

IMPACT INVESTING AND SOCIAL ENTERPRISES

PURPOSE-DRIVEN CAREERS DO EXIST

By **KAREN NEOH**

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SEVERAL years ago, I had the opportunity to work closely with Micaela Ratini in Phnom Penh, Cambodia. Ratini has always been passionate about development, and after eight years at consulting firm Bain and Company in Italy, she took a sabbatical to explore professional options in the development space.

My own interest in social enterprises deepened when I met with the social entrepreneur she refers to in this article. While working in Cambodia, I met many people – from Gen-Ys all the way to the Baby boomers and the “silent generation” who sought jobs that were aligned to their life missions and frequently found themselves either in a non-governmental organisation or a social enterprise.

When Ratini first came to Cambodia in 2006, her plan was to apply the experience and knowledge she had acquired during her years of consulting, to work with a social entrepreneur who needed help restructuring his three businesses employing trafficking survivors.

“My first year in Phnom Penh was challenging. There was an enormous amount of work to put into these companies and in general into social businesses in an emerging market with cumbersome bureaucracy, relatively inefficient infrastructures, and lack of necessary skills,” recalls Ratini.

“I decided to stay”.

Today, Ratini is the managing director of Insitor Management, an impact investing firm based in Cambodia with offices in New Delhi, India and Yangon, Myanmar.

Insitor Management is a small, specialised team that invests in companies that have the potential to fundamentally improve the lives of low-income families in emerging countries.

“An impact investment firm is a professional financial intermediary that actively raises, invests and manages impact funds. We raise funds from qualified investors globally and deploy them into social businesses in frontier Asian countries,” explains Ratini.

How would you define the types of companies impact investing firms like Insitor Management invest in?

“Impact investing is still a fragmented industry, with a wide variety of definitions and target companies. Impact investing firms share the vision of serving the underserved needs of vulnerable clients,” says Ratini.

“By choosing to invest in funds, investors agree to delegate investment decisions to the investment manager, within the limits of an agreed upon investment strategy.

“Investors can monitor the companies’ performance by receiving quarterly financial and social updates and can present issues and concerns to the investment manager through an investors committee.”

What are some of the criteria that impact investing firms typically require of companies?

- A realistic and sustainable solution to critical social issues.
- A convincing business model with a clear competitive advantage.
- The potential to reach significant scale.
- A capable and motivated team.

How would a social enterprise/business demonstrate that they have made an impact? Could you give some examples?

“Impact measurement is a controversial topic. Investors need to know what use is made of their money; standard methodologies have been developed.

Social business, particularly younger companies, lack the necessary resources to keep tracking the information needed for adequate standard reporting.

“Most of our companies have a simple business model; they directly serve an unmet need. They sell basic products or services: safe water, clean energy, low cost houses. The more clients they reach, the higher is the impact.”

What are some of the key leadership traits you have noticed in the leaders running social enterprises?

“Successful social entrepreneurs are visionaries. They take risks and challenges typical of their industries plus those related to challenging countries and new consumer behaviours.”

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IN CONCLUSION

With her wealth of experience in the world of management consulting, and now firmly entrenched in impact investment and the social economy, I asked Ratini to share her words of wisdom for those interested in starting their own social enterprises.

“Being a successful social entrepreneur is difficult. You will face all the same obstacles as a commercial entrepreneur.

“Plus the added dimension of operating in exceptionally challenging markets to achieve not only financial results, but also social impact. It is an uphill battle, but the potential outcomes are highly rewarding.

“True social entrepreneurs have in their DNA the sense of responsibility to fight for success once they have identified a social issue and potential solution. A do-good mentality will not be enough to succeed.”

Consider the following:

- 1 Be honest about your skill set, and either study to fill in the gaps or recruit complementary team members.
- 2 Most social entrepreneurs are either from business or development backgrounds. Regardless of which one you are, you will have significant deficiencies as it is only half of the picture.
- 3 Learn introductory finance and accounting. Many great ideas hit the wall as soon as they meet the harsh reality of numbers.
- 4 Write a business plan for every idea you have. Reality will rarely play out like the plan says, but it is a good way to organise your thoughts and be more realistic about the opportunities and challenges of transforming an idea into a social enterprise.

■ Karen believes that a well-run social enterprise can be the incubator for leaders who can take their companies, and indeed countries, to the next level. For more leadership content, visit www.leaderonomics.com