Gordon Institute of Business Science
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Exploring the effectiveness of measuring social impact investment

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ABSTRACT

The growing inequality gap in South Africa demands a response from the South African business community. While poverty alleviation and service delivery have traditionally been the realm of governmental and non-governmental organisations, increasingly for-profit businesses are developing innovative solutions to lessen the growing inequality divide. The legitimacy of the business community requires it, however, simply building socially minded businesses is not enough. Although it is a relatively new concept, the Impact Investing market seeks to create intentional social impact, however without effective impact measurement, change will remain in the domains of story and assumption.

This research used exploratory methods to examine the Impact Investing market in South Africa. In total, 12 professionals in South Africa were interviewed using semi-structured interviews. While most interviews were conducted face-to-face, three were done telephonically. The interview pool, which included evaluation experts, managers and directors within intermediary businesses and owners of businesses who receive impact investment funds, provided new insights regarding stakeholder engagement and impact measurement. These findings both support and contradict existing literature.

While the literature indicates that stakeholder engagement is used mainly for reporting at set times throughout the cycle of an investment, the research found that stakeholder engagement is perceived to be a continuous process that starts with the conceptualisation of a product or service and ends after the final evaluation is completed. The research found three key phases within an investment cycle and aligned important impact measurement and stakeholder engagement processes within each of the phases. Noting the different needs of intermediaries and investees, the key phases and corresponding processes are presented in the Stakeholder Integrated Impact Measurement Conceptual Framework. This research adds to existing stakeholder and impact measurement theory within the Impact Investing market.

KEYWORDS

Impact measurement, impact investing, stakeholder engagement, theory of change, trade-offs

DECLARATION

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

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CHAPTER 1: PROBLEM DEFINITION AND PURPOSE

1. Introduction

According to Pandit and Tamhane (2018), the relationship between business and society is tense. The perceived indifference of business to the struggles of the poor threatens to unravel the gains made by capitalism. The term ‘Impact Investing’ was developed in 2007 at a conference led by the Rockefeller Foundation (Harji & Jackson, 2012). A form of blended investing, impact investing, provides financial resources to businesses in order to intentionally achieve “social, environmental and financial impact” (Emerson, 2003, p. 38). According to Emerson (2003), blended investing ensures that social, environmental and economic returns are maximised within an investment. As a relatively new field of financial investment, Impact Investing presents a real opportunity to reduce the gap between the rich and the poor (Höchstädter & Scheck, 2015). While not always the case, many impact investors are willing to trade financial returns for social and environmental returns, however, in order to justify the trade-off, the investor needs to know the social impact their investment is achieving. Therefore, the social and environmental returns must be measured and reported on and not left to guesswork (Addy, Chorengel, Collins, & Etzel, 2019).

Over the last 65 years, multiple frameworks have been advanced which highlight the responsibility of businesses to ensure profits are not only economic but social and environmental as well. Corporate Social Responsibility, Blended Value Proposition, Creating Shared Value and Impact Investing (among others) all advocate for business’ focus on creating social impact. Porter and Kramer (2011) even go as far as to imply that creating social and environmental profit needs to be part of the business’ corporate strategy. Corporate Social Responsibility, perhaps the most popular method for businesses to create social impact (Albuquerque, Koskinen, & Zhang, 2018) has its origins in the research of Howard Bowen in the 1950s (von Liel, 2018). However, in the early 2000s, Jed Emerson began pushing for a Blended Value Proposition (Emerson, 2003) while Michael Porter and Mark Kramer advanced the theory of Creating Shared Value (Porter & Kramer, 2011). Both theories encourage businesses to include social impact as part of the business strategy. However, it is Impact Investing, with its intentional focus on creating social and environmental impact, that provides hope for for-profit involvement in creating lasting social impact.

According to (Lehner, Harrer, & Quast, 2018), this group has the “strongest social and environmental focus in their discourse” (p. 4). Given the importance placed on the creation of social and environmental value, businesses need to understand the impact they seek to achieve, whether the impact is positive or negative. Businesses understand the measurement metrics they will use to evaluate their success and what they will do with the findings gathered through the measurement and evaluation of their products or services.

Interest regarding impact investing has increased since 2007 and while small in regards to private equity firms, which manage approximately $2.9 trillion worth of investments, impact investing funds are expected to grow to approximately $300 billion by 2020 (Pandit & Tamhane, 2018). Given the trade-off between financial return and social return, (Freireich & Fulton, 2009) businesses engaging in impact investing need to be able to show that their investments are achieving social returns and that they are outperforming their competition.

The purpose of this research was to examine whether impact measurement of impact investments occurs in South Africa, identify the key barriers to effective impact measurement, explore the benefits of impact measurement and support the development of theory regarding impact investing and impact measurement. To do so the research analysed the role of stakeholders in developing impact measurement frameworks that would measure the social returns of impact investing initiatives; explored the key barriers to impact measurement which led to a breakdown of impact measurement and highlighted the importance of using evaluation data to improve impact investing enterprises and enhance a business’ competitive advantage which could influence investor trade-offs. Through gaining an understanding of stakeholder roles, the research identified competing priorities business leaders face when they engage in impact investing initiatives which diminish social impact. The research also highlights the benefits of analysing and using collected data to validate, improve or alter existing interventions. This is important when considering the financial, reputational and political risks, associated with operating a business in the South African context.

With a Gini Coefficient of 63 (World Bank, 2019) South Africa is frequently referred to as one of the world’s most unequal societies, as a result, this topic is of great importance. For the nation to advance, a collective social response, bringing together the best efforts of government, business and society is required. However, simply engaging in social change is not enough. In order to create legitimacy for business and to prove that a genuine response to the current social problems is in progress and making change, this movement must be observed, measured, analysed and proven.

CHAPTER 2: LITERATURE REVIEW

2. Introduction

The challenge presented by Pandit and Tamhane (2018), is a reality faced by many businesses in South Africa. While many efforts have been developed to address this relationship and to reduce the business risk associated with political and social risk, much of the efforts to reduce global poverty have been led by non-governmental and inter-governmental organisations, this includes the United Nations (UN) and the Millennium Development Goals (MDGs) (United Nations, 2015) and Sustainable Development Goals (SDGs) (United Nations, n.d.). In addition, a host of conscientious for-profit businesses implementing their own form of poverty alleviation interventions have come alongside, these business initiatives emanate from a mix of theories and include, among others, Socially Responsible Investing (SRI), Corporate Social Responsibility (CSR), the Blended Value Proposition (BVP), and Impact Investing. While different in their design and implementation, they follow a common theme, the creation of social impact. When implemented effectively, they present a formidable ally to traditional, not-for-profit approaches to achieving social impact.

2.1. Impact Investing

2.1.1 Sources of Literature

The unfortunate reality of Impact Investing literature, is the noticed lack of scholarly work on the topic (Clarkin & Cangioni, 2016; Michelucci, 2017), while new peer-reviewed literature has been presented in 2018 and 2019, the lack of an expansive body of literature is noticed. As a result, the literature reviewed has been identified within a broad range of sources, including peer-reviewed journal articles and practitioner journals. Table 1: List of Impact Investing Specific Journal Sources shows a representation of the reviewed articles, with a specific impact investing focus, and their respective sources.

Table 1: List of Impact Investing Specific Journal Sources

Source	Author	Title	Date	Scimago Rank
Practitioner Journals				
Impact Investing General				
Boston Consulting Group	Brown & Swersky	The First Billion: A Forecast of Social Investment Demand	2012	N/A
Centre for Development Impact	Flynn, Young & Barnett	Impact Investments: A Literature Review	2015	N/A
Community Development Investment Review	Bugg-Levine & Goldstein	Impact Investing: Harnessing Capital Markets to Solve Problems at Scale	2009	N/A
McKinsey Quarterly	Pandit & Tamhane	A closer look at impact investing.	2018	Q3
Monitor Institute	Freireich & Fulton	Executive Summary – Investing for Social and Environmental Impact: A Design for Catalyzing an Emerging Industry	2009	N/A
The Impact Programme	The Impact Programme	The Impact Programme Market Baseline Study: Impact Investment in Sub-Saharan Africa and South Asia in 2013		
The Rockefeller Foundation	Harji & Jackson	Accelerating Impact: Achievements, Challenges and What's Next in Building the Impact Investing Industry	2012	N/A
Impact Investing Measurement				

Harvard Business School	Ebrahim & Rangan	A Contingency Framework for Measuring Social Performance	2010	N/A
The Rockefeller Foundation	Jackson & Harji	Assessing Impact Investing: Five Doorways for Evaluators	2014	N/A
Peer-Reviewed Journals				
Impact Investing General				
Capitalism and Society	Trelstad	Impact Investing: A Brief History	2016	Q1
Entrepreneurship Research Journal	Clarkin & Cangioni	Impact investing: A primer and review of the literature.	2016	Q2
European Business Review	Calderini, Chiodo & Valaria Michelucci	The Social Impact Investment Race: Toward an Interpretive Framework	2018	Q2
Journal of Business Ethics	Höchstädter & Scheck	What's in a name: An analysis of impact investing understandings by academics and practitioners.	2015	Q1
Journal of Social Entrepreneurship	Ormiston, Charlton, Donald & Seymour	Overcoming the Challenges of Impact Investing: Insights from Leading Investors	2015	Q2
Voluntas	Michelucci	Social impact investments: Does an alternative to the Anglo-Saxon paradigm exist?	2017	Q1
Impact Investing Measurement				
African Evaluation Journal	Verrinder, Zwane, Nixon & Vaca	Evaluation Tools in Impact Investing: Three Case Studies on the use of Theories of Change	2018	Q2

American Journal of Evaluation	Harji & Jackson	Facing Challenges, Building the Field: Improving the Measurement of the Social Impact of Market-Based Approaches	2018	Q1
American Journal of Evaluation	Reisman, Olazabal, & Hoffman	Putting the "Impact" in Impact Investing: The Rising Demand for Data and Evidence of Social Outcomes	2018	Q1
American Journal of Evaluation	Ruff & Olsen	Need for Analysts in Social Impact Measurement: How Evaluators Can Help	2018	Q1
American Journal of Evaluation	Vo & Christie	Where Impact Measurement Meets Evaluation: Tensions, Challenges, and Opportunities	2018	Q1
Harvard Business Review	Addy, Chorengel, Collins & Etzel	Calculating the value of impact ınvesting.	2019	Q3
Journal of Sustainable Finance & Investment	Jackson	Interrogating the Theory of Change" Evaluating Impact Investing Where it Matters Most	2013	Q1
Journal of Sustainable Finance and Investment	Reeder, Colantonio, Loder & Rocyn Jones	Measuring Impact in Impact Investing: An Analysis of the Predominant Strength that is also its Greatest weakness	2015	Q1
Research in International Business and Finance	Viviani & Maurel	Performance of Impact Investing: A Value Creation Approach	2019	Q1
Impact Investing Stakeholders				
Research in International Business and Finance	Alijani & Karyotis	Coping with impact investing antagonistic objectives: A multistakeholder approach.	2019	Q1

Sustainability Accounting, Management and Policy Journal	Costa & Pesci	Social Impact Measurement: Why do Stakeholders Matter?	2016	Q1
Social Value Creation				
Academy of Management Journal	Pache & Santos	Inside the Hybrid Organization: Selective Coupling as a Response to Competing Institutional Logics	2013	Q1
Academy of Management Review	Kroeger & Weber	Developing a conceptual framework for comparing social value creation.	2014	Q1
Harvard Business Review	Bugg-Levine, Kogut & Kulatilaka	A New Approach to Funding Social Entrepreneurs	2012	Q3
Voluntas	Jager & Schroer	Integrated Organizational Identity: A Definition of Hybrid Organizations and a Research Agenda	2013	Q1
Social Value Measurement				
International Journal of Management Reviews	Mura, Longo, Micheli, & Bolzani	The Evolution of sustainability measurement research.	2018	Q1
Journal of Business Venturing	Molecke & Pinkse	Accountability for social impact: A bricolage perspective on impact measurement in social enterprises.	2017	Q1
Journal of Social Entrepreneurship	Antadze & Westley	Impact Metrics for Social Innovation: Barriers or Bridges to Radical Change?	2012	Q2

2.1.2 History of Impact Investing

Most authors trace the origins of Impact Investing back to a meeting convened by the Rockefeller Foundation in 2007 (Clarkin & Cangioni, 2016; Höchstädter & Scheck, 2015). While Vo and Christie (2018) trace the origins of impact investing back to "centuries old Jewish and Islamic laws that guide ethical financial decision making" (p. 384). However, the principles that drive Impact Investing can be traced to periods that pre-date the official 2007 meeting. Bugg-Levine and Goldstein (2009) suggest that the "seeds for impact investing were sown in the last quarter of the twentieth century with the socially responsible investment and corporate responsibility movements" (p. 32). Clarkin and Cangioni (2016) further note that the blended value proposition championed by Emerson (2003) is a third forerunner to impact investing.

Even though the first investment fund was screened for socially harmful practices in 1928, the seeds of socially responsible investing (SRI) were sown during the civil rights movements of the 1960s and 1970s (Trelstad, 2016). This movement, originated by faith-based organisations and student unions, asked that unethical investments be removed from their investment portfolio (Trelstad, 2016). While the original SRI movement was concerned about the sale of tobacco, guns and political practices like apartheid, the movement has since developed into an investment practice that screens out investments with harmful social and environmental practices as well as any other issues that the owner of the assets might object to (Trelstad, 2016).

According to von Liel (2018), Corporate Social Responsibility (CSR) focuses on the power of large organisations and their duty to influence and change society. As a result, "CSR expands the notion of work to go beyond a task, job, intraindividual, intraorganizational, and profit perspective" (Aguinis & Glavas, 2019, p. 1057), even beyond legal requirements of the law to create social impact (McWilliams, Siegel, & Wright, 2006). While there are many theories that can be used to describe CSR (McWilliams et al., 2006), most business engagement in CSR is philanthropic in nature, viewed through a cost to company lens and used to improve a business's reputation (von Liel, 2018). While CSR initiatives have the potential to do immense good, the social impact of such programmes is not known. According to Salzmann, Ionescu-Somers, and Steger (2005) as well as Mura, Longo, Micheli, and Bolzani (2018), most measurement of corporate sustainability relates to the financial or economic cost at the expense of the environmental and social cost. As a result, little is known about the impact (positive or negative) that these programmes have.

Emerson (2003), notes that there are two forms of business, either it is making money, or it is giving it away. On one end there are not-for-profit organisations whose purpose is to achieve social value and returns with no consideration for financial performance and return, on the other end are for-profits that seek profit only and do not consider creating social value. In these instances, success or failure is based “strictly on financial and economic terms” (Emerson, 2003, p. 36). Emerson (2003), notes that this is the logical, common understanding of the world, but it is simply not correct. The Blended Value Proposition includes the social and environmental performance of a firm as a strategy for increasing value, pursuing social value and tracking value of non-financial performance (Emerson, 2003). According to Emerson (2003), it requires business leaders to think differently, they need to be able to increase economic as well as environmental and social value within a business.

However, it is important to remember that Impact Investing is not the same as SRI, CSR or blended value and the terms should not be confused. Where CSR, SRI and blended value seek to reduce a business’s negative impact on society, Impact Investing seeks to create positive social impact (Alijani & Karyotis, 2019). While the difference may seem to be simply a play on words, the resulting implementation of Impact Investing shows the difference to be significant. As Freireich and Fulton (2009) highlight, those who invest for impact wish to move beyond investing responsibly and put their financial resources into solutions that are larger than most philanthropic entities can achieve. This is further supported by Harji and Jackson (2012), who suggest that impact investors seek to achieve a positive, measurable social return, rather than just preventing negative outcomes.

2.1.3 Defining Impact Investing

In order to gain a solid grasp of what Impact Investing is, two things must be understood. The first is what constitutes social impact and the second is, what differentiates Impact Investing from other forms of investing.

The understanding of what constitutes social impact is not always clear. While all articles which address Impact Investing speak of social impact, few suggest what aspects of a business’ intervention equal the creation of social impact. Costa and Pesci (2016), note that there are many different definitions of social impact. However, a clear definition is presented by Ebrahaim and Rangan (2010), where they state that social impact requires a "logic chain of results in which organisational inputs and activities lead to a series of outputs, outcomes and ultimately to a set of societal impacts" (p. 3). According to Höchstädter and Scheck (2015), social impact is divided into multiple categories including cultural, developmental, economic, governance, social and environmental. Höchstädter and Scheck (2015) add that social impact "contributes to defined social goals; positive social outcomes; social benefit; social change; social impact(s); social purpose; and social return(s)" (p. 462).

Given the goal of impact investing to alleviate social challenges, impact investing is deemed to be an improvement over socially responsible investing. Kroeger and Weber (2014), add that for an impact investment to achieve social impact and to create value, it must benefit society. Measuring benefit goes beyond counting the number of individuals reached and requires an evaluation of change. To claim social impact, a business must know how their intervention changed the society they are working in and this can only be accomplished through evaluation with metrics that allow for the understanding of impact. All organisations generate some form of social impact, however, it is often assumed that this impact is confined to non-governmental organisations, social enterprise and social ventures (Costa & Pesci, 2016), thus overlooking the significant positive contribution of for-profit ventures.

Similarly, the literature presents multiple definitions for Impact Investing. Alijani and Karyotis (2019) suggest that "Impact investing aims to achieve positive social and environmental impact and create blended value through sustainable value propositions" (p. 10). Another definition suggests that impact investments "are investments made into companies, organisations and funds with the intention to generate measurable social and environmental impact alongside a financial return" (Verrinder, Zwane, Nixon, & Vaca, 2018, p.2). Clarkin and Cangioni (2016) note that Impact Investing is an asset allocation strategy that intentionally blends social impact with financial returns. Calderini, Chiodo, Michelucci and Milano (2017), combine multiple definitions to suggest that Impact Investing must include three features, social returns are intentional, social returns are proactive, and the loaned capital must be repaid.

"Once viewed at opposite ends of the spectrum, financial investment and philanthropy are becoming partners in social enterprise development", (Clarkin & Cangioni, 2016). As a result, Impact Investing is quickly becoming a key force in social change on a global scale (Verrinder et al., 2018). However, according to Calderini et al. (2017), even though the intent of Impact Investing is ambitious, many of the investments are still focused on “grant making in the social finance spectrum” (p. 74). On the other hand, Höchstädter and Scheck (2015) point out, Impact Investing is a perfect combination of philanthropy and mainstream investing. Regardless, even though there is significant interest in Impact Investing as a new asset class, the reality is that the market is too small to be considered as such (Calderini et al., 2017).

Like all forms of investment capital, Impact Investing involves the provision of financial resources, whether it be start-up funding or investment in an existing company, with the expectation of receiving a financial return. While the level of expected return is not defined and varies based on the type of impact investment, investors are willing to trade financial profit for environmental and social impact (Freireich & Fulton, 2009; Höchstädter & Scheck, 2015). However, it should also be noted that for an investment to be considered an Impact Investment, there must be an intention to create social impact, it cannot be accidental (Höchstädter & Scheck, 2015). While there is no one definition of Impact Investing, what is agreed is that the generating of social impact is intentional as is the generating of financial returns. For the purpose of this research, Impact Investing will be defined according to the definition developed by the Global Impact Investing Network (2019), “Impact investments are investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return”.

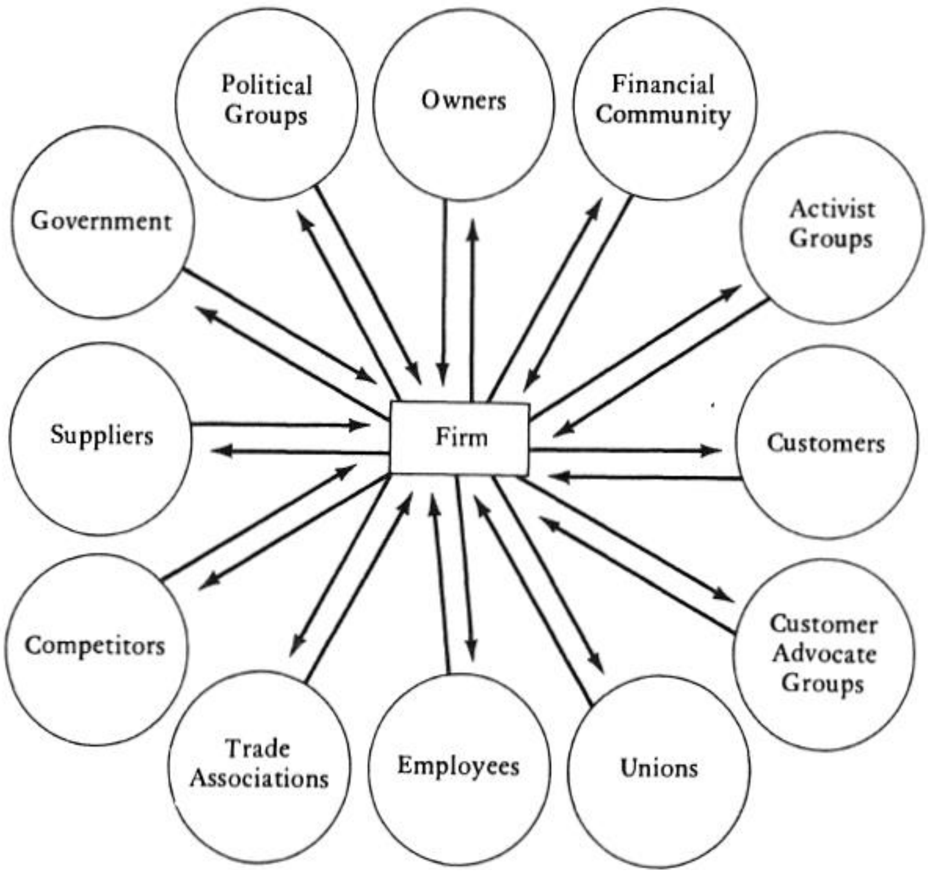
2.1.4 The Scope of Impact Investing

According to Alijani and Karyotis (2019), by the end of 2016, $15.5 billion had been invested in projects globally that fit the Impact Investing criteria, with a median investment of $12 million per project. Pandit and Tamhane (2018), on the other hand, estimate that by 2020 the Impact Investing portfolio will reach US$300 billion globally. Similarly, Ormiston, Charlton, Donald, and Seymour (2015) note that the Impact Investing market potential ranges between US$400 billion and US$1 trillion. Regardless, this is a small amount when the $2.9 trillion dollars managed globally by investment funds are considered (Pandit & Tamhane, 2018). However, Impact investing shows promise in supplementing existing government and not-for-profit organisations in resolving “social and environmental problems and predicaments ranging from pollution to economic exclusion and poverty, as well as social and spatial segregation" (Alijani & Karyotis, 2019, p. 10).

2.2. Stakeholder Theory and Impact Investing

Stakeholder Theory provides an excellent method for understanding and managing the business – stakeholder relationship (Hussain, Rigoni, & Orij, 2018). "In

Figure 1: Stakeholder Map of a Very Large Organisation (Freeman, 1984, p. 55)



Stakeholder Theory, business is a set of relationships among groups inherently tied together…[where] all groups have a certain stake in the activities of the business", (von Liel, 2018, p. 44). As a result, businesses have a responsibility to their stakeholders (Salzmann et al., 2005). However, who the stakeholders are and what the proposed responsibility is must be better clarified. Within a typical business environment, there are many stakeholders. According to Freeman (1984), who developed stakeholder theory, stakeholders are "any group or individual who can affect or is affected by the achievement of the organisation's objectives" (p. 46). This model Figure 1, is a "counterpoint to the idea that corporations should be managed in the interests of shareholders" (Freeman, 2011) Clarkson (1995), suggests that “stakeholders are persons or groups that have, or claim, ownership, rights, or interests in a corporation and its activities, past, present, or future” (p. 106). Clarkson (1995) further goes on to identify “primary and secondary stakeholders” (p. 105).

Primary stakeholders are those who are integral to the survival and functioning of the business. They include “shareholders and investors, employees, customers and suppliers”, (Clarkson, 1995, p. 106). Secondary stakeholders, on the other hand, include groups like news outlets and groups pursuing issues of special interest to them. Essentially, “secondary stakeholders are those who influence or who are influenced” by the business (Clarkson, 1995, p. 107). Stakeholders have also been categorised as “direct (business owners, employees, suppliers and customers) and indirect beneficiaries (the local community or region; other market actors in the same-sector ecosystem)”, (Harji & Jackson, 2018, p. 398).

Stakeholder theory and the identification of the various groups who are able to influence the operation of a business, give rise to the need for the business to manage the relationships of the various groups of people who have a real or perceived interest in the business (Freeman, 1984). The challenge for many businesses then becomes how to manage the many competing interests of the various stakeholders, or more specifically, which stakeholder groups should the business prioritise. Freeman (1984), refers to the interactions between a business and stakeholders as a “transaction” (p. 69), thus conjuring an image of a formal relationship.

Freeman (2011) notes that businesses are about managing relationships of stakeholder groups that have a stake in the functioning of the business. Costa and Pesci (2016) suggest that within stakeholder groups, different levels of accountability exist. Upward accountability is formal and refers to being held accountable by funders or investors while lateral and downward accountability is frequently informal and includes conversations held with staff and beneficiaries (Costa & Pesci, 2016). These different forms of accountability create challenges and can result in accountability only to funders or investors and not to staff and beneficiaries (Costa & Pesci, 2016). However, one of the points of stakeholder theory is to provide decision making power to beneficiaries (Stieb, 2009). As Freeman (2011) notes, many people argue that interests of stakeholders must be “traded off against the interests of the financiers” (p. 7). This view is supported by Costa and Pesci (2016), who suggest that the importance of the relationship between various stakeholders differs. Unfortunately, this view should be avoided as the trade-off between stakeholder groups weakens the business and limits its viability (Freeman, 2011).

Table 2: Stakeholder Types

Primary	Secondary	(Clarkson, 1995)
Direct	Indirect	(Harji & Jackson, 2018)
Internal	External	(Viviani & Maurel, 2019)

2.2.1 Stakeholder Theory and Impact Investing

The literature regarding stakeholder theory and impact investing is limited. However, when stakeholder theory is combined with Impact Investing, this could lead to better businesses able to effect greater change. The role of stakeholders is integral to the effective implementation of an impact investment, as Mura et al. (2018) note, “stakeholder involvement in the design, implementation and use of [impact] measures could lead to more informed decisions as well as enhanced accountability and assurance” (p. 686). Not only will stakeholder involvement improve the responsiveness of an impact investment to an identified need, it will help ensure relevance. However, managing Impact Investments through a stakeholder lens is not easy. Collaboration between various stakeholder groups is often limited as a result of language, misunderstanding of key terms and definitions within the Impact Investing market as well as lack of clarity regarding stakeholder interests and capabilities (Reisman, Olazabal, & Hoffman, 2018). Additionally, differing ideas on how impact should be achieved can contribute to the manner in which principals, service providers and evaluators collaborate (Alijani & Karyotis, 2019). While these challenges may seem cumbersome and serve to dissuade a business from engaging with stakeholders, the success of the impact investment demands that the challenges are overcome and stakeholder voice included in the business’ intervention.

Stakeholder theory is relevant for Impact Investing as multiple stakeholders work together to achieve a social vision, generate financial returns and achieve significant social impact, (Frank, 2004). Therefore, “a multi-stakeholder approach provides a frame for reconceiving the value chain, redefining the value proposition and rejuvenating and rebuilding economic and social communities and networks by bringing together investors, intermediaries, beneficiaries as well as policymakers”, (Alijani & Karyotis, 2019, p. 13). Additionally, a stakeholder approach allows the business to build the foundations of an inclusive collaborative firm. However, given the goal of generating both financial and social impact, Viviani and Maurel (2019) highlight that agency conflicts, between business and investor are common. As the preceding discussion notes, stakeholders are an important component of impact investment initiatives. Therefore, in this study, the role of stakeholders will be explored in detail, as will the relationship between the business and the stakeholder.

