

## **Dollars and Change Podcast: Investing in Transformational Social Innovators with Cheryl Dorsey, President of Echoing Green**

Cheryl Dorsey, President of Echoing Green, joins host and Vice Dean of the Wharton Social Impact Initiative Katherine Klein to discuss Echoing Green's work as an early-stage funder of emerging social entrepreneurs. Supporting these extraordinary leaders is Echoing Green's core strategy to drive positive social change across the globe. Dorsey also discusses racial and gender disparities in funding entrepreneurs and their ventures. Through a new partnership with Goldman Sachs One Million Black Women, Echoing Green will invest in Black women social entrepreneurs whose ventures are addressing critical needs in their communities, such as housing, education, healthcare, financial literacy, climate justice, and more.

Transcript:

Katherine Klein: Hello, and welcome to Dollars and Change. This is Katherine Klein. I am delighted to be speaking today with Cheryl Dorsey, who is the president of Echoing Green. Cheryl is a leader in social entrepreneurship, a trailblazer much-awarded for her leadership in this space. She has prominently worked with many boards, many organizations, been a White House fellow, a member of two presidential administrations. And I will say as a Wharton faculty member, I'm just looking at all these Harvard degrees -- Harvard Medical School, Harvard Divinity School, Harvard and Radcliffe Colleges. You've got a lot of Harvard degrees here, as well. So Cheryl, thank you so much for joining us today. It's great to talk with you.

Cheryl Dorsey: The same here, Katherine. I'm really honored to be with you. I appreciate the invitation.

Klein: Thank you so much. So at Wharton, I lead the Wharton Social Impact Initiative. We have many business school students and faculty, as we know, who are passionate about social impact, social innovation. And Echoing Green is a familiar organization, but I'm really looking forward to digging in. So tell us, what is Echoing Green? What do you do?

Dorsey: Well, Echoing Green, as you mentioned, has been a pioneer and pillar and anchor organization in the field of social innovation. We're an early-stage funder of emerging best-in-class social entrepreneurs, Katherine. So our job is to go out and source next-gen talent, vet it, and then invest in it and help it to grow in scale. We really do take a very focused and intentional approach when identifying and supporting the leader of that social enterprise because we really do believe that by developing a cadre of best-in-class leaders, that's a direct pathway to driving positive social change.

Klein: And you are funding and supporting, mentoring, sponsoring the leaders of these social enterprises. I think you use the term typically "social entrepreneur" to describe these people. Can

you define this term, because frankly we struggle with defining social enterprises and social entrepreneurs?

Dorsey: No, I think that's right. And again, I think that's not unusual in a field that is still fairly young, right? Most people sort of trace the origins of the field of social entrepreneurship, social innovation back to 1980, when two key organizations were founded. One being Ashoka, which was all about identifying this new-fangled, social-sector actor called "the social entrepreneur," who was identifying and scaling ideas to drive positive social change.

And then New Ventures -- I think that's the right name -- started by Ed Skloot to basically focus on the sustainability of social enterprises and nonprofits. It has been those two streams of work over the years that have come together to be what we identify today as "social innovation." And just very simply, social innovation is what we consider to be the process of developing and deploying effective solutions to challenging often systemic and social and environmental issues in support of social progress. I should be clear that the work of social innovation is a broader concept but does include the work of social entrepreneurs. So social innovation is the entire system, of which the work of social entrepreneurs is a part.

So quite often people will point to some very successful examples of social innovation, which would include microfinance, the Fair Trade Movement, and in this country, the Charter School Movement. But fundamentally, I think the zeitgeist of social innovation, Katherine, is this notion of the blurring of sectoral boundaries, right? It's sort of bringing together civil society, the market, and the state in a way that creates new and shared public value. So that was kind of a mouthful, but I think the key takeaways are it's still a new but growing and increasingly robust field. And fundamentally, it's about how do you use innovation as a disruptive tool to accelerate the pace of social change?

Klein: Right. That's helpful. This is helpful, and I think it's probably useful to say, as I think you all do, that you don't necessarily distinguish or prefer for-profit versus nonprofit structures. The goal is really social innovation that is long-lasting, high-impact, and sustainable. Is that accurate?

Dorsey: Oh, that's absolutely right. Echoing Green in particular has always been agnostic about what we fund, where we fund in the world, or the corporate form that that leader presents to us when she applies to the fellowship. The only thing that is non-negotiable is: Do we believe we are seeing a best-in-class, high-impact leader of promise who's got a really interesting, innovative idea to drive significant social change?

