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Perspectives

Impact investing now accounts for one out of every five professionally managed dollars. Here's how organizations can align the world of finance with social causes.

# HIRING FOR **IMPACT** (INVESTING)





### **The problem:**

A host of private and nonprofit organizations are jumping into an investment field without a clear strategy for aligning purpose with profit.

### **Why it matters:**

Consumers are demanding positive social impact in the products they buy and from the investments companies make.

### **The solution:**

As the trend grows, organizations need a strong roadmap to integrate the right strategies and create a talent pipeline that can run them.

As a student at Cass Technical High School in downtown Detroit during the late 1980s, Saskia Thompson would take a bus ride that took her past boarded-up businesses, abandoned homes, and shocking levels of homelessness. By then the Capitol Park district was ground zero for the “most dangerous city” in America. Arson, burglary, drug use, murder, and other violent crimes were regular occurrences in this blighted section of the city. “Business and people were leaving in droves; you could see it everywhere,” Thompson says.

Thompson still passes Capitol Park every day on the way to her new job as executive director of the Detroit Land Bank Authority (DLBA), a quasi-government agency that holds all city-owned land. Only now, the district has become a historic district, known for hipster restaurants, boutique art galleries, and start-up tech companies. A recent Tuesday night featured a mass dog—dog yoga—class in the park. “A series of disinvestments made Detroit desolate and empty,” says Thompson, “and the investments now coming into the city are making it beautiful again.”

Investments like those flowing into Detroit—known as sustainable, mission-related, or, most commonly, impact—are one of the hottest areas

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of growth these days for the financial services, nonprofit, and philanthropic sectors. Indeed, more than 1,800 financial services and philanthropic institutions are now focused on impact investing—from JPMorgan Chase to BlackRock to the Ford Foundation, along with a host of independent venture capital and private equity firms. Total impact investments will pass \$8.7 trillion a year, or virtually one out of every five dollars under professional management in the United States.

The movement, of course, comes part and parcel with many companies’ efforts to unite profit with the purpose movement, which focuses on providing products and employee policies that are more inclusive and improve society. But as this kind of investing grows on a massive scale, so too do the demands at organizations to better integrate the world of finance and real estate with such initiatives as urban development and economic health, often in hand with local government

leaders. That requires some key skill sets and experiences that only a small pool of executives has to help support and lead these campaigns.

And it’s a pool that’s only getting smaller as the labor market prospers, forcing companies to recruit and strategize more quickly. Not unlike the growth of the chief cyber officer or chief people officer, many outfits are introducing a slew of new titles, such as managing director for impact investing, head of responsible investments, sustainable investing program officer, among others. But it remains a race for talent—for executives whose skill sets and experiences are bent on having an impact.

“Impact investing roles are increasing quickly,” says Divina Gamble, whose position as co-leader of Korn Ferry’s Global Nonprofit, Philanthropy, and Social Enterprise practice is to help organizations design strategies, recruit leaders, and build diverse talent pipelines. “The challenge is in identifying the right individuals.”

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Though it’s hot now, impact investing is actually a practice that is several decades old. The pressure to change today has come as both consumers and workers get behind the purpose trend more, using greater access to information and social media to see how products are made and what policies firms follow. Millennials, who have overtaken baby boomers in the workforce, have only driven corporate attention to purpose more. “People aren’t trusting institutions or government to reflect their values. They are looking to control what they can, from their investments to individual consumer choices,” says Kate Shattuck, co-leader of Korn Ferry’s Impact Investing practice.

