project, and the level of the socioeconomic and institutional context in which the social enterprise is embedded and/or operates. In terms of the organisational level, the first question is which scaling strategies the enterprise can or should pursue. The answer depends largely on the organisation's specific strengths and resources as well as weaknesses, i.e. how (well) the organisation is positioned. In Chapter 2, we therefore examine success factors that are relevant for scaling in general. Those factors queried and analysed in this study were identified as part of a comprehensive literature review (Weber et al. 2012) and were confirmed by the preceding study in 2013 mentioned above. Chapter 3 provides a brief look at our sample made up of 358 social enterprises as well as the methodology applied for this extensive European study.

Analysis of the organisational level

Chapter 4 analyses the level of the organisation. This is where we take a comprehensive look at our study's findings. Following a first comparative overview, we present a condensed discussion of four conceptual strategic types for scaling social impact (ibid.). To illustrate each of the strategy types, Chapters 4.1 to 4.4 contain the findings for one or two examples most often mentioned by our respondents as being the most important strategy or strategies for that type. In the information presented, we pay particular attention to the most common obstacles to achieving scale and the measures respondents mentioned as having helped to overcome them. Moreover, we show for each presented strategy the success factors it can be combined with and the relative level of success or its absence that can therefore be expected. In Chapter 4.5 we then investigate the various possible "parallel strategies" or strategy combinations that can, among other things, potentially be used to circumvent the obstacles previously discussed.

When it comes to scaling social impact, it of course makes a difference whether a social enterprise is scaling in its country of origin or into another country, since in the transnational case the socioeconomic and institutional conditions present in the country of destination vary to a relatively greater extent than in the national case. On the contextual level, the question then arises, on the one hand, of how the background conditions – i.e. laws, traditions or the population's educational level – promote or limit the enterprises' scaling attempts. Therefore, Chapter 5 makes use, among other aspects, of selected statistics to compare the scaling strategies and success factors present in various European countries. This leads directly to the questions whether scaling transnationally is the right step and, if so, which country or countries one should begin with and which strategy should be applied. Chapter 6 then summarises the study's key findings.

2 Success factors for scaling social impact

In the following chapter we examine two prerequisites and six success factors that have, in a wide range of studies, repeatedly been seen to be relevant in terms of scaling social impact. Success factors play a key role in implementing a strategy effectively and can vary depending on the strategy chosen. Social entrepreneurs who are thinking about optimising their national scaling activities or even making a first attempt at transnational scaling should consider these key success factors and try to assess as realistically as possible their own organisation and the role these factors play within it. The assessment of each factor's relevance and potential will provide social entrepreneurs with an initial impression of whether they have adopted the appropriate scaling strategy and which improvements could or should be made.

Help for assessing the enterprise's ability to achieve scale

An initial assessment of this sort will help in reaching a decision about whether or not to engage in transnational scaling and, if so, which country would be an appropriate location. In addition, a systematic analysis will show any of the social enterprise's own strengths and weaknesses that might result in the relevant strategies' success or failure. Achieving scale in other countries tends to be more difficult than in one's own and therefore should always be the second step.

2.1 Prerequisite 1: Viability of the operational model

A fundamental prerequisite for every attempt at scaling is the social enterprise's having a viable operational model. The operational model corresponds to what in a commercial enterprise would be the business model. On the one hand, it describes the social programmes in practice and the actual solution used to address the relevant social problem or need; on the other, it explains how these programmes are funded. "Viable" means in this context that the solution has proven effective in terms of achieving social impact and that it is based on a funding model that is sustainable.

Operational model as the basis for every attempt to achieve scale

Sustainable funding

"Sustainable" should be understood here as being viable over the long term. It does not necessarily mean that the social enterprise is financially self-sustaining, i.e. funded from its own income. It means, however, that the enterprise is not living "from hand to mouth", but has found a funding model that ensures it can meet its financial obligations over the short and medium term. It could be based on membership fees, earned income from the sale of products and services, or grants and funding provided by foundations or other supporting organisations, including those in the public sector. Regardless of which operational model is chosen, it must have clearly demonstrated that it works and – in order to be competitive – is superior to models already present on the market.

2.2 Prerequisite 2: Commitment and readiness

Timing is a key factor

Independent of the choice of strategy, the timing of the attempt to scale plays an important role. Social enterprises should clarify as soon as possible when and how quickly they want to carry out their scaling activities, since different opportunities arise depending on when the scaling takes place in the organisation's lifecycle (i.e. if it has just been founded or has been operating for a number of years) and on the speed with which the scaling is to be carried out.

Every attempt to scale succeeds or fails with the person who is responsible for it. As in a traditional commercial enterprise, that person is generally the founder or managers working within the organisation, sometimes both. "Strong leadership and commitment of the leader may be particularly critical in achieving significant scale" (CASE 2003: 15). Social enterprises hardly differ from commercial enterprises in this regard.

Role change during the scaling process

By scaling, meaning through the replication and increase of existing social activities, the founder's role in the organisation is likely to change, as is also true in commercial enterprises. The social enterprise will begin operating with considerably more employees or considerably more collaborative partners. In any event, the founder must start delegating responsibility. The number of people with whom the founder interacts regularly will increase and his or her area of responsibility will tend more toward management and leadership.

All of these changes should be considered in advance and the question posed as to whether this development is perceived as positive or negative. For example, is having less contact with the target groups and being more involved in discussions with employees and partners perceived more as a burden or relief? Is doing more delegating, motivating and fundraising, instead of being involved in day-to-day operations, more a pleasant or unpleasant thought?

2.3 Success Factor 1: Management competences

Definition of management competences

As in a traditional commercial enterprise, the success of a social enterprise's scaling activities is heavily dependent on the founders' and managers' management competences. Management competences are understood here as the ability to apply business-oriented processes and structures in the social enterprise's daily operations. This includes setting clear strategies and goals, establishing criteria that can be used to measure the success of the enterprise's social projects, assessing the organisation's current situation and where it wants to go, regular evaluation and documentation of how successful it has been in achieving its goals, solid budget planning and cost controlling, written documentation of key organisational processes, and ongoing improvement efforts.

A high level of management expertise is important in order to set the right priorities, maintain an overview and avoid unnecessary effort – and thus ensure the enterprise scales successfully. When scaling is first considered, the question must therefore be posed as to whether the above or similar processes have already been or can be established. In doing so, a particular focus should be put on indicators that can be used for measuring social impact. In addition, instruments should be considered that can provide information about costs and/or income at any given point in time. Robust management competences also help when it comes to ensuring the social mission is still being achieved – the core of the enterprise's activities (Dees 1998) – while the scaling process is being carried out.

2.4 Success Factor 2: Replicability

The second success factor focuses on the replicability of the enterprise's operational model and thus the core aspect of every attempt to scale. Replicability is understood here as an organisation's ability to reproduce not only its products and services, but also, where appropriate, its structures and processes – nationally and internationally (Alter 2007; Dees et al. 2004; Winter and Szulanski 2001).

Definition of replicability

In order to facilitate this replication, the operational model, already tested for suitability and robustness, should now be examined to see which possibilities exist for reducing its complexity. This reduction is essential since the less complex it is and the more it can be reduced to its core components – through standardisation and mechanisation, for example – the greater the chances are that those components can be replicated later. Core components are those that generate social impact most effectively. Such components can be identified most easily with an "elevator pitch": three sentences that could be used – while riding in a lift for 60 seconds – to explain why the operational model is unique. In addition, commercially successful organisations have demonstrated that standardisation and, where feasible, developing IT based solutions can be extremely helpful in making scaling processes simpler and easier (von Krogh and Cusumano 2001).

Reduction to core elements

Standardisation as potential prerequisite

2.5 Success Factor 3: Mobilising the necessary resources

The next key factor pertains to the level of the founder and managers. The issue at hand is whether the founders/managers will be, on their own, in a position to generate the diverse resources that the social enterprise will require in the various phases of the scaling process or, alternately, if they can mobilise those resources through third parties and/or through their own social network, i.e. using their own social capital. These resources are primarily financial capital, human resources – in particular, knowledge (see Info Box 3) – and other social contacts that could potentially provide access to additional resources or partners. Ultimately, any attempt to scale also means to internally or externally mobilize

Necessary resources

Info Box 3: Three types of knowledge

Knowledge is one of the most important resources. The reason that knowledge is so valuable is that it stands at the heart of every innovation. New or newly combined knowledge is what leads to improved or redesigned products and services, something that applies equally to the social and commercial sectors. Knowledge is often differentiated even further. A distinction is made between knowledge of data and facts (know-what) and so-called experiential and process knowledge (know-how). Contact or access to certain people is sometimes considered a separate form of knowledge (know-who).

and acquire sufficient amounts of resources in addition to the ongoing day-to-day operations.

Acquiring resources under difficult circumstances

This additional effort is a major challenge for new and small social enterprises, as it is for every commercial start-up wanting to grow. To make things even more difficult, social enterprises – in contrast to commercial businesses – often cannot pay competitive market prices for personnel, financing and other factors of production, above all because they themselves do not and cannot demand market prices for their own products or services given their target group. These enterprises must find other means of securing the necessary resources, in particular funding, knowledge and personnel (Austin et al. 2006).

Importance of social networks

It is not unusual for social enterprises to use their immediate or indirect social network to generate additional resources. If the founders present their solution for a social problem along with their initial successes to potential donors and supporters in a way that is convincing and professional, they can then use their social mission to make a more lasting connection. The mutual appreciation of the subject at hand, and of related values and norms, has been demonstrated to increase potential donors' willingness to make required resources of various types available.

Risk of mission drift

At the same time, an emotional connection of this sort – and, as is often the case, dependence on a single donor – inherently brings with it the danger that the financial supporter will exercise unwanted influence and thereby engender a change in the social enterprise's original mission ("mission drift"). Such influence should be avoided at all costs.

As a result, the following questions should be asked at every social enterprise: Which resources do we most urgently need to realise our scaling efforts? Which of these resources do we already have at our disposal? Which partners could provide us with the necessary resources? Which expectations will these partners have if they provide the resources? What will each partner expect from us in return? Can we supply it? Do we want to?

2.6 Success Factor 4: Control and dependency

Advantages and disadvantages of collaborating with partners

Growing on one's own is often difficult and tedious. At the same time, partners, allies and donors are critical for gaining access to resources and, as a result, scaling successfully. The question therefore arises of how closely the social enterprise will want to work – or should work – with these partners. As a rule, the closer the social enterprise and its partner collaborate, the more the partner will be willing to invest in the joint project, the more leverage the project will have and the faster and more successfully social impact can be scaled. Yet as the partnership deepens, it is not unusual for the partner to take control and manage certain activities, thereby reducing the influence of the social enterprise and its ability to take decisions.

Advantages and disadvantages of different levels of control

This brings up a key issue, one that not only has to do with the extent and specific nature of the required resources, but also with the question of which role the founders want to play in their own organisation in the future. The greater the founders' need to take all decisions and exercise control of their organizations' operations on their own, the less comfortable they will be with others taking the initiative, the less capable they will be of relinquishing responsibility and the less they will allow third parties to influence strategic decisions. If, however, they are social entrepreneurs who naturally welcome others taking responsibility of their own accord or if they are more concerned with achieving scale as quickly as possible, the more likely they will be to favour close partnerships – even at the price of limiting their own opportunities to manage and control.

There is no universally valid answer to the question of who the "right" partner is; it must be worked out on a case-by-case basis instead. What might be the ideal fit for one enterprise might be a poor choice for another. Each social enterprise must find out for itself what is most effective, according to its own specific criteria – without losing sight of its unique social mission!

Choosing a partner

If the initial efforts to find a partner are unsuccessful, previous research in the commercial field has demonstrated that it is important not to enter into any compromises that, when presented, do not feel right. In such cases, it is better to firmly pursue one's goal without a partner, since leaving one's original path in order to engage in a partnership that is financially attractive, for example, could result in other trusted and favourably disposed supporters losing interest. Another potential result of a disadvantageous partnership is that interdependencies could make it impossible to manage and control the enterprise independently and on one's own – for example, if partner organisations manage offices in other regions or acquire voting rights.

Social entrepreneurs must be clear about whether or not they are in favour of, or even welcome, the increased dependence on outsiders, the reduced responsibility and the diminished influence over employees and the organisation as whole. In addition, if a partnership is established, they must clarify which controlling mechanisms the social enterprise will still have at its disposal in order to monitor activities that could potentially be misdirected by partners and to subsequently influence those activities.

There are social entrepreneurs who believe that they are so much a part of the enterprise that they cannot relinquish control of their responsibilities and that outsiders should not or cannot take on these activities or learn how to do them. In such cases, it must be understood that if there is only one founder, his or her need to be in control will automatically result in the employees and the organisation as a whole becoming dependent on one individual, a situation that has advantages – and disadvantages. This dependency entails considerable risk, for example in the event that the founder becomes physically incapacitated. It also significantly reduces the enterprise's opportunities for growth, since all key decisions must or will be taken by one individual.

2.7 Success Factor 5: Transfer costs

Which transfer costs does a social enterprise have to plan for in order to achieve its intended scaling activities? The concept of transfer costs derives from transaction cost theory (Williamson 1975; Coase 1937). Transfer costs can be divided into two main types:

Definition of transfer costs

Internal transfer costs

Internal transfer costs result from having to adapt the operational model. This adaptation is, in turn, directly related to the model's complexity and the sector in which it is being used. That is, the more complex the operational model and the more target groups and/or cooperative partners are involved, the more effort is required to implement the model in locations beyond the initial one. If, for example, a social enterprise's innovative approach has to do with bringing together previously disparate individuals or institutions with the goal of communicating better and reaching better agreements, each location will require efforts to configure the relevant parties yet again.

Internal transfer costs

External transfer costs

External transfer costs

External transfer costs result from the adaptation required for the different contexts in which the social enterprise would like to carry out its scaling activities. If, for example, a social enterprise is active in the educational sector, in addition to all other requirements the operational model must be adapted to the sometimes considerably different regulatory framework that exists in each country. The need for similar changes could also arise in order to accommodate different target groups (e.g. adapting a product originally for children in preschool to make it suitable for children in school), different cultures (e.g. adapting a product or training course meant for Muslim immigrants to make it suitable for Buddhist immigrants), economic differences (e.g. Spain vs. Sweden), or complementary services (e.g. training for women's partners in addition to training for the women themselves).

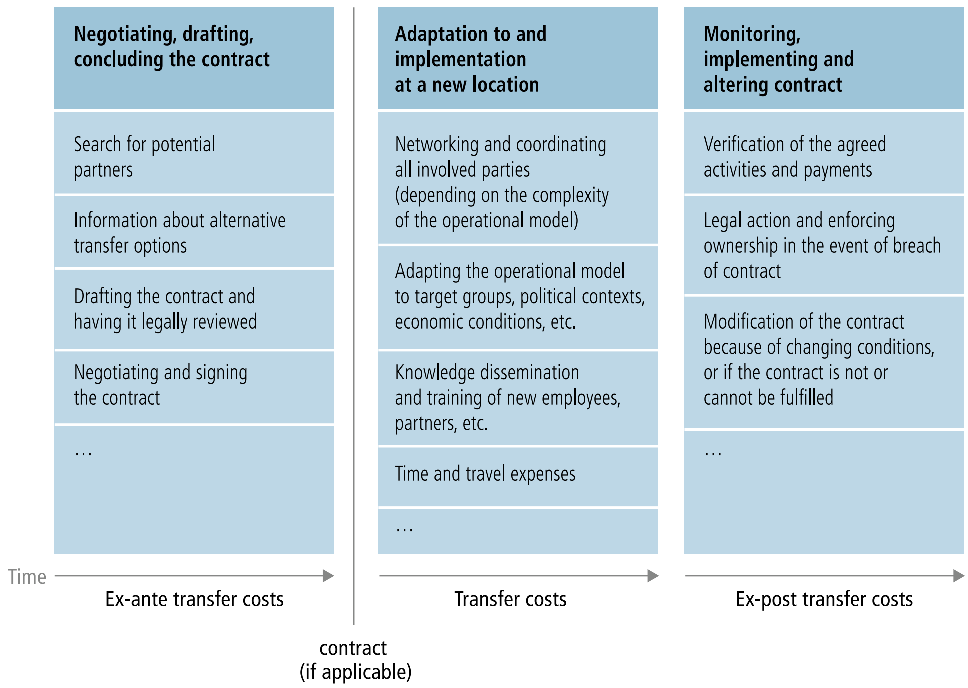
The different contexts and, as a result, the necessary adaptations increase significantly as soon as another country, culture or language or other norms and values are involved in achieving scale. Transnational scaling thus represents – similar to commercial enterprises' internationalisation attempts – a very special challenge for social enterprises, one that should not be underestimated. In such cases the obstacles generally become larger or new ones arise (language barriers, for example), making things even more difficult.

