

ACCELERATING YOUTH-LED SOCIAL VENTURES IN ASIA



A RESOURCE GUIDE FOR ORGANIZATIONS IN EAST AND SOUTHEAST ASIA SUPPORTING YOUTH SOCIAL ENTREPRENEURS



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INTRODUCTION AND BACKGROUND

Compared to regions of the world such as North America, Africa, Latin America and India, East and Southeast Asia sees fewer youth engaging in entrepreneurship. There are several reasons for this difference. Many countries in the region do not have favorable environments for startups and entrepreneurs. Necessary entrepreneurial characteristics such as critical thinking and creativity are not taught, developed or encouraged. Risk taking and entrepreneurship are not valued by society. There is little infrastructure support in terms of knowledge, funding, mentorship or incubation that can help entrepreneurial youth get started. (In some cases, a language barrier prevents young people from accessing the latest resources about social entrepreneurship, most of which are in English.)

Small and growing businesses are not as common in this region as in other parts of the world. In addition, East and Southeast Asia lags behind in the development of an ecosystem around entrepreneurship. Despite these challenges, some young people have recognized the economic and social impact potential of entrepreneurship and small businesses, and through their own means have launched ventures to benefit their communities. In East and Southeast Asia youth will be the drivers of a movement that recognizes the power of entrepreneurship to contribute to just economic and social development.

The potential of these young entrepreneurs to contribute to the sustainable development of their countries has been recognized and entrepreneur support organizations have been established to help them. In the past few years national and local level programs have been developed to provide hands-on and ongoing support to local entrepreneurs. Many of these organizations, however, are themselves facing difficulties determining the most effective ways to do so.

As a regional organization working in multiple countries, Synergy Social Ventures (Synergy) has found that youth entrepreneurs and accelerators throughout the region face similar challenges, respectively. We determined that accelerators benefit from sharing their experiences, learning from their peers and exploring effective practices. Furthermore, insights and experiences from outside of the region can be valuable to local organizations. We can accelerate the speed by which accelerators in the region improve their quality of support for youth entrepreneurs through sharing lessons learned from local and foreign peer organizations.

This resource guide is the first step to actively share experiences, knowledge and best practices to increase the amount, and improve the quality of, support available for youth entrepreneurs. The goal is to see more ventures from the region successfully growing, attracting funding and creating more positive impact in their communities.

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WHO SHOULD USE THIS GUIDE

Although this resource guide was developed for social entrepreneur support programs, it can be used by programs that support both traditional and social entrepreneurs in developing countries in East and Southeast Asia. We refer to this region as Asia throughout this guide, but we exclude South Asia from the scope.

We use the terms entrepreneurs, entrepreneurship and ventures to include social entrepreneurs, social entrepreneurship and social ventures because we recognize that social entrepreneurship is but a small segment of the broader entrepreneurship sector. Factors and conditions that influence entrepreneurs also affect social entrepreneurs. However, social enterprise accelerators face even greater challenges due to the inherent complexity and duality of social venture goals and the dearth of local knowledge resources available to them. In some cases, we highlight issues or key points specific to social ventures.

We use the term ‘accelerator’ to encompass all entrepreneur support programs including university or NGO capacity building programs, incubators and accelerators. While many of the programs are not typical ‘accelerators,’ the purpose of all the programs is to help ventures develop and grow, i.e., accelerate.

Our survey of, and interviews with, entrepreneurs and entrepreneur support programs showed that their biggest challenges were effective business skills development, access to funding and connections to resources outside of their respective countries. Various other aspects of venture development such as legal structure determination, governance, finance and accounting, marketing and communications were still challenging but to a lesser degree. This is likely because educational resources on these basic business topics are available in all countries. This guide focuses on the issues entrepreneurs and accelerators in Asia identified as their biggest challenges.

The scope of this guide is limited to the programmatic activities of accelerator programs and does not discuss the operations of the programs themselves, such as where to secure funding, what models of accelerator programs are most effective and other topics directly related to managing an accelerator. Members of the ANDE network are currently conducting research on these other topics.

METHODOLOGY

The impetus for this project came from years of direct work with youth entrepreneurs throughout East and Southeast Asia. Principals of Synergy have been working with youth entrepreneurs in the region as early as 2008. What we saw and experienced in our interactions with entrepreneurs and new local accelerators was that while there was motivation and a passion to support youth entrepreneurs, there was not always sufficient knowledge or experience on the best ways to do so.

This resource guide is the result of Synergy Social Ventures' experiences gained from direct work in the region, a survey of youth entrepreneurs and organizations supporting youth entrepreneurs, interviews with international funders and next stage support programs (e.g., accelerators, fellowship programs, mentorship programs), site visits and in-person conversations with local entrepreneurs, accelerators and funders as well as experience and research from other parts of the world shared through the ANDE network.

Synergy staff regularly meets with local entrepreneurs, support programs and funders during in-country visits, local or regional events and international conferences. The entrepreneur support ecosystem in Asia is still quite small yet with many overlapping networks. Because Synergy is a global organization based in Hong Kong, it has access to a diverse range of global contacts, networks and knowledge that country-specific ecosystem players often do not. At the same time, because Synergy's programmatic work is entirely focused on East and Southeast Asia, Synergy has considerable relevant experience with entrepreneurs, capacity builders, philanthropists, investors, governments and other support intermediaries from all over the region.

To confirm our hypotheses from experience working in the region and to ensure we had the most up-to-date information about the needs of youth entrepreneurs and the challenges facing accelerators, we conducted surveys and interviews throughout 2013 specifically focused on the topics addressed in this guide. The list of the organizations can be found at the end of this guide.

TERMINOLOGY

ACCELERATOR – refers to any program or organization that provides support to entrepreneurs focused on small and growing businesses, small enterprises, microenterprises, social ventures, or impact enterprises. Accelerator can refer to programs providing short-term workshops to full time ongoing support for a period of several months or even over a year

ENTREPRENEUR – includes traditional, technology, and social entrepreneurs whose companies are addressing social, economic and/or environmental issues in developing countries

FUNDER – individual or organization providing funding to small and growing businesses or social ventures. Funders can include investors, donors, SME banks and other lenders

GROWTH CAPITAL – funding that helps businesses expand their operations or into new markets

IMPACT INVESTING – investing for social and environmental impact along with financial return

INVESTOR – individual or organization providing investment capital to small and growing business or social ventures. Investors seek a return of their capital and an additional surplus, a return on their investment

NEXT STAGE SUPPORT ORGANIZATIONS – refer to the subsequent support programs or funders that entrepreneurs work with upon completing working with a local entrepreneur support program

PHILANTHROPIC INVESTMENT – the use of capital that has been allocated for philanthropic purposes (and does not need to earn a market rate of return) in the form of grants, debt and equity to finance ventures with the goal of maximizing social impact return

SEED CAPITAL – type of funding that helps turn ideas into products or services

SME – small and medium enterprise, which is the broader category in which ‘ventures’ exist

SOCIAL ENTREPRENEUR – an entrepreneur starting up or running a small and growing business whose primary reason for operating this business is to create positive social or environmental impact

STARTUP CAPITAL – funding that helps entrepreneurs start businesses

VENTURES – refers to revenue-generating organizations, which can be legally structured as for-profit business or nonprofit organizations. Includes small and growing businesses (SGBs), social ventures, social enterprises, social businesses, enterprising nonprofits, and impact enterprises

YOUTH ENTREPRENEUR – entrepreneurs between 18-35 years of age which make up the majority of impact-focused entrepreneurs in East and Southeast Asia

There is considerable confusion over terminology and definitions in the sector. we attempt to clarify the language we use in this guide.

1. PRIMARY ACCELERATOR PROGRAM ELEMENTS

Around the world accelerator programs for youth entrepreneurs provide a similar set of core services, as an ANDE-Village Capital study of global support program programs found [1]. These include mentorship, access to investors, networks of partners and business skills development. While entrepreneur support programs in Asia also cite similar support services, the quality and efficacy of services provided vary greatly. Consequently, the resulting impact on venture development varies. Some entrepreneurs surveyed felt that their participation was not time well spent as they did not gain any benefits while others felt the programs were extremely helpful and effective in taking their ventures to the next level.

