BETTER ENTREPRENEURSHIP ONLINE TOOL

GUIDANCE NOTE: MANAGING, MEASURING AND REPORTING IMPACT

Introduction

Today's societal challenges – from climate change to inequality - are both economic and social. They invite new ideas that can create both economic growth and social value. There is wide consensus that the presence of social entrepreneurs, new actors on the innovation scene, are invaluable to bring forth and inspire such ideas.

common response worldwide has been to launch support programmes, social innovation subsidies, funding instruments, educational programs, and the alike, with the specific goal to encourage successful social entrepreneurial outcomes. Who will a leading support agency like UnLtd UK select for its awards? Who will a public innovation agency, like Flanders' Agency for Innovation and Entrepreneurship, provide its (social) innovation subsidies to? Who will an ambitious impact investment fund like SI[2] invest in? Which candidates will be admitted to a prestigious training like Ashoka's Impact Programme? What can public sector representatives do to help ensure that measurement really works as a force for good (*for all)*, and not as a constraint on the much needed creativity or ambition? In each case, a systematic and coherent approach to evaluating the potential, actual and/or future soci(et)al impact of ideas, projects, or organizations is essential.

There are several measures that provide us a quick feel for the financial viability of a project, program or organisation: figures like the cash planning, the surplus or profits generated as a share of revenues, or the growth are typically quite telling. And even then, teasing apart the underlying assumptions is far from a sinecure. However, when it comes to measuring and assessing the soci(et)al impact of a social enterprise, things get a lot messier. This is because social enterprises' societal *goal* is rarely single-headed, instead multifaceted; it is rarely static, and instead evolving; and true impact is rarely observed immediately, rather only over time.

Not surprisingly, the number of measurement and reporting techniques available has multiplied significantly over the past two decades. Social Returns on Investment (SROI) and Social Audit Network Approach are just two well-known examples. Despite widespread publicity, the adoption rate of these standardized approaches so far has been strikingly slow.[1] Indeed, there is no consensus on which approach is the best, rather there seems to be consensus on a common process to define one's impact measurement and reporting. The basic principles and guidelines of such a process are clearly summarized in the the European Commission's expert group's (GECES) report "Proposed Approaches to Social Impact Measurement" that was published in 2014.

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[1] When it comes to social performance measurement, it seems that most social enterprises regularly use a simple count metric, such as the number of beneficiaries served, the number of people helpd find a job, etc.

One of the most valuable benefits that agents –be it social enterprises, funds, or public sector representatives- gain from stipulating an impact measurement and reporting approach for their initiative is arguably that in the *process*, they are pushed to clarify their mission and vision (what is their purpose? where are they headed?) and their theory of change (how will they get there?). Some also embrace this process to create together with their staff and other stakeholders a shared language (vocabulary) that precisely pins down their priority areas of activity, their roles, the types of change they aspire to achieve (in the short, medium and long run). Whilst this process can be quite intense,[2] past experiences show that the more inclusive and creative an organization allows this process to be, the stronger its end result: An approach to measurement and reporting that tightly *fits* with the values of all relevant stakeholders, the values of the organisation (organisational culture), and other influential organisational design choices.

Current thinking about impact measurement and reporting has of course not evolved in a vacuum. The boundaries of today's growing 'impact measurement scene' (think of the growing number consultancies, funds, crowdfunding platforms, think tanks, etc.) have been shaped by other influential trends. Just consider the widespread trend towards greater transparency and accountability (a trend which gained further traction following the 2007-2008 financial crisis). This trend has ushered in e.g. the rise of certifying agencies, such as B-Corps that give social businesses a helping hand to audit and certify the societal impacts they make. Another influential trend has also been the rapid advances in ICT. Thanks to technologies such as GPS tracking and the use of mobile phone surveys, social enterprises are now able to quantify and qualify the real impacts that they make in entirely new (more bottom-up, inclusive) ways. It's hard to predict what the future holds in terms of impact measurement and reporting. But it promises to be an area where we will be able to see lots of dynamism, change, and creativity.

