

A primer on social and financial innovation

Vanina Farber, elea Chair for social innovation, IMD

Course Description

Social innovation and impact embody new ways of thinking about business that position planet and people on the same level as shareholders.

Social innovation is the process of applying new market solutions to global social and environmental problems, by creating or improving products, services, business models, and markets. More effectively responding to unmet needs through impact investment is a financial strategy that generates financial return while intentionally improving the social and environmental conditions of the public.

We will see innovative impactful solutions that mobilize private sector capital in new, more efficient and scalable ways to solve social, economic, and environmental problems globally.

This course will focus on how large corporations, social entrepreneurs and impact investors define purpose to foster social and financial innovations that respond to social and environmental problems.

Course objectives

Upon completion of the course students should be able to:

- Understand corporate approaches to solving social and environmental problems.
- Identify and understand complex social and environmental issues and how material they are for different industries (or businesses).
- Understand what constitutes sustainable finance and how it can drive change in corporate behavior.
- Explore how purposeful ESG integration can drive change.
- Explore how impact investment can foster social innovation.
- Demonstrate knowledge of different levers of change and the role of social innovation in solving social problems
- Apply a variety of tools including theory of change to define social problems and propose solutions and critically evaluate social innovation and entrepreneurship practices.
- Effectively demonstrate improved competencies in communication, generating insights and identifying social problems and assessing the efficacy of solutions.

Methodology

The course will include lectures, speakers, readings, group work (including an experiential exercise), and asynchronous forum discussions and it will require a high degree of student participation.

The course is composed of synchronous videoconferences (VC) and asynchronous fora discussions (AF).

The synchronous videoconferences will be on Monday or Friday and the timing will be adjusted depending on the time zone of the participants. Videoconferences will be conducted similar to a face to face classroom environment, with a lecture and slides outlining the basic concepts, speakers bringing the practical side of the topic to life and discussions to develop students' understanding. Some group presentations will also be delivered during the VCs. Student participation is not only encouraged but also expected.

The asynchronous forum portion of the course will be conducted as follows:

Work will be posted two weeks before the due date, in a folder with the session number and topic on blackboard. Readings and ppts will be also posted for your reference. Additional readings might be included when needed.

Before the Forum:

Group assignments should be sent to me on Monday of the discussion week. Assignments should include the group name and the names of the members, as well as the number of the session.

During the forum:

The asynchronous forum discussion will run from Tuesday until Thursday. The discussion will be based on the group assignment for the week. The discussion will typically begin with me or the groups posting one (or more) of the assignments and asking specific questions. The group assignment is an input for the week's discussion. It is not expected to be perfect but it should spark curiosity and debate.

Students are limited to **six posts maximum** per week.

After the forum:

Review your group assignment and correct any errors discovered in the discussion.

A summary of our discussion and a review of the key concepts will be posted after the week is closed. Reading these summaries will be useful to put together the topics discussed. Sometimes asynchronous fora discussions have a life of their own!

I will explain in more detail the course dynamics in our first videoconference. You will be able to ask all the questions you need.

Outline of sessions

Session 1 (VC): Introduction to social and financial innovation: a roadmap.

September 6th, 2019 8:30 am -10:00 am NY time

Readings:

- "Business Reality Reshaped: The Big Three Trends', Chapter 1 of Embedded Sustainability: The Next Big Competitive Advantage by Chris Laszlo and Nadya Zhexembayeva, Stanford Business Books, 2011.
- Social innovation map, WEF Dynamic Briefing co-curated by Vanina Farber, IMD.
- Gerald Davis and Christopher White, "The New Face of Corporate Activism," Stanford Social Innovation Review, Fall 2015.

Topic 1: Corporate social innovation

Sessions 2 (VC) and 3 (AF):

VC: September 9th 8:30 am -10:00 am NY time; AF: September 11th- 13th

The focus of this session is private sector core business activity that creates at scale innovative and systemic solutions to the relevant problems of poor and low-income people and large-scale environmental problems. We will focus on social innovations created to solve material social and environmental problems. Unlike traditional corporate social responsibility initiatives, corporate social innovation is embedded in corporate strategy, R&D, employee development, and partnerships. Rather than one-off projects, the focus is on sustainable social change through business innovation. These companies develop long term strategies to leverage core business strengths to address societal problems.

Group assignment 2

Readings:

- Phills, J.A., Deiglmeir, K. & Miller, D.T. 2008. Rediscovering Social Innovation. Stanford Social Innovation Review, (Fall): 34-43.

- Gartenberg, C., Prat, A., and Serafeim, G., “Corporate purpose and financial performance,” Organization Science, October 2018

Topic 2: The social business challenge

Session 4: Two 45 min VCs will be scheduled with the teams during September 16th to September 28th period to support the progress of the project.

