

**Organisation as Communication: An empirical study of
how the communication of impact investing is shaping its
development in South Africa, Kenya and Nigeria.**

A Thesis
presented to

The Graduate School of Business
University of Cape Town

In partial fulfilment
of the requirements for the
Master of Commerce in Development Finance Degree

by
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December 2016

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ABSTRACT

Over the years, investors demand greater transparency on how their funds are being invested. Whilst in the past it would have been enough for investment firms to seek primarily financial returns against all else; it is now becoming more common for investors to demand some form of positive impact above and beyond financial returns. In response to this, many strategies that seek more than just financial returns have been developed and impact investing being one such strategy.

This research explores how fund managers and, or investors operating in the impact investment space communicate their practices to stakeholders in order to obtain an understanding of what they understand impact investing to be, and for those who may be investing for impact, understand the type of impact they seek to attain and also to appreciate how impact is being measured.

The research findings suggest that despite much effort being put into the development of impact investing as a distinctive field, there are still a number of issues to iron out particularly with how companies communicate impact. The confusion and use of related terminology interchangeably is also an issue that is found to be detracting instead of adding to the development of the field.

Keywords: Impact Investing | Communication | Financial returns | Non-financial returns

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GLOSSARY OF TERMS

ASISA	Association for Savings and Investment South Africa
CCO	Communication Constitutes Organisations
CRISA	Code for Responsible Investing South Africa
CSI	Corporate Social Investments
CSR	Corporate Social Responsibility
ESG	Environmental, Social and Corporate Governance
GIIN	Global Impact Investing Network
GIIRS	Global Impact Investment Rating System
IRIS	Impact Reporting and Investment Standards
JSE	Johannesburg Stock Exchange
RI	Responsible Investing
SAIIN	South African Network for Impact Investing
SI	Social Investments
SRI	Socially Responsible Investment
UNPRI	United Nations Principles of Responsible Investing

ACKNOWLEDGEMENT

I would like to express my sincere gratitude to all the people who have helped in completing this research report. Thank you for providing your time, insight, encouragement, love and support. Without you this journey would not have been possible.

Dr. Stephanie Giamporcaro, my supervisor for your insights, patience, guidance, support, encouragement and invaluable feedback throughout this research.

Xolisa Dhlamini, for all your time, input and recommendations. Your guidance was greatly appreciated.

Lastly, but most importantly, I want to thank my husband Sophelele Potye. My biggest cheerleader. When times were tough, you helped me refocus. You stayed patient, supportive and loving. I am forever grateful.

1. INTRODUCTION

1.1 Research Area

Over the years, consumers have changed how they interact with brands. Increasingly, they demand greater transparency on how their products are produced and the impact of these on the environment. This derives, in part, from conscientisation of the consumer and the power that their spending has in organisations. Because consumers demand more of the people they buy from, in turn, those people need to convince them that they are conducting their businesses in a sustainable manner (Lehner and Halliday, 2014). To this regard, corporates have undertaken a number of initiatives and their reporting speaks largely of the impact that their operations have on communities. It is no surprise then that some investors also demand more than just financial returns from their investments; they also want to know that their money does good too. Whilst in the past it would have been enough for companies or investment firms to allude to some form of impact that their investments make, the greater demand put on them makes it even harder for them to be vague about what that impact is and how to a degree, it is quantified. The latter proves even more important because without a clear yardstick to measure impact or even just considerable consensus on what could be considered as impact, practitioners and even researchers will find it difficult to progress its development, and unintentionally, might steer away the much needed investments.

In an attempt to tackle this shortcoming, the Rockefeller Foundation organised a meeting in 2007 at the Belagio Centre in Italy for leaders in finance, philanthropy, and development to engage on the need for and ways of building a global investment industry that sought to attain positive social and environmental impact from investment activities (Harji & Jackson, 2012). This, they termed, impact investment. Impact investment as a field, has gained considerable momentum over the years since then. Subsequently, a number of institutions have been established to create awareness of the emerging field and also to harness the development of the impact investment industry globally. These institutions include investor networks such as the Global Impact Investment Network (GIIN), reporting standards such as the Impact Reporting and Investment Standards (IRIS), searchable online databases of impact investment funds and products such as Impactbase and rating agencies such as the Global Impact Investing Rating Systems (GIIRS) (Hoschstadter & Scheck, 2014).

Huge capital commitments have been channeled into the impact investment sector. The GIIN and J.P. Morgan have published an annual survey of impact investors since 2010. The most recent one conducted in May 2015; which included data aggregating the impact investment activities of 146 respondents reported these respondents as managing a total of US\$60 billion in capital, which was allocated to impact investing. These investors committed US\$10.6 billion of capital to impact investing in 2014 and anticipated committing US\$12.2 billion in 2015 (Global Impact Investment Network, 2016). Freireich and Fulton (2009) estimate the growth potential of the impact investing market to be US\$500 billion over the next coming years whilst J.P Morgan, the Rockefeller foundation as well as GIIN estimate that the size of this industry could range between US\$400 billion and US\$1 trillion by 2020 (O'Donohoe et.al., 2010). A huge opportunity for this industry to further gain significant traction therefore still exist.

1.2 Problem statement

Although the term impact investing is relatively new, the idea of investing for financial and non-financial impact is a concept that has existed for long and was largely driven by large development finance institutions such as the Commonwealth Development Corporation in the UK or the World Bank's International Finance Corporation (O'Donohoe et. al., 2010). Most recently, various investment strategies such as Responsible investing (RI), Socially responsible investment (SRI), Social investing (SI) and Sustainable investment, all addressing similar needs have come to the fore (Luckscheiter, 2013; Nicholls, 2010). The existence of such closely related concepts; although advancing the objectives of various stakeholder groups; poses a challenge to the development of impact investing as a field due to the overlap in the strategy and objectives and might affect how investors deploy capital.

Different views of what impact investment is or is not have resulted in the confusion in the market due to how closely related some of these investment strategies are. Research by Hoschstadter and Scheck (2014) which analyses the understanding by academics and practitioners of what impact investment entails is testament to this notion. In their paper, the authors seek to progress the impact investing discussion by investigating areas of inconsistencies and similarities and how these improve or negate the progress made in this developing field. Their study covers definitional, terminological and strategic aspects of

impact investing.

Their findings suggest that at definitional level, there is consensus that impact investments relate to those investments that seek both financial and non-financial returns. However, one of the challenges of this broad definition relates to how non-financial impact is measured. Hoschstadter and Scheck (2014) further argue that for market instruments to be marketable, there needs to be some form of uniform yardstick used to measure returns and in this case, there are no clear guidelines. Furthermore, there is still a lack of agreement on how financial and non-financial impact should be weighted and if it should, how it should be weighted. Questions relating to whether low or even negative financial returns would suffice as long as non-financial impact is positive still remain largely unaddressed.

At a terminological level, some academics and practitioners use the term impact investing interchangeably with other related concepts such as social investing or socially responsible investing or responsible investing and again, this lack of unanimity may further undermine the development of the field.

Hoschstadter and Scheck (2014) further investigate the range of strategic options available for impact investment practitioners, paying particular focus to where funds must be invested, how, where and which asset classes or instruments qualify as impact investment assets. From their findings, there are currently no clear guidelines by academia and practitioners on where funds must be invested. However, there seems to be a general consensus that impact needs to be at the lower spectrum of the value chain; the so-called bottom/base of the pyramid groups, regardless of their geographic location and demographics that is in low-income or high-income countries. According to the author's research and secondary data analysis, very little is said in literature about how this should be carried out. Academia and practitioners in the field however suggest that it can either be through business operations or marketed products that yield the requisite impact, across sectors, geographies and asset classes (Hoschstadter & Scheck, 2014). This lack of a definitive standard of how impact investment ought to be carried out thus leaves it open to interpretation by those investors practicing it. This again poses a potential challenge for investors and other stakeholders and may also stall the development of the field as a whole.

Notwithstanding all these challenges, there are aspects of consensus in the impact investing field which provide a basis on which investors operating in this space can be evaluated on their actions and practice of various investing for impact strategies. In the African continent, South Africa seems to be at the forefront of contributing to the field and adopting investing for impact strategies. The African Investing for Impact Barometer; an annual publication by the Bertha Centre for Social Innovation and Entrepreneurship, which focuses on professional funds managers operating for fees within the three largest economies in southern, western and eastern Africa; South Africa, Nigeria and Kenya, respectively; estimates that US\$480bn of the total assets deployed for investing for impact strategies amongst the three countries, are in South Africa. Nigeria and Kenya significantly lag with a total of US\$7bn and US\$6bn respectively (Giamporcaro & Dhlamini, 2015). The investing for impact strategies implemented are ESG integration, investor engagement, screening, sustainability thematic investment and the focus of this report, impact investment. It is however interesting to observe that only US\$6bn of the total assets invested in South Africa are attributable specifically to impact investment followed by US\$5.1bn in Nigeria and US\$0.7bn in Kenya (Giamporcaro & Dhlamini, 2015). Based on an interview qualitative research, Luckscheiter (2013) proposes that for impact investment to take a more central role in the investment landscape in South Africa, a pro-active way of promoting homogenisation of impact investment terminology globally and local political framings that shape the calculative frameworks is needed. This is likely to lead to convergence and a better defined impact investment environment. Political framing in Luckscheiter (2013)'s study makes reference to governmental regulation, whereas calculative framing encompasses the market players' practices around the development of impact investment products and how they create matrices of measurement and/or report on the impact they seek to achieve in their investment activities.

While previous studies have shown that the universal definition of impact investing is important for the advancement of the field (Hoschstadter & Scheck, 2014; Luckscheiter, 2013), contextualisation of impact investment communication on the African continent has not been much investigated in previous studies. The aim of this study is to operationalise the research typology put together by Hoschstadter & Scheck (2014) in the context of professional funds managers operating on the African continent when they communicate around their impact investment products and assess if their research findings on the different dimension proposed hold together in a slightly different context. Since professional funds

managers are organisations, this study seeks to evaluate a different unit of analysis compared to the unit of analysis evaluated by Hoschstadter & Scheck (2014) who reviewed the literature of academia and practitioners in the impact investing space. In order to do so, the research attempts to analyze the fund managers' communication via their websites based on organisational communication literature (Blaschke et. al., 2012; Schoeneborn, et. al., 2015; Taylor and Cooren, 1997; Ashcraft et. al., 2009) to assess the way fund managers in the private equity and asset management space organise themselves around impact investing (Hoschstadter and Scheck, 2014) and how they appear to want to be perceived by external audiences around their impact investment intention and action.

1.3 Purpose and Significance of research

The objective of this study is to explore how fund managers or investors operating in the impact investment space communicate their practices to stakeholders in order to obtain an understanding of what they understand impact investing to be, and for those who may be investing for impact, understand the type of impact they seek to attain and also to appreciate how impact is being measured. The former will be gleaned through analysing communication that these investors send out through their websites and other readily available information.

Academics and practitioners generally accept that impact investments seek financial and non-financial impact as investment outcomes (Hoschstadter & Scheck, 2014). Non-financial impact tends to be in the form of social and, or environmental impact, whilst financial impact ranges from the minimum requirement of capital preservation for some, to market-outperformance returns in other instances. Other definitions by academics and practitioners require that the non-financial impact be intentional and be measurable or measured somehow without particularly explaining how this must be done. Additionally, most studies are silent on whether non-financial impact should weigh more than financial impact or vice versa for an investment to be considered an impact investment (Hoschstadter & Scheck, 2014).

Also, vast literature suggests that organisations are borne out of and are what they communicate (Ashcraft et al., 2009; Brummans et al., 2014; Cooren et al., 2011). Simply, for impact investing to be, practitioners in particular need to communicate this in one way or another. However, there is an important question of whether intentions alone, that is simply stating that they invest for impact, should automatically qualify them as impact investors even

if the funds they invest in are not necessarily impact funds or they should only be accepted as impact investments only if there is some form of quantifiable impact returns on those investments. Hoschstadter & Scheck (2014) argue that the former should suffice.

1.4 Research Questions and Scope

This study investigates how organisations investing for financial and non-financial impact in South Africa, Kenya and Nigeria communicate in order to understand how they perceive and organise their impact investment intention, measurement and other organisational action. Additionally, it also seeks to understand the way players operating in the impact investing field are going about measuring their impact and how this is communicated to stakeholders.

The research questions are therefore formulated as:

- How is impact investing defined and communicated in South Africa, Kenya and Nigeria?
- How is the measurement and reporting being done in the Africa, using South Africa, Kenya and Nigeria as proxies?

1.5 Research Assumptions

With respect to the organisational communication, this research assumes that:

- The data obtained through the relevant communication mediums of the participants to this study, is in its most updated form; and that
- The data is also an accurate reflection of the organisational investment activities and objectives where the disclosure of the financial and non-financial impact sought after is concerned.

1.6 Research limitations

The study focuses on South Africa, Kenya and Nigeria, the biggest economies in Southern, Western and Eastern Africa respectively and uses these as representation of the practice of impact investment within the respective regions. The research also combines the findings from the analysis of these three countries to draw conclusions on impact investment in the

African continent. Though the three countries studied are the biggest in their respective blocs, there is still a large population of countries within Africa that the study has not looked at.

Also, there were no interviews conducted with the fund managers surveyed in this study to understand their marketing and communication strategies. As such the communication analysis is limited to written communication on company websites and other forms of reporting mechanisms used by the organisations, that are available to the general public. The major assumption here then is that these sources capture the respective companies' communication on impact.

1.7 Research ethics

Throughout the research process, the researcher adhered to the principles of ethical research. All research findings were fully and honestly disclosed. The research design and methodology did not involve the participation of human subjects.

1.8 Outline of study

This study is organized into five chapters. The first chapter introduces the study and its objectives; chapter 2 reviews relevant literature; chapter 3 outlines the research methodology adopted by the researcher; chapter 4 analyses the research findings; and chapter 5 concludes and makes recommendations for future research.

2 LITERATURE REVIEW

2.1 Introduction

Impact investing is a rapidly growing field within investment management (Freireich & Fulton, 2009). Even with all the growing interest in impact investing in particular, Hoschstadter and Scheck (2014) show that there is still a vast amount of literature that still needs to be developed for impact investment to homogenise. Currently, the authors show, there is still a lot of disagreement and, or definitional and terminological overlap with other areas of investments that are already developed. For example, from a terminological point of view, some practitioners interchangeably use the term impact investing to mean social investment (SI) and socially responsible investments (SRI) and vice versa. This is largely, as Luckscheiter (2013) found, because impact investing means different things to different people and as an evolving field, it has yet to reach any level of uniformity. The above studies illustrate the importance of how various stakeholders such as investors, fund managers, practitioners and academics perceive and talk about impact investment to the understanding of the field and how this will contribute to how it develops and evolves into a mature component of the investment industry alongside other well-defined investment fields. For any field to progress there must be enough academic and practitioner contribution and this is true for impact investment as well.

The literature review will focus on the definition and communication of impact investing in organisations, how communication informs or shapes the organisations' image or identity and how organisations use communication to position themselves in industries they operate in.

At definitional and strategic level, the researcher reviews current literature on the subject and summarises important findings to give context to her research. It is important to stress that within the communication in the field of organisations studies, no work was found on communication and impact investment as such. Therefore, the researcher reviewed literature on organisational communication in general and specifically communication in corporate social responsibility (CSR), and used this as a proxy to impact investment to derive context on the perceptions and types of influences that are resulting from CSR communication.

The first part of this chapter discusses the development of investment funds that take impact into consideration. The second part deals with impact investment as a field and discusses its

development to date and touches on the role of communication in the development thereof, part three looks at the theoretical framework used in comparable studies when analysing communication within organisations and how this shapes the impact investment field. Finally, the chapter ties up communication and lays the foundation for the type of analysis that the researcher has adopted for the purpose of this study.

2.2 Investing for impact - evolution of an industry

The Rockefeller Foundation organised a meeting in 2007 at the Belagio Centre in Italy for leaders in finance, philanthropy, and development to engage on the need for and ways of building a global investment industry that sought to attain positive social and environmental impact from investment activities (Harji & Jackson, 2012). This, they termed, impact investment. Impact investment as a field, has gained considerable momentum over the years since then. Subsequently, a number of institutions have been established to create awareness of the emerging field and also to harness the development of the impact investment industry globally. These institutions include investor networks such as the GIIN, reporting standards such as IRIS, searchable online databases of impact investment funds and products such as Impactbase and rating agencies such as the GIIRS (Hochstadter & Scheck, 2014).

2.3 Impact investing at definitional and strategic levels

At a definitional level, Hochstadter and Scheck (2014) tackled the fundamental definitional elements around which impact investment is being commonly defined by academia and practitioners. They broke down impact investment into broad categories relating to the type of impact sought after in the impact investment. Categories included the requirement to attain financial returns ranging from the minimum requirement to preserve capital to the desire to maximize returns; the requirement to attain some form of non-financial returns; such as social impact only, social and, or environmental impact, other forms of non-financial impact for example economic or developmental impact, as well as unspecified impact which is merely an expression of the desire to attain positive impact; the requirement that non-financial impact be intentional as opposed to it being a resultant positive externality of carrying on business; and the requirement that the impact attained be measurable or measured.

