

NEW SCHOOL UNIVERSITY

MGMT 6038: Practicum in Social Entrepreneurship through Design (MMGT 6038.A.Fall 1611)

Wednesdays 4:00 p.m. – 5:50 p.m.

Location:

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Advisors: Team of 2-3 Financial advisors and
Team of 2-3 Design/Engineering advisors

Course Description: This jointly taught course in social entrepreneurship has as its central focus the creation of a business plan for a **product/service** developed to address the mission of a nonprofit organization. Working in collaboration with a nonprofit organization, the **designer/nonprofit** will be the principal client. To this end, the course is built upon a number of principles consistent with social entrepreneurship. Working with a **community** will be the continuing theme familiar to the students from both Parsons and the Milano Graduate School. However, what will be different is that each project group in the class will be continuing the work begun as a senior thesis project by a designer in collaboration with a nonprofit organization or directly with a nonprofit. In each case, the product/service was selected by a group of judges as having the greatest potential for being brought to market.

Goals. The goals of the course are to develop a business plan that will be marketed to a group of investors. In the course of achieving that there are a number of learning goals that are important to all students in the class.

- Understanding the context within which such ventures can be developed as one way to better understanding the nature and goals of the ventures. Students will better understand the new entrepreneurial landscape within which nonprofits exist; the existing environment for these ventures; the different characteristics reflected in the creation of new social entrepreneurship ventures and the new terminology and definitions.
- Understanding the organizational culture in which these ventures are created and the capacity of the organizations to successfully engage in undertaking these ventures. Alternative models for operating these ventures will be explored.
- Understanding the different ways of formulating business models
- Developing a business plan for a client. The team will assess the nature and risk of the venture for the organization, identify the market, do the market analysis and develop marketing plans. They will also propose how the venture should be organized and managed and the capital need to undertake the venture. A three to five year integrated financial plan, with all assumptions clearly stated and financial ratios calculated, will be part of the final business plan.
- Understanding the intersection of the design process and social ventures
- Working with an advisory group of financial experts, the team will explore and make recommendations as to how the venture could be financed and potential sources of financing.
- Working with an advisory group of design engineers, the team will learn how to analyze the designs to explore material usage and to calculate the actual cost of producing these objects.
- Preparing a proposal for entry into a venture competition

Support Groups. There will be two critical support groups working with each student team

Financial Advisors. We are working to create an outside financial advisory group who will meet two or three times with each venture group to advise the group and guide the group to potential investors.

Engineering Advisors. We are inviting a small group of design engineers who will be able to work with the design team and critique their work. These design engineers have been invited from some of the top product design companies in the world.

Post Graduate Associate. The post graduate associate will assist individual students and each team in fast tracking the development of their financial skills.

Who should take this course. Milano students (across programs) with an interest in community development; design and management students from Parsons with an interest in design based intervention; international students with an interest in bringing appropriate technology to solving local problems and all those with an interest in social entrepreneurship.

Prerequisites for the Course: Faculty with spreadsheets (those who have or are taking the housing finance course would have the requisite skills); and or elements of finance will be considered the minimum requirements for admission to this course.

Required Text:

Peter C. Brinckerhoff. Social Entrepreneurship: The Art of Mission-Based Venture Development. New York. John Wiley & Sons, Inc. 2000.

There is no course pack for this course. The readings not in the textbook can all be accessed through Pro Quest or on line. We assume that you will also be able to access these articles through the site line for the course where the links will be posted.

There are a number of web sites with which you should become familiar. This is important if you are to keep abreast of the fast moving developments in the area. We recommend that you access these sites from those listed in the article by Tom Reis, "Unleashing New Resources for Entrepreneurship for the Common Good." W.K. Kellogg Foundation (January 1999). The link to the article is as follows: <http://www.wkkf.org/Pubs/PhilVol/Pub592.pdf> The article will be posted on the site line.

