



# How Ready is your Organization to Engage in Impact Investing?

## An Organizational Readiness Tool

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**A**s more and more INGOs have begun to explore impact investing, they are asking important questions about their own readiness to engage. Are we well positioned to take on this work? Do we have the skills, time, and resources we need? And, if we do move forward, what role are we best positioned to play? This chapter offers a tool to help teams answer those questions, laying the ground work for better-informed decision making about if and how to engage.

While training and education surrounding impact investing is still a nascent area of growth and development, more than 200 capacity building opportunities and providers were identified in a recent report,<sup>1</sup> signifying the importance as well as the rapid growth of this area within the impact investing ecosystem.

The same report notes that while there is growing support for capacity building regarding impact investing at-large, tailored resources and training opportunities are needed for the diverse segments and stakeholders within the impact investing community.<sup>2</sup> When it comes to INGOs, there is a need for a guiding framework that organizations can utilize to assess their readiness to engage in impact investing while sparking important conversations at different organizational levels. Such a tool would be useful for organizations that are in the early stages of understanding the impact investing space and defining their engagement but could also help

organizations that are actively engaged in the space by helping them revisit their strategy at key decision points.

The framework entailed in this chapter has been developed to address this need and is based on the experiences of INGOs in the INGO Impact Investing Network. The purpose of the framework is to help an organization map its assets and gaps across a set of ten factors related to readiness on an institutional level, including strategy, knowledge base, skills, and capacity. It also offers an opportunity to examine an organization's readiness to adopt specific impact investing roles or approaches that have been explored earlier in this report – making investments, developing a revenue generating venture, delivering technical assistance, or ecosystem building.<sup>3</sup>

### The Organization Readiness Tool

The readiness tool in **Table 1** is comprised of the 'Readiness Factors', 'Guiding Questions', and 'Score' columns. The 'Guiding Questions' provide a variety of questions for each factor that an organization needs to consider during the ideation and conceptualization phase of its strategy. These can also be used by organizations that are actively engaged in the space to describe their approach, vision, and work conducted thus far. Using a consultative process to implement this framework/tool will surface insights that can help further develop and/or solidify the impact investing strategy.

<sup>1</sup> Chodos, M., & Johnson, A. (2016, August). *From Innovation to Practice – Impact Investing Education and Training*. Retrieved [http://beeckcenter.georgetown.edu/wp-content/uploads/2016/08/From-Innovation-to-Practice-Impact-Investing-Education-and-Training\\_Beeck-Center.pdf](http://beeckcenter.georgetown.edu/wp-content/uploads/2016/08/From-Innovation-to-Practice-Impact-Investing-Education-and-Training_Beeck-Center.pdf)

<sup>2</sup> Ibid, pg. 8.

<sup>3</sup> INGO Impact Investing Network (2016, July). *Amplifyii: The INGO Value Proposition for Impact Investing*. Retrieved from <https://www.humentum.org/sites/default/files/amplifyreport.pdf>

**Table 1**  
**The Organizational Readiness Tool**

Readiness Factor			Guiding Questions	What would a High Score (8-10) look like?	Score (1-10)
1	Rationale for Engagement	The purpose/ goals underlining impact investing engagement	<ul style="list-style-type: none"> <li>• What is the main purpose behind developing the impact investing strategy – growing or scaling programs or financial sustainability? Which is a bigger priority?</li> <li>• What change do you envision as a result of your impact investing work?</li> </ul>	<p><i>Well-defined purpose and vision. There is a shared understanding within the organization of how the impact investing work will support the mission and build upon the programmatic approach and work of the organization.</i></p>	
2	Sector Considerations	Technical focus areas and the appropriateness of an investment approach to support impact goals in that area	<ul style="list-style-type: none"> <li>• What is the sector focus and technical expertise of the organization?</li> <li>• Does the organization have past experience on incorporating market-based approaches to their work in the different sector expertise areas?</li> <li>• Do any of the organization's existing donor-funded programs have the potential to be converted into businesses?</li> </ul>	<p><i>Strong understanding of the staff's technical expertise (knowledge and skill set) in entrepreneurship and investing. Based on this understanding, as well as learning gained through past experience in the space, the organization has decided on specific sector focus areas to pilot impact investing work that are well-suited for private capital.</i></p>	
3	Geographic Considerations	Identification of Country/Region/ Market landscape	<ul style="list-style-type: none"> <li>• In which countries or regions does the organization have its strongest presence?</li> <li>• Which country office has staff with the skillset relevant to developing and supporting impact investing work?</li> </ul>	<p><i>Strong understanding of which country offices are most supportive of and enthusiastic about impact investing. The organization has conducted initial landscape research in specific regions and areas to assess the existing social enterprise and impact investing work.</i></p>	
4	Organizational Culture	Culture within the organization to embrace market-based approaches	<ul style="list-style-type: none"> <li>• What is the understanding and perception of impact investing amongst the staff?</li> <li>• How conducive is the organizational culture to changes in programmatic approach?</li> <li>• What is the organization's experience in using market-based approaches?</li> </ul>	<p><i>Organizational culture is supportive of impact investing and embraces change and innovation. Interest in and openness toward impact investing is shared across all levels of organization.</i></p>	
5	Stakeholder Communications	Communicating the impact investing vision to stakeholders internally and externally	<ul style="list-style-type: none"> <li>• Who are the different stakeholders (donors, board members, advocates, partners, etc.) that will have an opinion about or decision-making power over the organization's impact investing strategy?</li> <li>• How is information regarding new strategies or changes in strategies currently communicated to external stakeholders as well as to internal staff and partners?</li> </ul>	<p><i>The organization has a strategy to effectively communicate its impact investing vision to partners and donors. It also has a communications plan to keep staff informed on impact investing strategy development and a way for staff to participate and share concerns/ideas.</i></p>	

