

INVESTING FOR IMPACT: An evaluation of Finnish social impact bonds and their cross-border transferability

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Abstract

The purpose of this research was to identify institutional factors inherent in Finnish culture as well as outside contexts so that Finnish Social Impact Bond models may be successfully transferred across borders. The research question of the thesis is: *How can Finnish models for Social Impact Bonds be transferred to cross-border contexts?*

This thesis has contributed to various theoretical perspectives by adding to existing literature on institutionalism, organizational learning and knowledge transfer, and social impact assessment. The aim of this research was to understand the relationship between institutions and knowledge transfer established by various scholars in connection to social impact, a new area of study, and to provide a more robust sense of how to operate in this emergent field. This has been accomplished through the use of a new theoretical framework, which takes into account Finnish institutions as well as those in outside contexts, and the activities that will allow for successful knowledge transfer, as highlighted in the literature review.

The research was conducted through an intensive single case study on the organization, Sitra, the Finnish Innovation Fund. Sitra was chosen as the case company due to their tremendous efforts in establishing Finland as a leader in the outcomes-based contracting industry, and particularly Social Impact Bond modeling. The qualitative approach was enhanced through interviews with six employees of Sitra, all within the impact investing team, and publicly available documents regarding Finland and Sitra's current bonds, bond modeling structure, and implementation practices.

The findings of the study have been in alignment with the literature discussed. Although some institutional aspects of outside contexts were difficult to determine in order to successfully transfer the Finnish models across borders, the findings do specify institutional factors to take into account and detailed activities to be implemented when building a bond model in other countries. The institutional factors found to be pertinent to successful implementation of a bond project were inherent in society, government, and the stakeholders working on the project, as well as supportive organizations such as Sitra. The findings also established activities such as collaboration, building ecosystems, use of platforms for knowledge dissemination, learning from experience, and mindset changes to be the most important for success of the model.

This study has found a variety of contributions to theory, practical implications for practitioners in the impact investing industry, and many areas for future research in this field. This research provided a new theoretical framework that bridges the gap between various theoretical perspectives in a forthcoming field, while offering insight to organizations seeking to implement their own projects.

Keywords Social Impact Bonds, impact investing, outcomes-based contracting, social impact assessment, institutionalism, knowledge transfer, Sitra, international business

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LIST OF ABBREVIATIONS

GIIN	Global Impact Investing Network
SIB	Social Impact Bond
PBR	Payment by Results
PFS	Pay for Success
EU	European Union
DIB	Development Impact Bond
EIB	Environmental Impact Bond
GOLAB	Government Outcomes LAB
CSR	Corporate Social Responsibility
R&D	Research & Development
IT	Information Technology
KELA	Kansaneläkelaitos (The Social Insurance Institution of Finland)
OECD	The Organisation for Economic Cooperation and Development
UK	United Kingdom
US	United States
NGO	Non-Governmental Organization
UNDP	United Nations Development Programme
UN	United Nations
SDG	Sustainable Development Goals

1. INTRODUCTION

1.1. Motivation for the Study

“The first wave of the Tech Revolution has come and gone, our lives have been transformed, and yet nations are still wracked by economic inequality, social strife and environmental catastrophe. It’s time for us to see the writing on the wall: things cannot continue as they are...It is imperative now to align the minds of investors, philanthropists, entrepreneurs, social organizations, big businesses, governments, and the general public, so that we can root out these persistent problems. It is time for us to gather around the new watchword for our young century: *impact*.”

-Sir Ronald Cohen: *On Impact: A Guide to the Impact Revolution*

Sir Ronald Cohen, often called the father of social investment and chairman of the Global Steering Group for Impact Investment, addresses the need for social impact to tackle the existing problems in our world. Established in 2015, the Global Steering Group acts as a catalyst for steering social change throughout the world (Global Steering Group for Impact Investment, 2019). In his book, *On Impact: A Guide to the Impact Revolution*, Sir Ronald Cohen describes essential beliefs surrounding impact investing and the potential that it has to offer to society, on which grounds most of the social impact work that has moved forward today.

Although the term ‘impact investing’ was coined in 2007, the idea of seeking alignment between financial investments and social values has been around for centuries (Bugg-Levine & Emerson, 2011). However, now that our world is becoming increasingly connected, we are aware of new challenges that arise in the everyday lives of humans, and new triumphs in large global companies. Impact investing provides a means to overcome the challenges humans face through more effective resource allocation of these dominating multinational companies. The problems of today’s world are far too great not to align financial resources and profiteering mechanisms with an attempt to benefit the greater good (Bugg-Levine & Emerson, 2011).

The global interest of impact investing through various methods and tools has heightened through means of both institutions and individuals. As of 2019, the Global Impact Investing Network (GIIN), a nonprofit organization in support of international development which works with 300 investor groups across six continents, estimated the size of the impact investing industry to reach over \$500 billion USD. Furthermore, investors surveyed in this

report claimed that they are motivated to seek alignment between business objectives and transformative impact due to their personal values or encouragement from their staff who pursue the desire to work for a socially-driven organization (Piven, 2019).

Throughout society today, we have seen a plethora of companies and organizations arising out of the desire to create a systemic, social impact. In our changing world, many organizations want to make a difference, yet they want to be able to please and offer innovative ideas that are worth investing in. Those working in social impact want to be able to see their projects succeed in the long term. However, the systemic outcomes of these projects can be tough to measure. By utilizing outcomes-based contracting, investors will truly know where their money is going and whether or not they will achieve a measurable outcome and create systemic change.

As a millennial with a degree in Finance, the understanding of making a profit in order to reach business objectives is not lost. However, because our world is riddled with so many problems, it only makes sense to utilize our resources most effectively to benefit society in any way a company deems possible. I'm aware that many societies, especially the American society in which I grew up, is extrinsically motivated by money, and I am no exception. However, I am also motivated by the desire to help others and give what I can because I have been so fortunate. Impact investing is a strategy in which I highly approve of because it is realistic for capitalistic, money motivated societies, yet also allows for investors to be giving and selfless to create well-being and stability across the globe. This is the core motivation in writing a thesis regarding a mechanism to employ impact investing, Social Impact Bonds (SIB).

1.2. Research Objectives and Questions

As Finland is a developed country and a leader in building a sustainable future for not only their citizens, but the rest of the world, they have been recently added to the Global Steering Group for Impact Investing (Williams, 2017). One leading Finnish organization, Sitra, has pioneered this cause for a new era of well-being and has even created an impact accelerator program which implements the model they have built for Social Impact Bonds, an impact investing tool, to be employed successfully in social impact projects around Finland. Sitra works with government ministries to identify which areas need focus and collaborates with local service providers in their impact accelerator to implement these changes. Due to the success of their outcomes-contracting based SIB models, Sitra has become well-

known across foreign social organizations and these countries are now seeking the help of Sitra in the implementation of their own social impact projects.

The objective of this study is to examine whether Finnish models for social impact bonds can be transferred to cross-border contexts, utilizing Sitra as the case company, due to their tremendous efforts in pioneering this cause in Finland. The research process will extend related theories by applying the pre-existing concepts to a new topic of recent interest in order to provide empirical evidence. It is my aim to navigate the complexities of varying institutional factors that persist within each context to identify those factors that will ensure the success and effective implementation of the models.

SIBs are important to study in the contexts of finance and sustainability because they not only wish to create positive systemic change, but “SIBs offer the potential to bring in fresh sources of financial capital, to focus attention on preventive action, to transfer risk on new interventions and to provide new funding for civil society which faces very sharp cuts in its funding from government” (Mulgan, Reeder, Aylott, & Bo'sher, 2011, p. 5). Systemic impact is truly at the heart of the SIB modeling, a prevailing goal which Sitra wishes to achieve.

The objective of this study comprises four different aspects that need to be considered to analyze the cross-border transferability of Finnish social impact bonds. First, institutional factors that contribute to the success of Finnish SIBs must be identified. Secondly, additional institutional factors must be determined from the international perspective in order to understand which of these factors are pertinent to the success of SIB implementation in outside contexts. Thirdly, specific tasks that can lead to the success of SIB projects must be recognized in order for both Finland and outside countries to effectively carry out their own projects. All of these questions must first be answered in order to shed light on the overall objective of answering how Finnish models can be transferred across borders. Answering these questions would provide a strong basis as to whether or not Finnish social impact bond models can be successful in other contexts, because varying institutional factors and differing tasks taken on by each country will affect the projects.

Based on the above information, the research question is: “*How can Finnish models for Social Impact Bonds be transferred to cross-border contexts?*” In order to effectively answer that question, I must first answer three sub-questions:

1. *What institutional factors allow Finnish Social Impact Bonds to be successful in the Finnish context?*

2. *What context-specific institutional factors will make this model a success in countries outside of Finland aiming to implement Social Impact Bonds?*
3. *What activities should Finland and the knowledge-receiving outside countries undertake to transfer and apply the Social Impact Bond models?*

1.3. Methodology

Gaining a thorough understanding of the manner in which social impact organizations have approached and implemented the SIBs can answer to the research questions regarding the success of the Finnish projects and the transferability of important activities which may make outside countries' projects successful. I seek this thorough understanding through the use of an intensive single-case study of the company, Sitra, the Finnish Innovation Fund, in which I have collected data through conducted interviews among the employees and the utilization of secondary research materials, such as reports, statistics, and presentations.

1.4. Contributions of the Study

In answering the research questions, this study will provide a number of academic contributions that will add to multiple theoretical discussions including those of institution building, knowledge-transfer between differing organizations, and social impact considerations. In particular, this study extends the application of these three theoretical approaches in the context of the modeling of SIBs and their transferability *across borders*. This thesis seeks to bridge the gap between the various theoretical perspectives mentioned above by providing a new theoretical framework and offering practical insight into how to successfully transfer a financial tool across contexts where a variety of institutional factors hold true. While some studies have been done in the United Kingdom, United States, and Australia (Mulgan, Reeder, Aylott, & Bo'sher, 2011; Ha, 2013), most academic research focuses on SIBs operating in a single context where differing institutions and knowledge-transfer need not be studied. Although these single-context theories have been extensively studied before, this SIB modeling is quite a recent concept, therefore, the research I will employ aims to apply existing theoretical models to a new empirical study.

In terms of contribution for practitioners, this research will help Sitra to successfully aid in the dissemination of their SIB models to organizations aiming to implement SIBs which operate outside of Finland. As multiple organizations have already sought the help of

Sitra, this will allow the organization to know which factors of their model will be effective in outside contexts and which factors may need to be thoroughly planned and thought out. Additionally, Finland will undertake the European Union presidency beginning July 1, 2019, in which one of their platforms will consider the well-being of citizens across the member nations and the EU economy, a core aim of social impact bonds. This research could be of use for Finland's EU presidential platform in creating awareness of social impact bonds and the good they can create in making the EU a more sustainable and competitive region (Ministry of Economic Affairs and Employment of Finland, 2019) (Sitra, 2019c).

1.5. Outline of the Study

This study is presented in six chapters. The next chapter introduces the literature grounding the framework upon which this study was structured, including a background on social impact bonds, institutional theory, organizational learning and knowledge transfer, and social impact assessment. Chapter 3 presents the empirical research methodology and design, including the contextual factors regarding this case. Chapter 4 introduces the findings of the data collected, which were conducted interviews. Chapter 5 analyzes those findings and ties them back to the theoretical framework of the study through a discussion. The final chapter concludes the study, suggesting the contributions, practical implications, limitations of the study, and areas for future research.

1.6. Definitions

As impact investing is still a relatively new field, it is important to clarify definitions and understand the different layers in which these mechanisms operate.

Impact investing is a means of channeling private investment to projects with the intention of generating positive, measurable social and environmental impact while making a financial return (Global Impact Investing Network, 2019c; Sitra, 2019a).

Social outcomes contracting, also called *outcomes-based contracting* or simply *outcomes contracting*, is an innovative form of procuring services based on outcomes rather than outputs. Many types of contracts exist (Sitra, 2019c).

Social Impact Bonds are a financial instrument in which institutional and private investors fund services to promote well-being and maximize societal benefits. They are a

form of impact investing and a mechanism in which to employ outcomes-based contracting (Ha, 2013; Sitra, 2019b).

Furthermore, it is important to note that the terms *SIB*, *bond*, *model*, *project*, and *fund* are all synonymous in this thesis in referring to a social impact bond.

2. LITERATURE REVIEW

There are three critical facets that underpin the framing of my questions. These include the institutional theory, the organizational learning perspective, and social impact assessment. This section will critically discuss existing literature relevant to studying social impact bond projects and highlighting existing gaps in this research. I will first give an introduction on social impact bonds, how they work, and the stakeholders that are involved. Secondly, I aim to extend the existing literature that focuses on institutional theory grounded by North and Powell and DiMaggio as the research questions consider how various contexts may affect the application of the social impact projects. Next, I extend the idea behind the organizational learning perspective and what considerations these different social organizations should make when trying to implement social impact projects. Finally, I will discuss various scholarly work on how social impact can be evaluated and how the two theories, institutional and organizational learning, can be applied and integrated into this more recent phenomenon. As social impact is still gaining widespread popularity as a form of enterprise, there is a lot of debate about how social impact should be evaluated by utilizing these two perspectives, so I aim to guide future social impact research and application. The final purpose of this chapter is to develop a theoretical framework to be used throughout this research process.

2.1. Background on Social Impact Bonds

Because this is a relatively new field, impact investing and its core tenets are not necessarily understood by the general public. Therefore, it is necessary to first give meaning to the concept and its layers. Impact investing is the root of the Social Impact Bond (SIB) model, to be discussed further below, and the idea that “investors can pursue financial returns while also intentionally addressing social and environmental challenges” (Bugg-Levine & Emerson, 2011, p. 11). The idea of investing in a sustainable future while being able to still turn a profit came about in 2007 and has since been an important topic among investors who wish to truly improve the lives of customers and create blended value. The idea of blended value combines both the profit and return that comes with investment banking and the desire for societal greater good of traditional philanthropy (Bugg-Levine & Emerson, 2011). While philanthropists have been leading this impact revolution, the desire to continue moving this forward stems from the millennial generation and their need for positive social change and

subsequently their adjustments in consumer behavior (Cohen, 2018). Furthermore, investors have shifted their perspectives to satisfy the needs of their clients, and large investor and insurance groups such as UBS, J.P. Morgan, Zurich Insurance Group, Credit Suisse, and Morgan Stanley (Global Impact Investing Network, 2019a), among hundreds more, have shown their support in impact investing through membership of the Global Impact Investing Network, a network committed to growing the impact investing marketplace (Global Impact Investing Network, 2019b).

Moreover, it is important to note that when referring to a SIB, it is simply one tool to utilize an outcomes-based contracting approach. This approach describes “public sector management that seeks to improve value and impact... and seeks to improve the productivity of public spending by paying only when specific outcomes are achieved by a service provider” (Government Outcomes LAB, 2019a), and is also widely known in the United Kingdom as Payment by Results (PbR) contracts or more commonly in the United States as Pay for Success (PFS) contracts (Government Outcomes LAB, 2019a; Pay for Success, 2018a). Cohen (2018) describes that measuring the impact is a challenge, but it is possible through SIBs, which act as a tool for this quantitative assessment based on the two fundamental principles of impact investing: setting a social objective; and measuring the impact achieved. Investors are attracted to this approach because it adopts a pay for success model in which the more impact that is achieved, the higher return to investors (Cohen, 2018). The first SIB was introduced in the United Kingdom in 2010, implemented in the Peterborough prison (Government Outcomes LAB, 2019b), but many SIBs and its variants – Development Impact Bonds (DIBs) and Environmental Impact Bonds (EIBs) – have been developed around the world since (Cohen, 2018). This study is important because not only is it a recent phenomenon turning the heads of investors across the globe, but this could be where the millennial generation steers investment projects in the future.

Although a SIB is called a Social Impact Bond, it is not a bond in a traditional sense (Government Outcomes LAB, 2019b). The process of a SIB is defined as “the investor bears all the financial risks and the public sector only pays for the proven outcomes. [and where] the investment capital raised is used to promote the achievement of specific outcomes” (Pyykkö, 2018). It is a contract pursuing the alignment of public sector, private sector, and philanthropic interests of tackling a societal problem or preventing one from occurring (Cohen, 2018). The basic gist of how a social impact bond works is that investors provide capital for the social intervention, and they will get their capital back plus a return if the outcome is achieved, which protects the service provider and commissioner from the

financial risk (Government Outcomes LAB, 2019b). It is a proactive and preventive approach for the government to utilize in overcoming social issues (Pay for Success, 2018b), which offers a diversification opportunity to investors because the returns are not based on the stock market, so their returns will not diminish or heighten at the turn of the market (Cohen, 2018).

There are many parties involved in the development of a SIB and many organizations and authors argue in the three primary parties, but Mulgan, Reeder, Aylott, & Bo'sher (2011) and Ha (2013) name the three key parties which make the SIB implementation successful as: the government; a fund manager; and investors. The government seeks out the commitment of the service providers and becomes liable for the performance of that service provider (Ha, 2013). The fund or project manager acts to oversee the project, and works with the outcomes payer – also commonly called the commissioner – typically the government or sometimes through an Outcomes Fund, in which they agree on the timeline and payment objectives (Cohen, 2018). The investors are necessary because they provide the capital needed to start the project and attract service providers (Ha, 2013). Furthermore, ideal for investors and governments, investor participation in SIB projects can be cyclical in nature, allowing investors to continuously reinvest their money in future programs (Pay for Success, 2018b). Although the government is typically the payer of funds, philanthropists, development aid organizations, and corporations have been recently leading the way due to underfunding in the public sector (Cohen, 2018). Governments only pay back the investors for what succeeds so they are able to better allocate their resources to meet the needs of their community (Pay for Success, 2018b). However, Government Outcomes LAB (GOLAB) includes service providers in their three main parties because they are the implementers of the program by providing a service that meets the needs of the targeted beneficiaries, based on achieving outcomes rather than activities (Cohen, 2018; Government Outcomes LAB, 2019b). Other parties involved include: independent evaluators, which measure the success of the project; the community in which the project is implemented; and intermediaries which take on various roles such as business case consultants, social investment fund managers, performance management experts, or special purpose management companies (Goldman Sachs, 2014; Government Outcomes LAB, 2019b). A processual map to better visualize how a SIB works and the parties included can be seen below in Figure 1.



Figure 1. Social Impact Bond Process Map (Pay for Success, 2018a).

Many projects have been implemented around the world and investment in SIBs is becoming more attractive creating benefits such as collaboration, prevention, and innovation, but SIBs do not come without their criticism at this stage (Government Outcomes LAB, 2019b). Many technical challenges exist for setting up the funds, but moreover, they can be quite expensive because they require quality, often only found through the utilization of experts, and scale, of which many social enterprises don't have the capacity (Roy, McHugh, & Sinclair, 2018). Additionally, SIBs require extremely precise outcome measurements of which the success and costs are very often difficult to determine, also due to lack of transparency (Government Outcomes LAB, 2019b). Service providers often have less flexibility in their industry and although one aim of SIBs is to encourage innovation in these service providers, past projects have shown little evidence supporting this (Roy, McHugh, & Sinclair, 2018). SIBs also seek to incite mindset changes in the public sector, yet this shifted focus on results could rather be strongly motivated by the desire to surpass targets instead of

a genuine interest in social outcomes (Government Outcomes LAB, 2019b). Finally, a changing political climate could create potential effects on SIB projects, altering the true success, or new policies introduced could be in support of the finance industry, generating an imbalance in the private sector in favor of their commercial success over the social mission (Roy, McHugh, & Sinclair, 2018; Government Outcomes LAB, 2019b). When constructing a bond model, it is pertinent that these limitations must be considered and overcome in order to ensure a successful project.

2.2. Institutional Theory

A central theory that grounds the first and second sub-questions of my thesis lies in that of institutional theory. This theory is essential to this research because I intend to understand which factors allow the SIB modeling to be so successful in a variety of contexts. I aim to discover the characteristics that shape the models and because of the number of stakeholders that play such a prominent role in this shaping, such as government ministries, service providers, investors, fund managers, among others, it is necessary to consider institutions as a whole for SIB modeling to be successful in different contexts.

