A Call for an Integrated Universal Impact Investment methodology to account for the Human Ecology in Finance

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Abstract

In January of 2018, Laurence Fink, founder, and CEO of BlackRock, the largest investment firm in the world, with $6 trillion under management, expressed in a letter to business leaders that their companies need to do more than only make profits. Fink directed the global corporate world to make a positive contribution to society.[3]

In this paper, we advance the concept, that an integrated econometric model which effectively measures the positive contribution a corporation brings to society is timely. Our foundational framework is based on the following assumptions: 1) That there is an "intrinsic good" in business; 2) That there is a theory of "good work"; 3) That there is a theory of the "good person"; and 4) That the key idea that businesses and financial markets thrive on trust exists. All of these theories need to be interconnected into a holistic framework of a good system. A good system, human ecology model, reflects the interrelationship of man, work, business and the human ecology system impact.

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[3] Here you can see a copy of Laurence Fink's letter: Accessed May 20, 2018. https://www.nytimes.com/interactive/2018/01/16/business/dealbook/document-BlackRock-s-Laurence-Fink-Urges-C-E-O-s-to-Focus.html?dlbk

The key question is how do we measure the positive contribution? Today more and more for-profit and non-profit organization are measuring the impact their economic footprint has on the human ecology system. Determination of this economic footprint on people, planet (natural environment) and profit (the triple Ps) was developed by the United Nations (UN) in the year 2000, thereby creating the foundation for the UN Millennium Goals. The US Forum for Sustainable and Responsible Investing (SIF) indicates that one in five dollars of total managed assets is focused on social impact and this trend is growing.[4] Also, we have found that there are more than 150 different methodologies to measure the return on investment with regard to social impact.

So, there is much need to create a holistic and integrated method that measures the positive contribution of a company on the human ecology, which is more inclusive than just focusing on the outcomes.

In our paper, we claim that to create a methodology to measure the social impact we need to add a fourth dimension to the triple P: People, Planet, Profit. We call the Human ecology financial index P4 and include Purpose. Purpose is based on the **"Organizational ethical quality" (OEQ).**

The plan for this paper is the following: First, we describe the context of impact investment in Finance using the United Nations Environment, Social, Governance (ESG) criteria.

The Principles for Responsible Investment Initiative (PRI) was established in 2005 by the United Nations Environment Program Finance Initiative and the UN Global Compact. This

[4] "Report on U.S. Sustainable and Impact Investment Trends," U.S. SIF (Forum for Sustainable and Responsible Investing), 2016.Accessed May 20, 2018. https://www.ussif.org/files/Trends/US%20SIF%202016%20Trends%20Overview.pdf

framework was developed as a means to improve analysis of ESG issues as they relate to multi-national investment process and to aid companies in fulfilling their interest in being responsible corporate partners through their business ownership and operating practices. Second, we provide a summary of the different impact assessment methodologies for impact investment used globally. Third, we describe our holistic/systematic/integrated theoretical framework to construct a more inclusive, robust P4 impact investment index. The holistic/systematic/integrated theoretical framework is necessary to include a more unifying theoretical model that not only takes into consideration the current criteria of Triple Bottom Line: people, planet, profit but also, it includes what is called the **Quadruple Bottom Line** by adding **Purpose** (including **"Organizational ethical quality"** OEQ) to the mix. P4 **drives *spirituality / culture*** [5] ***change*** using an Ecumenical Intellectual Tradition to inform the meaning of each one of these dimensions. Finally, we end with some conclusions.

1) The context of impact investment in Finance

According to the Global Impact Investment Network (GIIN): "Impact investments are investments made into companies, organizations, and funds with the intention of generating social and environmental impact alongside a financial return."[6] Impact investing challenges the long-held views that social and environmental issues should be addressed only by philanthropic donations, and that market investments should focus exclusively on achieving financial returns.

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[5] See: Accessed May 20, 2018. http://cambridgeleadershipdevelopment.com/quadruple-bottom-line-for-sustainable-prosperity/

[6] See the report: "What do you need to know about impact investing" from the *Global Impact Investing Network (GIIN)*. Accessed May 20, 2018. https://thegiin.org/

Nowadays, many types of investors are entering the growing impact investing market. For instance, we can identify 3 type of players:

1) **Banks, pension funds, financial advisors,** and **wealth managers.**
2) **Institutional and individual investors, family foundations, religious institutions and non-government organizations (NGOs).**
3) **Government investors** and **development finance institutions.**

Impact investments can be made in both emerging and developed markets and can target a range of returns from below market to market rate, depending on the investors' strategic goals.

An important consideration is the financial return of impact investment opportunities. In a survey of 209 organizations, implemented by Global Impact Investment Network (GIIN), 66% of respondents report that portfolio performance overwhelmingly meets or exceeds investor expectations for both social and environmental impact and financial return for investments spanning emerging markets, developed markets, and the market as a whole. Also, 16% of respondents' report that portfolio performance was below market rates of return (ROR) (See Appendix A).

