

From interesting data...



# Impact Management for Everyone

[www.im4e.org](http://www.im4e.org)

**Karl H Richter**  
**@KarlHRichter**



**From interesting data...**

When viewed from the place of Nelson  
Mandela's capture by the police

Place: 29°28'06.1"S 30°10'15.7"E

Date: 5 August 1962

50 columns, built 50 years after arrest



**...to evidence with meaning**

**Be alert to different perspectives**

**Sustainability (impact) is in the  
eye of the beholder**

**Fact <sup>(x1)</sup> + Interpretations <sup>(∞)</sup> = Insights <sup>(∞)</sup>**



# Context

- From measuring impact towards managing impact
  - From counting “what” happens to understanding “why” things happen\*
  - The “why” informs “what” to measure, & “how” to measure it
  - Empowered to select indicators appropriate
- Ultimately – better judgement
  - From compliance...
    - > management information
    - > strategic decision making

\* OECD: Outputs measure the results of production, outcomes assess the effectiveness of decision-making in achieving goals

# Agenda

- i) What is impact investing?
  1. Different pathways  
*(6 strategies)*
  2. A common journey  
*(1 process)*
  3. Tool-kit of useful things  
*(methods & techniques, use according to your strategy)*

What is  
impact investing?

# Sustainable Finance<>Impact Investing. What's the difference?

The media often uses the terms interchangeably, sometimes also with ethical/ responsible investing etc

Opinion **FTfm**

## Impact investing must resolve its identity crisis

Investors are helping the poor as well as being offered risk-adjusted market returns



Dadtco Nigeria has developed a technology for growing and processing cassava in Africa © Adrien Barbier/AFP

MAY 1, 2018 by Wendy Abt

We know impact investing is a hot topic: chief executives of investment companies, celebrities and entrepreneurs talk about it at every opportunity. But outside of a few buzzwords — ethical, sustainable and so on — there is no consensus as to what impact investing is.

Consider a few numbers. A 2017 survey conducted by the Global Impact Investing Network reported **\$114bn** in assets under management. In 2017, the Sustainable Investment Forum estimated the global size at **\$22.9tn**. The two groups cannot be talking about the same things.

Vague definitions will lead to dashed expectations among investors. In some

\* Updates:

- Impact Investing: \$228 billion in 2018, \$502 billion in 2019 (GIIN <https://thegiin.org/research-and-opinions/>)
- Sustainable Investment: \$30.7 trillion in 2018 (GSI, [http://www.gsi-alliance.org/wp-content/uploads/2019/03/GSIR\\_Review2018.3.28.pdf](http://www.gsi-alliance.org/wp-content/uploads/2019/03/GSIR_Review2018.3.28.pdf))

**Discrepancy:**  
**200x (0.5%) \***

**Need to clarify definitions**

# Definitional characteristics \*

For creating YOUR definition for profiling, segmenting and comparable analysis

## 1. Asset class

Equity

Debt

Underwriting

Entitlement/  
rights

Direct holdings

Grants

## 2. Financial instrument

Stock, shares,  
units

Loan, bond,  
quasi-equity

Guarantee,  
insurance

Social Impact  
Bond, etc.

Cash,  
commodities

Capital or  
revenue grant,  
debt relief

## 3. Stage of development

Maturity of investee organisation

Funding stage of investee

## 4. Thematic area

Type of activity

Target beneficiary group

Social concern

## 5. Legal ownership

Source of capital

Legal form of investee

Investment vehicle

## 6. Geography

...of capital owner

...of investment manager

...of frontline organisation

...of target beneficiary

## 7. Business model viability §

Full subsidy

Partial revenue

Preserve capital/  
break-even

Below risk-  
adjusted returns

Commercial risk-  
adjusted returns

Commercial  
windfall (alpha)

## 8. Methodological intensity †

Avoid harm

Want good

Get facts

Explain why

Assess effects

Interpret impact

# Different pathways

1.

