Social Entrepreneurship for the 21st Century: Innovation Across the Nonprofit, Private and Public Sectors

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Offered: EMBA Elective, Fall 2014

Course Overview

In less than a generation, we have witnessed a tectonic shift in the way people think about—and work toward—social change. The groundswell of new activism — social entrepreneurship — is manifest across society as innovative change makers test new solutions to entrenched social, economic, and environmental problems. This course is designed for students who are interested in understanding and participating in social entrepreneurship, whether they pursue careers (or avocations) in the nonprofit, private or public sectors.

The course gives an overview of the field, with in depth examples and case studies of innovative change makers and organizations in the nonprofit, private and public sectors that illuminate the traits and tools of the new activism: a heightened emphasis on measurement and evaluation; an embrace of competition in a number of forms, including the design and implementation of market based instruments like prizes and challenges; the development of ‘laboratories’ to foster social innovations which can then be brought to scale; experiments with technology and the use of open and crowd source solutions to social change; and a new thinking about asset management and investment, the nature of social value and returns, and the sources of capital available to address chronic social problems. The course also explores the opportunities and tensions inherent in cross-sector work: the definition of public goods, the respective roles that philanthropy, government and commercial actors play in providing them, and the innovations that occur when partnerships form across the sectors.

Classes will combine lectures, discussions, and presentations by some of today’s most innovative social entrepreneurs. Each session, designed as a seminar, will be guided by three basic questions:

1. What is the entrenched problem – either market or government failure – that the social entrepreneur is trying to address?
2. What is the innovation: how is this problem being addressed in a new, different or more effective way?
3. Is it working? What are the advantages, and risks, associated with this approach?
Connection with the Core Curriculum

The learning in this course will utilize, build on and extend concepts covered in the following core courses:

<table>
<thead>
<tr>
<th>Core Course</th>
<th>Connection with Core</th>
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| Corporate Finance                    | 1. Time value of money  
                                         | 2. Incremental cost/benefit                                                           |
| Decision Models                      | 1. Use of analysis in decision-making  
                                         | 2. Fundamental concepts of decision-making  
                                         | 3. Decision making under uncertainty and risk                                         |
| Financial Accounting                 | 1. The accounting model                                                               |
| Global Economic Environment I        | 1. What is GDP and how is it measured?  
                                         | 2. Why are some countries so much richer than others?  
                                         | 3. What are the effects of fiscal policy?  
                                         | 4. What is the role of financial markets in the economy?                             |
| Leadership Development               | 1. Ethics  
                                         | 2. Decision-making                                                                   |
| Marketing Strategy                   | 1. Role of marketing value creation for customers, leading to stakeholder value (owners, shareholders, employees) |
| Strategy Formulation                 | 1. Linkages between values leadership and economic value creation  
                                         | 2. Behavioral and evidence-based strategy                                             |

Students will be expected to have mastered these concepts and be able to apply them in the course.
Course Organization

The course is divided into three modules:

I. **Social Entrepreneurship in the Nonprofit Sector** examines the emergence of a new kind of service provider, a new breed of funder – the so-called venture philanthropy – and the business models each employ to advance social change;

II. **Social Impact in the Private Sector** explores the infusion of social sector values into profit-making activities from the enterprise and investor perspectives, including the emerging field of impact investing and the growing number of firms that seek to create societal or environmental benefit – “shared” or “blended” value – through commercial business.

III. **Social Innovation in the Public Sector** includes case studies of entrepreneurship within government, and the use of various policy tools to identify and scale proven solutions to entrenched problems, foster innovation, and enlist the energy and resources of private (nonprofit and commercial) actors to common purpose.

<table>
<thead>
<tr>
<th>Session</th>
<th>Topic</th>
<th>Case Study</th>
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<tr>
<td>1:</td>
<td>What is Social Entrepreneurship</td>
<td>Social Entrepreneurship in the Nonprofit Sector</td>
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<tr>
<td>9.10.14</td>
<td>A new kind of service provider</td>
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<td>City Year</td>
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<td>A new kind of funder: venture philanthropy</td>
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<td>Innovations in Philanthropy</td>
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<td>The promise and pitfalls of commercialization</td>
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*due to scheduling needs, this class is meeting the first night of Rosh Hashona. Students who observe the holiday and miss this class will not be penalized (and shouldn’t be discouraged from enrolling!). The class will also be videotaped for later viewing.
Readings

Required reading each week will come from Georgia Levenson Keohane, *Social Entrepreneurship for the 21st Century: Innovations Across the Nonprofit, Private and Public Sectors* (New York: McGraw Hill, January 2013), and case studies and articles included in the course reader. Additional, recommended readings will be available on Angel. Some recommended books will also be on reserve in the library.

