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RISE For-Profit Social Entrepreneur Report:

Balancing Markets and Values

Catherine H. Clark
and Selen Ucak

March 2006

Partners

RISE is a project of Columbia Business School. The Eugene M. Lang Center for Entrepreneurship and the Social Enterprise Program directly support RISE within Columbia Business School.

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Letter from the Director

Dear Colleagues,

Nearly four years ago, the Research Initiative on Social Entrepreneurship (RISE) was formed at Columbia Business School to study and disseminate knowledge about the markets, metrics and management of for-profit and nonprofit social enterprise. Sponsored within Columbia Business School by the Social Enterprise Program and the Eugene M. Lang Center for Entrepreneurship, RISE deepens learning opportunities for students and practitioners by focusing on key issues in current practice of social enterprise, social investing and social venturing.

Our first report, RISE CAPITAL MARKET REPORT: The Double Bottom Line Private Equity Landscape in 2002/2003, described the landscape of capital available for early-stage for-profit ventures that aimed to produce social and environmental value for society as well as financial returns to shareholders. The responses to this work were very positive. Many entrepreneurs, in particular, told us that we had saved them hours of work in locating investors and understanding their investment criteria. The pool of investors we studied was mostly quiet, and mostly known only to small subsets of the population. We thought by exposing them to more people, it might ultimately help more money flow to social venture entrepreneurs.

But we also had a hunch that this was not the whole story. We know that talking to investors is not the way to understand the forces that drive entrepreneurs. Our new project aimed instead, to study for-profit social entrepreneurs directly. And to do it in a cohesive way, as has not been done before in an academic setting. Our goals were to survey and study the Chief Executive Officers (CEOs) and top managers of emerging for-profit social ventures around the U.S., to understand what kinds of social value they were creating, what challenges they faced, what successes they had had, and what kinds of financing and help they needed to grow and succeed. We hoped this work would help the larger community of interest forming around the idea of social enterprise to learn more about what really works and what doesn't when it comes to creating social value through a for-profit form.

In close collaboration with Investors' Circle (IC) during a project funded by the Marion Institute, we agreed to pursue a new research initiative focused on forprofit social entrepreneurs. Together, we approached Social Venture Network (SVN), and formed a three-way partnership. IC is the largest national network of investors concerned with increasing the flow of capital to entrepreneurial companies that address social and environmental problems. SVN is a peer-to-peer network of socially responsible business leaders and social entrepreneurs. Together, we pooled our contacts, questions and expertise, and raised funds from several other foundations, including The Rockefeller Foundation and the Omidyar Foundation, now called Omidyar Network. We are quite grateful to all our partners and sponsors for the generous support, especially Investors' Circle, without whom the project would not have been possible.

We also engaged several teams of students at Columbia Business School to work on the project. Special thanks and gratitude go to all of them, listed in the credits section of the report, but especially to Carol Sterlacci, who helped lay out key parameters of the project. We released our survey in spring 2004 to more than 3,000 social entrepreneurs, with an encouraging note from Gary Hirshberg, CEO of Stonyfield Farm. We are grateful for his support and leadership.

In addition to this new report, we have also created a Social Venture and CEO Directory. The directory is a free online resource for anyone wishing to locate the ventures and entrepreneurs in this study and a few others we met along the way. This directory, this report and several accompanying documents are also available in PDF form online, at www.riseproject.org.

I have one more very important person to thank. That is Selen Ucak, a student in the very first Social Entrepreneurship course I taught in the fall of 2001 and later my teaching assistant for the class, who was formerly the president of Columbia's Net Impact chapter, an organizer of the Global Social Venture Competition, a Program Officer at the Tiger Foundation in NY, and currently an international philanthropy consultant. She joined this project late in the process when a window of her time miraculously opened up, and has added immeasurable value as co-author and friend. I hope some of you will get to work with her as I have.

We very much consider this report a work in progress – and we invite feedback from readers. We hope this report will spur further thinking and refinement to what we can do to help this special breed of entrepreneurs, those working to create value for shareholders and positively affect our communities at the same time. Surely, they deserve our admiration and support.

Sincerely,

Catherine Clark, Director, RISE, Columbia Business School
New York, March 2006

I. Introduction

Over the past 30 years, we have witnessed the evolution of a new breed of company: the **for-profit social venture**. Popularized by pioneering social entrepreneurs such as Ben Cohen and Jerry Greenfield of Ben & Jerry's, Anita Roddick of the Body Shop, Jeffrey Hollander of Seventh Generation, Gary Hirshberg of Stonyfield Farm, Paul Newman of Newman's Own, and many others, the social venture seeks to effect social and environmental change directly through its business. While there are more and more companies dedicated to creating positive value as part of an emerging sense of corporate social responsibility, social ventures share an intent, usually from the moment they are founded, to create social or environmental value for other stakeholders in addition to making a profit for shareholders and owners. In addition, these ventures are often able to define their potential or actual social impact in tangible ways.

This first-of-its-kind exploratory study aims to take a snapshot of the landscape of U.S. for-profit social ventures, focusing on emerging companies that started within the past 30 years.

This emerging segment of the for-profit sector, however, is fragmented in many ways. Social ventures operate in all regions of the country, and span diverse sectors of the economy, including entertainment, consumer products, healthcare, education, media, and energy. They differ in their methods of creating social or environmental value: some deliver a socially aligned product or service, some have socially responsible employment, sourcing, operational, or investing practices, some donate profits to charity, and some use a combination of these vehicles. Many actively participate in the growing social entrepreneurship community through membership organizations, whereas others identify themselves more closely with the industry of their business. One of the goals of this study is to evaluate this diverse group as a whole, and thus allow industry observers to understand the breadth of this field.

Participants in our study were CEOs and top managers of for-profit enterprises who had identified themselves as social ventures over the past 10 years by participating in one or more of the several national and global groups that focus on social ventures. Our sample of 3,000 target CEOs included those who had applied to present at an Investors' Circle venture fair,[1] had become a member of the Social Venture Network,[2] or had applied to compete in the Global Social Venture Competition.[3] Two of our three sources specialize in very early-stage companies, which historically have high failure rates. Given that most of the companies in the sample were not likely to be sustaining enterprises, we expected about 100 responses. We received over 300 responses in mid-2004, before applying our other criteria: the companies had to be younger than 30 years old, and have at least one office in the U.S.

What does it mean to be a social venture CEO? According to the 211 company managers in our final sample, it means:

- having a **commitment to creating some sort of positive social value** as part of your regular business practice;
- having an **articulated definition of your mission** that if you wish, can be shared with key stakeholders, including customers, employees, suppliers, investors, and policymakers;
- adopting **specific operational practices within the business** as levers to create social value, so the mission is not just talk;
- working constantly to **refine your commitment to social outcomes** alongside the challenges of running a successful for-profit company.

This is not a scientific sample. We selected the pool from a group of self-selected CEOs and then a subset of those CEOs volunteered to participate. There are clearly many other companies that are household names that could be considered social ventures, like Newman's Own or Patagonia, and many that are unknown to us, which were not part of our invited sample.

According to the CEOs, some of the difficult aspects of running a social venture include:

- struggling with the **best definitions and labels** for a socially committed venture, and deciding when to use your mission to educate and connect with people and when to avoid doing so;
- dealing with **higher costs of some mission-related items** or practices;
- **raising money** from people who may or may not "get" your commitment to social mission, and finding it frustrating to raise enough money from those who do;
- **helping customers appreciate company values**.

And some of the advantages include:

- **inspiring the best and the brightest** and creating very deep loyalty among employees who believe in the mission;
- achieving impacts on multiple dimensions, and really **acting in accordance with company values every day**–using business ingenuity to solve important societal problems;
- finding ways to encourage people to **use their purchasing power** alongside their political power to change the world.

The report that follows details the responses and statements from a very diverse group of people, committed to acting on their values and working to find innovative ways to blend them with their business practices. While some CEOs in the sample manage national brands, like Stonyfield Yogurt and Earthbound Farms, most run small companies working in very innovative ways to make societal impacts far beyond their size and direct reach. While the group is far from homogeneous, they share a commitment to creating change that they believe will benefit society while making sure that their businesses succeed. Furthermore, many of them do not see social consciousness as something only a few companies should or do practice. Perhaps Joshua Tosteson, president of HydroGen, a fuel cell system development company based in Jefferson Hills, PA, best sums up this encompassing view of the socially responsible business:[4]

> I think the ultimate challenge of 'sustainable business' as I conceive it, is how to undercut the compelling advantages of economies of scale with quality focused business models. In 10 years time, there will be no distinction between a 'social venture' and most major businesses -- it will be a sine qua non of business practice going forward.

Similar thoughts come from Gary Hirshberg, president and CEO of Stonyfield Farm based in Londonderry, NH, which is the world's largest manufacturer of organic yogurt:

> Don't listen to nay-sayers; determination is everything. Promise only what you can deliver and deliver on all promises. There is no such thing as a socially responsible company . . . it is a continuous improvement PROCESS and not a place . . . it is an adverb not an adjective.

II. Overview and Executive Summary

1. **Our Sample Consists of Over 200 CEOs of Emerging For-Profit Ventures:** More than 200 CEOs and top managers of for-profit companies based in the U.S. identified their companies as "social ventures" and participated in our study. The sample was also limited to emerging social ventures, which we defined as under 30 years old, and younger companies ended up more heavily represented. More than 75% of the companies in the sample operate with fewer than 25 full-time employees.

2. **Four Social Venture CEO Types:** In delineating priorities, the majority of managers emphasized social priorities or weighted social and financial priorities equally. About a third said financial objectives must come first for the social goals to be achieved. We divided the CEOs according to their priorities and how explicit they were with their customers about their social objectives into four Social Venture CEO types: Activists, Change Agents, Market Pioneers, and Market Influencers. Discussion of the types begins on page 8.

3. **Industry Segments:** Managers of social ventures reported operating in more than 25 different industries. To simplify reporting and comparison, we consolidated their companies into seven industry segments, designated by three letter abbreviations:

   AHF: **Agriculture, Health and Food**

   CPR: **Consumer Products and Retail**

   EEU: **Energy, Environmental Technology and Utilities**

   FCS: **Financial, Consulting and Services**

   MCT: **Manufacturing, Construction and Transportation**

   MEC: **Media, Education and Communications**

   SIT: **Software and Information Technology**

   Our Industry Segment Reports, which list top companies and summarize findings by segment, begin on page 28.

4. **National and Global Impact:** These CEOs have chosen to locate their emerging social ventures more heavily on the coasts than in the middle of the U.S. Different industries tend to be clustered on each coast. Although primarily regionally based, these companies frequently leverage their social impact on a national, international and global scale.

5. **Environment is the Most Popular Mission:** Improving the environment was the most popular mission or purpose identified by the CEOs, followed by improving health and developing communities. More information on mission starts on page 18.

6. **Product is the Most Popular Vehicle of Social Venture Creation:** We asked the CEOs very detailed questions about how they aim to create social value. Although most report using their main product or service as the primary vehicle for creating social change, there is a huge diversity of vehicles and combination of vehicles used. The least used vehicle is philanthropy, defined here as donations made as a percentage of profits, through the creation of a corporate philanthropy, or as matching funds for employee donations.

7. **Belief that Growth and Size Do Not Threaten Mission:** Despite the primarily small staffs of these ventures, CEOs believe that social ventures need not remain small and that they can grow big without losing the essential values of their missions or cultures.

8. **"Socially Responsible" Marginally the Favorite Term:** Only 50% of the CEOs believe social value labels like "socially responsible" help their companies succeed, while a small portion believes these labels marginalize their company. Attitudes about language differed significantly across industry segments.

9. **High Impact Commitment with Low Evaluation Expenses:** CEOs reported higher levels of commitment to social impact than impact achieved. Most CEOs evaluate their social impact using a mix of targeted anecdotes and economic data that describes dollars that their company or society saved as a result of their social value creation. Most CEOs reported spending less than 2% of their expenses (selling, general and administrative costs, or SG&A) on evaluation of social impact achieved.

10. **Past Financing Mostly Non-Institutional:** Companies have been largely financed through 2003 with money from founders, family and friends, and angel investors. While some companies have used bank debt and institutional equity financing such as venture capital, other financing alternatives unique to the social sector, such as grants and program-related investments (PRIs), have been generally much less used by these for-profit social venture CEOs. More information on financing is on page 27.

11. **Financial Performance Correlates with Company Age and the Sample is Young:** Fifty-nine percent of our sample consists of companies that are fewer than five years old, and 73% of those who reported revenues had revenues below $1 million in 2003. Another 10% had revenues over $10 million in that year. When asked about profits and profit growth, most CEOs reported losses or low profits in 2003. Additionally, between 2002 and 2003 58% experienced a decline in profits, and 17% experienced over 30% growth in profits. More information on profits is on page 26.

12. **Most Plan to Hold Companies Privately:** Most social venture CEOs plan to hold their companies privately, although there are distinct preferences per industry segment in terms of acquisition and going public as strong alternatives. Half of the entrepreneurs had plans to raise outside money at the time of the survey, which we estimate to total $100-$500 million in cash targeted. They also said they would prefer charitable grants and told us that double bottom line (DBL) investors, or those who are explicit about funding social ventures, were not necessarily an attractive source of funding.

13. **Fundraising Assistance One of Biggest Needs:** The most popular affiliate groups related to the missions of these CEOs were Investors' Circle, the Social Venture Network, and Business for Social Responsibility, which correlate to the sources we used to target survey participants. Fundraising assistance is the biggest need, but entrepreneurs also asked for greater promotion of social ventures and help with mainstream business issues.

III. Four Social Venture CEO Types

Definitions

Through our research of the 211 entrepreneurs and their for-profit social ventures, we found two primary distinctions between CEO intentions and behavior that seem linked to other factors: intended priority or balance between creating financial and social value, and outward explicitness of the CEO and the company with constituents, particularly customers, about the social value creation intentions of the company.

Based on these distinctions, we created a matrix of all CEOs answering these two questions (190 out of 211). We named the four types of social venture CEOs that emerged Activists, Change Agents, Market Pioneers, and Market Influencers. We found significant differences in the percentages of each type that evaluate their social impact (Figure 1).

Social Venture CEO Types [n=190]

	Equal or Socially Oriented	Financially Oriented
Explicit to Customers	**Activists 84** Evaluate (74%) Don't Evaluate (29%)	**Market Pioneers 47** Evaluate (64%) Don't Evaluate (36%)
Not Explicit to Customers	**Change Agents 31** Evaluate (45%) Don't Evaluate (55%)	**Market Influencers 28** Evaluate (36%) Don't Evaluate (64%)

Figure 1

Balancing Social and Financial Value Creation. There has been a lot of theoretical discussion in the field of social entrepreneurship and social venturing about the "either/or" mentality that people have about the creation of financial and social value. Jed Emerson has written extensively on the common assumption that a venture must be driven to either create financial value at the expense of social value or be philanthropic in nature and consider profits as a necessary means to nobler ends.[5] He calls this concept "zero sum dissonance" and argues that creating truly "blended value" is both desirable and possible. When we studied investment funds that focus on early-stage social ventures in 2003, fund managers were definitive: financial value and return came first for them. As investors, they could not justify investing in ideals above returns. Many reported that the toughest lesson they had learned was not to fall in love with the social side and overlook the fundamental business drivers and risks of their investments.

When we asked managers in this survey to choose a statement that best describes their company's balance in the creation of financial and social value, we emerged with a different picture. By and large, managers believe that it is possible to have it all: about 60% emphasized that social value was as important or more important than financial value. They agreed with the statement: "[My company is] a for-profit company explicitly designed to serve a social or environmental purpose while making a profit. We seek to create value for a community or society rather than just for our owners and customers." We call these Social Venture CEOs and managers "Equal or Socially Oriented," and term them Activists and Change Agents.

Some Equal or Socially Oriented CEOs described their priorities in these words:

> Social and Environmental First: Our primary goal is to serve our social and environmental mission. The generation of profits is sought only for the purpose of fulfilling its social goals and to insure the long-term viability of the company and not to bring profit to the owners.

> We are a for-profit company explicitly designed to serve a social purpose and give our profits away.

> We are a for-benefit company explicitly designed to serve a social or environmental purpose in a sustainable manner. We seek to create value for a community or society rather than just for our owners and customers.

Despite their dual goals, the other 40% of the sample told us that financial value creation and performance comes first. Most of this group, about 33% of the overall sample, selected the statement: "Although our primary goal is the creation of economic value, we actively seek commercial success in ways that respect ethical values, people, communities, and the environment. Our company may modify business practices in consideration of social or environmental issues, and also may provide resources to serve a specific social cause."

Another 4% defined social value only as it related to creating more financial value. When asked about balance, they chose the following option: "[We are] social when it makes business sense: The generation of profits is our company's primary goal, but we do create social or environmental value when it enhances profitability and makes good business sense to do so." In this study, we call these companies "Financially Oriented" and term the two types Market Pioneers and Market Influencers.

Comments from the Financially Oriented CEOs included:

> Our social objectives and financial objectives are inseparable, because everything depends on a definition of efficiency.

> We invent, develop, and market products that help people adjust their lives to be more water-efficient. The greater success we have selling our products, the greater the social value.

> The natural market niche of the product automatically generates social value.

Explicitness to Stakeholders. Another interesting finding was the level of explicitness among CEOs about their social value creation intentions with their various stakeholders (Figure 2). All of the Social Venture companies have mission statements and feel some affinity with the creation of social value for stakeholders beyond their shareholders. The stakeholders who know the least about the mission and focus of the companies are suppliers: 54% of CEOs report they rarely or only sometimes tell suppliers about their mission and 4% report they never do so. Customers are the next least informed. Employees and owners are most "in the know."

How often are you explicit about your mission to the following groups?

	Always	Sometimes or Rarely	Only When It Helps	Never
a. Employees [n=191]	86%	12%	2%	0
b. Customers [n=190]	69%	29%	2%	0
c. Investors [n=182]	74%	23%	3%	0
d. Owners [n=190]	86%	13%	1%	0
e. Supplies [n=120]	36%	54%	6%	4%
f. Partners [n=181]	73%	26%	1%	0
g. Policy Makers [n=183]	75%	22%	2%	2%

Figure 2

For the purposes of our types, we decided that being explicit to customers was the most significant difference among the companies. Two of the types, Activists and Market Pioneers, are always explicit with customers, and two of the types, Change Agents and Market Influencers, are not always explicit, but ranged from often to never being so.

