Philanthropy Impact

Magazine

Issue 13: Autumn 2016

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Flexibility is key to achieving impact with partners

In 2011, when the Arcus Foundation's Dr Annette Lanjouw and Dr Helga Rainer were asked to join Dr Rebecca Kormos to develop an approach that would ensure the inclusion of apes in the World Bank's Africa Biodiversity Strategy, we were understandably thrilled to take advantage of this opportunity. After all, the World Bank Group, including the World Bank and the International Finance Corporation (IFC), are responsible for issuing grants and loan financing to governments and private sector actors seeking to address poverty alleviation and expand development in many of the locations where apes live in the wild. By integrating habitat and primate conservation into the resource allocation strategies of the World Bank and IFC, the Foundation could greatly advance our goal of ensuring that development is compatible with conservation.

Unfortunately, the World Bank's approach changed somewhat over the course of the year, and the revision of the Africa Biodiversity Strategy was delayed, making the work focusing on ape conservation a chapter without an immediate home. Lanjouw, Kormos and Rainer therefore proposed to take advantage of the delay and focus on expanding the strategy to include Asian apes, and especially the lesser known small apes, including gibbons and siamang. Cyril Kormos and Dr Liz Williamson also joined the writing team to deepen the focus of the strategy. When the expanded strategy was presented to the World Bank in 2012, the team was requested to strengthen the ape strategy by consulting and engaging the broader ape scientific and conservation community, in order to ensure their endorsement and support for the strong recommendations were included in the strategy.

Over the next two years, we did just that. By 2015, the revised strategy had been endorsed by more than 30 scientists and conservationists who are members of the Section on Great Apes (SGA) and Section on Small Apes (SSA) of the Primate Specialist Group of the International Union for the Conservation of Nature (IUCN). In addition, it was endorsed by the Great Ape Survival Partnership (GRASP) of the United Nations Environment Program and more than 15 leading conservation organisations.

When we presented the revised strategy, 'Taking Ape Conservation to Heart', to the World Bank and the IFC in 2015, it was met with encouragement and support. Although no longer part of a larger Biodiversity Strategy, the recommendations were felt to be strong and effective, and considered valid for a larger group of national and multinational lending banks around the world. We were strongly urged to present a similar, or slightly adapted strategy to the African Development Bank, Asian Development Bank and other lending banks that are also investing significantly in projects in ape habitat in Africa and Asia. One of the most significant of our recommendations was to urge the Bank and the IFC to ask that their industry partners consult with experts such as the SGA early on in the planning process, when these companies are exploring the possibilities, and developing plans to work in areas where apes are present in the wild. And while this is a voluntary ask, as opposed to a requirement, in the short time since our strategy was adopted, we have already seen a very heartening example of how it is making a difference.

Over the past six months, a global mining company financed by the IFC has been actively consulting with the SGA to identify strategies on how it can mitigate the impact of its extractive activities on ape populations and their habitat. Since apes aren't the only wildlife that depend on these habitats, we are hopeful that these mitigation efforts will also protect other endangered species.

The consultative role of a community of experts like the SGA and SSA (Arcus grantees and partners) cannot be stressed enough. Before it assumed this new role, companies seeking to examine the impact of their activities on the environment had no obvious place where they could seek guidance and expertise on the ecology, behaviour and particular sensitivities of apes. Now they do.

Not only has this partnership with the World Bank shown the Foundation that we have a critical role to play beyond the awarding of grants, it also demonstrates that our ability to be flexible in our work with partners is an important factor in our ability to achieve mission impact.

Kevin Jennings *(www.arcusfoundation.org)*

Founded in 2000 by Jon Stryker, the Arcus Foundation is a leading global Foundation dedicated to the idea that people can live in harmony with one another and the natural world. Arcus believes that respect for diversity among peoples and in nature is essential to a positive future for our planet and all its inhabitants. We work with experts and advocates for change to ensure that lesbian, gay, bisexual, and transgender (LGBT) people and our fellow apes thrive in a world where social and environmental justice are a reality.

Kevin B. Jennings, Executive Director, Arcus Foundation

Kevin has made a long and distinguished career as an educator, social justice activist, teacher, and author. He served as Assistant Deputy Secretary of Education in the Obama Administration, heading the department's Office of Safe and Drug-Free Schools where he led the Administration's anti-bullying initiative. Kevin began his career as a high school history teacher and coach in Rhode Island and Massachusetts. During this time he served as faculty advisor to the nation's first Gay-Straight Alliance, leading him in 1990 to found the Gay, Lesbian and Straight Education Network (GLSEN), a national education organization tackling anti-LGBT bias in U.S. schools, which he led for 18 years.

Kevin earned a BA (magna cum laude) from Harvard College, a Master of Education from Columbia University's Teachers College, from which he received the Distinguished Alumni Award in 2012, and an MBA from New York University's Stern School of Business. He has been honored for his leadership in education and civil rights by the National Education Association, the National Association of Secondary School Principals, the National Association of School Psychologists, the National Association of Independent Schools, and numerous other organizations. He is chairman of the boards of The Ubunye Challenge and First Generation Harvard Alumni. Kevin also serves on the board of Marjorie's Fund and the Council on Foundations. His seventh book, One Teacher in Ten in the 21st Century, *was published in 2015. Along with his partner of 20 years, Jeff Davis, he is the proud dad of a Bernese Mountain Dog, Jackson, and a Golden Retriever, Sloane.*

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Philanthropy Impact: Vision and Mission

Our vision is to increase philanthropy and social investment across borders, sectors and causes.

Our mission is to achieve greater sector knowledge and expertise by working with professional advisers. Through our links with key sector stakeholders we develop thought-leadership on philanthropy and social investment.

We do this by delivering activities that include:

- Events: a comprehensive programme of events that support professional training and development
- Publications and Research: our 'body of knowledge' guides, case studies, and other resources, and the acclaimed Philanthropy Impact Magazine
- Lobbying: we advocate for policies and regulations that encourage philanthropic giving and social investment

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The purpose of the magazine is to share information about philanthropy in a domestic and international context. We welcome articles, letters and other forms of contribution in Philanthropy Impact Magazine, and we reserve the right to amend them.

Please contact the Editor at editor@philanthropy-impact.org

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Join us. Our mission is to increase philanthropic giving, social investment and engagement by developing the skills and knowledge of professional advisers to meet their clients' demand for support in their philanthropic activities.

'I believe Philanthropy Impact has a key contribution to make as a forum to encourage more – and more effective – philanthropy and social investment through the exchange of ideas, spreading knowledge and improving the professional advice available. This is more important than ever.'

LORD JANVRIN Senior Advisor at HSBC Private Bank UK

Philanthropy Impact offers a corporate membership, for the whole organisation and not just for one individual.

www.philanthropy-impact.org

The future for social investment

Adam Williams *(www.mills-reeve.com)*

When it comes to investment, the traditional approach has been for charities to aim for the best possible financial return within an acceptable level of risk. An alternative to this has emerged, however, in the form of social investment. This is a form of investment that enables charities to directly further their aims by achieving a social benefit, as well as a financial return.

Adam Williams

While social investment may appear an attractive concept with the potential to encourage innovation, provide charities with a new income stream and promote positive social impact, it has in the past not been welcomed by all with the enthusiasm you might expect. Some trustees have been reluctant to consider the opportunity presented. Their concern has largely been in relation to how suitable it is for charities that are confined to act within the strict boundaries of a legal framework that was designed without social investment in mind.

With the introduction of new legislation in the form of the Charities (Protection and Social Investment Act) 2016 ('the Act'), however, is the mood towards social investment about to change?

What powers did charity trustees have to make social investment before the introduction of the Act?

One of the key issues highlighted by the Law Commission's report, *Social Investment by Charities,* was a lack of clarity among trustees about their power to make social investment.

Investment powers

Prior to the introduction of the Act, some charities had an explicit power to make social investment in their governing document that could be relied upon. In the absence of any such power, charity trustees had to rely on their general legal power to invest. Trustees of unincorporated charities have very wide powers under the Trustee Act 2000 and trustees of charitable companies have an equivalent fiduciary duty to invest prudently.

The power to invest requires trustees to use funds to generate a positive financial return. Under the old law, when a social investment was not expected to do so, trustees had to use their separate power to spend (in furtherance of the charity's aims) in conjunction with the power to invest. There was some debate as to whether this was permissible.

Investment duties

Charity trustees have a general duty to exercise their power in the best interests of the charity and its beneficiaries. Trustees of unincorporated charities or trusts are also subject to the provisions of the Trustee Act 2000, which, when making investments, requires them to:

- Exercise such care and skill as is reasonable in the circumstances
- Take proper advice from a suitably qualified person
- Consider the suitability of investments
- Consider the need to diversify investments
- Review the investments regularly.

These duties are not necessarily compatible with social investment (e.g. social investment is unlikely to be part of a diversified portfolio as it will be selected not just with a financial return in mind but also as a means of furthering the charity's objects).

Charity trustees have a general duty to exercise their power in the best interests of the charity and its beneficiaries. Trustees of unincorporated charities or trusts are also subject to the provisions of the Trustee Act 2000,

A new legal power for social investment

The Law Commission's report on social investment by charities proposed a number of recommendations. These have been picked up by the Government and included in the Act, which received royal assent on 16 March 2016.

In summary, the Act:

- Creates a new statutory power for charity trustees to make social investment
- Defines social investment as 'a relevant act of a charity' which is 'carried out with a view to both directly furthering the charity's purposes and achieving a financial return for the charity'
- Sets out duties which will apply to charity trustees when making social investment (e.g. they must be satisfied that it is in the charity's best interests to make such an investment; they must review the social investment and they must consider taking advice when making or reviewing a social investment).

This new statutory power will give trustees a clear legal basis for their actions and hopefully resolve the uncertainty that for some has acted as a barrier.

How can trustees protect themselves when making social investment?

Even with the introduction of a specific power authorising trustees to make social investment, it is important that certain steps are taken to protect the trustees in the event of their decision making being called into question.

In determining whether a social investment would be in the best interests of the charity, trustees should consider the balance between the expected benefit and the likely cost, taking into account any potential risks.

It is crucial that trustees keep records of trustee meetings, noting any decisions taken, factors considered and justification for their decision, taking appropriate professional advice when considered necessary.

When a social investment has been made, time should be made to assess the return. Being able to demonstrate positive results can help charities to improve their services, attract funding and build public support.

There is no standard method of measuring the impact of social investment. Two common approaches are:

- **Social return on investment (SROI)** places a monetary value on social, environmental and economic benefits minus costs, creating a ratio of total benefits to total investments (e.g. £5 of social value created for every £1 spent). Although this may seem an attractive approach, it may be difficult, or even impossible, for some organisations to attribute a monetary value to their outcomes when the benefits are intangible.
- **Social accounting and audit** is a more qualitative approach based on social, environmental and economic impact. Reports on performance are drawn up, highlighting any areas where improvements may be made. It allows organisations to measure how well they are achieving their overall objectives and living up to their values.

Many organisations end up developing their own tools and systems. This can be extremely resource-intensive, time-consuming and expensive. Some smaller charities may not have the internal skills and expertise, resources or suitable data available to carry out impact assessment adequately. There is a risk, however, that poor quality social impact measurement can be more harmful to a charity's reputation than no measurement at all, if the validity of the findings are called into question.

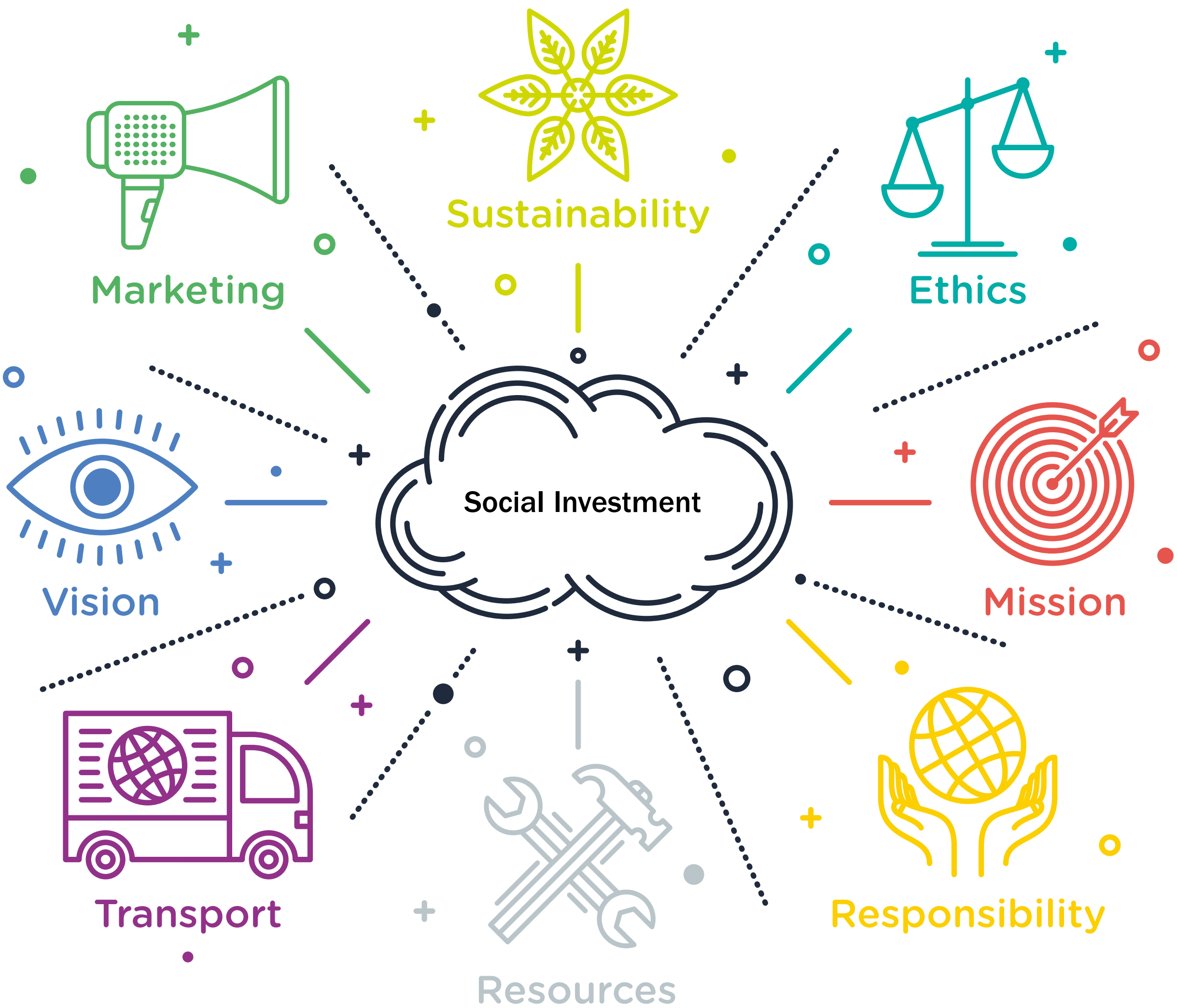
The future

Although initially greeted with uncertainty, the future for social investment is looking brighter. The new law should provide charity trustees with more confidence to make social investment, safe in the knowledge that they have the legal power to do so.

