Echoing Green Portfolio Segmentation

Accelerating Capital to For-profit and Hybrid Enterprises

June 2017

Contents

This report begins with an overview of Enclude's research methodology and the survey respondents, which included Echoing Green Fellows. The first half is dedicated to exploring respondents' current and anticipated funding by Capital Readiness Segment. The second half provides a look into the entrepreneurs' top barriers to accessing capital, as well as their desired support needs, and includes case studies of enterprises in each Segment. Finally, Echoing Green and Enclude suggest a framework for thinking through how to provide capital readiness support for a portfolio of social entrepreneurs, in addition to identifying three specific interventions and next steps.

Photos courtesy of Echoing Green.

Executive Summary

Echoing Green, a 30-year-old nonprofit unleashing next-generation talent to solve the world's biggest problems, and Enclude, an advisory firm dedicated to building more sustainable businesses, partnered to better understand how Echoing Green could accelerate capital to its diverse group of Fellows—emerging social entrepreneurs—running for-profit and hybrid organizations. Echoing Green's goal was to put data behind what it was hearing in real time, test its current approach to portfolio-level support, and identify key ways to meet a rapidly growing number of entrepreneurs' investment readiness needs at scale.

For the first time, Enclude evaluated the current and anticipated finances of Echoing Green's for-profit and hybrid portfolio and identified top barriers to accessing funding. Enclude's analysis categorized Echoing Green's diverse, global portfolio into four Capital Readiness Segments and identified additional key opportunities for portfolio-level support. This data analysis sets the groundwork for enhancing Echoing Green's leadership development approach[1] to support and recommending a "capital accelerator" program to improve social entrepreneurs' access to investment capital.

With support from the MacArthur and Kresge Foundations, Enclude's segmentation identified valuable data that affirms Echoing Green's configurable approach to supporting Fellows. It found that for-profit and hybrid Fellows want Echoing Green to provide deeper and more specialized support with regards to investment readiness. In particular, the data points to developing:

- Broader and deeper expertise to support both portfolio managers and their Fellows as they progress.
- More robust and frequent facilitation of Fellow interactions with funders, given that targeted funder introductions was the top need requested across all Fellow respondents.

Given staff expertise, Fellow input, Echoing Green's philosophy of leadership development, and the Enclude data, Echoing Green is now focused on refining three specific interventions with feedback from experts in the field:

1) **Investing in Echoing Green's infrastructure**: Helping early-stage social entrepreneurs go further, faster will require Echoing Green to deepen the support it provides to Fellows and invest additionally in its research and data capabilities to better inform and improve the impact investing field.
2) **Creating an Investor Advisory Group**: Building a community of experts in impact investing who can create group and individualized resources for Fellows and provide expert guidance to portfolio managers. This advisory group model complements Echoing Green's team expertise, expands Echoing Green's proficiency in running cohort-based programming, and allows more Fellows to receive faster expertise from a diverse group of investors and impact investing experts.

[1] See page 41 to learn about Echoing Green's current leadership development approach.

3) **Piloting Investor Cohorts**: Providing experiential learning opportunities to a diverse group of novices in impact investing who are interested in making early-stage investments. This not only increases investors' knowledge base and helps them better understand the needs of emerging social entrepreneurs, but also provides Fellows with more frequent interactions with potential investors. In addition, by intentionally cultivating a diverse group of investors, Echoing Green can help to hack existing bias and begin to diversify the broader early-stage impact investor ecosystem.

While Echoing Green's experience with a heterogeneous portfolio focused on social and environmental impact is unique, these data can point toward broader efforts to develop more effective ways of supporting entrepreneurs innovating new business models in new markets that can address urgent, global goals, including the Sustainable Development Goals (SDGs). Echoing Green and Enclude furthermore provide proof points and learnings for the broader field that can assist in actively exploring how best to address identified needs in direct training, support to emerging entrepreneurs, and in field building to accelerate early-stage capital to social enterprises around the world. Echoing Green's leadership development approach is an important addition to the business model-first approach of incubators and accelerators.

Context

For 30 years, Echoing Green has helped social entrepreneurs develop skills needed to become social innovation leaders. Echoing Green employs an approach to supporting social entrepreneurs that is distinct from accelerators by focusing primarily on the individual's leadership development in the long term rather than solely on building enterprises. As the skills building, network connections, and peer support are not time-bound to the two-year funded Fellowship, Echoing Green fosters a strong and growing community of leaders committed to social impact. At 30, Echoing Green is at a pivotal juncture, a tipping point, with rich data from prior Fellows, many of whom are now influential leaders, with some organizations having matured into scaled ventures.

Since 2006, Echoing Green has seen the number of applicants for its highly competitive Fellowship Programs proposing for-profit or hybrid models increase from 15% to now over half of its total pool of 2,000-3,000 applicants annually. Echoing Green has supported the movement toward for-profit and hybrid models with risk-mitigating capital in the form of its recoverable grants since 2011. The trend of increasing numbers of Echoing Green Fellows electing or evolving into hybrid or for-profit structures—while citing challenges in maintaining social and environmental integrity—underscores the need for training and practical support to equip social entrepreneurs to deliver positive impact and financial return.

Meanwhile, on the funder side, interest in funding enterprises that deliver social and environmental impact while providing financial returns continues to grow, as evidenced by the continued positive trends in impact investing assets under management reported in the GIIN Annual Impact Investor Survey[2]. Likewise, the Forum for Sustainable and Responsible Investment (SRI) Foundation report, *US*

[2] GIIN. 2016. Annual Impact Investor Survey. https://thegiin.org/assets/2016%20GIIN%20Annual%20Impact%20Investor%20Survey_Web.pdf.

Sustainable, Responsible and Impact Investing Trends 2016[3], highlighted the expansion of SRI investments to USD 8.72 trillion in the U.S. alone, a 33% increase from 2014.

However, many impact investors continue to report a lack of high-quality investment opportunities and a lack of ready transaction flow. In the 2016 GIIN Annual Impact Investor Survey, "Lack of high quality investment opportunities (fund or direct) with track record" was cited as the second most critical challenge to the impact investing industry's growth.[4] At the same time, entrepreneurs and intermediaries argue that emerging leaders who are launching brand new, innovative ideas and business models addressing SDGs and other critical societal challenges need a longer gestation or "runway" period to iterate and learn. The lack of appropriate capital across the risk/return spectrum, especially at the early stage, was acknowledged by funders as the most important challenge to the industry's growth in the same survey. Regardless of the reasons, the current impact investment market—while gaining traction in mainstream finance and institutional investor activity—is constrained at the seed and early stages.

Echoing Green and Enclude believe that the disconnect between social enterprises and funders is addressable. The study identified both enterprise-specific and market-level challenges that limit or prevent transactions. Enterprise-specific barriers include geography and sector expertise, while market-level barriers include access to networks and misaligned expectations around financial returns and impact. Efforts to improve the balance of power between entrepreneurs and investors and to professionalize the way in which capital deployment decisions are made will be critical. Solutions will require education on both sides of the table, as well as capital to build market infrastructure that facilitates more communication and interaction.

Key Takeaways

Enclude's analysis involved both a quantitative and qualitative assessment that helped illustrate the enterprises' capitalization structures and identified areas in which targeted support could improve access to capital across four Capital Readiness Segments: Seed, Early, Growth, and Scale.

- The quantitative survey of enterprise capitalization matched Enclude's expectations and traditional market data that self-funding, grants, and convertible debt were integral forms of funding for the enterprises that fall in the earliest Segments, while third-party equity and debt became more prevalent as enterprises grew. Surprisingly, however, while grant funding decreased as a proportion of total dollars sought, most of the 49 entrepreneur respondents continued to seek grants across Segments.

[3] US SIF. 2016. Sustainable, Responsible and Impact Investing Trends 2016. http://www.ussif.org/files/SIF_Trends_16_Executive_Summary(1).pdf.
[4] GIIN. 2016. Annual Impact Investor Survey. https://thegiin.org/assets/2016%20GIIN%20Annual%20Impact%20Investor%20Survey_Web.pdf.

- The majority of the 49 entrepreneurs surveyed reported that Foundations, Accelerators / Incubators, and Family Offices were their primary sources of current funding. While Foundations and Family Offices remained important targets for anticipated funding over the next two years, the entrepreneurs were increasingly looking to secure funding from Funds and Corporates as would be expected given that enterprises become more attractive to commercial investors as they grow. Findings related to increasing amounts of equity funding being sought from Foundations, Corporate investors, and Government were surprising given the size of the quantities being sought from these sources as compared to the minimal amounts of equity that entrepreneurs reported receiving from them.
- As Enclude expected, entrepreneurs in the Seed and Early Segments requested the greatest range and depth of support. Surprisingly, however, entrepreneurs in later Segments also reported needing an array of support. The segmentation revealed that while there were concentrations of particular support needs in each Segment, needs were diverse across every Segment. Though the exact nature and level of customization needed by entrepreneurs in each Segment may differ, the overall menu of needs requested was fairly constant, validating the configurable menu and diagnosis at entrance approach that Echoing Green currently takes to providing support across its diverse portfolio.
- Given that entrepreneurs who prioritized the same support needs across the three areas were across all Segments, entrepreneurs in the same Segment may have different levels of capital readiness in terms of financial management capabilities, operational capacities, and governance, which would impact their respective abilities to attract funding. The segmentation confirmed the need for broad and deeper expertise to support Fellows in all Segments, and highlighted the importance of Echoing Green's efforts to diagnose individual entrepreneurs' varying states of capital readiness at the onset of the Fellowship.
- When asked to rank their top needs across three main fundraising support areas of Transaction Process/Execution Management, Marketing Preparation, and Financial Needs Planning, the top desired support was "strategic introductions to funders" in all Segments.

Methodology

Enclude's research for the portfolio Segmentation encompassed four data sources:

1) Existing quarterly Fellow reports required by Echoing Green
2) In-person focus group discussions with Fellows and investors in November 2016
3) An online survey sent to all for-profit and hybrid Fellows in December 2016
4) Hour-long interviews with entrepreneurs in each of the four Segments

After reviewing quarterly data collected by Echoing Green, Enclude began its own data collection with focus group discussions (*see Appendix 1*) at Echoing Green's All Fellows Conference in November 2016. Drawing on insights from this preliminary data analysis, Enclude and Echoing Green developed a survey (*see Appendix 3*) that Echoing Green distributed via email to 170 Fellows. Enclude received survey responses from 61 Fellows, a response rate of 36%, of which 49 were running for-profit or hybrid enterprises.[5] Only those 49 were included in this report; they represent 49% of Echoing Green's for-profit and hybrid enterprise portfolio (it has funded 141 Fellows running 100 for-profit or hybrid organizations).[6]

Enclude bucketed respondents' self-reported data into four Capital Readiness Segments to identify capital need patterns at various stages of business development.[7]

The four Capital Readiness Segments are:

Segment	Definition	Points
Seed	A venture without a validated product / service and little to no revenue	3 or below
Early	An enterprise with a relatively established business model that has substantial revenue streams and may or may not generate positive cash flows	4 – 7
Growth	An enterprise with a more established business model which is or is soon to be profitable and is poised for further growth	8 – 11
Scale	A profitable enterprise that has stabilized and is looking to scale, focusing on increased profitability and efficiency	12+

In selecting criteria used to define the Segments, Enclude looked beyond sole quantitative performance. Drawing from years of providing capital advisory services, Enclude incorporated indicators that pointed to the enterprises' abilities to effectively absorb capital, in addition to their financial performances. The framework thus includes both business and capital readiness indicators. Enclude created a scoring scale for each segmentation criterion to assess enterprise performance, taking into account the relative importance of each indicator by giving a higher weight to the financial criteria, particularly revenue.

The segmentation criteria are as follows:

Financial: Financial criteria are critical to determining the type of capital an enterprise needs and is able to absorb.

- ***Revenue*** is indicative of level of success in establishing itself in a market
- ***Profitability*** reflects level of financial maturity and financial management capability
- ***Cash flow*** points to the sophistication of financial management

Non-financial: Capital readiness requires having internal capacity to efficiently manage capital and the proper processes and governance in place to ensure its best use

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[5] Some of the 61 Fellows were partnerships. The survey was also distributed to a few dozen Fellows running nonprofit organizations that Echoing Green staff thought may have significant earned revenue streams and thus be applicable for this research group. Ultimately, due to the small number of respondents who met that criteria, nonprofit respondents were not included in this report.
[6] Hybrid enterprises were defined as having both a for-profit and nonprofit entity operating in tandem.
[7] "Capital readiness" refers to the preparedness of an enterprise to take on new capital, whether in the form of grants, debt, equity, or another alternative.

- ***Customers*** analyzed in parallel with revenue provides additional validation of the success of an enterprise in establishing itself in a market
- ***Audited financials*** indicate the degree to which financial management is formalized
- ***Employing or contracting a dedicated financial professional*** is an indicator of financial maturity and sophistication and often implies that substantial capital has already been raised
- ***Establishment of a formal Board*** indicates that infrastructure is ready for large amounts of institutional capital

Scores for each criterion were aggregated to create an overall score for each enterprise, which were then bucketed into one of the four Capital Readiness Segments.

Following the segmentation, Enclude assessed data across four analytical areas:

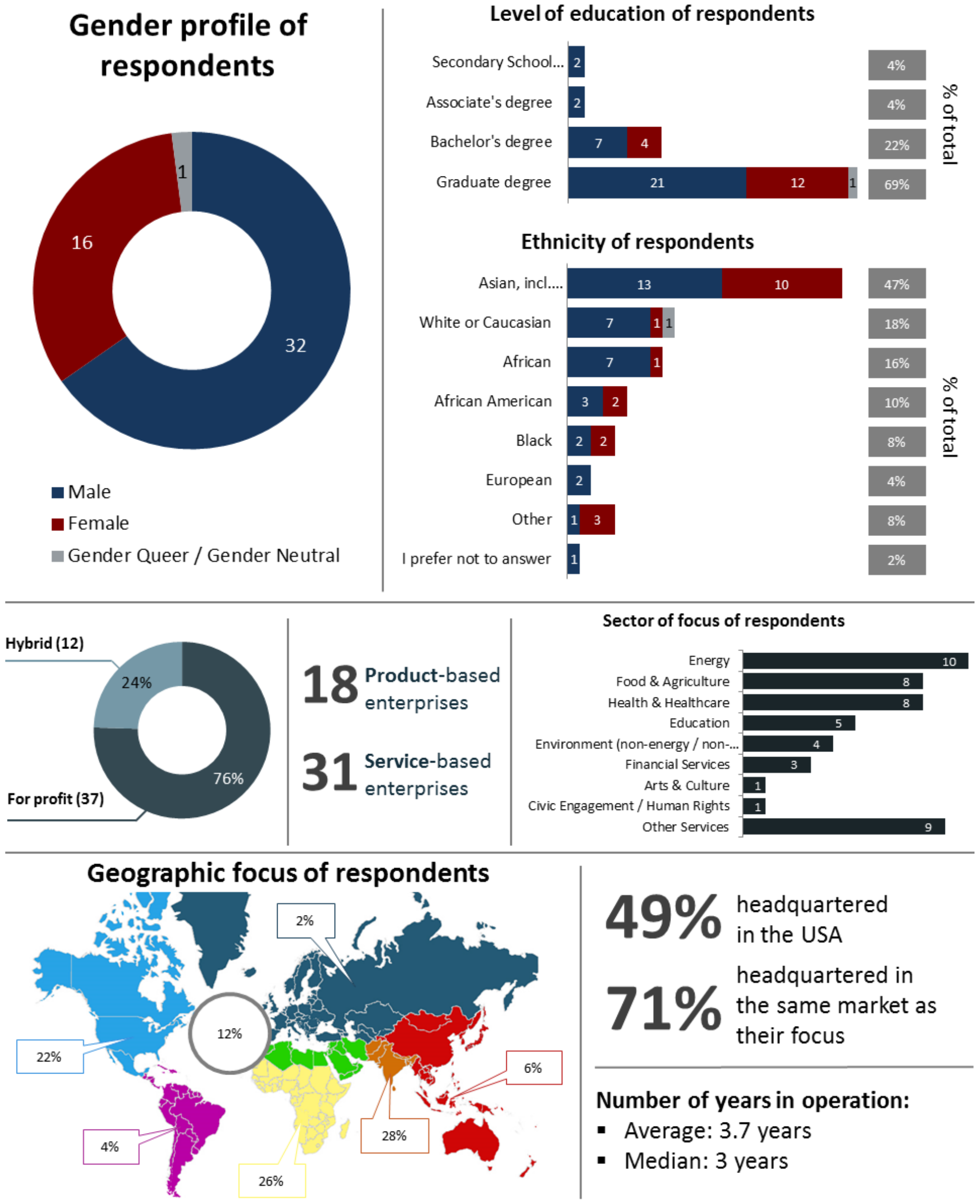
- **Current and anticipated funding**: to illustrate the quantitative funding states and needs of enterprises in different Segments
- **Barriers to accessing funding and fundraising support needs**: to explore the range and urgency of capital raising support needed by entrepreneurs in each Segment to successfully raise funds to grow their enterprises

Capital Readiness Criteria and Segmentation Scoring Scale

Criteria	Annual Revenue (USD)	Annual Profit (USD)	Cash Flow Pattern	Paying Customers	Audited Financials	Dedicated Financial Professional	Formal Board
Definition of Point Value	0: None 2: < 50K 4: 50K–300K 6: 300K–1M 8: 1M +	0: None 1: < 50K 2: 50K–300K 3: 300K–1M 4: 1M +	(2): Consistently negative (1): Fluctuating or flat with a negative impact on operations 1: Fluctuating or flat with no negative impact on operations 2: Consistently positive	0: Does not have paying customers 1: Has at least one paying customer	0: Does not have audited financials 1: Has audited financials	0: Does not employ a dedicated financial professional 1: Employs a dedicated financial professional	0: Does not have a formal board 1: Has a formal board

Overview of Survey Respondents

The 49 survey respondents[8] do diverse work around the world, as illustrated in the figures below.[9]



[8] Some survey respondents were one of two or more co-founders, so these data do not fully represent the full breakdown of genders, races, education levels, and geographies of all of the entrepreneurs that founded these enterprises.

