Ingenuity and the challenges of scale-up of social enterprises: the Nigerian context

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Introduction

In the ever-evolving realm of social entrepreneurship in Nigeria, the force of ingenuity stands out as a formidable driver, empowering innovators to amplify the reach of their initiatives even in the face of inherent challenges. This paper closely examines the essence of ingenuity, shedding light on its operational dynamics within the domain of social enterprises. Ingenuity is crucial to the work done by social enterprises, as it has a strong contextual bearing and usually seeks to address issues peculiar to a particular region or country.

In this paper, we will explore how social entrepreneurs leverage ingenuity in addressing the challenges they face as they seek to make a lasting impact in environments constrained by institutional limitations. While existing literature delves into how social entrepreneurs navigate these constraints by engaging intermediaries, this paper introduces a unique perspective by probing the role of ingenuity in scaling up social enterprises within institutionally constrained environments. From the literature, it is clear that institutional voids are a significant impediment to entrepreneurial scaling in developing nations, and this is particularly evident in social enterprises, which often lack essential support for expanding their initiatives. It is therefore important for social enterprises to double up on efforts compared to other sectors in their scaling attempts by seeking more innovative ways to achieve their goals, as opportunities are somewhat limited, and constraints are severe.

Several studies have explored how ingenuity helps organizations scale. A close study of more developed economies shows that ingenuity can be a game changer when it comes to scaling startups and social enterprises. However, in Nigeria, the dividends of ingenuity seem elusive as the socioeconomic impact is yet to be felt. The challenges of scaling in social enterprises include finance, talent, regulation, and compliance issues, among others, with access to funding topping the list most of the time. This paper centers on the unique ways in which social entrepreneurs navigate institutional voids to scale up their ventures by scrutinizing how the ingenuity of key players either propels or hinders scale-up attempts. Leveraging case studies of social entrepreneurs that have attempted to scale in Nigeria, this paper unravels the intricate relationship between social enterprises, ingenuity and scale-up.

This exploration encompasses an analysis of regulatory frameworks, funding mechanisms and networking opportunities as influential factors. Furthermore, this paper highlights how ingenuity is leveraged by social entrepreneurs to scale their ventures and the sustainability of the same, answering the question of whether it is a fad or a game changer. This research adopts an exploratory approach (see appendix for further details), utilizing interviews with founders who have successfully scaled their social enterprises in specific industries. The focus will be on understanding the industry-specific challenges these founders encountered, their strategies for overcoming them and the innovative approaches (ingenuity) employed in the scaling process.

The study involves interviews with founders selected from diverse sectors, including healthcare, renewable energy, agriculture, recycling (sustainability) and financial inclusion. These sectors account for the activities of the majority of social entrepreneurs in Nigeria and are also where the impact of scale-up is most evident, judging by the outcomes of the United Nations Sustainable Development Goals (SDGs) to date. By exploring their unique experiences and perspectives, this paper aims to draw conclusions about the role of ingenuity in the sustainability and scalability of social enterprises within resource-constrained and institutionally constrained environments. Through an in-depth examination of the experiences of social enterprises navigating institutional landscapes, this paper aims to contribute valuable insights into the complex dynamics of scaling up within the social entrepreneurship sector. It will also highlight the measurable impact (social, economic and/or environmental) of ingenuity in scaling social entrepreneurship within institutionally constrained environments. This paper will offer actionable recommendations for practitioners, policymakers and academics actively engaged in fostering the growth and sustainability of social enterprises on how their activities can be deployed at scale, thereby enriching the discourse on the intersection of ingenuity, institutional intermediaries and the scaling-up journey in social entrepreneurship. The study location is Nigeria, recognized as having the largest population in Africa and a prominent presence of startups and fundraising activities (Adelodun & Daibu, 2023). Despite these achievements, the impact on poverty reduction is not as significant. This makes Nigeria an ideal setting for examining the extent to which social enterprises can bring about enduring change within their spheres of influence.