2.2.2 Stakeholder Engagement and Impact Measurement

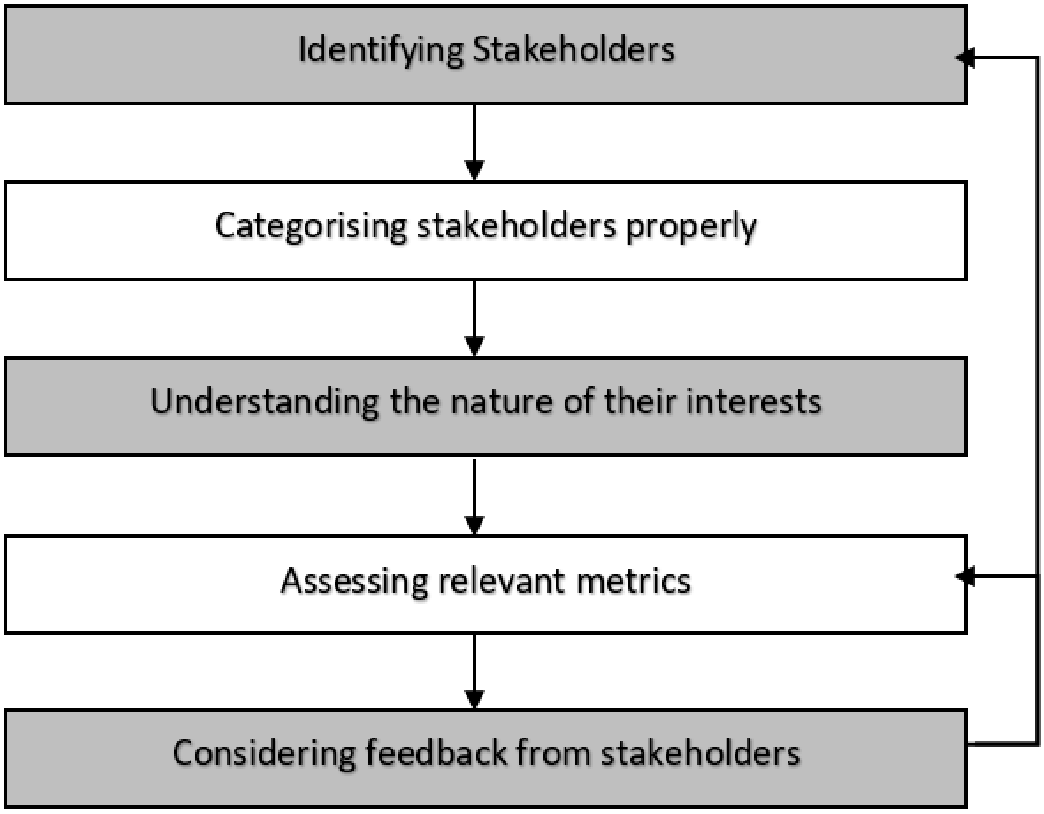
Stakeholders are an integral part of any business; however, this is even more so when considering a business that is designed to address client need and create social impact. As Alijani and Karyotis (2019) note, "impact investing cannot be fully apprehended without an in-depth analysis of the process by which actors and networks collaborate, resources are mobilised, and blended value is created and sustained" (p. 10). It is therefore important to explore stakeholder dynamics in impact investing. Stakeholder engagement is equally important when considering the measurement of social impact of impact investments. Frequently the push for effective measures is driven by external stakeholders (Viviani & Maurel, 2019). However, the level of accountability to each stakeholder group varies, for example, accountability to some stakeholders (funders and investors) will be formal, while to others (beneficiaries) the accountability will be informal (Costa & Pesci, 2016). Costa and Pesci (2016), also note that different stakeholders may also require different measured information. Investors will want to know that funds are being used well and social impact achieved, while managers will want to understand organisational effectiveness and whether changes need to be made to enhance financial and social impact (Costa & Pesci, 2016).

Table 3: Levels of Stakeholder Accountability of Businesses

Investor	Intermediary	Beneficiary	(Viviani & Maurel, 2019)
Upward	Lateral	Downward	(Costa & Pesci, 2016)

According to Viviani and Maurel (2019), within Impact Investing, there are three (Table 3) distinct groups of stakeholders, these include the investor (who is seeking impact), intermediaries (fund managers and social enterprise) and beneficiaries (who

Figure 2: Five-Step Multiple Constituencies Approach (Costa & Pesci, 2016, p. 114)

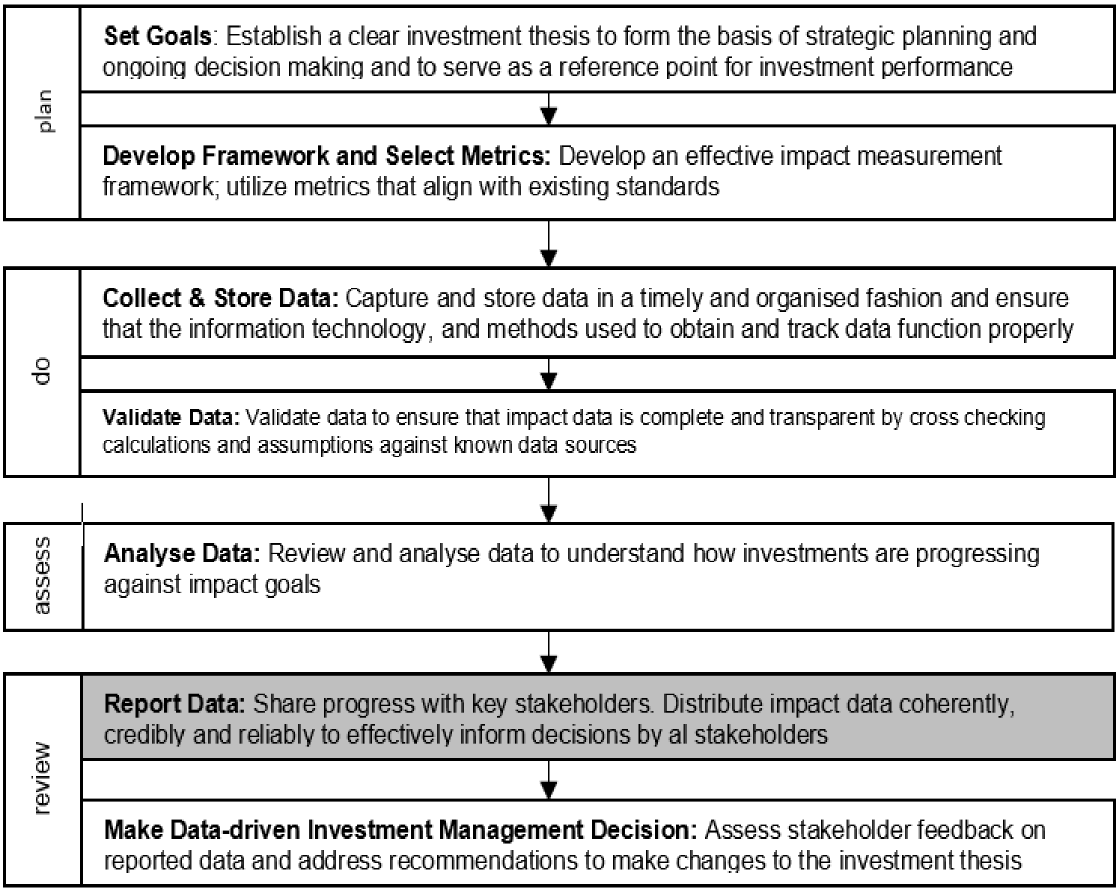


Note: Phases that engage stakeholders are highlighted in grey

are the recipients of impact investing initiatives. The first action to undertake when identifying stakeholders within an impact investment is to develop a stakeholder map which includes the connections between the various stakeholder groups and the business. The mapping exercise will shift the impact investment business away from being the primary emphasis of the stakeholder relationship, to one that coordinates the relationship between stakeholders (Costa & Pesci, 2016). maps the process for engaging with stakeholders as designed by Costa and Pesci (2016).

However, this differs from the stakeholder engagement strategy outlined by the G8 Social Impact Investment Task Force (2014), which is presented in Figure 3. As Costa and Pesci (2016) note, the only stage where stakeholders are engaged as part of the impact measurement process is when data is reported back to them. However, by following the process outlined by Costa and Pesci (2016), the interest and needs of all stakeholders can be considered throughout the measurement process, even before measurement metrics are identified. This is important and supported by Rixon (2010) who highlights the relevance of considering the needs of all important stakeholders when key indicators are selected. Rixon (2010) also notes that the inclusion of stakeholders during the process of metrics identification promotes both accountability and transparency. These are important when the overall social impact of impact investment is considered.

Figure 3: Steps in Social Impact Measurement Process (Costa & Pesci, p. 113)



Note: Phases that engaged stakeholders highlighted in grey

2.3 Impact Investing Measurement

Evaluation and measurement finds its roots in the demand for changes to social conditions (Vo & Christie, 2018). However, in order to adequately understand what is being measured, clarity of terminology is important, unfortunately, there has been little clarity regarding the terms which define impact investing, this, in turn, has negatively impacted the criteria for determining acceptable social returns (Höchstädter & Scheck, 2015). “Although the business world has universally accepted tools for estimating a potential investment's financial yields, no analogue exists for evaluating hoped-for social rewards…" (Addy et al., 2019). Tools for measuring impact do exist in the development and social sector organisations, where most organisations have developed the tools and processes to measure the impact of their work (Reisman et al., 2018; Verrinder et al., 2018). While initiatives have started to standardise measurement within the impact investing market, there has not yet been wide uptake of the process and it is yet deemed to be insufficient (Reisman et al., 2018). Reeder, Colantonio, Loder and Jones (2015) further add that "much effort has been undertaken to develop such measurements, but the progress remains patchy" (p. 136). While The Impact Programme (2014) suggests that "inadequate measurement practice' remains a key challenge" (p. 8).

Calderini et al. (2017) note, that due to the limited clarity and absence of a structural framework, most reporting remains basic, often only in the form of narrative and anecdote. Most businesses also do not undertake baseline surveys, thus leaving the business with no basis for which to compare progress against (Molecke & Pinkse, 2017). As a result, it is difficult to determine whether an impact investment is achieving the desired social return or any social return at all. While organisations such as the Global Impact Investing Network (GIIN) and the Impact Reporting and Investment Standards (IRIS) exist for the purpose of developing standardised impact measurements, the reality is that most intervention achievements do not go beyond calculating the number of people reached (Addy et al., 2019).

Formal methods of evaluation are often not used, rather businesses use "elements of material and ideational bricolage to develop self-constructed accounts of their social impact that make-do with at-hand data and interpretations – elements which were often rejected or underutilized in formal [evaluation] methodologies" (Molecke & Pinkse, 2017, p. 551). Frequently formal evaluation techniques are dismissed because it is believed that social impact is too difficult to measure, that data collection is a poor use of scarce resources, that forming a link between inputs and impact is problematic, and that formal findings would not help the business achieve success. This, in turn, allows businesses to employ creativity in reporting impact (Molecke & Pinkse, 2017). Unfortunately, ignoring formal evaluation and using creativity in reporting, contributes to the gap between social impact reporting and social impact interventions (Mura et al., 2018). This gap has frightened investors, causing them to invest in markets other than the impact investment market (Calderini et al., 2017).

Yet, despite the confusion hanging over evaluation, companies continue to report their social impact achievements. “The reporting of ESG [environmental, social, governance] issues is now standard at nearly three-quarters of the world’s large and mid-cap companies, but it is usually confined to information about commitments and process and rarely scores actual impact”, (Addy et al., 2019, p. 105). Mura et al. (2018), note that while the area of social impact measurement has grown, there has been little uniformity in guiding theory. While there have been calls to undertake a review of social impact measurement, most research tends to consider only limited facets of the measurement process which focus on specific issues of relevance to the business. This has led to a lack of standardization in the reporting process (Mura et al., 2018). Most reporting is used for external purposes and is frequently used to build a brand or to benchmark against the competition (Kroeger & Weber, 2014). This is achieved through differentiating the business from the competition, providing positive reports to investors, acknowledge the business commitment to social impact, and strategy development (Mura et al., 2018). However, there is value in businesses using evaluation findings internally to review initiatives implemented by the business to ensure that the impact achieved is both positive and desirable (Mura et al., 2018).

Clarity regarding measurement metrics and moving beyond counting people reached is a significant shortfall of impact investing evaluation, particularly if the investment intentionally wants to achieve a development result, (Höchstädter & Scheck, 2015). Without being able to accurately measure social impact the credibility of the impact investment is brought into question.

Overall, impact measurement remains focused on outputs and inputs, rarely diving below the surface to determine whether impact has been achieved and to what degree. However, for the businesses that do expend the resources to understand their social impact, the benefits can be significant. The literature surrounding the use of impact measurement to create a competitive advantage for a business is limited. However, while impact measurement is considered to be complex, and therefore poorly done (Ruff & Olsen, 2018), it would stand to reason that if a business developed a verifiable track record of impact that this could feasibly lead to new and increased sources of funding and investment. Particularly as investors are hesitant to invest in impact investment funds due to lack of evidence (Calderini et al., 2017). The question then, when considering impact evaluation, is where should a business begin?

2.3.1 Theory of Change

The Theory of Change is an important tool for measuring and evaluating social impact within impact investments, however, a Theory of Change is a convenient means to develop a measurement framework, interrogate the logic of the business and communicate the social impact of the business to stakeholders, particularly investors (Flynn, Young, & Barnett, 2015; Jackson, 2013; Jackson and Harji, 2014). When considering relationships, the theory of change is important for determining the attribution of social change for two reasons (Ebrahaim & Rangan, 2010). First, in a theory of change that is focused, the causal link is linear and, therefore, easy to understand allowing for the determination of whether social impact can be attributed to a business (Ebrahaim & Rangan, 2010). Secondly, in a complex theory of change, there are many issues that contribute to the change and therefore the link between the business and the social impact are not as readily evident (Ebrahaim & Rangan, 2010).

This is of pertinent interest particularly as the inability to measure and assign responsibility for social impact creates a significant obstacle to raising capital (Antadze & Westley, 2012; Bugg-Levine, Kogut, & Kulatilaka, 2012). While a theory of change will not replace the act of measurement, it does create an advantage for the business that develops one as most competitors will not go to the same measures to show their commitment to creating social impact (Verrinder et al., 2018).

Verrinder et al. (2018) note that a theory of change has positives beyond simply outlining how impact will be achieved. While the theory of change ensures that a business can report their social impact and adapt their investment portfolio as necessary to maximise impact, it also prevents them from over-reporting impact and claiming social change that the investment is not responsible for creating. This is an act frequently referred to as impact washing (Verrinder et al., 2018). As Flynn et al. (2015) note, the point of an investment is not to simply avoid negative consequences but to intentionally create social impact.

The push for the development of a theory of change has been mostly driven from outside the business, by investors who want to understand the social impact of their investments (Verrinder et al., 2018). However, there are multiple benefits that a business can realize from this. The first is internal, where interrogation of the data collected and compared back to the original theory of change can be used to revise and improve social impact, the second is that the business becomes more attractive to investors (Verrinder et al., 2018).

Verrinder et al. (2018) highlight the case of TUHF, a South African impact business, which has used impact measurement and the theory of change to create a competitive advantage for the business. TUHF has used the theory of change to communicate the impact of their work to investors, this has created consistency and harmonised reports creating a shared comprehension of social impact. The better communication of impact has attracted new sources of funding for TUHF including grants, as well as debt from development finance institutions (DFI). According to Verrinder et al. (2018), "TUHF reports that investors are surprised and impressed that they have a theory of change and measurement framework. This makes them stand out in their field" (p. 4). It also allows TUHF to develop new and innovative products that achieve greater social impact (Verrinder et al., 2018).

2.3.2 Barriers to Social Impact Investing Measurement

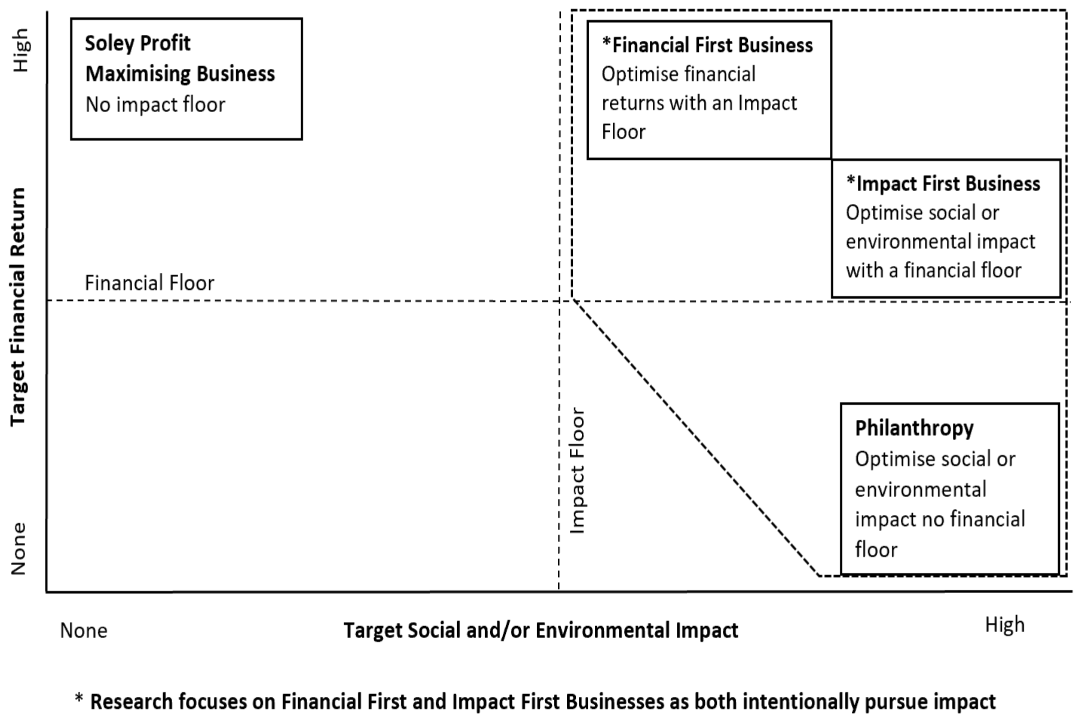
Most literature is focused on the impact market generally with little exploration of what barriers that exist to impact measurement at the level of the investee. One of the most important barriers noted in the literature is the absence of a framework which outlays the infrastructure of the social impact investing market; thus it is difficult to understand how social impact investing works across different industries and countries (Calderini et al., 2017). Also missing is a regulatory environment which would incentivise investors to invest for social impact (Calderini et al., 2017). The lack of standardised tools is another noted barrier within the impact investing market, as has been noted "at this stage, there is a general lack of a homogenization and reconciliation among these metrics" (Calderini et al., 2017, p. 74).

Molecke and Pinkse (2017) explore the impact measurement challenges faced specifically by businesses who seek social impact. While Molecke and Pinkse (2017) acknowledge that little is understood about how businesses address the challenges they face, they do suggest that most often they make do with the resources they have available. The key challenges they face include; social impact is difficult to measure, businesses need to be profitable before they consider impact measurement, cost, time and the perception of being viewed as a not-for-profit organisation.

2.3.3 Impact Investing Trade-offs

The issue of trade-offs is significant in Impact Investing. While some literature notes that there are only two types of investors, those who seek profit and those who seek social impact (Figure 4) (Freireich, J. and Fulton, K., 2009), other literature refers to impact first investors as hybrid investors, those who seek both (Pache & Santos, 2013; Jager & Schro, 2014). According to Freireich, J. and Fulton, K. (2009), "impact first investors, [are those] who seek to optimize social or environmental impact with a floor for financial returns" (p. 4). Accordingly, impact first investors intent is to "generate social or environmental good and are often willing to give up some financial return if they have to" (Freireich & Fulton, 2009, p. 4). generate social change, using the market to generate impact (Freireich & Fulton, 2009). Finance first investors are typically "commercial investors who seek out subsectors that offer market-rate returns while achieving some social or environmental good" (Freireich & Fulton, 2009, p. 4). On the other hand, Flynn et al. (2015) note that there are also philanthropic investors who do not pursue any profit at all. Just as there are investors who pursue either financial or social impact, there are businesses that do the same. However, as Höchstädter and Scheck (2015) note, descriptions of investee

Figure 4: Segments of Impact Investors (adapted from Flynn, et al., 2015, p. 1; Freireich & Fulton, 2009, p. 5)



businesses are not systematically described in existing literature. In fact, the current varying list of criteria suggest the investee should be one of several things and display a “mission primacy”, or be a “social enterprise or narrow social-purpose organisation” or be “unlisted” (p. 458) or can be either “for-profit or not-for-profit” (p. 459). Additionally, Brown and Swersky (2012), suggest that the social mission must take primacy over profit generation. This lack of clarity surrounding the intentions of both the investor and investee is a noted weakness in impact investing literature (Viviani & Maurel, 2019). According to Viviani and Maurel (2019), businesses which pursue a profit while focusing on social impact are considered hybrid organisations and “constitute the heart of value creation in impact investing” (p. 32).

Investor and investee expectations regarding returns are frequently based on their intent (Ormiston et al., 2015). If their intent has a financial return focus, then they will expect to maximise financial return over social return, conversely, if their intent is social impact, then they will expect to maximise social impact. Given the nature of impact investing and the intent of the market overall to create social impact, many investors are willing to take a lower financial return on their investment if they know that their investment is achieving social impact (Viviani & Maurel, 2019). Alijani and Karyotis (2019) suggest that if investors are willing to take a lower financial return on their investment, they will be able to fill a noticed resource gap. However, it is precisely this trade-off that causes many potential impact investors to shy away from impact investing as they are threatened by the notion that impact investing requires a willingness to assume risk or assume a financial trade-off (Ormiston et al., 2015). While this is certainly a risk Reisman et al. (2018) also note that all too frequently investees focus on financial returns while giving little thought to creating social impact.

CHAPTER 3: RESEARCH QUESTIONS

3.1 Introduction

The literature provides an honest understanding of the current state of impact measurement within the impact investing market. While the literature notes that impact measurement is important and that it should form part of every business involved in the impact investing market, it also notes that it frequently does not occur. However, while the literature mentions some barriers to impact measurement, it does so on a generic level. The literature does not delve deep into the individual business in order to understand barriers to measurement or the role stakeholders play in ensuring that measurement occurs. This research explores these issues while answering the following three research questions. Each of the questions finds their root in the reviewed literature.

3.2 Research Question 1

How can stakeholders be included in the design of social impact measurement of impact investments?

Including the voice of stakeholders in the design of impact investment initiatives could lead to better designed businesses able to effect greater social change. This research explores the role that stakeholder engagement plays in impact investing initiatives. The research will also identify who stakeholders are as well as when and how the business should engage with stakeholders. In addition, the research will explore whether excluding some or all stakeholders negatively impacts the success of impact investments seeking to achieve social impact.

3.3 Research Question 2

What prevents the measurement and evaluation of social impact of impact investments?

Literature indicates that there are misconceptions, misunderstandings and barriers to implementing impact measurement as well as its usefulness to impact investing initiatives. As a result, businesses are not designing and implementing effective tools which will allow them to collect the data necessary to show the success of their impact investment initiatives. Given that impact investors might be willing to take lower financial returns if their investment is achieving social impact, it is important that evidence of social impact is provided and that the needs of stakeholders, both upward, downward and lateral are considered. To be effective, impact measurement needs to move beyond counting numbers to ensuring that change is measured and recorded. This research will examine and identify barriers to impact measurement as well as justify the need for impact measurement.

3.4 Research Question 3

How does impact measurement and evidence of social impact affect trade-offs observed in impact investments?

Literature highlights the difference between finance first and social-first investments and the willingness of investors to accept a lower financial return if the investment is achieving higher social impact. Understanding the intent of upward stakeholders can mitigate the risks associated with trade-offs. This research aims to show that producing evidence of social impact can influence an investors willingness to trade financial returns for social impact.

CHAPTER 4: RESEARCH METHODOLOGY

4.1 Introduction

In Chapter 4 an overview of the methodology that was used to complete the research process is presented. To build a research framework, the literature selected by the Researcher and reviewed in Chapter 2 was used for the identification of both the methodology and the development of the interview guide. This study used a qualitative and exploratory approach which was supported by the methodology, research design and data sampling and analysis that was selected.

4.2 Research Methodology and Design

The purpose of the research was to examine whether impact measurement of impact investments occurs in South Africa, identify the key barriers to effective impact measurement, explore the benefits of impact measurement and support the development of theory regarding impact investing and impact measurement. A mono method, qualitative research methodology was chosen because qualitative research "focuses on discovering true inner meanings and new insights" (Zikmund, Babin, Carr, & Griffin, 2010, p. 133). Zikmund et al. (2010) further indicates that qualitative research does not require the use of numerical measurement to analyse and interpret data. It was noted during the literature review that there is a limited body of peer-reviewed literature on the topic of impact measurement and impact investing, as a result, this research sought insights into impact measurement from experts in the impact investing market. Due to the topic not being adequately understood by the researcher, an exploratory study was used (Saunders & Lewis, 2012).

An Interpretivism paradigm was used for this research. Saunders and Lewis (2012) indicate that interpretivism "relates to the study of social phenomena in their natural environment" (p.106). They further elaborate that this perspective is relevant for business research because of the complexity of situations businesses often find themselves in (Saunders, M. & Lewis, 2012). Therefore, in order to understand impact measurement within the impact investing market, it was important to engage with and examine impact measurement within businesses in South Africa that are directly involved in the impact investing market.

The intent of the research was to obtain a greater understanding of the complexities and challenges associated with impact measurement of impact investments. Due to the limited body of literature available, an inductive research approach was used. Inductive reasoning is described as “the logical process of establishing a general proposition on the basis of observation of particular facts” (Zikmund et al., 2010, p. 44). This was appropriate for this study because it allowed for the development of patterns as well as general conclusions or theories (Saunders & Lewis, 2012), providing insights and general information on the research topic.

4.3 Population

The relevant population for this research was comprised of business leaders in impact investment businesses, businesses which intentionally create social impact, as well as evaluation experts. The business leaders either lead businesses which attracted capital investment from impact funds or guided impact investment strategy within impact investment funds. The evaluators have experience in designing impact measures and conducting evaluations of impact investments. Further, the population was limited to South Africa with a primary focus on Gauteng province.

4.4 Sampling Method and Size

A list of the impact investing population in South Africa was not available to the Researcher, therefore, a non-probability sampling technique was used. According to Saunders and Lewis (2012), non-probability sampling techniques are used by researchers when they are unable to randomly select interviewees from a known population. The non-probability sampling technique included the use of purposive sampling, as well as snowball sampling. Purposive sampling was used as it allowed the researcher to identify participants best suited to provide insight into the research topic and were “best able to help answer the research question and meet the objectives” (Saunders & Lewis, 2012, p.138) of the research. Purposive sampling allowed the researcher to exercise judgement in the selection of interviewees based on the desired characteristics of the interviewee (Zikmund et al., 2010). To ensure that a knowledgeable sample was obtained, snowball sampling was used to support purposive sampling. Snowball sampling allowed prospective interviewees to be identified by other interviewees (Saunders & Lewis, 2012). The breakdown of interviewees selected with either purposive or snowball sampling is shown in Table 4. Due to the sensitive nature of the interview questions, and the need for interviewees to speak candidly about their organisation’s competence within the impact investing market, the names of the interviewees, along with their respective organisations have been withheld.

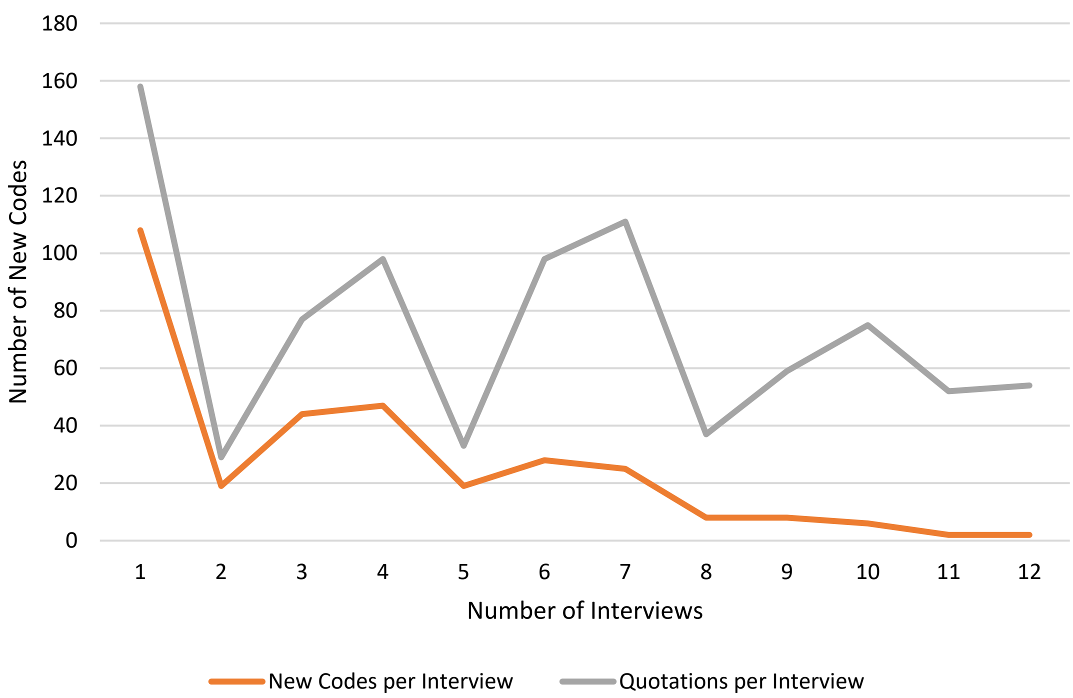
Table 4: Population Sample

No.	Interviewee Position	Market Sector	Sampling	Purpose for Inclusion
1	Impact Investment Strategist	Intermediary	Purposive	Interviewee held a senior position within one of South Africa's leading impact investors. The interviewee has expert knowledge of impact investing practice within South Africa as well as the Global Impact Investment Network and accompanying measurement framework.
2	Director Technical and R&D	Intermediary	Purposive	Interviewee holds a senior position within an intermediary in South Africa. The organisation has a focus on food security and works to empower small scale farmers while using for-profit strategies.
3	Owner	Evaluator	Purposive	Interviewee has established a successful consultancy with a focus on measuring the impact of social and impact investment.
4	Manager	Evaluator	Purposive	Interviewee works for a leading consultancy within South Africa. The consultancy both evaluates the social impact of impact investments and works with organisations to develop systems to measure impact internally.
5	Board Member	Intermediary	Purposive	Interviewee is a board member of an intermediary in South Africa. The organisation has a focus on food security and works to empower small scale farmers while using for-profit strategies. In addition, the interviewee has extensive experience within the investment market globally.

