How to Measure and Report Social Impact

A Guide for investees

The Social Investment Business Group

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Social Investment Business

INVESTING FOR GOOD

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Introduction: The Development, Uses and Principles of Social Impact Measurement and Reporting

Over recent years there has been a tremendous upsurge in demand for organisations — across both charitable and commercial sectors — to provide more information about their social and environmental impact. For social-purpose organisations, these developments have brought considerable opportunities as well as some new pressures. While effective impact reporting should allow organisations to tell their story more fully, a lack of standardised procedures has often made the task seem complicated, and even daunting.

At its core, impact measurement seeks to gather crucial information about an organisation's activities, and use it to relate the overall change brought about to people's lives and the environment over a particular period of time. As such it offers value on four key fronts, represented by its four primary readers.

You the social-purpose organisation

Most importantly, the information coming out of social impact measurement should speak to the organisation itself. The measurements you take must be geared toward outcomes that matter to you. This allows your organisation to see what works, to identify where improvements can be made, and to learn from results when making decisions about the future.

Funders, donors, clients (e.g. local authorities), the public

Impact measurement and the results produced provide a powerful tool for communicating what your organisation does. Transparent reporting promotes trust and confidence among donors, and allows you to talk to funders and bid for contracts with tangible evidence of your outcomes. Also in a broader context, being able to articulate your impact enables you to inform the public about your work — raising awareness not only of the issues that concern you, but also of the things you have achieved.

Beneficiaries

The qualities of clarity and transparency can equally be of value to your beneficiaries. Where appropriate, impact measurement can help beneficiaries understand the services, processes and outcomes you offer, and to see the real benefits that accompany them.

The sector

As impact measurement and reporting spreads, it allows different organisations to communicate more effectively and share results. This can form the basis for greater understanding and for drawing together best practice across the sector. It can also equip organisations with useful information for communicating with government over planning and policy.

How to Use These Guidelines

This document is aimed at helping organisations that are looking to develop their own social impact measurement and reporting. It draws on a wide body of existing research to set out the fundamentals of measuring impact and working with results. It takes a non-prescriptive approach: we believe the first requirement of any impact measurement system is that it is of greatest use to you. Rather than telling you what you have to measure, the guidelines lay down an explicit framework as to how your ideas, your activities, and the things that matter most to you can be assembled into a coherent system for impact measurement and reporting.

The guidelines are geared toward measuring impact going into the future. While attempts to look at impact after the fact are likely to run into problems with collecting data, and prove time-consuming and incomplete, an impact measurement system which is formulated in advance is far simpler and lighter to apply.

You will probably be familiar with much of the material outlined below, and will have addressed a number of items already. When building your own impact measurement system it is not necessary to cover every point listed below — the idea of the guidelines is rather to provide a relatively complete vocabulary of parts for impact measurement, amongst which you will want pick and choose according to your organisation's size, stage of development, and the unique aspects of your mission and approach.

The basic principles of impact measurement are that you communicate clearly what you are trying to achieve, how you are working to achieve it, and the progress you have made so far. The process of building a comprehensive picture is divided into five sections:

1. Defining Your Mission
2. Mapping Your Activities and Measuring Your Impact
3. Beneficiary Involvement
4. Using Results
5. Communication

Each section starts with a summary of action points, and then works through these in greater detail. At the end is an outline for an impact report.

Being able to measure and articulate impact in a confident and representative manner is a powerful asset to social-purpose organisations, both from the perspective of efficiency and sustainability. As a lending institution, and so part of the impact infrastructure, it is important to us at the Social Investment Business to ensure our borrowers have the support available to them to develop their measurement systems, and to report their impact effectively. This in turn allows us to understand what we are achieving with our lending, and to communicate to our depositors and investors the positive social and environmental impacts their money has facilitated.

1. Defining Your Mission

ACTION POINTS
write a mission statement
set out the context and scope of your work
make sure you know your beneficiaries

In order to start measuring your impact, it is necessary first to define what you are trying to achieve.

This section is divided into four parts:

- 1.1 Mission Statement
- 1.2 Context and Focus
- 1.3 Your Beneficiaries

1.1 Mission Statement

All organisations must have a mission statement. A mission statement defines an organisation's core aims, and what it hopes to change and achieve. A good mission statement displays:

- vision
- clarity
- relevance

To be effective, the mission statement should be in active use and subject to review (thus ensuring it remains relevant and representative as the organisation develops).

