Drivers for Value Creation and Social Impact

By Amy du Pon and Darby Hobbs

We believe that value creation in the financial marketplace can be achieved by connecting profit and purpose, rewarding values with value, and knitting together the heart, mind, and wallet. We see a growing sense of urgency—fueled by technology, immense digitization of our every action, the need for connectedness, the rise of transparency, and commoditization—to provide incremental value in financial services. This incremental value is in the form of services that tangibly meet changing customer, ecosystem, and citizen needs, enabling us to live well. This incremental value is built on the foundation of connecting the heart, mind, and wallet.

In this article, we explore today’s drivers for growth, performance, and social impact, the best practices we see, and how more conscious decision-making as businesses, stakeholders, and citizens alike, creates value.

A Stage Set for Change

Better health is allowing us to live longer. Indeed, life expectancy around the world is more than 30 percent longer today than in the 1960s. Our longer lives are altering our working patterns and changing our expectations of life, how we live it, enjoy it, and fund it.1

Thanks largely to our improving health, we now have an intergenerational workforce of baby boomers (1946–65), generation Xers (1966–80), and millennials (1981–2000). Technology continues to have a transformative impact on the type of work we do and how we do it. Gone are the days where a job was for life, and we continue to see growth in flexible hours, the gig economy, and multiple careers. Baby boomers born in the years 1957 to 1964 held an average of 11.7 jobs from ages 18 to 48, and this is only expected to rise.2

Climate change is undeniable, and we as citizens are more aware of the implications of our actions and what we are leaving behind for future generations. With this greater awareness, we are seeing greater citizen participation in stemming and reversing the damage.3

We see cues all around us about what is increasingly important in our lives. People are placing more value on work-life balance, time for themselves and others, investing in health, wellness, and continuous learning, as well as using technology to manage and make our lives easier. These changing aspects of what is important to us are recrafting the 21st-century symbols of living well.

We recently asked IMCA members to describe their understanding of sustainable living, and figure 1 graphically represents the results.4 IMCA respondents said sustainable living is living healthfully, in a way that protects and preserves natural resources, collectively improves the world for generations to come, and invests capital in ways that help meet environmental, social, and governance challenges as well as the changing role of corporations in society.

Voting with Our Wallets

A heightened sense of responsibility to act, coupled with a successful start-up culture and growing social entrepreneurial opportunities, are driving demand for impact investing. The family-office and high-net-worth markets are being lured by investing opportunities in private equity, microfinance, and public securities markets. Many approaching the inheritance lifestage expect the entities they invest with to do good and also do well. We believe this reaffirms that a significant change is afoot, one that will lead to a more virtuous cycle of capital formation.
We see this, too, for everyday purchases, where citizens increasingly are using their engagement, dollars, and loyalty to reward businesses that make positive differences in people’s lives. Businesses that provide greater tangible value to their customers see stronger business performance.5

**The Rise of Conscious Capitalism**

Businesses that are more conscious about their purpose, organization, relationships, and leadership are seeing solid returns. For the Conscious Capitalism organization, one of the movement champions, this includes four elements: higher purpose, stakeholder alignment, conscious leadership, and conscious culture.6 To practice conscious capitalism, executives and management teams must abandon business as usual and focus on the why and the how of their businesses.

Companies that place a higher purpose at the center of their business model see greater trust among all stakeholders. Greater trust in itself correlates to greater brand engagement, including purchase, participation, and loyalty. Businesses that engineer their thinking around a deeper purpose tend to innovate compelling products and services, focus on creating positive social and environmental impact, and create stronger stakeholder engagement, all of which lead to greater customer satisfaction, employee happiness, and business models that meet 21st-century needs.

