

THE BLENDED VALUE MAP:

Tracking the Intersects and Opportunities of
Economic, Social and Environmental
Value Creation

October, 2003

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www.blendedvalue.org

In board rooms, on street corners,
in trans-national corporations and grass-roots enterprises,
there is a convergence of new thought and path-breaking practice that threatens
the ways of past decades by giving birth to a 21st Century vision of
investing and venture creation that holds the promise of true transformation.

This document presents but a blurred snapshot of an international parade of
diverse players and institutions. This dynamic explosion of activity cannot be
captured by a single perspective or group of observers—it is beyond our
individual capacities to truly track (much less understand the full implications
of!) the deeply profound changes presently underway around the world.

The construction of this map in less than five months would not have been
possible without the incredible contributions of some of the people engaged in
this global revolution. While the statements, conclusions and decisions made
regarding what to include in this Map are the responsibility of the Project Team,
this document—like the value revolution itself—is the product of many, many
people. Simply listing the names of those who contributed to this effort does
little justice to accurately representing the time, thought and creative passions
invested by these people, and others not on this list, in helping make possible not
only this introductory map, but the stunning changes taking place around us all.

Having had the luxury of reading countless thoughts and
engaging in what are in every way thrilling conversations,
we would like to thank you for your contributions to both this modest project
and the promise of a changed world.

An impressive list of the individuals who gave their time, ideas and energy
to help bring this effort to reality is included in the first appendix of this
document. The names of those contributing to this document were originally
presented at the start of this paper, but our reviewers recommended we instead
conclude with those names. Despite our deep thanks and appreciation for all
who contributed to this work, we have chosen to follow that advice.
We strongly encourage readers to review the full participant lists in Appendix A
to fully appreciate the breadth of contribution to this work.

We would like to thank each of the participants for their time and contributions.

In addition to the contributions of the participants in numerous meetings, conversations and interviews, the following people made significant and extraordinary contributions to the quality of the final paper by agreeing to take time out of their summer holidays to read, review and critique various versions of what has become this final document.

We would like to thank them for their thoughts and insights that helped make this map a worthy starting place for our future discussions:

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Opening Thoughts

“As we work to develop the New Metrics, we must not let the perfect be the enemy of the good.”

Steve Rochlin
Boston College

“Some funders have been wedded to below market options for nonprofits, whether or not these organizations have the possibility of using more market-like vehicles in which foundations might truly invest.”

Luther Ragin
F.B. Heron Foundation

“The inertia of our experience pulls us into conventional directions. We must engage in group entrepreneurship to collaborate and become far more than the sum of the parts.”

Bill Drayton
Ashoka

“All these silos share a blended quality and related challenges. The question is ‘How do we understand the very real differences between them and whether or not those differences really matter?’”

Michelle Kahane
Ford Foundation

“The most significant challenge before us is not deciding which company or NGO is ‘best’ or which of the many competing standards will win out—it is looking at how firm practice and the standards we hold them to will ultimately translate into stable systems that actually achieve the impacts we seek. The goal of mainstreaming a better practice is not a question of simple aggregation, but rather a complete transformation of total activity.”

Simon Zadek
AccountAbility

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Value Projections

Maps – and the linked processes of mapping and projection – are political, often profoundly so. Political in that they shape our priorities on the allocation of scarce resources. Like it or not, the exercise carried out by Jed Emerson, Sheila Bonini and Kim Brehm will have real political and financial repercussions. Whether or not you agree with all of their conclusions, and whether or not you are ready for the changes they predict, their timing could hardly be better.

The next decade will see a consolidation of many of the social change initiatives spotlighted here and, simultaneously, an explosive spawning and evolution of new concepts, tools, business models, implementation partnerships, support networks and financing mechanisms. The process will be massively disruptive—and disconcerting—for many of those working single-mindedly in the silos mapped here. The authors may talk of blended value but at root they are engaged in mindset re-engineering. If they are successful, updating the Blended Value Map—a crucial task—will prove an even more Herculean effort the next time round.

Four decades into what Francis Fukuyama dubbed “the Great Disruption”, with traditional values rocked to their foundations by seismic processes of cultural divergence, a many-stranded, often cacophonous social change movement has erupted onto the political landscape. It is far from universally welcome, of course, provoking a growing number of contrarians, some mindlessly reflexive, others more insightful.

But then nothing in human affairs ever did move in straight lines. The real question is whether we allow repeated, inevitable reverses to deflect or disable us, or whether we can develop the navigational skills, tools and political momentum that will enable us to hold our course over decades.

The Blended Value Map is a beta version of what hopefully will become a suite of tools that will help us to do exactly that. The aim: to build the critical mass necessary to achieve and sustain real change, in ways that are efficient, effective, equitable and durable.

It's a sad fact, but few research reports have me exclaiming: ‘Holy Mackerel!’ This one did, but please don't take it as Gospel.

Sift through the many stimulating ideas.

Challenge and critique.

Add your own. And share them with others.

Don't be put off if your organization, institution or initiative isn't quite where you would put it, or perhaps isn't even included in this initial version of the Map. Urge the foundations that supported this work to help keep the process alive.

The Blended Value Map is an early, critical step in evolving sustainable, 'operating codes' for 21st century economies and societies. If we can get this right, as the designers of the World Wide Web largely did, we will all make a lot more headway in future decades.

John Elkington

Chair of SustainAbility¹
London, England

¹ <http://www.sustainability.com/>

Introduction: Putting this Document into Perspective

The Personal is Political is Professional.²

I know there are people in our world capable of separating out their loves from their lives and their work, but I have never been among their numbers. What I do is who I am and what I am is a blend of thought, action, experience and passion for a vision many of us share for the promise of a transformed world of greater social equity, economic empowerment and environmental sustainability³.

We each come to this effort from different backgrounds. In my case, I began as a youth worker, tutoring kids in Spanish Harlem and working with mentally disabled children. I ultimately became executive director of a community organization serving homeless youth and teen prostitutes. Out of these experiences, I came to appreciate more deeply the economic and public policy dimensions of efforts to create change. I will always feel myself to be one of those striving to confront injustice, but moved my strategy from direct service to philanthropy—and was founding director of one of the first venture philanthropy funds in the United States, which I ran for over a decade. We invested in social entrepreneurs committed to pursuing social goals through market-based ventures, in the course of these efforts confronting a central challenge: *How does one track non-financial performance of investments?* In attempting to answer this question, I began working on an updated cost/benefit framework that would better position us to describe the social value being created through our investments of philanthropic and debt capital—what we created was a methodology for tracking social return on investment that laid the groundwork for exploring the many dimensions of value that stand outside the traditional metrics historically applied to both investment and enterprise.

This exploration brought me into conversations with social investors and those managing for-profit companies with greater respect for the goals of corporate social responsibility. I found these actors were grappling with many of the same issues I had surfaced in my own work and was intrigued by the fact that the frameworks we'd developed for use with market-based ventures creating social value were of interest to these other folks in their work with mainstream, for-profit firms and capital investors.

These various discussions with an ever widening range of individuals from around the world (with mainstream capital market investors and social investors; with CEOs of multi-nationals and social entrepreneurs managing start-ups; with foundation leaders of every stripe) forced me to confront three related issues.

² Apologies offered to the children of the 60's and 70's for whom the rallying cry was, "The Personal is Political!"

³ Several readers commented that this "value trinity" is absent the central elements of both individual spiritualism and psychology—key motivators for actors moving in the world. We acknowledge this deficit and look forward to future work on integrating the internal with what some have viewed as the "external."

First, it seemed what brought me into contact with each of these various actors was the common reality that none of them fit cleanly into traditional definitions. The CEOs I met were grappling with emerging demands that companies perform not only to meet financial goals, but social and environmental goals. The investors I met wanted to generate and track not simple financial returns, but social value creation and returns. The nonprofit and social sector leaders I connected with were exploring how to engage in the community application of business skills and practice. In their own way, each was stepping out of traditional thinking and practice of what we normally think of as “doing business” or “involved in social activism.”

Second, all these actors were confronting the fact that what they were doing in practice did not itself conform with common, mainstream assumptions, such as that

- Capital is to be invested in business, seeking only its highest and best *economic* use—capital considerations should not be connected to efforts to improve communities or protect the planet.
- Social activists should raise donations and manage nonprofit organizations—not develop business plans, seek donations in the form of investments or discuss how to track the economic value of social performance. And,
- Foundation asset managers should care only about maintaining a 5% payout—and not be bothered with whether the rest of the 95% of assets under management actually contributed to the problems they are trying to address with their 5% grant making budget.

Third, and finally, it became obvious that all these actors were slashing their way through legal, conceptual and practice jungles that had grown around their work and come to obscure the truth that while there were differences in specific application, at its core they were all attempting to do the same thing:

Create organizations, institutions and market mechanisms capable of maximizing economic value as well as social and/or environmental value.

All the rest—whether one is housed within a for-profit or nonprofit entity; how one structures capital and so forth—while important and necessary to consider is, in the end, just so much white noise that distracts us from the fundamental insight that ultimately what this is all about is simply various approaches to maximizing value—the value of our lives, of our organizations...the value created through the application of those resources available to us in their entirety.

I looked for writings on this topic and while there is great thinking going on in this arena wasn't satisfied with the traditional answers to the challenges of this common quest, so began writing about the inquiries of myself and others. And this resulted in the most recent turn in this journey—my becoming an “accidental academic,” with faculty appointments to business schools at first Harvard and then Stanford Universities where I have worked to advance this concept I have called the *Blended Value Proposition*.

I recite this career litany simply to explain that, as is true of many of us, while over the course of my life I have worked to advance different parts of this agenda, in the end it is all the same task—because the work in which we are engaged shares fundamental elements and, when all is said and done, our collective work is in very important ways all part of a single, connected process of multi-tiered evolution, transformation and change. Our stated goal may concern the environment or social justice or corporate social responsibility, however, these are all parts of a unified effort to improve our world and maximize the value of all our lives.

Being committed to the “Whole,” and yet operating with appropriate respect for the parts is a very real challenge. My own work has come to focus upon the unified, blended value created as a result of the deep efforts of those working within any number of specific arenas. But I advocate no single vision for us all nor would I detract from the importance of any of the parts. Indeed, my interest in the “space in between” has come as a result of the many discussions I’ve had with a rich variety of people each of whom is advancing different parts of this agenda.

The initial idea for this mapping project came from my personal journey through the worlds of social enterprise, effective philanthropy, corporate social responsibility and social investing. In the course of both public speaking events and private conversations with many of the people (both in the US and around the world) who ultimately contributed to building this Blended Value Map, a number of things became clear to me.

First, the past ten years has seen a virtual explosion of individuals, organizations and institutions exploring a host of issues related to more than simple economics, social issues or environmental challenges alone—indeed, many folks are addressing at least two or more of these issues concurrently.

Second, many people are grappling with very similar issues and challenges, but from within their own “silo”⁴ of orientation (whether social investing, philanthropy, social enterprise or so forth...), and seem largely unaware of other initiatives just “over the wall” from their own efforts that are attempting to address many of the same challenges, but from a different perspective.

Third, I would argue that collectively “we” actually know much more than any “one” of us has the bandwidth to appreciate. By engaging people from a variety of areas in gathering a sampling of existing organizational and intellectual capital across various silos of activity one might possibly better inform specific efforts *within* each silo.

Fourth, now might be a good time to step back to assess the organizations and work currently in motion, since many of these silos are relatively young, the size of the universe of players addressing these issues around the globe is fairly small, and there is a need to gain the greatest leverage possible from *all* investments being made in the effort to maximize social, environmental and economic value of corporations (whether for-

⁴ For a definition of the term “silo,” please see page 19.

profit or nonprofit/NGO) and investors (whether market-rate, concessionary or philanthropic).

And, finally, having done these four things, we may all agree our efforts are fine as they are...or perhaps we might decide there is an emergent opportunity for us to organize our efforts differently from the way in which they have organically evolved—an opportunity to move our little world of labor into the larger world that surrounds us so that we may have a greater chance of achieving the global change I would suggest we all appear to be working toward.

In sum, maybe it is time we stopped working so hard and took a look at where we are, where we're headed and where we really want to be. Perhaps it is time to “map” the players and issues in order to better understand the work in which we are all engaged—and envision where we could go in the future.

Many papers written on corporate social responsibility, social investing, strategic philanthropy, sustainable development or social enterprise offer final, concluding statements regarding the topic under discussion. Such is not the case with this document. To do real justice to the work present in each area is beyond the scope of this effort. For true, in depth analysis of the individual topics presented in this paper, the reader is directed to the organizations, resources and actors cited on the map.

By contrast, this paper offers a general overview of issues confronting those active in this field of work and argues that all these activities are, in the end, strategies which may simultaneously advance the economic, social and environmental interests we share—what I refer to as “blended value”. The authors of this document also raise questions as to whether each of our efforts are presently organized to our greatest collective advantage.

We think not.

Our goal is not to present definitive analysis of the current state of thinking or practice in any single-issue area, but rather to provide a perspective on the Whole. We seek to tentatively identify common areas of pursuit and frame the challenge of how, over coming years, we might shape the work of these parts into a more unified approach to achieving those goals we do share.

If we are each confronting many of the same challenges, doesn't it then follow that we must find better ways to communicate, work together and pursue our common goals?

The Project Team and I acknowledge that many individuals who should have been contacted and engaged in this process were, for a variety of reasons, not involved in this assessment of the field. And many of the excellent insights and critiques we received from those who were interviewed may not have made it into the final pages of this document. We apologize for these shortcomings.

Yet, we are very comfortable with the defects of this initial effort since we view it as just that: a first step toward starting a conversation that will lead to more effective and coordinated future action. This paper is not offered as an end-product, but as a challenge to us all to find better ways to invest our financial, intellectual and human capital in pursuit of a changed world thirty years out.

After all, while we may each have our sights set on different peaks—effective philanthropy, sustainable development, social investing, social enterprise or corporate social responsibility—we are all engaged in attempting to summit mountains along a common range that spans continents and cultures and context. We are all mountaineers and as such would benefit from sharing knowledge of how to survive the increasingly high altitudes we hope to attain in the years to come.

Celebrate the Struggle!

Jed Emerson

Grand Lake, Colorado

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Section One:

Orienting the Map within the World

Understanding the Blended Value Map: “What This Is and What This Isn’t!”

Introduction

In the last five to ten years, there has been an explosion of interest in the topics of Social Entrepreneurship, Strategic Philanthropy, Sustainable Development, Corporate Social Responsibility, Socially Responsible Investing, and other Social Investing. Countless new organizations have been launched to advance these issues, many business articles addressing these topics have been published, and new programs have been cropping up at conferences, business schools and universities. What all these efforts appear to have in common is pursuit of more than simple economic value and more than basic social impact. They all appear to be advancing different parts of what may be viewed as a shared agenda of simultaneously valuing social equity, environmental sustainability and economic development.⁵

This research effort is an attempt to provide an initial mapping of what is going on in these promising fields of activity in the U.S, as informed by international practice.⁶ More specifically, this document attempts to map both practitioners and investors consciously pursuing a blend of economic, social and/or environmental value, identify the issues they face and suggest future areas and forms of collaboration.

Overview of the Map

The Silos

While there are many things these fields have in common, we discovered that they are currently organized largely as “silos.” By silo we mean a self-defined group organized around a common subject that has depth but is not well connected or integrated with other groups, even if they have much in common.⁷

In the course of our research we identified five silos of related activity:

1. Corporate Social Responsibility
2. Social Enterprise
3. Social Investing
4. Strategic/Effective Philanthropy
5. Sustainable Development

⁵ For a basic introduction to the concept of the Blended Value Proposition, please see the following articles: *The Blended Value Proposition: Integrating Social and Financial Returns*, Emerson, California Management Review, Vol 45, No. 4, Summer, 2003 available for order at: <http://www.haas.berkeley.edu/NEWS/cmr>. Also of interest may be, *A New World Order: Jed Emerson’s Capitalist Utopia*, <http://money.cnn.com/2002/10/28/pf/investing/emerson/index.htm>

⁶ While there are some international organizations and resources listed in the Map, the majority of the references are U.S. based.

⁷ See also the definition provided in the Language section of this paper.

Within each of the five silos we defined, we have identified elements we feel those coming into any given silo should be aware of. In **Section Two** of this document we provide a definition, brief overview and listing of the key issues within the silo. In addition we include exhibits for each silo that outline:

- Critical Topics Under Discussion
- Information Resources Drawn Upon by Those in the Silo
- Key Resource Organizations Active Within the Silo
- Initiatives Presently Underway Within the Silo
- Leadership Examples⁸

The Cross-Cutting Issues

Each of the above discussions contains a section on “*Issues Under Discussion*” by those within the silo. These issues, while specific to the silo in question, are strikingly similar between silos and form the basis of the “cross-cut” discussion in **Section Three** that concludes the Blended Value Map.

Based on our research and interviews, we identified the following common cross-cutting challenges:

1. The Capital Challenge
2. Measurement and Performance Metrics
3. Leadership and Organization Development
4. Government policy/regulation/tax codes

For each of these common areas, we provide an overview, a detail of the key issues and a listing of various resources, organizations and initiatives.

The Conclusions

Based on analysis of these common challenges, we share some initial thoughts and recommendations for breaking down the walls of the silos to create a larger, more effective international community of practice and learning. We explore what a possible strategy might be that would most effectively position each of the silos to pursue their own interests and passions as well as work together more effectively.

Please note these suggested areas of cross-silo collaboration are offered based upon our interviews and reading, and are simply an initial starting place from which to begin our discussions. We believe that to have greater relevance than these initial ideas will require broader, open dialogue with as wide a set of

⁸ We should note that not everyone will agree with each leadership example. Some readers felt that while a given corporation or NGO performed well in one area, other aspects of their management practice did not justify inclusion on a “leadership list.” We will leave it to others to draft the “best of” criteria. For this document, if a given organization was mentioned by a number of actors in a given silo and if there was a “formal” evaluation (such as a case or other analysis) that had been written documenting the work of the organization, we opted to include it in our own list of leadership examples.

international stakeholders as possible. We hope to conduct conversations during the next year with this aim. Our hope is to achieve what philosopher John Rawls described as an “overlapping consensus” upon which we might collectively build a wide variety of related activities.

In Section Four we discuss:

1. Beyond Cross-Sector Collaboration
2. Building an International Infrastructure
3. Recommendations for Advancing the Field

Following the narrative’s conclusion, we provide the reader with a number of appendices offering additional resources. Please be advised that we also have produced a 200 plus page *Blended Value Map Annotated Bibliography*, which includes brief summaries of cited organizations and resources. We hope that in addition to the Map itself, this document will also be of use in following up on the items cited in both the narrative and silo-specific maps. We will hope to turn all our research over to another organization (yet to be named!) to augment existing work and continue to make these offerings accessible to those in the field who will find them of greatest use.

The Audience

This map is intended as an information resource for practitioners, investors and academics within any given silo, as well as those on the edges looking to enter. The process of making this map is also a first step in trying to understand the connections across these fields as well as how best to reach those outside the map (i.e., traditional corporations, nonprofits, investors and philanthropists).

It should also be acknowledged that a primary audience for this document is the foundation community. Donors of many types are in a unique position to make grants to assist in the creation of needed infrastructure to support greater efforts at collaboration, as well as provide critical funding to leverage the resources of existing infrastructure organizations and thereby make significant contributions to enabling various actors to “do more” with what resources are available. Obviously, practitioners are critical participants in these discussions, but we have focused many of our suggestions on what role the foundation community may play to help practitioners become more effective in working together to address questions of common interest and concern.

Research Methodology

In order to limit the amount of information presented and still be sure we hit the “key” components of any good map, we made subjective decisions regarding what should be on or off the Map. To assist us in this process, we convened “cluster conversations” consisting of five to twenty stakeholders in North Carolina, Seattle, Utah, London, New York City, Washington D.C., and the San Francisco Bay Area. In addition, we conducted one-on-one interviews with over 70 thought leaders. (See Appendix for a listing of participants).

This is a representative rather than comprehensive mapping. While we have made an effort to take into account an international perspective, *the map clearly has a US orientation*. We acknowledge this fact openly and directly! In the future, other regions/nations might undertake a similar mapping task, but for now, given the abilities of a three-person project team, this is what was manageable.

While we would argue that all human enterprise and investing has embedded within it blended value, in order to place some basic parameters around our work, this mapping process has focused upon entities that are *intentionally* trying to create social, economic and/or environmental value— either through their management of investment capital (regardless of the type of returns sought) or the management of a particular organization (whether for-profit or nonprofit).

Despite the critical role and importance of governmental and quasi-governmental actors, we have intentionally sidestepped any effort to present a “map” of the public sector and its role in capitalizing or affecting the markets of ventures in pursuit of blended value. While government is inarguably a significant player and critical investor, a credible mapping of the governmental sector is simply beyond the scope of this present effort.

However, a host of papers and resources is available to those interested in pursuing an analysis of the role played by government.⁹ For our limited purposes, we restricted our analysis of government to the relevant regulatory, policy and tax code issues that cut across silos.

We acknowledge that many “government supported enterprises” (GSEs), such as port authorities, energy authorities, Small Business Investment Companies (SBIC) and National Industries for the Severely Handicapped (NISH), not only receive governmental support, but generate revenue as well. These organizations do not fit neatly within the presented map and will be explored in future documents.

We also recognize the significant importance of organizations such as the World Bank, International Monetary Fund (IMF), International Finance Corporation (IFC), Overseas Private Investment Corporation (OPIC), Organization for Economic Co-Operation and Development (OECD), United Nations Development Program (UNDP) and other programs sponsored by the United Nations; the Inter-American Development Bank (IDB), Overseas Development Institute (ODI), US Agency for International Development (USAID) and others. However, they are not the focus of this particular map.¹⁰ Organizations supported by these groups are no doubt found on the Blended Value Map,

⁹ Among others, a good starting place is the work of Lester Salamon, “*The State of Nonprofit America*,” Brookings Institution Press, 2002, and “*The Tools of Government: A Guide to the New Governance*,” Oxford University Press, 2002. And there are admittedly many others as well...

¹⁰ Michael Kane of the EPA has compiled an excellent resource listing entitled “*Resources for Promoting Global Business Principles and Best Practices*.” It lists many of these international organizations as well as a number of foreign policy and public policy organizations, business policy organizations and so forth. The reader is encouraged to seek out this document, available at <http://csrwire.com/directory/>. The USAID website also provides useful information, at <http://www.usaid.gov>.

but we have not attempted to map their role in supporting international development—that task remains for others. To that end, we were very pleased to learn that the International Business Leaders Forum (IBLF) and World Business Council for Sustainable Development (WBCSD) have joined together to map the universe of international development funders and organizations in order to assist business leaders understand the lay of the land. This document will be available to the field in late October of 2003.

Summary

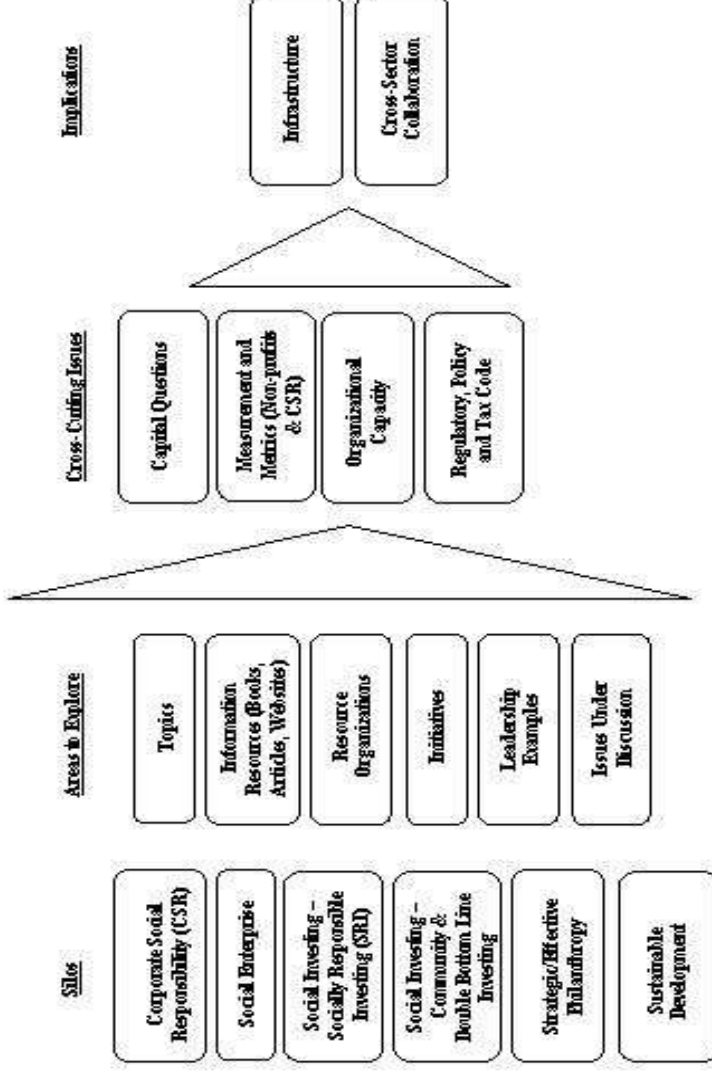
We have attempted to present a basic and introductory orientation to each silo. If, for example, most of your work takes place in the arena of social enterprise and you are interested in learning about corporate social responsibility, in the space of a few pages you will be introduced to the basic concepts/issues, organizations, intellectual resources and challenges people within CSR confront.

However, this is not offered as a definitive map! The map has a US orientation and there are many more people and organizations doing significant work around the world you should know about—but, (to continue with our example), as a starting place if you begin by drilling down through the resources we present on this map you will be in a good position to explore all the various little nooks and crannies in the world of CSR.

It is our hope that the combined contributions of all these actors have allowed us to present you, the reader and user of the Blended Value Map, with a reasonable overview within which you may find yourself and plot the relative positions of both others in your silo and those engaged in related work nearby. We hope you will find this contribution useful to you in your work and in understanding how your work is connected to that of others—and where potential opportunities for collaboration may lie!

We should be clear that the “real vision” and potential for our collective efforts will arise not from a map, committee driven consensus process or single charismatic leader’s engaging turn of a phrase. The true vision for what is being unleashed in communities, regions and hemispheres around the world will rise out of the collective energies and insights of each of us being more effectively connected—in both virtual and real time—over coming decades. This Blended Value Map will attempt to point toward some of the emerging peaks we can only now begin to see, off in the distant horizon. And it will be the collective impact of our individual efforts that will ultimately take us to explore those new regions and climb those towering summits. And so, in the following pages we attempt to offer something to both those seeking to place themselves in this world and those searching to understand more about where we all might go. There are truly some remarkable things going on out there. We invite you to use this map as an initial jumping off point to educating yourself about it all!

Overview of the Blended Value Map



Language and Definitions Used in the Blended Value Map

What becomes strikingly clear as one explores the five silos is that one person's social enterprise is another person's social purpose business venture; one person's investment is another person's grant. Therefore, it is important for us to include a word about words.

One reason much of the work within the various silos remains marginalized from the mainstream is an inability to effectively communicate the vision, ideas and practice to those outside the silos of interest. We can and must raise the bar on this challenge and not simply stew in the progressive degeneration of creative terms and words—efforts¹¹ to be “new” and “insightful” threaten to block others from participating in our discussions—which is to the greater detriment of us all.

Cited within the map, as well as in the appendix, are several projects we have identified to create glossaries of terms and definitions of language used within a given silo. We encourage the reader to rely upon those efforts (which provide a degree of detail not possible in this map), but would also call for the convening of a group of representatives from within each of the silos to work together to advance a single, comprehensive dictionary of terms. Such a dictionary would not seek to provide the final definition of a term, but simply to present how a term is used within a variety of contexts. This single project, if managed correctly, could help move all the silos forward and clarify the many conversations presently occurring beneath the shadow of a genuine Tower of Babel.

With this in mind, we have developed a list of key terms we have used in the course of designing this Map. We offer it to the reader in order to help explain our own language and approach to this mapping effort.

¹¹ *Present company included!*

Key Definitions:

Blended Value: Traditionally, value has been understood as either economic value or social value. This has given rise to the notion that for-profit firms create economic value and nonprofit organizations create social value; as well as the idea that investments of capital are either market-rate or charitable gifts and that firms operating to create both social and economic value are “double bottom-line” companies while those that are mainstream are “single bottom-line” companies. This historic understanding of value is fundamentally wrong and has led to a host of social and environmental problems since, in truth, value is non-divisible.

The fact that we’ve structured our world on the assumption that one can separate the component elements of value has brought us to a place of collective dissonance that must ultimately be rectified. Blended Value (also referred to as the Blended Value Proposition) posits that value is generated from the combined interplay between the component parts of economic, social and environmental performance. All firms (whether nonprofit or for-profit) create Blended Value—the only issue up for debate is the degree to which they maximize the component elements of value, best tracked through the use of a Triple Bottom-Line framework. All investments have within them returns consisting of multiple parts—the only question is how that capital is structured to capture which parts of the value generated by that capital.

For an initial discussion of the Blended Value Proposition, please see *The Nature of Returns: A Social Capital Markets Inquiry into the Elements of Investment and the Blended Value Proposition*,¹² for an up-to-date discussion please see *The Blended Value Proposition: Integrating Social and Financial Returns*, California Management Review, Vol. 45 No. 4, Summer, 2003.¹³ And for a general interest article on BVP published in Money Magazine, please see <http://money.cnn.com/2002/10/28/pf/investing/emerson/index.htm>

Capacity Building: Capacity building refers to investments in such things as staff development, facilities, strategic-planning, information systems and technology improvements that allow an organization to more effectively execute its mission.¹⁴

Causal Theory: Sometimes referred to as a “theory of change” or “logic model.” Causal Theory is a process of implementation that moves from inputs to activities and outputs to outcomes. The causal theory posits a desired outcome and then determines what inputs and activities are necessary to produce it.¹⁵

¹² Posted at: www.blendedvalue.org

¹³ See <http://www.haas.berkeley.edu/NEWS/cmr/> to order a copy of the article.

¹⁴ See “*Venture Philanthropy Landscape and Expectations*” report by Community Wealth Ventures for the Marino Institute (2000) for a more detailed definition. The report is available for download at: <http://www.venturephilanthropypartners.org/learning/reports/report2000/report2000.html>.

¹⁵ See Paul Brest’s piece entitled, “*The Hewlett Foundation’s Approach to Philanthropy*,” in the Hewlett Foundation Annual Report, 2001.

Community Development and Community Economic Development (CED): The following definition of CED is taken from the Community Economic Development Center's website: "Community Economic Development is a process by which communities can initiate and generate their own solutions to their common economic problems and thereby build long-term community capacity and foster the integration of economic, social and environmental objectives. CED enterprises are based on a consideration of the relationship between economic factors and other community elements such as housing, education, the natural environment, health and the arts. CED has emerged as an alternative to conventional approaches to economic development, a participatory, holistic process that leads to positive, concrete changes in communities by: Creating employment; Reducing Poverty; Contributing to the health of the natural environment; Stabilizing local economies; and Increasing community control."¹⁶

Community Development Financial Institution (CDFI): The term "Community Development Financial Institution" describes financial service providers (including community development banks, community loan funds and community development venture funds) whose mission specifically requires them to achieve social objectives through the application of their capital. The CDFIs (sometimes in the UK called CFIs - community finance initiatives) presented in this report focus specifically on entities providing financial services for businesses and social economy organizations rather than for individual, personal use. CDFIs may provide equity, quasi-equity or debt services.¹⁷

Corporate Social Responsibility: Terms used under this banner include corporate citizenship, corporate accountability, business ethics and sustainability.¹⁸ CSR describes companies and business managers/leaders who consciously integrate strategies that seek to maximize the creation of environmental and social value within their core business models, operations and supply chains. CSR may also be manifest in terms of how a company manages its investments and philanthropy. CSR corporations use market rate capital and seek to deliver market rate risk adjusted returns.

Donor-advised Funds: Funds placed into a tax-advantaged account that allows individuals to give money to support future charitable activity. Although these funds are donated to the endowment for later distribution to a charity, the donor is immediately eligible for a charitable contribution tax deduction.¹⁹ Traditionally offered by community foundations, in recent years donor advised funds have been offered as partnerships between for-profit financial management firms and linked 501(c)(3) public charities.

¹⁶ See <http://www.sfu.ca/cedc/> for more information.

¹⁷ Source: Social Enterprise London Glossary (<http://www.sel.coop/glossary/glossary.asp>). See also (http://www.cfed.org/enterprise_development/CDFIData/index.html).

¹⁸ Please see Business for Social Responsibility for a definition of CSR (www.bsr.org), the World Economic Forum for a definition of Corporate Citizenship (www.weforum.org), and SustainAbility for a definition of Sustainability (www.sustainability.com).

¹⁹ See <http://www.ncfp.org/publications-excerpt-donoradvisedfunds.html> and <http://www.donoradvisedfunds.com/> for more information.

Double Bottom Line: Double Bottom Line (DBL) businesses are entrepreneurial ventures that strive to achieve measurable social and financial outcomes.²⁰ DBL investment funds refers to venture funds that have social or environmental intent, that have put money into social or environmental interest areas or have tried to affect social or environmental problems with their investment activities.²¹

Investment: Traditionally, the term “investment” has been used to refer to capital investments in search of market-rate financial returns. More recently, the term has also come to refer to any provision of capital in pursuit of value creation and returns. Therefore, investment may best be thought of as taking three forms: Market-Rate, Concessionary and Philanthropic. Additionally, “investment” has increasingly been broadened to include both financial and non-financial capital. Put simply, human capital, such as time, talent and network deployed alongside recoverable and unrecoverable financial capital to create value.

Market-Rate Investments are those capital investments structured to seek a rate of return competitive with mainstream investing (whether debt or equity). Which mainstream investment one has in mind, however, differs depending upon the audience, investor-type and returns sought. Market-rate return may be used to refer to venture capital returns, mainstream equity market returns and/or fixed rate bond or equivalent debt note returns.

Concessionary-Rate Investments are those investments structured at some level of concession to the market-rate in exchange for the generation of other forms of non-financial return valued by the investor. For example, a Program Related Investment is a below market-rate loan made by a foundation to an entity (usually a community development organization, though PRIs may also be awarded to for-profit firms) creating social as well as economic impact. Therefore, the investment instrument provides returns that are “at a concession” to the mainstream market-rate return available to financial capital investors and is assumed to generate less financial return and/or take on greater risk.

In recent years, many philanthropists have come to view their grantmaking as a form of investment²² and use the term to refer to specific grants provided to nonprofit organizations. These *Philanthropic-Rate Investments* generate no return of principle to the investor (unless one considers the tax deduction), but are viewed as generating a social return on investment for both investor and investee.

In fact, all these investments could be viewed as generating a spectrum of returns and may themselves be structured on a variety of terms (ie., with regard to warrants,

²⁰ Source: “*Double Bottom Line Project: Methods Catalog*” draft, 2003. Contact Catherine Clark at cathy@cathyhc.com, William Rosenzweig at wbrose@ideagarden.com, David Long at david_long@abtassoc.com or Sara Olsen at sara@svtconsulting.com for more information.

²¹ Source: RISE Double Bottom Line Investor Directory (<http://www.riseproject.org/>).

²² Please see Paul Brest’s piece entitled, *Investment Approach to Foundation Support* in the President’s Statement in the Hewlett Foundation’s 1999 Annual Report.

timeframe of principal return to investor and so forth). Please see *The Nature of Returns*²³ for further discussion of this concept.

Any of these investments may be structured in a variety of ways depending upon the interests of the investor and investee. Nonprofit organizations may issue bond offerings on terms that generate financial and social value. Private equity investors may structure their investments in for-profit firms on terms that are of blended value to both investor and investee. The whole arena of investment structure and return is perhaps the most exciting and promising within this entire discussion of value creation efforts, since mainstream capital markets are barely beginning to understand the implications of investing for multiple returns and more innovative investors (of many stripes) are increasingly appreciating the promise and power of custom structured notes and equity investing. The challenge for the field is in creating additional offerings of “conforming” investment instruments that may be used by broader, mainstream markets, and in the process create greater total liquidity for both investors and investees.

Much interesting work remains to be done in this exciting area of innovative structured finance.

Investor: An individual or organization placing capital into an organization (whether for-profit or nonprofit) creating blended value. Examples of investors include foundations, individual donors, investment funds, socially responsible mutual funds, individual community development finance funds and pension funds.

Micro-finance: The practice of awarding small loans, usually to owner operated micro-enterprises. MF can also involve savings facilities requiring no (or very low) minimum deposits; and other financial services such as insurance, money transfer or bill payment programs, designed for people on low incomes, and structured to build/protect assets.²⁴

Micro-loan Fund: A fund providing small loans, (i.e. a particular form of micro-finance). It should be noted that a micro-loan fund is a specialized form of financial service based on distinct products specially designed to service micro-enterprises and is not merely the occasional provision of a very small loan.²⁵

Mission Related Investing (MRI): MRI is the process of using investments to further fulfillment of an institution’s organizational mission. There are a number of forms of MRI, including shareholder activism, the use of social screens, private capital (typically venture capital) investing in “social” ventures, program related investments and/or the use of screened mutual funds.²⁶ Regardless of the form taken, the goal is to align corpus investments with the goals of the investing institution.

²³ *The Nature of Returns* is available for download from the BVM Website: www.blendedvalue.org

²⁴ Source: Social Enterprise London Glossary (<http://www.sel.coop/glossary/glossary.asp>).

²⁵ Source: Social Enterprise London Glossary (<http://www.sel.coop/glossary/glossary.asp>).

²⁶ “*Promoting Mission-Related Investing in the Environmental Grantmaking Community*” presentation by Barbara Gordon and Nicholas Lovejoy.

Practitioner: Quite simply, practitioner refers to anyone involved directly in the management of an organization creating blended value. This includes managers of mainstream for-profit companies, social entrepreneurs operating non-governmental organizations, CEOs and Founders of double bottom-line start-ups, SEs and so forth.

Program Related Investment: A below market-rate loan or other investment made by a private foundation to a profit making or nonprofit organization in partial fulfillment of the foundation's stated purpose and interests. Program related investments are an exception to the general rule barring “prudent man” investments. Often, program related investments are made from a revolving fund; the foundation generally expects to receive its money back with limited, or below-market return on capital, which will then provide additional funds for loans to other organizations. A program related investment might involve loan guarantees, purchases of stock or other kinds of financial support.²⁷

Scale: Going to scale refers to the challenge of replicating successful social programs and achieving greater size—and thus impact. For many, the for-profit sector analogue is franchising.²⁸

Silo: A “silo” is a term taken from grain silos that are used to store grain of various types in order to keep them from contaminating other grades of grain and store until such time as they can be taken to market. In this context, silo is being used to describe the fact that various areas of related work (social investing and strategic philanthropy, for example) have much in common, yet are “stored separately” from each other.

Social Audits: Social and ethical accounting and auditing are all methods of measuring and reporting on an organization's social and ethical performance. Ideally, an organization that takes on an audit makes itself accountable to its stakeholders and commits itself to following the audit's recommendations.²⁹

Social Enterprise (SE): Social Enterprise describes an ever-increasing set of organizations, both nonprofit and for-profit. And it is no surprise that efforts to define the term are various and even conflicting. The reader is invited to see the following discussion of “social entrepreneur” for more on this issue.

A useful definition provided by the British Government defines social enterprise as “...businesses with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners. Social enterprises tackle a wide range of social and environmental issues and operate in all parts of the economy. By using business solutions to achieve public good, the Government believes that social

²⁷ Source: Council on Foundations Glossary (<http://classic.cof.org/glossary/>).

²⁸ See: Jeffrey Bradach, “Going to Scale: the Challenge of Replicating Social Programs,” Stanford Social Innovation Review, Spring 2003.

²⁹ Source: Social Enterprise London Glossary (<http://www.sel.coop/glossary/glossary.asp>).

enterprises have a distinct and valuable role to play in helping create a strong, sustainable and socially inclusive economy.”³⁰

For our purposes we have used the term “social enterprise” to refer to double bottom-line businesses, social purpose enterprises, nonprofit business ventures and mission-based for-profit businesses. Social Enterprises typically pursue blended value returns that may embrace the subjugation of a certain amount of financial return or take on added risk in pursuit of social and/or environmental value creation.

