
Today's Investor Also Wants a Different Kind of Return on His Money



By Christine Driscoll Goulay, Associate Director, INSEAD Social Entrepreneurship Initiative

Google and Apple shares may have been the darlings of the beginning of the century, but another kind of investment is coming to the fore for those who want their money to make a difference.

It's called "Social Impact Investing", and it can mean investing in anything from preventing prisoner recidivism in the context of a "social impact bond" in the UK to giving "patient capital" to an enterprise creating power from corn husks in rural India.

At the crossroads of finance and philanthropy, impact investing promises to deliver both financial and social return on investment (though rates of return and priority for finance versus social impact vary greatly across the sector depending on the type of instrument, type of investor, chosen benchmarks etc.)). Frequently, impact investors accept that a concession needs to be

made on the financial side to achieve the desired social and/or environmental impact. However, some want (and achieve) financial returns that are equal to comparable market rates while still achieving the social/environmental impact they desire.

Credible Returns

Some people are sceptical: are these returns really being achieved? Is the impact really being created? Is impact investing just a bubble? With over 200 registered impact investing funds and players ranging from foundations such as the Rockefeller Foundation to banks such as JP Morgan, people are right to have these concerns. It seems that everyone and his grandmother are jumping into the game. But I am here to tell you that there are players who are very credible, who are achieving the returns and impact they seek, and that it is a wise move to become involved in impact investing.

Here are five reasons why, as an investor, you should take a second look at social impact investing:

1. If you are a philanthropist, then you have everything to gain. You are already giving your money away without expecting any financial return at all and with perhaps limited guarantee that your donation is achieving the impact you desire. So why not try it?

2. If you are a financial investor, then you have very little to lose. How have your financial investments been faring lately? Market returns are not what they used to be. Are the returns sought by impact investors really that far below the reality of today's markets? And for some impact investors, there is no compromise on the financial ROI at all, and you are achieving social impact as well.

3. The organisation - be it a non-profit or a social entrepreneur - which is on the receiving end of impact investing often gets other benefits besides just the money. For example, invaluable services such as training and capacity building, focusing on strategy and scaling opportunities, becoming more rigorous about thinking about and reporting impact. These are all wonderful ways to improve the organisation beyond just handing out money.

4. Impact investing may open new ways of thinking about problem solving in general for those investors who do get involved; therefore, the investor himself has a learning experience which he can apply to other parts of his life, be it professional or personal. Some of the innovations in the impact investing sector such as the often cited Social Impact Bond, social stock exchanges, and crowdsourcing models are inspiring on many levels. Borrowing from many disciplines, they break traditional boundaries of how to approach issues. These techniques can potentially serve as a basis of innovation in other areas of your life.

5. And most importantly if impact investing is carried out correctly, it can really change the face of how we approach and solve some of the world's large scale problems. Lack of electricity, lack of access to water and sanitation, lack of access to education – the list could go on and on. Social entrepreneurs on the ground are coming up with viable solutions to these problems which have not been properly addressed by government or the private sector thus far. Combining financial resources, capacity building, sustainability, and impact into one package is powerful. The sector is still developing and evolving. Now is the time to get involved and help shape impact investing so that it is done right, so that it is not just a bubble, so that we are achieving our goals financially and socially. You can make

your mark. Don't miss the boat.

INSEAD is engaged on several levels in the social impact investing sector:

INSEAD is the European partner for the International Impact Investing Challenge (<http://www.impactinvestingchallenge.org>) in partnership with Kellogg. This is a graduate student competition to create new financial instruments for institutional investors to place capital in impact investing. Also, INSEAD is holding the INSEAD Entrepreneurship Forum on May 23rd in Fontainebleau, France on impact investing. The theme will be on "Creating an Industry from Innovation in Impact Investing" and will be looking at how to move the field forward. Finally, INSEAD is the knowledge partner for the Partnering for Global Impact conference in Lugano July 10-11, 2013, a conference which creates a venue for social entrepreneurs and investors to meet and explore opportunities.

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