# SCALING READINESS TOOLKIT

## Supporting Entrepreneurs in Pakistan

**Developed by**
Impact Hub Kings Cross and Invest2Innovate
With support of the British Council's DICE programme

## Disclaimer

# TABLE OF CONTENTS

# ACKNOWLEDGEMENTS

The team would like to thank all the key players who contributed to the report; local investors, various startups and leaders of incubators and accelerators for accommodating us and dedicating their valuable time to help us gather relevant data and research around scaling in Pakistan. We would especially like to acknowledge all the stakeholders for being extremely hospitable and accommodating of our schedules. For a full list of all the key players, please see Annex B.

This toolkit is made possible due to financial support from the British Council's Developing Inclusive and Creative Economies (DICE) programme which played a vital role in equipping us with the necessary resources to conduct this research. We would like to acknowledge the teams from Impact Hub King's Cross (IHKX) and Invest2Innovate (i2i) for their efforts and dedication in creating this toolkit; Nayla Attas (IHKX), Rohma Labeeb (i2i), Nuno Menezes (IHKX) and Armeen Khan (i2i).

The basis of this toolkit was previous programmes in which the Impact Hub Network and Impact Hub King's Cross were involved, namely:

- MedUP: an EU funded project promoting an enabling environment in southern mediterranean countries for the development of the social entrepreneurship sector as a driver for inclusive growth and job creation
- Impact Hub Scaling: a programme connecting 8 Impact Hubs across Europe, including IHKX, supporting 110 social entrepreneurs to scale their venture and impacts nationally or internationally. This initiative was supported by J.P. Morgan, Fondazione Cariplo, Stavros Niarchos Foundation and Fondazione CRP. The programme itself has since been re-created in 5 countries in Latin America (where the teams were trained by IHKX) and in Africa
- BENISI: an EU funded programme which supported and researched the scaling of social innovation and built a network of incubators across Europe.
- Accelerate 2030: a UNDP funded programme supporting the scaling of social ventures from the Global South or Eastern Europe. IHKX was involved in discussion around content with the coordinators of this programme.
- EPIM: the European Programme for the Integration of Migrants, is an initiative with the goal of strengthening the role played by civil society in advocating for constructive approaches to migration in Europe and replicating local integration methods across different locations.
- Invest2Innovate (i2i) has also used some of their previous work to guide information for this toolkit including:
- Pakistan Startup Toolkit: a 101 Guide designed to equip founders with the knowledge & legal guidance to run their business in Pakistan. The toolkit was designed in partnership with an independent legal practitioner and co-founder of Wukla- Mubariz Siddiqui.
- Pakistan Startup Ecosystem Report 2019 (PSER): a comprehensive study developed in collaboration with the World Bank's Women Entrepreneurs Finance Initiative (We-Fi) that highlights trends, challenges, and opportunities in the ecosystem.

# INTRODUCING THE TOOLKIT

This toolkit has been designed for intermediary organisations to support social and creative entrepreneurs in their scaling process. The toolkit has been developed with support from the British Council's DICE programme through a collaboration between the Impact Hub King's Cross (IHKX) and Invest2Innovate (i2i) to stimulate and strengthen the social and creative enterprise ecosystem in emerging economies. This collaboration aimed to capitalise on the IHKX's experience and expertise in scaling social ventures, and using it to support the startup ecosystem in Pakistan through i2i.

The toolkit was developed over fourteen months, which included a visit to the UK from a Pakistani delegation of stakeholders in the startup ecosystem, and another to Pakistan with a delegation of UK stakeholders.The visit to the UK focused on London and Bradford and explored the different approaches employed by intermediary organisations to help startups grow their operations, visits to investors to learn about how startups raise capital in the UK, and introductions to startups who have scaled and the challenges they faced in doing so. The visit to Pakistan, specifically to Islamabad, Lahore and Karachi, followed a similar structure to get a deeper insight into the startup ecosystem locally and the challenges faced by startups in scaling their operations nationally and internationally. For detailed methodology, please refer to Annex A. This toolkit aims to summarise these insights and explains the different approaches an entrepreneur can adopt to scale their operations.

The toolkit can be used by anyone, though it is primarily aimed at those who are new to working with entrepreneurs and supporting them in scaling their operations. The toolkit is comprised of a collection of advice, resources and information grouped under subject headings and placed in a relevant order to support an entrepreneur's journey. It also has questions and exercises for intermediaries to complete with scaling entrepreneurs they are working with to engage them in critical thinking around growth plans and scaling strategy.

This toolkit gives an onground perspective of local challenges in Pakistan and links to other, internationally used resources to allow the audience to deepen their knowledge. When using the toolkit, intermediaries may find it helpful to discuss the themes and topics covered with other entrepreneurs and those working with them to gain different perspectives and exchange knowledge before implementation. The use of the toolkit is completely dependent on the needs of the entrepreneurs and can also be delivered topic wise instead of the standard linear process.

# ABOUT IMPACT HUB KING'S CROSS (IHKX)

Impact Hub King's Cross is an engine for social change. Our purpose is to catalyse entrepreneurial ecosystems for a socially-inclusive, net-zero emissions economy. We seek to inspire, connect and enable people to take entrepreneurial action for positive change, where business and profit are used in service of people and planet.

We have supported a community of social entrepreneurs for over 12 years through our shared workspace and by offering them opportunities for learning, collaboration and growth. Alongside fostering an inspiring community of social ventures, we have a curriculum of business support programmes ranging from ideation and incubation, through to acceleration and scaling. We work with underserved communities to break the barriers into entrepreneurship for those less privileged, and help create a more inclusive and diverse entrepreneurial ecosystem, as well as supporting mission led organisations in scaling their business operations nationally and internationally, and simultaneously, their positive social and environmental impacts.

The Impact Hub King's Cross is part of a global network of 100+ impact communities in over 55 countries and across five continents. Impact Hub is one of the world's largest networks and accelerators for impact at scale. We align the core of our activities with the Global Sustainable Development Goals and see them as a platform for collaboration with others who share our vision and values.

We build for and with our community, creating collaborative ecosystems that convene the strengths of business, institutions, policymakers and unlikely allies, and connect these local ecosystems to our 16,500+ global members. Our virtually linked global community of changemakers reaches 40 million people, and we pride ourselves in supporting and incestivising a just and sustainable world through entrepreneurship.

# ABOUT INVEST2INNOVATE (i2i)

Invest2Innovate (i2i) supports business communities in growth markets, and has been operating in Pakistan since 2011. We believe that businesses are forming all over the world, but more fragile or nascent markets can disable and hinder that entrepreneurial growth. At i2i, we believe the next great innovators can and should come out of countries like Pakistan, Iran, and Nigeria, but need the resources and proper ecosystem to get there. That's where we come in.

i2i takes an ecosystem approach in our work. We don't believe you can drop a workshop, incubator or accelerator in a vacuum and expect to see success stories. i2i works with all stakeholders to not only support entrepreneurs, but also facilitate access to relevant curriculum, quality business support and mentorship. This is essentially to mitigate risk for investors & support players, and strengthen the policy environment for businesses in these countries. Most importantly, i2i works to guide enterprises towards creating impact and balancing social wealth with profit-making for sustainability and growth.

Invest2Innovate finds, selects and vets entrepreneurs across Pakistan to provide them with the required skills/resources to sustain and grow their business. Since 2012, i2i has accelerated 47 startups in Pakistan (63% of these have been led by women). i2i startups have raised over $6.5 million in funding. Of this number, 90% was raised by women-led companies. Almost all these startups have gone on to scale their businesses, created over 1500+ jobs, and deepened their social and economic impact in the country, while covering important sectors like education, health, clean energy, waste management, beauty, event management and more. Therefore i2i has ample experience in creating opportunities for high-impact enterprises in the market.

# ABOUT DICE

The British Council's DICE Programme  provides grants to intermediary organisations which support the development of creative and social enterprises. Through the funded intermediaries, the Fund focuses on supporting enterprises to:

- Empower women and girls
- Foster youth employment
- Promote disabled people's and other marginalised groups' inclusion and economic empowerment.

The expectation is that at the end of the collaboration grant project, intermediaries will increase the number of creative and social enterprises they are serving in Brazil, Egypt, Indonesia, Pakistan and South Africa. It is also expected to result in positive business and financial gains for both intermediaries and the creative and social enterprises that they serve.

The DICE Programme  provided a grant opportunity to IHKX and i2i to come together and localise this toolkit for the Pakistani social and creative entrepreneurship ecosystem. The opportunity involved a learning and exchange opportunity between players in Pakistan and the UK. Further details of the research process and visit have been shared as Annex A.

01

# A GLOBAL OUTLOOK INTO SOCIAL ENTREPRENEURSHIP

## CONTENTS

## WHAT IS A SOCIAL ENTREPRENEUR?

A social entrepreneur is an individual, who may be part of a team, applying an entrepreneurial solution to address a social or environmental problem. There is no generally agreed definition, however social entrepreneurs most often combine business activities and a cause in a way that improves the lives of people connected to a particular social or environmental issue. Many will reinvest their profits into their social or environmental purpose, or commit to using a proportion of their assets only for social or environmental good. However, they don't measure their success in terms of profit alone, as success to a social entrepreneur, means that they have improved the world, however they choose to define that.

Social entrepreneurs share some characteristics; some of the most common ones are below:

- Focus on purpose / social value creation
- Make trade-offs to balance profit making and serving their community / cause
- Often willing to collaborate and share their innovations and insights
- They push against convention, and challenge the status quo
- Identify and apply practical solutions to social problems, combining innovation, resourcefulness, and opportunity
- Innovate by finding a new product, a new service, or a new approach to a social problem that pushes them to take risks that others wouldn't dare, often a personal risk
- Balance their passion for change with a zeal to measure and monitor

## WHAT IS A SOCIAL ENTERPRISE?

Social enterprise is all about combining business with social justice. As with the term social entrepreneur, there is no global standard definition for what a social enterprise is. However, there are some characteristics associated with social enterprises:

- They have a social mission written into their organisational rules. This is sometimes known as a mission lock.
- They generate a portion of their income from selling goods and services
- They invest or give away a portion of their profits to further their social mission
- They are independent: owned and controlled in the interests of the social mission
- They are transparent in how they report their social impact and how they operate
- They look to innovate

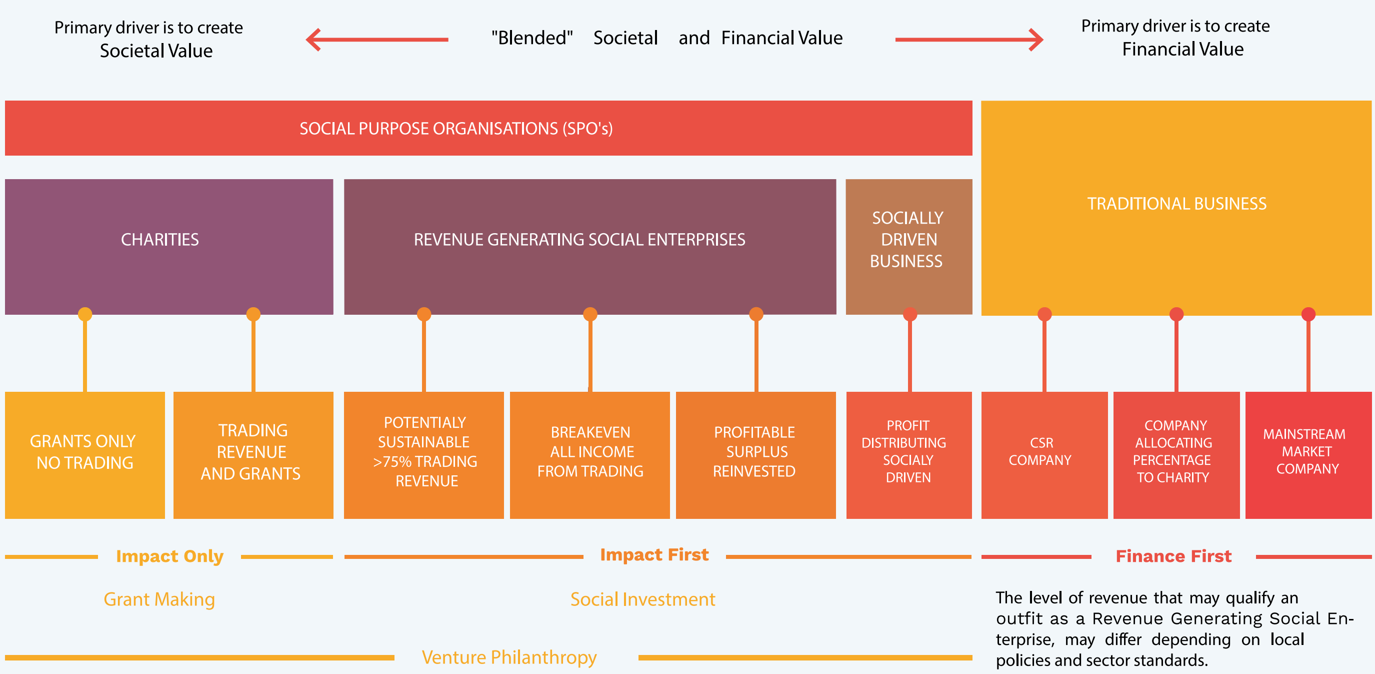
There are different opinions about what constitutes a social enterprise. Some believe the definition applies only to businesses that make money, working toward improving a specified problem by selling products or services. This is known as the “earned income” model. Customers of these social enterprises are often attracted by knowing that their purchase will help support a particular social cause, however, the product still has to be good enough for the customer or they will stop buying. Others say that people who work to solve a social problem using grant or government money are also social entrepreneurs. Others still say that people who use creative ways of doing advocacy or campaigning on an issue for social change are social entrepreneurs. Sometimes social enterprises combine these different models.

