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INTRODUCTION AND BACKGROUND

For start-ups working in emerging markets who serve the poor, attracting top talent has always been a constraint on organizational development and growth. Start-ups continually struggle to acquire appropriately structured investments and grants to their companies to identify, recruit, and train interested young professionals. In both the U.S. and emerging markets, small and growing businesses lack the ability to contend with other established commercial competitors, who often pay better salaries and have better reputations. As the industry around these businesses—termed in various circles as “social entrepreneurship” and “impact investing”—has grown, organizations are attempting to develop a human resource strategy in time to attract the necessary talent that would help them scale and align with the pace of the industry.

Over the past five years, an increasing number of “fellowship” programs have developed in the social entrepreneurship industry. These fellowships are targeted at attracting talent (usually young people with a high degree of formal education) to the social enterprise/impact investing sector for bounded-end placement periods (6-12 months) inside enterprises or impact investment firms. Notable fellowships in India include the IDEX Fellowship in Social Enterprise, the Acumen Fellows Program, Edge—a program by Potencia Ventures—the Villgro Fellowships, the Frontier Market Scouts, and most recently, Impact Business Leaders. These fellowships typically have goals such as attracting top talent to enterprises who cannot otherwise attract key performers (either due to salary or reputation). For example, the Villgro Fellowship seeks to reduce the “shortage of talent” in the space in “critical areas such as finance, marketing, HR, and IT.” Building capacity for social entrepreneurs to grow their organizations, and developing future leaders are two key areas that need more acute attention in the social enterprise/impact investment sector. In the words of the Acumen Fellowship, “Fellows are visionaries and passionate innovators….They are architects for this new sector…and are the next generation of trailblazers in the fight against poverty.”

To date, research is limited on how effective these fellowships are at achieving these goals. This paper focuses on the value of fellowship programs in the social enterprise/impact investing space by analyzing two central research hypotheses: (i) that fellowship programs help enterprises build organizational capacity and generate an effective pipeline of talent to help them reach goals that they otherwise would not be able to accomplish and (ii) that fellowship programs provide viable career development opportunities for individuals.

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While the research on this topic is limited, and one should never draw global conclusions from only one case, this report focuses on the Frontier Market Scouts (FMS) program, a creation of Village Capital and the Monterey Institute for International Studies (MIIS) in Monterey, CA, as one of the most active fellowship programs in the impact investment ecosystem. The research study had in-depth surveys or interviews with 44 alumni and 11 placement partners, and sought to investigate these research hypotheses through feedback in order to draw broader lessons on how fellowship programs can build human capital in the sector.

**ABOUT FRONTIER MARKET SCOUTS**

FMS is a global fellowship program that selects and trains young professionals who aspire to a career in social venture and impact investing. The program engages students and young professionals in a rigorous, practitioner-led training for over 100 hours and then places these “Scouts” with partner organizations working in this space in emerging markets. Practitioners leading the trainings are social entrepreneurs and impact investors who cover a vast range of material such as organizational management, due diligence and hard finance skills, business model design, and basic start-up theory.

Following the training sessions, Scouts are deployed throughout the world (though not all students who complete the training go through placements): past locations include India, Kenya, Brazil, Nicaragua, Turkey, the Netherlands, Colombia, Nigeria, Peru, Vietnam, and China, among others. The Scouts’ roles vary widely, depending on the needs of the partnering organization. Some Scouts help develop and implement ‘accelerator programs’ for social entrepreneurs. Others work exclusively to scout the potential for future accelerator programs or investment by building a pipeline of investable enterprises in new locations. Still others have worked with start-ups that have operational and analytical needs, while there are some who have assisted investors with market research and due diligence.

The program enables Scouts to acquire a wealth of knowledge over the course of the program. Scouts learn skills and knowledge imparted in the training sessions, with a specific focus on finance and organizational management. The training placement processes provide the Scouts the context on the location they are operating in and enable them to discover the proper placement. Post-placement, Scouts develop a potential career path through contacts and experiences within the program.

The partner organizations to the FMS program become attracted to Scouts because of the suitability of preparation given to the Scouts for their placement. Through the rigorous coursework, partner organizations understand the value the Scout will add to capacity building and performance of the organization that often is not available through local talent pipelines.

The FMS program begins with a condensed two-week, practitioner-led training program, resulting in a two to six month placement in a selected region around the world. FMS Scouts consist of young professionals who desire

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to enter the social enterprise and impact investing space through their placement in emerging markets. Like many other fellowship programs, often times, these Scouts take on high levels of responsibility within the startup enterprises they join, from directorship positions to portfolio management for impact investors.

This report seeks to use the FMS program as a case study to assess how effective the fellowship programs are at building human capital in social entrepreneurship/impact investing through delivering positive outcomes for Scouts and placement enterprises. Through the qualitative research, broader conclusions can be reached that answer the researchers’ hypotheses.

In addition, the report seeks to investigate a key research question of the founders of FMS. To date, nearly all fellowship programs named above (with the exception of Edge) source talent from developed markets and deploy fellows in emerging markets. Qualitative interviews seek to explore whether these programs would be more effective in India if native talent were sourced through in-country placements. We explored this hypothesis and took an in-depth look at whether FMS as an “international” program is more effective at sourcing and recruiting top-tier native talent in India.

Finally, this report considers the possibility of using the success of the established FMS model and transferring knowledge, experiences, and solutions to similar ecosystems in emerging markets around the world. Fellowship programs have potential to tap into a large pool of candidates who would be interested in such a program, but few alternatives exist. This report discusses the research methodology in brief, followed by an analysis of the data from the Scouts, partner organizations, and contacts at Indian universities.

