Kaizenvest

# Staying True to the Social Problem



Kaizenvest

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# INTRODUCTION



In any social sector in developing economies, including the education sector, the most impactful companies often begin with a founder's deep-rooted commitment to solving a social issue.

This paper details Kaizenvest's research on how successful founders identify, define, commercialize and communicate the core problem they aim to solve and how this focus on a social mission anchors the company through various stages of growth. Understanding founder-market fit in this context means recognizing a founder's connection to the problem and their ability to craft a mission and a culture that inspires teams, attracts partners, and engages investors.

Numerous leading investors have referred to the importance of the problem-founder alignment in building a successful company.  Roelof Botha of Sequoia, in an interview with Tim Ferriss, aptly describes the Founder-Problem fit.

## Investing with the  Best, Founder-Problem Fit, Pre-Mortems and Pre-Parades, and More

While the worlds of deep tech innovation venture startups in the US and social sector investments in emerging Asia are entirely different from each other, the core requirement of the magical alignment: problem-founder-market is equally critical. In a social sector, one must interpret the word “market” to include the overarching impact of non-market forces such as culture, local policy, and with a constant reminder that the word market itself may refer to “society” and the word “selling” may be viewed as antithetical to the way the society views its decision to use that service or not.

Given these important differences, we believe that building a socially conscious enterprise that truly aims to achieve and maintain this magical alignment, requires a continued understanding of factors that pull the founder away from this fit. Often, a venture-investor-led desire to grow revenues at all costs is a detriment.

# Chapter 1:
# Founder-Market Fit and the Social Problem




A successful education venture typically begins with a founder who has personally observed a gap in the system—perhaps due to personal experience, industry insights, or grassroots connections. This insight informs the founder's problem statement, a crystallized articulation of the issue that goes beyond typical market pain points. For example, the founder might identify poor access to quality resources or lack of personalized learning tools as barriers to learning in under-resourced communities. At this stage, the solution may be rudimentary or even theoretical, but it serves as the first important step in a journey where the mission is to drive social impact alongside business outcomes. In our experience, founders in the education sector who ground their companies in a defined social problem are better equipped to build solutions that bring long-term impact to the society, and prosperity to stakeholders. They do not just ask, "How can we make education accessible?" but "How can we create educational access that transforms lives and communities and bring prosperity to stakeholders?"

## 1.1 Defining the “Social Problem”

The term “social problem” in this context refers to an issue that, if addressed, could improve lives, bridge gaps in access to opportunity, drive systemic change, and bring prosperity to all stakeholders.



In the education industry, most problems are currently categorized under lack of access or lack of quality. This understanding is primarily at a surface level and does not uncover the deeper issues pertinent to the underlying role of education in society.

In order to truly understand and define the “social problem”, we need to dive deeper into two clear points: Are there enough avenues/ social problems that exist which education can help bridge? If yes, what is the role that private capital can play to drive these changes?

## 1.2 The Solution

Founders with a strong understanding of the social issue at hand often design products that genuinely resonate with their target audience. Instead of adopting a one-size-fits-all approach, they consider the specific challenges, cultural nuances, and access limitations that their users face.

Kaizenvest believes that such an approach not only makes the product more effective but also fosters a deeper connection with the users. By tailoring products to meet users where they are, founders create solutions that are not only accessible but also empowering, enabling users to engage meaningfully with the educational content.



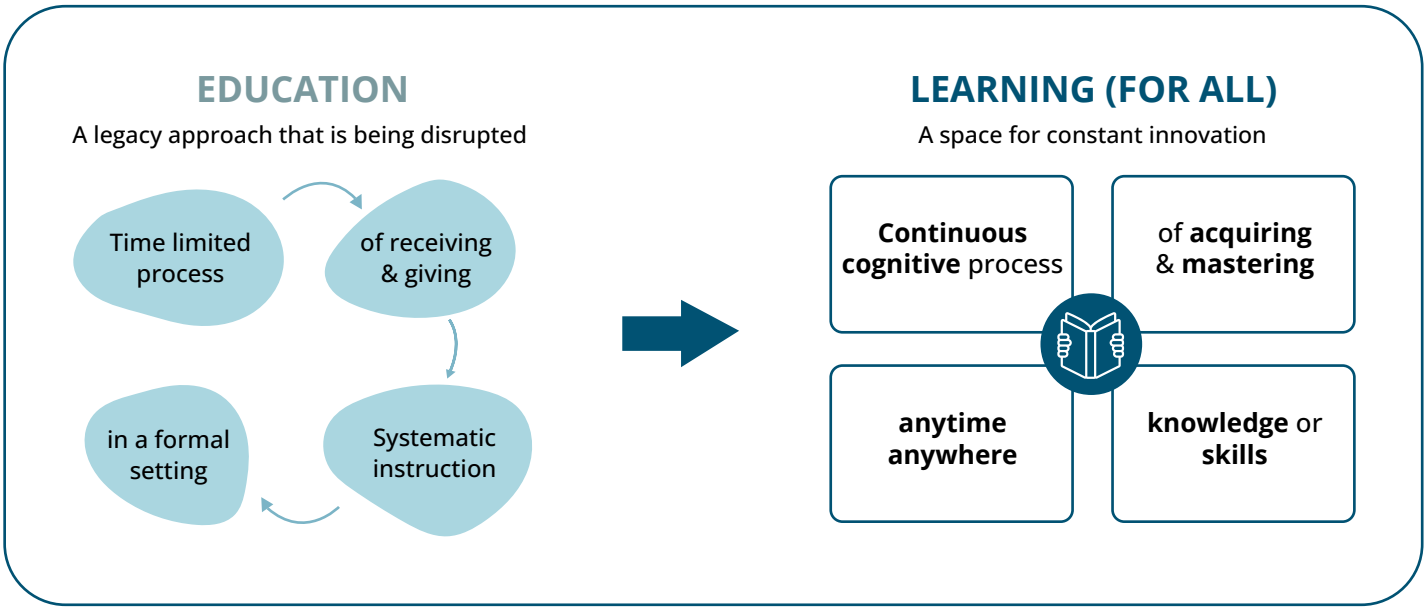
> As Dr. Chito B. Salazar, CEO & President, of PHINMA Education puts it, "The core problem we face really is poverty and the unequal distribution of opportunity. One would say that a route out of poverty is quality education, but unfortunately, the poor in the country do not have access to quality education. So ultimately, our involvement in education is to address poverty through access to quality education."