One of the web sites among those listed by Reis is the Roberts Foundation web site. The home page is <http://www.redf.org/about-intro.htm> however you must go to the publication page <http://www.redf.org/publications-intro.htm> and also search through their list of other publications <http://www.redf.org/download/other/readlist.doc> It is one of the richest sites both in links to publications but providing you a body of research. So that you do not miss the box set of basic tools as part of their web site we are providing you a direct link <http://www.redf.org/publications-boxset.htm>. Note all of these are PDF files that can be downloaded. One additional site recommended from among the proliferation of sites is the Center for Advancement for Social Enterprises: <http://www.fuqua.duke.edu/centers/case/faculty/publications.html>

COURSE REQUIREMENTS:

We assume that all teams will use the site line and the appropriate technology to facilitate your meetings. The syllabus will be posted and links to the articles will be available through the site. My expectation is that all students will log on to the site before the beginning of the second class. We will use a back up system by posting the PDF files for the articles listed.

As part of a team, you are to develop a business plan for a venture that can be brought to market. We have identified both clients and projects, and you will be assigned to a team and a specific project by the second week of class. The team will schedule regular meetings outside of class. The team will also schedule regular meetings with us (at a minimum on a bi-weekly basis and more often if necessary) outside regular class time for us to review and critique parts of the plan as it is being developed. You will also be expected to begin work on the financial pro forma models developed while improving your excel skills. There will be a clear set of assignments with due dates.

Each week a brief portion of the class time will be used to discuss problems and issues related to the venture being developed. These in-class exchanges are an important learning experience as ideas are shared among teams on projects that are very different.

Each student is expected to develop competencies in the skills required in developing a venture and the skills required to sell their product to investors. While each student cannot be graded individually on his/her ability to construct financial projections and their understanding of how these projections are linked to allow for changes in assumptions, our expectation is that each of you will make every attempt to acquire the technical skills that others may possess in the group. For example, if you do not know how to create a database to analyze your data for the market analysis, you will identify this as an area of competency that you will acquire in this class. There is limited computer lab time and these are skills you will be working on outside of class. has been set aside for modelling of proformas. You may go to the site line and download the ventures for the semester. They will be posted by the first class session. Hard copies of the ventures will not be distributed in class.

DELIVERABLES:

Presentations of the business plans to the class will occur in week 13 and to an outside panel of business consultants and the client in weeks 14 or 15. Interim deliverables with their due dates will be distributed to the class at the time assignments are made and the teams have had their initial meeting with the client. In addition to the oral briefing, each team will provide the client a hard copy of the plan, along with a disc with the business plan including the financial projections. You are also expected to provide the client with a copy of the team's power point presentation.

There will be a number of deliverables during the course of the semester. They are as follows:

Each of the deliverables will count in determining your final grade.

Week 5: An outline of the business plan

Week 7: First cut of pro forma with statement of basic assumptions

Week 9: Revised pro forma with revised assumptions (15%)

Week 10: A revised draft of the business plan (15%)

Week 12: Draft Business Plan due

Week 13: Presentation outline with individual two-minute scenarios (10%)

Week 15: Formal Presentation (15%)

Final Plan to be submitted one week after the last day of class (30%)

A separate set of deliverables will be provided around your development of pro formas

VENTURE COMPETITION

The expectation is that the teams will prepare to enter their proposal in the JPMorgan Good Ventures Competition. This is a discussion that would cause the deliverables defined above to be moved forward. This decision is one that we will discuss more fully in class

Class Participation: 10 % of grade.

Because of the differences in the ventures being undertaken, students are expected to participate in the discussion of the other ventures being developed. We will set aside a small portion of each class to discuss some aspect of one or all of the ventures being developed. In addition you are expected to participate in the class discussions. Given the nature of the class you will be expected to think outside the box and to bring a spirit of entrepreneurship to the class. Taking risks will be rewarded.

Knowledge and financial skills 20% of grade

Proposal Development for Venture Competition 30% of grade

Final Proposal 20 % of grade

Final Presentation 20 % of grade

SCHEDULE OF CLASSES, READINGS, CASE STUDIES AND OTHER ASSIGNMENTS

**Please note: Dates, presentations and guests may change, based upon scheduling issues.

Week 1 Sept 5

Session 1: INTRODUCTION, EXPECTATIONS, AND GROUP FORMATION

Goals:

- To define expectations, class, and group structure
- To outline all of the "players" in this venture, from designer, to non-profit, to Milano students, to faculty, to advisory groups
- To define deliverables and outcomes.
- To provide intro to designers' projects
- To create environment in which students organically aggregate around different projects, and form their own teams

