

THE ROCKEFELLER FOUNDATION™

The Goldman Sachs Foundation

Social Impact Assessment

A Discussion Among Grantmakers

March 26, 2003
NEW YORK CITY

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In recent years, there has been a sea change in measuring social impact in both the philanthropic sector and the double bottom line investing community. However, while many methodologies exist, there is minimal consensus across the sector on how to assess social impact.

On March 26, 2003, The Goldman Sachs Foundation and The Rockefeller Foundation hosted over fifty funders at Goldman Sachs offices in New York to discuss the issues surrounding assessing social impact and social return on investment (“SROI”). We were pleased with the high level of interest in this topic and the insights articulated during the day’s discussions. Our focus was on two thematic fields: education/youth development and community development/employment.

The purpose of the meeting was twofold:

- *To convene a cross-section of charitable and double bottom line funders to discuss and learn from various approaches to assessing social impact and social return on investment in both the nonprofit and for-profit sectors; and*
- *To begin a dialogue on developing a common set of expectations for metrics or standards that could be used in the education/youth development and community development/employment sectors to assess the social impact of philanthropic and other social purpose investments.*

The idea for this meeting came from our respective activities in the area of social impact assessment. The Rockefeller Foundation recently commissioned work by leading academics and social scientists in the area of social impact and SROI assessment. The Goldman Sachs Foundation has supported work through the Global Social Venture Competition on social impact measurement, and convened a symposium for social entrepreneurs on measuring social impact in 2002 at the University of California at Berkeley.

While the attached document by Neil Carlson summarizes the content of the March 26th meeting, it should not be viewed as a stand-alone publication. We intended this discussion to serve as a catalyst for furthering dialogue among funders. This meeting was only the start of a journey toward developing metrics that can be useful to the funding community and practitioners.

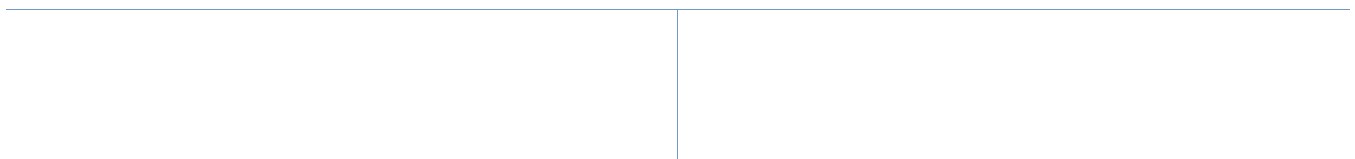
Finally, special thanks to Catherine Clark of Columbia Business School, William Rosenzweig of the Haas School of Business at UC Berkeley and Sara Olsen of SVT Consulting for organizing this meeting.

Sincerely,
Stephanie Bell-Rose

President
THE GOLDMAN SACHS FOUNDATION

Julia Lopez

Senior Vice President
THE ROCKEFELLER FOUNDATION



1. Background

Over the past decade, a new consensus has emerged around the importance of building administrative and operational capacity among mission-driven organizations. Blending management principles from the for-profit world with social values of the nonprofit sector, a vanguard of social entrepreneurs and nonprofit managers has created a new generation of nonprofit organizations, socially responsible businesses, and social-purpose enterprises that balances scale with quality, financial stability with social impact, and community ties with rapid growth. Meanwhile, a new generation of philanthropists and social investors has created strategic investment tools and grantmaking strategies that focus on improving the administrative and operational capacity of mission-driven organizations. As the conceptual boundaries that once separated nonprofits from for-profits, investment from philanthropy, and social returns from financial returns have become more permeable, there has been a marked shift in the way people think about the relationship among capital, philanthropy, management, and strategy.

Nowhere has this change been more profound than in the field of grantmaking. The past decade has witnessed a marked shift from project-related grantmaking toward venture-type philanthropic investment characterized by more capacity-building grants, higher levels of engagement by grantmakers, and heightened emphasis on measurement and results. Investors are now insisting on greater transparency and accountability. They want to understand the impact that their dollars are having on the world.

The new interest in accountability and impact has brought measurement and evaluation into sharp relief. While the field has evolved, funders and social purpose investors still wrestle with the most fundamental of questions: How do they know that their grants and investments are achieving desired results?

