If you’ve been following the news, you may have noticed the United Nations release a new round of sustainable development goals in September 2015. These 17 goals are ambitious, but by no means unattainable. If we are to end poverty, ensure total gender equality, and provide clean water and sanitation to all people across the globe in a mere 15 years, a comprehensive approach is necessary, and governments, the private sector and civil society must all do their part.

Here at the Social Enterprise Review, we believe sustainable, business-driven solutions are a key component of addressing these difficult social problems. This edition brings together a group of passionate Northeastern students writing on a range of topical issues from global deworming initiatives to homelessness in the U.S. We seek to inform and inspire, but more importantly start conversations around big questions in the social enterprise space.

Our team has undergone some changes this semester, and we hope our hard work is reflected in this edition and a new and improved website (nusereview.com). Whether you’re a social entrepreneur at heart or you’ve never heard of the concept, we think you will enjoy this edition. If you’re inspired by anything you read, get in touch with us to learn about getting engaged at Northeastern and beyond. These problems aren’t going to solve themselves and this world needs change-makers like you.

Stay inspired.

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About The SE Review

The Northeastern University Social Enterprise Review is a student-run publication dedicated to promoting high quality content in the social enterprise space. We engage and inspire the conscious and curious reader by exploring the intersection between business and positive social change.

The print edition is a collection of op-eds written by Northeastern students regarding contemporary issues in the world of social enterprise.

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INTRODUCTION

In November 2015, Seattle, Washington and the surrounding county declared a “state of emergency” over homelessness in hopes of drawing attention and allocating more funds toward the growing social issue. Meanwhile, the city has been experiencing an unprecedented economic boom in technology and other sectors, which in turn has driven up housing prices and increased income inequality. To address this, the city has recommended a $7.3 million increase in funds to be put toward the needs of homeless individuals and families.¹

With homeless people dying on Seattle’s streets, thousands of public school children without homes, and strong support from local government leaders, homelessness has gained increased attention from policymakers and social entrepreneurs. For years, Seattle has produced innovative social enterprises for homelessness and shown remarkable compassion through local policy, but this has not been enough.

AMBITION POLICY MEASURES

King County, which includes Seattle and surrounding neighborhoods, published a “Ten Year Plan to End Homelessness” in 2005. Its forward-thinking strategy included such celebrated policies as “Housing First,” where the homeless are housed without needing to demonstrate behavioral changes beforehand. It implemented evidence-based best practices and addressed underlying issues such as institutionalization in prisons and mental health facilities. The plan’s achieved scale was remarkable – 18,000 families were housed in King County in the Ten Year Plan’s first five years alone.²

So why do more than 9,000 people still go to sleep without permanent shelter in just this one metro area each night? The recession brought increased unemployment, home foreclosures, and federal and state budget cuts. This certainly slowed the progress that Seattle was seeing.

Seattle Mayor Ed Murray said, “Seattle cannot do it alone. The state and federal governments must step up and do more as well. This issue must once again be a national priority.”³ There has indeed been some heartening progress on a federal level. The State of Homelessness in America 2015 reports that homelessness in all categories decreased by 2.3 percent between 2013 and 2014.⁴ The issue is more serious on a global level, as climate issues and violence often uproot families and remove their livelihoods.

BEST PRACTICES

“Housing First” is a best practice used throughout the world, and proven by a Seattle study to be “successful in both reducing costs to taxpayers as well as reducing substance use by participants.” This crisis intervention policy houses the chronically and newly homeless alike, regardless of sobriety, instantly recognizing the inherent value of every human being. The cost of housing the program participants was dwarfed by the savings in health and social services costs, resulting in four million dollars in costs savings to Seattle in the first year alone.⁵

Another best practice is to provide ongoing and reliable services like “urban rest stops,” a program of the Low Income Housing Initiative in Seattle. These hygiene centers offer access to free restrooms, showers, laundry machines, and toiletries. In addition, those who access the urban rest stop are able to receive referrals to additional services and housing opportunities, flu shots, and in one location, access to a healthcare exam room. A single urban rest stop was able to serve 1,600 unique individuals in one year – showing both its effectiveness and the need for programs like this around the nation.⁶

NONPROFIT ORGANIZATIONS FILL THE GAPS

Seattle’s nonprofits are complementing government programs with creativity and scale. There are close to 30 homeless shelters,⁷ more than 40 soup kitchens,⁸ and countless organizations offering career or financial counseling in Seattle.