In the for-profit sector, CSR is used in the context of large, multi-national or national corporations seeking to deliver market rate returns, and Social Enterprise is most often used to describe small to medium enterprises, usually with less than \$50 million in annual revenues, that are founded in order to intentionally pursue the generation of social and/or environmental value as well as financial returns (whereas CSR firms are more frequently “traditional” businesses seeking to expand their capacity to respond to demands they function with regard to social and environmental performance).³¹

While many of the operational issues are the same for both, we have subdivided social enterprises into for-profit and nonprofit because some of the resources (ie. capital investments) are only available to one group or the other.³²

Social Entrepreneur: As inferred above, attempts to define both social enterprise and social entrepreneur are difficult. There are those who have argued eloquently for the social entrepreneur as civic innovator,³³ those who define the SE as founder of a revenue generating venture³⁴, and those who define the term as one who launches a “related” enterprise or venture in order to create surplus revenue that may then be re-directed in support of a nonprofit or charitable purpose.³⁵ We have disappointed some by not making use of a broader definition of the term in the course of this project, however we were faced with a need to focus our inquiry and so have defined social entrepreneur as an individual who uses earned income strategies to pursue social objectives, simultaneously seeking both a financial and social/environmental return on investment. Said individual may or may not be in the nonprofit sector.³⁶

Again, it should be noted that this is a more restrictive definition than many use in the field as a whole. A Social Entrepreneur can also be an individual using an innovative application of business

³⁰ <http://www.dti.gov.uk/socialenterprise/>

³¹ Note, these figures are for US based social enterprises. The \$50 million figure would be out of scale for many enterprises outside the US and EU.

³² For a further discussion of Social Enterprise, see: Dees, Gregory, “*The Meaning of Social Entrepreneurship*,” The Kaufman Center for Entrepreneurial Leadership and Ewing Marion Kaufman Foundation, 1998.

³³ <http://skoll.socialedge.org/?293@23.1JShaNoWaUF.0@.1ad86d9e>

³⁴ See the piece by Boschee and McClurg, to be published on the Social Enterprise Alliance website in October, 2003.

³⁵ See the writings of Bill Shore, Share Our Strength and Community Wealth Ventures.

³⁶ Source: The Institute for Social Entrepreneurs glossary of useful terms (<http://www.socialent.org/glossary.htm>).

skills and practice in pursuit of social impact and environmental value creation—such as is the case of many Ashoka Social Entrepreneurs, for example.

While some of our examples fall in this larger category, we have leaned toward a more restricted definition in order to set some boundaries around the map—since not doing so would lead us into the much larger field of innovative nonprofit management and the social/civic sector as a whole, moving from “blended” to simply social service activities.

It is obvious the question of both what constitutes social entrepreneurship and who should be considered a social entrepreneur remains a hotly debated question. Greg Dees has recently published comments arguing that SE does not require revenue generation,³⁷ while Jerr Boschee and Jim McClurg will soon publish a piece arguing the opposite! While we certainly respect these and others involved in this debate, we have made use of a more limited definition in the course of this initial project, but are more than happy to have that definition and our work framed within a larger field of practice that includes other actors with other definitions.

Kim Alter, in her latest paper to be published by the Inter-American Development Bank in late October, presents some excellent frameworks with which to approach the discussion. Greg Dees has also written extensively and very well on the subject. We encourage the reader to seek out their publications for more information.

Social Impact Analysis (SIA): All efforts or metrics used to assess social impact.³⁸ A recent paper, “Social Impact Assessment: A Standard” by Sara Olsen and Alison Lingane, presents an excellent analysis of both the term and practice. The reader is directed to that paper for a more in depth analysis of SIA.³⁹

Social Investing: SI is that investing which seeks to produce both financial and social/environmental value and returns. We have used this term broadly to encompass investing in organizations and businesses that create social and financial value. Also referred to as ethical investing and socially responsible investing, this is the practice of aligning investment policies with institutional mission. SI may include making program related investments and refraining from investing in corporations with products or policies inconsistent with an investor’s values.⁴⁰ In this mapping document, we have chosen to use the term “social investing” broadly, and to then break it into two sub-segments of socially responsible investing and community investing. Others may favor a different approach to defining the field. We have sub-divided the term “Social Investing” to include the following two categories:

³⁷ <http://skoll.socialedge.org/?293@23.1JShaNoWaUF.0@.1ad86d9e>

³⁸ See: “*Double Bottom Line Project: Methods Catalog*” draft, 2003. Contact Catherine Clark at cathy@cathyhc.com, William Rosenzweig at wbrose@ideagarden.com, David Long at david_long@abtassoc.com or Sara Olsen at sara@svtconsulting.com for more information.

³⁹ Olsen, Sara and Alison Lingane, “*Social Impact Assessment: A Standard*,” draft paper. Contact sara@svtconsulting.com for more information.

⁴⁰ Source: Council on Foundations Glossary (<http://classic.cof.org/glossary/>).

1. *Socially Responsible Investing (SRI)*: The investment goal is to achieve full financial, market-rate returns with environmental and/or social value components. Most of the activity in this silo makes use of social and other screens to guide investments in mainstream corporations or to make use of shareholder activism to pursue social and environmental objectives. Our leadership examples include the organizations that manage these investments: mutual funds and financial advisors, money managers, and others. We also list noteworthy investors (such as pension funds and foundations) who invest in these funds.
2. *Community and Double Bottom Line Investing*: The investment goal is the generation of social and environmental value. In the case of community investing, this is accomplished through geographically focused strategies. This category includes Community Development Financial Institutions as well as Double Bottom Line venture or private equity funds. There is debate with regard to the degree to which financial value must be generated from these investments. Some funds argue for a discount to the market in order to allow for greater consideration of social and environmental value, while others argue there should be no discount to the market rate financial returns sought by investors. Leadership examples include organizations channeling funds into a variety of community economic development strategies.

Social Purpose Enterprise: A social purpose enterprise is typically a revenue-generating venture founded by a nonprofit to create jobs or training opportunities for very low-income or otherwise disadvantaged individuals, while simultaneously operating with reference to the financial bottom-line.⁴¹ Although less common, a social purpose enterprise can also be founded by a for-profit social enterprise.

Social Reporting: Non-financial data covering staff issues, community economic development concerns, stakeholder involvement and related “social” activities and impacts of an organization (whether for-profit or nonprofit). SR may include voluntarism and environmental performance metrics.⁴²

Social Return on Investment (SROI): Broadly speaking, social returns are those non-financial returns generated by a venture or created by an investment of capital. Many people make use of the term with an operating assumption that social returns generated by organizations are often beyond measurement and assessment. In recent years this assumption has been challenged as the term SROI has been used by REDF⁴³ and others as a defined framework to assess the economic impact and blended value generated by social purpose enterprises. This is calculated based upon assessing the social cost savings and social impact generated by such ventures. The term has come to be more generally used as any quantitative measure of social impact and capital performance.⁴⁴

⁴¹ Definition drawn from REDF website (<http://www.redf.org>).

⁴² Source: MHC International Glossary (www.mhcinternational.com/glossary).

⁴³ See REDF website for more information (<http://www.redf.org>).

⁴⁴ See REDF website for detailed definition of SROI (http://www.redf.org/about_approach.htm).

Strategic/Effective Philanthropy: Strategic/Effective Philanthropy (S/EP) includes a wide variety of philanthropic practices, many of which build upon traditional approaches to charitable giving, others of which function within an “investment philanthropy” approach. In general terms, what distinguishes S/EP from simple charitable giving is its commitment to view philanthropy not as an approach to charitable giving, but rather to investing in the creation of social value.⁴⁵ To that end, the following could all be viewed under this general category:

1. *Social Venture Funds/Venture Philanthropy:* Funds that invest in social enterprises using methods similar to venture capital firms. Most notably these groups practice high engagement with investees (whether for-profit or nonprofit), maintain longer investment horizons and have a clearly enunciated focus upon outcomes and documented social return on investment.
2. *Highly Engaged Donor Funds:* A variation on the above definition, with the exception that the investors themselves engage directly with the social enterprises through volunteering and/or consulting.
3. *Highly Engaged Foundations:* Institutional foundations using new models of philanthropic engagement to be directly involved in social value creation, investing time and talent as well as money.
4. *Strategic Philanthropy Foundations:* Funders within larger, institutional foundations that manage grantmaking with specific objectives, strategic plans used to identify potential investment opportunities and stated criteria for assessing progress and results (both quantitative and qualitative).⁴⁶

Sustainable Development: SD is presented as a silo, though it may also be viewed as a cross-cutting issue since it clearly moves through various parts of each of the four silos. In common usage, the term is sometimes used interchangeably with sustainable consumption and production. The generally accepted definition was proposed by the United Nations:

“To meet the needs of the present without compromising the ability of future generations to meet their own needs.”⁴⁷

The World Business Council on Sustainable Development defines SD in terms of the Council’s commitment to “sustainable development via the three pillars of economic growth, ecological balance and social progress.” We use the term to refer to initiatives

⁴⁵ Note, several people have argued that there is a place for charity. While we would not disagree, purely charitable activities and activities that focus solely on social value are not the focus of this report.

⁴⁶ See “*The Hewlett Foundation’s Approach to Philanthropy*” by Paul Brest in the Hewlett Foundation Annual Report, 2001.

⁴⁷ Source: United Nations website (<http://www.un.org/esa/sustdev/>).

and practices that seek to minimize environmental pressure, bolster economic prosperity and improve the quality of life. Much of SD overlaps with other silos, particularly in the silo of Corporate Social Responsibility, however the emphasis here is more on eco-efficiency and improving the economic and social conditions in the developing world.

Triple Bottom Line: The triple bottom line (TBL) focuses corporations not just on economic performance, but also on environmental and social performance. Usually, the term ‘triple bottom line’ is used as a framework for measuring and reporting corporate performance against economic, social and environmental parameters.⁴⁸ Please see writings by John Elkington (founder of SustainAbility and the first to popularize the term “triple bottom-line”) referenced in the bibliography for an extensive discussion of “TBL” concepts and practices.

The previous definitions are offered to the reader as a way to understand how the Project Team approached our effort to define this space of many diverse players. These are the definitions we used and while we hope they are consistent with common usage, they are not definitive. Nailing down those definitions is a task that remains for others in the field. We offer these operating definitions to help the reader in understanding how we approached our work.

Further references to glossaries and papers to assist the reader in understanding the language and terms of a given area of practice are offered at the end of this document.

⁴⁸ Source: SustinAbility (<http://www.sustainability.com/philosophy/triple-bottom/tbl-intro.asp>).

Section Two:

Using The Blended Value Map

Where We Are—The Spectrum of Actors and Presentation of the Silos

The idea of mapping this emerging arena of work is not unique. However, most have endeavored to focus in on a given area of activity (such as Corporate Social Responsibility, for example) as opposed to engaging in what Matt Arnold of WRI referred to with good humor as “your Uber-Map of the World”! Origo⁴⁹ has developed a presentation of various mapping efforts, but for our purposes understanding the context of the present map will be the focus of our discussion.

The two charts on the following pages, entitled “Spectrum of Practitioners by Motive” and “Spectrum of Investors by Return Objective,” present the broad universe of both capital investors and those managing enterprises. At either extreme of the spectrum the reader will find “pure play” entities concerned either with maximizing social impact/return or financial value and performance. In the middle of each spectrum, the reader will identify a set of entities concerned with more than strictly financial or social return and impact.

It is important to note that while this document focuses upon those actors in the middle of each spectrum who are intentionally attempting to maximize both economic as well as social/environmental performance and returns, we would argue that all enterprise and all investing generates value components of economic, social and environmental returns. The fact that our present metrics and conceptual frameworks are not capable of tracking and capturing the full impact of our blended value proposition does not negate the reality that value itself is non-divisible and consists of the three aforementioned elements.

The charts present the general labels of players that, for the purposes of this analysis, we further divide into “silos” of activity grouped as Corporate Social Responsibility, Social Enterprise, Social Investing, Strategic/Effective Philanthropy and Sustainable Development. We acknowledge these are “gross groupings” and do not reflect either the richness of diversity within the actors presented or the reality that many groups do not neatly fit into any single category, but could easily be placed in a variety of columns. We will leave the issue of the “fine cut” to those who choose to carry this discussion forward, but for now we offer these general categories in order to explore the larger question of the commonality between these areas of enterprise and investing.

Setting these considerations aside, we will explore each of these silos of activity as presented...

⁴⁹ <http://www.origoinc.com/>

A Spectrum of Investors by Investment Objective **USA** **\$ Billions**

	Purely Social & Environmental ←			→ Purely Financial
Investment Objective	Full Social and Environmental – No Expected Financial Return	Below Market Financial Return with high Environmental and Social Return	Full Market Financial Return and Some Social and Environmental Return	Full Market Financial Return – No expected Social and Environmental Return
Rough Estimate of Market Size	\$225	\$10	\$2,310	\$17,600
Investors	Individual Giving \$130 Foundations \$ 30 And Donor Advised Funds Government Grants \$ 65	Community Development Financial Institutions ² Other "Double Bottom Line" Funds \$2.0 ³ Foundations - Program Related Investments (PRIs) \$0.2	Socially Screened Funds Shareholder Activism (Unscreened Funds) \$ 300	Other investment assets under professional management in the United States

Sources: Social Investment Forum; "2001 Report on Socially Responsible Investment Trends"; Independent Sector "Non-profit Almanac"; Foundation Center; "PRI Directory"; Meehan, McKinsey & Co.; "Reforming Operations and Challenges of Non-profit Foundations".

²Banks, Credit Unions, Loan Funds, Venture Capital Funds and micro enterprise programs.

³Rough estimate based on "RISE Capital Market Report: The Double Bottom Line Private Equity Landscape" by C. Clark & J. Taylor Gaillard.

Corporate Social Responsibility⁵⁰

Definition

Corporate Social Responsibility (CSR): Terms used under this banner include corporate citizenship, corporate accountability, business ethics and sustainability.⁵¹ CSR describes companies and business managers/leaders who consciously integrate strategies that create environmental and social value into their core business models, operations and supply chains. CSR may also be manifest in terms of how a company manages its investments and philanthropy. CSR corporations use market rate capital and seek to deliver market rate risk adjusted returns.

Overview

There has been significant interest in CSR reflected by the growing number of companies with explicit CSR policies and reports as well as the increased media attention given the subject as a whole. A recent paper by Mark Goyder of Tomorrow's Company, states that over 75% of FTSE 100 companies produce CSR reports and there has been a 200% increase in media coverage on CSR in the past year alone.⁵² Most "First World" countries have CSR resource organizations⁵³, many have CSR think tanks and consultancies and CSR is increasingly being integrated into academic curricula both in the US and internationally.⁵⁴

While CSR appears to be becoming more mainstream, adoption of CSR by corporations has not been uniform. A report by Coro Standberg on the future of CSR describes a CSR continuum from CSR-lite to deep-CSR with compliant, strategic and integrated in the middle.⁵⁵ Adoption of CSR has been driven both by the carrot and the stick, with some corporations, such as Dupont, acting proactively to make sustainable growth a core component of their business strategy, while other corporations have simply responded reactively to pressure from NGOs, shareholders and consumers. According to Bob Dunn, president of BSR. "While there's enormous progress in extending the CSR agenda to mainstream companies, there's still a lot of work to be done to make CSR an integral part of global operations, demonstrate its business importance over time and more sharply focus the attention of its advocates on what's really most important."

If current trends continue, as governments increasingly focus on corporate social and environmental performance, NGOs become increasingly sophisticated, and consumers

⁵⁰ The authors would like to recognize the important contributions of Bob Dunn in putting this section together.

⁵¹ Please see Business for Social Responsibility for a definition of CSR (www.bsr.org), the World Economic Forum for a definition of Corporate Citizenship (www.weforum.org), and SustainAbility for a definition of Sustainability (www.sustainability.com).

⁵² Goyder, Mark, "Redefining CSR," Tomorrow's Company (www.tomorrowcompany.com).

⁵³ See: "Resources for Promoting Global Business Principles and Best Practices" by Michael Kane (<http://csrwire.com/directory/>).

⁵⁴ See <http://www.beyondgreypinstripes.org/> for more information.

⁵⁵ Strandberg, Coro "The Future of Corporate Social Responsibility," report for VanCity Savings Credit Union, September 2002.

and shareholders become more knowledgeable, corporations will continue to be pushed further along on the CSR spectrum. As the role of business in shaping the agenda for global governance, development and policy is increasingly in the spotlight, CSR will be viewed as an important part of decision-making to grant firms a “license to operate.”⁵⁶ One example of this can be seen today Community Reinvestment Act (CRA) which requires banks, thrifts and other lenders to make capital available to low- and moderate-income urban areas.⁵⁷

The business case for CSR has been made by a number of individuals and organizations.⁵⁸ Most arguments for CSR contain the following components:

- Customer loyalty,
- Reputation,
- Cost reduction,
- Risk management,
- Employee attraction and retention,
- Investor relations and
- Innovation.

For the more proactive or “deep-CSR” corporations, these activities are a potential source of innovation and competitive advantage. Some corporations have attempted to calculate the value of their CSR activities to show a strong positive contribution to both their financial bottom-line and overall corporate value proposition (see Measurement section for case discussions).

⁵⁶ For more on the topic of corporations in the global economy, see: “*Building Competitiveness and Communities: How World Class Companies are Creating Shareholder Value and Societal Value*” by Jane Nelson, International Business Leaders Forum, November 1998.

⁵⁷ See <http://www.ffiec.gov/cra/history.htm> for more information about CRA.

⁵⁸ Samples include, various BSR white papers (www.bsr.org), “*Stalking the Elusive Business Case for Corporate Sustainability*” by D. Reed for WRI, “*Making the Business Case for Sustainability*” by M. Epstein and M. Roy, and “*The Business Case for Corporate Citizenship*” by Arthur D. Little, Inc.

Issues

As David Grayson of the UK-based Business in the Community said, “You used to have to argue about *why* CSR was relevant to companies, but now you have to tell people *how* to do it, how to integrate it into the firm, and that is where the real challenge lies.” And this challenge gives rise to a host of issues.

There continues to be skepticism around performance measurement and reporting of CSR. While many studies have been performed on the link between financial performance and CSR practices, there is continuing debate over the actual evidence. There has been a plethora of voluntary standards, but no uniformly adopted set of standards for corporate social and environmental activities. Additionally, there is an increasing questioning of the appropriate relationship between business and NGOs. Most of the discussion on CSR to date has focused on large corporations and there is growing realization that there is now a need to engage small and medium sized businesses as well. Finally, some critics are still wedded to the Milton Friedman view of corporate responsibility (i.e. that the only responsibility of business is to maximize shareholder returns) and there continues to be debate regarding this fundamental difference of perspective.

Performance Measurement of CSR

There is little or no consensus on how best to define and measure the value of CSR. Practitioners, academics and others have been employing many different methods to measure CSR, each with its own nuance and particular focus. Corporations are increasingly suffering from ‘survey fatigue’ trying to provide data on similar issues with subtle differences. Moreover, most of the focus has been on describing standards and policies, but there is little coordinated effort in the sector to measure the actual environmental and social *impacts* of CSR activities.

Reporting of CSR

It is unclear that social and environmental reporting accurately reflects changes in corporate practice. As with performance measurement, there is also little consensus around CSR reporting. The practice of “carpet bombing,” or loading corporate reports with information about CSR activities versus reporting clearly about social and environmental activities, contributes to skepticism among both supporters and doubters regarding the real value of CSR programs. There is a growing body of data being collected, but it is unclear if the data is being used to inform practice and how it can best inform day-to-day decision making by managers. Finally, a recent court case involving Nike raises issues for corporations regarding whether to report on CSR activities and if such reporting should be viewed as advertising, political propaganda or free speech.⁵⁹

⁵⁹ Nike’s case before the Supreme Court regarding the classification of their public debate with activists as “commercial speech.”

Link between Financial Performance and CSR

There have been a large number of studies done regarding the relationship between CSR and the generation of financial returns, most of which document a positive correlation between the practice of CSR and the generation of greater financial returns to the firm.⁶⁰ Despite this growing body of research on the subject, there continues to be disbelief of the results, in part because most studies testing CSR and financial performance do not test hypothesis regarding how CSR may contribute to financial performance and there is little research on these intervening variables.

Evolution of Voluntary Standards

There is an increasing trend toward the adoption of voluntary standards, guidelines or codes of conduct such as the CERES Principles, SA 8000, ISO 14000 and others. Most of these codes or standards serve to set a bar to prevent the destruction of social and environmental value but do not raise the bar by positively valuing sound environmental and social performance. Not all of the standards have reporting or monitoring components and most corporations do not attempt to measure the impact of these activities. There is a growing consensus that the number of standards for different things has become overwhelming and consolidation is necessary. Finally, there is increasing tension between voluntary standards and regulation, with more progressive corporations actually pushing for minimum regulatory standards since they fear their adherence to the standards may place them at a competitive disadvantage in the short term.

Ownership and Governance

Ownership and equity issues are central to many of the debates regarding business and social responsibility. To quote Michael Shuman, "Social Responsibility without reference to ownership doesn't make a lot of sense." There is a real need to connect local small business development with socially responsible business practice and strategies at building increased global equity.

Linked closely with this question of ownership is governance. The arena of corporate governance (for both major transnational firms and regional companies) is a well-developed area of both thought and work. The question of how decisions come to be made within the firm, how transparent those decisions should be made and the degree to which outside stakeholders should be allowed to have input into decision making processes is a critical area of debate. While most frequently discussed with reference to the corporate governance practices of major companies, these issues transcend organizational type and are also of critical concern to foundations, NGOs and smaller, for-profit companies as well. As Dan Sherman, President of Explore Company, stated, "There are two central questions in these discussions: How do we think about economic power? And how do you create access to the dream?" Clearly, our perspectives on ownership and governance are key to understanding the answers to those questions.

⁶⁰ Margolis, J. and James P. Walsh, *"People and Profits: The Search for a Link Between a Company's Social and Financial Performance,"* Lawrence Erlbaum Assoc. (May 2001).

Relationship with NGOs

There are many examples in the CSR literature and elsewhere of positive collaborations between corporations and NGOs. For example, Changemakers Journal, presented several examples of effective collaboration that provided both powerful social benefits and profitable markets for the companies involved. One example in Mexico involved Cemex, the third largest cement manufacturing company in the world. Cemex is focusing on how to develop a product offering that is designed to serve the needs of hundreds of thousands of low-income consumers in Mexico and working with the local citizen-based organizations in order to “take its innovation one step further.”⁶¹

While there is increasing press coverage of successful corporate-NGO collaboration, companies have also been increasingly under attack from NGOs. In a recent article, Dave Barron of Stanford Business School describes how NGOs are increasingly “facing off” with corporations directly, garnering public support to pressure social change rather than waste time lobbying government.⁶² Another recent article by Debora Spar of HBS explores the different ways in which for-profit firms have been dealing with NGOs and notes instances of preemption, capitulation and resistance.⁶³ As a result, corporations are returning fire by demanding increased clarity and accountability on the part of NGOs. Recently a website called NGOWatch was launched by the Federalist Society for Law and Public Policy for this purpose, and is being sponsored by organizations that are commonly perceived as “conservative.”⁶⁴

Engaging Small and Medium Sized Businesses

Most CSR resources and initiatives are focused on large and multinational firms. Small and medium sized enterprises often fear tackling environmental and social issues, even if these activities could create positive business benefits, because they are often time and resource constrained.⁶⁵ The Hitachi Foundation, Social Venture Network, Business in Community and other players in CSR are developing initiatives to help address this deficit in coming years. A current example worth building upon is the BALIE initiative, an affiliate of the Social Venture Network. BALIE stands for Business Alliance for Local Living Economies and is a network that assists small businesses in participating in local economic development through producer, purchasing, lending and investing networks.

The Charges of Critics

There continues to be a tension between society’s evolving expectations of corporations and the traditional view of economists and corporate governance advocates that is best summarized by Milton Friedman’s statement that “there is only one social responsibility of business – to use its resources and engage in activities designed to increase its profits

⁶¹ See <http://www.changemakers.net/journal/02september/index.cfm> for more information.

⁶² Barron, David P., “*When Companies and Activists Square Off*,” Stanford Social Innovation Review, (Spring 2003).

⁶³ Spar, Debora and Lane T. La Mure, “*The Power of Activism: Assessing the Impact of NGOs on Global Business*,” California Management Review (Spring 2003).

⁶⁴ See <http://www.ngowatch.org/> for more information.

⁶⁵ David Grayson speech on “*Helping Small Business to Grow Through Responsible Entrepreneurship*”

so long as it stays within the rules of the game.”⁶⁶ Along these lines, David Henderson made a detailed report arguing against the adoption of CSR, which he suggests would reduce welfare and undermine the market economy.⁶⁷ A more optimistic report by Simon Zadek and John Weiser, provides insight into why businesses do not commit resources to CSR when there does appear to be clear evidence to show a direct business benefit and provides insightful arguments with which to engage “disbelievers.”⁶⁸

See Appendix D for CSR Map Pages

⁶⁶ Friedman, M. “*The Social Responsibility of Business is to Increase Its Profits*”, The New York Times Magazine 1970.

⁶⁷ Henderson, D. “*Misguided Virtue: False Notions About Corporate Social Responsibility*,” Institute of Economic Affairs, 2001.

⁶⁸ Weiser, John and Zadek, Simon, “*Conversations with Disbelievers: Persuading Companies to Address Social Challenges*,” for the Ford Foundation, November 2002.

Social Enterprise

Definition

Social Enterprise (SE): Social Enterprise describes an ever-increasing set of organizations, both nonprofit and for-profit. And it is no surprise that efforts to define the term are various and even conflicting. The reader is invited to see the following discussion of “social entrepreneur” for more on this issue.

A useful definition provided by the British Government defines social enterprise as “...businesses with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners. Social enterprises tackle a wide range of social and environmental issues and operate in all parts of the economy. By using business solutions to achieve public good, the Government believes that social enterprises have a distinct and valuable role to play in helping create a strong, sustainable and socially inclusive economy.”⁶⁹

For our purposes we have used the term “social enterprise” to refer to double bottom-line businesses, social purpose enterprises, nonprofit business ventures and mission-based for-profit businesses. Social Enterprises typically pursue blended value returns that may embrace the subjugation of a certain amount of financial return or take on added risk in pursuit of social and/or environmental value creation.

In the for-profit sector, CSR is used in the context of large, multi-national or national corporations seeking to deliver market rate returns, and Social Enterprise is most often used to describe small to medium enterprises, usually with less than \$50 million in annual revenues, that are founded in order to intentionally pursue the generation of social and/or environmental value as well as financial returns (whereas CSR firms are more frequently “traditional” businesses seeking to expand their capacity to respond to demands they function with regard to social and environmental performance).⁷⁰

While many of the operational issues are the same for both, we have subdivided social enterprises into for-profit and nonprofit because some of the resources (i.e. capital investments) are only available to one group or the other.⁷¹

⁶⁹ <http://www.dti.gov.uk/socialenterprise/>

⁷⁰ Note, these figures are for US based social enterprises. The \$50 million figure would be out of scale for enterprises outside the US and EU.

⁷¹ For a further discussion of Social Enterprise, see: Dees, Gregory, “*The Meaning of Social Entrepreneurship*,” The Kaufman Center for Entrepreneurial Leadership and Ewing Marion Kaufman Foundation, 1998.

Overview⁷²

Historically, a number of organizations (such as the Girl Scouts, Good Will Industries and others) have used commercial activities as a means to generate revenue to support program activities. Today, the practice appears to be becoming more widespread. A report by Community Wealth Ventures states that, “Business enterprise by nonprofit organizations is one of the least noticed but fastest growing areas of small business today.”⁷³

Faced with decreasing funding from both government and foundations, an increasing number of nonprofits are creating new business ventures and using commercial means to further their charitable mission as well as to generate new sources of revenue. According to David Bornstein, thousands of social entrepreneurs are stepping in to solve the problems where governments and bureaucracies have failed.⁷⁴ In an article in Harvard Business Review, Greg Dees describes the “rising tide of commercialization” of nonprofit organizations encouraged by “a new pro-business zeitgeist” which has made such activities more acceptable for nonprofits.⁷⁵

Many nonprofits find that these new commercial activities can enhance rather than detract from their social mission and help them to diversify revenue while developing new tools and strategies to fulfill their mission. According to Dees, social enterprises have different characteristics versus traditional nonprofits. They are more results driven and there is a focus on identifying and measuring outcomes.⁷⁶

However, the trend is not at all one-way. While there remains a nonprofit bias in the form of organizations providing social services, many entrepreneurs have chosen a for-profit vehicle as the best means of delivering on their social mission. And these firms confront significant challenges in attempting to combine social purpose with for-profit enterprise.⁷⁷ The most prominent examples are in the health care and education sectors. Increasingly, in other sectors as well, for-profit organizations are pursuing social missions.

Both nonprofit and for-profit social enterprises have to balance the tensions of making a profit while maintaining a firm commitment to social/environmental mission. In a paper addressing the typography of social enterprise, Kim Alter has developed a framework to represent the relationship between mission and profit motives. Alter develops three social enterprise archetypes for how the social program and the enterprise activities

⁷² Note, this section as well as others throughout this document has a US focus. For a more international perspective, see various publications and articles on the NESsT website (<http://www.nesst.org>). See also the typology paper by Kim Alter mentioned later in this section.

⁷³ “Powering Social Change: Lessons on Community Wealth Generation for Nonprofit Sustainability,” Community Wealth Ventures, available at: <http://www.communitywealth.com>.

⁷⁴ Bornstein, David, “How to Change the World,” Oxford University Press, forthcoming January 2004.

⁷⁵ Dees, Gregory, “Enterprising Nonprofits,” *Harvard Business Review*, January-February 1998.

⁷⁶ Ibid. see spectrum of commercial activity.

⁷⁷ A new paper by Greg Dees and Beth Anderson explores this question in the context of educational ventures: <http://faculty.fuqua.duke.edu/centers/case/files/workingpaper2.pdf>.

interconnect: enterprise activities which are embedded in the social programs, business activities which overlap with the social program and business activities that complement but are separate from the social program.⁷⁸

Issues

In pursuing their new agenda, social entrepreneurs face a number of hurdles⁷⁹. The constant tension between social mission and financial success leads many to bring up the issue of mission drift and (for nonprofit managers) the fear of endangering their tax-exempt status. These organizations are also plagued by limited capital resources and insufficient metrics, both of which lead to questions regarding organizational capacity, financial sustainability and documentation of actual value creation.

Mission Drift

There is concern that new businesses and wealth building strategies of nonprofits will compromise important service mission goals and create financial risks as well as risk damaging to their reputations. Some practices are being called into question, for example, universities that conduct research for corporations or sell advertising space on athletic uniforms. In addition, questions concerning cultural and personnel changes that might accompany commercial activities and market based strategies of nonprofits have been raised. According the Community Wealth Ventures report, the most frequently asked question is “Are we at risk of selling out our values and losing our soul if we begin to engage in commerce?”⁸⁰ Similarly, for-profit social enterprises must convince potential funders that their social mission will not detract from their financial mission.

Tax Status/UBIT

In the US the IRS guidelines require non-taxed business activities be ‘substantially related’ to a nonprofit’s tax-exempt purpose. Many nonprofits fear the development and pursuit of market-based strategies will require them to pay UBIT and potentially call into question their overall tax status. Moreover, coming up against competition with the private sector, for example in the case of the YMCA, can create negative press and questions regarding the preferential tax-exempt status.⁸¹

⁷⁸ Alter, Kim, “*Social Enterprise: A Typology of the Field Contextualized in Latin America*” publication for the Inter-American Development Bank. Paper to be released in October of 2003; available at <http://www.virtueventures.com>.

⁷⁹ As discussed earlier, one of those hurdles is the definition of what constitutes social entrepreneurship and social entrepreneurs to begin with!

⁸⁰ “*Powering Social Change: Lessons on Community Wealth Generation for Nonprofit Sustainability*,” Community Wealth Ventures, available at: <http://www.communitywealth.com>.

⁸¹ Note this discussion of UBIT is relevant to US based nonprofits. A NESsT publication, “Profits for Nonprofits” available for order from their website (<http://www.nesst.org>) outlines the three typical approaches that governments around the world use to regulate social enterprise activities. Also available on their website are legal guides for social enterprises in Latin American countries.

Capital Questions

Although Calvert Foundation is currently exploring some interesting alternatives⁸², nonprofit organizations continue to face the challenges of growing resources and replicating models with project-based funding because there is a lack of suitable capital market for them to access “patient” capital. While seed capital is sometimes available through grant funding, the lack of equity-like capital for expansion is problematic for those in the nonprofit sector. Some social enterprises are seeking innovative ways of accessing the traditional capital market, which requires an entirely different discipline and time frame that is uncomfortable for many nonprofits. While capital markets may be more accessible for for-profit social enterprises, many other funding resources available to nonprofits are not. Moreover, the social capital market is still underdeveloped, particularly for below-market rate investments.⁸³ (Please see this paper’s section on Capital Issues for a more detailed discussion of these issues with regard to both for-profit and nonprofit small and medium enterprises).

Measurement Problems

There has been increasing focus in the sector on accountability and measuring outcomes that raises many issues for social enterprises—regardless of whether they are nonprofit or for-profit entities. The social and environmental impacts created by social enterprises cannot always be easily tracked and measured. In addition, there are no broadly embraced and effective approaches for measuring social and environmental value. Additionally, there is also a risk of overemphasizing financial value and short term results because they are more measurable. Many entrepreneurs feel that tracking and measuring outcomes is time consuming and costly and social enterprises often have difficulty raising funds to support such endeavors. Moreover, the push for accountability is felt to burden smaller enterprises unequally due to their lack of expertise, infrastructure and resources. (See section on Measurement and Metrics for a more detailed discussion of these issues).

Leadership and Organizational Capacity

Although there has been increased focus on organizational capacity recently, the chronic under-investment in this area has been felt to lead to poor management practices and an inability to attract mainstream management talent. While the importance of strategic planning is widely recognized as vital to success, less than 10% of nonprofits even have a strategic plan.⁸⁴ Many nonprofits do not have the managerial capacity and business-specific organizational skills to pursue commercial opportunities and lack the compensation structure to attract leadership talent. For-profit social enterprises function with many of the same limitations as their nonprofit counterparts, and also have succession issues, as founders are often unable to ensure the soundness of the social

⁸² Calvert Foundation is seeking funding from MacArthur Foundation to explore a nonprofit ‘equity equivalent.’ See the section on Capital Issues for more information.

⁸³ A new report from the Social Enterprise Alliance discusses funding of Social Enterprise, see: http://www.se-alliance.org/Sundance_final_report.pdf

⁸⁴ Source: A memo from Shirley Sagawa based on the findings from interviews regarding use of logic models and outcome measures.

mission once they go public or sell the company. (See section on Organizational Capacity for a more detailed discussion of these issues).

Scale and Financial Sustainability

Accessing adequate capital is a major challenge for both for-profit and nonprofit social enterprises. While funding pilot projects and programs is often available, many funders are uninterested in the unglamorous nature of investing in “scale.” Achieving scale is an iterative process that requires infrastructure development at every stage, and consequent funding. For many nonprofits, increasing scale decreases the cost per unit of service provided, but increases overall funding needs. Grant funding is typically limited in amount and time horizon, leaving both nonprofit and for-profit enterprises looking for alternative sources of capital. In general, capital markets have not been able to efficiently supply “second stage” financing for social enterprise ventures.

It should be recognized that “big scale is the result of a lot of little scale,” and that it is not a linear process, but rather a developmental one. To paraphrase the words of Sara Horowitz, founder of Working Today, achieving scale is like rowing a boat where one alternates between rowing and gliding. First, you prove the model; then you grow in a certain market or area; third, you move the model to broader impact and ultimately social change. You push and glide and push and glide until you achieve the level of development and growth you need to enjoy the ride!

Finally, Michele Kahane of the Ford Foundation raised an important point regarding scale when she commented that perhaps some organizations, whether social enterprise, community development finance institutions or so on, should not go to scale—perhaps their role is simply in demonstrating a ‘proof of concept’ and viability of a given market or approach, which may then be taken over by mainstream investors and corporations capable of really achieving scale. For example, the financing of affordable housing ventures ultimately required mainstream, market-based investment vehicles that were well beyond what individual nonprofits or foundations could muster.

And as we discuss the challenge with reference to the “scaling” of micro-enterprise practice, the number of mainstream lenders who see a promising market now as a result of the work of nonprofit organizations should not be dismissed. These examples demonstrate where possible collaborations between nonprofit entities and for-profit firms have the potential to leverage the relative strengths of each in achieving very significant, and possibly international, social impacts.

(See section on Leadership and Organizational Development for a more detailed discussion of these issues).

See Appendix E for Social Enterprise Map Pages

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Social Investing

Definition

Social Investing (SI): SI is that investing which seeks to produce both financial and social/environmental value and returns. We have used this term broadly to encompass investing in organizations and businesses that create social and financial value. We have further sub-divided the term “Social Investing” to include the following two categories:⁸⁵

1. *Socially Responsible Investing (SRI)*: The investment goal is to achieve full financial, market-rate returns with environmental and/or social value components. Most of the activity in this silo makes use of social and other screens to guide investments in mainstream corporations or to make use of shareholder activism to pursue social and environmental objectives. Our leadership examples include the organizations that manage these investments: mutual funds and financial advisors, money managers, and others. We also list noteworthy investors (such as pension funds and foundations) who invest in these funds.
3. *Community and Double Bottom Line Investing*: The investment goal is the generation of social and environmental value. In the case of community investing, this is accomplished through geographically focused strategies. This category includes Community Development Financial Institutions as well as Double Bottom Line venture or private equity funds. There is debate with regard to the degree to which financial value must be generated from these investments. Some funds argue for a discount to the market in order to allow for greater consideration of social and environmental value, while others argue there should be no discount to the market rate financial returns sought by investors. Leadership examples include organizations channeling funds into a variety of community economic development strategies.

Overview

The History of Social Investing began in the early 20th century when religious institutions divested their portfolios of alcohol, gambling and tobacco stocks.⁸⁶ The practice of divesting one’s portfolio of “sin stocks” later came into the mainstream in response to South African policies of apartheid. Following the leadership of people such as Amy Domini, who launched the Domini Social Index Fund, social investing has grown significantly from these early roots.

⁸⁵ Several interviewees commented that SRI represents more of a strategy for investing, while Community Investing may be a function of geographic focus. We would suggest that a better approach to categorizing the two types of investing may be to segment social investing into SRI and Social Venture Capital Investing, but will leave that discussion to those who carry this mapping effort forward, and who are able to convene a set of actors who may hash out the best framing of the Social Investing arena.

⁸⁶“*Socially Responsible Investing*,” Rob Bowers, Cambridge Associates, to be released October 2003.

According to the Social Investment Forum, by 2001 total assets in professionally managed portfolios utilizing screening and shareholder advocacy came to \$2.3 trillion, or 12% of the \$19.9 trillion in professionally managed assets in the US. In addition, Social Investment Forum estimates community investing at \$7.6 billion, representing a 41% increase from \$5.4 billion in 1999.⁸⁷ In a separate study by RISE, double bottom line private equity investment was estimated at \$2.0 billion.⁸⁸

A recently released paper on Socially Responsible Investing by Rob Bowers of Cambridge Associates describes the evolution in SRI as “an investment continuum where screening resides at one end and active engagement to influence corporate behavior and/or to further program goals resides at the other.” In the same paper, Bowers refers to SRI “not as an asset class but rather as an investment discipline” with the way in which investors exercise that discipline depending on their motivations.⁸⁹

John Kingston of Venturesome in the UK has developed an intriguing framework for thinking about social investing. He presents one axis as the spectrum of highly altruistic or charitable to highly commercial or capitalist. Another axis represents the level of involvement, from high to low. Each quadrant represents a different kind of investor. For example, banks would be in the quadrant of low involvement and highly commercial, venture capitalists would be high involvement and highly commercial, many institutional grant-makers would be low involvement and highly philanthropic and “venture philanthropists” would be in the highly philanthropic and highly involved quadrant, with “double bottom” line funds and others scattered in the middle.⁹⁰

According to Social Investment Forum, assets flowing into community investing organizations grew by 41 percent between 1999 and 2001, increasing from \$5.4 billion to \$7.6 billion. The 2001 figure reflects \$3.14 billion of assets in Community Development Banks, \$1.8 billion of assets in Community Development Credit Unions, \$2.36 billion of assets in Community Development Loan Funds and \$300 million of assets in Community Development Venture Capital Funds.⁹¹

In 1977 Congress enacted the Community Reinvestment Act (CRA) requiring banks, thrifts and other lenders to make capital available to low- and moderate-income urban areas.⁹² The subsequent period saw substantial growth in Community Development Corporations and later Community Development Financial Institutions (CDFIs). The mission of CDFIs is based on the philosophy of economic self-help, providing loans and

⁸⁷ 2001 Report on Socially Responsible Investing Trends in the United States, Social Investment Forum. See: http://www.socialinvest.org/areas/research/trends/SRI_Trends_Report_2001.pdf for full report.

