



Latest Academic Trends in Impact Investing in Brazil

Dear reader, prezados leitores e prezadas leitoras,



We are glad to present the 10th Impact Investing newsletter, which focuses on the latest activities of the Impact Investing Latin America Platform (IILA).

In line with IILA's systemic approach, the newsletter will also follow the three pillars that structure the platform:

- **Knowledge Generation**, which covers researchers and current topics
- **Knowledge Transmission** that contains courses on Impact Investing
- **Knowledge Dissemination** meaning conferences, academic articles & studies

The part "**Knowledge Generation**" presents three international researchers who are currently working on sustainable finance or Impact Investing. **Luciana Lucena De Lima**, **Jessica Aschari-Lincoln** and **Malu Villela** elaborate on their PhD topics and give insides in the potential of the industry. The interviews illustrate the increasing importance of Impact Investing in academic research and can inspire talented researchers to devote attention to challenging questions at the interface between social impact and financial return.

The chapter on "**Knowledge Transmission**" highlights an **executive education course** as well as a **case study**, developed by **Johannes Boch** (Coordinator IILA) under the supervision of Dr. Angélica Rotondaro und Prof. Dr. Timo Meynhardt of the University of St.Gallen based on his research with **Dr. Consulta**. The case study received grants from the ICE (Instituto Cidadania Empresarial) and was first used with the University of St.Gallen MBA students during their study trip in November to São Paulo.

In the section "**Knowledge Dissemination**" we will share the article "**How Universities Can Promote Multi-disciplinary and Cross-cultural Collaboration in Impact Investing**", published in September 2014 in the World Economic Forum report. Additionally, readers will find information about the study "**Mapping of the Impact Investing Sector**" developed by ANDE, LGT-VP, Quintessa Consulting and the University of St.Gallen Hub Office, and the article "**The Best of Both Worlds? Impact Investors and their Role in the Financial Versus Social Performance Debate**", which has been among the top five most accessed articles at the AOM (Academy of Management) and co-authored by IILA platform members.

We congratulate **Frédéric Kuonen** on the award from the University of St.Gallen for the best Master's thesis which he developed while working as Impact Investing Coordinator at the HSG Hub São Paulo.

Additionally, we would like to invite you to save the date for our first **Impact Investing conference** in Switzerland. The conference "**Building Bridges for Further Impact**" is going to take place at the University of St. Gallen on **Tuesday, April 28th 2015**.

We hope you enjoy reading our newsletter and wish you a happy holiday season!

Luc Wüst, Newsletter Editor

Knowledge Generation - Ph.D. Research on Impact Investing



Luciana Lucena De Lima

PhD candidate in International Business at University of St. Gallen, Master in International Affairs at Columbia University New York, Master in Finance and Bachelor of Arts at Fundação Getulio Vargas in São Paulo.

Experience in conventional as well as social finance, Business Development and Strategy. Besides, Luciana is co-teacher for a course in Social Entrepreneurship at University of St. Gallen.

Contact: lucianadelima@gmail.com

PhD supervisors: Prof. Martin Hilb (Univ. St.Gallen) & Dr. Pamela Hartigan (Oxford University)

How did you get first involved in Impact Investing?

In 2012 I was selected as an ICats Fellow, a program provided by LGT Venture Philanthropy for experienced professional who want to create significant positive impact by applying their skills holding positions at social ventures. LGT Venture Philanthropy is an impact investor supporting organizations with outstanding social and environmental impact.

What led you to pursue a PhD in this area?

During my engagement with LGT Venture Philanthropy I gained unique insights and know-how in the field of Impact Investing. I became aware of the potential offered by impact investors to help to maximize social impact by making solutions more effective and scaling them to reach more people. At the same time, I became intrigued by the concept beyond Impact Investing that seeks for financial investments that simultaneously produce social or environmental benefits. With this core concept in mind, I turned my curiosity into my PhD research to explore the tension between social and financial returns at the Corporate Board level of impact investing funds.

What is the topic of your thesis?

It has been known that board members are expected to exercise fiduciary responsibility toward the institution they govern. But what does this mean for an impact investing fund? How do board members exercise fiduciary responsibility in situations that require a trade-off between financial performance and social impact? What best practices are emerging for governance in impact investment vehicles? How can we better recruit and train board members ready to shoulder the complex challenges of governing fund institutions that are focused on achieving both social and financial goals?

The first goal in my research is to seek insight on how leading impact investment funds effectively achieve corporate governance within the fund with attribution from the main board. Once established, it will then examine how governance is extended into their portfolio social companies. The empirical objective of the research is to not only to generate theories and observations, but also to ensure that these conclusions can be credibly and reliably applied to other areas of international business.

