



How can HandUp effectively scale its social impact as a hybrid business?

Moritz Frieler

Dissertation written under the supervision of Professor Carlos
Azevedo

Dissertation submitted in partial fulfilment of requirements for the
MSc in Management, at the Universidade Católica Portuguesa, 2025.

Abstract

This dissertation explores the scalability of social impact in hybrid organizations by examining HandUp, a social enterprise in Massachusetts specializing in mattress recycling and upcycling. Using the Scalability Framework by Weber et al. (2012) as the primary analytical model, the study evaluates HandUp's readiness to scale its impact while balancing operational growth and social mission. The analysis identifies strengths in HandUp's business model, leadership commitment, and operational replicability alongside critical dependencies such as legislative support and leadership succession. Through a teaching case study, this research engages students in applying theoretical frameworks to real-world challenges, fostering critical thinking about strategies to scale hybrid organizations. The findings reveal opportunities for short-term capacity building and strategic partnerships, while long-term expansion requires addressing future leadership succession and third-party dependencies. While the study highlights HandUp's strong potential for scaling, key limitations include the Scalability Framework's insufficient emphasis on government roles and hybrid strategies, as well as the teaching case's scope to fully generalize results.

Keywords: Hybrid business, social enterprise, HandUp, social impact, scalability, teaching case

Title: How can HandUp effectively scale its social impact as a hybrid business?

Author: Moritz Frieler

Resumo

Esta dissertação explora a escalabilidade do impacto social em organizações híbridas, examinando a HandUp, uma empresa social em Massachusetts especializada na reciclagem de colchões e upcycling. Utilizando o Quadro de Escalabilidade de Weber et al. (2012) como modelo analítico primário, o estudo avalia a prontidão da HandUp para escalar o seu impacto, equilibrando o crescimento operacional e a missão social. A análise identifica pontos fortes no modelo de negócio da HandUp, no compromisso da liderança e na replicabilidade operacional, juntamente com dependências críticas como o apoio legislativo e a sucessão da liderança. Através de um estudo de caso didático, esta investigação envolve os alunos na aplicação de quadros teóricos a desafios do mundo real, fomentando o pensamento crítico sobre estratégias para escalar organizações híbridas. Os resultados revelam oportunidades para o desenvolvimento de capacidades a curto prazo e parcerias estratégicas, enquanto a expansão a longo prazo requer a abordagem da futura sucessão de liderança e dependências de terceiros. Embora o estudo destaque o forte potencial de expansão da HandUp, as principais limitações incluem a ênfase insuficiente do Quadro de Escalabilidade nas funções governamentais e nas estratégias híbridas, bem como o âmbito do caso de ensino para generalizar totalmente os resultados.

Palavras-chave: Negócio híbrido, empresa social, HandUp, impacto social, escalabilidade, caso de ensino

Título: Como é que a HandUp pode aumentar eficazmente o seu impacto social enquanto empresa híbrida?

Autor: Moritz Frieler

Table of Contents

- Abstract** **I**
- Resumo** **II**
- List of Figures** **V**
- List of Tables**..... **V**
- List of Exhibits**..... **V**
- Glossary** **V**
- 1. Introduction**..... **1**
- 2. Literature review** **1**
 - 2.1 Social enterprises.....2
 - 2.2 Hybrid organizations2
 - 2.3 Social impact3
 - 2.4 Scaling in the context of hybrid organizations3
 - 2.5 The Ecosystem of Scaling Social Impact4
 - 2.6 The Scalers-model6
 - 2.7 The Scalability Framework.....8
- 3. Methodology**..... **12**
 - 3.1 Research goal and design13
 - 3.2 Teaching case selection.....14
- 4. Teaching case**..... **15**
 - 4.1 Introduction to HandUp.....15
 - 4.2 HandUp’s business model.....16
 - 4.3 HandUp and its social impact.....18
 - 4.4 A crossroads for HandUp: Defining the path to impact growth20
- 5. Teaching note** **21**
 - 5.1 Teaching case overview.....21
 - 5.2 Learning objectives.....22
 - 5.3 Teaching case questions.....22
- 6. Discussion** **23**
 - 6.1 Introduction.....23
 - 6.2 (1) How does the business model of HandUp work?23

6.3	(2) What defines HandUp as a hybrid business, and how does the company create social impact while pursuing its operational goals?.....	24
6.4	(3) Based on the <Scalability Framework= of Weber et al. (2012), how would you evaluate the readiness of HandUp to scale its social impact?	26
6.5	(4) Which scaling strategy would you recommend to the founder of HandUp and why?	31
7.	Conclusion and key limitations.....	33
	Bibliography.....	35
	Appendix.....	39

List of Figures

Figure 1: Scalability Framework by Weber et al 12
Figure 2: HandUp Community Impact projects 19
Figure 3: HandUp’s business model 24

List of Tables

Table 1 - Structure proposal for class discussion..... 23

List of Exhibits

Appendix 1: Interview partners 39
Appendix 2: Interview questionnaire Erik Dyson 39
Appendix 3: Interview transcript Erik Dyson..... 40
Appendix 4: Interview questionnaire Ted Chaloner 48
Appendix 5: Interview transcript Ted Chaloner..... 50

Glossary

- SE:** Social Enterprise
- NGO:** Non-governmental organization
- HBS:** Harvard Business School
- KPIs:** Key Performance Indicators

1. Introduction

In a world facing growing social and environmental challenges, the role of organizations that combine profit-driven objectives with missions for societal good has become more significant (World Economic Forum, 2024). These hybrid organizations operate at the intersection of business and social impact and offer innovative solutions to pressing global issues while ensuring financial sustainability. However, their ability to scale their impact presents a unique challenge, balancing growth demands with the complexities of their dual mission.

Scaling social impact is a key topic for hybrid organizations, as it determines their capacity to address societal needs on a larger scale (Islam, 2021). Theoretical models have been developed to guide the scaling process, including frameworks that address operational scalability and resource mobilization. However, their application in real-world scenarios remains underexplored. Understanding the opportunities and constraints in scaling hybrid organizations is vital to ensuring their effectiveness and long-term sustainability.

By examining HandUp, a US-based social enterprise focused on mattress recycling and social support for people in need, this thesis uses a teaching case approach to analyze scaling strategies in practice. This thesis aims to address the following research question: How can HandUp effectively scale its social impact as a hybrid business within the context of the Scalability Framework? This method allows for a detailed exploration of the factors influencing HandUp's growth potential and offers insights into the broader challenges faced by hybrid organizations.

Through the introduction of theoretical frameworks and a real-life example of HandUp, students are asked to answer questions applying the frameworks to the practical example. The goal of the teaching case is that students can contribute to the discourse on scaling strategies for hybrid organizations and can recommend specific strategies in HandUp's context.

2. Literature review

This paragraph provides a holistic overview of existing literature and common definitions that deal with scaling the social impact of hybrid businesses. Firstly, common definitions of <social enterprises=, <hybrid organizations=, <social impact= and <scaling social impact= will be presented. Secondly, current models and frameworks will be introduced to get a comprehensive understanding of why and how social entrepreneurs scale the impact of their enterprises.

2.1 Social enterprises

As the concept of "hybrid businesses" and "social enterprises" gains prominence, the term <scaling social impact> is increasingly gaining importance in the field of entrepreneurship. **Social enterprises (SEs)** have grown immensely over the last decade (Defourny and Nyssens, 2012). Organizations that are solely dependent on outside funding, like NGOs, have no choice but to search for other non-funded ways of addressing societal issues while still being self-sufficient. SEs are the solution between these two types of organizations. Based on existing literature, it appears that SEs are operating not for their own benefit but to lead efforts to install a positive change in society and the environment (Santos, 2012). Another American definition claims that SEs primarily use market-incentive strategies to earn profits for themselves in exchange for providing social services (Austin et al., 2012). Therefore, profiting is emphasized to not be an end but rather the building block of a positive social change in the future. This fact, therefore, directs SEs to engage in business strategies and still provide social service.

In summary, existing definitions of SEs emphasize the two main drivers of such organizations. On one hand, SEs are driven by generating revenue through their business model. On the other hand, SEs use this generated revenue to pursue a social mission. These two drivers represent a dual mission that SEs pursue.

2.2 Hybrid organizations

The term <**hybrid organization**> is used for businesses that employ at least two institutional logics, which are often economic and social or environmental, or rehabilitative in nature. Battilana and Dorado (2010) define hybrid organizations as distinct entities that constantly integrate disparate values and rules in a single entity to pursue diverse but related logics. In particular, hybrid businesses pursue both financial goals and seek to solve social or environmental problems, which allows them to have two objectives that are different from standard for-profit or non-profit businesses (Alberti and Garrido, 2017). In contrast, Pache and Santos (2013) view this integration as more suitable in terms of social logic and market logic, while other combinations such as scientific and market logic could also be applied. The fundamental challenge for hybrid businesses is to effectively manage competing priorities and ensure a coherent alignment between their social mission and economic strategy (Ebrahim et al., 2014). The concept of a social enterprise exemplifies organizations that pursue sustainable income streams to address social issues. Hybrid businesses build on this idea by combining market

mechanisms with altruistic objectives, addressing societal challenges while maintaining financial autonomy.

2.3 Social impact

The term **<social impact>** was first introduced in the 1960s (Antonucci and Venditti, 2022). Since then, scholars have grappled to find a common definition of the term. Social impact has been defined as the social return on investment (Hall, 2014) , and according to Grieco et al. (2015), social impact refers to the outcome or change that the activities of an organization generate within society. In contrast, other literature defines social impact as the process of identifying the future consequences of current or proposed actions that affect not only individuals and organizations but also social macrosystems (Becker, 2001).

Diving deeper into the literature on scaling social impact, it becomes evident that finding a single definition is challenging because measuring social impact is complex. Prior literature states that various measurement frameworks and models do exist. However, they often fail to illustrate the complex realities of SEs in terms of areas of application (Kah and Akenroye, 2020). This complexity of the term is confirmed by the definition of Burdge and Vanclay (1996). The authors define social impact as the social and cultural outcomes of public or private actions that shape how individuals live, work, interact, fulfill their needs, and navigate their roles within society. Consequently, social impact can affect a wide range of societal and cultural circumstances, as this definition illustrates. Such circumstances can include poverty and economic inequality, access to education, or access to healthcare (Bornstein and Davis, 2010; Seelos and Mair, 2005; Yunus, 2021).

2.4 Scaling in the context of hybrid organizations

As this paper addresses the question of how hybrid organizations scale their social impact, the following section will examine the term **<scaling>** and its meaning in relation to the social impact of hybrid organizations. SEs, as part of hybrid organizations, aim to maximize their social impact to achieve their social mission. Scaling the impact of this mission is a complex phenomenon and describes one of the greatest challenges for SEs, raising the interest of many scholars (Bloom and Smith, 2010; Han and Shah, 2020; Weber et al., 2012a). Nevertheless, existing literature often fails to fully explore the complex factors that may enhance or constrain the potential for scaling the impact of SEs (Weber et al., 2012). Despite the lack of empirical and theoretical work on scaling social impact, numerous definitions exist in the literature.

According to Desa and Koch (2014, p.148) scaling social impact is described as a <process of expanding or adapting an organization's output to better match the magnitude of the social need or problem being tackled=. Most definitions connect scaling social impact with growing the organization in terms of revenue, staff, or increased branches (Dees et al., 2004). Consequently, the scaling of the business model is commonly perceived as the primary catalyst for creating social impact. This perspective is also confirmed by both social entrepreneurship and commercial literature, which proposes that scaling a business model is a matter of how to replicate, adapt, and transfer the operating business model (Zook and Allen, 2003).

In contrast, some studies suggest that achieving a social impact on a large scale does not require the growth of the organization itself (Han and Shah, 2020). The authors highlight that with expanding the organization, the social impact might not increase proportionally. Moreover, they argue that organizational growth can be interpreted as an independent variable rather than an outcome of scaling social impact.

It is evident from the different perspectives presented above that multiple approaches exist that can be used to scale social impact within hybrid organizations. Although some definitions stress that the primary approach to scale effect is through organizational growth, others warn that this does not always translate into a corresponding rise in social impact. Following a comprehensive review of the extant literature, this thesis will proceed to focus on Han and Shah's (2020) definition. The central argument of this study is that organizational growth should be regarded as an independent variable rather than a direct consequence of increasing societal effects. This strategy emphasizes that optimizing social impact can be impacted by a variety of circumstances and is not only linked to the organization's growth. The chosen definition aligns more closely with the objectives of this paper, capturing the complexity of the challenge of scaling social impact within hybrid organizations.

Considering the most holistic definitions and choosing the most suitable definition for this paper, the following sections will introduce common theoretical frameworks and models that outline how to scale social impact in SEs.

2.5 The Ecosystem of Scaling Social Impact

The "Ecosystem of Scaling Social Impact" introduces a comprehensive model that describes how different factors at both the organizational and systemic level contribute to the scaling of social impact (Han and Shah, 2020). Based on a qualitative approach, it emphasizes the role of external institutions in the scaling process.

The first factor is **financing**, which plays a central role in providing the necessary resources to fuel the scaling process. The availability of financial support, whether through government grants, earned income, donations, or impact investing, directly affects the magnitude of an organization's impact (Han and Shah, 2020). Without sufficient funding, organizations often struggle to expand their initiatives, and diverse financing mechanisms are essential for sustainable scaling.

Secondly, **organizations** themselves are the driving force behind scaling efforts. Effective leadership, a committed team, and the ability to design viable solutions to address social problems are crucial for success. Furthermore, engaging external stakeholders, such as funders, government officials, and local communities, is vital for scaling impact beyond the organization's operations. Leadership is particularly critical in creating a culture of commitment, making sure that the organization remains focused on its scaling objectives. The ability to collaborate with multiple stakeholders also increases an organization's chances of achieving large-scale social impact (Han and Shah, 2020).

Thirdly, in order for organizations to expand their operations and increase their social impact, **technology and data** are crucial. Organizations can improve resource allocation, streamline processes, and strengthen the efficacy of their operations by utilizing technology tools. Data analytics, for example, can help guide better decision-making by offering insightful information about social impacts and operational performance. Even while technology's potential is well known, more research is still required to fully understand certain strategies for optimizing its use in producing scalable and long-lasting social impact.

