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# FINA5970

## Social Entrepreneurship & Venture Philanthropy

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### Overview

Social Entrepreneurship (“SE”) and Venture Philanthropy (“VP”) are cornerstones of innovation around the world. Through the application of business principles and market funding practices, mission-driven businesses bring transformational social benefits.

Social entrepreneurship is catalytic by nature; requiring visionary and resourceful entrepreneurs to think out of the box and take calculated risks in creating new business practices, market norms and customer experiences. Venture philanthropy takes investment reward funding to a whole new level of accountability and results-orientation, with an ultimate aim of creating sustainable and scalable businesses with confident and engaged stakeholders, who without such business vehicles, would be deprived of developmental opportunities.

The course is targeted at students who are interested in the rapidly growing sustainable and high impact business opportunities in the Greater China region.

### Goals

The objective of this course is to provide students the opportunity to develop innovative approaches to businesses that bring economic, social and/or environmental benefit to the society. They will have the unique opportunity to come face to face with leading practitioners in SE and VP in Hong Kong and China, and to be part of a multidisciplinary team that helps to solve real life social and business problems.

This is a practitioner-driven experiential learning course with a unique Student Directed Venture Philanthropy Fund where grant funding will be awarded to one or more partner businesses that students choose to work with throughout the term. Funding decisions are determined by assessment and scoring from an independent expert judging panel, faculty staff and the students on this course.

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**Spring 2015 (7 Feb – 5 May 2015)**

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### Materials

The course materials include:

- A Reading List
- Case Studies
- Expert Presentations
- Relevant Videos
- Online Impact assessment

### Benefits to the Students

Meet social innovators

Expand your funding networks

Action-learning

Cross-disciplinary experience

Career opportunities

Perfect interface between study/work

### Key Dates

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**7 February 2015**

Welcome Class

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**14 February 2015**

Social Business Partner Selection

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**28 April 2015**

Funding Committee Meeting

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**5 May 2015**

Closing Reception

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## Expectations

This is an action-learning course that approaches social innovation primarily from a social finance and venture philanthropy perspective (hence a *Finance* course). Students should be prepared to **apply** their skills and knowledge through a problem solving approach. There will be no exams; all students will be graded on their class attendance, participation and manners, and quality of their reports.

Technical skills development, such as “how to make financial projections” will not be covered during the course.

Those who are already working in the social innovation space and want to further their career through this course may find that they know some of the materials already. Please be aware so your expectations can be better managed.

Do not expect to be equipped with the full knowledge, skills and tools to run and/or to fund a social enterprise at the end of the course. This is a continuous learning experience. The course aims to provide an overview of the SE&VP ecosystem, and opens doors for further opportunities in this field.

## Format

Course lectures are delivered by the faculty instructor and expert seminars by industry practitioners in the first 6 weeks; followed by partner work with social businesses. Separate group meetings between students and business partners are arranged to address specific organizational issues of each team.

Funded enterprise from the previous term is invited to share with the 2015 students their experience in implementing the business plan proposed by students from the previous year.

Funding decision is subject to assessment by the Funding Committee (see section on “Funding Committee” on page 3 of this syllabus) on 28 April 2015. Details on Funding Assessment can be found in *Appendix A*.

Following the Funding Committee meeting, all student teams are given a choice to join the funded enterprise to work on the implementation plan, or to remain in their original teams to continue working with their partners on alternative funding plans. Continuous engagement is expected from all students until the end of the course.

## Business Partners

Students choose their social business partners from a list of 4 or more partner organizations short listed by the University, or choose their own organizations, provided there is sufficient time for the University to conduct a basic review.

Simple due diligence must be completed within a 3 week period from the beginning of term. Students should not choose a potential partner that they have an existing relationship with e.g. as founders or as advisors as the purpose of this course is to partner with a social business organization, not creating one.

## Requirements

No pre-requisite, but

- A copy of the student’s CV
- If the course is oversubscribed, students are asked to submit a proposal of no more than 100 words to outline their objective in enrolling for this course and their expectations;
- UGs applications may be subject to an interview; and
- Instructor’s consent is required for class enrollment.

## Application Timeframe

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**29 November 2014**

Course syllabus available

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**29 January 2015**

Enrollment begins

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**6 February 2015**

Add/Drop deadline

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## Multidisciplinary

The course is open to students from all schools and departments from HKUST.

We accept applications from MBAs, other graduate programs and undergraduates, including but not limited to engineering, biochemistry, environmental science, environmental health and safety, global finance, marketing and China studies.

The Interdisciplinary Office has been engaged and consulted for this course.

