

PROGRAM: Administração, Ciências Econômicas, Engenharia Mecânica, Engenharia Mecatrônica e Engenharia da Computação.

COURSE: IMPACT MEASUREMENT AND INVESTING

TOTAL HOURS: 80 horas

SEMESTER: 2017-2

PROFESSOR: Sergio G. Lazzarini (sergiogl1@insper.edu.br)

TOPICS:

Introduction of impact investing. Business models: conceptual discussion and application. Measuring impact: alternative methods and principles. Rewarding for impact: outcome-based contracts, social impact bonds, and similar arrangements. Attracting and managing investors: types of investors and management of impact investing funds. Career opportunities in the ecosystem of impact management.

OBJECTIVE:

The course discusses the new trend of "impact investing," targeting projects and businesses that seek to balance profitability and socio-environmental impact. Students will develop three sets of complementary skills. First, they will learn how to design business models comprised of sets of coherent activities that allow for a reconciliation of economic and social performance. Second, they will be able to assess and propose alternative ways to measure impact and then craft solid measurement plans to attract capital from investors and other stakeholders. Third, students will understand the various forms and mechanisms used to attract capital for impact-oriented projects. We will also discuss several applications involving multiple actors who can deliver social impact, including social enterprises, nonprofits, corporations, and governments.

CONTENT:

1. From corporate social responsibility to shared value strategy to impact management strategy.
2. The ecosystem of high-impact projects
3. Managing dilemmas in impact investing
4. Business models for high impact
5. Theory of change and the differentiation between inputs, outputs, outcomes, and impact
6. Standardized tools to measure socio-environmental performance: IRIS, GIIRS, B Lab Certification

7. Assessing additionality
8. Tiers of measurement
9. Matching techniques to create comparable control groups
10. Accounting for unobservable factors: differences-in-differences, exploiting discontinuities
11. Designing randomized controlled trials (RCTs): a primer
12. More on RCTs: sample size and measurement precautions
13. SROI (Social Return on Investment)
14. Outcome-based contracts: benefits and challenges
15. Types of outcome-based contracts: social impact bonds, development impact bonds, environment impact bonds, pay-for-success contracts.
16. Criteria to select impact variables in outcome-based contracts
17. Designing outcome-based contracts
18. The diversity of investors: from impact-first to financial-first
19. Crafting and managing impact funds
20. Career opportunities in the ecosystem of impact management

BASIC BIBLIOGRAPHY:

1	DONALDSON, S.; CHRISTIE, C.; MARK, M. (Eds.) <i>Credible and Actionable Evidence</i> . Los Angeles: Sage, 2015.
2	SCHULTZ, T. & STRAUSS, J. (Eds.), <i>Handbook of Development Economics</i> . Amsterdam: Elsevier. Especially Chapter: DUFLO, E., GLENNERSTER, R., & KREMER, M. 2008. Using randomization in development economics research: a toolkit, pp. 3895-3957.
3	MENEZES FILHO, N. A. (editor) <i>Avaliação econômica de projetos sociais</i> . 1. Ed. São Paulo: Dinâmica Gráfica e Editora, 2012.
4	Varied texts indicated in the description of each class.

COMPLEMENTARY BIBLIOGRAPHY:

1	CARROLL, Archie B.; BUCHHOLTZ, Ann K. <i>Business e society: ethics and stakeholder management</i> . 7th ed. Mason, Ohio: South-Western, 2009.
2	EPSTEIN, M. J.; YUTHAS, K. <i>Measuring and Improving Social Impacts</i> . San Francisco: Berrett-Koehler Publishers, Inc., 2014.
3	ROODMAN, D. <i>Due Diligence: An Impertinent Inquiry into Microfinance</i> . Baltimore: Brookings Institution Press, 2012.
4	LONDON, Ted; HART, Stuart L. <i>Next generation business strategies for the base of the pyramid: new approaches for building mutual value</i> . 2nd ed. Upper Saddle River, N.J.: FT Press, 2011.
5	MOORE, M. <i>Creating Public Value</i> . Cambridge: Harvard Business School Press, 1995.

EVALUATION:

Name	Code	Weight
1. Mid term exam (Prova Intermediária)	PI	20%
2. Final exam (Prova Final)	PF	40%
3. Hands-on assignments (10% each)	A1	30%
4. Class participation and quizzes	A2	10%

Important notes:

1. Participation in class will be assessed based on attendance, revealed preparation (readings) and collaboration to collective learning with comments, opinions and observations which build upon the suggested readings and help create a high-quality debate.
2. Please check and read all materials *before each class*, as indicated in the detailed program below (column "activities and required preparation")
3. I will administer individual quizzes at the start of the classes indicated as (*) in the detailed program below. Quizzes last 15 minutes and are intended to verify whether the student read the required material assigned for the class.
4. Students with class frequency lower than 75% will not be eligible to pass the course.