6	Monitoring and Evaluation Lead	Evaluator	Snowball	Interviewee has extensive experience within the impact investing market in South Africa and lectures at a leading university within the country.
7	Development Impact Coordinator	Investee/ Evaluator	Snowball	Interviewee works with the monitoring and evaluation team of an intermediary within South Africa. The interviewee has extensive knowledge of the organisation's practices, including social impact creation, and has worked on refining their theory of change.
8	Managing Principal	Intermediary	Purposive	Interviewee works for an investment company within South Africa and understands the impact investment market and the importance of social returns.
9	Co-Founder and Executive Director	Investee	Purposive	Interviewee has extensive experience within the impact investment market in South Africa, is a co-founder of an investee as well as a co-founder of a venture capital and private equity company.
10	Founder and Executive Director	Investee	Purposive	Interviewee leads a social enterprise that focuses on creating social impact in South Africa with a focus on the nation's youth.
11	Board Member	Intermediary	Snowball	Interviewee is a board member of an intermediary in South Africa where the interviewee drives the social impact agenda within the organisation and chairs the social and ethics committee.
12	Chief Investment and Strategy Officer	Intermediary	Purposive	Interviewee has extensive understanding of the impact investment market. Has written a document for the World Economic Forum on the impact investment sector and how to engage mainstream investors.

The research was qualitative, therefore the sample size was small Guest, Bunce, and Johnson (2006) note that saturation is often reached after 12 interviews if no new themes are identified. It should be noted that interviews would have continued beyond 12 if new themes continue to be identified. The population sample was divided into three distinct categories, these included investees, intermediaries and evaluators. Investees were identified as businesses which either were or intended to seek capital investment through the impact investing market. Intermediaries were part of businesses who managed the funds of investors. These funds were invested either in the form of loans or as capital investment in exchange for ownership in a company. The final group consisted of evaluators who had an extensive understanding of the impact investing market and experience in evaluation impact investments. Figure 5 shows that saturation was reached after 11 interviews.

Figure 5: Saturation



4.5 Unit of Analysis

The perceptions and understanding of business and evaluation leaders in relation to impact measurement, the barriers to conducting impact measurement and the benefits related to ensuring impact measurement systems are in place was the unit of analysis in this research. This relates back to the purpose of the research as outlined in Chapter 1.

Table 5: Mapping Research Questions and Interview Guide

Research Questions	Interview Questions
Research Question 1: How can stakeholders be included in the design of social impact measurement of impact investments?	1. Which groups of people (stakeholders) with interest in the project are taken into consideration? a. Who were these groups of people? b. Please rank them according to importance with 1 being most important. c. At what phase of the project are each group considered? Why? d. What is the businesses responsibility to each group? 2. During a project, how does your company manage expectations of the groups listed above? a. Board b. Investors/shareholders c. Company employees d. Beneficiaries 3. Do you share findings with any of the above? If so, at what phase of the project cycle?
Research Question 2: What prevents the measurement and evaluation of social impact of impact investments?	4. Is monitoring important to your organisation? a. During which of the 5 phases should monitoring be undertaken? 5. Is evaluation important to your organisation? a. During which phases should evaluation be undertaken? 6. Do you have monitoring and evaluation frameworks for your impact investing projects? a. At which phase are they developed/designed? b. What is the process for designing/developing your indicators? 9. Does evaluation serve a purpose in determining whether a project was, or was not, successful?

	a. On a scale of 1 – 10, how would you rate the social impact of your projects? b. On a scale of 1 – 10, how would you rate the economic impact of your projects? c. How do/would you measure impact? d. Are evaluation findings used to justify ending or expanding projects? e. What indicators would you like to see used? 10. How is evaluation information used to strengthen project outcomes? 11. How is evaluation information used to strengthen business competitive advantage? 12. What are the top 5 barriers to implementing Impact Evaluation at your company? a. Can you rank them in order of significance, 1 is the biggest barrier to implementing evaluation?
Research Question 3: How does impact measurement and evidence of social impact affect trade-offs observed in impact investments?	8. What is more important, creating economic value, creating social value-creating both economic and social value? a. Can the two co-exist? b. If one of the goals of a project is to create social change, do you know what the situation of your customers/stakeholders was before you initiated your project? c. During a project, how do you know if you are creating social value? d. What % of your Impact Investing projects achieve social impact?

4.6 Data Collection Tool

The data collection tool was designed specifically for qualitative research, thus the interview guide employed semi-structured interviews that were analysed by theme.

As a result, the interview guide included “in-depth, descriptive questions” (Creswell, Hanson, Clark Plano, & Morales, 2007, p.239). The questions asked were designed to permit a deep understanding of the issues discussed (Creswell et al., 2007) and allowed for the research questions to be properly examined. The interviewee sample consisted of three specific groups, therefore three separate interview guides with the same core questions but tailored to the specific group were designed. These are included in Appendix 2.

The interview guide allowed for a semi-structured discussion. Specific questions were asked of all interviewees, however, the opportunity to explore unexpected topics in more detail was an integral part of the data collection. This allowed for a richer conversation that provided greater insight into the research questions. It also allowed for the interviewee to highlight issues that were not covered in the original interview guide. The design of the interview guide and questions encouraged dialogue and allowed for the exploration of the impact measurement performance of businesses. As the failure to implement impact measurement systems could be perceived as sensitive, the in-depth, face-to-face interviews supported the discussion of the sensitive topic (Zikmund et al., 2010). The questions were designed around several key topics (Table 5); stakeholder engagement, impact measurement, and trade-offs as per the themes of the individual research questions.

To facilitate the data analysis of the interviews, all interviews were recorded and transcribed. The voice recordings, transcriptions and any notes written during the interview formed the pool of data that was analysed (Saunders & Lewis, 2012).

4.7 Data Collection Process

Before the interview process began, all participants were informed that their participation in the research was voluntary, that they could withdraw from the research at any time and that all information collected would be kept anonymous. All respondents were informed that they were being recorded and then asked to sign a consent form (Appendix 1). Semi-structured interviews were used. While an interview guide which contained a list of questions to be asked, the questions themselves were not asked in a specific order. Rather, questions were asked depending on the responses given by the participants. In some instances, some of the questions were not asked. This was the case when it was determined that a question was not relevant. Each key question was supported by multiple probing questions to ensure that the interviewee was able to reflect on the topic being discussed. The interview guide was piloted before the interviews took place. This allowed for the tool to be tested and confusion over questions addressed. (Saunders & Lewis, 2012). This was particularly true when new themes were discovered.

Whenever possible, interviews were conducted in-person. However, when participants were unavailable for an in-person meeting, the interviews were conducted either telephonically. All interviews were recorded, transcribed and reviewed to ensure that important information in the interview was not missed. A professional transcriber was used to ensure that the transcriptions were completed quickly and accurately.

The questions designed for this research were used to guide the data collection conversations. In order to allow for the natural flow of the interview, questions were not necessarily asked in the specific order presented in the guide and the entire list of questions was not always asked (Saunders & Lewis, 2012). This was the case when questions were deemed to not be relevant given the Respondents familiarity with the content of the question. When interviews began the interviewee was informed of the voluntary nature of the interview, that all interviews would be recorded, that the information contained in the recordings would be kept confidential. The interviewee was also informed that if they were uncomfortable with the interview, they could stop the interview and withdraw at any time. Interviews were then framed within the context of the five phases of the project cycle so that phases, as well as what aspects of impact measurement should be included in each phase, could be better understood.

4.8 Data Analysis

Consistency in preparing transcripts of text data for analysis purposes was an important component of the data analysis. Common themes and feedback were compared and contrasted to themes observed from the literature during the literature review. When analysing the data, themes which corresponded to the research questions was sought. In order to properly code the data, Atlas.ti was used to group themes and to analyse the data.

Saldana (2009), suggests that select pieces of data (quotations) must be analysed and assigned a representing code. The codes assigned represented the meaning of the data selected and acted as a handle in the process of analysing and are presented in Appendix 3. This enabled linkages to other similar pieces of data (units of meaning) and codes in the study. The codes then became the focus of the analysis where, based on the classification, categories were formed to gain meaning from the data (Saldana, 2009). Before coding began, transcripts were reviewed to ensure the accuracy of the transcription. The first three transcripts were then coded and the codes reviewed to ensure that duplicated codes were merged. Codes were then linked back to the interview guide and the themes highlighted and eventually the Research Questions. In this manner, codes were put into code groups which then represented the themes from the interviews (Zikmund et al., 2010).

4.9 Data Validity and Reliability

Reliability and validity was ensured through verification (Morse, Barrett, Mayan, Olson, & Spiers, 2002). Morse et al. (2017), outline several verification strategies to ensure reliability and validity, these were closely followed and include:

- congruence between the question being researched and the methods used;
- the sample should be suitable and made up of individuals who have a working knowledge of the topic being researched and are representative of the research topic;
- data will be collected and analysed simultaneously to ensure that the information collected is understood as well as what information is still needed;
- ideas which are identified from the collected data are to be verified with the new data that is being collected, this data is constantly reviewed in order to ensure a solid base for the theory; and
- theory is developed as a result of the research process and is to be used as a basis for future, additional study of the theory.

In addition, validity was ensured by “eliminating all factors that threatened validity” (Saunders & Lewis, 2012, p.127). This included ensuring that the interviewees had experience within the impact investing market and were, therefore, representative of the population and that ambiguity regarding (Saunders & Lewis, 2012).

Saunders and Lewis (2012) note that reliability is the process used to “produce consistent findings” (p. 128). This includes ensuring that the same results can be produced on different occasions, that other researchers who use the same methods will produce similar results and that those reviewing the data can clearly see how the conclusions were reached (Saunders & Lewis, 2012). To ensure validity and reliability the interview guide for semi-structured interviews was standardised and each interviewee was asked the same questions. Attention was also paid to subject error and bias as well as observer error and bias (Saunders & Lewis, 2012), this ensured that they did not influence the research during the process of data collection.

4.10 Limitations

According to Hsieh and Shannon (2005), there are several limitations to qualitative studies that were considered during this research. These included:

- Researcher bias – the data is approached with a certain level of understanding; however, this tends to bias the researcher regarding the research findings. As a result, the researcher may be more likely to highlight data that supports the bias rather than refutes the bias.
- Interviewee bias – the interviewee perceives that the researcher expects them to answer in a certain manner. In these instances, the participant may offer a response to a question that pleases the researcher, rather than providing an answer that most accurately reflects their opinion or experience.
- The researcher places too much emphasis on theory, this could have the unanticipated effect of causing a researcher to miss “certain contextual aspects of the phenomenon” (p.1283).

Other limitations to the research included:

- The researcher was not trained to conduct social interviews for the purpose of research, it is, therefore, possible that the manner in which the interview was conducted limited the gathering of insights;
- Purposive sampling was used, where the researcher used their judgement to identify subject experts, however, this could have led to bias in the that interviewees were selected based on the researcher’s views and beliefs;
- Interviewees were subject experts limited to the South African context, their views, therefore, could be subject to geographical bias; and
- While the sample consisted of subject experts including investees, intermediaries and evaluators, no investors were interviewed, hence their views were not included in the research findings.

CHAPTER 5: RESULTS

5.1 Introduction

Chapter 5 presents the results of the research which align with the Research Questions described in detail in Chapter 3. The findings of the data, which was collected during the semi-structured, one-on-one interviews with experts in the impact investing market will be analysed in this section. To help ensure consistency throughout the research process from the literature review to the collection of data and finally the analysis and presentation of findings, progress was tracked in a Consistency Matrix.

5.2 Description of the Sample

Table 6 provides a reference list of the interviews, organised into three groups; evaluator, intermediary and investee, which were undertaken as part of this research. In total 12 interviews were conducted, five of the Respondents were female while seven of the Respondents were male, they were divided amongst multiple categories including evaluators (3), intermediaries (6), and investees (3). Intermediary is a broad category that includes all Respondents who acted as fund managers, dispersing investment funds to investees. All the selected Respondents have relevant and current experience in the impact investing market and were able to provide significant insights into the practicalities of the impact investing market in South Africa.

Table 6: Information and Details of Interviewees from the Sample

Respondent Number	Interviewee Position
Evaluator	
Respondent 1	Owner
Respondent 2	Monitoring and Evaluation Lead
Respondent 3	Manager
Intermediary	
Respondent 4	Board Member
Respondent 5	Impact Investment Strategist
Respondent 6	Director Technical and R&D
Respondent 7	Managing Principal
Respondent 8	Board Member

Respondent 9	Chief Investment and Strategy Officer
Investee	
Respondent 10	Development Impact Coordinator
Respondent 11	Co-Founder and Executive Director
Respondent 12	Founder and Executive Director

It should be noted that the impact investment market is occupied by many different actors. There are investors who provide the capital, investment funds and intermediaries who receive funds from investors and provide capital investment to investees and there are investees who receive the capital investment to run their business. Intermediaries include those who only provide finance in the form of a loan that needs to be repaid, as well as those who provide capital by purchasing shares and becoming majority owners in a business (investee). Investees consist of for-profit businesses who seek to achieve social impact while also generating financial returns at or above market rates as well as social enterprises which seek to achieve social impact and some financial return, however not as high a return as the for-profit businesses. For the purpose of this research, these organisations fall into the categories of finance first and impact first businesses (Figure 4). There are also not-for-profits in the investee category whose only purpose is the generation of social returns, they were not considered for this research.

5.3 Presentation of Results

This section presents the results for Research Question 1 to 3. The results align with the data presented in Table 5 of Chapter 3 where the Research Questions are mapped against the interview guide.

5.4 Results for Research Question 1

RESEARCH QUESTION 1: How can stakeholders be included in the design of social impact measurement of impact investments?

5.4.1 Introduction

Including the voice of stakeholders in the design of impact investment initiatives could lead to better-designed businesses able to effect greater social change. This research explores the role that stakeholder engagement plays in impact investing initiatives. The research will also identify who stakeholders are as well as when and how the business should engage with stakeholders. In addition, the research will explore whether excluding some or all stakeholders negatively impacts the success of impact investments seeking to achieve social impact.

Figure 5: Common Words Associated with Stakeholder

Word	Frequency	Word	Frequency	Word	Frequency
Investment	48	Management	31	Beneficiary	12
People	42	Investor	27	Challenge	10
Investors	40	Client	27	Beneficiaries	7

When considering stakeholders and stakeholder engagement, it is interesting to note that the most common word associated with stakeholders during the data collection process is the word ‘investment’. Other frequently used words included ‘people’ ‘investors’, ‘management’, ‘investor’, ‘client’, ‘beneficiary’, ‘challenge’ and ‘beneficiaries’. While stakeholder engagement might require an investment on the part of the business, it is clear from the frequency of words used that most of the businesses’ stakeholder focus is on investors. In fact, when Respondents spoke of stakeholder engagement, they understood that there were downward stakeholders, however, they rarely included beneficiaries in that conversation, effectively eliminating a large stakeholder constituency from the planning and management process. It is also interesting to note the frequency with which the word ‘management’ was used. Stakeholder engagement is clearly part of the management process, but more than superficial engagement with stakeholders needs to be employed. As Respondent 5 suggested, when considering stakeholders, "*there's a responsibility to engage and to listen*". Engaging is not enough. If you are not also listening to your stakeholders you will be unable to achieve the social impact you intend to. As the same Respondent noted, strong relationships are part of the "*due diligence process*".

5.4.2 Understanding Who are the Stakeholders

There is no denying the significance of stakeholders to the success of impact investment initiatives. As Respondent 5 noted, not engaging with stakeholders can become both "*a financial risk in terms of our investment in them as well as an impact risk*". However, the discussion around stakeholders is not always clear. As Respondent 1 noted, stakeholders are segmented into "*internal [and] external*" groups. Engagement with stakeholders is further confounded by the difference of each investment, as Respondent 5 said: *"they [stakeholders] would be unique for each investment we look at".* This is supported by Respondent 1 who stated,

> *the intent of the change that you want to bring about to your investment also will determine who the stakeholders will be…the question is for whom and that then determines the stakeholder base.*

Respondent 1 indicated that the stakeholder groups were context specific. In addition, stakeholder categories would vary depending on whether you were an investee, intermediary or investor (Table 7).

Table 7: Stakeholder Engagement by Group

	Investor	**Intermediary**	**Investee**
Upward	N/A	Investor	Intermediary
Lateral	Employees	Employees	Employees
Downward	Intermediary	Investee	Beneficiary

However, while the specific makeup of stakeholders varies based on the intent of the investment or the investment initiative, unlike the suggestions of literature, they were generally categorised into two broad categories, the beneficiary stakeholders (downward) and funding/investing stakeholders (upward). Internal stakeholders (lateral) were generally only identified when prompted, even though lateral stakeholders provide important for the development of impact measurement tools as well as management of supporting business functions. However, as Respondent 12 noted, "*sometimes stakeholder, you only think about the funders, you don't think about the beneficiaries*". This was a recurring theme as Respondent 3, when asked about who the most important stakeholders are indicated, "*funders [are] first and foremost".* It should be noted though that not all respondents considered the funder or investor to be most important. As Respondent 2 noted when asked which beneficiaries were most important, "*one would be our clients I would think because that is how we earn our money, that is how we earn a profit, that is why we exist…two would be the investor given you know, where we would be getting capital*". Respondent 3 added, "*there is really no point to an investment without the beneficiary*". Yet Respondent 5 felt "*very uncomfortable ranking them [stakeholders]*" due to the importance of all stakeholder groups to impact investment initiatives. Respondents recognize the importance of both upward and downward stakeholders however; most acknowledge that upward stakeholders receive the greatest portion of attention.

The two stakeholder groups include a varying degree of stakeholders. The beneficiary group includes customers, community members in which an investee is working and local authorities in the same community. The funding/investor category includes not only the entity providing the funds or the investment but it includes shareholders and board members as well for whom the investee or intermediary is responsible to. However, as Respondent 5 noted, "*they [stakeholder groups] sit in tension*", each group has its own demands and expectations and it is important that the demands of each group are known, understood and in alignment with the intent of the intermediary or investee. This was noted by multiple interviewees from the evaluator and investee groups. Respondent 11 noted, "*you have to align to the intention of [the] investor*", while a second interviewee, Respondent 1, noted, "*the intent of the change that you want to bring about to your investment also will determine who the stakeholders will be…the question is for whom and that then determines the stakeholder base*".

While many interviewees identified downward stakeholders as being important to the businesses ability to achieve social returns, there is still significant energy given to upward stakeholders. Intermediaries and investees both recognised the significance of upward stakeholders. As Respondent 4 noted, investors have a "*market-related mandate*". Respondent 8 highlighted the need to attract capital investment, therefore it should be expected that "*your first decision is an investment message*", hence the value of upward stakeholders cannot be underestimated. Another interviewee, Respondent 11, noted that "*the source of funds is important, so I think, you have to align [to] the intention of the investor*". This was supported by Respondent 9 who stated, "*the five-year result starts with who owns the capital and what are their objectives*".

While it is the upward stakeholders that control the capital and determine where to, or not to, invest, they are also frequently the catalysts for impact measurement. As Respondent 1 noted, "*investors are looking for it*". Respondent 2, when asked about who demands impact measurement, stated, "*if an evaluation is done, which I think is still quite rare for impact investments, it would usually be quite investor driven*". Yet another interviewee, Respondent 5, said, "*the reason that we are doing it [impact measurement] is because we've got a partner in…the fund that is actually demanding that of us*". Respondent 1, when asked about whether investors were demanding impact measurement, indicated that "*absolutely…I can see it in the change of what gets funded*". Upward stakeholders also receive increased focus because they are frequently demanding social impact, while this demand can most often be met with effective impact measurement, responding to the demand requires time and energy. As Respondent 10 indicated, "*board members are starting to ask these questions saying, 'okay guys, what are we doing in this space?'*". Respondent 10 further noted that board members are "*starting to see the importance*" of social impact. Investors also care about social impact, as Respondent 10 noted, "*we are finding that most of the people that we are getting the money from, they are starting to care*". A summary of the reasons for stakeholder engagement are presented in Table 8, however, this should not be considered an exhaustive list, rather a summarised list of reasons that were offered by the 12 Respondents.

Table 8: Summary of Reasons for Engaging with Stakeholders

Downward	Lateral	Upward
• Source of profit 6 • Source of motivation for the business • Investee requires technical support	• Dispel myths within the business and across business units	• Need to understand investor intent • Control investment capital • Demand social impact • Demand impact measurement

		• Obtain buy-in • Provision of technical support

5.4.3 Understanding When to Engage with Stakeholders

The results of this research indicate that stakeholder engagement should ideally start at the conceptualisation of an impact investment initiative. As Respondent 6 indicated, you "*need to interact [with stakeholders] actually long before you start the operation so they are aware of what they need to do*". Respondent 1, when asked about when stakeholder engagement should start stated, "*already start…in the design of the process*". Respondent 2 answered by saying,

> *I would say from the beginning, when you were thinking about, you know, if I am an enterprise starting out or I am developing a product etc. you know, the first thing you would think about are those four P's…so you would think firstly about your clients, your market in the beginning.*

Respondent 10 noted that one of the main reasons for stakeholder engagement, particularly at the beneficiary level is that "*you expect clients to contribute*". This same interviewee also suggested that in order to obtain board member buy-in it is important to engage them at conceptualisation, "*you had to convince them for them to see the value of it*". Interestingly all four interviewees with evaluation experience noted that interaction with stakeholders should begin when conceptualising an initiative.

While the consensus was that stakeholder engagement should begin during conceptualisation, this was not universally accepted. Respondent 9 indicated that stakeholder engagement should be based on the intent of an organisation, whether its goal is social or financial. As the interviewee noted,

> *if it's non-profit, it would be very different. If you look at stage one you are starting [at] conceptualising because that is your primary principle outcome. But then the primary principle outcome [of our business] is cash generation, that's what we're going to be measuring on the income statement…when we starting…probably not until the managing phase is sustainable*.

Table 9: When to Engage with Stakeholders

	Conceptualisation Phase	Management Phase
Evaluator	√	
Intermediary	√	√
Investee	√	

It is important to note that the disagreement presented in Table 10 is the view of an intermediary who is concerned about the sustainability of their business. The sustainability of the business was a concern mentioned by multiple Respondents and explored more thoroughly in section 5.5.2.1.

It was also clear from the research that the process of stakeholder engagement should be continuous and part of every phase of a project cycle, not just conceptualisation. Respondent 5 noted, "*without sounding trite it [stakeholder engagement is] literally at every stage*". When asked if it was a continuous process they responded, "*yeah, throughout, very much*". Respondent 6 said, "it is holistic in direction", while Respondent 1 stated, "*stakeholder engagement…is definitely a part of across the board of this process*". However, the continuous nature of stakeholder engagement was disputed by Respondent 3 who noted, "*it just depends whether all stakeholders are on the same page, as to what phase they're in*".

When considering stakeholder engagement, it is also important to note that too much engagement can lead to confusion. As Respondent 5 noted, "*if you are too consultative, okay, and trying to meet everybody's needs, you actually sometimes land up confusing the entire issue*". The Respondent also noted that "*at the end of the day, your responsibility is also to say, 'how do I remain true to the business principle, the business focus that we've actually chosen to focus on?*". As was noted, "*you need to maintain your focus…so if you're in affordable housing, then that's where you need to actually stay…if you spend too much time consulting, you're going to take affordable housing as an option*". The voice and need of stakeholders can be persuasive, "*it can sway you off your…own path*". Hence, while stakeholder engagement is important, too much stakeholder engagement can distract you from your vision and mission.

5.4.4 Methods of Stakeholder Engagement

Engaging with stakeholders can be difficult especially as there is no "one size fits all" solution. Just as each social impact initiative will involve different stakeholders, so too will each stakeholder require different types of engagement. For some stakeholders, it is informal, for others formal and still others a combination of the two.

5.4.4.1 Downward Stakeholder Engagement

While interviewees previously noted the importance of engaging with the downward stakeholders and the need to listen to their concerns, no interviewees indicated that these stakeholders were included during the development of impact measurement frameworks. However, in some instances, downward stakeholders did receive reports from the impact investment initiative. As Respondent 5 stated, "*it's [reporting] built into the DNA…it is just absolutely critical*". Another interviewee, Respondent 10 agreed with this statement saying, "*We also report to our clients*". While Respondent 9 said, "*you can communicate that [the data] with them [beneficiaries]*". It was also noted by Respondent 2 that reporting downward was best practice, saying the "*ideal situation…if we are saying we exist not to save money but create value for our clients then we should be able to show that.*" Respondent 2 further noted that businesses who follow

> *best practice…tend to do quite a bit of…client feedback in terms of how is your satisfaction level with our product, what are things that we could do better, etc. and I guess being accountable to them in terms of change or adapting products based on what clients are saying.*

This was supported by Respondent 10 who indicated that "*we use our newsletters as a way of communicating new products, new findings and what is happening in the neighbourhood and if they are having challenges*".

While much of the downward stakeholder engagement data reflects the relationship between the investee and the beneficiary, it should also be noted that there is a downward relationship between the intermediary and the investee.

However, Respondent 1 suggested that downward stakeholder engagement was superficial saying, "*it's literally a checklist…there is never intent to test the effectiveness of a solution*", while Respondent 12 stated, "*we would never really report back about the entire programme to them*". Yet other interviewees indicated that downward engagement did not happen. Respondent 12 further clarified their downward beneficiary reporting by saying, "*we've never done down. We've never done reporting to the beneficiaries*". Respondent 1, an evaluator with experience measuring impact further noted, "*we find the latter [reporting] to the recipients almost* *non-existent*". Respondent 10, when asked if they share business planning findings with beneficiaries simply stated "*no*". While Respondent 5, an intermediary noted, "*we don't necessarily demand it [reporting to beneficiaries]*". It is unfortunate that while downward beneficiaries are, in theory, considered one of the most important stakeholders to impact investing initiatives, in practice, they are frequently ignored. As Respondent 1 noted, "*this is a fundamental flaw in the system, we assume it [downward reporting] happens*".

5.4.4.2 Upward Stakeholder Engagement

Upward stakeholders tend to receive better consideration when it comes to engagement. It has already been noted that upward stakeholders control capital, demand impact and frequently drive the impact measurement agenda, hence it should not come as a surprise that their concerns receive greater attention. Upward stakeholder engagement tends to be formal in nature and includes not only reporting on financial and social impact but the design of impact measurement tools and evaluations as well. As Respondent 6 noted, the development of Monitoring, Evaluation and Reporting (MER) frameworks "*depends on who invests or who finances these steps*". As an evaluator, Respondent 3 noted, "*there is sometimes negotiations with [the] investor to align frameworks*". An intermediary, Respondent 5 also said that "*sometimes we've helped them [investee] build it [MER framework]*." As an evaluator, Respondent 2 noted, "*ideally…frameworks should always be a participatory process*". A second evaluator, Respondent 3 confirmed this by stating, "*it becomes a kind of back and forth about what are you measuring, like what metrics are you measuring*".

Engagement with upward stakeholders also includes formal reporting. Reporting to the board is a crucial element of upward engagement. As an investee, Respondent 10 said when asked about reporting to the board, "*yes, to the board*". This was confirmed by Respondent 6 stated that they "*report…to our own board*", while a board member, Respondent 8 said, "*I expect a written report*". When reporting to investors the reporting is almost always formal. As one evaluator, Respondent 2 commented, "*I think definitely to an investor it [reporting] would be formal, it would be formalised reporting*". The evaluator went on to say that for "*experienced impact investors…there is a formal reporting process*". A board member, Respondent 8, confirmed this by stating that "*the report comes to the social and ethics committee and then as the chairman I give the report to the board and then the consolidated* *reports of the organisation goes to (the investor) including the social impact*". Multiple interviewees noted that the formal reporting tends to be on a quarterly basis, Respondent 2 noted "*in the fund I worked with it was quarterly, on a quarterly basis to the funder*", while Respondent 7 added "*every quarter we send them a financial statement which shows them their financial return and their social return*".

5.4.4.3 Lateral Stakeholder Engagement

Engagement within an organisation is also important, not only to ensure that all employees align with the mission and vision of the business but also to communicate successes, challenges and dispel myths. As one investee, Respondent 10, who works on the monitoring and evaluation team noted, "*We [are] called the NGO of (our organisation)…its similar to any organisation where you have M&E, M&E is usually seen as the policing people nobody wants*". This, of course, is not the intent of the monitoring and evaluation (M&E) team, and through lateral engagement, this myth can be dispelled. The Respondent noted that they are working to dispel the myths through "*things like what we call the (Organisation Name) Talk which happens once every quarter, we had one last Thursday and that is a forum where we give feedback on the impact and the new products that we have*".

Lateral engagement is equally important for ensuring that employees within an organisation align with the vision and mission of the organisation. As one evaluator, Respondent 2 pointed out,

> *the accountability to staff as well in terms of this is our impact thesis or this is what we are aiming to achieve as an enterprise financially but also socially, hiring people according to a certain profile, training people for growth of those kind of dual goals and then having those internal processes be it like performance incentives etc., that align to that feedback, protection of staff etc..*

Another reason for lateral stakeholder engagement is that it allows business units within an organisation to interact and identify ways in which they can support each other. In the case of Respondent 10, it allowed for the identification of funding gaps and the development of new funding methods. As Respondent 10 noted, with

> *the development impact unit, our role has changed, so as we do the impact measurement and I think this is where now people are starting to take notice,*

so as we do the impact measurement it gives us a chance to see where the gaps are in our finance.

If lateral engagement did not exist, then it is possible that these funding gaps would not be identified. The types of stakeholder engagement and the purpose of the engagement is summarised in Table 10.

