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

Instructor: Georgia Levenson Keohane  
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Offered: EMBA Elective, Fall 2018

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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<tbody>
<tr>
<td>Corporate Finance</td>
<td>1. Time value of money</td>
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<td>2. Incremental cost/benefit</td>
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<td>Decision Models</td>
<td>1. Use of analysis in decision-making</td>
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<td>2. Fundamental concepts of decision-making</td>
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<td>3. Decision making under uncertainty and risk</td>
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<tr>
<td>Financial Accounting</td>
<td>1. The accounting model</td>
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<tr>
<td>Global Economic Environment I</td>
<td>1. What is GDP and how is it measured?</td>
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<td></td>
<td>2. Why are some countries so much richer than others?</td>
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<td>3. What are the effects of fiscal policy?</td>
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<td>4. What is the role of financial markets in the economy?</td>
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<tr>
<td>Leadership Development</td>
<td>1. Ethics</td>
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<td>2. Decision-making</td>
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<tr>
<td>Marketing Strategy</td>
<td>1. Role of marketing value creation for customers, leading to stakeholder value (owners, shareholders, employees)</td>
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<tr>
<td>Strategy Formulation</td>
<td>1. Linkages between values leadership and economic value creation</td>
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<td>2. Behavioral and evidence-based strategy</td>
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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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| 1: What is Social Entrepreneurship 9.12 | A new kind of service provider | Ashoka  
Echoing Green  
City Year |
|  | A new kind of funder: venture philanthropy | New Profit Inc  
Robin Hood Foundation  
Pershing Square Foundation |
|  | Activist Assets | F.B. Heron Foundation  
Ford Foundation |
MPesa + MKopa |
|  | Social Enterprise in the US | The Social Entrepreneurs’ Fund |
| 4: Profits and Purpose: the Entrepreneurs 10.10 | Launching and Sustaining a Social Purpose Venture | B-Lab  
Greyston Bakery  
Etsy |
| 5: Social innovation in action: federal policy, local action 10.17 | Open Innovation, Big Data, Policy Labs and Innovation Funds | The Obama White House: Race to the Top, Todd Park at HHS |
| 6: The future of the field 10.24 | Bottom Up | Final Student Presentations |
Readings


Assessment and Grading

Students will be evaluated on the basis of:

- class participation (50%)
- written assignments: 2 3-page write ups (50%)

Assignments:

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 a 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?

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 (9.12)

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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<tr>
<th>What is Social Entrepreneurship</th>
<th>A new kind of service provider</th>
<th>Ashoka</th>
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<tr>
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<td>City Year</td>
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<th>A new kind of funder: venture philanthropy</th>
<th>New Profit Inc</th>
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<td>Robin Hood Foundation</td>
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<td>Pershing Square Foundation</td>
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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
  - Georgia Levenson Keohane, “Ashoka: Innovators for the Public” (Stanford Graduate School of Business Case Study” SM203 February 2012)
  - *Echoing Green, Lessons Learned at its 30th Anniversary*:
  - City Year: The Journey (Harvard Business School Case No. 311080-PDF-ENG)

- New Kind of Funder: Venture Philanthropy
  - New Profit Inc.: Governing the Nonprofit Enterprise (Harvard Business School Case No. 9-100-052)
  - The Robin Hood Foundation (Harvard Business School Case No. 310031-PDF-ENG)
  - *Pershing Square Foundation: Lessons Learned at the Ten Year Mark*
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

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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<tr>
<th>2: Innovations in Philanthropy</th>
<th>Entrepreneurship to Enterprise</th>
<th>Activist Assets</th>
<th>Acumen Fund</th>
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<td>F.B. Heron Foundation</td>
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<td>Ford Foundation</td>
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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
- From Entrepreneurship to Enterprise (skim)
  - Acumen Fund: Making the Impossible Possible: The Acumen Fund at 15 Years
- Activist Assets
  - “The World has Changed and so Must We” (Heron Foundation):
  - Mission Accomplished: How the Heron Foundation Went All In. Forbes 30 March 2017
  - Clara Miller, Building a Foundation for the 21st Century.
  - Big League: Transforming the Capital Markets with Impact Rigor and Disclosure Impact Alpha September 28th 2017
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: The Investor Perspective (9.26)

What is impact investing, and what are investors hoping to achieve?

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<td>MPesa + MKopa</td>
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<td>Social Enterprise in the US</td>
<td>The Social Entrepreneurs’ Fund</td>
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Questions for Class Lecture and Discussion:

1. What is impact investing?
2. How is it different from the fields of socially responsible investing, international and community development, or more mainstream emerging market investment? How does impact investing at the BoP in emerging markets differ from the US?
3. Are there commercial opportunities to invest beyond philanthropic or hybrid models?
4. What are investors looking to accomplish through impact investments?
5. Are there limits to this approach?

