



“The Past, Present, and Future of Social Entrepreneurship”

A CONVERSATION WITH GREG DEES

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Center for the
Advancement of
Social Entrepreneurship



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Katherine Fulton is a partner of the Monitor Group and president of the Monitor Institute, the vehicle through which the Group applies its knowledge, expertise, skill and capital to complex social problem solving (www.monitorinstitute.com). Prior to moving to the Monitor Institute, Katherine was the co-head of the consulting practice at another Monitor company, Global Business Network. She is the co-author of two publications on philanthropy published in 2005, *Looking out for the Future: An Orientation for Twenty-First Century Philanthropists* and *On the Brink of New Promise: The Future of U.S. Community Foundations*. She also co-authored the 2004 publication, *What If? The Art of Scenario Thinking for Nonprofits*. Her efforts have won her both a Nieman Fellowship at Harvard University and a Lyndhurst Foundation prize for community service, and her innovative course design at Duke University was featured in *Time* magazine. She is a Phi Beta Kappa graduate of Harvard College, where she was also the captain of the women's basketball team.

The **Center for the Advancement of Social Entrepreneurship (CASE)** is a research and education center based at Duke University's Fuqua School of Business that promotes the entrepreneurial pursuit of social impact through the thoughtful adaptation of business expertise. Learn more about CASE at www.caseatduke.org.

New Profit Inc., a nonprofit venture philanthropy fund, believes that social entrepreneurs hold the key to increasing educational and economic opportunities for all, and that with the right resources they can create transformative social change. Uniting funding and intellectual capital from individual investors with a unique set of resources from the Monitor Group, New Profit helps social entrepreneurs to meet the challenge of building organizations to scale their impact. New Profit also seeks to create a more favorable environment for all social entrepreneurs by addressing major obstacles and accessing key opportunities in policy change, organizational capacity building, talent recruitment and development, and creation of a social capital market, among other areas. Learn more about New Profit at www.newprofit.com.



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The Past, Present, and Future of Social Entrepreneurship *A Conversation with Greg Dees*

In February 2006, New Profit Inc. hosted a *Gathering of Leaders* at Mohonk Mountain House in New Paltz, New York. There, a group of visionary social entrepreneurs, along with leaders from business, policy, academia, and philanthropy, participated in a dialogue to create an action agenda addressing our nation's most persistent social problems. These leaders brought many different passions and experiences to the convening. Most of them, however, had one thing in common: a growing belief that social entrepreneurship provides new hope for addressing both enduring and emerging social challenges. Under the surface of this shared commitment lay some fascinating questions: Why is the early twenty-first century such an exciting and promising moment for the field of social entrepreneurship? What is it really, and what is its potential? And what can each of us do to release its promise and accelerate its impact?

To address these questions, New Profit asked Katherine Fulton, president of Monitor Institute and a former journalist, to interview Professor Greg Dees, who has chronicled and influenced the field's development, in the process becoming perhaps its most prominent scholar. The following edited conversation was distributed as a pre-reading for the participants at Mohonk.

Dees, now faculty director of the Center for the Advancement of Social Entrepreneurship at Duke University's Fuqua School of Business, created what is considered the first business school course on social entrepreneurship, in 1994 at Harvard. He then moved to Stanford, helping to launch the Center for Social Innovation, and has co-authored two books along with numerous articles and case studies on the subject. Though he is a scholar, with a doctorate in philosophy and a master's degree in management, he has had practical experience, grounds his work in practice, and often writes for a practitioner audience.

Fulton spent the 1980s as a media entrepreneur. She now leads the part of Monitor Group dedicated to applying the Group's assets to complex social problem-solving. Among Monitor Institute's current projects is its partnership with *Fast Company* magazine to select the 25 top social entrepreneurs in the U.S. In addition, hundreds of Monitor consultants have worked with social entrepreneurs through Monitor's partnership with New Profit, and through the Institute's own consulting engagements.

Katherine Fulton: We're gathering at Mohonk at a particular moment in the evolution of social entrepreneurship. Interest in social entrepreneurship is growing in the U.S. and around the world. I think it's interesting to ask ourselves: Why now? And why this? Why, at this moment, are more people seeing social entrepreneurship as the way to act on their idealism?

