

SUPPORTING SOCIAL ENTREPRENEURSHIP



ROCKEFELLER PHILANTHROPY ADVISORS
PHILANTHROPY ROADMAP

Social entrepreneurs are natural born innovators who work to solve challenging issues. As pioneers, they tend to shape their roles as they go—creating new solutions to old problems, new rules, and sometimes entirely new disciplines. They are responsible for sparking much of the positive change our world has seen, and have been around well before the term “social entrepreneur” was formally coined—think Martin Luther King, Jr. and Susan B. Anthony.

For philanthropists accustomed to more traditional grantees, yet interested in backing these groundbreaking leaders, funding social entrepreneurs can feel like entering uncharted territory. Donors might find themselves intrigued by the potential for change, and yet, at the same time, unsure of what to expect in a field where the unexpected is the norm.

That’s why we wrote this brief guide. Think of it as an introduction to social entrepreneurship. Part of our *Philanthropy Roadmap* series, the guide is designed to help philanthropists evaluate whether they want to include support for social entrepreneurs in their giving or investment programs, and how to begin doing so.

WHAT IS A SOCIAL ENTREPRENEUR?

Let's start by defining the subject. The Skoll Foundation, which has been a leading funder in this area for more than 10 years, offers the following description:

“Social entrepreneurs are society's change agents, creators of innovations that disrupt the status quo and transform our world for the better.”

Here are other key characteristics:

SOCIAL ENTREPRENEURS TYPICALLY USE INNOVATIVE METHODS TO ADDRESS SOCIAL OR ENVIRONMENTAL PROBLEMS.

SOCIAL ENTREPRENEURS ARE NOT LIMITED TO NONPROFIT ORGANIZATIONS. IN FACT, THEY CAN FOUND OR LEAD FOR-PROFIT COMPANIES AS WELL. THEY CAN EVEN BE SEEN AT THE HELM OF HYBRID ORGANIZATIONS THAT BRIDGE PROFIT AND PURPOSE LIKE L3CS OR FOR-BENEFIT CORPORATIONS (B-CORPS).

TODAY SOCIAL ENTREPRENEURS ARE OFTEN ASSOCIATED WITH SOCIAL ENTERPRISE PROJECTS THAT EARN INCOME AS WELL AS DELIVER SOCIAL AND ENVIRONMENTAL BENEFITS. (SEE FACING PAGE)

Social entrepreneurship has taken off considerably in the past decade, but has been around for a very long time. At the root of most great periods of social progress are individuals with a vision for change and the savvy to grow a movement and the organizations to sustain it. Those people are social entrepreneurs.

Here is a very short list of such game-changers from the past:

**MARIA MONTESSORI IN EARLY EDUCATION
FLORENCE NIGHTINGALE IN NURSING
JOHN MUIR IN WILDERNESS PRESERVATION
MOHANDAS K. GANDHI IN NONVIOLENT CIVIL DISOBEDIENCE**

SOCIAL ENTERPRISE

A mission-driven organization with a market-based strategy. Social enterprises include nonprofits which run income-producing businesses and for-profits which prioritize positive social and environmental impact. A recent study released by the Great Social Enterprise Census reported that in the U.S.:

**60 PERCENT OF SOCIAL ENTERPRISES WERE
CREATED IN 2006 OR LATER**

**NEARLY HALF OF SOCIAL ENTERPRISES HAVE LESS THAN \$250,000
IN REVENUE, AND NEARLY 40 PERCENT HAVE FEWER THAN FIVE EMPLOYEES
(JUST EIGHT PERCENT HAVE OVER 100 EMPLOYEES)**

**35 PERCENT OF SOCIAL ENTERPRISES ARE 501(C)(3)S AND
31 PERCENT ARE REGULAR C-CORPS OR LLCs**

For donors, the opportunities to support social entrepreneurship are expanding. Donations and investments can be made to support a wide range of social impact and can be made at varying levels of risk. Philanthropists also have the chance to back different stages of the entrepreneurial process.