FareStart offers another unique and scalable solution through its consulting arm, Catalyst Kitchens, which has provided employment opportunities and shelter meals since 1992. FareStart’s founder, David Lee, is a chef and entrepreneur who realized that...
restaurants can be training grounds for those in need of employment and job skills. His model places people from various disadvantaged backgrounds in a 16-week culinary training program. Approximately 800 trainees each year are trained by cooking meals for paying patrons in the community and preparing up to 2,500 daily meals for child care centers and shelters. FareStart’s profitability has allowed for an increasing array of programs from youth barista training, and housing support, job search help, counseling and health care assistance. FareStart demonstrates three-fold benefits: career readiness for trainees, nutritional meals in the community, and a profitable model that will fund the expansion of services.

FOUNDATIONS AND THE ROLE OF CORPORATIONS

Twenty-eight percent of Americans expect large companies to address economic and social injustices, rather than their government or nonprofits. This trend mirrors an increased interest in corporate social responsibility initiatives. As of yet, few corporations are doing much to address homelessness. However, in 2011, an organization of the homeless, SHARE, slept outside of the Bill & Melinda Gates Foundation for 11 nights to draw attention to the importance of big corporations like Microsoft giving back to their local communities. This came after the Foundation’s funding shortage forced the closing of 15 shelters. In 2013 the Gates Foundation granted more than $14.6 million to address family homeless in the Pacific Northwest of the United States.

CONCLUSION

Homelessness is a global issue, and fighting it even on a local level requires a multi-pronged approach that focuses on those who need immediate help and invests in prevention strategies. When it comes to the issue of chronic homelessness, the socially responsible path is also a fiscally responsible one. Studies show that housing chronically homeless citizens in Seattle has improved their life circumstances while reducing the financial burden on the public. With enough momentum, thought leadership, and most of all, compassion, Seattle’s government, nonprofits, and other organizations can end homelessness once and for all.

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Josefina Luna is a woman on a mission. After moving to the Dorchester area from the Dominican Republic 20 years ago and witnessing the vast unemployment and persistent social and political struggle in low income areas around Boston, she became an advocate for economic development in her community. Luna observed that many people worked hard to survive but their economic situation never improved. A lack of salaried jobs in the community led to unstable fluctuating incomes and the small businesses that were created had a tendency to replicate existing stores rather than add value to the surrounding area. Luna realized development efforts needed to come from inside the community, and she was exactly the woman for the job.
When Boston began to introduce new recycling standards that would require businesses with 30 or more employees to compost food scraps, Luna and her colleagues organized to start a worker-owned cooperative business called CERO, Cooperative Energy Recycling and Organics. As a lifelong advocate for the environment and sustainability, Luna identified an opportunity in the emerging green economy movement. Tired of seeing her community in a constant state of catch up, she decided to make a change that would put her neighbors at the forefront of the environmental revolution. CERO provides commercial waste reduction, organics diversion, composting, and soil for agricultural services. The Massachusetts Department of Environmental Protection (DEP) requires businesses that produce more than one ton a week of compostable trash (the equivalent of four trash cans) to separate their organic waste from regular trash in order to lessen the burden on landfills and decrease the levels of toxic methane gas released as organic matter decomposes. CERO ensures that customers comply with Massachusetts DEP standards by evaluating and reducing their waste disposal costs, and composting the collected waste to create fertile soil.

Her first major problem was financing this venture. Estimates for the seed capital she needed began at $300,000. “We didn’t even go to the banks,” explains Luna, “we knew that none of us met their qualifications.” With traditional financing out of the question due to a lack of credit, the leaders of the co-op decided to try a different approach, working through a direct public offering to raise the funds that they needed.

A direct public offering (DPO), similar to an initial public offering (IPO), is a company’s first sale of stock to the public. While IPOs tend to be expensive and carry many legal restrictions, direct public offerings often raise smaller sums, and allow local businesses and individuals to invest small amounts of money in projects they care about. By offering shares of $100 a piece with a minimum purchase of 25 shares, Luna and her colleagues were able to raise $371,611 from 83 investors across Massachusetts. Investors stand to gain a 4% dividend, but for many, it is more important to be supporting a viable venture with a social mission where their money will stay in the community. She makes an effort to know every organization CERO works with on a personal level, and often asks them to join CERO either through stock purchases or as customers, promising excellent services in return along with support for their business. “We say to them, the people you work with, do they eat at your restaurant? Do they ask how you are doing? We provide that personal community aspect.”

