

## Leading Economic Indicator



**Susan Davis's socially responsible investor networks earn a triple bottom line: ethical, ecological, and financial returns.**

*by Bobby Middendorf*

Susan Davis's business card carries a surprising motto: "Doing well by doing good." Furthermore, most investment gurus don't use words like *joy* and *generosity* to talk about the bottom line, nor do they talk about creating a sustainable global economy. But Davis has a fresh definition of bottom line.

A lifelong entrepreneur with business in her blood, Davis is convinced that for-profit businesses can reshape our economy so that social justice, clean air, and healthy soil become measurable business results. Davis's gift is channeling money, power and people into self-organizing investor groups committed to social and environmental goals. "I am inspired by the principle," she says, "that the Earth is one living organism – Gaia – and that we are all one, all connected. That's why I create investor networks for a living."

For the last thirteen years, from her home in an informal "ecovillage" in southeastern Wisconsin, Davis has run Capital Missions Company (CMC) based on ten maverick business principles (see sidebar). "We do only one thing: create networks of investors who seek 'triple bottom line' returns. That is, financial, social and environmental dividends," says Davis. "Our vision is to transform the global economy into a sustainable one." To do so, Davis wants to correct what she sees as a fundamental economic flaw – profit defined only in monetary terms. "Social and environmental problems derive from the fact that we have the wrong design for our global economy," she says.

CMC creates "[networks] of social investors in every niche of finance." In thirteen years, Davis has created ten networks. Her first national network was the Committee of 200 (C200), comprised of top women business owners in the United States. "When

C200 was formed," says Patricia M. Cloherty, chair of the U.S. Russian Investment Fund and founding board chair for C200, "there were many women, largely unheralded and often all alone in their industries, running companies of size and scope across the U.S." Davis gave them a unifying principle and strength in numbers. CMC looks for returns in a variety of investing areas. They range from networks in Nigeria, which make mostly \$100 loans to support self-employment and small businesses in rural areas, to the Triple Bottom Line Simulation®, which trains institutional treasurers in the practice of social investing. An invitation-only program, it simulates a \$100 million portfolio across all asset classes for a year – practice for putting real money to work. Since its inception in May 2001, participants have included philanthropic giants like the Rockefeller Foundation and the MacArthur Foundation to such smaller investors as the National Wildlife Federation and Underdog Ventures.

Davis also creates networks for private clients who want their assets to reshape the world. For Northern Trust Bank, she helped create DreamMakers' Forum for financing African-American businesses. With the success of DreamMakers, CMC helped Northern to launch VisionKeepers' Forum to offer financing to key U.S. women business owners.

"When every niche of finance is operating on the principle that 'a deal is a good deal when it is good for all concerned,'" says Davis, "Then we will have a globally accountable economy." It will be achieved one investor network at a time. But the power of one such network can be considerable. "Members of our Investors' Circle have invested more than \$80 million in more than 100 start-up

companies that use business to solve social problems,” says Davis.

Davis’s definition of a good deal came from telecommunications pioneer Ginny Rogers, who had the first company not already providing telephone service to offer cellular phone packages. “At ninety, Ginny remains my best friend, and she’s still my mentor,” Davis says. She met Rogers, a founding member of C200, in 1981.

Davis, who was born in St. Louis and raised in Pawtucket, Rhode Island, was also inspired by her own father’s business acumen. “He ran [Bancroft Racquet Company] like a family. When anything went wrong, it was his fault; when things went right, it was to the credit of the employee,” she says. From her mother, a lifelong volunteer, Davis “learned the joy that comes from service. I was inspired by both of them and wanted to emulate both in my life. So I have always worked with for-profit companies with social or triple bottom line goals.”

Davis learned early on to trust intuitions that drew her away from conventional career moves. In 1965, after a semester of graduate school on a full scholarship, she left Harvard to help Melvin Miller start the *Bay State Banner*, Boston’s black newspaper. “I felt I could serve people at a higher level. Everyone thought I was crazy but it turned out to be one of the smartest career moves I ever made – and one of the most soul-gratifying things I’ve ever done.”

At the *Banner*, Davis had to ask Boston’s leading companies to advertise jobs in a black newspaper. Davis broke new ground; brought the *Banner* much needed revenue, and positioned herself as a leading businesswoman. “Back in 1965,” she says, “women weren’t employed as advertising managers, yet my job was dealing with Boston’s top personnel managers. This experience moved me up a very significant notch so that, when I left the *Banner*, I negotiated a salary in the highest 1 percent of employed women, though I had taken the job with a truly altruistic purpose.”

In 1968 Davis went to Chicago to join John Naisbitt at Urban Research Corporation, the first national urban affairs publishing company. They launched *Urban Enterprise*, which focused on economic development for African-Americans, and *The Spokeswoman*, the first national publication aimed at working women.

Next came the start of her finance career with Chicago’s South Shore Bank (now ShoreBank), the nation’s first community development bank, where she combined career challenges with raising two daughters. Even as Davis persuaded pioneering investor-depositors to commit to South Shore’s fledgling community redevelopment mission in the 1970s, she trimmed her work week to thirty hours, lived five minutes from the bank, and took midday breaks with her babies, working solely on commission so she wouldn’t have to justify her short hours. “My children have turned out to be just wonderful.”

