
Executive Summary

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Impact measurement has been recognised as one of the three key practices of Venture Philanthropy (VP), together with tailored financing and organisational support. EVPA recommends that venture philanthropy organisations (VPOs) measure impact using the five-step model proposed in the report “A Practical Guide to Measuring and Managing Impact”, and EVPA’s work on impact measurement is a key building block for the European Commission’s Standard on impact measurement.^{5,6}

Despite the centrality of impact measurement in the VP approach and of the large uptake of the five steps, many VPOs still consider it difficult to implement impact measurement in their daily practice, and ask for more guidance as of the DOs and DON'Ts of impact measurement.

The two case studies presented in this report aim to fill this knowledge gap, by providing examples of how two leading organisations – Investisseurs et Partenaires (I&P) and Reach for Change – have developed their own impact measurement system and how they have dealt with issues such as proportionality, attribution and additionality.

Starting from the five-step IM process proposed by EVPA, we have underlined the main recommended methodology to be used to complete each step and the main criticalities to be considered at each step of the impact measurement process.

Step 1 – Setting Objectives

Step 1 is the first step in the impact measurement process. It is the step in which the objectives that will guide all future actions are set – thus it shapes the future course of action of both the VPO and the social purpose organisation (SPO) it supports. From the case studies, five main recommendations for this step emerge:

1. *The Theory of Change is at the centre of all you do, so take the time to develop it* – and this is valid for all your investees too. Impact Measurement (IM) is only a means to an end, not the end in itself. Having an IM system should support the VPO achieving its goals but this can happen only if the goals are first made clear. Our recommendation is to develop a clear Theory of Change, possibly through a workshop with the help of an external consultant, and involving the team, as I&P did. The Theory of Change is the starting point of any IM system (and should be the cornerstone of the investment strategy). It will facilitate all subsequent IM work. It is also important to understand why you introduce an IM system, whether to report to investors, better prioritise resources, and investments, or in general to manage towards better and greater impact.

5 GECES Sub-group on Impact Measurement (2015). “Proposed Approaches to Social Impact Measurement in European Commission legislation and in practice relating to EuSEFs and the EaSI”. European Commission Directorate-General for Employment, Social Affairs and Inclusion Unit C2.

6 Press release: http://europa.eu/rapid/press-release_IP-14-696_en.htm?locale=EN

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2. *There is No “One-Size-Fits All”* – The Impact Measurement System you choose to build derives from your goals – and they are unique! So get inspired by others, seek guidance and examples, but remember that ultimately the IM system you choose shall serve your organisation and your investees.
3. *Be conscious of the needs of your investees* – Depending on your investment strategy you will have a portfolio of investees that are advanced and already familiar with IM or investees that are only starting and need to be guided – like the Change Leaders supported by Reach for Change – or even investees that are resistant to the idea of implementing an IM system – like the SMEs supported by I&P. It is important to reflect on this situation before choosing an approach to setting the objectives at the SPO level.
4. *Your objectives and the ones of the investee will guide you in selecting the investments* – An alignment in the objectives of the VPO and a potential investee is a selection criteria for making (or not) an investment. That is why it is extremely important to set the objectives – for both VPO and SPO – at the very beginning.

Step 2 – Analysing Stakeholders

Step 2 – analysing stakeholders – consists of two sub-steps: *stakeholder identification* and *stakeholder engagement*. The following recommendations emerged from the case studies:

1. *Make a list of direct and indirect stakeholders and be selective* – The identification of the stakeholders is done at the outset, parallel to setting the objectives and it is then subject to periodical revision. This is valid for both VPO and SPO.
2. *Involve the investees in the stakeholder identification process* – As shown by the experience of I&P, involving the investees is easier said than done, because there might be some resistance from SMEs that are not too fond of impact measurement. However, it is crucial as it helps building ownership of the process.
3. *Stakeholders’ engagement is a recurring activity* that needs to happen throughout the investment process and thus the impact measurement process (i.e. by surveying the stakeholders at the outset of the investment about the needs/expectations and after the investment about the effectiveness of what was offered, in Step 4 – verifying and valuing impact – to assess the claimed impact has been achieved, etc.).
4. *Revise periodically* – also based on the lessons learned through the IM exercise. To this end it is crucial to give the stakeholders moments in which they can give feedback, as Reach for Change does when collecting stories from final beneficiaries, children.
5. *Stakeholders’ alignment will guide you in selecting the investments* – Together with the objectives, an alignment on the stakeholders helps you decide whether or not to invest in a certain SPO. Reach for Change, for example, only invests in social entrepreneurs who work to improve the lives of children.

