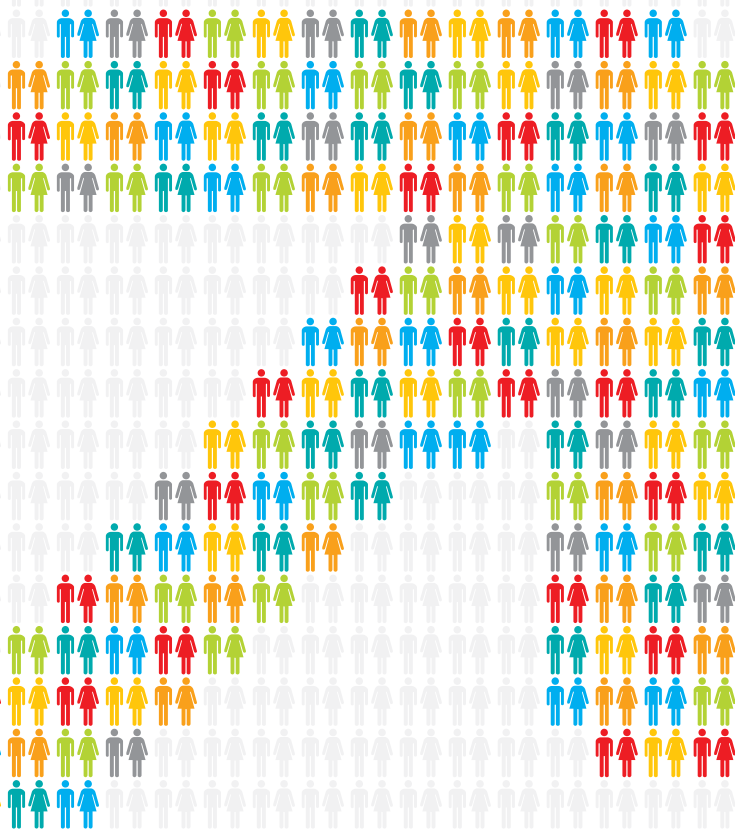




Understanding Human Resource Challenges in the Indian Social Enterprise Sector

April 2012



About Intellecap

Intellecap works at the intersection of the private sector and development. It provides consulting and investment banking services driven by innovative thought processes, to business and development communities globally, helping them bring entrepreneurship solutions to development challenges at the Base of the Pyramid and beyond. Intellecap's interventions are designed to catalyze initiatives for both large corporates and social entrepreneurs in pursuit of rapid global development. Our footprint extends to several locations globally, and we service a prestigious global client base including Development Finance Institutions, private sector investors, foundations, governments, and inclusive and social businesses. The Knowledge & Insights practice at Intellecap adds value to the global development dialogue through publications and events of varying size and scale that help create a more integrated ecosystem for knowledge sharing.



Supported By



Acknowledgements

This study was made possible with funding and support from Potencia Ventures and the International Finance Corporation (IFC). The Intellecap Research Team would like to thank Kelly Michel and Vivianne Naigeborin of Potencia Ventures for their feedback and suggestions through the course of this study.

The Intellecap Research Team would also like to thank all the Intellecap Social Enterprise Landscape Survey respondents and interviewees who generously shared their experiences and insights to shape this study. We are also grateful to all the sector enablers and impact investors we contacted for their support, insights and suggestions. (Please see Annexure 1 for a complete list of enterprises that participated in this study.)

Finally, our team would like to thank our colleagues at Intellecap, especially the Sankalp Forum Team, in their unfailing help with names, contacts, suggestions and feedback at every stage of research.

Contact Information

For any queries on this study, please contact Usha Ganesh or Nisha Kumar Kulkarni.

Intellecap (Hyderabad)

5th Floor, Building no 8-2-682/1
Next to Ohris, Road No 12, Banjara Hills
Hyderabad – 500 034 INDIA
Phone: +91 40 4030 0200

Intellecap (Mumbai)

512, Palm Spring, Beside D-Mart,
Link Road, Malad (West),
Mumbai – 400064, INDIA
Phone: +91 22 4035 9222

On the Path to Sustainability and Scale

On the Path to Sustainability and Scale provides insights on the for-profit social enterprise landscape in India. Drawing from an in-depth survey of 101 social enterprises in India, this report analyzes the state of these mission-driven businesses including their geographic and sector distribution, business structure, stage of development, financial viability, funding sources and key challenges. This analysis and the actionable recommendations that follow will assist investors, donors, sector enablers, policy-makers and academics in making informed decisions about their involvement in the social enterprise industry.

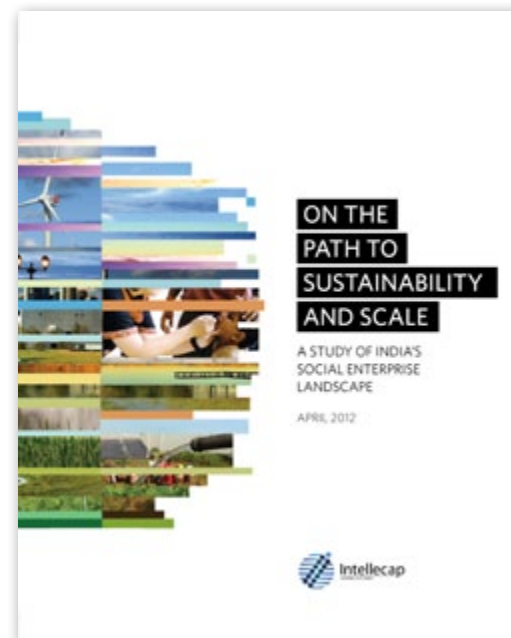
Inside On the Path to Sustainability and Scale:

- 👤 Major trends defining the landscape
- 👤 Financial sustainability and social impact
- 👤 Enterprise development across the growth cycle
- 👤 Financing needs and sources of funding
- 👤 Key barriers to sustainability and scale
- 👤 Recommendations for supporting the industry's growth

Read On the Path to Sustainability and Scale: A Study of India's Social Enterprise Landscape to find out more!

Download your free copy at www.sankalpforum.com today or contact us at info@intellectap.com or call +91 22 40359222 to receive your copy by email.

For further information on this report reach out to:
kanika.kumar@intellectap.com
usha.ganesh@intellectap.com



Contents

Introduction **6 - 7**

About the Study **08**

Survey Findings **11**

Finding the Social Intrapreneur **17**

Leveraging HR for Scale,
Sustainability and Social Impact **22**

Retaining Talent **27**

Addressing HR Challenges **31**

List of Study Participants **35**

The Intellectap Research Team **38**



Introduction

Inclusive growth is now on the political and economic agendas of most nations around the world. Policy and public sector action form only one part of the equation to achieving inclusive growth. The private sector component – especially the for-profit social enterprises (socents) and inclusive business models of corporations – is considered to have stronger and more sustainable potential to achieve inclusive growth. The spotlight is on socents, and there are high expectations of them to create avenues for inclusion and set off a ripple effect in the economy through scaling up.

Socents are, first and foremost, about people – with missions that drive social change in an underserved market, they are only as effective as the collective passion and drive of their human resources. Social entrepreneurs, already juggling to bring together capital, a viable business model and plan and market knowledge, face human resource (HR) challenges that could impact their ability to scale, become sustainable and achieve social impact.

There is a general acceptance of the fact that socents are unable to get the right people at the right time for the right tasks. In addition to facing severe resource constraints, socents also work in different and difficult markets than do traditional businesses focused on profit alone. HR management, then, emerges as a key challenge to scale up, growth and sustainability. This Intellectap study on HR Challenges in the Indian Social Enterprise Sector seeks to understand and decode the nature of these challenges. This study has mapped the current people practices including hiring, training, benefits and promotions, and HR systems. It explores the importance of culture and work environment for people retention in socents. Finally, it examines the importance of mission alignment and how socents reinforce the mission with their people, new and existing.

The study aims to deliver findings that might serve as triggers for the design of new, more effective methods of addressing HR challenges in this space, and hopes that the collected

insights will contribute to accelerating the development of the socent ecosystem. Further, while this study focuses on India, it hopes to also share insights that would be relevant to other parts of the world, and encourage similar research around HR practices in other regions.

The study comprises an online survey followed by in-depth interviews. Intellectap's online survey of social enterprises garnered over 100 responses from founders and leadership teams of organizations pursuing a dual bottom line in sectors as diverse as agriculture and livelihoods, water and sanitation, healthcare, education, and energy. These socents are in different stages of their life cycle. They operate in different parts of India, in markets that are both, urban and rural. Not surprisingly, HR emerged as a top challenge.

Study findings indicate that socents deal with diverse and complex HR challenges that differ substantially from those of traditional organizations. These organizations attract and retain a workforce that is achieving social impact against some difficult odds. Founders, who very often wear the HR manager's hat, have to not only deal with constantly up-skilling and motivating a young workforce, but also guard against mission drift. If building a second layer of leadership is tough, handing over the reins to this second layer of leadership through effective delegation is tougher.

