



Fulfilling the Promise

SOCIAL ENTREPRENEURS AND ACTION TANKING
IN A NEW ERA OF ENTREPRENEURSHIP

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Executive Summary

I. Introduction

Over the history of the United States—and around the world—there have been times when new ideas have taken hold to solve the pressing problems of the day. After a brief discussion of two entrepreneurial eras of the past, this paper explores the potential for a subset of modern-era social entrepreneurs to expand their impact by moving beyond the organization-building focus of their work. These modern-day social entrepreneurs have manifested their entrepreneurial insights through the building of organizations that deliver services and are focused on scale, aiming to address a widespread social problem, often by incorporating business theories and practices into their work. They are risk-takers, and at the same time, pragmatic idealists, focused on results and looking for outcome measures as a way of demonstrating their effectiveness.

II. The Evolution of Social Problem Solving

a. The Progressive Era

The Progressive Era, as the period from the 1890s to World War I has come to be called, saw extensive entrepreneurship in the social arena. Relying heavily on volunteers and emphasizing self-help, most of these organizations did not look initially to government to fund or spread their efforts, although ultimately their work paved the way for an expanded government role.

b. The Era of Big Government

Entrepreneurship in the 1960s was government-focused—with social movements aimed at creating and enforcing civil rights and enacting large-scale federal programs. Even philanthropists envisioned that the model programs they funded would ultimately be scaled by government. However, while much attention was paid to the purposes of Great Society programs, organizational efficiency and effectiveness received little emphasis.

c. Age of Entrepreneurship

Since the 1980s, the nonprofit sector has again become an important locus of entrepreneurial energy. The term “social entrepreneur” was coined in the 1980s to describe the work of individuals who combine “the passion of a social mission with an image of business-like discipline, innovation, and determination.”¹

The strong results-oriented models for social change and use of business practices helped these organizations to attract “investors” from a broad range of backgrounds, including wealthy individuals, venture capitalists, corporations, foundations, and government. However, unlike the nonprofits founded to support Great Society programs, these social entrepreneurs did not

1J. Gregory Dees, “The Meaning of Social Entrepreneurship,” October 31, 1998.

rely on public funds for the bulk of their support or view government as their primary partner in creating broad scale change.

III. Social Problem Solving and Scale in the Age of Entrepreneurship

Today's social entrepreneurs often start with an "entrepreneurial insight"—a new way of doing business that, if proven effective, could change an entire field of service. To have large scale impact, the "entrepreneurial insight" may spread in these ways:

- **Growth**—the specific program expands to serve more people.
- **Replication**—others in the field copy the insight or the whole program.
- **Market making**—a market is developed that allows for large-scale adoption.
- **Movement making**—the insight is spread through social marketing, organizing, or promoting policies or cultural change to alter the norms and behaviors of providers or the public.

IV. Big Successes and Bigger Needs: The Unrealized Potential of Social Entrepreneurship

In contrast to social innovators of earlier eras who sought to make an impact by building a movement or by creating a demonstration model to hand off to government for broad replication, today's social entrepreneurs often begin by growing their own organizations. Growing organizations is an indispensable step in developing a powerful model with proof of concept. However, growing organizations can rarely enable a social entrepreneur to fully address the extent of a social problem that is broad in scope. Market making and movement making are under-utilized approaches for a multitude of reasons. Social entrepreneurs face the difficulty of managing increasingly complex organizations that frequently have insufficient infrastructures, and struggle with the endless need to recruit, develop, and retain qualified staff. External barriers can prove just as formidable: fundraising both for ongoing operations and growth capital is an inefficient and extremely time-intensive process, and regulatory environments are rarely structured to favor scaling social enterprises. Sustainable operations in new communities require establishing and stewarding complex constituencies with interests that are not always well-aligned.

V. The Role of Public Policy in Systems Change

Public policy holds particular promise for scaling the work of social entrepreneurs. For example, federal, state, or local government could:

- **Provide substantial financial capital** to social entrepreneurs as a group or in specific fields on a competitive basis for expansion or replication of proven programs;
- **Address human resource challenges** by creating incentives for individuals to choose certain fields of work, or by subsidizing national service programs that provide entry-level and professional positions;

- **Help to build a market** for the offerings of social entrepreneurs, by subsidizing or incentivizing targeted consumers; or
- **Support a movement** through the bully pulpit, convening, grantmaking, or the marketing power of government and public officials.

Few social entrepreneurs turn to public policy as a strategy for scaling their impact. The reasons for this vary but these factors likely have an impact:

- **Knowledge**—Few social entrepreneurs know how government works, so the learning curve is great.
- **Connections**—With a few notable exceptions, social entrepreneurs have not worked in government, and do not have easy opportunities to make connections with those in policymaking positions.
- **Access to expertise**—A social entrepreneur interested in exploring policy options may find it difficult to know what options to explore or even how to start.
- **Competing demands**—With many demands on an organization, committing to an untested strategy may seem risky.
- **Long-term commitment**—Policy strategies usually require a long-term investment of time and financial resources.
- **Anti-government bias**—Some social entrepreneurs have negative views of government or believe that “staying above politics is critical to attracting funders.”
- **Funding issues**—Foundations may be uncomfortable supporting policy work, fearing that they will be seen as political or violate rules regarding political activity.
- **Lack of sanction**—Boards and other key supporters may oppose a social entrepreneur’s efforts to influence policy, believing that they will distract the organization from its core work of providing services.

Unfortunately, the nature of federal policy—and by extension, state and local policy—does little to encourage true engagement by social entrepreneurs:

- **Hard to access funds**—The largest federal grant programs that are not distributed by transfer payments directly to individuals are those created during the era of Big Government. For the most part, their money flows by formula, without competition, to longstanding providers. New organizations find it hard to access these funds.
- **Ideological divides**—The polarized nature of politics today makes supporters of federal social programs suspicious of efforts to make programs more cost-effective, while opponents call for radical changes or zero funding rather than seeking middle ground. As a result, modifications that might open these programs up and improve their results are hard to advance.
- **Limited budgets**—Spending on war, tax cuts, entitlements, and other high-cost items limits funding even for existing grant programs.

- **Practical experience**—Few policy staff have experience managing nonprofit organizations which can result in cumbersome or even counter-productive program requirements.
- **Language**—Understanding “policy speak” and how things are done in government limits the involvement of the uninitiated.
- **Federalism**—State and local dollars are often tied to federal priorities, particularly when matching funds or “unfunded mandates” are included as requirements for receiving federal dollars.
- **Anti-grassroots bias**—Although policymakers often tout the work of grassroots organizations, federal programs are rarely designed to be accessed by small local groups who are inexperienced in managing federal dollars.
- **State bias**—National programs—those operating in multiple sites across the country—find it difficult to access many federal programs because they must apply separately for government funding from the state in which they operate.

