



FINANCING AGENCY FOR
Social **ENTREPRENEURSHIP**



Case Study Social Entrepreneurship: Scaling and Financing of a Social Innovation

Business Model, Social Impact, Financing, Social Franchising



Dr. med. Frank Hoffmann

FASE

.. trains blind women to use
their superior tactile senses for
detection of early signs of
breast cancer



„Doctor med. Frank Hoffmann delivers the prime example of a social enterprise. He finances the education and training of the »Medical Tactile Examiners« through license fees and the sale of patented orientation strip used in the examinations. A self-sustaining financial system, helping everybody – perfect Social Entrepreneurship.“

DIE ZEIT

02.02.2013

- Summary
- The social problem and the solution
- The social entrepreneur and his mission
- The business model and the social impact
- The hybrid business- and financial structure
- Financing instruments
- The investors and supporters
- Scaling plan and social franchising
- Steps toward Austria
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discovering hands® has developed a standardized tactile procedure. In this procedure, visually impaired women use their superior tactile senses to detect early signs of breast cancer. This solution **increases the chances of survival**, integrates visually impaired women into the employment market and changes the way disabled people are perceived – **a disability is turned into a capability**. In addition to this, the costs for the social- and health care system are considerably lowered.

The social enterprise generates income through patented orientation strips and license fees. After start-up investments, discovering hands® will be long term self-sustaining through these earned income. Profits will be distributed to the non-profit holding- and affiliated organizations.

In order to scale the concept, a **hybrid business model** was developed, which combines two not-for-profit entities and one for-profit social business. The different components are financed sustainably through specific financing models and financial partnerships. The international expansion succeeds through a **social franchising model**. A partner for Austria is already on board.

The Social Problem – Breast Cancer and Discovering Early Signs

Breast cancer is still the **most common cancer disease** and one of the most common causes of death among women – every year, nearly 71.000 women in Germany fall ill from breast cancer, 18.000 die.

Early detection and treatment secure a less burdensome treatment and significantly increase the patients' chances of survival.



To accomplish this, practicable prevention- and detection services for people with public health insurance are needed; however there are several issues which currently are not ideal in Germany:

- The mammography-screening is only available for women older than 50 – prevention mammographies are not covered, although approx. 20% of breast cancer cases are found in women younger than 50 years of age.
- Of the women who are older than 50 years, only 50% take part in a mammography screening – mainly due to a desire to avoid the exposure to radiation.
- The tactile breast examination offered by conventional gynecologist to women between 30-50 with a public health insurance is the only available measure for early detection. However, these are not subjected to any standardized or validated procedures and are conducted under significant time pressure.

The Social Problem

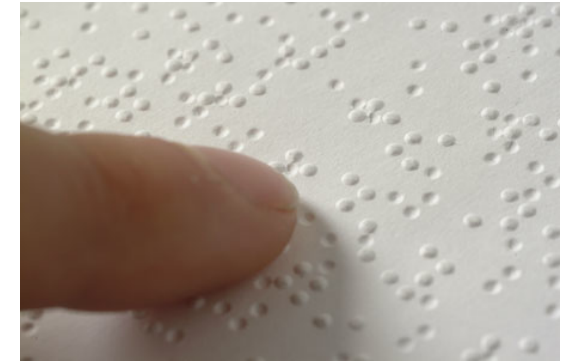
– Visual Impairment and Inclusion

Blind means unemployed – at least in the majority of cases. About 15.000 of the 150.000 blind people in Germany are in regular employment only. This is roughly one third of the ones of working age. Blind people of working age, especially women, even have a **significant lower employment rate** than other disability groups.

About 40 percent of blind and visually impaired people are retired or permanently sick. Reasons for retirement are mainly based on their disability or disease.

If blind people are employed they usually have limited options: Half of them are employed in only three professions: Call center agent, office support or masseur.

In other areas of our society **blind people are excluded** as well. Sighted persons treat them with uncertainty, bias or even compassion. By this social inclusion is being hindered not only by the disability itself but by the handling of this disability.



Blind and visually impaired tactile examiners optimize the prevention of breast cancer

discovering hands® is based on a standardized tactile procedure, in which visually impaired women use their **superior tactile senses** to detect early indicators of breast cancer. The early diagnosis made possible through this procedure **significantly increases the patients' chances of survival** (preliminary studies show a 28% increase in early detections).

Visually impaired women are offered education so they are qualified and certified, and then they are coupled with gynecological practices and clinics. Here, they are filling their positions, **not in spite of their disabilities but because of their special capabilities**. The perception of disability is changed: the patients experience (often for the first time) blindness as an extraordinary strength in the tactile examiners (MTE) instead of a deficit.

In addition to this, a sustainable unburdening of the health care system is secured through the lowered costs of treatment and services.



