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SOCIAL ENTERPRISE IS CHANGING THE FACE OF INNOVATION IN AMERICA.

- ➔ The momentum social entrepreneurs have created over the past 10 years has opened a new dialogue about social enterprise. We have moved beyond a debate over the false choice between purpose and profit and into an economy where purpose and profit are mutually reinforcing.

At the same time, innovators, funders, and policymakers across the country are beginning to more **intentionally develop ecosystems**. From city hall to co-working spaces, community leaders and entrepreneurs are thinking about how to **create a symbiotic environment for innovation**.

Nevertheless, the intersection of these discussions suffers from a relative dearth of information and data.

THE GOAL OF THIS REPORT:

To understand, measure, and analyze social enterprise ecosystems in the United States.



SOCIAL ENTERPRISE ECOSYSTEM FRAMEWORK

So how did we go about figuring out what makes a great social enterprise ecosystem?

It's simple: we just asked.

THE SURVEY:

In the fall of 2015, we heard from almost 400 social entrepreneurs around the country to find out what matters to them.

The responses from the social entrepreneurs revealed **four pillars of a social enterprise ecosystem**: funding, human capital, quality of life, and regulation and receptivity.

This framework distills the complex interactions in a social enterprise ecosystem down to a model we can both understand and measure.

SOCIAL ENTERPRISE ECOSYSTEM FRAMEWORK

THE FOUR PILLARS



1. FUNDING

This includes seed funding, grants, and venture capital (representing both public and private sources).



2. QUALITY OF LIFE

Everything from cost of living to the “energy” of a city and social spaces determines an entrepreneur’s experience.



3. HUMAN CAPITAL

Finding great people – as mentors, team members, employees, and advisors – is the engine of any venture.



4. REGULATION & RECEPTIVITY

Regulations, market receptivity, and even perception and attitudes towards a social enterprise can create an environment that either nurtures or stifles social enterprise.

While the four pillars are particularly key for social entrepreneurs, focusing on ecosystems will also create healthy business environments for all entrepreneurs and business owners.



CITY RANKINGS

Having identified the four pillars of the social enterprise ecosystem framework, we used them to rank the cities with the highest response rates in our survey.

These rankings are a jumping off point for a wider discussion about how to best develop an environment that catalyzes impact and innovation.

Each of these four pillars is necessary for a healthy ecosystem.

Cities that only excel in one or two of these areas will not be able to offer the complete resources necessary for social entrepreneurs to succeed.



TOP U.S. CITIES FOR SOCIAL ENTERPRISE

1. WASHINGTON, D.C.
2. SAN FRANCISCO
3. AUSTIN
4. BOSTON
5. SEATTLE
6. NEW YORK
7. CHICAGO
8. LOS ANGELES
9. MIAMI

WHO WE ARE

- ➔ Together, we embarked on this study to see what social enterprise ecosystems look like around the country.



A program of S&R Foundation, Halcyon is committed to solving 21st century challenges around the nation and the world by **helping social entrepreneurs transform audacious ideas into scalable and sustainable ventures.**



Capital One Financial Corporation and its subsidiaries, Capital One, N.A. and Capital One Bank (USA), N.A., offer a broad spectrum of financial products and services to consumers, small businesses, and commercial clients. We apply the same principles of innovation, collaboration, and empowerment in our commitment to our communities across the country that we do in our business. We recognize that **helping to build strong and healthy communities – good places to work, good places to do business, and good places to raise families – benefits us all**, and we are proud to support this and other community initiatives.

WHO CAN USE THIS STUDY



SOCIAL ENTREPRENEURS:

Discover insights and learn more about which ecosystem is the best fit for your social enterprise.



IMPACT SUPPORT NETWORK:

Whether you are an investor or represent a foundation, incubator, university, or other relevant organization, you can better understand your role in enabling social ventures to succeed.



CITY AND PUBLIC OFFICIALS:

Through the framework, you'll find recommendations for how to strengthen the social enterprise ecosystem in your area.

