

PUTTING OUR MONEY WHERE OUR MISSION IS

Mission-Based Investing Can Bring Good Returns and Do Social Good

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Not too many years ago, many investors dismissed socially responsible investing (SRI)—defined as the integration of social or ethical criteria into the investment decision-making process¹ (see **Box**, p. 27)—because they believed that allowing one's principles to guide investment decisions required sacrificing investment returns in exchange for making a social statement. More recently, empirical studies, socially responsible mutual funds, and socially based stock market indexes have demonstrated that the implementation of socially responsible investing techniques does not require a sacrifice of return on investment and that significant social statements are being made by SRI investors every day. As a result, SRI has become almost commonplace.

SRI has been taken to a new level by investors who have adopted mission-based investing (MBI), a form of SRI in which an organization derives its investment principles directly from its mission. In 1998 the Catholic Health Association (CHA), in conjunction with Mellon Equity, conducted a survey to determine to what degree the association's members are implementing SRI and MBI. That survey provided a foundation for a CHA-sponsored meeting that was held in Chicago in February 1999, where nearly 50 Catholic health ministry leaders spent the day expanding their knowledge and sharing experiences with a faculty of experts.

Most Commonly Used Investment Screens in Catholic Healthcare



Source: CHA/Mellon Equity survey, 1998

MBI ON THE WEB

An MBI section on CHA's Web site (www.chausa.org) now includes sample investment policies, articles of interest, and links to further resources. CHA members may also exchange comments and information on MBI in the Member-to-Member conference, accessed through the Corporate System link on the CHAUSA home page.

This article summarizes the key findings of the 1998 MBI survey. (See also "Mission-Based Investing Integrates Values, Financial Decision Making," *Catholic Health World*, March 15, 1999.) It is the first in a series of articles in *Health Progress* that will explore MBI and its potential as a vehicle for Catholic health entities to express their mission through their investments.

CHA'S SURVEY: MBI IN CATHOLIC HEALTHCARE

In summer 1998 CHA and Mellon Equity developed a survey to gauge the level of implementation by CHA members of SRI and MBI. The survey's objectives were to:

- Learn what CHA members are doing to implement MBI/SRI
- Share information about MBI/SRI within the Catholic health ministry

Profile of Respondents Nearly 600 surveys were mailed in November 1998 to systems' headquarters, systems' components, and stand-alone health entities. By the end of January 1999, a total of 82 responses (a 14 percent response rate) had been received. After we adjusted for respondents who did not do their own investing (e.g., the respondent may have been a member of a system in which investment activities were performed at the system level), a total of 49 respondents identified themselves as doing their own investing. Thirty of the 49 respondents (61

percent) said they also practiced socially responsible investing.

Key Findings The survey asked for information about the MBI/SRI activities of entities within Catholic healthcare. The results showed that:

- On average, the 30 respondents allocated nearly 96 percent of their investments in MBI/SRI strategies.
- The average size of investment funds was \$344 million, with the largest being \$2.7 billion.
- The respondents strongly agreed that MBI/SRI is a statement of an organization's commitment to its mission, reflecting its values and helping it fulfill its mission.
- The respondents believed that investors should not expect lower returns from MBI/SRI portfolios.
- Nearly all the respondents (93 percent) have written MBI/SRI investment policies.
- Only about 43 percent of the respondents utilize alternative investing as an approach.
- Eighty percent of the respondents use investment screens as their primary MBI/SRI technique (see **Figure**, p. 26).
- Leaders' involvement in the different stages of MBI/SRI varied by type of organization (see

Table, p. 28). Board involvement is typical in the decision-making stages but not in the implementation.

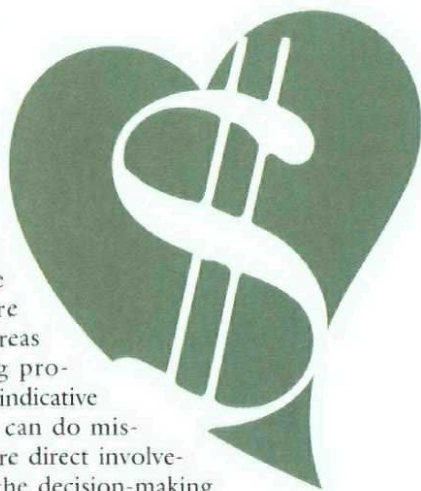
- Mission leaders are involved in most aspects of the SRI/MBI process, but are noticeably absent in some areas (e.g., the decision-making processes). This finding may be indicative of a sense that "everybody can do mission" or a need to have more direct involvement of mission leaders in the decision-making process.

- Only 55 percent of the respondents regularly educate their staff about SRI/MBI activities and why the organization is involved in the activities. Educational materials include annual reports, special reports on SRI/MBI, and corporate newsletters.

- Approximately half the respondents are involved in shareholder activism. The most frequently used approaches are:

1. Voting proxies. All those who are involved

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AN SRI/MBI PRIMER

Socially responsible investing (SRI) came to prominence in the 1970s when people protesting apartheid in South Africa refused to invest there. Today, SRI is an integral part of the investment culture. Its proponents see SRI as a way to promote practices of which they approve (such as concern for the environment) and discourage those of which they do not (such as nuclear weapon manufacture).