The Social Entrepreneur and his Mission

Dr. med. Frank Hoffmann

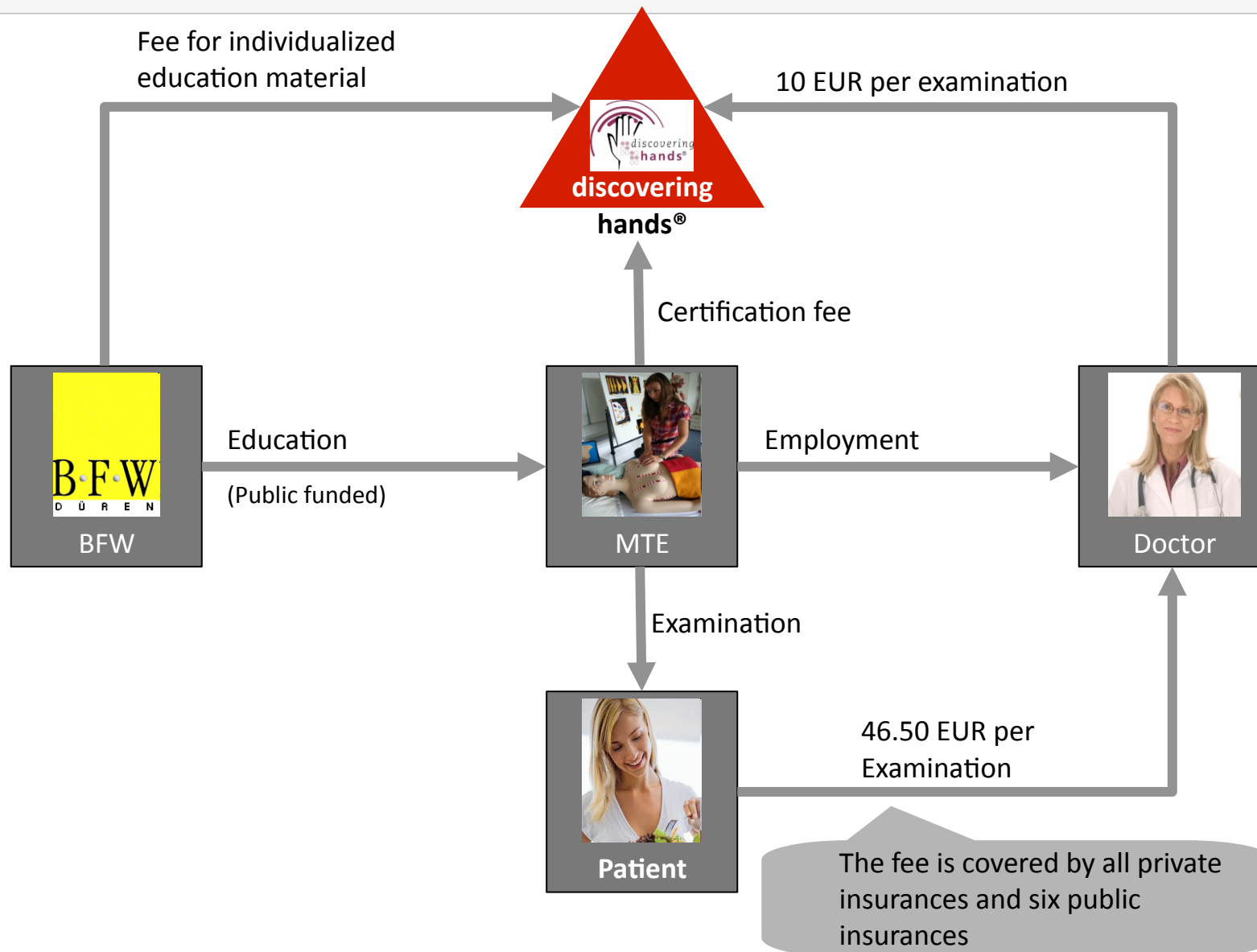
is born in 1959 and has more than 20 years of practical experience as an established gynecologist. He is the founder of the "Praxis für Frauen®" (Practice for Women) in Duisburg with 9 medical specialists in 4 locations. In 2004, Frank Hoffman had the idea to utilize the special tactile senses of impaired people in the medical diagnostics. Initial for his engagement were, among other things, the introduction of significant constrictions in the health care service catalogue for prevention mammographies.

In 2010, Frank Hoffmann was appointed Ashoka Fellow and is an enthusiastic advocate for social entrepreneurship.

His vision: discovering hands® should directly as well as indirectly function as a pioneer for a new culture of inclusion of people with disabilities. He says: "There are still numerous diagnostic fields and application areas where blind people can apply their tactile senses meaningfully. Especially in areas where an instrument-based diagnostic is no matter of course."



The Business Model



Income from license fees and patented orientation strips for examination

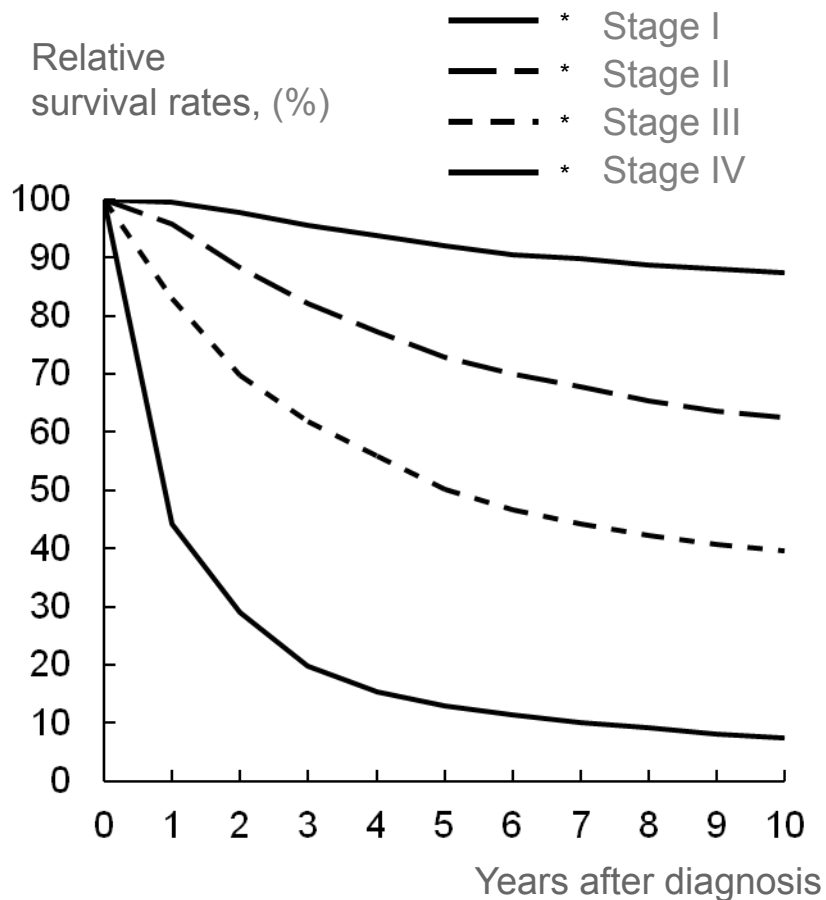
The fee for examination performed by a MTE is 46.50 EUR to be paid to the doctor.

The doctor pays 10 EUR per examination to discovering hands® (for the used orientation strips).