In another instance, if the core issue is digital literacy in rural areas, the founder might develop a low-bandwidth platform that works on basic smartphones or introduce content in local dialects.

Overall, this inclusivity can strengthen the company's reputation as a trusted, community-oriented organization.

### To address the first point, education, as a system is getting disrupted driven by technological innovation, changing societal needs, and evolving perceptions of its role.

The traditional education paradigm, focused on rote learning and standardized outcomes, is increasingly being replaced by models emphasizing lifelong learning, personalized pathways, and integration with other social systems. Given the disruption, if certain sections of the society are excluded, the gap between the different socio-economic classes can change considerably, probably to the point of no return.




Understanding this disruption is essential for founders seeking to address core challenges in the education sector. It also provides a basis for investors to evaluate solutions with the potential to drive systemic change.

## Secondly, the role of investments in education can be viewed through two distinct lenses.



### Viewpoint 1: Bridging Access and Quality Gaps

This perspective focuses simply on using private capital to address specific education-related deficiencies, such as improving infrastructure, providing access to technology, or delivering better teacher training. While impactful, this viewpoint often addresses immediate needs without considering the broader implications of education.

## Viewpoint 2: Education as a Catalyst for Solving Broader Social Challenges

This broader perspective recognizes that solving education gaps is not an isolated goal but a precursor or enabler for addressing other social issues. For instance, in many parts of the world, the improvement of education quality is deeply intertwined with the resolution of broader social, emotional, and infrastructural issues. While access to education and better content delivery systems (e.g., digital tools or curriculum enhancements) have made strides, we have noticed that these efforts often fail to achieve their full impact due to challenges external to the classroom. Without addressing these underlying systemic issues, investments in education may not translate into meaningful or sustainable improvements in learning outcomes.

Kaizenvest's Viewpoint 2, which is a result of years of investing in the sector, acknowledges that improving the quality of education requires multi-dimensional investments that target not just content or pedagogy, but also the underlying challenges that affect learning environments. This perspective recognizes that education can both solve and be hindered by broader societal challenges. For instance:

- Solving for social barriers (e.g., promoting gender equity) enables greater school participation.
- Addressing emotional needs (e.g., Social Emotional Learning ("SEL") Program) creates environments where students feel safe and motivated to learn.
- Improving infrastructure (e.g., reliable transport, clean water, or internet access) ensures that students can engage fully with the educational content.

By integrating these elements, private capital can deliver a more holistic impact—one that improves education quality while simultaneously uplifting communities.



## Portfolio Case Studies: Viewpoint 2 in Action

To illustrate the impact of Viewpoint 2, we examine examples from our portfolio, where investments in education have driven broader social impact:

| PORTFOLIO CASE STUDIES | CORE EDUCATION SOLUTION | IMMEDIATE ISSUE ADDRESSED | SOCIAL ISSUES THAT NEED TO BE ADDRESSED |
|---|---|---|---|
| mindX Technology School | Provides technology and coding education to children | Addresses the gap in tech-focused education, equipping children with skills relevant to the digital economy | In Vietnam, families have traditionally prioritized English learning over education in technology and IT courses, believing that proficiency in English is essential for success. However, as awareness about the importance of tech and IT education grows among Vietnamese parents, this puts MindX in a strong position to accelerate its growth and further expanding its impact |
| PHINMA EDUCATION | Offers affordable, high-quality education to students from low-income families | Ensures access to quality education for students from lower-income households, enabling them to pursue higher education and better job opportunities | The emotional well-being of students from lower-income segments of Filipino society remains a significant concern. Additionally, the value of education is not deeply ingrained within the socio-economic groups that PHINMA targets, as many households prioritize early income generation over pursuing higher education. While PHINMA delivers high-quality education, addressing these underlying social challenges is essential for the company to achieve a broader and more meaningful impact at scale |
| varthana | Provides financing solutions to affordable private school operators | Bridges the gap in access to credit for small and medium sized school owners, enabling them to improve infrastructure and teaching quality | Financial literacy in India remains critically low, with debt or loan providers often perceived negatively by school owners. However, increasing financial literacy among school owners and fostering a more positive outlook towards loans with fair terms could significantly expand the market potential for Varthana, enabling it to better support schools |

| PORTFOLIO CASE STUDIES | CORE EDUCATION SOLUTION | IMMEDIATE ISSUE ADDRESSED | SOCIAL ISSUES THAT NEED TO BE ADDRESSED |
|---|---|---|---|
| KLAY CHILD DEVELOPMENT AND CARE | Delivers high-quality childcare services for young nuclear families | Fulfilling the need of high quality preschools and daycare for working parents | In many Indian households, it is commonly expected that women leave their jobs after becoming mothers, primarily to focus on childcare and family responsibilities. This societal norm significantly impacts workforce participation. If this stigma were to diminish, KLAY would have the opportunity to unlock substantial growth potential, enabling more women to balance work and family life effectively |
| blueplanet. | Integrates circular economy concepts into educational programs to foster environmental awareness | Introduces sustainability-focused education, equipping students with knowledge and skills to address environmental challenges | Environmental education remains either absent or at a very rudimentary stage in the core school curriculum in India. This is largely due to the outdated and traditional education system still prevalent across the country. A paradigm shift is urgently needed to ensure that schools integrate environmental education into their curriculum, starting from the early years, to foster awareness and responsibility toward sustainability among future generations |