Table 10: Summary of Types of Stakeholder Engagement

Downward	Lateral	Upward
• Informal reporting • Superficial • Absent • Develop MER Frameworks • MER Framework realignment	• MER Framework design • MER Framework realignment • Accountability • Mission alignment • Social impact performance	• Formal, written • MER Framework development • Reporting template design • MER Framework realignment • Financial return • Social return

5.4.5 Reasons for Stakeholder Engagement

The reasons for stakeholder engagement vary. In some instances, it ensures accountability and transparency of an investee to beneficiaries, intermediaries and investors. As has been noted, it provides an excellent opportunity to understand the intent of all entities involved in impact investment. It also allows for the joint development of tools and measurement frameworks. However, it is also a sign that an investee or intermediary have done their due diligence. As one intermediary, Respondent 5, noted,

we don't necessarily go in there and say, we need to be comfortable that you're in fact, that we are asking of them to engage with the community in a particular way. What we do want to know, [as part of the] due diligence process that they in fact actually do have good relationships.

The Respondent further elaborated,

> *so, part of our due diligence is to look at what the kind of relationships, how good are they? Or are they? Are they engaged enough in order to be able to mitigate the risks both from a financial impact point of view?*

Engaging downward with beneficiaries also reduces the risk of failure for a chosen impact investing initiative. This was confirmed by Respondent 3 who stated,

> *most of the time where there is already a pre-existing relationship with the beneficiary community, and an understanding of their market, the context. There has been some kind of evidencing that the business case worked and worked to serve the beneficiary community. So, the investor is already engaging with the investee, understanding that they have this kind of competitive advantage and knowledge of how best their investment will serve the market, serve the beneficiary.*

A final reason for stakeholder engagement highlighted by the research is to prevent "impact washing". Impact washing is the act of embellishing the social impact that an impact investing initiative achieves. As Respondent 3 noted,

> *our firm has a particular focus on ensuring the beneficiary voice is featured very strongly in impact investments; the reason for this is, I mean impact washing is not unusual in this space, especially in African investments, and unless you are able to feature and really interrogate the changes that have happened in beneficiaries lives on a very granular and detailed level, it's very likely and very easy to present a view that is at odds with reality.*

5.4.6 Conclusion

Engaging with all stakeholders is important, even though it does not always happen with downward beneficiaries. Ensuring that stakeholders are engaged and listened to can strengthen product delivery, create satisfied customers and ensure continued capital investment. However, as one evaluator, Respondent 3 noted: "*unless you are able to…really interrogate the changes that have happened in beneficiaries lives on a very granular and detailed level, it's very likely and very easy to present a view that is at odds with reality*". How therefore does a business ensure that the information communicated is accurate and of good quality?

5.5 Results for Research Question 2

RESEARCH QUESTION 2: What prevents the measurement and evaluation of social impact of impact investments?

5.5.1 Introduction

Literature indicates that there are misconceptions, misunderstandings and barriers to implementing impact measurement and evaluation, as well as its usefulness to impact investing initiatives. As a result, businesses are not designing and implementing effective tools which will allow them to collect the data necessary to show the success of their impact investment initiatives. Given that impact investors might be willing to take lower financial returns if their investment is achieving social impact, it is important that evidence of social impact is provided and that the needs of all stakeholders, upward, downward and lateral are considered. To be effective, impact measurement and evaluation need to move beyond counting numbers to ensuring that change is measured and recorded. This research will examine and identify barriers, as well as justify the need for impact measurement and evaluation.

Figure 6: Common Words Associated with Measurement

Word	Frequency	Word	Frequency	Word	Frequency
Impact	69	People	32	Information	23
Think	51	Reporting	28	Framework	18
Know	38	Data	27	Understand	15
Social	33	Management	24	Evidence	14

Figure 6 presents the most commonly used words by interviewees when considering the measurement of social impact investments. While it is not surprising that the word ‘impact’ would have the highest frequency rating, it is interesting to note that the words ‘think’, ‘know’ and ‘understand’ also rank high. Interviewees across the spectrum of interview groups recognize the importance of measurement for determining the social impact of their work. They also recognize the need to collect data, information or evidence so that they can both report to their stakeholders and effectively manage their businesses.

When considering impact measurement, it is important to note that the impact investing market divides the project cycle into three phases, as compared to the traditional five phases of a project cycle. As one evaluator, Respondent 1 noted,

> *impact investors don’t even refer to monitoring or evaluation, no they don’t even use those words, so they call the first initial process the due diligence process, then they simply refer to it as management and then they come to assessment.*

5.5.2 The Importance of Impact Measurement

The importance of Impact Measurement to impact investing cannot be underestimated as it is the only means through which the social impact of an investment can be determined. However, before an interrogation of how impact measurement is used, it should first be understood what impact measurement is. One evaluator, Respondent 1 was quick to point out the difference between impact measurement and impact evaluation, noting that “*impact evaluation is quite distinct from impact measurement and management*”.

Impact measurement is a process that begins with conceptualisation and continues throughout the life of an impact investment initiative. It begins with the development of a theory of change, continues to the development of metrics and a MER framework. This is followed by a baseline survey and the day-to-day monitoring of the work that is being undertaken. Finally, to verify the social impact claims made by an investee or intermediary, an impact evaluation should take place. By engaging in an impact measurement process, an organisation reduces the potential for impact washing and replaces assumptions with facts. During an interview Respondent 6 responded “*yes*” when asked if they were making assumptions about the social impact of their business and that a financial impact would automatically translate into a social impact. A systematic impact measurement process will include stakeholder voice and ensure that reported social impact is not assumed.

5.5.2.1 The Importance of the Theory of Change

An organisations theory of change lays the foundation and defines the logic of impact for the entire social impact initiative. One evaluator, Respondent 1, noted that a theory of change clarifies "*what is your intent, for whom [is the intervention intended], how are you going to [create] change, how deep is the change, what is the risk that you are mitigating, what is the final outcome of that*". Another evaluator, Respondent 3, described the theory of change as "*some way of understanding the logic behind how impact is generated*", while a third evaluator, Respondent 2, said the theory of change is important in order to "*understand what value you are trying to create, what evidence you are going to collect or you know, assess that against*". When asked if having a theory of change in place would make evaluation easier, the interviewee responded: "*ja, definitely*".

The theory of change is unquestioningly an important document to have as it can help foresee risks. This idea is supported by Respondent 3 who stated, "*so risks that are completely unanticipated but…can be seen, if you really take time out to conceptualise the theory of change*". A second reason for developing a theory of change is that it helps ensure that the business remains consistent with its mission and vision. As was noted by Respondent 10, "*when different funders come you can be able to say, look, guys, as much as we want money, this is not our developmental mandate so we can't take your money*".

Even though the benefits of a theory of change are clearly evident, many businesses seeking to create social impact do not have them. In fact, those with a theory of change seem to be in the minority. As one investee, Respondent 10 noted, "*people get surprised when they come and give us money to actually find out that we have a theory of change*". Another investee, Respondent 12, when asked about the importance of a theory of change responded, "*the idea is to have some sort of theory in the beginning as to how our programmes is going to change*". However, when asked if the business had a theory of change in place the interviewee admitted,

> *we are not yet at a stage where we've developed any KPIs or anything like that because we are still trying to just understand what is the programme we*

> *are trying to build…once we've got the data and we've seen what the challenges are…then we will build a theory of change.*

However, the absence of a theory of change is not only the problem of the investee, as one intermediary, Respondent 8 noted, "*we don't have the theory of change*". The interviewee acknowledged though that "*in order to get a better view of what we are doing, let's clarify our theory of change*". Another intermediary, Respondent 9, when asked if they had a theory of change simply responded, "*nope*". Perhaps the experience of many businesses, both investees and intermediaries are summed up in the following quote from Respondent 5:

> *I remember turning around to the fund manager at the time saying, at conception stage, saying we should have a theory of change. And he turned around to me and said, I don't know what that is. And that's absolute rubbish. All I know is investment. And that's what we need to do. And I thought, okay, I've just lost the battle here.*

If the theory of change is as important as the literature and the interviewees claim it is, why is the development of a theory of change, not a universally accepted practice? Unfortunately, the answers to this are varied. Ensuring the financial ability of the business often takes precedence over developing a theory of change, this was noted by Respondent 9 who stated, "*what is our theory of change…we have not even gotten there because we are [not] at the point like sustainable in this*". An investee, Respondent 11, also noted,

> *the first thing you do is survive and to make sure that you make money because if you don't make money the whole things falls apart, so you have to make sure that the company works, then you can start looking at how can you optimise something.*

A skills gap was another noted shortfall when considering the development of a theory of change and other interviewees noted that while they did not start with a theory of change, they have developed one along the way. As Respondent 5 noted, "*it was only halfway through that we…bought into what are we really trying to change here…and we retrofitted a theory of change*". While Respondent 10 said their business began in "*2004 but the theory of change came in 2016*".

The theory of change clearly lays the foundation for the business, outlining not only the mission and vision but also clearly identifying what social impact the business will create, who they will target as clients, where they are going to target and how the business will measure it. However, the theory of change also lays the foundation for the entire impact measurement process.

Table 11: The Value of the Theory of Change

	Theory of Change is Important	**Theory of Change Developed at Conceptualisation**	**Theory of Change Developed**
Evaluator	√	N/A	N/A
Intermediary	√	X	X
Investee	√	X	X*
**one investee noted a Theory of Change was developed years after the business was operational*			

Table 11 highlights the value of the Theory of Change. Not surprisingly, all respondent groups value the Theory of Change, however, the development of the tool is very rare. According to the data, only one respondent, and investee had developed a Theory of Change and this was done years after the business began operations.

5.5.2.2 Developing a Monitoring, Evaluation and Reporting (MER) Framework

Designing an MER framework requires the articulation of a goal, as Respondent 10 noted, "*you can have indicators, you can have a framework and all this, but you need to start with what is your goal*". As was stated in the previous section, the development of the goal is an integral part of the theory of change. Once the theory of change is developed and agreed upon, the business can move forward with the development of the framework that will allow for the measurement of social impact.

The MER framework outlines how impact will be measured and includes the necessary metrics or KPIs. The indicators used should speak to the social intent of the business as outlined in the theory of change. As an evaluator, Respondent 1 noted, "*it [indicators] must speak to the intent of the objective*". It is encouraging to hear that most investees have some type of MER framework, with indicators, in place. One evaluator, Respondent 3, when asked whether investees have MER frameworks in place, responded, "*more often than not*", while Respondent 10 responded, "*we do…we have our own impact framework that we measure anyways regardless of who is giving the funds*".

However, the ability of the MER framework and indicators to measure impact varies by organisation, while some businesses are better at measuring impact, others are only measuring inputs and outputs. As Respondent 6 noted, "*we only monitor how much…we buy*". This was a common theme throughout the interviews with multiple interviewees voicing similar concerns:

- "*just quantitative, numbers of…so the skill is how to do it*…"(Respondent 1).
- "*The impact investing industry still has a way to go in terms of that beyond just X number of people reached and that type of thing"* (Respondent 2).
- "*reporting is quite superficial, quite on that number…number of people, number of clients, number of jobs, but not looking at things like the quality of the job"* (Respondent 2).
- "*correct, how many people we have reached. One of the other companies always stressed about, we want you to have at least one hundred kids coming into the programme and that was the biggest measure"* (Respondent 12).

While the depth of reporting is often questionable, some businesses, particularly smaller businesses, do not have an MER framework at all. As on evaluator, Respondent 3 noted, "*those who are smaller, who…don't have the grant funding, then they don't necessarily have it in place*". Respondent 5, when asked if smaller businesses have MER frameworks in place supported the evaluator's comment by stating, "*no, they don't*". While a second evaluator, Respondent 3 stated, "*it really depends on the size and scale and maturity of the investee business*".

It would be easy to blame the investee for not having the MER framework in place, or for only measuring inputs and outputs. However, one of the challenges noted is the lack of competence in this regard. Investees noted a lack of capacity and skill in developing the MER framework. Respondent 12, "*we've put the frameworks now…we've put the unit, but we're still building a bit more understanding, building the knowledge a bit more, building the resources and people that might actually understand*". Respondent 7 also noted, "*it is not aligned to what we are strong at*".

A second challenge noted is the history of the business. Those who are firmly rooted in social change tend to do better at MER framework development while those who are firmly in the for-profit space struggle to develop the framework. This insight was provided by an intermediary, Respondent 5 who stated,

> *if they're more socially orientated organisation, they tend to have a lot of this locked down much more, much earlier on in their cycle. But the more commercial or in organisations that don't understand their social impact, and that you're helping them to see the social impacts tend to retrofit it because they haven't thought about those things upfront.*

The development of the MER framework can be a messy process, driven from the top down. As Respondent 5 noted, "*even though you might have a kind of purist perspective as to how these things actually work. In reality, they're actually quite messy*." There is also a tendency for the MER framework to evolve over the life of the business. Multiple interviewees noted that this was a challenge:

- "*We thought that we had locked it down completely. And it's only through the learning processes that you go along, when you kind of get into more of a mature state of your project that you start realising that actually what we thought we had conceived in the beginning in terms of the principles of what you wanted to actually achieve were complete, but in fact, you only realised afterwards that, they weren't. And so, you go back and kind of…retrofit that*" (Respondent 5).
- "*and it becomes more of a living document than something that's written in stone*" (Respondent 5).
- "*and then it becomes a kind of back and forth about what are you measuring, like what metrics are you measuring*" (Respondent 3).
- *"There is always a need for change, there are always assumptions that you make that don't hold as you go along, but I think it is important to have something articulated from the beginning in terms of this is what we are aiming to achieve*" (Respondent 2).

While the development of the MER framework can be challenging, having one in place is important for many reasons. It is essential for reporting. As Respondent 5 noted, "*We help them build it in order to be able to…report to us, but we've also* *helped them build it in order to be able to report to other investors as well*". While an evaluator, Respondent 2 noted, in reference to a previous organisation they had worked for, that the absence of the MER framework limited the credibility of their reporting because there,

> *hadn't been any real benchmarks or targets set you know, so data was coming in, we were analysing, we were reporting, but when you actually have to make an assessment and a judgement in terms of is this investment performing the way that we expected it to in terms of the impact that these enterprises are having, the expectation wasn't actually clear because there was no framework from the beginning*.

A second advantage of having an MER framework in place is that it helps identify product gaps. As Respondent 10 noted,

> *yeah, and also come up with new products to speak to what is going on because as we do the impact measurement, as we sit and talk to our clients, as we train our clients, we actually get to find out what the gaps are.*

The Respondent further elaborated, "*They [clients] are telling us that property is now expensive…so they are moving out of the inner city…so we have seen ourselves expanding into new areas because of the data*".

An MER framework also helps understand and articulate the impact that social impact investment is achieving. When asked about the importance of an MER framework to the business, Respondent 8 noted, "*my primary objective at this stage is to get the organisation to begin to refocus even if it is on fewer objectives, but to plan properly for those objectives, set measures in place and monitor those measures*". A second Respondent 5 stated, "*We help them [investee] understand how they articulate the impact, how they measure it*". Once an investee has understood the impact they are generating, then it becomes easier for them to communicate this to stakeholders.

A final advantage of building an MER framework is that it helps a business set itself apart from competitors who are also seeking social impact investments. Respondent 7, when asked whether an MER framework would create a competitive advantage for a business simply responded, "*yes, very much so*". Other feedback included:

- "*some of them [investees] have actually used it [MER framework] to find other funding, which they didn't necessarily…think were possibilities*" (Respondent 5).
- "*they were able to actually seek funding from other funding sources that they've never ever done before*" (Respondent 5).
- *"they have their own frameworks because they care that much about it and it is really a sign of their competitive advantage, they are wedded to it, to their impact, and that is the best-case scenario*" (Respondent 3).

The MER framework provides the foundation for impact measurement, but when and how should it be developed? Frequently it is a joint initiative, either between the business and upward stakeholders, the business and downward stakeholders, the business and lateral stakeholders or all three. Respondent 5 noted, "*we've helped them [investee] build it*". An evaluator, Respondent 2, suggested that "*ideally those frameworks should always be a participatory process*". An investee, Respondent 10, whose organisation already implements an MER framework indicated that "*if a funder comes and they have got their requirements, we just tweak some indicators*" while a second investee, Respondent 11 said, "*I would double-check it [MER framework] internally*".

The timing of the development of the MER framework was debated. Some interviewees thought it should be developed at the same time as a project is conceptualised, while others felt that it should be developed after conceptualisation, during the planning phase, or even after a loan has been secured from an investor. Respondent 5 stated that the MER framework should be designed "*from the point of conception*", while an evaluator, Respondent 3, noted, "*I would love that the enterprises are able to conceptualise their impact when they conceptualise what they are going to do*". Respondent 12 supported this saying, "*it would be in the beginning*".

However, there were those who thought it should be developed during the planning phase. As one evaluator, Respondent 2 indicated, "*that's part of the planning…it is basically planning*". This was corroborated by an investee, Respondent 10 who said, "*it is done in the planning phase and that is what makes it nice is that we are able to collect the baseline because of it*".

Table 12 highlights the various views of respondents. All groups of Respondents place value on the development of an MER Framework, however, the timing of the development of the framework is debated. Of concern is that all groups of respondents recognised that the depth of measurement remains focused on outputs at the expense of measuring impact.

Table 12: The Value of the MER Framework

	Valuable	**Measuring**	**Develop at Conceptualisation**	**Develop at Planning**
Evaluator	√	Outputs	√	√
Intermediary	√	Outputs	√	√
Investee	√	Outputs	√	*
*no recorded answer				

5.5.2.3 Establishing a Baseline

The baseline is another important piece of the social impact measurement puzzle. As Respondent 5 noted, "*it's sometimes only because you've trodden hard road, do you actually realize how valuable those things [baselines] are*". A second intermediary, Respondent 8 said baselines are "*very crucial*", while Respondent 9 when asked if baselines were important, added, "*absolutely…we would recognize the commercial importance of that baseline survey*". The Respondent further elaborated, "*you can measure the job creation and compare it to a baseline*". When asked about the importance of a baseline Respondent 2 said, "*you need to have your baseline*". This was recognized too by investees. Respondent 10 said, "*they are very important*". A second investee, Respondent 12 noted that they were unable to determine their social impact at the end of a project because there was "*no measurement of what was that state before we came and what was the state after we came*".

Ideally, the baseline should be completed before a project begins. When asked when a baseline should be undertaken, Respondent 10 said, "*in the beginning*". Unfortunately, this doesn't always happen. As Respondent 5 noted, "*in the first three years of running the impact fund…we had no baseline whatsoever…and we've done far more work in the second fund on the baseline*". Still, other businesses have no baseline at all. As one evaluator, Respondent 1 noted, "*they [baselines] do not happen*". Still another evaluator, Respondent 2 when asked if baselines were standard practice said, "*not often okay, to be honest, most of the time it is not*". Intermediaries and investees both note the absence of baselines with Respondent 8 saying, "*we don't really have a baseline*", while Respondent 12 said, "*there was no real baseline*".

If baselines are so important, why aren't they being done? According to the evaluators who were interviewed, there were two reasons that were presented. The first was that there is a lack of "*the skills and the capacity and competency to develop a baseline*" (Respondent 1). The second reason is that "*the easiest and cheapest way to do a baseline is to kind of okay, we are just starting so nothing is happening, nothing is in place in terms of the key areas, but yeah, it often isn't*" (Respondent 5). As a result, the businesses simply manufacture a baseline of zero.

The unfortunate reality is that without the baseline indicating the starting point of a project, it is difficult or even impossible to claim the impact that the project is having. In order to claim impact, an evaluation needs to be able to clearly show the change that occurred because of the project, however without knowing the starting point, it is impossible to determine the change that occurred.

Table 13: The Value of a Baseline Survey

	Valuable	**Not Completed**
Evaluator	√	N/A
Intermediary	√	√
Investee	√	√

Table 13 presents a summary of the key findings regarding the baseline. All respondent groups place value on the completion of the baseline survey, particularly when attempting to determine the attribution of social change to the business. However, even though all groups value the baseline survey, they are not being done in reality.

5.5.2.4 Implementing Effective Monitoring and Reporting

Monitoring is an important part of managing a social impact initiative as it allows the business to track the work they are doing and allows management to make day-to-day decisions that impact the initiative. As Respondent 6 noted, monitoring should be done "*continuously*". Respondent 1 worded it, "*it is mainly performance* *managing*". Hence, monitoring is a day-to-day exercise that allows a business to manage its performance. This assertion was supported by multiple interviewees:

- "*is the practice of investment management and the kind of day-to-day things that investees should be doing, and investment managers should be doing and fund managers should be doing – that's everyone's baby*" (Respondent 3).
- "*in the best-case scenario, they would kind of build that grey area work into their everyday management activities*" (Respondent 3).
- "*on our side continuously, we would monitor that these funds were given to these women*" (Respondent 10).
- "*We have an impact management framework that is ongoing*" (Respondent 10).
- "*We have a questionnaire we go out regularly*" (Respondent 11).
- "*We [are] monitoring that day-to-day"* (Respondent 9).
- "*management monitors it on a monthly basis*" (Respondent 8).

The continuous monitoring of the business and the social impact initiative, summarised in Table 14, is important. Respondent 3 said that an investee they evaluated uses the data they collect from their monitoring for "*reconceptualising or redesigning, making sure that their product really does speak to the needs of that particular community*". The evaluator further elaborated that the findings of impact evaluations can take time to be filtered down to the investee, hence "*they make changes based on the interim findings or they make changes because of other information along the way*".

Reporting is equally important as this is a key tool used by businesses to convey the successes of their initiatives to all stakeholders. This is done both formally and informally. As Respondent 8 noted, "*we have quarterly meetings of the board of social and ethics committee where we look at the social impact and the issues*". A second intermediary, Respondent 5 expanded on the importance of reporting by stating, "*We use that impact reporting…to report back to the investors into the fund, we do that on a quarterly basis. And then it helps us to justify…to our own internal credit committees why we would roll over an investment*". Regardless as to whether the report was formal or informal, it was generally agreed that the reporting frequency was on a quarterly basis.

Table 14: How to Monitor Implementation

	Continuously
Evaluator	√
Intermediary	√
Investee	√

5.5.2.5 Completing a Final Evaluation

Evaluation is important when attempting to determine the social impact of an impact investing initiative. As Respondent 12 said, evaluation is important because it shows impact and in order to do so you need to "*check out what has happened post the intervention*". However, interviewees identified several other reasons for conducting impact evaluations, these are summarised in Table 15.

Table 15: Benefits of Evaluation

Benefit	Frequency
Evaluation creates competitive advantage	27
Evaluation is valuable for internal learning	20
Evaluation verifies the businesses Theory of Change	5
Evaluation creates transparency	1

It was widely acknowledged by the interviewees that undertaking a quality impact evaluation that could measure the social impact of the impact investing initiative created a competitive advantage. This is clearly noted in the following comments, summarised in Table 165, from interviewees:

- "*that [evaluation] plays into their competitive advantage as well*" (Respondent 5.
- "*The impact of the impact assessment for your credibility, the transparency, the processes, the systems, it is just mind-blowing absolutely, the fact that you can do an impact [evaluation] adds to your credibility, absolutely*" (Respondent 1).
- "*that [evaluation] fills an intrinsic business benefit to the investee*" (Respondent 3).
- "*it's really strong motivation to investors*" (Respondent 3).
- "*It matters to the industry*" (Respondent 2).
- "*it gave us a competitive edge*" (Respondent 10).

- "*It gives you that competitive edge now*" (Respondent 10).
- "*Yeah, absolutely*" (Respondent 3).

Impact evaluation is also beneficial for the internal learning of a business. It allows a business to see where it is doing well, where it is achieving the social impact it intended to achieve and where it needs to improve. As Respondent 5 stated, "*what we learn from it…what are the insights that we can develop in order to be able to actually improve things*". The intermediary noted that while they "*sometimes we will share some of those insights with funders…and with investees, but generally it is for our own learning*". Respondent 12 noted that

> *the results of the impact evaluation would help us prove whether or not this theory is producing the results that we are intending to. It will help us to adjust it or manage it better if at all we see it is not really producing the results, or it is producing the results. I think it will just help us make informed decisions on the programme. Either the function about the programme or anything around the programme. So, the idea is to use all the results of the impact evaluation to adjust the programme*.

Other comments which supported the assertion that impact evaluation is valuable for internal learning, summarised in Table 16, included:

- "*they are trying to do that, to say okay, have we achieved…the social returns that we expected and also, what can we learn from this portfolio of investment*" (Respondent 2).
- "*you don't do it [evaluation] just to do impact, you do it to optimise what you are doing, you use it as a feedback loop into your business*" (Respondent 11).
- "*absolutely, for improving, for becoming more impactful, for maybe even efficiency, maybe operational efficiencies, maybe operation effectiveness*" (Respondent 11).
- "*This would be the reason why I would do it, the only reason I would do impact assessments…I think the interest is how can we deliver better on what we are trying to deliver otherwise it is wasted time*" (Respondent 11).
- "*This is why I want to do it…it helps us become a better business and helps us see, is our intention aligned with our impact*" (Respondent 11).

- “*having the raw data would tell us – are we doing this well? What’s working? What’s not?”* (Respondent 9).

Impact evaluation also helps support the soundness of the theory of change and whether the social impact that has been noticed can be attributed to the work of the business. As Respondent 2 noted, “*the main thing that distinguishes monitoring and evaluation is evaluation should really unpack the how and the why aspects which is the more interesting thing of…what was your contribution to this particular impact or outcome that was realised*”.

The fourth and final benefit of impact evaluation identified in the research is that it ensures transparency and eliminates the possibility of impact washing. As Respondent 2 noted, “*it is used…for…accountabilities sake*”.

Table 16: The Value of Impact Evaluation

	Creates Competitive Advantage	**Useful for Internal Learning**
Evaluator	√	√
Intermediary	√	√
Investee	√	√

5.5.2.6 Evaluation Challenges

Even though the benefits and importance of impact evaluation are clearly noted, evaluation is not receiving the attention that is required for it to establish the social impact of impact investing initiatives. As Respondent 3 noted, “*impact evaluations are quite rare in this space – within southern Africa*”, the same interviewee later stated, “*impact investment, it’s quite rare out there*”. Respondent 2 supported this comment when they said, “*if an evaluation is done, which I think is still quite rare for impact investments*”. If the value of the impact evaluation is unchallenged, then why is it not being done?

5.5.3 Barriers to Impact Measurement

The common words associated with barriers to measurement are taken from an analysis of the transcripts. This analysis aligns closely with the common themes that

Figure 7: Common Words Associated with Barriers to Measurement

Word	Frequency	Word	Frequency	Word	Frequency
Cost	17	Money	5	Time	3
Skills	10	Competency	4	Value	3
Capacity	6	Administration	3		
Knowledge	5	Incentive	3		

arose during the interviews. Interviewees were requested to list the top barriers that a business would face when attempting to implement impact measurement and impact evaluation. The themes are presented in Table 17.

Table 17: Identified Barriers to Impact Measurement

Barrier	Frequency
Lack of organisational competence	19
Impact measurement is expensive to implement	13
Impact measurement is time-consuming	4
There is no perceived value in impact measurement	3

There is no incentive to measure impact	2
Impact measurement is administratively intensive	1
Consultants do not have the technical capacity to conduct impact measurement	1

5.5.3.1 Lack of Organisational Competence

The lack of organisational competence is a noted barrier to effective impact measurement. This lack of competence prevents a business from properly implementing the necessary steps to ensure that social impact is measured, recorded, analysed, shared and proved. Lack of competence was a noted concern of one intermediary, Respondent 5, who stated, "*there [is] not enough skills or talent in this country that actually really understands what M&E is actually about*". This was supported by Respondent 12 who identified the biggest challenge for their business in regard to impact measurement was "*the know-how, the knowledge".*

When asked about the barriers to impact measurement, the concern over competence was echoed by most Respondent. Other comments which supported the lack of organisational competence as the biggest barrier are as follows:

- "*skills, competency, capacity*" (Respondent 1).
- "*It comes down to skills, capacity, competency*" (Respondent 1).
- "*just a knowledge and awareness of what it is and what it's used for*" (Respondent 3).
- "*yes, the skills set, you know, the capacity*" (Respondent 2).
- "*just the understanding of what is an evaluation*" (Respondent 2).
- "*The lack of understanding, the depth of knowledge in enterprises on sustainability and social impact issues*" (Respondent 8).
- "*absence of clear social impact of transformation strategies*" (Respondent 8).
- "*The know-how, skills*" (Respondent 9).

5.5.3.2 Impact Measurement is Expensive to Implement

The cost of implementing an effective impact measurement system is a significant barrier for businesses. This prevents them from tracking the social impact of their impact investing initiatives. Without the evidence or a proven track record, it becomes difficult for businesses to attract impact investment funds. As Respondent 9 clearly stated, "*how do you measure the social return? The measurement comes at a cost*". This barrier was also a key theme from the research, with almost all respondents identifying it as a barrier. Other comments which recognised cost as a barrier included:

- "*the biggest one is the cost*" (Respondent 5).
- "*money*" (Respondent 1).
- "*The cost of impact evaluation*" (Respondent 3).
- "*cost…survey methods are not cheap*" (Respondent 3).
- "*I would say definitely cost is the biggest barrier*" (Respondent 2).
- "*cost comes up all the time*" (Respondent 2).
- "*the cost…I need to now have a dedicated resource who is going to be sitting there…*" (Respondent 10).
- "*The cost of it as well. It also comes with a cost as well. When you find somebody, who knows it comes at a cost to actually try and get and sometimes you could be too small to be able to acquire those skills*" (Respondent 11).
- "*I think cost is big*" (Respondent 8).
- "*There is some cost associated with social outcome*" (Respondent 9).
- "*cost*" (Respondent 9).
- "*that's our biggest issue, the cost associated with it*" (Respondent 9).