MEASURING SOCIAL ENTERPRISE ECOSYSTEMS

THE STARTING LINE:

- ↘ **Survey Responses:** Over three months, we surveyed 388 leaders of for- and non-profits who identify as social entrepreneurs. Our respondents hail from all across the country.
- ↘ **Small Groups:** We consulted with dozens of experts and thought leaders in the social enterprise space.
- ↘ **Public Data:** From publicly available data, we learned more about what resources social enterprises currently have in existing ecosystems.

METHODOLOGY:

- ↘ **Framework:** From our survey, we developed the four pillars, which became a lens we used to frame our thinking.
- ↘ **Index:** Using public data, we measured the capacity of ecosystems using the four pillars framework.
- ↘ **Application:** Using this quantitative model, we homed in on how this data can lead to action in your city.



INTERACTIVE FORM

Which pillars are most important to you? Which ecosystem is best suited for your venture?

↘ RANK YOUR PREFERENCES

WWW.SOCENTCITY.ORG

And visit to make sure your voice is heard in next year's report.

What are social entrepreneurs saying
about their ecosystems?

Let's dive deeper
to understand
their perspective
on each of the
four pillars of the
framework.



FUNDING — RESPONSES

Funding is reported as the number one challenge that social entrepreneurs face. This is true for non-profit and for-profit ventures, and represented 45% of the challenges reported. **Experienced entrepreneurs are more pessimistic** about investors in their city understanding social enterprise:

LENGTH OF INVOLVEMENT IN SOCIAL ENTERPRISE	AGREE THAT LOCAL INVESTORS UNDERSTAND SOCIAL ENTERPRISE
Less than 1 year	53%
1-2 years	54%
3-4 years	59%
5 years or more	39%



SOCIAL ENTREPRENEURS SPEAK UP: BIGGEST CHALLENGES IN FUNDING

RISK AVERSION:

“Access to capital (we work in risky environments).”

RECEPTIVITY:

“Most current philanthropy thinking is ‘inside-the-box’.”

**“WE ARE LOOKING
FOR INVESTORS
WHO ARE WILLING
TO SUPPORT SOCIAL
ENTERPRISE.”**

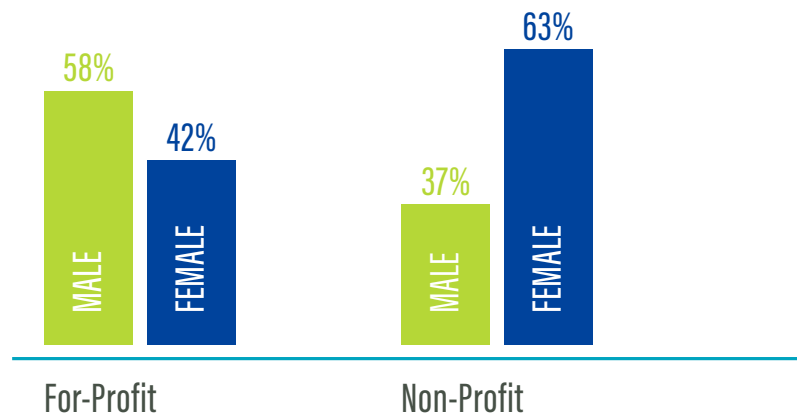


FUNDING — INCLUSION

52% of men in our sample said funding was available, while only 40% of women agreed.

This funding gap correlates with our qualitative data and also outside research **showing disparities in the ability to access capital between men and women.**

VENTURE TYPE AND GENDER



EXPERT SPOTLIGHT

SHEILA HERRLING

Senior Vice President for Social Innovation, Case Foundation

“Diversifying the profile of funders and finders – more women, more people of color, more people who have lived experience with the entrenched social issues these innovators are trying to solve – could dramatically tip more capital into this space.”

FUNDING — CONCLUSION

Funding is the primary challenge social entrepreneurs face, especially:

- ④ Articulating their ventures to funders, irrespective of venture type (non-profit and for-profit).
- ④ Identifying funders who are interested, able, and ready to invest in impact.
- ④ Overcoming issues around inclusion in investment, regardless of gender or ethnicity.
- ④ Dealing with the slow decision-making process and deployment of capital from both government and non-profit funders.

