"Just Do It" – Making and Measuring Social Impact

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It is often said of private donors and non-profit actors that social impact is not something they set out to measure — it's something they set out to make. Along the way to making a difference, social investors often face questions about the alignment between their activities, missions and strategies, about the progress of the work that is funded through investments and grants, about possible course adjustments, and perhaps taking advantage of emergent opportunities. And of course all need to report to stakeholders and the public. So they inevitably end up monitoring, measuring, and evaluating programs and projects simply to generate the impact they want to make. For private donors and non-profit actors, measuring impact is not an end in itself. That said, when tailored to a purpose and demonstrably benefitting the communities we seek to serve, monitoring and evaluation and learning can play a crucially important part in effective philanthropy and social investment.

There are many good reasons for measuring and evaluating social outcomes and impact, each calling for a distinctive approach and possibly for different measurement tools. In a start-up social enterprise, for example, the chief aim could be to develop a viable business plan ensuring the growth and survival of the enterprise by monitoring costs, income, benefits, and outcomes. For a large mature organization, a robust impact measurement system could provide a helpful management tool for aligning activities with mission and strategy, and guiding internal resource allocations to the best intermediate users. For other organizations, it could serve chiefly as a learning tool, helping to improve practice by adjusting methods and activities to take full account of the lessons coming out of measurement. For others again, it could help to flesh out communications strategies by identifying the success stories that boards and the public appreciate.

The least good reason for measuring social impact is to meet the expectations of donors and funding agencies. And yet, in Australia, the strongest incentive for measuring social impact among service organizations today appears to be a perceived need to meet increasingly shrill demands from funding agencies and donors for quantifiable impact measurements as a condition of further funding. To complicate matters, in fields of community engagement where cooperation among service providers is a precondition for enduring social impact, funders' demands for impact measurement stimulate competition among providers to beggar their neighbours.

Non-profit service providers are under pressure to demonstrate their impact from several quarters including public pressure for greater accountability, government fiscal pressures to "squeeze more out of existing dollars," and new pressures from the new social finance market to show social returns on investments. As Paul Ronalds of the Department of Prime Minister and Cabinet recently explained: "[C]ertain central agencies like the Department of Prime Minister and Cabinet and the Department of Treasury are particularly interested in evidence of social impact… The fiscal environment is pushing us all in the right direction; it's making it much more likely that those organisations that are able to demonstrate their impact with robust evaluations are going to get increased funding."[i] Those that cannot demonstrate their impact through evaluation reports will presumably find their funding reduced.

Private social investors, corporate benefactors, and some private foundations are applying pressure from the perspective of outcome-based commissioning. To satisfy an expanding social finance market, influential voices are advocating that outcomes and impacts should be measured in a common currency so that social investments can be channelled efficiently to the best performing non-profits in the social market. Their analogy is with financial markets where openly published information on dollar 'returns on investment' (ROI) is considered essential for valuing firms. In financial markets, comparing reports on investment returns is considered a useful tool for efficient allocation of capital. Similarly, the argument runs, a common currency enabling shared information on Social Returns on Investment (SROI) would ensure that capital could be allocated most efficiently to non-profits best able to generate 'social profit.'

In a winner-take-all competition of this kind, some non-profits will prosper, others fall by the way. This is intrinsic to the design: pressure from government and social investors for cost reduction and risk minimization implies efficiencies of scale, to reduce unit costs, and bureaucratic processes, to limit risk. From this perspective, a 'robust evaluation' is one that assists funding agencies to minimize risk and achieve economies of scale.

Not surprisingly, securing continuing funding is the predominant concern of a majority of managers in the social services sector today.[ii] When managers hear authoritative statements that their future funding depends on successful impact reporting they are bound to channel their efforts and resources into impact reporting. With human and financial resources already stretched to the limit – as few social service contracts cover the full cost of delivery – resources will need to be diverted from 'just doing it' to possibly 'just measuring it.'