As a result, achieving scale or successfully transferring a social model means that it must be possible to replicate the operational model. In addition, the model must often be integrated into a similar yet new context or adapted to dissimilar contexts. All of this adaptation – as transaction cost theory shows – usually results in costs that the social enterprise must budget for and/or cover itself.

Three types of transfer costs

When calculating potential internal and external transfer costs, it must be remembered that these costs not only arise during the actual adaptation and implementation process,

Figure 2: Transfer costs by phase



but can also occur in advance (ex ante) of an adaptation phase, for example while gathering information about the targeted region or preparing the contract, or when negotiating and concluding the contract (see Figure 2). In addition, subsequent costs (ex post) are also conceivable, for example for quality assurance or follow-up training, or for monitoring and terminating the contract. All three phases should be accounted for when assessing internal and external transfer costs.

2.8 Success Factor 6: Legitimacy and reputation

Legitimacy and reputation are closely related to resources and are sometimes considered "immaterial resources". Legitimacy refers to the general perception or the understanding of third parties that an organisation's actions within a social system of standards and values are both desirable and appropriate (Suchman 1995: 574). If an organisation's actions correspond to the expected standards and values within a society, it attains legitimacy and is considered reputable. Organisations that have a high level of legitimacy and are considered highly reputable attain a kind of "right to exist" within the social system, allowing them to acquire resources more easily, which leads, in turn, to greater legitimacy. In other words, the process is self-reinforcing – although it operates in both directions!

Definition of legitimacy

Interplay of legitimacy and resource acquisition

This phenomenon, which is valid in both the national and international context, can be briefly explained as follows:

As soon as a social enterprise has been successful in finding partners, acquiring resources and achieving social impact, others will take notice. That means observers and/or interested parties who have possibly been hesitant up until now (and who might be located abroad) will see these successes as confirmation of the enterprise's operational model and will begin according it legitimacy. Based on this legitimacy, the previous observers/interested parties will now be predisposed to offer the social enterprise their support and/or the possibility of facilitating additional contacts, since each of these new partners necessarily brings its social contacts with it into the partnership. Some of these contacts could prove promising for the social enterprise. If the partnership continues to develop in a positive manner, the new partner will be willing to introduce the social enterprise to a contact that is of interest in terms of cooperation, in conjunction with the relevant references. This new contact will then ascribe a certain legitimacy to the social enterprise based on the positive references and will view the enterprise favourably, so that the probability of further support increases (Kumar and Das 2007; Lambrich and Weber 2014). In other words, success begets success. In the best-case scenario, one partner provides access to the next as well as to additional resources.

Prizes and honours increase legitimacy

Prizes, honours and a media presence also increase a social enterprise's legitimacy and reputation. Media presence, in turn, increases the demand for the social enterprise's products or services, makes additional social impact possible and, as a result, increases legitimacy, which then facilitates resource acquisition. A high degree of legitimacy and a good reputation thus not only reduce the risk of an organisation collapsing, but significantly increase its chances of long-term success (Deephouse and Suchman 2008). This virtuous circle can be helpful in particular as a social enterprise tries to scale transnationally, since the enterprise will be operating in a context that is more likely to be unknown. However, as has already been mentioned, a virtuous circle can also spiral downward and become a vicious one!

The specific nature of the success factors present at a social enterprise will, as noted, have an influence on which scaling strategy is suitable for the organisation. If an enterprise has already decided on a strategy, it should focus on the relevant success factors and/or emphasise them in order to scale effectively. If the adaptations required for the chosen strategy are not feasible, then a change of strategy should definitely be considered.

Four strategy types

The four major strategy types presented in this study can be grouped into four clusters, within which the strategies are similar and beyond which clear differences exist (see also Alvord, Brown and Letts 2004; Dees et al. 2004; CASE 2003, 2006; Weber et al. 2012):

1. **Capacity building:** Social programmes are increased from an existing region.
2. **Strategic expansion:** New locations are established, new products/services are introduced, new target groups are addressed and/or geographic expansion is accelerated.
3. **Contractual partnerships:** New locations are established in collaboration with long-term partners.
4. **Knowledge dissemination:** The social enterprise's concept/operational model is shared, without expanding the organisation itself.

The four strategy types, which are hereafter differentiated by colour, are examined at length in Chapter 4. Numerous findings and examples are provided, as are corresponding recommendations and pointers for achieving scale. To make the evaluation and analysis of the data from the 358 social enterprises more comprehensible, Chapter 3 provides a brief overview of our methodology and the data collection process.

3 Facts and figures relating to the study

3.1 Sample

Generating the sample

In order to create our population, we carried out extensive research in six culturally diverse European countries (Germany, France, the United Kingdom, Poland, Sweden and Spain). This involved examining numerous websites from a wide range of organisations – including sites maintained by social investors, foundations, NGOs and other affiliated organizations – to identify social enterprises.[1] In this phase it was immaterial if the enterprises had already scaled or not, since the study was deliberately designed to include unsuccessful organisations as well.

Statistical sample and responses from organisations

A total of 2,218 organisations were identified in the six countries, thereby constituting our population. These organisations were asked to answer a standardised, close-ended questionnaire, which was made available in the respective languages via an online link. Of the 2,218 organisations, we were only able to reach 1,996 as a result of invalid or outdated email addresses. Of those, we received replies from 378 – an outstanding response rate of 19%. However, 20 organisations did not meet our definition of a social enterprise (see Info Box 1) and were therefore excluded from the sample. Another 137 organisations fulfilled our criteria, but did not complete the questionnaire entirely and are currently being queried again. Their data could therefore not be used for certain parts of the analysis, which were mainly based on responses from 221 organisations.

Location of the social enterprises included in the study

The social organisations whose responses were complete and which are therefore included in our study are grouped as follows among the six countries (see Figure 3): 117 social enterprises are located in Germany, the largest country group; 70 are in Poland; 68 are in the United Kingdom (UK); 56 are in Spain; 31 are in France; and only 16 are in Sweden, which means that, while they are included in the overall statistical analysis, they were not used for specific country comparisons.

Average sources of income at surveyed social enterprises

The social enterprises included in our sample reported that, on average, 55% of their income is generated from the sale of products and services, 22% from government subsidies, 19% from donations and only 4% from membership dues (see Figure 4).

1 Websites of Ashoka, Britain's 50 New Radicals, PHINEO, Schwab Foundation, SIFE/ENACTUS, Social Entrepreneurship Akademie, portfolio organisations, European social investors, SE100 Index, Sidekick Studios, SOCAP, Social Hubs, Social Lab Cologne, Social Venture Forum, startsocial, The new Guardian social enterprise network, etc.

Figure 3: Number of completed questionnaires per country (n=358)

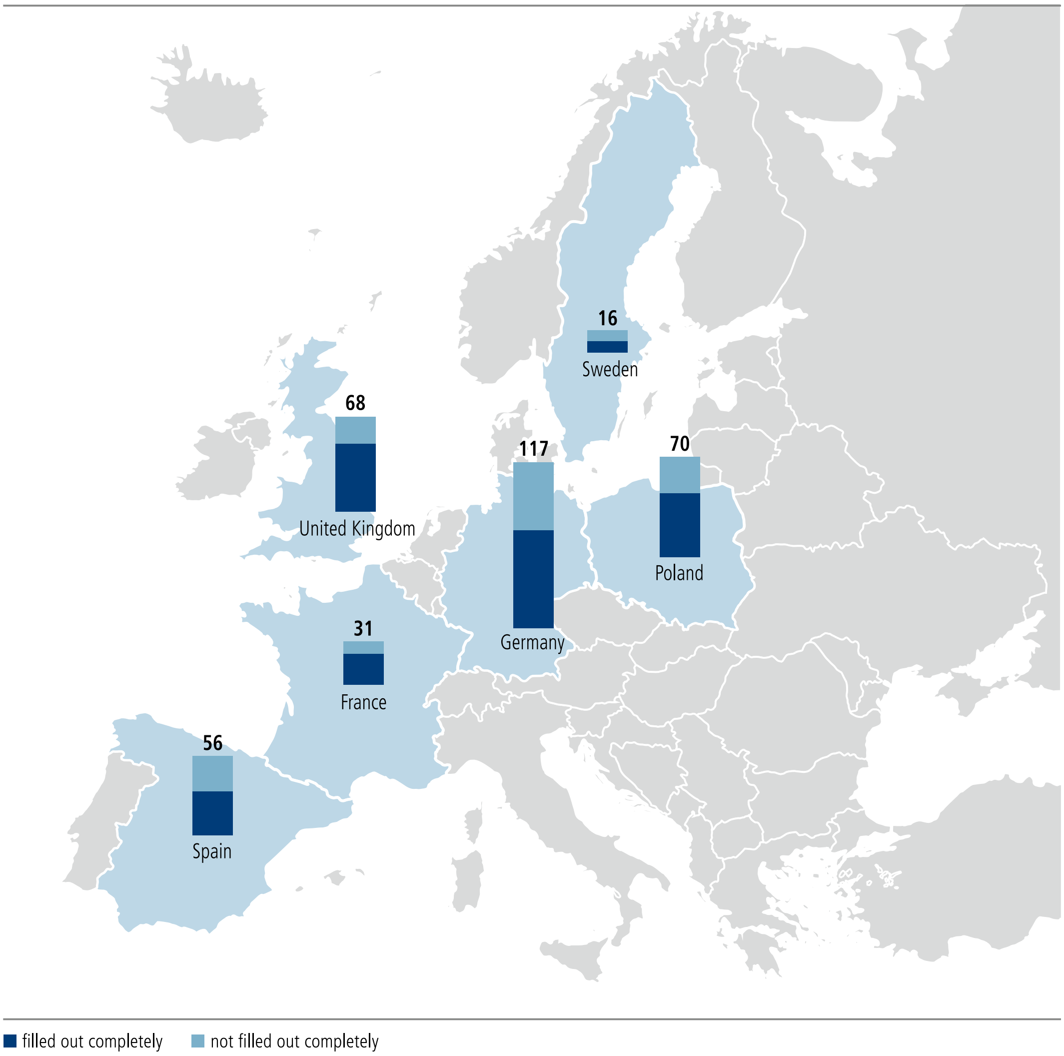
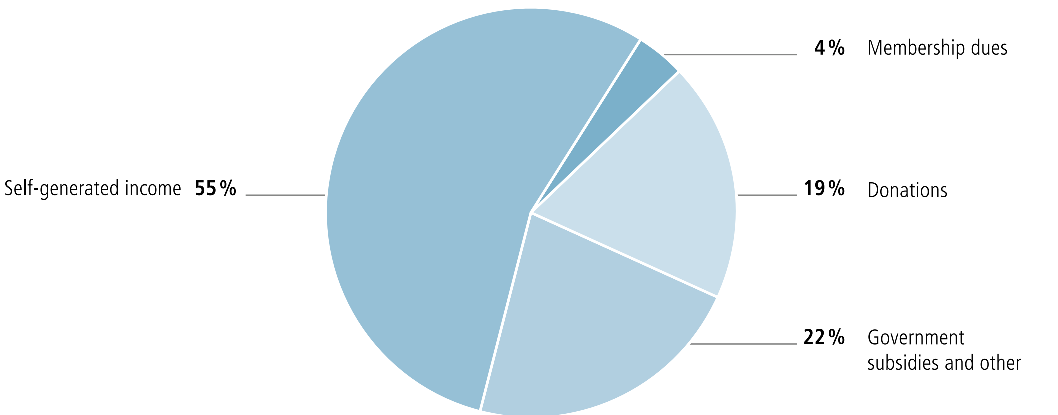


Figure 4: Sources of income at surveyed social enterprises, 2013



3.2 Methodology

The social enterprises in the various countries were queried using a standardised online questionnaire in order to empirically validate the reference framework for scaling social impact that had been conceptually developed and then qualitatively verified for the German context. To begin, the success factors for achieving scale that had been identified conceptually were operationalised without overlap. The operationalisation of the identified elements in the form of specific measures and indicators was carried out to the greatest possible extent using variables that had already been successfully applied in empirical research on social entrepreneurship or entrepreneurship in general. In addition, indicators for which no comparable studies exist or for which the applied variables were not persuasive or usable were generated by the research team itself and verified during a pre-test.

Operationalisation of the success factors

We integrated into the analysis the indicators needed to assess how the national socioeconomic and institutional context specifically affects scalability and the success of social enterprises. The examined dimensions included the share of the population at risk of poverty or social exclusion, perceived opportunities for establishing an enterprise in the relevant region, the respondent's own entrepreneurial intentions and the level of trust the respondent has in the population of his or her own country. The relevant indicators were taken from databases[2] for four years (2010–2013). The data analysis took place using standard statistical software such as PASW, PLS and/or STATA and included means comparisons, regression analysis and structural equation modelling.

Generating context data

Analysis procedure

In the following two chapters we present select findings from the study. Chapter 4 explains the results according to the four basic strategy types. Chapter 5 summarises the various countries' special characteristics and unique features; above all, it presents new findings on the previously unexplored topic of scaling transnationally.

2 Eurostat (http://epp.eurostat.ec.europa.eu), Global Entrepreneurship Monitor (www.gemconsortium.org), Edelmann Trust Index (www.edelman.de) and World Value Survey (www.worldvaluessurvey.org/WVSOnline.jsp).

4 Scaling strategies in Europe – results and implications of the study

Scaling strategies

Based on earlier research, our study identifies four basic scaling types and eleven strategies. Table 1 shows how those strategies are distributed among the four types. In this study, separate questions were asked about all 11 scaling strategies. The strategies are described in the following section.

Table 1: Classification of relevant scaling strategies

Capacity building	Strategic expansion	Contractual partnership	Knowledge dissemination
Expanding capacity	New products / services	Network	Imitation
	New target group	Licensing	Lobbying
	Geographic expansion	Social franchise	Technical support
		Joint venture	

Type 1: Capacity building

Strategy 1: Expanding capacity – "Doing more of the same"
Social enterprises of this type invest only within their organisations. The goal is to enhance efficiency, productivity, or administrative and programme-related performance – without creating new sites.

Type 2: Strategic expansion

Strategy 2: New products/services
Social enterprises of this type develop at least one new product or service for the existing target group, without creating new sites.

Strategy 3: New target group
These social enterprises provide their current products or services to at least one new target group, without creating new sites.

Strategy 4: Geographic expansion
Enterprises of this type open additional branches at other sites that can be managed from their headquarter as part of a large organisation. From the organisation's headquarters, these social enterprises hire management personnel for the various branches, oversee operations and ensure quality.

Type 3: Contractual partnerships

Strategy 5: Network
These enterprises build a network of independent organisations sharing common principles, objectives and activities.

Strategy 6: Licensing
Social enterprises of this type draw up guidelines for their organisations' processes, structures and technologies and create marketing materials, then license the entire "package" to an existing or newly established organisation at another site.

Strategy 7: Social franchise
An enterprise of this type allows other organisations to replicate its processes and structures and use its brand. In return, those organisations agree to adhere to certain objectives, guidelines and methods.

Strategy 8: Joint venture
The enterprise enters into a joint venture. The partners establish a legally independent enterprise that combines those activities that may allow them to achieve economies of scale and/or take advantage of synergies. A joint venture acts in the interest of both partner enterprises. Shares in the joint venture may be divided in various ways, but in most cases the two partners hold equal shares.

