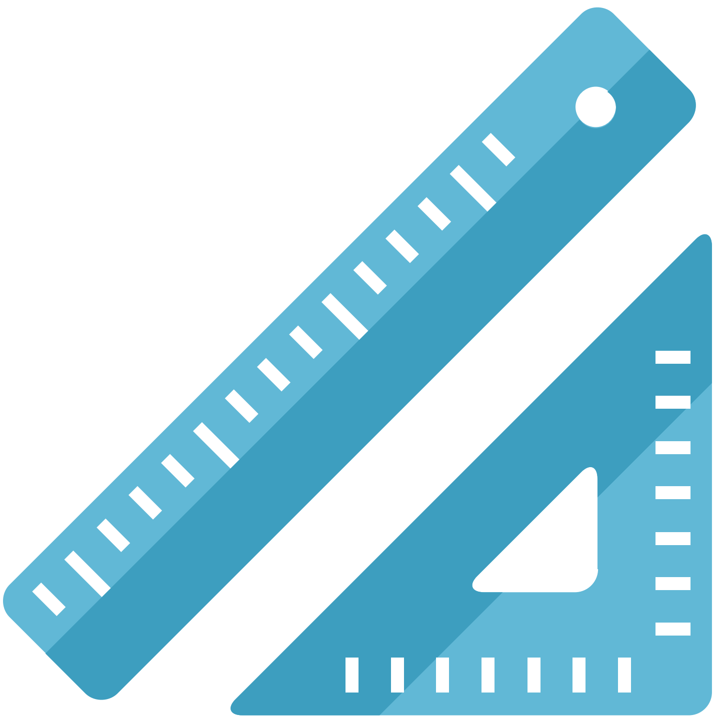
Module 2

Measuring Impact



SOCIAL INVESTMENT TOOLKIT

Contents

In this module we will cover:

- **Defining an Impact Chain: Outputs, Outcome and Impact**
- **Key features of impact measurement**
- **How to track data**
- **How to measure effectiveness**
- **How to demonstrate value-for-money to funders**
- **How to express impact in monetary terms**
- **How to convey depth of impact**

By the end of this module you will have defined the key success metrics of your venture and exactly how you will measure them.

Introduction

Creating a positive impact on society is the goal of every social venture or innovation. This will vary from venture to venture, but you should be very clear on the societal improvement that you are seeking. The ability to define your intended impact, and to be able to measure and report it as objectively as possible, is key to being able to persuading investors, customers and other stakeholders (such as government, collaborators, staff) to support you.

The most common starting point for ventures looking to measure their impact is to define their **impact metrics**. (Note: there are other mechanisms to do this such as those laid out by the Social Reporting Standard, or Social Value UK. The method you choose to use is up to you, but this toolkit will work with this methodology.) These are the key measures of how a venture will be able to decide if it is succeeding or not. Without clear metrics, you risk *mission drift* (going off course because you don't really know what you're aiming for) or *mission captur*e (undertaking work simply because you have found a funder with a different set of objectives).

The Impact Chain: Output, Outcome, and Impact

In the prior module, you defined a Mission Statement. You are now in a position to go into much more detail, and to break out this mission into a discrete set of activities or deliverables, as well as the intended impact of those actions. The flow from action to outcome to long-term impact is called the 'Impact Chain'.

Let's start by drawing a distinction between **Output** (what you produce) and **Outcome** (the societal benefit that you create). You need to define and measure both accurately.

Consider an education venture whose goal is to help high school children from low-income neighbourhoods improve their maths grades. The venture's strategy might be to run extra classes outside school staffed by volunteer maths teachers[1]. In this case, the venture's **output** is the number of classes that they run, the number of youth from low-income backgrounds enrolled in those classes, and their attendance rates. These are metrics that the venture can easily measure.

However, the venture also needs to measure the outcome of those classes. Did they achieve their goal of helping students improve their grades? The venture therefore needs to measure the improvement in maths levels between when the students started studying with them and when they finished. This is the actual benefit to society created by the venture.