In his introductory foresight into institutions and their effect on economies, North defines institutions as “the rules of the game in a society or, more formally, are the humanly devised constraints that shape interaction” (1990, p. 3). He lays out a framework for institutional theory and the way it evolves over time, through the formal and informal institutions that humans create to define how people interact with one another. Formal institutions are those that are more defined rules, such as laws and constitutions, while informal institutions are the behaviors, norms, and traditions that humans possess based on those rules (North, 1991). North continues to argue that organizations play a strong role in shaping institutions. Social organizations have the opportunity to take advantage of existing institutions because they are not set in stone and when these organizations evolve, institutions will evolve with them (North, 1990). Furthermore, he lays a foundation for the interaction between learning, institutional change, and organizations, an additional concept that exists at the roots of these research questions to be laid out in the next section. Each organization will acquire a different skillset based on their institutional constraints and this will shape the way they learn (North, 1990), a process which can be directly applied to the transferability of the modeling to varying contexts. Furthermore, transaction costs are a major component of North’s institutional theory and effective institutions will reduce transaction costs in an

exchange because they provide dependable solutions and frameworks to problems which confront organizations (North, 1991).

Powell and DiMaggio also bring forth insight into new institutional theory, particularly exploring the effects institutions create on organizations. They claim most institutional theory that inspires organizational thinking is actually inconsistent with the reality of organizations but differ from North's theoretical underpinnings because they advance that "while institutions are certainly the result of human activity, they are not necessarily products of conscious design" (Powell & DiMaggio, 1991, p. 8). North seems to argue that humans intentionally create the institutions in which the world exists, a differing perspective. They also make the argument that once a collection of organizations has gathered into the same industry, those organizations will eventually become similar to each other, but in the long run will constrain themselves from evolving in the future due to the environment they have created. They define this homogenization as isomorphism and divide it into two types that must complement each other: competitive and institutional. Competitive isomorphism exists in a rational world with open competition, but institutional isomorphism takes into account modern day irrational thinking where competition does exist between organizations. The authors lay out the foundations for three mechanisms for isomorphic change: coercive, mimetic, and normative, which are further explored by Levitt and March (1988) as part of information diffusion in their routine-based learning theory. It seems that in one case of coercive isomorphism, Powell and DiMaggio argue that organizations become similar because of their conformity to the rules and structures of institutions, where North more describes the opportunities that await for organizations to change the institutions. Mimetic isomorphism has its base around the idea that organizations will model themselves after other organizations they deem successful, resulting in little diversity within a field. Normative isomorphism considers professionalism as the root cause for isomorphic behavior, meaning that the similarity of the skills, knowledge, and titles of the labor force in an industry are what drive it into becoming so homogenous. Organizations want to attract the largest number of competent workers, so they conform to similar structures to beat out the competition (DiMaggio & Powell, 1983).

Institutional theory plays a very prevalent role in this research because the way each society and context are shaped largely determines not only the factors that need to be considered to make the project a success, but also the outcome of the implementation. As North (1990) mentioned, organizations are fundamentally responsible for shaping institutions and this could be very prevailing to this research analysis of factors that contribute to the

success of SIBs. Furthermore, social organizations play an even more important, more special role in shaping institutions because they evolve with the rest of society, a concept that is at the heart of why impact bonds were created. Additionally, it's useful to consider that organizations learn in different ways based on their institutional boundaries, so social organizations should keep this in mind when interacting with international organizations. This also connects to Powell and DiMaggio's (1991) point that organizations will model themselves after others they regard as prosperous. As the social impact bond industry is somewhat new and countries are still beginning their processes in the field, they will seek to model themselves after those countries whose organizations have successfully implemented their models. However, this also may not hold true because of the various institutional factors that can bind the newly entering organizations; although they may seek out the pertinent factors for success, some aspects that may make one country-specific model a success may not be so easily implemented in other countries due to deeply ingrained norms, practices, policies, etc. It is my aim to identify these factors that can be easily acquired in other countries and more specifically identify which underlying institutional elements may constrain outside contexts, which has not yet been studied. Regarding North's (1991) point of transaction costs, organizations working with bond modeling in essence wholly consider them, especially through the economic modeling of their SIBs, because the framework lies in the ability to face problems that persist in society and come up with solutions to tackle these challenges. Applying Powell and DiMaggio's (1983) logic to impact research, the transferability of SIB models across contexts will create an isomorphism between the participating organizations because they already have a similar organizational structure and the newer social impact organizations will want to model their bonds after more successful ones. On the other hand, social impact projects differ considerably and they each need their own tailored model to fit the context in which they operate. To add another critique to Powell and DiMaggio's (1983) thinking, they somewhat contradict North (1990) by claiming that organizations will stop evolving due to the environment in which they've created. However, it's possible that social organizations may not be included in this concept because their role in society is to continuously evolve with the people and provide means of support throughout their lifetime. My aim is to be able to identify factors that make the bond models a success, which could be principally due to institutional characteristics, so an organization is aware of what grounds their accomplishments and allows them to transfer their models to outside contexts.

2.3. Organizational Learning and Knowledge Transfer

Argote, Ingram, Levine, & Moreland (2000) introduce the importance of knowledge transfer at different levels of organizational analysis, especially within the context of today's globalized society by combining an extensive selection of scholarly articles into one volume. Where the authors begin their explanation of knowledge transfer in a single organization as "the process through which one unit (e.g., individual, group, department, division) is affected by the experience of another" (Argote, Ingram, Levine, & Moreland, 2000, p. 3), the mechanisms through which knowledge transfer occurs, such as training, communication, and technology transfer to name a few, can happen across organizations as well. Knowledge transfer can be a difficult task to undertake, but if it occurs successfully, the resulting interconnectedness of the firm or firms can be quite powerful and create a competitive advantage. The typical inter-organizational knowledge transfer occurs between franchises, chains, and alliances or occurs when strategic alliances or joint ventures are formed (Argote, Ingram, Levine, & Moreland, 2000).

Many previous scholars of organizational learning make the assumption that if an organization learns, immediately following a change will occur to create better performance. However, Fiol and Lyles (1985) want to clarify that this does not necessarily ensue through their improved theory; learning does not equate to change or vice versa. They continue to argue that organizational learning and individual learning are quite different but want to explain that the sum of all learnings by the individuals in an organization does not simply lead to organizational learning. Additionally, they propose four contexts within an organization that play a crucial role in determining the outcomes of learning: culture; strategy; structure; and the internal and external environment (Fiol & Lyles, 1985). The concepts highlighted above are important to keep in mind when trying to decide how to transfer knowledge among the various social organizations that are utilized in the context of this study. In previous literature, adaptation, learning, and change have all been used interchangeably, but this article aims to clarify that they are not synonymous terms by identifying two dimensions that are consistent among previous literature. The first dimension, the content of learning, explains the differences between cognition and behavior and that the change of one may not necessarily lead to a change in the other. The second dimension explains the levels of cognitive development as lower-level and higher-level learning. Lower-level learning operates within a given set of rules and consists of learning that is based on routine and typically has immediate effects that management can control; higher-level

learning is more cognitive in nature because it seeks to adjust those overall rules, resulting in long-term impacts (Fiol & Lyles, 1985). The themes brought up in this article highlight the need for higher-level learning in the organizations that could be impacted in this study by transferring their knowledge of bond modeling. Both parties must understand that in order for the implementation and knowledge transfer process to be successful, the level of understanding and willingness to adapt are different in nature but both necessary.

Nicolopoulou (2011) examines the idea of knowledge transfer in a new light by aiming to provide a theoretical framework to tackle this concept in the area of corporate social responsibility. She highlights two sides of knowledge discussed in recent literature: that which can be managed and is an intentional transfer of knowledge; and that which is context based and comes about as a product of a situation. Highlighting situational factors when attempting to transfer knowledge into a different context plays a strong role in the success of the knowledge transfer, the basic underpinnings of these research questions. Some key success factors in the knowledge transfer process across cultures include analyzing any basic cultural framework, such as Hofstede's, to understand the various institutions and socio-economic conditions, the ability to co-create, particularly in a common language, identifying local partners who are capable of undertaking an appropriate level of support, and the role of multinationals as enablers in an environment (Nicolopoulou, 2011). As discussed ad nauseam, each social impact project exists within a separate context and it is up to the local stakeholders to identify the success factors and enabling governing institutions within each environment to co-create a solution which caters to that specific problem.

Levitt and March (1988) believe that organizational learning is based on three grounds. First, they observe organizational learning to be based on routines. They conclude that routines can include any "forms, rules, procedures, conventions, strategies, and technologies around which organizations are constructed and through which they operate" (Levitt & March, 1988, p. 320). Secondly, organizations are dependent on history. The routines that organizations construct are based more on past experiences than future anticipations. Finally, organizational learning is grounded on an aspiration or a target to achieve. This does not mean the second grounds for organizational behavior is untrue, it simply means that the relation between outcomes and aspirations is heavily noted. The authors continue on the topic by describing the two ways in which organizations learn: learning from direct experience, and learning from the experience of others. Learning from direct experience can also be described as learning by doing. Organizations gradually adopt new routines based on trial-and-error learning or organizational search. Trial-and-error

learning can occur when organizations adopt routines that have led to success, while withdrawing routines that lead to failures. Organizational search refers to the adoption of a new routine based on a pool of alternative methods but continuing to adopt better methods once they are discovered. One flaw of learning by doing can lead to competency traps where an organization can become specialized in one specific routine and forego potentially superior routines due to the efficiency and competency created around the former routine. This occurs oftentimes with new technology, which some organizations are slow to adopt. One way to combat this competency trap is through fast learning of new routines rather than alternative ones. This also leads to superstitious learning, meaning the subjective experience of learning might be enough to change a routine even if the outcome is misleading. For example, if an organization misinterprets their outcomes, or the targets they set were too high, this could lead to a change in routine, when really the post-analysis or goal measurements should have been more thoroughly conducted and set. A major problem with basing organizational learning on targets becomes apparent when different sectors of the organization have varying evaluations of the same outcome. Subgroups of the organization have numerous levels of success based on their own group's goals and objectives, which may be different than their counterparts. An additional aspect of the learning by direct experience process regards organizational memory or how routine-based learning is maintained despite having a turnover of personnel. The authors argue that organizational learning becomes difficult overtime due to the recording, conservation, and retrieval of experiences based on routines of the individual within an organization. The second way in which organizations can learn is through the experience of others administered through technologies, codes, procedures, or similar routines. The ways in which knowledge is diffused through organizations can be through a single source, through contact between members and nonmembers of the population, such as consultants, or through the spread within a small group first, and a larger group after, such as formal and informal educational institutions. The authors finalize their work by saying that organizational learning through routines allows for organizational intelligence, but the flaws of history and human cognitive habits must be overcome in order to be implemented successfully.

Grant's (1996) work sheds new light on organizational learning and management practices by challenging previous works by theorizing that knowledge is created within the individual and the firm's role is to apply that knowledge, rather than create it. Heavy emphasis is placed on the creation of knowledge within the firm at an individual level. Grant's theory is in accordance with Simon's theory that "an organization can only learn in

two ways: (a) by the learning of its members, or (b) by ingesting new members who have knowledge the organization didn't previously have" (1996, p. 112). Differing from Levitt and March's (1988) point of view discussed previously, the author writes that if the organization is viewed as the knowledge creator, defining rules and procedures on an organizational level may obscure the individuals' knowledge creation through unplanned interactions with other members by desire to act in accordance with these procedures. As the author seeks to establish implications for management practices, he outlines five characteristics of knowledge. The first characteristic is transferability of knowledge, which is pertinent to a firm's sustainable competitive advantage. He comments that there is a distinction between explicit knowledge, which is revealed through communication, and tacit knowledge which can only be revealed through application. Tacit knowledge is slower to transfer but is more relevant to a firm's production. The second characteristic is the capacity for aggregation, which depends on knowledge absorption. This becomes a problem because knowledge absorption only happens if the individual or organization has the capacity to add new knowledge to existing knowledge. Thirdly, appropriability is defined as "the ability of the owner of the resource to receive a return equal to the value created by that resource" (Grant, 1996, p. 111), but further considers that knowledge is inappropriable by means of market transactions. He also emphasizes the need for specialization in knowledge acquisition because the human brain only has so much capacity that it is more useful for individuals to become specialists in a specific area to increase knowledge creation. The last characteristic is the knowledge requirements of production, which rationalizes that inputs produced into outputs are due primarily to knowledge. Furthermore, he argues that firms produce goods and services because they have the ability to combine individuals' specialist knowledge. However, it is noted that transferring knowledge is not the same thing as this knowledge integration, which should be more important because an organization does not want to waste time on its individuals learning everything the other members already know in order to produce at an efficient rate; rather, it is more imperative to integrate this knowledge. Thus, coordination becomes a problem in this knowledge integration, but Grant offers four mechanisms for specialist integration in which to overcome this issue through: rules and directives; sequencing; routines; and group problem solving and decision making. Common knowledge also plays a large role in knowledge integration, which can refer to similar languages, additional forms of communication, and other understood commonalities found in firms. Employee training has seen a shift from emphasizing specialist knowledge to enhanced cross-training due to the belief that an organization will acquire improved capabilities. His

main claim is that organizations are largely dependent on their ability to harness their individuals' knowledge integration to be able to maintain a competitive advantage (Grant, 1996). Although Grant's theory is well-grounded and has application for knowledge transfer between individuals within an organization, he takes in no consideration for inter-organizational knowledge application or transfer, which may be out of the scope of his essay, but is pertinent to this thesis.

A large part of a lead developer's role in SIB modeling is to share their knowledge with countries who also wish to pursue impact investing through accurate modeling processes. Therefore, organizational learning within the pioneering entities and across organizations will play a large role in shaping the future of social impact. When considering the stakeholders studied in this research, knowledge transfer will be not only across the alliance of organizations which work with SIBs, but within the intra-organizational SIB team comprised of fund managers, investors, service providers, government institutions and others. As Fiol and Lyles (1985) point out, there are four major underlying facets that shape the way an organization learns; these characteristics will profoundly impact the success of knowledge transfer among varying organizations because the context in which they are situated is wholly dependent on the factors mentioned: culture; strategy; structure; and environment. Some organizations may need to find a way around the factors that bind them in order to effectively realize the knowledge that is being transferred to them. Although the concepts discussed by Nicolopoulou (2011) mostly apply to the sustainability practices of multinationals in developing countries, similar mechanisms should be kept at the forefront when transferring knowledge across varying cultures in general, a concept that plays a major role in answering the questions of this research. While three distinct perspectives of knowledge transfer are highlighted in her work, the collaborative innovation perspective applies the best to this context's knowledge transfer process, which "refers to the capacity to build collaboratively on the dynamics of innovation related to any project or programme of CSR and sustainability... this takes place not only by appropriating it to the local realities, but also by proactively seeking to engage local stakeholders in the "problem identification" as well as "solution creation" space" (Nicolopoulou, 2011, p. 531). Being able to identify the institutional constraints of each context will lead to a successful knowledge integration among organizations.

Conversely, the above authors' construction of learning may not wholly apply to this context within social organizations and I seek to add a new lens through which knowledge is integrated across these organizations. First, there may be no such thing as competitive

advantage when it comes to bond modeling processes because these organizations were formed for social reasons as opposed to high profiteering grounds. Their mission provides them a less traditional role than those organizations studied before when it comes to knowledge sharing, so Argote, Ingram, Levine, and Moreland's (2000) suggestion that organizations seek competitive advantage through knowledge integration may not apply here. Additionally, it is my aim to determine whether social impact organizations wish to pursue lower-level learning or higher-level learning, noted as the primary ways in which organizations learn (Fiol & Lyles, 1985), although it is safe to hypothesize their pursuit of higher-level learning due to their prioritized mission as seekers of change and impact. Furthermore, although the authors acknowledge the complexities of learning in ecologies where environments may vary between organizations, one critique of Levitt and March's (1988) routine-based learning theory is that complex contexts within a single organization are not really considered. In an organization where a variety of contexts persist, one might question whether routine-based learning could be of importance where routines may be more imminently difficult to not only establish, but further utilize in future contexts. Grant's (1996) notions of the importance and usefulness of tacit and common knowledge are to be tested in this study. I seek to understand whether tacit knowledge can be transferred across organizations, especially in the varying manners in which each organization constructs their own method of learning. It will be useful to determine how common the language is among the members of this community in order to effectively transfer knowledge. Through this research, I aim to gain an understanding of the way knowledge is shared across organizations.

2.4. Organizational Learning on a Network Scale

Three studies further explore the necessity of international alliances or networks to expand learning potential and the acquisition of knowledge. Inkpen (1998) focuses on how international strategic alliances offer unique learning opportunities between the partner firms because of such a diverse knowledge base and this allows the firms to acquire new knowledge. However, managers must be aware of how to capitalize on this unique opportunity because if they lack the desire to learn, they could surpass this potential opportunity for growth. He also explores what conditions are necessary to support effective knowledge learning and how partners can acquire knowledge from their counterparts to enhance overall operations and strategy. Inkpen is in agreement with Grant's (1996) work above that knowledge is created on an individual level but explores it one step further by

noting that knowledge creation and utilization are linked because this knowledge creation by an individual is amplified, spread, and utilized within the organizational process of a firm; thus, the organization is viewed as a sort of learning system. Inkpen explains how knowledge acquisition can be even more difficult on an international scale due to cross-border transferability and determining how to renew organizational skills in such a variety of contexts. The author explores a few key issues with learning across international strategic alliances and discusses some conditions that might stimulate and facilitate learning among firms. For example, how much value the firms place on learning determines the overall learning outcome. Some firms may not emphasize acquiring new knowledge in an alliance. This could potentially create an ambiguity between the two firms because of the lack of wanting to understand the partner firm's operational habits which create their competitive advantage. Additionally, accessibility of alliance knowledge is something to consider when establishing a joint venture. These come in the forms of partner protectiveness, through risk of knowledge spillover, and knowledge tacitness, which is often more valuable but harder to communicate due to the embedded nature of a firm's habits and systems that can be difficult to explain and transfer across organizations. Finally, the firm's effectiveness at learning strongly influences knowledge creation. This is strongly linked to absorptive capacity, which is explored above by Grant. Inkpen offers three elements that influence this learning effectiveness: knowledge creation between a firm and its alliance; relatedness of alliance knowledge; and cultural alignment among executives of the parent company and joint venture managers. Similarly to Grant's argument, organizational knowledge can grow when shared. These knowledge connections allow for a higher chance of new knowledge survival and integration, which he calls the spiral of knowledge creation. Additionally, in regard to the relatedness of knowledge, prior knowledge allows for better utilization of new knowledge; in other words, it is necessary to draw upon existing knowledge because unrelated knowledge may be harder to acquire due to the need to understand base knowledge before compounding additional knowledge. Finally, cultural alignment is key because when there is lack of alignment, cultures can collide and learning can become challenging. Inkpen provides practical advice for managers in international strategic alliances to overcome their cultural differences and prior knowledge base to acquire new knowledge.

Inkpen and Tsang (2005) seek to identify structural, cognitive, and relational parameters for three various network types and to propose conditions which permit knowledge transfer among the network types. Where knowledge transfer has been extensively reviewed above, Inkpen and Tsang shed new light on the concept of social capital

in acquiring knowledge. They aggregate various authors' definitions as "the ability of actors to secure benefits by virtue of membership in social networks or social structures... Benefits include privileged access to knowledge and information, preferential opportunities for new business, reputation, influence, and enhanced understanding of network norms" (Inkpen & Tsang, 2005, p. 150). They identify three network types by considering the structure and the relationships among actors in the network and divide them into: intra-corporate network; strategic alliance; and industrial districts. They analyze the structural dimension of the network types through network ties, network configuration, and network stability. Network ties are extremely important because they are often a source of opportunity for social capital transactions to occur. However, network structure also determines the flexibility and ease of knowledge exchange through the density, hierarchy, and connectivity of the configuration. Stability within the network is also important because it enables an opportunity for limitless exchange among actors in the network. If the network is unstable or members leave, ties disappear, and knowledge transfer is more difficult to achieve. Another dimension analyzed in knowledge transfer among various network types considers cognition through shared meaning and understanding. The authors analyze both the shared goals of the network, if the network members share a common approach to the achievement of responsibilities and results, and shared culture, which considers how norms govern relationships. The third and final dimension analyzed is from a relational perspective. This focuses on trust as a critical factor in knowledge transfer and willingness to share knowledge among actors. One limitation of this work is that it only considers three network types. Additionally, one of the network types, industrial districts, are defined as those network members operating within a specific region or colocation, but the importance of proximity of a certain industry becomes a question in today's advanced era of technology and globalization as a means for adequate knowledge transfer, which is not heavily considered. Although the conditions for knowledge transfer may vary across networks, each of these networks are fundamentally based on social networks. If managers are not proactive about utilizing their social network, knowledge transfer will be difficult to achieve (Inkpen & Tsang, 2005).