The following is a brief description of the defining qualities of each type along with comments from those CEOs.

1. Activists: Socially Oriented and Always Explicit with Customers

	Equal or Socially Oriented	Financially Oriented
Explicit to Customers	**Activists 84** Evaluate (74%) Don't Evaluate (29%)	**Market Pioneers 47**
Not Explicit to Customers	**Change Agents 31**	**Market Influencers 28**

Overview. The 84 **Activists** in our sample are the most socially oriented and explicit of the groups. They are always explicit with consumers about social objectives, and when asked about Social/Financial Balance, emphasis is equal or on social goals. Of the four groups, more of them (74%) evaluate social impact, and they regularly involve and engage peers and networks of people related to their work and their mission to broaden engagement in the issues and practices they care about.

Social Value Creation. We asked companies a lot of questions about how they create social value, as detailed in the Social Value Creation Findings section of the report. Statistically, Activists are most likely to create social value by choosing a company with a product or service with intrinsic social value, by choosing suppliers for social reasons, or by emphasizing ethics with their staff. They are more likely to attempt to create value in multiple areas, while Market Influencers are the least diverse. Statistically, they are also the least likely to create social value by locating their business in a low-income area or emphasizing minority ownership. Activists are the only type with statistically significant correlation between their type and "Very High" commitment to achieving social impact. They are also the only type with significant correlation with the practice of evaluating impact.

Financial Value Creation. The average age of companies run by Activists that reported revenues is eight years old, and average revenues are $2.02 million, similar to other types. The median of revenues in 2003 is in the middle compared to other types, at $500,000. The segment has the largest percentage of companies that did not report revenues. We looked for correlations between being an Activist and producing certain kinds of profits, growth or revenues, and found none of significance.

Quotes and Impressions. Anecdotally, we see Activists as engaging and articulate, interested in promoting their values widely and in many different ways. When asked how they create social value, **Activists** emphasized:

Stakeholder Involvement and Alignment:

> It is imperative for us to do ongoing evaluation of the social and environmental impacts associated with processes, materials, stakeholders' practices, etc. We perform certification and ranking of stakeholders relative to their social and environmental performance, we reward increased transparency as well as improved performance, and we look for external input and verification.
>
> – Heerad Sabeti, President, ***transForms, FB***, a cause-related arts and décor company based in Raleigh, NC

Specialized Staff Roles and Partnerships to Create Social Value:

> ShoreBank Pacific employs a Bank scientist to work with business borrowers in the Pacific Northwest to help them improve their conservation footprint. The Chicago/Detroit bank employs a Manager of Triple Bottom Line Innovations to develop new products and services to ensure our business stretches to achieve our conservation and community development mission. ShoreBank has 5 nonprofit affiliates that extend our reach in communities beyond our ability as a for profit business.
>
> – Anne Arvia, President and CEO, ***ShoreBank***, the nation's first and leading community development and environmental bank, based in Chicago, IL

2. Change Agents: Socially Oriented and Not Always Explicit to Customers

	Equal or Socially Oriented	Financially Oriented
Explicit to Customers	**Activists 84**	**Market Pioneers 47**
Not Explicit to Customers	**Change Agents 31** Evaluate (45%) Don't Evaluate (55%)	**Market Influencers 28**

Overview. Despite their strong interest in influencing society, the 31 **Change Agents** did not report being explicit with customers or other company stakeholders about their intentions to create social value. When asked about Social/Financial Balance, emphasis is equal or on social goals. They are dedicated to change but sometimes act under the radar, choosing where and when to make their missions explicit. We found that 43% of Change Agents evaluate their social impact.

Social Value Creation. Statistically, of all the ways to create change, Change Agents are most likely to create social value by using philanthropy, either by making philanthropic donations from company profits or by providing matching philanthropic donations. They are also the least likely to create social value by emphasizing the intrinsic nature of their product or service, encouraging lower price points for wider distribution, or using company brand space for issue advocacy. Statistics do not, however, capture the variety of strategies employed by Change Agents to make a difference. The segment includes companies producing certified organic products, water technologies for the poor, clean energy, pollution control and fuel cell companies, and several companies that aim to help businesses and individuals make investment and other economic decisions in concert with their values.

Financial Value Creation. The average age of Change Agent-run companies that reported revenues is 8.4 years old. The average revenues are $2.7 million, similar to other types. The median of revenues in 2003 is the lowest compared to other types, at $175,500. We looked for correlations between being a Change Agent and producing certain kinds of profits, growth or revenues, and found none of significance.

Quotes and Impressions. Some Change Agents believe it is a mistake to insist on mission when their products have qualities that suffice to drive sales. Thus their customers may be unaware of the breadth of their mission, for example, the diners at a Change Agent's award-winning organic restaurant or the customers of a Change Agent's hydrogen fuel cell company. Anecdotally, Change Agents are values-driven in culture and sophisticated in value-creation techniques. When asked about how they create social value, **Change Agents** emphasized:

Creating Value through a Primary Product or Service:

> We design and manufacture products that reduce energy consumption. Currently, our solar-powered trash compactor reduces fuel consumption of garbage trucks, reduces litter, and improves recycling economies.
>
> – James Poss, President and CEO, ***SeaHorse Power Company***, based in Somerville, MA
>
> We own and operate a 250-acre medicinal herb farm and a 40,000 sq. ft. herbal processing facility that is fully Certified Organic by Oregon Tilth/USDA. We follow stringent validation guidelines for the ethical and ecological sustainability of our wildcrafted herbal materials.
>
> – Ric Scalzo, CEO, ***Gaia Herbs***, based in Brevard, NC

Creating Value through Philanthropy and Employment:

> We provide environmentally friendly pest control alternatives and continue The Doe Fund's mission by providing an alternate source of operating revenue to aid in the fight against homelessness and drug addiction.
>
> – Isabel McDevitt, Director, Business Development, ***Pest at Rest/The Doe Fund***. Pest At Rest is a subsidiary venture that provides pest control services for private and non-profit agencies and serves as an apprenticeship for the job trainees of its nonprofit parent, The Doe Fund, based in New York, NY

Creating Value through Dedication to Organic Supply, Fair Trade, Living Wages and Wind Power:

> We buy largely from local farmers who grow produce organically and raise animals on humanely and on pasture. We buy fair trade for imported products. We pay a living wage as a minimum wage. We buy 100% of our electricity from wind power.
>
> – Judy Wicks, President, ***White Dog Café***, a restaurant focused on award-winning cuisine and social activism, based in Philadelphia, PA

3. Market Pioneers: Financially Oriented and Always Explicit to Customers

	Equal or Socially Oriented	Financially Oriented
Explicit to Customers	**Activists** **84**	**Market Pioneers** **47** Evaluate (64%) Don't Evaluate (36%)
Not Explicit to Customers	**Change Agents** **31**	**Market Influencers** **28**

Overview. The 47 **Market Pioneers** in our sample emphasize their financial goals and are always explicit with customers about their social objectives. While they are financially driven, 65% of these CEOs evaluate social impact. Many of these evaluation efforts include an explicitly external focus on influencing peers and systems. They often use facts and figures to report on impact, and they talk about influencing social or industrial systems, problems, or markets.

Social Value Creation. Statistically, Market Pioneers are most likely to create social value by encouraging pro-social company management, by encouraging the hiring of hard-to-employ populations, and by providing a product or service that provides intrinsic social value. They are least likely to create value by using the CEO platform for personal advocacy, or by openly discussing the ethical dimensions of critical business decisions in staff meetings.

Financial Value Creation. The average age of Market Pioneer companies that reported revenues is 6.6 years old. Average revenues are $2.6 million, similar to other types. The median of revenues in 2003 is next to highest by type, at $625,000. We looked for correlations between being a Market Pioneer and financial performance, e.g., producing certain kinds of profits, growth or revenues, and found none of significance.

Quotes and Impressions. Anecdotally, Market Pioneer companies are businesslike in culture and their CEOs are articulate and insightful, not just about their businesses, but often about the opportunity for their company to make a positive difference in their industry. When asked about how they create social value, **Market Pioneers** emphasized:

Using their Company to Create Systemic Change in an Industry:

> While Miasole' is financial driven, we are highly dedicated to our goal of significantly changing the economics of photovoltaics. There is deep appreciation that we can change the world for the better by achieving our goals.
>
> – David Pearce, President and CEO, ***Miasolé***, a solar cell company based in San Jose, CA

Using their Company to Make Tangible Improvements in Larger Trends:

> Our company improves quality of life for women with incontinence (20M in U.S. alone), and reduces the number of incontinence control products (diapers) in the landfill. By 2010 adult diapers will surpass children's in the landfill.
>
> – Barbara Sarkis, CIO, ***Athena Feminine Technologies, Inc.***, a company that produces products for women's pelvic and reproductive health based in Orinda, CA

Providing a Product or Service that Improves Social Outcomes:

> We remove paperwork from the process of being a teacher so that teachers can devote their time to teaching. We provide powerful new tools that gather classroom data that fuels continuous improvement in schools.
>
> – Larry Berger, CEO, ***Wireless Generation***, a wireless classroom technology company based in New York, NY

4. Market Influencers: Financially Oriented and Not Always Explicit to Customers

	Equal or Socially Oriented	Financially Oriented
Explicit to Customers	**Activists 84**	**Market Pioneers 47**
Not Explicit to Customers	**Change Agents 31**	**Market Influencers 28** Evaluate (36%) Don't Evaluate (64%)

Overview. The 28 **Market Influencers** are financially driven like Market Pioneers, but they are not always explicit with customers about social objectives. We call them influencers because they implement their social missions in ways that are quite active both within the companies, and with peers and in their communities. At the same time, many have come to believe their customers or others might be distracted or misled by their mission focus, and wish to avoid any confusion or implicit discounting in their pursuit of financial success.

Social Value Creation. Statistically, Market Influencers are most likely to create social value using internal operations as the primary vehicle, for example, by encouraging pro-social location of their businesses (e.g., in the inner city) and encouraging pro-social company hiring. They are the least likely to create social value by providing a product or service that provides intrinsic social value, or by selecting vendors or suppliers for social or environmental reasons. Market Influencers choose fewer social value creation areas than other types do. They report lower rates of commitment to and achievement of mission, and least evaluate impact achievement (38% of them report doing so).

Financial Value Creation. The average age of Market Influencer CEOs that reported revenues is 7.4 years old, and average revenues are $2.2 million, similar to other types. The median of revenues in 2003 is the highest by type, at $874,000. The group contains some very large companies, such as Earthbound Farms, which is the largest in our sample, making the mode of 2003 revenues a whopping $3.7 million. We looked for correlations between being a Market Influencer and financial performance, e.g., producing certain kinds of profits, growth or revenues, and found none of significance. Data does show however that Market Influencers as a group are the most financially successful segment.

Quotes and Impressions. When asked how they create social value, **Market Influencers** emphasized:

Dedication to Employee Training and Ownership:

> All our staff is hired locally. We conduct intensive capacity building and open book trainings. After a year in employment staff share in the profits. Our main service is to provide fresher and healthier food to school students.
>
> – Glynn Lloyd, CEO, ***CityFresh Foods***, based in Dorchester, MA

Dedication to Location and Hiring Practices:

> Our physical plant location is in a Federal Empowerment zone, and as such more than 50% of our employees come from a 3 mile radius of our facility and have not typically held a job for any length of time.
>
> – Theodore LeBow, CEO, ***CitySort***, a mailing company based in Philadelphia, PA

Philanthropic Donations Aligned with Their Mission:

> Gardener's Supply actively promotes gardening as an important way for people to make the world a better place in their own backyards, in their communities, and in the world at large. We donate 8 percent of our pre-tax profits to gardening-related initiatives.

– Will Raap, Chairman and CEO, ***America's Gardening Resource***, a gardening supply company based in Burlington, VT

Combinations of Hiring, Community-Building and Philanthropy:

> We employ persons in a very economically depressed part of Appalachia. We have enriched our community by creating a local festival. We purchase all materials with a strong commitment to regionalism. We have begun a foundation to provide much needed capital to the region.

– Craig E. Cornett, Owner, ***Frog Ranch Foods***, an all-natural salsa and pickle company based in Glouster, OH

Types Summary and Conclusions

The picture that emerges from our typology is a group of social venture entrepreneurs who approach their roles, goals and practices differently. The typology adds important texture to the stereotype of the for-profit social entrepreneur. Several key lessons can be drawn from it:

1. **Simply put, not all social venture entrepreneurs are Activists.** While we think of Ben Cohen and Anita Roddick as representative, less than half of the group that replied to our survey, or only 44% of respondents, is composed of Activists who are explicit and lead with social goals. Fully a quarter of the sample is composed of Market Pioneers, who run their companies with a dedication to financial rather than social success, but are just as willing to articulate to customers what their commitments are in the social arena.

2. **Nearly 40% of the group is not highly explicit with its customers.** Perhaps most interesting about the types is the disparity between Activists and Market Influencers. Activists believe their social value is built into the product and service of the company. They look to suppliers, and try to involve multiple stakeholders in acknowledging and helping to build their missions. Influencers do most of their mission work on an internal basis. Many work with constituents who are not aware that they are social venture entrepreneurs. This implies there may be many more socially minded entrepreneurs, quietly influencing their employees and communities, who do not see the need to identify with the term "social venture."

3. **The age of the company is not the primary determinant of its type.** We looked at average and median ages of the companies, wondering if there is a staging process, and if there are points at which a company might decide to move from type to type as it grows or changes. We considered the progression from 1 for Activists to 2 for Change Agents, 3 for Market Pioneers, and 4 for Market Influencers in Figure 1. We found examples in talking to the CEOs of bi-directional moves across this spectrum. There are CEOs who have gone from Activists to Change Agents, and there are clearly Market Influencers who hope to become Market Pioneers. Most moves, however, seem to take place within the CEO's personal sense of priority, financial or social. There are examples of founding CEOs acting in the two socially oriented quadrants on the left of typology, who are replaced by CEOs who come in and decide to act on the right, financially oriented side. The gating factors are not yet clear, but moving from Activist downward or rightward on the typology seems to be related to pressures from investors and other stakeholders not to dilute the value of the business with other factors. The gating factors

in moving up the typology from Market Influencer to Market Pioneer, Change Agent or Activist seem related to the risk of promising customers too much at the outset or not being able to attract capital consistent with the CEO's complete set of values and intentions.

4. **Nonetheless, financial success does correlate with diversity of social value created, across types.** As seen in Figure 3, Market Influencers ran the highest concentrations of companies with large revenues, especially in the $2.5 million to $3 million range. In addition, the companies with highest revenues (over $10 million) had highest positive correlation with numerous social values. In other words, the CEOs of the most financially successful social ventures reported creating the most diverse kinds of social value, even if they were financially oriented and/or not always explicit with their customers.

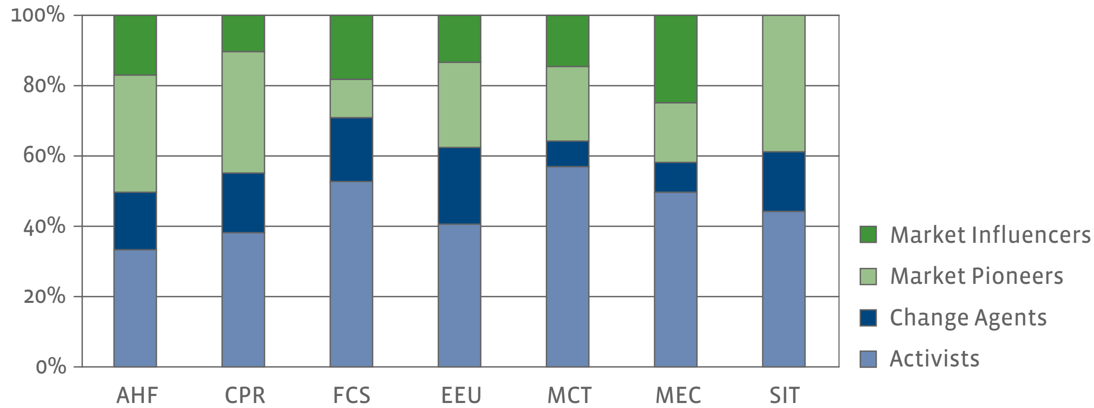
Revenues (2003) and Age of Companies by Type

	Activists	Change Agents	Market Pioneers	Market Influencers
Average 2003 Revenues of Companies Reporting				
Revenues (when response bins are averaged)	$2,026,663	$2,721,300	$2,642,947	$2,229,233
Median 2003 Revenues (same)	$500,001	$175,500	$625,001	$875,001
Mode of 2003 Revenues (same)	$50,001	$50,001	$50,001	$3,750,001
Average Age of Companies Reporting Revenues	8.0	8.3	6.6	7.4
Median Age of Companies Reporting Revenues	5.0	4.0	4.0	6.0

Figure 3

5. **Within each industry segment, there is a clear preference among CEOs to put social or equal goals over just financial goals.** Figure 4 shows the distribution of CEO types across our seven industry segments The two socially oriented types, Activists and Change Agents, in light and dark blue respectively, make up more than 50% of all industry segments, except in agriculture, health and food (AHF) where they total exactly 50%.

Social Entrepreneur Types by Industry [n=190]



AHF: Agriculture, Health and Food
CPR: Consumer Products and Retail
EEU: Energy, Environmental Technology and Utilities
FCS: Financial, Consulting and Services
MCT: Manufacturing, Construction and Transportation
MEC: Media, Education and Communications
SIT: Software and IT

Figure 4

We also note that the software segment (SIT) has the highest percentage of Market Pioneers or managers who act explicitly on their values while prioritizing financial return. The media segment (MEC) has the highest percentage of Market Influencers, and thus the highest percentage of CEOs acting implicitly on their values. Manufacturing (MCT) has the highest percentage of transparently pro-social Activists.

6. **If you believe that your product or service carries your mission intrinsically, you do not have to be explicit with customers about your mission.** A large proportion of the Change Agents believe their mission is intrinsic and therefore does not need to be emphasized with customers. Other types seem to share the notion that if much of the mission activity is intrinsic to the business, it need not be articulated to remain as or more effective than much mission talk.