**“BOSTON IS
A FANTASTIC
INTERSECTION
OF CULTURAL,
ACADEMIC,
TECHNICAL,
INNOVATION, AND
SOCIAL SUPPORT.”**



QUALITY OF LIFE — RESPONSES

The social entrepreneurs in the survey had a high opinion of the quality of life in their chosen cities, on average. This was true across gender, age, and experience level.

When asked why they chose a city for a start-up, a plurality of **social entrepreneurs stated that they already lived there (47% of respondents)**. This indicates that cities with a generally high quality of life tend to attract people who go on to found social ventures.

📍 “I don’t see another area where we could do so much and thrive.”



SOCIAL ENTREPRENEURS SPEAK UP: BIGGEST CHALLENGES IN QUALITY OF LIFE

Social entrepreneurs who chose their location based on “a specific need in the area” were less happy with local quality of life than their peers. **31% of these entrepreneurs disagreed that their city had a high quality of life.**

QUALITY OF LIFE — CREATIVE COMMUNITIES

CITIES ENTREPRENEURS WOULD CHOOSE
IF THEY WERE TO START OVER:

- ④ “Chicago, because there is already a lot of social enterprise...the land is less expensive, and the cost of living more affordable.”
- ④ “In New York City you can live in the suburbs and have easy access to everything NYC has. It’s better than San Francisco — that area’s too expensive.”
- ④ “Austin, because of the technology buzz and life quality.”



EXPERT SPOTLIGHT

FRANK LAPRADE

*Chief Enterprise Services
Officer & Chief of Staff to the
CEO, Capital One*

“Creating a community of successful social entrepreneurs requires a thriving ecosystem to attract and enable high octane people and ideas. Funding, talent, quality of life, and receptivity to new ideas are the catalysts for creativity and change. It’s a virtuous circle. The ecosystem attracts entrepreneurial investments, and the real and lasting impact of those social investments further strengthens the ecosystem.”

QUALITY OF LIFE — CONCLUSION

Social entrepreneurs put a premium on community engagement and support networks. Lines between work and leisure are blurred, so strong resources on both sides are important.

The higher the quality of life, the more likely a social entrepreneur is to recommend the city to other entrepreneurs. This, in turn, makes communities richer and ecosystems better as cities reach a critical mass of entrepreneurs and resources.

- ④ **City governments can help improve quality of life by encouraging affordable housing options and supporting arts and cultural offerings.**

**“I CHOSE
WASHINGTON, D.C.,
BECAUSE OF THE
STRONG CLIENT AND
TALENT POOLS.”**



HUMAN CAPITAL — RESPONSES

While the vast majority (84%) of our sample agreed there was a good pool of talent in the region, there was also a correlation between the amount of funding a venture had received and their willingness to agree that talent was available.

Ⓣ “We lack a platform to find the people to work with. There is no real hub to network.”



SOCIAL ENTREPRENEURS SPEAK UP: BIGGEST CHALLENGES IN HUMAN CAPITAL

ADVISORS AND MENTORS:

“Not having mentors to guide us.”

HIRING AND TALENT:

“Finding qualified and enthusiastic staff.”

COLLABORATION WITH PEERS:

“Collaborative environment is somewhat weak in the area. Not a significant percentage of willing entrepreneurs. Conservative in the context of employment risks.”

HUMAN CAPITAL — KNOWLEDGE SHARING

Mentors are incredibly important to social entrepreneurs. Throughout the survey, respondents consistently identified mentors as a key part of their ecosystem.

While most social entrepreneurs agree that mentors were available, 72% of men – compared to 65% of women – agreed that mentors were available in their ecosystem.



EXPERT SPOTLIGHT

SONAL SHAH

Professor & Founding Executive Director, Beeck Center for Social Impact & Innovation, Georgetown University

“Social entrepreneurs are leading change around the world on everything from health and education to immigration and human rights. Universities are a critical part of the social impact ecosystem – providing training, knowledge, and the tools to have impact. We want to ensure that this generation of leaders approaches this task with humility by taking a human-centered approach and with conviction to believe that change is possible.”