VI. Social Entrepreneurs and Public Policy: The Pitfalls and the Promise

Interviews with social entrepreneurs, as well as academicians and policy experts familiar with their work, suggest many ways that an “Action Tank” could help enlarge the impact of today’s social entrepreneurs. These include:

- **Articulating Policy Principles for the Age of Entrepreneurship.** Such principles² might include:
 - › A focus on *results*, allowing for long-term funding of proven programs as long as they continue to produce strong outcomes.
 - › Promoting quality through the application of *market principles*, such as regular competition and incentives, rather than regulation.
 - › Encouraging *innovation*, recognizing that over-time, new and better approaches will be found and that sometimes experiments will fail.
 - › Addressing *financial and human capital market failures*, because inadequate capital can doom an effort and keep programs out of the communities that most need them.
 - › Engaging all the sectors in providing long-term solutions, using government action to *stimulate the contribution of private and volunteer resources* rather than supplanting or discouraging private effort.
- **Supporting Social Entrepreneurs Interested in “Action Tanking.”** Such activities might include:

² See Appendix I for a fuller explication of policy principles.

- › *Creating concepts and tools for action tanking.*
- › *Providing tactical and strategic advice to social entrepreneurs.*
- › *Offering funding or other resources for action tanking.*
- **Reducing the Space Between Social Entrepreneurs and Policymakers, by:**
 - › *Encouraging interchanges.*
 - › *Helping social entrepreneurs become a resource for policymakers.*
- **Communicating and Amplifying Entrepreneurial Insights and Results.**
- **Support a Broader Movement Toward Specific, Achievable Goals.**

VII. Conclusion

Social entrepreneurs are exceptionally adept at helping society “give up the nostalgia for the past and adopt a new attachment to the future,” in the words of futurist Eamonn Kelly.³ Through their innovative approaches and demonstrations of powerful impact, social entrepreneurs can help individuals and communities to imagine new possibilities. The Age of Entrepreneurship may well be remembered for the groundbreaking organizations founded during this period. But ultimately, these organizations may fail to meet their potential for impact if today’s generation of talented social entrepreneurs is unable to move beyond the constraints of the social entrepreneur’s trap to embrace strategies to achieve broader social change. Policy and market strategies present important options for leveraging the “entrepreneurial insights” that underlie these organizations. Bridging the public and private sectors, philanthropy and the social sector, an Action Tank for Social Entrepreneurs could help to provide the relationships, knowledge, skills, opportunities, and sanction that enable them to achieve their full potential to shape our near—and distant—future.

³ http://www.tompeters.com/cool_friends/content.php?note=008358.php

I. Introduction

A business entrepreneur has exceptional levels of vision, creativity and determination and frequently creates entirely new industries. A social entrepreneur has exactly the same qualities, but he or she devotes them to coming up with new solutions to social problems. . . . The social entrepreneur finds what is not working and solves the problem by changing the system, spreading the solutions and persuading entire societies to take new steps. Social entrepreneurs go beyond the immediate problem to fundamentally change communities, societies, and the world.

Bill Drayton, Founder of Ashoka¹

Social entrepreneurship is nothing new. Over the history of the United States—and around the world—there have been times when new ideas have taken hold to solve the pressing problems of the day. Waves of new actors have shifted social change paradigms. Progressive Era reformers, New Deal proponents, and the architects of the Great Society were all social entrepreneurs of a sort, attempting to solve large-scale social problems by identifying new ways to take action and spreading their innovations across communities.

Today's social entrepreneurs are a diverse lot, and much energy has been expended in attempts to draw clearer lines around this field. This paper does not take on that challenge. Instead, it focuses on a subset of modern-era social entrepreneurs who have manifested their entrepreneurial insight through the building of organizations that deliver services and are focused on scale, aiming to address a widespread social problem.

These social entrepreneurs have often incorporated business theories and practices into their work. They are risk-takers, and at the same time, pragmatic idealists, focused on results and looking for outcome measures as a way of demonstrating their effectiveness. They are creative in obtaining resources. They may use earned income to finance their efforts, work closely with business partners, or use volunteers in creative ways as a source of human capital. This combination of factors has helped organizations that began only within the last few decades to grow exponentially and become well-known in their fields. Their work has begun to transform society, drawing top talent into the teaching profession, pioneering the field of national service, changing the ways we make charitable contributions, and impacting many other spheres.

Even the most successful of these entrepreneurs, however, has been frustrated by the extent of their impact, relative to the scope of the challenges faced by individuals and families in communities nationwide. Their achievements have brought them up against the difficulties obtaining financial and human capital to allow for greater scale. This paper explores the potential for this group of social entrepreneurs to expand their impact by moving beyond the organization-building focus of their work to more explicitly address opportunities to create broader social change. It begins by putting today's "Age of Entrepreneurship" in the context of social problem solving in earlier eras. It then looks at approaches to systems change today and explores the role of public policy in systems change. Finally, it goes on to discuss the

¹ Interview by Denise Barnes of Ashoka Founder Bill Drayton, found at <http://www.collegesummit.org/preashoka.html>.

unrealized potential of social entrepreneurship, and identifies how an “Action Tank for Social Entrepreneurs”² might help this potential be achieved. The paper has been informed by interviews with more than 20 social entrepreneurs, academicians, policy experts, and funders, as well as a series of meetings hosted by New Profit in late 2005.³

II. The Evolution of Social Problem Solving

a. The Progressive Era

Turn the clock back 100 years, and you would find a country swirling with change. The Progressive Era, as the period from the 1890s to World War I has come to be called, was an age of optimism in the face of desperate problems. Widespread poverty, large-scale immigration, the extensive use of child labor, racial violence and ethnic divisions, and unsafe working conditions characterized the day. At the same time, new industries fueled a growing economy, created large corporations and concentrated wealth among leading industrialists.

This period also saw extensive entrepreneurship in the social arena. Business wealth spawned new philanthropic institutions on a previously unknown scale. Universities instituted new schools to professionalize workers in the helping fields; many schools of social work date to this period, as do many teachers colleges, schools of nursing, and professional associations. Nonprofit societies such as the Settlement Houses, Girl Scouts, Lions Clubs, YMCAs, the NAACP, and many similar organizations began or were dramatically expanded during this period. These voluntary associations spread from community to community across the country during the Progressive Era, without help from government. While sometimes a charismatic organizer would help communities to start local chapters, frequently local organizations grew with only the help of committed volunteers and a set of by-laws provided by the national organization along with a “how-to” handbook.

Relying heavily on volunteers and emphasizing self-help, most of these organizations did not look initially to government to fund or spread their efforts. Philanthropic gifts and in some instances fees for service supported local groups, providing for the purchase of a building or to support a staff person or two. With most federal revenues coming from export duties and import tariffs—there was no income tax at that time—government funding for social programs was necessarily limited. However, Progressive Era voluntary associations ultimately had significant impact on policy. The primary purpose of some organizations founded during this period was to advocate for specific causes, and movements to support women’s suffrage, temperance, civil rights for black Americans, product safety, and worker rights all took hold during this era. In other cases, individuals involved in providing direct service through their organizations became strong advocates for policy changes as a result of what they saw.

2 The term “action tank,” as used by City Year founders Alan Khazei and Michael Brown, “is both a program and a ‘think tank’—constantly combining theory and practice to advance new policy ideas, make programmatic breakthroughs and bring about major changes in society.” The “Action Tank for Social Entrepreneurs” proposed in this paper would not manage any direct service programs itself, but would help social entrepreneurs running programs to leverage their theory and demonstrated results to create systems-change.

