

ImpactPHL: An Alliance for Growing Philadelphia's Impact Economy

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Summary

There is a growing sense among entrepreneurs, investors, and philanthropic and corporate leaders that the traditional ways of doing business aren't the only ways of doing business. As we struggle to address intractable social and environmental challenges and people increasingly consider how well their spending and investments align with their values and with the values of a new generation, new business and investment models have arisen. What is emerging is what can be called the impact economy—a new ecosystem built on the notion that there is both economic and social impact to be found in the ways in which we address the challenges facing our communities and organizations. Proponents describe it as seeking to “unlock greater amounts of private capital to do public good” and “creating shared value.”

The Impact Economy Working Group, under the project leadership and management of the Ben Franklin Technology Partners of SE PA (Ben Franklin) and the

Economy League of Greater Philadelphia (Economy League), began the Greater Philadelphia Impact Economy Initiative (Initiative) in 2015 to better define both the opportunities presented by this new approach to economic development and social problem-solving, and the strategies and tactics by which Greater Philadelphia can position itself to capitalize and grow its base of impact investors and enterprises. Through research, roundtables and interviews, this analysis has helped to identify the current state of impact investing and impact companies in the Philadelphia region and the potential market opportunities for these companies, organizations and investors. The ultimate goal of the Initiative is to catalyze efforts to grow impact economy activity in Greater Philadelphia through a new collaborative effort, ImpactPHL.

Defining the Impact Economy

The impact economy is the ecosystem that supports the work of entrepreneurial enterprises addressing social needs in the community, either through the products they make or the process or strategies by which they do business, while they build profitable, and often scalable, enterprises. This includes:

- **Impact companies and organizations** – Enterprises (traditional for-profits, nonprofits, or benefit corporations) that directly address a social need or opportunity such as, but not limited to, environmental

issues, job creation for disadvantaged individuals, health, sustainability or education, either by the product they produce or service they provide or through their business processes or strategy.

- **Impact investors** – Individual or institutional investors who are seeking investment opportunities that produce both financial returns and measurable social benefits. These investments can be made by venture funds, private investors, foundations, government and pension funds in entrepreneurial impact companies and organizations.
- **Intermediaries** – There is a growing set of organizations and advisors who are working with all elements of the impact economy. Wealth management firms are increasingly including advice on impact investing in the menu of services. There are organizations that serve as financial intermediaries between investors, impact enterprises and client governments or nonprofits, helping to structure the deals and contracts that result in results-oriented financing. And there are entrepreneurial support organizations that provide incubation, mentoring, and start-up business advice to social entrepreneurs, preparing them to refine their business models and enter the marketplace.
- **Customers** – The market for the products and services provided by impact companies and organizations. This includes the public marketplace of governments and nonprofits, private markets and

consumers, and the regulatory and policy frameworks in which investors and companies operate.

Growing the Impact Economy

Beyond opening up new sources of capital, impact companies and impact investing have the potential to bring innovative ideas and approaches to addressing social and environmental challenges. They bring some of the best thinking and practices from the entrepreneurial world, which can be a catalyzing force.

Leaders in the field are seeing real growth in the sector and interviews with these leaders as well as surveys of impact investors have found significant optimism about the potential of the impact economy. Many of the early challenges are being overcome and the economy is growing. Impact investing is increasingly mainstream. Institutional investors—fund managers, banks, and pension funds—are increasing their activity in impact investing.

In their 2015 survey of 146 large investors, JP Morgan and the Global Impact Investing Network found respondents were managing \$60 billion in impact investments.¹ In 2014 alone, they committed \$10.6 billion and reported plans to invest 16 percent more in 2015. The market survey also found that most investors' portfolios are meeting or exceeding their performance expectations related to

impact and financial returns, presumably setting the stage for more growth and interest. In fact, just 2 percent of investors reported that their investments did not meet their impact expectations. On the financial side, 91 percent indicated that their investments met or exceeded their expected financial returns.

Early on, most investment was limited to companies in the U.S. due to difficulty vetting overseas companies, especially in emerging markets. Investment fees were also higher because of the additional research needed to confirm social impact. Better availability of data and increased transparency of firms have expanded the pool of potential firms and lowered the costs of vetting.

Still, investors cite a lack of good investment opportunities as their biggest challenge and the main obstacle to growth in the sector. This points to the continued crucial role of intermediaries and accelerators in supporting the development of companies, helping to confirm the social impact side of the equation, and in matchmaking between investors and companies.

Also, there is a communications and knowledge gap between this emerging base of entrepreneurs and larger, established corporations. More likely than not, they hold different perspectives. However, a dialogue is beginning as the demand for innovative solutions—often from outside sources—to fuel new growth, and the requirements of a new generation of talent, as both

leaders and employees, are felt.

