

Measuring Your Mission: Social Impact Assessment and Social Return On Investment Workshop

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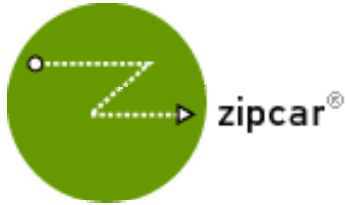
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Overview

- Intro to Social Impact Assessment (10 mins)
- How to: Assessing Impact in 3 Steps (15 mins)
- Workshop Case Study: Developing Power
 - Intro and questions (5 mins)
 - Work in groups (15 mins)
 - Back together for review (20 mins)
 - Full review of DP's SIA (15 mins)
- Q and A (10 mins)

Every Social Entrepreneur Faces Basic Questions:

- What non-financial impacts is your venture aiming to achieve?
- What is the relationship between these impacts and the activities of the business or organization?
- How well is venture achieving them? Can you afford to regularly produce these impacts?
- How much value is being created for society as a result?

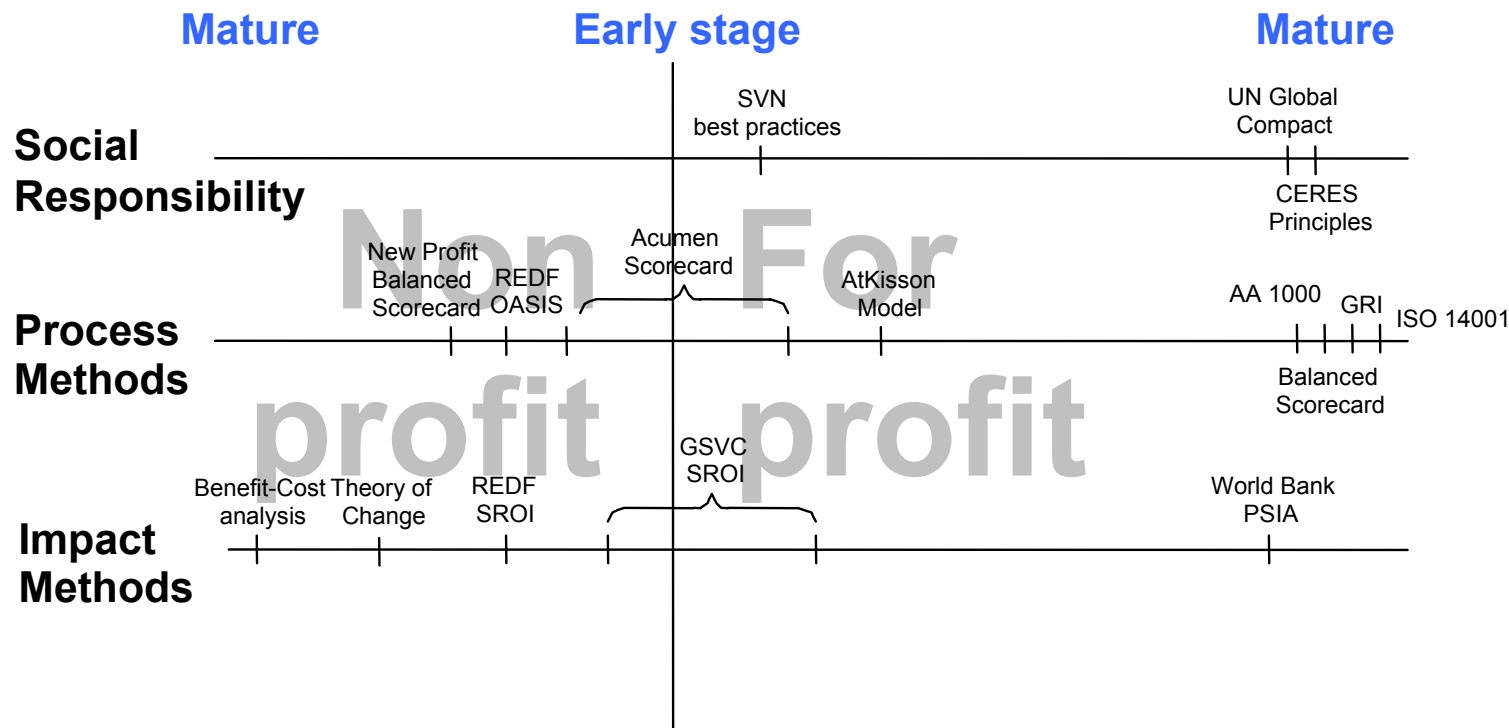


TeachFirst

NEWMAN'S OWN
Shameless Exploitation In Pursuit
Of The Common Good.



