Globethics Repository



The Why, the How and the What in Impact Investing

This page was generated automatically upon download from the Globethics Repository. More information on Globethics see https://www.globethics.net. Data and content policy of Globethics Repository see https://repository.globethics.net/pages/policy.

Item Type	Preprint
Authors	Kimakowitz, Ernst von
Publisher	Humanistic Management Center
Rights	With permission of the license/copyright holder
Download date	2026-11-05 01:25:16
Link to Item	http://hdl.handle.net/20.500.12424/199173

IMPACTINVESTING

University of St.Gallen

Humanistic Management Center

The why, the how and the what in Impact Investing

Enhancing Impact Investing in Brazil

Ernst von Kimakowitz



“Philanthropy is commendable, but it must not cause the philanthropist to overlook the circumstances of economic injustice which make philanthropy necessary.”

Martin Luther King: leader in the African-American Civil Rights Movement

IMPACTINVESTING

Humanistic Management Center

Contents

1 The *why* in impact investing

2 The *how* in impact investing

3 The *what* in impact investing

The *why* in Impact Investing

"Insanity is doing the same thing over and over again but expecting different results."

Business as usual will not solve the problems we face as a global community

We need business as *un*usual

Impact investors need to apply the same rigor as with traditional investments but they need a different mindset, values and goals when doing so.

IMPACTINVESTING

Humanistic Management Center

The *why* in Impact Investing

We need to use markets more wisely

Situation:

The combination of democratic government and market economies has had a hugely liberating effect on the individual and has created unprecedented wealth in the rich parts of the world.

Consequence:

We are talking about the negative side effects of a big success story. However these have become too grave to be ignored.

Complication:

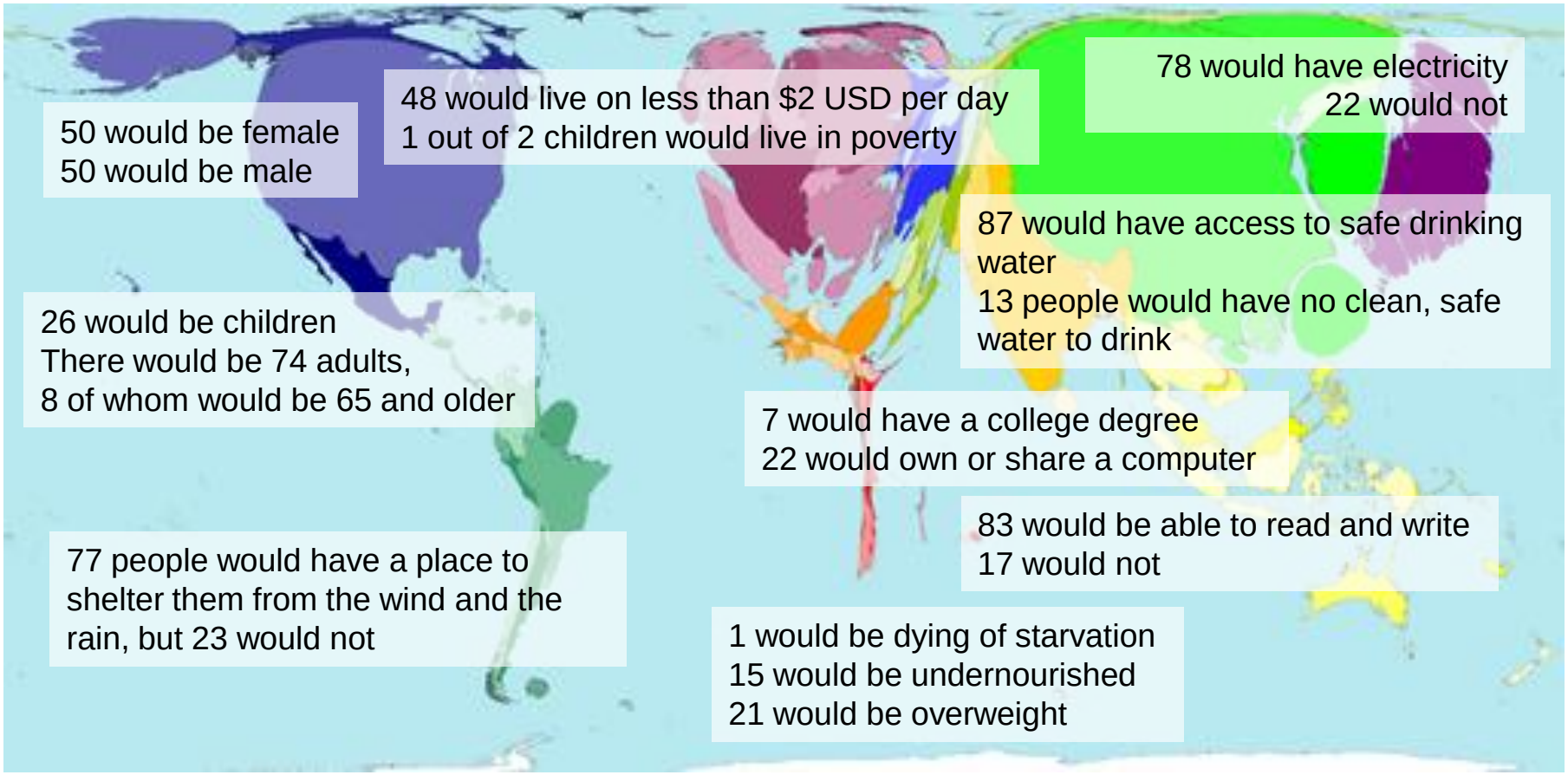
We are facing a situation where the natural capacity of the planet as well as the distributional injustice of wealth is stretched to the point where we are biting the hand that feeds us.

