

AMERICAN UNIVERSITY OF BEIRUT

INCUBATORS AND FUNDING INSTITUTIONS IN
LEBANON, AN INFRASTRUCTURE FOR SUCCESSFUL
SOCIAL ENTREPRENEURS

by
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AN ABSTRACT OF THE PROJECT OF

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To date, social enterprise incubators and funding models in the Middle East remain in their infancy, though demand for their services is on the rise, given the significant role that they play in the life cycle of social enterprises. This chapter begins by defining the responsibilities of incubators and funding institutions and the ingredients that determine their success. An analysis of the experiences of select Lebanese social entrepreneurs and Lebanese incubators follows, highlighting nabad, Lebanon's first social entrepreneurship incubator, as a prime example of the mutually beneficial relationship shared among them. Based on these findings, the chapter proceeds to synthesize the success factors for incubation in the social entrepreneurial space. In conclusion, recommendations are provided in pursuit of developing the yet nascent incubation and funding space in the Arab World, specifically in light of the extensive potential for growth of social entrepreneurship in this region.

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To
My Beloved Family

CHAPTER I

INTRODUCTION

Due to the economic crisis in 2008, several wealthy countries started cutting their contributions to international funds, especially in fields related to social services. As per the report "Changing our World, Inc": During the 2011 and 2012 fiscal years, the United States is cutting spending by \$38.5-billion in three areas alone: social services, medical aid and education (Figure 1). To help nonprofits cover cuts in those services, households in the hardest-hit states would have to step up their giving by 30 percent in 2011 and 60 percent in 2012-an increase the report says would be “historically unprecedented” (Perry 2012).

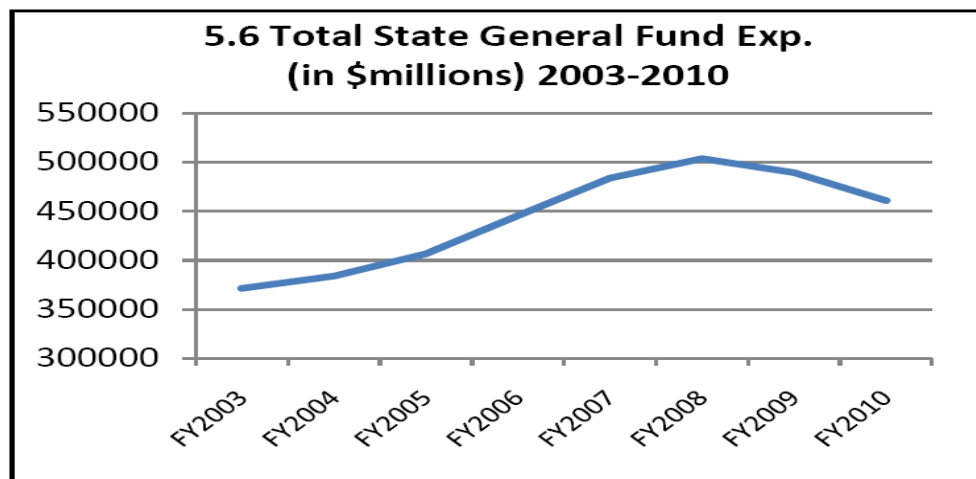


Fig. 1. Total State General Fund Expenses

This international economic crisis had an important impact on the financial support to Lebanese NGOs. The USAID's funding dedicated to Lebanon provides a

practical confirmation to this statement. As per the US State Department's statistics published on June 25, 2012: "For fiscal year 2010, Congress approved a total of \$238 million for aid to Lebanon. For the fiscal year 2011, the aid totaled \$186 million. For fiscal year 2012, Congress approved a \$191 million aid budget.

As for fiscal year 2013, the State Department requested an amount of \$167.5 million (Maacaron 2012). This decrease of US grants of 30% in 4 years, not to mention the decrease of European grants, created an urgent need for Lebanese NGOs to find alternative sources of funding and serious action plans to become self-sustainable. A promising solution to these challenges could fall in the realm of the rising concept of social entrepreneurship.

Social entrepreneurship is defined as a productive enterprise, non-profit or for profit, with a core mission to provide social or environmental impact. This concept has become a global phenomenon in the public, private and academic sectors. In the Middle East, this concept is growing exponentially due to the extensive social demands characterizing the region, in conjunction with the emerging potential of the entrepreneurship space and the ecosystem surrounding social enterprises overall.

Incubators and funding institutions are vital to the rise of social enterprises in the Middle East. Throughout this chapter, the role of each of these institutions is described in detail, both as separate entities and as mutually reinforcing agents that will drive the proliferation of social enterprise in the region. The chapter sheds light on the joint ventures between incubators and funders, aiming to create the infrastructure enabling social entrepreneurs to build successful endeavors in the Middle East. The chapter will also explain the concepts and examples of incubators, in addition to the different kinds of funding institutions for social enterprises, with a focus on the Lebanese incubators, their partnerships with funding institutions and their role in the

entrepreneurship ecosystem.

In summary, this chapter will synthesize success factors or ingredients for incubation in the social entrepreneurial space based on the insights learned from the experiences of Lebanese social entrepreneurs and the diverse models of incubators available to them in Lebanon's burgeoning entrepreneurial environment.

