SOCIAL INNOVATIONS Journal

Vol. 16 No. 1 (2023): Identifying and Addressing Cultural, Geopolitical, Structural, and Educational Barriers to Social Innovation

Challenging Barriers to Fundraising Culture: Ownership Wayfinding Workshop Method

By: Jen van der Meer*

*Parsons School of Design, School of Design Strategies, The New School

Keywords: social impact, social entrepreneurship, community-embedded, capital access, community wealth

Abstract

This paper addresses the following questions: *How can social entrepreneurs from communities historically excluded from capital better understand how to access capital?* Given that the predominant discourse in fundraising culture is centered on the needs of funders and not of founders, how can social entrepreneurs design pathways that fit the scale and reach of their vision? Ownership Wayfinding is a novel workshop method whereby social entrepreneurs explore different organizational types and capital sources. This includes a series of workshops that address: (1) a future visioning exercise; (2) a discussion of ownership intentions; (3) the exploration of organizational types and capital expectations; (4) a reflection on different wealth-creation and risk tolerance motivations; and (5) the design of organizational options and scenarios. The method has been used successfully by graduate and undergraduate social entrepreneurship students who gain greater agency in the fundraising process by understanding organizational structure and capital alternatives.

Background and Context

Racial and socioeconomic inequities plague the survivability of entrepreneurship by minority founders (Kroeger and Wright 2021). While there has been considerable effort to increase available grant and fellowship funding for early-stage diverse entrepreneurs, the amount of venture capital distributed to Black and LatinX founders remains abysmally low at 2.7% or less (McConnell 2020; Wong 2021). Non-profit grant-givers have made greater strides in inclusion, but inequities in allocations to organizations led by diverse founders persist (Dorsey et al., 2020).

Universities have attempted to address the hurdles that diverse social entrepreneurs need to overcome. Curricular and program offerings create knowledge and broker access to funders and funding through pitch clinics, demo day events, competitions, mentorship networks, and other activities that connect to larger funding ecosystems. This paper provides an overview of the outcomes of cumulative workshops, reflective practice, and experiential knowledge within such a program: The Impact Entrepreneurship Initiative at The New School. The workshop method was created to support a Fellowship program for students who are embedded in their local communities, engaging in a design praxis to move towards a just economy (Martinez and van der Meer 2021).

Lack of capital access is cited as a primary barrier for all social entrepreneurs to overcome. Students are excited to be part of New York City's startup ecosystem, one of the most active in the world. But after they attempt to build relationships with funders through external events and mentoring networks, they often return with confusion and frustration about the feedback that they receive.

Financial and donor cultures speak through coded and performative discourse. Venture capital-scale impact investors expect high-growth outcomes and narrative-driven pitches describing ambitious visions (Benton 2020; Galbraith et al. 2013) and, therefore, do not value local-scale approaches. Grant funders may encourage student entrepreneurs to change approaches in order to fit the theory of change sought by donors. What becomes apparent is that funders coach social entrepreneurs to reshape ideas, plans, and visions to fit the criteria of funding decision-makers.

While entrepreneurs create opportunities through a social process engaged in continuous interactions with a committed network of stakeholders (Sarasvathy 2001), it can be disheartening to privilege resource holders' needs over those of community members. To be embedded in a community means to have strong ties and enduring networked relationships that affect motives, behaviors, and decision-making (Granovetter 1985; Smith and Stevens 2010). In contrast, social entrepreneurs with weaker community ties might easily recast their plans for "large-scale transformative benefit that accrues either to a significant segment of society or to society at large," when encouraged to pursue the Schumpeterian framing of social entrepreneurship (Martin and Osberg 2007).

While there is a widespread agreement by academic scholars that social entrepreneurs are "driven by a desire to benefit society in some way or ways" (Dees 2022), critiques of the hero-based definitions distinguish social entrepreneurship as a collective activity (de Bruin et al. 2022; Montgomery et al. 2012). The logic of embeddedness defines collective-oriented social entrepreneurs as they negotiate shared interests and prioritization purposes as part of their entrepreneurial endeavors.

We now come to the underlying barrier to fundraising for community-embedded social entrepreneurs: how to navigate a path to impact with the right size, shape, and vision without deeply compromising community agreements?

