

**How Catalyzing the Impact Economy Can Drive Economic Growth, Diversification, And
Inclusion While Addressing Many Of Our Nation's Most Pressing Issues**

By Joshua Mandell, Dahna Goldstein, Kate Goodall, Ryan Ross, and Nicole Weissman

Halcyon

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Halcyon
3400 Prospect St. NW
Washington, DC 20007

About this Paper

The purpose of this paper is to provide an overview of how catalyzing the impact economy, driven by social ventures, can accelerate positive economic and social recovery from the pandemic and subsequent recession, and to outline a set of actionable recommendations for consideration by President Biden and the Biden-Harris Administration to retain and advance U.S. global leadership through impact-driven businesses (or double and triple bottom line businesses). This paper has been prepared by experts from Halcyon, one of the world's leading organizations in social venture incubation and impact investment. The content and priorities reflected in the Action Items provide insights into how creating an environment for social entrepreneurs, investors, and the broader impact community can provide greater traction and sustainable growth in the U.S. economy while simultaneously addressing the immediate priorities of the Biden-Harris Administration and the most pressing social issues currently facing our nation.

Introduction

The United States is at a crucial inflection point as it begins the process of rebuilding an economy ravaged by the coronavirus, which presents a unique opportunity to truly “Build Back Better” by investing in and supporting the impact economy. Building Back Better means not only rebuilding the economy but building and supporting a business ecosystem that addresses the key challenges facing the country, from economic inequality to racial injustice to climate change. Our experience incubating and investing in impact-driven ventures has demonstrated that the businesses that make up the impact economy – those that are driven by both financial and social or environmental bottom lines – are at the core of shaping an economy that works for everyone.

What is a social venture? Halcyon defines this as a venture applying business principles to achieve intentional social impact; measuring and transparently reporting outcomes towards both business and impact goals.¹ These ventures are innovating in fields perfectly aligned with the new Administration's immediate priorities focusing on the COVID-19 pandemic, climate, racial equality, the economy, health care, immigration and restoring America's global standing. The differentiating factor and core strength of social ventures is that they have business models where the growth in their impact fuels their success in the market. In practice, by aligning profit and purpose, founders are better able to win customers, recruit and retain talent, and solve for pain points that have long gone unaddressed in the marketplace while avoiding negative externalities that pose risks to both the business and society. These businesses tackle some of the country's most pressing issues, from developing scalable models for renewable energy to providing job opportunities for returning citizens to help reduce recidivism.

Some of the country's largest investment firms and financial institutions have started turning their eyes towards social ventures, including Alliance Bernstein, Bank of America, BlackRock, Capital One, Goldman Sachs, JP Morgan, Wells Fargo, Vanguard, and more. This new business orientation goes beyond corporate social responsibility, and places social impact on par with profits. In a groundbreaking proclamation, the Business Roundtable acknowledged last year that

¹ *A Step Forward: Social Enterprise Ecosystems in the U.S.* Halcyon, 2019.

companies have to serve many more stakeholders than just their shareholders² – for social ventures this is innate, giving impact-driven businesses an edge in this evolving business landscape.

In order to build the thriving social venture ecosystem needed to realize sustainable and diversified economic growth, the Biden-Harris Administration can support the training, regulatory framework, early-stage capital access, market receptivity, and international collaboration required to accelerate the growth of new businesses, job creation, and U.S. social venture leadership.

THE CASE FOR U.S. GOVERNMENT SUPPORT OF SOCIAL VENTURES

The U.S. Government has traditionally supported startups and social ventures through initiatives at several agencies. These include providing access to capital for early stage businesses through the Small Business Administration and via Small Business Innovation Research Grants through different agencies, offering mentorship to international startups through the U.S. Department of State, providing tools for U.S. based startups to access the global marketplace through the U.S. Department of Commerce, and the creation of the Office of Social Innovation and Civic Participation at the White House, an Obama administration office that the Trump administration discontinued.³ These initiatives demonstrate the critical role that the federal government plays in the development and growth of startups and social ventures, but more avenues remain for the government to increase its role as a catalyst for creating new, impact-driven businesses and help scale the most effective and impactful businesses. The following section outlines why the Biden-Harris Administration should support startups, the additional value expected from supporting social ventures, and why the time is right to enhance these efforts now.