[9] For the purposes of this report, product-based companies were defined as those in which the bulk of their revenue resulted from selling a physical product, while service-based companies were those in which the bulk of the revenue resulted from providing a service. Software companies were considered to be service-based. Echoing Green staff determined if the respondents were product or service-based. This designation was used to assess whether businesses with different levels of capital intensity required different support, based on focus group discussions in November 2016 that implied that product-based businesses were more capital-intensive. It was also a way to segment by different types of businesses if sample size by sector was too small.

Funding Trends across Capital Readiness Segments

This section provides an overview of the current and anticipated funding needs reported by the 49 entrepreneurs. It also explores both their current and anticipated sources and uses of capital.

Echoing Green Portfolio Segmentation Overview

Source: Echoing Green, 2017. N = 49

Segment Description	Seed	Early	Growth	Scale
Number of Enterprises in Segment	For-profit: 10 Hybrid: 2 **Total: 12**	For-profit: 10 Hybrid: 4 **Total: 14**	For-profit: 11 Hybrid: 6 **Total: 17**	For-profit: 6 Hybrid: 0 **Total: 6**
Annual Revenue[10] (USD)	Median range: None – 50K	Median range: 50K – 150K	Median range: 300K–500K	Median range: 500K – 1M
Annual Profit (USD)	None (all) 9 expected to break-even in 1 to 3 years	Range: 0 – <50K 11 not profitable, of which the majority estimated breaking even in 0 to 2 years (7); 3 with profits <50K	Range: 0 – 150K 6 were not yet profitable, 5 of which expected to break-even in 0 – 2 years	Range: < 50K – 3M
Cash Flow Pattern	▪ 10 had consistently negative cash flows or cash flows negatively impacting operations.	▪ 9 had consistently negative cash flows or cash flows negatively impacting operations.	▪ 9 had cash flows that negatively affected operations. ▪ 8 had positive or fluctuating cash flows that did not affect operations.	▪ 5 had positive or fluctuating cash flows that did not affect operations. ▪ 1 had cash flows that negatively affected operations.
Paying Customers[11]	Range: 0 – 50,000 Median: 1	Range: 0 – 30,000 Median: 32	Range: 5 – 192,000 Median: 80	Range: 20 – 265,000 Median: 2,750
Number with Full-time Financial Professional	9 (75%)	10 (71%)	15 (88%)	6 (100%)
Number with Audited Financials	5 (42%)	6 (43%)	8 (47%)	4 (67%)
Number with Formal Board	2 (17%), both with independent member(s)	5 (36%), all with independent member(s)	9 (53%), all with independent member(s)	5 (83%), 2 with independent member(s)

[10] Revenues were reported as ranges, vs. exact numbers.
[11] Customer type, e.g. business to business vs. business to customer, was not specified in the survey. Averages were highly skewed, particularly in the Seed Segment.

Amount of Current and Anticipated Funding by Instrument across Segments

Seed Segment

Type	Current funding (USD Thousands)				Anticipated funding (USD Thousands)			
	Count	Average	Median	Total	Count	Average	Median	Total
Self-funding	9	27	12	245	1	10	10	10
Grant	12	313	250	3,700	9	844	500	7,600
Conv. debt	4	334	283	1,300	6	583	500	3,500
Debt	1	2	2	2	2	1,200	1,200	2,300
Equity	3	95	50	285	6	1,200	1,000	7,100

Early Segment

Type	Current funding (USD Thousands)				Anticipated funding (USD Thousands)			
	Count	Average	Median	Total	Count	Average	Median	Total
Self-funding	9	53	30	415	1	40	40	40
Grant	14	346	175	4,800	10	930	500	9.800
Conv. debt	8	608	233	4,900	3	583	500	1,800
Debt	6	65	33	393	5	700	250	3,500
Equity	3	2,700	600	8,200	9	2,300	1,500	20,600

Growth Segment

Type	Current funding (USD)				Anticipated funding (USD)			
	Count	Average	Median	Total	Count	Average	Median	Total
Self-funding	13	71	40	917	0	0	0	0
Grant	16	706	350	11,300	13	1,900	1,600	2,500
Conv. debt	8	390	300	3,100	4	2,100	1,250	8,700
Debt	10	772	200	7,700	8	7,300	3,500	58,500
Equity	9	1,700	970	15,400	7	4,500	3,000	31,700

Scale Segment

Type	Current funding (USD)				Anticipated funding (USD)			
	Count	Average	Median	Total	Count	Average	Median	Total
Self-funding	6	27	25	160	0	0	0	0
Grant	5	310	250	1,600	4	875	1,000	3,5000
Conv. debt	2	550	550	1,100	1	1,000	1,000	1,000
Debt	5	874	200	4,400	2	13,000	13,000	26,000
Equity	4	5,700	3,600	22,800	5	8,300	3,000	41,500

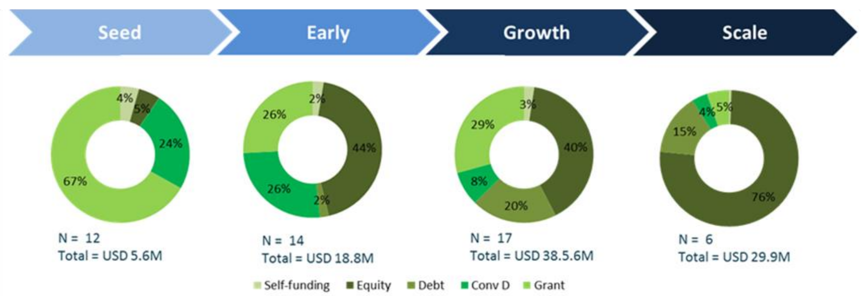
N = 49

Source: Echoing Green, 2017

Current Funding

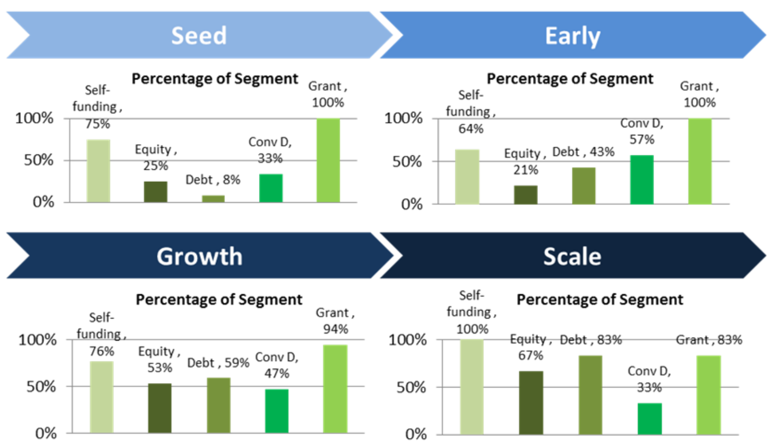
In total, the 49 entrepreneur respondents reported raising USD 92.8 million—USD 21.5 million (23%) of which was grants, and USD 71.4 million was investment (which included USD 1.8 million in self-funding). The total capital raised by for-profit and hybrid organizations was USD 57.5 million (62% of total reported raised) and USD 35.3 million, respectively.

Amount of current funding in USD by type across segments



Source: Echoing Green, 2017.

Percentage of entrepreneurs who reported having each type of capital across segments



Source: Echoing Green, 2017.

Trends around funding raised to date matched Enclude's expectations that self-funding, grants, and convertible debt would be most present in earlier Segments, and would be largely replaced by debt and equity in later Segments.

- *Self-funding* as a percentage of total funding was present but consistently low across Segments and was lowest in the Scale Segment. At least 64% of respondents had self-funded their ventures across all Segments.
- *Third-party equity* made up only 5% of funds in the Seed Segment and increased in each Segment, as expected, rising to 76% of funding in the Scale Segment. The percentage of entrepreneurs having third-party equity was lowest in the first two Segments, and rose to above 50% in the latter two Segments.
- *Debt* made up only a small percentage of reported funds until the Growth Segment. The percentage of entrepreneurs in each Segment with debt financing steadily increased from the Seed to Scale Segments, rising from 8% in the Seed Segment to 83% in the Scale Segment.
- *Convertible debt* became a smaller portion of total funding in later Segments. Between 30% and 60% of entrepreneurs had convertible debt in all Segments, with the percentage peaking at 57% of entrepreneurs in the Early Segment (8 of 14 entrepreneurs).

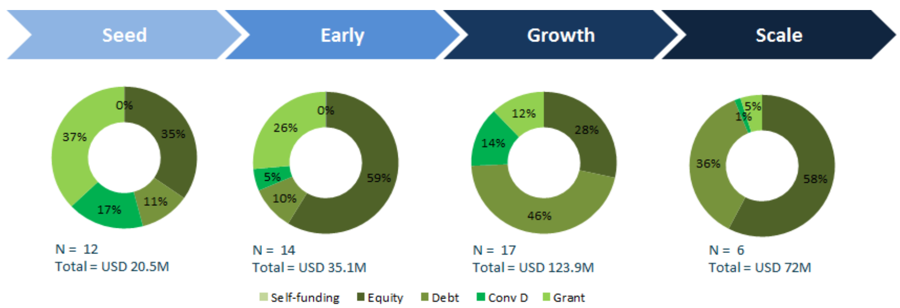
- *Grants* made up the majority of funding in the Seed Segment and became a smaller portion of total funding in the later Segments. More than 80% of entrepreneurs in all Segments reported having grant funding.

Anticipated Funding Goals in the Next Two Years

In total, the 49 respondents reported seeking USD 252 million in the next two years. Of this, USD 45 million was grant funding (twice as much as current reported grant funding and 18% of total sought) and USD 206 million was investment. The total equity sought was USD 101 million; debt, USD 90 million, and convertible debt, USD 15 million (40%, 36%, and 6% of total funds sought, respectively).

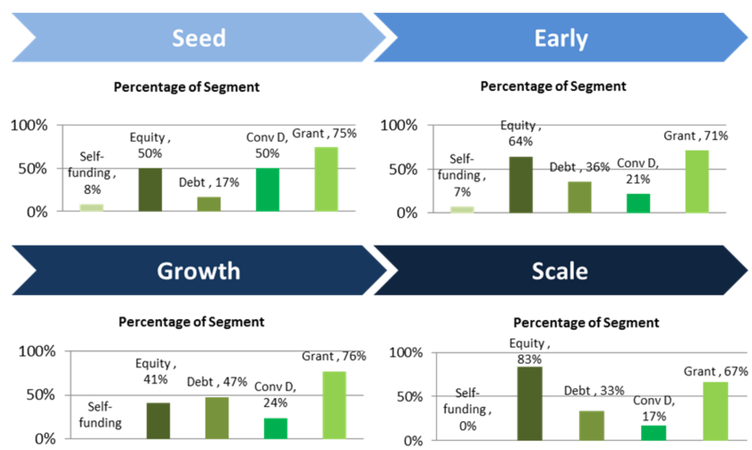
Split by for-profit and hybrid enterprises, the total capital sought was USD 149 million and USD 103 million, respectively.

Amount of anticipated funding in USD by type across Segments



Source: Echoing Green, 2017

Percentage of entrepreneurs who reported seeking each type of capital across segments



Source: Echoing Green, 2017.

Findings related to the types of capital sought followed Enclude's expectations that: self-funding would not be a key anticipated funding target; the proportion of grants and convertible debt of the total would decrease with each Segment; and the number of entrepreneurs seeking debt and third-party equity would increase, as would the average amounts sought. Surprisingly, while grant funding decreased as a proportion of total dollars sought, most enterprises continued to seek grants across Segments.

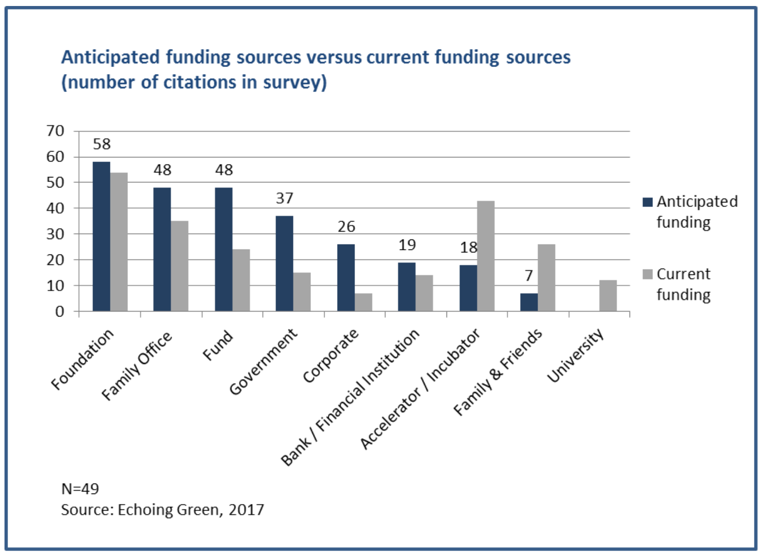
- *Self-funding* – as expected, a tactic few entrepreneurs intended to use self-funding to fund their venture in the future.
- *Third-party equity* was a common form of funding sought by all Segments. More than 40% of entrepreneurs in each Segment reported seeking equity, with 83% of the Scale Segment looking for third-party equity.

- *Debt* was sought by few Seed Segment entrepreneurs, but more than 30% of each of the other Segments reported to be looking for debt. Nearly half of the Growth Segment Fellows reported to be seeking debt.
- *Convertible debt* made up 17% of capital sought by the Seed Segment, but became a smaller portion in both amount sought and number of entrepreneurs seeking it by the Scale Segment. Convertible debt was sought by 50% of the Fellows in the Seed Segment.
- *Grants* was the type of funding the majority of the Seed Segment sought, which decreased proportionally as a percentage of total funding in each Segment. Nonetheless, more than 65% of respondents in all Segments were seeking grant funding.

Funding Sources

Fellows reported the sources of each type of funding they had previously raised or were seeking. From the data, Enclude could understand the type of funders with which entrepreneurs were familiar, from whom they had the most success raising capital to date, and with whom Echoing Green should consider building stronger relationships based on the type and amount of capital being sought across Segments.

Foundations and Family Offices were the most frequently reported sources of current and anticipated funding across all Segments.



- Foundations and Family Offices were the top targets for funding, along with Funds. Not surprisingly, Accelerators / Incubators and Family & Friends were cited less frequently for anticipated funding.
- Though Foundations were not in the top three sources of current equity, they were the second most anticipated source of equity. This was somewhat surprising to Enclude, though not entirely unreasonable given that the average amount of equity being sought in every Segment was greater than USD 1 million, and the fact that more Foundations are investing from their corpus. The majority of respondents who reported funding from Foundations reported grant funding (36), followed by investment (18).[12]
- It was surprising that 9 respondents said they were seeking equity from Corporate investors given that no respondents reported receiving equity from Corporate investors.

[12] Of the 18 who reported investment, equity from Foundations was reported 3 times.

Top Sources of Capital: Current and Anticipated

Source: Echoing Green, 2017. N = 49

Instrument Type	Top 3 Current Sources	Top 3 Anticipated Sources, Next 2 Years	Segment Observations
Grant	▪ Foundation (36) ▪ Accelerator / Incubator (26) ▪ Government (14)	▪ Foundation (29) ▪ Government (23) ▪ Family Office (21)	▪ Foundations, Accelerators / Incubators, and Government were constant sources of grant funding across Segments, as expected. ▪ The only reported funding from Corporates was in the form of grants (7), and all in the Early and Growth Segments. Surprisingly, respondents anticipated targeting Corporate investors for all types of funding.
Convertible Debt	▪ Family Office (12) ▪ Foundation (9) ▪ Fund (9)	▪ Family Office (12) ▪ Fund (9) ▪ Corporate (4) ▪ Foundation (4)	▪ Family Offices and Foundations were reported as sources of convertible debt in all Segments. ▪ Almost all of the convertible debt from Funds was reported in the Early or Growth Segments (8 of 9).[13]
Debt	▪ Bank / Financial Institution (FI) (10) ▪ Family & Friends (6) ▪ Foundation (6)	▪ Bank / FI (11) ▪ Foundation (8) ▪ Fund (7)	▪ Aside from the Seed Segment, in which the one report of debt was from a Bank / FI in the amount of USD 2 thousand, Bank/FI was only the most cited source of debt in the Growth Segment (5).[14] Though Bank/FI was reported as the source of current and anticipated debt the most, the majority of respondents reported receiving and seeking debt from other sources.
Equity	▪ Family & Friends (11) ▪ Family Office (11) ▪ Fund (9)	▪ Fund (21) ▪ Foundation (17) ▪ Family Office (12)	▪ Three entrepreneurs, all in the Growth Segment, reported raising equity from Foundations while 17 anticipated equity from Foundations. ▪ The 17 seeking equity from Foundations were across all Segments.[15] ▪ Only 1 entrepreneur reported equity from a Bank / FI and none reported equity from Corporate or Government sources, though some entrepreneurs anticipated each as a source of future equity.

Funding Uses

The survey also asked the social entrepreneurs to report their top uses of capital to gain an understanding of the common purposes for fund raises across Segments, as well as to observe if they were seeking the right kind of capital to meet their needs.

- In general, it was not surprising that all forms of capital were put toward many uses. However, Enclude would have expected grants to be more exclusively used and sought for research & development (R&D) and marketing in later Segments, and for more commercial capital (debt or equity) to be used for costs associated with main operations such as salaries and working capital. The use of debt primarily for working capital and capital expenditures was in line with expectations.

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[13] As many funds have minimum investment sizes, the data supported that enterprises in the Early and Growth Segments became large enough to accept investment capital from new sources, such as funds. The average convertible debt ticket for those with convertible debt in the Early Segment was USD 608 thousand (median USD 232 thousand) while the Growth Segment was USD 390 thousand (median USD 300 thousand).

[14] Current debt increased the most from the Early to Growth Segment, supporting that these are the Segments when accessing debt from new sources becomes more vital. The average ticket size of debt being sought in the Early Segment was USD 700 thousand, while the average amount of debt reported by Growth Segment entrepreneurs was USD 772 thousand.

