

Books

The Power of Impact Investing

By Judith Rodin & Margot Brandenburg

Review by Cathy Clark

Stanford Social Innovation Review
Fall 2014

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funding to Whitmire's book project. I also learned that Joe Williams, a prominent charter advocate, advised Whitmire on developing the book. So *On the Rocketship* has a clear agenda: to further the charter school movement. The influence of these vested interests calls into question Whitmire's journalistic objectivity, and it makes his book a work of advocacy rather than one that fully informs the public. ■

A Guide to "Good" Investment

REVIEW BY CATHY CLARK

In 2008, the Rockefeller Foundation brought together a small group of global leaders at its conference center in Bellagio, Italy. Those leaders had a vision of unlocking billions of dollars in a quest to achieve both social impact and financial return. They fastened on a term for what they envisioned: "impact investing." Since then, this term has enjoyed remarkable success. It manages at once to convey the rigorous discipline of investing and to evoke the tantalizing ideal of making an "impact." Even though a great deal of what we now call impact investing has existed for decades, the new term has come to serve as a powerful beacon. It has also helped a diverse set of players—foundation officers in inner-city Baltimore, solar panel investors in Uganda, financial advisors in Hong Kong, pension fund investors in California—to see themselves as part of a common effort.

Which brings us to *The Power of Impact Investing*. Its authors, Judith Rodin and Margot Brandenburg, are the president and former senior associate director (respectively) of the Rockefeller Foundation, and they have led a multi-year, multimillion-dollar effort to fuel a powerful investment movement. Their primary aim, they write, is to engage readers in that effort: "Most of all, we want you to share our excitement about the opportunities that are opening up

for investors. We want you not only to grasp the 'how' of impact investing but also to gain an understanding of the 'why.'"

Indeed, the book serves as a welcoming invitation to join a global movement that uses investment dollars—as opposed to relying on government or philanthropic grant funding—to solve intractable social and environmental problems. The book includes many recent examples of impact investing, most of them drawn from field-leading organizations and projects that the Rockefeller Foundation has funded. (The CASE i3 Initiative on Impact Investing, which I direct, has been a Rockefeller grant recipient since 2011.)

The middle chapters of the book are what I found most compelling. A chapter devoted to "Impact Investing Opportunities" covers the potential recipients of capital, including social enterprises, social venture funds, and social impact bonds. The chapter ends with a brief discussion of the current mismatch between the supply of capital and the demand for it: Are there just not enough deals, or are investors mistakenly skipping over deals that need a little work to make them investable? Rodin and Brandenburg seem to lean toward the latter view. "For investors willing and able to roll up their sleeves, the sky may be the limit," they write.

In a strong chapter titled "Support Systems," the authors discuss performance measurement, legal organizational forms, public policy measures, and other essential building blocks of impact investment. Next, in "A Global Movement," Rodin and Brandenburg survey the global and regional challenges that impact investors face. Their discussion of developments in Africa, East and Southeast Asia, India, and Latin America is rife with detail about institutions, people, and economic conditions in each market. They also write about trends that cut across regions: Lessons from investing in India are finding fertile ground in Africa, for example.

At the same time, the book is notable for what it does not include. Using a story-oriented approach rather than data-oriented approach, the authors provide very little information about financial performance



or risk. And financially motivated investors will find little data here to convince them that impact investments should be part of their portfolio. The book will probably work best as a primer for investors who want to learn about this emerging field. That seems to be what the authors have in mind: They title their last chapter—rather than their first—"Getting Started."

Unlike most previous writing about this field, the book succeeds at the level of tone and style. It's forthright and free of jargon. It elegantly weaves together stories of institutions and individuals who have discovered just how much impact their investments can achieve. It opens, for instance, with the tale of an investor who set out to be a philanthropist and then discovered that an impact fund would allow him to leverage his dollars in a more significant way. Nearly every chapter includes this kind of personal perspective. The authors start by describing a problem faced by an investor or entrepreneur. Then, after discussing some aspect of the impact investing field, they invite readers to engage directly in that topic.

Rodin and Brandenburg give credit to many of the field's pioneers, and they deftly explain the motivations of its leading players today. The broad accessibility of their book, I believe, will allow it to play an important role in spreading the message about impact investing to new audiences. Because the stories that the authors tell have universal appeal, I have no doubt that the book itself will have a big impact. ■