⁸⁸ Clark, C. and J. Taylor Gaillard, “RISE Capital Market Report: The Double Bottom Line Private Equity Landscape,” see <http://www.riseproject.org> for more information.

⁸⁹ Bowers, Rob “Socially Responsible Investing,” Cambridge Associates, to be released October 2003.

⁹⁰ Kingston, John. “From Altruism to Capitalism: What Lies in Between?” RSA lecture series, March 2003. See www.theRSA.org for more information.

⁹¹ Social Investment Forum, “2001 Report on Socially Responsible Investing Trends in the United States,” 11/2001, available at: http://www.socialinvest.org/areas/research/trends/SRI_Trends_Report_2001.pdf

⁹² See <http://www.ffiec.gov/cra/history.htm> for more information about CRA.

financial services to low-income families and communities. CDFIs have had a tremendous impact in supporting Community Development, as funding can be recycled back into further community and economic activity. CDFI funds can also be further leveraged, for example as assets to guarantee loans, to create even greater impact.⁹³

A report by Brody, Weiser, and Burns for the Ford Foundation identifies four strategies for increasing the flow of community development finance. They recommend, for certain customer segments, developing innovative finance products and/or processes that can be viably funded by market rate capital; increasing the amount of below-market-rate capital and operating subsidies to CDFIs; increasing the efficiency and scale of CDFIs; and continued support of advocacy, legislation and regulation aimed at countering prejudice and discrimination in financial markets.⁹⁴

In addition to the funds available from CDFIs, there are a number of private equity investors. According to a recent report on socially and environmentally motivated private equity investors by the Columbia Business School's Research Initiative on Social Entrepreneurship (RISE), "double bottom line" (DBL) funds (the term preferred by those funds surveyed) are "successfully raising money to form institutional investment pools, and that are quietly investing in dozens, if not hundreds, of early-stage ventures."⁹⁵

The RISE report estimates that there are at least 59 funds with over \$2.7 billion under management and over \$2 billion of total capital available for investing in companies for social or environmental purposes. The report splits up this market into four distinct types of funds with the largest being leadership or development-focused VC funds which invest in business whose social purpose is accomplished not by the product or service but by who owns or manages the business, where it is located or whom it employs. The second largest category are industry change-focused VC which invest in an industry niche in which the primary product or service of the business is inherently pro-social or pro-environmental. The other categories are VC with a conscience and nonprofit social investment funds.⁹⁶

While the size of community and double bottom line investing is small relative to the overall market, it is growing at a rapid pace and having a wide impact. The overall amount, however, is still small relative to the mainstream and the potential for innovative instruments is hardly tapped. (See section on Capital).

⁹³ See <http://www.ceimaine.org/download/11-finn.doc> for a discussion of CRA and Community Development Finance.

⁹⁴ Brody, Weiser, Burns Consulting, "Strategies to Increase Community Development Finance," Ford Foundation CDFI Study, January 2002.

⁹⁵ Clark, Catherine H. and Josie Taylor Gaillard, "RISE Capital Market Report: The Double Bottom Line Private Equity Landscape in 2002-2003," Social Enterprise Program, Eugene M. Lang Center for Entrepreneurship, July 2003. See also <http://www.riseproject.org> for Double Bottom Line Investor Directory.

⁹⁶ Ibid.

Issues – Socially Responsible Investing (SRI)

While both SRI and Community Investing have grown substantially over the last decades, there are still a number of barriers to broader adoption. For SRI, the subjects of linking CSR to financial performance, the impact of shareholder activism, risk and fiduciary responsibility as well as other charges of critics continue to be debated. On a more positive note, there is emerging interest in the connection of SRI to Community Investment.

Linking CSR/SRI to Financial Return

While studies abound exploring the relationship between CSR activities and financial performance, most showing a positive relationship, there remains skepticism regarding the results.⁹⁷ Some of the skepticism can be explained by the lack of a generally accepted causal model for how social and environmental activities either add no cost or cause positive financial performance. The lack of proper metrics and reporting of these activities further confuses the topic. Only a handful of corporations calculate and report the positive contribution of these activities (see Metrics section of this paper for examples). Stock prices, however, represent the expectations regarding the future value of income streams, taking into account future revenues, costs, risks etc. Very little work has been done to quantify these types of forward looking or projective figures for CSR activities.

The Impact of Shareholder Activism

An article in the Journal of Economic Finance and a following article in HBR found that companies in the Fortune 500 with larger portion of activist public pension funds in their ownership structure had lower market values implying that activist behavior dampens the financial performance of corporations.⁹⁸ However, CalPERS claims that it singles out poor performing companies and those with poor governance practices as targets for activist activity. Furthermore, CalPERS says that on average, one year after drawing attention to the poor practices, these companies outperform the S&P 500 by 14%, suggesting that proper analysis needs to take into account an appropriate time lag.

Risk

Insurance companies are beginning to look more closely at a company's social and environmental risks. For example, Swiss Re, a large insurance company, is now asking to see a company's climate change plan before accepting their application for coverage. Increasingly, mainstream institutional investors and fund managers are engaging corporations on social, environmental and ethical performance because they see these as part of 'non-financial' risks facing their investments. Corporations will increasingly understand the costs of being the target of a high profile campaign, such as the one

⁹⁷ See Margolis, J. and James P. Walsh, *People and Profits: The Search for a Link Between a Company's Social and Financial Performance*, Lawrence Erlbaum Assoc. (May 2001).

⁹⁸ Woidtke, T. "Agents Watching Agents?: Evidence From Pension Fund Ownership and Firm Value" forthcoming, Journal of Financial Economics; Woidtke, Tracie and Leonard Bierman and Christopher Tuggle, "Reining Activist Funds," Harvard Business Review (March 2003).

launched at Nike, or potentially costly environmental liabilities, and will begin to take preventative measures.

Fiduciary Responsibility

The issue of fiduciary responsibility has been argued from different angles. The first argument is that fiduciaries operating under ERISA and other statutes or laws modeled on ERISA, which precludes the sacrifice of financial return for social return, must demonstrate receipt of fair risk-adjusted market rate of return. Consideration of “non-financial” factors in an investment decision might reduce returns (by reducing the universe of investments) and therefore violates the fiduciary duty of fund managers. Several critics also raise the issue of a potential conflict of interest between the fiduciary responsibility and the political goals of public pension fund managers who pursue an activist agenda (for example, CalPERS aggressive social-issues and pro-labor agenda). A new Center for the Study of Fiduciary Capitalism has been launched at St. Mary’s College (Moraga, CA) exclusively to explore the various aspects of this issue.⁹⁹

The other set of arguments relate to the fiduciary duty of foundations and other charitable organizations. Stephen Viederman, founder of the Initiative for Fiduciary Responsibility and former president of the Jessie Smith Noyes Foundation, has been a long-term advocate of reconsidering the notion of fiduciary responsibility of foundation trustees and has written eloquently on that issue.¹⁰⁰

Charges of Critics

The charges of critics are mostly based around the issues of financial performance, risk and portfolio diversification. Critics argue that by screening out certain companies, SRI funds reduce the universe of firms in which managers may invest, thereby limiting overall portfolio diversification and returns. Another argument is that given the industry weighting of SRI funds, it is difficult to create a desirable split between growth and value since most SRI funds are growth oriented and therefore more risky. Finally, some critics claim it is difficult to assemble a sophisticated portfolio (for example with real estate, venture capital, etc.) as supply of less traditional SRI instruments is limited.

Connecting SRI to Community Investing

The Social Investment Forum, in conjunction with Co-op America, has launched a “1% in Community Campaign.” The campaign aims to dramatically increase the assets devoted to community investing by getting social investors to shift one percent of their investment dollars into community investing. Several SRI mutual fund groups, such as Calvert Group and Domini Social Investments, have allocated at least one percent of their assets to community investments.¹⁰¹

⁹⁹ Please see <http://www.fidcap.org/> for additional information on the Center.

¹⁰⁰ See <http://www.theglobalacademy.org/ifr.asp> for more information.

¹⁰¹ Social Investment Forum, “2001 Report on Socially Responsible Investing Trends in the United States” November 2001, available at: http://www.socialinvest.org/areas/research/trends/SRI_Trends_Report_2001.pdf

Issues – Community Investing

While some of the issues facing the Community Development field overlap with those of the SRI field, a few issues are unique. Community Development Financial Institutions face important capital issues and several organizational and structural barriers. The role of tax and policy is particularly important as well. Finally, as the field progresses, the appropriate role of community development has increasingly come into question.

Capital Issues

While the capital markets represented by double bottom line and community investing are relatively small, they have been growing rapidly and are having a significant impact on the field. Some innovative organizations have been able to access the capital markets for their growing capital needs, however, these initiatives still do not fill the gap. While some products and services are viable relying only on market-rate capital, access to below-market-rate capital and operating subsidies are a vital part of CDFI funding, however the supply of this capital is limited and, in fact, shrinking. For larger CDFIs, the issue of capital is critical as grant funding is often capped at relatively modest amounts. Creation of mutual funds focused on Community Investment may be another channel to move mainstream investors into alternative social investments, but ERISA and other considerations are still significant barriers and supply and distribution of such funds is at best limited. (See the Capital Challenge section).

Key Barriers

According to the report by Brody, Weiser, Burns, the key barriers CDFIs face are the challenges of attracting, training and retaining staff and increasing the efficiencies in the use of scarce subsidy dollars.¹⁰² In addition, distribution of community investment instruments represents a challenge. Broker/dealers see the lack of fees/commissions as a barrier and, as a consequence, there are few sales/compensation agreements executed between broker/dealer firms and sources of community investing products (one notable exception is the Calvert Community Investment Note¹⁰³, with 25 sales agreements in place with broker/dealers). Moreover, the ERISA considerations mentioned earlier make it particularly difficult to advance community investment into the mainstream.

Role of tax credits and other policy

Community development finance has been supported by creative tax policies at the federal, state and local levels. Many government agencies have community development initiatives to motivate development of small community based business that provide special benefit to a specific underserved population. Although the role of public policy is particularly important in the community development field and CDFIs see lobbying as critically important, they often lack the resources necessary to pursue lobbying activities. Moreover, CDFIs are facing increasing pressure on results and track records to get new investment dollars because the CDFI allocation from the government is declining in the current administration (it is down by close to one third versus the prior year).

¹⁰² Brody, Weiser, Burns Consulting, “*Strategies to Increase Community Development Finance*,” Ford Foundation CDFI Study, January 2002.

¹⁰³ See reference in the Capital Challenge section of this paper.

Role of community development

Community Development Corporations' focus on housing production has lead to a questioning of their role and the role of CDFIs by many fans and critics. The New Market Tax Credit, a federal tax credit for individuals making qualified investments in pre-designated community development financial institutions, may create even more bias toward real estate investments. This raises the issue of "mission creep" for some CDFIs that run the risk of becoming increasingly focused upon real estate investing and development than upon providing other types of financial instruments to support broader community development.

See Appendix F for Social Investing Map Pages

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Strategic/Effective Philanthropy

Definition

Strategic/Effective Philanthropy (S/EP): Strategic/Effective Philanthropy includes a wide variety of philanthropic practices, many of which build upon traditional approaches to charitable giving, others of which function within an “investment philanthropy” approach. In general terms, what distinguishes S/EP is its commitment to viewing philanthropy not as an approach to charitable giving, but rather to investing in the creation of social value.¹⁰⁴ *While the following examples and discussions focus largely upon endowed foundation institutions, please note that many of these issues and challenges cut across the philanthropic spectrum and are relevant to individual donors as well as various types of foundations.*

With this in mind, the following could all be placed under this general category:

1. Social Venture Funds/Venture Philanthropy: Funds that invest in social enterprises using methods similar to venture capital firms. Most notably these groups practice high engagement with investees (whether for-profit or nonprofit), longer investment horizons and have a clearly enunciated focus upon outcome and documented social return on investment.
2. Highly Engaged Donor Funds: A variation on the above definition, with the exception that the investors themselves engage directly with the social enterprises through volunteering and/or consulting.
3. Highly Engaged Foundations: Institutional foundations using new models of philanthropic engagement to be directly involved in social value creation, investing time and talent as well as money.
4. Strategic Philanthropy Foundations: Funders within larger, institutional foundations that manage grantmaking with specific objectives, strategic plans used to identify potential investment opportunities and stated criteria for assessing progress and results (both quantitative and qualitative).¹⁰⁵

¹⁰⁴ Note, several people have argued that there is a place for charity. While we would not disagree, purely charitable activities and activities that focus solely on social value are not the focus of this report.

¹⁰⁵ See “*The Hewlett Foundation’s Approach to Philanthropy*” by Paul Brest in the Hewlett Foundation Annual Report, 2001.

Overview¹⁰⁶

According to Giving USA, grantmaking by foundations was \$25.9 billion representing 12.2% of total charitable giving in the US in 2001.¹⁰⁷ While Strategic/Effective Philanthropy represents an even smaller portion of overall charitable giving, a focus on outcomes and the surge of new techniques such as venture philanthropy and engaged grantmaking, as well as an increased focus on organizational capacity building, provide promise for the field as a whole.

In the past decade, the concept of venture philanthropy has grown and gathered steam. Organizations such as the Roberts Enterprise Development Fund, Social Venture Partners, Acumen Fund, New Profit Inc., and the New Schools Fund provide more than a transfer of money; they also focus on nonprofit capacity building and the documentation of social outcomes. Similarly, several institutional foundations are also focused on outcomes and are increasingly engaged with their grantees to build capacity. A report prepared by Community Wealth Ventures for Venture Philanthropy Partners gives an extensive overview of the growing field, detailing the approaches and lessons learned of over sixty organizations.¹⁰⁸

In addition to the growth of engaged philanthropy, there has been a growth in the use of technology for philanthropy as new Internet based models emerge to connect individual donors to grantees. Donor-advised funds have also been a growing alternative for individual donors, becoming a core part of community foundation strategy.

Other trends are the increasing interest in funding capital market intermediaries that bundle funds from individuals toward a specific issue, for example the Global Fund for Women or the Global Fund for Children. Funding intermediaries such as Give2Asia and America India Foundation focus on specific geographic segments. Diaspora philanthropy is another trend being followed by the Harvard's Global Equity Initiative.¹⁰⁹

For foundations of all types, the decreased stock market performance in 2001 in combination with ongoing decreases in federal and state budgets mean they are faced with fewer funds and greater demands for available funds. At the same time, there has been growing demand from various stakeholders for greater foundation accountability and transparency. While these pressures are not necessarily new, the response by the foundation community has been promising. A report from a meeting of lead executives from various foundations, divided the key challenges facing foundations today into two

¹⁰⁶ The information in this section is primarily US focused. For a more international discussion of Strategic/Effective Philanthropy, see the June 2002 special Alliance Magazine issue on venture philanthropy (<http://www.allavida.org/alliance/alliancehome.html>),

¹⁰⁷ Source: "Giving USA: Annual Report on Philanthropy for 2001," AAFRC Trust for Philanthropy, 2001.

¹⁰⁸ "Venture Philanthropy 2002: Advancing Nonprofit Performance Through High-Engagement Grantmaking," prepared by Community Wealth Ventures for Venture Philanthropy Partners, 2002.

¹⁰⁹ See http://www.ksg.harvard.edu/gei/global_philanthropy.htm for more information.

specific areas: the need to clarify strategy and focus, and the need to manage foundation performance and results.¹¹⁰

A related issue of great importance has to do with the cost of engaging in strategic philanthropy. If being “strategic” means funders spend time developing new approaches, engaging in significant due diligence and staying more directly connected to the work of grantees, there is a cost to that. Betsy Biemann of the Rockefeller Foundation has observed that if current legislation passes requiring foundations to account for administrative expenses separately from grantmaking funds, there is the very likely possibility foundation executives and boards will opt to decrease staffing in favor of supporting grant recipients. The question must be asked, whether in so doing foundations will move backward instead of forward toward more effective grantmaking practices.

A recent article in HBR by Bill Bradley, Paul Jansen and Les Silverman raised another set of important issues for charitable organizations and philanthropy. The authors suggest there is a huge opportunity to increase the amount of funding to nonprofits by reducing funding costs, distributing financial holdings of foundations at a faster pace, reducing program service costs, trimming administrative costs and improving sector effectiveness.¹¹¹ Concerns regarding the efficiency of the sector have long been raised, with this article simply being the latest offering. And organized philanthropy will need to continue addressing many of these issues in upcoming years.

However, this article is also a good example of how many of those within philanthropy and the social sector really miss the boat when it comes to assessing the effectiveness of foundations and foundation strategy. The fact is, by focusing solely upon issues of payout (how much to give, how best to manage grantmaking and so forth), the conversation addresses a red herring on the conference table, while an elephant sits quietly to the side. Questions regarding payout and efficiency fall short on two levels.

First, foundation payout—at 5% or 6% or even 7% of net income—is miniscule when compared to the total financial and other assets under management by foundations. Perhaps more importantly, total foundation giving in the United States constitutes less than 3% of total revenues received by nonprofit organizations, so to focus simply on the role of foundations as grant makers may miss the larger point: Foundations are uniquely positioned to more effectively leverage their *total* financial and non-financial assets (e.g. corpus investment as well as professional staff and research capabilities, etc.) on terms most foundations never even begin to address.¹¹²

¹¹⁰ Feister, Leila “*Stewards of Philanthropy: Lead Program Executives Reflect on Their Roles, Opportunities, and Challenges.*” Annie E. Casey Foundation, 2003.

¹¹¹ Bradley, Bill, Paul Jansen and Les Silverman, “*The Nonprofit Sector’s \$100 Billion Opportunity,*” HBR May 2003.

¹¹² Please see “*Total Foundation Asset Management: Elements of Engagement,*” (on the Hewlett website) and “*Where Money Meets Mission: Breaking Down the Firewall Between Investments and Programming,*” Stanford Social Innovation Review, Summer, 2003, both by Jed Emerson.

Second, by focusing upon the “present value” of foundation assets and grantmaking, the emphasis is not on the long-term valuation of philanthropic institutions, but the activities of foundations as charitable ATMs. The real target of our concern should be with regard to the value creation potential of foundations—not their function as glorified vehicles of wealth re-distribution.

Regardless, during this period of challenge and change foundations should not be hunkering down to weather the storm—indeed, they should do just the opposite. As Ed Skloot, President of the Surdna Foundation, has eloquently argued, these difficult times can be turned into opportunities:

“We have a large repertoire of unused tools and tactics. We have neglected to create and use our knowledge, our public voice, our financial wealth, our partners and even our high ground.” Skloot argues that philanthropy should not be charity, which seeks to provide relief, but rather philanthropy should go “after root causes of poverty, inequity and disadvantage, and by doing it, making institutional and social change.”

Skloot submits that to achieve this requires five initiatives for foundations: to be better listeners and learners to work together with grantees, to be knowledge-builders and knowledge-sharers, to be investors not just grantmakers, to be resolute advocates in the service of their mission, and to be capacity builders.¹¹³

Fulton and Blau move this further by examining scenarios for philanthropy’s future. They argue system change will require shaping the debate about impact and effectiveness, building an infrastructure for learning and connection, and seeding broad efforts to create meaningful system change. They suggest, “the current difficulties swamping philanthropy – smaller amounts to give away in a context of growing need – may be one very large incentive to change, and therefore this painful moment can be turned into an opportunity.”¹¹⁴

Issues

While there are exciting opportunities for philanthropies to affect important social change, serious challenges also remain. There continues to be debate with regard to the general concept regarding the role of venture philanthropy, about measuring impact and around the question of support grants and related efforts at capacity building. Philanthropy’s unique position also raises issues concerning a real lack of knowledge management within the field as a whole and challenges concerning philanthropic infrastructure and overall leveraging of foundation assets.

As summarized by the leader of one philanthropic association, while there are pockets of innovation within philanthropy, on balance one could conclude the field as a whole is in a mild form of crisis—mild only because the endowments of foundations protect them

¹¹³ Skloot, Ed “*Is Distinguished Philanthropy Still Possible?*” Surdna Foundation.

¹¹⁴ Fulton, Katherine and Andrew Blau, “*Discovering Philanthropy in the 21st Century*,” GBN Global Network, 2003.

from the type of direct market accountability that would drive other actors out of business.

Perhaps the starting place for this “crisis” is the fact that the vast majority of foundation leadership, at both the trustee and president levels, often seems primarily concerned only with their own institutions as opposed to the practice of philanthropy as a whole—much less with what the practice of philanthropy should be attempting to collectively achieve. Whether or not this observation is fair, this has lead many to believe there is a possible vacuum of leadership and thinking with regard to the future of philanthropy. Indeed, if the question were to be asked what the agenda of philanthropy is and who is advancing it, one would be hard pressed to enunciate a cogent reply. This reality is compounded by a lack of common language, frameworks and expectations with regard to the work being done in the field. And, finally, with a lack of incentives and high degree of personal preference driving foundation policy and practice, many of those we interviewed felt there is little if any public accountability. It would be understandable if these fairly harsh comments came from outside critics, but they were voiced by various leaders within philanthropy—so we might only imagine what our loyal critics could come up with!

In any event, the following comment (again, by a staff person involved with foundations), sums it up pretty well:

“We are not very strategic about our work. We do flavor of the month funding...but the old flavors never seem to go away.”

In addition to these general concerns regarding how philanthropy functions today, one could also cite the following issue areas:

Measuring Impact

Developing common measures to assess the success of diverse nonprofits still remains a challenge. For investors, measuring the effectiveness of specific investments or grants, portfolio performance and overall organizational effectiveness each present unique challenges. Perhaps even worse, to date philanthropy’s focus has been on measuring project performance and grantees use of funds—not upon the value created by either nonprofit organizations or the performance of the capital invested in their work. As one expert commented, “I don’t know how any foundation can function in the absence of a coherent framework for understanding whether they were advancing or in retreat!” (See section on Measurement for more on these issues).

Knowledge Management and Infrastructure

For many foundations and other funding organizations, knowledge regarding metrics, grantmaking, etc. is not effectively shared and leveraged within an organization let alone across organizations. There is significant potential for increasing the effectiveness of philanthropy through collaboration. It is unclear, however, whether the existing infrastructure of organizations such as Council on Foundations, various affinity groups and the Independent Sector are sufficient to adequately meet the general needs of or assist in building this fast growing field.

One area of increasing activity is that of donor education. And, in some ways, this area of work is a microcosm of what the larger area of practice suffers from with regard to a lack of coordinated activities. Specifically, donor education does not, as yet, have an effective infrastructure in place to support and expand the impact of the work of those involved. As Dan Siegel and Jenny Yancey have written in their recent report, “only a small number of foundations see the promotion of philanthropy and the support of donor education as a basic task and responsibility of organized philanthropy. Because foundation dollars are limited, their use should be targeted to the macro or field-building level that creates coherence, leadership and collaboration. Investments need to be made in existing infrastructure organizations as well as new initiatives to weave a coherent web from a fragmented and inchoate emerging field.”¹¹⁵ As the authors correctly observe, what is needed to achieve the full potential of those working in this arena is a system that enables information sharing, collaboration and broader coordination of locally managed programs.

Capacity Building

As investors become more engaged with grantees/investees, they recognize the need for building the capacity of organizations and the importance of providing operating support in addition to project support. Operating support is often considered “overhead” and is harder to fund, leaving many nonprofits severely under-capitalized. (See section on Capacity Building).

See Appendix G for Strategic/Effective Philanthropy Map Pages

¹¹⁵ Dan Siegel & Jenny Yancey, *Scanning the Landscape of Donor Learning: An Overview and Analysis of the Emerging Field of Donor Education*. New Visions (October 2003). Summary and full report available at <http://www.newvisionsprd.org>

Sustainable Development

Definition

Sustainable Development (SD): In common usage, the term is sometimes used interchangeably with sustainable consumption and production. The generally accepted definition was proposed by the United Nations:

“To meet the needs of the present without compromising the ability of future generations to meet their own needs.”¹¹⁶

The World Business Council on Sustainable Development defines SD in terms of the Council’s commitment to “sustainable development via the three pillars of economic growth, ecological balance and social progress.” We use the term here to refer to initiatives and practices that seek to minimize environmental pressure, bolster economic prosperity and improve the quality of life. Much of what we included in SD overlaps with other silos, particularly in the silo of Corporate Social Responsibility, however the emphasis here is more on eco-efficiency and improving the economic and social conditions in the developing world.

Overview

Sustainable Development (SD) may be thought of as either a defined silo of activity or a topic that cuts across each of the four silos presented in this map. While the Project Team initially positioned SD as a crosscutting issue, as we wrote this paper we realized that presenting SD with the silos made more sense in terms of framing a working agenda for future action, and so we have placed it here in our map.

The Bottom of the Pyramid (BoP) work is one type of innovation focusing upon developing new markets with the potential to provide both economic benefit for companies and social/economic benefit for the communities served.¹¹⁷ But that is only one part of the overall sustainability problem. The need to get away from our dependence on fossil fuels and limit waste is where innovations like Clean Tech come in. Then there is the whole issue of corporate process and product redesign (more innovation to combine financial social and environmental). On the Ecos Corporation Website, they discuss how operationalizing sustainability can help businesses develop new products and expand their markets. Examples offered range from supporting new-product innovation to providing frameworks for expanding into new markets, motivating and attracting employees, and building brand value and corporate reputation.¹¹⁸

As is documented on the map for Sustainable Development, there are a number of very promising areas of work within this category. These areas include explorations in

¹¹⁶ Source: United Nations website (<http://www.un.org/esa/sustdev/>).

¹¹⁷ See: “*The Fortune at the Bottom of the Pyramid*” by C.K. Prahalad and Stuart Hart, posted at: <http://www.digitaldividend.org/pdf/bottompyramid.pdf>.

¹¹⁸ See <http://www.ecoscorporation.com/services/index.htm> for more detail.

- Increasing Consumer Awareness and Building demand for Green Products
- Innovative Advocacy and Policy Development in Support of SD practices
- Expanding Initiatives in addressing Corporate Accountability, and
- Increasing the Development and Documentation of relevant Sustainable Business Practices that may be used by firms

There are a number of significant players working in this arena and the reader is directed to the Blended Value Map for an introduction to those institutions and firms active in advancing sustainable development theory and practice.

What is clear is that attempts to use today's solutions to address yesterday's problems will not solve the sustainability challenge—we would need three earths to provide enough resources for current production systems to operate. On the WBCSD website the statement is made that “innovation is at the core of creating a more sustainable world ... as a society, we will not succeed in achieving sustainability if we focus merely on doing more efficiently what we currently do.” Therefore, innovation is needed both in terms of market development and product design.

Issues

There are a number of questions being debated among those concerned with Sustainable Development. The first we would consider is a general tension between sustainable development and corporate social responsibility. A second area is that of “full cost pricing.” Metrics and finally Incentives are also important issues under debate within the field of Sustainable Development.

Tension Between Sustainable Development and Corporate Social Responsibility

Many interviewees raised significant questions with regard to whether considerations of sustainable development were truly being integrated into corporate strategy and creating meaningful change in corporate practice or whether the concepts of SD were simply being used as window dressing by companies feeling under pressure to at least seem like they are making an effort to address the concerns of outside stakeholders.

Indeed, exploring at depth whether meaningful change has actually occurred within the firm is a major focus of the current work of several individuals. This has lead to efforts that frame the practice of both CSR and SD as adding significantly to the business of business. Such efforts seek to move well beyond the historic practice of “shaming” companies into doing good by focusing on SD as a strategy for becoming a driver of value creation for the company.¹¹⁹

The Project Team was struck by the number of comments made by interviewees that stated there was currently little meaningful dialogue taking place in the arena of CSR because many of those within companies truly believed that they were “doing it” and

¹¹⁹ See the paper, “*Single Bottom-Line Sustainability*” by Paul Gilding, Murray Hogarth and Don Reed for the Ecos Corporation, May 2002.

integrating SD practices within companies in meaningful ways—when a number of critics felt that was definitely not the case. Many would vehemently argue that significant steps forward have been made in recent years. The concern is simply that if companies and their representatives truly believed they were executing effective strategies of SD within their CSR efforts, the mindset that “we’re trying and are making advances” might actually become a barrier that would inhibit continued innovation to create and apply for-profit tactics to expand SD practices.

Full Cost Pricing

A second area of work within the general category of SD is that of “full cost pricing,” namely the idea that products and services should reflect the full cost, including costs to the environment and other externalities not currently reflected in pricing. For example, presently in the United States companies receive tax breaks for purchasing corporate fleets of SUVs while they do not receive such advantages for purchasing fleets of hybrid vehicles. This tax subsidy creates an artificially attractive choice to the consumer (in this case, the companies purchasing fleets of cars for use by employees), thus hindering efforts to build real market demand for new products. As a result, “green” products continue to be viewed as a luxury item since the market price of other products offered to consumers is artificially low. This results in very real challenges to creating sufficient scale to produce a “virtuous circle” of supply and demand that could expand the public’s purchasing of goods with less environmental impact than current, popular products. It seems logical that if these products actually carried a larger portion of their full and true cost to society, they would be less appealing as product offerings to individual consumers.¹²⁰

Metrics

A third area of activity in sustainable development is that of metrics, with a number of significant initiatives in motion that seek to measure environmental impact. However, many of these efforts do not appear to be well coordinated or integrated with efforts to track social impact and value creation. Accurately tracking performance through the use of appropriate metrics is critical in the area of SD since those metrics are what will enable practitioners to assess real risk reduction that may result as an outcome of adopting sustainable development production practices within companies. Finally, accurate metrics and the reporting systems that are built upon them are the key link in documenting the argument that adoption of SD practices ultimately result in decreased costs to the producer, which may in turn be passed on to consumers.

¹²⁰ One organization that has done extensive work in assisting companies is tracking the “true cost” of their firm’s practices has been Trucost of England. “The Trucost Environmental System uses financial data from published accounts, together with other relevant data, to produce an objective, single percentage rating of an organisation’s overall environmental performance, including that of its supply chain. The rating is comparable across industry sectors and is complementary to existing environmental initiatives. Trucost Plc, a London-based company, was established in early 2000 and has 17 staff. Trucost has the support of an International Advisory Panel of leading academics in the fields of economics and the environment.” See: www.trucost.com for more information.

Incentives

In order for real progress to be made on the SD front, incentives for change need to be created (achieved through policy change as the result of both advocacy and working with industry groups) and will be key to rebalancing the playing field. This task is extremely daunting, but changing these incentives will be critical to fulfilling the second task, that of establishing more accurate pricing for products and services offered in the market. Entrenched tax policy currently rewards use of virgin resources, driving down the incentives for reuse, renewal and conservation of resources. The accurate pricing of materials and resources will be key to documenting the financial value of corporations engaging in SD business practice—and to companies being able to effectively aligning incentives from the board level to the plant floor. Changing the policy, tax and regulatory environment within which firms operate will be a key area of activity in advancing a SD agenda. A paper, “*The Role of Government in Advancing Corporate Sustainability*,”¹²¹ provides an excellent overview of the public policy debate concerning sustainable development.

See Appendix H for Sustainable Development Map Pages

¹²¹ Bell, David “*The Role of Government in Advancing Corporate Sustainability*,” posted for download at: <http://www.g7.utoronto.ca/scholar/2002/bell11062002.pdf>.

Section Three:

***Exploring our Common Challenges:
Cross-Cutting Issues, Themes and Opportunities***

Narrative Overview:

Cross Cutting Issues, Themes and Opportunities

In defining the issues currently confronting those operating within each of the silos identified on the Blended Value Map, one point becomes obvious:

*While each of these silos evolved organically over past years,
all silos share common challenges that those within the silos are confronting.*

And yet, despite this reality, work to address these challenges takes place largely within a given silo and is only infrequently viewed or addressed by actors across silos.

The opportunity to explore cross-cutting issues reflects more than basic, generic notions (such as the idea that all organizations require capital or have management problems). And the implication of this truth is more than the truism “we all need to collaborate better to address areas of mutual concern.” What the presence of these cross-cuts reveals is the reality that the value being created by organizations and the value being sought by investors supporting their work is itself a blend of elements.

Therefore, as we think about cross-cutting issues or the challenges of building a field of common practice, the focus of the effort should be less upon a given type of organization (for-profit *or* nonprofit) or a particular area of activity (CSR *or* Social Enterprise), than an awareness that, through our application of capital and management of organizations to create a blended value consisting of maximizing the performance of economic, social and environmental components, we must hack through the same underbrush and conquer some of the same rough terrain. The institutional and capital forms we select should be viewed as means to an end and instruments applied to a task—not as the defining elements of our work itself.

By focusing on the common ground we are covering, rather than becoming enmeshed in institutional or “silo specific” debates, we will be more effectively positioned to pursue our goals. At this point in our inquiry, to quote Nick Retsianes (an NCCA board member), “We need to stop looking in the mirror and begin looking out the window.” By “looking out the window” we have a better chance of appreciating what we are *really* trying to achieve through our collective efforts.

The previous section presenting the maps and silo-specific issues was our effort to speak to individual interest within a given area of practice. This next section moves us toward a broader understanding of what challenges tie us *all* together, whether CSR or Social Enterprise practitioner, whether foundation executive or social fund manager.

With this understanding in mind, we are better positioned to describe the natural connection between the challenges confronting actors across the silos of interest—and to intuit and pursue the emerging answers to those challenges.

In mapping the silos and analyzing the fundamental challenges confronting each, it is clear that there are four central issues confronting actors within all silos. These core challenges involve how we think about, develop and execute strategies related to:

- Appropriate Capital
- Performance Metrics
- Leadership and Organizational Development, and
- Governmental policy/regulatory/tax codes

Furthermore, as we explore these four core challenges, it becomes clear that those challenges are themselves lodged within additional considerations regarding how we approach the development and management of both Cross-Sector Collaborations and our understanding of what is needed to build an Infrastructure to support the work of the field as a whole.

In presenting these topics over the following pages, our intent is not to delve deeply into the content of each. In depth discussion of specific issues is best left to those who have written about and are working in these particular areas.

We have made an effort to point the reader to source documents and resources that are better able to “drill down” into these areas in greater depth than this paper allows. Instead, *our interest in these areas is to understand how best to define the key elements of the issue and explore how we might organize our overall resources to most effectively address each.*

To that end, we will consider each of these topics in turn.

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The Capital Challenge

Overview

Capital is the fuel that allows entrepreneurs to create organizations capable of pursuing and capturing the value opportunity they see within a market. It is the resource that enables entrepreneurs to build organizations, both nonprofit and for-profit, that can bring services to clients and customers. It is the necessary element to moving from local, corner shop to international corporation. Capital itself is controlled by investors who may be grouped into various categories. And capital may be divided into types and forms, each of which is structured a certain way in pursuit of various types of returns.

Suffice it to say that the general question of capital is a major cross-cutting issue of interest to those in each of the Silos we have identified. And the question of how capital is managed, structured and moved from place to place within both the for-profit capital market and nonprofit capital market is the focus of numerous books and articles.¹²²

Key Issues

In exploring the question of capital as it relates to the four silos of activity in which actors are pursuing blended value, there are two key issues to which actors refer. First is the question of inefficient capital markets and second is that of inadequate diversity of investment instruments. Third is the issue of the role of foundations as investors in alternative asset class offerings.

Inefficient Capital Markets and Inadequate Investment Instruments

The Social Capital Market, like any other, requires efficiency, transparency and measurable outcomes for its sustained growth. The inefficiency of this market has been addressed by various authors,¹²³ but the key concerns with regard to this inefficiency focus upon the following set of considerations:

High Transaction Costs. Efficient capital markets are those in which providers of capital and those in need of capital are able to connect in an effective, low-cost manner. The terms of providing capital are clear and the returns sought well defined. High transaction costs are a concern to those involved in the nonprofit sector who feel the amount of time and expense involved in fundraising combine to create an ineffective market for investing in the creation of social value. Those attempting to secure capital for for-profit firms

¹²² A selected bibliography of readings on capital markets and finance will be found at the end of this paper.

¹²³ For additional discussion of these issues, please see “*Grants, Debt and Equity: The Nonprofit Capital Market and Its Malcontents*,” New Social Entrepreneurs, REDF, 1996; Meehan, Bill, “*Reforming the Social Capital Market*,” forthcoming Stanford Social Innovation Review; Emerson, Jed and Paul Carttar “*Money Matters: The structure, Operation and Challenges of Nonprofit Funding*,” The Bridgespan Group, December 2002; Stanton, Gregory, “*Unblocking the Obstacles to the Capital Markets for Community Development Financial Institutions*,” Capital Markets Access Program, January 2003; Weisbrod, Burton A. (ed.) “*To Profit or Not to Profit: The Commercial Transformation of the Nonprofit Sector*”, Cambridge, England: Cambridge University Press, 1998; “*Not Only For Profit: Innovative Mechanisms for Philanthropic Investment*,” NESST publication (<http://www.nesst.org>).

creating social value also find that access to start-up and expansion capital is difficult to secure, with a degree of fragmentation and lack of adequate supply that creates additional costs.

Lack of adequate information flow. To operate effectively, all players within a market must have access to good quality information on a timely basis. Actors in pursuit of blended value often operate under the burden of imperfect information that is frequently neither reliable nor provided on a timely basis. A lack of adequate information means data does not move freely in the market and forces investors to spend significant amounts of time engaging in independent due diligence.

Lack of market responsiveness. As a combined result of both market inefficiencies and lack of information flow, there is a built in “slack” to the market wherein organizations consistently creating value through their work are not necessarily rewarded by the capital market with an increase in investment or diversification of funding opportunities. Being a “good” organization does not necessarily result in being rewarded by the market in a timely manner.

All financial markets depend upon an array of actors and institutions to facilitate efficient responsiveness between demand and supply of capital. Capital markets that seek to advance multiple returns (such as social or environmental performance) are no different. When considering capital market functioning, it is important to understand how those markets work. In the private sector, we take for granted the essential elements that facilitate the market’s efficient operation. Objective, third-party information is essential for investors and those seeking capital to make objective decisions. Yet those markets that steward social capital have often resisted efforts at achieving greater transparency and reporting standards. Furthermore, the efficient operations of markets depend upon intermediaries, brokers, independent agents capable of “making markets” and so on. To create an even playing field, those interested in investing in blended value will need to create appropriate investment instruments, distribution channels, market institutions and conventions.¹²⁴

Lack of connection between organizational performance and capital allocation. While creators of economic value may, in general, assume their performance will be rewarded with additional capital infusions, organizations creating social value often find there is no connection between effective performance and the provision of additional capital. Major for-profit corporations meeting CSR performance goals find on the whole that mainstream capital markets do not know how to reward or provide direct financial incentives for such performance. By contrast, nonprofit corporations that exceed performance goals are often viewed by capital providers in some perverse way as “successful” and not deserving of or requiring additional capital from social investors.

Lack of Common Standards and Definitions. A lack of uniform standards and definitions within the market further complicates the ability of actors to minimize transaction costs, share information or create a responsive market within which capital may be efficiently

¹²⁴ The authors thank Tim Freundlich and Shari Berenbach of the Calvert Foundation for this language.

allocated in pursuit of blended value. While within individual silos efforts are in motion to create more uniform reporting standards and performance measures, a lack of connection between the silos themselves makes it difficult for investors and practitioners to advance a coherent framework for understanding the “whole picture” that links the value creation of the total market.