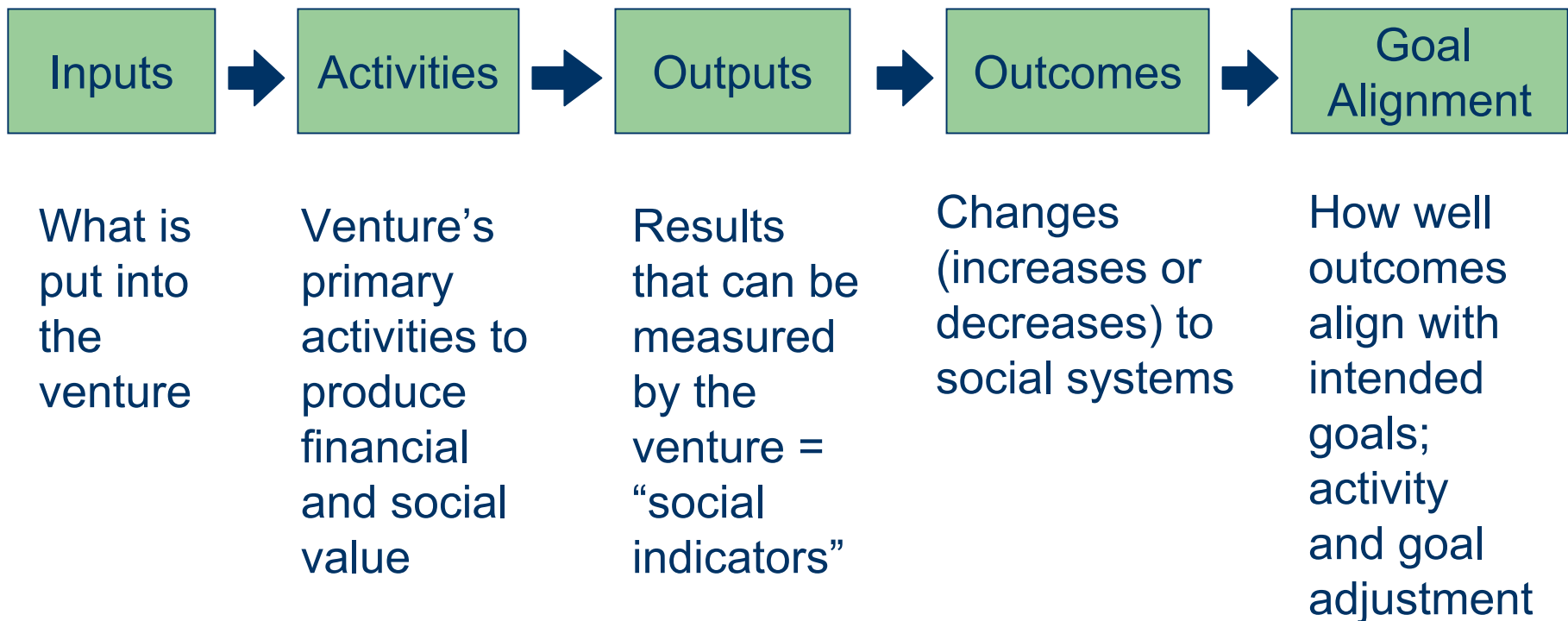
Methods In Use for Social Impact Assessment



