

Close the gap in Impact Investing: a framework to measure and manage social impact at the ecosystem level

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Abstract

The financial community has gradually adopted impact investing to generate positive, measurable social and environmental impact alongside a financial return. Over time, the “mantra of impact” has become central, especially since for-profit companies are increasingly being asked to demonstrate their impact on society. Although scholars have conducted several studies about social impact measurement through the years, it remains a contested management practice due to a number of frictions. Our exploratory study focuses its lenses on understanding what challenges actors in the Impact ecosystem face when measuring social impact and the related potential solutions. The article adopts a qualitative method and an inside-out research strategy that allows continuous interaction between a practice group and academics. The data were collected during the first workshop of the “IMmPACT” project and two follow-up interviews. Secondary data were collected in the form of newspaper articles and industry reports. Primary data were analysed with NVivo qualitative software. The article hinges on the Corporate Social Performance discipline and Systems Thinking in Sustainability. By combining primary and secondary data with theories, we present a preliminary high-level process-based framework to measure and manage the social impact at the ecosystem level.

Keywords

Social Impact; Social Impact Measurement; Corporate Social Performance; Systems Thinking; Sustainability; Impact Investing

“Our current system encourages decisions that are based on how to make as much money as possible with the lowest level of risk; we need to shift to a system that encourages making as much money as possible but in a way that is consistent with achieving the highest impact and with the lowest level of risk.” (From the book ‘Impact’, Sir Ronald Cohen, 2020)

“Is the world better off because we’re in it?” (From the book ‘Net Positive’, Polman & Winston, 2021)