Lack of Intermediation. All financial markets depend on an array of actors and institutions. Objective third-party information is also essential to the market’s efficient operation. In the private sector there are an array of intermediaries, brokers and independent agents that are compensated for their services of ‘making markets’, brokering transactions, evaluating risk and bringing together the users and sources of capital. To generate an even playing field, this market not only requires appropriate financial instruments but distribution channels, market institutions and conventions as well.

Lack of Common Understanding of Relation Between Risk and Various Returns. While virtually all the actors in the Blended Value space are engaged in the creation of financial as well as social and environmental value, there remains a true lack of consensus or single common framework within which investors can agree to how to understand the relationship between capital investment, risk, specific terms of an investment instrument and the types of returns one may expect. Greg Ratliff (former head of Program Related Investing for the MacArthur Foundation and current advisor to the Aspen Institute) made the comment that,

“What we really need to know is what the real return is for community investing¹²⁵. The risk/return questions are huge and while it can be done profitably and is not a question of simple charity, there are some in the field who argue the opposite. What we need is a consistent, widely accepted framework within which to assess the various forms of investment, instruments and returns one may expect—as well as a way to assess to question of risk as it relates to the returns sought.”

Lack of Appropriate Financial Instruments

Furthermore, a key component of capital market inefficiency is the reality that for many managers pursuing blended value, whether in mainstream corporations, emerging for-profit or social purpose enterprises attempting to scale their venture, is the lack of appropriate financial instruments that may be structured in support of these activities.

For nonprofit corporations, a central challenge is a lack of “equity” or equity equivalents with which they may expand the capital structure of the organization. As a 501-c-3 with no provision for distribution of profits, nonprofit corporations cannot attract mainstream equity to balance what they are able to secure in the form of debt and grants. While some convincingly argue that for nonprofits, grants are equity¹²⁶, or that debt

¹²⁵ In fact, this statement could apply to the entire arena of investing for multiple returns.

¹²⁶ Rubin, Julia “*Community Development Venture Capital: A Double Bottom Line Approach to Poverty Alleviation*,” Federal Reserve Bank of Chicago, Chicago, IL. April 2001.

products with equity features could function like equity¹²⁷, in truth the inability to offer returns creates a “no exit” scenario for those interested in investing in social ventures generating financial and social returns.¹²⁸

The Program Related Investment is offered by some as an appropriate tool to bridge this equity gap, however the use of PRIs by foundations is critically small compared to the need for alternative capital instruments. Moreover, much of the PRI funding there is tends to be focused on CDFIs, leaving for-profit organizations that are not community based with even fewer financing options. Of perhaps greater concern is that the vast majority of foundations do not make use of this tool; others who claim they do make such limited use of them as to be negligible relative to the total market potential and those that do actively offer PRIs often take 18 to 24 months to process and approve a request—dragging down enterprises and contributing to the overall gross inefficiencies of the capital market as a whole.

In contrast, there is great creativity within the for-profit capital markets when it comes to proposing new financial instruments. For-profit financiers have found ways to offer “Bowie Bonds”¹²⁹ and structured finance against future phone calls made by overseas immigrants. To this point, Michael Swack of New Hampshire College commented that “Wall St. finances, for example, future phone calls made by immigrants in the US to their families in Mexico, so it should be able to finance experienced CD lenders with good records.”

Yet the application of these creative tools to the capitalization of enterprises generating blended returns is the exception and not the rule. One example is a recent offering made by Habitat for Humanity. In that case, Habitat for Humanity raised \$50 million from insurance companies by creating an investment grade note from collateralized zero interest rate mortgages.¹³⁰

As Debra Schwartz of the John D. and Katherine T. MacArthur Foundation has commented, “I would like nonprofits to be more business-like (in diversifying their capital base) and eventually raise equity capital, but that is the major problem – they can’t. Big CDFIs need capital at big levels – it is hard to get large grants at that amount of general operating capital.”

Successfully addressing this question of lack of appropriate capital investment instruments is further compounded by a perceived (and perhaps real) lack of readiness on the part of nonprofit managers to engage in such creative financial engineering. Many managers simply do not feel comfortable with various types of structured debt and

¹²⁷ See also: “*Equity with a Twist: The Changing Capital Needs of the Community Development Field*,” by Nancy O. Andrews, Capital Xchange Journal Article, Brookings Institution, April 2001.

¹²⁸ Calvert Foundation is currently working on a promising initiative to create some kind of “equity equivalent,” mentioned later in this section.

¹²⁹ “Bowie Bonds” were offered as long-term securities against future sales by recording artist David Bowie.

¹³⁰ A related example is the Social Value Note, discussion of which may be found at: http://www.redf.org/download/other/social_value_note.pdf.

equity. They lack the ability (in the form of financial talent and skills) to engage in attempts to structure such offerings. In addition, as previously described, an inability to measure and document social value creation can also become a barrier to securing additional investments of capital (whether philanthropic, concessionary or market-rate).

And, finally, there is the concern that by making use of increasingly market-oriented financing strategies practitioners will lose their ability to focus upon their social mission and find themselves drifting further and further away from their original goals and institutional purpose.

When it comes to capital formation and structuring, for-profit corporations also find themselves greatly hindered by a lack of flexibility when it comes to investment instruments. The majority of mainstream capital measures performance on the basis of quarterly periods. Yet the creation of social value often requires longer term, “patient” capital willing to stay in a given deal for three to ten years before being able to receive profits.

This has led to debates regarding whether investments in blended returns require some degree of concession to financial returns (ie. a below market-rate return) or if it is possible to maximize both financial and social return on investment. As Woody Tasch, the Chair of Investors Circle, noted, “It is easier for people to do pure philanthropy than for them to do for-profit below-market investments because they don’t see it as philanthropy plus, they see it as for-profit minus.” And as Julia Lopez of the Rockefeller Foundation observed, “At some point, we’re going to have to be comfortable with below market-rate returns in the developing world. We need to be satisfied with a certain level of financial return *enhanced* by larger considerations of value.”

Finally, the task before us was well framed by Elyse Cherry, of Boston Community Capital, who stated,

“The agenda for us is clear: First, we need to directly connect with “Wall Street Champions” who can bring us the expertise we need to structure the type of financing required; Second, we need to simply create an array of investment instruments that span the risk/return continuum from no financial return to a market rate of return and everything in between; Third, we need to be clear with regard to what institutions and organizations can best bring which instruments to market and then position those institutions to focus upon those investors seeking the returns we offer. In the end, there is no need to attempt the creation of a second financial system, because we have the capacity and opportunity to work within existing capital markets. We just need the opportunities to do so in an effective manner.”

The Role and Readiness of Foundations as Investors in Alternative Asset Class Offerings

One would imagine the foundation community would be leading the effort to address the capital challenges detailed above. Foundations are institutions charged with creating social and environmental value. They are often portrayed as the “risk capital” of the social arena—filling the role between the interests of the market and the commons. Yet it is sad

to say that to date the foundation community as a whole has been largely absent from this discussion. Yes, there are a number of significant exceptions to this statement and it would appear there is openness to this conversation today that we have not seen in times past, but on balance foundation representatives have been more concerned with their role as guardians of charitable gifts than innovative investors in either social change or value creation.

Part of the challenge confronted by foundation personnel is the fact that, as one expert so accurately framed it, “...foundations favor ‘specialness’ not efficiency. They can take months studying a proposal and tweaking the terms of a grant since what they value is a unique grantee and perceived innovation. In this way, they can carry high transaction costs since there are no incentives to creating greater efficiency of either operations or capital performance.” On the one hand, foundations talk about a concern with “getting to scale” and creating a more efficient social capital market, and yet on the other hand foundation representatives may want every grant to be unique—thus eliminating the possibility of creating the efficiencies of the for-profit market place which favors “conforming” versus “non-conforming” investment opportunities.

Furthermore, most foundations do not have the discipline of the market to drive them toward creating cost efficiency in terms of either their grantmaking practices or the goals they seek to achieve by virtue of their grantmaking and investing strategies. Luther Ragin, Senior Program Officer of the H.B. Heron Foundation, correctly commented that, “...foundations do not have incentives to save costs and few have the goal of creating a more efficient marketplace as their mission—it is not what they are held accountable for and so they do not drive to achieve it.” Timothy Freundlich of Calvert Foundation made a related point, “...it may be, in fact, too tall an order to expect foundations to act efficiently in a market based way to drive transaction costs down and professionalize the space...but it is not too much to expect foundations to empower and help build the transactional infrastructure of an intermediated social capital market!”¹³¹

The good news is that while the previous observations are true, it is also the case that the foundation community together with the trustees of public pension funds and other fiduciaries of capital, has the potential to contribute to creating a “tipping point” within global capital markets. There are an increasing number of investment strategies and specific investment opportunities that promise to provide multiple returns for investors while simultaneously responsibly managing risks.

By investing core funds through such advisors as Sustainable Asset Management, Trillium Asset Management, and others, foundations can safeguard financial resources for future years while affirming core Corporate Social Responsibility practices around the world. Also, by providing secondary financing to loan funds foundations may invest in “safe paper” while advancing community interests. And through taking the initiative to support an array of investment strategies that seek to create multiple returns foundations can lead the way for other investors, both individual and institutional.

¹³¹ What Mr. Freundlich is trying to say is that foundations can help make things better!!

Those who lead today's philanthropic institutions stand at the door leading to a new world of financial innovation and critical social impact—those that choose to walk through this opening will be viewed individuals who helped change the terms of discussion regarding the challenges that presently face us—in much the same way as those early philanthropic pioneers of a century ago laid the groundwork for much of the social innovations that came in the 20th Century. There are a host of promising examples of capital innovations that foundations and other investors in blended value could assist in taking to market *while securing market-rate financial returns*.

Organizations Working On Capital Issues

The following examples fall into several general categories: creating greater access to the traditional capital markets, syndication, where borrowers pool their funding needs, the creation of secondary markets and general funder innovations.

Creating greater access to traditional capital markets is an important avenue for increasing funding to social enterprise. The following are examples of organizations that have effectively tapped into the capital markets:

- **Habitat for Humanity**, a nonprofit organization that builds affordable houses in partnership with those in need, raised \$50 million from insurance companies by creating an investment grade note from collateralized zero interest rate mortgages.
- **The Greyston Foundation and Greyston Bakeries**, a NY based CDC and social business venture, used Industrial Bond Financing in combination with grant funds and preferred equity to finance expansion of a bakery employing welfare to work mothers.¹³²
- **Community Reinvestment Fund**, a nonprofit that has pioneered the use of securitization of CDC, CDFI and government assets, provides greater liquidity to the NPO community by buying, packaging and selling these small business loans to institutional investors. Approximately \$200 million has been done to date.¹³³
- **Greenpoint Manufacturing & Design Center (GMDC)**, a nonprofit community development corporation which operates industrial incubators with shared manufacturing equipment, raised \$4 million of structured finance using “Brownfield” tax credits and mortgage debt financing to rehab a fully leased building. GMDC used CRA funding combined with grant monies to replicate the process for two other buildings of a similar type.¹³⁴
- **New Hampshire Community Loan Fund (NHCLF)**, a nonprofit lender, assisted tenants of manufactured housing parks to form cooperatives to secure financing. Manufactured housing tenants, who typically have low-to moderate-incomes, have historically been unable to qualify for a traditional commercial bank mortgages individually. By helping the

¹³² <http://www.ncced.org/cpp/accessCap/Greyston.html>

¹³³ <http://www.ncced.org/cpp/accessCap/CRF.html>

¹³⁴ <http://www.ncced.org/cpp/accessCap/GMDC.html>

tenants become a cooperative, the NHCLF was able to create a legal entity that qualified for mortgage financing.¹³⁵

Additionally, syndication has been used as a means to access capital. While syndication is a promising interim step in capital development, it should not take the place of efforts to expand access by blended organizations to mainstream capital markets. It is a stepping-stone and not a stopping point, a tool in the box, but not the panacea to our capital challenge. Examples of syndication include:

- **Sustained Excellence Awardees (SEACorp)**, a consortium of ten nonprofit real estate developers, which were given awards by Fannie Mae Foundation for excellence in nonprofit low income housing development, banded together as an LLC to raise \$3 million of pre-development dollars from banks and foundations with the help of Calvert Foundation.¹³⁶
- **Homefundors LLC**, raised capital from the Heinz Foundation and a number of Boston area foundations for very low income housing from primarily PRI investments augmented by grant funding.

Secondary Markets offer another means of accessing the capital markets. There are a number of promising activities:

- **Community Reinvestment Fund**, a nonprofit which has pioneered the use of securitization of CDC, CDFI and government assets, provides greater liquidity to the nonprofit community by buying, packaging and selling these small business loans to institutional investors. Approximately \$200 million has been done to date.¹³⁷
- **Local Initiative Managed Assets Corporation (LIMAC)**, created by Local Initiative Support Corporation (LISC), is aimed at improving the secondary market for community development lenders. It was capitalized with grants and PRIs from foundations but its capital base is now shrinking.¹³⁸
- **Community Development Trust (CDT)**, a for-profit real-estate investment trust (REIT) operator, purchases community development loans and will acquire selected affordable-housing properties.¹³⁹
- **Calvert Community Investment Note™** is a hybrid instrument much like a certificate of deposit, but it is uninsured and acts like a fixed-income security. The goal of the note is to utilize investor deposits to

¹³⁵ <http://www.ncced.org/cpp/accessCap/NHhousing.html>

¹³⁶ See the offering site at: <http://www.calvert.com/foundation/seacorp/>. For a case study see: <http://www.ncced.org/cpp/accessCap/SEACorp.html>

¹³⁷ <http://www.ncced.org/cpp/accessCap/CRF.html>

¹³⁸ Ryan, William P., "Nonprofit Capital: A Review of the Problems and Strategies," for the Rockefeller Foundation and the Fannie Mae Foundation.

¹³⁹ Ibid.

channel funds to disadvantaged communities. The note is now registered for sale in all 50 states.¹⁴⁰

For for-profit social enterprises that are not community based (and may not have access to Community Development Loan Funds or Venture Capital) there are fewer funding options. Two groups that assist in providing capital to these organizations are:

- **Investors' Circle (IC)** is a nonprofit national network of angel and venture fund investors, foundation officers and entrepreneurs who seek to achieve financial, social and environmental returns. Since 1992, Investors' Circle has facilitated the flow of over \$85 million to 143 socially responsible companies and small venture funds.¹⁴¹
- **Commons Capital LP** is a new venture capital fund seeking strong financial returns as well as significant social and environmental impact. Commons Capital invests in "double bottom-line" early-stage companies whose products, services or corporate cultures promote a sustainable economy by delivering market solutions to major social and environmental challenges.¹⁴²

In addition to the activities listed above, other funder innovations are worthy of note. The first, funder collaborations offers potential for streamlining the funding process:

- **Silicon Valley Social Venture Fund (SV2)** is a collaborative project of The Natural Step, Rocky Mountain Institute, Natural Capital Group and SV2 aimed at developing leadership within the technology industry around sustainability.¹⁴³
- **The Toronto Homeless Community Economic Development Program**, a collaborative fund lead by United Way with private and government partners offering multi-year support to a portfolio of ten local organizations working with individuals who are homeless or at risk of homelessness.¹⁴⁴
- **CWF Economic Development Collaborative Fund**, a five year partnership between the Canadian Women's Foundation, CIBC, the George Cedric Metcalf Fund, Ontario Trillium Fund, and an anonymous donor to make multi-year grants to a minimum of seven women's organizations across Canada working in social purpose enterprise or self-employment training for low income women.¹⁴⁵

¹⁴⁰ See: <http://www.calvertfoundation.com/individual/investment/investmentnotes-cci.html?source=> for more information.

¹⁴¹ See <http://www.investorscircle.net/about.html> for more information.

¹⁴² See <http://www.commonscapital.com/> for more information

¹⁴³ See <http://www.naturalstep.org/about/partners.php> for more information.

¹⁴⁴ See <http://www.city.toronto.on.ca/legdocs/1999/agendas/council/cc/cc991214/cms6rpt/cl004.htm> for more information.

¹⁴⁵ See <http://www.cdnwomen.org/eng/index.htm> for more information.

The second type of funder innovation is funding intermediaries. These intermediaries pool and channel funds to specific groups. Some examples include:

- **Philanthropic funding intermediaries** pool and channel funding to specific issue-based or geographic based groups. Issue based examples includes the Global Fund for Women, the Global Green Grants Fund and the Global Fund for Children. Geographic based examples include the America India Foundation, the Brazil Foundation and Give2Asia.¹⁴⁶
- **Other funding intermediaries** include organizations such as EcoLogic Enterprise Ventures (EEV) a nonprofit that operates a “green” loan fund, offering affordable financing to eco-enterprises located in environmentally sensitive areas of Latin America.¹⁴⁷
- **Integrated Portfolios.** While there are other examples, the Abel Foundation (Baltimore) executes an integrated approach to asset management wherein a venture fund, grantmaking funds and mainstream investments are all leveraged toward fulfillment of the foundation’s overall institutional mission.¹⁴⁸

Other innovations involve new methods of pooling or collecting philanthropic funds. Some examples include:

- **Acumen Fund** is essentially a blended mutual fund of international social investments where fund managers create portfolios of market-rate and philanthropic investments using a thorough process to select and evaluate investments.¹⁴⁹
- **NESsT Venture Fund** is a philanthropic investment fund providing financial and capacity-building support to a select portfolio of social enterprises owned by civil society organizations in Central Europe and Latin America. All of the portfolio enterprises are intended to generate revenues to help diversify the financing base and further the mission of the parent organization.¹⁵⁰
- Various e-philanthropies such as **GlobalGiving**, **NetAid** and **GEXSI** channel money directly to various NGOs via the Internet.
- The **Virtual Foundation** a unique online philanthropy program that uses a process much like a traditional foundation to choose projects, but the funding for projects comes from online donations.¹⁵¹

¹⁴⁶ See the Hauser Center research for more information on philanthropic innovations (<http://www.ksg.harvard.edu/gei/publications.htm>).

¹⁴⁷ See <http://www.ecologic.org/> for more information.

¹⁴⁸ Additional information on this and related strategies may be found in “*Where Mission Meets Money: Breaking Down the Firewall Between Foundation Investments and Programming*,” by Jed Emerson, Stanford Social Innovation Review, Summer, 2003.

¹⁴⁹ See <http://www.acumenfund.org/Acumen/Portal/Home/POCHome.asp> for more information.

¹⁵⁰ See http://www.nesst.org/venture_mission_goals.asp for more information.

¹⁵¹ See <http://www.virtualfoundation.org/> for more information.

There are several organizations committed to working on solving the capital problems of social enterprise. Some examples include:

- **Calvert Foundation** is seeking funding from **MacArthur Foundation**, to explore a nonprofit 'equity equivalent' that would act as risk capital within a given nonprofit's net assets, while allowing for recapture by a social investor (most likely a foundation) at a future point in time based upon certain performance benchmarks. As a source of mezzanine capital for social enterprises, a newly minted asset class of this kind may address many of the issues of nonprofits seeking to expand capacity.¹⁵²
- **F. B. Heron Foundation** is one of the more active foundation players in the social capital market through their mission related investing which consists of PRI investments, market-rate insured deposits with community development credit unions and community development banks and their other mission-related investments (e.g. private equity, securities, etc.).¹⁵³
- **MacArthur Foundation** is another important foundation player that plans to award \$40 million in PRIs focused on affordable housing preservation by the end of 2003 and \$20 million on community development venture capital over the next two years.¹⁵⁴
- **The Financial Innovations Roundtable (FINIR)** is a program of New Hampshire College where community development finance specialists work with investment and finance experts to explore capital access strategies. FINIR is currently working on two initiative to help increase the efficiency of the social capital market:
 - Capital Exchange – an initiative to increase liquidity among CD lenders by lending underinvested funds to each other;
 - Insured Asset-Backed Security – a way for CD lenders to increase liquidity and earnings by accessing the mainstream capital market.¹⁵⁵
- **Nonprofit Finance Fund (NFF)** is a nonprofit organization that serves the business needs of other nonprofits nationwide by providing financial services - chiefly loans - and advisory services. NFF has been an important contributor to the intellectual capital in the field. See Monograph series.¹⁵⁶
- **Capital Markets Access Program**, a program at the New School University run by Greg Stanton is a think tank and laboratory. It convenes practitioners from community development finance and the mainstream investment community to develop new mechanisms for enhancing capital access, while it also functions as a technical-assistance

¹⁵² See <http://www.calvertfoundation.com/> for more information about Calvert Foundation.

¹⁵³ See <http://fdncenter.org/grantmaker/fbheron/mission.html> for more information.

¹⁵⁴ See <http://macarthur.org/programs/pri/overview.htm> for more information.

¹⁵⁵ See: <http://www.finir.org/> for more information.

¹⁵⁶ See: www.nonprofitfinancefund.org for more information.

resource, helping nonprofits access lower-cost debt, improve cash flow through bridge financing and issue tax-exempt bonds.¹⁵⁷

- **Wall Street Without Walls** is a program that brings together finance professionals and Wall Street executives with community development organizations to assist them with their specific financing needs. They are currently launching a series of orientation and training programs for community-based development organizations, preparing them to access capital markets.¹⁵⁸

¹⁵⁷ Ryan, William P., “*Nonprofit Capital: A Review of the Problems and Strategies*,” for the Rockefeller Foundation and the Fannie Mae Foundation. See also <http://www.ncced.org/cpp/accessCap.html> for more information.

¹⁵⁸ See <http://www.wallstreetwithoutwalls.com/> for more information.

Beyond Capital Concerns: Ideas to Move the Market

As identified above, there are a number of initiatives in motion that promise to help advance the agenda of building a more robust capital market in support of blended value investing and organizations. From our interviews and research, we identified a number of steps the field can take to continue to build upon these individual initiatives:

1. There is a need to clearly map the total capital market, articulating which specific sources of capital are looking for in terms of types of returns, terms of investment and risks associated with them.
2. Research is needed to more accurately define the market for a new asset class providing investors with a blended return. This research should explore investor motivation and risk profiles.
3. The policy environment that shapes both domestic and international capital markets is worth exploring in order to better advance policy frameworks supportive of practitioner needs and investor interests.
4. Efforts need to be taken to help overcome “mindset issues” that prevent us from exploring and executing viable strategies for capital diversification (e.g. the fact that investors may receive a full market return on securities offered by nonprofit organizations such as Habitat for Humanity).
5. The role of funding intermediaries could be expanded around the world. These entities can function in funding, capacity building and field development roles in order to connect work at the local, regional and international levels.
6. There is an opportunity for foundations to take the lead on working with their grantees to create and introduce new investment instruments structured to generate multiple returns for both the investor and investee.
7. Foundations could capture the opportunity to create new investor collaboratives capable of creating greater efficiencies, balancing risk profiles, mobilizing significant amounts of new investment capital, sharing emerging practices and so forth. These initiatives should be leveraged against the investment strategies of other institutional investors (pension funds, religious organizations, etc.) in order to maximize their market impact.
8. Practitioner groups should work to increase the financial sophistication of enterprise managers and finance officers in order to position these enterprises to more effectively access traditional capital markets to diversify the capital base of their corporations.
9. An international “Fund of Funds” might be created to provide secondary financing to micro-finance, community loan and other funds. The foundation community could take the lead in working with the World Bank, the Inter-American Development Bank and other providers of capital in order to create such a Fund of Funds. Corporate and individual donors as well as local philanthropies could also play a role.
10. The definition of “fiduciary responsibility” should once and for all be expanded to include not simply financial stewardship, but institutional stewardship in

advancement of organizational and foundation value that includes economic, social and environmental performance.¹⁵⁹

¹⁵⁹ See the Initiative for Fiduciary Responsibility website: <http://www.theglobalacademy.org/ifr.asp> for additional information on this issue.

Measurement and Performance Metrics

Overview

As that old saw goes,

“You can’t manage what you can’t measure.”

Beyond a general agreement on the inherent truth of that statement, there is, however, little consensus on how best to approach the creation of a single, commonly endorsed set of metrics by which to assess the performance of non-financial aspects of both organizations and funds. Regardless, there are some excellent initiatives in motion and promising progress to be made. Before exploring those developments, let us first understand the lay of this challenging land.

In approaching a discussion of metrics, one must first break out those metrics into at least three currently existing categories: econometrics, environmental metrics and social metrics.

The most developed of these three is econometrics (i.e. financial metrics). People debate which ratios to apply where or how to actually interpret the full value of a firm, but on the whole there is consensus that one plus one equals two. Over the past fifty years a host of professional agreements have been reached regarding how to “crunch the numbers.” Therefore, many business people moving beyond traditional business practice and into environmental and social areas of interest assume that standard econometrics are sound and it is the social/environmental arenas that need work.

On the whole this may be so, however what many ignore is the reality that these econometrics were not passed down intact from the hand of God to the HP-12(C) of Alan Greenspan. These widely embraced financial metrics were themselves the product of debate, experimentation and experience over many years. How we approach the valuation of economic activity has changed over the years and will continue to evolve—especially as we become increasingly clear with regard to how to best integrate social and environmental considerations of value into traditional frameworks.

A second point of importance is the realization that simply because we can measure something does not mean we can accurately value what has been measured. Much of the current debate concerning “metrics” blurs the reality that the first step in this analytic process is to be able to accurately track specific units of analysis; But the second and in many ways more important step is being able to accurately *value* the units of analysis themselves. Being able to count apples is important, but understanding the relative value of a Granny Smith as opposed to a Red Delicious is what allows us to fully appreciate what it is we have counted. More seriously, as one interviewee commented, “On strictly financial terms, the value of the life of an American woman is far greater than that of a Somali woman—but only an idiot would conclude that the life of an American is worth more than that of an African.”

Beyond the challenge of assessing social value of capital and returns is the challenge of creating effective frameworks for assessing how this value effects the performance of firms. As Don Reed of Ecoscorp commented, “The real issue isn’t simply metrics, but our ability to measure how performance creates real value for shareholders. What are the impacts of various corporate practices upon brand value, customer loyalty and so forth—all of which translate directly to value for shareholders and the larger capital market.” Suffice it to say that as the dust begins to settle regarding *how to count*, the discussions must then begin with regard to *how we value* what it is we’ve tracked through our efforts.

Key Issues

With these initial caveats in mind, we may turn our attention to the vast number of issues that arise as we explore the world of measuring and performance metrics. Key issues include the lack of consistently effective approaches and tools for measuring and reporting social value, the issue of focus and the issue of disbelief, the lack of confidence or trust in what is measured.

Lack of Effective Approaches and Tools

The first concern raised by many is that despite the best efforts of the field, there remains a lack of consistently effective approaches and tools to measuring social units or calculating social value. This is as true of business as it is of non-governmental organizations. There are limits of transferability from area of application to area of application. Despite the common challenges in which both are engaged, there is virtually no interchange between the work of the social sector, NGO community and social scientists and that of venture fund managers, corporate managers and CSR practitioners.

Furthermore, the development of effective social tracking and measurement information systems within organizations (whether for-profit or nonprofit) is viewed largely as an “unfunded mandate.” This may be due to the fact that social performance measurement continues to be viewed not as a core part of organizational operations (say, for example, in the way that financial reporting is viewed), but rather is perceived as an optional activity or a marketing effort to satisfy the requirements of certain stakeholder groups. Therefore, the cost of establishing an effective social reporting system is viewed as “too much” for many groups to bear, whether nonprofit entity or for-profit organization. Who pays the freight for such reporting systems continues to be a question of debate and challenge.

Each of these points could be expanded into a stand alone paper exploring the specifics involved, however all these factors combine to result in a general lack of effective approaches and commonly endorsed tools by which both investors and practitioners may assess the non-financial performance and value of organizations.

Focus

A second issue of concern is that of “focus.” First, there is a natural inclination to focus upon those metrics and approaches that target easily quantifiable performance indicators as opposed to indicators that could shed light upon what the actual and desired long-term outcomes are. Moving from input/output analysis to that of true

outcome assessment is much more challenging than even the most ardent supporters of measurement may be able to address.

Second, many organizations focus upon impact at the organizational level, whereas the broader interest of measuring may rest at the community, regional or even the societal level. This plays out in several ways. Traditional accounting and economics treat “externalities” as the concern not of the organization, but of society, making incentives for the creation of effective tracking systems at the organization level a real challenge. Consequently, many approaches over emphasize costs at the firm level as opposed to the benefits generated to those outside the walls of the firm. Thus, the issue of where the *focus* of measurement should rest remains a major barrier to effective measurement of full value and costs.

In addition to these aspects with regard to focus, metrics used by many managers assist in organizational or capital performance assessment, but may not assist them in tracking feedback from what is often the most important group—customers or clients. In its most basic sense, sales is the primary metric one could draw upon, but for many there are a number of steps between conceiving of a strategy and making a sale—and for others sales as traditionally defined may not be the real measure of performance. Exploring this question with greater depth is a promising area of future inquiry.

Finally, there exists an inherent tension due to the fact that the investors in social value creation do not, by and large, directly benefit from the social value created. This fundamental mismatch, in addition to the difficulty measuring and valuing, contributes to a lack of focus on measuring social value creation, which in turn contributes to the challenge of converting social returns to more efficient capital deployment.

Disbelievers

Assuming one can track the correct things and value them accurately, we remain companions with a significant challenge: *Many people do not believe what is claimed—they do not “trust” the numbers and analysis.*

To begin with, many nonprofits believe that “we are doing good,” and do not see a need for measurement. They experience it in the lives of their clients, they see it in the perceived forward progress of their day-to-day experience, and they live it in their understanding of the value of their work. To be told they could be more effective is a bitter medicine best left un-swallowed.

Corporations and “business people” fall victim to the same disease. We all know how to “lie with numbers,” and understand that assumptions and analysis may skew the results of even the most “objective” research. So, many CEOs and trustees come to believe one set of numbers (traditional financial), yet doubt another (emerging social and environmental metrics) despite the fact that both forms of analysis may be subject to spin.¹⁶⁰

¹⁶⁰ Innovest Press Release, 7/29/2003; See also: Weiser, John and Zadek, Simon, “*Conversations with Disbelievers: Persuading Companies to Address Social Challenges*,” for the Ford Foundation, November

Finally, there is a general lack of agreement with regard to what should be measured, how it is best measured and at what level it should be measured. More specifically, as discussed in the recent Global Leaders of Tomorrow paper,¹⁶¹ there are several approaches and it is not clear if the preferred approach should track individual results, comparison among players or general performance. Another challenge is understanding whether the level of measurement should rest at the program, factory, organizational, regional, market or societal level? And, of course, should the same set of metrics be applied to all organizations regardless of their developmental stage or should consideration be given to any number of particulars that will effect how any given organization will perform?

Steve Rochlin, of Boston College, helped place all this in perspective when he said,

“You need it all—you need the science of how to conceptualize and the measure of the value as well. With that we need to acknowledge that we may never come up with a system that is completely beyond reproach, but if we can reduce uncertainty that would be a sound step forward. We need to understand that it is not about value alone, but about strategy. It is as much about how we think about this as how we do it; we must engage both skeptics and early adapters in this process.”

Or, as Marc Epstein of Rice University summarized the challenge, “You need to have the right metrics, you must have a commitment to actually using the metrics, and, finally, you have to believe what the metrics tell you!”

Organizations Working on Measurement and Performance Metrics

The good news, of course, is that there are a number of promising initiatives taking place in the “metrics world,” which together promise to move our overall efforts forward. Measurement efforts have focused either on philanthropy or on corporate or double bottom line. We have outlined the efforts, dividing them into Measuring Philanthropy and Measuring Double/Triple Bottom Line.

Measuring Philanthropy

In 2001, The Urban Institute engaged Clark, Rockoff and Associates in a fact-finding project¹⁶² to determine if measures of multi-dimensional performance of nonprofit social service organizations existed that could complement the information in the GuideStar Database.¹⁶³ The resulting report, “Measuring the Performance of Nonprofit Social

2002. Or, for more on this issue, simply Google either of the following: “*Internet Bubble, the Burst of,*” or “*Enron, WorldCom and Ephemeral Shareholder Value.*”

¹⁶¹ See the World Economic Forum Global Leaders Tomorrow Benchmarking Philanthropy Report: “*Philanthropy Measures Up,*” January 2003.

¹⁶² Rockoff, M. “*Measuring the Performance of Nonprofit Social Services Organizations: Start By Cataloguing Terms*”, Report to the Urban Institute, Jan 9, 2001.

¹⁶³ GuideStar is a searchable database of over 640,000 nonprofit organizations. Guidestar’s mission is to improve the nonprofit sector through the collection and presentation of exhaustive information on nonprofit

Services Organizations: Start By Cataloguing Terms,” although a few years old, provides insightful analysis of what is needed to move the field ahead in this area, as well as a review of selected efforts to measure organizational performance.

The World Economic Forum Global Leaders Tomorrow formed a Benchmarking Philanthropy Task Force in 2002 with the goal of assisting donors in measuring the impact of their giving and advancing the field of research in this area. The resulting report, “Philanthropy Measures Up”, provides a good overview of the field of measuring philanthropic impact and provides a catalogue of key selected measurement approaches in the field. The report highlights various methodologies with profiles of six “venture philanthropists”, six foundations and six nonprofit infrastructure groups as well as four management consulting companies.

Despite the central interest that performance metrics and measurement have taken within the field of philanthropy, gathering foundations into a collaborative process of answering key questions and advancing the field as a whole has been a significant challenge. As one foundation program officer commented,

“There are literally a handful of funders interested in building the practice of performance metrics and they have not collaborated together to work on this issue. There has never been a common project or strategy of action for foundations...the incentives and motivations have just not been in place since each foundation’s idiosyncratic and programmatic interests take precedence for them over the larger interest of developing the field as a whole.”

As it stands, there is interest, but there has not been much concerted action. Yet, there are a number of promising projects upon which to build. The following overview of the methodologies reviewed draws upon both the studies mentioned in addition to original source material, websites etc. We encourage readers to go to these reports for a more thorough discussion of issues and review of methodologies.¹⁶⁴

The emergence of Venture Philanthropy or New Philanthropies represents an entire field of practice with a focus on measurable impact. A few examples of organizations with noteworthy measurement processes include:

- **The Roberts Enterprise Development Fund (REDF)** tracks enterprise financial performance and individual employee social outcomes which are then analyzed through their Social Return on Investment (SROI) Framework. The key performance measures used in the REDF evaluations include financial data, data on employees, social outcome information on new hires and SROI.¹⁶⁵

organizations. Guidestar uses the 990s as a key source of information. See <http://www.guidestar.org> for more information.

¹⁶⁴ See Rockoff, M. “*Measuring the Performance of Nonprofit Social Services Organizations: Start By Cataloguing Terms*”, Report to the Urban Institute, Jan 9, 2001. See also the World Economic Forum Global Leaders Tomorrow Benchmarking Philanthropy Report: “*Philanthropy Measures Up*,” January 2003.

¹⁶⁵ See: http://www.redf.org/about_sroi.htm for more information about REDF’s SROI methodology.

- **Acumen Fund** with the assistance of McKinsey & Co. has developed performance measures of grantees versus goals, impacts-outcomes, SROI type metrics, overall organization progress as well as progress on systemic change/root causes.¹⁶⁶
- **New Schools Venture Fund** develops its performance measures used in evaluation depending upon the risk factors of a particular investment. New Schools develops metrics to measure progress against set milestones for each organization. Metrics include direct impact on both outcomes and process as well as institutional capacity, which varies for nonprofits vs. for-profits.
- **New Profit Inc.** uses a Balanced Scorecard which monitors performance against mutually agreed upon goals including some input-output measures. The Scorecard is used to identify when an organization is not meeting its own pre-set goals or losing alignment with its strategies for change.¹⁶⁷
- **National Social Venture Competition** provides workshops, mentors and technical assistance to help bottom line business create their own SROI measures.¹⁶⁸
- **NESsT Venture Fund** has developed a Performance Management Tool (PMT) to measure portfolio performance using both qualitative and quantitative data (both financial and non-financial in nature) to calculate both the financial performance of social enterprises and their impact on the mission and values of the parent organization.¹⁶⁹
- **Social Venture Partners** measures the increased effectiveness of grantees based on the addition of money and time from SVP members and does ad hoc internal and/or third party evaluation at local sites.¹⁷⁰

In addition the Philanthropies mentioned above, a number of institutional foundations have documented their outcome measurement processes. A few examples include:

- **Annie E. Casey Foundation** is known for its community-wide approach to grant making. The Foundation attempts to heavily evaluate its community initiatives over long periods of time and disseminate results to the field. Their website has insightful lessons learned regarding measuring impact of these types of initiatives.¹⁷¹
- **Edna McConnell Clark Foundation** has established deep evaluation and performance measurement as core values. The Foundation employs a senior level evaluation officer who works closely with program staff

¹⁶⁶ See: <http://www.acumenfund.org/Acumen/Portal/home/POCMetricsHome.asp> for more information on Acumen's measurement and metrics systems.

¹⁶⁷ See: http://www.newprofit.com/who_network.html for more information about New Profit Inc. and their use of the balanced scorecard.

¹⁶⁸ See: <http://www.socialvc.net/theCompetition.cfm> for more information about the Competition.

¹⁶⁹ See http://www.nesst.org/venture_investment.asp for more information.

¹⁷⁰ See: http://www.svpseattle.org/about_svp/default.htm for more information about Social Venture Partners.

¹⁷¹ See their report at <http://www.aecf.org/publications/evaluation/index.htm>

throughout the grant making and evaluation process. The Foundation works with Bridgespan Consultants¹⁷² to establish and track metrics and has developed key performance and social impact measures. Their website has several publications on evaluation and related topics.¹⁷³

- **WK Kellogg Foundation** evaluates grants on project, cluster and program policy-making levels. Kellogg puts emphasis on program logic models and the integrity of the evaluation process.¹⁷⁴
- **Greater Kansas City Community Foundation (GKCCF)** collects and verifies data from nonprofit organizations on program performance, management and governance and financial soundness. GKCCF has been successful with a donor-focused strategy and a participatory process involving both donors and nonprofits in the design of its performance measurement system.¹⁷⁵
- **The Gordon and Betty Moore Foundation** seeks to develop outcome-based projects to improve the quality of life for future generations. The Foundation worked with the World Resources Institute and the Nature Conservancy to develop a detailed framework for Outcomes and Indicators of Biodiversity. A Stanford Business School Case outlines the challenges of managing performance and outcomes and the approach taken.¹⁷⁶
- **Wallace-Readers Digest Fund** evaluates long-term impact on specific issue areas of focus through a combination of individualized evaluation of each grantee and long-term assessments of impacts in the fields they seek to change, including an emphasis on policy change.¹⁷⁷
- **MeasuringPhilanthropy.com** is a website that provides information about ways to measure and improve the impact of philanthropic programs. They have developed the Corporate Philanthropy Index, a survey-based measurement tool to demonstrate the link between stakeholder perceptions of a company's philanthropy and their willingness to support the parent corporation.¹⁷⁸

Finally, a number of nonprofit infrastructure organizations focus on measurement and metrics. Some examples include:

- **BBB Wise Giving Alliance** was formed in 2001 with the merger of the National Charities Information Bureau and the BBB's Philanthropic Advisory Service. The Alliance provides donors and prospective donors with information on charitable organizations. Charities are selected for

¹⁷² <http://www.bridgespangroup.org/BSGweb/default.asp>

¹⁷³ See http://www.emcf.org/evaluation/evaluation_pub.htm for more information.

¹⁷⁴ See <http://www.wkcf.org/Programming/Overview.aspx?CID=281> for more information.

¹⁷⁵ See http://www.gkccf.org/DResources/grant_search_local.htm for more information.

¹⁷⁶ Chou, April, David Kim and Mark Templeton, "Gordon and Betty Moore Foundation: Greater Accountability for Outcomes in the Nonprofit Sector," Graduate School of Business, Stanford University, October 2002. See also the foundations website at: <http://www.moore.org/about.asp> for more information.

¹⁷⁷ See <http://www.wallacefunds.org/> for more information.