"Bringing Back the Bank"

This customized finance process allows communities to build projects with local capital that will stay in the community. A study from Bates and Rob found that a lack of credit access greatly limits the ability of minority businesses to fully contribute to economic development in their communities. Community-based financing for projects like Luna’s is one of the few ways for non-traditional entrepreneurs to overcome financial resource barriers. For Luna, this funding has been a game-changer. Just last year CERO signed their largest partner to date, Northeastern University, to collect food scraps from Rebecca’s Cafe and hopes to expand their services across Boston. As a cooperative business, staying rooted in the community is central to CERO’s business model. They have partnered with numerous other coops and entrepreneurs and proudly support local innovators in the towns of Roxbury, Dorchester, and East Boston. CERO’s long term vision is to combine the core values of the co-op -- people, planet, and prosperity -- into an Eco-Energy Park that would function as an anaerobic digestion facility, leading to stable jobs, sustainable energy, and agricultural compost, providing lasting benefits for the surrounding area.

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A humble middle-aged woman who once struggled to make ends meet now runs a small business. Esparanza Perez sells tacos and other foods at her little restaurant located at a marketplace in San Cristobal De Las Casas, Mexico. The quesadillas and chalupas in the restaurant sell for 50 cents a piece. Her one-room kitchen and dinette faces a covered patio that shelters customers from the rain and scorching heat. Esparanza, with her sister and daughter has turned their $600 loans from philanthropic lenders into small profits. Interest on the loans works out to 36 percent a year – steep, but better than what the banks offered. The banks in Mexico charge the poor an annual interest rate of over 100% per annum, compared to the world average of 30%, thereby making small credit loans unaffordable for the poor.

"Bless them," Esparanza said during my interview with her, referring to her charitable lenders. "The banks don't want to help me. I don't know who they're helping. It's not the poor, or those who need it." That may be changing. Commercial banks are slowly recognizing that small profits are profits, after all. The banks are beginning to show interest in uncollateralized small loans for the poor, and with the help of microfinance banking can offer a support system to Mexico's poor.

Currently, the poor in Mexico's informal sector lack access to credit to finance their activities. Apart from the unaffordable interest rates of microfinance has not taken off in Mexico because of the government's lax regulation of the banking industry. I, along with many scholars, believe that Socioeconomic problems in Mexico, such as high unemployment, could be reduced through offering microloans to poor individuals and business groups in the unregulated informal sector. Microfinance can expand activities of the informal sector into the formal sector and can eventually counterbalance Mexico's macroeconomic issues. Microfinance will provide credit to the poor or low-income individuals, groups, informal businesses, and entrepreneurs who currently do not have access to mainstream financial services. Therefore, microcredit institutions can offer new tools to help the poor save capital, borrow credit, reduce unemployment, and enhance economic performance in Mexico.

Because of the North American Free Trade Alliance (NAFTA), Mexico has relied heavily on export-led growth and adopted policies that repressed wages in order to maintain global competitiveness - actions that led to unemployment and destruction of industries in the country. As a consequence of NAFTA, Mexico experienced migration, lower minimum wages, low employment opportunities, and reallocation of industries. These consequences pushed a large section of Mexico's formal economic sector into the informal economic sector (also known as the grey economic sector that is neither taxed nor monitored by any form of government). A study, published in the Journal of Economic Development and Cultural Change, that sought to analyze the informal wage gap in Mexico through interviews and quantitative evaluation, concluded that Mexican workers have an incentive to work in the grey sector because they cannot find jobs in the formal sector, and earn higher wages in the informal economy. One study, published in the World Bank Economic Review, concluded that over 60% of informal sector workers in Mexico left their previous jobs and entered

"Microcredit institutions can offer new tools to help the poor save capital, borrow credit, reduce unemployment, and overall, enhance economic performance in Mexico"
the informal sector with the two primary motives of greater independence or higher pay.

Changes in Mexico's laws and policies brought on by NAFTA that pertain to intellectual property rights, environmental laws, trade limits and labor laws are widely discussed by scholars. However, microfinance has not been as closely examined as a means to reduce unemployment in Mexico.