The field has yet to establish a common understanding of “social impact” —what it is or how to measure it. Currently, measures of impact vary from funder to funder, and organization to organization. The more sophisticated measurement tools integrate organizational and process metrics with quantifiable outcome data, but in the absence of a common measure (like shareholder value) investors and grantmakers are making it up as they go along.

On March 26, 2003, The Goldman Sachs Foundation and the Rockefeller Foundation convened leading foundation executives and investors in businesses with social missions at Goldman Sachs in New York to discuss social impact assessment ("SIA") in two fields: (1) youth development/education, and (2) workforce development/community development. The meeting goals were:

- *To explore language barriers, current best practices, opportunities, and challenges in social impact assessment.*
- *To define activities participants might undertake to reduce SIA misalignments between funders and nonprofits.*
- *To discuss interest in collaborative SIA efforts among funders and nonprofits.*

The meeting featured 51 participants from 31 institutions representing community development financial institutions, foundations, and funding intermediaries. In addition to the 43 participants who had gathered in New York, eight participants joined via videoconference from San Francisco and Chicago.

Catherine Clark of Columbia Business School, co-director of Rockefeller's Double Bottom Line Project, provided the conceptual framework with an overview of existing social impact assessment models.¹ Representatives from four organizations—the Roberts Enterprise Development Fund, New Profit, Inc., the Edna McConnell Clark Foundation, and Coastal Enterprises, Inc.—presented case studies of their ongoing impact assessment work. Participants broke into working groups to discuss specific strategies and outline next steps in the fields of youth development/education and workforce development/community development. This paper synthesizes the meeting's discussions and offers some conclusions and next steps for advancing the field.

1. *The Rockefeller Foundation Provenex Fund Double Bottom Line Project team consists of: Catherine Clark of Columbia Business School, William Rosenzweig of the Haas School of Business at UC Berkeley, David Long of Abt Associates, and Sara Olsen of SVT Consulting. This team has worked closely with the Foundation's Laura Callanan, Jacqueline Khor, and Julia Lopez, members of the Provenex Committee, and entrepreneurs in the Fund's portfolio.*

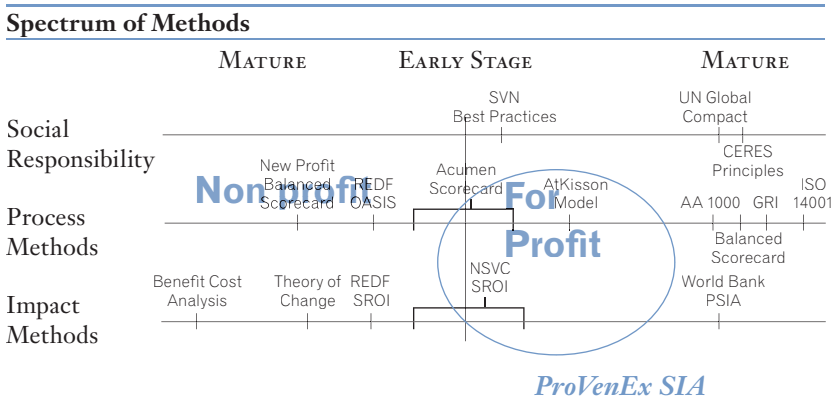
2. State of the Field

The timing of this discussion is especially relevant. Over a decade has passed since the Roberts Enterprise Development Fund first began tinkering with the idea of blended social and financial returns. It has been six years since Christine Letts, William P. Ryan, and Allen Grossman published “Virtuous Capital: What Foundations Can Learn from Venture Capitalists” in *Harvard Business Review*, igniting both controversy and deep interest throughout the fields of nonprofit management, philanthropy, and social investing.

So after a decade, where does the field stand vis-à-vis measuring social impact?

The good news is that the field has developed a rich set of conceptual frameworks, analytical tools, and management strategies over the past few years. Several individual organizations have brought new levels of rigor to their work with grantees, contributing depth and breadth to a diverse and growing field. In framing remarks, Clark compared sixteen different models used to assess the social impact of investments in double bottom line businesses and nonprofit organizations. The table below depicts the Double Bottom Line Project team's view of how these assessment methods relate to one another in terms of three variables: the **type of venture** to which the method is most suited (nonprofit or for-profit); the **investment stage**, to which the method is most suitably applied (early stage or mature); and the **functional content** (measuring outcomes, managing organizational processes, or gauging the level of social responsibility).