Fourthly, organizations use various **strategies** to scale social impact, each tailored to specific goals. The presented model examines three main strategies that SEs commonly use: "Scaling out" refers to expanding services to more people or new geographic areas; "Scaling up" involves influencing broader systemic changes, such as policies or regulations; "Scaling deep" focuses on changing cultural values and beliefs at a deeper level. Factors like capacity building, forming partnerships, knowledge dissemination, and advocacy are essential components of these strategies, and organizations often combine them to achieve comprehensive and sustainable impact (Han and Shah, 2020).

Lastly, the <Ecosystem of Scaling Social Impact= also emphasizes the importance of **institutional infrastructure and government policy** in creating a supportive environment for scaling. Institutional infrastructure, such as networks, associations, or intermediary

organizations, provides the standards, guidelines, and collective identity that help organizations collaborate and amplify their impact. For example, B Lab's certification of B Corporations has helped solidify a global movement of businesses committed to social and environmental goals by providing a standardized certification for a company's social impact (Han and Shah, 2020). According to the authors, government policy plays an equally important role in shaping the regulatory environment that can either facilitate or hinder scaling efforts. Organizations must navigate the complexities of government relations to ensure that policies are aligned with their goals for social change. Furthermore, adopting their solution to a societal level by becoming a public policy might also be seen as the final goal of the scaling process. This viewpoint emphasizes how crucial it is to understand and influence governments' and other stakeholders' willingness to embrace such solutions, as this becomes a guiding factor in attaining long-lasting and pervasive social impact.

Overall, the <Ecosystem of Scaling Social Impact= offers a holistic view of how organizations can scale social impact by leveraging internal capacity, external support, technology, and favorable institutional conditions. By integrating these elements, organizations are better equipped to achieve significant, long-term social change beyond their own growth.

2.6 The Scalars-model

The <Scalars-model= is a well-known framework for scaling social impact in the literature and was first introduced by Bloom and Chatterji (2009). The <Scalars-model= differs from the <Ecosystem of Scaling Social Impact= as it introduces seven key categories for scaling social impact based on the acronym <S-C-A-L-E-R-S=. Each letter represents a different category that contributes to the ability to scale social impact effectively.

The primary factor is **staffing**, which refers to the organization's capacity to meet its labor needs through the recruitment and retention of individuals who possess the required skills to perform both operational and managerial roles. This category can be compared with the component "Organization" of the ecosystem mentioned in the previous chapter. An organization that demonstrates excellence in staffing is well-equipped to address its human resource demands, which are critical for scaling efforts (Bloom and Chatterji, 2009).

The second driver, **communications**, focuses on how well the organization can communicate its mission and persuade stakeholders, including investors, partners, and the community, to support and adopt its change strategies. Effective communication fosters credibility and support, which is essential for scaling operations and extending impact.

The third component, **alliance building**, emphasizes the importance of forming strategic partnerships, coalitions, and joint ventures. An SE that demonstrates excellence in this regard can leverage relationships with other organizations to create synergies that lead to broader social change.

Lobbying, as the fourth driver, refers to the organization's ability to advocate for policy changes or government actions that align with its mission. Organizations that are skilled at lobbying can influence the political environment to create favorable conditions for scaling their social impact.

The fifth element, **earnings generation**, is similar to the "Financing" component of the "Ecosystem" and focuses on an organization's capacity to generate consistent revenue that exceeds its operational costs. The ability to generate financial sustainability is of crucial importance for the expansion of operations and the maintenance of impact over time (Bloom and Chatterji, 2009).

The sixth component, **replication**, refers to how effectively the organization can replicate its successful programs and initiatives across different contexts or regions. An organization that masters replication can scale its operations by reproducing proven models, allowing it to increase its impact efficiently.

Finally, **stimulating market forces** involves creating incentives that encourage individuals or institutions to pursue their private interests in ways that also advance the public good. Organizations that stimulate market forces successfully create win-win scenarios where both social and economic benefits are achieved.

Bloom and Chatterji (2009) argue that the influence of each Scalers factor depends on specific situational contingencies such as labor needs, public support, and the availability of potential partners. Therefore, the effectiveness of scaling efforts is context-dependent and requires a balanced combination of these factors based on the unique environment in which the social enterprise operates.

While the two models address similar components, such as the financial background and human resources of an enterprise, they also differ from each other. The Scalers-model not only introduces the importance of network connections such as alliance building or lobbying but also mentions replication of the business model as a source of the scaling process. However, the model provides specific drivers while not fully accounting for how these drivers might need to

be adapted in response to different contexts, such as cultural, economic, or geographic variations that can affect scaling strategies.

2.7 The Scalability Framework

The Scalability Framework for social enterprises (Scalability Framework) from Weber et al. (2012) outlines eight critical components that help guide the process of scaling social impact. These components serve as key factors for ensuring that a social enterprise can expand its reach while maintaining its mission and ensuring long-term social impact. Compared to the other two models presented above, the Scalability Framework proposes context-specific scaling strategies for enterprises (see Figure 1).

The first component is the **commitment of the individuals** driving the scaling process. This refers to the dedication of founders, managers, or other key personnel whose leadership and passion are the driving forces behind the expansion efforts. Without their strong involvement, scaling is unlikely to take off or succeed (Weber et al., 2012).

Next, **management competence** plays a crucial role in scaling. SEs need to implement professional management practices such as strategic planning, monitoring, financial oversight, and reporting to manage the complexities of expansion. Strong managerial skills ensure that the scaling process remains aligned with the social mission while being effective in practice (Weber et al., 2012). The two first components show a difference compared to the other two models. This framework differentiates between the skills of managers and the commitment of individuals inside an enterprise, whereas the first two models only speak about staffing in a much broader way.

Another important factor in scaling is the **replicability of the operational model**. For successful expansion, it is important that the operational model of the SE can be transferred to new contexts, either entirely or partially (Weber et al., 2012). By simplifying and identifying core elements of their model, social enterprises can ensure that key practices are replicated efficiently without losing the impact.

Another key factor, which is not part of the discussion in the prior models, is the **ability to meet social demands**. SEs must expand to meet pressing unmet needs, especially in regions or communities where social problems have not been adequately addressed by the market or government. This ensures that scaling efforts are impactful and relevant.

A successful scaling effort also depends on the **ability to obtain necessary resources**, such as financial capital, human resources, and social networks. These resources are fundamental to scaling operations and ensuring the long-term viability of the expanded initiatives (Weber et al., 2012). Without adequate access to resources, scaling efforts might fail or be constrained.

The framework also emphasizes the **potential effectiveness of scaling social impact with others**. Collaboration with external partners, including other organizations, governments, or private enterprises, can enhance the scaling process. These partnerships help leverage additional expertise, networks, and resources, leading to more successful and broader-reaching scaling efforts.

Flexibility is another important component, as **adaptability** is crucial when expanding into new markets or regions. SEs must adjust their models to different cultural, regulatory, or economic contexts while maintaining the core elements of their mission.

Another consideration in the framework is the **types of scaling strategies** that SEs can adopt. These strategies vary based on the enterprise's goals and resources (Weber et al., 2012). The strategies include <capacity building=, <diffusion of knowledge=, <relationship defined by an ongoing agreement= or <one adjacency move=. <Capacity-building= is appropriate when the social enterprise plans to scale its impact autonomously without needing to adjust to external market conditions. Here, the organization strengthens its internal capabilities, such as operational efficiency and resources, enabling it to grow within its existing framework. This approach is ideal for organizations that can expand their reach and impact without significant changes to their model.

The <one adjacency move strategy= becomes relevant if the social enterprise intends to scale into a related area, whether by targeting a new group, offering a new product or service, or moving into a different geographic region (Weber et al., 2012). This strategy requires moderate adaptation to the new conditions while maintaining the core model, allowing for an incremental expansion that builds upon the organization's established strengths.

If scaling through partnerships without substantial adaptation to local market conditions is feasible, then <diffusion of knowledge= is the recommended path. This approach focuses on sharing the enterprise's expertise, models, or practices with other organizations that can replicate the impact independently. By diffusing knowledge, the social enterprise enables other

entities to carry its impact forward without the enterprise's direct involvement in each new market or location (Weber et al., 2012).

Finally, <relationship defined by an ongoing agreement= is the chosen strategy when an adaptation to new conditions is both essential and achievable. In this case, the social enterprise scales by forming formal partnerships, such as alliances, licensing, or joint ventures, with other entities. These structured agreements facilitate the organization's capacity to expand while adapting its model to meet the specific requirements of each new context, thereby ensuring that impact is both sustained and contextually relevant.

The selection of a given strategy is contingent upon the specific needs and capacities of the organization, in addition to the external environment (Weber et al., 2012). Here, the framework identifies the **critical decision-making path** as an accompanying frame. Throughout the scaling process, SEs face critical decision points in terms of checking whether the above-mentioned key components are achieved or not. For instance, if the <commitment of the individual=, as the first key component, is not achieved, the SE will likely not scale its impact. After each key component, the model proposes to make the critical decision to continue in the scaling process.

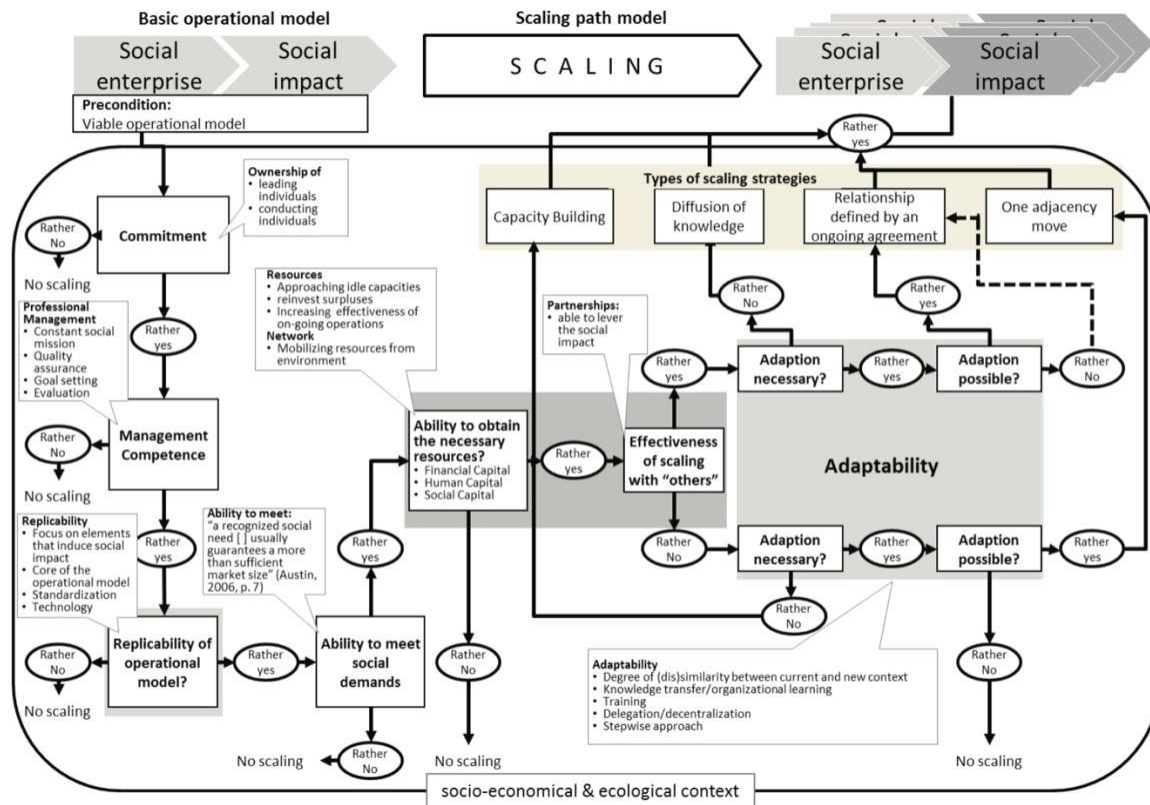
In summary, the eight key components of the <Scalability Framework=, ranging from leadership and management competence to adaptability and strategic decision-making, create a comprehensive model for SEs seeking to scale their impact. By considering these factors, SEs can expand successfully while maintaining their social mission.

For this research, the <Scalability Framework= by Weber et al. (2012) serves as the main analytical framework due to its comprehensive approach to scaling social impact. In contrast to other models, the <Scalability Framework= provides an in-depth overview of both internal and external components. In addition to highlighting the significance of satisfying social demands and the role of third parties in the scaling process, the model also incorporates human and financial resources as essential. It also emphasizes the importance of dealing with internal and external bottlenecks. To achieve sustainable growth, external challenges, such as aligning with market demand, must be addressed alongside internal challenges, such as team skill development and limitations within the business model. This comprehensive approach makes the model well-suited to address the complexity of scaling social impact.

The key advantage lies in the explicitness of the scaling strategies. While other frameworks exist, such as the <Scalers-model= or the <Ecosystem of Scaling Social Impact=, the <Scalability Framework= goes beyond the description of strategies into a direct, practical recommendation based on an organization's contextual need and on what is appropriate for its situation among the four available: capacity building, one adjacency move, diffusion of knowledge and relationship through ongoing agreement.

However, there is still a critical research gap the <Scalability Framework= is facing. While the authors have developed concrete scaling strategies tailored specifically to the context of a social enterprise for the first time, the model has not yet been practically applied to a specific enterprise. This paper will fill this research gap by testing the framework in a real social enterprise to ascertain its practical feasibility and effectiveness. In doing so, this research will also investigate which of the model components, if any, are more significant in practice than others. This will provide valuable insights into scaling strategies that balance social mission and operational growth for hybrid organizations.

Figure 1: Scalability Framework by Weber et al.



Source: Weber et al., 2012

3. Methodology

In the following chapter, the chosen methodology of the thesis, which is a teaching case, will be examined. The base of the teaching case is HandUp US. (HandUp), a company based in New Bedford, Massachusetts, United States. The chosen company is a social enterprise which is specialized in mattress recycling and upcycling. The company was founded in 2022 by Erik Dyson, who currently serves as its CEO. HandUp is a for-profit enterprise with a social mission that aims to solve inequality and exclusion in Massachusetts.

The chapter is structured as follows: First, the goal of the methodology chapter will be explained, and the teaching case design will be introduced, in which the reason for choosing a teaching case will be evaluated. Second, questions about the choice of the specific company will be answered before, finally, the teaching case will be presented in chapter 4.

