



## Social Enterprises: A win-win approach for youth employment

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*In this Knowledge Brief<sup>1</sup> we discuss ways in which youth employment programs can apply the social enterprise approach in their operations. This is the first in a series of two Solutions for Youth Employment (S4YE)<sup>2</sup> Knowledge Briefs that study the role of social enterprises in youth employment through two main dimensions: (1) youth employment programs that operate as social enterprises and (2) youth social entrepreneurship programs. Below we outline where social enterprises fit in the landscape of youth employment, characteristics that make the model suitable, the types of social enterprises that can function as youth employment programs, and an example of the social enterprise approach in action from Digital Divide Data's (DDD) impact sourcing work in Cambodia, Laos, and Kenya. This Brief is part of the S4YE Knowledge Brief series, which highlights the nuts and bolts of youth employment programs.*

### 1. Social enterprises in youth employment

#### 1.1. Overview of the social enterprise model

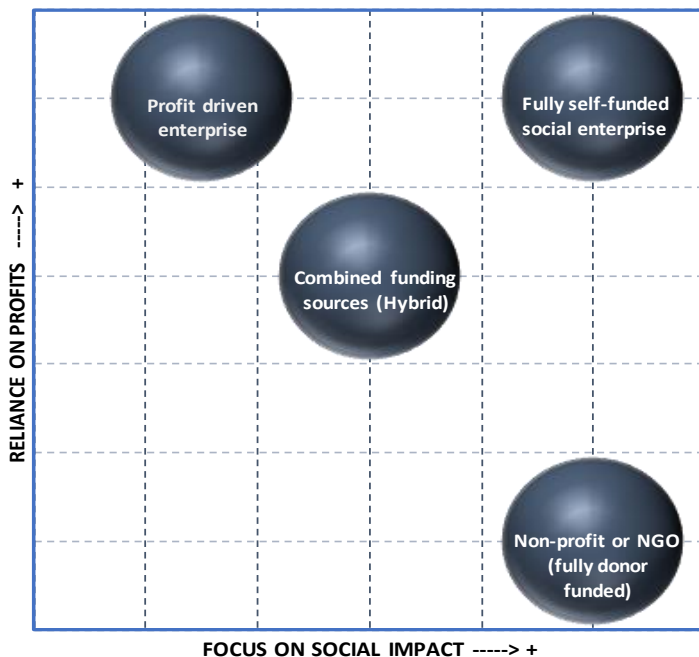
Social enterprises (SEs) are organizations that apply commercial strategies with the aim of increasing their community's welfare. They come in all shapes and sizes, from micro and self-employed workers to subsidiaries of large corporations, sole proprietorship to corporate ownership companies, and various combinations of donor, private, and self-funding sources. While there is no definitive classification for an SE, the fundamental aspects of the SE model are (1) engagement on revenue generating activities, whether it be through the sales of services or products, and (2) generating social impact.

<sup>1</sup> This brief was co-authored by Jose Manuel Romero (S4YE) and Jeremy Hockenstein (Digital Divide Data). It does not necessarily reflect the views of individual institutions or specific S4YE partners.

<sup>2</sup> S4YE is a multi-stakeholder coalition among public sector, private sector, and civil society actors that aims to provide leadership and resources for catalytic action to increase the number of young people engaged in productive work. For more information please go to <https://s4ye.org/>.

SEs exist in the space between profit-driven companies and social organizations, and while they may superficially appear little different from them, there are well marked differences. Generating social benefits is not exclusive to SEs. A community may need sidewalks to improve public safety. A profit-driven construction company or SE can be commissioned to fulfill such a government contract; and either would improve public safety, having social impact. The organization’s decision-making process makes the difference. The profit-driven construction company would only be interested in fulfilling contracts, regardless of the social benefits being generated. The SE, depending on its mission, may seek the specific contract out and use the opportunity to, for example, increase youth employment by hiring from a youth target group, assure that sourcing of the construction materials benefits the local economy, or include sidewalk features not mandated by the contract to generate additional benefits (like assuring it is disabled accessible). On the other end of the spectrum, unlike many non-governmental organizations (NGOs) and non-profit organizations, revenue generation makes it possible for an SE to profit and reinvest it into expanding its social services (or scaling up its commercial activities to make providing social services financially feasible).