6	Demand/Pipeline	Need within the community and in terms of deal flow – investable social enterprises, capital available, etc.	<ul style="list-style-type: none"> <li>• Are there needs and demands in communities that can be addressed through market-based approaches?</li> <li>• Is there a strong and growing small and medium enterprises (SME) sector in the country/region?</li> <li>• Have different stakeholders – SMEs, beneficiaries, community leaders, etc. – recognized the need for market systems development work in their communities?</li> </ul>	<i>There is a high demand from enterprises, beneficiaries, etc. for enterprise and market systems development. There are clear sources of potential pipeline of investible enterprises.</i>	
7	Internal Capacity	The internal capacity of the organization to work with and engage impact investors, enterprises, etc.	<ul style="list-style-type: none"> <li>• What is the organization's understanding of the knowledge and skills needed to conduct work in the specific impact investing role?</li> <li>• What is the staff's level of expertise in those knowledge and skills areas?</li> <li>• What resources has the organization identified to help train and build its staff's capacity and/or hire staff with prior experience in the impact investing ecosystem?</li> </ul>	<i>A core team that has experience in structuring deals, managing funds, enterprise development, or developing new investment products. There is a well-defined internal training program or strategy to help build staff capacity to engage in the impact investing ecosystem.</i>	
8	Legal Environment	Legal system supporting engagement in the impact investment ecosystem	<ul style="list-style-type: none"> <li>• Is the organization knowledgeable of the legal requirements in the specific geographic area of existing or proposed impact investing?</li> <li>• What new and/or hybrid organizational and legal structures (developing subsidiaries, independent funds, externally-managed funds, set-up a foundation, etc.) can the organization develop to enable its impact investing work?</li> </ul>	<i>The legal environment in the country/region is supportive. Necessary legal requirements have been gathered to assess how the organization can develop its impact investing practice.</i>	
9	Impact Measurement	Metrics and methodology for measuring impact of impact investing work	<ul style="list-style-type: none"> <li>• What is the M&amp;E team's level of understanding of impact investing and how measurement and metrics in this space might differ from donor-funded M&amp;E?</li> <li>• Have metrics and indicators to measure impact of investments been developed and are aligned with/make use of existing industry tools and standards?</li> </ul>	<i>The organization has a strong M&amp;E team that is knowledgeable about impact investing and the specifics of social impact measurement and related metrics and industry standards</i>	
10	Networks and Partnerships	Leveraging networks and partnerships to improve engagement in impact investing	<ul style="list-style-type: none"> <li>• Are there existing sector- and/or geography-related impact investing networks that the organization is involved with? How helpful are these networks in finding new partners, co-investors, investible enterprises, professional talent, etc.?</li> <li>• What is the landscape of other actors (incubators/ accelerators, innovative foundations, academic institutions, intermediaries, impact investors) in the geography/sector focus of the impact investing work?</li> <li>• How can the organization leverage support from these actors to build its own impact investing practice?</li> </ul>	<i>The organization is actively engaging experts in the field. The organization has conducted a thorough exercise to identify different partners and intermediaries within the geographical and sector areas of focus.</i>	
Total Score					

## The Facilitation Process

The tool can be utilized for self-assessment, discussion, and planning purposes. The team members involved in this process should represent a cross section of staff across the organization. It would be ideal to engage individuals from the following teams in the conversation:

- Leadership
- Dedicated impact investing team
- Strategy
- Staff with exposure to and/or technical expertise in work related to economic growth or small and growing businesses
- Fundraising, communications, and/or external engagement
- Measurement and evaluation
- Human resources
- Legal
- Board of Directors

Provide all participants with a copy of the tool along with a blank sheet for note-taking. The participants can be directed to read the tool and use the guiding questions

to jumpstart their thinking and make notes related to any interesting insights or thoughts that come to their mind. Utilizing that thinking, they can then score the organization on the scoring based on their perspective as well as the guidance in the column – “What would a High Score (8-10) look like?”. In the case the organization already has a certain impact investing role in mind, then the participants should be guided to think about that role while using the rubric.

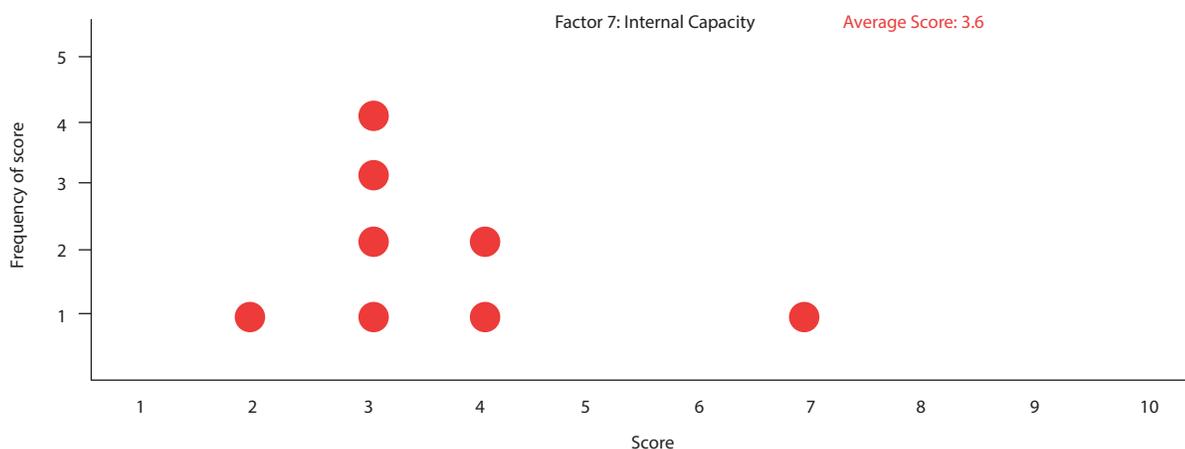
For organizations that are in the very initial stages of exploring impact investing, the framework of four roles in impact investing for INGOs used in this report may be a helpful guide. **Table 2** defines these approaches and includes some tips on identifying an approach that might be a good fit for an organization.

Once individual scoring is completed, have all the participants share their results with a facilitator in advance of a group discussion. The facilitator will create a results packet aggregating everyone’s responses into frequency charts for each factor (example graph on page 59). Alternately, the facilitator can make the frequency charts by hand on large sticky post-its and

**Table 2**

Impact Investing Approaches	This approach might be a good fit if the organization has -
<p><b>Making Investments</b> Investing in impact enterprises, either directly, through a fund, through other intermediaries, or through a microfinance institution.</p>	<ul style="list-style-type: none"> <li>• the expertise to guide and grow investee companies in which it might directly invest</li> <li>• a history of making investments through any affiliated entities (such as a foundation)</li> <li>• a sizable source of funds available to invest</li> <li>• a strong fundraising team as well as the ability to underwrite investments using donor funds</li> </ul>
<p><b>Developing Revenue Generating Ventures</b> Developing social enterprises or monetizing existing assets or programs that were developed through donor-funded projects to receive investments and generate income.</p>	<ul style="list-style-type: none"> <li>• an existing program that could be spun off into a business</li> <li>• a viable business idea to address a salient community need</li> <li>• a program to identify and support entrepreneurial ideas internally and externally – for example, an innovation practice, incubator, etc.</li> <li>• existing staff or resources to bring on staff that can establish and grow businesses both at headquarters and country office level</li> </ul>
<p><b>Delivering Technical Assistance</b> Providing capacity development services for social entrepreneurs, impact investors, or intermediaries</p>	<ul style="list-style-type: none"> <li>• an existing capacity development program focused on market-based approaches</li> <li>• technical knowledge and expertise on topics such enterprise development, impact measurement, pipeline development, etc.</li> </ul>
<p><b>Ecosystem Building</b> Using advocacy and convening power to support the development of infrastructure for mission-aligned investing.</p>	<ul style="list-style-type: none"> <li>• a history of developing and sustaining networks and communities of practice and information sharing with peer organizations as well as cross-sector actors</li> <li>• the acumen and history of being able to engage with policy makers and/or financial sector actors</li> <li>• an active and established advocacy and social impact research practice</li> <li>• on-the-ground experience and the trust and ability to advocate on behalf of the community on needs related to issues such as economic development, entrepreneurship climate, gender, or financial inclusion</li> </ul>

## Graphic way to represent scoring frequencies and average score



put them up in the conference room for the group discussion.