Literature review

Ingenuity and social enterprises: is it really happening or failing?

Ingenuity encompasses the ability to find inventive and resourceful solutions given certain constraints. Lampel et al. (2014) defined it as the ability to devise inventive solutions while working within structural constraints, utilizing scarce resources and applying imaginative problem-solving techniques. Social entrepreneurs, driven by a passion for positive change, often encounter challenges rooted in institutional constraints, financial limitations and environmental complexities (Abramson and Billings, 2019; Kay and McMullan, 2017). It is in the context of these challenges that ingenuity becomes a crucial driving force for scaling their endeavors.

Dees and Peter, 1998 defined social enterprise as initiatives that have both a social and an economic mission, blending elements of traditional business entrepreneurship with a mission to create and sustain social value. Similarly, Mair and Martí, 2006 defined social enterprises as organizations that engage in commercial activities for a social purpose, relying on earned income strategies while pursuing social change objectives. In this paper, we define social enterprises as organizations that apply commercial strategies to maximize improvements in human and environmental well-being. These organizations can take various legal forms, including non-profits, for-profits or hybrid structures. Social enterprises distinguish themselves by prioritizing a social or environmental mission as their primary objective while also generating revenue through the sale of goods and services. In Nigeria, and most emerging economic contexts, the absence or weakness of supporting institutions makes the work of social entrepreneurs particularly relevant as they try to provide services that are germane to the social and economic well-being of the communities in which they operate.

It is important for social enterprises to scale, as their impact can bring about enduring change within their sphere of influence. In the Nigerian context, there are concerns about the social and economic impact and scale of initiatives and innovations by social enterprises. The 2023 Global Innovation Index report ranks Nigeria 109th out of 132 countries in innovation (WIPO, 2023),[1] with the 2022 Multidimensional Poverty Index survey revealing that 63 percent of persons living within Nigeria (some 133 million people) are multidimensionally poor (National Bureau of Statistics, 2022). The alarmingly high rate of poverty demands innovative solutions and direct interventions to enhance living conditions and economic possibilities. To address these challenges, a combination of strategies is required: utilizing local knowledge, strengthening education and healthcare, and investing in necessary infrastructure for sustainable business growth. Similarly, the Sustainable Development Report (2023) ranks Nigeria 146th out of 166 countries subscribing to the SDGs, scoring 54.27/100 (Sachs *et al.*, 2023).[2] For a country with vast human and economic resources, it is safe to say this rating is very low. This poses the question of whether ingenuity is really happening or if it is failing. Such low traction on the SDGs raises questions about the impact of ingenuity, which involves improvisation in the presence of severe resource and institutional constraints.

Challenges facing social enterprises in Nigeria

Social enterprises in Nigeria encounter numerous obstacles that impede their growth and effectiveness, as outlined in recent studies. A prominent challenge is the difficulty in accessing finance, which has been documented extensively in the literature (Adekunle *et al*., 2021; Ogbo *et al*., 2019; Ademola *et al*., 2019). Ademola *et al*., 2019 highlight the limited availability of funding options for social ventures in Nigeria due to investors' risk perception and traditional financial institutions' preference for profit-oriented enterprises. Our survey reported that all respondents from the various industries investigated noted that the lack of funds was a major challenge inhibiting their scaling ambitions. However, the severity of the challenge varies based on the industry. Entrepreneurs in the renewable energy space have been able to secure some level of funding via grants from international organizations, such as the World Bank and the African Development Bank, among others. Despite this achievement, they noted that the level of funding could be higher but was somewhat restricted due to regulatory and bureaucratic bottlenecks, further highlighting how institutional voids exacerbate the scale-up challenges facing social enterprises, thus limiting their impact and scale.

Regulatory barriers pose significant challenges for social enterprises operating in Nigeria. Nassar and Faloye noted that complex bureaucratic processes and inconsistent enforcement of regulations create uncertainty and deter potential entrepreneurs from entering the social enterprise sector (Nassar and Faloye, 2015). The ambiguous legal framework further exacerbates these challenges, hindering the growth and sustainability of social ventures (Adeyeye et al., 2018).