Powell, Koput, & Smith-Doerr (1996) focus on the importance of learning networks as administrators of innovation and how reliance on these networks is fundamental through their study of the just-then emerging biotechnology industry. At the turn of the 21st century, companies were participating in both internal and external research and development, rather than simply focusing on internal R&D to fuel their innovations. Studies show that when there are more alliances in a sector, the level of R&D is likely to be more technologically

sophisticated than those without strong alliances. The authors seek to identify two different manners in which firms think about learning and collaboration. The first approach is rather strategic because companies consider learning as a cost-benefit analysis. They calculate the risk versus return of collaborating with external companies to acquire skills they may not have internally and seek out those risks when the returns of collaboration are tolerable. In the second approach, companies perceive learning as a social construction process; the level of learning is strongly linked to the context in which it is learned. In this approach, knowledge creation requires a community. The authors want to build on both approaches in a way that “organizational learning is both a function of access to knowledge and the capabilities for utilizing and building on such knowledge” (Powell, Koput, & Smith-Doerr, 1996, p. 118). The main argument this paper seeks to develop is that networks of inter-organizational relations are a means for innovation if knowledge is disseminated and offers a competitive advantage. This happens because the networks provide access to knowledge and resources that may otherwise be unavailable to individual companies, but also tests the internal capabilities of the companies and propels them forward. The authors also explore the aforementioned topic of absorptive capacity, by claiming that firms with higher absorptive capacity to learn excel at both internal and external R&D because the firm can contribute to network collaboration while also learning from participation. Four hypotheses are posed and quantifiably tested in this study based on the following fundamentals: firms will be able to identify how to structure their various network ties through exploration; durable network relationships provide a means of cooperation in an emergent, informal, and non-premeditated manner; the more connections a firm has, the more centrality they have and this provides a sturdy base of knowledge and experience; additionally, the firms which are more centrally located have better access to promising ventures while those with more collaborative experience are in a better position to exploit them; and finally, network centrality offers a means of shared understandings and principles which can aid in advancing exchange of knowledge. Within the biotechnology industry, the authors concur that firms are both increasing partnership ties to have access to information, resources, and products and that they are becoming better at this collaboration facilitated among various network partners. One major difference with companies in today’s innovation sectors are that firms are collaborating not for a temporary means of compensation for a skill they may lack, but for all sorts of competencies. These firms choose to learn through interdependencies because it allows for a community-level mutualism where a win-win relationship is the typical outcome due to both the development of resources as well as the enhancement of knowledge (Powell,

Koput, & Smith-Doerr, 1996). One variance to be noted from the Inkpen and Tsang (2005) article is the bound definition that industrial districts are to be collocated, whereas this article requires no physical specificities of their centrally located networks. This discrepancy among mentioned authors and the importance of physical location is to be explored and analyzed further in this study. Overall, Powell, et al (1996) offer strategic insights into the value network ties provide in innovation communities.

Considering the authors' studies above, there are important facets of each that can apply to the context of this thesis. As Inkpen (1998) points out, knowledge acquisition will be even more difficult for these international organizations to achieve due to the varying but inherent cultural factors that cannot be dismissed when working on a strategic level across nations which are affected by their individual institutional factors. Through this research, I seek to determine which institutional factors are absolutely necessary for a successful knowledge transfer between countries, a facet of knowledge integration not yet studied. Although these organizational alliances may not be strategic alliances in a typical sense, a lot of the same concepts noted by Inkpen (1998) can still apply, such as the importance of cultural alignment. Additionally, the three dimensions in which Inkpen and Tsang (2005) analyze knowledge transfer among networks can apply to this network of organizations where knowledge is shared. For example, the concept of network ties is related because the more interactions an organization may have within this industry may make for better model knowledge. If a new organization wishes to seek out those who have more experience, they should aim to interact with as many well-established social organizations as possible so as to gain a thorough understanding of how to construct their own bond model.

On the other hand, although Powell, Koput, and Smith-Doerr (1996) offer applicable insight into the way companies learn, the concept of learning after conducting a thorough cost-benefit analysis may not be the way in which these social organizations learn. As these organizations seek social change, they may not see any downfall from interacting with other social organizations; they may only view the interaction as a win-win in both knowledge and resources, also mentioned in the study. One overarching theme brought up by many authors that has not yet been extensively studied is how social organizations view their counterparties with regard to knowledge integration and community level learning, and whether or not they are still seeking a traditional competitive advantage. I hypothesize they do not as they play a very different role in society, but this research shall determine that. By taking into account the various authors' studies on organizational learning, this research will provide an understanding on the role leading SIB developers play not only in advancing their own

learning within their organization's stakeholders, but how they learn at a community level and propel their counterparts forward and the considerations they deem most important for successful knowledge integration, a key tenet of my research questions.

2.5. Social Impact Assessment

In order to understand how SIBs are modeled, one must first understand the various literature on frameworks used to evaluate social impact. Where a normal, profit-oriented company can easily evaluate their outcomes based on financial and economic metrics, social impact organizations have a much harder time in assessing the outcomes and the value their projects create. Although scholars agree that social impact projects should be measured, there exists many different models for evaluating these outcomes. They cannot seem to agree on one method of measurement to evaluate social impact assessment. Many different evaluation methods need to be applied to and questions need to be asked during the bond modeling process so as to ensure these SIBs are continuously creating a measurable systemic change. International principles for social impact assessment have been established by Vanclay (2003) because of the importance it brings to society through its opportunities to improve livelihoods and create sustainable growth. The desire to improve the lives of human beings across the world is the focus of many social impact projects, and also plays a foundational role in SIB modeling.

The Impact Value Chain was a concept introduced in 2004 by Clark, Rosenzweig, Long, and Olsen to create a simplified model which shows the value social impact projects can bring to society. Impact is defined as “the portion of the total outcome that happened as a result of the venture, above and beyond what would have happened anyway” (Clark, Rosenzweig, Long, & Olsen, 2004, p. 7) and allows for practitioners to get a better understanding of the lifecycle of events their social impact project operates in and from which their inputs become systemic impact. Where outputs can be measured by an organization more or less because they lie within the entity's control, outcomes consist of more long-term changes to the wider social system, such as improved health or increased education rates, and thus, are more difficult to measure (Ebrahim & Rangan, 2014). Multiple methods to measure social impact are showcased in this literature including, but not limited to: Theories of Change, Balanced Scorecard, Social Return Assessment, Social Return on Investment, and Benefit-Cost Analysis, all of which measure performance and have been

implemented by social organizations but have potential risks to credibility in evaluating the value chain (Clark, Rosenzweig, Long, & Olsen, 2004).

The impact value chain, later redefined as the logic model, allows social impact projects to be evaluated on their performance and is a phenomenon that has been on the rise. There are five important components to the logic model, defined by Ebrahim and Rangan (2014) as inputs, activities, outputs, outcomes, and impacts. The logic model is practical in nature because it follows a reasonable chain of events that occur during social impact projects based on inputs and also suggests that impact can be measurable for purposes “including evaluating effectiveness, satisfying external accountability expectations, and guiding organizations in improving their actions” (Ebrahim & Rangan, 2014, p. 122). Measuring outcomes of social impact projects has become normative and can be seen as completely necessary from the investor’s standpoint due to the high risk the investor takes upon entering the bond. While measuring the inputs and activities can be fairly assessable, outcome and impact measurement can be much more difficult to evaluate given the fact that organizations have more control over the beginning stages of the logic model. Outcomes and impact can be easier to measure if there is an apparent or causal link between the final stages of the value chain. Additionally, time horizons of measuring impact will vary depending on the scale, scope, and operational mission of the organization. Although there has been a mixed record of the effectiveness of using impact evaluation to make future decisions and performance has not necessarily improved due to the use of these assessment tools (Ebrahim & Rangan, 2014), the SIB model seeks to ensure that the bond’s stakeholders will be able to easily evaluate and visualize the project at each stage of the process.

In contrast to the logic models discussed above, the Theory of Change model developed in the 1990s is yet another framework to evaluate impact that focuses more on building a causal analysis (Clark & Anderson, 2004). Theory of Change models were first established in order to understand complex social policy initiatives and provide a clear and causal link to an outcome through the initiative being implemented (Mason & Barnes, 2007). Where logic models help in constructing outcomes, inputs, and activities, theories of change rather link these components in order to explain how and why these are linked because they are built by first identifying goals to be reached, rather than first constructing specific policy programs or initiatives, often the case when utilizing logic models (Clark & Anderson, 2004). Constructing a theory of change is a backwards approach to the logic model because the first step is to determine the outcomes to be achieved, followed by activities to reach those outcomes, and finally the contextual factors that may enable or inhibit the success of those

activities (Connell & Kubisch, 1998). Furthermore, where logic models lack the identification of indicators, setting indicators at each step of a theory of change model is a critical process to the success because it is necessary to understand why something did or did not work in order to effectively reach the desired outcome (Clark & Anderson, 2004). Theories of change allow program or initiative implementers to “construct a narrative of the process of implementation and its consequences” (Mason & Barnes, 2007, p. 167) by taking into account a variety of stakeholder perspectives. However, theories of change are often difficult to formulate because it is pertinent to fully think through the narrative and understand all the stakeholders that will be affected by this initiative (Connell & Kubisch, 1998). Theories of change are heavily linked to social impact bonds because most bonds constructed today first look at what must be fixed or the desired goal rather than simply creating an initiative without first looking at the root cause.

Other dominant scholars (Grieco, Michelini, & Iasevoli, 2015) in the field of social impact assessment argue further that social impact is difficult to evaluate and quantifiably measure, especially given the context of the project, a dominant reason why so many models have been created. Each model is tailored to fit a specific context, and this makes it difficult for scholars to agree upon one method of measurement. Similarly, it will be difficult to analyze the models of this research because of the varying contexts in which they will occur and the fact that each project needs to have different desired outcomes. It is also imperative to mention that the impacts of social projects are not as easily quantifiable as assessing a traditional company using accounting principles. However, Grieco, et al. (2015) have clustered various methods into four defined categories of assessing social impact: simple social quantitative, holistic complex, qualitative screening, and management to make it easier for social entrepreneurs and those investing in social projects to quantify the impacts of the project. The authors have clustered models into these four categories so that future organizations wishing to pursue social impact bond projects may have a clearer understanding of which category they may fall into based on the characteristics of the organization and background. Typically and especially in the context of this research, the model is wholly driven by data and economic modeling which allows organizations to solidly evaluate the social and systemic outcomes.

After a thorough sampling of social impact projects, Burdge (2003) develops further the need for public involvement during social impact assessment and uncovers some current myths surrounding the assessment models. Burdge believes that social impact should focus more on “the way human communities change as a result of either an intended or unintended

action” (2003, p. 226) and should be participatory in nature because the effects are often felt community-wide. The author refers to this as participatory social impact assessment, which allows for two-way communication between project planners and the community and for indicators to be decided by affected parties. Developing an understanding of the public concern and local knowledge will lead to a more successful outcome as defined by providing measurable and observable effects; community learning is one of these important effects. Burdge claims, however, that oftentimes most of the impacts are only felt on a community or project level, which could be up for debate based on the scale, scope, and quantifiable ripple effects the project could create within the larger context (Burdge, 2003).

However, Esteves, Franks, and Vanclay (2012) argue that one weakness of social impact assessment with regard to participation lies in the range of activity the local community offers. Some projects may only seek community participation in the form of public comment and information gathering, where others may allow community participants to be in the decision-making process. The lack of cross-referencing and coordination among varying projects planners is another major problem but could be fixed by larger or regional strategic assessments, rather than single-project or single-community assessments. A major problem with many current social impact projects concerns the lack of understanding of the social impact environment from project commissioners. Project leaders should have the ability to pinpoint the disadvantaged population and incite and respond to change among the various stakeholders, while operating in an oftentimes strict regulatory environment. Great projects and their leaders will implement a continuous monitoring system and iterative feedback loop within the community to ensure successful long-term impact. It is important to note that the authors, as well as Burdge (2003), discuss the topic of social impact assessment as a field of research in which to examine and manage social interventions and projects as well as “a process to build knowledge and understanding and manage change” (Esteves, Franks, & Vanclay, 2012, p. 38), where the aforementioned scholars view social impact assessment more as a methodological framework with which to create models from by including various characteristics.

To summarize, the aforementioned scholars have defined various ways to evaluate social impact and all agree that it is much harder to evaluate social organizations as opposed to for-profit organizations. This stems from the fact that traditional accounting principles cannot be used because the effects are not normally driven by numbers, but by outcomes that are difficult to quantify, such as improved societal benefits like health or education. Although these definitions are a great starting point for social organizations to form their own models

for measurement, it is important to consider elements that cannot be described in the economic modeling alone. These include elements of social impact projects like participatory social impact assessment described by Burdge (2003) and effective coordination, cross-referencing, and understanding of local context by all stakeholders noted by Esteves, Franks, and Vanclay (2012). Moreover, various institutional factors and organizational learning processes have a major influence on the success of social organizations, as discussed in the previous sections.

2.6. The Role of Institutions and Organizational Learning in Social Impact Bonds

After thorough understanding of the elements that ground my theoretical context, it is pertinent to this thesis to point out the factors that are useful for furthering research of social impact bond projects. As stated above, the authors laid out a great foundation for which to measure the outcome of social impact projects through economic modeling, but they largely lack the integration of two important dimensions in this modeling and their view of assessment. Burdge (2003) and Esteves, Franks, and Vanclay (2012) begin to uncover the importance of institutions and learning more fruitfully than the authors mentioned before them, but still lack a thorough understanding of the true importance these concepts will have on the success of social impact projects.

Institutional theory heavily influences the success of social impact projects through a variety of factors. Institutions are defined as being formal and informal (North, 1990), both of which can determine the outcomes of social impact bond projects. For example, formal institutions include things like government policies, which shape how much influence social organizations can have on the rest of society and the applicability of their projects and the means in which to improve society. On the other hand, informal institutions, such as norms, have the capability of shaping the context in which social projects are implemented and why they may or may not be successful. Furthermore, as pointed out, there is a strong causal link between organizations and institutions (North, 1990; DiMaggio & Powell, 1983), especially in the context of social organizations which seek to drive change within their society. Understanding formal and informal institutional constraints, as well as the link between organizations and institutions will help identify which factors will make various SIB models a success in differing countries.

In addition to institutional theory, the organizational learning perspective will play a role in determining how organizations can learn individually, and also how this knowledge

can be transferred to organizations across borders. Based on the literature discussed above, there are a variety of manners in which knowledge transfer of social impact bonds to outside contexts can occur. The first manner and cited by many as an effective tool for knowledge transfer is that of collaboration between the different countries. Additionally, building ecosystems, or networks as mentioned in the literature, is an important factor which will lead to successful knowledge transfer. Furthermore, platforms for knowledge to be acquired or transferred will also be beneficial to these outside countries when implementing their own bond models. Finally, outside countries will also seek to model themselves after successful projects which brings in the learning by doing aspect of knowledge integration and organizational learning. All of these factors will allow outside organizations to find success in their own social impact bonds.

Thus, these factors make up the foundation for the research framework in which I wish to explore further through this process. It is important to consider the institutional factors that make Finnish models a success, so their determinants of success can be transferred to other countries who wish to implement similar bond models. However, these cross-border organizations may have differing institutional factors that may inhibit the success of their own bond projects. It is of use for Sitra and its counterparts to work together to determine the best ways for knowledge to be transferred so that they may see success in their own context. In conducting this research with the framework foundation as shown below, I aim to answer the research question: *How can Finnish models for Social Impact Bonds be transferred to cross-border contexts?*

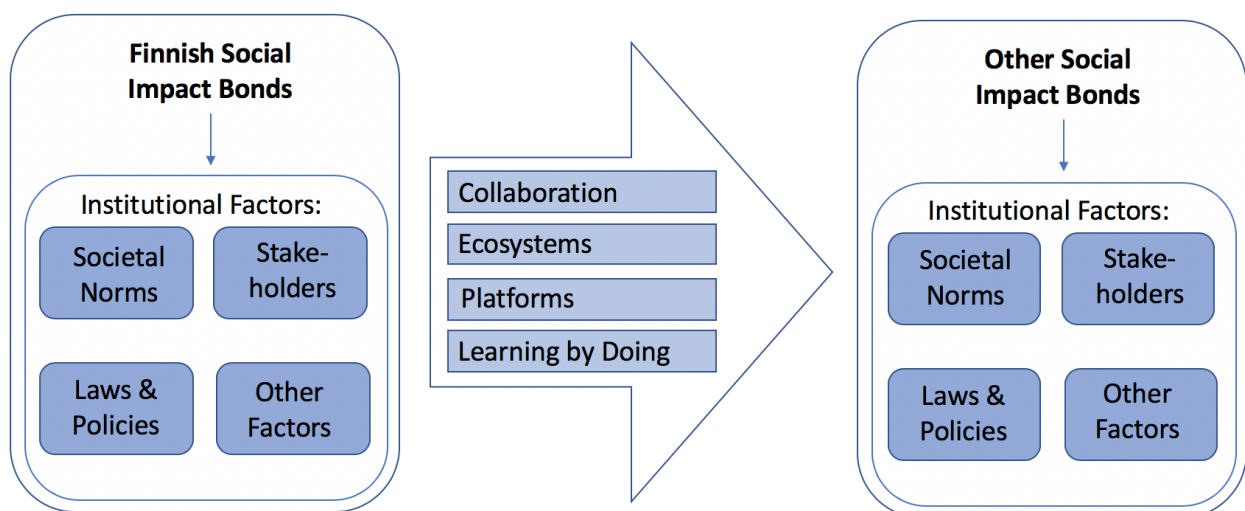


Figure 2. Theoretical Framework of the Study

The framework that has been established forms the basis of the research and questions in which I aim to uncover in this thesis through the empirical data collected. In the following section, I will describe the methodology used in the study.

3. METHODOLOGY

The research aims to address how Finnish models for Social Impact Bonds may be utilized in outside countries aiming to implement their own bond models. Thus, the main research question is “*How can Finnish models for Social Impact Bonds be transferred to cross-border contexts?*” In order to effectively shed light on that question, there are also three sub-questions:

1. *What institutional factors allow Finnish Social Impact Bonds to be successful in the Finnish context?*
2. *What context-specific institutional factors will make this model a success in countries outside of Finland aiming to implement Social Impact Bonds?*
3. *What activities should Finland and the knowledge-receiving outside countries undertake to transfer and apply the Social Impact Bond models?*

The chapter will outline the methodology used in the present study to determine if Finnish Social Impact Bond models can be transferred across contexts. The following sections will identify the reasoning behind the research design, empirical data that has been collected regarding the context of the study, data collection, analysis of the data, and the trustworthiness of this research.

3.1. Research Design

This section justifies the use of drawing upon qualitative methods through an intensive single-case study. The use of qualitative research allows the researcher to understand how certain business-related phenomena occur in particular contexts (Yin, 2009). While I aim to be able to interpret the results of my study to see why things happen the way they do, and to gain an understanding of what inhibits or advances SIBs, quantitative research aims to test hypotheses or statistical analysis (Eriksson & Kovalainen, 2011). The best way to gain an understanding of the SIB model is to look at it from a qualitative point of view because through the use of inductive research methods, the factors that contribute to the success of this model in varying contexts will likely arise from the data (Patton, 1990). Where quantitative research follows a more deductive approach in testing theory after sufficient data collection, qualitative research is more inductive because it instead builds a theory based on the collected data (Bryman & Bell, 2011; Cooper & Schindler, 2008). I have attempted to explore this phenomenon in-depth and the way it operates in differing contexts,

so qualitative assessment has proven to be the more useful of the research methods (Yin, 2009).

