

MANAGEMENT 3548

Social Entrepreneurship

*Being Awake to Opportunities
brilliantly disguised as unsolvable problems*

Organization & Human Resources

Carlson and Koch, Chapter 8

Bloom and Chatterji, Scaling Social Entrepreneurial Impact

Seelos and Mair, Capacity for Continuous Innovation

Team Report 5 is due on February 19

Tacit Knowledge from GSBI

Organization: The best technology doesn't win. Without the right team, none of the other elements of the business plan matter. Social businesses can leverage:

- Legal structures to attract different forms of capital (grants, equity, etc.)
- A compelling vision to attract talent and align behavior with an ethos of continuous learning
- Governing boards for effective oversight of strategic and operational plans and "bridging" social capital

An Alternative Paradigm for Building Better Social Ventures

Paradigm Element	Why Salient
1. Mission / Opportunity / Strategies	Theory of Change
2. External Environment	Local Context
3. Beneficiary Needs (“Market”) Analysis	Customer Engagement
4. Operations and Key Processes	Value Chain Innovation
5. Organization and Human Resources	Capacity for continuous improvement
6. Business Model	Monetization
7. Metrics	Impact
8. Operating Plan and Budget	Cash Flow
9. Financing	Capitalizing the Venture

Minimum Critical Specifications Mentor Checklists

Organization and Human Resources

- Provides clear evidence of senior leadership strengths
- Specifies board expertise and how it will contribute to success
- Provides strategic rationale for choice of legal structure
- Specifies risk factors through an organization SWOT analysis identifying capability gaps
- Clarifies how organization culture will drive extraordinary results through ordinary people

Building a Successful Social Venture

What you need to do

1. Define the legal form of your organization
2. Specify board structure: Number of board members and their roles
3. Management team and organization chart
4. Staffing plan: All employees and volunteers—roles, qualifications, and if possible compensation (organizational cost structure)
5. Organization/human resources SWOT analysis

Legal Form of Organization (U.S.)

Sole Proprietorship

- Advantages: Ease of formation, cost, control, reporting
- Disadvantages: Liability, financing, ownership, longevity

General Partnership, S-Corp, and LLC

- Advantages: Ease, cost, pooling resources, reporting
- Disadvantages: Liability, financing, ownership, longevity, retained earnings

Corporation (also LC3 and B-Corp)

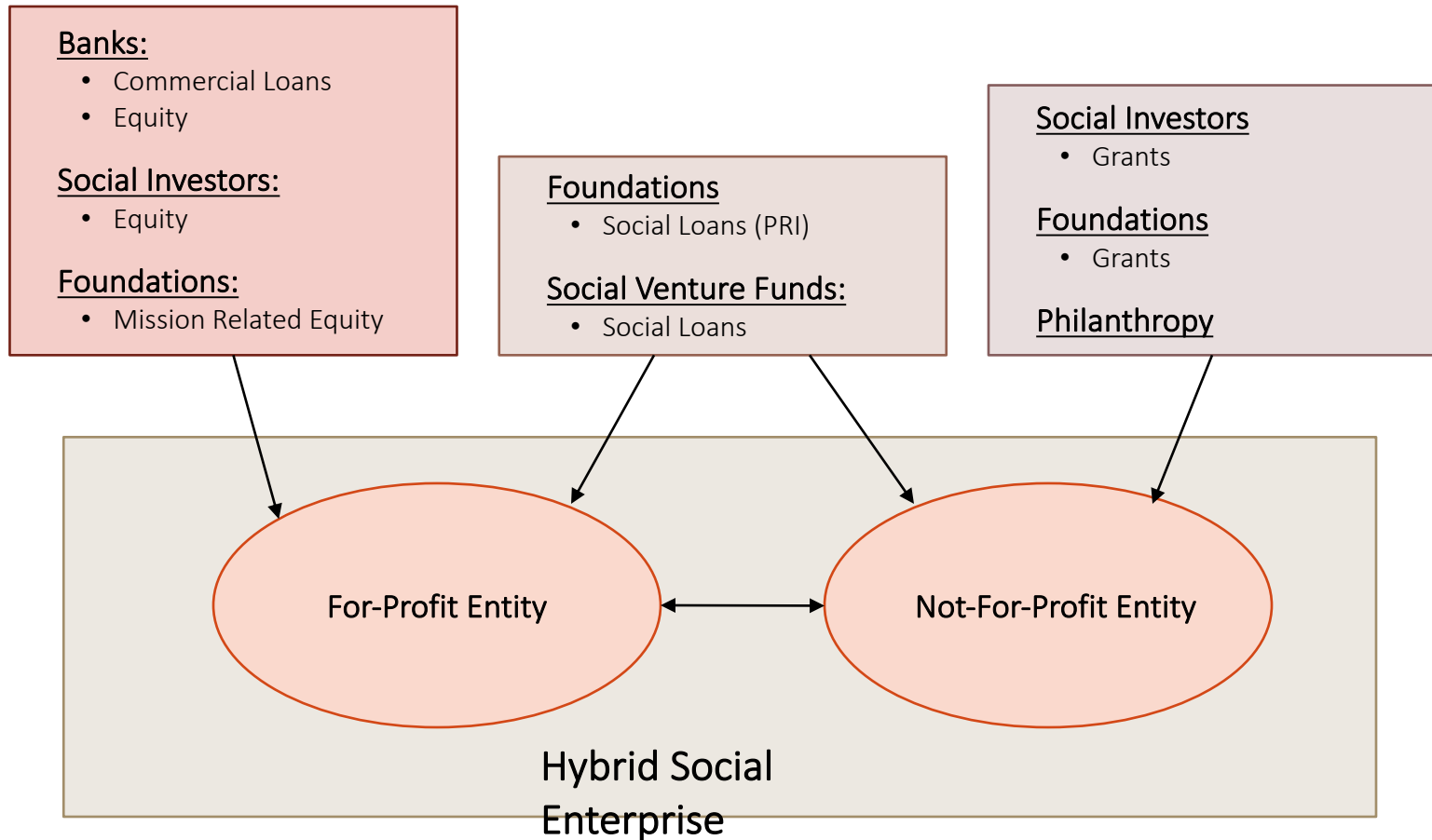
- Advantages: Liability, financing, ownership, longevity, retained earnings
- Disadvantages: Cost, multiple taxation, regulation, reporting

