Summary and Next Steps Report

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Submitted to James Butler, Contract Officer Representative, OFA

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Introduction

From March 1-2, 2018, the U.S. Department of Health and Human Services (HHS), Administration for Children and Families (ACF), Office of Family Assistance (OFA) convened the *Employment Excellence: Social Enterprise Experts' Listening Session* in Washington, DC. This listening session brought together a group of experts and thought leaders[1] to explore the evolution and current landscape of social enterprise organizations (SEOs). The end result of the session was to offer ideas where the Federal Government might advance social enterprises, particularly in support of Temporary Assistance for Needy Families (TANF) participants and TANF-eligible populations.

Federal staff, international and domestic SEO practitioners, and subject-matter experts used the listening session to discuss a wide range of topics, including the elements of successful SEOs, programmatic and organizational challenges to operating a SEO, and what role the Federal Government could play in social enterprise, particularly in ways that support TANF participants and the most vulnerable populations.[2]

Participants were chosen for the listening session based on the following working definition of social enterprises from the Social Enterprise Alliance[3]: "organizations that address a basic unmet need or solve a social problem through a market-driven approach." These organizations typically operate a business (service or product) that may provide both a revenue stream for the organization as well as training and/or employment opportunities for the target population, which may include individuals and families who have barriers to employment, from transportation and child care obstacles to a lack of education and employment skills.

The session began with a brief history of SEOs in the United States and New Zealand, followed by key elements of successful social enterprises on local and national levels, and challenges faced by SEOs. This report shares key highlights and recommendations from the *Employment Excellence: Social Enterprise Experts' Listening Session.* It concludes with a summary and recommendations from the social enterprise experts on whether there is a role for the Federal Government in both supporting and building upon the work of SEOs for low-income and vulnerable individuals and families.

The History of SEOs in the United States and New Zealand

SEOs operate domestically and internationally, work across many industries, and typically require management of complicated partnerships, service delivery models, and participant outcome measurements. To better understand the complexity, scale, and scope of SEO development and implementation, the Listening Session started with a facilitated interview and discussion with Carla Javits (The Roberts Enterprise Development Fund [REDF]) and Stephen Keung (Whānau Tahi Limited) about their organizations' evolution, partnership development,

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[1] See Appendix B: List of Participants and Appendix C: Social Enterprise Organization Descriptions.

[2] See Appendix A: Agenda.

[3] For more information on social enterprises from the Social Enterprise Alliance, see https://socialenterprise.us/about/social-enterprise/

and strategies for meeting the needs of their service populations. Both organizations discussed their respective histories and how they adapted to changes in the social enterprise field.

REDF, founded in 1997, is a California-based philanthropic organization that invests in employment-focused social enterprises, particularly those organizations that reinvest their resources into employees' skill development and career pathways. REDF's social enterprise partners work with individuals often facing high barriers to employment such as homelessness, incarceration, substance abuse, mental illness, and limited education. REDF originally focused their efforts on mitigating homelessness in the Bay Area by directly supporting low-income, single mothers with little to no housing stability in starting and running their own businesses.

After determining that many of these women found entrepreneurship too overwhelming, REDF pivoted their strategy to supporting companies that would train and employ individuals with high employment barriers. Ms. Javits noted that REDF's development has proceeded alongside a rapid growth of interest in SEOs worldwide over the last decade. During that time, REDF expanded from supporting three SEOs to 70 of these organizations. She added that, while the SEO field is rapidly advancing, challenges remain with funding and peer-to-peer collaboration with other SEOs.[4] She felt that the Federal Government could play a significant role in building and supporting a community of SEOs.

Whānau Tahi Limited is a New Zealand-based technology company that developed software for use by Māori communities to help distribute and analyze government-allocated funding. A primary driver for introducing this software was to help these communities work across social service programs and avoid national program models which often exhibited siloed funding and services. As discussed by Mr. Keung, Whānau Ora, the original version of the software, takes a long-term approach to cost analysis, based on the belief that government programs cannot change lives in less than five years. Rather, programs should promote stages of generational change through family empowerment. The goal of Whānau Ora was not only to measure direct impacts (e.g., changes in employment), but also to factor in social service delivery and other efforts required to achieve those impacts.

The program lays out five steps, with the expectation that each will take five years:
- Avert family crisis;
- Engage with the entire family and support stability;
- Strengthen resilience;
- Accelerate family leadership and self-determination; and
- Enable self-sustainable communities.

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[4] REDF encouraged other participants to visit and use the REDF workshop Web site (https://redfworkshop.org) – a tool for learning to help develop social enterprises and connect to others in this field.

Mr. Keung emphasized that the software also enables organizational change, and the company is now marketing a version of this software (Whānau Tahi) to tribes in the United States.

Mr. Keung and Ms. Javits next discussed a number of common strategies that significantly impacted the development of their organizations:

REDF and Whānau Tahi Ltd. – SEO Development Strategies

Strategy	REDF	Whānau Tahi Limited
Collect and Share Data with All Stakeholders	Involve the "voices of people involved in programs" to ensure a shared vision for program implementation, evaluation, and use of collected data.	Provide data-driven evidence to funders to show program impact and help target funding on greatest needs. Also share data with service recipients.
Use of Social Return on Investment (SROI)[5] Concept	SROI provides rigor regarding cost/benefit and helps organizations account for cost while looking across agencies. As government is highly interested in outcomes, SEOs need holistic tools to justify spending government money. SROI helps answer questions such as, "What results are we trying to achieve?" and "What are our results this month and how do we know that right away so we can adapt?" The Self-Sufficiency Index is another tool for helping measure "non-financial" outcomes such as family well-being.	SROI provides a framework for measuring improved family well-being, cultural gains, and social connections as well as employment gains. Allows organizations to change narrative from "social welfare" to "social investment." Use of SROI often requires a long-term strategy which can introduce funding challenges.
Avoid Service and Funding Siloes	Social enterprise is community-driven and must rely on multiple partners and community assets. Programs should focus on a specific concern (e.g., employment) and coordinate across programs to develop services.	Sharing data and funding priorities across partners is critical to avoiding silo development.
Incentivize Private and Government Sector Participation	Focus on the added benefit of SEOs' ability to provide well-trained individuals to companies with hiring needs. Provide SEOs with procurement incentives [similar to Minority/Women-owned Business Enterprise status or SBA 8(a)] to encourage these organizations to become a regular part of the employment supply chain. Work with the private sector to improve conditions for frontline workers – better pay, benefits, and opportunities for management training. On the investment side, businesses need equity investments to support social and financial returns for a triple win solution.	Work with government on legislation addressing the use of capital for SEOs.