A goal of this work is to lower the barriers between these parties to uncover opportunities that can become a new platform for regional growth. By shining a light on what's already here, starting the discussion, and providing some ideas as to how companies and investors can 'find a way in' we hope to upsize the economic pie.

A remaining challenge for growing the impact economy is figuring out how to bring impact investment and impact companies to scale.

- Impact companies still struggle to reach new customers, attract the right workforce, secure needed funding, and access the technical assistance needed to grow.
- Impact investors still struggle to find the right enterprises to invest in (are they at the right stage of development, does their business model work, does their intervention truly make a social impact?), with a lot of questions still to be resolved.
- The ability to measure impact so that all parties are focused on clear outcomes can accelerate the investment that helps companies scale.
- While growing as an asset class, there is still a large knowledge gap about the opportunity that impact investing presents, as both an asset class for investors and as a source of capital for impact companies.

- Corporations that are moving to 'shared value' strategies are not familiar with who, what and how they can move forward, particularly in any one community.
- Governmental leaders are eager to unlock the new resources and approaches that impact investors and companies promise, but they are often burdened with systems, bureaucracies, regulations and rules that require significant changes to allow the new partnerships and payment structures often needed to make a deal work with an impact company.

The region that can effectively address these issues and deal with these concerns has an opportunity to become a hub of the emerging impact economy.

Greater Philadelphia's Potential as a Center of the Impact Economy

No single region can claim to be the epicenter of the impact economy; as of yet, there is no "Silicon Valley" of the impact economy. But the Greater Philadelphia region is a strong contender as a center for the development of this new impact economy. Philadelphia is already home to an emerging set of entrepreneurial impact companies, advisors and intermediaries, and an enthusiastic and growing group of impact investors.

Here is what else Philadelphia has going for it:

History – Philadelphia was the home to one of the original American impact investors and company founders, Ben Franklin. Franklin's role as the original boundary crosser, working between the private, civic and governmental sectors, established a model for "doing well by doing good" that has been the inspiration for generations of American social entrepreneurs, including today's newest cohort.

Location – Philadelphia sits between the global financial capital of New York and the political capital of Washington, seemingly ideal for the development of this new segment of our economy. In addition, the Philadelphia region is more affordable and accessible for a startup, yet large enough to shine nationally and internationally.

Human and Financial Capital – As a large, diverse region sitting in the midst of the dense Mid-Atlantic Corridor, Greater Philadelphia has access to the human capital, financial capital, and business development resources that are necessary to nurture a set of growing impact companies.

Wealth Center – The Greater Philadelphia region is a major center for wealth and investment management, and a leader in developing new vehicles for individual and institutional investors.

Higher Education Center – Philadelphia is one of the richest intellectual regions in the world. This provides an

environment teeming with ideas, with the ability to test and evaluate new concepts, and with a potential workforce eager to get to work solving the problems of the region and the world.

Potential Customers – Philadelphia’s geographic proximity to a diverse set of local and state government bodies, many in need of new solutions to significant social challenges, could be a major advantage. Coupled with potential private and nonprofit partners, this makes the region a potential test bed for innovations, technologies and ideas.

Governmental Leadership – Philadelphia has been a leader in exploring how government can help catalyze the impact economy. Governor Wolf’s administration issued a request for Pay for Success proposals. Pennsylvania, New Jersey and Delaware have recognized the need for a new corporate form—the Benefit Corporation—to address the different incentives and priorities of impact companies.

ImpactPHL: An Alliance for Growing Philadelphia’s Impact Economy

To jumpstart the strategy for growing Philadelphia’s impact economy, we have launched a new alliance of organizations and institutions coming together with dollars, time and leadership to advance Greater Philadelphia’s impact economy ecosystem. ImpactPHL serves as a gateway to the impact economy ecosystem,

ensuring that there is no wrong door for those seeking to participate in the regional impact economy.

ImpactPHL Goal and Objectives

The goal of ImpactPHL is to increase investment in impact companies and organizations in Greater Philadelphia by accelerating development and awareness of Greater Philadelphia's impact economy ecosystem and potential. Based on the lessons learned from the scan of Philadelphia's impact economy and the roundtables held last summer and early fall, five primary objectives were identified to support the goal of increasing investment in Philadelphia-area impact companies and organizations:

1. Strengthen connections and collaboration among the various components of Greater Philadelphia's Impact Economy.
2. Increase the number of successful, growing impact enterprises located in the Greater Philadelphia region.
3. Attract a higher number of regional individual and institutional investors who make significant impact investments in the Greater Philadelphia region.
4. Increase awareness among and participation by established enterprises and organizations in impact objectives.
5. Position Philadelphia as a leading international center of impact economy activity and knowledge.

