

Social Capital Conference (SoCap09)
Fort Mason – San Francisco
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Panel Topic: Growth Capital for Non Profit Social Entrepreneurs

Moderator: Nell Edgington, Social Velocity

Panel Participants:

Kelly Ward – New Profit
Darrell Hammond – KaBOOM!
Greg Baldwin – VolunteerMatch

Purpose:

This panel discussed the challenges of the non-profit sector in raising growth capital in order to scale innovative social enterprises quickly. Exploring for profit capital growth models as well as government policy and philanthropic capital funding were key elements to understanding new ways to gain the most social impact from the varied capital investment strategies.

Design/methodology/approach

Each panelist shared their organization's current approach to obtaining growth capital in addition to methods being explored for organizing future capital funding strategies.

Findings –

Greg Baldwin (VolunteerMatch) – Using philanthropic foundation funds, VolunteerMatch laid out specific key measures of success that spoke to the values of the organization and sought donors that were directly aligned with those stated values. Noting the specifics of what each dollar would yield in terms of social value gave the foundations a rational format to follow in donor presentations. By “changing the picture of success” the organization's goal was to grow quickly as the program would only truly make sense in realistically obtaining their value driven goals at a very large scale.

Kelly Ward (New Profit) -- New Profit targets social innovation opportunities by identifying those programs that will have largest transformational impact and economic mobility if brought to scale. Currently identifying those projects starting at \$1.0-\$1.5M with the potential to scale quickly, New Profit funds the project with long term capital as well as strategic leadership (currently working with The Monitor Group, an organization solely focused on developing non-profit leadership) in order to ensure a supportive and secure growth infrastructure. The trajectory of the investment is approximately \$15M at which time the fund slowly “exits” the program while helping the non-profit to ensure next level funding. Given the need to increase the opportunities for funding, they have turned their focus to shaping government policy that supports capital investing for non-profit social entrepreneurs as a viable option for funding.

Darrell Hammond – With an eye toward moving government policy in the direction of addressing the larger issue of “What is the role of play in our society”, KaBOOM! hopes to raise new capital and awareness through strategic engagement with government entities. The challenge is in educating those potential donors (government or for profit organizations interested in the greater good of society) around the concept of social investing; most specifically the shift in what is defined as an investment “exit strategy”. Instead of the non-profit exit strategy being defined as reaching “the goal” (i.e. eradicate poverty) investors and the organization need to be engaged in obtaining the next level of funding. Once funding is obtained to grow the organization to potential scale the initial investor exits investment. Hence, there is a need for re-organization of how relationships are formed, the role of the investor as it pertains to the growth of the organization and in how arguments are made for the purpose of obtaining growth capital

for future growth.

Practical implications –

Social entrepreneurs functioning in the non-profit sector need seed capital and growth capital similar to the for profit sector. In addition, outcomes need to be managed by increased funding for infrastructure.

Unless new dialogues are had with the investor community (government or otherwise) around the value of impact investing, proper scale will not be achieved by those non-profits that require rapid growth and support to be effective.

The non-profit sector must broaden its scope on where new capital will be coming from in order to attract social innovation that has the largest potential for social impact.

Non-profit and for profit social entrepreneurs will need to bridge funding gaps by developing a common language around how value investment is measured to maximize growth potential.

Originality/value

Each non-profit faced similar challenges on how to scale either their organization or those organizations that they fund. As a result, each found that a taking a blended investor approach for different stages of growth as well as educating and keeping the investor community involved and engaged in the social impact goals created the most effective and sustainable outcomes.

Key Words

Social Innovation Department, Serve America Act, government funding

Paper type: Panel Discussion Review

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