Sixteen Social Impact Assessment Methods Currently Used in the Nonprofit and For-Profit Sectors



© Copyright 2003, Double Bottom Line Project: Clark, Rosenzweig, Long, and Olsen.

Yet the social enterprise field as a whole finds itself burdened by significant misalignments in goals, methodologies, and strategy. Funders have different theories of change, goals, metrics, and reporting requirements—sometimes tangential to and sometimes at odds with other funders. Grantees have their own theories of change and management priorities, and frequently find themselves burdened by funders' demands and the exigencies of day-to-day management.

The field as a whole lacks common vocabulary.² Clark highlighted common reactions social entrepreneurs and investors have to this complexity and inconsistency:

Social entrepreneurs say:

“Individual constituencies require different measures, reducing operational efficiency as I produce different reports for each constituent, funder, or regulator.”

“I’m in funding shock. After meeting or exceeding performance measures, why isn’t further funding by my current funders or others more easily obtained?”

“My reporting needs and my funders’ needs don’t always align. What the funder needs from me may not be what I need to manage my venture more effectively.”

Grantmakers and investors say:

“It’s hard to learn what works if you can’t read data, see consistent trends, or learn lessons within one project or across different grantees/investees.”

“If you’re not using impact tools familiar to peer foundations or investors, it’s hard to leverage your own capital or mitigate risks by bringing in co-investors—while this is often exactly what is needed to build robust impacts.”

“It’s very expensive to track outcomes consistently, and without a commitment from other funders to value the results, is this a good use of funds?”

In aggregate, these comments underscore four overlapping groups of challenges the field must grapple with as it seeks to improve measurement practices and deepen its social impact.

Conceptual

- *How does the field define a set of commonly shared desirable outcomes, and how will it measure them? What are best practices?*
- *How can the field create the rigor necessary to achieve proven—rather than anecdotal or apparent—outcomes?*
- *Is there a set of general principles that might constitute a sturdy foundation upon which organizations with slightly different theories of change might build?*

Operational

- *What management tools and evaluation systems need to be developed (or adopted more broadly) to support measurement, assessment, and reporting?*

2. See “Double Bottom Line Glossary,” (Appendix A).

- *How do organizations balance the credibility of impact assessment with its feasibility, given the fact that assessment methods that prove impact are typically very costly, and hence less feasible?*

Structural

- *Given the diversity of approaches and goals among funders, not to mention the difficulty of comparing metrics across fields of practice (such as workforce development/community development or youth development/education), what practical solutions might there be to achieve scale and preserve autonomy?*
- *What happens when funders themselves bring unclear goals or unrealistic expectations to the funding process?*
- *How do grantees balance competing priorities and demands among their various funders?*

Practical

- *Will funders really follow through? Will nonprofit boards buy into the process?*
- *Can the field realistically expect to achieve scale given its fragmentation and inertia?*
- *How do the capital needs of potential investees match up against the resources of investors and grantees?*

3. Case Studies

How do these issues play out at an organizational level? How have different organizations grappled with social impact assessment, and what do their experiences say about the current status and future of the field as a whole? To get inside these questions, participants examined case studies from three leading grantmakers and a grantee. Taken together, these case studies provided a basis for drilling down into the specific challenges facing the field as a whole.

3.1. Roberts Enterprise Development Fund:
From Measurement to Management

A leader in the field of social enterprise, the **Roberts Enterprise Development Fund (REDF)** is widely acknowledged as a pioneer in performance measurement. REDF practices engaged philanthropy with a closed portfolio of nonprofit organizations, offering each financial and management support for as long as they meet agreed-upon performance standards. Most of REDF's early investments were in social purpose enterprises, typically a specific business managed under the aegis of a nonprofit organization, and REDF's assessment work focused on measuring the social and financial outcomes of those enterprises. These SROI analyses stimulated a great deal of discussion about investment-oriented performance assessment when they were published three years ago, but they did little to inform management practice. REDF has since developed a comprehensive outcomes-tracking system called OASIS, which helps nonprofit managers measure and track outcomes in the social purpose enterprise and across the entire organization.