According to the National Institute of Statistics and Geography's 2013 report, three of five Mexican workers in the informal sector have no legal or institutional protection, which means they do not pay taxes and they are not eligible for Social Security benefits. Because 60 percent of Mexico's workforce lives in the informal economy, Mexico loses up to 4 percent of GDP per year. There is a high percentage of workers in Mexico's informal sector since these individuals cannot afford to participate in the formal economy due to lack of credit. Therefore, credit provided to the poor through microfinance loans can incentivize this change.

Mexico's poor and unemployed workers in the informal economy struggle to afford education, maintain a healthy standard of living, become self-employed, and increase their productivity. The Mexican government has a number of welfare programs that seek to address unemployment and poverty; however, microfinance offers a more financially sustainable and empowering way to overcome poverty and unemployment. This system is known to work better than traditional government development and social improvement programs since welfare programs usually deal with temporary needs of the poor and fail to provide them with tools to sustain wealth and reduce poverty in the long term.

There is strong demand for small-scale, commercial financial services for credit and savings in the developing world. When microfinance is made available to low income people, they improve their household and enterprise management, increase productivity, and have better cash flows, consumption cost and positive incomes. The incidence of poverty among participating households is lower than among non-participating households. Household income of families with access to credit is significantly higher than for comparable households without access to credit. In Indonesia a 12.9 per cent annual average rise in income from borrowers was observed while only 3 per cent rise was reported from non-borrowers was noted. Overall studies conducted in developing nations' support that the poor in the developing nation of Mexico can increase their household income if they have access to microloans.

Since unemployment is higher among women in Mexico, extending microloans to women in Mexico will both empower them through employment and also have a positive impact on female health. An International Economic Review study inferred that daughters of female micro-lenders in underserved communities are better fed and healthier. Credit provided to women increases the arm circumference of their daughters by 6.3%, twice the increase that would be expected from a similar proportionate increase in credit provided to men. Female credit is estimated to have statistically significant effects on the height-for-age of both boys and girls. Additionally, female borrowers from Grameen Bank (a microfinance institution based in South Asia) were statistically more likely support reproductive health care and 59% of microloan borrowers used contraception as opposed to 43% of a matched control group.

There is overwhelming evidence that microloans can support and outperform social welfare programs in reducing unemployment numbers and increasing the GDP of developing nations like Mexico. If microfinance is supported by the Mexican government, the country's poor will no longer lack funds and opportunities for employment will become a reality for many more like Esparanza.

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WHEN IT COMES TO WORMS  
MORE IS LESS

By Alex Vipond

“New research debunks merits of global deworming programmes” — The Guardian

“The Debate Is On: To Deworm Or Not To Deworm?” — NPR

“Worm wars: The fight tearing apart the global health community, explained” — Vox

These are the kinds of emotionally charged headlines that have been in the limelight of a recent Cochrane research paper, which aimed to re-evaluate global deworming programs. Previous studies have shown that deworming programs, which deliver a pill to cure people of parasitic worm infections, have many benefits in the developing world other than just curing infection. Researchers have claimed that deworming can improve overall nutrition, school attendance, school performance, anaemia rates, and even long-term income levels. The Cochrane research, however, calculated that the extra benefits had been overstated.

A massive public health debate ensued, and some headlines, especially The Guardian’s, led many to believe that deworming programs are no longer worthy of public health dollars. And that is the question around which all of the scientific debates and news coverage of this topic have revolved: is deworming worth our effort and money? Or, can public health resources be better spent elsewhere, for example on HIV/AIDS, tuberculosis, and malaria prevention?

However, cutting edge research on a different kind of worm, the earthworm, suggests that a more “out-of-the-box” view might benefit both sides of the debate. Before we get to that, it’s useful to look at 1) the actual costs involved in deworming programs, 2) who foots the bill, and 3) how people get infected with worms in the first place.

How much does deworming cost? Most programs, notably Evidence Action’s “Deworm the World,” report a cost of less than 50 cents per person for deworming. This calculation usually incorporates everything from training staff to measuring infection prevalence before and after deworming. It is a remarkably cheap intervention, and is a favorite policy of many economists.

And who pays for deworming? Much of the money comes from foundations, individual donors, government spending, and other philanthropic sources. Some of these funds are raised by activist organizations like END7, a nonprofit that establishes chapters at universities across the U.S. (including Northeastern). Little to no funding comes from revenue generated by deworming, since deworming programs rarely if ever charge the poor for services rendered.

