



NYU

**ROBERT F. WAGNER GRADUATE
SCHOOL OF PUBLIC SERVICE**

PADM-GP.2312

MANAGING FINANCIAL & SOCIAL RETURNS OF THE SOCIAL ENTERPRISE

Spring 2018

Mondays, 4:55 PM - 6:35 PM , GCASL Room: 269

Professor Scott Taitel

Email: staitel@nyu.edu

Office Hours: at 3070 Puck, Mondays and Wednesdays, 3 – 4 PM, or by appointment

Prerequisites: CORE-GP.20121, PADM-GP 4130

Course Description

This course will explore best and evolving practices in the financial management and impact measurement of social enterprises. The class will be taught from the perspective of the social entrepreneur and social enterprise manager and introduce cases to assess financial challenges, fiscal performance and financing strategy of pioneering firms with a social mission. We will explore trends, successes and failures in managing enterprises to achieve both financial and social returns. Measuring social impact in tandem with financial performance will be a core component of the course with topics including triple bottom line accounting, impact measurement, impact reporting and correlation between operating performance and impact sustainability. Students will be introduced to accounting and reporting methods necessary to responsibly calculate and communicate financial and social returns to investors and stakeholders. This course will delve into the financial, operational and strategic management of social enterprises in domestic and international settings including developing nations and will explore numerous sectors such as smallholder agriculture, education, and energy.

Course Objectives

- Achieve working knowledge of structural options for forming a social enterprise
- Develop skills necessary to create a financing plan for a social enterprise
- Obtain acumen needed to position enterprises to raise social impact investment
- Master understanding of disparate approaches to social metric measurement and acquire tools for correlating and reporting financial and social returns

Required Readings

Kickul, J. and Lyons, T. (2016) *Understanding Social Entrepreneurship*, Routledge
(references to Text in Syllabus refer to this book)

Case Packet:

See instructions for downloading at conclusion of syllabus (packet includes secondary text Martin, R., Osberg, S. (2015) *Getting Beyond Better: How Social Entrepreneurship Works*)

NYU Classes

All announcements, resources, and assignments will be delivered through the NYU Classes site. I may modify assignments, due dates, and other aspects of the course as we go through the term with advance notice provided as soon as possible through NYU Classes announcements.

Academic Integrity

Academic integrity is a vital component of Wagner and NYU. Each student is required to sign and abide by [Wagner's Academic Code](#). Plagiarism of any form will not be tolerated since you have all signed an Academic Oath and are bound by the academic code of the school. Every student is expected to maintain academic integrity and is expected to report violations to me. If you are unsure about what is expected of you, *ask*.

Henry and Lucy Moses Center for Students with Disabilities at NYU

Academic accommodations are available for students with disabilities. Please visit the Moses Center for Students with Disabilities (CSD) website at www.nyu.edu/csd and click on the Reasonable Accommodations and How to Register tab or call or e-mail CSD at (212-998-4980 or mosescsd@nyu.edu) for information. Students who are requesting academic accommodations are strongly advised to reach out to the Moses Center as early as possible in the semester for assistance.

NYU's [Policy on Religious Holidays](#)

University policy states that members of any religious group may, without penalty, absent themselves from classes when required in compliance with their religious obligations. When possible, students are asked to notify me in advance of such anticipated absence.

Student Resources

Wagner offers many [quantitative](#) and [writing](#) resources as well as [skills workshops](#). The library offers a variety of [data services](#) to students.

Class Policies

I will generally answer emails within 48 hours of receipt, but not on weekends. Questions regarding projects will be answered only if they relate to those sections for which progress milestones have not passed.

Note Wagner's [incomplete policy](#) and [course withdrawal policy](#).

Assignments and Evaluation

Class Participation (10% of total grade): Participation is awarded based on attendance (one unexcused absence permitted), punctuality and engagement in class discussions. Missing or being late for two or more classes for the semester will negatively impact your participation grade. Extraordinary circumstances include religious observances and illness but you must give notice via email as soon as possible.

If you foresee missing a class due to personal obligations, please notify me via email but also note that it will count as your allotted unexcused absence. All students benefit from high levels of participation, so you are expected to do readings (particularly of cases) prior to class, attend class, and contribute to the discussion. Particular attention will be given to active participation in group projects.

As noted, you *must* come to class having read the case(s) that will be discussed on that date. Case guideline questions can be found in NYU Classes/Resources to help you think in advance about potential discussion points.

Homework (15% of total grade)

Note that detailed instructions for each homework assignment can be found on NYU Classes. Please follow those instructions supplemented by any direction provided during class time.

Mid-Term Case (35% of total grade). The mid-term will be one or more take-home cases.

Detailed instructions will be provided at least one week in advance of the due date.

Project (40% of total grade)

Project detail can be found at the end of this Syllabus. Supplemental instructions will be available on NYU Classes.

