

MBA 740 -- Social Enterprise Management
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Fall Term 2008—Wednesday—5:45 to 9:45 pm

Introduction:

A social enterprise is an organization or venture that advances its social mission through entrepreneurial, earned income strategies.

Generating earned income through the sale of products or services is not a new concept in the field of nonprofit management. Goodwill Industries and the Honolulu Symphony are social enterprises that have been a part of the landscape on Oahu for many years. What is new is the proliferation of earned income ventures among a rich variety of nonprofit organizations. Nonprofits with missions to protect the environment have started eco-tours, human service agencies have expanded their fee for service options, and organizations have established bakeries and cafes that hire and train teens, the homeless, and those released from prisons.

The rise in social enterprises began with the decline in government funding, the increasing number of nonprofits seeking foundation grants, and the increasing need for services provided by nonprofits. Earned income and business ventures were seen as the key to the sustainability and growth of the nonprofit sector.

In addition, the dot.com boom of the early 1990's gave rise to a growing class of social entrepreneurs, and the application of business principles to nonprofit organizations was seen as a panacea to any challenges plaguing this sector. Early pioneers of this movement included the Roberts Enterprise Development Fund, J. Gregory Dees, Jed Emerson, Jerr Boschee, and Charles King. They gave birth to venture philanthropy and social return on investment, social enterprise curricula at Harvard and Duke University Business Schools, the independent Institute for Social Entrepreneurs, and the Social Enterprise Alliance.

The social enterprise movement is still in its infancy. It is exciting, dynamic, and not without controversy. Research is based on current practice in the field and as a result new opportunities and best practices are ever evolving.

Educational Objectives:

The goal of this course is to engage students in exploring the key aspects of superior performance in established nonprofit social enterprises. These include analyzing the tools used by nonprofits to create successful social enterprises, and the role social enterprise plays in building the capacity of nonprofits to contribute to the strengthening of the communities in which they operate.

It is hoped that this course will spark the imagination of the future leaders of the nonprofit community as they become change agents and seek to solve some of our most challenging social problems. Further, the development of earned income strategies and social enterprises will serve as useful tools in this effort.

Course Content and Educational Methods:

The course consists of 10 three-hour sessions organized under nine topics. During the final class students will present their group projects with a discussion of the projects to follow.

Class One: *Overview of Social Enterprise* explores the history of the social enterprise movement and its context within the field of social entrepreneurship. The dynamics of a social enterprise will be discussed and a lexicon of social enterprise terms will be presented.

Class Two: *Mission and Opportunities* will instruct the students on how to evaluate a social enterprise opportunity based on the nonprofit's mission and core competencies. The elements and significance of an agency's mission statement will be stressed.

Class Three: *Assessing and Mobilizing Resources* will examine the four phases of an entrepreneurial resource assessment. Community and internal resources, social and human capital, and intangible resources will be explored.

Class Four: *Tax Liabilities and Corporate Structuring* are significant planning and growth issues for any social enterprise. Unrelated business income tax and general excise tax are potential liabilities that may require a new corporate structure for a social enterprise.

Class Five: *Measuring Performance* for a social enterprise explores the concepts of social return on investment, balancing the double bottom line, and developing a program logic model.

Class Six: *Donor, Investor, Lender* presents the challenges facing social enterprises as they seek start-up and growth capital. Venture philanthropy and the social capital market will be examined.

Class Seven: *Going to Scale* may be the result of carefully planned action or an immediate response due to the pull of the market. A social enterprise may scale up or deep and the implications for both will be examined. Corporate structural changes also may be required.

Class Eight: *Forging Alliances* is an increasingly integral part of social enterprise strategy. Cause related marketing, partnerships, and joint ventures present risks and

benefits, and managers of social enterprises should have an understanding of these opportunities.

Class Nine: *Social Enterprise in Emerging Markets* is an opportunity to look at social enterprise as an international movement. From fair trade to manufacturing to developing and selling products to increase agricultural yield and diminish poverty, social enterprise in developing countries presents unique challenges.

