

A SHORT GUIDE



**What comes after monitoring and evaluation:
Impact measurement**

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There is increasing demand for monitoring and evaluation, but effectively integrating performance results into decision-making remains a challenge. While there has been a plethora of new data collection methods, tools, and analytics, funders and grantees struggle with the complex landscape and limited resources. And despite a growing number of funders seeking to incorporate the voices, opinions and insights of those they aim to help into their evaluation activities, learning from evaluations too often benefits investors, grantmakers, donors and philanthropists more than it does their grantees/ investees or the communities they serve. More and more organizations use data analytics, but subscale datasets and a lack of systematic data sharing limit their helpfulness.

Too often the starting point for performance measurement in social investment is understanding and adhering to reporting requirements and on what metrics and methods to use, rather than on deeper questions about what decision-makers need to know to make smarter choices about creating impact. Instead of evidence-based decision-making, we need decision-based evidence making. Strategy and decision-making require more agile and continuous feedback loops that link investment decisions with the right data, the development of persuasive analysis, and the

integration of these insights into future decision-making processes.

The importance of impact measurement in the social sector (philanthropists, grantmakers, social investors, venture philanthropists, corporate foundations) has steadily increased over the last decades. In these years funding grantees/communities has transformed from the traditional giving “without looking back” to a more impact-based approach.

This is caused in part by the growing call of both institutional as well as private donors for greater transparency in spending and results.

Concurrently, philanthropic organisations receive an increasing number of requests for funding due to diminishing financial resources and constraints globally. Therefore, investors and grantmakers are looking for ways to make better choices where to allocate their resources most effectively in a way that drives improvements and maximises social impact.

Defining Impact

Impact is generally understood as the proportion of the changes that take place for a group of stakeholders because of certain actions or interventions. The proportion aspect considers changes that would have happened anyway, regardless of the actions or interventions, as well as any proportion of the changes caused by other organisations or people. Moreover, impact can be both positive, negative, intended or unintended.

Impact Measurement

Impact measurement is an iterative process of forecasting, reviewing and evaluating the impact activities have on investees, beneficiaries, and other stakeholders. There are a multitude of methods and tools on how to measure impact, the consensus is that any impact measuring process contain a number of elements.

Elements of impact measurement

1. Scope and boundary of impact measurement and analysis

All efforts of measuring impact start by determining the scope of what is to be measured. Deciding what to in-and exclude during the measurement activities help to structure the process. The following questions can help determine the scope of impact measurement:

- **Level of assessment:** Will you be assessing impact on a project, programme, organisational or country or even sector level?
- **Forecast or evaluation:** Will you be using impact measurement as a tool to forecast expected impact of certain projects or programmes that have yet to be undertaken, or will you use it to evaluate projects or programmes in the past or currently running? Combining the two is also an option – start with a forecast and evaluate whether your forecasted impact is realised once the programme starts. It is recommended to determine what the starting point is before setting up requirements.
- **Audience:** Who are you measuring for? Who is the audience of the impact measurements or outcomes of the measurement process i.e. who will be viewing the results and reading the reports? Will results be shown to your board, shareholders, aspiring grantees or potential donors and other funders (to show what the impact of their investments are?)
- **Purpose:** What is the purpose of your impact measurement? Impact measurement can serve several purposes. Determining the goal beforehand can help make choices in how rigorous the assessments will need to be. A few commonly named purposes of impact measurement include:
 - **Select:** determine which projects to fund or not (forecast)
 - **Understand:** know whether you are creating change or not, and how much change could potentially be created, understand where you create the most value and for whom
 - **Benchmark and improve:** evaluate these projects and use the gained (management) information to help further improve them: i.e. to maximise impact
 - **Prove:** to prove impact claims, and be accountable: show that you are doing what you are saying you are doing and achieving
 - **Communicate:** create and increase awareness and support for your mission and investment intent
 - **Attract funds:** attract new investors, donors, partners and funders



2. Problem Analysis

After determining scope, the second step is to conduct a problem analysis. As with your impact measurement, a problem analysis can be developed on the organisation, programme, project, country or sector level.

Answering the following questions can define the problem analysis:

- What is the social, environmental or economic issue you (or your investees/grantees) are trying to solve?
- Why is this urgent and for whom?
- What is the scale of the issue you are trying to address?
- What is your solution to the problem?
- Why does this solve the problem? Is there a need for this solution?
- What are the objectives?

3. Stakeholders

Stakeholders are both individuals and organisations who experience change created by your activities. In other words, these are the people and organisations that you have impacted. Although social purpose organisations (SPOs) like charities, social enterprises and NGO's often have multiple stakeholders, the main stakeholder for social and impact investors are generally the investees and grantees' beneficiaries: the target groups of the various projects and programmes.