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[5] SROI is a framework for measuring a broader concept of value (in lieu of just financial return); it seeks to measure improvements in well-being by considering social and economic benefits and environmental factors.

In closing, each speaker discussed catalysts they feel can significantly advance the social enterprise field. Ms. Javits advocated for substantial public/private partnerships that direct flexible capital for developing evidence- and outcome-oriented social investments nationwide. Mr. Keung pointed to the importance of working collaboratively with government, business, and participants to establish commonly accepted SEO outcome measurements. OFA Director Clarence H. Carter added that OFA is interested in thinking collaboratively with the Small Business Administration (SBA) on ways to increase access to capital for SEOs and their stakeholders.

Elements of Successful Social Enterprises

A variety of SEOs attended the listening session, from non-profit SEOs that provide job training and job placement services to for-profit businesses that operate an SEO model. Some of the attendees were asked to present briefly on their social enterprise models and share strengths and successes of their specific organizations. While common themes emerged, these SEOs demonstrated that success is not a one size fits all; it depends on the mission of the organization, the regional context, and the intended impact on individuals and communities.

Based on the presentations from five non-profits, one for-profit, and one tribal SEO, several themes emerged on the elements of successful social enterprises.

Focus on upskilling. SEOs are a bridge for people with potential – they help people get ready for a job, enter the workforce, and keep a job. Several SEOs mentioned the importance of job training or upskilling, which includes providing easily consumable content, pathways in technology, free access to training programs, and on-the-job training. They noted that a college degree is no longer the only avenue to a good job. For example, Chrysalis Enterprises provided examples of their workforce initiatives, which include training for warehousing, facilities, and food service occupations.

Meet people where they are. Individuals come with their unique set of values, needs, and capabilities. To be successful, SEOs mentioned that they must meet people where they are and consider the barriers individuals may have to employment. If given the opportunity, most people want to work. Social enterprise models should be designed around the people they serve and their particular needs. Often the goal is to empower individuals and families towards self-sufficiency. Through Chanlyut Enterprises, Inc., Cook Inlet Tribal Council's Recovery and Re-entry program is an eight-month residential work-training program offering a new beginning for men who want to become productive members of society. The program provides employment, peer-to-peer support, and education and job training through one of the program's micro businesses. These Chanlyut resident-run commercial enterprises provide clients with job and service training opportunities in janitorial services, lawn maintenance, and wholesale food sales.

Engage the local community. SEOs mentioned the importance of understanding the communities in which they operate and how they can transform the communities to meet the

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needs of individuals and families. One key is to develop partnerships that can close gaps in services and build capacity. Social enterprises should execute their model locally within the community they serve. As one social enterprise expert from Solutions for Change stated, do not underestimate the power of work to change lives and the community. This element reflects that there are no overarching, cookie-cutter solutions to address the needs of individuals and families at a national level, but rather how the local context matters. For example, Solutions for Change focuses on solving family homelessness through Solutions Farm, which is one of their social enterprise efforts. Solutions Farms is an innovative aquaponics farm which serves as a learning platform that provides real-world experience, and helps local residents acquire and refine skills, ultimately leading to greater career success. Profits are re-invested into their programs, so each generation of residents helps the next.

Use a market-driven approach to sustainability. While several factors affect the long-term success of a social enterprise, using a market-driven approach to sustainability is critical. The key is to define what is needed and valuable in the community and understand how to translate that into action. What you invest in individuals and the community will determine the profit. If one avenue is unsuccessful, be willing to change. This need for vision and flexibility toward market approaches was identified by Stand Together, as evidenced in their Catalyst Program. Under the Catalyst Program, Stand Together identifies and cultivate promising organizations and connects them with a network of like-minded peers, mentors, and donors.
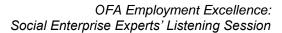
Commit to a data-driven approach. Similar to a market-driven approach, multiple SEOs mentioned it is important to understand the type of business you are working with (industry, etc.) and where to garner efficiencies. Knowing the market and your capabilities and possibilities can fuel success. Often, the right investors are data-driven. Creating the framework to collect, analyze, and use data is critical to success. REDF, for example, discussed how it uses data to reflect improved program design and garner efficiencies in service delivery.

The above common themes of success may create the foundation for a shared vision of a social enterprise model, which addresses the workforce and self-sufficiency needs of the diverse participants that these organizations serve.

Challenges Facing Social Enterprises

Although social enterprise is experiencing healthy growth in the United States, there are challenges facing these organizations, including increased competition for funds, collaboration, and losing sight of the social purpose. During the listening session, a second group of experts discussed the programmatic and organizational challenges that SEOs face, how these challenges affect their ability to meet their goals, and how intermediaries can assist them. Based on discussions from two non-profits, one for-profit, one foundation, one federal agency, and two tribal SEOs, the following themes emerged on the challenges facing social enterprises.

Government regulations can be restrictive. SEOs mentioned the inflexibility and inconsistency across government programs, such as different poverty guidelines at the federal and state

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levels, and the unreliability and short-term nature of funding. Additionally, access to capital is difficult when working with government entities. However, one possibility for success is to create a government-developed seed fund to help build social enterprises that would be managed by an intermediary – serving as a catalyst and then stepping back.

A sustainability strategy is key to long-term success. Unless a non-profit is financially stable, they should not pursue a social enterprise, as it requires access to capital and talented people. Industry sector disruptions can affect SEOs' success rates. SEOs may also experience the high failure rate of small businesses. At times, there is not enough capital or capacity for companies, while other times companies struggle to implement programs with government funds as they fear failure with taxpayer money. SEOs shared that to start a sustainable social enterprise successfully, it is best to: 1) look at the strengths of the organization and market-based solutions; 2) conduct a feasibility assessment; 3) develop a business plan; 4) pilot the program to build the base of business; 5) file as a separate LLC to access capital; and 6) obtain and access startup capital and growth capital.