5.5.3.3 Impact Measurement is Time Consuming

Impact measurement takes time. It has already been noted that the process of collecting and analysing data is a continuous, on-going exercise, this requires not only competence and financial resources, it requires time. So too does producing the results of an impact evaluation. As Respondent 2 noted, "*maybe…the findings don't come back in a timely way*". However, the idea that impact measurement itself is time consuming was supported by multiple investees, Respondent 10 noted that "*it's too much work*" and Respondent 8 added, "*management attention slash time*" prevented them from implementing impact measurement systems.

5.5.3.4 There is no Perceived Value in Impact Measurement

The inability of businesses to see value in impact measurement was a fourth noted barrier. It should stand to reason that if a business does not value the findings of impact measurement, then they will not be willing to build internal capacity, absorb the costs or give time to implement an impact measurement system. During the interviews Respondent 5 noted regarding investees "*that there's probably not enough of them that are using that data in that way*". This is unfortunate particularly as collecting the evidence is one of the only ways to prove social impact. This idea was supported by Respondent 2 who noted, "*they don't really see the value*". Respondent 10 also corroborated this idea by stating, "*they don't see the value in that [impact measurement] because for them it is just business as usual*".

5.5.3.5 There is no Incentive to Measure Impact

The idea that there is no incentive to collect data or implement impact measurement is separate from the lack of perceived value in impact measurement. Interviewees who suggested that there is no incentive to measure impact were referring specifically to the financial incentive for a business to collect the data. As Respondent 10 noted, "*so we had a focus group discussion with our clients and we asked that questions, 'why is it difficult for you guys to give us the social data' and they were like, 'what's in it for us?*". The interviewee further elaborated by saying, "*I am paying off my loan, there is no incentive for me to give you this information, why should I do it, am I going to get a reduced interest rate…unfortunately not, so why should they do it?*".

5.5.3.6 Impact Measurement is Administratively Intensive

While not a significant concern but tied to the barrier of time required to implement an effective impact measurement system, the issue of impact measurement being administratively heavy was raised. As Respondent 10 noted, "*and also the admin of it…who is going to sit around and complete some questionnaire, the admin part of it*".

5.5.3.7 Consultants do not have the Technical Capacity to Conduct Impact Measurement

Over the course of the research, several competent and knowledgeable evaluators were interviewed. It is curious then that two evaluators noted that there is a deficit in competent evaluators in South Africa who are capable of undertaking and supporting effective impact measurement. One evaluator, Respondent 3 noted, "*the second [barrier] I would think is good service providers who understand both the business* *side and the development side and that have the academic backing to be able to do a…robust evaluation*". A second evaluator, Respondent 1 noted that "*an independent evaluator comes in and says, we verify that that has happened and these are the outcomes but they don't get to the impact evaluation, that is where the current practice stops*".

5.5.4 The Role of Stakeholders

The barriers to impact measurement present significant challenges to the impact investing market. Even though the concept of stakeholders was discussed in-depth as part of the results for Research Question 1, there are additional roles that relate specifically to stakeholders and impact measurement that need additional discussion. So, what role can stakeholders play in reducing the barriers to impact measurement and ensuring that social impact is both measured and understood?

5.5.4.1 Skills Development

One of the key barriers to effective impact measurement is the observed and reported lack of capacity, particularly amongst investees. However, there are stakeholders who have the technical capacity to support or build the capacity of other stakeholders. An example of this was provided by Respondent 5 who said, "*so one of our investments, for example, we help them understand how they articulate the impact, how they measure it*". An evaluator, Respondent 3 noted, "*the thing I often hear investors say is that they do struggle for good pipeline, they do have to invest quite a bit in terms of general business development capacity for the investees*".

The need for stakeholder support extends beyond the borders of South Africa. As an example, Respondent 5, when looking more broadly at the African continent said, "*we focus on sub Saharan Africa, and we develop impact solutions, investing solutions for other countries in Africa as well*". In addition to this, there are networks that have developed expertise that could be shared. The Global Impact Investing Network (GIIN) was often mentioned. When referring to the development of indicators, Respondent 9 noted, "*the resources that would help develop those [indicators] would certainly be external, I am very connected with organisations like GIIN*".

5.5.4.2 Driving Intent

There is an important role for stakeholders in driving the intent of the impact investing market. This is particularly true of impact investors and funders. While the research notes a shift in thinking towards greater investment in social impact initiatives, the shift from traditional investing to impact investing requires leadership. As Respondent 8 noted,

> *If you are to get real innovative social impact initiatives somebody has to innovate and somebody has to start these things that would make a real difference. A quantum leap type of different, if impact investors just want to come and fund things that have been happening over time that have proven themselves and want to go into that space, then we will not make the type of impact we would want to make.*

5.5.4.3 Covering the Cost of Measurement

Impact measurement is expensive, yet it is also integral to driving and encouraging investment in the impact investing market. However, for impact measurement to be widely adopted, the funding needs to be made available for it. As Respondent 1 noted, "*the biggest philanthropists are also impact investors*". It is frequently the philanthropists who fund impact measurement; therefore, it should be standard for impact investments to come with budgets for measuring impact.

5.5.4.4 Funding Start-ups

While it has been noted that there is money available, often, that money is available for established businesses and not start-ups. As Respondent 8 noted, "*access to finance is a problem particularly with start-ups and there's a lot of money out there, there is a lot of development of financial institutions like your CIFS's and your IDC's but they don't want to touch start-ups*".

5.5.5 Conclusion

Impact measurement is an important part of the social impact investment. The research clearly points to the need for social impact proof to be able to justify existing and future funding. However, there are significant barriers to businesses being able to implement systematic impact measurement and management. Without the body of evidence generated by impact measurement, it is impossible for businesses to claim social impact. As Respondent 10 noted,

> *it was difficult for us in the beginning, we started in two 2004 and we didn't have anything and then we started so to do an evaluation, at that time we had a lot of consultants that said yes but because you were not collating all the data you can't really claim certain things and that is the unfortunate part*.

5.6 Results for Research Question 3

RESEARCH QUESTION 3: How do trade-offs affect the social impact of impact investments?

5.6.1 Introduction

Literature highlights the difference between finance first and social-first investments and the willingness of investors to accept a lower financial return if the investment is achieving higher social impact. Understanding the intent of upward stakeholders can mitigate the risks associated with trade-offs. This research aims to show that producing evidence of social impact can influence an investors willingness to trade financial returns for social impact.

5.6.2 Trade-offs

Interviewees highlighted competing opinions when considering trade-offs. These are highlighted in the table below (Table 188).

Table 18: Trade-offs

Issue	Frequency
Financial returns most important	18
Optimise both financial returns and social impact	12
Both financial returns and social impact are important	7
Impossible to maximise both financial returns and social impact	5
You cannot compare the two	2

5.6.2.1 Financial Returns most Important

Almost all interviewees noted the supremacy of financial returns in the discussion of what is most important to impact investors. As Respondent 5 indicated, "*if the financial case stacks up and the impact case is not as strong, but good enough, we definitely will invest*". When asked where their business places importance, the interviewee further noted that they would focus on the "*finance side*". Respondent 4 said, "*first and foremost it has to be in our financial impact*". The interviewee further noted, "*that's the sort of baseline*". Other comments relating to the importance of financial returns are as follows:

- *"if the impact return is brilliant, and the financial return is below par…we will divest"* (Respondent 5).
- *"There is definitely a trade-off"* (Respondent 10).
- *"fundamentally investors still want to make a financial return"* (Respondent 7).
- *"We need to get credibility by delivering the shareholder returns that gives us licence to do social impact issues"* (Respondent 8).
- *"Most funds are truly full profit private equity impact funds want to maximise financial returns"* (Respondent 9).
- *"We need the baseline financial system of the business model to work before we can think about impact"* (Respondent 9).

5.6.2.2 Optimise both Financial Returns and Social Impact

Many of the interviewees also felt that a business should seek to optimise both financial returns and social impact. As Respondent 10 noted, "*you can definitely achieve both*". While there are many issues that would need to be addressed to ensure both returns are optimised, interviewees provided a mixed response when queried as to financial returns and social impact in impact investments that they were involved in.

Table 19: Ranking Financial Returns and Social Impact

Respondent	Financial Ranking	Social Ranking
Evaluator		
1	Low	Low
2	High	Middle
3	High	High
Intermediary		
4	Low	High
5	High	High
6	No Rank	No Rank
7	No Rank	No Rank

8	Low	High
9	Low	High
Investee		
10	High	High
11	Low	Low
12	Low	Low

According to the responses in Table 19 evaluators were more likely to rate the financial return of the projects they evaluated as high, while intermediaries and investees overall thought the financial contribution of their initiatives was low. Interestingly, intermediaries ranked the social impact of their investments as high while investees ranked their social impact as low. Evaluators have presented a mixed response when asked to rank the social impact of the businesses they had evaluated. Proving financial returns on an investment is as simple as looking at a financial report, however proving social impact is a much more nuanced process. As several interviewees noted, how social impact is defined differs depending on the person you are speaking to. This was supported by two intermediaries, Respondent 7 said, "*if you ask them, what do they mean by social return*" and Respondent 9 added, "*it is also important to know what people define as impact; that's important – what does impact mean?*". Given the subjectivity surrounding defining social impact, it becomes necessary for businesses to measure impact and present the evidence that social impact is indeed being achieved. Unfortunately, as multiple interviewees noted, social impact is not being measured:

- *"We haven't actually worked out how we work out this longer-term impact"* (Respondent 5).
- *"But how do we actually measure that? To be frank with you, we actually don't know"* (Respondent 5).
- *"We haven't figured out the right way to do it"* (Respondent 11).

Frequently the achievement of social impact is assumed and not measure. As Respondent 12 noted, "*we have always been an implementation partner and to us the idea of impact ended on the doing, so we've done this, we've run this programme and, in a sense, it has impacted people*". Respondent 8 noted that "*one [project] has social impact because even though the theory of change is not that clear, but the sense of why we are doing what we are doing is clear*".

5.6.2.3 *Financial Returns and Social Impact are Important*

Interviewees recognised the importance of both financial returns and social impact. As Respondent 7 responded when asked if both should be achieved, "*absolutely*". Respondent 2 noted, "*we need to start putting equal weight on the two sides of these types of investments*". These opinions were supported by Respondent 9 who said, "*I think one can achieve an investment that does achieve both outcomes*".

5.6.2.4 *Impossible to Maximise Both Financial Returns and Social Impact*

Several interviewees presented a view that while both social and financial returns are important, focusing on financial returns will have a negative impact on social impact while focusing on social impact will have a negative impact on financial returns. Essentially, it will be impossible to maximise both aspects of impact investment. As Respondent 9 noted, "*you can't maximise both*".

5.6.2.5 *Financial Returns and Social Impact Cannot be Compared*

One Respondent noted that achieving both financial returns and social impact is important. However, it was also noted that the two aspects of an impact investment should not be compared and that perhaps having a conversation about trade-offs in impact investing was a discussion that did not need to happen. The Respondent (8) said, "*ideally you align both…both of them are independently successful factors of your company*". The Respondent further elaborated:

> *I am not sure if you should even compare or if you should say this is the target I am trying to achieve and this is the target I am trying to achieve an put them together in direct relation to each other because then you are automatically in this trade-off discussion but if you say one of your goals as a company is to change the way healthcare is delivered in South Africa and one of the goals of your company is to make as much money for the shareholders as possible, then you are getting out of that duality that is basically gridlocking you between the two which is a very investors view…if you just take that opposition away and you just separate them and you have a scorecard with different targets you are trying to achieve, maybe you will bet a bit less of a charged debate about trade-offs.*

5.6.3 Influencing Upward Stakeholders

Influencing upward stakeholders is an important purpose of impact measurement and management and should not be underestimated. This was supported by multiple interviewees. When Respondent 11 was asked whether impact measurement increased the likelihood of an investor funding the business, the investee said, "*I think it does yes, it does make a funding proposition more attractive if they know more about it, yes because it also opens up investors that wouldn't have looked at you otherwise*". Respondent 6 also noted, "*They [investors] are ready to sacrifice financial return if the social impact is speaking*".

5.6.4 Conclusion

Trade-offs are an important and unfortunate part of impact investing. While most interviewees believe that both financial returns and social impact can be achieved in the same investment, most also believe that financial returns take precedence over social impact. The value of impact measurement and management on the trade-off debate should not be underestimated.

5.7 Conclusion

Trade-offs seem to be a real part of impact investing. While many interviewees note that the issue of financial returns vs. social impact should not be viewed as a trade-off, the reality is that if a business focusses on one aspect (either financial returns or social impact) then the other aspect (either financial returns of social impact) will suffer. This puts undue pressure on a business, particularly one with an intent to achieve social impact, to achieve financial impact at the expense of social impact. However, if impact measurement can be used to influence upward stakeholders accept lower financial returns because the investment is achieving social impact, then a systematic process for impact measurement should be implemented at the business level as a matter of priority. Those businesses who chose to ignore impact measurement do so at the expense of their own business.

CHAPTER 6: DISCUSSION OF RESULTS

6.1 Introduction

This chapter contains a detailed discussion of the research results from Chapter 5. These research findings are discussed in the context of the Chapter 2 literature review the Chapter 3 Research Questions. The concepts, as well as the constructs, will be thoroughly compared to the literature reviewed as well as the Research Questions presented. The findings of this research will add to the understanding of impact evaluation in impact investing, particularly the barriers that limit a business' propensity to evaluate the social impact of their work as well as the importance of ensuring stakeholder voice is prominent in the design of a social impact initiative. Both the barriers to impact evaluation as well as stakeholder engagement are underexplored in the current literature. The results and their relevance to impact investing are presented in the subsequent sections.

6.2 Discussion of Results for Research Question 1

Research Question 1: How can stakeholders be included in the design of social impact measurement of impact investments?

The purpose of Research Question 1 was to show the importance of stakeholders to impact measurement of impact investments in the South African context. To do so, an understanding of who the stakeholders are, as well as which stakeholders' businesses generally engage, and what their role is was understood. The manner and timing for the engagement was also queried. The research sought to confirm that all stakeholders, upward, lateral and downward, are important to impact measurement success, as indicated in the literature (Clarkson, 1995; Freeman, 1984; Harji & Jackson, 2018; Salzmann et al., 2005).

6.2.1 Understanding Who are the Stakeholders

Interviewees were clear that engagement with stakeholders is important for the success of impact investments. However, it was also evident from the interviews that who the stakeholders are, who the business is accountable to and at what stage of the development and implementation of an impact investment initiative stakeholder engagement should occur, was either unclear or unknown. This lack of clarity has a significant negative impact on the design and implementation of effective impact measurement processes. When queried about stakeholders, interviewees rarely mentioned secondary stakeholders, (Clarkson, 1995) or indirect stakeholders (Harji & Jackson, 2018) when discussing stakeholders a business should engage with. A reason for this was not determined. While this research focuses on primary or direct stakeholders, secondary stakeholders are also important and need to be given further attention. Secondary stakeholders, including evaluators and impact investment networks (Global Impact Investing Network, Bertha Centre, etc.), possess a wealth of knowledge, expertise and resources that can strengthen the measurement of impact initiatives and should be considered as important for the development of impact measurement systems.

However, interviewees did focus heavily on the primary (Clarkson, 1995) and direct (Harji & Jackson, 2018) stakeholder groups identified in the literature. The further breakdown of these groups by Viviani and Maurel (2019) into investor, intermediary and beneficiary allowed for a better understanding of the makeup of each group. While the three categories mentioned by Viviani and Maurel (2019) put fund managers and investees into the same category, however, based on the data gleaned from the interviews, it is easier to understand the accountability requirements if they are separated. This is particularly relevant as the methods by which fund managers manage their investments differs from the way an investee would manage the investment. A fund manager frequently provides capital investment to investees while investees run a business with this capital. Therefore, the accountability responsibilities differ between fund manager and investees, as a result for a proper interrogation of stakeholder accountability they need to be viewed separately. Table 20 summarises the upward, downward and lateral stakeholders for both intermediaries and investees. However, it is important to note that where downward stakeholder engagement for an intermediary will be to an investee and will frequently be formal, the downward stakeholder engagement for an investee will be to a beneficiary and will almost always be informal. Therefore, while both groups have the same type of stakeholder engagement, the way they engage will differ. The revised four groups are; investor, intermediary, investee and beneficiary.

Costa and Pesci (2016) provide three levels of accountability, namely upward, lateral and downward. This research explores the responsibilities of the intermediary and investee groups to upward, lateral and downward accountability groups as well as the benefit that engagement with these groups can add to impact measurement. Intermediaries would be upward accountable to investors, laterally accountable to their staff and board members, and downward accountable to investees. Investees, on the other hand, would be upward responsible to the fund manager, laterally accountable to staff and board members and downward accountable to beneficiaries.

Table 20: Accountabilities of Intermediary and Investee Groups

Intermediary	
• Upward – investor	• Understand investor intent • Demand social impact • Demand Impact Measurement • Obtain buy-in • Accountability and transparency
• Lateral – employees, managers, board members	• Dispel myths within the business and across business units • Provide/obtain technical support
• Downward - investee	• Source of profit • Provide technical support
Investee	
• Upward – intermediary	• Understand intermediary intent • Control capital investment • Demand social impact • Obtain buy-in • Accountability and transparency
• Lateral – employees, managers, board members	• Dispel myths within the business and across business units • Provide/obtain technical support • Obtain buy-in
• Downward - beneficiaries	• Source of profit • Source of motivation for the business • Gain insights into local situation and need

It was evident from the interviews that intermediaries and investees both knew who their upward and downward stakeholders are. However, much of the discussion regarding stakeholder engagement referred to interactions with upward stakeholders, either investors or intermediaries. This is largely due to the capital investment of these two groups and engagements were mainly for the purposes of accountability for existing funds or attracting new funding. Interviewees understood the importance of downward stakeholders. Intermediaries were keenly aware of the need to engage with their investees; however, investees were less likely to engage with their beneficiaries for the purposes of accountability as compared to their capital investors. It was also clear from the interviews that beneficiary groups varied considerably depending on the business and the business intervention, hence it was difficult to definitively identify stakeholder beneficiary groups.

Interviewees were less likely to mention the need for lateral accountability. Only one interviewee spoke of the importance of engaging with colleagues and board members to ensure organisational understanding and commitment to the mission and goals of the business. However, Costa and Pesci (2016) note that stakeholder engagement must also include lateral and downward stakeholders. Investees need to effectively engage with their beneficiaries in order to achieve a successful social impact. However, as Alijani and Karyotis (2019) suggest, each organisation seems to have their own methods for interacting with stakeholders and as a result, no clear method for engagement exists.

6.2.2 Understanding Why to Engage with Stakeholders

The importance of stakeholder engagement to a business should not be underestimated. While stakeholder literature speaks extensively about the importance of both “primary and secondary stakeholder groups” (Clarkson, 1995, p. 105), it is the primary stakeholder groups, those who are integral to the business, “shareholders and investors, employees, customers and suppliers” (Clarkson, 1995; p. 106), that are the focus of this research.

Stakeholders are important to impact investing initiatives for multiple reasons. Mura et al. (2018) highlight the importance of including stakeholders in the design of measurement tools, while Alijani and Karyotis (2019) note that confusion over achieving impact can be a result of poor interaction between investors, investees and evaluators. Figure 2 highlights the importance of identifying and defining stakeholder groups, as well as when to engage with them.

However, as interviewees pointed out, there are additional reasons for engaging with stakeholders. It was noted by multiple interviewees that when considering downward stakeholder engagement, particularly between intermediaries and investees, that this engagement can become an important component of capacity building. This is especially true when the intermediary has extensive experience in the design, implementation and measurement of impact investments. Downward engagement is also important for understanding the investee's business model and to ensure there is alignment of intent with the intermediary.

For the investee, downward stakeholder engagement is also important. The beneficiaries are usually the clients of the investee's business. As a result, it becomes important for the success of the business to engage with beneficiaries. According to Stieb (2009), downward engagement should also enable the decision making of beneficiaries. However, it also contributes to aligning beneficiary need with the intent of the business, as well as identifying gaps which could be filled by new product offerings of the business. This is equally important for the development of the business' theory of change. The theory of change, which will be discussed in more depth in the next section, is an integral part of impact measurement design.

Upward engagement is also important for both the intermediary and the investee. This reporting ensures accountability for the commitments made in exchange for capital investment. Included in this accountability is accountability for the management and use of the money, as well as accountability for the social impact that was agreed to during the negotiation for the investment. By ensuring accountability to the intermediary or to the investor, it is possible to influence the trade-off between financial return and social impact. However, this can only be done if an effective impact measurement system has been developed and implemented. Essentially, through ensuring accountability and by sharing the progress that is being made, the business can argue for providing lower financial returns because they are achieving noticeable social impact.

Alignment of intent between the investee and intermediary as well as between the intermediary and the investor is also important for ensuring satisfaction with an investment and that the right impact is pursued. An investor whose focus is job creation would not want an intermediary to provide capital investment to an investee whose focus is primary healthcare. However, unless there is understanding and alignment of intent, there is potential for the misalignment of capital and as a result, frustration on behalf of key stakeholders.

Most interviewees did not recognize lateral stakeholder engagement as being relevant for the business or for the purposes of impact measurement. However, lateral stakeholder engagement is important for ensuring that the whole business understands the intended social impact and aligns with the mission and vision of the business. Lateral engagement also ensures that the whole business understands the social impact that they are having on the beneficiary. A final noted benefit of lateral engagement is that it prevents the various units within a business from working in silos. Through engagement, the various business units can support each other, ensuring that the strengths of individual units are pooled to ensure overall business success.

The following table, (Table 21) highlights the various stakeholder groups that each of the two categories, investee and intermediary would report to. The table also presents a summary of the purpose for the engagement; however, it should be noted that this is not an exhaustive list and it will vary per business. The findings in the table are a combination of insights from interviews as well as from the literature review.

Table 21: Purposes of Stakeholder Engagement

Investee	Intermediary
Upward	
Fund Manager • Design of measurement tools • Understand the intermediary mission and vision • Align intent • Accountability • Attract new investment capital • Influence trade-offs • Demand social impact • Demand impact measurement • Control capital	Investor • Accountability • Attract new investment capital • Understand investor mission and vision • Align intent • Influence trade-offs • Demand social impact • Control capital
Lateral	
Employees and Board members • Understanding of mission • Internal support	Employees and Board members • Understanding of mission • Internal support

• Clear understanding of business' social impact • Obtain buy-in • Dispel myths within the business and across business units	• Clear understanding of business' social impact • Obtain buy-in • Dispel myths within the business and across business units
Downward	
Beneficiaries • Design of measurement tools • Design Theory of Change • Accountability • Identify gaps to be filled by new products • Alignment of business product with beneficiary need • Review product or service to ensure continued relevance • Address concerns created by product or service • Reporting of business success • Source of profit	Investees • Design of measurement tools • Capacity building • Understand the investee business model • Alignment of intent • Accountability • Source of profit • Source of motivation for business
Literature (Alijani & Karyotis, 2019; Costa & Pesci, 2016; Mura et al., 2018; Viviani & Maurel, 2019)	

6.2.3 Understanding When and How to Engage with Stakeholders

According to Freeman (1984), managing the relationships of the many stakeholders in a business is important for the success of the business. Once stakeholders and their needs have been identified. Figure 3 developed by the G8 Social Impact Investment Task Force (2014) suggests that there is only one reason for engaging with stakeholders and that is to report back on the social impact that has been achieved. Costa & Pesci (2016) suggest greater stakeholder engagement, nevertheless, even their recommendation confines stakeholder engagement to understanding stakeholder need and obtaining feedback through the management phase. However, it is clear from the interviews that this is not enough. Stakeholder engagement is a process that the business must continually engage in if they seek to measure social impact and develop the necessary measurement tools and systems.

Engaging with stakeholders begins at conceptualisation with the development of the business' theory of change. Given that impact measurement is frequently driven by the investor and that the investor frequently invests for a specific type of social impact, it is important that engagement at conceptualisation includes upward engagement to align intent, lateral engagement to ensure the theory of change aligns with the business' intent and downward to ensure that the theory of change addresses a real need.

The planning phase follows conceptualisation. During this phase, the business' monitoring and evaluation framework is developed. To ensure that the metrics are designed to measure the intended social change, it is important and the identified means for data collection are relevant to the context. To do so, it is important to engage downward to ensure the measurement is practical, upward to ensure that the investor is satisfied that the developed framework will capture the data necessary to ensure their desired impact is measured and lateral to ensure that all business units within the larger business understand their role in the monitoring and evaluating of the product or service.

Once stakeholders are satisfied with the theory of change and the monitoring and evaluation framework, the business can move on to the initiation phase, which includes the baseline survey. During this phase, engagement with upward stakeholders shifts mainly to formal reporting on social impact achievements. Downward engagement also shifts to reporting; however, the reports are generally informal in nature. Lateral engagement includes both formal and informal reports of progress made towards social impact as well as the impact of the support provided by the various business units within the larger business. This process is more-or-less the same for both investees and intermediaries, except that intermediary reporting to investees would be formal in nature.

The management phase sees a continuation of the reporting done during initiation. Reports are generally provided on a quarterly basis to all stakeholders. During this phase downward engaging includes continual verification of findings from monitoring exercises as well as listening to stakeholder concerns about the product or services.

Adjustments to the business are then made based on this feedback. Evaluation is the final phase of the project cycle. Once the evaluation is completed and the findings are available, they are formally reported upwards and laterally and usually reported informally to downward stakeholders.

Table 22: Timing of Stakeholder Engagement

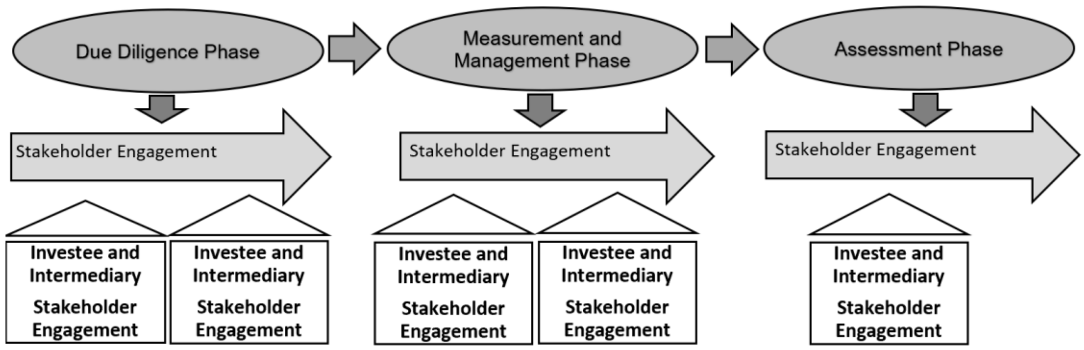
	Investee	Intermediary
Upward	• Conceptualisation • Planning • Initiation • Management • Evaluation	• Conceptualisation • Planning • Initiation • Management • Evaluation
Lateral	• Conceptualisation • Planning • Initiation • Management • Evaluation	• Conceptualisation • Planning • Initiation • Management • Evaluation
Downward	• Conceptualisation • Planning • Initiation • Management • Evaluation	• Conceptualisation • Planning • Initiation • Management • Evaluation

6.2.4 Concluding Findings for Research Question 1

According to Respondent 1, the impact investing market divides the project cycle into three phases, due diligence, measurement and management, and assessment. These phases align closely with the five phases of the project cycle, where conceptualisation and planning form the due diligence phase, initiation and management form the measurement and management phase and evaluation forms the assessment phase. Regardless of the model used, stakeholder engagement must occur across each phase.

Figure 8 illustrates the ideal process of stakeholder engagement across the three phases of an impact investing project cycle. The engagement starts at the beginning of the project cycle and continues through to the end of the assessment and incorporates the sample of purposes for stakeholder engagement summarised in Table 21. Stakeholder engagement is broken into three distinct phases because the purpose of each phase is different. During the due diligence phase stakeholder engagement is focused on conceptualising an idea and laying the early foundations for the business. As a result, the business will engage downward to ensure an adequate understanding of the context is obtained, buy-in is received and the intent of the business is aligned upward, downward and lateral, with all primary stakeholders. Stakeholder engagement at this phase is critical to the effective achievement of social impact as during this phase the theory of change is developed and the foundations of the business' product or service are laid.

Figure 8: Stakeholder Engagement in the Impact Investing Project Cycle



Source: Author's own synthesis

While done on a quarterly basis, engaging with stakeholders during the management and measurement phase is also important. During this phase, the concerns of stakeholders are reviewed and used to refine the product or service offerings of the business. At the same time, the business reports to all stakeholders concerning the impact that the business is achieving. This reporting takes alternate forms, however, when reporting downward and laterally the mechanisms for reporting are often informal or conveyed in face-to-face meetings. Upward reporting is formal in nature and includes financial statements and official progress reports which highlight the social impact that has been achieved by the business. Frequently the business also provides upward stakeholders with visits to the business location so that upward stakeholders can witness first-hand the social impact of their investment.