For-profit ventures, social business ventures, and hybrid ventures that mix elements from the philanthropic and commercial worlds have become common in many places. Therefore social enterprises can take various legal forms including:

- Social cooperatives
- Private companies
- Associations
- Foundations
- Charities

The diagram below illustrates the spectrum of social ventures found most commonly; what the primary objective is and how the legal structure adopted influences the type of funding and investment they can generally access.

## The Spectrum of Social Venture Types & Typical Business Models




The level of revenue that may qualify an outfit as a Revenue Generating Social Enterprise, may differ depending on local policies and sector standards.

*Source: MedUP Toolkit pg.10*

## INTRODUCTION TO SOCIAL ENTREPRENEURSHIP IN PAKISTAN

Due to a lack of official definitions and policies around types of entrepreneurship in Pakistan, the understanding around the concept of social entrepreneurship varies vastly. In Pakistan, registration systems only allow for two types of business registrations; for profit and not for profit. Many times, in efforts to have access to the large amounts of international aid coming into the country, businesses with a social lens will register as a not for profit, while calling themselves a 'social enterprise'. This often leads to skewed perceptions by investors and other partners that companies referring to themselves as 'social enterprises' are actually donor driven and more often associated with charities and NGOs. Therefore only a limited number of businesses working with a social mission officially refer to themselves as 'social enterprises' in the Pakistani space.

With the early and rapid growth of the tech sector in Pakistan, many opportunities arose and investors began entering the space to have a stake in such earlier stage companies - most often referred to as 'startups'. Many enterprises with a market offering and a social outlook turn to this space for more available funding and support.

An example of a social enterprise in Pakistan is Mauqa.Online - a business established with the goal of empowering underprivileged communities by providing them access to social mobility and quality employment as helpers in peoples homes. In order to ensure they are capturing the tech component and customer side of the business, Mauqa presents its mission as "making all homes a happier place. For customers, it comes when they no longer have to worry about getting work done around their house; for their helpers, it comes from the better work conditions, compensation, and benefits that they are offered." Mauqa.Online has secured large amounts of scaling funding and is referred to as one of the fastest-growing startups in the country.

02

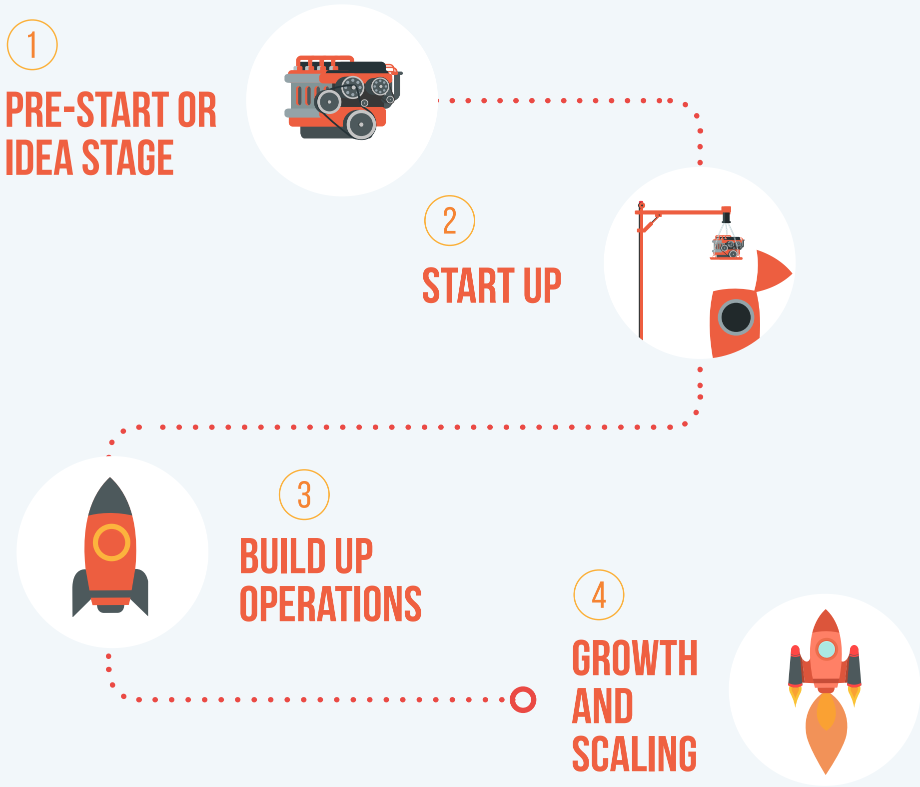
# THE NEEDS OF SOCIAL ENTREPRENEURS

CONTENTS

## THE SOCIAL ENTREPRENEURSHIP JOURNEY

All social enterprises pass through a number of stages in their formation and development. In order to provide bespoke support for those entrepreneurs, it is important to understand their progress from initial idea to scaling for impact.

### WE CAN IDENTIFY FOUR KEY DEVELOPMENT STAGES FOR SOCIAL VENTURES:

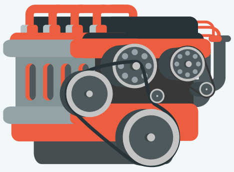



It is worth remembering that the entrepreneurial journey is rarely linear, and there are often a series of micro-steps between each stage. The stages overlap and entrepreneurs may have needs that would typically fall in more than one stage. Social entrepreneurs experience a range of barriers at each stage of the journey. Generally, skills and capacity gaps for both the entrepreneur and the venture become more demanding as the organisation grows and addressing these needs becomes more pressing at each stage of the journey.

The role of intermediary support organisations such as IHKX or i2i is to identify these gaps and provide help that is specific to the entrepreneur and their venture for the journey stage they are going through.

# TYPICAL BARRIERS EXPERIENCED BY ENTREPRENEURS AT EACH STAGE

## PRE-START



What is happening with the enterprise?
Inspiration leading to an idea and then action

Essence of the needs: building skills, connections and the confidence to start up

### PERSONAL BARRIERS

- Lack of understanding or support from family and friends; early-stage entrepreneurs are often immersed in a non-supportive network
- Preference is given to having a job as there is more financial security and job stability
- Lack of time and focus, and difficulty balancing work life and social life means that burnout is a high risk and can lead to poor health
- Lack of confidence and inexperience can lead to lack of clarity about priorities

### FINANCIAL BARRIERS

- Lack of initial funding and resources to develop a prototype of the solution to test their ideas
- Managing a constrained cash-flow with limited financial expertise
- Lack of networks and connections to potential co-founders, partners, customers and investors might hinder the first steps towards entrepreneurship

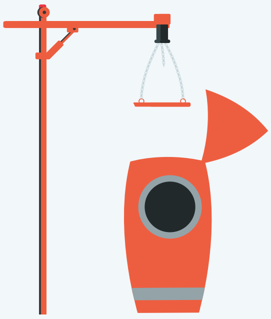
### ECOSYSTEM BARRIERS

- Identifying and receiving effective and relevant expertise and support- the policy environment can act as a barrier for the proliferation support organisations in the field
- Lack of public understanding about social enterprise and its value can result in limited financial aid and regulatory frameworks to enable social enterprises to thrive

### BUSINESS EXPERTISE BARRIERS

- Lack of previous experience or knowledge of how to run a business makes it difficult to evaluate if a solution is accurate, and how to make it financially sustainable
- Lack of awareness of competitors or real market potential due to inexperience in the sector
- Realistic costing and budgeting can be challenging for entrepreneurs with no financial expertise
- Developing an impact logic focusing on desired impact and outcomes, and how to achieve it

## START UP



What is happening with the enterprise?
Starting up an enterprise motivated by a specific mission

Essence of the needs: all the barriers from the Pre-Start stage plus:

### PERSONAL BARRIERS

- Need to balance the competing demands of running the early stage company with setting long-term processes and growth plans
- Need to resist being overwhelmed, burn-out and the fear of failure
- Need to define and embed a vision, mission and company culture

### FINANCIAL BARRIERS

- If the company receives investment or any kind of funding, additional expectations from all stakeholders might become challenging to satisfy
- Might need to seek external help such as recruiting volunteers or university students to help set-up the first systems
- Managing cash-flow as operations grow and acquiring more sophisticated financial systems

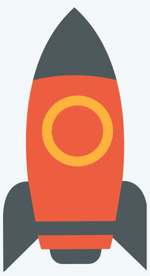
### ECOSYSTEM BARRIERS

- Need to put in place appropriate governance systems and legal structure to support the mission
- Establishing key partnerships with relevant stakeholders to make their value proposition stronger

### BUSINESS EXPERTISE BARRIERS

- Need to find sufficient customers to cover costs and stay sustainable
- Need to put in place systems to deliver the product and service with quality results
- Need to grow customer base and build new relationships
- Need to put in place impact measurement systems and reporting
- Need to refine the business model to plan for growth as achieving profitability and being self-sustainable is a key challenge

## BUILD UP (AND RUNNING)



What is happening with the enterprise?
Growing operations and demonstrating impact

Essence of the needs: combining ongoing management, systems implementation and growth activities. All the barriers from the Start Up stage plus:

### PERSONAL BARRIERS

- Founder/co-founding team transitioning to "full time" if they have not done so yet
- Reluctance to delegate and hire the first employees
- Developing management skills and experience such as team building, management systems, financials, etc.
- If relevant, developing a board of trustees

## FINANCIAL BARRIERS

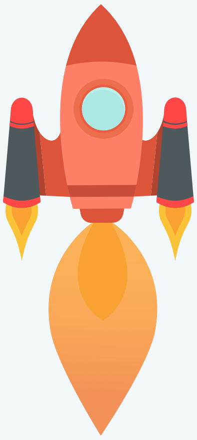
- Access to post-seed finance and knowledge of how to appeal to investors- developing a strong business model and impact logic for this
- Reluctance to take on loans or give up equity as the enterprise grows
- Establishing book keeping and cash-management processes
- Reviewing tax structures

## ECOSYSTEM BARRIERS

- Finding effective and relevant support depending on the level of development of the ecosystem and industry
- Lack of public and institutional understanding and awareness of the value of social enterprise as a concept

## BUSINESS EXPERTISE BARRIERS

- Recruiting an expert team and identifying organisational gaps in expertise, writing job descriptions and understanding which roles to resource first
- Developing more efficient systems, processes and policies for measuring performance and improving results (financial, HR, marketing and sales, etc)
- Building governance structures into the organizations such as a Board of Directors, Board of Advisors, Audit Systems etc.
- Demonstrating and measuring impact using impact data to refine the solution and to attract and please stakeholders
- Having the discipline to pivot or let go of projects/products that are not best practice or not fully funded
- Developing a reliable sales pipeline and ensure the quality of delivery and customer service
- Generating stakeholders' engagement mechanisms and promote long-lasting partnerships



