

Measuring social investment

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The relationship between ‘money impact’ and ‘mission outcomes’ can better be understood if the intended investments are strategically clearly defined and if progress can be measured. In this article, I will define the questions that might arise as well as provide you with some examples of the measurements that could be applied.

The key questions that always need to be addressed and answered should be: “How complex should the measurements be and for what purpose do you want to implement them? Are they for governmental relations, funder relationships, evaluation of projects and investments and/or feedback to a charity, etc.?”

Based on my experience of many years operating in Europe, the US and Asia Pacific I will try to lay down the major prerequisites and elements that might increase the chances of success.

There are more and more areas where classic management instruments and management methodologies are modified and applied to improve the impact of investments within the philanthropy and social investments space.

Examples where these instruments are applied include:

- Social value chain visualisations
- Social reporting standards
- Social return on investment (ROI)
- Social impact measurement and social impact analytics.

To provide a better picture I want to outline classic philanthropic and social investment activities and actions.

There is a difference between the philanthropy perspective and the social investment perspective. Different frameworks are, for example:

Philanthropy perspective

1. Philanthropy services, venture philanthropy, strategic philanthropy

Client objectives: The investor’s priority is social/

environmental support and change through charitable donation.

Measurements can be applied in the following sectors: Philanthropy advisory, trust and foundations, venture philanthropy and social entrepreneurship.

2. Impact investments

Client objectives: The main goal is social/environmental change combined with moderate financial return.

Solutions: Microfinance, investment in social enterprises, value-based investments

3. Sustainable investments

Client objectives: The main goal is maximised risk-adjusted financial return via sustainable trends.

Philanthropy: The desired social impact and how it is measured is important.

Social investment perspective

- There is a distinction between financial support elements as well as non-financial support and how they could be measured.
- A clear vision and sharp strategic objective will drive investments of time and money as well as the measurements which should be a reflection of the desired outcome.
- There is the organisations’ social impact from an economic, environmental as well as cultural impact perspective.
- Classic measurements include hard and soft targets such as return on capital, return on community, return on organisational financial sustainability and return on viability.



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Social impact and how it can be measured

The strategies and measurements used will drive challenges and issues with various stakeholders.

- What could be the impact on advisers and their clients?
- What could be the impact on philanthropists?
- What could be the impact on trusts?
- What could be the impact on charities?

Donors and internal staff are now demanding transparency and accountability, and they are demanding it frequently. They want tangible proof that a non-profit organisation is delivering on its mission and strategic goals.

Global urgent megatrends risks and opportunities

Before focusing on measurements, however, the priority should be defining and clarifying your vision, your mission and the strategic objectives with the highest positive global impact target sectors:

- Global climate change paradigm shift
- Global agricultural sustainability and human species food security
- Global shelter and energy.

Metrics

To measure the 'impact elements' it is important to define and structure the various 'meanings' for the respective stakeholders as there are no universal meanings. As meaning is always based on value systems, cultural understanding, religion and much more, it is necessary to define and clarify the definitions well in advance.

As I said at the beginning it is important that you design, shape and select the measurements and KPIs based on a clear goal that you want to achieve.

Here is an example to help you understand what type of measurements can be used.

You are a charity and you want to ensure that your funds are being transferred to the right project and allocated according to your set of priorities. It is clear that classic measurements are applicable for each case. Therefore you have to be innovative and create your own individual measurements. These could be:

A) General measurements

- Cash flow by project and initiative
- Liquidity transfer points from release of funds until funds are at the final destination
- Number of sign offs and people required within the business process
- Number of complaints about money transfer delays or lost money

- Number of financial institutions involved and days for transfer of funds.

B) Cost management improvements

- Cost per euro/dollar raised
- Average length of time to process a grant application
- Average length of time to deliver a service to project initiatives
- Average collection time (number of days).

C) Improvement of donors service/information levels

- Cost per service offered (euro/dollar)
- Average cost per donor (euro/dollar)
- Proportion of contributions to total annual donation
- Collection rates and amounts by funding source
- Number of clients treated by hour, day, week, month, quarter or year.

D) Improvement of overall impact of your social investments

- Average length of time to receive a planned gift by the receiving charity
- Contributions in euro/dollars or units for a given period
- Average gift amount by age range and by gift type
- Number of people back to work, number of people feeling healthy, amount of CO₂ reduction or other environmental pollution reduction.

Measurements could be classified and defined as follows:

- By the strategy of donor
- By the supported organisation.

The purpose for a measurement should always be driven by the desired positive philanthropic and social positive strategic outcome.

Every quarter, the management should review – and if necessary redefine – the purpose of the measurements and the measurements themselves to allow for a true value outcome. By this method, resources will be allocated carefully and the impact improved.

These are some examples of a valid purpose which should get measured:

- Improvement of intensity and quality of dialogue with governments to improve the positive social impact
- Evaluation of current project initiatives to evaluate stop/go decisions

- Measuring the spirit of motivation levels within a charity
- Outside perception management of activities and projects to improve a transparent view
- Credentials from satisfied beneficiaries of the social investments
- Anti-corruption activities
- Reasons for an increase or decrease in donations (Perceptions and Realities Trade Off).

As you can see there are endless ways to combine the required vision and mission with strategic objectives, what to measure and the measurements themselves for the benefit of everyone.

Everything should be simple to measure, to document and to visualise. Even corrective actions based on predefined performance measurements should be measured to ensure that the outcome of measurements has a visible impact.

Conclusion

I believe metrics and measurements should always be simple to collect, and be based on the strategic objectives and the key drivers of the philanthropy objectives or social investment strategy. Different measurements are needed for each project. The validity and Key Performance Indicators (KPI) should be reviewed on a quarterly basis.

Proposed measurements should include effective communication with beneficiaries, governments and all other stakeholders to enhance the desired value outcome.

Furthermore, there should be self-reflecting measurements to ensure that personal direction is not lost and that the investment objects and/or projects do not lose direction.

Current 360-degree evaluations of the networks that are driving the investments as well as the people involved would ensure a multiple true view of realities. The key is a leadership that unites the values of the activities within their own personal value and belief system.

The quality of the people involved, their positive attitudes, beliefs and behaviour will always be the key to success.

There is an old saying, 'What you can't measure you can't manage', which I agree with, but it is also very important to focus and narrow down your measurements to what really matters. It's the quality of the measurements that matter – not the quantity.

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Professional Experience

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- Ernst & Young LLP, London, Senior Manager Strategy and Business Development Global Business Services , Global Outsourcing, Solution Architectures, People/Process/Technology
- ALTUS MEDIA AG, Berlin, Chief Financial Officer
- RINOL AG HQ & Asia, Hong Kong, Bangkok, Shanghai, Singapore, Kuala Lumpur, Corporate Controller
- Johnson Controls Inc., Burscheid & Milwaukee /USA, EU Tax Director, reporting directly to Corp. HQ in the US (CFO & Global Tax Director)
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