3.1 Research goal and design

This thesis' focus is to understand how hybrid organizations scale their social impact. To do so, prior literature was introduced to get an understanding of which theoretical frameworks already exist, and the choice of the Scalability Framework to support this thesis theoretically was made. This research aims to apply this framework to a practical example of a hybrid business model, namely HandUp. Accordingly, the following research question will guide this work:

How can HandUp effectively scale its social impact as a hybrid business in the context of the Scalability Framework?

A teaching case provides a valuable learning tool in academic settings. In contrast to more traditional forms of research, teaching cases engage students in the analysis of real-world scenarios, encouraging critical thinking and decision-making skills while simultaneously testing the efficacy of theoretical frameworks in practice (Patton and Appelbaum, 2003). This format is well-suited to social entrepreneurship and impact scaling, as it enables readers to think critically about strategic decision-making, resource management, and social mission alignment in depth. By focusing on HandUp and its founder and CEO, Erik Dyson, the teaching case brings theoretical scaling components to life, giving students a concrete example of hybrid business challenges and the balance between social mission and operational as well as financial sustainability. Its collaborative element that allows students to not only understand complex scaling processes but also generate practical solutions based on a real-world context influenced the choice to develop a teaching case. This method makes the thesis interesting and powerful by offering a dynamic and useful alternative to strictly theoretical studies.

To analyze the scalability of the social impact of HandUp, the study uses a qualitative research method. In doing so, semi-structured interviews were conducted with two key individuals: Erik Dyson, the founder and CEO of HandUp, and a key investor of the company, Ted Chaloner.

Erik Dyson, as the organization's founder and leader, offers a unique perspective on the challenges and strategic decisions associated with scaling social impact. He has the highest expertise when it comes to HandUp and is, therefore, the key player in this context. His experience as a social entrepreneur with both corporate and nonprofit backgrounds makes him well-positioned to provide insights into how HandUp manages the balance between social mission and financial sustainability. Dyson's firsthand knowledge will be crucial in understanding the practical application of the Scalability Framework's components, such as resource acquisition, adaptability, and mission alignment.

Ted Chaloner is a retiree and founder of Chaloner Associates Inc., a specialized executive search firm that connects non-profit and for-profit companies with top-tier talent. Interviewing him as one of the investors of HandUp adds another important dimension to the case study by bringing in the perspective of a key external stakeholder. As an external observer, the priorities of the company's mission might be different compared to the founder's, which will give valuable insights into the case. The investor's perspective on HandUp's ability to scale impact while maintaining financial stability will provide insights into external expectations and considerations that play a role in the organization's strategic decisions. The data collected from the interviews will be used to not only embellish the teaching case itself but also to discuss the research question in depth.

The semi-structured interview format makes sense for this case, as it combines structure with flexibility. Defined questions as a guide will help the interviewer to ensure all relevant aspects of the Scalability Framework are covered, while open-ended questions allow the interviewees to discuss their perspectives in depth. This approach makes it easier to get an understanding of everyone's insights and experiences while still allowing spontaneous, detailed responses that may reveal unexpected insights. Analyzing the interview insights, the study will provide a well-rounded view of both internal and external factors that influence HandUp's scaling strategies, making them highly relevant to the objectives of this research.

3.2 Teaching case selection

HandUp represents a well-suited example for applying the Scalability Framework to analyze the scaling opportunities of the company. HandUp's dual mission is twofold: firstly, to achieve financial independence through mattress recycling, and secondly, to allocate 60% of its profits to support social projects, address societal challenges, and create a positive impact on the community (HandUp, 2024). This dual mission aligns with the study's aim to explore how hybrid organizations can scale their social impact while maintaining a sustainable business model. Analyzing HandUp through the lenses of the Scalability Framework allows for an in-depth look at how the challenges of the dual mission balanced with the goal of scaling social impact and the expectations of the investors can be solved.

Moreover, the growth stage of the company also makes the case appealing. The company has existed since 2022 and has established an operational model that works well in the area the company is operating in. Considering a scaling strategy now might be a potential next step to

scale the business and the social impact. This growth phase allows for crucial insights into how internal and external resources are leveraged to scale the business.

4. Teaching case

4.1 Introduction to HandUp

In early 2013, then 42-year-old Erik Dyson, a Harvard Business School (HBS) graduate and corporate executive, sat at his kitchen table with his wife, trying to make a decision that might change his life. Dyson's journey into the corporate world began after earning his MBA, but his commitment to creating social impact was sparked years earlier during a unique experience in Central America. After completing his undergraduate studies in business and finance, Dyson spent three years working with <Habitat for Humanity=, a non-profit organization dedicated to the construction of homes for low-income families. This experience had a profound effect on his perspective, as he was personally witness to the transformative impact of providing stable housing. However, he also realized that he lacked the management expertise necessary to scale such efforts effectively. Determined to gain the skills he needed, he pursued an MBA at HBS. Dyson quickly climbed up the corporate ladder of his employer after receiving his MBA and holding high-level positions for nine years, most recently as Senior Vice President, where he oversaw operations in 15 Latin American countries. He only intended to work in the corporate world for seven years after graduating from HBS, but his success kept him there for twice as long. He believed it was time to embark on a more significant mission.

His wife and now co-founder of HandUp, supported Dyson as he debated stepping away from financial security and corporate prestige. *"This is what you've wanted4just do it"*, she encouraged, aware of Erik Dyson's long-held dream of entering the non-profit sector. The reality of walking away from his established career weighed heavily on him. Thanks to his years of hard work and dedication, Dyson had secured a stable financial future for his children, his wife, and himself, with all three of his children supported through college, allowing him the freedom to fully commit his focus and resources towards a more meaningful next step in his career. Still, breaking out of his comfort zone and turning his back on corporate life meant the biggest decision in his life so far. Could he truly make the leap?

Later in 2013, Erik finally took the jump, joining <All Hands Volunteers=, a non-profit organization focused on disaster relief, as Executive Director. Dyson quickly made his mark and, by 2017, successfully orchestrated a merger with a second disaster relief, <Happy Hearts

Fund=. He became CEO of <All Hands and Hearts= in November 2017 and managed to exponentially grow the organization while successfully navigating the challenges of COVID-19. While this role was fulfilling and created a lot of impact all around the world after natural disasters stole the livelihood of many families, Dyson felt he could do even more to create lasting change and social impact. He increasingly identified with the role of a fundraiser, consistently seeking financial support for the organization. *<I spent 70-80% of my time raising money. The more success you had, the more pressure you had. So, if you raised \$2.000.000 in one year, the next year, you are expected to raise \$4.000.000, then \$6.000.000. That created a big pressure on me and the organization. So, with HandUp, I decided to create a business which is sustainable in itself.=*

4.2 HandUp's business model

Driven by the desire to build something that combined his business acumen with social impact, Dyson founded HandUp in 2022. Based in New Bedford, Massachusetts, HandUp tackles both environmental and social issues by recycling and upcycling mattresses while simultaneously investing 60% of its profits into projects for immigrants and refugees. This unique business model allows Dyson to operate a profitable social enterprise that balances his corporate expertise with his passion for creating social impact for people in need. Leveraging his professional network mainly from his prior company, <All Hands and Hearts=, Dyson was able to attract six investors who shared his vision for sustainable impact. *<What really made me invest in HandUp was Erik Dyson and his ability to manage and run a business. I do not think many people could have pulled it off in such a short time=*, as one of Dyson's investors would say. The investors' backing provided the crucial capital needed to secure a warehouse and purchase the specialized machinery essential for mattress recycling and upcycling.

Today, HandUp employs 20 immigrants and refugees, with the majority originating from Latin America. The company generates revenue using a business strategy focused on recycling and upcycling mattresses. The organization collects a fee per mattress and initiates either the upcycling or dismantling process. The mattress's components, including foam, wood, and springs, are separated in the disassembly process and sold as raw materials to various companies. As an alternative, HandUp uses a specific sanitization technique in the upcycling process to restore well-preserved mattresses, many of which are thrown away after only a few years of use, even though they may last up to ten years. Once cleaned, these mattresses are resold for a fraction of the price of new mattresses, prolonging their usable life and giving customers much

more affordable options. The upcycling and resale of mattresses represent a highly lucrative sector of the business, driven by the low costs associated with sanitization and the additional revenue generated from sales. Dyson emphasizes the rather simple operational model: *<I don't think we've done anything magical regarding our operational model. So, it's not like others couldn't do it. I mean, there's three other mattress recyclers in Massachusetts.>*

HandUp is both a business-to-business and business-to-consumer company. The HandUp facility in New Bedford is the location where people can drop off their used mattresses. The company provides pick-up services for customers who are unable to visit the facility. Customers can schedule an appointment at their home address, and the company will use their vehicles to pick up the mattress. Additionally, HandUp offers its services to other businesses, such as bedding stores. HandUp assists in managing used mattresses and handling the procedure of picking up and recycling the mattresses, as it recognizes that recycling mattresses is not the stores' primary area of expertise. Furthermore, the company collaborates with municipalities, adapting its services to the unique recycling needs of each community and establishing itself as a reliable partner in sustainable waste management.

In November 2022, HandUp experienced a significant turning point that would redefine its development. The State of Massachusetts passed a landmark law requiring that all mattresses be recycled rather than dumped in landfills after years of lobbying and growing environmental concerns. This law changed the rules for HandUp and was quickly followed by similar legislation in California and Ohio. Since it was now legally necessary for businesses and residents throughout the states to recycle their used mattresses, the number of mattresses coming into HandUp's operations became not only consistent but guaranteed, being a crucial turning point for the company's long-term success. But advances did not stop there. HandUp reached another significant milestone in early 2023 when it negotiated becoming the cities' certificated vendor. HandUp was able to form official relationships with municipal waste management agencies because of this certification, confirming its position as an essential component of the waste management infrastructure in the area.

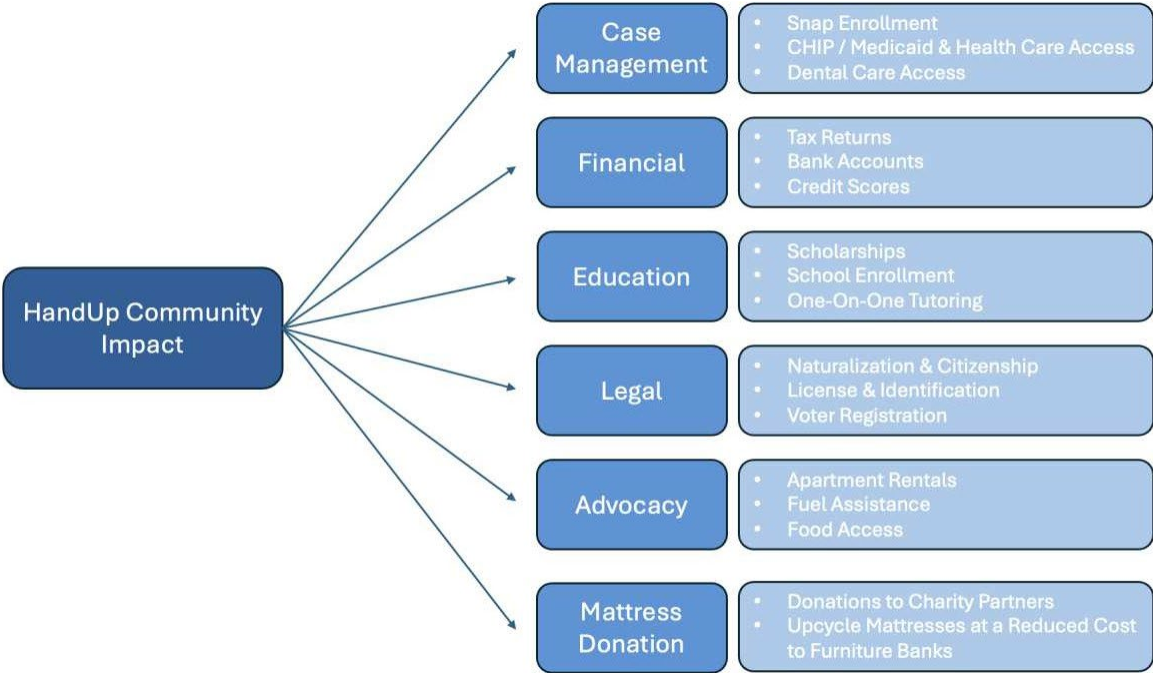
Because of these collaborations, HandUp now receives a consistent supply of mattresses directly from nearby garbage factories and landfills. Both parties benefit from this arrangement: Mattresses, a known stress factor, are offloaded to landfills, and HandUp receives a consistent supply of materials to support its recycling and upcycling operations. In addition to being large and occupying valuable landfill space, mattresses' metal springs can harm the machines and

hinder garbage processing. By charging a fee to remove these mattresses, HandUp helps waste disposal facilities with logistical challenges, builds up its own supply chain, and establishes itself as an essential partner in a regulatory environment that is changing quickly. This combination of legislative support and strategic partnerships solidified HandUp's role in the community, turning what was once a challenging market into a promising landscape.

4.3 HandUp and its social impact

Erik Dyson's passion for social impact represents the driving force behind HandUp. This is most evident in the work of the <HandUp Community Impact=, the organization's dedicated arm for social services, which his wife oversees (see Figure 2). For Dyson, HandUp is more than a recycling business; it is a vehicle for social justice, a way of uplifting those who have often been overlooked or left behind. When Dyson walks through the HandUp facility, he is energized by seeing not only mattresses being repurposed but also lives being transformed. HandUp invests 60% of its profit into social programs to help immigrants and refugees, operationally realized by HandUp Community Impact. These individuals not only get a chance for stable employment opportunities but also additional support to facilitate their integration and success. Each program within HandUp Community Impact has been created with great care to meet the needs of individuals and families, providing them with the tools to rebuild and thrive.