3 Please refer to Appendix II for a list of individuals interviewed to support the development of an Action Tank for Social Entrepreneurs.

Settlement Houses in particular became hotbeds of advocacy. The first Settlement Houses were founded in the late 1880s to help immigrants adjust to their new country. The idea spread, and by 1910, there were more than 400. While some were affiliated with religious groups and were little more than missions, others, such as Hull-House in Chicago and the Henry Street Settlement in New York, had an important impact in the Progressive Era. The work of these groups was largely done by volunteers, many of them college-educated women who were limited in their ability to pursue other careers. Most settlements started by offering clubs and classes, but expanded their services as needs were identified, often in response to data that workers collected about the neighborhoods they served. Settlement Houses were pioneers in the “kindergarten movement,” as preschool programs were created for children of women workers. Settlement House workers became advocates for the local residents, campaigning for housing reform, anti-child labor laws, and the development of parks and playgrounds. Leaders of other Progressive Era movements came from among Settlement House workers, including the directors of the National Consumers’ League, the Children’s Bureau at the Department of Labor, the Immigrants’ Protective League, and front-runners in industrial medicine and social work. Eleanor Roosevelt, a settlement volunteer in her early years, was strongly influenced by the movement.

With early leadership from President Teddy Roosevelt, progressive politicians supported democratic reforms, giving women the vote and for the first time, allowing U.S. Senators to be elected by the people rather than state legislatures. The role of government expanded during this era as well, as the federal government stepped in to regulate commerce and industry, mediate labor disputes, and conserve land. With this expanding government role and the institution of a federal income tax in 1913, the groundwork was laid for future involvement of the federal government in social services.

b. The Era of Big Government

Fast forward a half century, and America was once again experiencing a period of prosperity, optimism and energetic entrepreneurship in the social sector against a backdrop of social upheaval. But unlike the earlier Progressive Era, which spurred the growth of academic, philanthropic, and nonprofit institutions, the 1960s saw a change in paradigm that put government and its programs and policies at the center. Entrepreneurship in the 1960s was government-focused—with social movements aimed at the creation and enforcement of civil rights and new support for federal programs that could operate on a large scale. Even philanthropists envisioned that the model programs they funded ultimately would be scaled by government.

Some of these programs had their roots in the New Deal; Medicare and Medicaid were ideas put forward in the 1940s. Others, however, went well beyond earlier notions of social insurance. The centerpiece of the Great Society was President Lyndon Johnson’s War on Poverty. Initially contemplated during the Kennedy Administration, the anti-poverty programs launched in 1964 provided unprecedented federal funding for housing, education, job training, and even public broadcasting. Some programs were essentially transfer payments to individuals for specific purposes, such as student financial aid and Food Stamps. Other approaches channeled funding to local communities by formula, often to specifically designated

providers. For example, the groundbreaking Elementary and Secondary Education Act of 1965 allocated 1 billion dollars a year by formula to public schools with high concentrations of low-income children. In other cases, such as Head Start and the Community Action Program, local grantees were not designated, but quickly sprang up to provide a dedicated delivery system.⁴

Head Start is one of the most well-known of the Great Society programs, invented by federal policymakers and quickly embraced by local communities. Sargent Shriver, who conceived of Head Start as a strategy to prepare low-income preschools for school success, pulled together a planning team of top experts. The planning team drew on the best academic and practical knowledge of the day, drawing from the fields of psychology, education, medicine, and social work. Using this research-based evidence, they designed a national program. The program started and scaled up quickly, beginning with \$50 million to support 500,000 children in summer pilot programs in 1965. To find enough local organizations to deliver the program, the federal government recruited and trained more than 100 government management interns to help poor communities develop proposals over a period of four weekends. After several years, an extensive set of performance standards for grantees were written to promote quality programs.⁵

The Vietnam War diverted the country's attention away from the War on Poverty. A few programs lost political support and ended. But the major pieces of the Great Society continued to receive federal funding over the decades that followed. These programs benefited from their important missions and their breadth—large majorities of congressional representatives had programs in their districts, which helped insulate the programs politically. Little was known about their impact on the ground, and most of the larger programs developed lobbying capacity to ensure that the basic structures were unchanged and that funding continued to flow, even when quality and results were questioned by policymakers. As a result, even after decades of retrenchment, many of the funding streams created during the 1960s still exist, and many still fund the same organizations designated in the early years of the program.

c. Age of Entrepreneurship

Fast forward again. Despite ups and downs of recessions during the 1970s and 1980s, the economy again began to grow and rapid technological advances inspired a new period of business entrepreneurship and philanthropic innovation. However, after Watergate and years of anti-government rhetoric, belief in the potential of entrepreneurship in the public sector was sharply diminished. High levels of defense spending coupled with tax cuts eroded available funding for federal domestic programs. Both Presidents Reagan and George HW Bush pointed to the nonprofit sector, particularly volunteers, as the best venue for social problem

⁴While the Progressive Era wave of nonprofit creation had fueled support for greater government action, the 1960s wave of government programs inspired the creation of new nonprofit organizations that could be recipients of public grants: between 1950 and 1968, the number of nonprofits grew 30-fold, from 12,500 to a quarter million. And like the Progressive Era, volunteers and workers connected to these nonprofit organizations became leaders of other movements; for example, Children's Defense Fund founder Marian Wright Edelman worked on behalf of Head Start centers in Mississippi early in her legal career and YouthBuild founder Dorothy Stoneman worked in the Civil Rights movement as a member of the grassroots Harlem Action Group.

⁵See Edward Zigler and Susan Muenchow, *Head Start: The Inside Story of America's Most Successful Educational Experiment* (Basic Books: 1992).

solving. While President Clinton had different priorities, he insisted on balanced budgets, which also served to limit funding for new programs despite his interest in new federal strategies to address entrenched social challenges. He also continued the previous administrations' emphasis on volunteerism, creating the AmeriCorps program to support a broader infrastructure for civic involvement.

Given this backdrop, it is not surprising that the nonprofit sector again became an important locus of entrepreneurial energy. Between 1972 and 1997, confidence in government to handle problems fell significantly. In the year 2000, those who believed that religious, charitable, and community organizations could best provide services to people in need outnumbered those favoring government by more than two to one. While more than 80 percent of college seniors surveyed by the Brookings Institute considered volunteering a form of public service, less than 30 percent viewed government service in the same way.⁶

During the 1980s and 90s, the nonprofit sector experienced rapid expansion, growing at a rate more than double that of the business sector.⁷ Among these new nonprofits were a group of particularly innovative organizations with fresh approaches to old problems, applying business-sector know-how to social programs, and generating financial and human resources in novel ways. Many were outcomes driven and focused on driving systemic change. The term “social entrepreneur” was coined to describe their work:

Social entrepreneurs play the role of change agents in the social sector by adopting a mission to create and sustain social value (not just private value), recognizing and relentlessly pursuing new opportunities to serve that mission, engaging in a process of continuous innovation, adaptation, and learning, acting boldly without being limited by resources currently in hand, and exhibiting a heightened sense of accountability to the constituencies served and for the outcomes created.⁸