Overview of Semester

Week	Date	Topic	Deliverable
Week 1	January 22	Structuring of the Social Enterprise <u>Child in Need Institute</u> Case	
Week 2	January 29	Structuring of the Social Enterprise <u>Acceso Oferta Local</u> Case	
Week 3	February 5	Structuring of the Social Enterprise <u>IBAKERY</u> and <u>Greyston Bakery</u>	Child in Need Spreadsheet
Week 4	February 12	Financing the Social Enterprise <u>Nuru Energy</u> Case	EBIDTA and BIROI Memo
	February 19	PRESIDENTS' DAY – NO CLASS	
Week 5	February 26	Financing the Social Enterprise <u>DePaul Industries</u> Case	Project Selection
Week 6	March 5	Financing the Social Enterprise <u>Mine 101</u> and <u>NFTE</u> Cases	Take Home Mid-Term Case
	March 12	SPRING BREAK - NO CLASS	
Week 7	March 19	Financial Management of the Enterprise <u>Kinvolved</u> Case with co-Guest Lecturer Miriam Altman	
Week 8	March 26	Financial Management of the Enterprise <u>Newman's Own</u> Case	Kinvolved Memorandum
Week 9	April 2	Financial Management of the Enterprise /Inclusive Businesses: <u>Mountain Hazelnuts</u> Case with co-Guest Lecturer Noah Beckwith	Newman's Own Spreadsheet
Week 10	April 9	Financial Management of the Enterprise <u>d.light Design</u> Case	
Week 11	April 16	Measuring Social Returns <u>Natura Cosmetics</u> Case	Measurement Tool Memo
Week 12	April 23	Measuring Social Returns <u>Fundacion Paraguaya</u> Case	IRIS Experimentation
Week 13	April 30	Measuring Social Returns <u>B Lab</u> Case	
Week 14	May 7	Project Presentations	Final Projects and Presentations

Grading Scale and Rubric

Students will receive grades according to the following scale:

There is no A+

A = 4.0 points

A- = 3.7 points

B+ = 3.3 points

B = 3.0 points

B- = 2.7 points

C+ = 2.3 points

C = 2.0 points

C- = 1.7 points

There are no D+/D/D-

F (fail) = 0.0 points

Student grades will be assigned according to the following criteria:

(A) Excellent: Exceptional work for a graduate student. Work at this level is unusually thorough, well reasoned, creative, methodologically sophisticated, and well written. Work is of exceptional, professional quality.

(A-) Very good: Very strong work for a graduate student. Work at this level shows signs of creativity, is thorough and well-reasoned, indicates strong understanding of appropriate methodological or analytical approaches, and meets professional standards.

(B+) Good: Sound work for a graduate student; well-reasoned and thorough, methodologically sound. This is the graduate student grade that indicates the student has fully accomplished the basic objectives of the course.

(B) Adequate: Competent work for a graduate student even though some weaknesses are evident. Demonstrates competency in the key course objectives but shows some indication that understanding of some important issues is less than complete. Methodological or analytical approaches used are adequate but student has not been thorough or has shown other weaknesses or limitations.

(B-) Borderline: Weak work for a graduate student; meets the minimal expectations for a graduate student in the course. Understanding of salient issues is somewhat incomplete. Methodological or analytical work performed in the course is minimally adequate. Overall performance, if consistent in graduate courses, would not suffice to sustain graduate status in "good standing."

(C/-/+) Deficient: Inadequate work for a graduate student; does not meet the minimal expectations for a graduate student in the course. Work is inadequately developed or flawed by numerous errors and misunderstanding of important issues. Methodological or analytical work performed is weak and fails to demonstrate knowledge or technical competence expected of graduate students.

(F) Fail: Work fails to meet even minimal expectations for course credit for a graduate student. Performance has been consistently weak in methodology and understanding, with serious limits in many areas. Weaknesses or limits are pervasive.

Detailed Course Overview

Note: *Syllabus subject to change depending on availability of guest lecturers*

Part I **Structuring of the Social Enterprise**

Text: Chapters 1, 2 & 6

Class 1 (Jan 22): Case: Child in Need Institute: Non-Profit or Hybrid?

Provides an introduction to the relevance, formation and evolution of social enterprise, and the financial shift from a NGO to a social business particularly in light of scarcity of continued donor funding. Case will include development of a spreadsheet business model.

[Spreadsheet Model due February 5](#)

Class 2 (Jan 29): Case: Acceso Oferta Local - A New Approach to Social Enterprise Creation (provided by Instructor via Classes)

Focuses on the aftermath of a social enterprise's failure due to improper key performance indicators and creation of a new follow-on enterprise aligning both financial and social returns.

[EBITDA and BIROI Memo due February 12](#)

Class 3 (Feb 5): The Tale of Two Bakeries

Case: IBAKERY: How a Hong Kong NGO ventures into Social Enterprise

This case focuses on structuring the financial operations of Social Enterprises, how they attempt to strike a balance on both economic and social goals.

Case: Greyston Bakery: Combatting Poverty by Making a Profit (See Classes) and Greyston 2015 and 2016 Annual Report (see Classes). The case features New York State's first Benefit Corporation.

Note: Should Nonprofits Seek Profits?

Part II

Financing the Social Enterprise

Text: Chapters 5 and 7

Class 4 (Feb 12): Case: Nuru Energy (A): Financing a Social Enterprise

The case explores the challenges involved in developing a social enterprise with a dual aim of turning a profit and making a social impact. It focuses in particular on assessing multiple financing options and their implications and looks at the different business model alternatives - market-based and donor-based.