REDF's Social Impact Assessment Efforts Address Four Perspectives

REDF Approaches to Measuring Impact

	INDIVIDUAL (enterprise employees)	ENTERPRISE (program)	ORGANIZATION	SOCIETY/ COMMUNITY
Assessment Methods	• Demographics • Social outcomes • Stories	• Demographics • Social outcomes • Financial results	OASIS	• SROI • Cost/benefits analysis
	↓	↓	↓	↓
Desired Outcomes	Individual improved lives	• Group of improved lives • Healthy, growing/ profitable business	Healthier, more effective organizations	• Improved society • Dollar impact on community • Cost-effective strategies

REDF and its portfolio nonprofits started building OASIS in 1998. The effort involved a two- to three-year planning process for each of four portfolio organizations that implemented it. Technologically, OASIS uses hierarchical linear modeling, a new statistical process that uses embedded data to connect outcomes to specific interventions. Practically, the system has allowed organizations to reengineer their service delivery models and has transformed how information is tracked, analyzed, and reported. The result, says Melinda Tuan, REDF's Managing Director, is an internet-enabled relational database system (see below) that managers can use for ongoing management and performance benchmarking. Instead of just measuring outcomes after the fact, OASIS helps managers benchmark and improve performance in day-to-day operations—a crucial advancement. OASIS does not yet include financial information but REDF plans eventually to combine the financial aspects of what the whole agency is doing with the social data.

Screen Shot of REDF Portfolio Company MIS System, OASIS (the Rubicon Programs Inc. System-CICERO)

Individual Service Encounter - Microsoft Internet Explorer

Address: <http://server01.redf.org/dep-hcl/homepage-encroll/consumer0-2345/button>Create-New-Encounter>

Individual Service Encounter CICERO/RUBICON: Danny Fong

HOUSING/CASE MANAGEMENT

STAFF INITIALS: DATE OF ENCOUNTER (month/day/year):

OTHER STAFF PRESENT: 1. ☐ 2. ☐ 3. ☐ LENGTH OF ENCOUNTER: minutes

LOCATION OF ENCOUNTER

Indicate the location at which the encounter occurred:

☐ Main: 2500 Bissell	☐ Resource Center	☐ West Richmond Apts.	☐ Telephone
☐ EAT: 232 Broadway	☐ Brookside Shelter	☐ Virginia Street Apts.	☐ Home visit
☐ Bkwy: 101 Broadway	☐ Richmond Works	☐ Idaho Apts.	☐ Workplace visit
☐ Bakery: 154 South 23rd	☐ Sojourn	☐ Ohio/21st/22nd Apts.	☐ Other (specify):
☐ Garden: 970 13th		☐ San Joaquin Apts.	

CONSUMER INFORMATION

Consumer name: Danny L. Fong

Birth date: 1/1/60

PROGRAM

Check **one** Program for which you are the responsible staff person in this encounter. Check enrollment or exit if appropriate:

☐ Project Independence ☐ Independence Transitional Housing ☐ Housing Search

Done Local internet

More strategically, OASIS offers portfolio organizations a potentially useful operational tool to mitigate the structural barriers they face in managing diverse sources of funding and juggling reporting requirements—a significant structural hurdle many social enterprises face. By way of example, Tuan pointed to Rubicon, one of REDF's star organizations, which has 80 different funders. Prior to OASIS (which Rubicon customized as CICERO), staff collected client information on paper and stored the information in different files throughout the agency. Reporting to 80 different funders was challenging and time-consuming under the paper-based systems, Tuan noted. The electronic system, on the other hand, streamlines data gathering, simplifies reporting, and allows the organization to deliver services with consistent quality. One of REDF's portfolio organizations went from using 140 different data collection forms down to 36, a 300 percent reduction in paperwork.

According to Tuan:

- ***Systematic outcome measurement requires a huge cultural buy-in process.*** “In 1998, very few of our portfolio companies were interested in the level of analysis we wanted,” Tuan said. But their interest has grown over the course of their long-term partnership with REDF. “If you give them a little bit, there is a huge appetite for data.”
- ***A consistent expectation of reliable outcome assessment is essential.*** Funders may have to adjust their expectations, Tuan warned, acknowledging the possibility that past data-gathering systems may not be reliable. For example, Tuan said, if funders expect an employment rate of 80 percent, and the grantee delivers only 64 percent, it may not be because the organization isn’t hitting its numbers, but rather because the historical data is inflated. Until there are reliable standards for data in this field, funders will ask for, and continue to receive, inflated numbers.

