

Textbook Exercise

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Seminar 2

Nyack College

4/24/22

1. Does the for-profit avenue chosen by Eileen O'Brian make sense for Grassroots Business Initiatives, Inc.?

I believe it does make sense. She was wise to continue to consider the PESTLE analysis and how it could impact her business. She saw that there were major changes coming in the political hemisphere that would drastically impact the company's cash inflow. In order to continue the work the way the company needed to, they could not focus on the added fundraising they would need to do if they did not take the for-profit route. After reading the reason for why this company started it would make sense to take the route that allows the company to continue providing the community development objectives the company was founded on.

2. When is it Ok to forgo economic profit in order to increase social returns? How can social returns be measured? Can social and environmental benefits be given a monetary value?

Everything should come back to why the company was founded. If the company cannot follow through with its mission without the economic profit, then this should be a top priority. In addition, if making money attributes positively to the company at large, and its outcomes, then it is okay to forgo economic profit.

Social return can be measured by calculating the social return on investment. Essentially, a company is trying to measure how a company creates value for the community. Factors that go into this include, social, economic and environmental. A company looks at the progress of different developments and what impact they have to measure social success.

Social and environmental benefits can be given a monetary value when customers, stakeholders, or investors are added to the company as a result of decisions made in this regard. While that can be difficult to measure at times, this is added value overall.

3. What is the upside for Michelle Foster if NCV succeeds? What are the professional risk she faces?

If NCV succeeds, Michelle Foster would be seen as a trailblazer in her field because this would prove that venture capital investments could survive in underserved markets and make a return. It is possible that with this type of success she could have any pick of jobs she was interested in.

Professional risks associated with this move include taking a salary that is less than half what she was previously making. Additionally, if this venture failed there could be serious ramifications to her career. Her judgement of risk could come into question, which is a game changer in her line of work. Another risk is the potential that her new boss may not understand how her profession typically works because she is used to the non-for-profit world.

4. How should Foster position herself and her team prior to raising a follow-on fund?
Before moving forward Foster should lay the ground rules between her and her boss. Whether this is O'Brian or a new boss, Foster should put together a thorough plan for

how she operates with her team. This document should lay out boundaries, and also explain the success the team has found in the recent past operating this way.

Additionally, Foster should continue to build relationships within this new hemisphere. It is clear that she has the experience and expertise on the venture capitalist side. She could gain major credibility from her boss and colleagues should she grow relationships within the communities this new company is currently working in. This could in turn provide more support for her fundraising portion of her job as the work now has a story behind it.