We can also talk about the long-term **impact** of the venture. Impact is harder to measure than output or outcome. It is the diffuse, long-term set of positive consequences that result from the intervention.

In this case, our education venture might be able to find evidence that students with higher levels of attainment in maths go on to have better prospects of employment, increased incomes over their life-times, better life satisfaction and so on. All of these are important long-term benefits to society that flow from the improved outcomes achieved by the venture.

Investor Tip

The more "social" an investor is, the more likely they are to be focused on the impact measurement your venture is doing.

However, since the "impact" is influenced by so many factors that are outside of your venture's control, tracking is often difficult and unnecessary.

There are three concepts that you need to be aware of when stating the impact of your venture's work:

- Deadweight: any changes that would have happened whether or not your venture had done anything;
- Alternative attribution: figuring out how much of the change was caused by the work of others (other organisations, the government, individuals etc.) and subtracting this from the total that your venture can "claim";
- Drop-off: calculating how much the effect of your venture's work will decrease over time.

To be able to convince social investors of the effectiveness of your venture, you need to be able to:

- Measure the precise outputs that you will deliver;
- Measure the outcomes that will be achieved by your outputs;
- Describe the long term impact that your outcomes will facilitate;
- If possible, partner with a research institution to measure the impact.

[1] Mattecentrum in Sweden, launched by Ashoka Fellow Johan Wendt, is a brilliant example of such a venture

Examples of Impact Chains

The following are some examples of how different ventures might measure their output, outcome and impact:

Venture	Output	Outcomes	Impact
SolaRise	# of Solar Kits sold	% Reduction in household use of kerosene % improvement in average household income within 1 year following installation of solar kit	Improved education for children in off-grid households Improved health of off-grid villagers Improvement in rural off-grid household income
Education venture	# of classes delivered # of students taught	% improvement in maths grades for low income students	Improved job prospects and lifetime earning potential
Health venture	# of vaccinations delivered # of patients seen # of diagnoses given # of prescriptions made	% of patients cured % of patients reporting improvements in health	Improved health Fewer hours / income lost to disease Fewer hours / income lost to caring for sick relative

Key Features Of Impact Measurement

Having defined your outputs and outcomes, you're now in a position to develop the precise set of metrics for each.

We recommend that you choose your impact metrics carefully, and with the following characteristics in mind. Impact metrics should be:

Few: don't try to measure more than about 3-5 items. Even just 2-3 are fine in most instances.

Simple: pick metrics that are easy to understand and report, even if they do not necessarily capture the full picture. If you feel like they don't capture the full picture, make sure you include this in the narrative you provide anytime you write up your impact measurement (e.g. in your business plan, in your annual reporting).

Easy to measure: pick metrics that you can measure relatively easily, without having to undertake a great deal of extra work or going out of your way to do so. Ideally you should be able to record data as you go along, in the ordinary course of business.

Objective: pick metrics that can be independently checked by others, using data which is unambiguous.

Useful: don't measure items simply because they are easy to measure. Choose items that genuinely help you refine and improve your delivery strategy.

Appropriate to the stage of your business: Impact measurement can be incredibly resource intensive. Earlier stage ventures should keep their measurement resource light, but still rigorous enough to provide a compelling case for the impact your work is having. While sometimes it will be possible and useful to get an independent assessment, this isn't always a good use of your resources. However, as you become more sophisticated, investors might expect more sophisticated data, maybe independently verified.

Exercise:
Create an Impact Chain Table

Create a table as follows, and in each column write down the relevant input, output, outcome, and long-term impact for your venture. For example, for our solar venture, the table might look as follows:

Input (Cost)	Output	Outcome	Impact
$100 per solar kit # hours of staff time	# of Solar Kits sold	Amount of kerosene saved per customer Cost of kerosene saved per customer annually % increase in average household income 1 year later after installing solar kit	Reduction in disease from no longer breathing in kerosene fumes Improved household incomes Improved education outcomes as children are able to study in better lighting conditions in the evening at home Saving in time from no longer having to collect kerosene from local stores Improvement in quality of life from having new products such as solar fans, and mobile phones that can now be charged at home or without battery

Note: this is a preparation for the Business Plan, but that it should not go into such depth as a Business Plan itself. We will build on this in later modules.

