

P

What Happens When a Philosophy Major Goes to Wall Street?

By Susan Hammel, CFA, executive in residence, Minnesota Council on Foundations

Philosophy majors are trained to ask why. When I found myself working on Wall Street I kept asking pesky questions like where is the money going? Where did it come from and who benefits? Why do companies want to borrow or invest? What is the point?

When you have a life mission to change the world, the answers matter. That's when I worked my way into what was called social investments, a first step in what became a lifelong journey to harness the power of the private sector for social good.

New Executive in Residence Program

Similar to a fellowship with an action focus, the Minnesota Council on Foundations created the executive in residence program to empower a seasoned expert to focus on deepening their body of work, contribute thought leadership to the field, build philanthropic community connections, and turn concepts into opportunity for collaboration and action.

I am honored to be MCF's first executive in residence, where it's a privilege to have time to immerse myself in the field I've been passionate about for 25 years. As a leader you find yourself pulled in many directions: managing staff, reporting to boards, overseeing projects and ensuring results are met. The same is true as a consultant—you have to solve the problems and opportunities your clients identify. Seldom do you have a chance to set a clear direction and pursue your own mission objectives.

In 18 years as an independent consultant I have empowered foundations, nonprofit organizations and social businesses to achieve greater impact by being smart about money. This year is different. Thanks to MCF and with support from the Bush Foundation, I'm living my dream and concentrating on impact investing. Now I am on call for MCF members interested in impact investing, researching the latest trends and developments, sharing knowledge, traveling to industry events, bringing new ideas home to Minnesota and helping foundations connect and collaborate on impact investing opportunities.

We structured the program to be flexible and to focus on results. Support from the Bush Foundation allows me to spend one day a week on call for MCF members and staff and to travel to national impact investing conferences where I share what Minnesota's foundation community is doing with attendees from across the country.

MCF President Trista Harris realized this program could be a cost-effective way to benefit members by taking advantage of local, expert talent. She knew if she could connect existing talent with member interest in impact investing, the end result would be a win-win for all. Led by Alfonso Wenker, director of program strategy and racial equity, they created a brand new MCF program. With so many talented leaders in our local philanthropic community, I can't wait to see who's up next!

Impact Investing Defined

An impact investment is an investment intentionally made for both social and financial returns, both of which are measured. This definition is becoming the evolving industry standard, promulgated by the World Economic Forum and the Global Impact Investors Network (GIIN).

My Start in Impact Investing

My journey started with Prudential Social Investments where I was the social investment manager responsible for an \$80 million portfolio of loans in health care, affordable housing and economic development. John Dryden founded the company because he saw the disastrous effect on families when the primary breadwinner died. At the turn of the last century, life insurance for the masses didn't exist and families were left destitute when tragedy struck.

Corporate social responsibility was built into the founding and ethos of the

company, so years later, investing in community became a natural complement to grantmaking.

Our loans supported:

- the first grocery store to go up in Newark since uprisings in the 1960s
- a mixed-income housing development in Princeton, NJ, addressing NIMBY concerns through pro-active partnership with social service agencies
- national expansion of a community health care center

Since 1976 Prudential has invested \$2 billion through social purpose loans, and the program is still going strong with \$500 million currently invested. It was \$25 million per year when I was there, so they must be doing something right!

Since my start with Prudential, I've worked with all kinds of institutional investors who seek to align their mission with their investments. Whether it is the Ford Foundation, The Minneapolis Foundation or the City of St. Paul, all the investors I've worked with have seen how the power of leverage can greatly amplify their social impact. For example, The Minneapolis Foundation (**see InvestMPLS sidebar**) recently announced InvestMPLS, a new option for charitable assets where donors will see their contributions recycled over and over to magnify their community impact.

Thought Leadership

After six months as MCF's executive in residence, the most invigorating thing I have been able to do is think. I'm focused on two key areas of research: corporate sector involvement and accelerating change in communities of color.

Corporate Involvement

Minnesota has always been a leader in progressive business practices. Today our companies continue to be at the forefront of exploring new ways to do good and do well. Many companies are thinking about how to deepen their work in the community, some in response to budget pressures and others for strategic reasons.

Corporate foundation board members are asking: What is the impact of all the dollars we've invested in community? Have we moved the needle on the social problems we're helping address? Employees, particularly millennials, are asking: What is the purpose of my work? They want to be involved in an enterprise mak-

ing positive change in the world. They care a lot about the answers to the questions that drove me as a philosophy major.