Finally, the conclusion of the report analyzes the implications of the findings and makes broad recommendations on how fellowship programs such as FMS can address the talent gaps in the social enterprise and impact investing sectors.

**METHODOLOGY**

We initiated a survey in April 2013 to collect qualitative data from former and current Scouts to understand their perceptions of the content of the training, the placement process, and the value they gained from the FMS program. In total, 44 individuals responded to the survey about their experiences with the program as of June 26, 2013. Respondents were asked a variety of questions and the data collected provided the information necessary to discuss value-creation for Scouts.

We also collected survey data from 11 placement partners. These data will provide a gauge of Scout performance and value, as well as an assessment of the talent available locally to partner organizations and some comparisons by geography.

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7 This survey was first created by another researcher approximately two months before we began working on the case. We have used the existing surveys with minimal changes to continue gathering responses.
Finally, the report has qualitative feedback from three written and oral interviews of individuals connected to possible partner institutions in India. These interviews provide information about the feasibility of expanding an FMS-like program to India, to be based at an Indian institution and to recruit and place Indian Scouts within the country.

FRONTIER MARKET SCOUTS: A CASE STUDY

To explore whether the fellowship program is an effective solution to the talent gap, we analyzed how effective the FMS program has been at providing value to those students and professionals who go through the program. In order to investigate the hypotheses, we focused on two specific questions of interest: did the training prepare the Scouts well and was the training good at getting people jobs? This chapter focuses on three areas of interest: training/content, the placement experience, and career development.

TRAINING FELLOWS TO GENERATE IMPACT

Before noting what value in terms of knowledge was added to the Scouts who went through the FMS program, it is important to first establish what the Scouts felt they were capable of achieving without the training. Asked to respond on a five-point scale ranging from “strongly disagree” to “strongly agree,” 82% of Scouts either agreed or strongly agreed that they could add value to a start-up enterprise in an emerging market before having been through the program. When asked if they could add value specifically to a firm providing finance to enterprises in emerging markets (e.g. an investment firm), only 44% agreed or strongly agreed.

Following the training provided by the FMS program, a strong majority indicated that the training had increased their ability to provide value to enterprises in both general operations and in the specific areas of finance and investment. Of those interviewed, 70% agreed or strongly agreed that the training had improved their ability to add value in day-to-day operations, and another 21% were neutral. The responses were very similar to the question on finance, with 70% agreeing or strongly agreeing that the training helped prepare them to add value on financial work, with 23% neutral.

Open-ended responses confirmed the value of training as well. Asked about what was the most valuable aspect of the FMS program, 32% of respondents said it was the training or content of the program (though many respondents noted more than one element of the program when answering this question). This proportion changed—but only slightly—when the respondents were divided between those who had completed placements and those who had not. Of those surveyed 28% who had completed a placement saw the training as most valuable, while 40% of those without placements noted the value of training. However, there were few direct descriptions of which elements of the training were the most useful (for example—specific finance training, as noted before).

One other notable result relates to knowledge about impact investing and social enterprise as an outcome of the training. 100% of respondents either agreed (41%) or strongly agreed (59%) that the FMS training increased their awareness and knowledge of impact investing and social enterprise.
The Scouts surely saw value in the content provided by the FMS training. To the extent that the Scouts accurately perceived their own strengths, the survey results suggest that the financial training provided by FMS may be particularly useful, since the majority of Scouts did not feel they would necessarily add value to enterprises in the area of finance before training. That is, financial training potentially has a higher marginal value than training in day-to-day operations, given the knowledge brought into the program by Scouts. Taking these skills and knowledge acquired from the program, most respondents believed they would bring value to start-ups, but there was much less certainty in the specific area of finance. In addition, the training seems to be achieving the target objective which was to expose the Scouts to the field. This exposure in turn pushes students and professionals into the field themselves (or to recommend others to do so).

The program has been successful in delivering value to the fellows through practitioner-led sessions that generate dialogue on technical and financial skills by both fellows and placements. Trainings in fellowship programs would be well served to further investigate a robust financial training module to provide the maximum value to their fellows. Furthermore, the surveys continually produced results that rated faculty highly in helping assist with career development. Potential fellowship programs and perspective fellows should develop/seek faculty who have extensive professional networks in the social enterprise/impact investing space because academic faculty might have fewer internal connections.

THE IMPACT OF PLACEMENT FOR A FELLOW

The Scouts reported widely diverging experiences around the field placements. Close to one-third of Scouts who had completed their placements identified it as the most valuable aspect of the program. Most of these Scouts specifically identified the career benefits as a result of the placements. Some of them found jobs or other internships out of the placement, and many noted the value of this experience as “real,” “valuable,” “credible,” and “amazing.” Others also noted the enhanced networks that came out of the placement.

However, even among those who highly valued the in-country placement, 60% said that the placement process and placement management could be improved. Most of these individuals identified placement logistics and in-country support from the US partner as the biggest problems. For instance, one Scout was “never once contacted” by the US partner organization, and this Scout “[had] no clue” if he/she had added any value to the US partner. Others used words such as “isolating” to describe the feeling they had in their placement.

In the larger body of those who finished placements (not just those who described the placement as highly valuable), 62% identified some component of the placement as the aspect of FMS needing the most improvement. Some of these responses related to support and communication, as already described, but another common complaint was that the partner organizations were not very well vetted. In a separate question, 56% of respondents described FMS, the placement partner, or both, as poorly managing the placement, corroborating the other data.
Among all respondents, including those who have not completed a placement, 57% noted some aspect of the placement process as the element needing the most improvement. Thus, even for those who do not take a placement, the placement process is still problematic (and it could be the poor process that makes some Scouts forego a placement, but there is no direct evidence of this). Some of the other issues mentioned included the meager financial support for the placement, a lack of visibility about the placement options available, and poor up-front logistics placing Scouts (some partners did not know Scouts were coming). Others discussed the general “uncertainty” around the process and its “unwieldy and opaque” nature.

