Impact Measurement

Brief Note

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For any enterprise intent on making a social, environmental and/or economic impact, describing the impact created by its operations and services is a necessary part of demonstrating what it is achieving. Consequently, enterprises are increasingly undertaking the task of monitoring and measuring the impact of their ventures as a part of the pursuit of their respective organisational missions. This brief note describes the definition, barriers, benefits and tools of impact measurement currently being employed by enterprises.

I. Definition

An assessment of the academic landscape of impact measurement reveals a variety of definitions of impact. Different schools of thought have their own interpretations of the concept. However, it is predominately accepted across diverse fields of study and by different types of organisations, that impact encompasses a triple bottom line notion of the social, economic and environmental. Whether the measurement of impact is discussed in the context of sustainability, development or social entrepeneurship, it is primarily concerned with understanding the socio-economic and environmental effects that occur as a result of a service, activity, intervention, policy or programme.

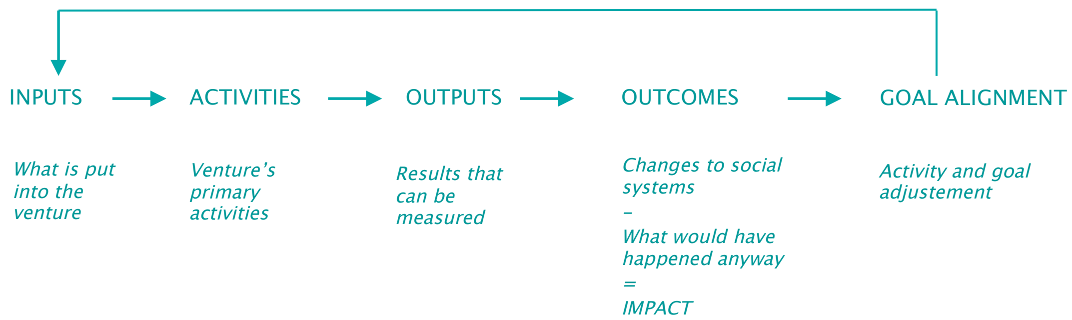
For the purposes of this note, the definition of impact as envisaged by Clark et al., (2004) is applied:

Impact	By impact we mean the portion of the total outcome that happened as a result of the activity of an organisation, above and beyond what would have happened anyway.

The impact described here includes both intended and unintended effects, negative and positive effects, as well as long-term and short-term effects. This is because an organisation's activities have both an immediate and direct impact on targeted stakeholders, as well as a more far reaching effect on people, institutions and ecosystems which are not directly engaging with it. A popular way to think about impact, from a sustainable impact measurement point of view, is to consider it as the change that happens as a result of an action or activity. For social enterprises, their key stakeholders including investors and target market consumers, are all unanimously concerned with accelerating positive sustainable change. Therefore, understanding the amount of change created by an enterprise' activities for the environment, society and the economy can be crucial when designing and delivering services.

II. Process

A study of the numerous definitions of impact indicates that differences in interpretation mainly arise because of variations in usages of concepts such as 'inputs', 'activities', 'outputs', 'outcomes' and 'impact'. Further clarity on the concept of impact can be gleaned by distinguishing between these process components using models such as the Impact Value Chain. The Impact Value Chain differentiates between inputs, activities, outputs and outcomes, in order to describe the process along which sustainable impact is created. Figure 1 shows the Impact Value Chain through which an enterprise creates social impact (Clark et al., 2004, p.7):



The key components of the Impact Value Chain are defined as follows:

- *Inputs* are the resources that are required for planned activities. Examples are the financial resources required for workspace and the mentor to provide mentoring support to an enterprise.
- *Activities* include the tasks undertaken by a mentor by using the inputs. Actvities may include the workshops and meetings to help develop and refine the business model of the enterprise.
- *Outputs* can be defined as results that organisations can measure or assess directly. An example of an output is the learning received by the entrepreneur through the mentoring activities.
- *Outcomes* are the ultimate changes (increases or decreases) that organisations are trying to make in target groups and social or environmental systems. An example of a desired outcome would be the successful proof-of-concept of enterprises as a result of using the outputs from the workshops.
- *Impact* is the portion of the total outcome that happened as a result of the activity of an organisation, above and beyond what would have happened anyway. An example of the impact through mentoring is that the proof of concept has been achieved faster and more cost-efficient due to the mentoring.

