Building Capacity for the Future

Research Foundations
Leading in Collaboration and Partnership

Carlsberg Academy
Copenhagen, Denmark
January 27, 2015

Jed Emerson
Grand Lake, CO
San Francisco, CA
A Broad, Fundamental Question

How might research foundations more effectively maximize innovation, insights, breakthroughs and problem solving to best address the Grand Challenges of the 21st Century?
More Specifically...

How might research foundations use the building blocks of vision, strategy, brand and multi-lingual leadership to optimize their full Blended Value potential?
Or more simply still ...

“My question is: Are we making an impact?”
Our Time Today

Blended Value: A Brief Review

Philanthropic Actors as Impact Investors and Multi-Lingual Leadership

The Research Foundation as Collaborator and Catalyst

Copyright Emerson 2014
“Try not to become a man of success, but rather try to become a man of value.”

...and...

“It’s really quite simple... But that doesn’t mean it’s easy!”
The Bifurcated World

The only purpose of business and investment is to make money

The only tools for solving social challenges are donations and subsidy

Copyright Emerson 2014
The Bifurcated World works... as long as you stick to one side

• Capital markets
• Philanthropy
• Metrics and measurement
• Education and career paths
• Laws and regulations
A Blended Value Perspective

- **Value is whole and non-divisible**
- **Fundamental components of value creation (organizational and capital) are economic, social and environmental**
- **Business can make an effective and morally legitimate contribution to solving social challenges; NGOs have capacity to leverage economic tools.**
- **Investors may actively target social and environmental value creation in their for-profit investments.**
- **There is a capital continuum and flow of organizational form, with various structural options for maximizing total performance with multiple returns.**

Emerson, 2000
Philanthropic Actors as Impact Investors and Multi-Lingual Leadership

Copyright Emerson 2014
A Winning Philanthropic Business Model?

For every dollar you donate, 95 cents is invested in the pursuit of financial return and a nickel is invested in our business...


What Percent of Your Capital is Advancing Your Total Mission?

95% of your assets are, at best, neutral to your institution’s mission....

....while 5% of your assets drive 100% of your mission.
Endowed Foundations Have the Potential to Manage Six Asset Classes in two groups:

- **Financial Assets**
  - Grants
  - Debt
  - Equity

- **Nonfinancial Assets**
  - Time - Basic Engagement
  - Talent - Intellectual Property
  - Network - Political Capital
Financial Tools:

- Traditional Grants
- Recoverable Grants
- Program Related Investing
- Blended Value Investing
- Asset Alignment of Corpus with Mission
- Proxy Voting and Corporate Engagement
Traditional and/or Strategic Grantmaking

• Single or...
• Multi-year
• Program, Project or
• Operating Support
• Capacity Building
• Viewed as Investment...or Charitable Gift
• Hopefully, based upon Theory of Change
Foundations as Market Actors

1. Foundations owning operating companies
2. Operating companies functioning as economic actors while advancing positive social and environmental impact
3. Asset alignment opportunities for optimizing value creation for shareholder/stakeholder alike
   a) Corporate Practices
   b) Stakeholder Engagement
   c) Investment Strategies
   d) Promotion of a BV Vision of the Firm Within Society
Social Value Component is the Sum of Social Capital Elements

- Nature/Form of **Intangible Assets** (Brand, Reputation, etc)
- Nature/Form of **Internal Human Capital** (Talent, Management Quality, Hours Worked, Corporate Culture)
- Nature/Form of **Philanthropic Capital** (Alignment with Core Corporate Business Model, Contributions—both monetary and In-Kind, Volunteerism)
- Nature/Form of **Relationship Capital** (Networks, Stakeholders, Place in Market, Role in Industry, Community Links/Impacts)
The Research Foundation as Collaborator and Catalyst

How should research foundations manage external relations with stakeholders?

And what does BV mean for optimizing value creation with partners and society?
BVP Mapping Process

Overview

Areas to Explore:
- Topics
- Information Resources (Books, Articles, Websites)
- Resource Organizations
- Initiatives
- Leadership Examples
- Issues Under Discussion

Cross-Cutting Issues:
- Capital Questions
- Measurement and Metrics (Non-profit & CSR)
- Organizational Capacity
- Regulatory, Policy and Tax Code
- Sustainable Development

Implications:
- Infrastructure
- Cross-Sector Collaboration

Practitioners (CEOs, Social Entrepreneurs, Managers)
- Corporate Social Responsibility (CSR)
- Social Enterprise
- Strategic/Effective Philanthropy
- Social Investing – Socially Responsible Investing (SRI)
- Social Investing – Community & Double Bottom Line Investing

Issues Under Discussion
- Sustainable Development

Resource Organizations
- Cross-Cutting Issues

Infrastructure
- Cross-Sector Collaboration
One perspective of research foundation relationship to stakeholders?

