Impact Measurement: Finding Your Way Through The Maze

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This is the second in a series of articles about impact measurement for social entrepreneurs.

Social entrepreneurs who are serious about having impact or about attracting capital from sophisticated impact investors face an intimidating array of measurement tools, standards and abbreviations. To help social entrepreneurs find their way through this maze I connected with practitioners and experts.

Laura Callanan, founding partner at Upstart Co-Lab, makes the case for using existing standards rather than inventing your own. "I am a fan of building off what already existing in the field -- especially B Lab, GIIRS and IRIS. In the work we are doing at Upstart Co-Lab -- connecting impact investors to the creative economy -- these existing tools work really well. And using familiar tools makes it easier for us to launch a creativity lens for impact investing."

B Lab is the non-profit that certifies Benefit Corporations. GIIRS is the "Global Impact Investing Rating System" and the acronym is pronounced "gears." GIIRS ratings are used by impact investors to evaluate social impact; the measurements can be applied at both the company and the fund level. B Analytics, the B Lab entity that does measurement and certifies Benefit Corporations, uses GIIRS standards.

Note that I and others often use the terms Benefit Corporation and B Corp interchangeably, B Corp refers most properly to the certification by B Lab where a Benefit Corporation is a legal entity formed under the rules of a state that allows that form of incorporation.

IRIS is a free product of the Global Impact Investor Network, the GIIN (pronounced like the spirit). IRIS provides standards for measurement that are broadly used within the impact investing community.

Laurie Lane-Zucker, the CEO and founder of the

Impact Entrepreneur Center for Social and Environmental Innovation, adds that using the SDGs, the UN's Sustainable Development Goals also makes sense. He adds, "I am a big fan of the new taxonomy framework that Fourth Sector Networks is in the process of developing for the "for-benefit" or "Fourth" sector."

Impact investment fund manager, Joel Solomon is Chair of the Renewal Funds; he encourages portfolio companies to seek B Corp certification.

Matthew Weatherley-White, a recognizes expert on impact measurement and co-founder and managing director for the Caprock Group, which manages money for impact investors, agrees. He encourages social entrepreneurs not only to measure their impact with B Lab standards but also to become a certified B Corp (or Benefit Corporation), for three reasons:

- as a statement of commitment
- as a stamp of transparency and credibility
- as a way of supporting the emerging community of social enterprises

“They should then establish a tight group of IRIS-compliant metrics that are quantifiable and material, that will be gathered during the day-to-day operations of the business, and that will provide evidence around the mission of the enterprise,” he continues. He also encourages entrepreneurs to report using the taxonomy provided by his firm’s “iPAR” system.

Social entrepreneurs Lisa Curtis, founder and CEO of Kuli Kuli, says, “One of the first things Kuli Kuli did as a company was to get our B Corp certification. It was tremendously helpful in pushing us to further define how we wanted to operate as a business. We're now a full-fledged Benefit Corporation and we regularly report on those metrics.”

Daniel Jean-Louis, CEO of Bridge Capital, an impact investing firm focused on investments in his native Haiti, notes that while the GIIRS standards are “pretty good,” entrepreneurs “should establish some of their own standards in addition to those rules.” He points out that sometimes it is hard to fit your impact into an existing model.

Nell Derick Debevoise, founder and CEO of Inspiring Capital, says that which standard you use may depend on your stage of development or your industry. “B Lab is good for very early stage companies because it's focused on setting up the operations of your company and is relatively simple and user friendly. It's also more of a consumer-facing certification. GIIRS and IRIS are more investor-facing, so startups looking to raise institutional capital should think about mapping their impact to those standards sooner than later.”

Cecile Blilious, an impact investor based in Tel Aviv, is the founder and managing director for Impact First Investments. She also encourages people to use the B Lab standards. She also notes that using a Social Return on Investment or SROI method is important. She uses Sinzer to help her firm with that. The SROI is a means of measuring value created that doesn’t have an easy financial metric, such as environmental and social benefits.

Matthew Davis, an impact investor focused on Ethiopia, is the CEO of Renew. He says his firm uses the IRIS standards.