Impact measurement and reporting has also drawn a fair share of critics. Some critics have long worried that impact measurement steers limited attention away from hard-to-measure social performance indicators, to the relatively easier-to-measure counterparts. Others warn that the 'straightjacket' of an initial impact measurement framework can render organisations less nimble and able to adapt to unpredictable twists and turns. Others still have countered that measurement, monitoring and evaluation efforts often require investments that are disproportionate to the actual impact achieved, particularly when initiatives are still nascent, early-stage (also referred to as the proportionality challenge). Finally, there is a growing unease about the mushrooming of impact measurement consultants, whose expertise is difficult to gauge and price can be prohibitively expensive.

All in all, the need for better quality impact measurement and reporting is arguably here to stay. Policy-makers are strongly encouraged to be mindful of the various concerns that critics have raised. At the same time, their focus should remain on the **end result**: what are they aiming to achieve by actively promoting measurement and reporting? By embracing the innovations that technological advances and societal trends like the collaborative economy bring, policy-makers can help propel the development of ever better, more cost-effective measurement and reporting practices.

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[2]To illustrate, it is quite common that in this process, a social enterprise comes to realize that it has drifted away from its core mission, adding on more and more activities (often under the impulse of funding opportunities) without maintaining sufficient overview, let alone coherence.

Recommendations for policy actions:

Policy Levers:

✓ Help fast-track the diffusion of successful practices, valuable insights and knowledge about impact measurement and reporting.
✓ Enourage a shared measurement system and continuous communication among relevant stakeholders.
✓ Mainstream and implement high-quality impact assessment approaches in-house, within your organisation.[3]

Pitfalls to avoid:

☒ Avoid actions do not foresee incentives for people to really engage. Actions that rely on voluntary participation and/or voluntary contributions (like joining a learning platform) need to be behaviorally smart.
☒ It must be avoided that nobody acts on the insights made visible by impact measurement and reporting. Improving measurement and reporting is a means to an end, not an end of its own.
☒ Thinking and practicing the art of impact measurement and reporting should never stand still, should always be in flux. Don't wait until a perfect solution has come, rather get started, and move ahead: learn from others, learn by doing.

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[3] For two useful reference documents, see "Social Experimentation: A methodological guide for policy makers," a report commissioned by the European Commission in 2011; and "Policy Brief on Social Impact Measurement for Social Enterprises," prepared by the OECD in 2015.

Guidance per assessment statement

7.1. Social enterprises have access to methods for measuring and/or reporting impact.

Why is it important?

We invite you to consider the various **means** available to social enterprises and their stakeholders to acquire information about impact measurement and reporting, and to act on such information **[means-oriented dimension].** Have there been efforts to collate relevant information on available measurement and reporting techniques online or off-line? Which additional measuresare currently underway to effectively unlock such information, to help social enterprises act on this information?

It is essential that social enterprises and their interested stakeholders have access to good information regarding the methods for measuring and/or reporting impact. Yet, there is no guarantee that social enterprises and stakeholders act or are able to act on this information. Very often, an extra push or incentive is called for. Concrete barriers – like whether information is available in local languages – can actually have a significant effect on the take-up and actual use of information.

Pointers to help tick the appropriate score

In order to score high, in your territory:

➢ An open-access online repository of methods for measuring and/or reporting impact is available in your language.

➢ Affordable initiatives are available to social enterprises for helping them to measure and/or report their impact.

7.2. The impact metrics are co-constructed with the social enterprise community.

Why is it important?

We invite you you to consider the impact measurement and reporting techniques today widely used in your constituency, and ask yourself **how** they were developed **[process-foused dimension].** Were they developed in a co-creative manner? That is to say, are they the outcome of workshops or a thorough and open debate that joined together many divers stakeholders? Or instead were they copied from existing blueprints without contextualization? Or put together by a limited group of stakeholders – be it top-down fellow public sector reprsentatitives or academics – or more bottom-up by social entrepreneurs themselves.