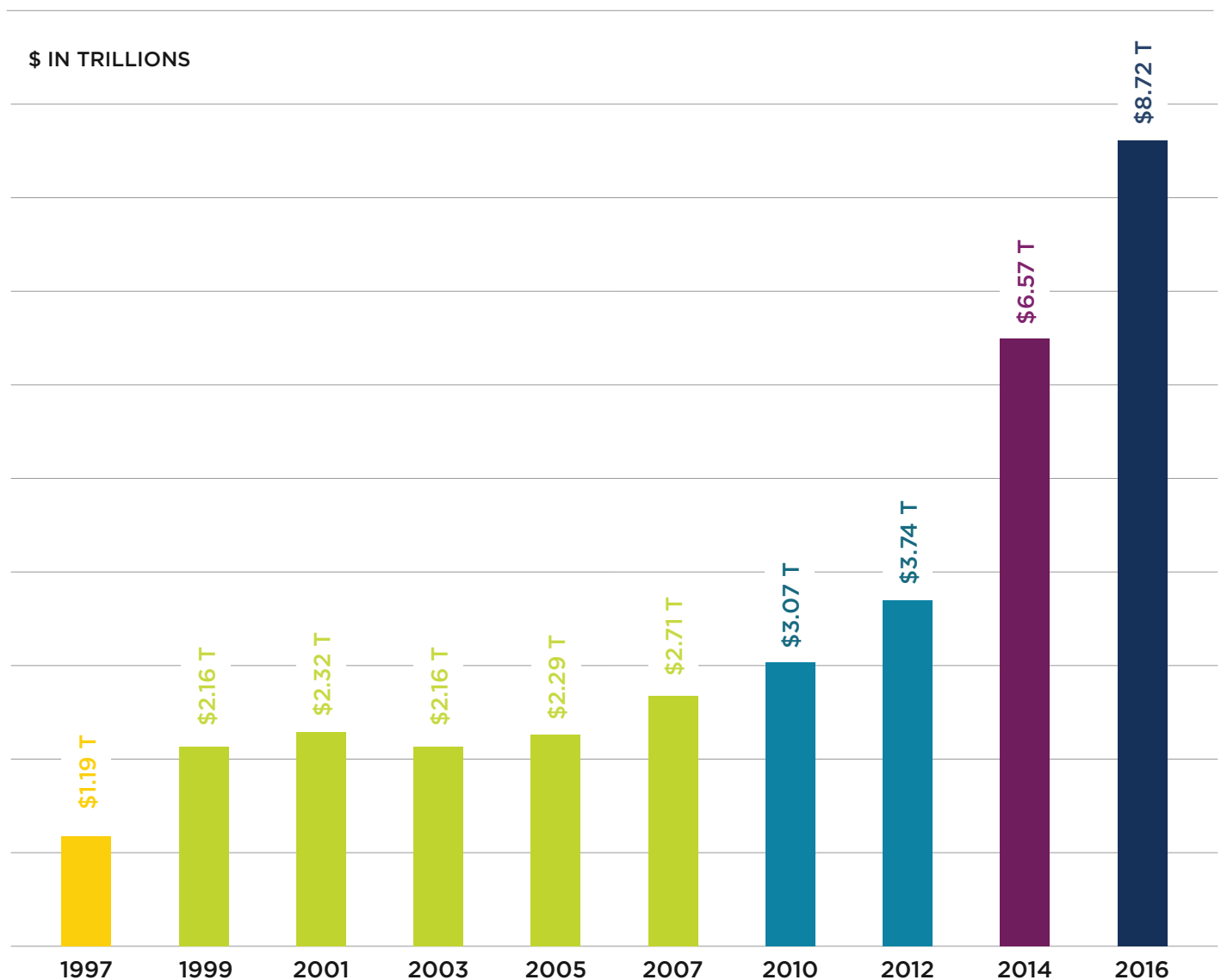
Ellis Carr, who spent a decade at Freddie Mac and now leads the nonprofit and



community development firm Capital Impact Partners, says there is one surefire way to tell if a candidate is not right for the impact investing world. “When I ask why our firm is attractive, if they start talking about assets under management or something that has no connection to the why of what we do, that’s a telltale sign,” says Carr, whose firm has about \$1 billion under management between its loan portfolio and assets.

Carr, whose parents are both retired Washington, DC, public school teachers, views the answer as an indication that the candidate sees profit and purpose as separate rather than intricately linked. That can be critical: According to Korn Ferry’s 2016 study “People on a mission,” companies that focused their employees on the organization’s purpose generated annual growth rates that were nearly triple the annual rate for their given sector.

### GROWTH IN IMPACT INVESTING ASSETS AND FIRMS SINCE 2010



Source: US Sustainable and Responsible Investing Trends Report.





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Building a pipeline of purpose-driven talent isn’t a core competency for most organizations, however, especially in the financial sector where compensation—not purpose—has been the primary recruiting tool. At the same time, embedding impact practices into entire organizations represents an acute human resources challenge, since impact investing can run across entire departments from supply chain and government relations to finance and real estate. At financial services organizations, this could mean complexity across asset classes, consumer segments, and services.

But, through recent searches, a picture of what the best impact investing talent looks like is starting to emerge. The data shows, for instance, that the strongest candidates come with a collaborative mindset, the kind that comes from being well experienced in the worlds of business, finance, government, and social enterprises on a global scale. They also show higher levels of learning agility, since many firms’ impact investing practices are still entrepreneurial ventures that must adapt to changing conditions. Similarly, the role requires a higher level of creativity and risk tolerance, says Shattuck, since determining these type of investments often means being open to new ideas, partners, and deal structures.

Finding candidates likes these is equal parts effort and persuasion. Case in point: Lisa Davis, whose

path into the world of impact investing has hardly been linear. Fresh out of college, Davis started her career as a homelessness activist in Austin, Texas. “The longer I worked there, the more I realized that the people with the greatest influence over the issues I care about were the real estate developers,” says Davis. Since that first activist job, Davis has transitioned between the nonprofit and for-profit worlds, from a community-based nonprofit to the Ford Foundation to private equity firms focused on affordable housing. She was, as she says, “happily plugging away” in private equity when she was approached last year to lead a new portfolio for PGIM Real Estate, Prudential Financial’s real estate investment business, which centers on impact investing.