Participants face multiple barriers. SEOs found that many of their clients do not have a high school diploma or General Equivalency Degrees (GEDs), and face challenges with drug tests, historical trauma, homelessness, and child care – all of which can affect their ability to stay in their training programs and on their jobs. Due to these barriers, some clients cannot meet the criteria for occupational licensing. SEOs have found that many jobs in the economy do not provide a livable wage and pay for a good quality of life, and believe there is a wage ceiling, particularly in low-paying jobs. Moreover, companies have an aversion to non-traditional hiring and treat program workers as disposable, which makes job placement and retention difficult. SEOs, in turn, respond to this labor market challenge by providing soft skills and employability training to address the barriers facing their clients. In doing so, some SEOs employ their clients initially to provide them with work experience that can be applied and transferred to a new employer as the client gains new skills and access to the local labor market.

Competition is high and funds are low. Approximately 50 percent of non-profits are engaged in social enterprise, with a growth rate higher than small businesses. Saturation makes for strong competition, and there is limited philanthropic support. In response, some SEOs have created their own research and evaluation teams. SEOs proposed solutions such as partnering with organizations in the community to help them advance their missions, or taking time to understand different motivators of potential partners and providing the right incentives for collaboration.

The challenges shared by the social enterprise experts can provide a basis for innovation and reform on how to create successful, sustainable, customer- and market-driven, and community-serving social enterprise models that serve multiple populations.

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Summary of SEO Expert Panel Examination of the Question: Is There a Role for the Federal Government in Social Enterprise?

The following day, three facilitated small groups of SEO experts examined the role of the Federal Government in social enterprise with an emphasis on areas of federal support to spur the development, engagement, and success of social enterprise organizations to better meet the needs of vulnerable populations. The groups were designed to be composed of a cross section of participating experts (i.e., tribal organizations, national alliances, for-profit, and not-for-profit enterprises). As a result, the summary that follows reflects the overarching perspectives of the social enterprise sector as a whole vis-à-vis potential federal roles and not the single perspective of one type of social enterprise organization.

The small groups explored: the critical aspects of their sector needing federal support; existing federal structures that can be utilized to assist SEOs; and new ideas the participating experts could offer to encourage federal innovation supporting social enterprise and the vulnerable populations with which they work. Their discussion generated seven specific priority areas of policy and practice where a federal role might be appropriate:

1. **Strengthening Cross-Federal Agency Collaboration**
2. **Creating Pools of Federal Funding to Support Social Enterprise**
3. **Undertaking Public/Private Demonstration Projects**
4. **Developing a Strong Data Infrastructure for Social Enterprise**
5. **Providing Capacity-Building Technical Assistance**
6. **Advocating for Social Enterprise**
7. **Continuing Leadership by the Office of Family Assistance**

Context Related to SEO Perspectives

In addition to these seven areas, three themes resonated throughout the discussions, providing context on dimensions of social enterprise that underlie the perspectives offered by the participating experts for roles of the Federal Government to support the social enterprise sector.

- **The social enterprise ecosystem is central to successful operation:** Social enterprise is facilitated through local and/or regional partnerships that constitute an ecosystem. In general, these partnerships are composed of the academic sector, private sector, local government entities, and other social enterprises, all working collectively to solve challenges facing vulnerable populations. Creating, catalyzing, and coordinating these ecosystems is paramount to continued success.

- **Capital is critical to fuel SEOs:** SEOs operate as business models where capital is needed for direct investment in existing organizations, for growing new start-up SEO organizations, and for fueling expansion and replication of mature SEO business models. The debate around whether social enterprise should grow through large

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public investment or solely through private sector investment consistently arose during discussions. However, a consensus about which approach should be undertaken was not reached.

- **Efforts are needed to make social enterprise "mainstream" and more nationally visible:** SEOs consider their approach as both essential and necessary. More importantly, they expressed a desire to have greater attention paid to their accomplishments. As one participant stated about the SEO approach, "It's big, it's complex, it's hard to do, but there's space for it." There is consensus that as a sector, they are ready to be a mainstream player in providing solutions for vulnerable populations.

SEO Recommendations by Priority Area

With these themes as a contextual backdrop for the recommendations generated by the participating experts, described below are their ideas for a federal role in social enterprise. Some are considered "quick wins"; others require more in-depth exploration, prioritizing, and development. The descriptions below start with the most frequently stated priorities and progress through those less frequently stated.

Priority Area 1: Strengthen cross-federal agency collaboration focusing on strategies that improve individual and family benefits; break down agency silos; streamline reporting requirements; and develop shared income guidelines for individuals and families.

Across all groups, discussion centered on a need for federal cross-agency collaboration that is outcomes-focused and provides assurance that social and human services, training, and funding are properly allocated and targeted. Specific areas where federal cross-agency collaboration can be of assistance to social enterprise are:

- Solve the **benefits cliff** by creating human-centered administrative benefits delivered in a more family-oriented holistic approach that breaks down silos.
- Expand the **Earned Income Tax Credit** (EITC) to include childless individuals and noncustodial parents.
- Reduce and eliminate **burdensome regulations** that hinder free enterprise specifically around conflicts in eligibility and undue program burden.
- Establish a **federal "True North" statement/concept** to include in every agency brief, activity, and funding initiative. This exercise would catalyze change, align public resources, and be used to guide plans for deployment of public resources.
- Create federal policies that can guide development of a **"North Star Society of Overcoming,"** charged with creating avenues to ensure that as individuals gain access to the jobs where their skills can be applied, they are then able to advance their careers and have a more sustainable life.

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- Advance SEOs by re-establishing the **Office of Social Innovation** with a charge to serve as the **convener of a federal cross-agency group** to create innovative solutions for supporting individuals and families on the journey to self-sufficiency.
- Explore working models of cross-agency collaborations like the **LA RISE Project** to bring SEOs together with local government.

