Session 10

Social Entrepreneurship and Non-Profits
Organizations in the U.S.
Business, Non-Profits & Government

GOVERNMENT

BUSINESS

CHARITIES & NON-PROFITS
Non Profits Are Big Business

• U.S. Nonprofit Organizations
  - Public Charities
    » 957,950
  - Private Foundations
    » 112,117
  - Other Non Profits
    » 443,761
  - 8.3 percent of the U.S. wages and salaries.

Source: NCCS National Center for Charitable Statistics
Public Charities

• Public charity: Definition
  – Organizations that draw their support from a broad base within the community, (schools, churches, hospitals, environmental, science, etc.)

• Public Charity Finances
  – 2004, $1.3 trillion in total revenues
    » 23 percent from contributions, gifts and grants
    » 71 percent came from program service revenues, which include government fees and contracts

• Tax Exempt under 501c3
  – U.S. tax code exempts Public Charities from federal taxes
  – Allows donors to deduct their gifts from their taxes

Source: NCCS National Center for Charitable Statistics
Private Foundations

- **Private Foundations: Definition**
  - Created to distribute money to public charities or individuals

- **Private Foundations Finances**
  - $214 billion in total revenues

Source: NCCS National Center for Charitable Statistics
**“Other” Non Profits**

- **Other Non Profits: Definition**
  - Any purpose other than profit
  - I.e. Chambers of commerce, fraternal organizations and civic leagues

- **Other Non Profits Finances**
  - $381 billion in total revenues

- **May or May Not be Tax Exempt**
  - 501(c)(6) or (c)(4) organizations

Source: NCCS National Center for Charitable Statistics
We Volunteer and Give

• Volunteering and Charitable Giving
  - 26% of Americans volunteered their time in 2007
  - $250 billion in charitable contributions
    » $187.92 billion from Individuals
  - Religious organizations received 35.5%
  - Educational institutions 13.6%
  - Human service organizations, 7.7%

• Foundation Giving
  - Foundations gave $40.7 billion in 2006
  - Human services received 26.0%
  - Education received 24.0%

Source: NCCS National Center for Charitable Statistics
Singapore Non Profits

- **Volunteering and Charitable Giving**
  - 17% of Singaporean’s volunteered in 2007
  - S$958 million in charitable contributions
    » S$108 million was for use outside Singapore
  - Religious organizations received 63%
  - Educational institutions 35%
  - 91% of residents were donors (compared to 70% in the U.S.)

Source: 2008, National Volunteer & Philanthropy Centre
Non- Governmental Organizations (NGO’s)

• Non Governmental Organizations
  – Non profits that operate internationally
  – Operational NGO’s
    » Relief or development Programs
  – Advocacy NGO’s
    » Defend or promote a specific cause
Question:
Social Entrepreneurship

• What’s the difference between Non-profits and Social Entrepreneurship?
Business & Non-Profits: Something New is Emerging

GOVERNMENT

BUSINESS

CHARITIES & NON-PROFITS

Social Entrepreneurship
Entrepreneurship

• Entrepreneurship
  – identify opportunity +
  – relentless pursuit and execution of the opportunity +
  – the creation of a desired economic outcome
Blurring of the Lines

- Social entrepreneurship
- Blurring of boundaries
  - Nonprofit organization
  - Social purpose business ventures
  - Hybrid organizations
    » mixing nonprofit and for-profit elements
Social Entrepreneurship

• Entrepreneurship =
  – identify opportunity +
  – relentless pursuit and execution of the opportunity +
  – the creation of a desired social outcome

• Social =
  – No shareholders
  – Not for financial gain
  – Transformative for society
A 35-year old New Idea

- Joseph A. Banks (1972) first coined the term ‘social entrepreneur’ in his seminal work on social reform (The Sociology of Social Movements), noting that managerial skills could be deployed to address social problems, as well as business challenges.
Social Entrepreneurs

• Driven by something other than $’s
• Passion for Social Issues
• A focus on impact
• Change agent
• Willingness to blur sector boundaries
• Plus all the std. entrepreneurial characteristics
  – Innovative
  – Agile
  – Relentless
  – Tenacious
  – Goal Oriented
  – Comfortable with Chaos
  – Resourceful
“Social entrepreneurs are not content just to give a fish, or teach how to fish. They will not rest until they have revolutionized the fishing industry.”