The study also highlights the need for support to the sector in setting up HR systems that not only promote transparency, but also help to develop and grow the organization's human resources. Good quality and context-rich training is yet another need, although entrepreneurs are likely to avoid investing in it if it is prohibitively expensive. They invest heavily, however, on internal training delivered to staff by seniors or internal experts. This report shares these and more insights from the survey findings as well as in-depth qualitative interviews of over 50 social entrepreneurs.



About the study

Research Objectives

Seen as one of the key barriers to scale and sustainability, HR challenges can range from recruitment to retention of talent. This study seeks to examine the nature of human resource challenges faced by social enterprises in India today. An important step in mitigating these challenges is to determine whether they emerged due to lack of resources to invest in people processes or due to insufficient market strategies and supporting infrastructure to attract the best talent to this sector.

The research explored current people management practices pertaining to recruitment, capacity building and training as well as retention. It examined how social enterprises approached the need for setting up systems and processes for managing human resources. Recognizing that social enterprises also aimed to achieve social impact in addition to becoming profitable and financially sustainable, the study explored their views on the importance of mission alignment and how founders reinforced the mission with their growing number of employees. Finally, the research team evaluated the nature of demand and supply of manpower in this sector. Based on empirical evaluations of the findings, the study aims to propose solutions and recommendations that can help alleviate the human resource challenges faced by socents in India.

Primary Research

The Intellectap team compiled a comprehensive database of social enterprises, in addition to lists of sector enablers and impact investors. The database included:

-  For-profit entities, focused on social impact and financial sustainability, with clear products and/or services that cater to the needs of the poor;
-  Organizations segregated into seven focus sectors – financial inclusion, agri-business, education, clean energy, healthcare, water and sanitation, and technology;
-  Organizations that enabled for-profit entities to cater to the needs of the poor;
-  Networks that support and facilitate social enterprises/ other enablers to better reach out and showcase their products; and
-  Impact investors and incubators engaged in funding and supporting social enterprises.

The research comprised three distinct phases. In the first phase, focus group discussions (FGDs) were conducted in order to collate non-linear data of complex issues surrounding HR challenges faced by social enterprises. Two FGDs – one each of sector enablers and social enterprises - were carried out using bridge phone lines. Each FGD comprised five participants, a moderator and one or more documenters. The FGDs helped build consensus on areas to be further explored in later phases of research.

In the second phase, an online survey was conducted using Survey Monkey, where social enterprises from the database were invited to participate and share information. The survey remained open for three weeks and the Intellectap research team received over 100 responses from founders, CEOs and core members of leadership teams. Of these, 95 responses were filtered and used for further analysis in the study.

The third and last phase involved in-depth interviews that covered questions on HR challenges, current practices and potential solutions. The sample set consisted of 40 social enterprises that were representative across sectors, employee size and revenue bands. An additional set of 10 impact investors and sector enablers were interviewed for their perspectives on social enterprises' HR challenges and their current practices.

Secondary Research

In addition to primary research, the research team also conducted secondary research to understand prevailing insights on human resource management in socents and mainstream organizations. The team primarily scanned online information sources such as business and development publications, websites focused on social entrepreneurship and development issues, enterprise websites and publications and online articles on human resource management.



Panel of Advisors

The research team set up an advisory committee comprising key sector stakeholders. The team shared progress on the study at key milestones with the advisors, and sought their feedback for course correction as well as their perspectives and insights on issues that emerged during the research. The advisory council comprised the following members:

-  Ms. Pooja Warier, Co-founder, UnLtd. India
-  Prof. Madhukar Shukla, Professor in Organizational Behavior and Strategic Management, XLRI Jamshedpur
-  Ms. Pari Jhaveri, Founder, Director
Third Sector Partners
-  Mr. P. Pradeep, Chief Operating Officer, Aavishkaar
Venture Management Services
-  Mr. Anish Thakkar, Co-founder, Greenlight Planet

Survey Findings



Survey Overview

The online survey garnered over 100 responses from founders, CEOs and core members of the leadership teams of social enterprises in India. Overall, survey statistics reveal that the highest number of respondents was from the agriculture (28%) and energy (25%) sectors, followed by livelihood and development (18%), healthcare (14%), and water and sanitation (11%). Education accounted for the lowest number of respondents, at close to 4% of total responses.

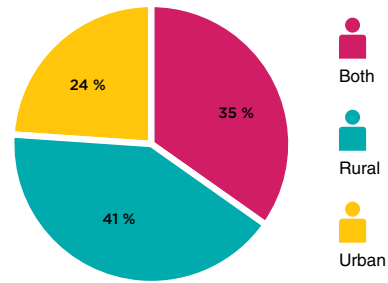


Figure 01 Rural vs Urban Market

Our survey indicates that India's for-profit social enterprise landscape is young. Nearly 50% of respondents have been operational for two years or less, while 80% have been operational for five years or less. The youth of India's social enterprise landscape can also be seen in their annual turnover. Half of the survey respondents are generating less than INR 50 lakh (USD 100,000), while just 4% are turning over more than INR 20 crore (USD 4 million). Despite their youth and modest size, the socents are operating across India. 41% target rural markets, where the vast majority of India's BoP resides, and another 35% target both, rural and urban markets. They tend to base their headquarters in major metropolitan areas in the South and West, but disperse from these locations to rural parts of the state and to other regions. Sixty percent of enterprises have operations in at least one low-income state, and one-third of the respondents are operating in more than 100 locations. One-quarter of survey respondents also report that they are serving over 50,000 BoP beneficiaries – an impressive number given the industry's youth. This section presents survey findings focused on HR challenges. (For more information on the socent landscape, please read our report titled "On the Path to Sustainability and Scale – A Study of India's Social Enterprise Landscape")

Small workforce

An increase in the average number of employees does not necessarily correlate to the stage of growth of the social enterprise.

Survey findings indicate that a majority of the surveyed socents have small teams, and this holds true across sectors. Close to 64% of the respondents have less than 20 employees on staff and 14% have fewer than 40 employees, while just 4% have more than 200 employees. The survey also reveals that an increase in the average number of employees does not necessarily correlate to the stage of growth of the social enterprise. Number of employees is likely to be impacted by the sector they operate in, with the healthcare and water & sanitation sectors having a greater percentage of organizations with over 100 employees.

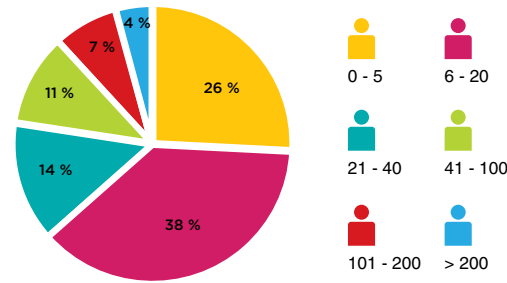


Figure 02 Staff Capacity

Many socents are looking to hire senior managers for specific functions.

Increasingly, however, a large number of socents are looking to expand their management team. The survey shows that three out of four enterprises have expanded their leadership teams beyond core founding members. This could indicate their growth into the next phase of the business life cycle, and reflect socents' efforts to build a foundation that will get them to the next stage. In follow-up interviews, socents have indicated that they are focused on hiring senior management for specific roles such as finance or marketing – as opposed to the earlier stage when the founder or founding team members wore multiple hats. This could also be seen as a strong move towards planning for scale up of operations.

Focus on soft skills

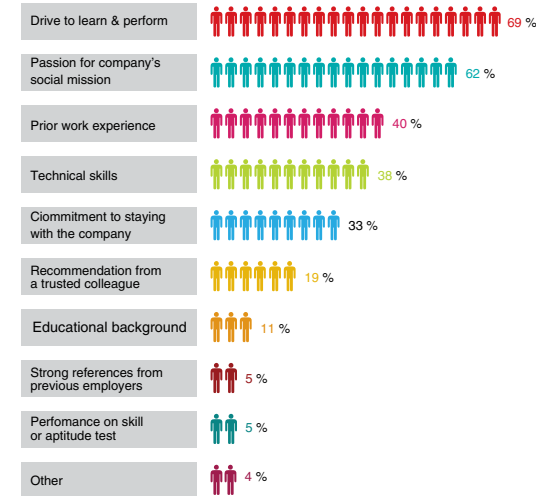


Figure 03 Hiring Priorities

The survey statistics suggest that a majority of social enterprises place greater emphasis on 'soft skills' over work experience and technical knowledge when recruiting. Drive to learn and perform was selected as a top hiring priority by nearly 70% of survey respondents. This was supported by findings in the follow-up interviews where founders stated they seek 'intrapreneurial' talents over hard functional skills. Sixty two percent of survey respondents selected passion for the company's social mission as the second most important hiring priority. This finding was emphasized in interviews where mission alignment was seen as a critical criterion by most socents. Interestingly, commitment to staying with the organization ranked higher than educational background and performance on a skill test.

