

Why Impact Investors Need to Be Paying Attention to the Creative Economy

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Laura Callanan is disrupting the way creativity gets funded. With the 2015 founding of Upstart Co-Lab, a nonprofit connecting impact investing capital to art, design, culture and heritage, Callanan argues that creatives must be engaged in solving the world's pressing problems. There is "a creativity imperative," she says, which requires "cognitive diversity".

Callanan, who is the former senior deputy chairman of the National Endowment for the Arts, saw the need to include artists and other creatives in social sector planning and decision-making throughout in her career. In her roles at the Rockefeller Foundation, the United Nations Development Program, and in the social sector office at McKinsey & Company, she'd engage in conversations with "brilliant people who cared about making the world a better place." But increasingly, she heard the same concern. "People were saying, 'we need more creative solutions,'" says Callanan, who would look around to find no creative types.

The rooms were always filled with people like her, who "had gone to business school or law school or had a PhD in economics," she says. "We didn't have the artists and the designers and the other creatives in these conversations."

That was a harbinger for what Callanan was to build with Upstart Co-Lab. But there was also a personal element: Callanan's husband, Romulus Linney, the late playwright and novelist. Through Linney, Callanan got to know many of America's leading writers, composers, and fine artists. "What I've learned hanging out with these folks," she says, "is that my mind, with my business school background, doesn't work the way their minds work. So I knew, in a very salient way, that bringing more creativity to the pressing problems [meant] that you needed to bring in folks who actually had a different aptitude, a different orientation, a different way of approaching a problem—a different world view."

Upstart Co-Lab is Callanan's way to bring in these voices; a progressive way to close the gap. Callanan and her team are unveiling a well of potential that can only be released by creatives—"and we're doing that by connecting impact capital to the creative sector."

A Q&A with Laura Callanan

Why is it essential to you and Upstart Co-Lab to talk about impact investing in the creative economy rather than in "the arts"?

We found it crucial to start to talk about this as the "creative economy" because our audience is primarily impact investors, the people with money to put to work. And when you talk about "art", people think about an artist wearing a beret, sitting at the easel, unable to balance their checkbook. That doesn't inspire an investor to back the entrepreneurial vision of a creative person.

Instead, we focus on the "creative economy", defining it by industry because that's the way investors think. We've identified 145 industries by looking at how states and regions across the United States define their local creative economies. What is super interesting is that the definition of a creative economy is a reflection of the heritage and culture of that place. For example, Michigan does not include food as it defines its state creative economy, but Louisiana does. And if you think about New Orleans and Creole cooking, it's very clear why food would be a big part of how Louisiana thinks about its creativity, and how people there express who they are.

Since Upstart works nationally, we wanted to include all the industries that any region felt to be important. And then we added some to strengthen the representation of culture and heritage. So there are 145 industries that—for us—make up the creative economy. And then we've boiled it down to five big categories: ethical fashion; sustainable food; social impact media; other creative businesses not included in those first three categories; and real estate, which we call creative places.

How does Upstart Co-Lab work?

We're a field builder, a thought leader, around these ideas. A catalyst and a connector. Investors are already investing for impact, and many are asking their wealth advisors for opportunities connected to arts and creativity. But the investable opportunities in the creative economy haven't been framed in a way that wealth advisors recognize.

So Upstart introduced a Creativity Lens to the impact investing conversation, modeling that on Gender Lens investing. We turned to the mothers of Gender Lens investing to understand what they did to be so effective so quickly, and they said it was a three-part recipe: make the case; build the coalition; and bring investable products to market to make it easy for investors to move their capital. That's what we're trying to do for the creative economy.

What is a big opportunity that you see for impact investing and the creative economy?

We see an opportunity to tap into what has been negative energy and pressure placed on a lot of museums, and turn it into a positive. We've seen it with MoMA, the Whitney, even the MET: the questions about where their donations are coming from. There's been opposition to museums who've taken money from the Sackler family, questions about board members who are leading financial firms invested in private prisons and fossil fuels. The artists and the public have been protesting.

