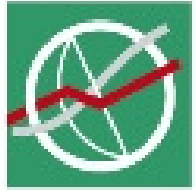


UNIVERSITÀ CATTOLICA del Sacro Cuore



ALTIS
GRADUATE SCHOOL
BUSINESS & SOCIETY

Review of impact assessment methodologies for ethical finance

FEBEA General Assembly, 13th May 2014

Valentina Langella

Objectives

Analyze the “**state of art**” and identify **existing** **tools**
of **social impact measurement** **links**



WORK IN PROGRESS

The starting point

to define a common list of indicators

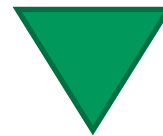
that can be used in order

to show the impact of “ethical banks” activities

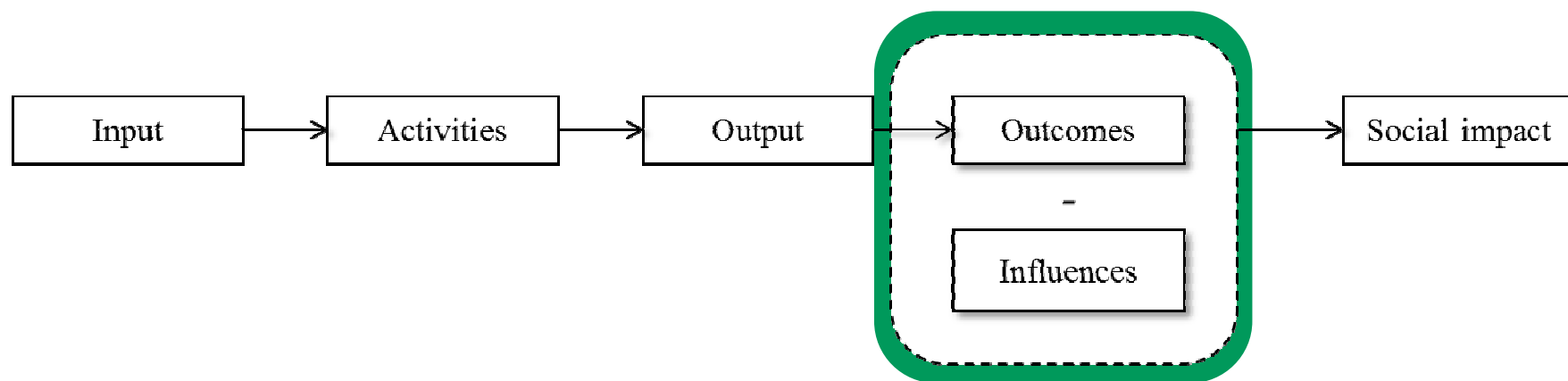
Social Impact

Social Impact

*measuring the **change**
deriving from activities*



The impact value chain

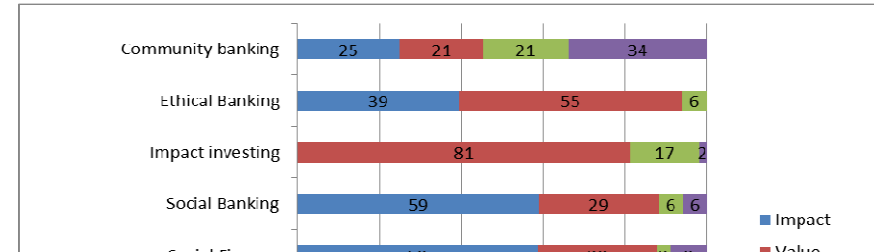


Source: Clark et al., 2004; Olsen and Galimidi, 2008

Methodology

- ✓ **Literature review**

Approach of ethical banks