At a strategic level, Hochstadter and Scheck (2014) examined the strategic options available

to impact investors and came up with five broad categories under which impact investment strategies can be classified. These describe the spectrum of strategic options from which impact investors can principally choose. These include demography and geography which makes reference to the end beneficiaries of impact investments and their geographic location; organisational processes which are the mechanisms through which impact investees create value for key stakeholders and beneficiaries either through business operations and processes for example, sourcing inputs of production from locals, or through the products or services offered; sectors and impact objectives which makes reference to the business sectors in which the impact investment targets to operate in and the impact objective it is designed to address; financial or organisational structure of the impact investee; and asset classes and financial instruments available for impact investments.

Similar to the lack of homogenisation in the definitional and terminological aspects of impact investing, there is currently no standard method of quantifying non-financial impact. The lack of a universal way of measuring impact leaves measurement at the organisation discretion. This has led to multiple ways being adopted and implemented within organisations, of which some are much more scientific than others. To this end IRIS was introduced in an effort to bridge this gap. However, there is evidence of little adoption of this framework globally (Hochstadter and Scheck, 2014) and from the analysis of the fund managers surveyed.

Challenges in impact investing – Communicating impact

Despite the rapid development of the impact investment field, there is still a lag in literature that investigates how impact investors communicate what they do and whether such communication is explicit.

2.4 Communicating impact

Leonard (2012) and Sandberg et.al (2009) argue that a clear understanding of a concept and its different components is vital in scientific research, to necessitate a precise discussion on the subject matter. When a concept lacks definitional and terminological clarity, a great difficulty that may pose as a hindrance in that concept gaining legitimacy exists (Short et.al., 2009). Given the fact that academic research on impact investing is still at its fledgling stage of development, and that the concept still lacks definitional, terminological and strategic

clarity and consensus, the researcher deems it appropriate to conduct an exploratory study. The main purpose of exploratory research is to identify the key issues and the key variables of a subject matter. It is through exploration that a researcher can develop concepts more clearly, develop operational definitions, establish priorities and improve the final research design (Blumberg, Cooper & Schindler, 2011).

2.4.1 Communication in organisations

Over the past few years, more and more research has suggested that organisations are what they communicate (Ashcraft et al., 2009; Brummans et al., 2014; Cooren et al., 2011). As such, this has aided in bridging the gap between organisational communication and public relations as it attributes a level of importance to the processes and network of communication. Scholars in the organisational communication field have now also considered communication as an integral element within an organisation (Theis-Berglmair, 2008).

Craig (1999), Axley (1984) and Cooren (2012) suggest that communication should not purely be viewed as a means to an end as communication plays the imperative role of creating and establishing organisations and shaping social reality around those organisations. This is true for impact investing as well. If impact investors are to shape their funds around impact, their communication needs to be clear so that these companies can organise around it. How these organisations position themselves through their communication and how they communicate their intentions is key.

The author of this paper adopts the concept of Communication Constitutes Organisations perspective (CCO) (Blaschke et. al., 2012) in analysing communication in impact investment firms. The CCO originated from the Montreal School and was led by James Taylor (1997; 2000) and François Cooren (1997). This school of thought recognizes organisation and organising to be a product of interaction (Wilhoita, 2015) and posits that organisations are fundamentally comprised of interconnecting occurrences of communications and can thus be hypothesised as basically encompassing communication (Ashcraft et al., 2009; Putnam & Nicotera, 2009). In essence, organisations are what they communicate.

Organisations as a result, should not be considered as just entities, objects or social facts in which communication occurs but rather as continuous and indefensible events understood, experienced and principally identified in communication processes (Cooren et. al. 2011).

They further argue that “if organisations are indeed communicatively constituted, it means that one should examine what happens in and through communication to constitute, reproduce, or alter organisational forms and practices, whether these are policies, strategies, operations, values, (formal or informal) relations, or structures” (Cooren et. al., 2011, p. 3).

Communication therefore, is not something that an organisation does or should do occasionally, in the midst of carrying out other important activities; there must be a constant flow of communication within an organisation as this is integral to the establishment of all organisational life and sense making (Christensen et. al., 2013).

Luhmann (2003) defines communication to be a combination of three components: information (a selection from a range of possible concepts or ideas), utterance (a selection from a range of expression methods or intentional acts) and understanding (the interpretation of the message received). In his definition, the context of understanding does not necessarily translate to extracting meaning from words, phrases or text, but rather makes reference to the distinction between information received and utterance made.

Research conducted to examine the relationship between organisation and discourse has reduced the characteristic of organisation perception into three interpretations. Firstly, organisations being seen as already formed objects or entities whose “features and outcomes are reflected in discourse”; secondly, organisations being viewed as being in a “perpetual state of becoming through the ways that the properties of discourse [and patterns of interaction] shape organising”; and thirdly, organisations seen as being “grounded in action, anchored in social practices and discursive forms.” (Fairhurst & Putnam, 2004, p. 1). Conflicting views on the way the relationship between organisations is framed are therefore centered on these three interpretations. As CCO fully subscribes to the fact that discourse carries an important function within an organisation, study of organisational communication ought to consider the words themselves and their purpose in organisational communication (Taylor & Van Every, 2000).

Studies have sought to align organisational identity with the discursive perspective that considers organisations as being socially constructed from “networks of conversations or dialogues; the inter-textuality, continuities and consistencies of which serve to maintain and

objectify reality for participants.” (Humphreys & Brown, 2002, p. 422). Relevant studies have therefore paid particular attention to how individual organisations categorise themselves and others into social and organisational groups and how that categorisation enables them to positively differentiate and define their individual sense of self (Cooren et. al., 2011).

This in itself suggests that impact investors ought to choose their words carefully and what those words mean in terms of the stated objectives of the organisation. As a result, any study that seeks to understand how investors communicate their intentions needs to look at the words they use and test these against the theoretical framework thus adopted.

2.4.2 Corporate Social Responsibility (CSR) and CSR communication

Corporate social responsibility, like impact investing is another concept whose meaning is still up for debate and still lacks consensus on the definitive practices that entail CSR (Cantó-Milà & Lozano, 2009; Guthey & Morsing, 2011; Matten & Moon, 2008). This in part is due to the fact that throughout its history of development, CSR has been shaped by various interpretations, representations and also through the negotiations of policy makers, corporations and other agenda setters (Christensen & Cheney, 2011; Okoye, 2009). As such, the concept of CSR is still open for further exploration (Lockett et al., 2006) and is being shaped by ideals, standards, principles, visions, plans and objectives which have the potential to encourage positive social change and encourage the development of the field; and continue to evolve and expand. (Gilbert et al., 2011; Scherer & Palazzo, 2007, 2011, Christensen et. al., 2013).

Research tackling how organisations use CSR communication as well as projected images to highlight their commitment to CSR is increasingly being undertaken (e.g., Brammer & Pavellin, 2004; Dawkins & Ngunjiri, 2008; Highhouse et. al., 2009). The focus can be on corporate reputation (Hooghiemstra, 2000) and impression management (Zadek et. al., 1997). Tata and Prasad (2015) highlight that not only is it important to carry out CSR initiatives, but it also equally important to ensure that organisations communicate the activities they engage in to the respective audiences in order to manage the impression that stakeholders have of that organisation. They however point out that there may be discrepancies between the perceptions of the audiences, which may not accurately portray the organisation and how the organisation

identifies itself as well as the CSR image they would like to uphold. Perceptions are important because they have the ability to guide stakeholder behavior and should therefore be of critical interest to organisations (Fukukawa et. al., 2007). Similarly, concepts of conversation analysis, critical discourse analysis, narrative theory, semiology, rhetoric or speech act theory and ethnomethodology contribute to the understanding of how the state of affairs can be defined through accounts, conversations and stories and how human perceptions and the organisation of the world is entrenched in basic semantic constructs (Putnam et. al., 2009; Taylor & van Every, 2000).

Christensen et. al. (2013) identify that discrepancies exist between the reality that organisations describe and report on, and their actions. As such they refer to CSR communication as being aspirational talk and not necessarily a seamless reflection of the organisational CSR practices. “Differences between words and actions on the CSR arena may in fact be vital in order to move the field forward, towards higher goals and superior standards.” (Christensen et. al.; 2013, p. 373). Grant et. al. (1998) however views how companies act as being primary and superior to communication. Aras and Crowther (2009); Fernando (2010); Fougère and Solitander (2009); Holder-Webb et al. (2009); and May et al. (2007) also maintain a strong view that CSR is about “doing” as oppose to just “talking” about plans and intentions.

Livesey (2002) and Livesey and Graham (2007) have illustrated the constitutive potential of CSR talk through a comprehensive study on how Royal Dutch Shell Group transformed its image and identity to an eco-friendlier organisation concerned with more sustainable practices, after intense criticism of the organisation. Through a thorough examination of selected texts by Shell and their critics, they have shown how the way large corporations talk has the potential to transform the perception of stakeholders as well as the organisations themselves, to align their actions to match with the reputation they are building. From their study, it is evident that Shell’s communication reflected and shaped the understanding of environmental responsibility. The communication episodes became a creative force that affected Shell’s priorities and started new initiatives that directed how the organisation channeled its resources, towards more sustainable practices, hence the emergence of an eco-friendly organisation. In impact investment, because there is little or no literature exploring communication, there is a role for more critics to keep investors more accountable and in turn more engaged and follow through on their words.

2.4.3 Organisational Positioning & defining intention

Communicating what these investors do is not enough. Organisations need to ensure that the market understands their positioning so as to act in accordance to the intended desire. Karnaukhova and Polyanskaya (2015) identify positioning driven by communication and reputation as an integral component for the establishment of an enduring identity of a product as well as the creation image for the product. Trout and Ries (2013) perspective is that positioning is centered around the product and is mainly concerned with influencing the way products, brands or companies are perceived.

Another issue that research on impact investing has not explored to length is whether intentions should be a marker of whether an investment is for impact or not. Raz (2015) defines intentions as being “a distinctive kind of mental state, not consisting in a combination of some other states, or of some other states under certain conditions; [intentions] can only be explained by pointing in a general way to their connections to actions, beliefs etc., even though the “pointing” is not always perspicuous when taken in isolation” (p. 4). This definition proposes that intentions are not just formed for the sake of forming them, but generally lead to an agent performing the intended action. Raz (2015) tells us that intention governs a number of actions, guides a subjects’ choices and the manner in which the subject executes the intended action, as intentions are the states in which the subject is set to act. Intention is a concept that is very specific to the field of impact investment compared to other investment strategies such as responsible investing and ESG. The concept of intention was very central to the conceptual development of impact investment. In earlier definitions of impact investment, intention was articulated in relation to the measurability of impact attained. In a report co-published by J.P. Morgan, O’Donohoe, Leijonhufvud and Saltuk, (2010) defined impact investments as “investments **intended** to create positive impact beyond financial returns” noting the blend of financial and social returns, but also clearly articulating the intent of the investment to generate both. Grabenwarter and Liechtenstein (2011) defined impact investments “...as any profit-seeking investment activity that **intentionally** generates measurable benefits for society” (p.10) not only noting the **intent** to generate benefits to society but also emphasising the measurability of these benefits. In 2012, Eurosif adopted the GIIN definition which states that “Impact investments are investments made into companies, organisations and funds with the **intention** to generate social and environmental impact alongside a financial return.” (p.10). Furthermore, in a study that interviewed 23

representatives of organisation that had been identified as being active in the South African impact investing space by the South Africa Investing for Impact Barometer in 2013, all the respondents referred to the intentionality to create positive non-financial returns as an important element of impact investing, (Luckscheiter, 2013).

In relation to impact investing, it can therefore be said that, investor intentions should govern the investment choices and objectives of the various players that invest for financial and non-financial impact and also influence how the investment strategies are executed in the market place. The researcher in this instance will judge the organisational intention from the way that organisations communicate what they do, why they do it and how they do it; which may result in their investment activities and where this criterion is met, will be classified as impact investing funds.

2.5 Conclusion

For organisations operating in the impact investment field to be recognized as impact investors and also to enhance the development of impact investing as a field, there is a need to analyse the communication of market players around their investing activities, practices and product offerings. How impact investors identify and position themselves in the market through communication and how impact investors are perceived in the market by various stakeholders who engage with this communication and or the investment activities they participate in their operations is imperative for the reception and growth of the field as a whole.

It has been demonstrated in the literature review that communication is not only an essential tool for organisations to publicise their activities, but is a necessary continuous process that enables organisations to establish themselves and define the parameters within which they will operate. Communication sets the organisational foundation from which organisations are created, continue to grow, develop and evolve. In other words, organisations are what they communicate. As such, for impact investing companies, communication is as key, as the market interprets and measures what they do based on their intentions as communicated.

This communication can either be qualitative or quantitative but must focus on narratives, interactions, texts, behaviors or even artifacts and architectural elements.” (Coreen et. al., 2011, p. 1159). This research has taken the qualitative approach as outlined below.

3 RESEARCH METHODOLOGY

3.1 Research Approach and strategy

The aim of this study is to explore how organisations in South Africa, Nigeria and Kenya communicate around their intention and actions of being impact investors. The study seeks to understand how fund managers communicate their actions via their organisational websites, spreadsheets and other communication and reporting tools to inform stakeholders on how they are practicing and measuring impact investment. It also seeks to understand how this written communication is reflected in the identity of the organisation and its position with regards to the nascent field of impact investment.

The idea of the constitutive nature of organisational communication can either be analysed qualitatively or quantitatively “focusing on narratives, interactions, texts, behaviors or even artifacts and architectural elements.” (Coreen et. al., 2011, p. 1159). Although objectives of an exploratory study may be met using either qualitative or quantitative techniques, exploratory research is more heavily reliant on qualitative techniques (Blumberg, Cooper & Schindler, 2011). Qualitative data analysis tends to be inductive in nature. The analysis involves the researcher identifying important categories in the data, patterns and relationships through a process which involves a lot of discovery (Schutt, 2015). This research is therefore an inductive study that will analyse qualitative data.

3.2 Research methodology

The author interrogated desktop research only in developing this study. The desktop research was primarily aimed at obtaining an understanding of how players that seek both financial and non-financial returns in South Africa, Nigeria and Kenya communicate around impact investing. It also seeks to unearth the impact these players seek to attain and how this communication compares or contrasts with the perspectives of academia and practitioners in the global arena at the definitional and strategic level, in light of the findings of Hochstadter and Scheck (2014). The desktop research was also done to obtain an understanding of how asset managers and fund managers who are investing for impact are going about measuring the different forms of financial and non-financial returns they pursue.

3.3 Data Collection, frequency and choice of data

The research is cross-sectional in nature. In a cross sectional study, data from either an entire population or sample are collected only at one point in time to help answer a particular research question or questions (Sedgwick, 2014). The study makes use of the list of fund managers compiled for the upcoming Bertha Centre for Social Innovation and entrepreneurship publication, The African Investing for Impact Barometer 2016 (Barometer). The Barometer is a publication aimed at providing a cross-sectional snapshot of investments made in Africa which aim to obtain a combination of financial returns and positive impact in society and the environment (Giamporcaro & Dhlamini, 2015). The Barometer surveys commercial and professional fund managers in asset management, private equity and venture capital spaces, investing retail and institutional assets locally across South Africa, Nigeria and Kenya. The list of fund managers also surveyed for the Barometer also includes organisations that are headquartered outside these three countries, but have capital that is invested in the countries. The universe of fund managers considered does not include Development finance institutions, Corporate Social Investment initiatives and Fund of fund portfolios (Giamporcaro & Dhlamini, 2015). Data from the fund manager websites was collected and analysed between June 2016 and October 2016.

In order to meet their research objectives, the authors of the Barometer made use of theoretical sampling and created theoretical categories in which similar categories were grouped into an investing for impact strategy. The researchers classified the organisations and funds within different categories of strategies; ESG integration, investor engagement, screening, and impact investing and thematic investing. The theoretical categories were built from studying the work of other associations working on creating similar categorisations such as Eurosif, US SIF or Global Sustainable Investment Alliance (Giamporcaro & Dhlamini, 2015). The fund manager list and categories were compiled from information that was publicly available as at 31 December 2015 from company reports, websites, fund-fact sheets and additional information sourced from regulators and industry associations. These categories are defined in the table below:

Table 1: Barometer investment strategy classifications

CATEGORY	DESCRIPTION
ESG INTEGRATION	Systematic integration of environmental, social and governance (ESG) factors into investment analysis, valuation and decision-making based on appropriate research sources and metrics.
INVESTOR ENGAGEMENT	Influence company behavior by active ownership or engagement with companies on ESG matters.
SCREENING	Inclusion or exclusion of an investment is based on ESG or ethical screening. The screening may be positive, negative, norms-based or best-in-sector screening.
THEMATIC INVESTMENT	Investments made along the themes of environmental sustainability as well as sustainable and inclusive socio-economic development.
IMPACT INVESTMENT	Intention to generate measurable positive environmental and social impact alongside a financial return.