How do people get infected? Many worms have unique strategies for infecting hosts, but the most prevalent parasites start by laying their eggs in human waste. In developing countries, people (especially children) often deposit their waste out in the open, and from there, the eggs seep into drinking water. The parasites restart their life cycle by hatching in the stomachs of the humans who drink the infected water.

Many people who have studied
the parasitic worms’ life cycle have spotted the opportunity: if human waste can be diverted from open spaces, all the eggs will be diverted too, preventing them from infecting more hosts. In fact, waste management is the primary reason why parasitic worm infection rates are so much lower in developed countries.¹

This is where earthworms come in. Earthworms can be used to compost the diverted human waste, transforming it from a parasite-carrying time bomb into a soil-strengthening fertilizer. And the best part? Fertilizer and excess earthworms can be sold, making this deworming program a fount of profit rather than a constant cost. Researchers on the frontier of earthworm and soil science are engineering the whole process—from waste collection all the way to fertilizer application—to maximize efficiency and safety while minimizing up-front investment.

I can confirm that at least one social entrepreneur is planning to turn that research into action.

With their binary debate, economists, scientists, and public health officials have built a box around the problem at the core of the Worm Wars. According to them, we have two options: maintain or reduce public funding for conventional deworming programs.

But if instead we invest in earthworm-based sanitation to supplement and improve conventional deworming, we might end up with healthier people, healthier soil, healthier economies, and plenty of excess funds to turn toward other public health problems, all in a short number of years.

REFERENCES
A DAY IN THE LIFE OF A SAUDI ARABIAN SOCIAL ENTREPRENEUR

By Miranda Beggin

To most people in the Social Enterprise space, the Middle East is not known for social innovation. Rather, it is continuously labeled as slow, stagnant, and inflexible - not exactly qualities that foster innovative and entrepreneurship. Saudi Arabia, especially, is known for its conservative, collectivist culture and fear of change. Most Saudi Arabians are discouraged from starting their own businesses due to both cultural and regulatory factors. Inflexible legal frameworks, such as limited business license classification, and large capital requirements, are only a few of the barriers. Although regulatory conditions have improved in recent years, a widespread fear of failure and hesitancy towards the new and different have proved to be culturally ingrained challenges. According to the Global Entrepreneurship Monitor (GEM), Saudi Arabia’s percent of Total Early-Stage Entrepreneurial Activity (TEA) is 9.4%, nearly twice what it was in 2009.¹

Despite these barriers, there is a strong culture of volunteerism throughout the Arab world, especially among youth who are involved in community-led activism and philanthropic charities, which points to the strong potential for social enterprise in the region.² According to an online survey carried out by Bayt.com—the MENA region's largest site for job seekers—and YouGov Siraj, with more than 12,000 residents in 18 Arab countries, 58% of people who wanted to start an NGO in Saudi Arabia were unable to do so due to regulatory constraints.³ While some change has already started to occur, transforming the region into a powerful hub of critical thinkers and strong leaders who challenge the status quo, and youth who are encouraged to take stake in their own futures and families, has been challenging.

There is, however, a growing number of innovators throughout the region who are challenging the status quo and working to develop a new generation of leaders in the entrepreneurship space. Lulwa Al-Soudairy, a graduate of the U.S.-Saudi Women’s Forum on
Social Entrepreneurship sponsored by Babson College, co-founded Artistia.com, an online marketplace to buy and sell goods on an e-commerce platform. Artistia empowers Saudi Arabian artisans to sell their creations and encourages local production, something that is sorely lacking in Saudi Arabia, as most Saudi Arabians purchase their products from multinational name brands.4

I met with Lulwa, who is currently based in Boston, to talk to her about her experience with social enterprise in Saudi Arabia. Lulwa first heard about social enterprise while getting her undergraduate degree at Dar Al-Hekma, a private women’s college in Jeddah. As one of 30 students selected to take part in the U.S.-Saudi Women’s Forum on Social Entrepreneurship sponsored by Babson College, Lulwa and her peers took a crash course in social entrepreneurship and received resources to help them start projects to be implemented when they returned to Saudi Arabia.

