

German Zubia: Thank you very much, to everyone. My name is German Zubia, I'm the co-founder of Connovo, which is the first impact venture builder. I'm based in Mexico. I want to share with you three things. The first one, is going to make you feel sad, I think. The second one, it's going to make you feel a bit frustrated. And, the third one, hopefully, is going to make you feel hopeful.

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The first one is about Don Ramon. Don Ramon, like the other five million small holder farmers in Mexico, lives with less than a thousand dollars a year. Certainly, it is not enough for his five member family. And, agriculture in Mexico is a really multi-dimensional problem. It faces multi-dimensional challenges. When one of the main ones is intermediaries. In agriculture, the [Spanish 00:01:21] as we call it in Mexico, they are keeping almost the most potential earnings for Don Ramon. Not only earnings on income, but also, almost all of their subsidiaries are support from the government.

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While this happens, in Mexico, 60 percent of the rural communities live in extreme poverty. The average age of a small-holder farmer in Mexico is 60 years old. And, social mobilities' nonexistent. I mean more than 50 out of 100 people like Don Ramon are going to die exactly in the same conditions.

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There is technology, there is innovation, there is solutions, that are there to help people like Don Ramon. They are like equal tiers, and Indian social enterprise who are actually developing economically sustainable solutions through technologies, so they are anchored by technology, community [inaudible 00:02:41] process, micro-entrepreneurship, that impact in the thousands - people like Don Ramon. Or, [inaudible 00:02:48] they are creating really long-term and sustainable relationships within the whole value scheme of Cacao. They are impacting more than 2000 people, and all of them by now increase their incomes by 61 percent.

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They are not charities, they are profitable businesses, and maybe at some point they are going to come to Mexico. But they may never come. And this is sad.

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In Mexico ... here is forget to go through the plan. Mexico is full of talented people. I have the privilege to work for organizations such as [inaudible 00:03:47] and actually have the opportunity to know Barry Sisson, social entrepreneurs, and not only see some once, but potential ones. And I always ask this question. What is your business model? What is your market validation. Whether you think your solution is going to have success, or going to be successful.

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I usually, or almost all the times, I hear less compelling stories that the other business, I have known other parts. What is the ecosystem doing? I see an ecosystem that is ready to help. But most of the time, they are not helping them to learn from successful stories to learn from what works, and help them in how to leverage this knowledge, and how to implement it in their local communities. The ecosystem is just waiting them, see them how to ... while they are reinventing the wheel. This is really frustrating.

[00:05:00] For us, this statement was really hopeful. Rockefeller Foundation, years ago, came up with this statement: that is, come on, most of the most critical social problems are already solved. What we need now, is to find the solutions, fund it, and help them to scale. Scale is still the holy grail of the social sector. That's the trigger for Connovo in 2015. What we are trying to do in Connovo is to actually tackle one of the main challenges of the main barriers, are successful social businesses, are facing to scale, or to reach scale.

Capital, no? Investors are ... listen Mexico always complain there's not pipeline, is really risk. We live in a really adverse society. So, for them it's really complex to enter venture capital. There is money there. What is just ... we are waiting to the ready to go solutions, that ready to receive crucial amount of money. And we are not pulling our best to risk to push the phony lobby down.

[00:06:30] We are trying to de-risk this venture capital money for investors.

[00:07:00] The other two are related with the social entrepreneur, I mean the first one is focus. Social entrepreneur usually you find it tackling huge problems with really constrained resources, that are overwhelmed most of the times. And for entrepreneurs in Philippines, entrepreneur in India, coming to Mexico could be ... because they are entrepreneurs, they always get excited ... could be something exciting to do, but they need to stay focused. And it is good to stay focused on their work. They may come, or they may scale to any 30 years, or may never happen.