Non-Profit (Governmental agency, 501C3)

- Advantages: Fund raising alternatives, longevity, retained earnings
- Disadvantages: Bureaucracy, financing, ownership

Accessing Capital from Different Sources

Investors



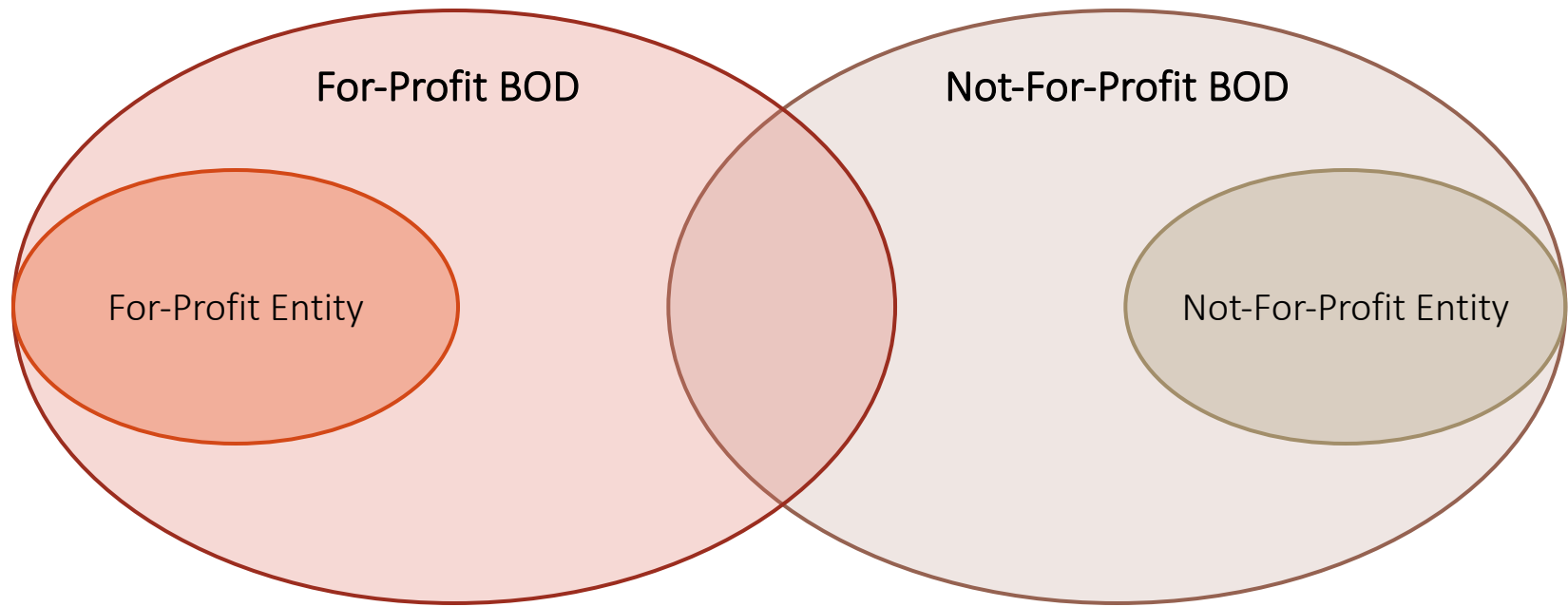
Hybrid Organization

Combines “for-profit” and “non-profit” forms (and business models)

- Non-profit raises contributed income and does R&D or provides infrastructure / training
- For-profit provides product/services (earned income)
- For-profit may “license” from non-profit

May have “overlapping” Boards and “shared” employees.

Hybrid Organization: Governance



Example

Industree Crafts GSBI 2008

Neelam Chibber, Managing Director, Industree Crafts

Managing Trustee, Industree Foundation, Bangalore, India

Industrial Design Graduate

- Build marketing platforms and supply chains for rural livelihoods
- Facilitate and enable producers to manage themselves in changing scenarios
- Establish Mother Earth as a sustainable brand in India, and through online platform
- Attract investment through Future Group, India's largest retail chain

Artisan Co-Ops (GSBI Examples)