# SCALE / GROW

What is happening with the enterprise?
Scaling work and securing investment

Essence of the needs: Clarifying strategies and systems, market research and resourcing growth or replication. All the barriers from the Build Up stage plus:

## PERSONAL BARRIERS

- Stepping out of delivery and into leadership mode
- Ensuring the well-being of entrepreneur and team while managing people in different locations
- Promoting a sense of unity and team-building in remote locations
- Understanding own motivations for growth and deciding the right strategy depending on the depth of control that they want to maintain vs the potential impact

## FINANCIAL BARRIERS

- Finding and obtaining appropriate investment especially to sustain the value chain and production expansion
- Producing evidence of return on investment (ROI) to convince potential investors and funders,
- Producing evidence of impact for possibility of international impact investors
- Reluctance to lose control over the product or service by giving up equity or replicating the solution elsewhere
- Managing ongoing relationships with demanding investors. Balancing own timeframes and expectations with aggressive expansion plans from investors

## ENVIRONMENTAL BARRIERS

- Understanding how to run a more complex organisation, including; managing teams at a distance, how to retain talent and maximise efficiencies
- Potential need to pivot or hone products to suit new markets i.e. simplifying the offer to penetrate a new market and adopting an iterative approach to test value propositions
- Need to develop/update products, or create new product lines to remain competitive
- Need to update marketing materials to align with new markets, products and customers- cultural understanding is a key factor while designing marketing strategies for new markets
- Ensuring that quality is maintained when running a larger organisation, including developing operational manuals and training materials
- Need to build new partnerships to allow for faster growth - relationship and contracting skills
- Ensuring the right balance between local bespoke approaches and unified best practice/ simplicity
- Automating more systems and processes (e.g. allowing online booking and payment)

## BUSINESS EXPERTISE BARRIERS

- Incentivising investors to invest in startups and taking on risks rather than investing in traditionally safer options such as real estate
- Understanding and mitigating cultural expectations of securing a stable, salaried job rather than spending personal savings on expanding a start up
- Securing investment through foreign investors who may be fearful of investing in an unstructured market like Pakistan as well as having little legal guidance on how to do so
- Navigating through the lack of investment due to high risk associated with the country's instability with reference to; political environment and dependency on aid

## PAKISTAN SPECIFIC BARRIERS

- Incentivising investors to invest in startups and taking on risks rather than investing in traditionally safer options such as real estate
- Understanding and mitigating cultural expectations of securing a stable, salaried job rather than spending personal savings on expanding a start up
- Securing investment through foreign investors who may be fearful of investing in an unstructured market like Pakistan as well as having little legal guidance on how to do so
- Navigating through the lack of investment due to high risk associated with the country's instability with reference to; political environment and dependency on aid

03

# SCALING READINESS

## CONTENTS

## SCALING READINESS

Most enterprises grow. They do this in many ways, by developing new products and services, raising new funding or spreading what they do to new areas. Sometimes when people talk about scaling, what they really mean is growth.

### WITH REFERENCE TO THIS TOOLKIT, WE UNDERSTAND SCALING AS A SUBSET OF GROWTH INVOLVING:

Rapid and often exponential growth of the output from the organisation. This is frequently seen in the number of customers they work with, the amount of funding or revenue the organisation earns or the scale of their impact

Relatively small growth in the inputs or resources required to generate this growth

In other words, the scaled organisation does a lot more without using many more resources, as they take advantage of 'economies of scale' such as; shared offices, HR, finance or tech resources to deliver more outputs and impact.

Tech-based organisations therefore find it relatively easier to scale. If they have already built a platform to deliver content, it often doesn't take many more resources (sales or operations) to multiply their number of users. In contrast, a community organisation which delivers programmes that involve a large number of individuals and bespoke support for people in a local area can usually only grow by employing more staff to deliver that support. The growth (output) is more closely matched with the resources (inputs) needed.

Both processes are valuable. In fact, small scale tailored support can make a huge difference to the people who it is targeted at. However, it is usually more difficult to scale these initiatives without losing some of that uniqueness, the personal, local and in-depth elements.

*Scaling is usually seen as a multifaceted process, with the first step being understanding and becoming scale ready.*

## 3.1 UNDERSTANDING SCALING READINESS

As the very first stage to the process, this encompasses all the pre-work required to allow the product/service/solution and the organisation to reach a state that will allow them to grow significantly. This stage also includes securing buy-in from relevant stakeholders.

Scale readiness is a crucial part of the scaling process, as it sets the foundations for all later work. The benefits of putting in the time and effort to do so will manifest at a later date. Going through scale readiness work will provide the organisation clarity around its main needs and priorities. It will also allow them to recruit the right people, ensuring that costly mistakes are avoided in advance. Finally, it will enable them to put in place the necessary systems and processes for the organisation to run efficiently and effectively from the start.

Imagine that an entrepreneur you work with suddenly won five new contracts to deliver services in five different countries. Would they be able to fulfil them? Would they have the team, the infrastructure and the financial robustness to be able to respond?

Asking questions like this helps to reveal the gaps in 'readiness' to scale. Ensuring that a product or service and the organisation are scalable is the foundation for success, even if the expected growth is more gradual than the scenario outlined above.

To ensure that a company is ready to scale, you need to look at two things. Firstly, is their product, service or solution scalable? Secondly, is their organisation scale-ready? In other words, is it set up in a way that will allow them to scale their solution along with their impact?

There are a number of reasons that might prompt a company to test and potentially adjust or focus their solution before scaling it. Here are some of the most common:

### A Clarity and Focus

One organisation may offer more than one product or service, working with different groups of beneficiaries or offering them different types of support. As an example, a social enterprise may provide advice on housing and welfare benefits to migrants, then have expanded into language training, careers advice and employment support. Offering such a comprehensive approach may be of real value, but this multitude of approaches may be difficult to scale. In that scenario they might want to focus on scaling one solution only.

### B Cultural or social context

A social enterprise might have a product that really works in a local area, but when scaling especially to a different country, would require a lot of changes. As an example, if a company offers an educational product they might need to consider if it would work in a country with a different education system. Perhaps the fundamental needs of the beneficiaries are similar, but the method of delivery needs to change.

### C Automation and delivery methods

Usually, a solution could be more easily replicated if some or all of it was automated. For example, the first time a company offered a training course they had to create all the materials and deliver it in person. To scale its reach, they may want to develop a training module that could be offered online and therefore reach more people.

*As a general rule, the simpler the solution (without losing what is special about it) the more easily replicable it is. Understanding which elements of a solution are essential and which are optional is an important step to making a solution scale-ready. Luckily, going through this assessment can also help a company make their existing operations more efficient and effective.*

# ACTIVITY 1 IS YOUR SOLUTION SCALE-READY?

This activity will aim to conduct:

- an in depth evaluation of the scalability of the problem and solution
- an understanding of the delivery channels that need to be used (e.g. events, online materials, an app, etc)
- an understanding of any necessary changes to the solution for it to work in a new context

## ASK THE ENTREPRENEUR TO COME UP WITH A 5 SLIDE DECK ANSWERING THE FOLLOWING QUESTIONS:

1. What is the problem that your product or service solves?
2. What evidence do you have that there is a strong need to solve this problem:
   a. in your existing area of operations
   b. in the region you hope to scale to
3. What is your solution to this problem (ie. details of your product or service and how it works)?
4. What evidence do you have that there is demand for your solution, including a customer or funder who is willing to pay for it?
5. Who else already operates similar products or services in your existing location and any new locations you hope to replicate into? How is your offer distinct?
6. How do you measure your social impact (please include both qualitative and quantitative information)? How robust is this measurement?
7. Can you show that your level of impact is equal to or greater than that of other similar solutions?

# CASE STUDY

## GHARPAR - SCALING LOCALLY

*GharPar is a social enterprise that provides timely, convenient and professional at-home beauty services to its female clients through a web and mobile based solution. It is more than just your regular beauty app, it provides lucrative economic opportunities to women skilled in beauty services. At its core GharPar, enables these women to be self-sufficient and run their own independent at-home beauty services.*

*Primarily operating in Lahore since 2016, Ghar Par decided to scale to Islamabad early on in their journey. They faced issues in terms of finding relevant literature on scaling, recruiting the right people and engaging with the very different on ground community in Islamabad. Due to this, they experience difficulty in the recruitment of their supply side in the new location. The communities they visited to recruit beauticians showed lack of trust in the idea and many families were seen to be uncomfortable in allowing females of their households to go into other people's homes without any guarantee of safety. The huge jump in income also raised questions in the community on the type of work.*

*The GharPar team soon realized that their strategy for entering Islamabad would have to be very different to how they expanded within Lahore and they would have to outreach the communities in a different manner. They started with extensive market research on the supply side in order to get a better understanding of the communities present in the city. They also decided to only take a small part of their Business Model to Islamabad to test it out, rather than investing extensively in resources.*

*Eventually the onground recruitment team was able to understand the needs and concerns of the communities and began approaching men of the households to also become a part of the Ghar Par team along with their wives/daughters and play a role in the higher income. Working with families rather than individuals proved to be more effective in recruiting quality and more committed beauticians who would move on to become master trainers for future hires as well.*

*https://gharpar.co/*

## 3.2 ORGANISATIONAL SCALE-READINESS

Once the entrepreneur can demonstrate the scalability of their solution, they will need to ensure that their organisation is prepared to deliver on scaling. The first and most important question is whether they have a team in place with the skills and authority to work on scaling that solution. Scaling takes time and focus, and is in some ways comparable to the startup phase of a business. Hence, the person driving the scaling effort will need to make sure they have the time to work on scaling and to get the buy-in of any stakeholders that need to be consulted. The scaling lead will need to engage all parts of the organisation as it reshapes to suit the new activities. This includes changes to the organisational structure, team roles, funding, internal operational, finance systems and governance. There will be a need for building new partnerships and selling the idea to new customers or funders. They may also need to set up new premises or infrastructure.

This section will go through each of these elements of organisational scale-readiness. For each element, we will be encouraging you to support the entrepreneurs to think about (a) where they are now, (b) what their organisation needs to look like when they have scaled and (c) what the journey will need to be to get from (a) to (b). This is an iterative learning process and therefore the entrepreneurs will need to revisit each of these elements as they keep growing.

## a) Team growth

To face a scaling process, any team will need to accommodate:

a. allocating time and resources to the scaling process
b. putting in place the organisational structure and team roles that will be required to run a scaled organisation.

Scaling demands new roles and skills from a team. As an organisation scales, it evolves from a few co-founders and early employees, each of whom do a bit of everything, and turns into a larger organisation which may be operating in several geographical areas, requiring the team to specialise in particular areas (e.g. finance, sales, HR, ICT, HR, etc). As the organisation matures, there is a need to clarify roles and delegate responsibilities. This can create something of an 'identity crisis' for the founders who need to be motivated to hand over elements of control to their team who will inevitably do things their own way. A good resource to support a team that is going through a similar process is an article called 'Give Away all your Legos' by Molly Graham, who worked at Facebook as it went from 500 to 5,500 employees. She captures the discomfort of delegating parts of your job to others, but also the possibility for growth that that generates. Also, Des Traynor, co-founder of Intercom, has also shared the struggles and lessons learned from scaling his team which are useful points for any founder to consider.

### *Expanding a team in Pakistan*

Entrepreneurs often find it challenging to find people who believe in their mission and are interested in working for a growing company. Some ideas to attract good talent and find a fit for an organisation could be:

- Exploring graduates from relevant courses: advertising organisational opportunities to graduates with relevant academic knowledge and a potential to be trained on the job can be a great way to source talent that is eager to secure work, and can bring a fresh perspective to an organisation.
- Recruiting from similar organisations: if an organisation requires a skill-set and expertise which is employed in another organisation, reaching out directly to that individual to commission work, either on a consultancy basis or full time if they are interested in new opportunities, may be a good idea
- Bringing a co-founder on board: it is often very difficult for founders to manage all the tasks involved in running their organisation alone. Bringing on a partner who is equally invested and can bring new skills will ease some of their workload and allow them to focus on their core expertise.
- Offering equity: if an organisation faces the issue of being unable to offer salaries higher than its competitors, it may be a good idea to set aside some equity shares or create an Employee Stock Option Plan (ESOP) for new hires to attract them and also encourage them to envision a longer term career in the business.
- Providing opportunities for cross functional work: entrepreneurs can provide added value to their employees by enabling them to learn new skills and work in different areas of a business rather than one strict role.