IMPACTINVESTING

Humanistic Management Center

The *why* in Impact Investing

If the world were 100 people



If the world were x people

www.100people.org

IMPACTINVESTING

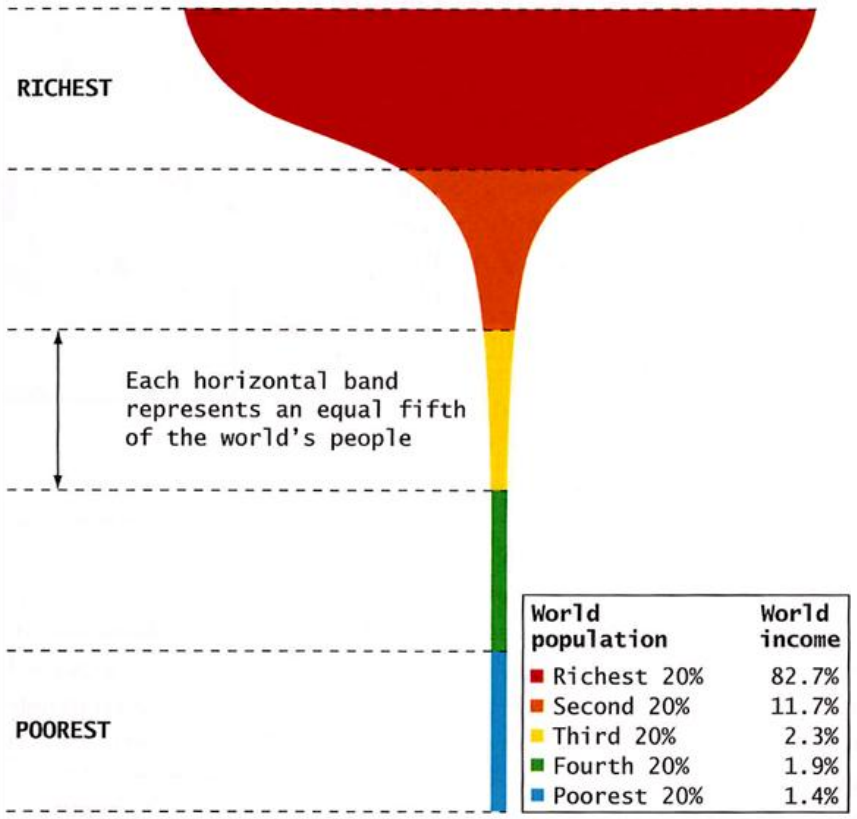
Humanistic Management Center

The *why* in Impact Investing

Global wealth distribution

Finding solutions to the most pressing challenges we face today will also depend on the positive impact business makes

Business is currently seen as part of the problem by most of the world's population; we need to reverse this and make business part of the solution



http://www.unicef.org/socialpolicy/files/Global_Inequality.pdf

The *why* in Impact Investing

Organizational Well being

Three types of employees

1	**ENGAGED** employees work with passion and feel a profound connection to their company. They drive innovation and move the organization forward.
2	**NOT-ENGAGED** employees are essentially "checked-out". They're sleepwalking through their workday, putting time – but not energy and passion – into their work.
3	**ACTIVELY DISENGAGED** employees aren't just unhappy at work; they're busy acting out their unhappiness. Every day, these workers undermine what their engaged coworkers accomplish.