Challenges will remain, however, as trustees will still need to consider how best to measure the overall impact of their investment. There is no one-size-fits-all approach to this and it will be up to each charity to decide what works for them.

The hope is that the new legal landscape will enable and embolden charity trustees to move away from the traditional focus on financial return and take advantage of opportunities presented to effect positive social change.

Adam Williams *is a senior solicitor specialising in charity law. Much of Adam's work involves setting up new charities and advising on trading subsidiaries. Adam is a member of the Charity Law Association, a professional body for charity law specialists that provides regular updates on developments in the field.*



Be impact ready

Henry Findlater *(www.masecoprivatewealth.com)*

The development and evolution of a social investment market is predicated on the belief that there are organisations which can produce social outcomes and, for some investors, these outcomes may also result in a financial return. Nevertheless before one broaches quantifying the impact or return from a social investment, a primary challenge for an investor is to qualify the organisational capabilities of the charity or institution that will be in receipt of the investment.

Henry Findlater

Organisational capacity and quality is crucial to producing the maximum social return. In the first instance securing investment is no easy feat and the growth of a social investment market with consistent funding should not be the only consideration when looking to resolve the world's most pressing social issues. One must find organisations that are designed and able to tackle the issues in a coherent and efficient manner. The ultimate outcome should be a positive social impact and the production of a financial return.

Organisational capacity and quality is crucial to producing the maximum social return.

Those social enterprises looking for non-erratic cash flow should aim to be both 'investment ready' and 'impact ready'. As the social investment market evolves there are more and more organisations that can put themselves forwards as candidates for investment. While many of these organisations will generate benefits for society, not all of them will have the ability to deliver the same level of outcome for an investor. This is the case whether one is measuring outcome as a financial return or as a social impact.

At present the focus for the market has been on selecting those organisations that are investment ready, those that know where to find finance and the amount they require. Impetus – the Private Equity Foundation – proposed a new term that could be considered alongside investment capacity – 'impact readiness'. Impact readiness aims to assess and understand the organisation's ability not to simply absorb and administer funding but also its scalable capacity to produce outcomes over the long term. This means closely defining the short-, medium- and long-term goals that are desired. Secondly, the organisations must identify who will be the target beneficiaries of their social investment.

Finally, a set programme designed to produce the desired outcome for the target population should be outlined. This may require new skills and techniques for the social organisation and at this point social investors can help guide the organisation as they adopt these new practice principles. Via such partnership and stewardship, social investors may even assist in producing their desired outcome from their investment. In this way the social investment market should achieve its principle objective – to use social investment and financial products to encourage the growth and development of organisations whose aim is to provide a beneficial social impact to the pressing issues that society faces.

While the market for social investment is no longer embryonic, it is still nascent. This means it is hard to identify specific traits or characteristics in social organisations that will result in a successful investment, in other words an investment that delivers the desired outcome. For the development of the social investment market and for the good of its participants, it is vital that the capacities required for success are identified and refined. Once identified and established, this outcome-producing capability will assist social investors to measure the impact of their investment. It would seem natural that those organisations which have integrated investment readiness, impact readiness and performance management will be more likely to secure funding as this will become a pre-requisite for new finance from investors who are now better placed to analyse and interrogate their social and financial impact.

Impact measurement is the process of trying to find out what effect an intervention (such as a funding programme) is having on people, organisations or their external physical, economic, political or social environment. Impact measurement refers to all activities involved in managing and assessing impact – from 'light touch' routine monitoring of outcomes data to 'high level' and resource-intensive evaluation. At present there may be investment opportunities where an organisation could be rewarded without clear evidence of impact. But this should change if the social investment market dictates that social return and financial return are clearly evidenced. If investors understood and demanded proven social outcomes and valued them as highly as they may value measurable financial return, organisations seeking investment would need to pay greater attention to the production of both returns.

There is an interest across the social investment market sector in improving co-ordination and best practice in impact measurement. This is a dynamic and evolving area and there is a daunting amount of information in circulation. There is a proliferation of tools and providers in the field of impact measurement and an acknowledged lack of coordination among providers of impact measurement support. The expectation is that this will change as the social investment market grows.

But before investors concern themselves with measuring impact, the social sector must concentrate on building strong and resilient organisations so the investment market place can move from its present nascent state to a mature mainstream proposition. The social organisations will then be future proofed for delivery of meaningful social impacts and financial returns over a long-term time horizon. Both of these elements are vital to a blossoming social investment market.

Henry Findlater *graduated in 1999 from the University of Manchester with a BA Honours in French. The same year he embarked on a career working in the equity market in the City of London. He worked at various international investment banks for over ten years prior to joining MASECO. Henry has been an SFA Registered Representative since 2000 and more recently has completed the Level 4 Investment Management Certificate as well as Level 5 modules from the Investment Advice Diploma.*

Henry aims to help a broad spectrum of clients navigate the US and UK financial landscapes. He believes strongly that the client/advisor relationship is key to a rewarding long-term investment experience. He is also an enthusiastic advocate of sustainable investing, aligning one's money with one's values, to achieve both social and an economic return.

In his spare time…

Relaxation for Henry is all about weekends with his wife and children at their house in the Oxfordshire countryside. Most of the time with the family is spent outside, enjoying a walk, tending the garden or looking after the chickens. When the weather is poor he can usually be found enjoying watching the rugby.

Measure for measure

Julia Streets *(www.childrenincrisis.org)*

Before I became a trustee for Children in Crisis (CIC), I needed to see the impact of the funds. Coming from a financial background and my experience in the City, I am used to expecting evidence of a good return on investment. There are a number of charitable causes demonstrating impact; however, what does a charity do when its impact does not tick all the boxes?

Funders and donors have specific requirements when it comes to funding projects. Funding decisions can often take place in boardrooms, which can be remote places, far from the reality of the field. The evaluation on a return on investment (ROI) may be based on quantity, time taken to fulfil outputs, service delivery and some level of comparison. Measuring service delivery in poor communities around the world is complex and multi-dimensional and we would caution NGOs and charities not to take a simplistic approach to measurement.

When quantitative and qualitative indicators are used for cross project comparison, there is a real risk that the indicators can provide misleading results and again we could urge caution in overall measurement and analysis.

When quantitative and qualitative indicators are used for cross project comparison, there is a real risk that the indicators can provide misleading results and again we could urge caution in overall measurement and analysis.

Children in Crisis educate children in post-conflict countries such as Afghanistan, Burundi, DR Congo, Liberia and Sierra Leone. They work in the regions other charities and NGOs are not usually found (they were one of the first charities to work in Afghanistan, after conflict). They build schools and work directly with communities to enhance the lives of the children they educate, along with their families.

Before building a school, CIC works directly with communities and engages them in every aspect of their project. I spoke to Koy Thomson, Chief Executive, about this. "Often donors do not wish to fund the long process of listening to people, nudging, negotiating, ensuring that everyone is included and no-one dominates. But it is the key to long-lasting impact. Prevailing culture and perceptions within the community can sometimes be seen as a stumbling block

Julia Streets

to community development. CIC see this as a learning opportunity," says Thomson. "We aim to help people to improve what they already do rather than tear it down. If people get better at planning, working together and negotiating with outsiders, then they will use their time and resources much better, and may even secure additional resources." The process is costly for CIC, but as Thomson says, "you could deliver a project with apparently fantastic returns on investment – if that was all you cared about, but if you have not improved the capability and effectiveness with which people solve their own problems, what really have you achieved of lasting value?"

ROI for an educational development charity working in very remote or conflict-affected communities, such as CIC, would require a more sophisticated economic model to calculate. "The world used to believe that the greatest ROIs in education come from picking the low hanging fruits," says Thomson, "the easy places to work and access. It is certainly cheaper to educate a child whose school is by the side of a well-kept road within a functioning city in a peaceful country. But the fascinating thing is $10 spent on a child who has no access to services and faces great risks generates far higher knock-on benefits, for example in health, child protection and nutrition." It is deep within CIC's values to work in more challenging places and with the most vulnerable children. "If I had the money to invest in evaluating all of these knock-on benefits, I would," says Thomson. "But I fear that it would cost far more than the educational programme itself."

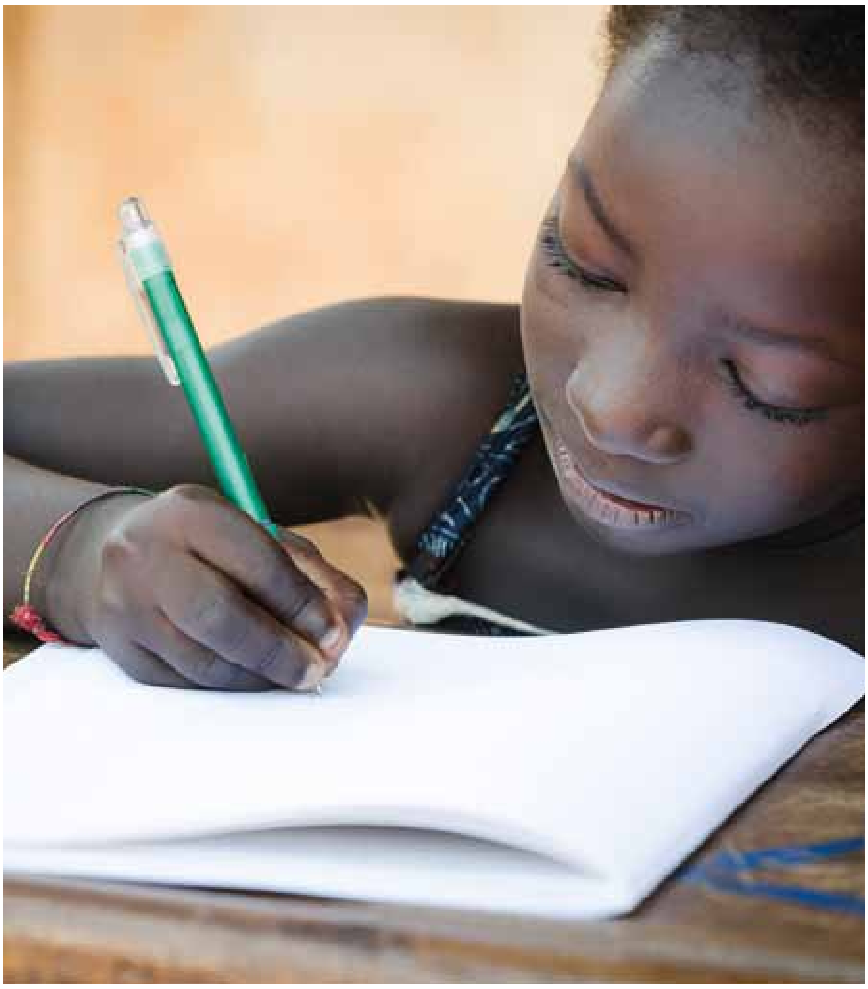
One scheme that the charity has set up to educate families and to tackle poverty, is through a Project Pamoja, a Savings and Loans Scheme for villagers in the Plateau region of DR Congo, set up in 2014.

Its objective is to create, train and support groups (mainly female) on money management while reinforcing gender equality and social cohesion. The approach involved savings, micro-credits and a social fund (a mini-insurance for emergencies). The project reached 705 members, of whom 70% were women, in 30 Village Savings and Loan Schemes. The groups were supported by three field agents over three target regions.

The total amount saved by the 705 members over the course of this first cycle was $17,909, which equates to an average of $25.40 per member. Following the repayment of all the loans, the total amount in the cash boxes was $26,332. This signifies a total profit of $8,424, or an average of $11.95 per member. This represents a 47% yield on savings. These results are tangible, but the intangible effects meant far more to the villagers than the finances. The top two reasons for borrowing money were health care and education; food came third.

Out of 142 Village Savings and Loan Scheme members, 69% took out credits to cover school fees. 78% say that they are better able to manage their money, which means they can plan better for future educational costs.

Amy Parker, the Programme Manager in DR Congo, carried out two levels of evaluation for Project Pamojo. She did an evaluation based on the evidence and impact based on a funding requirement, but she also went directly to the people in the village, to hear their views on the impact of the project. When speaking directly to the villagers, the impact was clear, but not quantifiable. People spoke of hope for building peace; of self-respect and respect for other ethnic communities. This is



where the true value and impact of a project lies. Once again, there is a strong element of social development coming through. Improved social cohesion, community solidarity, peaceful conflict resolution, social reintegration and mutual respect all feature as positive changes seen since the implementation of Pamoja. "There is a lot of love and solidarity in our group. And this is despite the fact that we are not all from the same community," said Albert Shoshi, Gitigarwa, Village Savings and Loan Scheme member, part of Project Pamojo. Mrs Nyamasomo Muhanga, another member said, "I have contributed financially to the building of our house. My husband now has a greater respect for me – now everything is managed transparently between me and him."