Another factor may be influencing placement outcomes as well. Those who described the placement as one of the most valuable aspects of the program were more confident of their ability to add value to enterprises in the areas of finance or investment before training. On a five-point scale, those who described placement as the most valuable aspect of the program had a 24% higher average score on ability to add value in the area of finance before FMS (3.8 for those who highly valued the placement vs. 3.1 for those who had a placement but did not rate it as highly). This confidence in the area of finance warrants further consideration as a potential indicator of success in placements. The survey data indicates a case for prioritizing recruitment of strong incoming candidates: the best-prepared and most-confident candidates coming in add the most value to the enterprises through the placement experience. This idea of prioritized recruitment should be further explored in fellowship programs in order to gain valuable and committed fellows.

Nearly all respondents felt they added value to the placement partner. Only one respondent did not believe the placement partner valued him/her as a member of the team.

Approximately two thirds of those completing placements agreed or strongly agreed that they found themselves to be valuable additions to the firms’ teams, that the firms found them valuable to their teams, and that they had the adequate skills to fulfill their roles. Based on the partner surveys, these responses largely match up with partner perceptions about the value provided by Scouts.

Developing fellowship programs in the social enterprise and impact investing space need to identify which partners will provide the most valuable placement experience. Creating vetted connections with reliable U.S. and international partners to instill a sense of trust and compatibility for fellows will have substantial implications on the decision for a fellow to remain within the sector. One recommendation to improve the placement process could be to provide face-to-face video calls/interviews between the placement partner and potential fellow, increasing the pre-placement connection on both ends. Another could be to put the placement burden on the Scout and enterprise after an initial introduction. Finally, a full-time placement manager with practitioner (not only academic) experience would be critical to understanding the context of both the placement organization and the skills Scouts would bring to the placement.

Conclusions can be drawn from these results that the placements have the potential to be very valuable to the Scouts, but currently they are not widely seen as one of the most valuable aspects of the program. However, the fact that these individuals still ranked the placement as the most valuable aspect reveals that despite any weaknesses, many placements have still been successful. This is due to the strong local partners and the other
benefits of experiencing life and work in an emerging market. There is much room for improvement in partner placement, particularly around vetting of partners, logistics and support for Scouts once they are inside the country, and in communication about the options and timelines available.

The findings seem to suggest that fellowship programs, to be effective, should strengthen resources invested into the placement process itself. Both Scouts and placement partners require timelines, targeted job descriptions, and proactive communications. In the FMS experience, it seems that Scouts do not have sufficient information and the placement partners do not have sufficient bandwidth to initiate these. Our findings suggest that a successful fellowship program would proactively communicate with both Scout and placement partner, and this would be a wise use of resources when developing a program. Many of these recommendations are now being implemented at Impact Business Leaders, a new fellowship program that targets mid-career fellows who are looking to transition into careers in social enterprise or impact investing.

POST-FELLOWSHIP CAREER OPPORTUNITIES

Of the fellows who were surveyed, 81% of respondents agreed or strongly agreed that the FMS program made them want to continue their careers in the social enterprise/impact investment ecosystem. They also believed that the program was beneficial to their careers. Additionally, 68% agreed or strongly agreed that the program made them more marketable within this particular ecosystem, while 63% agreed or strongly agreed that the program made them more marketable in other career tracks as well. An overwhelming 91% agreed or strongly agreed that they would recommend the program to others looking to build their careers in social enterprise or impact investing. This suggests that they clearly see career-building value in the program.

Despite this, respondents were less certain that the program was responsible for actually providing new jobs or increasing responsibility and/or compensation in their current positions. Around 53% of responses were neutral on this question, though there were no respondents who disagreed. This data confirms the reality of the careers for most of the respondents. 72% of respondents desired a career in impact investing/social enterprise but did not currently have a job in this ecosystem. Only 13% said they sourced a job directly through their FMS experience or network.

The open-ended questions confirm that for most respondents, the career advancement provided by FMS has been mostly aspirational. As already mentioned, many respondents believed the placement provided them with strong experience that was desired by employers. Others described how it broadened their horizons into a field they had not been familiar with before. This feedback aligns with the fact that 75% of all respondents did not have professional experience in (or, as stated earlier, awareness of) social enterprise/impact investing before FMS.

Many others noted two additional aspects: clarification of career goals and networking. While only a few respondents could directly tie their job to FMS, many believed that the networks they connected with through FMS would eventually help them find a job. Several others mentioned the value of being clearer about what they wanted to pursue in their careers now that they had a better understanding of social enterprise and impact investing.
Thus, it seems that most respondents viewed the FMS program as having a positive impact on their careers, even though only a few of the respondents have seen tangible benefits linked to the program so far (in terms of jobs and/or responsibilities and income). There may be several other issues affecting the outcomes of the program in relation to Scouts’ careers. In particular, a weak economy may be making employers more selective and start-ups less promising, and it is widely known that the impact-investing sector is relatively small, limiting the number of available jobs even for those who may be well qualified.

As a result, the main outcome that can be attributed to FMS at this moment is that the respondents clearly believe the program is beneficial for their careers. Despite this belief, there is still a clear disconnect between that belief and the reality of obtaining a job in the impact investing and social enterprise space. Fellowship programs in this space can fill this void and reconnect fellows back to a vast network of interested employers. They need to begin to define their success more holistically. If only 13% of Scouts could source jobs directly through the program, evaluation on how it can improve must be researched. Analyzing similar programs would be a useful start.

