Accelerating Impact Enterprises

How to Lock, Stock, and Anchor Impact Enterprises for Maximum Impact

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SJF INSTITUTE

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CENTER FOR THE ADVANCEMENT OF SOCIAL ENTREPRENEURSHIP

CASE i3: *The CASE Initiative on Impact Investing*

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Innovation for the Next 100 Years

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I. Introduction

As a potential extension of its pioneering work on impact investing, the Rockefeller Foundation commissioned us last year to be part of a global research consortium aiming to understand the needs of impact enterprises around the globe. One of the foundation's initial questions was, if impact investors are the supply side, providing capital, what are the evolving needs of the demand side, those receiving it? What activities could foundations, governments and other institutions take to be sure the impact enterprises, these tireless small companies working to create lasting improvements on communities, both domestically and globally, succeed to their greatest potential?

Together, the consortium, which also included representatives of ANDE, Monitor, NESsT, the William Davidson Institute and FSG, met throughout the year to set common definitions, discuss research questions, and share early findings. The first task was to create a common working definition of Impact Enterprises (IEs). The group deliberated and decided the term would refer to financially self-sustainable and scalable ventures that actively manage toward producing significant net positive changes in well-being across underserved individuals, their communities, and the broader environment. Our slice of the work was the domestic market; we focused on performing a landscape scan of privately-owned, for-profit Impact Enterprises headquartered in the United States that generate less than $25 million in annual revenues.

Our report and findings on this landscape speak to the evolving terrain that underlies this inquiry. We know there is a groundswell of interest in the business community around the idea of business solving social problems. Indeed there are tens if not hundreds of compelling stories in the news regularly about the top social and for-profit entrepreneurs using the power of business to address health, education, resource scarcity, poverty, environmental sustainability and many other issues. Yet, in our inquiry we aimed to go beyond the anecdotal to see trends and common obstacles for entrepreneurs working in these areas, and turn them into a set of segmented, addressable needs.

Three organizations came together to complete this scan. The Center for the Advancement of Social Entrepreneurship (CASE) at Duke University, one of the leading research and education centers on social entrepreneurship and impact investing, designed this effort to build on previous academic research done on domestic for-profit impact enterprises. The SJF Institute and its affiliate Investors' Circle leveraged their 20 years of experience in helping impact entrepreneurs to thrive and connect to capital. And the consulting firm O-H Community Partners brought its expertise in strengthening and scaling markets targeted at creating jobs, wealth, and economic opportunities in underserved communities. Our common goal was to better understand the evolution, potential, and needs of domestic Impact Enterprises (IEs) and to identify philanthropic, private, and public investment opportunities that can be targeted to accelerate growth and increase the likelihood of success among IEs and the emerging "impact economy" in the US.

We are grateful to all the entrepreneurs and intermediary organizations that gave us their time and shared their work with us. We very much look forward to their feedback and involvement in moving their important work forward.

Sincerely,

Catherine H. Clark, Matthew H. Allen, Bonny Moellenbrock and Chinwe Onyeagoro

II. Executive Summary: Lock, Stock, and Anchor

Impact Enterprises (IEs) are defined as financially self-sustainable and scalable ventures that actively manage toward producing significant net positive changes in well-being across underserved individuals, their communities, and the broader environment. This landscape scan focuses on privately-owned, for-profit Impact Enterprises with headquarters in the United States that generate less than $25 million in revenues. The project's goal was to understand the evolution, potential, and needs of domestic IEs and to identify philanthropic, private, and public investment opportunities that can be targeted to accelerate growth and increase the likelihood of success among IEs and the emerging "impact economy" in the US.

Our findings and recommendations can be summarized in three verbs: Lock, Stock, and Anchor.

LOCK	**Mission Lock through Certification Makes a Difference:** Certification resolves ambiguity and correlates with greater business success.
STOCK	**Impact Correlates with Growth, Unless Focusing on Underserved Populations:** Take stock of the enterprise's impact targets, as they may influence its growth trajectory.
ANCHOR	**Maturity Level of Ecosystems Can Be Measured and Influenced:** Impact Enterprises need to be anchored within strong communities of practice.

Our scan explored three questions related to the role of IEs in the emerging impact economy:

1. How Has the Overall Market of Impact Enterprises Evolved?

Impact commitment correlates with basic measures of business success. Contrary to the popular belief that companies working to have positive social and environmental impact have a hard time growing as fast or being as profitable as traditional enterprises, our research shows that at the enterprise level, a tangible commitment to impact, as expressed through specific, verifiable practices, is strongly correlated with overall business growth. This trend is statistically valid across all industry segments (all industries were clustered into eight industry segments), company ages, and geographies.

Within that, Mission Lock makes the biggest difference. As compared with a 2003 study by the RISE project at Columbia Business School, the most significant differences seen in this study are the new kinds of commitments that impact entrepreneurs have embraced to lock in their commitment to impact. Ten years ago, certified B Corps and legal forms like Benefit Corporations and L3Cs did not exist. There was significant friction in the marketplace about how to define and communicate impact as well as ambiguity about what it would cost to create social returns. Today, close to a third of respondents in our sample of domestic impact enterprises reported having product or company certifications, and our data showed that this tangible impact commitment was the most statistically significant factor correlating with basic measures of success. In other words, the certified companies

were older, had more revenues, had more employees, raised more capital and were more profitable. In fact, they were 4 times more likely, on average, to have a positive correlation with successful financial and growth measures than non-certified companies who identified themselves as impact enterprises.

2. Which Impact Enterprise Segments Have the Most Potential for Impact?

Impact correlates with growth, unless focusing on underserved populations. By mapping each company by *Pace of Growth* and *Impact Commitment*, trends and needs emerged more clearly. Based on the historical data collected, all 7 of our industry segments showed a positive correlation, on average, between high growth and high impact. Our report defines and explores 4 different IE quadrants: Impact Gazelles, Impact Turtles, Impact-Light Gazelles, and Impact-Light Turtles. The two Impact segments have the most potential for impact but need different kinds of capital and support.

The population the company targets, through its products, services, or operations, may influence its growth trajectory. Certain industry segments, including agriculture/food and financial services, have higher concentrations of companies with both higher growth patterns and higher impact commitments. The weakest correlations between growth and impact occurred within the manufacturing and transportation industry segment. However, regardless of industry, companies in the US working to serve underserved populations, including low-income populations in the US and internationally, have been less successful at achieving high growth, on average.. The significant exception to this is the niche of IEs targeting minorities, which was the only segment serving an underserved population that showed a positive correlation between impact and growth.

3. What Do Impact Enterprises Need to Succeed?

IEs need capital that matches their growth trajectory. Once we mapped the companies according to their growth and impact commitment, we looked at their reports on types, rounds, and amounts of capital raised. Within the high impact/high growth companies, angel funding appeared to be a significant gating factor. Companies not able to access angel funding at an early stage seemed less likely to be able to attract later capital, despite their early growth. In addition, a significant number of companies within every industry reported high impact but slow historical growth. Foundation program-related investment (PRI) funding is an underused resource within this segment – very few IEs here reported having raised PRI funding while this is the segment that instrument was designed to serve.

IEs need to be anchored within communities of practice. We also looked more carefully at several industry sectors where the companies' product or service is inherently impactful (like affordable housing or K-12 educational services). Studying the maturity patterns within these heavily impact-aligned industries revealed some distinct strategies around how to drive strong impact marketplaces. Some of the most popular needs the entrepreneurs expressed in our survey matched these lessons from the impact sector analysis: they wanted more peer networking with experienced entrepreneurs in their industries and more local hubs or centers of excellence centered around common problems of industry or stage, not just location.

Recommendations

In summary, when the actors within the impact economy work to lock in mission, take stock of the populations targeted by the mission, and anchor impact enterprises within supportive communities, we believe the overall ecosystem for impact enterprises will dramatically improve. Our key recommendations to build more mature ecosystems for impact enterprises for policymakers, investors, academics, intermediaries, and entrepreneurs include:

1. Support the development and adoption of impact certifications and standards for return and impact;
2. Develop and support sector-focused Centers of Excellence, which can develop and deepen relationships between the impact sector participants, especially between service providers, IEs, and impact investors;
3. Ensure that interventions fit the impact sector's needs according to market maturity level or IE's needs according to stage of development; and
4. Continue to subsidize efforts to address underserved or disadvantaged populations and support public policy research and incentive development to address these populations' challenges.

One World Futbol Project

Consumer Products & Retail

One World Futbol Project's mission is to make a meaningful impact on the lives of youth around the world through the One World Futbol, a virtually-indestructible ball that never goes flat and never needs a pump. One World Futbol Project's goal is to bring the joy of soccer and play to youth in disadvantaged communities so that children can be children no matter where they live.

III. Methodology

Context and Scope

Impact Enterprises (IEs) are defined as **financially self-sustainable and scalable ventures that actively manage toward producing significant net positive changes in well-being across underserved individuals, their communities, and the broader environment.**[1]

This landscape scan focuses on privately-owned, for-profit Impact Enterprises with headquarters in the United States which generate less than $25 million in revenues. The project's goal was to better understand the evolution, potential and needs of domestic IEs and to identify philanthropic, private and public investment opportunities that can be targeted to accelerate growth and increase the likelihood of success among IEs and the emerging "impact economy" in the US.

Although this study focuses on small and medium-sized for-profit enterprises, it is important to note that there is a broad array of civic, private, and public institutions working to advance positive social and environmental outcomes within the United States. The ecosystem of impact enterprises, which was referred to as the "Impact Economy" by the White House Office of Social Innovation and Civic Participation at a summit held in 2011, is large, diverse, and growing. Along with for-profit enterprises targeted in this Landscape Assessment, there are three other distinct types of organizations that strive to deliver impact, including:

- **Civic:** Not-for profit/tax exempt organizations of all sizes that serve the public interest and common good,
- **Private:** Larger and publicly-owned corporations with active business social responsibility policies and practices, and
- **Public:** Government and quasi-governmental agencies with innovative and effective programs and services.

The role, interdependent relationships, and contributions of all impact-oriented organizations are significant and critical to maintaining a healthy and well-functioning society. In focusing on small and midsize, for-profit Impact Enterprises, the intent is not to elevate the value of one type of impact organization over any other. Rather, it is to establish an initial base of knowledge about the characteristics, potential, and needs of these enterprises in order to recommend strategic investments that will improve their performance and capacity to deliver on the common societal improvement goal of all impact organizations.

Critical Questions

The three critical questions for the scan were based on viewing Impact Enterprises as a potentially important market segment in the emerging impact economy:

[1] This definition was a working definition created by the research group assembled by the Rockefeller Foundation in several live meetings and conference calls held in 2012.

1. **How Has the Market of Impact Enterprises Evolved?**
   Based on strategic sampling, create a definition of private, entrepreneurial "impact enterprises" and explore how the group has evolved in the last 10 years

2. **Which Impact Enterprise Segments Have the Most Potential for Impact?**
   Based on historical data, describe which industries and business models have succeeded and thus may hold the most potential for impact

3. **What do Impact Enterprises Need to Succeed?**
   Conduct initial research into the assistance needs of these impact enterprises, including technical assistance, capacity development, strategy and operations, impact evaluation, and capital access

Data Collection

One of the initial challenges was how to identify and access impact entrepreneurs nationally to create a diverse and valid sample set. Publicly accessible data about Impact Enterprises is very limited. As privately-owned companies, they are not required to share growth, revenue or other kinds of operational or impact data in any publicly accessible way. While many are in fact small businesses, they are not registered separately, counted, or tracked by any government agency, including the Small Business Administration. Recent changes in state corporate law have seen the passage of legislation in 13 states to permit companies to incorporate as Benefit Corporations, and there are other designations like L3Cs and Flexible Benefit Corporations that have arisen as well. Still, the numbers of companies that have taken advantage of these new statutes are relatively few.[2]

However, there are hundreds if not thousands of for-profit enterprises that are members of advocacy and membership organizations focused on social and environmental impact, like Social Venture Network and Green America, and a very small set of companies (about 700 as this report goes to press) that have become certified as B Corporations due to their dedication to creating social impact.

The methodology for this study included dividing impact enterprises by their level of participation in the impact economy, and studying them in two different ways:

By Impact Economy Involvement: Many impact enterprises show their participation in the impact economy by involvement or membership in social or environmental impact-focused intermediary or membership organizations. Examples of these would be Investors' Circle, Green America, or BALLE. The project performed an online survey of the top managers of these impact enterprises, by asking approximately 200 intermediary groups identified as having an impact or sustainable business focus to share the survey with their members. The online survey was open from July to September 2012 and over 460 enterprises responded. The final complete and usable sample that met our criteria was 331 IEs with headquarters in 27 states.[3] This is more than three times the amount of responses received in 2003 when the RISE project at Columbia Business School completed a similar study.[4] A full copy of the survey can be found at http://bit.ly/ZyI0Je.