The impact in these communities – social interaction (peace), security of family, a full understanding of identity and where individuals fit in society, equality and respect; all go back to our basic needs.

As a trustee of CIC, I am fully aware that there are more costs incurred to educate a child in a remote area, than in urban areas. Building a school in a town is less taxing than building a school in a remote village. In a town, however basic the infrastructure, there are systems in place to surround and support the school. Quality is harder to achieve in remoter areas. It is not surprising that qualified teachers are less likely to move themselves or their families to conflict zones. In remote areas teachers need to be recruited and trained from scratch and not just recruited.

It costs significantly more to achieve the same results for educating a child in a conflict zone, than in a stable region. In the remote and unstable regions, you are more likely to find less access to education. In these regions the education supply and support from the state and from other NGOs is the poorest. In these regions, funds from philanthropy are needed the most. Naive impact indicators can at worst drive NGOs to work in safe, easily accessible areas where education provision is already adequate.

It is difficult to quantify levels of remoteness or to put a measure on political stability or levels of insecurity. It is even hard to work out how to measure the cost effectiveness of service delivery in these areas. This is not to say that impact cannot be measured. It is merely to argue for more sophistication and flexibility in the measures used.

Trustees and funders are usually looking for value for money, says Koy Thomson, so "we look to be effective, but not extravagant". "However, if communities put such a high value on respect, well-being or peace, you must listen to them. I have learned much from the state of the art debates on ROI, but never have I been more humbled than hearing from the villagers themselves that the greatest value of our village loans schemes to communities was not the very positive quantifiable profits and economic exchange, but peace and inter-community relationship building that came as a by-product of people of different tribal and social backgrounds meeting to work together for the common good."

Julia Streets *is a business woman, writer and comedian.*
In 2013 Julia was named one of Brummell Magazine's Inspirational Women on Boards. In 2014 the same City publication named her one of their Inspirational Women Entrepreneurs.
In addition to running the City business she founded, Julia regularly performs at corporate events, hosts gala dinners, is an after dinner speaker and an auctioneer. Julia has been reported in The Financial Times, City AM, The Daily Telegraph, *was featured on BBC Radio 4's* Today Programme *and is a regular guest on BBC Radio Kent's* Drivetime *show discussing her favourite topic of business, comedy and the comedy of business.*
In 2012 Julia's first book was published entitled The Lingua Franca of the Corporate Banker *lampooning the excessive use of corporate jargon, and she pens the light-hearted 'Watercooler' column in the Chartered Institute of Management Accountants' global monthly magazine.*
She is proud to serve as a Trustee for Children in Crisis, a charity dedicated to improving the lives of children and their communities in post-conflict, hard-to-reach territories by delivering a sustainable approach to education.

Measuring social returns: how much is enough?

Madeleine Anderson *(www.catch-22.org.uk)*

Few seem to doubt that companies are better at making profit than charities are at having impact. Personally, having started my career advising multi-nationals, I question the assumption that business always knows best. Business is not perfectly efficient, and failing companies often secure repeat rounds of investment. The key difference I see is transparency. Sooner or later it becomes absolutely clear whether a business has succeeded in making a profit or not, and if not, they eventually run out of money and can't raise more. There has not previously been an equivalent mechanism for charities or social enterprises.

Madeleine Anderson

It is tempting for social investors to see it as part of their role to bring tools from the business world to improve this, ideally even putting reporting of social returns on a par with financial returns. I will put to one side the perils of boiling down complex outcomes into one figure. Even before that, the broader implication is that we should measure every drop of impact, just as we account for every penny of profit. Taken too far this can be expensive, burdensome for staff and intrusive for users. Are we faced with an impossible dichotomy between 'just trust us' and 'measure everything'?

For me the breakthrough was reading the Realising Ambition programme insights. Realising Ambition is a Big Lottery Fund programme to replicate 25 evidence-based initiatives aimed at preventing children and young people from entering the criminal justice system. Unusually, it included sufficient funding for deeper evaluation and learning. I had two key takeaways which I hope could be helpful for social investors.

Investment in learning should be proportionate to what we intend to do with it

The first, which may seem blindingly obvious, is that the level of data measurement should be driven by what you intend to do with the data once you've got it. Good doesn't mean a randomised controlled trial (RCT) every time. There are three reasons you might be measuring something:

i. **Learning:** for all involved, to add to the evidence base around the effectiveness of a methodology in principle
ii. **Managing:** for providers, to identify and investigate when implementation is achieving worse – or better – than expected outcomes in practice
iii. **Holding to account:** for investors and funders, to reallocate resources to the providers best able to deliver positive outcomes in order to maximise their social return.

Learning is hugely important, and there is far too little good quality evaluation. However, this needs to be proportionate both to the existing evidence base and to the potential level of replication. The standard of evidence matters hugely if resources are diverted at a policy level to roll out a 'proven' methodology, just to find the results of the original trial were distorted by selection bias.

For social investors, this may be an important priority for social impact bonds, particularly if they use innovative methodologies which could go on to be widely adopted. This is the one area that may justify RCTs, as in our Project Crewe pilot of intensive, solution-focused support for families of children in need. But randomisation matters much less for methodologies like Family Focused Therapy with a strong evidence base, already tested for bias, and where

we have a good sense of expected outcomes. In this case, a proportionate approach might be to simply compare outcomes for users with different characteristics within the same service. If this suggests a major breakthrough in our understanding which could drive future decisions, then we can then plan an RCT.

It's ok for learning not to be on the agenda every time

It is also equally important to recognise that learning should not always be a priority. There is just no point eating into limited funds to learn about a methodology in small-scale delivery that is unlikely to be replicated. For social investors, this could be relevant to different extents when they back social enterprises. For example, in our social enterprise garage Auto22 we are very proud that young people who were at risk of being 'NEET' (not in employment, education or training) have been able to get a good career. However, we haven't used control groups, and we have lost contact with a few of the young people. We have sufficient confidence of our impact because we know how the young people were selected, we know what almost all of them are doing, and there is an existing body of evidence about the impact of being NEET early in life. We may be able to use qualitative learnings to increase social returns, e.g. on effective placement support. But unless we want to roll this out across the country, formal control groups feel like an expensive distraction.

We may be able to use qualitative learnings to increase social returns, e.g. on effective placement support. But unless we want to roll this out across the country, formal control groups feel like an expensive distraction.

There should be at least as much focus on performance improvement

The Realising Ambition team argues that there should usually be less focus on learning ('proving') than on managing ('improving'). Even if we build a strong evidence base for a methodology, replicating the same outcomes can be tremendously difficult. Perhaps it wasn't quite the same kind of cohort, or perhaps the 'core' elements that made the original intervention tick were wrongly identified or weren't replicated with fidelity. But more fundamentally, the provider's quality of implementation matters at least as much as the design. Can we definitely say that social enterprise garages work, or did we just get lucky recruiting inspirational staff? This is not a minor point: for example, in comparisons of psychotherapy treatments, the quality of the therapist makes eight times more difference than the treatment used. In a different context, 'proven' interventions in Kenyan education no longer worked when rolled out in the public system.

This needs a common sense, context-specific approach

For an investor managing the social impact of their investments, this doesn't need the same standard of evidence as is required to prove a methodology. It is enough to track outcomes either at an aggregate level or for a sample selected without obvious bias; to have a reasonable idea of what outcomes to expect; and to take a closer look where outcomes are out of whack with expectations or where there is variation within a service. This could lead to extra support for struggling teams, initiatives to spread behaviours of high performing teams – or perhaps it could turn out to be random. Rough and ready data simply shows us where to target our resources.

Using Auto22 as an example again, many of the young people were referred from our Study Programme, so a reasonable starting point might be, what do other people on the study programme end up achieving? Were the young people placed in Auto22 facing more or less barriers than the rest of that cohort? How many young people from Jamie's Fifteen end up in employment? But again, context matters: in this case, as it happens, almost every young person placed at Auto22 has achieved their desired employment outcome, so there is a little less to gain from these comparisons.

The culture of the investee

My second take-away is much briefer: the single most important factor is the culture of the investee. We do need organisations to add to the evidence base for – and against – methodologies. But even more, we need organisations focused on genuinely trying to improve their impact every day, using whatever data they can get hold of. Social investors can do a huge amount to influence this, simply by asking the right questions, and continuing to ask them.

Conclusion

Coming back to where we started, social investors can indeed bring tools from business to change the sector for the better. Commercial managers rarely disaggregate profit performance to the nth degree. They will usually have a good idea of how well equivalent products are selling elsewhere, and if their sales are performing much below or above the market, they will look into why. In business as well, good managers know that teams succeed because of culture, not just product design. If we are going to learn from business, let's be as pragmatic about increasing impact as they are about making profit.

***Madeleine** is Director of Social Investment and Innovation at Catch22, a social business delivering public services that build resilience in people and communities. She started her career at McKinsey before moving to Smedvig Capital, a private equity firm. She subsequently spent five years building social enterprise EFTA, a financial leasing company for SMEs in East Africa. She is also a trustee of The GravityLight Foundation.*

Considering risk and return for social investments

Phil Caroe *(www.allia.org.uk)*

The conventional approach to investment would typically consider three things. Firstly, your needs and attitudes. How much risk are you willing and able to take? Are you looking for regular, predictable income or for capital growth? Of course, the answers to questions like these may be different for different parts of your investment portfolio and may change over time. Secondly, what risk is involved in any particular investment? Not only risk of capital loss but also the risk of not getting the returns expected when expected, or the risk of not being able to exit early should you need to. Finally there's the question of return – what's the promised or forecast return, and is this sufficient in light of the risks, given your alternative investment options?

When looking at social investments, however, a whole new dimension of social impact is introduced. So how does this affect the investment decision-making process?

Phil Caroe

Determining your needs and attitudes

The first step is again to consider what you need and what you want to achieve. It may be that for certain parts of your portfolio you want to maintain your expectations for financial return – for example, with your pension funds – but you would rather the capital was invested for social benefit than social harm. And it is certainly possible to allocate investment for positive impact and achieve returns that are comparable to (and some would even argue better than) the rest of the market.

However, there are also many opportunities to create impact that may involve higher risks, lower returns or a more long-term, patient approach. This is what I would describe as true 'social investing', where investors are willing to take a potentially less advantageous financial position because of the anticipated social outcomes. If you want to build a social investment portfolio that is more philanthropically motivated like this, you may want to set new financial parameters that aren't orientated for maximum return but still set boundaries for the risk/return profile that's acceptable to you.

Finally, you need to decide your approach to impact. You might simply look for highest impact potential, or you might want to focus on a particular geography or social issue. But be aware that you can't simply put impact, risk and return into a formula and pick those investments which come out with the biggest number. Organisations working on one particular social issue may be able to offer higher returns than those working on another, but that doesn't mean the former are necessarily better social investments. So it's important, before you begin, to know what you want to achieve.

Ignore the impact

It may sound strange to suggest you ignore the impact when talking about social investment, but of course it is still an investment and needs to be treated as such. It would be easy to get so caught up by the opportunity to make a difference and get involved in the social mission of the organisation that we skip over the financial details and don't properly consider whether this is an appropriate investment. But like any other commercial company, impact-driven organisations are not immune to going bust.

Organisations working on one particular social issue may be able to offer higher returns than those working on another, but that doesn't mean the former are necessarily better social investments. So it's important, before you begin, to know what you want to achieve.

So once you've set the parameters of your social investment portfolio and are considering your first social investment, you need to look at the financial risk and return in a cold light, deciding whether they fit within those parameters and then whether any concession is worth taking in light of the anticipated social outcomes.

There's an important point here for investees too. Every social organisation wants to make a big deal about its impact, and the fundraiser will naturally want to tug at the donor's emotions. But when it comes to investment we must take care not to emotionally manipulate. Make your financial promotion clear and factual, allowing investors to come to a carefully considered decision.

Social risk and return

When turning to consider the social impact, we again need to think about both risk and return. Typically, we'll give most attention to the forecast 'social return' – the benefit to be generated by the investment. And there are essentially two types of return.

In some cases the primary intended outcome of a social investment may be the strengthening or continued sustainability of the investee. Take, for example, a community share offer to save and take over the ownership of your local pub. It plays a key role in the life of the community, fostering social cohesion as well as giving job opportunities for people who have found it hard to get employment elsewhere. In this scenario what matters isn't the anticipated number of pints served or any other outcomes to be counted and reported, but the ongoing existence of a community facility.

In many cases though the investment is being sought to enable the delivery of specific activities that are anticipated to create particular outcomes. Sometimes it may be enough to make an investment decision on the basis of how valuable you feel those activities to be. But where possible you should look for details of the expected scale of the impact and how those outcomes are going to be monitored and reported.

However, just as with financial factors, it's also important to consider how realistic the social forecast is and what the risks are that it won't be delivered. Are the expected outcomes really achievable? What evidence is given to justify the forecast and what assumptions have been made? Has the investee clearly articulated the factors that might affect the level of outcomes delivered and shown how they will be mitigated? If you're making an investment decision on the basis of projected outcomes, you need to be confident that the projections are sound.

Again, investees must also take note. The rules on financial promotions state that communications must be fair, clear and not misleading so that investors can properly judge for themselves whether it is an appropriate investment for them. If you're inviting someone to make an investment decision based on the creation of social outcomes, then you need to make sure your social forecasts are robust, justifiable and fully explained.

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Measuring social investment

Thomas Landschof *(www.rechnungs-wesen.de)*

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.

