

Inhabiting parallel universes: the differing worldviews of impact investors and nonprofits and implications for building impact investment markets (SII are from Mars and NPs are from Venus)

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Abstract

Due to a lack of relationships, shared experience and expertise between social impact investors and nonprofits, progress towards developing a commonly agreed and viable approach to achieve and measure social impact has stalled. This is likely to affect the creation of a functioning social impact investment market. Based on the analysis of Australian media coverage of impact investing over a five-year period (2012-2017), the paper first examines the factors behind the growth of impact investing. It then explores the drivers of the separation of the impact investing and nonprofit worlds, including the role of universities. The paper next identifies some of the implications of this relative absence of contact between nonprofit and the impact investing communities. The paper concludes with suggestions about to how to generate greater understanding of each groups' points of view: how to enable valid and reliable measurement of social impact by developing a deeper understanding of non-profits among impact investors, as well as best practice approaches to program evaluation. Fundamentally, the paper argues that the creation of an impact investment market that successfully re-directs private capital to support social outcomes is dependent on a reorientation of impact investor identity and culture.

Introduction

The paper explores various issues that have emerged in relation to a lack of relationships, shared experience and expertise between impact investors and nonprofit communities. Based on an analysis of Australian media coverage of Social Impact Investing (SII) over a five-year period (2012-2017), this paper examines the reasons for the separation of these worlds against the backdrop of neoliberal responses to so-called "wicked problems". This backdrop includes the adoption of a discourse purporting that nonprofits should adopt an entrepreneurial approach in order to attract

private investment and then use these funds to generate both a social and a financial return, in effect to transform the nonprofit into profitable social enterprises. The paper then looks at the role of universities in this process. Next it identifies implications of a relative absence of contact between nonprofit and the SII communities. It concludes with suggestions about how to generate greater understanding of each groups' perspectives, to progress the development of commonly agreed upon and feasible approaches to achieve and measure social impact and, on this basis, create the foundations of a functioning impact investment market.

Parallel Universes

Picture the following scene: somewhere uptown, high net worth investors and consultants gather to talk about how there is money to be made in doing social good, that government grants and philanthropy are yesterday's model, and that impact investing is the way of the future. Meanwhile downtown, at a less salubrious venue, a group of nonprofits discuss how to secure the next round of funding, the complex realities of service delivery and how tricky it is to measure social impact given a lack of evaluation funding, skills or time.

Occasionally social impact investors and nonprofits cross paths. Some nonprofits speak at investor events and, either out of conviction or "tactical mimicry", learn that affirmation of the "do good and do well" is a savvy way "to gain access to important monetary and symbolic resources" (Dey and Teasdale 2016). As Pascal Dey and Simon Teasdale have shown, some nonprofit leaders have learned that the more you espouse the view that government grants and philanthropy are not needed, the more likely you are given a seat at the table with those that have resources, and thus the more likely you are to secure government grants and philanthropy.

University

The separation of these two worlds often begins at university. Social impact investors are typically graduates of business schools. Their interest in SII may have been piqued after completing a social entrepreneurship accelerator/incubator course or even after battling it out in one of the many gladiatorial pitch competitions to win the title of "changemaker". These students are encouraged to "act boldly" to "create social value of some kind" and to pursue the creation of this value by "recognizing and exploiting opportunities", "employing innovation", "tolerating risk" and "declining to accept limitations in available resources" (Peredo and McLean 2006, p. 56). Issues related to ethically inappropriate programs, replication and duplication of programs, or the evidence base that might show what is proposed will do nothing or even do harm, receive little attention.

Meanwhile, many of those that work in the nonprofit sector studied in departments of social work, psychology, health, nonprofit management, sociology or political science. Their courses may have included technical training in areas such as counselling, nursing, volunteer management, program evaluation or fundraising or focussed on the structural causes of inequality and the role of social movements and advocacy in redressing this inequality. These students are more likely to have been exposed to existing evidence for poverty alleviation approaches, or some of the ethical issues related to working with vulnerable populations or other unique challenges encountered in nonprofit management or more broadly the deep systemic barriers to realising social change in the age of neoliberalism and the role of nonprofit institutions in social change, through the promotion of democratic values, and the building of communities and social ties through empowerment and participation (Alexis de Tocqueville (1805–1859) etc etc). In these courses “changemaking” starts to look quite complicated and doing good and being sustainable at the same time is recognised as a major challenge. Perhaps for some of the more left leaning politics and sociology majors, the message that you can do good and do well, essentially make money out of helping the disadvantaged, is a “philanthrocapitalism project” (Jenkins 2011) being promoted by the top 1% who are keen to ensure that they continue to accumulate most of the world’s wealth by convincing all that capitalism is the solution not the problem.

So, while at university, one cohort lives in a land of big aspirational ideas in which “philanthrocapitalists see a world full of big problems that they, and perhaps only they, can and must put right” (Bishop and Green 2009, p.3), the other cohort may become more versed and even preoccupied with the nuts-and bolts and challenges of program implementation. In the ‘silo’ organizational structure of universities, these students may never meet. After graduation these cohorts tend to go their separate ways. The business students enter the corporate world and a few may become social impact investors. Some may gather at impact investment “field configuring events that serve as sites of Hybridization” (Anderson 2018) such as the annual San Francisco-based “Social Capital Markets” (SOCAP) Conference¹ where the mood is decidedly upbeat and talks provide backing for “entrepreneurial value creation” (Dees 2017) that will open up the “diversity of opportunities to stimulate social innovation and effect transformative change” (Nicholls 2010). The

¹ SOCAP founder Jed Emerson describes this conference as “part Davos, part impact investing and part block party that’s turned into a marching band” (Yao 2017) and featured nearly 300 speakers and tickets cost \$1495.

SOCAP ethos is encapsulated by Rosa Lee Harden, the Executive Producer of SOCAP and one of the original founders of the SOCAP conference, who kicked off the SOCAP 2017 Conference saying that:

“As we reconvene for the tenth anniversary of SOCAP, some challenges loom large – like social justice and climate change – that we must face head on. But, the wind in our sails is the progress that has been made, and the many opportunities ahead to engage a broader audience in the conversation around investing in regenerative, equitable, culturally aware solutions” (My Impact Academy 2017).

Down the track these cohorts may cross paths. Sometimes during the structuring of a new impact investing financial vehicle, such as a Social Impact Bond. During the creation of Social Impact Bonds, usually do not deal directly with investors but with the impact investment consulting industry or what are generally referred to as intermediaries. In 2012 the lead author was the National Manager of Research at a large Australian charity. My colleagues and I spent many hours with consultants discussing the set-up of a Social Impact Bond (SIB) to fund a program that aimed at reducing reoffending, modelled on a SIB that ran in Peterborough in eastern England (Ainsworth 2017). Meetings were devoted to discussing financial structures, rates of return, and the development of shelf companies. In this case, those charged with making investment decisions had little or no responsibility to achieve the social impact, or interest in how this was to be achieved. When the following question was raised – “what should we do differently to our existing program to ensure that it would further reduce reoffending?” – the consultant responded, “let the social workers worry about that”. In these conversations, high finance talk had legitimacy while program design and evaluation were deemed almost irrelevant.

In an address to the Impact Investment Summit Asia Pacific, Sydney in November 2017, Australia’s then Treasurer (now Prime Minister) Scott Morrison said, “I was overwhelmed by the good intentions and passion of the people I worked with while I was social services minister. And as Treasurer, I have come across some amazing people in the corporate world with the experience and judgment to make things happen. Put these people together in same room and you can make an impact” (Morrison 2017).

However, we argue these groups are rarely in the same room. Some nonprofit representatives may attend events like SOCAP, but for the most part nonprofit staff attend nonprofit sector events and conferences. The distance between these philanthrocapitalists and end recipients is even greater.

This barrier to building cross-sector relationships is structural and causes a cultural divide. Each groups’ realities are subjective and for each group “our reality — our Universe the way it is and the

way we experience it — might not be the only version of events out there” (Siegel 2016). A parallel universe is a hypothetical self-contained reality co-existing with one's own. Alternate realities are distant, things are subtly, but significantly, different from those in the world that we inhabit. Those communities seem alien. Would you give money from beings from a parallel universe? Would you understand their work? Would respect their views or even trust them?