## Outcomes

Upon successful completion of this course, students are expected to:

- Understand the current landscape of the Social Entrepreneurship and Venture Philanthropy industry worldwide
- Have acquired hands on knowledge in the Social Entrepreneurship and Venture Philanthropy industry through active participation
- Have the ability to conduct simple due diligence
- Think out of the box to develop new business practices, market norms and customer experiences
- Have the ability to research, write and present a professional, credible and convincing funding proposal
- Have the ability to structure and write an implementation / alternative funding plan;
- Have proved capabilities of working with a variety of stakeholders with different mindsets e.g. business, non-profit, government
- Have demonstrated the ability to work in a culturally and professionally diverse team
- Show leadership, compassion and innovative approaches to business

## Deliverables

- **Pre-course survey** (Deadline: 7 Feb 2015): By Individual
- **Due Diligence Report** (Deadline: 28 Feb 2015): By Individual - Assess the business and revenue model of social businesses.
- **Funding Presentation** (Deadline: 21 Apr 2014): By Each Student Team - Funding purpose, milestones, resource requirements, key performance indicators, impact measurement
- **Funding Proposal** (Deadline: 28 Apr 2014): By Each Student Team – Elaborated content of Funding Presentation
- **Mid-term Course Review** (Deadline: 17 Mar 2015): By Individual – Experience review and comments on speakers
- **Implementation or Alternative Funding Plan** (Deadline: 5 May 2014): By Student Team for the funded enterprise - Details of the changes and capacity building required to deliver the intended social and/or environmental impact. Time frame and critical paths. Students who choose to remain in the original teams provide a separate plan for other funding opportunities.
- **Course Completion Review** (Deadline: 5 May 2014): By Individual – lessons learnt, personal / team contributions, expectations versus results.

## Class Plan (subject to change)

### Class 1

- **Learning objective:** What is social enterprise and venture philanthropy?
- **Keywords:** Social Entrepreneurship, Venture Philanthropy, Dynamic Optimisation, Corporate Citizen, Investment Spectrum, Intrapreneur, Ecosystem, Due Diligence

## Teams

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### Composition

5 students in each team

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### Expertise

Ideally from different disciplines / technical background / work experience

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### Language

Ideally with one Cantonese speaker

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### Gender

Mixed teams preferred

## Student Directed Fund

The Yeh Family Philanthropy supports the Student Directed Venture Philanthropy Fund. The Organization has committed a total of HK\$500,000 to the 2013 and 2014 enterprises selected by the Funding Committee.

The Organization further commits another HK\$250,000 in 2015.

## Funding Committee

The Funding Committee is composed of students of the course, the Faculty staff, and an independent judging panel who are professionals, with experience and interest in the social enterprise and impact investment industry in Hong Kong.

## Commitment

Students will behave according to the highest level of ethics and professionalism, with demonstrable contribution to team activities and pre-class preparation when

- **Choose your social business partner by 12 Feb 2015 as class activity by team starts Class 2.**
- **Recommended readings:** (1) Austin, J., Stevenson, H., & Weiskillern (2006) Social and commercial entrepreneurship: Same, different, or both? *Entrepreneurship Theory and Practice* 30(1): 1-22 (2) Balco L., Mortell, D. and Oostlander, P. (2010) *Establishing a Venture Philanthropy Fund in Europe* European Venture Philanthropy Association (“EVPA”). (3) Shiller, R. (2012) *Finance and the Good Society* Princeton University Press: Princeton and Oxford. Chapter 18 (Philanthropists) and 28 (Problems with Philanthropy).

## Class 2

- **Learning objective:** Establishing a Social Enterprise
- **Keywords:** Cooperative Advantage, Integrating Impact, Growth Story, Market Gap, Social Transformation
- **Recommended readings:** (1) Austin, J., Stevenson, H., & Weiskillern (2006) Social and commercial entrepreneurship: Same, different, or both? *Entrepreneurship Theory and Practice* 30(1): 1-22. (2) One Earth Designs case.
- **Preparation for next class:** One Earth Designs case.

## Class 3

- **Learning objective:** Understanding the different types of Innovation
- **Keywords:** Adaptive / Catalytic / Disruptive innovation; Social Innovation; Creative Destruction; Social Value; Innovative Partnerships; Hybrid Value Chain; Stakeholder Management
- **Recommended readings:** (1) Phillips, J. A., Deiglmeier, K., & Miller, D. T. (2008). *Rediscovering social innovation* Stanford Social Innovation Review.