Thomas Landschof

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.

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 chance 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 CO_2 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.

***Thomas Landschof** is an international experienced, independent Strategy Consultant, former Senior Executive, CFO, Expert for Global Outsourcing Solution Architectures and Tax Consultant (Europe, USA, Asia, UAE) with well defined intercultural sensitivity.*

Professional Experience

- PriceWaterhouseCoopers AG, Hamburg, Senior Manager Sales and Marketing, Outsourcing Global Compliance Services
- 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)
- Philip Morris GmbH, München & Lausanne, Head of the Tax/ Leadership Level 1
- Arthur Andersen & Co. GmbH, Hamburg, Tax Consultant

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The multiplication effect of innovative philanthropic capital

The important multiplier role that philanthropists and foundations play as early investors

Dr. Christin ter Braak-Forstinger *(www.pva-advisory.com)*

Leveraging early philanthropic capital is a huge opportunity. Innovatively structured philanthropic capital has the potential to trigger the future flow of social capital by absorbing the first – and most challenging – layer of risk. Today, there are still many investors who are waiting for the right opportunity to deploy capital into the growing impact investing market. What is usually preventing them from investing is the lack of another party, who takes the first step to provide risk capital.

Forward-thinking philanthropic investors are currently finding new ways to leverage their funding for the maximum social benefit. Their seed- or knock-on financing bridges the gap to scalable impact investing opportunities, which typically comprise mature investment opportunities in social organisations that have reached the late-stage venture or the expansion stage. In particular foundations can play a crucial role as multipliers of innovative philanthropic capital by broadening the access to further funding and by creating new social investment opportunities. Thus, the allocation of innovative philanthropic capital is a very efficient way of making impact investible and to help the impact investing market to scale up further. The injection of early philanthropic capital may in particular help an impact fund to overcome the seed-financing phase and assist with its creation or it may help a social enterprise to become bankable.

Introduction

Until about 15 years ago, philanthropy and investing were two separate worlds. Now as impact investing is on the route to mainstream investing, the innovative power of the philanthropic dollar is becoming more and more obvious. Traditionally, foundations have provided donations, simple grants or classical loans to implement their charitable mission. Today, new hybrid forms of financing that blend charitable money and grant-elements with debt and equity characterise the investment-style of forward-thinking foundations and the next generation of philanthropists. They are innovative in their investment structuring and approach with respect to their philanthropic capital.

Today, new hybrid forms of financing that blend charitable money and grant-elements with debt and equity characterise the investment-style of forward-thinking foundations and the next generation of philanthropists.

Recent studies – like the Impact Investing Benchmark, released by the Global Impact Investing Network (GIIN) and Cambridge Associates – provide some robust research and confirm that market-rate returns are also attainable with impact investments. This opens up an interesting investment potential for private investors. In particular the institutional investor segment has enormous power in leveraging the impact-investing market to become mainstream. No doubt, there is a massive surplus of capital (both private and public) seeking a blended social and financial value return waiting to be invested.

On the other hand – the lack of a track record of successful impact investment deals and the shortage of quality investment opportunities are usually cited as hindrances for new impact investors to get involved. On a deeper look, it becomes evident that there are potentially a lot of institutional-quality social

Dr Christin ter Braak-Forstinger

investment opportunities out there; many of these, however, lack initial funding or the support of lead investors and thus never surmount the initial project- or start-up phase.

In order for the field to become further scalable, innovative philanthropic funding is an important pre-step to incentivise more risk-averse investors to also invest in social causes they otherwise would not have invested in. In that respect, innovative philanthropic capital has two important roles.

Firstly, in its 'signalling' capacity, the early philanthropic investment signals to other investors that the investment is 'legitimate'; thus it has the potential to unlock additional funding from third parties. In particular, if an early investor is a reputable investor like a sophisticated foundation, the seed investment can improve the investee's credibility and strongly enhance the visibility for other investors whether private or institutional.

The second role is the important 'risk-reduction' role that early philanthropic investors play. They do so by lowering the risk for traditional investors and by encouraging them to support initiatives that otherwise might not meet their criteria for investment. Early philanthropic investors become risk-catalysts for social good. For example, the strengthening of the business case for institutional investors to integrate non-financial factors into their investment portfolios and to invest large sums into the impact-investing field often depends on the existence of investible quality deals. Innovative philanthropic funding helps impact investors to enhance risk-mitigation and to participate in impact-investment options that have overcome the initial funding hurdle.

Unlocking of innovative philanthropic capital

In order to unlock innovative philanthropic capital, philanthropic investors such as foundations must show some form of pioneering spirit and be open to experiment where other investors cannot. Of course innovation is always a risky game, but foundations have a good amount of experience in sectors and regions where more risk-averse investors don't have access. In practice, this means that foundations need to go beyond classical grant or loan funding. If they dare to fill this initial financing gap, they become enablers of the emergence of new social investment products and help cutting-edge social organisations to become investible.

How can more innovative philanthropic capital be unlocked in practice? Education and peer-to-peer

sharing play a major role among philanthropic investors as they may encourage like-minded investors to re-evaluate their risk-return profiles with their social investment goals. The Toniic Institute speaks of the 'collaboration gap' in that regard in one of its most recent publications. Foundations may also move from individual impact deals to multi-investment impact portfolios where patient capital as well as market-rate social investments are covered. Also foundations should be encouraged to further innovate, share their investment stories and continue to align their assets with their mission to further help building the infrastructure and roots for the impact investment sector.

Structuring possibilities of innovative philanthropic capital

Innovative philanthropic capital can be structured in various different forms – a variety of both new as well as established structuring vehicles exist with different risk-return profiles and diverse levels of liquidity, time horizons, involved parties, cost and complexity.

Traditionally simple grants have played a major role in philanthropic funding. They are the primary tool most people think of when it comes to philanthropic support of social enterprises or non-profits. In recent years many new innovative structuring forms of philanthropic capital have been developed. Today, there are many ways to use traditional grants more effectively by incorporating or taking into account the specific financing needs of the recipient such as a social enterprise. For example, recoverable grants, performance-based grants or convertible grants are very helpful funding mechanisms if there is no equity capital available, if the business does not create enough value yet to attract equity investors or if the business does not have collateral or cash flow to service commercial debt. Also loan guarantees are an efficient way to enhance the credit quality of a social enterprise and make it easier to obtain commercial funding. Bridging loans, forgivable loans or subordinated loans are other innovative philanthropic financing mechanisms. Quasi-Equity debt combines debt and equity elements and is particularly useful for social enterprises that are non-profits and cannot obtain equity capital.

Other innovative philanthropic funding instruments or mechanisms include, for example:

- Demand Dividend Investment structures, which tap into the free cash flow of social enterprises at the time that the cash flow is available (i.e. when the social enterprise can actually pay back)
- Forms of credit enhancement like Catalytic First Loss Capital. Such capital typically catalyses the participation of investors that otherwise would not have participated by absorbing first losses of an investment (e.g. a social enterprise), thus de-risking further investment.

Summary

The innovative structuring of philanthropic capital can be a very effective tool for the impact-investing field to reach maturity. Innovative philanthropic capital bridges the financing gap between the seed-funding stage and market-rate, mission-driven capital. Large impact investors usually prefer some form of matured investment options that have overcome early funding phases and offer stable investment participation possibilities during the expansion stage of a venture.

Innovative philanthropic capital has the potential to catalyse funding where otherwise commercial funding typically is impossible. This catalytic effect arises by triggering the future flow of capital and by attracting further investors and similarly reducing their risk. In particular, foundations can become important multipliers as their experience in certain sectors, their flexibility and higher risk-tolerance enables them to lay the ground for helping one of the most promising investment fields to become mainstream.

Dr. Christin ter Braak-Forstinger *is the founder of PVA Advisory, an independent philanthropic advisory firm for financial intermediaries based in Zurich (founded in 2011). Christin has 15 years of experience as a financial lawyer and project manager for HNWI and a deep knowledge and personal passion in the area of philanthropy and impact investing. She also has extensive grass-roots experience in Africa. Christin is the author of several books and peer-reviewed articles in banking, law, philanthropy and impact investing. She completed her postgraduate study at Duke Law School and wrote her doctoral thesis at Harvard Law School. She is a regular lecturer at universities and speaker at panels. Privately, Christin is the co-founder and president of an Austrian, Swiss and Ghana-based NGO supporting vulnerable children in Africa (www.braveaurora.com). Her private NGO recently got awarded with the highest award of the Upper Austria Government (Human Rights Award 2014). The Int. Alpbach Forum Austria elected her as one of the 40 Young Emerging European Leaders 2014.*

Aligning mission with money

Anne Hayward *(www.annehayward.com)*

Having been involved in fundraising for a wide range of charities over the past 25 years or so, one thing that remains constant is the growing need to demonstrate impact – especially as trust and confidence in the voluntary sector is reportedly at an all-time low.

The reason charities should measure their impact was summed up perfectly in an analogy I heard recently: "Playing tennis with a friend at the weekend, who mostly wins, I wondered why we bother keeping score. And then I realised it's because it makes every point matter."

We talk about demonstrating impact but this often has different meanings to different audiences.

If we take purely philanthropic donations to a charity as an example, what the philanthropist really wants is answers to some simple questions: Is my money really making a difference? In what ways? How do I know this is the best approach? How do I know if this is the most cost-effective or efficient way of making this difference?

Anne Hayward

While these are all very simple questions, they are not always easy for a charity to answer. It can take a substantial amount of resources to understand the baseline, i.e. where we are now, as this can entail a huge amount of social research.

Is my money really making a difference? In what ways? How do I know this is the best approach? How do I know if this is the most cost-effective or efficient way of making this difference?

Likewise with answering the question: Where do we want to be? Again, a lot of social research may be required to understand what exactly is needed and by whom, who, if anyone is already providing this service and if not, should it really be our top priority?

And the final question is always going to be about sustainability, or the multiplier effect. Can a short-term fix create a long-term solution? Or are we in it for the long haul?

We didn't expect our donations following the devastating earthquake in Nepal to lead to long-term solutions to existing problems. We simply wanted to stop the immediate suffering by providing medicine, shelter, sanitation and food.

Similarly, we can't expect to solve homelessness by building a new shelter. The people who find themselves in dire situations need longer-term support to re-build their lives.

By granting a 'wish' for a child with a life-threatening condition we know we are only helping one child but the impact on that child, and their family, is massive. But no-one would even consider the question of sustainability.

I had my own dilemma recently. I am by no means a major donor but there are a number of issues I care about enough to support or offer my experience and knowledge. A trekking guide in Nepal whom I now call a friend contacted me following the earthquake in Nepal to say how frustrated he was with his government and the response of international aid agencies. In his words, "They are either doing nothing or competing with each other to do the same thing in the same area." He was obviously concerned for people in the remote areas. He asked me for money. He was going to get a group of trekking guides, who all knew the areas well and knew where the help was most needed, to take immediate support to the villagers who so desperately needed it.

And there the dilemma lies. I have seen first-hand how difficult it is for aid agencies to have a co-ordinated approach. But how did I know my friend would provide the best opportunity to help and spend my money most wisely? Should I give directly to him or via an international aid agency?

But I did know, from previous experience, that I would get full and regular updates, with photographs, film and quotes from local people, with exact details of how my money was spent, from my friend. I would not, nor would I expect to get this, from an international aid agency. An interesting dilemma. In the end, I gave to my friend.

As the old adage goes, people give to people. If he had asked me to support Save the Children, for example, would I have done that? I trust him.

It is true that most charities want to do themselves out of a job. We want the ultimate cure for cancer and other conditions and diseases. We want fabulous social and health care (although it could be argued that we don't want to pay extra tax in order to achieve this), we want a stop to child abuse. The reality is that, for many, we are in it for the long haul. We should be honest with our donors about this and ask them to make it their priority too. We are not going to change the world overnight but we are going to make a difference.

Some charities need to get smarter about how they demonstrate return on investment (ROI) and social return on investment (SROI). For most businesses, measuring what they do is an integral part of operations. My experience at a number of charities is that impact measurement is so alien to its employees that implementation of even the most basic measurements is seen as red tape that is getting in the way of their work. I've heard charity employees saying things like, "Why should I have to justify my existence?" when faced with gathering evidence or service impact data.

My experience at a number of charities is that impact measurement is so alien to its employees that implementation of even the most basic measurements is seen as red tape that is getting in the way of their work.

There are some inefficient charities out there – not because they are doing anything wrong per se, they simply suffer from weak leadership. This can lead to fundraisers over-promising – not because they are trying to pull the wool over the donors' eyes, but because they believe passionately in their cause. Only to find that, due to a whole multitude of different elements, traced back to the weak leadership, that the projects or programmes they have secured funding for, have not been as effective as they hoped. This can, in turn, lead to poor communication with donors – a recipe for disaster!

Please don't think I am critical of the voluntary sector – many charities do a fantastic job with ROI being fully integrated at all levels, with a clear vision of what they want to achieve, how they are going to achieve it and how they will know when they've got there.

Charities may also feel resistant to change. Especially those who have been around for many years and have been pulled in different directions over the decades. And they may be wary of inviting experts in to scrutinise their work, even though they may have donors or senior volunteers who may be in a position to help on a pro-bono basis.

Charities may also feel resistant to change. Especially those who have been around for many years and have been pulled in different directions over the decades. And they may be wary of inviting experts in to scrutinise their work, even though they may have donors or senior volunteers who may be in a position to help on a pro-bono basis.

I certainly don't believe charities should be spending huge resources on this. It shouldn't be about large investments – it's more a change in attitudes and behaviours and a focussed approach to why they are providing a particular service or undertaking a particular project.

And when it comes to service delivery charities needs to consider who is best placed to get the best results. But that takes me on to charities working in partnership, which is a whole different debate.

