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SCALING THE SOCIAL STARTUP:

A Survey of the Growth Path of Top-Performing Social Entrepreneurs

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INTRODUCTION

What does it take to be a successful nonprofit social entrepreneur and scale an organization? In recent years, an almost mythical depiction of the social entrepreneur –a lone visionary, armed with personal charisma and piercing insight into the social ills s/he seeks to redress – has been advanced within the nonprofit field. Few studies have sought to tease out the truth behind this stereotype and examine the factors contributing to social entrepreneurs' successes (and failures).

With this in mind, in September 2016, we undertook a field-based survey of more than 200 nonprofit social entrepreneurs from leading grant portfolios in order to gain insights into the social entrepreneur journey from start-up through feasibility (more details on our methodology can be found in Appendix A[1]). Kathleen Kelly Janus commissioned this work as part of her research for her upcoming book. Given Kathleen's focus for her work, in the survey, we focused on the path that an entrepreneur takes from having an idea on a piece to a paper to running an established organization with a budget of over $2 million.

We are mindful that scale of budget does not necessarily translate to scale of impact. However, faced with the challenges of assessing impact in a consistent way across diverse organizations, we use budget size as a proxy measure for scaling impact in this report. Attaining a minimum level of organizational sustainability, as demonstrated by the ability to reach $2 million in annual budget, is also a prerequisite for sustaining impact over the long run.

We further focused on the period of $500,000 to $2 million in budget growth, because we believe that this period represents a critical juncture in organizations' path to sustainability. The majority of organizations find it difficult to grow past $500,000[2], and based on conversations with many in the field, it appears that reaching $2 million in budget is a key milestone in demonstrating organizational sustainability.

As we looked at the experience of organizations in our sample — many of which are high-performing as demonstrated by their membership in leading social entrepreneurial philanthropy portfolios, we nevertheless found that they follow some consistent patterns and face some consistent challenges on their path to scale.

Specifically, what we found confirmed many of our initial hypotheses about what it takes to succeed, especially with regards to the importance of strong leadership teams and continued access to capital. In many ways, it appears, social entrepreneurship success comes down to people, timing, and resources. However, there were also some surprises in our data. In particular, we found that organizations that embraced a continuous learning/adaptive management style – as indicated by an emphasis on tracking outcomes data – appear to scale more quickly than those that do not. Additionally, we learned that foundation funding remains a critical – but sometimes difficult-to-obtain – revenue source for most nonprofit social entrepreneurs, even those that generate a fair degree of earned revenue.

We hope this report, with its intentional focus on the variable experiences of small, medium, and large social entrepreneurial organizations[3] , will be particularly useful for early-stage social entrepreneurs seeking to effectively scale their organizations, as well as for those individuals and institutions that fund and support them.

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[1] While there are many definitions of social entrepreneurship, in this survey, we focus on nonprofit organizations as we wanted to understand issues unique to this subset of organizations. That said, many of the lessons from this survey may also be relevant to for-profit and hybrid social entrepreneurs.

[2] This hypothesis is supported by findings from the Urban Institute's Nonprofit Sector in Brief (2014), which reports that 2/3 of nonprofits in the U.S. have less than $500,000 in annual revenue.

[3] For the purposes of this report, Small = <$500K annual budget (N=44); Medium = $500k-$2MM annual budget (N=54); Large = >$2MM annual budget (N=54). However, we understand that "scale" can mean different things to different people, and that some may feel that our "large" group is still very early in their overall scaling effort.

KEY FINDINGS

1

Success is a team effort.

Despite prevailing stereotypes, social entrepreneurs don't "go it alone," and the lack of a high functioning team can pose significant risks to the effectiveness and longevity of an organization.

2

Outcome measurement matters.

Social entrepreneurs that prioritize learning and outcome measurement from the outset have a more rapid growth trajectory than the typical organization in our sample.

3

Capital access remains a key limiting factor to scale.

Nonprofit social entrepreneurs are largely reliant on foundation dollars, and access to capital remains their #1 challenge – even after they have reached scale.

FINDING #1
ORGANIZATIONAL LEADERSHIP: IT TAKES A HIGH-FUNCTIONING VILLAGE

A frequent stereotype of the social entrepreneur field is that social entrepreneurs build impressive organizations single-handedly, based solely on charisma and relentless personal endurance. While these attributes may be helpful, we found that in reality it takes a "village" – specifically a committed senior team and well-functioning governance structure, which together comprise a collective leadership group – to support the growth and development of successful organizations.

THE NEED FOR MULTI-FACETED LEADERSHIP

The leaders of social enterprise organizations, across all budget levels, wear many different hats – playing key roles in fundraising, program implementation, internal culture/ people management, and strategic planning.

While Chief Executive Officers' (CEOs') precise job descriptions vary across organizations, our survey data affirms that the daily responsibilities of CEOs are wide-ranging, requiring diverse skills and expertise.[3] Fundraising is consistently ranked as a top activity, with fundraising as a proportion of time increasing slightly as organizations grow. Perhaps not surprisingly, CEOs at small organizations within our survey also report spending a significant proportion of their time on program work. As organizations scale, program responsibilities appear to be delegated to others within the organization, with CEOs of large organizations spending approximately half the time on program work compared to their colleagues at smaller organizations.[4]

Proportion of Time as ED/CEO Spent on Various Organization Activities

"Over the course of a typical year, approximately what percentage of your time as ED/CEO do you spend on activities related to the following areas?"

N=163

FIGURE 1	Overall Average	Small Organizations (<$500K budget)	Medium Organizations ($500K - $2MM budget)	Large Organizations ($2MM+ budget)
Fundraising	28%	26%	29%	30%
Program Implementation	22%	32%	22%	15%
Internal Culture / People Management	14%	10%	14%	18%
External / Marketing / Outreach	11%	11%	12%	11%
Strategic Planning	10%	8%	10%	11%
Board of Directors	7%	7%	7%	9%
Measuring Impact	5%	5%	5%	5%
Other	2%	1%	2%	1%

[3] For purposes of this analysis, we use the terms CEO and Executive Director interchangeably.
[4] Throughout this paper, we look at patterns across organizations by size (small, medium, and large) as this allows us to understand how organizations evolve as they grow over the time period of $500,000 to $2 million.

CREATING SENIOR LEADERSHIP TEAMS

Our data also shows that CEOs do not scale social enterprise organizations single-handedly, and that it takes concerted effort to build a team. Among our sample, 92% of survey respondents (N=201) indicate they are their organization's founder. However, of these founders, 55% indicate starting their organization with one or more co-founders.

There also appears to be some consistent deliberateness and pattern in terms of how CEOs build out their leadership teams. One way of trying to look at these patterns is to examine when additional C-level roles are added to an organization's leadership team.[5] Our survey data suggests that organizations most frequently build out their senior teams in the following order: Chief Operating Officer, Director of Development, Director of Programs, and then Director of Communications (or equivalent). For some organizations, a Chief Technology Officer (CTO) is among their first or second senior hire; however, CTOs are only represented in 17% of participating organizations in our survey. This pattern suggests that among a CEO's first senior hires are the people who can help oversee program implementation and aid in fundraising. As an organization matures, they then create specialized focuses on programs, communications and areas like evaluation.

Number of Months Organization Was in Operation when Person in Role Was Hired[6]

"Approximately when did you hire the following roles?"