We strongly believe that mission-driven founders understand that tackling a complex social problem requires a long-term perspective. They recognize that system change is gradual and are willing to prioritize sustainable growth over rapid scaling in a mad rush to build a unicorn at all costs. This patience allows them to build a culture and seek talent that are just as mission driven, ensuring that this mission orientation becomes an integral part of the company's strong differentiation. This mission orientation lays the groundwork for the company's core and sustainable differentiation. A great example in the education landscape of mission orientation proving to be the most sustainable company differentiation is Duolingo. Founded in 2011 by Luis von Ahn and Severin Hacker, Duolingo was established with the vision of making education free, accessible, and engaging for everyone, regardless of their financial status. The broader social objective was to democratize language learning, which is often expensive and inaccessible to large parts of the global population. Today Duolingo has over 800M downloads around the world with revenues greater than US$500M.

## 1.3 Consistent Communication Across Stakeholders




Is it always the case that founders can articulate the social underpinnings of their interventions? We don't have a clear answer to this question, but it is one worth asking because we have seen most companies discover their core social value proposition over time. Very few companies articulate their mission and problem statements sharply and accurately from inception. Quite often, the underpinning of the social impact issue that is being addressed, sometimes not explicitly, shows up in informal water cooler conversations or during impassioned executive meetings where the founder ends up articulating an instinctive position/assertion. This assertion is not always data-led and is quite often ignored as an indication of the founder's passion. However, if it occurs with consistency, then it reflects a core belief system. Most companies in the education space are likely to measure their impact in student outcomes terms, such as learning outcomes, employability outcomes, etc. However, in many cases the broader impact of the interventions is not always covered by these outcomes.

Communication is a critical tool in maintaining alignment with the company's mission across all internal and external stakeholders. For education startups, this means consistently conveying the social problem and the intended impact to team members, customers, investors, suppliers, and other partners.

However, as the company grows and scales, especially in emerging markets, we advise that management also focuses on addressing the operational and logistical challenges that often hinder scaling efforts. Effective communication translates the founder's personal motivation into a shared purpose that can inspire action, but it must also extend to solving the practical barriers that can get in the way of growth—such as infrastructure limitations, regulatory hurdles, or access to resources. For instance, if the social problem being tackled is accessibility in rural areas, sharing stories of students impacted by the lack of resources or highlighting small victories can help stakeholders connect with the vision. But as the company looks to scale, it must also ensure that systems are in place to deliver on that vision sustainably.

Over time, this alignment creates a unified culture in which each member feels they are contributing to a larger purpose, but it is equally important to address the underlying issues that can impede progress. A company that excels at such communication, while strategically addressing scaling challenges, will likely build a resilient, self-propagating culture that sustains its mission and growth.

| COMPANY | MISSION | KEY COMMUNICATION | SCALING CHALLENGE | SOLUTION |
|---|---|---|---|---|
| BYJU'S The Learning App | Make quality education accessible | Leadership shares success stories of rural students | Technology infrastructure, internet access | Partnerships with telecom companies for rural access |
| Vedantu LIVE ONLINE TUTORING | Provide personalized online learning | Regular updates and transparency with stakeholders | Navigating state-by-state regulations | Advocating for policy support, ensuring compliance |
| mindX Technology School | Coding & tech education | Showcasing career success stories of graduates | Talent development, maintaining quality | Scaling curriculum, training local instructors, parent education on importance of IT education for kids |
| PHINMA EDUCATION | Affordable, quality education | Emphasis on mission alignment, social impact | Financial accessibility for low-income students | Scholarships, flexible payment programs, family support initiatives |

Investors evaluating an opportunity would do well by also evaluating founder-product-market fit, as the founder's unique insight into the social problem will manifest in the product features and their go-to market strategy. Usually, these founders possess a "problem-centric" mindset rather than purely a "solution-centric" one, showing flexibility to evolve their approach as they learn and grow in the field.

## 1.4 Maintaining Culture, Creating Values, and the Mission Statement



Culture is the compass that guides a company through both its growth as well as the challenges. For companies in the education sector, culture is about instilling values that prioritize social responsibility, empathy, and persistence without compromising on financial goals. As the company grows, the challenge shifts to preserving these values in a way that resonates across an expanding team. Establishing a clear mission statement early on can help anchor these values, providing a point of reference during both prosperous and turbulent times.

A key element of this is the intentional hiring of like-minded individuals who share a passion for the mission and align with the company's values. By bringing together a team that is equally committed to the broader purpose, founders create a workforce that not only drives operational excellence but also acts as ambassadors of the mission. This alignment fosters a culture of collaboration, innovation, and resilience, ensuring that the mission remains central even as the company scales. Over time, this steadfast commitment to purpose influences board level decision-making, strengthens investor trust, and creates a competitive advantage that is both authentic and enduring in the marketplace.

Founders who are mission-driven tend to hire and build teams that are similarly invested in the company's core problem. They understand that while specific strategies may shift, the commitment to the mission remains steady. Kaizenvest firmly believes that this foundation of culture and values, set in place early, can be a protective factor against the inevitable highs and lows of the business cycle, reminding everyone why they are working together in the team and whom they are serving.

As an instance, Khan Academy scaled up its free learning resources to meet increased demand while ensuring its internal teams were aligned. CEO Sal Khan regularly communicated the organization's mission and strategy through all-hands meetings and public messages, fostering a sense of purpose. The organization also offered flexibility and mental health support to employees coping with crisis.

