

**Author(s):** Neel Hajra, 2010

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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)



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# Second Annual



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## 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

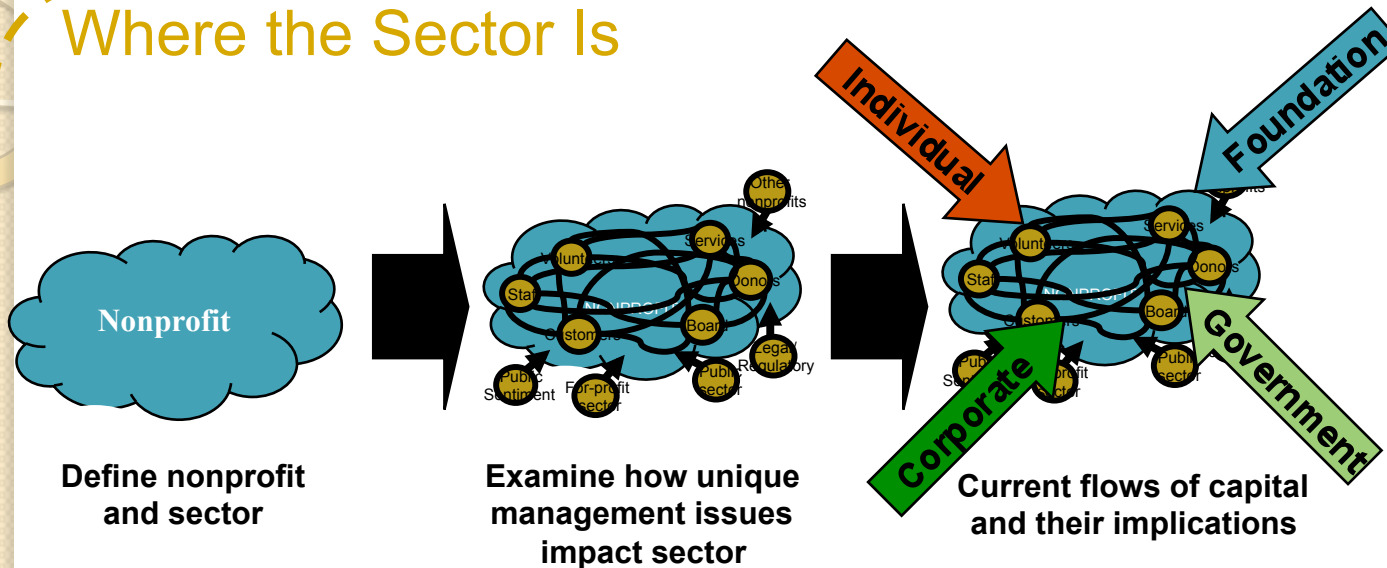


# How We Got Here

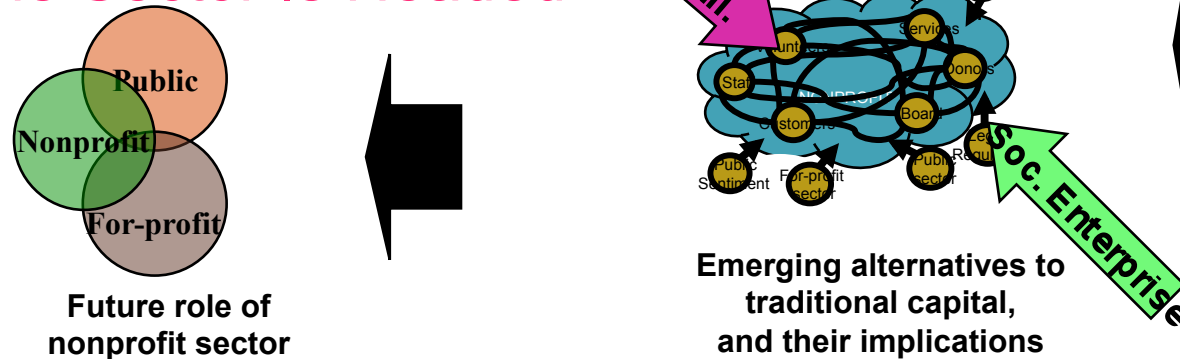
Neel Hajra



## Where the Sector Is



## Where the Sector Is Headed



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”***

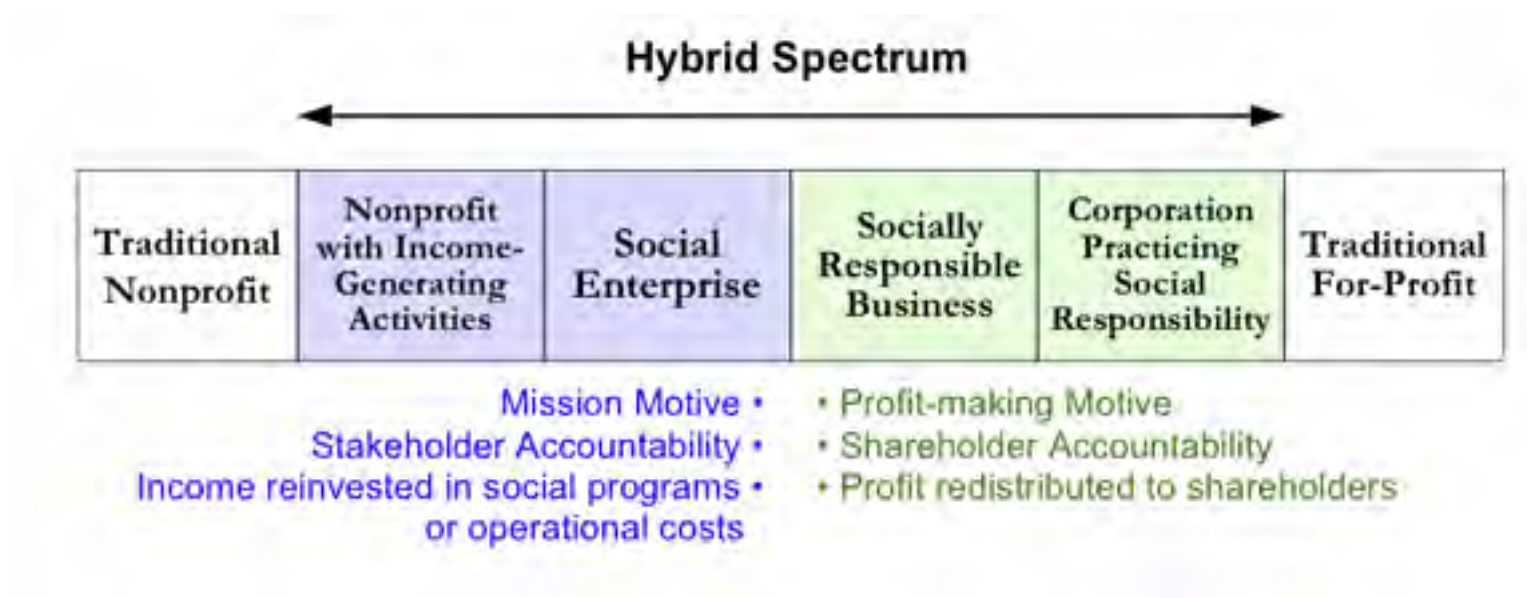


# Integrative Perspective

- 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