Session 5 (VC): Team’s group presentations
September 30th 8:30 am -10:00 am NY time

Session 6 (AF): Discussing the group projects
October 2nd - 4th

Group assignment 3: the social business challenge

Topic 3: Purposeful business

Sessions 7 (Asynchronous forum) and 8 (Videoconference):
VC: October 7th 8:30 am -10:00 am NY time; AF: October 9th – 11th

Businesses created from its inception to purposefully solve a social or an environmental problem. Social enterprises can be non-profit, for-profit or hybrids entrepreneurial organizations that innovate to solve problems and produce benefits that blend both social impact and financial returns. They provide innovative solutions to societal problems in a financially self-sufficient way by using market mechanisms. They negotiate resources for impact. We will focus more on for-profit social businesses. Participants will learn from social entrepreneurs how to build a business around purpose and impact. Participants will reflect about their own leadership purpose by looking at what drives purposeful organizations.

Group assignment 4:

Readings:

- Marshall Ganz, “What is Public Narrative: self, us now”
Link: <http://nrs.harvard.edu/urn-3:HUL.InstRepos:30760283>

Global Network Week: No sessions schedule (enjoy!)
October 14th – 18th

Topic 4: Public market ESG equity investment

Sessions 9 (VC) and 10 (Asynchronous forum -AF):
VC: October 21st 8:30 am -10:00 am NY time; AF: October 23rd – 25th

Finance can be a powerful engine of systemic change when channeled to fund projects and innovations that can improve lives. Participants will learn how financial institutions (asset managers) can facilitate financial flows to support sustainability goals, while obtaining returns and reducing risk. ESG issues will likely lead to more complete investment analyses and better-informed investment decisions that inspire financial innovations. Given the corporate approaches learned the previous week, what should investors look for? We will practically assess how to integrate ESG by narrowing the sustainability criteria down to a set of issues that are most relevant and material for specific sectors/businesses.

Group assignment 5

Readings:

- Phadke, H., and DeMates L., “Investing with the Sustainable Development Goals. How to apply the SASB Framework on Insight360™ to track company progress on the SDGs. TruValue Labs.

Topic 5: Private social impact vehicles

Sessions 11 (VC) and 12 (Asynchronous forum -AF):

AF: October 28th – 30th VC: Thursday October 31st 8:30 am -10:00 am NY time

Note: Be careful, our usual VC and AF have changed for these sessions. Daylight savings finishes in Europe.

Impact investing is defined as investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return. Impact investments are made in both emerging and developed markets as well as across all asset classes, including private and public markets. Impact investors also target a range of financial returns from below market to market rate, depending on their strategic goals. Critical to the definition is the intentionality and the measurability of achieving social and environmental benefits. Participants will have a practical introduction on how to value a social enterprise, perform due diligence, structuring deals and measuring impact.

Group assignment 6

Reading:

- Impact Investing for Everyone: A Blueprint for Retail Impact Investing, Triodos Bank (September 2014)

Final individual assignment due Sunday, November 10th (guidelines will be given in our last VC)

Assignments

Pre-course group Assignment 1: Problem Definition Memorandum.

After researching a company (given by the instructor), your team must develop a **Problem Definition Memorandum** of up to three pages (or up to nine detailed slides) in which you define and justify the social and environmental problem(s) or opportunities that you think the industry/business should address.

It should include the information on:

- Industry/Organization history and background
- Current status, including organization's strengths and weaknesses in sustainability area
- Future goals: short term (one to two years) and long term (three to five years)
- Objectives: Identify key ESG-related risks and opportunities—particularly those that are strategically significant to the sector/business;
- Financial performance, where data are available.

Forum Group Assignment 2: Corporate approaches to solving social and environmental problems.

Analyze specific corporate solutions (given by instructor). Identify the problem and analyze what are the key components of the proposed solution.

Group Assignment 3: The social business challenge: you will have 2 weeks to create as a team a social business. It must have a clear positive impact. You will have to document the process of creating the business and also write a diary about your personal experience. You should write one or two paragraphs a day on the challenges faced as a member of the team. The team will present the business in a videoconference to the rest of the groups. Specific guidelines will be given in session 9.

Forum Group Assignment 4: Lifepreneurs. Each group will have analyze the business model and explain the social innovation of an assigned lifepreneurs. We will compare and contrast the findings on the discussion forum.

Forum Group Assignment 5: Compare and contrast ESG strategies

Analyze specific investor case studies (given by instructor): Are purpose, materiality and SDGs aligned? Opportunities and challenges for delivering impact through ESG integration.

Forum Group Assignment 6: elea methodology for Philanthropic impact investment.

Compare and contrast the commercial potential and the impact of two social ventures. Think as a philanthropic investor and identify the pros and cons of investment in each proposal. Which one would you recommend for approval to the Board of Directors? The team will be responsible for identifying, analyzing and presenting an investment decision and business and impact case one of the alternatives.

Final individual assignment: You will have to apply the concepts learned to social or environmental challenge in a three-page argumentative essay. Topics will be based on the issues discussed in our sessions. Specific guidelines will be given in class.