Strategies

ImpactPHL unifies stakeholders from the investment, philanthropic, civic, and entrepreneurial ecosystems to lead the growth of a global movement uniquely poised to define Philadelphia's present and future. This plan has resulted in the creation of ImpactPHL to serve as a catalyst, coordinator and enabler of five core strategies designed to drive attainment of the strategic objectives:

1. **Advocacy and Promotion** – ImpactPHL staff and volunteer leadership will serve as evangelists for existing impact efforts and for expanding the impact economy in Greater Philadelphia by providing publicity, expert analysis, policy leadership, and meetings with potential investors, companies and partners to move deals and opportunities forward.
2. **Product Development** – ImpactPHL is taking a leadership role in supporting and developing new collaborative investment products, programs and initiatives.
3. **Connecting and Engaging** – ImpactPHL is serving as a gathering place for the region's impact economy ecosystem, connecting and amplifying existing activities and identifying opportunities to bring new participants into the community.
4. **Capacity Building** – ImpactPHL is identifying and coordinating new resources to support impact ecosystem development and sustainability.

5. Research and Education – ImpactPHL is helping to build and support the case for investment and engagement in Greater Philadelphia’s impact economy by working with local researchers and experts to identify, assemble and disseminate high-quality research and analysis on impact investment and impact companies.

Conclusion

We are seeing increased interest in this burgeoning impact economy, globally, nationally, and here in Greater Philadelphia. Impact investors and entrepreneurs in Philadelphia are driven by the belief—and increasingly the evidence—that it’s possible to put private capital to work to achieve positive social and environmental outcomes and generate financial returns in the process. But if Philadelphia is to be a leader in this new approach, we need to support, connect and amplify the work underway in Philadelphia’s impact economy ecosystem. That is why we created Impact PHL. To learn more, go to www.impactphl.org. And join us in this effort!

References

1. “Eyes on the Horizon: The Impact Investor Survey,” JP Morgan and Global Impact Investing Network (May 2015), accessed October 16, 2016, <https://www.jpmorganchase.com/corporate/Corporate-Responsibility/document/impact-investor-survey->

Author bios

RoseAnn B. Rosenthal is President, CEO and member of the Board of Directors of Ben Franklin Technology Partners of Southeastern Pennsylvania (Ben Franklin). Praised by regional, national and international leaders as a pioneer of public-private partnerships and an invaluable resource for innovation-focused investment and growth in Greater Philadelphia, Rosenthal has over forty-five years of experience in economic development, business investment, and regional planning. With a current portfolio of over 175 technology companies, Rosenthal has led Ben Franklin since 1996, growing its reputation and impact through innovative partnerships and a solid track record of seeding hundreds of southeastern Pennsylvania's technology leaders across all areas of technology. Most recently, Rosenthal helped design and launch the region's Health Care Innovation Collaborative, an open innovation model unifying universities, corporations, investors, healthcare providers and insurers in development of new solutions; and catalyzed the development and launch of ImpactPHL, a new regional alliance focused on growth of the Greater Philadelphia's impact economy.

John Moore is currently the Executive Chair of ImpactPHL, an alliance to promote and grow the

impact investing ecosystem in the greater Philadelphia region. He has been a full time angel investor since 2005 with both Robin Hood Ventures, where he is a managing partner and with Investors' Circle Philadelphia. He serves on the Board of Directors for Investors' Circle, the world's largest and most active impact investor angel group, Good Company Ventures, an accelerator for social impact companies, and several startup companies including Wash Cycle Laundry and Milkcrate.

Previously, he helped run Seton Company which was the world's largest supplier of automotive leather, specializing in business acquisition and development, product pricing, and the implementation of company-wide strategic initiatives. Prior to working with Seton, John spent most of the 90s developing and launching new cardiovascular catheters products for B. Braun Medical, Inc. John holds a B.S. in Mechanical Engineering from the University of Delaware and an M.B.A. with concentrations in Finance and Marketing from Drexel University.

Steve Wray was named executive director of the Economy League in 2006 after 11 years as the organization's deputy director. He works with a board of more than 60 senior private sector leaders from the region's leading companies and institutions and a staff of eight. Steve is also managing director of the Pennsylvania Economy League, Inc., the corporate

home of the Economy League of Greater Philadelphia.

At the Economy League, Steve oversees the Economy League's World Class Greater Philadelphia agenda, leading its research, strategy and civic convening activities. Under his leadership, the Economy League has won national, state and regional awards, and has been instrumental in developing groundbreaking initiatives and organizations like IssuesPA, Campus Philly, and Graduate! Philadelphia.