

# ADVANCING SOCIAL ENTREPRENEURSHIP

## Recommendations for Policy Makers and Government Agencies

By Andrew Wolk





# **ADVANCING SOCIAL ENTREPRENEURSHIP**

## **Recommendations for Policy Makers and Government Agencies**

Andrew Wolk, Root Cause/MIT  
April 2008

## **About the Author**

**Andrew Wolk** is the founder and CEO of Root Cause. Root Cause is a nonprofit organization that advances enduring solutions to social and economic problems by supporting social innovators and educating social impact investors. Andrew has consulted to dozens of organizations working in the fields of civic engagement, economic development, education, the environment, and aging. He is also senior lecturer in social entrepreneurship at MIT's Sloan School of Management and the Department of Urban Studies and Planning. Andrew is the author of "Social Entrepreneurship and Government: A New Breed of Entrepreneurs Developing Solutions to Social Problems," published in the "U.S. Small Business Administration, Office of Advocacy's *The Small Business Economy: A Report to the President, 2007*. He also co-authored the Root Cause how-to guide, *Business Planning for Enduring Social Impact: A Social-Entrepreneurial Approach to Solving Social Problems*.

## **About the Aspen Institute's Nonprofit Sector and Philanthropy Program**

The Aspen Institute is an international nonprofit organization dedicated to fostering enlightened leadership and open-minded dialogue. A program of The Aspen Institute, the Nonprofit Sector and Philanthropy Program seeks to improve the operation of the nonprofit sector and philanthropy through research, leadership development, and communications initiatives focused on critical nonprofit issues. The Program's current initiatives focus on social entrepreneurship, foundation policy and practice, nonprofits and public policy, and seminars for foundation and nonprofit executives.

## **About Root Cause**

Root Cause is a nonprofit organization that advances enduring solutions to social and economic problems by supporting social innovators and educating social impact investors. Root Cause's Knowledge Sharing is committed to developing practical and thought-provoking information based on its strategy consulting practice and other areas of work it leads. Public Innovators, a nonpartisan Root Cause initiative, introduces government leaders at the city, state, and federal levels to social entrepreneurship and guides them in identifying and advancing innovative, results-oriented, and sustainable solutions to today's toughest social problems.

## Acknowledgements

**Kelley Kreitz**, senior editor

**Colleen Gross Ebinger**, contributing editor and director, Public Innovators

The author and editors offer a special thank you to Rachel Mosher-Williams and The Aspen Institute, for their partnership in producing and distributing this report. We also thank the U.S. Small Business Administration's Office of Advocacy for their partnership in developing and publishing the report that has served as the foundation for this one, "Social Entrepreneurship and Government: A New Breed of Entrepreneurs Developing Solutions to Social Problems."

We are grateful to the many people who contributed to and reviewed this report.

**Brandon Busted**  
Outside The Classroom

**Lance Henderson**  
Skoll Foundation

**Sheila Murphy**  
Wallace Foundation

**Susan Cippoletti**  
Girl Scouts of the USA

**Fredrick Hess**  
American Enterprise Institute

**Susan Musinsky**  
Social Innovation Forum

**Lou Danielson**  
Office of Special Education  
Programs (former)

**Michele Jolin**  
Center for American Progress

**Jon Schnur**  
New Leaders for New Schools

**David Eisner**  
National Corporation  
for Community Service

**Vanessa Kirsch**  
New Profit Inc.  
America Forward

**J.B. Schramm**  
College Summit

**Katherine Freund**  
*ITNAmerica*

**Mitch Landrieu**  
Lieutenant Governor of Louisiana

**Brooke Smith**  
Office of Lieutenant Governor  
Mitch Landrieu  
Louisiana Office of Social  
Entrepreneurship

**Jim Fruchterman**  
Benetech

**Seth Miller**  
California Center for Regional  
Leadership

**Erin Taber**  
The Aspen Institute

**Chris Gabrieli**  
Massachusetts 2020

**Judy Reese Morse**  
Office of Lieutenant Governor  
Mitch Landrieu, Louisiana

**Susan Weddington**  
OneStar Foundation

**Claire Hagga Altman**  
ReServe Elder Services, Inc.

**Rachel Mosher-Williams**  
The Aspen Institute

**Greg Werkheiser**  
The Phoenix Project

**Darrell Hammond**  
KaBOOM!



## **TABLE OF CONTENTS**

### **Introduction**

|   |          |
|---|----------|
| A New Type of Entrepreneurship for the Twenty-First Century | <b>1</b> |
| Leading the Advancement of Social Entrepreneurship          | <b>3</b> |

### **Social Entrepreneurship and Government:**

|  |          |
|--|----------|
| <b>Research Findings that Informed the Recommendations</b> | <b>5</b> |
|--|----------|

### **Recommendations for Government to Advance Social Entrepreneurship**

|  |           |
|--|-----------|
| Lay the Foundation for a New Era of Social Entrepreneurship                            | <b>10</b> |
| Set Policy to Enable and Encourage Social Entrepreneurship                             | <b>12</b> |
| Develop and Leverage Financial and Non-Financial Resources for Social Entrepreneurship | <b>15</b> |

### **Conclusion**

### **Appendix**

|                      |           |
|----------------------|-----------|
| Additional Resources | <b>19</b> |
|----------------------|-----------|

## Overview

*Advancing Social Entrepreneurship* introduces policymakers and leaders in government agencies to social entrepreneurship as a new way to address old problems. Given the traditional role of the government in responding to market failures—and the \$1 trillion plus per year of federal funds dedicated to resolving domestic social problems<sup>1</sup>—there exists a yet-to-be harnessed opportunity for government leaders and social entrepreneurs to collaborate to leverage public and private resources and to generate transformative, cost-effective solutions.

**Policymakers and leaders in government agencies in the United States** can use this paper as a primer on social entrepreneurship and on the new role that government can play in accelerating solutions to today's toughest social problems. It includes 13 specific recommendations for government leaders seeking to strengthen the collaboration between social entrepreneurship and government at the city, state, and federal levels.

**Government leaders outside of the United States** may also find this paper worthwhile as an introduction. Although the paper was written with the American policy landscape in mind, the recommendations provided here offer examples of the steps governments can take to develop a more strategic and coordinated approach to unlocking the potential of social entrepreneurship.

# INTRODUCTION

## A NEW TYPE OF ENTREPRENEURSHIP FOR THE TWENTY-FIRST CENTURY

As the first decade of the twenty-first century comes to a close, the United States faces incredible societal challenges. Nearly one quarter of the population fails to finish high school, creating a national graduation rate that lags 10 percent behind the European Union's average.<sup>2</sup> The United States has the highest incarceration rate in the world, with 1 in 100 adult Americans behind bars.<sup>3</sup> U.S. child poverty rates are also among the highest of the world's developed nations, with 21 percent of American children living below the poverty line.<sup>4</sup> And even with the highest per capita spending on health care,<sup>5</sup> the U.S. health system ranks 37th in the world—lower than any other developed nation.<sup>6</sup> On the global stage, nearly 3 billion people live on less than 2 dollars a day,<sup>7</sup> while malaria—an easily preventable and curable disease—kills more than 1 million children per year.<sup>8</sup> If the United States is to maintain its place as a world leader, we must find ways to reverse these trends, both in our own country and around the world.

Crucial to surmounting these and other challenges facing our nation and the world will be making efficient and effective use of public sector resources, and leveraging those resources through collaboration with the private and nonprofit sectors. Public finance theory tends to assign two major roles to government: 1) providing public goods, such as libraries, public education, national defense, and policing; and 2) addressing inequalities produced by market failures through redistribution—in the form of unemployment benefits, disaster assistance, or benefits to families living in poverty, to name a few of the most common methods.<sup>9</sup> To carry out the latter role, the federal government alone spends more than \$1 trillion per year, by conservative estimates, to provide direct benefits to constituents, award service grants and contracts to nonprofit and private service providers, and employ government agency staff.<sup>10</sup> State and local governments dedicate their own funds to benefit their constituents—creating an even larger pool of government resources and activities, all aimed at solving social problems. Government resources dwarf the funds spent by the nation's largest foundations and by individual donors, who contribute \$16.4 billion<sup>11</sup> and \$163.5 billion<sup>12</sup> per year respectively. Given the magnitude of the challenges we face, and the vast amount of government resources devoted to these challenges, spending every taxpayer dollar wisely is imperative.

Social entrepreneurship—the practice of responding to market failures with transformative, financially sustainable innovations—is uniquely positioned to help government officials address our nation's toughest social problems more effectively.<sup>13</sup> This new type of entrepreneurship combines business principles with a passion for social impact. Social-entrepreneurial initiatives can take the form of for-profits, nonprofits, or government programs, and they exhibit three core characteristics:

- **Social Innovation** - finding, testing, and honing new and potentially transformative ways of approaching social problems;
- **Accountability** - measuring results, continuously making improvements based on those results, and sharing performance and outcome data with stakeholders;
- **Sustainability** - identifying reliable financial and other types of support by utilizing markets, forming partnerships across sectors, and responding to stakeholder needs to ensure that the solution will be enduring.

