

**Doing well  
*and* doing  
good**

**Demand's high  
for impact  
investing  
talent, rarities  
who possess  
the combined  
strengths of  
Warren Buffet,  
Melinda Gates,  
and MacGyver.**

# Introduction

**“Impact investments are investments made into companies, organizations, and funds with the intention to generate measurable social and environmental impact alongside a financial return. Impact investments can be made in both emerging and developed markets, and target a range of returns from below market to market rate, depending upon the circumstances.”**

The Global Impact Investing Network (GIIN)

*Multi:* This prefix arises frequently when boards and executives describe the qualities they seek in leadership candidates for the rapidly increasing number of impact investing positions. These executive teams want individuals who are “multi-layered,” “multi-lingual,” and “multi-faceted.” These exacting hiring specifications vary by organization. That said, boards and chief human resources officers (CHROs) want their candidates to be well versed in traditional investing; passionately committed to the organization’s unique mission; and fluent in the specific industries, geographies, cultures, and languages in which the organization operates.

These multiple leadership requirements—and there are more—reflect impact investing’s twin objectives of doing well and doing good. These positions are extremely difficult to fill because of their unique and complex nature, which is “less linear and more like a strand of DNA,” according to Jed Emerson, an impact investing advisor to a number of mission-based organizations. Emerson also pioneered the concept of blended value and has co-written two books on impact investing (Bugg-Levine and Emerson 2011).

Impact investing leadership roles are increasing quickly, despite their rigorous requirements and the compensation challenges they pose to hiring organizations. This paper, which is based on interviews with experts like Emerson and on Korn Ferry expertise in guiding leadership searches in this area, briefly examines the growth of impact investing, discusses the challenges of finding impact investing leaders, and presents insights that can help guide the selection process.

# A helpful comparison.

To appreciate the wide-open, multi-layered challenges of hiring impact investing leaders, it helps to look at where the private equity industry was 25 years ago.

In the early 1990s, private equity firms expanded beyond their previous focus on leveraged buyouts and into more varied activities, including venture capital funding, angel investing, and turnaround endeavors. The rapid growth of these activities, and their benefits to companies and investors, helped make private equity one of the most successful financial services categories through the rest of the decade. As the private equity sector underwent this transformation, senior executive teams scrambled to find and hire a new breed of leader. These individuals needed to be skilled in generating deals in specific industries, wizards at due diligence, adept at both setting strategy and managing operations, and savvy in advising institutional investors on complex investment approaches.

From a leadership selection perspective, the rapidly growing impact investing sector in 2015 looks a lot like private equity did in 1992. For more current comparisons, it may help to consider where corporate social responsibility and efforts related to sustainability were 10 years ago or where health care—currently in the throes of data-driven and customer-centric transformation—is right now. Just as private equity teams struggled to find talent to fit a new type of leadership role more than two decades ago (and as health care organizations are straining to do today), so too are boards and executives encountering significant challenges finding and hiring impact investing leaders who can fulfill new multi-dimensional requirements.

There is virtually no bench for impact-investing leaders, said an interviewed expert. Many leaders and board members said they are building the first impact investing positions in their organizations and standards for this role don't exist.

At the same time, the increasing money flowing into the sector, combined with growing demand for impact-investing leaders, including those accustomed to private-sector paychecks, is driving compensation higher, the interviewed experts said.

# The rise of impact investing.

Impact investing, as defined by the Global Impact Investing Network, or GIIN ([www.thegiin.org](http://www.thegiin.org)), and practitioners, is a broadly applicable term related to similar descriptions, including corporate social responsibility, venture philanthropy, strategic philanthropy, social enterprise, and sustainable investing, among others. The organizations that are hiring impact investing leaders extend well beyond wealthy individuals and families and into traditional financial services, asset managers and asset owners. A wide variety of nonprofit organizations—including foundations, endowments, family offices, public pensions, corporate foundations and more—also actively seek impact investing talent. Impact investing positions include board members, CEOs/executive directors, chief investment officers, portfolio managers, strategy directors, program managers, impact measurement directors, and others.

