Aggregation of Impact:

Does all this measurement add up?

SOCIAL VALUE UK

Introduction

Why do we need to aggregate impact?

This report explores some of the issues and approaches that are being faced by organisations that want to aggregate, or add up and summarise, either their impact or the value they are helping to create.

Any organisation that invests in a range of different activities will need some way of measuring performance so that the different impact of those activities can be compared and resources can be allocated to those activities which create the most impact. This applies to a social business with a range of products or services as much as to a social investor with a portfolio of investments. Comparison is easier with a common yardstick and measuring impacts with a common yardstick makes it possible to aggregate performance.

Frameworks

Adding up impact up is easier if there is a predetermined set of outcomes and indicators and all the activities use the same measures to measure impact. The relative importance of the different outcomes still needs to be determined but at least the number of measures is manageable.

For businesses that take this approach, aggregation doesn't present too much of a problem. At one extreme it would become possible to simply report on 'lives touched' – a simple way to aggregate many different types of changes in people's lives and impact.

However it is increasingly being realised that reporting performance and maximising performance are very different things. Organisations seeking to maximise impact will need to have a detailed understanding of the changes in people's lives that result from their activities and, potentially, specific measures of those changes for different and specific groups of people.

It is harder to add all this up, to summarise different outcomes and different indicators into a manageable list. This will require some form of taxonomy and also agreement on the relative importance of different impacts.

The example below shows two different options for supporting employment. As soon as issues around the quality of employment are recognised, it becomes more difficult to compare or to aggregate the total number of jobs created. This example recognises duration, quantity and value but not other factors, for example displacement, that could also be included Some people will prefer the first project and some will prefer the second.

Project A	Project B
20 people employed	10 people employed
17.5 hours per week	35 hours per week
£12 per hour	£7 per hour
Previously short term unemployed	Previously long term unemployed
No training offered	Training provided towards industry recognised qualification
No additional confidence from training	More confidence gained from training
70% of employees still working in job after 1 year	70% of employees still working in job after 1 year

Some form of taxonomy and weighting will create transparency and it will make it easier for a group of people to discuss the comparison when coming to a decision.

More organisations are now confronting this challenge and developing solutions. Most recognise that they are on a journey, and for some it is clear that this is a journey towards maximising impact.

This report presents a number of perspectives and approaches to this challenge, including views from Department for International Development, Big Society Capital, the European Venture Philanthropy Network and the Global Value Exchange.

We would welcome hearing from anyone who would like to share their own experience at info@socialvalueuk.org.

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Acumen: Beta test of an impact points system

Tom Adams, Director of Impact, Acumen

Acumen invests patient capital in businesses whose varied products and services are enabling the poor to transform their lives. This diversification of product type (from maternity clinics to solar home systems) as well as business model (B2B, B2C, and occasionally B2G) makes sensible aggregation of our impact a familiar challenge. We started by aggregating based on the breadth of our impact: using company sales figures to determine the number of lives we've impacted. Using our Lean Data approach we've since started gathering robust, comparable data on the poverty reach of our companies using the Progress out of Poverty Index. This has allowed us to aggregate and compare the respective ability of our companies to serve the poorest (taking account of the context of the markets in which they work).

Lean Data, which enables us to collect fast, robust and cost-effective data directly from end consumers—typically with the use of concise surveys over remote data collection platforms—also enables us to gather outcome based data for a variety of indicators. We do this in three steps. First we ask end-consumers whether they consider a product to have made a meaningful impact on their lives. Second we ask why and/or how it has affected their lives (using an approach resembling constituent voice). And third, based on the areas of impact consumers say are most important to them—determined by coding the qualitative how/why answers into outcome indicators—we aim to calculate the quantifiable change to that outcome.

This new data has brought with it far greater insight into the impact individual companies in our portfolio are making, including the promise of setting individual outcome based targets for impact management. Nonetheless the challenge of comparing diverse outcomes across multiple investment sectors remains. This impedes our ability to place an aggregated value on our portfolio that reflects all elements of social impact we aim to create.