The first column, **Input**, is the resources or cost required to implement one unit of your chosen output. So in this case it costs $100 for SolaRise to provide 1 solar kit, and an average number of staff hours. SolaRise then claims that each solar kit sold will help each rural household save ## of kerosene per year and that average household income will increase by [x%] annually.

Note that for the **output** and **outcome** tables you need to be precise in what is being measured – you should be able to quantify it down to the precise number of workshops delivered, the exact number of products sold, the $ amount of savings made etc. For long-term impact, you don't have to be so precise, although the more accurate the better.

Tracking Data

Having defined your metrics, you should decide how you are going to record and keep track of them. For example, in our volunteer maths example, the venture would need to conduct an assessment of the maths level of students when they start, and compare that with their grades at the end of a specific period of time. To be strictly accurate, they should probably compare this with a control group of students who did not enrol in the classes. However, this may be a level of complexity beyond what is required (particularly during the early stages of your venture). Instead comparing your beneficiaries to the national average might be sufficient: Data shows a '23% improvement of grades, with 60% of students achieving C or higher, compared with a national average of 50%' is often sufficient.

A method of recording data and keeping track should then be built into your venture's practice, so that you don't have to scramble to find evidence at a later stage. Done well, the recording and monitoring of data should be relatively painless, but will pay huge dividends in terms of investor reporting and fundraising.

The reporting of your metrics should be standardised into a template and something that you should publish regularly once you have sufficient data, on a website and/or to an annual report that you give back to investors and supporters.

Funders' Metrics

Funders will also have their own metrics, which they use to decide which ventures to invest in. A funder interested in job creation, for example, may be interested in supporting ventures that can help young people find work, and will be interested in how many young people on your program successfully get a job and stay in work afterwards. It can be tempting to start reporting on these metrics and steer your program towards this result in order to get that funding (mission capture), but if this is not what your program is primarily about, we recommend not to pursue funding for the sake of it.

However, you should be resistant to blindly adopting the metrics or requirements of funders simply to unlock some funding. Ventures that have not decided their own success metrics can too easily be blown off course unless they are absolutely clear about what they are aiming for, and resolute in avoiding funding that takes them in a different direction.

Many ventures working with youth, for example, whose purpose is less exact than job creation or improvement in grades (improvement in student self-confidence or leadership ability, for example) sometimes fall into the trap of going for metrics that don't really reflect their Mission. As a result, they end up undertaking work that is secondary to what they really want to do.

Be aware also that many funders use social investment metrics designed for portfolios of similar ventures. An impact fund for employment for example might have as its global metric how many new jobs were created by its investments. Such a fund will evaluate each and every potential investment on this basis. This portfolio metric may not be appropriate for your venture. An entrepreneur can push back on this and still be eligible for the fund – this could be part of your negotiation with an investor.

Measuring Effectiveness

Having defined your outputs and outcomes, and decided how to measure them, you are now in a position to start talking about the *effectiveness* of your program.

Effectiveness is how well you achieve a specific outcome, given the output that you are providing.

For example, let's go back to our example of the volunteer maths program, where low-income students who are failing at maths are offered a place in an out-of-schools program run by volunteer maths teachers.

Suppose the aim of the program is to help students achieve a certain minimum level of maths proficiency, as measured by a target exam result. The outcome metric of the venture is 'How many students went on to achieve a B grade or higher in Maths?' The output metric of the venture is 'How many students enrolled in our out-of-school workshops?'

Effectiveness is the ratio of the outcome to the output. So if 100 failing students enrol, and 50% of them then achieve a B grade or higher, then the effectiveness of this program is '50 students in every 100 that enrol in our program achieve a B grade or higher in Maths'.