7. **Yet, explicitness to customers is correlated more with the practice of evaluating impact than is a social value creation orientation.** In other words, companies that are committed to financial value first but are explicit with customers (Pioneers) evaluate their impact more often than those committed to social values but not explicitly (Change Agents). This is likely because Pioneers want to prove the claims they have made and continually engage their customers in understanding their commitment to mission.

IV. Social Value Creation Findings

What makes this group of CEOs unique is their common commitment to creating social value. This section details their thoughts on mission, how they work to create value inside and outside of their companies, and what they do to measure and communicate the value they create.

Creating Social Value: Mission Preferences

All social venture CEOs share a commitment to create social or environmental value beyond financial return in some way. We asked CEOs in which areas their companies seek to create social or environmental value, and presented a list of 11. On average, companies selected three areas. The most popular area was improving the environment, selected by 56% of the CEOs, and the next areas were health (40%) and community development (40%). Arts and media were least selected, by 11% and 9% of the CEOs, respectively.

"Other" was selected by 24% of CEOs, and included extremely diverse write-in responses including improving the nonprofit sector, improving world peace, juvenile justice, human rights, literacy, disability access, forestry, tourism, family preservation, rural enterprise and volunteerism.

Full mission statements as provided by the company CEOs can be referenced in the online Social Venture Directory at: www.riseproject.org.

Areas of Social Value Creation [n=211]

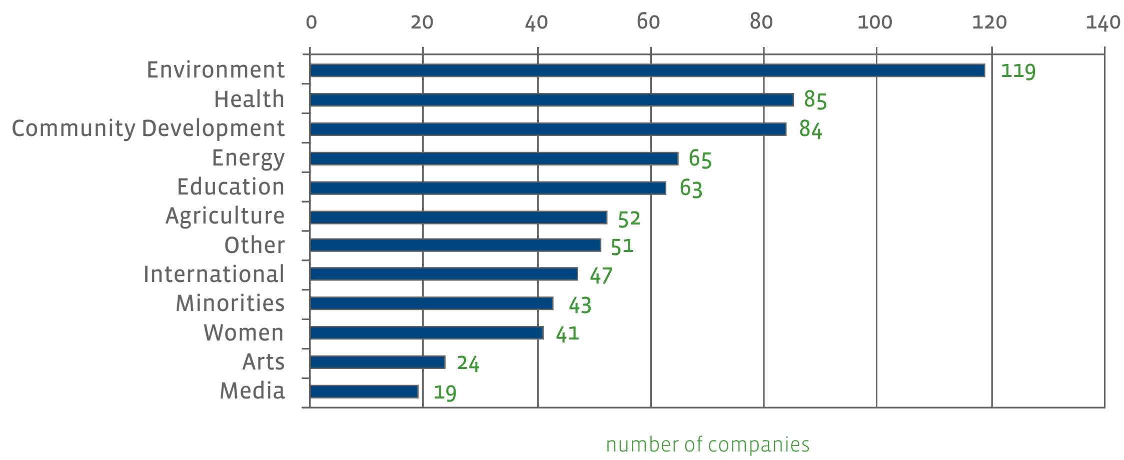


Figure 5

Vehicles of Social Value Creation

One of the most detailed sections of our survey asked the CEOs how they create social value through their companies. There is some very important work being done by Social Venture Network and others to create standards and document best practices in this area.[6] Given the ground they have covered, we decided to focus our efforts a bit differently. We aimed to simplify the vast array of options in order to create some overall understanding of trends in the ways different industries use different vehicles and perhaps provide guidance to newer entrepreneurs. We provided our CEOs with a list of five major vehicles that companies use to create social value, and asked them to indicate in much more specific ways the frequency with which they use each one. Full definitions of the vehicles are provided here to aid in understanding the summary comments in the Industry reports.

The five major vehicles are:

1. **Product/Service:** providing a product or service that intrinsically provides social value for customers, society or the environment.

2. **Supply Chain:** using the supply or distribution chain to create social value. Within this vehicle, we asked CEOs whether they:

- select vendors or suppliers for social or environmental reasons
- encourage lower price points for wider distribution, to help lower-income populations or to reach underserved markets
- actively seek to establish business relationships with minority- and women-owned vendors or suppliers
- use their purchasing power as a lever to encourage vendors or suppliers to adopt socially or environmentally responsible policies

3. **Internal Operations:** using the company's internal operations to create social value. We asked CEOs about ways to employ this broad vehicle, including:

- encouraging pro-social company management (e.g., explicit minority or women's ownership)
- encouraging pro-social company hiring
- engaging hard-to-employ populations
- encouraging pro-social company location (e.g., in the inner city)
- establishing employee ownership and pay policies (e.g., equitable pay scale, ESOP, or paying all employees a living wage

4. **Advocacy/Philanthropy:** using the company as a platform to spread messages about social change or donating dollars to achieve social change outside of the company. We asked CEOs about:

- using company brand space (packaging, point of sale) for issue advocacy (e.g., the Body Shop)
- using the platform of being a social company CEO for personal advocacy (e.g., Ben Cohen)
- making philanthropic donations from company profits
- making planned and regular company philanthropic donations through a corporate foundation or a percent promised to charity (e.g., Newman's Own or Working Assets)
- encouraging employee philanthropic contributions by matching their gifts dollar for dollar

5. **Ethics:** using ethics as a means of creating social value by:

- creating statements, committees or policies to articulate and practice ethical behavior among key constituencies
- openly discussing the ethical dimensions of critical business decisions in staff meetings

Vehicles of Social Venture Creation Findings

Most Popular Vehicles. More than 77% of the CEOs choose product/service as their primary vehicle for creating social change. For most industry segments, ethics considerations are the secondary means of creating social value, with two exceptions: advocacy/philanthropy tie for second among those working in the media (MCE) segment, and internal operations is the second most important vehicle for the consumer (CPR) and manufacturing (MCT) segments.

Least Popular Vehicle. The least used vehicle is philanthropy. While 41% of the CEOs report their company always or often makes philanthropic donations from company profits, only 34% make planned and regular donations from their company, and only 13% encourage employee contributions through company matching programs. From our statistical work with the survey data, we found that this is less an indication of views toward philanthropic donations than the age of the company. Older and larger companies practice more philanthropy. With 59% of the sample making donations only sometimes, rarely or never out of company profits, the Newman's Own kind of social venture, where there is a public commitment to charitable donations, is a very small subset of the sample we studied.

If we look at the vehicles in each of the segments, we see distinct trends in which certain vehicles appeal to specific segments:

Advocacy is most preferred by the financial services (FSC) companies.

Philanthropy is most preferred by consumer (CPR) and media (MEC) companies.

Product/Service is most preferred by environment (EEU) companies.

Supply Chain is most preferred by consumer (CPR) companies.

Some CEOs have very strong beliefs about the vehicles they have chosen to use to create social value:

On Product/Service as the main vehicle:

> The product must be of the highest quality for the lowest cost possible to the customer first and foremost. The product itself must be or bring the social value. Social value cannot be engineered apart from the product.
>
> – Connie Campbell, CEO, ***Experiencia***, an experiential educational company based in Kansas City, MO

> Social labels (double bottom line, social venture, etc.) can cloud the purpose of a venture - a company should be rooted in its product/service and its management practices. [It is] more productive and sustainable to have the 'social benefit' intrinsic in the company's product/service, or the choice of markets served.
>
> – Rezwan Sharif, CEO and Founder, ***Ferrate Solutions***, a provider of water purification technologies based in Cambridge, MA

On the importance of advocacy:

> Do something innovative and powerful enough that you are not in any way competing with 'commodity' products in your field. Hire people who share the mission because it is too much hard work for those who are just in it for the job. Invest in the process of becoming a thought leader and broadcasting that thought leadership.
>
> – Larry Berger, CEO, ***Wireless Generation***, a wireless classroom technology company based in New York, NY

And this last quote comes from a CEO whose mission includes giving 100% of her profits to charity:

> Having a social venture creates very strong brand loyalty. Social ventures are scrutinized intensely. Therefore, our auditing systems need to be impeccable. No matter how important my mission is, the single most important thing my customer wants is a really good product.
>
> – Jody R. Weiss, CEO and Founder, ***Peace-Keeper Cause-Metics***, a cosmetics company that uses all profits after taxes to support women's health advocacy and human rights issues, based in New York, NY

Impact Commitment and Evaluation

> Evaluation of impact is critical and important to extend beyond rhetoric. It is also easier than expected. Many more stakeholders are now committed to the concept thanks to regular and open info sharing of the good and the bad.
>
> – Melissa Bradley, President, ***New Capitalist***, a consulting firm for emerging and social entrepreneurs based in New York, NY

As shown in Figure 6, companies are very highly committed to their social impact (74%) but believe the impact achieved is somewhat lower, with 41% rating it "very high."

Commitment to Impact

	None	Low	Average	High	Very High
a. Your company's overall commitment to social and/or environmental impact? [n=192]	0%	0%	2%	24%	74%
b. The social or environmental impact achieved by your company [n=190]	2%	7%	12%	38%	41%

Figure 6

We asked companies whether and how they evaluate their social performance, or how well they generate the social impacts they are committed to creating. Overall, 59% of the companies responded that they do evaluate impact. The biggest differences across industry segments are in the AHF segment in which only 39% evaluate impact, and in the CPR segment in which 83% evaluate impact.

Purposes

Of those who do evaluate impact, we asked the main purpose of their social impact evaluation. Most replied it is to help manage their business better (68%), though many also said impact evaluation serves to prove their commitment to their mission (59%) and helps sell more products and services (59%).

Methods

We provided a list of methods for evaluation and asked companies how often they used each for impact evaluation (Figure 7). The most frequently used methods of evaluation across all segments are stories and testimonials (76%), comparative measures (54%), benefit-cost analysis (48%), and surveys (41%). These rates hold for most industry segments, but the benefit-cost analysis is used quite frequently in segments including environment, finance, and all manufacturing companies, and much less frequently in media, software, agriculture and consumer segments.

Methods of Social Impact Evaluation [n=116]

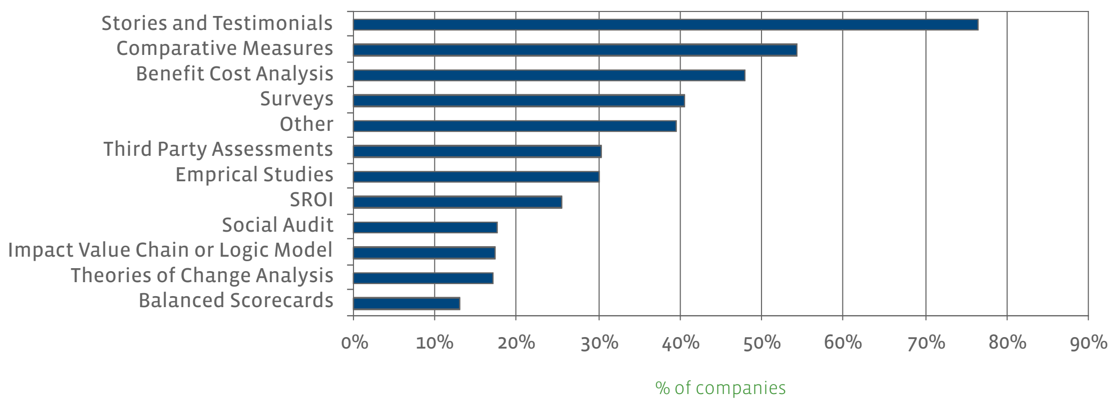


Figure 7

Among the companies, 40% cited "Other" methods, which can be broken into several categories:

"We make our own metrics." Of the companies that create internal metrics for evaluation, some choose one variable as the best indicator of their impact. Several simply said they count customers or sales. James Poss of the ***SeaHorse Power Company***, which designs and manufactures products to reduce energy consumption, said the company maintains running calculations of the pollution it has reduced. ***Heed Inc*** CEO William Kirksey said the mortgage financing company tracks income levels for the people it is trying to empower.

"We use other metrics developed in academic settings." Rodney North of ***Equal Exchange***, which is the largest fair trade company in the U.S., said that fair trade is so well studied that he regularly makes use of research by graduate students and scholars.

"We take internal measures and turn them into economic data." Alice Ray of ***Ripple Effects***, an educational software company, said the company performs scientific research studies of specific outcomes and their financial implications for customers. For example, each day of reduced truancy saves a school $35 per student per day. ***Energetics International***, an agricultural research company in Keokuk, IA, creates comparative economic models.

Costs of Evaluation

We also asked companies how much of their internal SG&A costs goes towards evaluation efforts. We found that 27% of those that answered (116 companies) said they did not know, and 38% said costs are less than 2% of SG&A. About 9% of respondents said evaluation costs exceed 10% of SG&A.

Looking across industries, there are some significant differences. Manufacturing companies, all of which include benefit-cost analysis as a tool, spend the least on evaluation, with 88% spending less than 2% of SG&A. Financial, consulting and services spend the most, with 39% spending over 5% of SG&A on evaluation.

Conclusions on Evaluation. A lot of work has been done in the past few years to explore ways to adapt different evaluation tools to the needs of emerging social ventures. Nonetheless, it appears that a lot of individual experimentation is going on, with most social ventures trying to find simple ways to assess and communicate their impact. We think it is interesting that so many companies say they are doing benefit-cost analyses, yet very few use third-party assessments or social audits. Most spend too little on assessment to be doing full-blown benefit-cost analyses, which are quite expensive.[7] We think that companies are really telling us that after great stories and testimonials, one of the most compelling ways to communicate their impact is through numbers, and that they are developing creative ways to generate economic equivalencies for their impact. We expect for-profit social ventures to generate more compelling arguments about money saved for the company and key constituents in the future.

V. Background to Industry Segment Reports

Industry Segments

Managers of social ventures reported operating in over 25 different industries. To simplify reporting and comparison, we have consolidated the companies into seven Industry Segment Reportsh summarized below.

The seven industry segments, with the three-letter abbreviations used throughout the report, are:

AHF: Agriculture, Health and Food

CPR: Consumer Products and Retail

EEU: Energy, Environmental Technology and Utilities

FCS: Financial, Consulting and Services

MCT: Manufacturing, Construction and Transportation

MEC: Media, Education and Communications

SIT: Software and IT

Notes on Industry Reports

Our seven industry reports consolidate information about the key findings in each segment. Feedback from our advisors and reviewers showed this was useful to other entrepreneurs, investors and the emerging community forming around social venturing and social entrepreneurship. Each industry report contains an overview of the type of companies we assigned to each segment, a summary of key findings, the number of companies in each segment, summaries of company ages, geographic distribution, employee size and revenue breakdowns per segment, a grid by Social Venture type, and a list of the top 10 companies in each segment by revenues reported and coded by type. The reports detail and summarize findings in three areas:

- **company culture**, which includes how CEOs in each category tend to view social/financial balance, terms and labels of choice, and the level of explicitness about their missions with stakeholders;
- **social value creation**, which includes the most popular missions in each segment, a discussion of the vehicles CEOs use to achieve social impact, and information and examples on evaluating their mission-related impact;
- **financial value creation**, which includes summaries of revenues and profits per segment, financing types and sources to date, and future plans for fundraising and exits.

The entrepreneurs offered tremendously interesting responses about their lessons and challenges, and we have included selections of these in the segment reports.

A note on information in the reports: We did not ask companies to report exact revenue amounts. The list of top 10 companies is drawn from responses to a multiple-choice question citing a range of revenues (e.g., $1-5M in revenues). We looked to profits and the number of employees to rank companies within each revenue category. As a result, rankings may not be completely accurate. Dates that follow each company name are the year of the company's founding.

Aggregate Findings

In addition to our sample survey, we report some aggregate data across industries on locations, revenues, and future fundraising, to provide important background to compare to the differences in the segment reports.

Companies by Industry and Location

The number of companies per segment in our sample ranged from 41 to 17 (Figure 8).

Number of Companies by Industry Segment [n=211]

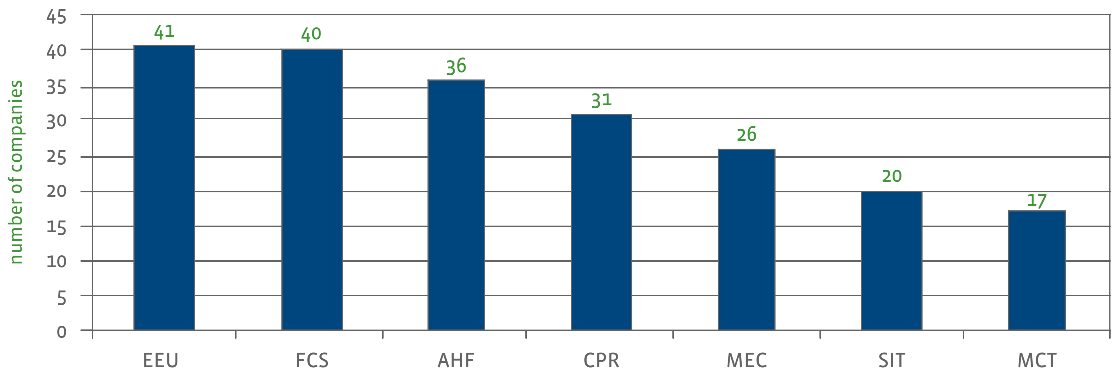


Figure 8

In looking at companies by segment and location, we learned that there is a slight clustering of companies by segment: there are more environment (EEU) and agriculture (AHF) companies on the West Coast, and slightly more financial (FCS) and consumer products (CPR) companies on the East Coast, as shown in Figure 9.