- Startup Backdrop:
 - New jobs, game-changing technological innovations, and economic competitiveness have resulted from creating the conditions for the robust U.S. startup ecosystem to thrive. According to the Kauffman Foundation, new businesses account for nearly all net new job creation and almost 20 percent of gross job creation.⁴
 - Silicon Valley is no longer the only game in town when it comes to strong startup ecosystems. Cities across the U.S. including Austin, Chicago, Raleigh, New Orleans, Denver, Miami, and Washington, DC, not to mention Boston and New York, are attracting startups and creating smart policies for them to flourish.
 - Big technology firms thrive in cities where startups are present. There is a natural rotation of talent between startups and large firms. Startups help drive and enrich local economies.

² <https://s3.amazonaws.com/brt.org/BRT-StatementonthePurposeofaCorporationOctober2020.pdf>

³ <https://obamawhitehouse.archives.gov/administration/eop/sicp/about>

⁴

<https://www.kauffman.org/resources/entrepreneurship-policy-digest/the-importance-of-young-firms-for-economic-growth/>

- Around the world, countries and regions have recognized the economic value inherent in supporting startups.
- Many countries have begun to prioritize national policies that invest in social ventures⁵
- The Social Venture Difference:
 - Pursuit of profit is necessary but not sufficient for 21st century innovation. Social ventures create innovative solutions to some of the most pressing issues, while also generating profit.
 - Social entrepreneurs have now built ventures in every sector of the U.S. economy (i.e., energy, health, education, data, media, transportation, housing, agriculture). Some examples of social ventures are provided on page 9 of this paper.
 - Products and services developed by social ventures are easily deployable, scalable, and accessible to the most vulnerable and disenfranchised individuals in our society.
 - It is important to differentiate between social ventures and charities. The for-profit model is quickly becoming the standard for successful social ventures, as their profitability allows for the impact to be sustainable.
 - Customers in the 21st century will continue to seek out and spend more on products and services provided by ventures that have demonstrated positive societal values, ethical practices, and eco-friendly processes. Recent surveys show that 70% of consumers pay attention to brands that address social and environmental issues and over 45% look at a company's efforts in these areas prior to making a purchase.⁶ As a result of this orientation towards benefitting society, the marketplace gives social ventures a competitive advantage over traditional businesses.
 - Social ventures also benefit from a stronger ability to recruit and retain talent, a more attractive value proposition to channel partners and collaborators,⁷ and a lower risk Environmental, Social, and Governance (ESG) profile.
- The Right Time and Place:
 - The Biden-Harris Administration begins its work in one of the most difficult social and economic periods in our nation's history.
 - There is a unique opportunity for the Biden-Harris Administration to both reduce disparities in our society and grow the U.S. economy through its advocacy and support of social ventures throughout the U.S.
 - Social ventures are already addressing many of the most difficult issues facing the U.S. today - these include ventures designed to improve the criminal justice system, deploy green energy technologies, rapidly develop health solutions, better inform voters, and modernize our education systems.

⁵ E.g., The European Union Social Business Initiative: <https://ec.europa.eu/growth/sectors/social-economy/enterprises/>

⁶ <https://markstein.co/wp-content/uploads/2019/10/CSR-Survey-deck-for-website-20190930.pdf>

⁷ https://ssir.org/articles/entry/the_competitive_advantage_of_social_enterprises

A FIVE POINT AGENDA FOR ACTION

Below are five significant, achievable actions that President Biden and the Biden-Harris Administration can take within the first 100 days in office to accelerate more high-quality, high-impact social ventures across the nation.

ACTION 1: ESTABLISH U.S. AND FEDERAL LEADERSHIP IN SUPPORTING SOCIAL VENTURES TO START, GROW, AND SCALE

Similar to traditional startups, social ventures require a robust ecosystem in order to survive and thrive. The Biden-Harris Administration can invigorate emerging social venture ecosystems across the country, and signal U.S. leadership in this arena globally, by making a bold statement of federal support for this ecosystem. Tangible actions to accomplish this include:

- Create a National Social Venture Business Council, comparable to the general mission of the National Women's Business Council.
- Encourage U.S. government leadership to disseminate a narrative on social ventures as investable, sustainable startups of the future.
- Re-establish and further empower the Office of Social Innovation and Civic Participation in the Domestic Policy Council to include for-profit social ventures.
- Re-invigorate the Presidential Ambassadors for Global Entrepreneurship program housed at the U.S. Department of Commerce with membership including successful social entrepreneurs who can inspire the next generation of founders (i.e., Patagonia, Ben & Jerrys, Beyond Meat, Enphase Energy, Once Upon a Farm).
- Work with states and regions to improve the infrastructure and accessibility required to attract top social entrepreneurs and talent (i.e., modern modes of transportation, broadband access, affordable housing and diversity).