Figure 2: HandUp Community Impact projects



Source: Own figure adapted from HandUp, 2024

One of its fundamental programs is the Case Management initiative, which facilitates access to essential services such as enrollment in the Supplemental Nutrition Assistance Program (SNAP) for food assistance, the Children's Health Insurance Program (CHIP) for healthcare, and even dental care access. Dyson is particularly proud of this program, as he is aware that navigating these bureaucratic systems to apply to those programs can be overwhelming for many individuals, particularly those who are recent immigrants or from disadvantaged backgrounds. By providing guidance and assistance through these processes, HandUp Community Impact helps people overcome the barriers to accessing basic human needs, thereby improving their chances of achieving health and stability. Besides the case management program, the company offers support when it comes to filing tax returns, setting up bank accounts, and improving credit scores. With that, Dyson wants to break people free from the cycles of poverty. Additionally, HandUp helps with topics of advocacy, such as finding apartment rentals or securing fuel assistance, as well as education, such as applications for scholarships, school enrollment assistance, and one-on-one tutoring. *“Education is the engine to opportunity”*, as the founder would say. Furthermore, HandUp also provides support for legal affairs in terms of naturalization, citizenship, and voter registration. Dyson deeply believes in the importance of

these rights and wants every individual who interacts with HandUp to feel they have a voice and a place in society.

Finally, HandUp returns upcycled mattresses to charity partners or furniture banks as donations for people in need. Giving to those in need also reinforces HandUp's employees' loyalty. The company warehouse relocation presented a challenge for workers who previously were able to walk to work. The lack of affordable transportation options made it difficult for them to continue commuting to the new location, but rather than resigning, they established a carpooling system. This demonstrates their strong dedication to HandUp. Dyson's enthusiasm for running his own business as an entrepreneur while also having a social impact at the same time brought his business success. He built a company that not only reduces environmental waste but also serves as a guide and supporter for immigrants and refugees in need. Every service and every donation is part of his vision: Running a successful business in which its operations can be a stepping stone to a better, more enjoyable life.

4.4 A crossroads for HandUp: Defining the path to impact growth

To reflect on the business development and to maintain transparency with his investors, Dyson creates quarterly business reviews. The most recent review of the third quarter of 2024 shows a financial performance that reflects stability and potential for growth. EBITDA for the third quarter of 2024 was \$200,000, continuing to mark profitability, proving the fact that HandUp can balance its operational costs with revenue generation. The cash reserve reached an all-time high of \$335,000 from previous quarters, showing healthy financial discipline as well as building a robust foundation for future projects. While Q2 had been strong, Q3 saw even higher volume and revenue growth, with HandUp processing nearly 19,000 units and one of its best quarters to date for retail and recycling sales. That the company could break even for the month, even after a whopping donation of \$75,000 to HandUp Community Impact in September, says something of its financial resilience. While the New Bedford market is largely tapped, Dyson realizes that the market he operates in is mature. This means that the partnerships the company has forged with local waste facilities and the designation as the preferred partner for recycling have saturated its presence in the community but also signals that the next step from here must be made to scale the company and its social impact.

The 53-year-old knows that he must plan for the future of the young company and wants to exploit every opportunity to increase its social impact. But what is the best way to scale the model of HandUp for more impact? Staying within the current model risks stagnation while

choosing the right scaling strategy could enable HandUp to fully amplify its mission and position the organization as a national leader in both sustainable waste management and social support. Nevertheless, scaling also comes with risks, such as failing to adapt to new markets or failing to obtain the social mission.

Just recently, Dyson had to let go of a leading employee because the motivation and leading style did not fit into a social enterprise. Dyson is aware that scaling HandUp would necessitate the identification of leaders who not only demonstrate robust business acumen but also exhibit a profound alignment with the organization's dual mission of financial sustainability and social impact. He recognizes that this represents a significant challenge, one that is pivotal for ensuring the company's culture and vision are upheld. Dyson recalls a similar situation from his previous job at <All Hands and Hearts=: *<When you grow that quickly, maintaining the organizational culture becomes much harder. It's also more difficult to ensure that everyone stays aligned with the mission and values of the organization=*. For Dyson, as an entrepreneur also focused on the company's future without him in the lead, this decision goes beyond growth; it shapes HandUp's legacy, ensuring that its values remain the foundation of every step in its expansion.

5. Teaching note

5.1 Teaching case overview

This teaching case focuses on HandUp, a social enterprise founded by Erik Dyson to address environmental waste and support vulnerable communities through mattress recycling and upcycling. HandUp has quickly grown into a key player in Massachusetts by becoming a certified mattress recycling partner of New Bedford. With a steady volume of around 70,000 mattresses per year, the company has established a reliable revenue stream. This consistency allows HandUp to fulfill its social mission and allocate 60% of its profits to HandUp Community Impact, which is responsible for several social projects to help immigrants and refugees.

Now, being in the New Bedford market for three years and facing rather mature market conditions, Dyson faces a pivotal challenge: How to best plan the future of the business and scale its social impact.

Students are introduced to HandUp's dual mission of environmental and social impact, the financial and operational challenges involved in scaling, and the critical role of legislative and

community partnerships. By applying the <Scalability Framework=, students are invited to propose a strategic path that will allow HandUp to expand its social impact sustainably.

5.2 Learning objectives

The teaching case serves to discuss the challenge of hybrid business models on how to scale their social impact with HandUp as a real-life example. To begin with, the business model of HandUp will be analyzed to understand the challenges of a dual mission. Afterwards, the roles of different key players in the context of HandUp will be discussed before the challenges around scaling social impact are developed. Based on the <Scalability Framework= from chapter 2, students are expected to give well-founded recommendations to Erik Dyson on how he could scale the social impact of HandUp. Therefore, after having analyzed the teaching case in depth, students should be able to:

- Understand the business model of HandUp
- Describe the dual mission HandUp is pursuing
- Discuss the different key players and roles in the HandUp environment
- Identify the strengths and weaknesses of the company
- Develop scaling strategies to scale HandUp's social impact based on the <Scalability Framework=
- Evaluate the most effective scaling strategy for HandUp

5.3 Teaching case questions

The teaching case is designed for master-degree students who take part in a course in Managing Social Innovation or similar. The corresponding questions serve as a guide for the professor and students as well as a catalyst for open class discussion. The teaching case serves to apply already existing theoretical knowledge and to use transfer knowledge from other lectures and subjects. The assignment questions for this teaching case study are the following:

1. How does the business model of HandUp work?
2. What defines HandUp as a hybrid business, and how does the company create social impact while pursuing its operational goals?
3. Based on the <Scalability Framework= of Weber et al. (2012), how would you evaluate the readiness of HandUp to scale its social impact?
4. Which scaling strategy would you recommend to the founder of HandUp and why?

6. Discussion

The following chapter aims to critically discuss the teaching case questions. This chapter is meant to evaluate HandUp’s challenges, opportunities, and potential strategies for scaling social impact in hybrid organizations. By answering the questions, this section connects the theoretical framework with practical examples and outlines a path to grow HandUp’s social impact. Moreover, key factors and critical dependencies for scaling the social impact of HandUp will be introduced.

6.1 Introduction

The teaching case has been designed for a 90-minute lecture, excluding the time required for reading and preparation. It is expected that students will have thoroughly read the case, and the Scalability Framework has been introduced before. Given the advanced nature of the case, it is recommended to be introduced in a later class of the course. The proposed structure, outlined below, represents an optimal allocation of lecture time, with questions of varying importance and complexity given due consideration.

Table 1 - Structure proposal for class discussion

Part	Content	Schedule
1	Introduction: Scalability Framework recap	15 minutes
2	Question 1: HandUp and its business model	10 minutes
3	Question 2: HandUp as a hybrid business	15 minutes
4	Question 3: HandUp’s readiness to scale	25 minutes
5	Question 4: Scaling strategy for HandUp	20 minutes
6	Conclusion	5 minutes
Total		90 minutes

Source: Own table

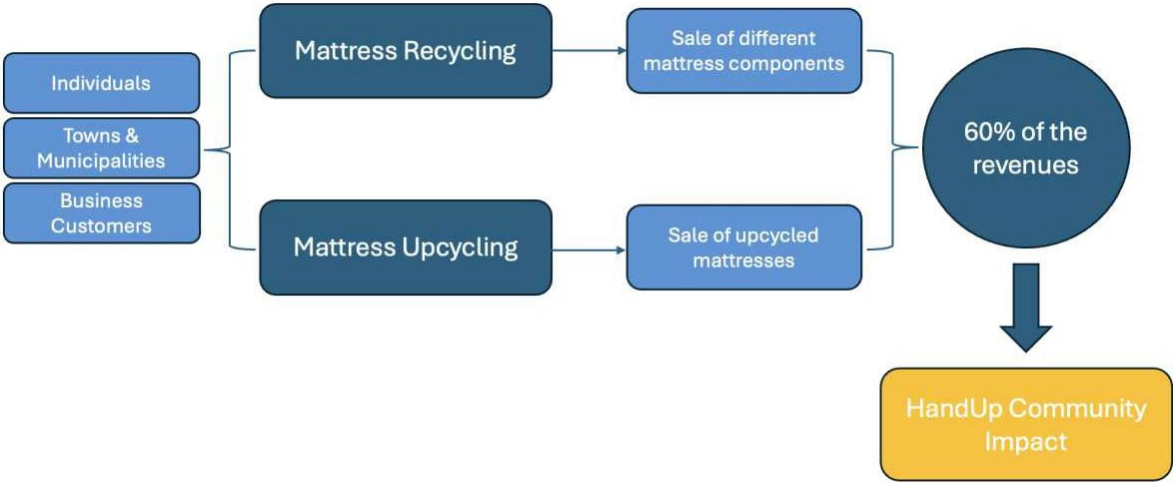
6.2 (1) How does the business model of HandUp work?

The first question serves as a smooth introduction to hybrid businesses and to get an understanding of what factors drive HandUp’s business success. Understanding the business model of the company is required to be able to answer further questions of the case.

Firstly, it is important to recognize that HandUp generates revenue by recycling mattresses (see Figure 3). There are two major revenue streams. First and foremost, the company receives a specific prize per mattress. Understanding this revenue stream, it becomes evident that the volume of mattresses HandUp receives is one of the most important KPIs for the company. The recycling process disassembles the different components of the mattress, which will be sold to the industry. For the second revenue stream, the company generates revenue by selling upcycled mattresses for a lower-than-market average price. Some mattresses arrive at the warehouse after 1-3 years of life, even if a mattress can be used for up to 10 years. If the condition of the mattress is good, HandUp cleans the mattress and resells it to customers who are not willing to pay the price of a new mattress (see Figure 3). To ensure a steady mattress volume, the companies' customers are not only individuals but also other companies and towns.

The professor is expected to go on to the next question only if the students mentioned the two revenue streams coming from the recycling and upcycling part of the business.

Figure 3: HandUp's business model



Source: Own figure adapted from HandUp, 2024

6.3 (2) What defines HandUp as a hybrid business, and how does the company create social impact while pursuing its operational goals?

This question serves to investigate if HandUp can be identified as a hybrid business. Students are expected to transfer the theoretical knowledge of hybrid businesses into the real business model of HandUp. Furthermore, students are asked to highlight the way in which HandUp creates social impact.

To start with, the financial model of HandUp envisages that 60% of the profits get distributed to HandUp Community Impact. Ultimately, this side-arm of the company is responsible for its social projects and the created social impact. Erik Dyson emphasizes that the initial idea was to start a business with a dual mission: Founding a business that is a standalone business and does not rely on donations or fundraising but would dedicate most of its profits to social work. Referring to chapter 2.2, aiming for a dual mission that combines the financial stability of the business while creating a social impact is the definition of a hybrid business (Alberti and Garrido, 2017). HandUp contributes to generating social impact in various ways. Not only does the business model of recycling and upcycling mattresses contribute to reducing critical waste stream components, but it also initiates different projects for helping immigrants and refugees. Immigrants and refugees often leave their home country in the hope of a better life in the United States. The reality is often different. First and foremost, they face a big language barrier as well as high healthcare costs (Pandey et al., 2021). Additionally, they face unemployment, expensive, inaccessible education, and bureaucratic challenges when it comes to applying for citizenship or other official documents (Sugarman, 2023.). These obstacles hinder people from including themselves in society (Schumacher et al., 2023). Consequently, the risk of raising exclusion, criminality, and unemployment for those groups is critical (Schmid, 2023).

HandUp tackles those risks and contributes to overcoming the overall societal problem of exclusion and inequality. The company supports refugees and immigrants in various forms. Firstly, HandUp prioritizes employing refugees and immigrants who need a job. This contributes to the problem of a high unemployment rate within this group of individuals. As the founder Dyson pointed out, most of his employees lived from paycheck to paycheck and yearned for a regular income prior to working for HandUp. HandUp not only provides an above-average salary but also treats its employees with dignity and respect. This is emphasized by the fact that even though the mattress volume at the beginning of operations was very volatile, and some workers had to be sent home because there was no work to do, the company paid full salaries to the workers. From a pure business perspective, this does not seem to be in the best interest of the company. From a social enterprise perspective, the founder points out that it is the right thing to do (E. Dyson, personal communication, November 14, 2024). It would be the companies' responsibility to provide steady volume, and in the long term, the workers would look out for other jobs if the salary was not steady. Nevertheless, this hiring policy has the potential to present challenges in terms of scaling the business, particularly in regions where there is limited access to a sufficient pool of qualified employees from this demographic.

In addition to the employment of refugees and immigrants, the company also offers different programs for their employees and also for their families and friends. For example, they can sign up for English classes, for which the company hires a teacher who gets in 1:1 sessions with the people who signed up. Furthermore, the company supports when it comes to applying for US citizenship or signing up for a driver's license.

To summarize, HandUp shows a clear dual mission structure, which is part of the definition of a hybrid business (Battilana and Dorado, 2010). The operational model is designed to lay the foundation of a financially viable business while 60% of the profits are invested into various social projects to help refugees and immigrants. By doing so, HandUp addresses the overall societal problem of exclusion and inequality people face when migrating to the USA.

6.4 (3) Based on the Scalability Framework of Weber et al. (2012), how would you evaluate the readiness of HandUp to scale its social impact?

To answer the next question, students are expected to apply the Scalability Framework of Weber et al. (2012) to evaluate the scaling opportunity of HandUp. The Scalability Framework is designed to analyze the best scaling strategy for a specific business context. The professor should make sure that the framework was introduced to the students before.

The precondition of the model is that the hybrid business fulfills a viable operational model. To begin with, the company has existed since 2022 and broke even 9 months after starting the business. Since then, the company was able to grow around 5-7% per year. By generating \$350.000-\$400.000 per year, the company shows solid financial stability, which is a confirmation of a well-functioning operational model. Additionally, the numerous customers helped the company to receive a steady volume of around 70.000 mattresses in 2024, which helped keep the processes in the warehouse and the operations outside the warehouse running. Considering the financial stability, the volume of the mattresses, and the yearly growth of the company, the precondition of the model is achieved.