## b) Organisational Structure

One of the most important things a scaling company will need to decide is what structure is the right one for the scaled organisation. The infographic on the next page illustrates some of the different options. The top structures imply retaining full control over the organisation and the deployment of the solution in new markets. The lowest structures will allow for a quicker scaling of impact by structuring key partners with local stakeholders.

### *Structuring options*

1. **Branching:**
   The company sets a new outpost of the organisation in a different location. The team members based there are responsible for selling and/or delivering the product locally. The entrepreneurs can decide whether their back office functions (finance, HR, etc) and the production of the product or service are also spread out, or kept at the headquarters.

2. **Franchising:**
   Establishing a contract with a franchisee to deliver your product or service in a particular location known as a 'territory'. The franchisee receives training, manuals, resources and support from the

entrepreneur and in return pays a fee to cover those costs. This way to scale relies on the company's ability to recruit an individual or organisation to deliver the franchise, but also shares the risk of scaling with them.

3. **Licencing:**
   This instrument is similar to a franchise, but usually with a lighter touch. A licence gives another person or organisation the permission to sell your product or service. However, the conditions on how it is delivered is usually less prescriptive than for a franchise.

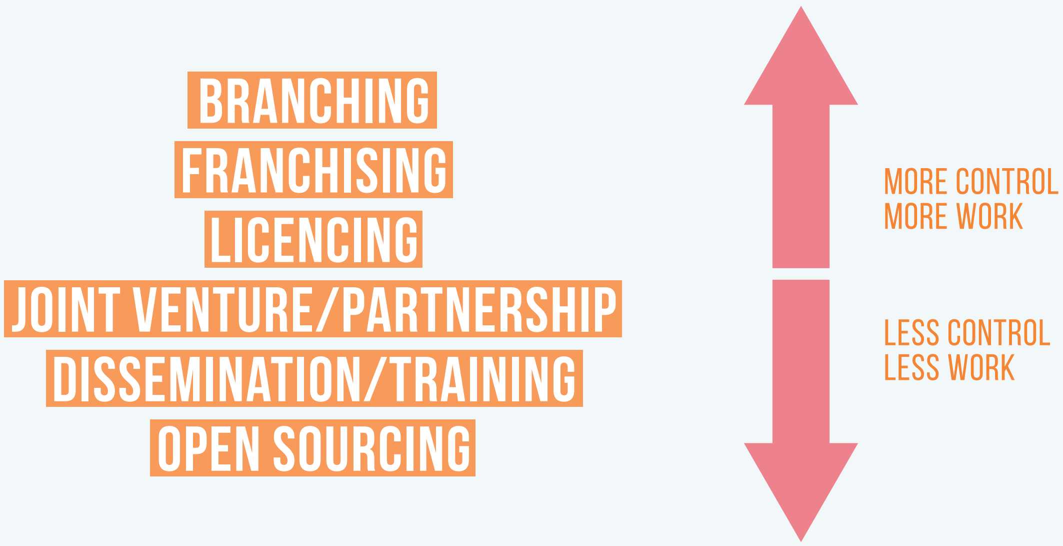
4. **Joint Venture / Partnership:**
   An arrangement between the scaling enterprise and another organisation where you share responsibility for the delivery of the product or service, with an agreement that outlines what each of the parties will contribute and what finance each will receive as a result.

5. **Dissemination / Training:**
   Spreading your product or service by training others in how to deliver it, but then exert no control over how it is delivered. The scaling organization would be paid to deliver the training, but don't receive any of the income for the people or organisations that are trained.

6. **Open Sourcing:**
   Making the details or your product or service available publicly, most commonly online. Anyone can help themselves and freely adapt the solution created to their own circumstances. The scaling organization exerts no control and receives no income from doing this, but if others want to use the model, it can spread quickly.

*There is no right or wrong answer for which model a company should use, but it is advisable to choose the model that best suits the scaling objectives and ambitions that the organisation has for itself. For example, if they want to share their model widely but don't need to make an income from it, they would pick one of the options lower on the list. If they want to retain complete control of how the product or service is delivered or if they want to use replication as a way of also growing the organisation and are able to fund the resources needed to make it happen, they will probably pick the option at the top of the list.*

## WOULD YOU HAVE A DIFFERENT MODEL IN DIFFERENT REGIONS?



# ACTIVITY 2 REFLECTION EXERCISE FOR ENTREPRENEURS

## ASKING THE ENTERPRISES YOU ARE WORKING WITH TO:

Run a session with all the relevant stakeholders and reflect on their organisation's goals and resources. Explore two or three organisational structures by brainstorming potential pros or cons before making a decision. Using the following proxy questions to help them understand their strengths and weaknesses.

1. Have you identified any partners in the new region?
2. What new team members / joint venture partners / distributors / franchisees etc will you need in place in order to scale into a new location? Bear in mind you might need either or both of individuals or organisations (e.g. a sales team director who will be responsible for finding local distributors). Write a profile for each of these roles outlining the specific qualities the ideal person or organisation would have.
3. Who are your key team members that will support the scaling process and what experience / qualifications do they have?
4. Are the team members who will be working on scaling able to commit sufficient time and resources to make it a success? Can they do this without jeopardising your existing organisation?
5. Have you thought about how scaling will require you to adjust roles internally, and how this will affect the operations and motivation of the team?
6. Do you have any key people in your organisation without whom you would find it difficult to scale? If so, what is your plan for managing this risk?
7. What governance does your organisation have in place? Does it provide the right strategic guidance and leadership / skills for scaling as well as maintaining your existing organisation?
8. Do you need any other advisory support to scale successfully, and if so, what?
9. Is there buy in at board level / from relevant stakeholders for scaling? Have they agreed to appropriate resourcing for scaling?

*After answering these questions they should be able to map out an organisational structure for their scaled-up organisation*

## CASE STUDY

## EDKASA - BARRIERS IN SCALING CORE TEAM

*Edkasa meticulously recruits top quality teaching talent and trains them in best practices for online teaching. Once trained, their teachers conduct live online classes as well as create high quality learning content that helps students prepare for their Board examinations administered by the government.*

*https://edkasa.com/*

*Edkasa launched it's MVP a year ago and since then their services have been iterated until they were able to prove to have a good product-market fit. While they have taught over 20,000 students, they were cautious in ensuring the standard of education was high. This was because of the rigorous training the teachers had to go through enabling them to teach more than 600 students in a live interactive session.*

*As they scale further, one of the challenges they face is technological barriers. Their existing technology has restricted their growth in two ways. First, they get limited access to user data and need to learn more about user behavior to proceed from trial to sales. Second, the user experience can be improved if there is a proprietary app developed keeping their human-centered service design blueprint in mind.*

*The second challenge they faced is the team's capacity to deliver on the increased targets. While they are a team of 15 people, they do need more specialized people especially in the areas of technology and book-keeping. Further, the founding team has had to shoulder growing responsibilities as they have started fundraising for the company.*

*Moving forward their strategy is aligned to focus on these two areas as they believe that it is key in increasing their traction and usage amongst students.*

## 3.3 OPERATIONAL MANUALS, SYSTEMS AND QUALITY

As a team grows and they delegate activities to new people they will also need to put in place systems to support this growth and ensure quality. These systems should provide the information and tools to be really effective in their jobs.

For example, if the founder previously undertook all the sales, development or fundraising activity, they may now need to set up a process and Customer Relationship Management (CRM) system so other, often newly recruited, team members can undertake this activity too. They will also need to decide how much discretion to give to these team members in setting the strategy or offering special prices. It is important to set expectations and train the team to be confident that their work is of the right quality and that the organisation's values are embedded as they grow.

Once a team reaches a certain size, they will also need to develop Human Resources (HR) systems. In a tiny organisation, it is rare to find policies for maternity or paternity leave, travel expenses or employee benefits, but it may be necessary to put them in place. Also, if the company is going to start operating in several locations they might need to put in place or review Health and Safety arrangements for distance work. Systemizing and automating these and other parts of the organisation can make a team more efficient. However, it is worth understanding the unintended consequences of change as well.

# ACTIVITY 3 REFLECTION ACTIVITY FOR ENTREPRENEURS

## ASK ENTREPRENEURS THE FOLLOWING QUESTIONS:

1. Firstly, think about how your team will react to you putting in place these systems. There may be resistance from existing team members who want to carry on doing things the way they always have, or who worry that systemising or measuring something makes it less human or creative. Delegating and handing things to others is also easy for some people and hard for others.
2. Secondly, setting up the systems so they really work for your team takes a lot of time and thought. You need to invest in doing this well because a bad system is often worse than no system at all. This includes making sure there are opportunities for users to test and ask for changes or updates.
3. Finally, you will need to ensure there is time to train people, and ensure they are really using it. A database, for example, is only as good as the data that is kept in it. What this all means is that for a bigger change, you need a proper implementation plan. Even a small change requires the relevant people in your team to communicate clearly and understand how the new system will work for them.

## WHAT SYSTEMS DO YOU NEED?

| System/process | I have one | I need one | It's not relevant at the moment |
|---|---|---|---|
| Legal documents / systems and regulatory issues | | | |
| HR training systems and policies | | | |
| Finance and invoicing systems including currency exchange, banking and payroll | | | |
| Intellectual Property (IP) including trademarks | | | |
| Customer Relationship Management (CRM) systems | | | |
| Quality assurance / KPIs / Performance Management | | | |
| Data protection / Privacy | | | |
| Manufacturing, Distribution and Logistics | | | |
| Language / Translation issues | | | |
| Office management/ premises | | | |

Now that they have worked out what systems they have and what they need, a plan can be developed to fill in the gaps identified.

Additionally, a key document that all scaling enterprises will need, is an operational manual detailing exactly how to deliver their product or service. Having an 'ops manual' as it is commonly shortened to, has a number of benefits:

- Acting as a clear guidance for any new team members / franchisees or partners on how to deliver the product or service, especially if they are working in a location far from the HQ
- Establishing what activities are obligatory and which are optional and can be adapted to local circumstances
- Being a document that can be used as a basis for training new team members or franchisees
- Supporting an assessment of the real costs of running the business, going through each piece step by step. Working on the ops manual can also help develop a forecast for the scaled business and, if following a franchising or licencing model, help determine the franchising fee
- The ops manual can also be placed as part of the contract with another organisation, outlining in detail what and how they are committed to deliver

The ops manual on its own is only a piece in the puzzle of how to ensure quality of delivery at a new location. Entrepreneurs should also ensure suitable training, support and quality checking mechanisms complementing the manual. If the person leading replication in the new location was someone involved in the original creation of the product, the manual may remain light touch, and just ensure that there are plenty of opportunities for the different locations to share knowledge and learn from one another. If the scaling strategy involves bringing in a whole new team, the manual might need to be quite comprehensive and include an intense training on exactly what the organisation expects.

Entrepreneurs could be encouraged to get creative with their Ops Manuals, Training and Quality systems. They could use paper, video, web interfaces, audio training and all sorts of other formats. As long as it is clear, well suited to their audience and the way they are likely to learn, the format can be flexible.

### Training HR in Pakistan

As with any type of work; onboarding systems, orientations and on the job training are essential for an entrepreneur's staff and organisation. Having early and continuous training systems in place allows for new skills and systems to be brought into their organisation, keeping them innovative, agile and competitive throughout their journey. Investing in their staff can act as key drivers for their motivation and performance as well. Some avenues to provide opportunities for training during company growth include:

- Virtual training: If they are scaling to new locations, it may be a good idea to establish monthly check in sessions between the management in the older location and employees at the new location(s) to allow for ongoing exchange and problem solving. This is to allow exchange of institutional knowledge and to share learnings from previous experiences of running a new office.
- Developing task forces: This is to help the entrepreneur's employees transition to the growth phase and could include areas like "quality maintenance", "manual development", allowing current employees to be fully part of and take ownership of the change.
- Cross employee training: If the organisation is moving a core team or staff members over to the new locations where they may have scaled, it may be a good idea to allow them to learn skills from other areas in the organisation i.e their sales manager also having knowledge on R&D to provide support in the new location as needed.
- Pair learning: To ensure smooth operations in a new location, it is always a good idea for entrepreneurs to pair their new HR team with their counterparts in the HQ/ old office. This allows for simple exchange of institutional memory and tips for being efficient and avoiding unnecessary mistakes. This is especially suggested for finance department employees who would not understand the onground complexities otherwise.

