Growing pressure to validate social investment

There is a solution to measuring the impact and return on investment in communities

Reana Rossouw, managing director, owner and founder of Next Generation Consultants

How to measure the value and subsequent results (impact and return on investment) of social and community investment remains one of grantmaking and development professionals' and practitioners' greatest challenges – says Reana Rossouw, managing director, owner and founder of Next Generation Consultants.

Social investors, international development agencies, corporate grantmakers and foundation staff are under immense pressure to show social and community investment and development as strategic, cost-effective, and value-enhancing. The industry faces a critical need to assess current monitoring and evaluation practices and measurement trends to validate impact evidence.

Most efforts to measure social impact, performance and outcomes have been driven by funders concerned primarily with the results of their grant funding or social investment. This focus has, unfortunately but inevitably, created a costly and burdensome process. Cost and inefficiency, however, are only two of the current monitoring and evaluation (M&E) system's drawbacks. In the absence of a standard reporting format, funders cannot truly measure intermediaries' work or compare the relative effectiveness of different organisations and make more informed investment choices.

By the same token, intermediaries cannot identify the most successful practices and learn from their peers to increase the impact of social and community investment efforts.

The industry needs a model that qualitatively and quantitatively measures the real impact of social and community investment on both the beneficiary communities and the business. It should pin the effectiveness of existing programmes down to a simple figure that can be used as a benchmark for the assessment of future investment.

Over the past three years, Next Generation Consultants has developed and tested an impact assessment model. It does not only measure the impact and return on social and community investment, it also highlights inefficiencies in expenditure, ineffectiveness of programmes, inappropriate social and community strategies, under- or over-utilised resources and mismatched investment and development programmes.

Donors and practitioners alike can use this model to audit, verify and assess the impact and return on their investment.

A model that stands the test and adds value

Corporate grantmakers, foundations and trusts – in total worth more than R1 billion of investment across all investment portfolios – tested the model extensively on more than 300 individual programmes.

The outcome is a unique indicator library of more than 200 indicators and processes that clearly prove impact of investment and development programmes on communities and return on investment achieved for investors and donors.

The model's value lies in providing a benchmark for improving social and community investment, both at programme level and at a strategic level – not only on the management side, but also on the practice, implementation and execution side.

The results serve as a baseline to assess the status quo and improve social and community investment and development efforts going forward.

One of the key differentiators of Next Generation Consultants' Impact Investment Index is that it can be applied in both socio-economic development as well as enterprise development contexts. The most important aspect, however, is that the model enables scientific proof of which programmes yield the highest versus the lowest impact and return.

How to use the Impact Investment Index model

First identify each and every stakeholder involved in the programme – this includes the intermediary, other donors, and all beneficiary groups. Then determine and identify all possible indicators per stakeholder group to measure impact for the community and the business. Quantify and qualify the impacts per stakeholder group. Count all possible stakeholders and identify each impact by indicator.

Identifying and counting all impacts are crucial in developing scorecards as these calculations enable the analysis of data across impact dimensions.

Currently the model can measure impact and return over at least 12 dimensions, some of which include impact over time (short-, medium- and long-term), impact across economic, social and environmental aspects, positive or negative impact, direct, indirect or combined impact, and intended versus unintended impact.

This enables the ranking of programmes, i.e., top 10 programmes versus bottom 10 programmes. Very importantly the Index methodology uses an indicator database to measure and assess both impact and return. The same methodology applies to all beneficiaries, i.e., identify the impact, validate the impact and calculate the impact. In determining the return on investment process the methodology looks at aspects ranging from employee participation, increased sales, profit and turnover, to increased customer loyalty, increased brand awareness or mitigation of negative environmental and operational risks. The model is therefore especially well-suited to determine donor benefit.

Funders and non-profits often use the words "evaluation" and "impact" loosely, stretching these terms to include any type of report on the use of funds or the results they achieve.

Many evaluation professionals, however, distinguish between measuring performance (monitoring inputs, activities, and outputs), measuring outcomes (near-term results), and evaluating impact (long-term changes that can be attributed to grantmakers' activities) as well as return on investment (benefits accrued to the donor or investor) as a result of funds and other resources invested.