In the following pages, we offer examples of social entrepreneurs from the past and present, along with four questions thoughtful philanthropists can ask as they begin their exploration of social entrepreneurship.

WHEN BUYING IS ALSO GIVING
BLAKE MYCOSKIE AND TOMS SHOES

He calls it a new model for philanthropy. A customer buys a pair of shoes from his for-profit company, TOMS, and the company donates a pair to a child in need somewhere in the world. Blake Mycoskie started TOMS in 2006. By 2012, the company had given away more than two million pairs of shoes, partnering with other organizations, like World Vision, to distribute the shoes.

The idea for TOMS came to Mr. Mycoskie on a trip to Argentina where he saw first-hand “the blisters, the sores, the infections” that shoeless children suffered. He told McKinsey & Company in an interview: “Like many would-be philanthropists, my first thought was to tackle the problem head on: I could start my own shoe-based charity, but instead of soliciting shoe donations, I would ask friends and family to donate money to buy the right type of shoes for these children on a regular basis. But, of course, this arrangement would last only as long as I could find donors. That was the traditional model of philanthropy: identify a cause and initiate a never-ending hunt for donors. I wanted something more sustainable. These kids needed more than occasional

shoe donations from strangers — they needed a constant, reliable flow.” So, the man who was already an entrepreneur — he created a national laundry service for college students — became a social entrepreneur, combining purpose with profit to create “a for-profit company with giving at its core.”

The company says the NGOs they work with must ascertain that “providing shoes cannot have negative socio-economic effects on the communities where shoes are given.” The \$100 million business — what Mr. Mycoskie calls “the movement” — is thriving.

Mr. Mycoskie calls the approach “One for One,” but TOMS is not the only social enterprise using the technique. Better World Books promises to give a book for every book it sells. So far the for-profit business has donated 6.1 million books. Like TOMS, it creates thousands of “customer-philanthropists” as it plies its trade.

“Social entrepreneurs are not content just to give a fish or teach how to fish. They will not rest until they have revolutionized the fishing industry.”

BILL DRAYTON, CEO, CHAIR AND FOUNDER OF ASHOKA,
A PIONEER IN FUNDING SOCIAL ENTREPRENEURSHIP

QUESTION 1

DO YOU BELIEVE IN THE SOCIAL ENTREPRENEUR AND HIS OR HER VISION?

Strong leadership—or the lack of it—can be a decisive factor in making funding choices about social entrepreneurship. A philanthropist's decision will often hinge not only on the idea and the strategy, but also on a social entrepreneur's personal integrity, vision, ability as a leader and track record.

Social entrepreneurs often become the public face of the organizations they found. Their management style, experience and motivation can have a huge bearing on the effectiveness of their work.

Here are some questions philanthropists can use to evaluate leadership:

**WHAT IS THE LEADER'S VISION?
IS IT BACKED UP WITH A SOLID BUSINESS OR STRATEGIC PLAN?**

HOW DOES THE LEADER MAKE AND COMMUNICATE DECISIONS?

IS THE LEADER A GOOD TEAM-BUILDER?

**IS THE TEAM THE LEADER HAS ASSEMBLED CAPABLE
OF CARRYING OUT THE MISSION?**

**(FEW ENTREPRENEURS OF ANY STRIPE HAVE ALL
THE SKILLS NECESSARY TO EXECUTE THEIR PLANS
WITHOUT A SUPPORTING CAST.)**

IS THE SOCIAL ENTERPRISE STABLE AND POISED FOR GROWTH?

HOW DOES THE LEADER HANDLE CONFLICT?

DOES THE LEADER INSPIRE TRUST AND LOYALTY?

HOW DOES THE LEADER BALANCE PASSION WITH STRATEGY?

**DOES THE LEADER HAVE A SUCCESSION PLAN FOR
HER ORGANIZATION?**

A social entrepreneur is more than just a person with a new, clever idea. A social entrepreneur is a catalyst, a motivator, a manager, a fundraiser, a role model and a decision-maker. But above all, a social entrepreneur, like any leader, is accountable for results—to colleagues, to clients, to communities, to investors and, of course, to donors.