ACTION 2: FACILITATE THE FLOW OF PUBLIC AND PRIVATE CAPITAL TOWARDS SOCIAL VENTURES

Investors have traditionally been hesitant to support social ventures, due to an outdated narrative that companies that focus on positive impact do not realize profits and returns at a rate comparable to companies exclusively focused on pleasing their shareholders.

- Task the Small Business Administration with the development of unique programs aimed at providing loans and financial assistance to social ventures.
- Task the Department of Commerce with creating a Qualified Social Venture Stock (QSVC) tax exemption. Just as the Qualified Small Business Stock (QSBS) tax exemption on capital gains has spurred investment in innovative early-stage companies, this incentive would unlock capital for innovative early-stage impact-driven ventures.
- Convene dialogues with impact and traditional investors, promoting the value of investments into social ventures and their founders.

- Review regulatory guidance from the IRS to reduce barriers and regulatory hurdles for private foundations to leverage their tax-exempt status to deploy assets towards impact investing.
- Develop a working group in the administration to assess the viability of federal social impact bonds and other forms of financing that would leverage public funding to increase private capital flows into social ventures.

ACTION 3: INTEGRATE SOCIAL VENTURE PROGRAMS WITH THE ADMINISTRATION'S COMMITMENT TO DIVERSITY, EQUITY, AND INCLUSION

With diversity and inclusion at the core of Biden-Harris Administration policies, supporting social ventures provides an opportunity to positively impact people from vulnerable, disenfranchised, and under-resourced backgrounds in ways that scale. A much greater percentage of social entrepreneurs and teams come from these groups, as compared to founders of traditional companies.⁸ The products and services produced by social ventures are also typically designed to support those most in need, and/or provide a solution that was not available otherwise. There is also growing evidence showing that businesses with diverse leadership teams are 15% more likely to generate above-average profitability compared to white male teams.⁹ Meanwhile, while black women are the fastest growing demographic of business founders in the U.S., with 164% growth since 2007, they receive less than one percent of available venture capital investment.¹⁰

- Provide guidance to the Minority Business Development Agency at the U.S. Department of Commerce to provide technical assistance and resources to social venture founders of color.
- Highlight social venture opportunities provided by the government in President Biden's and Vice President Harris' active engagement with minority communities.
- Re-establish a White House Council on Women and Girls, with a focus on women-led social ventures to advance gender equity in the startup community.

ACTION 4: PROVIDE TECHNICAL ASSISTANCE AND TRAINING FOR EXISTING AND FUTURE SOCIAL ENTREPRENEURS

Building any successful startup ecosystem requires investment in infrastructure to connect great founders and ideas with the training and support they need to get to market.

- Ask Congress to bolster the Office of Innovation and Entrepreneurship at the Economic Development Agency to increase the impact of its Build to Scale grant program to include a social venture track, focused on providing resources to social ventures and their ecosystems across the U.S.

⁸ https://socentcity.org/sites/default/files/seer_2019_brochure_web.pdf

⁹ <https://www.mckinsey.com/business-functions/organization/our-insights/delivering-through-diversity#>

¹⁰ https://s1.q4cdn.com/692158879/files/doc_library/file/2019-state-of-women-owned-businesses-report.pdf

- Starting in K-12 programs, empower the U.S. Department of Education to allow for the design and deployment of curricula and training programs throughout the U.S. education system, focusing on the skills needed to start a social venture.
- Encourage leadership at the U.S. National Laboratories and universities to provide technical assistance to social venture founders, open up access to their discoveries with opportunities for commercialization, and establish partnerships with social ventures in addition to their history of partnering with large corporations.