I've been surprised, because a lot of the protests have been around somewhat tenuous relationships. Larry Fink, the CEO of BlackRock, is on the MoMA board. BlackRock is invested in a private prison. So people are out protesting in front of MoMA. Instead of asking: *MoMA's got an endowment. I wonder what MoMA's invested in?* Is the institution living their mission and values in all the ways that they can, including through their power as an investor?

The opportunity that we see at Upstart Co-Lab is to help museums take this negative experience and turn it into a positive. To use it as a chance to start to role model what an endowed cultural institution can be as a mission-related investor. Colleges and universities have been having to do this for decades because their students, faculty, and alums asked questions around what the university was invested in, where they should divest.

Museums alone in The U.S. have in aggregate endowments of \$40 billion. When you add in the libraries and the performing arts centers and arts schools, that number rises to \$58 billion. I think it's reasonable for people to ask how our very wealthy cultural institutions are investing their resources. My organization is starting to talk with museums, artist-endowed foundations and other cultural institutions to help them get savvy about mission-related investing. This capital held by cultural institutions can be growing social-purposed businesses and affordable real estate for the creative sector through mission-related investing.

On the Upstart Co-Lab site there are is an [artists and innovators page](#) that features creative role models. Can you give an example of one person who is breaking new ground?

Matthew Moore is a great example. Matt is a visual artist. He's worked in sculpture, film, and photography. He won the prestigious Creative Capital Fellowship. His work helped to open the [Crystal Bridges Museum](#), and has been in museums around the world. He is also a fourth generation family farmer. A lot of his art making has dealt with themes around sustainable food, where our food comes from, the future of the family farm in America.

There came a point when Matt started to push against the boundaries of what he could accomplish through a film or a photograph or piece of sculpture. He started to search for more ways that he could bring his perspective and sensibility as an artist into the world, ways to have greater impact. For a while, he was investigating a nonprofit model. But he has always been engaged in operating the business side of his family farm. Matt realized to achieve impact at scale he needed to work through a social purpose business.

The company he launched is [Greenbelt Hospitality](#). It's a combination of a marketplace for locally produced, organic, sustainable, artisanal food products; a grab and go restaurant; a sit down restaurant; an art gallery; an education space; and a one acre organic farm with a full time farmer. It is a model that can be replicated in any public park in America where the parks department contributes four acres of land into the project. This is something that only an artist could have conceived.

How is the creative economy relevant for impact investors who are not art lovers?

Any impact investor should be paying attention to the creative economy for three reasons. One: If you open the viewfinder that you're using now to identify high potential, high quality investment opportunities and include a whole new sector—5 percent of U.S. GDP—you will find more opportunities to consider. And if you put some of those into your portfolio, you're going to benefit from the diversification.

The second reason is that investing in the creative economy gives you the investor more ways to drive the social impact that you already care about. Say you're a gender lens investor. The majority of workers in the garment industry globally are women. By investing in an ethical, sustainable fashion company you can achieve your gender lens goal.

The third reason is that the creative economy is large and growing. It's [growing at 9 percent a year globally](#); 12 percent a year in the developing world. If we can infuse values around equity and inclusion and sustainability now, as the creative economy grows, those values will grow too. A generation from now, we won't look back and go, "the creative economy is so large now, and it's all screwed up." We will have shaped the creative economy along a set of values that as impact investors we care about.

What do you see for the future?

There were big events in social impact business news in 2019. The Business Roundtable came out with a strong statement in support of companies thinking about their social responsibilities, their environmental responsibilities as well as their obligations to owners. BlackRock CEO Larry Fink's annual letter talked about how businesses need to be thinking about more than just shareholder equity.

Where everyone in the social purpose business and impact investing world is hoping we get to is when events like these are no longer newsworthy. When business as usual is driving positive environmental and social results. When all investment decisions are made in a way that considers the environmental and social impact of the investment, as well as financial return. Impact investing becomes the standard for what good, thoughtful investing looks like.

I'm not trying to be too Pollyanna about it, that everything's great and we're only moving in one direction. But I will say that having worked in this space since 1998, what has been accomplished over twenty years is phenomenal. A lot of progress has been made. It will probably take another twenty years, but we're definitely headed in that direction. And the creative economy needs to be part of this change.

To learn more about Upstart Co-Lab, visit: www.upstartco-lab.org.

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