

# Social enterprises surge, accelerators lag in Latam

## IESE's Entrepreneurship and Innovation Center (EIC) offers ideas on how to strengthen the social-entrepreneurship ecosystem in the Latin America

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Lima is a national capital, but its outskirts lie far from the modern world: many dwellings lack access to running water or basic sanitation. In 2011 entrepreneurs Isabel Medem and Jessica Altenburger set out to improve this situation. Their contribution, the X Runner, is a portable, water-less toilet that allows waste to be recycled as fertilizer.

Medem and Altenburger relied on the support of NESsT, an accelerator for social enterprises in emerging markets like Peru. In addition to validating X Runner's technology, NESsT helped improve the project's business model by designing a comprehensive business plan and offering advice on strategy, marketing and operations. It also provided financial backing. Today, more than a thousand users benefit from X-Runner waste collection, an affordable service that the company also intends to market throughout Peru and the rest of the world.

NESsT is one of the 21 social-entrepreneurship accelerators analyzed by Amparo de San José, [Juan Roure](#), [Juan Luis Segurado](#) and Catalina Parra in their [study of models of acceleration and support ecosystems in Latin America and the Caribbean](#). In eight Latin American countries, authors document the main challenges and offer ways to strengthen the social-entrepreneurship ecosystem throughout the region.

## Hatching social initiatives

On a continent rife with social and economic inequality, social entrepreneurship is a growing opportunity. In Argentina, Chile, Colombia, Mexico and Peru, numerous social entrepreneurial

initiatives are emerging to help compensate for low levels of public investment.

Of course, goodwill alone can't keep social enterprises afloat: entrepreneurs must generate profits to be sustainable. This is where accelerators come into play, offering a combination of mentoring, training, networking and financing. In other words, accelerators work with talented, social-minded entrepreneurs to help them turn their ideas into viable businesses.

The 21 accelerators analyzed are working to incubate and hatch a wide variety of social enterprises. The initiatives are primarily national in scope and are notable for their collaboration with government institutions, large companies and NGOs.

Some of the most active accelerators in the region — such as Socialab, Corporación Ventures, New Ventures and Agora Partnerships — act as hubs for many different entrepreneurial activities.

## **Challenges and shortcomings**

The authors conclude that despite the growing number of social entrepreneurs in Latin America, accelerators have a relatively small presence. Most were created within the last five years and are entrepreneurial ventures themselves, still searching for their business model and sustainability. A greater push is needed.

The first accelerators emerged about 10 years ago in the digital field. The basic business model involved owning a stake of selected ventures and eventually profiting from the sale of the shares and/or public offering of the startup.

However, most social-enterprise accelerators in Latin America have not used this model. Instead, they pursue sustainability through a combination of sponsorship programs, public fundraising and revenues from consulting or acceleration services for large corporations.

According to the authors, one of the key challenges facing Latin American accelerators involves shedding preconceived notions about social entrepreneurship — such as the idea that social ventures don't have to have a solid business model or be competitive.

This is coupled with the difficulties of measuring results in the field of social entrepreneurship. When it comes to performance metrics, accelerators may look to the survival rate for supported businesses, jobs created and/or private investment brought in. But the authors say that for accelerators to gain traction, they must develop their own indicators of social entrepreneurship and impact investing: for example, by specifying and quantifying

target populations and benefits.

The authors also note that social enterprises have very limited access to external financing. In digital entrepreneurship, angel investors and venture capitalists are essential for fueling early stages; in social entrepreneurship, these players are largely absent.

## **Oiling the wheels**

The report also brings good news: some countries are getting it right. In particular, the authors highlight Mexico as a role model. There, acceleration services and support for social entrepreneurship have become highly sophisticated and capable of adapting to different types of enterprises. There is funding specifically for social enterprises, for businesses serving the base of the pyramid, for the provision of basic needs and for tech startups. One example is SenseCube Mexico, which promotes entrepreneurial projects that address water-management challenges in the nation's capital.

However, on the whole, the accelerator ecosystem in Latin America needs more support — particularly given the boom in social entrepreneurship. A good starting point would be to increase both the willingness to cooperate and the interactions among all involved. For example, participation in international forums and events — such as the Latin American Impact Investing Forum (FLII) and Social Capital Markets (SOCAP) — offers a chance to exchange information, access best practices, examine industry trends and develop new relationships that help further social impact.

## **Methodology, very briefly**

Interviews and additional research was conducted from August to November 2015 by the Entrepreneurship and Innovation Center (EIC) and the Business Angels Network at IESE, with sponsorship from MIF (Multilateral Investment Fund), part of the Inter-American Development Bank Group.

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