Tunapanda Institute

Teaching Note

Case Synopsis

Tunapanda Institute (TI) is a social enterprise in the Kibera neighborhood of Nairobi, Kenya. It currently provides free training in digital technologies, design, and business skills to students from disadvantaged backgrounds. The enterprise is financed in large part by working on projects for business clients (e.g. webpage design). They also earn some revenue from placing graduates of their training programs with employers (who pay a fee in return), and from sporadic donations. The projects serve a dual purpose, as trainees have the opportunity to work on projects to acquire marketable skills. This is vastly superior to rote memorization as a way of teaching skills. TI has managed to sustain itself for more than five years and has graduated more than 250 trainees, making a meaningful difference in their lives. Despite its success, it faces a number of challenges as it seeks to grow. The model relies in part on trainees in the three-month basic training track transitioning to the advanced apprenticeship track where they both deepen their skills and make more meaningful contributions to client projects. They would then hopefully advance to the most challenging work of sourcing new projects, and so help sustain the TI community. For a variety of reasons, the rate of transition to apprenticeship is too low. A second challenge that TI faces, is incentivizing the work of sourcing new projects. This has relied inordinately on the efforts of the founders. Moving forward, Jay and Mick would like to see TI become less reliant on them. Financial incentives, in the form of share of revenues, are used as motivation for finding projects, although this has the potential to adversely impact the cohesiveness of the community. A further challenge is that there is little scope for repeat business (since most people need only one website). While word-of-mouth does lead to new business, the task of sourcing projects has not gotten significantly easier with time. As TI looks to grow, the protagonist in the case (Co-founder Jay Larson) wonders whether the current pay-for-service model will suffice, or if TI needs to an entirely new approach. In the cue at the end of the case students are asked to suggest either (1) improvements to the model that overcome the challenges enumerated above, or (2) alternative funding models that are both self-sustaining and solve the goal of providing digital skills to the target population which does not have the ability to pay.

Kislaya Prasad, Research Professor and Academic Director of the Center for Global Business, Robert H. Smith School of Business, University of Maryland, prepared this case in collaboration with Jay Larson of Tunapanda Institute. The case is designed for the purposes of discussion and learning.
**Instructional Use**

This case could be used in courses on (1) social entrepreneurship and (2) entrepreneurship, since it deals primarily with the issue of designing a sustainable business model that also happens to meet a social goal. It also deals with the classic problem of scaling an enterprise, and of transitioning away from reliance on the founders. It could also be used in courses on emerging markets and international development. In terms of sector, the case deals with the non-formal education sector. This sector is especially important in emerging economies because of failures in public provision of education, and because of mismatch between formal education and the skills needs of employers. It could be used both in undergraduate and MBA/MS programs in business and international development.

**Central Themes**

TI provides valuable training and contributes to skills development that leads to better job prospects for its trainees. The problem is that they are unable to pay for training. The solution in the U.S. to this problem is of long-term debt contracts. Another form of this is a contract whereby trainees commit to stay and work for TI for a specified period of time. These are ruled out as a potential solution for TI by the founders on ethical grounds (given the economic circumstances of their target population and founding mission). It is also unclear how enforceable such contracts would be in this setting. Alternative solutions do exist. The situation is not dissimilar from the micro-credit, where an individual might obtain a loan to, say, buy a cow. This individual then sells milk and pays off the loan. TI currently does a couple of things to finance the operation: (1) it helps place students and charges the employer a fee; and (2) it has trainees work on client projects, although they provide significant value added for this only when they progress to being apprentices. The challenge TI faces – and would like a solution to – is reducing attrition after basic training and transitioning a greater proportion of students to apprenticeship. Understanding TI’s solution to the problem, and comparison with alternative financing approaches (such as debt contracts and micro-credit), should be insightful for students. Case question 1, below, is designed to get students to think about this issue.

All organizations, especially new ones, face the issue of designing incentives. TI is no exception. One of the challenges they are facing is that not enough students are transitioning to apprenticeships where they, in effect, “repay” TI for the education received. Jay gives a variety of reasons people leave. Students can be asked to think about how they may be incentivized to stay and progress to apprenticeships (Case question 2).

