

WORDS

WITH THE
GODFATHER

REPORTS FROM AN
AFTERNOON WITH
JED EMERSON

*Jed Emerson, b. 1959: One of the godfathers of impact investing. Inventor of the Blended Value concept. Wealth advisor to many. Hard-rocker, horse-rider, book-reader, trash-talker, deep thinker.



If you want to know what **Jed Emerson*** thinks about impact investing or social entrepreneurship, read his seven books or one of his numerous papers. He took a lot of time to write them, so the least you can do is get up to speed before asking for his input. Of course, his perspective has already evolved since writing them; it's always evolving. It will have evolved between when he spoke to Amber Nystrom in August 2016 and when you actually meet him (should you be so lucky).

When it comes to life-long learning and new ideas, his taste is expansive (see page 67), his appetite insatiable. But his ever-shifting thinking is also partly a sign of what his mind is like these days: Open. Reflective. Curious. After decades of pioneering the “how” of combining purpose and profit, Emerson now finds himself more interested in the “why” — the deep questions about values and meaning. He's pulled his nose out of the weeds and is busy exploring the meadow. After enjoying an afternoon wandering alongside him, we collected this bouquet of his thoughts on the future of conscious business, authentic leadership, and why it's important to create the space for yourself to grow.

These days, we hear a lot about impact investing. Since we're speaking about conscious companies, what's the link that you see between impact investing and conscious business or conscious companies? Are these one and the same? Are these related?

Jed Emerson: Conscious companies are the vehicles through which impact capital can express itself. They are the organizational entities that hold within them the values and the business strategy and the market intent for what could be. It's this idea that within the organization, we need to operate on a holistic, integrated basis, perform for financial returns together with social and environmental impacts, and manage our people in a way that is more mindful and enlightened as opposed to viewing staff and personnel as one more resource that you're going to exploit in the pursuit of your business model.

In those ways, I think conscious companies manifest the aspirations of impact capital.

Within this unified field — conscious companies, authentic leadership, impact investing or conscious capital — what do you see as some of the primary challenges, the things that we really need to break through if we're going to take this to scale?

JE: Obviously there are a host of operational issues. How do you measure performance? How do you incent people on a both-and proposition, as opposed to simply financially? How do you create investment vehicles that can bring investors financial return with a true measure of the extra financial value that's being created by that capital?

There are a host of those issues that I think people are grappling with, and that I've been a part of grappling with for fifteen years, if not longer. I actually don't think that's the problem in the current conversation. I think those are all things that we can figure out, that you can think your way through. I actually, over the last year or two, have been really refocusing my own energy less around the “how” of exe-

cution and more around clarifying, for myself and the folks I'm working with, the question of the “why.” I think that these issues, both of execution and of why we are executing these strategies, are really paramount to not simply being able to do the job at hand, but being able to do it in a way that is sustained and will have longevity and will allow for long growth and career and personal development for all of us.

The reason that many people coming into the field and many of the actors who've been in the field for a long time are so challenged in the execution side and find it so hard and confusing — “How do you think about this?” and “How do you get your head around it?” and “How do you create the tools and the practices?” — is because they really blew by the first question. They assume that just because you want to do good, that's it. That's all you have to say: “Now let's get to work.”

It's like, “Well, no. We need to really clarify how we understand this question of being purpose-driven. What does that really mean? What does it

mean to live your life fully in the present as you manifest history and as you project the future? What does that functionally mean in practice?"

That's a real challenge for folks because it means stopping and it means reflecting, at a much deeper level, on how it is that you define value and purpose. It means having greater clarity around the future, but also more humility and more of an openness to the fact that you actually don't know.

We operate in this world where — look at the example of the phrase "mansplaining," where men, regardless of whether or not they know anything about the topic, they just

As you're unpacking all of that, what are some of the main questions that you found the most useful for you, and what are the questions that you feel you'd like to see asked more?