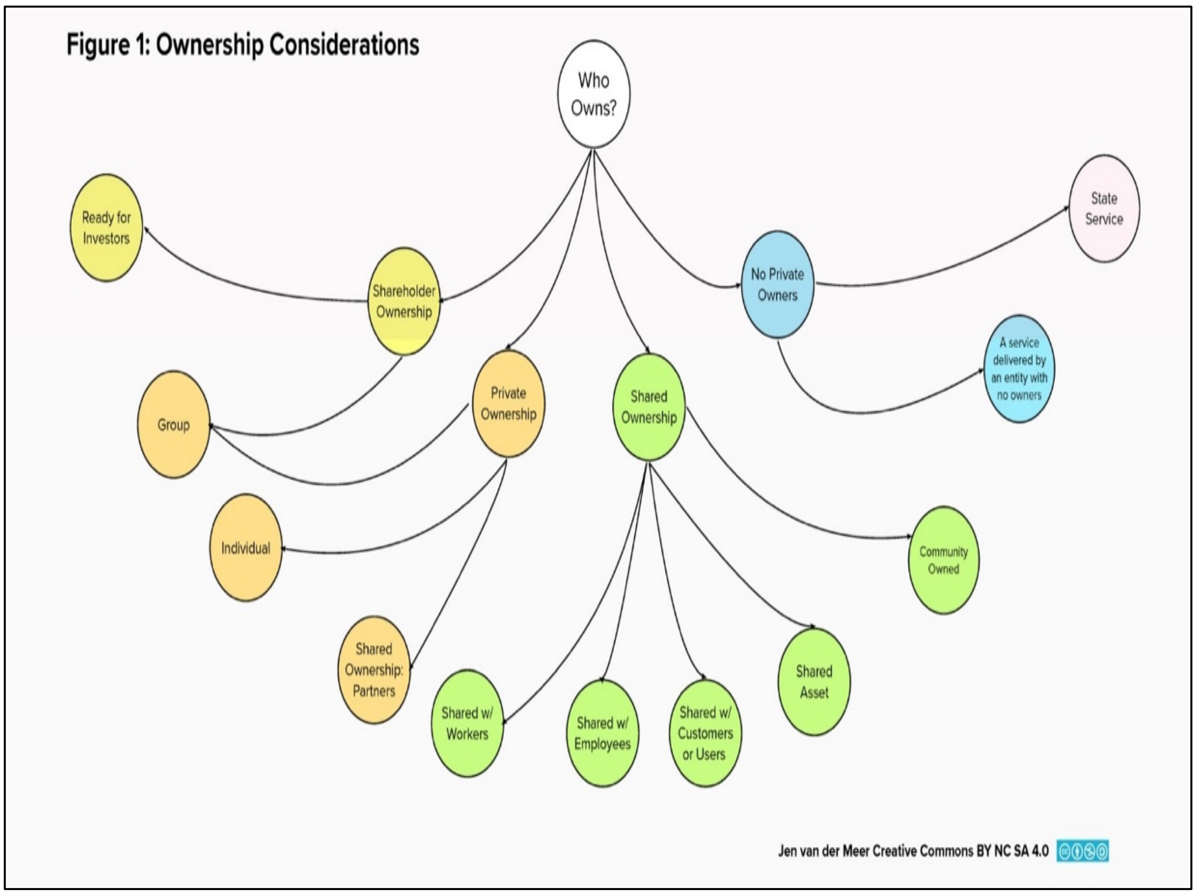
Ownership Wayfinding

In this section, the Ownership Wayfinding Method is described as how it is often used. There are five key steps involved in the practice, and they are typically conducted over one or two workshops. In preparation, research was conducted to share funding options for students to consider that are connected to the common and legal, and emerging structures in the United States. The following steps were used to explore intentions and alternatives to organizational design and funding:

Step 1: Envision without Constraints

We ask students to imagine a future at a defined time when their impact is achieved: "*Assume you get access to the people, resources, capital, support, and anything you need to realize your impact. How did the world change for your community? Who else was affected by your actions?*" Participants are asked to write a statement and share the output with the larger group. Facilitators encourage participants to stretch their thinking until they have a clear picture of their vision being realized.

Figure 1: Ownership Considerations



Step 2: Explore Ownership Intentions

The next stage in the Wayfinding exercise is to reveal a key question that opens up pathways to alternative organizational types and capital sources: *"Who owns the social entrepreneurial activities?"* Participants are asked to consider if they or their group of community members will own their activities and resources or if they are intending to other ways of sharing ownership. Awareness, attitudes, and perceptions about different organizational types are revealed through facilitated discussions.