New foundations such as Echoing Green and Ashoka were founded to encourage the start-up of new organizations. Business schools and universities started new programs for social entrepreneurs, and within just a few years, the “Social Enterprise Club” became largest club at Harvard Business School.⁹

The strong results-oriented models for social change and use of business practices helped these organizations to attract “investors” from a broad range of backgrounds, including wealthy individuals, venture capitalists, corporations, and foundations. In many cases they also attracted government funders, such as AmeriCorps, and support through appropriations “earmarks” or grants made at the discretion of federal agencies. However, unlike the leaders of nonprofits founded to support Great Society programs, these social entrepreneurs did not rely on public funds for the bulk of their support or view government as their primary partner in creating broad-scale change. Neither did they adopt the “association” model of the

6 Partnership for Public Service, “Pollwatch,” (May 2, 2005)

7 Independent Sector, “Did you know? Facts about the Nonprofit Sector,” found at <http://www.independentsector.org/PDFs/NA01factsheet.pdf>.

8 J. Gregory Dees, “The Meaning of Social Entrepreneurship,” October 31, 1998.

9 David Gergen, quoted in New Profit, *A Gathering of Leaders: Social Entrepreneurs and Scale in the 21st Century* (2005) (hereinafter “2005 Gathering Report”).

Progressive Era. Today's social entrepreneurs have sought to grow their impact by focusing on their own organizations—intending that efforts toward broad-scale change would grow out of this work as the effectiveness and scalability of their approach was demonstrated, and efforts could be made to expand or replicate their programs in new communities.

III. Social Problem Solving and Scale in the Age of Entrepreneurship

Today's social entrepreneurs often start with an “entrepreneurial insight”—a new way of doing business that, if proven effective, could change an entire field. For example,

- Wendy Kopp's entrepreneurial insight, spelled out in her Princeton honors thesis, was that Ivy League graduates would jump at the chance to make a difference in the lives of low-income children through teaching—and ultimately become change agents working on their behalf. She founded Teach For America in 1989 to recruit, train, and place recent college graduates in rural and urban schools experiencing teacher shortages.¹⁰
- Millard Fuller's entrepreneurial insight, developed at a Christian retreat, was the concept of “‘partnership housing,’ where those in need of adequate shelter would work side by side with volunteers to build simple, decent houses.” This inexpensive way to build would provide “those who feel they have more than they need” a way to help that was not charity, and would provide low-income families a hand-up, “not a handout.” After testing the concept in rural Georgia and Africa, Fuller founded Habitat for Humanity to spread his “housing ministry.”¹¹
- Civic Ventures's Experience Corps program grew from John Gardner's entrepreneurial insight that older adults have much to offer society but need structured opportunities to engage them. Marc Freedman implemented Gardner's vision by creating Experience Corps to place teams of senior citizens in low-income schools.¹²
- Social entrepreneurs seek to demonstrate the validity of their entrepreneurial insight by trying it out. They use business tools to develop their program and demonstrate its impact and efficiency. Because their innovative approaches often face skepticism from traditional service providers and receive support from funders looking for proven results, social entrepreneurs may be subject to higher than normal levels of scrutiny, reinforcing their desire to prove the validity of their approach through measuring and documenting the impact of their programs. And when they find success within their model, they look for strategies to expand their impact beyond their single site.

Social entrepreneurs seek to expand their impact in a number of ways, sometimes with strategies to simultaneously pursue more than one of these approaches:

¹⁰ Wendy Kopp, *One Day, All Children: The Unlikely Triumph of Teach For America and What I Learned Along the Way* (Public Affairs: 2003).

¹¹ See <http://www.habitat.org/how/historytext.aspx>; see also Millard Fuller and Diane Scott, *Love in the Mortar Joints: The Story of Habitat for Humanity* (Association Press: 1980).

¹² Marc Freedman, *Prime Time: How Baby Boomers Will Revolutionize Retirement and Transform America* (Public Affairs: 1999).

- **Growing**—Social entrepreneurs build their organizations to enable their program to serve more people, by adding capacity at existing sites, starting new ones, or growing in both of these ways. This scaling strategy—generally a social entrepreneur’s first approach to expanding impact—contains the possibility of tight control to ensure fidelity to a model, generating consistency of results. It enables the building of brand and offers the potential of having a large enough sample size to provide rigorous proof of concept. Growing an organization also presents the substantial challenges of raising funds, developing and managing new relationships, attracting and training new staff, extending management systems, and otherwise building the internal capacity to operate a large enterprise.
 - › *Example:* KaBoom!, founded by Darell Hammond, has gone from building a handful of playgrounds in inner city neighborhoods to completing nearly 1,000 a decade later, using a proven formula that pairs community volunteers with corporate partners who fund the child-designed play spaces and work alongside the local residents on the playground build. With a strong brand, clearly articulated model, and effective systems for building relationships as well as playgrounds, KaBoom! has become a leader in its field, with continued growth potential.

- **Replication**—Some social entrepreneurs have elected to spread their impact by allowing others to replicate their programs or adapt their insights in new models. They may choose to authorize “affiliates” that agree to adhere to certain standards or rules and pay fees to the national “parent” organization. Or they may assist (or simply allow) another organization to use their model to create a new program in another site. While this strategy may alleviate pressure on the social entrepreneur to raise funds to extend its operations, it may also result in less control over the new sites, which may vary in the quality of their management and results. Ultimately, extensive organizational replication can result in the creation of entirely new fields.¹³
 - › *Example:* YouthBuild, founded by Dorothy Stoneman in 1978 as a project of the Youth Action Program in East Harlem, engages disadvantaged youth in building low-income housing while they learn construction trades and complete their GEDs. Stoneman offered her model to Congressional policymakers, and the YouthBuild Act was enacted in 1990 to fund new sites, which were selected by open competition and not necessarily affiliated with Stoneman’s organization.¹⁴

- **Market making**—Certain kinds of entrepreneurial insights lend themselves to market making as a strategy for scaling. For example, if an innovation can be spread through for-profit providers or purchased at a reasonable cost through existing nonprofit or public program budgets (such as curriculum materials or professional

¹³ See Kaboom.org for more information. See also chapter three of Shirley Sagawa and Eli Segal, *Common Interest, Common Good: Creating Value through Business and Social Sector Partnerships*, (Harvard Business School Press: 2000).

¹⁴ See Center for the Advancement of Social Entrepreneurship, “The Growth of YouthBuild: A Case Study,” February 2004.

training), market making may be an effective way to spread new practices. Markets can also be created through public policy or foundation programming.