By offering this kind of statistic, the venture is able to market itself to funders and also to be able to offer comparisons with other programs on the market.

When calculating effectiveness, it is important to be aware of selection bias. How were the students selected? Were they the top performing students in the school? The lowest performing? A mix? A group who signed up voluntarily (i.e. who self-selected)? These will all skew your results. It's important to be explicit and deliberate about these selection effects, as they impact effectiveness.

Investor Tip: Demonstrating Cost effectiveness

Investors will be particularly interested in the cost effectiveness of your venture.

Suppose it costs $1000 for our education venture to run a year-long series of workshops that helps 100 failing students, of which at least 50 go on to attain a good grade in Maths.

The venture can now say to funders "Every $1000 invested in us helps 50 failing students achieve a B grade or higher in Maths". This enables funders to gauge the cost-effectiveness of the program.

Should they invest $1,000 in this workshop venture, or should they invest $1,000 in a rival online product that can reach 10,000 students but with a 10% success rate? Provision of these metrics now gives them the basis to decide.

Can you express your outcome in monetary terms?

Many ventures find it helpful to express their outcomes/impact in monetary terms, and put a dollar figure against their impact. This can be a very powerful way to persuade social investors of your impact.

Let's take the example of the SOS Project in the UK, which uses peer mentors to support people who have been to prison, thereby reducing rates of re-offending[1]. In the UK, it costs £70,000 a year to keep someone in prison. The rate of re-offending is 70% - in other words, 70% of people who are released from prison will re-offend within 3 years, and once again be back in jail. The SOS Project is able to lower the rate of prisoner re-offending from 70% down to 20%; it is one of the most effective interventions of its kind in the world.

For every 100 former offenders who receive peer mentorship and support from SOS, 20 will no longer re-offend, compared with a national average of 70. SOS can therefore credibly claim to have prevented 50 individuals from going back to prison, at an annual cost to the taxpayer of £3million per year (50 x £60,000 per year = £3 million). Over the next decade, the impact on society would be £30 million.

If the cost of supporting 100 clients is £500,000 per year for SOS, and they prevent 50 clients per year from re-offending, then SOS can claim that the leveraged impact of investing £500,000 in them is £30million over the course of the decade, a 60:1 level of impact.

That's an impressive statistic to be able to offer to potential investors.

Of course, this monetary value is a very crude approximation of the true impact of this program. It doesn't measure the improvement in the individuals' lives, the families that are rebuilt, the crimes that are prevented, the improved safety of society and many other impacts that are either not measurable or excluded from this simple calculation. It also has a lot of assumptions built into it – the expected prison sentence, the time between being released from prison and being caught for reoffending, etc. But it is a start, and a helpful first approximation.

This kind of analysis is sometimes referred to as 'Social Return on Investment' (SROI). It's a way of converting social impact into monetary terms to show that the benefit to society from your project exceeds the cost of implementation, and by how much.

Could you provide a similar kind of working to be able to express your outcomes in monetary terms?

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[1] This is a real project, run under the management of the St. Giles Trust and founded by Ashoka Fellow Junior Smart

What if I can't put a monetary value on my impact?

The kind of projects that are suitable for talking about 'SROI' and direct monetary comparisons typically involve measurable costs to the tax-payer (e.g. prisoner re-offending, health costs, carer costs) and/or impacts on livelihood (loss of income).

However not all projects fall into this category. Many projects cannot and should not put a monetary value on their impact. An education project that is around improving a young person's creativity or leadership skills, for example, has an impact that is not easily reduced to items as simply as improvement in school grades or improvement in lifetimes earnings potentials, even if both of these are positive consequences of that intervention.

As a social innovator, you will need to use your own judgement as to whether your project falls into the 'monetisable' category or not, or whether the monetary argument can be used to support your case without becoming the main case or only argument. Our purpose here is simply to make you aware that you have both options, and that SROI calculations can be particularly compelling if you are seeking to raise investment.

Exercise: How to measure your impact from the Impact Chain Table

Go through the outputs and outcomes of your table above, and give a precise method for measuring each one.