The past 15 years have seen the emergence of scores of social-entrepreneurial organizations to address a wide variety of social problems: Teach For America has mobilized 17,000 Americans since its inception to help close the achievement gap in underserved schools in urban and rural areas in the United States;<sup>14</sup> Resolve to Stop the Violence, a program of the San Francisco Sheriff's Office, has become a model both within the U.S. and abroad for reducing recidivism rates; TROSA, a North Carolina-based substance abuse treatment program, has developed several unique businesses – including TROSA Moving, TROSA Lawn Care, and TROSA Furniture and Frame

**Social entrepreneurship combines business principles with a passion for social impact and demonstrates three core characteristics: social innovation, accountability, and sustainability.**

## Social entrepreneurship up close: ITNAmerica®

ITNAmerica, a nonprofit transportation service for seniors who can no longer safely drive, provides an example of a social-entrepreneurial initiative. ITNAmerica employs a mix of paid and volunteer drivers to offer “door-through-door” service to any destination, 24 hours a day year-round. Central to the organization’s approach is its customized software, ITNRides™, which enables ITNAmerica to maximize the efficiency of its routes by planning and tracking membership accounts, rides, and innovative payment programs. According to founder Katherine Freund, “One way to describe it is that we’ve married a very grassroots model to a very high-tech support system. We used technology to create efficiency, and we took the unusual step of building it ourselves, instead of purchasing off-the-shelf technology, so that it would be affordable to small organizations and communities.”<sup>15</sup> The organization has also worked to develop a financial model that essentially funds itself—by capturing nominal fees from customers and leveraging private resources through volunteer time and philanthropic support. Freund explains, “Most of the resources for transportation are private. If you don’t have a model that is built to access them, then you’ll fall into the pattern of being one of many providers in a turf war over the public dollars.”<sup>16</sup> ITNAmerica currently operates its unique approach in a number of locations across the country, including Charleston, South Carolina; Orlando, Florida; Portland, Maine; and Los Angeles, California. It has been recognized as a leader in senior transportation at the city, state, and federal levels.

Shop – all of which employ residents in the program as part of their rehabilitation; and Benetech won founder Jim Fruchterman a “genius” award from the MacArthur Foundation for its use of technological innovation and business expertise to solve unmet social needs in the U.S. and abroad. The field’s many success stories have led David Gergen, director of the Center for Public Leadership at the John F. Kennedy School of Government at Harvard University and former advisor to four U.S. presidents, to call social entrepreneurship “the most important movement since the civil rights movement.”<sup>17</sup>

**In partnership with government, social entrepreneurs can augment their ability to generate and implement transformative, cost-effective solutions to the most challenging societal problems facing our nation and the world.**

So far, collaboration between social-entrepreneurial organizations and government has occurred in isolated incidents. Yet, given the traditional role of the government in responding to market failures—and the amount of federal funds dedicated to resolving domestic social problems—it is evident that working together strategically provides the United States with an opportunity not only to accelerate solutions in the areas in which our nation currently lags, but to become a model for the rest of the

world. As Roger L. Martin and Sally Osberg state in a recent article for the Stanford Social Innovation Review, “Social entrepreneurship, we believe, is as vital to the progress of societies as is entrepreneurship to the progress of economies, and it merits more rigorous, serious attention than it has attracted so far.”<sup>18</sup>

In partnership with government, social entrepreneurs can augment their ability to generate and implement transformative, cost-effective solutions to the most challenging societal problems facing our nation and the world. According to Vanessa Kirsch, president of New Profit Inc. and co-chair of America Forward, “Every day, social entrepreneurs are developing and implementing innovative solutions to meet our country’s domestic challenges,

and they are achieving greater results with fewer resources. Just as public investment has supported major initiatives in the past, a future president – and other city, state, and federal administrations – can support social entrepreneurs and their effective solutions and, in doing so, effect measurable change in our nation.”<sup>19</sup>

## Social Entrepreneurship and Government: The Opportunity



### LEADING THE ADVANCEMENT OF SOCIAL ENTREPRENEURSHIP

Government support of entrepreneurship in the private sector provides a model for the steps that government leaders can take to address America’s toughest social problems while helping to make our nation a global leader in social entrepreneurship. With the establishment of the Federal Reserve (1913), Securities and Exchange Commission (1934), and the Small Business Administration (1953), along with countless other policies, institutions, and programs, the federal government has encouraged a flood of innovation and entrepreneurship that produced some of the world’s greatest companies. The innovations of these companies have led to the creation of thousands of jobs, at times spawning entire new industries—as did Ford Motors with the automobile industry and Microsoft with the software industry. Ultimately, government played a crucial role in making America all but synonymous with business innovation and entrepreneurship.

**Momentum is building for government to create the same type of environment that it did to encourage private-sector entrepreneurship for social entrepreneurship.**

Momentum is building for government to create the same type of environment for social entrepreneurship. In February 2007, Louisiana Lieutenant Governor Mitch Landrieu launched an unprecedented effort to find and promote effective solutions to the myriad challenges facing his state following Hurricanes Katrina and Rita. Seeking to bolster the state’s social service system, and to ensure that emergency funding would be well spent, Landrieu founded the nation’s first government-run Office of Social Entrepreneurship. The office aims to shift the orientation of the social services sector of Louisiana to a results-driven approach, while making Louisiana, in Landrieu’s words, “the most hospitable place in the country for those who are testing and launching the best, most effective new program models for social change.”<sup>20</sup> As Director of Strategic Partnerships Brooke Smith explains, the disasters of Hurricanes Katrina and Rita actually surfaced an opportunity to find new ways to approach longstanding societal challenges in Louisiana. “We began to see successes in areas where we’d never looked before. They all centered on social entrepreneurs who had succeeded in finding a way to bring the public, private, and nonprofit sectors together and to run truly effective, innovative, sustainable programming that could really move the dial on the state’s issues in education, health care, transportation, and other areas that have been problems for a long time.”<sup>21</sup>

In just the past year, a number of additional initiatives focused on collaboration between government and social entrepreneurs have also appeared. In Virginia, the Phoenix Project has partnered with high-level government officials to encourage social-entrepreneurial solutions that will reduce poverty in the state. In Texas, the OneStar Foundation, a quasi-public agency that leads the Corporation for National and Community Service activities in the state, is working in partnership with Texas Governor Rick Perry. OneStar has established a social sector development fund—with funding from the state matched by private funds—that seeks to stimulate social innova-

tion, entrepreneurship, and investment in Texas' nonprofit sector. In North Carolina, a state senator has introduced legislation for a Low-Profit, Limited Liability Partnership Company (L3C), which would accommodate social enterprises that blur the lines between the nonprofit and private sectors. The U.S. Department of Agriculture partnered with the Girl Scouts of the USA to train a new generation of leaders in rural communities in social entrepreneurship through the Challenge and Change program. One of the presidential candidates has called for a national Social Entrepreneur Agency. The Center for American Progress has provided thought leadership and recommendations for a White House Office of Social Innovation. New Profit's America Forward coalition of more than 60 social-entrepreneurial organizations is working to connect social entrepreneurs with policymakers. The Ash

Institute for Democratic Governance and Innovation at Harvard University's John F. Kennedy School of Government is convening a working group of government officials, social entrepreneurs, and other thought leaders to examine and seek to change the way America's communities approach social problem solving.

These new initiatives constitute the first wave of what is likely to be a flood of new experiments in governmental sup-

port of social entrepreneurship. To guide government leaders, this report outlines key research findings on the link between social entrepreneurship and government, defines new roles for government, and provides 13 specific recommendations for government officials—with models that help to illustrate how the recommendations might be carried out. This content builds on the author's recent report for the Small Business Administration's 2007 *The Small Business Economy: A Report to the President*, entitled "Social Entrepreneurship and Government: A New Breed of Entrepreneurs Developing Solutions to Social Problems."

**This report outlines key research findings on the link between social entrepreneurship and government and provides 13 recommendations for government officials.**

## SOCIAL ENTREPRENEURSHIP AND GOVERNMENT: RESEARCH FINDINGS THAT INFORMED THE RECOMMENDATIONS

The recommendations outlined in the pages that follow are based on four key findings that came out of a year of research for the 2007 SBA report, “Social Entrepreneurship and Government: A New Breed of Entrepreneurs Developing Solutions to Social Problems.”