The point of this paper is not to impugn the integrity or motives of impact investors, or to question the manner in which nonprofits use funds, but rather to explore the implications of investors and nonprofits seemingly inhabiting parallel universes. In order to deliver impact, the creation of a SII market requires mutual understanding, collaboration and co-design between those funding and those funded. But if these two communities continue to inhabit parallel universes achieving such a lofty aim will prove problematic.

We concur with Garry Jenkins:

This Article does not aim to criticize the creation of grantmaking foundations or to impugn the munificence of wealthy corporate executives and business investors, such as Bill Gates, Warren Buffett, and others mentioned herein. To the contrary, I praise the generosity of spirit displayed by all donors willing to share substantial private resources for the public good or to help those in need. Rather, the Article asserts that an idealized model of effectiveness, focused predominantly on applying the business techniques of self-made billionaires in order to determine where and how funds are allocated, is an impoverished model. In doing so, this Article hopes to contribute to a broader conversation about the role and mission of philanthropy and to place the discussion in a broader academic conversation about private ordering and social policy. (Jenkins 2011,p. 757?)

And we hope, through examining the recent evolution to philanthropcatitalism the rise of impact investing, to contribute this conversation too.

Theoretical Framework

Various theories highlight the imbalance of power between philanthropists and nonprofits, and the ways in which philanthropy produces and is underpinned by inequality. Following Bourdieu's (2001) work on class and Gramsci's (1971) work on philanthropic hegemony, critical approaches argue that philanthropy is an instrument that the elite class use to maintain their status and control (Livingstone 2013; Morvaridi 2012). This perspective highlights how philanthropists' economic

capital and symbolic capital mutually reproduce one another. Or in other words, philanthropy is the conversion of wealth into recognition, prestige and reputation, which subsequently allows the philanthropist to obtain greater wealth (Morvaridi 2012). Symbolic capital also affords the philanthropist greater power and influence in their relationship with the recipient (Morvaridi 2012; Ostrander 2007). The discursive potency of private philanthropy has particularly been strengthened in the past twenty years. As Illan Kapoor (2012) shows, the idea that private philanthropy, if unencumbered by red tape and regulation, will yield better and more sustainable results than other social welfare programs, compounds the liberal economic/small government discourse that has enriched today's class of "philanthrocapitalists" and led to never before seen disparities in wealth and political influence. Aaron Hovarth and Walter W. Powell (2016) and Rob Reich (2016, 2014) argue that in the United States there is a shift in ideology and power is occurring in relations between philanthropy and the state. That while there has been a long history of extensive public reliance on private nonprofit groups to conduct publicly agreed-on purposes, this new era is typified by private philanthropy that has little patience for democracy and the political process and instead seeks to set the agenda by determining both the purposes and who carries them out to an unprecedented extent.

With the spread of neoliberalism, anti-welfarism (Hogg and Baines, 2011) and associated attempts to render social space as a field of competition, individual responsibility and self-organization (Dalton & Lyons 2011; Tomlinson and Schwabenland, 2010), the expectations of many funders are increasingly changing. Many of the world's largest and oldest philanthropic foundations are shifting from a purely grant making model to a supposedly more sustainable model that links funds to "investments" that will also deliver a financial return. Governments too, particularly those with substantial commitments to social services' expenditure, are enamoured by the idea that social services can also deliver a financial return. In the aftermath of privatisation and the loss of revenue-generating assets, and beginning with the 'third way' discourse of 'inclusive business', there has been a clear attraction to seeing social services funded by the private sector as a means to relieve pressure on their own budgets (Roper and Cheney, 2005).

The new normative discourse purports that in return for an allocation of resources, nonprofits should "professionalize" by demonstrating a more business-like, entrepreneurial approach to their way of doing things in a way that also delivers a financial return. In sum, funding the alleviation of poverty can nowadays be addressed by carefully targeted social impact investing. The Social Impact Investment Taskforce, established under the G8, is aiming for \$1 trillion in impact investments globally. Beyond the G8 countries, significant work is under way to create social impact investing

markets in Israel, South Africa, Portugal, Mexico, Brazil, India, China, Finland, South Korea and Argentina (Bouri et al 2018). As a search of google media reports shows there is undoubtedly a growing interest in this topic (see Figure 1).

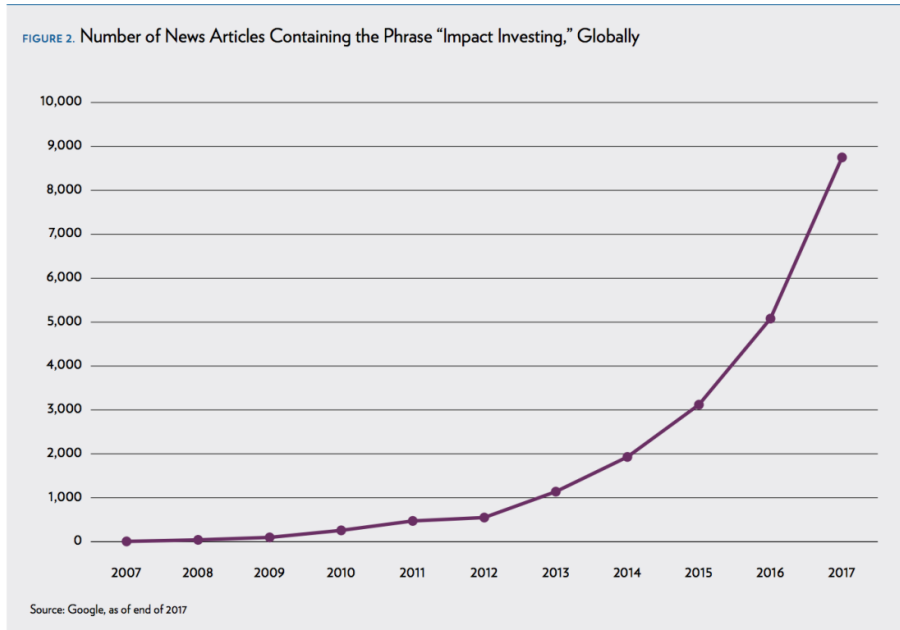


Figure 1: Number of News Articles Containing the word "Impact Investing' Globally

Social Impact Investing: Definitions

SII has been loosely defined as an approach that intentionally seeks to create both financial return and positive social impact and has gone by many names, including double and triple bottom line, mission-related investing, program-related investment, shared value, blended-value, economically targeted investing and social finance and it has driven the emergence of the diverse field of socially responsible investing (Emerson and Bonini 2003; Godeke and Pmares 2009; Monitor Report 2009; Sandberg et al. 2009). SII spans multiple asset classes that include real estate, private equity, infrastructure, public equities and fixed income. Some go so far as to suggest that impact investing is an emerging asset class in itself (O'Donohoe et al. 2010). SII can represent a class of investors that can operate as individuals (e.g. Pierre Omidyar, the founder of eBay), as groups of investors (e.g. The Impact Angel Network) or as institutional, venture capital funds (e.g. Gray Ghost Ventures).

But beyond the promise of delivering social and financial returns, SII remains debated among both academia and practitioners and conceptual clarity remains an issue. Höchstädter & Scheck (2015) argue while there is general agreement that it combines "philanthropic objectives with mainstream financial decision making" (Hochstadter and Scheck, 2015), there are "critical issues that need to be

clarified to advance the field and increase its credibility" and that "peer-reviewed contributions by independent academic researchers are rare" (2-3).

Indeed, it has been argued that "as the momentum of impact investing builds, the field attracts new participants that believe in its potential as a powerful tool for good [...] [however] the lack of a proper taxonomy - or classification - poses a significant risk to the movement, especially given recent growth" (Goldman and Booker, 2015). The absence of a uniform definition, the interchangeable use of alternative terms, and unclear boundaries to related concepts such as socially responsible investment threatens to stall the advance of the field and may contribute to a loss of its credibility.

Does impact have to be intentional and who gets funded, how is impact measured and what magnitude of financial return?

The Overseas Private Investment Corporation (OPIC) – the US government's development finance arm – refers to the intentionality test which is based on three criteria: an explicit intention to create a positive impact before the onset of a programme; social and environmental impacts, and servicing a high-impact sector. It stresses that the investment must have "an explicit and inherent intent at start-up to address environmental or social issues, as well as a business model with a structure dedicated to achieving both impact and financial returns" (OPIC 2016).

