

# Social Impact Investing

## A New Business Opportunity



**Jay Hein**

What does it take to be a good corporate citizen in today's economy? Two words: social impact.

This point became clear in recent comments by both global and state leaders. In his annual letter delivered in the run-up to the World Economic Forum, BlackRock CEO Laurence Fink boldly asserted that his firm's \$6 trillion in assets will only be invested in companies that achieve a healthy economic return and prove a benefit to society.

Closer to home, Lilly Endowment chairman, president and CEO Clay Robbins delivered remarks to the annual Engage Indiana conference challenging our state's companies to consider high-priority community needs as part of their strategic philanthropy.

Both of these leaders' words are given wider historical context by Britain's leading venture capitalist, Sir Ronald Cohen. He recently told Stanford business school students that the world's free market system is entering its third phase. The first was defined by Adam Smith's exchange model leading to massive productivity gains. The second era was marked by our ability to diversify investments leading to unprecedented wealth creation. Now, he claims the third era will be measured by social impact.

Cohen supports his claim by mounting evidence that investors will follow BlackRock's lead in requiring both economic and social ROI. He also makes a clear case that many millennials will only work for companies that follow Robbins' charge to make their communities better.

This changing landscape is good news for Hoosiers. Thanks to the legacy of Col. Eli Lilly and Madame C.J. Walker, among others, no state in the nation has bettered us in creating profit with a purpose. This has always been a part of our identity, almost hiding in plain sight, but now it requires more scale and strategy.

### Today's reality

A new asset class on Wall Street called impact investing is creating a dynamic market in which to compete. Consider that America's Fortune 500 companies contribute some \$15 billion or so per year in traditional

philanthropy. Yet, there is now over \$8 trillion in assets under management classified as an impact investment. With eight in 10 millennials considering themselves as impact investors, the trendlines will only continue to go up and to the right.

While our old way of giving and serving has been good, the impact investing space invites us to be better. We trade a scarcity of philanthropic resources for the abundance of market capital and we replace good intentions with measurable results.

To help make sense of this changing landscape and to catalyze high quality impact investing deal flow in Indiana, Sagamore Institute is hosting two events this October. The first will be our annual Indiana Conference on Citizenship that will feature leading voices on how businesses can achieve greater social impact. Following the citizenship conference, we will hold a shark tank for businesses working to solve our state's greatest social challenges.

### Multiple opportunities

The shark winner and runner-up will receive investments up to \$150,000 but the big market opportunity will be off stage. Sagamore is using the annual competition to discover high-quality impact investment opportunities. All deals deemed investible will be presented on an online Commonwealth Marketplace organized by social impact domains (e.g., solutions to the food desert crisis, affordable housing). For more information on Sagamore's conference and shark tank, please visit [www.CommonwealthIN.com](http://www.CommonwealthIN.com).

We believe that good business means better communities. Of course, business has always been an uplift to society through the jobs it creates and the improved quality of life made possible thanks to its products and services.

As society's challenges become greater, so too does the opportunity for business to deliver its innovation, rigor and sustainable solutions to make Indiana thrive.

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