Another very important question to consider is the size of the impact investment market. The GIIN report based on 208 respondents, indicates that altogether at least US$ 114 billion in impact assets were under management in May of 2017. This is a growing trend, by 2016, 205 investors committed US$ 22 billion to impact investment, while their commitment grew by 17% in 2017 (U$S 25.9 Billion) (See Appendix B).

Bankers, financial managers, government agency executives, and executive leadership from developing market enterprises presented evidence using data supporting investment impact on environment, society, and governance (ESG),[7] the new language used to replace the Millennium Development Goal (MDG) framework.[8]

In spite of extensive analysis of impact, investment outcomes, and general monitoring and evaluation frameworks commonly employed by multinational banking institutions, no one, unified standard currently exists. At the same time there is an increasing demand in considering the 'impact' business has on people and places. The 2018 report on Money Habits for Millennials shows that this generation despite stereotypes, they have as good as or even better habits than other generations, 56 % of Millennials say that interest and passion in their career is more important to them than the size of their paycheck. This is similar to findings from 2016,[9] where young adults said that personal interest (60 %) is more important than salary (24%) in their job consideration (See Appendix C). Millennials are twice as likely as the overall investor population to put their money in companies targeting so-called socially responsible investments, or SRIs according to Morgan Stanley's Institute for Sustainable Investing's 2017 "Sustainable Signals" report.[10] The size of the U.S. sustainable, responsible and impact investing market increased very fast between 2014 and 2016, growing at a rate of more than 33%, bringing it from $6.57 trillion to $8.72 trillion.[11] Following the 2017 "Sustainable Signals" report three-quarters

[7] Nowadays there are university programs offering Master degrees on ESG. See for example at the University of Oxford: Accessed May 20, 2018 https://www.ox.ac.uk/admissions/graduate/courses/msc-nature-society-and-environmental-governance?wssl=1 There are organizations and companies that use the ESG framework for their business. See for example the supply chain firm Bristlecone: Accessed May 20, 2018 http://www.bcone.com/about/environment-society-and-governance/

[8] See: Accessed May 20, 2018 http://www.un.org/millenniumgoals/

[9] See: Accessed May 20, 2018 https://about.bankofamerica.com/assets/pdf/BOA_BMH_2016-REPORT-v5.pdf

[10] See: Accessed May 20, 2018. http://www.morganstanley.com/pub/content/dam/msdotcom/ideas/sustainable-signals/pdf/Sustainable_Signals_Whitepaper.pdf

[11] "U.S. Sustainable, Responsible and Impact Investing Trends 2016," U.S. SIF, 2016. Accessed on May, 20, 2018. http://www.ussif.org/trends

of investors, and 86% of Millennials are interested in sustainable investing, a rise from the previous survey. Millennials in particular are more intensely interested than in 2015 (38% report feeling “very” interested, up from 28%). What is more, Millennial investors are nearly twice as likely as the general pool of investors to have made a purchase because of a brand’s environmental or social impact, and three times more likely to work at or apply to a company because of its stance on issues .

This increased interest in doing good while making money, goes beyond a pure capitalist model and now includes a value added criteria for investing donor investing in the not-for-profit sector. Financial institutions, microfinancing platforms, investment funds, banks, investment banks, mutual funds, etc., are now focused on evaluation of their practices against a broad definition of ESG criteria.

This current phenomena is also growing in many different industries and within many countries. In general there is a practical implementation of “impact investment” toward ESG issues which are mapped by corporations (IFC, 2006: 4), ‘social enterprises’ are abounding[12] (Grieco, 2015), governments are launching ‘social impact bonds’ (The Economist, 2011) and there is integration of ESG considerations into financial analyses by traditional investors (Gitman et al, 2009). Even archetypal profit-focused investment banks, including Goldman Sachs and Morgan Stanley, include ESG and impact activities in their business. For example, in 2013

[12] Grieco defines Social entrepreneurship as what “involves the provision of goods and services not as an end in itself, but as an integral part of an intervention to achieve social objectives, thereby contributing to social change.” This broader concept includes ethical finance, microcredit, fair trade and organizations that operate in order to achieve a certain purpose, rather than simply financial profit, as the embodiment of social enterprise. (Grieco, 2015: 1).

Goldman Sachs launched a US$ 250 million socially responsible investment fund (Braithwaite, 2013) and Morgan Stanley created a sustainable investing institute (Morgan Stanley, 2013).

If we focus on Bank of America Merrill Lynch (BOAML) for example, a leading financial firm demanding investment decisions take social and or environmental impact alongside financial return; then, in practice, BOAML has clients who are demanding not only a financial return on their investment but also the degree of SEG impact their investment is having. Then, a set of indicators in each of the P4 sectors (See Appendix D) is needed to evaluate the full impact of the investment on financial and non-financial returns. In order to meet that demand, Bank of America Merrill Lynch, after assessing their clients' needs, created "social impact" products or investment alternatives such as exchange-traded funds or separately managed accounts, green bonds or social impact bonds among other financial product.