The focus of this section is to explore essential components of an effective acceleration program and understand how they are effectively delivered. It provide best practices and tips for providing the following types of support:

- Business skills development
- Mentorship programs
- Access to investors

1.1 BUSINESS SKILLS DEVELOPMENT

*Most support programs provide a similar array of services and program elements, **but it is the quality of the service** that differentiates effective programs.*

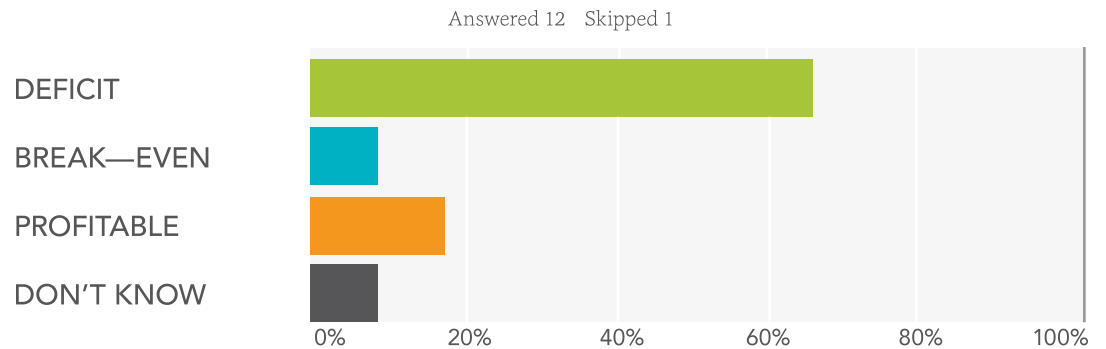
Business skills development is critical to the success of an entrepreneur and a central pillar of entrepreneur support programs. Our survey findings and experience working with entrepreneurs and funders indicate that the level of business skills of youth entrepreneurs is relatively weak. The majority of surveyed enterprises still find themselves in deficit and have not achieved break-even even after several years of existence, This includes ventures that have participated in local entrepreneur support programs.



[1] The Aspen Network for Development Entrepreneurs and Village Capital. Bridging the “Pioneer Gap”: The Role of Accelerators in Launching High Impact Enterprises. June 2013.
<http://www.aspeninstitute.org/sites/default/files/content/docs/ande/Bridging%20the%20Pioneer%20Gap%20The%20Role%20of%20Accelerators%20in%20Launching%20High%20Impact%20Enterprises%20.pdf>

ENTREPRENEURS' CURRENT FINANCIAL SITUATION^[2]:

HOW WOULD YOU DESCRIBE YOUR ENTERPRISE'S CURRENT FINANCIAL SITUATION (OR LAST FINANCIAL YEAR) ?



MAJOR CHALLENGES FACING ENTREPRENEURS

According to our survey, the top three challenges facing entrepreneurs are:

1. Cash flow
2. Access to appropriate funding
3. Determining the best business model

Problems with cash flow and lack of seed or startup funding options are key factors in why many ventures don't survive beyond the startup stage. But the primary reasons that ventures don't succeed or are not able to raise funds are because entrepreneurs lack the critical business skills to develop well-thought-out, rigorously tested and viable business models.

^[2] Survey of entrepreneurs in East and Southeast Asia

Program staff providing business skills development must have hard business skills and experience. Social sector or youth development expertise is also important but in combination with business skills.

A start-up business is a different entity than a large corporation and entrepreneurship is not the same as business management. While seasoned professionals from large companies have valuable experience in a particular area, entrepreneurial experience is also essential.

Youth entrepreneurs do not only need to learn business operation skills, but more fundamentally they need to learn how to develop a viable business model.

What exactly is a viable business model? It is a plan for a business that will “work,” in other words be profitable. The following are indications of a viable business model (based on the Business Model Checklist from the Start-up Owner’s Manual [3] :

- Customers are truly passionate about the product or service
- Customer need for the product or service is current, urgent and will translate to real sales
- The company fully understands and has identified its operating and overhead costs, product development costs and manufacturing costs
- The company understands its market and market opportunity
- The market opportunity and cost structure indicate an increasingly profitable business

Entrepreneurs state that funding is one of their primary needs, however we see that many view funding as something that will solve all their problems. Unfortunately, this is not the case. Entrepreneurs need to understand their business models and their revenue drivers. Securing funding may or may not be necessary.

Developing a viable business model includes having a strong understanding of the customer, the market and its potential size, and developing a strong value proposition. Entrepreneurs also need to understand the unit economics and revenue drivers of their business models and be able to determine their financial viability.

Entrepreneurs that do seek investment funding have challenges securing it, even though some investors have lowered their funding minimums as low as the \$50,000 range and others are now willing to invest in pre-revenue stage ventures. Investors still state that despite lowering funding minimums finding investable ventures is a challenge . [4]

Investors surveyed identified the following weaknesses in entrepreneurs:

- Lack of fully developed business model and plan for financial sustainability
- No long-term vision for venture or vision and plan for scale
- Inability to answer basic questions asked to evaluate viability of business model
- Lack of understanding of unit economics behind business model
- Weak grasp of financials behind business model
- Insufficient understanding of customers and potential market

[3] Blank, Steve and Dorf, Bob. The Start-up Owner’s Manual: The Step-by-Step Guide to Building a Great Company. K&S Ranch. March 1, 2012.

[4] Interviews with impact investors active in East and Southeast Asia

An ANDE-Village Capital study found that 47% of funders have sourced “zero” portfolio companies directly from an accelerator although at least 60% said they maintain some type of relationship with accelerators and support programs.

Our survey of funders sourcing for ventures in Asia found that the primary reason for not funding entrepreneurs was the lack of fundamental business skills.

IMPORTANCE OF APPROPRIATE ACCELERATOR STAFF

While the goal of youth entrepreneur support programs is to help entrepreneurs improve their business skills and develop viable business models, accelerators are not producing many profitable and/or investable ventures. Closer examination of why business skills development support is often ineffective leads to one of the key takeaways for successful acceleration programs:

Program staff providing business skills development must have hard business skills and entrepreneurial experience. Ideally, accelerator staff supporting social ventures is “bilingual” in both business and social issues but a strong business background is of critical importance.

Globally, accelerators are under-resourced and face ongoing funding challenges. Because of this, they are not always able to hire staff with strong private sector business skills and relevant experience. Instead, many programs ask local business professionals to deliver workshops or mentor entrepreneurs on a voluntary basis. But this is usually insufficient, as entrepreneurs need ongoing and consistent support throughout the program.

Accelerators can also engage business professionals over the long-term by inviting them to serve as advisors or board members. Rather than providing direct support to entrepreneurs, they would help the accelerators with their own development.

It is also important to recognize that different businesses skills are required for different types of businesses. A start-up business is a very different entity from a large corporation and entrepreneurship is not the same as business management. Early stage entrepreneurs need to learn how to develop viable business models, not only to learn how to operate a business. As such, both entrepreneurs and senior management executives are valuable as accelerator staff or mentors/advisors to accelerators.



ENTREPRENEURSHIP EDUCATION RESOURCES

For programs without strong in-house business and entrepreneurial expertise, there are many valuable resources available that can help a program to develop business skills in participants. A currently popular tool for enterprise development is the Business Model Canvas (BMC) and the associated Lean Startup methodology. Although they may appear to be trends or even fads in entrepreneurship education, they are useful resources and tools.

The Business Model Canvas is an alternative to a written business plan. It is a visual tool and breaks down the essential components of a business model on one page, allowing entrepreneurs to clearly see what the different aspects of their business model are, and how they interact with each other. The BMC is a working document that is adapted and refined until a scalable business model develops. A core component of both the BMC and the Lean Startup methodologies is a focus on “customer discovery.” This essentially means that entrepreneurs focus on understanding their market and customer first and foremost when developing their business model.

We highlight these methodologies and tools not because they are the latest trends in entrepreneurship education, but because they have proven to be effective in helping entrepreneurs develop viable business models (and recognize when a business model is not viable) so they can change before wasting too many resources on non-viable ideas. They can be used by those without formal business education and have been developed for start-up ventures.

THERE IS NO BUSINESS MODEL WITHOUT A CUSTOMER

The process of **“CUSTOMER DISCOVERY”** is central to developing a viable business model. A hurdle many entrepreneurs face is lack of real understanding of their customers. Entrepreneurs tend to use mass email surveys or interviews to get customer feedback. Their methods of collecting information, however, are often such that they do not get to the core of their customers’ actual needs.

As in the classic Henry Ford example, it is about an entrepreneur discovering that the ‘faster horse’ that customers wanted was actually a car. “Design thinking” and “human centered design” are useful tools to effectively discover what customers really want. Again these terms have become somewhat overused, but basically these concepts boil down to a process of learning about customers and discovering their real needs - needs they may not be able to articulate.

Proper customer discovery is critical to developing a viable business model and entrepreneurs must do this before they begin business operations. This process helps entrepreneur learn about their customers so they can develop and position their products or service according to their customers’ needs. It also helps entrepreneurs understand how the different aspects of their business model tie together and think through each component without leaving a critical gap in the model. Unfortunately, many support programs skip the customer discovery process and go directly to business operations, which is not helpful if there are no potential customers for the businesses’ products or services.

