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# **Agora: Impact Accelerator**

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We had to ask ourselves: Do we align ourselves better with investors or with entrepreneurs? Both Ricardo and I are entrepreneurs, so it was clear that we could add more value by focusing on accelerating impact entrepreneurs, making them more visible to investors, but also helping them with social and human capital which are often even more important than investment. – Ben Powell

In late 2010, Agora Partnerships selected its first class for the Impact Accelerator. Though still a work-in-progress, the first three classes of the Impact Accelerator have consisted of an intensive six- to nine-month program with four stages designed to provide outstanding entrepreneurs in the Americas with access to the human, social and financial capital they need to speed the growth of their businesses.

#### Impact Accelerator Program

Stage 1: Entrepreneur Retreat (late January)

Stage 2: Business Consulting (February to May)

Stage 3: Investor Conference (late May)

Stage 4: Deal Closing (June to July)

Agora sees the accelerator as a natural evolution of its focus on ecosystem development and impact investment. The program aims to assist early-stage companies addressing social and environmental issues in extremely poor places—precisely the kinds of places that scare away traditional investors and aspiring entrepreneurs but that desperately need their energy and the jobs they create.

## Selection

In terms of geographic scope, Agora limited the 2011 class to entrepreneurs in Central America. With the 2012 class, however, it added Mexico to its footprint and in 2013 it extended the program to any Spanish-speaking entrepreneur in Mexico, Central America or South America.

#### 1 Impact Accelerator

#### GIIRS

The GIIRS scoring system awards companies points on the basis of their governance, their treatment of employees, their effects on the communities in which they operate and their impact on the environment. These component scores sum to produce an overall score that ranges from 0-200 (with higher scores being better). Companies receiving scores of 80 or more also receive stars (akin to the Morningstar ratings of mutual funds):  $\star\star\star$  80 to 99.9 points;  $\star\star\star\star$  100 to 124.9 points; and  $\star\star\star\star\star$  125+ points.

In screening candidates for the Accelerator, Agora has imposed strict guidelines. To be considered, companies should still be at an early stage. They nevertheless must have already achieved at least \$50,000 in annual sales and have the potential to grow at more than 30% per annum for at least the next three years.

In selecting among those that meet these standards, Agora evaluates candidates for the accelerator program on three criteria: (i) the quality of the entrepreneur, (ii) the business case, and (iii) the expected social and environmental impact of the business.

Of these criteria, Agora considers the quality of the entrepreneur most important. Agora entrepreneurs must demonstrate integrity, leadership, and a commitment to contributing positively to society through business. They must also have demonstrated abilities to learn and to grow as leaders.

In terms of the business, Agora prefers innovative and scalable business models that have been constrained in their growth due to insufficient capital. Companies must have proven initial results, pre-existing accounting, operating, and management systems, and a strategic plan for growth.

Finally, the business must contribute positively to society and the environment. To assess these contributions, Agora experimented in the 2012 class with an informal evaluation along the lines of the Global Impact Investing Ratings System (GIIRS). In selecting the 2013 class, however, they moved away from this scoring to a relative ranking.

Though these procedures seemed popular with Agora's donors and partners, Ricardo admitted that:

If you go to a successful businessman in a place like Nicaragua or Haiti, they will look at our model and think that we're completely overcomplicating the issue. All these standards and goals and all of these requirements, they will

say, distract from the [entrepreneur's] core mission of growing the company and creating jobs and creating growth.

Ben adds, however, that, "If [these requirements] distract the entrepreneur, then we have failed." These processes and standards have been developed with the intention of helping the entrepreneur. The problem, Ben notes, has been that "entrepreneurs have generally not been involved in developing them." Agora therefore has been active both in educating entrepreneurs as to the benefits of adopting these standards and in helping B-Lab and others to develop procedures that entrepreneurs find useful.

Using these criteria, Agora selected nine entrepreneurs for each of its first two classes (for a complete list of the 2011 and 2012 classes, see Exhibits 1 & 2). In the 2013 class, it expanded to 26 participants. The businesses chosen have ranged widely, from biotech to building blocks.