Greg Dees: I think the new focus on social entrepreneurship is an expression of pragmatism as much as idealism. It is being driven, in part, by disappointed idealists who became disenchanted with the ability of large-scale government programs to solve social problems. Too often politics, budget constraints, and bureaucracy resulted in inadequate or ineffective programs. Private citizens felt the need to take initiative. They started looking for new and innovative ways to tackle social issues and problems, and they were seeing that it was important to tap into the kind of innovation that often occurs outside of government agencies. As a result, people became, in some sense, more open to using business concepts and ideas as one avenue of innovation. They were looking for the best tools for achieving their intended impact and were willing to reach across sector boundaries, when necessary, to create the most effective approaches. So when you hear the term "social entrepreneur," part of what it conveys is this blending of sectors—a mixture of the social purpose we typically associate with nonprofits and the kind of entrepreneurial orientation we associate with business, particularly with the most creative and dynamic aspect of business

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Fulton: The notion of coming up with new approaches and borrowing from different sectors to do so isn't new. But something new has been emerging the past quarter of a century. You've done some very interesting work on the roots

of social entrepreneurship. Can you quickly outline the evolution of the field, especially recently?

Dees: The real roots for much of what we now call social entrepreneurship reach back to the late Victorian era, around the end of the nineteenth century. That's when we saw the rise of what historian Gertrude Himmelfarb called "scientific charity"—an approach to charity that attempted to be more systematic and strategic. That period represented a shift away from the idea of charity as simply giving alms to the poor to charity as something that can create lasting and systemic change—which, of course, is a core principle of social entrepreneurship as we know it today. It resulted in a flurry of activity, including the founding of many of the large nonprofits that we know today, such as the Salvation Army, Boy and Girl Scouts, and Goodwill Industries.

The field of social entrepreneurship really started to take its contemporary form in the early 1980s, when its two main schools of practice—the social innovation school and the social enterprise school—were first established. Though these schools emerged independently, they followed basically the same timetable.

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The social innovation school developed its distinct identity through the work of Bill Drayton, who founded Ashoka in 1980. Ashoka began by supporting “innovators for the public” or “public entrepreneurs” working internationally. These are people who, according to economic theorist Joseph Schumpeter’s description, reform or revolutionize patterns of production. According to Bill, social entrepreneurs were those who were doing just that with regard to socially important goods, like education and healthcare and access to credit. By the ‘90s, other U.S. groups, such as Echoing Green and Youth Service America, were funding these innovative leaders. It was only in the early 1990s that “social entrepreneur” became the phrase to describe the innovators who behave in a social-sector setting the same way business entrepreneurs behave in a business or economic setting, changing the patterns of production. Many leaders in the movement today see social entrepreneurs primarily as innovators.

By coincidence, the same year that Ashoka was founded, the social enterprise school really began when Ed Skloot (now head of the Surdna Foundation) started the consulting firm New Ventures. Initially, Ed was concerned with helping nonprofits find new streams of revenue to make them more financially viable. This evolved into helping nonprofits use business ideas and tools more generally. Another player that was crucial to shaping this school was the Alpha Center for Public and Private Initiatives, founded around 1985. It was inspired by a philosophy that came out of Control Data Corporation, whose visionary founder, William Norris, was convinced that social needs were business opportunities. The Alpha Center encouraged for-profit entrepreneurs to tackle social problems and issues and to provide support for them. Later, it began working more with nonprofits on earned income strategies. But it brought into the conversation this idea of blurring the sector boundaries. And it raised the question of what can and should be done by nonprofits and what role for-profit or hybrid structures might play in achieving sustainable social impact.

The two schools may disagree about the key defining factors, but both have been crucial to the growing interest in social entrepreneurship and, in some areas, we seem to be seeing a convergence.

Fulton: Clearly, at the moment, the term “social entrepreneur” is taking on a certain cachet. At the World Economic Forum in Davos this year, more than 500 people signed up for the session on social entrepreneurship. Four years ago, that session was virtually unattended. So clearly there is momentum. But there is also some confusion about what it really means to be a social entrepreneur. Is it just anybody who innovates for public good? And who isn't a social entrepreneur?