Additionally, the Scouts may not ever fully know how important (or unimportant) the FMS program was to potential employers. Thus, the most accurate measure of the career value of the program may actually be simple impressions from the Scouts, as we have here. If so, the data implies that the program is very valuable for career development. While the researchers did not discern any obvious connection between career outcomes and which instance of the FMS program the Scouts participated in, connecting the value gained from the placements for the fellows by each program must be taken into account to improve fellowships in this space.

The findings seem to suggest that while the promise of a career seems to be the biggest attraction of fellowship programs, to date, there is limited data on the degree to which careers materialize. Fellowship programs have the opportunity to engage in creative thinking on how to address this problem. A “Career Services” function from program administration, for example, would likely be well received by fellowship program participants. Fellowship programs would be wise to remember that a post-program career is their primary value proposition to their fellows.

THE PLACEMENT PARTNERS

Before inspecting the results of the partner surveys, it is important to note that the data is limited. Of approximately 30 placement partners contacted, only 11 submitted responses. This is a similar proportion of respondents compared to the Scouts—but the Scout sample size was considerably larger (44 respondents). Thus, conclusions about the placement partner experience have been analyzed with caution and the understanding that biases could have skewed some results. For instance, we noted after the survey that placement partners who were most enthusiastic about the program might have been most likely to respond. The section below outlines the survey results focused on three areas: preparation (of both the partner and the Scout), Scout performance and value, and the availability of talent for partners. The broader implications on how fellows and partner organizations might better align their perspectives on values, preparedness, and outcomes of the placement are also discussed.
PARTNER PREPARATION

The respondents appear to have been well-prepared to receive Scouts. All but one respondent (91%) agreed or strongly agreed that before the Scout arrived, the partner believed the Scout would be able to add value to the partner’s firm. Additionally, 90% also agreed or strongly agreed that they had attempted to identify the best use for the Scout before he/she arrived, indicating a high degree of preparation by the partner.

As for the preparation of the Scouts, 82% of respondents agreed or strongly agreed that their Scout was sufficiently trained for the role performed. In open-ended responses, three of nine respondents (two skipped) mentioned that more analytic skills—especially in the area of finance—would have been useful, but none of the responses strongly questioned the basic premise that the Scouts were well prepared. So, it seems clear that among these placements, both the partners and the Scouts were well prepared for the placement experience.

SCOUT PERFORMANCE AND VALUE

Logically, one might assume that, if Scouts and partners profess good preparation before working together, the partners are more likely to value the work performed by the Scouts and their overall value. Indeed, the respondents did reveal a clear belief that the Scouts were valuable to their firms.

100% of respondents agreed or strongly agreed that the Scout was immediately valuable to the firm’s team and operations. Moreover, 100% agreed or strongly agreed that the Scout performed his/her role in an exemplary manner, with 63% strongly agreeing. In the open-ended questions, partners described the most tangible contributions provided by the Scouts such as “planning and execution” of programs, “networking” with the ecosystem, and “analyzing” ways in which the businesses could improve. One Scout was said to be “equipped with expert knowledge and drive” to develop an exceptional pipeline of enterprises, while another achieved “a big improvement” for the firm’s marketing strategy. It is also worth noting that 100% of the respondents agreed or strongly agreed that the placement made the Scouts more valuable on the job market (which aligned with the Scouts’ perceptions). Overall, the respondents saw significant value added by the Scouts in terms of the everyday operations, logistics, and execution of the enterprises’ overall mission.

While the partners clearly found the Scouts to be very valuable, it is less clear at first glance if this value could have been achieved without the Scouts. For instance, were the Scouts valuable because they were provided at little or no cost? Or was it because of a lack of local talent to fill the positions (i.e., superior training and skills of the Scouts)? Was the value provided by Scouts essential or simply helpful? That is, were the Scouts filling a need that would have gone unfilled otherwise because it was not a vital need or because there was not enough local talent?

If there are no close substitutes for the Scouts, then the value provided to partners is relatively high, since the alternative is to not receive any value at all. However, if there are substitutes for Scouts, then the value provided by Scouts is relatively less, since other employees could have obtained a similar value. Several other questions in the survey assisted us in garnering a better understanding of these central questions in this case.
To address these questions and concerns, we considered how important the tasks completed by the Scouts were. It is uncertain from the data whether the Scouts were filling jobs that the enterprises already needed, or whether the firms merely gave Scouts “work to do.” On the question of whether the Scout was filling an “essential” function, 30% disagreed or strongly disagreed, 40% were neutral, and 30% agreed or strongly agreed. For those firms that were neutral or disagreed, the implication is that either the role played by the Scout was not essential, or the role was essential but the firm did not have enough resources to consider hiring a regular employee. For those firms that agreed, we can assume that the role was essential. The uncertainty exhibited by the 40% neutral responses shows that many firms were not sure they actually needed to bring someone on (or were not sure about their resources). This suggests that the value added by many Scouts may not have initially been seen as essential, even though it was useful.

While the dataset is not substantial enough to draw firm conclusions, qualitative assessments of placement partners suggested no sector, stage of development, or job description difference between the “essential” and “non-essential” responses. The largest predictor of whether a Scout was filling an “essential” role was the answer to the questions of whether the request for a Scout was in-bound (the placement partner asked FMS for a Scout) or out-bound (whether FMS asked the placement partner to host a Scout). This should be a logical conclusion—fellowship programs would do well to have fellow requests be placement-initiated vs. organization-initiated (should they have the benefit of an in-demand program).

Nonetheless, 64% of respondents agreed or strongly agreed that they would like to retain the services of the Scout following the placement, and the rest were neutral. Thus, even if the value provided by the Scouts was not seen as essential enough by many firms to require a new employee (as considered before the placement), by the end of the placement the respondents clearly thought the Scouts were valuable enough to keep on as employees (if possible).