Source: Giamporcaro & Dhlamini (2015)

3.4 Sampling technique

The sampling technique adopted for this study is purposeful sampling. Purposeful sampling is widely used in qualitative studies. It enables the researcher to identify and select information-rich cases that are related to an area of interest to allow for the most effective use of limited resources (Lawrence, et.al., 2013; Patton, 2002). Individual or groups of individuals are selected or identified on the basis of knowledge or experience they possess on the area of interest or subject matter (Cresswell & Plano Clark, 2011). Although there are several different strategies for purposeful sampling, the most commonly used strategy and that adopted in this study is criterion sampling. Criterion sampling seeks to identify and select all cases that meet some predetermined criteria of importance (Lawrence et. al., 2013).

As this study deals with communication of impact investment players within the African context, the researcher purposefully sampled those fund managers in South Africa, Nigeria and Kenya that were theoretically categorised under the pre-determined strategy of “impact investment” in the Barometer. Giamporcaro and Dhlamini (2015) defined impact investment

as “an investment strategy intended to generate positive environmental and social impact alongside a financial return.” (p.3). Their database of impact investors therefore does not only comprise of fund managers that explicitly identify themselves as impact investors, but also includes those that explicitly articulate environmental and social impact objectives, have visibility of impact projects in their investment activities, and report on impact. Drawing from the work of Raz (2015), the articulation of the desire or objective to carry out actions that result in some form of environmental and, or social return by fund managers indicate that these are intended results of doing business and are not merely a positive externality of carrying out disjoint activities. As such this category can include “investments in sustainable agriculture, Small and Medium Enterprise (SME) development and job creation, socio-economic transformation, affordable housing, accessible healthcare, education, clean technology and renewable energy” (Giamporcaro & Dhlamini, 2015, p.3). The table below lists the 51 fund managers that were surveyed for the purposes of this study and also shows their assets under management (AUM) channeled to impact investing.

Table 2: List of Fund manager categorised as “impact investment for the Barometer

FUND MANAGER	COUNTRY OF OPERATION	TYPE OF ORGANISATION	AUM (USD million)	WEBSITES CONSULTED (JUNE – OCTOBER 2016)
Acumen	Kenya & Nigeria	Private Equity	36.65	http://acumen.org/
Adinah Capital Partners	South Africa	Private Equity	Not available	http://www.adinah.com/
Agri-Vie	South Africa & Kenya	Private Equity	100.00	http://www.agrivie.com
Alpha Africa Asset Managers Limited	Kenya	Asset management	Not available	http://alphaffrica.com
Ariya Capital	Kenya	Private Equity	150.00	http://www.ariyacapital.com
Business	South Africa	Private Equity	43.18	http://www.businesspartner

Partners	& Kenya			s.co.za http://www.businesspartners.co.ke/
Cadiz	South Africa	Asset Management	Not available	http://www.cadiz.co.za/institutional-investments/fact-sheets/
CBO Investment Management	Nigeria	Private Equity	150.00	http://www.cboim.com/?r=1&w=1366
Climate Fund Managers	Kenya	Private Equity	1,050.00	http://www.climatefundmanagers.com
Convergence Partners	South Africa & Nigeria	Private Equity	451.12	http://www.convergencepartners.co.za http://www.convergencepartners.com/tag/nigeria/
D.O.B Equity	Kenya	Private Equity	7.29	http://www.dobequity.nl/
Dhahabu Capital	Kenya	Private Equity	100.00	http://alphafrica.com/dhahabu/
Doreo Partners	Nigeria	Private Equity	40.00	http://www.doreopartners.com/
Edge Growth	South Africa	Private Equity	39.46	http://www.edgegrowth.com
Emerging Capital Partners	Kenya	Private Equity	613.00	http://www.ecpinvestments.com
Future Growth Asset Management	South Africa	Asset Management	1,253.11	http://www.futuregrowth.co.za/institutional-funds/
Grassroot Business Fund	Kenya	Private Equity	11.10	http://www.gbfund.org
Grofin	South Africa, Kenya & Nigeria	Private Equity	845.60	http://www.grofin.com/contact-us/grofin-offices/sa-pretoria.aspx

				http://www.grofin.com/sme-fund-management-solutions/sme-funds.aspx
IDF Managers	South Africa	Private Equity	24.49	http://www.idf.co.za
International Housing Solutions (Pty) Ltd	South Africa	Private Equity	410.00	http://www.intlhousingsolutions.com
Kaizen Venture Partners	Kenya & Nigeria	Private Equity	40.50	http://www.kaizenventurepartners.com
Kibo Capital Partners	Kenya	Private Equity	81.49	http://www.kibocapital.com
Knife Capital	South Africa	Private Equity	8.92	http://www.knifecap.com
KZN Growth Fund	South Africa	Private Equity	84.01	http://www.kzngrowthfund.co.za
MBO Capital Management	Nigeria	Private Equity	700.00	http://www.mbocapital.com
Mergence (Impact and Infrastructure)	South Africa	Asset Management	10.44	http://www.mergence.co.za
Musa Capital	South Africa	Private Equity	50.00	http://www.musacapital.com
Nesa Venture Capital Investments (Pty) Ltd	South Africa	Private Equity	Not available	http://nesacapital.co.za
Nigeria Sovereign Investment Authority	Nigeria	Private Equity	1,000.00	http://www.nsia.com.ng
Novastar Ventures	Kenya	Private Equity	80.00	http://www.novastarventures.com
Old Mutual	South Africa	Private Equity &	775.44	http://ww2.oldmutual.co.za

Alternative Investments		Asset Management		/old-mutual-investment-group/boutiques/alternative-investments
One Acre Fund	Kenya	Private Equity	42.17	https://www.oneacrefund.org/our-approach/program-model
PanAfrican Investment Company	Kenya	Private Equity	Not available	http://picinvest.com/portfolio/
Pearl Capital Partners	Kenya	Private Equity	46.00	http://pearlcapital.net
Phatisa	South Africa & Kenya	Private Equity	500.81	http://www.phatisa.com
Public Investment Corporation	South Africa	Private Equity & Asset Management	17,932.03	https://isibayafund.pic.gov.za
Progression Capital Africa	Kenya	Private Equity	40.00	http://progressioncapitalafrica.com/
Qalaa Holdings East Africa	Kenya	Private Equity	1,300.00	http://www.qalaaholdings.com
RegCharles	Nigeria	Private Equity	3.00	https://rfcng.com/index.html
ResponsAbility	Kenya	Asset Management	132.00	http://www.responsability.com/
RH Managers	South Africa	Private Equity	103.39	http://rhmanagers.co.za
SAHEL Capital Partners	Nigeria	Private Equity	33.00	http://www.sahelcp.com/
Sampada Private Equity	South Africa	Private Equity	23.26	http://www.sampada.co.za
Sanari Capital (Pty) Ltd	South Africa	Private Equity	12.92	http://sanari.co.za/
Spear Capital	South Africa	Private Equity	Not	http://www.spearcapital.co

			available	za
TBL Mirror Fund	Kenya & Nigeria	Private Equity	108.59	http://tblmirrorfund.com/
TLcom	Kenya	Private Equity		http://www.tlcom.co.uk/index.php
Unique Venture Capital Management Limited	Nigeria	Private Equity	30.14	http://www.uvcmc.com
Utho Capital (Pty) Ltd	South Africa	Private Equity	3.97	http://www.utho.co.za/
Voxtra East Africa Agribusiness Fund	Kenya	Private Equity	12.48	http://voxtra.org/about-us/
WDB Investment Holdings	South Africa	Private Equity	193.86	https://www.wdbinvestments.co.za

The table above shows that the distribution of the sample fund managers is skewed in favour of private equity organisations compared to only seven asset managers which mostly invest in listed debt and equity. Private equity is a source of investment capital from high net worth individuals and institutions for the purpose of investing and acquiring equity ownership in companies. These funds can be used in purchasing shares of private companies, or in public companies that eventually become delisted from public stock exchanges and undergo private deals. Asset management companies manage a pool of investors' money to accomplish a certain investment objective to earn an internal rate of return. The pool of investor money is managed in portfolios of stocks, bonds, commodities and currencies for clients (Investopedia n.d.). The sample distribution suggests that impact investment is mostly being practised in the private equity space in the African continent. Additionally, research findings indicate that the communication of fund manager in the private equity space around impact investing is much more developed than the communication of those fund managers in asset management.

3.5 Analysis of data – content analysis

Methods of analysing qualitative data have been developed over time to help researchers to extract meaning out of data more easily. These methods include coding techniques best used to find and mark underlying ideas in the data and also to group together similar information into categories, relating different ideas and patterns or themes to one another (Rubin & Rubin, 1995; Hsieh & Shannon, 2005). Content analysis is a widely used qualitative research technique in this regard, and is considered as a supple method for analysing text data. This study adopts content analysis as a tool to analyse and makes sense of available data.

In this study, content analysis was chosen particularly because it is able to provide knowledge and understanding of phenomenon under study (Campopiano & De Massis, 2014) and is useful for answering the “What?” question. It also enables analysts to describe, summarise and extract meaning and insight from the content of written material from an existing data source, and places an emphasis on focusing on the characteristics of language used in communication, paying attention to the content or contextual meaning of the text from the perceptions of its writer and the effect the communication has on the relevant audience (Hsieh & Shannon, 2005; Cavanagh, 1997).

Content analysis is particularly valuable to understanding the communication of impact investors or companies that invest for impact as it incorporates procedures used for collecting and methods of organising data into a standardised format, which enables a researcher or analyst to make inferences about the characteristics and meaning of discourse, be it written or recorded. Through content analysis, human communication including books, newspapers, films as well as other forms can be reviewed in order to identify themes, patterns or biases (Williams, 2007). Text may exist in various forms such as verbal, print or electronic and may also be obtained from various communication methods or platforms such as narrative responses, open-ended survey questions, interviews, focus groups, observations, or print media such as articles, books, or manuals. (Kondracki & Wellman, 2002). Written text can be codified into various categories of groups that can be broken down by words, clauses, sentences, paragraphs or pages, to assess the meaning of, and interpret documents (Campopiano & De Massis, 2014) based on selected criteria (Unerman, 2000) in order to identify otherwise unavailable information (Kabanoff et. al., 1995), ensuring high levels of reliability and replicability (Potter & Levine-Donnerstein 1999).

3.6 Desktop research

Using content analysis, the websites of the 51 selected fund managers were analysed regarding definitional, and strategic similarities and differences in the usage of the term “impact investing” or any variation thereof. Communication around the practice of impact investing was also analysed. Websites were chosen as a data source for the analysis. Organisations have increasingly turned to utilising the internet via their websites and other internet enabled platforms to communicate their principles and practices and also to broadcast information to a much wider public audience (Snider et. al., 2003). Data was collected from the websites and analysed between June 2016 and October 2016.

The websites of the organisations were first screened for text or paragraphs that made reference to the components of the principal approach to defining impact investment; financial and some form of non-financial return or impact (Hochstadter & Scheck, 2014). Written texts in which organisations communicate their principles of conduct; such as mission statements, visions, values, objectives, investment philosophy, investment process and criteria sought after; and their action towards the society, environment, geography, demography and sectors in which they deploy investment capital for the sole objective of obtaining financial and non-financial returns were considered (Campopiano & De Massis, 2014).

The initial data analysis technique applied to this study used a computer program, Nvivo, to organise the data, identify salient themes, recurring ideas or language and “patterns of belief that link people and settings together...” (Marshall and Ross, 1995, p. 114). Using Nvivo’s text analysis features, themes were identified and the use of language around impact investing was explored. Word frequency queries were run to find the most commonly used words or phrases on the returns and impact talked about around impact investment. The words and concepts that stood out were identified. The queries did not consider only exact words but also considered similar words and synonyms around the same words. Key words that were identified around the word “returns” were mainly in relation to the financial aspect of investments, whereas the main ideas that emanated from the word “impact” were mostly around the social and developmental aspects around impact investing.

Texts and paragraphs from the fund managers’ websites were read and re-read in order to

identify and understand the range of common themes and overlaps in the types non-financial returns sought after in the definition and strategy of impact investing (Campopiano & De Massis, 2014) and also to identify if the communication of their practice of impact investment was in line with the core definitional and strategic categories identified by Hochstadter and Scheck (2014). The written text from the websites were then arranged into various categories of groups that were broken down by words, clauses, sentences, paragraphs or pages, to assess their meaning and interpret them under a coding system. The coding scheme developed classified the communicated impact, desired returns or investment objectives under two broad categories of financial impact and non-financial impact. These categories were guided by the themes under returns and impact that emerged from the Nvivo analysis. As both themes of financial and non-financial returns and impact were identified in the secondary data, the same coding techniques and categories that were applied by Hochstadter & Scheck (2014) which was used as a reference point to understand impact investing from the global context were adopted. This was adopted for this research to allow for comparison between impact investment in Africa and in the rest of the world. As such, the websites were further examined to establish whether the fund managers in this space, referred to themselves as “impact investors” and whether their communication incorporated aspects of Hochstadter and Scheck (2014)’s work at a definitional and strategic level.

At a definitional level, Hochstadter and Scheck (2014) tackled the fundamental definitional elements around which impact investment is being commonly defined by academia and practitioners. They broke down impact investment into broad categories relating to the type of impact sought after in their investment. Categories included the requirement to attain financial returns ranging from the minimum requirement to preserve capital to the desire to maximize returns; the requirement to attain some form of non-financial returns; such as social impact only, social and, or environmental impact, other forms of non-financial impact for example economic or developmental impact, as well as unspecified impact which is merely an expression of the desire to attain positive impact; the requirement that non-financial impact be intentional as opposed to it being a resultant positive externality of carrying on business; and the requirement that the impact attained be measurable or measured. Once the frequently used words or phrases were identified per organisation, they were organised into predefined codes/categories in order to form overarching themes in the data (O'Connor & Gibson, n.d.).

At a strategic level, Hochstadter and Scheck (2014) examined the strategic options available

to impact investors and came up with five broad categories under which impact investment strategies can be classified. These describe the spectrum of strategic options from which impact investors can principally choose. The strategies are shown in the table below.

Table 3: Impact investment strategies

STRATEGY	DESCRIPTION
Demography and geography	Makes reference to the end beneficiaries of impact investments and their geographic location.
Organisational processes	Mechanisms through which impact investees create value for key stakeholders and beneficiaries either through business operations and processes for example, sourcing inputs of production from locals, or through the products or services offered.
Sectors and impact objectives	Makes reference to the business sectors in which the impact investment targets to operate in and the impact objective it is designed to address.
Financial or organisational structure of the impact investee	Makes reference to the financial and organisational structure of the recipients as a characteristic of impact investments.
Asset classes and financial instruments	Makes reference to the types of assets or instruments used in impact investment and the debate of whether impact investment can be seen as an asset class.

In order to code and organise the data, the websites were read and re-read to identify text or phrases that made reference to the definitional and strategic categories of impact investing set out above. The texts or phrases were extracted from the fund managers’ website and a new database was created to record the utterances or communication around the definitional and strategic intentions and actions relating to impact investing. To further assess the aspect of the research question which deals with the measurement, the websites were screened for communication pertaining to measurement of impact and the various measurement practices tabulated. The results of this analysis have been presented in chapter 4 of the research report.

The level of analysis applied per organisation varied according to the level of detail on impact investment available on the website. For example, some organisations only made reference to social, environmental and other forms of non-financial impact in their visions and missions,

whilst others produced comprehensive impact reports. Communication literature was tested on an organisation that presented sufficient data points that allowed for this assessment. It is important to note that the 45 of the 51 Fund Managers surveyed are not listed. As such the majority had limited disclosure and reporting. From the researcher's personal working experience in the financial services industry, asset management to be specific; unlisted companies tend not to divulge as much information about their organisations to the general public relative to their listed counterparties which are mandated to do so by regulation and as part of the listing requirements by bodies such as the Johannesburg Stock Exchange (JSE).

Multiple sources of evidence were utilised and triangulated. These include published company reports, newspaper and magazine articles, case studies and information on the website. No interviews or analysis of other informal personal communication was conducted. In a qualitative study data collection and analysis as well as interpretation and reporting are usually carried out in parallel due to the fact that the findings of one activity may potentially alter the direction of the other activities. Themes emerging from the real life analysis were compared and contrasted with the literature as well as the working hypotheses and expectations (Iacono et al., 2011).

3.7 Validity and reliability

Content analysis as a social scientific methodology, requires that researchers who adopt this data analysis method, make a strong case for validity and reliability of their data (Potter & Levine- Donnerstein, 1999). It is important to assess the validity and reliability of the results obtained from the analysis by linking them to other information that is reasonably known to be valid. Validity tests the degree to which a tool measures that which it is designed to measure. Reliability on the other hand can be determined through extended engagements, triangulation, peer debriefing, constant observation and member checks (Manning, 1997). Additionally, analysts have to corroborate the results of content analysis with other data or by other procedures that are known to be valid indicators of the phenomena they are studying. Satisfactory sampling and reliability are necessary but not sufficient conditions for validating inferences made through content analysis.