[2] For example, see http://craigeverett.com/benefit-corporations.html and http://www.intersectorl3c.com/l3c_tally.html for recent lists of benefit corporations and L3Cs, respectively.

[3] Note: this survey methodology did not create not a statistically-valid sample, as participants were self-selecting, but it has allowed us to study a broad array of Impact Enterprises as a first step toward understanding whether a more rigorous study is warranted.

[4] See "RISE For-Profit Social Entrepreneur Report: Balancing Markets and Values" http://www.riseproject.org/rise-sep-report.pdf , Clark and Ucak, Columbia Business School, 2006.

By Impact Sector: Some impact enterprises operate in specific market sectors that target social and/or environmental challenges even though they may not explicitly identify as a participant in the impact economy ecosystem. Affordable housing developers and rural health clinics are two examples of these. To reach this group, based on a comparison of impact areas by several prominent intermediaries (including B Lab, Social Venture Network and others), impact market niches within six impact sectors were identified: (1) financial products and services, (2) education and training, (3) health and wellness, (4) energy and environment, (5) real estate, and (6) professional services. The market niches within these sectors are listed in Appendix B. For this group, secondary research was conducted with literature reviews and interviews with 26 experts, including technical assistance providers, industry/trade/professional association leaders, intermediaries, funders, government agencies, representative practitioners, and other thought leaders. These experts are listed in Appendix C.

King Arthur Flour

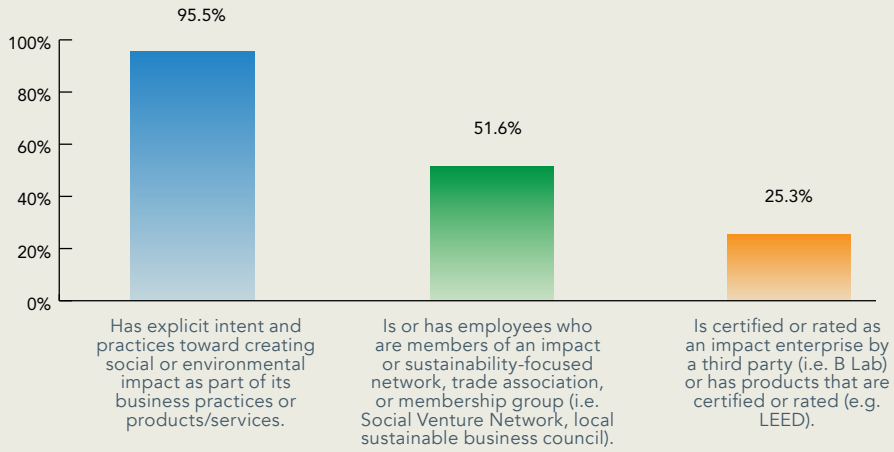
Agriculture, Health & Food

King Arthur Flour is committed to treating its customers and partners, the community, and the natural environment with as much care as it gives to maintaining the high quality of their flour. From a centuries-old commitment to providing flour without unnecessary chemical additives, to their support of American farmers and baking supply manufacturers, King Arthur does its best to make sure that social responsibility is at the core of the business.

IV. Full Sample Results

We received over 460 responses to our survey, and our final "full" survey sample in this study consisted of 331 impact enterprises that were operating as for-profit businesses with headquarters based in the US, who agreed with at least one of the three statements below.

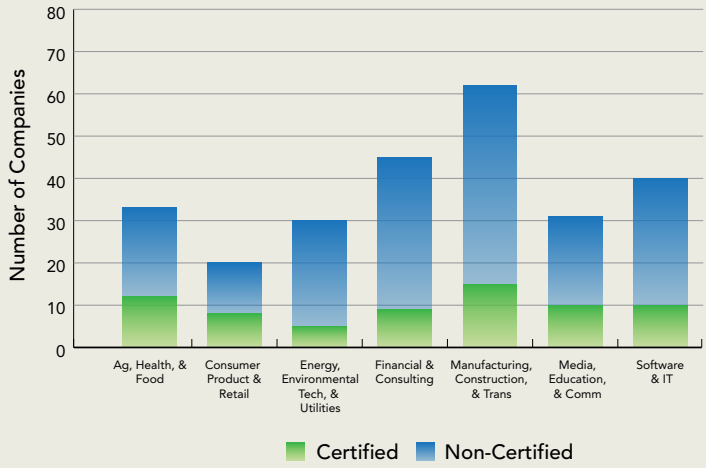
Figure 1: Company Intentions, Engagement and Certification



Company Demographics

- **Industries:** Companies were assigned to 7 industry segments based on their SIC codes. The figure below indicates the industry distribution of both certified and non-certified companies.

Figure 2: Full Sample of Companies by Industry Segment & Independent Certification Status



- **Revenue:** The reported revenue per company in 2012 ranged from 0 to $20 million. The median revenue, however, was less than $100,000.
- **Age:** Companies reported incorporating from 1943 through 2012. Over 65% of the sample, however, was between 1 and 5 years old. Another 23% were between 6 and 10.
- **Employees:** The average number of employees was 23, with over 90% of the companies operating with fewer than 25 FTEs (full-time equivalents).
- **Job creation:** The average number of jobs created over the last 12 months by the full sample was 5, and the average number of jobs lost was 1. The highest number of jobs created in the past year by one company was 400.
- **Industry type:** Companies were divided by industry type (service, wholesale, manufacturing and grower) as well as by industry segments. Over 60% of the sample was made up of service companies.
- **Corporate form:** Over 70% of the sample is incorporated as an LLC or a C Corp, with only 5.5% incorporated as one of the new corporate forms for impact enterprises (Benefit Corps, L3Cs, Flexible Benefit Corps or Social Purpose Corps).
- **State of incorporation:** The largest concentrations of incorporation are in Delaware and California, with 70 and 69 companies, respectively. New York and Washington are next, at 13 and 10 respectively.
- **Growth:** The group is generally experiencing solid growth, with over 58% reporting an increase in average revenue growth over the last 3 years

Impact Orientation

- **Explicit mission:** Over 86% of companies reported that they are always or often explicit about their impact mission to their customers. In addition, companies with PRI funding reported communicating "almost always" to a larger number of stakeholders (customers, suppliers, employees, investors, etc.) more often than companies with other types of funding.

> *"Social impact is inseparable from our operations."*
> *—Sergio Nevel, CEO, ArmaTerra, Inc.*

- **Mission alignment:** Over 76% of the companies reported that their mission and revenues are highly or essentially aligned. This dovetails with recent findings from a survey done by the nonprofit group Endeavor of its for-profit entrepreneurs, who reported that aligning social and financial goals and then concentrating on the financial side of the business, was the easiest way to grow both the company and the company's impact.[5]

Financing History and Needs

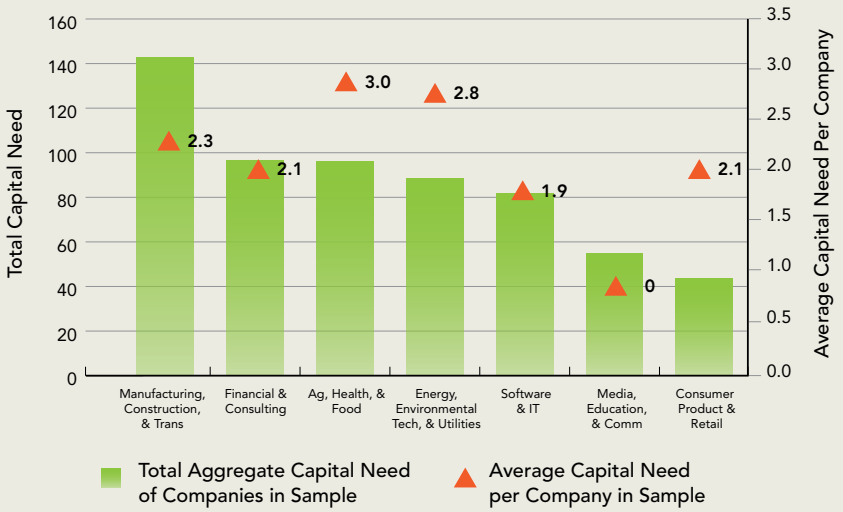
- **Past capital raising:** About 29% of the sample has not raised capital but most intend to do so in the future. Of those who have, about a third (32%) have raised only one round. Most of the managers reporting past financing have raised significant amounts – over $5 million. Success in fundraising seems to be an all or nothing game. 47% raised less than a quarter of their target raise,

[5] See New Research: If You Want To Scale Impact, Put Financial Results First, Rottenberg and Morris, HBR, Jan 9 2013. http://blogs.hbr.org/cs/2013/01/new_research_if_you_want_to_sc.html

and another 27% raised 75-100% of their target raise. Of those who met their targets, 90% of them raised it through equity. In addition, founder funds and friends and family funding account for half of the capital raised by over 75% of the enterprises that raised money. An interesting note: across all companies, those who listed "Sustainable Agriculture" as their impact area went to the market more frequently than any other impact area.

- **Anticipated capital needs:** The total capital sought by the whole sample over the next 3 years is $750 million. Over 90% of the sample intends to raise money over the next 3 years, and over 50% will be looking for $2 million and up. Half of those are targeting over $5 million. Over 75% say more than half of that will be through equity. Grants and convertible debt were the next two most popular forms of capital targeted.

Figure 3: 3-year Capital Need ($m)



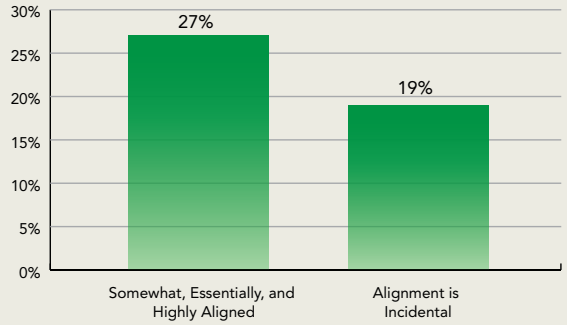
- **Certified vs Non-certified companies:** As a group, companies that independently certify their impact, are larger, older, have greater net income and more employees. Certified companies have also had greater success in raising capital and the sources of that capital have been more diverse. For example, 60% of certified companies have raised over $5 million, while only 30% of non-certified companies have. This finding is statistically independent of other factors, including company age.

- **The non-certification company group includes a wave of younger companies struggling with getting established and especially with accessing capital.** As a group, non-certified companies, those that are socially committed but uncertified, are smaller, younger, have raised less capital, expect more of their future capital to come from equity sources, and expressed less certainty about their roadmap for future growth.

- **Certified companies are more likely to serve underserved populations, but are also less likely to report having highly "aligned" impact and business models.** We asked companies: how aligned is your impact creation and financial value creation models? In other words, does a dollar of sales equal a dollar of impact, or could financial success proceed without your social impact? Or do you need to build in extra activities (that could cost you more) in order to fulfill your mission? (An example of an aligned model could be a solar panel retailer, where every solar panel

installed replaces oil or gas with renewable energy. An example of a less-aligned model might be a paper company whose mission is inner-city hiring, where sales of paper do not require the workforce commitment.) Companies reporting the highest alignment in their models also reported the highest growth and profitability metrics. But certified companies, which reported the highest percentage of less-aligned models, also reported similarly high growth and profitability scores. These companies may be using the certification to manage their less-aligned mission commitments better with all their stakeholders than do non-certified companies with less-aligned mission commitments. Thus certification may actually be more helpful to companies with less-aligned mission commitments than to those whose mission models are highly aligned.

Figure 4: Aligned Business Models and Capital Raising



Companies that report strong alignment between revenues and mission have achieved larger number of capital raises that those with "incidental alignment"

- **Certified companies have higher revenue growth.** Certified companies evaluating impact via a third party have the highest average revenue growth, while there is no significant difference in revenue growth across evaluation methods for non-certified companies.

- **Company challenges.** When answering an open-ended question about primary challenges facing their organizations, 51% of entrepreneurs at non-certified organizations listed financing as their primary need. For certified companies, only 37% of entrepreneurs listed financing as their primary concern. These entrepreneurs indicated an increased need for organizational services, specifically marketing (22%) and human resources (17%), as well as strategy (10%).

- **Capital raises and needs.** Certified companies report, on the whole, having successfully completed more capital raises than non-certified companies. Both kinds of organizations report very similar capital needs over the next three years. Across the groups, energy, environment and agriculture consistently hold both the highest number of capital raises and the highest self-reported three-year capital needs, suggesting that these industries are very capital intensive. On the other hand, the arts, humanities and education report the lowest need for capital among the industries.