The recruitment priorities among social enterprises show that they seek characteristics and skills that are not always taught in educational institutions. Given their unique concepts and business models, along with their distinct target audience, they seek and are likely to find these candidates in a very niche talent pool. This underscores the need for strong in-house and external training facilities. These findings could also reflect the fact that socents are unable to attract human resources that are highly educated, and bring relevant experience and talent to the organization.

Employee Motivation

Employees are motivated to join socents as they offer opportunities to take on leadership roles.

The survey questioned entrepreneurs and leadership teams on what they believed motivated employees to join their organizations. Over 75% of respondents indicated that the opportunity to take on leadership roles and a belief in the company's mission were the most common motivations for joining a social enterprise. Compensation was ranked much lower, for candidates focused on salary alone would likely apply to and join traditional for-profit and mainstream organizations. Follow-up interviews indicate that at nearly all levels of hierarchy, social enterprises offer candidates greater

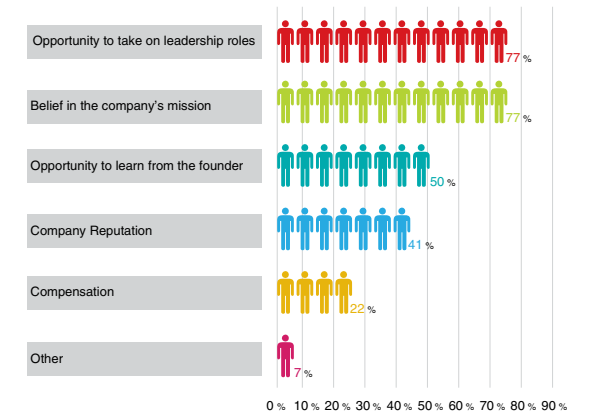


Figure 04 Employee Motivation

opportunity to move up the ladder. In contrast to mainstream businesses, educational background is not a primary criterion for hiring. Given that most socents are start-ups and have small teams, there is ample opportunity for employees to showcase their drive and ability to do higher-order tasks.

Interview findings indicate that while not all socents expect staff at every level in the hierarchy to be committed to the mission, they do agree that employees tend to be drawn towards the idea of combining a reasonable income with the satisfaction of achieving social impact.

Training

Given the limited pool of talent and the prioritization of other factors over skills in hiring decisions, organizations often teach employees the necessary skills after they are recruited. This

focus on training reflects the need as well as commitment of socents to work with a less-than-perfect, but local talent pool. On-the-job-training is the most common form of employee development across all socents. Induction or orientation was offered to new employees by over 60% of respondents. Nearly 50% of enterprises invested in skill-building – this could be through workshops or courses for employees, conducted in-house or with external consultants or NGOs. Interviews indicated that these training workshops tended to focus around written and verbal communication skills and office processes such as accounting. Some socents have invested in leadership training for promising employees at junior levels with the intention of skilling them up for middle management positions.

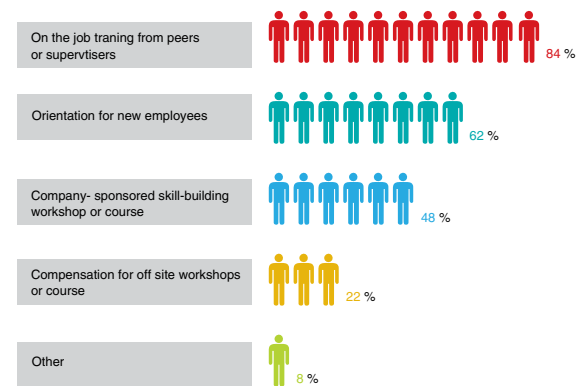


Figure 05 Employee Training & Professional Development

On-the-job-training is the most common form of employee development.

In follow-up conversations, founders shared that in their experience, training conducted by senior or experienced employees was more fruitful than that conducted by external trainers. Training is seen to gain prominence as a challenge as well as something organizations invest in as staff size increases. Having said that, nearly a quarter of enterprises with 0-5 employees offer this kind of training.

Retention Strategies

The top three retention strategies of survey respondents are providing a positive work environment, emphasizing the social impact and rewarding performance. Following close in terms of ranking are offering opportunities for flexible work hours and work from home as well as opportunities for personal development. In follow-up conversations, founders

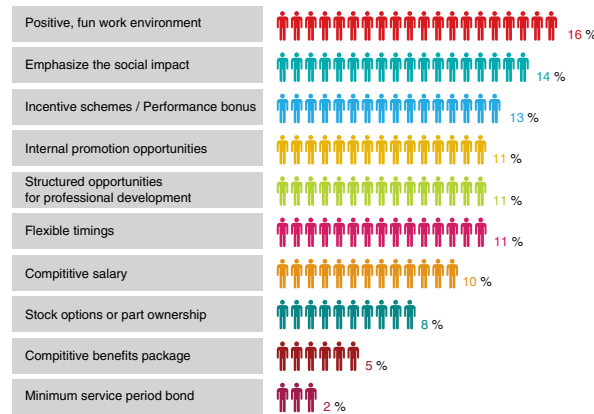


Figure 06 Retention Strategies

emphasized the need to adopt non-monetary retention strategies.

Major Human Resource Challenges

Recruiting qualified staff (70%) is indicated as the biggest human resource challenge in the socent space. Many socents are growing, and therefore, are on the constant lookout for qualified employees. Given that socents are perceived to be more risky and less well paying compared to traditional organizations, they tend to struggle with attracting the best talent. This challenge is further emphasized by the limited availability of talent to socents. The second and third biggest HR challenges cited by respondents include clearly defining roles and responsibilities (39%), and distributing decision-making authority beyond the founding team (34%). These challenges indicate that socents possibly struggle to create a strong layer of middle managers.

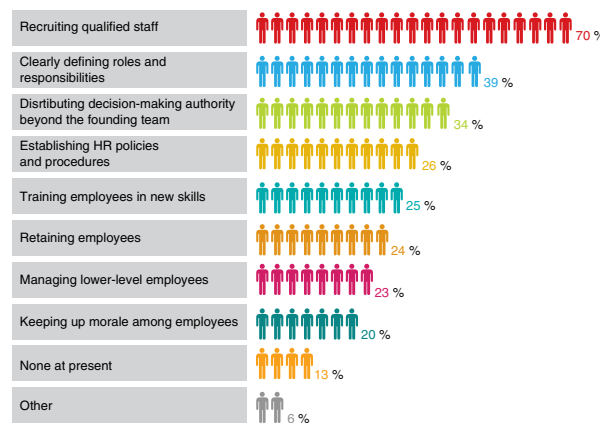


Figure 07 Biggest HR Challenges

While other obstacles appear to ebb and flow across the enterprise growth cycle, finding and keeping good talent is a challenge facing enterprises from their first hire to most recent.

While “perfect” candidates are tough to come by for any organization in any sector, social enterprises have had to make considerable compromises in hiring. Around 40% of respondents report that they have had to compromise on the candidates’ qualifications or experience level in at least one out of five hires, while 17% have compromised on more than 40% of hires. While rural hiring challenges are significant, enterprises based in large urban centers such as Mumbai and Delhi face equally strong, but different challenges. While urban-based organizations have access to a larger pool of applicants, competition for the same talent is more acute than in smaller cities and rural areas.

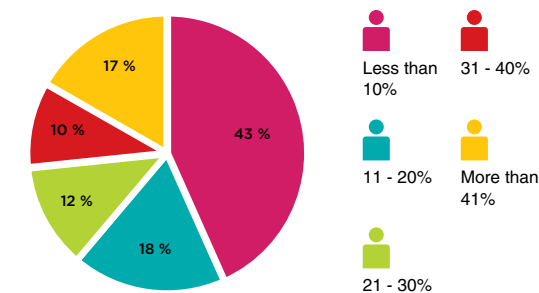


Figure 08 Compromised Hires

Analysis across levels of hierarchy indicates that while some levels are easier to hire, others are easier to retain. Over 60% of respondents indicate that retention at the junior level is a challenge. For most socents, the junior levels are the employees with functional hard skills such as electricians, drivers, construction technicians, as well as service providers such as nurses and teachers, or field sales people with local knowledge. This is found to be a highly mobile and fluid level, where candidates change jobs frequently and may even quit without an alternate job in hand. On the other hand, retention is not seen as an acute problem at the senior levels, and this has been validated by follow-up interviews. Once on board, senior level employees buy in to the organization’s mission and wish to make a difference. They are also more likely to have opted to work in a socent in order to scale a level or two

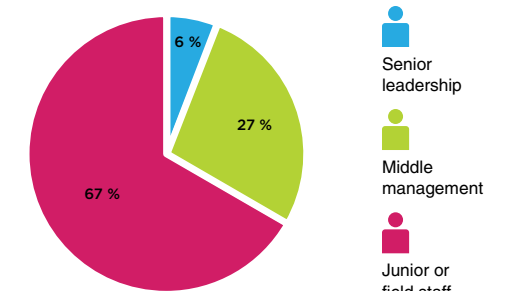


Figure 09 Most Challenging to Retain

in terms of hierarchy. This reduces their propensity to move out of the organization.

