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PubPol 671: Policy & Management in the Nonprofit Sector

Lecture 19: Social Enterprise

Neel Hajra
OMB’s P.A.R.T.
New Guest Lecturer

- Kevin Thompson, IBM Corporate Service Corps
- Schedule and syllabus readings in the works
Other Notes

- Paper #3 due on Friday at midnight
- Morino’s second thoughts posted in syllabus (under Lecture 18)
User = new_org
Second Annual

Twitter Essay Contest

Topic: The magnitude of today’s challenges and pace of change demand that we think expansively and provocatively about what the future holds in order to ensure that the sector will have the greatest possible impact on improving lives and strengthening communities. What will be the most critical strategies for the charitable community as a whole?

Due: By 5:00 on Monday, March 29
Form: 140 character email
How We Got Here

Where the Sector Is

Define nonprofit and sector
Examine how unique management issues impact sector
Current flows of capital and their implications

Where the Sector Is Headed

Future role of nonprofit sector
Emerging alternatives to traditional capital, and their implications

Neel Hajra
Next 3+ Classes

- Overview of social enterprise
- Case studies
- Enterprise Exercise
- Reports and Wrap-up
WHAT IS SOCIAL ENTERPRISE?
Really?

- “Social enterprise is the civil rights movement of our generation”
WHAT IS YOUR EXPERIENCE WITH SOCIAL ENTERPRISE?
WHAT IS THE FUNCTION OF SOCIAL ENTERPRISE?
Generate Revenue

- Nonprofit-owned
- Revenue-generating
- Contributes to social cause
- Discipline, innovation, determination of for-profit

(e.g., Kim Alter: “A meeting of dichotomies”)
Entrepreneurial Mindset

- Change agency:
  - Innovative
  - Opportunity-oriented
  - Value-creating

- Forces reconsideration of business practices to accommodate social, financial, environmental, and other considerations

- Defined in this context as:
  - Social objective
  - Blend of social and commercial methods

(e.g., Peter Economy)
Generate Value

- Create value:
  - Social
  - Economic
  - Environmental

(e.g., Robert Egger)

*Note – “Blended Value”*
Integrative Perspective

- Continuous activity produce goods or selling services
- Higher degree of autonomy (not public)
- Significant level of risk
- Minimum amount of paid work
- Explicit aim to benefit community
- Citizen-launched initiative
- Decision-making not based on capital ownership
- Participatory nature
- Limited profit distribution

(deFourney)
Social Enterprise Spectrum

(Kim Alter)

Source: Kim Alter, Social Enterprise Typology, Virtue Ventures LLC, 2007
Alter Typology

Source: Kim Alter, Social Enterprise Typology, Virtue Ventures LLC, 2007
BENEFITS OF SOCIAL ENTERPRISE
Sustainability

- Outcomes-based (vs. needs-based)
- Potentially more reliable than charitable support

Counterpoint: Exchange one set of challenges for another
Independence

- Model self-sufficiency
- Unrestricted funds (no strings!)

Counterpoint: Dependent on market instead of funders
Innovation

- Follows from independence
- Openness to experimentation
- Entrepreneurial mindset
  - Create and sustain core value
  - Relentlessly pursuing new opportunities
  - Continuous innovation, adaptation, and learning
  - Acting boldly without being limited to resources currently in hand

Counterpoint:
Is innovation really linked to revenue model?
Engaged Target Audience

- Engaging people in and allowing them to take some responsibility for improving their own lives

Counterpoint: Isn’t this already done in the nonprofit world?
Heightened Effectiveness Concerns

- Exhibiting a heightened sense of accountability to the constituencies served and for the outcomes created
- Market mechanism provides “proof” of demand and impact
- Improve effectiveness

Counterpoint:
Revenue focus arguably reduces concern for other outcomes
Privatization

- Natural response to privatization of public services
Cross-Sector Partnering

- Engaged/strategic for-profit involvement
- Complementary human capital

Counterpoint:
Market sector overwhelms civil society
New Sources of Capital

Examples of Investors

- Foundations
- Angel Investors
- Social enterprise loan funds
- International Development Agencies
- Venture philanthropy
- Social venture capital funds
- Endowed Nonprofits
- Community development institutions
- Pension Funds
- Small enterprise development funds
- Socially responsible mutual funds

Greater Accountability to Consumer

- Consumer vs. Customer

Counterpoint: Accountable or Exploitative?
Talent Acquisition

- Attract talent from other sectors
Reasons for NEW

- Our consumers have ability to pay
- No grassroots individual support
- High risk/reward with foundations, corporations
- Many strings with foundations
- Accountability to consumer
- Value confirmation
- (and leadership from for-profit world)