One important aspect of lateral stakeholder engagement during measurement and management phase is that of programme review and programme management. During this phase the business unit responsible for the implementation of the product or service uses collected data to effectively manage the business, making the necessary changes and adjustments to the product or service to ensure maximisation of both financial and social impact.

The final phase is the assessment phase. While the primary job to be done during this phase is the evaluation of the product or service provided, engagement with all stakeholders is important. During this phase, the business formally reports financial returns and social impact upward. Through showing evidence of social impact, the business, either investee or intermediary, can attempt to influence the trade-off between financial returns and social impact. Laterally, stakeholder engagement will use the findings from the evaluation to further adjust the business product or service to ensure that it is achieving the desired social impact. At the same time, the findings of the evaluation are reported downward so that beneficiaries or investees are aware of the success of the impact investment.

It should be noted that during stakeholder engagement is an iterative process. It is not a one-way path where the business engages with stakeholders by telling them what the business will do. Rather, stakeholder engagement is a loop where developed ideas and assumptions are challenged and refined through dialogue, listening and understanding.

One of the significant findings from this study is that while stakeholder engagement is deemed important by all interviewees, it was universally believed that upward reporting was of more value than downward or lateral reporting. This is despite that fact that interviewees recognised the importance of the business in responding to the needs of their "clients". Equally concerning was the finding that while downward reporting is important, it simply is not happening and when it does happen it is a tick box exercise of little value or importance.

6.3 Results for Research Question 2

Research Question 2: What prevents the measurement and evaluation of the social impact of impact investments?

The purpose of research question 2 was to explore the components of an effective impact measurement system as well as understand why impact measurement does not occur as frequently as it should. To do so, an understanding of the specific components of an impact measurement system was developed. However, given that impact measurement does not occur as frequently as it should (Addy et al., 2019; Calderini et al., 2017), interviewees were questioned as to what prevents a business from undertaking impact measurement. Additionally, the role of stakeholders in encouraging or inhibiting impact measurement was explored.

6.3.1 Components of an Effect Impact Measurement System

6.3.1.1 Theory of Change

The theory of change is an important component of any impact measurement system. As multiple authors (Flynn et al., 2015; Jackson, 2013; Jackson & Harji, 2014; Verrinder et al., 2018) note, the theory of change is an important tool for measuring and evaluating social impact with impact measurements because the theory of change supports the development of a measurement framework and helps interrogate the logic of the business as well as communicate the business' social impact to stakeholders. This view was supported by the interviewees who noted that the theory of change outlined not only the intent of the business but also who you are targeting for change and what change will be realised. The theory of change also helps identify and mitigate risk and ensures that the business does not deviate from their vision and mission. This was summarised well by Respondent 10 who said,

> *theory of change knowing what it is that you want to do and then once you know what it is that you want to do you are not going to have a funder pulling you one side, look at green outcomes and then another funder saying look at these other outcomes because you as an organisation your founding principles and you have a theory of change that says this is what we want to do, it's not something that is just going to go away because nobody is taking notice.*

The theory of change becomes the starting point of any impact measurement system, without it the business will struggle to develop a MER framework, which will, in turn, undermine the business' attempt to demonstrate social impact. Unfortunately, many businesses do not take the time upfront to develop the theory of change or attempt to retrofit a theory of change after the business has begun their social impact initiative. If social change is to be effectively tracked, measured and reported, then it is important that businesses seeking to create social impact develop their theory of change when they are conceptualising the product or service they will offer. As Respondent 11 said

> *the view is once we've got the data and we've seen what the challenges are, what the gaps are, then we build a theory of change for where we want to go and then the KPIs that are required for that particular programme going forward.*

6.3.1.2 Monitoring, Evaluation and Reporting Framework

Measuring social impact is essential for businesses who are pursuing funding from impact investors. As a result, the framework used to monitor, evaluate and report on the impact must be sufficient to convey impact. However, the literature notes that while tools for measurement exist in the social development sector, the impact investing market has been slow to follow suit (Reisman et al., 2018; Verrinder et al., 2018). To combat this, organisations including the Global Impact Investing Network (GIIN) have developed databases of standardised measurements that any business can use (Addy et al., 2019). The failure of businesses to develop adequate Monitoring, Evaluation and Reporting (MER) frameworks prevents social impact measurement from going beyond the counting of numbers, a significant shortfall of impact measurement (Addy et al., 2019). This was supported by interviewees who, despite the significance of impact measurement, agreed that most impact measurement was superficial at best. However, this should not be surprising as the MER framework is based on the theory of change which most businesses have not yet developed. Without the theory of change, businesses are unable to design, develop or even articulate the measurement metrics that will be used to show social impact.

Reeder, Colantonio, Loder and Jones (2015) note that within the Canadian Impact Investing market there tends to be a focus on selected social sectors which have similar corresponding measurement metrics. However, the sectors differ greatly. Respondents for this research were involved in job creation, agriculture, health care, youth development and affordable housing. A sample of sectors and corresponding metrics are highlighted in Table 23.

Table 23: Sector Specific Social Metrics (Reeder et al., 2015, p. 142)

Sector	Metric
Youth and Children	"Use of drugs and alcohol; number of cremes committed; improved self-esteem; hours of childcare provided; number of accidents; number of friends"
Health	"Number of patients seen; self-reporting of improvements in health; number of beneficiaries able to return to work; improvements in smoking levels; improvements in obesity levels; improvements in frequency of illness"
Sustainable Agriculture	"Volume of organic produce; area of land farmed sustainably; reductions in use of fertiliser; availability of farmer's markets"

6.3.1.3 Baseline Measurement

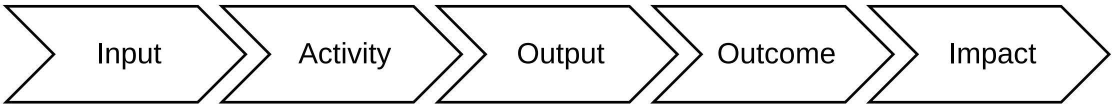
In order to show the social impact that a business has created, there is the need to understand the status of the beneficiary or target population before the business launched its product or service. Without this baseline survey, it becomes impossible to attribute impact or to note a change in the targeted population. As Molecke and Pinkse (2017) note, there is generally a lack of baseline surveys which as a result creates a dilemma for the business. Essentially, a baseline presents a snapshot of what the situation looks like before an intervention is launched, the final evaluation is then able to refer to the baseline to identify the changes and causes of the change over the life of the product or service. Without the baseline data, there is no way to make a comparison. This view is supported by the interviewees who note the value of the baseline for proving social impact but also note that baseline studies are rarely if ever undertaken.

Baseline surveys can take many forms but are specific to the individual business and their theory of change. However, a simple example would be UKaid. In 2013 UKaid undertook a baseline survey in sub-Saharan Africa and South Asia to understand the Impact Investing market. According to The Impact Programme (2014), the baseline survey provides "a critical reference resource at the conclusion of the programme in 2026, when changes attributable to it will be assessed" (p. 3). Essentially, in 2026, UKaid will refer to the 2013 baseline survey in order to understand the changes that have come in the impact investing market in these two regions as a result of The Impact Programme's initiatives.

6.3.1.4 Monitoring and Reporting

The ability of a business to monitor and report their social impact requires the development and implementation of a robust MER framework, however, without the framework in place it becomes difficult to report social impact. MER frameworks cover the full spectrum of results, recognising that impact is not realised immediately. Therefore, MER frameworks include indicators that measure inputs, activities, outputs, outcomes and impact.

Figure 9: Impact Value Chain (G8 Social Impact Investment Task Force, 2014)



As Calderini et al. (2017) suggest, the absence of a framework results in reporting being basic and often in the form of narrative or anecdote. For impact investing to claim social impact, it is important that anecdotal and storytelling be supplemented with interrogating and demonstrating impact. The view of the literature was somewhat refuted by the interviewees who noted that monitoring occurs on a day-to-day basis and that reporting is a key tool used by businesses to convey their success to their stakeholders. However, many (not all) organisations have not developed a theory of change, have not developed MER frameworks and have not conducted baseline studies. For those organisations who find themselves without impact measurement systems in place, what are they reporting and how robust are the claims they are making?

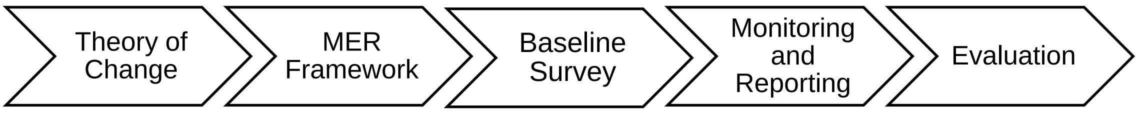
6.3.1.5 Evaluation

Arguably the most difficult task to undertake, evaluation is the final piece of an effective impact measurement system. The literature notes that evaluations rarely occur (Höchstädter & Scheck, 2015; Molecke & Pinkse, 2017; Mura et al., 2018). This is a significant shortfall of the impact investing market. Often businesses feel that social impact is too difficult to measure or that the findings of the evaluation will be of poor quality due to data collection (Molecke & Pinkse, 2017). However, the impact investing market needs to move beyond the basics, beyond simply counting numbers, to ensure that the credibility of the market is maintained. This was supported by the research as interviewees acknowledged the importance of evaluation for determining social impact. Respondent 12 nicely summarised the value of evaluation to their business by saying,

> *It was always you've done this work and we've impacted people, but there has been significant knowledge gained from that time within us as a team to a point where we realised that impact does not… impact is not when you've finished your programme or when you've rolled out a programme and you've ended. Impact is actually checking out what has happened post the intervention and all of that.*

Impact evaluation was noted as being important for multiple reasons. Evaluation allows a business to prove their social impact, thus giving them a competitive advantage over other businesses who are unable to do so. Evaluations are an excellent tool for internal learning, allowing the business to identify and address shortfalls in the product or service that they are offering. Evaluations also ensure transparency, allowing all stakeholders to see what the business has done. Finally, evaluations allow a business to interrogate the soundness of their theory of change and whether the social impact noticed can be attributed to the efforts of the business, or whether the business simply contributed to the noticed social impact. Yet, for all its advantages, impact evaluation is rarely conducted.

Figure 10: Components of an Effective Impact Measurement System



Source: Author's own synthesis

6.3.2 Addressing Barriers to Impact Measurement

In order to understand why businesses are not implementing effective impact measurement systems, it is first important to understand the challenges they face. Unfortunately, most literature is focused on the Impact Investing market generally with little exploration of the barriers that exist to impact measurement at the level of the business. One of the most important barriers noted in the literature is the absence of a framework which outlays the infrastructure of the social impact investing market; thus it is difficult to understand how social impact investing works across different industries and countries (Calderini et al., 2017). Also missing is a regulatory environment which would incentivise investors to invest for social impact (Calderini et al., 2017). The lack of standardised tools is another noted barrier within the impact investing market, as has been noted “at this stage, there is a general lack of a homogenization and reconciliation among these metrics” (Calderini et al., 2017, p. 74).

However, Molecke and Pinkse (2017) highlight several challenges that business pursuing social impact face. These include that impact is not demanded by investors, cost, social impact is difficult to measure, a business needs to be profitable before they pursue social impact, the perception of being a not-for-profit and finally time. These challenges were supported by the research where interviewees noted; lack of business’ competence, cost, time, lack of perceived value, lack of incentive, administratively intensive and lack of competent consultants, as being the key challenges to impact measurement. It is interesting that, while Respondents mentioned the business’ competence as being a key barrier, this was not mentioned by Molecke and Pinkse (2017).

The impact measurement challenges faced by businesses could be alleviated or at least reduced by stakeholder engagement. While businesses reported a lack of capacity within the business to effectively conduct impact measurement, frequently stakeholders, particularly fund managers or investors either have or have access to impact measurement expertise. If the expertise is not held in-house, they frequently have established relationships with evaluation professionals who could support the development of impact measurement tools. This is a process that at least one interviewee noted that their business had done in order to develop their impact measurement framework. The cost associated with impact measurement could also be addressed through stakeholder engagement. Businesses could either negotiate with upward stakeholders to have the cost of impact measurement included in the capital investment or work with upward stakeholders to identify and secure funding from alternative sources to develop impact measurement frameworks and implement impact measurement.

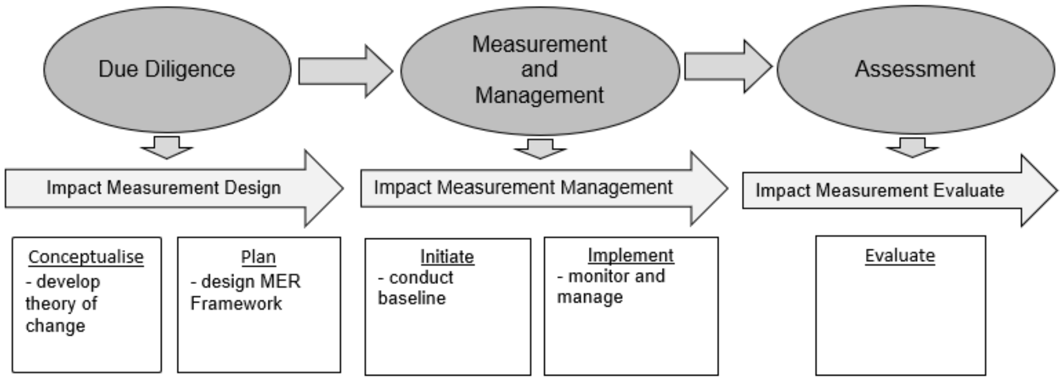
Interviewees, as well as literature (Reeder et al., 2015) highlight the concern that investors do not always demand social impact measurement. As a result, there is reduced incentive for the business to invest the time and resources necessary to develop internal capacity and conduct impact measurement. This could be addressed through stakeholder engagement. Interviewees all recognised the importance of impact evaluation to the success of social impact initiatives. Ensuring that upward stakeholders want verifiable social impact data and that this desire is communicated downward to intermediaries and investees, would alleviate this challenge. At the same time, this would strengthen the credibility of the impact investing market. The final challenge that could be addressed through stakeholder engagement is the challenge faced by most new businesses as they attempt to balance the need to be sustainable with the demand to conduct impact measurement. Negotiating with upward stakeholders could result in a trade-off, where the investor or fund manager is willing to accept a lower return or accept a longer period before the business becomes profitable in exchange for the development of an effective impact measurement system that shows social impact.

6.3.3 Concluding Findings for Research Question 2

Impact measurement is an integral part of proving social impact within impact investments. Without it, social impact remains anecdotal and in the form of stories. This, in turn, reduces the credibility of the impact investing market as it seeks to build legitimacy within the investment industry. However, significant impact measurement challenges remain that must be addressed if the social impact of impact investments is to be accepted as an effective method for reducing inequalities within society.

Figure 111 visualises the steps, along with the phases, that a business should undertake when developing an impact measurement system. As part of the due diligence phase, businesses must first develop their theory of change. The theory of change is the foundation for the entire impact measurement system and without it, the business will struggle to identify measurement metrics that allow for the articulation of the desired social impact. The design of the MER framework is also developed as part of the due diligence phase and contains the metrics that will be used to measure the desired social impact. Completing due diligence shows that the business understands their vision and mission as well as the social impact they intend to achieve along with how they intend to measure it.

Figure 11: Steps to Developing an Impact Measurement System



Source: Author's own Synthesis

The baseline survey is the first step within the Measurement and Management phase; however, the baseline survey is rarely if ever conducted. Only businesses with dedicated impact measurement teams conducted these surveys. As a result, completing a baseline survey seems to be a product of larger businesses who have been able to attract investment which enabled the building of Monitoring and Evaluation teams. However, without the baseline survey, it is problematic to determine the social impact and whether the change in the target population was as a result of the business or some other factor. Without the baseline survey, it becomes a classic discussion of attribution versus contribution. Equally important within this phase is the day-to-day monitoring of and reporting on the business. While monitoring can be time-consuming and administratively heavy, this is an important part of management as it allows the business to proactively identify challenges to their product or service and address them before they undermine the entire initiative, thus jeopardising current and future capital investments.

The final phase is an assessment. Probably the most complex of the five steps, impact evaluation is one of the only ways to independently verify the claimed social impact. Impact evaluation is rare in South Africa even though there are many organisations who claim that they are using impact investment funds to pursue social impact. This is largely due to the perceived challenge that social impact is difficult to measure and when measured, the results are of little or no value. However, for impact evaluation to be effective, the preceding four steps (theory of change, MER framework development, baseline survey and monitoring and reporting) must be developed and implemented. Without it, impact evaluation will struggle to concretely measure social impact.

6.4 Results for Research Question 3

Research Question 3: How does impact measurement and evidence of social impact affect trade-offs observed in impact investments?

The purpose of this research question was to understand the trade-offs that investors are willing to make as they explore social impact through their impact investment funds. While literature highlights the difference between finance first and social-first investments and the willingness of investors to accept a lower financial return if the investment is achieving higher social impact, it is not clear what motivation an investor requires to make the trade-off. This issue was explored with interviewees who were able to relate their experience in influencing trade-offs.

6.4.1 Influencing Trade-offs

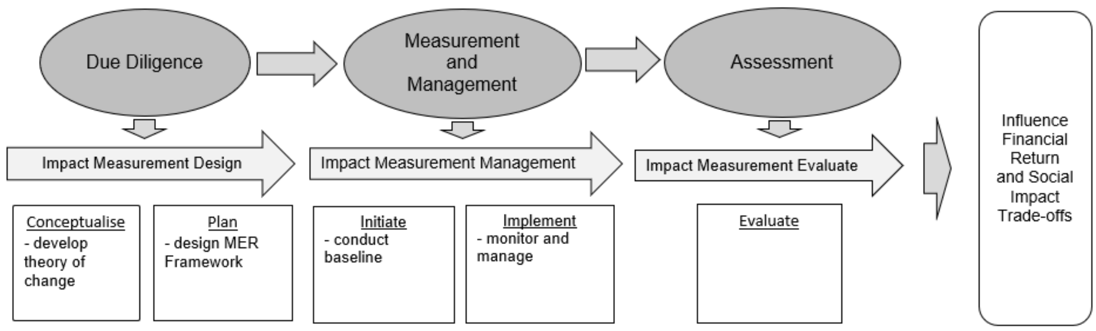
The issue of trade-offs is significant in Impact Investing. While some literature notes that there are only two types of investors, those who seek profit and those who seek social impact (Freireich and Fulton, 2009), other literature notes that there are hybrid investors, those who seek both (Jager & Schro, 2014; Pache & Santos, 2013). According to Freireich and Fulton (2009), “impact first investors, [are those] who seek to optimize social or environmental impact with a floor for financial returns” (p. 4). Accordingly, impact first investors intent is to generate social change, using the market to generate impact (Freireich & Fulton, 2009). On the other hand, finance first investors are usually commercial and seek returns at or above the market rate while at the same time achieving social or environmental impact (Freireich & Fulton, 2009). Investor and investee expectations regarding returns are frequently based on their intent (Ormiston et al., 2015). If their intent has a financial return focus, then they will expect to maximise financial return over social return, conversely, if their intent is social impact, then they will expect to maximise social impact. Given the nature of impact investing and the intent of the market overall to create social impact, many investors are willing to take a lower financial return on their investment if they know that their investment is achieving social impact (Viviani & Maurel, 2019).

The suggestion that impact investors will accept lower financial returns if there is evidence of social impact, was supported by this research. Interviewees noted that while maximising both the financial returns and the social impact was the goal of most businesses, the two were often in tension with each other. Interviewees tended to agree that focusing on financial returns negatively impacted social returns while focusing on social returns negatively impacted financial returns. As a result, influencing upward stakeholders is an important purpose of impact measurement and should not be underestimated. This view was supported by multiple interviewees. When one investee was asked whether impact measurement increased the likelihood of an investor funding the business, the investee said, "I think it does yes, it does make a funding proposition more attractive if they know more about it, yes because it also opens up investors that wouldn't have looked at you otherwise". An intermediary also noted, "They [investors] are ready to sacrifice financial return if the social impact is speaking".

6.4.2 Concluding Findings for Research Question 3

Financial versus social trade-offs are a reality for impact investors. While businesses should seek to maximise both types of returns, the reality is that focusing on one type of return inevitably has a negative impact on the other. While the two returns could be viewed separate from each other, respondents were clear that they are not. Impact investors are continually weighing the cost that social impact has on their financial returns. However, respondents, as well as literature (Viviani & Maurel, 2019) strongly suggest that verifiable evidence, that a business is achieving social impact, influences an impact investor. Therefore, for businesses who rely on impact investment capital to drive their initiatives, it is imperative that effective impact measurement systems are put in place. Figure 122 highlights the process that needs to be in place for a business to influence impact investing trade-offs.

Figure 12: Process for Influencing Trade-offs



Source: Author's own Synthesis

CHAPTER 7: CONCLUSION

7.1 Introduction

The Stakeholder Integrated Impact Measurement Conceptual Framework is discussed in greater detail in this Chapter. The model is based on the diagrams which were presented in the literature review and then expanded upon by integrating key findings from the research explored in both Chapter 5 and Chapter 6. Based on the model, recommendations for investee and intermediary managers are presented, followed by recommendations for future research as well as the limitations of this study.

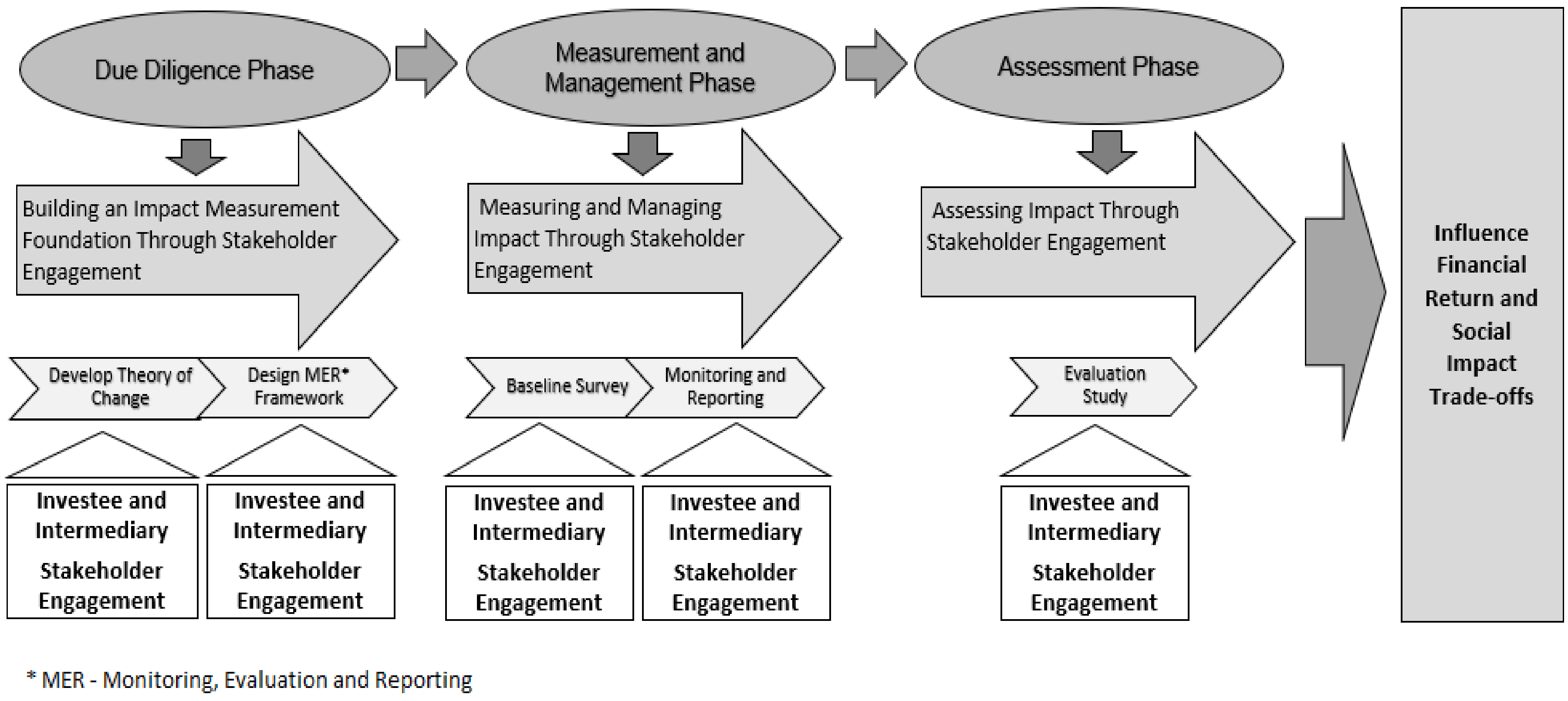
7.2 Principal Findings

7.2.1 The Stakeholder Integrated Impact Measurement Conceptual Framework

The literature presented two models (Figure 2 and Figure 3) which highlighted the role of stakeholder engagement in impact measurement of impact investments. However, neither model clearly articulates the importance of stakeholders to each step of the development and implementation of an effective impact measurement system. Rather, the literature relegates stakeholders to the space of informants, able to give and receive feedback. Costa and Pesci (2016) in suggest that stakeholders should be engaged during the identification and development of a stakeholder map, when attempting to understand the needs of the stakeholders and when listening to feedback that they provide. No indication is given of who the stakeholders are or the level of engagement that should occur. While this model suggests greater stakeholder engagement than the model presented in Figure 3 (G8 Social Impact Investment Task Force, 2014), it is still far removed from the level of engagement recommended by Freeman (1984) when he developed the stakeholder theory.

However, Figure 2 and Figure 3 form the basis for the model that is presented in this chapter. After careful review of the literature and the information provided by the interviewees, it was clear that stakeholder engagement was critical to impact measurement and that a new understanding of the role of stakeholders in a business' development and implementation of impact measurement needed to be considered. The model that was designed will support investees and intermediaries as they explore impact measurement within their respective businesses.

Figure 13: Stakeholder Integrated Impact Measurement Conceptual Framework



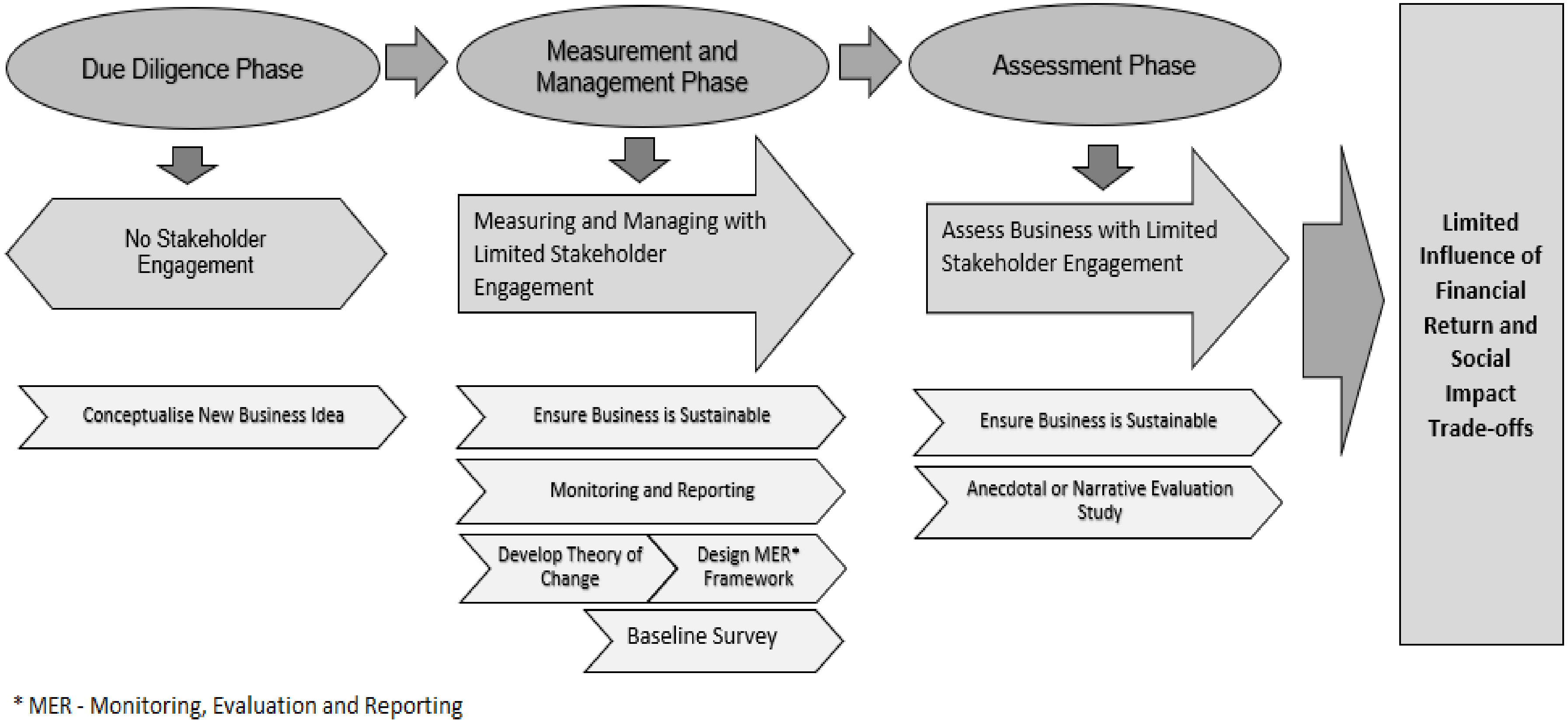
Source: Authors own Synthesis

The difference between the way an intermediary and investee implement an impact measurement system should not be overlooked. While many of the principles and stages between the two entities are similar, the reality is that they are measuring different things. An intermediary will develop an impact measurement system for an entire fund, which often includes multiple investees for the purpose of understanding how the fund has performed. The investee on the other hand, would focus on the success of a specific product, project or service. The results of the impact evaluation would help the investee to understand how their business performed and whether it addressed the originally identified need.