- › *Example:* Jumpstart partners with higher education institutions to place federally funded College Work Study students in Head Start Centers. The organization has worked actively to increase the percentage of Work Study slots for community service in order to expand the market for its program.
- **Movement making**—If an entrepreneurial insight emphasizes changing the behaviors or beliefs of segments of the public, or the practices or paradigms of a particular field, spread may be achieved through organizing, social marketing, or advocacy. Once a “tipping point” is achieved, the innovation may become the norm.
 - › *Example:* At a time when alcoholism was treated through incarceration at asylums or other residential programs, Alcoholics Anonymous founder Bill Wilson changed the paradigm through a 12-step self-help program that was easy for any community to replicate. He published a book teaching others how to create their own programs and worked for years to promote the idea. When the press finally began to write about his work, A.A. membership grew from 1,500 to 30,000 in just five years, all part of self-funded and self-governing chapters.¹⁵

Growing organizations is an indispensable step in developing a powerful model with proof of concept. However, growing organizations can rarely enable a social entrepreneur to fully address the extent of a social problem that is broad in scope. Social entrepreneurs seeking to create system change may take a variety of additional paths. They may seek to scale their impact by speaking out, using the press and the strength of their brand or their own charisma to create visibility for their efforts that can inspire replication or begin to build a movement. They may employ more traditional community organizing tactics to foster change at the local level, or seek to influence federal policy or the philanthropic or business sector to create a market or funding stream for their service.

Many of these strategies are mutually reinforcing. An organization can expand and also allow itself to be replicated. It may work to create a market for its services and grow or cause others to get into the field as a result. Building a movement can cause a market to be created or legislation to be enacted. For example, City Year, founded by social entrepreneurs Alan Khazei and Michael Brown, began with a single-site demonstration program to advance the idea of national service by showing that it could work. To communicate their concept as strongly as possible, they designed a “visitors program” that would offer thousands of political and community leaders, potential funders and others the chance to experience first hand City Year by touring its sites, talking with corps members, and working alongside them on a project. They sought to build a market among local companies that would invest in their program as a way to energize their workforces through volunteer service. As the idea took hold, Khazei and Brown worked closely with policymakers to secure demonstration program

¹⁵ Susan Cheever, *My Name is Bill: Bill Wilson – His Life and the Creation of Alcoholics Anonymous* (Washington Square Press: 2004).

funding that enabled them to expand to additional cities. When others wanted to copy what they were doing, they agreed and the program model was used in varying forms by other organizations across the country. When President Clinton was elected, he was influenced in part by City Year in the design of his large-scale national service program, AmeriCorps. City Year's founders worked with others to build a movement to support AmeriCorps, which has, since 1994, supported more than 400,000 national service participants, including 1,000 in City Year programs in many cities, and tens of thousands in programs founded by other social entrepreneurs across the country.

City Year, however, is relatively unusual among organizations built by social entrepreneurs in its upfront intention—and explicit strategy—to engage in “action tanking,” as well as in the range of tactics it uses to scale its impact. The next section explores the challenges that social entrepreneurs face in making full use of the tools at their disposal.

IV. Big Successes and Bigger Needs: The Unrealized Potential of Social Entrepreneurship

In contrast to social innovators of earlier eras who sought to make an impact by building a movement or by creating a demonstration model to hand off to government for broad replication, today's social entrepreneurs often begin by growing their own organizations, dollar raised by dollar raised and new site by new site. Market making and movement making are under-utilized approaches for a multitude of reasons. Yet even the social entrepreneurs deemed most successful by any standard experience the limits of extending impact through organizational expansion. To name only a handful of forces that limit growth, social entrepreneurs face the difficulty of managing increasingly complex organizations that frequently have insufficient infrastructures, and struggle with the endless need to recruit, develop, and retain qualified staff. External barriers can prove just as formidable: fundraising for on-going operations and growth capital is an inefficient and extremely time-intensive process, and regulatory environments are rarely structured to favor scaling social enterprises. Sustainable operations in new communities require establishing and stewarding complex constituencies with interests that are not always well-aligned.

Every day, social entrepreneurs face the challenge of “how to balance efforts to build great organizations with those aimed at generating systemic change.”¹⁶ City Year Co-Founder Michael Brown has described the danger of falling too far toward the organization-building side of the balance as the “Social Entrepreneur's Trap”:

If you focus constantly on trying to scale your organization, what you achieve still may amount to a drop in the bucket compared to the true magnitude of the problem you are trying to solve.¹⁷

Xavier de Souza Briggs, founder of the Art and Science of Community Problem-Solving Project at Harvard University, further argues that simply modeling what is possible will not likely

¹⁶ 2005 *Gathering Report* p. 5.

¹⁷ 2005 *Gathering Report* p. 14.

lead to systemic change: “Creating the better mousetrap will not necessarily turn the tide if you fail to create broad change in beliefs, and demonstration isn’t enough to do this.”¹⁸ On the flip side, focusing only on the movement and not the means of delivering on hard-won promises is also likely to fail. As Eric Schwarz, President and co-founder of Citizen Schools, writes,

*Developing new rhetoric and even winning more elections—while important— will not be enough to solve the daunting educational and social challenges we face. . . . [O]ur social improvement efforts must be more comprehensive and more coordinated than before, and must pay attention to the nitty gritty of service delivery and organizational quality and scale as much as to the grand themes of public policy and public mobilization.*¹⁹

Despite the fact that many social entrepreneurs who aspire to create broad social change experience the challenges of doing so via growing organizations, many find it difficult to form and implement other types of strategies as they struggle with the day-to-day existence of nonprofit leaders who must raise every dime they spend. They may also be challenged in other ways. Many social entrepreneurs lack the expertise they need to use externally focused tactics such as building a market or organizing a movement. They may have few contacts in other fields, such as public policy or the media, and not really know where to begin even if they wanted to move in a new direction. Their boards and funders may discourage them from working toward broader reforms, fearing it will detract from their core programs or make the organization vulnerable to a perception of partisanship. As a result, they may never achieve the systems change they began their programs to inspire.

In a paper prepared for the 2006 *Gathering of Leaders*, Michael Brown provides an extensive analysis of the social entrepreneur’s trap and the internal and contextual factors that create barriers for social entrepreneurs who seek to leverage their programmatic successes for greater impact. These barriers are at least in theory surmountable, and the next section of this paper explores ways in which social entrepreneurs can address public policy levers for creating systems change.

V. Social Entrepreneurs and Public Policy: Pitfalls and Promise

a. The Potential of Policy Strategies

Public policy holds particular promise for scaling the work of social entrepreneurs. For example, federal, state, or local government could:

- *Provide substantial financial capital*²⁰ to social entrepreneurs as a group or in specific fields on a competitive basis for expansion or replication of proven programs;

¹⁸ 2005 *Gathering Report* p. 32.

¹⁹ Eric Schwarz, “Realizing the American Dream,” February, 2005.

²⁰ Even with a federal domestic discretionary budget sharply limited by today’s political context, the deficit, and competing priorities, it is important to acknowledge the potential of federal funding to transform capital markets for social entrepreneurs. For example, in 2005, \$696 million was awarded to youth programs through federal earmarks, few of which went to social entrepreneurs (Youth Today). In the field of education, the federal government spends \$30 billion on the No Child Left Behind and other federal k-12 programs, and uses these funds to influence the policy choices of state and local governments whose contributions to elementary and secondary education equal more than \$370 billion.