This research design utilizes a case study methodology for the purpose that case studies allow the researcher to focus on understanding one setting by employing multiple levels of analysis to either provide description, test theory, or generate theory (Eisenhardt, 1989). Case studies prove to be extremely vital to the field of management, especially in the context of new management theory building, because oftentimes case studies are carried out through close work with practitioners by acting as a bridge from taking qualitative data to mainstream research (Gibbert, Ruigrok, & Wicki, 2008; Eisenhardt & Graebner, 2007). Furthermore, case studies allow the “researcher to study contemporary phenomena in a real-life setting, where boundaries between context and phenomenon tend to be blurred” (Gibbert & Ruigrok, 2010, p. 712). Therefore, in understanding the process that occurs in this context, a case study will be the most useful qualitative method (Cooper & Schindler, 2008). Moreover, case studies allow the researcher to provide rich qualitative data through the manner of storytelling (Eisenhardt & Graebner, 2007).

However, case studies do not come without their challenges related to the rigor and subjectivity of the study (Gibbert, Ruigrok, & Wicki, 2008). In order to overcome the issues of validity and reliability, thorough research can be implemented through “careful justification of theory building, theoretical sampling of cases, interviews that limit informant bias, rich presentation of evidence in tables and appendixes, and clear statement of theoretical arguments” (Eisenhardt & Graebner, 2007, p. 30). These risk mitigation techniques have been carefully considered throughout this study and will be explored further in below sections.

This qualitative research has been carried out through the use of an intensive single-case study operating within the context of Finland. An intensive case study allows the researcher to understand a unique case through a thick, contextualized, and holistic manner that is explored through a narrative approach (Eriksson & Kovalainen, 2011). A single-case study is the best way to evaluate the characteristics of the Finnish SIB model and interpret it’s cross-border feasibility in a very focused manner that allows the researcher to uncover the richness of the data that has been collected (Yin, 2009). Although there are various projects which operate within their own industry, to be discussed below, they all operate under the same context of Finland, which has allowed me to look at the success factors that Finland has implemented which can be transferred to cross-border contexts. A case study is also important to pursue because the evidence presented is not generalizable data and does not apply to all contexts, in addition to being a revelatory case in which the findings of this

research can heavily contribute to quite a new phenomenon not yet studied in depth (Yin, 2009). Instead, the case study can explore varying contexts that can evolve over time in a holistic manner, rather than track past occurrences that are solidly embedded in historical occurrences (Eriksson & Kovalainen, 2011). Particularly as social impact bond modeling is a new phenomenon, it is likely one size will not fit all and that these models will change frequently in the coming years. The research is interpretive in nature because the aim is to explain how Finland has constructed this modeling in a field where they are already a dominant participant (Eriksson & Kovalainen, 2011). I can utilize the understandings of the employees and my own interpretations from additional data collected to give meaning to this phenomenon.

3.2. Data Collection

This section summarizes the process and preparation of the data collection, which was obtained primarily through conducting interviews and secondarily through publications and presentations executed by Sitra employees. Bryman and Bell (2011) point out that data collection is the most important part of the research process, but there are many different manners in which to obtain the data.

3.2.1. Interviews

I have conducted all of my interviews with those who work in the impact investing department of Sitra, of which there are six interviews in total. These employees range in age and gender but all have a background in and are familiar with impact investing. The sample includes a project manager, two senior advisors, two leading specialists, and a specialist of impact investing. All of these interviewees are critical in understanding varying interpretations of the SIB modeling process and implementation, and what factors each of them attribute to the success of the projects.

Semi-structured interviews were conducted with the employees because this method allows for more of a conversational tone but the ability to obtain comprehensive data, and also allows the researcher to maintain an open mind and let the data guide the researcher (Eriksson & Kovalainen, 2011; Bryman & Bell, 2011). The focused interviews were formed around set topics of discussion but allowed for each employee to navigate their own way through the interview to gather a full understanding of the details of SIB modeling and the

organization's interactions with outside contexts through comparison and reliability of interviewee answers (Yin, 2009). Each of the interviewed employees specializes in different topics of impact investing so although all of the interviews had the same interview structure, specific questions were tailored to the specialization of each employee. Interviewing members of the same team with varying functional tasks also allows the main challenge of bias in interviews to be overcome because it provides differing perspectives on the same topic (Eisenhardt & Graebner, 2007).

With the exception of the first interview, which was a pilot interview aimed at the discovery of SIBs and choosing a thesis topic in general, the interviews followed a similar question structuring in alignment with the ordering of the research questions: general questions about SIBs and Finnish bonds; interactions with international organizations; and measuring outcomes. More specifically, questions were asked about the current and future SIB models in place in Finland, their role in society and fundamentals of the bonds, institutional characteristics of both Finland and outside countries which may contribute to the success of the implementations, and important steps and activities that must be taken in order for Finland and other contexts to see success in these projects. It is important to note that the terms bond, project, fund, and model are all synonymous in referring to the Social Impact Bond.

All of the interviews lasted around an hour, ranging from 55 to 70 minutes. Two interviews were conducted via Skype, while the other four were conducted at the Sitra office, located in Helsinki. All interviews were conducted in English and transcribed by the researcher, with the exception of the pilot interview, in which case the interview notes have been provided. Information regarding the interviewees can be seen in this table:

Interviewee	Position	Gender	Interview Date	Referred to in Text
Interviewee 1	Leading Specialist, Impact Investing	Female	8.11.2018	Jonna
Interviewee 2	Leading Specialist, Impact Investing	Female	10.12.2018	Anna
Interviewee 3	Project Director, Impact Investing	Male	30.4.2019	Mika
Interviewee 4	Senior Lead, Venture Capital and Private Equity Funds	Male	2.5.2019	Juuso
Interviewee 5	Senior Advisor, Impact Investing	Male	13.5.2019	Petri
Interviewee 6	Specialist	Female	22.5.2019	Elina

Figure 3. Conducted Interview Descriptions

3.2.2. Secondary Data

In addition to the interviews conducted, additional publications, texts, and presentation slides were obtained regarding Sitra's work to ensure a more robust understanding of the various aspects in which the organization operates. Secondary data analysis is pertinent to the thorough understanding of the research questions and allows for the researcher to go through the process in a less time-consuming manner, one of the many advantages to collecting secondary data (Miles, Huberman, & Saldaña, 2014). In addition, it is relatively easy to obtain high quality data and allow for more time in analyzing the data, among other advantages (Bryman, 2001). However, secondary data analysis is not without its limitations, such as lack of familiarity with the data, complexity, and little control over the data quality (Bryman, 2001). Many of these texts obtained are in regard to work with international organizations or official statistics of Finland. All of these texts have been important to analyze because they point out the importance of impact investing through outcomes-based contracting tools, features of success of each bond project, and have provided information regarding how to transfer this knowledge to cross-border contexts in addition to the development of relationships that Sitra has established with outside organizations.

3.3. Data Analysis

Data analysis is often a difficult task because researchers are required to make sense of the large data set that they have collected by creating themes through their own interpretations and pattern identifying (Patton, 1990). Data analysis has been conducted parallel to the interviews and gathering of secondary materials, not entirely at the end of the data collection because data collection and data analysis are seldom separate processes (Eriksson & Kovalainen, 2011) and allows the researcher to cycle back and forth in understanding the past information collected and ways to gather new data (Miles, Huberman, & Saldaña, 2014). All of the interviews were recorded, with the exception of the pilot interview, and then transcribed in verbatim. Field notes were also collected in each interview because they permit the researcher enhanced recollection when going back through and making analysis (Miles, Huberman, & Saldaña, 2014). Before transcribing, first interpretations were made in which quotations that seemed important were bolded. Coding software was not used in this process because only six interviews were conducted, and this allows for a more thorough understanding of the data. Coding is a process often applied in qualitative research to analyze and extract core themes, “whereby the data are broken down into their component parts and those parts are then given labels” (Bryman, 2001, p. 13). In vivo coding techniques were utilized to allow the researcher to grasp what is important to the interviewee and is important to this type of practitioner research because the researcher can better understand every day-use terms in an emergent field (Saldaña, 2013; Miles, Huberman, & Saldaña, 2014). The encoding process involved recognizing patterns and categorizing them into themes, which often allows the researcher to see, make sense of, and interpret the qualitative information that has been collected (Boyatzis, 1998; Miles, Huberman, & Saldaña, 2014). The researcher checked back through the initial data throughout the coding process in order to reduce and mitigate any risk in misinterpreting the findings. For presenting the findings in the following chapter, verbatim quotes were included to emphasize the trustworthiness and perceived impact of the study (Corden & Sainsbury, 2005), as well as allow the readers to make their own interpretation of the quotation (Patton, 1990).

When analyzing secondary data, I employed methods of content analysis to be able to interpret and give sense to the language and organizational style in which the publications, meeting minutes, and other important documents are written (Eriksson & Kovalainen, 2011). By analyzing these texts through content analysis, I have identified how Sitra and each of the international organizations understands their own contexts with which their models operate

in. This discourse supports in obtaining a better understanding of the research phenomenon and development of the framework. Through the various analytic processes, I have been able to gain a holistic understanding of Sitra and their work with social impact bonds.

3.4. Empirical Data

This section aims to provide a description of the three broader contexts in which this study takes place. First, a description of the case company, Sitra, will be provided to gain an understanding of why it was chosen in this study. Furthermore, I will explain the Finnish context within which this case takes place, and other international contexts that will bear the effects of SIB projects.

3.4.1. Case Company Description

It is important to lay out the central organizational context in which this research will apply. Most importantly, the research conducted will be within the context of and to the benefit of Sitra, the Finnish Innovation Fund. Sitra was founded in 1967 and was offered as an endowment from the Finnish Parliament on the country's 50th anniversary. The fund was created in order to advance the nation's qualitative and quantitative economic growth. Sitra aims to promote successful and sustainable well-being through a socially, ecologically, and economically grounded vision (Sitra, 2018).

Sitra has been identified as the case company because they have exemplified visionary work in promoting social outcomes-based contracting tools, particularly Social Impact Bonds, within the impact investing industry. Sitra began its work with impact investing in May 2014 and has ensured its support in the focus area until December 2019. Sitra has sought sustainable well-being for the citizens of Finland through their proactive and preventive approach to impact investing. The employees of Sitra believe that co-creation and collaboration within the local community will allow for the greatest systemic impact within their nation. Currently, there are 6 SIBs and one Environmental Impact Bond (EIB) that have been implemented already or are in the process of implementation (Pyykkö, 2019). Their foci and launch date can be seen in the table below:

SIB or EIB?	Theme	Launch Date
SIB	Public sector occupational well-being	2015
SIB	Rapid employment and integration of immigrants	Early 2017
SIB	Well-being of children, families with children and youths	Early 2019
SIB	Advancing unemployment	Summer 2019
SIB	Prevention of Type 2 Diabetes	2020
SIB	Supporting self-care of senior citizens	2020
EIB	Reducing nutrient leakages	2020

Figure 4. Description of Sitra’s Bonds and their Launch Dates

As the implementation of social impact projects is gaining worldwide popularity, the authors mentioned in the literature review have all set the basis for which Sitra aims to employ their projects. The Impact Value Chain and logic model created by Clark et al. (2004) and later advanced by Ebrahim and Rangan (2014) is the underlying root for which Sitra creates its own SIB model, although in Sitra’s process, there are only four steps, defined as: input, output, outcome, and impact (Pyykkö, 2019). Furthermore, Sitra also utilizes the Theory of Change perspective discussed in the literature review, which allows the organization to identify the root cause of the topic at hand.

Most of the scholars mentioned in the literature review agree that there needs to be some sort of evaluation for impact projects to be able to see the community-wide influence these projects may have. Additionally, various stakeholders of the bond projects, including investors, like to know where the target outcome may lie and what sort of return the project will have in order to conduct a cost-benefit analysis to decide if the project is worth investing in. Sitra has taken the various stakeholders’ points of view into close consideration, so as to understand the whole picture and what may be a realistic outcome of the project.

Furthermore, Esteves, Franks, and Vanclay (2012) point out a flaw that coordination among project planners is lacking. The careful coordination and complete understanding of the context in which the project is implemented is imperative for Sitra. As was mentioned before that the scholars either seem to take a more methodological approach using a framework, or a subjective approach that wholly considers the projects as social interventions, this modeling structure may aim to tackle both approaches as Sitra implements

a bond model process and seeks to examine the wider impact on a more subjective level. This research may fill the gap that a methodological framework can be implemented that also helps to understand and manage change, not simply seek a numerical outcome.

As mentioned above, Sitra’s modeling process combines facets of both logic models and theories of change models, by creating a model that seeks out the root cause analysis. As can be seen in Figure 5, Sitra first defines the goal wished to be achieved in whichever community they are implementing the project. It is only after a clear objective is defined that they start to consider outcomes, outputs, and inputs, which are marked with indicators so Sitra and the various stakeholders can easily identify if their objectives are being met. Sitra seeks demand-driven growth for impact through their outcomes-based projects, where stakeholder co-creation in being able to identify actionable steps is essential to the success (Hilli, 2018).

What is impact?

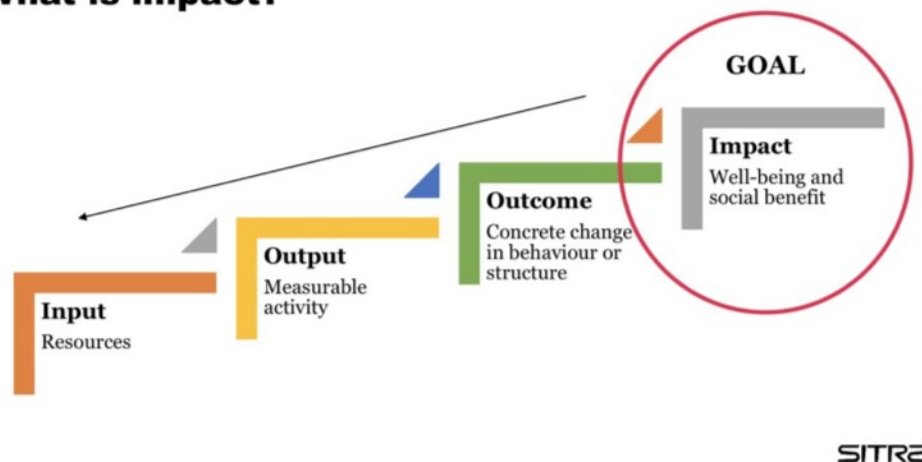


Figure 5. Sitra’s Impact Chain (Tonteri, 2018)

The current model for Finnish SIBs is fundamentally based on both operations and economics. Regarding operations, Sitra must define clear steps to be taken and who is going to be involved to get from the beginning point to the target point. The operational model is based on the root cause analysis and defines what resources and interventions the SIB will provide. Economically speaking, the modeling is based on the profitability of the investment, and the timing of the costs and outcomes. The economic model is determined after the operational model and identifies the profitability and pricing model that best suits the end-user, buyer, service provider, and investor (Hilli, 2018). There are three levels of impact modeling Sitra takes in which the operational and economic models are determined, as can be seen from the figure below. The first step is to determine the societal benefit, where the

impact phenomena is defined and the benefit is calculated. The second level includes outcome generation in which the systemic outcome generation and outcome management models are created. Finally, operational modeling is produced through intervention modeling and innovative intervention modeling (Heliskoski, 2018).

Levels of impact modelling

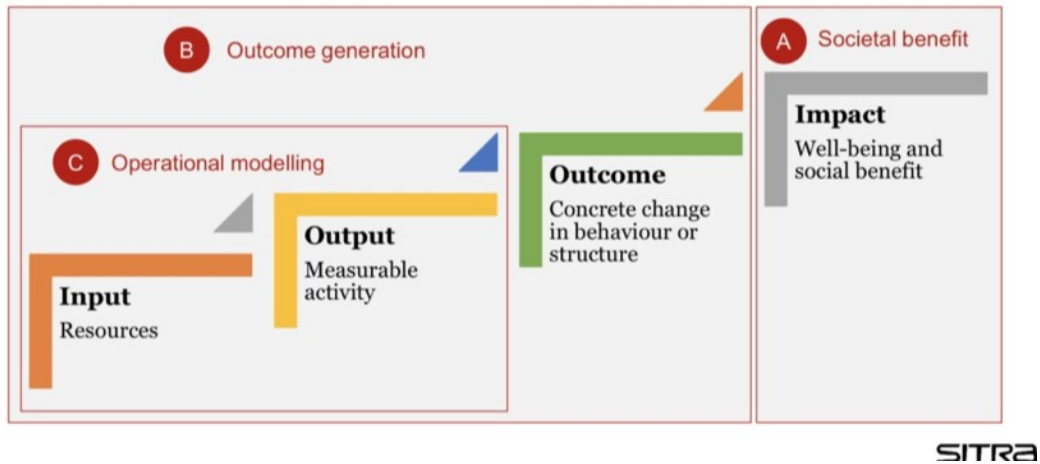


Figure 6. Sitra’s Defined Steps in Creating the Model (Heliskoski, 2018)

As mentioned previously, the implementation of the SIB requires many different stakeholders, and Sitra’s model is no different in the requirement of many parties. The structure of the SIB and the interaction between stakeholders can be seen in the figure below. Sitra plays a prominent role in getting the fund up and running, in addition to bringing all the actors together in co-creation, a core tenet of Finnish SIBs. Two key changes occur with the implementation of this model compared to other impact models: first, the commissioner now acts as an owner of the model instead of a determinant; secondly, instead of acting simply as mechanical operators, service providers are now innovative impact actors (Hilli, 2018). Sitra supports the service providers in becoming innovative actors by providing them with an Impact Accelerator Program and the Impact Boot Camp to help them in creating outcomes-based and demand-driven services that will suit the needs of the end-users (Pyykkö, 2019). It is important to understand that Sitra’s role is not as a project manager or even as a commissioner; rather they act as an intermediary, an ecosystem builder, and a facilitator in the creation of the bond projects (Tonteri, 2018). Key players in Finnish SIBs that have been implemented thus far include: commissioners such as The Ministry of Economic Affairs and Employment, various municipalities, Local Register Office; investors like Sitra, City of Espoo, local retail cooperatives, private investors; fund managers such as Epiqus (a social

enterprise specialized in SIBs), FIM (asset management company), and Central Union for Child Welfare; and service providers that are often private companies or NGOs (Tonteri, 2018).

Finnish SIB – basic structure

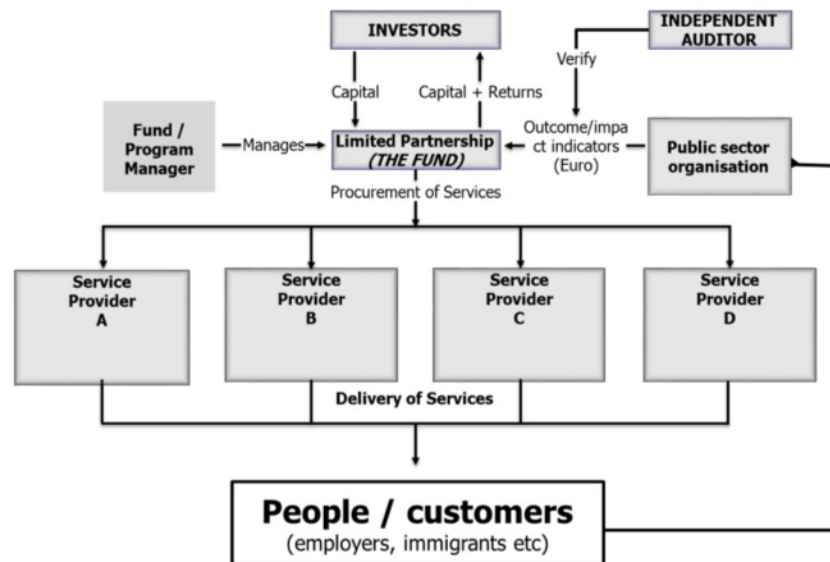


Figure 7. Sitra’s Basic Structure of a Finnish SIB (Pyykkö, 2019)

3.4.2. Finland as a National Context

Although there are seven varying contexts under which these projects operate, Finland acts as the national context within this case study. Finland has specific institutional factors put into place that permit and inhibit the bond projects. These institutional factors include things like Sitra’s ability to gain access to certain ministries and their registrars, the implementation of laws and regulations that relate to employment, health, and immigration, and other cultural and societal norms and factors that might contribute to the success of these bond projects. Finland also has its own way of disseminating knowledge to its own citizens as well as outside countries, of which this understanding will play a large role in answering the research questions.

All seven of the bonds were discussed in the interviews, but not so much on an individual level. The modeling process is the same for all of the bonds; differences lie in assessing outcomes through indicators and selecting target beneficiaries based on the contextual topic that have required the need for specific-industry expertise, but the institutional factors and possible constraints remain the same. The success of these projects is

not so much based on the industry in which they are operating, but rather the society as a whole. Therefore, the bonds are not looked at individually, but rather the outcomes-based modeling as a tool is being observed in this study and in answering the research questions.