The following examples from our portfolio illustrate this concept further:

| COMPANY | INTENTION | ALIGNMENT | EXECUTION | MEASUREMENT |
|---|---|---|---|---|
| Vedantu LIVE ONLINE TUTORING | Provide personalized online learning | Transparent updates; fostering mission-driven collaboration | Free classes for students; scaled up live/online tutoring | Tracking progress through student satisfaction and learning outcomes |
| KLAY CHILD DEVELOPMENT AND CARE | Provide childcare services to parents while they work from home | Transparent updates to employees and investors; frequent regular meetings of shareholders to discuss strategy | Preparing and sending home kits to children taking online classes | Measured by calculating retention rates among students and parents in the KLAY ecosystem |
| yola | Bridge the gap in English language education in Vietnam | Frequent communication from management, creating alignment with mission | Expanded online programs to maintain service during lockdowns; adapted offerings | Measured by student progress and test scores as well as regular NPS on students and parents satisfaction |
| PHINMA EDUCATION MAKING LIVES BETTER THROUGH EDUCATION | Provide accessible, quality education across the Philippines | Clear communication from leadership on mission and goals to ensure delivery of education during COVID | Expanded online RAD (Remote and Distance) programs and worked with network providers to provide connectivity to meet the needs of students during lockdowns | Consistent door-to-door or phone call check-in on students |
| mindX Technology School | Deliver world-class coding and technology education in Vietnam | Consistent messaging from leadership on its mission to bridge the tech skills gap | Shifted to online bootcamps and upskilling programs to meet growing demand | Measured by course completion rates, career placement success, and student feedback |

The examples of companies like Vedantu, KLAY, YOLA, PHINMA Education, and MindX demonstrate how mission-driven cultures not only enable resilience during crises but also set a strong foundation for long-term impact.

The success of these organizations highlights the importance of a clear framework below:

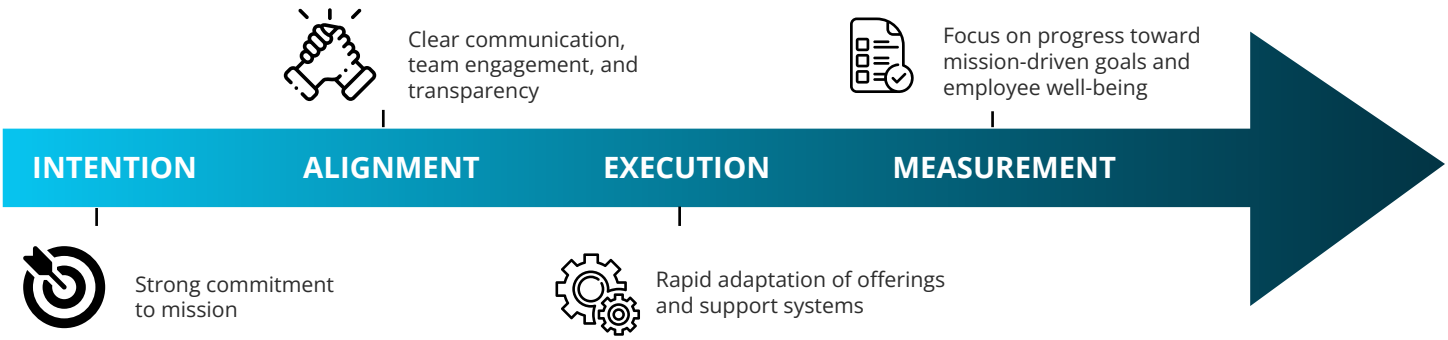
1. **INTENTION**
   A deep commitment to solving educational challenges—and its role in shaping a unified vision across teams.

2. **ALIGNMENT**
   Through alignment, these companies ensure that their teams remain engaged and motivated, adapting quickly to new circumstances while staying true to their core mission.

3. **EXECUTION**
   Implementation of their strategies—whether through scaling offerings, offering free services, or pivoting to online platforms, demonstrated a rapid response to emerging needs.

4. **MEASUREMENT**
   Finally, success measurement going beyond financial metrics, emphasizing student outcomes, engagement, and the long-term impact on communities.

This framework, which we call the **"IAEM Framework"** underscores the critical components of effective impact investing: ensuring that investments align with a clear social mission, are executed with flexibility and agility, and are measured by tangible, lasting outcomes. Investors looking to create positive social impact can draw valuable lessons from these examples, using the IAEM Framework to evaluate and support companies that are not only resilient but also committed to long-term positive change.



In the early stages of an education startup, the founder's identification of a social problem and their relentless focus on it can make or break their journey. By anchoring their purpose in a well-defined social issue, they not only create solutions that resonate but also attract like-minded stakeholders. From our experience, the best founders are not just reacting to market opportunities; they are shaping markets by addressing pressing social needs in innovative ways. Through consistency in communication and alignment around a shared mission, these founders lay the groundwork for a resilient culture that drives both business success and scalable social impact. When combined with the IAEM Framework, this clarity of purpose becomes a powerful tool that propels startups towards sustained growth and measurable, impactful outcomes. Together, intention, alignment, execution, and measurement form the bedrock upon which these companies build not only their businesses but also lasting social change.

# Chapter 2:
# Scaling Beyond Product-Market Fit



Once an education startup achieves product-market fit, the journey shifts from finding initial traction to scaling operations and impact. At this stage, founders face an evolving set of challenges that test their ability to remain aligned with their original mission while navigating the complexities of growth.

This chapter explores the factors that enable this transition from product-market fit to sustainable scaling. It also examines deeply our research on how founders, and their newly acquired management team members, can manage growth across revenues, profits, and market segments.

## 2.1 Evolving Problem Statement

Scaling often reveals new facets of the original problem. In education, what usually begins as a straightforward issue—such as a lack of access to quality learning resources—may evolve, as the founder deepens their understanding of different market needs, regional disparities, or user feedback. As a company grows, the founder's focus shifts from defining the problem to further refining it. This evolution requires a strong commitment to first principles, enabling the founder to adapt while staying anchored to the core mission.

