

## Course Syllabus 2016

**MGT 527: The Strategic Management of Nonprofit Organizations** is an Economics-based general management course. Using both lectures and cases, we explore a broad range of issues affecting the sector: Why do we have nonprofit organizations? What competitive advantages and disadvantages might this form have over the for-profit or public firm and under what circumstances might this matter? How do we think about industry analysis and competitive advantage in a nonprofit setting? What special issues arise in the startup phase and later in the expansion/replication phases of a nonprofit? How do we think about pricing products, fund raising and managing an endowment? Are there special challenges in managing staff and the board? Finally, how do we think about mergers in the industry, and possibilities for innovation? We expect students to come to class prepared and to actively engage in the course, bringing their own experiences to the course material.

### Assignments

#### 1. Projects

All students must write a research paper either on a topic of their own choosing or based on one of the three assignments listed below. Research paper topics must be cleared with the professors and will be due at the end of the term.

As an alternative to a research paper, students may work in groups of four on one of the assignments listed below. If you choose this assignment, the team will be responsible for leading a class session on the topic at hand and must also hand in individual papers on the topic. Dates for the discussion are provided in the syllabus below. People will be assigned to these topics on a first come-first served basis. Once assignments are made, students are free to exchange assignments as long as the TA is notified.

Assignment 1: Analyzing a Form 990: Students must choose and analyze a Form 990 for an organization.

Assignment 2: Student nonprofit entrepreneurs are invited to share their entrepreneurial ideas with the class.

Assignment 3: Choose a nonprofit area and provide a discussion of innovation in that area including both a catalogue of the major innovations in the last five years and a discussion of impediments to innovation.

#### 2. Individual exercise

There are four individual exercises listed in the syllabus. Two must be handed in during the course of the class. Assignments must be emailed to us on the day prior to our class.

### 3. Case Write ups

Students are required to write up two cases of their own choosing during the semester. Questions will be provided.

**Evaluation Algorithm:** 25% class participation; 35% projects; 15% exercises; 25% case write ups.

#### **Office Hours:**

Oster:                    M, W                    11:30 – 12:15 and by appointment.  
                                  Room 3508

Chevalier:

## **SYLLABUS: Strategic Management of Nonprofit Organizations**

### **Lecture 1: 8/31: SO and JC**

#### **Introduction to the Course and the Sector**

##### Readings:

- Oster, *Strategic Management of Nonprofits*, Chapters 1 & 2
- Hansmann, "The Role of Nonprofit Enterprise," *Yale Law Journal*, vol. 89, 1980.
- Glaeser & Shleifer, "Not for Profit Entrepreneurs," *Journal of Economics*, 2001.

### **Lectures 2 and 3: 9/2: JC and 9/7: SO and JC**

#### **Industry Analysis and Competitive Advantage in the Nonprofit Sector**

##### Readings:

- Oster, "Competitive Strategy in the Nonprofit Sector," in Thomas and Shughart (eds). *The Oxford Handbook of Managerial Economics*, 2013.
- West & Posner, "Defining your Competitive Advantage," *Stanford Social Innovation Review*, January 23, 2013.
- Smith, "We Should Allow Failing Arts Organizations to Die" June 15, 2014.

**Individual exercise for Lecture 3:** Identify a nonprofit of interest to you. Describe the size and nature of the market facing your organization, thinking about its central revenue sources. Inventory its major rivals, and describe the nature of competition among the organizations in the industry. Briefly characterize your organization's competitive advantage.

**Several exercises will be chosen for class discussion in Lecture 3.**

### **Lecture 4: 9/12: SO**

#### **Competing in a Mature Nonprofit Industry: Competition or Cooperation?**

##### Case:

- The Seattle Theatre Company (Stanford GSB #S137)

In this first case, we look at a mature nonprofit industry. We will investigate the determinants of market size, and the nature of competition and cooperation among nonprofits.