The next step in evaluating the readiness to scale is the commitment of the individuals. This includes whether the leading individuals, as well as the conducting individuals, take ownership of actions and fully identify themselves with the company. First, one can identify that the founder, Dyson, shows extraordinary engagement and commitment. He not only left a secure CEO position at the NGO All Hand and Hearts, but he also put a lot of his own capital into the company. Dyson emphasizes that in order to get investors on board of a company, they require the financial commitment of the founder as well. Furthermore, he shows a deep

commitment to the social mission of the company and even prioritizes the social side of the company over the business side. He is very invested in creating a pleasant work environment in which fair treatment of his employees is the base. Evidence of this is the fact that the founder even pays his employees when there is no work available that specific day, and they stay at home (T. Chaloner, personal communication, November 10, 2024). Besides, Erik Dyson's wife, who is responsible for HandUp Community Impact, shows the same commitment towards the mission of the company as Erik Dyson. Having worked for over 30 years in a non-profit environment, she is very experienced and invested in helping people in need. Not only is she financially invested in the company, but she also plans projects such as English classes or doctors' appointments thoroughly. In addition to the founders, the 20 employees of HandUp show a high level of loyalty and commitment, too. One important investor in the company, Ted Chaloner, pointed out that, as most of the workers are low-income individuals and cannot afford a car, they used to walk to work (T. Chaloner, personal communication, November 10, 2024). Because of the company's relocation, a significant proportion of the workforce was no longer able to walk to work. Rather than resigning and seeking alternative employment, the employees opted to implement a carpooling system. This demonstrates a dedication to the company, which is a consequence of the endeavors to cultivate a favorable work setting wherein individuals in need are offered a fair employment opportunity in conjunction with assistance for their daily living.

Moving forward in the Scalability Framework of Weber et al. (2012), the readiness to scale is also dependent on the management competence of the CEO, Dyson. His academic qualifications from HBS, coupled with his extensive experience in senior roles within the corporate sector, provided him with a comprehensive understanding of the principles and practices governing the effective management of a business. He subsequently acquired unparalleled expertise in the operational aspects of a non-governmental organization, initially with All Hands and after with All Hands and Hearts. The combination of both is helpful to know how to run HandUp with its dual mission. However, the reality of running a hybrid business is challenging, especially when it comes to balancing the financial and social sides of the business. Dyson emphasizes that HandUp Community Impact would not work without generating profits from the core business side of the company. One of the key components of the success is the constant high-quality HandUp provides to its customers and the easy way of bringing the mattresses to the warehouse. Dyson tries to avoid a complicated user experience for his customers: *My goal, and I tell my team this all the time, is that if any of our customers*

ever have to think about mattress recycling, then we've failed. The whole idea is to make recycling seamless for them because the people we serve, municipalities and retailers, they already have so many other things to deal with.= This shows HandUp's customer-centric approach to ensure the best quality and service for the partners and customers. Moreover, Dyson creates quarterly business reviews to track the development of the company. These reviews get shared with the investors of the company. The objective of such reports is to evaluate the company's development and identify potential areas for improvement.

Following the model, Weber et al. (2012) propose the next step: Replicability of the operational model. If the operational model does not permit replicability, scaling is not a viable option, as proposed by the framework. To assess the replicability, one must take a closer look at the daily operations of the company. The operations consist of three main stages: First, the truck carrying the mattresses is unloaded at the loading bay. In the second stage, the mattresses are sorted. A decision is made as to whether a mattress meets the criteria for upcycling or whether it will be recycled. If the mattress meets the criteria for upcycling, it is cleaned and then placed in the sales area. If it is to be recycled, the mattress is taken for disassembly. At this point, the workers cut out the different components of the mattress. The company has two machines that are used to compound the steel and the foam into small cubes that can be sold more easily in the industry. The described process does not include complex technology or very specific human skills. *<I don't think we've done anything magical. So, it's not like others couldn't do it. I mean, there's three other mattress recyclers in Massachusetts.*= This statement by founder Dyson underlines the fact that the operating model itself does not require any particularly unique or rare resources and that it is replicable. In summary, the rather simple operational processes coupled with no demanding skills of the workers make the operational model of HandUp replicable.

To further evaluate HandUp's readiness to scale, the framework proposes to investigate its ability to meet social demands. The social demand is often much bigger compared to the company's activity (Weber et al., 2012). Consequently, the scaling process is not limited by the demand of the society, it is rather limited because of the ability to economically run the business in a sustainable way and find sufficient distribution channels to maximize the social impact (Weber et al., 2012). Connecting this challenge to HandUp, the students should revise the question, which social problem the company aims to tackle. Supporting immigrants and refugees with not only employment but also social programs in different manners, the company aims to tackle the problem of exclusivity and inequality. It becomes evident that the social demand in terms of absolute numbers is enormous. In 2022, 970.000 people were naturalized

into the US, not taking into account refugees, asylum seekers, or illegal immigrants (Office of Homeland Security Statistics, 2022). This confirms the existing social demand. According to an article published by the Organization for Economic Cooperation and Development (OECD), immigrants and refugees encounter significant challenges when attempting to assimilate into their new societies (OECD, 2023). With 60% of HandUp's profits being reinvested into social impact, HandUp aims to scale the profits to scale the social impact. The financial base shows that HandUp can steadily grow its profits by 3-5% and is economically able to serve the people in need. However, the reality is that the people HandUp is helping represent a very small percentage of the overall affected people. Nevertheless, the company can meet social demands because of its profitable business model, which is growing steadily and provides 60% of the profits to its social mission.

The next requirement for scaling according to Weber et al. (2012) is the ability to obtain the necessary resources. Students should evaluate this requirement based on three dimensions. The first one is the human capital. HandUp shows both strengths and challenges when it comes to human capital. First, how HandUp treats its employees sets it apart from the competition. The company can provide a fixed salary, working hours, and social support. Furthermore, the experience, coupled with the values of Erik Dyson and his wife, provide a pleasant work environment, which creates a lot of trust between the employees. However, Dyson is facing a major challenge. Transferring the unique mission-driven leadership style from the founder to other leading individuals is a significant challenge. As he mentioned, he had to replace a long-time employee because she did not have the mindset necessary for long-term growth. This shows that finding the right people for leadership positions is challenging. Especially if the people did not work for hybrid businesses before, they are likely to prioritize the business performance over the social impact performance, consequently harming the company in the long term because of employee fluctuation. Considering the expansion into another market, finding the correct people in charge will be a major challenge. The more people there are working in a hybrid business model, the more people must have the correct mindset and motivation.

Considering the financial capital dimension, HandUp broke even after just nine months of operation, a milestone not even the founder had anticipated. By 2024, the company had become a self-sustaining business, generating a profit of \$400,000. In addition, the founder successfully gained the confidence of six investors he knew from his previous work experience. This network enabled the company to acquire a base inventory of two machines, each worth around

\$400,000, and secure a strategically favorable warehouse location, one with capital-intensive rental costs.

The third dimension introduces the social capital of HandUp. In contrast to the other dimensions, the company shows advantages and challenges within this dimension. One major success warranty is the emphasis on the customer-centric approach. This not only creates a strong loyalty towards the company but also leads to word-of-mouth marketing, which is one success factor of HandUp. Another big advantage is the certification as a state-qualified vendor, which allows direct contracts with HandUp and its customers (E. Dyson, personal communication, November 14, 2024). This leads to a stronger brand reputation and a bigger network of potential customers.

In contrast to the advantages when it comes to obtaining and securing relevant resources for scaling the social impact of HandUp, there is one major disadvantage the company deals with. The role of the government represents a great dependency. Without the Massachusetts law banning all mattresses from landfills in 2022, the business would not work as it does right now. The company would not only lose customers, but many would also refuse to pay the cost of recycling mattresses, even if it is an environmentally responsible choice. This dependency lies heavily on the company's decision to regionally expand into another state or try to scale within the state of Massachusetts. With Ohio and California, two states followed the law change in 2022 in Massachusetts and banned mattresses from landfills. However, the possibilities of expanding into another state decline massively. Since expanding regionally relates to high capital investments for warehouses and machines as well as salaries for new staff, the return on investments is expected to be much lower. Consequently, it does not seem strategically worthwhile to expand into another state that does not have the law in place. In summary, HandUp convinces through strong human and financial capital, whereas the social capital reveals a critical dependency on the role of third parties such as the government.

Going forward, the <Scalability Framework= indicates that the choice of whether to scale up independently or in conjunction with other organizations should influence the scaling strategy adopted. According to the framework, if the hybrid business is effective in scaling up on its own, it will adopt strategies like <Capacity Building= or <One adjacency move= which are aimed at maximizing internal resources and capabilities. This rule would imply that the other two scaling strategies would not scale the impact of the business. This limitation seems to be problematic. A hybrid strategy, where an organization heavily relies on <Capacity Building=

strategies while being able to enter some partnerships, is much better. For instance, Dyson majorly targeted growing the organization by strengthening its operations and expanding throughout its original market. At the same time, he has forged partnership agreements with third parties, including upcycled mattress vendors (E. Dyson, personal communication, November 14, 2024). This shows that partnerships can reinforce strategic growth since they allow for reasons to be independent.

In summary, the assessment of HandUp's readiness to enhance its social impact, based on the <Scalability Framework= by Weber et al. (2012), contains both strong points and severe deficiencies. The company has an appropriate operational model, a strong determination from both its leadership and workforce, and a working management style focusing on quality and customers. Financially, HandUp has demonstrated sustainability and profitability aside from utilizing the founder's network to obtain key seed investments. On the one hand, the operational model is replicable and characterized by straightforward processes and manageable complexity factors, which suggest the potential for significant scalability. On the other hand, the resources can also have an emphasis on the challenges, particularly regarding resource acquisition for scaling. Even though the people and financial resources are available for the company, the emphasis on favorable regulations introduces a linkage with the government system. This linkage dramatically constrains the capacity of HandUp to grow to areas that do not possess the same legal requirements, such as the legislation on landfill bans introduced in Massachusetts. Moreover, when the company tries to extend its services to new markets or teams, the change from the mission-led leadership style is a barrier because it involves searching for people with the relevant hybrid business mindset.

6.5 (4) Which scaling strategy would you recommend to the founder of HandUp and why?

This assignment question is meant to evaluate the prior questions and consequently make recommendations of action for Dyson and HandUp. Keeping in mind the advantages and challenges the company is facing, students should make well-founded and substantiated statements. The students might take a categorization into short- and long-term strategies into account.

First, students should acknowledge that HandUp built a functioning operative model that generates 3-7% growth every year and created a profit of around \$400.000 in 2024. With its current customer base and well-developed reputation in the state of Massachusetts, HandUp is

in a good position to even grow its business in the market where it is operating right now. Therefore, as a short-term scaling strategy, the company should pursue capacity building. For instance, the company could focus on improving internal warehouse logistics to be able to process more mattresses with the same manpower. Furthermore, increased focus on the upcycle side of the business could be a lucrative opportunity to scale the profit and, therefore, the social impact of the company. As the founder pointed out, the margins on that side of the business are high, so it makes sense to scale this part (E. Dyson, personal communication, November 14, 2024). Right now, the upcycling business represents around 10-15% of the overall revenue. Moreover, the company is mainly selling mattresses within its retail store, which marks a natural limitation since the demand is limited to people with access to its store. It might be interesting to discover other sales channels in more depth. For example, the company could investigate online sales channels. This strategy would not require any regional expansion in terms of high capital investments but would still reach a broader customer segment.

In addition to capacity building, the company could use <relationship by ongoing agreements=> for short-term scaling. Right now, the company is working together with a partner who sells the upcycled mattresses of HandUp. The agreement follows a 50/50 split of the profits and helps both parties in the sense that HandUp can sell more mattresses in a different location, and the partner is also generating an additional revenue stream (E. Dyson, personal communication, November 14, 2024). HandUp could focus on finding more partners in the state of Massachusetts to scale the sales of upcycled mattresses in different locations. This would support the brand awareness of the company outside of its area of operations.

In contrast to the short-term strategy of capacity building and relationships by ongoing agreements, the company could think of regional expansion in the long term. As pointed out before, the role of the government is critical for the company as the business model only works within the specific regulations of banning mattresses from landfills. Besides Massachusetts, the same law exists in California and Ohio, which could be target markets for an expansion. However, one of Dyson's biggest challenges is finding the right individuals for leading positions in the company. As the founder turns 54 this year, he thinks a lot about the future of the company and describes the possible handover to the next generation as a major challenge. He believes that finding people with the right motivation and mindset to balance the social mission and the financial success is the foundation of expanding into another state in the US (E. Dyson, personal communication, November 14, 2024). Looking at his career path, Dyson is proud of the development of HandUp but does not want to oversee running multiple offices

throughout the US anymore. This is why the fitting staff becomes the main foundation of expanding the business. Nevertheless, expanding into another state like California or Ohio could generate additional revenue, which will increase the social impact of HandUp. Since the operational model is easily replicable, the business success is evidence of a big opportunity in other regions of the country.

In conclusion, the scalability opportunities for HandUp can be best realized through a strategic combination of short-term and long-term approaches. Nevertheless, these approaches would necessitate the overcoming of significant challenges, particularly the identification of individuals who share the values and leadership qualities to ensure the continued fulfillment of HandUp's dual mission. While expansion offers promising opportunities for increased social impact, it must be approached with caution to ensure alignment with the organization's core principles and long-term vision.

7. Conclusion and key limitations

This thesis aims to address the research question: How can HandUp effectively scale its social impact as a hybrid business in the context of the Scalability Framework? By applying the Scalability Framework to the hybrid business model of HandUp, this thesis aimed to evaluate the company's most effective scaling strategy and provide strategic recommendations for its future growth. The analysis showed that HandUp is well-positioned for short-term capacity building and partnership development within its existing market in Massachusetts. With a steady growth rate of 3-5% in 2024 and a robust operational model, the company has the potential to continue growing steadily in its current market. Partnerships, such as the collaboration in which a partner sells upcycled mattresses and shares 50% of the profits, represent a scalable, low-risk, and low-effort opportunity to expand HandUp's impact geographically. Replicating such partnerships could enhance the company's outreach and social impact while maintaining operational simplicity.

