Social Impact EXCHANGE

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Prerequisite for the Growth of a Field: A Common Framework for Social Impact Measurement?

Yusi Wang Turell | Executive Director, Center on Social Innovation & Finance

At the Social Impact Exchange's "Building Evidence and Readiness for Scaling Impact," moderator Jacqueline Hart, Vice President for Strategic Learning, Research, and Evaluation at the American Jewish World Service, opened the session by exhorting nonprofits, evaluators, and funders to "not forget about causality" in our eagerness to measure impact effectively and grow. By this, Hart meant that communities are complex and interdependent so that, even with evidence of correlation, it is often difficult to attribute a positive outcome to a particular organization or intervention.

Hart's words, and the rich panel discussion that followed, got me thinking: What is the causality, not of an organization or intervention, but of evaluation itself on the growth of a field like community development, education, or health? Are larger, more mature fields more likely to have the capacity to develop common evaluation frameworks? Or is developing common field-level definitions, standards of measurement, and evaluation practices an important step in the hard work of building a field—and a critical step in attracting much greater investment? Or both?

At first blush, common evaluation frameworks seem to be a positive development for a field. For example, panelist Rob Ivry, Senior Vice President of Development and External Affairs of MDRC, noted that lack of standard assessment is a problem in education reform. MDRC tries to aggregate results from different assessments through equalizing and calibrating results, but often they have to fall back and administer a separate test—which means more time testing and less time learning.

Panelist David Medina, a Partner at America Achieves, noted that the Office of Management and Budget recently convened senior evaluation staff from a dozen different federal departments to begin the process of creating definitions across agencies. This builds on the Department of Education's April 2013 announcement of a common set of standards with the National Science Foundation and the Department of Labor's creation of internal standards across programs for workforce development.

There are clearly benefits to standardized metrics. For organizations with limited funding for their own longitudinal evaluations, standardization means that research institutions can assume some of the burden of connecting short-term outputs and outcomes to long-term impact. In other words, short-term measures can serve as evidence-based proxies for long-term impact. Organizations benefit because they can access information more rapidly and cheaply, ultimately guiding management decisions and supporting stakeholder relations.

Additionally, common impact measures may allow organizations to reach investors who don't want to become experts in the nuances of a particular issue area. In contrast to foundation program managers, a growing pool of impact investors (here loosely defined) seeks evidence of social impact without necessarily committing to or building long-term expertise in a given issue area. Standardization and transparency of impact measures could lead to revolutionary rather than incremental investment in a field.

However, there are dangers to standardization as well. Measures may be selected because they are broadly accessible or applicable, not because they are actually meaningful—the evaluative equivalent of the drunk looking for lost car keys under a street light "because that's where I can see," instead of where the keys were actually lost in the dark. Organizations outside of their field's mainstream may not resonate with standard frameworks, yet be pigeonholed into them by investors. Also, proponents of greater field-level investment would do well to remember that growth of an organization or a field does not necessarily equate with greater impact.

Illustrating this range of opportunities and tensions is the field of community development finance, in which standard measurement of social impact is a point of vigorous debate. The 2013 Financial Innovations Roundtable, hosted by the Carsey Institute's Center on Social Innovation and Finance and the Federal Reserve Bank of Boston, considered this very issue. The Financial Innovations Roundtable is an annual "think-do" tank created in 2000 to create cross-sector partnerships among conventional and non-traditional lenders, investors, and markets to provide low-income communities with increased access to capital and financial service.

At the 2013 Financial Innovations Roundtable, community development financial institution (CDFI) practitioners and their industry partners noted a number of impediments to standardizing approaches for measuring social benefit. First, as Hart echoed at the Social Impact Exchange, communities are complex systems with many interrelated factors on different geographic and time scales. Second, CDFIs have different priorities and operate in different markets, which challenges the notion of common, across-the-board measures (especially in cases of conflicting impacts across different constituents). Third, CDFI managers and their funders may have different priorities in what and how often to measure. Finally, there is the practical question of who would pay for the development of these tools.

