

SEED INSIGHT

Theme 2 - Monitoring and assessing progress

Critical Success Factors for start-up sustainable development enterprises

Drawing from the literature about social and environmental entrepreneurship, and empirical research with SEED Award winners, this Insight suggests eight critical success factors for start-up sustainable development enterprises. It is based on research by the International Institute on Sustainable Development (IISD), for the SEED Initiative. Thanks are also due to SEED's Award Winners for their valuable contributions.

The **SEED Initiative** identifies, profiles and researches promising entrepreneurial approaches to locally-led sustainable development in developing countries, and provides partnership building and capacity development through a tailored support programme for start-up sustainable development enterprises.

This paper should be read in conjunction with SEED's Insight on Key Performance Indicators. Briefing notes on other topics in SEED's Insight series are available online from the SEED website: www.seedinit.org

Why these success factors are needed

In many countries with developing economies, the growth of micro-enterprise provides the most visibly vibrant and growing economic activity; it offers the potential for both increased livelihood among poorer populations and environmental benefits. Although considerable effort and resources are being directed toward promoting micro-enterprise, empirical research on the subject is quite limited on success factors, especially where environmental and social benefits are being sought at the same time. Meanwhile, practitioner information on success factors and performance measurement, while richer in content, often looks at enterprises which are already operating rather than seeking to determine if a new enterprise has the right ingredients of support to be successful.



Institut international du développement durable

http://www.iisd.org

Theme 2: Monitoring and Assessment

Critical Success Factors for start-up sustainable development enterprises

Applying these critical success factors

The eight critical success factors identified through this investigation form the basis for a robust rapid assessment process for social and environmental enterprises. They can be used:

- by enterprise leaders, to determine in the early stages of their development whether they have the critical elements in place for successful growth.
- by SEED itself, by other similar recognition and reward programmes, and by development assistance agencies, foundations and venture capitalists to help determine the likelihood that an enterprise will succeed, and so guide decisions about levels of investment and support.

These critical success factors will need to be tailored to fit the circumstances and parameters of any specific venture. Some examples are in the annex.

Eight Critical Success Factors

- 1) **Leadership**: The commitment and continuity (able to sustain involvement for the long haul) of one or two individuals to lead and coordinate the enterprise is essential.
- 2) **Partnership management:** The ability to negotiate and maintain a core set of relationships for the benefit of the enterprise is important for growing the enterprise and ensuring equitable benefits.
- 3) **Proof and clarity of innovative concept**: Not only is it necessary to be able to explain the concept clearly, but testing and external validation is essential to demonstrate that a new *idea* has market potential.
- 4) **Business planning and marketing**: The leaders of the enterprise have business and marketing skills, or they have access to those skills in their key partners, or they have ready access to training to attain these skills.
- 5) **Triple bottom line planning**: The conscious and deliberate alignment of economic benefits with social and environmental benefits is an important element of achieving sustainable development.
- 6) **Short and long-term benefits management**: The enterprise should demonstrate how it is planning to deliver not only longer-term benefits for its stakeholders (including how those benefits will be shared), but also the short-term benefits that will keep stakeholders engaged and committed to the enterprise.
- 7) **Community engagement:** Long term success and sustainability depends on the successful engagement of the local stakeholders and beneficiaries.
- 8) *Risk management*: Demonstrated planning for mitigation of risks and externalities helps ensure the long term functioning of the enterprise.

ANNEX: Examples of the application of some of the 8 critical success factors identified by SEED for specific types of enterprise

Type of enterprise	Examples of Critical Success Factors
Production and marketing cooperatives: Established to collectively own and manage the production and sale of goods e.g. agriculture cooperatives; arts cooperatives	 Sufficient equity before start up Maintaining an adequate business volume; Keeping and distributing accurate financial records; Previous cooperative experience and continued management training for both the board and manager; Marketing agreements
Community services Established to supplement services provided either by the public or private sector, where those services may not meet the needs of everyone in the community, especially the poor and marginalized; or to provide services where none exist. e.g. utilities; waste collection and recycling; community communications (community radio, TV, tele-centres); health; education.	 Management expertise Access to professional and technical support Enabling legal/regulatory environment Coordinated support (working with public sector agencies) Community ownership (social capital)
"Green" products : Marketing of products originating from sustainable production practices or manufactured from waste products	 Business planning Following industry standards Marketing; in particular, understanding the green consumer market Participating in labelling/certification schemes Enabling state/national policy environment
"Green" services: Services designed to promote enjoyment of and respect for local social and environmental assets e.g. Ecotourism; Traditional healing services with traditional medicines and practices	 Developing synergies with other established services in the sector Collaboration with other businesses Effective target marketing Key personal qualities for front line service delivery Personal networking
Ecosystem services management: Promotes the rational use of the surrounding ecosystem to provide the highest sustainable quality of living for the community e.g. setting up parks, protected areas to help manage a resource base (such as a watershed)	 Must become part of the local community; Active and effective project champions; Getting stakeholders to agree on courses of action through encouraging active partnership and participation; Strategic identification of priority areas; Good integration with other biodiversity agencies

SEED Partners

SEED is a global network founded in 2002 by **IUCN** (the International Union for Conservation of Nature), the United Nations Development Programme (**UNDP**) and the United Nations Environment Programme (**UNEP**). Major Supporting Partners are the governments of **Germany**, the **Netherlands**, **South Africa**, **Spain**, the **United Kingdom** and the **United States of America**.





