



GUEST ESSAY

Inertia as Inspiration

By Lisa & Charly Kleissner

When we transitioned from the fast-paced, high impact, status quo challenging culture of Silicon Valley in 2000 to the world of philanthropy, we were perplexed by what seemed to be a world in inertia. The very capital that should be taking the highest risk—grant capital—was being deployed in ways that were inefficient, risk adverse, lacked accountability and did not produce measurable long-term sustainable change.

That same year we challenged our investment advisor to show us investments that would make the world a better place. Much to our surprise, we ran into the same inertia. The resistance to change, in two entrenched industries that manage a lot of the world's financial resources, really got our attention. How could we integrate our values with the lessons learned from Silicon Valley, and the lever of our limited assets to create the systemic change we passionately cared about?

We found the answer when we looked to our values:

- We value an ecosystem approach
- We seek out innovative, highly leveragable and scalable models
- We promote holistic sustainable solutions that address social, economic, environmental, community, and spiritual needs
- We reward and promote entrepreneurial thinking that includes: challenging the status quo; demanding accountability and metrics; and is hands-on, trail blazing and risk smart
- We harness the power of AND, and reject the false dichotomy of OR

So what does this mean on a practical level? From the beginning we saw our role as connectors and co-creators of critical missing links in the emerging global social enterprise movement. Our early thesis was based on work in Sri Lanka and India, as well as an analysis of the work of organizations like Skoll, Ashoka, and the Global Social Benefit Incubator. If investing for social and environmental impact were to scale, then:

- A new kind of capacity building is needed to re-wire investors, intermediaries, philanthropists and entrepreneurs
- A new way to find, vet, and nurture impact investments globally leveraging the internet has to be created
- Financing impact has to be better aligned with impact's unique requirements, impact objectives, a wider range of return expectations, cultural norms and regulatory constraints

In answer to our thesis, we have co-created organizations to fill gaps and share lessons learned with whoever will listen. We are excited to be able to share our reflections with RSF Social Finance's community through this newsletter.

NURTURE AS NUTRIENT

We created Social-Impact International in 2004 to answer the need for regional training of social entrepreneurs. Today, versions of this program are running in India, Southeast Asia, and Austria (for Eastern Europe).

One of the programs that emerged from the prototype we started in India, Dasra Social-Impact, trains approximately 40 for and not-for-profit entrepreneurs per year. At least 50% of the graduates have a measurably larger positive impact, and at least 30% of the graduates are able to raise capital within 6 months of finishing the program.

What makes this program work? The answer is a combination of global and local best practices in a collaborative setting, the power of peer-to-peer learning, content uniquely developed for small and growing businesses, in-country mentoring, and demystification of access to capital. This program also capacity builds investors and intermediaries, providing a trusted platform from which they can meet entrepreneurs and move capital to address "bottom of the pyramid" challenges in India.

This program is unlocking the puzzle of how to get social enterprise from seed and early start-up, to late start-up and early growth stage. And bringing the power of peer-to-peer network investing back into helping to develop the next generation of enterprises is proving to be of significant value.

Take the example of Neelam Chhiber, CEO of Industree, Cohort 1 of Social Impact International. Her vision was to find a way of linking disadvantaged rural producers with design inputs, quality control, small business ownership, inventory management and a marketing channel, and connect them to mainstream and for-profit distribution channels. Her vision went further. She wanted to enable producers to own part of the equity in the for-profit distribution channel. Today, Industree is a chain of six stores throughout India. They work with over 3,000 rural producers creating the best of natural organic food and hand-crafted products for the Indian and global market. Earlier this year, the company reached cash flow positive.

“Social-Impact helped me to think seriously and methodically about scaling up and enabled me with the tools to do so. In addition it helped me to connect with a whole lot of peers and others working in parallel in the sector which helps synergize our eventual social impact,” says Neelam Chhiber, CEO of Industree.

However, even with the early success of Social-Impact International, seed stage enterprises need more investors who are willing to engage in ways appropriate for these types of businesses. It was this observation that led us to our next venture.

GLOBAL AND LOCAL

We had just spent a week mentoring inspiring social entrepreneurs whose innovative for-profit business models were changing the way Indians think about poverty alleviation. How could we connect the many philanthropists and impact investors we had met over the years with these and other innovative global enterprises in need of capital and nurture? This question led to the creation of Toniic LLC.

Since its inception in Fall of 2010 with seed funding from RSF Social Finance and LegacyWorks, Toniic has syndicated 17 investments, 5 of which were cross continental. We have members in Canada, the U.S., Hong Kong, and Europe, and affiliate networks in India, Brazil, and Mexico. We vetted over 300 global investments just last year. Toniic is a member organization providing an administrative backbone to help global impact investors increase their access to deal flow, syndication partners, and best practices.