It's interesting for the duration of our history -- we're about 35 years old now. Most of our applicants and fellows have come into the network running pretty traditional nonprofits, right? They've got a 501c3 form. But starting in 2006, it was the first year that we saw a significant number of applicants proposing for-profit, double-bottom-line or triple-bottom-line social enterprises. That was about 15% of our applicant pool that year, in 2006. Each year subsequently, Katherine, we've seen an uptick, to the point that about 50% of our applicant pool every year does, indeed, propose these for-profit corporate forms. I think it just speaks to the fact that a lot of these young, next-gen leaders recognize that there's simply not enough philanthropic

capital to solve our social and environmental problems at scale. So recognizing how to crowd in different forms of capital to engage in the work of social impact really is one of the key and enduring trends of the social innovation space today.

Klein: So you receive many applications. Talk to us about the process. You receive many applications. Who are these people? They're from all over the world. Your acceptance rate is very small. Give us some specifics of that, and how are you selecting these fellows? And then once they're selected, what happens to them? But let's first start with the application, with the top of the file.

Dorsey: Yes, sure. The application process is something that we continue to iterate on and try to better -- and by that, I mean you make a more generous, open, equitable, inclusive process. I think Echoing Green, from its founding principles, has always believed in believing the entrepreneur, right? So believing talent and trying to deconstruct and dismantle the inevitable power dynamics between funder and potential grantee or recipient.

So we believe in our entrepreneurs, so we try to build a really robust outreach process, sort of inviting people to just essentially share their hopes and dreams with us. And then we make it very clear that we will give them a fair, open, and generous hearing to just share how they think they can change the world. We in many ways sort of crowd-source our vetting process, Katherine, really believing in the wisdom of the crowds, where every year we engage upwards of 800 volunteers from all over the world who spend their limited and precious free time helping us read through and evaluate these applications that come to us from 160 countries around the world.

We certainly do privilege the voices and the input and insight of our fellows because they know Echoing Green. They know the community. They know full well the journey of what it means to be a social entrepreneur, so we very much incorporate a peer-led, peer-to-peer vetting process that allows applicants, over the course of about six months, to share their ideas and continue to share more and more about their ideas. So in many ways, we're walking along their early-stage development, business model journey with them, throughout the couple of stages of the application which include two rounds of written application, which we do believe helps them refine and hone their idea. We're not trying to make the application onerous. We want it to be additive, to help them on their journey, regardless of whether they become an Echoing Green fellow.

And then the final step of the process is the ability to meet in person these wonderful applicants. Obviously in an era of a pandemic, Katherine, the in-person opportunity to spend some time with these folks is not possible, but we've shifted that process virtually to the best of our ability, and through conversations over the course of a couple of hours, hopefully getting to know sort of the spirit and the soul of these entrepreneurs and pressure testing some of these ideas, have to make the very tough decision of whom we invest our very limited resources.

So it is the journey. It is a process, but we think through this relational process, we are able to select some terrific early-stage leaders that we believe we can walk alongside, as they try to

launch these enterprises. And again, I mentioned that we're very much focused on the leader. We've got sort of a rubric of scoring criteria that has about four criteria through which we evaluate the leader, and three or four criteria through which we evaluate the enterprise. We take much more seriously and weigh much more heavily the leadership potential, right? Because again, we believe in the power of talent to drive change around the world.

So looking at everything from how passionate the entrepreneur is about the work. We believe in many ways that passion is the catalytic fuel that allows her to do the work she needs to do, despite all the roadblocks that will be in her way -- which brings us to the second quality that we're trying to suss out, resilience. We know that failure is a significant part of the entrepreneurial journey. I think failure is an important part of the learning process. So it's not if you fail; it's what you do once you fail. How do you sort of get yourself back up and dust yourself off?

And then a quality that we see time and time again in the Echoing Green network, which we talk about, is resource magnetism. It is a different quality than charisma. It's really about sort of the stickiness of the leader, recognizing that these leaders are part of and are building social movements. So their ability to attract various forms of support to their cause, whether it be financial support, volunteer support, media attention -- their ability to draw in and mobilize levels of support -- is a really important quality for the work that they're trying to do. And then we know that these are very early-stage folks, Katherine, so we don't put too much weight on the business model, because we know as soon as the ink is dry or the last click of a document is typed, it is dated. So we're just looking for the ability of them to be thoughtful, to respond to external factors, and to be able to iterate, iterate, iterate, as they're trying to build their enterprise.

Klein: Wow, you said so much there. It's fantastic. I love these so much. I want to unpack a few things and underscore a few points. You talked about their passion, their resilience in the face of failure, their resource magnetism -- and not so much the enterprise business model. You're looking for the talent at least as much as the actual organization. And that's a familiar theme from venture capital. We often hear that. "We're betting on the entrepreneur, not necessarily the initial product or plan."