# Different stakeholders have different needs

I am an  
institutional  
asset owner

I am a  
fund  
manager

I am a  
foundation

I am a  
faith-based  
investor

I am a  
policy  
writer for  
the public  
sector

I am a  
corporation  
listed on a  
stock  
exchange

I am a  
private  
investor

I am a  
venture  
philanthropist

I am an  
NGO/ NPO  
charity

Definition of sustainability (impact) + purpose for data = methodology

**Less intense**

Impact management methodology

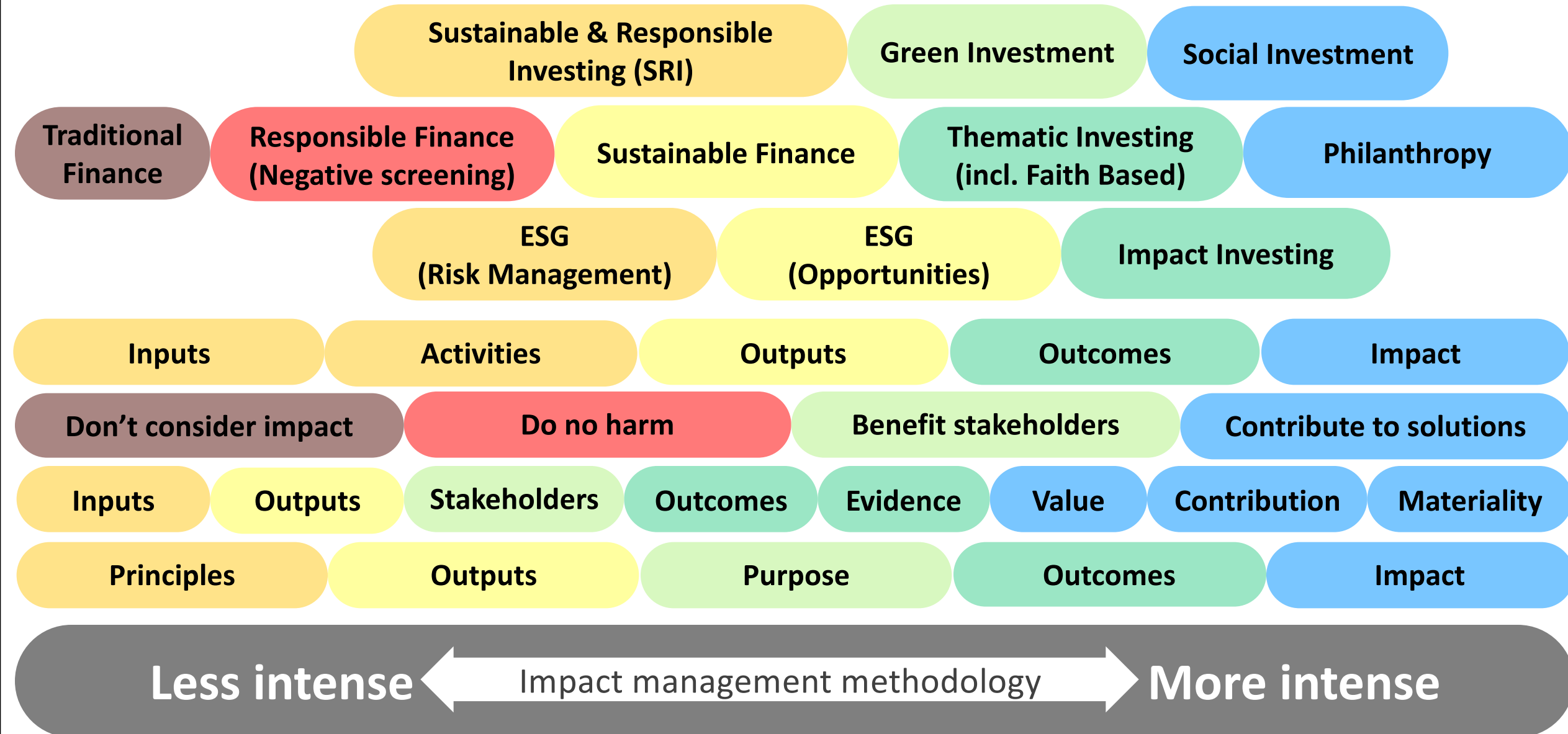
**More intense**

Prescriptive requirements/ standardisation/ factual (x1)

Descriptive specification/ customisation/ interpretive ( $\infty$ )



# Spectrum of capital (...or management mandates?)



# Discrete pathways for the impact management journey

Select the pathway that suits your definitional framework and mandate for impact management

## Agnostic

Do not consider impact

## Avoid harm

Know what you do not want

## Want good

Know what you do want

## Get facts

Describe what happens by enumerating outputs

## Explain why

Understand why outputs happen based upon specific inputs and actions

## Assess effects

Enumerate the intended effects of actions on stakeholders

## Interpret impact

Enumerate positive and negative outcomes, intended and unintended, assess change over time