In an attempt to address this, we have been testing (in earliest of Beta stage) an impact points system based on combining contingent valuation with crowd wisdom. Lean Data allows us to collect data from thousands of low-income and poor consumers across multiple countries at the click of a button; more accurately two buttons, one to send an SMS one to receive one. We've used this ability to first measure outcome changes (above) and then ask consumers, in their thousands, to directly compare the value of such changes to their lives. Because there are many different outcomes we haven't asked consumers to contrast more than two at a time. A single discreet choice might be unreliable but based on thousands of varying binary comparisons we can start to identify trends in preferences amongst the crowd: 68% of customers prefer outcome 'b' to 'a' and 75% 'a' to 'c', and 96% 'b' to 'c'. This tells us outcome 'b' is preferred to 'a' is preferred to 'c', and we award points to products/services that achieve these outcomes based on these rankings. Aggregating these points—applying a weighting depending on whether it is a poor person who consumed the good/service—could give us a consolidated, portfolio-wide impact points total which we could track over time.

To do so we would need to undertake crowd-based comparisons for many more outcomes than we have to date and in many more countries (since ranking may vary geographically). This approach is in its infancy, but our early tests suggest that it is worth continuing to explore this aggregation technique.

The challenge of aggregating results across an impact portfolio

Caroline Ashley, Director of Ashley Insight; Editor of the Practitioner Hub for Inclusive Business; Results Director, Connect to Grow

What information does an investor need, so as to know whether a business in their portfolio is doing well? It may be turnover or team retention, licenses or milestones attained. Whatever it is, it is probably different from the information they need to aggregate progress across their portfolio, to report on what their entire fund or programme is achieving.

The challenge of aggregating information across a range of innovations or social businesses is common to both investors and grant-makers such as challenge funds. And it's a problem that has not yet been cracked.

It's actually a problem in four parts:

1. Information that is aggregatable across an entire portfolio may tell you little about progress or impact. Revenue or numbers of lives touched (or 'people reached') are both a case in point.

2. Information that does indicate progress of a specific deal or innovation is unlikely to be aggregatable with other investments. If attrition rates of franchises is an apple then kerosene expenditure avoided is an orange. Apples and oranges are different.

3. Information that is needed to really indicate social value across a portfolio may be unavailable or burdensome for the investee to collect, or not be perceived to be relevant by the investee. Share of beneficiaries that are women is an example and outcomes performance is another.

4. When information is aggregated, is it usable and useful? If other organizations use different rules and assumptions – such as what proxies are used, the time period reported, or share of impact to be claimed by an investor – then no comparison of performance is possible.

The funds and programmes that I work on tend to support inclusive businesses that directly engage people at the Base of the Pyramid (BoP). So the most common aggregate indicator is **number of people reached**. The main limitations of this metric are:

- Total disarray on what exactly is reported: do you multiply the number of beneficiaries by household size (so one solar system = 5 beneficiaries)? Do you count them from the day of investment or day the business started? Is there data to work out unique households served rather than cumulative sales?

- What does it tell us? As someone in Omidyar Network once said to me: if the number of lives touched was the only metric, Omidyar has done its job by investing in Wikipedia.

I do think the number of people reached should be collected, but with five provisos:

i. Count and report number of households reached. Any multiplication by household size should come after that is reported.

ii. Make the assumptions and definitions clear: such as how units sold convert to unique customers, and whether data is per year or cumulative since what point.

iii. Keep separate numbers reached as consumers of a good or service (which are usually large) and those reached with income opportunities as employees, distributors or entrepreneurs (which are usually much smaller).

iv. Interpret them in context. 5,000 households reached is large scale for an agri-processor sourcing from farmers, it's tiny for a mobile phone app. So it may not be the actual number, but the level of scale achieved, relative to its potential, that is aggregated across the portfolio.

v. Track and report other things too.

So what else can be tracked and included in aggregated indicators?

Other elements of social impact include:

- Information on who is reached, e.g. the share that fall into specific income groups, or share of clients that are women (the exact percentage is hard, so I tend to use these groups: virtually all women, the majority (55-95%), roughly half (45-55%), a minority (5-45%), virtually none).

- The depth of impact. This is hugely difficult and will no doubt be controversial if widely implemented. But often a common sense judgment can be made whether the impact per person is high, medium or low. An income opportunity that moves a family out of poverty is high, while an additional market for their tomatoes which diversifies risk and expands demand at prevailing prices, counts as 'low'.

