

## **On the Frontlines**

### **Innovating the White House**

How the next president of the United States can spur social entrepreneurship

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# Innovating the White House

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**T**hroughout the run-up to the 2008 presidential election, both Democratic and Republican candidates have pointed to the nonprofit sector's vital and growing role in tackling some of our nation's most serious challenges: education, health care, housing, and other areas of social need. The candidates want to connect with voters by highlighting fresh, new solutions that might bridge the divisions between political parties and provide concrete results to an American voting public increasingly cynical about government's ability to solve our nation's most intractable problems.

Government investment in models developed by nonprofits is not new: Since the 1960s, the nonprofit sector has served as a test lab for what works in government at all levels; the federal government even adapted a number of successful nonprofit approaches into full-scale programs (AmeriCorps and YouthBuild).

To tackle the problems of the scale and scope our nation faces, however, the next president needs to focus less on replicating individual

programs and more on reorienting the government's relationship toward the nonprofit sector. To do this, he or she should focus on creating a policy environment that fosters greater social innovation and invests in the most high-impact social entrepreneurial efforts.

In developing this policy environment, the federal government needs to play a defined and limited role, without creating a new bureaucracy that runs counter to the culture of social innovation and entrepreneurship. It should remain flexible in its approach, using both policy tools that can adapt to changing circumstances and new evidence about what works. The federal government should not seek to pick specific "winners" in the nonprofit sector; rather, it should invest in a range of solutions designed to meet national societal goals. And government investments should not replace current funding streams; they should fill important gaps and catalyze funding by foundations, the private sector, and individuals.

## Federal Policy Goals

With these principles in mind, the next president's policies and investment tools should pursue the fol-

lowing four goals:

### *Improve access to growth capital.*

Not all nonprofits should grow significantly. Nevertheless, in instances where a social entrepreneurial model has shown concrete results and has the infrastructure and plan to support growth, growth capital should be available to support what is working. The federal government can act as a natural and reliable source of capital for high-performing nonprofits or social entrepreneurs ready to expand their reach. Moreover, the federal government's investment can leverage and catalyze investments by the private and philanthropic sectors.

*Provide seed capital to create a pipeline of innovations.* Given the challenge of securing funding for start-up nonprofit ventures or for new programs that involve significant risk or experimentation, the federal government can step into the breach to fund experiments or start-ups.

*Invest in tools to determine what works.* Many nonprofits cannot devote enough time or resources to defining the underlying problems or identifying the impact of a particular approach. The problems are often complicated, and too many nonprofits lack adequate tools or methods to capture their impact. Nonprofits must have access to high-quality outcome data to inform appropriate investments and support good management decisions. The federal government can fund independent research and evaluation, and can provide a multi-



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disciplinary team of analysts focused on understanding effective solutions.

**Remove outdated tax and regulatory barriers to innovation.** Outdated legal, regulatory, or tax regimes can sometimes constrain innovation and results in the nonprofit sector, especially in instances where the line between the nonprofit and for-profit sectors has blurred. Because business entrepreneurs are increasingly using for-profit investments to produce greater social good – especially in the areas of microenterprise, health care, and the environment – the federal government needs to identify, catalogue, and remove outdated tax and other rules that likely constrain innovation and impact.

### **New White House Office**

To coordinate the reorganization of the federal government and its resources, the next U.S. president should create a White House Office of Social Innovation and Impact. This office will leverage the president's platform to highlight the importance of relying on social entrepreneurs and nonprofits to solve social problems where both the private sector and government have failed. The office also will give nonprofit leaders a greater voice in the public policy debates of the day by being part of the White House domestic and economic policymaking processes.

The Office of Social Innovation and Impact would develop tools to direct government resources toward both experimentation and growth in the social sector. These tools would include a Social Innovation Fund to seed innovations and fund experimental efforts by social entrepreneurs; a Grow What Works Fund to invest in the growth of social entrepreneurial models that have demonstrated con-

crete results; and an Impact Fund that would provide federal dollars for nonprofits to collect data on and better evaluate their impact and successes.

This office also would catalyze larger-scale, multi-sector problem solving by creating an annual multi-million-dollar prize for developing the most creative, sustainable, and high-impact solution to a defined social challenge. This prize would encourage cross-sector partnerships and create enormous publicity and energy around solving a social problem while limiting direct government involvement or bureaucracy.

In addition, the Office of Social Innovation and Impact would explore ways to eliminate barriers to innovation in the tax code by identifying appropriate changes to the current corporate structure and tax treatment of 501(c)(3) organizations' provisions. The office also would explore possible revisions to the tax code to reward partnerships between nonprofits and businesses and to increase charitable giving that would help successful nonprofits grow. The office would identify regulatory barriers to success in various sectors, especially education, health care, and housing, and advocate for their elimination.

The Office of Social Innovation and Impact also would focus on the following issues:

- Raising the profile of successful problem solvers through an annual White House Social Entrepreneurship and Social Innovation Conference.
- Hosting several targeted workshops around the country designed to highlight successful programs and best practices.
- Fostering partnerships with the university community to prepare young people for careers in the nonprofit sector; ensuring that student

loan debt does not prevent qualified, interested young people from entering the nonprofit sector.

- Creating a president's nonprofit sector advisory board – a nonpartisan group of policy experts and leaders in corporate social responsibility who could provide the president with information on policy challenges as well as issues directly affecting the nonprofit sector's competitiveness. The board would also guide the president's efforts to improve evaluation and data on the impact of results-oriented nonprofits.

- Helping large, successful nonprofits replicate ideas in countries around the world, connecting innovators and ideas. One of the most powerful American exports over the next decade could be successful ideas for social change demonstrated by leaders in the U.S. nonprofit sector. This year, for instance, Teach for America responded to the growing demand for international replication of its model by creating Teach for All, which will provide advice and support for local adaptations of Teach for America.

When the next president takes office in January 2009, he or she will continue to face serious social challenges while operating in a climate with limited tolerance for new government spending or government-only solutions. But this president has a historic opportunity to turn to leading social entrepreneurs and the increasingly competitive, efficient nonprofit sector to drive the solutions. Using government policy levers, the next president can support these new actors and ideas in the policy realm and unleash the wave of innovation and creativity needed to confront our nation's greatest social challenges. □