How do you experience to do research in this area?

There has been a growing body of research in the field of impact investing recently what sustains the way for a promising area for investigation. The industry has been the topic of recent reports published by Aspen Network of Development Entrepreneurs (ANDE), J.P. Morgan and the GIIN and the World Economic Forum.

The Centre for the Advancement of Social Entrepreneurship (CASE) at Duke University and Impact Assets have just published the report "Impact Investing 2.0: The Way Forward – Insight from 12 Outstanding Funds" that represents the largest public release of data on the financial performance of 12 successful Impact Investing funds.

Do you plan to work in the field after your PhD?

Yes.

What do you think are the biggest challenges in the Impact Investing? (cont. Luciana Lucena de Lima)

From a Corporate Governance perspective, that many of the board members of Impact Investing funds come from mainstream investing industry can pose an obvious challenge for the Impact Investment sector if it remains unchanged. Looking back, I guess the original set up of pioneers impact funds widely mirrored traditional investments that most think about financial returns in opposite to social or environmental returns.

How can corporate governance enter into the equation of balancing social/environmental impact with financial return? I say that the board composition of Impact Investing funds must reflect that intentionality. If most commonly board members of existing Impact Investing funds are coming from mainstream investing that will have to change for funds to capture the growth potential estimated for the sector (Calvert Foundation estimates the Impact Investing industry to reach a market potential of US\$ 650 billion in their report *Gateway to Impact*; Calvert Foundation (2012). Boards will have to have representation of professionals, for instance, with an expertise on managing social companies, people with experience on measuring and reporting on impact (eventually academics with scientific discipline). That will help to close the gap between the financial and non-financial bottom lines, facilitating the ability to measure and report on social and environmental performance. That will also resonate better with investors that are willing to accept a higher risk and/or receive lower returns to invest in companies that create positive social and environmental impact. For instance, the so called “millennials”, the high-net-worth individuals born in the US between 1980-200 that will heir approximately US\$ 30 trillion in the coming years. This generation can bring the Impacting Investing sector to a new level as long as the investing funds are prepared to fulfil their investment expectations – the Spectrem Group found that 45 percent of millennials want to use their wealth to help others. At a board level, I say that Impact Investing funds will have to resonate with the investment expectations of wealthy millennials.

How do you see the future development of the sector?

Going forward, and for the overall growth of the Impact Investing sector, fund managers will have to prove their capacity around social and environmental impacts, along side with financial return. For that, an accurate and consistent system for measuring and reporting on social impact is critical. This is as well the way forward for impacting investing to become more mainstream as investors start demanding clear metrics to benchmark and compare social and environmental impacts of different funds and companies. That clearly remains a big challenge for Impact Investing funds. Some emerging initiatives are tackling the issue (e.g. GIIRS and IRIS) but they still do not solve completely the challenge, as there is not a broad consensus among funds to accept common metrics.

**Jessica Aschari-Lincoln**

PhD candidate in International Business at University of St. Gallen, Master in International Management and Finance at Johannes-Kepler University in Linz, Bachelor of Arts in Economics from Pomona College, USA.

In combination with her research in social finance at HSG, Jessica oversees the Student Leaders Workshop Series, is involved with grass-root capacity development projects, supports the SIMagination Challenge course, and lectures within the contextual studies. Jessica is a director at ASG Strategy Group St.Gallen, focusing on social finance and social impact management & measurement. Prior to this, she worked in financial management.

Contact: jessica.aschari-lincoln@student.unisg.ch

PhD Supervisors: Prof. Dr. Urs Jäger and Prof. Dr. Urs Fueglistaller

How did you first get involved in Impact Investing? (cont. Jessica Aschari-Lincoln)

Due to my family's values, my west African childhood context and my interest in finance, I have always been attracted to the interface between social impact and finance. A couple years ago I met several interesting people researching and practically involved in the fields of social organizations, financing of social enterprises, and social impact assessment. These encounters sparked my interest to research the general field of social finance, of which Impact Investing is one strategy.

What is the topic and results of your research?

Social finance sources – be it foundations, government, religious organizations, or social investors supplying contributions, equity, debt, guarantees, hybrid or other financial instruments – have, in practice, specific interests and priorities, which adds to the complexity of resource acquisition from the social organization's perspective and often limits the pool of potential social organizations from the social finance source's perspective. My doctoral research develops a framework on the basis of three studies of the relation between social organizations and their social finance sources. Specifically, it identifies beneficiary and organizational characteristics of social organizations that determine their financing in terms of access to both different finance sources and types of financing instrument. My thesis demonstrates the dynamic interrelation between social organizations' organizational, programmatic and financing strategies, thereby simplifying the complexity of management within the context of multiple bottom lines and enabling more effective financial management for social organizations.