However, keeping up with our global members can be challenging. The diversity of our investors makes it tough to keep both ends of the experience range interested and served. The clash of mainstream legal teams making disproportionate demands on small and growing enterprises with more socially constructed term sheets can make syndication difficult. And, governance structures that motivate founders and members are challenging, particularly as we expand across regions and globally.

However, where there is discomfort there is opportunity! The mentoring and learning between mainstream and impact investors is resulting in investors investing outside their perceived comfort zone. Toniic Institute, Toniic’s not-for-profit partner, is exploring deeper partnerships with like-minded think tanks.

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DR. CHARLY KLEISSNER AND LISA KLEISSNER

co-founded the KL Felicitas Foundation in 2000. The Foundation is dedicated to supporting programs that enable social entrepreneurs and enterprises worldwide to develop and grow sustainably, with an emphasis on rural communities and families; and advocate the Foundation’s Impact Investing Strategy. The Kleissners also co-founded Toniic and Social-Impact International.

Dr. Kleissner serves on the Advisory Board of Acumen Capital Markets I, Global Social Benefit Incubator, Hub Company, Ennovent, and MicroVest; and on the Board of ImpactAssets, Dasra, and Healthpoint Services. Dr. Kleissner earned his M.S. and Ph.D. in Computer Science from the University of Technology, Vienna and has over twenty years of experience as a senior technology executive in Silicon Valley.

Lisa Kleissner is co-Chair of The Philanthropy Workshop West, a transformative donor education program, and part of the executive committee of CPOA, a rural community volunteer group in Big Sur, California. Lisa also works closely with Dasra Social Impact in India nurturing social entrepreneurs of non-profits and for-profits.

Lisa and Charly recently teamed up with Rockefeller Philanthropy Advisors and others to produce a monograph, “Solutions for Impact Investors: From Strategy to Implementation”. The Kleissners are investors of the RSF Social Investment Fund.

For more information on their work visit www.klfelicitasfoundation.org, www.toniic.com, and www.social-impact.org.

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This collaboration has opened new channels bringing deeper intelligence to impact investing. Crowdfunding and crowdsourcing are linking regional entrepreneurs with local and global collaborators, thus super-charging enterprise creation. And, the radical transparency of how impact investors do their work is causing heart-burn and joy—we will see if the pain is worth the gain.

A key takeaway from the last year and a half of Toniic is that an internet platform alone will not work without the high touch regional community building necessary to grow trust among investors. At the end of day, trust is a significant factor in successful global syndications.

A BRAVE NEW WORLD

Our work with Toniic and Social-Impact International has unveiled opportunities in the marriage of philanthropy and the capital markets. This can lead to strange bedfellows like:

- Blended Capital structures - using a blend of grants, soft loans, quasi-equity and/or equity - to address funding gaps unique to social enterprise
- Partnerships between global grant makers like the Developing World Market Place and much smaller private seed-stage impact investors
- “Baton passes” between seed-stage investors and value-aligned growth investors to create a market for impact investments to move into mainstream

As a philosopher and scientist, Rudolf Steiner was also not shy about challenging the status quo. He was one of the first to articulate the positive role that capital and consciousness can play in enabling a more just society and sustainable planet. The way we express our values through our lives on this planet and through the creation of catalytic organizations like Toniic and Social-Impact builds on the inspiring foundation that Rudolf Steiner created over a century ago.

Now is the time through radical transparency and collaboration to aggregate capital and know-how from around the world to solve regional and global systemic challenges. What will be your contribution to this “brave new world”? 🌀

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experience. Some of the lessons have been lessons that are not in any handbook—we had to learn them for ourselves.

Kristin: I think it is knowing you all. RSF has been on my radar for a number of years, and yet I just didn’t really understand what it was you did, and that it was going to be a service to me. As soon as I connected those dots, it was a no-brainer on many levels. But it was kind of perfect, because I already had the relationships so the due diligence was easier.

Taryn: From your perspective, what would success look like?

Mark: I would like to see more and larger-scale models of cooperative ownership, or of grassroots-level ownership and community independence. I think it’s fair to say there’s a long history in America of cooperative ownership, and I think it’s got a lot of good qualities. And I feel like there’s room for more there.

We’re more connected today and it’s easier to communicate across groups of people and to give them faster and more granular information. That is a really exciting stepping stone to more grassroots empowerment and ownership.

I just think that’s going to create much healthier communities, or at least make it more difficult for whole neighborhoods or whole populations to be left by the wayside.

Kristin: I would agree with Mark. I’m looking for a power shift, and I feel like by placing money at RSF, I can enable communities, individuals and community systems that haven’t previously had the power for whatever reason. This feels like part of a bigger shift. When you ask what it looks like, I don’t know that we really even know. I think we’ll know what it feels like when we’re there, but we’ll definitely be seeing communities of color and communities that have traditionally been underserved rising. Once that potential starts to be reached, we’re going to have all sorts of solutions at our hands that we haven’t had before. 🌀