Over 60% of respondents indicate that retention at the junior level is a challenge.

Recruitment challenges seem to be more evenly spread out across levels of hierarchy. Social enterprises however, find it easier to access talent at the junior levels – in part, perhaps because they are able to compromise more at these levels than if they were hiring at the middle and senior management levels. At the junior levels, employees who demonstrate the drive to learn can be trained more easily. Also, most socents seek to fill junior positions by recruiting locally to mitigate locational challenges. In contrast, employees at the senior levels can at best be sensitized to the social enterprise ethos. Socents are keen to ensure that there is mission alignment at these levels to ensure that strategies and key decisions are aligned to the organization’s mission.

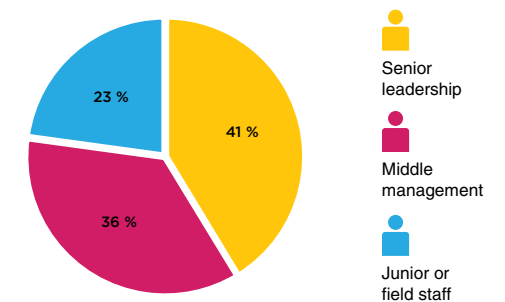


Figure 10 Most Challenging to Recruit

Respondents cite a limited pool of qualified candidates and the inability to offer a competitive salary as the top two recruitment constraints. These two are followed by poor branding and stability compared to larger, more established organizations.

While relocation and limited HR resources come a distinct fourth and fifth, interview conversations indicate that socents face significant location challenges, particularly when recruiting for remote, rural branches.

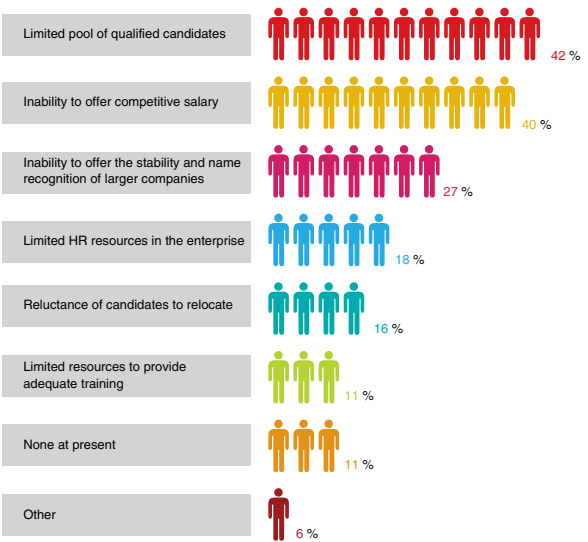


Figure 11 Constraints to Hiring and Retention

Deep Dive into Survey Findings

Building on the survey findings, the study extracted a representative sample to delve deeper into organization specific challenges and understand the nuances of the challenges discussed above. Phase 3 involved in-depth interviews with 50 sector enablers, socents and impact investors. The following sections share qualitative findings and insights from this phase of the study.

Finding the Social 'Intrapreneur'



Survey respondents unanimously voted recruitment as the toughest HR challenge. Upon delving deeper into this challenge in the interview phase, findings indicate that the problem is more nuanced. Founders shared that the real challenge was in finding a candidate with the right mix of talents to meet all the recruitment criteria. Admittedly, most founders are looking for the elusive ‘intrapreneurial’ quality – employees with the ability to work with little information, thrive in ambiguity and not only make do, but also deliver with little resources. Below is a decomposition of the recruitment conundrum.

Recruitment at Different Levels of Hierarchy

While recruitment is a challenge across the board, socents report that recruitment of junior staff is easier. This is probably because they hire at the junior levels in relatively larger numbers from a larger talent pool, and are more amenable to compromising on skill sets. Educational qualifications are minimal for this level - for socents in agriculture and livelihoods, this level comprises farmers and artisans. In the healthcare sector, this layer would include junior nurses, helpers, junior laboratory technicians and junior paramedical staff. For energy companies, sales staff, electricians and construction staff form the junior level. Water and sanitation companies have drivers, installation crew and cleaners at this level. Therefore, key characteristics that socents look for in these candidates are the drive to learn and the motivation and ability to work hard in less than ideal circumstances. The common wisdom is that these candidates can be trained on the job over the initial three to six months.

Recruitment is particularly tough at the senior management levels for a number of reasons. For one, senior managers come with significantly more educational qualifications and experience. They cannot be trained at the nuanced skill sets they need to bring to their jobs – at best they could be oriented culturally and perhaps sensitized to the social impact mission. Secondly, founders find these positions critical for the mission, hence alignment and buy-in to the organization’s mission is non-negotiable. Finally, these candidates are expected to hit the ground running – they are expected to come in with mainstream professionalism and start delivering on profitability and social impact as soon as they join. The talent pool of interested candidates for this level, which is small to begin with, further shrinks when faced with these requirements.

Ability to Pay

Socents indicate that they have lost capable employees because of their inability to meet compensation expectations.

In our survey, socents cited access to capital and funding as a key challenge to scaling up. While many socents reported they were breaking even, and even profitable, the kind of funding socents receive determines their ability to pay competitive salaries. Founders realize that providing equity as a form of compensation is not well accepted in India, especially at junior levels, and employees prefer current higher salary to future gain. Socents accept that salary is often the deal breaker and admit that they have lost employees because they failed to meet their compensation expectations. Many founders felt that it was not that socents paid less, but that expectations were higher now. Having said this, socents have increased their offered salaries in order to match overall salary increases in traditional businesses and to accommodate for inflation.

Constraints notwithstanding, salary levels are inching up closer to market rates for different types of junior staff. Noticeably, sales and field staff are being paid what they would get paid at most small and medium mainstream firms. Salaries for nursing staff in healthcare organizations are also similarly close to market rates or, in some cases, even slightly higher.

Socent salaries, however, are much lower than mainstream salaries at the middle and senior levels. It is at these levels that founders find it tough to attract talent unless they significantly bridge the salary gap.

Hiring Practices

Across sectors, socents report that their manpower situation is so fluid and often crippling that they have had to resort to ad-hoc solutions. This has left them with little time or breathing space to scope the talent pool and strategically plan their hiring with a view to cast a wide and comprehensive net.

Given the high levels of attrition at the junior levels, most socents admit to be constantly seeking junior staff. Given that these are positions with relatively low mobility and broadly available skill sets, most of the candidates that apply to these positions have graduated from high school or are college graduates, and are largely from villages and smaller towns. When hiring to fill few positions, socents tend to rely on word of mouth – they tell their employees and partners like dealers and suppliers about the vacancy and hire from the pool of applications that come in this route. When the requirement is for a larger number or in a new geographical area, they additionally rely on newspaper advertisements for walk-in interviews. A few socents reported utilizing the services of HR consultants and agents for gathering applications for junior positions, and found them to be successful. They also engaged in tie-ups with technical training institutions and nursing colleges for positions that needed a clear technical qualification and training. In cases where the socent needs to hire a new sales team for a new market, they hire the area sales manager or branch manager first and then rely on him to put the team together. This, founders say, has been a lesson learnt from the more experienced microfinance institutions.

Interestingly, a few socents – especially those that plan to expand their geographic reach - reported to be hiring for middle level managers. A few indicated that these positions are tougher to fill as this layer forms the bridge between the junior and senior levels, and needs to bring functional and strategic skills to the table. Since not many socents are

Most socents report that they are constantly hiring, especially at the junior levels.

currently working to create this layer, criteria for selection at this level seem to again be more focused on aptitude for managing a team and some on-the-ground experience. In addition to word of mouth, founders also rely on online portals such as Naukri and Monster, as well as popular forums and events for potential candidates.

Founders also scan candidate pools for CEOs – a position they see as critical to the future growth of their organization

and their toughest challenge yet. Some founders expressed concern over this role because a lot of their current staff followed the founder, and are motivated by their belief in him/her. Founders felt responsible for these employees who often had left higher paying and more stable jobs based on this faith. For these CEO candidates, founders trawl online portals, networks like LinkedIn, popular forums and events, and as rely on recommendations from board members, funding agencies and impact investors.

Locational Challenges

Socents find it tough to convince staff and management to relocate from cities and towns to rural and peri-urban areas.

As per the survey data, 41% of responding socents work exclusively in rural markets, with 35% working in both rural and urban markets. Only 24% respondents work exclusively in urban markets. Socents, therefore, tend to work more often than not in non-city locations – striving to bring necessary goods and services to the BoP by traversing the last mile. Romantic as the notion is, socents find it tough to convince staff and management to relocate from cities and towns to rural and peri-urban areas.