3.4.3. Other Relevant Contexts

There are also other types of contexts that relate to this research. These are the industry context, societal context, and international context. To start, the impact investing industry context is an important piece of this research. This helps answer the question of how Finnish knowledge of SIBs can be transferred to cross-border contexts within the industry. There are many factors that will contribute to how the knowledge will be transferred across borders; Sitra and other organizations within this industry are already having roundtable discussions and seminars through which information regarding the bond projects can be disseminated. Another context which has a correlation with the industry context is the societal context in which each of these organizations is operating. The whole reason for the implementation of SIBs is to improve the lives and well-being of individuals around the globe. These projects are named social impact bonds because they wish to create systemic change within the country in which they have been set up. The way knowledge is transferred within the industry will either lead to success or failure in some of these countries wishing to create systemic change for their citizens.

In contrast to the Finnish context, there will be varying international contexts as one of the questions aims to answer which institutional factors play a prominent role in shaping the modeling process and implementation. Like Finland, each country has their own formal and informal institutions set in place. Varying laws and regulations, societal and cultural norms, and other institutional factors will truly determine whether or not Finnish SIB models can become a success in outside countries. A model that works in Finland may not necessarily work in cross-border contexts due to specific policies or cultural practices. Some of these countries Finland may be trying to help could possibly be much less developed than Finland and this also plays a huge role in shaping the institutional factors that could contribute to the successes of the bond projects. This will be of utmost importance to keep in mind when attempting to answer the research questions as the number of contexts these models operate in is limitless.

3.5. Trustworthiness of the Study

The section describes how the research methodology is evaluated utilizing the assessment tools which warrant the reliability and validity of the study. Measurement is essential throughout the research process because it allows the researcher to test the hypothesis and prove its feasibility or faultiness through the data collected (Cooper & Schindler, 2008). Typically, there are four assessments in evaluating the trustworthiness of the study, and are especially relevant to case studies: reliability, construct validity, internal validity, and external validity (Yin, 2009), which will be described below.

3.5.1. Reliability

Reliability refers to “demonstrating that the operations of a study – such as the data collection procedures – can be repeated, with the same results (Yin, 2009, p. 40). In essence, reliability means that a later investigator can conduct this research and have the same findings. Reliability presumes that situational factors do not interfere with the results of the data and it is free of random or unstable error (Cooper & Schindler, 2008). Yin (2009) suggests two tactics in ensuring the reliability of the study: case study protocol; and case study database. A case study protocol allows for the effective documentation of the research process and this has been taken into consideration and is the purpose of this writing. A case study database includes the data which has been collected and this can be seen in the interview answers provided in the findings. Furthermore, external and internal reliability are additional concepts explored by Bryman and Bell (2011). External reliability refers to the replicability of the study while internal reliability is about consistency of findings within the team. External reliability has been ensured through the interviewer adopting a similar social role in each of the interviews, while majority consistency was found in the interview answers which ensured internal reliability (Bryman & Bell, 2011).

3.5.2. Construct Validity

Construct validity is an assessment tool in case study research that “refers to the extent to which a study investigates what it claims to investigate” (Gibbert, Ruigrok, & Wicki, 2008, p. 1466). Yin (2009) points out the necessity in overcoming the subjectivity of qualitative data by ensuring the construct validity of the study and proposes multiple ways in which to mitigate this risk: through the utilization of multiple sources of evidence,

establishing a chain of events, and having key informants review the case study report. Multiple sources have been utilized through data triangulation which has allowed for thorough and robust research through the different data collection methods of interviews and additional texts (Yin, 2009). The secondary material collected indeed support the findings of the primary interviews. Furthermore, a chain of events has been established by detailing the time, place, and length of the interviews conducted.

3.5.3. Internal Validity

Internal validity ensures that a good match has been made between the researcher observations and the theories constructed, and typically is a strength of qualitative research because it allows for a high level of similarity between concepts and observations (Bryman, 2001; Bryman & Bell, 2011). Internal validity is achieved by the researcher presenting a thorough argument with logical reasoning that can defend the research conclusions (Gibbert, Ruigrok, & Wicki, 2008) and is ensured through four tactics: pattern matching, explanation building, addressing rival explanations, and using logic models (Yin, 2009). The method of pattern matching has been utilized in this study through the prediction of patterns that has been exhibited through the constructed theoretical framework and these predicted patterns have been compared with empirically observed patterns (Gibbert, Ruigrok, & Wicki, 2008). Furthermore, explanation building has been utilized as a method because produced results have been compared to existing literature (Gibbert & Ruigrok, 2010).

3.5.4. External Validity

External validity refers to the degree to which findings can be generalized across social settings (Bryman, 2001) and is a critique of single case studies because they are often not generalizable through statistics (Yin, 2009). However, analytical generalization is a technique that can be utilized in emphasizing case study rigor because empirical observations found can be related back to theory for further theory development (Gibbert, Ruigrok, & Wicki, 2008). In order to ensure external validity, clear selection and identification of the case company and robust contextual descriptions have been exhibited in the aforementioned section (Gibbert & Ruigrok, 2010).

4. FINDINGS

This chapter presents the findings of the six interviews conducted with employees of Sitra working in the impact investing team. The objective of this study was to determine how Finnish models for Social Impact Bonds may be transferred to cross-border contexts. The findings of the study are presented in order of the study's three sub-questions first, with the key question presented last:

1. *What institutional factors allow Finnish Social Impact Bonds to be successful in the Finnish context?*
2. *What context-specific institutional factors will make this model a success in countries outside of Finland aiming to implement Social Impact Bonds?*
3. *What activities should Finland and the knowledge-receiving outside countries undertake to transfer and apply the Social Impact Bond models?*

This discussion will be followed by insights shedding light on the main research question: *How can Finnish models for Social Impact Bonds be transferred to cross-border contexts?*

4.1. Finnish Institutional Factors

This section presents the findings related to the first sub-question, answering to the institutional factors inherent in Finnish society that make social impact bonds successful in the Finnish context. The findings have identified a variety of characteristics that are pervasive to Finnish society and manners in which companies, government, and the people operate that contribute to the successful implementation of the bond projects. Some of the characteristics are related more to societal factors while others are related to the government or even stakeholders that work within these projects.

4.1.1. Society

Within Finnish society, there are three distinct characteristics that allow social impact bonds to be successful. To start, trust and honesty are a very pervasive part of Finnish society and this trickles down to trusting the government, trusting contractual agreements among business partnerships, and overall trust within the people of Finland. There are very minimal ways to cheat the system in Finland and the interviews found that the level of trustworthiness in Sitra is also very high. Most interviewees agreed that this is a large component of success for the bonds:

“...you have that kind of everybody, basically, everybody trusts each other in Finland.” - Mika

“... in Finland, if the government makes a contract, you can trust it.” - Petri

As seen from these interview quotations, trust is a prominent facet of Finnish society that has led to the success of not only social impact projects, but Finland as a country. Secondly, the data systems and IT infrastructure have allowed for confident research of the social impact bond projects. As will be discussed further below, effective modeling is essential to the success of the projects. To aid in modeling and discovering the target beneficiaries, past issues, and setting outcomes, data needs to be sufficient. Although the collection of data is difficult and there are still some inconsistencies, fortunately for Finland, data is relatively easy to find and the systems that have been implemented are rather robust. Especially with regards to outcomes, one interviewee pointed out that data is relatively easy to obtain to understand the outcomes indicators:

“And they’re just measuring the the difference between taxes that these people are paying versus the social benefits that they are receiving... So it’s sort of well a quite simple method in that way. And it’s easy because you get the actual data from the tax agency and you get the social benefits from... KEELA.” - Juuso

More generally, a few of the interviewees agreed that databases in Finland are adequate and can be seen by one interviewee’s comment:

“In Finland, we have quite uh good databases.” - Petri

The ability to collect data has immense implications for the success of the project, to be explored in sections further below, but to sum up, the emphasis of tracking and data registries have been an integral part of the initial modeling and outcomes measuring in Finland. Thirdly, and tying into the data infrastructure that has been built and the factor of trust mentioned above, the level of societal sophistication in Finland has been an important factor contributing to the success of the bond models. Finland as a whole is a developed nation with basic necessities already in place, such as infrastructure among other things, that are fundamental to the building of a social impact bond. The impact investment project director at Sitra summed it up by saying:

“...our basic situation, domestic situation is so good already. You know that we have a quite sophisticated society... And coming from this kind of society, you know [we have] those basic fundamentals.” - Mika

Moreover, Finnish society is well developed and has shown high levels of various indicators that prove its well-being and stability. For example, as a country that has high literacy rates

and a successful education system, general country stability, high quality of life and levels of innovation (OECD, 2019), all these indicators suggest Finland already has a starting advantage to implement a bond model that seeks to empower society and create impact around the community. These three inherent societal factors unique to Finland are difficult to replicate in other countries, especially those that are in the midst of development, but are an integral part of the successful implementation of SIBs in this nation.

4.1.2. Government

Based on the interviews, it can be concluded that the role the government plays in Finland also contributes to the success of the bond projects. The overall low levels of corruption and bureaucracy allow trustworthiness of the bond projects and for Sitra to accomplish a lot in a short period of time. When prompted to share some factors that might contribute to the success of SIBs in Finland, one interviewee answered:

“Well, there’s a huge also um difference of course, there’s much less corruption. There’s much less bureaucratic way of working, where in other countries you might have to uh, you know talk with the prime minster to get anything working. Here you, we work with the some officials from the Ministry of Agriculture to do these things.” -
Elina

The overall stability of the government and their ability to keep contractual agreements regardless of a change in politicians is vital to these projects, especially considering most of these bonds are long-term projects extending over five-year periods. Additionally, in countries that may need approval from the leading officer of the country, implementation may take quite some time and as mentioned previously, building the fund and getting all the stakeholders on board requires a lot of back and forth discussion, which just prolongs the process even more. Having the ability to implement projects without so much bureaucracy allows Sitra to take less time in focusing on getting approval, and spend more time building the bond model and securing the stakeholders. Furthermore, it was concluded that the government needs to be on board with the process and have a strong role. The government needs to understand how they might wish to change the systemic and structural issues pervasive to their society through the use of SIBs which will allow them to better utilize their taxpayers’ money. For Finland, the public sector already plays a heavy role in society, so this has allowed for successful implementation of the projects. The need for the public sector in Finnish society and bond projects can be summed up through these three quotes:

“...but I would say that social impact bond as an instrument is usually for for public sector organizations.” - Anna

“Of course, as a Nordic welfare state or welfare society we do have a really large public sector which is responsible for a lot of services so that’s also a big or different situation from other, for example UK and US. So, that kind of or for that reason, we’ve been really emphasizing the role of the public sector in Finland in order to make the change and use SIBs as a tool for systemic change.” - Anna

“Again, and that is also the reason that it’s very crucial for us that the public sector is really involved to our our social impact bond models. Of course, they are commissioners in other countries also but sometimes the role of the public sector is quite weak... I think that is a fundamental question in our case and that means that our public sector has to be involved very much.” - Mika

Although a welfare society may not be necessary for successful implementation of bond projects, as can be seen through the success of SIBs in countries whose public sector plays a less important role, such as the United Kingdom, it is indeed crucial for Finland to have a government that plays a strong role in implementing the bonds. As will be discussed further, mindset changes are necessary to create systemic impact, and this can start at the government level, which has allowed for successful implementation of past bond projects in Finland.

4.1.3. Stakeholders

Because of the fund model that is set up in Finland, there are a lot of stakeholders involved. To be able to see successful implementation of this model, all the stakeholders need to have a similar mindset and be involved in the process and the ecosystem. In Finland, due to in large part Sitra’s present role in society, the stakeholders involved in the various models have started to build their awareness around what social impact bonds are and they’re becoming more familiar with the concept. When asked what the impact has been like among the various stakeholders of the project, one interviewee pointed out their increasing awareness:

“There are a lot of stakeholders already who are familiar with the concept even, because the concept is also it’s not like everybody knows about it. So there has been a bit of change in mindset and we can see people at the ministries talking about outcomes more and all that. So you can really see that okay, some small hype is there and something is happening and you the ecosystem is slowly building and yeah. I

think in Finland... I think you can see the work of Sitra from 2014... At least the awareness is there. Um it's still kind of difficult to really do this concretely, I think. But the awareness is there." - Elina

Having increased awareness of stakeholders in Finland allows for better co-creation and ecosystem building, which in turns allows for a more successful project. Additionally, the investors are quite familiar with the fund model, which has allowed them to feel more inclined to invest. The fund model here in Finland is set up as a limited partnership so the investors already know how the limited partnership works and the tax transparency of the legal status helps them feel safe to invest. When asked about the initiating of the structure, all interviewees agreed that a limited partnership was the best fund model for investors in Finland:

"The social impact bond, the fund is a limited partnership as it's legal status and the limited partnership because it's it's a very familiar way to to be involved for Finnish investors... And then the limited partnership is familiar for Finnish investors in terms of tax-based legislation." - Mika

For investors in Finland, having the limited partnership fund model has led to an easier onboarding process. With regard to service providers, they are also quite familiar with the mindset surrounding impact investing and the need for outcomes rather than activities, which has allowed them to successfully take on these bond projects. This interviewee summed up the mindset of the service providers well:

"The sector of the service providers is also quite unique in Finland because NGOs and companies to me they're very developed and they quite quickly understand all the okay they're doing branding about their sustainability or they're doing, they understand that they are offering much more services that can lead to the outcomes and all... There are big NGOs doing this so they already had before very strong social missions. So, you don't have to be creating that much hype around that." - Elina

One additional concept that many of the interviewees agreed upon which may lead to successful bond projects is the lack of tradition of philanthropy in Finnish society. Although this may sound limiting, it is rather helpful for investors in the regard that the grant market for NGOs is already covered so they should really see this as a financial-first opportunity, which would allow for recirculation of money, rather than pure philanthropy. A social impact bond is one tool for investment and portfolio diversification, which also happens to create a societal impact and this mindset has allowed investors to feel comfortable investing in the

projects. Two interviewees mentioned the philanthropy aspect, or lack thereof, in Finland which may in turn create a larger impact of these projects:

“...It’s been important for for us in Finland and Sitra and this is not uh a philanthropy. We really, because there’s uh quite much money coming from grant company to CEOs and nonprofit organizations in Finland and we think that there isn’t a need for for any more grant money in our society is quite well covered so we really want that SIBs are aren’t philanthropy, but they really are for investors, they are option to really invest.” - Anna

“Another step would be putting the philanthropic money to impact investing because then you would get the results plus you get the money back and you can actually rotate the money so you can actually, with the same amount of philanthropic money that normally goes one way only, you would actually you could circulate the money and you can actually a lot bigger impact and in Finland because of the sort of Nordic welfare system, we don’t have that kind of a tradition of philanthropy here.” - Juuso

The mindset among investors in Finland that a SIB can allow for a market return helps these projects to see success and gain trusted and confident investors who are willing to put their money at risk if the return is sufficient. Therefore, seeing this as a tool for investment has really helped these projects take off.

4.1.4. Existence of Supportive Organizations: Sitra

An additional aspect that has allowed Finnish SIBs to be successful is the work that Sitra has been able to accomplish by launching, creating, modeling, and ecosystem building for Finland and the stakeholders within the country. When facilitating the interviews, the role that Sitra plays in the social impact bond field was heavily noticed and although Sitra has influenced other countries and organizations, their main work is within Finland and this has allowed them to be well-known and trusted. Sitra’s role is quite unique in the sense that there are not many other organizations similar to Sitra in other countries who are able to do what Sitra does. Two interviewees summed up the role that Sitra has within Finnish society and the importance of Sitra in the various roles it presumes:

“Well the first thing is Sitra. So, in many countries there’s no such organization who is supporting the whole ecosystem like and especially public sector. So, UNDP’s trying to do that, right? Also, to support um kind of development of the whole impact

investing ecosystem and supporting public sector in designing the SIBs and EIBs and all that.” - Elina

“But I think as Sitra, our basic role is already so unique and that it's somehow it's easier for us than for anyone else for example abroad to do what we are doing here because as you know we are a think and do tank and we are allowed to do whatever is needed in terms of sustainable well-being. And so, at the same time that means that in terms of impact investing as implementing social impact bond model in Finland, again we have done everything possible because when we started our activities in 2014, there was nothing in terms of impact investing in Finland.... So, we decided to focus on social impact bond model and that meant that we started to how to say train or make that kind of capacity building among stakeholders and of course we have focused again very much on our public sector.” - Mika

Sitra has a such an important role in getting SIB projects off the ground and creating the ecosystem and mindset changes within society. Sitra as an organization and all the tasks that it achieves is hard to replicate and is very much a reason why these projects have been successful in the past. Moreover, the level of quality and trust Sitra exemplifies further strengthens their role in Finnish society. Not only does the Finnish government trust Sitra, but other stakeholders as well, and this can be seen from the fact that Sitra does not report to any ministry but is its own organization supporting Finnish well-being. The level of trust placed in Sitra and quality it fosters can be seen from these two interviewees' quotes:

“Sitra is very unique. It's very unique organization with freedom because um Sitra is reporting to Parliament, but they are not under any ministry or anything so there is also certain freedom in that. So, um they're very independent and um the level of quality is very high.” - Elina

“Yeah everybody trusts each and when we are proposing to invest of something as Sitra, you know, the first thing is that okay, maybe we don't understand but because it's coming from the proposal coming from Sitra, it has to be taken seriously.” - Mika

It is easy to realize now not only how trusted Sitra is by the Finnish government, stakeholders, and society, but the level of quality they ensure with all of their projects. One of the major roles Sitra undertakes within the bond project process is as a facilitator and collaborator to ensure all the stakeholders are in the right mindset and understand how they can create impact. Their role as an intermediary is exemplified by the work one of the Sitra employees describes here:

“It’s much about um, really getting people together and facilitating the collaboration between different stakeholders and organizations and we organize quite much um webshops, and uh, some roundtable seminars from time to time and uh trainings. We do a lot of kind of capacity building work. Those would probably be the core things that I’m doing... yeah, yeah and if I try to describe some of Sitra’s role in Finland, in building SIBs and impact investing ecosystem, uh, as a whole, I would say that it’s as a facilitator or intermediary or ecosystem builder, so we are kind of trying to support all the actors in the system.” - Anna

Without Sitra, the impact investing ecosystem in Finland would not be as sufficient as it is today and through Sitra’s role as a supporter of all the different aspects, Finnish SIBs can see success. Another difficult task, mentioned by multiple interviewees, that Sitra has taken upon itself to conduct is that of thorough modeling work to initiate the projects. Thorough modeling is expensive and takes skill and time, and perhaps without the effort Sitra has put into modeling, the recently implemented projects may have been completely different. One Sitra employee speaks about which stakeholder would be best to pay for the modeling work in the future:

“It’s really difficult to find someone to pay for the modeling because it’s not cheap to make this thorough financial and this kind of modeling because you need a lot of data from different data sources and then you have to do a lot of modeling and then you do everything and that’s quite expensive and um it’s something that so far we haven’t identified who would be willing to pay for this modeling because it cannot be the fund manager or project manager because of course there would be a conflict of interest. Because if they would do the modeling, they would probably overestimate the the expense of the of this problem. And so that they would get better returns.... And um I think best candidate to pay for it would be the commissioner of course they on the other hand would have interest to sort of downsize the uh so that they wouldn’t have to pay so much as a result for the results but that’s something that Sitra has been doing for these few, few SIBs.” - Juuso

Modeling work can be expensive and time consuming but due to the effort Sitra has realized and started, the SIB models have been able to target the right beneficiaries and identify outcomes indicators that support the realization of the final result. As mentioned above, although Sitra does work with outside countries, their main role is to support Finnish well-being, and this is another factor of success for SIBs in Finland. Because they support Finnish citizens first, they have been able to identify topics and issues pervasive in Finnish society

that will contribute most to creating systemic change. Although Sitra has been a leader and is known worldwide for their role in impact investing, putting Finland first has truly allowed them to help their own citizens:

“The main mandate of Sitra is to support Finland the well-being in Finland, so that’s kind of the first thing. So, the international corporation is not the main focus or main mandate, right?... But there is freedom that if additionally, they have time to support other organizations, they’re allowed to do that.” - Elina

Putting Finnish citizens first has granted Sitra the ability to conduct projects that are going to create larger impacts within the Finnish community and will continue to contribute to the success of SIBs in Finland. The unique role that Sitra undertakes in society has supported the simple initiation of SIB models and without the work that Sitra has executed, Finnish SIBs would not be where they are today.