Internally, Bank of America Merrill Lynch operates through its Global Wealth & Investment Management Chief Investment Officer (GWIM CIO) to identify investment opportunities across multiple assets classes that meet a range of environmental, social or governance factors. Therefore, Bank of America Merrill Lynch implements its own ESG model, not only to identify a socially responsible, sustainable, thematic or impact-first investment opportunities that align to their clients' social impact needs and personal investment interest, but also to measure and track the social impact of those alternative investments opportunities.

From the supply side of the business, Bank of America Merrill Lynch (BOAML) implements an impact investment process following these steps:

1) The Global Wealth & Investment Management Chief Investment Officer (GWIM CIO) team uses quantitative and qualitative process to identify high conviction strategies and business opportunities for impact investment using their ESG criteria.

2) From their pool of impact investment possible alternatives, BOAML selects those alternatives that meet the impact-oriented criteria following targeted ESG indicators and model, reflecting specific clients' needs.
3) A team of experts reviews the strategies of the product that they offer to their clients to ensure that it is constructed and managed with the intent to create positive impact. During this process, they evaluate the strategy's investment products using their ESG model to ensure that environmental, social and governance factors are fully integrated.
4) Finally, they work individually with each client to identify the impact strategies that will help them pursue their goals, educating them on the combination of social impact, risk and financial return goals.

Bank of America Merrill Lynch as many other financial firms nowadays, not only helps clients pursue environmental and social impact with their investment (supply side of a product that meets a demand need) but also they are committed to using their own capital to drive sustainable growth (See Appendix E). They also want to integrate within the whole organization a positive impact culture, which aligns with Laurence Fink's claim that the company needs to do more than only make profit. They need to make a positive contribution to society. With this idea in mind, Bank of America Merrill Lynch has a positive impact commitment that is linked to its core business vision and mission:

> "Our commitment is a reflection of our values and helps us create shared, lasting success with our clients and communities, creating jobs, transforming communities and fostering mobility all while growing our business. When we match our business and our values, we

can use our business to tackle society's biggest challenges in a way that positions us to grow responsibly."

Bank of America Merrill Lynch, as many other financial firms nowadays, not only help clients pursue environmental and social impact with their investment (supply side of a product that meets a demand need) but also they are committed to using their own capital to drive sustainable growth (See Appendix F). They also want to integrate within the whole organization a positive impact culture, which also aligns with Laurence Fink's claim that companies need to do more than only make profit. Fink advocates making a positive contribution to society in tandem with creating profits which is additive to generating positive shareholder value. With this idea in mind, Bank of America Merrill Lynch has a positive impact commitment that is linked to its core business vision and mission:

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Nowadays, Bank of America Merrill Lynch is not the only company in the business of social impact investment, there are thousands of organization, profit, non-profit, and in different sectors implementing a very similar impact investment model (See Appendix G).

[13] See. Accessed on May, 20, 2018. https://about.bankofamerica.com/assets/pdf/BAC_2017_ESG-Update_online_ADA.pdf

2) **Summary of Impact Investment Methodologies**

Even though this year Laurence Fink's claim on the importance of measuring the positive social impact of every business to society has an important impact for the media, this claim is the result of at least ten years of social impact initiatives. During those years the notion ,of social impact being a key element for evaluating business performance, has become so mainstream that European governments, including G8 leaders and even the Pope, has promoted the creation of institutions to give greater attention to driving social impact through investment. To this end, in 2013 the United Kingdom's Prime Minister, David Cameron, dedicated the U.K. to work "with other G8 nations to grow the social investment market and increase investment, allowing the best social innovations to spread and help tackle our shared social and economic challenges" (Social Impact Investment Taskforce, 2014: 3). The Pope also placed impact investing on governments' agendas when he urged, in June 2014, for "governments throughout the world [to] commit themselves to developing an international framework capable of promoting a market of high impact investments and thus to combating an economy which excludes and discards."[14]

In the development of the "social impact investment" sector, there has been a development in the meaning of this concept to evolve from the basic goal of maximizing profits to broader goals for businesses to profit while at the same time, organizations are contributing to the improvement of the people and the environment in which they operate. This is what we call "having a positive social impact." Another important development of the "social impact investment" concept is the

[14] Catholic Church ad Francis. 2014. *"Address of Pope Francis to the Participants in the Conference Promoted by the Pontifical Councl for Justice and Peace on "Impact Investment for the Poor."* Given in Rome, at Clementine Hall's, Sala Clementina is a hall of the Apostolic Palace near St. Peter's Basilica in Vatican City on June, 16, 2014. Accessed May 20, 2018. https://w2.vatican.va/content/francesco/en/speeches/2014/june/documents/papa-francesco_20140616_convegno-justpeace.html

scope of these practitioners. Additionally, these efforts have been directed at sustainable, responsible business. Consequently, there has been a rise in the quantity and quality of tools available for measuring the social impact of business. Investment funds want to do more than simply say that they produce a “double or triple bottom line”[15] they want to measure their impact (Saltuk, 2015). Similarly, companies are now striving to prove that they make a positive economic and social impact beyond merely having a narrowly formed ESG department or contributing a certain portion of their profits to various causes. Another change that is noticible, is ‘Having a positive impact’ is now the objective of a broader set of companies, rather than exclusively the domain of charitable enterprises and investors. What’s more, businesses and investors contend that “ESG issues are a driver of financial returns” (Gitman et al, 2009: 4).

