

CEPS Working Paper Series
No. 5, March 2015

Mission Investing in Europe – A Meta-analysis

Tizian M. Fritz, MSc
Research assistant

Prof. Dr. Georg von Schnurbein
Director

Center for Philanthropy Studies (CEPS)
University of Basel

Citation:

Fritz, T. M. / von Schnurbein, G. (2015). Mission Investing in Europe – A Meta-analysis. CEPS Working Paper Series, No. 5, Basel: CEPS.

ISSN: 2296-7516 (Print)
2296-7524 (Online)

Information:

The following paper is part of a PhD-thesis on mission-based investment policies in the context of charitable foundations and nonprofit organizations.

Abstract

“Mission Investing” (MI) is an umbrella term for the practice of non-profit organizations (NPO) to include their mission into their investment policy. Despite the growing popularity of this concept it still greatly lacks a scientific foundation. This article identifies key characteristics of MI by conducting a conceptual discussion. These characteristics include the incorporation of non-monetary goals into the investments process which are closely related to the organization’s mission and values as well as the aim of achieving a more effective mission accomplishment through the unification of investment- and grantmaking policy. Further, in the framework of a meta-analysis, this article compares recently published data from across Europe with regard to the current state-of-art of MI. Among the three basic instruments of MI (screening, shareholder advocacy, and proactive mission investing), screening is used the most.

Keywords: Charitable Foundations, Investment Policy, Meta-Analysis, Mission Investing, Non-profit Organizations, Value-based Investing

JEL-Classification: A13, D64, G11, L31

Abstract

Unter dem Oberbegriff “Mission Investing” (MI) versteht sich die Praxis bei Nonprofit Organisationen (NPO), das organisationseigene Sachziel in die Anlagestrategie mit einzuschliessen. Trotz stets steigender Popularität fehlt dem Konzept bisher weitgehend eine wissenschaftliche Fundierung. Mittels einer begrifflichen Diskussion identifiziert dieser Beitrag Schlüsselmerkmale des Anlagekonzepts. Diese Merkmale umfassen unter anderem den Einschluss von non-monetären Anlagezielen, welche eng mit dem Organisationszweck verwandt sind, sowie die Zielsetzung der effektiveren Umsetzung des Organisationszwecks durch die Verknüpfung von Anlage- und Förderpolitik. Weiter vergleicht dieser Beitrag im Rahmen einer Metaanalyse neu erschienene Daten zum aktuellen Umsetzungsstand von MI in Europa. Ausgehend von den drei Instrumenten des MI (Screening, Shareholder Advocacy und Proactive Mission Investing) wird dieses derzeit am häufigsten mittels Screening umgesetzt.

Stichwörter: Anlageverhalten, Gemeinnützige Stiftungen, Metaanalyse, Mission Investing, Nonprofit Organisationen, zweckgerichtete Investments

JEL-Klassifikation: A13, D64, G11, L31

Glossary

EI	Ethical Investments
ESG (factors)	Ecological, Social, (Corporate) Governance
EVPA	European Venture Philanthropy Association
II	Impact Investing
IRS	Internal Revenue Service
MI	Mission Investing
MRI	Mission-Related Investing
NPO	Non-profit Organization
PRI	Program-Related Investments
RI	Responsible Investments
SRI	Socially Responsible Investments
TBL	Triple Bottom Line
VP	Venture Philanthropy

1. Introduction

Mission investing (MI), an investment concept re-introduced in the early 2000s, has been developed and promoted by economic and social actors, mainly derived from practical experience. As in many cases of newly developed investment concepts the disambiguation of used terms as well as from existing, similar concepts is a key concern: Existing strategies such as socially responsible investments (SRI) share similarities with MI and there is heterogeneity in available definitions of MI itself. Additionally, the economic legitimacy of MI is still highly disputed. This has impeded an objective discussion of MI. Further, just until recently merely any data concerning the implementation of MI was available. This article therefore positions MI within a set of existing, value-based investment strategies and shows that MI actually is an umbrella term that includes several existing investment concepts. Further, by collecting and comparing recently published data, this article gives a more profound insight into the current state of the art of MI in Europe. In terms of a qualitative meta-analysis, this article compares these recent studies and therewith contributes to a better understanding as well as scientific foundation of the concept of MI. This will not only aid future scientific exploration of mission-based investment strategies, but also provide charitable foundation sector professionals with a sound basis for evaluating investment opportunities and formulate adequate investment policies.

The professionalization of financial management among charitable foundations is just one of the significant changes the charitable foundation sector has been undergoing over the past twenty years. First of all the number of foundations has seen an enormous growth. In Europe as well as the United States the foundation sector has more than doubled in size since 1990. The U.S. are now home to more than 120.000 private foundations (National Center for Charitable Statistics, 2010), while said number for the European Union is estimated to stand at 110.000 foundations (CSI, 2009, p. 18).¹ This estimate does not include Switzerland with a total of another approximately 13.000 charitable foundations (Eckhardt et al., 2014, p. 4). Additional to the increase in popularity of foundations the handling of the legal form has become more flexible, promoting the creation of new forms, such as the umbrella foundation, community foundations (Bürgerstiftungen), and “sun setting” foundations (i.e., limited term trusts) (Sprecher, 2013, p. 128). Further, instead of setting up a foundation with a traditionally narrowly specified mission, foundations nowadays are set up more often with a much broader formulated mission statement and also while the founder is still alive. Herewith foundations gain more freedom of scope. As in the non-profit sector in general, an increasing degree of professionalization can also be observed among foundations. Higher numbers of full-time employees as well as self-governing codices and sectoral organizations are strong indicators of this development (von Schnurbein, 2013, p. 42). Finally, the management of foundation activities has changed. Formerly known as “banks of the NPO”, foundations nowadays seek a more active and thematically involved role and participation in funded

¹ This growth is not only caused by the availability of fungible assets but also legislative reforms in several countries. Such reforms in Germany in 2000, 2007, and 2013 have increased tax incentives for the establishment of foundations as well as freedom of scope.

projects. The perception of mission accomplishment has shifted from a simple granting of funds towards addressing and tackling societal changes and achieving impact (Porter and Kramer, 1999, p. 121). This change has also sparked new discussions concerning the management of foundational assets.

Constituting an endowment, foundations – especially grantmaking foundations – differ in the way they pursue their charitable purposes in contrast to other non-profit organizations (NPO). As a consequence of this endowment, foundations do not necessarily have to rely on external financing, such as revenue through the collection of donations (fundraising). However, the charitable status of a foundation – specifically as a requirement for tax-exemption – is only dependent on the application of funds. This means that only the returns generated by investing the endowment have to be spent in conformity with the organization's mission, not the endowment itself (Meyn et al., 2013, p. 109f.). Therefore the majority of available funds are not directly used in pursuit of mission and only a small proportion of the endowment is actually distributed to the foundation's beneficiaries.²

The concept of MI actively tackles this discrepancy. Similar to the idea of "doing good while doing well" the goal of mission-accomplishment is not only applied to the grantmaking but also the investment process, removing the "firewall" between foundation investing and programming (Emerson, 2003b, p. 47). The logic behind the idea of MI is the multiplication of potential mission-based impact, as the foundation's assets are not only used once (in form of non-refundable grants), but several times (as investments). Given legal constraints, it is however necessary that the mission-based usage of such funds at least guarantee a preservation of capital. In order to guarantee a long-term existence of the foundation, even an inflation-adjusted positive return would be required. In face of record-low interest rates and volatile market-conditions foundations have recently sought out for new investment possibilities and means of a more effective mission accomplishment.

Scientific literature examining mission-based investment strategies has remained sparse (see Wood & Hagerman (2010)), despite the discussed growth and changes in the foundation sector. It may be therefore viewed as a result of the recent worldwide economic and financial market crisis that within a very short period of time several empirical studies were published which revolve around the topic and implementation of MI.

The meta-analysis presented in this article is preceded by a definitory disambiguation of sustainable and mission-oriented investments concepts. This discussion will show that the distinctiveness of MI does not lie in the used forms of investment but rather its focus on charitable and mission-oriented investors. MI as an umbrella term includes a multitude of assets classes. This article therefore also presents examples of how the different instruments of MI (screening, shareholder advocacy, proactive mission investing) can be imple-

² Under U.S. pay-out regulations for instance 5% of the foundation's assets have to be distributed annually. The remaining 95% can therefore be freely invested in disregard of the mission still granting the foundation full tax-exemption. In extreme cases assets could be invested (for instance through exchange traded funds) in companies which directly oppose the foundation's mission.

mented and refers to relevant literature. The meta-analysis itself gives an overview concerning the current state of practical implementation of MI in Europe, which will include motives as well as influencing factors which affect the decision making among investing organizations. Wherever possible, this article will point out country-specific differences in the application of MI.

The studies and surveys underlying the meta-analysis presented in this article were collected in a desk research and contain data from Germany (Schneeweiss and Weber (2012), Then et al. (2012))³, the Netherlands (Gootjes et al. (2010), Verstappen et al. (2011)), Switzerland (Fritz (2012), Hertig and von Schnurbein (2013)), and the United Kingdom (Charity Finance Director's Group (CFDG) and Ethical Investment Research Service EIRIS (2009), Charity Finance Group (2012)).

2. Disambiguation and literature review

The following disambiguation gives a structured overview of common, value-oriented investment concepts. Due to heterogeneous definitions and understanding of these concepts a strict separation is not always possible and the boundaries are often blurry, including the typical form of the respective investors. Rather than claiming to be a thorough overview, this disambiguation serves more at positioning MI within existing concepts and point out certain points where they overlap.