FIGURE 2	Overall Average (Months)	Small Organizations (<$500K) (Months)	Medium Organizations ($500K - $2MM) (Months)	Large Organizations ($2MM+) (Months)
Chief Operating Officer (or equivalent)	38	6	28	69
Chief Technology Officer (or equivalent)	40	5	39	53
Director of Development/ Fundraising (or equivalent)	40	12	28	52
Director of Programs (or equivalent)	43	11	42	50
Director of Communications (or equivalent)	52	18	35	72
Director of Evaluation (or equivalent)	57	3	45	58

We also asked CEOs about which hires were most important to their organization's ability to grow, as shown in Figure 3. Most respondents indicate that the hires that were most critical to their organization's development are the ones that allowed them to shift their own personal focus away from the day-to-day operations of the organization to issues like long term sustainability planning, cultivating relationships with the Board, and strategy. As one respondent describes, "[The COO] was my first hire five years ago and has been instrumental in freeing my time from the beginning so that I could focus on development, relationship building, strategy etc. and not on day-to-day logistics and operations." Another respondent noted: "Director of Programs [was my most important hire]. So she could focus on execution of programs and getting outcomes and I [could focus] on fundraising/strategy/board/org development." Other roles mentioned as most critical include Executive Director, Director of Finance, Director of Strategy, and roles that combine multiple functions, such as communications and fundraising.

[5] We recognize that these titles are not required for organizations to access thoughtful leadership partners. However, the institution of these senior leadership roles do suggest a maturation and codification of a leadership team.

[6] When reviewing the months at which organizations of various segments hired different staff roles, particularly for roles that are relatively less common, such as Chief Technology Officer, the number of organizations represented in the data is relatively limited. As such, findings should be interpreted with caution.

MOST CRITICAL HIRE

"WHICH HIRE DO YOU FEEL WAS MOST CRITICAL FOR POSITIONING YOU AS LEADER OF THE ORGANIZATION TO EFFECTIVELY SCALE THE ORGANIZATION?"

N=146

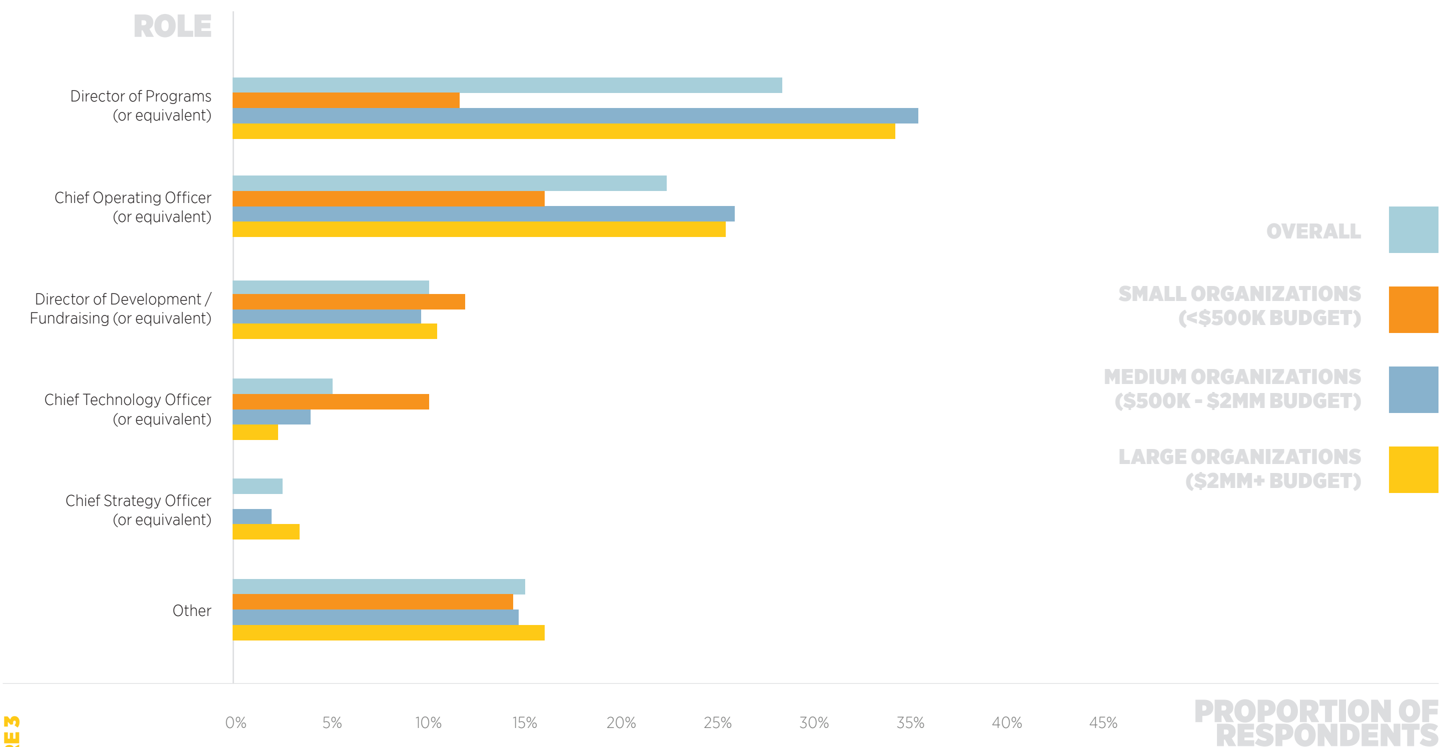

FIGURE 3

MANAGING HUMAN CAPITAL RISK

Ultimately a team's quality is measured by how well it functions. With this in mind, we also sought to understand:

How senior leaders perceive the effectiveness of their leadership teams.	The level of risk that ineffective people management poses to organizations.

In general, leaders across our sample rate their current senior leadership teams very positively, agreeing that their senior leadership team helps them to execute the work of the organization (rating 4.5 on a 1 to 5 scale, where 1 equals strongly disagree and 5 equals strongly agree) and that their team is committed to continual learning and managing to outcomes (rating 4.6 on average on a 1 to 5 scale).

In addition, survey data indicates that in the early days, making the wrong hire can threaten an organization's viability. When asked to describe one of their organization's biggest failures, 21% of organizations talk about making the wrong hiring decision or having high staff turnover. In fact, people-related failures represent the third most common type of failure reported by respondents in our survey. Respondents specifically describe not staffing the organization sustainably, not having systems in place to support employee development, and often lacking effective contingencies to support unanticipated transitions. See Learning from Failure: Human Capital Management for additional information.

LEARNING FROM FAILURE: HUMAN CAPITAL MANAGEMENT

THROUGHOUT OUR SURVEY, WE COLLECTED VALUABLE INSIGHTS ON FAILURES EXPERIENCED BY OUR LEADERS WHILE GROWING ORGANIZATIONS, AS WE ASKED THEM TO DESCRIBE 1-2 FAILURES FOR THEIR ORGANIZATION. WE SHARE THEM THROUGHOUT THE REPORT TO PROVIDE SOME REPRESENTATIVE ILLUSTRATIONS OF COMMON CHALLENGES FACED BY SOCIAL ENTREPRENEURS ACROSS VARIOUS DOMAINS.

