Social Franchise Innovations Roundtable

Optimizing the full potential of the franchise model to achieve social good

September 22 – 23, 2015
University of New Hampshire Campus, Durham, NH USA

Summary and Recommendations for Next Steps
Social Franchise Innovations Roundtable - Social Sector Franchising at the crossroads

Social sector franchises have emerged as promising double-bottom-line enterprises that can provide access to empowering and lifesaving services and products for the Base-of-the-Pyramid [BoP] market, promote a viable microenterprise sector and create value along the supply chain for all stakeholders. At this stage of development those working in the field of social franchising can benefit from understanding more about the critical factors that have influenced the extent to which franchises have succeeded (or not) in both the social and commercial sector. In this way, we can work toward advancing more quickly so that we can collectively do more good for more people sooner.

Bringing representatives from the social and commercial franchising sector together to tackle challenges and create new opportunities for social sector franchises to thrive.

The University of New Hampshire’s first Social Franchise Innovations Roundtable brought together more than forty representatives from both the social and commercial franchising sector to discuss how social franchises can improve both their social and financial bottom-lines by learning from and possibly partnering with commercial franchises. This was very much a “think-do” meeting focused on exploring the potential of Social Sector Franchising (SSF) to meet critical human needs, create employment, and operate as socially and financially sustainable businesses. Roundtable sessions were designed to pinpoint challenges, brainstorm solutions and strategize for execution of new ideas. To that end, the SFIR brought together franchise professionals from the social and commercial sectors representing a range of industries, academia, consultants, donors and impact investors to share ideas and brainstorm solutions to commonly experienced challenges to achieving desired social and financial results.

The first day of the meeting was structured as a series of four panel discussions, each representing a different stakeholder perspective, designed to create greater awareness among participants of the social franchise landscape, best practices, lessons learned, and drivers and barriers to achieving results (e.g. scale, social impact, sustainability). On the second day, participants worked in teams with Smallify an innovation capacity-building firm, to generate practical actions for a thriving social sector franchising sector and broad-based community of practice to advance learning and collaboration long after this meeting.

Sponsors and Planning Committee

This event was sponsored by The Carsey School of Public Policy and the Peter T. Paul College of Business and Economics, the Rosenberg International Franchise Center and the Center for Social Innovation and Enterprise at the University of New Hampshire. Cosponsors were MSA Worldwide, the International Center for Social Franchising, and the Social Sector Franchising Taskforce of the International Franchising Association.
Main Takeaways by Participants and Panelists

The overall response by participants and panelists was that this roundtable event was extremely useful and productive. The various stakeholders in social sector franchising have much to learn from each other, especially social sector franchisors from commercial franchisors, and vice versa, and before the SFIR there were only very few fora (like the International Franchise Association’s social sector task force) that create this opportunity. Networking was seen as a very important benefit to most as well, and resulted in some ad hoc collaborations created during the event.

This first edition of the SFIR was a demonstration of the powerful convening role a university can play, a role that other stakeholders would have difficulty playing, focusing on a commitment to multidisciplinary representation within a neutral, safe space fostering a cross-fertilization of ideas and a real ability to move conversations forward. As social sector franchising evolves, there will be even more value in what the commercial experts can share with the social sector. Similarly, commercial franchisors can benefit from continued learning about the double or triple bottom line emphasis that drives social enterprises.

The following are some quotes from participants on their main takeaways from the event:

- **You’d better not even be thinking about franchising until you have a solid, sustainable, replicable business.**
- **Learning about the funding end was especially enlightening to me.**
- **There really are opportunities to connect commercial franchisers with those attempting to develop social franchises –with potential benefits for both.**
- **I was very struck by the qualities to look for in franchisees you would trust with your brand.**
- **As a still emerging field, we need to do a much better job at distinguishing between social enterprise and social sector franchising. Franchising is a methodology for replication, not a type of enterprise or industry.**
- **The point about franchising being a form of financing was fairly critical – uniting finance with social franchising is the key to get to the next level.**
- **Fractional franchise models cannot necessarily be converted into full franchise models. This widely used model in the health sector has really removed itself from fundamental concepts of commercial franchising.**
- **In order to become as successful as commercial franchising, social sector franchising needs to:**
  1. **Build a robust and well defined, relatable brand for all the stakeholders the franchise touches;**
  2. **Measure finances across the value chain for sustainability; and**
  3. **Obtain the commercial skills necessary to build and run a franchise business model.**
The overall structure of the event was much appreciated by all, as it encouraged meaningful and honest discussion focusing on the key issues that are keeping social sector franchising from reaching its full potential. For that reason, some commented that during the second day, instead of focusing on the growth of the social sector franchising field, it would have been more useful to focus on specific issues related to the presented case studies on the day before. Others went a bit further and suggested that focusing on only two instead of four case studies would have allowed for a deeper dive into exploring and resolving the key obstacles in the way of sustainability and scale.