3.2. New Profit, Inc.: Finding the Right Measures

New Profit, Inc. (NPI) uses the Balanced Scorecard, a method of measuring and managing ongoing social and financial value-creation. Originally developed by Robert Kaplan and Edward Norton for corporations, NPI has tailored the Balanced Scorecard for use in its portfolio organizations. As an intermediary funding organization with 43 direct investors, NPI practices engaged philanthropy, helping a limited number of portfolio organizations grow to scale over a three- to five-year time horizon. NPI is in its fourth year of performance assessment work, and it reports quarterly to its investors.

NPI’s philosophy is that the greatest leverage point in the nonprofit sector lies in growing high-performing nonprofits to scale. No one at New Profit had ever engaged in grantmaking prior to working at NPI, but staff members brought other investment and nonprofit management experience to the organization. Informed by these diverse backgrounds, milestones and deliverables drive NPI’s work.

From the start, NPI’s social impact assessment goal was to develop a tool that could look holistically across the organization, build measures, and identify the gaps between a grantee’s mission/values and its operational plan. Annual Balanced Scorecard reports reflect three overall areas: **growth**—measured by compound annual growth rates, revenues, and numbers served; **quality**—a bundle of various improvement benchmarks; and **leverage**—metrics that gauge how well grantees leverage outside resources. The Balanced Scorecard system, said NPI Managing Partner and co-founder Kelly Fitzsimmons, emphasizes the “connective tissue between the game plan and ‘what does it mean for what I do today and how I execute against that plan?’” NPI,

Fitzsimmons noted, spends “a lot of time looking at lead measures and lag measures. These let us know what we see in front of us as well as what came behind.”

According to Fitzsimmons:

- *The Balanced Scorecard must be preceded by theories of change to succeed.* Without a strong theory of change in place, neither organizations nor funders know what they need to measure in the Balanced Scorecard.
- *Sometimes there is a conflict between performance and funding.* NPI grantees often confront a deeper structural flaw in the nonprofit capital market—that high-performing organizations are often implicitly punished for their success. “We’ve noticed something counterintuitive, [which is] that performance is a bad thing,” Fitzsimmons said. Instead of rewarding high-growth, high performance, and financial solvency, funders often view these organizations as “too successful” or insufficiently needy.
- *It is important to keep in mind what the sources of “organ rejection” might be.* Other funders or an organization’s board may not be ready for a performance tracking system. Unless this practical consideration is addressed—and there is broad buy-in—the performance measurement system will break down.
- *Board development is an unanticipated benefit of milestone- and deliverables-driven social impact assessments.* Fitzsimmons noted that performance measurement can be a strong catalyst of change: “Once a plan has been clarified and performance milestones set, the onus is on the board.”

3.3. Edna McConnell Clark Foundation:

Improving the Rigor of Impact Assessment

The **Edna McConnell Clark Foundation (EMCF)**, under the leadership of Michael Bailin, has evolved from a traditional foundation to an organization practicing high-engagement philanthropy. Beginning in 1999, the foundation trimmed its portfolio from 182 grants in 1998 to 53 grants in 2002, increasing grant values and making multi-year commitments. With the help of a nonprofit management consulting firm, EMCF fundamentally changed its staffing model to hire organizational development and knowledge development specialists rather than program officers. The foundation now focuses on one issue—youth development—and directs the majority of its funding to organizations in the northeast corridor from Washington D.C. to New York.

Throughout this transformation, EMCF has integrated social impact assessment into both funding decisions and everyday evaluation. In the selection process, foundation portfolio managers conduct extensive due diligence on potential grantees, assessing their ability to help clients realize improvements in four core outcomes areas: educational skills attainment; successful transition to self-sustaining work; civic

engagement; and avoidance of high-risk behaviors that derail youth. The foundation selects grantees on the basis of their ability to deliver, grow, and sustain impact. Using 70 indicators across six evaluation areas, EMCF staff believe that their due diligence process has brought new rigor and sophistication to the foundation's grantmaking. Once organizations are awarded a grant, they develop a plan that includes a combination of financial, growth, and outcomes benchmarks. Depending upon the population the organization is serving, the Clark model can take one to two years to implement.