Vision for Artisan Co-Op Empowerment

IndustreeCrafts
Sahaj

Home Based Livelihood Opportunities

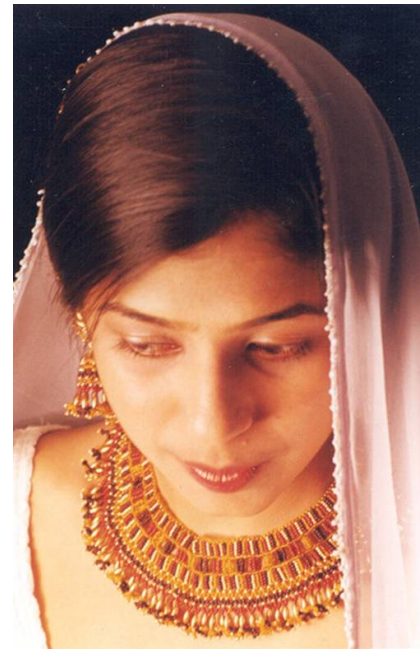


Design and Market Research for the Traditional Crafts

TRADITIONAL HANDICRAFTS WITH
THE TIME CONSUMING TECHNIQUE



DESIGN INPUTS FOR TRENDY
PRODUCTS



Skill Development and Upgrading



Professional Work Culture Among Tribal Producers

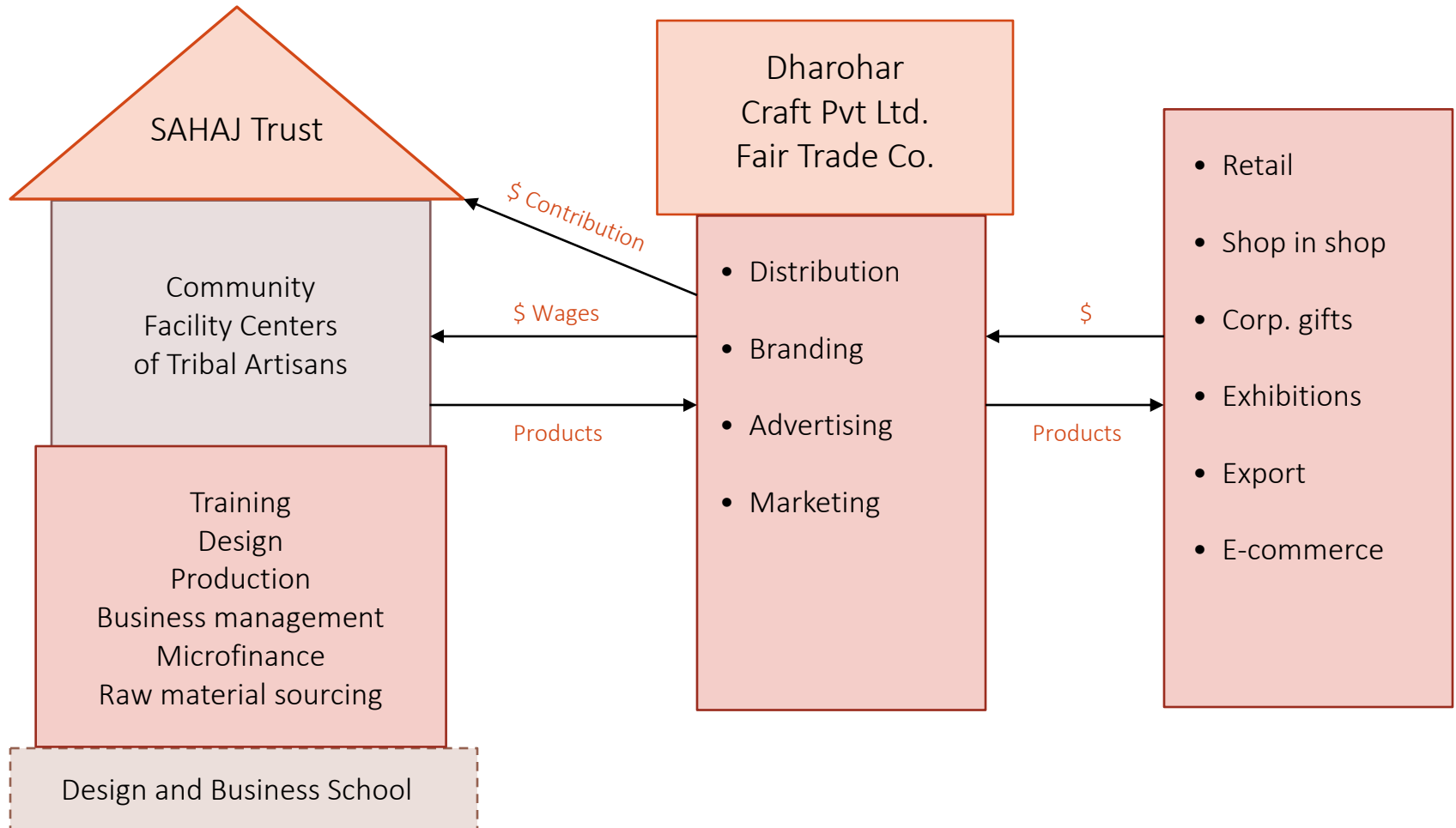


Marketing and Creating Strong Pro-tribal Fair Trade Brand

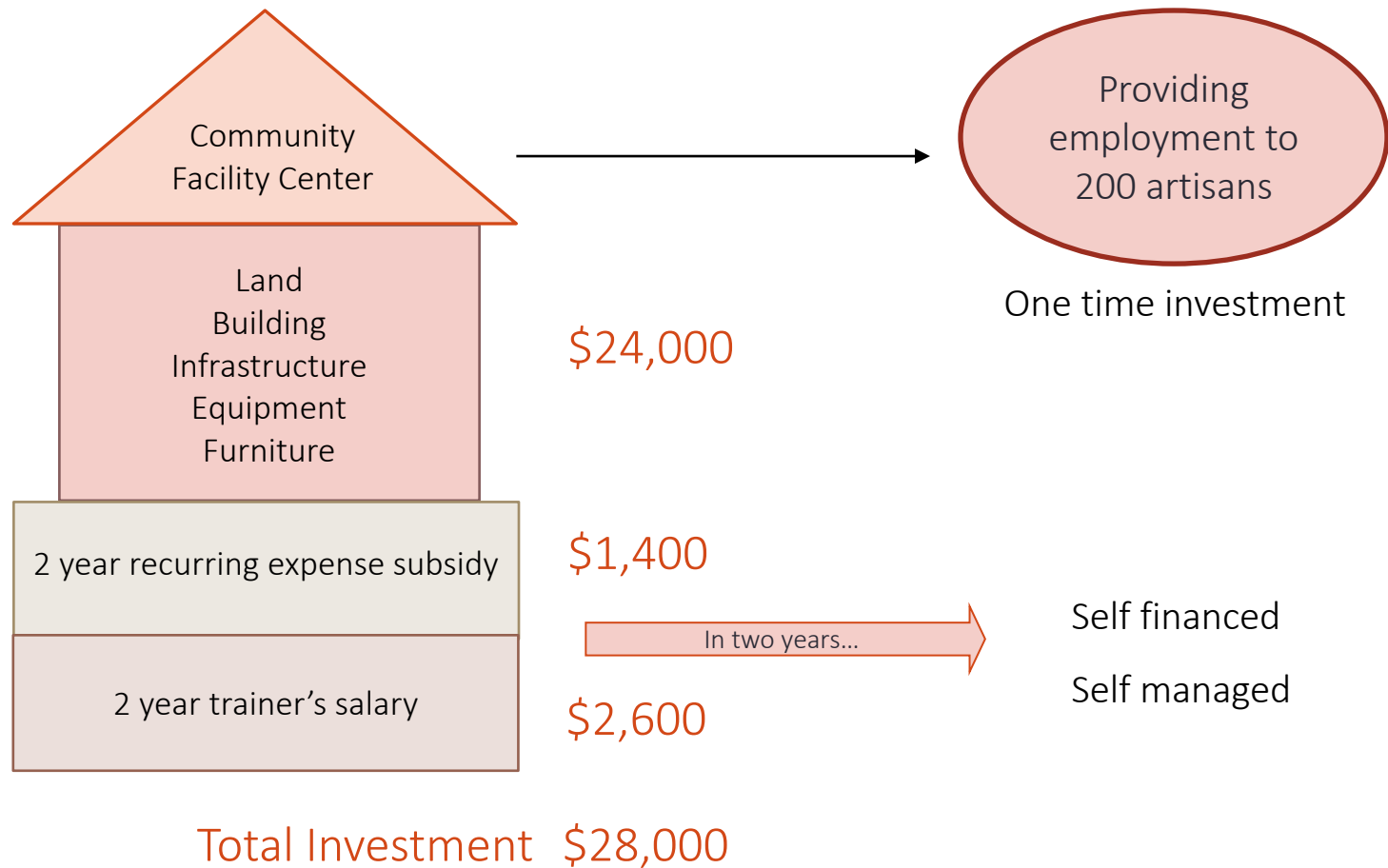


Non-Profit

For-Profit



Philanthropic Opportunity: Increase incomes from
\$120 to \$1,200/year x 200 = \$216,000/year



Hybrid Organization

Advantages

- To attract different types of capital / investors
- To partially subsidize services / products
- To invest in basic research
- To prepare immature markets

Disadvantages

- May create internal “competition”
- May make value chain more complex
- May be confusing for tax or regulation purposes
- May cost more per beneficiary/successful outcome (duplicated overhead and communication costs)

Board Development