Someone commented that the focus was too much about the deficiencies of social sector franchising, and not enough about the details of franchising, about how it works. The presence of commercial franchisors and the expertise they brought was much appreciated, and participants would have liked to see even more of them. For future events, some expressed that more attention should be focused on social impact investing and how to use and leverage various types of financing streams to achieve social goals in a much more sustainable way.

Clearly, participants are hungry to learn more, especially in terms of practical skills and business practices of franchising that can be applied to replicate their own social ventures, and they are looking for spaces and opportunities to do so in the future. The Smallify exercise (see next) produced a collective direction for action and led to commitments from almost all who participated to be a part of a network or forum to support this. More work is needed to better determine the scope, format and processes to support such an effort, but the following are some of the most popular concrete action steps.

**Call to Action and Proposed Next Steps**

These recommendations are a result of discussions held during the SFIR and in the weeks following the conference between UNH faculty, conference attendees and others associated with the field. This is not the complete list of suggestions nor does it represent a roadmap for what we plan to do. The process of determining the next steps will depend on discussions with social sector franchise stakeholders, donors and investors and others over the next few months.

1. A comprehensive proposal is the creation of a Social Sector Franchise Marketplace (SSFM), which would function as a one-stop-shop for resources needed to build a successful social franchise — blueprints, training, tools, contractors, funders, prototypes and a comprehensive database of cases, research studies, reports, publications, websites, videos etc. The marketplace could be created as an online platform offering a range of products and services at a range of price points. Pricing at least some of the marketplace offerings would not only increase the customer’s perception of quality and the likelihood of tools/advice/etc. being used, but will also build sustainability into the business model from the outset.

2. Establishment of a “Franchisers Without Borders” (FWB) mentoring program, which would be coordinated with a similar initiative now offered by the International Franchise Association. The FWB would pair experienced commercial franchise experts in the area of management, finance, legal, marketing etc. with senior managers of social sector franchises who need help. The mentoring relationships would be ongoing with the goal of identifying and solving key organizational challenges through intensive consultation and support
between mentors and mentees. The goal would be to move emerging social sector franchises into a higher level of performance and impact and open avenues for investment and scaling operations.

3. Organize and host another SFIR conference with similar goals as the first year’s event: networking and idea exchange and keep it at the UNH campus. Involve UNH students in planning and organizing activities, possibly linked to the Center for Social Innovation and Enterprise activities. UNH would not underwrite most of the costs as it did in the inaugural conference so sponsors would need to be identified and participants would pay for travel and lodging (which is how the UNH/Carsey Financial Innovations Roundtable, operates).

4. Similar to the SSFM above, organize and offer training workshops open to anyone and workshops on specific topics designed for a specific client or a target group. Following the Sustainable Microfinance and Development Program (SMDP) model expert practitioner trainers will design curricula and deliver courses that are high level, practical and whenever possible take place in locations where field visits would be included in the curriculum.

5. Research and case studies – Develop detailed case studies on successful SSF models, models that are grappling with significant challenges and failed social franchises. A number of possible cases have been proposed including 1). Mercy Corp’s fully commercialized Tienda de Salud franchise in Guatemala that is in the process of expanding to Mexico; 2) the HSF/PharmAccess/Total Impact Capital collaboration to strengthen an franchise; 3) PharmAccess’s NEW birthing centers franchise that they are currently designing with help from MSA; 4) PSI Latin America’s transition from a fractional franchise model to a BFF model; 5) Jibu’s success as a rapidly expanding commercial franchise solving the need for safe drinking water in East Africa; and 6) a study that would look at pitfalls and successful strategies of an emerging network which could focus on a few cases which would be updated annually following the cases to learn how problems were solved.

6. Creation of a Global Alliance for Social Sector Franchising bringing together academic institutions, professional associations, investor and donor representatives, and implementers from a wide range of industries and sectors to coordinate efforts in a way that more rapidly advance the field.

7. Connecting with the SEEP Network, which is a global network for the microfinance and enterprise development field. A plenary level presentation could be organized at the SEEP Annual Meeting in September 2016 where INGOS who sponsor SSF work (e.g. World Vision Australia, CARE, Mercy Corps) and are members of SEEP would co-design and present the session.