# INTERNAL SYSTEMS

In order to build capacity in an organisation and be able to scale to new locations, there may be several internal systems which an entrepreneur may need to establish/ maintain including; mediums for money transfer (locally and internationally), location agnostic team management, remote meeting platforms and culturally relevant/ localized customer support.

Online payment methods

Pakistani startups are still struggling with the few options of reliable online payment methods for them to incorporate in their business. For most e-commerce startups the most common solution is Cash on Delivery (COD) thanks to the availability of a fairly widespread courier/delivery network in Pakistan. COD makes the entire process hassle free for both the company and the customer. However, there is always an uncertainty of having cash on hand all the time and in some cases the suppliers require an advance payment to confirm the order which isn't possible with COD. COD can also not be considered as a mode of payment for non-ecommerce startups such as classified sites/ marketplaces e.g Zameen.com or Pakwheels where people have to pay to get their advertisements posted.[1]

Some of the pre-paid payment methods in Pakistan include using plastic money i.e debit and credit cards. However this is also not the best method as not every bank offers debit cards that can be used for making online payments. Other problems with online transfers include limited access to the internet, specifically in rural areas of Pakistan. For smaller transactions, writing a cheque or accessing the nearest ATM to transfer the money is very inconvenient as well.

Some options of incorporating online payment methods into businesses include:

- Branchless Banking: This makes the process of online payments easier for the customers who do not have the right cards to make online transactions. Another advantage of branchless banking for the businesses is that it only requires their customers to have a mobile connection to carry out the transaction, which is beneficial in places where there is no or limited access to the internet. However when sites allow payments through these platforms they're only catering to the specific mobile network they are associated with. Some examples include; EasyPaisa (Telenor), MobilePay (Warid), TimePey (Zong), and Mobicash (Mobilink)
- QR Code Payments: HBL has recently partnered with Visa to launch a QR-based mobile payments service.[2] This has given businesses a competitive edge by enabling them to digitize payments. QR-based payments are also able to support more than one user at a time on their system making it easier for the business to receive payments from more than one customer simultaneously. For businesses wanting to incorporate digital payments into their payment model, QR codes are a good option as they are efficient, low on implementation cost, and add great value.[3]

As seen from the limited options, there is still a clear need for a payment method for startups that isn't fragmented and provides a convenient platform for both the business and customers.

## Resources for this section:

International Franchise Association: The International Franchise Association is the world's oldest and largest organisation representing franchising worldwide. The IFA's mission is to protect, enhance and promote franchising through government relations, public relations and educational programmes. Their website has useful resources or those looking to scale using a franchising model.

How do I write a standard operations procedures manual?: The Houston Chronicle has published some useful guidelines on writing an operations manual for small businesses.

How to create an operations manual for your business: Process Street is a workflow management tool, and they have published an article with advice on writing an operations manual and what to include in it.

How to write a killer operations manual: Tallyfy is another workflow management tool who have also published advice on how to develop an operations manual for your business and how this process can help you manage at scale,

[1] Payment Methods for Startups in Pakistan, 2014 https://www.techjuice.pk/payment-methods-for-startups-in-pakistan

[2] HBL collaborates with Visa to launch QR payments service in Pakistan, https://www.thenews.com.pk/print/462908-hbl-collaborates-with-visa-to-launch-qr-payments-service-in-pakistan

[3] HBL launches QR Payment Service in Pakistan https://pas.org.pk/hbl-launches-qr-payment-service-in-pakistan/

## CASE STUDY

## WASHUP - OPERATIONAL BARRIERS WHILE SCALING

***Washup is a convenient, sustainable and cost effective solution for daily laundry needs. The organisation was founded by Sumair Saleem and Abbas Jaffery in Karachi in 2018. At the moment, they operate in 3 areas of the city and plan to cover all of Karachi by the end of the year 2019. They want to organize the informal laundry sector and bring in quality into the washing systems as well as move to sustainable processing methods which save natural resources and reduce environmental impact.***

***While expanding within Karachi and eventually across Pakistan, they face a large supply chain issue. This was primarily seen when Washup was advertised on social media through a blogger and faced a sudden increase in demand, causing their supply chain to crash. Another key issue is seen in quality maintenance of large loads, with issues such as dampness due to humid weather, fading due to lack access into washhouses etc.***

***Based on conversations with various mentors, they have identified 2 key areas which may assist them in scaling effectively:***

***1. Expansion of their technology component to streamline a lot of their operation processes such as checking, sorting and tagging***

***2. Raise Investment to market and further develop distribution hubs across operating locations***


*https://washup.com.pk/*

## 3.4 FINANCE AND FUNDING FOR THE SCALED ORGANISATION

Each outpost of an organisation needs to be financially sustainable in its own right, and ideally should also be making a contribution to the original location or HQ, unless there is specific funding that covers that growth. In other words, by replicating the original model, an entrepreneur should not be risking the financial sustainability of the original organisation. Additionally, by sharing expertise and back office functions like finance and HR, branding and internal/external platforms, an organisation should, at least in the medium term, be able to save money. This is what is known as 'economies of scale'.

An entrepreneur should use their knowledge of running their service or delivering their product in their existing location to develop a financial forecast for a new location. Costs should not be mixed up with those of the existing location, but rather kept as separate cost centres, each one with its own income and expenditure. Organisations are likely to include things like staffing, operational costs, marketing, sales, impact measurement, recruitment, training and distribution costs that are incurred locally.

Of course, some of the costs will have to be adjusted to the local circumstances. Certain costs, such as salaries, taxes, premises and distribution costs may vary substantially from an organisation's country of origin if scaling internationally. Costs may also vary because of deals an entrepreneur may have with partners where they share income or expenditure.

Once an entrepreneur has written the forecast for a new location, they should note down which of these costs could actually be reduced by being shared across the entire organisation. These might be for any or all of the following: shared branding and marketing materials including a shared website or social media accounts and management, fundraising or business development activity, training and support functions, HR support and materials, quality management materials, financial systems, accountancy or banking functions, legal support, etc.

New locations must make a proper contribution, covering their share of these costs to the HQ or whichever part of the organisation is delivering them. If an organisation is replicating using the franchising model, this essentially makes up the franchise fee that the franchisee pays to the franchisor. For a branch, it helps the entrepreneur understand whether each offshoot is able to remain sustainable in the longer term.

During this process, an entrepreneur will need to make a lot of decisions about what activity is done where. Does each location have its own website in its own language, or is that coordinated at HQ? Does each location run its own finance system, or is a shared one used? How much training is offered at each location, and how much of it is in person or using digital tools? All these decisions will affect costs, and also the smooth running, independence and/or control of each location. An entrepreneur will want the people in all branches to feel part of the whole organisation, and ensure everyone is working according to best practice, but also be able to adapt to local experiences and share that learning back to the rest of the organisation.

Of course, as well as the ongoing costs of running a new branch, franchise or outpost, there may also be additional set up costs. Is intensive initial training for the new team required? Is a deposit needed to secure new premises, or buy desks and equipment before an organisation can be up and running? How much will a launch marketing campaign cost? How much budget will be needed to recruit a new team in the new location? None of these might be relevant to an organisation, or perhaps all of them are. An entrepreneur must make sure to do a proper assessment of what it will cost to just to set up in the new location.

Once this forecast is in place, an entrepreneur will have a better sense of whether scaling is financially sustainable. They can also assess whether further funding or investment is needed to make it possible. There may be charitable funders or investors in the location an entrepreneur is expanding to that would be willing to provide what is needed, especially if there is a proven model and a good idea of the real costs of running it. It is far less risky for a funder to take something that has been shown to be effective than to start something completely new.

These considerations may also affect how an organisation's plan to scale. Partnering with another organisation in the new location who already has funds, or really good contacts with suitable funders, can really help to scale quickly and efficiently.

## INSTRUMENTS OF FUNDING IN PAKISTAN

**Grants/ Donors:**

- Donor Fund: Capital that's provided to startups by donor agencies. It allows donors to make a charitable contribution, receive an immediate tax deduction and then recommend grants from the fund over time
- Donor Organisations: Organisations that provide grants to other organisations or individuals for work that aligns with the donor organisations mandate. Examples of some donor organisations in Pakistan are Department for International Development- UK Aid (DFID), United States Agency for International Development (USAID), Aga Khan Development Network (AKDN), World Health Organisation (WHO), etc.[4]

**Debt financing:**

- Loans: The most common type of lending in Pakistan is done through debt-structured financing by financial institutions or banks which is essentially money borrowed, to be paid back as principal + markup (based on interest rate) through monthly installments. This type of funding is usually associated with high collateral in Pakistan making it a relatively difficult option. Some types of loans from financial institutions include:

[4] Invest2Innovate, Pakistan Startup Ecosystem Report, 2019, Pg. 58
[5] Trading Economics, 2020, https://tradingeconomics.com/pakistan/lending-interest-rate-percent-wb-data.html

- Term Loans- can range from 1 year to 5 years
- Lease financing- used for buying equipment and ranges from 3 years to 5 years
- Running Finance or Working Capital Finance -used on a revolving basis, as clients pay mark-up on amounts utilized and for the period when it is outstanding

According to the World Bank, the lending interest rate (%) in Pakistan was reported at 8.5308 % in 2018 and has increased since.[5]

**Equity Investing:**

- Angel Investor: An angel investor is usually a high net worth individual who provides financial backing for small startups or entrepreneurs
- Angel Round: Angel round is usually part of the seed round funding. In the context of Pakistan, it is particularly smaller amounts of funding that comes from high net worth individuals
- Venture Capital: Venture capital is financing that investors provide to startup companies and small businesses that are believed to have long-term growth potential. Venture capital generally comes from well off investors, investment banks, and other financial institutions.[6]

**Convertible notes:**

- Convertible note is debt taken by the company from an investor which will convert into equity based on the valuation of a company upon occurrence of a mutually agreed event or milestone (aka, a "trigger event"). This type of investment is ideal for startups, since valuations can be tricky and abstract at such an early-stage. Convertible notes are not technically an investment vehicle recognized under Pakistani law . However, convertible notes can potentially be done indirectly, however this process would require professional legal advice.
- Startups can also enter into a "SAFE", or a Simple Agreement for Future Equity , in which the money will convert into equity at a certain trigger event. This type of investment was conceptualized by YCombinator, one of the top incubators in the world. Unlike a convertible note, a SAFE is not a debt instrument; which, as pointed out above, have maturity dates, are subject to major regulations in the Pakistan context, and can have potentially negative consequences for startups. To read more about safes, see "Safe financing Documents" here , via YCombinator.[7]

[6] Invest2Innovate, Pakistan Startup Ecosystem Report, 2019, Pg. 61
[7] Invest2Innovate, Pakistan Startup Toolkit, Pg. 10

## INVESTMENT IN THE UK

In order to seek investment in the UK it's best to set up a UK entity. This will make the process quicker and allows an entrepreneur to take advantage of the many ways in which an organisation can raise capital for growth. Gov.uk, a public sector information website, has online advice on the different options for raising capital for growth and tax advantages organisations can take advantage of, among other things. Whichever route an entrepreneur chooses to take, it's important to firstly consider what their goals are and the timeframe in which they hope to achieve this plan. If an entrepreneur can get to their end goal on their own, by bootstrapping or self-funding, it will give them more freedom in the process. If they can't, raising capital is the right option, but an entrepreneur will have to be prepared to relinquish some control and justify their decision making process to others.

Having accountability isn't necessarily a bad thing; investors will want the entrepreneur to succeed, and it can help keep them focused on their growth plan. An entrepreneur will also have to consider which type of investment is best for them and their business. An angel investor will, in general, have a more active role and spend more time with an entrepreneur and on their business, but the entrepreneur needs to decide whether this will bring value or hinder their leadership. Venture Capitalists won't be involved in daily operations of a business, and will also help an entrepreneur grow to see them succeed, but they will view a business as an asset to be sold. Although private investors also require an exit strategy, they may be more patient and willing to make longer-term investments.