- Potential to influence innovation uptake by others can also be scored. First movers will score higher but it can depend on the relevance of the business to others and the extent to which the model is replicable.

Ideally aggregated metrics would cover outcomes not just outputs – changes in people's lives, poverty level, health or skills. In the health sector, with more advanced research methods and economics, it may be possible to convert outputs into DALYs – disability adjusted life years – at least theoretically. Elsewhere, I'm impressed if a single business can report outcomes, and please let me know if you see these reported aggregated across a portfolio.

For assessing commercial viability, challenge fund or VC portfolios are often investing at an early stage when profit margins and IRR are not useful metrics. Pre-profit qualitative measures can be scored High Medium and Low across an entire portfolio:

- Is the business on track against its own milestones?

- How strong is the capacity of the leadership and management team?

- Does the business have the external 'deals' in place it needs to scale, including investment, permissions, licenses and partnerships?

- Is it operating at a price point that will cover operating costs once it is scaled?

The portfolio can be mapped against each question, or they can be combined together in an 'index' of viability for an overall high, medium or low score. Such commercial considerations are essential to assessment of social impact, because viability drives scale. So a business with a low viability score should have its social impact score muted.

This raises an important point across all this tracking. Results vary hugely by the maturity or stage of the business given it can take ten years for an inclusive business to scale. So start by establishing maturity, and disaggregate data by business stage.

The same indicators will not work for different portfolios. And even if they do, they will probably be weighted differently. I worked on two quasi challenge funds - the Business Innovation Facility and Innovations Against Poverty – with similar goals but different instruments. Each used a development index and viability index combining a number of metrics like those above into an overall score. But differences in strategy meant slight differences in which metrics were used and how they were weighted. Now in Connect to Grow, supporting B2B partnerships, we are using a similar approach but again adapted for the programme strategy.

Other programmes will prioritise other issues. Most impact investors will measure follow-on investment, as an indicator of leverage. Aavishkar Fund seeks to reflect an element of the additionality of their investment by identifying in which deals they were the first investor. A core part of their social impact is based on the percentage of investment deployed in low-income areas. African Enterprise Challenge Fund and others put a monetary dollar on benefits delivered, maximizing aggregation potential. The impact assessment framework developed by Big Society Capital and applied to the KL Felicitas portfolio rates investees on their impact tracking practice – the process rather than the results. It is usually sensible to aggregate indicators sector by sector: kilowatts or gigawatts generated, health workers enrolled or treatments provided, or student performance in exams. A sector focus can be much more intelligent than aggregated data, but can still disguise huge differences between different types of models.

The details must vary but the broad principles are to create a ladder that converts specific deal data to a score or ranking on an indicator, and then converts the indicators to an overall judgment of progress. Given the deal data itself cannot be aggregated, there is no alternative but to apply this process which of course involves a high degree of judgment. But the team that has the skills necessary to run the portfolio, should have the skills enough to recognize good/fair/poor or high/medium/low when they see it and the honesty to report it.

For further information see:

- The M&E approach of the Business Innovation Facility, including composite indices
- Business Innovation Facility final reports: "The 4Ps of inclusive business" for practitioners and "Adding value to innovation" for donors
- Innovations Against Poverty final report (includes reporting of the commercial and development impact indices)
- Aavishkar Annual Report
- AECF Annual Report 2014
- Review of the KL Felicitas Foundation portfolio

This blog is based on a presentation delivered at the Social Value conference in London in February 2016 and is part of a series which is cross-posted on Social Value and in the Impact Network of the Practitioner Hub for Inclusive Business.

Aggregating impact to drive decisions

Clara Barby, Partner, Impact+, Bridges Ventures

We aggregate data to drive decisions about portfolio construction: aggregation shows us whether a current portfolio is on track to meet expectations or whether resources need to be re-allocated.

At Bridges Impact+, we often advise funds that manage capital on behalf of investors, or corporates that manage multiple projects on behalf of shareholders. This capital is then deployed across a range of projects or opportunities. While investors may ask about the performance of individual investments, they mostly want to know that the fund manager is optimising the impact performance of the overall portfolio to which they have exposure, within the constraints of their financial goals.

The table below illustrates some of the portfolio construction questions that aggregated impact data enables a fund manager to answer and make adjustments accordingly.

