

CASE STUDY

# Impact Measurement and Management Spotlight: SJF Ventures

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**SJF Ventures**, a firm with **\$435 million AUM across five funds**, invests across a broad range of impact themes. Its pre-investment Impact Measurement and Management (IMM) is managed by each investment's deal team, with support from a two-person portfolio acceleration team that takes over the IMM work post-investment.

## IMM Fundamental #1: define clear impact objectives for the portfolio and its investments

SJF Ventures aims to invest in companies where impact scales alongside business growth, and partner with portfolio companies to 'bend the curve on impact' in the process. To do so, SJF looks for investment opportunities in sectors in which the firm has developed expertise over the years, and where business models and impact are linked, and identifies value-add and impact acceleration objectives to support companies in scaling their impact.

SJF's impact themes have evolved over the firm's more than two-decade-long history. The organization was first founded in 1999 as the Sustainable Jobs Fund, before rebranding to SJF Ventures in the early 2000s. Its first two funds were CDFIs, focused on creating jobs in low-income communities, but through its work in these contexts, the SJF team was exposed to high-impact investment opportunities in adjacent sectors. Over time, SJF brought on new team members with subject matter expertise in these adjacent sectors to broaden its investment aperture, and the fund now invests in climate change mitigation and natural resource conservation, sustainable food, education advancement, health and wellness, economic access and empowerment, and good government. In each of these spaces, SJF uses a set of target outcomes to guide its pipeline sourcing and screening processes.

Because the fund operates across such a broad range of impact themes, SJF's portfolio-wide metrics asked of all companies typically refer to good governance, employment practices, and impact management initiatives at its portfolio companies, such as measures of board diversity, benefits offered, and employee engagement. Further, SJF also develops company-specific Key Impact Indicators to measure the specific impact of each business model.



**We have a track record of investing in many different sectors and working on projects at the intersection of multiple impact themes. Because we are not a sector-specific fund, we can act on insights in new spaces that emerge from our intersectional portfolio work, and flex into different impact areas as market conditions evolve.”**

### KEY TAKEAWAYS

- Be open to new opportunities for impact objectives changing over funds lifecycle
- Bring industry expertise into the fund



## IMM Fundamental #2: establish an IMM process

SJF has built a large investment team in order to cast a wide net in its pipeline sourcing process. SJF uses introductory calls with companies as an initial impact screen. During these calls, the SJF deal team assesses whether the impact thesis behind a company's business model aligns with one of the fund's objectives, and the extent to which the business model is creating or building towards scalable, meaningful impact.

As they progress in the diligence process, deal teams conduct a deeper dive into a company's impact, including team-wide discussions about the plausibility of the company's impact thesis and a review of their policies and practices to assess ESG factors. This step serves both to narrow SJF's pipeline – the fund will not proceed with companies whose impact thesis is insufficiently embedded in its business model – and surface the questions and impact data that the fund will request from companies in the next phases of impact due diligence.

Further into the diligence process, deal team members write an investment memo, often multiple, which provide a more granular description of the company's business model, the market it is addressing, and expected financial returns. Memos include an impact section on the company's expected impact outcomes and opportunities for SJF to improve the company's performance on specific impact outcomes. These memos are shared with the whole SJF team and form the basis of the SJF investment committee's discussion about the opportunity.

SJF's investment committee approaches each investment opportunity's impact thesis with an intentional skepticism, which helps to ensure there are minimal outstanding questions about the impact profile of companies that enter its portfolio. As part of SJF's active impact management practice, deal teams are expected to be able to answer broader team questions about impact risks.