- **Types of financing needed.** Looking more closely at financial needs of organizations, there is little difference between the certified companies and non-certified companies in types of financial assistance needed. Both groups ranked non-traditional sources of funding, such as grants and PRIs, as a top financing need at the organization, as well as raising equity capital and locking in below-market rates for debt financing. Certified companies, which are older, reported seeking large sources of funding to meet their capital needs, and were less interested in strategies that piece together smaller grants or investments to meet capital needs, such as crowdfunding platforms. And a significant difference between the two groups involved traditional funding sources. Certified

companies listed non-traditional funding sources as a major need, but assistance in finding traditional funding sources fell to the bottom of the list. Presumably, because these organizations are externally anchored, they have already tapped into traditional channels. However, non-certified organizations expressed strong interest in gaining access to these traditional channels.

- **Non-certified early-stage enterprises reported the toughest time raising capital.** Non-certified company enterprises that focus on investment sizes, industries and impacts outside of interests of typical institutional capital sources have had the most difficulty raising capital. Their responses indicate that they feel disconnected from capital markets, due to their non-tech sector focus, non-coastal location, or stage ("We are too big for angel investors, too small and early-stage for VC.").

> *"A large philanthropy has the credibility to lend legitimacy to the organization. It doesn't ensure impact, but it opens doors for partnerships, funding, etc. To get the backing of a major foundation means you have made it. The partner can expose the new entity to new markets, customers, etc. It can really put the organization on the map." — Aaron Sokol, Parents Network*

- **Angel funding a critical pathway.** In non-certified companies, friends and family money and the founder's personal funds account for about half of the money raised by over 75% of managers. This can be contrasted with certified companies, which have had more success raising independent angel and institutional capital. Thus, angel funding may currently be the differentiator between those that continue on and those that fizzle out. Since generally companies with high growth potential tend to receive angel funding, it is again clear why Impact Turtles (see the Map section of the report) are having trouble raising capital.

Freelancers Insurance Company

Financial & Consulting

As a true social-purpose insurance company, Freelancers Insurance Company aims to be sustainable instead of profitable by providing independent workers with high-quality, affordable, and portable health benefits. It started with a simple idea: by bringing independent workers together as a group, they are stronger and safer than on their own. As a group, they can access lower-cost health insurance, minimize their collective risk, and subsidize each other's health costs.

- **Marketing Needs:** Certified businesses strongly indicated need for assistance developing and executing a sophisticated marketing plan and then measuring its success. Non-certified organizations also needed this same marketing support, but reported great need for assistance communicating their social and environmental impact. Certified organizations ranked this need quite low compared to other concerns, presumably due to the external relationship by which they are rated. Being rated by an external organization, such as a B-Corp certification or a GIIRS rating, could therefore be very helpful for non-certified organizations that struggle to communicate their impact.

- **Human resources needs.** For all companies, human resource needs are linked to the uncertainty of capital fulfillment. Organizations are concerned with attracting and retaining quality employees with competitive compensation packages. A strong secondary need is help structuring employee benefits packages, presumably due to a lack of legal expertise on staff and the high cost of contracting external legal aid.

- **Entrepreneurial support need.** Entrepreneurs were asked to share, in an open-ended response, what types of entrepreneurial support are the most effective. Non-certified organizations primarily indicate a need for mentorship from experienced, unaffiliated entrepreneurs who can help them navigate the funding and scaling up process. Many of the financing responses even indicated a need for networking within the financing community, a valuable function of a connected mentor. On the other hand, certified companies responded that networking within their peer group was the major concern, and after that came financing, with mentorship a close third. This pattern suggests that association affiliations may fulfill some functions of traditional mentors.

- **Support types.** Respondents were asked to indicate their level of interest in various types of entrepreneurial support – classes, webinars, online guides, conferences, one-to-one coaching, and consulting services. Two patterns emerged. First, entrepreneurs that run certified companies are most interested in participating in conferences, far and above other types of assistance. The conference platform serves to bring together like-minded individuals and provides networking opportunities and break-out sessions within the certified groups. But entrepreneurs in non-certified organizations prefer one-to-one coaching. This form of support assistance closely mimics the function of a mentor, as it allows for business- and case-specific advice. See Sidebar on Entrepreneurial Support.

Support Needs of Non-Certified vs. Certified Companies

In your opinion, what kinds of entrepreneurial support and assistance are most valuable and most needed to support and accelerate the field of domestic impact entrepreneurship?

Sample Responses from Non-Certified Companies

- Mentor who is experienced in the company's industry
- Mentorship and peer-to-peer support
- Really a mentor to help us plug into traditional mainstream capital sources
- Great mentors that love to help
- Mentorship with industry experts
- Mentorship, network meetings and conferences of social impact investors and entrepreneurs
- The assistance of experienced management and other successful entrepreneurs is essential. Most young entrepreneurs simply don't have the management experience.
- The type of support capable of anticipating challenges and obstacles that the entrepreneur hasn't seen or considered.
- Mentorship, webinars, external consulting when it's on target and a good match
- Mentors to help find financing. Mentors to help with marketing and market research. Mentors to help with intellectual property issues.
- Executive coaching

Sample Responses from Independently Certified Companies

- Reducing personal life risks for entrepreneurs - i.e. health insurance, college loans, etc.
- How to partner with larger organizations
- Independent board development
- Well-matched and facilitated peer-to-peer groups
- Sharing of best practices; patient capital
- Peer network of impact leaders;
- Being mentored by and networking with others who have already succeeded
- Small networks of high quality academic and business discussions where we can get to learn from each other and find areas of mutual cooperation

V. Impact Enterprise Landscape Maps

Introduction

In order to understand and analyze historical trends and patterns from our enterprise data sample, we created new landscape maps for domestic impact enterprises, which we are calling the Impact Enterprise Landscape Maps. The surveyed companies were plotted on the map based on two composite variables:

- *Pace of Growth* – how fast the company has grown, and
- *Impact Commitment* – how the company has demonstrated its commitment to impact through definite, identifiable practices.

By mapping each company by historical data on these scales, historical patterns emerged more clearly. We also mapped subsets of the companies, by industry, by certification, and by focus on underserved populations. This section discusses key findings that emerged from these maps and our analysis of what these data tell us about the future potential needs and challenges faced by domestic impact entrepreneurs.

Scoring Methodology

Our survey asked each company manager to respond to over 50 questions about their for-profit impact enterprise. A full copy of the survey is available here (http://bit.ly/ZyI0Je). For the landscape mapping we scored each company on two new composite variables based on multiple data points captured in the survey. While we analyzed all data, for the purposes of these landscape maps, the only data included in the maps are either current or historical. **These variables are based on the managers' self-reports of what activities and performance the company has already achieved to date, not what they hope to achieve in the future.**

BEYONDgear

Consumer Products & Retail

BEYONDgear (www.gobeyondgear.com) believes that adventure can be used for good. It is a social enterprise that funds adventure sports programs to help at-risk youth. By creating a brand of lifestyle adventure gear that allows enthusiasts to share their positive experiences in the outdoors with kids who would never have that opportunity otherwise, we can generate an entire movement to use adventure for good. BEYONDgear splits every dollar of profit earned with an adventure impact project, beginning with the construction of a climbing wall for the CEU Urban Climbing School, a grassroots climbing program for disadvantaged youth from one of Rio de Janeiro's many favelas (shantytowns).

Each company was assigned two scores. The score for *Impact Commitment* was based on five survey answers, and the score for *Pace of Growth* was based on four survey answers. **Each survey answer sub-variable was scored on a 0-3 scale with 3 as the highest possible score.** The scores were then weighted, so that each company was assigned two final scores from 0-3, one for each score. More detail about the details behind scoring system and weightings are in Appendix A.

Figure 5: Scoring Summary

Impact Commitment Score (0-3) Sub-variables	Pace of Growth Score (0-3) Sub-variables
Impact Incorporation (Benefit Corporation, L3C or Flexible Purpose Corporation, etc. earned more points)	Revenue Growth as a function of Net Income over the past 3 years. (This was measured as revenue relative to the net income achieved in the net income variable below. The higher the revenue in relation to your net income, more points were earned.)
Certification (product or company certification earned more points)	Net Income in the last year (more net income earned more points)
Underserved Populations (serving a population in need earned more points)	Net Job Growth (within company) (This was measured as a formula of jobs created minus jobs lost divided by total FTEs. Higher percentages of net job growth earned more points.)
Impact Evaluation Method (more credible methods earned more points)	Prior Rounds of Capital Raised (the higher the number of rounds the more points earned)
Stakeholder Communication (explicit, regular communication on mission to employees earned the most points)	

Impact Commitment Scoring Rationale

The rationale behind scoring for *Impact Commitment* is that enterprises that show the most commitment can do it in a variety of ways, including pursuing impact incorporation, seeking certification and ratings, serving underserved populations, using impact evaluation methods, and communicating with stakeholders. We scored companies on all of these to create the *Impact Commitment* score:

Impact Incorporation: A significant way to commit to impact is to incorporate in a business form in the US that is related to impact. There are now several corporate forms available in many states in the US, including Benefit Corporations, L3Cs and Flexible Benefit Corporations.

Certification: Another significant activity, and one that is easier for companies who are already incorporated in a traditional corporate form, is to certify the product or company using a 3rd party platform. We gave significant points for being B Certified, having a GIIRS rating, or having a product certification, like LEED or Cradle to Cradle.

Underserved Populations: We also gave companies higher *Impact Commitment* points if they told us they aim to serve an underserved population (we prompted with a few: low-income individuals in the US or abroad, minorities, etc.).

Impact Evaluation Method: We asked how they measure their impact and gave more points to companies that use more sophisticated and credible tools for doing this, such as doing a social audit, performing benefit/cost analysis or engaging a third party to do impact assessment.

Stakeholder Communication: Last, we asked companies how often they communicated their *Impact Commitment* explicitly, and, and gave the most points to those that were always or often explicit with their employees about their mission and impact. This is the most subjective measure so it was not highly weighted. Note that this measure alone could not give a company a very high *Impact Commitment* score; "impact-washing" is not possible on this map.

Pace of Growth Scoring Rationale

The rationale behind scoring for *Pace of Growth* is that enterprises grow at different rates and certain variables can start to paint a reasonable story about which companies are successfully growing; those variables from our survey include revenue growth, net income, net job growth, and number of rounds of capital raised.

Revenue Growth and Net Income: We asked respondents about their overall net income in the last year and then worked to balance our revenue and net income scores to reward companies that have overall revenue growth, but within the constraints of overall net income. So the more profitable the company, the higher the company's revenue growth score became.

Net Job Growth: We also measured job growth. Yet, since we know it is only a significant signal of growth for certain industries and companies, we assigned it a lower weight.

Prior Rounds of Capital: Last, we assigned a higher score to companies who reported raising multiple rounds of outside capital. Two or more rounds indicated to us that they are growing enough to convince investors of their past growth and financial performance, so those got the highest weightings.

A summary of scores for *Impact Commitment* and *Pace of Growth* across the entire sample is shown below.

Figure 6: Impact Commitment and Pace of Growth Scores for Whole Sample

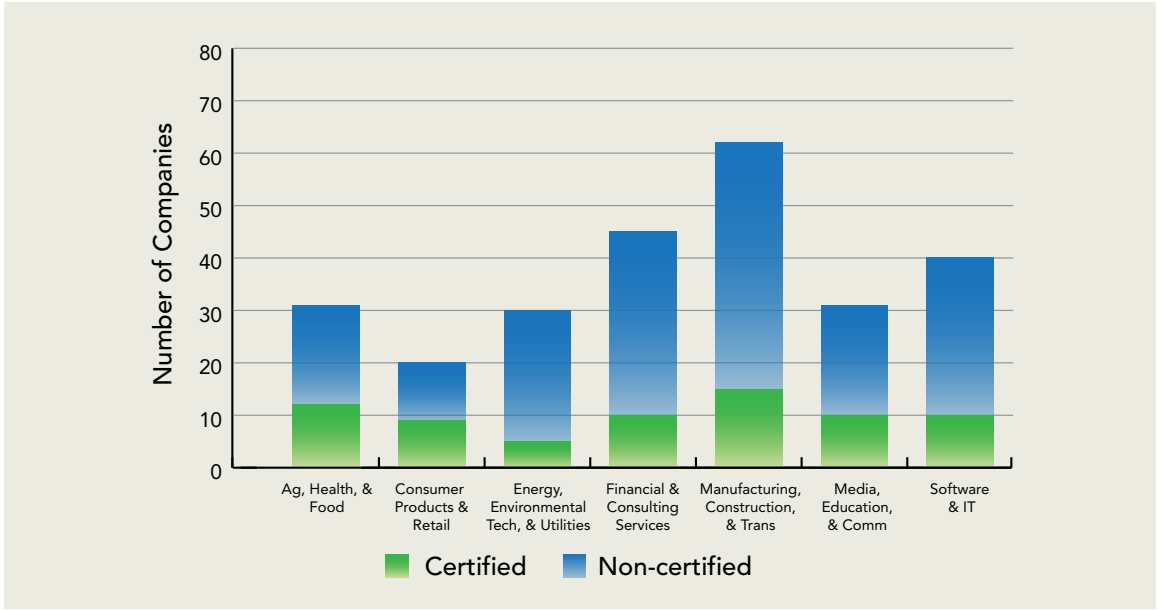
	Impact Commitment	Pace of Growth
Number of companies	289	289
Mean	1.98	1.5
Median	1.9	1.3
Mode	2	0.87
Standard Deviation	0.44	0.64

Industry Segments

While our survey generated 331 responses, all analyzed in the Full Sample Results section, the sample size for the landscape maps was reduced to 279 companies to assure that every company we mapped had answered all of the questions to generate the new composite variables. The 279 companies were also assigned to one of seven industry segments, and we distinguished those that

had independent impact certifications. Overall, 28% of the sample was composed of independently certified companies, across the industries.