CHAPTER II

LITERATURE REVIEW

A. Incubators Defined

Incubators play a crucial role in the initial phase of social and commercial start-up enterprises alike. "Business incubators are programs designed to support the successful development of entrepreneurial companies through an array of business support resources and services, developed and orchestrated by incubator management and offered both in the incubator and through its network of contacts. Incubators vary in the way they deliver their services, in their organizational structure, and in the types of clients they serve" (Molnar 1997).

Incubation goes far beyond merely providing office space and logistics at affordable prices, incubation is the total integration of the entrepreneur in the ecosystem of support and includes a full sphere of services that which support the entrepreneur or business owner in their pursuit towards resolving their weaknesses, putting them on the path towards a successful launch.

"Business Incubators often provide and nurture start-up firms or early stage ventures particularly for technology businesses with high and rapid growth potential with a shared space, business and professional support services, networks and access to sources of funding that are difficult for start-up firms to acquire on their own to increase their survival rate and growth" (Bergek and Norrman, 2008; Cheng and Schaeffer, 2011).

B. The Role of Incubators

In order to measure the success of incubators, it is important to highlight the role and objective of such a support mechanism for a start-up business and the extent of its contribution to the success of the start-ups. To begin with, incubators can be compared to head-hunters or sports recruiters who go out to find unknown talent around the world, train this talent and ultimately set them up with long-term, high paying contracts. Incubators too, have a similar role to find talented business people with innovative ideas, shape them into entrepreneurs and then present them to the rapidly growing market of funding institutions who can finance their success, in return for a profit of their own. Budding entrepreneurs also benefit tremendously from incubation services as well. "Successful completion of a business incubation program increases the likelihood that a startup company will stay in business for the long term: older studies found 87% of incubator graduates stayed in business, in contrast to 44% of all firms" (U.S. Small Business Administration).

While many entrepreneurs have succeeded without incubation, today, the rise and availability of such services act as a critical catalyst for entrepreneurial success. Although an unequivocal assumption of success cannot be made, incubation plays an important role in cultivating the entrepreneurship ecosystem and forge success of startup businesses forward towards achieving their goals.

C. Lebanese Incubators and Social Entrepreneurship

Several incubators have been founded in Lebanon over the past 20 years focusing on business from different fields. Most recently, with the rise of social entrepreneurship in Lebanon, three main models of incubators can be distinguished. The first model of incubators includes the already established incubators that have integrated

social enterprises as a relatively minor yet novel section of their incubated start-ups, along with services to support them. An example to illustrate this model is Berytech, a tech-incubator founded in 2001 that became the Lebanese partner for Global Social Venture Competition (GSVC), and today provides incubation to selected social enterprises in Lebanon. The second model includes the incubators that emphasize social enterprises as the main player in their business model, while also serving start-ups from other fields. A good example of this model is Altcity, an incubator that has, since its launch, targeted social enterprises as their primary focus, while also pursuing commercial start-ups in the tech and creative sectors. The third and newest model of incubators is solely dedicated to social entrepreneurship. As of today, the only example in Lebanon of this model is "nabad," a newly launched incubator with an explicit purpose of enhancing the social entrepreneurship space in Lebanon. nabad will be described in great detail in the latter part of this chapter, as an incubator model for Lebanon that can be optimized and replicated, ultimately allowing social enterprises to proliferate successfully, and in turn maximizing their impact.

D. Services Provided By Incubators

In order for incubators to serve their defined role as catalysts, they must deliver the services shown in the Figure 2:

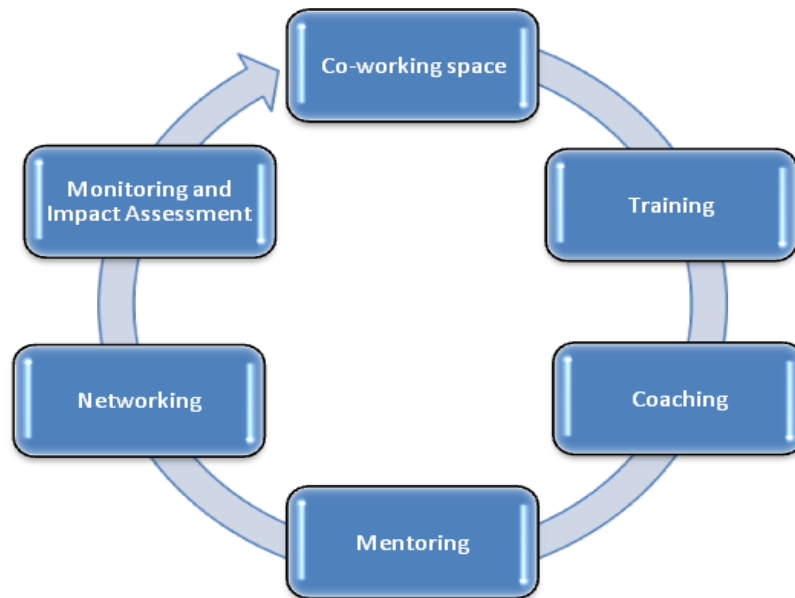


Fig. 2. Incubator Services

The incubator's services listed below are explained from a theoretical perspective followed by supporting examples from the Lebanese entrepreneurship experience:

1. Co-Working Space

"A co-working space is essentially a flexible work space, which is mainly used by entrepreneurs. The major benefit is clearly the flexibility this workspace allows. Moreover the social and community aspects are highlighted since many individuals, who start up their own business, might find themselves somewhat socially isolated at the beginning, when working in their home office or in any other space which allows for flexible working" (Erler 2010).