[15] The largest increase in entrepreneurs seeking equity was in the Growth Segment. The average equity funding for Growth Segment entrepreneurs who raised equity was USD 1.7 million, while the average amount of equity being sought by Early Segment entrepreneurs was USD 2.3 million, supporting the possibility of investment from Funds and Foundations that tend to have minimum investment sizes.

- Working capital was the top reported use of funding across Segments, except in the Early Segment, where the most funding was put toward salaries.
- Inventory was not mentioned in the Seed Segment, but was more commonly reported in later Segments.

Top Uses of Current and Anticipated Capital by Instrument Type

Source: Echoing Green, 2017. N = 49

Instrument type	Top 3 current uses	Top 3 anticipated uses, next 2 years	Segment observations
Self-funding	▪ Working capital (25) ▪ Salaries (20) ▪ R&D (14-tie) ▪ Capital expenditures (14-tie)	None reported	▪ Working capital and salaries were consistently the top two uses of self-funding across Segments, with working capital being the clear leader in the Seed and Growth Segments. ▪ Capital expenditure was a more frequent use of self-funding in the Early, Growth, and Scale Segments. ▪ Self-funding was never reported to be used for marketing.
Grant	▪ Salaries (34) ▪ R&D (33) ▪ Working capital (29)	▪ R&D (29) ▪ Salaries ▪ (22-tie) ▪ Marketing (22-tie)	▪ Working capital, salaries, and R&D were consistently the top uses of grant funding across Segments. ▪ Grant funding was also used for marketing and capital expenditures (26 each), which were lowest in the Early Segment. ▪ R&D, marketing and salaries were the most highly anticipated uses of grant funding in every Segment. The use of grants for working capital (17) and capital expenditure (14) were also reported in all Segments. ▪ Only entrepreneurs in the Early and Growth Segments reported they anticipated using grants for inventory.
Convertible Debt	▪ Salaries (18) ▪ Capital expenditure (12) ▪ Working capital (11-tie) ▪ Marketing (11-tie) ▪ R&D (11-tie)	▪ Salaries ▪ (11-tie) ▪ Marketing (11-tie) ▪ Working capital (10) ▪ Capital expenditure (9)	▪ Respondents who reported receiving convertible debt used it for every purpose in all Segments (except for inventory in the Seed and Scale Segments). There were no standout top uses across Segments, except that salaries were its leading use in Seed and Early Segments. ▪ Anticipated uses of convertible debt were similarly varied. Respondents anticipated using it for salaries, marketing, and working capital in every Segment. ▪ Convertible debt was used and anticipated to be used for inventory almost exclusively in the Growth Segment.
Debt	▪ Working capital (16) ▪ Capital expenditure (7) ▪ Salaries (6)	▪ Working capital (12) ▪ Capital expenditure (11) ▪ Salaries (4)	▪ Working capital and capital expenditure were consistently the top two uses of debt, as expected. ▪ The anticipated use of debt for capital expenditure was highest in the Early and Growth Segments. ▪ Salaries became a less common use of debt in the Growth and Scale Segments, and were not an anticipated use of debt in either Segment.
Equity	▪ Salaries (17) ▪ Marketing (16) ▪ R&D (15)	▪ Marketing (25) ▪ Salaries (24) ▪ Working capital (22)	▪ While Salaries, Marketing, and R&D were consistently the top uses of equity, working capital (14) and capital expenditure (12) were not far behind. ▪ Inventory (7) was reported more often as a use of equity in later Segments.

Funding Success Rates and Expected Financial Returns

Respondents reported variable levels of success in past fundraising. Those in the Growth Segment who had raised capital reported the highest application-to-funding average success rates at 47%, closely followed by the Seed Segment at 46%. Entrepreneurs in the Early Segment reported the least success, with an average rate of 27%. Entrepreneurs in the Scale Segment reported submitting the most applications on average (27), closely followed by the Early Segment (20).

Fundraising Application Yield per Segment

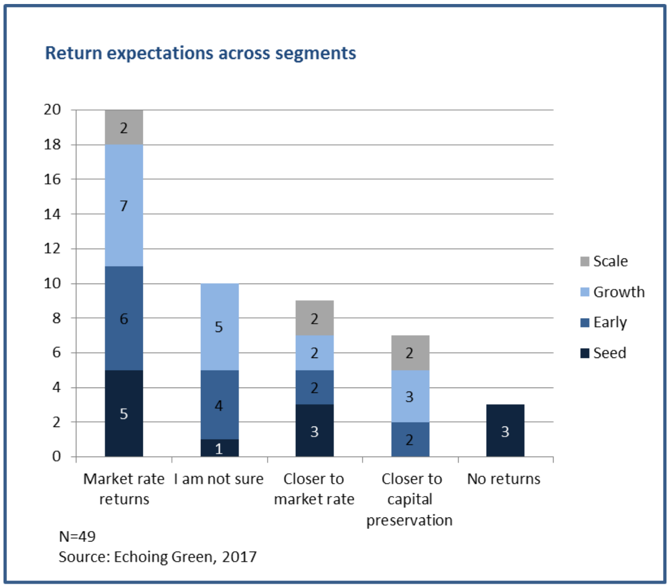
Source: Echoing Green, 2017. N = 49

Segment	Seed (12)	Early (14)	Growth (17)	Scale (6)
Fundraising Success Rate[16]	Five enterprises reported submitting or discussing term sheets or applications with funders, with an average of 15 reported by each. Thirty of 75 total resulted in funding, so the Segment's average success rate was 46% (median 50%).	Eleven enterprises reported submitting or discussing term sheets or applications with funders, with an average of 20 submitted by each. Fifty-three of 224 total resulted in funding, so the Segment's average success rate was 27% (median 20%).	Fourteen enterprises reported submitting or discussing term sheets or applications with funders, with an average of 16 submitted by each. Sixty-two of 228 total resulted in funding, so the Segment's average success rate was 47% (median 39%).	Five enterprises reported submitting or discussing term sheets or applications with funders, with an average of 27 submitted by each.[17] Thirty-four of 137 total resulted in funding, so the Segment's average success rate was 37% (median 29%).

[16] Entrepreneurs were asked "How many applications or term sheets have you submitted or discussed with funders to date?" and "How many of your funding submissions or term sheet discussions have resulted in receiving funding?"
[17] In the self-reported data, the sixth Fellow in the Scale Segment reported 0 submissions, but 9 successes.

Almost half (20 of 49) of the social entrepreneurs expected to generate risk-adjusted market rate returns.

- At least half of the respective for-profit and hybrid enterprise respondent groups expected to provide close to market rate returns or better.
- Of those that expected to be able to provide risk-adjusted market rate returns, proportionally more of the for-profits had these expectations—almost half (17) of the for-profit enterprise group versus a quarter (3) of those in the hybrid enterprise group.
  - *Risk-adjusted market rate returns:* Transaction Process/Execution Management was the top-prioritized support area for those who anticipated being able to provide risk-adjusted market rate returns (10 of 20). Specifically, the need for strategic introductions to funders was most often reported.
  - *Below market-rate returns:* Marketing Preparation was the top-prioritized support area for those who reported having below market rate returns (7 of 16). Developing a targeted outreach plan was the top need, while developing marketing materials was second.
  - *Not sure:* Financial Needs Planning was the top-prioritized support area for those who were not sure of their expected returns (4 of 10). In particular, support was needed around developing forward projections of financials. A similar portion of for-profit and hybrid entrepreneurs were not sure what kind of returns they were able to provide (5% and 8%, respectively).
  - *No returns:* Financial Needs Planning was the top-prioritized area for entrepreneurs who did not expect to provide any financial returns (2 of 3). Developing forward projections was the highest prioritized support area, followed by determining the type of funding needed to match current financial needs.



Financial Return Expectations by Segment

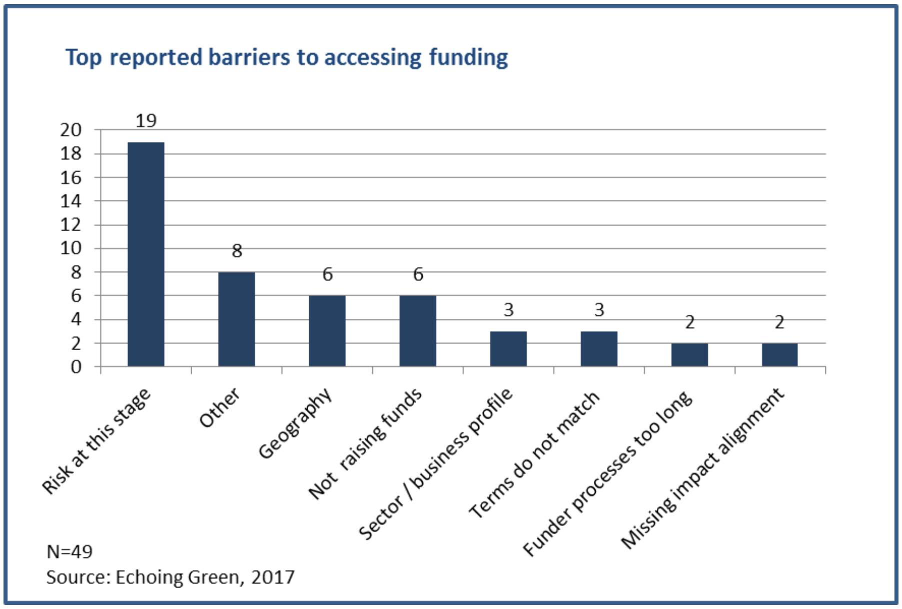
Source: Echoing Green, 2017. N = 49

Segment	Seed (12)	Early (14)	Growth (17)	Scale (6)
Expected Financial Returns	5 risk-adjusted market rate returns for investors; 3 closer to market rate; 3 no returns; one was not sure	6 risk-adjusted market rate returns; 2 closer to market rate; 2 closer to capital preservation; 4 were not sure	7 risk-adjusted market rate returns; 2 closer to market rate; 3 closer to capital preservation; 5 were not sure	2 expected risk-adjusted market rate returns; 2 closer to market rate; 2 closer to capital preservation

Barriers to Accessing Funding and Fundraising Support Needs

This section provides an overview of survey respondents' most common barriers to accessing funding. It also presents the fundraising support needs and mentorship requests reported by 49 entrepreneurs running for-profit and hybrid social enterprises.

Respondents noted their greatest barrier to accessing funding was finding a funder willing to "take a risk at this stage."



Unsurprisingly, this challenge was noted especially in the Seed and Early Segments. It was reported by 75% (9) of the Seed Segment enterprises and 57% (8) of Early Segment enterprises.

- Not being able to find funders focused on a particular geography was the second most cited barrier to accessing finance. The 6 respondents who reported this barrier were operating enterprises focused in South Asia, sub-Saharan Africa, and East Asia-Pacific, and all were in the Growth or Scale Segments.
- Of the 8 who selected "Other" as a barrier to accessing finance, 2 commented on their lack of internal resources and time to dedicate to fundraising versus day-to-day operations.[18]

Fundraising Support Needs and Mentorship

Overall, enterprises reported needing a breadth of fundraising support across Segments, with common needs being introductions to funders and developing targeted outreach plans. A few specific needs were more highly prioritized in the Growth and Scale Segments.

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[18] Only 3 reported that finding an investor interested in their sector was the biggest barrier to accessing finance. They were all in different Segments and sectors and were all service-based companies. Each of the 3 who said that their largest barrier to accessing finance was that funders' terms did match their business profile expected to offer below market rate returns. (One of the 3 expected to provide closer to capital preservation returns, while the other 2 expected to return closer to market rate returns. These enterprises were in the Growth and Scale Segments. Two were for-profit enterprises and 1 was a hybrid enterprise. Of the 8 fellows who selected "Other" as a barrier to accessing finance, 2 commented on their lack of internal resources and time to dedicate to time-intensive fundraising rather than day to day operations.

The three capital readiness support categories to which entrepreneurs reacted were developed from conversations with entrepreneur Fellows during focus groups in November 2016 as well as by the categories by which Echoing Green organizes its existing investment readiness support materials. Respondents were asked to select the category where they had the most immediate need for support, and within each of the three categories were asked to rank all the choices that were relevant to their needs. Respondents did not have to include all choices in the ranking.

Capital Readiness Support Categories

Financial Needs Planning	Marketing Preparation	Transaction Process/Execution Management
▪ Understanding instrument options ▪ Developing forward projections of financials (to determine amount of capital needed) ▪ Determining the type of funding needed to match your current financial needs ▪ Valuation	▪ Understanding funder types and preferences (i.e. sector & stage) ▪ Developing marketing materials (pitch deck) ▪ Developing due diligence / data room materials ▪ Developing a targeted outreach plan (and tracker)	▪ Strategic introductions to funders ▪ Due diligence management ▪ Term sheet creation / understanding ▪ Negotiating with funders ▪ Closing / documentation

In addition to asking about priorities within the three fundraising support areas, the survey asked about value of mentorship types. Respondents were asked to rank up to three types of one-on-one mentorship they would find most useful in preparing to fund raise.[19] Enclude included this topic in the survey because focus group discussions revealed that the entrepreneurs could benefit from customized support that cannot be provided in a group setting, and because a network of advisors existed already—informally, and without one kind prioritized over another. Its purpose was, along with the above support mapping, to further shed light on the most helpful types of advisors that could provide specialized support beyond the general support provided by Echoing Green Portfolio Managers.

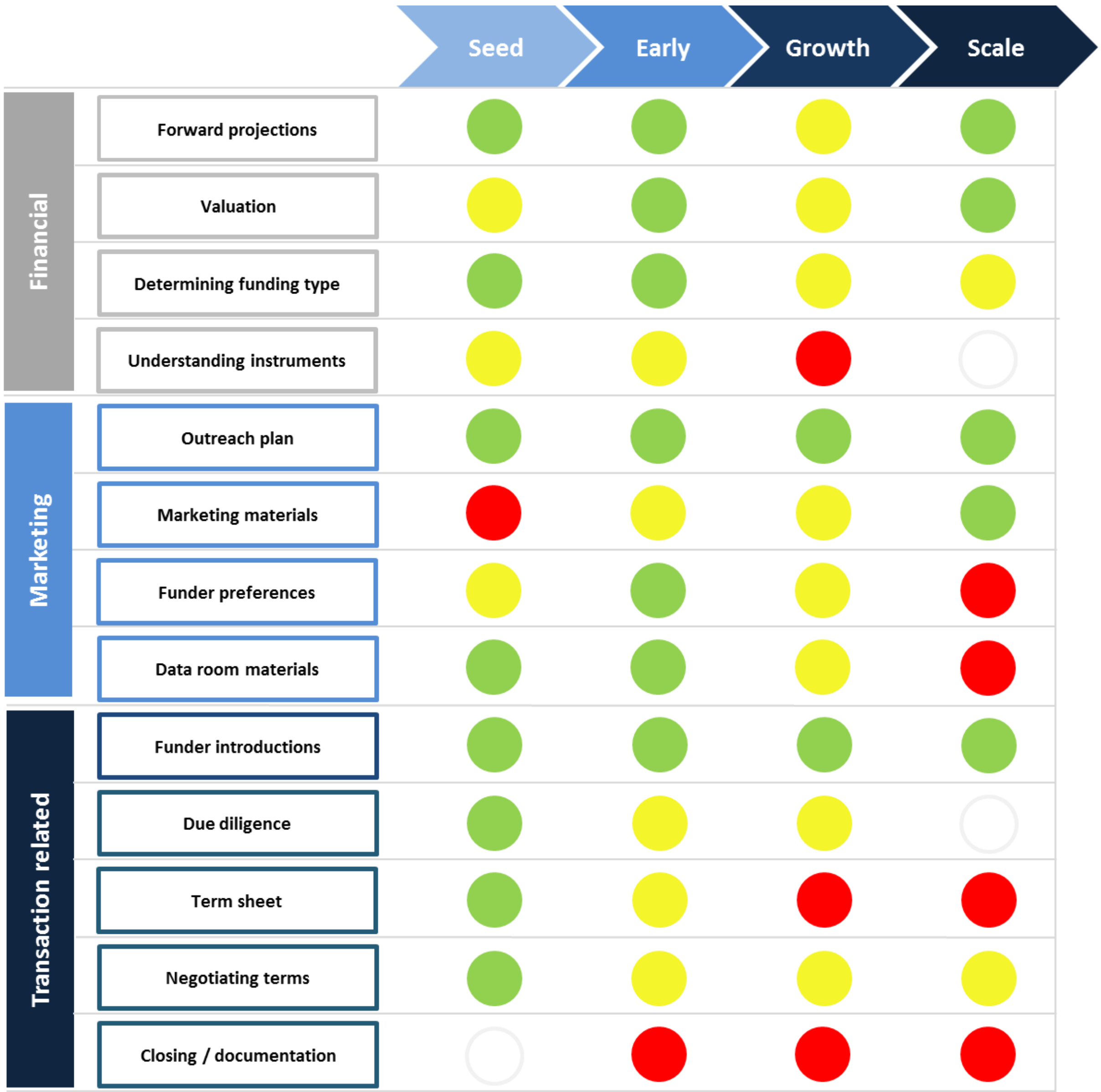
Enclude hypothesized that the menu of fundraising support needs would narrow in later Segments and that entrepreneurs in different Segments would express distinct needs. In particular, it expected:

- Entrepreneurs in the earliest Segments would require more assistance related to Financial Needs Planning, whereas later Segments would place a higher emphasis on engaging support for Transaction Process/Execution Management. This hypothesis was driven by the expectation that enterprises in later Segments would have tested their financial models and engaged full-time financial professionals with a sophisticated understanding of the businesses' capital needs.
- Marketing Preparation support would be needed across Segments, with a higher emphasis in earlier Segments than in the latter, as those enterprises were expected to have little to no experience marketing to investors.

While the emphasis placed on support needs among respondents varied by Segment, the overall menu of needs requested was fairly constant, validating Echoing Green's existing approach to supporting its diverse portfolio with a menu of resources from which entrepreneurs can pick as

needed. The diagram below illustrates the concentrations of requests for specific support activities across Segments.