Required Reading

- Introduction
  - Keohane SE21, chapter 9-13, 20
  - Keohane CED Introduction
  - Omidyar Network, Investing Across the Returns Continuum: SSIR Fall 2016
  - GIIN 2018 Annual Impact Investing Survey (Skim)

- Microfinance Evolution
  - Keohane CGD chapter 3

- Social Enterprise in the US
  - Look at the website of The Social Entrepreneurs’ Fund.
  - Liz Lucket, “Small Data for Big Impact,” SSIR 16 February 2018
  - Skim, if interested, case studies on Canvas on: Bridges, Impact America Fund, DBL Partners
  - “Silicon Valley is Over, Says Silicon Valley,” New York Times 4 March 2018
  - The Early Results of States’ Opportunity Zones are Promising, but There’s Still Room for Improvement, “Brookings April 2018

Recommended Reading

• World Economic Forum, “From the Margins to the Mainstream: Assessment of the Impact Investment Sector and Opportunities to Engage Mainstream Investors,” Executive Summary
• “Investing for Social and Environmental Impact,” Monitor Institute January 2009
• Antony Bugg-Levine and Jed Emerson, Impact Investing (San Francisco: Jossey-Bass, 2011)
• Muhammad Yunus, Building Social Business (New York: PublicAffairs, 2010)

MicroFinance Evolution

• Jeffrey A. Harris, “It Took a Village” Columbia CaseWorks No. 090331 December 7 2010
• “SKS and the AP Microfinance Crisis,” Harvard Business School Case No 9-212-018 October 14, 2011
• “SKS Microfinance: The Sour Taste of Success” Ivey School of Business Case Study No W12906 April 20 2012
Session 4: Profits and Purpose: the Entrepreneurs (10.10)

What does it take to launch and grow a social purpose company?

<table>
<thead>
<tr>
<th>Profits and Purpose: the Entrepreneurs</th>
<th>Launching and Sustaining a Social Purpose Venture</th>
<th>B-Lab</th>
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<tbody>
<tr>
<td>Greyston Bakery</td>
<td>Etsy</td>
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</table>

Questions for Class Lecture and Discussion:

1. What is B-Lab’s Innovation? What has it done to advance the field in the U.S.?
2. What is a B Corp?
3. What are the advantages and risks for social purpose businesses in the U.S.? For being a B Corp?
4. Is Etsy a social enterprise?
5. Is Kickstarter a social enterprise?
6. Is Greyston Bakery?
7. What does being a B Corp have to do with their models?
8. What is GIIRS?

Required Reading

- Watch “Why B Corps Matter” video
- Keohane SE21 Chapter 12
- “B-Lab Building a New Sector of the Economy,” Harvard Business School Case Study (Canvas, skim)
- Greyston Bakery reading TBD
- “This New York Bakery Thrives by Hiring Anyone Who Wants to Work, No Questions Asked,” Entrepreneur 18 August 2017
- “Why Kickstarter Decided to Radically Transform its Business Model,” Fast Company 4/12/17
- “The Barbarians are at Etsy’s Hand-Hewn Responsibly Sourced Gates,” Bloomberg 5/18/17

Recommended Reading

- James Surowiecki, “Companies with Benefits” New Yorker 4 August 2014
- “Firms with Benefits” The Economist 7 January 2012
- Jessica Bruder, “For ‘B Corps’ a New Corporate Structure and a Triple Bottom Line,” NYT 3/14/12
SOCIAL INNOVATION IN THE PUBLIC SECTOR

Session 5: Social Impact Bonds: New York City and Beyond (10.17)

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?

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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<tr>
<th>5: Social innovation in action: federal policy, local action</th>
<th>Open Innovation, Big Data, Policy Labs and Innovation Funds</th>
<th>The Obama White House: Race to the Top, Todd Park at HHS</th>
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</thead>
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Questions for Class Lecture and Discussion:

1. What do we mean by ‘social innovation’ in the public sector?
2. How did the Obama Administration advance social innovation and entrepreneurship at the federal level?
3. Is there a tension between “innovation” and scaling “what works?”
4. How does social innovation differ at the national/federal and local levels?
5. What is a social impact bond?
6. How does it differ from other ‘pay for success’ or ‘pay for performance’ instruments?
7. Does the field of social finance offer a model for larger cross sector social change efforts?

Required Reading

- Introduction
  - Keohane, chapters 14-16, 19, 21
  - Keohane CGD chapter 5
  - “Let’s Hear Those Ideas,” The Economist 12 August 2010
  - MoneyBall for Government, intro and skim
- Pay for Success/Social Impact Bonds
  - First Social Impact Bond for Early Childhood Education (Utah/Goldman Sachs)
  - Press Release and Fact Sheet on MA Pathways Deal
  - Jim Anderson and Andrea Phillips, “What We Learned from the Nation’s First Social Impact Bond,” Huffington Post 7/2/15
  - “Social Finance, Inc.” Harvard Business School Case Study No. 9-212-055 (skim)
  - A Landmark Moment for Pay for Success | 3 for 3: Enacting the Recommendations in Private Capital, Public Good 19 February 2018
  - State of Play: Pay for Success and Evidence Based Policy 1 March 2018
Recommended Reading

General

- David Osborne and Ted Gaebler, Reinventing Government (Boston: Addison-Wesley, 1992) [selected chapter, TBD]

Pay for Success

Session 6: The Future of Social Entrepreneurship (10.24)

Final Student Presentations
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.