From her time in the forum, Lulwa developed a program called Reading Nation that refurbished old vending machines and transformed them into book vending machines with the purpose of encouraging reading and an interest in literature within Saudi Arabia. Although Reading Nation still exists, she chose to return to the United States to get her MBA in Entrepreneurship and take advantage of the resources that exist in a thriving entrepreneurship ecosystem like Boston. Lulwa wanted to have greater access to expertise and mentorship and to help her start a business. Her most recent venture, Artistia, was launched while Lulwa was completing her MBA at Babson College.

As a Saudi Arabian entrepreneur, she has faced a number of challenges, many of which stem from a culture skeptical of new technologies, such as online marketplaces, and an economy that is largely cash-based. The “culture of entrepreneurship is also not well understood,” says Lulwa, as people do not understand why someone might leave the security of a stable job to start a small business. As a result, the “culture is not supportive” of entrepreneurs, and that is something Lulwa is trying to change with entrepreneurship education at universities in Saudi Arabia.

In addition to the cultural barriers that Lulwa has faced, she identified a number of regulatory problems within the Saudi Arabian legal structure that make it difficult for entrepreneurs to succeed. For example, when trying to incorporate Artistia, Lulwa found that Saudi Arabia does not give licenses to e-commerce businesses. As a result, despite having no need for a physical store location, Lulwa must keep a physical space in Saudi Arabia for her business. This is just one example of what Lulwa refers to as a legal system that “isn’t supporting young people who are trying to do new and different things”.

According to Lulwa, the existing entrepreneurship infrastructure, such as incubators and mentorship programs, doesn’t push entrepreneurs to disrupt the status quo and truly innovate. Creativity is lacking, says Lulwa. She’s seen far too many cupcake shops come through these incubators to believe these programs are truly fostering innovation.

Lulwa is hopeful that the attitude towards entrepreneurship is changing, albeit slowly. Lulwa is currently working with Babson to create a university-level entrepreneurship and business program at a school in Saudi Arabia that will foster innovation through critical thinking, discussion-based coursework, and mentorship. Building a country of innovative problem-solvers is a formidable task on its own, but Lulwa believes the educational shifts within institutions of higher education in Saudi Arabia are the first step in developing a strong entrepreneurial ecosystem, one in which the philanthropic motivations of Saudi Arabian people can be utilized to foster innovative and sustainable social change through entrepreneurship.

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“The EDUCATIONAL SHIFTS WITHIN INSTITUTIONS OF HIGHER EDUCATION IN SAUDI ARABIA ARE THE FIRST STEP IN DEVELOPING A STRONG ENTREPRENEURIAL ECOSYSTEM”
A FACELIFT FOR SILICON VALLEY’S TECH GIANTS

By Kim Izar

The tech industry in Silicon Valley has been the birthplace of many innovative solutions to the world’s most complex issues, and it has only continued to grow. This tech boom has reaped a long list of benefits for tech giants like Apple and Google, whose corporate headquarters lie in Silicon Valley, the heart of California’s tech hub. However, the industry’s progressive image fails in regards to employee diversity and hiring practices. To address this, social enterprises have emerged in cities with a large tech presence to push forward an industry where people of all backgrounds can be equally represented.

It is difficult to ignore the blatant lack of racial diversity when the numbers speak for themselves. Twitter, for example, employs almost 3,000 total workers, but only 4% identify as Black or Hispanic in comparison to the 60% who identify as White. In Twitter’s 37 executive and senior level leadership positions, there are also no Black or Hispanic employees. These demographics are not unique to Twitter, as large tech and innovation sector corporations such as Google, Apple, and Amazon also employ <5% of Black or Hispanic employees in leadership roles.

FOR WOMEN OF COLOR, THE GAP IS EVEN WIDER.

Recently, Twitter has set a goal of increasing female hires by 35%, as women currently make up only 28% of their workforce. What is more disheartening is that Twitter’s employment of Black and Hispanic women as of 2014 stood at less than 2%. Even in more established corporations, there is a significant lack of diversity for women of color, with no Black or Hispanic female employees in executive or senior level positions at Google or Microsoft. Despite a large number of tech corporations pushing out diversity pledges, their workforce demographics have seen little progress. So where is the disconnect? At a quick glance, many assume there is just a lack of jobs. Yet it is estimated there will be 1.4 million new tech jobs by 2020.

IN FACT, THE OPPORTUNITY GAP BEGINS WITH EDUCATION.