Two other things I wanted to ask you about and comment on: One is just some of the numbers. My understanding is you are getting 2,000 to 2,500 applications and ultimately selecting about 1 or 2% of these folks for a small class. So give us the numbers.

Dorsey: Yes, so typically we will get probably more like 3,000 or so submissions, as I mentioned, from about 160 countries around the world. It is a very large funnel, and sadly the acceptance rate is so low, and that is not at all to say that we could not fund more of these terrific applicants. Katherine, we certainly could, but there is some titration and calibration you have to do in terms of the amount of funding that we're able to raise each year. We are not an endowed organization. We're a non-profit, so each year we've got to go out and raise the money that we then deploy as an intermediary organization.

But also there's something to be said about how you manage and engage cohorts of entrepreneurs to ensure that you're able to support them to the best of your ability. And there's always more that we could do, but it is hard sometimes to think about economies of scale when you're trying to best support very, very early-stage innovators who need a lot of support, and not just financial support.

Klein: And the typical cohort is how large?

Dorsey: A typical cohort is anywhere from 20 to 30. So again, there is something about the power of walking together with your fellow entrepreneurs. It is a terribly lonely journey to be an entrepreneur, and sometimes finding others who understand exactly what you're going through because they're going through some of the same experiences, and the ability to share information, to commiserate, to celebrate, to support one another -- I literally cannot underscore how critical that peer support is.

Klein: Right. You used the pronoun "she" generically, but these are men and women, and they are from all over the world. So it really is a remarkably diverse class of fellows. And they're getting financial support in addition to this mentoring, to support them in their journey?

Dorsey: That's exactly right. Echoing Green, since its inception, has now funded about 900 or so social entrepreneurs who are working in about 90 countries around the world. But relative to other of our colleagues in the space, we probably have the most diverse cohort of social innovators, especially when you look at our portfolio over the last decade. About 75% of our US-based fellows are people of color. About 75% of our folks globally are proximate, so they are truly of and from the communities they serve. And about half are women. It has been an interesting trend in the social innovation space -- gender equity has been an issue across many of the organizations in our space. I think in part that's sort of the masculine frame of entrepreneurship in general, sort of the machismo, the hard-charging nature, just the zeitgeist of the work which has been, I think, not welcoming enough to the terrific women entrepreneurs that we certainly see across the landscape.

So we have really worked hard to create an inclusive community, but as always, have more work to do. But in terms of what the fellowship offers, we value the goods and support and services at about \$250,000 in cash and in-kind support over two years. It's a small amount of angel investment -- about 80 to 90,000 over the two years. That is not a lot of money, obviously, but it is completely unrestricted risk capital for that entrepreneur to deploy as she sees fit, which in the early stages is super-important. And then we work really hard to embed them deeply in the Echoing Green network, so fellows can support one another. But also we can connect them across our broader network of investors, philanthropists, thought leaders, media partners. So we work hard to create this supportive, enabling ecosystem, which at its best and highest use is truly a rising tide that should lift all boats.

Klein: Fantastic. I want to note that you yourself were an Echoing Green fellow almost 20 years ago, and then have obviously gone on to become the president of Echoing Green. I have so many questions for you. Let's start with -- and I know we don't have all that much time. But at a high

level, what has changed as you think back over the last 20 years, because it's a shorter window in the kinds of organizations that you're seeing, the issues that you're seeing. What has changed in this field of social entrepreneurship and the applicants you're getting, the people you're selecting?

Dorsey: That's a great question, yes. It has been really interesting to have this bird's eye view of the evolution and growth of the field. Certainly what we talked about a little earlier in terms of the growing number of for-profit or hybrid enterprises, which I think, again, what I shared earlier is in part the analysis that the pool of philanthropic capital simply isn't sufficient enough to drive the kind of change we need to see across society. But I also think it's a nod to the popularity of social innovation that has penetrated settings like yours. So business schools, communities where business leaders are recognizing that an impact approach is vital, recognizing that part of the work of society is to reduce the negative externalities that businesses and other sectors throw off. And if you can sort of prevent that from the start and sort of build organizations that do, in fact, think about their social impact, their environmental footprint, as well as their financial outlook, that is a more sustainable approach, for sure.

So I think that's one of the key trends in our sector. And I do think also, I would say, the democratization of social innovation is also a new trend. The origins of social innovation in many ways happened at places like Wharton, at Penn -- sort of in elite spaces that in its early years, really engaged a particular type of student or person, a person of privilege who had access to university resources, to capital, to the principles and practices of social innovation. And as it has become increasingly a clarion call for people who recognize that the solutions, the frameworks, the structures of the twentieth century are just not working for enough of us, it has engaged and emboldened a broader set of stakeholders, which I think is terrific. So more people from more parts of the world, across generations, across boundaries, have gotten engaged in the work. And I think that's really exciting to see.