For long-term growth, expanding into states with similar mattress recycling regulations, such as California and Ohio, offers a viable opportunity. However, this strategy comes with challenges, particularly in identifying leaders who can uphold the company's dual mission of financial sustainability and social impact. Erik Dyson's focus on leadership succession reflects the difficulty of managing a social enterprise and the critical importance of preparing for the next generation of leadership. Moreover, HandUp's reliance on state-level regulations, such as

the landfill ban, underscores its dependency on favorable government policies, which both enable and constrain its scaling potential.

The Scalability Framework proved valuable for assessing HandUp's scaling strategies, but its limitations became evident during this analysis. A key shortcoming is the framework's insufficient emphasis on the role of government, which, in HandUp's case, is a critical dependency shaping its operational and scaling opportunities. Additionally, the strict categorization of scaling strategies as either capacity building or partnerships does not reflect the practical flexibility observed in HandUp's approach. The company has successfully combined capacity building with strategic partnerships, highlighting the need for the framework to accommodate hybrid strategies that leverage multiple scaling pathways simultaneously. Future iterations of the framework should better reflect the complexities of hybrid businesses, including the interplay between various scaling pathways and external dependencies.

This study also highlights limitations inherent to the teaching case method. While it provides valuable insights into real-world challenges, its findings are context-specific, and therefore, its results may not be generalizable to all hybrid businesses. Furthermore, the use of teaching cases is inherently limited by their reliance on qualitative data, which may not capture all the nuances of organizational dynamics. Addressing these limitations in future research could involve the application of the Scalability Framework to a more extensive set of cases, incorporating quantitative measures to validate its applicability across diverse contexts. Another research direction that could be explored is the systematic integration of hybrid strategies, such as those combining capacity building and partnerships, into scaling frameworks.

In conclusion, HandUp demonstrates strong potential for scaling its social impact both in the short and long term. However, critical dependencies, such as leadership continuity and legislative support, must be carefully managed. While the Scalability Framework offered valuable insights, this study underscores areas where the model could be refined to address the unique complexities of hybrid businesses like HandUp. By addressing these challenges and leveraging its strengths, HandUp can effectively scale its social impact while complying with its mission.

Bibliography

- Alberti, F.G., Garrido, M.A.V., 2017. Can profit and sustainability goals co-exist? New business models for hybrid firms. *J. Bus. Strategy* 38, 3–13.
<https://doi.org/10.1108/JBS-12-2015-0124>
- Antonucci, G., Venditti, M., 2022. Social Impact, in: Farazmand, A. (Ed.), *Global Encyclopedia of Public Administration, Public Policy, and Governance*. Springer International Publishing, Cham, pp. 12082–12090. https://doi.org/10.1007/978-3-030-66252-3_3045
- Austin, J., Stevenson, H., Wei-Skillern, J., 2012. Social and commercial entrepreneurship: same, different, or both? *Rev. Adm.* 47, 370–384. <https://doi.org/10.5700/rausp1055>
- Battilana, J., Dorado, S., 2010. Building Sustainable Hybrid Organizations: The Case of Commercial Microfinance Organizations. *Acad. Manage. J.* 53, 1419–1440.
<https://doi.org/10.5465/amj.2010.57318391>
- Becker, H.A., 2001. Social impact assessment. *Eur. J. Oper. Res., Complex Societal Problems* 128, 311–321. [https://doi.org/10.1016/S0377-2217\(00\)00074-6](https://doi.org/10.1016/S0377-2217(00)00074-6)
- Bloom, P.N., Chatterji, A.K., 2009. Scaling Social Entrepreneurial Impact. *Calif. Manage. Rev.* 51, 114–133. <https://doi.org/10.2307/41166496>
- Bloom, P.N., Smith, B.R., 2010. Identifying the Drivers of Social Entrepreneurial Impact: Theoretical Development and an Exploratory Empirical Test of SCALERS. *J. Soc. Entrep.* 1, 126–145. <https://doi.org/10.1080/19420670903458042>
- Bornstein, D., Davis, S., 2010. *Social Entrepreneurship: What Everyone Needs to Know®*. Oxford University Press.
- Burdge, R.J., Vanclay, F., 1996. Social Impact Assessment: A Contribution to the State of the Art Series. *Impact Assess.* 14, 59–86. <https://doi.org/10.1080/07349165.1996.9725886>
- Dees, J.G., Anderson, B.B., Wei-Skillern, J., 2004. Scaling social impact. *Stanf. Soc. Innov. Rev.* 14 2004.
- Defourny, J., Nyssens, M., 2012. Conceptions of Social Enterprise in Europe: A Comparative Perspective with the United States, in: Gidron, B., Hasenfeld, Y. (Eds.), *Social*

- Enterprises: An Organizational Perspective. Palgrave Macmillan UK, London, pp. 71–90. https://doi.org/10.1057/9781137035301_4
- Desa, G., Koch, J.L., 2014. Scaling Social Impact: Building Sustainable Social Ventures at the Base-of-the-Pyramid. *J. Soc. Entrep.* 5, 146–174. <https://doi.org/10.1080/19420676.2013.871325>
- Ebrahim, A., Battilana, J., Mair, J., 2014. The governance of social enterprises: Mission drift and accountability challenges in hybrid organizations. *Res. Organ. Behav.* 34, 81–100. <https://doi.org/10.1016/j.riob.2014.09.001>
- Grieco, C., Michelini, L., Iasevoli, G., 2015. Measuring Value Creation in Social Enterprises: A Cluster Analysis of Social Impact Assessment Models. *Nonprofit Volunt. Sect. Q.* 44, 1173–1193. <https://doi.org/10.1177/0899764014555986>
- Hall, M., 2014. Evaluation Logics in the Third Sector. *Volunt. Int. J. Volunt. Nonprofit Organ.* 25, 307–336. <https://doi.org/10.1007/s11266-012-9339-0>
- Han, J., Shah, S., 2020. The Ecosystem of Scaling Social Impact: A New Theoretical Framework and Two Case Studies. *J. Soc. Entrep.* 11, 215–239. <https://doi.org/10.1080/19420676.2019.1624273>
- HandUp, 2024. HandUp [WWW Document]. HandUp. URL <https://www.handupus.org/> (accessed 12.9.24).
- Islam, S., 2021. Social Impact Scaling Strategies in Social Enterprises: A Systematic Review and Research Agenda. <https://doi.org/10.2139/ssrn.3852342>
- Kah, S., Akenroye, T., 2020. Evaluation of social impact measurement tools and techniques: a systematic review of the literature. *Soc. Enterp. J.* 16, 381–402. <https://doi.org/10.1108/SEJ-05-2020-0027>
- OECD, 2023. Indicators of Immigrant Integration 2023 [WWW Document]. OECD. URL https://www.oecd.org/en/publications/indicators-of-immigrant-integration-2023_1d5020a6-en.html (accessed 12.5.24).
- Office of Homeland Security Statistics, 2022. Yearbook 2022 [WWW Document]. Off. Homel. Secur. Stat. URL <https://ohss.dhs.gov/topics/immigration/yearbook/2022> (accessed 11.20.24).

- Pache, A.-C., Santos, F., 2013. Inside the Hybrid Organization: Selective Coupling as a Response to Competing Institutional Logics. *Acad. Manage. J.* 56, 972–1001.
- Pandey, M., Maina, R.G., Amoyaw, J., Li, Y., Kamrul, R., Michaels, C.R., Maroof, R., 2021. Impacts of English language proficiency on healthcare access, use, and outcomes among immigrants: a qualitative study. *BMC Health Serv. Res.* 21, 741. <https://doi.org/10.1186/s12913-021-06750-4>
- Patton, E., Appelbaum, S.H., 2003. The case for case studies in management research. *Manag. Res. News* 26, 60–71. <https://doi.org/10.1108/01409170310783484>
- Santos, F.M., 2012. A Positive Theory of Social Entrepreneurship. *J. Bus. Ethics* 111, 335–351. <https://doi.org/10.1007/s10551-012-1413-4>
- Schmid, L., 2023. The Impact of Host Language Proficiency on Migrants' Employment Outcomes. *Am. Econ. Rev. Insights* 5, 477–493. <https://doi.org/10.1257/aeri.20220386>
- Schumacher, S., Hamel, L., Artiga, S., Pillai, D., Kirzinger, A., Kearney, A., Presiado, M., Gonzalez-Barrera, A., Published, M.B., 2023. Understanding the U.S. Immigrant Experience: The 2023 KFF/LA Times Survey of Immigrants - Findings - 10217. KFF. URL <https://www.kff.org/report-section/understanding-the-u-s-immigrant-experience-the-2023-kff-la-times-survey-of-immigrants-findings/> (accessed 12.2.24).
- Seelos, C., Mair, J., 2005. Social entrepreneurship: Creating new business models to serve the poor. *Bus. Horiz.* 48, 241–246. <https://doi.org/10.1016/j.bushor.2004.11.006>
- Sugarman, J., n.d. Recent Immigrant Children: A Profile of New Arrivals to U.S. Schools.
- Weber, C., Kroeger, A., Lambrich, K., 2012a. Scaling Social Enterprises - A Theoretically Grounded Framework. *Acad. Manag. Proc.* 2012, 15804. <https://doi.org/10.5465/AMBPP.2012.15804abstract>
- Weber, C., Kroeger, A., Lambrich, K., 2012b. Scaling Social Enterprises - A Theoretically Grounded Framework. *Acad. Manag. Proc.* 2012, 15804. <https://doi.org/10.5465/AMBPP.2012.15804abstract>
- World Economic Forum, 2024. The State of Social Enterprise [WWW Document]. *World Econ. Forum*. URL <https://www.weforum.org/publications/the-state-of-social-enterprise-a-review-of-global-data-2013-2023/> (accessed 12.5.24).

Yunus, M., 2021. 13 Building Social Business: The New Kind of Capitalism that Serves Humanity's Most Pressing Needs: 1 October 2010, in: Hooton, B., Koning, R., Thurston, M. (Eds.), *With the World to Choose From: Celebrating Seven Decades of the Beatty Lecture at McGill University*. McGill-Queen's University Press, pp. 213–228. <https://doi.org/10.1515/9780228008019-019>

Zook, C., Allen, J., 2003. Growth outside the core. *Harv. Bus. Rev.* 81, 66–73, 125.

Appendix

Appendix 1: Interview partners

ID	Name	Current role	Geographical location of interviewee	Contribution to the research
Expert ED	Erik Dyson	Co-Founder and Chief Executive Officer, HandUp	Mattapoisett, USA	Insights on HandUp's scaling strategy and its leadership succession
Expert TC	Ted Chaloner	Retiree and investor of HandUp	Boston, USA	External perspective on expectations towards the leadership and the strategic plan of the company

Appendix 2: Interview questionnaire Erik Dyson

1. Questions on your vision and motivation for HandUp

- a. Can you share a bit about your personal journey and what led you to found HandUp US?

2. HandUp and its business model

- a. How would you describe the business model of HandUp to someone who does not know the company?
- b. Could you dive a bit deeper into numbers? When did HandUp reach break-even? How did this year and quarter go so far?
- c. What makes HandUp a successful business? Are there any key components?
- d. Managing a mission-driven business can be deeply challenging. What do you find most rewarding, and what do you find most difficult about this journey?
- e. As CEO, how do you balance the need for financial sustainability with HandUp's commitment to social impact? (Investors pressure for financial success?)
- f. Did you already achieve what you initially planned? Do you have a vision for HandUp
- g. How important is the role of third parties (government, partnerships) for HandUp

3. Scaling HandUp and its social impact

- a. How would you evaluate, if you should scale your business or not? Are there specific key metrics you check or is it your gut feeling?
- b. In your view, how prepared is HandUp US to scale its social impact? What key factors make you feel confident or hesitant about scaling at this time?
- c. Experts say, there are 4 ways of scaling paths for Social Enterprises:
 - i. **Capacity-Building:** social enterprise intends to increase social impact on its own and does not have to adapt to the prevailing market conditions
 - ii. **One-adjacency-move:** social enterprise intends to scale into another adjacent area of activity (e.g., new target group, new product/service, new geographic context) or requires adaptation of any kind (e.g. cultural or geographically)
 - iii. **Diffusion of Knowledge:** Scaling through partnerships with others and if adaptation to particular market conditions is not necessary
 - iv. **Relationship defined by an ongoing agreement (e.g. franchise):** Scaling through partnerships with others and if adaptation to particular market conditions is necessary and possible

→ From your perspective, which of the 4 scaling strategies aligns best with HandUp's current strengths and resources?

Appendix 3: Interview transcript Erik Dyson

Moritz Frieler: So, Erik, welcome to my interview today. Thank you so much for being here. I think you can give me very valuable insights. And before we start, is it fine with you if I record this interview?

Erik Dyson: Yes, of course.

Moritz Frieler: Perfect, now we have that on the record. So, Erik, my plan is to guide you a bit through the questions.

Erik Dyson: Thanks, Moritz.

Moritz Frieler: To the question of why I am writing about this topic: when I attended my master's program, I had this one professor, Carlos Azevedo. He taught the course "Managing Social Innovation." Before my master's thesis and the course, I took, I wasn't very into the social impact side of businesses, but I became very interested in it. I was also a guest at your HandUp company, and I thought maybe we could connect that with my master's thesis. I talked to my professor about this idea, and he specifically told me it would be a great idea to write about the opportunity to scale the social impact of a company. We talked a lot about the problem of combining the financial sustainability of a company with having a social impact and balancing this dual mission. So, that's a bit of the background on why I decided to write about

this topic. But now, let's talk about you. I, of course, did my research. The first thing on LinkedIn I saw was an interview with you at Harvard Business as an alumnus years ago. Can you share a little bit about your career path and how you decided to found HandUp?