**“ Our impact management process begins with pre-investment diligence, and extends through the full lifecycle of each investment, covering post-investment impact measurement, reporting, management and acceleration initiatives. We've worked hard to streamline and automate our measurement and reporting processes in recent years so that we can allocate more and more time to actively working with our portfolio companies to deepen and broaden their impacts.”**

### KEY TAKEAWAYS

- Review potential investees' governance policies to assess ESG factors
- Incorporate impact elements into pre-investment memo reviewed by investment committee and deal team



### IMM Fundamental #3: establish manager’s contribution

SJF aims to ‘bend the curve’ on each of its portfolio companies’ impact performance. Having started out as an employment-focused impact fund, SJF works with all of its portfolio companies on improving job quality, often advising on employee benefits packages, employee engagement, and DEI hiring and talent retention initiatives. The fund has also built a carbon impact model, which it uses alongside a carbon emissions accounting software tool to help its portfolio companies identify opportunities to measure and manage their greenhouse gas emissions.

Beyond these portfolio-wide impact engagements, SJF identifies company-specific opportunities during the diligence phase and on an ongoing basis to help companies improve their impact outcomes during SJF’s ownership period. This can take the form of conducting impact-related research to help portfolio companies expand into more underserved customer segments, launching employee engagement efforts, supporting companies’ B Corp certification processes, or developing environmental impact measurement plans.

Because they invest in companies whose impacts scale with business growth, SJF also helps portfolio companies with traditional business operations via its broader platform and portfolio acceleration work. The portfolio acceleration team works with companies on hiring and retention strategies, marketing efforts, strategic projects, and intra-portfolio connections with other industry leaders, to name a few examples.



**One of our post-investment goals is to build direct relationships with additional portfolio company team members who operate outside of the C-suite and boardroom, because those direct relationships grease the wheels of efficient and effective ongoing collaboration between SJF and our portfolio companies. When actionable information can come from and get to the right people without needing to go through added intermediaries, more can get done more quickly, which ultimately leads to better outcomes for all stakeholders in the short and long terms.”**

#### KEY TAKEAWAY

- A dedicated portfolio acceleration team can work with companies on various ESG and impact initiatives, including hiring and retention strategies, marketing efforts, strategic projects, and intra-portfolio connections with other industry leaders

### IMM Fundamental #4: measure the impact of each investment

SJF conducts its impact measurement through an annual survey completed by each of its portfolio companies. The survey includes a set of questions asked of every company related to diversity across

their workforce, leadership and board members, broader workforce and ESG-related stats and practices (e.g., employment numbers across various types of workers, employee benefits, income tracks, etc.), and impact management-related challenges. SJF also identifies 3-10 company-specific KIIs (Key Impact Indicators), which cover scale-based metrics (e.g., # of stakeholders reached) as well as outcomes-based metrics (i.e., the company's direct effect on its stakeholders down to the most micro level). SJF sees these bespoke impact metrics as essential to managing impact effectively, and sees over-reliance on aggregable metrics as an evidence-based impact risk, specifically aware of how combining values across different businesses can obscure the depth of impact achieved.

SJF also sees impact data collection as a means by which to provide value to portfolio companies. The fund works with UpMetrics to automate data collection and visualization, and frequently shares back analyses, data visualizations, and dashboards with portfolio companies, as well as limited partners, to inform strategic planning and marketing efforts.



**We don't want companies to feel like they are sending their impact data into a black box, never to be revisited or discussed again. Helping our portfolio companies identify what data to collect, and how to process that information to inform strategic decision making is an important way that we leverage our expertise to provide impact-oriented value to our companies."**

#### KEY TAKEAWAY

- Conduct an annual survey of each portfolio company to collect impact data, including broader workforce and ESG-related stats and practices and 3-10 company specific KIIs (Key Impact Indicators)

# Appendix: ICM Fundamentals of Impact Measurement and Management (IMM)



Impact investors set themselves apart from traditional investors because of their objective to invest for both financial returns and impact. A successful IMM practice can enable investors to enhance their impact, increase their business value, and communicate more effectively.