1.2 Context and Focus

While the mission and activities of your organisation may be quite specific, necessarily these take place within a wider setting. Organisations seeking to address particular problems need to situate their impact within the context of the problems themselves, and of any other actions that are taking place. These can help define the focus and scope of your own work, and set the frame within which you carry out your mission and develop your strategy.

The key points are:

Identifying the root problem

What is the root problem you are seeking to address?

Which specific parts of the problem does your organisation focus on? Which aspects have you prioritised and why?

Researching the context

What is the scale of the problem, what are its causes, and how does it impact upon people's lives?

What is the scope of your work, the scale of your activities, and the magnitude of the impact you are seeking to achieve in relation to the greater problem?

The government response

What is the government response to the problem?

How does your work relate to any government interventions or initiatives?

Communicating with other organisations

What other organisations are tackling the problem, or working with similar beneficiaries?

How does your organisation relate to other organisations? Do you: communicate; learn from each other (share techniques and approaches); enter into partnerships; compete?

Looking to broader trends

What are the larger developments you see happening in the coming years, and what are the risks and opportunities they present (this may relate to new government policies and initiatives, changes in demand and funding, or new technologies)?

How do these inform your strategy?

1.3 Your Beneficiaries

Your beneficiaries are the people whose lives you are primarily seeking to change. In addition to understanding the context, it is important to know who your beneficiaries are, and the specific needs you are trying to meet.

The key points are:

- identify your beneficiaries
- research and assess the needs of your beneficiaries (e.g. through consultation, needs assessments)
- define the change for your beneficiaries
- understand the context of your beneficiaries (including other needs, other service providers, available resources)

2. Mapping Your Activities and Measuring Your Impact

ACTION POINTS
draw up a map of your activities
link your activities to outputs and outcomes
choose indicators to track your outputs and outcomes
set targets and objectives
consider your wider impacts

Having defined your mission the next step is to turn to the business of how you actually fulfil it. This involves mapping your activities — i.e. the things you as a social-purpose organisation do — and identifying what you are achieving.

This section is divided into five parts:

- 2.1 Drawing up an Activities Map and an Impact Chain
- 2.2 Your Theory of Change
- 2.3 Choosing what to Measure
- 2.4 Setting Targets and Objectives
- 2.5 Wider Impacts

2.1 Drawing up an Activities Map and an Impact Chain

Drawing up a map establishes how your activities fit together, and enables you as an organisation — and your stakeholders and beneficiaries — to see clearly what you are doing.

The key points are:

What are you doing?

This covers your main operational activities.

What are you planning?

This covers the short term plan (e.g. 1 year) and the medium to long-term strategy (e.g. 3–5 years).

What are your outputs and outcomes?

Your outputs are the immediate results of your operating activities (e.g. services supplied, goods distributed). These are the most tangible product of the work you do. Following from your outputs are your outcomes. These represent the actual social and environmental benefits achieved. While your outputs focus on the things you as an organisation deliver directly to your beneficiaries, your outcomes speak more of how your beneficiaries absorb these things into their own lives, and experience change. As such, it is the outcomes that show an organisation's real impact, while the activities and outputs show the mechanics of how it is brought about.

Linking these elements together forms an impact chain.

ORGANISATION → ACTIVITIES → OUTPUTS → OUTCOMES

2.2 Your Theory of Change

Your impact chain, through linking your activities to outputs and outcomes, forms your theory of change. Essentially it puts forward a process for how your organisation achieves impact, and how it understands that impact will play out in the lives of beneficiaries and the wider environment.

The work of social-purpose organisations often leads to outcomes with a number of stages or layers. Interventions may impact a beneficiary's life on multiple fronts, and continue spreading and creating new impacts into the future. A single output (for example, a beneficiary entering and completing a job training programme), may have an obvious and direct outcome (the beneficiary finding a job), but this may in turn drive a wave of further benefits (enhanced confidence, improved social skills, boosted income, better quality of life, etc.).