Composition (of a 5 person board)

- Funding organizations/income generation experience (2)
- Beneficiary knowledgeable (1)
- Senior management experience in similar organization (1)
- Management/employees (1)

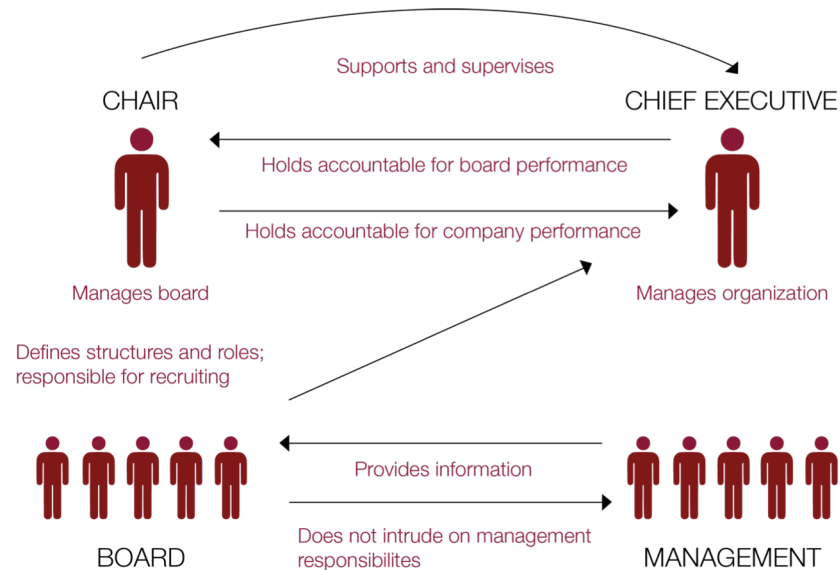
Extensions

- Advisory Board(s)
- Consultants/Experts
- Trustees

Management of the Board

- Recruiting and orientation (role definition, expectation setting)
- Communication (verbal, regular reports)
- Life cycle/change
- Recognition

Board Management



Board		Management
Approves annual budget	↔	Establishes annual budget
Oversees management	↔	Manages an organization
Provides network	↔	Negotiates with partners
Creates mission and vision	↔	Implements mission and vision

Organization Challenges for SB

- Visionaries are not always leaders or managers
- Monetary vs. psychic income
- Weak boards and governance
- Employee engagement & turnover
- Managing volunteers
- Public / political pressures
- Organizational change

Mitigating Risk

Technology/Solution Risk

Market Risk

Leadership Team Risk

How do organizations build capacity for continuous innovation?