If an accelerator does not have experienced entrepreneurs to help youth entrepreneurs with business model development, the following entrepreneurship education resources can be useful. They are not meant to replace personalized support programs but serve as knowledge resources for accelerators to employ

Some resources useful to accelerator staff in helping entrepreneurs develop viable business models are:

- **BUSINESS MODEL GENERATION**, book by Alexander Osterwalder and Yves Pigneur. This book introduces the business model canvas as a tool and guides readers through the various components of a business model using simple terminology.
- **Free online course HOW TO BUILD A STARTUP** on Udacity by Steve Blank, a Silicon Valley serial entrepreneur. This series of online videos is easy to understand and does not use too much industry jargon. It is great for new entrepreneurs, and support programs can hold discussion sessions to help entrepreneurs apply the key lessons.
 - <https://www.udacity.com/course/ep245>
 - An educator's manual providing detailed curriculum and materials for teaching these startup concepts is also available:
<http://www.slideshare.net/sblank/lean-launchpad-educators-handbook-sept-2013>
 - Steve Blank also provides many other valuable resources for teaching entrepreneurship skills:
<http://steveblank.com/2012/11/27/open-source-entrepreneurship/>

As entrepreneurs work on developing and testing their business models, design thinking tools can be helpful. In essence these tools enable entrepreneurs to effectively gather information about their customers, their target market and their needs, and ensure that their product or service meets those needs and is what the customer really wants. Useful tools resources for learning this process are:

- Stanford d.school CRASH COURSE IN DESIGN THINKING is a video intended to be run as a workshop or group exercise. Participants watching the video complete in the same exercises as the participants in the video.
- <http://dschool.stanford.edu/dgift/>
- **STANFORD D.SCHOOL MIX TAPES** are guides to the various design thinking tools useful for customer discovery
- <http://dschool.stanford.edu/dgift/chart-a-new-course/>
- **IDEO'S HUMAN CENTERED DESIGN TOOLKIT** explains and provides how-to guides for using design principles specifically to design for customers at the bottom of the pyramid.
- http://www.ideo.com/images/uploads/hcd_toolkit/IDEO_HCD_ToolKit.pdf

A list of additional resources for learning business skills that accelerators can use, or refer entrepreneurs to, is included in Appendix A.



KEY POINTS SUMMARY: BUSINESS SKILLS DEVELOPMENT

- Accelerator staff providing business skills development must have hard business skills and experience.
- Entrepreneurship is not the same as business management. Accelerator staff or mentors should include both seasoned business professionals and entrepreneurs.
- Early stage entrepreneurs need help in developing a viable business model. This includes having a strong understanding of their customer, their market and its potential size, and developing a strong value proposition. Entrepreneurs also need to understand the unit economics and revenue drivers of their business model and be able to determine its financial viability.
- There is a wealth of resources developed by experienced entrepreneurs that support programs can use to guide their business skills development support.



1.2 MENTORSHIP PROGRAMS

Access to mentors and networks of entrepreneurs, investors, sector experts, and others are inarguably valuable to early stage entrepreneurs, particularly youth entrepreneurs without established networks. In our survey entrepreneurs who had participated in support programs stated that access to mentors was among the most valuable services, second only to funding resources.

VALUABLE MENTOR RELATIONSHIPS FROM AN ACCELERATOR

An entrepreneur in Indonesia who participated in the Global Social Business Incubator in the United States spoke about the value of mentor relationships. “Sometimes you are dealing with issues you don’t want to ask your shareholders.” Her mentors also opened important doors to funders. In her case, one of her mentors is a seasoned serial entrepreneur who is now running a million dollar technology company in Silicon Valley and the other is in a senior position with Apple Computers in Asia. This entrepreneur regularly communicates with her two mentors, biweekly and monthly respectively.

Source: Entrepreneur interview

The quality of the mentors is critical to how beneficial the relationship will be, as well as their commitment and availability to their mentees. Desirable mentors have the following characteristics:

- Relevant experience as successful entrepreneurs, business executives or angel investors
- Experience in relevant sectors
- Serious and willing to commit sufficient time to the role
- Willing to give entrepreneurs access to their networks

HIGH CALIBER AND ENGAGED MENTORS CONTRIBUTE TO INDIAN INCUBATOR’S SUCCESS

Villgro, an accelerator program in India that is one of the few cited by investors as a reliable source of deal flow, provides a mentorship program as a key component for entrepreneurs in Villgro’s SEED incubator program. In Villgro’s words:

“SEED Mentors have 15-20 years of experience, have run their own companies, and have reached executive levels across all sectors. They engage with [entrepreneurs] for two hours a week while off-site, and stay on location for the workshops, to provide guidance. This example highlights the importance of high quality mentors, experience starting and running an enterprise, and the ability and willingness to regularly engage with their mentees.”

For more information see Villgro’s website:
<http://www.villgro.org/seed>

Accelerator program staff has an important facilitation role to ensure mentorship programs are effective. It is not enough to recruit a group of high quality mentors, it is equally important to help facilitate an effective mentor/mentee relationship. The facilitation role can include several elements:

SELECTIVELY RECRUIT MENTORS:

Although it is not easy to recruit the right professionals to serve as mentors, selectivity based on the criteria listed above is critical to successful mentoring relationships and mentorship programs.

PREPARE MENTORS AND ENTREPRENEURS FOR AN EFFECTIVE RELATIONSHIP AND SET EXPECTATIONS:

Entrepreneur support program staff should provide initial coaching to both entrepreneurs and mentors on how to develop effective mentor-mentee relationships. Entrepreneurs should learn how to proactively engage their mentors. Mentors should take the time to learn about their mentees' situation and make themselves available on a regular basis. The staff should help set expectations to ensure that both parties are clear about what each is committed to do and what to expect from the other.

HELP THE ENTREPRENEUR ABSORB MENTORSHIP ADVICE:

Sometimes mentors don't have the time or ability to share advice in ways that young entrepreneurs can understand. Accelerator staff can play an important role by helping entrepreneurs understand and implement their mentors' advice. Accelerator staff must have sufficient business experience to play this role.

Peer youth entrepreneurs can also be a valuable source of support for newer entrepreneurs. Recent program graduates can serve as good mentors for youth entrepreneurs because they are likely to be close in age and more relatable than older mentors. They may have also recently dealt with similar challenges and can offer suggestions and support to their peers. Support programs have an opportunity to facilitate these relationships by developing and maintaining alumni networks of program participants. Developing such a network will take time, but will be a valuable source of peer mentors for young entrepreneurs.

While it may not be easy, accelerators should prioritize recruiting mentors with entrepreneurial or startup experience. Youth entrepreneurs are looking for mentors who have successfully navigated the entrepreneurial path. They are especially keen to learn from seasoned entrepreneurs from their own country who they can identify with and learn how to deal with country-specific issues. For accelerators supporting social ventures, it is not necessary to have mentors who are experienced social entrepreneurs although that would be ideal. Social ventures are still businesses even if they are socially driven and support from experienced entrepreneurs, whether social or traditional, is the important piece.

UNREASONABLE INSTITUTE SHARES THEIR FAILURES AND LESSONS LEARNED ON MENTORSHIP

The Unreasonable Institute is an accelerator program based in Colorado, USA. Each summer 12 carefully chosen ventures are brought together for an intense 5-week program, which includes access to 50 high caliber mentors. Participation in this program is a highly sought after experience by entrepreneurs worldwide and has helped many make significant progress in their ventures. The Unreasonable Institute generously and candidly shares its lessons learned and failures so others can benefit from their years of experience. This is what the organization says about its mentorship program:

(From: <http://unreasonableinstitute.org/failures/>)

Accelerator programs that bring in mentors suffer from a common affliction. TechStars calls it “Mentor Whiplash” (a term that we very much agree with). It means that an entrepreneur frequently gets completely contradictory advice from the highly-opinionated, though very intelligent, mentors that come through. Our own entrepreneurs have reported struggling with mentor whiplash since year one of the Institute and we have never intentionally helped them to navigate contradictory feedback.

We recognize that Mentor Whiplash will always exist and that some of it is good for an entrepreneur to be reminded that “there are no maps” (as Unreasonable Mentor Pascal Finette says). But we believe there are a few things that we can do mitigate its effect.

(1) We have developed a better process for entrepreneurs and mentors to “date” before committing to working together.

We work to understand our entrepreneurs’ needs before the Institute and then scan our existing network of mentors for those who might have the expertise our entrepreneurs need. By the time entrepreneurs get to the Institute, they have flagged a few mentors who they already have a bit of a relationship with, which they can explore in greater depth. This stretches out the amount of time that entrepreneurs have to get to know mentors, which allows them to “test out” their advice.

(2) We are helping our entrepreneurs build “Mentor Teams.”

