Columbia Business School

INVESTING IN SOCIAL VENTURES (B8767)

Fall 2021

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All course readings and cases are posted on Canvas, and all course announcements are made through Canvas. Students should regularly check Canvas for announcements and course materials.

COURSE DESCRIPTION

This half semester course provides students interested in impact investing with the opportunity to perform due diligence on early-stage social ventures (nonprofit and for-profit ventures with a social or environmental mission). Students are placed in teams to evaluate social entrepreneurs who have applied for funding from the Tamer Fund for Social Ventures, completing detailed due diligence on the applicant team, the social venture and the sector. The course concludes with every student team submitting a written due diligence report and a recommendation for funding to the Investment Board of the Tamer Fund for Social Ventures.

For Fall 2021, Investing in Social Ventures will be in-person, with some virtual elements. In the due diligence process, students can individually decide to meet with their due diligence team, and their assigned social venture, virtually or in-person.

This course is designed to teach students how to perform due diligence on early-stage social ventures, including for-profit and nonprofit ventures. The course is composed of six modules:

1. *Due Diligence* – understanding the process that impact investors use when evaluating early-stage social ventures, building on the experience of traditional seed stage venture capitalists and angel investors.
2. *Applicant Presentations* – social ventures that have applied to the Tamer Social Venture Fund will make short presentations to the due diligence teams, followed by meetings with their assigned student teams.
3. *Due Diligence: Emerging Markets* – identifying and managing the challenges faced by early-stage investors in social ventures based in developing countries.

4. *Due Diligence: Nonprofits* – understanding how leading philanthropists conduct due diligence on nonprofit organizations under consideration for grant funding.
5. *Measuring Impact* – evaluating the tools used by impact investors and philanthropists to measure the effectiveness of social ventures.
6. *Valuations and Deal Structure* – understanding how investments in early-stage social ventures are valued and optimally structured by impact investors.

COURSE OBJECTIVES

This course is designed for MBA students interested in impact investing, social entrepreneurship, or philanthropy. The objective of the course is for students to learn both the theory of investing in early-stage social ventures and the practice of evaluating early-stage social ventures through a due diligence process. This course is not designed for the evaluation of larger, well-established social enterprises.

Note that students may find that the social venture assigned to their team is difficult to communicate with, provides incomplete information, and/or appears unlikely to succeed. While these situations are not ideal, they represent the reality of investing in early-stage social ventures and students should be prepared to manage these challenges, recognizing that they provide a valuable learning experience.

REQUIRED COURSE MATERIAL

Investing in Social Ventures utilizes the following cases, articles and background readings:

Session 1: Due Diligence

- How Venture Capitalists Evaluate Potential Venture Opportunities
- Kheyti (India): Executive Summary

Session 2: Venture Presentations

- How Venture Capitalists Really Assess a Pitch
- The Comprehensive Case for Investing More VC Money in Women-Led Startups
- A VC's Guide to Investing in Black Founders

Session 3: Due Diligence: Emerging Markets

- Making Social Ventures Work
- SunCulture: The Opportunity and Challenge of Investing in Kenya

Session 4: Due Diligence: Non-Profits

- Ten Nonprofit Funding Models
- Highlights of IRS Form 990

Session 5: Measuring Impact

- Background Note: Managing and Measuring Impact
- Calculated Impact

Session 6: Valuations and Deal Structure

- Venture Capital Term Sheets
- Acumen Fund and Embrace: From the Leading Edge of Social Venture Investing

REQUIRED PREREQUISITES AND CONNECTION TO THE CORE

Note that there is some overlap between this course and the High Performing Nonprofits course (B8545). Also, note that students may not, in the same semester, register in this course and participate as a member of a social venture team applying for funding from the Tamer Fund for Social Ventures.