HUMAN CAPITAL — CONCLUSION

Human capital is more than a search for effective employees. The interconnected web of mentors, advisors, thought leaders, and investors contributes to a rich talent base that supports social enterprise.

The data indicate an interaction between the level of human capital and quality of life in a region, reinforcing the importance of developing each of the four pillars of an ecosystem.

- ④ **Universities and other hubs of thought leadership were cited as critical parts of the human capital environment.**

“THERE IS GREAT OPPORTUNITY TO BE PART OF A MOVEMENT THAT IS STILL NASCENT HERE BUT GAINING TRACTION.”



REGULATION AND RECEPTIVITY — LOCAL GOVERNMENTS

When asked whether they agree that their local government is supportive of social enterprise...

**BOSTON
(78% AGREE)**



TOP-RANKED LOCAL GOVERNMENT

**SAN FRANCISCO
(42% AGREE)**



LOWEST-RANKED LOCAL GOVERNMENT



**SOCIAL
ENTREPRENEURS
SPEAK UP: BIGGEST
CHALLENGES IN
REGULATION &
RECEPTIVITY**

POLICY AND PAPERWORK:

“The length of time it took to get non-profit status after filing legal paperwork.”

“Government regulations.”

IMPACT STIGMA:

“Overcoming misconceptions about for-profits in the space.”

REGULATION AND RECEPTIVITY — THE MARKETPLACE AND IMPACT

A common theme in the survey responses was the subject of whether investors and stakeholders understood what a social enterprise is. This element is one of the key distinctions between an ecosystem that is good generally for enterprise, and one that is good for social entrepreneurs.

- ④ “Investors are afraid of a company that has ‘heart’ and values the triple bottom line.”
- ④ “One challenge is overcoming stigma... as a purpose-driven organization.”



EXPERT SPOTLIGHT

BILL EGGERS

Director of Public Sector Research, Deloitte

“Social entrepreneurship thrives when governments create a hospitable environment for impact. Government’s willingness to forge partnerships, to contract for outcomes, to reduce regulatory minefields, and to convene diverse groups of contributors holds tremendous sway over the scale of social entrepreneurship within its borders.”

REGULATION AND RECEPTIVITY — CONCLUSION

Regulation and receptivity set the tone. A combination of the regulatory environment and general market feelings about social impact can help social enterprises flourish within an ecosystem.

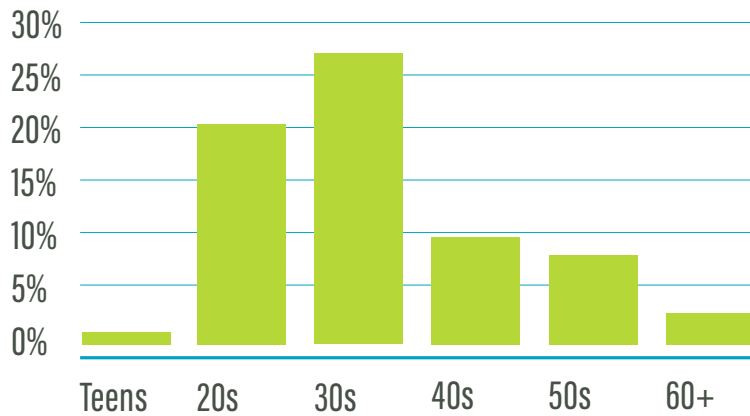
A healthy environment also **creates engagement across the community** for impact-focused ventures, from gatherings and meet-ups to activity on social media.