My personal view as a fundraiser is we should provide the very best opportunity for the donor to feel good about their donation. Yes, we need to demonstrate impact, and link this to real facts and figures, but it is equally important to connect the donor with the cause so they can see firsthand the difference they are making.

Not all charities are able to easily engage their donors in their work – it may be overseas, they may not have a physical presence – but they must demonstrate impact.

The tools which are used vary widely. Measuring the impact of a clinical research study into lung disease will require a very different approach to measuring the effectiveness of a community group supporting people with lung disease.

The former may be relying on hard evidence to show the impact of a new drug or therapy on patients with a lung condition over a period of time. The latter may need a different approach, perhaps based on the number of hospital admissions, how confident people feel about understanding and managing their own condition, or changes in lifestyle, monitored over a period of time and compared to a baseline study.

It is not all about hard facts and figures. While we all have things that we care passionately about and want to change, people don't make the decision to give away their hard-earned cash based purely on logical thinking, there must be an emotional element to the decision. Charities should work closely with their donors, to understand their motivations for giving and to agree on expectations.

Charities and social enterprises need to base their strategy and service delivery on logical thinking and not just on an emotional level. And they should attempt to work in partnership, to share resources and intelligence. Any duplication of resources is time, money and effort wasted.

No-one would suggest that measuring ROI when it comes to charities and social enterprises is easy – it is not. But just because something is difficult, doesn't mean it shouldn't be done.

I will end with sharing a quote from a speech from a well-known philanthropist who recently described the work of an educational charity he is supporting: "It works, is efficient and scalable." Surely that is the way most charities would like to be described.

***Anne Hayward** has over 25 years of fundraising within the voluntary sector and has extensive experience at a senior level working with some big household names as well as some smaller charities. Her main area of expertise is major gift fundraising, leading on major fundraising appeals – having secured many six-figure and multi-million pound donations. As Director of Anne Hayward Ltd, she has worked with a diverse range of charities providing consultancy and interim management. She prides herself on being confident and competent working at a strategic level coupled with hands-on fundraising.*

Investing to save a social impact organisation

Bill Mather *(www.socialpioneers.com, www.billmather.com)*

Social impact organisations face external threats to their futures from swings in public policies, cuts in funding, escalating demands, fragile public confidence and shifts in the operating environment. The current era of austerity is particularly volatile. They can also fail because of in-house shortcomings such as poor governance, inadequate management, maverick leadership, skills deficits or divisive internal politics. Or there could be a combination of the above!

Donors may receive the call for help when the organisation is on the precipice of disaster, or when the leadership recognises the writing is on the wall if radical changes are not made, or when the organisation seeks to pre-empt a troubled future. Whatever the stage or level of difficulties, the donor is being asked to invest in the organisation so that it may continue to make its contribution to meet social needs. But how are judgements formed on return on investment (ROI) when that investment is first and foremost about the social impact organisation's continued existence and functionality rather than the nature, scope and capacity of services?

Bill Mather

Saving charities, voluntary organisations, trusts and social enterprises from collapse and closure is a fraught subject full of dilemmas and risks for potential funders. How did it get to this state? How could this have been avoided? Is this bailout request going to be repeated? What is the leadership doing to mitigate against other episodes? Is this a perilously exposed organisation? Is there a better organisation to put our trust and funds into?

Balanced investment decisions responding to approaches from social impact organisational leaders, regardless of the presenting degree of difficulty – whether preparing for difficult times or facing imminent closure – need to be based upon ROI success factors and measures focused on organisational transformation. Relying upon social impact metrics alone – the benefits to be realised and the social value to be generated – has a number of constraints such as:

- Often an extensive lead-in time between investment in the organisation and improvements in outcome impact to prove a productive ROI
- Assumptions that the operating context is a relatively consistent backcloth to compare like-with-like impact performance levels for analysing ROI results

- Failure to include consideration of the organisation's ability to respond effectively to future challenges and changes to circumstances – limiting assessment to a snapshot in time.

Kids Company is a topical example of how things can go wrong when there is inadequate attention to the delivery organisation in a demand-led social cause. Crisis funding for the cause was an almost annual occurrence focused on social impact value while organisational capabilities and financial resilience were either discounted or inadequately addressed.

In my experience, for an organisation to make the journey out of a precarious situation into safer operating terrain, the organisation's leadership needs to be committed to, and equipped for, major organisational changes. The point is to learn why it got into trouble and to increase future agility, resilience and investor value – to take the opportunity to transform results, prospects, credibility, productivity and levels of support and cooperation and so make a revisit to the point of potential disaster extremely unlikely.

This requires a well-considered comprehensive transformation programme. The mandate for transformation is the start of the process of forming the programme and investors may well be approached to help with this stage of investigations, consultations and preparation. The top row of the SocialPioneers' Transformation Evaluation Framework (STEF) table (see below) gives the result of a mandate initiation process as a transformation plan with the change vision, objectives, governance arrangements, roles and roadmap. Securing the mandate for change and developing the plan for transformation must be driven from the top of the organisation, have clear methodologies, and be an open and transparent process. It should identify the full change agenda through wide-ranging consultations that build consensus on needs and commitments to action.

The STEF table has four transformation programme themes – leadership, governance, stakeholding and operations. Each theme has two elements that are selected because they are 'transformation critical' – vital for a positive outcome and able to be measured throughout the transformation process. Although these are all in common use internationally, they haven't previously been assembled into one evaluation framework. The reasoning behind this choice is given below.

Against each of the theme elements, the STEF table's 'Transformation Success Criteria' column lists the most significant items that should be well considered and covered in the transformation plan if there is to be a good chance of success. Each weakness or gap should be identified in the transformation plan as a risk and have a rectification and risk mitigation strategy in place.

Figure 1: SocialPioneers' Transformation Evaluation Framework ™ (STEF)

Themes	Theme Elements	Transformation Success Criteria	Evidence of Progress	Transformation Programme ROI
Transformation Plan				
Mandate	**Initiation**	Driven from the top Clear methodology Open access for fact finding and consultation Defined criteria for success	Identified change issues and reasons Scope of participation Consensus on needs Commitment to action	Transformation Plan: · Vision · Objectives · Governance · Roles · Roadmap
Transformation Programme				
Leadership	**Abilities**	Appropriate mandated responsibilities Suitable available skills and experience Willingness to lead	Achievement of roadmap milestones	Deep and sustainable social impact value outcomes
	Social value	Sound end-state vision and organisational objectives	Focus on social value Benefit realisation plans and reporting	
Governance	**Decision making**	Effective programme governance, methods and risk mitigation arrangements	Delegation systems, transparency and accountability systems, data and information management systems, and reporting systems	Exceptional innovation and performance levels
	Workplace culture	Identified organisational behaviour change levers	Workforce engagement levels Workplace protocols in place	
Stakeholding	**Social capital**	Sufficient level of buy in for the programme Plans to mobilise change champions	Scope of active networks and collaborations	Highly productive internal and external relations
	Employee Engagement	Comprehensive communications strategy	Employee influence on strategies and projects	
Operations	**Organisational Resilience**	Thorough Implementation and Operations Plans	Performance improvements and organisational reliability	Future resilient organisational capabilities
	Trust and optimism	Evidence of change readiness	Management of changing workloads and resources Forward planning Succession and continuity planning	

Source: www.socialpioneers.com

The theme elements in the STEF are internationally relevant to transformation of selected operations, complete organisations or whole systems – not just organisations in difficulty. Each element has a substantial body of research showing its vital importance in transformations.

The STEF column headed 'Evidence of Progress' introduces example measures that will inform investors and organisation leaders whether the transformation is on track to secure the desired outcomes. The 'Evidence of Progress' topics all share three particular qualities:

- They have a suit of metrics able to be chosen and applied according to the specific transformation context to greater or lesser detail
- Each allows comparative assessments to show levels of improvement or decline as transformation evolves and impacts
- They provide early indications of the performance changes that will materialise over the long term
- A combination of self-assessment, quantity measures, quality evaluations, audits and surveys can be used to evaluate.

The Theme Elements chosen for the framework because of their strong international evidence base include:

Social value

Social value is an indicator of **organisational leadership aspirations and effectiveness**. Social value measurement and analysis is guided by best practices recommended by Social Value International and by the body of research into social impact assessment.

High performing workplace cultures

Workplace cultures and arrangements gauge **the effectiveness of the organisation's systems.** Low job quality, employee dissatisfaction and failure to innovate are signs of an unsuitable and unsustainable system with poor performance and high inefficiencies.

Social capital

Social capital raises performance, morale and receptivity to participate in change. Bonding strengthens teams, linking enables collaborative action and bridging increases connectivity between those responsible for demands and those with the authority and resources. As such, social capital is an important measure of **the internal and external organisational stakeholder prospects and potential, including between the organisation and its beneficiaries.**

Employee engagement

Employee engagement should be about work engagement and organisation engagement. Employee work engagement can be defined as 'a positive, fulfilling, work-related state of mind that is characterised by vigour, dedication and absorption'. Employee engagement has powerful effects on **improving staff performance, motivation, retention, levels of sickness absence** and so on.

Organisational resilience and reliability

The key components of resilience are:

- Competence – empowered employees who believe they possess the necessary skills and abilities
- Meaningfulness – coherent challenges fitting with employee values, beliefs and behaviours to achieve a greater goal – caring for their work
- Choice – self-determining to produce what is manageable and possible
- Impact – detached coping styles and skills, avoiding stress.

Organisational reliability and the resultant influence on confidence levels among employees, donors, customers and other stakeholders are major aspects of the fabric of resilience to change, conflict, critical incidents and disruptive environments. Resilience and reliability provide critical foundations for **improving and stabilising organisational performance levels.**

Trust, optimism and well-being

Inclination to trust and support leaders and colleagues, or not, relates to the optimism within individuals and across the organisational setting. This, in turn, is significantly dependent upon levels of well-being – both personally and corporately. Trust is required when change produces uncertainties which go beyond experience and, therefore, beyond the ability to have confidence. With insufficient trust, uncertainties become barriers to progress. As all change involves uncertainties, too little trust creates the potential for complete programme failure. Trust levels are results of the judgements being made on the competence of both the plans and the people navigating the organisation through uncertainties to its new future. High trust reflects **high organisational cohesion and good prospects for collaboration.** Techniques to measure trust are well documented, but interventions to build trust less so. This subject is covered in my Leadership Navigation Guide, Followking (www.billmather.com).

By focusing on the themes of leadership, governance, stakeholding and operations, and using international, evidence-based research, organisational transformation can be evaluated for ROI in real time to ensure:

- The transformation mandate and initiation is thorough
- The transformation plan has fully considered all critical success factors

- The transformation programme is implemented to improve future leadership, systems, culture, reliability and overall performance.

The transformation produces the conditions for:

1. Deep and sustainable social impact value
2. Exceptional innovation and performance levels
3. Highly productive internal and external relations
4. Future resilient organisational capabilities.

Stepping away from the dangerous precipice and surviving for another day is not a good enough ROI. The transformation journey is for organisations and their leaders to travel to the heartlands of social impact and thrive as well-equipped and capable adventurers and explorers dedicated to social progress.

***Bill Mather** is Managing Director of SocialPioneers, an international social transformation agency working with governments, international agencies, public service providers and social investors – www.socialpioneers.com. He has 20 years' experience as CEO of not-for-profit organisations and is author of* The Leadership Navigation Guide Series *for leaders of social impact organisations and social progress initiatives www.billmather.com*

Why is social impact measurement important to CAF's Global Alliance

Michael Mapstone and **Luis G. Fernandez** *(www.cafonline.org)*

Sixty-five per cent of Russians don't trust NGOs – they don't have confidence that their donation will reach the end beneficiary.[1] Sadly, this lack of trust in NGOs is endemic in the emerging markets. Likewise, 12 per cent of potential donors in India say that they don't give because of lack of trust in organisations, with nearly four in ten saying that their contribution won't make a difference in people's lives. Indian donors also cited concerns about lack of transparency and the need for NGOs to communicate their impact.[2]

Luis G. Fernandez

Michael Mapstone

Charities Aid Foundation (CAF) has been operating internationally for over 20 years. CAF offices in the emerging markets of Brazil, Russia, India and South Africa work with corporate donors to deliver their CSR programmes, with high net worth individuals (including their family foundations) and regular donors. With a strong presence in emerging markets, our strategic objective is to grow philanthropy in these markets, as the potential for donations from the growing middle classes, wealthy donors and companies increases. In order to realise this potential, we need to address this very lack of trust in NGOs, and work with donors to build their understanding of what works to grow philanthropy and civil society and create social value in a fast-developing environment.

In order to address these (and other) challenges, CAF developed an approach to impact measurement for our major donors that, using robust methodology, would demonstrate the impact of the projects they are funding and provide valuable learning to support further work in their chosen field. It was important that the approach chosen was practical to implement in an emerging market setting, and spoke to our donors in a language that they could relate to.[3]

In selecting an impact measurement approach, we first defined the principles that were important for our global offices. We put society, the environment and the ultimate beneficiaries at the core of our analysis and determined that the approach should be outcomes focused.[4,5] We considered seven important principles to develop and design a social impact measurement strategy. These principles are fundamental but can represent a big challenge, particularly in emerging markets. They focus on:

1. Involving stakeholders
2. Articulating how change is created and evaluating this through evidence gathered, recognising positive and negative changes as well as those that are intended and unintended
3. Valuing the things that matter
4. Determining what information and evidence must be included in order to give a true and fair picture, such that stakeholders can draw reasonable conclusions about impact
5. Being very careful not to over-claim impact or attribution
6. Being transparent
7. Verifying the result.

Overall, there are a number of tools available and the principles allow us to scale our impact measurement practice so that it is fit for purpose in each context. In particular, we have been applying social return on investment (SROI), a widely used social impact measurement approach, to a number of client programmes.