Companies by Industry and Location [n=211]

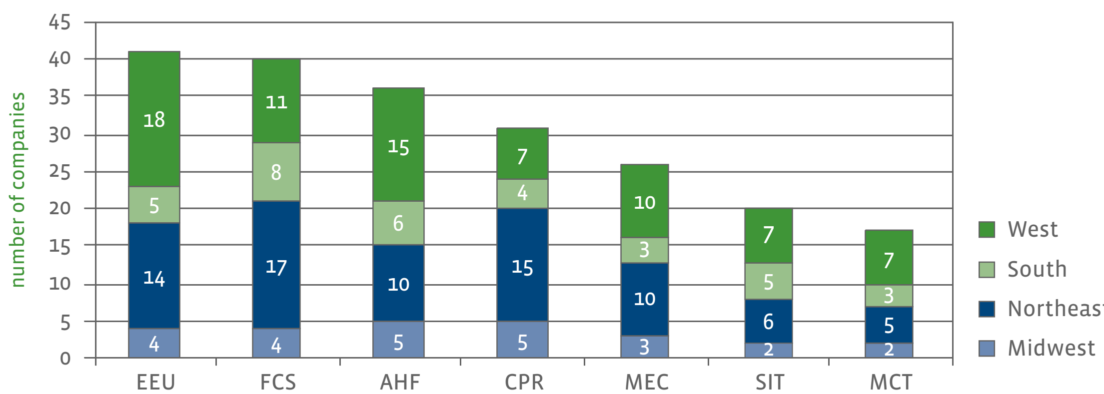


Figure 9

Revenues by Industry

The social ventures we surveyed are largely less than $1 million in size. Of the 155 CEOs that answered our question about their revenues in 2003, 72% (112 companies) reported revenues below $1 million, including a quarter of the sample (38 companies) with no revenues. The median revenue was $100,000-250,000.

The companies are young. About 59% of our 2003 sample was five years old or younger; 10% was 20 or more years old. Revenues, as expected, closely correlate with the age of the company. Among the 0-5 year old companies, 88% had revenues less than $1 million in 2003; 33% of companies over 20 years old reported revenues less than $1 million.

On the other end of the spectrum, 16 companies (10%) had revenues over $10 million, of which 10 were in the CPR segment. In fact, CPR is the highest revenue segment in the sample, with 56% above $5 million in revenues. EEU and MCT are the lowest-revenue segments with 75% and 73% of the companies under $250,000 in revenues (Figure 10).

2003 Revenues by Industry [n=155]

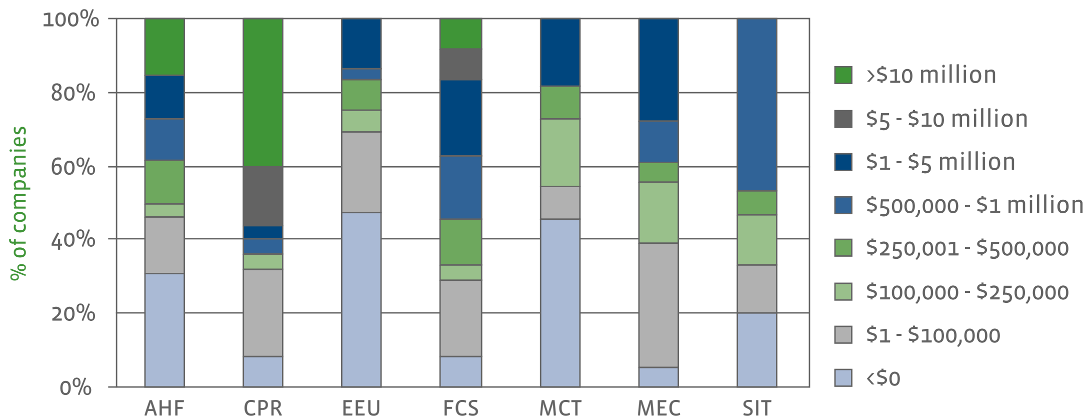


Figure 10

Financing

Social venture CEOs put their money where their mouth is. Founders' personal funds are not only the most popular source of financing (used by 79% of companies overall), but also comprise most or more than half of total funds raised for 33% of the companies. Other individual funders including friends, family and angel investors (including DBL angels) are the next most frequent source of financing. Funding from institutional investors such as venture capitalists and corporations lags significantly behind.

The majority is not planning to go public. Looking forward, the two most popular strategies of for-profit social entrepreneurs are to continue to hold their companies or sell them privately. Only 23% of the sample told us they are considering taking their companies public. Most of them were looking at a time frame of less than five years. Generally, however, entrepreneurs are not sure about the time frame of their future plans.

Most raising less than $5 million in near term. When asked about company fundraising needs at the time of the survey, nearly all CEOs reported plans to continue to raise capital. Among CPR and FCS companies, however, the percentage of CEOs that plan to raise capital is somewhat smaller. In terms of the amount of funding, nearly half of the sample plans to raise $1-5 million. The exceptions are CPR and MEC segments where most managers are raising less than $1 million.

Funding sources vary greatly. As for the desired sources of this additional capital, answers varied across industry segments. Four industry segments (EEU, AHF, MCT and MEC) chose charitable grants as the most attractive source of future funding. Twenty-two of these companies have received charitable grants in the past, with six EEU and AHF companies receiving "most" of their funding through grants. For FCS companies, organic growth through retained earnings is the most attractive option, while the most attractive sources of future funds for SIT companies are DBL investors and for CPR companies, equity angel investors.

Most find DBL investing unattractive. Interestingly, DBL investors are a "very attractive" source of funding for more than 50% of the companies in only two segments—SIT (73%) and CPR (60%). In other segments, 30-48% of companies find DBL funding "very attractive." Comments by a minority of entrepreneurs indicate that the DBL-funding market is not always rational in its evaluation of social ventures and their viability, and that the ideals of DBL-focused investors have not always been matched with real investment dollars or skills:

> Potential investors do not know how to evaluate our market or viability. There is no rational capital market out there; even with companies and angels that say they invest in social ventures.

> [One of our challenges is] attracting socially-responsible investors with board-level skill sets which are comparable to our venture investors and for-profit investors.

> The socially responsible investment scene likes to applaud and encourage but is not very eager in actually investing (hence being stuck with 'serious' investors) - we have attracted a little bit of capital from idealistic individuals, but the vast majority stems from profit-oriented investors.

VI. Industry Segment Reports

AGRICULTURE, HEALTH AND FOOD

OVERVIEW

The Agriculture, Health and Food (AHF) segment consists of companies that develop and market eco-friendly agricultural products; wholesalers and retailers of organic, sustainable crop, livestock, and other produce; pharmaceutical and biomedical technology companies; providers of innovative medical services or products; producers and marketers of packaged foods and personal care items made from organic agricultural products; and food service businesses.

Summary. This segment is mostly West Coast-based. More than 66% of the companies are explicit with their customers about their social mission. The majority of AHF companies (especially organic companies) are concerned about price competitiveness given their costly suppliers. They are dedicated to employee ownership, but as a group are not as dedicated as other segments to impact evaluation. They are able to access institutional financing, and aim to grow into large companies that can position themselves well for acquisition.

Number of Companies in Sample: 36

Average Age: 9 years

Headquarters Location

West	42%
Northeast	28%
South	17%
Midwest	14%

Staff Size

25 or fewer full-time employees	75%
26-250 employees	22%

2003 Revenues

Number of Companies Reporting Revenues: 26

No Revenue	31%
0-$5 million	54%
$5-10 million	0%
Above $10 million	15%

AHF Company Growth 2002-2003 [n=20]

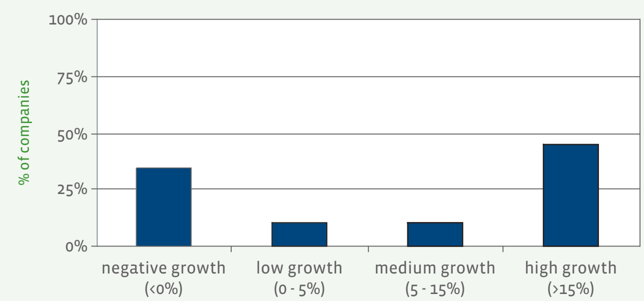


Figure 11

Type Breakdown

Activists 33%	**Market Pioneers** 33%
Change Agents 17%	**Market Influencers** 17%

Figure 12

Top 10 AHF Companies by 2003 Revenues

1. Earthbound Farm — San Juan Bautista, CA, 1984
2. Niman Ranch — Oakland, CA, 1975
3. Stonyfield Farm — Londonderry, NH, 1983
4. Gaia Herbs, Inc. — Brevard, NC, 1987
5. White Dog Cafe — Philadelphia, PA, 1983
6. CityFresh Foods — Dorchester, MA, 1994
7. AgraQuest — Davis, CA, 1995
8. Frog Ranch Foods — Glouster, OH, 1994
9. Immaculate Baking Co. — Flat Rock, NC, 1995
10. VMBCLLC, The Vasclip Co. — Roseville, MN, 2001

COMPANY CULTURE

Social-Financial Balance. When asked about the balance between their financial and social goals, the managers of the companies in this segment report prioritizing financial goals at a greater rate than the overall sample.

One of the interesting issues that emerged was the struggle within organic food companies to deal with price competitiveness, given the often higher prices paid to suppliers. We found that 57% of AHF managers believe at least somewhat that the social/environmental mission of their companies has a negative impact on their price competitiveness.

> With the pressures placed upon the company to be profitable, improving margins often requires renegotiation with the supply chain. The challenge is to maintain sustainable prices for everyone in the supply chain, especially the farmers. We will not have an impact on converting U.S. agricultural acres from conventional to organic if it is not economically feasible for them to change production practices.
>
> – La Rhea Pepper, President, ***Organic Essentials***, a personal product company focused on organic cotton

> [The primary challenges to our business] are a combination of two factors—first, we pay high costs for organic and completely natural ingredients, so our products cost more but second, we compete with brands that sell cheap products at big margins, enabling them to use extensive advertising to seduce consumers into believing that they can get quality for low prices.
>
> – Gary Hirshberg, President and CEO, ***Stonyfield Farm***

Labels. When identifying the terms they use to describe their social goals, AHF CEOs prefer “environmentally responsible” to other terms. Surprisingly, they use “sustainable” at a substantially lower rate compared with the overall segment. Of the CEOs in this segment, 64% believe that using such labels does not help their businesses succeed. And comments by several managers point out the potential of labels to alienate investors.

Explicitness. While AHF CEOs report that they are highly explicit to their various stakeholders about their social or environmental missions, they are somewhat less explicit to their investors compared with the overall sample. We believe this may be due to the developed nature of the organic and health markets compared with some of the other segments. Early stage and venture capital investors are plentiful in these industries, and most do not fundamentally focus on social ventures.

> For-profit social and environmental start up ventures need to build strong partnerships with like minded organizations from the get go to draw on existing support for such companies. The idea of environmental and social consciousness in business should be blended into the company culture.
>
> – Krishna Nadella, Co-Founder and Director, Technology, ***MicroGREEN Polymer***, a producer of environmentally-friendly plastics.

Commitment and Achievement. In response to our question about their commitment to social/environmental missions and their impact, 84% of AHF CEOs reported having a “very high” commitment. Of the CEOs, 32% described their level of impact achieved as “very high” and 35% as “high.”

SOCIAL VALUE

Missions. In terms of the areas of social value creation, 81% of the AHF CEOs report aiming to improve health, followed by agriculture (47%) and the environment (44%). Community development and education followed, with 36% and 28% of the segment choosing them as mission areas, respectively. On average, each company in the segment selected 3.2 areas of simultaneous value creation, and companies selected more areas the older they were.

Two CEOs selected all the areas we provided as possible mission areas and wrote in other goals, including animal welfare, peace and justice, youth, and drug policy reform. They were Judy Wicks, President of ***White Dog Café***, one of the oldest companies in our sample (founded in 1983), and Rinaldo S. Brutoco, CEO of one of the youngest, ***Seven Oaks Ranch***, founded in 2003.

Vehicles. Companies in this segment, like the overall sample, predominantly create value through the primary products or services they provide, which carry intrinsic social or environmental value. In addition, a larger percentage of CEOs in this segment compared with all segments report implementing consistent employee ownership programs as a way to create social value through internal operations.

Impact Measurement. While 59% of CEOs in our overall sample report evaluating the social or environmental impact of their companies, only 39% of AHF CEOs do so. Those companies that do measure their impact utilize a wide range of methods from anecdotes to empirical studies, and most spend less than 2% of SG&A on evaluation. The leading purpose of evaluation for this segment is to improve internal management of the company. In addition, more than 50% of the sample report using evaluation "to set an example to others in the field," significantly more so than for the overall sample, indicating that peers in this segment are paying attention and learning from each other. Among the examples:

According to Gary Hirshberg, ***Stonyfield Farm*** was 80% certified organic as of April, 2003. By that date, the company had supported over 20,000 acres of organic farmland in the U.S. It also supported more than 35,000 acres of Brazilian sugar, resulting in over 50 species of wildlife returned to the farmland. Stonyfield has also used more than 150 million pounds of organic ingredients, and saved hundreds of family farms by conversion. Through energy conservation in processing, the company has achieved a 41% reduction in CO2 per pound of product and a 33% reduction in energy cost per pound of product, both since 1995. This has yielded a net savings of over $1 million dollars over the past eight years, prevented 7,500 tons of CO2 from entering the atmosphere, and saved enough energy to power 800 homes a year. In 1996 the company was the first U.S. manufacturer to offset 100% of its CO2 emissions from facility energy and was the first company nationwide to register emissions reductions in a new Greenhouse Gas Registry.

Michael McConnell, CEO of ***Niman Ranch***, told us that the company's family farmers raise livestock traditionally, humanely and sustainably to deliver meat that the company reports is among the finest tasting in the world. The company measures its impact through the numbers of farmers and ranchers marketing through its system, the premiums it pays to family farmers over commodity costs, and the number of inner city jobs created at its processing plant.

Jay Friedlander, COO of ***O'Naturals***, said that his company has bought more than 1 million pounds of products (30% organic) from farmers, fishermen, and other producers since opening its doors in 2001. He reports using about 360,000 pounds of natural and organic products a year. O'Naturals also hosts weekly community nights where 10% of proceeds support local nonprofits, and provides staff with 9-11/wage plus, partial health benefits, group dental, vacation, meals and other items. The company also demonstrates environmentally friendly building techniques.

> Owning and leading a social venture company is an incentive to succeed because of the benefits that can be created from an economically successful platform. A strong social mission attracts quality investors who contribute money because of the social value and return on their investment. Personally, it is easier to get through the typical daily challenges of leading a company by staying focused and committed to the social goal.
>
> – Andrea Lyons, "Chief Executive Goddess," ***Goddess Granola***, a gourmet granola company

FINANCIAL VALUE

Performance. This is a segment with relatively large companies, including four with over $5 million in revenues in 2003. As is the case with most segments of our young sample, nearly 80% of companies reported no profits in 2003. Of the companies that reported 2003 revenues, seven reported above $1 million, including five companies more than 10 years in age.

AHF 2003 Revenues by Company Age [n=26]

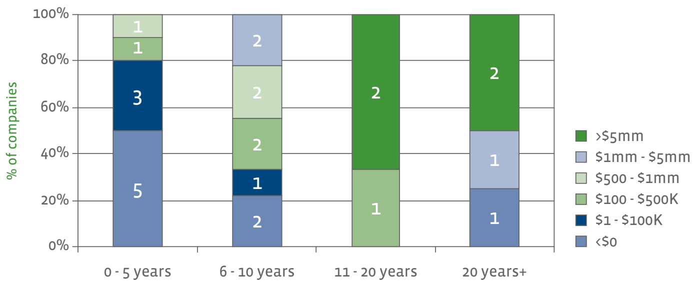


Figure 13

Financing. In terms of financing to date, equity from personal funds and angel investors has been the main form of investment, followed by debt from bank loans and grants from the government. This is the only segment in the survey in which a majority of companies have raised most of their funding from banks rather than the personal funds of their founders.

Exit Plans. AHF CEOs are optimistic about the potential of their companies to grow while keeping their social/environmental mission intact. Only 13% of this segment agree with the statement that social ventures should remain small in order to maintain their values and that being acquired or going public is a mistake. Correspondingly, the exit plan preferred by most AHF CEOs is to sell their companies. Twenty-three companies, about 92% of the CEOs that answered our question about fundraising plans, anticipate raising capital in aggregate of $86 million. The most preferred funding sources are angel investors and DBL funds; charitable grants and friends and family follow closely.

Many AHF CEOs mention the challenges of growing, raising capital, and finding and retaining skillful employees. CEOs with companies of all sizes and ages mention financing and investment as one of their most constant challenges.

Anne-Marie Corner, founder and CEO of ***Biosyn***, elaborated:

> My business is a drug development company that does not yet make revenues. Our product line is geared toward the traditional commercial markets, but also has huge value for HIV in the developing world. Finding the balance between traditional venture capital and not-for-profit funding is very difficult.

CONSUMER PRODUCTS AND RETAIL

OVERVIEW

The Consumer Products and Retail (CPR) segment consists of companies that produce and market a variety of household items (cleaning products, appliances, toys, personal care products, gardening supplies, etc.), apparel, and arts and crafts.

Summary. This segment is primarily based in the Northeast U.S. Most CPR companies (72%) are explicit with their customers about their missions, and their CEOs are nearly equally weighted between Activists and Market Pioneers. CPR CEOs prefer broad labels like “socially responsible” and “sustainable,” and are more open about their missions with their suppliers than most. They are also more reliant on advocacy and philanthropy as social mission vehicles. They evaluate mission achievement slightly more than other segments, although they spend less to do so and communicate social performance mostly through anecdotal evidence. The segment is experiencing medium to high growth, has little access to government or nongovernmental organization (NGO) funds. For the most part, CPR CEOs aim to hold their companies privately into the future.