The subsequently presented investment concepts will be characterized using consistent criteria. This article will thus focus on (1) the underlying motives and aims of (2) typical investors of these concepts. Further (3) the relative relevance of financial return and non-financial impact as well as (4) the current state of implementation and practical relevance will be highlighted. The analyzed concepts are: Program-related investments (PRI) – Section 2.1, venture philanthropy (VP) – Section 2.2, socially responsible investments (SRI) and investments under inclusion of ESG factors – Section 2.3, and impact investing (II) – Section 2.4. A summary of this analysis is presented in Table 2 and can be found on page 17.

2.1. Program-related investments

2.1.1. Motive and aim

The term PRI was introduced and is defined by the U.S. tax authority (Internal Revenue Service – IRS) and is sometimes also used in countries outside the U.S. (e.g., Charity Commission (2011)). Being rather a regulatory term, PRI denotes investments with the following characteristics (IRS, 2012):

- The primary purpose is to accomplish one or more of the foundation's exempt purposes,
- Production of income or appreciation of property is not a significant purpose, and

³ Both studies are based on data collected by the Bundesverband Deutscher Stiftungen (BVDS).

- Influencing legislation or taking part in political campaigns on behalf of candidates is not a purpose.

Investors in the U.S. who are engaged in PRI are granted the right to deduct the assets eligible as PRI from the capital which is relevant for the calculation of the mandatory pay-out ratio.⁴ Given the regulatory definition, the basic motivation of PRI is the reduction of the asset portion which is subject to the annual pay-out requirement.

2.1.2. Investor

Due to its origin in U.S. tax law, PRI is directly and only aimed at charitable private foundations in the U.S. However, as the term is sometimes also used abroad in a less strict form, PRI mainly requires an investor to be purpose- and not profit-driven. Generally, NPO constitute purpose-driven investors, as they strive for the most effective mission-accomplishment as their ultimate goal (see Bush (1992) and Moore (2000)).

2.1.3. Relevance of financial return and impact

According to the definition introduced by the IRS (2012) the primary aim of PRI is the accomplishment of the organization's tax-exempt purpose – even under the assumption of higher risks. Although realization of financial returns is not prohibited, it only plays a subordinate role in PRI decision making. Generally organizations holding PRI aim at the preservation of capital (Schneeweiss und Weber, 2012, p. 15).

2.1.4. Implementation and practical relevance

PRI as an investment concept is most often used in the U.S. Although often debated, the application of PRI by private foundations remains limited, as Osili et al. (2013) were able to show. Invested assets persistently increased over the past years and amounted to 701 million USD in 2009 (Osili et al., 2013, p. 12) – given the size of the U.S. foundation sector as a whole this sum is negligible.⁵

Outside the U.S. the usage of term PRI is significantly lower and given its connection to U.S. tax law as well as pay-out requirements somehow arbitrary. Schneeweiss and Weber (2012) for instance use the term in the context of their study on the implementation of MI in Germany, however point out, that it is commonly used in the U.S. only. Based on the work of Kooch and Cramer (2007) PRI are also defined as below market-rate mission investments and used in that sense in other countries than the U.S.

2.2. Venture Philanthropy

2.2.1. Motive and aim

A legal definition such as in the case of PRI does not exist for VP (see Schönenberg (2011)). The European Venture Philanthropy Association (EVPA) defines VP – a term that probably

⁴ U.S. private foundations are subject to a 5% pay-out requirement – for an overview see Renz (2012).

⁵ In the statistics of income (SOI) published by the IRS assets of private foundations were estimated to total at 526.5 billion USD in 2008. Therefore PRI constituted less than 0.1% of all assets held by U.S. private foundations.

goes back to the American philanthropist John D. Rockefeller III⁶ – as grantmaking and social investments that involve the following six practices (Metz Cummings und Hehenberger, 2010, p. 7):

1. a hands-on relationship between the social enterprise or non-profit management and the venture philanthropist;
2. use of a range of financing mechanisms;
3. multi-year support;
4. non-financial support;
5. a focus on organizational capacity-building;
6. and performance measurement.

These key factors, also used by Achleitner (2006) and John (2006), and the diction („grant-making“) show apparent similarities with the traditional relation between foundations and grantees. In contrast to typical grantmaking however, VP is about the transfer of economic ways of acting to philanthropy (Schönenberg, 2011, p. 24). VP is therefore profit-oriented – however not in financial means alone, but also in the sense of social and innovative “impacts“. Still, Martin and John (2007) stress that self-sufficiency is most often part of VP: “Venture philanthropists are more likely to fund social service organizations or local businesses in underprivileged communities than advocacy organizations with no underlying earned-income business“ (Martin und John, 2007, p. 5).

2.2.2. Investor

A typical „Venture Philanthropist“ shows a clear philanthropic orientation in his acting; John (2006) mentions that in certain communities VP is also referred to as “engaged philanthropy“. Typical investors therefore may include private persons as well as NPO in general or charitable foundations in particular. In contrast to rather traditional, passively managed investments a venture philanthropist takes on a much more active role and strives for an active supervision of the project and is involved in most of the decision making.

2.2.3. Relevance of financial return and impact

According to the EVPA’s definition VP not only includes different forms of financing, but also grantmaking. This is also shown by Martin and John (2007) in their excellent overview of VP in Europe. As granted funds are disbursements that are equal to investments with a return of -100% it becomes evident, that VP is not a pure investment concept. The primary goal of VP should be reached and measured in terms of social impact. Nevertheless, funded projects should become self-sufficient within a reasonable timespan. Although investments into social organizations and enterprises can be expected to be profit-bearing in various cases, the primary aim of VP is certainly not financial profit. A study conducted by the EVPA shows that 64% of the responding participants expect a positive financial return or at least the preservation of capital, however a quarter anticipate a total loss of their invested assets (Hehenberger und Harling, 2013, p. 23f).

⁶ Rockefeller used the term in a hearing in the U.S. congress in 1969 (John, 2006, p. 7).

2.2.4. Implementation and practical relevance

Insights into the practical implementation of VP in Europe is supplied by Martin and John (2007) as well as Hehenberger and Harling (2013) with current, however not representative surveys. An overall coverage of the VP's market volume in Europe is currently not available. According to the survey of Hehenberger and Harling (2013) a VP-investor annually invests 5.2 million EUR on average. Out of this amount 65% is currently used as grants – actual financing is much lower with 18% being used as debt-financing and 15% equity. These results illustrate again that VP is not a pure investment strategy.

2.3. Socially responsible investments and investments under inclusion of ESG factors

2.3.1. Motive and aim

Socially responsible investments (SRI) are an already well-established concept among value-oriented investment strategies and rely on investments in the secondary market. Despite being well-established, there is no commonly accepted definition of SRI, as Sandberg et al. (2009) stress in their article regarding the heterogeneity of SRI. They conclude that the heterogeneity not only includes the definition of SRI, but also exists on a strategic and practical level. Generally there is agreement that SRI stand for the inclusion of additional, non-monetary criteria into the process of financial decision-making (see Renneboog et al. (2008) and Derwall et al. (2011)). However, there is no consensus about the exact nature of these non-monetary factors. In a more precise definition by the Social Investment Forum, which is also used by Statman (2007) and others, SRI are characterized as an investment “that considers the social and environmental consequences of investments, both positive and negative, within the context of rigorous financial analysis.” (Social Investment Forum, 2006, p. 2)

Several sources refer to the ESG factors when defining SRI (not to be confused with the similar concept of the triple-bottom-line – TBL⁷). Statman (2007) for instance defines ESG-investing as a sub-form of SRI. Sandberg et al. (2009) cite various sources which even define SRI based on ESG factors. The factors generally used to define the sustainability of certain investments are as follows (see UNEP FI und Freshfield Bruckhaus Deringer (2005, p. 18)):

- **E**nvironmental
- **S**ocial
- **G**overnance.

It is not clear though, as Sandberg et al. (2009) stress, which weight is attributed to these non-monetary factors in comparison to traditional monetary factors.

⁷ The TBL-principle of sustainability defines three dimensions of sustainability: Economic, ecologic, and social – the term goes back to Spreckley (1981).

2.3.2. Investor

Generally SRI are available and suitable for every type of investor – private and institutional, profit and nonprofit – as there are no specific mission-based or charitable purposes necessary. SRI is a common investment concept; waiving monetary profit in the sense of funding specific project or grantees is not part of SRI as it is with VP for instance. However, SRI require the investor to attribute a certain weight to non-monetary criteria such as the ESG factors into his personal perception of utility. Currently especially institutional investors are applying SRI (Eurosif A.I.S.B.L., 2014, p. 31).

2.3.3. Relevance of financial return and impact

There is currently no consensus about the relation and weighting of monetary and non-monetary factors within SRI. It is beyond the scope of this article to fully grasp this debate. However, in comparison to the previously discussed strategies SRI clearly puts the most weight on the realization of monetary profit, as it is a pure investments strategy. Additionally several studies prove, that SRI do not necessarily realize lower returns than traditional investment strategies (see Statman (2007), Renneboog et al. (2008), i.a.). Similarly, the meta-analysis of the UNEP FI and Mercer (2007) shows that investments under inclusion of ESG factors display no significant financial disadvantages. Among the 20 studies included in this report 16 show a positive (10) or neutral (6) result concerning their financial performance. The 2009 edition of this report (Mercer LLC., 2009) with 16 studies analyzed comes to another positive conclusion (10 reach positive results, 4 neutral, 2 neutral-negative).

2.3.4. Implementation and practical relevance

With its heterogeneity SRI can be considered the best established value-oriented investment strategy. According to estimates the investment volume in the U.S. already reached around 2.29 trillion USD and 1.03 trillion EUR in the E.U. respectively in 2005 (Cowton and Sandberg, 2012, p. 142). A European SRI market study published by Eurosif A.I.S.B.L. (2014) shows that investment volume under “ESG integration” rose from 0.6 trillion EUR to 5.2 trillion EUR between 2005 and 2013. This study also gives a good overview with regard to country-level implementation of SRI across Europe.

