

Social Franchising

by Julia Meuter

Introduction – the challenge of scaling up

„The challenge of the 21st Century is to find out what works and scale it up“. This has already been the credo of former US-President Bill Clinton when talking about finding solutions to today’s socio-political problems.

Indeed, there are many great projects on the local and regional level which successfully address pressing challenges. However, these shining examples often fail to make a bigger impact because they are not getting recognised – let alone being replicated elsewhere. Instead, time, energy and resources are spent on finding new and innovative approaches. This undoubtedly has led to many good solutions, but often, the wheel is simply reinvented – often for the worse. In turn, while more organisations are entering the stage, this is not matched by a rise in available funds and the pieces of the “funding cake” are getting smaller and smaller. Therefore, it makes sense to scale up what has proven to work.

There a number of methods to scale up:

- *Simple replication* through **dissemination** of information is one of these. This involves actively sharing information about a particular approach. Even though this allows for scaling up a project at low cost and low effort, the organisation disseminating the information has little control over who replicates the project and whether they do it effectively and efficiently. It might at best provide technical assistance in the short term to those interested.
- A further method to scale up is a *simple expansion* of a good project or a small organisation through setting up **branches** elsewhere which are headed by a central unit. Although this has the advantage that the initiating organisation can keep control over the implementation of its project(s), it does yield the risk of large, inflexible units with often unfathomable bureaucracies where the centre is too detached from the day-to-day business on the ground.
- The most successful way of *systematic replication* in the commercial sector is **franchising**. This method allows the implementation of tried and tested, successful business concepts by franchisees in a decentralised manner. While taking local peculiarities into account, a precisely defined contractual agreement ensures effective co-ordination between franchisor and franchisees as well as system compliance.

While this strategy has enjoyed global success in the business sector for over 80 years, franchising successful projects in the non-profit sector remains the exception to the rule. However, the careful adaptation of business tools to the non-profit sector has proved to be most beneficial in the past, a well-known example being that of social marketing. Although there can be no talk of a comparable breakthrough of the concept of social franchising yet, it has begun to spread in the recent years, especially within the field of international development cooperation. The German Foundation for World Population (DSW) in cooperation with the Wellcome Trust as well as the World Bank have, for example, organised small conferences that dealt with Social Franchising as a replication strategy especially in reproductive health issues. The International Social Franchise Summit organised by the Association of German Foundations and six renowned European foundations in 2007 underlined the immense interest in the topic.

Nonetheless, there remains a reluctance in the non-profit sector to replicate other people's projects or – conversely – let others implement theirs. There is an emphasis on “ownership claims” and donors, including foundations often aspire to be associated with new and innovative projects. The result, however, is that many projects are not sustainable in the long term and often do not extend beyond the initial pilot phase. Furthermore, there is still much uncertainty and misconceptions about what Social Franchising entails. For many it conjures images of inappropriate standardisation (“one-size-fits-all”) which is seen unsuitable for the non-profit sector since intangible knowledge and local peculiarities are often the main ingredients for success. Yet, the non-profit sector must become more effective in meeting today's challenges. Scarce resources should be used more efficiently. Since Social Franchise can help to do that, it should meet the test of common sense.

The concept of Social Franchising

Social Franchising can be defined as the adapted usage of business tools for non-profit projects. At the workshop held by the German Foundation for World Population in 2000, a Social Franchise system was defined as:

[...] a process by which the developer of a successfully tested social concept, the franchisor,

- in order to scale up the coverage of target group
- and the quality of product (service)

enables others, the franchisees,

- to replicate the model
- using the tested system
- using the brand name

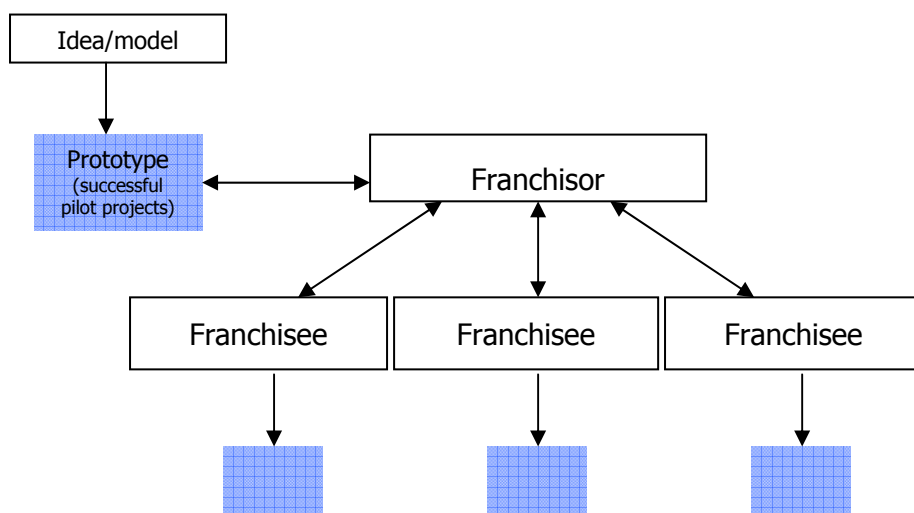
in return for

- social results
- system development
- impact information

Similar to its commercial counterpart, a Social Franchise system consists of a number of core elements:

- *A “prototype” and its replication to other locations.* The prototype can be used for trial and error purposes and thus helps improve and mature the concept before setting up a Social Franchise system.
- *A manual setting out the concept and recurring processes.* This contains all relevant know-how of the franchisor and enables the franchisees to implement and run the project as intended. The manual should include descriptions of procedures, binding guidelines and instructions on how to behave in certain situations.
- *A brand name for the entire programme.* The brand identity reflects the attributes and values of the Social Franchise and therefore helps to improve trust and reputation of the individual entities in the system.
- *A contract governing the relationship and distribution of responsibilities between franchisor and franchisees.* Since in Social Franchising independent entities work under one brand and the exchange of information exceeds the usual partnerships, a clear and comprehensive contract should be the cornerstone of this relationship. It should clearly spell out the rights and duties of franchisor and franchisees as well as consequences in case of non-compliance.
- *Standardised training for franchisees.* Initial and on-going training is essential for ensuring quality and sustainability of the project. Especially since a Social Franchise system is an evolving, self-learning system, it is essential to regularly update franchisees through seminars or other instruction sessions.
- *Systematic, standardised methods of evaluation and of quality control measures.* Since activities by one franchisee can negatively affect the entire system it is important for the franchisor to evaluate their achievements in order to ensure sufficient quality. In addition to meetings and on-site visits, the franchisor can provide internet platforms which, on the one hand, can be used to exchange best practices and ideas and, on the other, facilitate the collection of questionnaires used for evaluation of franchisees.

Social Franchise Model



However, there are also substantial differences between the for-profit and the not-for-profit sector, which suggests that the approach must be adapted accordingly.

Firstly, while businesses have the main aim of maximising profit, an organisation in the non-profit sector will have the maximisation of social impact as the key objective. Similarly, the target group will be different. A non-profit organisation most likely serves beneficiaries rather than customers. This means, on the one hand, that it cannot always expect to receive payment and that, on the other hand, its approach will be different.

Moreover, non-profit projects are usually dependent on financial support – during the start-up phase but also in order to remain sustainable. This adds a further player to the equation: the donor. Since they will most likely have their own policies, the franchisor and franchisees must find ways of integrating these into their project. In order to remain sustainable it is also important to ensure sufficient funding after the start-up phase, which involves continually communicating with existing donors as well as acquire new ones.

Due to the fact that franchisees in most cases do not generate sufficient income, they are often not able to pay fees to the franchisor. While a franchise system without fees is unconceivable in the commercial sector, the social franchisor must be prepared to settle for reduced fees or find alternatives to financial compensation. In many cases, the social franchisor will even resolve to financially support the franchisees in order to ensure the social mission is achieved.

Since there is usually no transfer of investment risk from the franchisor to the franchisee, it can be claimed that the latter has less motivation to comply with the system in the long term. Although the expected altruistic behaviour in the non-profit sector arguably reduces the risk of inconsistent actions, this issue must be kept in mind when setting up a Social Franchise system. In the case of the franchisor financially supporting franchisees through a regular stipend, it is conceivable that this could be linked to an incentive scheme whereby franchisees receive money upon completion of specific targets. This not only ensures compliance with the system but also a certain degree of quality.

Notwithstanding these differences to the commercial sector the employment of the franchising concept in the non-profit environment provides a number of advantages:

- *Faster and more cost-effective replication:* through the replication of proven concepts, franchising leverages existing resources rather than creating new structures at high costs. Franchisees can focus on their core competences rather than administering and developing the concept. Additionally, since the decentralised units are based on a tried and tested prototype initial start-up risks are reduced.
- *Effective involvement of local entities:* as local organisations are involved as franchisees, the concept can be adjusted more effectively to local peculiarities. The risk of a simple “cookie-cutter” approach is therefore reduced. As the franchisees are given a great amount of autonomy and managerial responsibility, they are arguably more motivated to work hard to raise funds and minimise costs. Also, activities such as fundraising and marketing can be shared between the franchisor and the franchisees. While the former is usually better apt to focus on the national or even international activities, franchisees have often established valuable community relations and are thus better able to tap local resources.
- *Improvement through systematic transfer of know-how and on-going learning:* the franchisor passes its knowledge and experience of the project on to the franchisees – in the form

of a manual as well as ongoing training. At the same time, the franchisees can also generate new ideas when implementing the project locally. They can convey such ideas to the central unit which can then be tried and tested before being applied to the whole system. Arguably, this increases innovation since the project as a whole is less jeopardised in the case of a new idea failing. Social Franchises can thus tap the full potential from network synergies.