Further income is generated by license fees for the curriculum.

The Social Impact: Increasing of the Survival Chances and Lowering of the Costs of Treatment

Survival rates according to stage of disease according to diagnosis



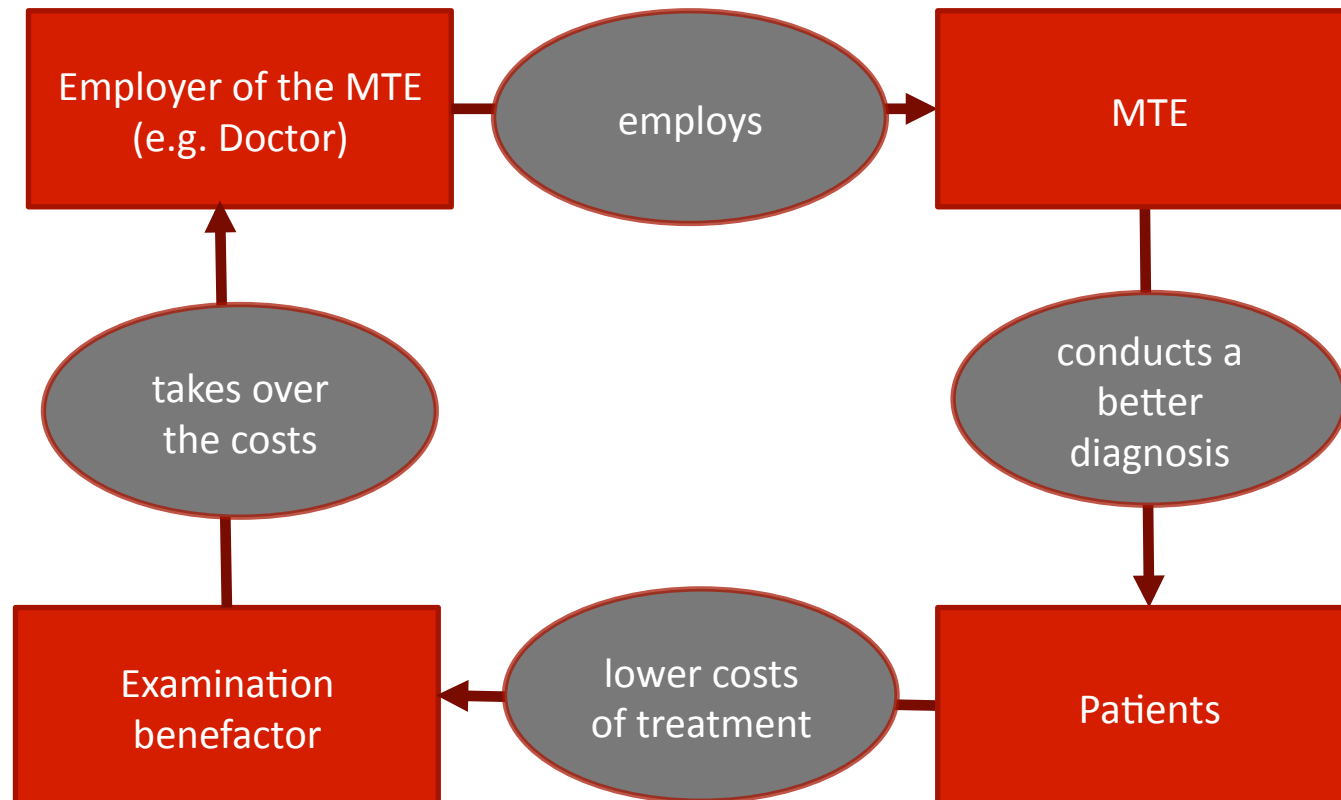
Savings in costs of treatment through early detection