4.1.5. Summary

It was discovered in the interviews that there are different institutional factors among the various levels of engagement with these bond models that has allowed Finnish SIBs to be successful. Within society, trust, data, and sophistication levels are pertinent to the formation of SIBs. Furthermore, the government stability and low level of bureaucracy has allowed for confident investment and quick implementation of the projects. Additionally, the strong role the Finnish government plays in its society permits a belief that these projects will see success because the government cares about systemic changes and investing in the health and well-being of its society. Moreover, although there are many stakeholders involved, their increased awareness and familiarity with impact investment tools and the structure of the bonds are other important factors that help Sitra realize the implementation of the projects. Finally, Sitra’s role as a collaborator, facilitator, and modeler, among other things has allowed Finnish SIBs to flourish. All of these factors have allowed Finland to be highly sought out for their knowledge with social impact bonds and outcomes-based contracting tools.

4.2. Outside Country-Specific Institutional Factors

Social impact bond modeling has been recently sought out as a tool to implement impact investing in countries all over the world. This section presents the interview findings

about contextual factors that may contribute to the success of SIB models in various countries. The interviews conducted spoke a little about the various countries that Sitra has worked with in regard to SIB models, which include both developed and developing nations. Additionally, it is important to note that one interviewee spends half of her working time with the United Nations Development Programme (UNDP) impact investing team and therefore, the findings presented help to understand better the needs and projects of various nations. For each of these countries to see success, some context specific institutional factors stand out to be important in the implementation process. While some of these factors may not be inhibiting for developed nations due to their more advanced nature, most of these factors should still be considered and act as a strong foundation for success in each country aiming to implement social impact bond projects. Many challenges persist within each country's society, government, and stakeholders, but if overcome can contribute to the success of SIBs.

4.2.1. Society

Similarly to Finnish SIBs, there are some inherent factors to society that will allow each nation to see success of their own SIBs. The development of an effective infrastructure, especially with regards to data and IT infrastructure will allow SIBs to thrive. It was noted by several interviewees that data is hard to obtain and thus, create an effective model. For countries lacking these sorts of data registries and information about the health and well-being of their citizens, SIBs may be harder to implement. Additionally, they may be less effective because the model may not be getting at the root cause if there is not enough information on the issues that persist within society. One employee spoke about her work with other countries and their lack of infrastructure, which might inhibit their success:

“We’ve been talking with Italians and with um with Hungarians and and whoever and they are like oh my god we don’t even have that kind of registry to even try to get that kind of data service.” - Anna

Being able to obtain sufficient data is pertinent to creating an effective model, and this is something that is recognized by both Finland, as mentioned in the above section, and other countries. Furthermore, it is necessary to recognize the systemic and structural problems that persist within each society so that they can be tackled first to create a solid foundation for implementation of the SIBs. If there is no foundation, one needs to be set up and Sitra has helped countries to do this in the past:

“Because there is no infrastructure measure or anything or so there if you want to make a SIB in countries where there is no infrastructure measure or anything. So, we have to build the measuring infrastructure and other things which are already in Finland. We don’t have to consider those in Finland.” - Petri

It is important to understand the structural challenges that may pervade various societies because they are to be overcome in order for SIBs to function properly. SIBs are created from root cause analysis, so if some specific infrastructure is lacking to create a solid foundation for the project, it could be a likely cause of why some other problems in that society persist and must be built. An additional factor surrounding society is identifying the operational needs and what are the manners in which things work. For example, every society is different; they have different administration and legal systems, different cultures, norms and practices, and different stakeholders. Simply put, it is absolutely pertinent to recognize how its society operates if the country wishes to see success in implementation of their SIB projects. When speaking of her work with UNDP, one Sitra employee points out the various context-specific operational needs to consider when building SIBs:

“And for example, there are always legal aspects. So usually I always gather after these workshops, I gather a group of experts in every country that we had, that we’re designing these. So, there are local experts understanding the topic whatever it might be, whether its employment or whatever. Then a lawyer or legal expert who understands the local legal environment because we are trying to bring a new financial mechanism into it, so you have to understand how to go about it, how the government can pay for outcomes, and can we invest, can we bring international investors there and all that.” - Elina

As will be discussed in the following section, localization is important for SIBs. Although these countries may be able to learn from Finland, they cannot exactly replicate the Finnish models and thus have to consider the ways in which their society operates to see their own success. Furthermore, there also needs to be mindset changes in the various societies, but these come in the form of getting over the fear of change. Especially within the context of less developed societies or stubborn nations which see change more negatively, there is this fear of change because that means things won’t be the way they have always been. People dislike change, and this can be seen everywhere, but some societies are more open to change than others. Creating this mindset of development to propel a nation forward and this idea of creating systemic impact will help societies realize success in their SIBs. In order to

overcome this, countries need to do a sort of rapport building and instilling trust within their society, stakeholders, and the government so that the SIBs will be successful:

“It takes as we know it takes time to to create that kind of trust between countries, stakeholders, and that is also there in other countries you have to do first. But then maybe the person who is being there is changing them and you start at the gate and they know somehow those people are doing much better than we could do in that kind of situation, but it's always that's kind of how to say it they are a little bit afraid again that are they able to take this process forward because some changes can happen. It's difficult because it's you have to spend more time or use your energy to do that kind of [rapport building].” - Mika

Each society has their own problems and issues to overcome but building trust and creating a mindset change will help the bond projects to be successful. As indicated from the interviews, many of the societal factors that are necessary to see success in Finland are also necessary in other countries.

4.2.2. Government

As was mentioned previously, the government plays a prominent role in shaping the success of SIBs and this is no different in outside contexts. There are many factors that will contribute to the success of these projects and although some governments may be more solid and trusted than others, all of these concepts are inherent to the success of SIB projects in their own context. To start, the public sector must create an awareness within their society and their employees about the importance of creating systemic change. It is human nature to want to see quick results and focus on activities over outcomes, but that is not the way to see success in impact investing. One Sitra employee recites his work with an outside government and the need for looking at the larger picture and longer-term strategies:

“For example, now I got a call from the Slovenian government at the beginning of this and they asked me and our team to help them to to implement the first social impact bond in Slovenia and the first because they have visited us last year, but now they have a new government in Slovenia. But they have that kind of traditional idea, despite that they visited us. But they really want to create or develop first social impact bond without having you know that kind of larger approach. But then I challenged them that if they want to get our support they really want to first to have first the idea that what are those challenges, possibilities in terms of different kind of

phenomena or issues in their country. And if they are really willing to change the system to the direction of outcomes contracting that we are not so interested to create or develop only one social impact bond model if they don't have a broader idea behind that.” - Mika

Not only is it important for the governments to create an awareness of the bigger picture, but it is important to create awareness of social impact in general. Many developing countries' governments lack knowledge on the importance impact investing could have in their society and starting with creating awareness in the public sector will allow development organizations to help as much as they can:

“From the international point of view, well the emerging countries or developing, their public sector is not aware of this. It's not it's a long way to go to create an understanding. This is a totally new mechanism and if you really look into the development organizations, UN and similar, there's quite a lot of talk about this because the development cooperation funding and financing into development cooperation is getting less and less, so we need to find new ways of financing SDGs and that's why there's a lot of discussion about financing for development, what can we do differently, um who are the new stakeholders that we should bring into, how to bring private sector and investors into it. So that way there is a lot of discussion.” - Elina

Creating understanding of these new tools as well as how to create larger systemic change will help each nation move forward in overcoming issues pervasive to their society. Another aspect that may be challenging to overcome, but necessary to see progression with SIBs, is strengthening the trust of the government and fighting off corruption. Oftentimes, stakeholders such as investors or service providers, may not be able to trust that the government will keep its promises because of frequent instability. In many cases of social impact bonds, the government is the buyer of the end results. But if the government politicians are changing frequently in some countries, they may not hold true to their payments:

“It's based on trust here in Finland. You don't have to be afraid that you are going to be cheated, which is the situation in some other countries. You cannot believe or you cannot trust your counterpart in largeness. And you know the politicians are changing very rapidly there.” - Mika

Not only are politicians changing quickly in some parts of the world and some nations are struggling to deal with government corruption on a daily basis, but many stakeholders are wary of their governments and for investors, it's often riskier for them to invest:

“...so emerging countries. So, they're of course the setting is much more because there especially the political risk is very high compared to Finland where here when when they say okay we commit to pay the outcome, let's say 5 million for this outcome after 5 years and when they ask well how did you budget that? They say, well we promised to pay for it. And that will stay even if there is a change in government, they have to pay for it right? In other countries they have elections every year and there's political things happening, you never know. Even the service providers or the investors, they don't trust that the payment will come from the public sector because you never know. So political risk is much much higher and that's why it's much more riskier for investors to invest” - Elina

While it is unfortunate, in many countries across the world, political risk and corruption are common occurrences, but this is an issue that if overcome, will allow SIBs to be progressive in their own regard. A final aspect of the governmental side is that simple implementation of SIBs may take longer due to two reasons: the first is that frequently, even in more developed nations, there is more bureaucracy within the government and this will take longer to get approval from higher branches of government and thus implementation of SIBs in general; secondly, in other countries, politics are about how appealing politicians can be and buying constituents to back them up. In some cases, politics are less about the issues at hand and more about who might look better as a representative, so that means some politicians may require more political work and promotion to see the value SIBs could bring to their society. One employee spoke about doing more work in promoting SIBs in other countries:

“So, I think in Finland, it's very much based on technical work when you do the technical work very well, of course, you have to talk with officials, the ministry of finance or so on, but in other countries, it's so much about promoting something and doing that kind of political work as well.” - Elina

In some countries, much more political work within the government needs to be done in order to be able to effectively implement SIBs. Problems such as corruption and political risk are inherent across the world but creating trust and understanding within the government and its relationships with stakeholders will help to overcome these challenges.

4.2.3. Stakeholders

Finally, it is realized from the interviews that there are institutional factors within the various stakeholders that will allow for SIBs to flourish. One important factor for stakeholders to consider is whether they are focusing on outcomes or activities in their implementation. Stakeholders need to understand what the bigger impact could be if they shift their focus from investing in activities to investing in creating larger, systemic change. While this sort of mindset change has already occurred in Finland, getting stakeholders from other countries to think of impact investing from a backwards approach will help with their own models:

“Yeah and the biggest, it’s still very common that cities or ministries they talk about activities. So, they say yeah, we should plant 100 trees then I go okay what do you want to achieve by that and they say we want to achieve um emission reduction. I say okay is this the only activity that you should be doing? Is this the most effective? Like you know we want to start from the outcome or the impact and start thinking about what is it that you want to achieve. What are the big changes that need to happen so the outcomes that lead into that impact and then you go the steps back. When they usually think about from activity, what comes after, you know. So, the change in the mindset, it takes a long time. Because we are so used to the old way of thinking activity based. Outcome based is not what we learned, it’s not how the system works, so.” - Elina

If other countries’ stakeholders can learn to take the root cause and build a model from there, they can achieve outcomes over simple activities which will enhance their overall quality of well-being. The importance that Sitra plays as a supporter of Finnish well-being has allowed Finland’s SIBs to be successful. However, it is the case that many outside contexts, even developed nations, lack a similar support organization to help them see success. Having an organization or network of organizations to execute similar tasks as Sitra is doing in Finland will allow other countries to better utilize their own models. One Sitra interviewee spoke about her work in Belgium and the lack of support in some of the European Union countries in comparison to Sitra’s vital role in Finnish society:

“Now for example we were just recently in Brussels discussing these with other European countries and they’re like there are people from ministries and they are like there is nobody supporting us, there is nobody doing co-creation, there’s nobody

doing boot camps for service providers, helping to procure this from public sector's point of view. So, all this is yeah, very unique.” - Elina

As long as each nation works to construct its own network of organizations similar to Sitraso that they may be supported, they will see success in their projects. Furthermore, and as will be discussed in the following section more, engagement of the local community and experts will allow stakeholders to build their own knowledge to create an effective and continuous flow that will better prepare themselves for future work. No matter how much development aid may be done in a nation, it is up to that nation to become prosperous; the way to do that is to allow the stakeholders to build up their own communities so that they eventually will not need the aid of outside development organizations. The importance of engaging the local community can be noted from this interviewee's comment:

“Okay learn from others, but also understand your local conditions, your role is also to increase the local expertise, so engage the local experts and communities in designing this because if you want to create systemic change and system thinking and all that, you have to have the communities and other stakeholders working together and you're not going to be successful if you just try to replicate something that was done in Finland. But you can use their methodology, you can use their learning, but you have to have, you have to understand the local conditions.” - Elina

This quote also ties into many of the institutional factors above regarding understanding societal constraints and being able to build a SIB from knowing the local context. One factor that may allow other countries' SIBs to grow is reshaping the service providers to better understand what they can offer through these projects. As was mentioned above and persists in this case, service providers need to recognize that they are to offer outcomes, rather than activities when implementing SIBs. In order for the fund model to be successful in outside contexts, service providers need to understand what they are offering and why this is better than simply offering a product or service that acts as an activity, and this is currently lacking in some contexts:

“Um so compared to other countries, they [service providers] have no idea what they are offering. They don't have any track records of success. They don't have anything. It's just like um I feel the service providers and also NGOs are very powerful in Finland.” - Elina

Service providers play an important role in implementing SIBs and they oftentimes work very closely with the project beneficiaries. In order for the communities to see success and feel the impacts of these projects, the service providers need to have a thorough

understanding of why they are offering a product or service that strives for outcomes. One final institutional aspect that will make SIBs successful in outside contexts, especially in societies where certain forms of cheating may be regular, is to instill trust in these projects by implementing better evaluation methods. If stakeholders can implement double or triple check mechanisms to ensure that there are no loopholes in the evaluation, there will be much more trust within the society and within the project itself. Overcoming this risk of being able to cheat the system will provide reassurance to the project buyers:

“In other countries you can still tweak the system... Because there are people who might not be employed even though they were like on paper employed. So, these are also the risks in other countries. They have to be very careful. So, you might have to add several evaluation methods into one for the outcome payers to be convinced that we achieved the outcomes, right? If you can, if you cannot trust the system so much. So, they might for example, okay let’s check from the social registry or the employment agency whether they were employed but let’s also interview them to see or let’s go and check with the companies and we go and check that they were employed there. So, there might be this type of double checking if the system can’t be trusted that much.” - Elina

By inputting additional methods of evaluation, less risk will permeate the project activity and create trust within the system. Stakeholders play a large role in implementing SIBs in their own context, but if they can change their mindset to be more related to outcomes, find support organizations, engage their local community, understand their offering, and overcome cheating risks, they will have success in their projects.

4.2.4. Summary

These interviews led to great insights into institutional factors that may contribute to the success of bond projects in contexts outside of Finland. Just as Finland, these other countries have varying institutional levels of challenges to overcome that will help them realize and execute their models. Within society, they need a strong structural foundation, increased understanding of their own operational context, and a mindset that allows for a building of trust. With regard to government, creating awareness and understanding of impact investing tools like social impact bond models, and overcoming corruption and creating trust in the government will help build systemic impact. Finally, within the stakeholders, local

expertise engagement, support, and understanding are institutional concepts that will help them achieve their goals.

4.3. Pertinent Activities to SIB Success

This section presents the findings of the interviews related to important activities Finland has undertaken to create successful bond models and which activities other countries should undertake in order to see success in their own projects. It is important to note the role that Sitra has played in the application of this knowledge, not only in Finland, but also in their help with other countries. These interviews conducted with Sitra's employees have helped to identify which tasks and concepts are absolutely pertinent for organizations to integrate into building the bond models.

The first activity and one of the most important to the success of a SIB is to create a thorough model. Almost all of the interviewees mentioned the importance of getting the right data, identifying and targeting the right segment, and setting outcomes indicators to prove the success or failure of the project. Part of the modeling process is identifying the root cause, a fundament to social impact bond projects. If the modeler is unable to identify the root cause, they may not succeed in the steps that follow, such as identifying the target segment or setting the right outcomes indicators. Two interviewees discussed the steps of modeling and the importance of utilizing historical data and one included an example project Sitra is working on to better understand the modeling process:

“So we have to understand the root causes and make segmentation on, define the target and we just this problem we have to define also what what we have, what we will see if we remove this problem... If we talk about social things, we have we want to see that this target segment people and target segment, they somehow change their behavior.” - Petri

“So um so the modeling work which is like I said before, it's kind of, you base the activities, the needed activities on the target group. So, the targeting into who are the beneficiaries and when to include them into the interventions you base on the modeling and you get the kind of um you know what to do, who to work with, and that's based on really the data, the historical data or new data. And it's not just that you come up with some random estimation.... So, I think that type of work is very specific and then you get kind of the outcomes, okay what to do, what are the savings or the costs that surround it, what are the impacts or the outcomes that you then

create. You understand okay within this huge for example now the type 2 diabetes, we know it's a huge issue uh in our society. But we need to understand which age groups are in the biggest risks, for example. Or uh and then we see okay these 50-year-old guys are the most costly to the society, so we should really target them. So, you really go deep dive into the data that you have.” - Elina

As was mentioned above, the modeling is useful for setting outcomes and being able to measure impacts. However, many of the projects in place are set over multiple year periods and could be five, ten, or twenty-year long investments. Investors like to see that the projects are making progress, have the ability and security to gain some return by the milestone, and know they will still get their full return twenty years later. A useful tool to help evaluate this is by setting milestone indicators, which comes from a thorough modeling process. One interviewee gave an example of setting milestone indicators and reasons why this is pertinent for investors:

“The timeline is always the challenge. In some cases, like the children's well-being SIB is 12 years, it's a long time. On the other hand, you might have some payment milestones in it so you already look into some of the output level or indicative outcomes after a few years, right? So, they might some payment already back to investors or they are circulating the money, so they don't have to wait for 12 years... So, you can see because you put the milestones, so after 2 years, you should have at least these output level indicators absolved. If not, you have to also then tweak and change the activities, so you would be going into that direction and that's kind of the beauty of SIBs in that you can the flexibility is there, so the also adaptive management kind of perspective so you can then change the activities if you are not you know going towards the outcomes.” - Elina

Modeling has such a strong influence on the way a bond project is implemented and this is why, as mentioned above, being able to obtain data is absolutely necessary to realize the outcome and ensuring the target group is correct, among other things. One aspect of SIB building that Sitra has really stressed and as was seen from the first quote above is the importance of outcomes over outputs. The outcomes-based approach, although sort of a backwards approach, has allowed Sitra to identify the root cause and thus create a fund around enhancing well-being. It is important to mention that this is not the approach taken by other successful SIB leaders, such as some organizations in the UK, and although it may take years to verify if this approach is more beneficial to society than for example an activities-based or outputs-based approach, the logic is there because it starts with identifying the root

cause and focusing out the larger impact. Sitra's project manager speaks about other bonds that have been implemented in comparison to Sitra's mentality, which is outcomes-based.