Number of Companies in Sample: 31

Average Age: 9 years

Headquarters Location

Northeast	48%
West	23%
Midwest	16%
South	13%

Staff Size

25 or fewer full-time employees	58%
251-500 employees	10%

2003 Revenues

Number of Companies Reporting Revenues: 25

No Revenue	8%
0-$5 million	0%
$5-10 million	52%
Above $10 million	40%

CPR Company Growth 2002-2003 [n=18]

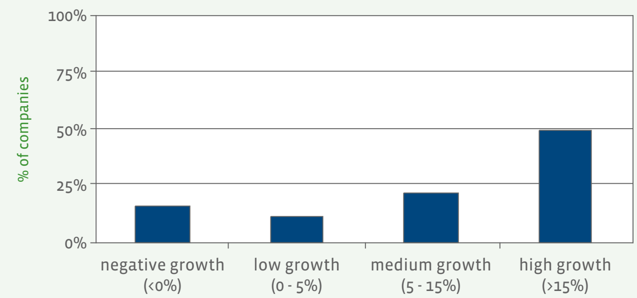


Figure 14

Type Breakdown

Activists 38%	**Market Pioneers** 34%
Change Agents 17%	**Market Influencers** 10%

Figure 15

Top 10 CPR Companies by 2003 Revenues

1. America’s Gardening Resource — Burlington, VT, 1983
2. ABC Home Furnishings — New York, NY, 1986
3. Organic Valley Family of Farms La Farge — WI, 1988
4. Tweezerman Corporation — Port Washington, NY, 1980
5. Give Something Back Business Products — Oakland, CA 1991
6. Equal Exchange — Canton, MA, 1986
7. Wild Planet Toys — San Francisco, CA, 1993
8. Seventh Generation — Burlington, VT, 1988
9. Worldwise Inc. — San Rafael, CA, 1990
10. Small Dog Electronics — Waitsfield, VT, 1995

COMPANY CULTURE

> [It is our] corporate strategy to integrate every aspect of the business to meet our environmental and health mission goals. Every decision is made in the context of the question 'does it promote a healthier and more sustainable environment, and is it what our customers and/or employees desire?' Sometimes the answers conflict, and we then work them out as a management team.
>
> – James Wiggins, President and CEO, ***Home GreenBuild***, a provider of healthy and environmentally friendly building materials

Social-Financial Balance. When asked about their priorities, CEOs in this segment lean somewhat toward financial objectives rather than social goals. At the same time, 76% percent agree (36% strongly) that they can compete on price while absorbing social and environmental costs.

Labels. These CEOs tend to be close to the mainstream in their preference of broader labels to define their social missions, such as "socially responsible," "environmentally responsible" and "sustainable." Of the entrepreneurs in this segment, 58% believe that using such labels helps their businesses succeed.

Commitment and Achievement. Of CPR CEOs, 86% claimed to have a "very high" commitment to making a positive social and/or environmental impact. However, only 54% described the level of impact achieved as "very high."

Explicitness. According to CPR CEOs, they are roughly as explicit to their various stakeholders about their social/environmental missions as companies in the overall sample. They are highly explicit to their employees, consumers, investors, owners, partners, and, to a slightly lesser degree, policy makers. The only exception is suppliers: 86% of CPR CEOs are open about their social mission with suppliers compared with 73% of the overall sample.

SOCIAL VALUE

Missions. This segment creates social/environmental value in a diverse range of areas. The top five areas are environment (74%), community development (48%), health (39%), education (39%), and international development (35%). The entrepreneurs selected an average of 3.8 areas versus 3.3 in the overall sample. Other areas include human rights, employee ownership/workplace democracy, children's health, and food and hunger. CPR is the segment that most often selected international development as an area of social value creation.

Vehicles. Compared with CEOS in all industry segments, CPR CEOs report relying more on advocacy and philanthropy as vehicles of social and environmental change. This is consistent with the opportunities that they have for direct contact with consumers. CPR companies are quite sophisticated when it comes to the vehicles of social value creation that they employ. Among the examples:

Seventh Generation is the nation's leading brand of nontoxic and environmentally safe household products. Gregor Barnum, Manager of Corporate Social Responsibility (CSR) Projects, reports that the company has created a Values and Operating Committee that focuses primarily on creating and incorporating company values into all aspects of its business. He also works to use their CSR report as a means of moving the bar of CSR commitment higher for all.

Equal Exchange, founded in 1986, is the oldest and largest for-profit fair trade company in the U.S. Rodney North, head of public information, describes its mix of vehicles for change as: 1) employee control (employee-led board and employee-led committees help set company policy); 2) open-book management, as part of larger efforts to create and strengthen workplace democracy; 3) being an outspoken advocate for more responsible sourcing policies by peers in the coffee and cocoa industries; 4) outspoken advocacy for workplace democracy and employee-ownership; 5) considerable investments in consumer education on the social and environmental issues involved in the global coffee, tea and cocoa industries; and 6) a strong internal recycling program.

Heerad Sabeti, President of ***Transforms, FB***, an arts and décor company that describes itself as a "for-benefit" company, finds it imperative to do ongoing evaluation of the social and environmental impacts associated with processes, materials, and stakeholder practices. His company performs certification and ranking of stakeholders relative to their social and environmental performance, rewards increased transparency as well as improved performance, and looks for external input and verification.

Impact Evaluation: Having made an explicit external commitment to their social or environmental mission, most CPR CEOs evaluate their impact to prove their commitment, primarily through anecdotes. Of CPR companies, 83% evaluate their impact compared with 59% of the overall sample, although they spend less. Of those CPR companies that track how much they spend on evaluation, 33% spend more than 2% of SG&A whereas the overall sample spends 48%. Examples include:

Equal Exchange, which created and still leads the Fair Trade coffee market, adheres to Fair Trade practices for 100% of its coffee, tea and cocoa imports. In 2003, this helped raise the incomes of small coffee-farmer partners by $2.2 million (17% of total revenue) beyond what they would have earned typically for these exports. In addition, the company voluntarily created a comprehensive program to provide affordable pre-harvest credits for small coffee-farmer suppliers. In 2003, the program helped provide more than $1 million in such credits.

Tarsian & Blinkley employs Afghan females who have embroidery skills but only a limited liquid market for them. According to Sarah Takesh, Creative and Managing Director, the company pays its employees approximately three times more than they would receive locally for the same quantity of work. In addition, the company promotes quality control and shows the women that what they do is appreciated and desired by Westerners. She believes this has become a point of pride for many who have been recipients of refugee aid for most of their lives.

FINANCIAL VALUE

Performance. The CPR segment has some of the largest companies in our sample. Fifteen CPR companies reported profits exceeding $1 million in 2003; all companies over 11 years old have reached revenues above $5 million.

CPR 2003 Revenues by Company Age [n=25]

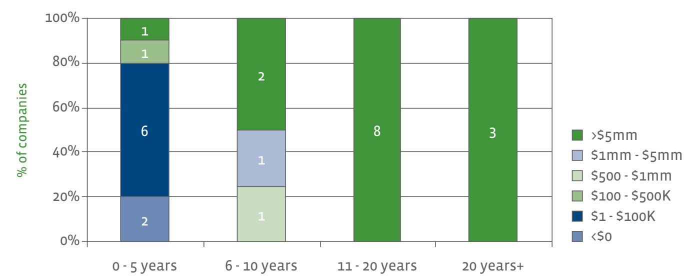


Figure 16

Financing. CPR CEOs typically report using mainstream forms and sources of funding. Of this segment, 65% report that most or more than half of their funding is in the form of equity. Debt is a distant second: only 19% of the managers report that debt is their primary form of funding.

Correspondingly, CPR entrepreneurs source their funding primarily from personal funds and, to a lesser degree, bank loans. Philanthropic forms of funding–grants and PRIs–from foundations, venture philanthropists or government are either not widely available to or preferred by this segment.

Future Plans. Fully 84% of CPR entrepreneurs agree that social ventures can grow without losing essential values and disagree that going public is a mistake. Nonetheless, they tend to be more conservative when it comes to their own companies. Of the entrepreneurs, 55% foresee holding and managing their companies privately in the future. Only 10% report an interest in taking their companies public. DBL fund investors and equity angel investors are the most attractive sources for future funding; mainstream equity funds, the least. In addition, 62% of the companies in this industry segment plan to raise additional funds; of those, 19% plan to raise between $500,000 and $1 million.

> A for-profit social venture is perhaps more challenging (or limited) than a not-for-profit in terms of funding. It is critical to be able to bootstrap and sustain financially during the start-up phase. If you are driven by challenge and have the will to succeed for the benefit of society . . .this is it!
>
> – Josef Knoff, President and CEO, ***MyNaturals.com***, a provider of earth-friendly products

ENERGY, ENVIRONMENTAL TECHNOLOGY AND UTILITIES

OVERVIEW

The Energy, Environmental Technology and Utilities (EEU) segment consists of companies that develop and commercialize innovative technologies in alternative/renewable energy, energy efficiency, recycling, and treatment of water and industrial waste.

Summary. Of the CEOs in this heavily West Coast-based segment, 87% are explicit with customers about their mission. There are nearly twice as many Activists as Market Pioneers, although the majority believes that labels like "socially responsible" are a mistake and prefers instead to put messages into mission statements. The group as a whole is dedicated to quantitative metrics to measure and report on social impacts, often in dollar terms and mostly for internal management purposes. Although the group experienced low to medium growth in 2003, they have been successful at raising money from a diverse group of sources and 97% report wanting to raise more. Ultimately, most EEU CEOs aim to take their companies public.

Number of Companies in Sample: 41

Average Age: 7 years

Headquarters Location

West	44%
Northeast	34%
South	12%
Midwest	10%

Staff Size

25 or fewer full-time employees	95%
More than 100 employees	0%

2003 Revenues

Number of Companies Reporting Revenues: 36

No Revenues	47%
0-$5M	53%
$5-10M	0%
Above $10 million	0%

EEU Company Growth 2002-2003 [n=21]

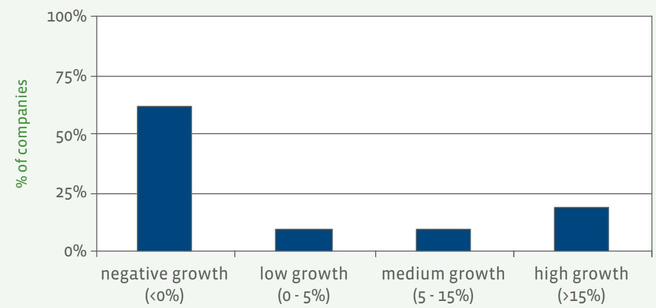


Figure 17

Type Breakdown

Activists 41%	**Market Pioneers** 24%
Change Agents 22%	**Market Influencers** 14%

Figure 18

Top 10 EEU Companies by 2003 Revenues

1. ConsumerPowerline — New York, NY, 2000
2. Econergy International — Boulder, CO, 1994
3. BioReaction Industries — Tualatin, OR, 1992
4. Community Power Corporation — Littleton, CO, 1995
5. Talmage Solar Engineering Inc. — Arundel, ME, 1976
6. EnerGenetics International Inc. — Keokuk, IA, 1980
7. Planetary Systems Inc. — Ennis, MT, 1994
8. Redwood Rubber LLC — Corte Madera, CA, 1996
9. Verdant Power LLC. — Arlington, VA, 2000
10. Protonex Technology Corp. — Southborough, MA, 2000

COMPANY CULTURE

> I call it 'capitalism plus.' To integrate, you need to operate in the playing field. You need to win in that field. So we can talk 'social venture' but, truly, we talk capitalism first, 'plus' second. Think globally, and act locally. Take care of our business, and the impact will speak for itself.
>
> – Ellen L. Batzel, President and Los Angeles attorney, ***Solar Sailor USA***, a hybrid marine power company

Social-Financial Balance. When asked about their priorities in terms of financial and social goals, CEOs in this segment lean slightly toward social objectives, primarily environmental. However, only 46% agree strongly that they could compete on price while absorbing social and environmental costs.

A common issue that emerges from comments by this segment is the role of the government through regulations that encourage or hinder environmental practices. In particular, EEU CEOs complain about the costly and inefficient regulatory permit and licensing processes. Given the high research and development costs involved in this segment, price competitiveness is especially dependent on scalability. This can be hindered by inefficient legal processes as well as by the slow acceptance of new technologies by conventional markets.

Labels. These CEOs prefer specific labels that define their industry, such as "sustainable," "environmental/pro-environmental," and "environmentally responsible." Of the entrepreneurs, 49% believe that using such labels helps their businesses succeed. On the other hand, 24% believe that the labels marginalize their businesses, versus 14% for the overall sample. In addition to the potentially negative impact of labels on investors, respondents express concern about the overuse of labels. They state that social/environmental purpose is best expressed without resorting to labels, through mission statements and actual practices.

Commitment and Achievement. Of EEU CEOs, 73% claim to have a "very high" commitment to making a positive social and/or environmental impact. Only 44%, however, describe their level of impact achieved as "very high."

Explicitness. EEU CEOs report they are highly explicit to their stakeholders, in particular to suppliers and policy makers, as a result of the fact that this industry segment is highly regulated.

SOCIAL VALUE

> It takes imagination to create products that advance social goals. This imagination makes the economic value of an enterprise more sustainable and, frankly, enhances our profit margins.
>
> – Michael Gordon, President, ***ConsumerPowerline***, a strategic energy asset management firm

Missions. The CEOs in this segment overwhelmingly report addressing environmental and energy issues, which are selected by 80% and 71%, respectively. International development and health are the next two most popular areas, each selected by 20% of the EEU companies. Correspondingly, when asked about the areas in which their companies seek to create social or environmental value, the entrepreneurs select 2.5 areas on average compared with the average of 3.3 for all segments.

Vehicles. CEOs in the EEU segment and the overall sample report that they use the same vehicles, to more or less the same degree. EEU CEOs, however, use "advocacy and philanthropy" significantly less than other segments. The segment is one of the lowest ranking in terms of choosing vendors or suppliers based on social or environmental values, but is highly interested in expanding to underserved markets.

Impact Evaluation. Of the EEU CEOs in our sample, 61% report evaluating their social impact. More rigorous evaluation methods including comparative measures, benefit-cost analysis, and empirical studies are used at a much higher level than in the overall sample. The EEU companies calculate their "environmental" impact through cost savings, reduction in emissions/pollution, and increased use/accessibility in underserved communities. Among the examples:

Kryometrix Systems has developed a new way to control and manage wildfires by integrating a state-of-the-art management control system with well-established chemistry. According to CEO Greg Ruebusch, Kryometrix's new technology, ColdBlast, is able to revolutionize the way wildfires are suppressed: the ColdBlast system fights fires 100 times faster than current methods, reduces the cost to extinguish a fire by as much as 90%, and substantially reduces environmental pollution.

Tom Faust, CEO and Managing Director of ***Redwood Rubber***, reports that the company's new devulcanization manufacturing process diverts tires from landfills and incineration facilities to recycling facilities to manufacture high value rubber products. This will reduce demand for virgin synthetic rubber, drastically lower waste disposal needs, and lower overall energy consumption in the entire rubber "cradle-to-cradle" life cycle. He estimates that each of the company's plants saves more than 600 million pounds of CO_2 a year.

According to the EEU CEOs, their top purpose for evaluation is to sell more products and services. External reasons such as "to show how missions can change market dynamics" and "to set an example to others in the field" lag significantly behind.

FINANCIAL VALUE

EEU 2003 Revenues by Company Age [n=36]

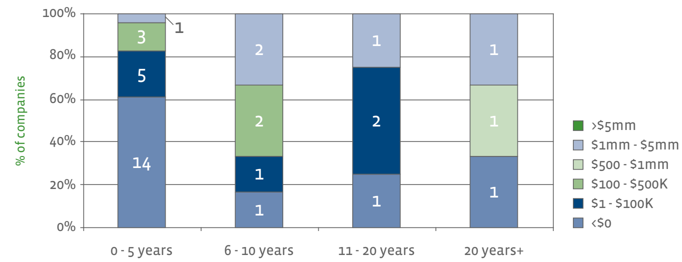


Figure 19

Performance. Revenues and profitability are both quite low in this segment. There are no companies with revenues above $5 million in 2003 and $500,000 is the maximum level of profits.

Financing. Equity has been the main form of funding for this segment, as is the case with most of the companies surveyed. EEU companies are unique, however, in their relatively high use of near-equity and grants. The segment is also unique in its use of funding sources that seem to be inaccessible to most other segments, such as venture capitalists, foundations and NGOs.

Exit Plans. A full 96% of EEU company entrepreneurs agree that social ventures can grow without losing essential values; 67% disagree with the statement that going public is a mistake. Correspondingly, more entrepreneurs foresee selling their companies or going public than would like to hold their companies privately. A majority of managers mention the perceptual risks of growth and exits when working on environmental improvement, and offere advice about how to offset them. For example, Frank Zammataro, CEO and Co-Founder of ***Rentricity***, a renewable energy and monitoring company established in NYC in 2003, recommends looking for opportunities with large, traditional firms seeking to become more socially responsible.

Fundraising needs of this segment are substantial: 97% of the companies in this segment plan to raise additional funds, preferably through angel investors, DBL funds, and charitable grants. Of those, 38% seek to raise up to $1 million, 30% from $1 million to $5 million, and 32% from $5 million to $30 million.

FINANCIAL, CONSULTING AND SERVICES

OVERVIEW

The Financial, Consulting and Services (FCS) segment consists of companies that offer banking, financial planning, socially responsible investing, and miscellaneous information services as well as consulting in a variety of areas including sustainability/corporate responsibility, philanthropy, and fundraising.

Summary. FCS companies–72%–are more densely located in the Northeast. They describe themselves as equally weighted between social and financial goals. They use a diverse set of social labels like "mission-based" to describe themselves, and most believe the labels help them succeed. They report high levels of commitment and achievement of social impact, and 95% say they achieve their mission through their primary product or service. While their revenue and profit growth rates are higher than other segments, most FCS CEOs are focused on growing without institutional investment. Most plan to hold their companies privately in the future.

Number of Companies in Sample: 40

Average Age: 8 years

Headquarters Location

Northeast	43%
West	28%
South	20%
Midwest	10%

Staff Size

25 or fewer full-time employees:	83%
Above 500 employees:	3%

2003 Revenues

Number of Companies Reporting Revenues: 24

No Revenues	8%
0-$10 million	83%
Above $10 million	8%

FCS Company Growth 2002-2003 [n=17]

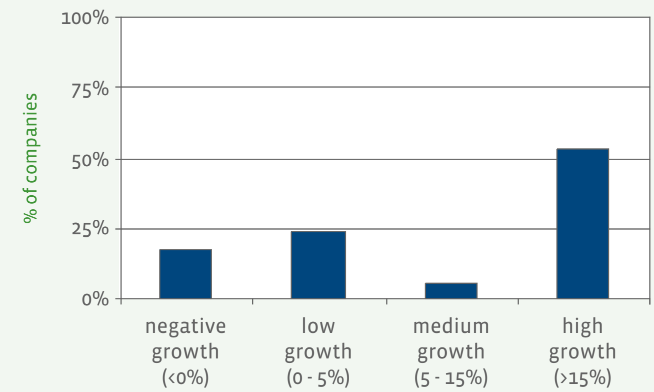


Figure 20

Type Breakdown

Activists 53%	**Market Pioneers** 11%
Change Agents 18%	**Market Influencers** 18%

Figure 21

Top 10 FCS Companies by 2003 Revenues

1.	ShoreBank	Chicago, IL, 1974
2.	Pax World Management Corp.	New York, NY, 1999
3.	Village Real Estate Services	Nashville, TN, 1996
4.	Mal Warwick & Associates, Inc.	Berkeley, CA, 1979
5.	CitySort LP	Philadelphia, PA, 1998
6.	New Capitalist	New York, NY, 1999
7.	The Service Works Company	Philadelphia, PA, 1996
8.	Care2.com	Redwood City, CA, 1998
9.	Davis Energy Group	Davis, CA, 1982
10.	MusicMatters	Minneapolis, MN, 1996

COMPANY CULTURE

Social-Financial Balance. When asked about the balance between their financial and social goals, 72% of this segment report that social/environmental and financial purposes have equal weight, which is the highest among all segments in the survey. Only 48%, however, agree strongly that they can compete on price while absorbing social and environmental costs.

