DEVIATION FROM THE STANDARD:
Funding and Supporting Emerging Social Entrepreneurs

echoing green

KEY FINDINGS

- **Grants and similar types of flexible, risk-tolerant financing are critical at the seed stage for social enterprises.**

  Seventy-three percent of 2015 Echoing Green Fellowship semi-finalists with for-profit and hybrid business models raised grant funding, while 54 percent received investment. While roughly 30 percent of those focusing on either developed or developing countries raised both types of capital, only 7 percent of those focusing on both developed and developing countries did so.

- **Diverse funding sources indicate a lack of large institutional seed funders of for-profit social entrepreneurs.**

  Individual wealth, personal networks, and universities are key drivers of seed funding.

- **Basic education on impact investing among emerging social entrepreneurs is needed.**

  Most entrepreneurs have tried or are trying to get impact investment, and while the term "impact investing" is well known, roughly one in five don't know what it means for their organization. Only 7 percent of entrepreneurs focusing on developing countries reported having received impact investment, whereas 12 percent focusing on developed countries and 17 percent focusing on both developed and developing countries reported receiving it.

- **Founders of for-profits and hybrids need different types of impact investment-readiness support.**

  For-profits are focused on opportunities to pitch and investor connections, while hybrids report needing a broader scope of support, including basic financial training and pitch feedback.

Cover photo: Clementine Chambon, Co-Founder of Oorja: Em'power'ing Rural Communities, 2015 Climate Fellow

FOREWORD

Emerging social entrepreneurs need time, support, and financial "runway" to innovate on for-profit business models that deliver impact and financial returns. In the current impact investing market, seed grants or similar types of risk-tolerant capital, like recoverable grants, are instrumental in launching these for-profit and hybrid start-ups, but more are needed.[1] As the social entrepreneurship field evolves to include innovative profit- and impact-generating models, new types of finance and assistance that support these innovative leaders must also emerge.

To shed more light on the types of support and financing needed, Echoing Green—a nonprofit organization with nearly thirty years of experience in supporting emerging social entrepreneurs through a highly competitive fellowship program—provides a look into how and from where self-identified social entrepreneurs are capitalizing their businesses at the earliest stages and what type of financing and investment-readiness support they need to get to the next level. Data reported by its Fellowship semifinalist applicants proposing for-profit and hybrid business models are provided as part of its impact investing program. Echoing Green also provides these data to illuminate funding approaches of entrepreneurs focusing on developing countries—who are a growing part of its Fellowship portfolio, thanks to a "Priming the Pump" public-private partnership with USAID, General Atlantic, Newman's Own Foundation, The Pershing Square Foundation, and Rockefeller Philanthropy Advisors.

This information builds on Echoing Green's previous investigations into the seed-stage social entrepreneurship ecosystem as well as numerous industry reports that cite entrepreneurs' lack of access to appropriate finance as a key challenge, while investors lack investment-ready deals.[2] Past Echoing Green publications focus on such topics as the rise of hybrid models, how investments and grants are being used together to build social enterprises (in *Funding Social Enterprises*), and annual snapshots of trends in emerging for-profit and hybrid social enterprises.

Echoing Green Fellowship semifinalist data are shared because they have been vetted by internal and external experts in the Echoing Green community. The 203 semifinalists represented the top 13 percent of all for-profit and hybrid applicants in 2015. Echoing Green's rigorous screening process utilizes its network of Fellows, sector and geographic experts, grant makers, and impact investors. These semifinalists' and Fellows' experiences represent some of the best-case scenarios in the field—and thus analysis of their funding and support experience can point to wider trends and challenges.[3]

About Echoing Green's Impact Investing Program

Impact investments are made with the intention to generate measurable social and environmental impact alongside a financial return. Echoing Green developed its impact investing program in response to the increase in for-profit Fellows and Fellowship applicants; in 2015, 50 percent of the Fellowship applicant pool proposed for-profit or hybrid models, up from only 15 percent in 2006. As the social entrepreneurship field has evolved to include profit- and impact-generating models, Echoing Green has moved to deepen its impact investment-readiness support based on Fellow and applicant feedback. Echoing Green is interested in learning about social entrepreneurs' experience with start-up funding to better understand the state of impact investing, as well as to anticipate future investment-readiness and financing needs.

echoing green

CURRENT AND FUTURE CAPITALIZATION STRATEGIES

Echoing Green asked its 2015 Fellowship semifinalists to provide financial information in their application along with descriptions of their anticipated needs. This section examines the funds raised by the semifinalists; how those funds divide into grants and investment; among for-profits, the ratios of grants and investment; anticipated grant needs; and sources of their seed funding.

DATA IN THIS SECTION

This section focuses on a subset of the 203 Echoing Green Fellowship semifinalist organizations in 2015. The 85 organizations in this subset submitted clear financial information, so their current and anticipated funding strategies are highlighted here. Their total reported funds raised at the time of application in December 2014 to March 2015 are fully accounted for by grants or investment. Nineteen organizations that reported raising USD 0 at the time of application are excluded.

Within this subset, 61 percent are for-profits and 39 percent are hybrids. Their top program areas are Poverty Alleviation & Economic Development (27 percent), Health & Healthcare (24 percent), and Environment (20 percent). The top three regions of operation are North America (49 percent), sub-Saharan Africa (21 percent), and South Asia (15 percent). Most organizations are past the earliest organizational stages—84 percent say they have begun pilot testing or have proof of concept.