2.4. Impact Investing

2.4.1. Motive and aim

In contrast to SRI Impact Investing (II) is still considered a relatively „young“ investment strategy, as J.P. Morgan and The Rockefeller Foundation (2010) state in their market report. II so far lacks a scientific definition. This article therefore refers to other sources for a definitory discussion. Bugg-Levine and Goldstein (2009, p. 32) explain that II offers “a bridge between traditional philanthropy (...) and the private-sector capital markets”. This understanding of II is very similar to the one of VP given by Schönenberg (2011), who also stresses the application of economic ways of acting onto philanthropy. Grabenwarter and Liechtenstein (2011, p. 10) define every profit-oriented investment activity as II which “intentionally generates measurable benefits for society”. The report published by J.P. Morgan and The

Rockefeller Foundation (2010) gives an explicit definition of II, which also contains a reference to SRI:

“Impact investments are investments intended to create positive impact beyond financial return. (...) We distinguish impact investments from the more mature field of socially responsible investments (“SRI”), which generally seek to minimize negative impact rather than proactively create positive social or environmental benefit.” (J.P. Morgan und The Rockefeller Foundation, 2010, p. 5)

Compared to the definitions previously discussed in Section 2.3 this disambiguation is only partially comprehensible, as for instance the Social Investment Forum (2006) and Statman (2007) speak about negative and positive consequences in the context of SRI.

Oehri et al. (2013) see the origin of II in the extension of the idea of responsible investing or the direct funding of social and ecological topics respectively. They further state that there-with the boundaries between profit-making investments and conventional donations are “increasingly becoming blurry” (Oehri et al, 2013, p. 34). The fact that they highlight the principle of direct funding and donating seems to support the notion, that II is a much more pro-active, value-oriented strategy as SRI and does not rely on investments on the secondary market. Thornley et al. (2011, p. 7) further support this perception and state that “impact investors want to move beyond ‘socially responsible investment’”. Wood et al. (2013, p. 75) simply define II as an “investment with the intent to create measurable social or environmental benefits in addition to financial return.” This definition again puts stress on the importance of measurable outcome, analogue to VP. It is also a key feature in the discussion of II by Grabenwarter and Liechtenstein (2011). Due to the lack of a legal definition, however, the boundaries between II and similar concepts are not very sharp.

2.4.2. Investor

In their overview J.P. Morgan and The Rockefeller Foundation (2010) define a large group of potential investors, which do not necessarily have to have a charitable orientation. In addition to charitable foundations, they also mention commercial banks, pension fund, and affluent private persons. Similarly, Grabenwarter and Liechtenstein (2011) do not limit II to charitable organizations, particularly with their understanding of II being profit-oriented and the existence of a positive correlation between (social) impact and financial return, therefore being a pure investment strategy.

2.4.3. Relevance of financial return and impact

Analogue to SRI the definitions of II lack consensus with regard to the importance and weighting of monetary and non-monetary decision criteria. Grabenwarter and Liechtenstein (2011) for instance stress, that II is a profit-oriented investment strategy, therefore making financial return a primary decision factor. This distinguishes II clearly from PRI and VP. However, Oehri et al. (2013) understand II in such a way, that preservation of capital is a minimum requirement, however financial returns clearly come second to achieving social impact.

2.4.4. Implementation and practical relevance

Based on a survey including 2.394 organizations the Global Impact Investing Network (GIIN) and Impact Reporting and Investment Standards (IRIS) Initiative (2011) present data on the implementation and evaluation of II. Among those organizations 387 have earned over 1.4 billion USD with II. However, there is no data available on the total size of the organizations' investments. The report of J.P. Morgan and The Rockefeller Foundation (2010, p. 39) shows the potential of II given investments into the market at the bottom of the pyramid (BoP). In the sectors "housing", "water", "education" and "financial services" they project a potential market volume between 214 and 786 billion USD, with potential earnings between 177 and 648 billion USD over the next 10 years.

2.5. Mission Investing

Mission investing, or formerly also known as mission-related investing (MRI), originates from the U.S. and goes back to *The Social Creed of the Churches* written by the Federal Council of Churches in 1908 (Kinder et al., 1993). Recent publications (Wood and Hagerman (2010), Lawrence and Mukai (2011), i.a.) as well as pressure groups (as for instance the Mission Investors Exchange) and international conferences (see the publication of Knoepfel and Imbert (2012) for instance) seem to more often use *mission investing* as an umbrella term for all mission-related usage of the foundation's endowment and capital of an NPO in general. Subsequently this article will follow this current nomenclature.

To date scientific literature that deals with the theoretic framework und empirical analysis of MI has been sparse and scholars like Wood and Hagerman (2010) point out the need for further research in this area. Existing literature is dominated by reports compiled by practitioners and applying organizations. These reports are predominantly field reports coming from bigger foundations or manuals published by investment advisors in the U.S. (see F.B. Heron Foundation (2004), Trilium Asset Management Corporation (2007), Godeke Bauer (2008), i.a.) who give an insight into the process of implementing MI. Aggregated data from the U.S. is presented by Lawrence and Mukai (2011). A first overview of the European state of assets invested by foundations is supplied by Knoepfel and Imbert (2011).

Additionally to the article published by Wood and Hagerman (2010) the contributions of Emerson (2003a), Emerson (2003b), Cooch and Kramer (2007), Kramer and Cooch (2007), and Nicholls (2010) denote the scientifically based articles. The majority of the above mentioned authors promote the idea of the unification of (foundation) investment and programming policies. Further, Weber-Berg (2008, p. 6) calls the step towards mission-based investments a "commandment of ethical reason". Fritz (2012, p. 14) shows in a detailed analysis under which conditions the application of MI is economically reasonable. He concludes analogue to Weber-Berg (2008), that a basic form of MI (here: negative screening) depicts the "minimum standard for the asset management of foundations".

2.5.1. Motive and aim

MI can be best illustrated given the example of a grantmaking foundation. The foundation's endowment fully dedicated to the organization's charitable purpose the moment it is estab-

lished (see von Schnurbein and Timmer, 2010). Traditionally – and promoted by current legislature – these assets are invested in such a way, that given a certain risk-profile they should achieve the highest possible financial return. These returns (after costs and setting up of reserves) are then distributed among grantees. Instead of this clear separation of investment- und grantmaking policy MI seeks at already using the foundations *endowment* to actively pursue its purpose (and not in order to exclusively generate financial returns). Emerson (2003b, p. 40) speaks of a “firewall between investments and programming” that should be breached. The linkage of investment and grantmaking policy provides the possibility that a mission-based impact can already be achieved before grants are even disbursed.⁸ The full exploitation of the foundation’s capital instantaneously multiplies the portion of assets which directly contribute to a more effective mission achievement. This creates a leverage effect in favor of the charitable purpose (Wood and Hagerman, 2010, p. 258). Schröder (2010) lists (1) avoidance of conflicts of interest and (2) the realization of synergistic effect and as the two central motives for the application of MI. Thematically there is no common orientation of MI, as the practical implementation directly depends on the organization’s field of activity and its strategic interpretation (Wood and Hagerman, 2010). The aim of MI therefore is to use different investment logics and possibly even investor rationalities (Nicholls, 2010) to achieve a most effective deployment of capital.

2.5.2. Investor

In its conception (and given the necessity of a mission) MI is specifically oriented towards NPO with fungible assets. Even though big relief organizations who accumulated considerable assets through the acquisition of bequests and major gifts from donors, grantmaking foundations (for a definition see von Schnurbein and Timmer (2010, p. 15f)) are the most prominent type of mission investors.

2.5.3. Relevance of financial return and impact

For investments committed under the application of MI that deliberately realize returns below market-rate it is assumed that the waived returns directly support the realization of the foundation’s mission. Kramer and Cooch (2007, p. 44f) divide MI into market-rate investments and below-market investments (which in the U.S. therefore are referred to as PRI). A partial waiver of financial return is therefore part of the concept of MI, however should only realized on purpose under the assumption of increased impact generation (as demanded by the Swiss Foundation Code for instance (Sprecher et al., 2009, p. 108)).

2.5.4. Implementation

According to definitions by Cooch and Kramer (2007), Olsen (2003), and Viederman (2002) MI can be divided into three instruments: Screening, shareholder advocacy, and proactive mission investing:

⁸ Luther Ragin raises the following, rhetorical question: “Should a private foundation be more than a private investment company that uses some of its excess cash flow for charitable purposes?” (F.B. Heron Foundation, 2004, p. 1)

- *Screening*: Exclusion of certain companies or industries from the portfolio (negative screening⁹), or focusing on/overweighting certain sectors or industries, as well as best-in-class investments (positive screening)
- *Shareholder Advocacy*: Active shareholder engagement, through proxy voting, shareholder resolutions, and holding dialogues with corporate management
- *Proactive Mission Investing*:¹⁰ Specific investments with the intention of actively supporting and furthering the organization’s mission. This can be done through investments into mission-related projects, for-profit companies, or social enterprises, most often through non-listed investment-vehicles.

Table 1 presents and summarizes the instrument-universe of MI in a clearly laid-out and structured way. References to existing literature are intended to give further insights into the practical application as well as the chances of success of the respective instruments and approaches. Further, again taking up the idea of Nicholls (2010) of categorizing investments according to investment logics and rationalities it becomes clear how MI achieves a more effective deployment of capital: Expanding the existing traditional instruments of philanthropy with a more diverse scope of strategies (as mentioned in Table 1) gives the organization more possibilities of harnessing their capital in the most effective and appropriate way (see Figure 1). Nicholls (2010) adopts a rather narrow definition of MI (he uses the expression Mission Related Investment – MRI). According to the broader understanding given in this article not only blended and value driven logics/rationalities are subsumed under MI, but every strategy that might possibly overlap with the organization’s mission. Therefore clean energy, SRI, VP, etc. can also be part of MI.