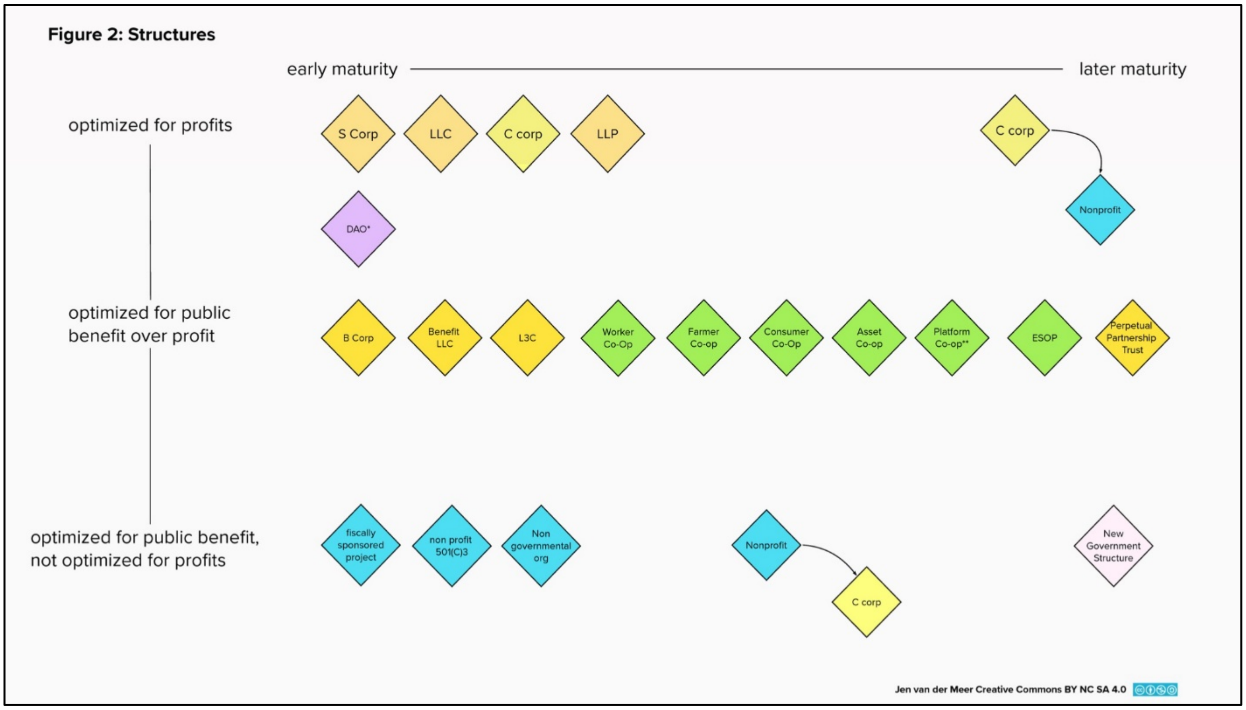


Figure 2: Structures

Based on the answers to the key questions on ownership (Figure 1), participants are directed to write down different organizational types that they are curious about and to feel free to select more than one (Figure 2).

Step 3: Exploring Organizational Structures and Corresponding Capital Expectations

Participants learn about the different organizational structures and corresponding capital types through rapid research. All are encouraged to annotate and draw assumed relationships between structures and funding sources. The key to this workshop is to generate knowledge of structures, ownership, and capital expectations as a group; to name what is assumed but needs to be validated, to mark what is emerging and fluid; and to encourage participants to choose one or more structures to consider.

SOCIAL INNOVATIONS Journal

Vol. 16 No. 1 (2023): Identifying and Addressing Cultural, Geopolitical, Structural, and Educational Barriers to Social Innovation

Figure 3: Structures and Ownership Implications

Prompt: Learn which capital types fund which structures?

Search, learn, connect the dots:

Description	Examples	Organizational Type
C-Corporation: Creates legal distinction from owners; an entity that is treated like a person legally	McDonalds, Apple, Starbucks; Modern Health, Daily Harvest	C corp
S-Corporation: One person who conducts business for profit	Freelancer's most preferred organizational type	S Corp
Limited Liability Company: has members rather than shareholders, and limits owners' liability	Pepsi, IBM, Nike, also favored by small business, real estate	LLC
Limited Liability Partnership: Two or more individuals as co-owners of a for-profit business.	Baker MacKenzie, Bain	LLP
A structure that commits the organization to long term mission alignment through capital raises and leadership changes	Companies like Patagonia, Warby Parker, King Arthur Flour, and Kickstarter	BCorp
An L3C is a form of Limited Liability Company that is required to be "mission first."	Examples include dance companies, theater groups, symphonies, musical groups, artist groups, and art activities.	LC3
An ownership structure that permanently secures a company's mission and independence legally, potentially avoiding exit or sale	Patagonia	Perpetual Partnership Trust
ESOP is an employee stock ownership plan which grants employees company stock, often based on the duration of their employment.	Publix and WL Gore	ESOP
Worker co-ops are owned and self-managed by its workers, either through democratic decision making, or voting structure	Home care, childcare, consulting and other services; largest is Cooperative Home Care in the Bronx	worker Co-Op
Farmers pool their resources to market and process grain and livestock and secure production	Land O'Lakes, Ocean Spray, and other farmer-member-owned organizations	farmer Co-Op
A consumers' co-operative is owned by consumers and managed democratically to fulfill the needs and aspirations of its members.	Food co-ops, credit unions, also REI	Consumer Co-Op
Coop members are entrusted with managing an asset like electricity, or data	Electricity Co-ops, data co-ops	Asset Co-op
A technologically-enabled cooperative, not a legal entity.	Savvy Coop, Drivers Coop, other startups from Startup.coop	Platform Coop
A decentralized autonomous organization (DAO), is represented by rules encoded on a blockchain vs. centralized management	Uniswap, Dash	DAO
A nonprofit's mission and purpose are to further a social cause and provide a public benefit.	Hospitals, universities, national charities, and foundations.	non profit 501(C)3
A non-governmental organization is a nonprift whose scope is more global; but also distinct from government	Oxfam, Wikimedia, Save the Children, International Rescue Committee	NGO

Finance Type	Description	Ownership Implications
Safe Notes	Simple Agreement for Future Equity (SAFE) Note to speed the process and reduce the costs for first growth company funding	Terms that promise to grant that investor a percentage of ownership in your company at some point in the future
Convertible Notes	A hybrid of short-term debt that converts to equity, usually when a startup raises its next round of funding	Terms that convert a percentage of ownership to an investor when a conversion event occurs
Non-Recoverable Grant	Money given for a specific purpose after the completion of a qualifying process that is not expected to be repaid	No ownership implications (non-dilutive for companies)
Recoverable Grant	Grants that are expected to be returned to the capital giver (not a technical legal term)	No ownership implications (non-dilutive for companies)
Loan	Money is given to another party in exchange for repayment of the loan principal amount plus interest	No ownership implications
Concessional Loan	Money is given to another party in exchange for repayment of the loan principal amount plus a below-market interest rate	No ownership implications
Crowdfunding	A way to raise funds by convincing a large number of people to each give money for a specific project or business	Project and debt crowd funding have no implications, but equity crowdfunding grants ownership in slivers
Worker Cooperative Ownership	Owned by members based on contribution	Workers coops: profit divided based on labor, producer coops based on value of contribution, consumer based on goods purchased
Producer/ Consumer Ownership	Democratic governance goods produced or an asset	Share of profits based on value of contribution, consumer based on goods purchased
Revenue-Based Finance	Investors inject capital into a business in return for a share of ongoing revenues with a capped upside	No ownership implications Non-dilutive
Asset Backed Loan	Given to an organization that has a resource that can be converted into cash, the loan is secured by that resource or asset.	No ownership implications Non-dilutive
Private Equity Investment	Money invested a private company in exchange for an ownership share (Venture Capital in early stages)	Ownership negotiated plus high growth expectations to return capital (> 10x returns to investors)
Publicly Issued Stock (IPO)	When a company raises funds by selling or issuing its equity shares to the public (Initial Public Offering)	Founders typically up majority ownership but may maintain majority voting rights, growth and later dividends expected
Tokens	A tradable asset or utility that resides on its own blockchain given to users or investors in exchange for cash	Not ownership, but instead "utility tokens" grant rights to users to perform some actions on a blockchain or decentralized app
NFTs	Non fungible token: A unique digital identifier that cannot be copied, recorded in a blockchain, used to certify authenticity and ownership.	Used for granting ownership to assets, like images, but not companies
Time Bank	A system of exchanging one service for another by using labor-time as a unit of value	No ownership implications
Program Related Investment	An investment made by a foundation to pursue its charitable mission rather than to generate income	Patient capital: May have longer time horizon expectations for investment returns or below-market expectations
Land Banks	Created by public authorities or non profits to acquire and hold property in order to meet community goals	Below market returns to achieve goals such as affordable housing or stabilizing property values

Step 4: Reflection and Further Exploration

Next, participants are asked to reflect on their motivations and plans for wealth-building. The building blocks of different organizational forms give community members more agency to define what outcomes and risk tolerances work best to achieve their desired impact. Participants are asked to discuss the relative importance of multiple forms of wealth, including personal, generational, and/or community wealth that expresses community notions of value before discussing with key stakeholders.