Data are split by area of operations to look into similarities and differences in funding approaches. Semifinalists were asked to respond to the question: "Select all countries where you will initially focus your operations" and could select multiple countries for their answers. In this subset, 45 percent focus on developed countries, 38 percent on developing countries, and 18 percent on both.[4]

Recoverable Grants

The impact investing market requires new and innovative approaches to structuring investments that meld both social impact and financial return considerations to capitalize emerging for-profit social enterprises. In response to this need, Echoing Green developed a recoverable grant in 2011. Cash stipends, as part of the Global Fellowship, are awarded to for-profit organizations as recoverable grants. These organizations agree to pay back the stipend if they become financially successful; if they don't, they do not pay anything back. Echoing Green's desire is to "recycle" its funding from financially successful organizations to fund future Echoing Green Fellows.

Seed Grants are Critical

Data from the 2015 semifinalists align with what Echoing Green has heard anecdotally from Fellows at later stages of financing: grants and other flexible, risk-tolerant capital are critical at the seed stage. The 85 organizations in the subset collectively raised USD 13.5 million, of which USD 6.6 million is grants and USD 6.9 million is investment. The average total raised was USD 159,088, and the median was USD 66,500.

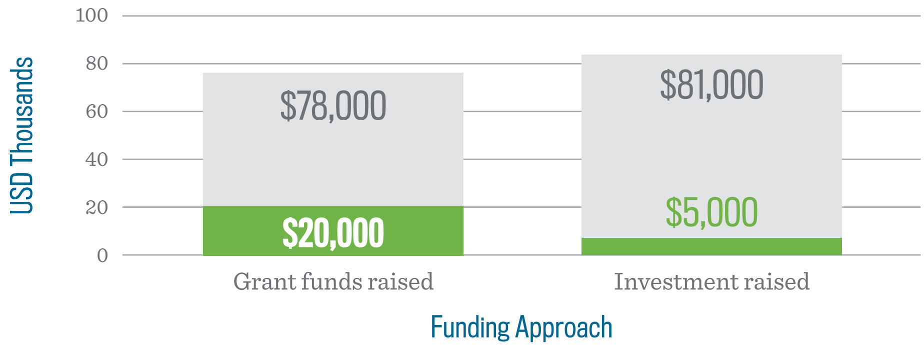
- **Grant funding:**
  Seventy-three percent received grant funding. The average amount of funding received was USD 77,987, and the median was USD 20,000. The 52 for-profits collectively raised USD 3.4 million in grants, USD 200,000 more than the 33 hybrids.

- **Investment:**
  Fifty-four percent of for-profit and hybrid organizations received investment. The average investment raised was USD 81,101, and the median was USD 5,000. A handful of organizations reported large raises, with USD 1.8 million the most investment raised.

"I don't think we could have become entrepreneurs and launched a start-up without Echoing Green and other [seed] money."

– For-profit Echoing Green Fellow

GRANTS AND INVESTMENT RAISED (AVERAGE AND MEDIAN USD), FOR-PROFIT AND HYBRID ORGANIZATIONS

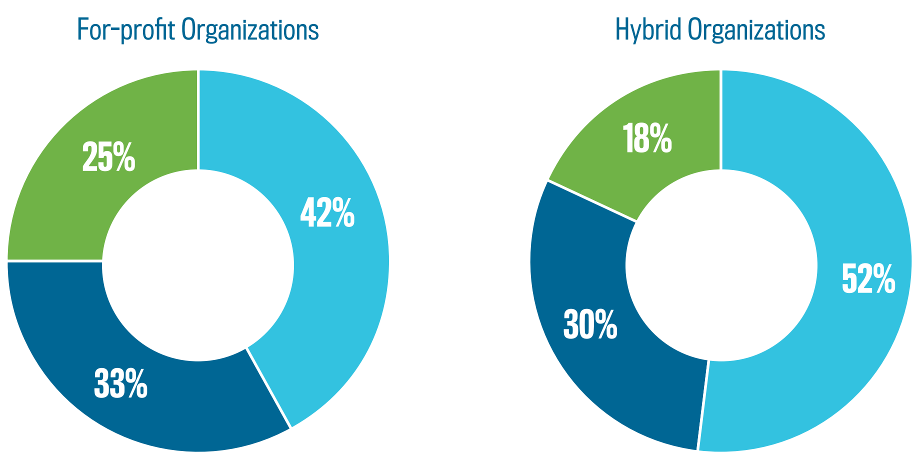


Source: Echoing Green Fellowship semifinalist applications 2015, for-profit and hybrid organizations only. Numbers are rounded to the nearest thousand USD. This analysis was conducted for the 85 organizations whose total reported funding was fully accounted for by grants and/or investment.

Organizations Raising Solely Grants or Investment Raised Less Than Those Raising Both

Most organizations reported raising solely grants or investment (overall, 27 percent raised only investment and 46 percent raised only grants). Interestingly, 42 percent of for-profits reported raising only grants. To get a better sense of funding approaches taken by seed-stage for-profit organizations, data of those that raised both grants and investment are compared with those that raised just one or the other.[5]