Furthermore, existing literature emphasizes the critical importance of human capital development for the success of social enterprises in Nigeria. Unger *et al*. highlight the skills gap prevalent among social entrepreneurs, attributing it to the lack of specialized training and education programs tailored to the needs of the sector (Unger *et al*., 2011). This shortage of skilled personnel hampers the ability of social enterprises to innovate, adapt to changing market dynamics and effectively address social challenges (Rocha *et al*., 2016; Unger *et al*., 2011). The recent wave of migration has also not helped matters, as the most able workers are leaving the country in droves in search of greener pastures. Between 2019 and 2023, over 35,366 students and workers have migrated to the United Kingdom alone in search of better opportunities. This becomes a problem for entrepreneurs as they grapple with a shortage of the skilled and willing workers who are crucial to scaling their ventures (Dutta *et al*., 2023).

Infrastructural deficiencies emerge as a significant impediment to the operations of social enterprises in Nigeria, as evidenced in our survey. Utilizing the harmonized World Bank Enterprise Survey data for Nigeria in the period 2007–2014, infrastructure deficiency was highlighted as one of the obstacles to scaling new ventures in Nigeria (Orjiakor, 2022). This is evident in the country's poor transportation networks, unreliable energy supply and limited access to technology, which impact the efficiency and effectiveness of social ventures. These infrastructure constraints have a ripple effect on operational costs, reducing productivity and limiting the reach of social enterprises. In our study, entrepreneurs acknowledged that the infrastructural deficit is a major constraint to scaling up, as infrastructure that could function as an enabler is not readily available in the country; therefore, they have to resort to alternatives, which can significantly increase the cost of service.

Results and discussion

This section will highlight our thematic findings according to the objectives set out for this study.

Table 1: Thematic summary

Sector	Challenges	Ingenuity in gaps	Ingenuity in regulatory gaps	Ingenuity in funding gaps
Renewable energy	Talent gaps Infrastructure deficit and funding Regulation	Training talents and recruiting them back into the organization Offering community employment, engaging and empowering those living in rural areas to become retailers	Strategic partnership with the federal government and other international bodies	Bootstrapping Soliciting grants from international bodies "Buy now, pay later" business model
Edutech	Access to funding Securing strategic partnerships Securing talents Reach	Recruiting top trainees back into the system as trainers	Obtaining the required license to operate in the target country	"Pay in instalments" business model Partnership with governmental bodies such as the National Youth Service Corps to expand reach Amplifying programs and events which have secured funding and other strategic partnerships
Sustainability	Funding Strategic partnership Market expansion	Engage volunteers and brand ambassadors to drive operations across cities in Lagos State Train volunteers who then become employees in the organization	Strategic partnership with the relevant government agencies (e.g., the Lagos Waste Management Authority (LAWMA))	Bootstrapping Soliciting funds from international agencies Leveraging technology to carry out operations, making the business model very "asset light"
Agriculture	Access to funding Infrastructure deficit Marketing	Rural/community employment Provision of incentives to attract young workforce to work for the brand	Strategic partnership with the relevant governmental agencies Membership of agricultural associations	Leveraging technology to drive sales and investment Bootstrapping and crowdfunding "Asset light" business model
Financial inclusion	Talents Access to funding Regulatory issues Reach	Strategically source the right talents with the help of talent-sourcing agencies Train volunteers who later become employees	Partnership with international organizations that champion the cause of women. Such partnerships provide a degree of legitimacy Securing the relevant license for business operations in the target country	Consistently pushing to secure funding from external agencies Bootstrapping Leveraging technology to amplify events to secure better positioning for funding opportunities Giving microloans to women entrepreneurs or small farm holders as this has an income-generating effect Leveraging technology to create platforms that help women make group savings, invest and lock their funds. This also has an income-generating effect

The role of funding in scaling social enterprises

Funding is undeniably a linchpin in the process of scaling social enterprises, furnishing them with the means to broaden their impact and attain sustainability. These financial resources are instrumental in myriad scaling endeavors, from expanding operations and diversifying offerings to penetrating new markets and fortifying infrastructure. Moreover, funding is the lifeblood of innovation within social enterprises, affording them the latitude to explore novel solutions and approaches to address complex societal issues (Mair and Martí, 2006). A diverse array of funding sources, including impact investors, philanthropic organizations and government grants, is vital for facilitating the effective scaling of social enterprises (Dees, 2011).