#### CO<sub>2</sub> Bambu

Ben Sandzer-Bell, a dual French-US citizen with 25 years of experience in the aerospace industry, Peta Kaplan, an artist with dual South African-US citizenship, and Dr. Roberto Ferrey, a Nicaraguan who formerly served as the Ambassador to Chile, founded CO2 Bambu to produce eco-friendly, affordable, flat-pack bamboo housing for low-income communities in Nicaragua. It has three core businesses: (i) disaster relief housing, (ii) mid-sized low-cost housing, and (iii) larger structures, such as schools.

All of its products use fast-growing bamboo as the primarily material. To minimize the impact of their trees on the local environment, they collect the seeds for their bamboo plantations from local, indigenous species. The company controls the entire value chain, from growing and harvesting the trees, to designing structures, to processing the bamboo and creating pre-fabricated kits for the buildings, to assembling the structures in the field.

CO2 Bambu in many ways represents a model for impact investing. In addition to operating in an eco-friendly manner, the company helps to reduce greenhouse gas emissions through reforestation and through the use of bamboo in place of materials such as steel and concrete that require heavy machinery for construction, and therefore that entail larger carbon footprints. It's also good for the local economy. At the time that it entered the Accelerator program, it had already created 82 jobs, mostly employing people from the indigenous population (in rural communities where unemployment can run as high as 85%).

Consider a couple of their participants. Byoearth, founded by Maria Rodriguez, transforms biodegradable waste into organic fertilizer. The company expects to process more than one million pounds of waste in 2012 and has received a GIIRS rating of 113.3. Maria wants "people in Guatemala to know that waste is really wealth." Chris Haughey and his brother, Will, the founders of Tegu, a manufacturer of wooden building blocks that incorporate magnets, meanwhile hope to "show the world that developing countries can compete at the global level with excellent design and quality."

# Program design

Although many accelerators bring entrepreneurs together physically, co-locating them in an office space for some period of time, Agora operates as a virtual accelerator. It organizes conferences, seminars and workshops that allow the entrepreneurs in each class to meet one another but their businesses remained located wherever they had been started.

The accelerator program opens with one such activity, the Entrepreneur Retreat, a week-long event, at which entrepreneurs interact and receive intensive education and mentoring. Past graduates from the accelerator program also attend the retreat both to help mentor the incoming class and to build social connections across the classes. Much of the retreat has been designed to foster peer-to-peer feedback and interaction. One participant, Francisco Cordero (founder of Laudex), described it as "like a spa for entrepreneurship, a great opportunity to get away from the day to day and recharge our energy with new insights, deep introspection, and a fresh outlook for the future of our companies."

After the retreat, Agora entrepreneurs continue to receive extensive consulting. Some comes through matching teams of MBA students to the Agora entrepreneurs but Agora has also been building a systematic approach to advising entrepreneurs. Ben and Ricardo, with help from Agora Fellows – one-year post-MBA interns – have been creating lists of questions that entrepreneurs should be able to answer. Once these materials have been completed, they should allow Agora to integrate advisors more rapidly, to increase its capacity for helping entrepreneurs and to produce more consistent advice across engagements.

But, as Ben points out, "You can do all of this stuff, but at the end of the day, [the company] needs a term sheet." The program therefore culminates in the investor conference, Impact Investing in Action, which gives participating entrepreneurs the opportunity to pitch their businesses to investors. Initially, the investors at the conference came primarily from Ben and Ricardo's personal contacts. But, beginning in 2012, Agora began

to build the Agora Investor Network, essentially an open group of angel investors with an interest in impact investing. Of the nine companies in the inaugural class, five found financing through the conference, closing a combined \$2.5 million in deals (Exhibit 3).

Many of the participants nevertheless appear to value the program even if it does not result in a term sheet. Ricardo Destarac (founder of DoGood), espoused that "Even if we don't secure funding, we have already won: we are a stronger team with a healthier business model." Given this enthusiasm, it's not surprising that "[past participants] have become [the program's] biggest champions," according to Ben.

# **Business model**

Given that Agora no longer invests directly in the businesses that it assists, it needed another means of generating revenue. As Ricardo put it, "We're intensely focused on trying to move toward a more revenue-generating model."