SOURCES OF FUNDING



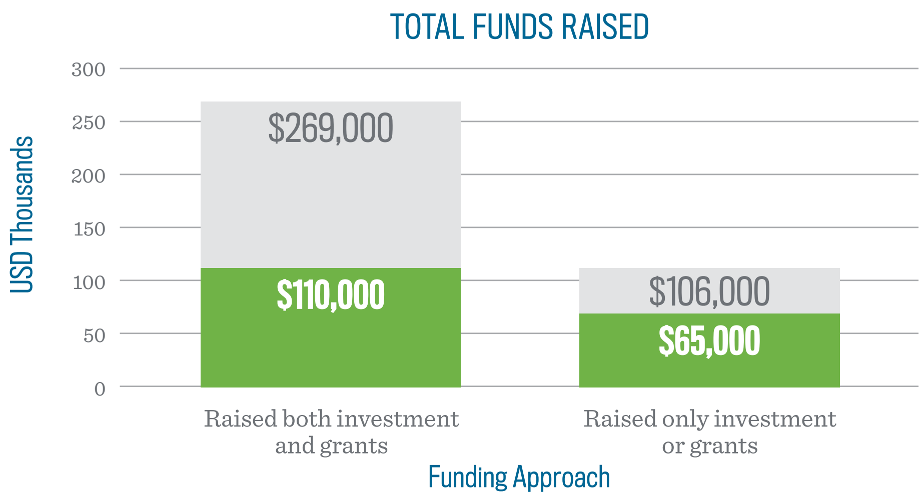
Source: Echoing Green Fellowship semifinalist applications 2015, for-profit and hybrid organizations only. Numbers are rounded to the nearest thousand USD. This analysis was conducted for the 52 for-profit and 33 hybrid organizations whose total reported funding was fully accounted for by grants and/or investment.

Overall, for-profits that raised both grants and investment raised more than those raising just one or the other.[6] At the median they raised the same–USD 110,000—as those that solely raised investment, roughly twice as much as those that solely raised grants. Single funding approaches to grants or investment were more successful at the median but not on average, as a few that raised both grants and investment were able to raise large sums, pulling up that group's average.

Only 7 percent of semifinalists focusing on both developing and developed countries reported raising both grants and investment -- 53 percent raised only investment and 40 percent raised only grants. Seventy-three percent of this group are for-profit and 27 percent hybrid, and 53 percent reported being at proof of concept. In comparison, 31 percent of those focusing on either developing or developed countries raised both types of capital and were at an earlier organization stage. Of those focusing on developing countries, 63 percent are for-profit and 38 percent hybrid; of those focusing on developed countries, 55 percent are for-profit and 45 percent hybrid.

echoing green

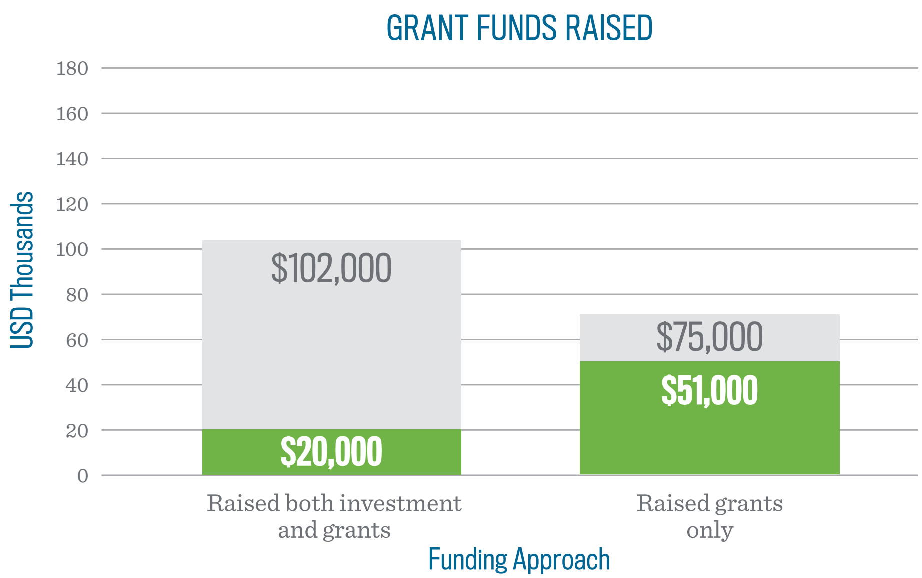
FUNDS RAISED BASED ON FUNDING APPROACH



Average

Median

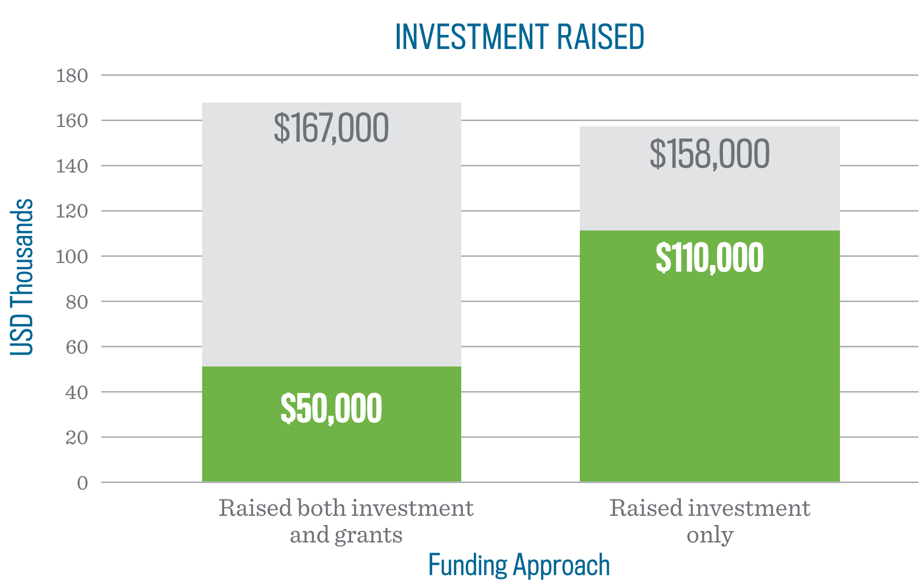
Source: Echoing Green Fellowship semifinalist applications 2015, for-profit and hybrid organizations only. Numbers are rounded to the nearest thousand USD. This analysis was conducted for the 17 organizations whose total reported funding was fully accounted for by both grants and investment, and the 35 organizations whose total reported funding was fully accounted for by either grants or investment.