- ⌚ **Local governments can play an enormous role in shaping the conversation, through policy and through convening.**

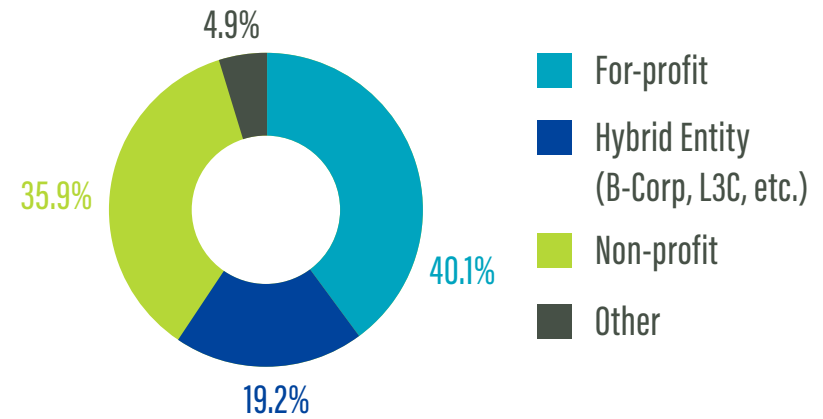
DEMOGRAPHICS

We heard from **388 social entrepreneurs** in our survey.