It is important to conduct a thorough stakeholder analysis for your impact measurement. To do this – start with listing all stakeholders that experience some sort of change

because of your interventions, and then narrowing this list by grouping specific stakeholder groups – i.e. primary, secondary and tertiary stakeholder groups. A few things to consider include:

- **Think of what changes for stakeholders:** remember that these changes can be positive or negative, intended or unintended.
- **Include those stakeholders who experience material change:** only consider those changes that are relevant and significant in relation to your activities.

4. Theory of change

The theory of change describes how the envisioned changes for beneficiaries (and other stakeholders) will take place. Although not necessarily found in the following format, the theory of change (TOC) is often visualised by a logic model framework or impact value chain, consisting of a set of building blocks which are described as follows:

- **Inputs:** the resources, whether capital or human, invested in the activities
- **Activities:** the concrete actions undertaken to achieve the impact objectives
- **Outputs:** the tangible products and services from the activity
- **Outcomes:** the changes (both long and short term) in the situation of the target population resulting from the activities
- **Impact:** the long-term outcomes adjusted for what would have happened anyway and the actions of others and for the unintended consequences (which could be positive or negative)

5. Continuous forecasting, measuring, verifying and assessment

The fifth element of impact measurement is the actual forecasting, monitoring and evaluation and assessment of results. To measure the outputs, outcomes and impact of your project, programme or organisation you need a set of indicators or metrics that tell you whether the expected or intended change has happened, and by how much and for whom.

In this regard you can either develop your own metrics or use generally accepted performance metrics. A catalogue like IRIS, developed by the Global Impact Investing Network (GIIN) could be considered.

6. Reporting

The last element of impact measurement is reporting about your impact. Reporting can help share knowledge and good practices, spread awareness and create support and contribute to transparency and accountability.

The value of impact measurement

Selecting the right programmes

Most investors receive a lot of requests. Therefore, only selecting those interventions that have the highest impact potential makes sense. Impact measurement as a forecasting tool can provide valuable insight into the expected impact per investee and thus help you select the right projects. It allows you to prioritise where to invest your resources for the greatest impact.

Understanding impact

Measuring outputs alone, like the number of participants or number of workshops, or the total amount of training hours, only scratches the surface of the total impact of a project or programme. This data does not provide enough information to determine whether a project is effective or not. Impact measurement can help to answer tough questions like:

- How can you be sure the projects/organizations you fund are really making a difference, and achieving their intended objectives?
- Are the programmes/organizations you fund creating positive impact for all stakeholders, or are they also creating negative and unintended impact?
- Can you confidently claim that the impact created can be attributed to you, or did other organizations, investors or funders contribute to it as well?



Maximising impact

Social and impact investors with specific impact objectives, targets and intent are united by a common goal: creating change. To reach that goal and further amplify it, it is crucial to know which approaches work (best) and why. Evaluating the impact of past and current projects, can help you understand which actions have the most impact in which situations, and can thus help you make better decisions in the future and improve the performance of the investee and grantee along the way.

Only by measuring impact consequently and consistently can you drive improvements to maximise the impact you intent to have, make better decisions, bring initiatives to scale and be accountable to stakeholders.