In drawing up its impact chain, an organisation needs to decide how far to follow its outcomes, and to what extent it can claim them to be the result of its own outputs. This will relate to the focus and scope of the mission and operations, and likewise implies a focus and scope for impact measurement. A good impact chain displays the following qualities:

- coherent and reasonable
- defines the change for beneficiaries and a timeframe for the change
- supported by evidence (e.g. from the organisation's results or elsewhere)
- has focus and scope which relate to context and strategy
- other contributing factors are acknowledged

2.3 Choosing What to Measure

The exercise of mapping your activities and drawing out an impact chain serves to highlight the key elements in your process. The next step toward measuring your impact is to start tracking these elements — i.e. your outputs and, where possible, your outcomes. This is done using indicators.

Indicators are the specific things within an impact measurement system that you take measurements of. Straightforward indicators around outputs tend to follow direct quantities (e.g. number of goods distributed, number of people receiving services). It is important also to capture some information as to what these numbers mean in terms of impact by looking also to outcomes, and considering what indicators can be used there.[1]

The selection of indicators is a highly particular task, and will be determined by an organisation's unique mission, approach, and the specifics of its impact chain. There is no rule as to what precise indicators should be used, and once clear about their own activities and impact chains, it is organisations themselves that are best positioned to select the indicators most suitable to them.

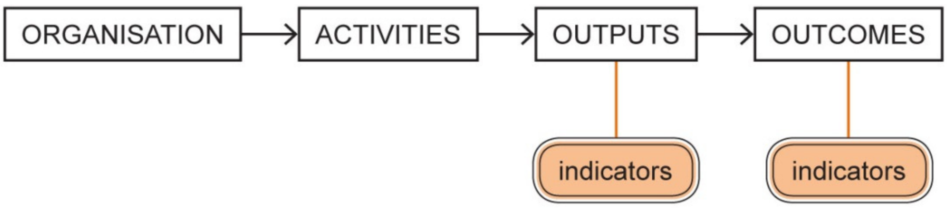
Good indicators display the following qualities:

- relevant to the mission
- responsive to change (i.e. do not always produce the same result)

[1] Typically indicators include: measurements of output volumes; measurements of change in beneficiaries' lives or behaviour; staff reports on beneficiary progress (e.g. of beneficiaries' attitudes, outlook); results from beneficiary questionnaires, surveys or groups.

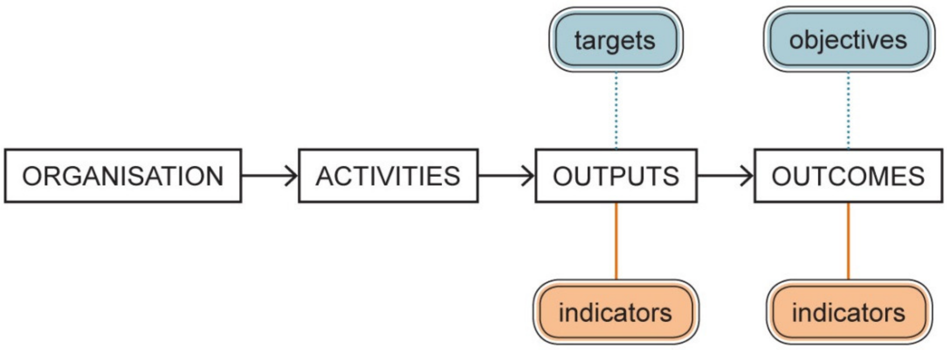
- specific as to what is being measured
- consistent (thus forming a reliable basis for comparison with past performance, and with other organisations where possible)
- practical (simple and cheap to use)

Combining your impact chain with your indicators allows you to start constructing your impact measurement system.



2.4 Setting Targets and Objectives

Indicators give you a way of tracking particular elements within your impact chain. With these laid out clearly it is possible to start setting targets and objectives (outputs are commonly tracked against discrete targets, while outcomes often relate better to objectives or aims for beneficiaries). Incorporating targets and objectives into the structure of your impact measurement system adds a further layer to the system.



2.5 Wider Impacts

In addition to impacts to primary beneficiaries, an organisation may be achieving impacts across a wider context. These commonly include wider economic benefits and contributions to wider awareness and understanding.