A new risk emerges when what comes to be valued is the quality of the evaluation, or the quality of the evaluation process, rather than the quality of the work or the contribution. Research shows that the temptation to 'game' performance indicators rises when indicators serve as guides to resourcing institutions, or to rewarding or punishing individuals, rather than serving as guides to improved performance.

Before launching into any form of measurement and evaluation it would then be helpful to clarify the purpose and target audience of the exercise and to select an approach and suite of tools appropriate for the mission. Research to date indicates no significant correlation between any particular method of impact measurement and the success or otherwise of impact reporting. What matters is that there should be a clear design including a compelling theory of change, clear engagement with partners and beneficiaries, plausible causality between actions and impacts, and a willingness to test theories and programs against hard evidence.[iii] Which is only to say that successful impact measurement should follow the strategic arc of sound social investment design, from identifying problems, to seeking innovative solutions, finding partners, investing resources of different kinds, leveraging additional resources to achieve scale, and keeping an eye on things as they move along. A healthy impact measurement system is one that follows this design and that helps to improve performance so that impact is something a social investor can really *make*.

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Should private donors and social investors shift their emphasis from making impact to measuring it on the model of government agencies and social financiers? I think not and I would like to support this position with a couple of case studies drawn from my time with the Ford Foundation and from work undertaken in Australia today.

Sometime into my term as China Representative in Beijing I met up with a retired diplomat with deep experience in bilateral government aid programs. We got to talking about the respective legacies of one particular national bilateral donor in China and the Ford Foundation. One of these two institutions was a government agency, the other a private donor, but otherwise they conducted comparable operations in most respects. Both had been working in China for thirty or more years when we spoke, both had covered similar fields of programming – poverty alleviation, development, governance, law, civil society, environment, education – and each had invested a similar dollar figure, in the $300m to $400m range, over those thirty years. Comparisons were tempting.

"What was Ford's time-frame for measuring impact?" he asked me.

"Ten to twenty years."

"How do you measure impact over such a long time?" he asked.

I explained that we monitored projects as they rolled out, trying to make sure that they aligned with strategies, and we reported on outcomes and impact as best we could year by year. External evaluators – let's call them boffins – would conduct reviews at program-level every ten years or so. More extended long-term impact measurement were left to other outside experts – more boffins – who could choose to tell us and the world what we did right and what we got wrong.

"Do you have KPIs?" he asked.

"No."

"No wonder Ford has had such an impact."

He was speaking loosely, of course, but with serious intent. Any outsider looking back on initial Ford investments in China thirty years ago would find that they paid extraordinary social dividends in the long term. Today, 50 of China's 100 most influential economists advising government and industry are graduates of the Ford economics program (the '*futeban*') of the 1980s and 1990s. The same could be said for the most influential legal educators and international relations advisers in China today, or more recently for Ford's impact on the development of the non-profit and philanthropic sectors in China. The program officers who made professional judgments about how and where to invest for greatest impact, way back then, have long since left the organization. So have the senior executives and the board sitting in New York. They knew at the time that none would be around to measure anything over the twenty-year frames in which they were planning. They were focused on making an impact and their careers did not depend on reporting the outcomes of their work over their terms in office. So they took a punt, backed their professional judgment, and invested in the best people available. When the measurements finally came in they far exceeded anything that could be captured in routine KPI progress measurements. What my distinguished friend was saying was that prioritizing *measurement* over *making* impact diminishes the scope of what can be accomplished. As for measurement itself, prioritizing short term indicators over long term ones diminishes the spectrum of the possible.

The big American foundations do have reasonably robust monitoring and evaluation structures and programs in place. They have programming strategies, logic models, theories of change, matrix structures for monitoring alignment and compliance, and results reporting mechanisms. When these work, they yield qualitative and quantitative measures of outcomes and impacts. They rarely work perfectly and sometimes barely at all. But perfecting measurement processes can be a distraction when the purpose of building robust monitoring and evaluation system is to assist program designers, commissioners, and partners to learn lessons from their oversights or extravagances, to adjust their approaches and targets, and to take full advantage of the opportunities that arise through emergence in the course of their work. An evaluation system works best when it helps best.