¹⁷⁸ See <http://www.measuringphilanthropy.com/> for more information.

evaluation based on the volume of donor inquiries about individual organizations. Evaluations are based on information from organizations on programs, governance, fund raising practices and finances. Beginning in the summer of 2003, the Alliance will offer national charities that meet their standards a BBB national charity seal.¹⁷⁹

- **Center for Effective Philanthropy** is devoted to promoting the effective practice of philanthropy. The Center's recent reports "*Indicators of Effectiveness: Understanding and Improving Foundation Performance*" and "*Toward a Common Language: Listening to Foundation CEOs and Other Experts Talk about Performance Measurement in Philanthropy*" are available on their website.¹⁸⁰
- **Center for What Works** is an online community for nonprofit practitioners, funders, new economy investors and academics to share information effectiveness. The Center promotes benchmarking and knowledge transfer as core parts of its mission and has developed a benchmarking tool designed for nonprofits.¹⁸¹
- **Charities Evaluation Services (UK)** has done extensive work on outcome monitoring in the UK. Charities Evaluation Services provides information and services to voluntary organizations (nonprofits).¹⁸²
- **The Independent Sector (IS)** is a nonprofit organization devoted to the nonprofit and philanthropic community. In 1996 IS launched the Measures Project which is intended to measure the impact of the third sector on society. Their report on Outcome Measurement in Nonprofit Organizations is available on their website.¹⁸³
- **Innovation Network, Inc, (InnoNet)** is a network dedicated to building the evaluation capacity of nonprofits and grantmakers. InnoNet provides online evaluation tools and resources in addition to consulting and training.¹⁸⁴
- **ImpactMgr** is a suite of online tools that enable community foundation program officers to track and evaluate the capacity and outcomes of nonprofit grantees and to report to and facilitate grantmaking decisions by donors to donor-advised funds.¹⁸⁵
- **Seedco** has developed its Performance Measurement & Management program, a technical assistance process that develops the capacity of nonprofit organizations to measure and improve the performance of their programs.¹⁸⁶

¹⁷⁹ See <http://www.give.org/about/index.asp> for more information about the BBB Wise Giving Alliance.

¹⁸⁰ See <http://www.effectivephilanthropy.com/research/index.htm> for reports.

¹⁸¹ See <http://www.whatworks.org/au-vision-mission-frame.html> for more information.

¹⁸² See <http://www.ces-vol.org.uk/main.htm> for more information.

¹⁸³ See <http://www.independentsector.org/programs/research/measures.html> for more information.

¹⁸⁴ See <http://www.innonet.org/> for more information.

¹⁸⁵ See <http://www.cfamerica.org/page.1576.cfm> for more information.

¹⁸⁶ See <http://www.seedco.org/capbuild/perfmanag/index.html> for more information.

- **United Way of America** has developed The Outcome Measurement Resource Network as a way to assemble relevant information for local United Ways.¹⁸⁷
- **Maryland Association of Nonprofit Organizations** has developed Standards for Excellence in the Nonprofit Sector, a voluntary certification program based on a code of conduct for nonprofits.¹⁸⁸
- **World Bank Poverty and Social Impact Analysis (PSIA)**. An excellent working paper presenting a framework as well as specific strategies for assessing social impact of anti-poverty programs.¹⁸⁹
- **The Urban Institute Center on Nonprofits and Philanthropy** has produced a series of publications and guides on outcome management. The Center is also developing taxonomy of performance measures for nonprofits using data from a wide range of sources. The measures will fall into two categories: program impact and organizational performance.¹⁹⁰

In addition to the players mentioned above, there are various consultants that work with nonprofits and foundations and other philanthropic organizations in the area of metrics:

- BDO Seidman, LLP¹⁹¹
- The Bridgespan Group (Bain and Co.)
- Foundation Strategy Group
- McKinsey & Co.
- Monitor
- New Philanthropy Capital (UK)
- Rockefeller Philanthropic Advisors

Double and Triple Bottom Line Measurement

In 2002 a team of practitioners and researchers joined together to form the **Double Bottom Line Project**.¹⁹² Double Bottom Line (DBL) businesses are defined as “entrepreneurial ventures that strive to achieve measurable social and financial outcomes.” The project aims to collect and evaluate analytical tools that are used to evaluate enterprises on both financial and social/environmental impact, particularly for early-stage double-bottom line ventures. After surveying the existing methods, the goal is to create a comprehensive approach to Social Impact Assessment. The Methods Catalog provides summaries of various methods for measuring social return and double

¹⁸⁷ See <http://national.unitedway.org/outcomes/> for details.

¹⁸⁸ See <http://www.standardsforexcellence.org/> for details.

¹⁸⁹ See: [http://lnweb18.worldbank.org/ESSD/essdext.nsf/61DocByUnid/644A3CF608A6729A85256BE30066F841/\\$FILE/AUsersGuidetoPovertyandSocialImpactAnalysis\(440KbPDF\).pdf](http://lnweb18.worldbank.org/ESSD/essdext.nsf/61DocByUnid/644A3CF608A6729A85256BE30066F841/$FILE/AUsersGuidetoPovertyandSocialImpactAnalysis(440KbPDF).pdf) for a User’s Guide to PSIA.

¹⁹⁰ See: <http://www.urban.org/content/PolicyCenters/NonprofitsandPhilanthropy/Overview.htm> for more information.

¹⁹¹ See http://www.bdo.com/services/industry/nonprofit/nonprofit_consult.asp for more information.

¹⁹² Contact: Cathy Clark at cathy@cathyhc.com or William Rosenzweig at wbrose@ideagarden.com or Sara Olsen at sara@svtconsulting.com for more information.

bottom line as well as a glossary of relevant terms. The material is still in draft form and the reader is encouraged to contact the authors for more information.¹⁹³

Sara Olsen and Alison Lingane have written a piece on developing a standard for Social Impact Assessment for publication in the California Management Review. The paper presents an analysis of the patterns of Social Impact Assessment for 88 teams of entrepreneurs who have competed in the National Social Venture Competition. In addition, the paper provides an overview of the literature on social impact assessment as well as a review of selected methodologies.¹⁹⁴

In the Spring of 2003, the Rockefeller and Goldman Sachs Foundations hosted a Social Impact Assessment Meeting. The materials prepared for the meeting are a rich source of information on social impact assessment. In addition to information on the project mentioned above, the meeting covered several related initiatives that are worth noting.

The following section draws upon these sources of information as well as other source material. We encourage the reader to go to this material for a more in depth discussion of methodologies and related issues. In addition, SustainAbility in the UK is a recognized expert in the area of Triple Bottom Line and corporate sustainability measurement. The reader is encouraged to see their publications listed on their website for more information.¹⁹⁵

Before turning our attention to these various efforts to advance the work of metrics, it is important to recognize that while the drive to assess performance and measure returns is critical to our future ability to manage both investing and firms, Steve Lydenberg, a pioneer in socially responsible investing, raised an important question for consideration:

“Are metrics there to set meaningful standards or to promote meaningful debate? The problem with standards alone is that they tend to be viewed by CEOs and Boards as the ceiling rather than the floor. The point isn’t to have a CEO say, ‘Just tell me what to do,’ it is to have a CEO understand these metrics must be driven into the firm’s operating culture and practice.”

With that thought in mind, we can now consider the following information on metrics and frameworks for measuring/assessing the performance of firms advancing strategies for the creation of multiple returns and impacts.

An increasing number of corporations produce CSR reports, and many are now beginning to measure their Triple Bottom Line (TBL). The following is therefore a small sample of leaders in Triple Bottom-Line performance evaluation. Examples include:

¹⁹³ C. Clark, W. Rosenzweig & S. Olsen, “Double Bottom Line Project: Methods Catalog – Draft March 2003”: Public Version to be released 10/1/03.

¹⁹⁴ Olsen, Sara and Alison Lingane, “*Social Impact Assessment: A Standard*,” draft paper. Contact sara@svtconsulting.com for more information.

¹⁹⁵ See <http://www.sustainability.com/home.asp?popup=1> for more information.

- **Dupont** estimates that significant “wins” from higher efficiencies and improved margins and risk reduction. Dupont estimates that better packaging design and increased factory productivity in Brazil saved them \$340,000 per year and reduced annual waste by more than 100 tons. In Canada, they estimate an annual savings of \$12 million from a conservation initiative that resulted in reduced energy per unit production.¹⁹⁶
- **Baxter International** discloses estimates of the net financial impacts of their environmental programs as part of their corporate environmental reporting (CER). Baxter’s CER identifies and quantifies ways in which the company’s environmental programs have a positive impact on net income by either generating income or reducing cost. In 1998 they reported \$106.8 million in total environmental income, savings and cost avoidance with total environmental costs of \$21.6 million.¹⁹⁷
- **BT** (formerly British Telecom) is rated by Dow Jones Sustainability Index as Number One for corporate responsibility in their sector. BT has senior executive who is Head of Sustainability and Corporate Accountability. In addition to positive image and reputation from CSR, BT claims that projects aimed at good CSR outcomes had both reduced risks and created opportunities, with savings of £600 million over ten years and increased sales of more than £4 million pounds. BT also notes the value of media coverage of CSR initiatives.¹⁹⁸
- **Trucost Plc** is an environmental research organization that provides environmental data on companies and sectors in financial terms for companies, fund managers and government agencies. Trucost has several tools and methodologies to project the financial implications if environmental costs were internalized to the firm.¹⁹⁹
- **Social Venture Network**, a membership organization for entrepreneurs of firms intentionally creating blended value. SVN provides both networking and information sharing opportunities for its members and others interested in these issues.²⁰⁰

Investors are increasingly interested in measuring the impact of corporate environmental and social activities. The following are examples of measurement initiatives by investors or with an investor focus:

- **Pacific Community Ventures (PCV)**, a venture fund that invests in private companies that provide jobs, role models and on-the-job training for low-income people and that are located in disadvantaged communities

¹⁹⁶ Holliday, Chad “Sustainable Growth, the DuPont Way,” Harvard Business Review, September 2001.

¹⁹⁷ Reed, Donald J. “Stalking the Elusive Business Case for Corporate Sustainability,” World Resources Institute, December 2001.

¹⁹⁸ “Briefing Note on BT – Sustainability and Value” by Don Reed of Ecos Corporation. See also: www.bt.com/betterworld for more information.

¹⁹⁹ See <http://www.trucost.com/> for more information.

²⁰⁰ See <http://www.svn.org/initiatives.html> for more information.

in California. PCV has developed a social return assessment system that entails tracking progress on the number and quality of jobs created by the portfolio of investees.²⁰¹

- **CDFI Data Project (CDP)** is an industry-wide CDFI data collection and management system launched in 2000 with the objective of building a system to deliver high quality, useful data to a range of industry stakeholders. The project is funded by the CDFI Fund, MacArthur Foundation, Ford Foundation, CFED and NCCA.²⁰²
- **Calvert Community Investments** monitors social value metrics from over 100 community development and social enterprises in its portfolios. They are organized into an online database “SROI Calculator” to aid investors in valuing the impact of their capital.²⁰³
- **Innovest** provides fund managers with analytic assistance in building portfolios based on “positive valuation” of environmental performance by publicly traded companies.²⁰⁴
- **Coastal Enterprise Incorporated (CEI)**, a community development corporation, has done a three-year Low Income Longitudinal Study to look beyond job creation into job quality data, job tenure, asset accumulation, etc. The survey findings provide interesting insight into work and earnings experience.²⁰⁵
- **Dow Jones Sustainability Group**, Launched in 1999, the Dow Jones Sustainability Indexes are the first global indexes tracking the financial performance of the leading sustainability-driven companies worldwide. Based on the cooperation of Dow Jones Indexes, STOXX Limited and SAM they provide asset managers with reliable and objective benchmarks to manage sustainability portfolios. More than 42 DJSI licenses are currently held by asset managers in 14 countries to manage a variety of financial products including active and passive funds, certificates and segregated accounts. In total, these licensees presently manage 2.1 billion EUR based on the DJSI. (This description is taken from their Web Site).²⁰⁶
- **Sustainable Asset Management (SAM)**, SAM manages institutional and private mandates in line with sustainability criteria. SAM offers sustainability-driven investment vehicles such as the Sustainable Performance Group and various mutual funds. And together with Dow Jones & Company, SAM launched the world's first index to track the performance of sustainability-driven companies worldwide (quoted from SAM's web site).²⁰⁷

²⁰¹ See <http://pacificcommunityventures.org/> for more information.

²⁰² See http://www.cfed.org/enterprise_development/CDFIData/index.html for more information.

²⁰³ See <http://www.calvertfoundation.org/individual/investment/index.html> to see the tool.

²⁰⁴ See <http://www.innovestgroup.com/> for more information.

²⁰⁵ See <http://www.ceimaine.org/> for more information.

²⁰⁶ <http://www.sustainability-index.com/>

²⁰⁷ <http://www.sam-group.com/e/about/about.cfm>

In addition to the organizations listed, a number of infrastructure organizations focus on metrics and measurement in the corporate sector. The following are a few examples:

- **CERES GRI Sustainability Reporting Guidelines** is a multi-stakeholder process with the mission of developing and disseminating globally applicable Sustainability Reporting Guidelines. The goal of the guidelines is to enhance responsible decision-making that takes into account social, environmental and economic factors.²⁰⁸
- **AccountAbility's AA 1000** is a social accounts implementation process standard geared for large corporations based on stakeholder accountability and engagement. It includes a comprehensive set of accounts for financial, environmental and social impacts of operations.²⁰⁹
- **SA8000** is a standard for workplace conditions developed by Social Accountability International, a nonprofit accreditation consultancy. The standard is geared toward large companies.²¹⁰
- **ISO 14000 and 14001** are a corporate environmental performance standard and implementation protocol developed by the International Organization for Standardization (ISO).²¹¹
- **The Atkisson Sustainability Accelerator** toolkit helps integrate sustainability into organizations, initiative and plans. The Compass Assessment for Investors is designed to integrate the guidelines of the GRI with the Dow Jones Sustainability Index.²¹²
- **BITC Corporate-Impact Reporting Initiative** provides educational resources for members measuring and reporting corporate impact and a website to communicate data.²¹³
- **SustainAbility** defines itself as part management consultancy, part think-tank and part public interest group. They work with companies to help respond strategically to the challenges of sustainable development. SustainAbility advances Triple Bottom Line (TBL) to help companies to focus on environmental and social impact as well as financial.²¹⁴
- **Imp-Act** is a program launched in 2002 to improve the quality of microfinance services and their impact on poverty through the development of impact assessment systems.²¹⁵

²⁰⁸ See <http://www.globalreporting.org> for more information.

²⁰⁹ See <http://www.accountability.org.uk> for more information.

²¹⁰ See <http://www.cepaa.org> for more information.

²¹¹ See <http://www.iso.org> for more information.

²¹² See <http://atkinson.com/what/sustainability.html#Indicators> for more information.

²¹³ See <http://www.bitc.org.uk/index.html> for more information.

²¹⁴ See <http://www.sustainability.com/home.asp?popup=1> for more information.

²¹⁵ See <http://www.microfinancegateway.org/impact/> for more information.

In addition to the efforts listed about, there are a number of consultants working with corporations and double bottom line organizations in the area of metrics:

- Brody, Weiser, Burns
- Corporate Citizenship Company (UK)
- Conservation Company
- The Natural Step is a nonprofit think tank and consultancy.
- Ecos Corporation
- AccountAbility

There are also a number of initiatives and good work in progress. The following is a list of some of the activities we are aware of:

- **ACCESS** is an initiative supported by a number of stakeholders, lead by Accountability. The effort is focusing upon creating an international platform for common metrics by which to assess performance of NGOs from around the world.
- **The Committee to Encourage Corporate Philanthropy**, together with the **Boston College Corporate Citizenship Program**, is leading an effort to assess the social and contribution value of a portfolio of major, for-profit companies. This effort promises to significantly contribute to the creation of commonly accepted metrics of corporate social performance.
- **The World Bank** has published a number of reports on the Economic and Social Rate of Return which are available on their website.
- **The Global Leaders for Tomorrow**, authors of the *Philanthropy Measures Up Report*, have formed a Triple Bottom Line Task Force.

Ideas for Improving Social Measurement and Performance Metrics

In presenting a discussion of “what is needed” to advance the creation and application of sound metrics, there are a number of tasks those involved in this area of work could explore. While this is not a definitive list, based upon our interviews it would appear that the fundamental issues to be addressed are the following:

1. Consideration should be given for the development of a commonly embraced set of standards and definitions of data to be a shared basis for discussion. Most likely, such a set of standards will need to be broken out by organizational type, program area and industry group in order to be most effective.
2. A common understanding with regard to language, terms and concepts could be created. At present, while the basic task is similar (i.e. exploring how to measure social value created by a nonprofit organization and that created by for-profit companies involves a large number of similar challenges), most of the discussion among those advancing this agenda takes place within individual silos each with its own language and jargon. This makes it difficult to achieve leverage off each other's work.
3. We should explore how best to work to create a practical data gathering methodology that does not place undue burden upon managers (whether for-profit or nonprofit) attempting to gather and track that data. At the same time, efforts should be made to ensure the methodology is capable of generating data that is sufficiently detailed for analysis and use both by internal actors and external stakeholders.
4. Actors could be convened to participate in discussions regarding how funding could best be provided to build reporting systems to generate and track the required data. At present, reporting systems are viewed as a form of overhead. While investors wouldn't think of providing capital to a firm without the capacity to report accurate financial data, investors (both market-rate and philanthropic) don't hesitate to provide capital to organizations without adequate (or any!) social reporting management information systems. Providers of capital must come to view the existence and use of such systems as a requirement of funding—yet they must also recognize there is a cost to the creation of such systems and be willing to help share that cost.
5. The process by which standards are set and reporting goals established should be one in which practitioners are intimately involved. The importance of “metrics” is not simply to assure investors that capital is achieving its highest and best use, but also to provide managers with the information they need to create more effective and efficient strategies of practice. In order to achieve this goal, data must be credible and useful to those in positions to improve practice and performance.

6. Reporting systems should be developed that build upon current triple bottom-line reporting practices with an eye toward assessing the “full” spectrum of both capital and organizational performance—economic, social and environmental. Too often systems are created with a bias toward one or the other of the three, but if we are to assess the full value of an organization and track the total returns of capital, the reporting systems we create must be up to that task. The time to embrace such a goal is not ten years from now after all the current systems have reached maturity, but rather today while there is still time to create systems capable of capturing the full value of the organization. While some may think this statement applies only to for-profit firms, it applies to nonprofit/NGOs as well. The day when nonprofit/NGOs can function in the market and not hold themselves accountable to the same performance standards we advocate for for-profit companies is past; NGOs create economic, social and environmental value for which they should be accountable and rewarded.

Leadership and Organizational Development

Overview

While the term “organizational capacity” has recently come into vogue in the nonprofit sector, it is a critical issue for for-profit organizations as well. Questions of developing core leadership, management and achieving financial sustainability are not limited to any one sector or silo, but are common to the whole. In general terms, achieving organizational capacity may be understood as falling into a number of related areas:

- ❖ Leadership and Management
- ❖ Financial Sustainability
- ❖ Governance
- ❖ Strategic Planning
- ❖ Scale
- ❖ Funding Capacity Building

Leadership and Management

With regard to *leadership and management*, the central challenge is recruiting and retaining key personnel, as well as providing ongoing training/professional development for staff currently in place. While necessary for any successful enterprise, this issue is critical for organizations (again, whether nonprofit or for-profit) that seek to break with the mold of traditional management and pursue value creation that is more than simply financial or socially defined. There are many solid, traditional business managers; and there are numerous talented nonprofit managers. What is lacking are people fully capable of effectively pursuing the blended value proposition that is increasingly the focus of both nonprofit and for-profit organizational mission. As one expert observed,

“The community finance arena was created in response to redlining by banks and other institutions. Now Wall St. is ready to make real investments in these communities, but many of those within the community development arena are not prepared to work with them to take these investments to real scale and impact. They are uncomfortable with Wall St.’s values, mindset and jargon—much less the deadlines and timing required to ‘play with the big boys.’ We have excellent ideas, but lack the ability to execute them and need our collaborations with the financial engineers of mainstream America to achieve our goals. There is increasing sophistication within the CDFI community, but that sophistication needs to be expanded and built upon if we are going to be able to execute the kind of deals required for real impact and change.”

On a general level, the skills required of 21st Century managers must be a blend of sound financial abilities married with good organizational management talent grounded in a vision of the organization that understands its role in creating social and environmental value components. Cultivating and recruiting leaders able to manage within the perceived tensions of these factors is a significant challenge for the field as a whole.

Financial Sustainability

Achieving *financial sustainability* is a central goal and current challenge for managers of organizations pursuing blended value. In truth, many find that if they were “simply a for-profit” or “just a nonprofit” they might do fine—but attempting to be both economic engines and social fabricators can leave the financing strategies for these organizations in the middle of both worlds. For many nonprofits, the basic business model is one that does not have the capacity to generate revenue streams independent of subsidy, so financial sustainability becomes simply a melding of various forms of subsidized capital. The lack of tested and widely used funding instruments (rated notes, equity-like investment structures and so forth) makes financial options for both nonprofit and for-profit corporations limited and thereby challenging.

On the for-profit side, there is an array of investment instruments and capital providers one can draw upon with the corresponding leadership and skills to create and manage these instruments. While there are certainly challenges in terms of securing equity and defining what form/type and timing of returns are required, there is a great deal of creativity with regard to the ways one can structure debt, equity and equity-like capital instruments.

By contrast, in the nonprofit sector, one’s options are much more limited. As Clara Miller observed, “There is a tractor gear on the one side and a Swiss watch mechanism on the other, so when you want to shift gears to go through a capital market intermediary, there is currently a disconnect and not enough options to get you to the other side.” Over time, with the creation of a new generation of “new market intermediaries,” this shift will become increasingly smooth, but for now there is a chasm, both in terms of capital and skills, that all entrepreneurs (both for-profit and nonprofit) must in some way address.

Since mainstream capital markets are not yet evolved to the point of being able to efficiently assess and assign capital to social enterprises in an effective manner, each venture is viewed as “new” and therefore enterprises must spend an incredible amount of time simply securing capital, much less managing the venture. This contributes, then, to a real inability to drive to significant scale since the capital required to finance expansion is often inadequate to the task. Worse yet, since much of the capital process comes to be driven by perceptions of value as opposed to formal, tested tools for accurately assessing value, there is the risk that ventures perceived as “sound” may in fact be masking inefficiencies—which also means these evolving capital markets themselves are harboring inefficient elements as well.

Governance

Developing and adhering to appropriate *governance practices* becomes a serious challenge for many entrepreneurs. Building strong boards capable of assisting with the many and diverse needs of an emerging enterprise is a standard challenge voiced by many. An additional challenge is that of making sure all boards (investor and investee) practice adequate accountability and transparency procedures. Too many organizations in all sectors and silos operate without divulging enough information of real use to outside stakeholders.

Governance becomes more complicated for ventures and funds pursuing the creation of blended value when board members approach the work of the entity from divergent perspectives. As Kim Smith, of the New Schools Venture Fund, observed, when different silos of perspective come together at the level of the board of directors, there is the potential for them to “bump into each other,” and you end up spending a significant amount of time discussing assumptions, definitions of success and what priorities for the organization should be relative to possibly competing interests. Governance of the organization comes to be a significant challenge for both managers and board members.

Strategic Planning

While the concept of developing and *implementing strategic and business plans* is a common one, it is surprising how few organizations (whether nonprofit or for-profit) develop comprehensive plans to guide the activities of managers. For many corporations, social and environmental plans are not in place, while for many nonprofits simply having a strategic plan appears to be the exception rather than the rule. In fact, the vast majority of nonprofits do not have strategic plans to help inform day-to-day decision-making.

Scale

An important issue in discussing organizational capacity is the question of *scale*. Appropriately enough, for many individuals scale is simply a function of size. One consideration of “scale” that is very important is the understanding that while for many for-profit firms increasing scale brings greater efficiencies and decreased costs for many social ventures and nonprofit organizations achieving greater scale simply means there are greater demands for securing deeper subsidies.

As Clara Miller of the Nonprofit Finance Fund commented,

Growth does not increase profits for a social enterprise that is nonprofit. In a for-profit you at least have the option of building retained earnings in order to expand your capital base; for nonprofits that is not an option and for many organizations you simply increase the scale of your cost structure.

This creates a disincentive to achieve scale as well as a very real challenge to those capital markets capable of supporting the growth of nonprofit entities. What is needed is a segment-by-segment analysis of capital structures and flows in order to understand what are reasonable capital and administrative transaction costs and what it means to be “efficient” within any given market segment.

There are several promising initiatives currently in process that will inform discussions regarding scale. **The Center for the Advancement of Social Entrepreneurship** at Duke’s Fuqua School of Business has a central research focus on “Scaling for Social Impact.”²¹⁶ Kirsten Moy and Greg Ratliff of the **Aspen Institute** have been working on a project to understand “pathways to scale.” They have developed a framework for

²¹⁶ See <http://faculty.fuqua.duke.edu/centers/case/scaling.htm> for more information on the program and to download relevant working papers on the topic.

achieving scale and lesson taken from various nonprofit and for-profit case studies. They conclude that achieving scale occurs at multiple levels, is an iterative process of trial and error with the need to refine or retool and invest in infrastructure at every stage, and requires focus on the “nitty gritty details of delivering the product.” Their work has focused on the CDFI industry, but many of their conclusions are relevant across sectors.²¹⁷

Funding Capacity Building

While funding scale is difficult for nonprofits, funding capacity building is also difficult in the for-profit arena, both for for-profit ventures themselves and for those organizations working to build the larger field of practice. For example, Aspen Institute’s Business in Society and Grey Pinstripes programs have been very successful but are having difficulty finding continued funding. Many foundations are not interested because it does not fit their program areas and they don’t see the big picture of how the private sector can affect the issues that they care about. Foundations ask – why doesn’t business pay for it? Individual businesses, on the other hand, don’t see the need to support the development of this type of infrastructure because they don’t yet see the necessity of developing new leadership/skills for managing toward social/environmental value creation as well as financial.

The challenge of effectively building capacity is significant, but there is promising activity across the field. The following section is not exhaustive, but aimed at presenting a starting place by offering the reader a sense of the types of programs and initiatives.

Organizations Working on Leadership and Organizational Development

Many foundations and other social investors are concerned with the topic and a number fund capacity building or support to build capacity. General areas of activity include:

- **Venture Philanthropy** is a good example of growing interest in capacity building. Venture Philanthropies typically provide financial resources and management assistance, practice high engagement with investees (whether for-profit or nonprofit), focus on longer investment horizons and have a clearly enunciated focus upon outcome and documented social return on investment. Venture Philanthropy Partners together with Community Wealth Ventures have produced reports in 2000, 2001 and 2002 tracking the evolution of the field.²¹⁸
- **Engaged Grantmaking** by institutional foundations has also been on the increase. Foundations are using new models of philanthropic engagement to be directly involved in social value creation, investing time and talent as well as money. Rockefeller Foundation’s ProVenEx Fund and others like it are

²¹⁷ Contact the authors at Kirsten.moy@aspenninst.org and gregratliff6@aol.com for more information.

²¹⁸ See <http://www.venturephilanthropypartners.org/learning/reports/index.html> to download the reports.

employing methods much like venture philanthropists to improve capacity of organizations.²¹⁹

- **Incubators/Support to Social Entrepreneurs** provide seed capital and resources to entrepreneurs for start-up or early-stage social ventures. Probably the best-known example is Ashoka, a nonprofit organization that identifies and invests in social entrepreneurs providing stipends and professional services. Other examples of this kind of support to social entrepreneurs are Benentech, Echoing Green and the Denali Initiative. (See section on Social Enterprise).²²⁰

Academic Institutions are increasingly making social and environmental concerns part of their curriculum, providing a rich source of research as well as training. Not only has there been an increase in the number of programs available for social entrepreneurs and nonprofit manager, but there has also been a significant increase in the number of traditional business schools integrating these topics into the traditional MBA curriculum.

- A report by Betsy Schmidt for **the Institute for Philanthropy** catalogues academic centers for nonprofit or social enterprise.²²¹ In addition to those mentioned in her paper, we have identified a number in our mapping exercise. See Appendix I of this document for a listing of such programs.
- **Beyond Grey Pinstripes**, a resource sponsored by World Resources Institute and Aspen Institute's Business in Society Program, aims to prepare MBAs for social and environmental stewardship. The website and reports highlight the most innovative programs and faculty integrating environmental and social impact management into the business school curriculum.²²²
- **CasePlace.org** is an online database of case studies and supplemental materials geared towards academics interested in integrating social and environmental management into the MBA curriculum.²²³
- In addition to the programs outlined above, several interesting programs have emerged with a sole focus on developing leadership within social entrepreneurship. For example, the **Saïd Business School at the University of Oxford** in the UK is currently establishing a Centre for Social Entrepreneurship, funded by the Skoll Foundation, which will offer MBA scholarships in Social Entrepreneurship.

Universities are clearly significant contributors to the discussion on capacity building, but there are many other organizations focused on capacity building for nonprofits (see

²¹⁹ See <http://www.rockfound.org/display.asp?context=3&SectionTypeID=21> for more information about ProVenEx.

²²⁰ See <http://www.ashoka.org/home/index.cfm> for Ashoka; <http://www.benentech.org/> for the Benentech Initiative; <http://www.echoinggreen.org/> for Echoing Green; and <http://www.denaliinitiative.org/> for the Denali Initiative.

²²¹ Schmidt, Betsy, "Philanthropic Academic Centers in the United States," Institute for Philanthropy, November 2002.

²²² See <http://www.beyondgreypinstripes.org/> for more information.

²²³ See <http://www.caseplace.org/> for more information.

section on Social Enterprise). While most of the larger institutional foundations have various initiatives and programs aimed at capacity building, the overall percentage of grants made expressly for organizational capacity or technical assistance have been relatively small. An exhaustive listing of the various efforts is beyond the scope of this project but a few programs are worth mentioning (see also section on Strategic/Effective Philanthropy).

- **The David and Lucile Packard Foundation** has been supporting grantees in improving and strengthening their management capabilities since 1983. The Packard Foundation's Organizational Effectiveness (OE) Program provides both grants to current and recent Foundation grantees to enable them to undertake projects that will enhance their management or governance as well as grants to build the overall field of nonprofit management. The OE Program is also interested in assisting grantees through transitions of leadership.²²⁴
- **The Charles Stewart Mott Foundation** has supported a small group of national intermediaries, known as "Intermediary Support Organizations" for more than 20 years. These organizations provide financial and technical assistance to community-building efforts.²²⁵
- **The Annie E. Casey Foundation** has sponsored some interesting work on leadership, focusing on the issues of executive transition and how it can be used to strengthen organizational capacity. An article by Tom Adams cites various studies predicting a significant number of executive leadership transitions for nonprofits over the next ten years. Adams lists some of the issues and required action to deal with these issues as well as a summary of the work of the Casey Foundation in this area.²²⁶
- **Kellogg Foundation** has done a case study on SeaChange, a nonprofit organization founded in 1999 that had grand visions and healthy funding, but by 2002 ceased to be an independent entity. The case is worthy of note because most of the current analysis and literature on organizational capacity is focused on success. Understanding what doesn't work is at least as important as recognizing what does. The case provides some interesting lessons learned about building a lasting organization.²²⁷
- **Schwab Foundation for Social Entrepreneurship** supports social entrepreneurs each year by providing networking and skill development opportunities, holding regular events and providing opportunities to attend the World Economic Forum.²²⁸
- **The Sustainable Healthcare Enterprise Foundation**, formerly Cry for the World Foundation, and the **Management Sciences for Health** organization have looked at how a franchise model can be applied in the healthcare sector.

²²⁴ See <http://www.packard.org/index.cgi?page=special-oe> for more information.

²²⁵ See <http://www.mott.org/programs/p-bi.asp> for more information.

²²⁶ See http://www.transitionguides.com/found/aecf_cp_sum.pdf to download paper. See <http://www.aecf.org/about/> for more information about the Annie E. Casey Foundation.

²²⁷ See <http://www.wkkf.org/> for report.

²²⁸ See <http://www.schwabfound.org> for more information.

While this work is sector specific, the concept of a franchise model can be applied to other sectors as well.²²⁹

- **The Philanthropic Capacity Building Resource Database** (developed by the Human Interaction Research Institute) contains descriptions of capacity building programs being carried out by various U.S.-based foundations.²³⁰

In addition there are a number of other organizations focused on building capacity in the nonprofit sector. The following is only a modest selection of various information resources:

- **The Independent Sector** is a national forum that brings together foundations, corporate giving programs and nonprofit organization to strengthen the nonprofit sector. The Independent Sector has programs and initiatives aimed at improving nonprofit organizational capacity, for example their Nonprofit Leadership Initiative and their work on ethics and accountability.²³¹
- **Community Wealth Ventures (CWV)** is a for-profit consultancy firm focused on helping nonprofit organizations become more self-sustaining by generating revenue through business ventures and corporate partnerships. CWV also works with corporation to implement community investment strategies. Their recent report on lessons on community wealth generation and a database of social enterprise is available on their website.²³²
- **Boardsource**, formerly the National Center for Nonprofit Boards, is a resource for practical information, tools and best practices, training and leadership development for board members of nonprofit organizations. Boardsource provides workshops, training and an extensive web-based database as well as governance consultants who work directly with nonprofit leaders.²³³
- A recent report by **McKinsey & Co for Venture Philanthropy Partners** stemmed from a project to develop a definition of organizational capacity and capture lesson learned from a number of capacity building initiatives. The report, “Effective Capacity Building in Nonprofits,” available on the VPP website is based on case studies of organizations which have completed or were in the process of completing substantial capacity building exercises. The report provides a framework for defining capacity and a tool for measuring an organization’s capacity level.²³⁴
- A mapping effort developed by **Lampkin, Abramson and Posner** looks specifically at national infrastructure organizations that work for the nonprofit sector as a whole (versus various sub-sectors such as arts, health,

²²⁹ See <http://www.shefoundation.org/index.html> and <http://www.msh.org/projects/seam/3.1.3.htm> for more information.

²³⁰ See <http://www.humaninteract.org/pcbrdatabase.htm> for more information.

²³¹ See <http://www.independentsector.org/> for more information.

²³² See <http://www.communitywealth.org/> for more information.

²³³ See <http://www.boardsource.org/> for more information.

²³⁴ Report available at: <http://www.venturephilanthropypartners.org/learning/reports/capacity/capacity.html>

etc.) and provides a list of major grantmakers that support nonprofit infrastructure development. Also cited are a number of additional references for capacity building organizations across the fields of: nonprofit/philanthropic public accountability; nonprofit/philanthropic management consulting and training; communications assistance and training; professional and career development; research, education, evaluation and information services; volunteers/building community/collaborations; public policy training and advocacy; nonprofit/philanthropy representative organizations (e.g. Council on Foundations). Their initial analysis showed total revenues for national infrastructure nonprofits at \$140 million, representing less than one-half of one percent of total revenues in the sector.²³⁵

- **Social Venture Partners and Grantmakers for Effective Organizations (GEO)** list several capacity building resources on their websites.²³⁶

In the corporate arena, there are dozens of organizations supporting and writing about CSR in large and multinational businesses. (See section on CSR). A small sample of organizations providing business development resources for incorporating sustainable business practices into their business are:

- **AccountAbility**, is a not-for-profit, professional institute dedicated to the promotion of social, ethical and overall organizational accountability, which it argues is a precondition for achieving ²³⁷sustainable development. AccountAbility produces the AA1000 assurance standard and offers a range of trainings to help corporations build capacity to manage social and environmental issues.²³⁸
- **Business for Social Responsibility (BSR)** is a nonprofit membership organization focused on making corporate social responsibility an integral part of business operations. BSR provides information, tools, training and advisory services. The BSR website is a rich source of information and tools relating to corporate social responsibility.²³⁹
- **SustainAbility** is a for-profit consultancy specializing in sustainable development, which they define as environmental improvement, social equity and economic development. In addition to their consultancy services aimed at helping businesses to integrate corporate responsibility into their thinking and operations, they undertake relevant research and produce a variety of reports and other publications.²⁴⁰

²³⁵ This work builds on the work by Gibson and Posner. For more information, contact Linda Lampkin (llampkin@ui.urban.org).

²³⁶ See http://www.svpseattle.org/resources/resources_capacity_building.htm for SVP and <http://www.geofunders.org/index.cfm?fuseaction=Page.viewPage&pageId=40> for GEO.

²³⁷ See <http://www.uschamber.com/ccc/default> for more information.

²³⁸ See <http://www.accountability.org.uk/> for more information.

²³⁹ See <http://www.bsr.org/> for more information.

²⁴⁰ See <http://www.sustainability.com/home.asp> for more information.

- **The US Chamber of Commerce Center for Corporate Citizenship (CCC)** aims to facilitate “corporate civic and humanitarian initiatives.” The CCC conducts research and pursues various initiatives. Their business-society initiatives include efforts to promote public-private partnerships, research on social return on investment, corporate citizenship awards and best practices in community service.²⁴¹
- **World Resources Institute (WRI)** is an environmental research and policy organization. According to their website, WRI explores issues at the intersection of environmental protection and economic development. WRI provides businesses with tools and resources for achieving sustainability. Its Digital Dividends website and various publications are worth noting.²⁴²

A few examples of organization and initiatives focused specifically on small and medium sized businesses and/or on building capacity are:

- **Social Venture Network (SVN)** is one of the few organizations focused on the small to medium sized socially responsible corporations. SVN is currently pursuing three initiatives: Social Venture Institute, providing mentors and a practical problem-solving format to help develop the next generation of social entrepreneurs; developing tools and best practices to share intellectual capital within and outside the membership; and Inclusion and Diversity Efforts and Action to recruit new members with more diverse experiences and perspectives.²⁴³
- **Hitachi Foundation** is noteworthy as one of the few foundations focused on building capacity in the corporate sector. It has recently funded a research effort by The Centers for Corporate Citizenship at Boston College and the U.S. Chamber of Commerce to study corporate social responsibility in small and medium sized corporations. The Foundation plans to conduct the study every two years, alternating between the U.S. and international businesses.²⁴⁴
- **Aspen Institute Business in Society Program** has the mission of producing business managers and leaders to achieve financial, social and environmental progress, based on the premise that business is well positioned to solve the biggest problems. The program provides training and development, focusing on business schools and MBA programs as well as working directly with corporate executives.²⁴⁵
- **Boston College Center for Corporate Citizenship** is practitioner oriented, providing research, executive education, consultation and convenings. The Center is currently working on a number of initiatives ranging from refining

²⁴¹ See <http://www.uschamber.com/ccc/default> for more information.

²⁴² See <http://www.wri.org/> for more information.

²⁴³ See <http://www.svn.org/initiatives.html> for more information.

²⁴⁴ See <http://dev.hitachifoundation.org:8855/news/news/071403.htm> for more information.

²⁴⁵ See <http://www.aspeninstitute.org/Programt2.asp?i=82> for more information.

the business case for corporate citizenship to measuring the impact of corporate philanthropy and volunteerism.²⁴⁶

- **The UK Small Business Consortium** has been formed by small business and CSR organizations to address the issues of CSR for small businesses. The consortium aims to generate case studies, business case arguments and how-to guides for small businesses about environmental and social responsibility.²⁴⁷

Efforts to build capacity and increase effectiveness of both institutional and individual philanthropy are also worth noting:

- **Center for Effective Philanthropy** mission is to advance the practice of philanthropy by management and governance tools to define, assess and improve overall foundation performance.²⁴⁸
- **The Philanthropy Workshop** and **The Philanthropy Workshop West** both have the mission of creating an active global association of strategic philanthropists with the skills, commitment and imagination to make a significant contribution to pressing issues of our time. The programs provide workshops aimed at exposing individuals to various elements of strategic philanthropy.²⁴⁹
- **The Foundation Incubator (TFI)** was started in response to the barriers faced by smaller foundations in trying to access the resources of the philanthropic community. TFI provides shared facilities, mentoring and networking opportunities to its Affiliate Members so they can be more effective in their grantmaking.²⁵⁰
- **Grantmakers In Health (GIH)** has produced some reports specific to the healthcare sector, but with broad implications. One research initiative report by Forrest P. Chisman covers ten issues important issues: the impact of health philanthropy, evaluation, collaboration with other foundations, collaboration with business and government, communication, agenda setting, leadership, institutional support, community-based projects, and scope and scale. Another report focuses on increasing the value of philanthropy.²⁵¹

²⁴⁶ See <http://www.bc.edu/centers/ccc/> for more information.