Similarly, Gary White, the CEO and co-founder—with Matt Damon—of the non-profit Water.org uses the "IRIS framework to ensure that we are delivering social returns as well as financial returns to investors" for its WaterEquity program that allows investors to fund water projects with an economic return.

Lisa Hagerman, director of programs at impact investment fund DBL Partners, says the firm also uses IRIS metrics, but notes that what is appropriate for each social enterprise will vary depending on the asset class and sector.

Amit Bouri, CEO of the

Global Impact Investing Network, says more entrepreneurs are using the IRIS standards. "While IRIS was developed to be used by investors for the purpose of measuring the social and environmental performance of their investees, we are increasingly seeing enterprises adopting IRIS for their own impact measurement and management practice."

He notes that using IRIS measures could make social ventures more attractive to impact investors because it could accelerate the impact due diligence phase of an investment.

More importantly, perhaps, Bouri says that impact measurement can actually improve business performance. "Impact measurement is a defining characteristic of impact investing and has been

shown to have significant benefits to organizations that utilize it to inform business decisions."

Cathy Clark, author and professor, is the director of CASE i3 at Duke. She cautions, "Not every social entrepreneur needs to use a standard or produce an impact report. It's a choice, dictated by the stakeholders of your enterprise and what level of evidence they are demanding."

She explains, "We define 5 levels of evidence and 3 paths for impact reporting in our CASE Smart Impact Capital online tools. Using standards is just one of the paths."

She sees a range of demands from investors; using standards helps with comparisons. "The advantage of using standards is giving people some level of comparability at the organizational level, and there are stakeholders who care a great deal about this, including some private investors and some federal and state agencies. All of the other paths allow you to customize more, but you lose some comparability with other ventures. Some stakeholders, like some agencies in the US government, have often decided that they will only invest significantly where higher levels of impact evidence can be shared.

Bobby Turner, CEO of Turner Impact Capital, which invests primarily in affordable housing and charter schools, is also cautious about using standards. “We focus less on impact standards and more on actual impact and the correlation between positive (and possibly negative) [social impact] and financial returns. Similar to LEED certification, while the intent of the standards is well meaning, they are often irrelevant to a particular investment.”

It isn’t necessarily which standards you choose but how you use them, says Stephanie Gripne, founder and director of Impact Finance Center & CO Impact Days and Initiative. “Probably any of [the standards work for now for the larger part of the market. There are many out there. Once these standards are selected by a social entrepreneur, I would ask why these indicators and how exactly they will capture and use the data.”

Breaking from the pack, Topher Wilkins, CEO of Opportunity Collaboration and founder of Conveners.org, says Poverty Spotlight is worth considering as a standard because of its focus on feedback from beneficiaries and on their economic well-being.

Some worry that impact standards themselves may not go deep enough. Morgan Simon, managing director at Pi Investments, says, “Impact standards are great for addressing short-term outcomes. It’s important to also keep track of what the long-term, systemic impact of an intervention can be--this may require a greater attention to the structural elements of a business. Who owns it? Does it add more value than it extracts from communities?

She adds, “Impact measurement is absolutely useful---what gets measured, gets managed. Impact measurement is often used to count the occurrence of something, e.g., 1,000 jobs created or 200 homes built. Measuring structural change may require a different set of questions.”

Peter Fusaro, Chairman of Global Change Associates, adds the Sustainability Accounting Standards Board or SASB to the list of standards. The SASB is primarily used for socially responsible investing metrics and is working to become to public companies what the FASB accounting rules are for financial metrics. He adds, “I don't see one as the dominant standard as of yet.”

Lauryn Agnew, president, Seal Cove Financial and founder, Bay Area Impact Investing Initiative, shares the view that the standard you should use depends on your situation—and on what you are measuring.

“ESG factors can measure the outcomes of CSR. B-labs often are about balancing corporate behavior and shareholder expectations and governance. Measuring GHG reduction from an investment in solar is an example of measurement but the value of that impact in not fully understood. Certain standards like SASB are helping to define what is the 'material' impact so that we do not have to track 'every' impact, which can be diluting or detracting to the big picture goals.”

This primer on impact measurement should help you understand the key issues in measurement so you can find your way out of the impact measurement maze.

#impmeas