Figure 7: Mapped Companies by Industry Segment and Independent Certification Status



Landscape Mapping Analysis: Quadrants and Slope

We developed a series of landscape maps based on different segments of our sample. For each segment, scatter plots of company scores were created, with *Impact Commitment* on the x-axis and *Pace of Growth* on the y-axis.

Quadrants Distinguish Scores: To make the patterns easier to discern, we have divided the maps into four quadrants. The quadrant lines represent the median scorelines across all industry segments and are 1.9 out of 3 for *Impact Commitment*, and 1.3 out of 3 for *Pace of Growth*, in all landscape maps in the report (except for Maps 1 and 2, below). Generally, companies can then be understood as sitting within one of the Quadrants, as defined below:

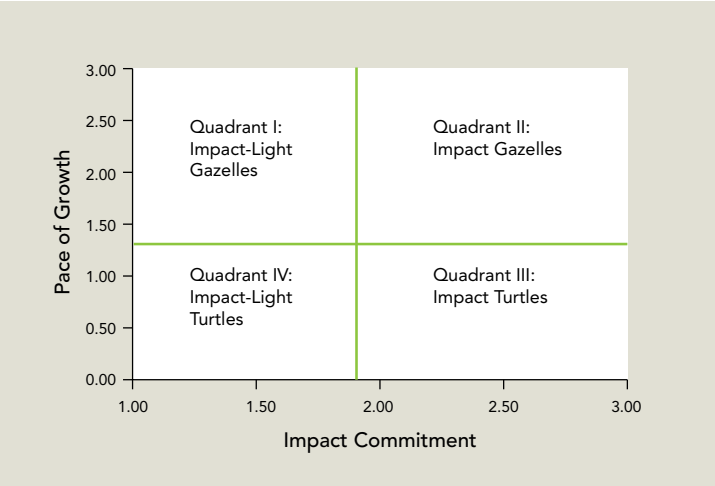
Quadrant I: Low Impact Commitment / High Growth (Impact-Light Gazelles)
The "Impact-Light Gazelles" are companies that are growing faster than the median, but show less *Impact Commitment* than others. They may be mainstream companies who are talking more about impact than committing to it, or they may be companies not sure yet how to solidly measure their *Impact Commitment*, or not sure they should.

Quadrant II: High Impact Commitment / High Growth (Impact Gazelles)
The "Impact Gazelles" are companies that exceed the median for both *Impact Commitment* and *Pace of Growth.*

Quadrant III: High Impact Commitment/ Low Growth (Impact Turtles)
The "Impact Turtles" are companies that have a higher than average *Impact Commitment*, but whose *Pace of Growth* falls beneath the median for the entire sample.

Quadrant IV: Low Impact Commitment / Low Growth (Impact-Light Turtles)
The "Impact-Light Turtles" are companies who have not made a substantial commitment to impact and have not shown much growth in the past 3 years. Some may just be early-stage and pre-growth.

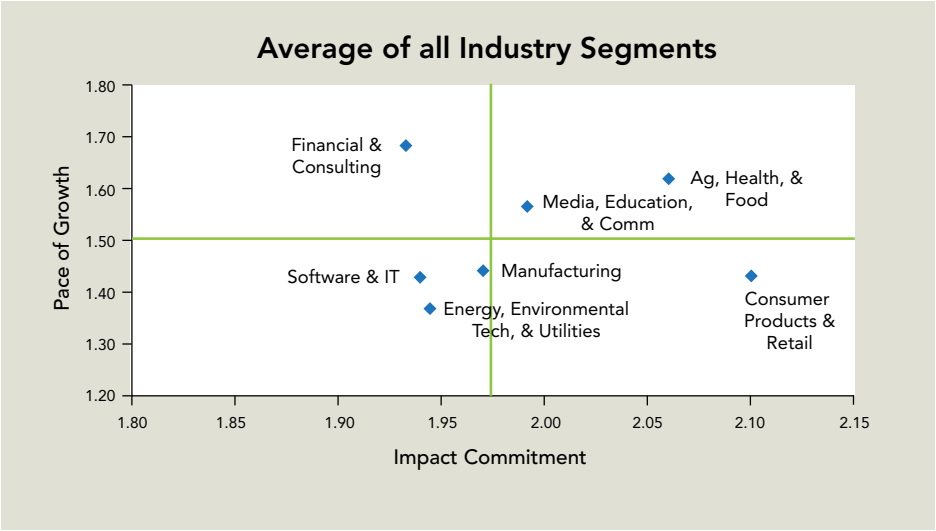
Figure 8: Impact Enterprise Quadrants



Landscape Maps 1: Industry Segments

Overall Industry Map: In our first landscape map, we mapped the seven industry segments based on the average scores received by all of the companies within the industry. The industry scores were plotted against one another on one scatterplot, illustrating the industries' overall placement on the map.

Landscape Map 1



Note: In order to highlight differences, the quadrant lines have been drawn at the level of the average score, not the median score, for each industry segment. The scores clustered closer together, so the axes on this map are not on a 3.0 scale. This is a closer up view of the larger map in order to show the relative differences more clearly.

First, we see that all but two industry segments fall within in Quadrants II and IV, where their *Impact Commitment* is correlated to their Pace of Growth. The two outliers are Consumer Products & Retail and Financial & Consulting Services. Consumer Products & Retail has the highest *Impact Commitment* score on average of all segments, but a lower Pace of Growth than the median. The Financial &

Consulting Services segment is the opposite – growing faster than the median but with less *Impact Commitment* for the average score of companies in the segment.

We also see that for the three industry segments that fall below the mean in both scales, they all fall relatively close to the mean of one of the two scoring variables. We also see that two industry segments, Agriculture, Health & Food, and Media, Education & Communications, are Quadrant II Impact Gazelles.

Overall Industry Map: Key Findings by Quadrant

Quadrant I – "Impact-Light Gazelles"
Companies in Quadrant I are defined by relatively low Impact Commitment with a high *Pace of Growth*. Only one industry, Financial & Consulting Services, landed in this Quadrant. This industry has the largest average net incomes and has raised money with more frequency than its industry peers. However, the industry has only a small number of independently-certified companies. This may indicate that the benefits of certification are not as clear for these services-oriented industries. Additionally, communication to stakeholders was mixed and the industry as a whole did not often target an underserved population.

Quadrant II – "Impact Gazelles"
Two industries, Media, Education, & Communication along with Agriculture & Food, landed in Quadrant II, where companies received high scores for both *Impact Commitment* and *Pace of Growth*. The Agriculture & Food industry scored high in certification and communication of their impact. Media, Education & Communication scored very high in communicating impact as engagement of stakeholders serves as a core competency of companies within this industry. With consumers willing to pay a premium for the perceived benefit of social value creation in both segments, the benefit from a strong and well-communicated impact is relatively clear and concrete.

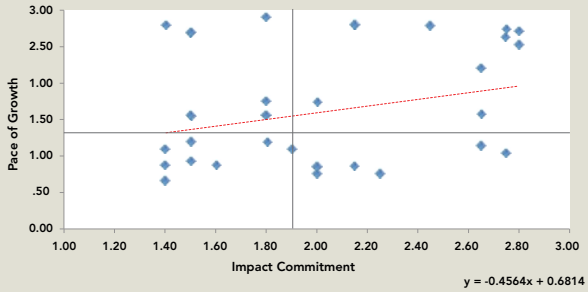
Quadrant III – "Impact Turtles"
The Consumer Products & Retail industry is the one industry falling in Quadrant III, where *Pace of Growth* is secondary to *Impact Commitment*. All but two of the companies within this segment received the highest score for mission alignment, and all but three received top scores for communication of impact. As one of the only 'client-facing' industries within the study, it is no surprise that Consumer Product & Retail companies place the greatest emphasis on communicating impact. The one surprise here is that they are in the slower growth quadrant on average. It looks as if the sample includes a lot of younger, early-stage companies which can drive down that score.

Quadrant IV – "Impact-Light Turtles"
Three industries find themselves in Quadrant IV, with relatively low scores for both *Impact Commitment* and *Pace of Growth*: Manufacturing; IT & Software; and Energy, Environmental Tech, & Technology. In Software & IT, the benefit of communicating a positive impact seems challenging to define. With the weakest trend line, the connection between communicating impact and growth seems farther removed than all other industries. This may be a result of the services provided by this industry, which are generally separated from the social value created by a company's commitment to impact. Manufacturing scored the highest of the three industries in terms of *Impact Commitment*, with a score that essentially hits the survey mean, which may indicate efforts to reduce the negative impacts of their operations. While also coming close to the mean in growth, the manufacturing industry faces a competitive environment where much larger industry players without a stated focus on social value creation may have a strong hold on the market. The most surprising finding is that of the Energy,

Environmental Tech, & Utilities industry. Income generation seems to be a struggle for industry players, which inevitably hampers a company's ability to create jobs. In regards to impact commitment, only 6% of companies within this industry are Benefit Corporations or L3Cs and 20% are independently-certified. The exciting finding, however, is that those companies with the strongest impact commitment have experienced significant growth. In fact, as seen below, the Energy, Environmental Tech, & Utilities industry has the largest slope, and thus the strongest correlation between impact commitment and pace of growth.

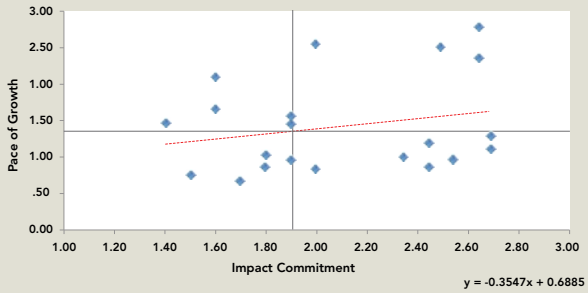
Industry Segment Maps: When we mapped companies within each industry segment, as opposed to the average score per segment, we see more clearly that across the board, *Impact Commitment* correlates with basic measures of business growth. Contrary to the popular belief that companies working to have positive social and environmental impact have a hard time growing as fast or being as profitable, our research shows that at the enterprise level, a tangible commitment to impact, as expressed through specific, verifiable practices, is strongly correlated with overall business growth. This trend is statistically valid across all industry segments, as seen below in the positive slope lines on each map.