Incontrovertible data <sup>(x1)</sup>



Many interpretations of each data point <sup>(∞)</sup>

Less intense

Impact management methodology

More intense

# Pathways of methodological intensity

Different levels of resource (time, money) and expertise required

**Agnostic**

**Avoid  
harm**



**Want  
good**



**Get  
facts**



**Explain  
why**



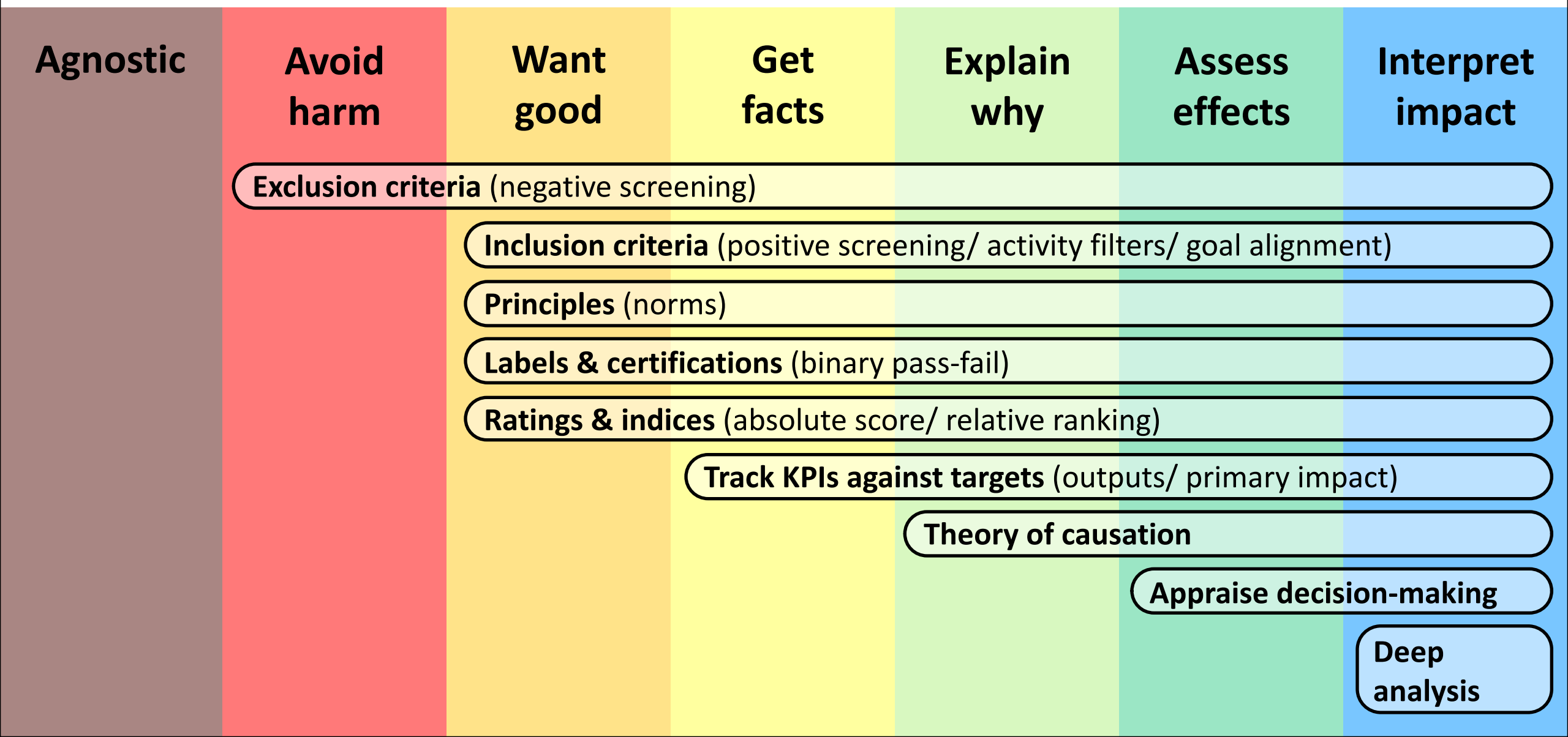
**Assess  
effects**



**Interpret  
impact**



# Primary attributes of the pathways (cumulative)





# Impact risk

(pathways signal process rigorous – not amount of positive or negative impact)

**Agnostic**

**Avoid  
harm**

**Want  
good**

**Get  
facts**

**Explain  
why**

**Assess  
effects**

**Interpret  
impact**

Risk of:

- intended impact not happening
- unintended effects/ side-effects (positive or negative)

A common journey

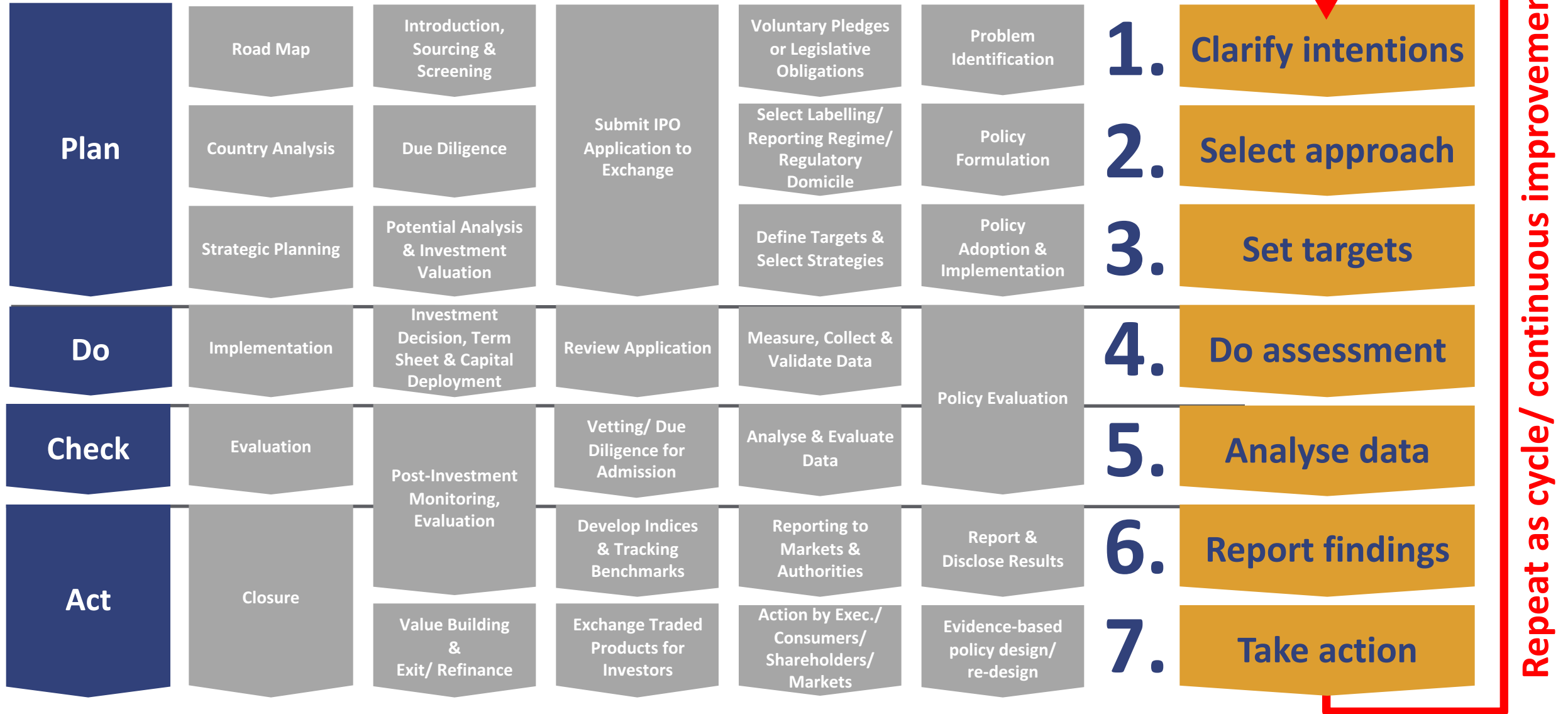
2.