Indeed, more than half of the respondents invested financial resources additional to the basic requirements of the program in the form of a higher stipend or hiring after the placement because of the value provided by the Scouts. Together, these responses show that the value provided by Scouts was essential, but the firms may not have realized how helpful the value would be before the Scouts arrived. From this, the researchers identified the role of fellowship programs in social enterprise as an important internship program that allows employers/employees to formulate deeper connections in a complex space.

The data reveals an interesting paradox: 100% of placement partners said that Scouts “instantly” added value, but only 30% were adding “essential value.” In order to address the human capital gap, fellowship programs would be wise to focus on the 70% gap between the “nice to have” and the “need to have.” The recommendation of this report, based on in-depth interviews with placement partners, is that fellowship programs do not place fellows without a specific request and job description that is organization-initiated, even if this means a smaller fellowship program.
AVAILABILITY OF TALENT

Having established that the Scouts often provided essential value to their placement firms, even if the firms were not looking for the specific value that the Scouts provided, we then considered if Scouts uniquely provided this value or if local talent could provide the same value. Asked if the firms had a difficult time replacing the role played by the Scout after the placement, only 18% agreed or strongly agreed, while 27% disagreed or strongly disagreed, and 55% were neutral. The meaning of the large amount of neutral respondents is slightly confusing until one considers another question: 64% of firms agreed or strongly agreed that they would like to retain the Scouts’ services beyond the placement but did not have the financial resources to do so, while 27% were neutral and 9% disagreed. Thus, it seems for many firms, the most important limiting factor was financial resources, suggesting that the FMS program provides significant value in relation to its low cost.

Indeed, it seems clear that this is a very important factor when considering two other questions. 64% of respondents disagreed or strongly disagreed that they were not able to hire talent locally to fill the role of the Scout (another 18% were neutral). But despite this availability of local talent, 64% also agreed or strongly agreed that they would like to have a permanent rotation of FMS Scouts working for their firm (another 27% were neutral). Finally, 55% agreed or strongly agreed that they would prefer locally sourced Scouts to international Scouts (27% neutral) if such an option existed.

These questions tell a story for respondents. First, the Scouts provided excellent value to the partners, though perhaps in unexpected ways—yet in most cases, the value was helpful but not essential. Second, there is plenty of talent locally available for the partners to substitute for the Scouts. Third, despite this local talent, partners still want to use the Scouts, though a small majority would prefer that the Scouts be local. Finally, the cost of retaining Scouts beyond the placement is difficult. So, why do the placement partners prefer Scouts?

These various facets point to a key potential hypothesis: cost is the key value proposition to placement partners. The FMS program provides talent at a recommended stipend of $250/month - well below what comparable local or full-time talent (who would likely not take such low pay) can afford. Scouts are willing to take well-below-market salaries because their primary value proposition is career development, not meaningful work; Scouts are most likely to have monthly expenses beyond the $250/month stipend and fund the rest via savings for career development.

This has three major implications for the concept of fellowship programs-as-human-capital development. First, the focus on costs for enterprises suggests that the biggest constraint for start-ups may not be available talent—the gap is resources to pay for available talent. Funders and investors interested in human capital ought to find ways to fund appropriate human capital development. Two foundations that make “human capital grants” to start-up organizations—Potencia Ventures and the Shell Foundation—focus on appropriately compensating management in a way that enables enterprises to build effective human capacity early. (Or in the words of one funder: “If you pay peanuts, you get monkeys.”) Financial resource constraints to compensate staff in the social entrepreneurship/impact investment ecosystem are a major barrier to growth.

Second, due to the lack of resources, fellowship programs require an implied subsidy at some point. In the case of the FMS program, the subsidy is borne largely by the fellow—who is accepting a low wage in exchange for an
educational program. One potential risk in this model is that fellowships are largely limited to individuals who have the personal means to bear the subsidy. In other programs, the subsidy is borne by philanthropic funders. Yet in this model, fellowship programs can become quite expensive and difficult to scale.

Finally, the bounded nature of placements creates a risk to long-term growth. Since the Scouts are barely retained, placement partners need to be thoughtful about what they are having Scouts do and why they are doing it. Some Scouts undertook bounded-end projects (e.g. a pricing analysis of an organization’s supply chain) that had a fixed deadline and were able to be handed off to the core team of the startup; others played more central operational roles that were difficult to replace post-fellowship. Social enterprises and impact investors can mitigate this risk by “clearly defining roles and responsibilities” for Scouts, and not having them serve as general management. Fellowship programs should not be replacements for a key need of start-ups: quality middle-tier managers.8

AN INDIAN DIFFERENCE?

With the survey results about sourcing local talent from the local partners in mind, the next section looks more specifically at the opportunity of expanding the FMS program to India. Specifically, six of the eleven respondents to the partner survey were located in India, and there were a few differences worth noting between these respondents and those located elsewhere. Given the small sample size, we could not say if any of these differences are statistically significant, but they are worth considering in future research. All differences are discussed in terms of average scores on the 1-5 scale, with 1 being “strongly disagree,” 3 being “neutral,” and 5 being “strongly agree.”

First, it appears that Indian partner preparation for Scouts was more substantial than that of non-Indian partners. In a self-assessment, Indian partners averaged 4.8 compared to 3.8 for non-Indian partners concerning their preparation for Scouts to join. This may be because Indian firms were also more likely to have been looking to employ someone to fill the Scout’s role before the Scout arrived. Once the Scouts arrived, however, there were no considerable differences in the Indian ratings of the Scouts’ preparation or value. Like the majority of non-Indian respondents, the Indian respondents found the Scouts to be well prepared and valuable to their firms.