**Figure 1. Spectrum of interventions and enterprises**



That is not to say that NGOs and non-profit organizations are unable to adopt the SE model gradually or, conversely, that profit-driven companies are unable to launch SEs (or their equivalent) within their overall strategy. A range of hybrid models are possible and, in fact, a common approach. Figure 1 illustrates where hybrid models fit into the enterprise/non-profit organization spectrum. A conventional NGO or non-profit organization can begin applying a commercial strategy as part of its operations, and generating revenue, while not becoming fully detached from donor funding. The possibility of this piecemeal pivoting into SE models by fully donor-funded programs is one of the main reasons the SE model has so much potential in the youth employment space.

While SE models show great potential, there is limited rigorous quantitative research on measuring their impacts. For example: the magnitude of the social impacts on the communities that SEs serve, the relative financial performance of social vis-a-vis conventional enterprises within the same sector, or the scalability of SEs in different sectors. We discuss the example of the Digital Divide Data youth employment program in an attempt to shed some light to these questions.

### 1.2. Addressing employability and access to jobs through social enterprise

There are two key points in time during a youth employment program’s (YEP) lifecycle when adopting an SE model should be considered: first, at the early stages of a program’s design and, second, after a program has launched and is in full implementation (i.e. becomes mature). The starting point for the former is no different than the conventional process: identifying the youth employment challenges and the menu of solutions to address them (i.e. skills training, job search support, subsidies, and support services like transport). For the latter, the starting point is finding the natural entry points into a commercial strategy and analyzing the feasibility in the given context. YEPs often launch with donor funding and only consider the SE model when that funding is exhausted

and must address sustainability challenges. Considering the SE approach at the program’s early stages of design

**Table 1: Activities existing youth employment programs can use to ‘lean’ into a social enterprise approach**

Type of intervention	Entry point to revenue-generating and commercial activity
Skills training	Membership fees for a segment of population; offering training services to private sector firms; gradual impact sourcing (see below)
Job search support	Offering services for some segments that are fee-based; charging recruitment fees.
Entrepreneurship programs	Access to finance for fees; offering fee-based services to non-target populations; Advisory services to existing SMEs.
Institutional capacity building & system level programs	Offering private sector/industry organizations and groups coordinating services (consultancy).

presents the best opportunity to effectively adopt it because of factors such as setting up a hybrid infrastructure (e.g. parallel but separate accounting of non-profit and commercial activities, establishing separate legal entities for commercial and non-profit side) and ability to hire personnel with the right mix of skills. Mature YEPs can face some inertia in pivoting into an SE model since it might be a divergence from some fundamental aspects of their core strategy, but they have the advantage of having a clearer picture of where their strengths lie and corresponding entry points into SE approaches. A mature YEP’s initial setup investments, such as creating a skills training curriculum based on a labor market analysis, yields several areas of expertise and/or outputs that the private sector values. Regardless of the point in time when the team assesses the relevance of the SE model, there are several potential entry points; a list of illustrative examples is shown in Table 1.

For-profit firms can also shift into a social enterprise space in gradual steps. Social intrapreneurs<sup>3</sup> are well-recognized agents for this type of shift by pushing forward products or services by their company that both benefit the company and have a social impact. In the youth employment space, services that a private company can provide depends on their sector but can include: impact sourcing; providing YEPs inputs such as old equipment and furniture, offering their company’s products at lower cost (for example a tech company that developed an accounting app), or capacity building of YEP staff. Company leadership can establish an environment that facilitates social intrapreneurship through actions such as creating or updating the company’s Corporate Social Responsibility (CSR) policy. Other factors that are successfully being applied in the private sector to encourage intrapreneurship are providing resources to social intrapreneurs to use to develop their ideas, capacity building on intrapreneurship-relevant skills (e.g. resilience, venture development processes), and facilitating networking with internal stakeholders (Jenkins 2018).

<sup>3</sup> Intrapreneurs are employees within a company that share traits with entrepreneurs such as being risk takers, innovative, and identifying economic opportunities. The difference is that rather than focusing on the broader company’s strategy, they find solutions to problems within the company. They may come up with innovative process to make tasks more effective without being explicitly tasked in doing so, for example.

Regardless of whether the starting point is a YEP or profit driven company, the impact sourcing SE model has been a successful approach. Impact sourcing is done by firms usually operating in global supply chains, that selectively employ staff from disadvantaged target groups. Increase in internet access in developing countries has allowed for many impact sourcing companies to employ their target populations in digital jobs. CloudFactory employed up to 2,800 workers from Kenya and Nepal to do tasks such as data entry, processing, collection and categorization (S4YE 2018). Samasource impact sources from multiple countries to provide data enrichment services, content services, and advisory services to measure a company's social impact with clients that include Walmart. DDD, one of the pioneers of the impact sourcing model, is discussed in detail later.