A good example of an incubator that successfully offers this type of space, effectively and efficiently, to its entrepreneurs is Berytech. Among its other incubator services, the co-working spaces have served as critical factors for the success for

ElementN and Woopra, two of Berytech's, well known start-up success stories in Lebanon. In addition, in 2013, Berytech launched its third co-working space in the Beirut digital district (BDD), to compliment the two co-working space buildings crafted in previous years.

2. Training

Trainings are essential to the capacity building of social entrepreneurs. Although many budding entrepreneurs may tend to value funding above other such support services, they quickly come to realize that without proper training on general business principles and without the necessary skills to mitigate the weaknesses of their business, the startup will deplete its resources and eventually fail. Given the proximity and frequent contact of the incubator coordinators to the entrepreneurs and their teams throughout the incubation process, these leaders become aware of the entrepreneurs' needs and hence are prepared to organize the customized and relevant trainings for the startup teams. In addition, trainers are aware of their value to incubators, so they too have built solid relationships with incubators in order to provide their capacity building services to a large number of entrepreneurs at the same time and place. To better illustrate the training process, let us take the example of Altcity, one incubator in Lebanon that has a strong training culture and network. Altcity works closely with its entrepreneurs and has succeeded in connecting and collaborating with the leaders of the entrepreneurship ecosystem in Lebanon, who have in turn conducted trainings for AltCity's startups and are continuously supporting them in building their capabilities to address their most pressing issues.

3. Coaching

Similar to training, coaching also contributes to the capacity building of entrepreneurs, however through one-on-one interfaces with successful business leaders. Incubators thus work to build a network of experts from various fields (i.e. Law, IT, Agriculture...), ready to provide their time on a regular basis to entrepreneurs. Coaches for social enterprises have the additional challenge of supporting the entrepreneur to find the right combination of business model and social impact, given that “for social entrepreneurs, the social mission is explicit and central. This obviously affects how social entrepreneurs perceive and assess opportunities. Mission-related impact becomes the central criterion, not wealth creation” (Dees 1998, 2). nabad, the case study presented later in this chapter, offers a solid example of coaching and its benefits for the development of social enterprises.

4. Mentoring

"Mentoring is a term generally used to describe a relationship between a less experienced individual, called a mentee or protégé, and a more experienced individual known as a mentor" (Donaldson, Ensher, and Grant-Vallone 2000). Mentoring is an important part of a new entrepreneur's journey, which is full of passion, innovation and energy, who may not be prepared for the challenges. The mentor's role would be to guide the entrepreneur, advise him to avoid common mistakes, keep him motivated and to ultimately help the mentee appreciate that entrepreneurship is a marathon, long and challenging, but very fulfilling. From personal experience, as founder of Mommy Made, it has become clear firsthand, that mentoring plays a critical role in the success of a social enterprise. One of the most important lessons for any budding entrepreneur came to me from my mentor: the importance of the work-life balance. Social

entrepreneurs are passionate, steadfast and persistent, and often forget the importance of stability while on their journey to fulfill their impact-driven mission. Such strengths are double-edged, and can be damaging to the business, if they are not offset. Experienced entrepreneurs who have tackled this challenge successfully and who have found ways to live by it best understand such critical lessons and are hence most suited to provide such vital business counsel. By creating the right balance between personal and business life, I have been able to stay efficient and energized while enjoying the process of launching a new social enterprise, a success factor for my business and for my personal life, that of which I credit solely to my mentor.

5. Networking

Incubators organize networking events joining entrepreneurs with potential partners, sponsors and customers, with the aim of creating partnerships that are mutually beneficial to all parties. These events vary from a coffee break during a conference, to a grandiose dinner in featuring social enterprises and inviting high profile investors, donors and service providers. An example of such an event in Lebanon was the closing event of nabad social entrepreneurship competition 2013 in the Hilton Hotel Beirut, where social entrepreneurs had the chance to network with more than 200 guests from investment companies, donor institutions and media among other sectors.

6. Access to Funding

Although funding is not the primary role of incubators, its significance to the growth, development and success of social enterprises makes it paramount to the role of incubators and their ability to prepare entrepreneurs for this stage in their maturity. Today, incubators and investors are taking on different partnership models or joint

ventures, though this marriage is not yet fully developed. Two types of incubator/funder models have become common in Lebanon. The first is exemplified through nabad and AltCity, whereby the incubator serves as the link between the investors and the entrepreneurs preparing them and connecting them with the most appropriate investor for their business. The second model, applied by Berytech, takes the form of an equity fund such as the "Berytech fund" which complements the other incubator services offered by Berytech, but serves an explicit financing role, assessing whether social businesses are "ready for investment" and acts accordingly thereafter. For example, once a start-up shows signs of maturity by building a good team and produces a successful prototype, Berytech fund joins forces with the entrepreneurs to determine their specific needs and then proceeds to provide them with financial and technical resources to launch their products and services in local and international markets.