For instance, a company initially targeting urban, English-speaking users may recognize the need to adapt its offering to serve rural communities with limited internet access. This shift might require adjustments in content format, pricing models, or delivery mechanisms. We have seen from our experience that founders often also refine their understanding of the problem as they scale. In instances like PHINMA Education, despite a relatively stable market, management must continually fine-tune and adapt their solutions as they garner greater insights into the evolving needs and preferences of their student demographic.

### In an interview with Dr. Chito B. Salazar, he highlights,



> "While the market has not changed, our understanding of the market has deepened incredibly. We now know this market very well, and it has led to changes in strategy and how we deal with our students."

Several challenges subsequently emerged, necessitating PHINMA to implement adaptive measures in response. Dr. Salazar elaborates

> "Teaching the poor is very different from teaching the non-poor. There are emotional, mental, and attitudinal challenges we need to address. Malnourishment, lack of study skills, first-generation college students with no support at home — these all create learning barriers."

The Covid-19 pandemic accelerated another major shift in education. Many startups initially saw online learning as a disruptor to traditional education, and some pivoted entirely to digital models. However, while the global online education market is projected to grow 3.5x in five years (US$19Bn in 2023 to US$67Bn in 2028[1]), the rise of hybrid learning models reflects an important shift in user preferences. Students and parents increasingly value the flexibility of digital learning while still seeking in-person interactions for engagement and structure. Companies that recognize this evolution—like Yola refining its blended learning approach—are better positioned to meet the evolving needs of learners in an increasingly hybrid world.






While the core social problem a company seeks to address may remain unchanged, the understanding of its nuances and the strategies to tackle it often evolve. PHINMA Education's mission—ensuring access to quality education for low-income students—has remained consistent over the years. However, deeper insights into students economic realities have led to changes in approach. Initially, the considerations to reduce in-person school days were primarily driven by reduction in organisation-level costs. However, over time PHINMA Education's team realised that the real benefit in reducing the number of in-person school days lies in reducing students' out-of-pocket expenses, such as transportation and meals, which often posed a greater barrier to education than tuition itself. Once this was clear to the management, the decision was taken to reduce the number of school-going days. This shift in perspective illustrates a critical lesson for socially driven enterprises: problem statements may remain the same, but solutions must continuously adapt to the lived realities of those they aim to serve. By embracing this flexibility, mission-driven organizations can design interventions that go beyond conventional frameworks and create more meaningful, lasting impact.

1 Report by Marketsandmarkets

## 2.2 Team Expansion, Talent Recruitment, and Culture Management

Scaling a company necessitates expanding the team, which brings its own challenges. Recruiting talent that not only possesses the required skills but also aligns with the company's mission becomes essential. A founder's ability to communicate the evolving problem statement and core values helps attract individuals committed to the same social problem, fostering a sense of purpose across the organization. Undervaluing the role of mission during hiring, especially when driven towards achieving growth targets, is often a mistake. In fact, 77% of employees say they would consider a company's mission and values before applying for a job[2]. Being super selective about talent that not only brings strong technical skillsets but also the necessary mission mindset is critical to maintaining sustainable growth. Kaizenvest's guiding principle is that company culture is a great employee retention tool and it is under-rated in a typical MBA text book.



As a startup scales, attracting key management talent becomes crucial for driving growth and ensuring long-term success. High-performing management teams are often drawn to companies that not only offer opportunities for professional growth but also present a compelling vision of social impact. According to 70% of executives, a company's success in attracting and retaining talent hinges on its ability to communicate a clear and inspiring social mission[3]. A founder's ability to articulate a clear, evolving problem statement and demonstrate the potential for systemic change is a key factor in attracting individuals with the leadership qualities necessary to navigate growth.

2 LinkedIn, "Global Talent Trends Report", 2021

3 McKinsey & Company, "The Power of Purpose: How a Clear Mission Can Help Your Company Thrive", 2020

Founders who remain deeply connected to their mission and communicate its importance effectively can inspire confidence in potential hires. Talented managers want to be part of something greater than just a business opportunity—they seek alignment with the company's values and a sense of purpose. This can also be an effective retention tool. In fact, 82% of employees say they would stay longer in a job if they felt that the company's values were aligned with their own[4].

This sentiment is echoed by PHINMA Education's President and CEO, who emphasizes the importance of mission alignment in leadership selection:

> "We are what we call a mission-driven organization. It drives everything we do. We focus on leadership selection, ensuring that values and mission orientation outweigh competencies in hiring decisions. If I were to choose between the right values and high competence, I would always choose values."

PHINMA Education's approach highlights how deep-rooted mission alignment can serve as a north star for leadership selection, ensuring that the company remains anchored in its purpose while scaling effectively.

Furthermore, as the team grows, maintaining a cohesive culture becomes more challenging. Founders must balance the need for new technical skills with the importance of preserving the original values. This can involve creating a more structured onboarding process, encouraging cross-functional communication, and providing platforms for feedback. A shared commitment to the social mission acts as a cultural anchor, aligning diverse team members with the company's purpose even as it scales. A study found that 65% of employees believe that company culture plays a significant role in a company's ability to scale and innovate[5].

4 BetterUp, "The Impact of Values Alignment on Employee Retention", 2021

5 PwC study (2020, "Future of Work: The Importance of Company Culture")

## 2.3 Establishing Operational Processes

During the scale-up phase, we have often noticed that the informal processes that served a small team are usually not effective. Founders must design and implement structured operational frameworks to support larger volumes of users, manage quality, and streamline workflows.

For education companies, this may involve standardizing content creation, implementing technology for user analytics, or setting up customer support systems. Operational structuring is also critical to managing data, which becomes an asset for refining the product, tracking outcomes, and supporting strategic decision-making. Effective operational frameworks enable the founder to maintain quality and efficiency as the company grows, allowing them to focus on high-level goals without becoming bogged down by day-to-day issues.