Corporate Trends

Many companies are going beyond team volunteering and involving their global workforce in their corporate giving and foundation grantmaking functions. Some are setting aside specific budgets for employees to deploy.

There is a growing trend to tie philanthropic mission to business expertise and employee talent—sometimes referred to as strategic philanthropy. By focusing their community involvement on subjects they know best, these forward-looking companies are magnifying the impact of their philanthropic dollars. The best example of this trend is General Mills Foundation's (**see sidebar**) new strategic approach to global philanthropy.

Some companies are also launching new venture funds of their own, with a business purpose and sometimes a social impact as well. For example, General Mills venture capital arm, 301 Inc., seeks to find new companies with the potential of becoming high impact brands. Many of these businesses are highly mission driven with a social impact agenda. In addition, 301 Inc. is supporting budding food entrepreneurs in Minnesota by creating and supporting the food and agriculture track of the Minnesota Cup annual small business award contest.

Impact matters

While continuing to set aside a portion of their budgets to be responsive to community needs, companies are asking hard questions about results and looking to measure the real impact of their community investments. To magnify their impact they are also exploring innovative tools to address social issues. For example, the 3M Foundation (**see sidebar p29**) recently made a PRI (Program Related Investment, a type of social purpose loan), into the Closed Loop Fund to expand access to curbside recycling across 3M's global communities.

Other MCF corporate members such as Target and Medtronic are actively exploring the field. Some are considering launching social ventures (businesses that do good and do well). Others are investing in Africa-based impact investing initiatives or considering comprehensive ways to engage investors in social impact work.

InvestMPLS

Building on their decades' long work using capital for good, The Minneapolis Foundation launched InvestMPLS, a \$10 million initiative for donors (new and existing) to put their assets to work for small business and schools in Minneapolis. Instead of going to Wall Street, local philanthropic dollars will be working for good here, capitalizing on the love people have for where they live.

General Mills

While business people sometimes think that giving money away must be easy, to do it well is an art and requires clear priorities and good decisions. Facing global business pressures, the General Mills Foundation took a long and thoughtful look at its grantmaking and decided to align their charitable dollars with the company's expertise in agriculture marketing, distribution and operations. By combining much needed financial support with industry specific support and mentorship, grantees get much more than a check by accessing talent they couldn't afford to buy.



Susan Hammel translates between passionate social change-makers and expert accountants as president and founder of Cogent Consulting Inc.. She is serving as MCF executive in residence for impact investing and leading the charge to map the Twin Cities impact investing ecosystem. Tweet her @susan_hammel or email shammel@mcf.org.

The seminar was the most thoughtful and interesting presentation of mission related investing I've been to in the Twin Cities. Clearly, your residency at MCF is bringing the conversation locally to a new level — very exciting!

Corporate Predictions

Deepening Corporate Social Responsibility: It's only a matter of time before companies serious about CSR take their commitments a step further into impact investing. For example, companies concerned about environmental sustainability will not only implement the three Rs (reduce, reuse, and recycle) across their enterprise, they will also invest in the evolving green business sector, perhaps in businesses that provide waste management services.

Better retirement plan options: Many companies struggle to entice employees to fully participate in the company-offered retirement plan (usually 401k or 403b plans). Many reasons drive low participation, but offering more interesting investment options might encourage employee involvement. For example, some companies are offering a green or socially responsible option in addition to the usual fund line-up.

More social ventures: As businesses continue to seek ways to partner with creative entrepreneurs, more companies will invest and launch new businesses. Business people like to solve problems. If they see unexplored market niches, they will respond.

Accelerating Change in Communities of Color

Grants alone are insufficient for working with communities of color because the funds available pale in comparison to needs built up over decades of policy decisions that have adversely impacted these communities. For example, affordable housing is inadequate in much of

urban and rural Minnesota, yet the private market economics don't work to create affordable housing. Philanthropic capital could fill the gap by adding patient capital to the mix and eventually proving there's a viable market.

In Greater Minnesota the housing shortage severely hinders success for Latino, Somali and Native American workers and others. How can new immigrants and low-wage earners get ahead without affordable housing near where they work? Another promising example is creating jobs through investing in minority- and women-owned businesses (large job creators) such as through The Saint Paul Foundation's East Metro Loan Fund (see sidebar).

Impact investing can also change the typical power dynamics between traditional funders and grantees. The old notion of charity features a munificent benefactor (usually white and male) who enters an under-resourced community (usually populated by people of color) with good intentions—and the recipients are supposed to be grateful. Impact investing turns this notion on its head by creating a win-win scenario for investors seeking good investments and entrepreneurs seeking to grow their enterprises. This dynamic creates relationships based on mutual respect and evens the playing field.