### Research Findings that Informed the Recommendations

- Finding # 1: Social entrepreneurship is already helping government to benefit Americans by leveraging public and private resources and testing and honing new solutions.
- Finding # 2: Government support in a variety of forms has already proven crucial to the success of many of today’s social entrepreneurs.
- Finding # 3: Government holds the key to unleashing the full potential of social entrepreneurship to advance solutions to America’s toughest social problems.
- Finding #4: The time has come for a new way of thinking about and approaching social problem solving.

### Finding # 1: Social entrepreneurship is already helping government to benefit Americans by leveraging public and private resources and testing and honing new solutions.

Social entrepreneurship is uniquely positioned to aid government in addressing social problems in two primary ways: (1) leveraging public and private resources and (2) testing and developing solutions. As College Summit Founder J.B. Schramm explains, “Social entrepreneurship offers government a chance to leverage its dollars much farther than ever before. Social entrepreneurs are on the ground. We’re seeing and addressing problems first-hand, and we can share what we are learning on Capitol Hill.”<sup>22</sup>

#### Example: KaBOOM! - Leveraging Public and Private Resources

Committed to building playgrounds in underserved communities, KaBOOM! demonstrates an innovative model for leveraging public and private resources. To capture resources for playground building, the organization offers two products—corporate team building and social marketing. This enables KaBOOM! to run almost entirely on resources from major companies, including Home Depot, Sprint, and PepsiCo. According to Founder Darrell Hammond, “It’s beyond sponsorship. It’s beyond partnership. We’ve really embedded ourselves into corporations and become a part of their long-term strategy—not just their community affairs and do-good strategy, but their business strategy, as well.”<sup>23</sup> Creation of playgrounds for children has traditionally fallen under the domain of local parks and recreation departments of municipal governments. To date, KaBOOM! has built nearly 2,000 playgrounds in 11 years. The organization’s unique approach of capturing resources for playground building via donations, service fees, and employee volunteer time has made it possible to bring playgrounds to communities that lacked the public funds to build them, and allowed public funds that would have gone to playgrounds to address other needs.

### Example: New Leaders for New Schools - Testing and Developing Solutions

New Leaders for New Schools demonstrates how social-entrepreneurial experimentation, when successful, can produce new practices that government can take up to benefit Americans. Founder Jon Schnur created New Leaders to test an idea: that putting resources towards selecting, training, and supporting principals who are committed to meeting high standards—even for children in the toughest neighborhoods with access to the fewest resources—would have a positive impact on students and ultimately the entire school’s performance. Educators selected for New Leaders’ highly competitive program spend an intensive year as residents in an urban school, and then receive placement assistance and ongoing support as they take the reins as principals in schools of their own. Six years of experience have demonstrated that a committed, supported principal can transform student performance. Between 2004 and 2006, 100 percent of schools led by New Leaders principals for at least two consecutive years achieved notable increases in student achievement, with 83 percent achieving double-digit gains. Average student achievement gains ranged from 14 to 22 percent by city over the two year period.<sup>24</sup> The organization currently operates in 9 U.S. cities, including Baltimore, Chicago, New York City, and New Orleans. Other cities have started their own principal-leadership programs, based on the New Leaders approach.

## **Finding #2: Government support in a variety of forms has already proven crucial to the success of many of today’s social entrepreneurs.**

Isolated incidents of government support of social entrepreneurship on the city, state, and federal levels are already occurring. These include seed funding to research the feasibility of new approaches; policy changes that remove barriers to innovation; consistent federal grants to provide reliable funding; support for replicating a successful model to additional locations; and research and data that assist in providing a thorough understanding of an organization’s target social problem. As Frederick Hess, resident scholar and director of Education Policy Studies at the American Enterprise Institute, points out, “In the public sector, government can help ensure that more ideas are able to get entry to the marketplace. Such steps might include removing barriers, providing venture or sustaining capital, and ensuring that it is not inhibiting the flow of human capital toward these organizations.”<sup>25</sup>

### Example: ITNAmerica – Seeding and Spreading Solutions

Although ITNAmerica prides itself on having a model that makes minimal use of public funds, the organization would not be where it is today without the crucial support it has received from all levels of government along the way. For example, the Transit IDEA program, administered by the Transportation Research Board of the National Academies of Science and funded by the Federal Transit Administration, provided two grants that Freund describes as “the first big piece of venture funds.” The first enabled the organization to explore senior citizens’ consumer behaviors related to fee-based automobile transportation services, while the second grant funded a study that helped the organization develop its innovative payment plan and its approach to information system technology.

Further, government at all levels has helped ITNAmerica to take its model to new locations throughout the country. As Jeff Bradach of the nonprofit consulting firm, the Bridgespan Group, explains, “While private funders will sometimes provide seed money to stimulate the development of local programs, they rarely supply the capital to build a network of sites. The one exception to this rule is the federal government, which sometimes supports the proliferation of successful programs.”<sup>26</sup> The governors’ offices of Connecticut, Illinois, New York, and Utah—and the state legislatures of Hawaii and Rhode Island—have all provided replication funds that have made it possible for ITNAmerica to expand to those states. Additionally, in 2000, Freund was selected as a National Transit Institute Fellow, a program paid for by the federal government and administered by Rutgers University. Because of that federal support, Freund was able to meet with leaders of transportation services in 13 states, which have made improvements to their services based on ITNAmerica’s model.

Finally, ITNAmerica has benefitted from policy that has removed barriers to making use of private resources. For instance, when the organization encountered problems in accepting car donations—

because of a Maine state law meant to protect consumers from unregulated used car dealers that limited the number of donated or traded cars they could accept—ITNAmerica went to work on a bill that would make an exception for organizations serving the elderly. As a result of ITNAmerica’s efforts, Maine’s Act to Promote Access to Transportation for Seniors, sponsored by State Senator Michael Brennan, passed in 2005. It provides an exemption from automobile dealership laws for any public or nonprofit organization that uses automobile donations to provide transportation to seniors, or that takes personal automobiles in trade from seniors in exchange for transportation services.

### **Finding #3: Government holds the key to unleashing the full potential of social entrepreneurship to advance solutions to America’s toughest social problems.**

In an address delivered in conjunction with the Phoenix Project, former Virginia governor Mark Warner summarized the crucial role that government plays in addressing social problems: “Unless nonprofits and foundations engage with the public sector, they are not really going to accomplish sustainable change. All of the money the Gates Foundation has spent on education during its entire existence wouldn’t fund public education in Virginia for six months.”<sup>27</sup> Government not only spends the lion’s share of financial resources on domestic social problems, but also oversees and has the ability to grant access to the systems—such as education and transportation—that social entrepreneurs seek to improve. As Skoll Foundation’s Lance Henderson puts it, “A lot of people are talking about how public policy—through ideas like new organizational forms, new tax incentives, and other government politics—can be an important lever for change.”<sup>28</sup>

#### Example: College Summit

College Summit works to address an inequality in American education: “students from the low-income quartile who get A’s on standardized tests go to college at the same rate as their higher income peers who get D’s on the same tests.”<sup>29</sup> The organization’s unique model engages students, school districts, and colleges to build “the capacity of schools to dramatically increase the number of students who advance to college.”<sup>30</sup> Since the organization began working with entire high schools in 2003 and 2004, College Summit has seen a significant increase in the percentage of students at its schools applying to college—from 47 percent during the 2003 to 2004 school year to 67 percent in 2005 to 2006. Data from college registrars revealed an increase in college enrollment rates school-wide, as well.<sup>31</sup>

In 2000, the organization served 2,000 students. In 2008 the organization expects to have grown by 750 percent—serving more than 17,000 students, with support coming almost exclusively from private foundations and individuals. Yet, even with these results and growth, College Summit estimates that they only reach about 2 percent of the 1 million low-income high school students in the United States.

### **Finding #4: The time has come for a new way of thinking about social problem solving.**

Traditionally, government has identified social problems, developed programs to address them, and managed the delivery of them. Yet, government has limited resources with which to address our nation’s social problems. As our nation’s challenges in education, health care, poverty, and many other areas appear more pressing than ever, spending public resources wisely is an imperative.

As Louisiana Lieutenant Governor Mitch Landrieu puts it, “It is not that government is too small or too big. It needs to work better. We need to find ways to solve old problems in new ways, and social entrepreneurship offers us that opportunity.”<sup>32</sup> Michele Jolin, a senior fellow at the Center for American Progress, adds, “It’s not just creating another anti-poverty or other kind of program. It’s about finding and supporting what works.”<sup>33</sup>

*“It is not that government is too small or too big. It needs to work better. We need to find ways to solve old problems in new ways, and social entrepreneurship offers us that opportunity.”*

**– Lt. Governor Mitch Landrieu**

The research conducted for the SBA report identified five roles for government in a new era of supporting social entrepreneurship. Government leaders who embrace any or all of these roles are the new public innovators: government officials who support social entrepreneurship—and look to citizens and organizations in the private and nonprofit sectors as partners—in order to accelerate innovative, results-oriented, and sustainable solutions to our nation's, and the world's, toughest social problems.