- *Address human resource challenges* by creating incentives for individuals to choose certain fields of work, or by subsidizing national service programs that provide entry-level and professional positions;
- *Help to build a market* for the offerings of social entrepreneurs, by reorganizing the ways that solutions to social problems are framed or by subsidizing or incentivizing targeted consumers; or
- *Support a movement* through the bully pulpit, convening, grantmaking, or the marketing power of government and public officials.

More than a few social entrepreneurs have obtained “earmarks” from Congress—specially designated grants, usually targeted by Congress to programs in a specific member’s district, that are awarded without competition to the organization specified in the legislation. While this provision of federal funding does add to the financial capital available to individual social entrepreneurs, it does not bring about long-term policy change or necessarily mean that funds will flow to the programs with the best results.

A few social entrepreneurs have pursued more sophisticated strategies. For example, Aaron Lieberman, the founder of the nonprofit Jumpstart and the for-profit Acelero, advocated to change the Head Start program so that the weakest 15 percent of Head Start grantees—those found to be “deficient” —would have to re-compete for funding rather than be guaranteed support year after year regardless of their quality. This policy change would open up \$1.5 billion dollars to social entrepreneurs and others in the early childhood field, who would not otherwise have the opportunity to compete for these funds.²¹

The Success for All Foundation, founded by two education researchers to help schools implement results-focused elementary school programs, received support from Baltimore school officials to develop their model. It grew exponentially after it was named as a model for comprehensive school reform by federal policymakers. By working with policymakers and education associations interested in learning “what works,” Success for All founders ensured a strong and enduring market for their program, now operating in more than 1300 schools in 48 states and internationally.²²

b. Factors Discouraging Social Entrepreneurs from Policy Work

In order for social entrepreneurs to tap the potential of policy approaches in growing social impact, however, seven barriers must be overcome:

- 1. Knowledge**—Few social entrepreneurs know how government works. As one participant in the 2005 *Gathering of Leaders* noted, “[p]olicy change requires more than just large-scale mobilization of public opinion—it requires people who circulate around policymakers, know where to drop off the report, and understand how to corner a policy official in a bar.”²³

²¹ Interview notes.

²² See the Success for All Foundation website, http://www.successforall.net/about/about_history.htm.

²³ Xavier de Souza Briggs, 2005 *Gathering Report*, p. 32.

- 2. Connections**—With a few notable exceptions, social entrepreneurs have not worked in government, and do not have easy opportunities to make connections with those in policymaking positions. As Michelle Nunn, CEO of the Hands On Network, notes, “there is an unbelievable chasm between social entrepreneurs and policymakers.”²⁴
- 3. Access to Expertise**—A social entrepreneur interested in exploring policy options may find it difficult to know what options to explore or even how to start. Lobbying firms can help once an organization knows what it hopes to achieve, but may not be the best source for assistance in the formation of a policy strategy, or more fundamentally, for thought partnership in helping an organization to weigh the benefits of becoming engaged in the policy arena at all.
- 4. Perception of Opportunity**—With strong roots in some of the values and practices that shape the private sector and a relative lack of knowledge about how government works, some social entrepreneurs—along with their funders and boards—have negative views of government or believe that “staying above politics is critical to attracting funders and recruits,” as one social entrepreneur notes.²⁵ An anti-government bias, whether superficial or deep-seated, can lead social entrepreneurs to miss opportunities to engage creatively in policy work.
- 5. Time**—The day-to-day requirements of building and running an organization often crowd out the mental space for a focus on policy approaches. In addition, a commitment to performance and results contribute to a focus on relative near-term successes that are not compatible with the longer time horizon required for policy work (including the long-term investment of resources) with an uncertain prospect for success.
- 6. Financial Support**—Social entrepreneurs often find it difficult to find funders to support policy work, and may even run the risk of having their programmatic work defunded by funders who fear the organization will be—or will be perceived as being—engaged in partisan activities or otherwise in violation of rules regarding political or lobbying activity.
- 7. Sanction**—Boards and other key supporters may oppose a social entrepreneur’s efforts to influence policy, believing that they will distract the organization from its core work of providing services. Even when boards and other stakeholders understand that addressing systemic levers for social change may be consistent with an organization’s mission, committing the attention of the organization’s leadership and staff to an untested strategy may seem risky, especially in face of the daily operational demands on an organization.

c. Government Barriers to Engagement

Unfortunately, the nature of federal policy, and by extension, state and local policy, does little to encourage true engagement by social entrepreneurs:

²⁴ Interview notes.

²⁵ Interview notes.

- **Hard to access funds**—The largest federal grant programs that are not distributed by transfer payments directly to individuals are those created during the era of Big Government. For the most part, their money flows by formula, without competition, to longstanding providers. As a result, new organizations find it hard to access these funds unless they can convince individual grantees to pay for their services.
- **Ideological divides**—The polarized nature of politics today creates barriers for social entrepreneurs seeking to engage in policy work. On the one hand, polarization causes supporters of federal social programs to be suspicious of efforts to make programs more cost-effective and results-oriented. At the same time, opponents tend to call for radical changes or zero funding rather than seeking middle ground and improvements. As a result, modifications that might open these programs up and improve their results are hard to advance.
- **Limited budgets**—Spending on war, tax cuts, entitlements, and other high-cost items limits funding even for existing grant programs. Given these pressures on the budget, proposals for new or expanded programs may be viewed with hostility by opponents of government initiatives or advocates for existing programs who fear that their own funding may be cut as a result.
- **Practical experience**—Few policy staff have experience managing nonprofit organizations and therefore may not realize when program requirements are cumbersome or even counter productive.
- **Language**—The prevalence of “policy speak” and tacit rules for how things get done in government limit the involvement of the uninitiated.
- **Federalism**—State and local dollars are often tied to federal priorities, particularly when matching funds or “unfunded mandates” are included as requirements for receiving federal dollars. These jurisdictions face additional political and budget pressures of their own. There is considerable pressure to fund existing programs and spread funds thinly around the state or local jurisdiction. As a result, it is often difficult for newer programs to obtain support from state and local programs.
- **Anti-grassroots bias**—Although policymakers often tout the work of grassroots organizations, federal programs are rarely designed to be accessed by small local groups who are inexperienced in managing federal dollars.
- **State bias**—National programs—those operating in multiple sites across the country—find it difficult to access many federal programs because they must apply separately for government funding from state in which they operate. This administratively cumbersome process discourages national organizations from seeking such funds, particularly where political pressures cause policymakers to offer only small grants so they can support a larger number of applicants.

d. When Government and Social Entrepreneurs Work Together

Federal programs that have benefited from the active engagement of social entrepreneurs in their design have addressed at least some of these issues. Most notable is AmeriCorps, designed with the input of numerous social entrepreneurs, including the founders of City Year and YouthBuild. AmeriCorps funding has been the first-ever federal grant received by dozens of social entrepreneurs, including those in the start-up phase or initial expansion stages. There are several reasons that AmeriCorps has been open to social entrepreneurs including:

- **Open competition**—As a new program, AmeriCorps was open to all nonprofits to compete for support.
- **Creative interpretation**—Because national service was a relatively new concept, there was no “one way” to do it. In the absence of proscriptions based on preconceived ideas about what national service programs have to look like, organizations didn’t have to reinvent themselves to fit a narrow set of specifications. This flexibility allowed for creative interpretations and diverse grantees.
- **Size**—Grants were large enough to make it worth the while of larger organizations to apply, but could be small enough for grassroots groups to participate.
- **“National direct”**—National programs could apply at the federal level to support programs in more than one state; this “national direct” feature allowed for strong models to expand to new sites.
- **Results-focused**—Programs were required to compete for funding at either the state or national level, and to re-compete every three years, ensuring that no organization was assured of continued funding if it did not achieve results. The results-orientation of many social entrepreneurs made their programs attractive applicants.
- **Broad mandate**—Programs were required to set objectives, but could define the specific problem they would solve and strategy they would use as long as it fit broad guidelines and used full- or part-time AmeriCorps members. As a result, organizations from many different fields could apply, whether they hoped to improve K-12 education or clean up the environment.
- **Private sector match**—In order to show they had other “investors,” AmeriCorps programs were required to raise matching funds, including support from the private sector. Raising more than the required match was a plus, which enabled the government funding to go further and allowed social entrepreneurs, accustomed to engaging the private sector, to be looked upon favorably.

David Gergen observes that with support from both “conservatives appreciative of its great discipline, and liberals engaged by its potential to build community,” “national service may be a powerful vehicle for creating a national coalition or movement.”²⁶ The AmeriCorps example contains implications for both government and social entrepreneurs, displaying how,

²⁶ 2005 *Gathering Report*, p. 55.

with the active engagement of social entrepreneurs, government at all levels could become more hospitable to results-oriented nonprofits. At the same time, it suggests ways in which public policy could well become a powerful strategy to help social entrepreneurs scale their impact. Even smaller victories could be transformative; as Jeff Bradach notes, “if we move the needle a few degrees in the policy arena, we could have a big impact.”²⁷ The next section lays out ways in which an “Action Tank for Social Entrepreneurs” might make this possible.

VI. Bringing Systems-Changing Work by Social Entrepreneurs Front and Center: The Role for an Action Tank for Social Entrepreneurs

Interviews with social entrepreneurs, as well as academicians and policy experts familiar with their work suggest many ways that an “Action Tank for Social Entrepreneurs” could help enlarge the impact of today’s social entrepreneurs:

Articulating Policy Principles for the Age of Entrepreneurship. Social entrepreneurs considering policy strategies may be tempted (or pushed) to focus on tactics that would benefit their own organizations, while missing opportunities to drive larger-scale change potentially benefiting their own organizations along with many others. They may find that their backers and boards want to know how policy work will help the organization’s bottom line before they will lend their support. As a result, social entrepreneurs who do enter the policy arena often do one of two things: they may seek “earmarks” for their own organization, which can provide them with short-term (one-year) funding but not advance policy that would lead to more sustainable change; or they may seek to create a new government program modeled on their own program design, which carries the risk that they will freeze in place certain requirements and providers in much the way that many Great Society programs did. An Action Tank for Social Entrepreneurs could help policymakers and social entrepreneurs alike think beyond these options by articulating and promoting policy principles that could guide the design of social policy.

Such principles²⁸ might include:

- A focus on *results*, allowing for long-term funding of proven programs as long as they continue to produce strong outcomes.
- Promoting quality through the application of *market principles*, such as regular competition and incentives, rather than regulation.
- Encouraging *innovation*, recognizing that over time, new and better approaches will be found and that sometimes experiments will fail.
- Addressing *financial and human capital market failures*, because inadequate capital can doom an effort and keep programs out of the communities that most need them.
- Engaging all the sectors in providing long-term solutions, using government action to

²⁷ Interview notes.

²⁸ See Appendix I for a fuller explication of policy principles.

stimulate the contribution of private and volunteer resources rather than supplanting or discouraging private effort.

Supporting Social Entrepreneurs Interested in “Action Tanking.” By providing expertise and financial assistance to social entrepreneurs who want to enlarge their impact in ways other than direct growth, an Action Tank for Social Entrepreneurs could help to legitimize this work and make it easier for boards and funders to embrace. Such activities might include:

- *Creating concepts and tools for action tanking.* Organizations that have already taken this route offer important insights for other social entrepreneurs. Their experiences should be documented and shared. Tools based on these experiences and those of more traditional organizations should be developed or identified, and made available to social entrepreneurs.
- *Providing tactical and strategic advice to social entrepreneurs.* Where can social entrepreneurs turn for help formulating plans to scale their impact? If influencing policy might be a promising strategy, where can they look for expertise? How can they “avoid looking stupid,” as one interviewee put it if they don’t understand the difference between an authorization and an appropriation? An Action Tank for Social Entrepreneurs could create a “safe space” for this inquiry, offering everything from “Policy 101” trainings and case studies of other social entrepreneurs’ policy work to helping to activate a network of high-level experts—lobbyists, policy specialists, and others—who could provide advice to selected entrepreneurs individually or in teams.
- *Offering funding for action tanking.* Because it is difficult for direct service organizations to raise funding for policy-related work, an Action Tank for Social Entrepreneurs might offer grants to organizations planning to undertake such efforts.

Reducing the Space between Social Entrepreneurs and Policymakers. Connecting social entrepreneurs and policymakers could provide multiple benefits, including helping social entrepreneurs to understand policy making and helping policymakers to grasp the potential of social entrepreneurship; building a network of relationships to help spread important entrepreneurial insights; and providing structures and forums for cross-sectoral work on creating systems change that leverages the approaches and results of social entrepreneurs.. Ways that an Action Tank for Social Entrepreneurs might bring these about include:

- *Encouraging interchanges.* Few social entrepreneurs have policy experience, and few social policymakers have experience working closely with entrepreneurs. Those who have—such as New Leaders for New Schools founder Jon Schnur, who had been a high-level education policymaker during the Clinton Administration; the founders of LISC, who had local government experience; and Eli Segal, a small business entrepreneur who led the creation of AmeriCorps—have had significant impacts in their fields as a result of their broader cross-sector knowledge. An Action Tank for Social Entrepreneurs might encourage interchanges through fellowship programs, a seminar series, graduate student exchanges, promoting entrepreneurs for policy positions, and helping policymakers find positions with entrepreneurial nonprofits and businesses.

- *Helping social entrepreneurs become a resource for policymakers.* Policymakers interested in experimenting with new strategies could benefit from working with social entrepreneurs but might find it difficult to engage them. An Action Tank for Social Entrepreneurs could work with selected policymakers—such as mayors or agency heads—in the development of special initiatives that would test new theories, apply “social entrepreneurial principles” to their work, or create new models, through working sessions or an on-going seminar approach, or through helping to link policymakers to social entrepreneurs working in their area of interest.