While Prudential has been making social investments across asset classes from their balance sheet for decades, Davis says it wasn’t done with an explicit intention to create impact for third-party investors until recently. The mandate for Davis’s new portfolio is to focus on assets where positive social and environmental impact can be measured and tracked over time. Any real estate investment, for example, must show it is creating affordable housing or improving tenant outcomes, measured broadly

through everything from tenant satisfaction to crime reduction to greater inclusiveness of different income levels in the community. “For instance, if you improve energy performance in an apartment, living there is more affordable, and when housing is affordable, tenants stay longer, which improves the bottom line and property performance, not to mention increasing housing and community stability,” says Davis. “We are managing impact performance as much as financial performance because we think they are correlated. It’s a virtuous circle.”

Measuring the precise impact of an investment is in fact becoming increasingly important. Whether around jobs, carbon impact of an acre of forest, or increased wages due to childcare, investors are demanding rigorous standards around measuring the issues they care about. That translates directly into an emerging need for organizations to build out a pipeline for reporting and compliance talent as well as talent with deep domain knowledge and deal experience, for instance.

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In April, JPMorgan Chase named Janis Bowdler the new president of its charitable foundation—her ascension after five years with the firm is a testament to its own investment in developing female and minority leadership. (Bowdler is Latina.) It also coincided with a 40% increase in corporate giving at the firm over the next five years to \$1.75 billion; Bowdler will oversee about \$350 million of giving annually.

JPMorgan groups its impact investments into four broad categories: community development, small business, financial health, and workforce/job skills. The creation of these categories emerged from a massive effort the firm made five years ago to align its philanthropic efforts with its brand and talent. “The foundation used to do a lot of educational giving, but it doesn’t have a lot of institutional knowledge in that sector,” says Bowdler, who was recruited to JPMorgan as part of that strategic overhaul. “Now we focus on areas where we can contribute not just dollars but also data, technology, and the time and talent of our employees.”

Since being named president, Bowdler and her team have embarked on a refresh of the foundation’s strategic approach to giving based on lessons they’ve learned over the last five years. Called AdvancingCities, the bank is committing \$500 million over a five-year period, and expects to raise an additional \$1 billion in outside capital, to invest in cities “where conditions exist to help those who have not benefited from economic growth.” Much of the new initiative is



rooted in lessons learned from the foundation's work in Detroit, where it has invested roughly \$150 million toward revitalization efforts in recent years. She points to the collaboration between business, government, and civic leadership on the ground in Detroit as "setting the table for success," for instance, and says that impact investments can't be "siloed efforts."

"What are the conditions on the ground for inclusive economic growth and mobility? Are all the opportunity systems coming together to move the needle?" says Bowdler. "Just funding programs won't generate the scale to meet the magnitude of the challenges we face."

In the case of Detroit, Bowdler says city leaders first identified what problems needed solving and a strategic plan for it. A key pillar of their analysis was fixing its housing crisis, and JPMorgan was able to provide major financial support in the form of low-cost loans for real estate projects, revitalization and demolition efforts, small-business loans, and workforce training. In fact, one of JPMorgan's major contributions was to the Detroit Land Bank Authority. The foundation

backstopped a five-year funding commitment to the agency, giving it the long-term sustainable financing it needed to build its operations. As Bowdler says, "we started working with DLBA when it was literally two people on laptops and cellphones."

JPMorgan also provided support to the DLBA via its "internal service corps," a small team of high-performing mid-level executives that it embeds with impact firms in which it invests, for three weeks at a time. At the DLBA, the team did an analysis that became part of the agency's growth plan that it then linked with the necessary funding to hire the talent needed to support the expansion.

Enter Saskia Thompson. Though she wasn't one of the original two people, she is now the leader of an agency that, backed with funding from Quicken, JPMorgan, and others, has grown to employ around 125 people. As a child, Thompson saw the affect disinvestment had on the city and people of Detroit during the '80s and '90s, and she says it gave her a purpose that has propelled her professional career.

Her job at the DLBA is quite literally to invest in Detroit's future. The mission of the agency, which holds roughly 95,000 abandoned houses, vacant lots, and other structures that came under city control due to residents fleeing the city or because of foreclosure, is to return these properties to "productive use" via sale, rental, or financing for individuals or investors. Other activities include demolition, refurbishment, and community revitalization partnerships. These investments are not about turning a profit for the DLBA, but instead to increase value for Detroit's residents. Housing value in the Crary/St. Mary's neighborhood increased 134% between 2013 and 2017—the increase was 120% in Springwells and 103% in the Warren Avenue Community since the DLBA's involvement, for instance. (The dollar amounts are, of course, still lower than housing value in many places in the country.) "Instead of displacing people who stuck it out through the bad years, our purpose is to take care of them and make sure they can participate in the good years," Thompson says. Now that's impact.

## Impact Leaders: A Profile of Best in Class

According to Korn Ferry data, here are some ways to tell if a candidate is right for purpose-driven work.



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