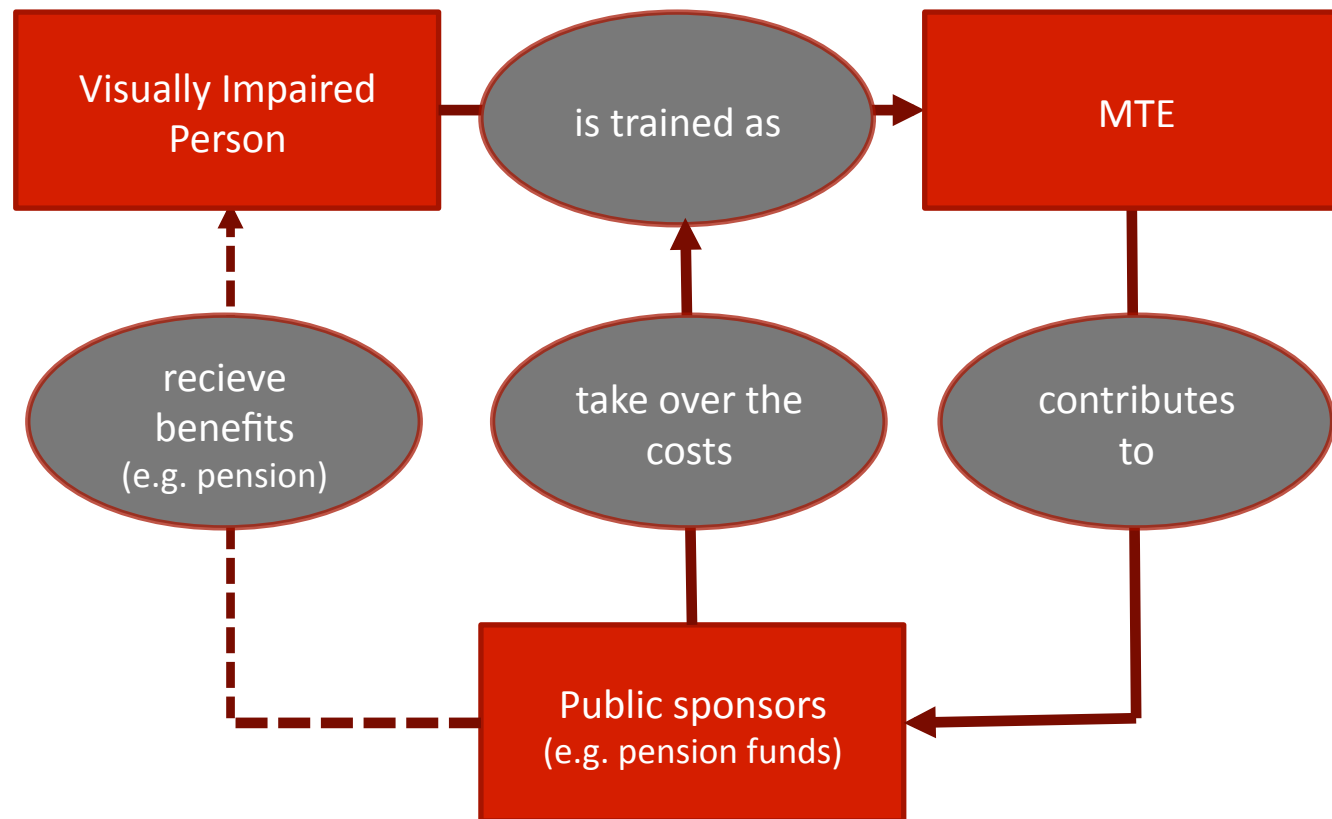
DATA FROM THE UK

Savings per patient through diagnosis in stage I instead of stage II (EUR)



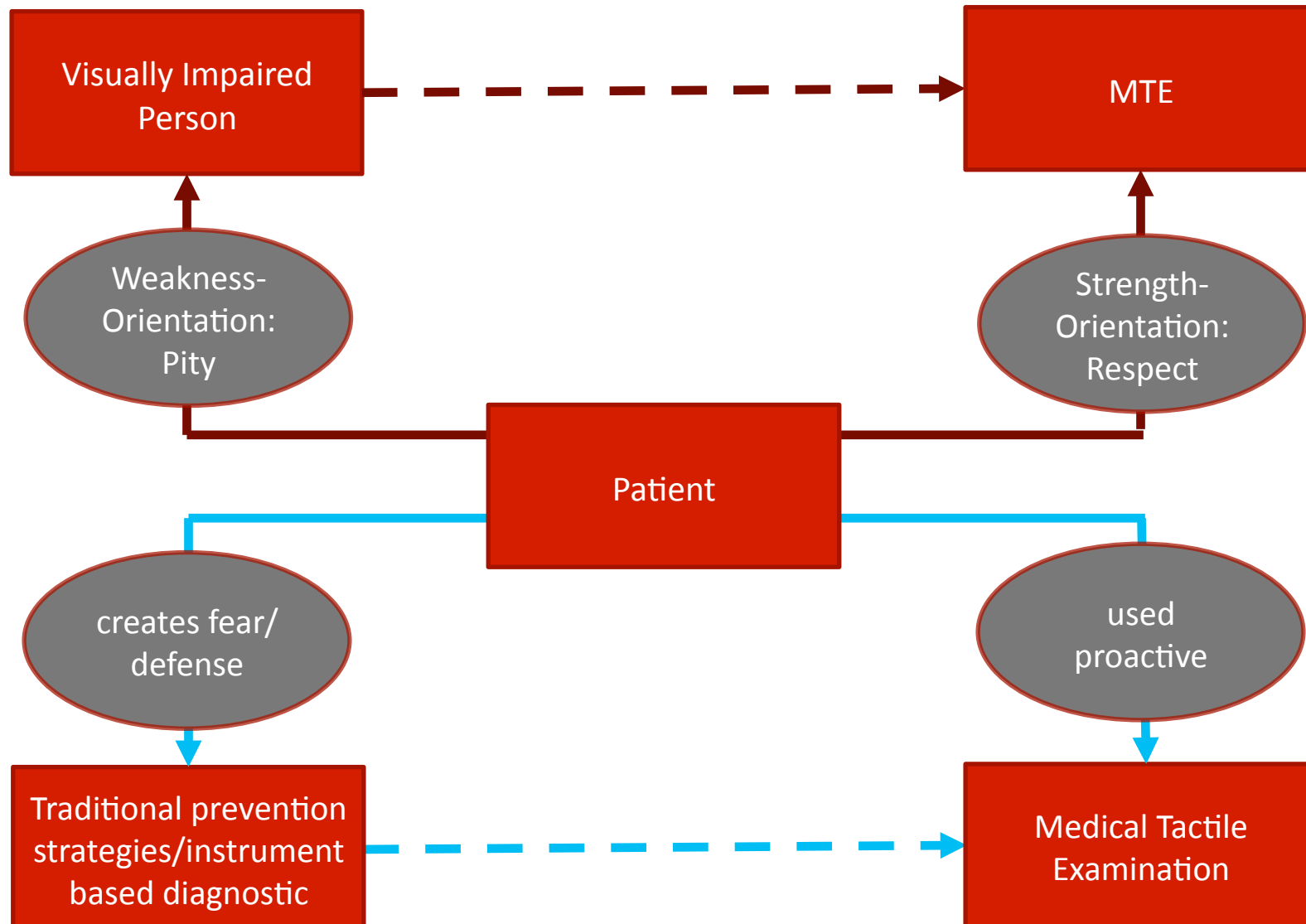
Source: Cancer research UK, West Midlands Cancer Intelligence Unit, 2009, Radice et al: Breast Cancer Management – Quality of Life and Cost Considerations, Pharmaeconomics, 2003