## Class 4

- **Learning objective:** How to turnaround & scale
- **Keywords:** Pitching Techniques; Power of Influence; Aspiration and Authority; Empowerment, Coalition Building; Marketing Signalling; Network Effects; Big Community; Two-sided Platform; Scale Up; Social Franchise.
- **Recommended readings:** (1) Trelstad, B., & Katz, R. (2011). Mission, Margin, Mandate: Multiple paths to scale. *Innovations: Technology, Governance, Globalization* 6(3): 41-53 [On Husk Powers]. (2) Social Ventures Hong Kong (2011) *Money for Good: Global Trends and Local Potentials in Engaged Giving and Social Investing* River Star Foundation.

## Class 5

- **Learning objective:** Introduction to venture philanthropists and impact investors
- **Keywords:** Venture Philanthropists, Impact Investors, Blended Value, Engagement, Layered Capital, Stewardship, Utility, Welfare, Return, Social Finance, Sustainable Finance
- **Recommended readings:** (1) Chow, C. (2014) The Social and Sustainable Finance Landscape in Hong Kong: An Empirical Study on Factors that affect the Choice of Financing Strategy *The Handbook of Social and Sustainable Finance* Routledge: London (forthcoming). (2) Pomares, P. (2013) *Evolution of an Impact Portfolio: From Implementation to Results* K L Felicitas Foundation and Sonen Capital. (3) Clark, C., Emerson, J., Thornley, B. (2013) *Impact Investing 2.0 The Way Forward – Insight from 12 Outstanding Funds* November 2013. (4) AVPN (2014) *Getting Started in Venture*

required. Plagiarism is not tolerated.

Faculty instructor will grade each student according to his or her team and individual effort in a fair and transparent manner.

Please bring laptop for each class for class activity.

## Assessment Criteria

This is a standard letter graded course.

Grades are determined by class attendance, class participation and the quality of deliverables.

Course requirements are as follows:

Class attendance: 15%  
 Class participation: 15%  
 Pre-course survey: 5%  
 Due diligence report: 15%  
 Mid-course review: 5%  
 Funding proposal: 15%  
 Funding presentation: 15%  
 Implementation plan / alternative funding proposal: 10%  
 Final course review: 5%

## Weekly Schedule (subject to change)

Class 1 (Sat 7 Feb): Introduction: Definitions & Trends at Main Campus, 2-5pm

Class 2 (14 Feb): Establishing a Social Enterprise at Main Campus 2-5pm

Class 3 (28 Feb): Innovation and Social Innovation at Main Campus 2-5pm

Class 4 (7 Mar): Turnaround & Scaling at Main Campus 2-5pm

*Philanthropy - Practical Guide and Legal Framework* April 2014.

#### Class 6

- **Learning objective:** How to manage funders expectations and global trends in impact investments
- **Keywords:** Return and Impact; Impact Measurement; B Corporation, B Lab; IRIS; Theory of Change; Reporting; Global Trends
- **Recommended readings:** (1) Saltuk, Y. Bouri, A. and Leung, G. (2011) *Insight into the Impact Investment Market Social Finance Research* J. P. Morgan. (2) <http://bimpactassessment.net/>. (3) SROI guide and templates: [http://commdev.org/files/2196\\_file\\_SROI.nef2008.pdf](http://commdev.org/files/2196_file_SROI.nef2008.pdf)

#### Class 7

- **Funding Committee Meeting**

#### Class 8

- **Learning objective:** What are the challenges of implementation post-funding and how can you prepare for them
- **Keywords:** Implementation challenges; dealing with funding disappointments

Class 5 (10 Mar): Venture Philanthropists and Impact Investors at Cliftons L5 Hutchison House, Central 7-10pm

Class 6 (17 Mar): Managing Funders Expectations at Cliftons L5 Hutchison House, Central 7-10pm

Class 7 (28 Apr): Funding Committee Meeting at Cliftons L5 Hutchison House, Central 7-10pm

Class 8 (5 May): Implementation / Alternative Funding at Cliftons L5 Hutchison House, Central 7-10pm