To assess reliability and validity, the researcher carried out the research operation of the manual coding a second time and tested whether the same findings resulted. Research

findings were closely related to the work of Hochstadter and Scheck (2014), which was used as a standard of comparison. Additionally, the findings were tested for plausibility using established theories on organisational communication, CSR communication and on impact investment. The appropriateness of operational definitions on impact investment were also considered prior to application to the study (Mayring, 2014).

4 RESEARCH FINDINGS, ANALYSIS AND DISCUSSION

4.1 Introduction

This chapter analyses the findings of the desktop research conducted. The first section analyses the definitional aspects of impact investing in South Africa, Nigeria and Kenya and compares it to how it is being defined globally. The second section gives an analysis of the strategic aspects of impact investment in practice. The third section focuses on the intentional impact and measurement methods being applied in impact investment in South Africa, Nigeria and Kenya.

4.2 Impact investing at a definitional level

Although there is some ambiguity or lack of definitional clarity around impact investing, Hoshstadter & Scheck (2014) found that the predominantly used definition of impact investing centers around two core elements; financial and some form of non-financial returns. The financial returns range from a prescribed minimum requirement of preserving capital to the requirement to attain competitive or above-market returns. Non-financial impact or returns, usually takes the form of social and, or environmental impact and the vocabulary used to articulate those non-financial returns seems to vary amongst the literature from academics and practitioners surveyed. Hoshstadter & Scheck (2014) also noted outliers that explicitly defined impact investment around developmental, economic, cultural and/or governance impact themes, besides the social and, or environmental impact.

When applying the same technique adopted in the work of Hoshstadter & Scheck (2014), which reviewed the literature of academics and practitioners on what constitutes impact investment to how organisations communicate impact, the following themes emerge as indicated by table 4 below.

Table 4: Type of impact sought after by fund managers

NUMBER OF FUND MANAGERS* THAT HAVE AN IMPACT THAT IS OR HAS	
Non-financial impact	
Social impact only	32
Social and, or Environmental impact	13
Other non-financial impact e.g. economic and development impact	33
Unspecified impact	14
Financial Impact	
No limitations on financial return level (beside capital preservation or repayment of invested capital)	17
Adequate/competitive/reasonable financial returns	15
Other types of impact	
Measurable impact	14

**Some organisation communicate more than one type of non-financial return or impact.*

From the table above, it can be observed that most impact investors seek social impact as a key element of their investment returns. While other fund managers only refer to **social return, social impact, solving social challenges and positively impacting communities**, other fund managers are much more specific about the social problem they seek to address. Most commonly referred to social problems are around **job creation, access to healthcare, housing, education, food and poverty reduction**. Environmental impact alone or coupled with social impact is the theme that is least communicated about and appears in three of the thirteen instances under **ESG** theme from the fund managers surveyed. Unlike in the work of Hoschstatter & Scheck (2014) which refers to texts that define impact investment around social, economic and development impact or a combination thereof as “stand[ing] out” (p.454), the predominant themes under “other non-financial impact” are communicated in the variations of **social and economic /socio-economic /socio-economic development/ developmental/ social development** impact or return or progress. None of the organisations talk about any form of **cultural impact**. The 14 fund managers that do not specify the impact they seek, use phrases such as **positive impact/returns, create value, meaningful impact, sustainable impact or sustainable long term value and doing good**, without giving further detail of what this translates to in practice.

From a financial return perspective, 23 of the organisations do not communicate about the type of financial returns they seek on their website. 17 fund managers do not place any limitation on financial return besides capital preservation or repayment of invested capital, whilst 15 of the organisations communicate the requirement of **adequate/competitive/reasonable financial returns**. 4 fund managers who do not place limitations when communicating in one instance go on further to mention the desire to attain competitive returns in another instance. Those fund managers not limiting returns use phrases such as **financial return, commercial return, positive investment return, healthy return and creating wealth** in their communication. Fund managers requiring adequate or competitive returns communicate this via phrases such as **sufficient returns, attractive/superior/excellent risk adjusted returns, superior returns, enviable returns, above average investment returns, solid investment returns, enhanced returns, high returns and robust financial returns**.

Very little is communicated on whether fund managers seek or experience some form of trade-off between financial and non-financial return; that is whether there is a requirement or need to forego financial returns in order to attain more of the non-financial impact or how the impact should be weighted or distributed. Additionally, most fund managers are not explicit as to whether they consider themselves as “finance first” or social “impact first” investors (Hoschstadter & Scheck, 2014 p.454). Communication by one fund manager; Ariya Capital indicates that it identifies itself as a “finance first” investor as shown in the quotation below:

*“Ariya is a **financial first investor** incorporating a holistic approach to sustainability, ensuring environmental, social and governance criteria are met.” (Ariya Capital)*

PanAfrican Investment Company on the other hand identifies itself as a social “impact first” investor and is willing to trade-off financial in favour of social returns:

“We want a return, but we won't ignore entities where the return may not be the highest. Then we put on a second filter, assessing what the entity does for the benefit of mankind in Africa.” (PanAfrican Investment Company)

Interestingly, another fund manager, Pearl Capital, which previously used to prioritize social impact above financial returns in-fact, reveals that the two can co-exist and be attained in

parallel without compromising the other. Pearl Capital has since shifted their focus from being a social “impact first” investor to being an investor that seeks to maximize both financial and social returns. As a result, Pearl Capital targets **top quartile financial returns** relative to its sector and also **sets demanding impact goals**. The table below is an illustration of this transition as portrayed in their communication:

Table 5: Pearl Capital on Impact first vs finance first

PEARL CAPITAL	
Previous strategy	<i>“Initially and in accordance with direction from our investors, our investments focused mainly on supporting businesses with significant social impact rather than creating market-leading financial returns.”</i>
Learnings and adjustment of strategy	<i>In recent years and in light of positive financial returns from earlier investments, our focus shifted towards considering potential investments equally along social and financial lines.</i>
New strategy of optimizing both financial and social returns	<i>Our latest fund AACF has been invested in 8 new agricultural businesses and has target return expectations of around 15% annual compounded return, while continuing to meet our demanding measurable social impact criteria....”</i>
Current communication and practice of impact investing	<i>“We invest between US\$250,000 and US\$2.5 million in growing agricultural small and medium-sized businesses in East Africa, typically using a combination of equity, quasi-equity, equity-related and debt investments, delivering relative to our sector, top quartile financial returns to our investors, while creating significant positive social impact on smallholder farmers.”</i>

The evolution of Pearl Capital’s thinking about how impact investment can be practiced emerges in the above communication and guides their intentions and actions of also being stringent in their pursuit of financial returns. Although financial returns were initially incidental, their intention to now generate competitive financial returns acts as a guiding principle on how Pearl Capital organizes itself, does businesses, makes its investments and presents itself to its stakeholders.

Of all the fund managers surveyed, very few fund managers explicitly identify themselves or their investment activities as “impact investing”. In fact, only a small fraction, ten out of fifty-

one fund managers sampled across the three countries say they are “impact investors” or classify the work that they do as “impact investment” on their websites. Below are extracts of how the fund managers that identify themselves as impact investors are communicating this:

Table 6: Fund manager communication on being an “impact investor” or practising “impact investment”

FUND MANAGER	TYPE OF ORGANISATION & COUNTRY OF OPERATION	COMMUNICATION
Convergence Partners	<ul style="list-style-type: none"> • Private equity • South Africa and Nigeria 	<p><i>“As impact investors, Convergence Partners is dedicated to catalyzing investment capital to accelerate communications access and ICT infrastructure development on the continent, focusing on initiatives that increase availability of communications, broadband services and new technology offerings to the people of Africa.”</i></p>
Doreo Partners	<ul style="list-style-type: none"> • Private Equity • Nigeria 	<p><i>“Doreo Partners is an impact investment firm with a proven track record of exclusively investing in profitable, high growth, early stage businesses that improve the livelihoods of Nigerian smallholder farmers.”</i></p>
Grassroot Business Fund	<ul style="list-style-type: none"> • Private Equity • Kenya 	<p><i>“...an impact investing organisation that delivers much needed investment capital to high impact businesses, combined with post investment value-add to bring high impact businesses to sustainability and scale. GBF pioneered this dual blended investment approach and engages it to support high impact businesses throughout Africa, Latin America and Asia, affecting the lives of millions of people worldwide.”</i></p>
Grofin	<ul style="list-style-type: none"> • Private Equity • South Africa, Nigeria and 	<p><i>“Impact investments are investments that create a positive social and developmental return as well as a financial return. As an experienced and award-</i></p>

	Kenya	<p><i>winning impact investor, we can give our development funder partners significant access to the under-served SME sector, while delivering a measurable track record of long-term effects.</i></p> <p><i>As a mission driven social enterprise we are eager to expand our impact investment model over the next decade by growing our operational footprint... ”</i></p>
KZN growth fund	<ul style="list-style-type: none"> • Private Equity • South Africa 	<p><i>Vision: “To be KZN’s leading Development Financier and Impact Investor. ”</i></p>
Mergence	<ul style="list-style-type: none"> • Asset Management • South Africa 	<p><i>“Impact investing is an area in which Mergence has pioneered.”</i></p> <p><i>“What is impact investing? Whereas traditional investing seeks to make a financial return only, impact investing seeks to generate a competitive financial risk adjusted return while addressing environmental, social and governance needs”.</i></p> <p><i>“Mergence has identified renewable energy as a key impact investment area to support the government-driven renewable energy independent power producer procurement (REIPPP) programme and to sustain South Africa’s long-term energy security.”</i></p> <p><i>“Despite being pioneers in impact investing in South Africa, at Mergence we feel we are only just getting started!”</i></p>
Musa Capital	<ul style="list-style-type: none"> • Private Equity • South Africa 	<p><i>“The growing impact investment market supplies capital to support solutions to the world’s biggest challenges concentrating on sectors which range from affordable housing to farming, accessible healthcare, clean technology as well as financial services.”</i></p>
PanAfrican Investment	<ul style="list-style-type: none"> • Private Equity 	<p><i>"We're creating a new definition of 'impact investing,'" asserts Parsons. "We want a return, but we won't ignore</i></p>

Company	<ul style="list-style-type: none"> Kenya 	<i>entities where the return may not be the highest. Then we put on a second filter, assessing what the entity does for the benefit of mankind in Africa."</i>
RegCharles Finance and Capital Limited	<ul style="list-style-type: none"> Private Equity Nigeria 	<i>"At RegCharles Finance and Capital Limited, we focus on financing and empowering Micro, Small and Medium Scale Enterprises in various sectors of the economy, Agriculture and Agro Allied Businesses in Nigeria. We are renowned for our Social and Impact Investment capacity focusing on Micro, Small and Medium Scale Enterprises. In this, we assess the social, economic and environmental impact of transactions and investments before funding any business."</i>
Voxtra East Africa Agribusiness Fund	<ul style="list-style-type: none"> Private Equity Kenya 	<i>"Impact investments, also referred to as Development investments, are investments made with the intention of having a positive social and/or environmental impact – not only for profit."</i>

From the above communication, key themes emerge around what the investors who are calling themselves impact investors do, how they do it and why they do it. Furthermore, on examining how the fund managers that call themselves impact investors set themselves up structurally and operationally, and the kind of activities they engage in relative to their counterparts; fund managers that do not explicitly communicate that they are impact investors have results that show that there are overlaps and similarities between what the both groups of fund managers do and how they organise themselves. Examples of similarities are the type of sectors they invest such as renewable energy, education and housing as well as they type of companies invested such as entrepreneurs and SMEs. These are discussed in detail in section 4.3 below.

One example of an organisation that unpacks issues around impact investing as a field via communication in its website is Voxtra East Africa Agribusiness Fund (Voxtra). Voxtra has a dedicated webpage which explores the various facets of impact investment. Interesting information can be drawn from the Voxtra's text on how it perceives the field of impact investing. Key themes that emerge have been highlighted alongside the text from the website in the table 7 below.

Table 7: Voxtra’s communication on impact investment

TEXT FROM VOXTRA’S WEBSITE	KEY INFORMATION OR THEMES AROUND IMPACT INVESTMENT
<p><i>“<u>Impact investments, also referred to as Development investments, are investments made with the intention of having a positive social and/or environmental impact – not only for profit.</u>”</i></p>	<ul style="list-style-type: none"> • Usage of the term “impact investment” as a synonym to “development[al] investments” • Requirement of intention • Requirement of positive social and environmental impact in addition to financial returns
<p><i>“<u>Impact investing is a recognition of the fact that despite significant global efforts, traditional development assistance and philanthropy is not enough to solve the problems of poverty and environmental degradation. Commercial capital, as well as government and philanthropic resources, need to be harnessed.</u>”</i></p>	<ul style="list-style-type: none"> • Impact investment is not development assistance and philanthropy but seeks to collaborate with such organisations and individuals which are normally not profit seeking in nature • Sources of funds channeled towards impact investment include private and public organisations, government organisations and philanthropists
<p><i>“<u>Impact investing also harbors the view that modern capitalism has gone too far in single-mindedly pursuing profits in the short to medium term. By overexploiting the resources of our planet, it could put humanity at risk. By recognizing that positive social and environmental impact can be created while also making a profit, it encourages asset owners to think differently about the meaning of capital.</u>”</i></p>	<ul style="list-style-type: none"> • Emphasis on a more sustainable way of doing business • Social and environmental impact can also be attained alongside with profits
<p><i>“<u>Companies and social enterprises can often be a more effective way of delivering critical goods and services to the poor than</u></i></p>	<ul style="list-style-type: none"> • Companies and social enterprises invested in deliver the impact • Target beneficiary are the poor or

<p><i>traditional aid.”</i></p>	<p>marginalized or those at the bottom of the pyramid</p> <ul style="list-style-type: none"> • Impact delivered through goods and services • Impact investment is not the same as traditional aid.
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Source: Voxtra East Africa: <http://voxtra.org/impact-investing/>

The clear message that can be drawn from Voxtra’s communication is that impact investment is called different things by different people, requires a demonstration of an intention to generate non-financial return in the form of social and environmental impact in addition to financial return, does not amount to aid or developmental assistance or philanthropy. However, philanthropists, governments and the private sector can channel funds towards projects, usually carried out by companies and social enterprises, to address the challenges faced by the poor and marginalized.

Another good example of an organisation that has been consistently dedicated to communicating about impact investing is the Grassroot Business Fund (GBF). GBF is a socially focused investor that aims to build businesses that create sustainable economic benefits for people with low incomes in Africa, Asia, and Latin America. GBF is headquartered in Washington DC and has African operations in Kenya. GBF draws its origins and its association with the World Bank Group, particularly the International Finance Corporation (IFC) from as far back as 2000. The GBF founder, Harold Rosen initially established it as an SME department, the Grassroots Business Initiatives (GBI) under the World Bank Group’s IFC. Harold Rosen, was closely involved in many early “frontier” sector developments at IFC, such as microfinance, small business investing, and technical assistance.

The GBI was piloted from 2004 to 2008 and was aimed at building sustainable, non-financial intermediaries directed at empowering large numbers of High Impact Businesses and individual producers, consumers, and entrepreneurs. From the onset, GBI worked directly with High Impact Businesses to strengthen their business performance, scale up their operations, and improve their sustainability. In 2008 the GBI was spun off and established as an independent non-profit organisation called the Grassroots Business Fund (GBF) to grow

and expand on the successes of GBI. GBF continues to be supported by IFC, as well as many other organisations and a number of private philanthropists.

GBF has presented the longest thread of communication around impact investing from all the organisations surveyed, through the use of comprehensive reports. GBF has communicated on its plans and activities and on being an “impact investor” over a seven-year period (from 2009 to 2016), since the spin off. GBF had a dedicated section on impact investing in its reports in the years 2009, 2010 and 2011. Since 2012, it has continued to report on impact investing under sections discussing social and environmental impact attained and/or its contributions to the impact investing field as a whole.

The consistency and level of detail in the reporting and communication allowed the researcher to go further to analyse communication around impact investment from an organisation that explicitly identifies itself as an “impact investor”. The availability of progressive communication on impact investing also allowed for an analysis of how GBF as an organisation has developed and evolved to be meaningful player or contributor to impact investment, and whether there are any discrepancies between what it says and what it does operationally. As shown in the literature review, organisational communication literature emphasises that organisations are what they communicate and that these communication episodes play a vital role in shaping the organisational reality, identity, image and positions the organisation in its respective market or industry. In line with the above, it is evident that way the representatives of GBF have spoken about the decisions taken, future plans, past and present activities has impacted the way GBF is set up structurally, has developed and evolved operationally and the way it continues to be reproduced and transformed as an organisation to attain the social reality and identity it espouses (Christensen et. al., 2013). The reality being created has informed the key activities that have directed the path the organisation follows in pursuit of its ideal and desired corporate identity (Balmer & Soenen, 1999) .