Getting different mentors together in the same room or on the same phone call to hash out differences of opinion can help a lot with Mentor Whiplash. It also helps mentors to be part of a team – they take the commitment of mentorship more seriously, they can focus on what they are best at (meaning if their expertise is in marketing, they don’t also have to feel pressured to advise the entrepreneur on their financials if there’s another mentor on the team who can do that), and they crave relationships with other Unreasonable Mentors as well. Everybody wins!

(3) We are training our entrepreneurs on how to better engage with Mentors.

When we first started the Institute, we assumed that you could just put a Mentor and an entrepreneur together and magic would happen. Not so, we’ve learned. Entrepreneurs need to show up prepared for conversations with mentors, follow up, and keep them engaged.

(4) We plan to train Mentors on how to better engage with entrepreneurs.

For more information see the Unreasonable Institute’s blog post: 18 Keys to Engaging Mentors and Funders.

<http://unreasonable.is/skills/build-strong-friends/>



KEY POINTS SUMMARY:

MENTORSHIP PROGRAMS

- Access to high quality mentors is highly valued by entrepreneurs participating in acceleration programs. Entrepreneurs value the ability to learn from their mentors' experiences and ask questions they may not feel comfortable asking others, such as investors.
- The most valuable mentors will not only share their own experiences and give advice, but also provide access to their networks and introduce entrepreneurs to valuable contacts such as new customers or investors.
- Accelerators can play an important facilitation role that will increase the effectiveness of mentorship relationships. This includes setting expectations with both mentors and entrepreneurs, ensuring both parties have an understanding of commitments and expectations, and helping entrepreneurs understand and implement mentor advice.
- To effectively engage with mentors, entrepreneurs need to be "coachable" and receptive to feedback. Accelerators need to select participants that have these qualities.
- Mentors from various backgrounds and sectors are valuable, but accelerators should ensure that seasoned entrepreneurs are always included.
- Accelerator graduates who have been successful in raising investment and growing their companies are also a valuable resource for current program participants. Especially for youth entrepreneurs, a peer they can identify with and who has been through a similar experience, can be a very good sounding board and source of support and advice. Accelerators should maintain engaged program alumni networks through which current participants can meet and engage with alumni.

1.3 CONNECTIONS TO FUNDERS

Financing is a major challenge for entrepreneurs. While many accelerators provide some type of funding support, such as introductions to investors or pitch events, few ventures actually succeed in securing investment in this way. The ANDE-Village Capital study found that 98% of support programs for impact-focused ventures globally provide “access to potential investors” as a program service although 47% of investors have never sourced an investment directly from an accelerator program .[5]

There is a range of funders with different motivations and criteria for funding. Even the term “impact investing” is an umbrella term that has been used to refer to different funding models, ranging from funding that is philanthropic to very commercial-like funding.

Entrepreneurs should know that investment capital is not their only source of funding. Especially in their early stages, ventures may secure funding from donors in the form of grants, through business plan competitions, SME loan programs or other sources.

This section focuses on helping entrepreneurs prepare to raise investment capital and pitch to investors, but even when pursuing other sources of funding, a venture should have a well-thought-out business model and the team should be able to answer the questions that investors ask. When vetting ventures investors are trying to determine whether the business model is viable and likely to succeed. Hence, learning how to answer typical investor questions is a good exercise for entrepreneurs regardless of the type of funding sought.

BEFORE THE PITCH

New and young entrepreneurs usually have little experience with investors and will need coaching from accelerator staff on how to navigate the investment landscape and process. They may not understand that investors vary greatly in their priorities and funding vehicles. Or they may not realize that funding relationships are two-way and long-term. They also do not know how to sort through the various types of investors and determine which are suitable for their particular venture.

Introductions to investors should be one of the last steps of an ‘access to funders’ program. Entrepreneurs, especially youth entrepreneurs, are often intimidated by investors. Or they are afraid to ask questions or negotiate terms due to fear of losing the potential investment. This often results in unclear and differing expectations that can damage the relationship. As a result entrepreneurs often waste time and face disappointment by pursuing investors that are not appropriate for them and could never fund them.

[5]The Aspen Network for Development Entrepreneurs and Village Capital. Bridging the “Pioneer Gap”: The Role of Accelerators in Launching High Impact Enterprises. June 2013.
<http://www.aspeninstitute.org/sites/default/files/content/docs/ande/Bridging%20the%20Pioneer%20Gap%20The%20Role%20of%20Accelerators%20in%20Launching%20High%20Impact%20Enterprises%20.pdf>

Some investment basics include:

- **Understand different types of funding:** Different funding types (e.g., debt, equity and royalties) have different implications for entrepreneurs. Entrepreneurs should be able to understand the pros and cons of different funding types and determine which are most suitable for their needs.
- **Understand the obligations and terms** of a funding relationship, including:
 - What does it mean to give equity to an investor? What rights does the investor have in any decision making in the company?
 - What does a board seat for an investor entail? How much ability does it have to influence decision-making in the company?

QUESTIONS ENTREPRENEURS SHOULD ASK POTENTIAL INVESTORS:

1. What are your goals in your investments? What social return do you seek? What financial return do you seek?
2. How do you foresee exiting an investment in my venture? How do you foresee getting your investment capital back? Asking these questions helps entrepreneurs understand the trajectory an investor wants the venture to follow.
3. How much money/return do you seek to make on this investment? A simple question, but we see many cases of entrepreneurs being completely surprised by the investor's intentions for the company. Understanding the return expectations of an investor and the trajectory they see for realizing the returns provide invaluable information to an entrepreneur and enables him to determine whether the investor's goals are aligned with his.
4. How will you support our venture in addition to funding? Many investors will also provide valuable non-financial support such as hands on business support or introductions to potential customers and mentors.

In addition to a viable business model as discussed in Section 1.1, investors we surveyed state that ventures need the following to be considered investable:

- **Proper corporate governance** (or be open to establishing it quickly). Especially when seeking large investments, ventures should have governance systems in place such as:
 - A board structure, ideally representing shareholders, entrepreneurs, independent individuals and industry-experts
 - A clear board policy of assessing the company's performance and effectiveness (e.g., frequency of board meetings, information to be presented by the company, well-defined reporting practices, clear voting system)
 - Good communication flow between the company and its board

- **A clear plan for how the funding will be used** and how the company will grow as a result:
 - Investors note that particularly in Asia, entrepreneurs are conservative and think in incremental growth not exponential growth. Projections, however, should be realistic and based on strong assumptions.
 - Investors want to see a clear vision for the next 3-5 years. This vision should be realistic with specific milestones, not only a vision of the “ultimate big picture.”
- **Receptivity to the investor relationship and openness to advice and criticism:**
 - Investors seek entrepreneurs who will be open to feedback and criticism, but also able to think critically and challenge advice when appropriate, not just take all advice from investors.
- **Willingness to grow beyond the founders:**
 - To be investable ventures must show the potential to grow. This will require the founders to grow the team and in the long run move from the founder role into a role that they are best suited for as the company grows. “Founder’s syndrome,” or an inability to let go of total control of the venture, is a red flag for investors.

PITCHING TO INVESTORS

Our survey of investors looking for early stage investments in Asia found that the majority of entrepreneurs do not know what investors need to hear in a pitch and they are not prepared to answer critical questions. This includes entrepreneurs that have participated in an entrepreneur support program.

In addition to helping entrepreneurs understand investors and their requirements, accelerators can provide significant value by teaching presentation and negotiation skills, which many entrepreneurs may not possess. It is important to have program staff or mentors with experience in funding early stage ventures and can share insights from their previous experiences with investors.

Below is the “Rocket Pitch,” a pitch outline developed by John Cooper from Babson College. While the Rocket Pitch is intended to be an outline for a 3-slide and 3-minute pitch, it highlights the critical pieces that investors need to hear in a pitch and can be used as a guideline for longer presentation formats as well.



THE ROCKET PITCH

THE OPPORTUNITY

A Rocket Pitch should explain the opportunity you have identified, why you care about it and how you will overcome a customer's reluctance to buy from your start-up. The first part of your pitch should answer the following questions:

- What problem or opportunity have you identified?
- What is your solution to this problem or how do you plan to capture the opportunity?
- Which customer pain will you alleviate?
- What is your vision of the business and why do you care?

THE MARKET

If you can persuade an investor that your start-up is going after a real opportunity, the next challenge is to make a compelling case that the opportunity is worth a bet. To that end, your pitch should answer these questions:

- Which group of customers will you target?
- How big is the potential market and how fast is it growing?
- Who is your competition and why will your start-up prevail?

THE BUSINESS MODEL

Finally, your Rocket Pitch must explain how your start-up will make money. Doing that means not only explaining how you will generate sales, but also explain the costs of running your business and how much profit it will generate.

- How much will you charge customers for your product and why will they pay the price?
- What are the variable and fixed costs of your start-up and how much profit will it generate?
- How many customers can you win over time and why do you think they will come onboard?

