

MLD 833M
Entrepreneurship and Social Innovation

Spring-1 2017

Tuesday/Thursday 8:45-10:00 L-230

Syllabus as of January 22, 2017

Instructor: **Chris Marquis**

Visiting Professor of Social Innovation and Public Policy, Harvard Kennedy School

Office B-121, 617-495-6513, Christopher_Marquis@hks.harvard.edu

Faculty Assistant: Jennifer Valois, 617-495-1339, Jennifer_Valois@hks.harvard.edu

Course Assistant: Rebecca Zhang, Rebecca_Zhang@hks17.harvard.edu

Office Hours: Tuesdays 3:30-5:00 PM

Course Objectives and Content

The goal of this course to prepare students to lead companies that have embedded social missions and to engage various stakeholders that are at the nexus of business and social value (aka “social businesses”). Internally, leaders will need to be prepared to manage the organization's culture, establish a mission, and find synergies in pursuit of a triple bottom line. Externally, leaders must manage not only supply chain and customer relationships, but also seek to fundamentally change the social, environmental and legal environments in which business operates.

We will study leading social entrepreneurs and their companies, providing compelling examples that doing well and doing good can be inextricably linked by using the levers of business to achieve profit and social impact. We will explore a range of cases, from small start-up organizations dealing with growth issues to more established firms that have successfully scaled their operations while maintaining a commitment to social mission.

A major focus of the course will be on the challenges associated with connecting social initiatives and missions with bottom-line benefits. How can the goals of a company be articulated in and driven by the corporate mission? How can leaders establish a mission that is big enough to attract employees, customers and partners but specific enough to be achievable? Also, what does success look like for a social entrepreneur? And, which goals are established by the market and which by the mission?

Students will also wrestle with questions on the implementation and execution of social entrepreneurship. Central to this theme is corporate growth. How can companies grow in reach and profit, while staying true to their mission and maintaining their quality of services or products? If companies chose to expand through partnerships, does the additional breath

outweigh the risks of losing some control over their social mission? Furthermore, should social entrepreneurs focus their efforts on leading change of the broader system in which they operate, or should they focus on achieving impact within the existing system? What are the ramifications of such choices for the social, environmental and financial footprint of the company?

Readings, Web Postings, Assignments

The syllabus provides the entire outline for the class. The timing of certain items and specifics may change during the course. The **HKS Course Website** is the major source of communication for the Course. It is important that you use it to guarantee that you have current and complete information for the classes.

Most cases and readings will be provided on the course Website. If, due to copyright laws, certain materials cannot be distributed in this fashion, we will reserve them at the HKS library. Special annotation will be made on syllabus and/or on course Website.

Course Grading, Assignments and Expectations

This course has the following four main requirements:

- **Class Participation (25%).** Part of the class will be taught by the case study method and so much of the action takes place during class discussion. It is expected that all participants should show up prepared to discuss the assigned case and associated readings for each and every class. In addition, we will be having guest speakers some classes, and it is important that all students prepare well for these guests and be ready to ask them questions. Faculty and the course assistant will record participation in each class and in each class. Students will receive either a 0 (absent); 1 (attending class but not contributing); 2 (contribution to class discussion); 3 (significant contribution to class discussion). **Grading class participation we take *both* quantity and quality into account.** Examples of high-quality comments follow:
 - Offering analytic insights (e.g., instead of simply reporting case facts, explain what you think is happening or what the case protagonist should do and *why*)
 - Relating experiences in class exercises and the analysis of written cases to more broadly generalizable concepts in the readings
 - Helping class participants recognize the generalizable ideas and dynamics in the exercises and case materials through other “real-world” examples (e.g., sharing personal experiences, making connections to current events or other cases)
 - Drawing conceptual connections across class sessions
 - Relating class discussion to material covered in other core courses

Finally, high quality contributions are *always respectful* of other class participants. This includes being cognizant of the amount of airtime one is taking as well as the potential to offend other class members. We do not expect you always to agree. *Students are encouraged to challenge one another’s thinking* and to debate conflicting perspectives.

- **Individual Analysis of a “B Corporation” (25%)** Students should analyze the viability of a B Corporation and what B Corp certification brings to the business (for list of B Corporations see: <http://www.bcorporation.net/community/find-a-b-corp>). Things to consider include: “What does having B Corporation bring this business?” “What are key

benefits?” “Key drawbacks?” “Why do you think this company became a B Corp?” “How does having B Corporation certification differentiate the business from competitors?” “Does the company have outside investors?” “If so, why do you think they invested in this company?” **Due February 16 by 5:00 PM.**