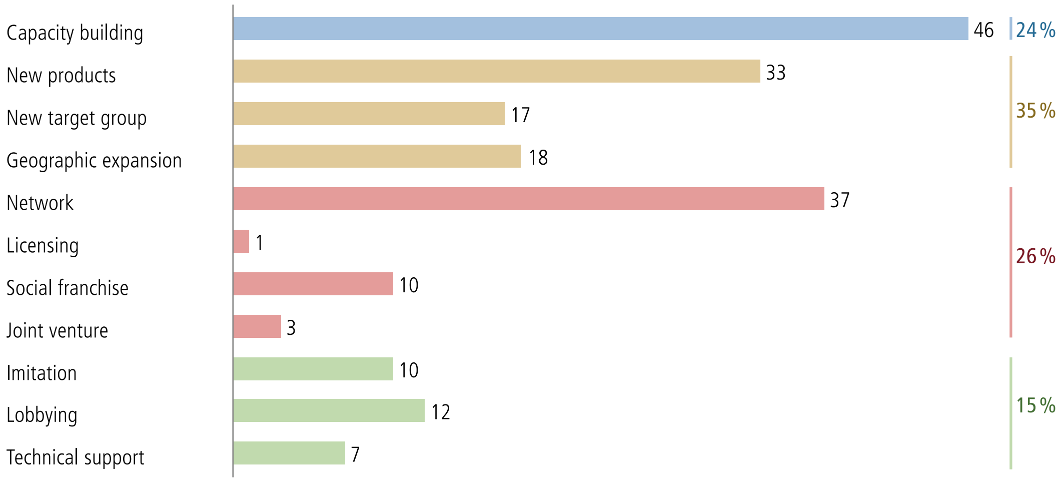
Type 4: Knowledge dissemination

Strategy 9: Imitation
As the activities of a social enterprise become widely known (through the media, case studies etc.), its programme may be emulated by another organisation without the involvement of the social enterprise in which the idea originated.

Strategy 10: Lobbying
These enterprises seek to influence policymakers and/or public opinion on behalf of the relevant target group, and/or to raise awareness of a societal need and how it is currently being addressed.

Strategy 11: Technical support
These social enterprises lend technical support, provide training or advise other organisations interested in offering similar programmes and activities.

Figure 5: Dominant strategies employed by social enterprises in national scaling in percent (n=194)



Dominant and subordinate strategies

In addition to the differences described here, we distinguish in our study between the dominant strategies, i.e. the most important scaling strategies pursued by a social entrepreneur, and other strategies that are also employed. In the following section, we focus first on the dominant scaling strategies.

In our sample, 46 of the 194 social enterprises, or 24 percent, reported that their dominant strategy was "capacity building"; it was the most common single strategy employed by these enterprises. This was followed by the "network" (37) and "new products" (33) strategies. These three were the most commonly used strategies in the countries we studied. Next, but much less common, were other strategies under the heading of "strategic expansion": "new target group" and "geographic expansion" (see Figure 5).

Selection of the strategies examined

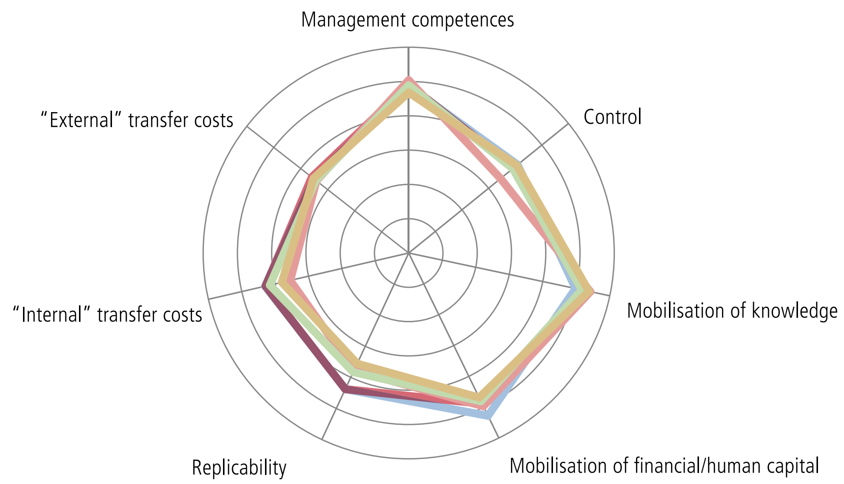
In the following four sections, 4.1 to 4.4, we discuss these four types of strategies, examining the representatives of the respective groups most frequently mentioned by the social enterprises (see Figure 5). In addition to the "capacity building" strategy, which also represents the strategy type of the same name, we have chosen to focus on the "new products" and "geographic expansion" strategies under the heading of "strategic expansion" and the "network" strategy under the heading of "contractual partnership". The "knowledge dissemination" type has not been divided into subcategories because respondents did not mention the various strategies under this heading often enough to allow for statistically robust analyses.

Relevance of success factors for each strategy

Significance attributed to the respective success factors

A calculation of the average relevance of the various success factors for each of the selected strategies on a scale of one (= not relevant) to seven (= completely relevant) shows the degree to which the social enterprises in our study considered them important. Figure 6 indicates that, at first sight and with few exceptions, there is little difference from one strategy to another in the degree to which these success factors are considered important. This initial impression changes, as we will show below, since the different success factors have a positive or negative effect on the successful scaling of social impact, depending on the strategy chosen (see the respective subsections). In other words, the different scaling strat-

Figure 6: Average relevance of success factors for each strategy



egies only lead to success in conjunction with particular success factors. One reason these general values are so similar is that our analysis includes both successful and unsuccessful social enterprises. This means that when a given factor plays a particularly important role in success, its average value is reduced by data from less successful enterprises. Our analyses also show that the age of the organisation plays a crucial role, as it appears that the relative significance of individual success factors shifts over time. The inclusion of both newer and older social enterprises in our sample has a levelling effect on the average responses. Table 2 (see Page 30) shows the average relevance of success factors for each strategy.

A detailed look at the degree to which the various success factors are relevant, as shown in Table 2, reveals the following:

Management competences: Overall, Management competences are highly relevant. This makes sense, since implementing any strategy requires the ability to think and act in accordance with business principles. Management competences can be reflected in such things as the optimal allocation of a social enterprise's available resources or a well thought-out impact analysis. These make it possible to act effectively and efficiently even when such resources are in short supply. Impact analyses focus on leverage effects and areas for improvement of those processes in a social enterprise that are necessary for generating the relevant social products or services. One tool that can be used to identify the social impact of such "drivers" is the "impact map".[3]

Impact analyses

Control: The respondents indicated that the "network strategy" offers less opportunity to influence the scaling process than do other strategies, since the individual members of a network are relatively autonomous in their actions. Thus if a social entrepreneur attaches great importance to controlling how things are to be done, the "network" strategy is not a good choice.

Average relevance: Control

Mobilisation of resources: Respondents indicated that it was possible to mobilise resources no matter which strategy was chosen. This confirms the results of the qualitative preliminary study, in which the social entrepreneurs surveyed reported that scaling almost

Average relevance: Mobilisation of resources

3 Additional information on impact maps and impact analyses: "A Practical Guide to Impact Measurement" (EVPA) or the NPC guide (www.thinknpc.org/publications/npcs-four-pillar-approach).

Table 2: Average relevance of success factors for each strategy

	Capacity building	New products	Geographic expansion	Network	Knowledge dissemination	Difference between maximum and minimum value
Management competences	4.87	↓ **4.68**	4.91	↑ **5.04**	4.89	0.36
Control	↑ **4.09**	4.06	3.95	↓ **3.45**	3.91	0.64
Mobilisation of knowledge	↓ **4.98**	5.38	5.21	↑ **5.42**	5.17	0.45
Mobilisation of financial and human capital	↑ **5.28**	↓ **4.69**	4.89	4.97	4.81	0.59
Replicability	↑ **4.38**	↓ **3.56**	↑ **4.38**	3.78	3.83	0.82
"Internal" transfer costs	↑ **4.30**	3.80	4.29	↓ **3.55**	4.16	0.76
"External" transfer costs	**3.51**	3.53	↑ **3.59**	↓ **3.42**	3.44	0.17

↑ highest value ↓ lowest value

always requires additional resources. This applies both to knowledge and to financial and human capital.

Average relevance: Replicability

Replicability: There is a significant difference between the "new products" and "geographic expansion" strategies with regard to replicability (0.82). This is because developing new products often requires new structures and processes, for example when a new product is to include new materials (in the case of Active Minds: stronger cardboard for puzzles and sturdier paper for books, see Info Box 5). When enterprises employ the "geographic expansion" strategy, however, their goal in creating new sites is to ensure that structures and processes remain as consistent as possible with those at existing sites. Social enterprises can achieve this goal by concentrating on their core products – for example through standardisation, which reduces the complexity of their operational model (Bradach 2003). As explained in the qualitative preliminary study, such processes are referred to as the "core" and are absolutely essential for achieving the desired social impact.

In addition, a modular (construction) system has proved to be very helpful in this context. Such a system includes specified components (e.g. instructional methods or programme modules) that can be flexibly implemented and combined to suit the respective needs as well as the region and target group, and that, in particular, can be made available separately.

The most relevant factors for capacity building are replicability and the mobilisation of resources. This is because in the case of capacity building there seems to be a close correlation between a simple, highly standardised operational model, which ensures that prices and product quality will remain stable, and the social enterprise's income from the sale of such products and services. This connection also became evident in our qualitative preliminary study (Bertelsmann Stiftung 2013).

Average relevance: Internal transfer costs

Internal transfer costs: The "geographic expansion" strategy is associated with a high level of internal transfer costs, since opening and operating new sites frequently involves travel costs, new supplier contracts, new sales and distribution routes, and similar expenses. Such costs tend to be lower when several existing organisations form a network. Transfer costs may also arise in connection with the "capacity expansion" strategy, in which scaling is managed from a single location – for example when it becomes necessary to modify employee contracts or train new employees.

Average relevance: External transfer costs

External transfer costs: When scaling social impacts, social enterprises are always faced with some type of external transfer costs, no matter which strategy they choose. Whereas enterprises using the "geographic expansion" strategy may experience difficulties related to cultural differences between the old and new sites, those choosing the "capacity expansion" strategy may encounter legal obstacles.

4.1 Type 1: Capacity building – "Doing more of the same"

In this first strategy, the main objective is to expand successful programmes and activities in their current form. Social enterprises that pursue this strategy invest only within their organisations. The goal is to enhance efficiency, productivity, or administrative and programme-related performance – without creating new sites, and with the same target group, the same product and the same site. This is often referred to as "more of the same".

The "capacity expansion" strategy is useful when a social enterprise wants to increase "the effectiveness, the efficiency or the sustainability of its activities" (Uvin 1995, 929) through its own efforts, i.e. without the help of a partner or another network. There are generally two ways to do this:

Two types of capacity building

Info Box 4: "Capacity building" case study – Patients Know Best (UK)

Increasingly complex cases, with patients often suffering from multiple chronic diseases and taking a variety of medications, are difficult for physicians to treat.[4] Patients' records are frequently kept on paper, which makes it hard to exchange information – and in the past, if such an exchange has taken place at all, it has been carried out using insecure channels. As a result, physicians generally have only partial information about a patient's history.

The solution: Patients Know Best (PKB) offers an online system, intended for both physicians and patients, to document the patient's history in digital form. Communication between physicians as well as between physician and patient takes place through encrypted channels, and patients are provided with additional information.

Scaling strategy: PKB's approach to scaling includes regular improvements to its services to achieve greater efficiency, for example by optimising data protection or introducing mobile apps.[5] Its long-term vision is to provide services all over the world.[6] PKB is available internationally as a web-based platform. All activities are marketed and centrally managed from PKB headquarters in Cambridge. Hence, by improving its service quality, PKB is able to reach more people with a consistent level of resources.

www.patientsknowbest.com

4 uk.ashoka.org/fellow/mohammad-al-ubaydli
5 blog-patientsknowbest.com/category/pkb-news/press
6 www.patientsknowbest.com

- The social enterprise can grow at the regional level, usually at a single site, and thereby benefit more people.
- The company can increase the efficiency of its existing processes and structures. This makes its activities more efficient (more people are able to benefit from the same level of resources) or improves the quality of existing programs (the same number of people receive better services).

Regional growth when scaling social impact beyond the respective region

A social enterprise's regional growth and its social impact should be viewed as independent of one another. A social enterprise located in a specific region may help socially disadvantaged individuals outside of that region. For example, some of its activities may be carried out by external training staff or interpreters located elsewhere. Web-based products and services can also have a social impact that extends beyond state or national borders. A good example is the UK's successful Patients Know Best social enterprise (see Info Box 4).

Success factors and scaling outcomes

Our data clearly show that none of the scaling strategies considered in our study is, per se, more successful than another. In order to build capacity, for example, it is not enough for a social enterprise to grow at its existing site or to make its processes and structures more efficient. Capacity building requires certain types of success factors. It is "capacity building" in conjunction with specific success factors that leads to success. This insight that certain configurations or "archetypes" of organisational dimensions make success more and sometimes less likely was documented in the 1980s in the field of strategic management.

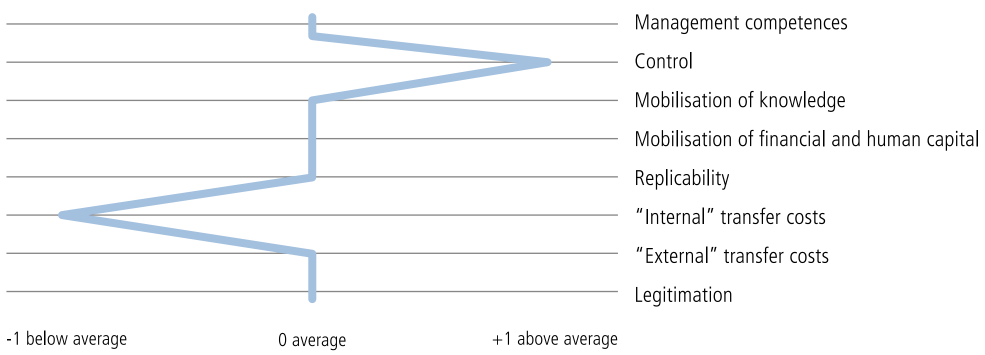
Influential success factors in the "capacity building" strategy

Our analyses showed that interactions – the interplay between "capacity building" and the success factors "control" or "transfer costs" – have a statistically significant effect on the successful scaling of social impact. Thus, if a social enterprise has decided to build capacity, a high level of control and low transfer costs will be particularly relevant to successfully scale its social activities (see Figure 7).

Interpretation of critical success factors in the "capacity building" strategy

Although in the case of other scaling strategies a high level of control by the founder tends to reduce a social enterprise's opportunities for growth, in the "capacity building" strategy the founder's influence on its procedures and strategic direction can have a positive effect on the organisation's efforts to scale social impact. This is because the capacity

Figure 7: Influence of critical success factors in the "capacity building" strategy



building strategy is in comparison to other strategies relatively easy to manage. Activities at the existing site can be expanded and/or made more efficient, and there is no need to adapt to new sites or new target groups that might require additional knowledge and skills. In addition, the founder is more familiar than anyone else with the enterprise's structures and processes, and usually knows exactly where improvements are needed and how activities can best be expanded.

As noted above, a concentration of decision-making authority always involves a risk of the social enterprise failing – for example because of physical weaknesses. Over the medium term, it is therefore wise to consider relinquishing a degree of control and expanding the enterprise's management team.

Once a social enterprise has chosen the "capacity building" strategy, it should concentrate on expanding its activities in their current form and initially avoid experiments, for example in pricing or products and services. Such experiments lead to transfer costs, which our study has clearly shown to interfere with efforts to scale the enterprise's social impact in the process of "capacity building".