[00:07:30] The other is perspective. From outside it's really hard to understand another market, another localities, so it's really hard to grasp what's needed, to adopt a model when an active ingredient of a model from one country to another. The last one is talent, or leadership. Scaling a company requires completely different skills, than from creating one from scratch. So you need almost two people completely different from ... you need an innovator, but then from growth, it's a completely different story. It's really completely different story to manage a local social business than a multi-national.

[00:08:00] This is what we do, to put it in a nutshell, it's a five-step process. We start with an evidence based research, trying to detect gaps and opportunity. So really the main dreaming process. So what we do is, try to understand within sectors, where are these gaps with huge potential, not only impact, but also business.

[00:08:30] When we understand these gaps then we look all over the world, who actually tackling successfully these challenges. And we partner with them. We help them to adapt their model. Their model for now in Mexico. And then, once we do this adaptation, and this is the next step is, I would say is the secret sauce, or because we're in Mexico is the secret salsa I could say, but it is the recruitment of co-founders. And this is really rigorous matchmaking process of exactly what is needed for certain companies. We do proactively this matchmaking process. I can elaborate more, but I think in 15 minutes it is going to be difficult, but just stay with it, it is really critical process.

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[00:09:30] And then the launch, we do really hard work, it's a really hands on process in the launching of the companies. We do pilots, we integrate, after they are ready. And then we start stepping aside, and we stay as a heavily involved board member, helping them for next round of investment, or business development, helping them in a more strategical way.

[00:10:00] Let me take you through an example of how it works. It's going to be easier for you to understand.

[00:10:30] This is one of the companies we have in our portfolio. It's an affordable private school chain. It focuses on early childhood education. I'll start with this, we saw this report called Los Invisibles or The Invisibles, who was actually about the current state of children from zero to six years old in Mexico. So it's called Los Invisibles or The Invisibles. It's pretty self-explanatory. Some of the conclusions was that, early current childhood education in Mexico is like in South Korea 20 years ago, or in Chile 10 years ago. We started spotting a gap. 50% of children in Mexico from one to three years old, live in poverty. It like half of them. And just 6% from zero to three have access to childcare services. There is impact there.

[00:11:00] Then we saw, the international community moving towards early childhood education. This guy, James Heckman, who is actually a Nobel Prize winner who proves that even return of investment could be as high as one to seven, if you put one dollar before six years old or afterwards. We see the whole community moving towards that, and not asking Mexico.

[00:11:30] Also, we see this, the role of women in Mexico and all over Latin America is changing a lot. The cost of opportunity of how women of not participating actively within the economy of the families is huge. I'm hearing plenty of working mothers, and these mothers only have three options. One, is leave the children alone for more than nine hours. Two, is leave them with a sibling, usually a girl, usually a minor, that she needs to go out from the school to take care of the children. Or, three, use an informal daycare center or [Spanish 00:12:07] as we call it, because they didn't [inaudible 00:12:09] the children. And abuse and neglect are really common practices.

[00:12:00] All we're challenged, what was exactly the gap? How might we increase the access to high quality early childcare and education?

[00:12:30] We do this really profound, really in-depth evidence based research, and we've done 25, we saw hundreds. We do in-depth on 25 initiatives tackling exactly this challenge. We ended up with three of them. Two in India, one in Columbia. And then, it comes to the USAID part. Early investors like Gray Matters Capital, that actually help us with to capitalize this effort.

[00:13:00] We went there, we're trying to understand if this ... what we're seeing can be adapted to Mexico. Affordable private school is happening in Africa, all over Asia, but not in Latin America. So we went to understand why. So we went there, we do in-depth due-diligence research within the companies we identify. We ended up

partnering with Hipocampus Learning Centers.

[00:13:30] There's an affordable private school chain in India with more than 300 centers. Mostly working in rural areas. They have a business model quite solid, as a business unit of the center. They are IT guys, really common in India. Their operational model to scale was incredibly interesting. There's operations, and operations and operations are wildly adaptable from one context to another. I was an engineer, I saw process within the center, and as an engineer, we are intend to believe that conducive process, because quality in there.