> *"We initially assigned too much authority to people based solely on the fact that they were early hires (including one cofounder) rather than their talent. What we didn't see coming is that in a small organization, for certain key roles, it is not possible to fire someone without sinking the organization. Over time, I have worked with the board to add more authority to new hires to slowly transition. However, our slowly growing budget has made this less successful than we expected. Two years later, we are only slowly getting out of this mess."*

> *"We had high turnover among program staff, impacting program quality (or, the perceptions of program quality). We responded to this in two ways: (1) investing in HR systems and structures; (2) changing our human capital strategy to embrace turnover in certain positions."*

> *"Between years 4 and 7, we were a mess. I was doing a poor job managing people, roles were ill-defined, communication was poor, factions were growing, and quality standards weren't consistent across staff. It was impacting the quality of our work and morale, and threatening our viability and future. We stepped back, I did tons of thinking and got support from mentors, we discussed a lot of challenges, created a new program manager position, made commitments to change the culture, and pushed out the people who couldn't get on board. It took about two years to identify and fix the problems. But they really got fixed."*

GETTING THE MOST FROM AN ORGANIZATION'S BOARD OF DIRECTORS

Having an effective Board of Directors that can provide strategic guidance, support, and fiduciary oversight is another piece of the leadership puzzle. Sixty-eight percent of respondents in our sample list their Board as one of their top three sources of guidance for organizational strategy. (Other top sources of strategy input for organizations include Senior Leadership teams – cited by 73% of respondents on average – and a CEO's own personal network – cited by 53% of respondents.) Perhaps not surprisingly, for smaller organizations, a leader's own personal network and the Board represent the top two sources for strategic insights. However, as organizations mature, the role of the CEO's own personal network diminishes and leaders report drawing more actively on senior leadership teams and their Board to guide strategy.

Surveyed leaders generally report positive relationships with their Board of Directors. Respondents, on average, agree that their Board of Directors delegates sufficient authority to them to lead their organizations and that they can share and discuss mistakes with their Board of Directors without fear of reprisal.

At the same time, many respondents are less likely to agree that the expertise and skills their organization needs are represented among their Board members. This is especially true for smaller organizations, which may have difficulty attracting individuals with the requisite diversity of skill sets and professional backgrounds needed for a high-functioning board.

LEARNING FROM FAILURE: BOARD DEVELOPMENT

"Our organization failed to invest in Board development, with a couple of resulting failures. Initially, we counted on Board fundraising commitments that did not materialize. We responded by not relying on Board fundraising in future budgets. Later, we tried to develop our Board by bringing on an experienced chair recommended by one of our funders. Unfortunately, he turned out to be a disaster. We responded through deep and thorough research into Board best practices .... and the recruitment of new Board members who had already proven their commitment to the organization, which ensured they all came in with the organization's best interests at heart.... We now have a highly functional Board that understands and performs their governance duties thoroughly and appropriately, in a way that supports and builds the organization."

"One of our biggest failures has been not building a board that helps fundraise... We responded by spending much more time over the past two years to recruit new board members, and this past year on fundraising. As a result, we have added one new board member, and hope to add another by the end of this year. We have also stabilized the funding position of the organization."

RELATIONSHIPS WITH AND SUPPORT FROM BOARD OF DIRECTORS

"TO WHAT EXTENT DO YOU AGREE OR DISAGREE WITH THE FOLLOWING STATEMENTS?"

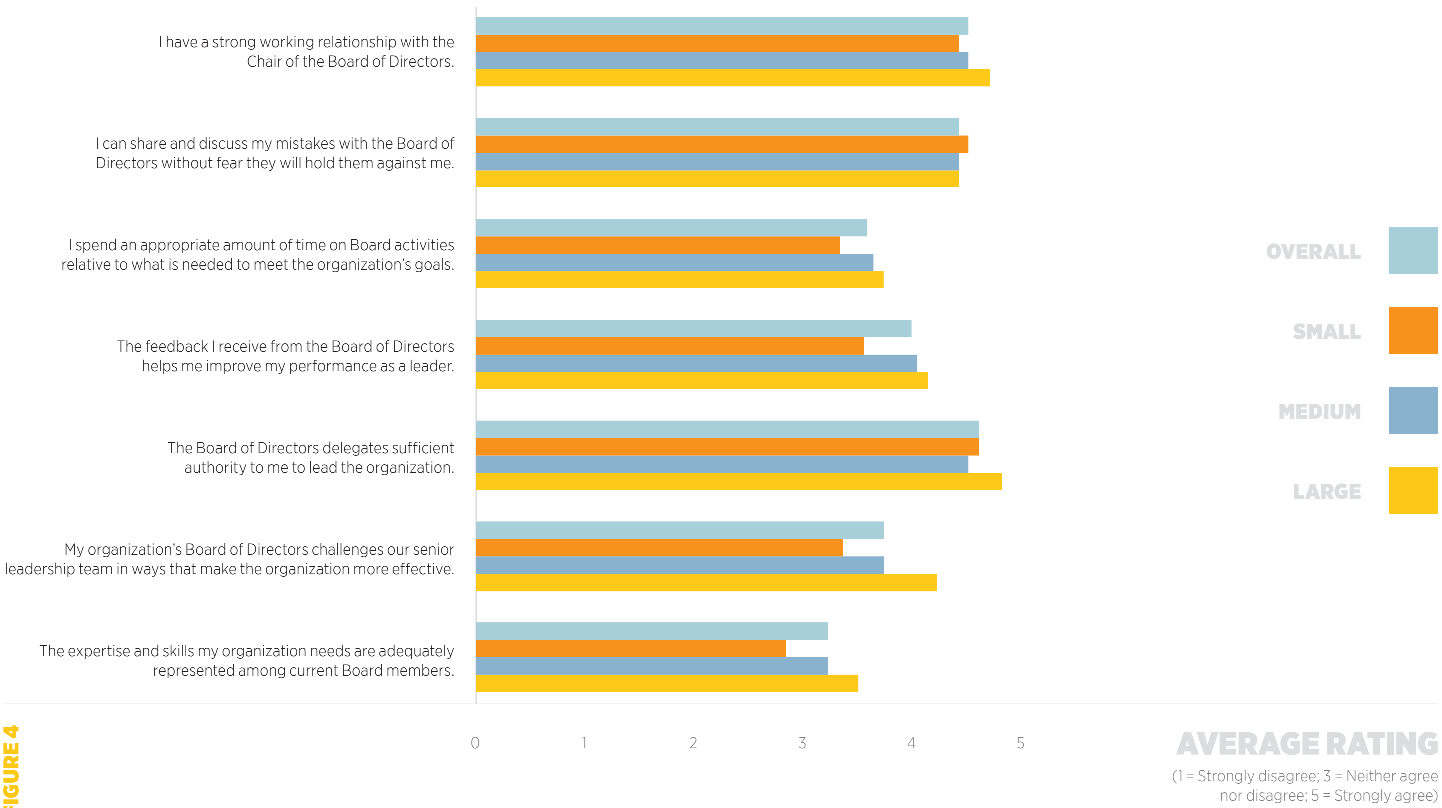

FIGURE 4

When asked about specific areas in which Boards could be more helpful, respondents are very consistent in seeking more help with fundraising. Over 66% of respondents in our sample said they wished their Board provided more helpful input about fundraising (see Figure 5). In marked contrast, over 50% of respondents report that Boards already provide helpful strategy input. This data collectively highlights the role of Boards as fundraising agents, especially at different stages of growth – and may be useful for inspiring conversations about the relative responsibilities of Boards versus senior staff.

BOARD INPUT

"FOR WHICH AREA OF YOUR WORK DOES THE BOARD PROVIDE THE MOST HELPFUL INPUT? IN WHICH AREA OF YOUR WORK DO YOU WISH THE BOARD PROVIDED MORE HELPFUL INPUT?"