In the market for Social Return on Investment, a metric that is supposed to communicate added value to impact investors or public sector service procurers, as well as being a tool for improving organisational performance (Nicholls, J. 2007), there are calls for closer attention to deadweight outcomes that may easily happen without the organisation's activities (Ryan and Lyne 2008). This is mirrored by the analysis of Paul Brest and Kelly Born who claim that a competent impact investor seeks to "produce beneficial social outcomes that would not occur but for his investment in a social enterprise." They proceed to elaborate, in reference to these outcomes, that:

"In international development and carbon markets, this is called *additionality*. With this core concept in mind, we define the practice of impact investing capaciously, as *actively placing capital in enterprises that generate social or environmental goods, services, or ancillary benefits such as creating good jobs, with expected financial returns ranging from the highly concessionary to above market*" (Brest & Born 2013, original emphasis).

Also unclear is the characteristics required of an impact investee, notably whether impact investees can or need to be social sector organisations or required to some kinds of for-profit enterprises that place primacy on the non-financial mission, remains uncertain. Höchstädter & Scheck's research

indicates there may be different worldviews as to whether impact investees should be private, that is, unlisted, organizations and/or need (Höchstädter & Scheck 2015: 464). The views may differ depending on the sector (public, private, non-profit) and/or geographic location of the market actors (Höchstädter, A. K., & Scheck, B. 2015, 461-2). Our starting hypothesis, that investors and nonprofits inhabit parallel universes, indicates that there may be differing views on what kind of organisation constitutes a “deserving” impact investee. It is therefore necessary to examine in more detail whether and what organisational requirements are placed on impact investees and whether different schools of thought indeed exist.

Concerning return on investment, the vast majority of academic and practitioner texts either leave the expected level of financial return undefined (e.g., Clark et al. 2012a; Louche et al. 2012) or specifically state that the financial return can range from below-market-rate to market-rate (e.g., Evenett and Richter 2011) or even above-market-rate returns (e.g., Best and Harji 2013).

Origin stories, early advocates and subsequent growth

Various origin stories have emerged since the 2000s, that highlight the roles of “thought leaders” and “changemakers” and which also lay claim to the coining of key terms. According to Amit Bouri and colleagues (2018), it was pioneer investors in community development, microfinance, and environmental sustainability convening at the Rockefeller Foundation’s Bellagio Center in Italy, in 2007 and 2008, that coined the term ‘impact investing’ with two meanings in mind: “both making investments to create positive impact and impacting the broader practice of investing” (Bouri et al. 2018 p.26).²

In Britain the origins are attributed to the ‘Social Investment Task Force’ (SITF) established in 2001, including “the father of impact investing” Sir Ronald Cohen of Big Society Capital. SITF was set up with a specific direction “to set out how entrepreneurial practices could be applied to obtain higher social and financial returns from social investment” (Ballantyne, 2010). In Australia meanwhile, key luminaries include Michael Traill author of ‘Jumping Ship”, who moved from 15 years at Macquarie Bank to establish Social Ventures Australia (SVA).

² The term impact investing was coined in 2007, when the Rockefeller Foundation invited leaders in finance, philanthropy, and development to its Bellagio Center in Italy to discuss the need for and means of building a global industry striving for investments with a positive social and environmental impact (Harji and Jackson 2012). Harji, K., & Jackson, E. T. (2012). Accelerating impact: Achievements, challenges and what’s next in building the impact investing industry. New York, NY: The Rockefeller Foundation.

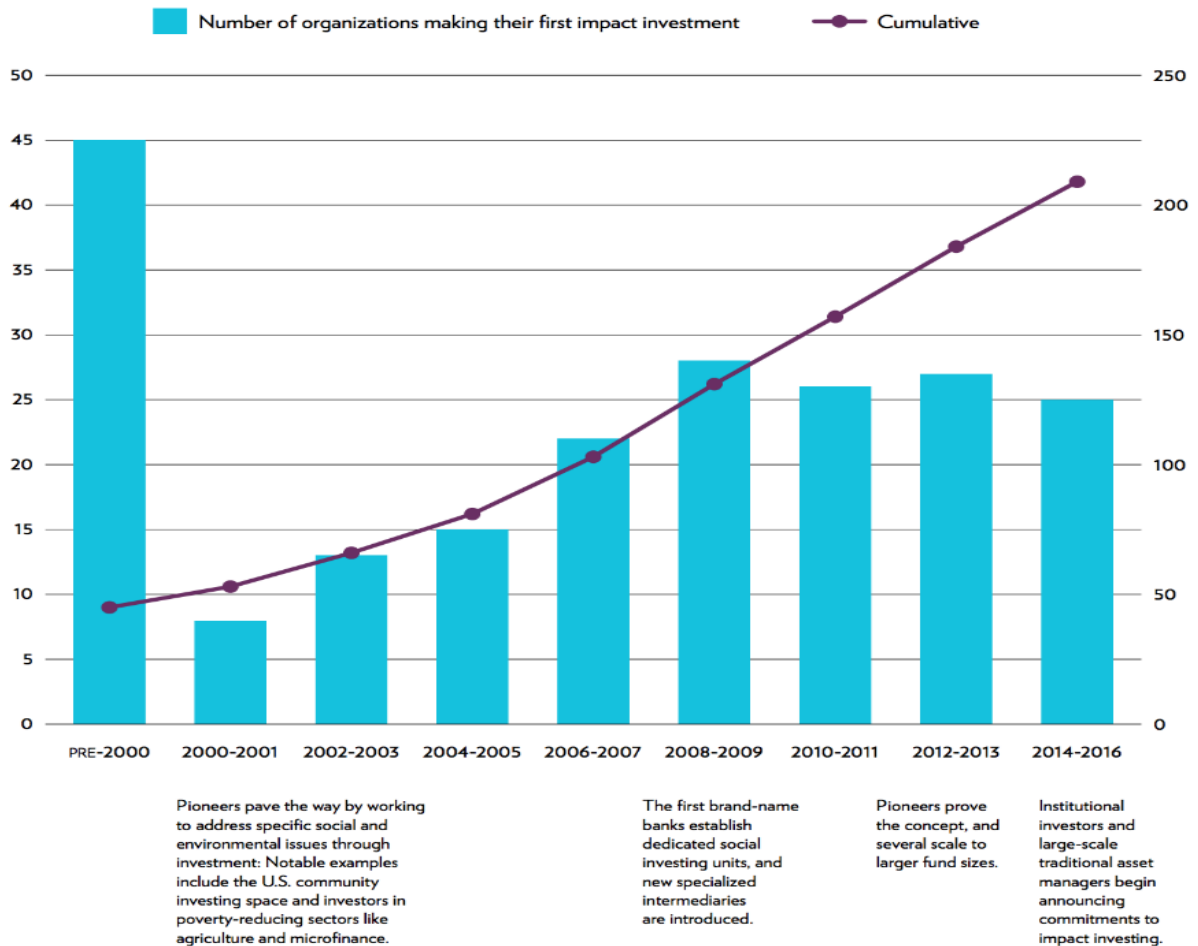
In 2016, the Global Impact Investing Network (GIIN) reported that more than 200 self-identified impact investors made nearly 8,000 investment totalling more than \$22.1 billion and predicted a growth by 20 percent to \$25.9 billion in the following year (Gilbert 2017). Globally, estimates of the potential growth of impact investing vary widely from US\$650 billion (The Calvert Foundation 2012) to \$1 trillion (Freireich and Fulton 2009) to \$14 trillion (O'Donohoe et al. 2010). A growing number of US foundations which are adopting an investment approach to advance their missions. For example, the Rockefeller Foundation has invested nearly \$50 million over the last seven years to build the architecture and infrastructure for impact investing. In the US, most foundations are legally required to use 5 percent of their total endowments for grant making, inviting the question of what they do with the rest of their money and it is in this respect that impact investing has become increasingly

attractive (The Nathan Cummings Foundation, no date). The rapid rate of growth in the impact investing and new entrants into this industry since the early 2000s, is encapsulated in figure 2 below.