The Rockefeller Foundation has noted that impact investing sits on a continuum, with socially responsible investing on one side and venture philanthropy on the other. In a detailed study on impact investing, Rockefeller Philanthropy Advisors borrows a page from “Built to Last” author Jim Collins by highlighting the importance of avoiding the “tyranny of OR” and harnessing the “genius of AND” when defining and pursuing impact investing (Godeke and Pomares 2009). Specifically, the study’s co-authors note, impact investing is about:

- Creating new impact-related processes and operating within strict investment policy discipline.
- Optimizing for environmental and social impact and applying the rigor of investment management tools.
- Investing in new markets and asset classes and maintaining exposure to traditional investment strategies.
- Embracing new business models and adhering to recognized financial theory.
- Evaluating impact performance and subjecting investments to recognized financial benchmarks.
- Expanding the scope and scale of philanthropic capital and maintaining adherence to fiduciary responsibilities.

The genius of impact investing’s many “ands” is evident in its rapid growth. Impact investing assets grew by 76% from 2012 to 2014, from \$3.74 trillion to \$6.57 trillion, according to the latest biennial survey by the Forum for Sustainable and Responsible Investment (US SIF), the Report on US Sustainable, Responsible and Impact Investing Trends 2014. The number of money managers offering impact investing products has surged 155% in the past five years (Collins 2014). According to a recent internal survey by Bank of America Merrill Lynch, half of investors want their personal values to be reflected in their investment decisions.

# Complex specifications: ‘The field gets narrow.’

Impact investing searches are difficult. Consider, for example, the challenge of finding an executive to fill a newly created regional investment position that works closely with global nonprofits. The executive’s mandate is to make private-equity technology investments that improve electricity access to the rural poor. This position is responsible for launching the organization’s activities in the North India Cultural Zone. Ideally, this leader would need to possess several skills.

One relates to financial services acumen—both in the service of the mission and from an internal balance sheet perspective. A second area of expertise involves the ability to measure the social impact of the nonprofit’s investments and activities. This requires a detailed understanding of the infrastructure challenges in the region and the social, political, cultural, and economic dynamics that contribute to these challenges. Cultivating this understanding requires in-person discussions with various stakeholders in different countries. A third area of expertise relates to collaborating with other regional nonprofits and nongovernmental organizations to build the relationships and coalitions needed to support the required financial services infrastructure; this means working closely with nonprofit and government partners with cultural dexterity. The ideal candidate in this hypothetical but representative search would be knowledgeable about finance, innovations in electricity, the “dialect” of alternative energy, travel in the developing world, government relations, coalition building, and possibly several languages.

Combine the specifications for this hire and the ideal candidate seems to blend the talents of Warren Buffet, Melinda Gates, MacGyver, and a Lonely Planet travel writer. Yet there are additional and equally imposing hiring challenges in competition and compensation. The few suitable candidates for this position are probably also being pursued by the Facebooks, Meerkats, J.P. Morgans, World Banks, and Coca-Cola Foundations of the world. Further, to be realistic, the position’s compensation structure needs to strike a delicate balance between complementing both the firm’s mission and its goals for returns while appealing to candidates who may be accustomed to the more sizable pay, benefits, and perks possible in the financial services sector.

GIIN fleshes out its definition of impact investing by describing four core characteristics of the discipline, including two, intentionality and impact measurement, that have played key roles in the authors’ every impact investing search. Intentionality refers to “the intent of

the investor to generate social and/or environmental impact through investments.” This genuine passion for making a social impact is critical, hiring teams emphasize, regardless of whether they are seeking an impact investing executive to head a nonprofit or to work within a private-sector company. Hiring teams are equally committed to finding candidates with the expertise to “measure and report the social and environmental performance and progress of underlying investments,” as GIIN describes it, while also measuring the financial returns.

Most, if not all, impact investing hiring challenges boil down to the need to strike a balance among disparate factors in distinct areas, including:

- Financial acumen and commitment to the mission: The need to achieve this balance arises immediately when planning the search. Hiring executives and teams often ask which of these attributes is easier to teach or develop. Is it better to hire seasoned leaders who are passionate about making a lasting societal impact and to groom their financial skills? Or is it more prudent to hire veteran financial minds and help foster their commitment to the mission?
- Compensation structure and culture: Nonprofits often face a difficult challenge striking a balance between structuring an individual’s compensation in a highly competitive manner (from the private-sector perspective) while ensuring that the pay and benefits package complements their organizations’ purpose-driven cultures.
- Investing in the mission and investing in talent management: Although impact investing leaders need to focus on how they make measure and manage investments, the vast majority will also be responsible for talent management; future impact investing leaders must be managed, developed, and retained. This responsibility typically requires fluency in managing multiple generations (millennials, Generation X and baby boomers), each of which brings different strengths and shortcomings to impact investing.