7. Monitoring and Impact Assessment

Just as making social and environmental impact is in the core mission of social enterprises; both incubators and funding institutions expect and require monitoring of social return and impact assessment from the entrepreneurs, especially during the period of funding and incubation. Given that the fate and success of a social enterprise lies in its capacity to maximize social and environmental impact, all entities, which support such social entrepreneurs, are set up to question and evaluate this aspect of a social enterprise. "By social impact assessment I mean the systematic analysis, in advance, of the likely impacts a proposed action will have on the life of individuals and communities" (Burdge 1999, 2). For example, social enterprises incubated by nabad and funded by the PACE-USAID program were requested to provide regular reports stating

the number of direct and indirect beneficiaries, along with details on the sustainability and scalability of their impact.

E. Social Enterprise Funding Models

Financing social enterprises in the Lebanese context remains in its infancy; however the knowledge, interest and value of the space is increasingly becoming more relevant to financial investors given the changing venture capital landscape in the region. With the rise of responsible business models and an increasing demand for social change across the region, investors too are starting to place their bets on socially driven investments.

“Nowadays, if you took any business plan competition in Egypt, Lebanon, or Morocco, you would be pleasantly surprised that 20-30 percent are social enterprises, points out Ehaab Abdou, Ashoka Fellow and team leader for the Egypt/MENA Development Marketplace at the World Bank Institute. One could also see this prevalence at the recent MIT Enterprise Forum Arab Startup Competition, where 20-25 percent of the 50 semi-finalists were working on businesses with potential for social and/or environmental impact” (Wyne 2013). Given the general momentum towards social enterprise, investing in such businesses is quickly becoming top of mind in the Middle East, which will help in turn further catalyze the incubation and crucial advancement of social enterprise in the region.

Financing of, and investing in, social enterprises come in various forms. They include:

1. Grants

Grants are launched by donor institutions to tackle specific topics and missions,

and do not differentiate between NGOs and enterprises as long as the mission is achieved.

A good example of such donor institutions is the United Nations Development Program (UNDP), which announced a small grants program in Lebanon, funding new social enterprises in rural regions that are creating large-scale social or environmental impact via a sustainable business model.

2. Venture Philanthropy

The best description of venture philanthropy comes from one of the rare institutions funding social enterprises in the Middle East, Alfanar, primarily based in Egypt and Lebanon.

"We apply the principles of private sector investment to charitable giving and offer small-sized grants and highly engaged management support to social enterprise organizations -- organizations that generate both financial and social returns while also transforming lives in the region's most disadvantaged communities. We work hand-in-hand with these organizations, supporting them to become resilient and financially sustainable in their local communities while bolstering civil society in the Arab world." (www.alfanar.org). A venture philanthropy organization may either focus primarily on social return in investment, as in the case of Alfanar, or may require financial return on investment in addition to the social. An example of the latter is Acumen fund, which applies the approach of "patient capital," whereby social enterprises are required to provide a financial return on investment but at very low rates and over very long periods of time (acumen.org).

3. Impact Investing

"Impact investments are investments made into companies, organizations, and funds with the intention to generate a measurable, beneficial social and environmental impact alongside a financial return" (GIIN 2013). The critical difference between venture philanthropy and impact investing lies in the stage of the enterprise that requires funding. While venture philanthropy focuses its efforts on new business ideas and startups that are seeking seed funding to launch their business, impact investors look to inject larger amounts of capital into established social enterprises that are looking to expand their business. Impact investment is rare in the Middle East due primarily to the shortage of late stage, established social enterprises in the region and the lack of incentives and regulatory frameworks that support them (U.S. Small Business Administration). One of the few examples is Willow impact, an impact investment fund based in Dubai-UAE, which invests in medium and large social enterprises. Their impact investments are approximately one million US dollars per investment. That is, of course, dependent upon a successful track record and a promising future of growth, both of which have proven to be difficult to find in the Middle East until today.

4. Competitions and Awards

Competitions and awards have begun to sprout across Lebanon, supported mainly through incubators and through University partnerships with corporate sponsors and key players in the entrepreneurship ecosystem. The ultimate objective of these competitions is to reward the most innovative projects that can combine a successful business model with high social or environmental impact. While international competitions like "Dell social innovation challenge" and "the Hult Prize" have valuable prizes of 500,000 USD and 1,000,000 USD, the competitions in the Middle East and

specifically in Lebanon remain small and symbolic, not exceeding a few thousand dollars, with very rare exceptions such as the nabad competition in 2013 which awarded a total of 200,000 USD in cash prizes to the winners.

5. Loans

Usually loans are taken by for-profit social enterprises at a developed rather than start-up stage. In Lebanon, several low rate loans are designed for small and medium enterprises (SME). The most well known of these is Kafalat, a program supported by the central bank of Lebanon and implemented with many private banks in Lebanon, where the entrepreneur can pay back the loan with very small interest rate, and around 85% of the risk is covered through the Kafalat program in case of enterprise failure. A recent study shows that Lebanese social entrepreneurs prefer to use loans if they are combined with grants and donations. "The degree of interest in loans among social startups indicates that there is a market for loans as a financial instrument. This increases when the loans are offered in conjunction with grants and donations, rather than as the sole source of funding" (Chahine and Farhat 2014).