Figure 1 – Expansion of available instruments under MI (green) vs. traditional philanthropy (blue) (based on Nicholls 2010, p. 89)

		Investment Logic		
		financial	blended	social/environmental
Investor Rationality	means-end driven	Clean Energy Investment	SRI	VP
	systemic	II	Social Enterprise Investment	Government Investment
	value-driven	Philanthropy	Mutual Investment/MRI	Social Change Investment

⁹ According to Sprecher et al. (2009, p. 108) investments in companies which are diametrically opposed to the organization’s purpose should be excluded from the portfolio.

¹⁰ Olsen (2003) speaks of private equity investing and lending. Viederman (2002) simply calls it mission-related venture capital.

2.6. Positioning

MI is as a rather broad investment concept which ultimately focusses on expanding financial resources that directly support the accomplishment of the organization's charitable purpose (mainly grantmaking foundations). By expanding the available financial instrument universe it offers the possibility to target the organization's funds much more accurately at where they achieve a most effective mission accomplishment. Given MI's mission-centered investment concept, only NPO qualify as mission investors. Generally mission investors are not restricted to the exclusive usage of any specific asset class or instrument (as defined in Table 1). The specific application of the mentioned instruments depends on the organization's individual mission, its strategic interpretation, and the organization's weighting of intended mission-based impact and financial returns. Thus MI can be understood as an umbrella term that includes one or more asset classes and investment concepts depending on the organization's strategic positioning and capacity. Although the term of MI itself can be accurately described its content can only be defined based on the individual investor's characteristics. The boundaries between the strategies that might be included in MI however are often blurry.

MI can be either implemented using traditional investments traded on secondary markets (for instance using SRI and investments under inclusion of ESG criteria) or through direct investments (such as II and PRI), which assign higher importance to achieved impact. A mixture of traditional grantmaking methods with the approach of venture capital – so called Venture Philanthropy – is also possible under MI, as long as the preservation of capital is intended. As MI is focused on achieving a more effective mission accomplishment some sort of impact measurement is a prerequisite. Only when using such measurement methods potential opportunity costs can be accurately assessed and the additional achieved utility can be captured in the sense of a multidimensional performance and trade-off analysis.

Table 1 – Instrument-universe of mission investing

Instrument	Subclass	Asset class	Practical implementation (list is not conclusive)
screening	negative	all asset classes	Exclusion of single companies, sectors, or even industries from the portfolio (see for instance Jennings und Martin (2007)).
	positive	all asset classes	Thematic investing, focusing on/overweighting of certain companies, sectors or even industries (see Cooch and Kramer (2007)) or best-in-class investments ¹¹
shareholder advocacy	direct	equity	Exercising voting rights, shareholder engagement and through resolutions (see Lindblom and Shaffer Campos (2010)) as well as holding dialogues with corporate management. Positive effects from shareholder advocacy can be multiplied through active communication strategies.
	delegated	equity	Proxy voting through organizations specialized in exercising voting rights according to specific value-based guidelines (see Rockefeller Philanthropy Advisors (2004))
proactive mission investing		cash	Running bank accounts at financial institutions with a focus on helping local communities or low income classes (see Berezin et al. (2011))
		debt	Issuing zero-interest loans/loans with below-market interests (Cooch and Kramer, 2007, p. 24ff), subordinate mortgages, as well as issuing microloans or general engagement in microfinance(see Morduch (1999))
		equity	Holding equity of mission-related companies and social enterprises, operating own companies ¹² , or engagement in venture philanthropy (see Graf Strachwitz (2010) and Metz Cummings und Hehenberger (2010))
		alternative investments	Buying shares in private equity funds with a focus on venture capital(venture philanthropy (Cooch und Kramer, 2007, p. 49)
		real estate	Investments in housing or commercial properties, which for instance are rented out to artists or poor people at below-market rates.

¹¹ The best-in-class approach goes back to the “OekoSar Portfolio” mutual fund introduced by Bank Sarasin AG in 1994. The fund invests in every available industrial sector, however only in the most sustainable companies in each sector.

¹² When actively running for-profit companies or holding significant shares of equity it is highly advised to contact the responsible tax authorities, as these investments might be excluded from the tax-exempt portion of the endowment.

Table 2 – Summary of definitory disambiguation¹³

Criteria	PRI	VP	SRI	II	MI
Motive & aim	The primary purpose is to accomplish one or more of the foundation's exempt purposes.	VP is about the transfer of economic ways of acting to philanthropy.	An investment that considers the social and environmental consequences of investments, both positive and negative.	Impact investments are investments intended to create positive impact beyond financial return.	Avoidance of conflicts of interest and the realization of synergistic effect in the context of mission-oriented organizations.
Investor	charitable private foundations in the U.S.	private persons with a philanthropic orientation as well as NPO in general or charitable foundations in particular	SRI is available and suitable for every type of investor – private and institutional, profit and nonprofit	charitable foundations, commercial banks, pension fund, and affluent private persons	MI is specifically oriented towards NPO with fungible assets
Relevance of financial return and impact	Primary aim is the accomplishment of the organization's tax-exempt purpose while trying to preserve capital.	The primary of aim of VP is certainly not financial profit, although projects should become self-sufficient. Rather should the primary goal be measured in terms of social impact.	SRI is a pure investments strategy, although there is currently no consensus about the relation and weighting of monetary and non-monetary factors within SRI.	II lack consensus with regard to the importance and weighting of monetary and non-monetary decision criteria.	MI can be divided into market-rate investments and below-market investments. MI therefore ranges from impact-driven to profit-driven investments.
Implementation	701 million USD in 2009 in the U.S. (no data for Europe, as the term is tied to U.S. tax law)	An overall coverage of the VP's market volume in Europe is currently not available.	5.2 trillion EUR under ESG-integration in Europe in 2013	Currently only projections of global market potential are available.	see subsequent meta-analysis

¹³ Based on sources cited in the respective sections.

3. Meta-analysis

3.1. Aim

The following meta-analysis aims to give an overview over the current state of MI implementation in Europe, thereby contributing to a better understanding of mission-based investments strategies applied by NPO. The analysis further identifies potential for future development and need for action.

3.2. Method and overview

Researching online databases for current (not older than five years) scientific contributions covering value- or mission-based investment strategies implemented by foundations and other NPO in Europe did not yield any results. Therefore other online-resources had been checked for other forms of publications supplying data on the *motives* and *practical implementation* of such strategies. Given these two main criteria six studies were found which displayed a sufficient amount of data suitable for a sound analysis. This predominantly qualitative meta-analysis or –synthesis (in the sense of a “thematic analysis”, see Dixon-Woods et al. (2005)) focusses on these two areas of interest and supplies descriptive data wherever possible. In detail the analysis revolves around the (1) motives pro and contra an implementation of MI and (2) how often MI is actually implemented, using (3) which instrument and (4) asset class. Finally data for the (5) individual evaluation of such investments is presented. A direct comparative analysis or interpretation of the presented data is however not possible. This is due to the lack of consistent methods of data retrieval of the used studies, different legislatures governing the organizations in the respective countries as well as different years of data collection.

Table 3 gives an overview covering the number of organizations included in the individual studies and their respective legal form, sorted by country of origin. All studies, independent of legal aspects, collected data from *charitable organizations*, an umbrella term subsequently used in our analysis. It is apparent that all samples, especially those from Germany and the Netherlands, only include a small number of organizations, further limiting the explanatory power of the results, giving further support to only analyzing data on a qualitative and not quantitative basis.

Table 3 – Scope and content of surveys included in this article

Author	Country	Legal form	Motive pro & contra	Implementation and evaluation				
				Implementation	Instrument	Asset class	Evaluation	
Schneeweiss and Weber (2012)	Germany	43 charitable foundations with legal capacity	■	■	■	■	□	
Then et al. (2012)	Germany	44 charitable foundations with legal capacity and fungible assets, excluding family foundations	□	■	□	□	□	
Gootjes et al. (2010)	Netherlands	19 fundraising charities, 16 foundations and 3 hybrid organizations	□	■	■	■	□	
Verstappen et al. (2011)	Netherlands	22 fundraising charities, 15 foundations (incl. hybrid Organizations)	□	■	■	■	□	
Fritz (2012)	Switzerland	128 charitable foundations	■	■	■	■	■	
Hertig and von Schnurbein (2013)	Switzerland	110 charitable foundations	■	■	■	■	■	
Charity Finance Director's Group (CFDG) and Ethical Investment Research Service EIRIS (2009)	UK	162 charities ¹⁴	■	■	■	□	□	
Charity Finance Group (2012)	UK	102 charities ¹⁵	■	■	□	□	□	

¹⁴ The umbrella term "charities" used in this survey includes unincorporated associations, limited companies, trusts as well as industrial and provident societies (IPS).

¹⁵ idem

3.3. Nomenclature

Unsurprisingly the surveys which build the basis to this analysis use different nomenclature for value- and mission-oriented investment strategies (see Table 4). However, after closer examination it becomes evident, that they display various similarities and can be subsumed under the term MI:

- Inclusion of additional non-monetary investment goals
- Additional non-monetary investment goals are related to the investor's personal beliefs, values, or the organization's mission
- This set of values is usually based on social, ethical, and ecological considerations

Table 4 – Definitions of used terms in covered studies

Author	Term	Definition
Charity Finance Director's Group (CFDG) and Ethical Investment Research Service EIRIS (2009) & Charity Finance Group (2012)	Ethical Investments (EI)	Investments that make a positive contribution to society, while avoiding those who harm society or the natural environment.
Fritz (2012)	Mission Related Investing (MRI)	Mission related investing is defined as the practice to include the foundation's mission into its investment policy in order to achieve a more effective mission accomplishment.
Gootjes et al. (2010) & Verstappen et al. (2011)	Responsible Investments (RI)	First, avoid that the invested capital hinders achieving the goals of the philanthropic institution. Second, invested capital can also be used to better achieve these goals.
Hertig and von Schnurbein (2013)	Purpose-compliant investments ("zweckkonforme Anlagen")	Breach the strict separation between procurement and allocation of funds.
Schneeweiss and Weber (2012)	Mission Investing (MI)	Mission investing is the umbrella term for all efforts by a foundation to bring the allocation of funds in line with its investment policy.
Then et al. (2012)	Mission Investing (MI)	Mission Investing in the sense of an investment policy that includes social, ecological or ethical considerations.