Yet as much promise as this field has to effectively partner with communities of color, there is a major stumbling block: those working in the field of impact investing tend to be white—especially here in the Twin Cities where our population is small. Nationally, I've had the pleasure to

meet impact investing leaders of color and together we are committed to reimagining the field.

We're fortunate to have strong local impact investing leaders working to match social entrepreneurs with investors. Leaders such as Gary Cunningham, Metropolitan Economic Development Association (MEDA); Ramon Leon, Latinio Economic Development Center (LEDC); Mike Temali, Neighborhood Development Center (NDC); Boa Vang, Hmong American Partnership (HAP), David Reiling, Sunrise Banks; Nasibu Sareva, African Development Center (ADC); Warren Hanson, Greater Minnesota Housing Fund (GMHF); Chris Stanbrook, Indian Land Tenure Bank and Kate Barr, Nonprofit Assistance Fund (NAF) provide the talent and expertise to create a different kind of ecosystem for impact investing than exists in the private markets. Since I'm also leading the effort to map the Twin Cities Impact Investing ecosystem (see below) in partnership with Impact Hub MSP supported by the Bush Foundation, we have an opportunity to create the kind of new investment sector we want.

In addition, along with Trista's leadership to broaden the foundation vendor base to include women- and minority-owned businesses, we are working with Northwest Area Foundation and the Association of Black Fundraising Executives (ABFE) to explore increasing access for diverse investment managers.

Communications

This residency affords me both a platform and time to spread the word about the innovations coming from Minnesota foundations, social entrepreneurs and the intermediaries who connect them. Through active use of social media, I'm able to

connect people in different formats and help them consider new ways to increase their impact. In particular, connecting the sources of capital (mainly foundations) with the users of capital (for-profit social businesses, nonprofit organizations and individuals) is crucial since the groups seldom interact.

I have started a monthly blog, published on MCF's website and in its newsletters, I'm active on Twitter and I've created a primer for impact investing. I've also spoken on national panels including the Impact Capitalism Summit and Mission Investors Exchange. Taken as a whole, these communications help lift the veil on the opaque world of impact investing.

Connections

As an off-the scale extrovert, connecting people is second nature to me. I enjoy bridging different worlds: investment officers and program officers, entrepreneurs and foundations, small family foundations and large private foundations. I'm also creating partnerships with complementary organizations doing work in this arena including Impact Hub MSP and the Minnesota CFA (Chartered Financial Analyst) chapter.

Becoming the point person for impact investing in Minnesota gives me the ability to lead and share information about educational events and gatherings. Before I became MCF's executive in residence, when people or firms had ideas about educational events the most I could do was help them with invitations. Now I can work with them to ensure the content is useful to MCF members and is truly educational, not just a sales pitch.

This position allowed me to spend the time to design an advanced educational workshop for foundation trustees.

3M

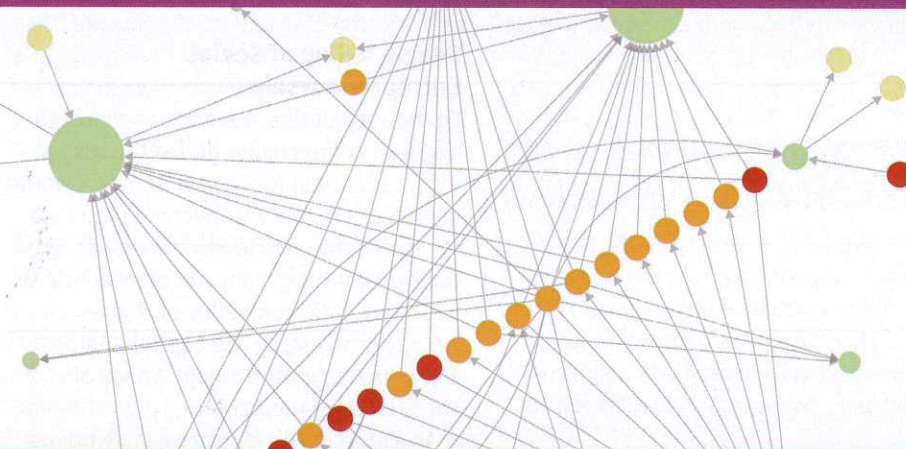
Financial service companies such as Prudential and banks such as Wells Fargo, US Bank and Bank of America have long made impact investments, many times as part of the banks' CRA (Community Reinvestment Act) programs. It's exciting to see a multi-national conglomerate like 3M explore impact investing as a tool to meet a social need, reduce landfill waste, and advance environmental objectives.