However, the landscape of funding for social enterprises in emerging economies, such as Nigeria, is riddled with multifaceted challenges intricately woven into the socioeconomic fabric of the nation. Our survey highlights a significant obstacle: the limited access to formal financial institutions, where stringent lending prerequisites and exorbitant collateral demands dissuade entrepreneurs, particularly those operating in less immediately lucrative sectors. Navigating regulatory intricacies further exacerbates the dilemma, as entrepreneurs grapple with bureaucratic red tape and inconsistent enforcement of fundraising regulations. Additionally, the prevailing dearth of investor confidence, fueled by concerns over political instability and economic volatility, impedes the inflow of investment capital into ventures that prioritize social impact over immediate financial returns. In the face of currency devaluation and inflation, potential financiers are further deterred, exacerbating the challenge.

In response to these formidable barriers, many entrepreneurs in our study have resorted to bootstrapping as a viable strategy to propel their ventures forward. Bootstrapping, epitomized by self-reliance and innovation, involves initiating and expanding a venture using minimal external resources, harnessing personal funds, generated revenue and unwavering dedication in lieu of substantial outside investments or loans. This approach embodies resilience, resourcefulness and adaptability, empowering entrepreneurs to navigate the tumultuous funding landscape and forge sustainable paths to success.

The ingenuity inherent in bootstrapping is evident as entrepreneurs adeptly leverage the resources at their disposal to surmount the challenges of limited access to external funding. Despite the adverse conditions, startups in our study have demonstrated remarkable resilience and agility, charting courses in turbulent financial waters and achieving commendable scaling milestones. By embracing bootstrapping, entrepreneurs exercise agency over their destinies, fashioning businesses that are grounded in financial prudence, customer-centricity and innovation.

Our research uncovered another compelling example of ingenuity in accessing funding, exemplified by a unique business model. A respondent in the renewable energy sector shared an innovative approach that they employed to expand their profit pool: the implementation of a “buy now, pay later” model. This model allows buyers to acquire energy products with minimal up-front deposits, with payments subsequently deducted gradually over successive months. This approach not only enhances accessibility to energy solutions, thereby fostering social impact, but also contributes to the economic well-being of numerous households.

Applying ingenuity to the challenge of funding in scaling social enterprises underscores the resilience and resourcefulness of entrepreneurs in navigating adverse financial landscapes. Bootstrapping emerges as a potent antidote to the funding constraints plaguing emerging economies, empowering entrepreneurs to chart sustainable paths to success amid daunting challenges.

How ingenuity is solving the challenge of talent shortages

Addressing the challenge of talent shortages has emerged as a critical imperative for enterprises in Nigeria, particularly as the situation has been exacerbated by the recent exodus of top talents seeking opportunities abroad. This talent-drain, colloquially referred to as the “japa wave,” has significantly constrained the scaling potential of numerous enterprises. Attracting and retaining top-tier talent has become a daunting task, with many entrepreneurs grappling with the dilemma of limited resources and fierce competition from high-paying multinational corporations overseas.

In our research, entrepreneurs consistently underscored the formidable obstacles they face in securing and retaining top talent. The prevailing sentiment was one of frustration, as talented individuals either migrated abroad in pursuit of more promising prospects or became financially out of reach for local enterprises. Yet, amid these challenges, instances of ingenuity emerged as beacons of hope.