3.4. Motives

Charitable organizations operate in very heterogeneous fields of activity. However, they all have in common, that they operate in the social space between market and state, where these two forces are not able or willing to satisfy certain needs. Therefore, the existence of

the so called *third sector*¹⁶ is explained by market- or state-failure, using so called “substitution models” or “failure-performance-models” (Badelt, 2007). In this way charitable organizations are also made to bear certain mission-related risks, which (at a market-price) no market participant is willing to act as counterparty for. Additional to operational projects direct investments (as implemented under MI) may offer a suitable instrument for such a transfer of risk.

Given the usual tax-exemption of charitable organizations and lack of shareholders (as in the case of foundations, which have neither members nor owners), the public can be perceived as a key stakeholder in judging the organization’s performance (Fritz und von Schnurbein, 2012, p. 67). If actions and the behavior of such an organization are perceived by the public (as the basic population containing all potential grantees) as illegitimate, the organization loses its right to exist (Fritz und von Schnurbein, 2012, p. 70). Therefore investments that directly oppose the organization’s charitable purpose are to be avoided.

The two subsequent subsections show, how this understanding of the existence and legitimacy of charitable organizations is becoming manifest in the process of setting up investment policies and therefore the implementation or rejection of MI.

3.4.1. Pro

The two Swiss surveys (Hertig and von Schnurbein (2013) and Fritz (2012)) consistently show that predominantly strategic objectives are the reason for the implementation of MI rather than outside pressure. This is remarkable, as the surveys from the U.K. (Charity Finance Director’s Group (CFDG) and Ethical Investment Research Service EIRIS (2009) and Charity Finance Group (2012)) show that additional to the simple reason of avoiding conflicts of aim, reputational risks are the main motive of committing to MI. This displays a significant difference in the perception of the public as a key stakeholder. Charities in the U.K. are required to report annually to a public authority (including financial data) which grants public access to these data. In contrast, transparent and publicly available data records do not exist in Switzerland, which may explain the disparate motives of Swiss and U.K. charitable organizations. German foundations also state non-monetary risks as main driver behind the implementation of MI: 75% agree or partially agree that social, ecological, or ethical risks should be reduced using MI (Schneeweiss and Weber, 2012, p. 32).

While Fritz (2012) also mentions that investing according to MI standards is often seen as a social obligation, the results of Hertig and von Schnurbein (2013) only attribute a minor role to this motive. Schneeweiss and Weber (2012) however support the notion that foundations try to assume their social and ecological responsibilities by implementing MI (79% partially or fully agree). Specifications in the mission statement (included in the deed of foundation) were rated with low importance in the Swiss survey by Fritz (2012), while Hertig and von Schnurbein (2013) found the mission statement to be the key motive for a foundation to

¹⁶ In this context the third sector is not equal to the tertiary sector in the sense of the nonproductive industries, but the entity of all organization not affected by market forces or administering government tasks (Salamon und Anheier, 1992).

engage in MI. As deeds of foundation can only be changed in exceptional cases in Switzerland, it is not clear what caused the disparity in these answers. Heightened awareness with regard to MI could have led to different interpretations of the deed of foundations. However, both studies are not based on a representative sample and used different survey methods, which might be the simple reason for the divergent answers.

Engagement in purpose-driven investments could be perceived as a reaction from charitable organizations to more volatile financial and capital markets. According to the results published by the Charity Finance Group (2012) this is clearly not the case though: 89% of all responding charities declined that their engagement was caused by the financial market's turmoil.

3.4.2. Contra

A significant number of charitable organizations are not engaged in any form of MI. It is important to note, that such organizations are not always actively rejecting the implementation of MI. Hertig and von Schnurbein (2013) for instance show that the main reason why these organization or not engaged in MI is simply, that the topic has not been discussed (yet). Fritz (2012) also shows that 15% of the responding organizations have not heard about MI at all. The most important factor in the survey of Fritz (2012) however was that there were no suitable investments available (40%). In the German survey that supplies data on why charitable organizations refuse to implement MI portfolio-theoretical arguments were the main reason: Schneeweiss and Weber (2012) find that 44% of the respondents partially or fully agree that MI lowers expected financial returns or increases expected risks (37%) and therefore decided not to apply the strategy. Another 39% simply stated that the topic was overrated. The lack of available investment opportunities however was only perceived by 30% to be a reason for the rejection of MI. Respondents in the survey of the Charity Finance Director's Group (CFDG) and Ethical Investment Research Service EIRIS (2009) share concerns about lower returns (40%). The 2012 edition of this survey further supports this finding (Charity Finance Group, 2012).

3.5. Implementation and monitoring

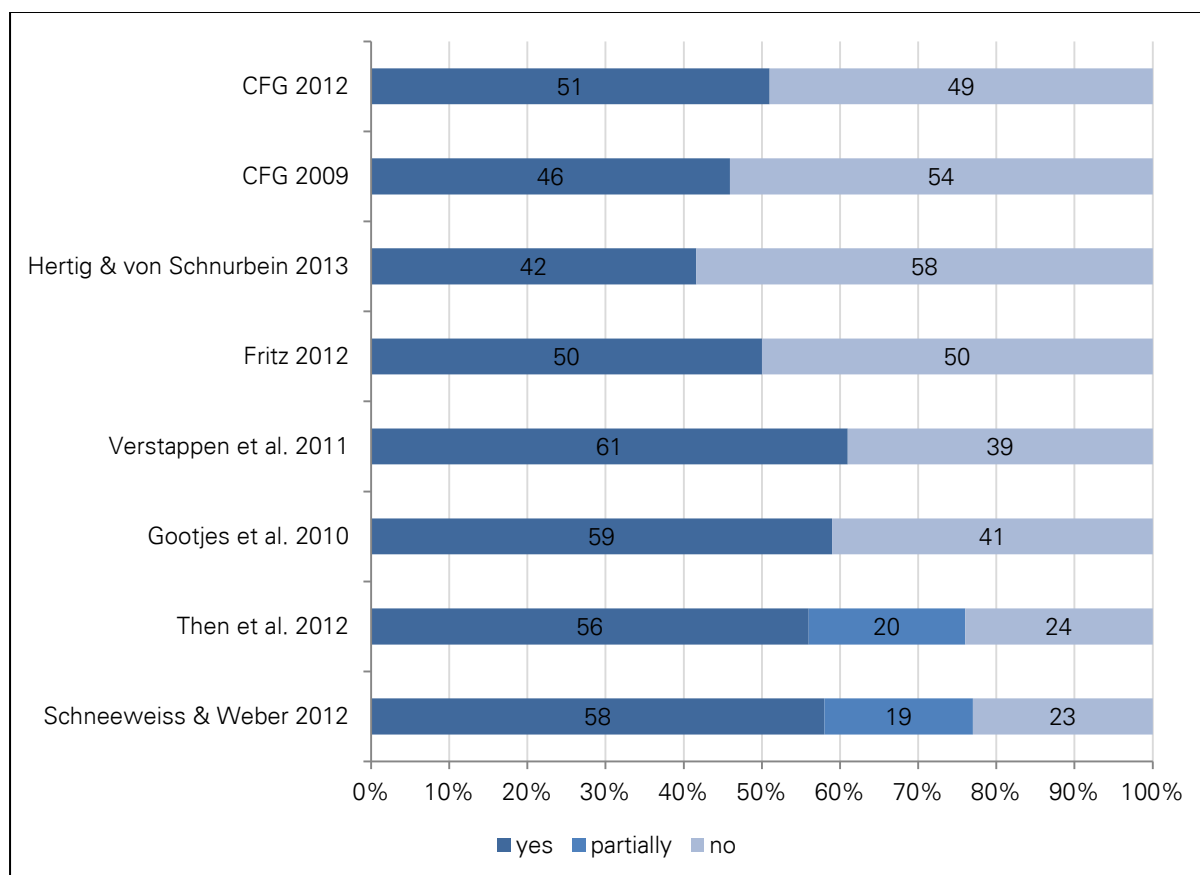
Despite the differences in terminology and organizational forms, data on the frequency of implementation exhibits high consistency (see Figure 2). The more recent survey from the Netherland as well from the U.K. both show higher percentages than the first surveys. Due to the insufficient sample size of all surveys it is however inappropriate to speak of a trend in any form. Similarly, calculating any descriptive statistics over all studies is not sensible due to the differences in the datasets.

Charitable organizations in the Netherlands seem to implement MI most often. Differentiating by organizational form however shows that it is mainly "fundraising charities" that have an RI policy. Foundations implement such policies less frequently (Verstappen et al., 2011, p. 30ff).

