“Discussion is an exchange of knowledge; argument an exchange of ignorance.”

~ Robert Quillen
Chapter - 6

Discussion

The results in the last section show the relationships between the challenges faced by social enterprises and the factors which affect them. The results also reveal the intensity of the relationship. Thus, it is fulfilling the third objective of the research i.e. to study the effect of identified factors on challenges of social enterprises in livelihood sector. Based on these results combined with the findings of qualitative phase, some interesting inferences can be drawn about the challenges faced by Indian social enterprises.

1) The study has found Human Resource (HR) as one of the biggest challenges for the social enterprises. This problem is not limited to the start-ups but is prevalent to growth and mature organizations as well. This problem has many facets. It is not just about the availability but also about the quality and retention of the human resource.

2) The issue of availability exists, inspite of the fact that unemployment is high in the country. This reflects in the fact that many employees during interviews accepted that this sector comes low in their priority list of places to work. Majority of people still associate this sector with more of charitable work, unsustainable organizations, undefined work profiles and long strenuous working hours with no lucrative pay. This restricts entrepreneurs to get the skilled people.

3) Instances where enterprise has skilled people, retaining them is also a challenge. Most of the social enterprises cannot match the salaries given by the Corporates. Thus, their success in retaining the talent relies heavily on employees’ motivation and passion for the mission of the social enterprise. It is important for the employees to feel connected with the goals of the enterprise. Thus, if the organization adopts a different strategy or modifies its mission, it may create
confusion amongst its employees. They may feel that the enterprise is deviating from its mission (*mission drift*) and loose motivation to work. Therefore, any strategic or policy change should not only be communicated but should be conveyed in such a manner that the employee do not have any confusion or sense of disillusionment. The quantitative study also shows that *mission drift* affects HR related challenges.

4) Another challenge related to HR is the lack of second line of leadership and succession planning. Lack of second line of leadership is more prevalent in start-ups and early growth phase organizations. One of the start-up entrepreneurs voices “I can not be out of my office for more than 3-4 days. I wanted to go for training programmes for entrepreneurs but I can’t even think of leaving everything. There is nobody to take care of things.” This is not just him but most of the decision makers do not find employees capable enough to take decisions on their own. Most often employees hesitate in taking responsibility.

5) Some organizations like SEWA or Goonj do not face the mentioned problems. The close observation and interaction suggested that identifying right people and giving them right ‘training’ could help. Apart from training, giving employees small responsibilities increase their confidence. It also slowly prepares them for big responsibilities. This requires more trust and less of controlling and monitoring on entrepreneurs’ part. For most of the HR challenges it has been observed that the well developed *systems and process* can reduce them. The quantitative result confirms the fact that systems and processes affect the HR challenges significantly. Thus, social enterprises should focus on developing well documented processes and well defined policies to minimize HR challenges.

6) The second and most talked about challenge was *Financial Sustainability*. The revenue generation for social enterprises can be divided in two parts i.e. through fund raising and/or self sustaining mode. Both the revenue generation techniques
have similar challenges. These are mostly related to the inaccessibility of the funds and lack of financial planning.

7) The inaccessibility of the funds has also been identified in the Intellecap report (Allen, 2012) based on interviews of impact investors (those who invest for creating social impact). This confirms the fact that investor or funders are ready to invest but they do not get suitable social enterprises to invest in. On the other hand, the entrepreneurs complain that they do not get enough funds to grow. The study reveals that this mismatch can be attributed to the lack of interactive platforms. The entrepreneurs and the potential investors need an interactive forum where they can mutually assess each others’ potential and limitations. This will help them in making an informed decision about the partnership.

8) Another financial challenge is lack of planning. Generally this happens due to the fact that most of the entrepreneurs do not give adequate attention to financial matters and related future planning. Their entire focus is on impact creation. For managing the finances they require additional resource, which cash crunch Social Enterprises do not want to spend on. Apart from this, they usually rely on external sources of funding. This removes their control on the availability of funds. The uncertainty related to the fund raising makes planning for future usage of funds extremely difficult for them.

9) The problem of accessibility can be overcome through conscious efforts to network, not only from the entrepreneurs but other decision makers as well. Participation in the Conferences and Business Plan competitions not only supports network creation, it also gives opportunities to get funding.

10) The results also suggest that the source of funding can play a vital role in financial sustainability. Getting funds from the impact investors, who have the understanding of the grassroots of the development sector, helps in multiple ways. As the funders are aware of the ground realities, they have realistic expectations
from their investees. They can also work as the mentor for the business. The knowledge of the investor or funder gives guidance to the venture. Along with this, the clarity of terms of investment like duration of investment, expected outcomes, profit or loss sharing makes things easier for both the parties.

11) For most of the social enterprises, growth related challenges have been the hurdle in scaling their impact. Commonly, social enterprises adopt one of the two strategies to overcome the growth challenges i.e. Diversification in the Offerings to the Beneficiaries (DOB) or Geographical Diversification of the Beneficiaries (DB).

12) The Diversification in the Offerings to the Beneficiaries (DOB) strategy for growth means the social enterprise keeps on working with the same beneficiary group and grows in terms of the services or products offered to the beneficiaries. This strategy has the advantage that the Social enterprise does not have to work on creating an image before launching the new product to the beneficiary groups. The quantitative results show that this strategy, leveraging its stronghold in the beneficiaries, makes access to the Government launched projects easier. But this strategy has its own share of challenges. The Government projects may lead to mission drift. In order to fulfill the requirement of the project, the SE may deviate from its mission and do something beyond its mandate. This strategy also restricts the enterprise to one geographical region only with limited beneficiaries which might lead to saturation. This also has high risk in the case of any kind of failure on the part of SE.

13) The Geographical Diversification of the Beneficiaries (DB) helps in taking the idea to multiple beneficiaries. This is a popular strategy for scaling-up. This reduces the risk for the social enterprise. Micro Finance crisis at Basix can be taken as an example. As Basix’s Andhra Pradesh unit faced micro finance crisis, the profit from its units in other states saved the company from going bankrupt. The
drawback of this strategy is that the enterprise has to build its image and gain the trust of beneficiary every time it propagates to a new geographical location.

14) As mentioned earlier, participating with Government launched projects is a good way of scaling-up. The decision makers are also positive about its contribution in expanding the enterprise. These projects not only provide good revenue but the study reveals that they also increase the beneficiary group’s acceptability for the enterprise. But these projects mostly come with delays in payments, uncooperative attitude of Government officials or issues in getting the requisite clearances which are major reasons for most of the enterprises to avoid this lucrative option. Decision makers have admitted that getting the tender to work for government projects is also not easy; people with good networks generally get them. Thus, for getting Government Projects, lobbying can be helpful.

15) Apart from the above mentioned aspects, one more area which requires the attention of the Social Enterprise is - Marketing. Even though the world is recognizing the strength of marketing but the Indian social enterprises still have their focus on fund raising, creating beneficiary groups and their skill development only. Though the idea of creating market linkages and partnering with corporates for better marketing has started emerging, but the interviews show that it is still a long way that this sector will be able to cash-in on the potential of market to bring sustainability to the enterprise.

These inferences can have implications for the social enterprises and other stakeholders. The attention to these may reduce the challenges for the social enterprises. This can also help in creating a favorable eco-system for the social enterprises. While considering these inferences it is important to realize that like every research, this study also has limitations. These limitations also open up opportunities for future research. The next section of the study describes the limitations and future research avenues.