“But if you are looking very carefully, the indicators of the social impact bonds, those indicators are many times outputs and they are nothing to do with outcomes really. And again, if we really want to change the way how taxpayers' money is used or what we really want to achieve is outcomes in order to get that final impact in the longer term. We really have to focus on our outcomes and not you know be too lazy or something and accept outputs as outcomes based. And that lies here one danger and we really want to have, there a lot of stakeholders, a lot of players who really want to talk about outcomes-based approach, but then in real life they are talking very easily about outputs. And now in that way we don't really change anything.” - Mika

Sitra believes that this mindset and way of approaching the implementation of the SIB funds will be better in the long-term for society and more benefits will be seen because the projects are put in place based on the very root cause. An additional activity that stems from the outcomes-based approach and should be applied to the implementation of these SIBs, which will challenge the stakeholders involved is the changing of their mindsets. When the stakeholders, such as the public sector, service providers and investors, have this mindset change to envision outcomes, they will be much more willing to take on these types of projects in the future and the need for the facilitation of these projects outside the country's own public sector may become obsolete because this will become second-nature to the public sector, service providers, and investors. Sitra's role in the facilitation of these mindset changes and the importance this creates on the rest of society can be seen from interviewee comment below:

“I'd say the most important change is there are much more talk about outcomes and outcomes-based approach in our public sector nowadays than ever before and I would like to say that is because of our work. It's just our work and that also means that there are more and more service providers who are saying that they are interested to do the agreements based on outcomes instead of number of services, or number of days or something like that. They really want to change the system. I think that I really believe that we have influenced... And then I think that there is this sort of positive side effect that there is interest to use social impact bond model. But coming from Sitra, we have to say that most important thing is the mindset change and outcomes-based view.” - Mika

Having an outcomes-based approach mindset and creating this sort of mindset change in the various stakeholders will make for more sustainable and effective projects in the future. Furthermore, an additional component that is important to undertake regards the process and coordination of putting together the fund. The fund model that Sitra has implemented can be quite complicated at parts because it involves many stakeholders. In Finland, the government does not allocate funds to these sorts of investment projects beforehand, so Sitra has to simultaneously fit all the stakeholders together and get everyone on board. An interviewee mentioned the difficulty in this process:

“The difficult thing is you would have to sort of bring all three parties forward at the same time because okay if you can negotiate with the commissioners and you get a really good deal with them then when you go for the investors they say okay we don’t give money for that and then all the work has been done for nothing and um. On the other hand, you cannot go for the investors and say give us money and we will do something nice with them because they want to know okay what are going to do. And they would like to see the commissioners signing binding contracts so that they would know okay this is really something that our money will be used for. And this makes it really its this puzzle that needs to be done simultaneously... It’s really complicated but when it works it’s a really powerful tool.” - Juuso

While coordination is a bit challenging in the implementation of the SIB fund model, it works really well and as long as this challenge can be overcome, it could be very beneficial to society. An important activity that is vital to implementing the SIB models is ecosystem building. Heavy emphasis is placed on co-creation and joint understanding of stakeholders in Sitra’s Finnish models as well as the models they help to organize and build for other countries. Co-creation and joint understanding are essentials to building a fund model because all of the stakeholders need to understand the various parts of the ecosystem in which the project will be implemented to achieve the best outcome. Two interviewees described the pertinence of this co-creation process for building and targeting the right problem and how this helps to build the ecosystem:

“Also, we’ve been using kind of the co-creation process for setting the impact goal and how to come up with goals, and finding solutions since there are uh public sector officials uh, service providers, researchers, um citizens involved in in that co-creation process where we really find a way to or find a kind of the whole picture and find find uh the right solutions for SIBs, for problems. And those are kind of the planning or

organizing phase of SIBs before they really really are launched so we've been doing that.” - Anna

“and then the co-creation model um so kind of bringing different actors together to design it and bringing commissioners, public sector, service providers, um NGOs, different stakeholders together to kind of design it, understanding the whole impact ecosystem and you pick kind of SIB which is a local part of the whole ecosystem.

There's usually the other activities or other things should happen around so we get to the bigger impact, so we can create bigger impact. All these workshops are bringing different people together. It's also market engagement so trying to increase their knowledge, increase their awareness.” - Elina

When all the stakeholders involved have the same mindset and same goals, a larger impact can be achieved. One way to facilitate the interaction between the various stakeholders is through the building and maintaining of the SIB ecosystem. Although there are some aspects and key learnings for outside contexts to take away from the Finnish models that have been implemented, one important facet that is the key to success and is in alignment with the ecosystem building discussed above, is that of localization. Every interviewee mentioned the importance of knowing the local context. Each country has their own cultures, ways of working, legal and administrative aspects, infrastructure, among various other individualized and context-specific facets. However, if the SIB implemented is not localized and considers local factors, it will ultimately fail. This interviewee expresses the need for a local ecosystem when building and implementing a project, which knows the local conditions best:

“Yeah it really depends on the country context. How to go about it, what's the best way to promote? We still need local expertise. I think in many, there are consultancy companies also doing SIBs and offering this service, so they go to Cameroon and they say hey we bring our team from UK and we designed this for you. And then I think in many cases, it's not the right way to do. You can bring the kind of technical SIB expertise, you have to have a very strong local identity... So, establishing some kind of network of similar organizations than Sitra in other countries, so they can be kind of knowledge sharing, information sharing, maybe some exchange of experts in these countries. That could work in a way that then you build the local network, so um that again the success is the local knowledge and understanding.” - Elina

Localization is oftentimes the key to any success in a business venture and investment project, and in this regard, it is no different. Being able to build a localized network, especially in the context of developing countries, allows for capacity building and for those

nations to be able to develop on their own without the outside help of aid organizations. Another activity that will allow for the success of SIBs in the varying contexts is to implement a pilot project. This project may be smaller than a typical project, in terms of funds allocated and stakeholders involved, but in this way, the fund manager will be able to identify the problems of the project and fix them, as well as the aspects that went well. A pilot SIB project was implemented by Sitra in the Finnish context, as well as by the UNDP with their work in developing nations. An interviewee who does work with both Sitra and the UNDP has mentioned from the UNDP standpoint the importance of creating a pilot impact bond:

“We try to get the first impact bond off the ground in a way that they try to identify a few champions from each organizations. We try to find, you know we go there and okay there’s somebody good in the country office. We try to talk with quite advanced investors. We try to okay these are a few good service providers, so we try to get at least a small pilot from the ground, that’s how you start building the hype and ecosystem for one pilot and then you can scale it up, you slowly. If you just want to say, okay let’s create the whole ecosystem work first, it’s not going to happen... So in that way we go kind of from pilot to scaling up and then kind of building on that and try to get the good experiences or bad experiences and then we learn from the bad experiences.” - Elina

Implementing a pilot project allows for a lot of learning so that when larger projects are executed in the future, organizations will have a better understanding of challenges to overcome and stakeholders that may be reliable, etc. Finally, it is of utmost importance that the fund manager of the SIB project knows everything about the project. The fund manager needs to be familiar with the service providers, investors, how to run a fund, and especially the topic at hand so they can execute the project in a smooth manner and deal with any mishaps that may occur along the way. Sufficient fund manager knowledge is key and can be summed up through this quote:

“Another thing that what we really have learned is that um project manager or fund manager, uh whichever term you want to use, but anyway the uh the organization that kind of manages the SIB needs to have a very strong know-how and the theme or the subject matter that SIB is dealing with because there is a very real risk and possibility to get the right service providers and they need to know the market, which kind of solutions are there and and probably the most important thing is that how to collect the right combination of different service providers to specific SIB because we really

feel and believe that when we are dealing with these kind of problems, like youth exclusion or some climate change or whatever there probably isn't any one solution or any one service provider that can kind of do that by themselves for you. You really need to find the combination and the group of dream team of the service providers to tackle the issues so, so a project manager really needs to have that strong knowledge on the theme. They of course need to have knowledge on finding the investors and setting up a fund. It would or I would say that I think that it's um something that we share is that maybe or even more important is to have a strong knowledge on the theme that we're dealing with." - Anna

Fund manager know-how in being able to combine the right service providers and run the fund is an important activity that must be undertaken by all countries that wish to see their SIBs do well.

Summary

Many aspects of SIB models were mentioned in the interviews that will allow for Finland and other countries to be successful in their own project implementation. These activities vary in the fact that some may be easier to realize in a short period of time than others. For example, implementing a pilot project may be easier for some and will take less time than changing the overall mindset of the stakeholders within their country or building an effective impact ecosystem. Additionally, finding localized expertise may prove a much easier task than developing an extremely thorough model. Despite this difference, other activities such as setting project milestone indicators, effective coordination, co-creation, and sufficient fund manager knowledge were additionally discussed in the interviews as vital to the success of SIBs.

4.4. Successful Transfer of Models

This section will discuss the aspects mentioned in the interviews of ways to create and share knowledge to cross-border contexts. The section is split into two crucial aspects of the transferability of Finnish models for SIBs across borders. One aspect of the knowledge dissemination is through platforms and other advisement methods. The second aspect is more of a hands-on approach that each country-context should take upon themselves to become active participants in order to create their own development strategies. Some of the

dimensions discussed below have already taken place, where others may be taking place in the near future.

4.4.1. Knowledge Based Platforms and Advisement

Countries, especially within the European Union, will be greatly impacted by the advisement that Finland will offer through the upcoming Finnish EU Presidency term beginning in July 2019 and with the help of the European Investment Bank. Through these government planning initiatives, Finnish models for social impact bonds may be spread across nations for each country to develop their own bond model. Finland will raise awareness of social outcomes contracting tools and is looking to promote economic well-being of EU citizens. Furthermore, the Ministry of Social Affairs and Health in Finland signed an agreement with the European Investment Bank to develop a European-wide advisory platform for social outcomes contracting, which will also help disseminate the knowledge Finland has on outcomes contracting tools with the rest of the EU. This platform will also help organizations to understand the importance of buying and commissioning outcomes over outputs. The work that Finland has accomplished, and specifically Sitra, will be able to be spread across Europe through these initiatives:

“Yeah, and I think now especially in addition to the cooperation with UNDP, Sitra is supporting other European or EU countries, and this is especially now because Finland is holding the EU presidency from July onwards, right? The EU presidency. And then now there’s working group or they call it advisory platform for social outcomes contracting, which was established together with the European Investment Bank and the Ministry of Social Affairs in Finland supported by Sitra. And this is kind of they are promoting not just SIBs, but also other social outcomes contracting. In Europe there is this working group meeting that I just mentioned we were in Brussels as well.” - Elina

Through strong efforts made by the European Union in tandem with Finland, many other countries will be able to utilize this knowledge and advisement to create their own SIBs.

4.4.2. Development Strategies

Many development strategies could be utilized for SIB seekers to find success in their own projects. All of the interviews more or less discussed the various ways in which knowledge about outcomes contracting tools could be obtained, and many examples were

shown in the quotations above when explaining other concepts. The most important factors are inherently about networking and building an ecosystem. Networking allows countries to actively participate in exchanging experiences and ideas, while allowing them to learn from others. This can occur through design sprints that Sitra has implemented in the past, or other types of workshops or webshops. These types of hands-on experiences will empower stakeholders to create their own capacity building within their country. The Sitra employee who spends half of her time at UNDP describes the ways in which the organization, in collaboration with Sitra, facilitate the creation of SIBs in developing countries:

“because Sitra’s model has been quite successful in Finland. Um, I came I wasn’t living in Finland at the time so I came to meet them and say hey we’re starting at UNDP this outcome buying kind of or the design program for impact bonds for 6 countries. And I wanted to um talk with them if we can partner. So it was kind of a partnership to also test the model that they created, so this co-creation, how how do you decide kind of the, we build a program for these countries, how they can decide their own impact bonds. So Sitra has been supporting us at UNDP and the Eastern Europe and Central Asia. Combining expertise, we have been running a few workshops together with these countries where we do really hands-on design work so kind of to design there. So, they come, I support them. They do some social mapping first. What could be the topics then we had four days workshop in Finland. They came here. We have mentors uh helping them to really define more.” - Elina

As was mentioned above, Sitra’s work will be disseminated through Finland taking on the EU presidency the next coming term, but Sitra has done its own work with various countries to help them construct their own models and will continue to support them. As was mentioned extensively above that Sitra has aided the UNDP in helping them to construct models for developing nations, but Sitra also has taken it upon themselves to help those who reach out to them and can be seen from this example in helping Estonia:

“Um and that’s kind of helping other EU countries to go move forward with this. So, for example, Mika and Anna are going soon to Estonia to help them look into this, how could they create the network and ecosystem and especially to try to identify similar organizations in other countries who could support the public sector, doing the same that Sitra is doing in Finland. So, in that way, kind of we can do capacity building for those organizations. We cannot really support every single country in the world, right? So, it would to support those organizations like now previously Sitra

supported UNDP and my team, so we can then help several other countries, right?

And in that way also, in other EU countries.” - Elina

Sitra has been able to utilize their trusted position in Finnish society to become a well-known and sought out leader in outcomes-based contracting tools across the world and this will allow their social impact bond models to spread.

4.4.3. Summary

It can be concluded from the interviews that Finnish models for social impact bonds can indeed be transferred to cross-border contexts. Through the upcoming Finnish EU presidential term along with other development strategies through the work of Sitra itself, and in conjunction with development organizations, such as the UNDP, Finland can share its past experiences and know-how with other nations seeking outcomes-based contracting tools to implement in their own nations.

5. DISCUSSION

This chapter discusses the main findings of the thesis and links them back to the existing literature. The main objective of this study was to determine how Finnish social impact bonds can be successfully transferred to cross-border contexts. Furthermore, this study sought to determine the institutional factors of Finland and outside countries which could contribute to the success of social impact bond projects and the activities to be undertaken in order for each country to see success in their projects.

The findings of the study indicate that Finnish models for social impact bonds could be transferred to cross-border contexts if a variety of factors hold true. While the individual institutional factors of other countries were not studied extensively per se, all of the factors that enable the success of Finnish models were identified and would make up the factors necessary for implementation in outside contexts. Tying back to the literature review, the conducted interviews identified: first, which institutional factors enabled the success of Finnish social impact bond models, which are also deemed necessary for success in outside contexts; secondly, how organizations can learn; and thirdly, the power of ecosystems and networking in this context.

5.1. Institutionalism

Holding true to the foundations of institutionalism, the findings indicated that both formal and informal institutions shape the projects (North, 1990; DiMaggio & Powell, 1983). Factors such as informal norms in society, both informal and formal factors of the government and their role in society, as well as formal institutional organizations such as Sitra all play a prominent role in the projects. Some informal characteristics found from the study to have a large impact on the success of the projects are level of trust between stakeholders and the government, the level of societal development and operations, level of public sector involvement in society in general, familiarity with the concept among stakeholders, and the ability to create mindset changes within society and stakeholders participating in the projects. With regard to formal institutions, a variety of institutional factors need hold true in Finland and outside contexts in order to see success in the projects. The findings implied that data systems and evaluation systems need to be quite sophisticated. In relation to that finding, IT and general infrastructure are also important because if there is no infrastructure, it is much more complicated to implement the project and analyze the root cause. Government

corruption and stability are also formal characteristics that aid in the formation of projects; the higher the level of government corruption, the less likely a project will succeed. Furthermore, stakeholders such as service providers and investors acting on the projects need to be quite capable and engaged for the projects to be successful. In addition to that, the modeling work and those cooperating in creating the foundational modeling need to be quite advanced so the bond can effectively measure its goals. The findings suggested that the modeling process is quite expensive and extensive, so although this is absolutely pertinent to the success of the projects, the required means are to be overcome. Finally, institutional organizations like Sitra are pertinent to the success of the models because they offer support in acting as a facilitator and ecosystem builder. Without the support of such a strong actor, it is unsure if many of the projects in Finland would have been as successful as they are. All of these informal and formal characteristics are important to keep in mind for social impact bond formation in both Finland and outside countries.

Furthermore, the idea of homogenization and evolving social organizations within the impact investing industry holds true to a certain degree. Powell and DiMaggio (1991) suggest that organizations will become similar to one another because they wish to model themselves after organizations they deem successful, which certainly seems true in this context. As Sitra is a leader in the impact investing industry, other organizations and nations are seeking their help in implementing their own projects because they've seen success in the Finnish projects. Yet, although the organizations will seek the help of Sitra and other prevailing organizations within this industry, the findings do not indicate that little diversity resulting from mimetic isomorphism holds true. I gather that either there is not enough evidence in this thesis to support that conclusion, or that because of the varying contexts that persist in each project, this mimetic isomorphism is almost impossible. Moreover, the findings also suggest that social organizations do evolve with the rest of society and shape institutions (North, 1990). The models are meant to pinpoint those topics and themes that are most pervasive to society currently, and Sitra's work in shaping those organizations with which they work on the projects can be heavily noted. Social organizations like Sitra not only shape the community in which the project is implemented, but they also shape stakeholders like the government, investors, and service providers that all work on the projects. Many of the concepts highlighted from North and Powell and DiMaggio can be exemplified through the interview findings.

5.2. Organizational Learning and Knowledge Transfer

A majority of the findings with regard to organizational learning and knowledge transfer are aligned with the themes highlighted in the literature review. It was found that the organizations that work in the impact investing industry seek higher-level learning because they are not just promoting a new way to fund social improvements, but they truly want to create mindset changes in their society through the implementation of outcomes-based models that have the potential to generate societal impact (Fiol & Lyles, 1985). In her work, Nicolopoulou (2011) highlights the need for understanding situational factors when transferring knowledge across organizations and this cannot be stressed enough in the findings. Many of the interviewees mention the importance of localization when applying the transferred knowledge to a specific project. Not only is it necessary to understand the local conditions, such as the infrastructure mentioned in the institutional section above but seeking the help of local partners and expertise in order to co-create will create the most successful project. Collaborative innovation is a prevailing part of creating the most successful model, and very much aligns with the literature (Nicolopoulou, 2011). Additionally, as the findings suggest, learning from direct experience or learning by doing is an important part of the implementation process (Levitt & March, 1988). Organizations that are implementing the projects will find success through trial-and-error pilot projects in which they can learn from their mistakes, as well as undergoing programs that will help their service providers like bootcamps and accelerator programs. Also highlighted by Levitt and March (1988) and exemplified in the findings is the importance of learning from the experience of others. As Sitra is a leader in this industry, they can share their past failures and successes with others wishing to pursue this industry so that they may succeed in their own projects. However, the interviews also found that documentation is a task that Sitra could improve upon, due to a majority of their documents being in Finnish and not translated for non-Finnish speaking nations to learn from. Although Sitra may be lacking in effective documentation, they, along with the UNDP, are participating heavily in other sorts of knowledge diffusion practices such as roundtable discussions and their recently undertaken European Union Presidency. Additionally, the concepts of explicit and tacit knowledge seem to be consistent with the literature review. As can be demonstrated from the findings, Sitra can share its explicit knowledge with as many countries as it wants to, but those countries can only create new, tacit knowledge through their own application such as the pilot projects mentioned above (Grant, 1996). Furthermore, Grant (1996) also highlights the necessity of specialization in

knowledge creation which is in alignment with the findings and the need for utilization of specialist knowledge in creating thorough models. However, some authors indicate that competitive advantage is often sought out during the knowledge integration process, but the findings suggest no evidence of this as I had hypothesized (Argote, Ingram, Levine, & Moreland, 2000). It is possible that because these organizations are not profit-driven and instead pursue social change, they are willing to share any knowledge that might help other organizations in the formation of their own projects. Organizational learning and the importance of knowledge transfer as highlighted by the authors has been further exemplified through the findings of this study.

5.3. Power of Networks

The effect of networks and ecosystems in building and implementing projects is an extremely important characteristic mentioned in the literature review and further suggested by the findings. Networks allow the accessibility of knowledge and for knowledge to be diffused so the importance of the roundtable discussions, bootcamps, and other forms of learning are important for Sitra to continue in order for other organizations to effectively create their own projects (Inkpen, 1998). The network ties that can potentially be formed as a result of participation in these projects and seeking the help of Sitra and UNDP help in facilitating better coordination and other important foundational aspects when building a fund, important to the successful implementation of the projects (Inkpen & Tsang, 2005). Furthermore, the significance of shared meaning and understanding on a network level when starting to create a model can be illustrated by the idea that although Sitra is willing to help any organization that comes to them, they want to make sure the organization seeking help has an incentive of generating outcomes-based results, because this is Sitra's top priority and they can only help if their incentives are aligned (Inkpen & Tsang, 2005). Finally, the concept of networks as administrators of innovation holds true in this context (Powell, Koput, & Smith-Doerr, 1996). Sitra and the UNDP acting as organizers of programs and bootcamps allows for innovation to flourish and is an important part in the foundational process. Furthermore, the findings suggest that knowledge creation requires a community because all of the stakeholders and each of their expertise in modeling and executing the project are essential to the success of the SIB. The organizations that play a part in building this industry across the world are not seeking competitive advantage, as mentioned previously, but rather want community-level mutualism where every organization can take the knowledge they have

received and apply it to their own SIBs to create win-win results (Powell, Koput, & Smith-Doerr, 1996). Networks and building ecosystems help in effectively coordinating projects, changing mindsets within an entire community, and becoming administrators of innovation in this industry, all important activities that can lead to the success of the models illustrated in the findings.

5.4. Revised Theoretical Framework

The above discussion indicates that the findings are mostly aligned with the literature review. However, some aspects of the findings are not in alignment with the current theoretical framework, presented in section 2.6., thus it must be revised to connect to the true findings of the study. The revised theoretical framework is depicted in the figure below.