²⁴⁷ See http://www.davidgrayson.net/view_sp.php?sched_id=382& for speech by David Grayson.

²⁴⁸ See <http://www.effectivephilanthropy.com/about/index.htm> for information about the Center for Effective Philanthropy.

²⁴⁹ See <http://www.rockfound.org/display.asp?context=1&Collection=1&DocID=140> for The Philanthropy Workshop and <http://www.tpwwest.org/> for The Philanthropy Workshop West.

²⁵⁰ See <http://www.foundationincubator.org/> for more information.

²⁵¹ Chisman, F., “*Health Philanthropy and the Public Sector*” September 1996; and Prager, D. “*Raising the Value of Philanthropy: A Synthesis of Informal Interviews with Foundation Executives and Observers of Philanthropy*,” January 1999. Available for download at: http://www.gih.org/info-url2678/info-url_list.htm?attrib_id=3326.

In addition to the resources described above, there has been a proliferation of technology and web-based resources, which have recently become available to social enterprise.²⁵² The following is by no means exhaustive, but should give the reader a flavor of the kind of resources available.

- **NPower** is a growing network of independent, locally based nonprofits with the mission to help nonprofits use technology to expand the reach and impact of their work. Individual Npowers provide local nonprofits with a range of free or low-cost technology help, both on-land and online.²⁵³
- **CompuMentor**, a nonprofit organization specializing in technology assistance for community-based organizations and schools, offers consulting services for technology planning, implementation and support services. CompuMentor is also the home **TechSoup.org**, a technology website for the nonprofit sector.²⁵⁴
- **GuideStar** provides a database of nonprofit organizations and charities, including financial details for each group and a profile of their mission and programs. GuideStar gathers and distributes data on more than 850,000 IRS-recognized nonprofits.²⁵⁵
- **VolunteerMatch** is a nonprofit, online service that helps interested volunteers get involved with community service organizations throughout the United States. Volunteers enter their ZIP code on the website to find local volunteer opportunities to match their interests and schedule. VolunteerMatch also has a corporate version to help corporations make it easier for their employees to volunteer.²⁵⁶
- **Free Management Library** hosted by the **Management Assistance Program for Nonprofits**, provides leaders and managers with basic and practical information about personal, professional and organizational development.²⁵⁷
- **Skoll Foundation's Social Edge** is an online community for social entrepreneurs, philanthropists, nonprofit professional and others interested in the social sector. The site is an open platform for discussion and debate.²⁵⁸
- Several **online newsletters** are available. Origo, NCNE, BizEthicsBuzz, Nonprofit Online News, help4nonprofits are a few examples of online newsletters.²⁵⁹

²⁵² Note, most of these resources are available to support traditional nonprofits as well as social enterprises.

²⁵³ See <http://www.npower.org/> for more information.

²⁵⁴ See <http://www.compumentor.org/> and <http://www.techsoup.org/> for more information.

²⁵⁵ See <http://www.guidestar.org/> for more information.

²⁵⁶ See <http://www.volunteermatch.org/> for more information.

²⁵⁷ See <http://www.mapnp.org/library/> for more information.

²⁵⁸ See <http://www.skollfoundation.org/socialedge/index.asp> for more information.

²⁵⁹ See <http://www.origoinc.com/>, <http://www.nationalcne.org/>, <http://www.business-ethics.com/Buzz-5-02.htm>, <http://news.gilbert.org/> and <http://www.help4nonprofits.com>. See also <http://www.nbiz.ca/nnpno/medialinks.htm> for various links.

Ideas for Improving Leadership and Organizational Development

From our research, it appeared that many of the necessary elements for the silos to achieve greater organizational capacity were in place. The steps seem straightforward, however, progress in this area and achieving these steps will require meaningful investment and effort. The following are suggested next steps.

First, consideration should be given to the development of strategies and policies to attract and retain senior management of the highest caliber in social ventures, social enterprise and corporations expanding their efforts to build and capture full value. This is true of all levels of management, from CEOs to finance and marketing positions. But given impending succession issues raised in our interviews, it is especially important at the CEO level.

Second, management-training programs should explore how best to integrate social and environmental issues directly into the content of offered programs. According to a 2001 survey of MBA programs by Beyond Grey Pinstripes, “there remains a lack of integration of social and environmental issues into the core MBA curriculum.”²⁶⁰ We believe these issues are not secondary or “add-ons”, but should be viewed as integral to the core practices of effective management.

Third, increased funding must be provided to build internal operating capacity of both nonprofit and for-profit organizations. At this point, both sets of investors working with both types of organizations commonly believe capacity is equivalent to overhead and that it is an excess element that should not be supported. Rather than cutting back on general support and capacity development, we need to ramp up investor support for those elements of organizational development that are not presently viewed as directly connected to operations or services.

Finally, additional funding is required to support the development of the broader infrastructure of these efforts. It is not enough to build capacity at the organizational level if we are not also making investments in the field as a whole. Funding must be made available to create and implement improved reporting and accountability systems capable of documenting the full value being created by an organization. This should be seen as a critical part of improving knowledge management practices of organizations.

²⁶⁰ See <http://www.beyondgreypinstripes.org/conclusions.html> for conclusions of the survey.

Government Policy/Regulatory/Tax Code

Overview

While there is significant debate regarding the appropriate role of government in creating a “level playing field,” the fact remains that governmental regulations, policies and tax code have a significant (perhaps primary) effect upon the degree to which market forces are allowed to work to the advantage of consumers, citizens and value creation that benefits the “commons.” A great deal of effort has been expended to document the business case for both firms and investors, but interestingly enough there are many in the mainstream corporate community who will acknowledge that it is the stick and not the carrot that will get them to act on these issues. It seems clear that the strategy for advancing practice across the field will need to draw upon a number of related tactics, and advancing a coordinated policy agenda will need to be one of them.

Regardless of whether one is libertarian, neo-conservative, classic liberal or neo-liberal (!), the fact remains that government sets the terms of play and is (through its provision of capital and purchasing of services) a key actor. Whether or not we maximize the full value of our resources, both private and public will necessarily be dependent in part by the role played by government. However, a full or even adequate discussion of the role of government is well beyond the scope of this paper. Having acknowledged that, many of our interviewees raised interesting issues worth considering regarding the appropriate role of government in this context.

Key Issues

Issues regarding the role Government, policy, regulation and tax code include the challenges of lobbying, the critical role of government, the issue of counterproductive policy initiatives and the need for a common advocacy agenda.

Lobbying

To begin with, while government is a key player, those with the best and most direct access to influencing the positioning of government are clearly those with the greatest financial resources to be invested in lobbying and making contributions to political campaigns. The implication for the present discussion is that many of the forces that would embrace a “business as usual” approach to the structure of taxes and policy frameworks, will be those that would oppose any revision of these policies in favor of a new vision of blended value. Lobbying is an expensive activity in which to engage and it is a game that inherently favors those already positioned and well established.

Complicating this truth is the reality that the “field” of blended value creation (whether driven from a philanthropic, social investor, social enterprise or corporate social responsibility perspective) is not one that speaks with a common voice and intent. Given the time and expense required, most lobbying tends to be a game of special interests as opposed to common concerns. For these and a number of other reasons, therefore, it is

challenging to envision a common policy platform that the field as a whole might embrace.

Critical Role of Government

And yet, the role of public policy, tax structure and regulation are critical to both how the game is played and whether we will be successful in moving our world toward playing a new, “win-win” game with the greatest of benefits to both individual and community. Therefore, we need more and better coordinated attention and involvement within these policy and lobbying debates—involvement that is directly informed by the work of all those operating in the for-profit and nonprofit markets.

With this in mind, it is clear that significant work has already taken place at the policy level that has benefited the efforts of recent decades:

- Impact of CRA has been instrumental in the expansion of the community development field in the US;²⁶¹
- The US New Market Tax Credits have helped bring new funds to the table;
- Multiple government funded community initiatives in the US have had a generally positive impact on communities in need;
- The US Low-Income Housing Tax Credit and other tax credits have brought new investment into areas where “the market” was not operating effectively;
- The positive effect of United Kingdom regulation on investment disclosure for foundations and pension funds has, many believe, contributed to an increase in the number of such funds investing in SRI portfolios in Great Britain.

Indeed, one could easily envision a number of potential areas to target an increased role of government. These might include the introduction of an “Environmental CRA,” the expansion of the New Market Tax Credit to encourage enterprise investing, or other financial incentives directed at introducing new capital into emerging blended markets.

Counterproductive Policy Initiatives

Policy initiatives can also serve to remove 20th Century policy supports that run counter to creating and maximizing environmental and social value. For example, the 1995 UK Pensions Fund Act that requires trustees take “social, ethical and environmental issues” into account is an excellent example of how legal tools can be used to advance a blended value agenda. Furthermore, governments function as significant purchasers of goods and services in the market. The governments of both Australia and New Zealand both have progressive procurement requirements that leverage government purchasing as a tool for advancing goals that go well beyond the parochial notion that government should only be concerned with the cheapest cost for the highest quality items purchased. The Kenan

²⁶¹ The Community Reinvestment Act enacted in 1977 to encourage banks and thrifts to help meet the credit needs of all segments of their communities and resulted in significant amounts of new capital entering both rural and urban areas that had been “red-lined” by mainstream capital providers.

Institute of Private Enterprise of the UNC Kenan-Flagler School of Business²⁶² has produced a set of recommendations for policy support of CSR and is a good example of how these types of policy initiatives can be advanced.

In addition to advancing “solutions” to the issues confronting those creating blended value, policy frameworks can also help assure that the larger interests of society are being provided for as well. For example, Alan Abramson, Director of the Research Program for the Aspen Institute, made the point that projects like this Blended Value Map explore who various players are, what the state of the field is, but do not address questions such as “whose interests are dominating—who is calling the shots—as these new organizations and investment structures are advanced.” Garth Alperovitz and Ted Howard, among other academics, are focusing on this question that is central to concerns regarding our stewardship of a civil society.

Common Advocacy Agenda

The importance of our creating a common advocacy agenda was well framed by Carla Dickstein, of Coastal Enterprise Inc., when she said,

“To lobby you have to be fairly large in order to support the costs of effective lobbying. In fact, there is the argument that the only reason we should be doing any of our work is in order to have an impact upon the policy level since that is where we will achieve real, society-wide impact. But the challenge is all the steps we need to take to get to a significant policy level. We need to bring different folks together to explore how information and experience can be pushed up into policy issues and strategies. By expanding our networks we could coordinate efforts to advance core ideas—such as was done for the Community Reinvestment Act, or could be done to pass an environmental investment act—what we need to do is build a movement, not simply individual projects.”

In addition, a recent report by Venture Philanthropy Partners entitled “The Changing Nonprofit Funding Environment: Implication and Opportunities” summarizes the policy issues from a workshop organized by McKinsey & Company to address the needs of children and low-income families in the Washington DC area. The report has a section on advocacy with several suggested actions that are relevant across the field.²⁶³

The following section lists various organizations working on policy development. This is by no means an exhaustive listing, but rather a brief introduction to the work taking place.

²⁶² <http://www.csrpolicies.org/CSRAbout/csrabout.html>

²⁶³ See <http://www.venturephilanthropypartners.org/learning/perspectives/workshop/index.html> for a copy of the report.

Organizations Working on Government Policy/Regulation/Tax Code

While most foundations pursue advocacy to some degree, there are a couple of foundations that were mentioned as leaders in the field:

- **Pew Charitable Trusts** looks to address specific issues from several angles, so an individual portfolio will contain efforts that include research and advocacy, among other things. For example, Pew launched a program in 2002 to promote high-quality early childhood education for all American Families. One of the four areas of grantmaking in the program is an advocacy center that supports efforts at the federal and state level to build public and key stakeholder support for issues related to early childhood education. (See also VPP report mentioned below for a brief review of Pew's model of coordinated advocacy strategy).²⁶⁴
- **Robert Wood Johnson Foundation** has been a strong supporter of advocacy work in the healthcare sector, including grants to several advocacy organizations and support of several initiatives, for example to create changes in policy and practice that would lead to higher quality direct care workers in nursing homes.²⁶⁵

The **Center on Philanthropy and Public Policy**, based at the University of Southern California, is also an excellent resource for those exploring the question of foundation practice in the public policy arena. Their recent paper, *Foundations and Public Policymaking: Leveraging Philanthropic Dollars, Knowledge and Networks*, is an excellent introduction and overview to many of the issues of interest and concern to foundation staff exploring how to gain greater impact through their work and that of supported grantee organizations.²⁶⁶

There are a number of national organizations that focus on policy research and advocacy work as well as building capacity in advocacy. The following is only a selection:

- **Brookings Institution** is an independent, nonpartisan organization devoted to research, analysis, education and publication focused on public policy issues. The Institution aims to serve as a bridge between scholarship and policymaking by bringing knowledge to the attention of decision makers and providing scholars greater insight into policy issues. The Institution has three areas of research: Economic Studies, Foreign Policy Studies and Governance Studies as well as its Center for Public Policy Education and the Brookings Institution Press.²⁶⁷

²⁶⁴ See <http://www.pewtrusts.org/> for more information.

²⁶⁵ See <http://www.rwjf.org/index.jsp> for more information.

²⁶⁶ See <http://www.usc.edu/philanthropy> for more information.

²⁶⁷ See <http://www.brookings.edu/> for more information.

- **The Urban Institute** is a nonprofit nonpartisan policy research and educational organization established to examine the national social, economic, and governance problems. The Institute provides information and analysis to public and private decision makers to help them address these challenges and strives to raise citizen understanding of these issues and tradeoffs in policy making. The Institute's Center on Nonprofits and Philanthropy is implementing a multi-year project to examine the role, regulation, practice, and impact of the advocacy activities of nonprofit organizations in the United States. The website also has a useful bibliography.²⁶⁸
- **Center on Budget and Policy Priorities** is a nonpartisan research organization and policy institute that conducts research and analysis on a range of government policies and programs, with emphasis on low- and moderate- income people. The Center's analyses are aimed at public officials, other nonprofit organizations and the media. The Center acts as a bridge between the research community and policymakers, journalists, and nonprofit organizations. Recently the Center has expanded the scope of its work to include state level policy analysis. (See State Fiscal Analysis Initiative).²⁶⁹
- **State Fiscal Analysis Initiative** was created in 1993 by the Ford Foundation, the Mott Foundation and the Annie E. Casey Foundation. In 1999 the Open Society Initiative joined with the original funders. The Initiative consists of 23 state organizations and the Center on Budget and Policy Priorities. The aim of the Initiative is to strengthen the contributions of state-level nonprofit organizations to policy debates.²⁷⁰
- **PolicyLink**, a nonprofit research, communications, capacity building and advocacy organization, is focused on achieving equity in America, which they believe comes from building strong, organized communities. PolicyLink aims to bridge the divide between communities and the world of policymakers by connecting community-building practitioners and nonprofit organizations with a range of tools and mechanisms to affect policy.²⁷¹
- **Alliance for Justice (AFJ)** is a national association of environmental, civil rights, mental health, women's, children's and consumer advocacy organizations. AFJ has four focus areas: Judicial Advocacy is focused on monitoring and investigating judicial nominations, Nonprofit Advocacy is focused on strengthening the capacity of nonprofits to influence public policy, Foundation Advocacy is focused on helping increase foundation support to influence policy and public opinion, and Student Advocacy unites student activists to address issues of social justice.²⁷²

²⁶⁸ See <http://www.urban.org/content/PolicyCenters/NonprofitsandPhilanthropy/Overview.htm> and <http://www.urban.org/advocacyresearch/> for more information.

²⁶⁹ See <http://www.cbpp.org/info.html> for more information about the Center. See <http://www.cbpp.org/pubs/fedtax.htm> for recent successful action to affect \$50 billion tax cut to benefit children and families.

²⁷⁰ See <http://www.cbpp.org/sfai.htm> for more information.

²⁷¹ See <http://www.policylink.org/about.html> for more information.

²⁷² See <http://www.afj.org/> for more information.

- The **Advocacy Institute** is a human rights organization, which aids activists with its information resources, networking opportunities and capacity building workshops and seminars. The website is also a good source of policy-analysis papers.²⁷³
- **Charity Lobbying in the Public Interest (CLPI)**, originally a project of the Independent Sector, is now an independent organization. CLPI's focus is entirely on "encouraging charities to understand the enormous importance of lobbying and speaking out on behalf of their constituents, causes and communities." CLPI pursues various initiatives to further this goal. The website provides various reports and research and useful links to other policy and infrastructure organizations.²⁷⁴
- NESsT has produced NESsT Legal Series, a series of guides that look into the legal/regulatory/tax issues for social enterprises in Latin American countries. NESsT's work has been evolving into the formation of the **International Social Enterprise Legal Advocacy Working Group** as the guides have become advocacy/policy tools for changing the laws that govern social enterprise in emerging market countries.²⁷⁵
- **International Center for Not-for-Profit Law (ICNL)** has developed a typology that can be used to assess a country's legal/tax regime for social enterprise.²⁷⁶

²⁷³ See <http://www.advocacy.org/> for more information.

²⁷⁴ See <http://www.clpi.org/> for more information.

²⁷⁵ See <http://www.nesst.org> for more information.

²⁷⁶ See <http://www.icnl.org/> for more information.

Ideas for Improving Government Policy/Regulation/Tax Code

If we are to be successful in moving an effective policy agenda to support of healthy corporations, communities and ecosystems, we first need to bring the larger set of players together from across their silos. In order to garner sufficient momentum it is important to have discussions across silos and not just within them. In these discussions, areas of common interest and policy development could be explored; specific policy initiatives could be developed. While the task will not be easy, the need is great and the possible benefits to all greater still.

A discussion of policy initiatives is key in that such an exploration will also help better define those areas in which actors from various silos can support a common policy agenda. This discussion could define the scope of work and address such fundamental questions as:²⁷⁷

- Should policy development address issues related to private capital investment? Public funding initiatives? Tax frameworks to support emerging areas of work?
- Or should the policy agenda be broadened to include such arenas as community and economic development (including such considerations as public investment practices, land-use and economic development policies?
- What mechanisms are needed to ensure participation in the development of policy agendas by those within these various silos?
- Who are the key actors and where are the most effective leverage points in advancing core parts of this policy agenda?²⁷⁸

All this can only happen when the various actors are presented with opportunities to come together as a whole. At present, there are only a modest number of “silo-wide” opportunities to come together—and virtually none that are focused on convening the commons as a whole. Initiating this dialogue and enabling its participants to advance a shared policy agenda will take a significant investment of both time and money—but as we have witnessed in other sectors of interest, the pay offs may be quite significant.

Finally, it is also critical that regulatory and policy development efforts be firmly connected to the actual experience and interests of practice. In the same way that research is irrelevant if not embedded in practical application, the interests and priorities of practitioners should set the agenda for policy development and advocacy. Organizations such as PolicyLink and others are key in advancing this strategy of building policy from practice. Consideration should be given to supporting more such efforts in the future.

²⁷⁷ The authors would like to thank Ray Colmenar and Victor Rubin of PolicyLink for their suggestions regarding a policy research agenda (www.policylink.org) .

²⁷⁸ Three general areas for future work could be identified as tax law, general regulatory structure (for business enterprise, lenders and property developers), and influencing/leveraging direct public investments.

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Concluding Thoughts Regarding Cross-Cutting Issues

The first section of the Blended Value Map presented a wide and complex world of actors, corporations, institutions and investors all advancing various parts of what we believe to be a common agenda: the creation of blended value, value that integrates economic, environmental and/or social performance.

This section discussed several areas of “cross-cutting issues” common across each silo of activity that must be addressed if we are to see meaningful progress.

While it is daunting to attempt a summary of the information presented so far, there are a number of points that became clear over the course of our research.

One: The excellent work of past years has evolved into discrete silos of activity, involving many players addressing numerous common challenges. While we would not argue against the need for specific areas of focus, there comes a time when “we must stop looking in the mirror and begin looking out the window.” We believe the next three to five years will be a critical inflection point during which we have the opportunity to set the stage for significant breakthroughs during the next decades that will enable our individual efforts to meet with true and ultimate success.

Two: We do, in fact, know more than any one of us has the capacity to appreciate alone. The present potential for leveraging common knowledge to advance individual efforts is too significant to ignore.

Three: Much of the work that needs to occur has the possibility to emerge out of various efforts already in motion around the world. Therefore, what comes next must seek to build upon people’s natural inclination to self-organize to address common problems. It must be internationally grounded in local activities and work. It must use the best of technology to connect actors, yet must also seek to bring people together physically to build personal relationships and community. It must affirm grassroots contributions while it engages the leadership and managers of the multi-national corporation.

Four: This process will not occur on its own. What is required to achieve greater long-term success for each of our efforts is not the creation of one more “innovative organization” or the identification of yet another “charismatic social entrepreneur” who will win the day. What is required is a more intentional and strategic leveraging of existing experience, knowledge and resources in order to successfully overcome the specific challenges confronting actors within each silo of activity.

What is needed is an international architecture to enable the various participants to come together and to support the energies of a host of efforts to achieve meaningful and broad-based scale (scale in terms of intellectual capacity, capital investment, financial sustainability *and* organizational efficiency).

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Section Four

Common Interests, Common Challenges:

*Moving From
Individual Silos To Collaborative Value Creation*

Building Beyond Cross Sector Collaboration: Overcoming Limits and Taking The Long View

To this point in the Blended Value Map, we have largely played within the box.

The Project Team has sought to present the reader with a balanced presentation of activities within the silos that have evolved over past years. These five silos are defined as corporate social responsibility, social enterprise, strategic/effective philanthropy, social investing and sustainable development. Many people have worked extremely hard to build these fields of practice and these fields have, in turn, been created for a purpose.

As organizations develop and careers come to be built within these silos, there may be a tendency to focus on the development and maintenance of the silo or organization or career as opposed to the ultimate purpose for which organizations are created, disciplines defined or careers pursued. We would not argue for eliminating the silos; in the course of our work, however, we came in contact with many people who encountered difficulties in moving outside a given silo to engage other actors. Their experiences indicate that

By focusing on the silos and definitions that divide our work, we risk highlighting the parts at the cost of the whole. We risk losing out on capturing the full potential of the work in which we are each engaged and, conversely, may end up sacrificing the whole in service of the maintenance of the parts.

Challenges of Collaboration

Consolidating efforts toward achieving common goals is extremely challenging. And it is difficult to engage in collaboration due to a number of factors.

First, conflicting incentives and motivations of various players can inhibit efforts at collaboration. Ego compounded by both perceived and real turf issues may detract from efforts to join together to create a common ground.

Second, while foundation resources will be critical in facilitating our move forward, the foundation community may unintentionally play into the natural challenge of successful collaboration by its emphasis on “specialness,” which forces potential grantees to “slice and dice” their work from that of others in order to appear unique, new and innovative. This can undermine the ability of practitioners to focus on getting the job done. As Michael Shuman, author of “*Going Local*,” observed: “We have created a generation of activists that know how to fundraise better than they know how to engage in social change.”

Third, while the Blended Value Map has sought to present various players and initiatives logically, the truth is that the silos are extremely fragmented, making consolidation and collaboration very difficult to achieve *within* an area of work, much less *across* seemingly different areas of interest.

Fourth, cross-silo engagement requires different skills, orientation and leadership style from what makes for success within a single silo of activity. An alternative vision is required, a vision set not only upon building an individual silo, but on achieving common goals that can help advance the overall purpose and goal for which each silo was originally created. Cross-silo engagement requires new skills with regard to endorsing language, time frames, understanding and sacrifice that are largely distinct from those skills that make for success in building a single organization or area of practice.

In the words of Bob Friedman, President of the Corporation for Enterprise Development:

People come to be captured by their sector and perspective. We need to have people understand what role they play in creating blended value even if they only bring a part of the answer. We must figure out how to get different audiences to recognize parts of a picture they don't normally understand as their common agenda.

Benefits of Collaboration

While the challenges of effective collaboration are great, the benefits are even greater. If each of us is to achieve our individual vision, we must all work to keep our eyes focused upon the collective prize. Thankfully, there are a host of initiatives and experience upon which we may build as we envision and create this Global Commons. We have all had moments in our personal and professional lives where working toward common goals has benefited our individual interests. And in this arena, there are many emerging opportunities as well.

To begin with, practitioners from a variety of areas of practice are increasingly seeking ways to collaborate around issues of common interest and concern. For example, the Financial Innovations Roundtable and Wall Street Without Walls both demonstrate the promise of bringing together finance professionals with practitioners in need of alternative financing strategies to capitalize growing enterprises. A recent collaboration, Social Impact Leaders Coalition (SILC), consists of a group of leaders in socially responsible networks working to leverage collective resources and assist each other in being more informed and effective in order to achieve greater social impact.²⁷⁹ An additional model of collaboration is the 1996 MicroCredit Summit. At this summit, world leaders came together to set common goals, organize networks, create learning and advocacy agendas and make a commitment to reconvene annually. Another example is the SEEP network, a collaborative of micro-enterprise practitioners.²⁸⁰

There are also efforts in place to chart the future course of collaboration in this evolving area. The Aspen Institute's Inter-Sectoral Initiative is exploring how the roles of nonprofit and for-profit organizations have evolved over recent years, and is defining

²⁷⁹ SILC members include BSR, Business Leaders for Sensible Priorities, CERES, Co-op America, Investor's Circle, Net Impact, Responsible Wealth, Social Venture Network, Social Venture Partners International, Social Enterprise Alliance and The Natural Step. See <http://www.naturalstep.org/about/partners.php> for more information.

²⁸⁰ Small Enterprise Education and Promotion Network, at <http://www.seepnetwork.org/>

emerging organizational forms and the state of collaborations between business and nonprofits. The Global Equity Initiative is assessing the emerging role of funding intermediaries and their connection to diaspora philanthropy. And the Synergos Institute's Bridging Leadership Program is building "capacity to initiate and sustain a collaborative process designed to achieve change through the collective action of multiple and diverse stakeholders."²⁸¹ Such activities represent a shift in conceptual paradigms and will increasingly be the model for how we build both individual leadership *and* coordinated practice over coming decades.

Funder Collaboration

On the funders' side of the table, The Sustainable Forestry Funders, Living Cities Initiative,²⁸² The Funders Network for Smart Growth and Livable Communities, International Human Rights Funders Group and a loose network of foundations involved in building the field of philanthropy²⁸³ are all examples of how foundation actors are coming together to support the development of emerging fields of both practice and investment. Various international networks, such as the International Network on Strategic Philanthropy and Worldwide Initiative for Grantmaker Support (WINGS) are further evidence of the potential for foundations to come together to create new thinking and—potentially—new practices as well.

However, caution may also be in order, especially regarding philanthropic collaboration. As Kathleen Enright, Director of Grantmakers for Effective Organizations, commented via a cluster conversation, "Even when there is good collaboration, we are not using it to cross-pollinate—to learn—mostly because the institutions that support philanthropy are predominantly small, isolated, and narrowly focused. Most are not yet positioning themselves to think big thoughts and make big changes."

The recommendations in these final pages will require both big thinking *and* big changes. We believe there is a current window of opportunity for the foundation community to build on its successes and invest in real, transformative efforts that have the potential to shape our collective future. While not without challenge, these examples of successful collaboration demonstrate that where there is a will there is a way. When presented with the appropriate sense of common purpose, many folks from various camps—whether capital providers or practitioners—may successfully coordinate their efforts to mutual advantage.²⁸⁴

²⁸¹ "Bridging Differences and Building Collaboration: The Critical Role of Leadership" by S. Pierce, The Synergos Institute

²⁸² Formerly known as NCDI.

²⁸³ While not a formal collaboration, this informal network consists of Kellogg, Hewlett, Packard, Skoll, Omidyar, Schwab and various other foundations who meet on a regular basis to discuss innovation within philanthropy and how to best build a more efficient social capital market.

²⁸⁴ An excellent paper addressing the work of foundation collaborations is Hamilton's *Moving Ideas and Money: Issues in Funder Collaboration*. As well as, *Philanthropic Connections: Mapping the Landscape of U.S. Funder Networks*. The report, together with its directory and maps, is the first time our field has had a nationwide picture of the myriad and diverse ways grantmakers convene, collaborate, communicate and collectively act across this country. <http://www.blueprintrd.com/text/rag.pdf> These papers join other efforts

We believe a central component for long-term success will be the creation of a new funder's collaborative in support of both the individual parts and the required infrastructure. One possibility is for a group of funders to draft and affirm a common set of principles that could guide their respective efforts in this area. This collaborative could bring key public and private investors to the table in order for each to better understand what specific funding areas others are supporting and for all participating funders to co-invest in a unified strategy to create the international infrastructure needed for these various individual investments to be brought together into a more effective whole.

In concluding this discussion of the rationale and opportunity for collaboration to be of significant benefit to all actors in these efforts, we turn to Simon Zadek, chief executive of AccountAbility, who challenges us all with the following insight:

It is a good bet that tomorrow's answers will not come from within an area of practice, but rather from between areas of practice. We need to work with the pathways between the silos and not simply within the silos themselves. We need to look at areas of activity and understand the bridging points that promise to take us to new places. We need a way for people from across silos to define the future issues and then to be resourced to explore and address those issues. If we define 8 issues of tomorrow and only 4 turn out to be correct, we will still have been wildly successful—yet the painful truth is that we are not positioned to identify and pursue those issues. The implications of this for foundations and activists alike are clear: if you want leverage, you must “get into the game” early—by the time something gets big or passes you by, you’ve missed the leverage opportunity. You need to get in early if you want to help set the context and be positioned to leverage the greatest long-term value.

The task is not without challenge. . . however, the opportunities are too great to ignore.

to explore the general promise of collaboration, including Jim Austin's book, *The Collaboration Challenge* and *Common Interest, Common Good*, by Sagawa and Segal.

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Collaboration is Dead; Long Live Collaboration! *Toward a Vision of Value Networking for the 21st Century*

If we are to be successful in this new phase of collaboration across silos, we will all—both nonprofit and for-profit practitioners, and investors of all stripes—have to evolve and develop new skills. We will have to do more than simply cultivate a desire to work together—we must fundamentally alter our understanding of our link to other organizations and investors in the field as a whole.²⁸⁵

Limitations of the Traditional Approach to Collaboration

As Gary Mulhair describes in his paper, “A Network Capacity and Assessment Working Paper,”²⁸⁶ when nonprofits have approached “collaboration” they have traditionally done so for three primary reasons: to reduce costs, enact public policy or to “get something.” There are collaborations that seek to consolidate back office operations and create cost savings. There have been significant collaborations that have resulted in the creation of policy initiatives that have been of great benefit to the public good. And there have been collaborations to gain passage of funding legislation in order to receive government support for their organizations. However, on the whole, nonprofits tend to approach collaboration as a *tactic* to achieve a given project goal, not as part of an overall *strategy* to attain the broader goals they seek to achieve.

While of obvious limited benefit, this approach to collaboration is stunted in its potential to create long-term value and transformation on the terms sought by actors across silos, responding to diverse stakeholder groups. This approach to collaboration is one of “stitching together the quilt” instead of “weaving a whole cloth.” For us to truly succeed we need a new approach to collaboration that focuses not on reduction or reallocation, but rather upon a commitment to full value creation by for-profit and nonprofit actors in partnership with their various investors.

Collaboration as a Process of Value Creation

If one approaches collaboration as a process of value creation for participating organizations and interest groups, one becomes forward looking as opposed to inward looking—which is the direction that much of the collaboration in the nonprofit sector takes. By contrast, the most successful for-profit firms of the current age, the Cisco Systems and the eBays and so on, are those that have understood that to be fully successful one must recognize opportunity, organize resources to respond to that opportunity, and then reconfigure one’s relationships in order to capitalize upon the next wave of coming opportunity.²⁸⁷ *Collaboration is not something one engages in to reduce things or reallocate wealth, but rather to create and capture dynamic value opportunities.* Therefore,

²⁸⁵ By this point in this paper, our assumption is the reader understands that by “firms and investors,” we mean both nonprofit and for-profit firms; and philanthropic, concessionary and market rate investors!

²⁸⁶ A Working Paper to be published in November, 2003.

²⁸⁷ For more on this concept, please see “The Future of the Networked Company,” by Hacki and Lighton, McKinsey Quarterly, 2001, No. 3.

collaboration takes the form of continually innovating value networks wherein members are brought together not simply for mere political or pragmatic reasons, but because they contribute something to the overall value proposition of the network as a whole.²⁸⁸

Capacity Building

Understanding the need to build value networks also has implications for how we approach the practice of capacity building. Enhancing the capacity of individual organizations is important and must be a key part of any effort to build common activity, but it is not the sole strategy to be pursued if we seek to create meaningful change across silos and around the world. While it is important to build strong, well-functioning firms and institutions capable of acting upon their value propositions, when discussing value networking collaborations *what is of equal and critical importance is the creation of the capacity of networked organizations to gather and convene to advance new ways of doing business, create new tools and techniques of practice and to maximize the value of the Whole*. To focus only upon the development of a few industry leaders or individual institutions at a time means at the end of our efforts we will (to quote Mulhair) “be working retail when we need to be working wholesale.”

At the logical conclusion of a “one-by-one” strategy of capacity building we will have created industry leaders in truncated areas of practice—but we will not have created large-scale change or transformation of either that industry or a global area of interest. *Real* scale of ideas and emerging promising practice across the earth—real social change—will come only through our creation of opportunities whereby organizations and entrepreneurs may come together to build the *next* operating system, the *next* capital investment tools and the *next* forms of organizational partnership necessary to generate the most significant degree of value creation possible over coming *decades*.

While there is great and exciting potential for those involved in this arena to (when provided with adequate resources) “self-organize” in order to advance shared aspects of this agenda, this will not happen of its own accord. What is required is a “network orchestrator”—an entity capable of assisting in the coordination of various participants, the timely allocation of various resources and support for what could easily be complex, global dialogue and work. This orchestrator will need to evolve out of the combined vision of the related communities of investors and practitioners.

Role of the Investor and Practitioner Communities²⁸⁹

The foundation community should reconceptualize its role and become focused not upon grantmaking at the edges of change, but rather full value investing as a strategy for building the Whole as well as the new vessels by which sustainable change will be brought about. For collaboration and networking to be successful, capacity building for

²⁸⁸ One excellent example of an operating value network is BALIE (Business Alliance for Local Living Economies). An SVN affiliate, BALIE assists small businesses in participating in local economic development through producer, purchasing, lending and investing networks.

²⁸⁹ The authors would like to thank Kim Alter for her contributions to this section.

organizations to convene and for a connecting infrastructure must be built—and adequate resources for practitioners to participate in these supported dialogues and shared work projects will be required.

Full value investing aimed at building an industry and international network is a question of *both* mindset and money.

Many leaders in the U.S. foundation community recognize the incredible challenge of participating in international networks and activities, yet also affirm the reality that U.S. actors (whether investor or practitioner) can no longer think of themselves as “the” player on a world stage with many, many innovators. USAID managed \$7.7 billion in international development funding in 2002, compared with \$424 million in U.S. foundation overseas grants. These figures reflect an incredible opportunity for U.S. foundations to participate in supporting these investments and contributing to the creation of a more efficient international network and capital market place to support the work of those operating within and between the silos.

As a part of this process, the practitioner community might also consider how to define its own, core interests. While many of the best social enterprises are major and contributing actors, when viewed in the international arena, the annual budgets of around \$10 million for the Ashoka’s, Freedom from Hungers, or Accions look quite different when seen against an international backdrop of CARE, CRS or World Vision, for example, with budgets of \$400 million and offices in over 90 countries. It is worth considering how best to partner with as many related international players as possible in order to most effectively leverage individual efforts. While a certain amount of networking and defining of a common agenda may come about naturally, meaningful and long-term collaboration may need to be the result of a more focused effort.

In addition to questions of fundamental organizational maintenance, equal consideration should be given to the core rationale for each of our organization’s existence and our own personal passion for participating with other actors to assist in the creation of meaningful, sustained global change—the *raison d’être* for the creation of our silos in the first place.

As phrased by Wayne Silby, Founding Chair of Calvert Funds:

Our sin has been in not communicating to each other and the larger world the knowledge and tools we have successfully developed in order to advance whole system analysis of firms and capital that can work together to generate blended value for shareholders, stakeholders and the global community.

And as Jeff Hamaoui, of Origo Social Enterprise Partners, has observed from their own work with a wide variety of enterprises (both for-profit and nonprofit),

The enterprises that win and are able to do well are those that are best able to work *across* disciplines and areas of expertise with other partners. . . The only way we will achieve scale in this field is if we as a community can work together to create our own content *and* achieve the goals we hold in common.

Jeff's thoughts are underscored by Jane Nelson, of Harvard University. She envisions a "series of mutually re-enforcing learning networks" made up of individuals in pursuit of this vision of advancing an agenda that will assist each of us in our specific areas of work.

While the "linking" connection between these various actors may primarily be driven by their interest in pursuing multiple returns and value (e.g., value that is economic and social and environmental), those invited to participate in this process should not be exclusively limited to "the converted." Indeed, corporate social responsibility practitioners could learn a great deal from mainstream nonprofit managers who have labored to build information systems to track social performance (regardless of economic value); while tools developed in mainstream accounting (such as the Balanced Scorecard) could directly inform those whose work attempts to go beyond traditional applications of such tools.

Let us simply conclude by stating:

What is needed is the creation of a vehicle for this new collaboration.

What is needed is an international infrastructure capable of orchestrating networks of blended value investing, enterprise creation and true sustainability at all levels of capital and organization.

Building an International Infrastructure to Support Organizations Creating Blended Value

How do we more effectively leverage these separate parts in support of pursuing our common whole? How, then, do we move forward?

First, many of us in the U.S.—and abroad—need to cultivate a new vision of our work.

We must recognize that our ultimate goal is not to build any individual silo or organization, but rather to create a world in which *all* organizations (regardless of whether they are for-profit or nonprofit, investor or practitioner) are best positioned to maximize the total value of which they are capable—value that is the outcome of a blend of economic, social and environmental performance. Debra Schwartz, of the MacArthur Foundation, observed that “These are swirling schools of thought. This is thinking, experimenting and action that is in motion—but the challenge is to understand how to manage this conversation and exploration in a meaningful way.” And Julia Lopez, of the Rockefeller Foundation, went on to say

This is where the experience of the past leads us:

The days of model building and government replication are over, but markets alone can't do it either.

What is emerging are the approaches that have the promise to move us all forward, but this will last (i.e. the arena of blended value funds and ventures) only if people understand they are a part of a Whole and we are able to define just what that is. . . The problem is that right now, there is religion and there are charlatans around this, but the reality is that it is not about simple faith or snake oil and we need to understand exactly what “it” is and where we want to take it.

Clearly, pure market, pure charity or pure governmental strategies don't work—it will take a blend of both strategies and organizational forms for us to succeed.

As these and a host of other comments from our interviews make clear, what is required is the opportunity to exchange visions and work to connect the best parts of each silo in a coordinated effort to advance the interests of each as we work toward both our common goals and individual interests.

This will be achieved by making use of our *best* skills and tools—taking what business has to offer and combining it with the best public policy and community/social enterprise practice we can muster.

We should seek to access the financing tools of the market place, combine them with the investing potential of the foundation community and human assets of social entrepreneurship, to provide a generation of New Century leaders with everything needed to successfully achieve our ultimate goal of a fully healthy planet.

If we are to achieve our ultimate goal we will require a new mental model for analyzing our collective problems and framing potential solutions. As Tom Reis of the Kellogg Foundation has so accurately observed:

The current mental models are the biggest challenge...the ultimate value of venture philanthropy and social enterprise is that they point out the current bad practices. The existing mental model is really bad, but is so embedded in our brains that we are ‘Pavlovan’ in our response to it.

While Reis’s comments target philanthropy and social enterprise, they hold true for this broader discussion as well. Achieving our ultimate goal will require a new mental model for analyzing our collective problems and framing potential solutions. What Reis and other interviewees are talking about is, in essence, a paradigm shift of significant proportions. However, this is not unreasonable to suggest since, as Betsy Biemann (of the Rockefeller Foundation) has observed, the same radical shifts are what have moved the fields of science, business and medicine out of the past and into new world views and perspectives that have changed how each of us actually live our lives. And the same paradigmatic shifts are required of us in this context.