Advocates for SII often make the point that this kind of investing is not suitable for funding every type of social outcome. That there is still a place for government and philanthropic grants. But as journalist Larkin Stirling, writing about public policy and the nonprofit sector in Australia, argues:

“Why this matters to both Australian investors and philanthropists is that it remains little or no secret that government will be retreating from the not-for-profit and domestic charitable sectors leading up to 2018-20 and it then becomes the moral imperative of Australian Philanthropy 2.0 to step up” (Stirling 2015).

FIGURE 3. Market Growth: New Entrants



Source: 2017 Annual Impact Investor Survey, GIIN

Figure 2: Market Growth New Entrants

In short, as resources are finite and there is a significant shift in philanthropic and government funds to impact investing, the amount of funds available for government and philanthropic grants to support nonprofits will inevitably diminish. In that context, Logue and Höllerer (2015) argue:

we need to recognise criticisms of such exchange platforms, as well as unintended consequences - for instance, limitations to calculating social returns on investments, "crowding-out" effects and mission drift in the not-for-profit and social enterprise sector (the social economy). We also need to ensure that mobilising private capital does not lead governments to shirk their responsibilities in dealing with those social and environmental problems that will not be addressed through market mechanisms.

Furthermore, as the influence of impact investors grows and that of the government diminishes, impact investors may start to impose limitations on the manner in which funds can be spent. This can undermine an organisations' original mission and result in asymmetric accountability of the recipient of funds towards its donors and beneficiaries, a trend commonly observed among donor dependent organisations (Chelliah, Boersma and Klettner 2015a). CEO of the nonprofit CA Bikes, Christopher Ategeka (2016) argues "Impact investing has been an "emerging sector" for over a decade, backed up by a lot of talk and not much else. It has created this romantic idea of saving the world while also getting a healthy return on the investment, and this rhetoric convinces nonprofits to pull their efforts out of grant writing and into an investing mindset. The more focus is put on investing, the smaller their philanthropy fund grows."

Social Impact Investing in Australia

Research from the Global Impact Investing Network (GIIN) found that Australia makes up only 3 per cent of the global impact investment market (Bouri et al 2018). In the category of SII and community finance, an estimated \$4.1 billion in assets were under management in Australia in 2016 — a 10 per cent increase since 2015 (Responsible Investment Association Australasia, 2018). Although this is slower than the 20% growth rate identified more widely (Gilbert 2017), Impact Investing Australia predicts the sector could reach \$32 billion in Australia by 2022 (Addis, Bowden, Simpson 2014).³

With welfare and health constituting 52 per cent of Australian federal budget in 2018 (Kesper et al 2018; Butcher & Dalton 2014) the Federal Government is especially keen to explore alternative funding sources. The Australian Federal Government's Financial System Inquiry (2014) recommended SII as a viable way to reduce pressure on the budget saying "impact investing has the

³ IMPACT Australia: Investment for social and economic benefit provides a detailed analysis of the current state of impact investment in Australia; its growth potential and possible challenges.

potential to benefit government and taxpayers by reducing costs and improving social policy outcomes.” In the 2018-19 budget, the Australian government committed over \$8 million for two new SII initiatives that would trial payment by outcomes with service providers while supporting the SII sector to better measure its outcomes and impacts. A full \$7 million of this amount will provide targeted support to help “build the SII sector’s capability to measure and demonstrate their non-financial outcomes”. “Payment by outcomes” programs, in particular social impact bonds (a bond-issuing organisation that raises capital from investors based on a contract with government to deliver improved social outcomes) is being touted as a key way to generate future government cost savings (Morrison 2018).

Returning to the issue of who is deemed an eligible impact investee, the selected administrator of this \$7m, named the Australian Government Sector Readiness Fund (SRF), Impact Investing Australia (IIA), has said that “grants of up to \$140,000 will be awarded to eligible for-purpose businesses seeking additional investment to expand their positive contribution to the Australian community.” (IIA 2018). So it is unclear if any SRF funds will end up funding nonprofits.

Accessing capital in Australia

It has to be taken into consideration that setting up social impact bonds or SII funds is complex. There are many issues to consider, such as laws that guide investment decisions, sharing risk and return, corporate governance considerations, and measuring and evaluating outcomes. In Australia another major issue is accessing the required capital.

In Australia, most capital is tied up in pension funds, known as superannuation funds. Australians are required by law to contribute a minimum of 9 per cent of their salaries to their superannuation fund each year constituting \$9 billion a year in inflows. This pool of capital is estimated to be around \$1.6 trillion managed by over 400 super funds with the vast majority being invested in “balanced” investment portfolios - that is, shares, property, hedge funds, private equity, bonds and cash -, although almost 60% of Australian superannuation funds invested in shares. Dick Bryan and Mike Rafferty argue these funds are essentially are highly over-exposed to high risk equities in shares partly due to pressure from a large industry profiting from the substantial fees generated off share market trading of super funds. (2012).⁴

⁴ This is contrary to the advice of many experts. Nobel laureate Paul Samuelson, argues that pension funds should be boring, for example invested in bond markets and interest rate products which tend to be lower risk.

Australian superannuation funds are seen as a "rich hunting ground" for would be social impact investors (Ross Barry, First State Super's Head of Impact Investing, quoted in Shapiro 2017).

According Michael Traill:

There is no reason significant chunks of the massive superannuation pool could not be invested for appropriately risk-weighted impact investments. At scale, if this was recognised as a mainstream "iterative" investment with a weighting of, say, 2% of total funds under management, it would liberate \$40bn for investment opportunities *that could change the country* (Traill 2016).

Claims that the sector is growing exponentially in Australia might be optimistic. Superannuation funds have a fiduciary duty - the so-called "sole purpose test" – to maximise return for their members. Currently there is a lack of impact investment products and the assets available to investors may not be considered meet this standard and the financial risk-reward relationship of SII is likely to be unsuitable for investments by many super fund managers as it compromises their fiduciary duty. According to Tim Macready, chief investment officer at the \$850 million Christian Super:

While there are sectors in the impact investing field that are willing to sacrifice returns for impact, a super fund cannot ... We have a mandate from our members to put as many good things in the portfolio as we can, but we don't feel that mandate – either from our members' perspective or from a regulatory perspective – enables us to accept risk-adjusted rates of return that are less than what we would look for in other asset classes (Dunn 2014a).

There are also barriers regarding impact investing from Australian Private Ancillary Funds (APFs). APFs cannot distribute in non-Australian dollar currencies, and thus cannot fund causes which require US dollar or euro funding. Australia's Financial System Inquiry lead by former CEO Australia's largest Bank, the Commonwealth Bank of Australia and current Chair of AMP, David Murray has called for the Australian Prudential Regulation Authority to provide clearer guidance on the appropriateness of impact investment for superannuation trustees suggests and to reforming the law to classify the founder of a private ancillary funds as a "sophisticated" or "professional" investor, where the founder of the fund meets those definitions (Eyes 2014).⁵

⁵ The FSI was set up to establish a direction for the future of Australia's financial system. The Inquiry will lay out a 'blueprint' for the financial system over the next decade. <http://fsi.gov.au/>

In its Principles for Social Impact Investing, the Australian Government acknowledges “that as a new approach, adjustments may be needed [...] with the aim of ensuring that the market can become sustainable into the future” (The Australian Government - The Treasury 2018.). It remains to be seen whether the growth of the SII sector in Australia requires a separate regulator, similar to the establishment of the Australian Charities and Not-for-Profits Commission in 2012, meant to relieve the Australian Securities and Investments Commission (Chelliah, Boersma and Klettner 2015).

Examples of Social Impact Investments in Australia: Do they meet the description?

According to Mahlab (2016), with the setting up of catalyst organisations like Impact Investing Australia, the Impact Investment Group, the Blue River Group, Social Enterprise Finance Australia and National Australia Bank' social innovation fund, which are “are only a part of the rapidly growing ecosystem around Impact investing” the impact investing movement in Australia is quickly gaining strength. Through the Social Enterprise Development and Investment Fund (SEDIF) the Australian government has provided one-off grants totalling \$20 million which together with matching private sector investment have seeded the establishment of three SII funds: – Foresters Community Finance (Foresters); – Social Enterprise Finance Australia (SEFA); and – Social Ventures Australia Impact Fund.

