
Autoria: Sandro Cabral, Sergio G. Lazzarini, Luciana Carvalho de Mesquita Ferreira, Leandro Pongeluppe, Angelica Rotandaro

Propósito Central do Trabalho
Over the last decades, we have witnessed a vibrant debate on whether firms could achieve superior economic performance while at the same time addressing social and environmental needs. Business practices such as corporate social responsibility, targeting the bottom of the pyramid, triple bottom line metrics, the pursuit of shared value, among many others, are all centered around the overall objective of “doing well by doing good” (Prahalad, 2004). That is, how can firms reconcile financial return and social impact, and even pursue a synergistic combination of those a priori distinct performance dimensions (Margolis & Walsh, 2003; Surroca, Tribó, & Waddock, 2010)? More recently, in parallel with this evolving academic debate, there has been a new trend: the emergence of the so-called impact investors. “Impact investing,” according to the Global Impact Investing Network (GIIN), a well-known group of practitioners working in this new field, encompasses “investments made into companies, organizations, and funds with the intention to generate measurable social and environmental impact alongside a financial return… [and targeting] a range of returns from below market to market rate.” Despite the efforts exerted by some strategic management scholars to address the existing trade-offs between social and financial performance, little is known on the role of social impact investors in the social versus financial performance debate. In this vein, our objective is to examine how impact investors approach financial and social goals, and the mechanisms used to reconcile these two performance dimensions.

Marco Teórico
Much of what is known about the relationship between firms, organizations, and society is the result of a significant number of empirical studies focusing on socially responsible business action (Aguinis & Glavas, 2012). Yet, this field is still contested (Matten & Moon, 2008) and some scholars have emphasized the need to “to develop a more expansive approach to understand the relationship between organizations and society” (Margolis & Walsh, 2003: 273). In part, such quarrel is related to the persistent adoption of economic arguments to debate the merits and costs of sustaining social and environmental corporate action. For instance, according to agency theory, allocating firm resources to tackle social and environmental issues might be inconsistent with shareholder value maximization (Sundaram & Inkpen, 2004). Unless social and environmental investments are explicitly in the interests of “principals,” these investments represent misallocation and/or misappropriation (see the discussion in Margolis & Walsh, 2003). Stakeholder management theory (Donaldson & Preston, 1995; Freeman, 1984) has been widely used as an alternative framework to explain the pursuit of performance dimensions other profitability. From a stakeholder theory perspective, shareholders comprise one, and only one, group of constituents embedded in a complex web of other stakeholders with myriad interests such as investors, employees, and groups focused on social and environmental needs (Freeman et al., 2004). Instrumental stakeholder theory (IST) is an explicit effort towards theconciliation of the interests of all firms’ constituencies combining stakeholder and economic perspectives. According to IST, organizations emphasizing trust and cooperation among stakeholders will have a competitive advantage (Freeman, 1984; Jones, 1995). Strategic management scholars have also tackled similar issues in at least two major strands: strategic corporate social responsibility (CSR) (Porter & Kramer, 2006, 2011) and strategies targeting the bottom-of-the pyramid (BoP) (Prahalad & Hammond, 2002). According to Porter and Kramer (2006), organizations can
successfully devise strategies addressing social and environmental needs when those strategies build on existing firm-level competencies. More recently, Porter and Kramer (2011) have proposed a “shared value” framework arguing that firms should seek innovative ways to integrate business and societal needs. Prahalad and Hammond (2002), in turn, contend that large corporations can improve the life of the poor, not through charity, but by targeting “untapped markets” normally subject to operational inefficiencies and high transaction costs. Therefore, BoP strategies also share the assumption that firms can leverage their distinct competencies to create better products for high-growth, low-income markets that are poorly served by existing players—that is, corporations can be profitable and at the same time create positive social impact. Although the early literature on social responsibility, environmental practices and stakeholder management was partly normative (Carroll, 1979; Donaldson & Preston, 1995; Freeman, 1984), much empirical work tried to examine whether the predicted positive association between social performance (SP) and financial performance (FP) holds in practice (Aguinis & Glavas, 2012; Orlitzky et al., 2003). However, scholars point out that the extant empirical literature has not adequately dealt with causality (Aguinis & Glavas, 2012) and measurement issues (Peloza, 2009).

