Scale-up and replication of start-up sustainable development enterprises: preliminary findings

Drawing on the literature of social and environmental entrepreneurship and empirical research with the SEED Award Winners, this Insight sets out the findings of a preliminary study by the International Institute for Sustainable Development (IISD) for the SEED Initiative into:

- *how successful start-up social and environmental enterprises can expand both their business and their broader social and environmental impacts;*
- *how successful approaches be adapted to other regions, countries and sectors;*
- *the enabling environments necessary for growth of an enterprise and its replication elsewhere.*

The final section sets out recommendations for policy makers and donor programme managers in considering how best to support scale-up and replication. Thanks are due to SEED's Award Winners for their valuable insights.

*The **SEED Initiative** identifies, profiles and researches promising entrepreneurial approaches to locally-led sustainable development in developing countries, and provides partnership building and capacity development through a tailored support programme for start-up sustainable development enterprises.*

IISD's full report on Scale up and replication *and other topics in SEED's Insight series are available online from the SEED website:* **www.seedinit.org**

Terminology

The terms replication and scale up tend to be used in tandem but the concepts are somewhat different. Replication (sometimes called "scale out") refers to the transfer to a different location of a tested concept, a pilot project, a small enterprise, and so forth, in order to repeat success elsewhere. Scale-up usually refers to taking a tested concept, pilot project, initiative, enterprise and expanding it, in terms of people served, revenues generated, or other similar targets.

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Theme 3: Information for policy-makers

Preliminary findings: Scale-up and replication

There is a legitimate desire, where success has been observed with a demonstrable development dividend, to advance that success on a larger scale through scale-up and replication. Yet the literature tends to focus on programmes developed, piloted and often delivered by the donor community and/or the public sector. How start-up social and environmental enterprises approach scaling up their own activities and their impacts for a greater good is less well understood.

Scaling-up

The following table, "Eight steps to scaling-up", presents a summary of the major steps that the Warmi Project followed in mobilizing Bolivian communities to strengthen reproductive health practices (Gonzales et al, 1998). While the specific context was scaling up a successful health program, the steps are generic and could be applied to a wide range of development initiatives. For example, a business would think about investors or other finance sources, instead of "donors".

Eight steps to scaling up

The scaling-up process requires a tremendous amount of negotiation, diplomacy, patience, flexibility, time and resources to be successful.

1. Establish that the technical intervention, methodology or approach that is being considered for scaling up leads to desired results through carefully evaluated and documented research.

2. Assess possibilities for scaling up (need, available resources, political will, potential partners, etc. and potential barriers to scaling up (opponents and their arguments, policies, etc.).

3. Build consensus for scaling up among decision makers, implementers and leaders of those who participate in the programme/use the intervention through meetings, presentations, field visits, etc. with key individuals and groups.

4. Ensure that policies are supportive and that resources will be available.

5. Develop plans/proposals with decision-makers and implementers on the organisational structure and relationships of the scale-up, activities, management, monitoring and evaluation, training and technical assistance, etc. Programme designs or interventions should be simplified as much as possible and should be accessible in "user friendly" language.

6. Be prepared to solicit many donors and negotiate many hours in order to put all pieces into place. The amount of funding needed for large scale programs is often not available through only one donor. Negotiate contracts, budgets, work plans.

7. Prepare training and technical assistance teams and materials to work at regional or other level depending on organizational structure. Be flexible and adapt to meet local conditions whenever possible without losing essential elements of quality.

8. Programme implementers meet regularly on local, regional and national levels to monitor progress, detect problems, develop innovative solutions/approaches, strengthen skills and build team. Ensure that representatives from those who are participating in the programme (community men and women, etc.) participate in monitoring and evaluation at a minimum at the local level.

Replication

Replication is not straightforward. Improving the communication of good ideas, even providing seed funding to attract potential entrepreneurs to replicate an idea, will not be enough. Success factors for an initiative will be grounded in the local context, for example:

- the experience and commitment of the individuals involved;
- receptivity among the local beneficiaries;
- a favourable business environment.