The Indian respondents provide strong evidence for our hypothesis about the importance of cost versus the availability of talent. They disagreed slightly more than non-Indian firms when asked if they were not able to hire local talent to fill the role provided by the Scout (2.3 Indian vs. 2.6 non-Indian). Indians also scored 4.0 compared to 3.0 when asked if they would prefer a locally sourced Scout as opposed to an international Scout. These answers showed a stronger preference for local talent than was seen among non-Indian respondents (See Appendix).

Despite the availability of talent in India and the preference for Indian Scouts, the Indian respondents also clearly wanted to stay involved with the FMS program. They scored 4.3 when asked if they would like to have a permanent rotation of FMS Scouts working for them, compared to 3.2 among non-Indians.

Indian partners were also considerably more likely to cite financial constraints as limitations to their ability to retain Scouts. Indian firms scored 4.3 compared to a non-Indian score of 3.2 when asked if they would like to keep on Scouts after the placement but were unable to do so because of insufficient financial resources. Thus, based on this limited data, in India even more than the group as a whole, local talent is available and preferred, but costs limit the ability to engage this local talent. Given this constraint, Indian firms still clearly find value in the international Scouts.

**CASE STUDY: FMS IN INDIA?**

To explore whether “in-country” vs. “international” fellowships are more effective, we explored the test case of FMS expansion to India. The FMS program is considering the potential to expand its reach to India in coming years by setting up a similar training program that would be run out of an Indian university and would place Indian Scouts within India. This program would be very similar to the current FMS program, except that it would operate entirely within India (in terms of both sourcing Scouts and placing them). The goal of this expansion would help support a more expansive ecosystem of top young professionals seeking entry into the social enterprise space. This program has the opportunity to help close the talent gap in the social enterprise space in India and alleviate the difficulties of scaling that many start-up enterprises face.9

To begin determining what type of appetite there would be for this kind of program in India, we interviewed three Indian contacts who were associated with possible host universities. Two of the interviewees were connected with the Indian Institute of Technology Madras (IITM) and its Center for Social Innovation and Entrepreneurship (CSIE). Both of these interviews were conducted via email. The third interviewee was part of the incubation center at the Indian Institute of Management Ahmedabad (IIMA), and he was interviewed via Skype. One of the contacts at IITM was a former entrepreneur, as was the contact at IIMA. The IIMA contact had also hosted multiple Scouts as a fallback organization when another partner fell through.

Interviews with in-country partners may provide a useful context for individuals considering similar fellowship programs in-country and out-of-country. The following sections focus on topics such as interest in social enterprise, training options and the institutional environment, and societal hurdles.

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INTEREST IN SOCIAL ENTERPRISE

All three interviewees agreed that interest in entrepreneurship and venture capital was growing in India, especially among students. The IITM respondents noted that faculty did not seem as interested in entrepreneurship compared to students, and the IIMA respondent noted that faculty were not very likely to become entrepreneurs themselves but were very supportive of student entrepreneurs. The IIMA respondent estimated that roughly 5% of students would be willing to quit current jobs or turn down future jobs in order to start their own enterprises, as long as they had a solid support network. Compared to the US, this respondent thought interest in entrepreneurship was still considerably lower, but improving.

For social enterprise in particular, the respondents saw interest growing, but the current state of interest is clearly lower than that of traditional entrepreneurship. One respondent described social entrepreneurship as a “second option” rather than a natural inclination. However, he also noted that there was a perception that social enterprise was “cool,” and social enterprise events drew students well.

The IIMA respondent corroborated the notion of social enterprise as a second option. In particular, he stated that most interest in start-ups comes from the middle class in India and tends to be focused on wealth creation. Doing good as a part of the enterprise is a secondary consideration. He estimated that only 10% of would-be entrepreneurs have a strong focus on using their enterprises to ‘do good’ (of the original 5% of all students interested in starting enterprises – so 0.5% of all students). The IIMA respondent also pointed out that there is a substantial debate going on in the academy (particularly involving IIMA professors) about the economic viability of social enterprises. IIMA professors have also contributed to the debate on microfinance that has come to a head in recent years in India (due to the number of suicides among microfinance recipients).

While there is some skepticism over making the jump from work or school into an enterprise, the fact that debates and conversations are occurring at the university level in India indicates that there is a potential for interest in entrepreneurship to rise in the coming decade. With nearly 770 million of the poorest people in India living in rural areas, innovations in agriculture, healthcare services, and clean technology can be used to help lift these people out of poverty.10 There is a growing opportunity for young, local, and talented minds to come together and create disruptive solutions to some of India’s most pressing social issues through innovation and entrepreneurship.

In conclusion, a fellowship program placement in India would provide an effective complement to training, resources, and a network of practitioners in the field of enterprise. What would be most valuable, related to the further findings, is to first build stronger relationships with on-the-ground enterprises so that smart, effective, and useful placements are sourced; and second, recruit more Scouts from in-country that could be potential post-program hires for companies, mitigating the risk of “fellow turnover.”

TRAINING OPTIONS AND THE INSTITUTIONAL ENVIRONMENT

There were mixed impressions about the current availability of training options similar to FMS in India. For example, IITM offers minor tracks in Innovation and Social Entrepreneurship, providing some coursework in the area. One of the IITM respondents still thought that the FMS program would constitute a significantly new offering to India compared to existing options, but the other respondent thought the FMS program would not be completely new. He cited the Villgro program as being analogous. However, he also thought that more options were needed, so an FMS-like program in India would still be useful.