Double Bottom Line Methods Catalog, available at: www.riseproject.org

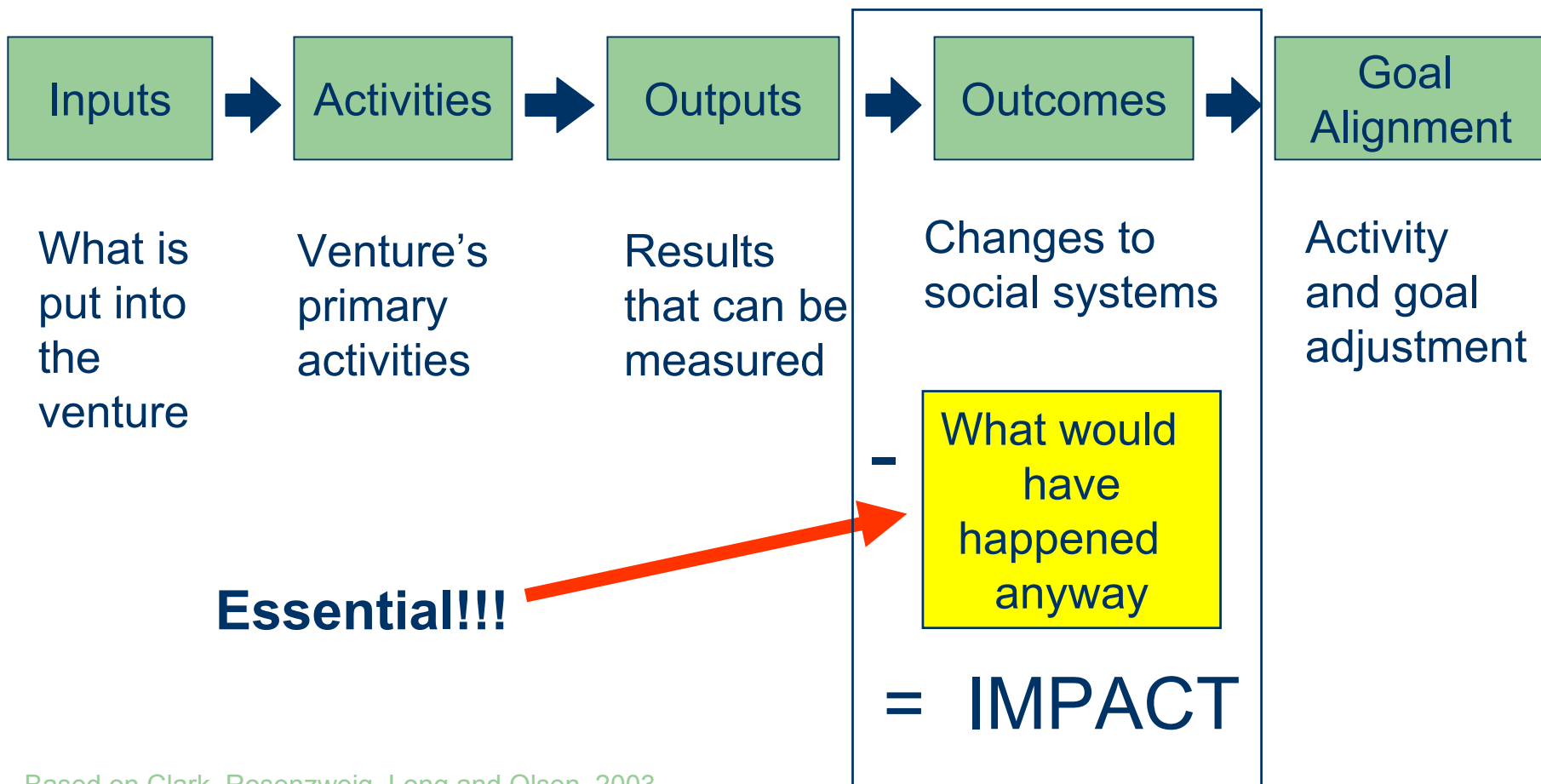
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Impact Value Chain



Based on Clark, Rosenzweig, Long and Olsen, 2003.

Impact = differential change



Based on Clark, Rosenzweig, Long and Olsen, 2003.

SIA in 3 steps for DBL Ventures (Global Social Venture Competition)

1. **DEFINE:** what's your social value proposition?

Theory of Change and benefits

Define
Quantify
Monetize

2. **QUANTIFY:** how will you measure social value?

Top three social output indicators

3. **MONETIZE:** what is the dollar value of the impact you create?

Social Return on Investment (SROI)

Step 1.

Define your theory of change

- Create a concise statement or statements that defines the intended social impact and how the operation intends to achieve it (if/ then).
- Example: Windows of Opportunity is a lead-safe window replacement business that protects children from lead poisoning while providing an employment training program to youth ages 17 to 24 who are at risk of chronic unemployment.

Windows of Opportunity

Theory of Change:

If lead windows in inner cities are replaced by well-trained high risk youth, communities will be healthier and employed youth will have greater educational and vocational opportunity.

... and Define Social Benefits

- What non-financial benefits will the venture create?
 - *Any part of concept:* financial structure, business processes, product or impact of product use, energy use, delivery partners, employee base, use of profits, etc.
 - *Any stakeholder:* can be at level of employee, supplier, partner, community, region, or globe.

- Health
- Education
- Job training
- Community wealth



Step 2: Turn Your Benefits into Outputs & Outcomes

- Define outcomes
- Decide on best outputs that best drive each outcome
- Articulate your Impact Value Chain

Define
 Quantify
 Monetize



Outcomes: Define possible benefits in terms of specific, measurable changes to specific stakeholders.