Concentrations of Support Needs by Segment



N= 49
Answers based on multi-select rankings
Source: Echoing Green, 2017

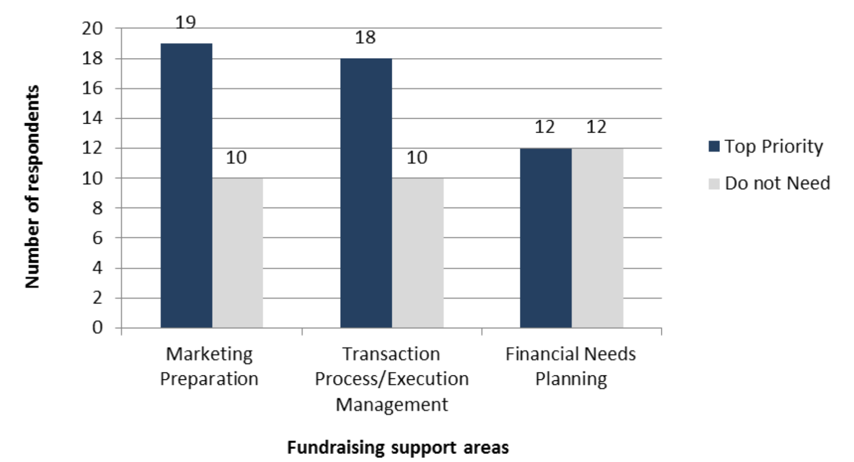
Key (% of entrepreneurs who ranked support needs in their top 3)

1% - 25% 26% - 49% 50%+

*If blank, none selected

“Strategic introductions to funders” was the respondents’ top support priority.

It was the most-selected support activity, with 67% (33) ranking it as their top support need (it was in the Transaction Process/Execution Management category).



N=49
Source: Echoing Green, 2017

Per the analysis of top sources of funding in the previous section, entrepreneurs in different Segments would need introductions to a diversity of funder types, given the differences noted in the funders, capital types, and amounts sought.

- Aside from strategic introductions, entrepreneurs in the Scale Segment showed the most interest in negotiation support.
- Entrepreneurs in the Seed Segment sought support for all activities included in the survey, with the exception of closing and documentation, which was also the least prioritized support area overall.

Financial Needs Planning

- **The most interest in Financial Needs Planning came from entrepreneurs in the Early Segment, followed by those in the Seed Segment.** This area was least prioritized by the Growth and Scale Segments, as expected.
- “Developing forward projections of financials to determine the amount of capital needed” was this category’s top priority support activity.
- All Segments showed interest in “determining the type of funding needed to match current financial needs,” with decreasing interest by those in later Segments. There was moderate interest in support around “understanding instrument options” in the earliest Segments, and none in the Scale Segment.

Marketing Preparation

- **The standout Marketing Preparation need was “Developing a targeted outreach plan (and tracker),” with 50% or more of entrepreneurs in all Segments ranking this in their top 3 needs.**
- Contrary to expectations, support “developing marketing materials” surprisingly was requested more by respondents in the later Segments**.** This may be because as companies gain more traction and begin seeking more sophisticated sources of capital, there may be higher expectations from investors for information around market traction, metrics, governance, and projections that they had not needed to prepare before. This is discussed in the **Boond Engineering & Development Ltd. Case Study** (page 38)**.**

- Marketing Preparation was the top priority support area across Segments. Approximately half of respondents in the Early and Growth Segments reported this area in which they required the most support. Only 2 of 14 Early Segment and 3 of 17 Growth Segment entrepreneurs said they did not need any support in this area.
- "Understanding funder types and preferences" was the area ranked as the top priority by 6 Growth Segment entrepreneurs, more than any other activity. There was little interest from the Scale Segment.
- Respondents in earlier Segments requested more support for "developing due diligence / data room materials" as compared to those in later Segments, who may have already developed the know-how from previous raises.

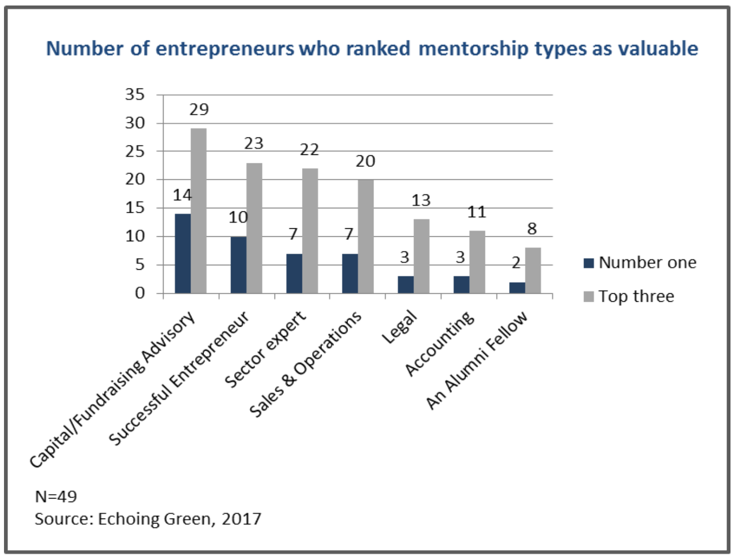
Transaction Process/Execution Management

- **Transaction Process/Execution Management support was needed by entrepreneurs at both ends of the capital readiness spectrum.**
- Enclude's hypothesis that later-Segment enterprises would need more assistance in the area of Transaction Process/Execution Management than in earlier Segment enterprises was partially correct. Four of 6 Scale Segment entrepreneurs said this was their prioritized support area, whereas 2 said they did not need that support. Meanwhile, Transaction Process/Execution Management was the most highly prioritized need in the Seed Segment, with no Fellows responding they did not need this type of support.

Mentorship

The most desired mentors were capital/fundraising advisors and successful entrepreneurs.

- The top mentor type noted by for-profit enterprises was a capital/fundraising advisor (12 of 37).
- The top mentor type noted by hybrid Fellows was a successful entrepreneur (4 of 12).
- Only 3 said mentorship would not be helpful.



Most Desired Mentorship by Segment

Source: Echoing Green, 2017
N=49

Seed (12)	**Early** (14)	**Growth** (17)	**Scale** (6)
▪ Capital / Fundraising Advisory ▪ Sector Expert ▪ Sales & Ops	▪ Capital /Fundraising Advisory & Successful Entrepreneur – tied ▪ Sales & Ops ▪ Legal	▪ Successful Entrepreneur ▪ Capital /Fundraising Advisory & Sector Expert – tied ▪ Sales & Ops	▪ Capital /Fundraising Advisory ▪ Sector Expert ▪ Successful Entrepreneur

Additional Observations

Enclude explored additional barriers to accessing funding often referenced anecdotally by social entrepreneurs in focus group discussions and survey responses.

Hybrid vs. For-profit Enterprises

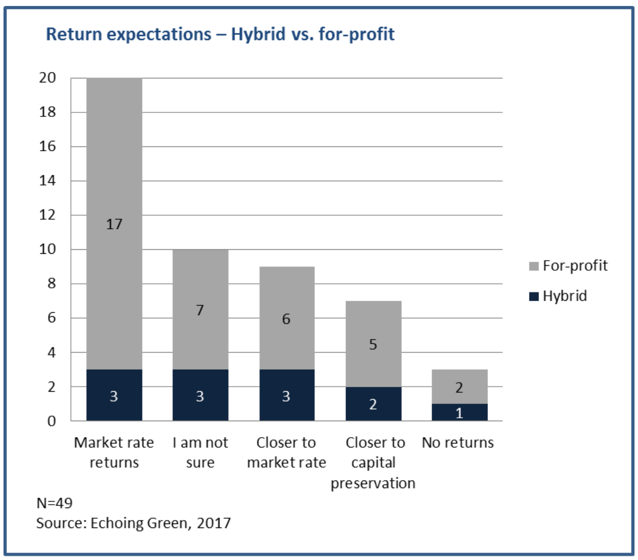
Of the 49 enterprises in the segmentation, 37 were for-profit and 12 were hybrid.

Funding

- On average, hybrid enterprises reported USD 1.4 million more in current funding than for-profit enterprises. Hybrid enterprises reported more equity and grant funding on average than for-profit enterprises in the first three Segments.
- The top three sources of current capital were the same for both hybrid and for-profit enterprises (Foundations, Family Offices, and Accelerators / Incubators).

Barriers to Funding

- Half of the hybrid enterprises (6 of 12) cited “not being able to find a funder willing to take a risk at this stage” as their greatest barrier to accessing finance. Five of the 6 were in the Seed or Early Segment. This was the most frequent response from for-profit enterprises as well, but only reported by 35% of for-profit enterprises group versus 50% of hybrid enterprises. All but 1 of the 13 for-profit entrepreneurs who reported risk as a barrier were in the Seed or Early Segments. While perceived risk could likely be attributed to early stages of development, in focus group discussions Fellows running hybrid enterprises said it was difficult to communicate with investors about how their for-profit and nonprofit entities worked in tandem.



Expected Financial Returns

- Nearly half (17) of the for-profit enterprises in the segmentation expected to be able to provide risk-adjusted market rate returns.
- A quarter of hybrid enterprises expected to provide risk-adjusted market rate returns.

Support Needs

- The most highly ranked Financial Planning support activity by hybrid enterprises was “developing forward projections of financials.” For-profit enterprises prioritized conducting valuations most highly (42% ranked it first while no hybrid enterprises ranked valuation first). Both groups placed their second highest priority on “determining the type of funding needed to match current financial needs.”

- In the area of Marketing Preparation, the most requested support by hybrid enterprises was "understanding funder types and preferences." For-profit enterprises most prioritized "developing a targeted outreach plan," which was also ranked in the top three needs by 67% of the hybrid enterprises.
- "Strategic introductions to funders" was a top priority for both for-profit and hybrid enterprises in the area of Transaction Process/Execution Management.

Product vs. Service-based Enterprises

The for-profit and hybrid Fellow organizations in the analysis operated across a variety of sectors. Given the array of sectors, it was difficult to draw sector-specific conclusions with the sample size. Rather, Enclude looked at the social enterprises in terms of whether they were product-based or service-based, operating on the assumption that the product-based and service-based enterprises would have different capital and capital raising support needs due to the nature of their business models. For example, while scaling a product-based enterprise that produces a physical product may require significant up-front funding for capital expenditures such as machinery and ongoing capital infusions for inventory, a service-based enterprise may not require as much up-front capital expenditure or ongoing funding for maintaining inventory. The **EggPlant Case Study** (page 32) discusses the challenges of being a capital intensive, product-based business trying to raise early funding. Overall, there were 18 product-based and 31 service-based social enterprises in the portfolio, as classified by Echoing Green. [20]

- *By sector*: The 18 product-based enterprises were in the energy, environment, food & agriculture, and health & healthcare sectors. There were also 2 enterprises that reported focusing on water, 1 focused on workforce development, and 1 was in the education sector. Food & agriculture, energy, and education were the most common focuses for service-based enterprises. Other focuses included health & healthcare, arts & culture, environment, financial services, and workforce development.
- *By Segment*: Seven of 12 enterprises in the Seed Segment were product-based, the only Segment in which there were more product-based enterprises than service-based enterprises. Five of 14 enterprises in the Early Segment, 4 of 17 in the Growth Segment, and 2 of 6 in the Scale Segment were product-based.

Funding

- Enclude expected that product-based enterprises would both have and be seeking more capital than service-based enterprises because of the capital-intensive nature of manufacturing physical products. However, this only held true in the Early Segment, where those running product-based enterprises reported having over USD 2.6 million more in funding than service-based enterprises. In

[20] For the purposes of this report, product-based companies were defined as those in which the bulk of their revenue resulted from selling a physical product, while service-based companies were those in which the bulk of the revenue resulted from providing a service. Software companies were considered to be service-based. Echoing Green staff determined if the respondents were product or service-based. This designation was used to assess whether businesses with different levels of capital intensity required different support, based on focus group discussions in November 2016 that implied that product-based businesses were more capital-intensive. It was also a way to segment by different types of businesses if sample size by sector was too small.

addition, product-based enterprises sought nearly USD 2.5 million more in funding than service-based enterprises across all segments, on average.

- In line with the expectation that product-based enterprises would need more capital early on to set up their manufacturing capabilities, product-based enterprises in the Seed and Early Segments reported using capital for capital expenditure more often than enterprises that were classified as service-based. The use of capital for R&D by product-based enterprises was also higher in the Seed and Early Segments than in latter Segments. Furthermore, product-based entrepreneurs reported the use of capital for inventory earlier than service-based entrepreneurs as inventory was reported as a use of capital by Early Segment product-based enterprises 6 times versus 0 times by service-based entrepreneurs in the Early Segment.
- While the Growth Segment's product-based entrepreneurs reported having an average of USD 898 thousand more in funding than service-based entrepreneurs, the service-based entrepreneurs reported seeking USD 5.2 million more, contrary to expectations.
- Also contrary to expectations, service-based entrepreneurs in the Seed and Scale Segments reported both having and seeking more capital than product-based entrepreneurs. Seed Segment entrepreneurs reported having USD 377 thousand more in funding while seeking USD 450 thousand more. Scale Segment entrepreneurs reported having USD 6.8 million more in funding while seeking USD 6.4 million more.

Barriers to Funding

- Half (9 of 18) of the Fellows running product-based enterprises stated that their greatest barrier to accessing finance was not being able to find a funder willing to take a risk at this stage. They were all in the Seed or Early Segments. Thirty-two percent (10 of 31) of entrepreneurs running service-based enterprises also cited this as their greatest barrier.

Expected Financial Returns

- Forty-four percent (8 of 18) of product-based entrepreneurs expected to provide risk-adjusted market rate returns. Thirty-three percent (6) expected to provide below market rate returns. Eleven percent (2) expected to provide no returns while another 11% (2) did not know.
- Thirty-nine percent (12 of 31) of service-based entrepreneurs expected to provide risk-adjusted market rate returns. Thirty-two percent expected to provide below market rate returns. Three percent (1) expected to provide no returns while 26% (8) did not know.

Support Needs

- Marketing Preparation was the top ranked need for product-based enterprises, prioritized by 39% (7) of the entrepreneurs. Two of these 7 said that their top need was "developing a targeted outreach plan (and tracker)," which was ranked second by an additional 4 entrepreneurs. The need for Marketing Preparation was only slightly higher than the need for Financial Needs Planning (6 entrepreneurs) and Transaction Process/Execution Management (5 entrepreneurs).
- The top ranked support area by service-based enterprises was Transaction Process/Execution Management with 42% (13) service-based enterprises reporting it as their greatest support need. Six of these 13 ranked "strategic introductions to funders" as their top need. Thirty-nine percent (12) ranked Marketing Preparation as their top need while the least (19%) prioritized Financial Needs Planning.

Bias and Other Structural Barriers to Funding

While the data from the Enclude survey was not conclusory due to sample size and respondent bias, the disparities found in the amount and type of funding raised by different demographic groups comport with what Echoing Green has long heard from members of its diverse community of social entrepreneurs. A few observations on geography and demographics are shared in the following paragraphs.

Bias, differential access to networks with resources, proscribed funding opportunities, especially for those focused on deep, place-based social change work, and the negative effects of homophily on who gets funding and decision-making (i.e., "like funds like"), especially on U.S. and non-U.S. people of color, can all lead to inequitable funding outcomes for certain groups of social entrepreneurs. Recognizing that what is not measured cannot be fixed continues to drive Echoing Green to collect and track data on the experiences of its Fellows and other early-stage social entrepreneurs.

Some survey respondents were one of two or more co-founders, so these data do not fully represent the full breakdown of genders, races, education levels, and geographies of all of the entrepreneurs that founded these enterprises or fully reflect the impact of demographics on fundraising. There is limited attribution that can be given to these factors regarding fundraising success because partners not included in this study may have a different gender, race, level of education, network, and/or fundraising responsibilities than the survey respondents.

U.S. vs. non-U.S.

Entrepreneurs headquartered in the U.S. reported more capital raised than those headquartered elsewhere.

- Of the 49 enterprises in the segmentation, 24 were headquartered in the U.S. The remaining 25 spanned East Asia-Pacific, Europe and Central Asia, Latin America and Caribbean, South Asia, and sub-Saharan Africa.
- Eleven of the 24 enterprises headquartered in the U.S. were focused on North American markets. Six had a global focus while the other 7 were either focused on sub-Saharan Africa, South Asia or Latin America and the Caribbean.

Funding

- In aggregate, reported equity raised by U.S.-headquartered enterprises was higher than those not headquartered in the U.S. by an average of USD 2.3 million.
- The amount of debt reported by those headquartered in the U.S. was higher throughout all Segments by an average of USD 446 thousand, in aggregate.
- The average convertible debt funding was higher for those based in the U.S. in aggregate by USD 287 thousand.
- In aggregate, reported grants raised by U.S.-headquartered enterprises was higher by an average of USD 285 thousand.

- The **EggPlant Case Study** explores the challenge of being a non-U.S. based enterprise trying to raise impact capital.

Barriers to Funding

- The 2 U.S.-headquartered enterprises that cited geography as a barrier to accessing funding were focused on sub-Saharan Africa and South Asia.

Expected Financial Returns

- *U.S.-headquartered*: Half (12 of 24) of the entrepreneurs with enterprises based in the U.S. expected to provide risk-adjusted market rate returns, while 21% (5) expected to provide below market rate returns. Of those 5, only 1 expected their returns to be closer to capital preservation than to market rate returns. Four percent (1) did not expect to provide any returns, while 25% (6) did not know.
- *Non-U.S.-headquartered:* Thirty-two percent (8 of 25) of the entrepreneurs not headquartered in the U.S. expected to provide risk-adjusted market rate returns. Forty-four percent (11) of entrepreneurs expected to provide below market rate returns, with 6 of these providing below market rate returns that were closer to capital preservation. Eight percent (2) did not expect to provide any returns, while 16% (4) did not know.

Support Needs

- *U.S.-headquartered:* The top-ranked support area by US-headquartered enterprises at 54% (13) was Transaction Process/ Execution Management. Eight of the 13 ranked "strategic introductions to funders" as their top need.
- *Non-U.S.-headquartered:* The top-ranked support area by non-US-headquartered enterprises was Marketing Preparation, prioritized by 52% (13) of entrepreneurs. Of these 13, 5 ranked "developing marketing materials (pitch deck)" as their top need. "Developing a targeted outreach plan (and tracker)" was ranked first by 4 entrepreneurs and second by 7.