ACTION 5: DEVELOP OR MODIFY POLICIES AND REGULATIONS THAT ALLOW FOR SOCIAL VENTURES TO AVOID OBSTACLES TO GROWTH AND SEAMLESSLY ACCELERATE

The United States is one of the easiest places in the world to do business, chiefly due to its smart economic policies. The World Bank ranks the U.S. as 6th in the world in its Doing Business 2020 Report¹¹, and the U.S. has the opportunity to continuously improve its policies and regulations to facilitate the starting and scaling of businesses. Nevertheless, the specifics of the regulatory environment have an outsized impact on the ability for social ventures to scale, as many founders are working on the same problems where the government has historically played a significant role. Below, we outline initial steps that will create a friendly regulatory environment to allow social ventures to tackle these challenges and unleash the potential of our startup ecosystem.

- Invite a standing working group of experts from the social venture community to join the Biden-Harris Administration via committees, commissions, and agencies, so that social venture opportunities are considered throughout the regulatory and policy-making process. The establishment of a National Social Venture Business Council would achieve this goal.
- Develop a program to fast-track intellectual property protections from the U.S. Patent and Trademark Office for social ventures, especially where the product or service can have an immediate positive impact on society.
- Expand visa and international exchange programs for social venture founders or technically trained individuals supporting social ventures from abroad to enter and work in the U.S.
- Prioritize social ventures throughout the U.S. government procurement processes, creating opportunities for early-stage ventures to provide products and services across the U.S. government apparatus. Designations such as women or minority-owned would open up access to government contracts for these businesses.
- Review federal procurement practices to enable agencies more readily to establish pilot programs with social ventures.
- Establish federal certifications for social ventures with the aim of standardizing what constitutes a social venture and accelerating their qualifying for federal incentives.

¹¹ <https://openknowledge.worldbank.org/bitstream/handle/10986/32436/9781464814402.pdf>

CONCLUSION

The Biden-Harris administration is promising to Build Back Better and we believe that social ventures are the key to deploying solutions addressing the administration's immediate priorities and unlocking both an economic and a social recovery. Never before has the environment been as ripe for an influx of ideas, talent, and capital into the impact economy. Leadership from the incoming administration will be catalytic in solidifying the United States as the global leader in impact innovation. As a nonprofit, Halcyon exists to have impact in our community, and we stand by to support any efforts by the administration to strengthen the social venture ecosystem.

For inquiries or follow-up, please contact Halcyon's COO, Josh Mandell at j.mandell@halcyonhouse.org or 202-285-1458.

EXAMPLES OF SOCIAL VENTURES

The following list is designed to illustrate the diversity of sectors, founders and types of impact that can be realized through social ventures. There are literally thousands of existing social ventures in the U.S. at varying degrees of development, all doing their part to build the world back better. Many of the ventures listed below also directly align with the Biden-Harris Administration's immediate priorities.

Early Stage

Oxiwear – Oxiwear is a wearable medical device venture that monitors oxygen levels in real time. Although created to help patients suffering from pulmonary hypertension, founder Shavini Fernando recently discovered the practical use of her device for identifying asymptomatic COVID-19 patients earlier, to test and treat them before their conditions worsen.

Solstice – Solstice is a pioneer in community solar, based on the premise that every American household, regardless of income level or credit score, can be powered by affordable renewable energy. The community model of solar installation at central locations cuts costs, supports the local economy, creates jobs, and generates tax revenue.

Foodhini – Foodhini enables individuals from immigrant and refugee communities to use their culinary skills to improve their livelihoods and expose Americans to cuisines from around the world. Foodhini is a thriving catering venture that employs refugee chefs to create unique meals from their home countries.

Onward Financial – Onward Financial is a financial technology venture founded on the principle that no American family should be destabilized due to a small, unexpected expense such as car trouble or a trip to the emergency room. Onward Financial provides every worker with the tools to build a financial cushion through an emergency savings account, financial education and coaching.

HealthOpX – is a social determinant of a health software venture that helps limited English proficiency patients navigate the healthcare system. This is accomplished by partnering with ethnic and community organizations to deliver a sustainable system of patient-centric care.

Flikshop - Flikshop is a tech platform that allows family members to connect easily with their incarcerated loved ones, lowering recidivism. The Flikshop app is famously known as “the Instagram for prisons,” allowing users the ability to send personalized pictures and messages delivered as postcards to any person in any cell in the U.S.

