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How social entrepreneurs can solve the talent problem

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Three steps can help.

The impact of social entrepreneurs—individuals who deploy innovation and market forces to fill social needs—is growing. Bringing light to Africa, mobile banking to Bangladesh, low-cost healthcare to Nepal, or even better school lunches to the American cafeteria: in all these cases, the private sector is a big part of the action.

That social entrepreneurs can make a difference is not in question. But there is plenty of potential left to unlock. What do these enterprises need to scale up? And how can they do it?

RippleWorks, a private foundation that supports promising social entrepreneurs around the world by providing them with leading Silicon Valley executives as advisers, asked those questions in a recent survey of 628 social entrepreneurs from all over the world. The research, conducted with analytical support from McKinsey and with funding from the Omidyar Network, included interviews with 37 investors and 10 social-enterprise leaders.

The entrepreneurs reported that the most important barrier to growth is—surprise!—money. Almost half said raising funds was “very” or “extremely” challenging, even as the impact-investing industry continues to grow. Lack of early-stage capital remains a top challenge to the industry’s growth, according to a recent Global Impact Investing Network survey of 158 impact investors.

The second-most-important problem, finding and keeping talented people (36 percent), becomes crucial as entrepreneurs secure some funding. Three-quarters of funded, early-stage companies believe the inability to access the talent they need will have a critical impact on their businesses. And unlike other challenges they face (such as funding, logistics, or regulatory compliance), the talent gap is a problem that gets tougher as social enterprises scale (exhibit).

But the good news is that entrepreneurs have more control in this area than they do over funding. Here are three things they can do now, by themselves, to do better.

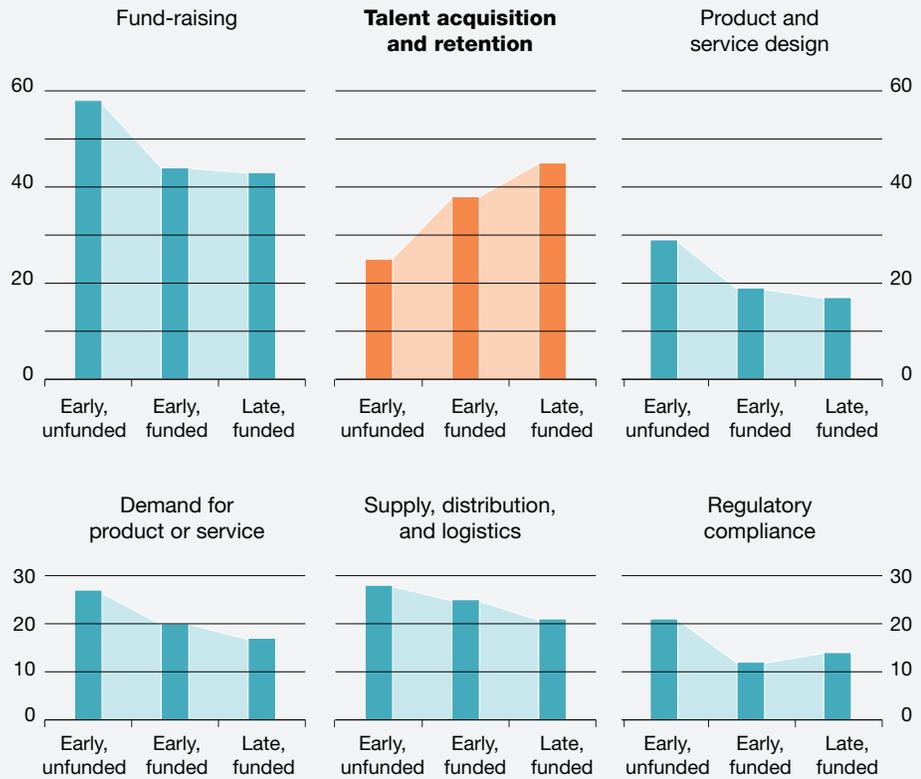
Know that funding alone is not going to solve the recruiting problem. Talent is scarce and therefore expensive. Moreover, in many countries, the prestige, pay, and job security of big companies are difficult to resist. Social entrepreneurs cannot compete head to head on that basis; in the survey, even entrepreneurs with a high level of funding continued to cite budget constraints as a top hiring barrier. Instead, they have to build on their own strengths, selling candidates on the complete employee value proposition—especially the mission and vision for the organization.

Exhibit

Talent is the only challenge that is more difficult the more mature a social enterprise is.

How challenging are the following factors for your growth?

% of respondents rating factor “very” or “extremely” challenging, by business stage¹



¹Early stage, unfunded: 91 companies polled; early stage, funded: 178 companies polled; and late stage, funded: 194 companies polled.

McKinsey&Company | Source: RippleWorks Talent Gap Survey

Make talent a top strategic priority that is pursued constantly. Just as entrepreneurs of all kinds need to anticipate consumer trends and product development, they also need to stay ahead of their hiring needs.

Gayathri Vasudevan, a 2015 “Entrepreneur of the Year” in India, is a cofounder of LabourNet, which provides training for the unskilled. She develops plans for filling senior-leadership positions a full year in advance, speaking with candidates on a regular basis to build strong relationships. By taking her time, Vasudevan can evaluate how committed the potential leaders are to LabourNet’s mission, making them easier to retain. CEOs of social enterprises need to

act as chief recruiting officers and not delegate hiring, particularly for top positions. They are best equipped to find the right people to translate their vision into a successful organization. Fred Swaniker of the African Leadership Group, which has founded four Africa-based organizations, spends about half his time on hiring. “It’s so important,” he says. “If you get that right, the rest of your life is easy. As the CEO, I don’t let that go.”

Don’t just retain employees—grow leaders. Turning an enterprise into a talent-development engine is critical to retaining staff and filling senior-leadership roles. If an enterprise proves it’s good at growing leaders from within, talented people will want to stay. Training and skill development solve another problem, too. Entry-level and midlevel positions are easier to fill, and grooming these people for senior positions can help avoid future hiring headaches.

Social entrepreneurs already recognize this. In the survey, they preferred training to hiring or seeking short-term help as a way to increase organizational capabilities. But they need help. Smaller enterprises might be tempted to give up—they’re frantically busy already and don’t have the time to create first-rate training programs. Fair enough. But they can work with third-party providers to do so. Glocal Healthcare in India, for example, partners with organizations such as George Washington University and India’s National Skill Development Corporation to develop training programs on topics from nursing to acute care to hospital management.

While money matters—a lot, and always—the research suggests that the human element matters more. If entrepreneurs can anticipate the talent challenge, even as they work to secure funding, they can stay ahead of a difficult problem that will come up quickly as they prepare to scale. ▣

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