## DEMING Quality Management Cycle

# Industry processes \*

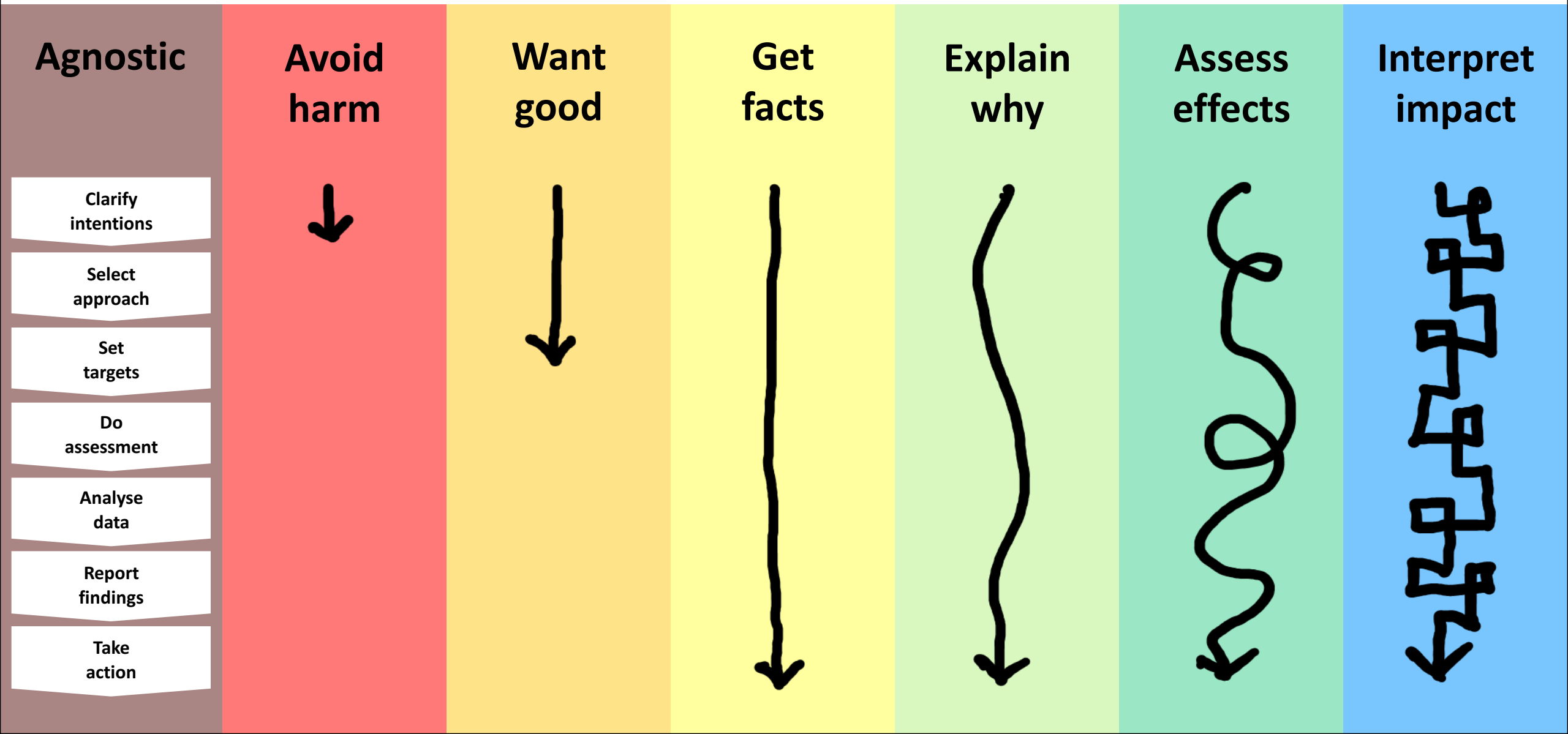
\* Mapping to industry process is indicative only

## Common journey for impact management



# Pathways of methodological intensity

Different levels of resource (time, money) and expertise required





# Example application - a rubric for practical action



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1. **Definitional framework > Market Segmentation**
2. **Common Processes > Quality Assurance**
3. **Common Functionality > Software (Assisted workflows)**
4. **Basis for Data Interoperability > Reporting Rigour**
5. **Resource Allocation > SDG Prioritisation**

Tool-kit of useful things

3.

## Methods & techniques

(Cumulative)

# Agnostic

# Avoid harm

**Want  
good**

**Get facts**

# Explain why

## Assess effects

## Interpret impact

## Exclusion criteria (negative screening)

**Inclusion criteria** (positive screening/ activity filters/ goal alignment)

## Principles (norms)

## Labels & certifications (binary pass-fail)

### Ratings & indices (absolute score/ relative ranking)

## Track KPIs against targets (outputs/ primary impact)

## Theory of causation

## Appraise decision-making

## Deep analysis

# Methods & techniques

(...continued)