See our guide on “Investing in Leadership” for more information on this topic.

RE-INVENTING CREDIT

MUHAMMAD YUNUS

Few social entrepreneurs have received the Nobel Peace Prize. Muhammad Yunus and Grameen Bank, which he founded to implement his theories on micro-credit, claimed that distinction in 2006. The Nobel Committee's citation tells the story:

“Muhammad Yunus has shown himself to be a leader who has managed to translate visions into practical action for the benefit of millions of people, not only in Bangladesh, but also in many other countries. Loans to poor people without any financial security had appeared to be an impossible idea. From modest beginnings three decades ago, Yunus has, first and foremost through Grameen Bank, developed micro-credit into an ever more important instrument in the struggle against poverty. Grameen Bank has been a source of ideas and models for the many institutions in the field of micro-credit that have sprung up around the world.”

How revolutionary has Professor Yunus been? You only need to look at the figures for Grameen Bank—

8.3 million borrowers, 2,500 branches, 22,000 staff, more than \$US 1.1 billion loaned out in 2011 with 96 percent repayment of loans. But the most salient fact is this: 95 percent of this big bank is owned by its borrowers, mostly poor women.

The bank is what he calls a social business—“a company dedicated entirely to achieve a social goal. In social business, the investor gets his/her investment money back over time, but never receives a dividend beyond that amount.”

Donors played an important role in supporting the bank's early growth. And donations still support Grameen banks in new locations—as it takes usually three to five years for a new bank to become self-sufficient.

Microfinance as an industry has suffered from misplaced expectations and the issues that emerge as for-profit players have become involved, as well as research that casts doubt on its overall ability to lift vast numbers out of poverty. But Professor Yunus's innovation has been the driving force behind the

evolution of microfinance to look at a range of financial products for the poor and behind the growth of the social enterprise and impact investing sectors.

According to Yunus, a social business is “a company dedicated entirely to achieve a social goal.”

QUESTION 2

WHAT MAKES THE SOCIAL ENTREPRENEUR'S APPROACH DIFFERENT?

Many social entrepreneurs seek game-changing impact—whether they work in the nonprofit or for-profit worlds. But ambition and passion are not enough on their own. Philanthropists will also want to examine the entrepreneur's ability to create innovation that delivers results.

Social entrepreneurs use new approaches and insights to find solutions to problems. Sometimes the solution is not a radical departure, but a tweak on a previous solution that makes it more effective. Sometimes the solution offers efficiencies that come from bringing in new partners to improve an old approach. Whether the solution requires major or minor innovation is not the central issue. What's more important for the philanthropist is finding out if the entrepreneur's approach has merit.

This is where due diligence can play a decisive role. When evaluating any new idea or organization, it's advisable to talk to experts in that issue area and review the quality of an entrepreneur's concept and strategy.

Assessment is a buzzword in philanthropy—usually it refers to the review and evaluation of the impact of a donation. Many philanthropists who support social entrepreneurs have learned that the most important assessment comes before any gift or investment has been made. That assessment is based on three questions:

COULD THIS APPROACH BE BETTER THAN EXISTING ONES?

DOES THE APPROACH HAVE THE POTENTIAL TO SUCCEED?

**CAN THE ENTREPRENEUR GUIDE THE DESIGN AND
DELIVERY OF A NEW PRODUCT OR SERVICE OVER TIME?**

ASSESSING A BUSINESS OR STRATEGIC PLAN

Donors who come from the world of commerce will be aware that any new venture depends on thorough research and planning as well as innovation. Whether operating in the for-profit or nonprofit worlds, social entrepreneurs should have solid plans of action. Those who do have a plan should be able to field some basic questions, such as:

WHAT ARE OTHER ORGANIZATIONS DOING IN THE SAME ISSUE AREA?

**WHAT ARE THE GOALS OF THE BUSINESS OR STRATEGIC PLAN?
ARE THEY CLEAR?**

HOW WILL THE DESIRED CHANGE BE ACHIEVED?

IS THE STRATEGY PLAUSIBLE?