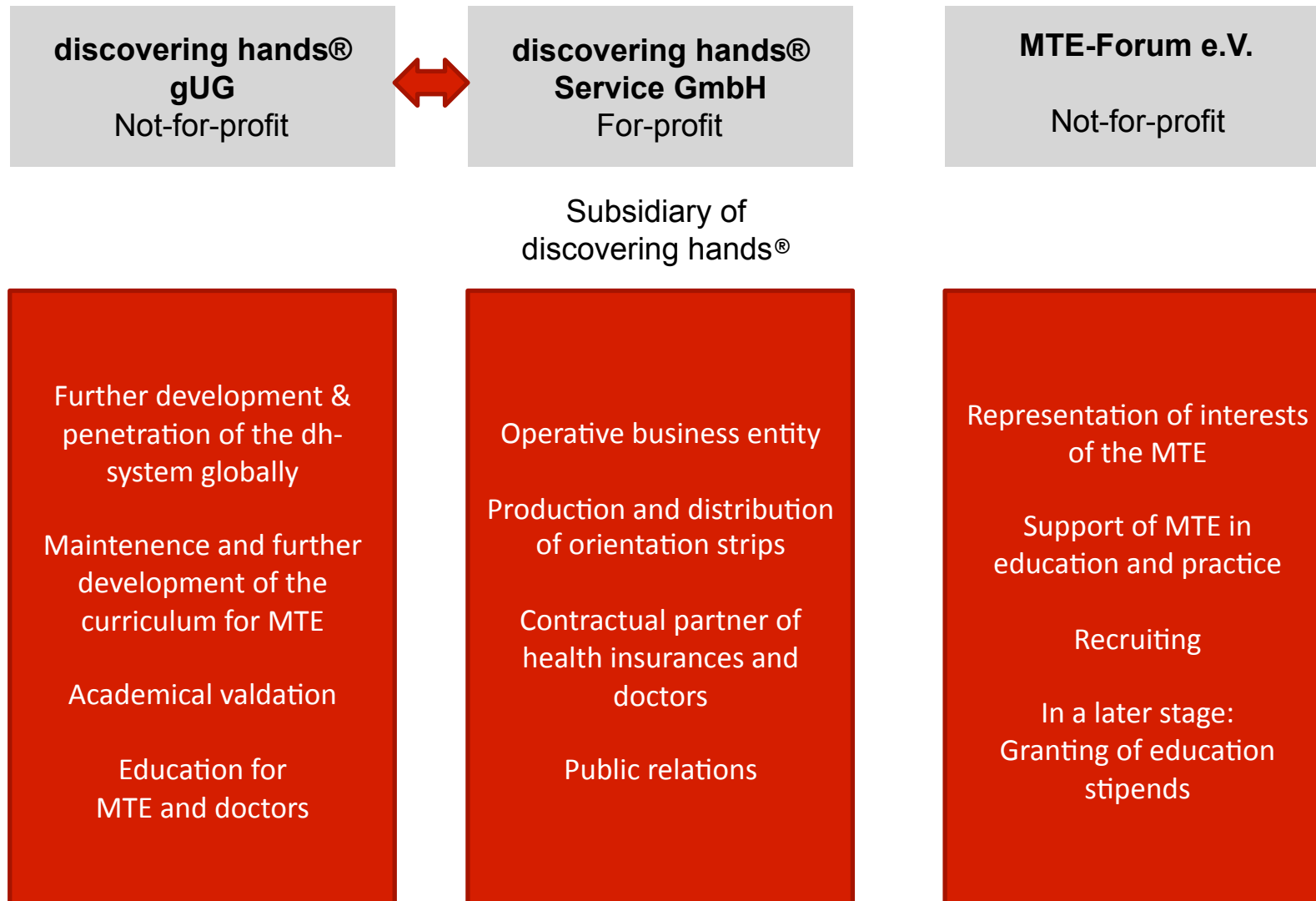


--- = does not apply due to the discovering hands® model

Social Impact: Socio-Political Effects – a Disability Becomes a Capability



The Hybrid Business Model



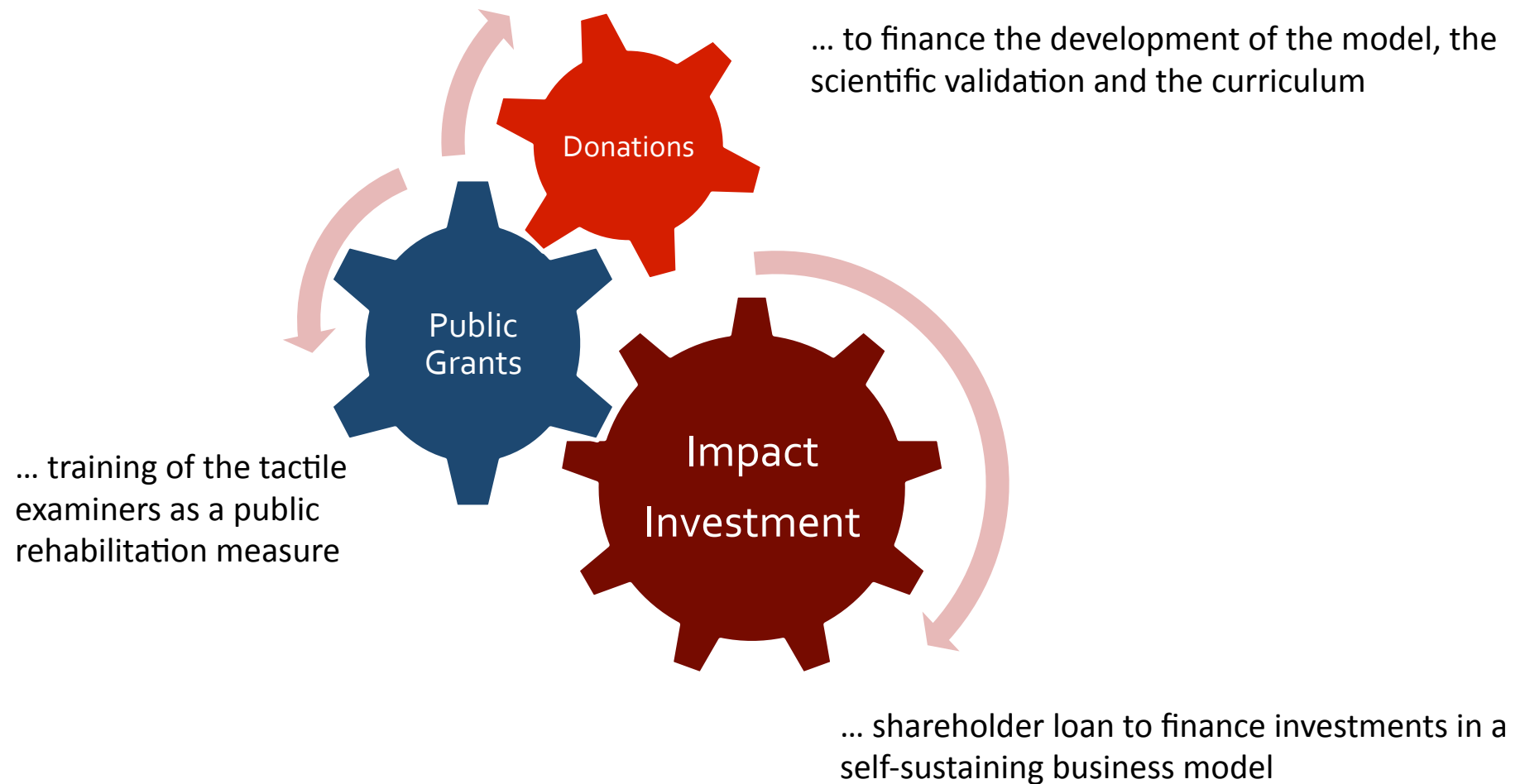
Retain philanthopists – attract investors