The IIMA respondent thought that FMS would be significantly new for India, as there is currently “very limited formal training in social entrepreneurship available.” He noted that this was especially the case at IIMA. Two respondents thought the demand for such a program would vary by university and by city (among students). However, these two respondents also discussed the importance of a competitive stipend for Scouts, since the placement portion of the program would be competing with traditional placements (more on this below).

One IITM respondent thought that a partnership between FMS and IITM would fit well and should be possible, but the two other respondents expressed hesitancy about hosting the programs at their institutions. First, the other IITM respondent noted that the procedural needs at the university “might be quite tedious since this does not fit with the ‘core’ activities of the institute.” He also thought it would be difficult to find someone who could “champion and administer” the program (he noted that while he liked the program, he could not personally support it). On the issue of using university space, he saw potential problems because “we have a huge space crunch on campus as it is.” Overall, he thought “this would work best outside the IIT setting.”

The IIMA respondent expressed hesitation as well, but focused on different issues. As one of the world’s leading business schools, IIMA is already able to get leading social entrepreneurs into its relevant classes, as are other top-tier business schools. In general, IIMA has a greater supply of guest speakers and partners than it can accommodate. So this respondent was not sure that the institute would see value in the program, especially since the FMS program tends to rely on donated classroom space. The respondent suggested that IIMA would probably require payment to host the program. Overall, he thought most of the top-tier business schools would be “skeptical” about hosting this type of program. Having also hosted some Scouts unexpectedly, this respondent was “not really sure about the quality of their work.” However, he wanted to wait to assess the value of the Scouts after the next set has finished (in a more prepared environment) as the current relationship was more ad-hoc.

CULTURAL HURDLES

The IIMA respondent in particular had a lot to say about Indian culture and its impact on aspiring entrepreneurs. Historically, the respondent described how entrepreneurship is “looked down upon” as a second-rate type of employment. He personally quit a corporate job several years ago to become an entrepreneur (before his current role), and he described the many people he knew who wondered why he had left a good job, thinking he may
have been fired. He felt that the societal view of entrepreneurship has improved considerably in the last five years, but despite this fact, he doubted if he would be able to get a job in the corporate world again if he wanted to return to it (except with his previous employer). Such is the remaining suspicion of those who quit jobs to become entrepreneurs.

In a similar vein, he noted that gap-year work or internships were often also looked down upon or viewed with suspicion. Such work is viewed as out of the mainstream, and the respondent felt that taking such a placement after graduation might make it difficult to break into the corporate world afterwards. This is significant because he thought the FMS norm of 6-month placements would be difficult for students during their time in school within the fairly rigid Indian academic system. Thus, they would only be able to take this type of placement after graduating, bringing possible problems afterwards in terms of the job search.

One alternative is to have only 3-month placements, which are more normal for students (during the summer). He thought this length would appeal to students but would be less helpful for the placement partners, who want more time to allow the fellow to properly onboard and be able to add value. Moreover, these shorter placements would compete with traditional 3-month placements that are already part of the academic system. In sum, this respondent thought the FMS program would have to perform some “structural wizardry” to overcome these problems.

The respondent also mentioned another alternative that the Indian School of Business was considering - placing students who are admitted to the business school with social enterprises for one year before they begin school. Then they come to business school following the placement, and they have not closed the door on any other possible career options (i.e., they do not have the stigma of the gap-year work). This new solution has the potential to overcome the cultural hurdles.

CONCLUSIONS AND RECOMMENDATIONS

In summary, a number of conclusions can be drawn based on the data assembled. But it is important to remember that the data only represented a sample of the relevant parties, so we should be cautious to not be excessively certain. The conclusions and corresponding recommendations will be divided into sections for the Scouts, the partners, and India.

THE SCOUTS: CONCLUSIONS

It was clear from the data that the training was widely considered to be valuable for the Scouts. The Scouts all felt that after the training they could add more value in the day-to-day operations of enterprises as well as in specific financial tasks. Given that Scouts felt less prepared in the area of finance, the financial training was of particular use. Even so, several partner organizations still mentioned that more financial analysis capability in the Scouts would have been useful.
About one third of the Scouts who took placements felt that the experience abroad was the most valuable aspect of the program. Among these, there was some indication that prior financial experience may have enabled these Scouts to make more of their placements, though this hypothesis needs further testing. However, there was also wide recognition that the placement process needed considerable work. Some Scouts also described a lack of in-country support from the organization that placed them.

Though only a minority of Scouts had leveraged their experience into tangible career outcomes, most Scouts believed that the program significantly contributed to their career development. The partner organizations also believed that the Scouts’ experience boosted their career options. Thus, while it may be difficult to measure the precise impact the FMS program has on Scouts who do not directly enter the field of social enterprise or impact investing, it seems that the program has been successful at improving the career opportunities for them.

For future fellowship programs looking for an effective model, focusing on career development of Scouts and core, targeted placement opportunities with enterprises will be the key to attracting high quality talent and maintaining it in the social enterprise/impact investing sector to help close the talent gap.

In conclusion, we have targeted three key recommendations to fellowship programs. First, over-invest in placement. Ensure that placements are in-bound requests from partners, not out-bound requests from the fellowship program. Recognize that the fellowship program will bear the primary responsibility for proactive communication with both placement and fellow. Second, recognize that fellowship programs must be subsidized, and be smart about who is subsidizing what. If the fellow bears the personal costs, that may be an effective strategy, but inherently limits the candidate pool. It is unlikely that the start-up will be able to bear the full cost of a fellow, and funders who subsidize fellowship programs for start-ups are rare. Finally, ensure that the program actually builds capacity for the organization, either by creating a bounded-end assignment (ideal for international fellows) or creating a path to full-time employment (ideal for local fellows). Fellowship programs would do well to ensure a lasting contribution to start-up enterprises that have little bandwidth and capital for distractions.