Average

Median

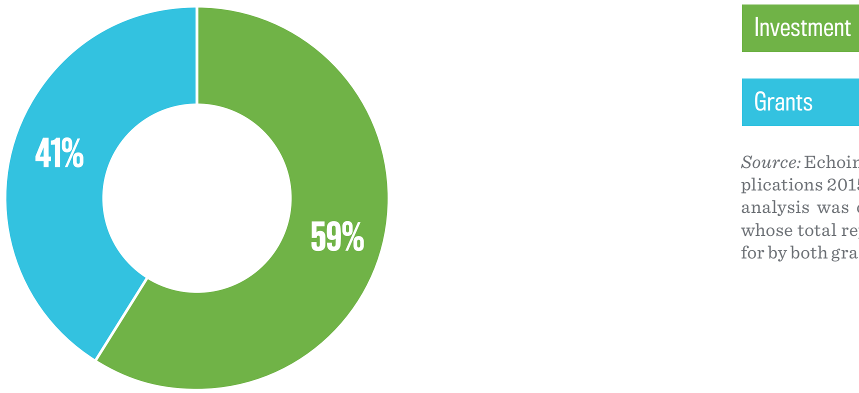
Source: Echoing Green Fellowship semifinalist applications 2015, for-profit organizations only. The analysis for investment raised was conducted for the 17 organizations whose total reported funding was fully accounted for by both grants and investment, and the 13 organizations whose total reported funding was fully accounted for by investment. The analysis for grant funds raised was conducted for the 17 organizations whose total reported funding was fully accounted for by both grants and investment, and the 22 organizations whose total reported funding was fully accounted for by grants.



echoing green

When looking at the 33 percent of organizations that raised both grant and investment capital, it's clear that both are important sources of start-up funding. As funders consider or continue to support the seed-stage market, grantors and investors can take this snapshot of subsidy into consideration.

AVERAGE FUNDING COMPOSITION OF FOR-PROFIT ORGANIZATIONS RAISING GRANTS AND INVESTMENT



Source: Echoing Green Fellowship semifinalist applications 2015, for-profit organizations only. This analysis was conducted for the 17 organizations whose total reported funding was fully accounted for by both grants and investment.

Most Organizations Do Not Anticipate Needing Grants in Five Years

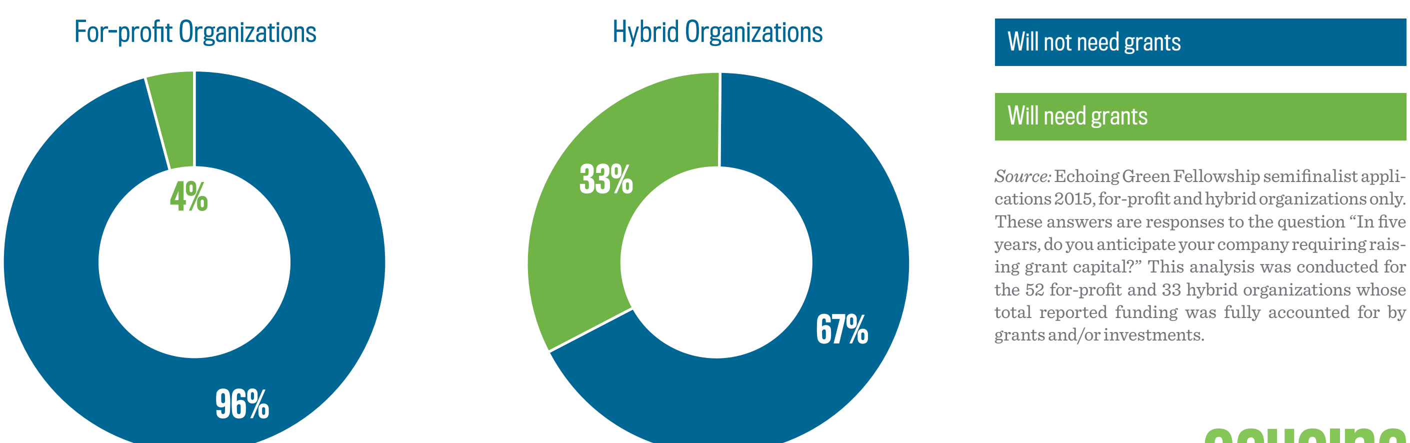
Ninety-six percent of for-profits and 67 percent of hybrids say they do not anticipate needing to raise grant capital to fund their businesses in five years' time. Hybrids that do think they will need grants in five years have a higher percentage of their current funding coming from grants (67 percent) than those that do not (57 percent).

These hybrids provide a range of estimates of the percentage of their total funding such capital would provide, from 10 to 80 percent, with most citing between 33 and 50 percent. These organizations also list a variety of anticipated uses, such as funding education programs, piloting new programs, diversifying products, and marketing to the base of the pyramid.

Thirteen percent of organizations focusing on developing countries exclusively or in tandem with developed countries anticipate needing grant capital, compared with 18 percent of those focusing only on developed countries. The latter group has a larger percentage of hybrids than the other two.