1 st half of class:

- Introduction: give overview, pass out syllabus
- Structure: explain team composition and format
- Expectations (describe what our goals are for the class and what we expect from students)
- Class discussion: Who is an entrepreneur? What is a social venture? What is "social entrepreneurship"? What distinguished the social venture from the nonprofit?
- Project intros by designers (10-15 min PP presentations)

2nd half of class:

- Icebreakers (series of exercises to help with team building)
- Team formation (groups of students aggregate organically, talk about projects, talk about roles they'd like to take on within a group)
- Student groups form in class, and they come to us at the end in groups of 5-6 and tell us who their team will be)

Required Readings: Brinckerhoff. Chapter 2 also J. Gregory Dees. "The Meaning of 'Social Entrepreneurship.'"

<http://www.redf.org/download/other/sedw.doc>.

There is an additional must read piece on the Need for Definition. See the on line posting

NOTE WE DO NOT MEET THE WEEK OF SEPT 12 BECAUSE OF JEWISH HOLIDAYS

Week 2 Sept 19

Session 2: INTERSECTION OF DESIGN AND SOCIAL VENTURES

Goals:

- To provide an overview of both design development and formation of social ventures
- To plant seeds in students' minds about ways in which they could intersect and overlap
- To begin dialogue about ways to conceive of "hybrid" social ventures: ventures that live in the space between traditional startups and non-profit orgs
- To stimulate a discussion about the crossover points of social ventures and design

First half of class

- Overview of the main steps in design development: research (user and market research), conceptual development, design detailing and refinement WITH REAL PRODUCT EXAMPLES
- Overview of the main steps in forming a social venture: idea generation, idea selection, research on market size and opportunity, business model creation, financial projections, constructing a business plan, etc.) WITH REAL BUSINESS EXAMPLES

Additional topic:

- "Border crossing": the phenomenon of how people's roles change and shift according to the business need. Talk about students learning to extrapolate their knowledge and expertise to use in analogous areas.

Second half of class:

- Students create a visual map of how social ventures and design could intersect.
- Brainstorming - how is it done (general rules) and what can it accomplish?
- Then ... do it:
- Brainstorm potential way(s) that the worlds of design, business and social entrepreneurship could intersect - class exercise - use whiteboard or tablet

Required Readings

Brinckerhoff Chapters 3- 4. Also Dees et al "The Process of Social Entrepreneurship:Creating Opportunities Worthy of 'Serious Pursuit'" link is

http://www.fuqua.duke.edu/centers/case/documents/SEProcessDraft_FINAL.pdf

<http://www.virtueventures.com/setypology/semg.aspx?id=DEFINITION&lm=1>

On the above link you are also advised to go to the links on models

Week 3: Sept 26

Session 3: ANATOMY OF A BUSINESS PLAN

Goals:

- To understand the essential elements of a business plan
- To understand the need for a business plan
- To understand the details of some of the essential elements, like exec summary

1 st half of class:

- What is a business plan?
- What is it used for? (getting funding, getting loans, etc.)
- OVERVIEW: What are the essential elements? (mission statement, executive summary, etc.)
- DETAILS: What are necessary parts of the top 3 elements (like exec summary)?
- How do you go about creating them? What kind of information do you need?

- Handout - hand out a document that shows overview and details of elements of a biz plan.

Case Study: The Wave Hill Case. We will utilize all the assumptions made in this case to answer the questions we seek to answer in the first half of the class.

We ask each of you to also read the most recent case developed by SEEDCO on the Limits of Social Enterprise: A Field Study and Case Analysis. This will be posted on site line and will be discussed in class

Second half of class:

- Team meeting, begin working on assignment

ASSIGNMENT: Create first draft of a mission statement. Create a document that lays out the skeleton of your business plan, with headers that show the major areas for you to fill in. This draft will be due in week 5.

