January 14, 2010

DRAFT
(this syllabus is still a work-in-progress)

Milano Graduate School of Management and Urban Policy
MMGT 6542 Funding Social Enterprise
Spring 2010 – Wednesday, 6 – 7:50 pm
Location: [ ]

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Office Hours: By appointment

Course Objectives:

Through this course students will increase their:

- Understanding of financial needs of social enterprises
- Understanding of the social investment landscape for social entrepreneurs/social enterprises
- Understanding of diverse platforms and strategies for supporting social entrepreneurship and social enterprises at different stages of their evolution
- Understanding how to evaluate financing proposals and monitor progress
- Understanding different financing tools and analytical processes
- Understanding different non-financial approaches to supporting social entrepreneurs/social enterprises

Course Overview:
Over the past two decades there has been a dramatic reorientation to approaches to social value creation and social investment. In particular, social enterprises are creating new and exciting solutions to society's problems. Increasing numbers of such organizations are being launched to address challenges – from poverty to health, education to the environment. Despite many of these emerging successes, most of these enterprises face a common problem: capital. This course is designed to deepen understanding of the financial needs of social enterprises from start-up through every stage of organizational growth and the broader social capital market. We will seek to understand the gaps in the market for financing for social purpose organizations and ways in which the public, private and social sectors are devising strategies to address these gaps including new intermediaries, financial product innovation, risk mitigation tools, policies and performance metrics. The course will involve readings, exercises, papers and cases. Several speakers will be invited over the semester. The course will be structured around the following modules:

Module 1: Overview of Social Capital Markets
Module 2: New Intermediaries: Strategies, products/services, investment practices
Module 3: Critical Issues in building the field: evaluation, capacity building, and policy

Course Grading
Class Participation and Wiki posts: 20%
Cases/Briefs: 30%
Final Project (Presentation and write-up): 50%

Class Participation
Becoming actively engaged in the subject matter is an essential part of learning. Good participation is based on good preparation; the reading assignments and the short write-ups are intended to help prepare you for a rich class discussion. Class attendance is essential for success in the class. If you will not be in class, please email me before class to let me know. Class participation will be evaluated based on several factors including: contribution to classroom discussion and contributions to blackboard through postings that relevant to the topics we are discussing.

Cases/Exercises: (3-5 pages written briefs)
Students will be expected to write two case analyses. Written briefs provide an opportunity for students to apply the core themes of the class to a particular interest to the student. They will help enrich the class conversation by enabling students to apply concepts from the readings to concrete examples. Briefs are independent assignments; therefore, students are requested not to collaborate on these assignments. I will provide a set of specific guidelines as well as questions to be addressed for each brief. Please send your selected briefs to me electronically to kahanem@newschool.edu before the class meets on the date which it is due.

Case assignment will be announced prior to the class.

Final Group Project (Social Investor Strategy):

Students may work individually or in teams and may choose either to:

a) Develop a business plan for a financing vehicle
b) Identify a research question that focuses on some of the particular challenges in building a robust social capital market.

Professor will provide additional guidance in class on this project.

With regard to due dates:

Students will provide a 1-2 page synopsis of their proposed focus by February 22 (these briefs will discussed in class with peers). The intention is to leverage peer support as we develop our

final projects. In addition, each team should schedule a time to meet with me the week of March 1 to obtain feedback on the Final Project synopsis.

On April 14 we will devote a class to peer feedback on Final Projects. Each team will provide background a set of questions for feedback.

Final projects will be presented on May 12 using PowerPoint. Final paper will be due on May 12.

For this project, you should consider using a variety of sources of publicly available information as well as phone or email contacts with key decision-makers. You should document your sources of information in the written report so that other students can build on your work in the future.

Class Readings

Required books to purchase: [possibly one but probably none]

All materials will be provided on Blackboard and e-reserve. Required readings must be read before class.

Website/Blogs

There are a number of websites and good blogs that you should read on a regular basis (I will provide you with a list of some choice examples).