THE FUTURE OF FELLOWSHIPS PROGRAMS IN SOCIAL ENTERPRISE

After complete analysis of the survey, several recommendations can be drawn. The most pressing conclusion was to increase the amount of technical financial training in the FMS program. The financial training that was included seems to have been highly valued, but partners also want more. Given the short time-span of the program, if more hands-on time is not feasible, some pre-work or provision of access to financial analysis resources may be useful. Another option would be to focus Scout recruitment more heavily among those with financial experience.

Moreover, the surveys suggested that more time and resources must be dedicated to the placement process. This is probably the most important recommendation. The accounts of the rushed, opaque, and generally inscrutable placement process could easily be improved with more planning and attention. More human resources should be
committed to this process to ensure the needs of both Scouts and partners are met. This, in turn, will improve the value attributed to the placements.

An addition to this recommendation would be to further dedicate more time and resources to in-country support or eliminate the expectation of this support. Several Scouts expressed a desire for more contact with US-based sponsors during their placements. Similar to the previous recommendation, the key deficit seems to be in the provision of time and human resources to addressing the Scouts’ needs. If local partners are strong, US-based sponsors may prefer to leave support to the local partner. In this case, they should clearly communicate the reality of the situation before the placement occurs. However, doing so also risks the loss of value attributed to the US-based sponsors and possible perception that local firms do not need the US-based partners.

Finally, providing post-placement services for further career development will help maintain the talent into the FMS program. Organizing career-related events or services for FMS alumni might boost the chance of providing more jobs to Scouts. This would also require more time and resources and may not be worth the effort given the positive perception about career development and FMS already, but it would certainly boost that positive perception even more.

In doing all of these things, fellowship programs can close the talent gap by (a) giving organizations human capacity they otherwise could not afford; and (b) providing an on-ramp for talented young professionals to get into organizations that they otherwise would not have an avenue to reach.

THE PARTNERS: CONCLUSIONS

Based on the fairly small sample size of partner organizations, several conclusions can be drawn. First, both the Scouts and the partner organizations were fairly well prepared for the placements. Second, and very importantly, the partners saw clear value in the Scouts’ performance. The Scouts were immediately able to add value to their placement organizations, and many partners wanted to continue their relationship with FMS on a permanent basis.

A key part of the value provided by the Scouts seems to be in their low cost. Many of the partners felt that local talent was available for jobs filled by the Scouts but they were still enthusiastic about the FMS program. This was especially the case in India, where financial resources were a significant constraint on partners’ ability to attract or retain talent. Indian firms also seem to prefer local talent when it is possible to obtain. Thus, the value provided by Scouts does not appear to be specifically linked to their abilities, for which there tend to be substitutes locally. However, there is no substitute for their skills at the low price for an FMS Scout.

Through careful placement and expectations management, fellowship programs can ensure that their primary value to enterprises—quality talent at affordable prices—enables good support to ventures in a way that does not open the long-term risk of high turnover for critical functions.
EXPANSION TO INDIA: CONCLUSIONS

General interest in entrepreneurship as well as social entrepreneurship is growing in India, especially among students. However, social entrepreneurship is still considered to be a secondary career path, and there is some stigma associated with leaving more traditional career paths. Additionally, university faculty seems less interested in social enterprise than students.

While there are some limited training options for entrepreneurs, there was general agreement that the FMS program would be a fairly new offering for India that could be very useful for the students involved. However, the interviewees described a number of constraints stemming from the institutional and societal environments.

One interviewee expressed that the top-tier institutions were not likely to be very interested in an FMS-like program, not seeing the benefits such a program would bring to these institutions. Additionally, some business schools are heavily limited on space. The fairly rigid academic system in India also might limit the students’ ability to take longer placements, which are preferred in FMS. FMS placements would also be competing with more traditional internships and would likely need a competitive stipend. Finally, there is still resistance to entrepreneurship in general as a field that is “looked down upon” compared to other forms of employment. Thus, there are some significant hurdles to expansion to India.

EXPANSION TO INDIA: RECOMMENDATIONS

Our research has developed three key recommendations for fellowship program development into India. First, fellowship programs need to consider the local context of how young professionals think about careers. For India, specifically, considering placements for six months or one year after admission to graduate school but before beginning classes will be more culturally competent. One interviewee suggested that this model was already being considered in India and would be more acceptable, leaving all career paths open for students.

Second, understanding the key partnerships based on the available talent pool—and the value proposition of fellowship programs in general—is critical. In the Indian case, partnering with mid-tier universities would assist in generating a larger pool of applicants early on. The FMS program may have less to offer to top-tier institutions like IIMA because they are already able to attract high quality students and practitioners.

Finally, a high degree of engagement with enterprises to ensure effective placements and job descriptions is critical, and an in-country partner who talks with a broader range of contacts in India would help further assess the viability of specific placements. Currently, the data is very limited, so more study is needed.

Fellowship programs, including the FMS program, have produced promising results to date. This case study provides clear guidance on areas that, while delivered in the specific context of FMS, could be improved to make these programs even stronger. Hopefully, this report will aid in strengthening fellowship programs worldwide.
Indian vs. Non-Indian Partners

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1= Strongly Disagree, 3 = Neutral, 5 = Strongly Agree

- Attempted to find best use for scout
- Before scout’s arrival, were looking to employ someone to complete the role given to scout.
- We would like to retain the FMS or comparable talent beyond the six month placement, but do not have the financial resources to do so.
- We would prefer to hire a local FMS scout than an international FMS scout.
- We are not able to hire talent locally to fill the role that the FMS has provided.
- We would like to have a permanent rotation of FMS scouts working with our firm.