ACCELERATOR-INVESTOR RELATIONSHIP

Although the majority of accelerators offer access to investors as a key benefit of their program, our surveys found that most only know “a few” international investors. As was mentioned earlier, studies have also found that international investors do not often see local accelerators as a reliable or good source of deal flow. There are a few steps that accelerators can take to improve this situation.

Aside from ensuring the entrepreneurs have strong, viable businesses to pitch to investors and preparing entrepreneurs to pitch investors and answer key questions, accelerators can develop better relationships with investors.

First, accelerators need to understand the different types of investors and their goals. As the terminology around investors funding social ventures is unclear, accelerators should ask a set of questions to determine the funders' characteristics and classify them based on their responses.

QUESTIONS TO ASK FUNDERS INCLUDE:

- What are your goals in your investments?
- What social return do you seek? How do you measure the social return?
- What financial return do you seek? (% IRR)
- How do you typically exit investments?
- What is your ideal timeframe between investment to exit?
- What is your minimum funding amount?
- What are your investment criteria?
- What are the reasons you typically decline entrepreneurs pitching for funding?
- What is a successful investment to you?
- What have been your most successful investments?

Second, accelerators should take time to get to know investors active in their region including their funding criteria and support services. They should be able to understand differences between the investors and effectively pre-screen and filter potential deals for specific ones. Doing this effectively will save the investor time which will build credibility with the investor and contribute to a good relationship. Accelerator staff with previous investment experience will be critical for such conversations to take place as they need to understand the terminology, know the investment process and be able to “talk shop” with investors.

Some accelerators have benefited from engaging potential investors in program development (as advisors) and/or the initial venture selection process in the support program. This kind of engagement helps accelerators select program participants that are in line with the next stage investors’ investment criteria. (While it is important for some ventures to access next stage investment, not all ventures will need or want investment. Also, investors may favor certain sectors or types of companies that are suited for scale or financial return. Hence, accelerators should be careful not to base their selection decisions solely on the criteria of a few next stage investors.)

One investor, LGT Venture Philanthropy (LGTVP), provides accelerators insight about their due diligence process, so that they can better understand and better prepare entrepreneurs in their program to meet LGTVP’s investment criteria. At minimum accelerators should understand what a viable business model is and what the funders in the region are looking to fund. Program participants can then be selected and supported accordingly, and matched to the appropriate type of funder. This will result in more matches between ventures and funders.

DON’T FORGET THE DOMESTIC FUNDERS

International investors may be more visible due to their active deal sourcing in Asia but accelerators should not neglect developing relationships with domestic funders. Accelerators can help entrepreneurs access appropriate funding by being aware on all funding available in their country, including any SME loans/funding or local angel investors. A recommendation from the ANDE-Village Capital study of accelerators was that accelerators should build connections to the local financial sector, particularly with domestic commercial investors who may be able to directly support a plurality or majority of program graduates more readily than international investors.

PARTNERSHIPS WITH IN-COUNTRY COMMERCIAL INVESTORS MATTE

The ANDE-Village Capital study found that **partnerships with in-country commercial investors are proven to have an impact on the effectiveness of an accelerator program**. The authors write, “For many impact accelerator graduates, the next step in financing may not be impact investors (in an Emory-Village Capital study in 2012, fewer than 10 impact investors made investments of less than \$250,000 per enterprise)...However, traditional commercial investors: banks, angel networks, and strategically aligned corporations who find a particular interest in the impact objective of the accelerator [can be better sources of appropriate capital]. The form of partnership that generated the greatest difference between enterprise success rates was the “domestic commercial investor”: local investors, who were able to provide funding to ventures, but did not necessarily self-identify as “impact investors.”

Two relevant examples of these types of partnerships are: Nigeria’s Wennovation Hub, which has partnered with Google-Africa to provide all ventures with the ability to use Google products to build their businesses, and Nairobi’s m:Lab, which has partnered with Nokia and Samsung to help mobile-based entrepreneurs addressing problems of the poor develop products.

We recognize that in some Asian countries these sources of funding are not as developed. But in these cases accelerators have an important role to play in developing them. The subsequent ecosystem-building portion of this guide elaborates on domestic funding networks that accelerators should cultivate.

A WORD ON MEASURING EFFECTIVENESS

This section has covered various components of accelerators for youth entrepreneurs, and shared ideas and best practices of how these can be delivered effectively. However, to ensure that an accelerator is maximizing its effectiveness, a measurement and feedback loop is critical. Surveys of the sector repeatedly find that accelerators are not tracking metrics or evaluating their performance, primarily due to lack of staff time and capacity. Furthermore, as there is not an established practice of measurement and evaluation in accelerators, there are few best practices and tested measurement methodologies.

Nevertheless, accelerators should make an effort to put in place a measurement process and have a feedback loop that allows them to have a sense of their effectiveness and gather valuable information about how they could increase effectiveness even further. Although not a fully tested or comprehensive measurement system, we include suggestions from a study [6] undertaken by I-Dev International with Village Capital and Agora Partnerships. These recommendations for metrics include not only enterprise growth and performance over time, but feedback from program participants as well as funding partners. These metrics are a good start to a comprehensive and useful measurement and evaluation system.

[6] Aspen Network of Development Entrepreneurs 2013 Conference, September 2013.
Presentation by I-Dev International: Dollar Value Created by Impact Incubators & Accelerators



I-DEV'S BENCHMARKING RECOMMENDATIONS FOR ACCELERATORS:

INCUBATE QUANTITATIVE ANALYSIS	INCUBATE QUALITATIVE ANALYSIS	INVESTOR ANALYSIS
<ul style="list-style-type: none"> • Tracked pre-incubation and for at least 5 years post incubation • Yr to Yr Revenue Growth • Yr to Yr EBITDA Growth • Capital Raised Pre Incubation • Capital Raised Post Incubation • Capital Raised Via Incubation • Units Sold/ Number of Customers 	<ul style="list-style-type: none"> • 1 to 5 Scale • Rating of Services Offered • Rating of Network & Connections • Rating of Investment Readiness Prep • Overall Satisfaction Rating • Rating—Addressed Your Bottlenecks & Challenges 	<ul style="list-style-type: none"> • 1 to 5 Scale • Rank Each Accelerator Program You Worked With • Rating of Overall Quality of Program • Rating of Investment Readiness • Rating of Investability of Cohort • Overall Satisfaction Rating • Rating of Cost/ Time Saving Via Deal Sourcing • Rating of Cost/ Time Saving Via Due Diligence



KEY POINTS SUMMARY: CONNECTIONS TO FUNDERS

- Accelerators can better help entrepreneurs access investment or other funding if they have a strong understanding of the different types of investors and are able to prepare entrepreneurs and refer accordingly. Even investors that self identify as “impact investors” can vary greatly in what and how they fund. Accelerators need to be experts in understanding and navigating these differences.
- Access to investors entails much more than mere introductions to potential investors. Entrepreneurs should be coached on understanding the differences between investor types and how to ask questions to help them determine whether an investor is a potential fit for their venture. Coaching on pitching and answering commonly asked questions, as well as negotiation skills are also critical.
- To develop effective relationships with investors, accelerators need to understand the investors’ requirements and be able to prepare entrepreneurs, ensuring they have a viable business model and an effective pitch and story before introducing them to investors. Effective pre-screening and entrepreneur preparation saves the investor time and builds the accelerator’s credibility with the investor.
- In order to understand investors and build effective partnerships, some accelerator staff must have experience in and knowledge of investing and be able to “talk shop” with investors. Mentors who are investors or entrepreneurs who have raised investment are also helpful in this regard.
- Accelerators tend to put a lot of focus on international “impact investors” because they may not see any other sources of funding interested in social ventures. However, they should not disregard domestic sources of funding such as SME finance or local angel investors which may be willing to fund social ventures. These sources of funding are often more suitable for early stage ventures than international investment funds. Although these sources of funding are not developed in Asia, accelerators have the potential to play an important role in developing them.

2. ACCELERATORS AS ECOSYSTEM BUILDERS

A peer network with more experienced entrepreneurs can also help a young entrepreneur feel they are not going at it alone. a peer network of other young entrepreneurs in the same stage of development also enables them to learn from each other's successes and failures and apply them to their own ventures and context.

Support programs can help to build the entrepreneurial pipeline in their countries by exposing youth to entrepreneurship and providing opportunities to develop entrepreneurial skills that the formal education system does not.

The entrepreneurship ecosystem in Asia is not well developed. In many countries the entire development path for an entrepreneur needs to be created. By virtue of sitting at the center of the ecosystem due to potentially relevant interactions with all stakeholders (e.g, government policy makers, academic institutions, civil society, business sector, philanthropists, investors), accelerators have an important role to play in not just building the ecosystem, but in coordinating the key actors to act in a holistic and synergistic way.