Class Ten: *Group Presentations and Discussion*

Each class will include a case study or scenarios that address the challenges that nonprofit managers encounter when starting and developing social enterprises. Case studies are based on current practice and many of the organizations are presently facing significant issues in operating their social enterprise. Whenever possible, representatives of these organizations will present the case study to the class. Case studies will be distributed with ample time for class preparation.

Readings have been selected from a variety of sources. Readings will be distributed in class and others may be downloaded. Most of the readings for the class were written after the year 2000 and many were printed within the last two years.

It is important to note that this class builds on the student's prior knowledge of business management.

Course Requirements:

Grading is based on the following: 30% class presentations, 20% class discussion, 25% presentation on final project and 25% on written final project. All students must come to class prepared to participate in the interactive lectures, discussion, and case analysis. Students will be graded on their ability to initiate and sustain class discussion. All students will be called upon in class whether he/she has indicated a desire to be approached or not. Students will be expected to have browsed the following Internet sites—Ashoka, Skoll Foundation, Social Enterprise Alliance or other web sites pertinent to social enterprise and bring this information to class for discussion. In addition, students should read *The Honolulu Advertiser*, *Star-Bulletin*, and *Pacific Business News* for relevant articles.

Attendance is mandatory. If you are unable to attend class, please contact Ms. Little as soon as possible.

The focus and components of the group project will be discussed during Class One.

Course Schedule:

October 8, 2008

Class One—Introduction to Social Enterprise

Lecture: The dynamics of social enterprise (social entrepreneurship)
Review of course and expectations

Reading:

- 1) **The Meaning of “Social Entrepreneurship**, by J. Gregory Dees, October 31, 1998
- 2) **Social Entrepreneurship: The Case for Definition**, by Roger L. Martin & Sally Osberg, Spring 2007
www.ssireview.org/site/printer/social_entrepreneurship_the_case_for_definition/
- 3) **The Evolution of Social Enterprise Industry: A Chronology of Key Events**, www.socialent.org, click on free downloads, then on this article. Please read through this, you may download it if you wish, however, it is just a easy to read on line. You will not be given this article in your packet.

Case: Juma Ventures, www.jumaventures.org

As additional preparation for next week, please bring in the mission statement from three different nonprofits.

October 15, 2008

Class Two--Mission and Opportunities

Lecture: Your mission defines your organization—finding opportunities

Review of demographics of social enterprise

Reading: **Enterprising Nonprofits, A Toolkit for Social Entrepreneurs**, J. Gregory Dees, Jed Emerson, Peter Economy

Chapter Two: Defining Your Mission; Rob Johnston, Senior Vice President, Program, The Drucker Foundation p. 19-42

The Process of Social Entrepreneurship: Creating Opportunities Worthy of Serious Pursuit, by Ayse Guclu, J.Gregory Dees, Beth Battle Anderson, November 2002

www.caseatduke.org/documents/seprocess.pdf.

Case: The Study of Community Child Care Assistance

October 22, 2008

Class Three – Assessing and Mobilizing Resources

Lecture: Assessing and mobilizing resources

Reading:

Enterprising Nonprofits, A Toolkit for Social Entrepreneurs, J. Gregory Dees, Jed Emerson, Peter Economy

Chapter 4, Mobilizing Resources, p. 63-101

Healthy Options- “Heat & Eat,” Business Plan by Lanakila Pacific

Lanakila Crafts: A Look at Causes of its Liquidation, paper by Christine Payne, MBA 740, Fall 2007

Case: Social Enterprises at Lanakila Pacific. These include Xpress Chefs, Lanakila Productions, and Lanakila Maintenance Services. Marlana Willette, Marketing and Communications Manager at Lanakila Pacific, will share the evolution of these social enterprises and lessons learned.