The main attributes of each funding model for social enterprises (SEs) are summarized in figure 3:

Grants	Venture Philanthropy	Impact investing	Competitions and awards	Loans
<ul style="list-style-type: none"> • Majority dedicated for NGOs only • Designed for traditional programs. • SEs adaptation • Ex: UN, EU, USAID 	<ul style="list-style-type: none"> • Seed fund concept • Designed for SEs • Ex: Al fanar 	<ul style="list-style-type: none"> • Mostly for mature SEs • Large amounts of funding (in millions \$) • Ex: Willow Impact 	<ul style="list-style-type: none"> • Local competitions have very small awards. • International awards have high amounts • Provide credibility • Ex: South bic, Hult Prize 	<ul style="list-style-type: none"> • Preferred if combined with grant. • Mostly asked by for profit SEs. • Mostly taken by established SEs. • Ex: Kafalat

Fig. 3. Funding models for social enterprises

CHAPTER III

CASE STUDY

A. Study Methodology

The purpose of the study below is to understand the Lebanese experience with social entrepreneurship incubators and synthesize some lessons learned and provide a set of recommendations benefiting incubators and funding institutions to improve their contribution to the successful rise of social start-ups in the Middle East. This study was built around two complementary sections. The first section is the case of nabad, the first Lebanese incubator dedicated to social enterprises. nabad will be analyzed on the levels of concept, application and hands-on experience within the Lebanese context. The nabad case will be complemented with the second section highlighting the social entrepreneurs opinion and perspective regarding their collaborations with incubators and funding institutions. To do so, interviews were conducted with 8 Lebanese social entrepreneurs that experienced incubation or received funding from local or international institutions. This study will enable clarifying the full picture of the Lebanese social entrepreneurs experience with incubators and funding institutions, to understand their hands-on experience, success factors, challenges, and to highlight recommendations for future improvements towards more empowerment for social entrepreneurs in Lebanon and the region.

B. Case Study: nabad

In order to better assess the current landscape of social enterprise incubators in Lebanon based on the success factors and financing environment described above, the

following section of this paper presents the case of nabad, the first social entrepreneurship incubator in the Middle East, launched by arcenciel, a Lebanese Based NGO, in 2012. In 2013, as part of their first large-scale initiative, nabad launched the largest social entrepreneurship competition in Lebanon to date, with funds provided by USAID of more than \$200,000 to be distributed among 15 winners. After road shows in many regions of Lebanon, a large online campaign, along with visits to universities, NGOs and actors in the entrepreneurship ecosystem, 117 participants applied to the nabad competition. Some of the participants were still at the idea stage, while others had already launched their start up and needed incubation to turn their start ups into successfully established social enterprises. A panel of judges selected 60 finalists based on a set of selection criteria built around the core elements of social entrepreneurship. These included level of innovation, high social impact, sustainability, high potential of market survival, and scalability.

As an incubator, nabad's first objective was to build the capacities of the 60 new potential entrepreneurs so they can transform their innovative ideas into business models and business plans. The finalists received 70 hours of training on the key skills needed by all entrepreneurs including management, market research, finance, operations, marketing strategy and social media tools. The entrepreneurs also attended trainings specifically tied to the social aspect of their enterprises such as social impact measurement. nabad management team found that one of the critical factors of their success as a result of the trainings was their ability to join the theoretical principles and methods offered by the experts with practical experiences, the real life challenges, mistakes, and success factors of established social entrepreneurs. Additionally, one-on-one coaching by experts in several sectors such as Legal, IT and Marketing among others tremendously benefited the new entrepreneurs, as mentioned in the interviews

made with some of the social entrepreneurs.

In the final phase of nabad competition, 15 winners were selected, each receiving approximately \$14,000 USD in cash prizes. With the seed funding acquired by the social entrepreneurs, nabad's role as an incubator was to now empower the entrepreneurs to go from the business planning stage to start up stage. This was achieved by more advanced trainings, building an action plan along with a mentorship program where a dedicated mentor was matched to each winning entrepreneur in order to follow up on their progress, motivate and guide them throughout this critical phase.

As time went on and the entrepreneurs began to make progress in the development of their start ups, nabad went on to organize a large networking event as a celebration for the 15 winners in conjunction with the launch of nabad 2014. The guests were potential investors, sponsors, partners and customers of the entrepreneurs. The media also showed tremendous support, as 3 main Lebanese TV stations and 5 radio stations covered the nabad event, further promoting the advancement of the new social enterprises and the ecosystem supporting them.

Nevertheless, the nabad management team knew that the first year of any startup is risky, and even more so for social entrepreneurs, given their double bottom line objectives. Hence, in order to increase the chances of success for the 15 winners, nabad decided against organizing a new competition in 2014, and rather opted to continue the incubation and follow up process with the 15 winning entrepreneurs of 2013 for the coming months. In addition, nabad today continues to build partnerships with several service providers such as insurance companies and secretarial services in order to provide the nabad entrepreneurs with discounted costs and minimize the burden of the entrepreneurs along the way.