This course requires the standard pre/co-requisites for elective finance courses:

Prerequisite(s): B6300 Corporate Finance

Corequisite(s): B8306 Capital Markets & Investments

The learning in this course will utilize, build on and extend concepts covered in the following core courses:

Core Course	**Connection with Core**
LEAD	○ Negotiating effectively
Corporate Finance	○ Time value of money ○ Free cash flow
Strategy Formulation	○ Cost Leadership ○ Differentiation ○ Competitor analysis ○ Implementation
Marketing	○ Customer lifetime value ○ Segmentation and targeting ○ Distribution channels

Students will be expected to have mastered these concepts and be able to apply them in the course.

ASSIGNMENTS

Students are placed in teams of three to four (students have the option of selecting their own team or being randomly assigned to a team). Each team is responsible for completing (i) a weekly tracking sheet on their due diligence process, (ii) a final due diligence report of five pages plus exhibits, and (iii) a two-page report with constructive feedback and recommendations for their social venture. Students are also required to individually assess three pitches made by social venture teams.

METHOD OF EVALUATION

This course utilizes readings, cases and guest speakers. The guest speakers provide an opportunity for students to hear from industry specialists. This course requires active class participation, and students' grades are dependent on the quality of class discussion.

Grades are based on class participation, a written evaluation of three social venture pitches, weekly completion of the due diligence tracking sheet, the final due diligence report, and the feedback report provided to the social ventures. The final due diligence report is a five-page report plus exhibits, evaluating the social venture as a candidate for funding from the Tamer Fund for Social Ventures. Each team is also required to provide their assigned social venture with a two-page summary of feedback and recommendations based upon their due diligence report.

Students' grades in the course are based on the following metrics:

Class participation (Individual)	20%
Pitch evaluation (Individual)	20%
Due Diligence Tracking Sheet (Type A – group/group)	10%
Final Due Diligence Report (Type A – group/group)	40%
Feedback and Recommendations to the Social Venture (Type A – group/group)	10%

At the end of the course, each team member has the option of completing a confidential poll indicating the percentage that each member contributed to the due diligence process and the two written team reports. Results of the poll can affect student grades in the course.

ATTENDANCE POLICY

Students are required to attend each class – class attendance and participation will be recorded. Students should reach out to the instructor and the TA regarding excused absences (for religious observances; personal, medical, and family emergencies; military service; court appearances such as jury duty). Unexcused absences will affect your class participation grade and your overall course grade.

- Students that miss more than 33% of their classes (unexcused absences) will at most receive a P for the course grade.
- Students that miss more than 50% of their classes (unexcused absences) will receive an F for the course grade.

CLASSROOM NORMS AND EXPECTATIONS

Students are expected to adhere to CBS Core Culture in this course by being Present, Prepared, and Participating. Students are required to prepare for each class by reading and analyzing the assigned readings and cases. Students are expected to add thoughtful analysis to each class discussion. Several classes will include a guest speaker, and students are expected to engage guest speakers with questions and comments.

INCLUSION, ACCOMODATIONS, AND SUPPORT FOR STUDENTS

Columbia Business School will make reasonable accommodations for persons with documented disabilities. Students are encouraged to contact the Columbia University's Office of Disability Services for information about registration. Students seeking accommodation in the classroom may obtain information on the services offered by Columbia University's Office of Disability Services online at www.health.columbia.edu/docs/services/ods/index.html or by contacting (212) 854-2388.

Columbia Business School is committed to maintaining a safe environment for students, staff and faculty. Because of this commitment and because of federal and state regulations, we must advise you that if you tell any of your instructors about sexual harassment or gender-based misconduct involving a member of the campus community, your instructor is required to report this information to a Title IX Coordinator. They will treat this information as private, but will need to follow up with you and possibly look into the matter. Counseling and Psychological Services, the Office of the University Chaplain, and the Ombuds Office for Gender-Based Misconduct are confidential resources available for students, staff and faculty. "Gender-based misconduct" includes sexual assault, stalking, sexual harassment, dating violence, domestic violence, sexual exploitation, and gender-based harassment. For more information, see http://sexualrespect.columbia.edu/gender-based-misconduct-policy-students.