



RESOURCE

Calculating the Value of Impact Investing

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Description / Abstract

Impact investing—directing capital to ventures that are expected to yield social and environmental benefits as well as profits—provides investors with a way to “do well by doing good.” But whereas the business world has tools for estimating a potential investment’s financial yield, it lacks them for estimating social rewards in dollar terms. Now the Rise Fund and the Bridgespan Group have developed what they call the impact multiple of money (IMM) to demonstrate the value of putting impact underwriting on the same footing as financial underwriting. In this article they explain their six-step process for calculating it: (1) Assess the relevance and scale of a potential product, service, or project. (2) Identify target social or environmental outcomes. (3) Estimate the economic value of those outcomes to society. (4) Adjust for risks. (5) Estimate terminal value. (6) Calculate the social return on every dollar spent. The IMM, they write, “offers a rigorous methodology to advance the art of allocating capital to achieve social benefit.”

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