



The Future of Social Enterprise and the Role of Individual Philanthropy

- Moderators: **Herman B. Leonard**, *Eliot I. Snider and Family Professor of Business Administration*
Allen S. Grossman, *MBA Class of 1957 Professor of Management Practice*
- Panelists: **Jennifer Moses**, *Founding Trustee, Absolute Return for Kids*
Andrea Silbert, *President, Eos Foundation*
Andrew H. Tisch, *Cochairman of the Board and Chairman of the Executive Committee, Loews Corporation*
John C. Whitehead, *Chairman, Goldman Sachs Foundation*

Overview

Improved impact can be achieved in the social sector through greater collaboration, with networks and consortia working together to create scale and solve problems in a systemic way. One problem deserving more attention is secondary education, where greater involvement of corporations may be able to help make a difference.

To help bring about new practices in the social sector, a new generation of philanthropists is needed who can contribute not just money, but skills, advice, and expertise.

Context

This session continued a conversation on the future of social enterprise and philanthropy that began at a colloquium for HBS alumni held earlier in 2008. Professor Leonard shared the key themes from that event. The panel then discussed how social enterprise and philanthropy are evolving, identified opportunities for improvement, and described ways to engage the next generation in philanthropy.

Key Takeaways

- **The key themes from an earlier HBS colloquium on social enterprise can focus HBS's future efforts.**

Professor Leonard summarized that event's key themes:

- *Needed is a focus on impact and outcomes.* The social sector needs to think more about measuring impact, outcomes, and performance. Better tools are needed.
- *The key role of the social sector must be on experimentation.* Many people see the social sector's role as bringing ideas to scale. However, the conclusion from this colloquium was that the role of the social sector is to generate new ideas, launch experiments, and prove concepts. When this is done, involvement from the government and private sector can help bring effective ideas and practices to scale.
- *Needed is a more systemic approach.* Often the focus in the social sector is on individual programs. The result is significant fragmentation. What is required is more collaboration, with networks and consortia that can work together to bring about systemic changes.

- **While collaboration among nonprofits is often desirable, it can be hard to attain.**

Several panelists agreed that collaboration among nonprofits can lead to better results. But achieving collaboration can be challenging. Nonprofits must each

raise money and justify their existence, which can result in competition for donors and recognition.

In addition, supporters of a particular nonprofit tend to have a great attachment to that organization, viewing it as theirs. While a single, larger, streamlined nonprofit may operate more efficiently than multiple, smaller ones, the concept of a larger entity may be less attractive to those who are deeply involved in a smaller organization.

"It's hard to get systemic cooperation. We may have to live with a little more inefficiency in the social sector."

— Jennifer Moses

Also, from a fundraising perspective, donors like to decide how their funds will be used. Letting donors specify exactly how funds are to be used makes it easier to raise money, but results in a fragmentation of programs, which is the antithesis of collaboration and scale.

- **The nonprofit world needs to move towards a more systemic approach to solving social problems.**

While every nonprofit is well intentioned and does valuable work, the fragmentation, lack of coordination, and lack of scale hinders solving major societal problems.

The Eos Foundation is an organization focused on poverty, hunger and nutrition, and economic security. Through creation of Boston Rising, funded with \$15 million of the Eos Foundation's \$50 million endowment and modeled after New York's Robin Hood Foundation, Eos is working to reinvent philanthropy in Boston. Like Robin Hood, Boston Rising will use innovative approaches to fight poverty. Robin Hood is run like a professional services firm, with stringent screening mechanisms for projects and metrics for assessing performance. The board covers operational costs so 100% of every dollar raised is used for charitable purposes.

Boston Rising aims to attract a new generation of Boston philanthropists and also plans to form partnerships. This is based on the recognition that a systemic approach is needed to bring funding and ideas together to solve such a major problem as poverty.

"A thousand flowers blooming may not be enough to solve our social problems. In fact, it may be counterproductive. We need to coordinate organizations."

— Andrea Silbert



- **A key role of the social sector is to generate ideas and experimentation.**

Nonprofits can take risks that governments cannot. But once ideas are proven, to scale them, government involvement is often required. One nonprofit that has found this to be true is ARK (Absolute Return for Kids). ARK is a London-based nonprofit, founded six years ago by hedge fund managers. Its aim is to transform the lives of children. ARK started as a grant-making trust. However, its funders wanted greater control over the programs it funded and wanted more monitoring, reporting, and evaluation. As a result, ARK transformed into an owner-operated charity.

ARK now runs innovative programs worldwide. In the United Kingdom, it is funding 12 charter schools and in India it supports a unique education program. It also provides medications in South Africa and Mozambique. ARK is also working to reduce the number of children living in institutional care in Romania and Bulgaria. In each effort, ARK has one major partner—government. To succeed with these programs, it needs the government's buy-in, support, and resources.