1a: Agriculture, Health, & Food



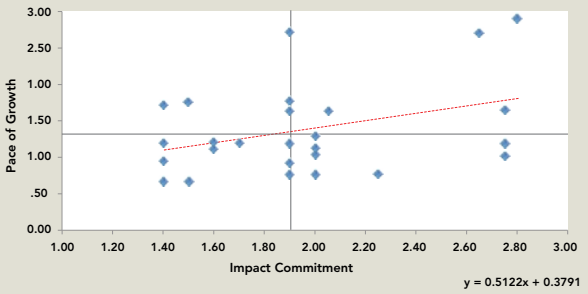
Number of companies:	32
Certified:	31%
Do not measure impact	28%
Average Job Growth:	14%
Average Net Income:	$33,871
Average Age:	7.72

1b: Consumer Products & Retail



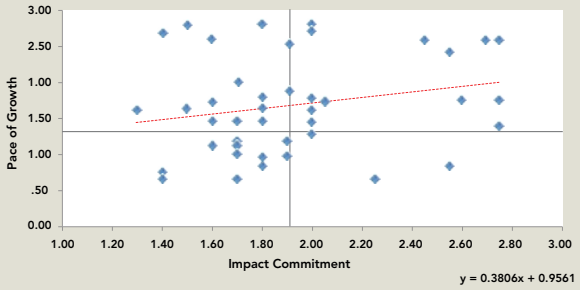
Number of companies:	21
Certified:	38%
Do not measure impact	29%
Average Job Growth:	28%
Average Net Income:	$1,048,810
Average Age:	4.66

1c: Energy, Environmental Technology, & Utilities



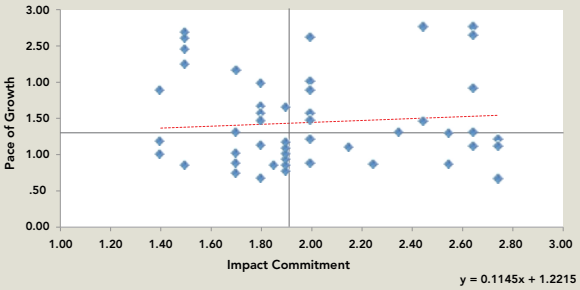
Number of companies:	31
Certified:	16%
Do not measure impact	26%
Average Job Growth:	5%
Average Net Income:	($289,534)
Average Age:	6.22

1d: Financial Consulting & Services



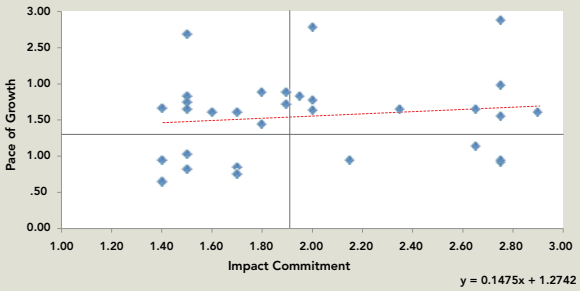
Number of companies:	46
Certified:	22%
Do not measure impact	15%
Average Job Growth:	27%
Average Net Income:	$112,778
Average Age:	6.1

1e: Manufacturing, Construction, & Transportation



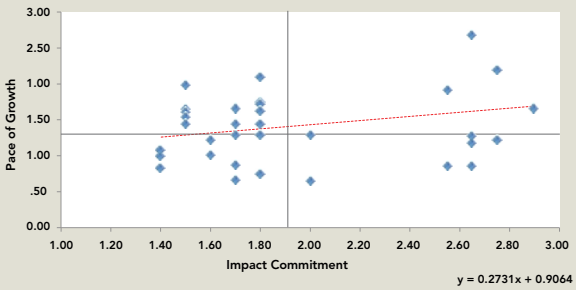
Number of companies:	64
Certified:	24%
Do not measure impact	23%
Average Job Growth:	35%
Average Net Income:	$119,531
Average Age:	6.2

1f: Media, Education, & Communication



Number of companies:	31
Certified:	21%
Do not measure impact	26%
Average Job Growth:	32%
Average Net Income:	$111,290
Average Age:	6.7

1g: Software & IT



Number of companies:	40
Certified:	25%
Do not measure impact	19%
Average Job Growth:	55%
Average Net Income:	($20,833)
Average Age:	5.9

Slope Shows Degree of Correlation: In many of the landscape maps, we have also added a trend line, the slope of which represents the degree and direction of correlation between *Impact Commitment* and *Pace of Growth.* (Note: In charts that include slope line, the formula for that slope is also noted in the bottom right corner of the chart.)

Industry Segment Maps: Key Findings

All median slope lines for all industry segments are positive, indicating a positive correlation between *Impact Commitment* and *Pace of Growth* for all companies in the sample. The industry segment with the highest scoring individual companies is Agriculture, Health ,& Food. The segment with the highest slope, and thus correlation, is Energy, Environment, & Utilities. That segment interestingly also has the lowest percentage of certified companies, which means they are getting their *Impact Commitment* scores through other factors.

All segments have companies in all four quadrants, but there are some apparent differences in concentrations. Software & IT has the fewest number of Impact Gazelles; in fact most of the companies in that segment are in the Impact Light segments. Media, Education & Communications has more Gazelles than Turtles, as does Financial Consulting & Services. The highest concentrations of Turtles are in businesses with high fixed costs structures, including Manufacturing, Construction, & Transportation and Energy, Environmental Tech, & Utilities.

SLOWCOLOR

Consumer Products & Retail

SLOWCOLOR is a premium, fairly-traded, eco-textile brand based now in San Francisco area. SlowColor's mission: "We clothe the World in Beauty, Health and Responsibility. Our intent is to become a game changer in the textile industry. Every fabric we create is handmade and naturally dyed. Always. We create finished goods in fashion and home furnishing and source fabrics to designers and companies under the SLOWCOLOR label."

By paying artisans in India a life-changing living wage, using natural plant and mineral-based dyes and mordants and choosing fibers such as linen that grow naturally pesticide free and are not water intensive, SLOWCOLOR rejuvenates centuries-old fabric dyeing techniques and handlooming traditions, protects the environment and creates fabrics that are healthy for life. SLOWCOLOR connects artisan to audience, tradition to global market and health of the planet to consumer choice.

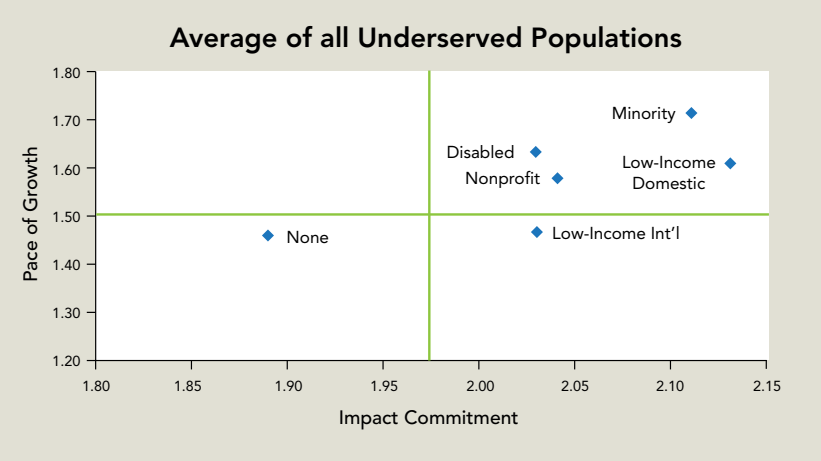
Landscape Maps 2: Underserved Populations

The picture changes, however, when we mapped a subset of companies that report serving an underserved population. We asked, "Which underserved populations does the company's products, services or operations specifically target, if any?" Companies could select all of the following that apply, or indicate no underserved target:

1. Low-income households in the US
2. Low-income households outside the US (note all companies in our sample have headquarters in the US but some operate elsewhere)
3. Ethnic Minority populations
4. People with Disabilities
5. Nonprofit Organizations
6. Do not serve underserved populations.

All Underserved Populations Map. The first population map maps the six population segments based on the average scores received by all of the companies selecting each population. The scores were plotted on one scatterplot, illustrating each underserved population's overall placement on the map.

Landscape Map 2



Note: In order to highlight differences, the quadrant lines have been drawn at the level of the average score, not the median score, for each industry segment. As a result, the scores have clustered closer together, so the axes on this map are not on a 3.0 scale. This is a closer up view of the larger map in order to show the relative differences more clearly.

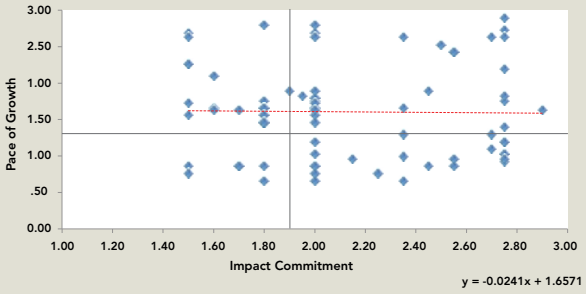
Figure 9: Landscape Map 2 Data: Companies by Underserved Populations Targeted

	Impact Commitment Score	Pace of Growth Score	Combined Avg Score	Company Count	Slope
Low-Income Domestic	2.13	1.61	1.87	80	0.0241
Low-Income International	2.03	1.47	1.75	65	-0.14
Minority	2.11	1.71	1.91	63	0.1187
Disabled	2.03	1.63	1.83	37	0.4103
Nonprofit	2.04	1.58	1.81	77	0.0018
None	1.89	1.46	1.68	100	0.026
				422	
Mean	1.98	1.5	1.74	52.75	0.06299

All Underserved Populations: Key Findings: We see that the businesses serving minorities have the highest average *Pace of Growth*. Companies serving low-income domestic populations have the highest *Impact Commitment* score. Serving low-income markets internationally has resulted historically in both slower growth and less *Impact Commitment*, comparatively. This may be because companies feel less of a need to communicate their impact commitment if they are working in explicitly low-income or "bottom of the pyramid" markets.

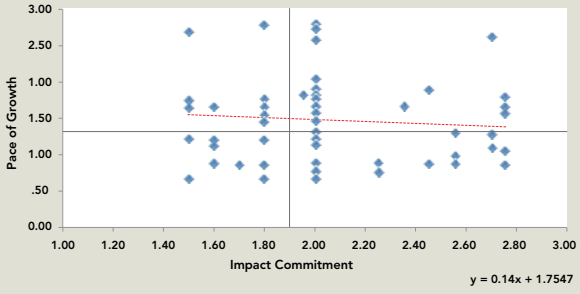
Individual Underserved Population Maps. The individual landscape maps for the companies selecting these specific groups follow.

2a: Low-Income Domestic



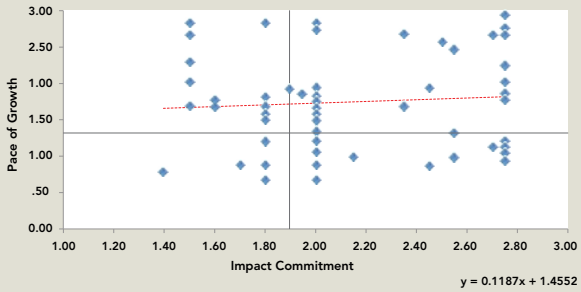
Number of companies:	80
Certified:	26%
Do not measure impact	18%
Average Job Growth:	41%
Average Net Income:	($398,750)
Average Age:	6.3

2b: Low-Income International



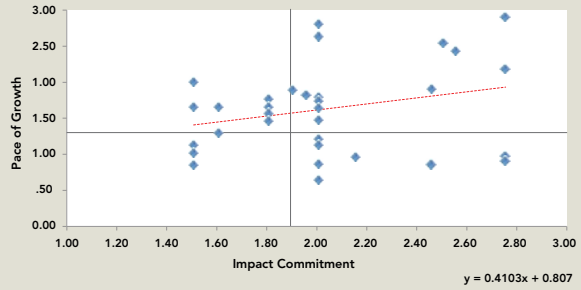
Number of companies:	65
Certified:	18%
Do not measure impact	17%
Average Job Growth:	38%
Average Net Income:	($382,692)
Average Age:	5.37

2c: Minority



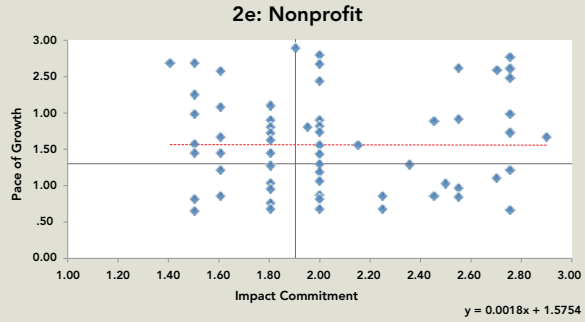
Number of companies:	63
Certified:	24%
Do not measure impact	13%
Average Job Growth:	47%
Average Net Income:	($10,714)
Average Age:	6.38

2d: Disabled



Number of companies:	37
Certified:	16%
Do not measure impact	19%
Average Job Growth:	53%
Average Net Income:	($131,756)
Average Age:	5.38

2e: Nonprofit



Number of companies:	77
Certified:	21%
Do not measure impact	22%
Average Job Growth:	37%
Average Net Income:	($293,181)
Average Age:	5.92

Individual Underserved Population Maps: Key Findings

The median slopes for IEs serving underserved populations are mostly negative. Based on this set of historical data, it is clearly harder to grow fast alongside a commitment to serving the underserved (which in this sample included low-income people in the US, low-income people globally, minority populations, and nonprofits).

Serving minorities is the only underserved population that has a positive slope line. We postulate that this may reflect the regulatory attention and targeted contracting program opportunities that have been provided through the SBA, Fortune 1000 companies, and other agencies and program in the US for many years.

VI. Impact Industry Landscape

It is important to acknowledge that in addition to the self-Identifying IEs, including those that responded to our survey, there are for-profit companies that are explicitly creating the desired positive impacts, even if they are not self-identifying as part of the impact economy. To comprehensively assess and address the needs of the domestic IE landscape and its potential, it is important to learn about the status of these Impact Sector IEs as well. To do so, we conducted secondary research, including literature reviews and interviews with sector experts. Our findings reflected challenges related to the respective sectors' market maturity and IE's stage of growth, as well as some shared impact-related challenges across the sectors and stages.