N=162

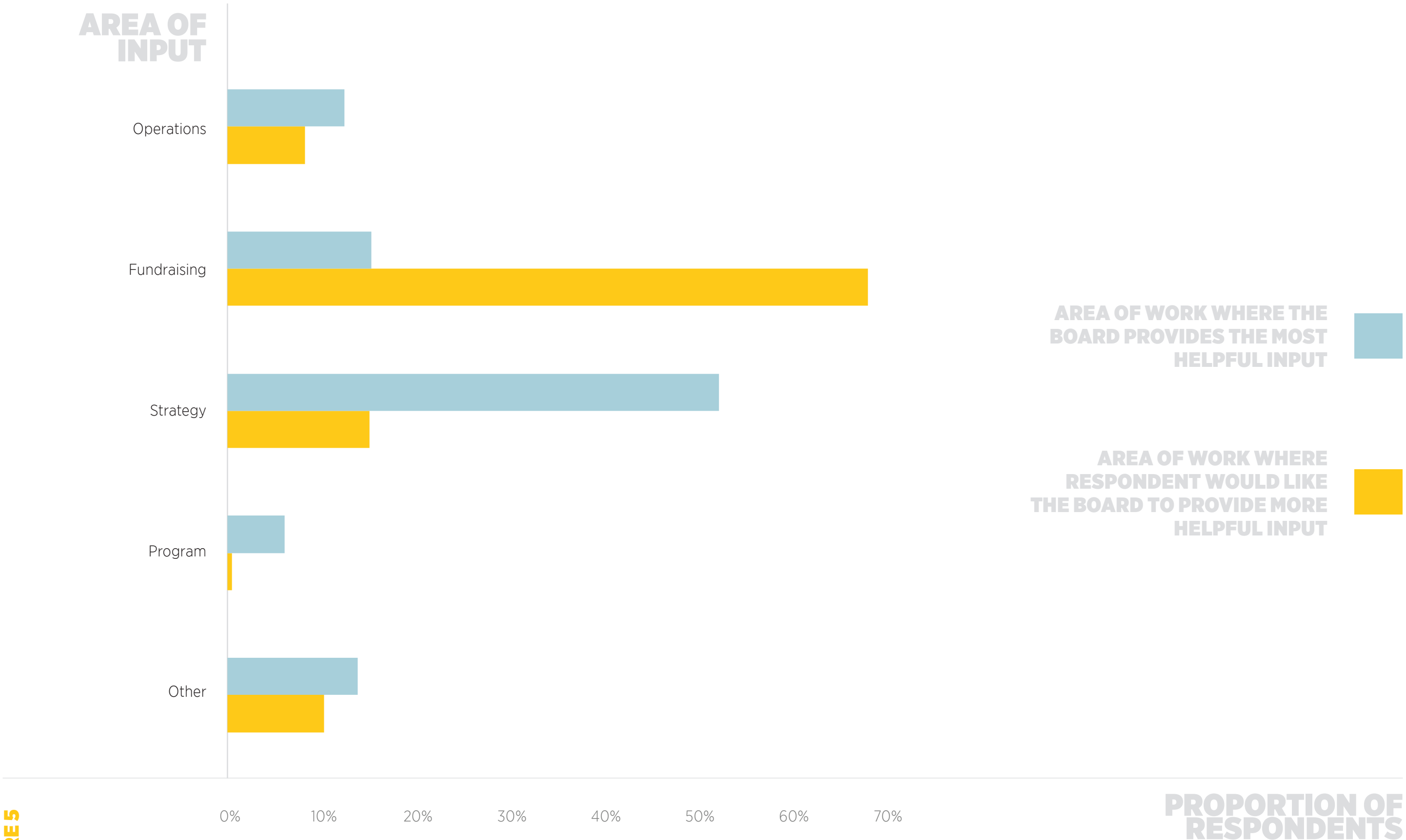

FIGURE 5

FINDING #2

PURSUING IMPACT: OUTCOMES MATTER

EMPLOYING A MULTI-FACETED TOOLKIT TO PLAN AND TRACK PROGRESS

Organizations in our sample employ a variety of different tools to support their strategic planning and impact measurement efforts — but all are committed to use of tools to advance their goals. The most frequently used strategic planning tools, on average, are:

Strategic / business plans
used by
82%
of organizations

Program-level outcome data
used by
75%
of organizations

Theory of change / logic models
used by
63%
of organizations

The most frequently used tools to assess impact, on average, include:

Tracking of program outputs
used by
89%
of organizations

Analysis of short-term outcomes
used by
80%
of organizations

Beneficiary / client feedback
used by
74%
of organizations

Figure 6 below shows utilization of different impact tools by organizations of different sizes. In general, a greater proportion of respondents from large organizations report using varied tools to assess their impact. Larger organizations are specifically more likely to analyze long-term outcomes and to employ more complex tools like third-party evaluations to assess their impact, which is not surprising as they likely have increased capacity for incorporating different data sources into internal planning and assessment efforts.

Tools/Analysis Used to Assess Impact

"What tools or analyses does your organization regularly use to assess its impact?"

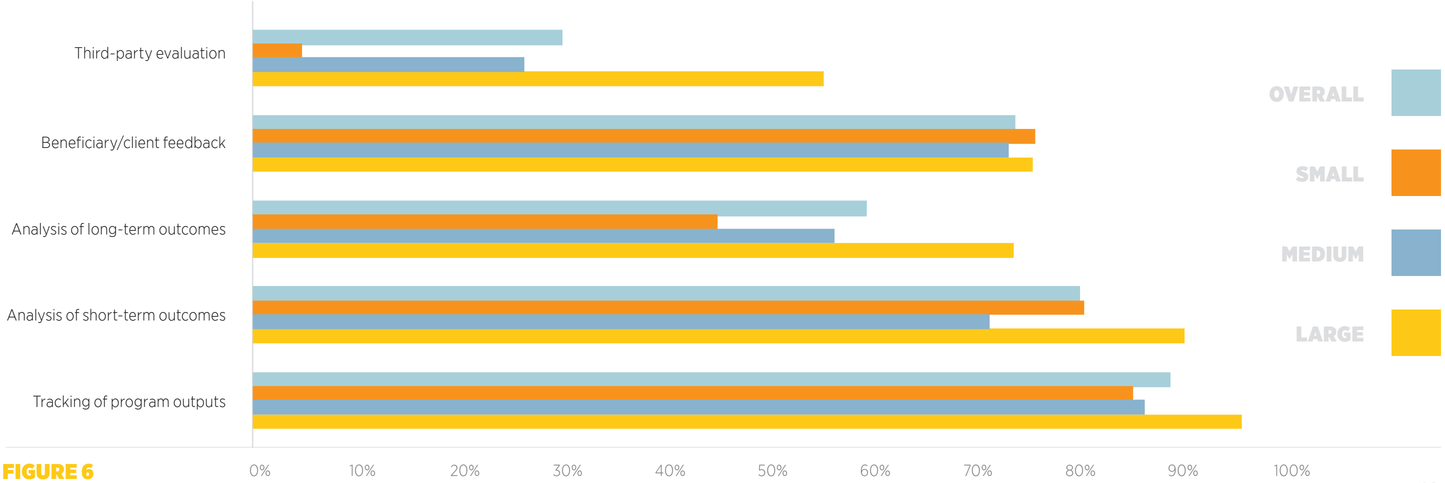

FIGURE 6

LEARNING FROM FAILURE: STRATEGY AND IMPACT MEASUREMENT

BASED ON OUR ANALYSIS OF SELF-DESCRIBED FAILURES AMONG OUR RESPONDENTS, A COUPLE OF THEMES EMERGE:

CHALLENGE 1: DESIGNING, ITERATING, AND INTEGRATING FEEDBACK

"We came up with an idea and no kids showed up. Now we implement monthly meetings where the kids vote on and design programming, ensuring that it is something they want BEFORE we implement."

"We adopted a number of technology solutions to deliver primary healthcare to rural communities at scale. We used the informal providers in villages as partners. We found, however, that the community did not differentiate between what the informal providers did on their own (which is significantly cheaper) and what they facilitated from us. We revised our strategy to focus on services which the informal providers were not providing to resolve this."