Priority Area 2: Create pools of federal funding to invest in social enterprise, particularly through government resources like the SBA, as well as creating a National Growth Fund and Advisory Services pool. Explore public/private investment partnerships between government and foundations to facilitate program-related investments.

There is a broad range of investment needed to start, expand, and scale social enterprise to be able to serve more families and individuals, increase income, and ultimately reach the goal of alleviating poverty. Participating experts expressed the common need for programmatic funding for services provided by social enterprises and resources for evaluation to validate social enterprise models. However, investment of capital and provision of advisory services is also an area where federal involvement is critically important. The challenge expressed by SEOs for utilizing federal investment lies in how to receive federal support without restrictive federal requirements that tend to stifle business innovation (e.g., can faith-based organizations participate; who manages the resources—state, local, other entities; and are managers appointed or elected).

Four specific suggestions for a federal role supporting capital investment and advisory services surfaced:

- Create a mechanism for **SEOs to obtain SBA loans and equity investments**. The SBA can alter their policies to grant SEOs the same status as small businesses and work with them to make investment resources available. Priority Area 3 below describes a potential pilot to achieve this aim.
- Develop a **national growth fund with complementary advisory services** for SEOs. From Day 1 of the Listening Session, this was considered an important idea. Capital and advisory services are needed to grow and catalyze social enterprise. By establishing a growth or impact investment fund, the Federal Government can play a dual role of:
  1. **Funding (investing capital) in SEOs ready for expansion** and scale up; and
  2. With smaller SEOs, **provide the kind of advisory services needed to develop** their capacity so that they become eligible and ready to participate in the growth fund.

- Create **Social Impact Bonds at the Federal level.** Federal investment in social impact should focus on "return" as measured by the social impact that is the desired achievement of the investment, assuring the funded entities are successful in achieving their stated goals.
- Build on examples of **existing programs as potential models** for federal investment and advisory activities.
    - The **"477 Fund"** is an example of a model for pooling federal resources, reducing regulatory restrictions, and focusing on using net proceeds from social enterprise-type activities that are returned back to the program for expanded services to participants.
    - The **Corporation for National and Community Service (CNCS) Social Innovation Fund (SIF)** is an example of a federal model using private intermediaries to manage the program. The intermediary uses standardized levels of evidence and outcomes that must be documented and achieved by fund recipients with the intent of growth and scale up of the funded model. The intermediary is responsible for leveraging private money, thereby creating a larger public/private investment model.
    - At the state level, **economic development funds** are possible investment models; although as currently configured, they may not allocate investments fairly or reach the types of organizations in need of investments that serve vulnerable populations.

> Additional ideas on how the growth fund should be structured include:
>
> - Provide $100 million per year for flexible capital and advisory services.
>
> - Use local intermediaries (not government) that compete for fund resources and demonstrate how they will meet need by setting up explicit objectives that use evidence to demonstrate outcomes.
>
> - Limit participation in the growth fund to established social enterprise models that are ready for expansion and scale.
>
> - Provide advisory services to small, unestablished businesses not ready for a growth fund experience.

Priority Area 3: Undertake public/private demonstration projects that support local and regional social enterprise ecosystems.

While there is a need for significant federal resources for investment in social enterprise, there are drawbacks associated with the regulations that may come with the federal funds. Conversely, while there is relatively unlimited access to private funding for social enterprise, there is no overarching plan that guides private investment—no uniform "True North" standard plan for business models to support improving circumstances for vulnerable populations. To address these conflicting issues, listening session experts suggested joint ventures between

public and private funders for demonstration projects to explore ways to jointly support local and regional social enterprise ecosystems that work with vulnerable populations.

- Create a demonstration **SBA project exploring policies, regulations, and eligibility procedures** for for-profit and non-profit SEOs to access procurement preferences and funding services including access to capital and technical assistance offered by the SBA. The demonstration could encompass endorsing social enterprise certification for tax status and developing a mechanism for waiver authority.
- Develop demonstration projects that examine how the Federal Government can create initiatives with large foundations to encourage **Program Return on Investment (PROI)** and other finance mechanisms.
- Create demonstration projects that **examine how collective impact** is achieved by moving from separate social enterprise organizations to a regional ecosystems approach to improve the condition of vulnerable populations.
- Examine the **feasibility of testing** to support the social enterprise ecosystem through critical opportunities like providing an opportunity for SEOs to obtain occupational licensure; granting tuition waivers at community colleges; or providing funding for 50-90-day stipends for new full-time SEO staff.

Priority Area 4: Develop a strong data infrastructure for social enterprise focused on easy access to administrative data and strategies to provide 21st century technology and data support to SEOs.

Data and technology are vital components of successful business models. The size of most SEOs limits their capacity to purchase the most up-to-date technology and to access much-needed administrative data to support program planning, resource allocation, and analytics providing descriptive trends and projections.

- Create a **National Technology and Data Corporation for social enterprise.** The Federal Government can help social enterprise address gaps around data and technology capacity that have already been solved by the private sector by catalyzing resources to further develop technological and data capacities in the social enterprise sector.
- Develop a federally-sponsored **Human Services Information Technology Assistance Group** to identify trends in the industry and determine how to support the growth of the human services technology industry.
- Create pathways outside of government to obtain innovative technology services from Silicon Valley entrepreneurs doing pro bono work to help further technology such as the Lincoln Initiative, the Taproot Foundation, and Catchafire.

Priority Area 5: Provide capacity building technical assistance to SEOs, including national and regional convenings, support for staffing, and organizational development.

Because many SEOs grow out of non-profits, there is a role for the Federal Government to promote and provide technical assistance to help SEOs as they carry out their mission to use business and entrepreneurship to create greater opportunities for vulnerable populations.

- Support social enterprises at national and regional technical assistance convenings where evaluation and capacity building often focus on services to vulnerable populations.

Priority Area 6: Advocate for social enterprise at both congressional and national levels.

There is an identified need for public awareness of the social enterprise sector and its impact on poverty alleviation.

- Convene a bipartisan gathering of congressional leaders to educate and advocate on/for social enterprise as a unique opportunity to support the working poor.
- Work with national social enterprise alliances to establish a public relations marketing campaign to raise awareness that the Federal Government is discussing how social enterprise impacts communities and serves vulnerable populations.
- Re-establish the Office of Social Innovation focused on innovation, enterprise, and entrepreneurship (see Priority Area 1).