Date	Topic	Assignment	Tentative Speakers (*)
Jan 27	Introduction	Readings	
Feb 3	Overview of Social Capital Markets	Readings	
Feb 10	Strategic Philanthropy	Readings	
Feb 17	Global Social Venture Capital	Readings	Jacqueline Novogratz, CEO of Acumen Fund
Feb 24	Early Stage Funding: Fellowships, incubators, prizes, competitions, angels	Concept Note ideas	Blue Ridge, Sparkseed, NYWSE
March 3	Venture Philanthropy Funds	Readings Due: Case # 1	Cynthia Massarsky, (Growth Philanthropy Fund), New Profit
March 10	Social Venture Capital Funds	Readings Due: Case # 2	Kerwin Tesdell (CDVCA) or Sophia Romana (Planet Finance)
March 17	BREAK		
March 24	Community Foundations	Readings	Lorie Slutsky, NY Community Trust
March 31	Impact Investing	Readings	Steve Godeke (RPA), David Wood (IRI), or Deutsche Bank
April 7	Investment Analysis structuring	Readings Due: Investment Analysis	
April 14	Peer feedback	Due: Drafts Final Project	
April 21	Performance Evaluation	Readings	
April 28	Capacity Building	Readings	
May 5	Field-building and the Social Capital Markets	Readings	
May 12	Final Presentations	Due: PPT and paper	

(*) I am in the process of confirming some of these speakers not all of them are likely to come

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Module I: Overview of Social Capital Markets

Session 1 (Jan 27): Introduction

During this class we will discuss the overall goals and content of the class and get to know each other. In addition, during this class we will look at big picture conceptual trends in terms of what is changing in regard to approaches to social value creation and the resourcing strategies?

"The Business of Giving." *Economist*, March 2006.
http://venturephilanthropypartners.org/globals/press/Economist_Survey_March2006.pdf

Emerson, Jed. "The Nature of Returns: A Social Capital Markets Inquiry into Elements of Investment and the Blended Value Proposition." Working Paper. 1 – 46.
http://www.blendedvalue.org/media/pdf-nature-of-returns.pdf

Dees, Greg. "Philanthropy and Enterprise: Harnessing the Power of Business and Entrepreneurship for Social Change." *Global Development 2.0: Can Philanthropists, the Public and the Poor Make Poverty History?* Washington, DC: Brookings Institution Press, July 2008.
http://www3.brookings.edu/global/aspen/2007dees.pdf

Osberg, Sally. "Wayfinding Without a Compass: Philanthropy's Changing Landscape and Its Implications for Social Entrepreneurs." In *Social Entrepreneurship: New Models of Sustainable Social Change,* edited by Alex Nicholls. New York: Oxford University Press, 2006. 309-320.
[Andrea to copy chapter of book and sent to e-reserves]

Fulton, Katherine and Andrew Blau. *Looking Out for the Future: An Orientation for Twenty-First Century Philanthropists.* Global Business Network and Monitor Institute, 2005. 2 – 83.
http://www.futureofphilanthropy.org/files/finalreport.pdf

Bugg-Levine, Antony. "Impact Investing Bold Models to Drive Development at Scale." *Beyond Profit Magazine*, May/June 2009. 17-21.
http://www.community-wealth.org/_pdfs/news/recent-articles/11-09/article-bugg-levine.pdf

Session 2 (Feb 3): Overview of social capital markets: What is the structure of the social Capital Markets?

In this class we will begin to construct a picture of the "social capital market" both in regard to the demand for capital and the supply of capital for social enterprise. We will delineate the different types of providers of capital, different forms of funding and uses of funding at different stages of organizational development, and gaps in the market.

Meehan III, William F., Derek Kilmer, and 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.
http://www.givingmarketplaces.org/materials/Investing%20in%20Society%20%28Meehan%20et%20al,%20SSIR%202004%29.pdf

Nicholls, Alex and Cathy Pharoah. *The Landscape of Social Investment*. Skoll Centre Working Paper, 2008. 1 – 56.