Oftentimes, the various stakeholders enter the ecosystem without a complete understanding of the sector including who the other players are, what is currently being done, what the existing challenges are, what is still needed and what role they can play. To ensure that good intentions do not go to waste, efforts should be made to ensure the actions are appropriate, optimized and leveraged.

Accelerators should think about their role in all facets of the entrepreneurship ecosystem – from knowledge and skills development of young entrepreneurs to partnerships with the business sector to engagement with government policy makers – with a particular focus on addressing the major barriers to entrepreneurship.

The key actors that accelerators should engage include: academic institutions, funders, business sector, government, civil society groups and industry networks.

2.1 DEVELOPING THE ENTREPRENEUR PIPELINE ENTREPRENEURSHIP EXPLORATION

Not everyone can, or should, be an entrepreneur. Entrepreneurship is a tough path and especially daunting for a young person in a culture where entrepreneurship is not as accepted and there are additional challenges such as corruption, bureaucracy and poor infrastructure. Young entrepreneurs can easily be intimidated and discouraged by these challenges. Accelerators can help to build the entrepreneurial pipeline in their countries by exposing youth to entrepreneurship early on and providing opportunities for them to develop entrepreneurial skills neglected by the formal education system.

Not all future entrepreneurs can attend university and accelerators can play an important role in introducing entrepreneurship as a viable career option to interested youth of all ages. Accelerators should make sure youth know about their services and all the other support services available in their countries.

If possible, accelerators should provide a physical co-working space where youth can work on their ventures but also serve as a community center where stakeholders come together for activities. Youth with 'entrepreneurial DNA' will come to the support they need for their personal growth and development as entrepreneurs. For others, it can provide a safe and supportive environment to experiment with entrepreneurship.

As mentioned earlier, a network of more experienced entrepreneurs can also help young entrepreneurs feel they are not going at it alone and serve as a source of support and guidance. A peer network of other young entrepreneurs with ventures in similar stages of development also enables them to learn from each other's successes and failures.

Accelerators can provide some of the following services or opportunities to develop a pipeline of future entrepreneurs:

- **ENTREPRENEURIAL SKILLS DEVELOPMENT.** Accelerators can help youth acquire relevant knowledge and develop specific skill sets that are not taught in formal education programs but are needed for successful entrepreneurship. Skill-sets include critical thinking, problem solving, innovation, creativity, risk taking, working in teams, sales, negotiation and speaking/presentation.
- **LEADERSHIP AND LIFE SKILLS DEVELOPMENT.** Entrepreneurs need to be curious, inquisitive, and think outside of the box and challenge the status quo. Entrepreneurs need leadership and life skills in order to be successful. Not all youth will become entrepreneurs but such skills can only benefit youth in whatever careers they choose.
- **MEET REAL ENTREPRENEURS.** Accelerators can bring in successful entrepreneurs who are at different points in their careers to share their personal stories and career trajectories with youth.
- **EXPERIENTIAL LEARNING.** Accelerators can facilitate practical, hands-on learning opportunities for youth with the accelerator or ventures through internships or volunteer projects. Youth can regularly get together throughout the duration of the internship with experienced facilitators (i.e., entrepreneurs, mentors, support program staff) to discuss, process and learn from their experiences.
- **EXPERIMENT WITH ENTREPRENEURSHIP.** An accelerator can serve as safe environment for youth to 'try out' entrepreneurship. Accelerators can develop different initiatives to expose youth to entrepreneurship such as open houses, speaker series, innovation jams, shadow days, networking events, startup weekends and social business hack-a-thons.
- **STUDENT GROUPS RESOURCES.** Accelerators can engage with local Net Impact or other social entrepreneurship / innovation-focused student clubs/ associations at high schools or universities. Entrepreneurs can potentially find like-minded co-founders at these clubs.
- **PARTNER WITH TRADITIONAL ENTREPRENEURSHIP COMMUNITY.** The growing popularity of co-working spaces for startups means there are an increasing number of communities dedicated to supporting entrepreneurs, albeit usually in the traditional entrepreneurship or technology sector. Accelerators can partner with these co-working spaces or peer networks by co-hosting events that are beneficial to both communities.

SMALLWORLD CAMBODIA – A SAFE PLACE TO EXPLORE ENTREPRENEURSHIP

Small World Cambodia is a dynamic co-working space for young people in Phnom Penh. Rithy Thul, its charismatic founder, is a smart young hustler turned serial entrepreneur. With SmallWorld, he has created a welcoming environment for youth to explore their passions. Small World has become the 'go to' community and event space in Phnom Penh for activities related to young people and entrepreneurship. Small World hosts networking events, speaker series, entrepreneurship boot camps and team building excursions, some in partnership with domestic and foreign NGOs, foundations and companies.

One of the most unique and meaningful ways that Rithy supports the entrepreneurs in SmallWorld is by offering to personally help them navigate the 'tricky' interactions with government agencies – including accompanying them on court appearances as needed.

In its own words, SmallWorld's mission is, "to facilitate and create innovative business and employment opportunities for idea-oriented youth in an open and casual work environment where they can meet, network, share, learn, collaborate, and have fun with other like-minded individuals."

More information on SmallWorld Cambodia can be found at: <http://smallworldcambodia.com>

ENTREPRENEURSHIP EDUCATION

Young people often learn about the pressing social, economic or environmental issues in their community, country, region and planet in school. In university, they may also encounter the concept of entrepreneurship for the first time as Asian universities are beginning to incorporate entrepreneurship, and in some case social entrepreneurship, into their course offerings. The various faculties within a university provide the critical multi-disciplinary approach to addressing social, economic and environmental challenges. Long-standing problems like lack of access to energy or poor sanitation can benefit from innovative application of modern technology and students are encouraged to critically think about ways to integrate diverse knowledge and paradigms to challenge the status quo.

Entrepreneurship courses are often taught through a series of lectures by a range of entrepreneurs and related professionals.



This is an opportunity for accelerators engage with universities and share case studies from their own experiences. Accelerators can also emphasize the importance of critical thinking, risk-taking and other key characteristics of successful entrepreneurs.

University entrepreneurship programs can help develop the entrepreneur pipeline for accelerators but there are additional benefits that accelerators can leverage including:

- **Human capital for venture teams.** Startup ventures require dedicated teams with diverse talents and skill sets. Universities are a good place for entrepreneurs to find like-minded co-founders. Just as importantly, budding ventures can look for team members to fill critical roles such as operations, sales, marketing, finance and IT on university campuses. Not all students want to be entrepreneurs but some may have relevant skills and interest to join entrepreneurial ventures.
- **Unique relationships and partnerships.** As prestigious institutions of higher learning, universities will have access to resources and relationships that accelerators may not. These may include collaborations with government agencies, philanthropists, corporations, research institutions, technical faculties like engineering, social innovation initiatives or international university-related programs.
- **Seed funding.** Universities sometimes establish competitions, awards or grant programs to fund their student entrepreneurs. Competitions are a good source of seed funding for entrepreneurs and going through the competitive process is a helpful way for students to develop and test their business ideas. To maximize the benefit of the financial prize, accelerators can serve as competition judges or advisors for winning teams after the competition. For new entrepreneurs, post-competition mentorship and funding are equally valuable.

Some examples of universities that have developed or partnered on interesting programs around social entrepreneurship and innovation include Thammasat University in Thailand and UC Berkeley in the United States (e.g., Global Social Venture Competition Southeast Asia), National University of Singapore and DBS Bank (e.g., DBS-NUS Social Venture Challenge) and Chinese University of Hong Kong and Google (e.g., Empowering Young Entrepreneurs Program).

THAMMASAT UNIVERSITY, THAILAND

Thammasat University in Bangkok, Thailand has both a Center for Sustainable Enterprise housed within its business school and a new Social Innovation Square within the School of Global Studies which aims to create an ecosystem of social innovation and social change. Thammasat University is also the Southeast Asia partner of the Global Social Venture Competition (GSVC), a global social entrepreneurship competition for business school students started out of Haas School of Business at UC Berkeley. By hosting the Southeast Asia Regional Rounds annually, Thammasat University brings together potential entrepreneurs, mentors and investors from all over the region to meet during the course of the competition and a one day symposium focusing on issues relevant to the region's social venture ecosystem.



KEY POINTS SUMMARY: DEVELOPING THE ENTREPRENEUR PIPELINE

- Accelerators have an important role to play in not just building the ecosystem, but in coordinating the key actors to act in a holistic and synergistic way.
- Accelerators can expose youth to entrepreneurship early on and provide experiential learning opportunities.
- Accelerators can help young entrepreneurs develop critical entrepreneurial skills neglected by the formal education system. Such skill-sets include critical thinking, problem solving, innovation, creativity, risk taking, working in teams, sales, negotiation and speaking/presentation.
- Universities are good entrepreneur pipeline partners because they can help with human capital development, access to partnerships and provide seed funding.