discovering hands® has build up a solid network of philanthropists. Especially foundations are supporting the non-profit organization and thus the model's further development, expansion and quality management. Also the non-profit association MTU Forum e.V., which has the role as an "occupational union" for the tactile examiners (MTU), is funded by private donations. The costs for the training of the tactile examiners are covered by the public sector as rehabilitation activities.

A hybrid financial model has been developed in order to avoid potential conflicts with the philanthropic funders and create **positive synergy**: The for-profit service organization is financed independently – however, potential profits are utilized to **support the social mission**.

Goal: a self-sustaining financing system

The discovering hands® Service GmbH is organized as a profit-oriented "social business". The generated profits will be exclusively invested in the expansion of the business or distributed to the non-profit holding company discovering hands® gUG. All further stakeholders (investors) commit to transfer any dividends (if not reinvested) to non-profit entities.



Mezzanine financing as shareholder loan

Structure

- Minority shares in the non-profit holding (gUG) and the for-profit affiliated company (GmbH)
- Subordinated shareholder loan to the for-profit company

Return

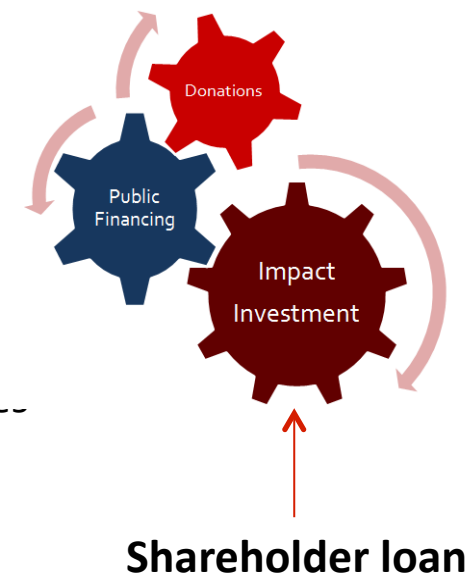
- Interest rate in relation to the operative profit (increasing after achievement of break-even)

Maturity/ Repayment

- Loan disbursement in relation to previously defined milestones
- Six year maturity with the option for an early repayment
- Grace period in start-up phase
- Withdrawal from shareholding after loan repayment

Investor property rights

- Information-, participation-, and approval rights of the investors
- Set up of an advisory board (one representative from the investors, one representative from the organization and an independent board member)

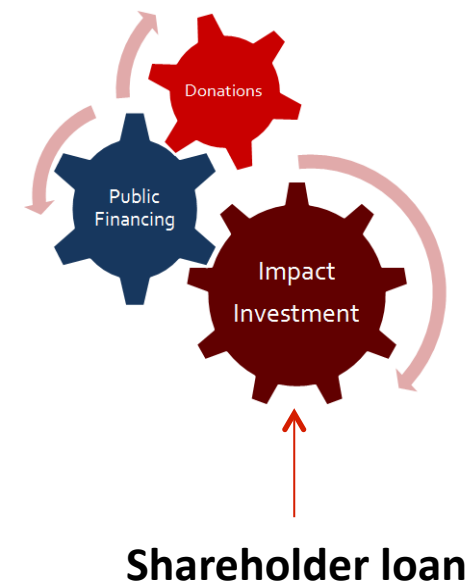


Financial model supports the social mission

The investors are involved as shareholders in both the non-profit holding organization as well as the for-profit affiliated company.

As an interests-based loan with a volume of half a million euro and a maturity of six years, the mezzanine-financing from the shareholders mainly serves to **cover the liquidity needs until break-even** in Germany. It is divided into several tranches, which can be flexibly accessed after the achievement of previously defined milestones.

After the grace period and the achievement of the operative break-even, the loan will be repayed quarterly. However, the repayment-rates can be adjusted within defined limits. The interests to pay by the social business begin as moderate and increase in relation to the operative profit. Due to the **grace period and the low interests in the start-up phase**, valuable liquidity is kept in the business. The social mission and the scaling of the business model are thus significantly supported by the chosen financial instruments.



The Investors and Supporters



BonVenture is the first social venture capital fund in Germany and supports social entrepreneurs who combine humanity and economy to solve pressing social or environmental problems and find sustainable solutions. Next to high social impact, BonVenture is striving to preserve the invested capital. In addition to this, BonVenture supports social entrepreneurs with know-how and contacts. BonVenture covers 70% of the total investment amount.



The **KfW** (German Development Bank) offers capital to medium sized and small businesses committed to tackle social problems in Germany through market-based innovative business models. The capital is provided as a co-investment within the KfW program 091. The KfW covers 30% of the total investment amount.



Consultation by FASE and Linklaters

The Financing Agency for Social Entrepreneurship (**FASE**) consulted Frank Hoffmann in the creation of the business structure and financing model. In addition, the international law firm **Linklaters** supported discovering hands® in all legal matter on a pro bono basis.