In 2015, the College Board’s Program Results revealed that White and Asian SAT takers were 3 times better at meeting the SAT College and Career Readiness Benchmark than African American SAT takers. These results should not be surprising after looking closely at schools in primarily Black or Hispanic neighborhoods, as these schools are too often under-resourced in science-, math-, or tech-related resources to prepare their students for 21st century high-tech jobs. As a result, these youth are significantly disadvantaged, leaving them with a “perspective problem,” where they are unable to see themselves in technical leadership roles.

Because of significant barriers for Black and Hispanic youth in the tech and innovation sectors, social entrepreneurship has been leveraged to even the playing field. Social enterprises such as Black Girls CODE, CODE2040, and #YesWeCode have implemented local and national programs to attract, introduce, and train disadvantaged youth in technical and business skills such as basic coding, job-training, and online marketing.

Led by tech influencer Van Jones, #YesWeCode is a non-profit initiative that connects “tech and social justice leaders to spearhead revolutionary tech programs, whose benefits extend to the most disadvantaged of society.” The organization does this by training low-opportunity youth with computer coding skills to help them thrive in today’s tech workforce, and partnering with both private and public sector organizations to offer critical scholarships to underserved minorities.

Black Girls CODE (BGC), headquartered in San Francisco, is also tackling the lack of female and minority representation in the tech industry. Established in 2011, BGC focuses on increasing the number of girls of color in the tech and innovation sector by exposing girls of color to computer science and technology subjects from a young age. Since its launch, BGC has held workshops across the country in major cities such as New York City, Atlanta, and Washington, D.C., addressing the perspective problem facing Black and Hispanic youth at the young age of 7-17.

While tech giants try to avoid negative press by announcing inclusive diversity pledges, many social enterprises have taken the opportunity to be the change agents that are tackling these issues.

WHY THE URGENCY?

According to the U.S. Census Bureau, the United States will be a majority-minority country by 2044, meaning more than half of all Americans will belong to a minority group. This indicates significant opportunities for big businesses
looking to leverage consumer purchasing dollars. This demographic shift is already taking place in large metro areas, where Non-Whites & Hispanics account for 98% of population growth.

With this shift towards greater diversity, it is imperative that big businesses adjust their workforce demographics to reflect this forecast. Recent studies have shown that companies that promote racial and ethnic diversity are 35% more likely to have financial returns above the respective industry averages. As the tech sector experiences rapid growth, start-ups and established companies need to break their reliance on primarily white, male leadership and hire minorities who have been extremely underrepresented. A more inclusive workforce results in new opportunities that come from diverse skill sets, viewpoints, or networks, and can contribute to the overall organizational growth.

While most social enterprises addressing this issue are relatively young organizations, they are already making a big impact. At CODE2040, a nonprofit that places Black and Latino/a youth in internships with top tech companies, approximately 89% of its summer fellows received return offers following their internship, while Black Girls CODE has reached more than 3,000 girls of color from underserved communities. Despite this progress, there is still much work to be done. How tech organizations attract, hire, and retain Black and Hispanic employees will need to be revisited, as increasing STEM education access to low-opportunity youth is equally, if not more, urgent.

Technology has already facilitated a deeply interconnected society with the power to unlock opportunities for neglected individuals to participate in the global economy. However, in order for the technology industry to reach its full potential, the opportunity gap must first be closed by a diverse generation of tech leaders.

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In the current political climate, many complain that the government is wasting precious taxpayer dollars while others advocate that the government should be doing more. Social Impact Bonds (SIBs) provide a flexible financial framework that can be used to target contemporary issues without the risk of wasteful government spending. SIBs are not like the traditional municipal bond with a fixed rate and term, and are contracts between government agencies, private investors, intermediary organizations, and service providers (unlike a traditional socially-motivated grant). This works when public-sector agencies determine a measurable goal impacting a target population to occur within a set period of time. The agency then pledges financial returns to impact investors, recognizing that these returns will only be paid out if the desired outcome is achieved. This is commonly known as a “pay-for-success” contract. Impact investors provide capital to the intermediary organization, which in turn provides service providers with working capital and management. These providers deliver services to the target beneficiaries, and the financial return is determined by an external evaluator, who rigorously evaluates the impact on the target population.