Table 1: Illustrative portfolio construction questions

	Impact Return	Impact Risk
Target Outcomes	• Is the portfolio underweight on certain outcomes that our investors care about, or types of end user they want to benefit? • Is the quantity and quality of societal change that our portfolio is generating in line with our investors' expectations?	• Is the portfolio's level of outcomes risk* in line with our investors' expectations? * The probability that our investors' intended outcomes do not occur, as a result of either internal or external factors or lack of evidence
Additionality	• Is our overall level of investor value-added (enabling impact that would not otherwise occur) in line with investors' expectations?	• Does the portfolio carry any risk of displacing comparable or better impact?
Externalities	• Are we are creating significant positive externalities across the portfolio?	• Does the portfolio carry any risk of negative externalities that we cannot mitigate?
Alignment	• Is the portfolio optimising against our investors' impact goals and financial goals and therefore delivering cost-effective impact?	• Does the portfolio carry any risk of tension between impact and commercial factors?

For more on our **Impact Radar**, see www.bridgesventures.com.

With a clear understanding of why we want to aggregate and what questions we need to answer, we then turn to the trickier question of 'how'.

To answer the questions in Table 1 above, we first analyse data at the investment level and then aggregate at portfolio level.

For some questions, we can use a quantitative calculation. For example, to determine whether the portfolio is underweight in terms of capital allocated to address a specific outcome, we can calculate assets invested to address a specific outcome as a proportion of total assets under management; or, to determine whether the portfolio is on track to deliver the quantity of outcomes expected by our investors, we can calculate the ratio of performance against targets for each investment and then calculate the average ratio for the portfolio.

Other questions require a different approach. We have developed a scoring system to convert quantitative and/or qualitative data at the investment level into a lower, medium or higher score. The merit of the scoring system is that it calibrates our judgment across different investment opportunities and allows us to calculate an average score for the overall portfolio, which can then inform decision-making.

For example, in order to assess the level of target outcomes risk that the portfolio carries, we might ask:

- Is the investment's theory of change threatened by internal and/or external factors?
- Are we measuring outcomes rather than outputs?
- Is the data reliable?

The answers are used to assess the level of outcomes risk for each investment, using the scoring system to calibrate whether that risk is lower or higher. We can then take the average score across the portfolio and determine whether we need to re-allocate resources to lower the portfolio's risk profile (for example, by making future investments in opportunities that carry less outcomes risk, or working more closely with our investees to evidence their outcomes).

We recognise that a scoring approach might lead to inadvertent, inappropriate weighting. But if we don't score, aren't we weighting anyway, just intuitively and implicitly? By explicitly scoring, say, the quality of an investment's outcomes or an investor's value-added, we find that we can be more, rather than less, open to feedback and revision. This should, over time, enable the weighting itself to become a conversation, with investees and, most importantly, with the end users we ultimately serve, about what they value most.

By taking this approach, we do not mean to imply that one should not also aggregate comparable outcome data by stakeholder type, in order to paint a colourful matrix of all the good things that a portfolio is achieving. The 1,500 jobs created for the long-term unemployed and the 3000 students with improved grades are interesting reference points. However, without also using aggregation to answer the sorts of impact management questions outlined here, we have found that data loses context and we cannot use it to guide construction of an optimal portfolio.

Private Sector Perspectives on Aggregation

Barend van Bergen, special advisor at KPMG and co-author, 'New Vision of Value'

The private sector and individual companies are getting more familiar with the concept of monetization as an approach to help understand, measure and manage their societal impacts. Monetization is just one route to the goal of aggregation of different outcomes.

Although not undisputed, monetization provides a common metric through which a company can more easily understand and compare its various impacts. This helps executives to better manage and consider the different social and environmental factors when making decisions.

There are clearly also challenges in quantifying impacts in financial terms. As the adage says: "Not everything that counts can be counted". Monetization cannot fully express certain ethical aspects of corporate behavior, for example human rights. Clearly monetization is not an exact science and the results should therefore be considered as an indication or approximation, rather than exact numbers.

While acknowledging the limitations of monetization, it is clearly a promising method that offers a strong potential to bring considerations of societal value into corporate decision making. It also offers a useful means to draw comparisons between a company's various impacts.