**Agnostic**

**Avoid  
harm**

**Want  
good**

**Get  
facts**

**Explain  
why**

**Assess  
effects**

**Interpret  
impact**

## General considerations – burden of proof

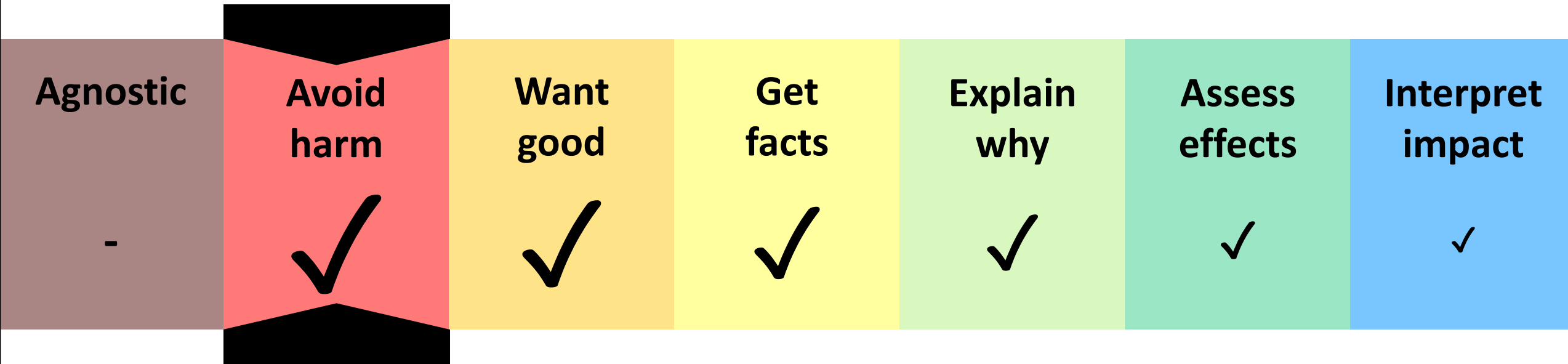
- **Levels of Evidence**  
(Anecdotal <> Scientific)
- **Self reported or 3<sup>rd</sup> Part Assurance**  
(e.g. Green Bonds)





# Methods & techniques

(...continued)



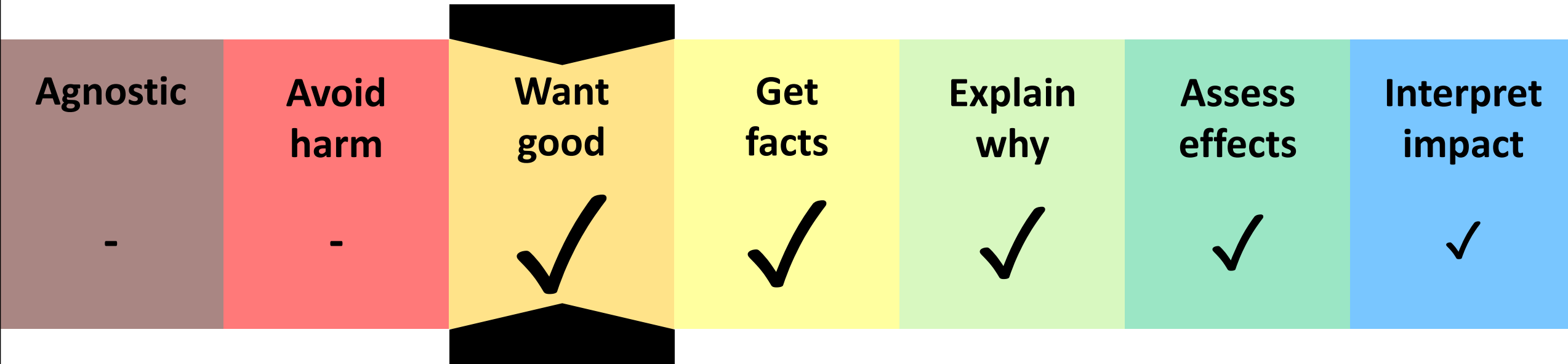
## Exclusion criteria

- Negative screening



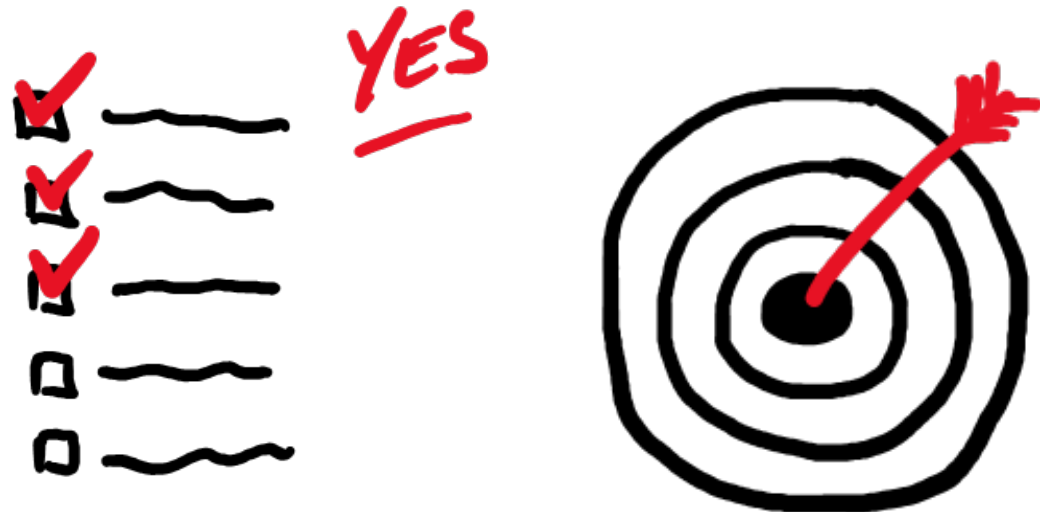
# Methods & techniques

(...continued)