- **Team Project Presentation on a Social Business Idea (20%).** Students should form into groups of 4-5 and based on all the content in the class, come up with a social business idea. In class, teams will be given 10-15 minutes to present their idea. Some things to consider. “What is the social mission of your business?” “What is the connection between the social mission and the business goals?” “How will you manage the tension between social and financial goals (consider both internal and external stakeholders?” “What does success look like for your business?” Grading will reflect peer feedback on each team member’s contribution. **Presentations on March 7 and March 9.**
- **Team Final Deliverable (30%).** Student teams will have a choice of final deliverables for the class, including: (A) writing a paper analyzing an existing social business of their choice, or a sector with a density of social businesses, (B) writing a business plan for a social business, (C) writing a case study of a social business. (D) I am also open to alternatives to these final deliverables, if you have another idea, please talk to me. More information on these different options will be provided early in the class. Grading will reflect peer feedback on each team member’s contribution. **Due March 15 by 5:00 PM.**

Module 1: Social Entrepreneurship and Social Businesses.

January 24: Introduction

Readings:

- Austin, J., Stevenson, H., and Wei-Skillern, J. (2006) Social and Commercial Entrepreneurship: Same, Different, or Both? *Entrepreneurship Theory and Practice*, 30: 1-22.
- Gregory Dees, 2001 “The Meaning of Social Entrepreneurship”

Study Questions:

- Based on your understanding, what is social entrepreneurship? Social business?
- Why do some businesses choose to have a social mission?
- What are some examples of social businesses?
- What are the challenges to having both a social and business mission?

January 26: Overview of Key Models of Class: Aligning Hybrid Cultures and Leading System Change

Class Objective: To analyze the difficulties in aligning a hybrid culture and a growing organization (an expression of the tension between social and business value) and the ways in which a new industry approach can cause system-level change.

Readings:

- Warby Parker: Vision of a “good” fashion brand (HBS No. 412-104) by Christopher Marquis and Laura Velez Villa
- Marquis, Christopher and Andrew Park. 2014 “Inside the Buy-one Give-one Model.” *Stanford Social Innovation Review*. 12 (1): 28–33.
- In Search of the Hybrid Ideal by Julie Battilana, Mathew Lee, John Walker and Cheryl Dorsey (From *Stanford Social Innovation Review*, Summer 2012)

Study Questions:

- What is your evaluation of Warby Parker’s buy-one give-one model?
- How would you describe the Warby Parker culture? How does it facilitate the attainment of a hybrid mission (why does retaining it matter)?
- Has the company put in place mechanisms to avoid mission drift? What are these?
- How does Warby Parker create systematic change? How does that benefit the company?

Module 2: Social Entrepreneurs as System level Change Agents

January 31: Creating System Level Change

Class Objective: To understand how social entrepreneurs may create system-level change by reshaping suppliers, and to present social enterprise growth strategies that attempt to navigate the tension between business and social value.

Readings:

- Patagonia (HBS No. 703-035) by Forest Reinhardt, Ramon Casadesus - Masanell, Hyun Jin Kim
- Creating Successful Business Models by John Elkington and Pamela Hartigan (Chapter 1 in the 2008 book “The Power of Unreasonable People”)
- Hayagreeva Rao Market Rebels: <http://press.princeton.edu/chapters/s8732.pdf>

Study Questions:

- Evaluate Patagonia's strategy. What are the key drivers of its performance so far? What role has its position on the environment played in all this? What about its relationship with suppliers?
- Would Patagonia be able to do what it has done if it were a public company? If it were to go public, would it (or should it) change its position on the environment?

February 2: Legal Infrastructure and Change

Class Objective: To understand legal constraints on social businesses, the types of supportive ecosystems that could solve important tensions when combining business and social value, and to analyze mechanisms of reshaping governmental rules.

Readings:

- B Lab: Can it scale business as a force for good? (HBS 9-415-080) by Christopher Marquis and Matthew Lee
- Haigh, Nardia, Elena Dowin Kennedy, and John Walker. "Hybrid Organizations as Shape-Shifters." *California Management Review* 57.3 (2015): 59-82.

Study Questions:

- What is your assessment of B Lab's tripartite mission and strategy? As the case asks, is it their secret sauce or their albatross? If the former, what synergies exist between the different elements? If the latter, how to you recommend they change their objectives?
- What is the value-added to companies of becoming a B Corporation? What would you recommend B Lab do to grow the number of B Corporations? More generally, how do you motivate companies and investors to think long-term (instead of short term) and at a societal level (not just about their own profits)?
- How do you assess their work to gain legal recognition for the Benefit Corporation? How can they be more effective on this front? How important is it form them to get legal recognition for this form across all 50 US states?

February 7: Impact Investing

Class Objective: Understand the growing trend of impact investing and how capital can be leveraged for social good.