To the goal of creating a sustainable global economy – the measure, for Davis, of business success – she adds another bottom line: *joy*. “I exude joy, and that emboldens others.” It took Davis till she was fifty to start creating networks at CMC, but she considers it her life’s work. “My greatest contribution,” she says, “is demonstrating that generosity comes back tenfold to the bottom line”.

Socially responsible investing (SRI) and business are burgeoning. According to the Social Investment Forum, “Assets in socially screened investment portfolios under professional management rose by more than a third from 1999 to 2001 to top the \$2 trillion mark.” As recently as 1997, financiers assumed that doing business in a socially responsible manner was a disincentive to investors. The reality is that socially responsible investing is profitable. “This is especially true in light of Enron and other business scandals and in the wake of September 11,” Davis says, noting that “mutual funds lost 10 percent of assets while social mutual funds gained 3 percent in assets,” in the first half of 2002.

Davis started CMC because “[I] always believed that socially responsible companies are more profitable long-term than other companies.” She felt this could be proven by “attracting social investors into networks where they could track the results.” This is a landmark year: “enough social funds have ten-year track records that the positive results are visible for all to see.” Davis can cite her own returns as part of the trend. Of five simulated \$100 million portfolios, invested across all asset classes,” she says, “four outperform the financial benchmarks and the fifth is close. Only 25 percent of investment managers outperform the financial benchmarks.”

While socially responsible investing may not be indexed in the daily business reports, it’s getting there – with Davis’s help. “Susan focused

early on the opportunities for 'triple bottom line' investing for socially concerned individuals, pension funds, foundations and other philanthropic institutions," says Howard Learner, executive director of the Environmental Law and Policy Center. "What is becoming mainstream investment thinking today was novel and cutting edge when Susan started to develop the new possibilities."

Stuart M. Williams, president and CEO of Strategic Research Institute, credits growing awareness of socially responsible investing among fund managers to Davis. "I've been a witness," says Williams, "and I attribute that growth partly to the awareness Susan has built."

One way Davis builds awareness is through her "Making a Profit While Making a Difference" conference, founded in 1996, a gathering of leading social investment companies. For the first time, those companies could present their products – stocks, bonds, cash instruments, hedge funds and venture capital, - to institutional investors who were largely unaware of their existence. Davis motivates social investment leaders by starting with transparency about her own firm, its goals, values and principles. She identifies people who also demonstrate high integrity, a passion for triple bottom line results, and generosity.

Two other recent networks epitomize the range of social opportunities to be tapped: the Triple Bottom Line Simulation and the Solar Circle, for which Davis is identifying key global investors motivated to fund low-cost solar energy worldwide.

The Triple Bottom Line Simulation focuses on investments made by fiduciary managers overseeing trillions of dollars on behalf of ordinary working people.

For all aspects of her work, Davis created a method: Key Initiator Network Strategy (KINS), "an incubator in which solutions can be designed and piloted." KINS targets a major social problem, "sets an inspiring goal, identifies the constituencies which could help achieve that goal, finds the key influencers within each constituency, and then invites [them] to design and launch the network." KINS take an "altruistic approach to solving large-scale problems," with the following values as key to success: integrity, collaboration, and a spirit of generosity. "Higher values," says Davis, "are more of a hot button than money and relationships are more important than transactions."

If leading fiduciaries use the KINS approach, Davis hopes it will create new behavior patterns among investment managers. "It's a principle from social anthropology," she says. As visible leaders, their innovative actions will carry over to their peers and begin a social domino or copycat effect – a contagion of better behavior.

One of the Triple Bottom Line Simulation participants putting KINS to use is Dave Zellner, managing director of Finance and Investments of the United Methodist Church's General Board of Pensions. "We want to prove to the rest of the world that you can get comparable results in investments with social screens," he says. "The Methodists have committed 100 percent of their portfolio to socially responsible investing."

Looking to the future, Capital Missions Company recently completed a survey of the top social venture capitalists in the country to identify what they thought were the best practices in social venture financing. One of the key findings was to first establish the values shared by investors and entrepreneurs, particularly around the "good deal for all" principle Davis espouses. "We've found that having a powerful values alignment - an 80 percent or better values overlap - dramatically decreases start-up funding risks," Davis says. "Many of the answers to our existing social problems come from vigorous mission driven start-up companies with new solutions created by experienced management teams. Support from like-minded, values-aligned investors will drive those companies to success."

Davis sees "three dynamic shifts" ahead. "First, the fallout from [recent] business scandals is creating a tidal wave of interest in social investing. This will dramatically fuel the growth of the many existing social investor networks," she says. "Second, I see social investor networks creating synergies between and among themselves. They will be documenting how the overall performance of social investments outstrips the performance of non-screened investments. Third, I see global warming and poverty-based wars forcing all Americans to look for clear solutions. The credibility that social investing has already established will catapult it into mainstream public policy. Political leaders, individual and institutional investors alike will identify social investments as one of the best solutions to otherwise intractable problems."



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**OPERATING PRINCIPLES OF  
CAPITAL MISSIONS COMPANY**

1. **Tell the truth.**
2. **A deal is a good deal when it is good for all concerned.**
3. **Generosity comes back ten-fold to the bottom line.**
4. **Socially responsible companies are more productive and more profitable than others.**
5. **Water doesn't rise any higher than its source.**
6. **Treasure teamwork; share the wealth.**
7. **The best we can get is a call of complaint because it allows us to improve.**
8. **Love the discipline of the numbers.**
9. **Never make decisions out of fear.**
10. **Trust the universe.**

**Want to learn more?**



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