Metrics from the Ground Up 2016 – Washington, DC

June 15, 2016

Lightning Talks

Session Description: A series of quick talks that focus on trends in impact measurement practice, integrating feedback loops, and balancing rigor with practicality.

Panelists:
- Hannah Schiff, the GIIN
- Caitlin O’Donnell, Goizueta Business School, Emory University
- Thoai Ngo, Innovations in Poverty Action
- Venu Aggarwal, Acumen

Moderator:
- Saurabh Lall, ANDE

• Trends in Impact Investing: Hannah Schiff, The GIIN
  - This session gives 30,000 ft. level overview of the findings from the GIIN’s 6th Impact Investing Survey
    - Focusing on the benefits and results of measuring and managing impact
  - Sample size: 158 respondents
    - Active impact investors from all over the world from fund managers to banks, family offices, pension funds etc.
  - Primary impact objectives:
    - 48% social
    - 5% environmental
    - 47% both
  - Most targeted social/environmental themes of focus:
    - Access to finance, employment generation, health improvement, education, income growth/livelihoods support entrepreneurship, Renewable energy, energy efficiency, clean technology
  - Top strategies to achieve impact:
    - 1. Selling products and services that benefit a target population
    - 2. Providing employment to target population
    - 3. Selling products and services that benefit the environment
  - 103 respondents measure impact through proprietary tools
  - 102 respondents use metrics aligned with IRIS
  - Top reasons for measuring environmental/social performance:
    - It’s a part of the mission of the organization
    - 6/10 respondents think impact has business value and informs investment decisions
o Who measures environmental/social performance?
   ▪ More than half respondents said that investment team is responsible for measuring environmental/social indicators

o Biggest measurement challenges:
   ▪ Difficult to get data due to resource constraints
   ▪ Difficult to understand outcomes of an intervention,

o 86% of respondents see progress in how environmental/social impacts

• Accelerator Performance: Caitlin O'Donnell, Goizueta Business School, Emory University
  o Global Accelerator Learning Initiative
    ▪ Working with accelerators to understand how they work & how they impact early stage entrepreneurs
  o Partner with accelerators to track applicants and gain insights
    ▪ Which entrepreneurs were successful? Which weren't?
    ▪ What were their impacts?
  o Key findings:
    ▪ Those that were accelerated demonstrated revenue and employee growth
    ▪ More time in the classroom is correlated with lower performance
    ▪ The quality of the applicant pool matters more than the quantity
      ▪ This is true above a certain threshold
    ▪ In a follow up report with accelerator start-ups many demonstrated significant growth in investments. However, the study finds that in at the early stage of a start-up it is more important to see employment and revenue growth in the first follow up. It is important that ventures get their business and valuation right before seeking investments.
    ▪ Women getting smaller portion of investments (compared to male counterparts)
  o The initiative makes annual reports and quarterly briefs publicly available online

• Right-Sized Evaluation: Thaoi Ngo, Innovation for Poverty Action
  o Microcredit programs at the enterprise and beneficiary level
    ▪ Do they benefit the world’s poor?
  o Innovation for Poverty Action came out with study across 6 different countries. The study found some unintended impacts:
    ▪ Expanded credit access led some entrepreneurs to invest more in their businesses
    ▪ Microcredit access did not lead to substantial increases in income
  o How can we use data from this study to refine approaches to making impact?
    ▪ Organizations struggle with deciding how to and when to understand impact
    ▪ Resources devoted to impact measurement are wasted when the quality is low
Decision-makers need help in determining when to conduct an impact evaluation and how

Solution:

- Goldilocks principles for monitoring and evaluation:
  - Credible – collecting high quality data and analyzing the data accurately
  - Actionable – commit to act on the data collected
  - Responsible – ensure the benefits of data collection outweigh the costs
  - Transportable – collect data that generates knowledge for other programs