> "In the beginning, [I felt] the more grants, the better—it's great not to give away equity... [Now] I understand that I can't use grant money to build infrastructure or operations."
>
> – Hybrid Echoing Green Fellow

ANTICIPATED GRANT CAPITAL NEEDS IN FIVE YEARS



Source: Echoing Green Fellowship semifinalist applications 2015, for-profit and hybrid organizations only. These answers are responses to the question "In five years, do you anticipate your company requiring raising grant capital?" This analysis was conducted for the 52 for-profit and 33 hybrid organizations whose total reported funding was fully accounted for by grants and/or investments.

echoing green

In Echoing Green's work with Fellows at a later stage of growth, many say that they prefer investment to grants when available. Many founders who believe they couldn't have started their companies without flexible seed financing from grants, prize money, or recoverable grants from Echoing Green or other organizations go on to receive private investment—more than grant funding. Though grants are "free," Fellows have noted that they can also be restrictive rather than funding general operations, have long or rigid timelines from application to money in the bank, require reporting that can be out of the scope of core business metrics, and can come with skills or expertise misaligned with those needed to grow a for-profit company.

"Grants are nice because they're free money, but at this point we're looking for investors who can provide expertise beyond just the capital."

– For-profit Echoing Green Fellow

Diverse Funding Sources Show Lack of Major Institutional Seed Funders

DATA IN THESE SECTIONS

The rest of this paper highlights the entire 203 for-profit and hybrid Echoing Green Fellowship semifinalist applications' qualitative responses regarding their perceptions of impact investing and investment-readiness support needs. Fifty-eight percent are for-profits, and 42 percent are hybrids. Split by area of operations, 44 percent of this subset focuses on developed countries, 40 percent on developing countries, and 16 percent on both. The top reported program areas are Poverty Alleviation & Economic Development (25 percent), Environment (23 percent), and Education (16 percent). The top regions of operation are North America (44 percent), sub-Saharan Africa (25 percent), and South Asia (16 percent). Eighty-two percent report already having proof of concept or having begun pilot testing.

When asked for their top sources of funding of more than USD 10,000, no one institutional seed funder emerged among the semifinalists. More than 350 funding sources were reported, with family, friends, and self-funding prominent. These answers demonstrate the importance of personal wealth and access to networks of wealth in seeding social enterprises.

The most-cited institutional funder was reported by only six organizations. Among institutional funders, university- and government-funded programs are important start-up funders. In addition to the various prizes and competitions at the Massachusetts Institute of Technology and Harvard University, a diverse group of publicly funded schools like those in the University of California system were noted. Government-funded programs, including the U.S. Department of State, Grand Challenges Canada, and Start-Up Chile, also play a big role.

INSTITUTIONAL SEED FUNDING SOURCES

Institutional seed funder	Number of organizations reporting as funder
1. Massachusetts Institute of Technology	**6**
2. Grand Challenges Canada	**5 (tie)**
2. Harvard University	**5 (tie)**
3. Start-Up Chile	**4**
4. ImpactAssets	**3 (tie)**
4. U.S. Department of State	**3 (tie)**

Source: Echoing Green Fellowship semifinalist applications 2015, for-profit and hybrid organizations only. Organizations reported receiving funding from a number of specific sources within both the Massachusetts Institute of Technology (MIT) and Harvard University, such as the "MIT Global Founders' Skills Accelerator," the "MIT Venture Grant," "Harvard Business School's New Venture Competition," and the "Harvard Deans' Challenge." ImpactAssets funds organizations via the donor-advised funds it manages.

Anecdotally, Fellows running for-profit businesses have also shared that aside from Echoing Green, they lack a go-to institutional seed funder or a centralized resource to help them identify sources of impact seed capital. Echoing Green has seen this pent-up demand firsthand; even as the number of Fellowships offered has increased, so have applications, which means that selectivity has stayed around 1 to 2 percent. As in mainstream markets, this lack of institutional seed capital makes clear the importance of individual wealth and access to networks—of particular note for social enterprises and impact investing when viewed through an equity lens.