Article: The Emerging Capital Market for Nonprofits

Article: Making Hybrids Work: Aligning Business Models and Organizational Design for Social Enterprises

Class 5 (Feb 26): Case: DePaul Industries in 2012: Financing Growth in a Social Venture

Case focuses on the centrality of cash flow to strategic decision-making and survival and explores tensions between profitability and social welfare missions facing hybrid social ventures (organizations with social welfare and commercial goals).

Article: A New Approach to Funding Social Enterprises

[Proposed Final Project description due February 26](#)

Class 6 (March 5): **Take Home Mid-term Cases-**
Case: Women's Community House and Mine101: Is Social Enterprise Worth It?

Case: Steve Mariotti and NFTE

[Take-Home Mid-Term Case due March 5th – Instructions to be provided](#)

Part III

Financial Management of the Social Enterprise

Text: Chapters 9 and 11

Class 7 (March 19): Case: Kinvolved (To be Distributed)

Discussion of expansion plan of social enterprise created by two NYU Wagner alumni. Students will be given an exercise to advise on an expansion strategy.

[Kinvolved memorandum due March 26](#)

Class 8 (March 26): Case: Newman's Own, Inc.

Achieving sales targets and transitioning a company to a professionally managed commercial social enterprise.

[Spreadsheet due April 2](#)

Class 9 (April 2): Case: Mountain Hazelnuts: Social Entrepreneurship in Bhutan

Explores challenges of operating an agro social enterprise that generates a financial return for investors, increases the cash income of participating farmers, and helps preserve rural communities, and improve the environment. Co-guest lecturer Noah Beckwith will discuss Inclusive Business (IB) strategies of social enterprises.

[How to Attract VC Funders to Your Social Enterprise \(See Classes\)](#)

Class 10 (April 9): Case: d.light Design: Marketing Channel Strategies in India

Overcoming challenges of limited capital, via revenue generation strategies that can succeed in the context of emerging-market distribution channel complexities.

Article: Social and Commercial Entrepreneurship: Same, Different or Both (See Classes)

Part IV

Correlating, Achieving, Measuring and Monitoring of Financial & Social Returns

Text: Chapter 8 and 13

Focus Note: Beyond Good Intentions: Measuring the Social Performance of Microfinance Institutions (see Classes, Class 11)
[Measurement Tool Effectiveness Memo due April 16](#)

Class 11 (April 16): Case: Natura Cosméticos, S.A.
Examination of how one of the world's largest B Corporations integrates financial and nonfinancial (environmental, social and governance) reporting

Note: Social Impact Measurement

Article: Blended Value Proposition: Integrating Social and Financial Returns

Article: The Next Frontier in Social Impact Measurement Isn't Measurement at All (see Classes)

Class 12 (April 23) Case: Fundación Paraguaya (A), (B) and (C) (WDI Case Pack)
This case reviews the methodology for calculating Social Return on Investment (SROI) and the advantages and difficulties of its adoption.

Article: The Double Bottom Line: Profit and Social Benefit

[IRIS experimentation due April 23](#)

Class 13 (April 30): Case: B Lab and the Impact Assessment Evolution
Discussion of the opportunities and challenges connected with measuring the impact of private enterprises seeking to provide social and environmental benefits, and how to make those measurements useful to investors trying to determine the social and environmental ROI of these enterprises

Article: Guidelines for Social Return on Investment

Article: Stanford Social Innovation Review- four-part series on impact investment and the role of metrics (See Classes)

Article: What Impact? A Framework for Measuring the Scale and Scope of Social Performance

Reading: Guidebook for Impact Investors: Impact Measurement (See Classes)

Class 14 (May 7): [Projects Due/Project Presentations](#)

PROJECT

You may work in a team of up to 2 (requests will be considered for individual projects). You will select a concept for the creation of or the expansion of a social enterprise (either in the US or abroad) and develop a *financial plan* that will include the following:

- a) structural form of the enterprise (NGO, Hybrid, Corporation, etc.),
- b) funding/capitalization requirements,
- c) five-year projections with financial and social return goals (stated as double or triple bottom line accounting). Pro formas should include Profit & Loss, Balance Sheet and Cash Flow,
- d) break-even analysis,
- e) identification of risks to achieving both financial and social goals,
- f) mitigation plan to reduce risks.

The project will also include adoption/selection of existing appropriate metrics (standards) to monitor **financial and social returns** and the design of a ***new integrated metric that correlates financial and social return*** that will help advance the assessment of social enterprises within the sector of your selected enterprise. The document should be no more than 10 pages plus exhibits and you will be asked to create a five-slide pitch presentation to present your financial plan on the last class.

CASE PACKS ORDERING INSTRUCTIONS

Harvard Business Case pack can be ordered at the following website:

<http://cb.hbsp.harvard.edu/cbmp/access/72422746>

WDI Case pack can be ordered as follows:

<https://wdi-publishing.com/coursepack/purchase/?cpack=FGJ57>