

## Schwab Foundation for Social Entrepreneurship Global Selection Criteria

*We strongly encourage all potential candidates to carefully read our selection criteria before completing an application. Please note that government/public sector personnel, research institutions, and foundations that provide financial or technical support to social enterprises will not be considered.*

### 1. Transformative Social Change

The social enterprise achieves transformative social and/or environmental change through the application of innovative and practical approaches to benefit society in general, with an emphasis on underserved populations.

The innovation can take the form of:

- A new product or service;
- A new production or distribution method;
- A new labour supply;
- The reformulation of an existing product for an underserved population; and/or
- New organizational structures or funding models.

### 2. Organizational Sustainability

We interpret ‘organizational sustainability’ in the broadest sense, meaning the organization is not only financially sustainable but that it can also demonstrate a sustainable business model and a proven track record. For example, we do not accept start-ups or pilot projects. Candidate organizations should have at least three years of operations at the time of their application and should clearly be able to demonstrate they have graduated beyond the “proof of concept” phase.

We consider the social enterprise’s business model to be sustainable if it exhibits several of the following salient characteristics:

- It applies business methods and practices to generate impact, regardless of whether it is for-profit or non-profit.
- It has moved away from a donor-dependent model and has a diversified funding base.
- It charges fees for its products and services or for some subset of them, even if the fees are less than market-rate and/or the cost is wholly or partially subsidized by third parties (e.g. governments).
- It has strong partnerships with key stakeholders, such as the public and private sectors. These partnerships can take the form of in-kind support or fee-for-service contracts.
- It leverages partnerships, technology, and/or social media to open-source its method or approach to spread the innovation through a “multiplier effect” faster than it could alone.

With respect to financial sustainability, social enterprises incorporated as non-profits should ideally demonstrate a diverse funding base. In addition, they have incorporated some degree of cost-recovery (at least 10-20%) into their model through one of the business model methods above. We expect social enterprises incorporated as for-profits to optimize financial value creation as a secondary objective and a means to reach more beneficiaries, not as an end in itself. This “non-dividend” ownership structure should be codified in the social enterprise’s governance structure or by-laws. The organization’s leadership should be willing to share information about its profit margin, how it uses its profits and specific metrics such as the salary ratio.

### **3. Proven Social and/or Environmental Impact**

Given the complex and interrelated nature of social and environmental problems, we recognize that attempts to evaluate the impact of one organization's intervention are costly and imperfect. After all, on the most basic level, social enterprises are trying to create more inclusive societies – and that is not easy to measure.

However, social entrepreneurship is a learning process by its very nature. Starting with conceiving a more effective way to address a poorly met or emerging need, the social entrepreneur must then test and refine the initial concept, mobilize the resources and partners necessary to scale the model, and continually improve the offering through rigorous impact measurement and an openness to incorporate feedback.

For this reason, we expect candidate organizations to have a monitoring and evaluation system in place and be able to not only cite quantifiable data when discussing their impact but also explain how the information is used to improve the organization's product or service offering. These systems can be internal but ideally the impact can be verified by an independent third party. Even if the social enterprise is not able to prove causality between the impact of its activities and transformative change at the system level, the candidate should be able to explain how the organization's approach transforms traditional practice using the impact measurements that are collected.

### **4. Reach and Scope**

The social entrepreneur's initiative has spread beyond its initial location and has been adapted successfully to other settings in the country or internationally, either by the entrepreneur him/herself, or through others who have replicated or adapted elements of it.

### **5. Scalability**

The initiative has been or can be adapted to other regions of the world to solve similar problems. Because the Schwab Foundation is a global community, social enterprises that demonstrate high potential to replicate their solutions can best leverage the network. The entrepreneur is open to sharing with others the tools, approaches, and techniques that are critical to the adaptation of the initiative.

### **6. The Candidate as Ambassador**

We evaluate not only the candidate organization but also the individual(s) leading it, for the very simple reason that the Schwab Foundation network of social entrepreneurs is a community of people. At regional and annual meetings of the World Economic Forum, Schwab Foundation social entrepreneurs interact on a peer-to-peer level with CEOs and public figures and act as ambassadors of their sector and of social entrepreneurship more broadly. In addition, social entrepreneurs are expected to commit their time and energy to building the social innovation field through various taskforces and working groups managed by the Schwab Foundation.