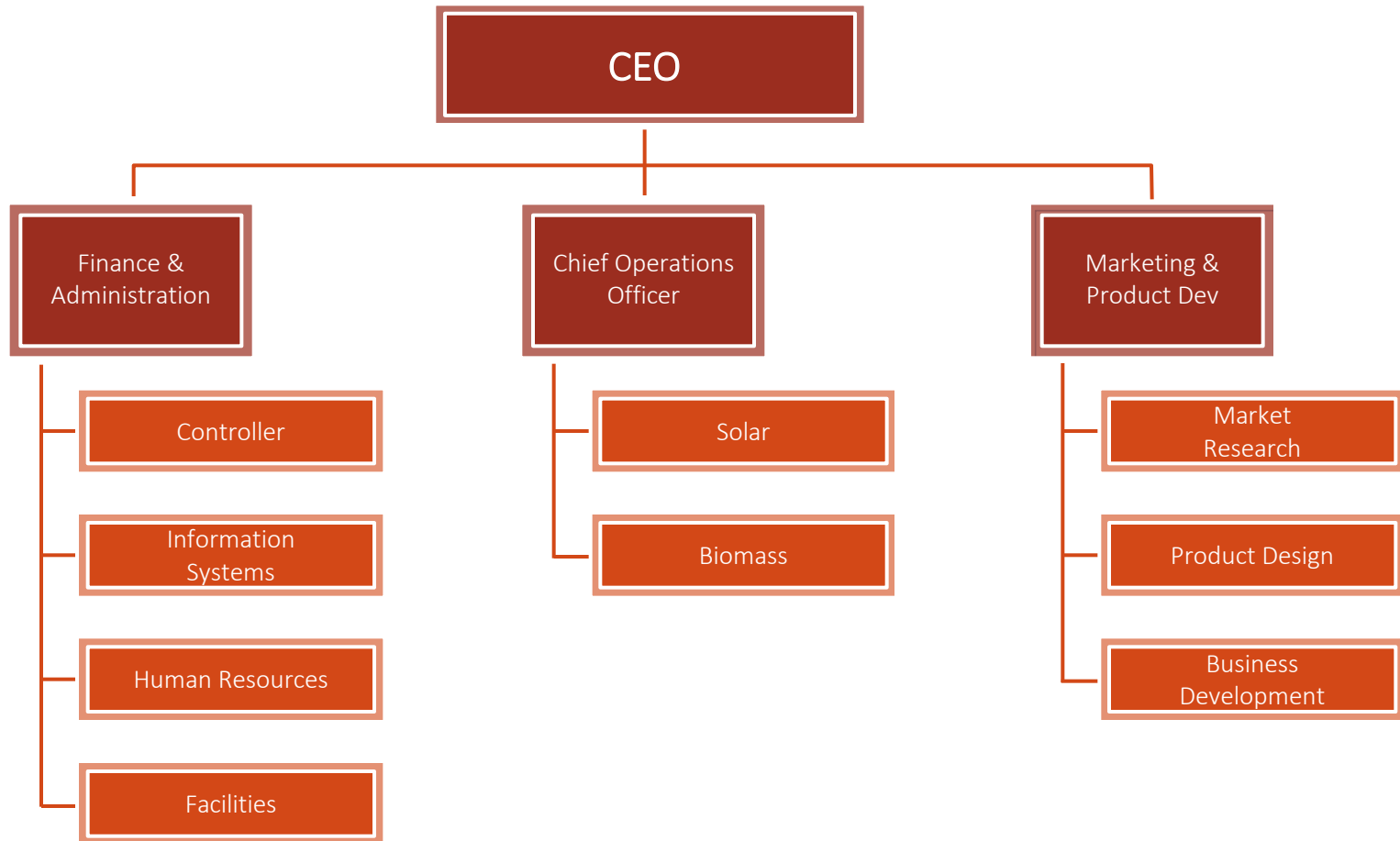
Scaling

Paul Bloom

- Staffing . . . building human capability
- Communication . . . achieving buy-in
- Alliance building . . . creating synergies
- Lobbying . . . advocating
- Earnings generation . . . driving revenue
- Replicating . . . creating repeatable systems
- Stimulating market forces

Building Administrative Functions

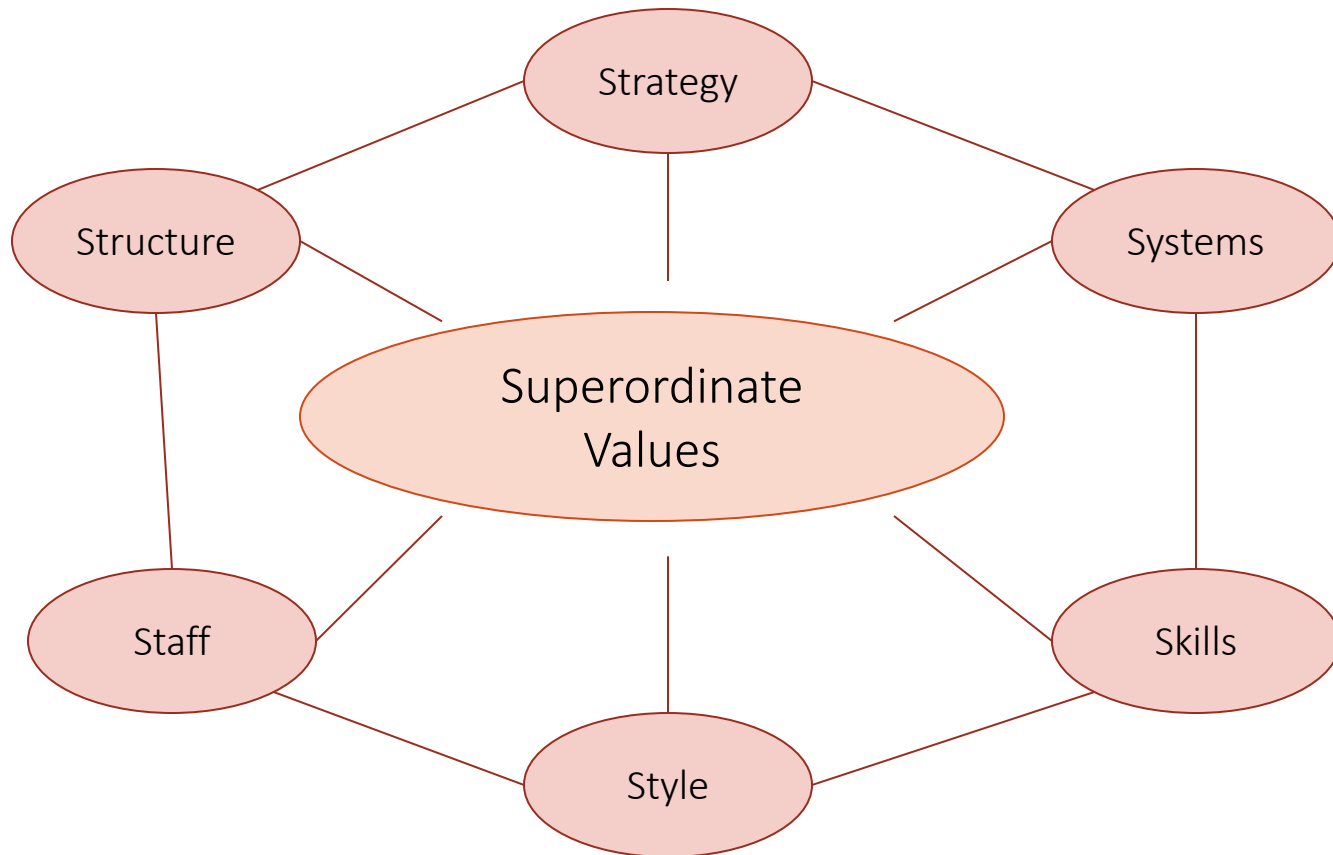
Structure: Function/process, product, geography, combination