Labels. The companies are also unique in their widespread use of "mission-based," "business-social venture," and "triple bottom line" terms. Sixty percent believe that using such labels help their businesses succeed.

> One can 'arbitrage' the dis-efficiencies of the mainstream to benefit the disadvantaged who are motivated to grow. One must be aggressive in 'selling' the notion that a for-profit organization is both appropriate and ideal for empowering [the disadvantaged] to make profits for themselves. There is boundless wealth locked up in the capacities of individuals and families our society has not cultivated appropriately, for a variety of reasons.
>
> – William Kirksey, Chairman and CEO, ***HEED***, a provider of mortgage offerings combining housing and enterprise development

Commitment and Achievement. Of FCS CEOs, 77% claim to have a "very high" commitment to making a positive social and/or environmental impact, and 87% report that social/environmental impact is "very high" or "high."

Explicitness. Given their positive attitudes about social ventures, FCS CEOs report they are highly explicit to their various stakeholders about their social/environmental mission.

SOCIAL VALUE

Missions. The companies in the FCS segment report that they mainly address community development (55%) and minorities and women's issues (33% each). These are significantly higher rates than in the overall sample. Environmental and energy issues are other top areas of social value creation, typically through sustainability consulting to corporations.

Vehicles. The segment reports using all vehicles for social value creation, with the exception of "ethics," slightly more than the overall sample. At least 45% of the companies use each vehicle.

Product/service is the most important mechanism to make a social/environmental impact: 95% of FCS CEOs report that they achieve their mission by providing a primary product or service that intrinsically benefits society and/or the environment. None of the FCS CEOs choose philanthropy and supply chain as the most important vehicles.

Impact Evaluation. Compared with the overall sample, the FCS segment utilizes more quantitative and objective methods to evaluate its impact, including comparative measures, benefit-cost analysis, SROI (social return on investment), social audit, and theories of change.

In an example of impact, ***HEED***'s William Kirksey reported measuring impact via the growth in net worth of those it empowers.

CircleLending CEO Asheesh Advani told us that his company has facilitated more than $10 million in loan volume for underserved clients in over 30 states. It has thus become a significant organization in the micro-finance industry.

The amount of funds allocated to evaluation by FCS companies confirms their commitment to impact measurement: 88% spend over 2% of their SG&A on evaluation versus 48% of the overall sample. The chief purpose of evaluation, cited by 91% of FCS CEOs is to change the markets in which they operate, which is significantly higher than in the 57% of the overall sample. This is perhaps explained by the very high percentage of Activist CEOs–53%–in the FCS segment.

FINANCIAL VALUE

Performance. Revenues reported by FCS CEOs vary widely. Several companies reported 2003 revenues of less than $1 million and a few, more than $5 million. The same is true for profits. Although a majority (12 companies) had no profits, 3 companies reported 2003 profits above $1 million.

FCS 2003 Revenues by Company Age [n=24]

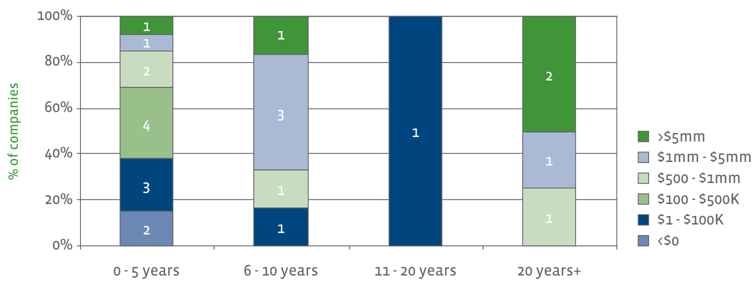


Figure 22

Profit growth for the FCS segment is somewhat higher than the overall sample: 53% of companies had positive growth in 2003 profits versus 32% of all companies in the sample. Similarly, 70% of FCS companies experienced positive revenue growth in 2003, compared with 55% of the overall sample.

Financing. Equity is the primary form of funding for this segment, sourced from founders' funds. Debt comprises most of the financing for only 8% of the segment, which is one of the lowest percentages in the overall sample.

> There is a dearth of risk capital. Very few capital providers with vision and experience exist in this space. We need to better legitimize the idea that a for-profit vehicle can achieve greater social impact in some situations. We need an accepted mechanism for showing that the company is committed to social aims (i.e., x% of profits being used for social causes, or some other standard indicators). We need to make sure that people who do this get adequate financial returns; otherwise only a few fanatically committed people will do it - and that's not enough to have the impact we are looking for.
>
> – Dennis Whittle, CEO, ***GlobalGiving***, an online marketplace that connects donors directly to social, environmental, and economic development projects around the world.

Exit Plans. Compared with the overall sample, a relatively large portion of the companies (31%) is not planning to raise funds. These entrepreneurs strongly agree that companies can grow big enough to matter without losing the essential values of their corporate cultures. They seem to prefer organic growth through retained earnings and plan to hold their companies privately in the foreseeable future. The FCS segment is among the few segments that have little interest in mainstream funding or debt/loans.

> My top three lessons are:
> 1. Leadership succession. Management is relatively easy to replace, but leadership presents a challenge. Finding a successor for the founder (me) who will advance the company's mission is a problem I haven't yet solved.
> 2. Growing the business beyond my span of control without diluting the mission or the values.
> 3. Legal and regulatory constraints that impose a counterproductive structure and distract us from serving our clients.
>
> – Mal Warwick, Chairman and CEO, ***Mal Warwick & Associates, Inc.***, a full-service fundraising firm for nonprofits

> Everything takes longer to change than you think it will. Conventional, mainstream business issues of the times take up a lot of one's energy day to day. Still, the mission is the most important factor that keeps everyone motivated.
>
> – Diane Keefe, Portfolio Manager Pax World High Yield Fund, ***Pax World Management Corp***., a socially responsible mutual fund company

MANUFACTURING, CONSTRUCTION AND TRANSPORTATION

OVERVIEW

The Manufacturing, Construction and Transportation (MCT) segment consists of companies that produce a variety of products for commercial and personal use, as well as companies that offer products and services aimed at promoting energy-efficient transportation options and affordable and sustainable housing solutions.

Summary. In the West Coast-dominated MCT segment, over 78% of the CEOs are explicit to their customers about their missions. The segment also has the smallest number of Change Agents and the largest number of Activists of all segments. That said, the segment is less explicit than the other segments with most stakeholders other than customers. A significant percentage uses SROI to measure social impact, but keeps spending on impact evaluation low. Although most MCT CEOs aim to go public, company profits and growth are low, making it a long-term prospect.

Number of Companies in Sample: 17

Average Age: 8 years

Headquarters Location

West	41%
Northeast	29%
South	18%
Midwest	12%

Staff Size

25 or fewer full-time employees	88%
Above 75 employees	0%

2003 Revenues

Number of Companies Reporting Revenues: 11

No Revenues	45%
0-$5 million	54%
Above $5 million	0%

MCT Company Growth 2002-2003 [n=6]

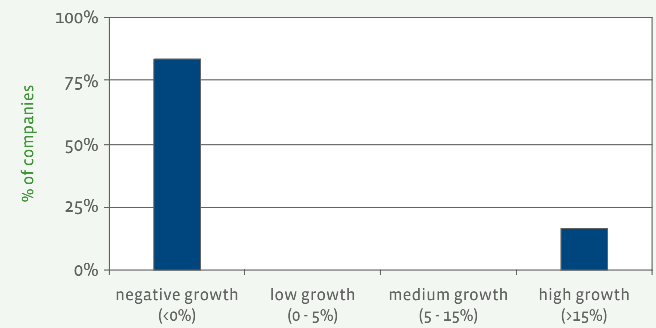


Figure 23

Type Breakdown

Activists 57%	Market Pioneers 21%
Change Agents 7%	Market Influencers 14%

Figure 24

Top 10 MCT Companies by 2003 Revenues

1. NOVA Group	Vienna, NY, 1975
2. Greentech Housing Company	Worcester, MA, 2002
3. One World Projects Inc.	Batavia, NY, 1993
4. Xtracycle Inc.	Nevada City, CA, 1998
5. Icosa Village Inc.	Berkeley, CA, 2002
6. IceStone LLC	Brooklyn, NY, 2003
7. Taxi 2000 Corporation	Minneapolis, MN, 1983
8. PYRAMOD International Inc.	Grass Valley, CA, 1993
9. Solar Ice Company	Annapolis, MD, 1998
‡10. Differential Dynamics	Baltimore, MD, 2002
‡10. Earth Pulp & Paper	Leggett, CA, 2002

‡Tied for tenth place

COMPANY CULTURE

Social-Financial Balance. Nearly half of the MCT CEOs in our sample report prioritizing financial and social goals equally, while 20% put financial goals first. Other companies see their financial and social goals as well integrated or explicitly place their social mission first. All of the CEOs in this segment believe – 44% of them "strongly" – that social ventures can compete on price while absorbing social and environmental costs.

> A for-profit social venture must outdo its competition and sustain long-term profits without relying on its status as a social venture.
>
> – Cate Han, Business Development, ***Differential Dynamics***, a producer of low-emissions transmission systems

Labels. MCT CEOs tend to use mainstream labels such as "socially responsible" and "environmentally responsible." Forty-one percent of the entrepreneurs believe that using such labels helps their businesses succeed.

> Though labeling ourselves as a triple-bottom line organization has its merits in and of itself, truly following that path takes resourcefulness, ingenuity, and follow-through. Additionally, running a socially motivated organization requires even more business acumen in a lot of ways and the nuts and bolt of the organization must be in solid shape to meet margins.
>
> – Brad Knop, CEO, ***Xtracycle***, a sport utility bicycle company

Commitment and Achievement. Ninety-three percent of MCT managers claim to have a "very high" commitment to making a positive social and/or environmental impact, the highest among all segments in the survey. However, 20% of the companies report having achieved low or no social impact.

Explicitness. Compared with the whole sample, CEOs in this segment are not as explicit to their employees, partners, or owners about their social/environmental mission.

SOCIAL VALUE

Missions. Companies in this segment primarily address environmental issues (selected by 82% of the sample), followed by community development (47%), energy (41%), and health issues (35%). Other mission areas include green building and development, and economic equality.

Vehicles. MCT companies report using many vehicles to create social value, but use internal operations, advocacy and philanthropy to a lesser degree than the overall sample.

Impact Measurement. Of CEOs in this segment, 60% report evaluating their impact, all spending less than 2% of their SG&A on evaluation. Unlike other segments, MCT companies prefer to use a mix of qualitative and quantitative methods. A significant percentage uses SROI, which is unique compared to other segments in the sample, although they tend also not to utilize other rigorous methods including balanced scorecards, social audit and empirical studies. Primary purposes for evaluation are both external and internal, including better management and proving commitment to mission. Examples include:

Xtracycle produces a sport utility bicycle (SUB) that enables consumers to replace short auto trips (e.g., grocery shopping) with bicycle trips. Brad Kopp reports that the company has devised a framework to evaluate the social and environmental impact of this substitution based on the cost of gasoline. It considers that gasoline not consumed is a savings to society and the environment. Calculating that SUB owners will forego 25% of automobile trips of fewer than two miles, Xtracycle projects a cumulative social return on investment of $250 million by 2007.

Rubbersidewalks modular rubber paver tiles are made of 100% recycled California tire rubber, which solves a serious urban conflict between invasive tree roots and concrete sidewalks. As a result, according to President and CEO Lindsay Smith, Rubbersidewalks products help preserve the urban forest while keeping tires out of landfill and preventing water from running into storm drains.

Markus F. Robinson, CEO of ***Icosa Village*** reports that his company produces a versatile, yet inexpensive shelter called PodO that is simpler to produce and assemble than large tents, domes, and many other temporary structures. By establishing local manufacturers of affordable PodO housing, the company aims to address the shelter crisis facing 54 million people worldwide and strengthen local emerging economies.

FINANCIAL VALUE

MCT 2003 Revenues by Company Age [n=11]

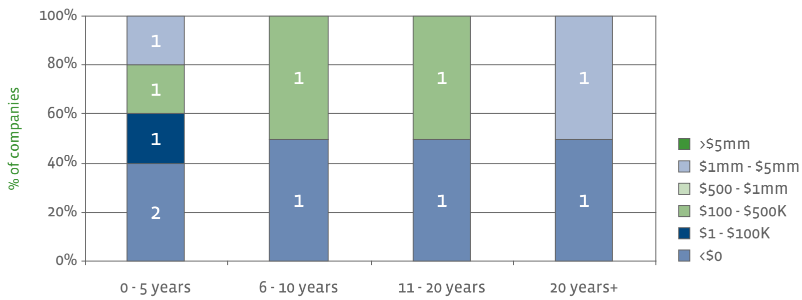


Figure 25

Performance. MCT is one of the smallest segments in our sample in both revenues and profits. The 2003 revenues were below $500,000 for all but one company under 20 years old. Only two companies overall had revenues of $1-5 million.

Financing. Equity has been the main source of funding for MCT companies. MCT companies used debt and “near equity” vehicles like convertible debt sparingly, while access to grants and PRIs is extremely limited. A small number of companies have found just under half of their funding from alternative sources, including government, foundations, NGOs, and venture capitalists.

Exit Plans. Fully 100% of MCT entrepreneurs agree that social ventures can grow without losing essential values. The segment is less interested in holding or selling privately than the overall sample. While many plan to go public at some point, only 6% expect to do so in the short term; 33% think that going public is a mistake. Ninety-three percent of the companies are planning to raise additional funds, but most prefer charitable grants, angel investors and DBL funding to debt or mainstream equity.

> Our top three challenges are:
> 1. Generating sufficient profits for both overhead costs and social projects.
> 2. Managing the excessive workload with a small staff
> 3. Helping third-world artisans and producers comply with the expectations and demands of the U.S. market.
>
> – Phil Smith, President, ***One World Projects***, a craft and commodity importer, distributor and wholesaler

MEDIA, EDUCATION AND COMMUNICATIONS

OVERVIEW

The Media, Education and Communications (MEC) segment consists of companies that develop and market educational resources (products, consulting and training) in a variety of areas, including language instruction, college preparation, early childhood development and training for the disabled, as well as corporate identity and brand development services, socially responsible media in a variety of sub-industries, and media relations support.

Summary. This segment is nearly equally weighted on the East and West Coasts of the U.S. Only 67% of CEOs are explicit with customers about social mission, and this segment is even less explicit with other stakeholders. The segment contains the largest percentage of Market Influencers (25%) of all segments. It reports lower commitment and achievement levels of social impact than most other segments. At the same time, MEC CEOs spend more on impact evaluation than any other segment, enjoy access to nonprofit, foundation and government funding, and report high growth rates and relatively high revenues for the sample. The Influencer-type CEO may benefit most from the media industry's delineation between editorial and business objectives. Only 15% of the group plan to go public as an exit strategy.

Number of Companies in Sample: 26

Average Age: 6 years

Headquarters Location

West	38%
Northeast	38%
South	12%
Midwest	12%

Staff Size

25 or fewer full-time employees	88%
Above 100 employees	0%

2003 Revenues

Number of Companies Reporting Revenues:	18
No Revenues	6%

2003 Revenues (cont.)

0-$5 million	94%
Above $5 million	0%

MEC Company Growth 2002-2003 [n=11]

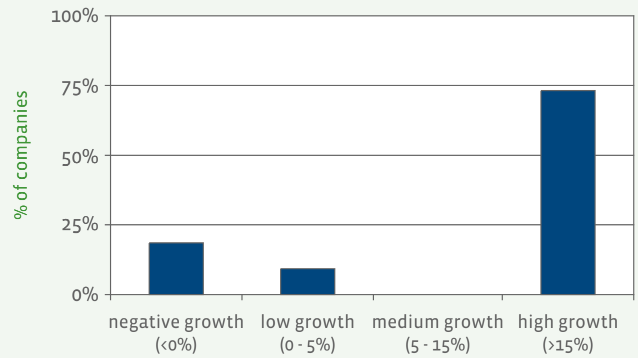


Figure 26

Type Breakdown

Activists 50%	**Market Pioneers** 17%
Change Agents 8%	**Market Influencers** 25%

Figure 27

Top 10 MEC Companies by 2003 Revenues

1. Wireless Generation — New York, NY, 2000
2. Brown & Company Design — Portsmouth, NH, 1992
3. The Crossings — Austin, TX, 2002
4. The Institution Recycling Network Inc. — Concord, NH, 1990
5. Visionary Health Concepts — Gardiner, NY, 2001
6. eFlicks Media — Boston, MA, 1992
7. AScribe Inc. — Oakland, CA, 1998
8. KDPaine & Partners LLC — Durham, NH, 2002
9. GoBabies Inc. — Oak Hill, VA, 1993

‡10. myFootpath LLC — Chicago, IL, 2000

‡10. The Peace Company — Bristol, VT, 2000

‡Tied for tenth place

COMPANY CULTURE

Social-Financial Balance. The MEC segment is split between CEOs who balance their dual missions and those who prioritize the financial bottom line over social mission. Tipping the balance towards financial goals, only 25% of MEC CEOs agree strongly that they can compete on price while absorbing social and environmental costs, versus 50% in the overall sample.