Communicating and Amplifying Entrepreneurial Insights and Results. The “social entrepreneur’s trap” keeps many innovators from the benefits that come from spreading the word about their work through organized media or advocacy campaigns. For a multitude of reasons—from lack of resources to concern about perception by peer organizations in the field or increased scrutiny—social entrepreneurs may be reluctant to trumpet their efforts beyond the funding community. And when it comes to promoting such ideas to policymakers, individuals who have spent most of their careers in the nonprofit or business sector may lack the knowledge and vocabulary to translate their insights into actionable policy proposals. At the same time, policymakers may be able to appreciate the value of an entrepreneurial program, but may not see how to incorporate its insights into policy. For these reasons, an Action Tank for Social Entrepreneurs might play a unique role amplifying the work of social entrepreneurs to the media and interpreting it for a policy audience. This work might include helping social entrepreneurs to build the skills and networks to place op-eds or other thought pieces, or commission writers to draft white papers, longer articles, or books. An Action Tank for Social Entrepreneurs could also help to facilitate the work of groups of social entrepreneurs on position papers or proposals that could be put forward during election seasons or other critical periods.

Support a Broader Movement Toward Specific, Achievable Goals. As discussed earlier, many social entrepreneurs focus on growing their own organizations rather than on larger partnerships that might increase their impact by enabling the implementation of strategies and tactics aiming at systems change. Nonetheless, social entrepreneurs’ orientation towards results and scale can provide incentive to participate in broader goal-focused efforts as long as these collective efforts are aligned with individual organizational objectives. An Action Tank for Social Entrepreneurs might facilitate these partnerships by articulating the resonant societal goals that specific groups of social entrepreneurs might work towards in concert with one another and with policymakers, foundations, business, and more traditional service providers. Such goals could enlarge the focus of an Action Tank for Social Entrepreneurs from advancing the work of an elite set of organizations to facilitate movement-building.

VII. Conclusion

Social entrepreneurs are exceptionally adept at helping society “give up the nostalgia for the past and adopt a new attachment to the future,” in the words of futurist Eamonn Kelly.²⁹ Through their innovative approaches and demonstrations of powerful impact, social entrepreneurs can help individuals and communities to imagine new possibilities. The Age of Entrepreneurship may well be remembered for the groundbreaking organizations founded during this period. But ultimately, these organizations may fail to reach their potential for impact if today’s generation of talented social entrepreneurs is unable move beyond the constraints of the social entrepreneur’s trap to embrace strategies to achieve broader social change. Policy and market strategies present important options for leveraging the “entrepreneurial insights” that underlie these organizations. Bridging the public and private sectors, philanthropy and the social sector, an Action Tank for Social Entrepreneurs could help to provide the relationships, knowledge, skills, opportunities, and sanction that enable them to achieve their full potential to shape our near—and distant —future.

²⁹ http://www.tompeters.com/cool_friends/content.php?note=008358.php

Appendix I

Draft: Social Entrepreneurs Policy Principles

Focus on results.

- Government dollars should support organizations and approaches with proven results.
- Excessively long-term guarantees of funding—or limits on the length of time that an organization can receive funding—may mean that the programs that could achieve the best outcomes may not receive support.
- By supporting the replication of proven programs and approaches, we can spread what works to new communities and achieve economies of scale.
- Recipients of government funds should be accountable for results, not just compliance with rules.
- The federal government should make nonprofit capacity and quality as important a priority as the health of the for-profit sector.
- Government organizations should adapt to a new results-focused rather than regulation-focused paradigm.

Apply market principles.

- Periodic competition for funding leads to higher quality.
- Incentives can be used to encourage high quality programming as well as service provision in hard-to-serve areas.

Encourage innovation.

- By encouraging innovation, we can ensure that over time, new and better approaches will be found and that supported programs adapt to new times.
- Encouraging innovation means allowing for failure. We can learn as much from failure as success, and should work hard to do so.

Address financial and human capital market failures.

- Inadequate capital markets for social problem solving exist, particularly for entrepreneurial efforts by nonprofit organizations. Policy strategies are needed to expand nonprofit capital markets.
- Because lower-income and small communities have limited access to private philanthropic resources, government should address this market failure to enable nonprofits to serve these areas.
- Capital markets are needed for all stages of nonprofit development—start-up, second

stage expansion, and long-term growth.

- Policy efforts are needed to address the problem of limited access to human capital, which constrains the ability of problem-solving organizations to thrive, expand, and reach harder-to-serve populations.
- Building a talent bank for social sector efforts is an important strategy to build quality. National service programs can play a key role in this effort.

Engage all the sectors.

- Long-term solutions often require the involvement of multiple sectors, not just government. Government action should stimulate the contribution of private resources, rather than supplant or discourage private effort.
- Cross-sector partnerships are an underutilized strategy and barriers to such partnerships should be removed.
- The time and talent of volunteers is an often overlooked or even discouraged resource that could contribute to the solution of almost every critical problem facing our country.
- National service has played a critical role in providing financial and human capital, building quality, and stimulating private resources, including volunteers.
- “Buy-in” from local communities and the private sector can demonstrate that those closest to the program believe in its effectiveness and promote accountability.
- Government action should build on community assets.
- Professional development should include training on engaging the community, including finding productive roles for volunteers with a wide-range of backgrounds.

Appendix II

Interviews to support the development of an Action Tank for Social Entrepreneurs were conducted by Shirley Sagawa and Deb Jospin. The following individuals were interviewed:

David Bornstein <i>Author/Journalist</i>	Robert Gordon <i>Center for American Progress</i>
Jeff Bradach <i>Bridgespan Group</i>	Jerry Hauser <i>Advocacy Institute</i>
Michael Brown <i>City Year</i>	Wendy Kopp <i>Teach For America</i>
Gregory Dees <i>Duke University</i>	Aaron Lieberman <i>Acelero</i>
Cheryl Dorsey <i>Echoing Green Foundation</i>	Michelle Nunn <i>Hands On Network</i>
David Eisner <i>Corporation for National and Community Service</i>	Mark Nunnally <i>Bain Capital Partners LLC</i>
Thomas Ehrlich <i>Carnegie Center for the Advancement of Teaching</i>	Gregg Petersmeyer <i>America's Promise</i>
Marc Freedman <i>Civic Ventures</i>	Marguerite Sallee <i>America's Promise</i>
Stephen Goldsmith <i>Corporation for National and Community Service</i>	Jon Schnur <i>New Leaders for New Schools</i>
Ash Institute for Democratic Governance and Innovation	Eric Schwarz <i>Citizen Schools</i>
John Gomperts <i>Experience Corps</i>	Max Stier <i>Partnership for Public Service</i>
	Rob Waldron <i>Jumpstart</i>

The following individuals participated in one or more brainstorming and review meetings held by New Profit to support the development of an Action Tank for Social Entrepreneurs:

Michael Brown <i>City Year</i>	Alan Khazei <i>City Year</i>
Clayton M. Christensen <i>Harvard Business School</i>	Diana Searce <i>Monitor Institute</i>
Cheryl Dorsey <i>Echoing Green Foundation</i>	Trabian Shorters <i>Ashoka</i>
Katherine Fulton <i>Monitor Institute</i>	Kim Syman <i>New Profit Inc.</i>
David Gergen <i>Center for Public Leadership, John F. Kennedy School of Government, Harvard University</i>	Vanessa Kirsch <i>New Profit Inc.</i>
Stephen Goldsmith <i>Ash Institute for Democratic Governance and Innovation, John F. Kennedy School of Government, Harvard University</i>	Rob Waldron <i>Jumpstart</i>