to social impact measurement

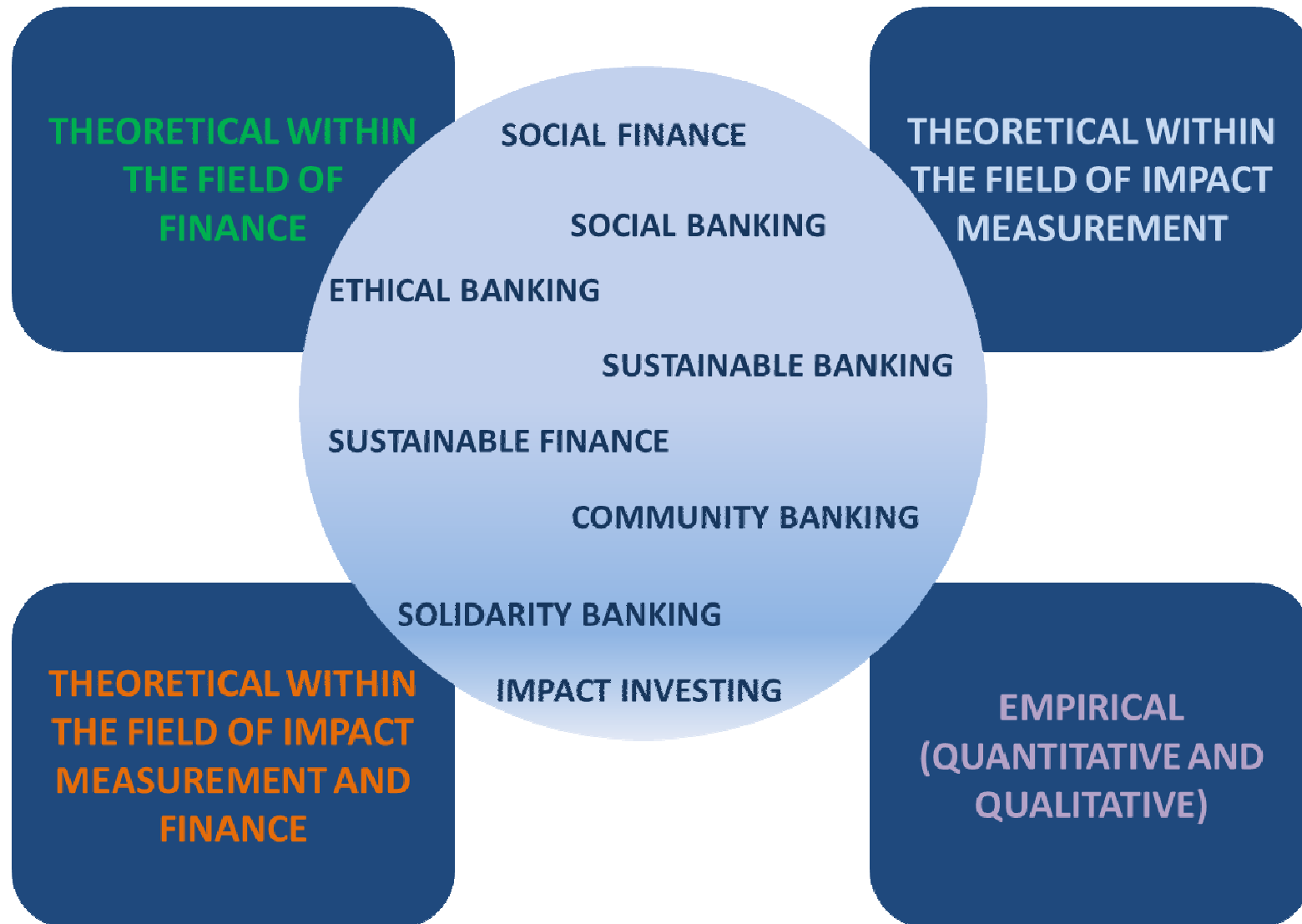


- ✓ **Analyses frameworks and best practices**

Impact matrices and outcomes indicators (economic, social, environmental, organisational domains)

- ✓ **Identify gaps and suggest further steps**

The results of the meta analysis



Ethical banks versus mainstream banks




Ethical banks

- ✓ Focus on **social benefits**
- ✓ **Ethical criteria** in investment decisions and **credit assessment**
- ✓ Credit with **personal/social guarantees**
- ✓ Sometimes they **give** the chance to decide where to invest
- ✓ They **value transparency**: clients are informed on investments
- ✓ **Stakeholders** (shareholders and employees) are **involved** in the **decision making process**
- ✓ **Transparency in salaries of employees**
- ✓ **Maximum ratio between the highest and lowest salary**