Erik Dyson: Oh, yeah, that was years ago. Sure, I'll try not to be too long. When I first came out of undergrad, where I studied finance and international business, I expected to go into the business world. But I had the opportunity to spend three years in Central America working for Habitat for Humanity, a nonprofit organization that builds houses for low-income people. What I saw then was the amazing impact the organization had. But I also recognized that, as a 24-year-old, I didn't have the management experience to understand how to best deliver that service. So, I decided I would come back and get an MBA. After getting my MBA, the reality of life set in. While I was passionate about the idea of working in the nonprofit sector, I was married and starting to have children. I needed to financially enable myself to be able to do this long-term. My original plan was to go into the corporate world for five to seven years. But, as is often the case in life, things were more complicated. Living in the United States, with education, housing, and all those costs, the five years ended up being 15 years. I spent the majority of that time at a gaming company, running operations in Latin America and the Caribbean. It was an amazing general management experience. I dealt with marketing issues, finance issues, government relations issues4every piece of business you could imagine. From a professional perspective, it was fantastic. From a financial perspective, it was fantastic. But from a personal perspective, thinking about the value of my time and its impact on the planet, I didn't feel it so much. So, I decided to leave. And it was ironic because I left at a time when I was in a very senior role and had the opportunity to take on an even more senior one. But I chose to leave because I wanted to make an impact, even though, from a financial perspective, it didn't make sense. That's when I decided to go into the nonprofit sector in the U.S. I ended up working with a group called All Hands Volunteers, which later became All Hands and Hearts. The organization focuses on disaster relief, leveraging the power of volunteers.

Moritz Frieler: That's fascinating. Could you tell me more about your time at All Hands and Hearts and why you decided to leave?

Erik Dyson: Sure. I worked there for eight years. The first four years felt like working at a startup4it was a very small, founder-led organization. My role was to help scale the model and make it sustainable. We made a lot of positive progress. But the real shift came when we merged with another nonprofit, Happy Hearts Fund, led by Petra Nemcova, a former supermodel. Her organization focused on raising money to build schools after natural disasters, while ours focused on direct impact4going out and rebuilding after disasters. The merger allowed us to combine our strengths. By leveraging the two organizations, we scaled dramatically. Our annual budget went from about \$8 million combined to \$25 million. By coincidence, four major hurricanes hit right at the time we were merging. This allowed us to combine our fundraising capabilities with our direct impact work at a moment when the world, especially the United States, needed it most. It was fantastic in terms of the impact we had4the money raised, the volunteers deployed, the projects completed. But, for me personally, I started to feel less connected to the fieldwork. Instead, I spent my time4on executive and administrative tasks4

legal issues, audits, reputational issues, HR. These were important, but they weren't aligned with my strengths or passions. After eight years, I decided it was time for something different.

Moritz Frieler: So, after your time at All Hands and Hearts, you decided to start HandUp. Could you share how HandUp came to be?

Erik Dyson: Yes, absolutely. When I left All Hands and Hearts, I wanted to build something that could sustain itself financially while having a lasting social impact. My idea was to create a real, standalone business that wouldn't rely on donations or fundraising but would instead dedicate most of its profits to social work. That's where the idea for HandUp came in. It's structured as a dual entity: the for-profit business gives 60% of its profits to the nonprofit side, which focuses on helping immigrants and refugees. The business itself—mattress recycling—came about somewhat by accident. At the time, Massachusetts was introducing legislation that required all mattresses to be recycled. It was a niche that aligned with both environmental and social goals, and it made sense for the area we were in. We were able to raise investments from like-minded people who understood that this was a business with a social mission. And now, we've been running for three years.

Moritz Frieler: How would you describe HandUp's priorities?

Erik Dyson: It's really a dual priority. On the one hand, the mattress recycling and upcycling business needs to be financially viable. It's not subsidized by anyone—neither the government nor donors. If it doesn't succeed as a business, there won't be any funding for the nonprofit side. On the other hand, the nonprofit, HandUp Community Impact, is where we address the social mission. My wife, Debbie, manages that side, focusing on services for immigrants and refugees, like English classes, health care access, and financial literacy. I focus on running the business. This balance between being a business and having a social impact is what makes it unique, but it's also what makes it challenging.

Moritz Frieler: Could you walk me through HandUp's financial journey so far?

Erik Dyson: Sure. So we started operations in January of 2022. At that point, we had four employees and no customers. It was, honestly, a very tough start because, you know, we were starting from zero—no revenue coming in. For the first nine months, we lost money. I mean, that's expected with a startup, right? But we kept pushing, and by September of 2022, we actually broke even. That was faster than I had anticipated. Breaking even within nine months is pretty good in the startup world. That first year, we recycled about 12,000 mattresses. So, 2022 was, you know, about setting the foundation. In 2023, things picked up significantly. We scaled up and processed 50,000 mattresses that year. Financially, we did quite well—we made about \$250,000 in profit before donations to our nonprofit side. Now, this year, in 2024, we're on track to recycle 70,000 mattresses, which is another big jump. Profit-wise, we're expecting to generate somewhere between \$350,000 and \$400,000. One of the key turning points for us was in July of 2022, when we became a state-qualified vendor in Massachusetts. That designation was huge because it allowed municipalities to contract directly with us without needing to go through a long and complicated procurement process. It gave us instant credibility.

Plus, it helped us secure long-term customers early on, which was critical for our growth trajectory.

Moritz Frieler: What do you think sets HandUp apart?

Erik Dyson: I think the first thing that really sets us apart is customer service. My goal and I tell my team this all the time is that if any of our customers ever have to think about mattress recycling, then we've failed. The whole idea is to make recycling seamless for them, because the people we serve—municipalities, retailers—they already have so many other things to deal with. For example, in most municipalities, the person in charge of mattress recycling is also responsible for managing every other kind of waste and recycling for the town. Mattresses are just one tiny piece of their responsibilities. If they're spending time thinking about mattresses, then we haven't made their lives easier, and they'll eventually start looking for another solution. That focus on customer service has been critical for us. It's helped us build strong relationships and retain customers even when we've had to raise prices. For instance, this year, we raised our prices by 7%. There are competitors who are cheaper than us, but we didn't lose a single customer. Why? Because they value the reliability and ease we bring to the table. The other thing that sets us apart is how we treat our employees. Most of our employees are immigrants and refugees. These are people with limited options for work, and they face a lot of challenges. We offer them full-time, stable jobs with consistent hours. That's very rare in the industries they typically work in. For example, many of them previously worked in fish processing plants. In those jobs, the hours are unpredictable. If a boat comes in with a big catch, they might work until 10:00 PM. If no boats come in, they might not work at all. That level of uncertainty makes it incredibly hard for families to plan their lives. At HandUp, we offer them stability. They know they'll work Monday to Friday, 8:00 AM to 4:00 PM, and they can plan their lives around that. In the beginning when we had not the volume of mattresses we have right now, we paid our employees even if they did not come to work. In addition to stable jobs, they also benefit from the services we provide through HandUp Community Impact. These include things like financial literacy programs, English classes, and healthcare access. We've designed these programs to meet their specific needs, and it's made a big difference in their lives. I think this combination of excellent customer service and a supportive, people-first approach to employment has created a lot of loyalty—both from our customers and from our employees.

Moritz Frieler: When it comes to scaling HandUp's impact, what are the opportunities and challenges?

Erik Dyson: Scaling is always a double-edged sword. On the one hand, it's exciting to think about expanding our impact and reaching more people. But on the other hand, rapid growth often creates new problems, especially for mission-driven organizations like ours. I've seen this firsthand. At All Hands and Hearts, we scaled very quickly after the merger, and while it dramatically increased our impact—it was amazing in terms of the volunteers we had, the projects we completed—it also introduced new challenges. For one, it was difficult to hire enough people fast enough. And when you grow that quickly, maintaining the organizational culture becomes much harder. It's also more difficult to ensure that everyone stays aligned with the mission and values of the organization. With HandUp, I want to approach scaling more

deliberately and sustainably. So far, our primary focus has been on capacity building. By that, I mean improving our operational efficiency and taking market share from competitors. We've been fortunate in that a lot of our growth has come from word-of-mouth recommendations. For example, one municipality will hear about the work we're doing from another, and they'll come to us. That's been a huge advantage. Geographic expansion is another possibility, but it comes with its own set of complexities. Setting up a second location would require significant capital investment. More importantly, it's not feasible unless the regulatory environment in the new area is favorable like it is in Massachusetts. Without that, expansion doesn't make sense. We've also been exploring partnerships. For example, we've partnered with someone in another part of Massachusetts to sell upcycled mattresses. They take our mattresses on consignment and sell them in their retail shop, and we split the profits. This allows us to access a new market without the risks or costs of opening a new location ourselves. So, while scaling is definitely on the table, I'm cautious about how we do it. I want to make sure that we're growing in a way that doesn't compromise the values or the sustainability of the organization.

Moritz Frieler: How do you balance the business side with the social impact side?

Erik Dyson: It's always a balance, but if I'm being honest, we usually default to prioritizing social impact over the business side. A good example of this is from our first year. There were times when we didn't have enough work to keep employees busy. Now, from a purely business perspective, the logical thing to do would've been to send people home without pay. But I made the decision to pay them for a full week anyway, even if there wasn't enough work. The reasoning behind that was twofold. First, it wasn't their fault that there wasn't enough work—it was my responsibility to build up the business and generate enough volume. Second, I knew that if I sent people home unpaid, they'd start looking for other jobs. These are people who live paycheck to paycheck, and missing even one day's pay could make it impossible for them to cover their rent or other essentials. So, even though it wasn't the best short-term decision for the business, it was the right thing to do for our employees. And, in the long term, it paid off because it built incredible loyalty among the team. They knew we had their backs, and that created a sense of trust and commitment. This is one of the unique advantages of our model. Because we don't have shareholders pressuring us to maximize profits, we have the freedom to make decisions based on what's right for the long-term impact—both for our employees and the community.

Moritz Frieler: How important is the role of third parties (government, partnerships) for HandUp

Erik Dyson: They've been absolutely critical. Let's start with the role of the government. The Massachusetts legislation requiring mattress recycling was the foundation of our business. Without it, the business model wouldn't have worked—or, at the very least, it would've taken a very, very long time to reach the level we're at today. You see, while people care about environmental impact, most of them are primarily concerned with cost. If it's free to dump a mattress into a landfill, that's what most people will do, even if they know it's not the environmentally responsible thing to do. By making recycling mandatory, the state created the conditions for a viable market. That said, the law didn't dictate how the recycling should be

done4it left that up to the market. This free-market approach meant that companies like ours had to figure out how to provide the service efficiently and affordably, but it also created opportunities for businesses like HandUp to step in and fill the gap. Now, let's talk about investors. I was very fortunate to have a strong network from my time at All Hands and Hearts and my corporate career. When I started HandUp, I was able to tap into this network and reach out to people who understood what we were trying to achieve4a business that's financially sustainable but also has a social mission at its core. These investors trusted me to execute the vision. They understood the dual mission of the company: that it's not just about profit, but about making a real impact. Their trust and support were invaluable in getting the initial funding we needed to get off the ground. What's been particularly important is that these investors have been relatively hands-off. They're not involved in the day-to-day operations or trying to influence how we run the business. That's given us the freedom to focus on what's best for HandUp, without the typical pressures you might face from shareholders or investors demanding high returns. So, between the legislation that created the market and the investors who believed in our vision and provided the capital to start, third parties have played a critical role in our success.

Moritz Frieler: You mentioned scaling earlier. In my master's thesis, I'm looking at a theoretical model that suggests four ways of scaling social impact. One of them is capacity building4making your operations in your current market bigger without relying on partnerships. Then there's geographic expansion, moving into new markets without third parties. The other two paths involve partnerships: one is leveraging partnerships to expand operations, and the other is franchising. Have you considered these approaches for HandUp?

Erik Dyson: Yes, we've definitely thought about these. Let me start with the fundamental challenge of scaling. First, I'm motivated to scale HandUp to the point where it's self-sustaining and profitable. And the good news is, I believe we've reached that point. The business is now stable, throwing off \$350,000 to \$400,000 in profit annually. We're seeing natural growth of 33 7% per year, mostly from existing customers, small volume increases, and occasionally picking up a few new customers. That, in my mind, is a sustainable business model. But the broader challenge is the pressure to scale beyond that. In today's economic environment, there's this insatiable desire for growth. Everyone's asking, <How do you double, triple, quadruple the size of the business?=> From my experience at All Hands and Hearts, I know that rapid growth comes with significant pitfalls. When we scaled quickly after the merger, we went from being a small organization that struggled to pay its bills to a much larger one with plenty of funding. And while that growth was incredible from an impact perspective, it also introduced major challenges. For example, we had to figure out how to hire enough people to keep up with demand. That's not easy, especially when you're scaling quickly. Then there's the issue of culture. As you add more people, it becomes harder to maintain the culture and values that made the organization successful in the first place. And finally, alignment with the mission. The more layers you add to an organization, the further removed people become from its core mission. That's one of the reasons I've been very cautious about scaling HandUp too quickly. I want to make sure that any growth we pursue is sustainable, both for the business and for the mission.

Moritz Frieler: So, what are the specific strategies you've considered for scaling?

Erik Dyson: We've been fairly opportunistic so far, focusing primarily on capacity building. What I mean by that is becoming more efficient in what we do and, at the same time, taking market share from competitors. This approach has worked well for us so far. Customer service is a huge part of this strategy. If we make life easier for our customers—if recycling mattresses becomes something they never have to think about—then they're much less likely to look for another vendor. Even if we raise prices, they'll stick with us because they value the service we provide. Word-of-mouth recommendations have also been incredibly valuable. For instance, the truck drivers who come to drop off mattresses at our facility often talk to people in other towns. They'll say things like, "These guys are great, they're easy to work with, you should give them a call." Those kinds of personal recommendations have helped us grow without spending much on advertising or marketing. When it comes to geographic expansion, I think we're now at a point where the Massachusetts market is mature. Everyone in the state has found their solution to mattress recycling. That means the big growth opportunities within the state are limited. We might still see 537% growth each year by picking up customers who are dissatisfied with their current vendors, but it's not going to be a huge jump. Expanding outside of Massachusetts is a much bigger challenge. The regulatory structure we have here in Massachusetts is critical to making our business model work. Without similar regulations in other states, it's just not economically viable to set up operations there. We've looked into it, but at this point, we've decided it's not the right move for us. Partnerships, on the other hand, have been more promising. For example, we've partnered with someone in another part of Massachusetts to sell upcycled mattresses. We provide them with mattresses on consignment, and they sell them in their retail store. Then we split the profits. This setup allows us to reach new markets without taking on the risks or costs of opening a new location ourselves. Franchising is something else we've considered, but it's tricky. Our model isn't just about the operational side of the business; it's also about the culture and mission. I worry that if we started franchising, the franchisees might not share our values. They could end up focusing solely on profits, which would dilute the social impact we're trying to achieve. So, while we've explored a lot of different options, we're trying to be deliberate and careful about how we scale. We want to grow, but we also want to make sure that growth doesn't compromise the values and mission of HandUp.