Priority Area 7: Continue OFA's leadership to ensure that SEOs are included as "mainstream" partners and have future opportunities for shared dialogue.

The SEO Listening Session demonstrates the know-how and convening power of OFA and its federal partners. Conversation is different when the Administration convenes this type of dialogue; it can drive change, align organizations, and inform government. Listening session participants overwhelmingly encouraged OFA to continue these efforts.

- Utilize the strength of **OFA to serve as the "bully pulpit"** to bring together the private sector around social enterprise, encourage learning about ways to support or access capital differently, and uncover disruptions on the industry side of social enterprise.
- Set an **aspirational vision for ACF for an "overcoming society"** to drive focused change in policy across all Federal agencies.
- Continue to convene and expand this group and to serve as the lead for SEO listening sessions as follow-up.

These priority areas and recommendations validate OFA Director Clarence H. Carter's belief that there is an important role for government to play in creating a societal mechanism that is dedicated to supporting economically, socially, and developmentally vulnerable individuals, families, and communities, and overcoming their challenges in multiple dimensions. It is clear that continued dialogue between SEOs and Federal agencies is welcome and needed based on the consensus view of SEO experts.

Appendix A: Agenda

AGENDA

The Office of Family Assistance (OFA) within the Administration for Children and Families (ACF) has convened a select group of thought leaders to explore the evolution and current landscape of social enterprise organizations (SEO), and brainstorm potential avenues for the federal government to advance the SEO field, particularly in support of Temporary Assistance for Needy Families (TANF) participants and TANF-eligible populations. OFA views this listening session as a unique opportunity to learn about SEO successes, needs, and challenges, and to discover what benefits OFA might offer in collaborating with the field to support capacity-building, outreach, or other supportive efforts. We hope this listening session will spark additional dialogue and partnerships around this topic, while generating ideas to inspire and edify the design and implementation of OFA social enterprise initiatives that increase self-sufficiency for vulnerable populations.

Facilitator: Kent Peterson, Managing Director, The Strategic Organization

Thursday, March 1, 2018

8:00–9:00 a.m.	*Registration*
9:00–9:30 a.m.	**Welcome, Context, and Opening Remarks** ➢ **Clarence H. Carter,** Director, OFA
9:30–10:30 a.m.	**Expert Introductions** Participants will introduce themselves and provide overviews of their respective organizations. Each will highlight their efforts to address poverty and barriers to employment among TANF participants and the most vulnerable individuals.
10:30–10:45 a.m.	*Break and Networking*
10:45 a.m.–12 noon	**The History of SEOs in the United States and New Zealand** Experts from REDF and Whānau Tahi Ltd. will discuss the evolution of SEOs at home and abroad. The group will discuss how their respective organizations have evolved and worked with public and private groups to meet the needs of the populations they serve.

Thursday, March 1, 2018

12 noon–1:30 p.m.	*Lunch on Your Own*

1:30–3:00 p.m.   **Elements of Successful Social Enterprises**
SEOs take various forms–their funding, service delivery model, and sustainability planning differ from organization to organization. Practitioner experts will provide 8-minute presentations on their models and share strengths and successes of their specific organizations. An expert panel will engage in a discussion about key components of successful models operating both locally and nationally.

3:00–3:15 p.m.   *Break and Networking*

3:15–4:30 p.m.   **Challenges Facing Social Enterprises**
A second group of experts will discuss the programmatic and organizational challenges that SEOs face, how these challenges affect their ability to meet their goals, and how intermediaries can assist them.

4:30–4:45 p.m.   **Wrap-up of Day 1**

4:45 p.m.   *Adjourn for the Day*

Friday, March 2, 2018

9:00–9:10 a.m.   **Overview of Day 2**
➢ **Clarence H. Carter,** OFA

9:10–10:30 a.m.   **Is there a Role for the Federal Government in Social Enterprise?**
In three facilitated small groups, experts will discuss if there is a role for the federal government and consider how it might support and build upon the work of SEOs. Experts will focus on strategies for meeting the needs of TANF participants and the most vulnerable.

10:30–11:30 a.m.   **Partnership Prioritization**
Experts will reconvene in the large group to report out on the small group discussions. Topics for consideration will include the role, if any, for the federal government, priorities for the field, and strategies for strengthening partnerships to grow the field.

11:30 a.m.–12 noon   **Closing Remarks and Next Steps**
➢ **Clarence H. Carter,** OFA

12 noon   *Adjournment*

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Appendix B: Participants

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Appendix C: Social Enterprise Organization Descriptions

SEO Name	Description
Chrysalis Enterprises	In operation since 1984, Chrysalis Enterprises is a non-profit organization dedicated to creating a pathway to self-sufficiency for homeless and low-income individuals by providing the resources and support needed to find and retain employment. Their philosophy is that a steady job is the single most important step in a person's transition out of poverty and onto a pathway to long-term self-sufficiency. Offering a hand up, rather than a hand out, Chrysalis empowers clients to complete a self-directed job search. The services offered by Chrysalis Enterprises help low-income and homeless individuals prepare for, find, and retain employment in street and building maintenance and provide janitorial, warehouse, front desk, and general staffing solutions to over 100 communities and businesses across Los Angeles County. Since 1984, Chrysalis has served more than 58,000 low-income and homeless individuals.
Community Action Partnership of Lake County	The mission of the Community Action Partnership of Lake County, Illinois (CAPOLC) is to reduce the causes and effects of poverty, promote self-sufficiency of families and individuals with low incomes, and improve the standard of living in the Lake County service area. Fund development is central to CAPOLC's approach to supporting the mission. Through the Community Action Foundation of Northern Illinois (CAFNI) founded in 2013, CAPOLC is able to address the number of private sector businesses and local stakeholders who want to partner with CAPOLC to assist struggling families. Through a combination of private donations, grant making, and fundraisers, this foundation has connected CAPOLC with more patrons and granters. What makes the Foundation unique is the focus on social enterprises to raise revenue to support the work of Community Action. Two of the social enterprises offered by CAPOLC are CAP Catering, which offers a banquet and meeting center for up to 200 guests and the "Changing Lives" Upscale Resale Shop, which has a wide variety of merchandise for the home and the individual.
Cook Inlet Tribal Council, Inc.	Established in 1983, Cook Inlet Tribal Council, Inc. (CITC) serves nearly 10,000 people each year through an array of integrated programs in several service areas that help individuals achieve their full potential. As part of their sustainability efforts, CITC oversees a variety of small businesses that employ participants to help them gain real-life job experience in supportive work environments. These social enterprises provide needed jobs within the community and generate revenue for CITC to reinvest back into its programs and services, helping to reduce dependency on government funding. Through social enterprise, CITC has increased its overall service capacity. The goal of all of CITC's social enterprises is to grow beyond their initial subsidized beginnings and become financially self-sufficient.