When we discuss a future whereby social investing and philanthropy, corporate social responsibility and social enterprise are all leveraged toward maximizing both impact and value creation, what we are talking about is a fundamental shift in how we think about our work, its future potential and its possibilities for transforming our world.

To successfully engage in this task will require long-term commitments to building this new conceptual framework and institutions capable of advancing those parts of our common agenda that we choose to work together to advance.

Therefore, our second task is to adopt the “long view” of our work and understand that the strategy we pursue is not one of years, but decades. *We need to step back from our current thinking and practice in order to see where we **really** want to be in 30 years time.* Having done so, we need to “back cast” in order to envision the solutions required to achieve our ultimate goal and future.

And with those potential solutions in mind we must then assess whether and how our existing organizations, resources and thinking are best positioned to achieve our long-term goals.

We should assess our current efforts with three aspects of execution in mind. First, we must have a clear vision—and that is our thirty-year perspective. Second, we must have an effective strategy of action—our ten-year perspective. And, finally, we must have direct and focused tactics we may implement—and this is our one to five year perspective. We must be clear on the relation between these three levels of engagement and committed to their efficient execution.

Ultimately to get where we want to go we will need a global forum to build a community of experimentation and practice. We will need participatory and applied research. We will need training and education initiatives. And we will need more effective means of disseminating the knowledge that comes to be created through our activities. While achieving this goal will be no small task, the market demand is clearly there. Caroline Hartnell, of *Alliance Magazine*, a publication that both tracks and promotes “cross silo” work taking place around the world, has a good perspective on this issue:

It is a huge task and as you think globally you see the natural connections, but if you work within a given organization within a defined silo, you are more focused and it becomes harder to both see the links and pursue the common interests you do see—but people are excited about exploring these issues and the shared task before us, the work taking place in nations around the world. People need and want to make the connections, but in truth they do not have the capacity to pursue the links and connections before them.

It would be over-reaching for us in this initial paper to propose a unified vision and strategy for our various communities and the work that unites us. However, we do think it is worthwhile to present what we, based on the conversations and readings of these past months, *could* propose as general parts of a larger strategy to create a common field of practice that builds upon the strengths of the many individual efforts already underway.

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Seven General Recommendations for Advancing the Common Work of the Field

First, we ought to recognize that the component parts of a needed strategy are already in place. What is needed may not be the creation of a new organization to pursue our goals, but rather new, coordinated and long-term support for existing groups to work together to build the Global Commons. This support must be aligned with our ultimate goals of leveraging knowledge and practice within both for- and nonprofit organizations. Whether in the form of a “flat, virtual association” or simply a new approach to funding existing groups, we must stay focused on building upon current investments by investing in their capacity to coordinate activity and become networked as opposed to continually creating new investment opportunities that may take limited resources away from existing entities.

Second, we ought to explore how best to create a new, international knowledge development and management strategy. Such a strategy should seek to leverage against existing academic institutions and work, however must be built in direct partnership with those practitioners who are working on the ground to create new ways to think about this field and new tools by which to engage in our efforts. As Howard Wizig of the Kaufmann Foundation framed it, “there needs to be a bias toward practice and action research.” We would agree that academic research in this area must be fully relevant to practice—but practice must also be informed by the reflection and context the academy can bring if we are to advance a combined and effective strategy for creating new thinking and practice in the future. Therefore, both sets of actors, academic and practitioner, must receive adequate financial support in order to allow them to work more directly together.

We hesitate to suggest examples of the type of collaborative network we might collectively create; however there are examples out there from which we may learn. Among others, these would include the Society for the Advancement of Socio-Economics,²⁹⁰ the Society for Organizational Learning and the Mayo Clinic (which operates as a massive information clearing house and acts as a catalyst).²⁹¹

Regardless of what form our international collaborative takes, as part of this strategy, we should explore how to establish a better platform to support knowledge development and provide better management of existing knowledge and tools. Such tools include frameworks for performance metrics, a host of investment instruments, and presentations of diverse strategies from which both investors and practitioners may choose. It should be easy for a prospective investor or practitioner to access a “lending library” of tools from which they may draw depending upon their particular interest and needs.

²⁹⁰ <http://www.sase.org/homepage.html>

²⁹¹ <http://www.solonline.org/>

In addition, we must build an effective, global network of resource persons capable of “filling the gaps” between strategy, tools and practice. It is great to have access to the tools, but the wisdom of the field does not rest solely in papers and emerging research, but rather in the experience of those who have, in many ways, gone ahead. We need to support and make available the knowledge of those leaders of the field who have worked to convert vision to experience over these past decades.

Third, we need to discuss how to best offer new ways for individuals to connect with each other—for those *doing* the work to self organize around common issues of shared concern, to create new partnerships to connect and jointly solve commonly defined challenges. We must nurture the development of a new connective tissue that allows each individual to be a part of the larger whole. This will in part take place via new technologies and Internet platforms, but must also be facilitated in the form of face-to-face meetings and other opportunities for relationship building. As George Basile, of The Natural Step, rightly observed, coming together around a specific challenge or project is the best driver of collaboration. We need to create more efficient ways for people to work together through conferences, support organizations, Internet platforms and issue focused work groups.

Fourth, we must move beyond the current capital chasm that contributes to preventing blended value ventures from achieving scale and blocks potential investors from moving new forms of capital into the market. This capital question will best be addressed through its own focused strategy. However, it is obvious that new investment instruments are required, new syndication opportunities need be advanced, and an evolved, integrated capital market must be brought into reality—a market that pursues economic performance with social and environmental impacts.²⁹² Such a market is not a pipe dream, but rather is being built by new market intermediaries and venture investors such as foundations, pension funds and others willing to structure capital for long-term returns in pursuit of full value creation efforts. While these capital tools must be fully grounded in functioning, international capital markets, foundations must be willing to step up to the plate and play a lead investor role in advancing the type and form of interim investments required in order to maximize the total value of traditional corporations and emerging blended value organizations.

Fifth, we are called to support and help to create new market intermediaries capable of providing both capital and capacity building support to fully networked blended value ventures around the world. Many individual ventures will require additional capital, and emerging markets of both capital and investment opportunities will be built on a regional/local level. However, individual governmental or private funders alone will not be able to work closely with each of these individual emerging enterprises. What is required is a robust, international intermediary capital network capable of both

²⁹² For a discussion of the concept of an integrated capital market, please see, “The Blended Value Proposition: Integrating Social and Financial Returns,” Jed Emerson, California Management Review, Vol. 45, No. 4, Summer, 2003.

investing in and assisting the development of enterprises (both nonprofit and for-profit) advancing a full, blended value proposition.

Sixth, we must create a new, dynamic strategy for leadership development at all levels. This will need to build upon existing business and nonprofit management programs already active in this linked field of connected activity. However, we must not stop there. We need to create fellowship and learning programs to support existing leaders in expanding their worldviews and learning new skills of leadership and management. And we need to support deeper opportunities for cross-sector and interdisciplinary inquiry and learning. Ideally, these efforts will not simply be “classroom based” but rather function as “action tanks” whereby key players are supported to join together and work collaboratively to solve critical issues they define for themselves—and in so doing rise to a new level of Twenty-First Century leadership.

Seventh, we ought to more readily understand and embrace the public policy implications of our work. Governmental tax, regulatory and framing policies set the context within which our work takes place. The creation of an effective enabling environment for our work to develop and mature is central to the ability of any individual, organization or association to successfully advance its goals. 20th Century corporations have lobbying bodies to advance and protect their interests and a host of special interest groups actively promote policies and regulation thought to be in support of their purpose. For those of us involved in creating new models of corporate and NGO practice and those seeking to structure new forms of investment for the New Century for our entire field not to be active at regional, national and international levels in effecting the very policies that set the context of our work is absurd. We must work together to define an appropriate policy agenda and then we must work to advance that agenda around the world.

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A Process of Dialogue and Seven Specific Projects

As has been consistently stated throughout this document, this paper is simply a framing effort to begin a dialogue. The current Blended Value Map is presented from the perspective of the United States and while we have solicited input from a number of folks outside its boundaries, the next step is to truly engage in a global dialogue regarding the questions raised and opportunities presented. We will attempt to do this through a number of tactics.

First, over the course of coming months, the Project Team will take this document and supporting materials “on the road” to engage in a process of dialogue with various stakeholders in the U.S. and overseas. The goal of these meetings will be to explore what ideas people have for creating an international initiative to build on the initial work presented in this mapping effort. This initial round of discussions will take place in the United States, Canada, Europe, India and Australia—but these discussions will really simply be a first step in what may easily be envisioned as an ongoing exploration.

We are also well aware that perhaps the greatest “silos” that exist are those separating the “North” from the “South.” In this initial paper we will not propose a specific course of action to initiate a broader, international discussion other than to simply say that significant thought must be given to identifying those forums where future (near future!) parts of this discussion may best take place. Participants outside the U.S./European axis should not be presented with a “proposal” for consideration, but rather directly engaged in the earliest conversations regarding where we all could go and how we all might best get there. We would welcome any and every suggestion from readers of this paper with regard to how to best approach this process of direct global dialogue on a host of issues of mutual concern both within and between the silos presented on these pages.

In addition to physically engaging practitioners and investors around the world in these future discussions, in this case technology offers a ready tool to advance these conversations today. SocialEdge,²⁹³ the online community sponsored by the Skoll Foundation, has offered to post this document on its site and host a series of discussions regarding its content. While we have not finalized how to structure these online, international discussions, we welcome any thoughts regarding how to do so and would warmly welcome any “volunteer hosts” who would care to help facilitate these exchanges.

While there are, of course, no guarantees regarding the outcome of such a process or the significant financial resources that will be required for it to advance, it is our hope that by convening people in a collaborative manner we may be able to design and ultimately execute a common agenda for action. And we trust that when presented with such a commonly embraced agenda for action, there will be no lack of resources offered by funders to actually execute the community building strategy that emerges from these discussions.

²⁹³ <http://skoll.socialedge.org/>

Beyond these initial thoughts, we would also suggest the following specific areas be considered for immediate financial support in the next 12 months:

Refinement and Maintenance of the Blended Value Map: Throughout this process, virtually without exception participants voiced an interest in seeing this initial mapping effort carried forward, coordinated with other such projects and maintained in the future. We would be the first to recognize there are many ways the present documents could be improved. For example, this initial Map did not attempt an assessment of “pure” civic social enterprise ventures, focusing instead upon those engaged in earned income of various types, so an immediate next step will be to bring these and other parts of our larger community “onto the Map” in order to ensure greater and more accurate representation of those advancing this agenda. One way to begin building upon this initial effort would be to organize a small working group of “synthesizer” firms to coordinate a process whereby the information on this map may be first revised and then converted to a dynamic website. “Open Source” protocol could be developed by which new organizations, initiatives and resources might be vetted and placed on the Map.

Regional Mapping: This map is presented as a “U.S.-based perspective, informed by international practice.” While active mapping of all the regions of the world may not be viable, many participants felt that an additional effort to use such a mapping process to engage a broader set of actors in regions around the world would be beneficial to both informing people as to the fuller scope of work taking place and as a basic organizing tool for connecting these emerging efforts. As Paula Johnson of Harvard University observed, “Each silo and set of players is a group of people with a certain culture, orientation and language. The challenge will be in making these issues and analysis accessible to all actors and a regional mapping process would help bring others into the fold.” Such a mapping effort would feed directly into the first suggested activity (Maintenance of the Map), and would also serve as an effective organizing vehicle to connect and convene the parts with the evolving Whole.

Research into Investor/Practitioner Motivation: It is clear that while there are a host of connecting issues that link this space, various investors and practitioners come to the table in pursuit of various “returns.” Key questions to be explored have to do with how different types of investors/donors define what types/forms of returns they seek; and explorations into practitioner motivation will also be helpful in developing long-term strategies for collaboration across silos. Focused research into this “spectrum of motivations” will be critical to defining what drivers could best support collaboration and what motivators bring these various actors to the larger arena. The Integrated Capital Tool²⁹⁴ is one such research proposal that could address this issue in part, and other proposals could be solicited to build better understanding of investor/practitioner motivation as they come together at this emerging table.

²⁹⁴ Developed by a working group of leaders in the social capital market, and sponsored by the Milken Institute and Collective Intelligence, copies of the ICT proposal may be found at: <http://www.collectiveintelligence.net/>

A Capital Collaborative: Over coming years, there will be many opportunities for capital investors to collaborate on a variety of investment strategies that generate financial returns and create social and/or environmental value. As one very modest starting point, thirty leading foundations in the United States could come together and by the close of 2004 commit to transferring 10% of their total assets under management to Sustainable Asset Management, Trillium Asset Management or other such institutional fund managers seeking competitive returns through blended investment strategies for an initial three year period. At the end of this initial period, if those investments have performed at or above those returns generated by the rest of the foundations' mainstream investments or an independent index, each foundation could then add an additional 10% of its portfolio to such blended investment funds. At the end of an additional three-year period, assuming competitive returns, another 10% could be added, and so on until a truly balanced, diversified portfolio is created.

Development of International Reporting and Performance Standards: The past decade has seen growing interest in creating internationally relevant reporting metrics to allow firms to document the impact of their work and leverage of received funding. The Global Reporting Initiative has made real inroads in this area with multi-national corporations, but additional work remains to be done with nonprofit entities. While there are many individual efforts, one very promising, jointly conceived international initiative is the ACCESS Project.²⁹⁵ Similar international efforts such as this should be supported and leveraged against other national/regional efforts in order to advance critical work in this arena.

Expansion of SROI/SIA Application: Various individual efforts at applying an SROI/SIA methodology have been successfully created in a number of contexts. While debate remains concerning the “best” approach to assessing the social returns generated by a given organization or portfolio, what is clear is that the “next step” to exploring this analysis will be to create “like kind” industry-based portfolios to which an SROI/SIA analysis might be applied. This next phase of work should be funded at the individual venture fund and new market intermediary level in order to move that part of the metrics agenda forward.

Connector Conversations: There are already a number of actors within each silo whose work and networks span multiple silos and areas of interest. Although challenging to identify, thought should be given to arranging meetings between these connectors. Such connectors may easily share the larger, field building vision presented in this document. And it is more than likely they will have focused ideas for how best to implement the variety of activities required for us to move toward achieving that vision. Furthermore, these connectors and other actors in this work should be supported in conceiving and acting upon cross-silo projects that could advance the interests of the parts at the same time they fulfill the promise of the Whole.

²⁹⁵ Please contact AccountAbility for more information on this proposal and emerging initiative:
<http://www.accountability.org.uk/>

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There is No Conclusion: The Continuing Process of Transformational Development

There is no conclusion to this story.

The organizations presented on these pages are advancing the practice faster than the eye can see or the mind absorb. They constitute a rushing river of activity:

They are Dynamic.

Driven.

And

Fluid.

Defying summation.

We have before us—at this very moment—a historically unique opportunity. But this is a window that is shutting as we speak. We have, at best, five years to lay the foundations of change that will set the course for coming decades.

We can only hope we can find the will and vision to become fully engaged on both a personal and institutional level in this process of global development.

By remaining locked within our existing practices and worldviews, we ultimately doom these promising efforts documented in these pages, sealing our fate with the outdated mindsets of the past as opposed to the promise of the future.

If we can find the commitment to create real, sustained change and the collaborative action required to achieve it, we can do no less than act upon the potential within our organizations and ourselves to fulfill the possibilities of a New World.

We need to believe in the impossible and, to paraphrase Gandhi, actually be the peace we seek.

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Appendices

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Appendix A: *Participant Lists*²⁹⁶

Via Phone Interviews:

<u>First Name</u>	<u>Last Name</u>	<u>Organization</u>	<u>City, State</u>
Alan	Abramson	The Aspen Institute	Washington, DC
Kristen	Ace	The Roberts Enterprise Development Fund	San Francisco, CA
Alan	AtKisson	AtKisson, Inc.	Sweden, Stockholm
George	Basile	The Natural Step	San Francisco, CA
Betsy	Biemann	The Rockefeller Foundation	New York, NY
David	Bonbright	Aga Khan Foundation	London, England UK
Pamela	Chaloult	Social Venture Network	San Francisco, CA
Elyse	Cherry	Boston Community Capital	Boston, MA
Cathy	Clark	Columbia Business School	New York, NY
Carla	Dickstein	Coastal Enterprises, Inc.	Wiscasset, ME
Amy	Domini	Loring, Wolcott & Coolidge	Boston, MA
Bill	Drayton	ASHOKA	Arlington, VA
Kathleen	Enright	Grantmakers for Effective Organizations	Washington, DC
Marc	Epstein	Rice University	Houston, TX
Cynthia	Figge	ECOS International	Mercer Island, WA
Bob	Friedman	The Corporation for Enterprise Development	Hillsborough, CA
Jim	Fruchterman	Benetech	Palo Alto, CA
Stephanie	Gainey	Origo, Inc.	San Francisco, CA
Cynthia	Gair	The Roberts Enterprise Development Fund	San Francisco, CA
David	Grayson, CBE	Business in the Community	London, England UK
Jeff	Hamaoui	Origo, Inc.	San Francisco, CA
Pamela	Hartigan	The Schwab Foundation for Social Entrepreneurship	Geneva, Switzerland
Caroline	Hartnell	Alliance Magazine	London, England UK
Sara	Horowitz	Working Today	Brooklyn, NY
Eliot	Jamison	Origo, Inc.	San Francisco, CA
Paula	Johnson	Harvard University	Cambridge, MA
Michelle	Kahane	Ford Foundation	New York, NY
Carolyn	Karr	Inter-American Foundation	Arlington, VA
Andrew	Kingman	Allavida	London, England UK
Julia	Lopez	The Rockefeller Foundation	San Francisco, CA

²⁹⁶ Obviously, we have made every possible effort to ensure we included the names of all those who participated in this process, however, mistakes do happen. If you contributed to this process in any way whatsoever and do not find your name on the above list, please do not hesitate in bringing this omission to our attention. If we have omitted your name, we offer you our apologies in advance and look forward to including your name in future versions of this document.

Steve	Lydenberg	Domini Social Investments, LLC	Providence, RI
Sandra	Makinson	Canopus Foundation	Freiburg, Germany
Cynthia	Massersky	Yale School of Mgmt/Partnership on Nonprofit Ventures	Englewood Cliffs, NJ
Bill	Meehan	McKinsey & Company	San Francisco, CA
Clara	Miller	Nonprofit Finance Fund	New York, NY
Kirsten	Moy	The Aspen Institute - Economic Opportunities Program	Washington, DC
Deb	Nelson	Social Venture Network	San Francisco, CA
Jane	Nelson	The Prince of Wales Foundation	London, UK
Melanie	Oliviero	Strategies for Social Change	Evanston, IL
Eric	Olson	The Natural Step	San Francisco, CA
Luther	Ragin	The F.B. Heron Foundation	New York, NY
Gregory	Ratliff	The Aspen Institute	Chicago, IL
Don	Reed	Ecocorp	Needham, MA
Tom	Reis	W. K. Kellogg Foundation	Battle Creek, MI
Steve	Rochlin	The Center for Corp. Citizenship at Boston College	Arlington, VA
Ruth	Rominger	The Natural Step	San Francisco, CA
Jenny	Russell	The Merck Foundation	Whitehouse Station, NJ
Judith	Samuelson	Business & Society Program at the Aspen Institute	New York, NY
Debra	Schwartz	The MacArthur Foundation	Chicago, IL
Michael	Shuman	Institute for Policy Studies	Washington, DC
Dan	Siegel	New Visions, PRD	Mill Valley, CA
Kim	Smith	NewSchools Venture Fund	San Francisco, CA
Joel	Solomon	Renewal Partners	Vancouver, Canada
Michael	Swack	New Hampshire College - FINIR	Manchester, NH
Woody	Tasch	Investors' Circle	Brookline, MA
Melinda	Tuan	The Roberts Enterprise Development Fund	San Francisco, CA
Soraya	Verjee	Origo, Inc.	San Francisco, CA
Stephen	Viederman	Initiative for Fiduciary Responsibility	New York, NY
Bettina	von Hagen	Ecotrust	Portland, OR
Bettina	von Hagen	Ecotrust	Portland, OR
Sissel	Waage	The Natural Step	San Francisco, CA
John	Weiser	Brody*Weiser*Burns	Branford, CT
Robert	Weissbourd	RW Ventures	Chicago, IL
David	Winder	The Synergos Institute	New York, NY
Howard	Wizig	Kauffman Foundation	Kansas City, MI
Jenny	Yancey	New Visions, PRD	Mill Valley, CA
Simon	Zadek	AccountAbility	London, England UK
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Via Email, Conversations and Other Feedback:

Rebecca	Adamson	First Nations Development Institute	Fredericksburg, VA
Debra	Campbell	Canadian Women's Foundation	Toronto, Canada
Scott	Cheney	Center for Corp. Citizenship, U.S. Chamber of Commerce	Washington, DC
David	Curtis	Charities Aid Commission	London, England UK
Carla	Dickstein	Coastal Enterprises, Inc.	Wiscasset, ME
Penelope	Douglas	Pacific Community Ventures	San Francisco, CA
Bob	Dunn	Business for Social Responsibility	San Francisco, CA
John	Elkington	SustainAbility	London, England UK
Kathleen	Enright	Grantmakers for Effective Organizations	Washington, DC
Kristin	Gagnaire	Social Enterprise Group, LLC	Seattle, WA
Ed	Gaible, PhD	Natoma	San Francisco, CA
Mary	Gentile	Business and Society Program at the Aspen Institute	Arlington, MA
David	Grayson, CBE	Business in the Community	London, England UK
Jim	Hannon	Convergence Institute	Palo Alto, CA/Austin, TX
Pamela	Hartigan	The Schwab Foundation for Social Entrepreneurship	Geneva, Switzerland
Caroline	Hartnell	Alliance Magazine	London, England UK
John	Hildebrand	Invester Asset Management	London, England UK
John	Kingston	Charities Aid Foundation	Kent, UK
Bill	Kramer	Digital Dividen	Washington, DC
Steve	Lydenberg	Domini Social Investments, LLC	Providence, RI
Conrad	MacKerron	As You Sow Foundation	San Francisco, CA
Cynthia	Massarsky	Yale School of Mgmt/Partnership on Nonprofit Ventures	Englewood Cliffs, NJ
Jim	McClurg	Social Enterprise Alliance	Seattle, WA
Kirsten	Moy	The Aspen Institute - Economic Opportunities Program	Washington, DC
Melanie	Oliviero	Strategies for Social Change	Evanston, IL
Jeremy	Oppenheim	McKinsey & Company	London, England UK
Sally	Osberg	Skoll Foundation	San Jose, CA
Rosanna	Perry	Seedco	Australia
Mark	Popovich	The Hitachi Foundation	Washington, DC
Don	Reed	Ecoscorp	Needham, MA
Steve	Rudolph	Jiva Institute	Haryana, India
Debra	Schwartz	The MacArthur Foundation	Chicago, IL
Kim	Smith	NewSchools Venture Fund	San Francisco, CA
Lucy	Varcoe	Business in the Community	London, England UK
David	Winder	The Synergos Institute	New York, NY

Via Participation in a Cluster Conversation:

<u>First Name</u>	<u>Last Name</u>	<u>Organization</u>	<u>City, State</u>
Alan	Abramson	The Aspen Institute	Washington, DC
Sarah	Adams	National Osteoporosis Foundation	Washington, DC
Suzanne	Aisenberg	Atlantic Philanthropic Service Co., Inc.	New York, NY
Kim	Alter	Virtue Ventures, LLC	Washington, DC
Rick	Aubry	Rubicon Programs	Richmond, CA
Putnam	Barber	The Evergreen State Society	Seattle, WA
Curt	Bassett	Merrill Lynch Private Wealth Management	
Samantha	Beinhacker	Yale School of Mgmt. - Partnership on Nonprofit Ventures	Englewood Cliffs, NJ
Susan	Bell	The Hewlett Foundation	Menlo Park, CA
Shari	Berenbach	Calvert Foundation	Bethesda, MD
Betsy	Biemann	The Rockefeller Foundation	New York, NY
Ari	Blum	Niman Ranch	San Francisco, CA
Caroline	Boitano	Independent Sector	San Francisco, CA
Bill	Boler	Business in the Community	London, England UK
Dave	Bornstein	Independent Author	New York, NY
Jennifer	Bremer	The Kenan Institute	Washington, DC
Paul	Brest	The Hewlett Foundation	Menlo Park, CA
Debra	Campbell	Canadian Women's Foundation	Toronto, Ontario
Shaw	Canale	Cascadia Revolving Fund	Seattle, WA
Carolyn	Champ	Columbia Business School	New York, NY
Scott	Cheney	Center for Corp. Citizenship, US Chamber of Commerce	Washington, DC
Cathy	Clark	Columbia Business School	New York, NY
Jonathan	Cohen	AccountAbility	London, England UK
Craig	Cohon	Global Legacy	London, England UK
Alexa	Culwell	Charles & Helen Schwab Foundation	San Mateo, CA
David	Curtis	Charities Aid Foundation	Toronto, Ontario
Stuart	Davidson	Labrador Ventures	Redwood City, CA
Stephen	Dawson	ECI Partners	Wayne, NJ
Greg	Dees	Duke University	Durham, NC
Edward	Delhagen	Vermont Sustainable Jobs Fund	Montpelier, VT
Deborah	Doane	New Economics Foundation	London, England UK
Thomas	Donlea	Social Venture Partners International	Seattle, WA
Bob	Dunn	Business for Social Responsibility	San Francisco, CA
Mark	Dwight	Timbuk2	San Francisco, CA
Barbara	Dyer	The Hitachi Foundation	Washington, DC
Fran	Eaton	Council on Foundations	Washington, DC
John	Elkington	SustainAbility	London, England UK
Kathleen	Enright	Grantmakers for Effective Organizations	Washington, DC
Chris	Eyre	Legacy Ventures	Palo Alto, CA
Timothy	Freundlich	Calvert Foundation	San Francisco, CA

Alex	Furnari	Children's Board of Hillsborough County	Tampa, FL
Kirsten	Gagnaire	Social Enterprise Group, LLC	Seattle, WA
Nicole	Gallant	The Hewlett Foundation	Menlo Park, CA
John	Ganzi	University of North Carolina at Chapel Hill	Chapel Hill, NC
Chris	Gergen	New American Schools	Alexandria, VA
Michele	Giddens	Bridges Community Ventures	London, England UK
Maria	Gotsch	The New York City Fund	New York, NY
Lori	Grange	The Pew Charitable Trusts	Philadelphia, PA
David	Grayson, CBE	Business in the Community	London, England UK
Megan	Hall	Pacific Community Ventures	San Francisco, CA
Leslie	Halperin	Ben & Jerry's Foundation	S. Burlington, VT
Mike	Hannigan	Give Something Back Business Products	
Jim	Hannon	Convergence Institute	Palo Alto, CA
Stuart	Hart	University of North Carolina at Chapel Hill	Chapel Hill, NC
Caroline	Hartnell	Alliance Magazine	London, England UK
John	Hildebrand	Investec Asset Management	London, England UK
Shuang	Huang	Merck Foundation	Whitehouse Station, NJ
Alistair	Jackson	Transparency Center	Seattle, WA
Kimberly	Jinnett	Wallace-Reader's Digest Funds	New York, NY
Rob	John	World in Need	Oxford, UK
Charles	King	Housing Works, Inc.	New York, NY
John	Kingston	Charities Aid Foundation	Kent, UK
Dave	Kleiber	Cascadia Revolving Fund	Seattle, WA
Carol	Larson	The Pakard Foundation	Los Altos, CA
Jill	Levine	Illinois Facilities Fund	Chicago, IL
Jan	Liss	Aspen Inst. - Initiative for Soc. Innovation Through Bus.	New York, NY
Linda	Martin	The Boeing Company	Chicago, IL
Cynthia	Massersky	Yale School of Mgmt	Englewood Cliffs, NJ
Jim	McClurg	Social Enterprise Alliance	Seattle, WA
Barbara	Merz	The Hewlett Foundation	Menlo Park, CA
Clara	Miller	Nonprofit Finance Fund	New York, NY
Gary	Mulhair	Global Partnership	Seattle, WA
Ruth	Murphy	Newton Fund Managers Ltd.	London, England UK
Pete	November	Pacific Community Ventures	San Francisco, CA
Sara	Olsen	Social Venture Technology & Consulting	Kensington, CA
Michael	Park	Robin Hood Foundation	New York, NY
Geraldine	Peacock		London, England UK
Rick	Philpott	Moving Solutions	Oakland, CA
Jan	Piercy	ShoreBank	Washington, DC
Peter	Poli	Acumen Fund	New York, NY
Sophie	Pompea	Open Society Institute	New York, NY
Paul	Rice	TransFair USA	Oakland, CA
Stephanie	Robertson	Foundation for Entrepreneurial Management	London, England UK

Karen	Rodman	M.R. & Evelyn Hudson Foundation	Keller, TX
William	Rosenzweig	Haas School of Business	Berkley, CA
Robert	Rubinstein	Triple Bottom Line Conference	Amsterdam, Netherlands
Dick	Schlosberg	The Pakard Foundation	Los Altos, CA
Jason	Scott	The Rockefeller Foundation	London, England UK
Dr. Ken	Seeley	Colorado Foundation for Families & Children	Denver, CO
Christine	Sherry	The Hewlett Foundation	Menlo Park, CA
Paul	Shoemaker	Social Venture Partners	Seattle, WA
Billy	Shore	Share Our Strength	Boston, MA
Marnie	Sigler	The Hewlett Foundation	Menlo Park, CA
Smita	Singh	The Hewlett Foundation	Menlo Park, CA
Ed	Skloot	Surdna Foundation, Inc.	New York, NY
Reggie	Stanley	Calvert Group Mutual Funds	Washington, DC
Vince	Stehle	Surdna Foundation, Inc.	New York, NY
Harriett	Stevenson	Seattle University	Seattle, WA
Keeley	Stevenson	Skoll Foundation	San Jose, CA
Chris	Strucz-Clark	Cascadia Revolving Fund	Seattle, WA
Lynda	Talgo	Hewlett-Packard	Palo Alto, CA
Kerwin	Tesdell	Community Development Venture Capital Alliance	New York, NY
Aron	Thompson	A.G. Edwards & Sons	Seattle, WA
Melinda	Tuan	The Roberts Enterprise Development Fund	San Francisco, CA
Steve	Ulene	The Seattle Foundation	Seattle, WA
John	Weiser	Brody*Weiser*Burns	Brandford, CT
Dennis	Whittle	GlobalGiving	Washington, DC
Colleen	Willoghby	Washington Women's Foundation	Seattle, WA
David	Winder	The Synergos Institute	New York, NY

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²⁹⁷ *The Project Team Leader would also like to express his thanks to Fela, Gillian Welch and Marilyn Manson for providing the musical inspiration required for the completion of a document of this size. Should the reader be unfamiliar with these artists, you are urged to explore your aural Self...*

Appendix B: Acronyms and Abbreviations

BVP	Blended Value Proposition
BIC	Business In The Community
CARE	Cooperative for Assistance and Relief Everywhere
CDC	Community Development Corporation
CDFI	Community Development Finance Institution
CER	Corporate Environmental Reporting
CERES	Coalition for Environmentally Responsible Economies
CFED	Corporation for Enterprise Development
CRA	Community Reinvestment Act
CRS	Christian Relief Services
CSR	Corporate Social Responsibility
CWF	Canadian Women's Foundation
CWV	Community Wealth Ventures
DBL	Double Bottom-Line
EFA	Education Foundation of America
GRI	Global Reporting Initiative
GSE	Government Supported Enterprise
IBLF	International Business Leaders Forum
IDB	Inter-American Development Bank (IDB)
IFC	International Finance Corporation
INSP	International Network for Strategic Philanthropy
MF	International Monetary Fund
MRI	Mission Related Investing
NCCA	National Community Capital Association
NCNE	National Center on Nonprofit Enterprise
NESsT	Nonprofit Enterprise and Self-sustainability Team
NGO	Non-Governmental Organization
NISH	National Institute on Senior Housing
ODI	Overseas Development Institute
OECD	Organization for Economic Co-Operation and Development
OPIC	Overseas Private Investment Corporation
REDF	Roberts Enterprise Development Fund
REIT	Real Estate Investment Trust
SBIC	Small Business Investment Companies
SD	Sustainable Development
SE	Social Enterprise
S/E	Strategic/Engaged
SEEP	Small Enterprise Education and Promotion Network
SILC	Social Impact Leaders Coalition
SRI	Socially Responsible Investing
SROI	Social Return on Investment

SVN	Social Venture Network
TBL	Triple Bottom-Line
UBIT	Unrelated Business Income Tax
UNDP	United Nations Development Program
USAID	US Agency for International Development
VC	Venture Capital
WBCSD	World Business Council for Sustainable Development
WRI	World Resources Institute

Appendix C: Selected Bibliographies

The primary source for books, articles and papers of interest is the Blended Value Map itself, however the Project Team felt that in addition to those items listed on the Map, the following resources might also be of interest to the Reader.

The Capital Challenge:

Andrews, Nancy O., "Equity with a Twist: The Changing Capital Needs of the Community Development Field," A Capital Xchange Journal Article, The Brookings Institution, April 2001.

Berenbach, Shari "From SRI to Community Investment: Integrating Disadvantaged Communities into the Capital Marketplace," draft paper, Calvert Social Investment Foundation, December 2002.

Emerson, Jed and Paul Carttar, "Money Matters: The Structure, Operation and Challenges of Nonprofit Funding," The Bridgespan Group, December 2002.

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Letts, Christine, Grossman, Allen and William Ryan, "Virtuous Capital: What Foundations Can Learn From Venture Capitalists," Harvard Business Review, (March-April 1997).

Meehan, Bill, "Reforming the Social Capital Market," forthcoming Stanford Social Innovation Review.

Miller, Clara, "Capital Structure Counts," Nonprofit Finance Fund, 2001.

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Moy, Kirsten and Alan Okagaki, "Financial Innovation and Infrastructure: New Pathways to the Capital Markets for Communities," A Capital Xchange Journal Article, The Brookings Institution, July 2001.

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Stanton, Gregory M., "How CDC's Can Ramp up its Access to the Capital Markets," Capital Markets Access Program.

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Weisbrod, Burton A. (ed.) To Profit or Not to Profit: The Commercial Transformation of the Nonprofit Sector, Cambridge, England: Cambridge University Press, 1998.

Measurement and Performance Metrics:

AccountAbility, Various Reports, <http://www.accountability.org.uk/>

Epstein, Marc, "Measuring Corporate Environmental Performance: Best Practices of Costing and Managing Effective Environmental Strategy", Institute of Management Accountants, 1996.

C. Clark, W. Rosenzweig & S. Olsen, "Double Bottom Line Project: Methods Catalog – Draft March 2003": Public Version to be released 10/1/03. Double Bottom Line Project. Contact: Cathy Clark at cathy@cathyhc.com, William Rosenzweig at wbrose@ideagarden.com or Sara Olsen at sara@svtconsulting.com.

Flynn, Patricia, Virginia Hodgkinson, "Measuring the Impact of the Nonprofit Sector," Kluwer Academic/Plenum Publishers, 2001.

Kanter, Rosabeth Moss and David V. Summers, "Doing Well by Doing Good: Dilemmas of Performance Measurement in Nonprofit Organizations and the Need for a Multiple-Constituency Approach", The Nonprofit Sector: A Research Handbook, Walter W. Powell, ed., Yale University Press, 1987

NESsT, "Risky Business: The Impacts of Merging Mission and Market," NESsT publication forthcoming, November 2003 (<http://www.nesst.org>).

Olsen, Sara and Alison Lingane, "Social Impact Assessment: A Standard," draft paper submitted for publication. Contact Sara Olsen at sara@svtconsulting.com.

Paton, Rob, "Managing and Measuring Social Enterprises", Sage Publications, London, 2003.

Reed, Donald J., "Stalking the Elusive Business Case for Corporate Sustainability," World Resources Institute, December 2001.

Roberts Enterprise Development Fund, OASIS Project (Ongoing Assessment of Social Impacts), http://www.redf.org/about_oasis.htm

Rockoff, Maxine L., "Measuring the Performance of Nonprofit Social Services Organizations: Start By Cataloguing Terms," Report to The Urban Institute, January 9, 2001.

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SustainAbility, Various Reports, <http://www.sustainability.com/home.asp>

World Economic Forum Global Leaders Tomorrow Benchmarking Philanthropy Report: "Philanthropy Measures Up," January 2003.

A Measure of the Micro-Enterprise Industry,
<http://www.fieldus.org/publications/index.html>

Leadership and Organizational Development:

Adams, Tom, "Capturing the Power of Leadership Change: Using Executive Transition Services to Strengthen Organizational Capacity," for the Annie E. Casey Foundation, available online at: http://www.transitionguides.com/found/aecf_cp_sum.pdf.

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Community Wealth Ventures, "Powering Social Change: Lessons on Community Wealth Generation for Nonprofit Sustainability" report available online at <http://www.communityventures.org>.

Davis, Lee and Nicole Etchart, "Unique and Universal: Lessons from the Emerging Field of Social Enterprise in Emerging Market Countries", prepared by NESsT for the Alcoa Foundation's Social Venture/Enterprise Initiative International Forum (Racine, Wisconsin: June 19-21, 2003).

De Vita, Carol and Cory Fleming, “*Building Capacity in Nonprofit Organizations*.” The Urban Institute, April 2001. Available online at <http://www.urban.org/Template.cfm?NavMenuID=24&Template=/TaggedContent/ViewByPubID.cfm&PubID=410093>.

Draper, Lee, “*Goal: Strong Nonprofits: How to ‘Do’ Capacity-building*,” Foundation News & Commentary, Sept-Oct 2000, Vol. 41, No. 5.

McKinsey & Company, “*Effective Capacity Building in Nonprofit Organizations*.” for Venture Philanthropy Partners, August 2001. Available online at: <http://www.venturephilanthropypartners.org/learning/reports/capacity/capacity.html>.

Various working papers on scale by The Fuqua School of Business Center for the Advancement of Social Entrepreneurship available at: <http://faculty.fuqua.duke.edu/centers/case/research3.htm>

For additional resources on capacity building, we suggest browsing the following websites as well as those listed throughout this section:

Yale School of Management Bibliography of books, articles and other publications on nonprofit enterprise available at: <http://www.ventures.yale.edu>.

Social Venture Partners website listing of capacity building resources at: http://www.svpseattle.org/resources/resources_capacity_building.htm.

Grantmakers for Effective Organizations website listing of capacity building resources at: <http://www.geofunders.org/index.cfm?fuseaction=Page.viewPage&pageId=177>.

Government Policy/Regulatory/Tax Code:

Bell, David “*The Role of Government in Advancing Corporate Sustainability*,” posted for download at: <http://www.g7.utoronto.ca/scholar/2002/bell11062002.pdf>.

Venture Philanthropy Partners, “*The Changing Nonprofit Funding Environment: Implication and Opportunities*” available for download at: <http://www.venturephilanthropypartners.org/learning/perspectives/workshop/index.html>. (This document includes a section focusing upon advocacy and policy work).

NESsT Legal Series available at: <http://www.nesst.org>.

For additional writings on policy, we suggest browsing the following websites as well as those listed throughout this section:

<http://www.policylink.org/default.html>
<http://www.brookings.edu/>
<http://www.urban.org/content/PolicyCenters/NonprofitsandPhilanthropy/>

Please Note:

To make the best use of the following charts, they should be read together with the Blended Value Map Annotated Bibliography.

The Bibliography presents each of the organizations, Web sites, publications and so forth cited on the Map charts.

It includes a brief description of the document or website and a hyper-text link directly to the site in order for the reader to have immediate access to the resource or organization of interest.