SIBs have thus far only been piloted in the US, the UK, Australia, Canada, Ireland and most recently, Israel. The first SIB was launched in the UK in August 2010, targeting prisoner recidivism in Her Majesty’s Prison Peterborough. The Peterborough SIB, as it became known, was designed to close the gap in voluntary services provided to offenders serving less than a year, a previously underserved population. The results of the Peterborough SIB were positive, but ultimately inconclusive, as the UK Ministry of Justice announced the Transforming Rehabilitation program in January 2013. This new program subjected offenders serving less than one year to “mandatory supervision and tailored rehabilitation on release from prison,” thereby rendering the Peterborough SIB unnecessary.^1

The first SIB in the United States was financed in 2012 by Goldman Sachs, which invested in a New York City project at Rikers Island to decrease prisoner recidivism by...
10 percent. Bloomberg Philanthropies provided a loss-guarantee of 6 million on Goldman’s $7.2 million investment, thereby transferring the risk to private investors instead of taxpayers. This SIB, however, has been largely criticized, as the initial operator of the prison intervention was MDRC, a policy research non-profit with no prior history of operation at the Riker’s Island prison MDRC contracted the Osborne Association to offer Cognitive Behavior Therapy, rather than offer a job placement program. The NYC SIB failed to reach its initial target, decreasing recidivism by only 8.3 percent instead of the targeted 10 percent.  

In August 2013, the first SIB that focused on early childhood education was launched. As a result, children in Utah flagged as potentially needing special education services in the future were provided high-quality preschool education. To fund this, The Pritzker Family Foundation invested $2.4 million along with $4.6 million from Goldman. Unlike the Riker’s SIB, the results were deemed a success, because only one student required special education services after the intervention – even though the program lasted one year and only included a mere 110 students. Goldman Sachs will receive an annual return of about 5 to 7 percent if the program continues to succeed, but will not be paid if it fails.

The main reason the Utah SIB was successful is that it funded an existing program that had already been tested at other preschools in Salt Lake County. The key difference between the Utah SIB and that at Rikers Island was that it scaled a project with a proven track record of success rather than fund a new program.

While SIBs have only been piloted in developed countries, Development Impact Bonds (DIBs) are their theoretical counterparts in developing countries. DIBs present a potential opportunity to utilize impact investments on a global scale, despite the inability of governments to guarantee financial returns on investment. This gap in funding would be accounted for by private donors, development agencies or charitable foundations instead of government agencies. In new investment instruments like SIBs, private investors typically provide the upfront capital; however, international aid agencies or philanthropies are more likely to provide the capital initially for potential DIBs.

There are several legal challenges to integrating traditional philanthropies based in the United States in the structure of investing in DIBs abroad. An impact investment is usually classified under US tax codes as a program-related investment (PRI). To be legally considered a PRI, the investment must meet three criteria: that the PRI furthers the purpose of the foundation, that its main purpose is not to generate financial returns, and that it does not influence legislation or political campaigns. If the DIB met these criteria, it would allow philanthropies to count their impact investment towards the 5 percent minimum requirement of their assets that they must distribute to maintain their legal status.

To make an investment in a DIB, foundations would provide capital to the intermediary to distribute to social enterprises that align with the mission of the foundation and are not politically aligned. If the predetermined, measurable outcome were achieved, the foundation would receive back its initial investment, but would not achieve additional market-rate returns. In the future, with a given track record of success, private investors would take over the role of the philanthropies and provide the capital for DIBs as they have for SIBs, and the successful interventions by service providers would be taken over by the government agencies involved in the DIB.

As SIBs continue to build a successful track record going forward, private investors could take over the current role of philanthropies and provide the capital for DIBs as they have for SIBs. The ultimate end goal would be that successful programs previously undertaken by service providers in the pay-for-success model would eventually be taken over by government agencies themselves. SIBs are revolutionary because they allow for private investors to bear the burden of risk of innovative interventions, rather than taxpayers. It allows for governments to be more flexible and adaptable to test how programs could be expanded, without needing upfront monetary and political capital.

References

What is the Social Enterprise Institute and how do I get involved?

The Social Enterprise Institute (SEI) is the academic hub for social entrepreneurship and social innovation in the D’Amore-McKim School of Business. Founded by Professor Dennis Shaugnessy with a focus on hands-on student engagement in global and local communities to address difficult social problems through business-driven solutions.

Contact us at seii@neu.edu to get involved.
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