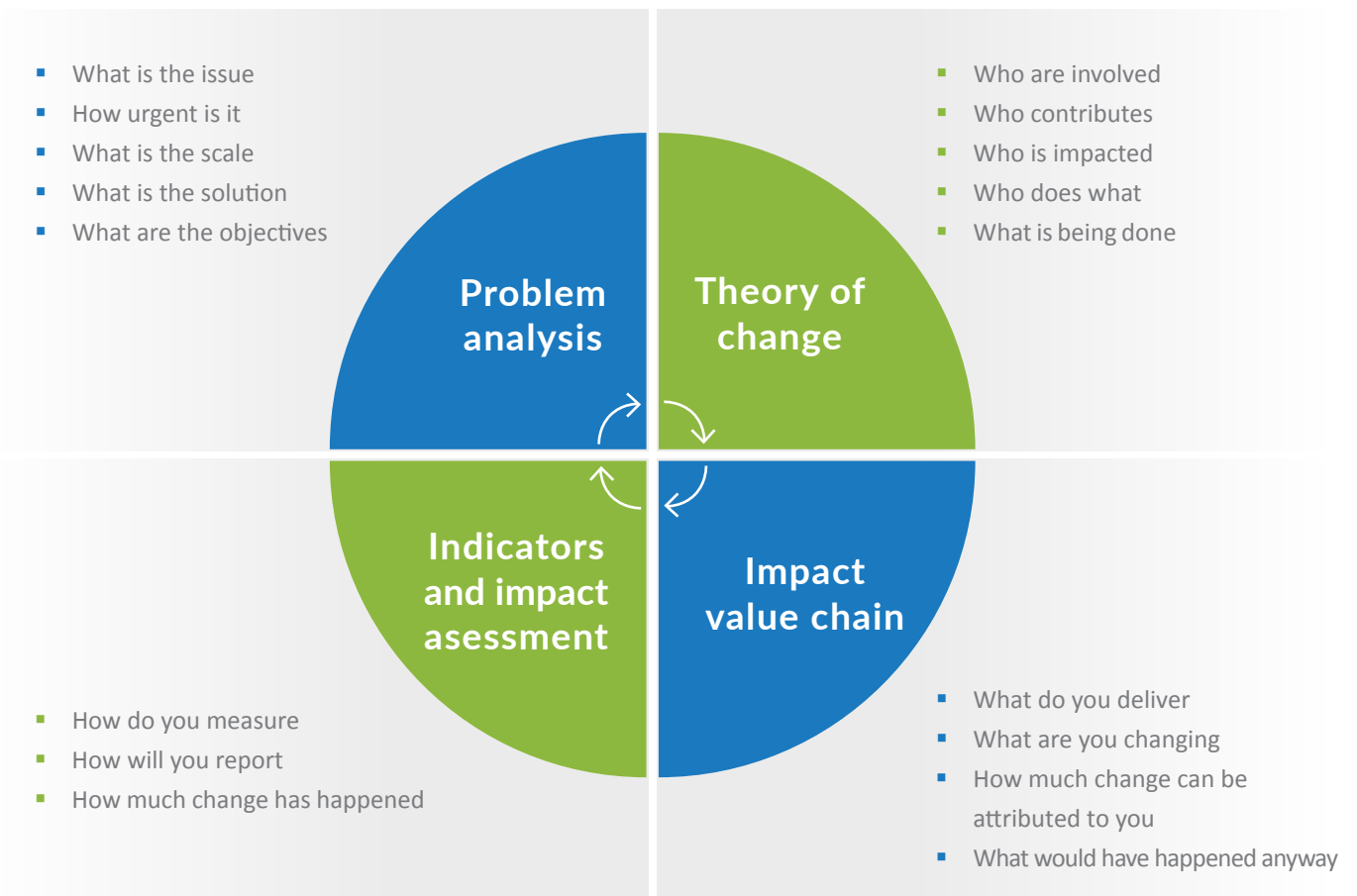
Which frameworks or models to use:

Globally, there is much debate about how impact should be measured. This has resulted in a myriad of tools, methods, frameworks, guidelines, databases, rating systems, metrics and principles.

Despite the differences between these guidelines, standards, methodologies and frameworks, the bridging factor is that most of these are in some way based on the Theory of Change (mentioned above). Using a theory of change will result in an impact map: the structure of the impact analysis. When indicators are linked to the various building blocks (outputs, outcomes and impacts) in the impact map, the impact map can be used as a tool for ongoing impact measurement and management.

Developing your own impact measurement framework:

Because impact is unique to each organisation, in most cases some customisation of an impact framework will be required. The diagram below presents some suggestions of how to develop your own.



Next Generation:

Next Generation has spent the past ten years developing an impact assessment methodology that measures the impact of social and impact investments. Our impact process can be defined as follows:

Impact Design and Planning: Impact Management

- We review existing impact strategies, management, governance, operational and programmematic practices
- We develop new impact theses, theories of change and practice, logic model frameworks and set impact objectives
- We create new investment and development themes, portfolios and flagship/signature programmes
- We develop impact management and measurement frameworks and indicators to ensure effective investment and development interventions
- We engage to ensure impact and return on investment alignment
- We do research and benchmarking to ensure enhanced future impact and return on investment

Impact Assessments and Analysis: Impact Measurement

- We verify and confirm impact and return on investment through impact assessments
- We analyse impact data and provide impact insights based on stakeholder input
- We provide impact analysis, insights and forecasts beyond the life of an investment/intervention

Impact Reporting: Impact Evidence/Verification & Reporting

- We develop impact management reports
- We visualise impact data
- We create impact stories

Contact us:

- If you want to learn more about impact assessments – or see our training programme.
- If you want us to assist you with impact assessments, developing frameworks, guidelines or impact strategies
- If you want to see our impact technology solution – the Investment Impact Index





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