4.2 Type 2: Strategic expansion – Opening new markets and/or introducing new products/services

The strategy type "strategic expansion" describes a process in which a social enterprise seeks to tap into a strategically favourable position in at least one "new" market. This can generally be achieved in four ways (Edward and Hulme 1992):

Four types of strategic expansion

- Offering new, possibly complementary products/services in the existing market.
- Addressing an additional target group, which has previously not been served, with the existing product/service.
- Opening new sites in a different region where the enterprise has not yet been active, offering the existing product/service.
- Aiming for a combination of these positionings in new markets.

These alternatives can be systematised in a product-market-matrix (see Table 3), a strategic management tool formulated by Igor Ansoff in 1965 (Ansoff, 1965).

One of the central features of "strategic expansion" is that the parent organisation remains the ultimately controlling entity or supreme authority. Depending on the details, this strategy can take many forms. For example, the parent company can own shares in the individual sites or be financially involved in establishing them (Fojcik 2009; CASE 2003). In addition, basic processes (bookkeeping, quality management, personnel management,

Table 3: Three categories of strategic expansion, drawing on Ansoff (1965)

		Product / Service	
		old	new
Market	old	(original market position)	New, possibly complementary products/services (see "Active Minds" case study, Info Box 5)
	new	Expansion of social activities to new target groups or regions (see DBS Screening case study, Info Box 6)	New sites/new target group and new products/services

etc.) can be centralised, that is, carried out in whole or in part by the parent organisation. However, the sites can also be largely autonomous (Dees et al. 2004). Managing processes centrally at the parent organisation facilitates such things as coordinated fundraising (Oster 1996) and an appropriate level of control. On the other hand, social enterprises that choose this strategy often encounter the need to contribute substantial amounts of their own time and money (Dees et al. 2004), which can correspondingly diminish the additional social impact achieved per unit of time.

To illustrate these product-market matrix options more clearly, we provide below specific examples and detailed analyses for two of the three variations listed: a new product/service and a new market.

Introduction of new, complementary products or services

As a rule, any type of "strategic expansion" should be pursued only after an operational model has proved to be effective. Focusing as clearly as possible on the core activities and fine-tuning them before attempting to expand them will definitely increase the prospects for success. Otherwise, there is a risk of perpetuating or even magnifying errors, thereby failing to prioritise the necessary activities effectively. This gradual approach to scaling, which can also be observed in commercial enterprises, is likewise recommended, for instance, by von Krogh and Cusumano (2001). It is recommended to start with a single product or service and learn along the way because the risk and complexity involved in scaling an entire portfolio of products or services can thereby be reduced.

However, if the social effect depends on the interplay of several activities, introducing

Info Box 5: "New products" case study – Active Minds (UK)

Approximately 800,000 people in the UK live with dementia and an estimated 36 million people worldwide. These people often experience loneliness, boredom, depression and isolation from their family, caregivers and surroundings. The rapidly aging population in industrialised countries will only exacerbate this problem.

The solution: Active Minds is dedicated to improving the quality of life of people living with dementia. To counter their isolation, stimulate communication and provide landmarks for orientation, the company continually creates new age-appropriate products. The objective is to improve the quality of care through interaction and meaningful, engaging activities.

Scaling strategy: The first Active Minds product was a jigsaw puzzle. Next came painting books activating complementary stimuli such as creativity, reminiscence and communication. Additional products such as signage and books help people living with dementia communicate with caregivers and navigate their homes. These products ease everyday situations such as getting dressed, brushing teeth or choosing what to have for lunch. Active Minds scales by developing new products for people living with dementia rather than by opening new sites.
www.active-minds.co.uk

complementary products or services in parallel is always advisable. One example might be scaling a product for seniors that can be scaled successfully only if training in its use and perhaps a telephone hotline are likewise scaled. A case study of this strategy type is shown in Info Box 5.

Success factors and scaling outcomes

As we have said, our analyses confirm that of the strategies we observed no single one is more effective per se than another. Thus, for the "new products" strategy, simply introducing these products or services to the market does not suffice. Rather, for this strategy as well, what ultimately promotes success is a particular configuration, that is, a combination of new products or services and certain success factors. In our analyses, the interaction between the "new products/services" strategy and the "adaptation of the operational model" success factor had a statistically significant influence on the scaling of the social impact. That is, appropriate adjustments to the operational model clearly enhance the scaling activities based on the "new products/services" strategy (see Figure 8).

Key success factors for the "new products" strategy

Such adjustments are often imperative for successful scaling of social impact. This strategy should therefore anticipate plans for appropriate additional spending. Often, some of the existing structures and processes can also be utilised for the new products or services. Although sales and distribution channels tend to already exist, an adjustment to input resources particularly contributes to a successful scaling of social impact in the context of the "new products" strategy. Of course, this entails transfer costs, but these are considered a good investment.

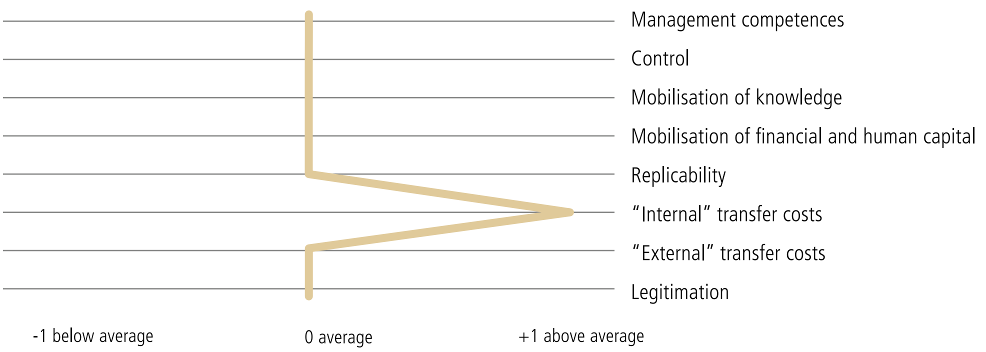
Interpretation of key success factors for the "new products" strategy

Geographic expansion

If a social enterprise would like to offer its existing programme or services – such as an educational program for blind children in Berlin – beyond the city limits, we call this a geographic expansion of its activities. The first step would be to determine the specific extent of this expansion – in this case, maybe to the neighbouring areas? Or, better, to another major city such as Hamburg or Munich?

Scaling into another region could be problematic; for example, because blind children in Berlin might already have access to early intervention that is not yet available in other

Figure 8: Influence of critical success factors in the "new products" strategy



Info Box 6: "Geographic expansion" case study – Dry Blood Spot Screening (DBSS, Spain)

Every day, many people die of diseases – some of them non-communicable (cardiovascular diseases, heart diseases, hypertension, diabetes, etc.) and some infectious (HIV, syphilis, etc.). Early detection can help save lives and greatly reduce both treatment costs and healthcare system costs. However, implementing early detection often fails for lack of suitable techniques.

The solution: DBSS offers a simple, economical method for analysing blood. The enterprise developed a filter paper strip that tests droplets of blood for diabetes, HIV, syphilis and other diseases. It can be used by patients themselves, as well as in countries or situations with inadequate diagnostic technology. DBSS offers patients the possibility of detecting these diseases or their symptoms early on, thereby reducing the risk of dying of chronic or fatal diseases.

Scaling strategy: With the goal of making DBSS available worldwide, the organisation has opened new subsidiaries in countries such as Brazil and Guatemala, and others are in the planning stage. The subsidiaries are part of a large organisation and coordinated from its headquarters in Barcelona. From these headquarters, DBSS supports the management and processes of its subsidiaries to ensure quality.

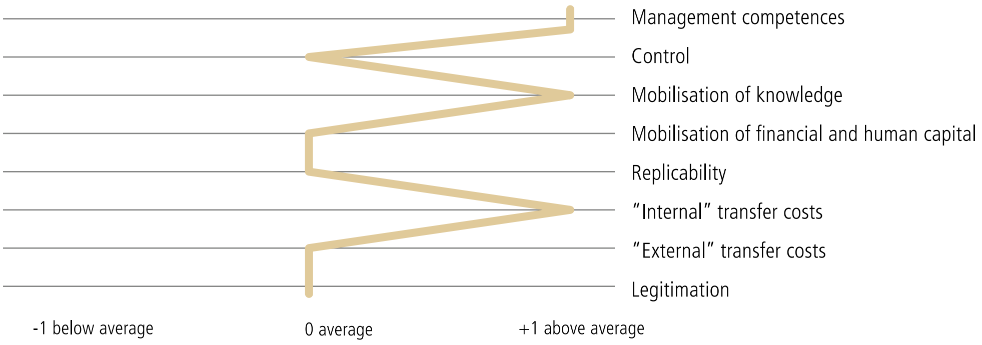
www.dbs-screening.org and www.ashoka.org

states. Geographic expansion into another region would also be inadvisable if the social enterprise's operational model is difficult to replicate or requires very specific capabilities (e.g. trained personnel) that are not sufficiently available in the target region. The next step would be to look closely at the current organisational structures and process, as well as the products and services. In the case these are not appropriate for the intended geographic expansion, perhaps because they are too complex for the intended region (e.g. Brandenburg), it would be advisable to consider a different target (e.g. Hamburg, where at least trained personnel would be available). An alternative to identifying a different target for expansion would be to adapt the organisational structures and processes as needed (e.g. develop a module that would precede the existing "Berlin Programme" and compensate for the aforesaid early intervention). A specific case study for this strategy type is described in Info Box 6.

Success factors and scaling outcomes

Once again, geographic expansion requires mobilising additional expertise, though the kind of knowledge needed is different than for the "new product" strategy. In this case, a new region is being targeted, so knowledge of this new region and new market is essential. The product or service being offered should be altered as little as possible. Therefore, the crucial first step is to identify the similarities and differences between the home region

Figure 9: Influence of critical success factors in the "geographic expansion" strategy



and the new target region. The greater the similarity, the less the likelihood that the existing product will need major adjustments, and the greater the likelihood that the scaling attempt will succeed. The proven rules of commercial strategic management can be useful in this regard (Cullen and Parboteeah 2013).

Conversely, the greater the difference, the greater the need to adapt and change the proven product or service and the greater the likelihood of higher transfer costs – for example, because of new contacts within the authorities, different legal frameworks, adjustments to contracts or new political priorities. Thus, the exact amount of transfer costs greatly depends on the choice of where to expand. However, it is unrealistic to expect a strategic expansion with no transfer costs at all.

Again in the case of "geographic expansion", we were unable to identify an isolated correlation between the choice of strategy and successful scaling. The observation that no strategy is more effective per se than any other, but that specific configurations of strategy and success factor tend to promote success, is thus quite a robust finding. Accordingly, it is not enough to simply open new sites in other regions or even in other countries. Rather, in the case of "geographic expansion" as well, success lies in the specific combination of scaling strategy and selected success factors.

Influential success factors

In our analyses, the particular interactions – that is, the interplay of the "geographic expansion" strategy either with "management competences" or with "mobilisation of resources" or with "adaptation of the operational model" – had a statistically significant influence on the successful scaling of social impact. These results demonstrate that while geographic expansion to new sites requires the mobilisation of financial and human capital, as expected, it particularly benefits from good personnel management (management competences), from the successful acquisition of knowledge/expertise and/or from adaptations of the operational model (internal transfer costs) (see Figure 9).

Interpretation of key success factors for the "geographic expansion" strategy

The development of new sites always requires new employees, and it pays to advertise for these. Qualified employees feel drawn to a social enterprise if they perceive it as an attractive employer. As in commercial enterprises, this attractiveness depends on many dimensions, such as personal development opportunities for employees. Therefore, social enterprises that expand geographically can use professional personnel management to improve their chances for successful scaling.

As earlier qualitative research shows (Bertelsmann Stiftung 2013), an organisation in the social sector is not necessarily perceived as an attractive employer because of financial incentives. Far more important is that employees can strongly identify with the organisation's social mission. One way to foster this identification is to recruit new employees by highlighting the organisation's accomplishments and its professional approach to social problems.

Being perceived as an attractive employer can also help inspire new employees who possess a special understanding of the specific socioeconomic and institutional conditions at the intended site. According to our findings, this relevant experience and/or process know-how is another crucial success factor that drives the successful scaling of social impact when combined with the "geographic expansion" strategy. Such experiential and process expertise facilitates an understanding of the potentially different legal frameworks, target group preferences and similar factors in the target regions or countries. In addition to hiring employees with this expertise, of course, the organisation can also conduct market analyses and surveys with the target group directly.

As explained in our qualitative study (cf. Bertelsmann Stiftung 2013), establishing new sites can particularly require adapting products or services to different settings. Our analyses demonstrate that the tasks associated with such adaptations contribute to the successful scaling of social impact according to the "geographic expansion" strategy. Social enterprises that pursue this strategy should also take care to keep the transfer costs of (contractual) agreements as low as possible, because these detract from the successful scaling of social impact according to the "geographic expansion" strategy.

4.3 Type 3: Contractual partnerships – New sites established via (fixed) contractual partners

Contractual agreement with partners

Social enterprises of the "contractual partnership" type – like those of the "geographic expansion" type – primarily aim to reach more beneficiaries in additional regions, expanding their radius of activity. Unlike the two strategy types already described, in this case social enterprises attempt to scale their social impact not on their own but in collaboration with partners. To that end, the social enterprise concludes some sort of contractual agreement with partners who are ordinarily located at new sites (Dees et al. 2004; Fojcik 2009).

Resource acquisition and contact with partners

The "contractual partnership" strategy enables social enterprises to disseminate their social impact in various regions particularly quickly, because their partners (must) provide essential resources on site themselves (Kutschker and Schmid 2011). This allows the enterprise to reduce its own efforts to acquire additional resources. To ensure that this complementary and hence somewhat risky approach is effective, the organisation should invest a sufficient amount of time in contract negotiations with the partner. Prospective partners should already have solid expertise and contacts as well as a satisfactory reputation in their own region. This not only increases their credibility but also simplifies access to additional resources (Bradley 2002) and, most importantly, to the actual target group.

Partner's responsibility and motivation

By scaling via contractual partnerships, the social enterprise transfers some responsibility to its partner at the other sites. In turn, it can (and must) reduce its own responsibility. Furthermore, the partner's contribution of specific resources on site and its prospect of assuming responsibility motivates partner organisations to render appropriate services on site (Schöning 2007). In theory, "contractual partnerships" include strategies such as "networks", "franchise", "licensing", "strategic alliance" and "joint venture". In practice, however, our data reveal that social enterprises mainly use the strategies "network" and "social franchise", with "licensing" and "joint venture" far less common. Because our study includes surprisingly few "franchise" and "licensing", we address these strategies only briefly. Scaling via "network" – the strategy most often cited – is covered in detail with examples and numerical data.

Franchise and licensing

"Franchise" or "licensing" are options for scaling social impact when a social enterprise is interested in rapid geographic expansion with independent local partners but also considers it important to have tighter control over its partners than it would have in a "network". With "franchise" and "licensing", the social enterprise typically establishes a sort of network (Dees et al. 2004) providing its partners, the franchisees or licensees, the right to use or purchase the products or services it has developed. In return, the franchisee or licensee pays the initiator or "inventor" a one-time or running license fee (see Kutschker and Schmid 2011; Bradley 2002; Tracey and Jarvis 2007; Oster 1996).

Tighter control

Thus, while every "contractual partnership" entails a signed agreement, the cooperation between partners in a franchise or licensing relationship is much more tightly structured and regimented than it is, for example, in a network's articles of association. The agreement defines specific payments of franchising or licensing fees as well as certain quality standards for products and services, but also stipulates standardised processes or the use of the logo. Thus, the franchise or license agreement permits significantly tighter control of the partner by the social enterprise acting as franchisor than in the "network" strategy, but also significantly less than in scaling without a partner.

Payment of franchising or licensing fees

For the social enterprise as franchisor or licensor, this contractually secured higher level of possible control, but also of obligation, entails more effort and/or higher costs for the coordination and control of the various sites than would be incurred in a network. These costs must be included in the calculations. Planners should also anticipate that conditions at the various sites may necessitate modifications to the products or services. This could happen particularly when different federal structures and laws exist within a country or when national borders are crossed.