"After several decades of operations, my organization did not prepare for changes in the marketplace and our pricing and organizational model inhibited growth. Subsequently, the organization began to lose market share and started to shrink, disappointing the entire spectrum of stakeholders. We decided to completely restructure the organization to focus on our most effective and unique program element in order to drive down cost and price and infrastructure support systems.... We restarted the organization and in the first year, grew to serve 5 times the number of students."

CHALLENGE 2: ALIGNING STRATEGY AND METRICS

"We used to track college access and persistence as the primary program outcome even though our mission has always been about getting students into the economic mainstream. We tracked college metrics because they were much easier to obtain than workforce outcomes and one could assume they were a reasonable proxy. But when college success metrics showed that 50% of our alumni did not obtain a college degree within 6 years but were indeed able to get a job that paid livable wages, it forced us to go back and measure not only what was easiest to measure but, also, what was more indicative of whether we were accomplishing our mission."

IS THERE A BENEFIT TO COLLECTING OUTCOME DATA EARLY?

While looking at the distribution of tools' use is somewhat illuminating, we wanted to dig deeper into the data and see if we could gain any insights from the pattern of tool use as a proxy for an organization's commitment to collecting and learning from performance data (of all kinds).

As we had access to organizations' self-reported growth trajectories (as measured by budget and staff growth), we conducted specific analyses looking at the timetable of when organizations began tracking program outcomes and the relationship to their growth. The hypothesis we wanted to test, inspired by field-wide literature about the value of being a learning organization, was whether organizations that started collecting outcomes sooner have a different attitude towards learning from data that could position them more effectively for growth.

Although it is impossible to determine causality from the data we received, we did detect an interesting pattern between collecting outcomes data early and the timing for scaling. Specifically, organizations that report tracking program outcomes from inception appear to grow, on average, 5 months faster than the typical organization in our dataset, over the period of growing from $250,000 to $2 million in annual budget. As shown in Figure 7, these organizations achieve key budgetary milestones in reduced time.

GROWTH TRAJECTORIES

ORGANIZATIONS TRACKING OUTCOMES FROM BEGINNING VS. OVERALL DATASET

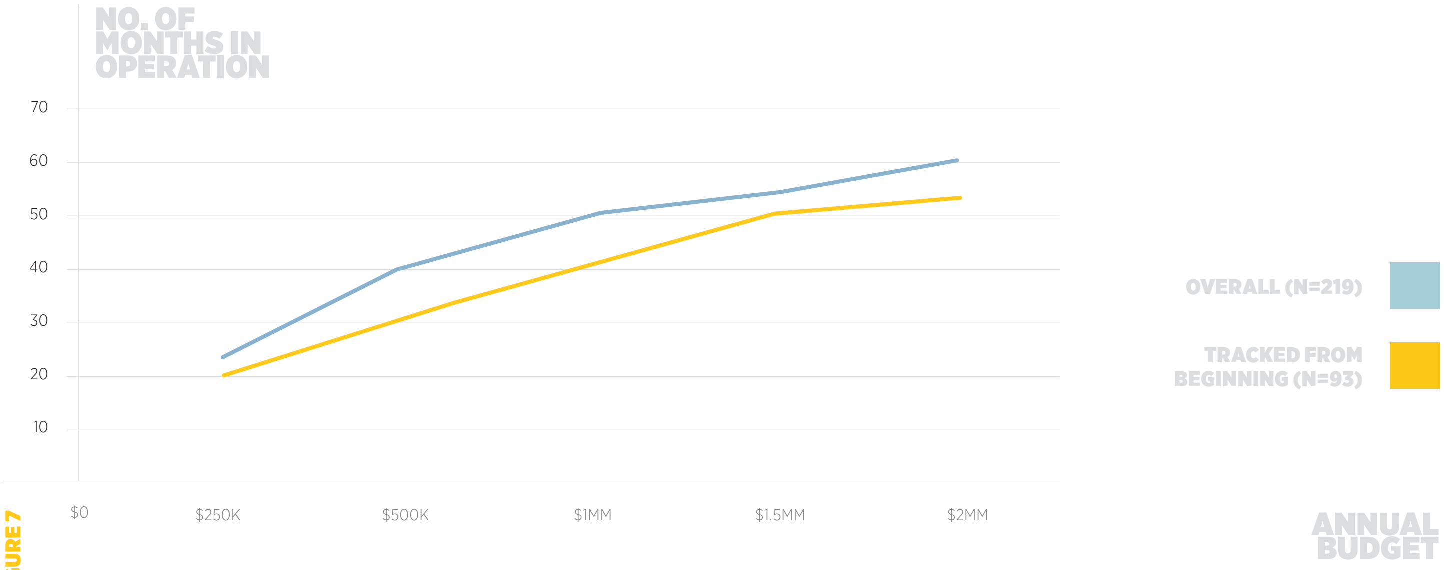

FIGURE 7

These organizations also look different from their peers in other notable ways. Among those who say they tracked outcomes from the very beginning, 75% of respondents indicate they received a large grant as a catalyzing event that enabled their organization to reach $2 million in annual budget, compared to 65% in our overall dataset. They are also more likely than the typical organization in our overall dataset to be affiliated with more than one grant portfolio (e.g. Echoing Green, Ashoka) – 50% for this group vs. 39% overall. Finally, perhaps not surprisingly, these organizations also report less of a challenge in demonstrating their impact to funders.

Taken together, this data could suggest that some social entrepreneurs grow faster than their peers because they track outcomes from the beginning. Similarly, it is possible that tracking outcomes enables organizations to demonstrate impact to funders – thus increasing the likelihood of receiving funding.

While it is tempting to speculate, we are unable to draw any such conclusions from our limited dataset, instead hoping that other researchers in the field will be able to pick up where we have left off and answer these questions more conclusively. Regardless of any particular correlation to growth trajectory, we believe these early findings do suggest clear benefits to being a learning organization that is dedicated to both demonstrating impact and collecting data from wide-ranging sources to inform activities and strategy.

FINDING #3
SCALING IMPACT: SHOW ME THE MONEY

HOW ORGANIZATIONS SCALE

While we saw in the previous section that measuring outcomes can accelerate an organization's path to scale, it remains the case that growth is not smooth, even for the most data-driven socially entrepreneurial organization. To gain a better understanding of the pattern of scaling, we looked at a subset of our respondents (specifically, the 54 organizations that have reached $2MM or greater in budget), and mapped how quickly they grew over time – irrespective of when they started tracking outcomes. Per the chart below, it takes organizations 16 months, on average, to reach $250,000. The trajectory to then reach $500,000 is relatively quick, taking an average of 10 months; however, growth then slows again, as it takes organizations an average 15 additional months to reach $1,000,000. They follow a similar pattern of more rapid and then slower growth to reach $2,000,000.[7]

Organizational Scaling:

Months in Operation to Reach Annual Budget Size (Respondents >$2MM)