Rather than requiring entrepreneurs to cede equity in their ventures, participation in the accelerator required cash payments. Entrepreneurs selected for the program could choose among three options, depending on their needs. The prices for these options had roughly doubled from one class to the next. For the incoming 2013 class, Agora offered the following menu:

- \$995 for the Entrepreneur Retreat + \$350 per month for the complete program (a total of \$5,195)
- \$995 for the Entrepreneur Retreat + \$250 per month for the business consulting (a total of \$3,995)
- \$995 for the Entrepreneur Retreat + \$150 per month for access to the Impact Investing in Action conference (a total of \$2,795)

Those who pay the entire amount in advance receive a discount, and Agora does have scholarships available for promising entrepreneurs who may not have the resources to pay the fees.

Even after the program ends, entrepreneurs can continue to participate in many of the Agora events and remain a part of the community as long as they continue to provide information on the success and on the environmental and social impacts of their ventures. In the future, however, continued participation may also require graduates to pay some subscription fee.

The Accelerator has turned out to be a phenomenally effective model but everyday we're still trying to figure out if it is the model that will allow the most impact at the largest scale and will we be able to sustain it.

- Ricardo Terán Terán

This case has been developed with the cooperation of Agora Partnerships and has benefited from the comments and research assistance of Neela Pal (MBA Class of 2013). It has been developed for pedagogical purposes and does not serve as an endorsement of the organization in question or to illustrate either effective or ineffective management techniques or strategies.

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## **Notes**

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Exhibit 1: Impact Accelerator Class of 2011

Company	Country	$2010~\mathrm{Rev}$	$2011~{\rm Rev}$	2010 Rev 2011 Rev Description
CO2 Bambu	Nicaragua	\$271K	\$450K	\$450K Constructs sustainable, affordable housing using native, fast-growing bamboo.
Café Las Flores	Nicaragua	\$733K	\$1.19M	Produces sustainable, shade-grown coffees.
Kiej de los Bosques	Guatemala	\$364K	\$523K	Sells jewelry and handicrafts produced by rural Guatemalan women
Ostuma Farms	Nicaragua			Produces high-quality, organic produce.
Oscaritos	Nicaragua	\$279K	\$338K	Designs and produces children's clothing for corporate promotional materials, employing single mothers.
Plantech	Costa Rica	\$0K	\$0K	Produces organic alternatives to chemical pesticides.
Quetsol	Guatemala	\$70K	\$240K	Provides affordable renewable energy solutions to the poorest regions in Guatemala.
Recelca	Guatemala	\$16K	\$345K	Processes and recycles electronic waste.
Tegu	Honduras	\$574K	\$1.5M	\$1.5M Manufactures and sells wooden blocks that incorporate magnets.

Exhibit 2: Impact Accelerator Class of 2012

Company	Country	Employees	GIIRS	Employees GIIRS Description
Byoearth	Guatemala	ಬ	113.3	113.3 Converts biodegradable waste into organic fertilizer.
Cilforsa	Mexico	17	134.7	134.7 Recycles glass and PET bottles into building materials.
DoGood	Costa Rica	3	81.1	Reading programs for children.
Grande Centroamerica	Costa Rica	ro	71.1	Brings art and entertainment events to San Jose, Costa Rica.
Industrias Carphil	Nicaragua	20	94.5	Manufactures flat and rolled wafer cookies.
Laudex	Mexico		91.0	Provides educational loans for college and university studies to bottom of the pyramid households.
Patronic	El Salvador	21	6.99	Produces food mixes.
Puntotransacciones	El Salvador	12	76.2	Business network to connect small businesses with consumers.
Wifinic	Nicaragua	2	74.8	74.8 Internet service provider.

**Exhibit 3: Class of 2011 Investments** 

Company	Amount sought	Closed deal	Equity/Debt
CO2 Bambu	\$650,000	\$1,010,000	64% Equity / $36%$ Debt
Café Las Flores	\$600,000		
Kiej de los Bosques	\$135,000	\$50,000	Debt
Ostuma Farms	\$300,000		
Oscaritos	\$120,000	\$30,000	Debt
Plantech	\$150,000		
Quetsol	\$500,000	\$400,000	Equity
Recelca	\$65,000		
Tegu	\$3,000,000	\$1,000,000	Equity