The ICM Fundamentals of IMM were generated in 2020 by leaders in the ICM network to set a high but achievable bar for a variety of private capital fund managers seeking both superior returns and meaningful impact. Together they comprise a solid floor on which fund managers can build a more ambitious and effective practice over time.

## The ICM Fundamentals of IMM:

- ✓ Helps investors define what is useful, practical, important
- ✓ Differentiates ICM members as market leaders
- ✓ Supports members to become more sophisticated and effective
- ✓ Ensures continued quality of ICM's best-in-class network, by embedding expectations for IMM in criteria for inclusion

### THE ICM FUNDAMENTALS FOR IMM

	INVESTMENT PROCESS	IMM PRACTICE	THE ICM FUNDAMENTALS	GROWING YOUR IMM PRACTICE →
PRE-INVESTMENT	Investment strategy development 	A. Define clear <b>impact objectives(s)</b> for the portfolio and its investments	✓ <b>Yes</b>	
		B. Establish an <b>IMM process</b>	✓ <b>Yes, informally</b>	✓ <b>Yes, more intentionally, consistently, and thoughtfully</b>
		C. Establish Manager's <b>contribution</b>	✓ <b>Yes, qualitatively (informal)</b>	✓ <b>Yes, qualitatively (formal narrative)</b>
POST-INVESTMENT	Investment management 	E. <b>Measure</b> the impact of each investment (OPIM #6)	✓ <b>Yes</b>	

### GROWING YOUR IMM PRACTICE

	INVESTMENT PROCESS	IMM PRACTICE	THE ICM FUNDAMENTALS	GROWING YOUR IMM PRACTICE →
PRE-INVESTMENT	Investment strategy development 	A. Define clear <b>impact objectives(s)</b> for the portfolio and its investments	✓ <b>Yes</b>	
		B. Establish an <b>IMM process</b>	✓ <b>Yes, informally</b>	✓ <b>Yes, more intentionally, consistently, and thoughtfully</b>
		C. Establish Manager's <b>contribution</b>	✓ <b>Yes, qualitatively (informal)</b>	✓ <b>Yes, qualitatively (formal narrative)</b>
		D. Assess <b>expected impact</b> of each investment	✗ <b>No</b>	✓ <b>Yes, qualitatively (formal narrative)</b> ✓ <b>Yes, qualitatively through assessing alignment to impact thesis and establishing quantitative forecasts of impact</b>
POST-INVESTMENT	Investment management 	E. <b>Measure</b> the impact of each investment	✓ <b>Yes</b>	
		F. <b>Manage</b> the impact of each investment	✗ <b>No</b>	✓ <b>Yes, and leverage data to accelerate impact</b>
		G. Assess, address, monitor, and manage <b>potential negative impacts</b> of each investment	✗ <b>No</b>	✓ <b>Yes, informally</b> ✓ <b>Yes, formally</b>
	Exit Planning 	H. Conduct <b>exits</b> considering effect on sustained impact	✗ <b>No</b>	✓ <b>Yes, informally</b> ✓ <b>Yes, formally</b>
		I. <b>Review, document, and improve</b> decisions and processes based on achievement of impact and lessons learned	✗ <b>No</b>	✓ <b>Yes</b>

\* The ICM Fundamentals of IMM are informed by the Impact Principles with some modifications to ensure they are fit for purpose by market rate private capital impact investors of a variety of sizes and strategies.

# IMPACT CAPITAL MANAGERS

**The Impact Capital Managers mission is to accelerate the performance of our members and to scale the private capital impact investing marketplace with integrity and authenticity.** We do this through our membership association, which includes 100+ funds representing more than \$60B in impact-focused capital, and through field-building initiatives and partnerships supported by the ICM Institute. The ICM network of peers is engaged and collaborative by nature. As part of our commitment to grow the marketplace with integrity, members must meet certain criteria including standards on impact measurement and management. ICM is a proud organizer of the Mosaic Fellowship and with Achieve Partners, producer of the Better Money, Better World podcast.

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