Dees: Well, we're going to continue to encounter some disagreement, because the term “social entrepreneur” is relatively new and evolving, but disagreement is not the same as confusion. People get frustrated because there is no uniform and unanimous definition, but keep in mind that even the term “entrepreneur” has no one definition that's accepted by all the people who study it. And it has been around for hundreds of years. Some people think that anyone who starts a business is an entrepreneur. Others who follow Joseph Schumpeter think you have to be an innovator who is changing the patterns of production. Some focus only on high-growth, major-impact entrepreneurs; others focus on anyone who starts any venture. This has not inhibited the growth of entrepreneurship in practice or as a field of study.

As long as we understand the spirit of the term, we can move forward constructively. And I say this as someone who has tried to define the term in a way that would appeal to a broad audience.

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My own feeling is that “social entrepreneur” conveys the idea of somebody who is highly energized and determined to achieve impact; who perceives opportunities; who pursues them in an innovative and resourceful way; who is not bound or stuck by sector boundaries but willing to use whatever tools are likely to get the job done, including business tools. My feeling is that entrepreneurship lies in behavior: how innovative and resourceful people are, their willingness to do what it takes to have the impact, and their determination to make it happen. This kind of behavior can happen in many venues and on many levels, on a small or a large scale.

Some people seem to want to restrict the term “social entrepreneur” to those who meet the strict criteria that their organizations use to decide on some major award, fellowship, or grant. To me, this is like restricting the term “author” to people who get a major literary prize. I think it would be great for this movement to embrace social entrepreneurship in neighborhoods, communities, and schools, not just on a national or international scale. A couple of weeks ago, I spoke with some high school kids in Louisville who were exhibiting all the behaviors I associate with social entrepreneurship, but focused on recycling in the local community. They would not get an Ashoka fellowship, a Skoll Foundation award, membership in the Schwab Foundation network, or funding from New Profit, but I still see them as social entrepreneurs. I think our movement is enriched, not diluted, by opening the doors. We should embrace and encourage social entrepreneurship of different forms, degrees, and levels.

Fulton: You and I have talked before about the types of organizations that are sometimes excluded from a typical review of social entrepreneurship. As you know, I have been fascinated by the incredible innovations pioneered by those who have battled domestic violence and also by the hospice movement; both have achieved incredible success in recent decades, and their innovations have spread rapidly. These are arenas where there was a complex relationship between social innovation and subsequent policy change, which is one of the topics of this year’s *Gathering* at Mohonk. Can you help us understand the difference between successful advocates of innovative policy change and what we now understand as social entrepreneurs?

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Dees: Well, certainly there’s some overlap. You can be a social entrepreneur and a successful advocate for policy change. But the two roles are not the same. Some social entrepreneurs don’t see policy change as the avenue through which to achieve success and instead are using other levers, such as trying to bring markets to bear on social problems, creating some kind of cultural change, or establishing enduring philanthropic ventures. To me, an entrepreneur carries out an innovation. A person who successfully lobbies for policy changes may not be carrying out an innovation; they may get funding for others who are carrying out an innovation, but that doesn’t make them a social entrepreneur—it makes them a rainmaker. Of course, a lot of social entrepreneurs come to the conclusion at some point that they want policy change to further their objectives. For example, the people who pioneered the concept of shelters for battered women were social entrepreneurs who found that policy change could help further their objectives. The people who pioneered hospice care were social entrepreneurs, and eventually the policy was changed to get Medicare reimbursement for that. But policy change wasn’t as crucial, say, for the people who pioneered the community foundation concept. Ultimately, some of the innovations that can spread and change a sector will require policy change, and some of them won’t.

Fulton: Let’s look toward the future. What do you see happening to the field of social entrepreneurship moving forward? Will there be a growing segmentation of types of social entrepreneurship, or might there be a convergence?