- Case study with Root Capital – worked with small and growing agricultural businesses
  - Purpose: What is the impact of root capital loans? What is the rural impact on farmers?
  - Methodology: Reviewed internal documents and reports, observed in person meetings about M&E systems, follow up calls and conversations
  - Ultimately, IPA recommended Root Capital abandon the current approach to measuring impact at the farmer level and instead develop a business case for farmers to expand growth

- Key findings:
  - Data systems and measurement priorities need to be right-sized
  - More information is needed on the right M&E strategies

- Goldilocks toolkit is meant to help people develop a theory of change and right-size M&E systems

**Lean Data: Venu Aggarwal, Acumen**

- M&E has a reputation of being hard, burdensome and slow - if this is the case then why is it worth it?
- Acumen is reimagining a world where measurement is work it. Where measurement: adds value, is simple, cost effective, timely and relevant. Therefore making measuring worth it and desired.
- How do we get to this changed worldview?
  - Acumen has been collecting data from social enterprises to develop a new method – Lean Data
- Lean data vs traditional M&E: bottom up customer accountability vs. top down compliance
  - What data is needed to serve customers better? What is your list of metrics that will help you? And how can Acumen help you measure it?
  - Focus on the customer: M&E is for the customer and understanding their perspective is on the products they’re providing
  - Making the experience of collecting date delightful for the customer
  - Making data collection cost-effective
Exploring touch points with customers
Implementing the most cost efficient technologies to achieve desired outputs

- Asked social enterprises to take 10-12 minute surveys – asking open ended questions so they can express their opinion – asking customers about the impact they think a certain product is having – variation and value as it is perceived by people is what matters
- Metrics naturally emerge once enough data is collected

- Acumen has done 18 lean data ‘sprints’ (total project cost was $5-$25K) to uncover how lean data is different from traditional M&E. Findings on best practices:
  - Collect data in order to make better decisions
  - Need fast feedback loops

- As investors, Acumen is learning:
  - How to ask the right questions
  - What should be collected
  - How to link sectors with impact
  - There is a need to thoughtfully experiment and refine approaches in order to get the most useful data that will help organizations make the best decisions

• Q&A:
  - How do specific stakeholders (accelerators and impact investors) think about impact differently?
    - GIIN
      - Depends on the impact goals. Most are gathering data for decision making. They are looking from the bottom up at information and what their organization is trying to achieve
    - Goizueta Business School, Emory University
      - From the perspective of working with 55 accelerator partners around the world it’s mostly about internal decision making. One accelerator they worked with realized they had niche group of applicants and had to pivot in order to create learning programs to better work with these people.
  - What learnings from the Root Capital case study helped them pivot their work?
    - In the pilot initiative everyone wanted to see the impact on the market. However, the program wasn’t poised for impact. Root Capital needed to refine their approach to understand what motivates the farmers before they could get the impacts on the market they wanted.
  - Who is paying for Acumen’s lean data work?
    - Almost completely ground funded
    - Acumen is strategically figuring out what the right products are and where value can be added in the post investment stage
    - They envision a future where specific parts of data collection are funded by companies themselves. However, there is an understanding that companies
may not always be able to afford it. Looking at developing a hybrid system where Acumen and the company (through grants potentially) pay for this type of work.

Key Takeaways:

- The impact investing field is experiencing market growth – which in turn increases the demand for better ways to measure social & environmental performance
- Impact investors use a range of practices to measure their impact and most do so because it’s a part of their mission
- There is increasing demand for research on the financial performance of impact investments
- There is a need to understand what makes accelerators effective support systems for entrepreneurs to create the most environmental & social impact
- Not all M&E strategies are fit for purpose. There is a need to right-size these strategies so that organizations can achieve the impact they want.
- A lean data approach to M&E puts the customer first and is bottom up oriented. We need to ask if our M&E systems are: adding value. Are they simple? Cost effective? Timely? Relevant? If they are not then refinement is needed.

Additional Resources:

- The GIIN’s Annual Impact Investor Survey
- The Impact of Entrepreneurship Database Program
- Innovations for Poverty in Action: CART Principles