What led you to pursue a PhD in this area?

I have an educational background in Finance, worked some in financial management and have always been involved in capacity development projects at the community level. I was excited to have the opportunity to make a bridge between my values, interests and activities and really enjoy delving deeper in this area through learning, researching, reflecting, teaching, doing and accompanying.

How do you experience to do research in this area?

Academic research in this field is at its beginning, not just in terms of impact investment and social impact measurement, but also in terms of financing instruments for social organizations. The sector is changing with new market players, strategies, assumptions and goals. University institutes with a focus on social impact organizations and their financing are still few in Europe. There is a noticeable lack of publicly available data in many countries. The flipside of these challenges is the clear need for research in these areas. The European Union has earmarked considerable funds for the support and development of social entrepreneurship. The European Venture Philanthropy Association's research team is supporting sector development through thematic market research. It is an exciting time and context to be researching in.

Do you plan to work in the field afterwards?

I will continue to share and deepen my knowledge and experience in sustainable social impact management, financing and measurement.

What do you think are the biggest challenges in the Impact Investing?

I find Impact Investing to be a unique financing strategy. Impact investors should have people in their teams that understand on the basis of experience the dynamics of social impact, organic and sustainable processes. Further, sustainable impact understanding and measurement need further development, so as to enable social organizations and financial sources to adhere to a reflective learning processes in respect to their solution strategies, business model and most importantly, their desired impact.

How do you see the future development of the sector?

The sector will continue to develop in different ways across the world, depending on the unmet social needs, the ecosystem and the desire of individuals and society to act and cooperate in shaping a better world. I look forward to there being more and more multilingual people, who do not dichotomize social impact and financial issues, and work for sustainable impact.



Malu Villela

PhD candidate in Business Administration at Fundação Getulio Vargas in São Paulo, Master in Social Science Research Methods at Cardiff University and Graduation from School of Higher Education in Advertising and Marketing, São Paulo. Prior to her PhD, Malu was engaged in several research institutions in São Paulo, such as the Research Centre for Public Administration and Government and the Research Centre for Sustainability Studies, where she focussed on the topic of sustainable timber exploitation in the Amazon.

Contact: maluvillela@gmail.com

How did you get first involved in Impact Investing?

It happened in the process of shaping my PhD project, which is about the development of hybrid organisations in Brazil through the analysis of the case on the formation of Sistema B in the country. This initiative is part of a partnership between Sistema B Latin America and B Lab in the United States, which started the B Corporation movement. Within this movement, the Latin American partnership is the most active community outside of the United States. When first exploring the field and searching for information on the movement, I understood that Impact Investing was an important tool of resources to foster the development of social enterprises, such as B Corps. So far, the research data have been confirming such impression.

What led you to pursue a PhD in this area?

I have been working in the sustainability field for ten years and it has always struck me how financial resources could be efficiently allocated to bring social and environmental positive impacts. Moreover, my research is within the organisation studies field, where critical discussions on the role of corporations have been taken place. My experience in the field alongside such approach to organisations have led me to reflect on the impact of socio-environmental issues to capitalist market economies, where profit maximisation is an imperative. In my opinion, it is still early to see whether Impact Investing will challenge this doctrine, but this is something that I would like to explore.

What is the topic of your thesis?

My thesis focuses on the entry of the B Corporation movement in Brazil and its initial development by Sistema B. Its objective is to understand the process through which Sistema B is being formed in the country and the ecosystem in which its scope of action has been developed.

How do you experience to do research in this area?

It has been quite interesting to observe and, in particular moments, also participate in some of Sistema B's activities, as well as to talk to the people involved in the ecosystem of social enterprises. As part of my experience in the field, I have been observing the connections between B Corps and investors, and also investigating the role of fund managers as intermediaries between the companies and the investors.

Do you plan to work in the field afterwards? What do you think are the biggest challenges in the Impact Investing?

It would be interesting to collaborate with the field and broaden the impact of my research. So far, I think that the main challenge for Impact Investing is to approach, in a clear way, the delicate issue of top management's wage limits. Also, there is a challenge to reflect on the local needs of the Brazilian context in terms of topics and areas to be invested in and how they relate to international schemes that seek to advance the Impact Investing agenda, such as GIIRS rating system.

How do you see the future development of the sector?