In the renewable energy sector, one entrepreneur shared a groundbreaking initiative aimed at addressing the dearth of skilled workers for the manual installation of solar panels. Recognizing the scarcity of competent workers, the company devised an innovative solution: offering free, intensive training programs conducted by industry experts over a three-month period. On completion of the training, trainees were absorbed into the company, with their training costs gradually deducted from their salaries. This ingenious approach not only equipped the enterprise with a pool of capable professionals but also fostered partnerships with other organizations sharing similar missions. Indeed, this model has been adopted across the renewable energy sector, enabling companies to cultivate and nurture talent internally while simultaneously addressing industry-wide shortages.

Similarly, in the edutech sector, a parallel strategy emerged to tackle talent scarcity head on. Edutech enterprises began offering specialized training programs in skills that were in high demand, such as product management, data analytics and web development. However, unlike traditional training initiatives, these programs went beyond mere instruction, incorporating paid internship placements with partner organizations. This hands-on experience not only enriched participants’ skill sets but also enhanced their employability, increasing their likelihood of securing positions both within and beyond the organization.

Another compelling demonstration of ingenuity in tackling talent shortages while simultaneously generating social impact emerged from our interview with a renewable energy company. Our respondent detailed how they had devised a program aimed at empowering women in technology, providing training followed by placement opportunities. Additionally, they implemented a rural and community employment initiative designed to alleviate unemployment in rural areas. In an ingenious move, they enlisted community leaders and chieftaincy families to oversee the installation of mini grids within their respective communities. This approach fostered a sense of ownership among community members, ensuring the smooth integration of their activities within the local context.

By harnessing the power of ingenuity, organizations have begun to pivot towards self-sufficiency in talent development, effectively mitigating the impact of talent shortages. This innovative approach not only empowers enterprises to groom and retain their own talent but also fosters collaboration and knowledge-sharing within the industry ecosystem. Ultimately, by reimagining traditional recruitment and training paradigms, organizations can transcend the limitations imposed by talent scarcity, propelling sustained growth and innovation in the Nigerian business landscape.

Navigating regulatory voids through strategic partnership

Navigating regulatory voids amid scale-up attempts by social enterprises in Nigeria poses significant challenges that impede their growth and sustainability. These regulatory gaps create uncertainty and ambiguity, leaving social entrepreneurs vulnerable to legal risks and bureaucratic hurdles. Without clear guidelines and frameworks to govern their operations, social enterprises encounter difficulties in accessing funding, establishing partnerships and expanding their reach. Moreover, the absence of regulatory oversight can undermine investor confidence, deterring potential financiers from supporting ventures with a socially beneficial focus. As a result, social enterprises may struggle to scale their impact and achieve long-term viability in an environment characterized by regulatory ambiguity.

Addressing these regulatory voids requires concerted efforts from policymakers to develop tailored regulatory frameworks that provide clarity, support innovation and foster an ecosystem that is conducive to social enterprise development. Collaboration between government agencies, civil society organizations and industry stakeholders is essential to bridge these regulatory gaps and unlock the full potential of social entrepreneurship in Nigeria.

Our survey of social entrepreneurs unveiled a remarkable strategy employed by social enterprises to navigate regulatory voids: forging strategic partnerships with institutional intermediaries that are capable of filling these gaps. One respondent in the sustainability industry shared a compelling anecdote illustrating this approach. When faced with the need for a strategic partnership with the state government to scale their business, they encountered resistance due to perceived threats to existing operations. Recognizing the suboptimal performance of the state institution, they ingeniously leveraged technology to address waste management challenges in Lagos State, Nigeria.