Finally, focusing simultaneously on commercial success and youth employment impacts imposes a discipline on YEPs to be well integrated into the demands of the market and industry. For example, if a fee is charged to employers for connecting them with graduating beneficiaries of a training program, there needs to be clear value added to the employers<sup>4</sup>. This forces the program to effectively identify employer needs to make a convincing argument for fees. If the SE is creating jobs for a disadvantaged youth target group through product sales, youth will gain experience and transferable skills for a sector that likely has local labor demand.

## 2. Digital Divide Data: Using the social enterprise model with global impact sourcing

### 2.1 Summary of DDD

DDD is an international company that delivers -quality competitively priced business process outsourcing (BPO) solutions to clients worldwide through an innovative social enterprise model that enables talent from underserved populations to access professional opportunities. The core of this "impact sourcing" model is the work-study program which serves high school graduates from low income areas, 17 to 24 years old. Youth in DDD's work-study program are automatically eligible for a combination of scholarships and loans to pursue higher education. Youth work at DDD and, simultaneously, attend classes at local universities. After joining DDD, youth go through the BEST training (Business skills, English, Soft skills, and Technology/computer skills). They are also given on-the-job trainings for specific projects. Youth are also supported in outplacement via job search support, while top-performers are hired internally.

### 2.2. Origin

DDD's impact sourcing model was conceived during a visit Jeremy Hockenstein (DDD co-founder) had to Cambodia in 2001. He observed many non-profits teaching local youth English and IT skills and learned from talking to the non-profits that, despite having the skills, youth were unable to secure employment due to the lack of available jobs. Struck by this mismatch, he began to leverage his network to build partnerships to give local youth access to job opportunities. DDD grew quickly from there: by 2001 it signed Harvard Crimson as the first client, in 2002 it signed its first Cambodian client, Mobite. In 2004 it launched a second program in Laos and subsequently expanded to Kenya in 2011. In 2014 DDD brought the Impact Sourcing model to the US, where it supports military veterans and their spouses.

### 2.3. DDD approach as a youth employment intervention

Many aspects of DDD's non-profit work are similar to what one finds in well-designed skills training youth employment interventions. It begins by partnering with local secondary schools and youth-focused non-profit organizations to identify motivated high school graduates who would not otherwise have access to decent jobs or higher education and often come from villages or slums. Associates are not required to have any professional or technical skills before joining DDD and trainees range from having basic technical skills to never having used a computer before. Accordingly, training modules are designed to accommodate a wide range of technical skills.

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<sup>4</sup> Harambee (South Africa) and Generation (India) also use this fee based approach.

The core service DDD provides is access to comprehensive skills training (in-house and tertiary institutions). This is complemented by job placement, which can be internal or with other firms.

**Market relevant skills training in technical and softs skills:** The main goal is to bridge the skills and knowledge gaps between formal education, current job role at DDD, and future employment. After trainees are hired at DDD, they go through the **BEST** Training curriculum that covers four basic skill sets: (1) **B**usiness skills such as professionalism and customer service mentality, (2) **E**nglish, (3) **S**oft skills such as time management, and professional communication, and (4) **T**echnology skills in applications including Word, Excel, Photoshop, and other job-specific software. When possible DDD incorporates real-world examples and industry needs into trainings. This way, employers have access to specialized and experienced talent that meet their job descriptions. DDD has an internal team of experienced education and learning specialists that design and implement the trainings for all employees, including the BEST Training. The latest technologies are constantly researched to understand the market trends and anticipate employment and skills gaps and the training program is updated accordingly. For example, DDD’s Kenya Cloud Academy was recently launched to train and employ Kenyan youth in Amazon Web Services (AWS) as a stepping stone to more advanced IT careers.

After the BEST Training, associates undergo an on-boarding period of 2 to 3 months where they learn about operations and projects, how to use the internal Learning Management System (LMS), as well as continued job and work skill trainings (as assigned by their managers). After on-boarding, associates start working on projects for global clients. A year later they are eligible for scholarships to attend higher education, thus beginning the Work-Study program. Here associates typically work at DDD for 6-8 hours per day and attend university classes in the afternoon. Through career advising, associates are supported to choose their own area of study and career path. DDD employees are encouraged to continue their professional development through refresher and supplementary courses in computer skills, life skills, and more specialized technical skills. Staff are also encouraged, and supported, to develop their career plans both in and beyond DDD.