Readings:

- VOX Capital case study – to be distributed
- Paul Brest and Kelly Born, “Unpacking the Impact in Impact Investing,” *Stanford Social Innovation Review*, 2013.
- Examine Websites: TheGiin.org; USSIF.org; UNPRI.org

Study Questions:

- TBD

February 9: Impact Investing panel discussion.

Readings:

- Review websites and bios of panelists

Study Questions:

- What are the similarities and differences of different actors such as foundations, pension funds, family offices, development finance institutions, individual investors and others?
- Why do investors engage in impact investing?
- What questions should we ask of the field?

February 14: Changing Consumer and Investor Mindsets

Class Objective: To analyze the difficulties in aligning a hybrid mission with a product offering and the ways in which a new industry approach can cause system-level change through changing consumer and investor mindsets.

Readings:

- New Resource Bank: In Pursuit of Green (HBS No. 412-060) by Christopher Marquis and John Almandoz
- Thompson, James D., and Ian C. MacMillan. "Making Social: Ventures Work." *Harvard Business Review* 88.9 (2010): 66-73.

Study Questions:

- Why does New Resource Bank leadership believe becoming a “green” bank rather than a traditional community bank will help its business? Do you agree?
- Would a large bank, grown by all kinds of clients, be a better way to serve green companies? Or should the bank only select clients who were both consistent with the sustainability mission and bankable?
- How important to potential depositors and investors would the green borrower selection process be? Was including clients that intended to become greener a good strategy given external perceptions and business volume? If so, would the bank have to offer sustainability advice along with banking services? Would that become a problematic overstretch of responsibilities?

February 16: Measurement and Mission

A visitor from B lab will join class and we will have a “live case” of b labs measure what matters initiative

Readings:

- Will be circulated prior to class

Study Questions:

- TBD

Module 3: Organizational Alignment in Social Businesses

February 21: Aligning Employees

Class Objective: To analyze the importance of aligning employee selection and organizational culture with the social strategy.

Readings:

- Social Innovation at salesforce.com (HBS No. 412-049) by Christopher Marquis, Marley C. Kornreich and Bobbi Thomason
- Tushman, Michael L., and C. O'Reilly. "Managerial problem solving: A congruence approach." *Managing strategic innovation and change: A collection of readings* (1997): 194-205.

Study Questions:

- How can the transition from Foundation to social business allow new talent to come into the salesforce.com Foundation's team while remaining a socially-focused operation?
- What can the Foundation do to attract top sales talent?
- How can the Foundation align the two employee profiles with the new social strategy?
- How can it create an organizational culture that in turn aligns with those elements (think of examples from Burt's Bees experience)?

February 23: Leadership and Culture Alignment

Class Objective: To analyze how to balance sustainability with growth (mainly through culture and mission alignment) and to contrast the challenges that conventional companies and social mission companies face in implementing social strategies

Readings:

- Burt's Bees: Balancing Growth and Sustainability." Multimedia/Video Case (410-704).
- Can the virtuous mouse and the wealthy elephant live happily ever after? by James E. Austin and Herman B. Dutch Leonard (from the California Management Review 51 2008 p. 77-102).

Study Questions:

- How far along is Burt's Bees in their sustainability journey?
- Which of their 2020 goals is the most challenging? Why?
- Could any company do this? Is their 'Greater Good' Business model replicable?
- It is clear that the more a company grows, the more difficult it is to be sustainable. How has Burt's Bees balanced the tension thus far?
- Moving forward, what are the risks and opportunities from the Clorox acquisition?

February 28:

Class Objective: Leadership and Alignment

Readings:

- Joshua D. Margolis, Chris Marquis, and Laura Winig. “VeeV on the Rocks?” (Harvard Business School Case 410006)

Study Questions:

- Why has Courtney Reum launched this venture? What’s driving him?
- What do you make of VeeV’s commitment to CSR?
- How should the equity be split?
- How would you have handled the second discoloration episode?
- Of all the constituents involved in bringing a new liquor brand to market, which is the one Courtney Reum should worry about most (which one is the most delicate/difficult to manage)?

Module 4: Conclusion: Bringing it All Together

Class objective: Review class material in the context of the Whole Foods case study

Readings:

- Whole Foods: Balancing Social Mission and Growth (410023) by Christopher Marquis, Marya Besharov and Bobbi Thomason.

Study Questions:

- In what ways do you think that Whole Foods has created value for society? And how have their efforts to create social value led to business results?
- How has Whole Foods grown while also trying to stay true to its social mission? I.e. what organizational strategies, processes and procedures have enabled them to balance these seemingly conflicting goals?
- In the last few years is Whole Foods more about growth or its social mission? How does their support of practices such as the development of large-scale organic farms fit with their broader social ideology?
- What is your assessment of Mackey's new model of "conscious capitalism?"

March 7: Team Presentations

Content TBD

March 9: Team Presentations/Last Class

Content TBD