SROI reflects the principles described above and provides a very robust methodology that produces a return on investment ratio that can be articulated in monetary terms as a return on the initial funds socially invested (i.e. donated or allocated to a particular programme or initiative). The crystallisation of impact into a financial value of x reals, rubles, rands or rupees for every one real, ruble, rand or rupee invested is extremely tangible and this has made SROI very attractive to a wide variety of investors.[6]

For our clients in emerging markets, the SROI ratio reports social impact in a language that resonates with both corporate donors and private philanthropists, many of whom are first – or second – generation entrepreneurs. Although the methodology provides a much deeper analysis of impact, the ability to communicate this simple, compelling message with decision makers and wider stakeholders who may be remote from the operation of the programme was a key factor in determining our decision to adopt SROI as a methodology for a number of our clients.

However, we also chose SROI because this tool provides more benefits than just demonstrating impact. While SROI is primarily used for this reason (and to articulate and document social value created), many organisations gain other benefits that they don't expect. For instance, within the SROI process, stakeholder engagement helps to test and refine the investment logic to ensure that it provides an accurate representation of the social value that is created on the ground. This results in a much clearer message about what the organisation (or investor) does and how this creates the impact it intends[7] i.e. what works, what doesn't work and which outcomes are most important to the different stakeholders.

The SROI analysis clearly links activities to consequences, which gives management a better understanding of the cultural and structural approaches that help create the desired impact. This methodology also helps to understand the triggers for change and identify the levers to increase social value creation further. As a result, organisations that have implemented SROI have improved their operations. SROI is a tool that, in comparison to many others, allows the investor to address this issue of attribution, as well as to analyse counterfactual,[8] deadweight,[9] displacement[10] and drop off[11], among other issues that need to be considered by social impact reporting.

In order to pursue SROI as a service to our clients, CAF is developing a cohort of SROI - accredited practitioners working in the emerging markets where we operate. They have been successful at delivering social impact reporting using SROI analysis at an international standard of assurance. For example, we have completed an SROI analysis for the Lucia and Pelerson Penido Foundation (FLUPP), a Brazilian non-profit working to transform the lives of children in Sao Paulo. This SROI analysis was aimed at understanding the impact of the Enhancing Early Childhood (VIM) project on children, their families and educators, to demonstrate the value generated in return for the investment made, and to help future planning and decision making.

The evaluation involved interviews with parents, teachers and other stakeholders to identify the key areas of impact and to develop financial proxies for that impact. Our SROI assessment indicated that for every R$1 of investment in VIM, R$4.08[12] of social value was being created. This financial value was assigned by using market values of paid-for services, which achieve similar results to VIM's activities. For example, teachers reported their increased knowledge and confidence as equivalent in value to attending more formal training programmes.

Some of the benefits obtained by FLUPP after this SROI analysis included:

- The implementing team learnt about the benefits of developing theories of change for each stakeholder group during future phases of the investment and programme. This will further empower stakeholders by including their voice and choices during the programme design stage and it will improve desired outcomes.
- Costs, workload and stakeholder engagement will be more effectively planned and managed in future. The VIM programme will now invest further resources in programmatic lines related to the children's parents, in order to scale and maximise impact.
- Powerful stories surfaced through interviews with beneficiaries. This has better informed programme design, taking the beneficiaries' choices into account.
- FLUPP now better understands how the programme works for each stakeholder and for each different geographical region.
- FLUPP now has a system to obtain better information to improve their performance: data collection during the SROI analysis led to better informed programme administration and design.

- FLUPP has strengthened its own data collection and reporting systems.
- A renewed sense of ownership exists among stakeholders due to the engagement needed to implement the SROI analysis.
- FLUPP now has clear, data-based evidence that VIM is achieving its aim in having a significant, positive impact on young children's development.

Overall, CAF's social impact measurement services have affirmed the relevance of FLUPP and given the foundation a strong case for continuing its valuable work into the future. More importantly, the SROI analysis brought evidence that is now informing strategic planning and current and future investment for the VIM programme.

As we grow our portfolio of SROI reports, we will develop a body of evidence of the real, positive, social change created by NGOs and their donors, building the case to challenge the suspicion of the motivations and impact of the sector in emerging markets and to establish the trust that is the essential foundation for giving of time and money.

[1] Russia Giving, Charities Aid Foundation, 2014

[2] India Giving, Charities Aid Foundation, 2012

[3] Ideally, the results would be of value not only to the specific donor who had supported a project, but would also help to communicate to the wider community of potential donors the social value delivered by NGOs.

[4] This is, focusing on social change (outcomes) and not just social performance (outputs). In other words, the focus includes significant and long-lasting changes in the lives of investees, for instance.

[5] We also use tools such as Theory of Change, logic models and impact frameworks to identify the issues that matter not only to donors and investors but also, to investees.

[6] SROI is the most popular tool amongst corporates, private family foundations and investors in general (even when this tool might not be applicable for all investment types).

[7] This can also be motivating to staff, potential funders and/or supporters.

[8] The counterfactual and attribution must be measured in order to grasp the 'net' change (i.e. the change that can be specifically attributed to the intervention being analysed). The counterfactual is the amount of change that might have occurred anyway, regardless of a particular intervention. It is also called 'business-as usual'. Measuring attribution is useful for multi-actor interventions. (nef, Simplified guidelines for Social Cost-Benefit Analysis)

[9] Deadweight is a measure of the amount of outcome that would have happened even if the activity had not taken place.

[10] Displacement is another component of impact and is an assessment of how much of the outcome displaced other outcomes. This does not apply in every SROI analysis but it is important to be aware of the possibility.

[11] SROI considers how long the outcomes lasted. In future years, the amount of outcome is likely to be less or, if the same, will be more likely to be influenced by other factors, so attribution to a particular investment is lower. Drop-off is used to account for this and is only calculated for outcomes that last more than one year.

[12] R$= Reals. Brazilian currency.

***Michael Mapstone** is Director of International for Charities Aid Foundation and has spent the last 12 years working to strengthen the civil society sector and has significant experience of grant making, policy and organisational development, strengthening membership organisations, direct service provision and infrastructure support.*

Previously, Michael was responsible for driving the global private sector strategy and overseeing a £10m partnerships portfolio at Voluntary Services Overseas (VSO).

Most recently, Michael was Strategic Adviser with the Commonwealth Secretariat leading on partnership and stakeholder management strategy for governments, inter-governmental institutions, private sector and NGOs.

***Luis G. Fernandez** works as the Impact and Advocacy Manager for the CAF Global Alliance. He has strong expertise in results-based management approaches, social value creation and social impact measurement, including the development and implementation of impact frameworks. He contributed to the design of one of the United Nations' main accountability and social impact frameworks and he led its implementation in different countries, working with UN agencies to increase transparency, accountability and maximise social impact. Luis also worked in the design, implementation and evaluation of specific social investment projects in many countries. At CAF, Luis has contributed to the development of Venturesome's approach to financial risk and social impact and developed and implemented CAF's global social impact framework.*

Luis has a strong international development background having previously worked for international NGOs and governments in several countries. The University of Bristol awarded Luis with a PhD in Social Policy after his research on economic and social impact of structural adjustment in Africa and Latin America. He has been a speaker in a number of conferences including: the Global Impact Forum; Social Value Matters conference 2014; Do Good Data conference; and, Critical Mass 2015. He is a member of SVI and coordinated the work that led to the creation of the SVI's Skills and Competencies Group and the Russian and Brazilian country chapters of that organisation. He is a fellow of the RSA.

It is about value

Julie Hogg *(www.stmaryscambridge.co.uk)*

The relationship between money and mission is not as straightforward as looking at a balance sheet and calculating your turnover, profit and loss; it is a story about change upon which decisions are based and which must include a range of case studies, qualitative and quantitative data as well as financial information. In essence it is about value not return.

To understand the value of a philanthropic investment is to determine the best possible outcome from the point of view of the destination of the gift, based on a clear assessment of the aims and objectives of the charity. Focusing specifically on philanthropic investment in secondary education, how can we measure the return in relation to the short-term and long-term impacts on pupils, the institutions, stakeholders and the economy and how we can achieve a balance between return on investment (ROI) and profitability for the educational institution?

Julie Hogg

The two types of social return on investment (SROI) analysis include:

1) Forecast; this predicts how much social value will be created if the activities meet their intended outcomes.
2) Evaluative; this is conducted retrospectively and based on actual outcomes that have already taken place.[1]

Investment in education is primarily about investment in potential so is in essence a moving target. This is the major aspect to consider when 'selling' investment in education to a philanthropist. Higher education and investment in universities is far easier to quantify and therefore forecast results, as a philanthropist can invest in defined capital projects, for example the Cavendish Laboratory, the Cambridge-based lab where DNA was discovered. It is currently being redeveloped to meet the needs of future students and academics who will surely carry on the legacy of innovation and discovery.

The Cambridge 'brand' is a lure in itself in terms of philanthropic investment as the return is the tangible connection and relationship to the name and the building, potential innovation and discoveries. Forecasting the success of any investment here is far easier to value as it's a centre of excellence which can be clearly verified historically and evaluated based on clear academic success and merit. University philanthropy is far easier to gauge in terms of long-term investment, and current fundraising campaign literature at the major world universities, reflects this.

Secondary education, however, is rather different as the outcomes and therefore the terms of evaluation of philanthropic investment, are less tangible. Secondary education encompasses perhaps the most turbulent and decision-based period of a child's life but it is also a time when investment in opportunities for them to explore, engage and make informed decisions, is crucial. In terms of philanthropic investment, how can we measure ROI in children/young adults aged 11-18; the era of academic examinations, emotional and physiological change and the ages where they will make decisions that will impact on the rest of their lives? An age where outcomes are by their very nature difficult to forecast with accuracy due to the variables involved. Do you measure investment returns solely on exam results, number of first choice university places, university ranking and subject choices? Or the quantity of children taking STEM subjects? Or the overall long-term success of that child on all fronts be it sporting success, academic capability, career choices and earning potential and the success of their personal lives?

Do you measure investment returns solely on exam results, number of first choice university places, university ranking and subject choices? Or the quantity of children taking STEM subjects? Or the overall long-term success of that child on all fronts be it sporting success, academic capability, career choices and earning potential and the success of their personal lives?

The curriculum is open to change and teachers and teaching methods can vary, teenagers develop at different rates and the outcomes may not become noticeable or be open to evaluation for some considerable time, sometimes years afterwards. Those philanthropists looking for quick results would potentially be better advised to look elsewhere as investment in this particular period of education needs to be a long-term and committed one. It also needs to be clearly understood by the donor, and transparency from the charity in terms of presenting the case for support has to be paramount.

The importance of case studies and the influence of history

If we are to analyse the two types of SROI, then case studies are an essential element to look at as real examples are the biggest persuaders in terms of the benefit of philanthropic investment in secondary schools, most particularly, independent boarding and day schools. For those philanthropists willing to make a social investment based on emotional reasons, the potential social rewards and the feel-good factor can be limitless and in my previous career as a teacher and housemistress, I observed first-hand the impact of philanthropic investment on children from seriously disadvantaged backgrounds.

I worked in a school where there were 100% boarding scholarships for children who would benefit from a full boarding place. It was aimed at children who had had a difficult start in life, frequently without one or both parents and under huge financial strain, who would embrace the opportunity to be educated in a boarding environment. I watched these children blossom and grow up to be confident and articulate young adults who had the tools to enter the wider world well educated and informed with a world of opportunity in front of them. All went on to university and all of them are now contributing to society in the form of expertise, taxes and are valued members of the wider community. They believe in the power and value of education and the opportunity it offers and this is something that they will pass on to their own children.

This personal experience is something that is backed up by qualitative and quantitative evidence as the experience of being in a boarding school has been demonstrated as being a far better alternative to social care with hugely positive outcomes not just for the children themselves but for their families and the schools involved in these initiatives. The UK government is looking to increase the number of free boarding places available to children who face the prospect of 'going into care', and with scrutiny focussed upon the charitable status of the independent schools sector, the value of social investment is something that needs to be carefully monitored, assessed and analysed.

History can clearly influence future investment and this is where long-established and eminent educational institutions can attract greater philanthropic investment putting newer institutions – most especially those concerning the education of women and girls, at a disadvantage. This is not a sexist view, but simply a statement of fact as women's education is relatively new in a historical context and simply does not have the financial weight of history and endowment which are the status quo for many educational institutions which were founded and endowed long ago, usually by men. Here at St Mary's, our own foundress, Mary Ward, recognised the need for women to have access to education over 400 years ago and we continue to address this need today.

However, the formal education of women as a right – at least in the western world – is little more than 150 years old, and the opportunities for women to create their own personal wealth is still in its infancy in historical terms; it was only as recently as 1870 that the Married Women's Property Act came into force and women were allowed to retain their property upon marriage, rather than relinquishing all control and entitlement to their husbands. In addition, it only became the norm in the 1980s for women to go out to work after they were married and return to work after having children.

However, the formal education of women as a right – at least in the western world – is little more than 150 years old

This has had major implications for girls' education in terms of alumnae donations and endowment. The vast majority of girls' schools do not benefit from the security of a large historic endowment and it is a long-term commitment for these schools to build and grow relationships with their alumnae and supporters so that they can benefit from the increased opportunities and wealth potential that education has given to women. Philanthropic investment in girls' independent education is by its very nature behind that of the long-established boys' schools as a result and is something that needs to be addressed over the long term, to ensure their longevity and enable parental choice, as well as prepare girls and young women to take their place as complete equals in society. Men continue to be the greater philanthropists in terms of volume of investment and women, in addition, give differently to men both in terms of the monetary volume and in what projects they will give to. Women have a far more pragmatic view and will assess the value of the project to them both emotionally and financially; they are more likely to give to causes than buildings so bursaries and access to education is something that, in my experience, is far more attractive for female philanthropists.