- Overwhelming interest but underwhelming qualifications: Many companies that post impact investing positions, (especially at the sub-vice president level) but also at the executive level, are inundated with responses from applicants, especially among millennials and baby boomers, they say. This surge of interest is a positive long-term development in talent terms, but a flood of responses can make finding suitable candidates a difficult process.

When asked to identify the most formidable leadership selection challenges in impact investing, Christina (CJ) Juhasz, Women's World Banking chief investment officer, began by pointing to the difficulty of finding individuals who possess "hard-nosed business skills and a track record in finance" along with a "passion for working in the developing world and other places with a high degree of need." Throughout the study, leaders mentioned the challenge of putting together the right compensation package before noting that candidates also need to be able to work across different global cultures. Stephanie Cohn, CEO of Toniic, a global network of impact investors, observed, "We have found that, through our network of investors and our organization's own hiring, that we are looking for executives who have a breadth of experience that spans the nonprofit, for profit, finance, and possibly government [worlds]. We need people with deal experience, not only the 'do-gooders' or activists who are looking to make the world a better place. It is a very hard fit-and the field of candidates narrows very quickly."

# Three considerations.

When board members and executive teams discuss the skills, experiences, and qualities they seek in impact investing leaders, several terms are mentioned, including agility, creativity, cultural fit, and entrepreneurial skill. In many situations, a viable candidate must possess the ability to build something from scratch, hiring teams emphasize.

These specifications-setting sessions follow a similar progression. First, hiring teams want to ensure that candidates possess the necessary investing skills. Then they focus on candidates' cultural fit: Do they possess personal values that align with the organization's values? Hiring teams then consider candidates' agility and adaptability: Can they build the enabling components—internal processes, talent management, external coalitions, and more—needed to optimize returns on impact investments?

Despite the rapidly evolving nature of the impact investing sector and the rigors of finding impact investing leadership candidates, three considerations can help hiring teams increase their odds of success.

# Consideration: alignment.

The number of factors and dynamics that must be aligned in successful impact investing leadership is imposing. Personal values should be aligned with organizational values. A candidate's compensation expectations should be aligned with organizational norms. A candidate's investing experience should be aligned with the industry or sector in which the hiring organization operates. "There is a real challenge in impact investing," said Manuel Lewin, the head of responsible investment at Zurich Insurance Company, "and that is to find people who speak both languages: the core asset management language and language of impact."

The actual investment's financial, social and/or environmental impacts should be made, measured, and managed in alignment with organizational values and expectations. Balance represents a subset of these alignment challenges. The finance requirements for leaders in impact investing should be balanced with candidates' human capital management responsibilities (e.g., hiring, retaining, and developing future impact investing leaders). In some nonprofit organizations, impact investing activities must be balanced with fundraising activities. The list goes on.

To address these alignment and balance issues, it helps, first, to recognize their existence; second, to identify which qualities are most relevant and important to the search; and third, to evaluate candidates in a similarly multi-dimensional manner. On this count, Korn Ferry Institute's recent analysis of more than 2.5 million assessments of professionals and top executives is helpful. The research determined that human performance in the workplace is governed by four factors or "dimensions": competencies, experiences, traits, and drivers. Research shows these four areas to be highly predictive of performance differences and to be correlated with all key talent variables, including engagement, retention, productivity, leadership effectiveness, and leadership potential. When hiring impact investing leaders, these dimensions provide practical guidance on how to evaluate the critical fit between an organizational culture and a leadership candidate

## A four-dimensional insurance policy.

Korn Ferry Institute's four-dimensional framework can help impact investing hiring teams clarify their understanding of how well a candidate fits with their organization (Crandell, Hazucha, and Orr 2014). The purpose of this research-driven framework is to foster practical conversations of fit through an easily shared language that makes leadership selection and talent management effective and sustainable. The four dimensions include:

1. **Competencies.** These are the essential ingredients of success at work, distilled to their observable skills and behaviors. Competencies might describe management skills that contribute to better leadership, such as resourcefulness, courage, or decision quality.
2. **Experience.** This dimension typically attracts the most scrutiny in aligning talent needs and contains the qualifications for each management level in diverse functions and industries. It transcends job titles to capture the core impact of an experience.
3. **Traits.** These are personality characteristics that exert a strong influence on behavior and that factor heavily into leadership potential. Traits include inclinations, aptitudes, and natural tendencies a person leans toward, including personality traits and intellectual capacity. Traits particularly relevant to socially conscious organizations include optimism or confidence, social astuteness, and general cognitive capacity.
4. **Drivers.** These articulate the deep internal values, motivations, and aspirations that influence a person's choices and ultimately the purposes that guide their behavior, decisions, and path in life. They lie at the heart of critical questions: What is important to me? What do I find rewarding? What drives me at my core? Drivers may fluctuate because of one's circumstances or life stage. Drivers are crucial to cultural fit, employee engagement, talent retention, and to uncovering an employee's purpose and therefore how she might best align with an organization's purpose.



# Consideration: talent management.

Hiring teams searching for impact investing leaders tend to focus on cultural fit, compensation structure, and the candidate's ability to measure financial and social impact. However, managing and developing talent across multiple workforce generations represents an equally important component of most impact investing leadership positions.

Generational dynamics cannot be neglected. Many millennials and Generation Z members demonstrate a passion for impact investing and, more generally, for doing well by doing good. These two cohorts will be on the receiving end of a sizeable transfer of generational wealth in the coming years. They are key groups that impact investing leaders need to hire, manage, and develop. Impact investing leaders also must skillfully manage the talents of baby boomers, especially those with long and valuable investing experience who are focused on opportunities to do good as their careers wind down; and Generation Xers, who can play a key generational bridging role. These age groups differ in what they need from leaders in terms of autonomy, retention, and on other human capital challenges.

Retention is a major issue because relatively few impact investments qualify as quick wins. These efforts are complex and take time.

# Consideration: compensation.

Compensation is one of the most prevalent and complicated challenges in impact investing hiring. An executive with a \$3-billion family office who has hired three of these specialized professionals in the last 24 months said compensation packages are increasing as his office deploys more capital to impact investments.

Deciding on the appropriate structure and compensation for an impact investing leader is influenced by numerous factors, including private-sector practices, norms in the hiring organization, and related organizational-culture and stakeholder expectations.

“We have to align compensation with our organization, our global ‘customers,’ and a suitable individual incentive component,” Women’s World Banking’s Juhasz said. “It requires creativity to put together these pay packages.”

Determining proper compensation requires sensitivity and creativity, and many impact investing organizations struggle to reconcile competing needs. In most cases, hiring organizations seek to strike a mission-appropriate balance between compensation approaches in financial services and nonprofits.

This component is “still being worked out,” Emerson said. Leaders who shared insights with Korn Ferry repeatedly talked about the need to align compensation with the organization’s financial goals. Leaders also are applying more creativity in structuring the packages, with, for example, performance compensation, or “carried interest,” and management fees for private companies, public equity-oriented firms, and even nonprofits with impact investing funds. More impact investing fund managers also are expected to co-invest, a practice in line with what occurs in private equity firms.

# Conclusion

As more impact investing leadership positions arise, boards and management teams will make progress in achieving alignment and balance.

For now, the challenge of finding, selecting, and developing impact investing leaders remains steep. The hiring teams that are best positioned to address these challenges over the short term will be those that know where to look for the best candidates. That knowledge begins with a multi-dimensional approach to evaluating current and future impact investing leaders based on their skills, experiences, personalities, and values.

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# Authors



**Divina Gamble**

Senior Client Partner,  
Co-Leader of Nonprofit Practice  
[divina.gamble@kornferry.com](mailto:divina.gamble@kornferry.com)  
202.955.0901



**Kate Kohler**

Principal, Financial Services  
[kate.kohler@kornferry.com](mailto:kate.kohler@kornferry.com)  
202.955.0913

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