“O.K., let's slowly lower in the grant money.”
Successful impact investing

• A multi-sector exercise
• Stakeholder-driven
• Inventing the right vehicle for the job
• Integrating cultural change
• An opportunity:

Every sector/role drives better performance
Successful Investing by Research Foundations Requires a Reframe

Moving from

A Focus on Grants to
Resources, Capital and Total Portfolio Management

Repositioning

A Specific Research Topic to
Theme, Domain, Market and Eco-System

Evolved Vision of

Foundation as a single, primarily funding entity to
Tool for Leveraging Multiple Assets, Vehicles, Actors, Stakeholders
Multi-Lingual Leadership

The ability to think, speak and act across diverse silos, disciplines and skill sets
The Research Foundation as Multi-Lingual Leader

The Multi-Lingual Leader expresses complex concepts and practices across silos and with equal passion to diverse stakeholders.

The challenge for Research Foundation Leadership:
How to create a “common narrative” of social impact?
How to rise above the RF silo to connect with cross-cutting concepts and practices?

The MLL in practice:
Individual
Team
Firm

Copyright Emerson 2014
Fundamental Characteristics of MLL

a) Critical Thinking
b) Ability to Focus on Ends Not Means
c) Ability to See the Forest and the Trees
d) Non-ideological
e) Entrepreneurial
f) Financial Savvy and Creativity
g) Strong Communication Skills
h) Informed Risk Taking
i) Vision with Humility
Recognize the type of multilingual expertise and relationships that will best enable the RF to reach its goals.

As you build your team and develop strategy, incorporate interdisciplinary background of team members/hires and create new learning processes.

Reflect upon how a strategy might play out over the three stages of organizational praxis: Learn, Adapt, Act.
How might a RF optimize value creation with its stakeholder group?

- Public Universities
- Governmental Departments and Actors
- Individual Researchers and Institutes
- Other Research Foundations
Critical Questions

What is the relative contribution of each stakeholder?

How might the RF affirm and advance that contribution?

What are the gaps in the value creation process the RF might address?

What total assets might the RF bring to bear in support of its mission not present in the current set of stakeholders?

Remain focused upon the long-term goal
Promote a vision of the sum and not the parts
Maintain a Total Portfolio perspective of potential resources
The BV and MLL Universe

Shared Value (2006)
To create shared value companies should:
1. Reconceive products and markets to provide appropriate services and meet unmet needs.
2. Redefine productivity in the value chain to mitigate risks and boost productivity.
3. Enable local cluster development by improving the external framework that supports the company’s operations, for example by developing the skills of suppliers. 

See also, Shared Value Initiative, Sustainable Value (Hart) and Integrated Value (De Propper)

B-Corps and B-Analytics
1. B-Corps are firms that revise their corporate charter to allow for simultaneous pursuit of value for shareholders and stakeholder alike.
2. B-Analytics is a set of measurement tools to assist companies in assessing performance
KPMG
A New Value Vision: True Value

Three Value Drivers:
1. new regulations and standards
2. the growing influence of stakeholders
3. changing market dynamics driven by economic, social and environmental megaforces

The True Value Agenda

✓ Demonstrate leadership and tangible action.
✓ Clarify the concept of fiduciary duty.
✓ Improve understanding of the relationship between corporate and societal value.
✓ Change mandates and incentives.
✓ Improve the quality of data.
✓ Provide an enabling policy environment.

September, 2014
A Living Case Study:
Gary Community Investments

1. From Operating Company and Foundation to Investing in Applied Research and Impact
2. Long-Term Investment Horizon; Total Portfolio Management
3. Multi-Lingual Leadership within the Firm; The Integrated Investment Team
4. Systems Change to Community Development to “Every Child Learning Ready”
5. Investing in Partner Platforms—not Foundation Staffing or Organizational Infrastructure
The Gary Group:
One Organization Creating Maximum Impact for Colorado’s Children & their Communities

A Community Interest Holding Company
(A Shared Board With One Goal)

...with multiple vehicles through which we execute strategy
An Expanded Capital Toolkit
Supporting Underserved Children

- Employment
  - Job Creation
  - Development
  - Training

- Health and Mental Health

- Parenting

- Community Economic Development

- Housing
  - Affordable Housing
  - Wrap around

- Research & Policy

- Early Ed

- K-12

- Community Resources-Involvement
  - Financial Innovation
  - Access to capital

- Health
  - Fresh Food Access
  - Services

- Human & Social Capital

- Market, Below Market And Philanthropic
Many thanks!

Jed Emerson
Jed@blendedvalue.net
www.blendedvalue.org
@blendedvalue