Additionally, as Florman, Klingler-Vidra and Facada noted, the idea that business decisions need to be made in light of social context is not new. Henry Ford, for example, promoted an advanced approach to paying his staff at Ford Motor Company.[16]

These requirements to determine social impact has pushed the creation of more than 150 impact assessment methods for impact investment in the world (Foundation Center, 2015). Researchers from the London School of Economics and the University of London agree with us that it is necessary to have a unifying “index or platform” that brings the best of each one of the different methods (Florman et al, 2016). What is even more interesting is that if we analyze the

[15] Double bottom line refers to “investments that can provide both a financial return and measurable social impact” (Goldman Sachs, 2013: 1). The term “triple bottom line” expands this meaning to social, environmental and economic performance, or profit, people and planet (Grieco, 2015: 42).

[16] Rather than maximizing short-term profitability by keeping wages low, he chose to pay his staff a $5 a day wage, well-above market rates of $2.50/day (Worstall, 2012). His logic was simple: his employees could also be his customers, but they needed attractive wages in order to afford to buy his automobiles. In Spain’s Basque Country, a credit cooperative, Laboral Kutxa, has operated on the principles that profit stems from investing in employees who are the owners of the business, and the community for more than fifty years (European Investment Fund, 2014).

theoretical foundations for the different impact assessment methods for impact investment in the world, not only are there many different models but also, there are many impact investment assessment models which do not have an explicit theoretical foundational model. This is very interesting because as mentioned earlier, many institutions and organizations use the environment, society, and governance (ESG) and the Millennium Development Goal (MDG) framework criteria, which is a way to account for the Triple Bottom Line: people, planet, profit model.[17]

Social Impact Assessment Methodologies

Before exploring the social impact assessment methodologies, we start by defining what "social impact" is, by considering that economic and social impact is about purpose, not only profits, in the social and environmental spheres (O'Donohoe et al, 2010: 5). The process of forming the concept and the measurement tools for impact varies along with the institutions and different players using the term (Wallman-Stokes et al, 2013). So the challenge of social impact assessment, then, is to consistently capture and compare the impact of various projects, undertakings and enterprises. To do so, social impact assessment constitutes the process of:

> *"analysing, monitoring and managing the intended and unintended economic and social consequences, both positive and negative, of business intervention and any social change process invoked by those interventions"* (Vanclay, 2003).

[17] See: http://www.economist.com/node/14301663

Florman et al. proposes to redefine this definition by expanding it to: “analyzing, monitoring and managing the economic, social and environmental consequences of business activity, both positive and negative, independently of the intentionality of the activity” (Florman et al, 2016: 5). We believe that ideally an integrated social impact index needs to assess the direct and indirect financial gain associated with the full intention of the investment. For example, investment capital is needed to build a new school. The return on the investment could include the number of children educated and their full contribution to family, civil society, economic change in the region where educated children will live, work, and contribute. In this example, a human ecology financial model moves financial indexing beyond a traditional brick and mortar ROI to an integrated, socio-economic, purpose driven, human ecology systemic model.

The aim of social impact assessment is twofold: to help decision-makers evaluate the merits of continuing with their business or programs and to develop a method to evaluate best practices which support the institution’s positive impact on the future. (Grieco, 2015: 46).

Studying the evolution of social impact assessment, we could identify the 1990s as the creation of the first social impact assessment method. The first comprehensive quantitative ‘accounting’ methodology, called the Social Return on Investment (SROI) framework, was launched in 1997 with its roots in cost-benefit analysis (Grieco, 2015: 67-68). A handful of methodologies were launched in the late 1990s (see Appendices H & I for a snapshot of the trend), then, in 2000, the Global Reporting Initiative launched its first guidelines (now referred to as “G1”), which represented “the first global framework for comprehensive sustainability reporting" (Global Reporting Initiative, 2015).[18] Between 2006 and 2010 four general methodologies that are widely used today, including B Labs' GIIRS, were created.

Geographically, the various methods tend to be designed for global audiences, which is facilitated by the availability of several methodologies as online reports, frameworks or tools (e.g. GIIRS, G4, PRI). The development- and social enterprise-focused methods, such as Social Rating, also tend to be used mostly in emerging markets in Africa, South America and Asia rather than in the older industrialized economies.

Olsen and Galimidi (2008: 14) categorize the methodologies as one of three types: ratings systems, assessment systems and management systems. Florman et al. classify the methodologies as one of two categories: 'general'' as they broadly capture impact (they measure at least two areas, whether it be across social, environmental and economic arenas), and 'specific' (e.g. focus on one or two areas (such as poverty reduction or environment), sectors, or are for the sole use of a single entity or group).