The principle of organisation being communicatively constituted has been observed as an organisational reality in the case of GBF, as through communication, the organisation has been (re-)produced, its forms, structure and practices such as policies, strategies, operations, formal or informal relation and structures have been altered (Cooren et. al., 2011.) Figure 1 below from the annual report provides a summary of how GBF evolved since inception. The timeline below is testament to the CCO principle which proposes that organisations are

continuously being (re)produced, (re)incarnated and (re)embodied in local interactions, and are subject to change and renewal (Cooren et. al., 2011).

Figure 1: Evolution of the Grassroot Business Fund

Our Evolution

IFC
International
Finance
Corporation
WORLD GROUP

**GRASSROOTS
BUSINESS FUND**

2000 – 2004
Small and Medium Enterprise Department

Harold Rosen starts the Small and Medium Enterprise Department, a joint IFC/World Bank department aimed at supporting the growth of small and medium enterprises in especially challenging environments through direct technical assistance and capacity building programs

2004 – 2007
Launch of Grassroots Business Initiative (GBI)

GBI, an initiative of the International Finance Corporation, implements over 40 technical assistance projects and investments that impact the lives of over 3.4 million people at the base of the economic pyramid (BoP)

2008
Launch of the Grassroots Business Fund

In 2008, the GBI was transformed into an independent organization called the Grassroots Business Fund (GBF) with funding from the IFC, foreign governments, and philanthropists worldwide

2009

- GBF's cumulative portfolio is more than \$3 million in investment capital and technical assistance across Africa, Latin America and Asia
- Portfolio companies impact the lives of more than 350,000 people
- GBF co-sponsors the first Annual Metrics Conference with ANDE

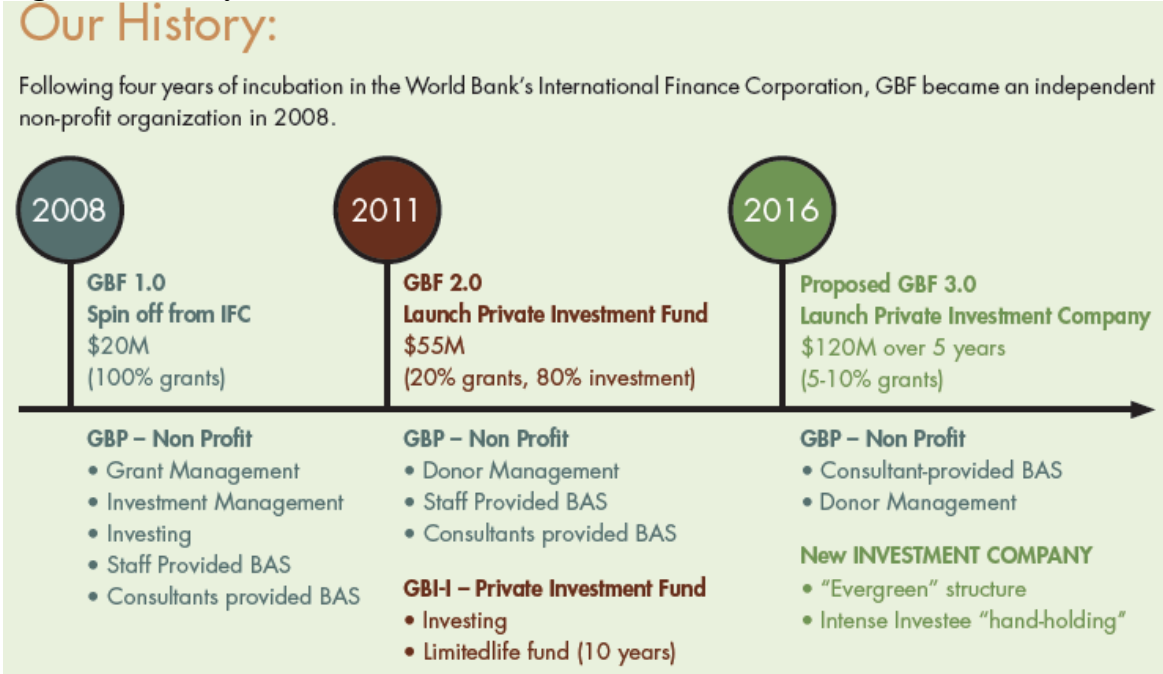


Source: GBF 2011 Annual report

What is interesting to note is that GBF is aware of this continuous process of creation and is agile to the environment it operates in and continues to adapt in order to partake in the opportunities presented to enable the organisation to participate in the things that are core to its existence. Figure 2 below shows how GBF has experience various phases of change from a department within a large organisation to being an independent structure. The phases are denoted by GBF 1.0 in 2008 signifying the spin off from the IFC and GBF 2.0 in 2011 signifying the launch of the fund. Further change is anticipated in the Proposed GBF 3.0 in

2016, which will result in the establishment of a Private investment company which is less dependent on grant funding.

Figure 2: History of the Grassroots Business Fund



Source: GBF Annual Report, 2015

Although the structure has continued to evolve, GBF has continued to identify itself as an “impact investor” and its core business remains fundamentally the same and is observed by the constant communication to attain two key objectives; Firstly, to reduce poverty and secondly, to contribute significantly to the development of the impact investing field or industry.

1. Reduction of poverty

The approach that GBF adopted to reduce poverty has been to generate impact by providing patient capital and Business Advisory Services (BAS) to strengthen and scale businesses, which in turn generate social impact through sustainable earnings for smallholder farmers and artisans, or affordable and better quality products and services. This method continues to be reviewed, refined and made better to enable it to better serve GBF’s process.

“Continuous Learning builds stronger BAS: Since the fund’s inception three years ago, GBF supported 30 BAS engagements. To manage BAS, GBF has put in place an

internally developed system of BAS Ability Scores and Success Factors. These workflow management and results measurement tools help us understand each investee's strengths and weaknesses. More specifically, these tools help us prioritize our work and make adjustments to continue providing the most effective BAS programs targeted to the main challenges facing each company.” (GBF Annual Report, 2014, p. 5)

The commitment to improve and make the BAS more robust also communicated in the following year:

“BAS Review: Mid-Term Report: GBF commissioned an independent financial consultant to conduct a review of our BAS program, completed on April 20, 2015. While offering suggestions to streamline BAS delivery, encouraging decentralization, better transparency and an overhaul of the organization's evaluation system, the review contends that GBF's blended-finance approach is distinctively impactful, helping create profitable and sustainable companies that improve the lives of employees and their dependents.” (GBF Annual Report, 2015, p. 4)

GBF convey convincingly to the external audience through their communication artifacts that the desire to continue to evolve and improve as an organisation is ingrained in their DNA and they will continue to adjust and become better placed to deliver the impact they espouse.

“GBF is determined to keep evolving through continuous improvement.” (GBF Annual Report, 2014, p. 4)

Admittedly, as reflected in GBF's communication, the process of refinement has not been without challenges. There has been successes and failure but successes have seemingly trumped the failure and failures have presented opportunities to learn and improve. A comparison of GBF's mission and values, taken in this context to depict its intention, as articulated as the core of its existence as well as what has been done in practice, a representative of its actions, is shown in table 8.

Table 8: Intentions vs. Actions

MISSION AND VALUES	LEARNINGS
<p>“GBF works toward a world where economic opportunity reaches everyone. Their mission is to grow viable businesses that generate sustainable earnings or savings for people with low incomes in Africa, Asia, and Latin America.</p> <p>Values:</p> <ul style="list-style-type: none"> • Use business rigor to make investments that deliver sustainable financial and social results. • Strive to continuously learn from experiences, and adapt to the context of the local operating environments. • Are passionate about making a difference in the lives of people with low incomes. • Respect diversity in their people and perspectives and they believe this makes them a uniquely effective team.” 	<p><i>“Improving, by Learning from Failure: GBF’s biggest mistakes have come when we:</i></p> <ul style="list-style-type: none"> • <i>disbursed before we really understood the company’s finances and operations;</i> • <i>became emotionally attached to a client, and prematurely eased up on our business rigor;</i> • <i>let BAS selection and execution weaken because of a good social story;</i> • <i>tried to change the “DNA” of an organisation by making social, non-profit organisations into commercially-viable businesses. As noted, GBF now targets for-profit businesses that have social impact built into their business model.”</i> (GBF Impact Report; 2014, p. 32)

Source: <http://www.gbfund.org>

It is through communication of failures experienced that GBF is able to demonstrate that there can be a discrepancy between intent and action. GBF’s actions compared to the mission and values, a proxy for its intention paints a mixed picture. For example, in one instance there is congruency between what GBF does and what it says it does when it comes to learning from its mistakes. This ability or willingness to learn from mistakes is shown by the ease with which it discloses such mistakes or failures and puts in place measures to avoid similar mistakes in future. In another instance, there is a divergence between what GBF says and what it did in a particular incident. One of its stated values is to use business rigor in making investments, whereas under its learnings it states that it “prematurely eased its business rigor”.

Whether deliberate or unintended, this is evidence that intentions will not always be completely aligned to actions vice versa as already highlighted in some of the literature reviewed.

2. Making a notable contribution to impact investing

GBF through its communication has made known the part it would like to play within the impact investment framework; that is to establish a strong reputation in the field and contribute significantly to the development of the field and the direction that the industry will take. As such it is observed that GBF has been proactive in helping establish the foundations of the impact investing practices and communicated on the actual actions taken to cement its position as a strong proponent for success in the impact investing field. Examples of the communication are shown below:

*“In two years, GBF has **established a strong reputation in the impact investment field.** The sources of GBF’s successes lie in its unique niche, blended approach, experienced staff, and innovative field building activities.”* (GBF Annual Report, 2010, p. 4)

*“GBF also **contributed to the broader development of the impact investment field,** through several **industry-wide initiatives and partnerships.**”* (GBF Annual Report, 2010, p. 1)

Notable contributions to industry activities have been derived through participation in industry wide initiatives, leveraging existing partnerships and forging new ones. “GBF tries to engage and share key lessons learned with other industry players and partners, to build on successful initiatives.” (GBF Annual Report, 2010, p. 14). Initiatives have been summarized in the table 9:

Table 9: GBF's contributions to the impact investing field

YEAR	PARTNER ORGANISATION	INDUSTRY BUILDING INITIATIVE OR ACTIVITY
2009	Aspen Network of Development Entrepreneurs (ANDE) -network representing parties involved in social enterprise and impact investing in small and growing businesses. GBF is a member of ANDE	GBF initiated and held a two-day workshop, <u>“Metrics from the Ground Up”</u> . The workshop was co-sponsored by ANDE. The delegates in the conference included <u>donors, investors, practitioners, academics, and entrepreneurs</u> . In the conference, the <u>different approaches to monitoring and evaluating</u> the impact of social enterprises were explored. This included discussions on the tools in the metrics landscape, client feedback mechanisms, and best practices in communications and marketing.
2010	Aspen Network of Development Entrepreneurs (ANDE)	GBF <u>continued</u> its partnership with ANDE on the <u>annual metrics workshop</u> .
2010	Global Impact Investing Rating System (GIIRS) - a new emerging markets rating system involving a number of leading industry players.	GBF <u>became a Pioneer Fund Manager</u> of the GIIRS.
2010	Sosial Enterprener Indonesia (SEI) - an angel investment club in Indonesia	<u>Financial platform supplying customizable financial packages</u> to a large number of businesses in selected countries aimed at developing a better investment pipeline for the whole impact investing industry as well as a model for engaging successful business people in impact investing.
2010	BrazAfric	Industry wide partnership between corporations, technical assistance service providers and

		investee companies to <u>provide value added technical expertise and financial support</u> to a companies and their beneficiaries using wholesale methods.
2010	Challenge Fund	Capacity building program which includes activities such as business skills <u>training for entrepreneurs, improving MIS as well as developing new tools or approaches to problem solving.</u> Program is aimed at GBF's portfolio companies.
2010	Impact Planning, Assessment and Learning (iPAL) Framework	<u>Metrics framework developed to measure social return.</u> The tool enables the gathering of and analysis of financial, operational and social data and allows clients to use the data to make critical decisions that improve their operations and increase their social impact on key stakeholders.
2011	Netherlands Development Finance Company (FMO) and the Development Bank of Austria (OeEB).	A GBF <u>developed program</u> of regionally based workshops to enable the group of portfolio companies <u>to network and receive financial management training.</u> Needs analysis assessments are conducted to develop company specific tools, best practices that are delivered through subsequent technical assistance projects.
2011	Knowledge Management Website	<u>Internal Knowledge Management website implemented to consolidate the information gathered and valuable knowledge gained</u> and lessons learnt over the years. Objective is to drive better decision making, more robust problem solving, improve strategic planning,

		<p>efficiency, deal sourcing and continue to build effectiveness in building High Impact Businesses. GBF would like to expand this initiative to include outside partners in future in order to learn from them as well as share its accumulated knowledge.</p>
2011	<p>Dalberg Global Advisors</p>	<p>GBF <u>developed the Social Impact Verification framework</u> in partnership with Dalberg Global Advisors. The framework assesses social impact data across five criteria: compliance, capability, reliability, integrity and accuracy. Using this methodology, GBF is able to determine whether reported figures are accurate, what the underlying operational factors are that determine data quality, immediate corrections that can be made to improve accuracy of reported figures, and opportunities to provide technical assistance to support the development of improved data management systems and processes.</p>
2012	<p>Impact Reporting and Investment Standards (IRIS) - initiative of the Global Impact Investing Network.</p>	<p>GBF <u>contributed performance data (financial, operational and social metrics) for analysis in the first IRIS report.</u> IRIS provides a standardized framework for defining, tracking, and reporting on the social, environmental, and financial performance of an organisation. The reporting mechanism enables comparisons on financial, operational, social and environmental metrics to be made across the impact investment industry.</p>
2014	<p>GBF Impact report</p>	<p>The <u>first GBF impact report</u> published. The</p>

		<p>report is GBF's initial assessment of their financial, social and economic impacts. This enables them to measure their progress against their mission of building sustainable businesses that bring significant, lasting improvements to the lives of large numbers of people with low incomes.</p>
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Source: GBF annual reports

Apart from pioneering multiple industry initiatives, GBF continuously strives to make history within the impact investment fields and can comfortably make the claim and commitment that:

GBF's innovative field-building activities and focus on metrics have already given GBF a leadership position in the impact investing field. Building on this strong foundation, GBF is looking forward to expanding its impact in the field, both through new investments and targeted, broader initiatives. There is encouragement on both fronts: a strong pipeline of new potential investments, and several ideas percolating for new business models. (GBF Annual Report, 2010, p. 16)

This shows alignment between the actual, communicated, desired and ideal corporate identity (Balmer & Soenen, 1999). It can also be observed from the communication that the more milestones are reached, the more confidence to set the bar higher and claim a leading position. "GBF has emerged as a leader in the impact investment field, developing new models and sharing lessons learned, particularly in impact measurement and BAS." (GBF Annual Report, 2012, p. 2). Although a self-proclamation, this bold declaration is backed by sufficient evidence of the actions and initiatives undertaken, in order for GBF to be perceived as a market leader. It is apparent that GBF has successfully created the desired image of an organisation that is contributing immensely to the development of the impact investing field. Additionally, validations from stakeholders below show that GBF is creating the reality or perception it espouses.

Table 10: GBF’s third party recognition for contribution to impact investing

STAKEHOLDER	COMMUNICATION
Randall Kempner, Executive Director of the Aspen Network of Development Entrepreneurs (ANDE) (GBF Annual Report, 2010, p. 14)	<i>“We truly appreciate GBF’s efforts to support ANDE’s metrics and evaluation work. GBF continues to be a leader—both in thought and practice—in impact assessment.”</i>
Maurice Scheepens of FMO — the Netherlands Development Finance Company (GBF Annual Report, 2012, p. 3)	<i>“Over the last few years, GBF has achieved scale and developed a sound understanding of investing in emerging markets - something we feel is very compelling. As a forerunner in impact investing, GBF constitutes an interesting investment partner for us.”</i>
Elizabeth Littlefield, President and CEO of the Overseas Private Investment Corporation (GBF Annual Report, 2012, p. 5)	<i>“GBF is a significant player in impact investing. Their work is helping create sustainable social and economic impact, while also offering a financial return on investment. OPIC sees great promise in impact investing and is committed to supporting its development.”</i>
Washington, 2015	<i>“The Grassroots Business Fund (GBF) has been selected for the ImpactAssets 50 2015 (IA 50), a free, publicly available online resource for impact investors and their advisors. The IA 50, now in its fifth year, is the first publicly available database of private debt and equity impact investment fund managers.”</i>

Source: GBF annual reports

4.3 Impact investment at a strategic level

As shown in Hoschstadter and Scheck (2014), the core focus of an impact investor is to deploy capital to targeted audiences who then generate the type of financial and non-financial

impact that the investor fund manager espouses. Analysing the communication these fund managers sent out mainly through their websites reveals that small-medium sized companies operating in various industries are some of the vehicles through which impact investors are able to attain their desired impact goals. These impact goals, as discussed earlier, can be achieved through various strategies or options including, but not limited to, demography and geographies, sectors and asset classes or financial instruments.