Emerson, Jed, Tim Freundlich and Jim Fruchterman. *Nothing Ventured, Nothing Gained*. Skoll Centre, 2007. 1 – 22.

Emerson, Jed, and Paul Carttar. *Money Matters: The Structure, Operations and Challenges of Nonprofit Funding.* The Bridgespan Group, January, 2003. 57 – 69.

Foster, William. "Money to Grow On." *Stanford Social Innovation Review*, Fall 2008. 1 – 7.
http://www.ssireview.org/images/articles/2008FA_feature_foster.pdf

Ryan, William P. "Nonprofit Capital: A Review of Problems and Strategies." Prepared for The Rockefeller Foundation and Fannie Mae Foundation, 2001. 1 – 47.

Overholser, George M. "Part One: Building is Not Buying." *Nonprofit Growth Capital: Defining, Measuring and Managing Growth Capital in Nonprofit Enterprises*. Nonprofit Finance Fund.

Overholser, George M. "Patient Capital: The Next Steps Forward?" Nonprofit Finance Fund, 2007.

Miller, Clara. "The Equity Capital Gap." *Stanford Social Innovation Review*, July 1, 2008.

Miller, Clara. "Hidden in Plain Sight: Understanding Nonprofit Capital Structure." *The Nonprofit Quarterly,* Spring 2003.

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Module II: New Intermediaries: Strategies, Products/Services, Practices

Session 3 (February 10): Strategic Philanthropy

In this class we will look at the trends, strategies and practices of private foundations.

Paul Brest Book Chapters?

Porter, Michael E. and Mark R. Kramer. "Philanthropy's New Agenda: Creating Value." *Harvard Business Review*, November–December 1999. 121-130.

Goldmark, Peter. "Finding Philanthropy's New Sweet Spot, Issues and Innovations for the 21st Century Philanthropy." Rockefeller Philanthropy Advisors, 2006. 4 – 21.
http://rockpa.org/wp-content/uploads/2007/01/Finding%20Philanthropys%20New%20Sweet%20Spot%20final.pdf

In Search of Impact: Practices and Perceptions in Foundations' Provision of Program and Operating Grants to Nonprofits. Center for Effective Philanthropy, 2006. 1 – 22.
http://www.effectivephilanthropy.org/assets/pdfs/CEP_InSearchOfImpact.pdf

Essentials of Foundation Strategy. Center for Effective Philanthropy, 2009. 2 – 27.
http://www.effectivephilanthropy.org/assets/pdfs/CEP_EssentialsOfFoundationStrategy.pdf

The Strong Fields Framework: A Guide and Toolkit for Funders and Nonprofits Committed to Large-Scale Impact. Bridgespan Group, June 2009. 1 – 16.
http://irvine.org/images/stories/pdf/pubs/strongfieldframework.pdf

"W.K. Kellogg Foundation Logic Development Guide." W.K. Kellogg Foundation, 2001. 1 – 34.
http://www.wkkf.org/~/media/475A9C21974D416C90877A268DF38A15.ashx

Buteau, Judith Ellie, et.al. "More than Money: Making a Difference with Assistance Beyond the Grant." Center for Effective Philanthropy, December 2008. 2 – 29.
http://www.effectivephilanthropy.org/assets/pdfs/CEP_MoreThanMoney.pdf

Optional:
"Foundation Growth and Giving Estimates." Foundation Center, 2008.
http://foundationcenter.org/gainknowledge/research/pdf/fgge08.pdf

"Scanning The Landscape: Finding Out What's Going On In Your Field." GrantCraft, 2002.

"Strategy Self-Assessment Guide." Center for Effective Philanthropy.
http://www.effectivephilanthropy.org/assets/pdfs/CEP_StrategyDiscussionGuide.pdf

"Listening To Grantees: What Nonprofits Value in the Foundation Funders." The Center

for Effective Philanthropy, 2004.