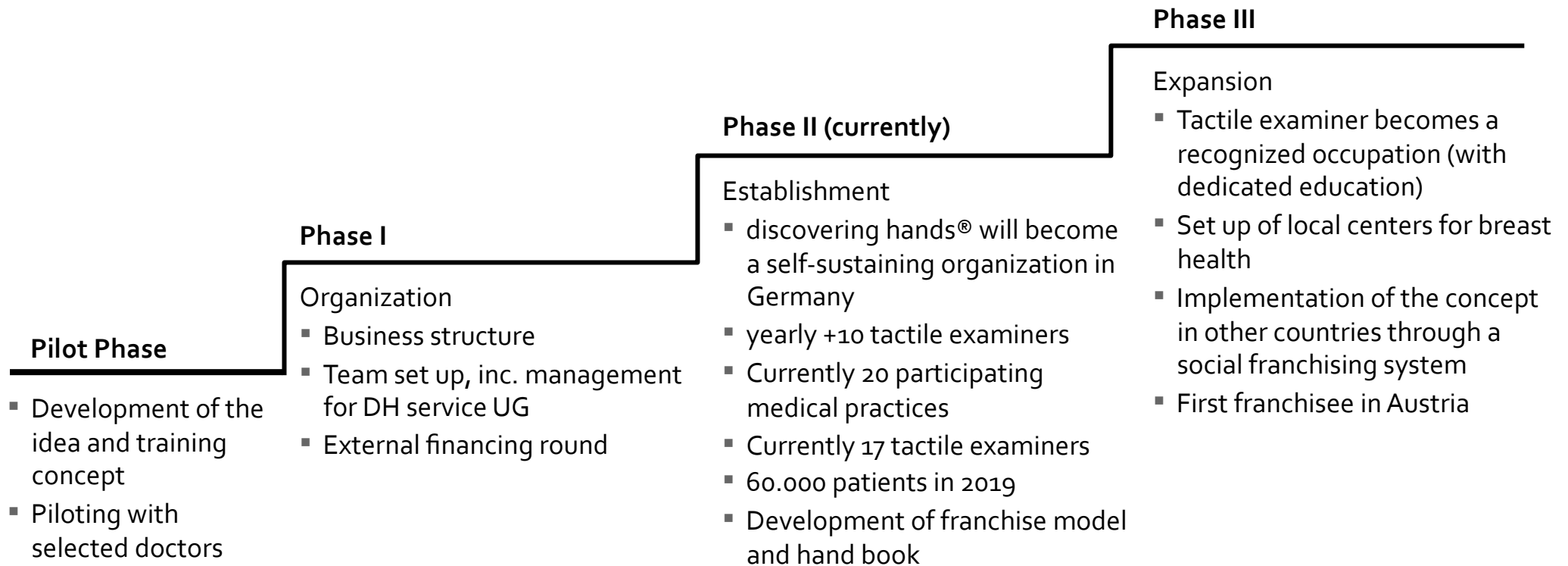
The Philanthropic Supporters



The sponsors who have supported discovering hands® with the development and enhancement of the model through grants or non-monetary help, have been and are still crucial to the establishment of the solution.



Only with philanthropic support and entrepreneurial facilitation it was possible to provide the basis for a scalable business model.



Vision: A disability becomes a capability – worldwide

The social franchising system spreads the concept globally through local, independent social entrepreneurs and expanded in emerging economies to include more diagnosis areas (ex. early detection of glaucoma, thyroid gland-/ prostate disease, lymphoma diagnosis). discovering hands® is directly and indirectly a global pioneer of a new culture of inclusion of disabled people.

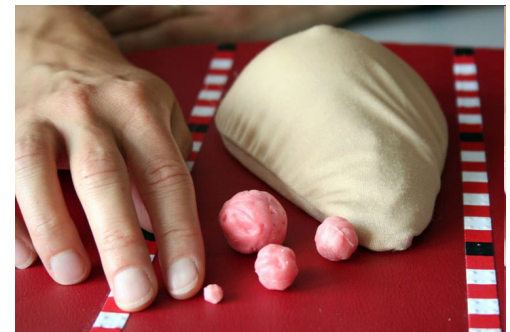
Basic Principles of the discovering hands® Social Franchise System

The discovering hands® model is to be scaled through a **social franchise system**, and thus expand its impact internationally. discovering hands® was professionally advised on the franchise system by Syncon®/Waltraud Martius, Salzburg.

SYNCON®

International Franchise Consultants

Due to the fact that the overall objective is the generation of a **high social impact globally** the franchise model is based on the principles of “social entrepreneurship” as well, e.g. the entrepreneurial solution for social challenges. The franchisees shall be **socially committed, entrepreneurial acting social businesses who share the social vision** with the ambition to finance their growth by earned income in the mid-term. They have the function, to adapt the discovering hands® model to the specific national requirements and accordingly to implement in their country.



The system head office's generated profits are to be invested solely in the continued expansion of the discovering hands® concept, and thus benefit the implementation of the social mission.

The Step Towards Austria



The first „export“ of discovering hands® to Austria will be accompanied by philanthropy

Due to no language barriers, Austria is an ideal candidate for the discovering hands® model's first “export country”. Additionally, the **mechanisms of the model can be tested under different conditions**; e.g. the facilitation of visually impaired people and the healthcare system. The implementation in Austria is also supported by **Ashoka**.

SEBUS Wien, the school of the Blind- and Visually Impaired People's Association of Austria, has already qualified as the first education centre for medical tactile examiners. The first educations are to begin in 2014.

All preparation activities for the education of the first four Austrian MTEs were sponsored by donations – especially the **Essl Foundation**, the **Katharina Turnauer Privatstiftung** and **SINNSTIFTER**. The market introduction is coordinated by a committed project group.



KATHARINA TURNAUER
PRIVATSTIFTUNG

s!nnstifter
Privatstiftungen machen Sinn.

The Step Towards Austria

Securing the Financing:

Frank Hoffmann convinces in Start-up Show: € 525.000 for the Austrian model



In the Austrian PLUS4 Start-up show „2 Minutes – 2 Million“ Frank Hoffmann succeeded in convincing all present investors. The show airs every Monday at 8.15 pm and can be viewed online under www.puls4.com.