Finally, philanthropic investment in education is also arguably, hugely beneficial for social mobility. Bursaries have long been a feature of independent schools and in considering the value of social investment, the opportunity to progress from financial hardship to financially comfortable is a concept to explore. The grammar school system was originally devised to promote this; children from poorer backgrounds would have access to an outstanding education at negligible or no cost giving them the opportunity to escape the poverty trap.

My own grandfather benefitted from a 100% scholarship, endowed by a local philanthropist, to the Royal Grammar School in Newcastle. He came from a poverty-stricken background and received a top-class education, winning a scholarship to Durham University. Although he didn't take up his place at Durham due to having to go out to work and support his younger siblings, he rose to be managing director of the company he worked for and both my father and uncle were taught the value and opportunity of a good education. Both of them rose to be on the boards of their respective multi-national companies. I was the third generation to benefit from a highly academic education and the first girl in the family to attend university. My niece and nephew are now following in our footsteps, hoping to be a vet and an engineer respectively. Surely a great case for support for philanthropic investment in education; one scholarship awarded in 1917 has resulted in a chain reaction spanning generations.

[1] *(From the Guide to Social Return on Investment, 2nd edition, 2012, produced by Matter and Co for the SROI Network)*

Julie Hogg *is a Cambridge Graduate and holds a B.Ed (Hons) from Homerton College in History & Education and an M.Phil in History of Girls' Education from King's College, Cambridge. She took over the post of Head of Development & Fundraising at St Mary's School, Cambridge in October 2015 and is currently spearheading the school's first major fundraising campaign. Having previously been a teacher and Senior Housemistress at both More House School for Boys with SEN in Frensham and at Queen Margaret's School, York, she made the switch to fundraising in 2011, starting her development career as Annual Fund Officer at Newnham College, Cambridge. Following that, she was the Alumni & Events Officer at Cambridge University Boat Club and Cambridge University Women's Boat Club, coordinating the Ely Boathouse Fundraising Project, where she worked with a team of alumni volunteers to raise over £4.5m for a new home for Cambridge University rowing. She is a passionate advocate of women's education, special needs education and equality of opportunity; education can change the world and it starts with women who are, predominantly, children's first educators. She has also represented Scotland and England in rowing and will be undertaking the Coast-to-Coast Cycle Challenge in August 2016.*

The business of the arts:
how to make corporate investment count

Susan Boster *(www.bostergroup.com)*

Last autumn, I was lucky to get an introduction to the extraordinarily beautiful exhibition of portraits by Goya at the National Gallery. Our guide was art expert Richard Thomas and when we were two-thirds of the way through, he made what I thought was a brilliant curatorial observation. He said that his job was to introduce the viewer to the artist – to make the introduction, offer a couple of brief insights to allow the visitor and the exhibitor to find common ground, and then leave the rest of the relationship to them.

Susan Boster

As I walked from room to room, tracing Goya's relationships with his different sitters, it made me think about my own role. I reflected that in the context of the changing economy of the arts, the work can no longer stop at an introduction. Art may be the most emotional of human expressions, but it has always entailed a commercial aspect. Building sustainable, productive relationships is a lot more complex, requiring innovative interventions and measurable impact to ensure success.

There is unquestionably a gap in the UK between the shrinking ability of the state to support the arts and the natural knowledge and predisposition of the private sector to respond. This is where we step in by making the introductions, nurturing the early relationships and helping each side to divine, explore and quantify the return they get on their side of the deal.

Arguably, there is also a gap in the skill sets of the organisations involved. Arts institutions are much more financially savvy than they used to be, but very few of them have attracted top marketing executives to their leadership, with serious experience of corporate challenges and objectives. Likewise, not many corporations count artists among their workforce to bring the creative vision of a museum, gallery or opera house to a sponsorship. I am a former Chief Marketing Officer of News International, as well as a classically trained opera singer from the Juilliard School, and look for this blend of the corporate and the artistic in every member of my team.

For me, the process starts with ensuring there is authentic alignment between the two parties. If you are trying to find the right environment for a technology company, for instance, you are likely to see an appropriate partnership with a gallery such as Tate Modern, which has a similar innovative approach.

You can see this in the way Bloomberg works with the arts. It seeks ways of supporting institutions that are involved with the communities where it operates – often financial centres – and in ways that showcase its own digital capabilities. This can be expressed in long-standing work with projects such as its recent Public Art Challenge, selecting four cities around the world to support it, down to the individual relationship Michael Bloomberg has forged as Chairman of the Serpentine Gallery in London.

It is a great example of business seeking ways to build its own corporate reputation alongside the arts initiatives in which it is invested, and in a way that is more meaningful and with greater lasting impact than traditional marketing and communications.

Some businesses have always been rooted within the arts for historical reasons. Over many generations, UBS has assembled one of the great corporate art collections. As it acquired other banks, it acquired their collections, too. So it naturally developed an interest in how to loan and how to curate these growing assets. And it became interested in buying with an eye to the future. That background makes it a natural supporter for big art fairs and major projects with partners like the Guggenheim.

Of course, wealthy individuals have always been critical to the funding of public spaces and they continue to be. But in an age when everyone knows that big businesses should be playing responsible roles in society, it is important to differentiate between one person's philanthropy and corporate investment. The chairman might be a supporter of the arts in his or her own right, and that should be encouraged, but the company should not be offering support as an expression of one person's patronage – it should be driven by the interests of shareholders and partners.

To do this requires an ability to evaluate the investment, something that lies at the heart of all our client relationships on both sides of the partnership arrangement. We know we have to show how to add value to a corporation's bottom line as well as return to the community. We advocate approaching a partnership with a long-term outlook, which requires bespoke measurement tools to be used and recalibrated over time.

Out of 10,000 targets for your business, you might engage 7,000 or 8,000 through invitations to the rugby, while the rest may care more for Goya. And the positive effects may equally be measured inside the company. In my experience, the smartest corporations are spreading the value of access to artistic excellence well beyond the boardroom. Take American Express and BP, thinking as much about the impact of cultural engagement for their employees in Brighton, Hull and Aberdeen as at the company headquarters.

It is part of the joy of what we do to see these fruitful partnerships become reality. We have established trusted relationships over time with dozens of major arts institutions globally and helped them maximise assets so that they can merchandise, market and partner with the ultimate aim of 'making money while you sleep'.

I see us as translators as much as matchmakers, bringing two cultures together, just like Goya did when he connected his artistic patrons with the people and worlds they inhabited. Maybe not such a brief introduction as you might have to a painter and his work, but doing what is needed to let both sides feel the full value of their coming together.

Susan Boster *is Founder and Managing Director of Boster Group, an independent consultancy she founded in 2001 that creates strategic partnerships for corporations, cultural organisations and artists. Boster Group's innovative strategies respond to goals in areas of client engagement, influencer marketing, employee engagement, audience development and income generation.*

Susan has advised leading international corporations, including BP, EY, Thomson Reuters, AMEX, Bacardi, J.P. Morgan, Facebook, Montblanc and LVMH, working in partnership with The British Museum, Tate, Royal Opera House, The Metropolitan Opera, Royal Shakespeare Company, Louvre and the Guggenheim.

Previously, Susan was Chief Marketing Officer for News Network at News International, and Marketing Director of Barnes & Noble where she oversaw marketing and communications for the launch of barnesandnoble.com. Susan is a member of the boards of the Donmar Warehouse and English National Ballet. She is also a trustee of Children and the Arts. Susan is an advisor for The Representation Project and has previously served as advisor to the Women's Unit, House of Lords.

Susan earned a BA from Boston University and was trained for classical voice at The Juilliard School.

Legacy fundraising – risk or opportunity?

Sarah Arnold *(www.penningtons.co.uk)*

Legacy giving is said to contribute over £2 billion to the voluntary sector. This article explores the risks and opportunities in promoting legacy fundraising, particularly in light of the recent challenges to legacies and the issues faced by the fundraising sector in general.

The starting position – making a will

Legacy fundraising is naturally a sensitive subject and it is therefore understandably difficult for charities to approach the public in order to encourage the giving of legacies.

The only certain way in which a supporter can make a gift to charity on his or her death is to make a will including a gift to that charity. We are frequently reminded that approximately 30% of the UK population currently have a will. Legacy fundraisers not only have to convince their supporters to make a will but also to leave a gift to charity. There is then the additional challenge of convincing supporters to continue to include a gift to charity in the event that they re-draft their will.

As fewer than 10,000 charities receive income from legacies, it is helpful to consider which charities are

Sarah Arnold

benefiting most. Analysis of the top 20 charities by legacy income has revealed that the majority are large international or national charities. Supporters tend to prefer leaving gifts to charities benefiting animals but cancer charities are also widely supported. Regardless of a charity's cause and size, legacies should be part of an ongoing strategy and this analysis of the top 20 charities should not dissuade a charity from actively promoting legacies as a source of income. Legacies are increasingly a relatively simple way of supporting a cause for the first time, or continuing lifelong support, and do not attract inheritance tax.

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Predicted rise in legacy income

Legacies can prove incredibly lucrative with an average gift of just over £200,000 per supporter. It is predicted that legacy giving will grow significantly with a generation of baby boomers leaving or considering leaving a gift in their wills. Legacy Foresight suggests that the number of legacy givers could double by 2050. Additionally, the value of these legacies looks set to increase as the value of property, often the main asset in an estate, rises.

Baby boomers are living longer, as are their children who are often well established and in their 40s or 50s by the time they inherit so there is arguably less motivation to benefit the next generation. Understandably, there is discussion in the sector as how best to inform supporters that leaving a gift in their will is an option available to them.

The challenge of disputed legacies

A concern to legacy fundraising, and those administering legacies within the organisation, is that the charity's legacy could be challenged either due to the validity of the will or on the basis that another interested party seeks increased financial provision out of the estate. The reputational risk of defending a claim together with the cost to the charity of doing so is understandably a concern.

The sector was once again propelled into the spotlight by the case of Ilott V Mitson in which a daughter brought a successful challenge against charitable beneficiaries for increased provision out of her mother's estate. With the media running headlines such as 'End of Testamentary Freedom', it is not hard to see why fundraisers who work tirelessly to secure legacies would be disheartened.

However, there is opportunity for the charity sector as a consequence of cases that highlight a charity's propensity to defend its position. Charities generally pay close attention to the administration of an estate of which they are a beneficiary. Therefore, supporters, in leaving a legacy to a charity, can be confident, due to the duties owed by the trustees, that their estate will be administered correctly and diligently. Challenges to legacies highlight the importance of communication and data collection on the part of the charity and, therefore, supporters should be actively encouraged to communicate their desire to make a gift in a will as this information will be helpful in protecting their legacy to charity.

Time for change and new opportunities

Data collection and the handling of data was one of the issues highlighted by Sir Stuart Etherington in his report, Regulating Fundraising for the Future. The report recommended that the sector needs a stricter regulatory body together with a 'Fundraising Preference Service' so that members of the public can opt out of communications from charities. The proposed Fundraising Preference Service has caused concern because it may act as a reset button for those members of the public who are unhappy with charities contacting them.

The issue here is that the opportunity to contact these people may be lost altogether because of the 'all-or-nothing' nature of the proposal. Conversely, it may mean that those who do not opt out have a vested interest in the sector and charities. Overall, an 'opt-out' will hopefully mean that fundraising spend is used more effectively, which could prove to be an opportunity especially for those charities with a lower fundraising budget.

When collecting data from supporters, provided information is gathered with a supporter's agreement for a specific reason that is communicated and it is held confidentially only for as long as it is required, there is no issue with a charity holding information about a supporter's decision to give a legacy. If a supporter passes away, that information can then be made available to the personal representative of his or her estate should a challenge arise to the will or estate. Provided supporters have transparency as to the collection and retention of data, the information can be retained.

Transparency within the organisation and externally will be key going forward and the changes that Sir Stuart's report may bring should also be viewed as an opportunity. The changes should inspire further confidence in the sector and those charities that have already provided a clear, consistent message to supporters, and managed data correctly, should hopefully reap the rewards. If supporters feel confident parting with information, safe in the knowledge that it is being handled correctly, this will be of benefit to charities and will also assist in the future prediction of legacy income.

Inspiring confidence to give

When making a will, supporters are considering the legacy that they leave behind as an individual.

Therefore, if a supporter can see that a charity is providing for its own causes with a clear strategy and long-term vision, this will inspire confidence that they are indeed leaving a legacy.

Charities should try to convey the same message to all supporters, regardless of whether they are a major donor or unknown to the organisation. It is commonly accepted within the sector that, at present, there is little correlation between a lifelong supporter and a legacy pledger and it is therefore essential that any contact a supporter receives with a charity is consistent.

The delivery of this message starts internally. If charities are able to have frank discussions about gifts in wills within their own organisations, it will be easier for them to have these discussions with their supporters. There is no better advert for a supporter than knowing that people within the organisation are supporting it by leaving a gift in their own wills. As supporters wish to know what their legacy will be after their death, a long-standing, consistent and committed message is vital, so that supporters can visualise the value they are providing by leaving a charitable legacy.

Sianne Haldane, Senior Relationship Manager at Cancer Research UK, comments as follows in relation to legacy giving:

"Legacies fund about a third of our research. Thousands of people are alive today because of the decision of forward thinking people in the past who chose to leave a gift in their will to our life-saving work. As legacy gifts of all types and sizes make a huge contribution to our research, we share this impact in our organisation and with our supporters and we are seeing that more major donors who are engaged with our cause are asking about continuing their support longer term with a legacy.

"We know how important trust and building a relationship are with all our legacy supporters, so we ensure that we maintain great relationships throughout their lifetime and with any executors or family beyond. We also know how important that decision to leave a legacy gift to us is, so we make sure we stay in a dialogue and help them see the impact their gift will have in the future."