4.3.1 Demography and geography

Certain investors would like their funds to be directed to institutions that help people in specific geographies and fit a particular demographic identifier, particularly those viewed as being part of the low income population or generally, investing in the developing world (Hoschstatter and Scheck, 2014). This demography is also referred to as the bottom of the pyramid. From the data analysed, it is evident that fund managers generally reference their countries of origin as their targeted geography and sometimes extend their beneficiary reach to geographies in their regions of origin or operation. The geographies of operation of the sampled fund managers is illustrated in the table 11 below.

Table 11: Countries and regions invested in

TARGETED GEOGRAPHY	FUND MANAGER(S)
Specific countries/regions in Africa	
South Africa	Adinah Capital Partners, Business Partners, Nesa Venture Capital Investments, Sanari Capital, Utho Capital
Sub-Saharan Africa	Adinah Capital Partners, Agri-Vie, Alpha Africa Asset Managers, Ariya Capital, International Housing Solutions Investments, Kibo Capital Partners, Nesa Venture Capital Investments, PanAfrican Investment Company, Sampada Private Equity, Sanari Capital, Spear Capital
Nigeria	RegCharles
East Africa	Dhahabu Africa Capital, Pearl Capital
West Africa	Sahel Capital Partners
Kenya, Uganda, Tanzania, Rwanda, Zambia	Progression Capital Africa

Burundi, Ethiopia, Malawi, Mozambique, Kenya, Rwanda, Tanzania, Uganda, Zambia	Voxtra East Agribusiness Africa
African continent	
Africa	Business Partners, Convergence Partners, Phatisa, Utho Capital
Africa & Other Continents	
Sub-Saharan Africa, Europe and Israel	TLcom
East Africa, West Africa, India, Pakistan, Latin America	Acumen
Africa, Asia, Latin America	Climate Fund Managers , Grassroot Business Fund
Africa and Middle East	Grofin, Qalaa Holdings
Indian Ocean Islands	Kibo Capital Partners

Evident from the table above is that the most popular geographical region of operation is Sub-Saharan Africa, which covers the greater part of the African continent. Progression Capital and Voxtra both reference specific countries; whereas Business Partners, Convergence Partners, Phatisa and Utho Capital seek to impact the whole of the African continent. There seems to be no limitation in terms of the continents or geographical reach that the fund managers have with some operating in Asia, Latin America, Middle East, Indian Ocean Islands, Israel and Europe. The inclusion of Europe by TLcom begs the question of whether investments into the developed countries constitutes impact investment. It is important to note that impact investment existed in the United States and Europe prior to Belagio Center meeting that was convened by the Rockefeller Foundation in 2007. It was known as community investment amongst other terms. What the concept of impact investment brought is an increased focus on emerging and developing economies (O'Donohoe et. al, 2010).

Although not sufficiently backed by evidence, two possible conclusions can be drawn from the geographic destinations of impact investments; that the funds are channeled to developing countries within the European continent or that there are opportunities within the developed

countries to invest for impact or to address social, environmental, economic and developmental problems. Practitioner texts explained that impact investments are not necessarily limited to developing countries but can also be channeled to underserved populations in the developed world through servicing “low income households, individuals with disabilities, and other minorities, and environmental projects can benefit society at large, independent of a person’s socioeconomic status” (Hoschstadter and Scheck, 2014 p.457). It may seem from this observation, that demography or end beneficiaries’ trumps geography when it comes to execution of impact investment strategies and that fund managers will generally invest in any country or continent that enables them to reach audiences that are at the “bottom of the pyramid”. Some fund managers communicate such beneficiaries as their target audience and aim to invest for impact and directly benefit the underserved population, whilst others reference developing and emerging countries as destinations of their investments.

Table 12: Targeted demography

FUND MANAGER	TARGETED DEMOGRAPHY
Grassroots Business Fund	<i>Our Mission Is To Grow Viable Businesses That Generate Sustainable Earnings Or Savings For People With Low Incomes In Africa, Asia And Latin America</i>
Grofin	<i>We make strategic investments and form partnerships that encourage growth and improve living conditions in low- and middle-income countries.</i>
Novastar ventures	<i>We are a team of experienced practitioners in search of businesses where positive social impact for lower-income households is a result of commercial success, not an end in itself.</i>
ResponsAbility	<i>Our investment philosophy is based on a simple observation: in developing countries and emerging markets, low-income households and micro, small and medium-sized enterprises whose basic needs were not previously met are now increasingly being served by companies with innovative business models.</i>

4.3.2 Organisational processes

Organisational processes address the mechanisms through which value is generated for the beneficiaries and key stakeholders. Hoschstadter and Scheck (2014) reviewed two practitioner texts that further elaborated that impact investors tend to deliver social and, or environmental impact through investee companies that deliver these returns as part of their business operations and processes as well as through the products and services they bring to market. Under business operations and processes, the practitioner texts made reference to the delivery of positive outcomes, through methods of production, specifically to people at the base of the pyramid, provision of quality jobs needed in operations, facilitation of local asset accumulation, purchasing of inputs or raw materials from local or smallholder providers or promoting energy efficiency. In relation to products and services, the texts made reference to the provision of goods and services to low income consumers, such as affordable healthcare, clean water, education or access to energy. The above strategy is identifiable in the surveyed fund managers who communicate this in as shown in the table 13 below.

Table 13: Organisational processes

FUND MANAGER	COMMUNICATION
Acumen	<i>“Our aim in investing patient capital is not to seek high returns, but rather to jump-start the creation of enterprises that improve the ability of the poor to live with dignity...Make a product or deliver a service that addresses a critical need for the poor in our sectors and geographic focus.”</i>
Adinah Capital Partners	<i>“The Adinah investment solution is designed to have a positive social impact based on our approach to transformation as a process of restoring dignity and humanity beyond race, ethnicity and culture. The Adinah investment approach and approach to transformation addresses structural impediments around poverty alleviation, decent living and working conditions, education and training.”</i>
Doreo Partners	<i>“Doreo Partners is an impact investment firm with a proven track record of exclusively investing in profitable, high growth, early stage businesses that improve the livelihoods of Nigerian smallholder farmers.”</i>
Edge Growth	<i>“Like bridges, Edge Growth’s Enterprise Development solutions close the</i>

	<i>gap – between corporates and SMEs, business strategy and good corporate citizenship, BEE points and the bottom line, an unstable past and a sustainable future, investment and impact, high potential enterprises and growth finance, the formal and informal sectors, economic development and job creation.”</i>
Grofin	<i>“Serving the underserved entrepreneurs in the small and growing business sector with risk capital and business support, helping them to realize their full business potential and deliver quantifiable social and economic development impact.”</i>
IDF Managers	<i>“...exploit the opportunity of profitably investing in the entrepreneurial SME sector by providing appropriate products and support to the sector.”</i>
International Housing Solutions Investments	<i>“We partner with respected developers to increase access for individuals and families to high quality affordable homes, creating a significant and positive social, environmental and economic impact.”</i>
Kibo Capital Partners	<i>“Kibo Capital invests in leading Small and Medium Enterprises and helps them drive the growth of the African economy.”</i>
KZN Growth Fund	<i>“To support sustainable growth by financing private sector projects that drive economic success, stimulate job creation, promote broad based black economic empowerment (B-BBEE) and reduce inequality.”</i>
MBO Capital Management	<i>“We believe that private capital is a viable source of financing for lower middle market companies in Africa, given the current difficulties in accessing local bank credit.”</i>
Nesa Venture Capital Investment (Pty) Ltd	<i>“The Nesa Enterprise Development Fund provides working, growth and expansionary capital to small, medium enterprises (SMME's) and small growing businesses (SGB's) with the propensity to create sustainable jobs in South Africa.”</i>
Novastar ventures	<i>“The fun and focus of our work is partnering with entrepreneurs to help bring ideas to life and multiply their impact.”</i>
Old Mutual Alternative Investments	<i>“The knock-on effects of these initiatives are tangible economic development and job creation.”</i>
ResponsAbility	<i>“Our investment philosophy is based on a simple observation: in</i>

	<i>developing countries and emerging markets, low-income households and micro, small and medium-sized enterprises whose basic needs were not previously met are now increasingly being served by companies with innovative business models.”</i>
Spear Capital	<i>“Investment focus on Small to Medium Enterprises ("SME"). This is traditionally an underserved sector within the African PE space.”</i>
Voxtra East Africa	<i>“Company characteristics: We provide growth capital to companies across the agricultural value chain – from input provision to processing and distribution – that contribute to improving the livelihoods of smallholder farmers.”</i>

The above communication is indicative of the fact that the most prevalent channels utilized to deliver the impact sought after by fund managers are through targeting investees such as entrepreneurial businesses that are usually further segregated into early stage and high growth businesses, SMEs and small growing businesses (SGBs). Social themes again emerge as the key outcome of deploying capital. In line with the framework of Hoschstatter and Scheck (2014), the same patterns or ideas arise in the communication of the business operations and processes as well as products and services delivered to the markets the fund managers are operating in. Under business operations and processes, the fund managers talk about the base of the pyramid using phrases such as **underserved sector of the economy/underserved entrepreneurs/SMEs whose basic needs are not met or underserved SMEs/the poor**. Provision of quality jobs is echoed using phrases such as **sustainable jobs, stimulate job creation, job creation, decent living and working conditions**. Apart from the phrase that makes reference to sustainable jobs and decent working conditions, communication by other fund managers is silent about the type and quality of jobs they wish to create. Other fund managers seek to invest in companies **improve the livelihoods of small holder farmers throughout the agricultural value chain**. With regards to products and services, fund managers reference to the **provision of appropriate products and services to SMEs as well as the provision of financial services to the underserved population which translates to the lower and middle market accessing local banking credit**. One fund manager is not specific about the type of products and services provided and merely makes reference to making products or delivering services that address the critical needs of the poor.

4.3.3 Impact objective and sector

Impact objective and sector addresses the type of intended or desired impacts, and whether impact investment is limited to certain sectors. According to the work of Hoschstadter and Scheck (2014)'s, impact investments can be directed to specific sectors or target the fulfillment of one or more specific impact objective. There is no set rule on which sectors constitute impact investment and which sectors cannot be classified as destinations for impact investments. The most commonly cited sectors are agriculture, clean tech or energy such as renewable energy, housing including water and sanitation, education, healthcare and provision of financial services to the poor such as micro finance.

The fund managers surveyed reference much broader sectors of operation which include agriculture/agro-processing/agri-food/food, education, healthcare and pharmaceuticals, housing/real estate/residential and commercial property, water and sanitation, clean energy/renewable energy/power and energy, ICT and communication/clean technology/information technology, resources/mining/mining beneficiation, infrastructure, consumer goods and services/FMCG, retail sector, financial services including insurance, tourism, transport and logistics, manufacturing, media and technology, aquaculture and forestry and utilities.

Interestingly two fund managers; KZN Growth Fund and Voxtra explicitly communicate exclusions investments in sin industries such as tobacco, gambling and ammunition and are highlighted in the table 14 below. Reasons for these exclusions are not communicated on their websites. The decisions to make such exclusions could be informed by the adoption of a screening investment strategy due to the ethical controversy associated with investing into sin industries. Traditionally, fund managers have excluded investments in certain sectors for various reasons which may infringe on what is perceived as the ethical/responsible/sustainable way of doing business, whereas some emanate from beliefs and religion. For instance, Islamic funds will not invest in alcohol and other people may not invest in tobacco products or corporations that manufacture weapons.

Table 14: Targeted sectors

FUND MANAGERS	COMMUNICATION ON SPECIFIC TARGETED SECTOR IMPACT
Acumen	<i>“Operate in one of our investment sectors of Agriculture, Education, Energy, Health, Housing, or Water.”</i>
Agri-Vie	<i>“Agri-Vie has consistently grown its role as a trusted investment partner in food & agribusiness.”</i>
Ariya Capital	<i>“Ariya focuses two main growth sectors in the Sub-Saharan region: clean energy and Information Communication Technology (ICT).”</i>
Climate Fund Managers	<i>“Climate Investor One is an innovative approach to infrastructure financing designed to accelerate the delivery of renewable energy projects in emerging markets.”</i>
Convergence partners	<i>“As impact investors, Convergence Partners is dedicated to catalysing investment capital to accelerate communications access and ICT infrastructure development on the Continent...”</i>
Dhahabu Africa Capital	<i>“We invest in: Consumer and retail sector, Financial Services, Real-Estate, Education, Agro-processing & Tourism.”</i>
Emerging capital partners	<i>“We have completed deals across a wide variety of sectors including consumer goods and services, financial services, telecommunications, infrastructure, and agriculture ...”</i>
Future Growth Asset Management	<i>“Exposure to all major developmental sectors: Infrastructure, affordable housing, healthcare and insurance, education, specialty finance, food and agriculture.”</i>
International Housing Solutions Investments	<i>“At International Housing Solutions (IHS), the global private equity investor leading investment into the affordable housing sector in sub-Saharan Africa.”</i>
Kibo Capital Partners	<i>“We believe some sectors have stronger contribution to growth. Our team has developed extensive expertise in them: Financial services (banking, insurance, non-banking financial institutions, fintech), Education, Healthcare and Consumer-related companies (from light industrials and FMCG to retailers and technology services).”</i>
KZN Growth Fund	<i>“The KZN Growth Fund targets projects across many sectors in the</i>

		<p>province with the exception of residential property and sin industries (tobacco, gambling, etc.) Sectors in which we provide finance include: Transport and logistics, Manufacturing, Telecommunications, Power and energy, Health and education infrastructure, Agro-processing, Mining and mineral beneficiation and any other sector, which may promote the objectives of the Fund, provided it satisfies the investment policy of the Fund.”</p>
MBO Management	Capital	<p>“These include, but are not limited to, energy services, FMCG, non-bank financial services, agri-processing, and other cross-industry service sectors (industrial, telecommunications, business, etc.)”</p>
Musa Capital		<p>“The growing impact investment market supplies capital to support solutions to the world’s biggest challenges concentrating on sectors which range from affordable housing to farming, accessible healthcare, clean technology as well as financial services.”</p>
Nigeria Investment Authority	Sovereign	<p>“Focus sectors: agriculture, healthcare, real estate, motorways and power.”</p>
Old Alternative Investments	Mutual	<p>“These assets include the creation of affordable housing, SMME finance and providing access to quality education.”</p>
Pearl Capital		<p>“We invest between US\$250,000 and US\$2.5 million in growing agricultural small and medium-sized businesses in East Africa...”</p>
Phathisa		<p>“Feeding and housing Africa.”</p>
PIC		<p>“Invest in large-scale and long term infrastructure projects that generate good capital returns, while acting as catalysts to unlock the rest of Africa's economic potential and attract foreign direct investments. Sectors focused on include energy, transport and logistics, social infrastructure and other related sectors, water and ICT”</p>
Progression Africa	Capital	<p>“Progression Capital Africa is a manager of private equity funds specializing in financial inclusion and financial technology investment in Eastern and Southern Africa.”</p>
Qalaa Africa	Holdings East	<p>“We invest in core industries that will shape the future of Egypt and Africa: energy, cement, agrifoods, transportation & logistics, and</p>

		<i>mining.”</i>
RegCharles		<i>“By providing tailored financial solutions and advisory services through our array of products and services, our target focus is Training and Capacity building for new entrepreneurs, participate in rural development for rural youth and women, Community development and engagement, Health and environment, Agriculture and research, Leadership development, Inculcation of savings culture, Poverty reduction and alleviation including Enhancing of female entrepreneurs.”</i>
ResponsAbility		<i>“Investing in the financial sector...Financing for the agricultural sector...Investing in the energy sector...”</i>
RH Managers		<i>“The RHF focuses on investing in healthcare infrastructure, providing accessible and affordable quality healthcare to the greater population of South Africa.”</i>
Sahel Partners	Capital	<i>“FAFIN is an innovative agriculture-focused investment fund that aims to transform the landscape of private sector agricultural finance in Nigeria.”</i>
Sampada Equity	Private	<i>“Commercial properties and related infrastructural developments, independent private education schools and related institutions and commercial strategic partnerships with international companies.”</i>
Sanari Ltd	Capital (Pty)	<i>“These thematic growth drivers inform our preferred sectors for investment consumer services & supplies, retail; business/industrial services and supplies; technology; renewable/green solutions and health care & education.”</i>
TBL Mirror Fund		<i>“The Fund has a general industry focus. Within the target region, several high growth sectors are identified where TBL has built a strong pipeline and track record, including ICT, Healthcare, and Consumer Goods.”</i>
TLcom		<i>“TLcom Capital LLP is venture capital firm based in Nairobi, Lagos and London, investing since 1999 in Telecom, Media and Technology (TMT) companies in Europe, Israel and Sub Saharan Africa (SSA).”</i>
Utho Capital		<i>“On the Investments side, Utho Investment Holdings and Utho</i>

	<i>Strategic Investments have taken up equity in a number of entities in various sectors including: mining resources; property; information technology; and Financial Services.</i>
Voxtra East Africa	<i>“The Fund can invest in all segments within agriculture, aquaculture and forestry, and in all steps of the value chain such as primary production, processing, distribution, transporting, financing or any other related activity that has positive impact on smallholder farmers. The fund will not invest in companies involved in tobacco production or processing.”</i>
WDB Investment Holdings	<i>“Targeted sectors: Food and Agriculture, Residential and Commercial Property, Media & Telecoms and Technology, Education, Renewable Energy/Utilities, Healthcare and Pharmaceuticals, Retail, FMCG and Diversified Industries.”</i>

For those fund managers that reference specific impact objectives, the most sought after desired impacts encompass job creation, improvement of living conditions and livelihood as shown below.