"Grantee Perception Summary Report, Prepared for The Surdna Foundation." The Center for Effective Philanthropy, January 30, 2004.

Session 4 (Feb 17): Jacqueline Novogratz lecture

Jacqueline Novogratz will give a lecture at Lang Hall based on her book *The Blue Sweater*, her new book, which will be distributed to the class free of charge. Please read. Also, look at the Acumen website http://www.acumenfund.org/ and below are the other background readings you should look at before her lecture. Please come post three questions on the blackboard on Feb 16 based on your reading for Jacqueline to answer.

Trelstad, Brian. "The Nature and Type of Social Investors." Acumen Fund, April 2009. http://www.acumenfund.org/uploads/assets/documents/KFP-impact-investing-1_5HgFXhoh.pdf

Novogratz, Jacqueline. "The state of philanthropy: A conversation with Acumen Fund's CEO." *McKinsey Quarterly*, March 2009. http://www.mckinseyquarterly.com/Nonprofit/The_state_of_philanthropy_A_conversation_with_Acumen_Funds_CEO_2329

Session 5 (Feb 24): Early Stage Funding: Fellowships, Incubators, Prizes, etc.

This class will look at the approaches taken by organizations that are supporting early stage social entrepreneurs.

Readings:

Gendron, G. "The Truth About New Ventures,"*Achieving Impact and Sustainability Through Market-Based Approaches: A Convening Sponsored by Community Wealth Ventures*. Community Wealth Ventures, Inc., October 27, 2007. 15 – 16. http://www.nonprofitfinancefund.org/docs/2008/Market-Based_Approaches.pdf

"Using competitions and RFPs." Grantcraft, 2002. http://www.grantcraft.org/index.cfm?pageId=631

"Working with Start-Ups: Grant-makers and New Organizations." Grantcraft, 2004. http://www.grantcraft.org/index.cfm?fuseaction=page.viewpage&pageid=623

"'And the Winner is…': Capturing the promise of philanthropic prizes." The McKinsey Report, March 3, 2009.

http://www.mckinsey.com/App_Media/Reports/SSO/And_the_winner_is.pdf

To prepare for discussion in class please analyze the approaches of different platforms and discuss the different ways in which they support early stage social entrepreneurs. Examples include:
Ashoka, Echoing Green, NYSWE, Blue Ridge, and Starting Bloc. Others can be found at http://www.collegemogul.com/content/directory-incubators-seed-funding-venture-programs

Professor will provide discussion questions that will help class better understand how these different platforms work.

Session 6 (March 3): Venture Philanthropy Funds

This class will look at new approaches to philanthropy that focus on growing social enterprises through a combination of funds and management support.

Readings:

Foster, William and Gail Fine. "How Nonprofits Get Really Big." *Stanford Social Innovation Review*, Spring 2007.

Letts, Christine, William Ryan, and Allen Grossman. "Virtuous Capital: What Foundations Can Learn from Venture Capitalists." *Harvard Business Review*, March-April 1997. 36-44.

Guthrie, Kendall, Lucy Bernholz, and Alan Preston. "Transforming Philanthropic Transactions: Evaluation of the first five years of Social Venture Partners." Blueprint Research and Design, 2003. 1 – 35.
http://www.svpseattle.org/our-impact/advancing-nonprofits/Transforming%20Philanthropic%20Transactions%20-%20Final.pdf

"High-Engagement Philanthropy: A Bridge to a More Effective Social Sector." Published jointly by Venture Philanthropy Partners and Community Wealth Ventures in June 2004. 7 – 22 and read two of the cases in Section 3.
http://venturephilanthropypartners.org/learning/reports/report2004/report2004.pdf

John, Rob. "Beyond The Cheque: How Venture Philanthropists Add Value." Skoll Centre Working Paper, 2007. 7 – 27.

Kramer, M. "Venture Capital and Philanthropy: A Bad Fit," *Chronicle of Philanthropy*, April 22, 1999.