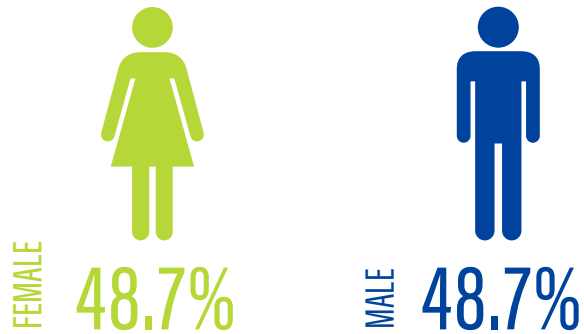
AGE



TYPE OF ENTERPRISE

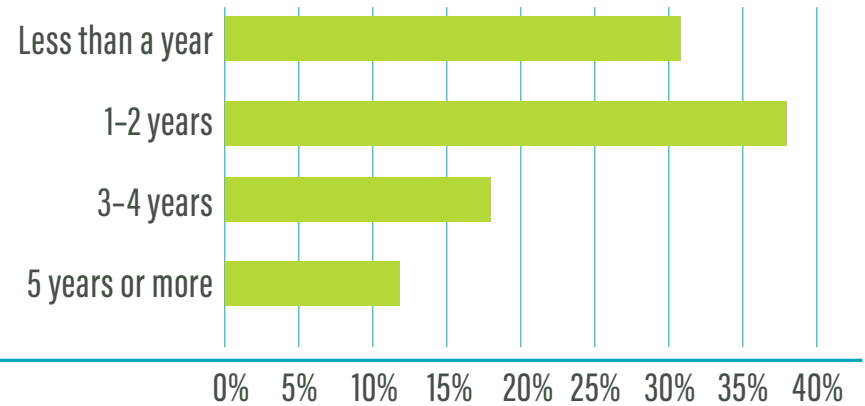


GENDER



*OTHER, OR CHOSE NOT TO DISCLOSE: 2.6%

SOCIAL ENTERPRISE INVOLVEMENT TO DATE

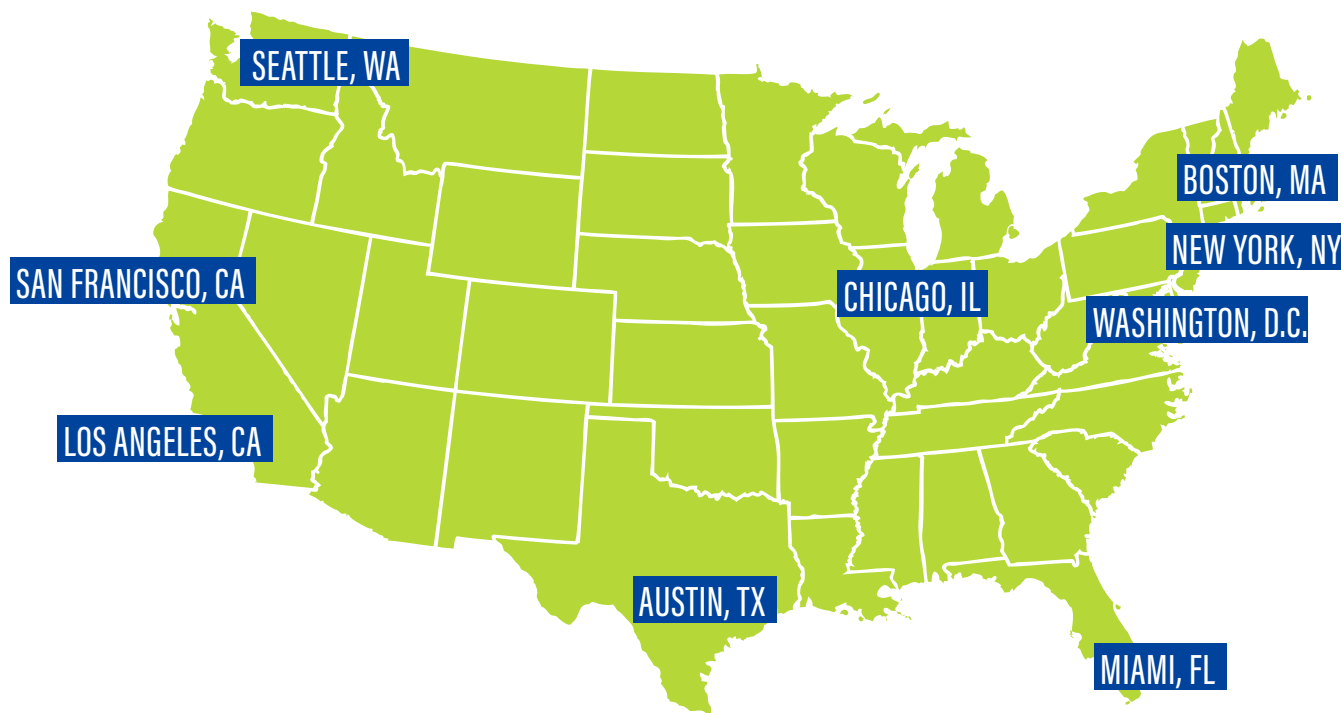


MAPPING SOCIAL ENTERPRISE

We partnered with organizations throughout the social enterprise space across the country to disseminate the survey, and identified the cities with the most respondents.

Then we ranked them based on the four pillars that social enterprises value.

We identified variables that quantified aspects of each pillar and assigned a standardized score out of 25. Each of the four pillars were equally weighted, creating a composite index score out of 100.



Social
Enterprise
in the U.S.

TOP SOCIAL ENTERPRISE ECOSYSTEMS

CITY	COMPOSITE	FUNDING	QUALITY OF LIFE	HUMAN CAPITAL	REGULATION & RECEPTIVITY
Washington, D.C.	71.7	11.1	18.8	18.3	23.5
San Francisco, CA	65.2	15.3	11.5	18.9	19.5
Austin, TX	63.6	11.6	20.2	12.8	19.0
Boston, MA	61.6	18.1	14.4	15.1	14.0
Seattle, WA	59.0	13.9	18.3	13.4	13.5
New York, NY	57.8	20.4	11.1	15.4	11.0
Chicago, IL	54.4	13.0	12.5	15.4	13.5
Los Angeles, CA	48.6	18.5	5.8	9.3	15.0
Miami, FL	43.3	3.2	15.4	8.7	16.0
	[Max 100]	[Max 25]	[Max 25]	[Max 25]	[Max 25]

VARIABLES CONSIDERED



FUNDING

- + Public spending
- + Private investment
- + Charitable giving



HUMAN CAPITAL

- + Universities
- + Educational attainment
- + Volunteerism
- + Density of non-profits and startups



QUALITY OF LIFE

- + Affordability
- + Transportation
- + Arts and culture



REGULATION & RECEPTIVITY

- + Business-friendliness
- + Legal framework
- + Local discussion of social enterprise



CLOSER LOOK: FUNDING

Since social enterprises run the gamut in terms of focus, funding strategy, and size, we examined a wide range of funding channels, including public spending, private investment, and charitable giving.