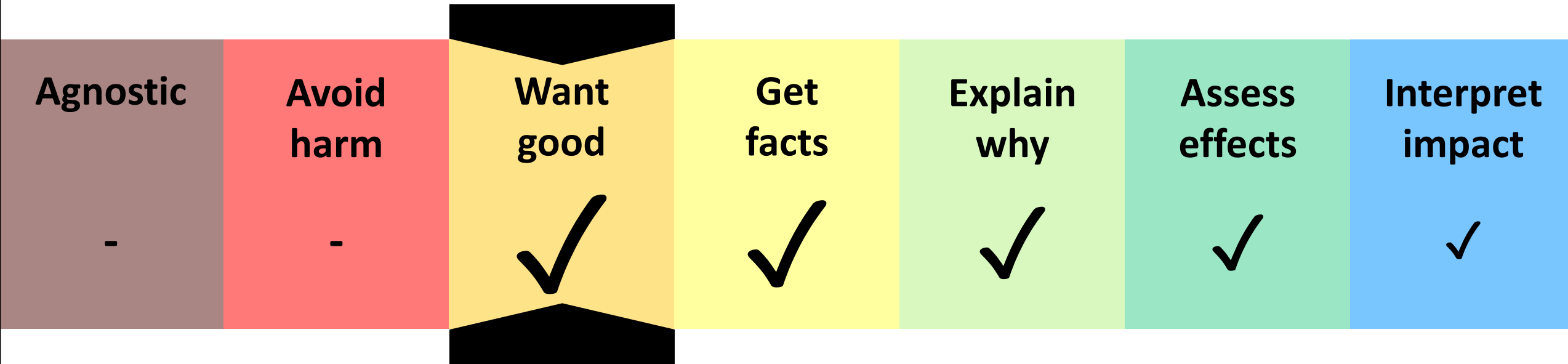
## Inclusion criteria

- Positive screening
- Activity filters
- Goal alignment



# Methods & techniques

(...continued)



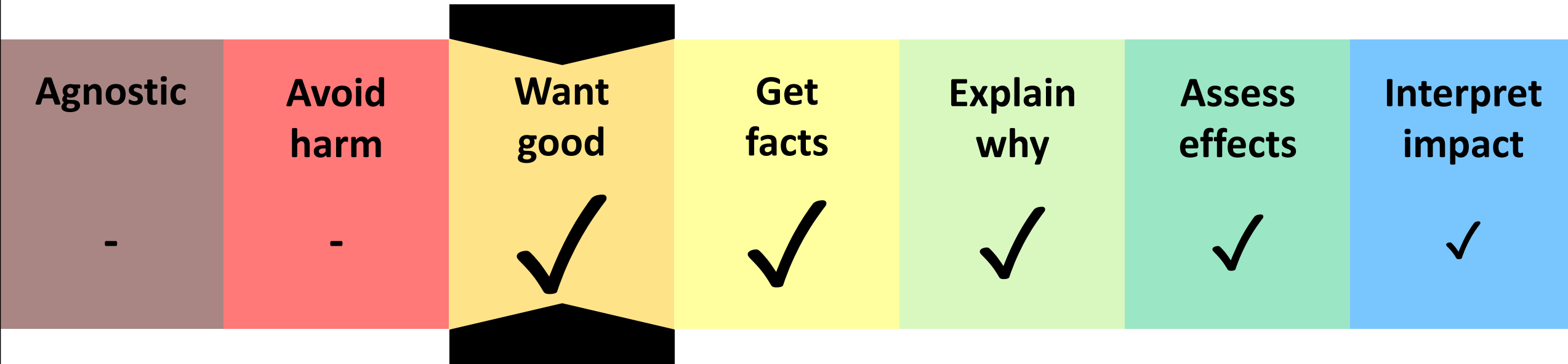
## Adhere to principles

- Norms & conventions
- Best practices to consider ESG issues
- Commitment to disclose / report



# Methods & techniques

(...continued)



## Labels & certifications

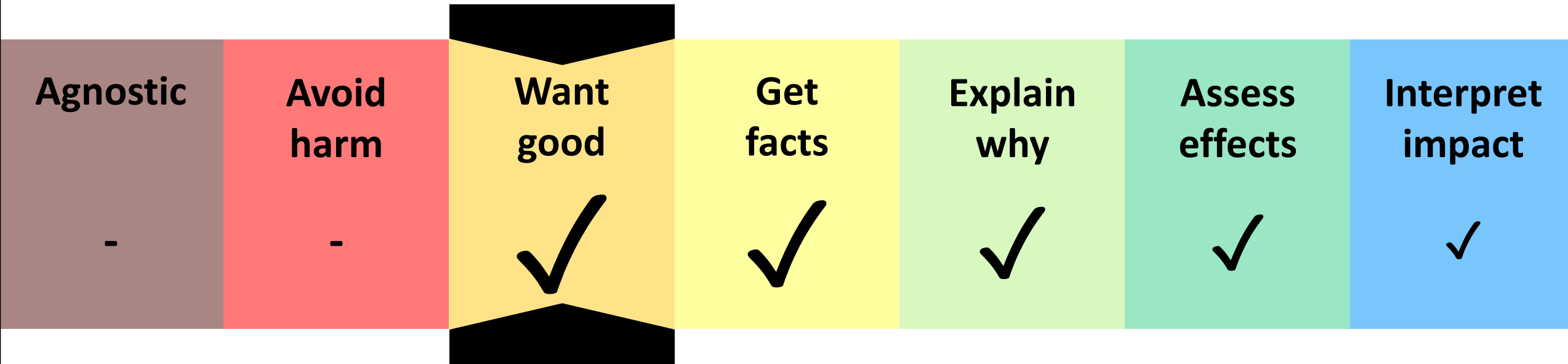
- Binary pass-fail





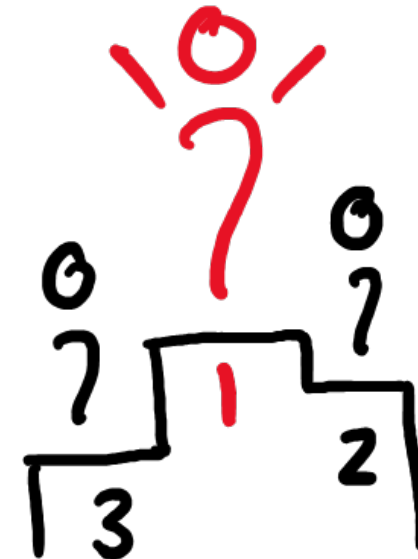
# Methods & techniques

(...continued)



