

IMPACT INVESTING

We're Not There Yet But ...

By Rebecca Patrick

EDITOR'S NOTE: Fourth in a series on corporate social responsibility.



Launch Fishers and similar co-working spaces are at the crossroads of impact investing.

The reaction to the exercise doesn't surprise Dora Lutz anymore; it fascinates her and inspires hope.

When she speaks before a Purdue University class on corporate social responsibility, the students are split into two groups and given a task. One side argues that businesses exist to only maximize shareholder value and the other stresses that businesses must also focus on the social good.

"The first group really has a hard time justifying that stance. It's just how they see the world," shares Lutz, who is the founder and president at GivingSpring in Indianapolis, which specializes in corporate philanthropic consulting.

And millennials aren't the only ones who share that outlook.

In recent years, various groups throughout the country have promoted the concept of impact investing – a phrase coined by the Rockefeller Foundation almost a decade ago – which is now starting to get more universal attention and traction.

"Impact investing is where the social good is part of the calculus above and beyond just pure financial investing (looking for a monetary return)," offers John Wechsler, founder/CEO of Launch Fishers – a business incubator that fosters innovation and further economic development in Hamilton County.

What's happening ... or not

The reality, however – especially outside of the coasts – is that impact investing is still very much in the fledgling phase.

Ann Wilson is a social entrepreneurship specialist based in Indianapolis and founder of the Impact Venture Center. She believes the awareness level is simply too low at this point for most Hoosier investors to take note.

"I don't think they even understand the potential for impact investing, which is immense within the Midwest and Indiana. The potential is so untapped right now," she states.

Elaine Bedel, president and CEO of Bedel Financial Consulting of Indianapolis, concurs that investors aren't really connecting the dots yet.

"At this point, I have not seen a lot of people come into our office saying, 'I heard about impact investing and want my portfolio to be all impact investing.' I think from that perspective it hasn't caught on much with the general public."

Lutz reports some activity from the start-up side of the equation – those who need assistance in highlighting their social responsibility to investors.

"The clients I see are usually about 75% of the way there, but they are not really

positioning themselves in that manner. They are leading more with technology instead of the social impact component. Whereas changing that message allows them to be able to open up for impact investment, plus have a social impact," Lutz describes.

Bedel believes that besides the likes of business icons such as pharmaceutical giant Eli Lilly and Company – which routinely gives not only to its home state but also the world – it's the smaller privately-held companies that are the ones to watch. The reason: They have less pressure than a publicly-traded company with a primary duty to satisfy stockholders and cushion the bottom line.

Wechsler questions if people really understand the parameters of impact investing.

"It could be investing in hard-hit areas or with classes of citizens who have been historically disadvantaged. ... To me, that is the kind of thing that's going to need to happen over a sustained effort to continue to make the area as great as it can be."

Yet Indiana is the norm, not the exception. "Everyone is struggling with impact investing," Wilson asserts. "For a while I had a close communication with an organization called Echoing Green; they are headquartered in New York and are a

worldwide well-known, well-established hub for social entrepreneurs. Even they have had trouble getting impact investors interested.

“It’s frustrating certainly for the field of social entrepreneurs, just like it’s frustrating for early stage regular start-ups as well. But that’s where we are and we aren’t alone.”

Being a good citizen

Launch Fishers is in the unique situation of both assisting start-ups, weaving in the social responsibility and being a beneficiary of impact investing.



Dora Lutz, engaging in a dialogue on shared value initiatives at the National FFA headquarters in Indianapolis, says impact investing is a long-term endeavor.

“Organizations like Barnes & Thornburg, Katz, Sapper & Miller, Duke Energy and AT&T invest in us because of the programming we are putting in place for innovators and entrepreneurs,” Wechsler begins.

“They see the good we are doing. Part of that is more as a good course of doing business than just pure philanthropy, even though we are a 501(c)(3).”

Bedel recalls a time when companies were doing impact investing almost automatically.

“This truly is the way companies used to be. When you were a major company in a community, you were concerned about your community. You did things for your employees but also for the community at-large. You were careful not to damage the environment in your geographical area if you were in manufacturing. Companies just had a real conscience,” she explains.

“It seems that this movement is trying to push companies back to that, because we’ve really gone through several decades where the focus was to maximize profits at the expense of everything else. That means pay your employees as little as possible, don’t do anything for the community, who cares what you do to the environment; everything was done for the bottom line profit,” she declares.

“Companies have come around to say there is a bigger picture than this. Profit is just one piece of it. We also have to be good citizens. The companies that are now impact investing companies are truly going back to ‘let’s take care of the area we are in,’ instead of sacrifice everything for more profit.”

What the future holds

There is optimism that impact investing will ultimately take hold

in Indiana, but it’s not going to happen overnight.

Lutz recently returned from a trip to Silicon Valley and had the chance to meet with a “lot of people” in this space. “I came away with the realization that to have that level of impact investing, that level of social responsibility and engagement, it has honestly been a 20-year movement.

“Still there is so much happening now nationally that 20 years out is too long a time frame,” she states. “We’re going to have to figure out how to get the investment dollars here. Whether they come from the coasts or they come from investors in Indiana, it’s something that we need to have. And it’s an exciting time to start the conversation.”



Having more impact investor examples to point to would go a long way.

“If they do well in the community and are profitable, that will bring more investors to them and more companies will see that as a better model to work under. That’s where we used to be and where I hope we get back to,” Bedel notes.

Also look for millennials to help move this forward.

“Most of them are in early career stages; the oldest millennial is 35-36. They aren’t as forceful in the investment area because they don’t have that much money. As they accumulate more assets – and if they hold true to the fact that, ‘I don’t want to invest in companies who aren’t having a positive impact’ – I think that will change the investing world a little bit,” Bedel envisions.

Wilson predicts the Midwest is where impact investing will break through.

“People here are very passionate and they have been real drivers for positive change for lots of non-profits, and that same mindset can create for-profit social enterprises. Lots of ingenuity here. Lots of great entrepreneurs in Indiana and throughout the Midwest.”

Adds Lutz, “We have the opportunity to jump on the front end of something emerging. So for me, that’s the call to action.”

Bedel returns to what she believes is a responsibility.

“As a business owner myself, I can’t stress enough how this is the way that companies should be operating.

“I would go to the financial-first impact investing – companies have to be good at what they do; they have to be able to give a good return to any investor, but they also need to be good corporate citizens and have a positive impact in whatever area they can.”