**WHAT SPECIFIC OUTCOMES ARE SOUGHT?
AND HOW WILL SUCCESS BE MEASURED?**

WHO IS THE TARGET AUDIENCE?

WHO WILL ACT AS KEY PARTNERS?

WHAT EXTERNAL FACTORS MAY IMPACT THE PLAN,
AND HOW WILL THEY BE ADDRESSED?

WHAT ASSUMPTIONS IS THE PLAN BASED ON?

HOW IS FLEXIBILITY BUILT INTO THE PLAN SO STRATEGY
CAN BE ADJUSTED AS NECESSARY?

IS THERE AN EXIT PLAN IN CASE OF FAILURE?

After looking at the plan, donors might consider making a site visit if work is already underway. Donors can also build relationships with other funders who support similar projects. Valuable information can be obtained discretely on a donor-to-donor basis.

PATIENT CAPITAL
ACUMEN FUND

Some funders are themselves social entrepreneurs — seeking to inspire positive change by combining ideas from the worlds of philanthropy and market-based investment. Acumen Fund was started in 2001 with seed capital from the Rockefeller Foundation, Cisco Systems Foundation and three individual philanthropists. It innovated by focusing on what it calls patient capital.

For Acumen, this specifically means “a debt or equity investment in an early-stage enterprise providing low-income consumers with access to healthcare, water, housing, alternative energy, or agricultural inputs.”

“We believe that pioneering entrepreneurs will ultimately find the solutions to poverty.” Conceptually, it means the fund sees itself as a bridge between

“the efficiency and scale of market-based approaches and the social impact of pure philanthropy.”

Over its first decade, Acumen has invested in 65 social enterprises around the world. Here are two examples:

VISIONSPRING

Hundreds of millions of people across the developing world have no access to affordable vision services. As they hit middle age and experience the natural deterioration of their up-close vision, they must cope without treatment or prescription eyeglasses. This registered nonprofit organization trains “vision entrepreneurs” and sets them up with micro-franchises to sell reading glasses, sunglasses and eye drops as well as to make referrals for customers to get prescriptions. Since 2001, more than 870,000 pairs of eyeglasses have been sold.

D.LIGHT DESIGN

This social enterprise designs, manufactures and sells affordable, high-quality solar lights to people who have no electricity in their homes. (The potential market is nearly two billion people.) So far more than two million people have benefitted in over 40 countries around the world, including India, Tanzania and Kenya. This for-profit venture aims one day to

eliminate the use of unhealthy kerosene lamps everywhere. It also has designed an \$8 solar study lamp with the idea of enabling poor students to study at home at night despite a household lack of electricity.

“We believe that pioneering entrepreneurs will ultimately find the solutions to poverty.”

DONOR OR IMPACT INVESTOR?

Charitable gifts and grants support social entrepreneurs. But in recent years, a complementary practice called impact investing has grown in popularity for philanthropists. A donor gives—usually to nonprofits—and seeks results in terms of social and environmental benefit. An impact investor, on the other hand, uses a variety of financial methods including loans, guarantees and private equity, and seeks a financial return as well as positive social impact. That financial return can range from market rate or better to the simple repayment of principal. Both nonprofits and for-profit organizations can be supported with these investments.

For more information, see our donor guide, “Impact Investing.”

QUESTION 3

WHAT PARTNERS ARE INVOLVED

AND HOW DOES THE SOCIAL ENTREPRENEUR
LEVERAGE THESE PARTNERSHIPS?

One thing that marks an effective social entrepreneur is the ability to create partnerships. Echoing Green, a foundation that supports social entrepreneurship at its earliest stages, says it looks for individuals who are extraordinary “bridgers.” These leaders can engage diverse stakeholders in their work, attracting corporate, government and nonprofit support.

Of course, this means they have the networking skills necessary to perform perhaps the most important initial challenge faced by all startups – gathering investors or donors. Cheryl Dorsey, President of Echoing Green, calls these social entrepreneurs resource magnets. “They not only draw money to the causes they care about, but they also garner human capital—volunteers, champions, supporters and media attention—all the things that are required to execute on an idea.”