Hands-on assignments:

To work on the hands-on assignments, students will form groups with no more than 5 (five) individuals. There will be three assignments, with the due dates indicated below:

Hands-on assignment 1. Design a business model to reconcile profitability and impact for a focal organization or project. Due date: **September 6 at 9:45 am.**

Hands-on assignment 2. Using Insper Metricis's guidelines, write a measurement plan for the organization or project focused on the first assignment. Due date: **October 25 at 9:45 am**

Hands-on assignment 3. Due date: **November 27.** Two possibilities (choose one):

- Develop an outcome-based contract for the organization and project focused on the first and second assignments, including potential mechanisms to attract investors; *or*
- Execute the measurement plan developed in the assignment 2, that is, collect the data and perform the impact analysis.

During the course, I will present detailed instructions on the assignments and we will have preparation and presentation sessions focused on each assignment.

Office hours: Mondays, 12-13:30. Office number: 702

DETAILED PROGRAM:

Classes are on Mondays and Wednesdays from 9:45 to 11:45 am

DATE	PROBLEM	FOUNDATIONS	LEARNING EVIDENCE	ACTIITIES AND REQUIRED PREPARATION
Aug 7				No class
Aug 9	How to define social value?	Corporate social responsibility, shared value, social value, social impact	Ability to assess whether any reported evidence or claim is consistent with the notion of social value creation and impact	Read: Auerswald P. 2009. Creating social value. <i>Stanford Social Innovation Review</i> , 7(2): 50-55. GIIN Annual Impact Investment Survey 2016. https://thegiin.org/assets/2016%20GIIN%20Annual%20Impact%20Investor%20Survey_Web.pdf
Aug 14	How to assess the ecosystem of social impact?	Stakeholder management	Understand all key stakeholders and their potentially conflicting demands	Case discussion. Read: "Natura and the Development of a Sustainable Ecosystem in the Amazon" (Insper) (*) Quiz
Aug 16	Is it possible to reconcile profitability and impact?	Business models as sets of complementary activities	Identify key traits of business models to reconcile profitability and impact	Read: Lazzarini, S. G., Cabral, S., Ferreira, L. C. d. M., Pongeluppe, L. S., & Rotondaro, A. 2017. Reconciling financial and social performance through heterogeneous business models: an empirical study of impact-oriented investors. Working paper, Insper.
Aug 21	How to build business models combining profitability and impact?	Value proposition canvas	Identify the value proposition in business models for impact investing and describe they key value-creation elements	Invited lecture: Carlos Kazunari (SEBRAE and Insper Metricis) Check: The value proposition canvas. https://strategyzer.com/canvas/business-model-canvas https://www.youtube.com/watch?v=2FumwkBMhLo Practical exercise to start designing an impact-oriented canvas. Orientation for hands-on assignment 1.
Aug 23				Field visit: Inova Urbis (Paraisopolis) We will meet at the following address at 10:15 am: R. Manoel Antônio Pinto, 382 - Paraisopolis, São Paulo - SP
Aug 28	How do I know if my activity will generate the intended outcomes?	Theory of change and the differentiation between inputs, outputs, outcomes, and impact	For a given set of impact-oriented activities, describe its underlying theory of change	Read: McLaughlin, J. & Jordan, G. Using logic models. In: Wholey, J.; Hatry, H.; Newcomer, K. <i>Handbook of Practical Program Evaluation</i> . Jossey-Bass, 2010.
Aug 30	How to assess socio-environmental performance?	Standardized tools: IRIS, GIIRS, B Lab Certification	Identify the pros and cons of standardized tools to measure impact	Check: http://b-analytics.net/products/giirs-ratings/how-giirs-works/fund-rating-methodology

Sept 4	How to assess socio-environmental performance?			Invited lecture: Ana Sarkovas (Sistema B)
Sept 6				Group presentations: proposed business models (hands-on assignment 1) Due date of assignment 1: Groups should send their assignment before the class starts (at 9:45 am)
Sept 11	How to assess impact?	Counterfactuals and additionality Treatment vs control groups	Compare and contrast alternative ways to assess what would have occurred to the target populations without the project	Read: Inspere Metricis. 2017. Guide to the Assessment of Socio-environmental Impact for Use in Impact Investments. General Guide Focused on Verification of Additionality. https://www.inspere.edu.br/wp-content/uploads/2017/03/Assessment-Socio-environmental-Impact-Investments-Guide.pdf Caselet: Impact investing in secondary schools.
Sept 13	How to assess impact?	Tiers of measurement	Understand the strength of alternative methods to assess causality	Read: Inspere Metricis. 2017 (see above). Donaldson, S.; Christie, C.; Mark, M. (Eds.) Credible and Actionable Evidence. Los Angeles: Sage, 2015. Chapter 1.
Sept 18				Preparation for hands-on assignment 2 (*) Quiz
Sept 20	How can I create comparable control groups?	Matching techniques	Based on fundamental traits of the target population, build comparable control groups	Read: Abadie, A., Drukker, D., Herr, J. L., & Imbens, G. 2004. Implementing matching estimators for average treatment effects in Stata. Stata Journal, 4(3): 290–311. http://www.stata-journal.com/sjpdf.html?articlenum=st0072
Sept 25 9:45-11:45 am	How can I create comparable control groups? (continued)	Differences-in-differences. Regression discontinuity designs.	Build comparable control groups, with an emphasis on how to control for unobservable factors	Read: Villa, J. M. 2012. Simplifying the estimation of difference in differences treatment effects with Stata. Brooks World Poverty Institute, University of Manchester. https://mpra.ub.uni-muenchen.de/43943/1/simplifying_the_estimation_of_difference_in_differences_treatment_effects_with_stata.pdf Jacob, R., Zu, P. & Sommers, M. A Practical Guide to Regression Discontinuity. Until p. 40. http://dev.mdrc.org/sites/default/files/regression_discontinuity_full.pdf
Sept 25 12-1 pm				Extra class Preparation for midterm exam (followed by office hours 1-2:30 pm)
Sept 27- Oct 3				Midterm exams