"Nonprofits can act as innovators. But the only way to scale is through partnering with the government."
— Jennifer Moses

- **An idea worth considering: the private sector playing a greater role for improving U.S. secondary education.**

John Whitehead pointed out that secondary education in the United States produces dismal results. In New York City, only 25% of children who start ninth grade graduate from high school. There are a number of factors contributing to this problem, including: that schools are run by government; the involvement of change-resistant unions; and the lack of management skills among those running schools. While government is good at creating policies, it is poor at managing organizations like schools.

Since children are the nation's future employees, companies have a vested interest in improving education. One potential area of opportunity that deserves further consideration and study is for companies to adopt a school and assume responsibility for its improvement. This goes beyond having employees teach an occasional class or mentor a few students. The idea is for corporations to become responsible for the school, working closely with principals to improve performance in any way possible. This might mean creating art or music programs or assisting with athletics; it could mean providing legal assistance or helping equip principals with management skills. Companies might compete with each other to see which can be most successful at improving a school.

"If there's one area where we should be ashamed, it is secondary education. The system doesn't do much to educate the people who go there . . . the for-profit sector can play an important role here."
— John C. Whitehead

- **The younger generation can be trained to be engaged philanthropists.**

It is important for parents to cultivate philanthropic values in their children. The more that philanthropy is part of the daily conversation at home, the more natural it is for kids to be engaged.

"Part of the responsibility of good fortune is sharing with society to make it a better place."
— Andrew H. Tisch

There are a number of specific ways that parents can instill a sense of philanthropy in their children:

- **Practice.** It is important for children to practice philanthropy. Each year, parents can designate an amount of money that children donate to a charity of their choice. If young people are comfortable donating their time to nonprofits, they should be encouraged to do so.
- **Provide guidelines.** Parents should give children guidance about what to look for in nonprofits, so they can make contributions intelligently.
- **Discuss how funds may be used.** Children should gain a basic understanding of how nonprofits operate. For example, young donors need to know that nonprofits can't be run without overhead. Constraining how funds are used may limit a nonprofit's ability to fulfill its mission. And, it is important to give enough money to enable a charity to do its job. Also, considering the cost of exit is important. If a donor funds a program that requires money for several years, funding cannot be pulled without negatively affecting the people served.
- **Show the results.** When young people support a nonprofit, they should see the results of their efforts. This may be done through visiting agencies or sitting on boards.

Other Important Points

- **Recession and the social sector.** During economic downturns, the social sector is needed even more than in times of prosperity. Professor Grossman commented that while business people and investors are lamenting the recent loss of \$10 trillion in wealth, the impact on the lives of those who are served by nonprofits is far greater. Mr. Tisch said that the economic downturn will create a "nuclear winter in philanthropy," and Mr. Whitehead suggested that nonprofits should personally contact their donors to ask for continued support.
- **Not just money.** Mr. Whitehead commented that while nonprofits require money, HBS alumni can contribute far more than money. Each person can contribute time and can provide valuable advice.
- **Social enterprise reunion.** All of the key players involved in the creation of HBS's Social Enterprise Initiative were on hand for this session, including Mr. Whitehead, Dean John McArthur, Professor James Austin, and Professor Kash Rangan.



Speaker Biographies

Herman B. Leonard (Moderator)

Eliot I. Snider and Family Professor of Business Administration

Dutch Leonard is the Eliot I. Snider and Family Professor of Business Administration at HBS and the George F. Baker Jr. Professor of Public Sector Management at Harvard's Kennedy School. He also serves as cochair of the HBS Social Enterprise Initiative. He teaches extensively in executive programs at HBS and the Kennedy School and around the world in the areas of general organizational strategy, governance, performance management, crisis management and leadership, and corporate social responsibility. His work on leadership focuses on innovation, creativity, effective decision making, and advocacy and persuasion. His current work in leadership and management is focused on the relationship between governance, accountability, and performance, and emphasizes the use of performance management as a tool for enhancing accountability. He has also worked and taught extensively in the area of crisis management and on issues related to corporate social responsibility.

Leonard is the author of *Checks Unbalanced: The Quiet Side of Public Spending* (1986), *By Choice or By Chance?: Tracking the Values in Massachusetts' Public Spending* (1992), and (annually from 1993 through 1999) *The Federal Budget and the States*, an annual report on the geographic distribution of federal spending and taxation.