Companies acknowledge that the concept is not perfect, and the data is not yet as reliable as that used for financial reporting. In the last few years an increasing number of companies are exploring triple bottom line approaches and the monetization that comes with that. Some companies have shared the learnings and results, for example:

- PUMA was first multinational to develop and publish an environmental P&L (E P&L) The initiative is now adopted by their holding company Kering which has developed an E P&L for several subsidiaries which helps to manage environmental impacts across the operations and supply chain

- Novo Nordisk was the first pharma company to publish an environmental profit and loss account (E P&L), exploring impact measurement in seven countries and specific areas (e.g. clinical research)

- Volvo has used monetization to demonstrate the impact of substituting diesel or biogas buses to fully electric busses and comparing conventional Total Cost of Ownership (TCO) with societal TCO

- Holcim was the first multinational to develop and publish an integrated P&L. In the related publication they acknowledge the challenges of such an approach:

'…..the statement is a tool to allow us to understand – and share with stakeholders – the extent of our impacts on society and the environment, and to track progress against the Holcim Sustainable Development Ambition 2030.

'.......the statement and methodology depends on a set of assumptions. ……. We are aware that these assumptions can, and indeed should, be challenged. By publishing this statement, we seek to contribute to the debate and the discussion on developing robust methodologies for companies and sectors to measure and report on the financial value, positive and negative, of externalities'

In the near future more companies will be stepping up to the plate. The recent development and launch of the (draft) Natural Capital Protocol will help them to do so. A significant number of companies have been involved in the development and road testing of the protocol.

Monetization is not necessarily the ultimate solution. We might end up with a more sophisticated and multi-lensed approach to evaluating business performance.

Some people believe that we should, eventually, shift to integrated reporting as defined by the International Integrated Reporting Council's (IIRC) framework which identifies six types of capital that a company requires in order to create corporate value: financial capital, manufactured capital, intellectual capital, human capital, social and relationship capital, and natural capital.

Barend van Bergen is the co-author 'New Vision of Value' (KPMG True Value).
Currently he is special advisor to a number of KPMG member firms and spending a portion of his time on research and education.

Challenges and Recommendations for Aggregating Social Impact Data at Portfolio Level

Priscilla Boiardi, Knowledge Centre Director, European Venture Philanthropy Association

Venture Philanthropy Organisations (VPOs) want to aggregate impact information at portfolio level to manage better, i.e.:

- to improve the way they select investments
- to sharpen their investment strategy
- to take corrective actions when issues arise (i.e. when an investee is not performing as the rest of the portfolio)

Additionally, VPOs want to report on the impact achieved at portfolio level for marketing and fundraising purposes, i.e.:

- to show their own investor the impact they are achieving
- to use the information for additional fundraising

However, VPOs realise the importance of social purpose organisations (SPOs) setting their own objectives and impact measurement (IM) system, as the information collected by the SPO needs to be informative for the SPO's management and improve the SPO's operations. Additionally, aggregating data for reporting is technically difficult. The more customised the IM system, the more difficult it will be to aggregate data at portfolio level (and for reporting). It is therefore important to think of ways to show outcomes at portfolio level.

This tension between the bottom-up approach and the need for aggregation brings challenges that VPOs have tried to solve in the following four ways.

1. Align the Theory of Change of the VPO and SPO and have a couple of portfolio-wide outcome indicators

Making sure the Theory of Change of the investor and investee are aligned is crucial for an investment to be successful (and is a guiding principle in the investment selection phase). As the indicators used to measure impact are derived from the Theory of Change, it is possible for the VPO to find one or two outcome indicators that can be applicable and relevant for all investees. Hence, a solution is to have all investees reporting on one or two common indicators, and then have tailored indicators for each investment, depending on the specific management needs of the investee.

Example: In order to measure how well the VPO is achieving its own outcome objectives, Reach for Change is attempting to define overarching indicators that are linked to the investment themes within its investment strategy. For example, in Ghana, improving children's education is the most important objective for Reach for Change. Beyond just counting how many children are helped by the specific programmes Reach for Change supports, it would be interesting to find concrete indicators that measure improvement in children's education in Ghana and track progress over time (although attribution of Reach for Change's investments will be impossible to define). If there is no progress, Reach for Change clearly would need to revise its strategy.

