Conference: SOCAP Europe, June 1, 2011

Panel Name: EVPA Workshop on Impact Measurement

Panel Description:

Discussion of impact measurement and evaluation frameworks

Moderator and Panelists:

Peter Scholten, SROI Network (MODERATOR)

Wolfgang Hafenmayer, *LGT Venture Philanthropy*

Martin Egberink, *Social Evaluator*

Amit Bouri, *GIIN*

Lisa Hehenberger, *EVPA*

Design, Methodology and Approach:

Organizations utilizing and developing impact measurement tools and frameworks presenting the defining and differentiating characteristics of their approaches and driving philosophies.

Main Panel Discussion Points:

The European Venture Philanthropy Association (EVPA) builds stronger impact-first organizations, providing both financial and non-financial support. EVPA engages actively to selectively support operational and financial resilience in social enterprises, focusing on capacity building, access to networks and continuous performance measurement and engagement.

LGT Venture Philanthropy identifies and invests in young, growing organizations that improve quality of life. A disciplined measurement system aligns closely with their mission, with quarterly, annual and some monthly reporting, including overall status, social impact, core business development, organizational capabilities and initiatives, financial status, business development projects and main risks and issues. A 12-16 month due diligence process also aims at developing KPIs for a 3-5 year plan.

LGT measures depth of impact on five main drivers of human well-being: freedom of choice, good social relations, security, good health and material sufficiency. A matrix details specific impacts, associated outcomes, quantitative measurements and concrete results. How to develop measurement systems that can work across industries was noted as a main challenge.

GIIN has spearheaded the establishment of the Impact Reporting and Investment Standards (IRIS). These standards were established to address the challenges of fragmentation, lack of comparability and inconsistency in measuring social and environmental performance, and the difficulty of constructing specific industry analyses, such as performance benchmarks. The intention of IRIS is to provide a standard taxonomy and definition to address these impacts.

The challenges of reporting impact measurement indicators include the costs of implementation and the challenges of developing standards for nascent investment areas. Moreover, organizations have to make the key determination of what elements are most important to measure and ensure that it is possible to connect outputs to outcomes.

The Social Evaluator's approach to social investment management involves the beneficiaries and stakeholders. It asks about what has changed for stakeholders to identify, understand and appropriately weight the elements that matter most and are truly material. This methodology aims to correct for over-claiming, for example, for outcomes achieved by a partner or for a counterfactual that would have occurred regardless. It also encourages transparency and verified end results.

The back end data inputs can be informed by the social enterprise and external data sources, as well as other evaluation frameworks. The platform is distinguished by specific sector modules and an accessible front end cockpit for the user/client to guide management actions.

Outcomes and Analysis:

The audience response revolved around:

(1) mechanics of evaluation methodologies;

(2) underlying theory of change embodied in methodologies;

(3) use of evaluation to align stakeholders; and

(4) the value of methodologies for informing management decisions.

Lack of data against which to benchmark also complicates evaluation.

(1) **Mechanics.** Primary concerns include time, energy, effort and, at times, additional investments required to collect appropriate data, to train and incentivize staff and to carry out evaluations. Increasing numbers of indicators can undermine usability of metrics and frameworks. There are concerns about whether methodologies are vulnerable to manipulating and over-selling results. Specification of the magnitude *and direction* of relative and absolute change is still an evolutionary process, as is addressing specific sectors and geographies. To encourage organizations to engage in lengthy evaluations, the process must generate incentives to report, such as through a "social dividend" or improved data and information.

(2) **Underlying theory of change.** Metrics have to be informed selectively by key beliefs and mission statements. What a methodology measures reflects the transformation desired and the

drivers of that transformation. Negative/displacement effects and unintended consequences are notably lacking.

(3) **Alignment of stakeholders.** Evaluation methodologies have important implications for communications and incentives. Using metrics to generate performance-based incentives presents an emerging challenge for funders and investees. The evaluation process and their outputs can create a “common language” to achieve an “alignment of values across the whole system.”

(4) **Value for management decisions**. Audience members asserted that monitoring and evaluation were necessary investments for improving operations and managing risk (“It costs us more *not* to measure outcomes”). Yet, without data with which to compare and benchmark organizations, methodologies’ usefulness as comparative, analytical tools is less clear. Eventually, evaluations should be seen as creating value and driving returns rather than adding costs.

Uncertainties remained about how to fund ongoing monitoring and evaluation investments with the suggestion that co-funding should be made available.

The one-size-fits-all solution across investors, intermediaries, sectors and geographies does not yet exist. The choice of methodology (or methodologies) involves choice about the level of engagement, analytical rigor, periodicity and time horizon for monitoring. Investors can distill a smaller number of key indicators and rely on self-reported data. Deeper engagement involves third-party verification and stakeholder surveys, among others.

Cost effective data-gathering requires frameworks specific to the activities being evaluated. Impact investment needs transparency across sectors and organizations for comparability.

The process of gaining buy-in for, rather than imposing, the value-added of evaluation tools will continue to be part of their evolution for some time to come.

Keywords: evaluation, metrics, impact investment, venture philanthropy, IRIS

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