All survey exhibit higher frequencies of MI implementation than surveys from the U.S. According to data published by Lawrence and Mukai (2011) the current implementation of MI

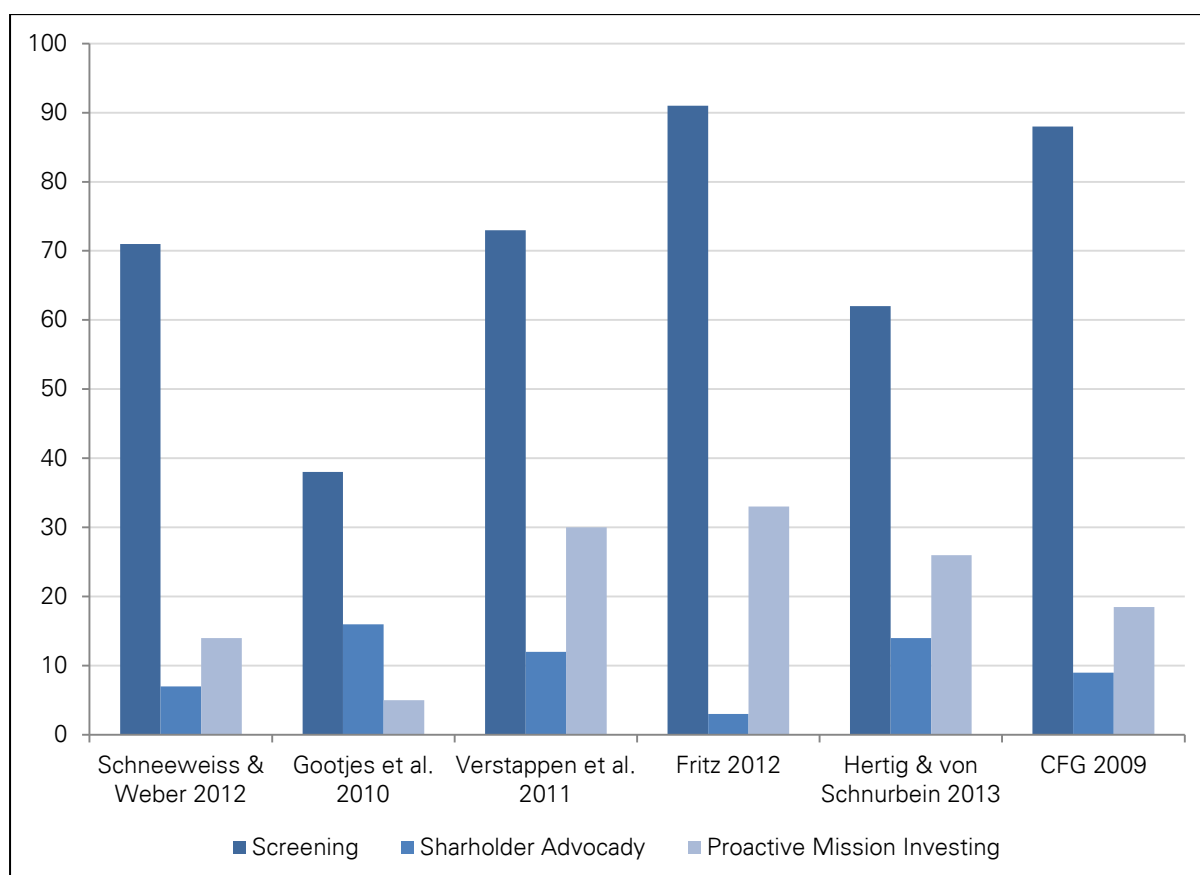
by private foundations is only at around 14%. None of the European surveys comments on this finding. As the U.S. survey relies on a much broader sample (1.195 private foundations) a bias in the European towards a high frequency of implementation is most probable.

Figure 2 – Implementation of MI in percent (based on data supplied by the respective surveys)



3.5.1. Instruments

Out of the eight surveys covered in this analysis six supply detailed data on the implementation of MI which allows breaking down MI into the instruments mentioned in Sub-subsection 2.5.4. Figure 3 clearly depicts that MI is most often implemented using screening, meaning the deliberate inclusion or exclusion of certain assets from the portfolio. This can be justified by the fact that the practice of screening is already known from more established investment concepts such as SRI. Additionally it is clearly easier to define certain exclusion or inclusion criteria which can be delegated to the financial service provider for execution than implementing proactive investment strategies, which require more knowledge and resources invested.

Figure 3 – Application of MI-instruments in percent (based on data supplied by the respective surveys)

Shareholder advocacy is only rarely used in Europe so far. Active exercising of voting rights however has a significantly positive influence on firm performance and shareholder disbursements in the context of ESG-orientation (see Gompers (2003) and Smith (1996)). Given these findings the exercising of voting rights is clearly in the interest of investing organizations, moreover as the exercising does not necessarily cause high costs. Organization specialized in proxy-voting (such as Ethos in Switzerland or Proxinvest in France) offer such services at reasonable cost.

The actual key-instrument of MI, proactive mission investing, is currently implemented by a relatively high number of organizations, considering the additional efforts and costs due to researching, evaluating, and supporting such investment projects. Also, the aspect of diversification of financial risks of such projects is not an easy task. Results presented by Cooch and Cramer (2007, p. 24) however show that default rates in the context of loans granted to beneficiaries are low.

None of the covered surveys presents more than descriptive statistics except for Fritz (2012). His analysis shows statistically significant that foundations with a higher level of professionalization are more likely to implement MI than organizations with a lower level (Fritz,

2012, p.51)¹⁷. However it remains unclear in which direction the relationship works, as causalities were not tested in the model he presents. The idea behind the hypothesis is that MI is a logical consequence emerging from the process of professionalization, as it helps to increase the foundation's effective mission achievement.

3.5.2. Asset classes

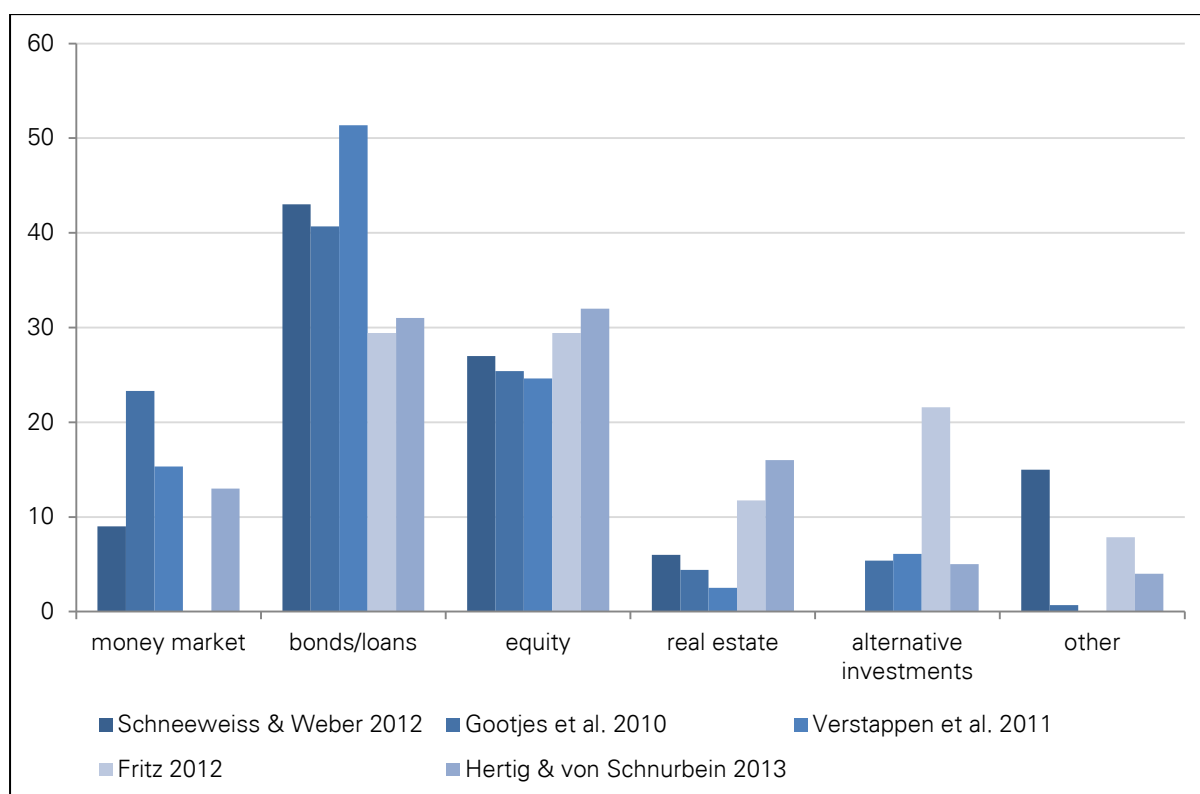
Additional to the simple information if MI is implemented or not, five surveys also supply data with regard to the asset allocation under MI. These results are presented in Figure 4. When comparing the five surveys it is important to notice, that not all surveys included the same asset classes. Fritz (2012) does not include data on money market and alternative investments in his sample, however gives information on investments into derivative and structured products as well as mutual funds. The survey of Hertig and von Schnurbein (2013) in a second step also includes this disambiguation: Foundation most often use individual assets (76.2%) and mutual funds (42.9%) and less frequently structured products (21.4%).

Data on the asset classes bonds/loans, equity, and real estate is available from each of the five surveys. It seems as Swiss charitable organization underweight fixed income investments in comparison to other countries and in turn overweight investments in real estate. This may have a historic or traditional background, however it is not explicitly discussed in neither of the two surveys. Fritz (2012) finds a significant positive correlation between age and share of assets invested into real estate.

3.5.3. Monitoring and impact measurement

As MI still is highly debated (Schneeweiss and Weber, 2012, p. 40) and sparked discussions about the fiduciary duties of foundations, it is fundamental to justify decisions with regard to the implementation of MI on a sound basis. In terms of an optimal mission accomplishment it is essential to evaluate the chosen strategy with regard to its effectiveness on a continuous basis. Thus, the decision of implementing MI implies the application of some sort of impact measurement. It is therefore surprising, that out of the two surveys which present data on performance and impact measurement both find that only in few cases an adequate form of impact measurement takes place. According to Hertig and von Schnurbein (2013) only a fifth of the responding foundations measure the impact of their investments. Among the foundations surveyed by Fritz (2012) only half of them were able to provide information about their assets' performance (with predominantly positive or neutral results). 17% of the respondents didn't measure any performance at all. The remaining studies emphasize the importance of a transparent impact measurement, however are not able to provide data.