Impact Sectors

We evaluated the status and needs of six sectors in which enterprises are specifically addressing the needs of underserved individuals, their communities, and/or the broader environment. These sectors, and the market failures they are addressing, are listed in Figure 10. A full list and description of market niches within each of these sectors can be found in Appendix B.

Note that these "impact sectors" are subsets of the broader industry sectors identified identified in the IE quadrant analysis. Since the self-identified IE's may be using business practices and/or their products and services to generate positive impact, they can be found in all industries across the economy. In this assessment we are inherently looking only at impact sectors where the specific product or service is generating positive impact.

CleanFish

Agriculture, Health & Food

CleanFish (www.cleanfish.com) is a company, an aspiration and a movement to promote seafood that's the best of the season, better every season. The company brings together artisan producers — both fishermen and farmers — and champions them in the marketplace under traceable, transparent brands. Above, Inuit fisherman in the Nunavut region of Canada catch wild arctic char for CleanFish during a short, six week season each summer. They fish using traditional, low-impact gear as they have for centuries and this fishery brings needed income to a remote area with few economic opportunities.

Figure 10: Domestic Impact Sectors

SECTOR	SOLUTIONS TO MARKET FAILURES
Financial products & services	Financial products and services for low-income and disadvantaged individuals, families and businesses, and for non-profit organizations
Education & training	Quality education products and services for low-income and disadvantaged students, and vocational training and placement services for individuals with barriers to employment
Health & wellness	Access to affordable health care, products and services that promote health and wellness, and solutions for health problems that disproportionately impact low-income individuals and communities
Energy & environment	Development and deployment of products and services that address environmental problems and develop sustainable communities
Real estate	Development and management of affordable housing, and environmentally-friendly and sustainable building products and services
Professional services	Operational support solutions for non-profits, disadvantaged companies, and impact enterprises

Impact Sector Market Maturity

We determined that many of the challenges identified in the sector-level research related to the maturity of the sector's marketplace. Each sector (and niche) has a body of knowledge, a defined and evolving set of sector norms, and participants that influence the progress, and the needs, of the impact enterprises operating within it. These participants include support service providers, government regulators, impact investors, other funders, and the impact enterprises themselves. The role of each participant and the efficiency of interactions between them vary widely based on the maturity of the marketplace. Figure 11 describes the characteristic differences in roles and statuses of the participants in emergent markets versus mature markets.

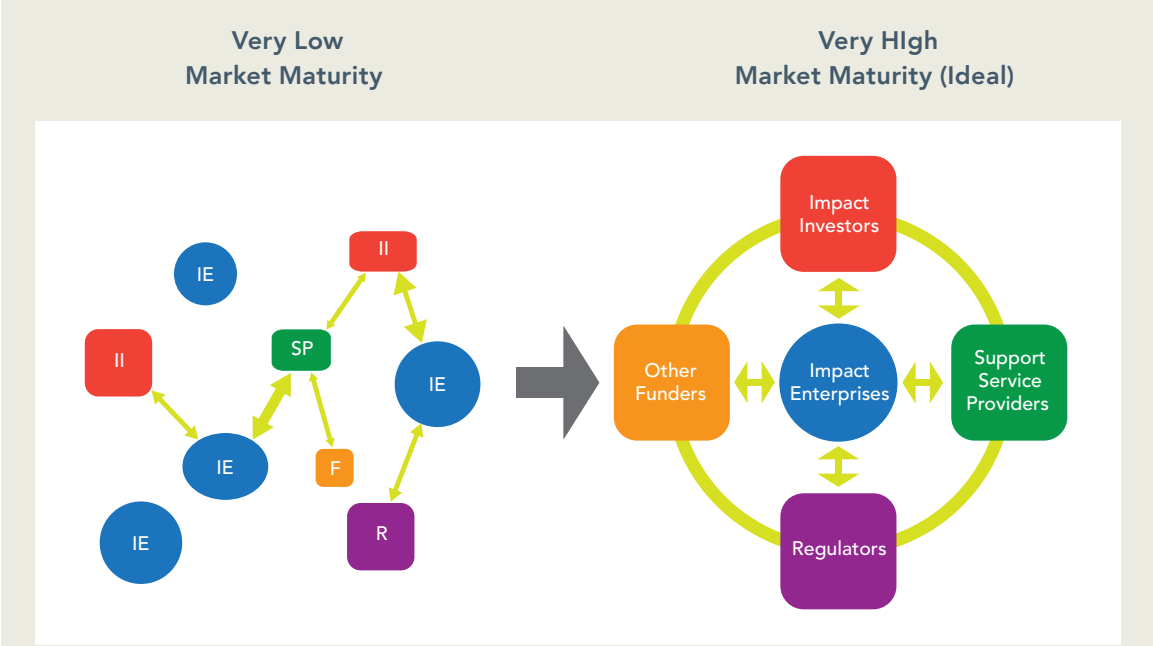
> *"The impact entrepreneurship community needs to be built up and define itself. Impact entrepreneurs complain that there are no impact investors. Impact investors claim that they can't find good companies/deal flow. Somehow the community is not well networked, so people can't find each other efficiently."*
> *–Karina Pickhart, CEO, 6dot Innovations*

Figure 11: Participant Role and Status in Emergent Markets vs. Mature Markets

PARTICIPANT	EMERGENT, LOW MATURITY MARKETS	MATURE MARKETS
Support service providers (usually nonprofit)	Few, fragmented, with limited capacity, resources, and operating experience	Research & advocacy organizations, trade associations, assistance providers are present and building capacity, disseminating knowledge, setting standards
Government regulators	Focused on standards and rule-making with limited resources for supporting marketplace participants	Enforce defined regulations, work with service providers to deliver information and programs to increase compliance and access to incentives
Mainstream funders	Perceive emerging markets and new business models as higher risk, less likely to invest or provide funding for impact enterprises	Full spectrum of funding sources (from grants to loans and private equity) available and organized capitalization path for entrepreneurs
Impact investors	Less experience investing in the market, focused on making small initial investments to test the potential for success	Multiple investments and/or years of experience investing in particular market niches, understanding of the market failure, impact metrics/thresholds, and critical business model elements
Impact enterprises	Limited examples of enterprises that have achieved scale, and most at proof of concept and early commercialization stage	Examples of proven technologies and viable, scalable business models at all stages of enterprise development

In addition, as shown in the Figure 12, in emergent, low maturity markets, interactions between participants are less organized. This lack of organization, combined with a lack of understanding about how to meet each other's needs, results in confusion and inefficiency. With greater participant experience and clarity of role and expectations, more mature markets are more organized and efficient.

Figure 12: Participant Interaction by Market Maturity



The six impact sectors' overall levels of maturity (note that the maturity of niches within each varies) and key maturity-related challenges are shown in Figure 13.

Figure 13: Impact Sectors by Market Maturity

OVERALL MARKET MATURITY	IMPACT SECTOR	COMMENTS
HIGH	Financial products & services	Established regulation, extensive support services, mainstream funders and impact investors in key impact niches, with some emerging niches
MEDIUM	Education & training Energy & environment Real estate	Mature mainstream markets, but impact-focused niche maturity varies; regulatory uncertainty, new and emerging technologies and approaches are impeding market efficiency and organization
LOW	Health & wellness Professional services	Mature mainstream markets, but impact-focused markets are emerging and very fragmented

Sample analyses of market maturity in three impact sectors – Energy & Environment, Health & Wellness, and Financial Products & Services, start on page 34.

1- Energy & Environment: Medium Overall Market Maturity

This industry has relatively mature ecosystems; most of the market niches have regulators, networks, and associations. However, significant overlap in niches, regulatory uncertainty, the capital intensiveness of some niches, and investor disillusionment after a surge in seed and early-stage cleantech investment are creating confusion and hampering the development of this sector. Three common market challenges have appeared across niches:

1. **Capital intensiveness:** The significant research & development and project finance needs of some niches do not align with investment funds' typical 5-year investment horizon
2. **Regulatory changes:** The uncertainty of government regulatory and incentive policies, and enterprises' lack of control over these critical market influencers, decreases the attractiveness of investment.
3. **Lack of consumer demand for change:** Consumers are complacent and often agnostic to bills, making it difficult to change their behavior; this reduces motivation to develop solutions

There is, however, a lot of optimism regarding industry niches where consumer awareness and demand are high, including products and services related to energy infrastructure/smart grid, recycling and waste reduction, and water and wastewater – assessment of these niches is provided below.

Figure 14: Sample Energy & Environment Niches

	ENERGY INFRASTRUCTURE & SMART GRID	RECYCLING & WASTE REDUCTION	WATER & WASTEWATER
Support service providers	**Dept of Energy:** workshops, conferences, innovation hubs, commercialization services, workforce development, field testing **Trade associations:** Advocacy, networking, research & demonstration support	**Trade associations & networks:** Advocacy, networking, education, training, innovations, expos **State recycling market dev. boards/ councils:** Research, incentives, advocacy, education Labs: R&D support	**Incubators/accelerators** **Business plan competitions** **Trade associations & networks:** Advocacy, networking, business demonstration support, R&D, education
Government regulators	**Federal Energy Regulatory Commission:** Transmission, availability, reliability **State Public Utility Commissions:** Rates & charges	**Environmental Protection Agency:** Landfills, hazardous waste management **State environmental agencies** **Misc state and local land use, health & safety regulations**	**Environmental Protection Agency:** Drinking water quality, wastewater quality **State and local governments:** water rights and pricing
Mainstream funders	**Multi-sector VC firms** **Utilities** **Corporations** **Angel investors**	**Multi-sector VC and PE firms** **Waste and waste-to-energy corporations**	**Multi-sector VC and PE firms** **Utilities** **Corporations**
Impact investors	**Department of Energy:** SBIT/ STTR, ARPA-E programs, ARRA, loan guarantees, tax incentives **Energy-focused VC firms** **Angel investors**	**Department of Energy:** SBIT/STTR **Environmental Protection Agency:** grants **States:** Grants/loans **Waste/recycling VC firms** **Angel investors**	**Department of Energy:** SBIT/STTR **Department of Agriculture:** Water & environment programs **Environmental Protection Agency:** Revolving funds **States:** Clean water funds & tax credits **Water-focused VC firms** **Foundations** **Angel Investors**
Impact enterprises	**Commercializing technologies in:** Advanced metering infrastructure Data management & response Customer systems Distribution systems	**Products and services in:** Recycling & waste collection Waste processing and reuse Asset recovery and reuse Consumer behavior incentives Waste-based energy dev.	**Products and services in:** Water collection, treatment, storage and delivery Water conservation Water use mgmt & behavior change Wastewater management, treatment, and reuse

2- Health & Wellness: Low Overall Market Maturity

This industry is less mature than others with regards to impact models. Most investors, regulators, and associations in this domestic space are traditional ones not well versed in impact investing (although there is greater awareness of IEs focused on global health). Domestically, it appears difficult to differentiate between enterprises motivated to achieve impact and those with traditional business models. Some former impact investors in this space express skepticism that health and wellness enterprises should operate outside the traditional business models in this industry and thus have abandoned their impact-specific investing lenses.

Figure 15: Sample Health & Wellness Niches

	INNOVATIVE PAYMENT & OTHER TECH - *Low*	SERVICE DELIVERY & TREATMENT OPTIONS - *Medium*	PREVENTION: Fitness, nutrition, healthy food supplies - *Medium*
Support service providers	**Incubators/accelerators** **Academic centers** **Trade associations & networks (most in Health IT, but emerging in mobile delivery and data):** Advocacy, networking, R&D, education	**Incubators/accelerators** **Department of Health & Human Services:** Training, resources for health center development **Trade associations & networks (in medtech and community health):** Advocacy, networking, R&D, education	**Incubators/accelerators** **Business plan competitions** **Trade associations & networks:** Advocacy, networking, business demonstration support, R&D, education
Government regulators	**Food & Drug Administration:** Medical devices **Department of Health & Human Services:** Health IT and data infrastructure	**Food & Drug Administration:** Medical devices, pharmaceuticals **Department of Health & Human Services:** Service provision Environmental Protection Agency, **Occupational Safety & Health Administration:** Service provision and care	**Food & Drug Administration:** Medical devices, pharmaceuticals **Department of Health & Human Services:** Service provision **Environmental Protection Agency, Centers for Disease Control & Prevention:** Food and health product safety **State and local health departments:** food safety
Mainstream funders	**Corporations** **Angel investors**	**Biotech VC firms and angel investors**	**Angel investors**
Impact investors	**National Institutes of Health:** SBIT/STTR, grants, tax credits **Health-focused VC firms** **Angel investors**	**National Institutes of Health, National Science Foundation:** SBIT/STTR, grants, tax credits, ARRA grants **Health-focused VC firms** **Foundations** **Angel investors**	**National Institutes of Health, Centers for Disease Control & Prevention, National Science Foundation, Departments of Agriculture, Housing & Urban Development, Treasury:** SBIT/STTR, grants, tax credits, CDFI Fund **Health-focused VC firms** **CDFIs** **Foundations** **Angel Investors and networks**
Impact enterprises	**Reducing geographic and financial barriers to health with:** Information technology/mobile diagnosis and health care delivery Communication technology/ telemedicine	**Commercializing technologies in:** Diagnosis & treatment Service delivery	**Products and services that:** Teach, promote, incentivize healthy behavior, including mobile tech and games Provide healthy food options to underserved communities

3- Financial Products and Services: High Overall Market Maturity

This industry has a relatively mature impact investing ecosystem with a variety of service providers, impact investors and other funders, and regulatory bodies. However, there is significant variation between the strengths of the networks supporting different market niches within the industry, and new challenges and innovations emerging.