- *Quality management through standardisation*: standardising the core elements of the project ensure a certain quality in all units. Subsequently, franchises can build a reputation for quality, thereby increasing their market stability and potential. Additionally, standardisation enables a more efficient and cost-effective quality control.
- *More effective use of resources*: Social Franchising can make more effective use of available resources by generating economies of scale. Although the benefits of this are usually less significant in the non-profit than in the business sector, costs from fundraising materials, marketing programmes etc. can be shared across the units. Organisations that purchase medical material or similar, however, can significantly benefit from economies of scale deriving from bulk purchasing discounts.

Despite these benefits, Social Franchising also involves a number of risks and potential difficulties for the initiating organisation, which have to be kept in mind before franchising a specific project:

- Since initiatives are often set up with a specific geographic focus in mind, there is a *risk of changing the initial mission* when adapting it to other locations. The relative independence that franchisees are granted can lead to activities that might be inconsistent with the project and thus alter the mission. Since franchisees do not have to provide start-up capital and consequently fear less capital loss, they might act more opportunistically.
- Inconsistent behaviour cannot only lead to a change of the original mission, but can also *negatively influence the reputation* of the organisation as a whole. Operating under the same brand, the various units in a Social Franchise system are perceived as one organisation. Therefore, the franchisor has to ensure an appropriate level of control over the franchisees.
- Since achievements cannot be measured as easily as, for example, units sold in the commercial sector, *monitoring and evaluating franchisee performance is difficult*. However, this is essential in order to ensure adequate quality. Standardisation can help keep a certain level of quality, but finding the right degree of *standardisation might be difficult*. Essential knowledge and skills are often tacit and the success of the initiative often depends on specific geographic or cultural peculiarities. Thus, excessive standardisation might lead to inflexibility, making it more difficult to adapt the project to other locations.

The abovementioned difficulties are often used to falsely justify the assumption that specific local conditions are not suitable for replication. However, the examples of projects that have been successfully replicated using franchising elements go to prove the opposite.

Social Franchising – a tool for anyone?

In general, Social Franchising lends itself to nearly every project – examples range from environmental protection activities and the fight against poverty, to integration issues, support of vulnerable people and child protection.

The following case studies demonstrate the diversity of projects that have been replicated using Social Franchising elements.

Youth-to-Youth

The Youth-to-Youth Project (Y2Y) initiated by the German Foundation for World Population (DSW) aims at informing young people about sexuality, contraception and sexually transmitted diseases, such as HIV/AIDS. Since youths often model themselves on and learn from their peers, Y2Y uses this dynamic and works through youth's clubs where young adults educate others. These are coordinated and trained by intermediary franchisors in the respective countries. This very successful approach has already been replicated many times in Ethiopia, Kenya, Tanzania and Uganda.

START

The START programme initiated by the Hertie Foundation grants scholarships to gifted and committed pupils aged 14 to 18 with a migrant background. The project aims at enabling more immigrants to pass the Abitur. By now, more than 90 partners, including foundations, corporations, clubs and individuals, sponsor nearly 500 pupils in 14 federal states. The concept START has been implemented also in Wien. The START Foundation which has been created in 2007 acts as the franchisor while the Crespo Foundation runs the programme under the set guidelines and standards.

Aflatoun

Through their programme of Child Social and Financial Education (CSFE) Aflatoun teaches children aged 6 to 14 knowledge and skills about finance management, thus breaking the cycle of poverty in underdevelopment countries. Amongst other things, they teach them about their rights as well as their responsibilities and show them how to save and spend their money. Aflatoun works with partner organisations in currently 11 countries who in accordance with the set concept implement the programme nationally.

wellcome

This project aims at supporting new mothers in their everyday lives who otherwise might not receive this help from family members or friends for example. A voluntary worker visits the mother for a couple of weeks and assists her in her daily life. This reduces the strain during the transitional period, prevents crises and facilitates the positive emotional attachment to the baby. This successful concept has been replicated throughout Germany by local organisations acting as wellcome regional offices.