Sievers, Bruce. "If Pigs Had Wings: The Appeals and Limits of Venture Philanthropy." Paper presented at the Waldemar A. Nielsen Issues in Philanthropy Seminar Series at Georgetown University, November 16, 2001.

http://cpnl.georgetown.edu/doc_pool/Nielsen0103Sievers.pdf

Letts, Christine and William Ryan. "High Engagement Philanthropy: What Grantees Say About Power, Performance, and Money." *Stanford Social Innovation Review*, April 1, 2003. 26 – 28. http://vppartners.org/learning/resources/letts_excerpt.pdf

Cases: TBD (New Schools Venture Fund or New Profit)

Other resources:
http://www.philanthropyuk.org/Resources/Venturephilanthropy/Relatedpublications

"Growth of Youth-Serving Organizations: A white paper commissioned by The Edna McConnell Clark Foundation." The Bridgespan Group, 2005.

Session 7 (March 10): Social Venture Capital Funds

We look at the practice of social venture capital funds and their approach to investing in enterprises in lower income urban and rural areas in the US and other parts of the world.

Readings:

Sirull, Beth and Brad M. Barber. "Private Equity, Public Good." *Stanford Social Innovation Review,* October 1, 2007.

Clark, Cathy and Josie Taylor Gillard. "Rise Capital Market Report: The Double Bottom Line Private Equity Landscape in 2002 – 2003." Columbia Business School, August 2003. http://www.riseproject.org/uzrise_capmkt_rpt_03.pdf

Rubin, Julia Sass. "Community Development Venture Capital: A Double-Bottom Line Approach to Poverty Alleviation." Paper presented at the *Changing Financial Markets and Community Development* Federal Reserve System research conference, April 4-6, 2001.

Rubin, Julia Sass. "Community Development Venture Capital: A Report of the Industry." Community Development Venture Capital Alliance, 2001.
http://www.cdvca.org/images/stories/PDF/Rubin_2001_Report_on_the_Industry_2000.pdf

"Business Plan for Yale-Goldman Sachs Partnership on Nonprofit Ventures." CEI Community Ventures, Inc. Yale School of Management, April 2004.
http://pse.som.yale.edu/?q=2003_2004

Fairchild, Gregory B. and Wilson Brisset. "Finding Its Niche: Community Development Venture Capital." Darden Business School Publishing, May 2009.

https://store.darden.virginia.edu/business-case-study/finding-its-niche-community-development-venture-capital-3521

Case: TBD

Session 8 (March 17): Vacation

Session 9 (March 24) : Community Foundations

We will be visited by Lorie Slotsky, President of the NY Community Trust. We will ask her for background materials to review prior to her participation. Students are asked to review the reports on the following site: http://www.communityphilanthropy.org/get_updates.html

Session 9 (March 31): Impact Investing Strategy

In this class we will discuss how foundations and other institutional investors are moving towards a new approach - impact investing - that seeks blended returns. These approaches are integrating philanthropic investors with commercial investors to help scale the flow of capital to social-purpose organizations.

Readings:

Emerson, Jed, Joshua Spitzer, and Gary Mulhair. "Blended Value Investing: Capital Opportunities for Social and Environmental Impact." World Economic Forum, 2006. http://www.blendedvalue.org/media/pdf-blendedvalue.pdf

Kramer, Mark and Sarah Cooch. "Investing for Impact - Managing and Measuring Proactive Social Investments." FSG Social Impact Advisors, 2006. http://www.fsg-impact.org/ideas/item/287

Godeke, Steven, et.al. "Solutions for Impact Investors: From Strategy to Implementation." Rockefeller Philanthropy Advisors, November 2009. http://rockpa.org/pdfs/impactinvesting.pdf

Kramer, Mark and Sarah Cooch. "The Power of Strategic Mission Investing." *Stanford Social Innovation Review*, Fall 2007. http://www.fsg-impact.org/ideas/pdf/535_ThePowerofStrategicMissionInvesting.pdf

Session 10 (April 7): Investment Analysis and Structuring

In this class we will investigate how a funder would analyze and structure a financing deal to a social purpose organization using Program-related investments. We will cover the due diligence and investment structuring process. Through this process we will try to understand the chief concerns that lenders/investors have when they fund social enterprises and how they mitigate risks. PRI templates will be distributed in class.