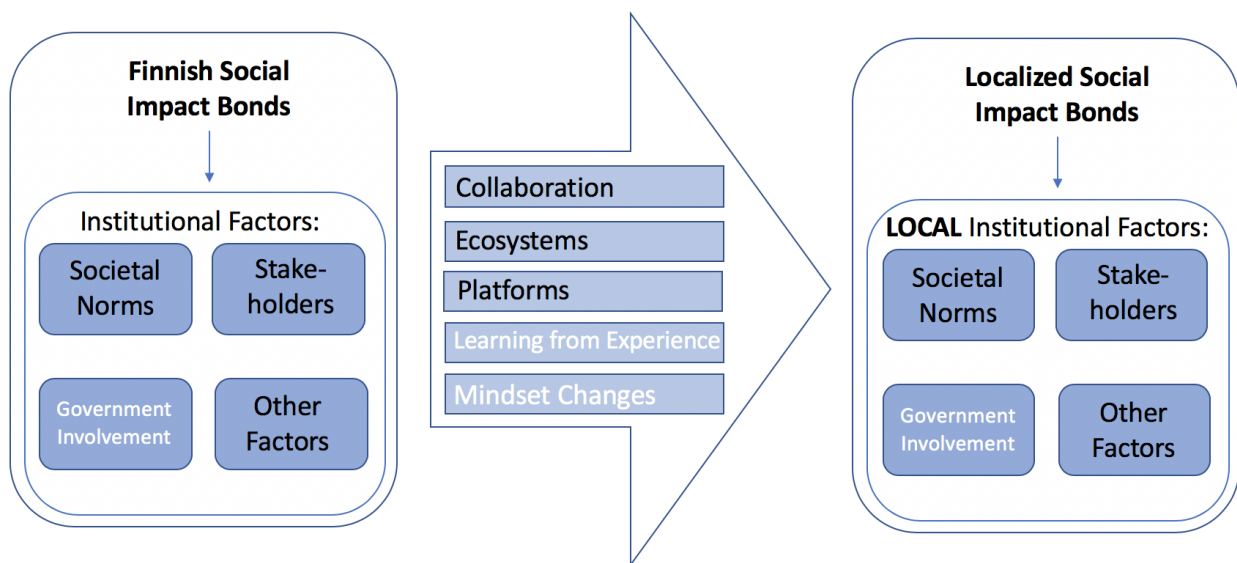


Figure 8. Revised Theoretical Framework

Figure 8 illustrates some changes to the theoretical framework as presented in the findings, which can be easily identified by the differing text color. First, it was anticipated that laws and policies had a much stronger influence on the institutional factors that play a role in shaping the bond models. Although this is possibly true, it was not exemplified in the study. Rather, the level of *public sector involvement* in general played a much stronger role. Additionally, of the activities that lead to the successful transfer of the models, learning by doing needed to be revised to a more general *learning from experience* concept because this also includes learning from the experience of others, of which is a crucial part for newcomers

to the industry. Learning by doing is essential as can be seen from the importance of pilot projects, but evidence suggests that learning from the experience of others is equally as critical. One concept that proved to be extremely necessary in the transferring of bonds across contexts is the generation of *mindset changes*, which was lacking from the literature review entirely. Creating a mindset around the outcomes-based approach is a key tenet of Finnish social impact bonds, but this facet was not predicted at the beginning stages of this research and thus had to be included in the revised framework. Furthermore, one aspect of the model that was not included in the initial concept is that of localization. Localization has proven to be one of the most, if not the most, important factor to success of the bond projects. To highlight the importance of understanding the local context, the outside context SIBs have been renamed to that of *localized SIB* which are further characterized by *local institutional factors* to truly comprehend and grasp this importance. The other concepts in the framework have proven to be correct and essential in transferring knowledge of Finnish social impact bond projects to outside contexts.

6. CONCLUSION

This chapter concludes the study by briefly presenting the main findings of the study through theoretical contributions to the literature review, touching on the topic of practical implications useful for the impact investing industry, presenting limitations of the study, and providing suggestions for future research regarding social impact bonds and the impact investing industry.

6.1. Contributions of the Study

The purpose of this thesis was to determine how Finnish models for social impact bonds could be successfully transferred to cross-border contexts. More specifically, this research aimed to discover the institutional factors that make social impact bonds a success in Finland and outside countries and to determine which activities are most important for nations seeking to implement bonds in their own countries. A social impact bond was defined as “a financial instrument in which institutional and private investors fund services to promote well-being and maximize societal benefits” (Ha, 2013; Sitra, 2019b). The motivation for this study was in further developing an industry which seeks to benefit the greater good of society, while realistically allowing companies to continue in their profiteering ventures. As social impact bonds are quite a recent phenomenon, research on the topic is lacking, therefore the success of the projects and social impact bonds as a form of outcomes-based contracting are difficult to determine. In order to meet the objective of the study, the overall research question set out to be answered was: *How can Finnish models for Social Impact Bonds be transferred to cross-border contexts?* Three sub-questions needed to first be answered in order to fully evaluate and answer the above question:

1. *What institutional factors allow Finnish Social Impact Bonds to be successful in the Finnish context?*
2. *What context-specific institutional factors will make this model a success in countries outside of Finland aiming to implement Social Impact Bonds?*
3. *What activities should Finland and the knowledge-receiving outside countries undertake to transfer and apply the Social Impact Bond models?*

The findings of this research are mostly in support of the authors discussed in the literature review. The evidence suggests that both formal and informal institutions, as

discussed by North and Powell and DiMaggio, have an effect on the implementation of these projects in Finland and outside countries. Moreover, social organizations in particular have a large influence on society and shape their community and institutions, which has also been proven through this study considering Sitra's role in Finnish society. However, although these nations will seek to shape their models after more successful ones, there is not enough evidence to support the claim that homogenization among social organizations will persist. With that in mind, the current study has significant contributions to the literature on the institutional perspective and provides more careful insight into social organizations as shapers of institutions (North, 1990; Powell & DiMaggio, 1991). Additionally, many of the activities to be undertaken that will lead to the success of the bond projects have been shown as equally pertinent in the literature review. These include activities such as localization and co-creation, learning from experience, knowledge diffusion practices, and the importance of specialization in this industry, all deemed necessary by authors discussed in the literature (Nicolopoulou, 2011; Levitt & March, 1988; Grant, 1996; Fiol & Lyles, 1985). Furthermore, networks and the creation of an ecosystem in this industry have proven to be highly central in enabling the success of a project because they create participation within a community, accessibility of knowledge, shared meaning and understanding, and a platform for innovation (Inkpen, 1998; Inkpen & Tsang, 2005; Powell, Koput, & Smith-Doerr, 1996). Social organizations operating in this industry are not seeking competitive advantage as many of the authors suggested (Argote, Ingram, Levine, & Moreland, 2000; Powell, Koput, & Smith-Doerr, 1996). Rather, as the evidence implies, they are willing to share any knowledge they may have in order to see other projects succeed. Therefore, the information highlighted in the existing literature regarding the theory of knowledge transfer mostly holds true in the present study's assessment of cross-border transferability of social impact bonds and contributes to a new understanding of social impact organizations in the context of competitive advantage.

The contribution of the present study was two-fold. First, a theoretical framework on the transferability of Finnish bond models and the institutional factors that may affect this successful transfer in both Finland and outside countries was developed and analyzed. This developed framework provides a new lens in which to understand the successful transfer of knowledge in the emerging and not extensively studied field of social impact. Secondly, this newly developed framework contributes to existing theoretical streams by outlining the characteristics that are pertinent to institutionalism, organizational learning and knowledge transfer, and social impact considerations across various contexts to provide a more thorough understanding of the relationship between the three perspectives to create combined value for

academics and practitioners. In completing this research, the contributions have sought to further well-established principles by adding new insight and techniques in which to consider forthcoming societal practices.

The research methods of the study in support of the existing contributions consisted of qualitative interviews with employees of Sitra and publicly available documentation on social impact bonds and other impact investing instruments, and Finland as a nation. Sitra was chosen as the case company in this study because they have shown great efforts in leading the cause for not only social impact bonds in Finland, but outcomes-based contracting tools within Europe and across the globe and the researcher was able to easily conduct interviews with the Sitra employees. The approach to data collection was completed by combining the publicly available information with the qualitative interviews. Interviews were conducted with six Sitra employees in the impact investing team in order to gain a more thorough understanding of social impact bonds, their use in Finland and outside contexts, institutional factors that may affect their success, and how these models can be transferred to cross-border contexts.

The main findings presented in the empirical study indicate that Finnish models for social impact bonds can be transferred if some institutional factors hold true. Evidence was found that society, the government, stakeholders, and the existence of support organizations all lead to the success of the social impact bonds in Finland. More specifically, aspects like trust in society and the government, sufficient infrastructure and data systems, level of public sector involvement in the industry, and stakeholder capacity all play a role in shaping bond projects. Evidence has also suggested that in societies where these features do not hold true, it may be eminently more difficult for the models to effectively evaluate the root-cause analysis and thus the implementation of the project itself. It would be of use to further research outside country social impact bond models in which a variety of the above factors do not hold true and analyze the success of those models.

Furthermore, the findings reveal that there are multiple methods in which the knowledge of Finnish bonds can be transferred to those countries seeking help in building their own bond models and activities that must be undertaken to lead to the success. Bond models will have a better chance of success if pilot projects are implemented, countries can learn from their mistakes and the mistakes of others who have also implemented projects, localization and co-creation are highly promoted, thorough models are conducted through the identification of the root cause with indicators set at specific project milestones, effective coordination is undertaken, ecosystems are cultivated and nurtured, and an outcomes over

outputs mindset is created and permeated throughout the government and other stakeholders. Additionally, Finland has a great opportunity to share their knowledge of social impact bonds through their European Union Presidency from July 2019 onward. Other forms of knowledge dissemination such as design sprints, accelerator programs, and bootcamps will allow Sitra to share their practices with other nations and organizations looking to develop their own strategies for the creation of bonds.

6.2. Practical Implications

This research will provide practical implications for the impact investing and development industry both from the private and public sector standpoints. The conducted research was from the perspective of a pioneering organization in the outcomes-based contracting industry, which plays a prominent role in promoting health and well-being in Finnish society and has seen success in their models, so much so that outside countries have sought their help. This new perspective provides a contribution to practitioners in the furthering of Sitra's impact bond models and their cross-border transferability, especially deemed necessary in the context of Finland's EU presidency.

This research will help Sitra successfully aid in the dissemination of their SIB models to organizations aiming to implement SIBs which operate outside of Finland. As multiple organizations have already sought the help of Sitra, this will allow the organization to know which factors of their model will be effective in outside contexts and which factors may need to be thoroughly planned and thought out. Furthermore, this will be of great use to the Finnish EU presidency as one of their core tenets is in the promotion of EU citizens' well-being, in which they may aim to provide support for the creation of social impact bonds across the European Union (Ministry of Economic Affairs and Employment of Finland, 2019).

Practitioners in this field will need to consider how to create an understanding and mindset around outcomes rather than outputs. The findings suggest that being able to effectively rally around outcomes, which attempts to identify the root cause, will allow for greater societal benefit. This is not only something that each nation should strive towards, but international organizations should also seek out, as the UNDP is currently doing.

Additionally, although the evidence in this thesis is strongly in favor of social impact bonds, practitioners should seek out a variety of forms of outcomes-based contracting tools. Due to the complications and requirements of setting up this sort of fund, it may not be

feasible for all contexts and countries. What works in Finland may not be as effective in other countries, yet this study has analyzed institutional factors and pertinent activities that are of great benefit in implementing any outcomes-based contracting tool.

6.3. Limitations of the Study

Although I have researched this topic to the best of my ability and assessed the information I have gathered in a nonbiased and transparent manner, there are some limitations to bear in mind to this research.

First, the framework was constructed by the researcher. Studies on the transferability of social impact bonds are rather limited, so it was difficult to find an existing model which links intuitional characteristics of various countries and the cross-border transferability of the models. Therefore, I created my own model and tested it through the empirical study. However, the theories I have built the framework upon and wished to add to by completing this research have been portrayed in the correct manner as all the authors in the literature review have been thoroughly researched.

Secondly, as I have only utilized one case company within this research, the results could be subjective. Although single-case studies can be advantageous in their ability to be focused and discover rich data (Yin, 2009), Eisenhardt (1989) suggests the use of three or four cases for comparison and a comprehensive understanding of the theory being tested. However, due to time constraints and a lack of information on the topic, this was not possible. Therefore, the findings of the study should be considered suggestive.

Thirdly, the interview sample and number of contexts in which these models could operate might construe the results. Only six interviews were conducted within the employees of Sitra, which may not be representative enough of the models that exist in Finland. Moreover, although the employees have seemed rather impartial, they may have a slightly biased opinion of their modeling process over others. Furthermore, there is no one size fits all model and varying countries with distinctive institutional factors will ultimately influence the implementation of the SIBs. In general, it has been difficult to determine the success factors of the models in outside countries and therefore, even more difficult to evaluate if they can be transferred and operational across borders.

Fourthly, the evidence presented in this case, although plausible, may not be justified enough as evidence is still lacking in the long-term effects of social impact bonds. As mentioned throughout this thesis, social impact bonds are a new phenomenon and their long-

term evaluation has not been precisely measured, nor has their evaluation against other forms of outcomes-contracting tools been taken into account. This could be a suggested area for furthering this research.

Finally, the case company that has been selected arose from my personal and professional contacts, which may have created some bias. Due to my interest in this organization, it is possible that our views are aligned and offer little diversity or true understanding of the marketplace in which these bonds operate.

6.4. Suggestions for Future Research

As highlighted above, research on social impact bonds is still limited, which allows for a variety of research opportunities within this field. This study provides multiple propositions for future research.

Due to the scarcity of projects that have been implemented globally, more research could be conducted on the true evaluation of longer-term projects and their effects on the community in which they are implemented. Because a majority of these projects happen to be longer-term, this research may not be able to be conducted for a decade or two, yet this is pertinent to evaluate the true effects of social impact bonds against other forms of impact investing tools and their validity.

Additionally, as it was difficult to analyze institutional factors that persist in countries outside of Finland, this could be of use to study. While I attempted to study those factors that enable the success of social impact bonds in other countries, it was difficult to determine what might affect outside contexts without first determining those institutional factors that led to the success in Finland. It could be of great use to study other countries who are leaders in social impact bonds or possibly do a comparison of countries whose institutions differ considerably from those that exist within the Finnish context.

Finally, as mentioned in the introduction, it could be of use to find and research new forms of capital or additional funding methods to utilize due to expected lack of government procurement. One method to overcoming investor impatience and lack of desire to invest is looking to insurance companies, who typically do not receive repayment for years, as a main opportunity for investment. Moreover, new methods of setting up social impact bonds, such as a Reinvestment Fund that pools investor money to create that of a portfolio, could be of immense use to further research and discover its feasibility (Abello, 2017). As impact

investing is becoming an increasingly utilized method for investment, understanding various forms of funds and new ways of financing could be greatly beneficial to society.

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APPENDICES

Appendix 1. Interview Framework

Sitra's Bonds

1. Can you tell me about your role at Sitra?
2. Can you describe what a Social Impact Bond is?
3. How did Sitra initiate the modeling and structure of the SIBs?
4. Can you talk about some of the projects you're currently working on?
5. Can you describe the characteristics that have made Sitra's past models successful?
6. What sort of institutional factors do you think has made them a success?

International Organizations

1. How does Sitra currently interact with foreign organizations working on SIB projects?
2. What is the knowledge sharing process like with foreign organizations?
3. When working with international organizations, are you able to help them identify what sort of constraints may limit their projects? In what ways?
4. When working with international organizations, what is the learning and application process like for them in shaping their own SIB models?
5. When helping with SIB modeling to be successful in each context, what do you think is important to keep in mind from the models that Sitra has created?
6. Do you think there are specific contextual factors or activities that may inhibit or enable the success of SIBs in other countries?

Outcomes

1. How do you currently evaluate the outcomes of your models?
2. What sort of impact do you see among the various stakeholders working on the project?
3. How do you measure the impact felt by the community/context in which the projects are implemented?
4. What activities must these other organizations undertake in order to measure successful outcomes in their own context?

Appendix 2. Pilot Interview Notes

Sitra's role as a think tank

Impact investing under new working life and sustainable economy

1. How does Sitra operate as a think tank?
2. How does Sitra operate as an investment company?

International contribution from the Finnish way of approaching SIBs

Impact investing focus area 2014 - 2017

Impact investing assistance 2018-2019:

- Questions for future

Why is Finnish SIBs more effective/better than other EU models?

- Seems a bit too heavy, how you set up/manage the SIB is complicated-- too heavy
 - There needs to be an easier way to use private capital to promote well-being or other impact ventures
 - Thought the SIBs would scale but did not because there are different SIBs, different payers, so outcome specific so stages 1 and 2 are difficult
- SIBs should be able to promote systemic change
- One contribution Sitra is aiming to make concerns how SIBs are related to systemic change-- how to model SIBs to create a systemic change-- how to create the impact ecosystem
- Different SIBs in each country -- case by case

Sitra is a facilitator to identify potential outcomes which could benefit from SIBs... and interventions which are not financed in any other way

Innovation aspect involved.. SIBs are something to consider -- systemic change is in the DNA of SIBs-- way of arguing for using SIBs

How does Sitra identify their SIBs?

- Dialogue with ministries-- negotiate with different ministries and government institutions

Key SIB projects:

- Fast employment and integration of immigrants project: the ministry of economic affairs and employment
- Advancing employment
- Support
- SIB focusing on environmental impact bond (EIB)

Sitra's new role after the SIBs project ends in 2019

- Opportunity to create some sort of entity, company, fund, structure which could replace or continue the work of creating the opportunities for SIBs and promoting the general know-how and knowledge of SIBs

Investors:

- Private investors are not allowed to invest in SIB funds but professional investors are through companies or they are institutions like Sitra

Impact Accelerator:

- Mostly well-known service providers
- One major challenge: the innovation factor in SIBs is lacking-- where is the systemic change?
 - More or less taken for granted the fact that SIBs should finance a systemic change? Impact is always created through collaboration
 - SIBs should be able to create some collaborative innovation between service providers over individual best practices
- Recognizing that the impact should come from the collaboration rather than individual service providers
- Impact chain: societal impact is the main goal - mid and long-term well being and social benefit
 - Need concrete changes in behaviors or changes
 - Need outputs: measurable activities
 - Need input: resources
 - Solution: transformative service solution that directs resources and activities to enable targeted change
- Co-creation versus cooperation
 - Based on shared goal, co-create the ecosystem
- Which activities would be potential for SIB? Looking at a global level
 - Part of the system and the value-added
 - How can the Sitra SIB model be a pioneer for other countries to model the systemic change needed? How will the SIBs fit in the overall change?
 - What are the opportunities for SIBs in international contexts?
 - <https://golab.bsg.ox.ac.uk> --- visiting Sitra Nov 26
 - How Finland can help GoLab facilitate collaboration in their own desire to create systemic change?
 - Systemic modelling as a risk management tool for SIBs: need to be able to model the risk of the systemic change
- Sitra is a gift from the Parliament -- so have plans to help with planning government programs: part of the government agenda is going to be systemic impact
 - Finland will be the chair of the EU (August/September 2019) -- idea of co-creating, and systemic modelling of impact will be emphasized
 - European Investment Bank has interest
 - Finland has plans to help scale this approach for impact modelling

- What is the innovation aspect-- what could be the contribution on an international level?
- Logic of scaling something like this to different contexts -- what is the capability that could be scaled for different contexts? Context dependent solution?
- What is the factor that scale or factors that scale in different contexts? Key question in impact investing
- Taking one or two SDGs-- how can SIBs help with creating this systemic change?
 - Many opportunities for SDGs
 - Not only service providers but potential investors as well
- Impact ecosystems and systemic change and approach
 - The problem of scaling and collaboration
 - The problem related to impact financing systemic change and the challenge of scaling -- what scales and what doesn't scale?
 - Can't finance best practices.. Need the collaboration and the systemic practices -- but how is it done?
 - Look at Oulu example to see what could be scaled to other European countries or globally?
- Look at GoLab seminars
 - Innovation aspect --- might not exist currently
 - How to find the balance between modeling and the innovation aspect so that the investors are willing to invest in the SIB?
 - Challenges related to SIBs and systemic change
 - A New Way to Navigate Social Impact Bonds