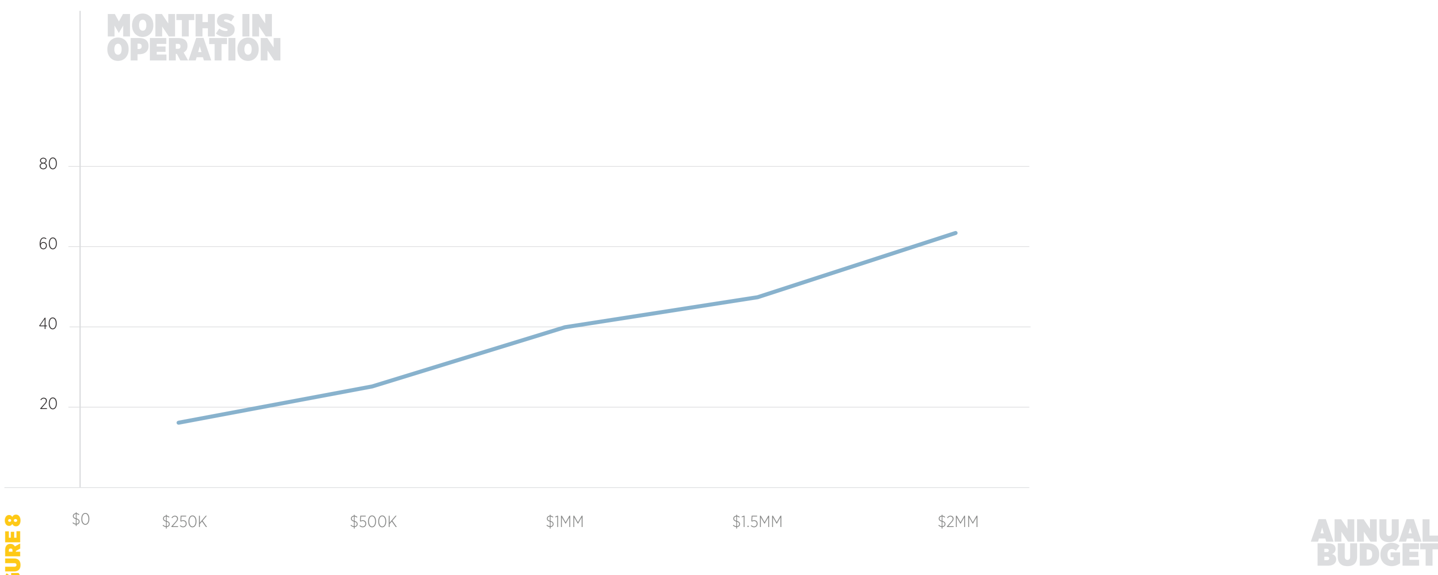

FIGURE 8

However, this average growth trajectory masks some important heterogeneity of social entrepreneurial organizations' paths to scale, in particular with regards to the catalyzing events that enable organizations to grow. Our data indicate that foundation funding is especially important in this domain. When asked about catalysts that enabled their organizations to reach over $2MM in budget, the greatest proportion of respondents – 65% – indicated that a large grant was the most important factor, as shown in Figure 9. The next largest proportion of respondents – 33% – attribute their growth to a leadership award/fellowship. Among respondents who selected "Other," on this question, demonstrating programmatic success was also a consistent theme mentioned.

CATALYZING EVENTS

"WAS THERE A PARTICULAR CATALYZING EVENT THAT ENABLED YOUR ORGANIZATION TO GROW MORE QUICKLY TO $2MM THAN IT WOULD HAVE OTHERWISE?"

N=48

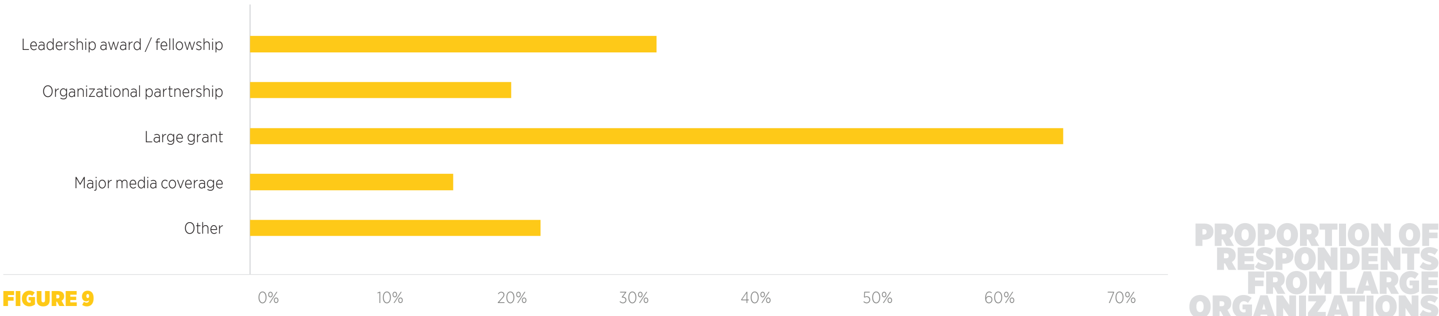

FIGURE 9

The theme of capital access was reinforced in responses to a separate, open-ended survey question about overall factors that most strongly contributed to organizations' ability to grow over $2 million. For example, some respondents describe an infusion of funds from a "massive grant," the "backing of one serious funder," or an "extraordinary seed donor" as important factors to catalyze their growth. Effective programmatic strategies and demonstrating programmatic success are also important themes that emerged. As one respondent described, "The most significant factor [in our ability to grow to $2MM in budget] has been our track record; with positive outcomes, has come more support each year to support more [beneficiaries] and grow programs."

THE ROLE OF PHILANTHROPY IN SCALING NONPROFIT SOCIAL ENTREPRENEURIAL ORGANIZATIONS

Sources of Revenue

Respondents in our sample describe relying on diversified sources of revenue, with grant-making foundations representing the largest source of capital — at 43% of organizational revenue, on average. For small organizations, this proportion is even larger – 52%. Individual giving and earned revenue (largely in the form of fee for service earnings) are the next most common sources of revenue, at 19% and 18% respectively.

It is worth noting that even organizations that report receiving over 20% of their revenue from earned income (N=47) rely on foundation funding to a significant degree (30% of revenue on average).

LEARNING FROM FAILURE: SCALING TOO QUICKLY

"Succumbing to funder pressure to scale quickly caused us to move too quickly; to leap before we had fine-tuned our service delivery, which changed drastically once the founding team moved from direct service into operations/management. To recover from the multiplier effect of this mistake, we've opted to take a strategic pause and re-evaluate our scaling goals. We're embracing the idea that less can be more."

ACCESSING FUNDING

"We lost a funding opportunity we had worked 11 months on and had every indication we were going to win. How we responded: 1) Passionate rallying cry of an email to our core stakeholders; 2) Reviewed internal processes and highlighted some area we could have been better; 3) Working with funders to make intros to other people."

"We have three times lost our most significant funder. We had to be honest, regroup, and seek new opportunities to support the work we do. We have grown stronger each time."

"There is never enough time to spend on fundraising. Reserve more time."

REVENUE SOURCES

"APPROXIMATELY WHAT PROPORTION OF YOUR ORGANIZATION'S REVENUE COMES FROM THE FOLLOWING SOURCES?"