2. Define portfolio-wide Issues

Some organisations give their investees freedom to choose investment-specific impact indicators, but then define portfolio-wide issues (often ESG goals) that all investees have to report on.

Example: Investisseurs et Partenaires, a VPO based in France, for example believes there is value in tackling climate change issues at portfolio level, so supports all SMEs in the portfolio implementing actions to reduce their carbon footprint. The downside is a lack of flexibility in adapting the objectives to the specific needs of each investee. To overcome this it is important that the ESG approach and in particular the ESG action plans are co-developed with the investees and tailored to each company's challenges and opportunities. With this approach it is possible to:

- analyse the individual and collective contribution of the investees in the portfolio to local development – and perform periodical reviews

- benchmark the performance of each investee against the performance of the portfolio and implement corrective actions if needed

3. Report on the change that happened

Organisations that support a high number of investees using different indicators to measure impact find it difficult to aggregate the results and measure impact at portfolio level. However, simplifications are possible by measuring the percentage improvement on the different indicators.

Example: For each specific investment, Reach for Change can track the progress the investee is making on achieving its customised outcome indicators. The degree of achievement of those indicators (e.g. 80%) will be a measure of success of the investment for Reach for Change, and can allow it to make a social "valuation" of its portfolio of investments by calculating an average success rate.

4. Annual survey with standardised response options

Some VPOs assess their impact at portfolio level by looking at how they have improved the way their investees work. An option is to use questionnaires with Likert scales. The standardised response options enables a VPO to aggregate the answers and to form a view at portfolio level of the impact the VPO has been making on the SPO and to assess how the SPO perceives its capability to deliver impact has changed thanks to the work with the VPO.

Example: This is the solution found by Reach for Change, a VPO in Sweden. Aggregated answers enable status snapshots of Reach for Change global, regional and local level portfolios, e.g. by making statements such as: “At the end of Q1, 40 % of our entrepreneurs had not yet identified a sustainable way to make money”. This provides an indication of where the entrepreneurs need the most support from Reach for Change, and how the VPO could most efficiently allocate its resources.

Global Value Exchange 2.0: different outcomes for different purposes

Ben Carpenter, Operations Manager, Social Value UK

Since 2011 the Global Value Exchange (GVE) has been crowd sourcing metrics (outcomes, indicators and valuations) that people are using to measure social impact. We will be releasing GVE2.0 this year, which builds on the existing functionality of the site. In 2014 we realised that within the outcomes section of the site there were two very distinct types emerging:

1) **‘Summary level outcomes’** - these are often part of a set and aligned with an investors objective. They are always positive outcomes and tend to be quite broad e.g. “Improved mental health” or “Increased employment”. The reason they have been designed is for aggregating impact across multiple interventions.

2) **‘Decision making outcomes’** - these are much more detailed outcomes and are unique to the intervention. They include intended and unintended outcomes and so some are negative e.g. “is able to deal with mild bouts of depression with no medication” or “has not found sustainable employment”. The reason these outcomes exist is for delivery staff to manage the outcomes and re-design services to maximise the impact.

In order to respond to these obviously very different needs of users, we have built GVE2.0 to incorporate these two types of outcomes and help delivery organisations collect the information they need for managing impact and help investors collect the information they need to aggregate impact.

We wanted to reverse the fact that many social purpose organisations focus their impact measurement on the summary level outcomes and often don’t work on the delivery level outcomes. GVE 2.0 allows for both types of outcomes to co-exist. The re-designed platform has differentiated the two types of outcomes and enabled users to connect the two. It does this through two new service layers:

1) myGVE - for delivery organisations designed to help manage their impact

2) myGVEportfolio - for investors designed to help aggregate impact

myGVE: This layer allows a user to create a project and start adding information. There are three steps that users go through. Step one: Users are prompted to ask their stakeholders; “what has changed for you?” and then enter these delivery level outcomes onto the ‘Stakeholder board’. Step two: Users enter the summary level outcomes that they report to their investors. Step three: Users are asked to combine the first two steps by creating a chain of events. These chains visually demonstrate the link between the two types of outcomes.

myGVEportfolio: This layer has been designed for the investor and aggregates all of the information that has been entered on the myGVE layer by its investees. The investor has access to a dashboard displaying all of the projects that have used their summary outcomes. An investor is able to see which projects are achieving which outcomes at an aggregated level but also offers them the opportunity to drill further down into each project and examine the detailed information that their investees are collecting.