2.2 ACCESSING AND CREATING CAPITAL

Access to appropriate capital is a major challenge for most ventures around the world. When exploring ways to build out a comprehensive funding ecosystem for ventures, accelerators should consider the following:

- Ventures need different types of funding based on their stage of development (i.e. seed, startup, growth) and where their model resides on the social impact-financial return continuum (i.e., impact-first, finance-first). The diversity of ventures along the entire length of the social impact-financial return continuum necessitates a corresponding range of appropriate (i.e., matching) funding options and types of capital.
- Just as accelerators should help ventures identify appropriate sources and types of funding, they should help different funders understand their potential roles in the ecosystem and explore ways in which their funding can best be utilized. For example, introducing the concept of Program-Related Investments to foundations or developing grant programs with corporations.
- Different sources and types of capital come with different criteria and objectives and vary greatly by context and country. Accelerators should explore all the different options to determine which ones are most beneficial to their program participants.
- In some cases where critical funding options (i.e., philanthropic investment capital) are not available, accelerators may need to create them by educating and cultivating potential funders. For example, most funders (e.g., government, philanthropists, corporations) do not know much about social entrepreneurship or related financing vehicles (e.g., convertible notes, revenue share).
- International funders may be more visible but accelerators should explore both domestic and international sources of funding. In contexts where domestic sources of funding are limited, accelerators may need to take a more active role in creating mutually beneficial opportunities with local corporations, nonprofits, government agencies or universities.
- As accelerators work with nonprofit, for-profit and hybrid legal structures, they need to understand how legal structure and regulatory considerations factor in the types of funding available to ventures.

COMPREHENSIVE FUNDING ECOSYSTEM

Access to grants, debt and equity financing necessitates a range of funding sources.

- **GOVERNMENT.** Most governments view small and medium-sized enterprises (SMEs) as critical components to economic development and have funding schemes that support SMEs through grants, subsidies, credit guarantees and tax benefits. Other government programs provide technical assistance or funding for research and development, technology upgrades, working capital and market expansion.
 - Accelerators should speak with government agencies, business associations and funding recipients to understand which government funding schemes are appropriate for their ventures.

THAI SOCIAL ENTERPRISE OFFICE (TSEO), THAILAND

In Thailand, the Thai Social Enterprise Office (TSEO) was established to provide support for social enterprises. TSEO was created in 2010 under the Thai Health Promotion Foundation Act as the executive authority to deliver the Social Enterprise Master Plan (2010-2014). As an entity directly under the Cabinet, TSEO is managed by the Thai Social Enterprise Board which is chaired by the Prime Minister. It is funded by the Thai Health Promotion Foundation and has received operational support of 105 million Baht (\$3.4 million) over three years as well as direct funding for Thai social ventures of 40 million Baht (\$1.3 million) over two years.

The Government's Social Enterprise Master Plan has set three non-negotiable criteria for social enterprises to receive support. Social enterprises must: (i) have clear objectives related to community development and addressing social or environmental problems; (ii) have a primary revenue model based on a good or service that is in line with its social mission; (iii) not have profit-maximization as an objective.

TSEO carries out its mission to support the Thai social enterprise sector through various modalities including awareness creation, capacity-building, facilitating access to financing and resources, and policy formulation. Key to TSEO's model is close collaboration with Thai organizations that support social enterprises.

Three different financial support programs serve social enterprises in various stages of development:

- (i) The Open Grants Program conducts awareness raising and capacity-building activities through business plan competitions and workshops. Twenty-five seed stage enterprises working in the areas of health, food, learning, energy and environment receive grant funding of 100,000 Baht (\$3,300).
- (ii) Development Grants provide funding of up to 1 million Baht (\$33,000) for start-up social enterprises and intermediaries or 3 million Baht (\$98,000) for so-called "mover" enterprises. ("Mover" enterprises are enterprises that have developed past the start-up stage.)
- (iii) The Investment Fund makes interest free debt or equity investments in social enterprises of up to 3 million Baht (\$98,000) and in social enterprise clusters of up to 5 million Baht (\$163,000).

In terms of policy, TSEO is working on passing the Social Enterprise Act, which would establish TSEO as a government entity. It is also lobbying for the Government and private sector to purchase goods and services from social enterprises and incentivize this with tax benefits. The Ministry of Finance and Thailand Board of Investment have also agreed to reduce taxes for "accredited" social enterprises.

The material for this case study is derived from an interview with Prapapan Banlusi, Senior Associate, Thai Social Enterprise Office, August 2012.

- **PHILANTHROPIC FUNDERS** (e.g., individuals, family foundations, family offices). Philanthropists are affluent individuals who donate to charitable organizations and causes. Some Asian families are beginning to channel their philanthropy through family foundations. While Asians are generous in their 'giving' to traditional causes (e.g., disaster relief, education) and affinity groups (e.g., alma maters, ancestral villages), it is uncommon to use a strategic philanthropy approach to address specific issues and few philanthropists know about the possibility of investing philanthropically (via debt or equity) into social ventures.
 - Accelerators should explore ways to partner with philanthropists to fund ventures that specifically need philanthropic funding. Accelerators can also educate existing and new philanthropists about the new models of social change (e.g., social businesses) and new models of financing tools used to fund them (e.g., philanthropic investment capital).
- **COMMERCIAL BANKS.** Oftentimes ventures do not meet commercial bank loan criteria due to perceived high credit risk, lack of collateral or credit history or financial track record. However, some banks have demonstrated interest to support social ventures by developing banking packages specifically for them. In Singapore, DBS Bank's "Social Enterprise Package provides unsecured business loans at a preferential rate of 5% fixed p.a." The bank has also "set aside funds to be given out as Project Grants that support meaningful initiatives by social enterprises."
 - Accelerators should find if any of the commercial banks have any special programs for social enterprises. If not, accelerators can propose such programs based on successful programs in other countries.
- **ANGEL INVESTORS.** Angel investors are successful entrepreneurs or affluent individuals that invest in early stage ventures with their own funding and often provide non-financial support including mentorship and connections. There are a growing number of angel networks in Southeast Asia as well as local affiliates of international angel networks but there are no angel networks focusing specifically on social ventures in Asia.
 - Accelerators should approach angel investors to introduce them to the idea of investing in social ventures as a part of their investment portfolio or philanthropic activity. They can also invite angel investors to serve as mentors.
- **GLOBAL FUNDERS.** As a region, Asia is increasingly of interest to a range of global funders including: impact investing funds, social angel networks, foundations, grant-making INGOs, development finance institutions and multilateral agencies.
 - Accelerators should research then reach out to the ones that are strategically aligned in terms of values, goals and type of support offered.



BUSINESS SECTOR

An example of how businesses can support long-term initiatives.

HSBC hong kong partnered with the Hong Kong Council of social services to create the social enterprise business centre, which provides advisory services to local social enterprises.

Non-financial support is often more valuable to ventures than financial support. Local businesses may be willing to provide technical assistance, access to networks, professional services and mentorship.

The business sector (e.g., SMEs, high growth companies, large corporations) can contribute in many ways to the growth and development of social ventures. Accelerators should identify and approach companies that are natural partners – whether because of overlap in sector, corporate values or desire to collaborate.

- **FINANCIAL SUPPORT.**

Asian corporate philanthropy is small, undeveloped and generally driven by marketing interests. Hence corporations are unlikely to be direct funders in ventures. However, events and other activities where there is potential for exposure and branding are attractive options. Corporate sponsorship opportunities include:

- Conferences, workshops or trainings
- Competitions, awards or fellowships
- Long-term capacity building initiatives
- Fundraising events such as benefits, galas and auctions

- **NON-FINANCIAL SUPPORT.**

There is a growing trend for companies to support local initiatives as a means to engage their employees and create community goodwill.

- **Pro bono or discounted professional services.** Ventures can usually benefit from pro bono or discounted legal, accounting or marketing services.
- **Employee engagement.** Many professional services companies (especially international law and accounting firms) seek skilled and unskilled volunteer opportunities for their employees. Some companies may be interested to conduct knowledge sharing or skills transfer workshops to local social ventures
- **Free technology.** Many technology companies provide technology or support services at discounted rates to nonprofits or social ventures.
- **Mentors.** Successful and/or retired entrepreneurs, business executives or private equity investors are good potential mentors.
- **Sales / Customers.** Some companies are interested to source products or services from social ventures while others are willing to fully integrate them into their corporate supply chain. These potentially long-term relationships are critical for the sustainability of ventures and accelerators should definitely identify potential partners.
- **Networks.** The multitude of industry and manufacturing associations provide good channels and leads for potential suppliers, customers and partners.

- **COMBINED FINANCIAL AND NON-FINANCIAL SUPPORT.** Some companies are interested to provide both financial and non-financial support. These relationships are ideal because they engage both the company and its employees.