However, while Figure 13 presents an ideal conceptual framework for designing and conducting impact measurement within impact investments, the reality more closely resembles Figure 14. In reality, the due diligence phase is spent conceptualising a new business idea, the business then invests most of the time and energy into ensuring that the business is sustainable. Only after the business is deemed to be sustainable does the business undertake the process of developing a theory of change and designing an MER Framework. If deemed necessary, the business will undertake a baseline survey, however, these most often do not occur. The assessment phase is also either largely ignored, or evaluations result in the collection of anecdotal evidence presented in the form of a narrative.

As a result of these shortcomings, the business misses the opportunity to influence the financial return and social impact trade-off an investor is willing to explore, as there is little to no credible evidence provided to support the claim that the business is creating social impact. This presents an undesired paradox. Businesses who focus only on the short term and hope to develop a sustainable business miss the opportunity to create long term sustainability through capital investment from impact investors because they struggle to show social impact. Similarly, if they are able to attract capital investment, they are unable to influence the terms that capital investment will offer them because they do not have verifiable evidence of social impact. While it is important to ensure the business can sustain itself, doing so at the expense of due diligence as presented in Figure 14 can harm the business in the long term. An unfortunate result of this type of concern given to impact measurement is that impact is rarely measured. Rather, businesses remain focused on outputs without ever delving into whether the perceived social change can be attributed to the business, or if the business only contributed to the social change.

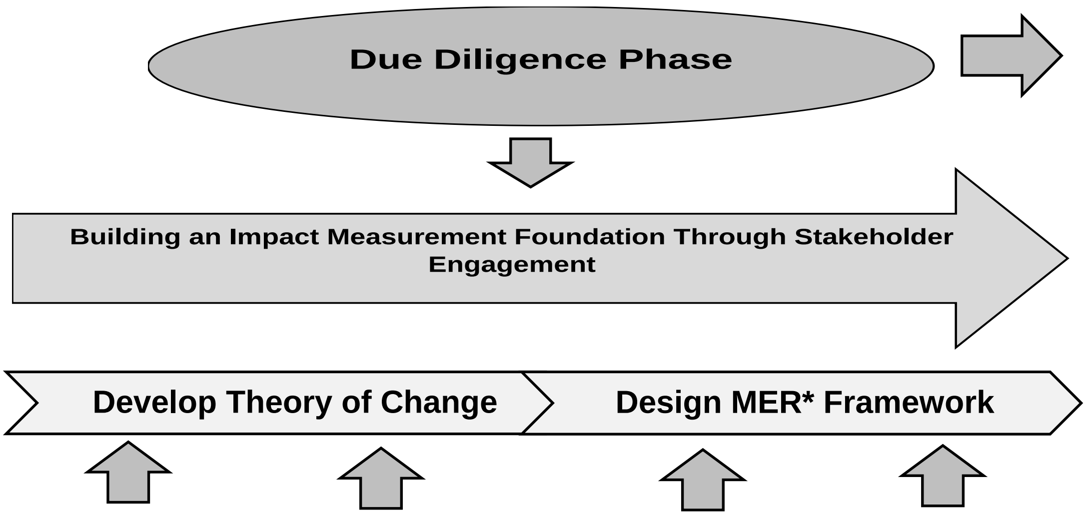
Figure 14: Impact Measurement Reality



Source: Author's own Synthesis

7.2.1.1 Due Diligence

Figure 15: Due Diligence Phase



Investee Stakeholder Engagement	**Intermediary Stakeholder Engagement**	**Investee Stakeholder Engagement**	**Intermediary Stakeholder Engagement**
Downward Beneficiaries	**Downward** Investees	**Downward** Beneficiaries	**Downward** Investees
1.Design the Theory of Change 2. Align the business product with beneficiary need 3. Accountability	1. Understand the investee business model 2. Align intent between businesses 3. Build capacity	1. Design tools to measure impact - including metrics 2. Obtain buy-in from beneficiary community	1. Build capacity 2. Design tools to measure impact - including metrics 3. Ensure accountability
Upward Intermediary	**Upward** Investor	**Upward** Intermediary	**Upward** Investor
1. Align business and intermediary intent 2. Understand intermediary mission and vision 3. Obtain buy-in 4. Raise capacity issues 5. Address funding of Impact Measurement	1. Understand investor mission and intent 2. Align intent of fund with intent of investor 3. Ensure fund is accountable to investor	1. Design tools to measure impact - including metrics 2. Discuss realities of business sustainability versus impact measurement 3. Formally report progress	1. Ensure fund is accountable to the investor 2. Formally report progress
Lateral Employees	**Lateral** Employees	**Lateral** Employees	**Lateral** Employees
1. Ensure clear understanding of the business' social impact 2. Obtain employee buy-in 3. Ensure all employees understand the mission of the business	1. Ensure clear understanding of the business' social impact 2. Obtain employee buy-in 3. Obtain tool development support from relevant employees	1. Design measurement tools with support of wider team 2. Outline when support will be needed and how it will be provided	1. Ensure fund is accountable to employees 2. Design measurement tools with support of wider team

Source: Author's own Synthesis

The Due Diligence phase (Figure 15) includes two impact measurement steps, the first is the development of the Theory of Change and the second is the development of the MER Framework. The Theory of Change lays the foundation for not only the entire impact measurement system but for the business as well. It is at this stage that the business identifies who their target beneficiaries are, what social impact they hope to achieve and how the business intends to achieve it. Essentially it explains the vision, mission and goal of the business and how the goal will be accomplished. Without the Theory of Change in place, it is difficult to move on to the development of an effective MER Framework.

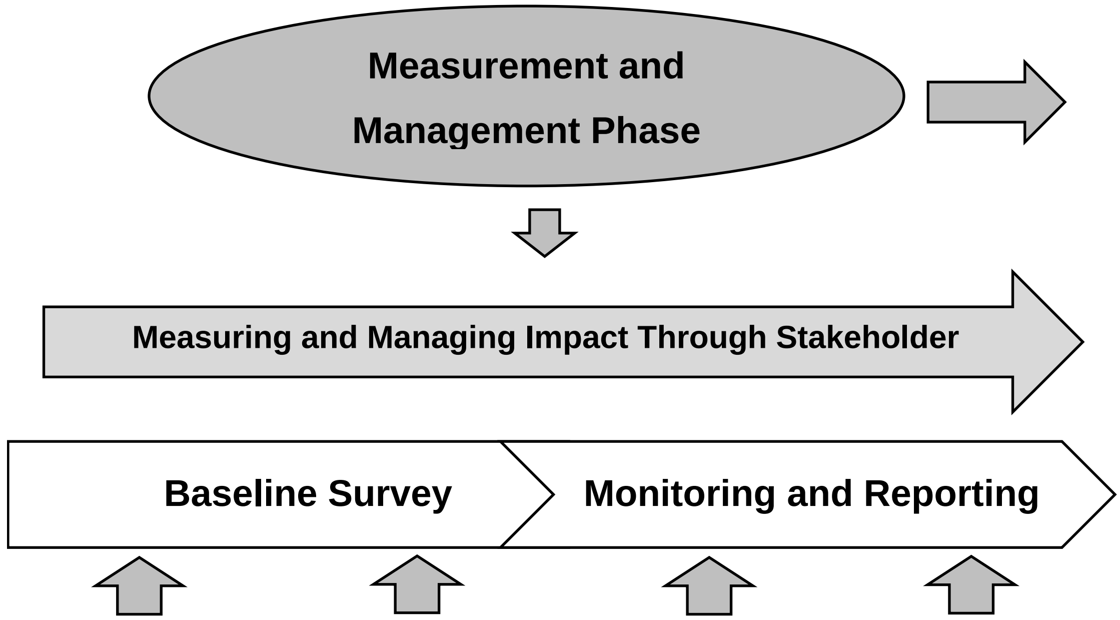
The MER Framework contains the metrics that will be used to determine the success of the business as it relates to the accomplishment of the social impact that the business set out to achieve. However, in order to develop effective metrics that explore the impact versus superficial reporting of numbers of people reached, the goal must first be established.

During the Due Diligence phase, there are multiple reasons for engaging with stakeholders. When engaging with upward stakeholders, it is critical to understand the intent of the stakeholder and to ensure that it aligns with the intent of the business. Upward engagement also allows for the discussion of impact measurement cost and the expectation regarding business sustainability and impact measurement. This is also an important time to discuss capacity challenges and identify what support the stakeholder can provide. Downward engagement provides an excellent opportunity to understand the context, obtain insight regarding the need and determine how the business' product or service can address stakeholder need. Stakeholder engagement across all three groups allows for the development of robust metrics that measure impact, not only inputs and outputs.

7.2.1.2 Measurement and Management

Like the Due Diligence phase, the Measurement and Management phase (Figure 16) also contains two impact measurement steps. These two steps build on the two steps highlighted in the Due Diligence phase, without the completion of the Theory of Change the MER Framework, it will be difficult to effectively complete the Baseline Survey and carry out the day-to-day monitoring and reporting. The Baseline Survey is an examination of the community within which the

Figure 16: Measurement and Management Phase



Investee Stakeholder Engagement	Intermediary Stakeholder Engagement	Investee Stakeholder Engagement	Intermediary Stakeholder Engagement
Downward Beneficiaries	**Downward** Investees	**Downward** Beneficiaries	**Downward** Investees
1. Understand the current situation for beneficiaries 2. Engage beneficiaries as key informants 3. Ensure accountability to beneficiaries	1. Understand current situation for investees 2. Engage investees as key informants 3. Ensure accountability to investees 4. Build capacity	1. Identify gaps to be filled by new products or services 2. Review the product or service to ensure relevance 3. Address concerns raised by beneficiaries 4. Ensure accountability to beneficiaries	1. Identify gaps to be filled by fund 2. Review fund relevance 3. Address concerns regarding the fund 4. Ensure accountability to investees
Upward Intermediary	**Upward** Investor	**Upward** Intermediary	**Upward** Investor
1. Ensure accountability to the intermediary 2. Provide formal reports to intermediary	1. Ensure fund accountability to the investor 2. Provide formal reports to investor	1. Provide formal reports to the intermediary	1. Ensure fund accountability to the investor 2. Formally report progress
Lateral Employees	**Lateral** Employees	**Lateral** Employees	**Lateral** Employees
1. Ensure accountability to employees 2. Formal and informal reporting to employees	1. Ensure accountability to employees 2. Formal and informal reporting to employees	1. Obtain internal support from supporting business units/departments 2. Dispel myths regarding purpose of business 3. Formal and informal reporting	1. Obtain internal support from Ensure fund is accountable to employees 2. Dispel myths regarding purpose of the business 3. Formal and informal reporting

Source: Author's own Synthesis

product or service will be offered. It is intended to show a true picture of the community before the introduction of the product or service. This is an important step in the impact measurement process as it provides a benchmark which the findings of the evaluation conducted in the Assessment phase can be compared to. The second step in the Measurement and Management phase is the day-to-day monitoring or operations and the reporting to stakeholders.

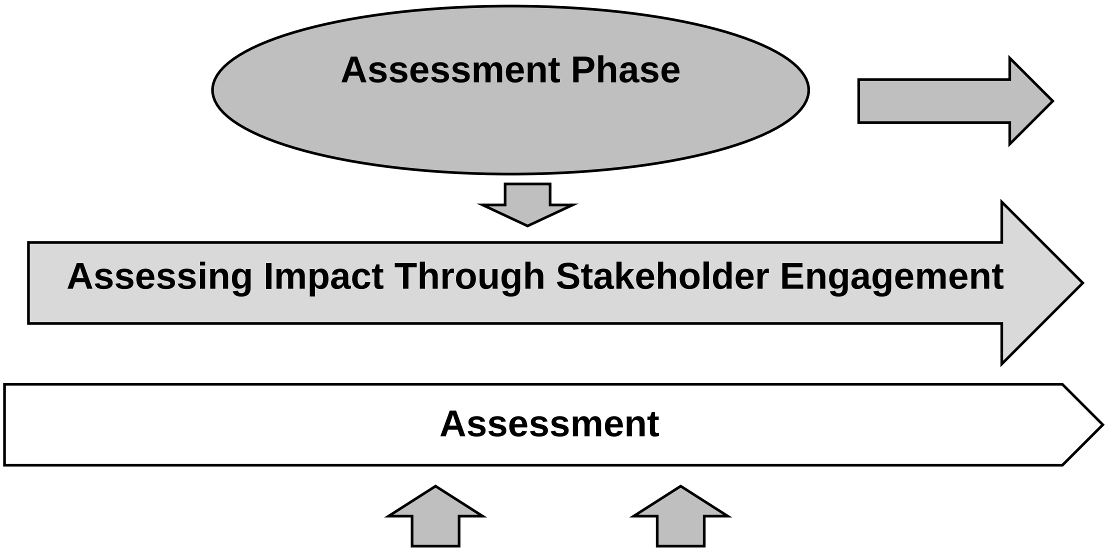
Stakeholder engagement during this phase is varied. Downward stakeholder engagement is important during the Baseline Survey as the business seeks to gain a true understanding of the status of the targeted community. Once the Baseline Survey is completed, engagement across the three groups shifts to quarterly reporting, upward reporting is formal, while downward and lateral are a mix of formal and informal. Lateral stakeholder engagement is an important part of the management process. This engagement allows for interrogation of project successes and failures and identifies risks to project success that need to be addressed. Lateral stakeholder engagement also helps ensure support from complementary business units as they are continually aware of their role in the business' creation of social impact.

7.2.1.3 Assessment

Assessment is the final phase of the impact investing project cycle (Figure 17). During this phase, the business undertakes an extensive evaluation of the business to determine the social impact that can be contributed to the business. To ensure the objectivity of the evaluation they are usually conducted by an independent, external organisation. This carries with it a cost that many businesses are unable to cover. It is therefore important that discussions with upward stakeholders are undertaken during the Due Diligence phase to ensure that funding is available to cover the cost of the evaluation. Findings of the evaluation are compared back to the Baseline Survey and the social impact of the business can be determined.

Stakeholder engagement during this phase is frequently limited to the sharing of findings from the evaluation. Upward and lateral reporting is frequently formal while downward reporting frequently remains informal. Findings of the evaluation can also be used as part of the project management activities to modify the product or service offering to make it more responsive to the targeted community.

Figure 17: Assessment Phase



Investee Stakeholder Engagement	**Intermediary Stakeholder Engagement**
Downward Beneficiaries	**Downward** Investees
1. Understand the current situation for beneficiaries 2. Engage beneficiaries as key informants 3. Ensure accountability to beneficiaries	1. Understand current situation for investees 2. Engage investees as key informants 3. Ensure accountability to investees 4. Build capacity
Upward Intermediary	**Upward** Investor
1. Ensure accountability to the intermediary 2. Provide formal reports to intermediary	1. Ensure fund accountability to the investor 2. Provide formal reports to investor
Lateral Employees	**Lateral** Employees
1. Ensure accountability to employees 2. Formal and informal reporting to employees	1. Ensure accountability to employees 2. Formal and informal reporting to employees

Source: Author's own Synthesis

7.2.1.4 Influencing Trade-offs

While impact measurement serves many important functions, one of the goals of impact measurement should be to influence the financial return and social impact trade-offs that investors are willing to accept. There is a noted struggle when businesses attempt to maximise both financial returns and social impact. When a business prioritises financial returns then social impact suffers, likewise, if the business priorities social impact, then financial returns suffer. However, given that most businesses have a social focus, it should be expected that they will prioritise social impact over financial returns. Respondents indicated that in their experience, if investors were aware of the social impact of their work, then they would accept a lower financial return, thus making more potential investments attractive to the investor. Businesses who receive capital investment from impact investors or from intermediaries should actively work to develop a portfolio of evidence that highlights their progress towards achieving social impact. This, in turn, will allow them to work towards influencing the trade-off debate.

7.2.1.5 Summary of the Model

The conceptual framework suggests a framework for conducting impact measurement of impact investing initiatives, while engaging stakeholders throughout the process. Each step of the model builds on the previous step, thus if a business fails to complete one of the steps, it jeopardises the integrity of the entire impact measurement process. While there are barriers that can prevent impact measurement from occurring, stakeholder engagement can serve as an effective deterrent to the challenges posed impact measurement. However, if used effectively, impact measurement will present verifiable evidence of the social impact the business is creating. This proof can be leveraged to influence the trade-offs that investors are willing to make, thus increasing the potential for the business to attract additional capital investment.

7.3 Recommendations for Managers

The data collected during the interviews along with the findings of Research Questions 1 – 3 show that not enough is being done to measure the social impact created through impact investing initiatives. As a result, the true value of impact investing, beyond the reported financial returns, is difficult, if not impossible to verify. Without this verification, the impact investing market, along with the businesses who rely on the capital investment from the impact investing market, risk losing legitimacy. This could in-turn undermine the extensive work that has been done. To prevent a loss of legitimacy from happening there are multiple actions that managers within investee and intermediary businesses can take.

- **Develop a Theory of Change:** it is clear from the literature and from the interview findings that a Theory of Change is integral not only to the development of an impact measurement framework but for the development of a business' social purpose. The Theory of Change is an excellent method to develop an impact measurement framework, interrogate the logic of the business and communicate the social impact of the business to stakeholders (Flynn et al., 2015; Jackson, 2013; Jackson & Harji, 2014). Managers should, therefore, prioritise the development of this tool even if it requires retrofitting a Theory of Change to their current business operations (as was the case with several Respondents).
- **Develop a Monitoring, Evaluation and Reporting (MER) Framework:** the MER framework is the second most important tool that a business with capital funding from an impact investor can have. The framework outlines the measurement metrics and ensures that a business will move beyond simply counting numbers (outputs) and move to measuring the social impact of the work that is being done. Robust measurement will support the development of evidence that the business is achieving social impact. This evidence makes the business more competitive within the impact investing market, particularly as investors are seeking investments that will produce social impact.
- **Conduct a Baseline Survey:** impact evaluation needs a benchmark against which to compare evaluation findings. Without the baseline survey data, it is difficult to prove social impact and as a result, the value of the impact investment can be questioned. This is especially true if the investor has agreed to lower financial returns in exchange for the creation of social impact.
- **Use Impact Evaluation to verify social impact:** offering evidence of social impact has multiple benefits for the business. Providing evidence of social impact and developing a track record for the business builds a competitive advantage, making the business more attractive to investors than the competition who cannot prove social impact. Additionally, a business with a

track record of social impact can influence the trade-off between financial returns and social impact.

- **Engage with Stakeholders to build impact measurement capacity:** it is clear from the research and from the literature review that businesses struggle with undertaking impact measurement activities. While most monitor and report on their daily activities, few have developed a Theory of Change and complementary MER Framework. Secondary stakeholders like the GIIN have metrics databases from which a business can identify and use measurement metrics that measure not only outputs but impact as well. Internal capacity should be built to ensure that the business is able to oversee robust measurement. However, given the complexity of some of the required tools, managers should engage with stakeholders to identify competent consultants who can support tools development and conduct impact evaluations.
- **Engage with Upward Stakeholders regarding associated impact measurement costs:** it is clear from the literature review and from the research findings, that costs associated with impact measurement are a significant barrier to developing and implementing robust impact measurement. At the same time, impact measurement is important to both the business and the investor. Discussions over how to cover the cost of impact measurement and impact evaluation should be undertaken in order to agree on who will provide the financial resources. Given that many impact investors also engage in philanthropic giving through foundations, the possibility of funding impact measurement through alternative funding sources should be explored.

7.4 Limitations of the Research

The limitations of this research are as follows:

- **Researcher bias:** Saunders and Lewis (2012) note that qualitative research is subjective and as a result could be negatively affected by researcher bias. During the data collection, in-depth, semi-structured interviews were used, the views and beliefs of the researcher may have impacted the data analysis;
- **Interviewee bias:** All data was collected through interviews, as a result, the data reflects the opinions and perceptions of the interviewees;
- **Researcher training:** The researcher was not trained in methods for performing interviews for the purpose of research, it is possible that the

process of managing the interview and exploring interviewee responses through probing questions limited the collection of important qualitative data. This was mitigated through researching the Respondent and their business before the interview to provide context to the information that was presented;

- **Interviewee sample bias:** purposive sampling was used, where the researcher used their judgement to identify subject experts, however, this could have led to bias in the that interviewees were selected based on the researcher's views and beliefs;
- **Interview sample:** interviews were subject experts from the South African context, their views, therefore, could be subject to geographical bias; and
- **Interview sample:** while the sample consisted of subject experts including investees, intermediaries and evaluators, no investors were interviewed, hence their views are not included in the research findings.

7.5 Suggestions for Future Research

The impact investing market provides essential capital investment to businesses seeking to create positive social impact. However, the legitimacy of the market suffers as a result of the lack of evidence regarding the social impact of the investments. Future research should, therefore, focus on:

- **Funding impact measurement:** impact measurement is expensive which frequently prevents businesses from developing and implementing the necessary systems to measure impact. Future research should explore the tension that exists between the need for impact measurement and the cost of conducting impact measurement and how this can be addressed;
- **Investor trade-offs:** the research indicated that investors are willing to accept lower financial returns in a business can present evidence that they are creating social impact. Future research should explore the value of impact measurement to impact investors and the role that impact measurement plays towards influencing investors willingness to accept trade-offs;
- **Quantitative study of impact investing in South Africa:** the findings of this research, well relevant, were exploratory in nature. A quantitative study should be conducted of a large sample so that a greater understanding of the role of impact measurement in the South African Impact Investing market can be obtained; and

- **Impact measurement barriers:** the literature and research findings are clear that there are significant barriers which negatively impact a business' ability to implement impact measurement. Future research should explore the tensions in the South African context and the methods used by businesses in South Africa to overcome these barriers.

7.6 Conclusion

The Impact Investing market provides vital capital investment to businesses seeking to create social impact. Given the challenges faced by South Africa regarding inequality, impact investing offers a significant opportunity to create legitimacy. Research revealed that providing evidence of social impact could help businesses navigate the business risk associated with political and social risk. This research:

- Provides a look into how and why businesses should measure their impact and ensure that social impact is driven throughout the life of the business;
- Provides a conceptual framework outlining three key phases within the cycle of an investment, highlighting key impact measurement steps to be taken in each phase as well as who a business should engage with and why;
- Contributes to the literature surrounding Impact Investing and highlights the importance of measuring social impact;
- Contributes to the literature surrounding stakeholder engagement and stresses the importance of engaging with stakeholders throughout the project management cycle;
- Contributes to the literature surrounding Impact Measurement of Impact Investments and shows that while similarities exist between Investees and Intermediaries, an effective impact measurement system must consider these differences; and
- Shows that stakeholders play an important role in helping develop effective impact measurement systems.

Evidence is the best way to show impact, through stakeholder engagement a business can build an impact measurement system necessary to showcase its social impact to society and investors. In the process this will build the business' competitive advantage, establishing it as a preferred recipient of Impact Investment capital.

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APPENDICES

Appendix 1: Informed Consent Letter

Informed consent letter:

I am required to complete a Research Project as part of my Master of Business Administration (MBA) qualification and as such I am conducting research on the social return of impact investing. Our interview is expected to last approximately 1 hour and will help me understand how social returns and the subsequent impact is measured. ***Please note that confidentiality will be maintained, your participation is voluntary and you can withdraw at any time.*** *All data will be stored and reported without identifiers. If you have any concerns, please contact my supervisor whose details are provided below.*

Researcher Name: Darren Harder	*MBA Supervisor: Prof Caren Scheepers*
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Signature of participant: ________________________________

Date: ________________

Signature of researcher: ________________________________

Date: ________________

Appendix 2: Interview Guide

Questionnaire – Company

1. Which groups of people (stakeholders) with interest in the project are taken into consideration?
    a. Who were these groups of people?
    b. Please rank them according to importance with 1 being most important.
    c. At what phase of the project are each group considered? Why?
    d. What is the businesses responsibility to each group?
2. During a project, how does your company manage expectations of the groups listed above?
    a. Board
    b. Investors/shareholders
    c. Company employees
    d. Beneficiaries
3. Do you share findings with any of the above? If so, at what phase of the project cycle?
4. Is monitoring important to your organisation?
    a. During which of the 5 phases should monitoring be undertaken?
5. Is evaluation important to your organisation?
    a. During which phases should evaluation be undertaken?
6. Do you have monitoring and evaluation frameworks for your impact investing projects?
    a. At which phase are they developed/designed?
    b. What is the process for designing/developing your indicators?
7. What is more important, creating economic value, creating social value creating both economic and social value?
    a. Can the two co-exist?
    b. If one of the goals of a project is to create social change, do you know what the situation of your customers/stakeholders was before you initiated your project?
    c. During a project, how do you know if you are creating social value?
    d. What % of your Impact Investing projects achieve social impact?
8. Does evaluation serve a purpose in determining whether a project was, or was not, successful?
    a. On a scale of 1 – 10, how would you rate the social impact of your projects?
    b. On a scale of 1 – 10, how would you rate the economic impact of your projects?
    c. How do/would you measure impact?
    d. Are evaluation findings used to justify ending or expanding projects?
    e. What indicators would you like to see used?
9. How is evaluation information used to strengthen project outcomes?
10. How is evaluation information used to strengthen business competitive advantage?
11. What are the top 5 barriers to implementing Impact Evaluation at your company?
    a. Can you rank them in order of significance, 1 is the biggest barrier to implementing evaluation?

Questionnaire – Evaluation Expert

1. Which groups of people (stakeholders) with interest in the project should be taken into consideration?
    a. Who were these groups of people?
    b. Please rank them according to importance with 1 being most important.
    c. At what phase of the project are each group considered? Why?
    d. What is the businesses responsibility to each group?
2. How can consultation be included in design of a project?
3. During a project, how should a company manage expectations of the groups listed above?
    a. Board
    b. Investors/shareholders
    c. Company employees
    d. Beneficiaries
4. Should monitoring and evaluation findings be shared with any of the above? If so, at what phase of the project cycle?
5. Is monitoring important to Impact Investing organisations?
    a. During which of the 5 phases should monitoring be undertaken?
6. Is evaluation important to Impact Investing organisation?
    a. During which phases should evaluation be undertaken?
7. Should Impact Investing organisations have monitoring and evaluation frameworks for projects?
    a. At which phase should they be developed/designed?
    b. What should the process be for designing/developing indicators?
8. What is more important, creating economic value, creating social value creating both economic and social value?
    a. Can the two co-exist?
    b. If one of the goals of a project is to create social change, do you know what the situation of your customers/stakeholders was before you initiated your project?
    c. During a project, how do you know if you are creating social value?
    d. What % of the projects you have evaluated achieve social impact?
9. For the companies you are involved with, does evaluation serve a purpose in determining whether a project was, or was not, successful?
    a. Of the projects you have evaluated, on a scale of 1 – 10, how would you rate the social impact of the projects?
    b. Of the projects you have evaluated, on a scale of 1 – 10, how would you rate the economic impact of the projects?
    c. How do/would you measure impact?
        i. Is it more than numbers of people served/reached?
        ii. What indicators would you like to see used?
10. In your experience, are evaluation findings used to justify ending or expanding projects?
11. In your experience, how is/can evaluation information used to strengthen project outcomes?
12. In your experience, how is/can evaluation information used to strengthen business competitive advantage?

13. In your experience, what are the top 5 barriers companies face in trying to implement Impact Evaluation?
    a. Can you rank them in order of significance, 1 being the biggest barrier?

Questionnaire – Intermediary

1. What is an example of an Impact Investing project that your company has undertaken or is currently undertaking?
2. When considering investing in a project, which groups of people (stakeholders) with interest in the project do you expect the investee to take into consideration?
    a. Who were these groups of people?
    b. Please rank them according to importance with 1 being most important.
    c. At what phase of the project should each group be considered? Why?
    d. What is the businesses responsibility to each group?
3. During a project, how do you expect the investee to manage expectations of the groups listed above?
    a. Board
    b. Investors/shareholders
    c. Company employees
    d. Beneficiaries
4. Does the investee share findings with any of the above? If so, at what phase of the project cycle?
5. Is monitoring an expectation for the investee?
    a. During which of the 5 phases should monitoring be undertaken?
6. Is evaluation important to your organisation?
    a. Who should undertake the evaluation?
    b. During which phases should evaluation be undertaken?
7. Do monitoring and evaluation frameworks for the impact investing project exist?
    a. At which phase should they be developed/designed?
    b. What should the process be for designing/developing project indicators?
8. What is more important, creating economic value, creating social value creating both economic and social value?
    a. Can the two co-exist?
    b. If one of the goals of a project is to create social change, do you know what the situation of your investees' customers/stakeholders was before you invested in the project?
    c. During a project, how do you know if the investee is creating social value?
    d. What % of your Impact Investing projects achieve social impact?
9. Does evaluation serve a purpose in determining whether a project was, or was not, successful?
    a. On a scale of 1 – 10, how would you rate the social impact of your impact investments?
    b. On a scale of 1 – 10, how would you rate the economic impact of your impact investments?
    c. How do/would you measure impact?
    d. Are evaluation findings used to justify ending or expanding projects?
    e. What indicators would you like to see used?