Gender

The comparison of funding and barriers reported by those of different genders and races was not conclusory as to the significance of these factors on the ability to raise capital.

- Forty-five men and 23 women were considered in the analysis, including the men and women where some of the 49 enterprises were run by two partner Echoing Green Fellows.[21]
- Of the 32 men who responded to the survey, 26 ran for-profit enterprises and 6 ran hybrid organizations. Of the 16 women who responded, 11 ran for-profit enterprises and 5 ran hybrid organizations. One respondent who identified as genderqueer / gender neutral ran a hybrid organization, but is not considered in the following analysis due to sample size considerations.

[21] Responses represent 2 female/female partnerships, 9 female/male partnerships, and 9 male/male partnerships.

Funding

- The 45 men respondents reported more average self-funding and grant funding, whereas the 23 women respondents reported more average equity, debt, and convertible debt.
- Seventy-eight percent of men financed their enterprises with self-funding while 69% of women did the same. The average amount of self-funding reported was approximately USD 15 thousand higher for men than women (USD 42 thousand vs. USD 27 thousand). Men also raised more grant funding than women by an average of USD 232 thousand (USD 508 thousand vs. USD 276 thousand).
- Women reported, on average, raising USD 175 thousand more in equity than men (USD 1.48 million vs. USD 1.32 million); USD 24 thousand more in debt (USD 276 thousand vs. USD 252 thousand); and USD 88 thousand more in convertible debt than men (USD 276 thousand vs. USD 188 thousand).

Barriers to Funding

- Barriers to accessing finance reported by men and women were similar. "Can't find a funder willing to take a risk at this stage" was the most reported barrier for both men and women (38% for each group). Men reported "can't find funder interested in my geography" as the top barrier more times than women (5 men versus 1 woman). One woman entrepreneur of Black and Latino descent based in the U.S. reported in the survey that, "Being a woman, a person of color, and someone from a working class background presents additional challenges in for-profit fundraising since investors are looking for pattern recognition. This benefits young white men and hurts other entrepreneurs who don't fit the 'pattern.'" Her comments reflected other input received in the focus groups.

Expected Financial Returns

- Almost half (47%) of the men who responded to the survey said they expected to provide risk-adjusted market rate returns. Thirty-two percent reported that they expected to provide below market rate returns. Six percent expected to provide no returns, while another 16% did not know.
- Thirty-one percent of the women who responded to the survey said they expected to provide risk-adjusted market rate returns. Another 38% expected to provide below market rate returns while 6% expected to provide no returns. Twenty-five percent were not sure what financial returns they expected to provide.

Support Needs

- The highest concentration of support requested by men was in Marketing Preparation. "Understanding funder types and preferences" was ranked as the top need by 6 entrepreneurs. Four ranked "developing a targeted outreach plan (and tracker)" as the top need, which was ranked second by an additional 7 entrepreneurs.
- Women requested support with Transaction Process/Execution Management the most, with 6 prioritizing this area. "Strategic introductions to funders" was ranked as the top support need by 4 of the 6 entrepreneurs. Financial Needs Planning and Marketing Preparation were each prioritized by 5 entrepreneurs.

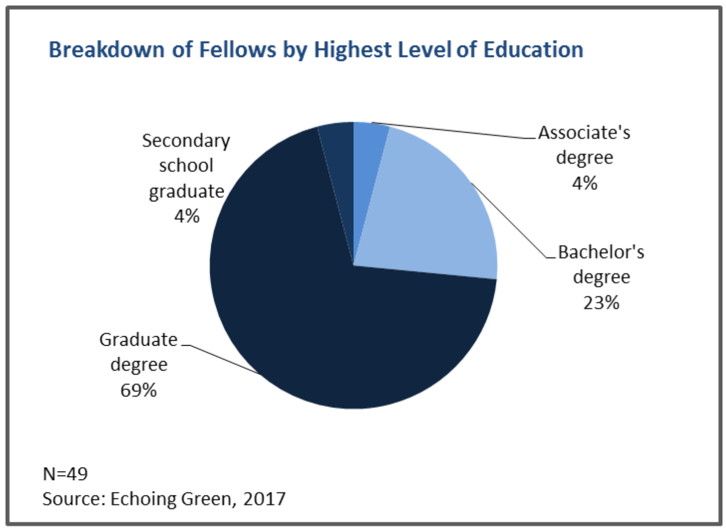
Self-funding and Funding from Family & Friends by Race/Ethnicity

Conclusions about race/ethnicity were difficult to draw due to the small sample size. Nevertheless, the table below compares self-funding and funding received from Family & Friends.

Source: Echoing Green, 2017
N=49

Race/Ethnicity	Number	Average self-funding (USD)	Number with capital from Family & Friends
African	6 (0 US-based)	38,800	3 of 6
African American or Black	7 (5 US-based)	32,550	1 of 7
Asian	22 (6 US-based)	50,000	9 of 22
Latin American / Latino	2 (1 US-based)	2,500	1 of 2
White / Caucasian	10 (7 US-based)	10,400	3 of 10

Level of Education



Respondents with graduate degrees reported securing more funding than those without graduate degrees, particularly in the amount of equity raised.

- Of the 49 entrepreneurs in the segmentation, 34 had graduate degrees; 11 had bachelor's degrees, 2 had associate's degrees and 2 were secondary school graduates. [22]
- There were more entrepreneurs with graduate degrees in the Seed and Early Segments than in the Growth Segment. All 6 entrepreneurs in the Scale Segment had a graduate degree. The majority of entrepreneur's with bachelor's degrees are in the Growth Segment. Of the 4 entrepreneurs with less than a bachelor's degree, two were in the Seed Segment and 2 were in the Growth Segment.

Funding

- The average amount of equity secured by those holding graduate degrees was nearly USD 1.2 million more than the amount secured by those with bachelor's degrees (USD 1.3 million vs. USD 111 thousand). When considering only those who reported securing amounts greater than USD 0, the average amount was more than USD 3 million greater (USD 3.4 million vs. USD 360 thousand), with a median that was USD 900 thousand greater.

[22] Approximately half of the entrepreneurs with graduate and bachelor's degrees were U.S.-based.

Barriers to Funding

- While "can't find funder willing to take a risk at this stage" was the top barrier to funding for 48% of entrepreneurs with a graduate degree, only 18% of entrepreneurs with a bachelor's degree cited it as a top barrier. This may be because more than half (6 of 11) of the entrepreneurs with bachelor's degrees are in the Growth Segment.
- Respondents with graduate and bachelor's degrees both had average submission success rates of 39%. On average, respondents with graduate degrees submitted 16 applications while those with bachelor's degrees submitted 10. Those with less than a bachelor's degree submitted 2 applications on average.

Expected Financial Returns

- Forty-one percent of respondents with a graduate degree expected to provide risk-adjusted market rate returns. Thirty-two percent expected to provide below market rate returns, while 6% did not expect to provide any returns. Twenty-one percent of respondents were not sure what returns they expected to provide.
- Thirty-six percent of respondents with bachelor's degrees expected to provide risk-adjusted market rate returns. Another 36% expected to provide below market rate returns. Nine percent did not expect to provide any returns, while 18% did not know what returns they expected to provide.
- Of the 2 respondents with an associate's degree, one expected to provide below market-rate returns and the second was not sure.
- The 2 secondary school graduates expected to provide risk-adjusted market rate returns.

Support Needs

- Those with graduate degrees placed the highest emphasis on Transaction Process/Execution Management, closely followed by Marketing Preparation. Five (5) were in either the Seed or Early Segment; 1 was in the Growth Segment and 1 in the Scale Segment, showing that highly educated entrepreneurs with enterprises in later stage Segments can benefit from financial expertise.
- Forty-two percent of those with a bachelor's degree prioritized Financial Needs Planning compared to 18% of those with graduate degrees.
- Three of the 4 entrepreneurs with associate's degrees and secondary school graduates prioritized Marketing Preparation and none prioritized Financial Needs Planning.
- The **EQuota Case Study** (page 34) alludes to how being plugged in to a university setting was helpful for building an investor network. Other advantages of higher levels of education may include savviness in the finance realm, and comfort interacting with asset holders.

Case Studies

The following case studies represent experiences of Echoing Green Fellows across the segmentation in order to tangibly demonstrate the funding and fundraising support needs discussed throughout the report.

Seed Segment Case Study: EggPlant

EggPlant eliminates the concept of waste and traditional plastic pollution by reusing wastewater to produce high-performance bioplastics.

Misaligned expectations regarding time to market horizons and EggPlant's capital-intensive business model are fundraising challenges. While EggPlant is looking to test and pilot its business model, most investors the team has encountered have wanted the company to return investment within five years or less. EggPlant's envisioned timeline does not project break-even within that horizon. It is difficult for EggPlant to meet investors' expectations to "make as much money as possible in the shortest term."

EggPlant's capital intensive nature as a technology-based early start-up also acts as a barrier to funding, as most funders the team interacted with were unwilling to support the enterprise through its pilot phase with the type and quantity of capital needed. Nevertheless, EggPlant was able to leverage the Echoing Green network of Fellows running similarly capital-intensive businesses to identify potential funding sources for the proof of concept phase.

EggPlant Overview Source: Echoing Green 2017	
Enterprise	Italy-based for-profit enterprise founded in 2013
Revenue	None
Profit	None: Break-even in 3-5 years
Cash Flow Pattern	Flat cash flow that did not affect operations
Paying Customers (B2B vs. B2C not specified)	None
Has Full-time Financial Professional	No
Has Audited Financials	No
Has Formal Board	No. Has several informal advisors
Expected Returns	Risk-adjusted market rate returns
Funding Application Success Rate[23]	7 of 35 (20%)

Current funding

- **USD 425K in grants / awards** from an Accelerator / Incubator, Government, and Foundations for working capital, capital expenditure, salaries, marketing, and R&D
- **USD 13K in self-funding** for working capital

Anticipated funding goals

- **USD 1M in third-party equity** from Corporate investors, Foundations and Funds for working capital, capital expenditures, salaries, marketing, and R&D
- **USD 500K in convertible debt** from Corporate investors, Family Offices and Foundations for capital expenditures
- **USD 500K in grants** from Government and Foundations for working capital, capital expenditures, salaries, marketing, and R&D

[23] Funding application success rate is the percentage of self-reported successful funding applications by total number of applications submitted.

Geography has constrained EggPlant's ability to raise capital. Despite a growing community of impact investors in Europe, the supply of impact investment capital is limited in Italy. Moreover, because Echoing Green is EggPlant's main touch point to the impact investing community, the majority of impact investors EggPlant has spoken to are based in the U.S., not Europe. EggPlant has found that U.S.-based impact investors seldom include Italy as part of their target area.

Identifying impact investors with sector expertise is important. The EggPlant team is determined to find a lead investor with expertise in their field who can provide the know-how to help the company grow. EggPlant declined past offers from investors that either did not have sector expertise, or proposed terms for funding that would have oriented the company away from its vision. Co-founder Paolo Stufano noted that, because EggPlant's impact is only measureable at scale, impact investors expecting rapid results are not prepared to support a clean-tech start-up and quickly turn them down. Nonetheless, a recently secured grant is allowing EggPlant to continue to search for investors that match their expectations.

EggPlant's Top Fundraising Support Needs

- **EggPlant prioritized Transaction Process / Execution Management**
  1) Strategic introductions to funders
  2) Due diligence management

Additional needs include:

- **Marketing preparation**
  1) Developing a targeted outreach plan
  2) Developing due diligence / data room materials
- **Financial needs planning**
  1) Valuation
  2) Developing forward projections of financials

Domenico and Paolo's suggestions for support

1) Additional opportunities for peer-to-peer learning with entrepreneurs in similar sectors
2) Support from a corporate finance professional or experienced entrepreneurs to reduce the capital raising burden
3) Sample term sheets
4) Introductions to investors with expertise in their sector and interest in their geography

Support navigating the capital raising process and negotiations with investors is needed. Given that approaching investors and negotiating is new to the EggPlant co-founders, EggPlant would appreciate support throughout the whole capital raising process, from introductions through due diligence and negotiations. Domenico and Paolo noted that fundraising has consumed at least 80% of their working days over the past 6 months. The fundraising effort has been so time-consuming that EggPlant hired a dedicated collaborator to undertake activities in the lab and keep operations running. While the team wants to be fully involved in a capital raise, they believe that support from either a corporate finance professional or a more experienced entrepreneur would lessen the current fundraising burden.

Dedicated mentorship around marketing and pitching early on can improve fundraising skills. When co-founders Domenico Centrone and Paolo Stufano founded EggPlant in 2013, neither had experience marketing an enterprise. After winning a business plan competition from a local Chamber of Commerce, they had the opportunity to be mentored for six months by a business executive with experience in the venture capital world. The team received support in preparing a pitch deck and an effective business plan in addition to developing investor presentation skills. Domenico commented, "We were not so successful in the beginning, but then we acquired some skills in doing this kind of fundraising activity."

Early Segment Case Study: EQuota Energy

EQuota Energy helps China achieve an energy-efficient and low-carbon future by employing software to analyze usage and generate actionable insights to lower businesses' consumption.

EQuota Energy Company Summary **Source: Echoing Green 2017**	
Enterprise	China based for-profit enterprise launched in 2014
Revenue	Less than USD 50K
Profit	None: Break-even in 1-2 years
Cash Flow Pattern	Fluctuating cash flow that did not affect operations
Paying Customers(B2B Vs. B2C Not Specified)	2, with large businesses
Has Full-time Financial Professional	Yes
Has Audited Financials	Yes
Has Formal Board	No; has begun planning
Expected Returns	Risk-adjusted market rate returns
Funding Application Success Rate	1 of 5 (20%)

Current funding

- **USD 200K in convertible debt** from Foundation(s) and Fund(s) for salaries and research & development
- **USD 200K in grants** from Foundation(s) for working capital, capital expenditures, salaries, and research & development
- **USD 100K in self-funding** for working capital, salaries, and R&D
- **USD 20K in debt** from Foundation(s); for working capital

Anticipated funding goals

- **USD 3.5M in third-party equity** from an Accelerator / Incubator, Corporate(s), Government, Foundation(s), Fund(s) to be used for working capital, salaries, and marketing/sales
- **USD 500K in grants** from an Accelerator / Incubator, Government, and Foundation(s) for salaries, marketing/sales and research & development
- **USD 50K in debt** from a Bank / Financial Institution and a Fund for capital expenditures and for salaries
- **USD 50K in convertible debt** from Foundation(s) and Fund(s) for working capital and marketing / sales

Patient capital allowed EQuota's founder to fine-tune and grow her venture at a reasonable rate. After initially self-funding a detailed market analysis to verify EQuota's technology and company concept, EQuota received its first external funding from the Shell Foundation (Shell). Shell's patient (long-term) capital allowed EQuota to fine-tune its business model while still in the concept phase. Founder Charlotte Wang says she "respects the impact investors' patience to nurture." That being said, EQuota has found it difficult to identify investors to provide non-grant, patient capital that would allow the company to continue piloting and refining the model without unreasonable timeframe expectations. In fact, venture capital firms with whom EQuota engaged expected an initial public offering within three years, which was not aligned with EQuota's development plan.

A milestone approach to funding incentivized EQuota to work toward operational and strategic/impact objectives. The grants EQuota received from Shell were structured around milestones. The milestones and regular check-ins helped instill management discipline in the EQuota team by encouraging them to focus on one local pilot for industrial facilities, rather than expanding to other potential segments too quickly.

Now that EQuota is looking to convert its convertible notes to equity and raise a Series A round, the company is beginning to think about establishing a formal Board and formalizing corporate governance processes. Charlotte noted that, at the very early stage while you are focusing on the proof of concept, it is easy to overlook the companies' future needs, such as the need to put good corporate governance in place to prepare for future growth. Shell and Echoing Green encouraged EQuota to think about Board composition through milestone-based support approaches. The team is now taking the time to vet potential Board members to ensure they will be active advisors to the company.

EQuota needs help accessing the right set of investors, advice on framing their investment opportunities, and support knowing when to move on. While EQuota has an extensive network of US-based investors (4 of EQuota's primary team members are graduates of the Massachusetts Institute of Technology), the company has found it difficult to find a venture capital firm that adds value and understands the clean energy sector. In addition, EQuota finds it difficult to identify which investors are appropriate to speak to and cannot tell whether investors genuinely care about impact in China.

Given the varying preferences of investors, Charlotte mentioned the importance of knowing how to frame EQuota's investment opportunity to different types of investors. Along with mismatches in impact focus, EQuota has been faced with financially stringent term sheets that were inappropriate for EQuota's stage of business, sector, and impact goals. Moreover, EQuota has had several experiences where lengthy conversations with investors did not translate in to an investment. Charlotte would like to know how to determine early on if investors are a good fit and whether they are serious.

Lastly, Charlotte spoke about the importance of public relations and media coverage to build the EQuota brand. She wants impact investors to see the team's passion—what they are doing—and make them feel like they want to support EQuota.

EQuota's Top Fundraising Support Needs

- EQuota prioritized **Marking Preparation:**
  1) Developing marketing materials
  2) Understanding funder types

Additional needs include:

- **Financial Planning:**
  1) Understanding instrument options
  2) Developing forward projections of financials
- **Transaction Process/Execution Management:**
  1) Strategic introductions to funders
  2) Due diligence management
- **Mentorship:**
  1) Capital /Fundraising advisory
  2) Accounting

Charlotte's recommendations for support:

1) Resources to attain information about different types of investors
2) More opportunities to hear lessons learned and mistakes from other Fellows
3) Leveraging the Echoing Green brand and media outlets to build awareness, credibility, and trust among the impact investing community

Growth Segment Case Study: Tugende

Tugende provides motorcycles to recommended drivers in a lease-to-own arrangement, which helps alleviate poverty for motorcycle taxi drivers in Africa.

