

Northwest Community Ventures Fund case

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Introduction

Northwest Community Ventures (NCV), a for-profit equity fund with a socially charitable goal, had Michelle Foster as its General Partner. Michelle's group relied on networking opportunities like luncheons to reach out to rural entrepreneurs who operated outside the realm of traditional venture capital to attract their business and establish trust as part of its mission to invest in rural areas in Oregon and Washington State. Just over eight years remained in NCV's ten-year charter at the beginning of 2005, but Michelle was already considering how to best position herself for year three's follow-on fundraising. She would start looking for investors well before the performance information needed for her current initiative was available, as with any startup fund. If better returns were available elsewhere with lower risk, she wondered if institutional investors would be drawn to the fund's distinctive style of socially responsible venture capital.

Northwest Community Ventures Fund case

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

O'Brien founded a non-profit parent organization, but she also has a ton of business management experience. She managed assets, and she had a highly accurate way of sensing when a change was coming. Working with the government for funding can be less restricted as it relates to business operations. Therefore, it would make sense because of her O'Brien background.

When is it OK to forgo economic profit to increase social returns? How can social returns be measured? Can social and environmental benefits be given a monetary value?

If there is a conflict between values and economic profit. I'll give an example from my own life. I put my family before money. I opted to stay close to my family instead of playing basketball professionally abroad. After years of devoting my family time to basketball, I didn't want to lose much of it. However, staying near to my family to attend school provided me with a social return as opposed to moving abroad to increase my income. The degree of satisfaction you have when you integrate your social/moral values with your regular work ethic can be used to evaluate social return, which is more ephemeral. The social and environmental returns simply cannot be compared to money.

What is the upside for Michelle Foster if NCV succeeds? What are the professional risks she faces?

The upside for Michelle Foster's success, if the NCV succeeds, is an opportunity to prove that venture capital investment when placed within well-underserved markets could have a

Northwest Community Ventures Fund case

real difference and realize a good return. It could open a lot of doors to a whole new class of rural investment vehicles targeting communities that would not otherwise have an opportunity.

How should Foster position herself and her team before raising a follow-on fund?

She thought Foster should split out from GBI because it would produce good results. She would be in a better position to manage the economic development and vision if she had the flexibility to craft and replicate the model. Finding a model that will make rural businesses more successful is the only way to do this. If that is done, investing in rural companies will be more profitable for investors from the outside.

Conclusion

The case study of the Northwest Community Ventures Fund emphasizes the significance of social-led efforts, collaborative working together, and efficient evaluation and measurement in building and sustaining economic growth in economically disadvantaged places.

Northwest Community Ventures Fund case

References

Spinelli, S., Adams, R., & Timmons, J. A. (2016). *New Venture Creation: Entrepreneurship for the 21st Century*.