Lead Investor in Austria and Implementation of the Social Franchising

FASE

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wirtschaftsblatt.at
MONTAG, 28. APRIL 2014

SERIE JUNGUNTERNEHMER

Start-up-Guru setzt auf Ideen mit Herz

S START-UP

Der prominente Business Angel Michael Altrichter sät auf Impact Investing um: Er tritt dem Netzwerk Ashoka bei und steckt sein Kapital in zwei soziale Start-ups.

WIEN. Mit Paysafecard ist er zum Millionär geworden – seitdem gilt Michael Altrichter als Österreichs erfolgreichster Business Angel. Seine jüngste Entdeckung „Rubbys“, die das Rubbellos ins Smartphone-Zeitalter transferiert, wächst gerade mit Riesenschritten. Doch Altrichter ist kein auf Rendite fixierter Investor – vielmehr will er sein Kapital und Netzwerk dazu nutzen, gesellschaftliche Veränderungen zu bewirken, wie er dem Wirtschaftsblatt sagt: „Soziale Investments gehören in jedes Portfolio.“

Altrichter hat in zwei Start-ups investiert, wo es nicht um die Rendite, sondern um den sozialen Impact geht: Bei dem aus der Puls4-Show „Zwei Minuten, zwei Millionen“ bekannten Unternehmen Sutter, das Rollstühle besser fahrbar macht, sowie bei Discovering Hands, einer Firma, die blinde Frauen zu medizinischen Tastuntersucherinnen für die Brustkrebs-Früherkennung ausbildet. Das Start-up wurde von Ashoka Fellow Frank Hoffmann gegründet – auch der Business Angel ist neues Mitglied des Ashoka Support Network für sozial engagierte Gründer.

Soziale Projekte

„Ich will mit meinem Netzwerk dazu beitragen, dass Ashoka Fellows ihre Projekte verwirklichen können“, sagt Altrichter. Erste-Group-CEO Andreas Treichl und Franchise-Pionierin Waltraud Martini sind bereits Teile des Ashoka Support Network, demnächst sollen weitere prominente Unternehmer hinzukommen, wie Österreich-Direktorin Marie Ringler sagt. Sie sieht viele Überschneidungen der sozial motivierten Gründer mit der „herkömmlichen“ Start-up-Szene: „Auch bei uns gibt es um neue Ideen, die einen hohen Wirkungsgrad haben, beliebig skalierbar sind und von überzeugenden Persönlichkeiten stammen.“ Zudem sei auch die „gesellschaftliche Rendite“ eine Form des

Ertrags, ergänzt Altrichter: „Zwischen der Spende und der Gründung einer GmbH gibt es noch viele Möglichkeiten, das Kapital sozial wirksam einzusetzen.“ So umfasst Altrichters aktuell aus zwölf Unternehmen bestehendes Beteiligungsportfolio neben „Hardcore-Wirtschafts-Start-ups“ wie Wikifolio und Payworks Unternehmen wie den Baby- und Kindermodenhändler Tausendkind sowie das „Navvi für Taucher“, Reef.

Milliardenpotenzial

Investments mit sozialem Impact sind nicht nur in Österreich ein enormer Wachstumssektor, sagt Ringler: Laut Zahlen der US-Bank JP Morgan und dem Impact Player Rockefeller Foundation soll der Sektor mittelfristig eine Größenordnung zwischen 400 Milliarden und einer Billion US-\$ erreichen. Die Bank sowie das Global Impact Investing Network schätzen, dass im Vorjahr rund neun Milliarden \$ in solche Anlagen geflossen sind, um eine Milliarde \$ mehr als im Jahr zuvor.

ANDRE EXNER
andre.exner@wirtschaftsblatt.at

DAS DOSSIER
Serie im Internet: wirtschaftsblatt.at/start-up



Michael Altrichter,
Austrian Social Business
Angel und head of the
investor group for the
Austrian franchisee, has
already founded a not-for-
profit company to
implement the model in
Austria.

He is convinced that the
discovering hands®
model reaches new levels
- not only as social
business, but also as an
idea of social inclusion.

The next Target Markets: Spain, Israel, Turkey, ...

For further acceleration of the model, discovering hands® is in contact with multiple organizations worldwide. The focus is largely on the necessary adaptations in relation to the specific local frame work, the operative implementation and the financing of these.

Ongoing discussions are currently focused on:

- Spain (Cooperation with the foundation ONCE)
- Isreal (Cooperation with the Ruderman Foundation)
- Netherlands

Further organizations, countries (for instance in South America) and fields of application will follow.



- **Social Impact and a successful business** are not mutually exclusive, but on the other hand are not inter-related in general – for this case study the fact is: The more successful the social business model, the higher the social impact.
- **The more effective the solution** is for the social problems, the more likely it is to attract supporters. Social innovations have the potential to re-define a whole sector.
- A **hybrid business model** (inc. legal entity structures) facilitates the combination of various financing instruments – this allows for a self-sustaining financial system.
- **Philanthropic capital** can be a crucial “leverage” to raise investment capital for sustainable scaling of a social impact model. It may be especially important for development of social innovations to reach marketability.
- There are several possibilities to **scale** a proven social innovation globally. Social Franchising allows to secure consistent quality standards in combination with entrepreneurial flexibility.

The Financing Agency for Social Entrepreneurship GmbH (FASE) was launched by Ashoka, to make growth for social enterprises financially viable. FASE allows co-investments by impact investors and philanthropists through an open pipeline of investment ready social entrepreneurs, and develops innovative financing models specifically suitable for social enterprises. The objective is to create an ecosystem for the financing of social enterprises.

FASE

Financing Agency of Social Entrepreneurship GmbH
Prinzregentenplatz 10
81675 Munich
E-Mail: info@fa-se.eu
<http://www.fa-se.eu/?&lang=en>

discovering hands®

discovering hands® gUG (haftungsbeschränkt)
Großenbaumer Str. 28
45479 Mülheim an der Ruhr
E-Mail: office@discovering-hands.de
www.discovering-hands.de