How will you record and measure each of the outputs and outcomes?

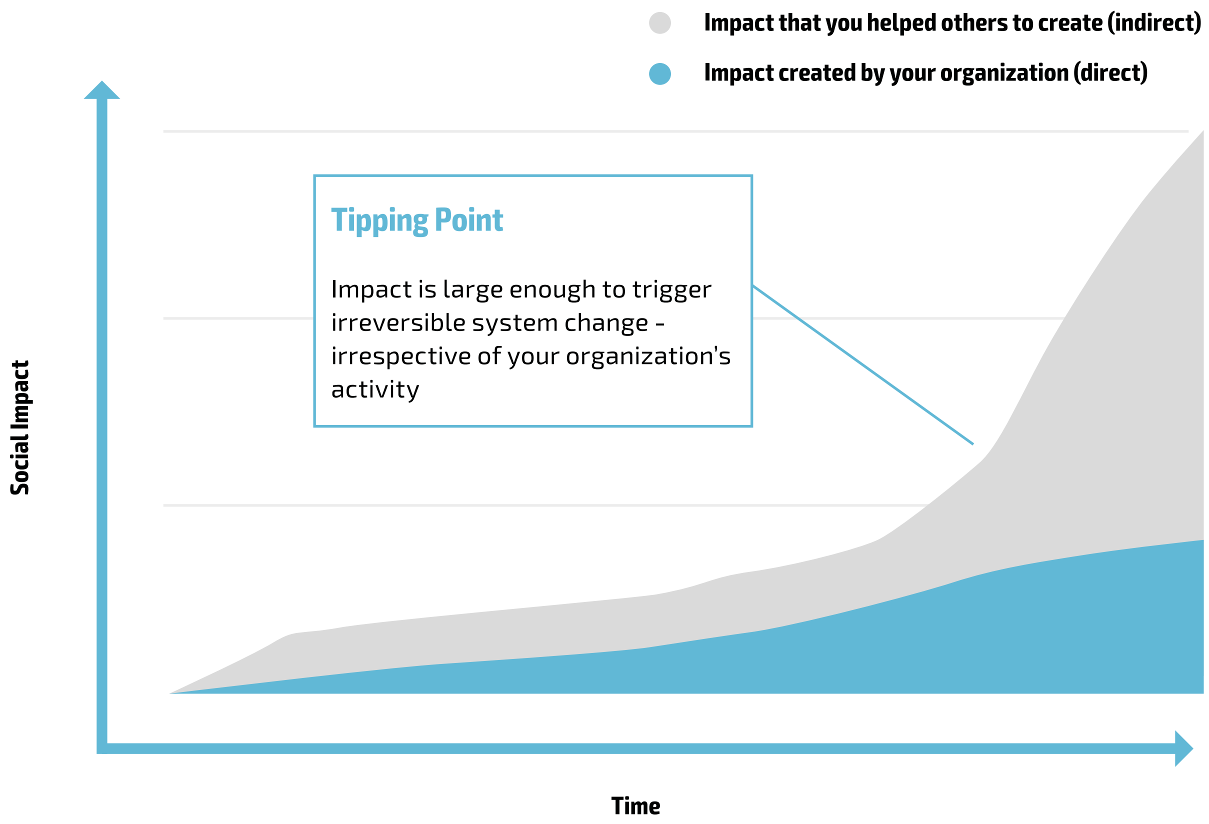
Will you need to commission a market study? How frequently? Who could conduct the survey?

Do you have a control group (target beneficiaries whom you don't serve) with whom you can compare your results? If not, can you compare your results against some kind of generic market survey, or other public information? (e.g. if 70% of prisoners re-offend within 3 years, SOS can use this statistic to compare its results even in the absence of a specific control group. It's not as good, but in 99% of cases is sufficient).

Do you have field workers who can record this data as they go, or each time they make a sale? How will you ensure that you get accurate and timely customer reporting?