From information shared by socents in interviews, it was found that many socents are currently working with a mix of junior staff that is locally hired and supervisors and trainers who periodically travel from bigger towns and cities. They find the local hires low on skills but willing to learn and work on-site. Founders admit this is not a sustainable arrangement because having supervisory and training staff travel to and fro is not only expensive but also takes away the focus on the task – quality is compromised to some extent. This, they add, happens because these supervisory or training staff are not on the ground all the time and possibly tend to be removed from day-to-day activities, focusing instead on resolving critical issues during their periodic visits. Socents serving the urban poor, on the other hand, face different locational challenges. Cities are more expensive to live in; they also have competing firms that are willing to compensate employees better. Attrition levels are higher than that in smaller towns, as are the costs of hiring and retaining talent in cities.



Poor Branding and Visibility

Socents, share entrepreneurs, tend to be largely unknown to candidates who are not already closely associated with the sector. They add that candidates, across levels of hierarchy, use an organization's branding, its media presence and the founder's visibility to form opinions about the organization and its potential for success or failure. Given their limited funding and years in operation, socents are unable to compete with established mainstream brands that leverage years of market presence and a substantially larger advertising and public relations budget to consciously build an image for potential employees.

Candidates see socents as start-ups which may or may not survive through to the next stage, and are, therefore, concerned about the organization's risk of failure. Indians are, traditionally, more risk averse than their Western counterparts. There has been a small perception shift, due to greater positive media attention given to entrepreneurship in general and social enterprises in particular, but it really has not percolated to the junior levels.

In addition to seeking a stable career track, employees also leverage their employer's brand for social standing in their community. Parents and family take pride in their association with a well-known organization. The organization an individual works for can make a lot of difference to his/her ability to gain the interest of prospective brides or grooms. At the junior level, government jobs are seen as more desirable than positions in social enterprises. Founders shared experiences of losing employees who said they were unwilling to leave, but had to do so for a government job under pressure from their family.

Candidates are concerned about the socents' risk of failure.

Finally, while working for a tech startup, for example, may seem glamorous, socents for the most part are not high on the glamour quotient. Organizations in the sanitation sector especially reported employees feeling uncomfortable to share the nature of their work with family and friends.

Role Definition

Potential employees decide on a position and organization based on the job description; however small and growing teams have great difficulty in defining this upfront. Sector enablers that were interviewed shared that founders were

Investors and enablers cite socents' inability to craft clear and detailed job descriptions as one reason for attrition.

unable to detail tasks accurately because they did everything themselves. They found it difficult to break these down into smaller tasks to be done by different individuals. Investors and enablers alike mentioned that this inability to craft clear and detailed job descriptions was often the reason for socents' high attrition levels. Added to this is the poor clarity around a growth path – of the few socents who reported planning a growth path for their employees, even fewer actually shared these growth plans with them. While this is not an intentional lapse on the part of the entrepreneurs, enablers emphasize that there is a need to make these details clearer to current and potential employees.

Perception of Socents

Founders of hybrid organizations shared that they did better with finding volunteers, interns and employees for their not-for-profit arm.

Founders shared interesting insights into how their organizations are perceived. To the uninitiated, these organizations seem to be the same as NGOs doing what is usually termed as "social service". They further assume that salaries will be relatively low to non-existent and that there would be little or no accountability – in other words, the environment is one of low expectations. This could put off ideal candidates and attract candidates who are likely looking for an easy job and are unprepared for hard work – in other words, candidates that the entrepreneurs would not otherwise hire.

To others, socents are no different from mainstream start-ups, and they do not note the social impact focus. Founders who want to ensure they hire people who understand and buy in to the mission often conduct pre-interview talks to weed out these candidates.

Founders of hybrid organizations shared that they did better with finding volunteers, interns and employees for their not-for-profit arm. In this space, salary expectations are lower and passion for the social mission is high – resulting in near perfect alignment of candidate and role requirements. They reported struggling to find institution builders at the salaries they could afford to pay for their for-profit arm – particularly where they wanted social impact-motivated personnel.





Leveraging HR for Scale, Sustainability and Social Impact

Given their recruitment challenges, socents tend to almost exclusively focus their human resource management efforts on hiring. While they do realize that they need to manage the talent they hire, they tend to get caught up in putting out fires everyday. In most socents, the HR hat is worn by the founder. This section deconstructs efforts by socents to manage their human resources for best results.

Alternative Hiring Options

Socents have felt the need to bolster their efforts at recruitment of full-time employees with other options. Recognizing that they struggle to find the right talent combination and gauge this at the interview stages, socents have found it a good practice to hire candidates on a part-time basis initially. On being convinced of mutual suitability, the organization and employee work towards a full-time commitment. While this arrangement has been reported to work for socents, founders do cite instances of losing part-time employees to full-time and more stable alternatives. They also share that part-time workers are unable to focus on the bigger picture, and tend to do their allotted task and move on to the next assignment.

Socents have found it a good practice to hire candidates on a part-time basis initially.

Increased and positive media attention on social entrepreneurship, and the efforts of educational institutions in India and overseas to encourage talent flow towards the social sector, has resulted in an increasing number of interested candidates wishing to take up internship positions with socents. These candidates come with talent that socents are unable to hire full-time and passion for work that delivers social impact. It's a win-win for the candidates and the organization, except that very few of them convert into full-time hires. The short-term nature of these arrangements limits the kinds of tasks and projects interns can take up. Founders also share that these candidates need more focused hand-holding and supervision for their output to be effective.

Mission Alignment

In the absence of immediate financial returns, the mission is seen as the one element that kept the core team together.

The online survey explored how socents deal with the trade-off between profit and social impact. The survey found 34% socents prioritize impact, 35% try to balance impact and profit, and 27% prioritize profit. In interviews, entrepreneurs stated that mission alignment is very important, especially because it is already very difficult for employees to understand that they had to achieve social impact along with being sustainable. The sooner personal goals and organizational goals were aligned, the better the chances of the organization achieving its dual goal.

There was unanimous agreement from all socents on mission alignment being especially important at the senior management level, which was perceived to be "mission-critical," and seen as the level where key decisions about the product or service are taken. Also, in the absence of immediate financial returns, the mission was seen as the one element that kept the core team together. An absence of mission alignment usually meant a parting of ways at this level, which would not only be painful, but also expensive.

Most founders felt it was critical for everyone in the organization to buy into the mission – in fact, many pointed out that this alignment was often the reason why employees stayed with the organization for longer tenures. While a significant number of founders felt that the mission for social impact must percolate down to the lowest level of hierarchy, there were many others who felt that it was not as necessary at the junior levels,



especially the sales force, to be aligned to the mission. It was felt that they should focus on doing their jobs well, and social impact would happen because the “right” decisions were made at the senior level. A similar response also came from socents who believed that their mission was embedded in their product or service since they provide a critical product or service at affordable prices and that there was no need to further work on alignment. And how often did founding teams revisit their mission? For some, it was a daily activity to measure up every decision against the mission. For others, it was something they visited every three-to-six months, and hoped to grow to a stage where they needed to visit it annually.

Many socents reinforce the mission through awards that recognize contributions towards sustainability and social impact.

Similarly, there were variations in responses around reinforcing the mission with employees. Some founders felt that leadership behavior reinforced the mission, which automatically percolated to the lower levels. In addition, many socents offered individual awards to recognize contributions towards sustainability and social impact, and these were presented across the organization, irrespective of levels of hierarchy. Some socents, especially those with geographically spread out operations and a sizable employee base, had an interesting array of activities to reinforce the mission with employees throughout the year. These include annual organization-wide retreats, fortified by weekly, monthly and management team calls. Some had weekly/monthly updates that were showcased to the leadership team, who then not only appreciated mission-critical achievements, but also broadcast it company-wide. Others embed the social impact mission within performance appraisals where performance is not measured by numbers alone, but also by the quality of those numbers which delivers the social impact.

Induction Programs

Most socents report having induction or orientation sessions for new recruits since there is so little information about the social enterprise space in the public domain. These range from informal chats with seniors and peers during the first week to a more detailed two-to-three week program at leadership development centers or at the organizations’ head offices.

Socents have devised interesting ways to introduce the new recruit to the rigors of the job. Some have the new recruit

shadow a veteran on the job, and others ask the new recruit to spend a week at another branch. These tactics help maximize learning as the new employee can ask questions without fear, and is not expected to start performing from the first day as he may have been at his own designated branch.

Some socents, interestingly, have an orientation session even before the interview stage. They prefer to inform candidates about the organization, its mission, and the jobs on offer upfront, so that those who lose interest could back out of the recruitment process. Other founders shared that they tend to talk more than the candidates do at the first interview, so that they can share as much information about the sector and the organization with the candidate. If the candidate continues to show an interest, they settle down to the actual interview. One founder shared that her organization implements on-the-ground tests for candidates at the branch or areas sales manager level: where candidates spend a week or two in the market, build sample networks, create potential pools of junior staff and present this to the leadership team.