## 2.4 Business and Unit Economics

A sustainable growth strategy hinges on a sound understanding of business economics, including product pricing, customer acquisition, and lifetime value (LTV). Education startups often face unique pricing challenges, balancing affordability with sustainability. As they scale, founders may need to consider tiered pricing, freemium models, or partnerships to reach underserved communities while maintaining profitability.



### Product and Pricing Challenges

As the product scales, the founder must determine a pricing model that aligns with both user needs and company growth. This involves estimating customer lifetime value (LTV) and ensuring that the cost structure supports scalability. Adjusting product offerings to reflect users' willingness to pay in different market segments can be essential for maximizing reach and impact.



### Sales and Marketing Challenges

Customer Acquisition Cost (CAC) becomes a more pressing concern during the scale-up phase. Initial users, or "low-hanging fruit," may have been easier for the business to acquire due to high need or early adoption; expanding beyond this customer base requires sophisticated marketing strategies. Targeting more resistant market segments involves refining messaging, diversifying channels, and possibly adjusting the product to increase appeal. Successful education companies often employ data-driven sales strategies to manage costs and optimize conversion rates, ensuring that growth is both impactful and economically viable.

Investors often approach the economics of an education startup with two distinct perspectives: unit economics and centre economics. Unit economics focuses on the cost and profitability of delivering an individual unit of education, whether it is a single course, class, or learner. For education startups, strong unit economics—ensuring that the cost to acquire and serve a customer is outweighed by the lifetime value (LTV)—is crucial for proving the scalability and sustainability of the business model. Investors typically look for clear evidence that each customer adds to the bottom line and that scaling the customer base will lead to greater profitability.

However, in the case of startups operating in education centres (either physical or hybrid models), investors may also evaluate centre economics, which focuses on the profitability and sustainability of individual learning hubs or physical locations. Centre economics considers not just the cost of acquiring customers, but the operational expenses involved in running each location, including staff, facilities, and local marketing. For example, for a company like KLAY (Kids Learning and You), which is India's largest chain of company owned company operated preschools and daycares, tracking centre economics is crucial.  Tracking centre economics helps the company take decisions whether for making investments in certain centres or shutting some of them down.

Investors tend to look for a balance between unit economics and/ or centre economics, especially when companies are expanding geographically or scaling both their online and offline offerings.

## 2.5 Establishing Measurable Outcomes for the Social Problem

In scaling a socially driven business, it is crucial to define and measure the impact of the original social problem. Founders should establish specific, measurable goals that reflect their progress in addressing the underlying issue. These metrics could include improvements in learning outcomes, user engagement, retention rates, or reach among underprivileged communities.



Kaizenvest believes that setting these measurable outcomes enables a feedback loop that informs product development, keeps the team aligned, and provides transparency for investors and stakeholders. Quantifiable impact also strengthens the company's credibility in the market, reinforcing the founder’s commitment to the social mission and providing an accountability framework as the company expands.

Most education insitutions have annual academic cycles and hence in many cases, outcomes are recorded and measured only at the end of the academic year. In such cases, it is important for the founder and their team to define leading indicators (indicators that help the founder in projecting the company’s future performance). For example, Leverage Edu is a company that helps students from India, Bangladesh, Nepal and others go and study abroad in UK, Australia, Europe, etc. Given there are just two intakes in the entire year, accurately predicting the number of enrolments in an intake is difficult until the intake is concluded. In such cases, the company closely tracks and monitors leading data such as deposits with the university (~5% of the annual tuition fees) and offers received from the university.

## 2.6 Staying True to the Mission

Scaling inevitably introduces pressure to pivot, optimize for profits, or prioritize expansion over impact. However, maintaining fidelity to the original mission of solving a specific social problem is essential. A founder's ability to remain aligned with the mission—while evolving the approach to reflect new insights—differentiates successful education companies that create lasting value. This requires making strategic decisions that reflect a balance between profitability and social impact, ensuring that short-term gains do not compromise long-term goals.

One way founders can maintain this alignment is through regular mission reviews, re-evaluating key initiatives to ensure they are true to the core problem. By reinforcing the social mission internally and externally, founders can create a company culture that values purpose over profit and attracts investors, customers, and partners who share this vision.

The transition from product-market fit to scaling is one of the most challenging phases for founders, requiring flexibility, resilience, and a commitment to first principles. By approaching the evolving problem statement with an open mind, as we have seen, founders in the education space can scale solutions that remain true to their social mission. Through thoughtful team expansion, structured operations, strong economic tfundamentals, and measurable outcomes, these founders build scalable models that balance impact with sustainability. By staying true to the mission, founders not only increase their chances of success but also build companies that continue to make a meaningful difference in the lives of their customers.

# Chapter 3:
# Transitioning from Founder-Led to Management-Led



As early stage companies mature, they may outgrow the founder's capability set and, whether, the founder grows into their role's new demands replaces themselves or hires a management team, the responsibilities that fully rested on their shoulders during the early years must necessarily be shared with the expanded team. The journey from a founder-led model to a management-led one is often pivotal for growth and sustainability.

This chapter explores the complexities of this transition, examining two primary scenarios: one where the founder steps back to allow professional management to take over, and another where they remain actively involved while evolving their role and skills to support the company's next stage. In either case, a central theme is ensuring the continuity of the company's mission and dedication to the social problem it set out to address.

# Scenario 1: Transition from Founder to Management-Led

For a founder-driven company, entrusting leadership to professional management can bring fresh perspectives, efficiencies, and specialized expertise. This transition, however, requires careful planning to ensure alignment with the company's mission and continuity in leadership.

### 1. Evaluating Successors for Management

Selecting a new management team is a critical decision for a founder looking to step back. Evaluation should consider candidates' alignment with the company's core values, their understanding of the social mission, and their ability to lead and scale the business sustainably. Education companies need leaders who are not only proficient in business operations but also committed to the company's social objectives. Selecting management that appreciates the nuances of the education sector ensures the company remains mission-driven as it scales.

