

B8767 INVESTING IN SOCIAL VENTURES

Fall 2023 (1.5 Credits)

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Communications from professor and teaching assistants about the course will take place through Canvas. Students should make sure they regularly check for announcements and messaging notifications.

TEACHING TEAM



Bruce Usher



Vikas Raj

COURSE DESCRIPTION

This half semester course provides students with the opportunity to perform due diligence on early-stage social ventures (nonprofit and for-profit ventures with a social or environmental mission). 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.

Students are placed in teams to evaluate social entrepreneurs from the Columbia University community who have applied for funding from the [Tamer Fund for Social Ventures](#). The course is a combination of in-class lectures and discussion, and practical application of class lessons outside of the classroom. Major topics covered include: the due diligence process, assessing venture pitches and teams, due diligence in emerging markets, due diligence of non-profits, impact measurement and management, and valuation and deal structure.

During the course, each student team completes detailed due diligence on their assigned social venture, including diligence on applicants, the social venture and the sector. The course concludes with student teams submitting a written due diligence report and a recommendation for funding to the Investment Board of the Tamer Fund for Social Ventures.

PRE & COREQUISITE COURSES

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

STUDENT LEARNING OUTCOMES

- Analyze the underlying economic and impact potential of a social enterprise startup, including unit economics, market size, potential risks, and relevant impact.
- Evaluate the quality and persuasiveness of startup pitches.
- Succinctly and persuasively communicate investment recommendations and feedback to a startup venture.
- Delineate the similarities and differences in the evaluation of domestic versus emerging markets startups, and for-profit versus non-profit startups.
- Compute the valuation of startups and understand the core elements of venture capital deal structure.

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.

CLASSROOM NORMS AND EXPECTATIONS

Core Culture

Students are expected to adhere to [CBS Core Culture](#) in this class by being Present, Prepared, Participating.

Inclusion, Accommodation, and Support for Students

At Columbia Business School we believe diversity strengthens any community or business model and brings it greater success. The School is committed to providing all students with equal opportunity to thrive in the classroom by providing a learning, living, and working environment free from discrimination, harassment, and bias on the basis of gender, sexual orientation, race, ethnicity, socioeconomic status, or ability.

Students with documented disabilities may receive reasonable accommodations. Students are encouraged to contact the Columbia University's Office of Disability Services for [information about registration](#).

Columbia Business School adheres to all community, state, and federal regulations as relate to Title IX and student safety. Read more about CBS' policies to support [Inclusion, Accommodations and Support for Students here](#).

Honor Code and Academic Integrity

The [Columbia Business School Honor Code](#) calls on all members of the School community to adhere to and uphold the notions of truth, integrity, and respect both during their time in school, and throughout their careers as productive, moral, and caring participants in their companies and communities around the world. All students are subject to the

Honor Code for all of their academic work. Failure to comply with the Honor Code may result in [Dean's Discipline](#). Here you can review [examples of Academic Misconduct](#) which may result in discipline.

Course Attendance Policies

Students from all programs should review and be familiar with the [MBA Core attendance policy here](#). Students are required to attend each class – class attendance and participation will be recorded. Students should reach out to the professors and the CA 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, as follows:

- 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.

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 (C: individual)	30%
Pitch evaluation (C: individual)	15%
Due Diligence Tracking Sheet (A: group/group)	5%
Final Due Diligence Report (A: group/group)	40%
Feedback Report (A: group/group)	10%

COURSE ROADMAP/SCHEDULE

Session	Topic(s)	Required Pre-Readings	Assignments Due (Type)
1	Due Diligence	<ul style="list-style-type: none"> How Venture Capitalists Evaluate Potential Venture Opportunities Kheyti – Executive Summary 	
2	Venture Pitches	<ul style="list-style-type: none"> 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 	DD Tracking Sheet (A: group/group)
3	Due Diligence on Non-Profits / Assessing Pitches	<ul style="list-style-type: none"> Ten Nonprofit Funding Models Highlights of IRS Form 990 	Pitch Evaluation (C: individual) DD Tracking Sheet (A: group/group)
4	Due Diligence in Emerging Markets / Deal Selection	<ul style="list-style-type: none"> Making Social Ventures Work SunCulture: The Opportunity and Challenge of Investing in Kenya Urban US 	DD Tracking Sheet (A: group/group)
5	Measuring Impact / Feedback Reports	<ul style="list-style-type: none"> Background Note: Managing and Measuring Impact Calculated Impact 	DD Tracking Sheet (A: group/group)
6	Valuation and Deal Structure	<ul style="list-style-type: none"> Venture Capital Term Sheets Acumen Fund and Embrace: From the Leading Edge of Social Venture Investing 	DD Tracking Sheet (A: group/group)
Final Due Diligence Report (A: group/group) due one week after the final class. Feedback Report (A: group/group) due one week after the final class.			