The Next Generation Consultants Investment Impact Index, on the contrary, delivers a scientifically-based data management process that quantifies and qualifies impact and return about the value of investors' social and community investment.

Mounting pressure on performance

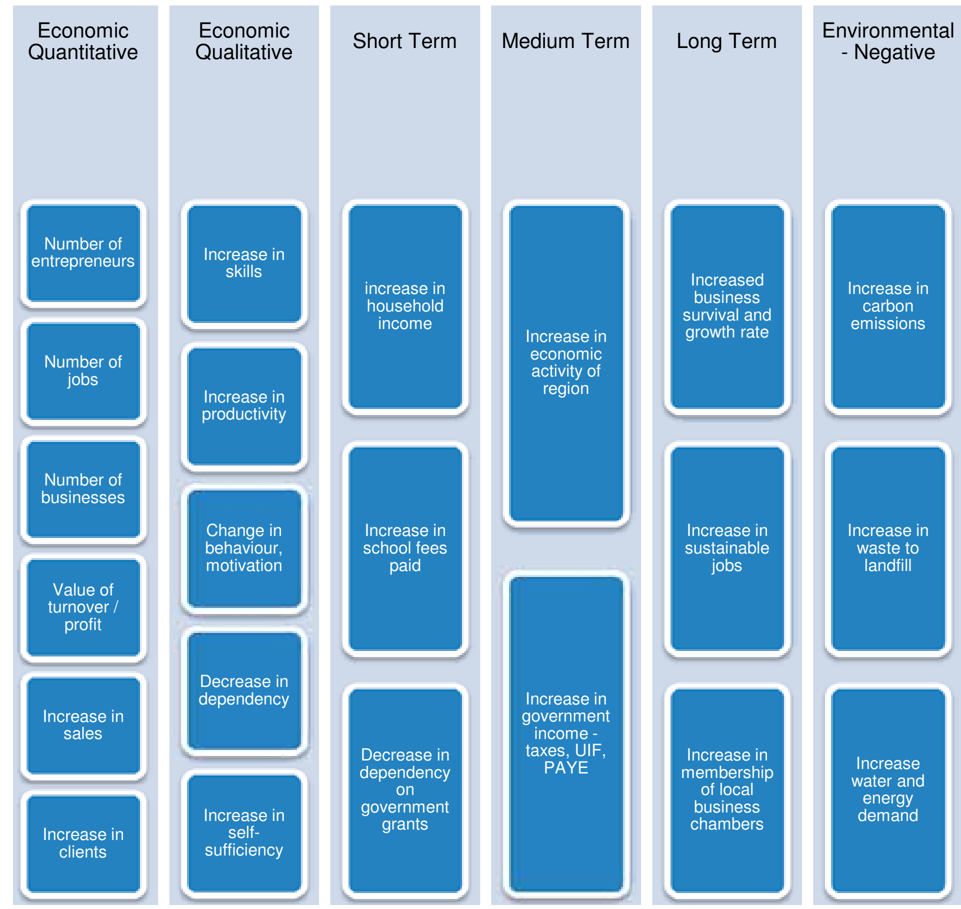
Today, in the face of ever-increasing pressure to justify expenditure and investment, organisations face great challenges to succeed. They are expected to be more innovative and competitive, more productive and profitable and more responsible and sustainable.

The Investment Impact Index scientifically measures social and community impact and business return and provides companies with the factual proof and guidance to tackle these challenges head-on and to succeed.

In sharing our Impact Investment Index with practitioners and participants we trust we will contribute to the future growth and sustainability of the global investment and development community and ultimately contribute to eradicating poverty. As part of our commitment to contribute to the capacity building of the industry we also provide the following:

- A training programme – Towards Best Practice – that will assist practitioners with approaches to impact assessment;
- Numerous case studies and presentations – with more information on our approach, methodology and the outcome of our work; and
- Assistance to donors in determining impact and return on investment of their social and community development programmes.

For more information on our methodology, please contact Reana Rossouw at rrossouw@nextgeneration.co.za or visit our website www.nextgeneration.co.za



This diagram clearly indicates the levels of impact over time, both from a qualitative as well as a quantitative perspective, and across the triple bottom line