To better estimate whether this strategy type is appropriate for a particular social enterprise, planners should consider not only the advantage of rapid geographic expansion and transfer of responsibility to the partner, but especially also the following aspects:

Good reasons for franchising or licensing

- It is important that when the scaling takes place, the partners at first strictly adhere to the stipulated instructions and rules as well as any common quality standards, so that the original concept is not diluted.
- Higher-level functions such as store design and marketing/PR should be retained by the initiating social enterprise.
- However, it is important for the partners to (be able to) act relatively independently on site.
- This form of scaling entails relatively high transfer costs. For example, it is possible and even likely that the specific characteristics of the new sites will require adaptations.

The main difference between "licensing" and "franchise" lies in the object that is transferred: Whereas "licensing" is ordinarily used to transfer patents, trademark rights, names and know-how, "franchise" addresses the "overall business concept" (Kutschker and Schmid 2011). In practice, however, the two types are often difficult to distinguish. In Info

Difference between franchising and licensing

Box 7, we present a successful social enterprise that chose the "social franchise" scaling strategy.

Our study could not specifically evaluate the "social franchise" strategy, because the sample for this particular strategy was too small.

Network

Loose affiliations of partners with shared goals

In the "network" strategy, a social enterprise joins various other organisations in an affiliation based on a common overarching idea, but each partner mainly acts independently. At the same time, they work together to achieve their common goals (set forth in their articles of association or a similar document) or the quality standards they have agreed on, and they display a uniform presence to others (Dees et al. 2004). In contrast to, for example, the "strategic expansion" the network approach comprises relatively independent entities that pursue their activities at the network's various sites, rather than being controlled by a central entity. A case study of this strategy type is given in Info Box 8.

As a structure, the strategy of scaling through networks has the advantage of rapid geographic expansion, but also the disadvantage of relatively little possibility of control,

Info Box 7: "Social franchise" case study – Generationsbrücke Deutschland (Bridging Generations, Germany)

As birth rates decline, German society is growing older. The large number of older people, often living alone and sometimes in need of care, is posing new challenges to Germany that must be addressed.

The solution: The social enterprise Generationsbrücke Deutschland (Bridging Generations, Germany) builds meaningful relationships between children in primary schools and elderly inhabitants of nursing homes. The one-on-one meetings take place regularly and feature activities like playing with balloons, waltzing and quizzes. The emphasis is placed on the interaction between the children and the elderly.

Scaling strategy: When a nursing home decides to join the programme, a cooperative agreement is signed. This gives the partners the right to use the Bridging Generations name and content in conformity with a detailed blueprint and handbook. In return, the nursing homes pay an annual fee. Bridging Generations, Germany uses this to pay for the initial on-site training and certification, along with ancillary materials. It also monitors the programmes annually to ensure that the concept is being followed according to the guidelines, maintaining the organisation's uniform presence and image.

www.generationsbruecke-deutschland.de
www.ashoka.org/fellow/horst-krumbach

because the initiating social enterprise must hand over responsibility and, for example, has little influence on the network partners' specific organisational decisions. An additional advantage is that the responsibility for the continual acquisition of resources is likewise largely handed over to the network partners. This transfer of responsibility relieves the initiating social enterprise because each member of the network can focus on its own site, where it knows the relevant "players". At the same time, this independence carries a risk, for individual sites might be less effective but still carry the network's brand.

Risk of diverging dynamics

To keep the "big picture" intact and prevent the network from falling apart, the initiating social enterprise should bear in mind that too much flexibility and independence at individual sites may end in those sites developing their own dynamics and ultimately diluting the original idea. This risk can be avoided or at least reduced if the network initiator takes on a generally accepted coordinating role. Such coordination is particularly advisable if the scaling entails high transfer costs, for example because the new sites have specific characteristics that make it necessary to adapt the original product. This need for adjustment particularly applies to countries with federalist structures and laws, as well as to transnational scaling.

Info Box 8: "Network" case study – tato.net (Poland)

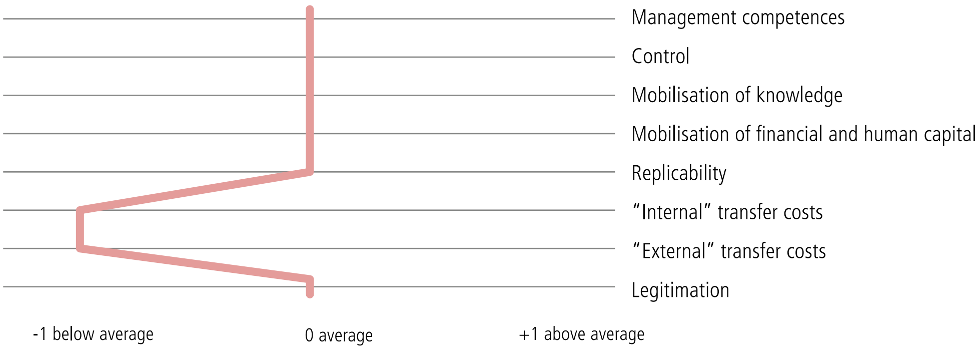
In the 1990s, Poland experienced a sweeping social and political transformation that also altered society's image of a father's (traditional) role as the sole provider and head of the family. Since then, many fathers have had difficulty identifying or defining their new role and getting involved in parenting. Whereas most parenting support has gone to women, thus facilitating their role of being the primary caregivers, men have received too little support and guidance in regard to social interactions within the family. Many men lack the knowledge and experience to feel comfortable in the new and different role as a father.

The solution: In response to this need, the tato.net initiative organised a loose network of cooperation among fathers in groups that are legally independent of each other. In this network, fathers can share their experiences and knowledge, with the common goal of learning the skills they need to participate actively and constructively in bringing up their children. This in turn promotes the child's wellbeing and development of strong confidence and self-esteem.

Scaling strategy: The concept is scaled via the network of fathers' groups who spread the word – through the Internet service for dads as well as through workshops, social campaigns, conferences, publications and seminars. Tato.net is supported by partners in business and civil society. The enterprise has spread from Poland to countries such as Brazil, Romania, Russia, Slovakia, the UK, Ukraine and the USA.

www.tato.net and www.ashoka.org

Figure 10: Influence of critical success factors in the "network" strategy



Success factors and scaling outcomes

As already demonstrated with the previous strategies, the configurational approach is again useful with the "network" strategy. In all the contexts considered here, we find no indication that the "network" strategy alone leads to success in the scaling of social impact. Consequently, it does not suffice to create a network with likeminded organisations based on a common overarching idea, or to enter such a network in which each and every partner largely acts independently. In this scaling strategy as well, it is the combination of "network" and specific relevant factors that determines success. In our analyses, the interaction between the "network" strategy and the "transfer costs" success factors had a statistically significant negative influence on the scaling of the social impact. In other words: When a new network is built, excessively high transfer costs – caused by necessary adjustments, such as training or new contracts – can prevent the successful scaling of the social impact (see Figure 10).

Initial success factors for the "network" strategy

As noted above, transfer costs have an internal and an external component. Internal transfer costs are caused by adaptations of the operational model. Our findings show that transfer costs occurring in the course of new contracts particularly inhibit successful scaling. These results suggest that a network scales more effectively if it is constructed as a rather informal association than if it enters into comprehensive contracts that constrict too much or even impede the activities of the individual network entities. Within an informal affiliation, the individual entities may be able to respond more flexibly to the special needs and preferences of their target group. However, we should mention that this flexibility and latitude carry the aforesaid risk of diluting the social mission.

External transfer costs arise from the need to adapt to different socioeconomic and institutional conditions in other regions or countries. Here, our findings show that political resistance is the factor most likely to inhibit expansion of the network. One possible tactic would be to recruit sponsors and/or other promoters of the network's activities in the target region or target country (Bertelsmann Stiftung 2013). If this is not an option, it might be advisable to choose another country where this resistance is less likely or not a factor. Of course, the latter statement would not apply if political resistance is the very goal pursued by the social enterprise.

4.4 Type 4: Knowledge dissemination – Spreading the idea without expanding the organisation

In the "knowledge dissemination" strategy type, the focus is on transferring knowledge. A social enterprise spreads its knowledge primarily by actively providing information, and sometimes (technical) support or guidance and advice, to others who then bring this innovation in a comparable or modified form to their own community or region (Dees et al. 2004). The actual idea or approach can be adopted by others effectively only to the extent that the initiating social enterprise is willing to share its knowledge.

Sharing knowledge generously

This strategy type enables an enterprise to maximise its social impact and fulfil its social mission without necessarily having to expand its own organisation (Uvin 1995) or – as in contractual partnerships – make long-term commitments. The mechanism behind and, therefore, pursuing the "knowledge dissemination" strategy type is particularly simple, because a social enterprise – depending on the intensity of support – must ordinarily commit only limited resources. Furthermore, the adopting organisation is legally independent, so that the initiator basically has no responsibility for it, though also no control over it. A case study of this strategy type is given in Info Box 9.

Limited commitment of resources, no control

Info Box 9: "Imitation" case study – DORV centres (Germany)

Germany – like other countries – increasingly faces the problem of commercial concentration and rural depopulation. Accompanying and accelerating this trend is a deterioration of relevant infrastructure.

The solution: The concept underlying the DORV centre is to establish supply and service centres in underserved rural regions, revitalising them and making their inhabitants more independent and self-sufficient. These centres are locally financed by investments originating in the citizenry of the respective communities. Therefore, the centres will offer goods and services tailored to the needs of the local population, as they are both consumers and investors. A DORV centre consists of five pillars: Foods, services such as an automated teller machine (ATM), social and medical services, communication/community dialogue and cultural opportunities. The focus is on local suppliers and (fresh) products and on social contact among residents.

Scaling strategy: In response to high demand, the founders have developed a model that makes the idea replicable and transferable to other locations. They support interested villages to the extent that the partners request assistance. Thereby, the founders disseminate the knowledge acquired in establishing their own DORV centre, in the form of advice, assistance and personal contact. Individual DORV centres are independent, locally owned and responsible for acquiring their own resources. They can configure the basic structure (the five pillars) in different ways and choose their own name. The knowledge underpinning DORV centres has been spread so widely that other initiatives, "competitors", have adopted the five-pillar model.

www.dorv.de
http://germany.ashoka.org/fellow/heinz-frey

Social enterprises can also disseminate knowledge in order to influence key decision-makers (lobbying) or to generate awareness for their social cause or the people whose needs they serve (activism).

Success factors and scaling outcomes

Like the others, this last strategy type, viewed in isolation, is not per se successful or more successful than any of the others. In the end, therefore, the "knowledge dissemination" strategy is not productive if it involves "simply" making knowledge available, transferring it to other organisations, or advising them. Rather, this strategy type again calls for a combination of "imitation" and other specifically relevant success factors.

Influential success factors in the "knowledge dissemination" strategy

Our analyses demonstrate that interactions – the interplay between "knowledge dissemination" and the success factors "mobilisation of financial and human capital", "replicability" or "legitimation" – have a statistically significant effect on the successful scaling of social impact. In other words: Scaling through knowledge dissemination demonstrably requires only a limited budget. It is also facilitated by standardisation that simplifies the original idea and reduces complexity, which, subsequently, leads to reduced transaction costs. Finally, an idea only takes hold – that is, other organisations only request the knowledge offered – if the social enterprise offering it has a high level of legitimacy (see Figure 11).

Thus, the "knowledge dissemination" strategy allows successful scaling even with a limited budget. Depending on the partner's involvement, at least two scenarios are possible:

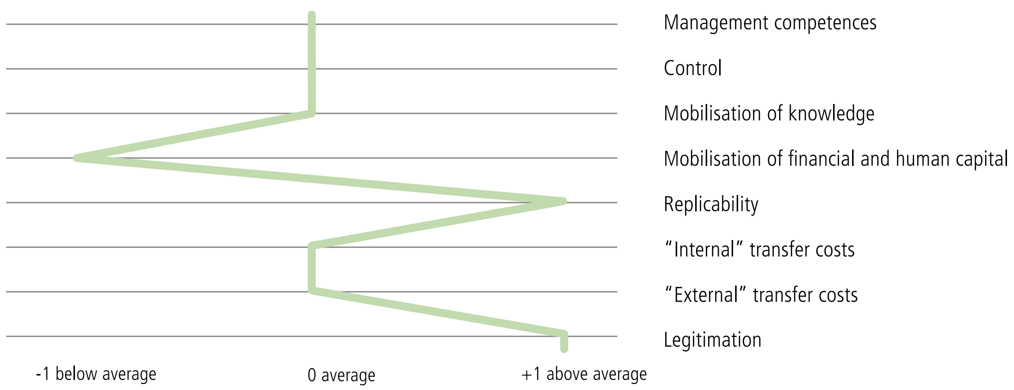
Resources acquired independently by organisations adopting the model

1. After successful transfer of knowledge, the partner mobilises resources independently on site. That is, after an introductory training, each site has its own financing plan and the sites are completely independent as they acquire the resources they need.

Partners benefit from existing structures

2. Partners are supported as they mobilise resources. That is, as the social enterprises become more involved, their relationship to their partners usually intensifies. In those cases, the social enterprises usually show more willingness to support the new sites as they generate resources. The partners benefit from already existing structures and additional cooperation partners, so that in some cases mobilisation of the necessary resources even becomes extensive.

Figure 11: Influence of critical success factors in the "knowledge dissemination" strategy



Social enterprises can support other actors to better understand and emulate their own concept by documenting their processes as fully as possible and compiling a toolbox of materials that is updated regularly. Our findings show that current checklists and handbooks clearly facilitate the scaling of social impact when combined with the "knowledge dissemination" strategy. Increased media exposure as well as awards recognising a social enterprise also promote the scaling of social impact (Bertelsmann Stiftung 2013). Media exposure raises awareness of the social enterprise and, subsequently, enhances its legitimacy. Greater legitimacy, in turn, generates additional inquiries – not only from the press, but also especially from people and organisations interested in implementing the respective approach. Furthermore, greater legitimacy usually improves the existing flow of resources and facilitates the acquisition of new resources.

4.5 Strategies in combination

The findings we present clearly show that the choice of a single strategy does not suffice to guarantee successful scaling. On the contrary: In each case, the different strategies have to be combined with success factors in specific configurations to achieve success. This observation aligns with the "configuration" or "Gestalt" approach in strategic management, prominently represented by Mintzberg (1980, 1989) and others. Interestingly, for the social enterprises we examined, the combination of strategies appears to be a strategy in itself. In fact, 90 percent of the social enterprises investigated explained that in addition to their dominant primary scaling strategy they pursue one or more other strategies in order to disseminate their social mission.

Frequency of parallel strategies

Table 4: Overview of dominant and subordinate scaling strategies

dominant	subordinate 1	2	3	4	5	6	7	8	9	10	11	absolute frequency
1. Capacity expansion		18 39%	16 35%	31 67%	19 41%	7 15%	9 20%	14 30%	13 28%	12 26%	21 46%	46
2. Geographic expansion	11 65%		8 47%	9 53%	10 59%	6 35%	8 47%	6 35%	9 53%	10 59%	12 71%	17
3. New target group	11 69%	9 56%		10 63%	7 44%	5 31%	6 38%	4 25%	6 38%	8 50%	10 63%	16
4. New products	18 56%	11 34%	16 50%		11 34%	8 25%	11 34%	10 31%	11 34%	12 38%	12 38%	32
5. Network	16 50%	10 31%	17 53%	15 47%		7 22%	6 19%	6 19%	14 44%	19 59%	19 59%	32
6. Licensing	1 100%	0 0%	0 0%	1 100%	1 100%		0 0%	1 100%	1 100%	1 100%	1 100%	1
7. Social franchise	7 70%	7 70%	4 40%	4 40%	5 50%	7 70%		4 40%	3 30%	4 40%	6 60%	10
8. Joint Venture	1 33%	2 67%	1 33%	3 100%	1 33%	1 33%	1 33%		1 33%	2 67%	2 67%	3
9. Imitation	5 50%	4 40%	5 50%	4 40%	3 30%	2 20%	3 30%	3 30%		6 60%	10 100%	10
10. Technical support	3 50%	2 33%	1 17%	2 33%	3 50%	2 33%	1 17%	1 17%	3 50%		2 33%	6
11. Lobbying	7 64%	5 45%	6 55%	8 73%	6 55%	4 36%	4 36%	4 36%	7 64%	5 45%		11

We analysed this frequently observed combination of strategies more closely, preparing a table of the dominant scaling strategies along with the subordinate strategies pursued in parallel by the social enterprises (see Table 4). As the table shows, there are noticeable clusters within the various strategy types – particularly for Type II and Type IV – as well as among the types. For example, a wide variety of combinations of “capacity expansion” with various forms of “strategic expansion” can be observed. The “network” strategy is often combined with “imitation”, “technical support” and “lobbying”, or likewise with the different variants of “strategic expansion”. In this regard as well, there are striking similarities with the traditional strategic approach of commercial organisations, which likewise often pursue several strategies for different markets.