Private Equity can be another form of raising capital, particularly for more mature organisations, however, it will involve rigorous reporting which can take a lot of time and may affect how much attention an entrepreneur can dedicate to delivering their growth plans. Whether an entrepreneur is seeking to raise capital through an angel investor, VC or PE they should try to understand what the investor's funding goals are and what personal and professional value they can bring to their business before making contact.

There are also many options for social investment in the UK for social entrepreneurs. Social Investment will require the same financial due diligence as other investments to demonstrate financial return, but additionally require evidence to demonstrate social and/or environmental return on investments as well. Social Enterprise UK, the governing body for social enterprise in the UK, has an online guide to social investment to help organisations understand if it is right for them. Another valuable resource is the Good Finance website, which as well as advice and guidance on social investment also includes a directory of social investors.

## BECOMING INVESTMENT READY

While raising investment, there are typical questions that often arise, such as: how much to raise, over what time period and from who? The key to answering those questions is for an entrepreneur to understand the needs of their enterprise at the moment of raising, both capacity and goal wise.

When deciding how much to raise; financial projections, valuations and type of funding being raised should be taken into consideration. The amount/round of funding often determines the duration as well based on the local market i.e. in Pakistan a typical seed round is raised with an 18-24 month runway period.

While exploring who to raise from, it is important to ensure that the investor being engaged is ideally providing technical assistance and mentorship to the business in addition to their investment. The importance of a healthy and mutually beneficial entrepreneur-investor relationship is often overlooked by founders.

It is also important to view industry and location specific details and trends to pre-determine what is feasible and what is not. Analyses of the Pakistan entrepreneurial ecosystem in past years highlights an early stage capital gap for startups, particularly at the pre-seed and seed-stage level of funding. Despite the increase in deals and finance players over the past five years, this gap continues to persist. The data collected for this study shows there is also a significant gap in follow-on financing for startups; namely, Series A and onwards. This speaks to why new investment funds are investing at different stages and are committed to follow-on financing.

## NEGOTIATIONS AND INVESTOR RELATIONS

Once a match for an investment round is found, whether it is with an individual or multiple funds, an entrepreneur should be prepared for a long process at both ends of due diligence, approvals and term sheet negotiations. A typical process may take 3-10 months depending on the investors and the timeframe in which an entrepreneur is able to provide information. Term Sheet negotiations would also be a back and forth process where valuations may be revised based on the due diligence process.

An entrepreneur can speed up this process by being ready beforehand with documents and research. The usual requirements during due diligence processes in Pakistan include:

- Industry information
- Market Sizing:
  Including Total Addressable Market, Serviceable Available Market, Serviceable Obtainable Market
- Business plan:
  Detailed business plan of the company including vision/mission, product/service offering, competition and competitive advantage, sales strategy and plan, marketing strategy and plan, post-sales services offered, key partnerships including vendors and software providers, execution plan and key milestones, risk analysis of key risks and mitigants, proposed team structure, Board of Directors and Advisors, funding requirements and investment structure
- Projections:
  Detailed financial projections for the company + budget for upcoming years
- Revenues:
  Break down of historical and projected revenue streams by product/service
- Cost of Sales:
  Break down of historical and projected cost of sales/service
- Selling, General and Administrative Expenses:
  Break down of historical and projected selling, general and administrative expenses (SG&A). Explain the drivers behind the key items
- Management Assumptions:
  Management assumptions of projected revenues and costs
- Impact Assessment

# ACTIVITY 4 INVESTMENT READINESS

## WORK WITH ENTREPRENEURS TO CREATE A 10 SLIDE INVESTOR DECK

This is an activity for the entrepreneur's scaled organisation.

Make sure they include the following. The list below is not in order and entrepreneurs should arrange slides according to their own storytelling:

1. An intro to their solution, value proposition and scaling objectives
2. Team profiles and experience
3. Industry information and market sizing for current and future markets
4. Current income (before scaling up) for this project/solution and How is that currently funded (customer sales, government contracts, government donations, charitable donors, etc)?
5. Financial forecast / plan for the next 3 years – income, expenditure and cash flow
6. Scaling plan and how that will impact financials and impact. Can they prove traction in the new locations?
7. Return on investment
8. Ask and what would they spend the funding/investment on?
9. Impact growth due to scaling strategy

# 3.5 IMPACT MEASUREMENT FOR THE SCALED ORGANISATION

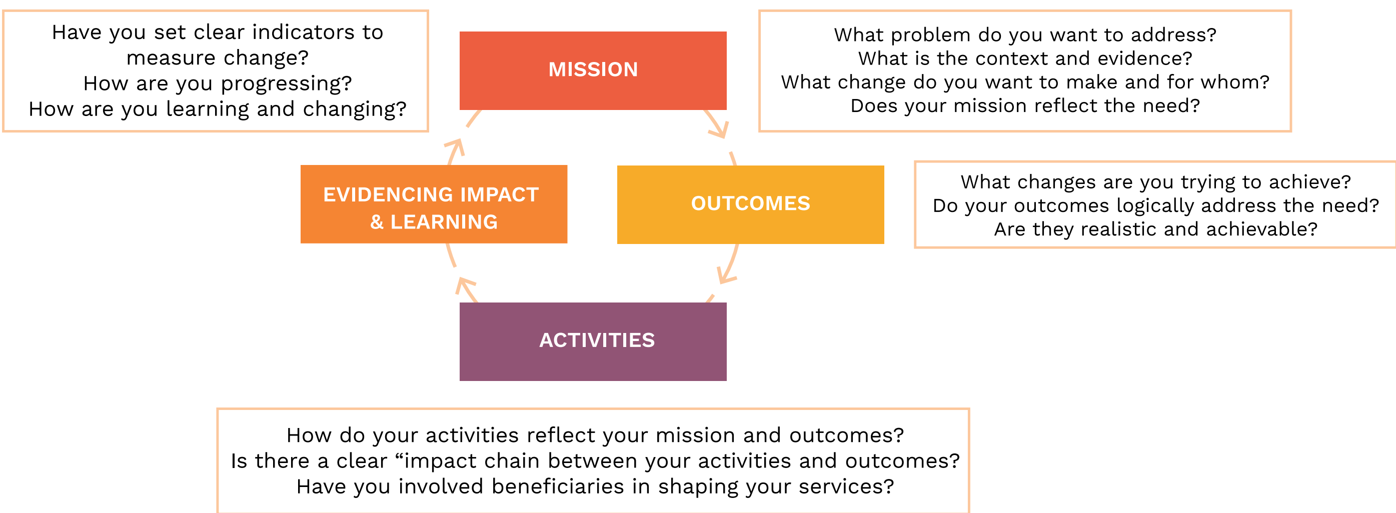
As mentioned in Chapter 2, social entrepreneurs are primarily led by the social or environmental impact they want to make. Therefore, as well as tracking their financial and commercial performance, they will need to invest time and resources in setting up an impact measurement system.

Impact measurement relates to understanding and capturing the changes an enterprise makes as a result of their interventions. This will allow them to use the obtained information to improve a service or product by realising what is or isn't working. It will also enable them to share the results of their work with potential funders, partners and other stakeholders.

Many entrepreneurs use the Sustainable Development Goals (SDGs) as a globally relevant impact measurement framework. SDGs are a set of seventeen inter-related aspirational goals for the planet approved by the United Nations in 2015 that bring together developing and developed world and public and private sector opportunities. They contain 169 targets for sustainable development of the planet to be achieved by 2030. These include ending poverty and hunger, improving health and education, making cities more sustainable, combating climate change, and protecting oceans and forests.

To embed impact measurement into an organisation's work, they need to decide what to measure, how to measure, what to report, how to compare and how to improve their impact performance. An impact measurement strategy would then need to include:

- A clear mission or problem statement
- A set of desired outcomes (short, medium and long term)
- A list of activities that would drive change
- Indicators to measure impact




Source: MedUP Toolkit pg.47

*Some widely used frameworks for impact measurement include:*

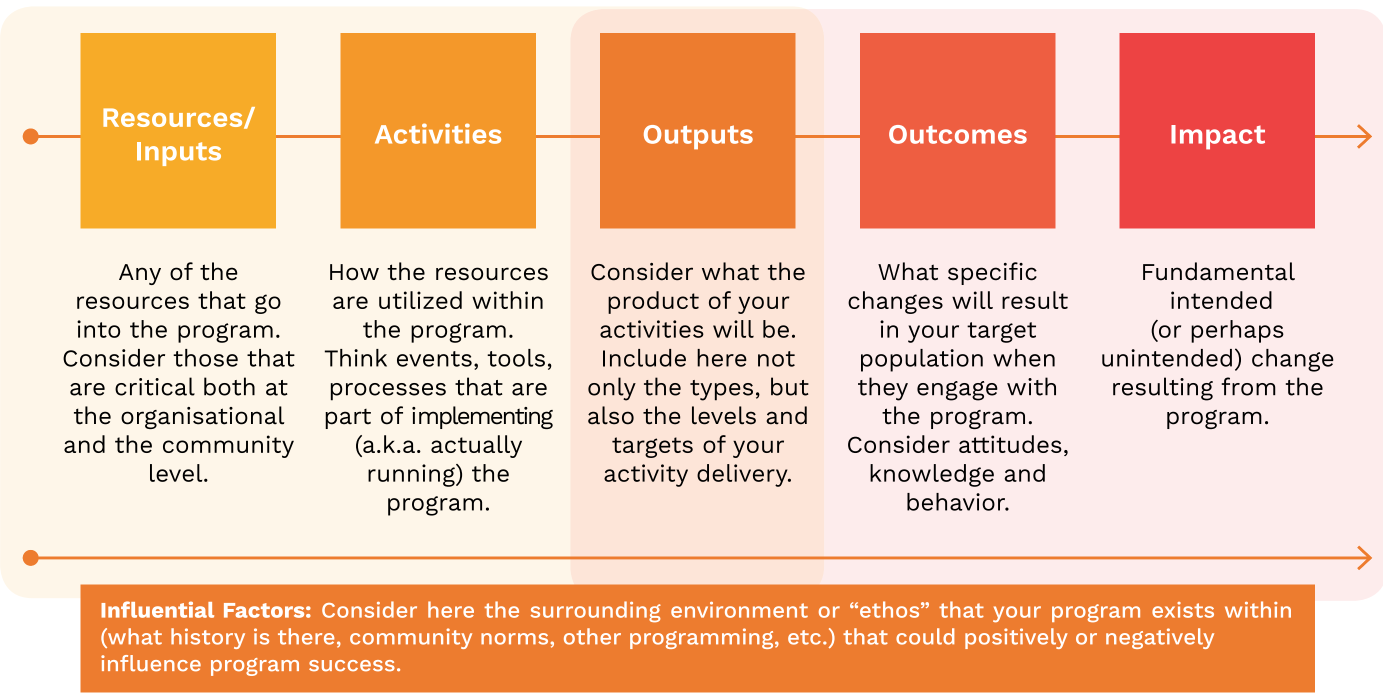
## 1. Theory of change

Theory of Change (ToC) is a specific type of methodology for planning, participation, and evaluation that is used in the philanthropy, not-for-profit, social enterprise and government sectors to promote social change. Theory of Change defines long-term goals and then maps backward to identify necessary preconditions. It usually entails 5 elements:

- Beneficiaries and problem: who are the people affected by the social/ environmental problem that a company wants to solve, and a brief description of the context.
- Activities: the systems, processes and activities that an enterprise does as part of delivering a product/service.
- Short term outputs: are the results from the venture that can be measured relatively objectively in regards to the problem.
- Long term outcomes: are the ultimate changes that one is trying to make in the world, but are usually costly and difficult to measure
- Assumptions: stating all the assumptions that the model is making and still need to be validated.