Despite these challenges, others in the CDFI field feel that there would be significant benefits to a common system for social impact measurement. Internally, CDFIs would no longer need to invest in and invent their own management systems or develop unique reports for different funders. In partnership with funders and researchers, the field could pool investment in long-term evaluation studies to identify correlations between outputs, outcomes, and impact—thereby increasing the efficiency and effectiveness of management decisions. Externally, CDFIs could increase access to funding from public bodies and private investors.

Currently, individual CDFIs and funders (including Pacific Coast Ventures and the Calvert Foundation) as well as intermediaries (such as the CDFI Assessment and Rating System [CARS] and the National Community Investment Fund) have developed thoughtful social performance measurement systems. Yet, as David Erickson from the Federal Reserve Bank of San Francisco has noted, we are at a “Tower of Babel moment,” such that each institution has a slightly different approach and different motivations.

One necessary ingredient is a shared basic vocabulary—or, in this case, a standard taxonomy upon which to build impact metrics. Currently, the community development field has different definitions even for outputs such as “number of affordable housing units created” and “number of jobs created.” The Global Impact Investing Network’s Impact Reporting and Investment Standards (IRIS) is a catalog of generally accepted social, environmental, and financial performance metrics across sectors, created to attract and inform impact investors.

But what to do after one creates a standard taxonomy? One illustrative example comes from the world of international development where, given the common impact objective of reducing poverty, the microfinance field developed single index: the Grameen Foundation’s Progress out of Poverty Index (PPI). The PPI is a poverty measurement tool for organizations and businesses with a mission to serve the poor. As described on www.progressoutofpoverty.org, the PPI is a set of ten easy-to-answer questions that a household member can answer in five to ten minutes. The questions are simple and country-specific—“What material is your roof made out of? How many of your children are in school?” The scored answers provide the likelihood that the survey respondent’s household is living below the national poverty line and other internationally recognized poverty lines.

In addition to its simplicity of implementation, the chief advantage of the PPI is that it returns a standard metric while allowing for differences in local conditions. (For example, different countries vary in their roofing materials and also in the significance of roofing material in predicting poverty.) For each CDFI market such as housing, health, and education, could we develop standard, simple index to measure social impact that would account for differences between communities?

Earlier I posed the question, “Are larger, more mature fields more likely to have the capacity to develop common evaluation frameworks? Or is developing common field-level definitions, standards of measurement, and evaluation practices an important step in the hard work of building a field—and a critical step in attracting much greater investment?” The answer, of course, is both. In community development finance, as in other maturing fields, practitioners, public and private funders, researchers, and other partners have the opportunity to work together to develop and implement a shared system for measuring social impact, in order to guide practice and attract investment.

Now, in January 2014, as many of us focus on personal resolutions for the new year and also commemorate the fiftieth anniversary of the War on Poverty, an apt final analogy comes from Frank Altman of the Community Reinvestment Fund. Altman points to the Body Mass Index (BMI) as a helpful analogy for community development impact measurement. Recognized among popular media and doctors alike, the BMI is an index that can be measured, is suitable for any height, and is supported by public health experts who believe it to be actuarially significant. However, this index ultimately works because many disciplines and organizations are all working on the obesity problem using the same metric.

For a CDFI or any other field’s index to be effective, we need a single bold goal. If that goal is poverty alleviation, then we should gather data on what we believe causes poverty, for example, housing, educational attainment, crime, and nutrition. More than any one organization’s outputs, these community factors become the components of our index. The ultimate guiding question must be—beyond housing units and jobs created—how can a standard social impact framework help us move the needle on a big goal that dwarfs the aspirations and reach of any individual organization?

This essay is one of a collection that represents reflections from 13 of the more than 400 participants at the Social Impact Exchange’s 2013 Conference on Scaling Social Impact. Sharing their comments about the conference sessions and overarching theme of cross-sector collaboration among philanthropy, government, and business, the authors weave a story that speaks to accelerating progress on scaling-up solutions that work. For more, visit www.socialimpactexchange.org.