Transformational Leadership

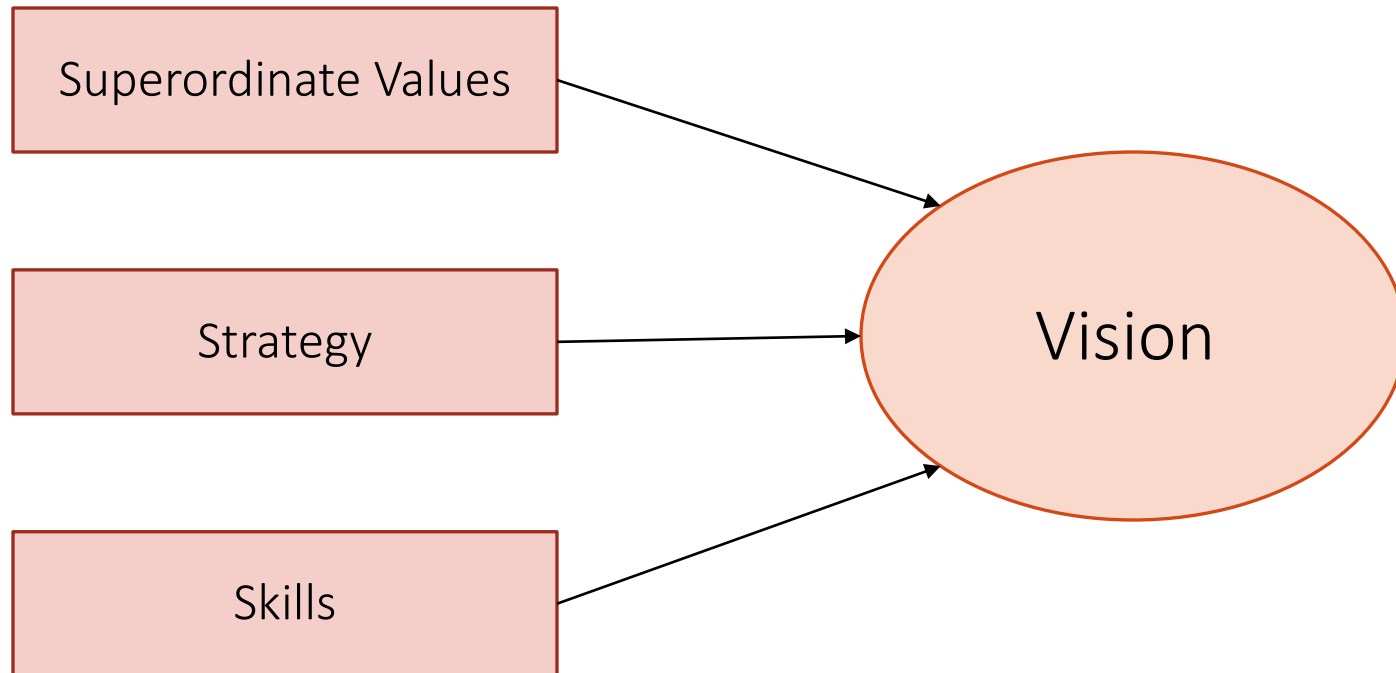
- Focuses on organization as a whole. . . *purpose*
- *A change agent* and not satisfied with the status quo
- Creates valuable and positive change in followers
- Focuses on continuous development of people
- Creates a *sense of community*

Transformational Leaders are *Clock Builders*

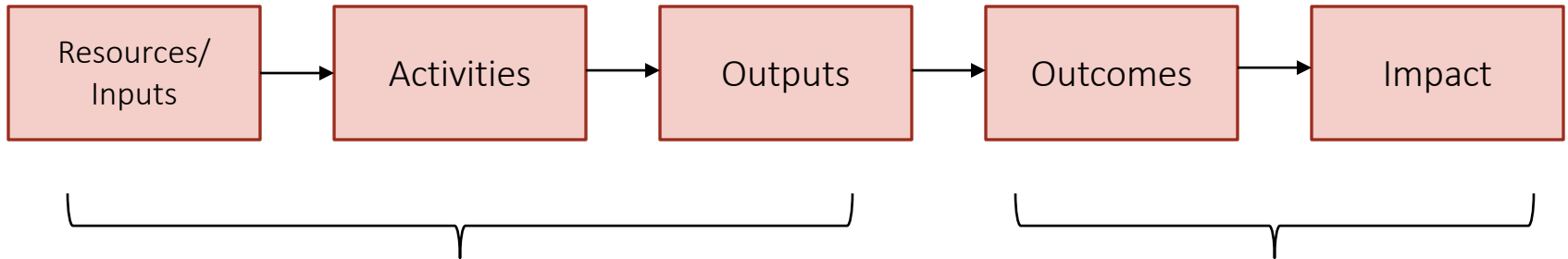


They create a compelling vision and belief that it is doable.

Three Drivers of Vision



Theory of Change



Theory of change

- *Pivotal Jobs drive*
- *Social Innovation*
- *Affordability*
- *Market penetration*

Path to scale

*Repeatable processes,
socially embedded change,
positive unit economics*

Strategy & Organization Capabilities

<White board exercise>

Activities Required to Achieve Outcomes & Impact

Capabilities and Skills Needed

1.

1.

2.

2.

3.

3.

4.

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5.

5.

6.

6.

7.

7.

8.

8.

Strategy & Organization Capabilities

Whiteboard Exercise

Activities Required to Achieve Outcomes & Impact

Capabilities and Skills Needed

1.

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Pivotal Jobs

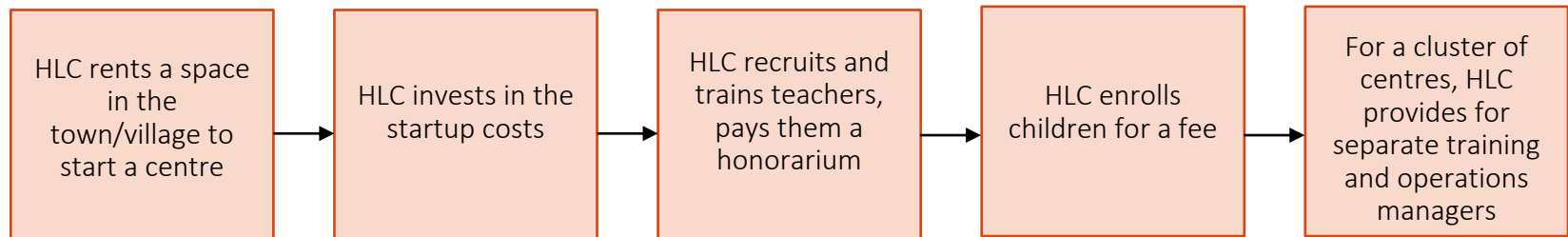
Whiteboard Exercise

**Drive social value
&
Financial performance**

What are *pivotal jobs* in your venture?

