

Northwest Community Ventures Fund Case Preparation Questions

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

Yes, the for-profit business model chosen by O'Brien makes sense for Grassroots Business Initiatives, Inc... This business model makes sense because GBI feared it was going to lose government funding. If GBI lost government funding the texts explains "There is no way that private sector donations, along with our lending practices could come close to covering our expenses" (Jr. & Adams Jr., 2016). Going the for-profit avenue allowed GBI to cover all its expenses and focus on their community development objectives.

**2. 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?**

Although it may be okay to forgo economic profit to increase social returns in one's personnel, this is never okay for a business. If a business is continually forgoing economic profit to increase social returns, that business be able to sustain itself. This would be counter intuitive for a business whose objective is to increase social return, because ultimately, they can only increase social return if they are in business. Firms can measure the social return by analyzing the social return achieved against the targeted social return. Social and environmental benefits can be given monetary value, but it is extremely subjective. One way to give social return an economic value is by analyzing the cost to achieve the return.

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

The upside for Foster if NCV succeeded was “an excellent opportunity to prove that venture capital investments could realize a return and make a real difference in underserved markets” (Jr. & Adams Jr., 2016). As for the risk she was looking at a 50% reduction in pay with much more responsibility and being one of the only executives with venture investment experience.

**4. How should Foster position herself and her team prior to raising a follow-on fund?**

Prior to raising follow on fund Foster should position herself and her team away from GBI. This is necessary so that Foster can have the freedom to reshape the CDVC model. Doing this would allow foster to change the perception that CDVC’s are more concerned about social return then market return. Fosteer believed that if she could prove that the objective of serving underserved communities could be an advantage.

Jr., S. S., & Adams Jr., R. J. (2016). *New Venture Creation Entrepreneurship For The 21st Century*. McGraw-Hill Education.