This government activity follows on the heels of the Productivity Commission report released in early 2010 on “Contribution of the Not-for-Profit Sector” and the November 2011 report “Investing for good: the development of a capital market for the not-for-profit sector in Australia” by the Senate Economics References Committee. Both reports recommended the development of a market to increase access to capital for the not-for profit sector in Australia.

Success Story?

The most often cited example in Australia is the rescue and takeover of ABC childcare centres by Social Ventures Australia, which created the “Goodstart” group non-profit syndicate, and is often cited as proof that SII can work at scale (Hurst 2013, Dunn 2014a). James Dunn (2014a) writes that the GoodStart Early Learning Syndicate, which was set up in 2008–9, is “one of the earliest examples of social impact investing in Australia” that was formed from the pooled resources of four not-for-profit organisations – the Benevolent Society, Social Ventures Australia, Mission Australia and the Brotherhood of St Laurence – which “set out to raise capital to buy 678 of ABC Learning's viable child-care centres, to ensure they stayed open.”

To get the fund running, as James Dunn (2014a) sets out in extensive detail, the three syndicate members with sufficient balance sheets –Benevolent Society, Mission Australia and Brotherhood of St Laurence – invested \$2.5 million, while all four members invested \$2.5 million non-cash each

(paid for through advisory services). The National Australia Bank provided \$120 million, accepting a slightly lower interest rate than market, while the Federal Government provided a \$15 million loan allowing most of the principal debt to be repaid in later years, on the basis that the transaction was in the public interest. Meanwhile, “the syndicate approached more than 150 high-net-worth individuals, philanthropists and foundations to invest in social capital notes: 41 such “social investors” invested a total of \$22.5 million in unsecured social capital notes” (Dunn 2014a).

According to one of the architects behind the Goodstart deal, founder of Social Ventures Australia Michael Traill, the fund has since delivered a 12% return to investors and also making investments in improved care and social purpose programs, in the bottom 30% of Australian postcodes by socio-economic indicators (Traill 2016). According to Dunn GoodStart can be “recognised as being by a wide margin the largest social enterprise in Australia.” Then the question that surely must be asked is *does Goodstart also achieve social outcomes?*

In 2017 GoodStart collected \$475 million in fees from parents plus \$429 million from government subsidies, equivalent to a \$19 million net surplus.⁶ In 2016 the nine senior executives of Goodstart Early Learning – which employs 13,000 staff – were reported to have earned \$3 million – averaging \$333,000 each (Bita 2017). The vast majority of Australia’s 80,000 childcare workers can earn as little as \$20 an hour – barely more than the minimum wage – and are currently fighting for a 35 per cent salary increase. Goodstart centres in the Northern Territory have also breached laws that stipulate minimum staff to child ratios (Poulsen 2015).⁷ On the plus side, Goodstart runs so-called Echo

⁶ The Australian childcare sector is heavily reliant on government subsidies to support parents’ access to affordable childcare. Childcare centres have been a popular asset class for property investors because they offer stable long-term leases, with lease payments partially underwritten by the taxpayer. The largest childcare providers (Goodstart, [G8 Education](#), Affinity Education, KU Children’s Services and Guardian Early Learning) were estimated to have received more than \$500 million worth of subsidies in 2011-12. The federal government has offered childcare subsidies for several decades, but the design and policy objective has evolved over time. In July 2018, the government introduced the Child Care Subsidy, a new funding system that provides more generous fee assistance for some families, but is subject to stricter means testing. Childcare subsidies are expected to reach an annual cost to the federal budget of \$9.5 billion within the next four years.

⁷ In Australia impact investing and social impact bonds (SIBs) are regularly conflated. For example, the Australian Financial Review wrote that: “Impact investing, or social impact bonds, provide a way for private investors put up the money to fund social projects that can’t immediately be funded by the government. Investors share in the savings the government makes through efficiencies in providing services” (Roddan 2015). Social benefit bonds, also referred to as social impact bonds or pay-for-success bonds, are a form of outcomes-based contract in which public sector commissioners commit to pay for significant improvement in social outcomes for a defined population. A social benefit bond seeks to provide funding from private investors for preventive and early intervention programs through the design, implementation and funding of programs that, if successful, produce measureable positive outcomes that result in improved spending and costs savings for government. Government pays only for programs that successfully deliver targeted social outcomes. The NSW government has backed two SIBs, a \$7 billion bond raised for UnitingCare Burnside in 2011 to support foster care programs and a \$10 billion bond for the Benevolent Society to prevent family breakdowns. Additional social bonds are being considered by the NSW government. However, in the SIB space results have

centres, which are based in lower socioeconomic areas and overall Goodstart centres rank highly in the National Quality Framework (GoodStart 2018). Goodstart does achieve social outcomes but arguably so do most nonprofit-owned child care centres. The question remains, however, if this qualifies them to be considered a social enterprise or whether impact investors are singling this particular child centre provider to fit the social enterprise narrative rather than Goodstart having unique social enterprise characteristics when compared with other operators in the sector. It becomes a social enterprise because impact investors have invested in it not because of its own attributes. It is a kind of circular self-fulfilling logic, if impact investors invest in an organisation then the organisation becomes a social enterprise.

Methodology

The methods used in this paper are based on the examination of media texts related to SII. Before examining this media coverage, it is useful to elaborate on some of the subtle techniques and effects that can appear in the media that can collectively build a dominant meta-narrative around a topic. In particular, it is useful to review the literature on the process and impact of 'framing' and the selective use of certain metaphors in media reporting, which can influence public opinion. It is from discourse in the media that the wider public picks up vital cues about how their individual interests and the groups they are concerned with might be affected, and what their interest might be. In this way, the news media have the capacity to significantly influence and shape views and understandings. The power inherent in constructing realities is something Bourdieu (1998: 21) terms a 'power to mobilize'. In this, he is referring to the efficacy of the media-constructed frames to manufacture a unified public voice, echoing the ideas of Herman and Chomsky's (1988) concepts of 'manufacturing consent'.

Media analysis involved conducting thematic analysis and developing coding categories to identify the types of language used to describe Impact Investing, and in particular the types of metaphorical

been patchy. A new housing redevelopment based on a partnership between Australian company Lend Lease and the Labour-controlled Southwark council proved highly controversial in the United Kingdom, when the multi-billion-dollar redevelopment of the old Heygate Estate led to protests and so far this arrangement has delivered less affordable housing than was previously available on the site (Cannane 2017). While this model, funded on the basis of SIBs was being touted heavily by then Treasurer Scott Morrison, former NSW State Premier Kristina Keneally (2017) questions how it would be saving any money in the provision of public housing at all, given that public housing is increasingly occupied by older tenants who, with only a government pension as an income, would be unlikely to be able to move out of public housing which moreover comprises less than 5% of all housing stock in Australia.

language used when reporting, to inform my concluding discussion on the implications of current media reporting for SII and nonprofit relations. Analysis of the media sample involved thematic analysis as explicated by Braun and Clarke (2006) to identify the primary themes in language. A theme is defined as that which “captures something important about the data in relation to the research question and represents some level of patterned response or meaning within the data set” (Braun and Clarke 2006, p. 82). This inductive open coding procedure was also used by Höchstädter & Scheck (2015) and Mair et al. (2012) was employed to identify recurring themes in impact investing definitions in practitioner reports, compiled by one organization, the GIIN, and they call for “future research could thus replicate our work using a different set of articles and reports and/or enrich it with primary research in the form of interviews or surveys.”⁸

Analysis of Australian media coverage of Impact Investing: Speaking a different language

SII has become a hot topic in the Australian media. Figure 3 shows the frequency with which Impact invest* has appeared in 474 Australian media articles, that appeared over the period January 1 2008 to December 2017 (available through Factiva).

