

Primer for Practitioners for IOVC paper

More than just “Show me the Money!”: Non-Financial Strategies for Value Creation in Impact Investing

In the world of impact investing, it's not just about the cash flowing from fund managers into social enterprises. Success is also about the actual positive contribution impact funds can make on their portfolios through practices not only tied to money. Whether it is providing expertise or mentoring, adjusting legal agreements to be more impact-focused, or structuring impact data collection of their investees, impact funds have a big role to play, and here is how.

The Secret Sauce

Nachyla and Justo wrote this paper to help practitioners in the impact investing world amp up their game in creating positive change. They introduce the Impact Oriented Value Creation (IOVC) framework, a compass that puts impact-driven, non-financial support right in the spotlight of investment strategies and makes of fund managers the heroes for their portfolio companies and the broader impact ecosystem.

The Making Of

What Nachyla and Justo did was leverage the rigor of academic research and turn the lens on practitioners. Apart from doing a literature dive, they interviewed 25 impact funds and 8 experts across Europe, tested their framework in the real world. Through an agile Design Science approach, they keep revising and improving the compass based on feedback, calibrating it to be the most exhaustive and useful for impact investment practitioners.



Strategies Unleashed: Elevating Impact at Three Levels

The IOVC framework is a set of ten strategies to amp up impact at three levels – investee, fund, and community.

Investee Level: It's about the right support for the social entrepreneurs and their interaction with their ecosystem. Imagine strategies for planning, measuring, managing, and reporting impact. It's like giving social enterprises the superhero toolkit for boosting and showing off their impact.

Fund Level: The changes the fund managers should embrace themselves to be more impact-driven. Legal, governance, talent, and financial strategies to make the fund itself a true impact hero. It's like adding hurdles to the superhero obstacle course – the fund's team only gets rewards if they conquer them.

Community Level: Zooming out on the larger impact ecosystem, engaging the portfolio companies for synergies and teaming up with a broader set of stakeholders– corporate partners, foundations, and more. It's like building an impact league!

Why It Matters: Beyond the Money Talk

This framework isn't just a theory. It's a practitioner's guide to understanding non-financial strategies used by impact funds. It's not just about throwing money around; it's about ensuring real additionality. This primer aims to engage impact investment executives, managers, and analysts and is an open invitation to dive into the full paper, share your thoughts and experience, and join the impact party.

Author biographies

Pola Nachyła

A sustainability professional, currently working in a leading Nordic ESG services provider, Position Green. Previously she worked in impact investing and related research at IE Business School, and she continues to work with the IE Chair of Impact Investing today as an external collaborator.

Rachida Justo

Rachida Justo is Associate professor at IE University where she heads the Chair of Social Entrepreneurship and Impact investing. Her work has been published in leading international journals such as the Journal of Business Venturing, Entrepreneurship Theory and Practice and Journal of Business Ethics, as well as in several books, consulting and policy reports. She is Associate Editor of the Journal of business Venturing and the journal of business venturing insights. She also serves in the executive Committee for AOM's Entrepreneurship Division.