**Outplacement:** DDD supports associates in their job search, including help with writing resumes and preparing for job interviews. A select group of associates that exhibits strong performance and commitment are promoted internally. DDD has a network of partners in each location in a variety of sectors, mainly comprised of clients, social enterprises, NGOs and high-tech companies. To date, 15% of DDD graduates are employed in the technology sector, 13% in business services, and 11% in banking and finance. There is also an active alumni network that assists in job placement and career advising.

#### 2.4. DDD’s development as a SE

DDD has always been a non-profit in its core mission. It was launched following the typical SE approach with a focus and priority on making a social impact (in line with the non-profit model) and simultaneously aiming to be a profitable business to be sustainable. The initial capital for starting DDD was from fundraising efforts, with The Global Catalyst foundation being the first donor. DDD has developed a hybrid non-profit/for-profit corporate structure for its financial sustainability. All the local entities in Cambodia, Laos, and Kenya are registered as for-profit companies, which are owned by a US Public Benefit Corporation (PBC) which are, in turn, owned by the non-profit parent Digital Divide Data.

The key strategy from the onset has been partnering with leading technology leaders in emerging areas (e.g. cloud computing, big data), getting a clear picture of anticipated employment gaps and the skills that will be required

to fill them, co-developing training programs on in-demand technology platforms, building placement capability by leveraging partner ecosystems, and continually assessing the skills market for leading edge technology. This is done through a global business development team that engages with new and existing clients to provide digital solutions. Through this strategy DDD has been able to enter the data services, research services, cloud computing solutions, business process services, digitization and conversion services, and image processing sectors and form a clientele that includes publishers, corporations, academics, governments, and other institutions.

## 2.5. Growth of the commercial operation

The majority of DDD's staff work on the commercial side. Their focus is providing digital services for global clients, including operations, sales, marketing, and business development. DDD assigns project managers to each client, most of which are hired internally and began as associates. They are responsible for carrying out the project details, including managing the associates, implementation, timelines, client satisfaction and communication.

Through this work, DDD's earned a total revenue of USD \$12.6 million in 2017<sup>5</sup> despite having made significant investments into the cloud business. Thus, its hybrid model has been almost financially self-sustaining, with 92% of the business expenses covered by earned revenue. The other 8% is covered from fundraising efforts and DDD will continue to use donor-raised funds (a combination of grants and individual donors)<sup>6</sup> for recruitment, training, and scholarships to continue to create social impact.

As a SE, DDD is affected by a few factors that do not affect other profit-driven business models. Since the social mission is top priority, labor costs are often higher than for-profit organizations. Aside from hiring youth with less experience (per the recruitment approach described above) and training them, DDD provides all associates with a benefits package which, in addition to salaries to cover living wages, also includes health care benefits. Conversely, there are also commercial advantages to the SE hybrid model. Tapping into new labor markets present commercial opportunities that DDD can take advantage of because of its built-in processes and SE-focused infrastructure. It opportunistically monitors the estimated 11 million youth that will enter Africa's labor market every year for the next decade and the 1.2 million who will join the labor force every month in South Asia for the next two decades. The two advantages they have are (1) the appeal of joining and performing well in DDD for youth who enter the workforce and typically find themselves employed in the informal sector, without benefits, security, advancement, and social protection and (2) DDD's success in providing youth with viable job options by keeping up with the fast pace of technological advances.

## 2.6. Social impact and sustainability

DDD is currently among the largest providers of socially responsible outsourcing globally, employing 1,200 people across Cambodia, Kenya, Laos and the US. It has provided over 3,000 youth (50% female and 10% with disabilities) long-term work, and 1,750 have graduated from its work study program. Most graduates also attained a college degree<sup>7</sup>. The most recent survey<sup>8</sup> found that DDD graduates in Cambodia earn an average of \$450/month, whereas non-DDD graduates average \$125/month. It is estimated that on average, DDD graduates earn \$175,000

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<sup>5</sup> Fiscal year.

<sup>6</sup> Over the years DDD has received grants from organizations, companies, and Family Foundations such as Amazon, Cisco, The Segal Family Foundation, The Bohemian Foundation, Intel, the Skoll Foundation, and UNDP, among others.

<sup>7</sup> Or equivalent.

<sup>8</sup> Internal DDD social impact team survey employees and alumni every year. DDD publishes its findings in a comprehensive social impact report every few years.

more than their peers over their careers (DDD 2014). As it takes 3 to 4 years to graduate from the program, DDD expects to serve about 10,000 youth over the next 10 years.

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