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## The Role of Social Stock Exchanges

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This is a guest post from Alex Rossides, the founder of **Growth Philanthropy Network**, the organization behind the **Social Impact Exchange**. Alex's post is a follow up to my **post last week** profiling the Exchange and **my post yesterday** envisioning the future of social stock exchanges in the year 2033.

By Alex Rossides

Thanks to Sean for envisioning the future of social stock exchanges and for his recent write-up regarding the Social Impact Exchange as an early form of such exchanges, developed in partnership with Duke University and Robert Wood Johnson Foundation.

Sean helped clarify a key difference between for-profit stock exchanges and social exchanges – in the social sector there is no price per share and stock is not exchanging hands. But, the broader analogy holds of an exchange that matches buyers and sellers i.e. investor and nonprofit organizations with an explicit promise of standards and transparency.

Exchanges in the for profit sector are the focal points for capital marketplaces. One primary function of stock exchanges is to enable the efficient flow of capital to growing companies so they can finance their economic activity. The social sector does not currently have exchanges to enable a more efficient transfer of capital to scaling nonprofits to finance their social initiatives.

As Sean pointed out, the member-driven Social Impact Exchange is designed in part to help play this role in the area of *growth capital*. It has a number of collaborative funding venues to connect high-impact, growing nonprofits to funders, based on transparent investor information, such as its online investment platform, National Investment Fair and Business Plan Competition to be held at its June 2010 Conference.

The Exchange is designed however to facilitate the exchange of more than just dollars. Its two other equally important goals are to (1) serve as a learning community and forum to develop and

share knowledge on scaling, and (2) serve as a common ground where members can help build the field of scaling together. The focus on more than capital is an example of how the unique qualities of the social sector may help create social stock exchanges in the future that differ from their brethren in the for-profit sector in ways that could be better suited to the goals of social progress.

In the social sector, exchanges can be built with a focus on collaboration and networks that compound our learning, magnify our financing and accelerate the development of marketplaces that drive social progress. Exchanges can become true community resources, that provide opportunities to jointly build necessary field infrastructure and enable organizations across the sector to work together to solve our toughest social problems. They can combine the *action* oriented transactional nature of exchanges, with joint *knowledge and infrastructure building* to create social sector marketplaces.

The Social Impact Exchange is an early attempt to do just that. Its structure consists of *working groups* where members can work together on important field initiatives such as developing investment standards for scaling organizations, supporting the work of growth intermediaries, identifying models that work in different issues, sharing knowledge, and creating new products and distribution channels for scaling which the field can leverage. It is designed to be a cross-sector initiative so that we *all have a hand* in creating a more effective marketplace for financing positive social change.

Social stock exchanges, whether they are local, national, international or issue based, hold the great promise of combining collaborative, mission driven activities with marketplace structures to enable philanthropic capital to flow towards its greatest good. By 2033 let us hope that philanthropic capital distribution will be more results driven, based upon quality due diligence and business planning, better financial reporting, greater transparency, shared standards and enhanced accountability.

But, by 2033 social stock exchanges could also be nexus points for marketplaces where large numbers of funders aggregate to find high-quality organizations that they collaboratively fund in amounts large enough for nonprofits to execute multi-year strategies. They could be environments where business models of capital and information intermediaries thrive because they can more effectively broker capital rounds and information services, and where nonprofits that qualify can finally attract capital efficiently in one place based on the impact of their work.

To get there will be hard work and slower than we'd all like, but by working together we have an opportunity to realize a vision that enables us to make progress on our most difficult social problems and hopefully improve the lives of millions of individuals.

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