All of these factors came into play while I was working with Ford in China. I was fortunate to be in a place and at a time when innovative ideas, once-in-a-lifetime opportunities, and a new generation of leaders were emerging together across China's social landscape. The social sector was vibrant and expanding. The Foundation's partners in China were running a vast laboratory of social innovation, experimenting in everything from non-profit service delivery for migrant workers to building digital philanthropy infrastructure. To be part of this meant swallowing hard and just doing it.

As an office, of course, we had to report on our impact. It was clear from the outset that 'our impact' was not ours alone. It was largely that of our partners, so lifting their performance would lift ours. We then worked with our partners to clarify our respective values and intentions, to identify problems and opportunities, to explore innovative ideas and methods, to leverage additional resources, and to go for impact on a scale that is only possible in a place like China. Our strategic planning exercises and our outcome/impact measurements were all aids to improving our performance and that of our partners.

An organization that needs to distinguish between its own impact and that of its partners/grantees also needs to articulate convergence among multiple levels of impact through the selection of units of impact analysis. Should the unit of impact analysis be the partner/grantee? Should it be the project? Perhaps a project cluster or partnership cluster (together engaged in 'collective impact') ? Or an 'initiative' cluster of twenty to one hundred or more projects ? Or a program of several hundred ? And in distinguishing between its own impact and that of its grantees and partners, a private foundation is at liberty, as governments appear not, to be more demanding on itself in measuring performance than on its partners when it asks them to account for themselves.

Partnerships were at the heart of the business. Ford's own tag line is "Working with Visionaries on the Frontlines of Social Change." The Foundation is *not* itself visionary. It sets out to help people of vision by drawing on two distinctive features of private giving that are often missing in market mechanisms and government operations: risk taking and innovation. When Muhammad Yunus approached the Bank of Bangladesh in the 1970s to expand micro-credit services to the rural poor, through his new Grameen Bank, the Bank of Bangladesh not unreasonably declined his request for core lending. The bank's board and management considered lending to the poor inconsistent with its duty of care to depositors and shareholders to ensure the security of their investments. No government agencies or bilateral aid donors stepped in to the breach. Yunus approached the Ford Foundation for an $800,000 loan guarantee as security against commercial loans – not as a grant but as a social investment. He offered to pay it back only if it worked.

Ford had been making "Program Related Investments" (PRIs) since the late 1960s. PRIs are permitted under the U.S. federal Tax Reform Act of 1969 Section 4944 which allows private foundations to make social investments for which the primary purpose is to advance a charitable cause. The Grameen loan was a standard PRI under the 1969 Act. Ford offered Yunus the loan guarantee, and, as we now know, he returned the loan in full once he had demonstrated the commercial viability of his micro-finance model to banks and to the market.

In a case study of the Ford Foundation's dealings with the Grameen Bank, Harvard University professor Steven Lawry notes that the case illustrates that most innovative ideas do not come from the donors themselves, or from their boards, but from among people living and working close to the problem at hand.[iv] Social justice donors need to keep their ears close to the ground and be sufficiently humble to recognize that they don't carry solutions to every problem in their briefcases. The best of them bring resources, an open mind, and an appetite for risk. In this case, a private foundation carried the risk of someone else's social innovation to the point where the innovation could get to market – in a style of philanthropy that would be considered innovative even today, forty years on, in some parts of the world. Done well, a strategic risk investment of under one million dollars can have a beneficial social impact measured in the billions over time.

Taking risk means accepting the risk of failure as well holding out prospects of returns on social investments. A healthy risk appetite is nourished in donor regimes that can tolerate and accept disappointments. Not all can. Even growth in social investment vehicles, such as PRIs, can work to reduce risk appetites if left unchecked. Innovations in the way capital is allocated for social investments are to welcomed for expanding the pool of capital available for social investment generally. But they should not be mistaken for social innovation itself. Social impact investing, for example, is a form of financial innovation – an innovation in the way capital is made available for social ventures – that may or may not actually support high-risk social interventions. An insistence on hedging the security of corpus investments, or on securing reasonable (if sub-market) rates of return on investments, could act as a further risk inhibitor by limiting social investments to dependable winners and diverting resources from messy problems to straight-forward ones more amenable to predictable solutions.