Required Reading: Chapter 6 also Required is your understanding of terminology. "A Glossary of Useful Terms." The Institute for Social Entrepreneurship. <http://www.socialent.org/pdfs/GLOSSARY.pdf>

Week 4 Oct 3

Session 4: BUSINESS MODELS FOR SOCIAL VENTURES

Goals:

- To present several kinds of potential business models for social ventures to the students
- To create a dialogue about which type of business model would be appropriate for each project
- To understand the legal models that might influence particular models

1st half of class:

What are potential business models for social ventures (with a product focus)? • Short presentation of 3 or 4 potential models WITH EXAMPLES, e.g.:

- Licensing Model
- Form start-up with seed funding + grants, etc.
- Incubation Model: partner with manufacturing company
- Franchising

2nd half of class:

Team meeting, begin working on assignment

ASSIGNMENT: Brainstorm about all potential business models for your team, using big piece of paper to create a visual map of brainstorm. Develop document of 3 different possible models for your company and the optional legal forms open to you. Create list of pros and cons of each model, be prepared to discuss which direction(s) your group favors, and why.

Required Reading. Brinckerhoff Chapter 10 Also you should explore

<http://www.virtueventures.com/setypology/semg.aspx?id=CLASSIFICATION&lm=1> Note you can "read more" as you explore this site when it comes to models from a number of different dimensions.

For operational models <http://www.virtueventures.com/setypology/semg.aspx?id=MODELS&lm=1>

For structures <http://www.virtueventures.com/setypology/semg.aspx?id=STRUCTURES&lm=1>

Week 5 Oct 10

Session 5: R&D DELIVERABLES: HOW FAR DO YOU NEED TO GO?

Goals:

- To discuss typical design and engineering deliverables necessary to get a venture started (and get funding)
- To reinforce to both designers and Milano students that these projects do not need to be redesigned in order to get funding - they just need to be ANALYZED
- To get Milano students involved in obtaining pricing for designs, by giving them the tools via a how-to lesson in costing parts and contacting manufacturers
- To bring in engineering/design advisors to help students figure out, and map out, a game plan for the R&D components of their new ventures

1st half of class:

ENGINEERING/DESIGN ADVISORS ARE PRESENT

- What kind of design and engineering deliverables do you need in order to be able to start a social venture using your proposed business models?
- How detailed do your deliverables need to be? What are examples of this (show examples of 3D CAD files, control/engineering drawings)
- How can Milano students get involved in and contribute to this detailing/costing process?
- How do you identify which aspects of your project need to be redesigned?
- What kind of outside help will you need to do so?
- How will you find this kind of help?
- How much will this cost?
- How do you identify and approach a manufacturer?
- What kind of design information do you need in order to get manufacturing quotes for your parts?
- How do you decide which materials to use in your product?

2nd half of class:

- Team meeting - each group meets with their Engineering/Design advisor in order to discuss next steps for the projects from a design and engineering perspective.

ASSIGNMENT: Write a paragraph about the design and engineering deliverables that your group will produce by the end of the semester, to be used in your business plan as appendices. This will not involve a redesign, just a way to format the information that you've already created for your project. Write a second paragraph about what needs to happen from a design/engineering perspective to make your project manufacturable, and what kind of people you will work with in the future (after this class is over) to make this happen.

Week 6: Oct 17**Session 6: THE MARKET: HOW BIG IS IT, HOW DO YOU POSITION YOURSELVES IN IT, HOW DO YOU PRICE IT?**

Goals:

- To discuss different ways to estimate market size
- To discuss positioning, and how to map out your market's landscape to figure out where your company belongs
- To understand what a marketing plan is, and how it can be used to a company's advantage, with specific relevance to social ventures

1st half of class (Guest Lecturer?):

- How do you estimate the size of your market (use examples)
- What are methods to describe the people who comprise your market?
- What are actual sources (websites, library, etc.) you can use to estimate the size of your market?
- How do you figure out how to position your company/product within your market?
- How do you figure out who the big players are in your market?
- What is a marketing plan? Examples?
- What is the purpose of a marketing plan? What can it do for your venture?
- What is a typical percentage of budget devoted to marketing? How is this determined?

2nd half of class:

- Pricing: How do you determine retail and wholesale product pricing? Use examples
- Team meeting, work on assignment

ASSIGNMENT: Create draft of marketing plan for your business.