It can be seen that not only the aims and geographic scope of the projects vary, but also the organisational structure. Nonetheless, there are a number of preconditions that should be fulfilled before setting up a Social Franchise network. These not only reduce the risk of failure, but will also maximise the social impact of the project.

- There has to be a clear *social need* that the project can serve, i.e. when there is weak or no services, which provide a niche that franchisees can enter and serve. Equally important is to assess whether the specific project is the most appropriate project to serve that social need. Arguably, this is difficult to judge, but it is important in order to maximise impact and ensure sustainable support for the project.
- In order to be successful and sustainable, the franchise system requires *appropriate franchisees*. Finding franchisees that are as committed to the cause as the franchisor reduces the risk of opportunism. At the same time, the franchisee must have the competencies to run the project. Franchisees can be already established or new organisations. The former has the advantage that structures, such as fundraising and marketing divisions are already set up. Furthermore, they are likely to be part of a network which might be beneficial for the franchisor. However, they have their own organisational culture which might at times clash with that of the franchisor. Although this risk is reduced when setting up new organisation, these will have to start from scratch, which might not only lead to possible start-up risks but also adds further work to the implementation stage.
- The time and resources that are needed to set up and manage a Social Franchise system are often underestimated which can lead to the failure of the project. Thus, *sufficient financial and organisational capacities* are crucial – both in the short as well as in the long term. The franchisor has to monitor, coordinate, train and supervise franchisees and is responsible for all procedures and logistics. It therefore has to have skilled and committed staff available that can allocate sufficient time and energy on the project. As mentioned above, the social franchisor can usually not expect to receive fees from franchisees. Rather, it is often the case that they financially support the regional offices. The franchisor must, thus, possess enough capital to cover their own operations as well as – where necessary – support franchisees. This can take the form of an acknowledgement of a large sum from a donor or government, or if the organisation is large enough to have sufficient fund surplus to provide the capital itself.
- A further crucial precondition for successful franchising is the ability to define the project in a *clear and sound concept*. The ability to standardise crucial elements is important in this case as is an absolute profound understanding of the project and its processes by the franchisor. Otherwise, it is difficult for franchisees to implement it effectively and as intended. As mentioned before, the degree of standardisation can vary, but it is worth to stress again the importance of finding the right balance between standardising essential elements and procedures and allowing franchisees enough freedom to adapt the project to local peculiarities.

In sum, it can be said that the examples above show that the potential of social franchising is not limited to specific projects but can, in theory, be applied in any situations - as long as various preconditions are fulfilled.

Where do we go from here?

Compared to commercial franchising the concept of Social Franchising has not yet found much acceptance in the social sector. However, events such as the International Social Franchise

Summit have shown an increasing interest in the strategy. Moreover, the case studies of projects using franchising elements demonstrate that there are many advantages.

Popularising the concept could, thus, lead to several important effects for the non-profit sector:

- A more efficient use of financial and personnel resources in the non-profit sector
- An improved quality in the non-profit sector and lower failure rates amongst non-profit programmes
- A rasher expansion of successful pilot projects with rapid coverage and decentralised entrepreneurial management.

In order to achieve more popularity – and to learn from best practices - it is important to display success stories more. This requires, above all, that the non-profit sector becomes more open and willing to share their experiences. Also donors should play a bigger role in urging organisations to replicate their projects. Before granting funds, the issue of going to scale and sustainability of the project should be discussed and laid out clearly as preconditions for funding. Although the non-profit sector and especially foundations are – and should be – a place for innovative solutions, it is equally important to make successful projects sustainable in order to maximise social impact. So-called growth money is as important as seed money.

Since the concept of social franchising remains unclear to many, much more research into the topic is needed. While the method in the commercial sector can serve as a guiding model, social projects using the strategy must be observed more in order to find out how to adapt the model.

Social Franchising has already allowed the expansion of various great projects and has contributed to an increase in beneficiaries reached. Considering that so many people are still not reached, it should be considered much more as a viable option for increasing social impact.

Literatur / Links

www.aflatoun.org

www.beanstalk-biz.org.uk

www.fuqua.duke.edu/centers/case

German Foundation for World Population (2000): Social Franchising – a Worthwhile Alternative for Development Co-operation, Workshop Report.

www.start-stiftung.de

www.Stiftungen.org/Social_Franchising

www.wellcome-online.de

www.youth-to-youth.org

Stand: März 2008

Nachdruck und Weiterverwendung des Artikels unter Angabe der Quelle erlaubt. Um Zusendung eines Belegexemplars wird gebeten.

Das Online-Handbuch Demografie des Berlin-Instituts wird gefördert von

Robert Bosch Stiftung