Dees: People who define social entrepreneurship in terms of their particular school or group are likely to continue to think in terms of segmentation. But to some extent, convergence is already happening. If you look at the work that’s being done under the umbrella of social innovation, there is more interest now in the ways in which markets and market-based solutions can be brought to bear. Ashoka is running competitions to identify market-based solutions to different kinds of problems related to poverty or human trafficking; it is also doing research on and promoting the idea

of hybrid value chains, which are partnerships between nonprofit and for-profit organizations that help make markets for products that help the environment or serve the poorest of the poor in a constructive way. So we're starting to see this sort of activity come out of the social innovation side.

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Meanwhile, people on the social enterprise side are using business methods in innovative ways to create more viable solutions to social problems. Something like micro-enterprise lending at Grameen is a powerful example that does both: it's innovative and it draws on market-based approaches and techniques to solve problems. I think there's going to be a lot of push in that direction. Market-based solutions are not going to work everywhere, but there is no doubt that people are being more innovative and persistent in

trying to craft solutions that take advantage of markets and business methods while also leveraging philanthropic resources. If there's something that can be done and done well through a business or market-based structure, it's probably better to take advantage of that and use the philanthropy for something that can't be well funded simply through the market.

So yes, I think we're going to see continued convergence in this area. And that will be great. Will we continue to see some in-fighting and debate about the definition of social entrepreneurship? Yes, we will. But that won't stop the field from growing and thriving.

Fulton: Will confusion over what we mean by “social entrepreneur” affect who and what gets funding?

Dees: I think each funder will segment the market and find those social entrepreneurs or socially entrepreneurial organizations that they want to back. There is nothing wrong with that. We can learn from the different experiments. But I hope they will do more than fund the next new idea to come along. Somebody has to fund the spread of successful innovations. For instance, it's hard to tell whether the next women's shelter is going to be sufficiently innovative or enterprising to interest social entrepreneurship funders, but it still may be worth funding. And we're going to need funders who realize this and think this way. If we're going to scale any of these direct service organizations, we're going to need people who fund the next one and the next one and the next one, not just the initial innovations—and not just the entrepreneur who came up with a new pattern, but the one who is engaged in ongoing implementation of a new pattern of production.

Fulton: You are so right. Funders and the media tend to emphasize what's new at the expense of what's proven but not necessarily so new anymore. Maybe we don't need so much innovation. Maybe we simply need to provide private and public support for what we know works—or fund the emerging solutions that cannot be fully proven until they are fully supported and gone to scale.

Dees: There is a sexiness to funding innovations, and I think there is some danger in that. But I'm not confident that we've figured out all the solutions and now just have to spread them. I certainly wouldn't want all funders to focus on the next new thing, but I think we still need new solutions. We have to fund both. In business the process of innovation never stops. There is always room for improvement.

Fulton: One of the ideas of previous generations was that innovation would take place outside government and government could then do the replication. But for a variety of reasons, it's not safe to assume that that's the way this will work in the future.

Dees: It's certainly not. And this goes back to the comments I made about why the momentum we're seeing in social entrepreneurship is occurring at this moment in time. There are definitely some people in this movement who still have hope for large-scale government solutions. But there are a lot of us, myself included, who have some skepticism about the government being the primary source of delivering services and goods. Some things shouldn't be done by government; they need to be done by somebody outside and independent of government.

Government can't run the international human rights organization WITNESS, for instance; government can't be its own watchdog. Imagine if the Boy Scouts and Girl Scouts were government-run! Or Habitat. So there are things we

don't want government to take over in a literal sense. Some folks still look back fondly on this model that the government will take over the program and run it. It may happen in a few cases, but frankly, outside of K through 12 education, I think those days are gone—and probably for good reason, unless we really can reinvent government. Maybe the government should provide funding on a competitive basis, sort of the way it does with charter schools. Maybe the government should provide regulation to assure quality; to stimulate demand; to help make markets possible, because we can't have markets without regulation. Maybe it should encourage more effective philanthropy. There are a variety of things that government can certainly do that would be constructive. But government hasn't, in my judgment, proven itself to be very effective at the ongoing innovation and implementation of programs.