JE: We live in this world where you expect that you can Google or Wikipedia or get whatever information you need to make your decision and to act. I think we're confusing access to data and information with access to knowledge and wisdom. We're taking data bits out of context and viewing them as the reality that we're operating against, when in fact, this question of

that reflects the value they really seek to create through the deployment of their capital.

It's that same process that needs to be brought forward in relation to leaders of companies, entrepreneurs, and others, because you get so focused in the weeds of the execution that you lose sight of the meadow and the larger field that this is all a part of. Unless you can simultaneously operate with consideration of the task and the challenge before you but with real resonance with the direction and the movement that you want to be advancing, whatever answer you get will end up being the wrong answer



To start the conversation with, 'Is this financially competitive?' to me, reflects the fact that there's more work to be done in terms of understanding what the value is and the nature of the impact that we seek to create.



go into this explanation. As a field, we suffer from that, because you've got entrepreneurs who are looking for capital, and God forbid they don't have the right answer when they're talking to a potential investor! Or you have investors who, on the one hand, market themselves as being impact or sustainable asset owners and investors, and yet one of the first questions they ask is, "What's the financial return going to be on this and is it competitive with what else is out there?"

People who focus on that don't understand what this conversation is really about, and maybe have to do more thinking about the nature of total performance and what it means to invest for multiple returns. And then in that context, ask what is the right way to think about financial return. But to start the conversation with, "Is this financially competitive?" reflects the fact that there's more work to be done understanding what the value is and the nature of the impact we seek to create.

purpose and intent is fundamentally the question of the human experience. We're missing huge pieces of knowledge and information and experience that we can really bring forward from the past in order to infuse, inform, and advance our own deliberations today.

It's less an issue of "What are the right questions?" than your comment around "How do we ask the right questions and what is involved there?" That's really where I'm having the greatest added value for the people I'm working with now, because I actually don't come in with very many answers.

I'm not your best financial analyst at this point. I'm not a data person. What I do, in the context of the work I do with the families I'm advising, is help them be better positioned to be clearer on what questions are meaningful for them — in order to understand the answers when they see them, and as they're co-creating the answers with their investee group. That can guide that process in a way

because it's very focused on the weeds and not on the ultimate outcomes you seek.

Can you talk about a couple of examples where there's been a disjunction between a conscious company and its business entity and the people and the capital that flows into that company, and what can happen if those are not in alignment?

JE: I think we're seeing this not only in companies that are branded as conscious companies, we're seeing this across the business community, where more and more executives and CEOs are having to grapple with the reality that there are very few people, actually, who are motivated simply by financial incentives alone. Especially when you talk about 20- and 30-somethings who are creating not only the demand around these ideas, but now creating competitive companies that are pursuing financial return with social and environmental impact; the way that we think about



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Books Jed Is Digging Right Now

“Sapiens: A Brief History of Humankind”
Yuval Noah Harari // 2011

“Fields of Blood: Religion and the History of Violence”
Karen Armstrong // 2014

“The Practice of the Wild”
Gary Snyder // 1990

“I think of what I’ve been doing as open-architecture inquiry. I simply said, ‘I want to explore what other people have learned and done and how they’ve thought about the question of purpose and intent.’ If you spoke to me at any point in the last year and a half that I’ve been doing this reading, what I’m reading at that point is a great source; and then I’ll realize, ‘This only gets a certain part of what I want to explore. This other document or book or author or philosopher really speaks to where I want to go.’ What it’s shown me is that knowledge, and understanding the process and being in the process, is as important as finding a doctrine or an ideology or a framework.”

what it means to manage an organization shifts. The way we think about bringing your whole self to work and what that means operationally is a challenge, especially for older managers who weren’t necessarily raised in that environment or with that kind of vision.

But, fundamentally, it remains a challenge to operate on a holistic basis in a bifurcated economic system with public capital markets that are only now coming to recognize that environmental and social factors represent off-balance-sheet risk to publicly traded companies, and if we don’t manage that risk — whether it’s this year or ten years from now — the implications of that will come home to roost, relative to the financial value of these firms.