The purpose of the group discussion is to create an opportunity for everyone to go over the scoring charts, share frank insights, and subsequently develop a set of actionable next steps. These discussions can range from two hours to multi-day meeting and planning sessions, depending on how in-depth the team wants to go. Below is some guidance on a step-by-step process for facilitating the conversation:

**A. Beginning the Discussion** – For every scoring chart, invite everyone to share short minute-long free-form insights. Based on the discussion and the scores, the conversation can go one of two ways:

- **In case of significant divergence in opinion** (min and max scores fall outside a three point range) – Note areas of divergence with the group, as this can often provide the richest source of ideas for action planning. Ask questions that allow the differences of perception to surface, rather than pushing quickly for consensus or asking respondents to defend their scores, such as: Why might there be disagreement in the organization on this question? Why might someone have scored a one or a two on this question? How might this vary across different levels and/or departments in the organization? Why might that be the case?
- **In case of overall agreement in opinion** (min and max score fall within a three point range) – We all think we’re an X score on this. Who within or outside the organization might disagree with that? What type of stakeholder might score us lower? Higher? Why? Would our scores change if we were to consider a different role in the impact investing ecosystem?

Average all the scores to come up with a joint score for that particular category. While the scores will help participants understand their overall organizational readiness, it is the discussion of the **why** in each category which will lead to the most productive action planning.

**B. Scoring** – Summing up the final averages, the team can typify their organization’s readiness across four different levels of competency or capacity described in **Table 3**.

**Table 3**  
**Organizational Readiness Typologies**

<b>Level 1</b> <b>Exploration</b> <b>(40 points or under)</b>	The organization has a good knowledge base and understanding of the internal and external landscape. It is currently developing its capacity to engage in impact investing.
<b>Level 2</b> <b>Nascent (40 to 59 points)</b>	The organization is developing its knowledge base and assessing internal capacity and landscape while exploring different options for defining its engagement.
<b>Level 3</b> <b>Emerging (60 to 79 points)</b>	The organization has a good knowledge base and understanding of the internal and external landscape. It is currently developing its capacity to engage in impact investing
<b>Level 4</b> <b>Advanced (80 points or over)</b>	The organization has high capacity, in terms of knowledge and skills, to engage in impact investing. The organization has a descriptive and actionable strategy and it is perfectly poised to pilot that strategy.

**C. Thinking about next steps** – For every factor, ask all participants to write down as many answers as possible to the following question on post-its (one answer per post-it): What can we do to increase our score in this particular area?

Now, organize all the post-its and put them up on big sheets of paper. The facilitator can utilize a modified version of the “Lightning Decision Jam”<sup>4</sup> to lead a 25- to 30-minute exercise on identifying and prioritizing action steps. The following prompts can help guide this discussion:

- What are the biggest challenges we have to overcome? What will it take/cost to do that?
- What are the biggest assets our organization is bringing to this space? What impact would we create if we could unleash them?
- In terms of the Four Organization Readiness typologies in Table 3, what do we need to move from one level to the next?

## Some Key Points for Consideration

As discussed at the beginning of the chapter, the purpose of this framework is to help an organization map its capacity and identify existing gaps. There are many ways to mitigate weaknesses including training and education opportunities,<sup>5</sup> inviting experts to be board members or advisors, recruiting new staff, partnering with new organizations, procuring services, acquiring another company, etc. Regardless of the level the final score depicts, the goal of the framework and the facilitation process is to foster frank and transparent conversation and determine actionable next steps for planning, research, and strategy.

<sup>4</sup> Lightning Decision Jam is a design sprint exercise focused on reducing unstructured conversations and creating a simple process for quickly planning and swift decision-making. Here is a quick tutorial – <https://medium.com/muz.li/a-super-simple-exercise-for-solving-almost-any-product-design-challenge-f9e6c0019d7d>

<sup>5</sup> You can find a repository of these in the Beeck Center for Social Impact + Innovation’s report *From Innovation to Practice – Impact Investing Education and Training*