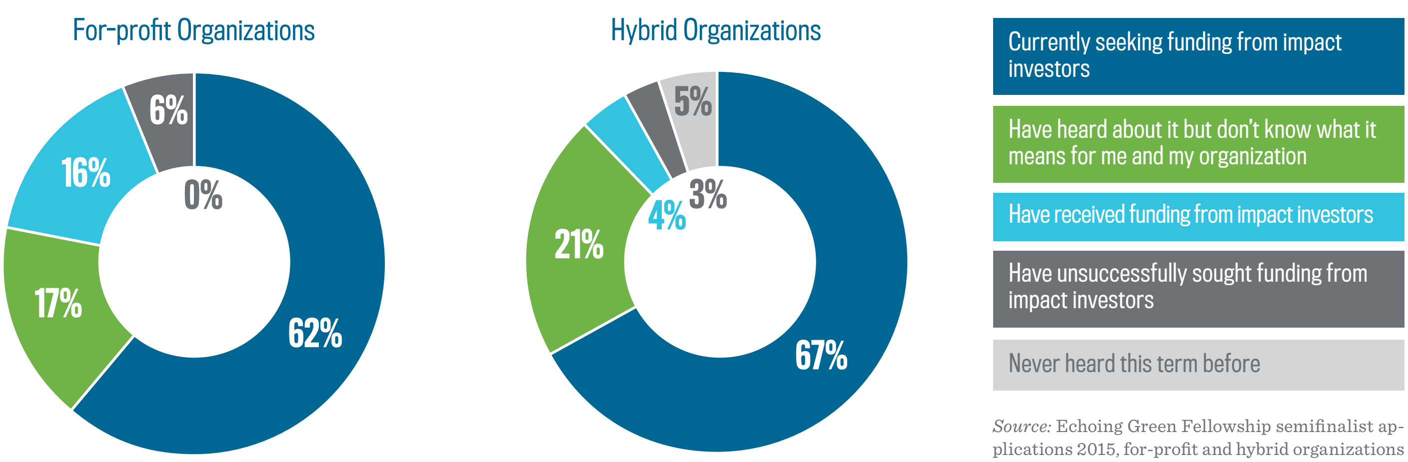
SOCIAL ENTREPRENEUR VOICES: IMPACT INVESTING AND SUPPORT NEEDS TO GROW

Emerging Social Entrepreneurs are Aware of Impact Investing, Though Value is Unclear to Some

Most for-profit and hybrid semifinalists are either currently seeking funding or have previously sought funding from impact investors, and only four hybrid organizations responded that they had never heard of the term. However, 17 percent of for-profit founders and 21 percent of hybrid founders do not know what impact investing means specifically for them and their organizations.

Sixty-nine percent of organizations focusing on developing and developed countries were currently seeking funding from impact investors, similar to the 67 percent of those focusing only on developing countries but 10 percent more than those focusing only on developed countries. Relatedly, 22 percent of semifinalists focusing on developed countries did not know what impact investment means for them and their organizations, followed closely by 19 percent of those focusing on developing countries, but in contrast to those focusing on both developed and developing countries, at only 10 percent. Only 7 percent of organizations focusing on developing countries had received funding from impact investors, whereas 12 percent of those focusing on developed countries and 17 percent of those focusing on both developed and developing countries had done so.

PERCEPTIONS OF IMPACT INVESTING



Source: Echoing Green Fellowship semifinalist applications 2015, for-profit and hybrid organizations only. This graph shows organizations' responses to the question "What is your perception of impact investing?" Respondents could select only one answer. Percentages shown are of the 102 for-profit and 75 hybrid organizations that provided a response. Percentages sum to greater than 100 percent due to rounding.

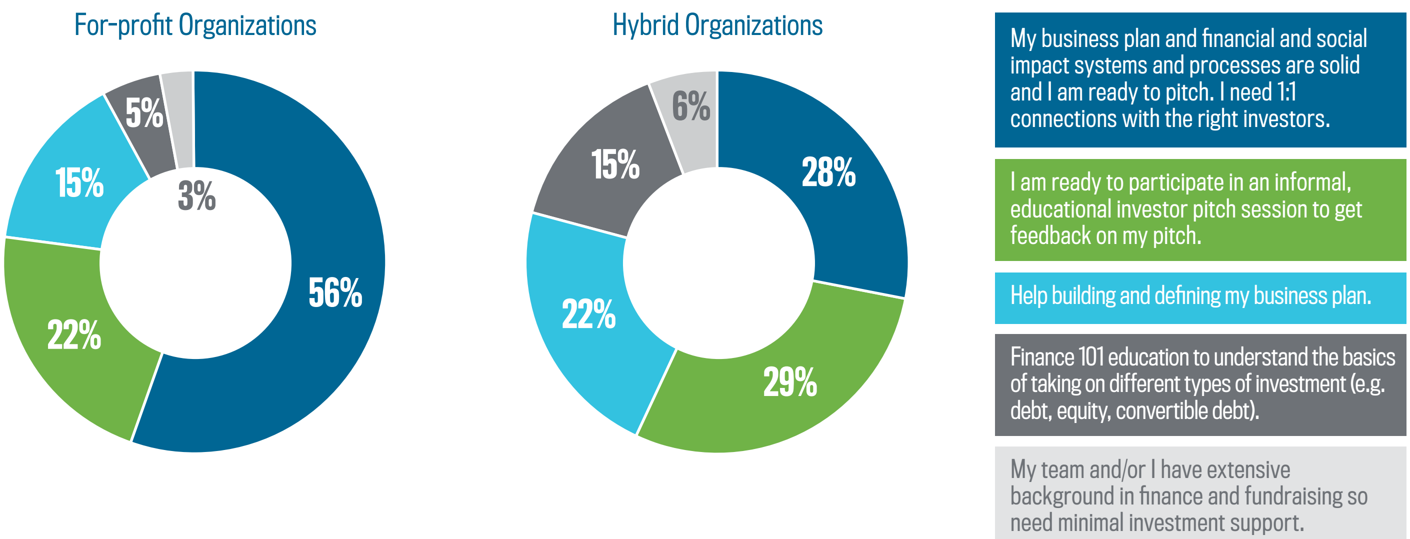
These data indicate that despite the term "impact investment" being well known, there is still a need for basic education on impact investing among seed-stage social entrepreneurs. Echoing Green has heard from Fellows at later stages that the impact investing landscape is broad, confusing, and difficult to break into, and social entrepreneurs are not sure whom to approach, where to go for information, and what the value of an impact investor is versus a traditional investor. They often assume concessionary returns, sector or geographic knowledge, and/or longer timelines for financial returns; but these expectations can be misaligned with those of investors. Actions Echoing Green is taking to address these issues are noted in the Discussion section.

echoing green

For-profit and Hybrid Organizations Indicate Different Needs for Impact Investment-readiness Support

Overall, semifinalists report that their greatest need is to gain connections with investors and experts to help refine pitches. However, these for-profit and hybrid organizations indicate needing different types of support to become investment-ready. Hybrid organizations were less likely to report being investment-ready and had more varied needs than for-profit organizations. Less than one-third of hybrid organizations reported being ready to pitch to investors. Although very few (5 percent) for-profits reported needing "Finance 101" education, 15 percent of hybrids reported they would like such training. Interestingly, 15 percent of those focusing on developed countries reported needing "Finance 101" education, compared with 7 percent of those focusing on both developed and developing countries and 4 percent focusing only on developing countries. The group focusing on developed countries has a similar organizational stage distribution and for-profit and hybrid composition as those focusing on developing countries.