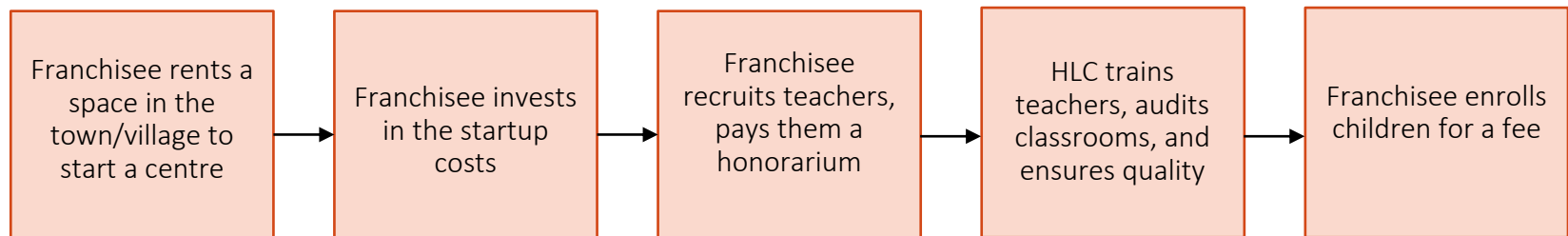
Value Chain: Operate Preschools

Preschools operated by HLC



The fees paid by the children cover the operational and investment cost per centre

Preschools franchised by HLC



Franchisee pays HLC a per child fee to cover HLC costs

Organization and Human Resources Issues for your venture

- Legal Structure & Board Development
- Organization Plan
 - Organization structure
 - Key positions and staffing plan
 - Employees and *pivotal jobs*
- Leadership/Culture/Core Competencies
- Organization SWOT...*capacity for growth*

Value Chains & Core Competencies

Core Competencies

- Pave the way for above-average performance
- Improve chances of long-term success
- Help achieve competitive advantage

Organization Building

- Conscious management attention to the task of building strategically relevant internal skills and strengths is a central task of effective strategy implementation

Core Competencies & *Competitive Advantage*

1. Provide customer benefits
2. Not easy for competitors to imitate
3. Can be leveraged widely to many products and markets

Types of core competencies

Technical know-how; processes; customer, supplier, partner relations; product development; culture...typically a combination of capabilities

How is it for your organization?

Creating a Core Competency

- Rarely consists of narrow skill or efforts of single department
- Typically emerge from combined efforts
- Gaining competitive advantage: Concentrating more effort than rivals on creating and strengthening core competencies
- Basis of competency needs to be broad and flexible to react to changes in customer needs

Core Competency Examples

- Toyota
 - Expertise in small engine and hybrid motor design
- Proctor & Gamble
 - Superb marketing and distribution skills, R&D in five core technologies (fats, oils, skin chemistry, surfactants, emulsifiers)
- Intel
 - Design of complex chips for personal computers and mobile devices

How will your venture develop core competencies?

Building Commitment: Why would someone want to join *your* social venture?

What is *your* employee value proposition?