## **ROLES FOR THE NEW PUBLIC INNOVATORS**

- 1) **Encourage social innovation** – For any entrepreneur, the start-up period of an organization is critical. Government can encourage social innovation and help spur the testing of promising new approaches to solving social problems.
- 2) **Create an enabling environment for social entrepreneurship** – The very nature of innovation means that social entrepreneurs will be heading into new territory, and they often encounter unexpected barriers along the way. Government can set policies, encourage public-private partnerships, and lift such barriers for social entrepreneurs so that they can make progress more swiftly and easily.
- 3) **Develop standards and produce knowledge for understanding performance** – Government already serves as a critical source of standards and data that can advance the field of social entrepreneurship. Government can further that role by helping to develop clear performance standards and producing knowledge that will inform future social entrepreneurship.
- 4) **Reward social-entrepreneurial initiatives for exceptional performance** – Access to reliable sources of funding is essential to the growth and sustainability of solutions that work. By tying decisions about funding and purchasing to performance, government can help ensure that solutions that work will sustain and grow their impact.
- 5) **Scale successful approaches** – Expanding the reach of a proven solution is critical if it is to become truly transformative. Yet acquiring the recognition, support for dissemination, or funding to scale a successful initiative is notoriously difficult. Government can play a crucial role in scaling successful solutions by seeking out what works and enabling the expansion of proven programs.

# RECOMMENDATIONS FOR GOVERNMENT TO ADVANCE SOCIAL ENTREPRENEURSHIP

Government has frequently developed institutions, programs, and policies to support a variety of activities in the private and nonprofit sectors. The 13 recommendations detailed here (summarized in the chart below) are coupled with models that draw on existing government support of social entrepreneurship; government support of private-sector small business entrepreneurship; and non-governmental initiatives that could serve as models for government. (See the appendix for information on how to contact the organizations and initiatives highlighted as models.)

To aid policy makers and government agencies in navigating these recommendations, we have divided them into three categories from which to take action.

- Lay the foundation for a new era of social entrepreneurship.
- Set policy to enable and encourage social entrepreneurship.
- Develop financial and non-financial resources for social entrepreneurship.

| Recommendations for Government to Advance Social Entrepreneurship                                      | Encouraging Innovation | Enabling Environment | Rewarding Performance | Scaling Success | Producing Knowledge |
|--|------------------------|----------------------|-----------------------|-----------------|---------------------|
| <i>Lay the Foundation for a New Era of Social Entrepreneurship</i>                                     |                        |                      |                       |                 |                     |
| 1. Establish institutions that support and promote social entrepreneurship.                            | ✓                      | ✓                    | ✓                     | ✓               | ✓                   |
| 2. Allow greater autonomy. Set standards. Publish results.   |                        | ✓                    |                       |                 | ✓                   |
| 3. Convene the public, private, and nonprofit sectors on critical social issues to advance solutions.  | ✓                      | ✓                    |                       |                 | ✓                   |
| 4. Develop awards programs to recognize and reward innovative, effective, and sustainable solutions.   | ✓                      | ✓                    | ✓                     | ✓               | ✓                   |
| 5. Educate all three sectors in social entrepreneurship's new approach to social problem solving.      | ✓                      | ✓                    |                       |                 | ✓                   |
| <i>Set Policy to Enable and Encourage Social Entrepreneurship</i>                                      |                        |                      |                       |                 |                     |
| 6. Strive to set policy and remove barriers to encourage social entrepreneurship and scale success.    | ✓                      | ✓                    |                       | ✓               | ✓                   |
| 7. Explore new tax structures to enable new organizational forms.                                      | ✓                      | ✓                    | ✓                     | ✓               |                     |
| 8. Allocate a percentage of agency budgets toward innovation.  | ✓                      | ✓                    |                       |                 |                     |
| 9. Open earmarked funds to competitive processes.  | ✓                      | ✓                    | ✓                     | ✓               | ✓                   |
| <i>Develop and Leverage Financial and Non-Financial Resources to Encourage Social Entrepreneurship</i> |                        |                      |                       |                 |                     |
| 10. Seek partnerships with foundations and corporations to support social-entrepreneurial endeavors.   | ✓                      | ✓                    |                       | ✓               |                     |
| 11. Create a public/private social innovation fund.  | ✓                      | ✓                    | ✓                     | ✓               | ✓                   |
| 12. Coordinate volunteer resources to scale solutions.   | ✓                      |                      | ✓                     | ✓               |                     |
| 13. Establish a National Social Innovation Foundation.   | ✓                      | ✓                    | ✓                     | ✓               | ✓                   |

## LAY THE FOUNDATION FOR A NEW ERA OF SOCIAL ENTREPRENEURSHIP

### 1. Establish institutions that support and promote social entrepreneurship.

The establishment of institutions, such as the Small Business Administration and the Office of Homeland Security, has long served as a key step that public officials can take to commit to and advance a particular issue. New institutions at the city, state, and federal levels would lead the way in creating environments in which social entrepreneurship can thrive. These institutions could also take the form of quasi-public agencies.

#### *Model: Louisiana's Office of Social Entrepreneurship*

Louisiana's Office of Social Entrepreneurship has made its mission to "support citizens and organizations working across sectors to use business principles to build, measure, and scale the most innovative, effective, and sustainable solutions to the social problems facing communities across the state." It plans to conduct convenings across the state, in partnership with the private and nonprofit sectors, to discuss the root causes of Louisiana's most pressing social problems and to identify the solutions that have already proven successful. During this ongoing process, the office and its partners will support citizens and organizations by: seeking to improve public policy and remove barriers; recognizing and rewarding successful models; offering training and networking opportunities to social entrepreneurs; and providing access to financial and in-kind resources. The office is also in the early stages of developing a public-private social innovation fund. Louisiana's Office of Social Entrepreneurship is positioned to be the first of many institutions that support and promote social entrepreneurship.

### 2. Allow greater autonomy. Set standards. Publish results.

Granting social problem-solving initiatives more autonomy in how they spend their allotted money can encourage entrepreneurial behavior. At the same time, government can set performance standards and publish results. Such practices will ensure that the necessary work is getting done, while creating space for developing new ways of meeting and even surpassing those results.

#### *Model: New York City Public Schools' Children First Initiative*

Seeking to give school principals more control over their ability to meet performance standards, New York City Public Schools' Children First Initiative grants greater autonomy to principals in handling day-to-day issues such as scheduling, hiring, curricula, and professional development. In return for this greater autonomy, schools are held to clear standards of accountability, particularly related to assessments and outcomes in reading and math, and particular school-performance measures, such as attendance and graduation rates. A central part of this reform is the development of public progress reports for every school in the system, based on a variety of measures, in which schools will receive a letter grade of "A" through "F."

### 3. Convene the public, private, and nonprofit sectors on critical social issues to advance solutions.

Government has the unique ability to convene the necessary stakeholders in order to address a particular social issue. By gathering the key players from all sectors, public officials can lead the process of agreeing on the root causes of the social problem, plotting out a course of action for addressing it, and advancing solutions.

#### *Model: The California Rural Economic Health Vitality Project*

In 2005, Governor Arnold Schwarzenegger and his cabinet joined the California Center for Regional Leadership in hosting a statewide planning process called the Rural Economic Vitality Project. Through a series of regional and statewide planning meetings, the project brought together the key stakeholders from all three sectors to develop an agenda for spurring economic growth in California's rural communities. Convening the necessary mix of leaders from all sectors to understand the challenges faced by California's rural communities and identify actions for addressing them proved to be a major breakthrough. The Governor and the California Center for Regional Leadership were able to develop a Rural and Economic Health Vitality Policy Agenda with specific recommendations that are now being implemented.

### 4. Develop awards programs to recognize and reward innovative, effective, and sustainable solutions.

Establishing government award programs to recognize success in social entrepreneurship would identify and support successful approaches. Such support could take the form of publicity, training, networking opportunities, and funding, and it would help to accelerate the progress of social entrepreneurs who are achieving exceptional results. A number of philanthropies, academic institutions, and media organizations—including Ashoka, Echoing Green, *Fast Company* Magazine, Harvard's Kennedy School of Government, The Manhattan Institute, Schwab Foundation, Skoll Foundation, and the Social Innovation Forum—are already sponsoring awards programs that could serve as models for government.