Early hands-on support from investors helped Tugende build investment-readiness skills. When Michael Wilkerson founded Tugende in 2012, he did not know anything about fundraising or running a company. As a participant in the Unreasonable Institute Accelerator program, Michael gained support building Tugende's due diligence folder and gained access to a community of investors in Colorado who were willing to provide "hand holding" through the investment process along with funding. Tugende's first seed funder became an active mentor and partner. In 2014, Michael drew on his existing funders for strategic introductions to Foundations for an equity round.

Simultaneously conducting a capital raise and running the business has been a challenge. Michael's most recent capital raise took approximately 12 months, while he expected it to take only 6 months. There were many distractions and delays throughout the process and Michael found it difficult to get out of Tugende's day-to-day operations to the extent that he needed to spend time on the raise. Michael commented, "To do an equity round you have to block out the time to systematically line up prospects, build your pitch materials, and follow up with them."

Securing a lead investor and systematically building a roster of potential investors has been a challenge for Tugende. During Tugende's most recent equity raise, Michael was not able to establish a lead investor, which made closing the round difficult. A promising investor prospect had expressed enthusiasm, but Tugende was ultimately not

Tugende Overview Source: Echoing Green 2017	
Enterprise	Uganda-based for-profit enterprise launched in 2012
Revenue	USD 500K – 1.8M
Profit	USD 50K – 150K
Cash flow pattern	Consistently negative cash flow
Paying Customers (B2B vs. B2C not specified)	Over 5,000
Has Full-time Financial Professional	Yes
Has Audited Financials	Yes
Has Formal Board	Yes; no independent Board members
Expected Returns	Risk-adjusted market rate returns
Funding Application Success Rate	20 out of 100 (20%)

Current funding

- **USD 2M in debt** from a Bank / Financial Institution, Family Office, Foundations; for working capital, capital expenditure and inventory
- **USD 900K in third-party equity** from Family and Friends, Family Offices, Foundations; for all uses
- **USD 400K in grants** from an Accelerator/Incubator, Corporate investors, Government, Foundations; for all uses
- **USD 300K in convertible debt** from Family & Friends, Family offices; for all uses
- **USD 2K in self-funding** for working capital, capital expenditures, inventory and salaries

Anticipated funding goals

- **USD 15M in debt** from a Bank / Financial Institution, Corporate investors, Foundations, and Funds; for working capital, capital expenditure, and inventory
- **USD 3M in third-party equity** from Family & Friends, Family Offices, Foundations, Funds; for capital expenditure, salaries, marketing / sales and research & development
- **USD 1M in grants** from Government, Family Offices, Foundations; for working capital, capital expenditures, inventory, salaries, marketing / sales, R&D
- **USD 500K in grants** from Government, Foundations; for working capital, capital expenditures, salaries, marketing, and R&D

approved by its investment committee, which meant that a number of smaller investors waiting for the lead investor to finalize the terms were no longer guaranteed to join.

Without a true lead investor to set the valuation, Michael turned to an existing investor to "lead," giving some external validation to the terms even though the lead commitment was smaller. He then worked to bring each other small investor onboard with the deal, which was extremely time-consuming. As Michael reflected, "You manage investors the same amount regardless of the (dollar) amount they put into it." Michael commented that he could have had a more systematic process and should have started the fundraising with a fuller roster of lead investor prospects.

Tugende's Top Fundraising Support Needs

- Tugende prioritized **Marketing Preparation**
  1) Developing marketing materials
  2) Developing a targeted outreach plan

Additional needs include:

- **Financial Planning**:
  1) Developing forward projections of financials
  2) Valuation
- **Transaction Process/Execution Management**:
  1) Closing / documentation
  2) Negotiating with funders
- **Mentorship**:
  1) Capital /Fundraising advisory
  2) Legal

Michael's recommendations for support:

1) More regular contact with Echoing Green portfolio managers
2) A network of mid-level professionals or retirees who are "willing to walk with you on the journey"
3) Opportunities to speak with others in the entrepreneurship community, particularly those running later-stage businesses
4) More opportunities to spend unstructured time with peer entrepreneurs across Fellowship years
5) A tool for funnelling and vetting investors to reduce the amount of time spent researching funders

Michael benefited from early support in building a qualified team and formal Board, a prerequisite for securing institutional capital. Prior to 2017, institutional funds seemed inaccessible to Tugende because they required larger investment sizes and a stronger balance sheet than Tugende could show at the time. Many institutional funders also wanted to see a management team with deep, demonstrable experience as well as strong governance in place. Since then, Echoing Green has provided support around hiring and managing teams, as well as helping Tugende's Board development efforts.

The individualized support Tugende received related to managing the personal stress of running a business and raising capital has been appreciated. Peer-to-peer interactions, dedicated time with Echoing Green portfolio managers, and specialized coaching were all referenced as resources that have helped Michael navigate the mentally challenging task of running a business and raising capital. Michael began working with an executive coach and noted that one-on-one support from his Echoing Green portfolio manager helped him see the big picture, rather than focus on day-to-day stresses. Similarly, peer-to-peer interactions have been a key strength of the Echoing Green Fellowship.

Scale Segment Case Study: Boond Engineering & Development (P) Ltd.

Boond is a solar energy enterprise that provides clean affordable energy access to the poor in rural India by partnering with financing institutions and distributing products at the village level. Boond has developed patented metering technology, and installs pre-paid smart metered microgrids.

Participation in an incubator program early on was critical to securing seed capital and gaining market access. Rustam Sengupta founded Boond after conducting research during business school at the European Institute for Business Administration (INSEAD) on access to energy in India. He started Boond using self-funding and seed funding from a year long incubation program in which he participated—the Indian Institute of Management (IIM) Ahmedabad's Centre for Innovation Incubation and Entrepreneurship. In addition to allowing Rustam to progress research, the main benefit of participating in the incubation program was being connected to key market players—both governmental and non-governmental—that helped Boond build an on-the-ground presence in rural target markets. Leveraging strategic introductions arranged through the program, Boond quickly got to market and sold over 5,000 products in the first two years of operation. Boond now has 43 full-time employees and over 100 others who are agents in Boond's value chain.

Boond Overview Source: Echoing Green 2017	
Enterprise	India-based for-profit enterprise launched in 2010
Revenue	USD 500K – 1M
Profit	Less than USD 50K
Cash Flow Pattern	Fluctuating cash flow that did not affect my operations
Paying Customers (B2B vs. B2C not specified)	Approximately 30,000 households
Has Full-Time Financial Professional	Yes
Has Audited Financials	Yes
Has Formal Board	Yes, with 2 independent Board members
Expected Returns	Below market rate returns
Funding Application Success Rate	2 of 7 (29%)

Current funding

- **USD 40K in self-funding** for all uses
- **USD 650K in third-party equity** an Accelerator/Incubator, Family & Friends, a Family Office and a Fund used for capital expenditure, inventory, salaries, marketing, R&D
- **USD 250K in debt** from Bank/Financial Institution and Family Office, Foundation for working capital and marketing
- **USD 250K in grants** from an Accelerator/Incubator, Corporate investors, Government, Foundations for all uses

Anticipated funding goals

- **USD 3M in third-party equity** from a Bank/Financial Institution, foundation and fund for salaries, marketing, R&D
- **USD 1M in debt** from a Bank/Financial Institution, Corporate investors, Foundations, and Funds for working capital, capital expenditure, and inventory
- **USD 500K in grants** from Government, Foundations; for working capital, capital expenditures, salaries, marketing, and R&D

Media coverage helped Boond find third-party equity investment for its first round. Given Boond's first-mover positioning in the solar/mini-grid market as well as its social mission, media outlets were constantly showcasing the company's work in its early days. In fact, one of the company's first third-party equity investors initiated contact with Rustam directly to invest after reading about Boond in the news. While the initial media attention decreased as Boond grew to become a medium-sized business, all the publicity received resulted in goodwill from which Boond benefitted.

Boond's Top Fundraising Support Needs

- Boond prioritized **Marking Preparation**
  1) Developing marketing materials
  2) Developing a targeted outreach plan

Additional needs include:

- **Financial Planning**:
  1) Developing forward projections of financials
  2) Determining the type of funding needed to match current financial needs

Transaction Process/Execution Management:

1) Strategic introductions to funders
2) Negotiating with funders

- **Mentorship**:
  1) Capital /Fundraising advisory
  2) Sales & Operations

Rustam's recommendations for support:

1) Improve support for creating plans to access new markets
2) Opportunities to be exposed to other pitching presentations styles and a venue to practice/exchange with others
3) On-going support from professional on forward financial projections

Finding investors willing to invest equity in desirable amounts and time frames has been challenging. When looking for equity investors, Rustam reported that finding investment in the USD 500 thousand to USD 3 million range has been a struggle. Boond's original funders do not invest above USD 300 thousand, and long-term investors Rustam spoke to were looking to invest no less than USD 5 million. It has also been difficult for Boond to identify investors willing to invest for 5 to 7 years—the amount of time it will take Boond to begin realizing returns because of the nature of its products. Rustam commented that most investors he encountered were "looking for very high returns in only a few years."

Investors' processes were lengthier and more strenuous than expected, though a specialized advisor was helpful in closing funding rounds. Another challenge in accessing capital was the lengthiness of investors' processes, from application through to investment decision. The due diligence process took about 9 months on average for both venture capital firms and impact investors, while a loan from a commercial bank took 6 months. Rustam reported benefiting from the pro bono support of an Ernst & Young employee who led conversations with lawyers, investors, and fund managers. Rustam said that he would have appreciated education related to speaking the "investment language" prior to conducting his first capital raise. As such, Rustam wrote a book titled "Demystifying Impact Investing" to help other entrepreneurs navigate impact investing processes. In spite of his past experience, Rustam noted that professional support in the due diligence, negotiation, and closing processes will certainly be needed for his upcoming funding round, and that he would be happy to pay for these services.

Acceleration Program Recommendations and Next Steps

This section covers Enclude's acceleration program recommendations within a three-pillar framework and Echoing Green's three priority activities as next steps.

Enclude Portfolio Support Recommendations

Enclude developed the following support recommendations for Echoing Green to consider. They are based on 1) analysis of the 49 surveyed social enterprises' current and anticipated funding, fundraising barriers, and reported support needs, 2) aggregated qualitative feedback gathered from Fellows in multiple focus group discussions, and 3) feedback gathered from impact investing leaders in a workshop held in March 2017.

The table below presents a high-level summary of the recommendations structured around three pillars. Key takeaways from the data that contributed to development of this support framework include:

1) Validation of the configurable "menu of support" approach and diagnosis at entrance to the Fellowship that Echoing Green currently uses to develop and target support
2) The need for broader and deeper expertise to complement existing team expertise and support Fellows in all Segments
3) The high demand for targeted investor introductions across all Fellows

Enclude's Recommended Support Framework for an Echoing Green Capital Acceleration Program

Pillar 1: Expand Group-oriented Direct Services and In-house Resources	Pillar 2: Formalize External Fundraising Advisory Support	Pillar 3: Expand Investor Network & Funder Engagement
Streamline and expand resource provision of: ▪ Templates ▪ Guidelines ▪ Assessment tools Coordinate learning on: ▪ Webinars ▪ Workshops ▪ Matchmaking within Fellowship program	Formalize referral partnerships with: ▪ Accelerators / Incubators ▪ Education courses / training ▪ Mentors ▪ Professional services ○ Coaching ○ One-off Projects or Deliverables	▪ Deepen potential investor referrals ▪ Regularly present Fellows' social entrepreneur perspectives at conferences and in media ▪ Promote knowledge regarding sector-specific nuances not widely understood by funders

Enclude's recommendations within this proposed support framework fall into the following categories:

- **Group or individualized support**: Group support offerings represent a set of ready-made tools, resources, and services made available for Fellows to utilize on an as-needed basis. Individualized support recommendations require personalized delivery from staff, experts, or advisors.
- **Segment agnostic or Segment specific**: Agnostic support may be easily orchestrated across Segments and would not require intensive tailoring, while Specific support would be more effective if targeted at a particular Segment.

Echoing Green's Next Steps

The three impact investing program activities currently being developed are:

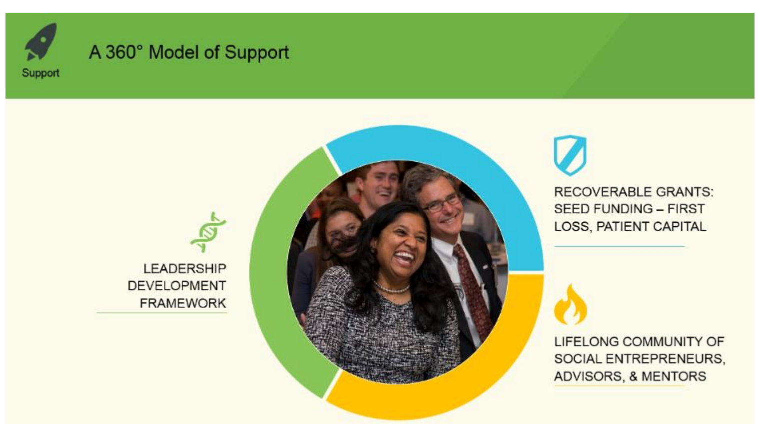
1) **Investing in Echoing Green's infrastructure**—helping early-stage social entrepreneurs go further, faster will require Echoing Green to deepen the support it provides to Fellows and invest additionally in its research and data capabilities to better inform and improve the impact investing field.

2) **Creating an Investor Advisory Group** – building a community of experts in impact investing who can create group and individualized resources for Fellows and provide expert guidance to portfolio managers. This advisory group model complements Echoing Green's team expertise, expands Echoing Green's proficiency in running cohort-based programming, and allows more Fellows to receive faster expertise from a diverse group of investors and impact investing experts.

3) **Piloting Investor Cohorts** – providing experiential learning opportunities to a diverse group of novices in impact investing who are interested in making early-stage investments. This not only increases investors' knowledge base and helps them better understand the needs of emerging social entrepreneurs but also provides Fellows with more frequent interactions with potential investors. In addition, by intentionally cultivating a diverse group of investors, Echoing Green can help to hack existing bias and begin to diversify the broader early-stage impact investor ecosystem.

These Activities Build on Echoing Green's Current Support Approach

Echoing Green has identified a set of activities as important and common to leadership in social innovation based on its 30 years of experience. It propels leaders further, faster through the Leadership Development Framework (LDF), its innovative support model. The LDF's experiential learning model has four components:



1) **A dedicated team** that provides individualized support to Fellows. The primary point of contact for Fellows is a portfolio manager who implements the LDF and is a

critical actor in the delivery of resources and guidance to Fellows. Portfolio managers function as accountability partners, network connectors, and a diagnostic thought partners.

2) **A matrix of actionable activities** in the form of competencies and milestones, also organized into subject matter tracks. Early stage social entrepreneurship is messy and frustrating, and the LDF is intended to keep emerging leaders on track—focused on achievable activities Echoing Green knows should be, or are already, in process. The milestones can also be organized into Tracks, or sub-groups of milestones organized in sequence. *For for-profit and hybrid Fellows, the investment readiness track is a sequence of milestones that provide a road map for Fellows to get from business plan to investor outreach to legal support to get investment ready.*

3) **A Resource Bank**. Portfolio Managers have access to a Resource Bank of materials, guides, tools, templates, and people that they share with Fellows as they tackle milestones. Each milestone has linked resources, both paper and people, that support the Fellow's achievement. A calendar of webinars as well as in-person opportunities map all programming to the LDF matrix. Identifying opportunities for group, rather than individualized, support are identified by the number of Fellows who have opted-in to various milestones in their quarterly reports. *For for-profit and hybrid fellows, one resource is the Legal Advisory Group, a pro bono advisory committee consisting of 15-20 volunteer lawyers who committed at least 20 hours of their time per year to create materials for groups of for-profit and hybrid Fellows and as able, support individuals.*

4) **A reporting platform** tracks progress over the two year Fellowship. Reporting provides a road map core to Fellows staying on track with the LDF. Fellows play a leading role in their own development and progress by identifying which milestones they want to focus on each quarter, discussing and strategizing with their Portfolio Manager on how to achieve them, and then reporting quarterly regarding progress and achievements.

Given this Leadership Development Framework model, Enclude's recommendations, staff expertise, Fellow input, and feedback from impact investing experts, Echoing Green is focusing on implementing the three aforementioned activities—infrastructure, investor advisory group, and investor cohorts—informed by its unique perspective on impact investing:

- Echoing Green focuses first and foremost on the talent. Echoing Green works with a diverse group of emerging leaders to build their lifetime capacities to scale both their organization and leadership footprint to make a positive impact.
- Echoing Green funds early-stage ideas that lead to seismic positive social and environmental change. Its leaders' organizations' financial return expectations are secondary in its selection criteria.[24]
- Finally, Echoing Green is a "Fellow first" seed funder. Its investments into for-profit and hybrid organizations are structured as recoverable grants to provide patient, risk-mitigating capital. It is in it for the long-haul with its Fellows.

[24] Echoing Green selection criteria: http://www.echoinggreen.org/fellowship/apply.

The charts on the following pages detail recommended support activities within each of Enclude's three pillars as they relate to needs reported by Fellows. Short descriptions of each of Echoing Green's three activities that align with the respective pillars follow each chart.

Pillar 1: Expand Group-oriented Direct Services and In-house Resources

In the following chart, specific support activities that can be undertaken in-house are described. The activities correlate to support needs reported in survey responses. Check marks in the right-hand columns reflect the extent to which support activities are applicable to entrepreneurs in each of the four Segments, based on survey results. In some instances, the absence of check marks indicates that the activity described is not appropriate for a particular Segment, based on the levels of financial development and capital readiness presumed of enterprises in each Segment. Many of the recommendations were inspired by comments from Fellows during focus group discussions.