### 2. Time Allocation for Knowledge Transfer

A seamless transition often requires an intentional period of collaboration between the outgoing and incoming CEOs. Founders can work closely with the new CEO for six months to a year, guiding them through critical aspects of the business, sharing key learnings, and transferring the company's cultural DNA. This overlap period provides the incoming CEO with insights into the founder's vision and deepens their understanding of both the challenges and the opportunities within the education space.

### 3. Continuing the Founder's Association Post-Transition

Founders exiting day-to-day operations may still serve as advisors, chairpersons, or emeritus members of the board. This ongoing association can provide stability and continuity, reassuring stakeholders that the company remains committed to its original mission. Serving in an advisory capacity allows the founder to contribute strategically without interfering with the new CEO's autonomy, offering a valuable bridge between the past and future of the company.

### 4. Cap Table Management

Transitioning from founder-led to professional management can also necessitate changes in the cap table, particularly when equity is involved in incentivizing the new management team. Decisions on cap table structuring should balance the need to reward new leadership while preserving the interests of early investors and other stakeholders. Ensuring that the cap table supports a fair distribution of equity reinforces the company's stability, incentivizing growth while respecting the founder's legacy and commitment to impact.

# Scenario 2: The Founder Stays in the Leadership Team

In some cases, founders choose to stay actively involved in their companies, continuing to lead while developing new skills and adjusting their approach to accommodate growth. This requires significant adaptability and a willingness to evolve as a leader.

### 1. Leadership and Skills Development

A founder who remains in a leadership role as the company scales must often expand their skill set, including areas such as delegation, strategic oversight, and financial management. Education companies, especially, benefit when founders gain expertise in areas like data analytics for student outcomes, regulatory compliance, and scaling operations. Setting up a structured development plan, including mentorship, executive training, and exposure to diverse perspectives, helps founders mature alongside their company.

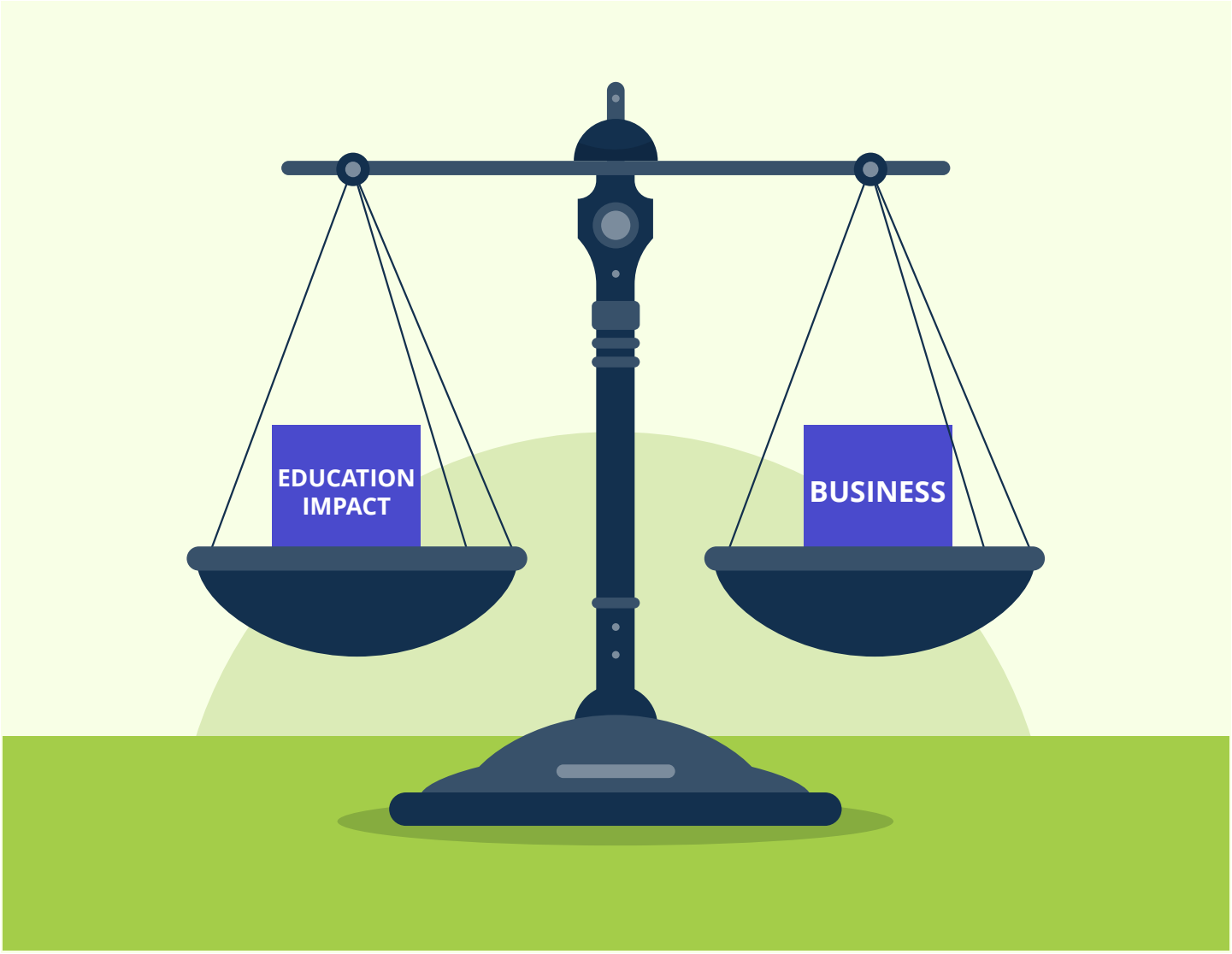
### 2. Adaptability in Embracing New Leadership

Founders who stay must also learn to integrate new leaders into the company. This can mean adjusting their approach to embrace collaborative decision-making, delegating authority, and fostering an environment that empowers senior managers. For education startups, assimilating leaders with deep expertise in pedagogy, curriculum design, or technology can add immense value, helping the company refine its offerings while allowing the founder to focus on company-level strategy. A founder's adaptability in welcoming these leaders can reinforce the organization's mission and foster innovation.