Fulton: The activities of social entrepreneurs in different countries tend to cluster in different areas of need. In the U.S. today, for instance, there are a lot of social entrepreneurs working in education and the broader domain of human development. As we look ahead to the role that social entrepreneurs can play in creating a much better future in this country and around the world, what are the arenas in which social entrepreneurs are not clustering but will need to? In particular, I'm thinking about the dire need for change in the arenas of the environment and energy, where innovation is so desperately needed but solutions are not likely to be provided by those looking for short-term market returns.

Dees: We have a number of social entrepreneurs working in the area of energy and environment, but they haven't labeled themselves that way and somehow haven't been pulled into the fold as effectively as people who are doing, say, human services.

Fulton: Can you give an example?

Dees: Anybody who's doing alternative energy is an example. I was just looking at *Business Ethics* magazine, and one of their award winners was New Leaf Paper, which has a line of sustainable paper products, including some paper that is made from 100 percent post-consumer recycled waste. There are clean technology companies—many of which are for-profit, but they're entrepreneurial. There's a group out of Montana called PERC, the Property and Environment Research Center, which is coming up with free-market solutions to environmental problems. There are eco-tourism organizations that are trying to be innovative in how they're protecting certain parts of the environment and educating people in this arena. There is a lot going on, but again, it depends on how you define social entrepreneur. If we stick purely with the social innovation definition and don't require any of the enterprise elements, we could identify the Environmental Defense Fund, the Natural Resources Defense Council, The Nature Conservancy, and the World Wildlife Federation as examples of environmental entrepreneurship. Each has carried out important innovations with different degrees of success.

Fulton: Might we be at a real takeoff point in terms of the visibility of social entrepreneurship and the understanding of the need for this kind of pragmatic idealism, which now has a track record in many arenas? Could we see this playing out quite visibly in the next U.S. presidential campaign, for instance?

Dees: Well, we are still early in the development and sharing of a common understanding of the term "social entrepreneur." Even though we're seeing much more press about it in the U.S. and internationally, a lot of people still don't understand it. But in future major political campaigns, if candidates want to push this issue of how we creatively cross sector boundaries to find solutions to serious social problems, social entrepreneurship could certainly enter the debate.

Most people realize that governmental institutions have their strengths and weaknesses. They also realize that social and environmental problems are entangled with economics. It's almost impossible to separate them and solve them without paying attention to economic factors. Long-term solutions to social problems will cut across sector boundaries. So I do think we're probably going to see more holders of high-level public office getting this concept of social entrepreneurship and redefining these sector boundaries. The United Kingdom has already created a new legal form of organization for social enterprise called the community interest company.

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But there's also a danger of a backlash. A lot of people feel threatened by the breakdown of sector boundaries. They push back very hard, wanting clear lines between different kinds of organizations and the roles that they play. They

point out that governments—particularly democratic governments—have a legitimacy that comes from the voting process that corporations and non-profits don't have. Some believe that corporations and nonprofits shouldn't be defining a public agenda. There's also pushback from people who think that when nonprofits use business methods, they're violating the spirit of their tax exemption. To some extent, this backlash is to be expected, because any time you go through a period of change like this there's potential for discomfort and for a reversion to what's familiar and comfortable. But I'm hopeful. And I believe we're going to see increased change in the direction of blurring these sector boundaries as we look for more creative solutions to social problems.

Fulton: Through your work, you've told a coherent, compelling story of the last 20 years of the emergence of social entrepreneurship. Now let's look ahead 20 years—not just to the future that you expect to see, but to the future that you would like to see for social entrepreneurship.

Dees: Well, I would like the term “social entrepreneur” to become more commonly known and understood. Right now, if I try to describe to friends and neighbors what I teach and study, it doesn't click immediately. That may mean that this term is not the right term; maybe we're going to need different language to build this movement. But if I can have my greatest hope, it would be that the name also catches on, that people understand it and that it excites them, and that it conveys something that people believe is of value.

I would also like to see funding flowing more thoughtfully to social entrepreneurs and to the efforts to scale the impact of those social entrepreneurs. I would love to see a more efficient and effective financial support system. I won't call it a capital market, because I'm not sure that's exactly what it is, but I would certainly like to see better financial support, support that is tied to performance, in the future. Parochially, since I'm at a business school, I'd love to see every business school have programs for students to channel their business knowledge and expertise into this arena and to do it in a thoughtful and constructive way. I'd also like to see more interdisciplinary programs that cut across school and department boundaries flourish—programs like the Reynolds Social Entrepreneurship Fellowship programs at Harvard University and NYU, which offer fellows experience in all the universities' professional schools.