GOVERNMENT

Governments play a critical role in the development of a supportive infrastructure for social ventures. Accelerators should actively engage with governments to discuss ways to improve the country's business environment that would require governments to:

- **IMPROVE INFRASTRUCTURE.** Many people in Southeast Asia still do not have reliable access to basic infrastructure such as electricity, water, sanitation and telecommunication services.
- **REDUCE BUREAUCRATIC OR REGULATORY HURDLES.** Accelerators can inform the government when certain regulations limit the ability to start and/or operate businesses. Some challenges include prohibitively high cost and complexity of registering businesses and high business taxes.
- **CONSIDER REGULATIONS THAT REFLECT CHANGING LANDSCAPE.** Accelerators should regularly update governments on the changes in the social venture landscape. In some countries, tax regulations restrict the ability of philanthropic institutions to support ventures while others limit the ability of nonprofit organizations to engage in business activities.
- **PROVIDE RISK CAPITAL.** Accelerators should encourage governments to take on the critical role of providing risk capital to seed or startup stage ventures.
- **MAINTAIN ONGOING DIALOGUE** amongst public, business and voluntary sectors. As accelerators are at the nexus of business and social sectors, they are well positioned to keep governments up to date on new developments in the sectors. Accelerators should invite government to collaborate on their efforts to address social, economic and environmental challenges in the country.
- **ENCOURAGE ENTREPRENEURIAL CULTURE.** A cultural shift is needed to accept entrepreneurship as a, legitimate and attractive career option. Fear of failure is one of the biggest obstacles to entrepreneurship in Asia and explains why is not considered a viable career path for young people. Entrepreneurship is not prestigious and is perceived to be for those unable to find 'real' employment. Risk-averse parents understandably prefer their children to enter more stable and secure jobs. A robust enabling ecosystem actively supported by the government can help allay such concerns and minimize the possibility of failure while academic institutions, which are highly respected in Asia, can introduce parents and students to the entrepreneurial journey and ecosystem. Society, companies, banks and government need to understand that risk-taking and failure are natural parts of the entrepreneurial process and not penalize entrepreneurs for having failed in the past. Celebrating successful local entrepreneurs and understanding the inevitable ups and downs of their journeys can help achieve the necessary shift in mentality and attitude.

CIVIL SOCIETY GROUPS

Civil society groups (e.g., nonprofit organizations, community organizations, village associations, women's groups) have firsthand, in-depth understanding of local social, economic or environmental issues. Due to their proximity to vulnerable populations and underserved communities, they have knowledge of social and cultural norms that are critical to the success of ventures developing products or services for these populations.

They are critical partners for support programs as their knowledge can inspire the development new ventures as well as help existing ventures fine-tune or develop their social impact models.

Regular, close contact with key civil society organizations and networks will enable accelerators and entrepreneurs to stay current on critical social developments, opportunities and challenges as well as help civil society groups increase their knowledge, networks and scope of impact. While these groups may be the experts about social issues and cultural factors, they can benefit from new information, ideas, business principles, technology and contacts that accelerators and their networks can provide in order to better serve their target populations.

As civil society groups are gatekeepers to invaluable knowledge of social issues, accelerators should develop long-term relationships with them by inviting them to share about local social, economic and environmental issues, serve as resources, mentors or judges, and participate in the accelerator's ongoing development.

NETWORKS

Although the social venture support ecosystem in Asia is still in its early stages of development, there is a growing presence of international actors and industry networks. As the various networks focus on different aspect of the ecosystem, (i.e., entrepreneurship, social entrepreneurship, capacity building, mentorship, early stage ventures, entrepreneurship education, technology, philanthropy, impact investing), it is helpful for accelerators to learn about all of them before deciding which best serves the interests of their ventures. Accelerators should cultivate relationships with next stage funders and capacity builders to develop a pipeline of support for their ventures. Other benefits of joining these networks include gaining access to international partners, best practices and resources and having a voice on global platforms where accelerators can share about their perspectives and situation with the international community.



KEY POINTS SUMMARY:

ACCESSING AND CREATING CAPITAL

- Accelerators should explore ways to build out a comprehensive funding ecosystem for ventures that includes grants, debt and equity financing appropriate for all stages of development. Funding sources will include government, philanthropists, commercial banks, angel investors and global funders.
- The diversity of ventures along the entire length of the social impact-financial return continuum necessitates a corresponding range of appropriate (i.e., matching) funding options and types of capital.
- In contexts where domestic sources of funding are limited, support programs may need to play a more active role in creating mutually beneficial collaborations with local corporations, nonprofits, government agencies or universities.
- The business sector presents many financial and non-financial opportunities for collaboration. Accelerators should develop mutually beneficial collaborations.
- Governments play a key role in creating an enabling environment for businesses to operate by providing adequate infrastructure, reducing bureaucratic hurdles, adjusting regulations, providing risk capital and encouraging a culture of entrepreneurship.
- Civil society organizations provide invaluable knowledge about social issues and vulnerable communities. They can be helpful resources to ventures when developing their social impact models or theories of change.
- Regional and international networks are useful for exchanging lessons learned and learning about best practices with peers in different countries as well as further developing the pipeline of next stage support organizations.

APPENDIX A:

ADDITIONAL RESOURCES FOR ENTREPRENEURSHIP SKILLS DEVELOPMENT

- **BUSINESS MODEL GENERATION**, book by Alexander Osterwalder and Yves Pigneur. This book introduces the business model canvas as a tool and guides readers through the various components of a business model using simple terminology.
- Free online course **HOW TO BUILD A STARTUP** on Udacity by Steve Blank, a Silicon Valley serial entrepreneur. This series of online videos is easy to understand and does not use too much industry jargon. It is great for new entrepreneurs, and support programs can hold discussion sessions to help entrepreneurs apply the key lessons.
 - <https://www.udacity.com/course/ep245>
 - An educator's manual providing detailed curriculum and materials for teaching these startup concepts is also available: <http://www.slideshare.net/xxxxxxsblank/lean-launchpad-educators-handbook-sept-2013>
 - Steve Blank also provides many other valuable resources for teaching entrepreneurship skills: <http://steveblank.com/2012/11/27/open-source-entrepreneurship/>
- **THE START-UP OWNER'S MANUAL** book by Steve Blank and Bob Dorf. A "how-to" guide for entrepreneurs and a guide through the customer discovery process.
- **+ACUMEN COURSES** are online courses developed by Acumen, a nonprofit organization that has been providing capacity building support and financing to social ventures for over 10 years. The courses share principles and approaches that Acumen has developed over many years helping entrepreneurs. The courses are available online and currently free but only at set times during the year. Support programs can help organize groups of entrepreneurs to work together through courses that are applicable to them when offered. Courses include a wide range of topics from business model development to storytelling and leadership.
 - <http://plusacumen.org/courses/>
- **STANFORD D.SCHOOL CRASH COURSE IN DESIGN THINKING** is a video of a crash course in design thinking that intended to be run as a workshop or group exercise and participant watching the video participate in the same exercises as the participants in the video.
 - <http://dschool.stanford.edu/dgift/>
- **STANFORD D.SCHOOL MIX TAPES** are guides to the various design thinking tools useful for customer discovery
 - <http://dschool.stanford.edu/dgift/chart-a-new-course/>
- **IDEO'S HUMAN CENTERED DESIGN TOOLKIT** explains and provides how to guides for using the design principles specifically in designing for customers at the bottom of the pyramid.
 - http://www.ideo.com/images/uploads/hcd_toolkit/IDEO_HCD_ToolKit.pdf
- **KAUFFMAN FOUNDERS SCHOOL** provides online, educational resources dedicated to entrepreneurship. Through lectures and a rich curriculum, they give entrepreneurs the skills and tools to build an idea into something big.
 - <http://www.entrepreneurship.org/en/founders-school.aspx>

- **IFC'S SME TOOLKIT** is an online resource of free software, business forms, tools, training and more. The SME Toolkit is a program of the International Finance Corporation (IFC), a member of the World Bank Group, and is available in multiple languages through local partners around the world.
 - <http://www.smetoolkit.org/smetoolkit/en>
- **HP LIFE** provides free online courses that entrepreneurs can take anytime and at their own pace. These courses are more focused on the operations of a business rather than business model development.
 - <http://life-global.org/en/LEARN-ONLINE/HP-Life-e-Learning/en/founders-school.aspx>

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ADDITIONAL CONVERSATIONS WITH:

500 Startups, China
Asian Social Enterprise Incubator, Philippines
Ateneo de Manila University, Philippines
Asian Venture Philanthropy Network, Singapore
British Council, Indonesia
Capacity Building Assessment Center, China
China Impact Fund/New Ventures China, China*
East Meets West Foundation, Vietnam
Emerging Markets Entrepreneurs, Cambodia
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