Despite many challenges successfully overcome by nabad, a main challenge

remains unaddressed: financial sustainability. nabad's initial action plan included the establishment of an investment committee facilitating financing of social enterprises after their grants provided by USAID ran out.

Gathering this investment committee however proved to be very challenging since it would require a total change of mindset for the potential investors. In fact, donors and philanthropists are still more comfortable with regular NGO projects than with funding nabad. On the other hand, investors in Lebanon still prefer investing in the traditional incubators and funds of for profit start-ups. Consequently, nabad was not able to collect the necessary funds to expand its services as planned and provide investment opportunities to social entrepreneurs. nabad's activities thus became limited to informing the social entrepreneurs of competitions and investment opportunities available in Lebanon. This was an important lesson for nabad, and for all social enterprises that plan to emerge in Lebanon; while knowledge capital is abundant, financial capital for social business is scarce.

Based on these circumstances, nabad, a social enterprise in its own right, had to become innovative in its funding model. Hence, an indispensable new role was added to nabad's incubator services for 2014, providing assessment, training and coaching services to the social enterprises inside arcenciel and other long-standing, and established, for profit and non-profit NGOs, in order to generate additional revenues to provide nabad with financial sustainability. nabad's role would be to provide coaching and trainings to these established NGOs in order to catalyze a restructuring that would improve their business models and ultimately the productivity of each of these social enterprises, while guiding them on how to maximize social and environmental impact. In turn, nabad would be strengthening the already existing social enterprise infrastructure in Lebanon, while amassing the resources necessary to maintain the

viability of the social enterprise ecosystem as a whole.

C. Case Analysis and Findings

As their name suggests, incubators nurture enterprises in their early stages, and provide them with several services such as capacity building via training and coaching, connecting via networking opportunities, and follow up via mentoring and strategic planning.

From the case study and evaluation above, it can be deduced that social enterprise incubators, however, differ from traditional incubators, in that they require distinct types of support mainly due to significant emphasis on the social nature of these businesses. For example, social entrepreneurs require coaching from international NGOs, and training on media strategies for social causes and social impact measurement. Additionally, commercial incubators have proven their efficacy by comparing the success rate of incubated businesses against those that have not been incubated. However, social entrepreneurship incubators are new to the Arab world, and have yet to prove their efficiency by launching and supporting successful social enterprises. Additionally, as most social entrepreneurs come from traditional non-profits, adapting to professional incubation, which emphasizes the importance of financial profits, is a challenging process.

In terms of the nabad case study, several interesting findings underscore the strengths and opportunities that allow social enterprises to thrive in Lebanon. First and foremost, nabad was able to recruit 117 applicants for the first round of its competition, more than any other entrepreneurship competition to take place in Lebanon to date. This is likely due to the fact that the Lebanese community is largely entrepreneurial, as the wide majority of its private sector relies on SMEs. Additionally, Lebanon is a country

with various social and environmental challenges. These challenges are coupled with a lack of government intervention; and the exposure that the Internet and social media have provided in recent years, especially to the youth, to alleviate the pressing social and environmental ills of the country via sustainable business models that also return financial profits.

nabad has also been successful in transforming ideas into start-up social enterprises with promising futures, by providing training, coaching, mentoring and access to funding. This sheds light on the importance of an incubator as a support mechanism in promoting the social enterprise sphere. Without nabad, most of the applicants would have had minimal know-how, and even lesser access to the resources necessary to turn their ideas into lucrative business plans.

nabad has also built long-lasting and credible partnerships between 15 of their social entrepreneurs and the USAID funding program to ensure sustainable financing for the budding businesses. By doing so, nabad fulfilled another major mission of incubators, by serving as a credible channel between social entrepreneurs and donors or investors, overcoming the challenge of trust between the two parties and bringing in the necessary financial means to maintain the businesses. Without this, the social impact of the purpose of the business would falter.

Moreover, the promising role of incubators is gaining traction, given that the Central Bank of Lebanon has dedicated 400 Million dollars as risk compensation fund to be specifically allocated to incubators and start-ups directly as per the " 331 circular" published by the Central Bank of Lebanon (BDL) . As a result, banks will be motivated to invest in new businesses, knowing that in case of failure the Central Bank will compensate most of the losses from these funds.

The nabad experience also drew attention to the idea that co-working spaces in

social enterprises are not as convenient or necessary, given that social entrepreneurs spend much of their time in the field, tackling their impact-driven missions, usually in rural or underserved areas. Incubators should take note of this, and act accordingly when planning their various course strategies with each of their entrepreneurs.

However, financing options remain limited in Lebanon. The nabad experience sheds light on the fact that investors in Lebanon and the region in general have not yet adapted to the funding criteria or expectations set forth by the double bottom lines of social enterprises. While few impact investment and venture philanthropy initiatives from the West, such as Willow Impact and Al Fanar are beginning to invest in social enterprises in the Middle East, the region still lacks the proper infrastructure to drive a thriving impact funding sphere that will meet the needs of the growing number of social entrepreneurs.