According to David Hunter, director of evaluation and knowledge development, helping grantees move from "apparent" effectiveness to "proven" effectiveness is at the heart of the foundation's investment and growth strategy. The foundation has identified key quality indicators based on existing research, which it uses in performance planning and assessment (see www.emcf.org). EMCF does not use proxy data to link outputs to outcomes but focuses instead on ensuring that grantees meet their milestones. The goal, Hunter said, is to help grantees move through three levels of knowledge about program effectiveness:

- *Apparent effectiveness: through a systematic effort to collect outcome data.*
- *Demonstrated effectiveness: via systematic comparisons.*
- *Proven effectiveness: through experimental research design.*

"We don't ask grantees to report on process," Hunter said. "We care about whether they're hitting the business plan milestones, the absolutely necessary things that must happen if the goal is to be accomplished." The foundation, Hunter continued, believes that "anything that doesn't let you say the organization is on track, will succeed in achieving its outcomes on its own terms, and will improve the quality of its outcomes, isn't worth tracking."

According to Hunter:

- ***All business plans must have a theory of change to be successful.*** Like Fitzsimmons, Hunter was adamant about the importance of theories of change. "A business plan is a means of achieving an end. A theory of change articulates what that end is. It informs the creation of business plan milestones."
- ***The business plan must include capacity-building within the organization.*** Simply put, organizations need financial and management support to create these changes.
- ***Funders must consider grantee participation when designing impact assessment systems.*** "If grantees don't participate in designing the reporting system, they're not going to benefit," Hunter said.

3.4. Coastal Enterprises, Inc.: Balancing Credibility and Feasibility

One of the nation's best-known community development financial institutions, **Coastal Enterprises, Inc. (CEI)**, manages a loan fund that lends money to nonprofits that help low-income individuals find jobs. Over the past decade, CEI has conducted both SROI analyses and longitudinal studies of the organization's impact. The execution of these studies, and the subsequent reception the findings received from Coastal Enterprises' funders, underscore the operational and structural challenges many organizations face in assessing social impact.

In 1993, the Ford Foundation funded Coastal Enterprises' first SROI analysis. Using a cost-benefit analysis, the study examined the relationship between public tax benefits and performance of the organization's loans. The evaluation provided a foundation upon which the organization conducted a rigorous evaluation of its theory of change. "We wanted a set of measures we could use in-house to measure things that were important to us and our funders," said Carla Dickstein, Senior Program Officer for Research and Policy Development at Coastal. Using indicators from the original SROI study, Coastal Enterprises began conducting biennial impact studies. After gathering the data this way themselves for several years, they hired Rob Hollister, a benefit-cost researcher from Swarthmore College. Under Hollister's guidance, the organization developed a four-year study in which it used surveys to track individual participants over 18 months.

The recently published Low-Income Longitudinal Study confirmed many assumptions but also unearthed new findings. "Our original theory of change was that people with low incomes lacked necessary networks and skills to get high-quality jobs, and nonprofits need resources to help them do it," Dickstein said. The second part of the theory was that because CEI screened for the best companies and provided workers with better entry opportunities, clients would be more likely to stay with their jobs. While the study found that jobs sponsored by Coastal Enterprises appeared, on the whole, to be of higher-quality, people didn't necessarily stay at those jobs. "They were going on to worse-quality jobs. So in the second round of surveys we asked, 'Why did you leave, what were the issues?'" Clients responded that workplace adjustments (work expectations, relationships with bosses and co-workers), along with basic life-management issues (budgeting, childcare, transportation), often caused people to leave.

The longitudinal study has had two principal benefits. First, it enabled Coastal Enterprises to improve the precision of its theory of change, helping the organization improve the quality of its services and achieve better outcomes. Equally important, however, was the effect it had on the organization's culture. In addition to informing practice, Dickstein said the culture of measurement it instilled has been professionally rewarding to the staff.

According to Dickstein:

- ***Tracking and publishing results requires leadership.*** “We knew we were taking some risks,” Dickstein said. “We had to publish the data, but what were we going to do if we didn’t like these results?” Because Coastal Enterprises’ chief executive led the impact assessment efforts, the organization developed what Dickstein called “a conscience internally in the R&D department.”
- ***Measuring impact accurately may require surveys of individuals in some cases.*** Without tracking the individual, Dickstein said, “We couldn’t answer the most important question we had at CEI: What was the impact in terms of what we’re doing for low-income people?”
- ***Drawing on social science metrics in assessment may be costly.*** The assessment cost \$500,000. “The jury is still out on whether we would do it again, but it has had a lot to do with [growing] our internal culture of learning,” Dickstein said. “It has been promising from that point of view.”