**Entrepreneurial Disruption**

Entrepreneurs are always catalysts for change, whether they disrupt products, services, processes, markets, and business structures, or enter existing markets with unique selling propositions. Entrepreneurs boost economic growth, increase competition, provide new job opportunities, raise productivity of companies and economies, and force stodgy company structures to be more nimble and flexible. The following are some examples of entrepreneurial companies that have disrupted the status quo and created value by realizing unmet societal needs:

- Shared service platform enablers, e.g., Airbnb, Uber, Wevolver, Kickstarter, Oscar Health Insurance
- Direct distribution models, e.g., Warby Parker, Rent-the-Runway, Amazon, Bloom Energy
- Net new value propositions, e.g., Nest, Tesla, Khan Academy, gene therapy and genetic drug delivery services

The pace and sources of disruption force traditional business to rethink value propositions, business activities, structures, processes, and partnerships. We are seeing businesses that are strengthening their entrepreneurial alignments and mirroring start-up thinking. We have seen B-Corp structures—the for-profit companies certified by the nonprofit B Lab to meet rigorous standards of social and environmental performance, accountability, and transparency—grow to 1,600 certified entities across 42 countries and more than 120 industries. Business processes are increasingly agile. More corporate social responsibility (CSR) and environment, social, governance (ESG) programs are being established to reinforce organizational purpose.

**Co-Solving Society’s Problems**

Businesses need to be a part of the solution to global poverty, inequality, climate change, and other key issues that pervade our social and economic structures.

Our survey poll found that the majority of IMCA member respondents believe that businesses and institutions have an important role to play as leaders. Respondents said they expect businesses and institutions to use their visibility and reach to develop standards, practices, and incentives to drive positive change.

**Shared Value**

Shared Value is a global community of leaders, affiliated with Michael Porter of Harvard, who find business opportunities in addressing societal challenges. Shared Value’s leaders have determined a “new revenue model for business by quantifying the market potential of for-profit business to meet the needs of the Sustainable Development Goals (SDGs).” They believe that sizeable opportunities exist in “getting business to understand that this is about new markets, new business opportunities, and new business models—instead of charity or the mandate of the development agencies, the government, and the Non Governmental Organizations (NGOs).”9

**United Nations Sustainable Development Goals**

The United Nations has encouraged partnerships for the common good through its Sustainable Development Goals (SDGs) initiative, which defines 17 areas of global focus and impact for driving change and economic growth.8 We see the SDGs influencing core business propositions and strengthening CSR and ESG program alignment, which in turn initiates change and creates value in local and emerging market economies.
Financial Marketplace Disruption

Robo-advisor platforms such as Wealthfront, Betterment, XYPlanning, and FutureAdvisor are changing individual experiences and the financial marketplace. Robo-advisor services offered through Schwab, Fidelity, Foliofn, and start-up Green-Robo Advisors focus on environmental and social areas and are engaging millennials through baby-boomer segments. The rise of the whole advisor and more holistic approach to financial well-being also has enabled a different conversation at the table between intermediaries and investors. Application of the holistic approach via a robo-advisor represents a changing mode of distribution and market outreach. The general conversation is moving the financial services business in the direction of making a more measurable impact across people’s lives, decision-making, and investment choices.

Real-time diagnostics through these platforms provide individualized and immediate answers with full disclosure and transparency, allowing for up-to-the-minute decisions. Response and reaction time is

energy, better health solutions, better education tools and community outreach, more protective and substantial housing, and improvements in water quality, water conservation, wastewater treatment, and other sanitation programs. All of these types of initiatives are being spearheaded by companies together with communities and individual investors. They are proof of changes in the financial, investing, and market practices of today.

The Role of Business

Leading businesses and business disrupters alike are driving change to our daily lives (see figure 2). These changes allow business to adapt to people’s daily needs in real-time, intuitively learning our habits, dislikes, and life patterns, tailoring services to surpass our every waking moment of “what if?” Firms that intuitively build-in bettering the global community into their near real-time service are aligning individuals with larger macro-economic values. They are changing the interaction value and its forms, whether it’s business-to-business, business-to-customer, or customer-to-customer, across a range of service offerings that includes payments, investments, financing, insurance, advisory, big data/analytics, and social trading solutions (e.g., crowdfunding).

These initiatives represent the new ecosystem of social change where innovation and conscious thinking integrate. According to a 2015 Accenture report, global investment in financial-technology (fintech) ventures tripled from $4.05 billion in 2013 to $12.2 billion in 2014. We see this growth in the size and power of financial technology across all industries. Rich data, smart algorithms, and matching platforms with intuitive user-friendly experiences are opening up possibilities, which also extend to new research, analytics, and measures of impact. John Streur, president and chief executive officer of Calvert Investments, said, “We need more impact reporting on companies and their impact on society and the environment.”