East Metro Loan Fund

Faced with a steep job loss (13 percent from 2000 to 2011), The Saint Paul Foundation knew it needed to act decisively. Identifying women- and minority-owned businesses as major job creators, the foundation deployed \$2.1 million in capital to strong nonprofit intermediaries skilled in working with diverse small businesses, Metropolitan Economic Development Association (MEDA) and Neighborhood Development Center (NDC). Since early 2014, the two organizations have approved \$1.9 million in low interest loans with more than 75 percent of the businesses owned by people of color, creating 175 new jobs.

Dynamic Map

Designed by data visualization expert Alex Hsiao, cogent associate, the Twin Cities Impact Investing Ecosystem is a network of investors, entrepreneurs, and not-for-profits who are using capitalism to drive positive change in the world through impact investing. Let Susan know if you would like to be on the map!



We have the legacy, the capital and the know-how to be the Silicon Valley of social entrepreneurship.

Starting last spring I collaborated with local investment leader David Bromelkamp, CEO of Allodium Investment Consultants and Jeff Cohen from impact investment fund Sonen Capital, based out of San Francisco. Thanks to this residency, I met New York City-based Kate Starr, architect of The F.B. Heron Foundation's 100 percent impact investing strategy, now CIO of Flatworld Partners, an advisory firm focused solely on impact investments and enticed her to join our panel. I found a willing host in Claire Topp, tax exempt partner, Dorsey & Whitney, who provided us the space, in part because so many MCF members are clients.

Now I have time to connect members to events and to others who share interests. In fact, we are developing a beta version of a tool to help foundations collaborate with each other—sort of like Tinder for foundations. We will run a pilot test of the tool at the Mission Investing Network meeting October 19th.

Over the years I've done some volunteering and speaking on behalf of MCF but never in my wildest dreams did I anticipate the value the official relationship creates both locally and nationally. As Kate Wolford, CEO of The McKnight Foundation, put it, "Susan, now you have standing to bring our community together."

Working in service of MCF members means I'm operating on a system-wide level, working for the entire philanthropic community and not beholden to any one institution or interest group. It gives me the freedom to think about what is best for our entire community and allows others to focus on their own priorities without worrying who will bring us together. I'm delighted the residency has already brought in two new MCF members and helped retain others who want to be part of this cutting-edge work.

Silicon Valley of Social Entrepreneurship

I'm hoping all this research, communication and connectivity will lead to activating local capital for impact. In fact, I would love to see Minnesota become the place for social entrepreneurs to start and grow their businesses. Many people want us to become the Silicon Valley of this or that. We have the legacy, the capital and the know-how to be the Silicon Valley of social entrepreneurship.

As a step in this direction, I'm working

with a group of 10 local foundations considering joining together in a Minnesota fund to invest in affordable housing and small business development. Similar to an effort in Michigan, our pool would bring more capital into the economic vitality pipeline and possibly inject much needed liquidity into some of the more illiquid impact investment structures. If you're interested, join us!

Go Big or Go Home

My mentor and inspiration Bill Drayton, founder of Ashoka, and the person who coined the term social entrepreneur, challenged me to think big. He used to say that change won't happen using incremental thinking (or budgeting). Here are my three Go Big or Go Home ideas.

1. Create "Benefit Minnesota" modeled after the MacArthur Foundation's Benefit Chicago in which a private foundation, community foundation and retail broker are teaming together to create a \$100 million fund for social enterprise. We have all the ingredients: great community foundations, generous and innovative donors, individuals seeking ways to keep their money local, and large private foundations leading the way on impact investing. We have The Minneapolis Foundation's InvestMPLS and Calvert Investment's Ours to Own as a pilot test of something bigger and statewide.
2. Encourage everyone concerned with growing jobs in Minnesota to explore supporting a fund that invests in Minnesota employers, such as what the Incentive community foundation has done in Wisconsin Rapids.
3. Similarly, launch a fixed income bond pool investing in Minnesota affordable housing mortgages, developments, small businesses and infrastructure. Michigan's model could work here.

These are a few of the ideas that could result from the work we're doing together this year. Bringing it all together, we have the opportunity to create a different type of marketplace, one where social entrepreneurs thrive, foundations make a tremendous impact and all people benefit. 🌱