5 (Trans-)National scaling in selected countries

Following this overview of the importance of success factors and strategies for the scalability of social impact, the question arises: How do differing socioeconomic and institutional settings in different countries influence the scaling outcome for social enterprises? This question applies to scaling within a country, that is, from one region to another (national), but also from one country to another (transnational).

The key question for this chapter

Why are these questions interesting and valuable for the study presented here? What can we derive and learn from such information? From the commercial sector we know how much time and money companies spend to analyse new markets. They do this for good reason, because the risk of failure in foreign markets is known to be significantly higher than in the domestic market. Ultimately, only a detailed analysis of the conditions in potential new markets can come close to indicating their prospects for success. The same applies to social enterprises. The socioeconomic contexts and the various cultural dimensions are

Relevance of contextual data

Info Box 10: Transnational "Geographic expansion" case study – Mobilearn (from Sweden to the UK and Canada)

A critical prerequisite for the successful integration of the approximately 1.7 million immigrants per year in the EU (www.ec.europa.eu/eurostat) is a valid residence and work permit. However, the respective application and approval process is very time-consuming because immigrants often lack access to relevant information and/or lack the necessary language skills. This leads to social inequity as well as administrative and economic costs for the society.

The solution: Mobilearn offers an online system that provides access to government regulations and application forms simplified and translated into the immigrants' native languages. In doing so, this system helps the immigrants navigate the many bureaucratic requirements of their new country and shortens the time required for application and approval. At the same time, by answering important questions online, Mobilearn reduces the number of inquiries at government institutions by 25 percent. Furthermore, the living expenses for immigrants paid by the government are significantly reduced as the application process is accelerated by Mobilearn. This shortening of the application process also increases the receiving states' tax revenues as the immigrants begin paying into the social system sooner.

Scaling strategy: Mobilearn was founded in Göteborg in 2010 and expanded to the UK and Canada in 2014. From a Swedish perspective, the UK offers a favourable setting: Because the English language is taught early in Swedish schools, it poses only a slight barrier to geographic expansion. In addition, the UK has removed unnecessary legal barriers and obstacles to social enterprises in general. The UK ranks second to Sweden in regard to perceived entrepreneurial opportunities. The relatively high proportion of people at risk of poverty and social exclusion in the UK (2012: 24.1%) poses an urgent need for innovative approaches in the social sector. Furthermore, with some 500,000 immigrants per year (www.ec.europa.eu/eurostat), the UK is an attractive and important target country for Mobilearn. The greatest barriers to the transnational scaling from Sweden to the UK were the shortage of financial capital and qualified employees, along with infrastructural barriers, for example, as various communities had to be convinced that Mobilearn provides a valuable service. As a consequence, Mobilearn did adapt its processes and sales structures to the new conditions in its target country.

https://se.mobilearn.com/en

highly relevant for scaling, since they are the foundation for rough estimations of the internal and external transfer costs that can and should be anticipated during a scaling effort.

To demonstrate the complexity of factors and to illustrate how social enterprises can use existing data and statistics to generate an initial overview of the country contexts, we present a brief overview of selected contextual data that we have compiled as examples for these countries.

5.1 Country contexts

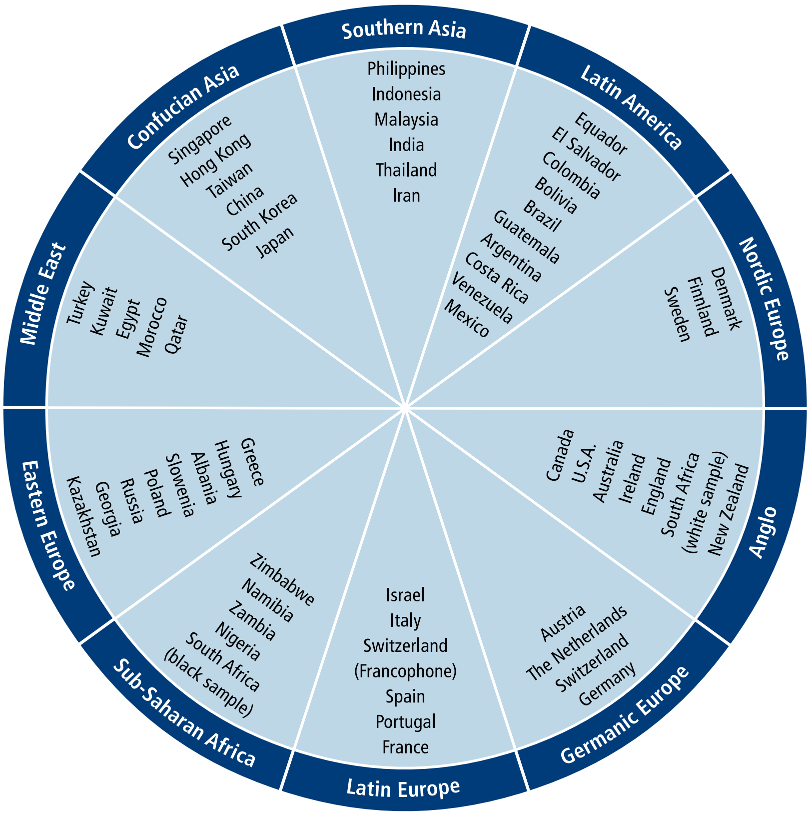
A look at the overview (Table 5) indicates that these countries differ considerably in their socioeconomic and institutional conditions. In the course of this documentation/study, however, we will discuss the details and particulars of these differences only in terms of selected examples.

In addition to the contextual factors for four years (2010–2013) from Eurostat, the Global Entrepreneurship Monitor (GEM), the Edelmann Trust Barometer und the World Value Survey, we briefly describe the cultural dimensions (widely used in research on intercultural management) from the GLOBE Study (2001, 2004), which may be regarded as a continuation of the much cited study by Hofstede (1980). The GLOBE (Global Leadership and Organizational Behaviour Effectiveness) study involves nine dimensions surveyed in 62 countries for 951 organisations and 17,370 managers. These dimensions are ordinarily cited to describe and explain differences and similarities among various national cultures or cultural regions. A better understanding of these varying cultures/cultural regions, however, is quite important for the question of transnational scaling.

GLOBE-“country clusters”

In the course of the GLOBE evaluation of 61 cultures studied, ten geographic “country clusters“ emerged (see Figure 12) that differ markedly from one another in terms of

Figure 12: Country clusters according to GLOBE



Source: GLOBE (2001, 2004)

their cultural dimensions (see Info Box 11) while exhibiting strong commonalities within each cluster. The GLOBE study thus primarily investigates differences and commonalities among cultural regions. The study makes it possible to generalise from statements about findings in one culture to other cultures in the same cluster, thereby clarifying which cultures are most similar and which are most different. With the six countries selected in our study, we cover five of the ten cultural regions. Table 6 shows the values for the countries considered here – in each case, broken down according to observed practice (the actual status) and stated values or expectations (the desired status, in parentheses).

Relevance of the GLOBE study

Based on this contextual information, social enterprises can roughly estimate the anticipated internal and external transfer costs of scaling efforts. Transferring a social program within a cultural region, that is within a country cluster, is likely to involve less need for adaptation than transferring it to another cultural region. Furthermore, examining the specific manifestations of the nine cultural dimensions allows social enterprises to estimate the extent to which a cultural region targeted for scaling aligns with their own existing organisational culture.

For example, consider uncertainty avoidance: Cultures that tend toward uncertainty avoidance are rather risk-averse. Unclear, ambiguous situations are poorly tolerated in those cultures, while processes and structures tend to be formalised and standardised, instead. In cultures with less uncertainty avoidance, people are much more willing to take risks or invest in uncertain situations and opportunities. Or consider collectivism: In collec-

Table 5: Overview of selected contextual factors per country

		Gross domestic product (GDP) *per capita (in US dollars, PPP = Purchasing Power Parity)*	**Unemployment rate** *(in %)*	**People at risk of poverty or social exclusion** *(in %; percentage of total population)*	**Perceived opportunities** *(in %; percentage of people aged 18–64 who see good opportunities to start a business in the region where they live)*	**Entrepreneurial intention** *(in %; percentage of people aged 18–64 – excluding those who are already active entrepreneurs – who are thinking of starting a business within the next three years)*	**Edelman Trust Index** *(in %; trust in businesses, governments, media and NGOs)*
Germany	2010	40,198	7.1 %	19.7 %	28 %	6.4 %	n/n
	2011	43,742	6.0 %	19.9 %	35 %	5.5 %	44 %
	2012	42,625	5.6 %	19.6 %	36 %	6.0 %	39 %
	2013	43,967	5.5 %	n/n	31 %	6.8 %	55 %
Spain	2010	30,334	20.1 %	26.7 %	19 %	5.8 %	n/n
	2011	32,360	21.6 %	27.7 %	14 %	8.0 %	51 %
	2012	30,150	24.2 %	28.2 %	14 %	11.1 %	37 %
	2013	30,543	23.9 %	27.3 %	16 %	8.4 %	42 %
UK	2010	36,371	7.9 %	23.2 %	29 %	5.1 %	n/n
	2011	38,592	8.0 %	22.7 %	33 %	8.9 %	40 %
	2012	38,891	8.3 %	24.1 %	33 %	9.5 %	41 %
	2013	40,604	8.2 %	n/n	36 %	7.2 %	53 %
Poland	2010	12,286	9.6 %	27.8 %	n/n	n/n	n/n
	2011	13,540	9.6 %	27.2 %	33 %	22.7 %	49 %
	2012	14,039	9.4 %	26.7 %	20 %	21.6 %	44 %
	2013	14,645	9.1 %	n/n	26 %	17.3 %	48 %
France	2010	40,809	9.8 %	19.2 %	34 %	14.2 %	n/n
	2011	44,008	9.7 %	19.3 %	35 %	17.7 %	50 %
	2012	42,793	9.9 %	19.1 %	38 %	17.3 %	40 %
	2013	43,775	10.1 %	n/n	23 %	12.6 %	54 %
Sweden	2010	49,078	8.4 %	15.0 %	66 %	8.5 %	n/n
	2011	56,956	7.5 %	16.1 %	71 %	9.8 %	52 %
	2012	57,948	7.5 %	15.6 %	66 %	11.0 %	49 %
	2013	60,300	7.7 %	n/n	64 %	9.5 %	54 %

Trust in the population (in %; percentage of people who would agree with the statement that most people in their country can be trusted)

		Germany	Spain	UK	Poland	France	Sweden
End of each four-year survey wave	1998	n/n	29 %	n/n	17 %	n/n	57 %
	2004	n/n	33 %	n/n	n/n	n/n	64 %
	2009	34 %	20 %	30 %	18 %	19 %	65 %
	2014	45 %	19 %	n/n	22 %	n/n	60 %

Sources: Eurostat, Global Entrepreneurship Monitor (GEM), Edelman Trust Barometer, World Value Survey

Info Box 11: Global Leadership and Organizational Behaviour Effectiveness Research Program

The nine GLOBE cultural dimensions:

Uncertainty avoidance: The extent to which a society or culture relies on established social norms, rituals and processes to alleviate unpredictability, and lives according to established guidelines, laws and formal structures

Power distance: The degree to which members of a collective expect and accept that power is distributed unequally; power is concentrated at higher leadership levels

Institutional collectivism: The extent to which collective action and distribution of resources is encouraged and rewarded

In-group collectivism: The extent to which a member of a group, such as a family or organisation, exhibits pride, loyalty, and cohesiveness

Gender egalitarianism: The extent to which a society minimises differences in gender roles and promotes gender equality

Assertiveness: The extent to which individuals in organisations or societies are assertive, aggressive or confrontational in their social relationships

Future orientation: The extent to which members of a society or organisation exhibit future-oriented behaviours such as planning or investing

Performance orientation: The extent to which organisations or societies reward group members for performance improvement or innovation, or encourage these

Humane orientation: The extent to which organisations or societies encourage and reward fair, altruistic, generous, or friendly behaviour among their members

GLOBE (2004)

Table 6: Selected European GLOBE cultural dimensions

GLOBE cultural dimensions	Germany	United Kingdom	Poland	Spain	France	Sweden
Uncertainty avoidance	5.22 (3.32)	4.65 (4.11)	3.62 (4.71)	3.97 (4.76)	4.43 (4.26)	5.32 (3.6)
Power distance	5.25 (2.54)	5.15 (2.8)	5.1 (3.12)	5.52 (2.26)	5.28 (2.76)	4.85 (2.7)
Institutional collectivism	3.79 (4.82)	4.27 (4.31)	4.53 (4.22)	3.85 (5.20)	3.93 (4.86)	5.22 (3.94)
In-group collectivism	4.02 (5.18)	4.08 (5.55)	5.52 (5.74)	5.45 (5.79)	4.37 (5.42)	3.66 (6.04)
Gender egalitarianism	3.10 (4.89)	3.67 (5.17)	4.02 (4.52)	3.01 (4.82)	3.64 (4.4)	3.84 (5.15)
Assertiveness	4.55 (3.09)	4.15 (3.7)	4.06 (3.9)	4.42 (4.0)	4.13 (3.38)	3.38 (3.61)
Future orientation	4.27 (4.85)	4.28 (5.06)	3.11 (5.2)	3.51 (5.63)	3.48 (4.96)	4.39 (4.89)
Performance orientation	4.25 (6.01)	4.08 (5.9)	3.89 (6.12)	4.01 (5.8)	4.11 (5.65)	3.72 (5.80)
Humane orientation	3.18 (5.46)	3.72 (5.43)	3.61 (5.3)	3.32 (5.69)	3.4 (5.67)	4.1 (5.65)

Source: GLOBE (2004)

tivist cultures, people tend to expect uncompromising solidarity; the individual is subordinate to the group. By contrast, people in individualistic cultures feel responsible primarily for themselves and their families, but not necessarily for the community.

5.2 Country-specific differences in success factors and scaling strategies

Average relevance of success factors per country

Equipped with this information, in Table 7 we present the mean values for the social enterprises in our study in terms of the various success factors, sorted by country.

Furthermore, comparing the mean values for individual countries with those of the other countries investigated in this study (e.g., mean value of Poland compared with mean value of the other five countries: Germany, UK, Spain, France, Sweden) yields generalisable insights about the scaling of social impact in these countries. The specific socioeconomic and institutional conditions are very important both for scaling within a country and for transnational scaling. Thus, social enterprises that want to scale across borders can get an idea of where their operational model is most likely to succeed, where they might encoun-

Table 7: Mean values for success factors by country

	Germany	UK	Poland	Spain	France
Management competences	↓ **4.63**	↑ **5.21**	5.04	4.92	4.68
Need for control	3.99	3.93	↑ **4.38**	↓ **3.36**	4.05
Mobilisation of knowledge	↓ **4.92**	↑ **5.57**	5.38	5.35	5.05
Mobilisation of financial and human capital	4.66	5.27	↓ **4.65**	↑ **5.38**	5.17
Replicability	3.51	4.84	↓ **3.49**	↑ **4.87**	4.19
"Internal" transfer costs	4.07	3.97	↑ **4.51**	3.83	↓ **3.63**
"External" transfer costs	3.79	↓ **3.25**	↑ **4.56**	3.63	3.99

↑ highest value ↓ lowest value

Table 8: Statistically significant differences at the country level

Statistically relevant differences for scaling strategies and success factors	Germany	UK	Poland	Spain	France
Capacity building	↓	↑	↓		
Network	↑	↓			
New products			↑		
Need for control			↑	↓	↑
Dependence on founder	↑		↓	↓	↑
Resource mobilisation		↑	↓		
Replicability	↓	↑		↑	↑
Adaptation of processes, structures, prices	↓	↑	↓		
Income from donations	↑			↓	
Income from products and services				↑	

↑ above-average deviation ↓ below-average deviation ter obstacles and what those might be. In Table 8, we provide an overview for five countries, showing how each differs statistically significantly, either positively or negatively, from the others for specific strategies and success factors.