¹⁷ Foundations with a degree of professionalization of 1 implement MI 3.5 more often (ceteris paribus) than foundations with a respective degree of 0. This coefficient is significant on the 1 percent level. The degree of professionalization was constructed as a combination of three dummy variables: 1. Has the funding strategy been revised during the past five years? (0/1) - 2. Does the foundation have an investment policy? (0/1) - 3. Does the foundation implement the recommendations of the Swiss Foundation Code? (0/1)

Figure 4 – MI distributed by asset class in percent (based on data supplied by the respective survey)¹⁸

4. Discussion

The introductory disambiguation revealed, that not only there exists a multitude of concepts in the context of purpose-driven investments, but also that the respective definitions are not always very distinct. With respect to MI as an umbrella term for various investment concepts the following characteristics could be identified:

- MI as an investment strategy incorporates non-monetary goals in addition to traditional financial performance.
- These additional goals are always related to the organizations purpose or mission and its ideological values.
- These values are most often based on social, ethical and/or ecological considerations.
- MI tries to achieve a more effective mission accomplishment through the unification of investment- and grantmaking policy.
- MI includes the following instruments: Screening (positive and negative), shareholder advocacy, and proactive mission investing.

¹⁸ Fritz (2012) uses “structured products and mutual funds” as asset class (21.57%), for purposes of presentation these have been added to the asset class of alternative investments.

As the concept of MI emerged from practical experience it still lacks a scientific theoretical basis and reasoning. This significantly hinders the optimal application and evaluation in practice. In particular an in-depth discussion of the legal question with regard to the responsibility and fiduciary duties of managing boards is desirable. Answering this question should not only rely on legal aspects, but also incorporate research areas such as financial market theory and financial management. Only combining these fields of research will allow to conclusively answering if potential lower returns as a trade-off for a stronger consideration of the organization's mission are justified. Conversely, investments that directly harm the organization's purpose might to be considered illegitimate.

Future research (especially in the field of financial and foundation management) should also take on the subject of defining what the term *return from investment* for purpose-driven organizations actually means. Identifying below-market returns always asks for a benchmark or a clearly defined asset universe. The determination of such a benchmark or asset universe for an NPO (in contrast to a purely profit-driven investor) is not trivial.

The analysis of motives why MI has been rejected by certain organizations has shown that financial concerns are predominant. The acceptance of concepts, such as MI, that integrate additional mission-based, non-monetary goals into the investment decision process is highly dependent on the theoretical conjunction of financial market theory with non-profit literature. Only the extension of the existing risk-return framework by including additional non-monetary factors offers the possibility for an appropriate trade-off analysis and therefore the transparent evaluation of MI's economic legitimacy. This analysis, which should be covered by future research, should not only include the mission-based effectiveness of an NPO's investment policy, but also the organization's disbursements, as only a holistic view of a purpose-driven organization's action can actually determine its created net-value.

Further, the analysis of existing studies and surveys yielded that the implementation of MI in Europe so far has only been using descriptive statistics and methods and rely on insufficient sample sizes. All data so far stem from direct surveys. The lack of publicly available data (as the 990 data in the U.S. for instance) impedes research on NPO and philanthropy in Europe. Better access to richer data is vital in order to develop knowledge about investment policies and the availability of efficient instruments and would also promote the exchange of experience among financial actors. This would ultimately lead to a more efficient deployment of capital in the sense of mission-accomplishment for charitable organizations.

Currently, the biggest potential for development clearly lies in the instrument of shareholder advocacy. Active exercise of voting rights is currently used very seldom, despite the possibilities that pooling of proxies could offer. In combination with pro-active communications strategies authority can be added to the concerns of such organizations and lead to open discussions about the raised objectives.

5. Outlook

Through the unification of investment policy and programming MI offers new ways and possibilities for charitable organizations to pursue and accomplish their mission. Only the full exploitation of the available capital guarantees the realization of a holistic and more effective support framework and grantmaking strategy. However, new and innovative investment strategies, such as MI or II, ask for a more in-depth understanding of trade-offs involved in the investment process. Without a sound theoretical basis an adequate evaluation and performance analysis is not possible. In order to realize the potential for innovation that lays within these concepts their future scientific analysis is vital.

References

- Achleitner, Ann-Kristin (2006): Social Entrepreneurship und Venture Philanthropy - erste Ansätze in Deutschland, in 'Management am Puls der Zeit', Vol. 1 in Unternehmensführung, I. Hausladen, München, p. 57–70.
- Badelt, Christoph (2007): Zwischen Marktversagen und Staatsversagen? Nonprofit Organisationen aus sozioökonomischer Sicht, in Christoph Badelt/Michael Meyer/Ruth Simsa (Eds.), 'Handbuch der Nonprofit Organisation', 4 Ed., Schäffer-Poeschel, Stuttgart, p. 98–119.
- Berezin, Valerie/Hagerman, Lisa/Wood, David (2011): Cash as a Mission-Related Investment, Hauser Center for Nonprofit Organizations, Harvard University, Harvard.
- Bugg-Levine, Antony/Goldstein, John (2009): Impact Investing: Harnessing Capital Markets to Solve Problems at Scale, Community Development Investment Review Vol. 5(2), p. 30–41.
- Bush, Richard (1992): Survival of the Nonprofit Spirit in a For-Profit World, Nonprofit and Voluntary Sector Quarterly Vol. 21(4), p. 391–410.
- Charity Commission (2011): Charities and Investment Matters: A guide for trustees, <http://www.charitycommission.gov.uk/media/93859/cc14text.pdf>. Last checked: 02.08.2013.
- Charity Finance Director's Group (CFDG)/Ethical Investment Research Service EIRIS (2009): CFGD and EIRIS Foundation Ethical Investment Survey, <http://www.cfg.org.uk/Policy/have-your-say/surveys/closed-surveys/2009/march/eiris-and-cfdg-ethical-investment-survey.aspx>. Last checked: 02.08.2013.
- Charity Finance Group (2012): Key findings from CFG Ethical Investment Survey for National Ethical Investment Week 2012, <http://www.cfg.org.uk/Policy/have-your-say/surveys/closed-surveys/2012/october/national-ethical-investment-week-2012-survey.aspx>. Last checked: 02.08.2013.
- Cooch, Sarah E./Kramer, Mark R. (2007): Compounding impact: Mission investing by U.S. foundations, FSG Social Impact Advisors, Boston.
- Cowton, Christopher J./Sandberg, Joakim (2012): Socially Responsible Investment, in Ruth Chadwick (Ed.), 'Encyclopedia of Applied Ethics (Second Edition)', 2 Ed., Academic Press, San Diego, p. 142–151.
- CSI (2009): Feasibility Study on a European Foundation Statute, Final Report, Centrum für soziale Investitionen und Innovationen CSI, Heidelberg.

- Derwall, Jeroen/Koedijk, Kees/Horst, Jenke Ter (2011): A tale of values-driven and profit-seeking social investors, *Journal of Banking & Finance* Vol. 35, p. 2137–2147.
- Dixon-Woods, Mary/Agarwal, Shona/Jonas, David/Young, Bridget/Sutton, Alex (2005): Synthesising qualitative and quantitative evidence: a review of possible methods, *Journal of Health Services Research and Policy* Vol. 10(1), p. 45–53.
- Eckhardt, Beate/Jakob, Dominique/von Schnurbein, Georg (2014): Der Schweizer Stiftungsreport 2014, in 'CEPS Forschung und Praxis', Vol. 12, Center for Philanthropie Studies, Basel.
- Emerson, Jed (2003a): The Blended Value Proposition: Integrating Social and Financial Returns, *California Management Review* Vol. 45(4), p. 35–51.
- Emerson, Jed (2003b): Where Money Meets Mission: Breaking Down the Firewall Between Foundation Investment and Programming, *Stanford Social Innovation Review* Vol. 1(2), p. 37–47.
- Eurosif A.I.S.B.L. (2014): European SRI Study 2014, Eurosif, Brussels.
- F.B. Heron Foundation (2004): New Frontiers in Mission-Related Investing, The F.B. Heron Foundation, New York.
- Fritz, Tizian (2012): Mission Related Investing bei Schweizer Förderstiftungen: Zielsetzung und Umsetzung, Masterarbeit, Centre for Philanthropy Studies (CEPS), Universität Basel.
- Fritz, Tizian/von Schnurbein, Georg (2012): Foundation Governance im Kontext von Reputation und Legitimation, *Zeitschrift für öffentliche und gemeinwirtschaftliche Unternehmen (ZögU)* Vol. 35(1), p. 60–74.
- Global Impact Investing Network (GIIN)/Impact Reporting and Investment Standards (IRIS) Initiative (2011): Data Driven: A Performance Analysis for the Impact Investing Industry, Global Impact Investing Network, New York.
- Godeke, Steven/Bauer, Doug (2008): Philanthropy's New Passing Gear: Mission-Related Investing, Rockefeller Philanthropy Advisors, New York.
- Gompers, Paul A. (2003): Corporate Governance and Equity Prices, *Quarterly Journal of Economics* Vol. 118(1), p. 107–155.
- Gootjes, Kees/Hummels, Harry/Withey, Rachel (2010): VBDO Benchmark Responsible Investment: Fundraising charities and foundations in the Netherlands 2010, VBDO, Culemborg.
- Grabenwarter, Uli/Liechtenstein, Heinrich (2011): In search of gamma: An unconventional perspective on impact investing, IESE Business School, Barcelona.