SEO Name	Description
Corporation for National and Community Service	The Corporation for National and Community Service (CNCS) is the nation's largest annual grant making Federal Government agency supporting service and volunteering through programs such as AmeriCorps, Social Innovation Fund, Volunteer Generation Fund, Senior Corps, and other special initiatives. CNCS plays a critical role in strengthening America's non-profit sector and addressing our nation's challenges through the service of Americans from grade school through retirement. CNCS runs the Social Innovation Fund (SIF), which positions the Federal Government as a catalyst for impact – in which evidence-based programs and interventions are used to enable social innovation across America and make available new sources of evidence on what works best to solve the country's most intractable problems. Through the SIF, grantees are engaged in rigorous third-party evaluations of their programs to show the full impact of their work. These evaluations not only reveal insights about the programs, but they also inform the work of other grantees. This knowledge building and focus on scaling successful programs is what makes the SIF unique. SIF and its private-sector partners create a learning network of organizations working to implement innovative and effective evidence-based solutions to local and national challenges in three priority areas: economic opportunity, healthy futures, and youth development.
FareStart	Providing real solutions to poverty, homelessness, and hunger, FareStart has been helping people transform their lives through food for over 25 years. People in poverty struggle to escape the cycle they are in and often face other compounding barriers to getting and keeping a job. FareStart helps people overcome those barriers by teaching them work and life skills they need to succeed in the food service industry and in life. Through restaurants, cafés, catering, and programs that provide meals to social services, shelters, and schools in the Seattle, Washington area, participants in FareStart's programs get practical work experience while giving back to their community. FareStart works closely with local restaurants to develop programs that provide the skills most needed in the industry. This collaboration ensures that program participants have jobs available to them when they graduate. More than 90 percent of FareStart adult graduates land good jobs within 90 days of completing the program.
Goodwill Industries International, Inc.	Goodwill Industries International, Inc. was founded in 1902 in Boston by Reverend Edgar J. Helms, a Methodist minister and early social innovator. Reverend Helms collected used household goods and clothing in wealthier areas of the city and then trained and hired those who were poor to mend and repair the used goods. The goods were then resold or were given to the people who repaired them. The system worked, and the Goodwill philosophy of "Not Charity, but a Chance" was born. Goodwill operates 162 social enterprises across the U.S. and Canada, providing the training and assistance individuals need to find good jobs. Goodwill staff offer a range of needed services, including onsite and virtual employment training, job placement services, and other community-based supports, such as career counseling, financial education, and résumé preparation. In 2016, Goodwill helped more than 313,000 people train for careers in industries such as banking, IT, and health care, to name a few.

SEO Name	Description
REDF	REDF (The Roberts Enterprise Development Fund) is distinctive as the only philanthropy in the United States that invests exclusively in social enterprises focused on employment. REDF has one mission – jobs – for millions of people who cannot get work because of histories of homelessness, incarceration, mental health issues, substance abuse, or limited education. That is why REDF invests in social enterprises created explicitly to hire people who want to work and contribute, but often do not get the chance because of disadvantages in their lives. A job at a social enterprise provides so much more than a paycheck – it provides stability, a sense of pride and purpose, a true path to self-sufficiency, and hope. Since 1997, REDF has provided seed and growth capital and specialized advisory services to over 100 social enterprises in California, which have earned and reinvested in their businesses more than $392 million in revenue and employed 24,000 people, helping spending for government programs go further while improving lives and communities.
Social Enterprise Alliance	The Social Enterprise Alliance (SEA) is a non-profit, national membership organization. SEA first began as The National Gathering for Social Entrepreneurs in 1998 and evolved into a membership organization. The Alliance has over 1,000 members and 16 chapters across the U.S. SEA's membership is a robust mix of social enterprises, businesses, non-profits, and individuals from the field. SEA seeks to provide a platform for a unified social enterprise movement to attract capital for growth, effect government policy, facilitate cross-sector collaboration, raise consumer and investor awareness, and aggregate capacity and resources. The primary goal is to provide social enterprises with the resources they need to succeed, and support and grow social entrepreneurship on a national scale and serve as a voice for more sustainable social impact. SEA organizes a national convening for national and local social enterprises to network and discover collaboration opportunities, and provides an online platform for social enterprises to raise awareness of their work and a curated online knowledge center and expert webinars to build capacity.
Social Impact Architects	Social Impact Architects, which became a Certified B Corporation in 2014, is a nationally-recognized company that works alongside non-profits, foundations, and socially entrepreneurial businesses to create innovative solutions for pressing social problems. Social Impact Architects engages their clients in the solution design process, and provides tools to help organizations make an impact throughout the non-profit life cycle.
Solutions for Change	Founded in 1999, Solutions for Change transforms lives and communities by permanently solving family homelessness using a combination of three innovative approaches known as pillars: 1) Solutions University, a full-service leadership development residential program for the homeless; 2) Solutions Enterprises, a collection of social enterprise programs that empower residents to learn and earn; and 3) Solutions in the Community, the investment by the residents of their time and effort to help the community of which they are a part. Through their solutions enterprise, Solutions for Change successfully created one of North County's (San Diego, California) most successful social purpose microenterprise, the North County Times Hawker program (a program for homeless individuals to sell newspapers).