⁸ Höchstädter & Scheck (2015) actually call for this type of research, “ the scope of the academic literature on the topic is still very limited, we mainly based our analysis on practitioner reports, compiled by one organization, the GIIN. While this organization constitutes the largest and most influential platform in the field of impact investing at the moment, to consult it as the main source for our review certainly constitutes selection bias. Future research could thus replicate our work using a different set of articles and reports and/or enrich it with primary research in the form of interviews or surveys.” 462

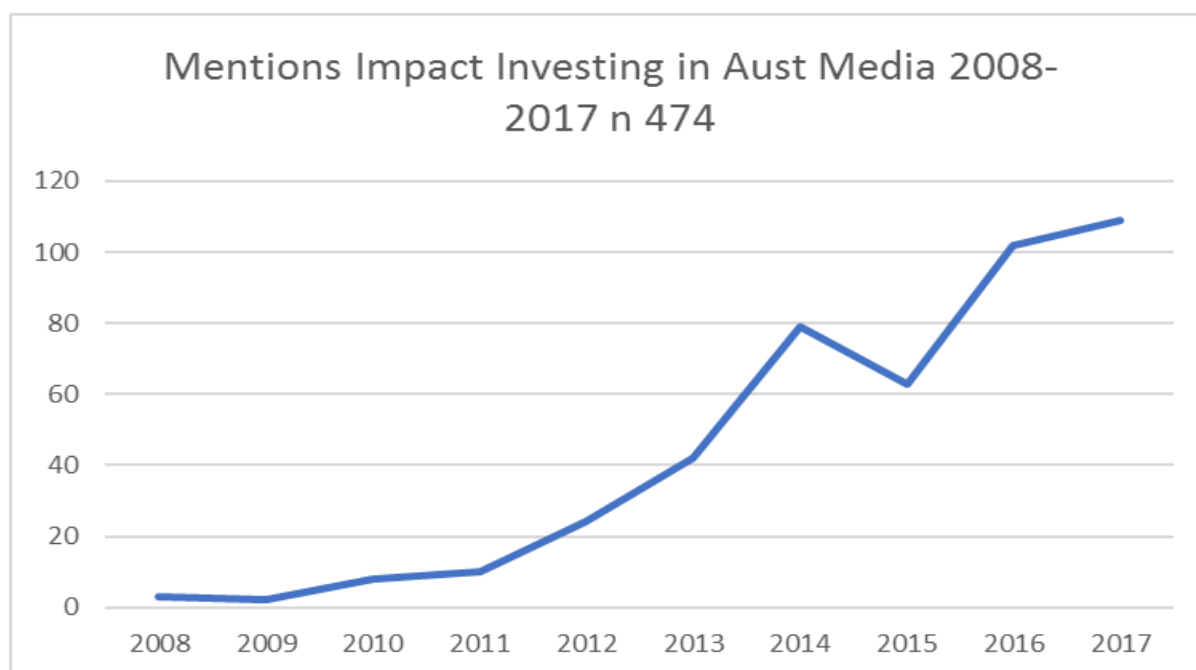


Figure 3: Number of **News Articles Containing the Phrase “Impact Investing” in Australia**

The headlines that appear in the Australian reportage on impact investing are decidedly upbeat highlighting its potential to realise positive outcomes.

Table 2: Headlines sorted by relevance

Good all round: impact investing strikes a balance (<i>The Sydney Morning Herald</i> , 16/11/2014)
Social impact bonds make their mark (<i>Business Spectator</i> , 22/2/2016)
Social impact bond market grows (<i>The Australian Financial Review</i> , 8/9/2015)
Portfolios that push for change (<i>The Australian Financial Review</i> , 19/11/2014)
Impact investing: grabbing a piece of the \$650 billion market (<i>The Conversation</i> , 3/4/2014)
Surdna Foundation Launches \$100 Million Impact Investing Drive (<i>The Wall Street Journal</i> , 28/3/2017)
Govt to explore impact investing (<i>Business Spectator</i> , 20/10/2015)
Impact investing is way to go (<i>The Australian</i> , 15/3/2016)
Value beyond the warm and fuzzies (<i>The Australian Financial Review</i> , 19/11/2014)
It's time for the super fund industry to be used to change disadvantaged lives (<i>The Guardian</i> , 10/3/2016)
Budget boost for social impact investing (<i>The Australian</i> , 30/5/2017)
Good returns from new sector (<i>The Australian Financial Review</i> , 30/09/2014)
Farming funding has right impact (<i>The Australian</i> , 25/6/2018)
Social impact investing 'promising' — but beware the risks (<i>The Mandarin</i> , 16/5/2018)
Social impact investment can help retirees get the housing and care they need (<i>The Conversation</i> , 18/4/2017)
Impact investing support urged (<i>Business Spectator</i> , 15/3/2016)
Ethical investing (<i>The Australian</i> , 15/6/2018)
Impact investing to pack more punch (<i>The Australian Financial Review</i> , 16/9/2017)
Unclaimed cash may fund social bonds (<i>The Australian Financial Review</i> , 29/10/2014)
Social Impact Investing has untapped potential for housing and homelessness in Australia (ForeignAffairs.co.nz, 15/5/2018)
State alone won't solve the rich, poor gap (<i>The Australian Financial Review</i> , 19/11/2014)
Investing to make a difference (<i>The Australian Financial Review</i> , 20/11/2017)
Social impact investing discussion paper released (Foreign Affairs.co.nz, 27/1/2017)

What is the impact of 'impact investing'? (The Conversation, 20/11/2017)
Making a meaningful impact (Business Times Singapore, 21/11/2014)
Are we chasing numbers or actual results? (The Australian Financial Review, 30/9/2014)
Investment with a positive vibe (Business Spectator, 17/9/2015)
Investing in social enterprise can drive social change and deliver returns (The Guardian, 27/10/2016)
Invest with conscience (The Age, 23/10/2013)
Philanthropy Meets Parliament Summit (ForeignAffairs.co.nz, 11/9/2017)
Treasurer backs social services drive (The Australian Financial Review, 20/9/2017)
Developing Australia' Social Impact Investing market (ForeignAffairs.co.nz, 8/8/2017)
Socially responsible investing demands rigour, says adviser (The Australian Financial Review, 30/10/2014)
Impact investing driving change (The Australian Financial Review, 27/10/2016)
Support a worthy cause (and make some money) (The Australian, 7/3/2017)
Capitalists who care (The Australian, 4/11/2009)
Responsible investing is no longer simply niche (The Australian, 12/12/2017)
Sustainable investing does not mean waving goodbye to profit (The Daily Telegraph, 10/2/2018)
Building a market with many returns (The Guardian, 19/4/2016)
Social impact bond delivers results (Business Spectator, 8/12/2015)
Innovation lessons to be learnt (The Age, 24/11/2015)

As the headlines above suggest, there is a lot of hype and buzz around SII and its capacity to leverage *massive capital*, generate new markets, push for change, deliver tangible results, go mainstream and become akin to some form of artificial intelligence or marvel of ingenuity that learns from and corrects its own mistakes.

Common themes

The reporting on SII is overwhelmingly made up of opinion pieces and commentary as opposed to the factual reporting of specific developments. Table 3 shows the frequency of different descriptors of SII in this type of media.

Table 3: Descriptors of Social Impact Investing by frequency

New (adj. only)	201
opportunity/opportunities	123
innovation/ innovative	64
entrepreneurs/ entrepreneurship	54
future	51
generation (new generation, generation of new investors)	35
emerging	33
movement (used as a noun only eg social movement)	17
practical	18
transform*	15
Smart*	11
passionate	8
paradigm shift	7
game changer	5

SII is routinely portrayed as new, innovative, transformative, game-changing, the way of the future and part of unstoppable movement “the movement is gaining momentum” that will “transform our capacity to tackle social issues and build a prosperous future” (Shergold 2016). As Paul O'Connor, J.P. Morgan executive director of global risk assessment (quoted in Durkin 2016) puts it, “a paradigm shift is under way” (this description is also a feature of the academic literature eg "emerging paradigm shift" eg Bell, 2013.)

Overarching themes are akin to neophilia: “new market”, “new corporate forms”, “new legal structures”, “a new concept”, “new revenue opportunities”, “new asset class”, “new ways to integrate public and private purpose” and “new ways of operating.” Another theme is youth: driven by a new generation of entrepreneurs, a “newer generation is beginning to question why they can’t have their cake and eat it too” (Durkin 2016); these are “entrepreneurs who are so committed and passionate about what they are doing that it’s inspiring”. As Rosemary Addis (2014) – Australia's representative on the Taskforce and Chair of the Australian Advisory Board and Impact Investing Australia – writes in an opinion piece, in the face of obstacles that get in the way of taking “meaningful progress in tackling social problems” to a large scale, “there is a revolution under way with potential to change all that: impact investing”. She continues:

“Australia is at the vanguard of efforts to catalyse a global market for investments that have the potential to create real benefits for society... This is not a simple redirection of responsibilities and capital. It is an opportunity to transform our approach to social issues, and open up new avenues for innovation that grow economic as well as social value” (Addis 2014).