N=156

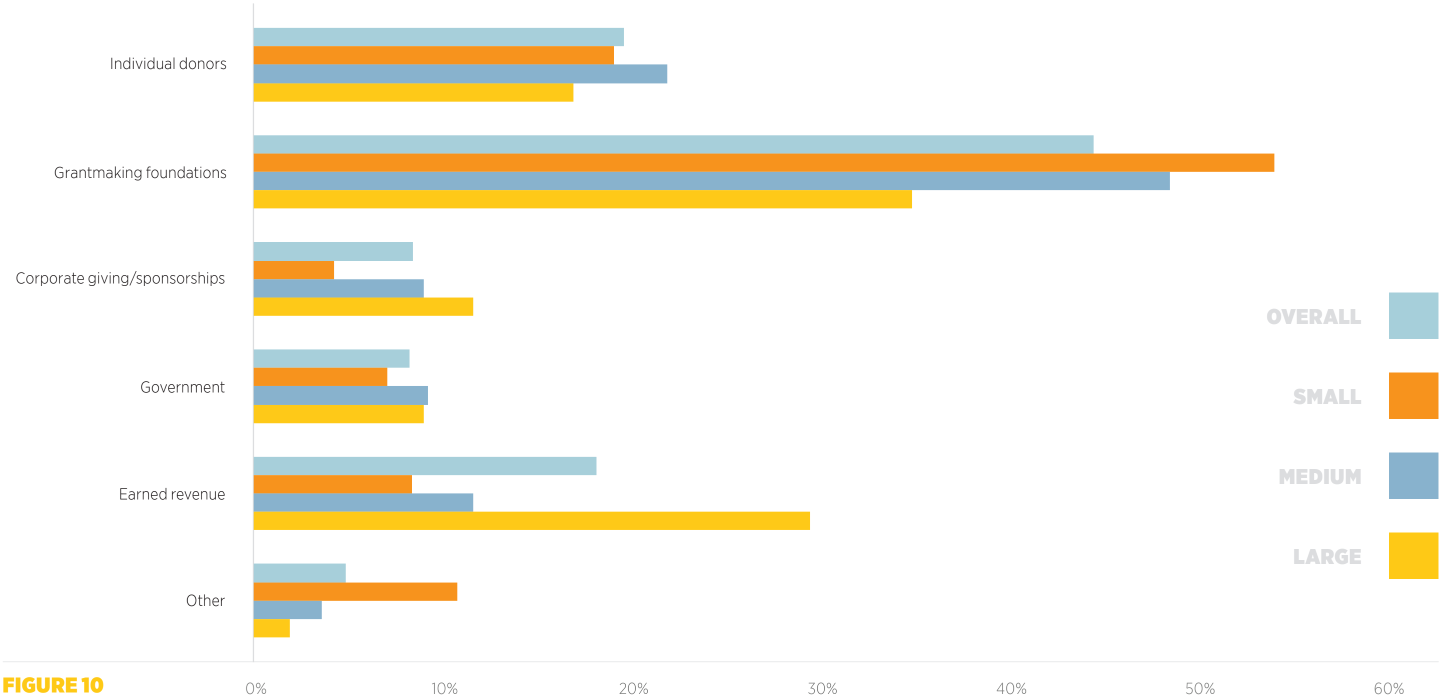

FIGURE 10

Although foundation funding appears to be a critical source of revenue for all social entrepreneurs in our survey, it is not without its challenges. In particular, gaining access and maintaining exposure with funders is a key challenge cited across organizations, with 71% of respondents reporting difficulty gaining access to larger foundation funders. Forty-four percent of respondents say they also struggle to get noticed by new funders. These challenges are especially acute for small and medium organizations. Accessing funding from individual donors presents similar challenges, as securing large donations and getting noticed by new donors are the top two cited challenges at 67% and 61%, respectively.

When asked to describe the top 3 challenges that leaders face today even as they feel more "established," 73% of respondents cite raising capital – making it the top challenge of all reporting social entrepreneurs. Scaling infrastructure comes in at a distant second (47%). Among small organizations, the need for capital is particularly paramount, with 81% of leaders citing it as their largest challenge.

CHALLENGES TO GROWTH

"PLEASE SELECT THE TOP THREE CHALLENGES YOU CURRENTLY EXPERIENCE IN GROWING YOUR ORGANIZATION." N=156

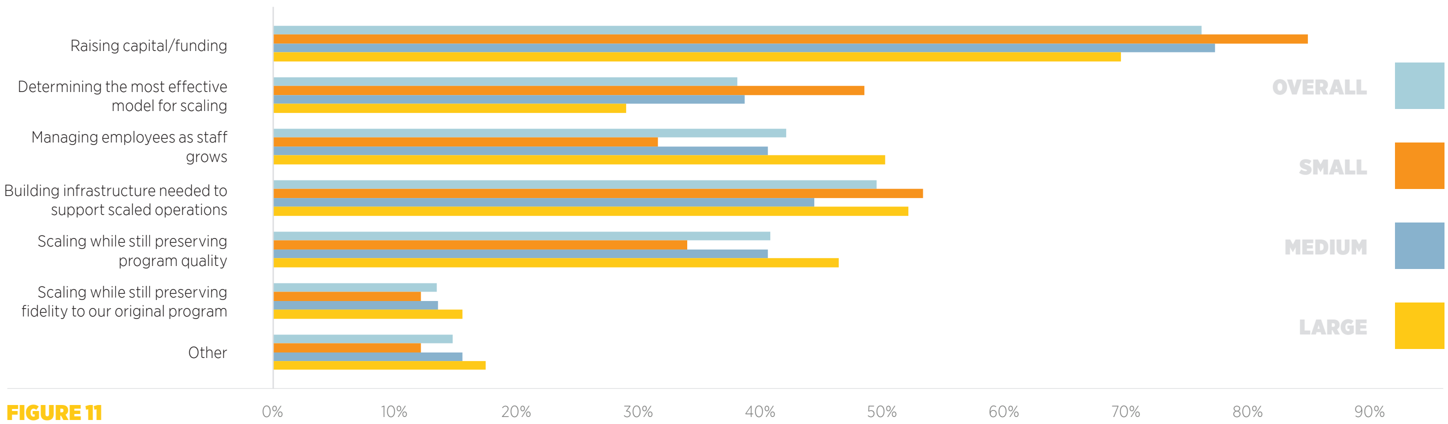

FIGURE 11

WHO HAS ACCESS TO CAPITAL?

Access to capital is paramount for scaling. This raises inevitable questions, however, about who has access to capital, especially as our field becomes increasingly mindful of the barriers that entrepreneurs of color and female entrepreneurs may encounter based on their race or gender. We only explored this issue nominally in our survey, asking a subset of respondents whether they had ever felt that they had a challenge accessing funding because of their race or gender.

While respondents who identified as people of color were more likely to agree with the statement, we saw few other clear patterns in terms of differential experiences as social entrepreneurs – though it may be worth noting that proportionally fewer respondents of color reported being affiliated more than one grant portfolio in our study (26%, vs. 45% for white respondents.) Similarly, while female respondents were also more likely to agree that they had faced challenges accessing funding because of their gender, here too we saw no major differences in women's overall experience running social entrepreneurial organizations.

Our dataset is limited with regards to issues of both race and gender, however, due to the small number of respondents asked these questions. We hope that others will continue to explore this important issue following our survey.

Taken together, our data points to the continued reliance on philanthropic funders among social entrepreneurs of all budget sizes, and underscores the importance of philanthropic funders in growing and sustaining the social entrepreneurship field. It also raises questions worthy of continued exploration regarding the various factors that may "open doors" to foundation funding, as well as which social entrepreneurs face the greatest barriers in accessing philanthropic capital.

CAPITAL ACCESS: A CHALLENGE FOR ENTREPRENEURS OF COLOR

While we would caution against making large generalizations based on our small sample, our data certainly offers anecdotal evidence that unequal access to capital is an issue felt by some social entrepreneurs of color.

"We had an extraordinary seed donor. My belief is that they (probably more so she) looked at me, what we were setting out to do, and saw herself. Otherwise, this would not have been possible. It was basically like being struck by lightning as an African American woman systems entrepreneur...by accident. Yet this story is very common with white entrepreneurs."

CONCLUSION

When we launched our survey of more than 200 social entrepreneurs, we sought to understand the key patterns and experiences that shape these entrepreneurs' paths to scale, from infancy to becoming multi-million dollar enterprises. What we found was a robust affirmation of the importance of being a data-driven, learning organization led by a high-functioning leadership team – all elements we know from management literature are important to organizational success. We also found that foundation funding remains a critical, albeit sometimes challenging, source of revenue for social entrepreneurial organizations, even those in our sample that are large and very established.

However, key questions remain, particularly with regards to capital access and the causal relationship between tracking outcomes and access to foundation funding. These are themes that will be revisited in the forthcoming book by Kathleen Kelly Janus and topics that we hope other researchers will pick up and advance. We look forward to working together to further our understanding of the factors that contribute to and differentiate the paths of some of the most successful social entrepreneurs.