Whether a founder transitions out or remains involved, staying committed to the company's original mission is paramount. Any changes in leadership should emphasize the company's founding purpose: solving a specific social problem in education. Transition periods can be challenging, but with a shared commitment to the company's mission, the organization can continue to thrive and make a positive impact.

Transitioning from a promoter-led to a management-led company is a turning point that requires thoughtful planning and a focus on mission continuity. By carefully selecting successors, establishing a structured transition, and staying involved in strategic ways, a founder can ensure that their company continues to grow without losing sight of its purpose. Whether stepping back or evolving within the organisation, a founder's commitment to the original social mission provides a foundation for long-term success and impact in the education sector. This transition ultimately strengthens the company's ability to address social challenges on a larger scale, benefitting both the business and the communities it serves.

# Chapter 4:
# A Professionally Managed Organization and the Social Problem




As an education company transitions to professional management, it faces new opportunities and challenges that demand an agile yet mission-driven approach. At this stage, the organization is well-established and poised for growth across multiple markets and customer segments.

This chapter explores our findings on how a professionally managed company can retain its focus on the core social problem while adapting its strategies to address diverse market needs. By holding true to its founding mission, the organization can navigate market complexities and business cycles, scaling impact alongside profitability.

## 4.1 One Social Problem, Multiple Markets, and Customized Solutions




A hallmark of a professionally managed education organization is its ability to serve different markets with tailored solutions while staying rooted in the primary social problem it set out to solve. While the core issue, such as access to quality education, remains the same, the approach may vary depending on the specific needs of each region or demographic.

For example, in urban areas, the solution may focus on digital, individualized learning tools. In rural or underserved communities, however, the approach might involve hybrid models that blend in-person and digital elements to overcome connectivity issues. By customizing solutions for distinct markets, the organization can achieve deeper penetration and sustained impact, aligning each strategy with the overarching mission.

## 4.2 Understanding Market Saturation and Exploring Whitespace Opportunities

Market saturation often signals that a company's current offerings are widely adopted within its initial target market. To continue scaling, the organization needs to explore new opportunities or "whitespace" areas where its core mission can address unmet needs. For an education company, whitespace might include expanding to different age groups, diversifying subject matter, or developing services to support educators and administrators.

Exploring whitespace is not only about finding growth avenues but also about evolving the mission to stay relevant. By examining where the core social problem still exists in an unaddressed form, the company can identify areas for impactful expansion that align with its foundational purpose. Impactful expansion can be achieved by either taking new business initiatives organically, or by acquiring another company which has been operating for several years.

## 4.3 Differentiated Solutions with Synergistic Business Streams

Serving diverse markets effectively often requires distinct product lines or services. However, even as these solutions vary, a well-managed organization can create synergies across business streams, ensuring that each contributes to the larger mission and complements the others.

For instance, an education company might have separate product lines for K-12 schools, higher education, and vocational training. While each targets a unique audience with customized solutions, there are synergies in technology, content development, or data analytics that can support all streams. Aligning these efforts reinforces the company's social mission, allowing it to scale effectively and efficiently.

## 4.4 Identifying Core Social Problems in New Markets

As the company grows, it may consider expanding beyond its initial geography or demographic. Before entering new markets, the organization should access whether the core social problem persists in these areas or if there are related issues where its expertise can add value.

For example, an education company that initially focused on literacy in India might find that similar challenges exist in Southeast Asia. However, these regions may have unique cultural or structural barriers that require adapting the approach. By understanding both the similarities and differences in each market's challenges, the organization can expand thoughtfully, ensuring that new ventures are mission-aligned and capable of delivering tangible impact.



## 4.5 Leveraging Capital Markets for Growth

Access to capital markets is often a defining feature of a professionally managed organization, enabling it to accelerate growth and expand its impact. Leveraging these resources effectively requires aligning capital strategies with the social mission.

When accessing funds, whether through private investment rounds or public markets, it is critical for the company to communicate how new capital will fuel mission-driven expansion. For example, investments might be directed toward developing new education technology, expanding into under-served markets, or enhancing data systems to track learning outcomes. This approach reassures investors that while the organization is focused on financial returns, it remains committed to its social purpose.

## 4.6 Contextualizing Improvement in Learning Outcomes at Scale

Scaling an education company's impact requires the ability to measure and contextualize improvements in learning outcomes across diverse regions. Professionally managed organizations have access to advanced data analytics, enabling them to track, analyse, and demonstrate the impact of their programs on a larger scale.

Measuring learning outcomes at scale not only provides valuable insights for refining solutions but also reinforces the organization's credibility and mission commitment. For investors and stakeholders, this data serves as proof of the organization's effectiveness, supporting the case for continued investment and growth. As the organization scales, continuous focus on measurable outcomes ensures that its social mission is achieved in a meaningful, data-driven way.

Kaizenvest is deeply committed to the idea that navigating growth as a professionally managed organization involves balancing diverse market needs, capitalizing on new opportunities, and continuously revisiting the social mission. By developing differentiated, synergistic solutions and leveraging capital effectively, the organization can sustain both impact and profitability. As it explores new markets and scales, a commitment to measurable outcomes and adaptability will allow the company to stay true to its purpose of addressing social challenges in education. In this way, the organization not only achieves financial success but also continues to drive transformative change, fulfilling its mission to make quality education accessible and impactful across regions and demographics.



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