4. Specific Challenges for the Field of Social Impact Assessment

Identifying and addressing the specific challenges facing the field is not an easy task. Yet there is much to be optimistic about. According to recent research from the Rockefeller/Provenex Fund Double Bottom Line Project, the social investment field—defined as early-stage double bottom line venture capital funds, socially responsible mutual funds, and high-engagement grantmakers—has a total capitalization of at least \$65.7 billion. If even a small portion of these assets were marshaled and invested strategically, the potential impact for advancing the field and increasing social returns could be significant.

Using the case studies as a springboard for conversation, meeting participants spent the afternoon discussing the **conceptual**, **operational**, **structural**, and **practical** challenges facing the field.

Conceptual

Best practices are not standardized. Unless nonprofits and investors reach broad agreement about what kind of goals they are seeking, measures of success, and basic tools for achieving success, resources will continue to be allocated inefficiently.

Theories of change need to be aligned among grantors, investors, and nonprofits. As the case studies demonstrated, measurement and social impact assessment begin with a clear focus on what the organization is attempting to accomplish, or its “theory of change.” Without that, it is difficult to know what to measure.

Operational

Value cannot always be measured. The paradox of measurement is that value cannot always be easily measured, much less readily quantified. As one participant noted, “By trying to define results down to a set of metrics, you’re missing the real value of the ventures.” The challenge here is to fill out the “value picture” of an enterprise as fully as possible.

Quality implementation is essential. If measurement is going to be worthwhile, it must be practical, technically sound, and useful. Unless an assessment fulfills all three criteria, it may not be worthwhile.

Third parties can help to achieve more technically sound data collection. To the extent that they involve people with evaluation skills, third-party evaluations tend to be clearer, more accurate, and more revealing than those conducted by untrained staff. They are, however, often expensive to undertake.

Time horizons for output and outcome measurement are long.

Most funders are involved with a given organization for a few years at most, yet results may take decades to realize. This disjuncture might be resolved by establishing clear short-term benchmarks or longer engagements.

Structural

Significant diversity exists within each field. Youth development, economic development, education—all of these social investment fields have subfields that call for appropriate metrics. It is challenging to identify common metrics that can be used across categories and within subcategories.

Reporting requirements are usually not aligned. As the REDF case study underscored, managing each funder's individual reporting requirements can be onerous for nonprofits. REDF's Melinda Tuan noted, for example, that two REDF grantees stopped seeking government funding because the paperwork burden was too great.

Practical

Goals are often unclear. In some cases, funders themselves lack a clear theory of change, and therefore lack clear goals. A funder's lack of clarity often has a trickle-down effect on grantees, who scramble to accommodate the funder's shifting priorities. Likewise, impact cannot be measured without clear goals.

Inconsistent funding priorities. One of the deepest structural flaws in the nonprofit capital market is the tendency for funders to spread their money across a community, even though many organizations have not demonstrated results. Consequently, “best of breed” organizations often find themselves scrambling for capital as funders look for projects that fulfill a particular grantmaking criterion instead of funding results.

Trust and mutuality are limited. Unless grantees have ownership over assessment tools, processes, and outcomes, they will not buy into the process. Impact assessment must be built on a foundation of trust and shared risk, or else funders will likely continue what Jed Emerson, senior fellow with the William and Flora Hewlett Foundation, calls the “dance of deceit” between them and their grantees.

5. Next Steps: Principles and Possibilities

The Social Impact Assessment meeting made one thing abundantly clear—there is tremendous interest in advancing the field of assessing social impact. A handful of principles and possibilities, participants determined, should guide work in each of the four areas:

Conceptual

Principles: Funders and grantees should align goals, assessment tools, and best practices.

Possibilities:

- *Publicize what exists already. This goal could be advanced by developing a map of the field, showing funders categorized by a few key indicators such as size, geography, and current impact assessment practice.*
- *Convene follow-up meetings with a set of funders who share missions and goals. Funders with common interests are more likely to arrive at a set of common metrics or performance standards.*
- *Develop a set of case studies on social impact assessment to facilitate discussion.*
- *Draft a set of proposed standards to which participants can respond.*

Operational

Principles: Grantees and investors should acknowledge evaluation expenses as part of the cost of doing business where appropriate, invest in measurement systems and tools, and develop examples of proven impact.