Método de investigação se pertinente
Using the nascent field of impact investing as our empirical focus, we employ grounded theory to refine and expand the extant literature on the interplay between social and financial indicators. As an inductive methodology, the research process does not start with a set hypotheses, but instead with a question or a general research interest (Carlile & Christensen, 2004; Kelle, 2007). We justify our choice of grounded theory based on the recognition that impact investment is a new and evolving field with, thus far, scant research and theory support. In general, grounded theory involves a cyclical research activity with built-in feedback mechanisms between induction and deduction, data collection and analysis, as well as between the researcher and its object of study. With our general research question in mind we then structured interviews based on seven blocks: i) interplay between financial return and impact; ii) investment mechanisms; iii) impact measurement; iv) investor altruism; v) types of targeted businesses; vi) challenges; and vii) future of the industry. Extensive discussions among the members of the research team after each interview helped clarify initial impressions and adjust the subsequent steps of the project. Walker and Myrick (2007) call this process a “method of constant comparison” between coding and inspecting data. We focused on a qualitative analysis of interviews and interactions with different players involved within impact investing. In total, we executed 28 in-depth interviews and four roundtables (discussion groups), totaling 53 participants and approximately 30 hours of interaction. We complemented our interviews and interactions with secondary data based on our own research as well as documents suggested by the interviewees (impact reports, financial statements, videos and point presentations). This rich material facilitated contrasting and comparing our interviews to secondary data (i.e. data triangulation). All interviews were recorded or transcribed and analyzed using the AtlasTI software. We first codified the interviews and created “network views” of the seven blocks mentioned above, in order to discover relationship among critical codes and concepts. Finally, by going back and forth between our collected data and the extant literature, we discussed ways to propose a novel, consolidated theoretical framework.

Resultados e contribuições do trabalho para a área
Our in-depth qualitative study suggests that decisions concerning the emergent field of impact investing are embedded in a complex setting of behaviors, corporate strategies, and existing managerial mechanisms to deal with the inherent challenge of reconciling financial
performance (FP) and impact/social performance (SP). In particular, our literature review and qualitative empirical analysis suggests that we should start by identifying the nature of targeted project. There are projects where FP and SP can be naturally reconciled because pursuing impact will be required and/or naturally lead to profitability. In this case, we say that FP and SP are complements. BoP strategies, for instance, depart from the premise that firms can create profitable operations by reducing existing inefficiencies in products or services targeting poorer populations. Yet, there are other projects that fail to yield sufficient income or whose impact cannot be easily “internalized.” Prisoners, for instance, do not pay for the services they receive in the prison; and some even claim the pursuit of profitability may create counterincentives to reduce impact (e.g., firms may neglect social assistance for prisoners to cut costs). In this case, we say that FP and SP are substitutes. Based on this conceptualization, we will next offer new propositions on the role and mechanisms used by impact investors. FP and SP as Complements Proposition 1: Financial first investors will tend to focus on projects where FP and SP are complements and whose returns are more immediate. Proposition 2: Investors balancing return and impact will tend to focus on projects where FP and SP are complements and whose returns have a longer-term horizon. Proposition 3: Projects where FP and SP are complements and whose returns have a longer-term horizon will involve the use of innovative, hybrid funding mechanisms. FP and SP as Substitutes Proposition 4: Impact first investors will tend to focus on projects where FP and SP are substitutes Proposition 5: Financial first investors and investors balancing return and impact will finance projects where FP and SP are substitutes when governmental action allows for pay-for-performance contracts based on measured impact. The importance of measurement mechanisms in social impact investments Proposition 6: Pay-for-performance contracts based on measured impact more likely emerge when simple measures of impact are available Proposition 7: The dissemination of standardized methodologies for measuring impact fosters pay-for-performance contracts based on measured impact. Hence, in this paper we contribute to debate on how financial and social performance can be reconciled by empirically examining a new group of stakeholders who, in various degrees, try to achieve both profitability and social performance: impact investors. By focusing on the nascent field of impact investing, we contribute to the literature by showing how impact investors operate and in which conditions that they influence the way firms and entrepreneurs do well by doing good. In particular, our theorizing describes conditions that will favor the emergence of particular types of impact investors—namely, the very nature of projects and their inherent ability to combine financial and social performance. Because the interplay between these dimensions is at the heart of the impact investing movement, we are able to shed new light on how they interact as well as describe new mechanisms that allow for their reconciliation. To be sure, our study is an initial attempt to make sense of a novel field. Future research should also more specifically examine how impact investors interact with entrepreneurs over time, and how they learn how to better structure their measurement and contractual mechanisms. The role of governments also deserves further discussion. We hope that our study will spark future investing in this evolving, nascent field with a potential to change the extant debate on how financial and social performance dimensions interact.

Referências bibliográficas