Grading:

Pre-course group assignment	5%
Forum group assignments	30%
The social business challenge	15%
Individual participation	25 %
Final individual assignment	25%

Academic Integrity

The GNAM community, including faculty, staff and students, supports the highest standards of academic integrity. All academic work affords an unparalleled opportunity to put forward new and innovative ideas; we aspire to always acknowledge the ideas upon which new solutions are based.

When working on any assignment with a team, students must clarify the expectations for each member of the team. Faculty will provide clear guidelines for students on the parameters of any group work. A student will contact the professor for clarification if there is a question about the way in which the group work is to be completed.

Students can familiarize themselves with the standards of proper citation via print and online resources.

- [FAQs](#) from the Chicago Manual of Style

Policies on excused absences

For any absence request due to medical issues or personal emergencies, or for questions about excused absence policy, please email me. Your request should state the reason for your absence and the date of the absence. Requests should be sent before the absence when possible, and as soon as possible after the absence otherwise. One only one excused absence is allowed for the course.

Professor Vanina Farber

Argentinian and Italian
elea Professor for Social Innovation
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Vita

Vanina Farber is an economist and political scientist specializing on social innovation, entrepreneurship and corporate social responsibility, with also almost twenty years of teaching, researching and consultancy experience, working with academic institutions, multinational corporations and international organizations. She is the holder of the elea Chair for Social Innovation.

In her research, Vanina is interested in studying and fostering the application of innovative, practical, sustainable and inclusive market oriented approaches that aspire to change the world by eliminating the root causes of social ills. Her research focuses on scaling up social businesses and on innovations in inclusive value chains, especially last mile distribution. She has done research in European and Latin American countries and published several articles, including “Barriers and public policies affecting the international expansion of Latin American SMEs, evidence from Brazil, Colombia and Peru” Journal of Business Research, 2015.

Vanina is also interested in education and pedagogy. She has studied how case based/experiential learning affect the intention of graduate students to become social and responsible entrepreneurs. Some of the results can be found in the article “In Alain Gibb's footsteps: Evaluating alternative approaches to sustainable enterprise education,” published in the International Journal of Management Education in 2016. She currently opened a third line of research focusing on the personality traits of social entrepreneurs. Do social entrepreneurs think differently? Are there different personality traits, risk profiles or social anchors that differentiate social from purely commercial entrepreneurs? What makes, if anything, a social entrepreneur different?

Prior to coming to IMD, Vanina was Professor and Chair of Sustainable Entrepreneurship and Social Inclusion at Universidad del Pacífico, Peru, where she also was the Dean of the Graduate School of Business from 2014 to 2016.

From 2005 to 2017 she was also an Adjunct Professor for IE Business School, Spain, where she taught Economic Environment and Country Analysis in blended programs and designed and co-directed the training course for professors “Leadership in Blended Education”.

Vanina has worked as a researcher and consultant for different international organizations and national institutions in Switzerland, Spain and Peru.

Vanina holds a PhD in business administration (economics) from the University of Memphis in the USA.

Publications

2019

[Armed with economic clout, Gen Z can impact business practices.](#)

Gen Z is best positioned to influence business practices, rather than global climate agreements, where political gridlock appears to be the status quo

By Farber, Vanina and Reichert, Patrick

Topic: Global Business, Social Innovation Politics

Abstract: Armed with social media and growing economic clout, Gen Z is best positioned to influence business practices, rather than global climate agreements, where political gridlock appears to be the status quo. While Greta's message may have fallen on deaf ears at COP24, her appeal to global business leaders at the annual World Economic Forum in Davos, Switzerland, holds more promise. Tackling climate change is going to need buy-in from corporations, governments and civil society. If today's young activists can speed up this process, all power to them.

2018

[Companies provide moral leadership, where politicians are failing.](#)

Businesses pulling out of the recent Saudi investment conference over journalist Jamal Khashoggi's death is just the latest example.

By Farber, Vanina and Reichert, Patrick

Topic: Social Innovation Politics

Abstract: Donald Trump's delayed reaction to the disappearance of Saudi journalist Jamal Khashoggi shows how the US president's "America First" campaign is shifting the government's role towards a more pragmatic, rather than moralistic, approach to global affairs. By contrast, businesses are filling the gap by taking over the role of moral compass, responding to a clear societal demand. Where political leaders are failing, companies increasingly provide moral leadership, balancing profit with people and planet.

[Organizations that are making the world more sustainable](#)

A new breed of actors are turning a bleak narrative on its head by identifying global business opportunities

By Farber, Vanina and Olyneec, Natalia

[Online privacy must improve after the Facebook data uproar](#)

The Cambridge Analytica scandal has finally brought privacy concerns about personal online data to the masses – and action is urgently needed

By Farber, Vanina

Article

| 2018

[Do business like a woman](#)

A new breed of entrepreneurs

By Farber, Vanina and Olyneec, Natalia