For example, the Community Development Financial Institutions (CDFI) and Small Business Investment Company (SBIC) niche is of high maturity, but is facing new challenges as the demand for their services grows and becomes more complex given the current economic environment, while funds are already limited. Simultaneously, an increasing number of traditional financial institutions are offering products and services that support more disadvantaged (prospective) consumers in their local communities. While this trend has the potential to increase positive outcomes in these communities, it also creates confusion in the marketplace for CDFIs and SBICs attempting to serve a potentially duplicative market.

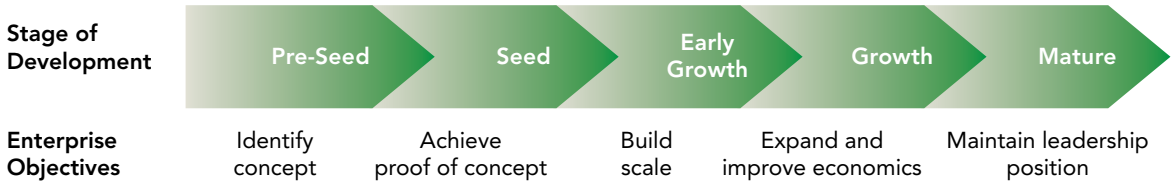
In the emerging niche arena, crowdfunding donation platforms raised $1.5 billion in 2011, with five leading firms accounting for 73% of crowdfunding donations raised in the U.S. The passage of the equity-crowdfunding JOBS Act in 2012 created the potential for a significant change in early stage company investment (although its implementation has been delayed). Key players in the space appear to be working closely together to form an ecosystem. However, there is marketplace confusion regarding the intended social mission of these organizations – some have explicit social missions, while others are simply providing another source of capital for traditional entrepreneurs.

Figure 16: Sample Financial Products & Service Niches

	COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS	CROWDFUNDING
Support service providers	**Trade associations (numerous):** Advocacy, networking, research, education & training, evaluation and impact assessment & demonstration support	**Trade associations (nascent):** Advocacy, capacity-building, information sharing, standard setting
Government regulators	**Department of the Treasury:** **Federal Deposit Insurance Corporation** **National Credit Union Administration** **Federal Reserve** **Office of Thrift Supervision** **Office of the Comptroller of the Currency** **State banking agencies**	**Securities and Exchange Commission** **Financial Industry Regulatory Authority**
Mainstream funders	**Financial institutions** **Insurance companies**	**Angel investors** **VC Firms**
Impact investors	**Department of the Treasury: CDFI Fund** **State Treasuries and economic development agencies** **Foundations** **Organizational depositors** **Individual depositors**	**Angel investors** **Individual donors**
Impact enterprises	**CD Banks** **CD Credit Unions** **CD Loan Funds** **CD Venture Capital Funds**	**Crowdfunding platforms**

Impact Enterprise Stage of Growth

In addition to their respective sector's market maturity, IE's challenges also vary according to their stage of development. At each stage, enterprises have different objectives that are initially focused on demonstrating viability, then scalability, and finally sustainability.



The overriding goal of IEs, their funders, and the support industry is for them to successfully advance through these stages of development. Impact Enterprises must hit certain milestones in order to achieve target objectives, and an IE's performance against these milestones is a good indicator of its current condition and needs. Better understanding the barriers to progress and advancement for IEs at each of these stages is an important part of assessing needs and support opportunities within the ecosystem. Figure 17 indicates the milestones and typical needs and challenges by stage of development.

Figure 17: Milestones, Needs and Challenges by Stage of Development

	Development Stage				
	Pre-Seed *(concept)*	Seed *(proof of concept)*	Early growth *(build & Scale)*	Growth *(expand*	Mature *(M&A, R&D)*
Milestones	► Identify target customers ► Prototype developed ► Product/service tested	► Customers acquired ► Initial revenues generated ► Social/Environmental outcomes delivered	► Repeat customers attained ► Revenue and social/ environmental outcome growth ► Breakeven achieved	► Revenue and social/ environmental outcome growth ► Initial profitability/ profit growth	► Improving margins, economies of scale ► Growth slows
Common Needs	► Great idea/solution ► Networks ► Capital to develop prototype ► Market assessment ► Test technology ► Impact measurement guidance	► Capital to build solution ► Viable business model ► Mentoring ► Access to business experts ► Business formation expertise ► Regulatory & IP TA ► Capital raising assistance	► Talent attraction & team development ► Growth capital ► Mentoring ► Impact assessment assistance ► Capacity building	► Resources for data and marketplace assessment ► Revenue and social/ environmental outcome growth	► Innovation –design & pilots ► Top product/service category sales (volume and/or value) ► Mechanisms that maintain revenue & profit growth, and ensure continued social/environmental outcomes
Common Challenges	► Limited view of marketplace ► Nontraditional background/lack of experience ► Limited marketplace or operational experience ► Limited credibility in impact investing marketplace ► Lack of access to key stakeholders ► Business formation confusion ► Lack of Start-up financing		► Expansion planning ► Product innovation ► Infrastructur dev. ► Government relations & Compliance ► Raising capital	► Data analysis infrastructure ► Expansion Financing	► Lack of acquisition and strategic investment opportunities
Service Provider Examples	► Score/Business Plan Groups ► MBA & SE Awards ► Foundations* ► Incubators/Accelerators*		► Entrepreneur Support Organizations (e.g., Chambers, SBDCs, economic development offices) ► Foundations ► Trade / professional associations & networks		► Trade / professional associations & networks

Impact Sector-Wide Challenges

In addition to the challenges related to the sectors' respective levels of market maturity and IEs' stages of growth, we identified several key issues across all six impact sectors and company stages that impede IE development. Many can be related to the overall immaturity of the impact investing marketplace and the fact that IE's are operating in a bit of a "no-man's land." Their impact focus creates business development needs or challenges beyond those of their mainstream industry, yet due to the emergent nature of the impact investing industry they are not yet able to benefit correspondingly from their impact focus.

1. Lack of clarity from impact investors on their financial return and impact expectations

In mainstream capital markets, there are well-defined deal performance standards established by lenders and equity investors and used by all participants to assess deal quality and guide financial and resource allocation decisions in sectors and market niches. In the impact investment community, general investment criteria are clearly stated (typically viable business models, experienced management teams, large market opportunity), and the underwriting practices are similar to those of traditional investors.

However, across the industry there is a lack of consensus and transparency among impact investors about return expectations by market niche and/or stage of growth. And impact investors rarely have defined standards for social impact. There is a general sense that impact metrics are essential, but must be considered on a "case by case" basis for each individual investment opportunity. Many impact investors seem to treat impact as a minimum, subjective bar in their evaluation; then focus their primary due diligence on the business model's financial viability.

Given the lack of clarity around the investors' financial return and impact expectations, it is challenging for IEs and the support service providers to effectively improve deal flow quality and position firms to raise capital from the impact investment community. IEs receiving philanthropic funding may be misled about the potential to access private impact investment, while impact enterprises with viable, impact-oriented business models but without subjective "impact credibility" also have difficulty accessing impact investment.

SevaMob

Agriculture, Health & Food

With offices in Lucknow, India and Decatur, GA, SevaMob provides services and opportunities to low income consumers in the developing countries; focusing specifically on healthcare, insurance and general advisory support. All customers' information is managed through electronic medical record and services are delivered through mobile field officers, offering the convenience of receiving services at your doorstep.

2. Key gaps in support service provider offerings

Support service providers are the network of organizations, typically non-profit, that assist in raising awareness about, connecting, and building the capacity of individual IEs and the respective sector or market niche. While there are notable differences in support service provider capacity based on sector maturity, as discussed above, there is broad consensus about the gaps that exist in their offerings across the impact investing industry:

a. Insufficient early stage and growth stage impact enterprise-specific programming and services

With few exceptions, much of the educational programming, technical assistance services, best practice information, and other resources developed by providers are targeted to seed stage IEs. There is a notable gap in services for early stage and growth stage IEs, along with an early stage capital gap.

b. Lack of sector/market niche-specific impact standards

Impact investors, impact enterprises and support service providers have been unable to arrive at a consensus about impact standards for their sectors or niches. Because impact investors continue to assess impact on a relatively subjective basis, there is limited motivation for IEs to invest resources in developing tracking tools. In addition, the specific impact interests of each sector or niche also make the adoption of impact industry-wide standards problematic. As a result, it remains difficult to determine the actual impact results and potential of IEs.

c. Lack of access to and relationships with the impact investor community

Although many support service providers include fundraising assistance as a key part of their service offerings, in general they have limited connections to and understanding of the requirements of the impact investor community. In order to develop tools and technical assistance services to prepare IEs to raise capital from impact investors, these linkages must exist and clarity of return expectations must be transparent.

> *"All the trends are there. These products and services are desired by the consumer. If they could just make it more attractive to investors from a business perspective, you will have better luck than to try to get investors to change their IRR. I think you should try to get to the entrepreneur more than the investor. There is more to do there than to try to get investors to invest differently."*
> *— Mike Dovbish, Nutrition Capital Network*

3. Limitations in impact entrepreneur experience and engagement with the investment community

Impact entrepreneurs across sectors bring a unique sense of purpose and set of skills to their work and organizations. They most commonly include the following four types of individuals:

- Young professionals with limited skills and experience, motivated by a "change the world" vision.
- Experienced entrepreneurs and corporate professionals committed to market principles and passionate about applying them to address a specific market failure or impact need.
- Experienced nonprofit professionals who are cause-driven, but have had limited success raising the capital needed to create a scalable solution in the nonprofit world..
- Technical experts, including scientists, engineers and inventors that have developed a technology with commercial applications and the potential to improve some aspect of society and/or the environment.

At the early stages of development, entrepreneurs' knowledge of and comfort with business management and impact measures differ based on past experience. However, they all lack awareness and connections for effective capital-raising from impact investors. Young professionals may have neither the connections nor the know-how to secure capital from the impact investment community. Experienced entrepreneurs and corporate professionals typically understand business management and traditional fundraising, but may not be familiar with impact assessment or how to raise impact capital. Finally, nonprofit professionals as well as technical experts have domain expertise as well as some performance or impact assessment and government or foundation fundraising experience; however, they typically have limited to no experience in the areas of business management and impact investment fundraising. Thus, IE assistance needs across all sectors include business management, impact investment fundraising, and impact assessment.

It is also worthy of note that many later-stage impact enterprises do not identify as impact enterprises and are not engaged in the impact ecosystem. They may have never identified with the impact industry and do not see the value, or drop the identification if they do not perceive benefit (i.e., if they are able to access mainstream capital). As a result, lessons that could be drawn from these impact entrepreneurs' experiences in generating both impact and business growth are not available to be shared with emerging impact entrepreneurs. This deprives seed and early stage enterprises of the benefits of this experience, and also limits impact investor awareness about viable business models and their success potential.

Strategic Development Partners

Manufacturing, Construction & Transportation

SDP (strategicdevelopmentpartners.com) designs, builds, and provides financial solutions, with solid sustainable and equitable principles, for targeted residential and commercial development that meets high environmental, economic, and social standards. SDP offers "one-stop shop" capacity for development. Depending on project needs, SDP offers acquisition and financing, pre-development, development, construction, property management and public relations services for a range of project types including: affordable housing, community facilities, multi-family, educational, commercial, civic, institutional and mixed-use properties.

VII. Recommendations

Given our findings on the role of impact sector maturity and impact commitment to the potential growth of domestic IEs, support interventions should help move the impact sectors to greater levels of maturity and/or help individual IEs advance in the impact quadrants. We provide the following four recommendations to advance the domestic impact enterprise landscape:

Recommendation 1:
Support the development and adoption of impact certifications and standards

Much progress has been made in defining and creating industry-specific certifications, such as LEED, as well as broader impact enterprise certifications, such as B Corporations. Adoption of certifications is more varied. Since certifications and standards seem to help enterprises align their missions and business models and clarify expectations among industry participants, refinement and adoption of certifications should be encouraged and incentivized. Grantors and investors alike can require and assist with adoption of certifications, and service providers can integrate their use as assessment and progress tools.