Can you explain why, from your experience, you feel it’s essential for the busiest entrepreneurs and investors and authentic leaders who are taking on this task of growing conscious companies and bringing forward impact investing and stepping into authentic leadership to take a little bit of time to get perspective?

JE: I think about it like this: In my 40s, I was really frustrated by the fact that I hadn’t found a wife or somebody that I could really build a life with. I was talking to somebody, and I remember the conversation being around, “Gosh, I’ve got this, I’ve got that. I’m so successful in this area and that area, and I just can’t seem to get my personal life squared away.” Their comment was, “You’re not creating any personal space for anybody to come into your life. Until you do that, the ‘answer’ of a relationship is not going to manifest

itself because you just have no space for it.”

I go to conferences and I hear all these people pontificating. Everybody’s got their solution-set, and then you get pitched by all these different entrepreneurs, each of whom has a strategy, tactic, or enterprise that’s going to change the face of a market or a social issue or whatever it is. I’m struck by the fact that, if we just paused and worked smarter, but perhaps a little less intensively, and created a space to be able to go deeper in relationship with each of the different types of actors we come in contact with, space for new thinking and for co-creation amongst people — between ourselves as entrepreneurs and the teams we create, between ourselves as entrepreneurs and the investors we’re asking to give us capital — it will create an opening for the right answers and responses and strategies to come forward, as opposed to us having to force them forward.

There are two sayings that I like very much. One is a Taoist saying: “Open mouth, first mistake.” The context for the saying is that in spiritual development, you should be calm and reflective and let the spiritual answer reveal itself. But I think that same phrase holds true for me, personally. This last year I’ve spent a lot more time shutting up and not trying to get ahead of a conversation and not trying to convince people of my perspective and solution, but to just say to myself in my own mind, “Okay, here’s what I’m thinking. Here’s my solution. That’s not going anywhere. I need to listen to what this person is saying, because the only reason I’m in this conversation, hopefully, is because I think there’s something that can be mutually beneficial to

talking with this person.” If I’m simply in this posture of trying to convince them of my righteousness, that’s not helpful. It’s not helpful to me and it’s not helpful to them. Simply shutting up more is important.

The second one is from the Quaker tradition: “Do not break the silence unless you can improve upon it.” We are so fast to speak and to give an answer and a solution, and I sometimes feel that if we just paused and let the process of our engagement with each other as managers, as investors, as entrepreneurs, as people, simply let the right answers come forward — and not try to force and push and rush and always get to the solution and [get all caught up in things like] “We can Google this and you can Google that in order to find out there’s this, that, and the other...” — just pause and be in that moment. Because I think there is real value in the concept of being in that moment of management, of decision-making, being present at the same time that you and the team that you’re working with are becoming and are moving forward and are learning how to manifest the future that you aspire to create.

A lot of the expressions that you’ve just used often fall within what we’ll call more typically feminine leadership; co-creation and listening and more being. I’m curious about your thoughts about feminine leadership for both men and women being one of the critical areas that we need more of.

JE: It’s interesting that when you look at the leadership in impact investing, certainly there have been innovations at the institutional investor level and



in foundations, but I think the real leadership and the real innovation has come from family offices, which tend to be much more open, and driven by female members of the family.

Even if it's not driven by female members of the family, it is a partnership, it's a marriage, it's a family. You're looking at it much more holistically. The reason that I like working with families is because when they think about the solution for wealth management, they don't think, "We have a foundation that has these restrictions..." They think, "We have this capital and

we have a foundation and we have direct investments and we have a portfolio of public securities. We have multiple vehicles. How do we position those vehicles to get us where we want to be as a family?"

There's almost a much more intuitively holistic approach because of the presence of women in that conversation; I think that's really where you get the openness to the possibility of this [kind of investing]. Whereas I think in foundations and in funds that are dominated with male energy, if you will, or male leadership, I think there's a tendency to want

to always be right, to want to always have the answer, to want to always convince others of your righteousness. Those elements make for bad investing. They may make for good short-term investing, but they don't make for good long-term value creation beyond simple financial returns.