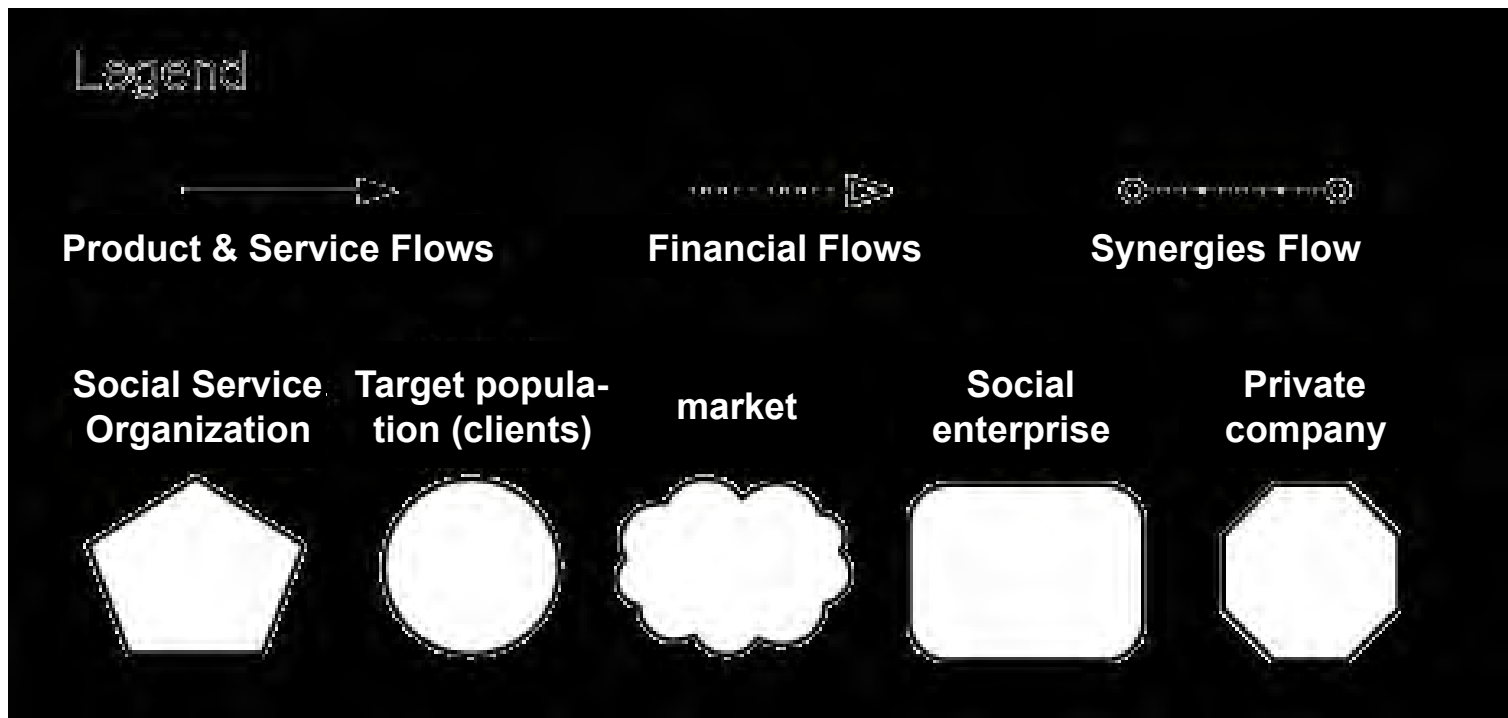
**(deFourney)**

# Social Enterprise Spectrum



(Kim Alter)

# Alter Typology





# **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

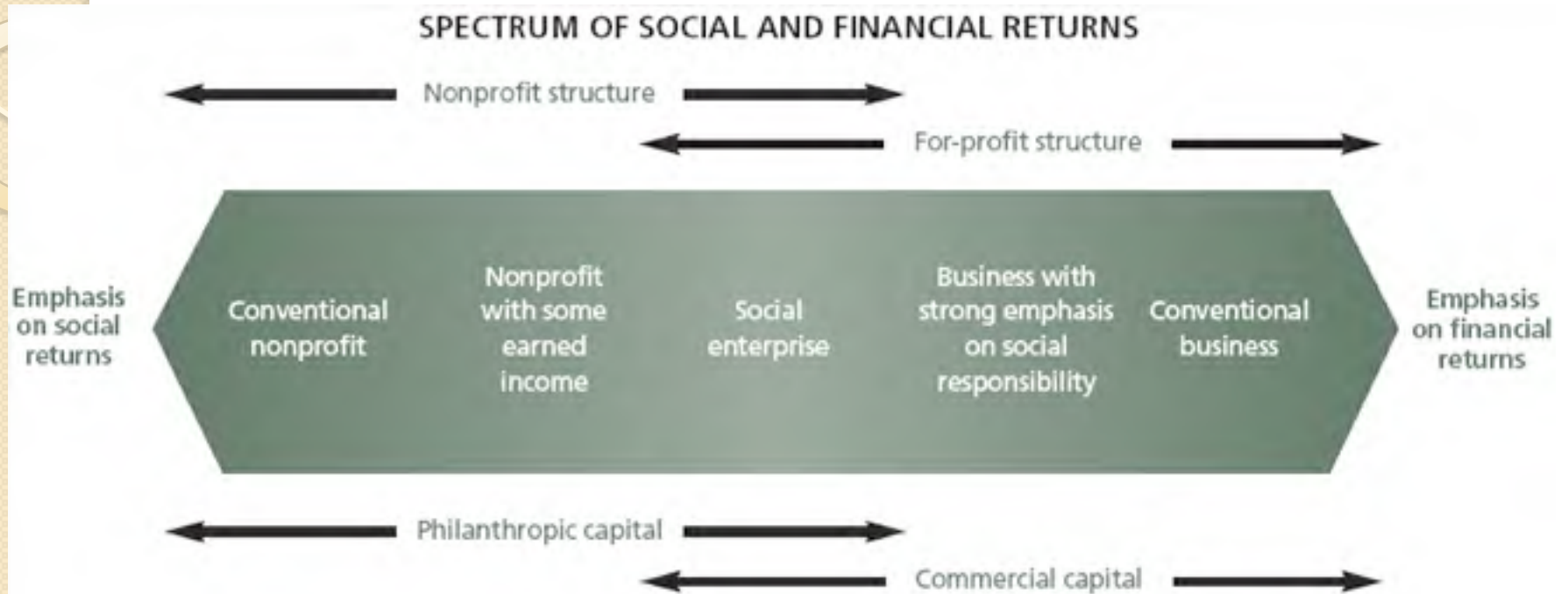


# Cross-Sector Partnering

- 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)