## Supplementary Readings

- Martin, R. L., & Osberg, Sally. (2007). Social entrepreneurship: The case of definition *Stanford Social Innovation Review*, Spring.
- Nelson, J. and Jenkins, B. (2006) *Investing in Social Innovation: Harnessing the Potential of Partnership between Corporations and Social Entrepreneurs* Working Paper No. 20 Corporate Social Responsibility Initiative, J. F. Kennedy School of Government Harvard University
- Clark, C., Emerson, J., Thornley, B. (2014) *The Impact Investor: Lessons in Leadership and Strategy for Collaborative Capitalism* Jossey-Bass: USA.
- Bugg-Levine, A. and Emerson, J. (2011) *Impact Investing: Transforming How We Make Money Whilst Making a Difference* John Wiley & Sons: San Francisco CA. Chapter 1, 2 and 9.
- O'Donohoe, N., Leijonhufvud, C. and Saltuk, Y. (2010) *Impact Investments: an Emerging Asset Class* J. P. Morgan.
- John, R. (2006) *Venture Philanthropy: The Evolution of the High Engagement Philanthropy in Europe* Oxford Said Business School.
- Freireich, J. and Fulton, K. (2009) *Investing for Social & Environmental Impact* Monitor Institute.
- Godeke, S. and Pomares, P. (2009) *Solutions for Impact Investors: from Strategy to Implementation* Rockefeller.
- Keating, G. and Schoning, M. (2012) *Investing for Impact: how social entrepreneurship is redefining the meaning off return* Credit Suisse.
- World Economic Forum (2013) *From the Margins to the Mainstream: Assessment of the Impact Investment Sector and Opportunities to Engage Mainstream Investors* A Report by the World Economic Forum Investors Industries Prepared in collaboration with Deloitte Touche Tomatsu.

# APPENDIX A

## FUNDING ASSESSMENT GUIDELINES

### Objective

This Funding Assessment Guidelines document provides the details of funding assessment criteria, and the content that should be included in each judging criteria for the participating enterprises at the Funding Committee Meeting.

### Score Scale

Each participant will be asked to score five distinct criteria of the enterprise with the following scale of up to 100 score each (Table 1). Specific scores should be given for each criterion.

The final score of each enterprise will be readjusted to 100%.

If a score belongs to Highly Recommended, either one of the 85, 90, 95 or 100 scores should be given. Participants should not put something out of the scale intervals, for example, 21, 57, 83 and 89.

Table 1

Grade	Category	Score
A	Highly Recommended	85   90   95   100
B	Recommended	65   70   75   80
C	Average	45   50   55   60
D	Below Average	25   30   35   40
E	Not Recommended	0   5   10   15   20

### Key Date

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28 April 2015

Funding Committee Meeting

### Participants

All students on the course are entitled to score – one score sheet for each enterprise for each student.

There will be no more than 5 judges on the Independent Judging Panel - one score sheet for each enterprise for each judge.

Faculty staff will participate in the assessment and scoring, and independent volunteer students will calculate the final score.

Funding result will be announced at the end of the Fund Committee Meeting unless there is an issue with the scoring process.

# APPENDIX A

## FUNDING ASSESSMENT GUIDELINES

### Score Sheet

Each participant is given a Score Sheet with the five assessment criteria set out in Table 2.

Table 2

Criteria	Percentage	Description
Concept	20%	The proposed business or project concept addresses a local, national, regional or global social and/or environmental need. The concept should reflect an innovative and feasible approach to solving the identified need.
Market Readiness	20%	Market assessment study to reflect current and potential market participants in the intended market for the business or project. Details on the size of opportunity, competition, risk and opportunities; pilot and scale up products and services. Regulation, tax and political assessment may be relevant.
Team Composition	20%	Demonstrate that the enterprise team members (not the student teams) have the required skills, knowledge and expertise to perform the tasks required to deliver the business development plan.
Impact & Value	20%	Qualitative and quantitative impact measures and key performance indicators (“KPIs”). Data sources, collection methods and frequency.
Sustainability	20%	The revenue model should be sustainable within a proposed timeframe. The final projected year may involve ending the business project, continuing operations at a stable growth rate, transferred ownership and control, or replicating the business in other locations.

### Funding

The enterprise with the highest aggregate score shall be entitled to the maximum funding of HK\$250,000.

The release of the grants will be coordinated via the Finance department of the HKUST.

The funded enterprise needs to comply with the University’s documentary requirements for the funding to be released.

Funding is expected to be released within two months after the funding decision has been announced.

## APPENDIX B

### SCORE SHEET (EXAMPLE)

#### Objective

This Score Sheet is provided to Judges, Faculty members and Students (the “Assessors”) for the purpose of scoring Potential Fundees that are taking part in the SE&VP2014 course as a partner organisation.

The Assessors will complete one score sheet for each organisation.

#### Score Table

Criteria	Score	Notes
Concept	90	
Market Readiness	65	
Team Composition	70	
Impact & Value	55	
Sustainability	40	

Name of Organisation

ABC Ltd

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Name of Assessor

John Chan

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Remarks

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*Note:* Judges and Faculty Assessors will decide whether there is tactical voting amongst student teams. Teams in breach will be disqualified.