In Florman's report using a sample of 20 methodologies, eight of the methods are categorized as 'general', with the remaining 12 considered specific due to their use by a single entity or focus on a single area. Appendix J, Figure 1 offers a snapshot of the extent to which all of the approaches evaluated are holistic or integrated in their areas of coverage; the majority cover Economic, Social and Environmental measurements. Either the category 'economic' or 'financial' is used; our research revealed that both terms refer to similar indicators (e.g. monetary profit, revenue, etc.). If taken together, the economic + financial category is measured by 11 of the 20 approaches.

[18] Today the GRI offers the fourth version of its guidelines (the G4).

In table 1 in Appendix H, there is a list of general social impact assessment methodologies, which are listed chronologically by year launched. General methods are employed by different users. The general approaches were created by different institutions; for instance, investors (GIIN, REDF), international organizations (the U.N.) and private governance organizations (B Labs, GRI) have all launched general methodologies. The GRI's G4 report, for example, is available for all companies to download and complete. Several of the 'general' methodologies are intended for narrower user bases. The UNPRI, for example, is for institutional investors while the GIIRS is primarily used by non-profits and socially-inclined entities.

Unlike 'general approaches' inclusion of multiple areas (e.g. economic, social and environmental factors), the "sector-specific" approaches listed can solely measure impact on a sub-set of parameters (Olsen and Galimidi, 2008: 9). For instance, four methods cover just environmental impact, though they do so with different aims and through varying means.[19]

The Ecological Footprint focuses on human activity (companies, industries, governments, etc.) while the LEED Certification focuses on the sustainability of built structures. The EPRS was developed by Environmental Capital Group for the California Public Employee's Retirement System (CalPERS) for their own use, with the aim of CalPERS optimizing financial returns alongside propelling "the adoption of environmental and clean technologies" (Olsen and Galimidi, 2008: 34).[20]

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[19] Florman found that the four methodologies focused solely on environment are: the Ecological Footprint, the Leadership in Energyand Environmental Design (LEED Certification), Trucost and the Environmental Performance Reporting System (EPRS) (Florman et al, 2016: 9).

[20] Florman noted that an energy company, Husky, created its own EPRS. Their EPRS is explicitly focused on the environmental benefits of new upstream and downstream facilities to extract oil, and is used exclusively by Husky (Florman et al, 2016: 9).

Eight of the 'specific' methodologies have been developed for a single entity or group's use.[21] The Social Value Metrics tool, for example, is specifically used to assess whether or not the Root Capital lending facilities give a loan to rural grassroots enterprises. The entry, analysis and reporting of the data is exclusively done by and for Root Capital. The International Finance Corporation (IFC)'s DOTS methodology covers social, environmental and economic factors, but does so in order to measure specific development performance in its emerging markets portfolios. It is important to note that several of the firms behind these methodologies are open to their broader adoption; Florman categorizes them as 'specific' because of their current use by a single entity or for their focus on specific industries. Table 2 in Appendix I, details these more "specific" social impact assessment methodologies. It is important to keep in mind that by 'specific' Florman is not referring to only sector-specific approaches as Olsen and Galimidi (2008) did. Rather, specific methodologies constitute either (i) approaches developed for the exclusive use of a single entity (and its clients, members, or investors) or (ii) approaches that only analyze impact in one sector (e.g. only the environmental impact).

Evaluation of the Social Impact Assessment Methodologies

The strength of existing social impact assessment methodologies is their increasing sustainability, inclusiveness and ability to demonstrate value. By 'usability' we refer to the

[21] These are the proprietary social impact assessment methodologies included in Florman's report as being an example of the larger universe of single-firm-use methods. The firms who developed these methods are: Environmental Capital Group (for CalPERS), HIP, Trucost, New Profit, LeapFrog, the IFC, Atkisson, Inc., and Root Capital (Florman et al, 2016: 9).

availability of reports and tools online and the user friendly nature of these resources,[22] by 'inclusiveness' we mean comprehensiveness of coverage area as well as involvement of a variety of stakeholders (e.g. companies, investors and third party firms)[23] and 'ability to demonstrate value' points to the ways in which approaches help firms and investors capture headline figures for their impact reporting.[24]

Even though, there are many existing social impact assessment methodologies, these tools have weaknesses and limitations. Many of these methods require intense resources: time and

[22] More and more social impact assessment methodologies are user-friendly through their offering of online tools, public reporting and creating tools that store data such and regular updates. The Social Impact Assessment (SIA) method, for example, offers a systematic update of data that is collected from official sources such as national statistics and longitudinal studies. The B Rating System, for example, offers an online platform that serves as a database and report that is user friendly. Such an easily accessible platform reduces the time and effort incurred for firms and investors when providing their data, and then in updating their details on a regular basis. GRI's G4 report is freely available online; businesses can access and complete on their own (Florman et al, 2016: 12).

[23] Inclusiveness refers both to (a) involving multiple stakeholders, such as companies, investors, consulting firms and third parties and (b) drawing upon other methodologies. On the first point, methods such as the Balanced Scorecard and the Dalberg Approach have the participation of investors, the company and a third party in the process of data collection, creation and verification processes (Florman et al, 2016: 13). On the second, the B Rating System is one of the approaches that draws upon other methods as it 'integrates aspects of many approaches' (Olsen and Galamidi, 2008: 20). Similarly, Social Venture Technology Group (SVT), in 2001, created their own SROI tool by combining the SROI framework with elements of the Human Impact + Profit (HIP) Scorecard (Florman et al, 2016: 13).