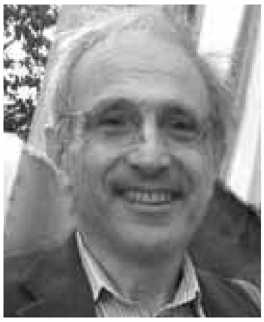
Quite apart from being a sensitive subject to discuss, legacies are an opportunity for supporters to celebrate their lifetime achievements and leave a bequest to a deserving cause of their choice. Therefore, the promotion of income from legacies should automatically form part of a charity's fundraising strategy irrespective of the size of charity or its cause. All members of the organisation should be empowered to discuss legacy giving in the hope that the charity might benefit from the predicted rise in estate values and number of people making donations to charity in their wills.

Sarah Arnold *is a specialist trust and estates litigator at Penningtons Manches LLP. She advises on a broad range of contentious estate and trust matters providing guidance on disputes such as challenges to lifetime gifting and allegations of proprietary estoppel. Sarah has a particular interest in the charity sector, having spent a year working in the legacy team of an international charity. She is a student member of STEP and has completed the Association of Contentious Trust and Probate Specialists (ACTAPS) diploma.*

Social impact
and why it is important

Michael Norton *(www.civa.org.uk)*

The primary purpose of a for-profit business is to make a profit for its shareholders. Sure, the business should try to be a good corporate citizen, to operate in an environmentally sustainable way and to balance the need for making short-term gains against its longer-term interests.



Michael Norton

The primary purpose of a social enterprise is to create some form of social impact in relation to the problem or need that it is trying to address. Sure, it has to be financially sustainable, and perhaps even generate a surplus which it can then split between paying dividends to investors (if it has a share structure) and applying towards its social objectives.

The primary purpose of a social enterprise is to create some form of social impact in relation to the problem or need that it is trying to address.

Likewise a social investor is interested not just in the financial return, but also in the social impact that the investment will create. Before deciding to make an investment, a social investor will want to examine the social impact that the enterprise will make. This impact should be:

- Explicitly defined and publicly stated
- Measurable and then measured
- Managed and enhanced.

This does not always happen. Here is an example of an award-winning social enterprise which has the potential to do far better than it currently does through the better management of its social impact. The enterprise is called CanYou. It is based in Shenzhen and operates in 10 cities in China. It was the first social enterprise to be listed on the Shenzhen Stock Exchange. It provides jobs and hostel accommodation for physically disabled people. It operates a successful software business employing 5,000 disabled people. But there are an estimated 50 million physically disabled people in China, so CanYou is just scratching at the surface.

The first step is to define the social impact that the organisation is aiming to create. For CanYou, this might be:

- Improving the lives of disabled people by ensuring their secure long-term employment.
- Changing society's attitudes and policies towards disabled people.

The next step is to decide what will be measured. For CanYou, in seeking to fulfill its first objective, this might be the number of disabled people in employment – obviously the more who are, the bigger the impact being created. CanYou could increase the number in two ways. It could grow, increasing its sales and turnover, expanding its workforce in order to do this (employing more disabled people) and opening up in new cities. But if it could also help its employees obtain long-term and secure employment in the outside world. By doing this, those employees who leave could be replaced with other disabled people. And those who get employed elsewhere will not just be earning a livelihood, they will also be influencing the attitudes of their fellow workers towards disability (a double benefit).

As a purely commercial enterprise, CanYou would be proud of how long it retained its employees. As a social enterprise, CanYou might measure its success by how quickly its staff leave to go to new jobs, and year-by-year seek to raise the current 10% annual rate of staff turnover.

Other important measures of social impact that CanYou might adopt include how quickly its staff move out of its hostel into independent living, and whether they form family units – both being steps towards creating a more secure, long-term future (and thereby changing people's lives). Something else that CanYou might consider doing is to provide leadership training to its employees to encourage them to become advocates for the needs and rights of disabled people.

By managing its social impact better, CanYou could become an even better enterprise, creating more social impact for its investors and donors. What any enterprise seeks to measure should be something that it should decide for itself, taking professional advice where appropriate. The measures should seek to adequately reflect the social mission, but also use information which is relatively easy (and cheap) to obtain.

This Monitoring and Evaluation needs to be carried out by the organisation as a management tool to enable it to perform better, and not just something done to satisfy donors – where renewing or securing grants can create a pressure to view everything in the best possible light, rather than more realistically. Evaluation is not about getting more money, rather it is using information to increase the effectiveness and impact of the organisation.

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Many social enterprises (and charities) often forget their social mission in their struggle to survive. At board meetings, trustees will scrutinise the monthly or quarterly accounts in detail to ensure that the finances are in good order; but they seldom use the same rigour to examine and question how well the organisation is achieving its social objectives and how much better it could do with the resources it already has.

A first priority for the board should be to measure and manage social impact. It should make this an agenda item for discussion at each board meeting. A first priority for any social investor should be to ensure that the organisation is doing its very best to achieve its social mission, rather than simply looking at the quantity of work being done – impact and outcomes being much more important than outputs.

Balancing social impact and financial return

There are two other factors that a social investor needs to take into account. The first is whether the enterprise has or is able to develop a sustainable business model. An organisation needs to ensure that it is, and it will remain, financially viable, and that by being sustainable, it will be able to create social impact over the long term.

A first priority for any social investor should be to ensure that the organisation is doing its very best to achieve its social mission, rather than simply looking at the quantity of work being done – impact and outcomes being much more important than outputs.

This requires the organisation to plan its different sources of income, and also to adequately price its goods or services, whether they are being sold to the service user or to an intermediary such as a local authority. But most importantly, there needs to be a market for what is proposed and an adequate marketing effort made to reach that market. Too many projects start because people think that providing something would be a good idea, and they have not sufficiently explored whether a market really exists for what they propose.

Here are two examples. First, the 'Desolenator'. This is an innovative and award-winning piece of equipment that transforms sea water (and polluted water) into drinking water using solar energy. It is being developed to produce 15 litres of water a day, enough for a family. If the cost could be brought down from around $250 to $100, it could transform the lives of hundreds of millions of people who do not have access to safe drinking water.

At the moment, it is a product without a market. The market needs to be developed. Will it be sold to development agencies and distributed free to the poor? Will it be rented out to users? Will there be community water purification centres selling the water to families? And equally important, whatever the distribution mechanism, will people and families want to use it? The product has been developed, now a market for it must be developed. An investor needs to recognise this, and have sufficient confidence in the idea to want to help it move forward.

Recurrence is developing a new approach to business education relying on up-to-date, interactive case studies published online, rather than using the Harvard case study approach which relies on historic information in printed format (which can quickly go out of date).

The promoters have spent a lot of time and effort in demonstrating their ideas to business schools. Teachers and lecturers have warmed to the idea and indicated that they might use it. This is a good starting point for developing the enterprise, and provides an indication to the investor that the enterprise might work.

Without a market there is no social impact; without a market, there will be no viable business to invest in. These are important things for a social investor to think about.

Investing in social enterprise

There are three different approaches to social investing:

The first is to back the person and the idea. You find someone with passion and creativity who is tackling an important problem, and you want to help them succeed. Forget about business plans and due diligence, you are investing in the person who wants to make something happen. Instead of making a donation, you are investing, with the possibility of getting your money back or even making a profit if the idea works.

The second is to invest because you want to use your money to generate some sort of social impact. You look for a possible financial gain but also at the impact that your money will help create. If everything works out, you will get both. You can also think about how you, the investor, can contribute towards the success of the project by providing ideas, expertise and contacts. This approach is called impact investment.

The third is the primary objective of getting a financial return, whether this is interest on a loan or a profit on a shareholding plus any tax relief that might be available. There are investors out there who are looking to do good with their money, while wanting to invest to get a financial return. But some investors want low risk, a big upside and an early exit. These are not social investors!

What a social entrepreneur really needs is someone with shared vision and values, who can provide more than money, and who is patient – as success can take much longer to achieve than you might imagine.

I myself make a number of social investments, based on my wish to do good, but which also offer the possibility of making money for me, too. Some of these work out really well, such as City Car Club which is a sharing economy way of providing access to cars. It sold out to Enterprise Rent-a-Car which has the brand and the capital to take the enterprise to a larger scale. Some fail, such as Sleeping Bags, which turned hotel bed linen being discarded into desirable items such as toilet bags, shoe bags and newspaper bags for use by hotel guests. A huge amount of bedlinen is thrown away each year, and this was a way of highlighting the environmental problem and providing a solution. Despite the passionate entrepreneur and a leading advertising guru as the chairman, Sleeping Bags never achieved the volume of sales needed to make it work financially. Not everything succeeds, and a social investor must be prepared for failure. Wind energy, crowdfunding platforms and enterprise accelerators are other things that I have invested in. Doing this is a lot more fun than investing in the stock market, and it has potential to do good while also trying to make money.

The alternative investment market is growing, and it is not just social investment funds such as Big Issue, Triodos, Charity Bank and Bridges that are putting money into social enterprise. Crowdfunding websites such as Crowdcube and Seedrs are attracting smaller investors. The Charity and Community Interest Sector has been offered Social Investment Tax Relief as an incentive for raising loan finance (and equity where shares can be issued). And Green ISAs, which will offer tax relief on both interest and capital gains, are coming soon. The social investment market is growing. What we need are more social investors!

***Michael Norton** OBE is a social innovator and entrepreneur. Through the Centre for Innovation in Voluntary Action he develops innovative projects including: a banking system for street children in South Asia; village publishing in India; and Changemakers, YouthBank and MyBnk in the UK which provide opportunities to young people to engage in society. He co-founded UnLtd, to support social entrepreneurs and the International Centre for Social Franchising to help successful projects scale up. He is promoting social enterprise and environmental innovation in China. He writes books on fundraising and everyday activism. He is based in London, and has professorships in social enterprise at universities in China and South Africa.*

Philanthropy Impact

Join us in our vision to *increase philanthropy and social investment across borders, sectors and causes*

Why *join us*

'I believe Philanthropy Impact has a key contribution to make as a forum to encourage more – and more effective – philanthropy and social investment through the exchange of ideas, spreading knowledge and improving the professional advice available. This is more important than ever.'

LORD JANVRIN Deputy Chairman
HSBC Private Bank (UK) Ltd

Since 1998 Philanthropy Impact has been delivering services to professional advisers and other key stakeholders including philanthropists, trusts, foundations, and charities. Our vision, as a charity, is to increase philanthropy and social investment across borders, sectors and causes.

We provide resources and learning opportunities to professional advisers and other sector stakeholders in order to enhance their expertise, awareness and influence in increasing the level of philanthropy and social investment. Philanthropy Impact's 2014 – 2017 strategy as a centre of competence and impact encompasses growth by:

- Supporting advisers, ensuring they are equipped with best-practice philanthropic and social investment knowledge for discussion with their clients
- Organising learning events seminars for members and interested parties
- Creating networking opportunities to enhance understanding amongst advisers, philanthropists, social investors, trusts, foundations and charities
- Providing know-how, reports and analysis on philanthropy and social investment
- Disseminating information that raises awareness about best-practice amongst advisers
- Collaborating with third parties to support the development of philanthropic and social investment practices relevant to advisers and their clients
- Advocating for philanthropy and social investment internationally

Participants find events 'essential', 'highly educational' and 'inspiring'

FOR PROFESSIONAL ADVISERS

We produce a range of resources to support advisers, donors and their families:

- Opportunities to meet and network with professional advisers, philanthropists, trusts, foundations and charities
- News and updates on philanthropy, social investment and corporate giving
- Support to help fulfil CSR mandates and improve employee engagement in philanthropy
- Bespoke initiatives and advocacy activities to promote philanthropy and social investment
- Tailored professional development programmes

FOR NON-PROFIT ORGANISATIONS AND PHILANTHROPISTS

We offer a range of resources to help non-profits improve their social impact:

- Free access to our network through roundtable discussions with expert speaker panels and topical subjects.
- Opportunities to engage with members and increase influence through publications, events and advocacy initiatives
- News and resources on charity governance, giving trends and social investment.

Philanthropy Impact exists for the benefit of its members. We welcome any suggestions or contributions at **editor@philanthropy-impact.org**

To find out more about member benefits including free event registration, partnership opportunities and free resources please visit our website

www.philanthropy-impact.org
or call our team on **0207 430 0601**

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Membership *benefits*

STANDARD MEMBERSHIP LEVEL

For-profit Organisation: £1,375

For-profit Organisation (regional and international): £990

Non-profit Organisation: £325

Non-profit Organisation (regional and international): £215

PREMIUM MEMBERSHIP LEVEL

Membership Level

For-profit Organisation: £1,650

For-profit Organisation (regional and international): £1,170

Non-profit Organisation: £395

Non-profit Organisation (regional and international): £300

STANDARD MEMBER BENEFITS

- Priority registration and free attendance for events, all of which can be used for self-certified CPD
- Access to Member-only roundtable discussion groups
- Discounted bookings for partnership events and annual series
- Complimentary subscription to Philanthropy Impact Magazine and access to magazine archives online
- Regular news on philanthropy and social investment topics through our Member newsletter
- Published profile for your organisation on our Membership Directory webpages
- Access to a range of resources and publications available on the Philanthropy Impact website
- Programming, speaking and hosting opportunities for events
- Opportunities to join advocacy activities with influential stakeholders on tax planning, legal structuring, new giving initiatives and innovation in service delivery

PREMIUM MEMBER BENEFITS

- All standard membership benefits
- An enhanced profile on the Member Directory
- Organisational listing on the Guide to Giving– a decision-making tool to assist advisers and individuals to develop a giving strategy
- Marketing support and thought leadership opportunities through publications, events and advocacy
- Exclusive access to high-level invitation-only events on social investment and philanthropy topics
- Full access to resources and publications available on the Philanthropy Impact website

How to *join us*

Philanthropy Impact exists for the benefit of its members.
To find out more about member benefits including free event registration, partnership opportunities and free resources please visit our website **www.philanthropy-impact.org** or call our team on:
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