

# Make Money, Save the World

## Businesses and Nonprofits Are Spawning Corporate Hybrids

By STEPHANIE STROM

**A**LTRUSHARE SECURITIES is a brokerage firm, engaged in the sort of things you might expect of a Wall Street outfit, like buying and selling stock, and providing research on companies. Unlike its peers, however, the firm is majority-owned by two charities that each control about one-third of it.

So is it a for-profit business? Or a non-profit fund-raising machine?

In fact, like hundreds of new businesses starting up around the country, it is both. Altrushare is an example of the emerging convergence of for-profit money-making and nonprofit mission.

The practice is even creeping into corporate bluebloods like **General Electric**, whose \$12 billion Ecomagination business promotes its products' minimal environmental impact as well as their positive impact on the bottom line.

"We're a for-profit institutional brokerage, and we have to compete on execution and commissions and do so with the same technology and talent you would expect from a top-tier firm," said Peter Drasher, a founder of Altrushare, which is based in Bridgeport, Conn. "What makes us different is our nonprofit ownership and our mission, which is to support struggling communities with our profits." . . .

"I think what people are increasingly looking for, whether in the for-profit or nonprofit sector, is how you harness the vitality and promise of capitalism in a way that's more fair to everyone," said Juliana Eades, the president of the New Hampshire Community Loan Fund, a nonprofit mortgage lender that has begun dabbling in other types of financing.

The result is a small but budding practice — what some label the fourth sector — composed of organizations driven by both social purpose and financial promise that fall somewhere between traditional companies and charities. The term "fourth sector" derives from the fact that participants are creating hybrid organizations distinct from those operat-

ing in the government, business and nonprofit sectors. But because the types of participants vary widely and much of the activity is nascent, no single name for what is occurring has gained broad use.

"There's a big movement out there that is not yet recognized as a movement," said R. Todd Johnson, a lawyer in San Francisco who is working to create an online wiki to engage in the give and take of information for what he calls "for-benefit corporations," another name for fourth-sector activities.

Consumers, employees, managers and — perhaps most important — investors are driving the phenomenon. . . .

**Goldman Sachs**, the Wall Street investment bank, has a four-member research team that assesses the environmental, social and management performance of companies in the same way that more traditional colleagues analyze financial performance. . . .

"Integrating factors such as environmental impact and corporate governance is an increasingly critical part of investment research," said Marc Fox, a research analyst at Goldman. "What began as a niche market of socially responsible investors has expanded to mainstream institutions such as pension funds and insurance companies who seek long-term investment performance." . . .

"There are many motivations for this," said Abby Joseph Cohen, Goldman Sachs's influential chief United States portfolio strategist. "Companies are taking a broader view that allows them to see that a cost today may reduce future liabilities, and the reduction of those future liabilities in turn has a positive impact on their cost of capital."

Among major investors, perceptions of profit and value are changing, too. For instance, the California State Teachers' Retirement System, the \$162 billion pension fund, has taken a hard look at insurance companies. It decided that companies in the industry were not paying enough attention to climate change and thus were a riskier investment than in the past, according to Jack Ehnes, the chief executive of the fund.

"In the past, we've created this dichotomy between financial and social, and investors have been ridiculed for placing too much emphasis on social factors," Mr. Ehnes said. "Maybe that bright line test is really phony and in fact there has to be a commingling of these factors in investment analysis. If you're really going to be thinking long term about a company's profitability, you'll need a better tool kit for your analysis." . . .

**D**ESPITE the potential pitfalls, business relationships between for-profit and nonprofit players are increasing. Mr. Drasher, Altrushare's founder, has even commissioned a study of the phenomenon because he was surprised by how many nonprofits have a piece of for-profit businesses.

During a 20-year career as a trader on Wall Street, he grew to appreciate the power that capital markets had to foster and build emerging markets around the world. "I really did see what this industry has done for regional emerging markets, which have become a legitimate and desirable asset class, and I started asking myself, 'Why aren't we doing the same thing for our own emerging markets, our underserved communities?'" Mr. Drasher said.

Many pension funds invest in low-income housing development and other types of real estate in poor neighborhoods, "but communities are about more than real estate," he said. "You're not going to change people's lives by giving them low-income housing alone," he added. "They need job opportunities and education."

Altrushare has created a mentoring and jobs program with the New York Institute of Finance for college students. The goal is to put each student in the program into a paid internship at a Wall Street firm.

Could Altrushare or any other budding hybrid become another G.E.? Perhaps the better question is whether G.E. and other corporate titans could themselves become hybrids. . . .