Established social entrepreneurs will have had more time to build partnerships. But earlier stage social entrepreneurs can be evaluated in this way, too. Donors can gain insight into a new project at any stage simply by evaluating the quality of the entrepreneur’s existing partnerships and the functional role that planned partners will take with the project in the future.

UNITE AND CONQUER

KABOOM!

The nonprofit, Kaboom!, illustrates the importance of partnerships.

Darrell Hammond started the organization because he learned that more than half of U.S. children did not have easy access to a community playground. Over 15 years, Kaboom! and its partners have built more than 2,000 playgrounds. In order to build each playground, the organization creates numerous relationships within each community.

Its strategy? Unite and conquer. Here's what Kaboom! seeks:

**LOCAL COMMUNITY PARTNERS
(FOR EXAMPLE,
A SCHOOL – WHICH WOULD
PROVIDE APPROPRIATE LAND,
AGREE TO CARE FOR THE
PLAYGROUND AND RAISE 15 PERCENT
OF THE COST OF THE EQUIPMENT)**

**CORPORATIONS, FOUNDATIONS,
INDIVIDUAL DONORS AND LOCAL
COMMUNITY ORGANIZATIONS
WHO HELP RAISE THE REMAINING
FUNDS REQUIRED**

VOLUNTEER COMMUNITY MEMBERS TO HELP PLAN AND BUILD THE PLAYGROUND (ABOUT 115 PEOPLE IN TOTAL)

Hammond says the leveraging of local partners is an essential part of the plan. "Our experience is that when they put their own capital into it, they care about it, they maintain it, they're invested in it."

OUR FOCUS IS THE SHOPKEEPERS

DAVID DEL SER & FROGTEK

The idea is straightforward: turn smart phones and tablets into accounting tools to revolutionize the way shopkeepers do business in the developing world.

Latin American shops often carry 1,000 separate items, yet most micro-retailers rely on intuition or a pad and pencil to keep track of their businesses. Because of this, they can't make fully informed decisions on purchasing. They don't know when—or if—to make an investment to grow the business. More than 90 percent don't even know where their break-even point is.

While backpacking through South America in his 20s, del Ser saw severe poverty in countries like Bolivia. It inspired him—he already had a degree in telecom engineering—to get an MBA from Columbia and launch Frogtek, his first social enterprise.

Frogtek developed software to get the job done—tracking sales, revenue and inventory. Frogtek believes its software tool can increase the efficiency of these small operations and in the process, improve the

shopkeepers' standard of living and reduce the prices paid by their low-income clientele.

Straightforward, right? Wrong.

Since 2009, Frogtek and its founder David del Ser have garnered a number of awards, including grants from Echoing Green and first prize in a competition for mobile startups sponsored by European cellphone giant Vodafone. But as Frogtek begins to grow its operations in Mexico (120 clients) and Colombia (70), the challenges are proving far bigger than anticipated.

Though some shopkeepers find the tool useful, many others simply reject the idea because they have no concept of how it can help them. And so, the startup, which thought it could address poverty through technological change, found that it first had to educate its potential customers around financial literacy—demonstrating the value of computer-based accounting and inventory. They also had to do work on financial inclusion. More than 90 percent of the shopkeepers didn't even have a bank account, according

to del Ser, so Frogtek made an alliance with a large Mexican bank and built small business bank accounts into their software tool.

To del Ser, the shopkeepers' education gap demonstrated a great potential market for what he calls "a micro-MBA," a program he plans to include in the software to teach business concepts to shopkeepers. There are also plans to develop a low-cost consultancy to help shopkeepers adjust their strategy to their own particular situation. Another problem, the lack of finance to help shopkeepers buy the necessary hardware—smart phones and tablets—led to a partnership with nonprofit kiva.org which helps crowd-source zero percent loans. Eventually, Frogtek wants to raise a separate fund of philanthropic money, which it would lend to shopkeepers for these hardware purchases and then pay back to donors.

Del Ser's commitment to impact, he believes, is like a "rocket" propelling his work. "The vision of having every shop connected, every little store," he says. "That's a guiding light."