Traditional banks

- ✓ Focus on **economic benefits**
- ✓ **Ethical criteria** are **not applied**
- ✓ Credit with **real guarantees**
- ✓ They **do not give** the chance to **decide where to invest**
- ✓ They **are not always transparent** about where clients invest
- ✓ **Stakeholders** are not involved in the **decision making process**
- ✓ **No transparency in salaries management**

SI Measurement methodologies and tools

Methodology	Description	Advantages	Weakness
	<p>A consistent approach with standard steps to report on social value measuring</p>	<ul style="list-style-type: none"> • Involves stakeholders • Presents the outcome in money • Rigorous and technical 	<ul style="list-style-type: none"> • Monetisation of indicators which are not of monetary • Considerable resources to be implemented
	<p>A tool to assess a company's overall social and environmental performance.</p>	<ul style="list-style-type: none"> • Used by foundations and investors • Can be certified by third party 	<ul style="list-style-type: none"> • Limited scope: for-profit companies
	<p>A set of metrics with standard definitions (<i>organization's social, environmental, and financial performance</i>)</p>	<ul style="list-style-type: none"> • Standardized commonly-accepted metrics • Benchmarking 	<ul style="list-style-type: none"> • Do not foster continuous improvements • Do not require the stakeholders involvement

Shared approach
Standard indicators

SI Measurement methodologies and tools

Methodology	Description	Advantages	Weakness
Storytelling	<ul style="list-style-type: none">• Narrative communication used to demonstrate social impact• Shows the purpose and idea of the project, the theory of change and perhaps some information on values	<ul style="list-style-type: none">• Most common and simple method used in the non-profit sector as a way of attracting funders and in marketing for consumer goods• Connects emotionally depositors to the projects, because people more easily follow a narrative approach	<ul style="list-style-type: none">• It gives an idea of the impact that the project should create, but it is not possible to verify and measure it• Impossible to collect for all the activities