Step 5: Design Scenarios

Finally, participants reconvene to sketch out potential scenarios to reach their intended impact. At this stage, participants may seek out ownership structures like cooperatives or hybrid for-profit and non-profit structures that they had not considered. Facilitators help participants evaluate if they have identified customer-revenue-funded pathways to growth without grant or investor capital or if they need to redirect their entrepreneurial journey to explore this possibility.

Setting a timeline for key activities and partners, participants locate where certain organizational types are formed and how capital sources are accessed. To flex thinking for new possibilities, participants are encouraged to imagine different scenarios in which they build a large-scale social impact venture, a small-scale non-profit, and other structures in between. Through facilitated discussions, participants choose the scenarios that best fit the intentions and motivations of the social entrepreneurs and their community partners.

As a result of this final step, participants have learned more paths to realize their vision with their community ties intact. They may collectively find an appetite to aim for a scaled outcome beyond the limits of their community or may explore a more local response that generates wealth within geographic boundaries. Students have shared that they see more opportunities to grow their entrepreneurial endeavors towards a path that best matches their mutual appetite for risk, impact, and financial return.

Conclusions and Areas for Further Study

In conclusion, the purpose of sharing these workshop methods was to add to the growing practice of social entrepreneurship and efforts to address inequities by providing alternative paths for fundraising and organizing. We need more research and longitudinal studies to understand the effect of this type of workshop experience on social entrepreneurs and the resultant choices made to increase the creation of multiple forms of wealth. We believe that a more thorough understanding of alternative organizational and capital types as creative building blocks to overcome barriers in traditional fundraising practice has much to offer in the domain of social entrepreneurship.

References

Benton, William. 2020. "Showing and coding: venture pitching and nonmaterial production." *Journal of Cultural Economy,* 13, no. 4: 489-501.

Clewett, Kenny, Bunmi Otegbade, and Lorena Garcia Duran. 2022. "Diversity Accelerates our 'Everyone a Changemaker' Future." *Social Innovations Journal* 11.

de Bruin, Anne, Michael J. Roy, Suzanne Grant, and Kate V. Lewis. 2022. "Advancing a contextualized, community-centric understanding of social entrepreneurial ecosystems." *Business & Society*: 00076503221121820.

Dorsey, Cheryl, Peter Kim, Cora Daniels, Lyell Sakaue, and Britt Savage. 2020. "Overcoming the racial bias in philanthropic funding." *Stanford Social Innovation Review*.

Connell, James P., and Anne C. Kubisch. 1998. "Applying a theory of change approach to the evaluation of comprehensive community initiatives: progress, prospects, and problems." *New approaches to evaluating community initiatives* 2, No. 15-44: 1-16.

Galbraith, Craig S., Bruce C. McKinney, Alex F. DeNoble, and Sanford B. Ehrlich. 2013. "The impact of presentation form, entrepreneurial passion, and perceived preparedness on obtaining grant funding." *Journal of Business and Technical Communication* 28, no. 2: 222-248.

Granovetter, Mark. 2018. "Economic action and social structure: The problem of embeddedness." *The sociology of economic life*, 3(3): 22-45. Routledge.

Kroeger, Teresa, and Graham Wright. 2021. "Entrepreneurship and the Racial Wealth Gap: The Impact of Entrepreneurial Success or Failure on the Wealth Mobility of Black and White Families." *Journal of Economics, Race, and Policy*, 4, No. 3: 183-195.

Martin, Roger L., and Sally Osberg. 2007. "Social entrepreneurship: The case for definition." *Stanford Social Innovation Review*: 28-39.

Martinez, Neyda and Jen van der Meer. 2019. "Impact Entrepreneurship Initiative," The New School. https://www.newschool.edu/impact-entrepreneurship.

McConnell, Jager. 2020. "2020 Crunchbase Diversity Report." https://about.crunchbase.com/wp-content/uploads/2020/10/2020_crunchbase_diversity_report.pdf.

Montgomery, A. Wren, Peter A. Dacin, and M. Tina Dacin. 2012. "Collective social entrepreneurship: Collaboratively shaping social good." *Journal of Business Ethics* 111, no. 3: 375-388.

Sarasvathy, Saras D. 2001. "Causation and effectuation: Toward a theoretical shift from economic inevitability to entrepreneurial contingency." *Academy of Management Review* 26, no. 2: 243-263.

Smith, Brett R., and Christopher E. Stevens. 2010. "Different types of social entrepreneurship: The role of geography and embeddedness on the measurement and scaling of social value." *Entrepreneurship & Regional Development* 22, No. 6: 575-598.

Wong, Diane. 2021. "Reflecting On Our Progress: One Year Since The Launch Of Diversity Spotlight." *Crunchbase*. https://about.crunchbase.com/blog/reflecting-on-one-year-of-diversity-spotlight.