A key aspect of their strategy involved persistent engagement with strategic partners and stakeholders within the state government, demonstrating their role as facilitators rather than disruptors. Through numerous demonstrations showcasing their innovative solutions, they successfully garnered support and established a strategic partnership with the state government, resulting in a mutually beneficial outcome. The following aspects are strategically important in managing the absence of clear regulations while scaling up social enterprises in Nigeria:

- **Develop tailored regulatory frameworks:** Policymakers should work on creating specific regulations that provide clarity for social enterprises operating in Nigeria, supporting innovation while ensuring compliance.
- **Foster collaboration:** Government agencies, civil society organizations and industry stakeholders need to collaborate to bridge regulatory gaps and create an environment that is conducive to social enterprise development.
- **Enhance regulatory oversight:** Implement mechanisms for regulatory oversight to instill investor confidence, thereby attracting potential financiers and supporting socially beneficial ventures.
- **Facilitate access to funding:** Establish mechanisms to ease access to funding for social enterprises, addressing the challenges they face due to regulatory ambiguity.
- **Encourage partnerships:** Promote strategic partnerships between social enterprises and institutional intermediaries that are capable of filling regulatory voids, fostering innovation and promoting growth.
- **Utilize technology:** Embrace technology to address regulatory challenges and operational inefficiencies, as demonstrated by the innovative approach of leveraging technology for waste management in Lagos State, Nigeria.
- **Demonstrate value through engagement:** Social enterprises should engage persistently with strategic partners and stakeholders, showcasing their role as facilitators rather than disruptors, to build trust and garner support for their initiatives.

Conclusion and recommendations

This study has delved into the role that ingenuity plays in propelling social entrepreneurs toward driving social impact and scaling their businesses. Throughout our research, numerous instances have emerged that illustrate how ingenuity has served as a catalyst for social entrepreneurs, enabling them to address societal challenges while expanding their reach and influence. The following list presents actionable policy recommendations from our study:

- **Promote ingenuity integration:** Encourage social entrepreneurs to incorporate ingenuity into their business models and strategies, recognizing its role in driving social impact and business scalability.
- **Foster innovation culture:** Create policies and initiatives that promote a culture of innovation among entrepreneurs, emphasizing the transformative potential of ingenuity in addressing societal challenges.
- **Provide support mechanisms:** Develop support mechanisms, such as training programs, mentorship opportunities and funding schemes specifically aimed at helping entrepreneurs harness ingenuity to propel their ventures forward.
- **Expand awareness and education:** Increase awareness and education about the importance of ingenuity in social entrepreneurship through workshops, seminars and educational campaigns, targeting both entrepreneurs and policymakers.
- **Facilitate networking and collaboration:** Foster platforms for networking and collaboration among social entrepreneurs, enabling them to exchange ideas, share best practices and collectively leverage ingenuity for greater impact.
- **Incentivize ingenuity-driven initiatives:** Introduce incentives and rewards for social enterprises that demonstrate exceptional ingenuity in addressing societal challenges and achieving scalability.
- **Integrate ingenuity into policy frameworks:** Embed ingenuity as a guiding principle within policy frameworks governing entrepreneurship and social impact initiatives, ensuring its consideration in regulatory and funding decisions.

Notes

1 See WIPO, 2023, p.19.

2 See Sachs *et al.*, 2023, p.376.

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Appendix

In-depth interview guide for social entrepreneurs

Scaling social enterprises through ingenuity

Section 1: Background information

- Can you please provide a brief overview of your social enterprise and its mission (your coverage area (local or international), core target, number of years in business, number of employees)?

Section 2: Scaling journey

- How would you define “scaling” within the context of your social enterprise (innovation performance, business performance, funding)?
    - What were the key milestones or turning points in your growth journey?
- Can you share any challenges or obstacles that you encountered in your growth journey?
    - How did you overcome these challenges? Were there any innovative or unconventional approaches that you employed (local knowledge, improvisation, creative solutions)?

Section 3: Ingenuity and innovation

- How would you describe the role of ingenuity or innovative thinking in scaling your social enterprise?
- How do you foster a culture of innovation within your organization?
- Do you consider that your enterprise has been able to grow exponentially?

Section 4: Reflection and advice

- Looking back, what lessons have you learned from your scaling journey?
- What advice would you offer to other social entrepreneurs operating in challenging environments who aspire to scale their ventures?