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Step 3 – Measuring Results: Outcomes, Impact and Indicators

Step 3 – measuring results – is the step in which the objectives set in Step 1 are transformed into measurable results through the definition of **outputs**, **outcomes**, **social impact** and **indicators**. The case studies show that:

1. *You shall not reinvent the wheel* – Use available databases to choose indicators from – IRIS, Global Value Exchange, etc. where possible and feasible. Using indicators found in these databases helps when aggregating and comparing data.
 2. *You measure for yourself, so assess and reassess what data is useful* – Any indicator chosen should be useful and help you take decisions and show your impact, and this is valid for your investee too. Usefulness for management shall always come first and indicators should not be chosen because they are fancy or to “tick a box”. Both I&P and Reach for Change perform a yearly revision of the indicators used, to avoid wasting resources on collecting data that is not worthwhile.
 3. *You can't measure everything (and you shouldn't)* – Although it is important to measure impact, the more precise the measurement the higher the cost of measuring. Thus it is important to be realistic and try and get the measurement that delivers the best value for money. Sometimes the data you need to complement the information you have collected is available through public sources, which are a cheaper source of data.
 4. *Excitement tends to fade* – both in the VPO team and in the SPO, so it is important that the information collected through the IM system continues to be useful and relevant for taking managerial decisions at both the VPO and the SPO level.
 5. *Aggregating at portfolio level is crucial, though complex* – Organisations that support a high number investees using different indicators to measure impact such as Reach for Change find it difficult to aggregate the results and measure impact at portfolio level. However, simplifications are possible by measuring the percentage improvement on the different indicators.
 6. *Don't complicate your life* – and the life of your investees. Data collection can be simplified, by using Excel questionnaires like the one developed by I&P and by using Google Drive as done by Reach for Change, instead of investing resources on fancy and complex tools if not needed.
 7. *Don't overdo it* – sometimes two to three indicators per objective are sufficient. Additionally, not all indicators need to be measured from the outset: beginners can start with one, and add more as they go along. Both I&P and Reach for Change follow this principle, asking SPOs to collect and report based on their evolving capabilities.
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Step 4 – Verifying and Valuing Impact

In Step 4 – verifying and valuing impact – the claim we make on having positive social impact needs to be verified, including to what extent (i.e. to what value). This is a test of the causal link as part of the theory of change. In particular, during this step the VPO measures the achievement, *verifies* that the impact claimed actually happened and was real to the intended stakeholders and *values*, i.e. makes an assessment of whether the outcome is/was important to the stakeholders. The following recommendations can be made regarding how to perform this step:

1. *Have an independent external evaluator helping you* – some fairly cheap ones can be available such as the student association working with I&P. Having an external evaluator reduces the chances of bias in the responses given by the investees.
2. *Involve the beneficiaries* – as your ultimate goal is to serve them. Beneficiaries can be involved in multiple ways, i.e. through interviews, focus groups, etc.
3. *Combine quantitative and qualitative data*
4. *Perform the analysis at the outset* – as this helps you build the counterfactual against the baseline
5. *Close the learning cycle* – all the information collected in Step 4 must generate learnings that help the VPO and the SPO adjust the course of action, including potentially revising the objectives, the list of stakeholders and the indicators used to measure the achievement of the objectives. The learnings will then need to be reported (see Step 5).

Step 5 – Monitoring and Reporting

The final step in the impact measurement process involves monitoring – tracking progress against (or deviation from) the objectives defined in the first step and made concrete through the indicators set in the third step; and reporting – transforming data into presentable formats that are relevant for key stakeholders.

For data collection, the following recommendations are made:

1. *Identify data sources for all measures*, as well as the type of data to be collected along with how they will be collected.
2. *Establish a baseline status* at the beginning of the intervention, and where possible, comparable data for control or comparison group members. Baseline data are important for assessing change over time.
3. *Describe how data will be collected*– for example through administrative records such as academic records, program systems, such as scorecards maintained by staff, or through instruments specifically created for the purpose, e.g. surveys. The questionnaires self-filled by I&P's investees, for examples, are then checked by (i) the investment officers and (ii) by the ESG Team and, if necessary, information from public sources is then used to complement the data collected.

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4. *Indicate who will collect all data used in the evaluation, and make sure you check and double-check data reported* – this involves assessing the involvement of both internal and external people, and the capacity and availability of staff members in relation to the data collection process. Having a well-structured system helps guarantee that the data collection process is solid. Reach for Change has a so-called “Triple Audit Process”: data is self-reported by the investee and then checked by (i) local Programme Managers, (ii) Regional Directors and, lastly, (iii) by the Central Impact Team, to guarantee the quality and correctness of the data collected.
5. *Keep an open dialogue between the central function and the local teams* – local teams will be in charge of collecting data and checking it without being experts on impact measurement, so it is important that the central function keeps an open dialogue with them to guarantee the maximum support and collaboration.
6. *It’s hard to find a balance between resources and precision* – Both I&P and Reach for Change have been struggling with the data collection process, and have finally opted for easy IT solutions that allow for the SPOs to self-report most of the data.
7. *Data collection is a learning process* – Both the SPO and the local VPO’s team will need time to learn about the IM system, so patience is important when the IM system is first introduced.

As shown also by the case studies, no reporting standards exist, but a number of elements are common in reporting the results:

1. *Be conscious of language barriers* – When operating in many countries with many different languages it is important to produce reports (and IM systems) that can be used by the local SPOs and the local teams.
 2. *Aggregating data for reporting is technically difficult* – The more customised the IM system, the more difficult it will be to aggregate data at portfolio level (and for reporting). It is therefore important to think of ways to show outcomes at portfolio level, for example showing the improvements in the impact levels across the portfolio.
 3. *It is difficult to find data to benchmark* – One issue for reporting is the lack of the “counterfactual”, i.e. of external data showing what would have happened without the SPO’s (or the VPO’s) intervention to support the final beneficiaries (or the SPO).
 4. *It would be useful to have an external evaluator for the reporting* – to revise the overall impact measurement methodology of the VPO.
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