## 2. Impact logic

An impact logic is a tool that can help translate a Theory of Change into a linear input to impact model. It allows to more easily map the process from inputs, to activities, outputs, and outcomes, set targets, and measure them. An impact logic model is a visual diagram that illustrates how a set of activities will work:




Source: MedUP Toolkit Pg.48

## OUTCOMES OF SCALE READINESS PHASE

| | |
|---|---|
| CHALLENGE/ PROBLEM | The enterprise can clearly articulate the challenge they are addressing in current and future locations |
| USP | The ventures USP has been confirmed by sales numbers. They can also show some interest in other markets. |
| FOCUS | It is clear which elements concerning internal restructuring they will be focused on and what the timeline will be; clear internal KPIs have been formulated |
| SCALING MODEL | The scaling strategy has been formulated and the current business model has been reviewed and adapted if necessary. |
| SYSTEMS | A diagnostic of the current systems and processes has been conducted and the need has been identified. |
| ROLE OF FOUNDERS | Team roles and responsibilities have been reviewed and adapted to prepare for new team composition |
| CULTURE | There is clarity on the values that are important for the venture; the founders have thought about how to transmit those values to the new members team |
| TEAM | An HR strategy has been formulated on team expansion; HR systems have been put in place; new team members have been hired |
| FINANCES | The venture has a healthy balance and is past break even OR the business plan shows the business to become sustainable within a reasonable time scale. If needed, investors or funders have been identified. |
| IMPACT | The provided solution to this challenge has a proven positive effect. The company can show how the scaling strategy would increase their impact. |

04

# BRIEFLY EXPLORING THE NEXT STAGES OF SCALING

## CONTENTS

# BRIEFLY EXPLORING THE NEXT STAGES OF SCALING

This toolkit has been designed to specifically highlight the concept of Scaling Readiness and how intermediaries can provide bespoke support to enterprises who are at this stage. The stages following Scaling Readiness include; Market Research and Preparation, and Market Entry. Although this specific toolkit does not fully cover these phases of support, a brief overview of what these stages look like has been discussed below.

# STAGE 2: MARKET RESEARCH AND PREPARATION

At this stage, social enterprises should validate that there is a social need to be solved and research the customers, funders and other stakeholders or partners in the region they are planning to scale to. Once they have understood the distinctive characteristics of the cultural, political, social, tax, legal and business environment, they might work on adjusting their offer to match the local needs. This stage also includes benchmarking similar offers in the new context and starting the planning process for implementing the scaling strategy, including fundraising and recruiting partners or team members.

Before taking the step of, and investing the resources into entering a new market, it is worth doing a proper assessment to understand whether this is a good location to scale to. Doing this before arrival should allow an entrepreneur to make the most of the time when they are actually there on site and save costs. It may even save the entrepreneur from making the huge mistake of entering a market which is not suited to their organisation.

The enterprise will need to spend some time checking whether the need is the same in the new location as it is where they began. They will also need to assess if the product or service is a good fit for the market or if they may need to adjust in some way. Competition analysis will also be crucial.

In order to understand how to shape logistics, sales and delivery in the new location, the entrepreneurs should relate to the scaling model they decided to use (see section 2 above). For example, if using a franchising model, the franchisee will take on these functions and should build it into their business plan. If setting up a new branch, the enterprise will need to bear in mind that the costs in the new location may vary substantially from place of origin.

The first phase was focused on whether a solution was replicable and scale-ready. However, once the scaling process officially starts, the entrepreneurs will need to adjust their offer to the new context. A market research and preparations phase is advised before diving into the market entry phase.

## MARKET RESEARCH

An internet search is the obvious place to start with this research, but it is good to supplement this by finding contacts and connections with technical and commercial expertise in the new market. A mentor, consultant or other expert should be able to give more clarity on whether the product or service would be a good fit.

The entrepreneurs will need to come up with a local business plan to reflect contextual circumstances such as salaries, premises and taxes. They may also want to think about the risks of expanding. A risk assessment should help them to put in place plans that will allow them to mitigate the risks and be more resilient as an organisation. The risk assessment should help them make good decisions, not stop them in their tracks.

This research can be done at the same time as the Scale Readiness work, and this will help to inform the structures an enterprise chooses for their organisation as well as the speed of the scaling implementation.

## SOME QUESTIONS FOR ENTREPRENEURS IN THE MARKET RESEARCH PHASE COULD BE:

- What is the shape of the new environment (e.g. if their organisation works with schools, how are schools managed / best approached in the new location? Is the education system structured in a similar way or are there changes needed to the product or service, such as the target age groups, in order to make it work?)
- What is the size of the need? Does it match that in the existing location? Is it large enough for the business to operate successfully?
- Who else already operates similar products or services or is serving the same beneficiaries in the existing location and any new locations the entrepreneur hopes to replicate into? How is their offer distinct from the others'? Is it worthwhile for most of the customers or beneficiaries to switch from this established provider to the scaling enterprise?
- What other changes might be needed to make the product appealing in this new market?
- How do the costs compare in this market to others? Including staffing, premises, tax, legal, manufacturing, marketing, distribution and other costs.
- What finance is needed and available to enter the new market? Are funders willing to finance international organisations, or is there a need to set up a subsidiary or branch in the new country? If so, how long will that take, what legal form will it have and what responsibilities and costs will that bring?
- What differences will the legal or tax system make to operations in the new location?
- Are there other timely opportunities that the entrepreneur wants to take advantage of, such as support from an accelerator or investor, a strong potential partner or licencee?
- To what extent is entering this new market a gateway to further markets (e.g. Vienna to other parts of Central and Eastern Europe), or a relatively simple stepping stone due to a language in common (e.g. Austria to Germany, the UK to the US or Spain to South America)?

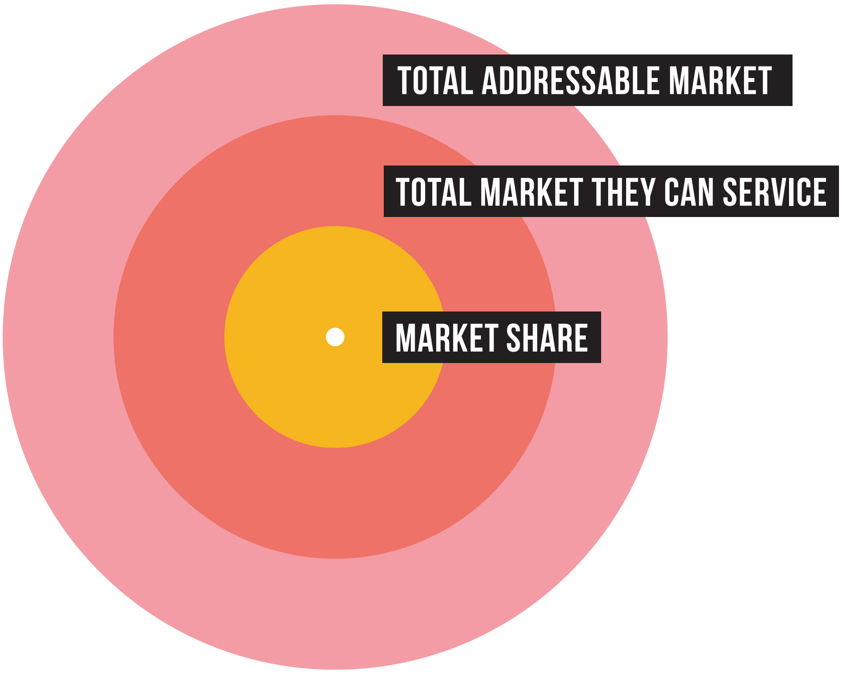
Once entrepreneurs have answered these questions, they can undertake a Risk Analysis, including a list of the main risks of scaling, how severe the risk would be, how likely it is and what they will do to mitigate it. What are their biggest challenges / areas for improvement?

## MARKET SIZING

Before entering or deciding to enter a new market the enterprise needs to undertake the important exercise of understanding the size of the market they are trying to tap into and the number of competitors.

The enterprises first need to carefully define their total addressable market. For example what is their market if they are looking to expand tea products in Pakistan? Is it the number of tea bags sold in shops? Is it also the number of takeaway tea cups? Are they looking at the whole of Pakistan or only big cities? Are they looking at just tea sold to consumers through retail stores or will they also target offices and cafes? There are numerous examples of companies that massively overestimated their market potential.

After they define the total available market market, the enterprise will need to look at the percentage of that market they can realistically serve due to geographic, product and other limitations. Lastly they need to look at the share of the market that they expect to realistically capture in the short term. Analysing their value proposition compared to the competition's is key. Overtime, the total addressable market, the market they can serve and the share of the market will change. Make sure the enterprise is clear on what they measure.




To build more accurate estimates, the enterprise will need to combine aggregate competitor sales data, industry forecasts along and specific “bottom-up” data reflecting the customer base dynamics of the product or service. It is important that different resources are being used and cross-referenced. Finally encourage the businesses to always do a sanity check.

## UNIT ECONOMICS

Unit economics is simply the revenues and costs of your business model expressed on a per unit basis. This figure can help businesses understand how profitable they can be in the new market and when they can break even.

The first step is to identify their unit. In our tea example, one tea bag or one box of tea bags can be a unit. For an airline a unit can be number of seats sold. For a service business it might be a user. In the latter case, the unit economics is the Lifetime Value (LTV) of a customer divided by Customer Acquisition Costs (CAC). Once they have identified that unit they need to calculate the revenue achieved from that unit over its life and the costs associated.

Unit Economics is basically the ratio between the gross profits they expect to receive over the duration of a business relationship and the costs incurred in an effort to get a new customer. The ratio needs to be higher than 1 to make the business profitable.

## HOW TO PRICE

Getting the price right in the new market is fundamental. Price it too high and the product will not sell. Price it too low and the company could be in danger of not breaking even. The pricing the business has in the current market can serve as an indication, but would need to be reevaluated. To set the price right, the entrepreneurs need to look at their cost structure, the benefits to consumers and competition.

Firstly, the enterprise needs to understand their costs (including production, distribution, customer acquisition and R&D) for selling a unit plus a margin that will represent a worthy return on investment. If the enterprise is expecting to benefit from economies of scale, they need to make sure they are not being overly optimistic. That should set their minimum price.

Mapping out the competition, their offer and their pricing structure is an important exercise in understanding the positioning of the business, the market share they can capture and the price they can charge. For products that are very similar to what already exists in the market, like tea products, mapping out their competition with a comparison of product specification and pricing is important. For such products, the range of pricing is not too wide. If there is no significant competition for the product/service, the company needs to consider the cost benefits that consumers get from using.

If the enterprise is considering lowering the prices considerably compared to competition, to penetrate the market they run the danger of customers perceiving their products to be of a lower quality. So demand might not follow in a linear way. Competitors, especially stronger ones can also react quickly and undercut their prices as well. You may also need to warn the enterprises about entering the market with discounts, as the first price the market sees signifies to the customers what the company really thinks its product is worth.

Lastly, they need to also understand the profile of their target customer and how much they can afford. An important exercise to undertake is to examine the size of the market, i.e. demand, at different price points.

## OUTCOMES OF NEW MARKET PREPARATION PHASE

| | |
|---|---|
| CHALLENGE | The enterprise can clearly articulate the societal/environmental challenge they are addressing in current and future locations. |
| FOCUS | A new market has been chosen based upon thorough (desk) market research; a go to market strategy has been defined; KPIs for this new market entry have been formulated |
| USP | A clear USP has been formulated with regards to the new market; it is clear which customers are addressed in the new market; product adaptations have been made (if necessary); website has been translated and localised |
| SCALING MODEL | An organisational structure has been chosen for the new market; in case of franchising, operational manuals, training plans and contracts have been prepared; partners have been found in the new market (if a franchise model was chosen) |
| ROLE OF FOUNDERS | Founders have delegated tasks to other team members; at least one founder fully focuses on the new market |
| LEGAL | Legal matters concerning market expansion have been clarified by a legal expert |
| FINANCES | Developed financial forecasts and plan to enter the new market which builds in enough time to gain enough funding or investment needed to sustain themselves when they enter the market. The market has been sized and an appropriate price has been set. |

# STAGE 3: NEW MARKET ENTRY

Market entry stage starts when entrepreneurs are no longer talking and planning, but are actually in the new location, setting up a team, making sales or fundraising and delivering their product/service. This final stage implies implementing the scaling strategy in a new context. The social enterprise will continue deepening their insights about how to work there effectively and constantly adjusting the size and shape of their operations.

Sometimes organisations skip Stage 2 and go straight to Stage 3. Generally, this is less efficient and means that they are paying travel, accommodation and other costs in the new location while still planning. However, some soft landing business support programmes may subsidise these costs and help teams learn by doing. Some government entities such as London & Partners also organise trade missions to expose entrepreneurs to different markets. There, they visit different ecosystem players and get free advice from local experts in order to accelerate the market research phase.