HR Systems

Socents that have more detailed HR systems often get them as a legacy from a larger or more established partner organization.

Systems and processes laying down the rules of engagement such as leave policy, travel policy, expense reimbursement and dress code, among others, are usually ad hoc, and created on-the-go at most socents. Sector enablers and impact investors say that socents focus on getting things done and not on setting up systems and processes. They advise socents to ensure they build these systems as early as possible because they are difficult to superimpose on a group of people who have got used to working without any systems. They warn that delaying the setup of such processes could even lead to discontent and attrition in a team that is critical to seamlessly carrying out daily activities.

Many founders felt their teams are currently too small to need elaborate systems. A very small number of socents with less than 10 employees have set up systems with an eye on scale and growth, upon the advice of their investors who conducted workshops for their investees. These workshops – notably those by Dasra and Seedfund – which involved speakers from mainstream consulting firms and organizations also

advise founders to think about setting in HR systems for talent management and leadership development.

Socents that have more detailed systems either get them as a legacy from a larger or more established partner organization or gain learning and insights from friends who manage human resources in mainstream companies. Most organizations with over 20 employees tend to have most of the critical components in place, including basic leave policy and travel expense reimbursements at the minimum. A few have created HR manuals, pieced together from their experiences and insights from other organizations.

Performance Appraisal

Performance appraisals are often not very structured or documented, but a few socents embed the social impact mission within performance appraisal criteria.

Many founders reported conducting performance appraisals every quarter or bi-annually for junior staff, with annual appraisals for the senior management. Appraisals to discuss salary increases and promotions are done annually across all levels. Most founders, however, also shared that these appraisals are not very structured, and often not documented rigorously. Some founders said that performance appraisals were also done ad hoc, when a valuable employee wanted to leave and the organization and, after a performance appraisal, and retained him with a subsequent hike in salary.

In contrast, a few founders shared the different ways their organization embeds the mission within performance appraisal criteria. At an energy company, for example, a salesperson is appraised by the number of low-value solar lamps sold rather than the total value of his sales. At a sanitation organization, a technician is assessed not only on his timely and efficient installation of a portable toilet at a construction site, but also on his choice of a clean location to do so. Sales staff in another sanitation organization is assessed on whether they speak about the need and importance of sanitation and hygiene in their sales pitch to potential customers rather than focusing on sales alone.

Training

Our survey pointed out that a significant number of socents conducted on-the job training, as well as planned in-house training. In interviews, entrepreneurs added that not all employees had the standard business skills seen among their peers in traditional or mainstream organizations, particularly, at the junior levels. They also needed an orientation to the specific target market and the socent’s culture. In order to meet these gaps, socents work with a mix of in-house training and training delivered by external trainers. Entrepreneurs added that they also work with local universities or technical training institutes to create and deliver training modules for technical and functional skills. Socents indicated that while there was a need for some basic functional skills development – specifically, written and verbal English skills training – to be delivered by professional trainers, they found these efforts to be very expensive, often out of context, and therefore, irrelevant for their employees. Founders indicated an interest in investing in relevant training that was affordable and appropriate to the organization’s context.

Socents provide in-house training to improve employees’ business skills and orient them to the specific target market and the organization culture.

Some sector enablers do create training content and work with external trainers to conduct sessions for socents. Their feedback, however, has been that socents do not prioritize training due to capital constraints. They add that while training alone would not retain people, it signals to employees that their task is important and the organization is investing in it.

Delegation

While most socents are in the early stages of their business life cycle, and are still working with a top core management layer and a bottom junior layer, they are all showing clear signs of gearing up for scale. Several socents are hiring for middle managers and supervisory staff that could form an effective second layer after the core or senior management team. Those socents that are not currently looking to fill this level are soon likely to do so. Sector enablers highlight several challenges in socents being able to create this second layer and empower it effectively.



Socents are likely to face challenges in building a strong middle management team that will help them scale up.

The “Founder Syndrome”, which refers to the situation in which a founder should be passing control to others and isn’t, is a commonly cited challenge in the social enterprise space. Where the mission of one individual has given rise to an organization, the founder or core team often appears inflexible. They are good at most of the tasks they take on, passionate about their mission, have clarity and are articulate, yet they can no longer do everything alone. At the same time, they are reluctant to hand over the reins to others and are reportedly uncomfortable with someone questioning their concept or its potential to scale. They thrive in unstructured environments and resist implementing the processes and procedures that accompany growth. As a result, people who work for such founders are often disappointed with their poor consistency.

Founders share sector enablers’ concerns around delegation. More than one founder mentioned that the second layer does not feel ready to take charge even when they are offered it, preferring to be led for some more time. Other founders state that many current employees have followed them, often giving up more stable jobs, and seek a continual direct connection with them. Building a second layer could create distance and, thereby, mission drift.



Retaining Talent



Survey respondents placed retention lower down on the list of top HR challenges, giving it 24% of their votes. Interviews with founders also highlighted that retention was a lower order issue than was recruitment, although the social enterprise landscape clearly does not score high on its ability to pay competitive salaries. Moreover, respondents have clearly indicated a challenge in attracting and recruiting talent and on occasion having to compromise on hires. A deeper study of attrition in the sector indicates that there are significant variations across hierarchical levels. Also, socents have been able to meet some expectations of employees that are not based on salaries. While these are likely not all conscious retention strategies, the sector would gain insights from understanding what works and what does not, and institutionalize practices that have worked to retain valuable talent. This section examines successes and “pain points” for socents in retaining talent.

Attrition

Socent enablers and investors feel that attrition levels are high across the sector and that socents often do not enjoy the benefits of the investment they make in terms of training and up-skilling. Founders agree that attrition is at its highest at the junior levels and poses a challenge which translates into their constantly being in recruiting mode. Attrition at junior levels is, however, reported to be lower for staff that is hired locally, especially in rural areas or small towns. This is because these employees are reluctant to move away from family, and these areas do not have many alternate jobs. This finding spans most sectors, namely microfinance, sanitation, energy and healthcare.

Junior staff usually tends to leave most often for higher paying salaries and more established or stable jobs. A telling fact is that socents lose a number of good employees to government jobs. Founders share that employees at this level, irrespective of gender, also leave due to personal circumstances and because they do not want to work at all.

Attrition is less endemic at the middle and senior levels, but is no less crippling. There is agreement on the fact that once senior managers buy into the organization’s mission, they are less likely to scout for new jobs. Attrition at these levels is very often due to differences in ideology with other founding team

members, or lower autonomy or decision-making powers that they expected to have when they joined the organization. Middle managers more often than not leave for better career prospects, a higher level in hierarchy and a larger remuneration package. These are also employees with greater aspirations for their career and with growing family commitments.

Socents offer non-monetary benefits such as flexible work environments, opportunities for growth and learning and the satisfaction of achieving social impact.

Founders were asked what they actively did to retain people and what kept people back with their organizations. Responses ranged from monetary benefits, such as providing competitive salaries, performance bonuses and cash awards for performance, to non-monetary benefits such as a flexible work environment, emphasis on the social impact, and opportunities for growth and learning.

Growth Path

Employees, founders shared, were happy to work in a knowledge environment where nearly everyone learned on the job. This perhaps works well because most of the workforce in socents is young and keen to learn. What employees sorely missed was seeing a clear growth path that told them where they would be in the next two-to-three years. Many founders agreed that while this was valid, it was also a tall ask when the organization was in its early years. There were clear growth paths, however, for people who are willing to stay on for more than two or three years. And it is for this reason that founders seek the aforementioned “intrapreneurs” who are willing to work hard for lower salaries in exchange for exciting growth a few years down the line. The missing link perhaps is that founders, with very few but notable exceptions, seldom share these growth paths explicitly with employees. Those that do share have a higher track record of retention.

Internal promotions help socents build a strong middle layer and retain talent.

Many founders also make it a policy to promote middle managers from within the junior levels. This not only allows for upward mobility within the organization, but also serves to indicate to juniors that they too can grow if they perform well. For the organization, it is also another way to address the challenge in attracting candidates for middle management levels.

Work Environment

Most founders said that socents had to live with attrition, as potential employees have set expectations of the job and salary levels, which they cannot always meet. One of the key ways they tried to make up for not offering “MNC salaries” was to provide a congenial work environment.

They have been effective in doing this to some extent. Many socents reported having flexible and even informal working arrangements with low levels of tracking time or progress. Many decisions are taken after brainstorming sessions in which employees from all levels participate and are given the opportunity to present their thoughts. This kind of work environment is seen to be “Western” and collaborative rather than top-down. Socents ensure there are activities to keep employees motivated peppered throughout the year, often worked around major festivals. Yet there are other comfort

factors that they seem to miss out on.

Dealing with ambiguity is something most employees accept as a given and learn on-the-go. The infrastructure and limited resources are less comfortable than that they would enjoy at more established organizations. The market is more unpredictable. Employees usually take these issues in their stride. However, employees are less accepting of continued chaos in HR management, for example, regarding delegation and reporting arrangements. In these cases, staff attention is diverted from mission-critical tasks as they struggle for clarity on these issues. In exit interviews, some former employees explained that while they found the environment exciting and learned a lot, they were now interested in more settled jobs with clearer systems in place.