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Lending and investing

Broad literature and practice

Collecting

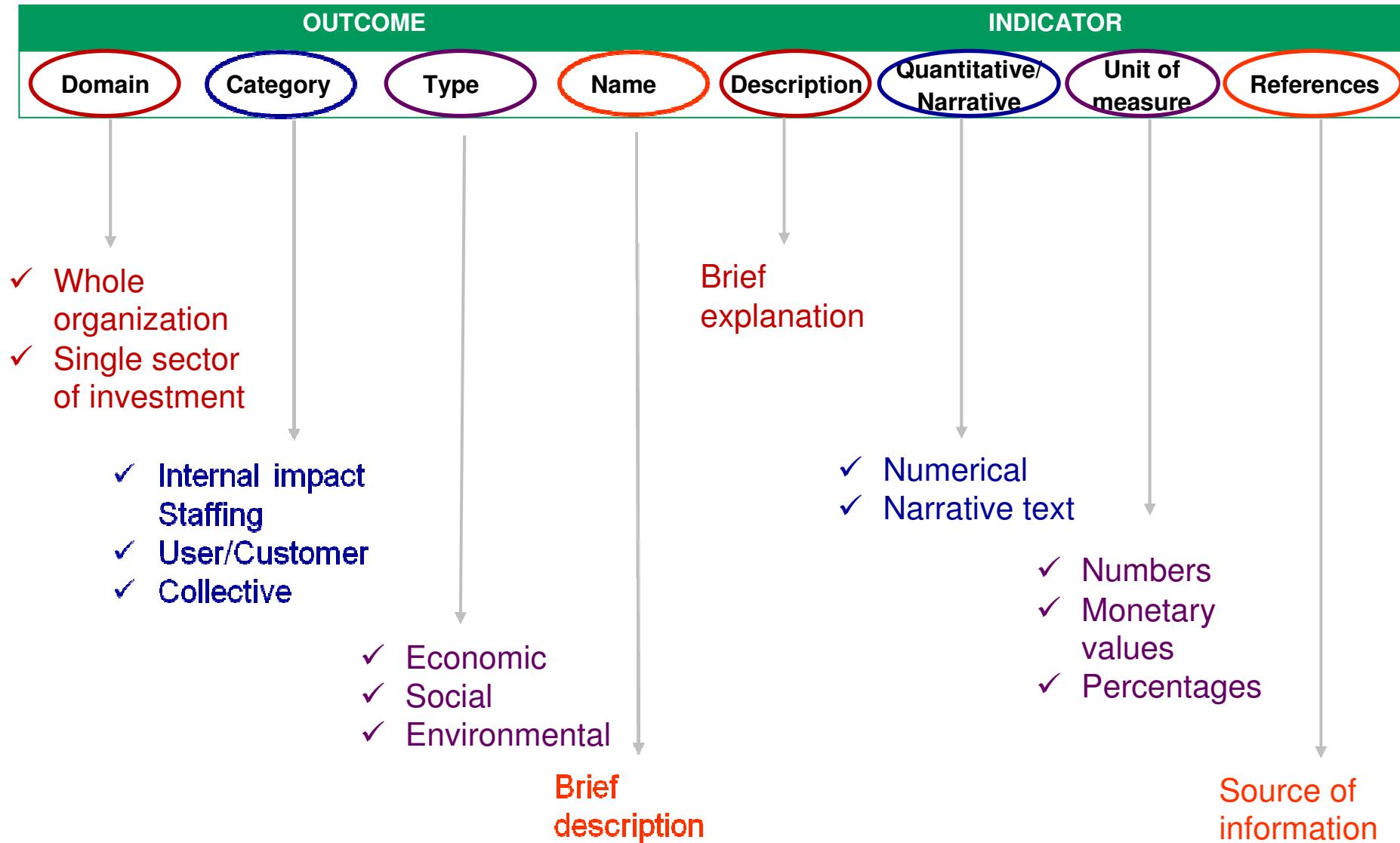
Scarce literature and practice

Shareholder and employees

Deposits as inputs

Focus on Motivation

Matrices outcome indicators



Outcome indicators - Lending

Seven matrices:

- ✓ one collects indicators applicable to **all organizations**, across all sectors of investment
- ✓ six matrices examine **particular core issue areas or domain of**

intervention:

- arts and culture
- environment
- training and job creation
- social and health care
- microcredit
- social housing

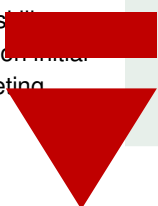


Example of matrix – Lending

OUTCOME					INDICATOR		
Domain	Category	Type	Name	Description	Quantitative/ Narrative	Unit of measure	References
Education and Job Training investments	User/Customer impact	Social	INCREASED PARENTAL INVOLVEMENT IN CHILDREN'S EDUCATION	Adult participants who regularly help children with their school work	Quantitative	%	The Urban Institute - The Center for What Works
			INCREASED INCIDENCE OF DESIRABLE ACTIVITY OR CONDITION	Programme participants who enroll in postsecondary education or occupational skills training program	Quantitative	%	The Urban Institute - The Center for What Works
			BUILD SKILLS/ KNOWLEDGE	Clients passing job skill competency exams on initial attempt after completing course	Quantitative	%	The Urban Institute - The Center for What Works
			INCREASED EMPLOYMENT	Job interviews per client	Quantitative	Rate	The Urban Institute - The Center for What Works
			REINTEGRATION INTO THE COMMUNITY	Users feeling integrated into the community after the education program	Quantitative	%	France Active
			CLIENT SATISFACTION	Clients attributing the training to their ability to find work	Quantitative	%	The Urban Institute - The Center for What Works
		Economic	CREATE JOBS/EMPLOYMENT OPPORTUNITIES	Programme participants who remain employed 6 months after programme completion	Quantitative	%	The Urban Institute - The Center for What Works
			INDIVIDUALS ECONOMIC EMPOWERMENT	Earnings average hourly wage of clients who became employed after training	Quantitative	Euros	The Urban Institute - The Center for What Works

Example of matrix – Lending

OUTCOME			INDICATOR				
Domain	Category	Type	Name	Description	Quantitative/ Narrative	Unit of measure	References
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			INCREASED INCIDENCE OF DESIRABLE ACTIVITY OR CONDITION	Programme participants who enroll in postsecondary education or occupational skills training program	Quantitative	%	The Urban Institute - The Center for What Works
		Social	BUILD SKILLS/ KNOWLEDGE	Clients passing job skills competency exams or make attempt after completing course	Quantitative	%	The Urban Institute - The Center for What Works