Environment

- Improved quality of air, water, soil?
- Increased protection of endangered habitat and/or species?
- Increased preservation of biodiversity by responsible product sourcing
- Financial savings by eliminating need for future environmental clean-up?
- Reduction in costs associated with environment-related health problems?

Health

- Reduced costs to insurers and patients due to improved disease outcomes?
- Improved life expectancy due to disease prevention measures?
- Improved quality of life due to improved disease outcomes or living conditions?

Human Capital Development

- Decreased welfare roles and related cost savings to society?
- Increased contribution to tax base due to employment?
- Decreased cost to society related to physical/sexual abuse?
- Increased wages for low-income population?
- Decreased cost to society related to drug abuse or crime?

Community Development

- Increased contribution to (real estate) tax base through home ownership?
- Increased prosperity in a community due to increased commerce and/or safety?
- Reduced racism resulting from increased interaction among members of a community?

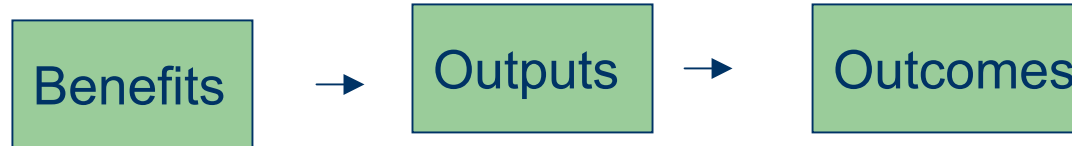
Education

- Improved job opportunities resulting from completion of high school/college?
- Decreased cost to society of crime associated with poor school attendance or poor socialization?

Source: NSVC



WoO Outcomes



Windows of
opportunity

Health		Lower lead poisoning for resident children
Education		Higher educational achievement for resident children
Jobs		Higher earnings for employees
Wealth		Energy savings for residents



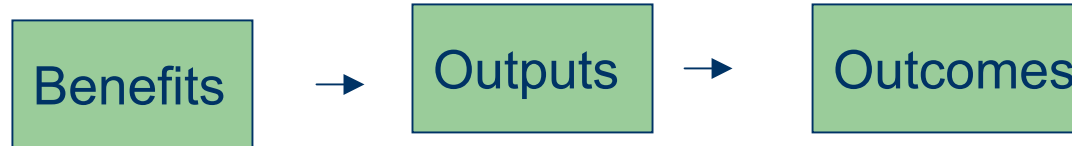
Outputs: Identify the outputs that relate to those outcomes

Identify your top indicators of social value:

- These are outputs you can **measure directly as part of your business operations.**
- They should relate in a compelling way to the ultimate desired social outcomes of the venture.
- We call them “indicators” or “social outputs.”
- GSVC asks that you specify the 3 most important and measurable!



WoO Outputs



Windows of
opportunity

Health	<ul style="list-style-type: none"> • Number of windows replaced 	<ul style="list-style-type: none"> • Less lead in blood of resident children
Education	<ul style="list-style-type: none"> • Number of children in client homes 	<ul style="list-style-type: none"> • Higher test scores for children in WoO client housing
Jobs	<ul style="list-style-type: none"> • Jobs and salaries attained by workforce after WoO 	<ul style="list-style-type: none"> • More hiring and higher income for workforce in next positions
Wealth	<ul style="list-style-type: none"> • Amount saved per household 	<ul style="list-style-type: none"> • Increased monthly savings due to lower energy costs

Define
Quantify
Monetize

Stonyfield Farm Example



Economic Development	<ul style="list-style-type: none"> ● Amount paid to small dairy farmers per gallon of milk 	<ul style="list-style-type: none"> ● Increasing or stabilizing small dairy farm industry in Northeast US
Environment	<ul style="list-style-type: none"> ● Savings in environmental emissions from manufacturing 	<ul style="list-style-type: none"> ● Decreasing CO₂ emissions in Vermont
Health	<ul style="list-style-type: none"> ● Ratio of organic, pesticide-free yogurt produced to non-organic 	<ul style="list-style-type: none"> ● Increasing percentage of total yogurt sold in US that is organic. ● Lower pesticide traces in childrens' bodies.