With wider economic benefits, there are four key areas to consider:

- savings in direct government expenditure (e.g. through reduced drawing of benefits)
- savings in government costs (e.g. through reduced high-risk behaviour)
- enhanced local value (e.g. contributions to local regeneration)
- economic multipliers (i.e. recirculating capital in the local economy through using local suppliers, hiring locally etc.)

With contributions to wider awareness and understanding, there are three key areas to consider:

- levels of public awareness
- communication within sector and with government
- involvement with policy making or local planning

3. Beneficiary Involvement

ACTION POINTS
address beneficiary awareness, access and inclusion
consult with beneficiaries
consider ways to involve beneficiaries in your work

Beneficiary involvement is not so much a component of an impact measurement system as a principle that runs throughout it. According to the nature of your beneficiaries and your approach, different levels and kinds of beneficiary involvement will be appropriate. For organisations working with beneficiaries who are themselves less able to participate or express their views, an important route toward beneficiary involvement can be to engage with family members, carers or others who are able to contribute on their behalf.

It is essential for almost any organisation to ensure it has engaged with its beneficiaries sufficiently to be confident that:

- the needs of beneficiaries are recognised
- the effects of activities upon beneficiaries are understood
- the resulting impact is something wanted and valued by the beneficiaries themselves

Beneficiary involvement is a compelling way to help establish that an organisation works with its beneficiaries, and empowers them wherever possible to achieve their own personal goals.

This section is divided into four parts:

- 3.1 Beneficiary Awareness, Access, Inclusion and Consultation
- 3.2 Beneficiary Participation
- 3.3 Supporting Beneficiaries to Become Service Providers

3.1 Beneficiary Awareness, Access, Inclusion and Consultation

Engagement with beneficiaries starts with establishing a good, representative and informed relationship.

- beneficiary awareness — are beneficiaries aware of your organisation and the support you provide?
- beneficiary access — can your beneficiaries access your support (issues may include transport, disabled access, and financial barriers)?
- beneficiary inclusion — is your outreach inclusive, representative and diverse (e.g. with respect to gender, ethnic minorities)?
- beneficiary consultation — are beneficiaries being consulted?

3.2 Beneficiary Participation

Beneficiaries — with direct experience of the issues under address, and as active service users — have a unique perspective on activities, and often valuable insights. Participation enables beneficiaries to share their skills, knowledge and experience with each other and with the organisation.

Beneficiary participation in the development of your activities may include:

- beneficiaries being given choice regarding activities
- participation groups where beneficiaries are invited to contribute
- beneficiaries identifying and defining issues to be addressed
- beneficiaries being involved in designing and leading activities

Beneficiary participation may also be extended to the process of how to understand and assess impact. This can help ensure that your impact measurement system captures the aspects of what you do that really bring about meaningful change in the lives of your beneficiaries. Participation on this front can include:

- beneficiary participation in the definition of progress
- beneficiary participation in identifying what is important to understand and observe impact
- beneficiary participation in the selection of indicators and in the design and testing of surveys / questionnaires

3.3 Supporting Beneficiaries to Become Service Providers

Beneficiary engagement with service provision may include:

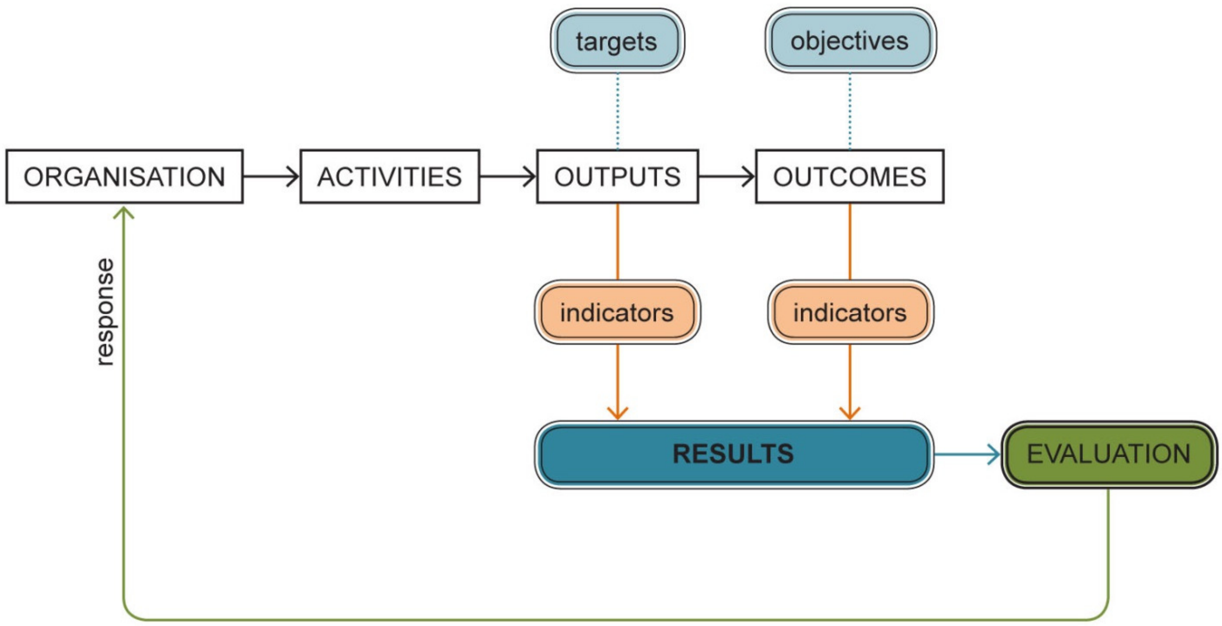
- volunteering
- employment within support organisation
- engagement with advocacy (on behalf of beneficiaries)
- inclusion of beneficiaries on the organisation's board (or in board appointments)
- beneficiary ownership of support organisations (e.g. through shares, cooperatives structures)

4. Using Results

ACTION POINTS
review your activities
assemble your results (including inputs, outputs and outcomes)
review your performance and draw out lessons learned
plan for the future

The purpose of assembling an impact measurement system is to produce results that are useful. Having collected data on your indicators, the next step is to draw it together with relevant information about the period in question, and to evaluate the results and respond with new strategies for the future.

Adding these processes to the impact measurement system shows the structure connecting back into itself:



This section on using results is divided into two parts:

- 4.1. Treating Results
- 4.2. Reviewing and Responding

4.1 Treating Results

The following stages set out a framework for treating your results.

Review your activities

What were the key events and achievements of the reporting period?

Were any improvements introduced or new services or products offered?

Were there any other significant changes?

Assemble your results

What inputs were used over the reporting period?

What outputs (as tracked by indicators) were delivered over the reporting period?

What outcomes (as tracked by indicators) were achieved or are forthcoming?

Validate your results

Is the data objective (in terms of how it has been collected, and in giving a reasonably complete picture)?

Is the data robust (check for issues such as double-counting, error margins, sample sizes, consistency)?

Are the results balanced, showing effectively both good and bad performance?[2]

Address additionality

Additionality (sometimes also referred to as “deadweight” or “the counterfactual”) poses the question of whether the impact achieved is something that occurs over and above the business as usual scenario.

[2] While weaknesses in results may appear disappointing, organisations that demonstrably learn from their activities are far more convincing models of efficiency than those which are unaware of how well or badly they are doing.

I.e. if your organisation were not there carrying out its activities, would the same or similar outcomes have happened anyway? This may be the case if:

- beneficiaries are able to access the same or similar services or products from elsewhere
- another social or environmental purpose organisation would have stepped in to supply these services or products
- the situation would have fallen back on a government response
- the commercial sector would have responded to the situation
- beneficiaries would have been able to make progress without the service or product

The aim of addressing additionality is not to reduce or recalculate your impact, but simply to demonstrate that you have considered it as part of your results and subsequent assessment. Being aware of what other options or outcomes are available to your beneficiaries helps you understand the nature of your overall impact, and tell the story of the difference you have made. A transparent treatment of additionality is an important component of a convincing set of results.

4.2 Reviewing and Responding

Reviewing performance focuses on the progress made toward your goals for the period, and any changes that have taken place. An evaluation of results looks to:

Targets, objectives and past performance

Were you able to meet your targets and objectives? How effective have plans been? Is performance improving?

Changes over the period

What changes have taken place that has influenced results (e.g. changes in government programmes or policies, changes in the local environment, internal changes, funding)?