Key (% of entrepreneurs who ranked support needs in their top 3)
Red: **1% - 25%** | Yellow: **26% - 49%** | Green: **50% or >**
*If blank, not selected or support recommendations were deemed inappropriate for this Pillar or Segment by Enclude

Area	Sub-area	Support activities	Seed	Early	Growth	Scale
Financial Planning	Forward projections					
	Valuation	▪ Prepare guidelines that detail how and when entrepreneurs should execute their valuation	✓ (yellow)	✓ (green)	✓ (yellow)	✓ (green)
	Determining funding type					
	Understanding instruments	▪ Enhance a catalogue of instrument options ▪ Workshops to explain funding instruments and capital structures	✓ (yellow)	✓ (yellow)	✓ (red)	
Marketing Preparation	**Outreach plan**	▪ Make data pulls on funders more efficient for Fellows ▪ Develop a repository of tracker templates that can be used to track information related to and conversations with Fellows' pipelines of funders	✓ (green)	✓ (green)	✓ (green)	✓ (green)
	Marketing materials	▪ Grow repository of sample pitch decks ▪ Facilitate peer-to-peer reviews of pitch decks ▪ Develop guidelines for producing a compelling video pitch that can be shared with potential funders ▪ Create a database of media sources where entrepreneurs can look to be featured	✓ (red)	✓ (yellow)	✓ (yellow)	✓ (green)
	Funder preferences	▪ Enhance a directory of funders into formal database that can track Fellow - funder introductions and successes ▪ Link funder database to Fellow reports in order to track funding sought and received by funders to identify funders most receptive to partnering	✓ (yellow)	✓ (green)	✓ (yellow)	✓ (red)
		▪ Workshops to educate Fellows on typical financial return expectations and ticket sizes of various funder types	✓ (yellow)	✓ (green)	✓ (yellow)	
	Data room materials	▪ Develop a 'due diligence gaps report' that will allow Portfolio Managers to analyze and determine their Fellows' investment readiness for third-party due diligence. This may include: Operations (products, production, marketing & distribution,	✓ (green)	✓ (green)	✓ (yellow)	✓ (red)

Area	Sub-area	Support activities	Seed	Early	Growth	Scale
		etc.); Historical financials; Business model / financial forecasts; Organizational structure, governance and management team; Impact; Market / competitive landscape; Regulatory and legal considerations; and Risk and mitigants ▪ Develop a series of checklists and templates of materials for the data room that can be utilized based on the type of capital raise being conducted by an entrepreneur				
Transaction Process/Execution Management	Funder introductions					
	Due diligence	▪ Formally build connections among Fellows/entrepreneurs in similar sectors	✓	✓	✓	
	Term sheet	▪ Build out a larger repository of term sheet templates	✓	✓	✓	✓
		▪ Host workshops or webinars in which all items on a term sheet are explained	✓	✓	✓	
	Negotiating terms					

Echoing Green Next Steps: Investment in Infrastructure

To address the need for broader and more specialized expertise—to do what it already does better and deeper—Echoing Green is focusing on additional investment in **infrastructure**.

As the number of Fellows continues to grow to over 750, organizational systems, teams, and content must also grow to meet Echoing Green's needs more effectively and efficiently. Echoing Green is working to refine its tools and resources and make its data more powerful through investment in internal systems, teams, and content. In addition, Echoing Green is committed to stepping up its role as a field builder by sharing its learnings and helping to shape key conversations through robust data collection, actionable research, and continuous learning.

- Support the Echoing Green Fellowship Leadership Development Framework modules that relate to impact investing and build out the existing Resource Bank to include more specific and diversified resources categorized by Segment
- Classify and cultivate experts to deliver webinars and other interactive opportunities for Fellows to learn as a group. Ideally, the system would be segmented by Fellow stage and be sortable and sharable among Fellows and Echoing Green partner organizations
- Develop internal tracking system of Fellows who receive and pursue funding opportunities to map the network for current and future Fellows seeking investments

Pillar 2: Formalize External Fundraising Advisory Support

Key (% of entrepreneurs who ranked support needs in their top 3)
1% - 25% **26% - 49%** **50% or >**
*If blank, not selected or support recommendations were deemed inappropriate for this Pillar or Segment by Enclude

In the following chart, specific support activities that can be undertaken by extending or enhancing Echoing Green's network of specialist advisors are described. The activities correlate to support needs reported in survey responses. Check marks in the right-hand columns of the charts reflect the extent to which support activities are applicable to entrepreneurs in each of the four Segments, based on survey results. In some instances, the absence of check marks indicates that the activity described is not appropriate for a particular Segment, based on the levels of financial development and capital readiness presumed of enterprises in each Segment. Many of the recommendations draw on comments from Fellows during focus group discussions.

Area	Sub-area	Support activities	Seed	Early	Growth	Scale
Financial Planning	**Forward projections**	▪ Continue referring Fellows to vetted Acceleration / Incubation programs that focus on financial planning	✓	✓		
		▪ Formalize partnerships with professional firms (accounting or legal) or business schools to provide support at either pro bono or at discounted rates ▪ Formalize partnerships with sector experts who can advise Fellows on the specialized financial expectations and requirements of their sectors	✓	✓	✓	✓
	Valuation	▪ Formalize partnerships with professionals in finance and law, perhaps through a Director of Partnerships and/or through building on the Legal Advisory Group model	✓	✓	✓	✓
	Determining funding type	▪ Refer entrepreneurs to external training modules that focus on finance / impact funding	✓	✓		
		▪ Formalize partnerships with professionals in finance and law, perhaps through a Director of Partnerships and/or through building on the Legal Advisory Group model	✓	✓	✓	✓
	Understanding instruments					
Marketing Preparation	**Outreach plan**	▪ Engage capital raising professionals, investors, or successful entrepreneurs to review investor pipelines, assist with prioritization of outreach, and provide referrals, considering the types and amounts of capital being sought by Fellows	✓	✓	✓	✓
	Marketing materials	▪ Engage external partners with experience in capital raising or impact investing who are willing to review and/or develop several versions of marketing materials such as pitch decks ▪ Engage digital media professionals or film students to support development of pitch videos that can be easily sent to investors and shared at conferences ▪ Expand Echoing Green's reach in terms of media sources to increase opportunities for entrepreneurs to be publically featured, increasing the visibility of the enterprises as well as their credibility	✓	✓	✓	✓
	Funder preferences					
	Data room materials	▪ Engage corporate finance experts and utilize the Legal Advisory Group to support the development of legal and marketing materials for data rooms	✓	✓	✓	✓

Area	Sub-area	Support activities	Seed	Early	Growth	Scale
Transaction Process/Execution Management	**Funder introductions**	▪ Engage capital raising professionals to make introductions to funders and support discussions			✓	✓
		▪ Engage alumni Fellows and more advanced entrepreneurs to make warm introductions to funders	✓	✓	✓	✓
	Due diligence	▪ Engage capital raising professionals with past experience managing due diligence processes		✓	✓	
	Term sheet	▪ Engage the Legal Advisory Group or corporate finance professionals to draft term sheets pro bono or for reduced fees	✓	✓	✓	✓
	Negotiating terms	▪ Engage alumni Fellows and more advanced entrepreneurs to give advice in workshops or via one on one conversations based on their past experiences negotiating terms	✓	✓	✓	✓
		▪ Engage capital raising professionals willing to work directly with enterprises to negotiate transaction terms for reduced fees			✓	✓

Echoing Green Next Steps: Investor Advisory Group

To address the need for broad and deeper expertise to support Echoing Green Portfolio Managers and a diverse group of Fellows, Echoing Green will explore the creation of an **Investor Advisory Group**:

- Portfolio Managers are generalists and look to the Echoing Green ecosystem to provide specialist support. The group of 10-15 experts in investment and impact investing will advise on training for Portfolio Managers to further their learning and ability to facilitate support interventions around investment readiness and impact investing and curate resources for the Resource Bank.
- The Advisory Group can support the investment readiness track by: i) curating and creating group contacts across Fellow Segments; ii) providing templates, tools, and resources; and iii) providing individual mentorship and one-time projects for for-profit and hybrid Fellows on specific fundraising-related challenges, with facilitation by Portfolio Managers.
- The approach replicates Echoing Green's existing Legal Advisory Group's support.[25] The Legal Advisory Group, formed in 2016, was designed to tap into the collective expertise of senior and emerging leaders in social enterprise law and leverage their expertise to serve the next

[25] Social entrepreneurs starting for-profit and hybrid organizations face an array of legal questions and challenges. Meanwhile, legal communities of practice to engage in advising on these new legal issues are just starting to gain traction. Pioneers in law and social enterprise and impact investing are not able to provide timely low or pro bono support to start-up for-profit and hybrid organizations, whose ability to access and compensate lawyers with deep expertise is often limited, which can lead to potentially suboptimal terms. In an effort to address this issue, Echoing Green launched the Legal Advisory Group —a pro bono advisory committee consisting of 15-20 volunteer lawyers who commit at least 20 hours of their time per year to create group workshops and curate materials on various issues in business creation, operations, and impact investment, and as able, offer timely individual support for for-profit and hybrid Fellows.

generation of social entrepreneurs running start-up for-profit and hybrid organizations. It has also created community and shared resources among its members, to enhance their own learning, while receiving exposure to real-time issues and interactions with Fellows. Entrepreneur feedback has been enthusiastic.

- As a result of an Investor Advisory Group, staff and Fellows will similarly receive expertise from a diverse group of impact investors and experts providing both standardized group and 1:1 individualized advice.

Pillar 3: Expand Investor Network & Funder Engagement

Key (% of entrepreneurs who ranked support needs in their top 3)
1% - 25% **26% - 49%** **50% or >**
*If blank, not selected or support recommendations were deemed inappropriate for this Pillar or Segment by Enclude

In the following chart, specific support activities that can be undertaken by expanding Echoing Green's network of investors and funder engagement initiatives are described. The activities correlate to support needs reported in survey responses. Check marks in the right columns of the charts reflect the extent to which support activities are applicable to entrepreneurs in each of the four Segments, based on survey results. In some instances, the absence of check marks indicates that the activity described is not appropriate for a particular Segment, based on the levels of financial development and capital readiness presumed of enterprises in each Segment. Many of the recommendations are a product of focus group discussions with Echoing Green Fellows.

Area	Sub-area	Support activities	Seed	Early	Growth	Scale
Financial Planning	Forward projections					
	Valuation					
	Determining funding type					
	Understanding instruments					
Marketing Preparation	**Outreach plan**	▪ Engage investors to review outreach plans in order to suggest additional like-minded funders that they could reach out to ▪ Strengthen relationships with funders who can meet the financial needs reported by Fellows across Segments	✓	✓	✓	✓
	Marketing materials	▪ More frequently engage potential funders to provide feedback to new Fellows in "practice pitch" sessions ▪ Systematize and expand opportunities for Fellows to be featured in media or to publish thought leadership pieces, perhaps through a Speaker's Bureau model	✓	✓	✓	✓
	Funder preferences					
	Data room materials					
Transaction Process/Execution Management	**Funder introductions**	▪ Host curated convenings where entrepreneurs are matched to converse with funders interested in their business segment (whether by way of seating or working groups)	✓	✓	✓	✓

Area	Sub-area	Support activities	Seed	Early	Growth	Scale
		▪ Expand opportunities for Fellows to present at strategic convenings such as SOCAP or the Skoll World Forum which are attended by many investors ▪ Develop a partnership program with funders and industry players for conferences in order for partners to provide introductions to others who are attending. (The responsibility to research conference attendees could be left up to the entrepreneurs) ▪ Formally partner with online platforms that facilitate matching of investors and entrepreneurs ▪ Curate introductions between investors and Fellows with similar financial return and impact goals				
	Due diligence					
	Term sheet					
	Negotiating terms	▪ Provide regular opportunities for Fellows with similar business models to present their businesses and sectors to funders on webinars or in-person meetings	✓	✓	✓	✓

Echoing Green Next Steps: Investor Cohort Program

To address the need to facilitate more robust and frequent Fellow interactions with funders and to fill the market gap for diversifying the impact investing landscape to match the needs and profiles of its Fellows, Echoing Green will explore the development of an **Investor Cohort Program**, which will involve:

- Formally engaging diverse groups of novice investors through a cohort model who want to make positive change, but have little or no experience making impact investments with Echoing Green's community of emerging social entrepreneurs.
- Supporting Fellows with access to convenings and conferences, and through programming while supporting investors with real-time, experiential access to ideas, innovation, and potential deal flow. Cohorts would provide opportunities for Fellows with similar business models to present their businesses and sectors to funders on webinars or in-person meetings and would create curated opportunities for introductions between investors and Fellows with similar financial return and impact goals.
- Building on Echoing Green's expertise in bringing like-minded individuals together around purpose-driven programming. Echoing Green has found that this approach leads to lifelong community and accelerated, meaningful leadership development.
- Creating a growing alumni network of impact investors trained through the Cohort Program steeped in Echoing Green's unique approach and perspective on leadership development.

Conclusion

Gaps remain in the early-stage impact investment ecosystem that are broader than Echoing Green's scope. In March 2017, Echoing Green and Enclude convened impact investing experts to both broadly discuss the gaps in the ecosystem highlighted by this study, as well as to workshop Echoing Green's possible next steps. In addition to previewing the segmentation results, workshop participants were introduced to Echoing Green's envisioned Investor Advisory Group and Investor Cohort Program. Feedback from the gathering related to the specific portfolio-level support that Echoing Green can extend to its Fellows; to the role that Echoing Green can play in supporting industry development; and to the gaps that others can fill in broader market building.

Solutions discussed ranged from the incremental actions that Echoing Green could take to build the capacity of Fellows to bold industry-wide initiatives that could transform the early-stage market. Participants in the March workshop encouraged further data tracking and exploration of funding patterns, identification of lenders of last resort, and the creation of an impact investment merchant bank, among other ideas.

Given Enclude's recommendations, staff expertise, Fellow input, a grounding in leadership development, and feedback from the March 2017 workshop, Echoing Green will initially focus on three key activities:

1) **Expand Group-oriented Direct Services and In-house Resources by Investing in Infrastructure**
2) **Formalize External Fundraising Advisory Support by Creating an Investor Advisory Group**
3) **Expand Investor Network & Funder Engagement by Exploring an Investor Cohort Program**

Echoing Green expects to achieve important synergies in building out these early-stage impact investing supports while contemporaneously continuing to deepen its work around equity. The rich diversity of the Fellows across a host of dimensions creates such extraordinary value for the Echoing Green community but has also exposed barriers to leadership and organizational development and growth in social entrepreneurship, especially for non-white, non-male, and non-cisgender Fellows who struggle with fundraising, specifically in for-profit capital raising. Over the last few years, Echoing Green has prioritized infusing equity into every major organizational decision, beginning with its Fellowship application process. Echoing Green has interrogated every stage of its sourcing and selection process and instituted improvements including: focusing recruitment efforts on populations that may not identify as "social entrepreneurs;" instituting a demographic-blind first round Fellowship application screening process; and providing meaningful support to applicants throughout the selection process culminating in matching Fellowship finalists with Echoing Green Fellow mentors. This equity approach and framework can be applied with equally powerful results to the impact investing work moving forward.

Echoing Green and Enclude plan to continue supporting industry level efforts to fill investment intermediation gaps and identify intelligent intersections among organizations supporting social entrepreneurs innovating new business models responding to the SDGs and other global social and environmental challenges. Echoing Green and Enclude hope that the proof points and learnings from this segmentation exercise will be leveraged by Echoing Green peer organizations in exploring how to most effectively direct training and support to emerging entrepreneurs. Beyond identifying areas of enhanced support for emerging social entrepreneurs, the barriers and challenges to accessing impact capital identified by survey participants encourages players in the broader impact investing field to consider innovative ways in which to help social enterprises around the world overcome barriers to accessing capital. As Echoing Green continues to enhance and track its support of Fellows and its global social and environmental impact, the team looks forward to identifying new partnerships and solutions that will result in the acceleration of capital and support to for-profit and hybrid social entrepreneurs globally.

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Additional Reading

To learn more about Echoing Green, check out its other white papers:

http://www.echoinggreen.org/papers#invest

About Echoing Green

Echoing Green identifies tomorrow's transformational leaders today. Through its Fellowships and other innovative leadership initiatives, Echoing Green spots emerging leaders and invests deeply in their success to accelerate their impact.

Echoing Green has been ahead of the curve for 30 years, supporting visionaries around the world who are transforming economies, racial and gender equity, environmental sustainability and more. Echoing Green's unparalleled community of talent consists of 750+ innovators who have launched Teach For

America, City Year, One Acre Fund, SKS Microfinance, Public Allies, and more. The organization provides seed-funding and leadership development to a new class of Fellows every year and welcomes them into its lifelong community of leaders.

Echoing Green accelerates talent that will change the world for the better. To learn more, visit echoinggreen.org.

If you have interest in learning more about or supporting Echoing Green's next steps, contact Min Pease, Director, Impact Investing, Echoing Green (Min@echoinggreen.org).

About Enclude

Enclude (encludesolutions.com) is an advisory firm dedicated to building more inclusive and sustainable local economies. Enclude provides integrated capacity and capital services that help clients and partners design, connect, finance and build solutions that generate sustainable business results and positive social and environmental outcomes. Enclude's Capacity Solutions business increases financial institutions and public and private sector organizations' profitability and effectiveness so they can better meet the needs of un(der)served entrepreneurs. Enclude's Capital Advisory team works in the area of "impact" or "inclusive" investment to connect clients with the capital they need to finance their growth. Its team of professionals has executed over USD 430 million in transactions in inclusive investments, mostly in emerging and frontier markets.

Appendix 1: Focus Group Discussion Guide and Questions

In November 2016, Enclude led focus group discussions with Echoing Green Fellows at their annual All Fellows Conference in Atlanta, GA.

Enclude Guide for Focus Group Discussion

Welcome and introduction (2-5 minutes)

Note to the facilitator: Start by thanking the attendees for their participation and immediately follow with an introduction of Enclude and the purpose of the FGD.

1. I would like to thank everyone for participating in this discussion. We appreciate the time you are giving us.

2. We are representatives of Enclude, an advisory firm dedicated to connecting clients with financial services that drive real sustainable growth.

3. Echoing Green and Enclude have entered in a partnership to identify and set the ground-work for a subsequent effort to build an "impact investment readiness" program to accelerate the provision of early-stage capital to entrepreneurs addressing critical social and environmental needs. Input will directly contribute to Echoing Green's Fellow support approach, and is a high impact way to give back to the Fellow community.