Investment Screens Investment screens are the most common form of SRI/MBI. Based on the values they hold, investors distinguish socially responsible investments from those which are not by implementing social screens: nonfinancial criteria applied in the investment decision-making process. Commonly applied screens include:

- Military contracting
- Alcohol and tobacco
- Nuclear power
- Environmental record
- Employee relations
- Cultural diversity

Socially responsible investors use these or other screens in various combinations, typically following one of several approaches to ethical investing:

- **Avoidance:** Investors who follow this approach prefer not to benefit from business activities they do not support in other areas of their lives. With this strategy, the effect of screens is generally to eliminate companies from the universe of potential investments.

- **Positive approach:** The positive approach complements the avoidance approach. Under the positive approach,

investors seek investments that will enhance the quality of life.

Shareholder Activism Some ethical investors want to do more than avoid "bad" companies or invest in "good" ones. Activist investors attempt to influence the company's activities by voting their shares at annual stockholders' meetings or by sponsoring proxy resolutions to change some aspect of the company. Letter writing and phone calls are other examples of shareholder activism.

Alternative Investing Alternative investing is investing in activities in which a less-than-market share is expected; however, at least a full return of investment is expected. An example is providing low-interest loans to minority groups to start businesses or finance housing.

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in activism use this approach.

2. Sponsoring or cosponsoring shareholder resolutions. Approximately a third use this technique.


3. Letter writing and conversations with companies. Approximately a third take this approach.

A LOOK AHEAD

Although the sample size was relatively small, the response rate was significant enough for us to draw some general conclusions about behaviors of Catholic health entities' MBI/SRI preferences and activities. Overall, the survey indicated that the respondents believe MBI/SRI is an expression of mission and are therefore very much committed to implementing MBI/SRI as part of their investment strategies. However, many of the respondents are focused on "basic" MBI/SRI activities, such as the use of screens and have not begun to engage in more advanced

approaches, such as alternative investing. Many respondents may be limiting the social effect of their MBI/SRI activities by not being more proactive in communicating their success stories.

Future articles planned in this series will discuss some of the techniques being applied by organizations within the Catholic health ministry. The articles will relate to the survey findings, explore applications of techniques by participants in the Catholic health ministry, and provide observations by MBI/SRI experts. □

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NOTES

1. Peter D. Kinder, Steven D. Lydenberg, and Amy L. Domini, eds., *The Social Investment Almanac: A Comprehensive Guide to Socially Responsible Investing*, Henry

MISSION AND BUSINESS

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and punishing the parent's fault in the children" (Ex 34:6). The paradox of a merciful and forgiving God who is at the same time ultimately just remains unresolved.

Biblical writers return to the dilemma many times, especially in prayer. "If you kept a record of our sins, Lord, who would stand their ground? But with you is forgiveness" (Ps 130:3-4). The story of Job confronts the paradox in the form of a dialogue. Job comes to grips with the mystery of suffering because in the interaction between him and God each aims to give himself as he is and seeks also to know the other as he is (Jb 40:15).

So also in healthcare. People need to feel free to ponder and discuss the contradictory tensions. When people have this opportunity in a trusting atmosphere, they begin to form a balance between the poles—for example, between mission and business—and creative action results.

Scriptural reflections, such as the examples above, can provide the atmosphere of faith in which tensions can be resolved. Without this environment the pondering is apt to turn into an intellectual debate, and people retreat further into the isolation of one or another pole, to the detriment of the healing mission of Christ. □

NOTES

1. The tension between mission and business is considered more fully in my forthcoming book, *Healthcare Ministry: Refounding the Mission in Tumultuous Times*, Liturgical Press, Collegeville, MN (pub. date February 2000).
2. See Gerald A. Arbuckle, "Culture, Chaos, and Refounding," *Health Progress*, March 1995, pp. 25-29, 48.
3. See Isabel Menzies Lyth, *Containing Anxieties in Institutions: Selected Essays*, Free Press, London, 1998, pp. 43-85; Gareth Morgan, *Images of Organization*, Sage, Newbury Park, CA, 1986, p. 206; Edgar H. Schein, *Organizational Culture and Leadership*, Jossey-Bass, San Francisco, 1992, pp. 177-179.
4. Lyth, pp. 43-85.
5. Anne W. Schaeff and Diane Fassel, *The Addictive Organization*, Harper & Row, San Francisco, 1990, p. 123.
6. See Gerald A. Arbuckle, *Refounding the Church*, Orbis Books, Maryknoll, NY, 1993, pp. 39-43.

LEADERS' INVOLVEMENT IN MBI/SRI*

| Type of Organization | Encourages Use of MBI/SRI | Makes Decisions Related to MBI/SRI | Implements MBI/SRI Strategies |
|-----------------------|--|---|---|
| Sponsors | 1. Mission leader 2. Congregational leader 3. Board | 1. Board 2. Investment committee 3. Congregational leader | 1. Investment committee 2. Finance committee 3. Board |
| System Offices | 1. Board 2. Mission leader 3. Chief financial officer, finance committee | 1. Board 2. Investment committee 3. Chief financial officer | 1. Chief financial officer 2. Investment committee 3. Mission leader |
| Facilities | 1. Board 2. Finance/investment committee 3. Mission leader | 1. Board 2. Financial staff/financial committee 3. Mission leader | 1. Chief financial officer 2. Investment and finance committees 3. Mission leader |

*Leaders are listed in order according to degree of involvement.