INVESTMENT-READINESS NEEDS



Source: Echoing Green Fellowship semifinalist applications 2015, for-profit and hybrid organizations only. This chart shows organizations' responses to the question "What do you need to become investment-ready?" by organizational structure. Respondents selected their primary need. Percentages shown are of the 106 for-profit and 79 hybrid organizations that provided a response.

The answers indicate that building the capacity of seed-stage hybrid organizations may need to have a more complex and holistic focus, whereas for-profits feel ready for access to networks and finance. As Echoing Green's 2012 article with Harvard Business School noted, this may be because "hybrid organizational models can be a fountain of innovation… [but] when organizations combine social mission with commercial activities, they create unfamiliar combinations of activities for which a supportive ecosystem may not yet exist."[7]

Organizations focusing on developing countries reported similar needs as those focusing on developed countries. No matter the area of operations, most emerging entrepreneurs just want connections to the right investors.

DISCUSSION

The importance of flexible seed funding

Unlike typical start-ups operating in mature markets, entrepreneurs that seek or receive Echoing Green funding largely need subsidized financial runway to innovate, learn, and de-risk new business models that try to address institutionalized social problems largely deemed intractable. Particularly for social enterprises, a longer timeline to, or lack of, potential robust financial returns to investors makes them a difficult sell to angel networks, venture capitalists, and other traditional sources of early investment.

In the current impact investing market, seed-stage social enterprises are largely seen as too risky by institutional investors, which responded in a 2015 report by JP Morgan and the Global Impact Investing Network (GIIN) that only 9 percent of their impact investment is committed to seed- or venture-stage companies.[8] There is valid concern among the impact investing community that grant capital and other forms of subsidy can crowd out investment. As Big Society Capital wrote in 2015, "Subsidy is both catalytic and potentially catastrophic in developing any new financial asset class where market failures exist….[However,] without subsidy, who will pay for the innovation or risk the uncertainty of developing and proving new models?"[9]

"I don't think the company could have gotten to where it needed to, in terms of the changes in the model, [without grants]."

– Hybrid Echoing Green Fellow

Combined with information from semifinalists and Fellows, it seems that despite any market-building concerns, in practice, grants, personal networks, and individual wealth are widely used to catalyze exploration of innovative for-profit new business models. Echoing Green sees the demand for its risk-tolerant seed funding rising and is able to support only the top 1 to 2 percent of its applicants annually. Absent additional sources of institutional seed funding, groundbreaking social enterprises lacking access to networks of finance may not succeed.

More institutional actors can help strengthen the seed-stage social entrepreneurship ecosystem in diverse ways. As evidenced by one-third of the 2015 for-profit semifinalists, investment and grant capital are working together; they are complements, not substitutes, for catalyzing growth. The Aspen Network of Development Entrepreneurs notes that for small businesses, "making successful investments of $50,000 and below… often works best in partnership with philanthropic capital."[10] If a social entrepreneur decides grant and investment are appropriate to raise in tandem to start up, a combination of grant and investment may be provided by the same sophisticated funder with experience in both.[11] However, grant makers should not necessarily become impact investors, and vice versa; early-stage capital can be coordinated by milestones along different types of funders.[12] Philanthropic or similar risk-tolerant capital can help social enterprises become investable, as long as entrepreneurs and funders stay focused on earning revenue and executing their business plan. And around the world, most emerging entrepreneurs seem to agree, as an average of 82 percent of all semifinalists do not anticipate needing grant capital in five years.

Although foundations generally do not provide grants to for-profit companies, they could consider other ways to support the ecosystem through research, capacity-building tools, or program-related investment that focuses on early-stage companies or funds.[13] Similarly, the international donor community, which, as a recent report noted, "has not increased financial commitments to entrepreneurship or [small and medium enterprise]-related development programs," could consider supporting sector or geography-focused prizes, challenge programs, or other ways to incorporate emerging social enterprises in its work.[14] Echoing Green has also seen also interest increase among student-originated university impact investing funds, including at schools like Columbia University and the University of Michigan. If executed in ways that align social entrepreneur needs with student and institution expertise, these funds could be mutually beneficial.

Seed funding needs to be combined with tailored investment-readiness

Leading impact investors note that "business model execution & management risk" is consistently the largest contributor of risk to their portfolios.[15] Echoing Green is focusing on building its capacity and strategic partnerships that help de-risk Fellows' breakthrough ideas and, importantly, support Fellows as individuals. Part of what makes Echoing Green unique is its focus on the individual: Fellows' innovative ideas and organizational leadership skills are worthless if they burn out.

Emerging social entrepreneurs report needing distinct types of capacity-building support to grow, with hybrids indicating a broader range of organizational supports and for-profits focusing on access to investors. However, Echoing Green finds that along the spectrum of "investment-readiness," Fellows and other social entrepreneurs may identify themselves as investment-ready while feedback from investors indicates that earlier-stage support is still needed to secure investment. As a result, emerging leaders in social enterprise aren't getting funded, and their innovative business models won't become tomorrow's examples of the impact investing market's success.