[24] The methodologies help their users to demonstrate impact, which is valuable to companies like LeapFrog in relaying their performance to institutional investors. See for example: http://www.leapfroginvest.com/ Another way of enhancing value is by giving feedback and best practices, rather than solely assigning a score or rank, for example, the Social Impact Assessment (SIA) approach, which offers its users feedback through the platform. So, users get feedback and commentary in return for providing their data. Another example is found with LeapFrog, as the team feeds FIIRM data throughout the organization and back to companies to drive Profit with Purpose performance (Florman et al, 2016: 13). The Ecological Footprint approach delivers value by establishing causal links between human and environmental activity. In doing so, it effectively offers companies a path whereby they can undo, or reduce, their negative environmental impact. Ecological Footprint offers more than a ranking, it instructs a new way forward for the business (Florman et al, 2016: 13).

information[25], are based on subjectivity[26], have insufficient transparency,[27] lack an integrated, ecological system framework (Sisodia, 51),[28] and are inaccessible in nature (are only available to their developers, investors, members or donors). [29]

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[25] Many approaches are time and labor intensive as they require quantitative data on businesses' operations, processes, and facilitates and also qualitative description of numerous ethos and practices. Even ESG departments ensure that they complete the forms available, and that they are acting in accordance with the recommended best practices (Grieco, 2015). This is because the number of databases and platforms that companies need to report to compounds the demand for scare company resources. This becomes a problem when reporting demands become the end in itself losing focus on the purpose. Firms can keep themselves busy simply by reporting on their impact, rather than dedicating time to proactively or strategically thinking about how to improve impact (Florman et al, 2016: 14).

[26] There is a prescriptive nature within nearly all of the methods that ratings/scores are determined according to what each methods' creators believe to be best, right or important, or what they are aiming to achieve. The architects of the GIIRS approach, for example, aim to facilitate "more investment to flow into positive impact companies" through their offering (Olsen and Galimidi, 2008: 20).

[27] The outcome of the lack of transparency is that users of the impact assessments are not able to make their own, timely judgements of companies' impact. In practice, Impact assessments are based upon data that is not publicly available, and the analysis and scoring of that data takes place in a closed environment, rather than transparently. The analysis conducted to produce the HIP Scorecard is an illustration of this; HIP scores are based upon a mix of interviews and secondary research. Scientifically speaking, this means that we are not able to 'verify or falsify' the results, as we – the public – are not able to recreate the dataset that led to the scoring. B Lab similarly analyses their raw data – answers to 20 to 170 questions depending upon the company's size – in order to produce their overall score and star rating (Olsen and Galamidi, 2008: 20). The Social Rating also relies on interviews and discussions to formulate their assessment. Another problem is that the freshness of data provided by methodologies run by consulting firms is often lacking. In the case of the Compass Impact Assessment Method – run by the AtKisson group – the data is updated every 2 to 3 years, depending on the portfolio and investment evolution of each company. The PPI survey data is updated every 5 to 10 years, and the Dalberg Approach data is updated quarterly or annually. By the time an assessment is produced, the data on which a consulting firm's assessment is based may be out of date. If data were provided in an accessible, transparent format – such as a web portal or app – companies could quickly update their reported data and users would similarly have access to current information (Florman et al, 2016: 16).

[28] For more than two centuries, business has operated under the influence of Newtonian science, which evolved in response to the restless desire of humans to understand the forces of nature well enough to harness if not conquer and control them. Everywhere, organizations face the challenge of operating in a world in which they no longer have the control over markets that they believed they had. Research shows that we are dealing with complex adaptive systems, which is a term that biologists use to describe self-organized systems, which are ecosystems. These could represent an ant colony as well as the internet. In natural ecology systems, the end game is balanced relationships between system participants. Without balance, an ecosystem loses its capability to support its stakeholders and under these conditions the system will eventually dis-integrate (Kelly, 28)

[29] Several of the methodologies are tools created for the explicit use of the creator, its backers or its membership. Tools, such as the SIA, are available for entrants of Global Social Venture Competition (GSVC)'s start-up competition and income-generating non-profit organizations, but not made broadly available for businesses. Similarly, Calvert Foundation created their own SROI Calculator – based upon the SROI methodology – in order to measure the impact of their investments. Both of these tools, as well as the proprietary assessment tools of other impact investors, are, at this stage, only available for the firm's use. Other tools require membership, partnership and

As long as there is a growing consciousness and importance for organizations, profits and non-profits, to produce a positive impact to society, as Laurence Fink, BlackRock's CEO shows, there will be a growing need to find better ways to measure the real social impact contribution to society. In this sense, we anticipate that there could be two main paths: on the one hand, there would be a multiplication in the number of existing social impact assessment methodologies building in their main strengths: increasing sustainability, inclusiveness and ability to demonstrate value. On the other hand, their weaknesses and limitations due to the intense resources that they demand (in terms of time and information), their subjectivity, their insufficient transparency, the lack of an ecological integrated system framework, and their inaccessible nature are very important to ignore. Therefore, we believe that the second path would be the development a social impact assessment methodology that is leverages the current strengths and improves upon the documented weaknesses.   This universal index will provide the basis for a unified, approach to impact investment assessment regardless of sector and targeted outcomes.