And then I think the last thing is that there has been a real professionalization of the field, which you would expect to see where you've got not only professionalization but bureaucratization of regulatory structures, talent pipelines, place-based work that's starting to spring up around creating socially impacted ecosystems. I think these are all interesting trends, and I think they will only continue because the field seems to be exploding, especially in this moment when so many of us realize that so little was working for people around the globe.

Klein: Right. I know we don't have a lot of time left, but I know that you have been outspoken in speaking about inequities, racial disparities in funding, gender disparities in funding of social entrepreneurs, not only in the United States, but around the world. And I hope you can tell us just a little bit about the collaboration that was just announced with Goldman Sachs to support Black women social entrepreneurs.

Also I would note an interesting -- when you spoke about "places of privilege," obviously Goldman Sachs is a place of real privilege, and I'm glad we're contributing to this work. So tell us about this partnership.

Dorsey: Absolutely. So I appreciate you first mentioning research that we launched a number of years ago with our friends from the Bridgespan Group, one of the leading non-profit consulting firms in our sector. We went to our friends at Bridgespan a number of years ago because we had long seen funding disparities of many of our fellows whom we knew to be best-in-class, next generation talent. And we are very confident of and bullish about our vetting process. And the fact that year after year we were seeing upwards of a \$20 million funding gap between our Black applicants and white applicants was a glaring signal that said that inequities were alive and well in our funding landscape.

So we wanted to just sort of paint a finer point and provide deeper research analysis of that phenomenon we were seeing as practitioners, concerned practitioners. So with our partners at Bridgespan, they did a deep dive into our fellow community and really were able to report out some staggering findings looking at our Black fellows' trajectory versus our white fellows'. And what they found was that our Black fellows were raising 24% less revenue than their white counterparts. But when you looked exclusively at unrestricted net assets, it was 76% less, and that was glaring and concerning enough. But when you really start to dig in and think about, "Well, what does that mean?" When the unrestricted net assets were so significantly underfunded for Black entrepreneurs in our network versus the white ones, it was really a proxy for lack of trust in these leaders. And when you think about these unrestricted net assets as a pool of money that allows you to dream and grow and strategize, it really did put a finer point on the headwinds that these leaders of color were facing relative to their white counterparts.

I would say that these disparities have been -- there are other organizations that have reported the same disparities. It happens regardless of the size of the organization. It is terribly intersectional, meaning that women of color in particular face even stiffer headwinds. Indigenous and proximate leaders in global settings face these same sorts of headwinds. So then the question becomes: Well, what do you do about it? And one of the responses after this ground-breaking research was this notion of could you start to partner with capital providers, with folks who sit in seats of privilege to start to break those structural inequities and really sort of ask partners across sector to begin to show up as allies in new and meaningful ways? And that leads me directly into our new partnership with Goldman Sachs, the One Million Black Women Initiative, which we're thrilled to be a part of.

I think Goldman Sachs, like many others, have recognized the real tragedy -- economic tragedy, moral tragedy, social tragedy of under-investing in a key stakeholder group in our society, Black women. Black women were heralded as heroines of our election cycle of last year, but when you look at many of the disparities confronting African American women like me, the disparities tell a very different tale of being locked out of health care opportunities that literally have life and death implications, lacking access to financial on-ramps that are vital to closing the racial wealth gap that confronts so many African American families.

So Goldman Sachs is really taking a soup-to-nuts approach about how they partner with various enterprises to start to tackle this very complicated structural issue and really unlock the potential of Black women. And so we're thrilled to begin this process where we're going to identify a cohort of African American social innovators in whom we will invest, to help them launch and

grow their enterprises, knowing that our friends and partners at Goldman Sachs will be walking alongside them, to help them grow and scale their enterprises. It's a wonderful way for Goldman to stand as allies in this work but also really engage their talented workforce to support the women entrepreneurs that we're going to have the honor of working with over the next couple of years. So Katherine, we couldn't be more thrilled.

Klein: That is such exciting and important work and probably a great point for us -- I'm going to say "pause," for us to pause. And we will wrap up this podcast, but I hope we can continue the discussion because you're doing such important work. Echoing Green just has really remarkable expertise around growing entrepreneurs, and in such an important way. It's thought-provoking for me as a professor. It's thought-provoking to think about this in the context of any efforts to support entrepreneurs. For those who are not in the social impact space, there's a lot to learn. Certainly there's a ton to learn for those of us who are in the social impact space from the work that Echoing Green and you have been doing for so many years.

Thank you so much. Fantastic to talk with you, and as I said, I look forward to continuing the conversation.

Dorsey: Thank you so much, Katherine. It has been a real pleasure and honor.

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