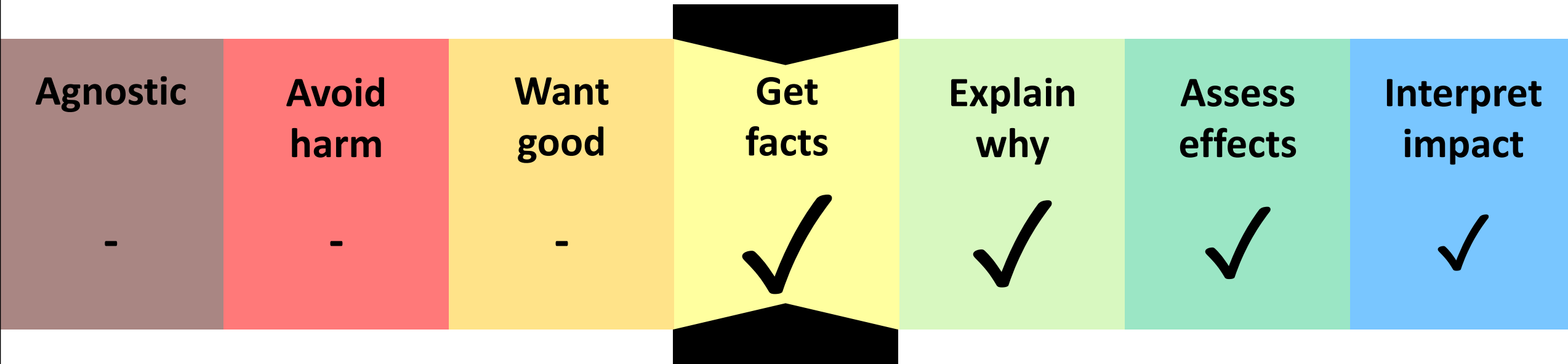
## Ratings or indices

- Absolute score
- Relative ranking



# Methods & techniques

(...continued)



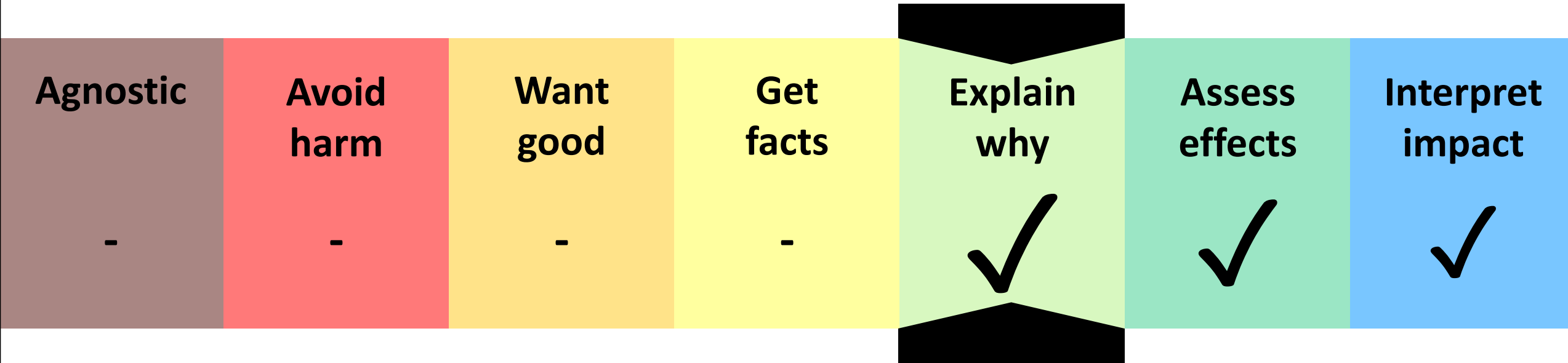
## Track KPIs against targets

- Outputs
- Quantitative or qualitative



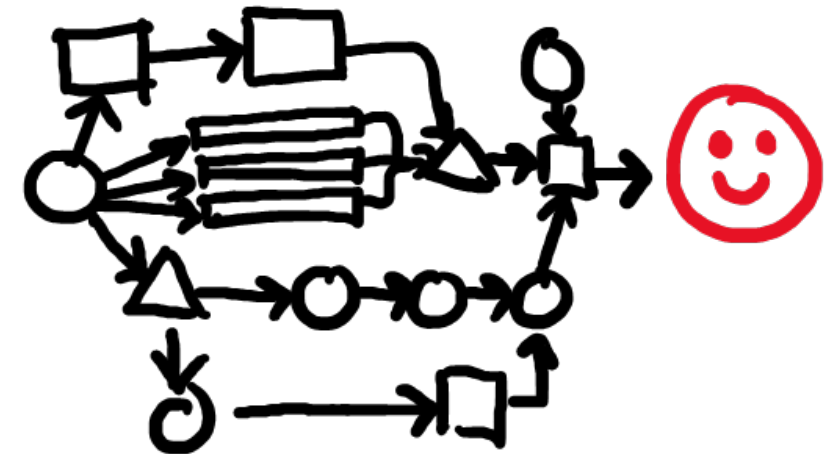
# Methods & techniques

(...continued)