### **Lecture 5: 9/14: SO**

#### **Competing with the For Profit Sector**

##### Readings:

- Brown, "Markets with competition between for-profit and nonprofit firms," in Seaman and Young, *Handbook of Research on Nonprofit Economics and Management*, 2010, Chapter 7, pp. 96-105.
- Armendariz de Aghion, Beatriz and Jonathan Morduch, "Rethinking Banking," *The Economics of Microfinance*, 2005, Chapter 1, pp. 1-24.
- Case: New Hampshire community Loan Fund (Yale SOM)

In this case we look at the entry of a nonprofit into a financial market. We ask the question of how the nonprofit differs from potential for-profit entrants into the market and look at the

advantage of the nonprofit in creating value in the market for financing for mobile homes.

**Lecture 6: 9/19: JC**

**(with visitor Paige McLean, Vice President, Strategic Partnerships, Achievement First)  
Competing with the Public Sector**

Readings:

- Angrist, Pathak and Walters: “Explaining Charter School Effectiveness,” AEJ; Applied, 2013.

Case: Achievement First (Yale SOM)

In this case we explore the competition between charter schools and traditional public schools. Does competition among schools increase social value or not? How should the charter school think about its connection to more traditional public schools as it expands? What might be the competitive advantage of a charter school?

**Lecture 7: 9/21: JC**

**Substituting for the Public Sector**

Case: RHCF: Reaching Primary Healthcare to the Base of the Pyramid: IIMB Case: IMB435

This case describes a nonprofit operating health clinics in the under-served area of West Bengal, India.

**Lecture 8: 9/26: JC**

**Lessons from the Field: A visit from Graham Browne, founder and head of Forte Preparatory Academy, Queens, NY**

Graham is a recent Yale SOM graduate who is preparing to open a new grades 5-8 charter school in the fall of 2017.

**Lecture 9: 9/28: JC**

**Partnering with the For-Profit sector**

Readings:

- Review the Nature Conservancy website material on REDD

Case: AEP: Investing in Forest Conservation

This case looks at a potential partnership in which a major energy producer, AEP, invests in a deforestation project championed by TNC as a way to secure carbon offsets. The case looks at this mostly from the point of view of AEP, the customer, but we will want you to also think hard about TNC's risks and opportunities in this carbon marketplace.

**Lecture 10: 10/3: JC**

**Measuring Impact: Project Evaluation**

Case: Acumen Fund Part A and B

In this lecture we will look critically at the way Acumen Fund makes social investment decisions in attacking global poverty issues. We will also consider alternative ways to do project evaluation.

**Lecture 11: 10/5: JC**  
**Boundaries of the Organization**  
**Exit, Mergers and Acquisitions among**  
**Nonprofits**

Readings:

- Cortez, Foster, Milway, "Nonprofit Mergers and Acquisitions: More than a Tool for Toughness," February 2009 Bridgespan Report
- Sloan, Taylor and Conover, "Hospital conversions: Is the price too low?" in Cutler. The changing hospital industry.

**Include discussion of the firm with an obsolete mission here**

**Lecture 12: 10/10: SO**  
**Replication/Expansion in a Nonprofit Context**

Readings:

- Oster, "Nonprofit Organizations and Their Affiliates: A study in organizational forms," *Journal of Economic Behavior and Organization*, Fall 1996.
- Bradach, "Going to Scale, The Challenge of Replicating Social Programs," *Stanford Social Innovation Review*, Spring 2003.
- Individual assignment  
Find a nonprofit of interest to you and write a short memo describing its historical expansion/replication strategy.

**Lecture 13: 10/12: JC**  
**Raw Case: Summer School in New Haven**

**Fall Recess For Exams**

**Lecture 14: 10/24: SO**  
**Revenue 1: Earned income : Pricing**

Readings:

Review pricing material from Microeconomics core

- Oster, *Strategic Management of Nonprofits*, Chapter 7
- Gneezy and Rustichini, "A Fine is a Price," *Journal of Legal Statistics*, 2000.
- Ashraf and Shapiro, "Can Higher Prices Stimulate Product Use?" *AER*, 2010.