- Bill Drayton, Ashoka

Not just alleviate the symptoms of a problem but get rid of the root cause.
Social Entrepreneur Investors

- Fund Social Entrepreneurs
  - Acumen Funds
  - Agora Partnerships
  - Endeavor

- Double Bottom Line
Assessing Non-Profits Return

• “For Profit” Venture Capital Firms
  – IRR (Internal Rate of Return)
  – the discount rate that equates the net present value of an investment’s cash inflows with its cash outflows
Assessing Non-Profit Impacts

<table>
<thead>
<tr>
<th>METHOD</th>
<th>PROCESS</th>
<th>IMPACT</th>
<th>MONETIZATION</th>
<th>NONPROFIT</th>
<th>FOR-PROFIT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Theories of Change</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>Balanced Scorecard (BSc)</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>Acumen Scorecard</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td></td>
<td>●</td>
</tr>
<tr>
<td>Social Return Assessment</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td></td>
<td>●</td>
</tr>
<tr>
<td>AtKisson Compass Assessment for Investors</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td></td>
<td>●</td>
</tr>
<tr>
<td>Ongoing Assessment of Social Impacts (OASIS)</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>Social Return on Investment (SROI)</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>Benefit-Cost Analysis</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>Poverty and Social Impact Analysis (PSIA)</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
</tr>
</tbody>
</table>

Source: Columbia University Double Bottom Line Project Report
“Double Bottom Line” Investments

Financial instruments designed to produce financial and social returns

- **Grants**: no financial return is contemplated
- **Market/near-market rate investments** that have positive social impact.
- **Program-related investments**, community development venture capital investments, and socially motivated loans.
- Special purpose financial institutions called **community development financial institutions** have emerged that use a range of investments to achieve social goals
Questions: For Profit Companies

• Should For-Profit Companies be socially responsible?
• If so, why?
• If not, why not?
Questions: Entrepreneurship Career Choice

- Do you do good by first doing well\(^1\)?
  
  Or

- Do you do well by first doing good\(^2\)?
California Coastal Commission
Social Entrepreneurship in the Government

GOVERNMENT

BUSINESS

CHARITIES & NON-PROFITS

Social Entrepreneurship
California Coastal Commission

It’s greatest impact is what you don’t see on the coast of California
NEWS ANALYSIS

In California, Coastal Commission Wields Vast Power

By JENNIFER STEINHAUER
Published: February 23, 2008

SAN CLEMENTE, Calif. — The battle here over a proposed toll road near a state park has entangled powerful interests from across California. Labor is pitted against surfers, American Indians against developers, commuters against campers and coastal people against inland dwellers.

But by voting down the proposal this month, the California Coastal Commission — a 12-member panel that gets little attention outside California — once again flexed its muscle as the most formidable player of all.

Created by a ballot initiative three decades ago as the protector of the state’s 1,100-mile coast, the commission has long been a thorn in the side of developers, municipal governments and wealthy beachfront property owners, its dominion lacking in comparisons in other states.

“The commission is the single most powerful land use authority in the United States,” said Jonathan Zasloff, a law professor at the University of California, Los Angeles, who has researched the panel, “given the high values of its jurisdiction and its high environmental assets.”
The California Coastal Act

Section 30001 Legislative findings and declarations; ecological balance
The Legislature hereby finds and declares:

(a) That the California coastal zone is a distinct and valuable natural resource of vital and enduring interest to all the people and exists as a delicately balanced ecosystem.

(b) That the permanent protection of the state's natural and scenic resources is a paramount concern to present and future residents of the state and nation.

(c) That to promote the public safety, health, and welfare, and to protect public and private property, wildlife, marine fisheries, and other ocean resources, and the natural environment, it is necessary to protect the ecological balance of the coastal zone and prevent its deterioration and destruction.

(d) That existing developed uses, and future developments that are carefully planned and developed consistent with the policies of this division, are essential to the economic and social well-being of the people of this state and especially to working persons employed within the coastal zone.
The California Coastal Act

Section 30001.5 Legislative findings and declarations; goals
The Legislature further finds and declares that the basic goals of the state for the coastal zone are to:

(a) Protect, maintain, and where feasible, enhance and restore the overall quality of the coastal zone environment and its natural and artificial resources.

(b) Assure orderly, balanced utilization and conservation of coastal zone resources taking into account the social and economic needs of the people of the state.

(c) Maximize public access to and along the coast and maximize public recreational opportunities in the coastal zone consistent with sound resources conservation principles and constitutionally protected rights of private property owners.

(d) Assure priority for coastal-dependent and coastal-related development over other development on the coast.
The Education of a Coastal Commissioner

Coastal Development Permits (CDP’s)
Federal Consistency Review

New Local Coastal Programs (LCP’s)
Appeals of local Coastal Development Permits

Local Coastal Program (LCP) Amendments
University Long Range Development Plans (LRDP)

Port Master Plans
Public Works Plans

~55 items on each monthly agenda
Peter Douglas, Executive Director
California Coastal Commission

- Chief Deputy Director 1977 -1985
- Executive Director 1985 - today
- Co-authored Proposition 20 (The California Coastal Zone Conservation Act of 1972)
- A principal author of the 1976 Coastal Act