#### *Model: Social Innovation Forum*

In the nonprofit sector, Root Cause's Social Innovation Forum, which operates in Boston, provides an example of a competitive selection process that rewards proven solutions by connecting them to resources. Each year, the Social Innovation Forum partners with local foundations and corporations to identify "Social Innovators" who are demonstrating promising approaches to addressing specific social problems in greater Boston. The organization provides these Social Innovators with strategy consulting, executive coaching from private sector leaders who volunteer their time, and introductions to a local Social Impact Investment Community made up of government leaders, foundations, and individual donors who are willing to offer time, talent, relationships, and money. Since 2003, the organization has identified and directed more than \$2 million in resources to innovative, results-oriented organizations working in such areas as domestic violence, workforce development, youth development, and the environment.

## 5. Educate all three sectors in social entrepreneurship's new approach to social problem solving.

Social entrepreneurship provides not only new ways of addressing persistent social problems, but also news ways of thinking about them. Government leaders can play a crucial role in educating the public, private, and nonprofit sectors in how to begin tackling social problem solving from this new, business-oriented perspective that prioritizes cost-effective and results-driven solutions.

### *Model: The Phoenix Project*

Leaders of Virginia's public, private, and nonprofit sectors have joined forces to form the Phoenix Project, a statewide effort to accelerate social entrepreneurship in Virginia as a way of battling poverty and other pressing social challenges. The effort has involved Governor Tim Kaine, former Governor Mark Warner, Lieutenant Governor Bill Bolling, and other elected officials in educating leaders in all three sectors in the new way of thinking that social entrepreneurship brings to social problem-solving. The presence of high-level government officials as spokespeople has drawn to the effort private and nonprofit sector CEOs, as well as leaders from 40 Virginia universities, to pursue the Phoenix Project's four-part strategy: 1) convene statewide discussions to educate and network leaders interested in social entrepreneurship; 2) engage public leaders as guest lecturers in an annual six-week social entrepreneurship academic and experiential program for 30 top undergraduate and graduate students drawn from throughout the Commonwealth; 3) create partnerships between consortia of universities and economically distressed communities to provide the context for launching and refining social enterprise solutions; and 4) forge a statewide agenda for accelerating social entrepreneurship with specific roles for leaders of each sector. According to the Phoenix Project's Founder Greg Werkheiser, "With the visible involvement of our government leaders, we are creating the conditions necessary to make Virginia a destination for social entrepreneurship and for effective solutions to the problem of poverty."<sup>34</sup>

## SET POLICY TO ENABLE AND ENCOURAGE SOCIAL ENTREPRENEURSHIP

## 6. Strive to set policy and remove barriers in order to encourage social entrepreneurship and scale success.

Policymakers and leaders of government agencies at all levels can strive to set policies that encourage social-entrepreneurial behaviors, while ensuring that current and future policies and procedures do not present unforeseen challenges. As David Eisner, CEO of the Corporation for National and Community Service, explains, "Social entrepreneurs are constantly pushing up against artificial barriers. Teacher certification, social-service certification, volunteer-manager certification—all end up preventing social entrepreneurship and limiting scale and innovation as it relates to solving the problem."<sup>35</sup>

### *Model: SBA Office of Advocacy*

The federal government passed the Regulatory Flexibility Act in 1980 to systematically review the potential impact of new regulations on entrepreneurs. The law mandated the Small Business Administration's Office of Advocacy to "measure the costs and impacts of regulation on small business" of any new federal regulation prior to implementation. While the law does not require that regulations favor or support small business, it does ensure that agencies are aware of their potential encouraging or chilling effect on entrepreneurship before their passage. As the Office of Advocacy explains in its guidelines to federal agencies, "Without the necessary facts, it is possible for an agency to cause serious unintended or unforeseen adverse impacts on small businesses."<sup>36</sup>

## 7. Explore tax structures to enable new organizational forms.

In the early twentieth century, Congress created a variety of 501(c) tax categories, enabling the existence of nonprofit organizations exempt from some federal income taxes. The creation of this new organizational form, and the establishment of tax deductions to encourage donations to such organizations, set the stage for the development of a vibrant nonprofit sector, whose workforce now makes up 10.5 percent of U.S. jobs.

Today, as social entrepreneurs demonstrate successful solutions regardless of organizational form, they increasingly blur the lines between the nonprofit and for-profit sectors. New tax structures, leading to possible new organizational forms, could help to encourage social innovation, while lending confidence that could spur greater philanthropic, private, and public investment in the development of sustainable models.

One example is the for-profit organization Outside The Classroom, which seeks to reduce alcohol and drug abuse on college campuses through an innovative Web-based curriculum for college students. Although the company has recently begun generating a profit, its start-up phase proved particularly challenging. The organization was started as a nonprofit, but found itself turned down by dozens of grant makers. It then decided to become a for-profit organization and find “patient capital” from socially motivated investors who were willing to wait for profits while the market was developed, or accept below-market returns, in exchange for social impact. A new tax structure—or revisiting of 501(c) guidelines—could make it easier to adopt the core characteristics of social entrepreneurship and support companies like Outside The Classroom, which fit somewhere between traditional nonprofits and traditional businesses.

### ***Model: North Carolina’s Low-Profit, Limited Liability Company (L3C)***

In the 2007 session, North Carolina State Senator Jim Jacumin introduced the “Endangered Manufacturing and Jobs Act,” in an attempt to support North Carolina’s furniture industry, which has suffered in recent years as a result of global competition. A key element of the bill is the creation of a new organizational identity, the Low-Profit Limited Liability Partnership Company (L3C). L3Cs could generate modest profit, while pursuing charitable or educational aims. The new tax structure would make it much easier for foundations to make use of a little-used but already established vehicle called Program-Related Investments (PRIs) to invest in for-profit initiatives aimed at addressing social problems. In the case of North Carolina’s furniture industry, the existence of an L3C structure would greatly simplify the process of accepting philanthropic funds to aid in the purchase and revitalization of the state’s ailing furniture factories.

Robert M. Lang, Jr., chief executive of the Mary Elizabeth & Gordon B. Mannweiler Foundation, which developed the idea for the L3C structure, says that the idea is taking off in other states as well: “Vermont’s House of Representatives has passed a bill that would create the new designation, pending approval by the state senate. Backers are also trying to get legislation passed in Georgia, Michigan, Montana, and North Carolina.”<sup>37</sup>

## 8. Allocate a percentage of agency budgets toward encouraging innovation.

Reallocating just a small percentage of an agency budget to make room for experimentation can spark enormous social innovation. As Chris Gabrieli, chairman of the education think tank Mass2020, explains: “Think of social entrepreneurship as a way to create an R&D portfolio of innovative solutions to troubling social problems, by intentionally allocating a small portion of already-dedicated public financing for innovative proposals that are very goal-oriented and willing to show transparently how they do what they do. This would be a way to see if they can benefit the whole field, and it would open up a space for social entrepreneurs to operate in sectors that previously have had little room for innovation.”<sup>40</sup>

### *Model: Charter Schools*

One of the most widespread examples to date of government encouragement of social entrepreneurship can be seen in the development of charter school policy—the use of public school financing to encourage the development of new schools that exercise increased autonomy in their programming, in exchange for increased accountability in terms of academic results and fiscal practices. According to Gabrieli, “Charter school policy opened the door for literally hundreds of social entrepreneurs to try their hands at making a difference on the achievement gap. It has created thousands of schools, ranging from extraordinary successes through mediocrity down to abject failures, with experimentation and learning all along the spectrum.”<sup>41</sup> Among the social-entrepreneurial initiatives leading this movement are KIPP schools, Uncommon Schools, and Achievement First—all of which have demonstrated an ability to outperform their traditional public school counterparts in math and reading achievements among the most at-risk students.

States took the first step in enabling this new form of public school that has fostered greater experimentation and innovation. The first state to pass a law to enable the existence of charter schools was Minnesota in 1991. By 2004, 40 states, in addition to the District of Columbia and Puerto Rico, had passed charter school laws, with more than 3,000 schools operating nationwide in 2004–2005, serving over 700,000 students.

## 9. Open earmarked funds to competitive processes.

The federal government’s fiscal year 2008 spending bills included \$18.3 billion worth of earmarks.<sup>38</sup> This controversial federal budgeting practice designates funds for a wide variety of specific projects and initiatives—including some aimed at addressing social problems—without employing competitive processes to guide decision-making. Often, these earmarks are given to one entity for decades. By opening up earmarked funds to competitive processes administered by relevant government agencies, government could use these existing resources to seek out innovative, effective, and sustainable programs that government may not currently be aware of. This would also help to ensure that tax dollars are spent wisely.