New York was second in **venture capital investment** and had a strong lead in **charitable giving**. Los Angeles and Boston had good numbers in public, private, and charitable giving, coming in second and third overall. Although San Francisco has a strong lead in venture capital financing, the area has comparatively fewer options for philanthropic and government funding sources, bringing its overall ranking down to fourth.

Respondents in our survey from San Francisco were more likely to have raised \$100K–\$1M than \$50K–\$100K. In addition, San Francisco enterprises more often “Strongly Agreed” that funding was accessible in their region.

Washington, D.C., showed the opposite effect: more D.C. ventures have raised \$0–\$50K (29%) than have raised \$100–249K (12.5%). This indicates that while D.C. is a great place in which to found ventures, later stage ventures often gravitate to cities with higher levels of funding, such as New York City or San Francisco.

CITY	FUNDING
New York, NY	20.4
Los Angeles, CA	18.5
Boston, MA	18.1
San Francisco, CA	15.3
Seattle, WA	13.9
Chicago, IL	13.0
Austin, TX	11.6
Washington, D.C.	11.1
Miami, FL	3.2



CLOSER LOOK: QUALITY OF LIFE

Quality of life matters to the founders we surveyed. We used a variety of metrics to quantify the affordability of working and living in each city. We also examined transportation options and intangibles like culture and the arts.

Austin, with high marks for **transportation** and low **cost of living**, came in first. D.C. came in second due to rich opportunities in terms of **culture** and **the arts**. Seattle rounded out the top three. The lowest performers, San Francisco, New York City, and Los Angeles, suffered from high costs and poor transportation.

CITY	QUALITY OF LIFE
Austin, TX	20.2
Washington, D.C.	18.8
Seattle, WA	18.3
Miami, FL	15.4
Boston, MA	14.4
Chicago, IL	12.5
San Francisco, CA	11.5
New York, NY	11.1
Los Angeles, CA	5.8



CLOSER LOOK: HUMAN CAPITAL

We measured human capital for social enterprises along several axes. We evaluated the available pool of talent by looking at levels of education, access to institutions of higher learning, and measures of community engagement.

Specific to social ventures, we measured the **levels of volunteer engagement** and the **prevalence of foundations and non-profits** in the area.

Unsurprisingly, large cities like San Francisco, Washington, D.C., New York City, Chicago, and Boston made up the top half of our rankings. **Incidence of universities, educated populaces, and access to non-profit resources drove these rankings.**

CITY	HUMAN CAPITAL
San Francisco, CA	18.9
Washington, D.C.	18.3
Chicago, IL	15.4
New York, NY	15.4
Boston, MA	15.1
Seattle, WA	13.4
Austin, TX	12.8
Los Angeles, CA	9.3
Miami, FL	8.7



CLOSER LOOK: REGULATION & RECEPTIVITY

For this rating, we wanted to see which cities were most friendly to social enterprise generally. We took a holistic view, examining the buzz and good press around social enterprise in each city, checking the legal structures that could either help or hinder social entrepreneurs, and the overall business climate.

D.C., as a hub for many thought leaders in policy and social enterprise, as well as a relatively easy place to start a business, came in first. San Francisco also performed well, which is to be expected for a city that has long been a magnet for entrepreneurs. Our worst performers were places where it's difficult to start a business (New York, Chicago) or have less friendly legal environments (Seattle).

CITY	REGULATION & RECEPTIVITY
Washington, D.C.	23.5
San Francisco, CA	19.5
Austin, TX	19.0
Miami, FL	16.0
Los Angeles, CA	15.0
Boston, MA	14.0
Chicago, IL	13.5
Seattle, WA	13.5
New York, NY	11.0

CREATING AN IMPACT ECOSYSTEM — HOW CAN YOU CONTRIBUTE?



Social Entrepreneurs: Speak out! Your feedback is crucial, and policymakers and mentors can't help you until they know what you need. Make sure you articulate your unique needs as an entrepreneur who is seeking to make an impact.