In society, I'd like to see more value placed on social impact and success than on good intentions or effective marketing or the severity of the need you're claiming to serve. I'd like to see a fundamental change in ethics or culture around that. We still have the lingering effect of a culture of charity, which honors people for their sacrifice—how much they give and the purity of their motives. The word charity comes from the word “caritas,” which is Latin for love or compassion. We're rewarding people for demonstrating their love of humankind, but we're not often looking to see whether it has the intended impact. So I'd love to see an ethics change, so that we honor people for the impact they've had directly, or indirectly in choosing to support programs and organizations and individuals that have had impact, not just for how much they give or how generous they are.

Fulton: What is your advice to people who are social entrepreneurs today—and to those who want to support them whether they are funders, policymakers or business leaders?

Dees: For social entrepreneurs, my message is, “Keep up the good work.” I am in awe of what many of them have accomplished. One bit of advice to them is to continue to work collectively as they're doing at the *Gathering of Leaders* at Mohonk, to help establish and develop this “field” of social entrepreneurship—this pragmatic idealism, however we might want to label it, that is encouraging innovative approaches. I think they have to come together to have a common voice and to share issues and lessons with one another. In terms of funders, many of them are already getting much more focused on impact and much more systematic about their work, and I hope they'll continue to push that. This doesn't mean that every funding decision is driven simply by the measurable short-term impacts that an organization or a potential grantee creates, but that they are using their judgment to identify the areas where they can have the greatest impact, and direct their funding there.

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I also think that if they believe there is something to this idea of blurring sector boundaries and looking for multi-sector solutions with appropriate roles for the different players, they need to support its development—that is, its development as a field. We don't know much about cross-sector solutions, in part because the people who study these

problems tend to be compartmentalized; they're at a social work school or an environmental school or a school of education or a business school or a policy think tank. They rarely talk with one another. So if funders want to encourage this creative and pragmatic idealism, they need to fund efforts (and the *Gathering* at Mohonk is a good example of this) that bring people together across these boundaries and deepen our collective knowledge about what can work and what can't work and how we can find better solutions.

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For policymakers, I would say that they've got to start thinking very creatively about the powerful facilitating role that government can play in this arena. It is legislation that made charter schools possible. Hospice spread through Medicare reimbursement. The reason Grameen Bank has been so successful financially is that it can take savings deposits from its borrowers, and it can do this because legislation was passed that allowed Grameen to act as a bank and not simply as a nonprofit organization. So I think there are lessons that policymakers can learn about social entrepreneurship that will help them facilitate the development and spread of innovative and effective ideas.

As for businesses, I think they have a couple of opportunities here. One is simply to look in more creative ways for profitable business opportunities that also have a positive social impact. There is a real push for this right now by people who are doing work focused on serving the base of the pyramid, that is, the poorest people in the world. They are urging business leaders to find ways to serve the lowest-income individuals in the world, but do it in a way that's actually beneficial to those individuals, that increases their participation in the market in a way that is healthy and constructive for them. I think that's encouraging. Also encouraging are people who are looking for creative environmental products, whether it's new fuels or new clean technologies. Sometimes a company cannot create a suitable business opportunity without help. They should also look for ways to work constructively with nonprofit organizations for mutual benefit. They can create what Ashoka calls hybrid value chains, in which the nonprofit helps make the business viable.

Obviously, businesses have already started moving in the direction of being more strategic about how they fund—strategic in the sense of how does this affect our bottom line. But I think they also need to ask other strategic questions: Are we funding things that are really going to achieve the intended social impact? Are we working with those social entrepreneurs who have the greatest chance of having that impact, not just the greatest chance of having a marketing benefit for our company?

Fulton: Thanks, Greg, both for the work you've been doing for so long, and also for giving us a lot to think about as we prepare for the *Gathering of Leaders*.