Moritz Frieler: You mentioned upcycling as a part of your business. Can you elaborate on its role in your growth strategy?

Erik Dyson: Sure. Upcycling has become a significant part of our growth, and it's an exciting part of the business. Right now, it represents about 10315% of our overall revenue, and it's a very high-margin business. Here's how it works: we get paid to take in mattresses as part of our recycling operation. Then, for the mattresses that are in good enough condition, we sanitize them and resell them for anywhere from \$100 to \$500 each. The cost of goods sold for these mattresses is very low—basically, just the cost of cleaning and sanitizing them—so the margins are fantastic. However, there's a natural limitation to how much we can grow this segment. Only about 335% of the mattresses we collect are suitable for upcycling. The rest are end-of-life mattresses that have to be fully recycled. We've been experimenting with different sales channels to make the most of the upcycling side of the business. Right now, about 80% of our

upcycling sales come from our retail store in New Bedford. But that market is nearing saturation. New Bedford is a town of about 70,000 people, so there's only so much demand for upcycled mattresses in the local area. To address this, we've started exploring online sales. We've been using platforms like Facebook Marketplace and eBay to reach more customers. These platforms have been promising, but they also come with challenges. For instance, customers who buy online can't test the mattresses beforehand, which increases the risk of returns or dissatisfaction. Recently, we've also started shipping mattresses across the U.S., which opens up a whole new market for us. But again, this approach comes with its own set of risks. Returns are a big concern when customers can't physically inspect or test the mattresses before buying them. To mitigate this, we encourage potential customers to go to a local mattress store, test out similar mattresses, and then order from us if they're confident in what they're getting. So far, this has helped keep return rates low, but it's something we're watching carefully as we scale this part of the business.

Moritz Frieler: When it comes to balancing the business side and the social impact side, have there been situations where you prioritized the financial side over the social impacts side?

Erik Dyson: Actually, I think it's the opposite. We almost always default to prioritizing social impact over the business side, even when it's not the most financially sound decision in the short term. A good example of this is from our first year. There were times when we didn't have enough work to keep employees busy. Now, from a purely business perspective, the logical thing to do would have been to send people home without pay. That would have saved money. But I made the decision to pay them for a full week anyway, even if there wasn't enough work to keep them occupied. The reasoning behind this was twofold. First, I had committed to providing full-time jobs. These are people who live paycheck to paycheck, and if I didn't pay them, they wouldn't have been able to make ends meet. It wasn't their fault that there wasn't enough work; it was my responsibility to figure out how to bring in more volume. Second, I knew that if I sent people home unpaid, they would start looking for other jobs. These are workers who need stability and predictability in their schedules and paychecks. If I couldn't offer them that, they would have no choice but to leave. And once you lose good people, it's very hard to replace them. From a short-term business perspective, paying them for work they weren't doing was not the right decision. It definitely hurt our bottom line in those early months. But from a long-term perspective, it was absolutely the right thing to do. It built incredible loyalty among our employees, and it showed them that we value and respect them. This is one of the strengths of our model. Because we don't have shareholders breathing down our necks, pressuring us to maximize profits at all costs, we have the flexibility to make decisions based on long-term impact. We can afford to sacrifice some short-term profitability to do what's right for our employees and our mission.

Moritz Frieler: How do you measure the social impact HandUp is creating?

Erik Dyson: We're starting to measure it more systematically, but we're being very mindful not to let the numbers drive everything. One of the big challenges in the nonprofit world and I've seen this a lot is that donors often want to see measurable results to justify their contributions. They want to know exactly how many people were helped, how much impact was created, and so on. But the problem with that approach is that it doesn't always capture the

true impact of what you're doing. Numbers can be misleading, or they can push you to focus on things that are easier to measure rather than what's actually needed. For example, with our English classes, we don't focus on the number of participants. We're not trying to say, <Oh, look, we had 30 people in this program last month, so it's a success.= Instead, we're asking whether the classes are meeting real needs and having a meaningful impact on individual lives. Here's a specific example: we recently sponsored a citizenship class. Only three people signed up for it. Now, from a numbers perspective, that doesn't look impressive. It's easy to think, <Three people? Was it even worth running the class?=> But if all three of those people go on to become citizens, that's a huge success in my eyes. That's three lives changed in a very tangible way, and the ripple effects of that can be enormous. The other thing is that we have the flexibility to focus on what's important, not just what looks good on paper. Because we're not relying on external donors to fund HandUp Community Impact, we don't have to constantly prove ourselves by delivering metrics that look good but may not actually matter. We can focus on helping people in ways that truly make a difference, even if those ways are harder to measure or don't produce impressive numbers. It's a balancing act, of course, but I think it's one of the strengths of our model. We can prioritize what's right for the people we're trying to help, rather than what's easiest to quantify.

Moritz Frieler: Thank you so much, Erik. This has been incredibly insightful, and I'm sure it will add great value to my research.

Erik Dyson: My pleasure, thanks buddy!

Moritz Frieler: Thank you!

Appendix 4: Interview questionnaire Ted Chaloner

1. Introduction and context setting

- a. Explanation of purpose of the interview; **Topic:** how can HandUp scale its social impact while maintaining financial sustainability
- b. Explanation of the goal of the master's dissertation

2. Your background

- a. Could you share a bit about your experience with social enterprises?
- b. How did you get into the field of Social Enterprises?
- c. How did you meet Erik?

3. Investing into HandUp

- a. In your eyes, what makes HandUp a successful business?
- b. How did you get convinced to invest in this company?
- c. As an investor of HandUp, how do you prioritize importance of financial returns versus the social impact?

4. Involvement as an investor

- a. How would you describe your role for HandUp in the moment?
- b. How often do you meet with Erik?
- c. What key metrics or KPI's are especially important for you as an investor?

5. Scaling social impact of HandUp

- a. From your perspective, is HandUp ready to scale? Is there a specific financial or non-financial indicator that you as an investor prioritize as signals that HandUp is ready for scaling?
- b. Experts say, there are 4 ways of scaling paths for Social Enterprises:
 - i. **Capacity-Building:** social enterprise intends to increase social impact on its own and does not have to adapt to the prevailing market conditions
 - ii. **One-adjacency-move:** social enterprise intends to scale into another adjacent area of activity (e.g., new target group, new product/service, new geographic context) or requires adaptation of any kind (e.g. cultural or geographically)
 - iii. **Diffusion of Knowledge:** Scaling through partnerships with others and if adaptation to particular market conditions is not necessary
 - iv. **Relationship defined by an ongoing agreement (e.g. franchise):** Scaling through partnerships with others and if adaptation to particular market conditions is necessary and possible

→ From your perspective, which of the 4 scaling strategies aligns best with HandUp's current strengths and resources?

6. Adaptability and expansion readiness

- a. How adaptable do you think HandUp's model is to new locations or socio-economic contexts? Do you see this adaptability as an advantage or a potential challenge for scaling?

7. Risk tolerance

- a. Are there scaling strategies that you feel are too high-risk based on the current financials and market conditions?
- b. What risks do you see as most critical to address before scaling, such as operational, financial, or market-related risks?

8. Measuring social impact in financial terms

- a. How do you evaluate HandUp's social impact from an investment standpoint? Are there metrics or outcomes that make you feel confident about the value of the social mission relative to financial return?

9. Long term vision

- a. What is your long-term vision for HandUp as both a financial investment and a social impact initiative?

Appendix 5: Interview transcript Ted Chaloner

Moritz Frieler: Ted, thank you for taking the time today and attending the interview today. Let me quickly introduce you to the thesis topic and why I chose this topic. I'm currently working on my master's thesis, which is focused on hybrid businesses⁴ specifically, how they scale their social impact. My interest in this area began with a course I took in managing social innovation. It was fascinating to see how businesses could achieve both profitability and social impact simultaneously.

I had the chance to visit HandUp early in its operation back in 2022. During the period of choosing a topic for my thesis, I thought connecting the story of HandUp with the thesis would be a great opportunity.

But now back to you. Could you start by introducing yourself and your background?

Ted Chaloner: Sure. I was born in Montreal, Quebec, but I moved to the States quite young and grew up in Manhattan. I was a history major in university and honestly had no clear idea what I wanted to do with my life. I sort of fell into recruiting and, by my early 30s, started my own company. It became quite successful^{4a} a search firm specializing in corporate communications.

Ted Chaloner: The company was called Chaloner, and it's still going strong, based in New York with offices in Boston, Chicago, Washington, and at one point Dallas. I sold it about 8 or 10 years ago to one of my employees and another company and they are still running it. It's fascinating how corporate communications, which wasn't as significant in the 1970s when I started, became so integral in the 80s and 90s. My timing was pretty good. I can't say it was strategy but I think it was good luck which I realised. My clients were larger companies because I was based here in Boston. We were very invested with technology companies and with some finance companies. Later in my career, I started thinking about the kinds of companies I wanted to work for. I began to focus on organizations that created a broader social benefit. Recruiting, however, is a bit of a one-off industry⁴ each search is short-lived, lasting around 8 to 16 weeks. You start one, finish, and move to the next. That cycle, combined with my personal values, led me to work with organizations like the Wikimedia Foundation.

Moritz Frieler: Interesting. Was that a deliberate shift, or did it happen organically?

Ted Chaloner: It was a bit of both. For instance, working with the Wikimedia Foundation, I saw how organizations with a social mission can have a global impact. That experience made me want to contribute more to socially beneficial ventures. When I retired, a couple of weeks later, I got doored and broke 9 ribs and a bunch of other things. So I decided, since the the

owner of the car didn't do anything and never bothered to find out how I was when I went off in an ambulance that I decided to seek compensation, which I did. After paying my medical bills and more importantly buying a new bike, I had a bunch of money left over and I this was 2020 and in 2021 I dispersed all of that money to bike safety programmes in Boston. My connection with HandUp began after volunteering with All Hands and Hearts. I met Erik Dyson through that experience. When Erik reached out about starting HandUp, I was intrigued. I admired his vision and determination. He raised the initial capital, including contributions from myself and a few other investors. What convinced me was Erik himself4his leadership and commitment.

Moritz Frieler: What convinced you to invest into HandUp specifically?

Ted Chaloner: One of the challenges for a business like HandUp is ensuring its sustainability while maintaining its social mission. Erik's ability to balance these is exceptional. He's built a resilient team and invested in operational efficiencies, like acquiring specialized machinery for mattress recycling. In the end, it was Erik's passion and his management skills that made me believe in this idea and I do not know a lot of people who could have pulled that off in such a short time.

However, I often think about succession planning. Erik won't run the business forever, and finding the right people to continue his work is crucial. This is something I consider when thinking about scaling or expanding HandUp's impact.

Moritz Frieler: That's interesting to hear. From your perspective, what sets HandUp apart from other businesses in the same space?

Ted Chaloner: A few things. First, HandUp treats its employees exceptionally well. Many of the workers are immigrants or refugees who face significant challenges, but Erik ensures they're paid fairly and treated with respect.

Second, the operational model is strong. The company recycles and upcycles mattresses efficiently, and Erik has been smart about acquiring the right machinery to improve productivity.

Lastly, the social mission is deeply integrated into the business. It's not an afterthought4it's central to everything they do.

Moritz Frieler: How is your involvement in the company right now? And what are important KPI's for you as in investor?

Ted Chaloner: So internally I have been known as the guy who sometimes sneaks in and brings some cookies. We sometimes have meetings together with the investors and Erik sends quarterly reports. But I am not involved operationally and Erik enjoys the freedom to not have any pressure from the investors. Stil, as an investor in HandUp, I value several KPI's that help me understand how the company is doing. I really appreciate, you know, the regular reports Eric and his team provide, particularly the details on staffing and machinery acquisitions. These updates give me confidence in how the company is maintaining operational efficiency, which has been a big part of its success. What I'd like to see more of, though, is reporting on the social

impact side of HandUp's work. For example, how many people are benefiting from the English language courses or the legal support programs? These are incredible initiatives, and I think better tracking and communication of this social impact would not only help investors like me but also show the public the full extent of HandUp's mission.

Moritz Frieler: Okay, interesting insights. Let's discuss scaling the social impact of HandUp. In your opinion, is HandUp ready to scale?

Ted Chaloner: Scaling is possible, but it's complex. For example, the waste management industry offers opportunities, but it's heavily reliant on local regulations. The Massachusetts law requiring mattress recycling was a significant factor in HandUp's success. Replicating this model elsewhere would depend on finding similar legal and market conditions. You know, it is not a highly skilled business yet. I mean there are pieces of it that are more interesting than others but mattress, you know recycling is not a high end industry

Moritz Frieler: So do you think the business model is replicable and adaptable in other markets?

Ted Chaloner: Yes yes, definitely. I think key are the political regulations. Other than that, the business model is not very complex and does not require a lot of adaptation.

Moritz Frieler: What about partnerships or collaborations? Could such strategies play a role?

Ted Chaloner: Definitely. While HandUp has focused primarily on capacity building, partnerships like the one with a friend who sells upcycled mattresses are valuable. These collaborations expand HandUp's reach without requiring significant new investments. HandUp is doing well because of Erik's leadership and the company's strong foundation. Scaling will require careful planning, particularly in finding leaders who understand and embrace the hybrid business model. The success of HandUp lies in its ability to balance operational efficiency with its social mission.

Moritz Frieler: Are there scaling strategies that you feel are too high-risk based on the current financials and market conditions?

Ted Chaloner: As I mentioned before, expanding into new markets in my opinion is critical, because it comes with the big challenge of finding the right people in the lead. Also, the regulations might be not the same as in the state of Massachusetts. I would concentrate on keeping the quality high and rather scale slowly in the existing market rather than expanding aggressively and losing quality.

Moritz Frieler: That's a valid point. Thank you for sharing your insights. One last question what's your long-term vision for HandUp?

Ted Chaloner: I'd like to see HandUp continue its good work in Massachusetts while exploring opportunities to expand where it makes sense. For me, it's less about aggressive growth and more about sustaining the quality of operations and the social impact. One day, the biggest challenge will be to replace Erik as he might move on to a new challenge or retire. I would like to see the company finding a good replacement to further achieve its mission.

Moritz Frieler: Thank you so much, Ted. Your insights have been incredibly valuable.

Ted Chaloner: My pleasure. Let me know if you need anything else, and good luck with your thesis.

Moritz Frieler: Will do. Thanks again!