Frogtek sees a future where big corporations—which supply the shops—provide the bulk of income for the social enterprise.

These companies, like Coca-Cola, would buy the sales information that the new tool will create. "Our focus is the shopkeeper. But to get to the shopkeeper, you have to build a solution for the whole industry. So you engage the big players that can take you everywhere ... [Still,] we don't want to sell our soul to the big guys ... The better job we do for the shopkeeper the more shopkeepers we'll get. And the more impact we'll have."

ADVICE TO PHILANTHROPISTS FROM A SOCIAL ENTREPRENEUR

David del Ser believes an investment or a grant to a social entrepreneur must start with trust in the individual and confidence in his or her ability to deliver results. The main question at the very beginning, he says, is: "Can this entrepreneur turn my money into progress?" del Ser says the idea is not the most important thing because it will almost certainly change. The entrepreneur's character and capability, however, are paramount.

He also recommends philanthropists look for the following:

A GOOD TEAM

A CORE MISSION-DRIVEN STRATEGY

POTENTIAL GROWTH IN TERMS OF BUSINESS AND IMPACT

FEASIBILITY

ABILITY OF THE SOCIAL ENTERPRISE TO ASSESS IMPACT

QUESTION 4

AT WHAT STAGE DO YOU WANT TO GET INVOLVED?

This question might also be “With what level of risk are you comfortable?”

Social entrepreneurs are leaders committed to new ideas for change—individuals who see society’s problems as their cue to start delivering on solutions. Of course, from a philanthropist’s perspective, any such reliance on an individual—no matter how talented, visionary or charismatic—entails some risk. These entrepreneurs often work with great urgency to address pressing problems. And though they may have substantial experience, their projects can be relatively new and untested. That means they can—and sometimes do—fail to completely deliver on their intended impact.

On the other hand, they can change the world. Like Muhammad Yunus and the micro-lending revolution pioneered by Grameen Bank (see case history in this guide), these innovators can create a powerful new force for good in the world.

The risk in supporting social entrepreneurs can be likened to the risk in venture capital investment. Angel investors often provide initial, very high-risk funding to try out a new idea. Startup funding can literally get an organization in operation. Working capital keeps a company going in its early stages. And mezzanine funding supports the expansion of the organization.

Donors can control their risk to some degree by giving to social entrepreneurs who have already been operating for some time. But it’s worth remembering that social entrepreneurs, like their purely capitalist counterparts, cannot be separated from the risk that accompanies their innovative approaches. Some donors not only accept this higher risk, they plan on it. The idea, they say, is to swing for the bleachers—hit the occasional homerun and accept the strikeouts as part of an ambitious approach.

DONOR RISK IN FUNDING SOCIAL ENTREPRENEURS

Seeking social change, philanthropic money can be used to take on risk that capital markets won’t. But savvy donors recognize that risk levels vary, often in relation to how far a social entrepreneur has progressed with a project. The diagram below illustrates these types of risk (though risk can be high or low in any of these phases).



As the above diagram shows, philanthropists can start thinking about social entrepreneurship by finding a risk level at which they are comfortable. Once they know their comfort zone, the help of trusted professional advisors can be invaluable to carry out due diligence and fully assess any particular project’s exposure to risk.

REMEMBER THAT WHATEVER YOU FOCUS ON WILL GROW

ASHOKA & KAREN TSE, INTERNATIONAL BRIDGES TO JUSTICE

Ashoka is a pioneer in the field of funding social entrepreneurs. Founded in 1980 by Bill Drayton, it believes individuals are the engines of social change and that they become role models for the citizen sector. “Social entrepreneurs do not want to capture a market,” Drayton says. “They want to change the world. They cannot succeed without recruiting and then supporting local champions, who in turn become models for their neighbors.”

To achieve success in this way requires a remarkable blend of people skills, values, vision, passion and persistence. Karen Tse, a 2004 Ashoka fellow, has all these qualities and one more—spirituality.