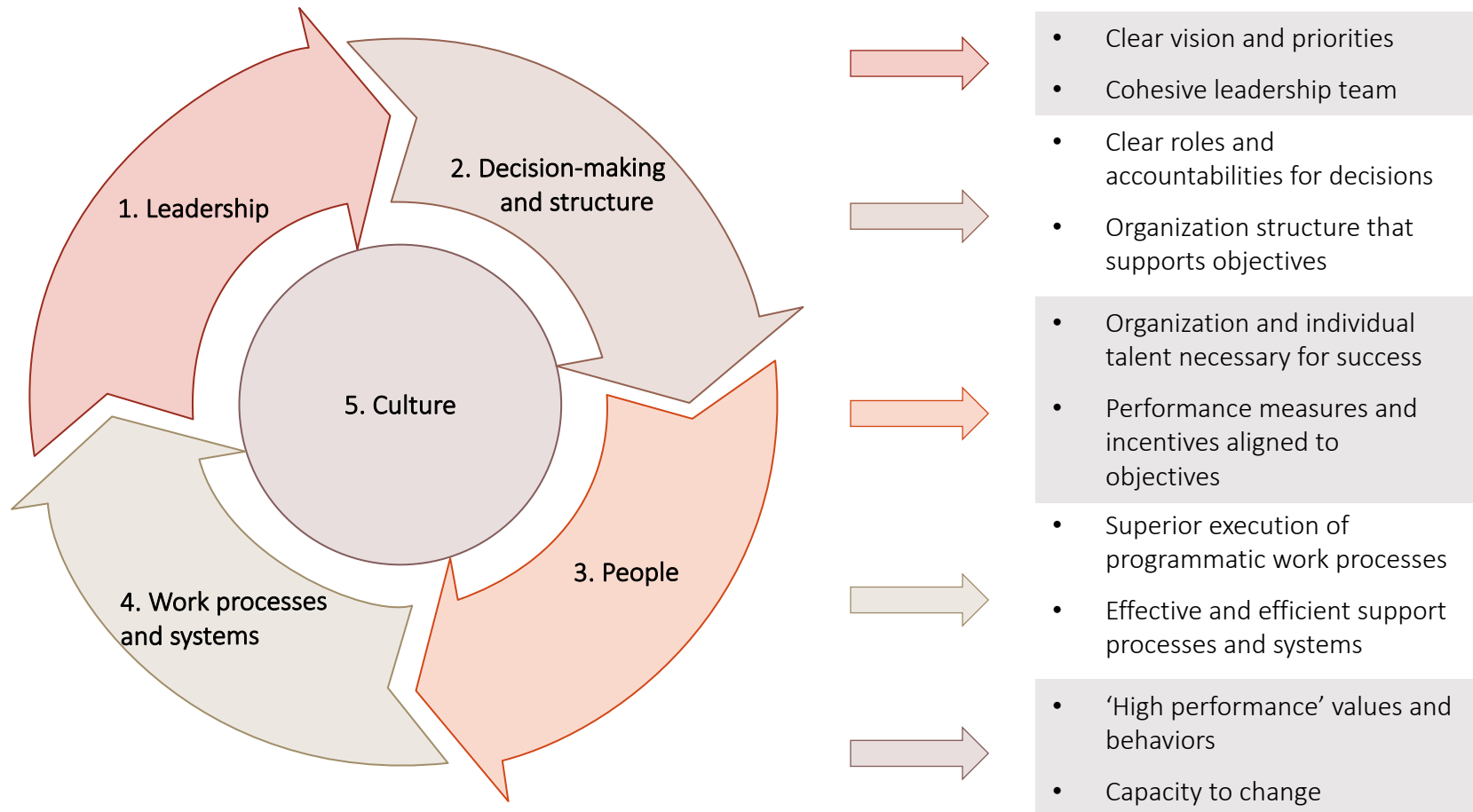
Psychological Contract

- **Values and norms**
 - Desired behaviors. . . *how* we do things around here
 - Independent of mission and strategies . . . *Ethos*
- **Compensation and rewards**
 - Financial (base, incentive)
 - Career related (promotion, training)
 - Recognition (task significance, purpose)
 - Work environment
- **Ownership**
 - Responsibility . . . *responsible autonomous behavior*
 - Shares . . . social capital and *equity*

“Employees” (Paid or Volunteer)

- Shared values and purpose
- Hiring for *ability* and *fit* as opposed to skills
 - Beneficiaries as employees (livelihoods)
- *Empowerment* Opportunities
 - Underemployed or unemployed; women and youth
- Training. . . skill development
- Coaching and learning
- Succession and termination

High-performing companies have common attributes . . .

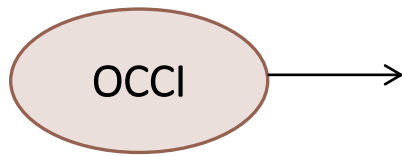


Continuous Improvement

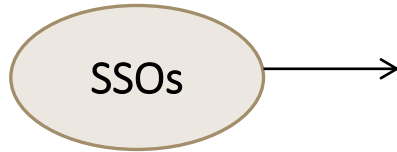


What Determines the Capacity for Continuous Innovation in Social Sector Organizations

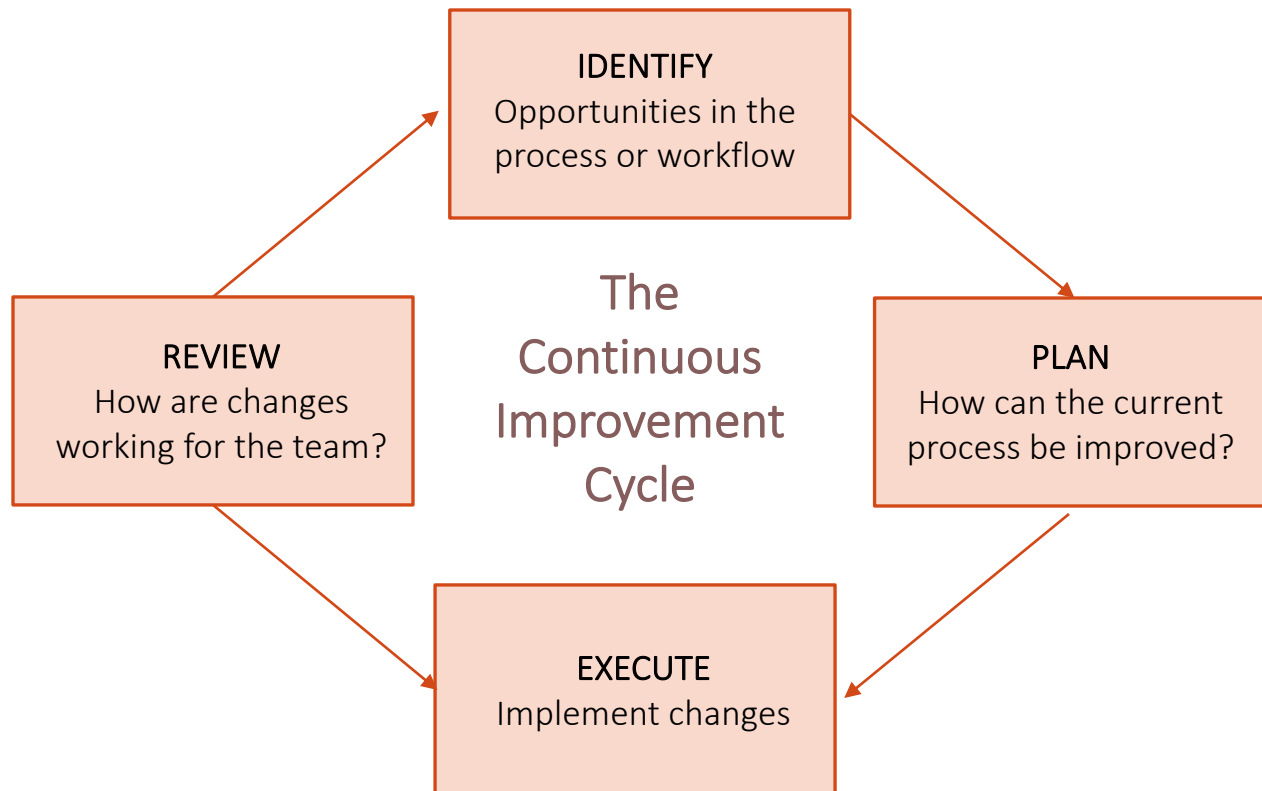
Seelos & Mair



Organizational innovation and organizational capacity for continuous innovation



Innovation in social sector organizations



Org and HR Assignment

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