Employees find it difficult to deal with continued chaos around reporting and delegation, and often leave to join organizations with clearer systems and processes.

Socents successful in retention share that transparency in all areas is critical. They point out that employees need to see the whole picture to truly feel part of decision-making. They need to be able to understand top management decisions around operations, hiring, promotions, benefits policy and reporting arrangements to feel a sense of belonging. Finally, employees also need clarity from top management during tough times such as when they are losing important clients or facing a funding crisis: as one founder points out, employees trust in the management and the organization is often a reflection of how the leadership behaves during such crises.

Role in Institution Building

Founders indicated that they were looking for institution builders at all levels of the hierarchy, and this inadvertently works well as a retention strategy. One of the key motivations for employees to work with socents is the opportunity to take increased responsibility for their own tasks. Most functions or teams have a flat hierarchy, relying upon a senior manager and junior staff. With such lean and small teams, socents are ideal organizations for those who wish to gain leadership positions early in their career. The junior staff has opportunities to showcase their abilities and fill lead positions. In healthcare, for instance, junior doctors would not be able to head departments in mainstream hospitals, while they do so



with socents. In some healthcare socents, experienced nurses also head centers.

Founders also encouraged employees to innovate and experiment with their tasks. One socent has a policy of not blaming employees for mistakes; any failure is treated as that of the organization as a whole and not of the individual. This was seen as a way to promote risk-taking and entrepreneurship.

Socents with a policy of ensuring work life balance are more successful at retaining talent.

The flip side of this, however, is that employees often feel the burden of management's expectations. Sector enablers point out that founders often look for clones of themselves in their employees in terms of the dedication to the organization, regardless of time commitment or personal sacrifices. These expectations, they say, are unrealistic and can only lead to discontent and attrition. While job satisfaction is one reason employees will take a salary drop, they are not willing to give up leisure hours or family time beyond a point. If anything, it is likely to be the reverse, with employees expecting family time to compensate for lower salaries. In this context, sector enablers also discussed what they termed as the "Indian way" of time keeping – founders, they said, were disappointed when employees left for home after the designated eight or nine hour workday. Socents that have been successful with retention highlight their policy of ensuring work-life balance, and the importance they give to starting and closing work on schedule.

Social impact Focus and Non-monetary Appreciation

Emphasis on social impact motivates the team, enhances job satisfaction and aligns personal goals with organization goals.

More than one founder pointed out the importance of emphasizing the social impact a team creates - not only to motivate the team to achieve greater impact but also to drive home job satisfaction and to align personal goals with organization goals. They ensure that employees see the bigger picture whenever they are given set targets or achieve some milestones.

Many founders pointed out that being very mission-driven ensured that they hired people who are not only working for salaries. In addition to the satisfaction of participating in activities that deliver social impact, employees also responded favorably to non-monetary compensation. Some founders share promotion stories and scoring pattern for assessments, reward and recognition for their best employees with everyone in the organization. These are done through specially organized rewards functions, meetings, company-wide mailers or newsletters etc.



Addressing HR Challenges



Human resource challenges are, therefore, multi-hued and extremely layered. Founders have an understanding of many of the nuances and are attempting to resolve issues as they become critical. These efforts to plug holes as they emerge might help organizations stay afloat but, as sector enablers and impact investors say, are unlikely to propel the organization forward. The findings we have discussed in the earlier chapters raise some clear gaps that need to be addressed if socents are to leverage their human resources to scale up. This section examines these areas and indicates potential solutions or areas for further research.

Planning Manpower for Scale

Hiring for scale is perhaps the single most important recommendation that emerges from all the sector enablers and impact investors that were contacted. Socents tend to hire to meet immediate needs, and the candidates thus selected may not be able to contribute once the organization moves to the next level. Building a second layer of leadership, investing in HR management and ensuring transparent performance monitoring are some of the ways socents can plan manpower for scale.

Employees appreciate clarity in terms of job specifications, performance benchmarks and reporting structure.

Informal decisions are easy when socents have smaller teams. Once the team size crosses five employees, however, the need for HR management becomes clearer. Typically, entrepreneurs invest in an HR coordinator only after a while, choosing to manage people themselves. While the founding team does not necessarily have to be in charge of institutionalizing the organization, it is a fundamental step for the enterprise to scale up and grow. Sector enablers recommend that socents develop middle management at the same time as they start expanding the junior staff, usually in the second or third year of operations. This allows for more time to deeply train middle management before they assume more critical roles.

Similarly, performance management systems come in at the transition when the firm moves from a pilot stage to an

organization. Once there are more than two layers, people need clarity in terms of job specifications, performance benchmarks and reporting structure. While all of these issues happen in mainstream start-ups too, they are tougher to address in socents. Key performance indicators are not as clear, because they include measuring social impact, and managers in socents need to incorporate softer issues also such as educating customers and their value chain partners.

The geographic challenges that founders shared for this study are significant. India's education system is expanding to serve rural areas and smaller towns. Yet the lure of working in big cities remains, and finding talent willing to work in non-metro markets is very tough. Socents are working with stop-gap solutions that include hiring junior staff locally, and bringing in supervisory and middle level staff in from cities for short durations. A clear gap that emerges in this study, therefore, is the need for creating talent pools ready to work in remote areas. One possible way would be to delineate the skill gaps in local talent, and fix those with targeted educational courses or workshops.

Supporting Recruitment Practices

From our conversations with founders on the sources of manpower they utilize when hiring, it appears that they work with solutions within reach, and these are not necessarily the solutions that will get them the most candidates or the most suitable applications. Word of mouth was the most opted for mechanism to gather applications, and has been reported to be effective. Even accounting for the networking abilities of existing employees and value chain partners, this may not really ensure maximum and focused gathering of applications. Such mechanisms do not build in the need to creating a robust

job description. At best, desired skill sets would be verbally described to get diluted as it moves down the line. Also, these networks, being informal, would pass on the information not to the best ears but the most available set of ears.

Socents would benefit from targeted support to mobilize a talent pool and suitable candidates at all levels.

Findings seemed to indicate that socents had to force-fit mainstream mechanisms to hiring when it was clear they were looking for candidates with a difference. A consistent call from all interviewees – socents and sector enablers – has been for a forum or a community network that speaks to potential employees about the dual bottom line focus, the social impact mission and about various job opportunities in the sector. There is a need to provide targeted support to the sector for mobilizing a talent pool and suitable candidates at all levels. Sector enablers suggest that socents should focus less on people who look good on paper, and utilize recruitment methodology to spot talent. In addition to typical online sources and word of mouth, they could ramp up the process to create a full outreach strategy. Ideally they would benefit from databases of alumni and fellows from suitable academic programs and student exchange networks, train focus on catchment areas and customize these sources for their requirements. While this seems to be a tall ask for cash-strapped socents, it is a support that sector enablers and existing networks could provide for the sector as a whole.

Defining Roles with a Difference

While many socents said they do build competent job descriptions, and that the real problem is in finding people who match those requirements, sector enablers felt that socents very often do not work on creating effective descriptions with key result areas and defined roles. As a result, the employee is hired for a job that is not clear to begin with, and finds that the job she is ultimately handed is not what she thought it would be. It often keeps changing, pushing her to ultimately resign. Enablers add that even if employees stay on, they may only do so for a cushion until the next job change, and they would not be aligned to delivery of social impact. Often, people that are attracted towards socents are not the people that the organization needs – but hires them nevertheless because they are available. Enablers call this “a mismatch between the heart and head” – some have the social angle figured, but skill

Support in crafting effective job descriptions would be one way to ensure the right talent is targeted, attracted and ultimately hired.

sets and business capability is a problem, while others have the business capacity but do not have the social impact angle. Support in crafting effective job descriptions would be one way to ensure the right talent is targeted, attracted and ultimately hired.

Challenges around the perception of the sector notwithstanding, founders find it tough to explain their unique concepts to their investors. Explaining it to potential employees via job descriptions is even more difficult. Moreover, tags like “CEO” come with stereotypes created in the mainstream. Some experts suggest that there is a need to change the mental imagery of these designations or positions – for instance, that of a CEO. Organizations they assist feel a potential candidate for the CEO position cannot be very young, yet they clearly cannot pay for the experience of an older person. Socents could explore out-of-the-box alternatives such as getting more than one person to fill this complex role, and make their roles complementary. Alternately, they could look to hire a candidate who has most of the qualities and can build the rest on the job, and call her “CEO-in-training”. While these innovative suggestions may not fit every organization or position, there is a clear need to revisit the way roles are being defined and filled.