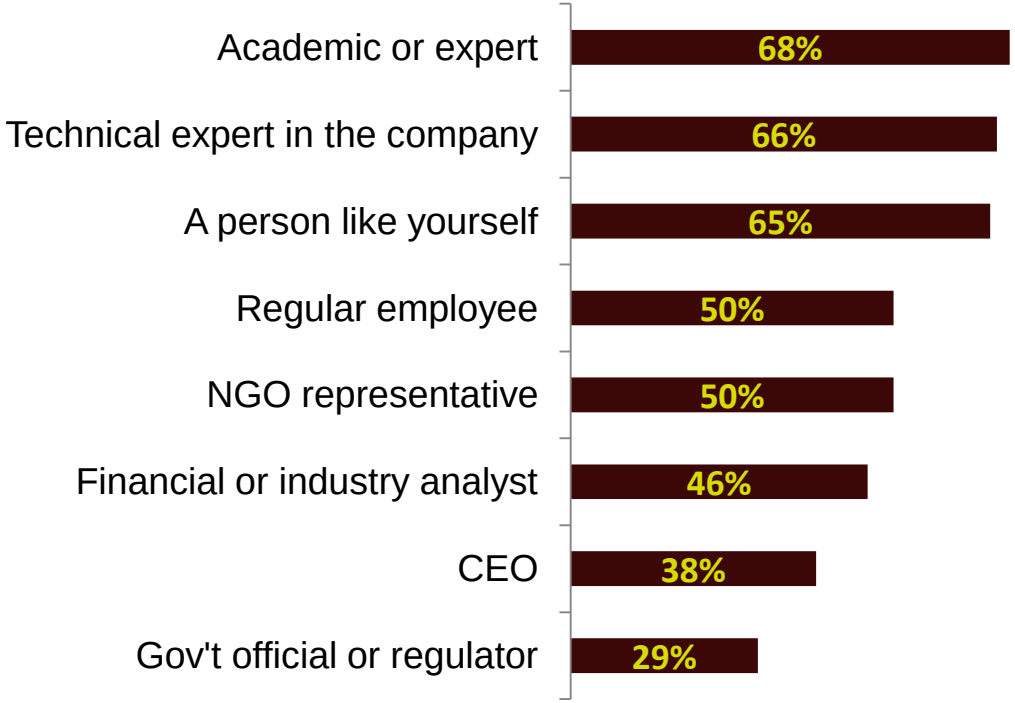
70% do not like what they do

- Around 30%
- Around 50%
- Around 20%

Gallup employee engagement study: http://www.gallup.com/strategicconsulting/en-us/wellbeing.aspx?ref=f

The *why* in Impact Investing

Credibility of spokespeople: trust in our leaders has reached a historic low



Over 60 % of the informed global public do not think business leaders are credible and over 70% do not think political leaders are credible

The Edelman trust barometer http://trust.edelman.com/trust-download/global-results

IMPACTINVESTING

Humanistic Management Center

The *why* in Impact Investing



IMPACTINVESTING

Humanistic Management Center

NYSE Euronext Data Center



IMPACTINVESTING

Humanistic Management Center

NYSE Euronext Data Center



We need to reward
the creation of value
not the trading of value

IMPACTINVESTING

Humanistic Management Center

Contents

1 The *why* in impact investing

2 The *how* in impact investing

3 The *what* in impact investing

The *how* in Impact Investing

Investor perspective

Genuine belief that ones own investment portfolio ought to be aligned to ones own values and aspirations

Change of mindset from risk adjusted optimal return strategies to impact generation strategies

Determine a set of parameters (impact area, return ex-pectation, vehicle, time frame….)



The *how* in Impact Investing

Investee perspective

Genuine belief that business ought to serve real needs of people with respect for the planet

Change of mindset from seeking purely financially oriented investors to seeking partners for impact

Get finance savvy , speak investor's speak and build a business model that shows investment readiness



IMPACTINVESTING

Humanistic Management Center

Contents

1 The *why* in impact investing

2 The *how* in impact investing

3 The *what* in impact investing

IMPACTINVESTING

Humanistic Management Center

The *what* in Impact Investing

Philanthropy – Impact Investing - SRIs

Philanthropy:

Aim:
Philanthropic expenditure aims to provide financial means to forward a charitable cause with no monetary return expectation

Vehicle:
Donations to charities, foundations, social enterprises, associations

Impact Investing:

Investment with the objective to create positive social and / or environmental impact as well as some financial return

Socially Responsible Investments (SRIs):

Aim:
SRIs aim for risk adjusted maximum return building on ESG trends

Vehicle:
Investments with a negative screening process on ESG criteria, building on sustainability trends, or best in class approaches

IMPACTINVESTING

The *what* in Impact Investing

Working definition

Investments towards ideas that are based on innovative business models, proposed by outstanding entrepreneurs that provide a solution to social and / or environmental problems with a minimum return of principle

IMPACTINVESTING

Humanistic Management Center

The *what* in Impact Investing

Debt or equity investments, cash deposits, bonds, guarantees

The focus is on organizations designed to make positive impact

Generating positive impact is the reason of being for the organization

Return must be at least a return of principal (interest free loan)

Impact Investing

A lot broader than traditional private equity investments

Excludes investments with unintended positive impacts

Excludes best-in-class, negative screenings, SRIs

Excludes donations and other forms of giving where no return is expected

Adapted from Julia Balandina Jaquier: Guide to Impact Investing for family offices and high net worth individuals

IMPACTINVESTING

Humanistic Management Center

The why, the how and the what in Impact Investing

Why

We need to find better ways to use business for social benefit

How

Start with a new mindset regarding the role of business in society

What

Investment in entrepre-neurial solutions to social / environ-mental problems

IMPACTINVESTING

University of St.Gallen

Humanistic Management Center

The why, the how and the what in Impact Investing

Contact:

ernst@humanisticmanagement.org

www.humanisticmanagement.org