SEO Name	Description
Stand Together, Inc.	Stand Together, Inc. believes some of the most important work being done in America today is the result of individuals and organizations solving problems in their communities. Faith-based organizations, volunteer groups, businesses, and community leaders are breaking through barriers to help others break the cycle of poverty, improve their lives, and make the world a better place. Stand Together identifies, supports, and celebrates these catalysts for social change. They provide training and resources to help these catalysts build operational capacity. For example, Stand Together conducts a six-month Catalyst Program for transformative, innovative organizations that are building sustainable solutions to the country's toughest problems. The program provides access to resources, industry best practices, and a growing network of dynamic leaders. Participants choose an obstacle specific to their organization to tackle over the course of the program with support from their peers and experts in the field. Industry experts lead interactive online sessions and guide participants through curriculum on topics such as organizational development, strategic partnerships, and measurement and growth.
Tanana Chiefs Conference	Tanana Chiefs Conference (TCC) provides a unified voice in advancing sovereign tribal governments through the promotion of physical and mental wellness, education, socioeconomic development, and culture of the Interior Alaska Native people. As part of its strategic plan, TCC aims for strong internal coordination and external partnerships for service delivery for its tribal population, including behavioral and physical health and workforce development. For example, TCC assists eligible Alaska Natives and American Indians in their community to obtain and retain employment towards self-sufficiency. Applicants for employment-related services may receive assistance with the following: GED, tuition, fees, books, supplies, transportation, tools, work gear, child care, temporary room and board, and meals.
Whānau Tahi Limited	Whānau Tahi Limited (the Company) was established in 2011 to develop and bring to market the Whānau Tahi Navigator technology, built by its parent, Te Whānau O Waipareira Trust. Complementing the software is Whānau Tahi's unique logic methodology that operationalizes outcomes-based practice and measures its social value and return on investment. Waipareira, the parent company of Whānau Tahi Limited is an Urban Māori Authority that was established in 1984 and continues to evolve itself to meet the needs of the West Auckland community. Over time, it has developed a large portfolio of services in the justice, social, education, and health sectors and today employs over 200 people. Waipareira is considered a "thought leader" in the delivery of its services nationally and is respected as a leading voice for better outcomes for Whānau.

Appendix D: Definitions and Overview of Concepts of Social Enterprise

Social enterprise organizations (SEOs) use a profit-maximizing approach to solve society's challenges and help improve individual and community well-being. Despite a range of activities, organizational structure, and target populations, all SEOs take a market approach to make a social impact. The term social enterprise can be found in writings as early as the 19th century; however, it did not start to be used as an organizational strategy term until the 1990s. It was not until the early 2000s that SEOs started to emerge, with a large boom occurring during the 2007-2008 financial crisis.

SEOs target hard-to-serve populations to help remove barriers to self-sufficiency by offering opportunities such as employment, housing, or mental and physical health services. Various strategies such as workforce training, job placement, microfinancing, literacy resources, and offering affordable health services are just some of the approaches used by social enterprises in pursuing their missions. One of the most common social enterprises includes the Work Integration Social Enterprises (WISEs), which focus on gainful employment for those with few job qualifications.

Another term used to describe social enterprises is hybrid organizations; they are coined as hybrid because of their ability to balance operating in the spheres of both business and social missions. One of the biggest challenges that hybrid organizations encounter is producing a product or service that appeals to customers, while also considering the financial needs of their beneficiaries. This can create an obstacle in identity, as the two different stakeholders may have competing priorities.

Another challenge that social enterprises encounter is how to measure success. Should it be measured by profit or social impact? Many contribute the inconsistencies to the rapid rise in popularity of social enterprises in the different sectors of business, non-profit, and government. Defining concepts such as "profit" and "social impact" may vary between sectors, creating discrepancies in understanding how their success should be measured.

While SEOs operate across the world, the Thomas Reuters Foundation recently ranked the U.S. as the best country in which to be a social entrepreneur or operate a social enterprise. Rankings were based on government support, ability to attract skilled staff, public understanding, ability to make a living, growth of these organizations, and access to investment. These conditions allow many U.S.-based SEOs to emerge and become successful.

SEOs help by offering alternative social welfare solutions where traditional market forces underserve or overlook at-risk populations. SEOs are unique because they use capital investment to create a social benefit and revenue, which allows the organizations to be self-sufficient. In fact, if the social enterprise is operating in a perfect framework, the organization should be completely financially independent. This is different from a traditional non-profit, which relies heavily on grants and donations to continue to provide a social service that produces no additional revenue which can be returned to the organization.

One misconception that occurs around social enterprises is that they all exist only as non-profit or for-profit organizations. In fact, a social enterprise can be non-profit, for-profit, or cooperative. Organizations often fit in one category or another for tax classifications, which is not indicative of their financial framework.

Goodwill Industries is an excellent example of a social enterprise. Founded in 1902, this SEO employs and provides job training to low-income people in an effort to provide economic self-sufficiency. In addition to helping employ individuals, Goodwill Industries also makes a positive environmental impact by creating a place where people can donate used goods, instead of the items ending up in a landfill. Goodwill Industries has over 2 million employees and generates $4.6 billion (86% of its budget) through its products and services, which allows the organization to be almost completely financially independent.

Social entrepreneurship, though often used interchangeably with social enterprise, carries its own distinct definition. The Skoll Foundation defines a social entrepreneur as someone who is "society's change agent: a pioneer of innovation that benefits humanity." Social enterprises can be social entrepreneurs; however, classifying one does not mean a classification of the other.

Social enterprises are a key solution to helping resolve social problems in the future. While traditional non-profits provide services that are vital to communities, with limited resources and populations continuing to grow, they are often not sustainable. Social enterprises can provide the same services but incorporate revenue-generating areas, which are funneled back into the organizations, allowing greater long-term self-sufficiency.

Annotated Bibliography

Battilana, J., Sengul, M., Pache, A. C., & Model, J. (2015). Harnessing productive tensions in hybrid organizations: The case of work integration social enterprises. *Academy of Management Journal*, 58(6), 1658-1685.