What about courageous vulnerability? Can you tell us a little bit more about what that means to you and how you see the role of courageous vulnerability in the kind of leadership you're speaking about?



"Why would you possibly spend your entire life working on things to make money and then go do what it was that you wanted to do?"



More and more executives and CEOs are having to grapple with the reality that there are very few people, actually, who are motivated simply by financial incentives alone.



JE: I think it takes a mindset around humility. For me it has been a function of age. When I was younger, I was pretty convinced of who I was and where I was going and what I was trying to do, and it was like, “Get out of my way if you’re not on board.” That’s who I was, and I forgive myself for the mistakes that I’ve made along the way.

That said, I’m at an age now where I can look back and, number one, cut myself slack. I’m not half as hard on myself as I used to be, and I think that positions me to be in a much more open posture when I’m talking to other people because I’m open to that engagement as opposed to positioning myself for success.

For me, that’s been a process of time, age, and experience. I’m not one to tell anybody how to do much of anything anymore, because I find that so much of what I’ve done that’s worked has been completely situational for who I was at that point and the actors that were around me then. I wish that, over time, I had been a little less convinced of my own correctness in terms of my analysis and my vision and ideas. I think being vulnerable means that you have to be willing to accept the fact that, “Gosh, maybe you’re not God’s gift to impact investing,” or, “Maybe your team is actually right and you should talk less and listen more to their vision and their ideas.”

What are some of the largest and most exciting trends you see at the intersection of conscious business and impact investing? You’ve mentioned the rise of the Millen-

nials, the next generation, and what an astounding impact they are having and will be having over these next years. For the Millennials stepping into this, what are the most interesting innovative places you would say might be worth exploring?

JE: It’s a challenge for me to actually respond effectively to that. Perspective on what is challenging and worth exploring depends on where you sit. I find the conversations I’m having with young entrepreneurs continually point me in new directions at the same time that I’m helping them appreciate the broader context within which their own life and work is unfolding.

That said, obviously the difference today — as opposed to, let’s say, when I was 20 — is that people in their 20s and 30s today have access to a suite of technology tools that we did not have. Whether you’re talking about FinTech or you’re talking about sustainable ag or you’re talking about broader market development opportunities, there are tools that you can draw upon that we just didn’t have in the past. The platforms, whether it’s crowdfunding or peer-to-peer lending or any of these vehicles that we’re seeing come forward, are just fundamentally transformative. They are revolutionary at the execution level, in terms of what they allow to take place relative to disrupting the historic way to think about business and economics and social issues.

The strongest opportunity that people in their 20s and 30s have is to take this idea of purpose-driven

companies to the next level. We now have an entire generation that’s coming forward who think the idea that you would not engage in profit with purpose is crazy. Why would you possibly spend your entire life working on things to make money and *then* go do what it was that you wanted to do?

I love the fact that the mindset being applied to these new sets of tools will open a whole new way of thinking about being in the world, and ultimately that’s what conscious companies are advancing: a different way to connect with customers, a different understanding of market opportunity, a different notion about product development, a different approach to understanding supply chain management. All of those issues look completely different when you are approaching them through this mindset of holistic, integrated value creation, as opposed to “Make as much money as fast as you can and then go do something that you really care about.”

I think the challenges and opportunities that will be created and will evolve are ones I certainly can’t speak to in any way, because they’re yet to be brought forward by the people who are reading this magazine. \$

Photos: Ralph Reutimann

This interview was conducted by Amber Nystrom. Nystrom is a pioneer in impact investing and global systems change, and a Mindfulness and Hero’s Journey Master Facilitator. She serves as the CEO of the Dakia Institute, a global infrastructure platform for transforming the future of life, and over the next decade is leading an audacious global initiative to unite the Triple Revolution rise of women, Millennials, and the \$60 trillion wealth transfer that will go to 70 percent women — into catapulting capitalism into sustainability.