- Graf Strachwitz, Rupert (2010): *Stiften, Philanthropie und Venture Philanthropy*, in Philipp Hoelscher/Thomas Ebermann/Adreas Schlüter (Eds.), 'Venture Philanthropy in Theorie und Praxis', Vol. 7 in *Maecenata Schriften*, Lucius & Lucius, Stuttgart.
- Hehenberger, Lisa/Harling, Anna-Marie (2013): *European Venture Philanthropy and Social Investment 2011/2012*, European Venture Philanthropy Association, Brussels.
- Hertig, David/von Schnurbein, Georg (2013): *Die Vermögensverwaltung gemeinnütziger Stiftungen: State of the Art?*, Globalance Bank AG / Centre for Philanthropy Studies (CEPS), Basel.
- IRS (2012): *Internal Revenue Bulletin: 2012-21*, http://www.irs.gov/irb/2012-21_IRB/ar11.html. Last checked: 02.08.2013.
- Jennings, William W./Martin, Gregory W. (2007): *Socially Enhanced Indexing Techniques to Socially Responsible Investment*, *The Journal of Investing* Vol. 16(2), p. 18–31.
- John, Rob (2006): *Venture Philanthropy: The Evolution of High Engagement Philanthropy in Europe*, Skoll Centre for Social Entrepreneurship, University of Oxford. Working Paper.
- J.P. Morgan/The Rockefeller Foundation (2010): *Impact Investments: An Emerging Asset Class*, <http://www.rockefellerfoundation.org/uploads/files/2b053b2b-8feb-46ea-adbd-f89068d59785-impact.pdf>. Last checked: 02.08.2013.
- Kinder, Peter D./Lydenberg, Steven D./Domini, Amy L. (1993): *Investing for Good*, Harper Business, New York.
- Knoepfel, Ivo/Imbert, David (2011): *360 Degrees for Mission*, Mistra, Stockholm.
- Knoepfel, Ivo/Imbert, David (2012): *Putting mission investing to work*, <http://www.onvalues.ch/news-and-publications.html>. Last checked: 02.08.2013.
- Kramer, Mark R./Cooch, Sarah E. (2007): *The Power of Strategic Mission Investing*, *Stanford Social Innovation Review* Vol. 5(4), p. 43–51.
- Lawrence, Steven/Mukai, Reina (2011): *Key Facts on Mission Investing*, http://foundationcenter.org/gainknowledge/research/pdf/keyfacts_missioninvesting2011.pdf. Last checked: 02.08.2013.
- Lindblom, Lance E./Shaffer Campos, Laura (2010): *Changing Corporate Behavior through Shareholder Activism*, The Nathan Cummings Foundation, New York.
- Martin, Maximilian/John, Rob (2007): *Venture Philanthropy in Europe: Landscape and Driving Principles*, in Ann-Kristin Achleitner/Reinhard Poellath and Erwin Stahl (Eds.), 'Finanzierung von Sozialunternehmen', Schäffer-Poeschel, Stuttgart, p. 34–43.
- Mercer LLC. (2009): *Shedding light on responsible investment: Approaches, returns and impacts*, Mercer, London.

- Metz Cummings, Ashley/Hehenberger, Lisa (2010): *Strategies for Foundations: When, Why and How to Use Venture Philanthropy*, European Venture Philanthropy Association, Brussels.
- Meyn, Christian/Richter, Andreas/Koss, Claus/Gollan, Katharina (2013): *Die Stiftung*, 3 Ed., Haufe-Lexware, Freiburg.
- Moore, Mark H. (2000): *Managing for Value: Organizational Strategy in For-Profit, Nonprofit, and Governmental Organizations*, *Nonprofit and Voluntary Sector Quarterly* Vol. 29(1), p. 183–204.
- Morduch, Jonathan (1999): *The Microfinance Promise*, *Journal of Economic Literature* Vol. 37, p. 1569–1614.
- National Center for Charitable Statistics (2010): *Number of Private Foundations in the United States*, 2010, <http://nccsdataweb.urban.org/PubApps/profileDrillDown.php?state=US&rpt=PF>. Last checked: 02.08.2013.
- Nicholls, Alex (2010): *The Institutionalization of Social Investments: The Interplay of Investment Logics and Investor Rationalities*, *Journal of Social Entrepreneurship*, Vol. 1(1), p. 70-100.
- Oehri, Oliver/Dreher, Christoph/Jochum, Christoph (2013): *Formen der modernen Philanthropie*, CSSP - Center for Social and Sustainable Products, Vaduz.
- Olsen, Sara (2003): *Mission-Related Investing*, http://www.investorscircle.net/as_essays. Last checked: 02.08.2013.
- Osili, Una/Bhakta, Reema/Thayer, Amy/Hayat, Amir/Kalugyer, Adriene Davis/Hyatte, Cynthia/Qu, Heng/Patterson, Zachary (2013): *Leveraging the Power of Foundations*, Lilly Family School of Philanthropy, Indiana University, Indiana.
- Porter, Michael E./Kramer, Mark R. (1999): *Philanthropy's New Agenda: Creating Value*, *Harvard Business Review* Vol. 77(6), p. 121–130.
- Renneboog, Luc/Horst, Jenke Ter/Zhang, Chendi (2008): *Socially responsible investments: Institutional aspects, performance, and investor behavior*, *Journal of Banking & Finance* Vol. 32, p. 1723–1742.
- Renz, Loren (2012): *Understanding and Benchmarking Foundation Payout*, The Foundation Center, New York.
- Rockefeller Philanthropy Advisors (2004): *Unlocking the Power of the Proxy*, Rockefeller Philanthropy Advisors, New York.

- Salamon, Lester M./Anheier, Helmut K. (1992): In search of the non-profit sector. I: The question of definitions, *Voluntas: International Journal of Voluntary and Nonprofit Organizations* Vol. 3(2), p. 125–151.
- Sandberg, Joakim/Juravle, Carmen/Hedesström, Ted Martin/Hamilton, Ian (2009): The Heterogeneity of Socially Responsible Investment, *Journal of Business Ethics* Vol. 87(4), p. 519–533.
- Schneeweiss, Antje/Weber, Melinda (2012): Mission Investing im deutschen Stiftungssektor. Impulse für wirkungsvolles Stiftungsvermögen, Bundesverband Deutscher Stiftungen, Berlin.
- Schönenberg, Daniela (2011): Venture Philanthropie, Vol. 2 in *Schriften zum Stiftungsrecht*, Helbing Lichtenhahn, Basel.
- Schröder, Michael (2010): Die Eignung nachhaltiger Kapitalanlagen für die Vermögensverwaltung von Stiftungen, Vol. 98 in *ZEW Wirtschaftsanalysen*, Nomos, Baden-Baden.
- Smith, Michael P. (1996): Shareholder Activism by Institutional Investors: Evidence from CalPERS, *The Journal of Finance* Vol. 51(1), p. 227–252.
- Social Investment Forum (2006): 2005 Report on Socially Responsible Investing Trends in the United States, Social Investment Forum, Washington DC.
- Sprecher, Thomas (2013): Zweckänderung, Fusion, Aufhebung, in Georg von Schnurbein/Philipp Egger (Ed.), 'Innovation statt Stagnation', Vol. 10 in *Foundation Governance*, Helbing Lichtenhahn, p. 127– 148.
- Sprecher, Thomas/Egger, Philipp/Jansen, Martin (2009): Swiss Foundation Code 2009, Vol. 5 in *Foundation Governance*, 2 Ed., Helbing Lichtenhahn, Basel.
- Spreckley, Freer (1981): Social Audit - A Management Tool for Co-operative Working, Beechwood College Ltd., Leeds.
- Statman, Meir (2007): Social Responsible Investments, *The Journal of Investment Consulting* Vol. 8(2), p. 17–37.
- Then, Volker/Münscher, Robert/Stahlschmidt, Stephan/Eggersglüss, Carsten/Knust, Rüdiger (2012): Anlageverhalten der kapitalstärksten deutschen Anlagestiftungen, Centrum für soziale Investitionen und Innovationen (CSI), Heidelberg.
- Thornley, Ben/Wood, David/Grace, Katie/Sullivant, Sarah (2011): Impact Investing: A Framework for Policy Design and Analysis, Insight at Pacific Community Ventures, Inc., San Francisco.
- Trilium Asset Management Corporation (2007): Mission-Related Investing for Foundations and Non-Profit Organizations, Trilium Asset Management Corporation, Boston.

- UNEP FI/Freshfield Bruckhaus Deringer (2005): A legal framework for the integration of environmental, social and governance issues into institutional investment, UNEP FI, Geneva.
- UNEP FI/Mercer (2007): Demystifying Responsible Investment Performance, UNEP FI und Mercer, Geneva.
- Verstappen, Rudy/Gootjes, Kees/Hummels, Harry (2011): Benchmark Responsible Investment: Fundraising charities and foundations in the Netherlands 2011, VBDO, Utrecht.
- Viederman, Stephen (2002): Foundations and Mission-Related Investing, in Peter Camejo (Ed.), 'The SRI Advantage: Why Socially Responsible Investing Has Outperformed Financially', New Society Publishers, Gabriola Island, p. 205–212.
- von Schnurbein, Georg (2013): Der Nonprofit-Sektor in der Schweiz, in Ruth Simsa/Michael Meyer/Christoph Badelt (Eds.), 'Handbuch der Nonprofit-Organisationen', 5 Ed., Schäffer-Poeschel Verlag, Stuttgart, p. 37–54.
- von Schnurbein, Georg/Timmer, Karsten (2010): Die Förderstiftung, Vol. 7 in Foundation Governance, Helbing Lichtenhahn, Basel.
- Weber-Berg, Christoph (2008): Ethik und Vermögensmanagement in NPO, Verbands-Management Vol. 34(3), p. 6–17.
- Wood, David/Hagerman, Lisa (2010): Mission investing and the philanthropic toolbox, Policy and Society Vol. 29(3), p. 257–268.
- Wood, David/Thornley, Ben/Grace, Katie (2013): Institutional impact investing: practice and policy, Journal of Sustainable Finance & Investment Vol. 3(2), p. 75-94.