Other tools

- Many ventures stop at outputs and use tools to track achievement of outputs over time.
 - Pacific Community Ventures' Social Indicator Reports
 - New Profit's Balanced Scorecard
 - AtKisson Index of Sustainability
 - Acumen Fund / McKinsey & Co Scorecard
- Historically, if needed to go further, conducted cost-benefit analysis or other social science experiments

Stages of Social Impact Assessment*

Stage	"Implied Impact"	"Apparent Impact"	"Proxy Impact"	"Demonstrated Impact"	"Proven Impact"
Definition	STORYTELLING	INTERNAL DATA ANALYSIS	EXTERNAL DATA ANALYSIS	EXPERIMENTAL ANALYSIS	STRONG EXPERIMENTAL ANALYSIS
	Through participant and/or customer anecdotes and our experience, we believe it works.	We define targets for outputs of the activity and compare our performance to our internal targets.	We compare our data to existing experimental or statistical data, and can predict impacts through these proxies	We conduct original experiments or primary research to demonstrate our actual impact.	We conduct or hire a third party to conduct strong experiments that prove our impact.

*Built on a framework provided by the Edna McConnell Clark Foundation

Step 3: Project and Monetize Your Outputs Using Real Data or Proxies

- “Proxies” are published data on subjects similar to those affected by your enterprise
- Use to determine economic value of projected outputs
- Published by NGOs, think tanks, governmental publications and academic journals
- Look for comparison data or identify 3rd party to work to create high quality impact information.

Calculate SROI

1. Develop social cash flow “pro forma” from your financial projections
2. Subtract outcomes that would have happened anyway (refer to proxy data)
3. Calculate SROI and SIRR
4. Where outcome is purely qualitative, discuss what it is and how you will know it’s happening
5. Cite your sources clearly

Windows of Opportunity's SROI

	NPV ¹	year 1	year 2	year 3	year 4	year 5
Number of new crews		2	2	1	1	1
Number of seasoned crews		0	2	4	6	7
Total number of children protected ²		73	316	377	535	705
Increase in future earnings per child		\$8,151	\$8,151	\$8,151	\$8,151	\$8,151
Decrease in special education cost per child		\$4,000	\$4,000	\$4,000	\$4,000	\$4,000
Decrease in medical cost per child		\$1,800	\$1,800	\$1,800	\$1,800	\$1,800
Total social benefit per child		\$13,951	\$13,951	\$13,951	\$13,951	\$13,951
Social value of lead hazard reduction efforts	\$22,938,685	\$1,018,423	\$4,408,516	\$5,252,552	\$7,456,810	\$9,828,480
Number of homes with windows replaced		73	316	377	535	705
Average annual energy cost savings		\$188	\$188	\$188	\$188	\$188
Accrued social value of energy savings ³	\$686,895	\$13,724	\$73,132	\$143,914	\$244,400	\$376,846
Number of crewmembers (CM)		12	12	6	6	6
Increased future earnings per CM		\$7,390	\$7,390	\$7,390	\$7,390	\$7,390
Total social benefit per crewmember		\$7,390	\$7,390	\$7,390	\$7,390	\$7,390
Social value of crewmember benefits	\$118,669	\$88,680	\$88,680	\$44,340	\$44,340	\$44,340
Social Costs ⁴	-\$195,000	-\$87,000				
Total Cash Flows	-\$195,000	\$1,033,827	\$4,570,328	\$5,440,806	\$7,745,550	\$10,249,666
PV of Social Benefits	\$23,814,326					
PV of Social Costs	-\$262,999					
Social Return on Investment	\$91					
NPV of Social Return	\$22,387,987					

¹ Net present value calculated using a discount rate of 5.5% (municipal bond rate)

² Conservative projection based on CLEARCorps experience of 1.5 children per home

³ Accounts for new homes completed and additional benefits from homes completed in previous years

⁴ Social cost is equal to total grants required for WoO to begin and sustain operations.

WoO inputs, outputs, outcomes

	year 1	year 2	year 3	year 4	year 5
Outputs					
Number of new crews	2	2	1	1	1
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 PV of Social Costs -\$262,999

Social Return on Investment	\$91
NPV of Social Return	\$22,387,987

Note:
 technically
 "impact" was
 not shown!!

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⁴ Social cost is equal to total grants required for WoO to begin and sustain operations.

Issues in Social Impact Assessment

- Field is new and growing – no one “right” way, few common standards
- Social impact measurement is an attempt to put hard numbers on soft values, process and lessons matter more than final number
- Best impact measurement is actionable and creates a feedback loop to management.
- Work is relevant for any company and any nonprofit interested in creating value to constituents other than shareholders.

Workshop Case study: Developing Power

Developing Power

- Developing Power installs and operates distributed electrical power systems with renewable energy in developing countries.