The Market Entry phase usually means having a physical presence in the new location, either permanently or with frequent visits. This can be achieved via a partner or franchisee, rather than the original team or may mean sending experts to train others or set things up. Normally in this stage, a team would be based permanently in the new location.

*Once the entrepreneur is in the new location, they may need to focus on the following issues:*

- Do they need some deeper market intelligence? Might they commission a study from a consultant or a government agency designed to help organisations or businesses scale internationally?
- Do they need to translate any materials, or find copywriters or agents who are fluent in the local language? Is their pitch culturally appropriate for the local context?
- Do they need to identify sales agents or partners to get open doors to customers, funders or beneficiaries in the new location? If so, what is their plan to achieve this?
- Do they need to review governance or legal issues, visas and employment issues or accounting and tax issues as a result of scaling?
- Do they have the right premises? Can they use an industry specific coworking space to establish good contacts?
- Is their team in the new location operating with the right skills, training and authority levels to get things done? How are they sharing best practice and aligning culture with the HQ?

# CASE STUDY

## CONATURAL - SCALING INTERNATIONALLY AND LEGISLATION BARRIERS

CONATURAL™

*CoNatural International is a fast-growing and highly successful natural beauty company based in Lahore, Pakistan. Co-founded by Myra Qureshi Jahangir and Reema Taseer, CoNatural was launched to create a new standard in the Pakistan beauty industry, developing haircare, skincare and baby products that are vegetarian, non-toxic, gentle, safe and never tested on animals. Seeing how unaware people in Pakistan were of the hazards of toxic chemicals in cosmetics, their goal was to inspire, empower and educate and provide beneficial beauty solutions. Conatural products are manufactured and mainly sold in Pakistan, but the company has fast-grown into an export company, selling to customers around the world. Their products are sold online (direct to consumer) but can be increasingly found in kiosks around the country, boasting a strong brand and customer experience. Conatural also launched an unprecedented collaboration with major clothing brand Khaadi in July 2019, a line of beauty products called Khaadi Beauty, which, given the number of Khaadi stores both in Pakistan and internationally, would take the company to the next level.*

*CoNatural's success points to rising demand from Pakistan's growing and aspirational consumer class. The company houses its own manufacturing, despite facing challenges with the country's current regulatory environment, particularly as it relates to customs duties regulations and State Bank regulations around advanced payments. According to Jahangir, Conatural imports glass jars for one of their products from China, and customs duties were arbitrarily increased from rates like 15% to 25%. Such moves drastically impact a company's margins, and given the current market and price sensitivity, entrepreneurs like Myra are hesitant to increase prices, which ultimately impacts their bottom line. As she noted, "It wasn't this [and other] regulation[s] as much as it wasn't properly communicated." The opaque nature of the regulatory environment can debilitate growing businesses.*

*With the success of the brand across Pakistan, the brand decided to expand to the UK a few years after operations. During the process, the faces several issues pertaining to taxes, VAT return on exports, dealing with international distributors, impact assessment etc. There was a problem with mass production as well in terms of the quality of the end product. Eventually, Conatural was required to bring on board an international distribution agent in the UK with a large profit margin, after which price points of the products were automatically increased.*


*https://conaturalintl.com/*

# OUTCOMES OF NEW MARKET ENTRY PHASE

| | |
|---|---|
| CHALLENGE | The enterprise can clearly articulate the societal/environmental challenge they are addressing in current and future locations. |
| FOCUS | A new market has been chosen based upon thorough (desk) market research; a go to market strategy has been defined; KPIs for this new market entry have been formulated |
| USP | A clear USP has been formulated with regards to the new market; it is clear which customers are addressed in the new market; product adaptations have been made (if necessary); website has been translated and localised |
| SCALING MODEL | An organisational structure has been chosen for the new market; in case of franchising, operational manuals, training plans and contracts have been prepared; partners have been found in the new market (if a franchise model was chosen) |
| ROLE OF FOUNDERS | Founders have delegated tasks to other team members; at least one founder fully focuses on the new market |
| CULTURE | New team members have been onboarded according to the concrete company values that form part of the HR strategy |
| TEAM | New team members have taken up their new roles & accountabilities |
| MENTORS | Local mentors and experts in the new market have been attracted & involved (aside from the team members) to support the business to scale abroad |
| LEGAL | Legal matters concerning market expansion have been clarified by a legal expert |
| FINANCES | Developed financial forecasts and plan to enter the new market which builds in enough time to gain enough funding or investment needed to sustain themselves when they enter the market. The market has been sized and an appropriate price has been set. |
| IMPACT | The provided solution to the challenge has generated the first evidence of positive effect in the new market |

# CONCLUSION

This toolkit was developed to support intermediaries and entrepreneurs, whether commercial, social or creative, in analysing in-depth all the different strands of activities that need to be considered in order to scale an organisation successfully. It aims to create a realistic strategy for entrepreneurs to use through the process. There is no “one size fits all” solution when it comes to scaling a business. Each organisation is unique, with a unique team and unique goals, and will therefore have different motivations to scale, and different objectives in doing so.

Using this toolkit alone won’t create a fully formed scaling strategy for an entrepreneur, it will however provide a baseline of knowledge and insights for an entrepreneur to begin that piece of work, and plenty of food for thought. Throughout this toolkit other resources are mentioned that can help an entrepreneur along the scaling journey. A successful scaling strategy isn’t developed in isolation, and it’s encouraged that entrepreneurs use this toolkit along with other tools available to them. Well matched mentorship is also key at this stage for entrepreneurs to ensure they are taking into consideration industry and location specific perspectives to maximise their chances of scaling successfully.

Although the three stages of scaling are presented in a linear manner to create a narrative around the work involved, scaling isn’t always a linear trajectory, and an entrepreneur will often find themselves moving back and forth between the stages as their plans pivot and change. In any case, it’s important for all entrepreneurs to give each stage enough attention and consideration in order to create a comprehensive strategy. This toolkit pays particular attention to the first stage, Scaling Readiness as it is often the most neglected by entrepreneurs and perhaps is the most crucial to prepare an organisation for the scaling process. IHKX and i2i look forward to the possibility of launching a second version of this toolkit to further explore these next phases of scaling and develop detailed guidelines for entrepreneurs, ready to implement and enter new markets.

**Ultimately, scaling an organisation successfully is about finding the right balance between commercial aspirations and personal motivations. Investing time and resources into the early stages of this process will surely assist entrepreneurs in effectively reaching their long term goals for growth and success.**

# ANNEXES

# ANNEX A - METHODOLOGY

The research around the project took place over 2 phases in the UK and Pakistan. In the UK, the delegation from Pakistan were introduced to several players in the startup ecosystem in London and Bradford to get an understanding of the different approaches employed in supporting startups to grow and scale. The knowledge and guidance in this toolkit however was largely developed by the Impact Hub network. The Impact Hub network, and the Impact Hub King's Cross in particular, have built their expertise around supporting social enterprises to scale their operations over several years, and have refined their insights and approach by employing this methodology and working first-hand with social enterprises that are ready to scale. The guidance in this toolkit has been tried and tested with several social enterprises in the Impact Hub network all over the world.

Onground in Pakistan a delegation from Impact Hub Kings Cross, along with the i2i team, travelled to Islamabad, Lahore and Karachi to meet some of the relevant key players in the ecosystem to better understand the challenges faced by them in terms of scaling nationally and internationally.

The research was carried out in a combination of ways. The team visited two startups, Gharpar and CoNatural, to understand the issues they've faced in scaling nationally and internationally as well as ways in which they tried to tackle those issues. There were workshops with startups that were incubated at Plan 9, WeCreate, Takhleeq, Innovation District and The Nest i/o. The purpose of the workshops was to get an idea of the startups plans for growth as well as the barriers they may have faced in doing so. The activities that took place during the workshops included filling out a survey to give a better understanding of each startup, thinking about where they would like to be in 5 years given there are no barriers, trying to understand the existing barriers and how they can mitigate them, developing a growth priority chart exercise, and identifying their impact model and how their impact will grow? The teams also visited some other stakeholders such as the team at SMEA, Telenor Velocity, PPAF, and Impact Network where they were engaged in valuable conversation regarding the key elements of the entrepreneurial space in Pakistan, along with the potential gaps and barriers in the system when it comes to scaling businesses. Next, two Investor Roundtables were held in Lahore and Karachi including investors from Sarmayacar, Insitor, 47 Ventures, Inara Ventures, i2i Ventures, TPL Ventures and Kausar Group of Companies to discuss the barriers startups in Pakistan face to grow and scale.

All the information gathered from this research was beneficial in terms of helping the team get a better understanding of the social entrepreneurship ecosystem in Pakistan. Visiting all the key players here has allowed the involved organizations to make the Scaling Toolkit more relevant to the barriers and challenges faced by Pakistani startups in particular.

# ANNEX B- KEY PLAYERS LIST

## PAKISTAN KEY PLAYERS

| Name | Organisation Name | Type of Intermediary |
|---|---|---|
| Madiha Parvez | Telenor Velocity | Business support |
| Kaiyan Yousaf | SMEA | Business support |
| Neelum Azmat | PPAF | NGO |
| Sumera Abbasi | WeCreate Center | Co-working space |
| Shahida Saleem | Impact Network | Business support |
| Amna Pasha | Cafe Garage | Maker's space |
| Bilal Zafar | Takhleeq | Business support |
| Hammad Khalique | Plan 9 | Business support |
| Saad Idrees | Daftwarkhwaan | Co-working space |
| Khurram Zafar | 47 Venture | Investor |
| Salman Chattha | Sarmayacar | Investor |
| Sadia Malik | Inaara Ventures | Investor |
| Shoaib Malik | Shoaib Malik | Investor |
| Beenisch Tahir | UNDP | NGO |
| Myra Qureshi | CoNatural | Social Enterprise |
| Maha Ajmal | Innovation District 92 | Business support |
| Sana Mela | Perspective | Social Enterprise |
| Hamna Haqqi | The Nest i/o | Business support |
| Hammad Omar | Insitor | Investor |
| Ali Sameer | TPL Ventures | Investor |
| Asad Jafri | i2i Ventures | Investor |
| Misbah Naqvi | i2i Ventures | Investor |
| Mubariz Siddiqui | Sarmayacar | General Counsel |
| Arooj Ismail | Gharpar | Social Enterprise |
| Syed Azfar Hussain | NIC Karachi | Business Support |
| Muhammad Ahmed Shah | Arts Council of Pakistan Karachi | Creative Sector |

These players have been referenced based on their positions and representing organizations at the time of the meeting/ interview- September 2019

## UK KEY PLAYERS

| Name | Organisation Name | Type of Intermediary |
|---|---|---|
| Neil Infield | British Library | Business support |
| Neila Romdane | Hatch Enterprise | Business support |
| Sarah Thirtle | Creative United | Business support |
| Amjad Pervez | Jumpstart | Business support |
| Hazel Durrant | Something & Son | Business support & Coworking space |
| Martyn Whelan | Bread and Roses | Coworking space |
| Dama Sathianathan | Bethnal Green Ventures | Investor & Business support |
| Teddy Kim | Mustard Seed | Investor |
| Meena Manian | Resonance | Investor |
| Charlotte Scott | North Investors | Investor |
| Hugh Rolo | Key Fund | Investor |
| Fran Sanderson | Nesta | Innovation Consultancy |
| Dan Sofer | Founders and Coders | Social Enterprise |
| Camilla Marcus-Dew | Clarity & Co | Social Enterprise |
| Kim Rihal | Equal Education | Social Enterprise |
| Alex Croft | Kala Sangam | Creative Enterprise |
| Abid Hussain | Arts Council | Creative Enterprise |
| Syima Aslam | Bradford Lit Festival | Creative Enterprise |
| Richard Warburton | Theatre in the Mill | Creative Enterprise |
| Ishtiaq Hussain Mir | Yorkshire Adabee Forum | Creative Enterprise |
| Mark Garratt | University of Bradford | University |
| Bana Gora | Muslim Women's Council | Community Organisation |
| Dr Tariq Shah | Healthcare 4 all | Charity |

These players have been referenced based on their positions and representing organizations at the time of the meeting/ interview- June 2019

**Invest2Innovate**

www.invest2innovate.com

@invest2innovate

@Invest2Innovate

@Invest2Innovate

**Impact Hub**

www.kingscross.impacthub.net

@impacthubkingscross

@impacthubkingscross

@impacthubkc