If you are interested in finding out more about GVE2.0 you can get started today: www.globalvaluexchange.org or contact Ben directly on ben.carpenter@socialvalueuk.org.

Aggregation for Social Investment

Marcus Hulme, Social Impact Director, Big Society Capital

Aggregating impact data across a diverse range of social interventions has been an aspiration in the impact measurement world for some time, yet few organisations have been able to find an approach which works successfully in practice to date.

At its best, meaningfully aggregating impact data can help funders and investors to assess the collective impact that their money is achieving and also help inform decision making and comparisons of effectiveness. For charities and social enterprises, aggregating data can be a useful way of summarising what they have delivered and it can also help them to benchmark or compare their work with similar organisations if data is opened up and shared.

In the impact measurement market there has been an increasing trend towards development of shared measurement frameworks and common indicator sets but there is less clear evidence about how these are being widely applied in practice. Initiatives such as the Global Value Exchange and Inspiring Impact are helping to make these resources more readily available but work still needs to be done in encouraging the use of them if we want to be able to aggregate and compare approaches.

Shared measurement works best when there is a cohort of organisations who are trying to tackle a similar social issue. Shared measurement frameworks can be a useful way to help organisations gather meaningful data and save them time in having to develop their own bespoke approach in isolation. A good shared measurement framework will provide a starting point for defining the core data that should be collected but also be flexible enough so that organisations can also gather anything else that is useful and meaningful for them.

At Big Society Capital we have developed the Outcomes Matrix to help organisations define and measure their social impact. The Outcomes Matrix represents a map of social need and is a useful starting point for organisations beginning their impact measurement journey.

We now want to do more to build on the matrix and are starting to explore how we can use shared measurement more to help charities and social enterprises with developing their impact data collection approaches. Increased shared measurement could also help us to aggregate the overall social impact across our portfolio and make more meaningful comparisons about the effectiveness of potential investments. We recognise that this is a complex area and intend to work closely with partners to help us define our potential approach.

Summary and Conclusion

These responses to aggregation show that this is a common challenge, affecting organisations across very different sectors and scales.

Two key themes emerge :

1. There is a tension between the amount of detail necessary in determining outcomes, in order to maximise value created, and the ability to aggregate outcomes.

Information that provides an understanding of the performance or progress of a project will be harder to aggregate.

One solution to this was GVE2.0's creation of two service layers, which link a project or organisation's specific, detailed outcomes with a funder's summary level outcomes, aligned to the funder's objectives, via a chain of events. This enables aggregation to occur at a high level, whilst maintaining the link to the project's detailed and unique outcomes, which may include negative or unintended outcomes, and are crucial to an organisation's ability to make decisions to maximise value.

Another solution is to develop shared measurement for organisations tackling similar issues or operating in a similar sector. A taxonomy, or an outcome matrix, may still be required but it will make aggregation easier. Big Society Capital's Outcomes Matrix approach helps organisations to identify areas in which they are working which may be shared across sectors, whilst remaining flexible enough to allow incorporation of other outcomes.

2. The level of accountability of those responsible for activities will influence the completeness of the information being collected, at one end of the spectrum only measuring objectives and, at the other end, measuring all the material outcomes of an activity.

In order for an organisation to be accountable and develop products and services in response, it will need to collect data on all outcomes of an activity (positive and negative, intended and unintended) with regard to a range of stakeholder groups.

Information used for allocating resources needs to have the right level of detail, accuracy and completeness in order to minimise, as far as possible, the chance of making an incorrect decision. Transparency in the taxonomy used and in the weighting of different impacts will improve decision making.

More organisations are exploring solutions to these challenges. We would like to hear the experience of other organisations and provide an update to this report.

If you would like to share your views and experience or have any reflections on this report please email info@socialvalueuk.org.

About

Social Value UK is a national membership organisation for those interested in measuring, managing and accounting for their social value. We believe that by coming together and providing support, training, networking opportunities and representing our members, we can achieve our mission of changing the way society accounts for value. Join us and help us to create a movement for change.

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