Recommendation 2:
Develop and support sector-focused Centers of Excellence

To accelerate the development of productive industry relationships, we recommend the development of Centers of Excellence. These Centers should bring together impact entrepreneurs, support service providers, corporate partners, impact investors, and academic researchers around industry and impact areas to maximize learning and scaling. This approach directly addresses the impact industry's fragmentation, as well as the IE's stated need for peer-to-peer coaching and mentoring by people with experience in their industry. It also provides an engagement model that is more attractive to funders, investors, corporate supporters and partners, as they can engage in a meaningful way in their area of interest and/or expertise. These Centers can also capture learnings on industry and stage–specific best practices, capital needs and return expectations, and develop capital access roadmaps. The USAID-supported Social Entrepreneurship Accelerator at Duke (SEAD) is a recently-launched example of such a Center (see sidebar).

Duke | SOCIAL ENTREPRENEURSHIP ACCELERATOR AT DUKE

The Social Entrepreneurship Accelerator at Duke (www.dukesead.org), supported by USAID, is a Center of Excellence for global health: a multi-sector, multi-disciplinary consortium, formed to accelerate global health innovators and capture best practices in impact innovation and scaling. Its partners include: **Center for Advancement of Social Entrepreneurship (CASE)**, **International Partnership for Innovative Healthcare Delivery (IPIHD)**, **Duke Global Health Institute (DGHI)**, **Pratt School of Engineering**, **Developing World Healthcare Technology Laboratory**, **Sanford School of Public Policy**, **Program on Global Health & Technology Access, Investors' Circle**, and **Duke Medicine**.

Recommendation 3:
Ensure that interventions fit the impact sector's needs according to market maturity level or impact enterprise's needs according to stage of development.

To maximize intervention effectiveness, philanthropists, service providers, and policymakers should first assess their target sector's maturity and/or IEs' Pace of Growth-Impact Commitment quadrant and stage of development, and create interventions accordingly. Figures 18 and 19 provide basic frameworks to assess and design appropriate interventions. Centers of Excellence should use, and further develop and refine, these frameworks.

Recommendation 4:
Continue to subsidize efforts to address underserved or disadvantaged populations and support public policy research and incentive development to address these populations' challenges.

It is clear that efforts to address underserved populations face greater challenges to achieving the levels of growth that can generate impact investing returns. Philanthropic support will likely be necessary in the long term to effectively address these market failures. However, given the potential demonstrated by the growth of enterprises targeting minority entrepreneurs in the U.S., those interested in addressing the challenges of underserved populations should also prioritize the development of policy and incentive programs that have proven effective over time.

Figure 18: Impact Sector Interventions by Impact Sector Maturity Level

IMPACT SECTOR MARKET MATURITY	POLICY AND RESEARCH INTERVENTIONS	SUPPORT SERVICE INTERVENTIONS
HIGH	► Support public policy impact evaluation and refinement ► Capture learnings and develop case studies to inform the field	► Provide research grants and growth capital to IEs to effectively assess and address new impact needs ► Support efforts to keep mature IEs engaged and serving as mentors
MEDIUM	► Support public policy research initiatives and implementation efforts ► Support standards/certification development to clarify impact expectations, create transparency, and develop community ► Capture learnings on scaling and develop case studies to inform the field ► Support the development of new financial instruments to increase the flow of early stage capital	► Support comprehensive, sector-focused initiatives to improve participant interactions, engage corporate partners, provide industry-specific assistance, prepare impact enterprises to raise capital, clarify investor return expectations and address funding gaps by stage of growth ► Increase the flow of early stage capital to test the scalability of business models ► Support adoption of certifications
LOW	► Encourage development of certifications to clarify impact goals ► Capture learnings on business model development and share best practices	► Support accelerators to help test and refine business models ► Provide grants and seed-stage capital to test business models

Figure 19: Enterprise Interventions by IE Stage and Provider

<table>
<tr><th rowspan="2"></th><th colspan="5">Impact Enterprise Stage of Development</th></tr>
<tr><th>Pre-Seed
(concept)</th><th>Seed
(proof of concept)</th><th>Early growth
(build & Scale)</th><th>Growth
(expand</th><th>Mature
(M&A, R&D)</th></tr>
<tr><td rowspan="2">Technical Assistance Providers</td><td colspan="3">► Provide industry-specific technical assistance and training, including brand development (e.g., awards/recognitions, fellowships, facilitated introductions, strategic roundtables)
► Mentoring programs</td><td colspan="2">► Peer networking programs
► Facilitate screening and access to emerging partnerships and innovative solutions
► Provide targeted, pro bono capacity building support by conducting media training, market and product assessments, and completing discrete human resource and IT projects to IEs</td></tr>
<tr><td colspan="5">► Facilitate networking and information exchange among impact enterprise at different stages of commercialization
► Broker relationships (scoping needs on behalf of the IEs, negotiating resources from corporate and other partners, and providing relationship management advice throughout the collaboration).</td></tr>
<tr><td rowspan="2">Philanthropic Organizations</td><td colspan="5">► Develop a funding map that shows where funders focus along the capital continuum, describes their eligibility criteria, and
identify gaps
► Develop regional “Centers of Excellence” that provide direct training and technical assistance</td></tr>
<tr><td colspan="3">► Support direct technical assistance providers, especially strong intermediaries that are focused on preparation for capital raising</td><td colspan="2">► Encourage large corporations, mature impact enterprises, etc. to collaborate with IEs (e.g., through national ad campaigns, strategic purchasing).</td></tr>
<tr><td>Government</td><td colspan="5">► Extend current and develop new bonds, subsidies, and/or other instruments and programs that support increased IE financing
► Provide greater clarity around complex regulations
► Convene diverse cross sections of stakeholders to clarify roles and coordinate efforts</td></tr>
<tr><td>Third Party Certification Providers</td><td colspan="5">► Extend model and metrics to recognize the contributions of a wider variety of impact enterprises
► Develop and promote realistic social and financial performance benchmarks by industry, by stage of growth, and by impact type
► More effectively demonstrate the value proposition of being an impact enterprise in terms of outcomes like fundraising success, growth trends, sustainability
► Evaluate and raise awareness about the collective impact that all impact enterprises have had on addressing market failures by issue area</td></tr>
</table>

IX. Appendices

Appendix A: Entrepreneur Survey Quadrant Scoring System

Commitment to Impact

Weight	Metric	Scoring System	Logic
50%	B or GIIRS Certified	• Yes = 3 • No = 1.5	As the most telling metric of impact commitment, certification received the largest weight. If a company is certified, they received a total of 3 points. However, certification is one of many metrics, so if a company was not certified they only lost 1.5 points.
10%	Population Served	• Explicitly serves a population = 2 • Does not serve a population = 1	As most companies do serve a specific population, this metric only accounts for 10% of a company's Impact Commitment score. If a company does not explicitly state a population, their score for this category was reduced by one point.
20%	Impact Evaluation Criteria	• 3rd party, social audit, empirical studies, Benefit/cost analysis = 3 • Everything else = 2 • No Eval = 1	Evaluating impact is a critical component of impact commitment, and therefore warrants 20% of the total score. The companies that reported having implemented the four most robust evaluation methods received all 3 points for this category, while those that did not measure impact, received a score of 1. All companies that utilized other forms of measurement were given 2 points.
10%	Impact Communication	• 'Often' or 'always' to employees = 3 • 'Never' or 'Rarely' to investors, partners, or employees = 1 • All other types = 2	Impact communication measures the frequency with which companies articulate their impact to specific stakeholders. For example, those that communicated "often" or "always" to employees received all 3 points for this category. Those that "never" or "rarely" reported out to investors, partners, or employees, received a score of 1.
10%	Incorporation	• Benefit Corps & L3Cs = High • Everything else = No Score	Incorporation is the final metric built into the impact commitment scoring system. Companies that are incorporated as a Benefit Corp or L3C received all 3 points, while those that were not were reduced by 1.5 points for this category.

Pace of Growth

Weight	Metric	Scoring System	Logic
10%	Capital Raised (number of rounds)	• Two or More = 3 • One = 2 • None = 1	Companies that have sought capital two or more times received all 3 points for this category. If a company has yet to raise capital, they received a score of 1.
10%	% of Jobs created = (jobs created – jobs lost)/# of FTE	• Greater than 100% = 3 • 1% - 100% = 2 • Less than or equal to 0% = 1	Job creation was measured as a percentage over the status quo. If companies grew by greater than 100%, they received a score of 3. If companies did not grow at all, they achieved a score of 1.
30%	Income	• If income is greater than $50K = 3 • If income is between $0 - $50K = 2 • If income is negative = 1	We awarded 30% of the weight to Income generation, as it has proven to serve as a strong proxy for overall growth. We have divided the potential income responses into three tiers, the highest receiving all 3 points. Companies that experienced negative income received the least amount of points in this category.
50%	**Revenue as *f*(Income)** Revenue as function of Income	• High Income + High Rev Growth = 3 • Medium Income + High Rev Growth = 2.66 • This scale continues down to the Low -income + Low Revenue Growth, which = 0	The companies were broken into three tiers of income (as described in the previous metric) and then each tier was divided again into three tiers of revenue growth. Points were awarded in a sliding scale, with Low-Income and Low-Revenue companies receiving 0 points, Low-Income with Medium Revenue Growth receiving .33 points, Low-Income and High Revenue Growth receiving .66 points, all the way up to High-Income and High Revenue companies, who received all 3 possible points.

Ripple Effects

Media, Education & Communications

Founded in 1997, and initially funded by angel investors, including prominent philanthropists, Ripple Effects (www.rippleeffects.com) is a woman-owned company dedicated to using emerging technologies to prevent social injury and promote school and life success for children, youth and the adults who work with them. Ripple Effects' award-winning digital tools present strategies for improving behavior in an engaging, multimedia format that students and teachers like and can identify with. Evaluation studies show that as little as 7 contact hours with Ripple Effects software positively impacts attendance, behavior and academic achievement, across a range of real world environments.

Appendix B: Domestic Impact Sectors and Niches

IMPACT SECTOR	SECTOR NICHES
Financial products & services	• Community development financial institutions (CDFIs) • Small business investment companies (SBICs) • Crowdfunding platforms • Microlenders • Low-income individual and family financial products & services
Education & training	• K-12 education for low-income or high-barrier populations • Job readiness and placement services • Software, social media, and other technology products focused on youth education, engagement, and enrichment
Health & wellness	• Service delivery and treatment options • Innovative payment services/models • Health and wellness solutions and tools
Energy & environment	• Energy generation & storage • Energy infrastructure/smart grid • Recycling & waste reduction • Water and wastewater • Air pollution management • Sustainable transportation • Sustainable agriculture • Environmentally-friendly materials
Real estate	• Affordable housing development & management • Green building products & services • Energy efficiency products & services
Professional services	• Fundraising • Market data & information • Performance monitoring, evaluation & certification • Legal services

Appendix C: Intermediaries Interviewed

Jason Best	CEO, Startup Exemption; Governing Board Member, CFPA	Crowdfunding Professional Association
Tim Brady	Managing Partner	Imagine K12
Scott Bryan	CEO / COO	Imagine H2O
Karl Buhl	Founder	Navocate
Michael Burgmaier	Managing Director	Silverwood Partners
Bill Bynum	CEO / Executive Director	Hope Credit Union
Ryan Craig	Partner	Bertram Capital
Russell Dekker	Partner	Cat Trail Capital
Edrizio de la Cruz	Co-Founder / CEO	Regalii
Mike Dovbish	Executive Director	Nutrition Capitol Network
Elaine Edgcomb	Field Director	Aspen Institute (FIELD)
Connie Evans	CEO	Association for Enterprise Opportunity
Donna Gambrell	Director	CDFI Fund
Kimberly Gartner	Senior Vice President	Center for Financial Services Innovation
Luz Gomez	Field Consultant	Aspen Institute (FIELD)
Harry Haskins	Deputy Associate Administrator	SBA Office of Investment
Ruth Hedges	CEO	Funding Roadmap
Calvin Holmes	Board Member	Opportunity Finance Network
Ira Leiderman	Founder / Managing Director	Long Trail Advisors
Scott Livingston	CEO	Livingston Securities
Cody Nystrom	Principal	SJF Ventures
Mark Pinsky	CEO	Opportunity Finance Network
Bob Rapoza	CEO, Rapoza Assoc.	New Market Tax Credit
John Roades	Food Systems Analyst	The Reinvestment Fund
Arjan Schutte	Senior Advisor	Core Innovation Capital
Timothy Serignese	VP	Livingston Securities
Aaron Sokol	Founder	Parent School Network
Peter Templeton	President, GBCI	U.S. Green Building Council / Green Building Certification Institute
Jennifer Tescher	President / CEO	Center for Financial Services Innovation
Paul Winkle	Business Intermediary	Navocate

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