TI is primarily funded by revenue from projects for clients (“gigs”). Another incentive design issue facing TI is the question of how revenues from gigs are split up between “gig-finding,” “gig-doing”, and supporting TI operations. TI would like to encourage more “gig-finding” – this is an activity that puts many members of the community out of their comfort zone. Raising the share of revenues going to “gig-finders” is one option for incentivizing it, but this is somewhat contentious and affects the cohesiveness of the community. Case question 3, encourages students to think through some of the pertinent issues. The optimal sharing model could choose to balance incentives for “gig-finding” with community cohesiveness, but this may be self-defeating if the
pipeline of projects dries up. To some extent scaling up helps, since it reduces the share going to TI operations (allowing both “gig-finding” and “gig-doing” shares to increase). TI could also continue, and even step up, developing “gig-finding” skills.

Another important issue that students should consider is that of scaling up (another issue that most new enterprises, whether social or not, face). The TI model has the advantage of replicability and this is a part of the model’s design (see Journeymanship). This has been done already in Turkana, with potential for further replication. A somewhat different aspect of scaling relates to scale economies (declining unit costs of production) which makes it easier for an organization to scale up. In educational settings, unit costs of instruction typically decrease with the number of students (for instance because many resources, such as facilities and teachers, can be shared across many students without degrading quality). TI can avail of many such scale economies. However, its learning model is designed around learning by doing, which requires a steady stream of new projects (which also happen to be critical for TI’s funding model). It is not clear that there are significant scale economies (decreasing unit costs of project acquisition) in the sourcing of projects. This makes it challenging to scale up the model. Students should be able to (with suitable guidance, if necessary) recognize where scale economies are present or missing in the current model. They can also be asked to suggest ways in which TI can find scale economies, so that unit costs in the delivery of project-based experiential education can decline. Students can also discuss whether the holacracy model is conducive to scaling up, and whether TI is sustainable without the founders. Scale issues are the subject of Case question 4.

The final question takes students to the decision point of the course, on whether TI should adapt its model in light of the challenges it faces, or if it should stay the course. As is often the case, there is no obvious or simple solution.

**Case Questions**

1. One of the challenges that TI faces is that their target population is not able to pay for training, even though training adds significantly to their human capital. Jay rules out debt contracts (student loans) as a potential solution. What are the problems with debt contracts as a solution? What is TI’s current financing model, and how do students contribute to sustaining the TI community?

2. Currently students join TI for the three-month basic track after which they can proceed to the intensive apprenticeship, when they also start contributing to the TI community. What are some of the reasons that individuals leave at the end of the basic track, and what could be done to better incentivize them to stay on as apprentices?

3. The TI model depends critically on finding new clients and projects (“gigs”). How does the current revenue sharing model incentivize this? Discuss the issues involved in finding the optimal sharing model. What, in your view, would be the best way to share revenues?

4. Based on its model, discuss what are the issues TI could face as it attempts to scale up its model of learning? Describe both the aspects of its model that make it easy to scale up, and those that
pose a challenge. Provide suggestions of ways in which it might adapt its model that might facilitate scaling up.

5. TI has survived more than five years, and has a record of successes. It also faces a number of challenges as it attempts to grow and become independent of Jay and Mick. What, in your view, is the best path forward? Can the current model be tweaked in a way that makes it easier to grow? Or should it consider an entirely different financing model?

Proposed Lecture Plan

The first section of the case provides some pertinent background on Kenya and the environment in which TI operates. This can be supplemented with articles posted on Tunapanda’s Medium pages. There are several YouTube videos on Kibera (sometimes called Africa’s largest slum), as well as on Tunapanda (e.g. https://www.youtube.com/watch?v=N0m4kkRTDvw). The case additionally includes a section on coding schools in the non-formal sector (see also appendices). These can be the basis for familiarizing students with the environment in which TI operates. The information on coding schools provides information on alternative models in use. Once students have absorbed the background from which TI draws its students, and the environment in which it operates, they can begin to answer the case questions. The class discussion can follow in that order. It can start with a discussion of the background, and then of questions 1-4. Finally, they can approach question 5, which can also be set up as providing suggestions to Jay and Mick on the path forward.

Finally, the instructor can lead a discussion extracting general principles in social entrepreneurship. I would suggest the following: (1) finding sustainable models for increasing the productive capability of people without the ability to pay (or the collateral needed to borrow); (2) designing incentives in organizations, including social enterprises (the literature on incentives focuses excessively on shirking, whereas the relevant issue in social entrepreneurship is behavior conducive for both economic sustainability and the broader social goals); and (3) strategies for scaling up an enterprise.