### *Model: U.S. Dept. of Education’s Office of Special Education Programs’s 2007 Funding*

In 2007, the Department of Education’s Office of Special Education Programs (OSEP) received \$12 million in federal funding for special education, which had previously been allocated to one organization, through earmarks, for more than 15 years. OSEP opened up the funding to a competitive process, which enabled the agency to seek out the best solution based on the original purpose of the earmark: to make printed materials available to students with print disabilities—including blindness, low vision, severe dyslexia, and mobility impairment that prevents reading a traditional printed book. As Lou Danielson, a former OSEP division director, explains, “Lack of competition tends to stunt innovation and growth, particularly for the people who get the funding for long periods of time. Ultimately, it serves no one well.”<sup>39</sup>

OSEP issued a call for proposals and administered a peer-review process that resulted in a 5-year, \$32 million award to Benetech’s Bookshare.org, an organization OSEP had only been aware of recently. Bookshare.org was already the world’s largest accessible library of scanned books and periodicals that can be downloaded to be read as Braille, large print, or synthetic speech. OSEP funding has enabled Bookshare.org to build and improve upon a successful model and greatly increase its impact with students in elementary, secondary, and post-secondary schools. The organization is in the process of adding 100,000 new educational materials to its library. It is also coordinating with state education agencies, schools, and publishers to identify new content, and to provide that content at lower costs, for qualified disabled students.

## DEVELOP AND LEVERAGE FINANCIAL AND NON-FINANCIAL RESOURCES FOR SOCIAL ENTREPRENEURSHIP

### 10. Seek partnerships with foundations and corporations to support social-entrepreneurial endeavors.

Government can leverage public dollars by partnering with foundations and corporations to support social-entrepreneurial initiatives. Seeking partnerships with foundations and corporations can allow government to test new ideas within a constrained resource environment, while providing foundations and corporations access to entire systems, such as education. Such partnerships would also aid in raising awareness of a specific social problem, while engaging the expertise of stakeholders in the nonprofit and private sectors. Often, such projects are the only way to embark on new, resource-intensive initiatives, given the limits of existing government resources.

***Model: Wallace Foundation partnership with Chicago and New York City***

The cities of Chicago and New York have recently committed to ensuring that as many school-age children as possible—especially those most in need—have access to programs offering before- and after-school learning and enrichment opportunities. City agencies in both cities have partnered with the Wallace Foundation for support in planning and funding the development of city-wide networks of out-of-school-time programming. In Chicago, Wallace is working with AfterSchool Matters (ASM), which was created by the city to expand out-of-school-time programming. In New York City, Wallace is working with the Department of Youth & Community Development, which created a new funding stream that provides resources to programs that demonstrate adherence to quality standards and tailors its offerings to the needs of particular age groups.

In both cases, Wallace has provided significant funding to develop business plans as a means to engage public and private leadership, gather necessary facts, and map out the actions necessary to achieve sustained, citywide impact. Based on its assessment of the quality and feasibility of business plans, the foundation has made substantial multi-year investments to build data tracking systems, develop quality standards, and provide additional operational support. All of these investments would have been difficult to fund with government resources, given so many competing priorities.

### 11. Create a public-private social innovation fund.

A public-private social innovation fund can leverage taxpayer dollars with private funds to make resources available for funding social-entrepreneurial solutions. Creating a fund specifically designated to advance social entrepreneurship would enable government to follow a performance-based model for investment, not unlike venture capital funds, to both seed and scale initiatives. Two related models show how such a fund could work structurally and operationally.

***Models: Small Business Investment Company (SBIC)  
Venture Philanthropy & Social Venture Capital***

***Small Business Investment Company (SBIC)***

The Small Business Administration (SBA)'s Small Business Investment Company program provides an example of a fund that mixes public and private funding; it exhibits how a public-private social innovation fund might work structurally. The SBIC program seeks to make investment capital available to help start and grow small businesses that are not yet eligible for venture funding. In 2005, the program dedicated more than \$23 billion in small business entrepreneurs—with \$12 billion of that funding representing private capital. To do this, the SBA selects investment firms that are already skillful at managing funds for a particular audience and offers them a 2 to 1 match for funds privately raised. Once the investment capital is raised, the firm manages the fund, makes investments, and reports back to the SBA on its progress in reaching specific performance measures including providing a financial return on the SBA's investment in the fund.

### *Venture Philanthropy & Social Venture Capital*

In the nonprofit sector, two approaches to funding for-profit and nonprofit social-entrepreneurial initiatives have emerged over the last decade; they show how a public-private social innovation fund might operate. The first approach, known as venture or engaged philanthropy, combines long-term grant making support with management assistance for nonprofit social entrepreneurs. The second, known as social venture capital, makes debt and equity investments to for-profit organizations focused both on social impact and financial return—sometimes called a “double bottom line.” Venture philanthropy and social venture capital borrow heavily from the private sector’s venture-capital practices, where initial investment decisions are typically measured against the organization’s past history, leadership, and a business plan that provides a clear road-map of the next 3 to 5 years of growth, with clear targets to measure success. Whether such investments take the form of philanthropy, debt, or equity, they are typically made over as many as 3 to 5 years, with the expectation that if the organization meets its targets, it can expect re-investment for continued growth. The money is completely unrestricted, invested in an overall plan rather than a specific program.

Among the most prominent philanthropy groups operating this way are Ashoka, Atlantic Philanthropies, The Blue Ridge Foundation, Draper Richards Foundation, Echoing Green, Edna McConnell Clark Foundation, Great Bay Foundation, New Profit Inc., Robin Hood Foundation, Roberts Enterprise Development Fund, the Skoll Foundation, Venture Philanthropy Partners, and the Wallace Foundation. Some of the best known social venture capital groups include Acumen Fund, Good Capital, Investors Circle, and the New Schools Venture Fund. (The latter actually provides both grants and investment to nonprofits and for-profits in education.) In just the past 18 months, super-growth funds have emerged that act much like investment banks. Such funds include Growth Philanthropy Network, Nonprofit Finance Fund Capital Partners, and Sea Change Capital, which was started by former Goldman Sachs executives.

## **12. Coordinate volunteer resources to scale solutions.**

The use of volunteers is a core component of nearly every successful social-entrepreneurial organization that has reached widespread national scale. This virtually free resource allows models to leverage human capital. City Year, Habitat for Humanity, and ITNAmerica figure among the many national organizations that rely heavily on volunteers to provide value and solidify a sustainable model.

The federal government already leads several programs—including AmeriCorps and Senior Corps—that direct volunteers toward individual organizations and program sites. In addition, colleges across the country also have established volunteer programs. Social entrepreneurs seeking to scale their models could receive a further boost from government and colleges if these programs can commit volunteer resources on a larger scale, to support scaling solutions that work.

### ***Model: ReServe***

The New York-based nonprofit ReServe has developed a novel approach to volunteer coordination that could serve as a model for government. The organization acts as a placement service, which manages a reserve of skilled retirees interested in stipended volunteer positions in nonprofits and government agencies. ReServe has contracts with more than 100 nonprofits in New York City. Organizations seeking volunteers can call on ReServe to help match their needs and coordinate the placement of volunteers. While matching volunteers with opportunities is not a new idea, the organization currently has contracts with the City of New York and the City University of New York (CUNY) to fill a total of 170 slots, thus significantly supporting the stability and growth of these organizations. Positions with both are wide ranging. For the city, ReServe is placing lawyers, social workers, writers, organizational management consultants, and community relations experts. For CUNY, the organization is providing mentors, small business advisors, photographers, writers, and human resources professionals.

### 13. Establish a National Social Innovation Foundation.

A National Social Innovation Foundation would make social entrepreneurship a national priority. A very small percentage of the federal budget could create a sizeable pool of funds for advancing social entrepreneurship, while paving the way to make America a leader in this area for the twenty-first century and beyond. Federal agencies could all contribute toward National Social Innovation Foundation funding. Such funding would be an extremely valuable way to spark innovation, establish a research agenda, and scale solutions. It would also support collaboration across sectors and agencies, such as the Department of Health and Human Services and the Department of Education.

#### *Model: National Science Foundation*

The National Science Foundation is tasked with “keeping the United States at the leading edge of discovery in areas from astronomy to geology to zoology.”<sup>42</sup> The federal agency serves as the largest source of federal funding for research in the sciences. A portion of this funding prioritizes “‘high-risk, high pay-off’ ideas, novel collaborations and numerous projects that may seem like science fiction today, but which the public will take for granted tomorrow.”<sup>43</sup>

## CONCLUSION

Imagine a day when successful social-entrepreneurial initiatives do not have to struggle to be noticed. Instead, they are sought out, rewarded, and scaled with support from offices of social entrepreneurship across the country. This new way of approaching solving social problems by government would unleash the huge potential of social entrepreneurship and create a country and world that we all would like to see: where all citizens who enter the work force are prepared for success; where all citizens have health care; where all citizens have access to opportunities that will enable them to live above the poverty line; and much more. Coordinated government support of social entrepreneurship would make America a global leader in advancing enduring solutions to our most pressing social problems, both domestically and abroad.