By contrast, old-fashioned philanthropy – including donations and bequests – faces fewer constraints on innovative programming and projects than any other source of social investment. It does not always take full advantage of its strengths. Too often, as its critics point out, philanthropy "weeds out revolutionary ideas to limit risking scarce resources. While this is understandable on some level, foundations and corporations will see very little innovation as long as they take so few risks."[v]

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Where does Australia sit on the spectrum of philanthropic innovation and impact ? Few would claim that philanthropy or private social investment should do the job of government in this country. Private donations contribute only a fraction of the cost of delivering universal health care or public education relative to public funding. But in its day private philanthropy – or charity as it was known at the time – was a pioneer in the provision of basic services. In the Australian colonies, private charities led the way in supporting public health, public education, and general poverty relief. There was no alternative. When the Victorian colonists approached the Governor in 1840 to build a hospital in Melbourne they were firmly rebuffed on the ground that the authorities "did not consider it the business of Government to provide a general hospital for the District… Such institutions are the objects of private charity."[vi] So it was with schools. And so it remained for the better part of the century. Private philanthropy took the initiative because no-one else would. Not 'filling a gap,' as they say, but *doing* it.

Today, where is the primary locus of social innovation in this country? Is it in the social investor or in the social sector more broadly? On the investor side, where is the site of social innovation – in financial modelling? in technical specialisation? in strategic planning? in techniques for getting to scale? in impact analysis? To my mind, these are technical supplements to social innovation. As a rule, the instinct and impulse for innovation lies outside our organizations among people living closest to the problems at hand – among Indigenous communities seeing their land and environment degraded; among families separated or suffering through discrimination; among regional communities watching their children leaving for the big city. Local innovation can also be catalysed by openness to national and international experience. If the greatest scope for innovation lies outside the small investment and donor community, then the role of philanthropy in supporting innovation would appear to involve being open to risk and new ideas, approachable for new players, willing to support national and international exchanges among partners, supportive of their core activities, and able to offer technical advice to help bring local innovations into the wider social market through demonstration, leverage, and achieving impact at scale.

With the help of colleagues at Swinburne and the Top 50 Gifts Working Group, and Liz Gill-Atkinson of the Myer Family Company, I have had an opportunity to review the some of the achievements of social investors in this country which illustrate these features of risk taking in support of innovation – and which trace the arc of strategic grant making from clarifying values, to identifying a critical problem, to finding the right partners, committing resources, and leveraging further resources to achieve impact at an appropriate scale.

In Social Change philanthropy, it is hard to surpass the work of the Reichstein Foundation in areas such as Indigenous Rights and Heritage, and equality before the law of same-sex-parent families. The Reichstein Foundation was one of several partners supporting Friends of the Earth (Barmah-Millewa Collective) to co-operate with Yorta Yorta, Wadi Wadi and other Traditional Owners along the Murray River and tributaries, in an effort to preserve and secure River Red Gum Forests along the Murray. There is little that is heroic about the routine work of a social change foundation, and little glamour in the advocacy work undertaken with its support. The River Red Gum Forests project was a slow advocacy campaign that rewarded persistence and diligence and required a patient and committed donor. Making a real and sustainable impact requires long term partners, core support for the partners' mundane operations, and sustained multi-year funding, with no real guarantee of success. But the impact can be very impressive. Following the campaign, the Victorian and NSW governments created over 250,000ha of new red gum National Parks and Protected Areas, many co-managed by or handed back to Traditional Owners.