In response, Echoing Green is sourcing the best next-generation talent and future social enterprise business leaders through engaging impact investors and successful for-profit social entrepreneurs in its search and selection process. Given that 44 percent of this year's semifinalists report already being investment-ready and are seeking the right investors, and that a survey of impact investors shows that "referrals from co-investors or portfolio companies were identified as the most effective sources of identifying potential deals,"[16] Echoing Green is providing and curating investment-readiness tools, access to experts and later-stage Fellows to help them continue growing their business, and expanding its investor network. Finally, through white papers like this and other communications, Echoing Green is also highlighting opportunities and challenges for the market.

Future research

Additional analysis could be done to survey the landscape on how much money existing seed funders disburse annually, and how much is subsidized capital. A dual survey of seed funders and their recipients could shed more light into pain points and best practices in early funding processes, timelines, and investment-readiness support. Echoing Green hopes others working with emerging social entrepreneurs will share their data and knowledge to help these leaders succeed and inform and increase the flow of early-stage impact capital and support.

NOTE ON DATA

Readers should not interpret these data to make conclusions about any geography, sector, organization type, or the broad early-stage social entrepreneurship ecosystem. These 2015 Echoing Green Fellowship applicants and Fellows represent a self-selected, self-reporting group of those who completed its application.

Endnotes

[1] Echoing Green defines hybrids in its Fellowship application as having both "for-profit and nonprofit elements."

[2] For example, see: *Investment Readiness in the UK*, ClearlySo and New Philanthropy Capital, 2012; *Coordinating Impact Capital: A New Approach to Investing in Small and Growing Businesses*, Santa Clara University and the Aspen Network of Development Entrepreneurs (ANDE), 2011.

[3] Out of a total of 3,165 applications, there were 1,573 for-profit and hybrid applications; Echoing Green ultimately selected 16 as Fellows—the top 1 percent.

[4] For this paper, Echoing Green used USAID's List of Developing Countries to segment the data.

[5] This section does not include hybrids due to small sample size and several major outliers among those that raised both types of capital.

[6] In comparison to the for-profit organizations that raised solely grants or investment, the group of for-profit organizations that raised both types of funding were more skewed toward issues related to the environment or education and having operations in sub-Saharan Africa, and less likely to have proof of concept.

[7] "In Search of the Hybrid Ideal," *Stanford Social Innovation Review*, 2012.

[8] *Eyes on the Horizon: The Impact Investor Survey*, JP Morgan and the Global Impact Investing Network (GIIN), 2015, p. 7.

[9] "What Can Social Investment Today Learn from Futurebuilders?" Big Society Capital, 2015.

[10] *2014 Impact Report: State of the SGB Sector*, ANDE, 2014, p. 18.

[11] *Funding Social Enterprises*, Echoing Green, 2014.

[12] *Coordinating Impact Capital: A New Approach to Investing in Small and Growing Businesses*, Santa Clara University and ANDE, 2011.

[13] "Guide to Funding Research," Foundation Center.

[14] *2014 Impact Report: State of the SGB Sector*, ANDE, 2014, p. 20.

[15] *Eyes on the Horizon: The Impact Investor Survey*, JP Morgan and the GIIN, 2015, p. 9.

[16] Ibid, p. 8.

echoing green

Acknowledgments

This is a publication of Echoing Green. Members of Echoing Green who contributed to this publication include: Min Pease, who authored the paper, and Cheryl Dorsey, Janna Oberdorf, and Ben Beers, who provided input on data analysis and content. Chelsea Rudman performed the data analysis, conducted desk research, and provided input on content. N. Taylor Thompson also provided background research and content.

This white paper is part of Echoing Green's "Priming the Pump" public-private partnership with the U.S. Global Development Lab at USAID, General Atlantic, Newman's Own Foundation, The Pershing Square Foundation, and Rockefeller Philanthropy Advisors. This partnership allows Echoing Green to achieve and diversify its growth, with a goal to support 100 organizations by 2016, including more people working in the developing world.

With Support From

U.S. GLOBAL DEVELOPMENT LAB Powered by USAID

About Echoing Green

For nearly thirty years, Echoing Green, a nonprofit that has disbursed USD 40 million in funding and strategic assistance to almost 700 emerging leaders, has found and forged the most promising talent into leaders who spend their lives working with purpose. It continues to build a global community of emerging leaders who launched Teach For America, City Year, One Acre Fund, The Global Fund for Children, SKS Microfinance, and more. Whether it's through its Fellowships or other innovative leadership initiatives, it unleashes unexpected potential from hidden places by tracking down the best and the brightest leaders, bringing them together, and launching them on a path to success.

As one of the few seed funders of social entrepreneurs, Echoing Green hopes to inform and increase the flow of early-stage impact capital. Its impact investing program stems from its experience in selecting, funding, and supporting these Fellows, and contributes Fellows' and Fellowship applicants' funding stories, applicant trends, and innovative models of seed-stage investment to inform the type and flow of capital needed to help emerging social entrepreneurs succeed.

Further Reading

- Read more about Echoing Green's *impact investing work*.
- Review Echoing Green's *2015 snapshot* of overall trends in emerging for-profit and hybrid social enterprises.
- Learn about Echoing Green's Fellowship *selection criteria*.
- Read the interactive 2014 *Year of Innovation report*.

echoing green