Our look at the European nations and their respective social enterprise landscapes reveals an extremely heterogeneous picture: very different contexts, different histories and, as a result, extremely different responses developed by their respective social enterprises in order to realise social value. The following statements about the context conditions in each country briefly summarise the key findings of our analyses:

- Germany's social enterprises appear to be performing below their potential. Although equipped with ample resources and virtues, German social enterprises evidently do not take full advantage of their opportunities. Because this primarily reflects below-average management competences, we consider this situation good news, as appropriate courses and training programs can very easily lead to an improvement. In addition to specific management seminars designed to raise the level of professionalism, incentives for more entrepreneurial thinking and action could be helpful, since Germans – according to GLOBE – tend to be risk-averse. To further enhance relevant management competences and to redesign and optimise processes and structures, Germans would also be well advised to look to the UK, where examples of "good practice" could be examined and perhaps adopted.

Key finding about scalability in Germany

- The UK's social enterprises stand out for their high level of professionalism and experience, and they operate under relatively favourable conditions. Legal changes, such as the explicitly introduced organisational form known as the Community Interest Company (CIC), and the development of new financial instruments encourage social entrepreneurship and testify to the country's strong future orientation (GLOBE 2004). In addition, social impact investment initiatives in the UK receive governmental support at the highest level. As a result, the country earns the highest marks for degree of professionalism.

Key finding about scalability in the UK

- Poland's social enterprises operate under difficult conditions, but they show good entrepreneurial potential and a low level of uncertainty avoidance (GLOBE 2004). Poland has the lowest GDP per capita of these countries, with widespread poverty. At the same time, the conditions for successful social entrepreneurship are favourable, given the introduction of social cooperatives and the entrepreneurial spirit of Polish society.

Key finding about scalability in Poland

- Spain's social enterprises also face difficult conditions and must generally fend for themselves, not least because the society as a whole is generally considered to place a relatively low emphasis on collective action (GLOBE 2004). Spanish social enterprises generate an above-average portion of their budget from the sale of their products and/or services. They receive a very small share of donations, and their legal setting is (still) not very supportive of social entrepreneurship.

Key finding about scalability in Spain

- France's social enterprises are highly individualistic and operate below their potential. They exhibit an above-average need for control, and each is heavily dependent on its founder. Although the social entrepreneurs enjoy relatively favourable conditions, their entrepreneurial thinking and action is unremarkable. Furthermore, they tend to struggle particularly with the financial management of their organisations.

Key finding about scalability in France

What, then, do our findings say about the transnational scalability of European social enterprises? The data clearly show that scaling across national borders is a major challenge for the social entrepreneurs of Europe and will remain so for the immediate future. We will therefore address this particular form of scaling in detail.

5.3 Transnational scaling

Transnational obstacles

It became evident that the complexity of transnational scaling increases markedly in comparison to scaling within one country and with it the likelihood of additional mistakes and obstacles. In a comparison of national and transnational obstacles, we identified the following generalisable differences:

- Cultural and legal obstacles are significantly more pronounced in transnational scaling than in national scaling.
- Geographical distances between the headquarters of the scaling social enterprises and the intended new sites have a greater effect in transnational scaling than in national scaling. This means that despite the mobility permitted within the European Union, cross-border activities are perceived as far more complex than activities within one country.
- This greater complexity may be related to the shortage of human capital, which is likewise significantly more detrimental in transnational scaling than in national scaling.

Therefore, the decision to scale across borders should be made very deliberately and be carefully coordinated. Furthermore, the social enterprises that have scaled transnationally more often report a significant lack of financial resources.

Advantages of transnational scaling

Nevertheless, transnational scaling can be very attractive. For example, economies of scale can be achieved in purchasing, in the use of machinery or in the training of employees, reducing the cost per product or service. In the course of transnational scaling, social entrepreneurs are sometimes even introduced to interesting processes, structures or customer preferences in the target country that they can also apply in their home country, thereby building useful complementary competencies. In addition, transnational scaling can be helpful for partnerships with multinational commercial enterprises or international NGOs that may want to cooperate in several countries in parallel.

Empirical evidence of the attractiveness of transnational scaling

The increasing attractiveness of transnational scaling is illustrated in Figure 14, underlining how the European social enterprises in our study have expanded across borders

Figure 13: Shortage of financial resources in transnational scaling

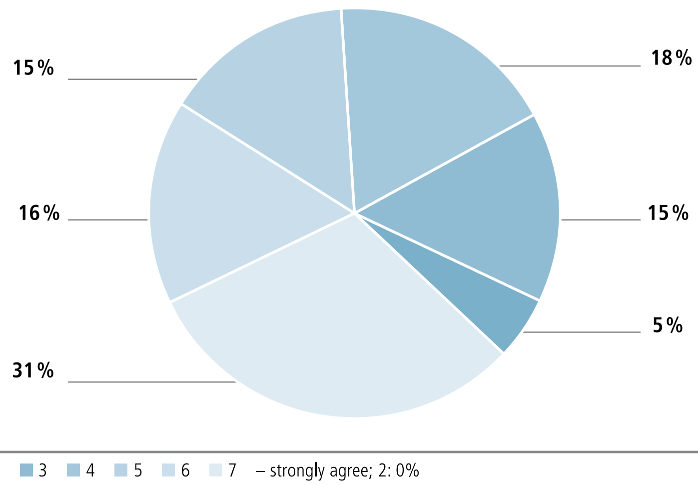
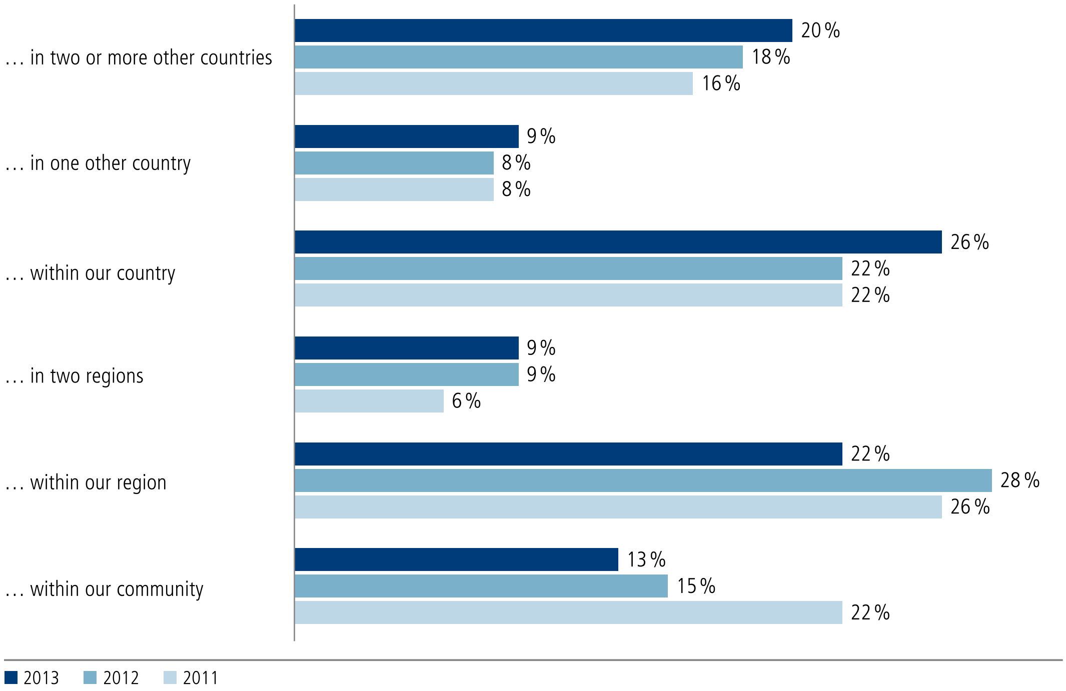


Figure 14: Geographic expansion for 2011–2013



in the past three years. While 71 percent of these enterprises reported having scaled only within their own country during 2013, just 29 percent did expand their activities into other countries.

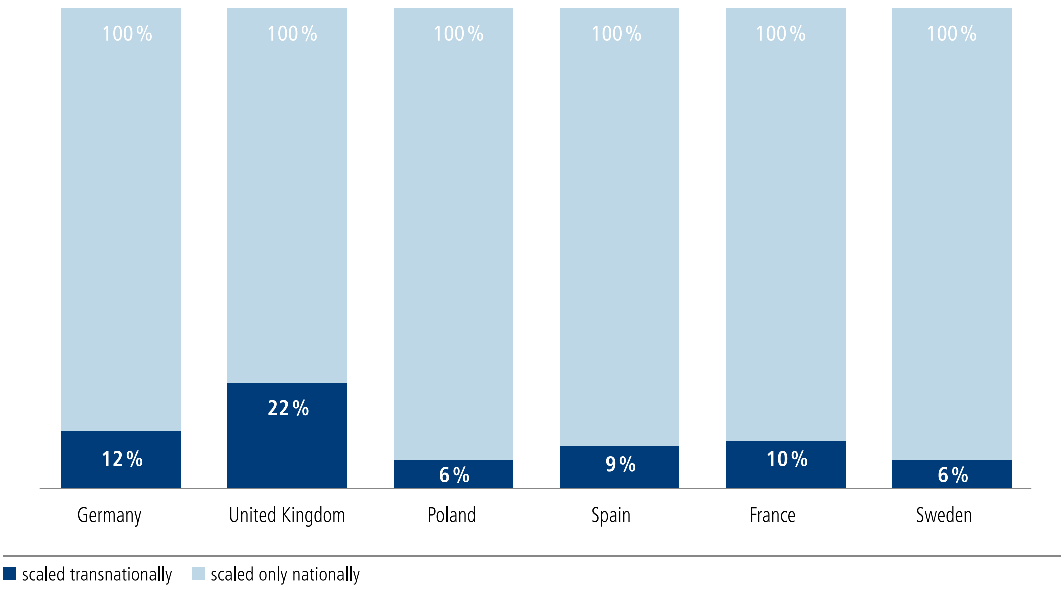
Furthermore, transnational scaling increased from 2011 to 2013 for the social enterprises we surveyed, while national scaling tended to decrease. For 2011, just 24 percent reported transnational scaling, while by 2013 this had risen to 29 percent. To the same extent that transnational scaling grew, scaling within the community tended to decline. That is, resources were increasingly invested in scaling beyond the immediate locality.

One explanation for this trend is that the social entrepreneurs, learning from experience with their own processes and structures, had gained confidence in their operational model; in other words, their social enterprises had matured. Another reason might be that they had "saturated" the market in their own country. Furthermore, it is conceivable that funding earmarked for their purposes, available only at the European level, gives social entrepreneurs a clear incentive to expand into other countries. As a conclusion, social entrepreneurs intending to scale across borders should meet these criteria:

- The underlying operational model should be robust and financially sustainable in order to fulfil the own social mission for the long term; and
- They should have already succeeded in scaling nationally so they can build on previous experience working with different target groups and in different settings.

Accordingly, transnational scaling should take place at a later stage in the "life cycle" of a social enterprise, when the entrepreneurs have gained sufficient experience with and confidence in their operational model. Figure 15 bears out this observation. It clearly shows that particularly the UK, as the country where social enterprises (already ranked above

Figure 15: Country of origin for transnational scaling



average in professionalism and in social entrepreneurship) are most highly developed, also exhibits the highest proportion of transnational scaling: 22 percent of the social enterprises surveyed in the UK reported having scaled to other countries. German social enterprises come in a distant with the second highest proportion of 12 percent. The distinctly higher level of transnational scaling activity in the UK could also be explained by the high level of "competition" in the domestic market. In some circumstances, social enterprises may consider it easier or more advisable to expand their activities into countries where they can achieve a greater social impact at the same cost than to compete in their domestic market.

In addition to asking whether and to what extent European social enterprises have scaled across borders, we were interested to know: Where did they mainly go? Is there an above-average preference for certain target countries or regions? We were unable to identify such countries or regions in our analyses. Rather, it became evident that most social enterprises in our study followed a different logic: They tended to scale into geographically nearby and/or culturally similar countries (Figure 16).

Rule of thumb for promising target countries

While 45 percent of the surveyed social entrepreneurs who reported having scaled transnationally did so exclusively within Europe, another 36 percent said they had scaled only outside Europe.

Nearly half of the 42 social enterprises (43%) scaled into countries where the same language was spoken (e.g., from Germany to Austria), so that language barriers could be excluded (see Figure 17). 28 percent of the social enterprises scaled into countries where the same language and other languages were spoken (e.g., from Germany into Austria, Switzerland, France, England, Hungary). Another 29 percent were active only in countries where a language other than their own was spoken. Thus, language as a critical means of communication was considered very important for the choice of intended target country. In this context, language can also be considered an indicator of cultural similarity.

Figure 16: Target countries for transnational scaling by distance (n=42)

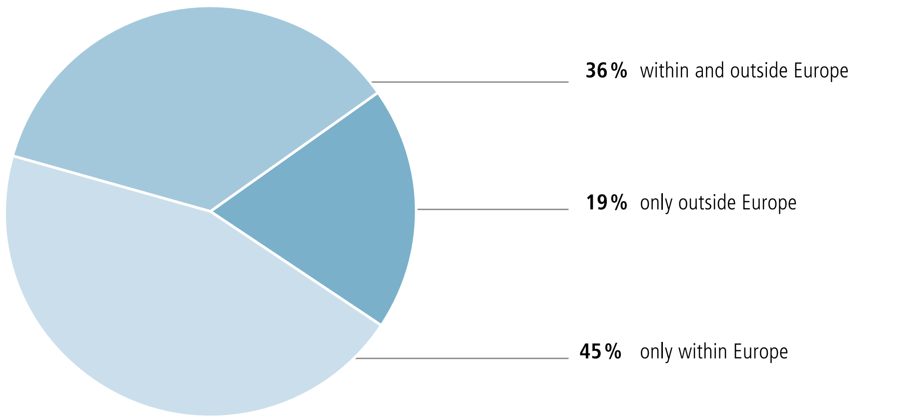


Figure 17: Target countries for transnational scaling by language (n=42)

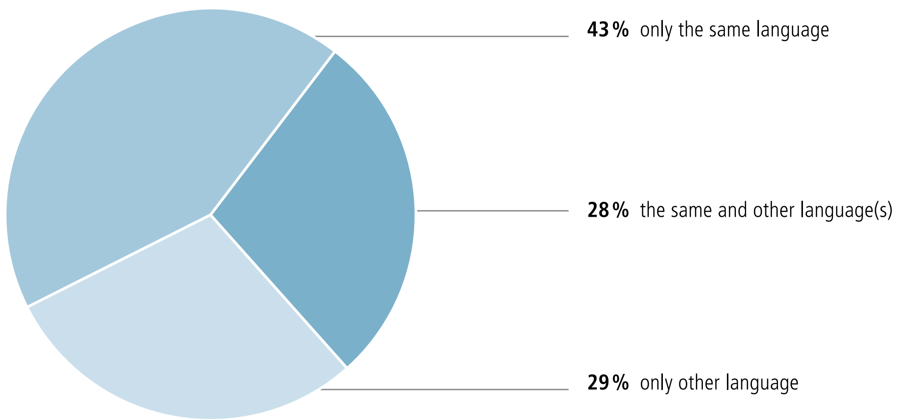
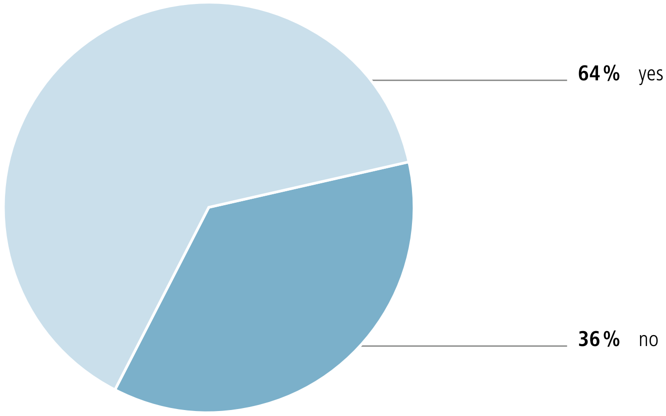


Table 9: Target countries for transnational scaling by language and geographic proximity or distance

<table>
<tr><th></th><th></th><th colspan="3">Target countries (in this study) by language</th></tr>
<tr><th></th><th></th><th>only the same language</th><th>the same and other languages</th><th>only other languages</th></tr>
<tr><td rowspan="3">Target countries (in this study) by distance/ proximity</td><td>only within Europe</td><td rowspan="3">67 %</td><td colspan="2"></td></tr>
<tr><td>within and outside Europe</td><td colspan="2" rowspan="2">33 %</td></tr>
<tr><td>only outside Europe</td></tr>
</table>

Figure 18: Change in strategy for transnational scaling compared to national scaling



Info Box 12: Transnational scaling, "network" case study – Embrace Hotels (from Germany to Belgium, Greece, Italy and Switzerland)

People with disabilities are more likely to experience socioeconomic difficulties. Within the EU, at least one in five is at risk of poverty or social exclusion. People whose disability restricts their choice of occupation are twice as likely as people without disabilities to face unemployment (ec.europa.eu/eurostat).