Setting up HR Systems

Similarly, founders agree that they could do with support to put in place adequate and appropriate HR systems. These need not be excessively elaborate or complex, say sector enablers, but they do need to be able to meet the needs of a growing team. Primarily, HR systems are needed to ensure that the organization moves from recruitment-focused HR management to seeing people development as a core activity for achieving scale. Sector enablers have a number of suggestions to keep it simple, yet comprehensive. These include the basic systems for leave policy, common benefits policy, performance management and appraisal systems. They also urge socents to find ways to ensure these appraisals encourage behavior that aids the social impact mission. Above all, these systems have to be transparent – while cash rewards and training would motivate employees, transparency is what makes them stay.



It would be a good move for socents to set up some systems that enhance their existing non-monetary retention strategies such as opportunities to take leadership positions and ensuring a positive work environment. Flexible work environments and the opportunity for employees to design and evolve their own roles are big retention factors. Sector enablers also encourage founders to work on building detailed organograms, as this helps plan for the future.

Making the HR Hat Fit

Entrepreneurs would find an HR toolkit with basic templates and processes for HR management beneficial when they are starting out.

Given that there will be a period of time during which the founder will wear the HR hat, early stage investors and enablers should consider providing HR inputs and coaching for the founder. More than one founder suggested that an HR toolkit would really help them. They seek the basics such as do's and don'ts and templates for appointment letters, rejection letters, leave policy, salary break-up, HR manual etc in this HR toolkit.

A few early stage investors and sector enablers have started weaving in an HR component into their workshops and sessions with investees. This comprises sessions by HR experts typically with mainstream and consulting experience. They report that investees responded favorably but also felt that speakers and trainers need to understand the ethos of the sector, a mere talk is not productive and the cost is too high. Sector enablers indicate HR is a burning issue in their investee meetings, and there is a need for a CEO coaching program that helps entrepreneurs develop an HR perspective that is more than numbers and is on the ground. The founder needs to understand why investment in HR management is important and that it is not only to please investors. While these early workshops are a great start, they can be enhanced with other elements that can help founders gain skills in building the basic HR management framework within their organizations. These could be in the areas that founders face every day – ranging from regular recruitment, designing assessments, conflict management between teams, setting of key result areas (KRAs), building organograms etc.

Creating External HR Support

Socents should seek external professional help in setting up HR systems and processes when they have small teams.

It may not always make sense to hire an HR manager very early on. But it certainly does to bring in an expert to set in the systems and processes. Besides ensuring that the organization gets it right the first time, it also saves additional time and effort spent in reinventing the wheel. Sector enablers recommend socents to outsource HR management even if they cannot hire, and to budget for professional help. They add that organizations often start late with building HR systems, usually superimposing them on a team that has not had to deal with systems until then. In such cases, an external consultant would not be highly effective. The founder needs to share the draft HR policy, gather feedback from key existing employees, and then finalize it with their buy in.

Finally, experts do caution that external consultants are better at helping to set up processes and systems; they may not be as effective in the day-to-day running of these systems. Consultants can help socents set it up, but figuring out the pulse of the organization, feeling and bringing in that sense of belonging are tough asks from a part time expert.

Conclusion

Initial conversations on HR challenges with sector stakeholders pointed to a cycle of low salaries, lack of talent pool and high attrition – problems that all start-ups face. Delving deeper, the study found several complex and layered challenges that are unique to socents. Further, they are so intertwined that they are unlikely to be resolved if addressed in a piecemeal manner. This effort puts them all together in perspective and highlights these inter-linkages. It is hoped that this is a start in setting a basic framework for further research into crafting clear solutions to help socents deal with their HR challenges. This study also aims to encourage all those within and at the periphery of this unique social enterprise space to support advocacy and championship to attract the best talent towards fulfilling a collective dream of inclusive growth – profitably and sustainably.



List of Study Participants



Here is a complete list of enterprises that have participated in this study.

A

Agsri
Akshayakalpa Farms And Foods Pvt. Limited
Ambicales Clean Technologies Pvt. Ltd.
Anjali
Aquagri Processing Private Ltd.
Arohana Dairy Private Limited
Ayurved Hospitals
Ayzh Health And Livelihood Pvt Ltd

B

B2R Technologies Pvt. Ltd.
Babajob.Com
Bamboo House India
Basic Water Needs India Pvt Ltd
Bhartiya Samruddhi Finance Limited
Bhushan Agro
Biosense Technologies
Boond Engineering & Development Pvt. Ltd

C

Cleanstar Energy Pvt Ltd
Cogknit Semantics Pvt Ltd
Coir Atlas
Culture Aangan

D

Dah Jaipur Limited
Decentralised Energy Systems India Pvt Ltd. (Desi Power)
Driptech

E

Earthen Glow
Ecofarms (India) Limited
Ecoloove
eFarm
Ek Titli Solutions
Ekgaon Technologies
Ekutir Rural Management

Embrace
Emfin Microfinance
Envirofit India Pvt Ltd

F

Frontier Markets

G

Glo Tech Organics Pvt Ltd
Global Easywater Products Pvt. Ltd. (Gewp)
Glocal Healthcare Systems Pvt Ltd
Gram Power Inc.
Gram Tarang Employability Training Services Pvt. Ltd.
Gram Vaani Community Media
Grameen Finserve
Green And Good Store
Green Basics
Greenlight Planet
Greenway Grameen Infra

H

Hammer & Mop
HarVa
Healthpoint Services India Pvt Ltd
Helioz Research & Development

I

iDiscoveri
I-Initiate & Impact Carbocuts Pvt Ltd (Cycle Chalaa)
II&Fs Education
Inclusive Planet
Intellectash
Intuit Labs Fasal

J

Janani Agriserve

K

Kanak Resources Management Limited
Kautilya Phytoextracts Pvt Ltd

L

Leanway Energy Pvt Ltd
Lifespring Hospitals Pvt. Ltd
Lotus Hospital & Research Centre

M

Masuta Producers Company Limited
Mera Gao Micro Grid Power Pvt Ltd
Meradoctor
Milk Mantra Dairy Pvt Ltd
Moral Gramin Micro Credit
Mpower Microfinance Pvt.Ltd

N

Newdigm Healthcare Technologies Pvt Ltd
No Nasties
Noble Energy Solar Technologies Ltd.

O

Onergy
Ossian Agro Automation Private Limited

P

Pahal
Pharmasecure Pas India Pvt. Ltd.
Piramal Eswasthya
Piramal Water
Pro Nature Organic Foods Private Limited

R

Rain Water Concepts (I) Pvt Ltd
Rangsutra
Rope
Rose Computer Academy

S

Safal Solutions
Sahaj Agrofarms
Sakhi Retail Pvt Ltd
Samagra Off-Grid Utilities
Samridhi Agri Products Private Limited
Seed
Selco
Shramik Sanitation Systems
Shree Kamdhenu Electronics Pvt. Ltd.
Simpa Networks
Sp Renewable Energy Sources Pvt Ltd
Star Agriwarehousing & Collateral Management Limited
Suminter India Organics Pvt Ltd
Super30
Suryoday
Sustaintech India Pvt Ltd
Swadhaar
Swasth India Services Pvt Ltd

T

Tanclean Pvt Ltd
The Village Store
Thrive Energy Technologies Pvt Ltd
Together As One
Travel Another India

U

Under The Mango Tree
Urja Bio Systems
Utkarsh Micro FinancePvt.Ltd

V

Vaatsalya Healthcare Solutions Pvt.Ltd
Vivam Agrotech

W

Waste Ventures
Waterhealth India
Waterlife India Pvt. Ltd.
Wello

X

X-Runner

Z

Ziqitza Health Care

List of Sector Enablers

Aavishkaar Venture Management Services

Dasra - India

Edelgive Foundation

Ennovent

Innovation Social Consultants

Seedfund

Start Up!

People Builders



The Intellecap Research Team

APARAJITA AGRAWAL

Aparajita leads the Knowledge & Insights Group that builds new avenues for knowledge creation and exchange in the development sector. She has played a pivotal role in designing initiatives that position Intellecap as a thought leader in the microfinance and social enterprise space.

USHA GANESH

Usha is a Manager on the Knowledge & Insights Group. She leads research and content projects and is also on the editorial team for Searchlight South Asia, a monthly newsletter that Intellecap creates for the Rockefeller Foundation tracking urban poverty in Bangladesh, India and Pakistan.

NISHA KUMAR KULKARNI

Nisha is a Senior Associate on the Knowledge & Insights Group at Intellecap and leads research and content projects. She is on the editorial team for Searchlight South Asia, a monthly newsletter Intellecap creates for the Rockefeller Foundation tracking urban poverty trends in Bangladesh, India, Nepal and Pakistan.

SARAH ALLEN

Sarah is a Senior Associate on the Knowledge and Insights Group at Intellecap. She leads research projects and content development on timely and important issues about India's social enterprises.

ANAR BHATT

Anar is the Content Management Associate on the Knowledge & Insights Group. She assists research efforts and is also part of the team that manages content for the Microfinance Gateway (MFG) portal.