10. How does the investee use evaluation information to strengthen project outcomes?
11. How does the investee use evaluation information to strengthen business competitive advantage?
12. What are the top 5 barriers to implementing Impact Evaluation in your investments?
    a. Can you rank them in order of significance, 1 is the biggest barrier to implementing evaluation?

Appendix 3: Atlas.ti Codes

	Code	**Code Groups**	○	Conflict - between social and financial goals	Trade Offs RQ3 - Trade-Offs
○	Barrier - Administratively Heavy	Barriers to Evaluation RQ2 - Barriers to Measurement	○	Data Collection - mixed responsibility	Impact Measurement RQ2 - Barriers to Measurement
○	Barrier - Measurement not Requested	Barriers to Evaluation RQ2 - Barriers to Measurement	○	Development - II can make returns	Impact Investing Principles RQ3 - Trade-Offs
○	Barrier - No Incentive to Measure	Barriers to Evaluation RQ2 - Barriers to Measurement	○	Difference between African and Western investors	Impact Investing Principles RQ2 - Barriers to Measurement
○	Barrier - No Value in Measurement	Barriers to Evaluation RQ2 - Barriers to Measurement	○	Difference between evaluation and measurement	Impact Measurement RQ2 - Barriers to Measurement
○	Barrier - Time Consuming	Barriers to Evaluation RQ2 - Barriers to Measurement	○	Evaluation - Based on Business Cycle	Evaluation RQ2 - Barriers to Measurement
○	Barriers - Competence of Consultants	Barriers to Evaluation RQ2 - Barriers to Measurement	○	Evaluation - Based on Fund Cycle	Evaluation RQ2 - Barriers to Measurement
○	Barriers - Lack of Competence	Barriers to Evaluation RQ2 - Barriers to Measurement	○	Evaluation - Build Case Studies	Evaluation RQ2 - Barriers to Measurement
○	Barriers - Measurement Expensive	Barriers to Evaluation RQ2 - Barriers to Measurement	○	Evaluation - Competitive Advantage	Evaluation RQ2 - Barriers to Measurement
○	Baseline - Absent	Baseline RQ2 - Barriers to Measurement	○	Evaluation - Complex	Evaluation RQ2 - Barriers to Measurement
○	Baseline - After Project Began	Baseline RQ2 - Barriers to Measurement	○	Evaluation - Cost	Evaluation RQ2 - Barriers to Measurement
○	Baseline - Before Project Began	Baseline RQ2 - Barriers to Measurement	○	Evaluation - Cost Impacts Quality	Evaluation RQ2 - Barriers to Measurement
○	Baseline - Important for Measurement	Baseline RQ2 - Barriers to Measurement	○	Evaluation - Could be Improved	Evaluation RQ2 - Barriers to Measurement
○	Baseline - Lack of Competence	Baseline RQ2 - Barriers to Measurement	○	Evaluation - Develop new Products	Evaluation RQ2 - Barriers to Measurement

○	Baseline - Project Specific	Baseline RQ2 - Barriers to Measurement	○	Evaluation - developing social impact measures	Impact Measurement RQ2 - Barriers to Measurement
○	Baseline - Public Data Old	Baseline RQ2 - Barriers to Measurement	○	Evaluation - difference between evaluation and impact evaluation	Evaluation RQ2 - Barriers to Measurement
○	Case Study - based on beneficiary	Impact Measurement RQ2 - Barriers to Measurement	○	Evaluation - Different from Development	Evaluation RQ2 - Barriers to Measurement
○	Evaluation - Financial	Evaluation RQ2 - Barriers to Measurement	○	Evaluation - Of Fund	Evaluation RQ1 - Stakeholder Expectations
○	Evaluation - Findings Ignored	Evaluation RQ2 - Barriers to Measurement	○	Evaluation - Project End	Evaluation RQ1 - Stakeholder Expectations
○	Evaluation - Flawed	Evaluation RQ2 - Barriers to Measurement	○	Evaluation - Rare in Southern Africa	Evaluation RQ1 - Stakeholder Expectations
○	Evaluation - Important	Evaluation RQ2 - Barriers to Measurement	○	Evaluation - throughout project	Impact Measurement RQ1 - Stakeholder Expectations
○	Evaluation - Independent	EvaluationRQ2 - Barriers to Measurement	○	Evaluation - Time Consuming	EvaluationRQ2 - Barriers to Measurement
○	Evaluation - Initiated by Fund	Evaluation RQ1 - Stakeholder Expectations	○	Evaluation - Transparency	Evaluation RQ1 - Stakeholder Expectations
○	Evaluation - Initiated by Investee	Evaluation RQ1 - Stakeholder Expectations	○	Evaluation - Trying to Standardise	Evaluation RQ2 - Barriers to Measurement
○	Evaluation - Investee Behaviour Changes	Evaluation RQ1 - Stakeholder Expectations	○	Evaluation - Valuable for Learning	Evaluation RQ2 - Barriers to Measurement
○	Evaluation - Investee Doesn't Need Findings	Evaluation RQ1 - Stakeholder Expectations	○	Evaluation - Verifies TOC	Evaluation RQ2 - Barriers to Measurement
○	Evaluation - Investor Driven	Evaluation RQ1 - Stakeholder Expectations	○	Financial repayment clear	Impact Investing Principles RQ1 - Stakeholder Expectations
○	Evaluation - Lack of Value	Evaluation RQ2 - Barriers to Measurement	○	Financial return - need it to get investors	Impact Investing Principles RQ1 - Stakeholder Expectations
○	Evaluation - Limited Capacity	Evaluation RQ2 - Barriers to Measurement	○	Funding - continues with impact success	Impact Investing Principles RQ2 - Barriers to Measurement

○	Evaluation - Low Quality	Evaluation RQ2 - Barriers to Measurement	○	Funding - institutional investor use fund manager	Impact Investing Principles RQ1 - Stakeholder Expectations
○	Evaluation - Midterm	Evaluation RQ1 - Stakeholder Expectations	○	Funding - number of years	Impact Investing Principles RQ2 - Barriers to Measurement
○	Evaluation - New Concept	Evaluation RQ2 - Barriers to Measurement	○	Geographical focus of II	Impact Investing Principles RQ2 - Barriers to Measurement
○	Evaluation - no impact on financial impact	Evaluation RQ2 - Barriers to Measurement	○	I don’t know how to say this, but headqu	Impact Investing Principles RQ2 - Barriers to Measurement
○	Evaluation - Not Used by Investee	Evaluation RQ2 - Barriers to Measurement	○	II - becoming robust industry	Impact Investing Principles RQ2 - Barriers to Measurement
○	II - complicated	Impact Investing Principles RQ2 - Barriers to Measurement	○	II - risk based on investment timing	Impact Investing Principles RQ2 - Barriers to Measurement
○	II - consider portfolio	Impact Investing Principles RQ2 - Barriers to Measurement	○	II - shortage of opportunity	Impact Investing Principles RQ2 - Barriers to Measurement
○	II - different models for investing	Impact Investing Principles RQ2 - Barriers to Measurement	○	II - strategies change	Impact Investing Principles RQ2 - Barriers to Measurement
○	II - early stage investing is difficult	Impact Investing Principles RQ2 - Barriers to Measurement	○	II - Target Group	Impact Investing Principles RQ1 - Stakeholder Expectations
○	II - finding it is difficult	Impact Investing Principles RQ2 - Barriers to Measurement	○	II - Western investors learned from mistakes	Impact Investing Principles RQ2 - Barriers to Measurement
○	II - identify funding at conceptualisation	Impact Investing Principles RQ1 - Stakeholder Expectations	○	II - whole organisation must align	Impact Investing Principles RQ1 - Stakeholder Expectations
○	II - investors moving towards	Impact Investing Principles RQ1 - Stakeholder Expectations	○	II - young market	Impact Investing Principles RQ2 - Barriers to Measurement
○	II - long term sustainable	Impact Investing Principles RQ2 - Barriers to Measurement	○	Impact - assumed	Social Impact RQ2 - Barriers to Measurement
○	II - marries good practice	Impact Investing PrinciplesRQ2 - Barriers to Measurement	○	Impact - board members demand it	Social ImpactRQ1 - Stakeholder Expectations
○	II - need private funds	Impact Investing Principles RQ2 - Barriers to Measurement	○	Impact - dimensions of	Social Impact RQ2 - Barriers to Measurement

○	II - need solid business principles	Impact Investing Principles RQ2 - Barriers to Measurement	○	Impact - don't know what it should be	Social Impact RQ2 - Barriers to Measurement
○	II - need to understand the investor need	Impact Investing Principles RQ1 - Stakeholder Expectations	○	Impact - driven by fund managers	Social Impact RQ1 - Stakeholder Expectations
○	II - philanthropy and patient capital	Impact Investing Principles RQ2 - Barriers to Measurement	○	Impact - enforcing can be difficult	Social Impact RQ2 - Barriers to Measurement
○	II - PR	Impact Investing Principles RQ2 - Barriers to Measurement	○	Impact - incentivised by government	Social Impact RQ1 - Stakeholder Expectations
○	II - private markets can't afford	Impact Investing Principles RQ2 - Barriers to Measurement	○	Impact - increasing focus on social impact	Social Impact RQ1 - Stakeholder Expectations
○	II - reinvest in same business	Impact Investing Principles RQ2 - Barriers to Measurement	○	Impact - internal impact team	Social Impact RQ2 - Barriers to Measurement
○	II - returns are slow in South Africa	Impact Investing Principles RQ2 - Barriers to Measurement	○	Impact - investors aren't interested	Social Impact RQ2 - Barriers to Measurement
○	Impact - investors demand it	Social Impact RQ1 - Stakeholder Expectations	○	Impact intentional	Social Impact RQ2 - Barriers to Measurement
○	Impact - knowing is important for investors	Social Impact RQ1 - Stakeholder Expectations	○	Impact is measured	Social Impact RQ2 - Barriers to Measurement
○	Impact - lack of clarity creates challenges	Social Impact RQ2 - Barriers to Measurement	○	Impact Measurement - desire and reality don't align	Social Impact RQ2 - Barriers to Measurement
○	Impact - lack of uniformity in organisation	Social Impact RQ2 - Barriers to Measurement	○	Impact Measurement - don't know how to do it	Social Impact RQ2 - Barriers to Measurement
○	Impact - mission drift	Social Impact RQ3 - Trade-Offs	○	Impact Measurement - not measuring impact	Social Impact RQ2 - Barriers to Measurement
○	Impact - must be communicated from start	Social Impact RQ2 - Barriers to Measurement	○	Impact no impact	Social Impact RQ2 - Barriers to Measurement
○	Impact - need to look long-term	Social Impact RQ2 - Barriers to Measurement	○	Impact understand why no impact	Social Impact RQ2 - Barriers to Measurement
○	Impact - not always a good story	Social Impact RQ2 - Barriers to Measurement	○	Indicator - numbers only	Indicators RQ2 - Barriers to Measurement

○	Impact - not happening	Social Impact RQ2 - Barriers to Measurement	○	Indicators - based on investor need	Indicators RQ2 - Barriers to Measurement
○	Impact - organisation vacillates	Social Impact RQ2 - Barriers to Measurement	○	Indicators - based on best practise	Indicators RQ2 - Barriers to Measurement
○	Impact - pressure from investor to show impact	Social Impact RQ1 - Stakeholder Expectations	○	Indicators - connected to intent	Indicators RQ2 - Barriers to Measurement
○	Impact - requires shift in practice	Social Impact RQ2 - Barriers to Measurement	○	Indicators - debate around standardising	Indicators RQ2 - Barriers to Measurement
○	Impact - social not measured	Social ImpactRQ2 - Barriers to Measurement	○	Indicators - designed based on cost of data collection	IndicatorsRQ2 - Barriers to Measurement
○	Impact - subjective	Social Impact RQ2 - Barriers to Measurement	○	Indicators - financial are standard	Indicators RQ1 - Stakeholder Expectations
○	Impact - what does it actually mean	Social Impact RQ2 - Barriers to Measurement	○	Indicators - social worked out with investee	Indicators RQ1 - Stakeholder Expectations
○	Impact each investment is different	Social Impact RQ2 - Barriers to Measurement	○	Indicators - standardise within fund	Indicators RQ1 - Stakeholder Expectations
○	Impact financial most important	Social Impact RQ3 - Trade-Offs	○	Indicators - worked out upfront	Indicators RQ1 - Stakeholder Expectations
○	Integration - challenge bringing old and new systems together	Impact Measurement RQ2 - Barriers to Measurement	○	Measurement - depth of reporting depends on investor	Impact Measurement RQ1 - Stakeholder Expectations RQ2 - Barriers to Measurement
○	Intermediaries - short term focus	Impact Investing Principles RQ2 - Barriers to Measurement	○	Measurement - develop tools in conceptualising phase	Impact Measurement RQ2 - Barriers to Measurement
○	Intervention Design - flaw	Impact Investing Principles RQ2 - Barriers to Measurement	○	Measurement - develop tools in planning phase	Impact Measurement RQ2 - Barriers to Measurement
○	Investee responsibility Access	Impact Investing Principles RQ1 - Stakeholder Expectations	○	Measurement - difficult to stress qualitative info	Impact Measurement RQ2 - Barriers to Measurement
○	Investee responsibility Reporting	Impact Investing Principles RQ1 - Stakeholder Expectations	○	Measurement - establish business first	Impact Measurement RQ2 - Barriers to Measurement

○	Investee responsibility Returns	Impact Investing Principles RQ1 - Stakeholder Expectations	○	Measurement - evidence not collected	Impact Measurement RQ2 - Barriers to Measurement
○	Investing - bought the company	Impact Investing Principles RQ1 - Stakeholder Expectations	○	Measurement - focus is financial	Impact Measurement RQ3 - Trade-Offs
○	Investment - funding cycle	Impact Investing Principles RQ1 - Stakeholder Expectations	○	Measurement - impact	Impact Measurement RQ2 - Barriers to Measurement
○	Investment - money source is important	Impact Investing Principles RQ1 - Stakeholder Expectations	○	Measurement - intended outcomes achieved	Impact Measurement RQ2 - Barriers to Measurement
○	Investment - only one round of funding	Impact Investing Principles RQ1 - Stakeholder Expectations	○	Measurement - investor doesn't demand for full term of funding	Impact Measurement RQ2 - Barriers to Measurement
○	Investor - technical support	Impact Investing Principles RQ1 - Stakeholder Expectations	○	Measurement - investors rework agreements to include impact	Impact Measurement RQ2 - Barriers to Measurement
○	Investor awareness	Impact Investing Principles RQ1 - Stakeholder Expectations	○	Measurement - limited capability	Impact Measurement RQ2 - Barriers to Measurement
○	Investor understanding of investee	Impact Investing Principles RQ1 - Stakeholder Expectations	○	Measurement - many factors to consider	Impact Measurement RQ2 - Barriers to Measurement
○	Learning about measuring social impact	Impact Measurement RQ2 - Barriers to Measurement	○	Measurement - not important at start	Impact Measurement RQ2 - Barriers to Measurement
○	Measurement - capability important	Impact Measurement RQ2 - Barriers to Measurement	○	Measurement - proven track record	Impact Measurement RQ2 - Barriers to Measurement
○	Measurement - counting numbers	Impact Measurement RQ2 - Barriers to Measurement	○	Measurement - qualitative difficult to convey	Impact Measurement RQ2 - Barriers to Measurement
○	Measurement - rely on implementor	Impact MeasurementRQ2 - Barriers to Measurement	○	MER - seen as police	Monitoring Evaluation Reporting FrameworkRQ1 - Stakeholder Expectations
○	Measurement - score is important	Impact Measurement RQ1 - Stakeholder Expectations	○	MER Framework - alignment with investor	Monitoring Evaluation Reporting Framework RQ1 - Stakeholder Expectations

○	Measurement - stories important	Impact Measurement RQ1 - Stakeholder Expectations	○	MER Framework - build jointly	Monitoring Evaluation Reporting Framework RQ1 - Stakeholder Expectations
○	Measurement - support smaller organisations	Impact Measurement RQ1 - Stakeholder Expectations	○	MER Framework - changes over time	Monitoring Evaluation Reporting Framework RQ1 - Stakeholder Expectations
○	Measurement - understand behavioural change	Impact Measurement RQ1 - Stakeholder Expectations	○	MER Framework - creates competitive advantage	Monitoring Evaluation Reporting Framework RQ2 - Barriers to Measurement
○	Measurement - value of depends on investee	Impact Measurement RQ1 - Stakeholder Expectations	○	MER Framework - developed at conception	Monitoring Evaluation Reporting Framework RQ2 - Barriers to Measurement
○	Measurement - Want Qualitative	Impact Measurement RQ1 - Stakeholder Expectations	○	MER Framework - developed at start of loan	Monitoring Evaluation Reporting Framework RQ2 - Barriers to Measurement
○	MER - collect data for investee	Monitoring Evaluation Reporting Framework RQ1 - Stakeholder Expectations	○	MER Framework - development messy	Monitoring Evaluation Reporting Framework RQ2 - Barriers to Measurement
○	MER - Framework development depends on investor	Monitoring Evaluation Reporting Framework RQ1 - Stakeholder Expectations	○	MER Framework - difference btw social and commercial enterprise	Monitoring Evaluation Reporting Framework RQ2 - Barriers to Measurement
○	MER - framework not necessary to begin investment discussion	Monitoring Evaluation Reporting Framework RQ1 - Stakeholder Expectations	○	MER Framework - existence dependent on investee capability	Monitoring Evaluation Reporting Framework RQ2 - Barriers to Measurement
○	MER - Frameworks exist with financial focus	Monitoring Evaluation Reporting Framework RQ3 - Trade-Offs	○	MER Framework - for the fund	Monitoring Evaluation Reporting Framework RQ1 - Stakeholder Expectations
○	MER - identify product gaps	Monitoring Evaluation Reporting Framework	○	MER - investee won't collect data	Monitoring Evaluation Reporting Framework RQ1 - Stakeholder Expectations RQ2 - Barriers to Measurement

○	MER Framework - helps articulate impact	Monitoring Evaluation Reporting Framework RQ2 - Barriers to Measurement	○	Monitoring - trying to set standards	Impact Measurement RQ2 - Barriers to Measurement
○	MER Framework - helps understand impact	Monitoring Evaluation Reporting Framework RQ2 - Barriers to Measurement	○	New Model	New Model RQ2 - Barriers to Measurement
○	MER framework - important for reporting	Monitoring Evaluation Reporting FrameworkRQ2 - Barriers to Measurement	○	Planning - Impact	Impact MeasurementRQ2 - Barriers to Measurement
○	MER Framework - investees have	Monitoring Evaluation Reporting Framework RQ1 - Stakeholder Expectations	○	POPPI Act	Impact Investing Principles RQ2 - Barriers to Measurement
○	MER Framework - lack of capacity	Monitoring Evaluation Reporting Framework RQ2 - Barriers to Measurement	○	Purpose of II	Impact Investing Principles RQ2 - Barriers to Measurement
○	MER Framework - needed to obtain investment	Monitoring Evaluation Reporting Framework RQ2 - Barriers to Measurement	○	Ranking - financial impact high	Ranking of Impact RQ3 - Trade-Offs
○	MER Framework - small organisations don't have	Monitoring Evaluation Reporting Framework RQ2 - Barriers to Measurement	○	Ranking - financial low	Ranking of Impact RQ3 - Trade-Offs
○	Monitoring - continuous	Impact Measurement RQ1 - Stakeholder Expectations	○	Ranking - hit targets	Ranking of Impact RQ3 - Trade-Offs
○	Monitoring - findings used internal	Impact Measurement RQ2 - Barriers to Measurement	○	Ranking - long term financial high	Ranking of Impact RQ3 - Trade-Offs
○	Monitoring - lack of funding	Impact Measurement RQ2 - Barriers to Measurement	○	Ranking - social impact high	Ranking of Impact RQ3 - Trade-Offs
○	Monitoring - social not important now	Impact Measurement RQ2 - Barriers to Measurement	○	Ranking - social impact low	Ranking of Impact RQ3 - Trade-Offs
○	Ranking - social impact middle	Ranking of Impact RQ3 - Trade-Offs	○	Reporting - starts at management phase	Reporting on Project RQ1 - Stakeholder Expectations

○	Reporting - absolutely crucial	Reporting on Project RQ1 - Stakeholder Expectations	○	Reporting - to beneficiary important	Reporting on Project RQ1 - Stakeholder Expectations
○	Reporting - alignment with investor goals	Reporting on Project RQ1 - Stakeholder Expectations	○	Reporting - to employees important	Reporting on Project RQ1 - Stakeholder Expectations
○	Reporting - beneficiaries	Reporting on Project RQ1 - Stakeholder Expectations	○	Reporting - to investor	Reporting on Project RQ1 - Stakeholder Expectations
○	Reporting - beneficiaries lacking	Reporting on Project RQ1 - Stakeholder Expectations	○	Reporting - use internal	Reporting on Project RQ1 - Stakeholder Expectations
○	Reporting - beneficiaries superficial	Reporting on Project RQ1 - Stakeholder Expectations	○	Reporting - use technology	Reporting on Project RQ1 - Stakeholder Expectations
○	Reporting - board	Reporting on Project RQ1 - Stakeholder Expectations	○	Reporting confidentiality	Reporting on Project RQ1 - Stakeholder Expectations
○	Reporting - data misuse	Reporting on Project RQ1 - Stakeholder Expectations	○	Reporting disclosure of how info used	Reporting on Project RQ1 - Stakeholder Expectations
○	Reporting - flaw in system	Reporting on Project RQ1 - Stakeholder Expectations	○	Reporting evidence of achievement	Reporting on Project RQ2 - Barriers to Measurement
○	Reporting - formal to investors	Reporting on Project RQ1 - Stakeholder Expectations	○	Reporting expectations outlined	Reporting on Project RQ1 - Stakeholder Expectations
○	Reporting - frequency	Reporting on ProjectRQ1 - Stakeholder Expectations	○	Reporting frequency Quarterly	Reporting on ProjectRQ1 - Stakeholder Expectations
○	Reporting - informal	Reporting on Project RQ1 - Stakeholder Expectations	○	Reporting template jointly designed	Reporting on Project RQ1 - Stakeholder Expectations
○	Reporting - justifies investment	Reporting on Project RQ2 - Barriers to Measurement	○	Reporting transparency	Reporting on Project RQ1 - Stakeholder Expectations
○	Reporting - local authorities	Reporting on Project RQ1 - Stakeholder Expectations	○	Reporting type of data	Reporting on Project RQ1 - Stakeholder Expectations
○	Reporting - share with all stakeholders	Reporting on Project RQ1 - Stakeholder Expectations	○	Risks - being ignored	Risks of Impact Investing RQ2 - Barriers to Measurement
○	Reporting - social and ethics committee	Reporting on Project RQ1 - Stakeholder Expectations	○	Risks - mitigate by learning from development world	Risks of Impact Investing RQ2 - Barriers to Measurement

○	Reporting - social and financial combined	Reporting on Project RQ1 - Stakeholder Expectations	○	Risks - unintended consequences	Risks of Impact Investing RQ2 - Barriers to Measurement
○	S- broad range	Stakeholders RQ1 - Stakeholder Expectations	○	SE red flags	Stakeholder Engagement RQ1 - Stakeholder Expectations
○	S importance different for each investment	Stakeholders RQ1 - Stakeholder Expectations	○	SE reduces investment risk	Stakeholder Engagement RQ1 - Stakeholder Expectations
○	S ranking	Stakeholders RQ1 - Stakeholder Expectations	○	SE too much distracts from mission	Stakeholder Engagement RQ1 - Stakeholder Expectations
○	S ranking not possible	Stakeholders RQ1 - Stakeholder Expectations	○	Social Impact - presented simplified	Social Impact RQ1 - Stakeholder Expectations
○	S tension between groups	Stakeholders RQ1 - Stakeholder Expectations	○	Stakeholders	Stakeholders RQ1 - Stakeholder Expectations
○	SE - collaboration important	Stakeholder Engagement RQ1 - Stakeholder Expectations	○	Stakeholders - authorities second	Stakeholders RQ1 - Stakeholder Expectations
○	SE - context specific	Stakeholder Engagement RQ1 - Stakeholder Expectations	○	Stakeholders - engage at conceptualisation	Stakeholders RQ1 - Stakeholder Expectations
○	SE - engagement impacts design	Stakeholder Engagement RQ1 - Stakeholder Expectations	○	Stakeholders - farmers most important	Stakeholders RQ1 - Stakeholder Expectations
○	SE - not happening at community level	Stakeholder Engagement RQ1 - Stakeholder Expectations	○	Stakeholders - type	Stakeholders RQ1 - Stakeholder Expectations
○	SE - segmentation	Stakeholder Engagement RQ1 - Stakeholder Expectations	○	Standardise - measurement	Impact Measurement RQ1 - Stakeholder Expectations
○	SE - starts at conceptualisation	Stakeholder Engagement RQ1 - Stakeholder Expectations	○	Sustainable - need financial returns not just social	Impact Investing Principles RQ3 - Trade-Offs
○	SE at every stage	Stakeholder Engagement RQ1 - Stakeholder Expectations	○	Target no expectation	Target RQ2 - Barriers to Measurement
○	SE identifies unexpected challenges	Stakeholder Engagement RQ1 - Stakeholder Expectations	○	Target not forced by Investor	Target RQ2 - Barriers to Measurement
○	SE is necessary	Stakeholder Engagement RQ1 - Stakeholder Expectations	○	Target requested from Investor	Target RQ2 - Barriers to Measurement

○	SE is part of due diligence	Stakeholder EngagementRQ1 - Stakeholder Expectations	○	Target set by investee	TargetRQ2 - Barriers to Measurement
○	SE not mandated	Stakeholder Engagement RQ1 - Stakeholder Expectations	○	Theory of Change	Theory of Change RQ2 - Barriers to Measurement
○	SE overload leads to confusion	Stakeholder Engagement RQ1 - Stakeholder Expectations	○	TOC - defines logic of impact	Theory of Change RQ2 - Barriers to Measurement
○	TOC - developed mid project	Theory of Change RQ2 - Barriers to Measurement	○	Trade Off - social impact not important	Trade Offs RQ3 - Trade-Offs
○	TOC - no capacity to develop	Theory of Change RQ2 - Barriers to Measurement	○	Trade Off - vision is no trade off	Trade Offs RQ3 - Trade-Offs
○	TOC - not developed	Theory of Change RQ2 - Barriers to Measurement	○	Trade off - won't compromise financial return	Trade Offs RQ3 - Trade-Offs
○	TOC - reduce risks	Theory of Change RQ2 - Barriers to Measurement	○	Trade Offs - Africa different	Trade Offs RQ3 - Trade-Offs
○	Trade Off - Above market returns	Trade Offs RQ3 - Trade-Offs	○	Trade offs - balance a fund with financial performers	Trade Offs RQ3 - Trade-Offs
○	Trade Off - achieving no trade off is hard work for investor	Trade Offs RQ3 - Trade-Offs	○	Trade Offs - board conflicted	Trade Offs RQ3 - Trade-Offs
○	Trade Off - based on intent	Trade Offs RQ3 - Trade-Offs	○	Trade Offs - can't excel at both	Trade Offs RQ3 - Trade-Offs
○	Trade Off - both important	Trade Offs RQ3 - Trade-Offs	○	Trade Offs - Change how we consider it	Trade Offs RQ3 - Trade-Offs
○	Trade off - define position on spectrum	Trade Offs RQ3 - Trade-Offs	○	Trade Offs - each investor must decide	Trade Offs RQ3 - Trade-Offs
○	Trade Off - don't compare the two	Trade Offs RQ3 - Trade-Offs	○	Trade Offs - established investors do well	Trade Offs RQ3 - Trade-Offs
○	Trade off - finance most important	Trade Offs RQ3 - Trade-Offs	○	Trade offs - greenwashing	Trade Offs RQ3 - Trade-Offs
○	Trade Off - if you push there will be	Trade Offs RQ3 - Trade-Offs	○	Trade Offs - money can be made	Trade Offs RQ3 - Trade-Offs

○	Trade Off - long term view	Trade Offs RQ3 - Trade-Offs	○	Trade Offs - sector specific	Trade Offs RQ3 - Trade-Offs
○	Trade Off - mission drift	Trade Offs RQ3 - Trade-Offs	○	Trade Offs - Social Impact important	Trade Offs RQ3 - Trade-Offs
○	Trade Off - not a zero-sum game	Trade Offs RQ3 - Trade-Offs	○	Type of Investee	Impact Investing Principles RQ1 - Stakeholder Expectations
○	Trade off - optimise both	Trade Offs RQ3 - Trade-Offs	○	What is measured	Impact Measurement RQ2 - Barriers to Measurement
○	Trade Off - social becoming important	Trade Offs RQ3 - Trade-Offs	○	When they invest in an investee	Impact Investing Principles RQ1 - Stakeholder Expectations

Appendix 4: Ethical Clearance Letter

Gordon Institute of Business Science
University of Pretoria

23 June 2019

Harder Darren

Dear Darren

Please be advised that your application for Ethical Clearance has been approved.

You are therefore allowed to continue collecting your data.

Please note that approval is granted based on the methodology and research instruments provided in the application. If there is any deviation change or addition to the research method or tools, a supplementary application for approval must be obtained

We wish you everything of the best for the rest of the project.

Kind Regards

GIBS MBA Research Ethical Clearance Committee