The solution: The Embrace Hotels are a network of more than 40 independently operating hotels at which at least 50 percent of the staff are people with disabilities. The network's goal: "To create and maintain jobs in the hotel industry for people with disabilities, as well as to foster interaction between people with and without assistance needs" (www.embrace-hotels.de).

Scaling strategy: Starting with the Stadthaushotel in Hamburg, the Embrace Hotels association was founded in 2006 to promote the exchange of experiences among the institutions, negotiate preferred prices for goods and services and present a uniform, professional image to the public. The concept was first scaled within Germany. Hotels in other countries were later added. Now present in Germany, Belgium, Greece, Italy and Switzerland, the sites are all in Europe, respectively relatively close to each other geographically. Furthermore, the sites in Belgium and Switzerland are in the same cultural region as Germany (GLOBE). Because the "network" strategy had demonstrated success within Germany, it was maintained when the concept was scaled transnationally. This scaling in cooperation with partners has the advantage that association members at the new site already have strong local ties and are familiar with the cultural and political features of the country and the target group. Furthermore, because each partner has its own sufficient resources, the acquisition of additional resources does not pose a significant problem.

www.embrace-hotels.de

In summary, it can be said that 67 percent of the social entrepreneurs who reported having scaled across borders were following the logic of “geographic and/or cultural proximity or distance” (see Table 9).

Social entrepreneurs following this logic proceed gradually and, if possible, tackle only one of the major obstacles to transnational scaling described at the beginning of this section. For social entrepreneurs with transnational scaling ambitions, this principle implies starting with a country or countries as similar as possible to the country of origin. This recommendation, to expand internationally along the dimension of cultural proximity, has already been extensively covered in the literature on commercial international management. Accordingly, these handbooks offer many useful considerations serving as a point of departure for transnational scaling efforts in the social sector (Kutschker and Schmid 2011; Holtbrügge and Welge 2010; Deresky 2014). Social entrepreneurs who see a particularly strong need for their activities in a country that is less similar to their country of origin should definitely plan to commit additional resources, and perhaps even seek experts or partners in that country for embarking on transnational scaling.

Similarity between country of origin and target country

Before deciding to pursue scaling in another country, social enterprises should analyse as fully as possible that country’s socioeconomic and institutional setting, and particularly the differences between it and the respective country of origin. Many European and global data banks, some of which were cited above, can be helpful for this type of detailed analysis.

Finally, there is the question of whether the existing strategy pursued in the domestic market should be maintained for the transnational scaling or, considering the different availability of resources or the different conditions in the intended country, a different strategy should be applied. Given the small number of transnationally operating social enterprises in our European sample, we hesitate to make a recommendation on this point. However, we can report that the social entrepreneurs we surveyed tended to have decided in favour of a change in strategy (see Figure 18).

Appropriate strategies for transnational scaling

In general, they scaled across borders in cooperation with one or more partners. This approach makes sense, for example, if the partner

Criteria for choosing a partner

- is local and therefore more familiar with the specific characteristics of the country or the target group,
- is considered socially legitimated in that society,
- already has access to useful networks, such as stable supply and distribution channels.

Also or particularly in the case of transnational scaling, the partner should be chosen very carefully to ensure that the process runs smoothly. An important point: Transnational scaling is not something that should be done at any cost. Before the decision is made to expand a social enterprise’s activities to another country, the thorough analyses described above should definitely be undertaken for the existing operational model, the current context and, above all, the differences between it and the new context. It is also essential to determine whether the internal resource base as well as the internal management capacity and competences are adequate to meet the additional challenges associated with transnational scaling. The questions raised in Chapter 2, above, can serve as a guide.

6 Summary

The goal of this research project was to conduct a large quantitative European study on the scalability of social enterprises or organisations that have committed to a social mission, based on at least five countries as examples.

Specifically, the goal was to identify answers to the questions stated at the outset, about

- how scaling strategies might differ from country to country
- how the context of a particular country influences the effect of scaling on the social impact
- how the relevant factors influence the (transnational) scalability of social impact
- possible differences in the significance and weighting of these factors
- initial findings about factors that hinder or promote transnational scaling
- other findings about different scaling strategies with partners

To that end, social enterprises in Germany, the UK, France, Spain, Poland and Sweden were analysed. For the first five countries (the response rate for Sweden having been too low), additional country-specific observations were made. Based on 358 responses, we were able to obtain entirely new insights into the nature and extent of scaling the social impact of European social enterprises within and outside their national borders. Ultimately, transferability and scalability is determined by the replicability and especially the adaptability of proven, innovative approaches in social programs and projects. Adaptability is very important, particularly for transnational scaling efforts: These are subject to the changes in socioeconomic contexts discussed in Chapter 5, and therefore the social projects offered must be adopted to those new contexts. Thus, the scaling of social impact can never be seen as an isolated activity: Like every commercial enterprise, every social enterprise continually interacts with the context in which it operates.

Here, we summarise the key findings of our study.

- Scaling of social impact is essential for reducing social and societal problems. More than half of all the social enterprises we surveyed explained: Within the past three fiscal years, as the outcome of their scaling activities in their most important programme, they made significant progress in alleviating the social, ecological and/or societal problem they addressed.

- In isolation, scaling strategies per se do not lead to success. Not one of the 11 scaling strategies we inquired about could be convincingly identified as the best strategy without consideration of additional success factors.

- The success of national and transnational scaling is the outcome of configurations of scaling strategies plus selected success factors of a specific nature. Thus, our findings align with the configurational approach (Miles and Snow 2003; Mintzberg 1980, 1989) in the traditional field of strategic management. That is, while the average effectiveness of success factors often varies only marginally across various strategies, in some cases we find that particular factors in combination with a specific strategy suddenly make a special, statistically significant contribution to success.

Findings about transfer costs

- Transfer costs are an appropriate differentiator for the choice of strategy. The costs derived from transaction cost theory (Williamson 1975) provide a useful guide in the process of selecting an appropriate scaling strategy. The higher the transfer costs, the more resources a scaling effort requires and the likelier it is that these resources are (necessarily) provided in cooperation with partners.

Distinction between internal and external transfer costs

- It makes sense to distinguish between internal and external transfer costs – as a consequence, social enterprises should analyse these separately to the extent possible. The reason is that the social entrepreneurs can directly control and possibly also reduce internal transfer costs (for example, by adapting processes). External transfer costs (which can be incurred, for example, because of different laws) are not controllable, and the social entrepreneur cannot influence them in the short term.

Insights about control

- A distinction should be made between the need for control and the dependence on the founder. Control should be considered in a more differentiated way as this success factor is complex. On the one hand, the social entrepreneur views this as a need to have and maintain the greatest possible control over the scaling process. At the same time, however, from the perspective of employees or colleagues, control describes the extent of independence from the social entrepreneur that they experience during the scaling process.

Influence of the organisation's age

- The influence of success factors varies over the life cycle of the social enterprise. The influence of many factors will change with the age of the social enterprise. This is particularly true of transfer costs and dependence on the founders. While the latter declines over time, total transfer costs rise as the enterprise continues to expand.

Findings about transnational scaling

- Transnational scaling is becoming increasingly important, but the focus remains national. Of the social enterprises in our study, 71 percent reported having scaled within their country. Just 29 percent ventured across borders. Thus, the focus for most social enterprises is quite clearly within their own national borders, where they (can) first gain experience and fine-tune their operational model.

- Social enterprises operating transnationally tend to scale "step by step", addressing only one transnationally significant obstacle – especially cultural and geographic barriers – at a time. Thus, enterprises that venture across borders for the most part do so cautiously and reduce their risk by scaling into countries with cultural similarity and/or geographical proximity. That is, they choose a country where they speak the language or a country that is also in Europe.

- Transnational scaling is more often done in cooperation with a partner than as a solo venture. Given the complexity of the new context and their unfamiliarity with it, European social enterprises tend to prefer operating transnationally shoulder to shoulder with (local) partners. This affinity for cooperation, which is also very widespread among commercial enterprises and often occurs across sectors, is an indication of complementary competencies that should be applied synergistically in transnational scaling.

Appendix

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Glossary

Educational sector

Organisations that are active in the educational sector aim to overcome structural deficits in the educational system by helping people who attend educational institutions (or would like to do so) as they access or use these programs or transition from one institution to another.

Their target group includes people of different ages. These organisations are differentiated primarily according to the type of educational institution: preschool, primary school, secondary school, college/university, professional training and continuing education, other educational and training agencies.

Legitimacy

The general perception or understanding of third parties that the actions of an organisation are appropriate and desired within a social system of norms and values.

Life cycle of an organisation

The “aging process” that an organisation goes through from the time it is established. This is traditionally divided into phases – such as its founding, growth, maturation/saturation, degeneration – and often expressed by analogy to the human body.

Mission drift

A temporary or long-term deviation of activities and decisions from the fundamental social mission of an organisation. A social enterprise that drifts away from its mission risks losing credibility, its good reputation and its legitimacy in the eyes of stakeholders (such as its target group).

Operational model

The structures and processes that a social enterprise uses to achieve its social impact, as well as the financing mechanisms on which it relies. For a detailed description of operational models, see Alter (2007).

Product life cycle
Product life cycle describes the "aging" process that happens to a product from the time it is introduced to the market. For instance, the life cycle of a product or service can be divided into four phases: introduction, growth, maturity/saturation and decline.

Product-market matrix
The product-market matrix developed by Ansoff (1965) is a tool for market analysis and strategy development. It has two axes: established products/new products and established markets/new markets. These suggest four growth strategies (product development, diversification, market penetration, market development). In an expanded form devised by Kotler (1999), a third dimension is added: new or current target groups.

Replication
The reproduction of the social enterprise's operational model or its core. The focus is not only on its products and services, but can also include its structures and processes.

Scaling
Increasing as effectively and efficiently as possible the social impact that a social enterprise generates, based on its operational model, to satisfy a social demand. The focus is on the increase in impact, not necessarily the proportional growth of the enterprise itself.

Social enterprise
An organisation that has identified a specific social problem and that seeks to alleviate it using innovative, market-oriented approaches. The underlying operational model should be robust and thus financially sustainable. The founder of such an organisation is called a social entrepreneur.

Social impact
The direct and indirect change in the well-being of a disadvantaged treatment group that occurs as a result of a social enterprise's activities. It is measured against the treatment group's well-being that they would have perceived without the social enterprise's activities. The impact may be reflected in a better earnings situation, greater educational opportunity, better health, greater environmental protection, and so forth.

Social mission
The social mission lays the foundation for all the activities of a social enterprise. A social mission differs from the mission of a commercial enterprise because its focus is on alleviating a social problem.

Social sector

Organisations that operate in the social sector pursue the goal of serving all people – regardless of age – who are socially disadvantaged because of problems caused by material, financial, personal and/or health conditions, offering humane and social services that enable them to (better) participate in society. Their main target groups include migrants and refugees, the homeless, the poor, children, the elderly and people with disabilities. They serve both individuals and families.

Success factors

Critical drivers that directly or indirectly promote and accelerate the scaling of social impact.

Transfer costs

Transfer costs are costs that arise when the operational model of an organisation is scaled up or adopted by another entity. The concept is derived from the transaction cost theory, which states that the exchange of goods or services between organisations or members of organisations always generates costs. In this study, transfer costs include such things as travel costs, time, development costs, information costs and contract costs. Transfer costs can arise before, during and/or after the transfer or adaptation process.

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About the project

This study was conducted by the project „Effekt^{n} – Growth and Impact in Civil Society” – a joint project of the Bertelsmann Stiftung and the Association of German Foundations.

Bertelsmann Stiftung

The Bertelsmann Stiftung was founded in 1977 by Reinhard Mohn and serves the common good. The foundation aims to strengthen civil society and is active in the fields of education, economy and social affairs, public health and international understanding. Its social commitment aims to encourage all citizens to work for the common good.

Bertelsmann Stiftung
Carl-Bertelsmann-Straße 256
33311 Gütersloh
Phone +49 5241 81-0
www.bertelsmann-stiftung.de

Association of German Foundations

As an independent association, the Association of German Foundations represents the interests of the foundations in Germany. The biggest foundation association in Europe has more than 3.900 members; more than 7.000 foundations are indirectly joined through endowment administrations. Thus, the association represents more than three quarter of foundation capital in Germany, respectively more than 100 billion Euro.

Bundesverband Deutscher Stiftungen
Haus Deutscher Stiftungen
Mauerstraße 93
10117 Berlin
Phone +49 30 89 79 47-0
www.stiftungen.org

About the Authors

Prof. Dr. Christiana Weber holds the chair for Management and Organization Theory at the Leibniz University Hanover, Germany. She researches and consults at the intersection of knowledge and innovation management, (social) entrepreneurship/sustainability, social network theory and Corporate Venturing.

Dr. Arne Kröger works and researches at the Leibniz University Hanover. His research interests are in the field of social entrepreneurship, in particular scaling social impact, social impact measurement and impact investment. He consults the Social Venture Fund in Munich on the impact assessment of its potential and current investments and holds a PhD from the Leibniz University Hanover. His research has appeared in The Academy of Management Review, and others.

Cihan Demirtas works and researches as a PhD candidate at the Leibniz University Hanover. His research interests are in the field of social entrepreneurship, social network theory, and strategic management.

The Institute of Management and Organizational Behaviour at Leibniz University Hanover aims at conducting excellent international research and education in the fields of innovation management, social network theory, (social) entrepreneurship and corporate sustainability management. The institute works in national and international cooperation with leading universities, academic institutions, business organisations and foundations.

Social entrepreneurs – a new form of entrepreneurship is paving the way. Entrepreneurs with a social mission are setting new priorities without discarding proven business principles. They rarely limit themselves to just one region, but want to make a difference for as many people as possible. And not only in their own country. After all, many social challenges can only be solved if good ideas and effective approaches are applied across borders.

This is the first European study to examine both national and transnational scaling strategies and their success factors. A total of 358 social enterprises in six European countries were surveyed for this quantitative study, which provides a basis for further knowledge acquisition and serves as a decision-making tool that can help social enterprises choose the scaling strategy that is right for them.

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