D. The Social Entrepreneurs Perspective

In order to provide a well-rounded and in-depth understanding of the social enterprise experience with funding institutions and incubators in the region, interviews with 8 social entrepreneurs from different backgrounds were conducted. These social entrepreneurs come from different backgrounds and each tackle a unique social issue that plagues Lebanon. They include:

Table 1. List of interviewed Lebanese Social Entrepreneurs

Entrepreneur's name	Enterprise description	Incubators collaborated with	Funding institutions collaborated with
Christine Codsi	Co-founder of "Souk El Tayeb", a Lebanese farmers market, and also co-founder of "Tawleh", a restaurant that employs women from rural areas to cook recipes from their home regions.		UN
Diana Soussa	Co-founder of "Help for Leb", a crowd funding platform dedicated to support NGOs projects in Lebanon.	nabad	USAID (Pace)
Chantale Saadeh	Co-founder of "Mommy Made", a catering line that recruits, trains and employs women with social and financial challenges.	Berytech, nabad	Injaz, UN, USAID
Jules Hatem	Founder of "Triple E", mobile wastewater treatment plant enterprise.	Berytech, nabad	Berytech, USAID
Zeina Saab	Founder of the Nawayya Network, an NGO connecting youth to people and resources that would help them develop their talents and potential.	Berytech, nabad	King Abdullah Award, Global fund for Children, Al fanar, USAID
Katia Boueri	Member of 2B Design/Beyt, a social enterprise that employs a group of disabled craftsmen to transform material from old buildings such as fences and doors into modern house accessories.	nabad	USAID
Elie Matta	Co-founder in Awadem.com, an e-commerce platform dedicated to market and sell products with a social and/or environmental cause behind.	Berytech, Altcity	Altcity entrep. competition
Patrick El Zoghbi	Founder of Gueco-upcycle, a social enterprise that upcycles inner tires rubber tubes into high value fashion products.	nabad	USAID

The four main topics discussed with each of the social entrepreneurs are as follows:

1. The Main Challenges Experienced With Incubators and Funding Institutions

Social entrepreneurs who received an incubation program raised two main challenges. The first being the intensity of training programs, which would generally take up to 2 to 3 days of their time, yet be filled with a substantial load of new skills and information. Given the intensity of these condensed programs, the social entrepreneurs found difficulty in absorbing the knowledge and subsequently applying the new skills and expertise towards their social enterprises.

The second challenge was mainly logistical, as most social enterprises conduct their activities outside of Beirut, while most incubators are based in Beirut.

Regarding funding institutions, the unanimous challenge faced by all social entrepreneurs was the bureaucratic procedures and reporting required by financiers, those of which were exhaustive, and extremely time and effort consuming, often times more so than the time required to implement the work of the social enterprise itself. For a social entrepreneur who is persistently passionate about creating impact, such extensive structural processes serve as a barrier to their vision. Furthermore, in the long term, each funding institution has its own procedures which require the social entrepreneurs to start their documentation from scratch and readapt to each new funder.

2. The Importance of Incubators and Funding Institutions in the Social Enterprises Success

Some of the entrepreneurs give major importance to the role of incubators and funding institutions in their social enterprise life cycle. Diana Soussa from Help for Leb clearly states "we would never have launched Help for Leb if it wasn't from the support of nabad." Other social entrepreneurs have a more reserved opinion, yet they consider incubators and funding institutions as a catalyst, helping them launch faster and grow

larger. One entrepreneur stated, "the most important services were the management tools especially for people far from entrepreneurship, in addition to motivation and cooperation to deliver smart objectives, especially that entrepreneurs need flexibility."

While the level of significance differs amongst the entrepreneurs, all strongly believed in the reinforcement that incubators and funding institutions provide to social entrepreneurs.

3. What Was the Role of Incubators and Funding Institutions towards the Impact Assessment in Your Social Enterprise? And How Was This Beneficial for You?

The entrepreneurs confirm that funding institutions were the main motivator behind reporting on their professional impact assessment, as this was a major requirement in the funding agreement. The social entrepreneurs admit that they were initially more focused on making their enterprises work operationally, the impact assessment however proved very beneficial for them on the long run, as it provided them with the necessary information that would allow them to continue to modify and improve upon the effectiveness of their core business activities. For example, Chantale Saadeh from Mommy Made states: "By monitoring the number of women employed after receiving our cooking and communication training, we realized that we needed to support them also in finding jobs, and so we launched a campaign end of 2013 and connected to more than 50 restaurants, schools and hotels to find the women decent jobs."

4. What Are Future Improvements You Recommend to Incubators and Funding Institutions?

One significant improvement stated amongst the entrepreneurs was the need for a stronger set of seasoned and skilled mentors accessible as part of the incubator

networks. At the moment, most of the social entrepreneurs agreed that most of the mentoring relationships established between the incubators and entrepreneurs were not as fruitful as expected.

Another recommendation highlighted was the need for more support from incubators in publicity, media and outreach towards people that are unaware of the social enterprises and their products. Katia from Beyt stated: "Outside of the NGOs' world, people don't even know we exist. There should be more publicity so that people know what we are doing."

Regarding funding, the entrepreneurs felt that the support and opportunities from governmental institutions is almost absent and the opportunity to strengthen this aspect of funding is sound and imminent, given the significant role that social entrepreneurship can play in improving the economic, social and environmental fabric of Lebanon.