Measuring outcomes

Another major theme was the need to measure outcomes. Table 4 shows the frequency to reference to the need to measure social impact.

Table 4: Frequency of reference to outcomes and measurement

returns – social and financial	350
Outcomes (as in social outcomes)	131
measure/s/ing/ment/able	114
Scale*(as in scaling up, scalable opportunities etc)	73
data	53
results (spec referring to SII results)	45
evaluation	10
Monitoring	3
theory of change	0
logframe/ logic model / program logic	0

As the sample reflects, the enthusiasm, bordering on infatuation, for impact investing practices, has led to an increasing focus on social impact measurement (SIM, Emerson, 2003). The terms above or a combination thereof, for instance, *“impact performance measurement standards”* appeared in most of the articles in the sample. Many acknowledge that more capacity needs to be built to improve social impact measurement. For example:

“An impact rating should become a defining feature of any investment’ (Vineet Rai, Founder of Aavishkaar Intellectap Group, quoted in Bouri et al. 2018, 54);

“...investors want to see more evidence-based data and benchmarks that provide a clear measurement of potential impact” (Brad Potter, Director of the Asia Pacific Social Impact Centre at the University of Melbourne, quoted in Dias 2016);

“...we need enabling infrastructure, such as common metrics and set some industry standards for social measurement.”

“The industry needs to focus on enhancing the standardization and rigor of impact measurement practice, so that investors can be significantly more effective in driving toward impact goals.”

Others shared the view that significant progress has already been made on this front. For instance, Social Impact Hub founder Jessica Roth explained that:

“We need investment capital to mobilise behind the SDGs to help achieve them. It is very pleasing to see many impact investors around the world now reporting on their progress against the SDGs – they have become a common language” (quoted in Luke Michael, Impact Investing Key to SDGs, PROBono Australia, 8 Oct 2018).

We need intermediaries

The coverage was also analysed to identify the most frequently mentioned organisational forms associated with SII. Table 5 below shows the frequency of references to different types of organisations.

Table 5: Frequency of reference to different market types and organisational forms

Social impact bonds/ Social Benefit Bonds (or variants)	154
Philanthrop/y/ists/ Philanthropy 2.0 foundation/s (noun only)	135
Nonprofits/ non-profits/Not-for-profits	97
30/12/23	65

Social enterprise	58
Charity/ies/able	35
Micro-finance (micro-loan, micro-credit)	33
intermediaries	21
B Corporations (Benefit Corp*; BCorp*; B-Corp*)	14
Non-govt/NGO	8
community sector	9
hybrids	3

Also noticeable is the almost ubiquitous citation in this media, of a group of well-known advocates that espouse the value of the SII. In particular they feature quotes from specialist private-sector finance intermediaries that are active in the impact investment/consultancy space including Positive Solutions, Small Giants, The Difference Incubator, Social Ventures Australia, Criterion Institute, Social Outcomes and Blue River that in turn are often lead by former fund managers from Allen & Overy, Macquarie Bank, UBS, Credit Suisse, JBWere, Blackrock, Goldman Sachs, Duetche Bank, Merrill Lynch and JP Morgan. There are multiple quotes calling for intermediaries “to create an enabling environment for social impact investment” (Morrison 2017). This sentiment is echoed in The World Economic Forum report points to the urgent need for these types of intermediaries to connect supply with demand.

Another feature of the coverage of SII is the how nonprofits (or not-for-profits) are described. When they were mentioned it was often in terms that they were yesterday’s model... “Not-for-profit experience is being complemented by new ways of operating.” (Shergold 2016) There is an absence of references to nonprofits in much of the grey literature. For example, in the 84 page “*Roadmap for the Future of Impact Investing: Reshaping Financial Markets*”, published by the Global Impact Investing Network (GIIN) and developed “with inputs from more than 350 individuals operating in the impact investing ecosystem around the world” (GIIN 2018) the word nonprofit/not-for-profit did not appear once in the report. Instead many new terms are used for example “Social economy organisations”, “for-purpose organisations”, “social purpose organisations” et cetera (Charlton et al 2014).

Business language: Appetite for a game-changer and business principles are the way forward

Table 6 below shows the frequency of references to language usually associated with for-profit business.

Table 6 Business Language

venture	61
fund	45
capital	50
Performance	42
Standards	27
return on investment (ROI) Social return on investment (SROI)	17
Benchmarks	16

The rhetoric of philanthrocapitalism emphasizes a complete remaking of philanthropic giving in the image of business, in part by appropriating business management values (e.g., data focused, results based, etc.). There is a prevalence of a neo-liberal narrative: “trying to give a hand-up instead of a handout” (Moran 2015). In his essay titled *In Other Words: A Plea for Plain Speaking in Foundations*, Tony Proscio laments the uncritical importation into philanthropy of words and concepts from other disciplines. “All these buzz-words,” Proscio writes, “return-on-investment, modeling, constraints, resources, targeting, accountability—are the borrowed cant of other fields: finance and economics, mostly, but also other social sciences, management theory, even ... military strategy. Each word carries so much professional freight that the reader ends up exhausted from hauling the load.” Proscio, 2000. P. 10.

As titles such as “Paying the Piper: There Has to Be a Better Way” by Cathy Hunt (Currency House) suggest, there is huge appetite for new ways to approach problems. The following quotes from articles show clear frustration with old ways of dealing with social problems through government grants and private donations, and that there is strong appetite for a “game changer”.

“... addressing the scale and complexity of issues facing society exceeds the resources available to government. Increased revenues will not guarantee that we can respond effectively to the manifold social challenges that face us.” (Shergold 2016);

“The problems we are working on – like the climate crisis and growing inequality – will not be solved by grant-making alone.” (The Nathan Cummings Foundation: <http://www.nathancummings.org/ncf-commits-100-percent>);

The growth of impact investing “highlights a growing recognition by trusts and foundations of the greater impact that can be achieved when they go beyond grant-making to harness their endowment, which is typically much larger.” (Wendy Williams, *Mission Alignment Marks Next Frontier of Endowment Investing*, *ProBono Australia*, 4 Apr 2018);

"A larger and more robust impact investing market will realise savings and benefits to the community and governments at every level. It will result in increased capital flow to the community sector, enable government to fund preventative social services with greater efficacy and improve innovation, data collection and reporting." Ian Learmonth quoted in Jame Evers, Murray inquiry calls for social investment, *The Australian Financial Review*, 11 Dec 2014).

Jose Sanders and Henriëtte Prast (2018) point out *this business language is also gendered*. The language used to describe investing in the stock market is skewed towards masculinity. It is full of metaphors that come from domains traditionally associated with, occupied by, or deemed appropriate for men.

Examples are "beating" the market (war, combat, physical fight), "level playing field" (soccer), and "building" your portfolio (construction). This is the case for different languages and for both websites targeting beginning retail investors and stock market reporting in national and financial newspapers. (Sanders and Prast 2018) .

Discussion

As the analysis of media articles suggest, a variety of assumptions are discernible in the SII narrative that can lead to over-hyping of this field and to the creation of undue expectations. The two we focus on here are:

- No trade-offs
- That impact data is available and comparable

The implications include:

- a tendency among investors to ignore trade-offs between social and economic outcomes;
- the emergence of significant asymmetry of information;
- a lack of focus on the program design and delivery;
- legitimization of the language of impact investing and related pressures that work to re-shape the identity of the nonprofit sector;
- a reduced focus on the structural causes of poverty/disadvantage;
- a reduced input of nonprofits into creating reliable social impact valuation architecture.

