FORTIUS
CONSULTING

La revolución del impacto

10 MAY 2023 · PUBLICATION

> "Impact measurement is the key to achieving a positive impact across the company, but it is also the key to unlocking the full potential of philanthropy."

The increase in social and ecological problems, as well as the growing relevance of sustainability, present enormous challenges for the current economic system and organizations of the third sector. In his book Impact: Reshaping Capitalism to Drive Real Change (Ebury Press, 2020), Sir Ronald Cohen studies and analyzes the main problems that arise due to social inequality and environmental challenges, and proposes a new alternative system to capitalism that seeks to solve all these issues.

This system places impact as the main engine of investment and proposes, just as risk was introduced in the valuation of investment half a century ago, that also the impact be introduced as an essential element of the investment, forming a triple propeller: profitability, risk and impact. In order to be able to introduce this element and configure a new modality of impact investment, Sir Ronald Cohen expresses the need to formalize not only the necessary investment tools but above all a methodology to measure the impact to account for the value of the investment.

Thus, this book defines social investment bonds (SIBs) and development investment bonds (DIBs) as one of the main mechanisms of impact investment. The first of these allows entrepreneurs to generate social impact through private investment. The SIBs do not work as a bonus to use, but connect three main actors: a payer based on results, a provider of social services and initial investors. This exchange relationship reduces the risk of the investor and allows to transform the social initiatives of mere donations into a lucrative business that in turn generates impact.

For this to be effective, it is necessary to shift the focus of philanthropic investment assessment tools from short-term activities to long-term indirect results. Therefore, impact measurement takes on an essential role in this transformation, and the need to formalise the 'impact-weighted accounts' that will form a single, cross-cutting measurement tool applicable to business and investment is evident.

Once this change has started, the importance of impact and sustainability will affect all companies and businesses, to the point that those who do not have impact measurement instruments will risk losing customers, investors and even employees.

However, measuring the impact will especially transform civil society organisations and their funding. Cohen argues that without measuring the impact, without knowing the direct result of your actions and your money, it is highly difficult to obtain funds to finance organisations in the long term. If impact measurement is formalized, organizations will be able to use the funds more effectively, attract private sector investment through IBSs and IBDs and take the risks necessary to generate real innovative mechanisms to solve the challenges of today.

In conclusion, the future is impact investment, which needs impact measurement and is driven by new forms of investment such as IBSs and IBSs, which will transform society and solve today's major challenges.