Pitcher's Name	Connor Robert McDowall	FoR category	Corporate Social Responsibility	Date Completed	19/04/2021
(A) Working Title	"Private Equity, Performance and Socially Responsible Outcomes"				
(B) Basic Research. Question	Does socially responsible outcomes contribute to the generation of excess returns in private equity-backed investments?				
(C) Key Paper(s)	(1) Liang, H., & Renneboog, L. (2017). On the foundations of corporate social responsibility. The Journal of Finance,72(2), 853–910. doi:https://doi.org/10.1111/jofi.12487.eprint: https://onlinelibrary.wiley.com/doi/pdf/10.1111/jofi.12487 (2) Barber, B. M., Morse, A., & Yasuda, A. (2021). Impact investing. Journal of Financial Economics,139(1), 162–185. doi: https://doi.org/10.1016/j.jfineco.2020.07.008 (3) Baker, M., & Wurgler, J. (2006). Investor sentiment and the cross-section of stock returns. The Journal of Finance,61(4), 1645–1680. doi: https://doi.org/10.1111/j.1540-6261.2006.00885.x.eprint: https://onlinelibrary.wiley.com/doi/pdf/10.1111/j.1540-6261.2006.00885.x				
(D) Motivation/Puzzle	**Motivation:** Private Equity (PE) continues to play a role in generating returns for investors. Prior evidence suggests PE primarily focuses on delivering returns without assessing broader socially responsible outcomes (SRO). The definition of SRO's for this research proposal is outcomes that contribute to improving society and contributing to the United Nations' Sustainable Development Goals. A subset of outcomes includes economic growth, accessible healthcare, employment, D&I initiatives, energy security and multi-dimensional well-being. Recent movements highlighted the haste to address systemic societal issues (wealth/gender/racial inequality etc.). Currently, the link between PE investment and SRO's is opaque. This research assesses if SRO's drive excess returns, encourage PE firms to invest with a more holistic approach and play a role in tackling systemic issues. **Puzzle:** Determine if socially responsible outcomes contribute to the generation of excess returns in existing or previously privately owned entities.				
Three	**Three** core aspects of any empirical research project i.e. the "**ID**io**T**s" guide				
(E) Idea	**"Core" Idea:** Formulation of a socially responsible outcome (SRO) composite index. This concept follows a similar design methodology to the sentiment index derived in the Investor Sentiment and the Cross-Section of Stock Returns paper. Firm-specific and industry-specific SRO-related proxies would form the aforementioned composite index. A subset of these proxies may include churn rates, employee health statistics, insurance policies, emission reductions, income statistics, energy access and water quality. SROs would contribute towards the United Nations' Sustainable Development Goals. Additionally, firm/industry drivers would assist in the formulation of panel data. These drivers may include return, growth, profitability and industry classification. Multiple techniques would evaluate how SRO's contribute to driving excess returns of an entity backed by PE. Modelling techniques may include cross-sectional, time-series regressions, probit regressions, dummy variables to control industry-specific outcomes, and private equity-related investment factors. A subset of these factors includes investment size, follow on investment, stage of investment, board influence, time horizon etc.). Comparisons between empirical findings and societal-related events, both before and after PE involvement, could validate the methods. **Central Hypothesis(es):** A range of conditional hypotheses capturing the effect of formulated SRO models. **Theoretical "Tension":** Draw on increasing research around multi-dimensional factors and corporate social responsibility driving returns.				
(F) Data	(1) **Country/Setting:** Global – Assess global investment activity to determine both global and localised insights. **Unit of Analysis:** Individual firms. **Sampling:** Annual. **Type:** Firm/industry specific (2) **Expected sample size:** >50,000 firms years. **Cross-sectionally:** Yes. **Time-series/longitudinal:** Yes. **Sample period:** 1950-2021; unbalanced panel data (3) **Data source(s):** Compustat/Capital IQ/Pitchbook/Preqin/ESG-MSCI ESG KLD STATS. Hand collection of data is not required. **Timeframe:** Some data available through Wharton Research Data Services (WRDS) and other related services so no lag or lead time. Others (Preqin/Pitchbook) require access and licensing. SRO related data might be difficult to obtain so assistance required. (4) **Data/observations**: No major issues, expected to work through missing observations, outliers, standard merging issues, data manipulation/cleansing etc. (5) **Adequate variation in test variables for power:** Quality data is expected.				
(G) Tools	**Basic empirical framework:** Regression model methodologies found in critical papers, approaches standard in literature (cross-sectional, time-series, probit etc.). **Required econometric software:** Python-SAS Hybrid/SAS/Stata – licenses held either at UoA or under academic initiatives, e.g. Oracle Virtual Box, SAS 9.4v via remote servers, Jupyter Notebooks. Panel data modelling, endogeneity and clustered-related errors expected to be faced and handled accordingly. **Statistical/econometrical implementation**: Standard using methodologies expressed in literature. Implementation issues addressed using alternative methods. **Data & framework compatibility:** Expected. Address abnormalities on an ad-hoc basis.				
Two	Two key questions				
(H) What's New	IDEA – Translate existing modelling methodology/design to a new application (SRO vs excess returns). IDEA drives the research, and data/tools are passengers: Global setting with over half a century of data is strong; existing model design/methodology using tools is strong.				
(I) So What	Reliable answers will inform the role SROs have in contributing to excess returns.				
One	One bottom line				
(J) Contribution	**Primary source of the contribution:** Assess the feasibility of private equity in driving socially responsible outcomes				
(K) Other Considerations	Assessment of collaboration necessity: - Idea: Not required - Data: Not required unless need access to inaccessible databases - Tools: Not required unless the need to address panel data and endogeneity issues arise **Target Journal(s):** Tier 1 Finance (Journal of Corporate Finance, Journal of Finance, Journal of Economics etc.). Feasible given key papers. **Assessment of Risks:** – **Results:** Moderate – complexity may lead to inconclusive results – **Competition:** Moderate – relevant area, likely other researchers are assessing the opportunity. – **Obsolesce:** Low – PE activity continues to grow, inform investment decisions/institutional behaviour – **Other Risks:** Moderate - Complexity and size may cause issues				