Table 15: Specified impact objectives

FUND MANAGERS	COMMUNICATION ON SPECIFIC IMPACT OBJECTIVES
Adinah Capital Partners	<i>“We believe that this will ultimately lead to sustained value creation for investors in the medium to long term through greater job creation opportunities, better paying jobs, enhanced working conditions and improving the skills of workers.”</i>
Agri-Vie	<i>“This ability, combined with the right mix of capital, time and business building expertise, enables us to unlock value for investors, while positively impacting on communities and their environment.”</i>
Doreo Partners	<i>“Doreo’s investment strategy is driven by the team’s passion to provide a private sector driven solution to Nigeria’s leading social challenge: spiraling youth unemployment.”</i>
Edge Growth	<i>“We are passionate about leaving a legacy and believe that in South Africa, job creation is the most powerful way to transform the social</i>

	<i>injustices caused by the lack of skills, education and jobs.</i>
Grofin	<i>“By generating employment, strengthening value chains and building markets, our investments bring about inclusive growth and improved living conditions in low and middle income countries.”</i>
MBO Capital Management	<i>“The Fund will be sector agnostic, but will target growth companies in sectors that support economic development by driving import substitution, export promotion and job creation.”</i>
Mergence	<i>“These products aim to generate market returns whilst addressing issues such as unemployment, education, housing, renewable energy and promote a carbon efficient economy.”</i>
Nesa Venture Capital Investment (Pty) Ltd	<i>“The primary objective of the fund is to provide a long term and sustainable solution to unemployment in South Africa by promoting job creation through the solicitation and deployment of enterprise development capital to small and medium businesses with the potential of employing people on a permanent basis.”</i>
One Acre Fund	<i>“...When farmers prosper, they eradicate poverty and hunger in their communities.”</i>

4.3.4 Asset class or financial instruments

At times, investors may prefer certain asset classes or financial instruments as a vehicle for impact investing. Examples of asset classes and financial instruments that most researchers and impact investment practitioners make mention of in relation to investing in the field include debt, equity, guarantees and deposits. More innovative structures, such as the new formed social impact bonds are being constructed to suit the needs that are seen as particular to impact investing (Hoschstadter and Scheck, 2014).

There is still an ongoing debate in the field about whether there are specific types of asset classes or financial instruments that must be used for the investment to qualify as impact investment. Furthermore, there is no consensus as to whether impact investment is limited to investment in private debt and equity; a view widely supported by the Rockefeller Foundation (Niggemann & Brägger, 2011 cited in Hoschstadter & Scheck, 2014). To reinforce this view, Hoschstadter and Scheck, (2014) also found two other practitioner texts that relate the field of

impact investing primarily to investing in private debt and equity as well as venture capital investment. A similar pattern can be observed in table 2 in chapter 3 which shows that the distribution of fund managers surveyed is skewed in favour of private equity organisations.

Much of the literature on impact investing also investigates whether impact investment constitutes an asset class in its own right (Hoschstadter & Scheck, 2014). With all this, no definitive school of thought has emerged that would set a directive on whether impact investment is to be viewed as an asset class or just another form of investing, going forward (Hoschstadter & Scheck, 2014). Only one fund manager, Old Mutual Alternative Investments suggests through its communication that it views impact investment as an asset class on its own right. The communication is illustrated below.

*“We offer investors investments across the risk/return spectrum and the full range of assets. This includes pure equity, multi-asset class, fixed-income and index-tracking investments, as well as low-correlation alternative assets such as property, private equity, infrastructure and **impact investments**.”* (Old Mutual Alternative Investments)

4.3.5 Intentional and measurable impact

It was discussed in the previous sections that the sample of fund managers obtained from the Barometer included in the “impact investment” category, the fund managers that show intention to generate social and environmental returns or impact (Giamporcaro & Dhlamini, 2015). Text by Wood et. al. 2012, referenced in Hoschstadter and Scheck (2014), defines impact investment as “investment with the intent to create measurable social or environmental benefit in addition to financial return” (p.7). This imposes a further requirement for the non-financial impact to be intentional and/or measurable or be measured. It is interesting to draw that this definition marries the intention to the action of measuring the impact generated (Grabenwarter & Liechtenstein, 2011; O’Donohoe et. al 2010). Seven fund managers communicate intention and measurement concurrently.

Table 16: Communication of intention and measurement

FUND MANAGER	INTENTION	MEASUREMENT
Acumen	Our aim ...is not to seek high returns,	Significant Social Impact - create greater social impact than what is available currently through the market
Ariya Capital	aims to be; will focus mainly on	quantifiable environmental benefits; ensure key social and environmental criteria are met and measured .
Grassroots Business Fund	Impact Investing	Focuses on measurable outcomes to determine Impact
Grofin	Impact investments	achieve verifiable socioeconomic impact based on real outcomes, deliver quantifiableimpact; delivering a measurable track record of long-term effects; We measure social, economic, environmental and governance effects of our investments.
IDF Managers	we seek to identify ... whose owners are committed to ...	a commensurate commercial return
Mergence (Impact and infrastructure)	These products aim to ...whilst addressing; by incorporating ...into our investment process	we incorporate impact measurement based on Impact Reporting & Investment Standards [IRIS] into or investment process;
Old Mutual Alternative Investments	that aim to create	tangible economic development and job creation.

With regard to intention the researcher found that fund managers; both those who explicitly say they are “impact investors” and those that do not say they are “impact investors” generally use language such as “we are **committed to**”, “we **aim to**”, “**seek to**”, “**set out to**”,

“strive to”, “the **intent of** providing”, “**place considerable emphasis** on”, “**focuses** on” to signal that non-financial impact attained is not by accident or an externality resulting from doing business but is part of the core of the existence of the business.

With regards to the measurement aspect the researcher found that there is limited communication on the measurement of impact by the fund managers surveyed. In fact, 32 out of the 51 fund managers surveyed do not communicate on how they measure or quantify the impact they espouse. However, that is not to say that internally, the fund managers are in effect not keeping track of or measuring some key performance indicators (KPIs) or have some mechanism in place to track the impact obtained from their investing activities. Lack of disclosure could be attributable to the lack of a regulatory requirement or otherwise to disclose impact measurements publicly particularly because most of the fund managers surveyed are not public companies.

Some fund managers make mention of the important metrics that are tracked to assess the achievement of their impact objectives. Most commonly communicated metrics are around the number of jobs created, businesses supported or invested in etc. Some fund managers supplement the disclosure of impact statistics with success stories, testimonials and case studies to reinforce the impact achieved. These accounts are presented in various forms such as written text on the website, with use of a lot of imagery to paint a clearer picture of the success of the initiatives or videos of testimonials in some instances. Standalone annual and impact reports also include case studies. Other fund managers also place emphasis on tracking key financial metrics which reinforces the fact that there ought not to be a trade-off between financial and non-financial impact. Investors can set stringent targets for both elements and seek to achieve both without being in a position where one is attained to the detriment of the other. Examples are shown below:

Table 17: Measurement disclosure

FUND MANAGER	IMPACT STATISTICS
Acumen	<i>East Africa: A model for innovative development East Africa investments span from solar energy, to mobile-enabled supply chain solutions for farmers, to long lasting anti-malarial bed nets, to cotton ginning, and more. \$29.5 million invested in breakthrough innovations, 23 companies providing</i>

	<i>choice not charity, 82 million lives impacted with dignity not dependence, 44,000 jobs created & supported improving livelihoods and economies.</i>
Grofin	<i>62450+ Jobs sustained, 32+ investors, 825+ transactions, 7000 businesses supported, USD469m economic value added by investees, USD500m in funding commitments, 81 startups funded to date.</i>
Musa Capital	<i>Company: African Frontier Holdings. Investor: Musa Capital – Musa Kubu Fund. Country: South Africa with significant scale opportunities throughout sub-Saharan Africa. Sector: FMCG / Agriculture. Stage and category of investment: Growth and expansion capital. Amount invested: R27m in 2008, Equity value: R110m as at 28 Feb 2014, Unrealised IRR: 26.4%, Employees: 1,355 as at 28 Feb 2014, Revenue: R982m as at 28 Feb 2014, EBITDA growth: 46.3% – 5 year CAGR to 28 Feb 2014. ESG impact: 1) Development of grass root black farmers 2) Access to commercial supply chains and offtakes 3) Support from commercial farmers 4) Sustainable economic development of communities. ESG interventions: Emerging farmer programme which provides access to funding, skills development, access to market and commercial sustainability to grass root black farmers. Percentage of women employed: 30%. Total employees trained in 2014: 50 emerging farmers with an aim to train 200 emerging farmers over a 3-year period.</i>

Giving “impact” statistics or numerical evidence seems to be an attempt to paint a picture to the stakeholders of the achievements to date. The level of the effectiveness of this type of communication varies by fund manager. Although in the above instance all fund managers do not provide insight on the methodology applied to get to the numerical evidence it is evident that Acumen discloses cumulative impact since a reference point, whereas Musa Capital gives statistics for both financial and non-financial impact attained for a period of time, presumably a year, as well as a cumulative growth rates over time as well as targets in the near future per investee company. Grofin supplements the metrics disclosed with a more detailed impact report. The impact report sets out targets per fund and gives further details on how impact is measured. A detailed account of the steps taken to measure impact is shown in the table below.

Table 18: Disclosure of methodology measurement

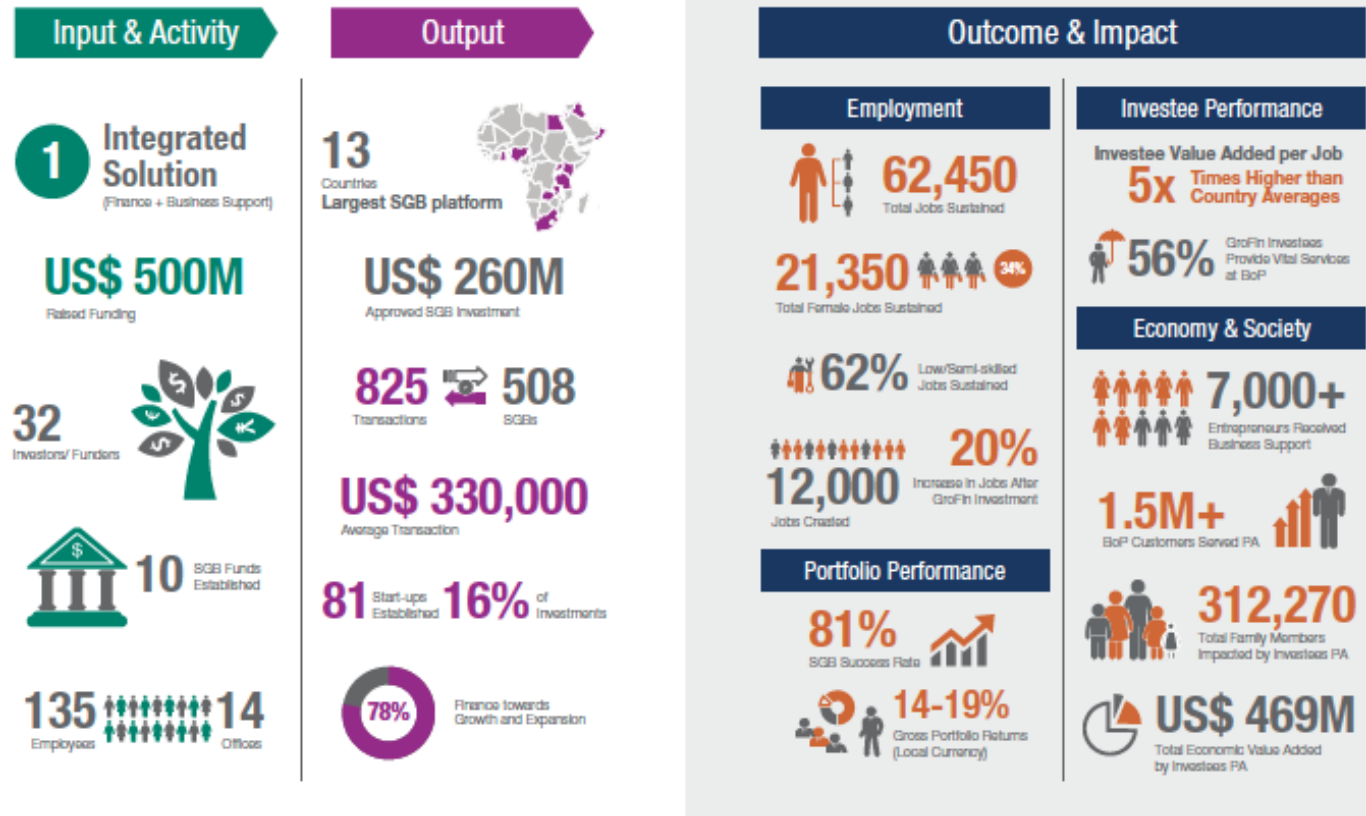
GROFIN	MEASUREMENT METHODOLOGY
Data source	<p><i>“The impact numbers in this report are based on a review of GroFin’s internally managed database of 825 deals with 508 clients (i.e. some clients received multiple funding from GroFin) as at 31 December 2015.”</i></p>
Measurement of socio-economic and development impact	<p><i>“GroFin’s broader socio-economic impact was estimated by the specialised independent impact consultancy Steward Redqueen. The starting point of the impact model are GroFin’s clients. The model estimates effects at the client itself (direct effects), as well as the economic ripple effects of the clients on the broader economy (indirect effects). These direct and indirect effects are measured along two development impact indicators: value added (sum of salaries, taxes and profits) and jobs sustained. Based on the jobs sustained and average family size in GroFin’s regions, the model also estimated lives touched (total family members impacted).”</i></p> <p><i>“To measure direct jobs sustained, the model relied on direct client data. To measure economic value added, and indirect employment effects in the economy, the model uses an ‘input-output’ methodology, which was developed by the Nobel Prize winning economist Wassily Leontief. The model traces money (client turnover) through an economy, showing how one sector depends on another, by using input-output tables. The input-output tables are compiled using data from the Global Trade Analysis Project (GTAP), a global database describing bilateral trade patterns, production, consumption and intermediate use of commodities and services consisting of over 100 tables for individual countries or a group of countries and 57 sectors (including all of GroFin countries and client sectors).”</i></p>
Other sources of data	<p><i>“Other macro-economic statistics used to build the model (e.g. employment data, family size) were derived from national statistical offices. The key inputs for the modelling were direct client company jobs (total and female, 2015 data) and client US\$ turnover (2014 audited data</i></p>

for existing and exited companies and 2015 annualised turnover for new companies). Clients with no turnover data and no jobs data were excluded whilst clients with either turnover or jobs data were included. A total of 444 GroFin current portfolio and successfully exited clients were included in the final modelling.”

Source: Grofin Impact Report 2015, p.19.

Interestingly Grofin relies on the specialist services of a third party, Steward Redqueen to measure their impact and also makes use of both internal and external data sources for their measurement and reporting function. The use of an independent third party validates the assessment of impact by Grofin and enhances the objectivity and the reliability of the disclosures subsequently made. The input-output model referred to above translates to the disclosure of the statistics outline below.

Figure 3: Grofin: Input – output model



Source: Grofin Impact Report 2015, p.1&2.

Interestingly, very few fund managers have adopted an international measurement and reporting standards. One fund manager, Mergence Investment Managers, headquartered in South Africa has adopted an international measurement and reporting standard.

*“As the first **Global Impact Investing Rating System [GIIRS]** rated Pioneer Fund in South Africa, we incorporate impact measurement based on **Impact Reporting & Investment Standards [IRIS]** into our investment process.” (Mergence)*

Mergence seems to be at the forefront in adopting initiatives around responsible investing, socially responsible investment (SRI), impact investing, sustainability and a greener way of doing business and is affiliated with a number of organisations that promote such practice. For example, they are among the leaders in SRI in South Africa and have been signatories to the United Nations Principles of Responsible Investment (UNPRI) since 2008; they incorporate environmental, social and governance (ESG) issues into their investment process and encourage investee companies to strike a balance between profits and being socially responsible and actively manage the environmental impact from doing business and adhere to high levels of corporate governance standards. Additionally, they are Members of the Carbon & Water Disclosure Projects, Committee membership: ASISA - Responsible Investing & Code for Responsible Investing South Africa (CRISA), Contribute and support AfricaSIF initiatives and have launched a suite of investment products designed to be aligned to the South African Attitude Survey which focus on addressing challenges of national importance and creating shared value throughout Southern Africa. These products aim to generate market returns whilst addressing issues such as unemployment, education, housing, renewable energy and promote a carbon efficient economy. The table below shows the fund managers that have memberships or partnerships or affiliations with organisations within the impact investment arena.

