

# Action Blueprint

## Designing the Strategy

### Tasks

Some foundations begin mission investing incrementally in response to particular opportunities. For those foundations that wish to design a mission-investing strategy, suggested tasks include:

- Prepare a market scan to determine the players, what has worked and not worked.
- Explore the universe of potential investment options, including both direct and intermediary investments.
- Choose a manageable number of focus areas for an investing strategy.
- Define financial and social objectives, as well as governance and management protocols.
- Determine the mix of direct and intermediary investments.
- Prepare an Investment Policy Statement summarizing the strategy and operating plan.

### Alternatives and Decisions

Foundations have many options to consider when structuring a mission investing program. Among these options are:

- Seeking mission investments across some or all program areas.
- Seeking mission investments across some or all geographies.
- Pursuing market-rate and/or below-market-rate mission investments.
- Seeking direct mission investments or working through intermediaries.
- Funding mission investments through the endowment or, if desired for qualifying program-related investments, through the grants budget.
- Staffing a mission investing program in-house and/or using external specialists in a variety of roles.

Key decisions regarding implementation/operations involve governance and management:

- Where to seat decision-making and oversight.
- Where to seat leadership.
- How to promote collaboration between finance and program staff.
- How to ensure participation and ownership by the full program side.
- How to set up systems, reporting and communications.
- When and how to involve outside consultants.

Given the limited capital and staff resources that any investing program faces, trade-offs will always occur. Accepting the trade-offs intensifies focus, thereby increasing the odds of achieving and measuring success on priority goals.

## **Managing Challenges**

Many of the challenges of mission investing reflect a marketplace that is not yet fully developed. In this context, current challenges often represent opportunities for new products or services innovation. For instance, the introduction of CDARS in recent years allows foundations to place up to \$50 million in insured certificates of deposit in CDFI banks. The evolution of specialized fixed-income managers allows positive screening of bonds in geographically targeted low to moderate income communities and more and more equity funds with double and triple bottom lines are surfacing in the U.S., Europe, and emerging markets.

As a result of this type of product innovation, foundations such as the W.K. Kellogg Foundation can achieve immediate increased social impact in cash management strategies using community development-focused banks, credit unions, and fixed-income securities while the team researches and develops mission investment opportunities across a wide range of asset classes over time.