4. We are holding this group discussion in order for us to get a better understanding of:
   - The current stage of your business
   - Your experiences with capital raising to date
   - The support you would appreciate/find useful for your capital raising efforts

5. There are no good or bad answer to the questions we are about to ask. The questions are meant to start a conversation. It is really your experiences and opinions that are important to us.

6. Before we begin, do you have any questions?

Focus Group Questions

Note to facilitators: The objective is to encourage discussion by asking broad main questions on the three topic areas we've identified. The sub-questions and key elements of discussion are meant to help guide the conversation in the right direction.

#	Main question	Sub-questions and key elements of discussion	Time
1	**We want to understand the extent to which you require capital. In this context, describe the stage of your venture both in terms of market readiness and financial performance.**	Business: ▪ Market readiness? ▪ Customers? ▪ Trends in growth? Financially: How many of you… ▪ Generate revenue ▪ Are profitable ▪ Consistent positive cash flows	**10 min**
2	**Do you feel that you have the appropriate or sufficient capital to deliver on your performance targets? How capital intensive is your business?**	Discuss previous and ongoing capital needs and sources: ▪ How much were/are you raising? ▪ What type of capital were/are you seeking? ▪ How much did you actually receive (vs. trying to raise)? ▪ How long has it taken you to close transactions?	**5 min**
3	**What have been your experiences raising (or attempting to raise) capital? Specifically, what were the difficulties you experienced?**	Can you identify particular pain points you've experienced in the process? ▪ What has your experience been in initiating conversations with investors? ▪ Do you feel you have/had sufficient access to investor networks? ▪ Did you intentionally approach investors you consider to be mission-aligned with your venture? ▪ What was your experience with guiding the investor through due diligence? ▪ What has your experience been in negotiating terms with investors? How did you approach the development of the term sheet? ▪ Were your expectations met in terms of the amount and **timing** of transactions? ▪ How important were your impact outcomes to investors in securing the capital you sought? Did you "monetize" your impact?	**20 min**
4	**In light of these experiences, what types of support would you have wished to have in your capital raise efforts?**	What types of support have you sought, specifically with regards to the capital raising effort? Was past support helpful or not? What types of support would you have needed (in retrospect)? ▪ Mentorship and advisory? ▪ Marketing to investor? Networking with investors? ▪ Training on fund raising and closing? ▪ Capital/transaction advisory? ▪ Resources? (Library of documents, material, templates, etc.) ▪ Other	**15 min**

Conclusion: (2-5 minutes)

Time permitting, the facilitator should recap the key takeaways for each main question and ask the participant to validate them. Ask if anyone would like to add or if they would like to share anything they have not had the chance to so far. **THANK THE PARTICIPANTS FOR THEIR CONTRIBUTIONS AND END THE DISCUSSION.**

Appendix 2: List of Echoing Green Fellow Focus Group Participants at the 2016 All Fellows Conference

Current Employer	Last Name	Nickname	Fellowship Year	Echoing Green Funded Organizational Structure
Accenture	Harlyn	Pacheco	2013	For-Profit
Arqlite SPC	Sebastian	Sajoux	2016	For-Profit
Bempu Health	Ratul	Narain	2014	For-Profit
Boond Engineering & Development (P) Ltd.	Rustam	Sengupta	2014	For-Profit
Center for Economic Democracy	Aaron	Tanaka	2016	Have not yet decided
Cerplus	Zoe	Wong	2016	For-Profit
Cloud to Street	Bessie	Schwarz	2016	For-Profit
Cloud To Street	Beth	Tellman	2016	For-Profit
Designing Justice + Designing Spaces	Deanna	Van Buren	2016	Hybrid
Designing Justice + Designing Spaces	Kyle	Rawlins	2016	Hybrid
Development Reality Institute	Verengai	Mabika	2015	Hybrid
digitalundivided	Kathryn	Finney	2016	Hybrid
Drinkwell	Minhaj	Chowdhury	2014	For-Profit
Drive Change	Jordyn	Lexton	2015	Hybrid
Edom Nutritional Solutions	Winstone Edward	Odhiambo	2012	Hybrid
EggPlant	Domenico	Centrone	2015	For-Profit
EggPlant	Paolo	Stufano	2015	For-Profit
Eggpreneur Initiative	Matt	Dickson	2016	Hybrid
Eneza Education	Kago	Kagichiri	2014	For-Profit
Eneza Education	Toni	Maraviglia	2014	For-Profit
Fargreen	Trang	Tran	2014	Hybrid
Farmerline	Alloysius	Attah	2014	For-Profit
From Air	Fredrik	Wikholm	2016	For-Profit
Gameheads	Damon	Packwood	2016	Hybrid
Greenchar	Tom	Osborn	2014	For-Profit
GRID	Manik	Jolly	2016	For-Profit
Hand Over	Radwa	Rostom	2016	Hybrid
Hello Tractor	Jehiel	Oliver	2015	For-Profit
Kidogo	Afzal	Habib	2015	Hybrid
Kidogo	Sabrina-Natasha	Habib	2015	Hybrid
Koe Koe Tech	Michael	Lwin	2014	For-Profit
Koe Koe Tech	Yar Zar	Minn Htoo	2014	For-Profit
Kriyate	Sumit	Dagar	2014	For-Profit
LaborX	Yscaira	Jimenez	2014	Hybrid
Love Grain	Aleem	Ahmed	2015	For-Profit
Maths Pathway	Justin	Matthys	2014	For-Profit
Maths Pathway	Richard	Wilson	2014	For-Profit

Current Employer	Last Name	Nickname	Fellowship Year	Echoing Green Funded Organizational Structure
Mirakle Couriers	Dhruv	Lakra	2009	For-Profit
MoringaConnect	Emily	Cunningham	2014	For-Profit
MoringaConnect	Kwami	Williams	2014	For-Profit
MyH2O	Charlene	Ren	2016	Have not yet decided
Oorja: Empowering Rural Communities	Clementine	Chambon	2015	For-Profit
Oorja: Empowering Rural Communities	Amit	Saraogi	2015	For-Profit
OpenAQ	Christa	Hasenkopf	2016	Have not yet decided
Opus 12	Etosha	Cave	2016	For-Profit
Opus 12	Nicholas	Flanders	2016	For-Profit
Oroeco & Etho Capital	Ian	Monroe	2014	For-Profit
Our Bloc	Amina	Yamusah	2016	For-Profit
PastureMap	Christine	Su	2016	For-Profit
Protoprint	Sidhant	Pai	2014	For-Profit
Qorax	Nigel	Carr	2014	For-Profit
RisingFoundations	Kelly	Orians	2015	Hybrid
Six Foods	Laura	D'Asaro	2015	For-Profit
Six Foods	Rose	Wang	2015	For-Profit
Smart Joules Pvt. Ltd.	Arjun	Gupta	2015	For-Profit
Sou Sou	Fonta	Gilliam	2016	For-Profit
Suyo	Matt	Alexander	2015	For-Profit
Telemed Medical Services	Yohans	Emiru	2014	For-Profit
TrueSchool Studio	Amy	Vreeland	2015	For-Profit
Tugende	Michael	Wilkerson	2014	For-Profit
Weird Enough Productions	Tony	Weaver	2016	For-Profit

Appendix 3: Survey Questions

Demographic Information

First Name

Last Name

Email

Company name

Race/Ethnicity (multi-select)

- African
- African-American
- Black
- Asian (including Indian Subcontinent)
- Middle Eastern/ North African
- European
- Caucasian
- White
- Latin American
- Hispanic
- Latino
- Indigenous minority group (specify below)
- Other ethnic identity (specify below)
- I prefer not to answer

Gender

- Female
- I identify as...(specify below)
- I prefer not to answer
- Male

Year of birth

Highest education level achieved

- Associate's degree
- Bachelor's degree
- Graduate degree
- Secondary school graduate
- Some college
- Some primary or secondary education

Are you still working regularly with your Echoing Green funded enterprise and can answer questions about its financials?

- Yes
- No

If No: **Are you willing to answer questions about fund raising support you could have used while you were working with your Echoing Green funded enterprise?** (note: questions are worded for current Fellows).

- Yes
- No

Company Overview

What type of legal entity are you running?

- I do not have a legal entity formed yet
- For profit enterprise (including benefit corporations)
- Hybrid organization (both a for-profit & not-for-profit that work in tandem)

- Nonprofit (with significant revenue from sales)
- Nonprofit (with less than 50% revenue from sales

Where is your enterprise headquartered (please specify country)?

What is your primary regional market focus?

- East Asia-Pacific
- Europe and Central Asia
- Latin America and Caribbean
- Middle East and North Africa
- North America
- South Asia
- Sub-Saharan Africa
- Global

What is your primary sector focus?

- Arts & Culture
- Civic Engagement / Human Rights
- Education
- Energy
- Environment (non-energy / non-sustainable agriculture)
- Financial Services
- Food & Agriculture
- Health & Healthcare
- Other Services (please specify)

Stage of Development

Which best describes the stage of development of your enterprise[26]?

- Concept stage – an idea/concept/business plan without tested product or service and revenue
- Seed stage – a validated product or service with initial revenue stream
- Early stage – a validated business model (profitable or near to profitability)
- Growth stage – an established business poised for further growth
- Mature – business has stabilized at scale and is operating profitably

How many years has your enterprise been in operation?

Do you have a dedicated Finance/Accounting professional (either a fulltime employee or a consultant)?

- Yes
- No

Do you have audited financials?

- Yes
- No

Do you have a formal board (a group of individuals elected or appointed to oversee the activities of your enterprise)?

- Yes
- No

[26] Self-selected stage of development classifications were not used to Segment Fellows. Fellows were segmented in to four Capital Readiness Segments (Seed Segment, Early Segment, Growth Segment, Scale Segment) based on the criteria described in the methodology.

If Yes: **Number of independent board members (board members that are neither managers/employees of the company nor funders)?**

If Yes: **How many times per year does your full board meet?**

Approximately how many paying customers did you serve in the last fiscal year?

What were your annual revenues in USD for the last fiscal year?

- None
- Less than $50K
- $50K - $150K
- $150K - $300K
- $300K - $500K
- $500K - $1M
- $1M - $3M
- $3M - $5M
- $5M+

What was your total assets balance in USD for the last fiscal year?

- None
- Less than $50K
- $50K - $150K
- $150K - $300K
- $300K - $500K
- $500K - $1M
- $1M - $3M
- $3M - $5M
- $5M+

What was your total debt balance in USD for the last fiscal year?

- None
- Less than $50K
- $50K - $150K
- $150K - $300K
- $300K - $500K
- $500K - $1M
- $1M - $3M
- $3M - $5M
- $5M+

What were your profits in USD for the last fiscal year?

- None
- Less than $50K
- $50K - $150K
- $150K - $300K
- $300K - $500K
- $500K - $1M
- $1M - $3M
- $3M - $5M
- $5M+

How much time do you anticipate it will take your enterprise to break-even?

- Break-even in 0-1 year
- Break-even in 1-2 years
- Break-even in 2-3 years
- Break-even in 3-5 years
- Break-even in more than 5 years

How much cash did you generate in USD in the last fiscal year? Calculate as: cash sales minus cash expenditures.

- None
- Less than $50K
- $50K - $150K
- $150K - $300K
- $300K - $500K
- $500K - $1M
- $1M - $3M
- $3M - $5M
- $5M+

In the last fiscal year, my enterprise experienced (select one):

- Consistently negative cash flow
- Fluctuating cash flow that negatively affected my operations
- Fluctuating cash flow that did not affect my operations
- Flat cash flow that negatively affected my operations
- Flat cash flow that did not affect my operations
- Consistently positive cash flow

Past Funding

Please enter the approximate amount of funding that has gone in to your enterprise to date by funding type in USD. Rounding to the nearest thousand is fine. (All fields are required, so please enter "0" when not applicable).

- **Self-funding?**
- **Third party equity?**
- **Debt?**
- **Convertible debt / Other customized investment?**
- **Grant / award (including recoverable grants)**

For what purposes was your self-funding used?

- Working capital
- Capital expenditures
- Inventory
- Salaries
- Marketing/sales
- Research & development
- Other (please specify)

From whom did you receive: <u>Third party equity</u>? <u>Debt</u>? <u>Convertible debt / Other customized investment</u>? <u>Grant / award (including recoverable grants)</u>?

- Accelerator / Incubator
- Bank / Financial Institution
- Corporate
- Government
- Family & Friends
- Family Office / High Net Worth Individual
- Foundation
- Fund
- University
- Other (please specify)

For what purposes did you use: <u>Third party equity</u>? <u>Debt</u>? <u>Convertible debt / Other customized investment</u>? <u>Grant / award (including recoverable grants)</u>?

- Working capital
- Capital expenditures
- Inventory
- Salaries
- Marketing/sales
- Research & development
- Other (please specify)

Current / Future Funding Needs

Please enter the approximate amount of funding you are <u>seeking for your enterprise in the next 2 years</u> by funding type in USD. Rounding to the nearest thousand is fine. (All fields are required, so please enter "0" when not applicable).

- Self-funding?
- Third party equity?
- Debt?
- Convertible debt / Other customized investment?
- Grant / award (including recoverable grants)

If you are not seeking funding or are unsure of your funding needs in the next 2 years, please check one below. Otherwise, please ignore this question. (If you cannot provide approximate amounts above, you must enter "0" to move on).

- I am not seeking funding in the next two years
- I am unsure of my funding needs in the next two years

For what purposes will you use your self-funding?

- Working capital
- Capital expenditures
- Inventory

- Salaries
- Marketing/sales
- Research & development
- Other (please specify)
- Inventory
- Salaries

What type of funders are you targeting for: Third party equity? Debt? Convertible debt / Other customized investment? Grant / award (including recoverable grants)?

- Accelerator / Incubator
- Bank / Financial Institution
- Corporate
- Government
- Family & Friends
- Family Office / High Net Worth Individual
- Foundation
- Fund
- University
- Other (please specify)

For what purposes are you seeking: Third party equity? Debt? Convertible debt / Other customized investment? Grant / award (including recoverable grants)?

- Working capital
- Capital expenditures
- Inventory
- Salaries
- Marketing/sales
- Research & development
- Other (please specify)
- Inventory
- Salaries

What type of returns are you able to provide funders?

- No returns (philanthropic only)
- Below market rate returns (closer to capital preservation)
- Below market rate returns (closer to market rate)
- Risk-adjusted market rate returns
- I am not sure

How many applications or term sheets have you submitted or discussed with funders to date?

How many of your funding submissions or term sheet discussions have resulted in receiving funding?

What is your biggest barrier to accessing financing (select one)?

- I have not and am not currently raising funds
- Can't find funder interested in my sector/business profile
- Can't find funder interested in my geography
- Can't find funder willing to take a risk at this stage
- Funders' terms do not match my business profile
- Funders' processes are too long and I need financing immediately
- Missing alignment in impact focus
- Other (please expand)

Please provide additional commentary on funding needs or barriers to accessing funding (optional).

Fund Raising Support

In what area is your most immediate need for support?

- Financial Needs Planning (Understanding instrument options; Developing forward projections of financials; Determining type of funding needed; Valuation)
- Marketing Preparation (Understanding funder types and preferences; Developing marketing materials; Developing due diligence / data room materials; Developing a targeted outreach plan)
- Transaction Process/Execution Management (Due diligence management; Term sheet creation / understanding; Negotiating with funders; Closing / documentation)

Financial Planning: Please rank the options based on your most immediate support needs. (Note: you do not need to rank the options that are not applicable to you).

- I do not need this type of support now
- Understanding instrument options
- Developing forward projections of financials (to determine amount of capital needed)
- Determining the type of funding needed to match your current financial needs
- Valuation
- Other

Please expand on other financial planning support needs (optional).

Marketing Preparation: Please rank the options based on your most immediate support needs. (Note: you do not need to rank the options that are not applicable to you).

- I do not need this type of support now
- Understanding funder types and preferences (i.e. sector & stage)
- Developing marketing materials (pitch deck)
- Developing due diligence / data room materials
- Developing a targeted outreach plan (and tracker)
- Other

Please expand on other marketing preparation support needs (optional).

Transaction Process/Execution Management: Please rank the options based on your most immediate support needs. (Note: you do not need to rank the options that are not applicable to you).

- I do not need this type of support now
- Strategic introductions to funders
- Due diligence management
- Term sheet creation / understanding
- Negotiating with funders
- Closing /documentation
- Other

Please expand on other transaction process / execution management support needs (optional).

Please add any additional thoughts on fund raising needs (optional).

Mentorship / Acceleration

Please rank the top 3 types of 1:1 mentorship that would be most useful in helping you prepare for a fund raise.

- None: Mentorship is not useful to me
- An Alumni Fellow
- Accounting
- Capital/Fundraising Advisory
- Legal
- Sales & Operations
- Sector expert
- Successful Entrepreneur

If you have been or are currently funded by other Fellowship or Accelerator programs, please list.

Appendix 4: March 2017 Workshop Participants

Name	Title	Organization
Deborah Burand	Assistant Professor	NYU School of Law
Kimberlee Cornett	Managing Director	The Kresge Foundation
Cheryl Dorsey	President	Echoing Green, 1992 Echoing Green Fellow
Michael Etzel	Partner	The Bridgespan Group
Fonta Gilliam	CEO & Founder	Sou Sou, 2016 Echoing Green Fellow
Preeth Gowdar	Transaction Lead, Capital Advisory Services	Enclude
David Issroff	Private Investor & Founder	Issroff Family Foundation, Echoing Green Board Member
Andrew Kassoy	Co-founder	B Lab, Echoing Green Board Member
Rebecca Marx	Analyst, Capital Advisory Services	Enclude
Shivani Garg Patel	Principal	Skoll Foundation
Min Pease	Director, Impact Investing	Echoing Green
Jan Piercy	Senior Advisor	Enclude
Diana Propper de Callejon	Managing Director	Cranemere, Inc., Echoing Green Board Member, 1990 Echoing Green Fellow
Ehren Reed	Director, Analysis & Insight	Skoll Foundation
Keno Sadler	Vice President of Programs	Echoing Green, 1997 Echoing Green Fellow
Debra Schwartz	Managing Director	John D. and Catherine T. MacArthur Foundation
Brian Trelstad	Partner	Bridges Ventures