3) A Holistic Theoretical Framework to Construct a more Integrated Impact Investment Index

We believe that there is also a philosophical need to develop a holistic theoretical framework to construct a more integrated impact investment methodology. First, this tries to answer the fundamental question: ***What is a positive social impact to society?*** Second, there is a practical

other types of affiliation, and may even charge a fee for access to their report, tool or guidelines. The costs can become another hurdle to the accessibility of the impact assessment tools. As illustrations, the Global Reporting Initiative offers the G4 report for free, but it charges fees for services beyond the report. As shown in Tables 1 and 2 in Appendix H & I, the "cost" column, a number of the impact assessment methodologies are only accessed by donors or members (e.g. Balanced Scorecard, PPI, PRI) (Florman et al, 2016: 16).

application to the first question: if an organization wants to produce a positive social impact to the society, ***how do they do it?*** We strongly believe that is necessary to explicitly build the fundamental ingredients of a true holistic theoretical framework to construct a more integrated impact investment methodology. This methodology will be using their main strengths of current methodologies (increasing sustainability, inclusiveness and ability to demonstrate value), and improves their main their main weaknesses and limitations of current methodologies, in particular, their subjectivity, their insufficient transparency, the lack of an ecological integrated system framework, and their inaccessible nature.

We believe that a holistic theoretical framework to construct an impact investment methodology has to be integrated with these theories: 1) a theory of an "intrinsic good" in business; 2) a theory of "good work"; 3) a theory of the "good person"; and 4) the key idea that businesses and financial markets thrive on trust, vision and spirit. All of these theories need to be interconnected into a holistic framework of a good ecological system. Moreover, a good system, a human ecology model, reflects the interrelationship of man, work, and business to represents a positive impact in the human ecological system.

A detail development of our holistic theoretical framework to construct an impact investment methodology is beyond the scope of this paper. However, in this paper we want to provide a blueprint of it.

3.1) **A Theory of Good Business**

The theory of good business shows that there is an intrinsic good in business. The good that business does contribute to the common good in Society and should have a good or positive impact. Therefore, if the final focus is the positive impact of business is society, the process that lead to that positive impact should involve effective people, teams and organizations that collaboratively combine not only skills and structures, but also trust, spirit and vision, because these qualities are necessary for open collaboration, open communication, common cause, and synergy. This is the work of a good leader. In the Appendix K, Figure No 2 we represent the schema of our holistic theoretical framework to construct a more integrated impact investment methodology.

Figure 2: Impact Investment Eco-System (4Ps: Purpose, People, Planet, Profit)

Source: Authors' work in collaboration with Paul Armington and Robert Porter Lynch from the International Collaborative Leadership Institute (ICLI).

When we experience also trust, spirit and vision in a collaboratively way[30] our creativity and energy increase substantially and becomes innovation.[31]

How can we infuse these qualities of trust, spirit and vision in our organizations to produce a positive social impact? We have to develop a theory of good work and a theory of good person within an ecological system.

3.2) **A Theory of Good Work**

Management is a human action, not a mechanical activity. It is carried out both by people and for people and this involves ethics. As a human being through our actions, each one of us can affect the lives of others. More explicitly for business, our decisions and behaviors can harm or benefit a variety of stakeholders. For example: our coworkers, our clients, our employers, the communities in which we live and work, even in the whole profession, the industry and the markets. Good work comes from Ethics. One approach to ethics is to consider the service or damage to those who receive the effects of human action. Therefore, ethics is an essential part of good management and leadership. What is more: Good ethics is good business.

This is not a purely theoretical or abstract idea but a very real and practical one with measurable consequences for the society and the common good.

[30] We worked with Paul Armington and Robert Porter Lynch from the International Collaborative Leadership Institute (ICLI). See: http://www.iclinstitute.org/

[31] When a leader is able a community of trust, spirit and vision, the five organizational debilitations (fear, compulsive ego, passive aggression, resentment/anger, and suspicion) will decrease (Spitzer,18).

3.3) **A Theory of Good Person**

The goal of every human person is to be happy or to achieve human flourishing through our human work. Therefore, our work has significant meaning, and we can strive for human flourishing in a collaborative work in our organizations and businesses.

Using the framework of the Chartered Financial Analysis Program (CFA), which is the most prestigious program that requires the high ethical standards all over the world for any professional working in finance and investment, this is practically achievable working in the financial world. In the CFA program, 15% of the curriculum is based on the importance of ethical decision-making process in the profession.