An exact replication is therefore never possible; but without similar favourable circumstances in place, successful replication cannot be easily assumed. Leadership and ownership of the initiative in other jurisdictions may be problematic, especially if the replication is underwritten by significant donor dollars rather than being fostered from the grass-roots.

There may not be sufficient resilience in the new community in the way of technical support, access to micro credit and other factors that could help to mitigate set backs in implementation. Legal and regulatory frameworks may well be different. All factors contributing to the success of the original enterprise must be examined in order to assess the feasibility of replication. Even with this effort, the risk of failure may be high.

Furthermore, a small-scale entrepreneur with a good idea may not want that idea replicated by others: issues of intellectual property and trademarks arise, especially if replication removes business opportunities from the original entrepreneur.

Enabling environment

Small-scale interventions, while they can provide valuable local benefits, may "remain little more than islands of excellence in a wider economic and institutional environment which is detrimental to the poor" (Uvin et al, 2000, p1409). However, advocating for, or creating this enabling environment is often well beyond the capacity and scope of influence of most SMMEs.

What constitutes an "enabling environment" will vary, depending on the type of initiative being proposed for expansion. But in general, researchers identify

- access to financial, technical and political support (Alvord et al, 2002);
- supportive policy, legal and regulatory frameworks and better policy coordination (Basu and Srivastava, 2005)
- and a range of capacities within different levels of government, including documented procedures, detailed planning, good systems for sharing, spreading knowledge, incentives for stakeholders, and building on

experience and existing institutions (Binswanger and Aiyar, 2003; Mansuri and Rao, 2004).

Drivers for scale up and replication

For those social and environmental enterprises studied by IISD, the ambitions for growth are sensible, modest, and planned in keeping with the needs of the stakeholders and market potential. While they may become more ambitious over time, their more immediate considerations are to ensure basic economic viability and modest benefits to their stakeholders. This suggests that:

- scale- up must be carefully phased, guided by a proper business plan with realistic targets and timelines, and

- at the very least, prior to significant business expansion, an integrated environmental and social assessment of scale-up should be carried out.

This begs the question: who drives the larger scale up and replication agenda, if these social and environmental enterprises do not, and probably for the most part should not, and who should take ownership and responsibility for step change towards sustainable development?

Recommendations

Policy-makers and donor programme managers should revisit their stated intentions to support scale-up and replication of social and environmental enterprises with the following points in mind.

1) **Clarify programme expectations** for scale up and replication. Consider what, realistically, can be achieved, especially if the onus remains on the entrepreneurs to scale-up their enterprises and impacts.

2) **Offer tailored support.** It may be more appropriate to focus primarily on helping to improve the chances for success of the enterprise by providing tailored services such as business and related planning support. Feasibility studies also need to be supported in many cases, together with social and environmental impact assessments.

3) **Assess project context and seek to create an enabling environment.** A key role for programmes as promoters of larger scaling up efforts will be the identification and resolution of challenges and barriers that are beyond the scope of influence of the enterprises themselves. Again, this requires a more engaged approach and a thorough assessment of the context in which an enterprise is functioning in order to determine what the challenges are and how they might be resolved. This will require greater links to local, national and regional actors.

4) **Longer term, proactive engagement.** For greater sustainable development outcomes, programmes must take a more proactive, longer term

engagement with promising enterprises to help them increase their scale and impact to a level which leads to a step change in sustainability in a given country or sector.

5) **Improved monitoring and reporting.** Programmes will need to establish credible performance monitoring to assess whether the step changes are in fact being achieved. There is little evidence of specific concerted or established strategies for identifying and reporting on the success of scale-up, or strategies for both promoting and reporting on where the project might have been replicated elsewhere.

6) **For replication, foster peer learning.** With respect to replication, incentives will be needed to encourage winning enterprises to transfer their ideas, approaches and lessons learned to others. If they are in agreement to having their idea tested and developed by others, then key to this effort will be the active fostering of peer learning, by linking replicated enterprises to the original enterprise. Building the community of practice around the initiative being replicated will help to mitigate differences encountered in implementation and might transfer valuable lessons back to the original enterprise as well.