Labels. MEC CEOs use a wide range of labels to describe their social/environmental goals, and are much more committed to them than the overall sample. Forty-two percent of the entrepreneurs believe that these labels help their businesses succeed. Only 4% believe that the labels marginalize their businesses compared with 14% for the overall sample. Of the entrepreneurs, 46% wrote in responses to emphasize their indifference to labels and/or the importance of the audience when using labels. Maura White, CEO and Founder of ***GoBabies***, an internet-based resource for traveling with babies and toddlers, articulated this sentiment: "Labels don't make a difference one way or the other. It's the strategy, priorities and implementation of both which make the difference."

Commitment and Achievement. Only 46% of MEC CEOs claim to have a "very high" commitment to making a positive social and/or environmental impact, compared with 74% in the overall sample. The reported level of social impact achieved by MEC companies is also lower than that of the overall sample.

Explicitness. MEC CEOs report being less explicit than all other segments about their social/environmental mission, and especially so with their investors.

SOCIAL VALUE

Missions. The CEOs in this segment report addressing education issues primarily (62%) and to a lesser degree health (35%), community development (35%) and media (27%). Disabilities, peace, and literacy are among the other areas of social value creation reported by MEC CEOs.

Vehicles. Product/service and ethics are the top vehicles of social value creation for the segment. MEC companies use internal operations, supply chain, and advocacy slightly less than all segments as a whole.

> We try to sensitize our vendors and clients to the possibilities for sustainable practice. We do not ask our vendors to drop their prices in the interest of our values. We create goals for avoiding vendors who do not feel the same way about protecting natural resources, but do not discriminate. We are more likely to gently show our associates options in a joyful way, than cram it down their throats. We try to avoid companies that don't pay a fair wage, due to self-interest.
>
> – Martha Shaw, Creative Director, ***eFlicks Media***, an advertising and public relations firm specializing in passion branding

Impact Measurement. Of MEC CEOs, 54% report that their companies evaluate their social/environmental impact. They do so primarily for the purpose of selling more products and services: 85% versus 59% of the overall sample. Although they report mainly using stories and testimonials, they spend a significant amount on evaluation: 22% spend 5-10% of SG&A expenses on evaluation compared with 14% of the overall sample. Examples include:

Ron Wolf, President and CEO of ***Ascribe***, reports his company has greatly lowered the cost of electronic news distribution for nonprofit organizations and increased their ability to present their news to major media and public. Ascribe has also created a single source for journalists and news organizations to get up-to-the-minute news from public-sector and independent-sector institutions.

InterSchola Founder and President, Melissa Rich, says her company helps K-12 schools and school districts effectively manage the reallocation of surplus assets. By using the eBay online auction platform, the company helps K-12 schools generate new revenues, cost savings and operational efficiencies, including reduced warehouse and storage costs, just-in-time purchasing benefits and lower administrative costs.

Bill Wescott, CEO, reports that ***BrainOxygen***'s online collaboration, online learning, and knowledge management services help organizations in the Americas become more sustainable by dramatically cutting costs, increasing productivity, and reducing greenhouse gas emissions. He tells us that using the company's online meetings system at the University of Sao Paulo would reduce CO_2 emissions by over 51 tons in the course of a year.

GoBabies provides products, information and entertainment through the Internet to parents of infants and toddlers. Founder and CEO Maura White described the company's positive impact:

> Our launch of the GoBabies, Inc. Alphabet Road video series is aimed at helping young children learn critical language skills through a multi-sensory format. Our first program, 'F' is for Farm was the first children's program aired in Afghanistan, and was heralded as the very type of program the country needs to help its population develop and grow. As our company grows, we will continue to use part of our proceeds to help educate and heal young children.

FINANCIAL VALUE

MEC 2003 Revenues by Company Age [n=18]

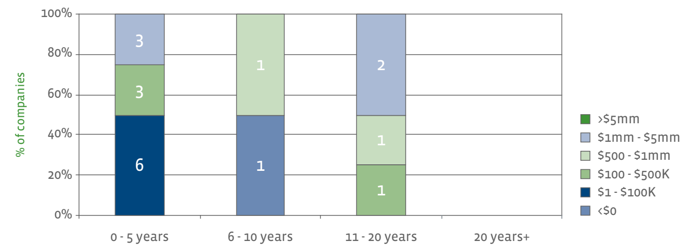


Figure 28

Performance. This segment primarily consists of smaller companies, 11 with revenues of less than $500,000 in 2003. It also includes a few companies with 2003 revenues of $1-5 million.

Correspondingly, profitability is low: all companies in this segment report less than $100,000 in profits in 2003.

Financing. Equity from founders' personal funds has been the main form of funding for this segment. At the same time, managers reported having had access to more varied forms and sources of funding than the overall sample. Corporations, government, and even venture philanthropists and foundations are among the funding sources, although they provided less than half of the funding for the companies.

Exit Plans. A full 100% of MEC entrepreneurs agree that social ventures can grow without losing essential values; 75% disagree with the statement that going public is a mistake. Yet while 54% of the entrepreneurs foresee selling their companies, only 15% plan to go public. Of the companies in this industry segment, 76% are planning to raise additional funds in the next year, preferably through equity angel investors, friends and family, charitable grants or DBL investors.

SOFTWARE AND INFORMATION TECHNOLOGY

OVERVIEW

The Software and Information Technology (SIT) segment consists of IT consulting companies and companies that develop and market software applications in donor/client/volunteer management for nonprofits, rehabilitation, education, and organizational effectiveness.

Summary. The SIT segment is the most evenly distributed geographically, with a high percentage of companies located in the West, Northeast and South. Nearly 83% of CEOs are explicit with their customers about their mission, and there are no Market Influencers in the group. The group readily uses social labels but also drops them when they are not helpful. They are highly explicit about their social missions to all but suppliers and policy makers. They do more evaluation than their peers in other segments, their techniques are more anecdotal than quantitative, and they do not spend as much money on evaluation as others. The companies are young and although growth rates are high, most have had non-institutional investors to date. The majority of SIT CEOs consider acquisition their desired exit scenario.

Number of Companies in Sample: 20

Average Age: 4 years

Headquarters Location

West	35%
Northeast	30%
South	25%
Midwest	10%

Staff Size

25 or fewer full-time employees	90%
More than 75 employees	0%

2003 Revenues

Number of Companies Reporting Revenues: 15

No Revenues	20%
0-$1million	80%
Above $1million	0%

Size

90% with 25 or fewer full-time employees; none over 75.

SIT Company Growth 2002-2003 [n=10]

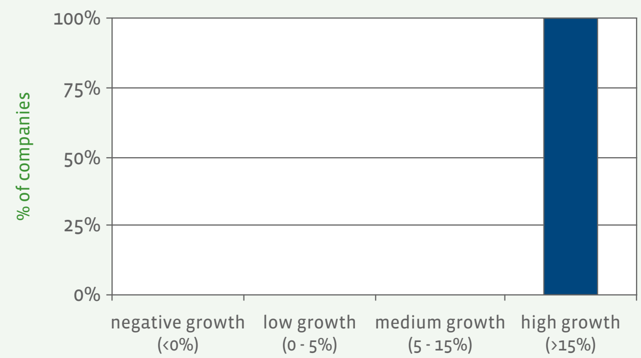


Figure 29

Type Breakdown

Activists 44%	**Market Pioneers 39%**
Change Agents 17%	**Market Influencers 0%**

Figure 30

Top 10 SIT Companies by 2003 Revenues

1.	Ripple Effects	San Francisco, CA, 1997
2.	Anthrotronix Inc.	Silver Spring, MD, 1999
3.	BCT Partners LLC	Newark, NJ, 2000
4.	Isoph	Carrboro, NC, 2001
5.	Quantum Intech Inc.	Boulder Creek, CA, 2002
6.	Smart Button	Newark, DE, 1998
7.	Patron Technology	New York, NY, 2001
8.	thedatabank Inc.	Minneapolis, MN, 1998
9.	AQSolutions	New Haven, CT, 1999
10.	AngelPoints Inc.	Mill Valley, CA, 2000

COMPANY CULTURE

> Our top three challenges are:
> 1. Potential investors do not know how to evaluate our market or viability. There is no rational capital market out there; even with companies and angels that say they invest in social ventures.
> 2. There is distrust in the nonprofit field of for-profit companies.
> 3. The industry is young so there are very few outlets to discuss life as a social entrepreneur and very few ways to utilize our purchasing power.
>
> – Marlowe Greenberg, CEO, ***Foothold Technology***, a provider of case management and client tracking software for human service agencies

Social-Financial Balance. When asked about balance in the creation of value, 60% of SIT CEOs report prioritizing social and financial missions equally. Only 25% put their financial mission first and social mission second. At the same time, 15% report that they pursue their social mission only when it makes business sense, versus 4% of the overall sample. In addition, 38% of CEOs agree strongly that they can compete on price while absorbing social and environmental costs, in line with the overall sample.

Labels. "Business-social venture," "social enterprise" and "social venture" are the labels most used by this segment and chosen more frequently than by the overall sample. Twenty-five percent of the entrepreneurs, however, believe that using such labels marginalizes their businesses, as compared with 14% for the overall sample. ***Papilia*** CEO Natasha Deganello voiced concern about this marginalizing effect:

> The idea that the only measure of success ought to be financial is an antiquated concept that is no longer adequate for our world today and is actually quite narrow-minded and dangerous. [And yet,] making a separate category for 'social ventures,' rather than advocating their principles for all companies, can alienate us from the best of the business world and the financial resources that support them. That said, being a social venture can help attract the best talent to the company and can automatically filter supporters to the company.

Commitment and Achievement. When asked to rate their social/environmental impact, 61% of SIT CEOs report having a "very high" commitment to making positive social and/or environmental impact and 56% describe their level of impact achieved as "very high."

Explicitness. SIT CEOs say they are highly explicit about their social/environmental mission. They are 100% open with employees, investors, owners, and consumers, but significantly less so when it comes to suppliers (56%) and policy makers (76%).

SOCIAL VALUE

Missions. SIT CEOs say they create social value in numerous areas, with each company working in 4.2 areas versus 3.3 for the overall sample. Top causes are education, minorities, community development, and health. Also mentioned as mission areas are volunteerism, juvenile justice, family continuity, disabilities, and integration of the corporate world and the community. Out of20 companies in the SIT segment, 9 serve nonprofits and consider the social value of their companies to be related to their clients' work. Chris Hanson, CEO of ***The databank Inc.***, which provides technology solutions to nonprofit organizations, reports he considers his clients' mission as the company's own. Similarly, Bill Tucker, Chief Knowledge Officer of Isoph, which offers flexible learning management system software to nonprofits, believes that his company creates social value in the area of "capacity building" of those nonprofits.

Vehicles. With the exception of advocacy and philanthropy, SIT companies use various vehicles to the same extent as all companies surveyed. Several companies in the sample mentioned that they were too young to utilize these vehicles of social value creation.

Impact Measurement. Of SIT companies, 68% evaluate their impact compared with 59% of the overall sample, with the primary purpose of selling more products and services. The segment most frequently uses stories, testimonials and surveys and does not spend much on evaluation. Of those companies that track their evaluation expenses, 64% spend less than 2% of SG&A versus 52% in the overall sample.

There was however a contrasting example. ***Ripple Effects***, which offers behavior-training software to schools, gauges its impact through measurable outcomes including lowered summer school referrals, truancy, aggression and higher grades, and calculates the financial implications of outcomes for customers based on scientific research data available. Correspondingly, CEO Alice Ray reports that the company spends more than 10% of its SG&A on evaluation.

FINANCIAL VALUE

Performance. The SIT segment is the smallest in the overall survey in terms of revenues, with no companies over $1 million in revenues in 2003. It is also among the youngest segments. Profitability is even lower, with 12 companies reporting 2003 profits of less than $100,000. The SIT companies are, however, moving in the right direction: 10 companies experienced more than 15% revenue growth in 2003 and 7 companies, more than 30%.

SIT 2003 Revenues by Company Age [n=15]

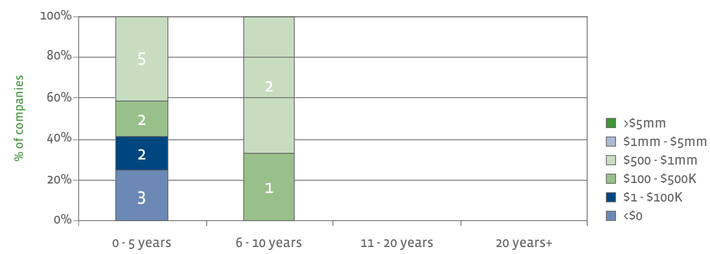


Figure 31

Financing. SIT CEOs report that most financing has been equity and, to a much lesser degree, debt and grants. Near-equity vehicles such as convertible debt is not common in the overall sample, but is another important type of funding for this segment. SIT companies primarily source their funding from personal funds, friends and family, and government grants. Angel investors also contribute somewhat significantly.

Exit Plans. A full 100% of SIT entrepreneurs agree (69% strongly) that social ventures can grow without losing essential values, and 83% disagree with the statement that going public is a mistake. Most entrepreneurs foresee selling their companies, 10% within the next three years, but only a small portion would like to go public. Eighty-eight percent of companies in this industry segment plan to raise additional funds in the next year. The SIT entrepreneurs find DBL fund investors, friends and family, and charitable grants to be the most attractive sources for the future.

> The most important form of support we could have received was a moderate loan ($50,000 to $100,000) at the seed stage to get our company off the ground. We were unable to do so despite the strength of our concept and management team and, therefore, had to fund the company through a combination of limited personal funds, credit card debt and re-investment of what little profits we could amass. In my opinion,

this was the most difficult path we could have chosen, but we had no choice.

We were further hindered in that many of the socially-minded investors that would even entertain us were averse to our sector—technology. They were seeking traditional, long-standing industries such as manufacturing. There are plenty of social entrepreneurs that find themselves in a similar position, that is, without family and friends to jumpstart their operations and with very few to no for-profit, social investors to turn to as well. Consequently, while it is least favored, bootstrapping becomes the only option or bust.

– Dr. Randal Pinkett, President and CEO, ***BCT Partners***, a management, technology and policy consulting services firm

Endnotes

1. See www.investorscircle.net.

2. See www.svn.org.

3. See www.socialvc.net.

4. Since the time of our survey, Josh's company has gone public, and he has become president of the Hydrogen Corporation (HYDG), with headquarters in Cleveland, OH, and manufacturing based in Versailles, PA. For the purpose of this report, however, we are reporting on a slice in time, during our survey period from late 2003 to early 2004. Newer affiliations and updates will be made available in our Social Venture and CEO directory, at www.riseproject.org.

5. See www.blendedvalue.org and www.redf.org.

6. Social Venture Network has been working with Stanford University's Alumni Consulting Group to compile best practices in socially responsible business. SVN is also working on a book series for socially responsible entrepreneurs, to be released in 2006.

7. In the nonprofit and government sectors, benefit-cost analyses can range from $250,000 to several millions of dollars. See Clark, Rosenzweig, Long and Olsen, **Double Bottom Line Methods Catalog**, www.riseproject.org.

8. In cases where CEOs and their companies could be put in multiple segments, we placed them in the segment most closely aligned with their business model and financial structure rather than the content of their work. For example, we placed a company that provides consulting for manufacturing companies in the financial, consulting and services segment. It has the low fixed costs and high human resources costs of a consulting company, and is more similar in structure and business model to the rest of the consulting (FCS) segment than to companies in the manufacturing (MCT) segment.

Appendix A: Social Venture Directory, by Industry Segment and Social Area

Social Venture Name	Survey Respondent Name	Title	Social Value Area: Arts	Community Development	Education	Energy	Environment	Health	International Development	Media	Minorities	Women	Other
Agriculture, Health, Food (AHF)													
Life HealthCare	Thomas Lee	President						X					
AgraQuest	Michael J. Miille	CEO											
Agres, Inc.	Aaron Lewis	CEO					X	X					
Asia Foods, LLC	Jason Wong	CEO						X					
Athena Feminine Technologies, Inc	Barbara Sarkis	CIO					X					X	
Biosyn	Anne-Marie Corner	President & CEO						X					
Careguide Systems, Inc.	Sylvia Aruffo	President						X					
City Fresh Foods	Glynn Lloyd	CEO		X							X		
ContraVac, Inc.	John Christian Herr	CEO						X				X	
Earthbound Farm	Myra Goodman	Executive Vice President					X	X					
EcoFish, Inc.	Henry Lovejoy	President		X			X	X					
Frog Ranch Foods	Craig E. Cornett	Owner		X			X						
Gaia Herbs, Inc.	Greg Cumberford	Vice President, Strategic Initiatives		X	X		X	X					
Goddess Granola, Inc.	Andrea Lyons	Chief Executive Goddess										X	
Immaculate Baking Company	Scott Blackwell	President & CEO	X	X	X						X		
Intelligence Enterprises	David Eller	Founder			X	X	X	X					X
LaGray Chemical Company	Alexandra Graham PhD MBA	COO		X	X			X	X				
LifeWave, Inc	John Tupin	Dir. of Bus. Dev.						X					
Low Cost Eyeglasses, Inc.	Neil Houghton	Founder						X	X				
MandalMed, Inc.	Constance M. John	President						X					
Medifoods LLC	Joel Javitt	President						X					
MicroGREEN Polymers, Inc.	Krishna Nadella	Co-Founder & Director of Tech.				X	X	X					
Niman Ranch	Michael McConnell	CEO		X			X	X			X		
O'Naturals	Jay Friedlander	COO		X	X			X					
Organic Essentials, Inc.	La Rhea Pepper	President		X			X	X				X	
Plant Health Care, plc	John Brady	CEO & President		X			X	X	X				
Seven Oaks Ranch	Rinaldo S. Brutoco	Chairman & CEO	X	X	X	X	X	X	X		X	X	X

Note: Company names and titles are reported as they were in our survey, completed in June 2004. Updates can be found online, at www.riseproject.org.