From the data I have accessed there seems to be promising prospects regarding the development of the sector, but we need to follow such prospects in practice throughout time. As this sector is still building its credibility, especially in Brazil, it heavily depends on the commitment of the funds with significant social impacts and on the performance of companies in terms of the efficiency adopted in the allocation of invested resources in their organisational structure and activities.

Knowledge Transmission: Executive Education and Academic Courses

We are continuously introducing more students and interested professionals to the topic in Brazil and Switzerland. The United Nations Conference on Trade and Development (UNCTAD) endorses Impact Investing with initiatives such as “Business Schools for Impact” (October 2014 in Switzerland) in order to expose young leaders to the perspective.

Executive Education

“Introduction to Impact Investing” course – a collaboration between the University of St.Gallen and Inesper

While the first edition of the Impact Investing Course in Spring 2014 has attracted mostly professionals already working in the industry, the second edition was successfully conducted with participants from different backgrounds. In 4 evenings (of 4 hours each), the course (in Portuguese) covered the main aspects of Impact Investing, new trends and tools to analyze and structure investing opportunities. It focused on the management of human, social and environmental capital and underlined their importance as limited resources and as fundamental for long-term positive financial and economic return. In addition, the course presented new models of measurement and investment mechanisms for companies, investment funds, pension funds and other institutions.



Impact investing course attendants with lecturers Angélica Rotondaro (University of St.Gallen), Sérgio Lazzarini and Leandro Pongeluppe (both Inesper Metricis)

Case Studies

“Entrepreneurial Challenges of Impact Investing in Healthcare for the Base of the Pyramid in Brazil”

This case study was written by the Impact Investing Platform Coordinator **Johannes Boch** in collaboration with Dr. Angélica Rotondaro and Prof. Dr. Timo Meynhardt, from the University of St.Gallen. The case was launched in November 2014 during a session with students of the International Executive MBA from the University of St.Gallen as part their Latin America Module, and attended by the case protagonists in the real life – Thomaz Srougi and Guilherme Azevedo (Founder and CFO of Dr. Consulta).



Thomaz Srougi and Guilherme Azevedo (both Dr.Consulta) in discussion with the Executive MBA

Dr.Consulta is a network of for-profit healthcare clinics that aims at providing quality and affordable healthcare services for low to middle income population in São Paulo (Brazil). Dr.Consulta provides an alternative for primary care besides the public healthcare system SUS, which is known for long waiting hours and low-quality service. The MBA participants worked on specific challenges that Dr.Consulta is facing in the growth phase of their social business such as balancing social and financial return, maintaining the high quality of service and scaling up Human Resources.

Knowledge Transmission: Executive Education and Academic Courses (cont.)

Academic Courses in St.Gallen

Students at the University of St.Gallen in Switzerland have the possibility to learn about Impact Investing through our academic network partners. Luciana Lucena da Lima (see interview above) was co-teaching 23 undergrad and grad students in “*Social Entrepreneurship: Business Models for High Impact*” during the fall semester 2014.

Jessica Aschari-Lincoln (see interview above) will co-teach a course called “Social impact - understand, analyze & report from different perspectives” for undergrad students in German in March and May 2014.

Moreover, Dr. Ernst von Kimakowitz will teach an undergrad course on “*Impact Investing - Redefining the Meaning of Return through Impact Investments*” during the spring term 2015.

Knowledge Dissemination: Publications

Knowledge dissemination is one of the key pillars of the IILA platform. Thus we aim at presenting the findings of the recently developed research to the interested audience through different channels.

“Mapping The Impact Investing Sector in Brazil”

The study is the first of its kind in Brazil and was conducted by ANDE (Aspen Network of Development Entrepreneurs), LGT-VP and Quintessa in collaboration of the University of St. Gallen. It analyses the size of the market, understand the types of investments, and provide information about key players and future market trends in the Impact Investing sector in Brazil.



It reveals investors' intention for significant market growth in Brazil. The nineteen Impact Investors approached for the survey expect to commit 40 % to 50 % more capital to Impact Investments in 2014 compared to 2013. A challenge is the lack of seed money (early investors) and the high concentration of investments in the Southeast of Brazil.

The study (published in [Portuguese](#) and [English](#)) was featured in the in the daily newspaper *Folha de São Paulo* in the article "[Cresce investimento de impacto no Brasil](#)" (Impact Investing is growing in Brazil).

“How Universities Can Promote Multidisciplinary and Cross-cultural Collaboration in Impact Investing”

The World Economic Forum (WEF) has developed a significant interest in Impact Investing and contributes to the ecosystem with its taskforce (the initiative's head, Abigail Noble was key speaker at the IILA Conference in August). WEF published its insights in “*From Ideas to Practice, Pilots to Strategy*”. The editors invite organizations to share the best practices and lessons learned from the first movers, early adopters and bold innovators in the field of Impact Investing, with the goal of further advancing the sector.