Social enterprises have been on the rise in the last 10 years. This article looks at what factors influence social enterprises or "hybrid organizations." Social enterprises are "hybrid organizations" because of their ability to work in both spheres of charity and business. When organizations are faced with prioritizing two different stakeholders, such as customers and beneficiaries, theorists believe the organization will tend to favor the customers' needs because of the financial contribution they provide. To investigate this theory as it applies to social enterprises, the authors look at Work Integration Social Enterprises (WISEs) and their ability to enhance job markets and balance the relationships between their stakeholders.

Two drivers that contribute to successful WISEs are social imprinting and economic productivity. Social imprinting is defined as "the founding teams' early emphasis on accomplishing the organizations' social mission," and economic productivity is defined as "a WISE's overall turning inputs into economic outputs." If these two factors are balanced, they have the ability to counteract the tendency to put customers at a higher priority than their

beneficiaries. The results conclude that although social imprinting strengthens the relationship of social performance, it also can weaken economic productivity.

Cooney, K. (2016). Work Integration Social Enterprises in the United States: Operating at the nexus of public policy, markets, and community. *Non-profit Policy Forum* **7(4), 435-460.**

Work Integration Social Enterprises (WISEs) target disadvantaged populations such as those who are homeless, recently incarcerated, or welfare recipients. WISEs employ the most vulnerable and unskilled populations and have the unique challenge of competing with similar companies that have a more skilled workforce. Often, WISEs who employ disadvantage workers have to use social subsidies or grants to keep their organizations intact.

This article examines the history of the WISE model and how they currently work in the arenas of job training and employment. The WISE sector has continued to evolve over time to meet the changing labor market, and the article highlights three varying WISE case studies to show how organizations use different policies and cultures to tackle changing climate and maintain success.

Doeringer, M. F. (2009). Fostering social enterprise: A historical and international analysis. *Duke Journal of Comparative & International Law*, **20, 291-329.**

The United States is fostering an increase of social enterprises by allowing registration of Low-Profit Limited Liability Companies (L3Cs). L3Cs are a legal filing by an organization that allows them to attract private investments and philanthropic capital to provide social change. This article proposes that the government should continue to create policies that promote social capital and educate the public on the benefits of social enterprises. Since Belgium and the UK created legal forms similar to the L3Cs which helped increase the number of social enterprises many years ago, the paper also examines any lessons that can be learned by these countries' implementation experience.

U.S.-based social enterprises face the same problems that Belgium and the UK faced, including: the need for more social capital, a legal form, and governmental support to promote social enterprises emerging in the U.S. economy. For social enterprises to be successful, these organizations need buy-in and capital from the government and increased public awareness of what a social enterprise is and how its community benefits.

Jilenga, M. T. (2017). Social enterprise and economic growth: A theoretical approach and policy recommendations. *International Journal of Academic Research in Accounting, Finance and Management Sciences*, **7(1), 41-49.**

Social enterprises make major impacts on local economies because of their focus on social impact while being more self-sufficient than non-profits. Although the definition of social enterprises is broad and often different depending on the source, there are many keys factors that make up a social enterprise, such as: having a social or environmental mission, how it generates and uses its profits, and the presence of accountability and transparency.

Empirical studies from around the world have shown that the higher the level of entrepreneurship and social capital a social enterprise has, the higher the economic impact. Overall, it appears that social enterprises have a positive economic impact in the world. Social enterprises not only address communities' social challenges, but add innovation that helps hard-to-serve individuals gain self-sufficiency.

Short, J. C., Moss, T. W., & Lumpkin, G. T. (2009). Research in social entrepreneurship: Past contributions and future opportunities. *Strategic Entrepreneurship Journal*, *3*(2), 161-194.

This article discusses how the lack of consensus for a common social enterprise definition inhibits the amount of constituent research on the subject matter. Although most would agree that a social enterprise is a social-focused organization that pursues a financial success, questions still exist over the meaning of "social-focused organizations" and how they qualify as a financial success.

The authors examine if the current inconsistencies in a framework and definitions of social enterprises are sufficient enough to conduct reliable research, or if a more concrete framework is needed. There are many schools of thought on social enterprises that need to be examined to understand the range of framework definitions.

- **The EMES Network:** "organizations with an explicit aim to benefit the community, initiated by a group of citizens and in which the material interest of capital investors is subject to limits."
- **The Spectrum School:** "many combinations of profit-making and social purpose exist between unfettered profit-making business and pure devotion to a social mission."
- **The Social Innovation/ Entrepreneurial School:** "takes innovation as its central focus, arguing that social enterprises are created by Schumpeterian social entrepreneurs who employ market and non-market means to achieve some combination of material and social goals by implementing new ideas and disruptive innovations."

Smith, W. K., Gonin, M., & Besharov, M. L. (2013). Managing social-business tensions: A review and research agenda for social enterprise. *Business Ethics Quarterly*, *23*(3), 407-442.

One of the biggest challenges that social enterprises face is maintaining a delicate balance of business models and social missions. Managing an organization like a business that is being driven by the passion and values of a not-for-profit can cause tension and barriers due to the inconsistencies in values and identities. The report follows Smith and Lewis', "Organizational Sustainability: Organization design and senior leadership to enable strategic paradox" categorization of tensions as it applies to social enterprises.

- **Performance**: Analyzing performance goals can create tensions when the goals are measured by different metrics. A social mission's focus may be measured by impact in social change. These measures are often ambiguous and difficult to measure. Business model goals are often geared towards profitability and growth.

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- **Organizing**: Organization of companies can vary greatly depending on if they are social- or business-focused. Staffing, culture, and financial legal filings can cause tension in social enterprises.
- **Belonging**: Identity can be a challenge when weighing profit versus social impact. In addition, balancing stakeholders such as founders versus customers can create some tension.
- **Learning**: Social-focused organizations can assess profitability over a short term but cannot always see the social impact until a longer period of time has passed. In addition, the challenges of a growing organization can change the impact and more local focus, which affects the success of the company.

The concept of a social enterprise is extremely diverse and more difficult to define than non-profits and businesses, because it includes both of those sectors. The authors believe that looking at social enterprises as a "zoo" metaphor, as opposed to individual animals, is the best approach when researching this topic. By understanding the different schools of thought and classifications, organizations can be appropriately grouped and collaborate.