Social Venture Name	Survey Respondent Name	Title	Social Value Area: Arts	Community Development	Education	Energy	Environment	Health	International Development	Media	Minorities	Women	Other
Stonyfield Farm, Inc.	Gary Hirshberg	President & CEO		X	X	X	X	X				X	
TeachTown	Sven Liden	Vice President, Business Development			X			X					
VanKind Food, Inc.	Steve Van Velkinburgh	President											
Vascular BioSciences	David Mann	CEO						X					
VegTime	Davy Davidson	President & Founder					X	X					
VIPS N. America LLC	Eugene Loroch	COO			X			X			X		
VMBC, LLC, The Vasclip Company	David Elliot	President & CEO						X					
White Dog Cafe	Judy Wicks	President	X	X	X	X	X	X	X	X	X	X	X
Wild Sage Foods, Inc.	Lauren Bell	CEO					X	X				X	
Consumer Products and Retail (CPR)													
ABC Home Furnishings, Inc.	Amy Chender	Director of Social Responsibility		X		X	X		X				
America's Gardening Resource	Will Raap	Chairman & CEO	X	X	X		X		X				X
Boomerang Boxes	Marty Metro	Founder & President					X						
Controlled Environment Horticulture	Alan Jones	Director of Technology						X					
Equal Exchange, Inc.	Rodney North	The Answer Man					X		X				X
Eziba	Bill Miller	President & CEO	X	X	X				X		X	X	
Fresh Baby LLC	Cheryl Tallman	CEO						X					
Give Something Back Business Products	Michael Hannigan	Co-Founder	X	X	X	X	X	X			X	X	X
Home GreenBuild	James Wiggins	President & CEO		X	X	X	X	X	X				
Honest Tea	Seth Goldman	President & TeaEO		X			X	X	X				
Horny Toad	Gordon Seabury	CEO		X	X		X						
MyNaturals.com	Josef Knoff	President & CEO		X	X	X	X	X	X				
Naturize BioSciences LLC	Gordon McMahon	CEO					X						
Nirvana Golf Technologies, LLC	Tyrone Wallace	President & CEO									X		
Organic Valley Family of Farms	Theresa Marquez	Chief Marketing Executive		X	X		X	X				X	X
PeaceKeeper Cause-Metics(tm)	Jody R. Weiss	CEO & Founder						X	X	X		X	X

Social Venture Name	Survey Respondent Name	Title	Social Value Area										
			Arts	Community Development	Education	Energy	Environment	Health	International Development	Media	Minorities	Women	Other
Q Collection	Jesse Johnson	CEO					X	X					
REcycline	Eric Hudson	President					X						
Restore Products Company	Laurie Brown	CEO					X						X
Seventh Generation	Gregor Barnum	Manager, CSR Projects		X			X	X					
Small Dog Electronics	Hapy Mayer	CFO & COO		X	X	X	X					X	
SmartWater, Inc.	Anton Bird	President					X						
Social Enterprise LLC	Rafael Goldberg	Managing Member	X	X	X		X		X	X		X	
Sun & Earth	John Owens	President & CEO					X	X					
Tarsian & Blinkley, LLC	Sarah Takesh	Creative & Managing Director	X						X			X	
transForms, FB	Heerad Sabeti	President	X	X	X		X		X		X	X	X
Tweezerman Corporation	Dal LaMagna	CEO & Founder		X			X					X	
TypeMatrix	Mary Webber	Co-Founder & Sec'y/Treas.			X		X	X					
VATEX	Jerry Gorde	CEO											X
Wild Planet Toys, Inc.	Jennifer Chapman	COO		X	X								X
Worldwise, Inc.	Aaron Lamstein	CEO					X						
Energy, Environmental Technology, Utilities (EEU)													
Apprise Technologies, Inc.	Rondi C. Ericksn	CEO		X			X	X					
Archimedes Technology Group	John R Gilleland	CEO					X						
Ascendant Energy Company, Inc.	Christopher Straka	CEO				X							
BioReaction Industries	Karl Mundorff	Director, Sales & Marketing					X						
blackEnergy	Sonja Ebron	CEO									X		
Clouston Energy Research, LLC	Sidney Clouston	CEO	X	X	X	X	X	X	X	X	X	X	X
Community Power Corporation	Art Lilley	Chairman		X	X	X	X	X	X				X
ConsumerPowerline	Michael Gordon	President		X		X	X						
DayStar Technologies, Inc.	John R. Tuttle	CEO				X	X						
Deluge, Inc.	Brian Hageman	CEO				X							
Distributed Generation Technologies	Jonathan Greene	President & CEO				X	X		X				
EcoMatrix LLC	Susan Kennison						X						

Social Venture Name	Survey Respondent Name	Title	Social Value Area: Arts	Community Development	Education	Energy	Environment	Health	International Development	Media	Minorities	Women	Other
Econergy International	Frederick P. Renner	President				X	X						
eCullet, Inc.	Farook Afsari	Founder					X						
EnerGenetics International, Inc.	Sammy Mayfield Pierce	Chairman & CEO		X		X	X	X	X				
FarSounder, Inc.	Cheryl M. Zimmerman	CEO				X	X						
Ferrate Solutions, Inc.	Rezwan Sharif	CEO & Founder					X	X	X				
HydroGen, LLC	Joshua Tosteson	President				X	X						
Independent Energy Corporation	Leland Stewart	President & CEO				X	X						
Independent Natural Resources, Inc.	Mark A. Thomas	CEO				X	X						
IonEdge Corporation	Mandar Sunthankar	President					X						
Kryometrix Systems, Inc.	Greg Ruebusch	CEO					X						
Magnetic Power Inc.	Mark Goldes	Chairman & CEO				X	X						
Maxwell Advisors	Max Goldberg	President				X	X						
Miasole'	David Pearce	President & CEO				X							
New Energy Capital Corp.	Daniel P. Goldman	CFO & Founder				X	X	X					
Planetary Systems, Inc.	William von Brethorst	President				X							
Power Tube, Inc.	Glenn Lovelace	CEO				X							
Protonex Technology corp.	Norman Strate	CEO					X						
Redwood Rubber LLC	Tom Faust	CEO & Managing Director		X		X	X				X		
ReMin Inc	Joseph Lenthen	President					X	X					
Rentricity Inc.	Frank Zammataro	CEO & Co-Founder				X	X						
Seahorse Power Company	James Poss	President & CEO				X	X						
Solar Mining Company	Richard Lane	Partner				X	X	X					
Solar Sailor USA, Inc.	Ellen L. Batzel	President				X	X		X		X	X	
SolarAMP, LLC	William H Conklin	Managing Principal		X		X	X		X				
Talmage Solar Engineering, Inc.	Charlie Langston	CFO & COO				X	X						
Valley Air Solutions LLC	Alan Pryor	Vice President											
Verdant Power LLC	Ronald Smith	Chairman & COO				X							
WIlson TurboPower	Joern Kallmeyer	CEO				X	X						

Social Venture Name	Survey Respondent Name	Title	Social Value Area										
			Arts	Community Development	Education	Energy	Environment	Health	International Development	Media	Minorities	Women	Other
Wind Harvest Company	George Wagner	CEO				X	X		X				X
Financial, Consulting, Services (FCS)													
Aquillian Investment Technologies, Inc.	Brian Dunn	CEO			X	X	X	X					
Better World Club	Mitch Rofsky	President					X						
Biosphere Genetics, Inc.	Lawrence A. Riggs, Ph.D.	President & CEO				X	X	X					
bplanGURU.com	Dave Orsborn	Principal											X
Capital Missions Company	Susan Davis	President											X
Care2.com	Randy Paynter	CEO	X	X	X	X	X	X	X	X	X	X	
CEI Community Ventures	Michael H. Gurau	President		X		X	X				X	X	
Choosy Consumers Company	Deborah Faison	President		X							X	X	X
CircleLending, Inc.	Asheesh Advani	President		X	X						X		X
CitySort LP	Theodore LeBow	CEO		X									
Committed Capital, LLC	David P. Wieder	Principal		X	X		X				X		
Corporate Responsibility Capital Partners, Inc.	Michael Faber	General Partner											X
Davis Energy Group	Mark Berman	Principal, Business Development				X							
EcoEnterprises Fund	Angela Tyson	Program Coordinator		X			X		X			X	X
Epoch Engineering, Inc.	Martin F. Karchnak	President		X	X	X	X	X					
GlobalGiving	Dennis Whittle	CEO	X	X	X	X	X	X	X		X	X	
GreenOrder, Inc.	Andrew L. Shapiro	Chairman & Founder				X	X	X					
HEED, Inc.	William Kirksey	Chairman & CEO	X	X	X	X	X	X	X	X	X	X	X
Hermanson's Employment Services	Barry Hermanson	Owner											X
IAM, LLC	Candace Taylor	Principal		X			X				X	X	
Mal Warwick & Associates, Inc.	Mal Warwick	Chairman & CEO											X
meadowbrook lane capital	Joe Sibilia	President	X	X	X		X				X	X	
MusicMatters	Michael Martin	President	X		X	X	X			X			X
Natural Logic, Inc.	Gil Friend	President & CEO		X		X	X	X	X				X
New Capitalist	Melissa Bradley	President	X							X	X	X	X

Social Venture Name	Survey Respondent Name	Title	Social Value Area										
			Arts	Community Development	Education	Energy	Environment	Health	International Development	Media	Minorities	Women	Other
Pax World Management Corp	Diane Keefe	Portfolio Manager		X		X	X	X	X		X	X	
PayQuik, Inc.	Bhairav Trivedi	CEO		X					X				
Pest At Rest	Kristel Thompson	Business Development Assistant		X			X	X			X		X
RecyleBank	Ron Gonen	CEO & Managing Director					X						
ShoreBank	Jean Pogge	Senior Vice President		X			X						
Strategies for Development, Inc.	Jeanne Betsock Stillman	Principal		X			X	X	X			X	
The Benevolink Corporation	Matt Baumgarth	Finance Manager		X									X
The Juncture Company	Michelle Randall	President		X									X
The ServiceWorks Company	Tim Styer	President & CEO		X							X		
Trexler Climate + Energy Services	Dr. Mark C. Trexler	President				X	X		X				
Trillium Wellness Programs	Rebecca Rush	President											X
Village Real Estate Services	Mark Deutschmann	CEO		X									
Vision Fund Advisors, Inc. (SR)	William (Bill) Burdette	President											X
WAV Group	Marilyn Wilson	President			X			X				X	X
WW Technology Consulting	Michael Cormon	General Manager							X				
Manufacturing, Construction, Transportation (MCT)													
Bazzani Associates	Guy Bazzani	President & CEO		X			X						X
Big Clean Trucks, Inc.	James Snyder	President					X						
Differential Dynamics LLC	Cate Han	Business Development				X	X						
Earth Pulp & Paper	John R. Stahl	President				X	X	X					
Greentech Housing Company	Stephen Stuntz	President		X		X	X						
Humabuilt	Wane Fuday	CEO & Founder						X					
IceStone LLC	Miranda Magagnini	Co-CEO		X			X						
Icosa Village Inc.	Markus F. Robinson	CEO		X			X	X					X
NOVA Group	Jerri Brown	President		X		X	X						
One World Projects, Inc.	Phil Smith	President	X	X	X		X	X	X			X	
PYRAMOD International, Inc.	Robert B. Glassco	President		X		X	X	X	X				
Rubbersidewalks, Inc.	Lindsay Smith	President & CEO					X						

Social Venture Name	Survey Respondent Name	Title	Social Value Area										
			Arts	Community Development	Education	Energy	Environment	Health	International Development	Media	Minorities	Women	Other
Solar Ice Company	Carl Erickson	President							X				
Taxi 2000 Corporation	Jeral Poskey	Director of Applications				X	X				X		X
Xtracycle, Inc.	Brad Knop	CEO					X	X	X				
Zero Pollution Motors, Inc.	Shiva Vencat	CEO		X									
Zipcar, Inc	Scott Griffith	President & CEO				X	X						
Media, Education, Communications (MEC)													
All inPlay / ZForm LLC	Jeremie Spitzer	CEO & Co-Founder											X
AScribe Inc.	Ron Wolf	President, CEO & Co-Founder								X			
BrainOxygen, Inc.	Bill Wescott	CEO		X	X	X	X	X	X				
Brown & Company Design	Mary Johanna Brown	President		X									
Effective Education, Inc.	Solly Tamari	President		X	X								X
eFlicks Media	Martha Shaw	Creative Director				X	X	X		X			
Experiencia, Inc.	Connie Campbell	CEO			X								
GoBabies, Inc.	Maura White	CEO & Founder			X								
Inclusion Solutions	Patrick Hughes, Jr.	President											X
Interschola	Melissa Rich	Founder & President		X	X		X		X				
KDPaine & Parnters, LLC	Katie Paine	CEO								X			
MRA	Sanford Rosenberg Ph.D.	President	X		X			X		X			
myFootpath LLC	J.T. Allen	President		X	X						X		
National Children's Book Project, LLC	Larry Bennett	CEO			X						X		X
Parent Care, Inc.	William F. Gillis	CEO		X				X				X	
PoliticalSheepdog.com	James L. Gamble III	President		X	X	X	X	X	X	X	X		X
Progressive Language, Inc	Tim Keller	President			X								
QuestBridge	Chitua Alozie	Co-Founder		X	X						X		
Sounds True	Tami Simon	President & Publisher	X		X					X			
The Crossings	Ken Beck	Co-Founder	X		X		X	X					
The Institution Recycling Network, Inc.	Mark Lennon	CEO					X						

Social Venture Name	Survey Respondent Name	Title	Social Value Area										
			Arts	Community Development	Education	Energy	Environment	Health	International Development	Media	Minorities	Women	Other
The Peace Company	Louise Diamond	CEO											X
Tribal Code	Elizabeth Carney	Executive Producer						X					
VIDA Knowledge, Inc	Joel Garcia	CEO & Founder		X	X			X		X	X		
Visionary Health Concepts	Ajax Greene	CEO			X			X			X	X	
Wireless Generation	Larry Berger	CEO			X								
Software and IT (SIT)													
AngelPoints, Inc.	Reade Frank	COO		X	X		X	X	X		X	X	X
Anthrotronix, Inc.	Cori Lathan	President & CEO			X			X					X
AQSolutions	Awo A. Quaison-Sackey	CEO							X		X	X	
Arts eVentures, Inc.	Norman Lawrence	President	X										
BCT Partners, LLC.	Dr. Randal Pinkett	President & CEO		X	X								
CTSG	Stu Trevelyan	Managing Director	X	X	X	X	X	X	X	X	X	X	
Estate Legacy Vaults	Jill Fallon	Founder											X
Foothold Technology	Marlowe Greenberg	CEO		X	X			X			X	X	
GetActive Software	Sheeraz Haji	President & CEO		X			X	X			X		
IdealsWork Financial	Samuel Pierce	President & CEO			X					X			X
Isoph	Bill Tucker	Chief Knowledge Officer			X								X
MicroBanx Systems LLC	Thomas E. McCabe	President & CEO		X			X		X		X	X	
Online HR Corporation	Emily White	CEO		X									X
Papilia	Natasha Deganello	CEO	X	X	X	X	X	X	X	X	X	X	
Patron Technology	Eugene Carr		X										X
Quantum Intech, Inc.	Deborah Rozman	President & Co-CEO			X			X					
Ripple Effects	Alice Ray	CEO & Co-Founder			X			X			X		X
Smart Button	Philip Sugar	CEO		X						X			
Stone Tablet Education Company	Ilene Ruvinsky	President			X								
thedatabank, inc.	Chris Hanson	CEO	X	X	X	X	X	X	X		X	X	X

Appendix B: Affiliations

The CEOs reported on their or their company's involvement with intermediary groups that serve the field of socially responsible business. Not surprisingly, our two partners who provided the names for our invitation pool were most cited. The most reported groups are included here as a resource.

	Number of Companies by Industry							
Intermediary Groups	Grand Total	AHF	CPR	EEU	FCS	MCT	MEC	SIT
Investors' Circle	**101**	16	11	26	18	8	10	12
http://www.investorscircle.net/								
Social Venture Network	**72**	8	18	10	18	4	8	6
http://www.svn.org/								
Business for Social Responsibility	**41**	3	13	3	13	1	5	3
http://www.bsr.org/								
Co-Op America	**36**	6	11	1	12	2	3	1
http://www.coopamerica.org/								
Other	**29**	4	3	5	7	4	3	3
(see below)								
Business Alliance for Local Living Economies (BALLE)	**23**	3	5	2	7	2	4	
http://www.livingeconomies.org/								
Net Impact	**18**	2	4	3	6	1		2
http://www.netimpact.org/								
Global Social Venture Competition	**17**		2	6	4	2	2	1
http://www.socialvc.net/								
Social Venture Institute	**17**	4	4	1	4	1	3	
http://www.svn.org/initiatives/svi.html								
Natural Step	**12**	3		3	4	1	1	
http://www.naturalstep.org/								
Sustainable Business	**12**		2	5	4	1		
http://www.sustainablebusiness.com/								
Social Investment Forum	**11**		1	1	6		1	2
http://www.socialinvest.org/								
Coalition for Environmentally Responsible Economies (CERES)	**9**	1	1		5		1	1
http://www.ceres.org/								
CleanEdge	**9**			7	1	1		
http://www.cleanedge.com/								

Other Affilations

AHF	CPR	EEU	FCS	MCT	MEC	SIT
Sustainable Business Network of Philadelphia	BSLP	Business Council for Sustainable Energy	Business Council for Sustainable Energy	Cleantech Network	ETHOS	MEBSR
Springboard	National Center for Employee Ownership	Cleantech Venture Network	Financial Forum	Fair Trade Federation	Chambers of Commerce	Springboard
University of Chicago Venture Laboratory	National Co-op Business Association	State Sustainable Roundtable	Yale -Goldman Partnership on Nonprofit Ventures	Hickory Consortium	Empresa	MA Software Council
The World Business Academy	International Federation of Alternative Traders		World Business Academy	Northwest Entrepreneur Network	VT Business for Social Responsibility	Social Fusion
Women's Technology Cluster, San Francisco			Community Development Venture Capital Alliance	Sustainable Business Forum	The Women's Technology Cluster	Women's Technology Cluster
			Microcredit Summit	Aid to Artisans		
			Spirit in Business	Craft Center		
			Sustainable Business Alliance	Conservation International		
			US Green Building Council	Earthbound		
			Growing Businesses Network			
			DreamMakers' Forum			
			VisionKeepers' Forum			
			Making a Profit While Making a Difference			
			Capital Circle (later merged into IC)			
			ME/NH/VT Businesses for Social Responsibility			
			Chicago Network			

Appendix C: Credits and Acknowledgements

RISE Board of Advisors

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RISE's work would not be possible without the contributions of MBA students and graduates at Columbia Business School.

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