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Michigan's Social Venture Fund: Founding the Nation's First Student-Run Impact Investing Fund

"Over the past century, researchers have studied business entrepreneurs extensively. In contrast, social entrepreneurs have received little attention. Historically, they have been cast as humanitarians or saints, and stories of their work have been passed down more in the form of children's tales than case studies. While the stories may inspire, they fail to make social entrepreneurs' methods comprehensible. One can analyze an entrepreneur, but how does one analyze a saint?"

David Bornstein

How to Change the World: Social Entrepreneurs and the Power of New Ideas¹

In the fall of 2008, four students from the Stephen M. Ross School of Business (Ross) at the University of Michigan sat in a conference room, looking at a whiteboard that sketched out an unprecedented opportunity in business education. After an in-depth discussion on how to incorporate the feedback they had received from various internal and external stakeholders, their thoughts were the same: *How can we define what we're creating when the industry itself still doesn't know?*

Their plan outlined a student-run venture fund that invested in companies with both social and financial returns. The students had already approached local venture capital (VC) firms and the school administration with their idea and had received mixed feedback. The administration and faculty were supportive but wanted a clearer picture of how the fund would be defined, as well as the additional educational value it would provide to students. No one wanted to say "no," but no one was willing to say "yes," either. Meanwhile, the local VC firms they met with were puzzled: "You want to talk about social good? You realize that the whole country is in the middle of a financial crisis, right? Look at Detroit in your backyard or Michigan; the auto industry is in mass turmoil. This is a nice idea, but if you want to do social good, I think you could help more by focusing on the issues right in front of you. Besides, you have no proof that this investment model is even going to work."

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