We agree, and we believe that this step will energize value creation from Wall Street to investors.
negligible, and many data aggregation sites are running up-to-the-second algorithms to respond to those who frequent these sites, with their agendas clearly top of mind.

21st-Century Impact Investing

We have watched socially conscious investing grow from the negative screening principles of socially responsible investing (SRI), to using product and service offerings across countries to influence ESG issues, to more-sophisticated impact investing, which has various interpretations. The essence of impact investing is the use of investment programs that directly produce social good and measurable return. Areas covered by impact investing include the SDGs referenced above, incorporating issues from poverty, health, education, equality, jobs, and beyond.

According to a US SIF Foundation 2014 report, “... as of year-end 2013, more than one out of every six dollars under professional management in the United States—$6.57 trillion or more—was invested according to SRI strategies.”¹³ The goal is to leverage trillions in private capital to bring the same level of focus and entrepreneurialism to meet society’s pressing needs. Allowing people to become more informed, to invest, and to engage with investment choices that meet with their individual values, with measurable and competitive returns, will only continue to grow.
Inviting These Drivers into Our Practices

In our poll, we asked what is important to IMCA member respondents and how active they are in a range of areas that influence well-being (see figure 3). As you might expect, the most tangible and accessible area of interest, the greater the action and involvement, such as recycling and reusing products, health and wellness, being active in the community, and supporting socially responsible business. On the other hand, we are less active in supporting those areas that are perceived to be further from our direct control, such as emerging market development, governance, and high social impact programs.

We see a significant opportunity for financial services to strengthen trust and engagement by closing the gaps between beliefs and actions—by bringing greater access, demonstrating more tangible impact effects, and simplifying the decision-making process. In other words, taking a holistic view of decision-making, matching needs through a common human-centric and client-driven language, and opening up investing experiences energizes and connects the business community to society and ultimately grows performance.

By starting with a deeper appreciation of all your stakeholder motivations and needs, you can then explore ways to evolve. From our IMCA member poll, the essence of legacy aspirations is captured in the following statement: “To leave a planet and economic system that’s cleaner, healthy, and more equitable for our children and grandchildren than today’s conditions” (see figure 4).

Our poll also found that IMCA member respondents’ influencers are personal, and include teachers, doctors, the military, and family members, and what keeps them alive are relationships and connections with their environment (see figure 5). These types of questions allow us to extract behavioral traits and attributes that resonate, which allows for a richer picture of motivations.

Mapping and distilling beliefs, legacy aspirations, and motivations as leaders, employees, and partners allows for clarification on the desired role, purpose, and values of your practice. Folding in your clients’ legacy aspirations then helps to qualify your potential path and segment growth areas.

Notable value can be gained from creating a rich picture of clients’ investing needs from trusted and relevant methods of client data collection and analysis. The combination of analysis of clients’ investing and legacy needs, and your refreshed entity purpose proposition, can open newer investing product option areas to consider, notably in the impact space, that match with the collective values of your clients, your firm, and you personally.

As you consider changes to your offering and client experience, explore ways to connect values and passions with life decisions. Perhaps there are engagement practices from robo-advisors or the digital platform wealth advisory world that you can draw from. Is there a simplified visual language that we can co-create for the new ecosystem? Are there additional impact performance perspectives you can bring to your clients? What practices from the trusted advisor model may be worth testing? The resulting outcomes can range from iterations to the current investing experience, e.g., content, relationship forms, messaging, to adjacent services that allow for a broader advisory role, or to net new offerings.

Connecting Our Hearts, Minds, and Wallets

We believe that by being human-centric and taking a holistic approach, by refocusing your purpose and refreshing your offering, you can strengthen your client relationships, evolve your book of business, and ultimately grow assets under management and impact performance. As we become more conscious of our choices, their impact, and the decisions we could make, we have the potential to create a better future altogether, with businesses, Wall Street, and individuals each playing our part.

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Endnotes
4. In preparation for writing this article, the authors asked IMCA to survey its members to help the authors understand members’ views on a sample of input elements for their LivingWellTM model. The authors’ LivingWellTM model includes newer forms of client wealth planning solutions that take a holistic engagement view, informed by legacy ambitions, values and passions, and investing needs. IMCA surveyed a select random sample of members in April 2016.