

Mission Unaccomplished: Uncovering Venture Capital Barriers to Social Startup Success

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**The Law & Finance of Private
Equity and Venture Capital
Oxford
June 22-23, 2023**

Comments by
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Overview

I love this paper!

1. Thorough analysis of the economics of the venture capital industry
2. Novel methodology exploring the dynamics of social startups and, in particular, the relationship of a startup's social mission to financial performance
3. The conclusion – time-constrained economic pressure causes startups to sacrifice their social mission
4. A range of creative solutions

Broad comments I

The paper provides a useful and detailed analysis of the VC industry

- But is all the detail necessary?
- The key takeaways are the demand for hypergrowth and the time constraints
- Some seeming contradictions – if 95% of VC funds fail, is an expectation of 3x growth realistic?
- Do social startups need to be home runs (and does anyone expect them to be)?
- Is VC capital really that different from any profit-motivated investor?

Broad comments II

Creative and engaging methodology (and Emilie defends it well)

The Pantry Mate example provides concrete evidence of the potential tradeoff between social and financial performance

This is a real contribution

But is this tradeoff inevitable?

Emilie says no – see Buffer

Problems with this conclusion

- Buffer makes money – most early-stage startups don't
- Pantry Mate's social mission is pretty broad (and Phillip Morris has a head of sustainability)
- Couldn't a startup that makes solar panels or a carbon capture device have a scalable social mission?
- The plural of anecdote isn't evidence

Proposed Solutions

1. Regulate the term “impact investor”

- The illogic of regulating names
- Heavy constraints on what counts as impact
- Do you want to make impact investing harder?

2. “Market” solutions

- Revise VC compensation
- Create new investment model for social startups

How should we finance social impact?

Social impact firms and investors seek to marry social impact with financial performance

Emilie's work questions whether that is viable

Alternative financial solutions exist – social enterprise firms, nonprofits, foundations, government support, but

These approaches segment social impact from for-profit business

- This reduces the role of social performance in ordinary business decisions and
- Reduces the capital available for social impact

Conclusion

Timely and interesting article, which tackles an important topics and raises hard questions

Lots of terrific research

Perhaps more thought both to justifying the proposed interventions and evaluating their potential consequences