As professionals we believe that our organizations, businesses and financial markets thrive on trust. The CFA defines trust as the "strong belief in the reliability of a person or institutions."[32]

Research also shows that laws, regulation, and code of ethics are important and necessary to guide ethical behavior, but they are not sufficient. Ethical conduct goes beyond what is legally required (CFA, 18). What is more, to act ethically, individuals need to be able to think and to make good choices even in the absence of clear laws or rules. In practice, in the end, Ethics requires judgment and willingness to act upon.

There is a difference between a job which could provide earning a living, and a vocation which is a particular calling to serve others and the common good. Only the vocation produces true professional leaders in business and finance. For St. Jose Maria Escriva, work is the source

[32] We can observe in particular how individual actions in the financial markets, affected trust in the financial crisis of 2008. Without trust, the financial markets collapsed producing a severe economic recession. This year we just remembered 10 years of the collapsed of Lehman Brothers, which reminds us of the moral consequences of the short-term unethical incentives in the subprime crisis (CFA, 6).

of human sanctification because it is the realization of our personal vocation to love and serve others and it is based on good Ethics (Diaz, 63).

Ethics encompasses a set of moral principles and rules of conduct that guide our behavior, like honesty, fairness, justice, diligence, and respect for others. Ethics is taken from the philosophy of Ancient Greece, and it is a guideline for moral excellence. Ethics comes from the Greek: “ethos” meaning: “character.” This really highlights that our human character has to be formed through the repetition of good acts that creates virtuous actions, and through the right formation of our consciences to learn the universal truths, values, and principles which are the foundation of our actions.[33]

3.4) An Integrated Ecological System:

From the theory of Total Quality Management (TQM), which highlights setting up continuous feedback and evaluation through careful attentiveness to all facets of product and process, System Theory came into the work environment closely behind TQM.[34] By looking at an organization as a dynamic, complex organism with fundamental momentum, systems theorists

[33] If good ethics is reflected in good work, which reflects the Aristotelian idea of virtue as human excellence, which leads to a “good life” or “living well” (Eudaimonia), or human flourishing.

[34] See W. Edwards Deming. *Quality, Productivity and Competitive Position* (Cambridge, MA: MIT Press, 1982). Deming anticipated system theory in his total control model. He summarizes this in *The New Economics: for Industry, Government, Education* (Cambridge, MA: MIT Press, 1996). Pp. 58-66. One of the best summaries of systems theory and its relationship to “the learning organization” may found in Peter M. Senge, *The Fifth Discipline: The Art and Practice of Leaning Organizations* (New York, Doubleday, 1990). This volume contains an outstanding bibliography of system theory and its relationship to other dimensions of organizational leadership.

gave a more comprehensive and long-term picture of organizational life. In this way, it was much easier to see long-term interdependence, collaboration and interrelationship.[35]

This reality also goes in line with the second point that Mr. Fink asks for in his letter: "*To prosper over time, every company must not only deliver financial performance but also show how it makes a positive contribution to society*."

The key question is how we measure the positive contribution? Today more and more profit and non-profit organization are measuring their impact regarding the effect on: profits, the planet (natural environment) and people. What is known as the triple Ps.

We believe that we could build a more holistic theoretical framework to construct an impact investment methodology that includes the theories: 1) a theory of an "intrinsic good" in business; 2) a theory of "good work"; 3) a theory of the "good person"; and 4) within an integrates ecological system that is able thrive on trust, vision and spirit and produce a positive social impact to society. We can help in this process by adding a fourth P, for the "Purpose" to the triple P: People, Planet, and Profit. This a fourth dimension called "Purpose" or the collaborative integration of trust, vision and spirit to produce a positive social impact to society. A possible way to add a measure of "Purpose" or the collaborative integration of trust, vision and spirit to produce a positive social impact to society, would be to measure the ethical virtuousness of the firm policies and actions. Ethics provide the moral foundation of sustainability within the human ecology system. This could be realized by considering **"Organizational ethical quality"** (OEQ).

[35] As a consequence, "stakeholders", the integral, interdependent constituents: customers, employees, stockholders, management, suppliers, community, etc, replaced "stockholders" in the development of business theory. This also allowed the principle of optimal benefit to be recognized. This is a benefit that is align to the common good of the whole organization and it promotes positive social impact to society.

Conclusion

In this paper we have shown that there is a need to create a reliable, universally accepted method that measures the positive contribution which a company achieves, alongside its financial returns and that this index is holistic and takes into consideration the human ecology of social impact and not only the direct and indirect financial outcomes.

We believe that in order to educate business and all stakeholders to demand that profit coexists with a positive contribution in society, we need a theory of good business that is connected to a theory of good work, that is connected to a theory of the good person or human action, which is connected to a theory of good ethics. All of these theories are interconnected in a holistic framework creating a good system or human ecology. This holistic framework, then, is built upon an interrelationship of man, work, and business and its impact on society.

The theory of good work says the ethics are lived in our daily work. Our good work is the fruit of good ethics. Human work is necessary for professional development and our human flourishing.

We can help in this process by adding to the triple P: People, Planet, Profit, a fourth dimension called “Purpose” or the collaborative integration of trust, vision and spirit to produce a positive social impact to society by considering **“Organizational ethical quality” (OEQ).**

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