Leonard is on the boards of directors of Harvard Pilgrim HealthCare (a 900,000-member Massachusetts HMO), the Hitachi Foundation for the United States, and the ACLU of Massachusetts. He was for a decade on the boards of directors of the Massachusetts Health and Educational Facilities Authority and CIVIC Investments, and a member of the Massachusetts Commission on Performance Enhancement. He has been a financial advisor to the Connecticut Governor's Office of Policy and Management, the Massachusetts Turnpike Authority, and the Central Artery Third Harbor Tunnel Project. Leonard was a member of the Governor's Council on Economic Policy for the State of Alaska, the Governor's Advisory Council on Infrastructure in Massachusetts, and the U.S. Senate Budget Committee's private sector advisory committee on infrastructure. He served as chairman of the Massachusetts Governor's Task Force on Tuition Prepayment Plans, on the National Academy of Sciences Committees on National Urban Policy, and on the New York City Comptroller's debt management advisory committee. Besides his academic studies and teaching, he has been a CFO and CEO of a human services agency and has served as a director of public, nonprofit, and private-sector organizations.

Allen S. Grossman (Moderator)

MBA Class of 1957 Professor of Management Practice

Allen Grossman is the MBA Class of 1957 Professor of Management Practice at HBS. He was appointed to the

position in July 2000 after joining the HBS faculty in July 1998 with a concurrent appointment as a visiting scholar at the Harvard Graduate School of Education (HGSE). He served as president and CEO of Outward Bound USA for six years before stepping down in 1997 to work on the challenges of creating high-performing nonprofit organizations. His current research focuses on leading and governing high-performing nonprofit organizations and the leadership and management of public school districts.

In partnership with four foundations, Grossman founded the Going to Scale Project in 1994. This project led to the book *High Performance Nonprofit Organizations: Managing Upstream for Greater Impact*, and the article "Virtuous Capital: What Foundations Can Learn from Venture Capitalists," published in the *Harvard Business Review*, both coauthored with Christine Letts and William Ryan.

In the MBA Program, Grossman teaches the first-year course Leadership and Corporate Accountability. He is designing a new nonprofit leadership and management course for second-year MBA students that he will teach in the fall of 2009. He has taught the first-year course The Entrepreneurial Manager and cotaught the second-year courses Entrepreneurship in the Social Sector and Effective Leadership of Social Enterprises. Grossman is faculty chair of the Public Education Leadership Project, a joint project of HBS and HGSE; he cochairs the executive program Performance Measurement and Management of Nonprofit Organizations, a joint initiative of HBS and Harvard's Kennedy School (HKS), and the Excel Leadership program, a joint project of HGSE, HKS, and HBS; and he teaches in the HBS Executive Education programs Strategic Perspectives in Nonprofit Management and Governing for Nonprofit Excellence, among others.

Before joining the nonprofit sector, Grossman served as a regional CEO of Albert Fisher PLC and chairman of the board of Grossman Paper Company, a national distributor of packaging products. Grossman has served on and chaired a number of nonprofit and for-profit boards. He received a BS in corporate finance from the University of Pennsylvania's Wharton School.

Jennifer Moses, MBA 1989

Founding Trustee, Absolute Return for Kids

Jennifer Moses has been special adviser to British Prime Minister Gordon Brown since March 2008. Before that she was the CEO of CentreForum, a liberal think tank (2005–2008). Working as an independent consultant from 2001 to 2005, she represented the J. Paul Getty Trust, in its £10 million investment in the restructuring of the Courtauld Institute as an independent education and arts institution, and she developed and helped implement a restructuring plan for commercial operations at the British Museum. Moses was a managing director of the Goldman Sachs Group (1989–2001), where she was European head of the Branded Industries Group (London, 1997–2001), vice



president of the Merger Department (New York, 1997–1997), and vice president of corporate finance (Hong Kong and Tokyo, 1991–1995). She has also been assistant vice president of the Public Development Corporation, City of New York and an analyst for Shearson Lehman American Express.

Moses is a founding trustee of Absolute Return for Kids (ARK), an international children's charity based in London that is one of the 10 largest children's charities by annual donations in the United Kingdom. She is a sponsor and board member of the King Solomon Academy, an ARK charter school. Moses is a board member of the Acland Burghley School and the Jewish Community Centre of London and an adviser to the Private Equity Foundation in London.

Moses received a BA in history from Brown University in 1983 and an MBA with honors from HBS in 1989. She is married and has three children.

Andrea Silbert, MBA 1991
President, Eos Foundation

Andrea Silbert is president of the Eos Foundation, a \$50 million private philanthropic foundation whose mission is to break the cycle of poverty by investing in children's futures. The foundation supports nonprofit organizations, public policies, and systemic solutions aimed at nourishing children's bodies, nurturing their minds, and building family economic security.

In 1995 Silbert cofounded and served for nine years as the CEO of the Center for Women & Enterprise (CWE), the largest women's entrepreneurial development center in the country. CWE serves entrepreneurs ranging from owners of small, home-based businesses to founders of fast-growth technology companies like Zipcar and iRobot. In the years 1995–2005, Silbert and her team helped small business owners create over 14,000 jobs and \$400 million in new wages and provided training and access to capital to over 10,000 individuals. A large proportion of the CWE's success stories are disadvantaged women, including single mothers and women on welfare.