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They were really interested in joining this endeavor with us. We do the adaptation. So what we do, we change mainly three things. The first one was pedagogy. It's completely different in India than it is in Mexico. We adapt pedagogy to the cultural context of Mexico. We put Montessori constructivism, which are pedagogies, we are not reinventing wheels, they are proved. There are usually not accessible for this segment for the population. We never actually had this opportunity of working mothers, partnering with private companies. This [Spanish 00:14:44] that are relying a lot on working women. We insert this business model, but the first one actually providing tailor made early childcare centers for this segment of the population. From center one is ready to scale to hundred in the next five years, because this partnership with the Indian guys.

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Then recruiting the co-founders. We have the model, we have the partnership, so we started to look for the right people. We have two key words here. Access and quality. So, we look for quality and we found lot of this. We were really lucky. 55 year old woman, 35 years of experience. Here already formed a charity based chain of early childhood care centers in Mexico. He wrote two pedagogies, that are really community driven approaches. So it's amazing. When I say quality, it means Louis. And Louis, he has a scale in his veins. He is an acumen fellow, he having always working with huge numbers, the last thing we were working in renewable energies, changing the whole government rural stores to renewable energies. When I interviewed him, he was speaking crazily around numbers. So now he can made it.

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Then we launch, we partnered with one of the subsidiary areas of the biggest bread processors in the world. Beautiful Bimbo. We partner with them in this center, which is semi-rural I would say. Let me quickly visit the center. It's a really community driven center. It is really affordable, but providing really high quality. What I read with Hipocampus successful operation, we are already over or where projects of enrollments. It's almost funded to break even in our each 12 centers in the next year. And it has a significant fraction. It is still an early stage company, but with significant traction.

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In a nutshell, this is carnival. No? We play within this three parts, I would say. The venture lab, the evidence based thing, the detection of social gaps, hands-on launching process, high quality shared services. The part of the replication. Not reinventing wheels. Start from proven models. Collaborate with them. Their journey to success is incredible, useful for adapting a model from one context to another. And the secret salsa? Matchmaking of talents and great models. A

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rigorous selection process and the right incentive for these talents to join a company with challenges, with huge challenges, like the one we just showed.

[00:18:00] We have three companies right now. Hipocampus, we already spoke about it. Esoko, is a mobile platform for connecting small holders with information, prices, climate, there is a call center when the small holder can just pick up the phone, and is going to be speaking with an economist. And, Holacode which is really relevant right now, because, it's a coding boot camp. Focused on returnees and these dreamers. We're trying to hack into social mobility. We are helping dreamers to have employment, but not just employment. A quality one. The IT sector in Mexico is booming, and these returnees, have the right skills. They speak English, they are resilient, they used to work for call centers. They are really problem solving people. We are taking them for earning five times more than the earning they actually have in these call centers.

[00:19:30] Our track records, three impact ventures launched. We are quite young organization. We are starting in 2015. That will be more than two years doing this. We have a record five co-founders. The whole team is around 30 persons right now. We have raised 1.2 million dollars in seed funding. The whole story started with \$150,000, so it's quite an achievement actually. By now, we have \$100,000 of consolidated revenues. It's going to be 300 by the end of the year, and next year, two of the three companies is going to be breaking even.

[00:20:00] Our objectives, is 20 impact ventures in the next five years. Highly scalable. Profitable ones. We are going to be focusing on education, and right now we are looking for where our next cohort is going to be six ventures in the next two years. We are looking for 2.9 million dollars.

[00:20:30] Let's be honest. In this, scaling is the holy grail of the social sector. For many companies, it's going to take a while. Or they never happen in Don Ramon's or his family's lifetime. So, we need to ... it's really critical to start looking for different ways to approach social problems. And nothing more logical than start from what is actually working.

If this is compelling to you, we invite you to join the journey and help us to scale the impact of what works.

Thank you very much.