Assessment and Grading

Students will be evaluated on the basis of:

- class participation (50%)
- 2 3-page write ups to be presented in class (50%)

Assignments:

*Written Assignments for Sessions 2-6*

There is no final paper, project or exam for this class. Instead, students will be evaluated on the basis of their in class participation, much of which will draw from the two written assignments/presentations. The nature of these write-ups will be described in greater detail in the first class: each one is a 3 page write-up that focuses on the general topic of the session, followed by an in-depth examination of one case study which answers the following questions:

1. What is the entrenched problem the social entrepreneur is trying to address?
2. What is the innovation: how is this problem being addressed in a new, different or more effective way?
3. Is it working? How do we know? What are the advantages, and risks, associated with this approach?

Students will be expected to take the lead on discussions in the 2 weeks they have selected for their written assignments/presentations. In some weeks, these will take the form of debates. Write-ups should draw on the required and recommended readings. All students must participate in class discussion in all weeks.

*Written Assignment for Session 1*

There is a good deal of reading and material to cover for week 1. These readings are important to facilitate class discussion the first week and to lay the groundwork for subsequent weeks. The study questions for week 1 will help with preparation.

In addition, please write a one page description of an experience you have had with social change. This could be a full-time work or voluntary experience, or even an organization you have invested in or donated to. Was this organization or effort entrepreneurial? Was it innovative? Why or why not? Was this organization or effort successful in advancing social change? How do you know?
Course Schedule

SOCIAL ENTREPRENEURSHIP IN THE NONPROFIT SECTOR

Session 1: Introduction to Social Entrepreneurship

What do we mean by social entrepreneurship, and how has it evolved in the nonprofit sector over the last generation? What can we learn from the new breed of service provider and the emergence of a new kind of ‘venture’ philanthropy?

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Questions for Class Lecture and Discussion:

1. Introduction to course, objectives, requirements, other logistics
2. Lecture/discussion of the history of social entrepreneurship in the United States
3. What is a social entrepreneur? What do we mean by innovation? business orientation?
4. What can we learn from the new breed of service provider like Ashoka and City Year?
5. What is ‘venture philanthropy’ and what sets of problems are funders like New Profit and Robin Hood trying to address?

Required Reading

• Introduction:

• New Breed of Service Provider
  o Georgia Levenson Keohane, “Ashoka: Innovators for the Public” (Stanford Graduate School of Business Case Study” SM203 February 2012)
  o City Year: The Journey (Harvard Business School Case No. 311080-PDF-ENG)

• New Kind of Funder: Venture Philanthropy
  o New Profit Inc.: Governing the Nonprofit Enterprise (Harvard Business School Case No. 9-100-052)
  o The Robin Hood Foundation (Harvard Business School Case No. 310031-PDF-ENG)
Recommend Reading:

Social Entrepreneurship

- “City Year Enterprise” (Harvard Business School Case Study No. 9-396-196)
- Christine Wallace, “A Narrower Focus Helps City Year Win Grants and Increase Its Impact,” Chronicle of Philanthropy 4 December 2011
- David Bornstein, *How to Change the World: Social Entrepreneurs and the Power of New Ideas* (New York: Oxford University Press, 2004), chapters 1,2,8,18,21

Venture Philanthropy

- William Meehan, Derek Kilmer, Maisie O’Flanagan, “Investing in Society: Why we need a more efficient social capital market – and how we can get there,” *Stanford Social Innovation Review* Spring 2004
- Craig C. Reigel, “Philanthropic Equity: Promising Early Returns,” *The Nonprofit Quarterly* Fall/Winter 2011
Session 2: Innovations in Philanthropy: Shifting Risk, Shaping Markets

What is the role of philanthropy in advancing social change? What is the relationship between philanthropy and government, and philanthropy and the commercial sector? The class will explore three innovations in philanthropy:

1. the increased use of prizes and challenges in the nonprofit sector
2. a more ‘activist’ approach foundation asset management
3. the shift from entrepreneurship to enterprise and nonprofit investment in for-profit entities

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Questions for Class Lecture and Discussion:

1. What, historically, has been the role of philanthropy, and how has that changed over time? How does American philanthropy compare to that in other countries?
2. What do philanthropic prizes and challenge achieve?
3. What is mission related investing? Program related investing?
4. Should foundations be investing in for-profit businesses?

Required Reading

- Introduction
  - Keohane, chapters 5-8
- Prizes and Challenges
  - “X Prize Foundation: Revolution Through Competition” Stanford Graduate School of Business Case #: SI90-PDF-ENG
- Activist Assets
  - “The World has Changed and so Must We” (Heron Foundation): http://fbheron.org/strategy/
  - Heron Foundation Investments: http://fbheron.org/investments/ and http://fbheron.org/investments/investees/
- Entrepreneurship to Enterprise
  - Acumen Fund: Measurement in Impact Investing (A) and (B) (HBS Cases, 310011/7 and do not worry about the specifics of the investment decisions, ie, skim pp 4-9, and exhibits 7, 8)
Recommended Reading

Prizes and Challenges

- Thomas Kalil, “Prizes for Technological Innovation,” The Hamilton Project, Brookings Institution (December 2006)

Activist Assets

- Mission Investors Exchange: definitions of MRIs, PRIs and Frequently Asked Questions about Program Related Investments
- William M. Dietel, “Mission Stewardship” The F.B. Heron Foundation
- Program-Related Investments: Leveraging Our Resources to Catalyze Broader Support for Our Mission (Gates Foundation)

Entrepreneurship to Enterprise

- “Can Venture Capital Save the World?” Forbes 30 November 2011
SOCIAL IMPACT IN THE PRIVATE SECTOR

Session 3: Impact Investing at the Bottom of the Pyramid

What do we mean by impact investing, and how is it different from the fields of socially responsible investing, international and community development, or more mainstream emerging market investment? Are there commercial opportunities to invest beyond philanthropic or hybrid models?