With a law degree from UCLA and a doctorate in divinity from Harvard (she’s an ordained Unitarian Universalist minister), she moved to Cambodia in 1994 to train the country’s first group of public defenders. There she saw people who had been held in prison without trial and tortured to produce confessions. Deeply moved by her experience, she founded International Bridges to Justice (IBJ)

in 2000. The organization is dedicated to protecting the legal rights of ordinary citizens in the developing world. Since its beginnings, IBJ has grown considerably, implementing technical and training programs to transform legal defense systems in China, India, Cambodia, Zimbabwe, Burundi and Rwanda.

One of the keys to Ms. Tse’s success as a social entrepreneur has been building strong local networks even as she works to grow an international movement. She credits the spiritual aspect of her leadership as an important factor. In Cambodia, in 1997, she received threats, suggesting that if she continued in her legal reform work, she might suffer harm. Full of doubt, she sought counsel from various local religious leaders who encouraged her to persevere.

Ms. Tse says she “took their wisdom to heart” and it changed her relationships and ultimately her work. She went on to see “phenomenal changes in the human rights terrain and was eventually warmly welcomed by the police officials [in Cambodia] who had initially been reticent. The first public

defender offices were established, the first motion to suppress a tortured confession was granted, and the first arraignment court in the country was birthed.”

“Social entrepreneurs do not want to capture a market, they want to change the world.”

MOVING FORWARD

Patience. Analysis. Intuition. Collaboration.

Donors may find these four qualities useful if they want to include supporting social entrepreneurship as part of their philanthropic portfolio.

PATIENCE

Patience is something donors are likely to need whether they are investing in a social enterprise or giving to a game-changing nonprofit. The simple reason is that new ideas can have a longer time horizon before significant impact can be seen.

ANALYSIS

Analysis breaks logjams in decision-making. Philanthropists can move forward quickly with some common sense questions and some attentive listening. Does the pitch for the project emphasize the problem or a particular solution? Does the approach have plausible outcomes? Does it reflect research and planning as well as entrepreneurial passion? Do the entrepreneur's capabilities match his commitment to achieving change?

INTUITION

Intuition is a savvy donor's secret weapon. Our world seeks metrics and analytics for everything, but there is still no replacement for gut instinct. Risk comes with ideas that are meant to change the world, but there is a difference between risk that arises from the problem being tackled and risk that is due to the social entrepreneurs themselves. Personal integrity, resourcefulness, commitment—vital attributes of any social entrepreneur—often speak directly to our intuition. Donors

will benefit by being aware of what their inner radar—as well as their outward antennae—is telling them.

COLLABORATION

Collaboration is key. Discovering and assessing social entrepreneurs can often be harder than funding traditional grantees, so talk to those who are also supporting them. Collaboration with others who have been investing in social entrepreneurs will also dramatically increase your pace of learning, and will leverage your research and ultimate impact if you decide to co-fund an entrepreneur.

Social entrepreneurship is one of the most exciting and fastest-changing parts of philanthropy. It offers new ways to deal with big problems and carries the potential to change not only the circumstances of human existence but our systems. Still, much of social entrepreneurship is social experimentation. In that light, it's wise to remember that the best philanthropy always starts inside the minds and hearts of philanthropists. Thoughtful engagement on a personal level is often the first step to effective giving and investing.

ROCKEFELLER PHILANTHROPY ADVISORS

is a nonprofit organization that currently advises on and manages more than \$200 million in annual giving. Headquartered in New York City, with offices in Chicago, Los Angeles and San Francisco, it traces its antecedents to John D. Rockefeller Sr., who in 1891 began to professionally manage his philanthropy “as if it were a business.” With thoughtful and effective philanthropy as its one and only mission, Rockefeller Philanthropy Advisors has grown into one of the world’s largest philanthropic service organizations, having overseen more than \$3 billion to date in grantmaking across the globe.

Rockefeller Philanthropy Advisors provides research and counsel on charitable giving, develops philanthropic programs and offers complete program, administrative and management services for foundations and trusts. It also operates a Charitable Giving Fund, through which clients can make gifts outside the United States, participate in funding consortia and operate nonprofit initiatives.

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