Pilleve - Pilleve is an integrated pill bottle that helps care providers and insurance companies prevent the long-term costs associated with opioid abuse and addiction. Pilleve relies on real-time data to accurately monitor prescription intake, conduct behavioral analysis, educate patients, and connect them to a network of support. Through early intervention, Pilleve helps care providers make informed decisions about a patient's well-being, starting with their prescriptions.

Social Cipher - Social Cipher is a story-driven video game that gives children with autism a safe, fun, and accessible space to apply social skills. Their platform addresses the needs of real families through gameplay and story, as they imagine a future in which an autism diagnosis is no longer viewed as a deficit, but a superpower.

Later Stage

Beyond Meat – Beyond Meat believes there is a better way to feed our future and that the positive choices we all make, no matter how small, can have a great impact on personal health and the health of the planet. By shifting from animal to plant-based meat, they focus on positively impacting four growing global issues: human health, climate change, constraints on natural resources, and animal welfare.

Once Upon a Farm - Once Upon a Farm is based on the concept that high quality, nutritious baby food should be a right, not a privilege. Once Upon a Farm produces and delivers organic, premium baby food to families regardless of economic status.

Ellevest – Ellevest is a financial wellness company that aims to improve financial literacy for women founders, provide investment opportunities for women to build their wealth, and has private wealth management tools for women. Ellevest is founded entirely by women, for women.

Warby Parker – Warby Parker was founded to offer designer eyewear at an affordable price, while leading the way for socially conscious businesses. Through circumventing traditional channels, designing glasses in-house, and engaging with customers directly, Warby Parker delivers high-quality prescription eyewear at a fraction of the going price.

Enphase Energy – Enphase Energy is a global energy technology innovator, delivering new and better ways to make solar energy smarter, simpler, and more affordable.

Patagonia – Patagonia is one of the world’s leading outdoor gear and clothing brands that has led the way in acting on the most pressing environmental issues. Initiatives include a self-imposed Earth tax, partnering with environmental groups, and using sustainable materials and processes in their products.

Seventh Generation – Seventh Generation is a consumer product brand with health, sustainability and equity at its core. Their products focus on plant-based formulations, recycled packaging, ingredient transparency, protecting the planet.

ADDITIONAL READING

[2019 State of Women-Owned Businesses Report](#)

[A Deeper Dive: Social Enterprise Ecosystems in the U.S.](#)

[Beeck Center Social Impact Navigator](#)

[Building an Impact Economy in America: A Report on the White House-Aspen Institute Impact Economy Summit](#)

[Business Roundtable Statement on the Purpose of a Corporation](#)

[EDA Build to Scale \(B2S\) Program](#)

[Kauffman Foundation: The Importance of Young Firms for Economic Growth](#)

[MBDA Enterprising Women of Color Initiative](#)

[McKinsey & Company: 2019 Delivering Through Diversity](#)

[Presidential Ambassadors for Global Entrepreneurship](#)

[The Role of Regional Development Organizations \(RDOs\) in Economic Development](#)

[Small Business Administration: A Primer on Programs and Funding](#)

[SBA Assistance to Small Business Startups: Client Experiences and Program Impact](#)

[SBA Funding: Overview and Recent Trends](#)

[Stanford Social Innovation Review: The Competitive Advantage of Social Enterprises](#)

[World Bank Doing Business 2020 Report](#)

ABOUT THE HALCYON INCUBATOR

The Halcyon Incubator is committed to solving 21st-century challenges throughout the nation and the world. By helping social entrepreneurs transform audacious ideas into scalable and sustainable ventures, the Halcyon Incubator acts as a catalyst for measurable social outcomes. It's perhaps the most immersive incubator in the world that focuses on both social impact and profit. During this 18-month fellowship, a diverse cohort of fellows receives free residency and workspace, mentorship and leadership coaching, robust support from business consultants, and a living stipend to develop their entrepreneurial vision into reality.

Halcyon's well-honed methodology fosters creativity through an environment of freedom, access, collaboration, and support. It gives prospective impact leaders the physical and mental space to freely take risks and exercise their ingenuity. By removing barriers and supplying resources, Halcyon empowers visionaries regardless of their means or circumstances. In this way, it disrupts the status quo of who has access to entrepreneurship opportunities.

For additional information on our incubator fellows and programs, please visit www.halcyonhouse.org.