Impact Support Network: There is a lot of work left to do, especially in impact funding. Investors, foundations, and accelerators need to take advantage of new financing vehicles that allow funds to be deployed to ventures seeking both purpose and financial sustainability. These actors must also begin working collaboratively to co-invest in social enterprises poised to scale.



City and Public Officials: While policies, funding, and new programs are critical for social entrepreneurs, many of the respondents stressed the importance of simply being able to sit down with regulators to work collaboratively. Constructing a dialogue about the ecosystem for impact is an incredibly powerful signal to the social entrepreneurs in your city.

THE NEXT BIG SOCIAL ENTERPRISE CITY

We are at the beginning of an important conversation.

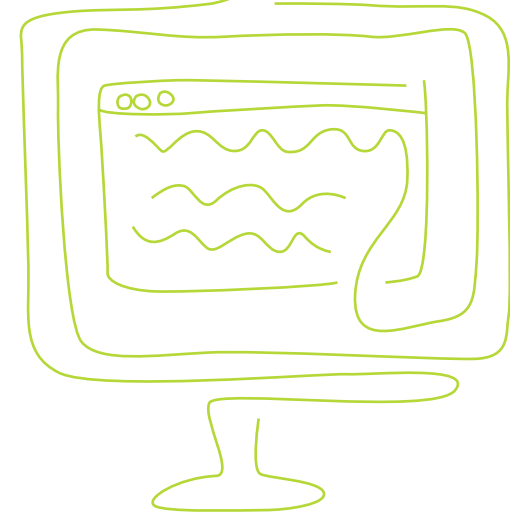
Social enterprises represent the best chance to steer innovation towards the biggest challenges in our communities. This framework, survey, and index are designed to start a dialogue about how we can build and grow our social enterprise ecosystems.

⌚ **We hope you can take these findings and use them to grow a robust social enterprise city.**

JOIN THE CONVERSATION

Make sure to check out the website for the report: SocEntCity.org. There you can:

- ④ Sign-up for next year's survey to make sure your voice and region are represented in the data.
- ④ Explore tools to see which city is best for your preferences as a social entrepreneur.
- ④ Contact us with any questions about our work.



ACKNOWLEDGEMENTS

On behalf of S&R Foundation, the Halcyon Incubator, and Capital One, we would like to thank our tremendous thought partners that helped put this report together.

An enormous thank you to **David Cramer**, who produced some of the core analysis found in the report.

We would also like to thank **Lisa Oberstoetter** and **Takayo Katayama** for their support in data collection, and **Susie Wilkening** and **Reach Advisors** for their support with our methodology.

A huge thanks to **Ben Reich** and **Dan Gallagher** of **Datasembly**, who conducted great work in building out the index, and to **Sage Communications** who produced the design for the report.

REPORT CO-AUTHORS:

Mariama Kabia, Kate Goodall and Ryan Ross

PARTNERS:



METHODOLOGY DETAILS

We used survey data from **388 entrepreneurs** to select the four pillars on which to focus our analysis. These four pillars became the key categories for the social enterprise ecosystem index – representing the most important factors in an ecosystem according to social entrepreneurs.

In our inaugural index, we've measured the social ecosystem in nine cities: Austin, Boston, Chicago, D.C., Los Angeles, New York City, Miami, San Francisco, and Seattle. Public data was used to calculate the index. Multiple indicators were used for each category to represent the variety and depth within each pillar. We prioritized indicators that are updated annually.

METHODOLOGY DETAILS — CONTINUED

To standardize results, we ranked each city based on its performance in each indicator. The best performer received nine points and the worst, one (see index for scoring details). All ranking scores were added together for a final score in each category.

We've weighted each category as 25% of the total score. Thus, the overall ranking gives equal weight to Funding, Quality of Life, Human Capital, and Regulation and Receptivity. **To see how rankings would change with different weights, visit our website SocEntCity.org for an interactive tool.**

📌 If you have additional questions, please reach out to us at halcyonincubator@sandr.org and we'd be happy to get into all the fun details about our methodology.



SocEntCity.org