Possibilities:

- *Develop assessment tools for organizations with limited resources.*
- *Create and publicize a workbook of definitions and operational approaches that demonstrate how those definitions are applied.*
- *Promulgate examples of best practices by subcategories of the field.*
- *Develop a list of high-quality vendors or consulting resources to help organizations with social impact assessment.*

Structural

Principles: Striving to balance breadth with consistency, each field and subfield should explore a range of possible outcome goals and best practices for measurement.

Possibilities:

- *Where possible, collaborate with co-investors to align reporting and assessment requirements.*
- *Work to streamline onerous government reporting requirements.*
- *Seek new sources of flexible capital that correspond to the different stages and different capital needs of high-performing nonprofit organizations.*

Practical

Principles: A commitment to outcomes assessment can be a fundamental part of the management structure and organizational culture among funders and nonprofits alike.

Possibilities:

- *Ensure grantees are deeply involved in the development and management of outcomes assessment strategies.*
- *Develop and promulgate best practices of how investors can help grantees build assessment systems and supportive institutional cultures.*

The Rockefeller Foundation and The Goldman Sachs Foundation called this meeting in the hopes of jump-starting further discussion about social impact assessment. But the real work is just getting started. Several nonprofit organizations and grantmakers in the fields of community and youth development are assessing the potential of a commonly used set of social impact measures. There is much more to be explored and the opportunity exists for funders to support this process in many different but useful ways.

APPENDIX A: Double Bottom Line Glossary

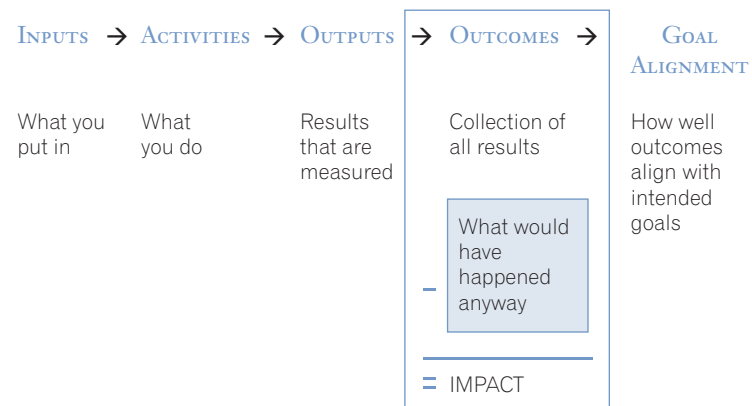
Credibility The extent to which the desired approach will be sufficiently rigorous and thorough to provide measures that are credible to the social science, academic, and public policy communities.

Feasibility The extent to which measurement tools will be useful and applicable in the strenuous environment of a growing venture. The DBLP Methods Catalog defines feasibility in terms of financial costs, person hours, and cultural compatibility with measurement.

Impact The difference between the outcome for a sample exposed to an enterprise's activities and the outcome that would have occurred without the intervention (i.e., venture, organization, or investment).

The Impact Value Chain

Impact = Measure of Change



Outcome Specific changes in attitudes, behaviors, knowledge, skills, status, or level of functioning that result from enterprise activities, such as finding a job, avoiding getting sick, or reducing emissions by a certain amount.

Output Measurable results from an organization's activities, e.g., units of housing, number of people placed into employment, number of youth served, etc.

Social Impact Assessment (SIA) Using any of the tools of social science, program evaluation, or business practice to determine the social outputs, outcomes, or impact of an intervention, program, organization, or company.

Social Return The monetized impact, minus costs, of an intervention, program, organization, or company.

Social Return on Investment (SROI) The ratio of social returns to investment, calculated according to the specific methodology used by organizations such as the Roberts Enterprise Development Fund (REDF), the Global Social Venture Competition (GSVC), or by economists. This includes monetizing predicted future outputs and sometimes outcomes.

Theory of Change The understanding by stakeholders of exactly how an enterprise will generate social impacts. It highlights the causal relationship between actions, short-term outcomes, and long-term outcomes. Another term for this is “logic model.”

Source: Rockefeller Foundation Double Bottom Line Project