In relation to these questions it is important to be able to explain results and understand how things worked. Responding then focuses on the power of impact measurement to provide information about your activities from which to learn and improve. This looks to:

Immediate lessons

The performance review in relation to targets and objectives should yield important lessons regarding your activities, with clear pointers for adaptations and improvements, as well as where it is demonstrably effective to keep doing more of the same. This feeds directly into planning.

Strategy for the future

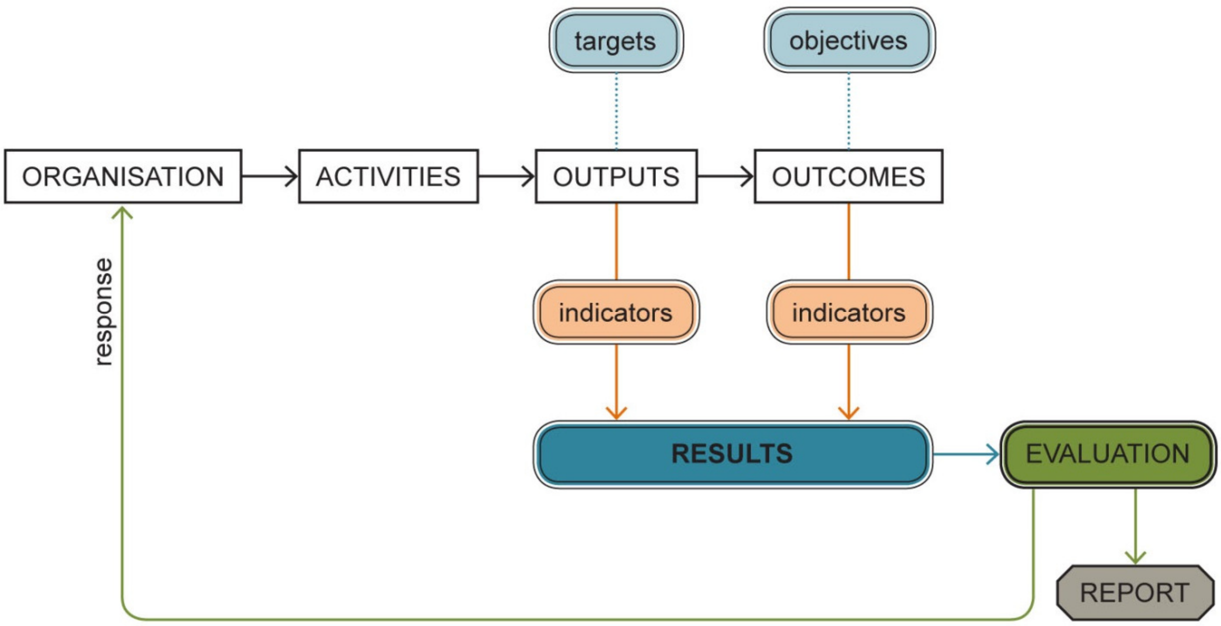
For this it is useful to consider your performance in relation to the context of the problem and broader trends (see 1.2 Context and Focus), and your progress toward longer term goals and mission fulfilment. Your response to the lessons of your results, tied into your understanding of upcoming risks and opportunities, feeds into your strategy for the future.

5. Communication

ACTION POINTS
write an impact report
publish and distribute your impact report

The key product of an impact measurement system is high quality impact reporting. This centres on an annual report, either combined with the annual company report or published as a separate impact report.

Adding the report to the previous diagram completes the overall structure:



This document has been primarily concerned with assembling an impact measurement system, and using it to gather information, learn and improve. The work involved in this process however feeds directly into impact reporting, which is primarily a reflection of the structure producing it — i.e. an account of your activities, results, and consequent plans for the future. In this way, impact reporting should be less a burden than a natural extension of your impact measuring and reviewing processes.

This section is divided into two parts:

- 5.1 Qualities of an Impact Report
- 5.2 Outline for an Impact Report

5.1 Qualities of an Impact Report

A good impact report displays the following qualities:

Clear

The impact report can be easily understood by the general reader as well as by relevant professionals.

Readily available

The most obvious channel for this is likely to be your website, where the report should be available to download. In addition you may want to have printed copies available.