Table 19: Memberships and Affiliations in the impact investment field

FUND MANAGER	MEMBERSHIPS AND AFFILIATIONS
Agri-Vie	<ul style="list-style-type: none"> • Rated by the GIIRS Pioneer Fund 2012
Cadiz	<ul style="list-style-type: none"> • Signatory of UNPRI since 2008 and an active participant in working groups

	<ul style="list-style-type: none"> • Lead sponsor of the South African Impact Investing Network (SAIIN) • Gold Member of the Carbon Disclosure Project • Supports the introduction of the CRISA and formed part of the committee responsible for their creation.
Grassroot Business Fund	<ul style="list-style-type: none"> • A member of Aspen Network of Development Entrepreneurs (ANDE)-network representing parties involved in social enterprise and impact investing in small and growing businesses. • Became a Pioneer Fund Manager of the GIIRS in 2010 Contributed performance data (financial, operational and social metrics) for analysis in the first IRIS report in 2011
Mergence Investment Managers	<ul style="list-style-type: none"> • Members of the Carbon & Water Disclosure Projects; • As the first GIIRS rated Pioneer Fund in South Africa, incorporate impact measurement based on IRIS into our investment process; • Committee membership: ASISA - Responsible Investing & CRISA; • Contribute and support AfricaSIF initiatives;
Pearl Capital	<ul style="list-style-type: none"> • Rated by the GIIRS Pioneer Fund in 2013 showing commitment to social impact
Phatisa	<ul style="list-style-type: none"> • Member of the GIIN
PIC	<ul style="list-style-type: none"> • Signatory of the UNPRI • Signatory of the United Nations Global Compact.
Progression Capital	<ul style="list-style-type: none"> • Signatory of the UNPRI • Impactbase – Impact investment fund database
Qalaa Holdings	<ul style="list-style-type: none"> • Member of the GIIN
RegCharles	<ul style="list-style-type: none"> • Member of the GIIN • Signatory of the UNPRI • Incorporate impact measurement based on IRIS
ResponsAbility	<ul style="list-style-type: none"> • Incorporate impact measurement based on IRIS

GBF once again has been at the forefront of the development of measurement tools as well as the development of the impact investment field as a whole. To monitor and measure the impact of the Business Advisory Services BAS, a program run to provide value for the investee companies, GBF has designed an assessment and management framework based on key enterprise management indicators. The framework utilizes ability scores, which are calculated at inception of the investment and subsequently computed semi-annually through a scoring survey. Although the methodology is not scientific, the scores provide a starting point for GBF to understand the performance of the investee company and enable its developmental progress to be tracked across the BAS activity categories which include Financial Management, Operations, Corporate Governance, Strategy, Legal, and Environment & Social Management. GBF also supplements this method with periodic client feedback surveys to obtain feedback on the effectiveness of the BAS framework. Other noteworthy contributions by GBF around the measurement of impact are detailed in table 9. The initiatives above clear any doubts one may have about GBF’s dedication to contribute to the impact investment industry through internal and external activities.

The researcher encountered a contrast in how ResponsAbility, a fund manager that does not explicitly identify itself as an impact investor, communicates about the measuring the impact it seeks to attain. ResponsAbility identifies itself as an asset manager that specializes in development investments. Although another fund manager, Voxtra uses the term development investment as a synonym to impact investment, ResponsAbility does not mention impact investment in its communication. The table below captures ResponsAbility’s thinking around the concept of development investment. The questions quoted below are taken from the annual report.

Table 20: ResponsAbility: The concept of developmental investment explained

DEFINITIONS	
Development investments	<i>“Return-oriented investments in private companies in developing and emerging economies whose inclusive business models benefit broad sections of the population. Development-related sectors include finance, agriculture, energy, healthcare and education.”</i>
Development impact	<i>“Development impact is the positive contribution made to the economic development of a country and society, such</i>

	<i>as when microfinance gives large sections of the population access to financial services, enables private households to access energy and allows smallholder farmers to access markets.”</i>
RESPONSES TO QUESTIONS ABOUT MEASUREMENT AND REPORTING	
Why do you focus more on the development impact than on the potential financial return when evaluating an investment?	<i>“We don’t evaluate the impact. First of all, it is correct to say that we only finance companies in developing countries. Secondly, we only invest in development relevant sectors such as energy, agriculture, finance, healthcare and education. Thirdly, we invest in business models that serve the needs of broad sections of the population and typically people on low incomes. Using this approach, we effectively prioritize the impact but we don’t evaluate it. The impact results from our focus; it is inherent to our investment approach.”</i>
How can you report on the impact if you don’t measure it?	<i>“We distinguish between measuring output and outcome. Output relates to the measurable production or service – for example sales figures for home solar systems. This is the aspect we report on. Outcome refers to the social impacts that are achieved – for example, how solar panels on roofs prevent people from having to breathe in fumes from diesel-powered generators. For us, the obvious outcome here is that many people are living a healthier life as a result.”</i>
TIPS FOR SUCCESS BY CHRISTIAN SPECKHARDT, HEAD OF DEBT FINANCING AT RESPONSABILITY	
What is the key to success in development investments? <ul style="list-style-type: none"> • Measurement 	<i>“You want your investments to generate a financial return and a development impact. It is tempting to measure the secondary effect or impact – but this is a labour intensive process that is imprecise and often unsatisfactory. Instead, only invest in companies whose activities benefit society as a whole and report the measurable economic output. The logical consequence</i>

	<i>will be a positive impact on a large number of people.”</i>
Type of impact tracked	<i>“ResponsAbility believes that quantitative and qualitative output measurement is the most accurate method to guide the investment process and related reporting activities. Outputs - the tangible products and services that result from our investment activities – are easier to quantify, making this approach cost effective. In selecting this form of impact measurement, we are conscious of the needs of both our investees and our investors. Based on our strategy of investing in sectors that drive economic progress in developing countries and emerging economies, we are convinced that the measurement of outputs generates the highest development impact as it optimally aligns the long term interests of end clients, companies and investors. ResponsAbility’s output indicators are aligned according to IRIS (Impact Reporting and Investment Standards) and are monitored at sector and company level. Outputs tracked across sectors, such as taxes paid and revenues generated, reflect the impact of investments on the broader economy beyond specific, sector level goals.”</i>

Source: ResponsAbility Perspectives, 2014

There is a clear difference in the communication by fund managers that are explicitly talk about impact investment and the communication of ResponsAbility above. ResponsAbility explicitly states that the targeted demography and geography for its development investment is developing and emerging economies. Additionally, ResponsAbility clarifies that development investment aims to benefit the broad sections of the population which is also inclusive of the low income population as opposed to limiting the beneficiaries of the impact only to those at the base of the pyramid or the poor.

With regards to measurement of impact, ResponsAbility differentiates between output and outcomes and only reports on “output”, that is those aspects that are quantifiable using some sort of financial metric such as sales revenue generated or are reflective of some form of

economic value added. ResponsAbility steers away from trying to quantify benefits that accrue to society at large, such as the reduction of pollution by using more environmentally friendly and sustainable sources of energy. This it defines as an “outcomes”. The challenge presented by the attempt to quantify “outcomes” is widely debated on in the ESG strategy (McPherson, 2012). It seems that development of a methodology to quantify “outcomes” is potentially a costly exercise that ResponsAbility is not willing to invest to develop precision in measuring “outcome” impact. It has therefore chosen to align its “output” indicators with IRIS and not measure “outcomes”. This goes against the requirement of an intention to generate measurable impact, which is central to the definition of impact investment and hinders the development of impact measurement.

4.4 Conclusion

This section presented the findings on issues pertaining to the definitional, strategic and measurement of impact investment and uses the communication by fund managers via their websites, company reports and other company publications as well as media articles to draw conclusions on how the practice of impact investing is being understood and being carried out. It also examined how this communication is guiding the activities of companies, how the communication has influenced the company strategies and the goods and services they offer and how the companies have evolved or developed with time in the light of this communication.

5 RESEARCH CONCLUSIONS AND RECOMMENDATIONS

The primary objective of this research was to explore the communication around the practice of impact investing within the African context, as represented by South Africa, Nigeria and Kenya. The researcher sought to understand how fund managers within impact investment are describing what they do and if there are any similarities or differences with the global definition as represented by academia and practitioners perspectives, as presented in the work of Hoshstadter and Scheck (2014). The research shows that there are similarities in how academics and practitioners globally speak about impact investing from a definitional and strategic level, and how impact investing is being defined and practiced in South Africa, Nigeria and Kenya, shown in the table below.

Table 21: Summary of key findings in relation to the Hoshstadter and Scheck (2014) framework

IMPACT INVESTMENT CHARACTERISTIC	HOCHSTADTER AND SCHECK (2014) FRAMEWORK	COMMUNICATION FROM SURVEYED FUND MANAGERS
IMPACT INVESTMENT AT A DEFINITIONAL LEVEL		
Broader definition	<p>Predominant approach to defining impact investing centers around two core elements: financial return and some sort of non-financial impact.</p> <p>Some definitions impose a requirement for the intention to generate measurable impact.</p>	<p>Approach to definition includes organisations that: explicitly identify themselves as impact investors, but also includes those that explicitly articulate environmental and social impact objectives, have visibility of impact projects in their investment activities, and report on impact</p> <p>Intention to generate measurable non-financial impact is core to the definition.</p>

NON-FINANCIAL IMPACT		
Communication on social impact only	Communicated using phrases like social: goals, returns, benefit, change, impact, purpose and outcomes.	Communicated using phrases like social return/impact, solving social challenges, positively impacting communities. Some fund managers specify job creation, access to healthcare, housing, education, food and poverty reduction.
Communication on social and or environmental impact	Communicated using phrases that combine social and/or environmental: challenges, issues, benefits, health, goods, value, objectives, impact or returns. Does not make reference to ESG issues.	Communicated using phrases that combine social and/or environmental impact benefits and outcomes. Other variations include environmentally friendly and environmental quality and social equity. Also make reference to ESG issues.
Communication on other non-financial impact	Communicated using phrases with different variations or combinations of social, economic and development impact. Academics and practitioners who reference the above are said to be “standing out”. Also includes cultural impact.	Communicated using phrases with different variations or combinations of social, economic and development impact, returns, progress. Most fund managers’ non-financial impact falls in this category. No mention of cultural impact.
Communication on unspecified impact	Communicated using phrases like benefit society, benefits beyond financial return,	Communicated using phrases like positive impact/returns, create value, meaningful or

	furthering a foundation's mission and positive impact.	sustainable impact, sustainable long term value and doing good.
FINANCIAL IMPACT		
Communication on adequate, competitive, or reasonable financial returns	Communicated using phrases like adequate financial return, competitive market returns and reasonable financial returns.	Communicated using phrases like sufficient returns, above average investment returns, attractive/superior/excellent risk adjusted returns, superior returns, enviable returns, solid investment returns, enhanced returns, high returns and robust financial returns.
No limitation on financial return level (beside capital preservation or repayment of invested capital)	Communicated using phrases like returning capital to principals, capital preservation, preservation of the principal and slow rate of return to cover inflation.	Communicated using phrases like financial/commercial/positive/return, healthy return and creating wealth.
IMPACT INVESTMENT AT A TERMINOLOGICAL LEVEL		
Other terms used to refer to impact investment	SRI, SI and RI	Development investment
IMPACT INVESTMENT AT A STRATEGIC LEVEL		
Demography and geography	No limitation on specific demography and geography.	No limitation on specific demography and geography. However, other fund managers argue that investments ought to be channeled to developing and emerging countries.
Organisational processes	Impact investees create value for key stakeholders and beneficiaries through business	Impact investees create value for key stakeholders and beneficiaries through business

	operations and processes and through the delivery of products and services.	operations and processes and through the delivery of products and services.
Sector and impact objectives	No limitation on specific sector or specific impact objectives.	No limitation on specific sector or specific impact objectives. Fund managers that also adopt a screening strategy exclude sin industries such as tobacco ammunition and gambling.
Asset classes or financial instruments	Some academics and practitioners place no limitation on specific asset classes or financial instruments whilst others impose limitations on investing in publicly listed equity. Suggestion that impact investment is an asset class in its own right	Fund managers place no limitation on specific asset classes or financial instruments whilst others impose limitations on investing in publicly listed equity. Suggestion that impact investment is an asset class in its own right.
IMPACT INVESTMENT MEASUREMENT		
Measurable impact	Some definitions require that the non-financial return be intentional and measurable or measured. No discussion on how impact should be measured. Only highlight IRIS as a measurement framework.	Limited disclosure on measurement. Communication ranges from quoting statistics on fund manager websites to producing reports that detail the measurement methodology adopted. Other fund managers have adopted IRIS

Despite the overlaps above, there still seems to be a vague or broad definition of what constitutes “reasonable” impact returns. For example, at a definitional level, fund managers in the impact investment field make reference to the requirement to attain financial returns ranging from a minimum requirement to preserve invested capital to achieving competitive

and superior returns and that at times seek to outperform other market counterparts. Non-financial returns mainly sought after encompass social, environmental, developmental and socio-economic development. From the analysis, it is found that fund managers do not have to choose either between financial or non-financial returns but can aim to optimize both. Very little is communicated however, on which returns should trump the other, or whether there should be a trade-off between financial and non-financial returns. The few fund managers that touch on this express that there ought not to be a trade-off and that impact investors can aggressively pursue both and successfully deliver on both parameters, whilst one fund manager states that it is a finance first investor.

At a strategic level, investors are targeting certain demographics and geographies, defining the internal organisational processes that best enable them to deliver the impact sought after, setting impact objectives or actively selecting the sector they would operate in as well as the asset classes or financial instruments to invest for impact. Again, fund managers are not limited to one strategy but can utilize a combination of strategies for their investments. Organisation specific exclusions have been imposed in some instance where certain practices do not align with the company's ethos, such as investing in tobacco companies or in the sin industries. There is an initial indication from the findings and from academia and practitioner texts that there is a possibility that impact investing might gain recognition as an asset class as the field develops. However, this is not yet strongly reflected in the fund managers' communication in Africa.

On answering the question of whether intent should be a pre-requisite for any investment to be classified as an impact investment fund, the researcher is of the view that fund managers should not be excluded from being classified as impact investors, even if they do not explicitly communicate that they are impact investors, provided their practices can be captured within the framework of defining impact investing. It is evident that there is a long way to go in entrenching the impact investing language in the minds of investors operating in the impact investment space. There is a risk however, that fund managers that do not identify themselves as impact investors might stall the progression and development of the industry through inconsistent use of terminology, or limited activity to proactively harness impact investment. From a constitutive role of communication perspective, organisations will only evolve and become what they identify with and what they communicate. Simply put, if becoming notable impact investors or significantly contributing to the impact investing

industry is not part of the organisations communication, the organisation will be less likely to emerge as an impact investor of note in the future or actively work towards promoting impact investment, thereby affecting the advancement of the industry as a whole. The example presented on ResponsAbility is a clear illustration of how a fund manager that does not communicate impact investment at the core of its operation but subscribes to developmental impact or investment; which is, according to Voxtra, arguably synonymous with impact investment; has assumed and justified a position of only measuring output instead of outcomes, to suit their operational, financial and reporting needs. There is evidence that assuming this position inherently limits the innovation around impact investing by ResponsAbility and that this will reduce the chances of the active pursuit of opportunities to participate in industry initiatives that aim to further the practice and measurement aspects of impact investing.

ResponsAbility can further be contrasted to Grofin, another organisation that explicitly talks about both impact investment and development investment, without using the two terms as synonyms. Grofin has developed an in-house measurement methodology and tracks for example outcomes such as the sustainable jobs created and also reports on both output and outcomes. As such there is a need for custodians of the impact investment to drive a culture of fund managers that will explicitly identify and classify themselves as impact investors internally and actively contribute to the development of the field as a whole. The example given on the comprehensive communication and reporting of GBF on impact investment above is also testament to this.

The further requirement for impact to be measurable or measured has not been adequately interrogated in this study due to limited disclosure by the fund managers analyzed on their communication on how they are measuring impact. From the face of it, key impact metrics are tracked and key successes are recorded in the form of case studies and testimonials with little communication on the underlying methodologies adopted. A few players have developed sophisticated in-house measurement methodologies that are continuously being improved, but adoption of international measurement and reporting standards is still minimal.

This research was limited in that it did not conduct interviews with fund managers in the surveyed organisations to obtain more detailed information on the measurement of impact within the impact investment space. Intention to attain measurable impact has been shown to

be central to the concept of impact investment (O'Donohoe et. al, 2010; Grabenwarter & Liechtenstein, 2011). Further research which incorporates such interviews needs to be done to get a better understanding of reporting practices and the underlying measurement frameworks adopted in this space and the reasoning behind this and whether passing legislation or regulating this space would be beneficial in the advancement of impact investment as a field. With respect to the demographical and geographical destination of impact investment activities, further research which explores the significance of the African market for those fund managers practicing impact investment in other markets globally is needed.

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