The Blended Value Map Annotated Bibliography is available for download (as well as Web-based use) at

www.blendedvalue.org

Corporate Social Responsibility (CSR)

General Overview

Appendix D

Resource Organizations						
Topics	Information Resources (Books, Articles, Websites)	USA, Canada, UK & Global			Other Int'l*	Initiatives
The Environment	Business for Social Responsibility Website www.bsr.org white papers	Mallenbaker.net CSR Website	Business for Social Responsibility (BSR)	The Conference Board (US & Canada)	Accion Empesarial (Chili)	The Global Reporting Initiatives (GRI)
Community Economic Development	AtKisson Accelerator Sustainability Tool Kit	Business Ethics Magazine	US Chamber of Commerce Center for Corporate Citizenship	Imagine (Canada)	Empresa (The Americas)	Global Corporate Citizenship Initiative (WEF)
Corporate Non-Profit Partnerships	CSRwire.com Website	"Beyond Built to Last" by Graves & Waddock	Center for Ethical Business Cultures (CEBC)	Canadian Business for Social Responsibility (CBSR)	Fundacion Esquel (Ecuador)	The Corporate Impact Reporting Initiative
Sustainable Development	"Conversations with Disbelievers" report by Weiser & Zadek	"Walking the Talk" by Holliday, Schmidheiny & Watts	International Chamber of Commerce	SustainAbility (UK)	Japan Business Federation	
Stakeholder Engagement	"Making The Business Case for Sustainability" by M. Epstein & M. Roy	"CSR: Making Good Business Sense" by WBCSD	World Economic Forum	BITC - Business in the Community (UK)	MAALA (Israel)	AA 1000
Corporate Philanthropy	CasePlace.org	Ethical Corporation Magazine	Interfaith Center on Corporate Responsibility (ICCR)	Prince of Wales International Business Leaders Forum (UK)	Peru 2021	SA 8000
Social & Environmental Audits & Reporting	BITC Environment Index & Corporate Responsibility Index (UK)	"Misguided Virtue" by David Henderson	Aspen Institute Business and Society Program	AccountAbility (Institute for Social & Ethical Accountability - UK)	Philippine Business for Social Progress	Future 500 Corporate Accountability Practices Gap Audit
Double & Triple Bottom Line Reporting	Council on Economic Priorities book on Corporate Report Card	"People and Profits" by Margolis & Walsh	The Enterprise Group (TEG)	Corporate Citizenship Unit at Warwick Business School (UK)	CSR Europe	Greenhouse Gas Protocol
Codes of Conduct	WinWin Partners Website	"Beyond Selfishness" by Mintzberg, Simons & Basu	Center for Responsible Business (Haas School of Business at UC Berkeley)	INSEAD's Centre for the Management of Environmental & Social Responsibility	African Institute of Corporate Citizenship (AICC)	Beyond Grey Pinstripes
Governance & Accountability	Digital Dividend Website (WRI)	"Coming Clean" by R. Repetto & D. Austin (WRI)	Council for Economic Priorities (CEP)	Asbridge Centre for Business and Society (UK)	The Prime Minister's Community Business Partnerships (Australia)	State of Corporate Citizenship Survey (Hitachi Foundation et al)
Transparency & Reporting	"The Future of Corporate Social Responsibility" report by C. Strandberg	Copenhagen Center Reports	The UN Global Compact	The Center for Corp. Citizenship at Boston College	European Institute for Business Ethics (The Netherlands)	CSR Benchmarking Program (Imagine, Conference Board of Canada Canadian BITC)
Public Policy	CSR Europe Newsletter	"Redefining CSR" report by M. Goyder (Tomorrow's Company)	Saltwater Institute	Triple P Performance Centre (The Netherlands)	The Corporate Citizenship Research Unit - Deakin Univ. (Australia)	The UN Global Compact Source Book
SRI & Shareholder Advocacy	"Building Competitiveness & Communities" book by J. Nelson	"Altered Images: the 2001 State of Corporate Responsibility in India Poll" by R. Kumar, D. Murphy & V. Balsari	The Corporate Citizenship Company (UK)		Grupo de Institutos, Fundacoes e Empresas (Brazil)	European Corporate Sustainability Framework
	"Everybody's Business: Managing Risks & Opportunities in Today's Global Society" book by D. Grayson & A. Hodges	The Journal of Corporate Citizenship	Centre for Innovation in Corporate Responsibility		International Institute for Business Ethics	
	"The Divine Right of Capital" book by M. Kelly					
	The Material World 2003 Benchmark: Survey of Global Reporting					
	2002 Cone Corporate Citizenship Study					

*See www.csrwire.com/directory for additional listings.

Corporate Social Responsibility (CSR)

Guidelines/Standards/Codes of Conduct*

General		Ethics	Human Rights	Governance	Ranking of Responsible Companies
GRI Sustainability Reporting Guidelines	Worker Rights Consortium Code	SVN Standards of Corporate Social Responsibility	Universal Declaration of Human Rights (UDHR)	OECD Principles of Corporate Governance	Global Most Admired Companies (Fortune)
CERES Principles	ILO Conventions	Council of Better Business Bureaus Codes	Draft UN Human Rights Guidelines for Companies	Corporate Governance Forum Principles (Japan)	The World's Most Respected Companies (Financial Times)
ISO 14000/1	SA 8000	International Chamber of Commerce (ICC Business Principles)	Amnesty International Human Rights Principles for Companies	Hampel Report	Best Corporate Citizens (Business Ethics 100)
Caux Round Table "Principles for Business"	United Nations Global Compact (UNGC)	Quality Scoring Framework		NACD Blue Ribbon Commission Reports	
The Global Sullivan Principles	OECD Guidelines for Multinational Enterprises	CSR & Ethics Compliance Standard 2000 (Japan)	Ethical Trading Initiative (ETI) Base Code		
The ICCR Global Principles	The Good Corporation Charter				
The Sunshine Standards for Corporate Reporting to Stakeholders	The Fair Labor Association (FLA) Workplace Code of Conduct				
The Keidanren Charter for Good Corporate Behavior	The Equator Principles				
American Apparel Manufacturers Association Code					
Fair Labor Association Code					

* See Business for Social Responsibility White Papers (www.bsr.org) and Business in the Community (www.bitc.org.uk) for additional references. See the ICCR website for a comparison of various codes (www.ICCR.org).

Corporate Social Responsibility (CSR)

Leadership Examples*

<u>General</u>		<u>Human Rights/Workplace</u>	<u>Environment</u>	<u>Sustainable Development</u>	<u>Accountability</u>	<u>Philanthropy</u>	<u>Community Development</u>	
The Co-operative Bank (UK)	Unilever	Adidas - Salomon	Fetzer Vineyard	AB Electrolux (Sweden)	British Telecom (UK)	American Express	Timberland	State Farm Insurance
	Ben & Jerry's							
AVINA (Central America)	Odwalla	British Telecom (UK)	IKEA	Design Tex	Ford Motor Co.	Grand Circle Travel	Cessna Aircraft	Cemex (Mexico)
Natura Cosmeticos (Brazil)	Just Desserts	CISCO	Nortel Networks	Interface, Inc.			Nissan Motor Corp. USA/Los Angeles Urban League	JP Morgan Chase
Starbucks Coffee Co.	Chiquita	Merck	UPS	S.C. Johnson & Sons	Mountain Equipment Cooperative (Canada)	Intel		
	Novartis							
Hewlett-Packard	Patagonia	The Container Store	LaConstancia (El Salvador)	Stonyfield Farm	Banco Cuscatlan (El Salvador)	Quaker Oats	Delphi Automotive (Mexico)	Impact Community Capital (Insurance Company Investments)
Slimline Garments (Sri Lanka)	Johnson & Johnson	S.C. Johnson		Novo Nordisk		Glaxo Smith Kline		
Pfizer	Seventh Generation	Grundfos	Smurfit Carton de Colombia (Columbia)	DuPont		Fleet Boston Financial	Universal Studios	Bank of America
The Body Shop (UK)	Barclay's Bank (UK)	General Motors		Beximco (Bangladesh)			Wild Oats Markets	
Novo Nordisk	Tridos Bank (Netherlands)	SAS Institute	Makaibari (India)	Helados Bon (Dominican Republic)			Washington Mutual	
Fannie Mae		Laredo (Peru)	Intercell (Poland)	Kunda Nordic Cement (Estonia)				
Tom's of Maine			Conservation Corporation Africa (S. Africa)	Kurzemes Pienis (Latvia)				
			Perion (Hungary)	Hindustan Lever (India)				
			Tecon Salvador (Brazil)	Mozal (Mozambique)				
			Printech (Ireland)					

* See BSR website for categories and case studies (bsr.org); see also: Caseplace.org; see "Developing Value: The business case for sustainability in Emerging Markets" at www.sustainability.com/developing/value for international case studies; See bitec.org.uk for UK examples.

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General Overview* (Nonprofit & for profit)

* The term Social Enterprise has been used to describe both nonprofit and for-profit start-up organizations. Despite this fact, the majority of resources appear to be targeted at nonprofit organizations engaged in enterprise activity.

** SVN is primarily focused on for-profit social enterprises.

** SVN is primarily focused on for-profit social enterprises.

Social Enterprise

General Overview - Nonprofit Specific

Topics	Information Resources (Books, Articles, Websites)				Resources Organizations	Academic Institutions
Social Purpose Enterprise (market based business ventures of nonprofits)	"Enterprising Nonprofits" book by Dees, Emerson, Johnson & Economy	"The Nonprofit Entrepreneur: Creating Ventures to Earn Income" book by Ed Skloot	"Goal: Strong Nonprofits: Going to the Next Level" by T. Backer & J. Bare	Capital Markets Access Program	Nonprofit Enterprise and Self-Sustainability Team (NESST)	Yale School of Management – The Goldman Sachs Foundation Partnership on Nonprofits Ventures
Revenue generated activities by nonprofits (e.g. Sales of Products & Services)	"The Entrepreneurial Nonprofit Executive" book by McLaughlin	The Comparative Nonprofit Sector Project Website	"Strategic Planning for Public and Nonprofit Organizations" by J. Bryson	National Center on Nonprofit Enterprise (NCNE)	Alliance for Nonprofit Management	Kellogg School of Management – Public/Nonprofit Management Program
Application of Innovative business practice or management techniques to nonprofits	npEnterprise Forum Listserve	"The 21 st Century NGO" report by Sustainability	"Goal: Strong Nonprofits: How to 'Do' Capacity-Building" by L. Draper	npower	The National Council of Nonprofit Associations	University of Michigan Nonprofit and Public Management Center
	"Hidden in Plain Sight: Understanding Nonprofit Capital Structure" by C. Miller	Seedco's Nonprofit Venture Network (NVN) Program	"Virtuous Capital: What Foundations Can Learn from Venture Capitalists" by C. Letts, W. Ryan and A. Grossman	NonProfit Wealth	Boston College Social Welfare Research Institute	Heriot -Watt University Social Enterprise Institute (Scotland)
	www.ventures.yale.edu website	"Powering Social Change: Lessons on Community Wealth Generation for Nonprofit Sustainability" report by CWV	"Social Entrepreneurship" book by Brinckerhoff	Seedco	CompassPoint Nonprofit Services	
	"Pricing In Nonprofit Ventures" by S. Oster	"Unleashing New Resources & Entrepreneurship for the Common Good" by T. Reis (Kellogg)	Counterpart International	The Roberts Enterprise Development Fund (REDF)		
	"Enterprising Nonprofits: Revenue Generation in the Nonprofit Sector" by C. Massarsky & S. Beinbacher	NESST Publications	"A Scan of Not-for-Profit Entrepreneurship: Status of the Field & Recommendations for Action" by L. Spinali & H. Mortimer (Kaufman Center)	Canadian Women's Foundation		
	"The Meaning of Social Entrepreneurship" by G. Dees	"Evolution or Extinction: Strategy for Nonprofits in the Marketplace" speech by E. Skloot (Surdna Foundation)				
	"Social Enterprise: Private Initiatives for the Common Good" by G. Dees	"Enterprising Non-Profits Program: A Report on Non-Profits and their Social Enterprises 2000-2002"				
	Charity Village.com Website					

Social Enterprise Leadership Examples*

For Profits				fits			New Market Intermediates**
Thanksgiving Coffee	Shorebank Corporation	Council of Community Clinics (CCC)	CFH Landscape Service	Golden Gate Community Inc.	Accion International	SEWA - Self Employed Women's Assoc. (India)	Working Today
CitySoft	America Works	Pioneer Human Services (PHS)	Common Ground (NYC)	Triangle Residential Options for Substance Abusers (TROSA)	ApproTEC (Africa)		TransFair
Bedrock Industries	VITAS Healthcare Corp.	Boomtown Cafe	Benetech Initiative		Guate Salud (Guatemala)	Social Firms (UK)	CEPICAPE (Peru)
Minnesota Diversified Industries	American Apparel	Davis Memorial Goodwill Industries	Native Seeds		Help the World See (HTWS)	Suruchi Foods (India)	Proarte (Nicaragua)
ITDG (UK)	Forests of the World	HousingWorks	Delancey Street Foundation	Community Vocational Enterprise, Inc. (CVE)	The Latin American Youth Center	Phulki (Bangladesh)	Niagara Presents (Canada)
Cooperative Home Care Associates	Sekem (Egypt)	Rubicon Programs	Ombudsmen Educational Services	Bidwell Vocational Training School/Bidwell Food Services	Saiban Khuda-Ki-Basti (KKB) Project	McSense (Scotland)	Equal Exchange (Latin America)
AgroKasa (Peru)	The Ethical Property Company (UK)	Recycle A Bicycle (RAB)	Freedom from Hunger	The Metropolitan Atlanta Council on Alcohol & Drugs	Waste Concern (Bangladesh)	Editora Expressao Popular (Brazil)	Creceer (Central America, Mexico & the Caribbean)
HonesTeas	Beacon Education Management	Juma Ventures	SATELLIFE (US)		Jiva (India)	Jhai Foundation Internet Learning Centers (Laos)	Cauqueva (Argentina)
Cafedirect (UK)	Traidcraft (UK)	Gould Farm	VolunteerMatch	Homeboyz Interactive	Kashf Foundation (Pakistan)	Aspire Group (UK)	EcoTrust
Advantage Schools, Inc.	Greyston Bakery	The Compass School	HomeStart	Girl Scouts of the USA	BRAC (Bangladesh)		Traidcraft
TesseraeT School	Green Dot Public Schools	Futures for Kids (F4K)	Nation's Capital Child and Family Development (NCCFD)	The Manchester Craftmen's Guild	Women's Self Employment Project		Fairtrade Foundation
The Edison Project	Moving Solutions	YouthBuild USA	SmartWood (Rainforest Alliance)		CompuMentor		
Sun & Earth		Acre Family Day Care Corp.					
Wild Planet		Aspire Public Schools					

*For various case studies, see: www.communitywealth.org. See also papers by Kim Alter, Tom Reis, Dewey & Kaye and NESsT; Note, this listing does not include hospitals, performing arts, organizations and universities. Also note, microfinance organizations listed under Social Investing – Community Development.

**Trade organizations and co-ops would be included in this category.

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Socially Responsible Investing (SRI)

Appendix F

General Overview

Topics	Information Resources (Books, Articles, V				Resource Organizations	Initiatives
Social & Environmental Screening of Large Funds (Social Guideline Investing)	SocialFunds.com	"A Capital Idea: Total Foundation Asset Management and The Unified Investment Strategy" by J. Emerson	Domini Social Investments Website	SRI Compass/CSR Europe	Social Investment Organization (Canada)	TBLI Conference
CSR/SRI Research and Analysis	Social Investment Forum Websites (socialinvest.org & UKSIF.org)	The Green Pages and Connections Newsletter (Co-op America)	Green Money Journal	KLD Research & Analysis Inc.	ASrIA (Asia)	SIF Industry Research Program (Moskowitz Prize)
Shareholder Activism on Social Issues	Sustainable Business.com	SRI Studies.org Website	Brooklyn Bridge Newsletter	Interfaith Center on Corporate Responsibility (ICCR)	Ethical Investment Association (Australia)	Milken Institute Double Bottom Line Initiative
Defining Collateral Benefits	KLD Socrates Social Research Tool	Calvert Website	"The Magic Roundabout" report by B.D. Bell & S. Vincent	Social Investment Forum	Innovest Strategic Value Advisors	Initiative for Fiduciary Responsibility (The Global Academy)
Double & Triple Bottom Line Investing	"Envisioning Socially Responsible Investing" by Steven D. Lydenberg	Trillium Website	The Progressive Investor Newsletter by Sustainable Business.com	Sustainable Investment Research Institute	UK Social Investment Forum	Institute for Responsible Investment (Boston College Center for Corporate Citizenship)
	Social Investment Forum's "2001 Report on Socially Responsible Investing Trends in the US"	"Investing for Good: Making Money While Being Socially Responsible" by Kinder, Lydenberg & Domini	iShareowner.com Website	INA ISE (International Association of Investors in the Social Economy)	Co-op America	
	The Corporate Library	SRI World's Leading Social Investment Indicators Report 2001	Shareholder Action Network	Investor Responsibility Research Center (IRRC)	Corporate Knights (Canada)	
	"The Environmental Fiduciary Project" – Rose Foundation	"The New Global Investors: How Shareowners Can Unlock Sustainable Prosperity Worldwide" by R. Monks	Morning Star Reports on SRI Funds	European Sustainable and Responsible Investment Forum (Eurosif)		
	"Engaging the Mainstream with Sustainability" by B. Pierce & J. Ganzi	ASRIA.org	Shareholderaction.org Website	Institutional Shareholder Services (ISS)		
	"Socially Responsible Investing: Making a Difference and Making Money" book by A. Domini	PaxWorld Website	Foundation Partnership on Corporate Responsibility Website	Pensions Investment Research Consultants (PIRC)		
	"The Rise of Fiduciary Capitalism" by J. Hawley & A. Williams	"The SRI Advantage: Why Socially Responsible Investing has Outperformed Financially" book by P. Comejo	"The Emperor's Nightgale: Restoring the Integrity of Shareholder Activism" book by R. Monks			
			Dow Jones Sustainability Group Indexes	SRI World		
				Sustainable Asset Management (SAM)		
				Finansol (France)		
				Verite		

Socially Responsible Investing (SRI)

Leadership Examples*

<u>Indexes</u>	<u>Mutual Fund Companies</u>			<u>Advisors, Money Managers and Other</u>		<u>Mission Related Investing & Shareholder Activism</u>		
Citizens Index 300	American Trust Allegiance Fund	First Ontario Fund (Canada)	The Parnassus Fund	Adams Harkness & Hill (AH&H)	Innovest	CalPers	Canadian Unitarian Social Justice and Investment Committees	Educational Foundation of America (EFA)
Domini Social Index 400	Aquinas Funds	Green Century Funds	Pax World Funds	A.G. Edwards and Sons	Insight Investment Management	Investors' Circle		Jessie Smith Noyes Foundation
Dow Jones Group Sustainability Indexes	Ariel Mutual Funds	MEDA Sarona Global Investment Fund	Portfolio 21	Dexia Asset Management (Belgium)	ISIS Asset Management	Religious Shareholders: ICCR, ECCR, TCCR	Unitarian Universalist Service Committee	As You Sow Foundation
FTSE/JSE SRI Index (South Africa)	Calvert Funds- Investments That Make a Difference®	Miller/Howard Investments Inc. (FlexPartners)	Security Benefit Group	First Affirmative Financial Network, LLC (FAFN)	Light Green Advisors	Evangelical Lutheran Church in America, Board of Pensions	United Methodist Church General Board of Pension and Health Benefits	Rose Foundation
FTSE4Good	Citizens Funds	MMA Praxis Mutual Funds (Mennonite Mutual Aid)	Sierra Club Funds	Foursome Investments (UK)	Natural Investment Services, Inc.	American Friends Service Committee (AFSC)	Catholic Healthcare West	Nathan Cummings Foundation
	Domini Social Investments, LLC	Morley Fund Management	Trillium Asset Management	George Avenue/ Noaber Foundation (Netherlands)	Progressive Asset Management			Shefa Fund
	The Dreyfus Corporation	Neuberger Berman	Walden Asset Management (U.S. Trust Company of Boston)	Global Environment Fund	Protected Investors of America			FPCR
	Enterprise Group of Funds	New Alternatives Fund, Inc	Winflow Management Company	Harrington Investments	SKBA Capital Management	The Pension Boards – United Church of Christ	Needmor Fund	
	Ethical Funds (Canada)	Noah Fund	Women's Equity Mutual Fund	Henderson/ NPI (UK)	Solstice Capital	Commons Capital	Arete Corporation	
					Summit Funds		Various Pension Funds (CA, CT, NYC, NYS, AL)	
					Sustainable Asset Management (SAM)			
					VanCity Real Assets (Canada)			

*See <http://www.socialfund.com> and www.socialinvest.org for additional listings.

Social Investing - Community & Double Bottom Line Investing

General Overview

<u>Topics</u>	<u>Information Resources (Books, Articles, Websites)</u>				<u>Resource Organizations</u>		<u>Initiatives</u>
Community Development	Market Creek Plaza Case Study	"Increasing Investment in Communities" SIF Industry Research Program	"Seizing Opportunities: The Role of CDCs in Urban Economic Development" by Ford Foundation	PolicyLink	Local Initiatives Support Corporation (LISC)	Microenterprise Development Institute (MDI)	National Community Development Initiative (NCDI)
Community Development Finance	Ford Foundation CDFI Study 2002 by Brody, Weiser, Burns Consultants	ASPEN Institute Self Employment Learning Project (SELP)	"CDFIs: Providing Capital, Building Community, Creating Impact" report by CDFI Data Project	Corporation for Enterprise Development (CFED)	The Brookings Institute on Urban & Metropolitan Policy	Capital Markets Access Program	Community Investing Campaign (Social Investment Forum and Co-op America)
Community Development Venture Capital	"From SRI to community Investment" by Shari Berenback	The Finance Project	Office of the Controller of the Currency (OCC) Website	Community Development Venture Capital Alliance (CDVCA)	National Community Capital Association (NCCA)	Nonprofit Finance Fund (NFF)	CDFI Data Project (MacArthur Foundation and Ford Foundation)
Microenterprise Programs	SocialFunds.com Guide to Community Investing	Center for Community Change Website	"The Mystery of Capital" book by H. De Soto	Kenan Institute – Center for Community Capitalism at UNC	Ford Foundation	CDFI Coalition	CDFI Data Project (MacArthur Foundation and Ford Foundation)
Investment Mortgages, home ownership loans, small business loans, small business equity investments, financial multi-family rental housing and loans for community facilities	National Community Capital Association (NCAA) CDFI Industry Reports	"Going Local" by Michael Shuman	"The Elusive Quest for Growth" book by W. Easterly	Center for Social Development (Washington University in St. Louis)	CEDWORKS - Centre for Community Enterprise (Canada)	Commbuild.org Website	Wholesale Intermediary Initiative – UK (Social Brokers, The Big Issue & Bank of Scotland)
	Pacific Community Ventures Website	"Community Development Finance Institutions: A New Financial Instrument for Social & Physical Renewal" by UK Social Investment Forum	"The Financing of Social Enterprises" by the Bank of England (UK)	IDA Network	The Canadian CED Network	Fannie Mae Foundation	The Columbia RISE Project on Double Bottom Line Investing
	"Creating Capital, Jobs & Wealth in Emerging Domestic Markets" by G. Yago, B. Zeidman & B. Schmidt (Milken Institute & Ford Foundation)	New Economic Foundation (UK) Social Investment Taskforce Reports	"Taking Stock: CDFIs Look Ahead After 25 Years of Community Development" by M. Pinsky	Enterprise Foundation	FundingPost	First Nations Oweesta Corporation	The Sustainable Development Reporting Project (WBCSD)
Economically Targeted Investments	"A Measure of the Microenterprise Industry" by FIELD	RISE Double Bottom Line Investor Directory (www.riseproject.org)	"A Double Bottom Line: Lessons on Social-Purpose Enterprise" by T. Proscio	National Congress for Community Economic Development (NCCED)	Financial Innovation Roundtable (FINIR)	The Microfinance Network	
	"Equity with a Twist: The Changing Capital Needs of The Community Development Field." by N.O. Andrews (Capital Xchange)	Capital Xchange Website		Investor's Circle	Community Development Finance Association (CDFA)	The Microfinance Information eXchange (The Mix)	
				FIELD (Aspen Institute)			

*For a detailed listing of resources specifically for microfinance, see: <http://www.bellanet.org/partners/mfn/links.html>

Social Investing - Community Development

Leadership Examples

Community Development Nonprofits and Loan Funds*

<u>USA</u>			<u>International</u>	<u>Venture Capital & Private Equity**</u>		<u>Microfinance***</u>	<u>Community Development Banks*</u>	<u>Investors & Others</u>
Alternatives Federal Credit Union	Boston Community Capital	Access Capital Strategies	Canadian Alternative Investment Co-operative	Investor's Circle	Hot Fudge Venture Fund	Accion International & USA	ShoreBank	Rockefeller ProVen Ex
New Communities Corporations (Newark, NJ)	Nonprofit Finance Fund (NFF)	Microenterprise Loan Program of the North Carolina Rural Economic Development Center	VanCity Capital Corporation (Canada)	Commons Capital	Underdog Ventures	Banco Solidario (Ecuador)	Chittenden Bank	Calvert Social Investment Foundation
National Community Investment Fund (NCIF)	Cascadia Revolving Fund	Nebraska Microenterprise Partnership Fund	Pan Canadian Community Futures Network	Calvert Social Ventures	Bridges Community Ventures, Ltd. (UK)	Opportunity International	Louisville Community Development Bank (LCDB)	Trillium Asset Management
Oikocredit (formerly Ecumenical Development Cooperative Society)	Community Bank of the Bay	Mennonite Economic Development Associates (MEDA)	National Community Capital Association (Canada)	Sustainable Jobs Fund	Renewal Partners/Endswell Foundation (Canada)	Women's Self-Employment Project (WSEP)	Wainwright Bank and Trust Company	NYC Investment Fund
Pacific Community Ventures	Leviticus 25:23 Alternative Fund, Inc.	Working Capital Fund	Blue Orchard Finance (Switzerland)	The Barred Rock Fund	Impact Partners (India)	SEWA Bank (India)	University Bank	Jacobs Family Foundation
Community Health Facilities Fund (CHFF)	Mercy Housing	CRA Qualified Investment Fund	Triodos Bank	EcoLogic Enterprise Ventures	Enterprise Ventures Limited (UK)	Foundation for International Community Assistance	Bank of Newport	Tides Foundation
Partners for Common Good	Self-Help Credit Union	Community Reinvestment Fund (CRF)	Charity Bank (UK)	Pacific Community Ventures	Greater London Enterprise (UK)	Grameen Bank (Bangladesh)	Community Bank of the Bay	CDFI Fund
First Nations Development Institute	Shared Interest (South Africa)	The Enterprise Social Investment Corporation (ESIC)		Boston Community Venture Fund	The Reinvestment Fund (TRF)	Freedom from Hunger	Community Capital Bank	NH Community Development Finance Authority
Seedco	Rudolf Steiner Foundation	Oxfam America		A2R (Brazil)	Community Catalyst Fund (UK)	Banco Sol (Bolivia)	National Cooperative Bank (NCB)	F. B. Heron Foundation
	Illinois Facilities Fund (IFF)	Low Income Housing Fund (LIHF)		Kentucky Highlands	Women's Growth Capital Fund	Kashf Foundation (Pakistan)	Southern Development Bancorporation	Renewal Partners/Endswell Foundation (Canada)
				Northeast Ventures	Social Capital Partners (Canada)	BRAC (Bangladesh)		Social Investor's Forum
				Coastal Enterprises, Inc.		Basix (India)		Annie E. Casey Foundation
				Venturesome Fund (UK)		Microaid		Enterprise Foundation
				Foursome Investments (UK)				Shefa Fund
								Needmor Fund

*See <http://socialinvest.org> for additional listings.

**See <http://rise.project.org/>, <http://www.cdvc.com> and <http://www.socialinvest.org> for additional listings

*** See <http://www.bellnet.org/partners/mfn> for additional listings..

Strategic/Effective Philanthropy

General Overview

Topics	Information Resources (Books, Articles, Websites)		Resource Organizations		Consultants	Initiatives
High Engagement Grantmaking	Council on Foundations Publications	Global Philanthropy & Foundation Building Website (Synergos Institute)	Hauser Center for Non-profit Organizations (Harvard)	Indiana University Center on Philanthropy	Abt Associates	The Foundation Incubator, Capacity Building Venture Fund
Venture Philanthropy	Philanthropy News Digest	Where Money Meets Mission: Breaking Down the Firewall and Programming Foundation Investments by J. Emerson	Independent Sector	Center for Venture Philanthropy (CVP)	The BridgeSpan Group	Three Sector Initiative
Proprietary Intermediary	Venture Philanthropy Partners.org website	Grantcraft.org Website	Center for Effective Philanthropy	Social Enterprise Alliance	Center for Effective Philanthropy	Initiative on Indigenous Philanthropy (Aga Khan Foundation)
Philanthropic Effectiveness	McKinsey & Co./VPP Report on Effective Capacity Building	BBB Wise Giving Alliance (www.give.org)	Grantmakers for Effective Organizations (GEO)	American Association of Fundraising Counsel (AAFRC)	Community Wealth Ventures	Transatlantic Community Foundation Network (TCFN)
Mission Related Investing	Morino Institute/VPP Venture Philanthropy Reports by CWV	Philanthropy Information Retrieval Project Newsletter	UCLA Corporate, Foundation and Research Relations	European Foundation Centre	Foundation Strategy Group	Philanthropix Partners, Inc.
Inter-Program Collaboration	Guidestar	Social Capital Partners Website (Canada)	Council on Foundations	Canadian Centre for Philanthropy	McKinsey & Co. Nonprofits Practice	Access Information Project
Strategic Philanthropy	"Philanthropy Measures Up" report by Global Leaders for Tomorrow (World Economic Forum)	Philanthropy UK Newsletter	Center for the Study of Philanthropy and Voluntarism (Duke Univ.)	Asia-Pacific Centre for Philanthropy & Social Investment (Swinburne Univ.)	New Philanthropy Capital (UK)	GEO Mapping of the Field of Funders Network
	Philanthropic Capacity-Building Resources Database (Human Interaction Research Institute)	The Philanthropy Atlas (UK)	New Philanthropy Capital (UK)	Social Venture Partners	Rockefeller Philanthropy Advisors	Global Equity Initiative (Hauser Center)
	"Moving Ideas and Money: Issues in Funder Collaboration" by R. Hamilton (TFN)	Alliance Magazine (UK)	National Network of Grantmakers	Social Ventures Australia	The Philanthropic Initiative	International Network on Strategic Philanthropy (INSP)
	Worldwide Initiative for Grantmaker Support (WINGS) website	"The Competitive Advantage of Corporate Philanthropy" HBR article by M. Porter & M. Kramer	The Funders Network for Smart & Livable Communities (TFN)	Synergos Institute Global Philanthropists Circle		UK Community Foundation Network
	"Discovering Philanthropy in the 21 st Century" by K. Fulton & A. Blau (GBN)	Global Giving Matters	Philanthropy Australia, Inc. (Australia)	Association of Foundations (Philippines)		UK Charitable Trusts Initiative
	"The Changing Funding Environment for Community Based Organizations" by McKinsey/VPP	Venturephilanthropy guide.org	Educational Foundation of America (EFA)	Emerging Practitioners In Philanthropy (EPIP)		GVSU Philanthropic and Nonprofit Knowledge Management Initiative
	Global Philanthropy & Foundation Building Website (Synergos Institute)	Changemakers.net Website	Social Venturing Foundation (The Netherlands)	Association of Charitable Foundations (UK)		
		"Agile Philanthropy: Understanding Foundation Effectiveness" by J. Orosz, C. Phillips & LW Knowlton	The Philanthropy Workshop and the Philanthropy Workshop West	Association of Small Foundations		
		INSP – Theory of Change Tool	Institute for Philanthropy (UK)	National Committee for Responsive Philanthropy (NCRP)		

Appendix G

Strategic/Effective Philanthropy

Leadership Examples

Social Venture or Venture Philanthropy Funds		Funding Intermediaries	Highly Engaged Donor Funds	ephilanthropy	Highly Engaged Foundations	Strategic Philanthropy Foundations*	Other Engaged Grantmaking	Donor Advised Funds
Roberts Enterprise Development Fund (REDF)	New American Schools	Global Fund for Women	Full Circle Fund	Network for Good	The Schwab Foundation for Social Entrepreneurs (Switzerland)	The Hewlett Foundation	The Chicago Public Education Fund	Fidelity Charitable Gift Fund
	Blue Ridge Foundation, NY	Global Fund for Children	Silicon Valley Social Venture Fund	NetAid		Ford Foundation		Vanguard Charitable Endowment Program
Center for Venture Philanthropy of the Peninsula Community Foundation	Impact Partners (India)	Global Greengrants Fund	Social Venture Partners – various locations	Charity Navigator	Edna McConnell Clark Foundation (EMCF)	W.K. Kellogg Foundation	Common Good Investment in Nonprofit Solutions	American Gift Fund
	World in Need (UK)			GenevaGlobal.com	Charles and Helen Schwab Foundation	The Diana Princess of Wales Memorial Fund		
NewSchools Venture Fund	Venture Philanthropy Partners	Give2Asia	Entrepreneurs Foundation – various locations	Global Exchange for Social Investing (GEXSI)	Rockefeller ProVenEx	Omidyar Foundation	Southern California Social Enterprise Initiative	Calvert Giving Fund & Giving Folios
Acumen Fund	Social Capital Partners (Canada)	Brazil Foundation		Give Foundation (India)	The Pew Charitable Trust's Venture Fund	Robert Wood Johnson Foundation		Tides Foundation
New Profit Inc.	Charity Aid Foundation's Venturesome Fund (UK)	America India Foundation	Washington Women's Foundation	Charity Technology Trust (UK)	The Robin Hood Foundation	Surdna Foundation	Three Guineas Fund	
Rinconada Ventures Foundation		EcoLogic		Aga Khan Foundation	Gates Foundation			
CFSV Skoll Fund	Global Partnerships	International Development Exchange (IDEX)		Visible Hand	Jacobs Family Foundation	Rockefeller Foundation	Jewish Venture Philanthropy Fund	
Silicon Valley Social Venture Fund	Impetus Trust (UK)		IEG Sponsor Direct	Kirlin Foundation/ eFundLLC	Skoll Foundation	A Glimmer of Hope Foundation		
Legacy Ventures	ARK - Absolute Return for Kids (UK)		GlobalGiving (formerly Development Space)	The Broad Foundation	Hitachi Foundation	Kingdom Ventures		
New Ventures (WRI)	Sustainable Jobs Fund			Tides Foundation	Bradley Foundation	First Nations Development Institute		
The Entrepreneurs' Foundation			The Virtual Foundation	Kirsch Foundation	Canadian Women's Foundation			
				Mott Foundation	Maytree Foundation (Canada)			
						Goldman Sachs Foundation		

Sustainable Development/ Sustainable Consumption and Production

General Overview

Appendix H

Topics	Information Resources (Books, Articles, Websites)				Resource Organizations	Initiatives
Green Products	"The Ecology of Commerce: A Declaration of Sustainability" book by P. Hawken	"Serving the World's Poor, Profitably" by A. Hammond & CK Prahalad	"Beyond Greening: Strategies for a Sustainable World" HBR article by S. Hart	Environmental Grantmakers Associations (EGA)	SustainAbility Education Center	Alliance for Environmental Innovation (AEI)
The Environmental Costs of Production	"Sustainable Consumption & Production" – by J. Makower & D. Fleischer	"Leverage for the Environment" report by J. Ganzi	"Coming Clean" by D. Austin (WRI)	Center for New American Dream	Green Power Market Development Group	Sustainable Resources 2003
Sustainable Business Practices	"Global Sustainability and the Creative Destruction of Industries" by Hart & Milstein	"Sustainable Growth, the DuPont Way" by C. Holliday	Business and Sustainable Development: A Global Guide (bsdglobal.com)	The Natural Step (TNS)	United Nations Commission for Sustainable Development	SustainAbility Development
Consumption Practices	"The Fortune at the Bottom of the Pyramid" by Prahalad & Hart	"For the Common Good: Redirecting the Economy Toward Community, the Environment and a Sustainable Future" by H. Daly and J. Cobb	"Cradle to Cradle" book by W. McDonough & M. Braungart	Environmental Defense	The Gund Institute for Ecological Economics (Univ. of Vermont)	Energy Star
Economic Democracy	"Single Bottom Line Sustainability" by P. Gilding, M. Hogarth, D. Reed (Ecos Corporation)	"Cannibals with Forks: The Triple Bottom Line of 21 st Century Business" by J. Elkington	"Cross Cutting Themes" by WBCSD	World Resources Institute (WRI)	Center for Sustainable Enterprise, UNC	Green Power Market Development Group
Inclusive Capitalism	"The Next Bottom Line: Making Sustainable Development Tangible" by M. Arnold & R. Day (WRI)	Sustainablebusiness.com Website	"Stalking the Elusive Financial Case for Corporate Sustainability" by D. Reed (WRI)	Coalition for Environmentally Responsible Economies (CERES)	Global Business Network (GBN)	Sustainable Enterprise Initiative (WRI)
Innovation & Technology	Communities by Choice Website	Green@Work Magazine	"Global Sustainability and the Creative Destruction of Industries" by Hart & Milstein	Factor 10 Institute	Environmental Entrepreneurs (E2)	Global Environmental Management Initiative (GEMI)
Eco-efficiency & Ecosystems	"Natural Capitalism" book by P. Hawken, A. Lovins, L.H. Lovins	GreenBiz.com Website	"Sustainability Innovations: Ecological and Social Entrepreneurship and the Management of Antagonistic Assets" by K. Hockets	Center for Environmental Leadership	Livelihoods Connect (Canada)	WBCSD Eco-efficiency Indicators Project
Risk	Wavefront Newsletter (AtKisson)	CoolCompanies.org Website	"At the Edge: Sustainable Development in the 21 st Century" by A. Dale	United Nations Environment Programme (UNEP)	Leadership for Environmental and Development (LEAD) International	Planetwerk: Networking A Sustainable Future
Double and Triple Bottom Line	Naturalbusiness.com Website	Environmental News Network (ENN) Website	International Network for Environmental Management Website (INEM.org)	Environmental Protection Agency (EPA)	SustainAbility	
		Communities by Choice Resource Network		The Centre for Sustainable Design (UK)	International Institute for Sustainable Development	
		"Tomorrow's Markets" report by WRI, UNEP & WBCSD		World Business Council for Sustainable Development (WBCSD)	Rocky Mountain Institute	
				Friends of the Earth	World Environment Center	
				Redefining Progress		
				Ecos Corporation		
				Natural Logic		
				Battelle		

Sustainable Development

Leadership Examples

<u>Consumer Awareness</u>	<u>Innovative Policies</u>	<u>Demand for Green Products</u>	<u>Corporate Accountability</u>	<u>Sustainable Business Practices</u>	<u>Sustainable Investing</u>	<u>Foundations</u>	<u>Measurements & Metrics</u>
Center for New American Dream	Vote Solar Initiative	Recycled Products Purchasing Cooperative	ForestEthics	Alliance for Environmental Innovation (ARI)	Sustainable Asset Management (SAM)	Wallace Global Fund	American Institute of Chemical Engineers Sustainability Metrics Project
Redefining Progress (E.O. Wilson Initiative)	Green Scissors	The Markets Initiative (Canada)	Rainforest Action Network	Sustainable Cotton Project	Dow Jones Sustainability Group	Rose Foundation for Communities and the Environment	Dow Eco-Compass
Mainstream Media Project	Union of Concerned Scientists	The Food Alliance	Silicon Valley Toxics Coalition	Organic Exchange		AVINA Foundation	SustainAbility/UNEP Environmental Reporting Framework
Circle of Life Foundation	Local Government Commission	Green Power Market Development Group	Global Exchange	The Natural Step (TNS)		CANOPUS Foundation (Germany)	European ECO-Management and Audit Scheme
Commercial Alert		Forest Stewardship Council	Carbon Disclosure Project	World Resources Institute (WRI)			Association of Chartered Accountants Environmental Performance Measurement Report
The Satyana Institute		Co-op America	Campaign Exxon Mobile	Global Reporting Initiative (GRI)			ISO 14000
			CERES Sustainable Governance Project	Factor 10 Institute			SA 8000
				Rainforest Alliance & Chiquita			

*See "Sustainable Consumption & Production" by Environmental Grantmakers Association.

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