

# Value

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**D**ictionary.com defines “value” as “the worth of something in terms of the amount of other things for which it can be exchanged.” Value is a concept that everyone understands, although what is valued, and how much worth something is given, varies from epoch to epoch, society to society, and from person to person.

In the Middle Ages, high value was placed on the ownership of an animal. During the creation of an independent United States, freedom of religious expression and from onerous rule was so highly valued that our forefathers risked everything for a stake in something so valuable.

The wild economic ride of the last decade could be said to have been fueled by another, seemingly benign value, the value placed on home ownership here in the U.S.

The San Francisco Chronicle recently noted that a barter economy is thriving these days in the Bay Area. This phenomenon provides a great insight; members of a community-focused society can and will find ways to return to beneficial, direct, and shared means to maximize assets of value. But one person’s, or one community’s, most highly valued asset, may not be the same as another’s. In the barter economy, the common focus (efficient use of what I already have), as well as the individual “stamp” on value, are harmoniously balanced. These themes of alignment along with individual decision are central to ideals for a society with more than financial value goals.

## **Valuing More Than Simply Financial Worth**

I like to think that a letter I sent to President Obama last winter really does sit somewhere in a clutter on his desk. In my letter, I (like countless others I am sure) made the case that he, and we, all take advantage of the massive economic mess we find ourselves in. I suggested we actually could have some tailwind, an easier ride on the path to a truly sustainable society. The sustainable society’s challenge: how to create a collective and compelling structure which places enduring value not just in financial assets, but in all assets, including clean air, abundant clean water, and good jobs where wealth is shared by all our citizens.

The ideals of the sustainable society are taking greater hold, especially in the realm of socially responsible investment. Between 2005 and 2007, socially responsible investment assets under management in the United States grew by 18 percent, compared to the broader universe of professionally managed assets that grew by just 3 percent. Today, one out of every nine dollars under professional management in the United States is involved in socially responsible investing. Investors want to not only avoid causing harm in their investments, but also to do good. The major shift is to a community-up activist orientation. People want

to do something which maximizes valuable outcomes—outcomes whose value is measured in many more ways than financial value. Communities want to own their original investment, and track its progress, whether that investment is their intellectual capital, financial capital, or personal labor. Activists want to invest not only for financial rewards but also to increase other non financial assets like farm fresh food, clean water, clean air, and high quality jobs.

*Here are some examples of how communities are making this happen:*

- This spring in Washington, DC, one of my board members, Sunil Paul, announced The Gigaton Throwdown Initiative ([www.gigatonthrowdown.org](http://www.gigatonthrowdown.org)). This call to action to massively scale clean energy is a wonderfully branded example of valuing more than simply financial returns.
- The California Fisheries Fund ([www.californiafisheriesfund.org](http://www.californiafisheriesfund.org)), working with the Environmental Defense Fund, is making small loans to fishery operations in California which are utilizing cutting edge innovations to operate fisheries which are both financially rewarding and which sustain not only fish populations and fishing grounds, but also individual fishermen using a community approach.
- We at Pacific Community Ventures have for ten years valued highly the intellectual capital of our network of volunteer Business Advisors, whose time as strategic advisors to small business owners has generated both quantitative and intrinsic value for both advisors and advisees.
- CalPERS and the Northwest Area Foundation, two distinctly different types of entities, have each demonstrated leadership in a community focused, activist approach towards their investment portfolios, and engage in disciplined evaluation of both financial and nonfinancial returns on investments.

## **Shifting the Power**

Financial wealth clearly creates power in our society; this is a fact of our modern world.

Each time we read of new milestones in philanthropic innovation or community based innovation, we simultaneously read articles like the one in the *New York Times* on July 20, headlined “cashing in again, on risky mortgages”, a story of a firm making its new money on questionable mortgage modifications after making a fortune delivering subprime mortgages in the last go-round.

How then do we shift some of the power structure to one aligned not just with money but also with other highly valued assets and outcomes?

I would suggest four innovations which, in combination, could create a meaningful, powerful, sustainable society investment structure.

### *Innovation One*

**A National Open Network for Alignment of Value at the Institutional Level.** We need to establish a network which provides communities of investors, as well as investment managers, a formal place to state investment proposals, and values sought. To fully enable value providers and value acquirers to negotiate a deal, we need an open network application that facilitates transparent dialogs between investors and managers about alignment of value sought. Such an online network will complement the much-needed work of building the impact investing industry infrastructure that the Global Impact Investing Network (GIIN), led by the Rockefeller Foundation, has undertaken.

Those seeking investment capital would be required to post and describe the value they intend to create for their investors. “Value goals” would be unique to each firm. These would however be required to be concrete and measurable. In all cases, the value goals would include all values to be created, and how each would be measured (including financial value). Examples of values might be:

- Petroleum use year over year
- Poverty reduction rates year over year
- Average wages and incomes for low-moderate income workers year over year
- Food grown and consumed locally year over year
- Fish populations year over year
- Health-oriented behavior changes year over year
- Financial return on investment

Those with capital to invest could then evaluate capital seekers’ value goals and plans to achieve them, and commit their capital according to what they value. Capital would flow to the projects that the community values.

### *Innovation Two*

**Portfolio Management Platform.** We must create an open platform to allow investors (individual and institutional) to view the available spectrum of value goals investment opportunities, across a spectrum of available choices. Purely non-financial value investments would be arrayed along with investments that blend both financial and social return. Tools would be available to allow the value goal investor to create a portfolio approach to investment.

### *Innovation Three*

**Local Open Network.** We must also create and replicate inclusive, local mechanisms for investment, ownership, and wealth building, based on a value goals set of principles. Local mechanisms such as local stock exchanges, community-based investment strategies such as Community Supported Agriculture, and health care access products, need to be replicated using a community-up approach.

Locally-based vehicles are critical because they allow individual community members to participate in new and powerful structures based on value goals, without barriers. They are an essential means to close income and equity gaps in our society. A national network of locally-based vehicles would enable and empower the community-up alignment of value goals as well as the efficient replication of local mechanisms in multiple communities.

#### *Innovation Four*

**A Movement Brand Identity.** We must establish a compelling brand identity in order for the business of value investment to compel and attract not only the early-adopters (those of us in the community development finance and impact investment niche) but also the majority of the potential marketplace. Of all four innovations, this may be the most important of all.

#### **Conclusion**

Our society has always privileged the concept of value. What we need is an alignment between what a community values and how it allocates its resources. The four innovations I have proposed here: (1) a national, open network application, (2) a portfolio management platform, (3) local mechanisms for investment, and (4) a movement brand identity, will go a long way to enabling that alignment. The national network will facilitate deal-making between value-creating projects and investors. The platform will enable investors to look not just at individual investments, but at all elements of value created in their entire portfolio. Local mechanisms for investment will enable every community member—not just institutions—to fully participate. And, finally, brand identity will generate the critical mass and scale that will ultimately create a society that places value on the assets it cherishes for sustainability.

*Penelope Douglas is the President and co-founder of Pacific Community Ventures (PCV), a 10 year old nonprofit and investment organization based in and focused on California's underserved communities. Penelope previously worked in senior management at several companies including Wells Fargo Bank and Odwalla. She has chaired numerous boards of community based organizations including Juma Ventures and Larkin Street Youth Center, chairs the board of New Mexico Community Capital, and sits on the boards of small, socially responsible companies including Evergreen Lodge, New Leaf Paper and Adina for Life.*