Additionally, for funding institutions, social entrepreneurs unanimously recommended that they become more flexible and practical in their reporting procedures. One interesting proposition made was to replace hard copies of applications with online forms, which would drastically reduce the time wasted in several rounds of manual corrections. Another proposition was to unify the grant procedures among several grant donors and funding institutions, similar to the approach used in the United States, lessening the repetitive time and effort currently experience amongst social entrepreneurs in Lebanon. As stated by Zeina Saab from the Nawayya network: "If we could just have one application that would be submitted to all donors, this would make our lives so much easier instead of spending days and days going through each individual application."

One of the social entrepreneurs further recommended increased joint

collaboration between incubators and funding institutions, proposing that they join forces and support entrepreneurs on all levels.

CHAPTER IV

CONCLUSION AND RECOMMENDATIONS

The Lebanese entrepreneurship ecosystem is evolving with the aim to provide entrepreneurs with the support needed to launch successful enterprises. Two of the main components of this ecosystem are incubators and funding institutions. Incubators provide a bundle of services, including co-working spaces, training, coaching, mentoring, networking and access to funding to social enterprises on multiple levels. They have a major role in the success of social enterprises, especially in the idea and start up stages. Most of the incubators in Lebanon today focus on commercial enterprises, and are slowly adding social enterprises to their portfolios. In 2012, nabad was the first incubator in the Middle East dedicated to incubate social enterprises. Today, several other similar initiatives continue to rise across the region, namely in the UAE and Tunisia such as "Impact HUB", giving hope for improvement and expansion of the social entrepreneurship concept in the Middle East.

The nabad experience indicated that social entrepreneurs prefer to be totally independent, take risks, and follow their innovative ideas regardless of the society's perception of them and their plans. They proved to be persistent and passionate, eager to delve into their work and tackle the pressing social issues, but with little planning and strategic thinking, in line with social entrepreneurial characteristics highlighted by experts. However, social entrepreneurs also need to realize that their energy and innovation will be much more effective if shaped by the training, coaching and mentoring made possible by incubators, which have the necessary experience and skills to guide social entrepreneurs towards success. Given that the physical incubation of

social entrepreneurs is a challenge due to their work in unprivileged and rural areas, one way to provide accessibility of incubators services for the entrepreneurs is through online tools and technologies. Webinars, Video trainings, one to one video chats with coaches, shared documents among other tools can play a major role in making incubators services accessible anywhere. While many training sessions offered by the West are readily available today on such portals, these trainings are usually very context specific and cannot be applied by Arab social entrepreneurs implementing their businesses in their hometowns. Hence, a platform for culturally applicable knowledge, which takes into consideration the economical, political and social context of the region, tailored specifically to social enterprises in the Middle East, could serve as one solution that incubators should invest in for the futures of their social entrepreneurs.

However, the potential growth of social enterprise will be diminished if solutions are not found to alleviate the limited funding available in this part of the world. Funding for social enterprises in Lebanon today can be categorized into two groups: funds motivated by social ends, such as grant donors and venture philanthropy organizations, and those motivated by financial returns, such as financial investors and banks loans departments. As defined throughout this chapter, impact investments, which expect both social and financial returns, remain in their infancy in this part of the world and are struggling to find fertile grounds to bloom. Hence, in Lebanon, social enterprises have to compete for funding with traditional NGOs from one side and with purely commercial enterprises on the other, which ultimately makes it very difficult for social enterprises to be granted any financial support. Herein lies an opportunity for Lebanese social enterprises to raise “hybrid” funds, collecting both socially driven grants and profit-based investments and capitalize on both to jump start their business, while motivating them to meet each of their ultimate objectives, be they social,

environmental, or financial. In order for Lebanese social enterprises to do so, they must present their stories to the various funders in the language that they understand; speak in terms of numbers and percentages to the investors, and speak in terms of social value when it comes to donors and grantors.

On another level, incubators are facing a similar challenge of getting funds to cover their own incubation services costs. Although nabad showed a great potential in its first year in 2013, the lack of secured funding for the following years resulted in making nabad a dormant project in 2014. The lessons learned from this experience bring to light the importance of long term funding for incubators in the launching phase, in addition to the crucial need for incubators to practice what they preach and build diversified revenue streams aiming to have a self sustainable business model.

Ultimately, it is becoming increasingly well understood that customers are very concerned with the origins of their products, as responsible purchasing behavior is becoming an international norm. The number of responsible customers giving major importance to social and environmental causes behind the products they buy is growing exponentially worldwide which is directly tied to sales and market share. The business case for social good and services is on the rise and it is just a matter of time before the Middle East too picks up wholeheartedly on this trend. In the meantime, Lebanon and the region have some challenges to face, and must overcome them in order to compete on a global scale. Today, the region is taking strides and incubators are among the first actors that have paved the road towards the expansion of the social enterprise space in Lebanon. As long as this continues, social enterprises will continue to grow and thrive; creating an irreversible demand for funding that investors will not be able to refuse.

With all the challenges and the opportunities in the region, incubators and funding institutions have a major role to play in the proliferation of social start-ups and the rise of social entrepreneurship in the Middle East.

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