For impact, consider what kind of general information that you can get access to benchmark your impact. For example, SolaRise might be able to cite market studies showing that households in sub-Saharan African typically spend 20% of the income on kerosene and diesel. If the installation of a solar panel eradicates this need, they can immediately quantify the saving per household by using this as an approximate guideline. (Note: this is only valid if they have checked that when a household has the solar panels they no longer use kerosene and diesel, rather than using both the solar panels AND kerosene or diesel.)

Direct and indirect beneficiaries



One of the simplest metrics that almost every venture should measure is the number of beneficiaries that you serve. Beneficiaries can be split into direct and indirect. A direct beneficiary is someone who is the direct recipient of your intervention – a patient receiving a vaccination, for example, or a student being taught in class.

An indirect beneficiary is someone who indirectly gains from what you do. For example, BasicNeeds is a leading mental health charity providing support for people suffering from debilitating mental health problems such as depression and schizophrenia in developing countries.

They estimate that for every person who suffers from one of these diseases, there are another 2 in their household who are affected, principally as carers who may be forced to give up work in order to look after a relative. BasicNeeds therefore records both the direct number of patients that it serves, but also estimates its indirect impact as being a further two household members whose lives are affected. Recording your direct impact and estimating your wider indirect impact are important elements in impact reporting.

Depth of Impact

Not all work performed by social ventures on behalf of their beneficiaries is of equal depth. A public health campaign that seeks to influence millions of people with its TV adverts, for example, is not operating with the same level of depth as a social venture that works intensively with a small group of blind people for one year, helping them regain the skills to get back into work.

You should be able to decide if your venture seeks to have a wide but lighter impact, or goes deeper with fewer people. Neither is right or wrong; the correct approach will depend on the nature of your project. But you should be clear which you seek to be in your own mind and with investors.

Exercise: Calculate your Social Return on Investment (SROI)

If you are able to calculate a monetary value for each of your outputs, take the ratio of each monetary value and compare it to your input cost. Obviously, to do this you need to know the details of your input costs. We will go into this in more detail in later modules. After you have completed those exercises, come back and calculate this. This gives an indication of your cost effectiveness, or Social Return on Investment.

Suppose for example SOS needs £500,000 to create a £3,000,000 annual saving to society. This is a cost-effectiveness ratio or SROI of 600%.

Exercise: How to measure your impact from the Impact Chain Table

Go through each of the outcomes that you listed above. Can you convert this outcome into a monetary figure, even in a very approximate way?

Remember how SOS did this calculation. They worked out the cost of keeping someone in prison for one year, and then calculated how many people they kept out of prison annually. They could therefore give a reasonable estimate of the immediate saving that they had provided to society and to the taxpayer.

Can you perform a similar calculation for your outcomes? As explained above, not every venture can or should do so. Nor will this figure will be a complete summary of your impact. It's simply one more way of demonstrating clear social return on investment (SROI) to investors.

Other ventures might attempt to calculate their SROI as follows:

Estimating average improvement in income or lifetime earnings as a result of your intervention. Then multiplying this figure by the number of people that you serve.

Estimate a cost saving to society from the intervention (e.g. it costs £70,000 to keep one person in prison for a year, or it costs £20,000 per person in medical costs for diabetes sufferers, so every X number of people whom we can help prevent diabetes results in X x £20,000 in medical savings etc.).

Investor Recap

Social impact measurement is an essential means of bringing social investors onboard. By having a simple, clear and easy to measure set of metrics, you can inform investors of what you do (your outputs) and the impact you intend to create (*outcomes*). This enables investors to compare different projects from an *effectiveness* and *efficiency* perspective.

The key to good impact measurement is to find relatively simple but meaningful metrics that you can record and report back on. Failure to define good impact metrics may result in *mission drift* or confusion or conflict about what your goals are. After completing this module, you should have developed a good set of metrics that are robust and can be used in discussions with investors.

These first two modules have covered how your social venture creates and measures its social impact. This lays the foundation for any social investment presentation. In Module 3, we now turn to your *business model* (how you will generate income to fund your work).