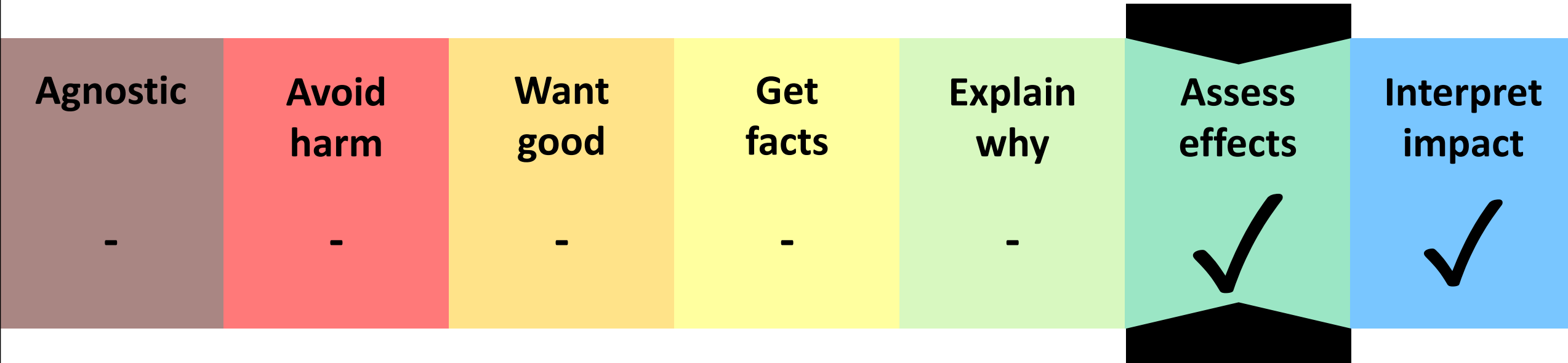
## Theory of causation

- **Logic Models**  
(Inputs > Activities > Outputs > Outcomes > Impact)
- **Theory of Change**  
(identify pre-conditions and external dependencies that are needed to consistently achieve results)



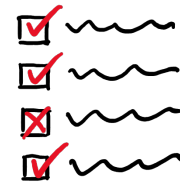
# Methods & techniques

(...continued)

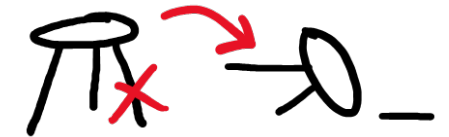


## Appraise decision-making

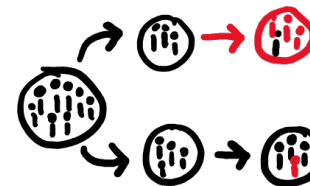
- Study resulting changes
- Outcomes & experiences
- Assess how good your decisions were in achieving your goals



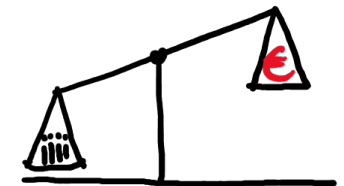
Surveys



Counterfactual Analysis



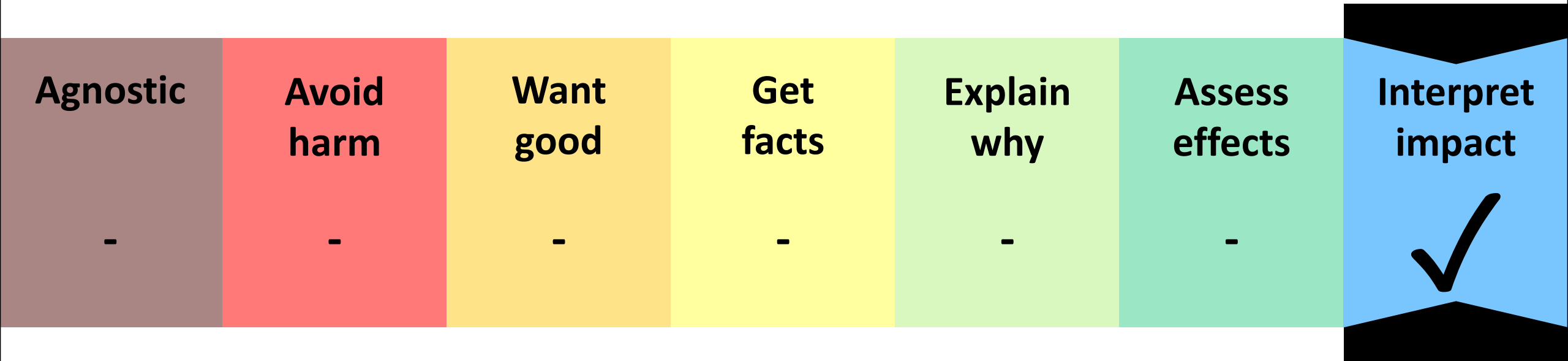
Randomised Control Trials (RCTs)



Monetisation of impact

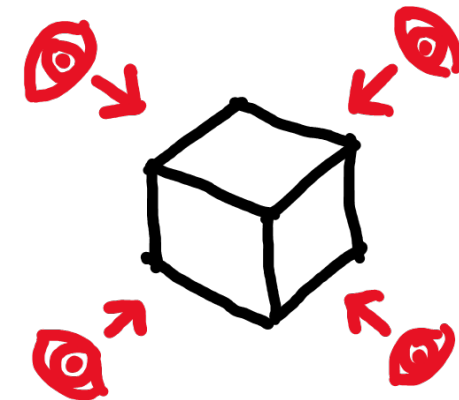
# Methods & techniques

(...continued)



## Deep analysis

- Multi-dimensional
- Intended & unintended consequences
- Positive effects & negative side effects







# The end – thank you

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