Thus, impact can be understood as wider, long-time changes that result from an organisation's interventions, including, for example, sustainable changes in society, environment and economy.

III. Barriers

The absence of a comprehensive system for impact measurement presents a number of challenges for enterprises:

- Visibility: It is difficult to make a public statement about the impact of services if no unified system for monitoring, evaluation and learning exists.
- Advocacy: In the absence of evidence of impact, it becomes difficult to attract further funding and support from stakeholders to run sustainable operations.
- Awareness: External stakeholders such as investors, clients or partners are not well informed about the impact of funded projects or services rendered.
- Management: There is no demonstrable commitment to program management that incorporates assessment, adjustment and continuous learning into planning and implementation.
- Multiplier Effects: The identification of the value created becomes less tangible and harder to measure when moving further down a value chain.

IV. Benefits

Implementing an impact measurement system has a number of direct and indirect as well as short-term and long-term benefits for enterprises:

- Credibility: An organisations' work can be critically assessed and its achievements verified in order to add to the credibility of its work.
- Implementation: Through effective impact monitoring and evaluation success factors and challenges to create impact can be identified and consequently the work conducted on-site can be improved.
- Transparency: Impact measurement address the demands of stakeholders, especially impact investors, as a transparent communication has become of growing importance for them.
- Quality: Learning, monitoring and evaluating impact measurement can allow social enterprises to identify problems and adjust their work in a way that constantly improves the quality of their services.
- Comparability: A standardised set of indicators supports the comparison of data between organisations, and across differing timelines.

V. Tools and Approaches

The wide range of impact measurement methods are indicative of the need for tools and approaches tailored to the requirements of different types of organisations. The approach adopted for impact measurement would depend on the activities, objectives and the aspects of impacts an enterprise wishes to measure. There is no one-size-fits approach that can capture the whole range of impacts or which can be applied by all organisations. A study of the numerous impact measurement tools reveals certain recurring differences emerging along the following dimensions (Maas & Liket, 2004, p.5):

- Purposes: Impact measurement methods are used for screening, monitoring, reporting, and evaluation.
- Approach: Methods can be distinguished by a focus on process, impact or monetisation.
- Time Frame: Assessments typically employ prospective, retrospective or on-going timeframes.
- Orientation: Impact measurement may either be input oriented or output oriented.
- Time Frame: Measurement periods may either be short-term or long-term.
- Perspective: Depending on the perspective used, different assessment indicators will be employed and therefore different impacts will be measured.

Some key impact measurement tools current being employed in the sustainability space include:

TOOL	DESCRIPTION
Balanced Scorecard (BSC)	BSC is a strategy performance management tool supported by design methods and automation tools that can be used to keep track of the execution of activities and to monitor the consequences arising from these actions.
BoP Impact Assessment Framework	BoP Impact Assessment Framework accounts for a variety of possible positive and negative poverty alleviation impacts of a venture by assessing three areas of well-being: economic, capability and relationship.
Global Impact Investing Rating System (GIIRS)	GIIRS is a comprehensive and transparent system for assessing the social and environmental impact of developed and emerging market companies and funds with a ratings and analytics approach.
Impact Reporting Investment Standards (IRIS)	IRIS is a catalog of generally accepted performance metrics that leading impact investors use to measure social, environmental, and financial success, evaluate deals, and grow the credibility of the impact investing industry.
Social Impact Assessment (SIA)	SIA refers to the economic, social and environmental impacts of policies, plans, programmes and strategic projects, which is undertaken during the preparation of them and where the stakeholders concerned participate pro-actively.
Social Return on Investment (SROI)	SROI is a principles-based method for measuring extra-financial value, i.e., environmental and social value not currently reflected in conventional financial accounts, relative to resources invested.