By becoming public innovators who work in true, strategic partnership with social entrepreneurs, government leaders have an enormous opportunity to set America on the path to making the above vision a reality. The recommendations listed in this paper lay out the next steps that government leaders can take to advance social entrepreneurship—particularly by adapting some of the same policies and programs that have successfully encouraged U.S. entrepreneurialism in the past. They show the way for a new approach to solving social problems that encourages social innovation, accountability, and sustainability in collaboration with the public, private, and nonprofit sectors to accelerate transformative solutions that work.

**Imagine a day when successful social-entrepreneurial initiatives do not have to struggle to be noticed. Instead, they are sought out, rewarded, and scaled with support from offices of social entrepreneurship across the country.**

## Endnotes

---

- 1 United States Bureau of the Census, *Consolidated Federal Funds Report for Fiscal Year 2004*, 5.
- 2 Organization for Economic Co-Operation and Development, *Education at a Glance*, 2007.
- 3 Pew Center on the States, *One in 100: Behind Bars in America* 2008.
- 4 Economic Policy Institute, “Economic Snapshots,” [http://www.epi.org/content.cfm/webfeatures\\_snapshots\\_20060719](http://www.epi.org/content.cfm/webfeatures_snapshots_20060719).
- 5 World Health Organization, “Core Health Indicators.” Available at <http://www.who.int>.
- 6 Press Release, World Health Organization, *The World Health Report 2000*.
- 7 Global Issues, “Poverty Facts and Stats,” March 4, 2008, <http://www.globalissues.org/TradeRelated/Facts.asp>.
- 8 Bill and Melinda Gates Foundation, “Malaria Backgrounder,” [http://www.gatesfoundation.org/GlobalHealth/Pri\\_Diseases/Malaria/Malaria\\_Backgrounder.htm](http://www.gatesfoundation.org/GlobalHealth/Pri_Diseases/Malaria/Malaria_Backgrounder.htm).
- 9 Gruber, *Public Finance and Public Policy*.
- 10 United States Bureau of the Census, *Consolidated Federal Funds Report for Fiscal Year 2004*, 5.
- 11 Foundation Center, *Foundation Giving Trends*, 2. This figure includes grants of \$10,000 or more, made by the nation’s 1,154 largest foundations during calendar year 2005. Research has shown that this type of calculation generally represents half of all foundation giving, if smaller grants and/or foundations were to be included.
- 12 Havens, O’Herlihy, and Schervish, “Charitable Giving,” *The Nonprofit Sector*, 542. Data given in 2004, adjusted by the researchers for inflation to 2002 dollars for comparison purposes.
- 13 For a detailed introduction to social entrepreneurship, see Andrew Wolk’s “Social Entrepreneurship and Government: A New Breed of Entrepreneurs Developing Solutions to Social Problems,” in the U.S. Small Business Administration’s 2007 *The Small Business Economy: A Report to the President*. It can be downloaded at [www.rootcause.org](http://www.rootcause.org).
- 14 Teach For America, “Our Impact,” [http://www.teachforamerica.org/mission/our\\_impact/our\\_impact.htm](http://www.teachforamerica.org/mission/our_impact/our_impact.htm).
- 15 Interview with author, March 3, 2007.
- 16 Ibid.
- 17 Keynote address, Echoing Green event, Boston, June 26, 2007.
- 18 Martin and Osberg, “Social Entrepreneurship: The Case for Definition,” 35.
- 19 Email message to editor, March 16, 2008.
- 20 Landrieu, keynote address, New York University Stern School of Business, Berkeley Center for Entrepreneurial Studies, Fourth Annual Conference of Social Entrepreneurs, April 13, 2007.
- 21 Interview with editor, February 6, 2008.
- 22 Interview with author, June 4, 2007.
- 23 Interview with author, April 17, 2007.
- 24 These figures represent New Leaders’ data for performance in math and English language arts in schools led by a New Leaders principal for at least two consecutive years as of 2005-2006, and for which school-level achievement data were publicly available for both school years.
- 25 Interview with author, June 7, 2007.
- 26 “Going to Scale: The Challenge of Replicating Social Programs,” *Stanford Social Innovation Review* (Spring 2003): 25.
- 27 Keynote address, “Accelerating Social Entrepreneurship in Virginia,” July 15, 2007, [http://www.phoenixproject.org/socialentrepreneurship/events/roundone/warner\\_remarks](http://www.phoenixproject.org/socialentrepreneurship/events/roundone/warner_remarks).
- 28 Interview with editor, February 12, 2008.
- 29 College Summit, “The College Summit Approach,” <http://www.collegesummit.org/about/the-college-summit-approach>.
- 30 Ibid.
- 31 College Summit, “Results and Metrics,” <http://www.collegesummit.org/about/results-and-metrics/>.
- 32 Keynote address, “Changing Louisiana through Volunteerism and Social Entrepreneurship,” March 14, 2008.
- 33 Interview with editor, February 7, 2008.
- 34 Interview with editor, February 18, 2008.
- 35 Interview with author, April 30, 2007.
- 36 Office of Advocacy 2003.
- 37 Nicole Wallace, “New Business-Charity Hybrid Sought,” *The Chronicle of Philanthropy*, March 12, 2008, <http://philanthropy.com/news/updates/index.php?id=4133>.
- 38 Taxpayers for Common Sense, “Ending the Earmark ATM,” <http://www.taxpayer.net/budget/fy08earmarks/fy08databasemain.html>.
- 39 Interview with author, April 7, 2008.
- 40 Interview with author, June 11, 2007.
- 41 Ibid.
- 42 National Science Foundation, “About the National Science Foundation,” <http://www.nsf.gov/about>.
- 43 Ibid.

## ADDITIONAL RESOURCES

Provided here is a list of resources for government officials seeking to further explore the topics and recommendations covered in this paper.

Readers who wish to learn more should refer to the report upon which *Advancing Social Entrepreneurship* is based: “Social Entrepreneurship and Government: A New Breed of Entrepreneurs Developing Solutions to Social Problems” by Andrew Wolk, a chapter in *The Small Business Economy: A Report to the President*, published by The Small Business Administration (SBA), Office of Advocacy, 2007. Accessible at: [www.publicinnovators.com](http://www.publicinnovators.com).

### MODELS FEATURED IN THIS REPORT

Louisiana’s Office of Social Entrepreneurship, Office of Lieutenant Governor Mitch Landrieu  
[www.crt.state.la.us/ltgovernor/socialentrepreneurship](http://www.crt.state.la.us/ltgovernor/socialentrepreneurship)

Phone: (225) 342-2038

Contact: Brooke Smith, Director

New York City Public Schools’ Children First Initiative  
<http://schools.nyc.gov/Offices/ChildrenFirst/default.htm>

Phone: (718) 935-2000

Contact: Eric Nadelstern, CEO, Empowerment Support Organization

The California Rural Economic Health Vitality Project  
[www.calregions.org](http://www.calregions.org)

Phone: (415) 445-8975

Contact: Seth Miller, Interim CEO, California Center for Regional Leadership

Social Innovation Forum  
[www.socialinnovationforum.org](http://www.socialinnovationforum.org)

Phone: (617) 492-2305

Contact: Susan Musinsky and Mary Rivet, Co-directors

The Phoenix Project  
[www.phoenixproject.org](http://www.phoenixproject.org)

Phone: (703) 425-3532

Contact: Greg Werkheiser, Executive Director

Small Business Association Office of Advocacy  
[www.sba.gov/advo](http://www.sba.gov/advo)

Phone: (202) 205-6533

North Carolina’s Low-Profit, Limited Liability Company (L3C)  
[www.ncga.state.nc.us/Sessions/2007/Bills/Senate/PDF/S91v1.pdf](http://www.ncga.state.nc.us/Sessions/2007/Bills/Senate/PDF/S91v1.pdf)

Phone: (919) 715-7823

Contact: Senator Jim Jacumin, Bill Sponsor

U.S. Department of Education’s Office of Special Education Programs  
<http://www.ed.gov/about/offices/list/osers/osep/index.html>

Phone: (800) 872-5327

Contact: Glinda Hill, Education Program Specialist

Wallace Foundation’s out-of-school-time (OST) partnership with Chicago and New York City  
[www.wallacefoundation.org/KnowledgeCenter/KnowledgeTopics/CurrentAreasofFocus/Out-Of-SchoolLearning/SustainingOSTOpportunities.htm](http://www.wallacefoundation.org/KnowledgeCenter/KnowledgeTopics/CurrentAreasofFocus/Out-Of-SchoolLearning/SustainingOSTOpportunities.htm)

Phone: (212) 251-9700

Contact: Sheila Murphy, Senior Program Officer

Small Business Investment Company (SBIC)  
[www.sba.gov/aboutsba/sbaprograms/inv/index.html](http://www.sba.gov/aboutsba/sbaprograms/inv/index.html)

Phone: (202) 205-6510

Examples of Venture Philanthropy:

Ashoka, Atlantic Philanthropies, The Blue Ridge Foundation, Draper Richard Foundation, Echoing Green, Edna McConnell Clark Foundation, Great Bay Foundation, New Profit Inc., Robin Hood Foundation, Roberts Enterprise Development Fund, The Skoll Foundation, Venture Philanthropy Partners, and The Wallace Foundation

Examples of Social Venture Capital:

Acumen Fund, Good Capital, Investors Circle, and New Schools Venture Fund

ReServe

[www.reserveinc.org](http://www.reserveinc.org)

(718) 923-1400 x275

Contact: Claire Haaga Altman, Executive Director

National Science Foundation

[www.nsf.gov](http://www.nsf.gov)

(703) 292-5111

## **CASE STUDIES FEATURED IN THIS REPORT**

College Summit

[www.collegesummit.org](http://www.collegesummit.org)

Phone: (202) 319-1763

Contact: J.B. Schramm, Founder and CEO

ITNAmerica

[www.itnamerica.org](http://www.itnamerica.org)

Phone: (207) 857-9001

Contact: Katherine Freund, Founder, President and CEO

KaBOOM!