Appropriately distributed

Beyond general availability, there are a number of particular audiences for your impact report. These include:

- funders, donors and investors
- relevant planners, policy makers and government bodies
- other sector organisations (sharing results)
- your beneficiaries

5.2 Outline for an Impact Report

REPORT ELEMENT	refer to §
Summary	
What is the date of report and the period covered? Overview of report	–
Mission and Approach	
What is your mission?	1.1
How do you understand the problem you are seeking to address, and what is your response in terms of your key aims, approach, and basic direction of your work?	1.2
How are you responding to your beneficiaries?	1.3, 3
Activities and Results	
What were your activities over the reporting period and how do these translate into impact?	2.1, 2.2
How are you measuring your impact?	2.3, 2.4
What were your results for the reporting period? • what indicators did you use? • what values were recorded (outputs, outcomes)? • what inputs were used (costs, resources)?	4.1

What were your wider impacts?	2.5
Reviewing and Responding	
How do your results compare with your targets and objectives for the period?	4.2
What are the lessons learned, and what changes are you going to make as a result?	4.2
How do you see the external situation developing (opportunities, risks) and how do these inform your medium to long term strategy?	1.2, 4.2

Glossary

Activities: The specific works a social or environmental organisation does (e.g. supplying services, products) in order to further or fulfil its mission. An organisation's activities are distinct from internal operations (e.g. accounting, management issues) which concern only the running of the organisation.

Activities map: a representation of the organisation's activities, showing how different activities link together. An activities map includes inputs and feeding into the activities, and illustrates how the activities reach beneficiaries.

Beneficiaries: the people, communities, areas and aspects of the natural world which a social or environmental purpose organisation seeks to reach through its activities, and who stand to benefit as a result.

Impact: the positive social or environmental change achieved by an organisation.

Impact chain: a representation of how an organisation achieves its impact by linking the organisation to its activities, and the activities to outputs and outcomes.

Indicator: a specific variable measured by an organisation in order to track its outputs or outcomes. Indicators may relate to direct quantities (e.g. hours of training provided) or to qualitative aspects of an organisation's work (e.g. beneficiary satisfaction), but to act as an indicator the organisation must have a means to measure the indicator's value.

Inputs: the things required by an organisation in the running of its activities (including things required for the internal operations necessary for running activities). Typically these include the organisation's running costs as well as other (non-financial) resources used.

Mission: the core aims and purpose of a social or environmental purpose organisation; the difference it seeks to make

Objective: an intended outcome relating to an organisation's work which describes a tangible change for beneficiaries

Outcome: a social or environmental benefit that follow from the immediate outputs of an organisation's activities. An outcome represents an aspect of the impact achieved, whereby beneficiaries experience positive change.

Output: an immediate result of an organisation's activities; the direct product of a piece of work done (e.g. a service delivered, a product produced)

Plan: an outline for an organisation's activities over the short term (typically a year), including direct steps to be taken and how these are to be carried out practically.

Social or environmental purpose organisation: an organisation whose primary aim is the achievement of social or environmental impact. Social or environmental purpose organisations may be registered charities, or social enterprises that are clearly mission-driven.

Strategy: an organisation's direction for development over the medium to long term (typically three to five years), formulated in relation to upcoming opportunities and risks, and guided by the organisation's mission

Target: an intended output of an organisation's work, usually expressed as a value to be achieved over a reporting period

Further Resources

Much has been written on the subject of how to measure and report upon impact. This section provides some links to other organisations that have researched and published work on impact measurement.

Charities Evaluation Services | **www.ces-vol.org.uk**

Global Impact Investing Network (GIIN) | **www.thegiin.org**

see also GIIN's Impact Reporting and Investment Standards (IRIS) | **www.iris.thegiin.org**

Global Reporting Initiative (GRI) | **www.globalreporting.org**

New Economics Foundation (nef) | **www.neweconomics.org**

see also nef's Prove and Improve toolkit | **www.proveandimprove.org**

New Philanthropy Capital | **www.philanthropycapital.org**

The Carbon Trust | **www.carbontrust.co.uk**

The Carbon Disclosure Project | **www.cdproject.net**

The Charity Commission | **www.charity-commission.gov.uk**

The Social Return on Investment (SROI) Network | **www.thesroinetwork.org**

The Urban Institute | **www.urban.org**

Triangle Consulting | **www.triangleconsulting.co.uk**

see also Triangle Consulting's Outcomes Star | **www.outcomesstar.org.uk**