OUTCOME		INDICATOR		
Name	Description	Quantitative Narrative	Unit of measure	References
INCREASED PARENTAL INVOLVEMENT IN CHILDREN'S EDUCATION	Adult participants who regularly help children with their school work	Quantitative	%	The Urban Institute The Center for What Works

Example of matrix – Lending (2)

OUTCOME				INDICATOR			
Domain	Category	Type	Name	Description	Quantitative/ Narrative	Unit of measure	References
Culture, Arts and sports Investments	Internal Impact Staffing	Social	INCREASED SOCIAL BONDS IN COMMUNITY	Community organization partnerships (networks)	Quantitative	Number	The Urban Institute - The Center for What Works
			AUDIENCE SATISFACTION	Audience (by population type) reporting being very satisfied with their performing experience	Quantitative	%	The Urban Institute - The Center for What Works
		Economic	INCREASED ATTENDANCE	Renewed subscription as a percent of total sales	Quantitative	Euros	The Urban Institute - The Center for What Works
			AUDIENCE RETENTION AND FUNDRAISING	Subscribers who are donors	Quantitative	%	The Urban Institute - The Center for What Works
	User/Customer impact	Social	INCREASED KNOWLEDGE	Audience (by population type) who report gaining increased knowledge of local culture as a result of attendance/ program	Quantitative	%	The Urban Institute - The Center for What Works
			INCREASED APPRECIATION FOR ARTS	Audience (population type X) deciding to pursue additional arts programs after performance	Quantitative	%	The Urban Institute - The Center for What Works
		Economic	INCREASED ACCESS TO DIVERSE AUDIENCE	Free tickets provided	Quantitative	Euros	The Urban Institute - The Center for What Works
	Collective Impact	Social	INCREASED AWARENESS OF ARTS PROGRAMS AND ACTIVITIES	Community aware of the particular performing cultural opportunities	Quantitative	%	The Urban Institute - The Center for What Works

Proposed indicator – Collecting activity

OUTCOME			INDICATOR				
Domain	Category	Type	Name	Description	Quantitative/ Narrative	Unit of measure	References/
Collecting activity	User/Customer	Social	INCREASING AWARENESS ABOUT THEIR ACTIVE CONTRIBUTION	Clients declare receiving an extra stream of utility and reinforcing their pro-social identity	Quantitative	%	
			FINANCIAL INCLUSION OF POTENTIAL CUSTOMERS	New clients declare to be attracted by the way social banks manage the customer relationship	Quantitative	%	

Proposed indicator – Shareholder and employees

OUTCOME			INDICATOR				
Domain	Category	Type	Name	Description	Quantitative/ Narrative	Unit of measure	References/
Shareholder and employees	Internal impact Staffing	Social	ATTRACT QUALITATIVE EMPLOYEES	New employees declare to have submitted for emotional alignment with the social bank's mission and values	Quantitative	%	
			EMPLOYEE RETENTION	Rate of employees turnover	Quantitative	%	
	User/Customer	Social	RETENTION OF MEMBER AND CLIENTS	Clients and members reporting being satisfied with the bank involvement	Quantitative	%	
			EMPLOYEES COMMITMENT	Employees declaring to feel more motivated	Quantitative	%	
			EMPLOYEE ETHICAL ATTITUDE	Employees involved in volunteering / other civic engagement activities / through the bank service	Quantitative	%	
Collective impact	Social						

Gaps

Lending

- 1.the focus is still on outputs rather on **outcome**
- 2.lack of **standardized** indicators
- 3.lack of “**monetized**” indicators
- 4.the **subjectivity** of most of indicators

Other areas

- ✓ «**Blu ocean**»



Further practice and research

Lending

Promotion of a **pilot program** by FEBEA to implement social impact measurement among members, in order to:

- ✓ Map available information to implement indicators
- ✓ Identify a short list of indicators that can be implemented to measure relevant impacts
- ✓ Design new indicators that fill existing gaps



Other areas

An **exploratory study** through customers and employee engagement (surveys, focus groups, etc.) to identify actual outcomes they experiment through the ethical banks



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