Measurement and reporting techniques that emerge from a co-creation process are more likely to incorporate/ accommodate diverse interests and viewpoints, and thus more likely to be upheld by relevant stakeholders over time. The co-creation process itself is also likely to help ensure that the techniques are being adopted, tested and refined by diverse stakeholders. In contrast, measurement and reporting techniques that were developed by one type of stakholder only are more susceptible to criticisms. Certain groups may feel that the techniques do not reflect their own needs and realities. As a result, over time these techniques are less likely to be more widely adopted.

From an ecosystem viewpoint, the greater the alignment in approaches to impact measurement and reporting across different intermediary organisations (funds or capacity

support organizations) that support the social enterprise throughout its lifecycle, the easier it will be for a social enterprise to navigate the ecosystem. For instance, if the social enterprise needs to completely rewrite its approach to impact measurement depending on which actor it speaks to, then this is costly.

Pointers to help tick the appropriate score

In order to score high, in your territory:

➢ Social enterprises and their coordinating bodies are closely involved in defining impact measurement techniques.

➢ Social enterprises and their coordinating bodies are closely involved in defining reporting standards.

➢ There is a platform for dialogue among all relevant stakeholders.

Good Practice Examples

Strive Partnership (US)

StrivePartnership started as one of the first cradle-to-career community in 2006 in urban school districts in Cincinnati, Ohio. By bringing together local leaders to improve education in the region's urban core, the partnership sought to increase student success in three public school districts. More than 300 cross-sector representatives joined in the effort, including school district superintendents, business and nonprofit leaders, city officials and university presidents.

StrivePartnership didn't create a new program or raise more money. Instead, its stakeholders agreed on a common set of goals, outcomes and indicators. They analyzed and shared data to track progress. To coordinate practices and direct resources to what works for kids, they used continuous improvement, a methodology often used in engineering and health care. Now, 10 years later, StrivePartnership is the first partnership in StriveTogether's national network to improve over 85 percent of key indicators of student success. That is quality collective impact.

Calgary Homelessness (Canada)

Calgary Homelessness is another collective impact platform located that was launched in 2008 by a multi-stakeholder leadership group who knew homelessness could end if tackled strategically. The strategy is to shorten the stay of those using emergency service through a Housing First model. Housing First quickly moves people into appropriate housing, where they receive support and help to address the issues that led to their homelessness. The leadership is provided by The Calgary Homeless Foundation (CHF), acting as the backbone organization overseeing implementation of the plan along with agencies in the homeless serving sector, businesses, governments, the faith community, donors and Calgarians.

7.3. There are initiatives designed to raise awareness about measuring and/or reporting impact.

We invite you to reflect on the **level of awareness** about the value of impact measurement and reporting and about available approaches in your constituency **[outcome-oriented dimension].** To help you assess this dimension: ask yourself whether there have been any initiatives and/or whether there are initiatives currently underway in your constituency, designed to help raise awareness about impact measurement and reporting among social enterprises and their stakeholders.

It is important to spread the word, and ensure that all relevant parties benefit to the greatest extent. Ignorance about the value of impact measurement and reporting within one group in the social enterprise ecosystem can raise a lot of frustrations within another. For instance, when an investment manager is insufficiently aware of the specificities of social enterprises and more accustomed to dealing with mainstream entrepreneurs, he or she may find it difficult to appreciate the societal impact measurement and reporting that a social enterprise advances, and as a result value this too lightly. Another example, social enterprises may be under the impression that they are having to strengthen their impact measurement and reporting practices simply to please their funder, because they do not readily see what's in for them.

Pointers to help tick the appropriate score

In order to score high, in your territory:

➢ Campaigns illustrate the benefits from measuring and/or reporting impact while considering the challenges and the capacity of social enterprises.

➢ There are initiatives for raising awareness of the specificities of social enterprises among stakeholders who design impact measurement and/or reporting requirements.

➢ There are initiatives for raising awareness among the social enterprises of the availability of resources and approaches to measure and/or report impact.