Other instances of The Reichstein Foundation's successful social change philanthropy include the 'Love Makes A Family Campaign,' which supported legislative changes, basically winning equal access for single women and lesbians to fertility services and to legal recognition of same-sex parented families. The grant followed a similar pattern of providing core support for the everyday activities of advocacy campaigners, including a training weekend in community activism that offered child care and catering, so that the campaign could engage the widest possible cross-section of the Victorian community. A cluster of other not-for-profit organisations such as the Victorian AIDS Council, Women's Health in the North, and VCOSS each made contributions in-kind that allowed campaigners to bring their children with them when using donated office space. Funding child-care and secretarial services, and providing office space for campaigners and participants, may make for dull media but it can be profoundly impactful. As a result of the community advocacy campaign, the Victorian Law Reform Commission received more submissions on this matter than any in its history. The resulting legislative changes are far reaching and enduring.
Advocacy campaigns for social justice need to be media savvy, particularly around social media, and yet those who support them are rarely media darlings. The Foundation for

Regional and Rural Renewal (FRRR) helps underserved communities in Australia. The FRRR has gone on to leverage government funding and other donor support to make a difference in many aspects of rural and regional community life, not least in Natural Disaster Response, where it has developed a comprehensive suite of interventions including a clearinghouse role (for the philanthropic sector to commit to disaster response), a leveraging role (working collaboratively with other funders to jointly refer programs), a facilitation role (targeting contributions through specific Donation Accounts so that donors can target and track their giving) and a traditional granting role (including support for a program known as Repair-Restore-Renew).

Every element of this donor-network infrastructure is innovative. What is especially notable about the Repair-Restore-Renew program is the way it systematically picks up the tab when the media drops the case – when public, individual donor and corporate interest all drop away – at a time around twelve months after a disaster strikes which research shows to be a critical time for medium to long term community recovery. Again, this is not merely 'filling a gap.' It is leading the way towards responsible long-term social investment after short-term media interest and government KPI requirements have passed their use-by dates. Not filling a gap, just doing it.

The same could be said of pioneering risk-taking grants and investments in other fields – in scientific and medical research, for example, where the Clive and Vera Ramaciotti Foundation provided a grant in 1978 to Professor Graeme Clark's cochlear implant team, at a time when no other funds were forthcoming for a key research element. The grant allowed the team to reach a point where the demonstration effect could leverage much larger additional funding to enable the successful development and approval of the multi-channel cochlear implant – now implanted in more than 200,000 people in over 70 countries. The foundation focused on the potential impact of the experimental technique, in the event that it *did* succeed, rather than limit its sights to the limited chances of success, which are said to have been rated at zero by 99% of scientists.

Other examples of risk-taking innovation and openness in Australian social investment could be listed in education, asset-building for the poor, in women's health and livelihoods, in child welfare, in urban infrastructure improvement, and of course in arts and culture, sports, and other fields where Australians have made a real difference here and abroad.

Australia needs more, not less, of this kind of risk-taking social investment. We also need more open, critical, and inclusive discussion of how private philanthropy and social investment can make a difference at scale to our communities, our environment, our culture, and our well being. The question is not whether philanthropy is a good thing or a bad thing, large or small, a media darling or a threat to democracy. It's a question of finding out just how good and impactful philanthropy can be when it does what it does best – when it accepts risk in support of social innovation and gets on with it.

[i] Emphasis added. Cited in Jackie Hanafie, "Social Outcome Measurements must be Prioritized, Conference told." *Probono Australia*, 13 February 2013 http://www.probonoaustralia.com.au/news/category/3818

[ii] "Do Not-For-Profits Need to take More of a Risk: The Trust Company Report into the Not-For-Profit Sector. (Melbourne: The Trust Company, 2012), p.6.

[iii] See for example Kate Markey, "How can we best measure the impact of the social sector?", *The Guardian Professional*, 1 March 2013.

[iv] Steven Lawry, "Early Ford Foundation Support for the Grameen Bank: Lessons in Philanthropic Accountability, Risk, and Impact." The Hauser Center for Non-Profit Organizations Harvard University, Working Paper No.44, October 2008, 11pp

[v] Ben Mangan, "The Ugly Truth about Scale," *Stanford Social Innovation Review*, March 2013: http://www.ssireview.org/blog/entry/the_ugly_truth_about_scale

[vivi] John Poynter, *Mr Feltons's Bequests* (Melbourne: The Megunyah Press, 2003), p.50.