8. Formalize the UNH SSF work under a new Social Sector Franchise Institute (SSFI) and recruit an advisory board, which would provide strategic advice, assist with fundraising and help represent the SSFI across the sector and beyond.

Moving forward with these recommendations will require the early mobilization of the advisory board and identification of funding to support the work. We invite your comments and suggestions on this report and we hope you will join us as we explore the establishment of the Social Sector Franchise Institute.

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1The FIR convenes annually to participate in work sessions to address financial needs in low-income communities and vet potential financial tools for the CDC / CDFI community as well as define specific policy issues that open up sources of financing and improve financial performance in the community development field.
AGENDA

Tuesday, September 22nd

Challenges and Opportunities of Social Franchising

09:30 AM – 10:15 AM Registration and Welcome

10:15 – 10:45 AM Keynote – Heerad Sabeti, Fourth Sector Network - At the cross section of government, non-profit, and commercial sectors there is fertile ground for social franchising

10:45 – 11:00 AM Coffee Break

11:00 – 12:00 AM Panel Discussion – The State of Social Franchising as a Field of Practice: Progress, Challenges, and Opportunities -

12:00 – 1:00 PM Lunch

1:00 – 3:00 PM Case studies on Advancements in Social Franchise Models: New directions, new strategies, and new challenges - Julius Adrian R. Alip, President and CEO, CARD MRI/Hapinoy (Philippines); Judi Heichelheim, Regional Director, Latin America, Population Services International; Scott Hillstrom, Founder and Chairman of the Board, HealthStore Foundation; Carter Garber, Executive Director, IDEAS/ TecAp (Nicaragua)

Moderator: Fiona Wilson, Paul College, UNH

3:00 – 3:15 PM Break

3:15 – 4:45 PM Panel Discussion – Adapting Commercial Franchise Strategies to Solve Social Franchise Challenges - Michael Seid, Managing Director, MSA Worldwide; Peter Holt, President of PD Holt International LLC; E. Hachemi Aliouche, Rosenberg International Franchise Center, UNH; Arthur Anastos, VP and Managing Counsel, Dunkin Brands, Moderator: Kim Wilson, Lecturer, The Fletcher School, Tufts University

4:45 – 6:00 PM Panel Discussion: Scale and Results: Expectations from Donors and Impact Investors

6:15 – 7.30 PM Cocktails and Dinner with Keynote speaker Kim Wilson

Wednesday, September 23rd

Brainstorming Ideas and Generating Prototype Solutions

9:00 – 9:30 AM Synthesis Day One

9.30 – 12.00 PM Insight Sharing, Idea Generation and Rapid Prototyping with Smallify led by facilitator Judy Issokson

12:00 – 1:00 PM Lunch

1:00 – 2:30 PM Designing Experiments and Taking Action

2:30 – 3:00 PM Final Commitments and Next Steps
Summary of Event Proceedings

Keynote address – At the cross section of government, non-profit, and commercial sectors there is fertile ground for social franchising

Heerad Sabeti, Convening Trustee, Fourth Sector Network

The boundaries between the public (government), private (business), and social (non-profit) sectors have been blurring as many pioneering organizations have been blending social and environmental aims with business approaches. This emerging ‘Fourth Sector’ is characterized by new and hybrid organizational structures that integrate business methods with social goals. Social enterprises and other hybrid organizations can create jobs and promote economic growth while solving pressing social problems, preserving the environment, and reducing the burden on governments and taxpayers. Many types of hybrid organizational models are evolving, and each has the potential to reach even greater scale through the power of franchising, as long as social sector franchising recognizes the same blend of business approaches that stress the importance of earned income while maximizing social benefits.

Panel Discussion – The State of Social Franchising as a Field of Practice: Progress, Challenges, and Opportunities

Julie McBride, Senior Consultant Social Franchising, MSA Worldwide; Greg Coussa, Country Director, International Center for Social Franchising (USA); Deborah Burand, Assistant Professor, NYU School of Law; Moderator: Marla Rosner, Senior Training and Development Consultant, MSA Worldwide.

This diverse group of social sector franchising stakeholders discussed the following challenges facing social sector franchising:

• Insufficient attention to defining and building brand promise for consumers to drive the franchise (versus meeting donor targets to distribute products and services to beneficiaries)
• Low financial sustainability of franchisees and franchisors incapable of recovering substantial part of their costs or able to afford appropriate franchisee fees and royalties without other subsidies.
• Lack of access to third-party payer mechanisms (health social franchises) or other consumer financing mechanisms.
• Relatively low business and management capacity of franchisees and franchisors. Skills required to build a new (social) enterprise are very different from those needed to grow or scale up.
• Insufficient economic added value to franchisees, through branding and other key components of franchising (operations manuals, agreements, etc.)
• Limited access to finance for franchisor start-up, franchisor operations, franchisee operations, capacity building, and consumer financing.