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Questions for Class Lecture and Discussion:

1. What do we mean by impact investing, shared value capitalism, and social business?
2. What are the barriers to further industry growth? Risks?
3. What can we learn from the commercialization of the microcredit industry?

Required Reading

- Introduction
  - Keohane, chapters 9-11, 13, 20

- Social Business in Emerging Markets
  - Jeffrey A. Harris, “It Took a Village” Columbia CaseWorks No. 090331 December 7 2010

- The Promise and Pitfalls of Commercialization
  - Muhammad Yunus, “Social Business” Forbes 15 June 2010 Need to Modify per Required Reading as Taught Spring 2013
Recommended Reading

- “SKS Microfinance: The Sour Taste of Success” Ivey School of Business Case Study No W12906 April 20 2012
- Antony Bugg-Levine and Jed Emerson, Impact Investing (San Francisco: Jossey-Bass, 2011) [selected chapter, TBD]
- Muhammad Yunus, Building Social Business (New York: PublicAffairs, 2010) [selected chapter, TBD]
Session 4: Profits and Purpose in the U.S.

How do we think about combining profits and purpose in the United States, in companies large and small?

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Questions for Class Lecture and Discussion:

1. Is there an “impact investing” field in the U.S., and if so, how does it differ from philanthropy, the traditional fields of community investment or mainstream investing?
2. What are the barriers to further industry growth? Risks?
3. What is a benefit corporation?
4. What can we learn from the examples of Acelero Learning?

Required Reading

- Introduction
  - Keohane, chapter 12, review chapters 13 and 20
- “Impact Investing in the U.S.”
  - “B-Lab Building a New Sector of the Economy,” Harvard Business School Case Study

Recommended Reading

- James Surowiecki, “Companies with Benefits” New Yorker 4 August 2014 (http://www.newyorker.com/magazine/2014/08/04/companies-benefits)
- “Firms with Benefits” The Economist 7 January 2012
SOCIAL INNOVATION IN THE PUBLIC SECTOR

Session 5: The Obama Administration: Social Innovation Theory and Practice

What do we mean by social innovation in the public sector? How does social entrepreneurship in government draw on the work of its private (nonprofit and commercial) sector counterparts? How can public policy promote innovation, social and otherwise?

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1. What do we mean by ‘social innovation’ in the public sector?
2. How has the Obama Administration applied the prize model to social services?
3. Is there a tension between “innovation” and scaling “what works?”
4. What lessons can we learn from about open innovation and big data from the work of Todd Park at HHS?

**Required Reading**

- Introduction
  - Keohane, chapters 14-16, 21 (skim/review chapter 19)
  - “Let’s Hear Those Ideas,” The Economist 12 August 2010
- Competition, Prizes
  - General Summary: http://www.whitehouse.gov/issues/education/k-12/race-to-the-top
- Open Innovation, Big Data
  - Simon Owens, “Can Todd Park Revolutionize the Health Care Industry?” The Atlantic 2 June 2011
- Policy Laboratory, Innovation Funds
  - Small Business Association Impact Investing Overview Overview http://www.sba.gov/content/overview-impact-investment-sbic-initiative

**Recommended Reading**
• Kim Smith and Julie Petersen, “Steering Capital: Optimizing Financial Support for Innovation in Public Education,” Bellwether Education Partners (April 2011)
• Eric Braverman and Michael Chui, “Unleashing Government’s Innovation Mino” McKinsey Quarterly June 2012
• David Osborne and Ted Gaebler, Reinventing Government (Boston: Addison-Wesley, 1992) [selected chapter, TBD]
Session 6: Social Impact Bonds: New York City and Beyond

How can government harness private resources – energy and capital – to bear on public problems? How do social impact bonds, and the larger field of social finance, engage social entrepreneurs from across the nonprofit, private and public sectors, in the collaborative work of social change?

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1. What is a social impact bond?
2. How does it differ from other ‘pay for success’ or ‘pay for performance’ instruments?
3. Does the field of social finance offer a model for larger cross sector social change efforts?
4. How can government help promote social entrepreneurship more broadly?
5. Course Wrap-up

**Required Reading**

- Introduction
  - Keohane, 17, 21
- Social Impact Bonds
  - “Massachusetts Pay-for-Success Contracts: Reducing Juvenile Justice and Young Adult Recidivism” HBS Case Study N2-514-061 Rev April 28 2014
- New York City Acquisition Fund

**Recommended Reading**

Additional and Reserve Reading List

All books and other materials listed below are either on reserve in the library or will be posted to the course platform for further reading.