Readings:

"Program-Related Investing: Skills & Strategies for New PRI Funders." Grantcraft, 2006.

"Tool for Assessing Startup Organizations." LaPiana Associates, Inc. Grantmakers for Effective Organizations, 2003. 1 – 38.
http://www.lapiana.org/downloads/Start-Up_Assessment_Tool.pdf

Session 11 (April 14): Peer Feedback Session

Module III: Critical Topics in Field-building

Session 13 (April 21): Performance Evaluation

In this class we will focus on approaches the evolving thinking about measuring social impact and explore how what kind of information architecture can be created to enable investors to make effective choices.

Readings:

Clark, Catherine, William Rosenzweig, David Long, and Sara Olsen. "Double Bottom Line Project Report: Assessing Social Impact in Double Bottom Line Ventures." The Rockefeller Foundation, 2004, 1 – 36. http://www.impactalliance.org/ev_en.php?ID=22927_201&ID2=DO_TOPIC

Kramer, Mark. "Measuring Innovation: Evaluation in the Field of Social Entrepreneurship," Skoll Foundation and FSG Impact Advisors, April, 2005. 1 – 27.
http://www.fsg-impact.org/ideas/pdf/353_MeasuringInnovation-EvaluationintheFieldofSocialEntrepreneurship.pdf

Kramer, Mark, Marcie Parkhurst, and Lalitha Vaidyanathan. "Breakthrough In Shared Measurement and Social Impact." FSG Impact Advisors, July 2009.
http://www.fsg-impact.org/ideas/pdf/Breakthroughs_in_Measurement_Exec_Summary.pdf

Gair Cynthia. "SROI Act II: A Call to Action for Next Generation." *Stepping Out of the Maze* Series. SROI, October 2009. 1 – 25.
http://www.redf.org/learn-from-redf/publications/809

Kramer, Mark. "From Insight to Action: New Directions in Foundation Evaluation." FSG Social Impact Advisors, April, 2007. 1 – 49.
http://www.fsg-impact.org/ideas/pdf/488_FromInsighttoAction_NewDirectionsinFoundationEvaluation.pdf

Session 14 (April 28): Capacity Building

We will look at approaches to building capacity in the nonprofit sector.

Readings:

"Effective Capacity Building in Nonprofit Organizations." Prepared by McKinsey & Co. Venture Philanthropy Partners, 2001. pages 1 - 77
http://vppartners.org/learning/reports/capacity/full_rpt.pdf

Connolly, Paul. "Building to Last: A Grantmaker's Guide to Strengthening Nonprofit Organizations**."** The TCC Group, 2001. 1 – 12.
http://www.tccgrp.com/pubs/capacity.php

Optional:

York, Peter and Paul Connolly, "Building the Capacity of Capacity Builders: A Study of Management Support and Field-building Organizations in the Nonprofit Sector." The TCC Group, June 2003. (Executive Summary)
http://www.tccgrp.com/pubs/capacity.php

Session 15 (May 5): Field-building: Approaches to building the social capital markets

Readings:

"Investing for Social and Environmental Impact: A Design for Catalyzing an Emerging Industry." Monitor Institute, January 2009.
http://www.monitorinstitute.com/impactinvesting/documents/InvestingforSocialandEnvImpact_FullReport_004.pdf

"Social Investment Pilots." Office of the Third Sector, 2008. Cabinet Office.
http://www.cabinetoffice.gov.uk/media/84357/social_investment_pilots.pdf

"America Forward: Invent, Invest, Involve." New Profit, Inc., 2007. http://newprofit.com/binary-data/LINK/file/000/000/49-1.pdf

Session 16 (May 12): Final Presentations