Week 7: Oct 24**Session 7: ORGANIZATIONAL DEVELOPMENT: TEAMBUILDING & STAFFING**

Goals:

- To discuss different ways to build teams in early-stage social ventures
- To discuss typical roles and responsibilities of employees/partners in early-stage social ventures
- To discuss techniques of decision making in group situations
- To discuss ways to encourage accountability and ownership among team members in an early-stage social venture
- To help student in determining who they will project to be on their team, for business plan and financial planning purposes
- To discuss the difference between part and full-time employees/consultants, and when to hire one or the other

1st half of class (Guest Lecturer):

- What are the typical roles that people play within a social venture start-up (4-6 person team)?
- How do you determine these roles?
- What are the specific responsibilities associated with each of these roles?
- What are the specific skills that each of these people needs?
- What kinds of tasks do each of them need to be able to do?
- How do you build a cohesive and healthy team that can execute efficiently?
- How do you make decisions within a team? Describe different methods ...
- How do you make each team member feel accountable for the group outcome?
- How do you give each team member a sense of ownership in the project?
- When do you need a full-time employee, and when do you need a part-time employee (consultant)?

2nd half of class:

- Team meeting, talk about what kind of roles each person would like to take on.

Required reading:

John Brauer and Michele Tatos. "The Challenges of Staffing and Leading a Social Purpose Enterprise." Practitioner Perspectives: Social Purpose Enterprises and Venture Philanthropy in the New Millennium. Vol. 1. Chap 4. Pp. 39-48. www.redf.org

Week 8: Oct 31**Session 8: PRO FORMA 101**

Goals:

- Understanding the key statements that constitute the pro forma
- Understanding what "assumptions" are, and the importance of stating them
- Projected Presentation - spreadsheet that can be manipulated in real-time to show different elements. Also shows how, if you change one element, the others update and change:
- What are income statements?
- What are expense statements?
- What are balance sheets?
- What information do you need to construct each of these?
- How do you get this information?

Required Readings:

Brinckerhoff Chapter 7- 8: Applying the Lessons: A Step-by-Step Business Planning Exercise

Week 9 Nov 7

Session 9: TOOLS FOR FINANCIAL ANALYSIS (PRO FORMA 101 CONT.) / CONTINUATION OF R&D EXPLORATION

Goals:

- Understanding the financial tools that are the health of the enterprise and how they may be used in managing the venture
- To give students the opportunity to ask questions about their specific pro formas
- To give students the opportunity to ask manufacturing questions

1 st half of class

- Students present their preliminary pro formas via projection - ask questions, ask for help, etc.

2nd half of class **ENGINEERING/DESIGN ADVISORS ARE PRESENT**

- Team meeting

Required readings (See week 8). Also read Thomas A. Mc Laughlin. StreetSmart Financial Basics for Nonprofit Managers. New York: John Wiley and Sons, Inc. 1995. Chapter 4: Financial Analysis: A Few Diagnostic Tools. Pp. 39-58 (Will be handed out)

Week 10: Nov 14

Session 10: FINANCING: WHAT IS IT, AND HOW DO YOU GET IT?

Goals:

- Understanding the different forms of financing available
- Understanding how financing relates to the different stages of development of a project
- Discussion of where to look for financing

1st half of class: Financial Advisors present

- What are typical ways that companies get initial funding?
- What is seed funding?
- What is angel investment? What is typical range of amounts? How far should this take you?
- What is the difference between seed funding and long-term funding? When in the business creation cycle are each of these appropriate and necessary?
- What kinds of companies/individuals are responsible for seed funding?
- What are the typical expectations of a company from your venture when you receive seed funding from them?
- What kinds of companies/individuals are responsible for longer-term funding?
- What are the typical expectations of a company from your venture when you receive longer-term funding from them?
- What are the Top 10 questions that any potential funder will have for your company that you MUST be able to answer?

2nd half of class

- Team meeting, financial advisors help teams

Brinckerhoff. Chapter 9: Financing Your Entrepreneurship and Chapter 11; Social Entrepreneurship for Funders. You should explore the Columbia University Research Initiative on Social Entrepreneurship. The link is <http://www.riseproject.org/index.html> however you may be more interested in going to their investor directory link http://www.riseproject.org/cqi-bin/rise_build_search.pl

Week 11: Nov 21 Note classes are being conducted at the University the day before Thanksgiving

Session 11: Legal Framework for Public/Private Ventures : Guest Lecturer: Leonard Easter and the University GC.