October 29, 2008

Class Four—Tax liabilities and Corporate Structure

Lecture: Unrelated business income tax, general excise tax, and corporate structure

Reading:

Social Entrepreneurship—The Art of Mission-Based Venture Development, by Peter Brinckerhoff

Chapter 10 – “Technicalities: Unrelated Business Income Tax and Corporate Structuring, pp. 175-199

Scenario analysis: Tax ramifications, corporate structure analysis—United Cerebral Palsy, Hawaii Centers for Independent Living, El Puente Community Development Corporation

For next week, please see instructions under case analysis

November 5, 2008

Class Five—Measuring and Managing Performance

Lecture: Program logic model and social return on investment

Reading:

Strategic Tools for Social Entrepreneurs, J. Gregory Dees, Jed Emerson, Peter Economy

Chapter 8, “Performance Information That Really Performs,” pp 161-188

www.redf.org/publications-sroi.htm#ship This is a collection of articles by Roberts Enterprise Development Fund on Social Return on Investment. REDF is the premier researcher on SROI. Please read REDF’s Current Approach to SROI and the subsequent chapter from a Report From the Good Ship SROI. You will need to register to access these articles.

Case Study: Program Logic application on Mamas Hot Tamales

Case Analysis: Class presentations on SROI

Select one of REDF’s portfolio agencies from the above web site and with a partner prepare and give a 10 minute presentation on its SROI and evaluation components. Specifically determine whether this project is making an impact, how large is the impact, and whether you would continue the project based on the SROI. Also are there any social impacts that the present evaluation is unable to determine? Please email your selection to Sally as soon as you decide to avoid any duplications.

For next week go to www.riseproject.org-- online directory—Search by fund--select one fund or funding option and prepare a 10 minutes presentation for next week’s class; please email the fund to me as soon as you have selected one

November 12, 2008

Class Six—Donor, Investor, Lender?

Lecture: Securing capital for your social enterprise

Reading:

Social Entrepreneurship—The Art of Mission-Based Venture Development,
by Peter Brinckerhoff

Chapter 9, Financing Your Entrepreneurship, pp. 147-173

Strategic Tools for Social Entrepreneurs, J. Gregory Dees, Jed Emerson, Peter
Economy

Chapter 6, Treating Your Donors as Investors by Kay Sprinkel Grace, pp. 117-
139

Presentations: Investment vehicles

November 19, 2008

Class Seven—Going to Scale

Lecture: The challenges of scaling up

Reading:

Strategic Tools for Social Entrepreneurs, J. Gregory Dees, Jed Emerson, Peter
Economy

Chapter 10, The Question of Scale: Finding an Appropriate Strategy for Building
on your success, pp. 235-264

Business plan for MA'O Organic Farms

Guest Speaker: Gary Maunakea-Forth, director of MA'O Organic Farms, will speak to
the class on scaling deep. MA'O Organic Farms is supplying organic produce to Whole
Foods. This represents a substantial and immediate growth for this social enterprise.

November 26, 2008

Class Eight—Forging Alliances

Lecture: Forging Alliances—benefits and risks

Reading:

Generating and Sustaining Nonprofit Earned Income, Edited by Sharon M.
Oster, Cynthia W. Massarsky, and Samantha L. Beinhacker of the Yale School of

Management—The Goldman Sachs Foundation Partnership on Nonprofit Ventures

Chapter Ten, Forming Strategic Alliances by Richard Steckel, pp. 147-160

Powering Social Change—Lessons on Community Wealth Generation for Nonprofit Sustainability, Community Wealth Ventures, Inc. (Available at www.communitywealth.com, resources, CWV Research & Tools, scroll to 5th Gathering presentations, download *Powering Social Change Report*)

The Varieties of Corporate Partnerships, pp. 38-42

Please review the United Cerebral Palsy Association's web site at www.ucpahi.org. Please pay specific attention to their programs and Form 990

Presentation:

Donna Fouts, Executive Director of United Cerebral Palsy Association of Hawaii, will speak about their alliance with Savers, Inc.

December 3, 2008

Class Nine—Social Enterprise in Emerging Markets

Lecture: Social enterprise in developing countries

Reading:

Generating and Sustaining Nonprofit Earned Income, Edited by Sharon M. Oster, Cynthia W. Massarsky, and Samantha L. Beinhacker of the Yale School of Management—The Goldman Sachs Foundation Partnership on Nonprofit Ventures

Chapter Twelve, Supporting Nonprofit Enterprise in Emerging Markets, pp. 181-203

Case: To be determined

December 10, 2008

Class Ten

Presentations – to be determined