**Lecture 15: 10/26: SG**  
**Diagnosing Distress in a Nonprofit : What Numbers do we look at?**

- Guest Lecturer: Stan Garstka

**Lecture 16: 10/31: SO**  
**Pricing Case**

**Since it is Halloween and we are doing a costume case, everyone should appear in costume. A prize will be given to the best costume**

Case:

- Costume Rentals (SOM)

This case looks at the pricing used in a social venture run by the Guthrie Theatre and the Children's

Theatre in Minnesota. We will ask how the pricing methods could be improved.

**Lecture 17: 11/2: Students  
Playing Financial Detective:**

Student teams present their financial analyses of organizations chosen

**Lecture 18: 11/7: SO  
Sources of Revenue 2: Fundraising**

Readings:

- Elfenbein, Fisman, Mcmanus, “Charity as a Substitute for Reputation: Evidence from an Online Marketplace,” *Review of Economic Studies*, 2012
- List, John, “The Market for Charitable Giving,” *JEP*, Spring 2011.
- Meer, Jonathan, “Effects of the price of charitable giving: Evidence from an online crowdfunding platform, *JEBO*, 103 (2014) 113-124.

**Lecture 19: 11/9: SO  
Fundraising Case**

- DonorsChoose.org (SOM)

Donors Choose is a fundraising platform in the e-commerce space. WE will explore its early stages, focusing on the challenges of beginning an operation in this space.

Individual assignment

Looking at a nonprofit of interest to you, use data to describe their fundraising strategies.

Several student papers will be discussed in class.

**Lecture 20: 11/14: SO  
Revenue Source 3: Endowments**

Readings:

- Fisman and Hubbard, “The Role of Nonprofit Endowments,” in Glaeser, *The Governance of Nonprofit Organizations*
- Swenson, *Pioneering Portfolio Management*, Chapters 2 and 3
- Oster, Goetzmann, “Competition Among University Endowments,” in Hoxby, 2014.

**Lecture timing assumes added visitor before Thanksgiving Break; post break lectures therefore start with lecture 22**

**Thanksgiving Break: Nov. 21, 23**

**Lecture 22: 11/28: SO  
Revenue Source 4: Social Enterprise**

Readings:

- Dees, “Putting Nonprofit Business Ventures in Perspective,” in Oster, *et al* *Generating and Sustaining Nonprofit Earned Income*, 2004, Chapter 1, pp. 3-18.

- Heritage and Orlebeke, “Legal and Tax Consideration,” in Oster, *et al* *Generating and Sustaining Nonprofit Earned Income*, 2004, Chapter 6, pp. 77-95.
- Case: First Book (SOM)

First Book Marketplace is a venture started by a literacy-focused nonprofit First Book. We will look at the potential profitability of this venture and how it does or does not fit with the parent organization.

### **Lecture 23: 11/30: Students**

#### **Student Presentations: Social entrepreneurs present enterprise ideas**

### **Lecture 24: 12/5: SO**

#### **Managing and Compensating a Staff**

##### Readings:

- Preston and Sacks, “Nonprofit Wages: Theory and Evidence,” in Seaman and Young
- Landles and Ditkoff, “Leadership Pipeline Initiative: Cultivating the next generation of leaders,” in Bridgespan Group, Leadership Initiative, March 2014.
- Banerjee et al,” Improving police performance in Rajasthan India: experimental evidence on incentives, managerial authority and training,” Working paper October 2014.

##### Individual assignment:

Provide a statistical analysis of the compensation of the executive directors within an industry (data on hospitals and colleges are generally available; other industry data can be constructed from the Form 990) or

Provide a short summary of a human resources practice that you believe to be either especially useful or harmful in a nonprofit organization in which you have worked or served on a board.

Several student papers will be discussed in class.

### **Lecture 25: 12/7: SO**

#### **Good Governance and Managing the Board**

##### Readings:

- Oster, *Strategic Management of Nonprofits*, Chapter 6

##### Individual Assignment:

Find a nonprofit of interest. Describe its board, including an analysis of the background of the trustees and their giving history.

Several student papers will be discussed in class.

### **Lecture 26: 12/12: Students**

#### **Innovation:**

**Student teams highlight major innovations in their area of interest.**