APPENDIX A: METHODOLOGY AND DESCRIPTION OF SURVEY SAMPLE

This confidential survey of the social entrepreneurship field was created to support Kathleen Kelly Janus in her book development efforts. It had two primary objectives:

- To understand the practices and tools used by social entrepreneurs at different stages of organizational progress.
- To gather social entrepreneurs' perspectives on the key supports and challenges they have encountered along their path to building multi-million dollar organizations.

SURVEY INSTRUMENT DEVELOPMENT

Our initial survey was developed over a multi-month period in late 2014. Survey drafting was led by Valerie Threlfall and Elizabeth Kelley of Threlfall Consulting. Kathleen Kelly Janus provided key strategic guidance and ongoing feedback to instrument development. In 2016, we removed select questions from our survey and added some demographic questions, based on our survey experience in 2015.

SURVEY ADMINISTRATION

We administered our core survey to two separate samples.

SAMPLE 1: ECHOING GREEN AND SV2 PORTFOLIOS

- In 2015, we surveyed social entrepreneurs who received either an Echoing Green fellowship or an SV2 grant. We selected recipients from these portfolios as both organizations have thoughtful selection criteria, which place a premium on innovation and preliminary evidence of effectiveness. A survey was administered to members of Echoing Green or SV2 in January 2015.
- Of the 597 people surveyed, 147 responded for a 25 percent overall response rate across the two portfolios. Respondents represent 141 organizations; 124 of which are Echoing Green fellowship recipients and 17 of which are SV2 grantees.
- Survey respondents received multiple reminders from their sponsoring organization, Echoing Green or SV2, during the period of survey administration. Respondents were also eligible to receive a $25 gift card for successful completion of the survey.

SAMPLE 2: ADDITIONAL SOCIAL ENTREPRENEURIAL PORTFOLIOS

- In 2016, we built a convenience sample of high-performing social entrepreneurs affiliated with eight major grant portfolios whose contact information was available through network outreach and/or internet research. It's important to note that in 2016, we did not conduct outreach in affiliation with sponsoring organizations like we did in 2015. We contacted Chief Executive Officers/Executive Directors of organizations from the following portfolios:
  - Arbor Brothers
  - Ashoka US
  - Blue Ridge Foundation
  - Draper Richards Kaplan Foundation
  - Echoing Green (only those who had not responded to prior survey)
  - Fast Forward
  - Mulago Foundation
  - New Profit
  - Peery Foundation
  - Skoll Foundation
  - SV2 (only those who had not responded to prior survey)

- The goal of adding these individuals was to explicitly increase the number of participating organizations in our survey. We selected respondents from these well-recognized grant/award portfolios so we could learn from the best practices of some of the most successful leaders and organizations.

- Convenience sampling is a non-probabilistic, non-randomized sampling methodology that leverages available contacts and is commonly used in exploratory work and/or when there is no way to access an entire eligible survey population.

- In September 2016, we administered a survey to these individuals – knowing that our method of convenience sampling would likely result in a lower response rate. Of the 685 respondents contacted, 239 had been asked to complete the 2015 survey, but had not responded and 361 emails bounced. In the end, 72 individuals responded for a response rate (net of bounce backs) of 22%.

- Survey respondents received multiple reminders from Kathleen Kelly Janus during the period of survey administration. Respondents were also eligible to receive a $25 gift card for successful completion of the survey.

AGGREGATED OVERALL SURVEY SAMPLE

- Overall, our combined sample includes 219 individuals from 210 organizations.
- As we contacted 727 unique individuals across the two administrations, with 219 total responses, we achieved an overall response rate of 30%.
- The attributes of these individuals and their organizations are summarized below:
  - As the portfolios included some original founders who may no longer be with their organizations, we only included feedback from individuals who are still with their organizations in our analysis. Ninety-two percent of respondents are the original founders of social entrepreneurial organizations (still with their organizations).
  - Survey respondents represent organizations across our target budget spectrum of \$500,000 to \$2,000,000.[8] Organizational annual budgets range from \$15,000 to \$50,000,000 with a median budget of \$1,000,000. Organizations surveyed have been in operation for varying amounts of time, ranging from 0 to 51 years, with a median tenure of 10 years in operation. Organizations report having between 0 to 2500 full time employees, with a median of 12 full time employees.
  - Only respondents who indicate their organization is: a 501c3 nonprofit, a 501c3 hybrid (a 501c3 organization with a for-profit arm), or another type of nonprofit organization (e.g. an international nonprofit), are included in the sample. Respondents who indicate their organization is a for-profit, for-profit hybrid, or a 501c4 are excluded from the analysis.
  - Survey respondents represent a spectrum of geographic focus areas, with 32% reporting a local (U.S.) focus, 24% reporting a regional (U.S.) focus, 38% reporting a national (U.S.) focus, and 40% reporting an international (non U.S.) focus.

Below are some charts describing our final sample in greater detail.

SURVEY SAMPLE: FIELD OF FOCUS

Field of Focus	Percentage of Respondents[9]
Arts/Culture	7%
Civil rights	19%
Community improvement	23%
Education	48%
Employment	16%
Environment	14%
Global development	15%
Health	22%
Housing	7%
Human services	12%
Public benefit/Advocacy	15%
Youth development	26%
Other	31%

[8] For purposes of this analysis, we define small organizations as organizations having less than \$500,000 in annual budget; medium organizations are organizations with a \$500,000 to \$2 million budget, and large organizations are those that have an annual budget greater than \$2 million.

[9] Respondents were able to select multiple answers to this question, with the result that responses do not total to 100%.

SURVEY SAMPLE: TARGET GEOGRAPHY

Target Geography	Percentage of Respondents
International	40%
Local (U.S.)	32%
National (U.S.)	38%
Regional (U.S.)	24%

SURVEY SAMPLE: GRANT PORTFOLIO AFFILIATION[10]

Portfolio	Percentage of Respondents
Arbor Brothers	7%
Ashoka	35%
Blue Ridge Foundation	4%
Draper Richards Kaplan Foundation	22%
Echoing Green	67%
Fast Forward	7%
Mulago Foundation	7%
New Profit	10%
Peery Foundation	4%
Silicon Valley Social Ventures	12%
Skoll Foundation	8%
Stanford Social Entrepreneurs in Residence	3%

CHARACTERIZATION OF SAMPLE BASED ON ORGANIZATIONS' ANNUAL BUDGET

Organization Size	Count of Organizations in Segment[11]	Proportion of All Organizations	Average Number of Years in Operation
Less than $500K	44	20%	4
$500K - $2MM	54	25%	11
$2MM+	54	25%	11

WHAT WE CAN (AND CANNOT) SAY FROM THIS DATASET

This dataset allows us to understand the most common practices and approaches used by social entrepreneurs as well as dominant perspectives from social entrepreneurs about issues such as growth and scaling. However, it is hard to elicit "best practices" from the dataset, beyond being able to document how the practices of larger organizations differ from those of smaller organizations, given the lack of data about comparative social impact among respondent organizations. While we do believe there is some opportunity to assume that the organizations that are presented in our survey population are among the most successful, given the fact that they met the selection criteria of these competitive grant or award processes, we cannot assume that they are all high-performers.

In addition, while we cannot assume that scaling or an increase in organizational budget is an exact proxy for organizational impact, we believe this dataset allows us to elicit the most common practices used by organizations as they sought to become sustainable multi-million dollar organizations. We believe that providing descriptive data about these practices is useful for the field, however, given the lack of comprehensive data about social entrepreneurs' practices.

[10] 39% of survey respondents report being part of multiple portfolios.
[11] Only a subset of respondents provided the detailed budget information requested here.

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