Julie McBride stressed the importance of mapping the social franchise sector, and identify different models, different types of social goals, and define who the stakeholders are and how they benefit.

Deborah Burand researched 37 networks, each established to address a given social or environmental issue, and found that scalable business models are much harder to come by than in

[http://www.fourthsector.net/](http://www.fourthsector.net/)
the microfinance sector. However, in addition to social metrics, financial sustainability measures are becoming increasingly important.

Greg Coussa suggested that scale accelerators, preparing social enterprises for franchising and for financing from impact investors, is crucial for moving social sector franchising forward.

### Case studies on Advancements in Social Franchise Models: New directions, new strategies, and new challenges

**Julius Adrian R. Alip**, President and CEO, CARD MRI/Hapinoy (Philippines); **Judi Heichelheim**, Regional Director, Latin America, Population Services International; **Scott Hillstrom**, Founder and Chairman of the Board, HealthStore Foundation; **Carter Garber**, Executive Director, IDEAS/ TecAp (Nicaragua)

**Moderator**: Fiona Wilson, Paul College, UNH.  
(Note: full Case Studies may be found in the Annex).

Social- and micro- franchise practitioners explained their current business models and rationale behind any changes they have made or are making to their model. The panelists shared the challenges they are facing as they strive to improve sustainability of their franchises and how they are planning to address those challenges. See the Appendix for the case studies.

**Carter Garber – TecAp**

**TecAp** needs a significant increase in the number of franchisees to drive a substantial growth in sales that is needed for sustainability. That requires expansion into new territories. This growth requires investment from sources currently unknown. Severe constraints in this last mile distribution and servicing include: difficulty in resupplying, cost of rural transport, mentoring both types of microfranchisees, poor cellular communication, and new products that the competition is acquiring. While TecAp has had a registered trademark for years, the branding and publicity lags behind.

**Julius Alip – CARD MRI/Hapinoy**

Until now, **Hapinoy** was not a franchise, and **MicroVentures**, Inc. (MVI) played a role of program implementer rather than franchisor. However, big changes are underway, as Hapinoy is adopting a franchise model and reorienting its distribution from goods to mobile financial services and e-commerce. But creating a different mind-set among the sari-sari owners to become entrepreneurial and think big is a slow process.

**Judi Heichelheim – PSI**

**PSI** will create a financially viable business model for franchised healthcare services in Latin America and the Caribbean. Our short-term goal is to open three to five fully owned clinics in two to three countries across LAC, in order to prove the business model. Our long-term goal is to take this clinic approach to scale using franchising to replicate the business model. We aim to add value in the health marketplace by expanding access to and availability of quality private sector health services for new or underserved populations, with a model that is financially sustainable and that would generate sufficient return for outside investors.

**Scott Hillstrom – HealthStore Foundation**

We measure performance by applying what we call the “3-Point Test”: 1. Are the business format and operating procedures standardized? 2. Are clinics being scaled geometrically? 3. Does the network achieve economies of scale? **CFW** is likely the largest, private clinic network in East Africa that consistently delivers effective-quality care; a great success as an NGO at its current scale.
compared to other NGOs. **But to achieve the large-scale results achieved by successful franchise companies we must not just imitate them: we must actually become one.**

**Other issues** discussed by the panellists included: achieving a balance between standardization versus local adaptation; growth and scaling by improving efficiencies across the franchiser network; donor impact on outcomes and franchising model, and the role of subsidies; the essential role of value proposition and the brand promise; and addressing complexity throughout the supply chain.

### Panel Discussion – Adapting Commercial Franchise Strategies to Solve Social Franchise Challenges

*Michael Seid, Managing Director, MSA Worldwide; Peter Holt, President of PD Holt International LLC; E. Hachemi Aliouche, Rosenberg International Franchise Center, UNH; Arthur Anastos, VP and Managing Counsel, Dunkin Brands, Moderator: Kim Wilson, Lecturer, The Fletcher School, Tufts University*

Panelists shared insights and responded to challenges presented by social sector franchisers in the preceding panel. The panel stimulated discussion around the application of commercial franchise principles to the social sector and ways in which commercial franchisors can engage productively with the social sector. The following are some of the issues that were discussed:

- How and why systems and key performance indicators (KPIs) are established in a franchise system and how they are used and adjusted to create successful franchises.
- How profit and investment risk incentives inherent in commercial franchising can be adapted successfully to social franchising.
- How qualification standards for recruiting commercial franchisees are adapted to work at the BoP.
- The extent to which resources generated through royalties and other revenue streams can replace or reduce subsidies required from donors.