Good Practice Example

Trends and Dynamics in the Portuguese Eco-system for Social Entrepreneurship (Portugal)

Relative to the 7 other EU countries surveyed, plus China and Russia, Portugal stands out for its remarkably high share of social enterprises surveyed that track their social performance: 97% in Portugal versus 65% overall (SEFORÏS, 2016). As in all other countries surveyed except for Sweden, Portuguese social enterprises favour measuring social performance by counting the numbers of beneficiaries or clients served. The figure belows summarizes the top 5 most used performance indicators (N=107; SEFORÏS).

A key reason for why such a high use (widespread awareness) of social performance measures can be observed in Portugal is that social enterprises have to report their social impact to the public authorities funding their activities. Many Portuguese social enterprises receive government grants and/or sell their products or services to government (70% of the surveyed enterprises).

Various ground-breaking initiatives also contributed to a greater awareness of social impact measurement amongst stakeholders more broadly, and social impact investing community in particular. To illustrate, the Portuguese Social Investment Task Force, co-funded by the European Commission, was launched in July 2014, as a 12-month initiative, with the aims to promote meaningful and informed discussion about the potential of social investment in Portugal by gathering different leading actors across social, public and private sectors. Portugal Inovação Social represents a milestone in the promotion of social investment in Portugal. Established by the Portuguese Government in 2015, approved by the Cabinet Council and endowed with €150 million from the European Structural Funds under the scope of the Partnership Agreement – Portugal 2020, it has a strong mandate and substantial resources with which to drive the development of the social investment market over the coming next years.

For more information, please click here

7.4. Impact measurement and/or reporting features are discussed in the public debate and feed into policy-making.

Why is it important?

We invite you to consider to what extent impact measurement and reporting features in the public debate and feeds into policy-making. Has your organisation undertaken or are specific initiatives underway in your constituency to use the evidence on impact measurement to inform a critical discussion of the added-value of social enterprises?

Producing insights based on impact measurement and reporting should not be an end goal alone. These insights should serve as a means to an end: for instance, to identify areas that require improvement or areas that instead show sufficient promise for them to be scaled. Policy-makers can commission high-quality impact assessments. But most importantly they need to foresee sufficient resources to ensure that valuable insights can also elicit a lively debate and ultimately stimulate appropriate action. There is widespread concern that high-quality, scientific impact assessments all too often fail to improve public debate and policy-making. A few potential arguments for why this is the case include: (i) the gap between scientific language and popular understanding is often left too wide, (ii) to act on findings often requires changing the status quo, which is notoriously difficult to do; and (iii) many academics do not feel sufficiently compelled or comfortable engaging in a pulic debate.

Pointers to help tick the appropriate score

In order to score high, in your territory:

➢ Research on impact measurement is promoted.
➢ During public debates evidence produced by solid impact measurement techniques is used.
➢ The public sector systematically aims at measuring the impact of policy interventions.

Good practice example

What Works Centres *(UK)*

The UK government has launched a network of independent *What Works Centres* affiliate members, each focused on a key policy area that receive substantial public spending. The network is underpinned by the principle that good decision-making should be informed by the best available evidence. If evidence is not available, decision-makers should use high quality methods to find out what works. What Works is a world first: it's the first time any government has taken a national approach to prioritising the use of evidence in decision-making.

The centres help to ensure that thorough, high quality, independently assessed evidence shapes decision-making at every level, by:

- collating existing evidence on how effective policy programmes and practices are;
- producing high quality synthesis reports and systematic reviews in areas where they do not currently exist;
- assessing how effective policies and practices are against an agreed set of outcomes;
- sharing findings in an accessible way;
- encouraging practitioners, commissioners and policymakers to use these findings to inform their decisions.

Existing What Works Centres include: Centre for Ageing Better (improving the quality of life for older people), College of Policing What Works Centre for Crime Reduction (crime reduction), and What Works Centre for Local Economic Growth (local economic growth), The Education Endowment Foundation (EEF) (educational achievement), and the Early Intervention Foundation (early intervention).