Silbert began her career on Wall Street as a financial analyst with Morgan Stanley. She left the country in 1988 to serve in grassroots economic development in Costa Rica, Colombia, and Brazil. While in Latin America, she worked for Women's World Banking, an international network of microloan funds, and with a nonprofit organization serving "street girls" in Brazil.

A nationally recognized advocate of economic empowerment, Silbert was selected in 2001 by *Working Woman* magazine as one of 25 leaders in the past 25 years who "have given women in the workplace a better shot." She served as the founding president of the Association of Women's Business Centers, meeting with congressional leaders to promote legislation to help women-owned and small businesses. In 2000 she was appointed to the National

Women's Business Council, which advises Congress and the president on issues of concern to women entrepreneurs, particularly access to capital and government procurement. Silbert was a cofounder of Springboard Enterprises, a national organization that has helped fast-growth women entrepreneurs raise over \$2 billion in angel financing and venture capital.

Silbert lives in Harwich, Massachusetts, with her husband and their three children. She attended Harvard University, earning a BA in economics, an MBA, and an MPA. A dedicated environmentalist, she works to protect the natural resources and quality of life in her community through her service as a trustee with the Harwich Conservation Trust.

Andrew H. Tisch, MBA 1977

Cochairman of the Board and Chairman of the Executive Committee, Loews Corporation

Andrew Tisch is cochairman of the board and chairman of the executive committee of Loews Corporation. Earlier, he served as chairman and CEO of Lorillard Inc. from 1990 to 1995 and as president of the Bulova Watch Company and Bulova Corporation from 1979 to 1990. Tisch also serves on the boards of directors of CNA Financial Corporation, Texas Gas Transmission LLC, Boardwalk Pipelines LLC, and K12 Inc. (as chairman).

Tisch firmly believes in community involvement and has chosen to focus on civic organizations, education, and the Jewish community. He devotes a great deal of time to many different civic and national organizations, including the City Parks Foundation (cochairman), the Wildlife Conservation Society (trustee and secretary), the New York City Police Foundation (trustee, executive committee), and the Brookings Institution (trustee).

He devotes time and effort to education through leadership committees at HBS (Dean's Board of Advisors), Cornell University (trustee, executive committee), NYU/Tisch School of the Arts (cochair of the Dean's Council), and the Young Women's Leadership Foundation (cofounder).

He is involved in Jewish community affairs through the American Jewish Joint Distribution Committee (trustee and secretary), the Jewish Leadership Forum (founding chairman), and the Jewish Business Leadership Forum (founder). He is also a member of the Council on Foreign Relations and the Economic Club.

Tisch holds a BS from Cornell University (1971) and an MBA from HBS (1977).

He is married and lives in New York.

**John C. Whitehead, MBA 1947***Chairman, Goldman Sachs Foundation*

John Whitehead was born in Evanston, Illinois. He grew up in Montclair, New Jersey, and graduated from Montclair High School. He lived in nearby Essex Fells until 1985 and has resided in Manhattan since 1989.

Whitehead graduated from Haverford College in 1943 and served in the U.S. Navy, participating in the invasions of Normandy, southern France, Iwo Jima, and Okinawa. While still in the Navy, Whitehead was assigned as an instructor at HBS. He received his MBA with distinction from HBS in 1947 and holds honorary degrees from Haverford, Pace, Rutgers, Amherst, Harvard, General Theological Seminary, Berea College, and Bates College.

Whitehead began his professional career in 1947 at Goldman Sachs & Co., where he worked for 38 years. He rose quickly within the company and was named partner in 1956 and cochairman and senior partner in 1976. He has served on the board of numerous companies, as a director of the New York Stock Exchange, and as chairman of the Securities Industry Association.

In April 1985, Whitehead was asked to become deputy secretary of State, second-in-command to Secretary George Shultz, and served until January 1989. Whitehead was awarded the Presidential Citizens Medal by President Reagan.

Since returning to New York in 1989, he has been involved in a number of educational, civic, and charitable organizations. He is chairman of the Goldman Sachs Foundation and cochairman of the Greater New York Councils of the Boy Scouts. He is a member of the board of trustees of the Eisenhower Exchange Fellowships and a former director of Rockefeller University, Lincoln Center Theater, the J. Paul Getty Trust, Outward Bound, the EastWest Institute, and the National Humanities Center. In Washington, Whitehead is chairman emeritus of the Brookings Institution and the Trustees Council of the National Gallery of Art.

In late 2001, he was appointed chairman of the board of the Lower Manhattan Development Corporation, the organization responsible for rebuilding Lower Manhattan. He served in that position until May 2006. He is also the founding chairman of the World Trade Center Memorial Foundation.