Michael Seid reminded the audience that franchisees are not entrepreneurs, they are the customer-facing part of the business and they bring in the local market knowledge. But the franchisor defines what the offer and the standards are. It is important to understand the customers and to keep the communication channel between customers, franchisees and franchisor.

Peter Holt viewed franchising as a distribution system that can be very diverse, as long as some common requirements are met, including standardization, equity in the business (franchisee in social sector franchising is often not vested enough), and listening (to customers by franchisees, to franchisees by franchisor).

Arthur Anastos emphasized the crucial importance of getting your metrics, your unit economics right. Before you start franchising, you need to have the financials absolutely right, through additional cost reductions or revenue from new products or services.

Udo Schlentrich talked about the need for a clear relationship between franchisees and franchisor, as franchisees will promote brand and access new markets. Brand equity and value proposition are crucial important. What is the benefit for a franchisee – is it social or economic? There has to be a distinction between your business and social goals, but both need to be accomplished.
Representatives of different sources of funding for social franchising shared their thoughts about the potential benefits and risks of investing in social franchises, where they would like to see advances, and how they would be able to support the community of practice in making these advances.

**John Simon** mentioned that when evaluating social enterprise, besides the requirement for social impact and the potential for an attractive return, impact investors are interested in enterprises that have the potential to become nationwide or global companies, that inspire copycats, can change an entire sector. So far, sustainable social franchises have not presented themselves.

**Elaine Menotti** presented USAID’s vision (in healthcare field) that in order to achieve sustainable health outcomes, the question becomes whether access to health care services can be expanded by through developing a healthcare market in particular country? Investments by the agency need to encourage private investors to come in.

**Mark Allen** discussed some of the challenges Merck for Mothers was facing in their Uganda program. PACE’s operates the ProFam franchise network of private clinics, and they are helping to building their capacity to offer high-quality maternal health services. Merck is balancing the commercial approach and financial sustainability of these PACE franchises with maintaining quality of care, which is core to the way Merck works.

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**SMALLIFY Exercise**

Facilitated by Judy Issokson

Judy Issokson facilitated a process called Smallify, a solution-generating innovation lab, taking the participants through a set of experimental innovation practices, from gathering and problem finding, to idea generation and rapid prototyping, with the overall purpose of sharing insights and generating solutions to the challenge we set ourselves as follows: **How might we accelerate our work in social franchising (e.g. a cross-industry community of practice).**

Four groups developed their own prototypes and ‘smallified’ these into smaller, actionable steps that can generate small wins to build and sustain momentum. Each plan provides a name for the initiative, a set of activities (what) and one or more small bets to get the initiative going.

**Group 1 Action Plan**

1) **How might we advance the quality of social sector franchising?**
2) **Name:** Social Franchising Marketplace. **Tagline:** Harmonizing for Good.
3) **Smallify:**
   a. Who? Social and Commercial Franchisors
   b. What? Opportunities for learning, sharing of best practices, co-creation, case studies, mentoring/coaching, shared tools, consultant bank, joint research, training, funding, standards, partnerships, database/clearing house/mapping of social franchises, website/LinkedIn group, student involvement
4) **Small bets:**
a. Commitment to **do something at IFA**
b. Write case studies
c. Critical feedback to existing plans

**Group 2 Action Plan**

1) **How might we** confirm the conditions under which social franchising will work to address social issues/needs?

2) **Name:** Jefferson Social Franchising Prototype. **Tagline:** We, the People, will validate social franchising as a model for providing social needs

3) Smallify: Social Franchising Pilot Lab
   a. **New Social Franchising model:** no previous example; document design and implementation; easy to access (so that people can get to it); e.g. company owned franchise.
   b. Who are angel investors? Who are customers for pilot lab? Invite prospective new franchise operators. Evidence documented and share with help from academic institutions. Ecosystem mapping: who are interested in learning from model beyond our own team?

4) Small bets:
   a. Identify criteria, location, partners, timeframe, resources
   b. What are the **goals and success criteria**?

**Group 3 Action Plan**

1) **How might we** understand and appropriately leverage the franchising model to achieve social impact?

2) **Name:** Social Franchising Lab. **Tagline:** Unlocking the Potential.

3) Smallify:
   a. Who? Potential and existing social franchisors
   b. What? **Convening expertise, training, capacity building, feasibility study**

4) Small bets:
   a. Test case in US, meeting and location, 1-2 day gathering
   b. Identify criteria for case; identify funders and organizers