An underlying assumption common in SII narratives is that there need not be a trade-off between financial and social outcomes. This has been most widely embodied in narratives of sustainability

that project the management of a double or a triple bottom line. Geoff Gourley, Global Social Entrepreneur and Founder of Impact Investment Fund says: *“the fund’ mantra is “profit for purpose” and the fund will aim to deliver “excellent” financial returns at the same time as promoting positive social and environmental values”* (quoted in Thieberger 2015). This assumption can lead to overselling or over-promising that lots of good and deep impact can occur without real risk or cost.

Impact measurement not common practice

The development of public management reforms in the last decades, largely influenced by the new public management paradigm (NPM, Hood, 1991), has driven a growing attention on policy or programme evaluation (PE, Dunn and Miller, 2007; Lapsley, 2009). In its quest for introducing management apparatuses inspired from the private sector into public administration, the NPM paradigm argues that evaluation provides the information policy makers need to make better-informed choices, (Dunn and Miller, 2007; Lapsley, 2009). But there is an assumption that there is, or soon will be, a reliable way of measuring and comparing social impact to allow for the development of a functioning impact investment market. It is claimed that “Market infrastructure is emerging to support the growth of impact investing globally. Examples include the creation of measurement and rating systems, and platforms to connect supply and demand such as social stock exchanges. These online platforms educate enterprises, standardise impact measurements and list investment opportunities for potential (and often accredited) impact investors.” (Logue 2017)

However, there is often a failure in these platforms to distinguish between outputs and outcomes, which are the fundamental features of a credible program or project evaluation. Brest and Born (2013) argue that:

The Impact Reporting and Investment Standards (IRIS) and Global Impact Investment Rating System (GIIRS) provide standardized metrics for assessing some common output criteria. But these focus more on an enterprise’s operations than on its products. With rare exceptions—most notably, the field of microfinance—there have been few efforts to evaluate the actual outcomes of market based social enterprises. The absence of data and analysis makes it difficult for impact investors to assess the social impact of the enterprises they invest in. (p.?)

Past scrutiny of a range of Social Return on Investment reports revealed a range of inconsistencies related to the discounting of assets and depreciation of benefits and inconsistent assumptions about deadweight that leads to dubious claims for additionality and the plausible attribution of outcomes (Ryan and Lyne 2008).

In Australia too there have yet to be any efforts to standardize social impact reporting requirements. The practice of impact measurement and management is currently highly idiosyncratic, restricting the ability across the field to understand, communicate, or compare performance. Evaluation tends to be fragmented, decentralized and there have been few real economic incentives for nonprofits to change how they operate. The reality is that evaluation practices still tend to focus on counting inputs and outputs and telling stories. There are various types of evaluation agents in the field, but their evaluation activities are not coordinated or standardised. It is not methodologically defensible or even feasible to compare social impact evaluations across Australian nonprofit organisations. A combination of varied, less than transparent methodologies and an over-reliance on studies written and or commissioned by those invested in impact investing's success, may be setting up the Impact investing community for a loss of trust. One way around this for grey-literature evaluations, should be a transparent peer review as a part of their commission.

There is widespread acknowledgement that SII cannot scale unless there is a system that can measure social impact, and the creation of an adaptive, transparent and self-sustaining impact investing industry is thus dependent on the field developing a valuation system for social outcomes despite the inherent complexity of attempting to capture social value measurements. However, the reality is that little attention is paid to social impact's inherent complexity and evaluation practices still tend to focus on counting inputs and outputs and telling stories. In part this is justifiable if we want metrics to be user-driven and for indicators of value to be determined by the organisations themselves. But as Gibbon and Dey (2011) point out, this can lead to confusion about what the impact measurement is for. Is it for accountability to stakeholders or to appeal to hard-nosed investors who want maximum bang for their buck? A measurement that tries to do both may not do well at either.

Conclusion

The creation of an adaptive, transparent and self-sustaining SII industry is dependent on the field developing a robust valuation system for social outcomes. However, currently there is a lack of input into developing the market for SII from those nonprofits that are actually trying to achieve impact. In the future, the relationship between investor and investee should be less extractive and more of a partnership. However, building partnerships can be problematic and they are not always easy to define. From a sceptical perspective, partnerships with business have been driven on the private business side, at fora like the World Summit on Sustainable Development, entirely by the desire to promote 'self-regulation' (Reed and Reed, 2009: 10-11).

Following the critique of private philanthropy in general as a hegemonic tool, it is evident that impact investors and nonprofits have very different cultures. Integrating heterogeneous values will require the design and launch of new education and training initiatives and other initiatives aimed at professionalising this relationship so that barriers that stem from the cultural differences can be overcome. Both sides need to better understand the constraints that the other is working under and exactly what each requires.

During any given engagement it is crucial to maintain a constant dialogue and flow of ideas and inhabit different worlds. It can be difficult for both groups to understand and navigate each other's motives and ways of operating. A healthy engagement between those that invest in social programs and those responsible for their implementation is essential to the provision of informed, evidence based, best practice social programs. While this would be the subject for further work on research and potentially new forms of engagement projects including action research, we can identify some key inhibitors to engagement that badly need to be addressed.

- Less than professional working relationships
- Ignorance on both sides of what good engagement can deliver
- A degree of mistrust between investors and nonprofits
- Failure to value the relationship

We recommend that investors and nonprofits act in three areas to mitigate the pitfalls of their “parallel universes”:

1. Build relationships and communication

2. Build capacity to ensure a more productive engagement: Nonprofits should seek to improve and professionalise their capabilities and structures for engaging with investors and vice versa

3. Rate, value and reward the engagement: The desired outcomes of these recommendations will be:

- A culture change leading to greater clarity in the relationship, better interaction, mutual understanding and a more coherent relationship
- A more professional, innovative and effective relationship with agreement of where and how to build the necessary capacity to measure social impact
- Engagement being seen as career developing on both sides due to the mechanisms to value and reward the interaction

The ability of impact investors or the consultants that do work for them to measure social impact in the nonprofit sector, is dependent on their understanding of what nonprofits do and best practice evaluation practices. More fundamentally, greater social impact is dependent on a reorientation of impact investors current identity and culture from being in the investment business towards being in the social impact business. This is a process that involves the integration of the heterogeneous values of investors and nonprofits.

However, these parallel conversations have the potential to distract from focussing on actual program based social innovation with a variety of negative outcomes that include: a significant asymmetry of information; a lack of focus on the actual programs design and delivery; attempts to shape the reality and identity of the non-profit-sector; a tendency among investors to ignore trade-offs between social and economic outcomes; a lack of focus on the structural causes of poverty/disadvantage. All of the above reduces the effectiveness of impact investment allocation strategies do not currently bode well for social innovation at the program level or the development of a functioning impact investment market.

But maybe creating a functioning impact investment is not the goal at all. The prevailing wisdom that philanthrocapitalism offers a better, smarter philanthropy, thereby strengthening the entire nonprofit sector may be a smokescreen. Jenkins argues "after observing and documenting the tenets of and rhetoric associated with philanthrocapitalism, there is a serious risk that the shift to business-like, market-driven giving may change the nature of philanthropy in ways we will come to regret." He links his concerns about philanthrocapitalism "to a broader disquiet about the blurring lines between the public and the private. I argue that nonprofit scholars and advocates should pay greater attention to this movement and what its "success" might mean for the social sector." (753) So maybe the emperor has no clothes and this is just a diversion tactic so we don't notice that funds are shifted away from giving to investing. CEO of the nonprofit CA Bikes, Christopher Ategeka (2016) argues impact investing is too good to be true "I have seen impact investing ruin nonprofits doing good work because the investors are intentionally or unintentionally misleading about how much they value their investment versus their impact."

While it sounds enticing and straightforward in theory -- the perfect combination of financial acumen and social good -- that attractive quality is exactly what makes impact investing so dangerous. More and more philanthropy funders are focusing on business plans instead of the traditional "number of lives saved" metrics when it comes to making funding decisions. This

narrative is gaining traction at the expense of the lives the grant-seeking organization is intending to save.

Impact investors say they want to see their investment make an impact and create market returns, implying that it's a win-win situation for everyone. But when push comes to shove, I believe an investor is always going to care about their investment first, and everything else second.”

So what are the motivations that drive impact investment? And, what criteria do impact investors use when evaluating potential investments? To quote Warren Buffet “Rule #1: Never lose money. Rule #2: Never forget Rule #1.” (Warren Buffet)?

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