In the 2nd version of the report “[From Ideas to Practice, Pilots to Strategy II: Practical Solutions and Actionable Insights on How to Do Impact Investing](#)” Angélica Rotondaro, Johannes Boch (both University of St.Gallen Hub São Paulo) and Sérgio Lazzarini (Insper Metricis) were invited to write about **Multidisciplinary and Cross-cultural Collaboration** and to present the IILA Platform as a best practise example. The article emphasises the importance of an international perspective in academic research on Impact Investing and the possibility of bringing together social development, strategy, finance and entrepreneurship. Thereby it acknowledges the challenges of partially conflicting academic rationalities and cultural backgrounds.

Knowledge Dissemination: Publications (cont.)

The Best of Both Worlds? Impact Investors and their Role in the Financial Versus Social Performance Debate

This [article](#) was co-authored by IILA academic network members Sérgio Lazzarini, Leandro Pongeluppe, Luciana Ferreira (all three Insper), Sandro Cabral (Federal University of Bahia) and Angélica Rotondaro (University of St.Gallen) and has been in the Top 5 of the downloaded working papers since its presentation at the Academy of Management Conference in August 2014.



It deals with the key question in Impact Investing **“How are financial and social impact related to each other and what kind of approaches are followed to take both bottom lines into account during decision making processes”**. The focus lies on impact investors, who actively seek firms with intentional social or environmental impact and are not only avoiding negative impact companies (as the concept of responsible/sustainable investments suggests). The article aims at understanding the rationale behind investor’s behaviour and proposes potential strategies for reconciling the social and environmental impact with financial return.

“Award for Best Master’s Thesis”



We are proud to announce that Frédéric Kuonen received the 2014 award for the [best Master’s thesis in Latin American studies](#) for his research on „The Post-Investment Involvement of Brazilian Impact Investing Funds: a Case Study-Based Analysis of Activities and Relationships“ from the University of St.Gallen that was developed while he was working at the HSG Hub IILA platform as Impact Investing Coordinator.

Outlook: 2015 and the Internationalisation of IILA

This edition of the newsletter has once more shown the dynamic growth of the Impact Investing industry. We see an increased involvement of academics in Impact Investing, which we expect to result in higher academic acceptance and stronger research activities in the field. We thank Luciana, Jessica and Malu for the interesting insights into their work.

2015 is going to be marked by various student-run research projects, in the area of knowledge transfer in social businesses and impact measurement. Beside the IILA plans to expand its executive education courses on Impact Investing throughout Brazil.

As the Impact Investing community is growing and consequently we will conduct the first Impact Investing conference in St.Gallen to expand the network to Switzerland and introduce a broader audience to the topic. The conference of Impact Investing in Switzerland is being coordinated by the University of St.Gallen hub São Paulo and the Center for Latin American Studies (CLS). It counts on the support of the Social Business Club (Univ. St.Gallen), Oikos, the Impact Hub Zurich and Insper Metricis

We would like to already invite you to save **Tuesday, April 28th 2015** for our conference **“Building Bridges for Further Impact”**.

The next edition of this newsletter will be released in February 2015, where we take the opportunity to inform about ongoing projects and events of the Impact Investing Latin America Knowledge Platform.

Useful links and contact information

The Impact Investing Knowledge Platform: www.impactinvesting.com.br
<http://impactinvestinginbrazil.blogspot.com.br>

Newsletter Editor Luc Wüst

Newsletter Reviewer: Linda Koenig

Photos: Leandro Pongeluppe and Linda Koenig

Impact Investing Platform Coordinator: Johannes Boch

Like us on Facebook: www.facebook.com/impactinvestingbr

The Impact Investing Platform Latin America is incubated by the University of St.Gallen [Hub Office São Paulo](#) and formed by a network of academic partners, NGOs and privately owned foundations and institutes.

Platform members mentioned in this edition:

[Insper Metricis](#)

[ICE \(Instituto Cidadania Empresarial\)](#)

Platform partners mentioned in this edition:

[Dr.Consulta:](#)

[UNCTAD Business Schools for Impact](#)

[World Economic Forum \(WEF\) Impact Investing Initiative](#)

[ANDE – Aspen Network of Development Entrepreneurs in Brazil](#)

[LGT-VP](#)

[Quintessa Consulting](#)

Please also subscribe to our [newsletter](#) to receive the next editions directly in your mailbox