[www.kaboom.org](http://www.kaboom.org)

Phone: (202) 659-0215

Contact: Darell Hammond, Co-founder and CEO

New Leaders for New Schools

[www.nlms.org](http://www.nlms.org)

Phone: (646) 792-1070

Contact: Jon Schnur, Co-founder and CEO

## **SOCIAL ENTREPRENEURS PARTNERING WITH GOVERNMENT**

Achievement First

[www.achievementfirst.org](http://www.achievementfirst.org)

Phone: (203) 773-3223 x 17205 (Connecticut) and (718) 774-0906 x 12402 (New York)

AfterSchool Matters (ASM)

[www.afterschoolmatters.org](http://www.afterschoolmatters.org)

Phone: (312) 742-4182

America Forward

[www.americaforward.org](http://www.americaforward.org)

Phone: (617) 252-2153

Contact: Kelly Ward, Director

American Enterprise Institute

[www.aei.org](http://www.aei.org)

Phone: (202) 862-5800

Contact: Frederick Hess, Resident Scholar and Director of Education Policy Studies

Aspen Institute's Nonprofit Sector and Philanthropy Program (The)

[www.aspeninst.org/nspp](http://www.aspeninst.org/nspp)

Phone: (202) 736-5800

Contact: Rachel Mosher-Williams, Assistant Director

Benetech

[www.benetech.org](http://www.benetech.org)

Phone: (650) 644-3400

Contact: Jim Fruchterman, President and CEO

Center for American Progress

[www.americanprogress.org](http://www.americanprogress.org)

Phone: (202) 682-1611

Contact: Michele Jolin, Senior Fellow

Corporation for National and Community Service (AmeriCorps, Senior Corps)

[www.nationalservice.org](http://www.nationalservice.org)

Phone: (202) 606-6737

Contact: David Eisner, CEO

Girl Scouts USA Challenge and Change Program

[www.girlscouts.org/program/program\\_opportunities/community/challenge\\_and\\_change.asp](http://www.girlscouts.org/program/program_opportunities/community/challenge_and_change.asp)

Phone: (212) 852-5038

Contact: Susan Cippoletti, Project Manager, Girl Scouts in Rural Communities

Innovations in American Government Awards Program at the Ash Institute for Democratic Governance, John F.

Kennedy School of Government, Harvard University

[www.innovations.harvard.edu/award\\_landing.html](http://www.innovations.harvard.edu/award_landing.html)

Phone: (617) 495-0557

Contact: Professor Stephen Goldsmith, Director of the Ash Institute

Knowledge is Power Program (KIPP)

[www.kipp.org](http://www.kipp.org)

Phone: (415) 874-7383

Contact: Richard Barth, CEO

New York City Department of Youth & Community Development

[www.nyc.gov/dycd](http://www.nyc.gov/dycd)

Phone: (800) 246-4646

Contact: Jeanne Mullgrav, Commissioner

OneStar Foundation (State of Texas)

[www.onestarfoundation.org](http://www.onestarfoundation.org)

Phone: (512) 473-2140

Contact: Susan Weddington, President and CEO

Public Innovators

[www.publicinnovators.com](http://www.publicinnovators.com)

Phone: (617) 492-2300

Contact: Colleen Gross Ebinger, Director

Resolve to Stop the Violence Program (RSVP)

[www.sfsheriff.com/rsvp.htm](http://www.sfsheriff.com/rsvp.htm)

Phone: (415) 575-6450

Contact: Sunny Schwartz, Co-founder

Uncommon Schools

[www.uncommonschools.org](http://www.uncommonschools.org)

Phone: (212) 844-3584

Contact: Norman Atkins, CEO

## **SOCIAL ENTREPRENEURIAL ORGANIZATIONS & RESOURCES**

Acumen Fund

[www.acumenfund.org](http://www.acumenfund.org)

Phone: (212) 566-8821

Jacqueline Novogratz, CEO

Ashoka

[www.ashoka.org](http://www.ashoka.org)

Phone: (703) 527-8300

Contact: Bill Drayton, Founder, CEO and Chair

Be the Change

[www.bethechangeinc.org](http://www.bethechangeinc.org)

Phone: (617) 252-2420

Contact: Alan Khazei, Founder and CEO

Citizen Schools

[www.citizenschools.org](http://www.citizenschools.org)

Phone: (617) 695-2300

Contact: Eric Schwarz, Co-founder, President and CEO

City Year

[www.cityyear.org](http://www.cityyear.org)

Phone: (617) 927-2500

Contact: Michael Brown, Co-founder and CEO

Community Wealth Ventures

[www.communitywealth.org](http://www.communitywealth.org)

Phone: (202) 478-6523

Contact: Bill Shore, Chairman

Echoing Green

[www.echoinggreen.org](http://www.echoinggreen.org)

Phone: (212) 689-1165

Contact: Cheryl Dorsey, President

Grameen Bank

[www.grameen-info.org](http://www.grameen-info.org)

Phone: [88 02] 9005257-69 (Bangladesh)

Contact: Muhammad Yunus, Founder and Managing Director

Habitat for Humanity

[www.habitat.org](http://www.habitat.org)

Institute for OneWorld Health

[www.oneworldhealth.org](http://www.oneworldhealth.org)

Phone: (415) 421-4700

Contact: Victoria Hale, Founder and Chair

Manhattan Institute's Social Entrepreneurship Initiative

[www.manhattan-institute.org/html/social\\_entrepreneurship.htm](http://www.manhattan-institute.org/html/social_entrepreneurship.htm)

Phone: (212) 599-7000

Massachusetts 2020

[www.mass2020.org](http://www.mass2020.org)

Phone: (617) 723-6747

Contact: Chris Gabrieli, Chairman

**New Profit**

[www.newprofit.com](http://www.newprofit.com)

Phone: (617) 252-3220

Contact: Vanessa Kirsch, Founder and President

**Outside The Classroom**

[www.outsidetheclassroom.com](http://www.outsidetheclassroom.com)

Phone: (781) 726-6677

Contact: Brandon Busted, Founder and CEO

**Root Cause**

[www.rootcause.org](http://www.rootcause.org)

Phone: (617) 492-2300

Contact: Andrew Wolk, Founder and CEO

**Schwab Foundation for Social Entrepreneurship**

[www.schwabfound.org](http://www.schwabfound.org)

Phone: +41 22 869 1212 (Geneva)

**Share Our Strength**

[www.strength.org](http://www.strength.org)

Phone: (202) 393-2925

Contact: Bill Shore, Founder and Executive Director

**Skoll Centre for Social Entrepreneurship, Oxford University**

[www.sbs.ox.ac.uk/skoll](http://www.sbs.ox.ac.uk/skoll)

Phone: +44 (0) 1865 288800 (Oxford)

Contact: Stephan Chambers, Chairman

**Skoll Foundation (The)**

[www.skollfoundation.org](http://www.skollfoundation.org)

Phone: (650) 331-1031

Contact: Sally Osberg, President and CEO

**Social Enterprise Alliance**

[www.se-alliance.org](http://www.se-alliance.org)

Phone: (202) 375-7774

Contact: Kris Prendergast, President and CEO

**Stanford Social Innovation Review**

[www.ssireview.org](http://www.ssireview.org)

Phone: (215) 788-7794

Contact: Eric Nee, Managing Editor

**Teach for America**

[www.teachforamerica.org](http://www.teachforamerica.org)

Phone: (212) 279-2080

Contact: Wendy Kopp, Founder and CEO

**Triangle Resident Options for Substance Abusers, Inc. (TROSIA)**

[www.trosainc.org](http://www.trosainc.org)

Phone: (919) 419-1059

Contact: Kevin McDonald, Founder, President and CEO