Goals:

- Understanding the basic corporate structure of social enterprises
- Understanding basic legal terms that pertain to protecting the IP of your company
- Understanding what you need to do to protect the IP of your company
- Understanding the "value" of IP, from both financial and negotiation standpoints
- Understanding exactly what kind of documentation you need in order to patent your invention
- Understanding exactly what kind of documentation you need in order to approach a company about forming a licensing agreement

1 st half of class: Guest Lecturer: Leonard Easter

- What is "intellectual property"?
- What are ways that companies protect their intellectual property?
- What are the typical steps toward protecting IP: declaration, provisional patent, patent, etc.
- What legal steps should you be taking now?
- Are there any small business legal help organizations that can help?
- What is the "value" of intellectual property?
- How is IP used in a financial sense? (leverage, buyouts, percentages, etc.)

2nd half of class: Leonard Easter and GC rotates among groups to answer specific questions

- Team meeting, begin working on assignment

ASSIGNMENT: Create list of specific design elements/features that you think comprise your group's IP. Include specifics indicating why each of these constitutes intellectual property. Describe how these elements will contribute to the value, growth, and future of your company.

Required readings:

Brinkckerhoff: Chapter 10: Technicalities: Unrelated Business Income Tax and Corporate Structuring
Roady, Celia. "Federal Tax Aspects of Fund Raising Activities: How to Raise Revenue Without Raising Taxes." Indiana University Center of Philanthropy, (August, 1995). Unpublished.

Week 12: Nov 29**Session 12: Class discussion of projects; continued work at the computer lab and meeting with outside advisors.**

We will use this session to share issues and to problem solve outside of your group. Each team will identify key issues/critical decisions they face with their project as they move to completion. Independent of your project you are expected to provide consultation to the other groups as they seek creative solutions for resolving difficult problems. Class time will be provided for this discussion. These decisions may revolve around staffing, salaries, tradeoffs being made, etc. for each of the projects. These issues may range from management structure, staffing, salaries, marketing plans, pricing issues, assumptions underlying financial projections? The required readings relates to the management and organizational plan for the venture.

Week 13: Dec 5**Session 13: SELLING THE BUSINESS PLAN + IN-CLASS WORKING SESSION**

Goals:

- Understanding what it takes to sell your ideas
- Understanding your audience: what are the different ways that you should present information, based on your audience?
- Discussion of techniques to grab investors' attention

1 st half of class:

- What is the "elevator pitch"?
- What are the essential elements of the 3D-second pitch? How do you grab your potential investors' attention?
- Repeat/Reinforce: What are the Top 10 questions that any potential funder will have for your company that you MUST be able to answer? (We should develop a list)
- What are methods/means that you can use in your presentation to sell your biz plan?
- Model presentations will be made by former students who have made successful pitches either in competitions or in raising funds

Week 14: Dec 12**Session 14: IN-CLASS WORKING SESSION**

Groups meet in classroom to work on business plans

ASSIGNMENT: Finalize, print, and bind final business plan

Week 15: Dec 19**Session 15: PRESENTATIONS**

DUE: Presentation of your project/Final business plan

Some Financial Advisors and Design/Engineering Advisors present

Each group will create a 15 minute presentation that sells their project. The audience for this presentation will be mostly comprised of members of the financial community, and your presentation must be geared as such. Some members of the design community will also be present.

Goals for this presentation:

- To tell the story of your venture in a compelling manner
- To bring home the human/community need that your venture will be serving
- To back up the story with real data – market, financial, competitors, challenges
- To convince your audience that your venture has a reason to exist, has a great chance of success, and is too fascinating to ignore

The backbone of this presentation will be elements from the final business plan. Each presentation must include these elements:

- Mission Statement
- Explanation of user/community need/problem
- Definition of user group/market
- Market size and stats
- Illustration of design solution
- Info on non-profit partner and relationship
- Business Model
- Competitors
- Challenges
- Financial Projections
- Break Even