Oct 4				No class
Oct 9	How can I create randomly assigned groups?	Randomized controlled trial (RCT)	Design basic RCTs and understand their applicability and limitations	Read: Duflo, E., Glennerster, R., & Kremer, M. 2008. Using randomization in development economics research: a toolkit. In T. P. Schultz, & J. Strauss (Eds.), Handbook of Development Economics: 3895-3957. Amsterdam: Elsevier. https://economics.mit.edu/files/806 (sections 1-3) Donaldson, S.; Christie, C.; Mark, M. (Eds.) Credible and Actionable Evidence. Los Angeles: Sage, 2015. Chapter 5.
Oct 11	How can I create randomly assigned groups?	Power analysis. Minimum sample size.	Compute the required sample size to identify treatment effects in RCTs	Read: Duflo, E., Glennerster, R., & Kremer, M. 2008. (see above) (sections 4-8)
Oct 16	Can I monetize social impact?	Social Return on Investment (SROI)	Understand the basic steps to compute the SROI of a project	Invited lecture: Paula Fabiani (IDIS)
Oct 18	It is possible to reward for impact?	Outcome-based contracts	Understand the basic purpose and functioning of an outcome-based contract	Case discussion. Read: "Instituto Semeia" (Insper) (*) Quiz
Oct 23	How can I reward for impact?	Social impact bonds. Development impact bonds. Pay-for-success.	Assess the pros and cons of alternative mechanisms to pay for social impact	Read: Gustafsson-Wright, E., Gardiner, S., & Putcha, V. 2015. The potential and limitations of social impact bonds: lessons from the first five years of experience worldwide. Brookings Institution. https://www.brookings.edu/wp-content/uploads/2016/07/Impact-Bondsweb.pdf
Oct 25				Due date of assignment 2: Groups should send their assignments before the class starts (at 9:45 am) Preparation for hands-on assignment 3
Oct 30	What metrics should be selected for outcome-based contracts?	Desirable characteristics of impact metrics	Assess the pros and cons of alternative metrics to be used in outcome-based contracts	Read: Bevan, G. and Hood, C. What's measured is what matters: targets and gaming in the English Public Health Care System.
Nov 1	How to design outcome-based contracts?	Value-for-money. Economic value of initiatives to create social impact	Execute basic steps to identify opportunities for outcome-based contracts and mechanisms to reward for impact	Read: Social Finance. 2013. A Technical Guide to Developing Social Impact Bonds. http://www.socialfinance.org.uk/wp-content/uploads/2014/05/Technical-Guide-to-Developing-Social-Impact-Bonds1.pdf
Nov 6	What are the types of impact investors and what do they expect?	Financial-first to impact-first investing	Understand the diversity of investors and the investment mechanisms that they use	Read: Monitor Institute. 2009. Investing for Social & Environmental Impact. http://monitorinstitute.com/downloads/what-we-think/impact-investing/Impact_Investing_Exec_Summary.pdf

Nov 8	How do impact investing funds work?	Portfolio management in impact investing	Establish mechanisms to allocate and monitor investments in impact-oriented portfolios	Read: Bridges Ventures (Harvard Business School case) (*) Quiz
Nov 13	How do impact investing funds work?			Invited lecture: Daniel Izzo (Vox)
Nov 22 9:45-11:45 am	What are the career opportunities in impact investing?			Roundtable with invited discussants: Henrique Martins de Araujo (IDB) Beto Scretas (ICE) Angelica Rotondaro (Alimi Impact Ventures)
Nov 22 12-1 pm				Extra class Preparation for final exam
Nov 27				No class Due date of assignment 3: Groups should send their assignments until the end of the day
Nov 29- Dec 6				Final exams