How to Create a REAL SOCIAL IMPACT

The answers to five important questions will give you the solution.

By Marc J. Epstein and Kristi Yuthas

The expectation that companies will contribute something to society, other than their main products and services, has never been greater than it is today. Beyond tracking growth and other economic metrics, almost all of the world's largest companies now routinely monitor social impacts and produce annual sustainability reports. Accountants and other financial executives, whether part of a large corporation, nonprofit, or foundation, are often focused on measurement. In fact, most of their activities surround measurement of financial impacts (net income).

But those skills don't have to be limited to financials. They can be adapted to focus on social impacts—the corporate social responsibility (CSR) or sustainability activities of the corporation and the social impacts of its ordinary manufacturing and sale of its primary products and services. This also applies to the activities of foundations and nongovernmental organizations (NGOs). Organizations measure just about everything else in the hopes of leveraging data to gain advantages, so why shouldn't the social impact of their efforts get similar treatment?

Unfortunately, the good intentions of those involved aren't enough. Organizations and individuals need to develop the ability not just to track the amount of time and resources they're putting toward particular causes or projects, but also the ability to know whether they're making a difference—how to invest wisely so they can improve performance and minimize waste over time.

To make an impact in a meaningful way, organizations need to (1) define what success means and (2) figure out how they'll know when they've achieved it. Once an entity has made these key decisions, it becomes much easier to evaluate current progress and make changes to improve performance.

While there are probably as many ways to measure impacts as there are people and organizations striving to change the world, there are five fundamental questions that companies, nonprofits, and investors seeking to maximize their social impact must answer (see Figure 1). Whether you're a financial executive from a large corporation, foundation, or nongovernmental organization or an individual looking to make the biggest impact you can with the resources at your disposal, getting a handle on the answers to these questions will go a long way toward ensuring the impact of your investments is measurable in a meaningful way and is consistent with your charter and culture.

1. What Will You Invest?

At first glance, this is an easy question to answer. When we think about investing in social impact, we think primarily about investing time and money.

But this approach can paint a picture that's far too narrow, leaving out resources that can be uniquely valuable in creating impact and restricting the amount of impact you're able to create. For instance, you may have medical knowledge that can be used in a crisis, you may have access to a building that can be used as a meeting place, you may have a group of colleagues you can invite to support a cause, or you might have the business expertise necessary to advise the investee. Toyota, for example, recently donated its production expertise to the Food Bank for New York City—the largest antihunger charity in the United States—which resulted in shorter wait times for food and the improvement of many other processes.

With a clear understanding of what you have to offer and the unique value you can provide, you'll be able to put resources to better use in maximizing the social impact your donations of time, money, and expertise create. When your desire for impact is combined with other goals, understanding the power of your resources can help you increase those returns as well.

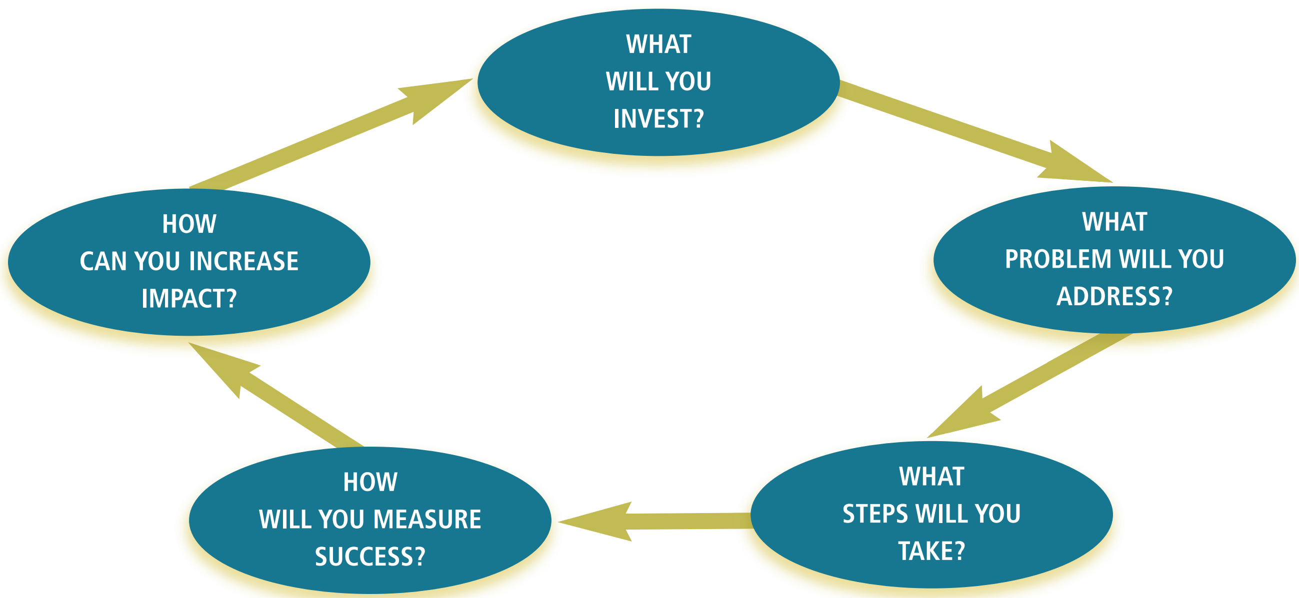
You'll first need to decide what resources are available for investing. For some, this is simply a matter of deciding how much cash is available. But you may have a variety of other resources that can be useful in creating social impact. Here are a few of the more common ones:

Reputation. Organizations often have well-known brands that are linked with their reputations for good work. Attaching their name to a project or cause often adds a level of acceptance and legitimacy. This extends to individuals as well. Former First Lady Betty Ford, wife of former U.S. President Gerald Ford, received a great deal of publicity when her struggle with chemical dependency became known in the 1970s. By using her reputation, she was able to gain support for building a clinic and helped reduce the stigma of seeking treatment for dependency problems.

Time. People who work for social-sector organizations invest their most valuable assets into driving social change—their time, energy, intellect, and emotions. Formal intellectual property (IP) can also be invested. An example of the vast impact of IP investments is the GreenXchange program, devised by Creative Commons in conjunction with Nike and Best Buy. The program provides a way for companies that have developed sustainability-related patents, such as environmentally friendly processes or materials, to share their intellectual property freely without extensive negotiations and legal contracts to enable widespread creation and use of green technologies and models.

Assets. Even assets that might otherwise be discarded can create an impact in the hands of the right recipient. The Society of St. Andrew is a U.S. nonprofit that gathers and gives away more than 30 million pounds of food a year. The organization trains restaurant employees on proper food storage so that food that they would usually discard lasts longer. Then the Society of St. Andrew picks

Figure 1: Five Questions About Social Impact



it up and gives it to those in need. As this example illustrates, taking a full inventory of investable resources—and identifying where those resources are likely to be useful—can help you maximize the impact you're able to create.

2. What Problem Will You Address?

Education, the environment, foreign affairs, religion, the arts, and many more causes can benefit greatly from increased investment. So which issue is most important? While there have been countless efforts to develop a universal set of social impact indicators, views of social impact and how to achieve it may not be consistent across organizations, let alone among individuals. If two people have community safety as their most important goal, one may seek to enhance safety through gun ownership rights while another may seek safety through gun control—and they would be unlikely to invest in the same organizations or programs.

Giving serious thought to which problems you want to help solve will ensure that the investments you make are targeted toward valuable social and environmental changes. Before every major investment decision, and periodically over time, you can—and should—revisit the question of which problems to solve. Whether you're Magic Bus (a nonprofit in Mumbai, India, that uses sports and games to provide training in key issues affecting gender, leadership, health, and livelihood) or The William and Flora Hewlett Foundation (one of the biggest U.S. private foundations, with a separate environment program funding work on climate change and air-quality policies), reflecting on priorities will help ensure that you're consistently supporting causes that align with your values.

Of course, no one can tell you or your organization which problem is most important. But it's possible to gain additional information to help you narrow down the issues. Some nonprofits, such as GuideStar and GiveWell, research the impact of numerous charities and programs, helping individuals and organizations make better informed decisions about where to put their resources. Some organizations provide guidance on the most promising solutions in a particular area, such as childhood obesity. And still others, like the United Nations with its Millennium Development Goals, attempt to provide lists of the world's most pressing problems. Once you begin narrowing the choices, this research will help provide answers to your unique questions.

3. What Steps Will You Take?

To work toward creating meaningful social impact, it's important to be as clear as possible about your mission in terms of products, clients, and goals for social change.

Naturally, nonprofits and social enterprises have social missions, as do foundations and professionally managed impact investment funds. But corporate units engaged in promoting social change should have social missions as well. The best groups use three primary pathways—products and services, operations, and investments—to create social change.

Most organizations direct their primary change efforts toward one of these three paths, choosing the path that best fits their social mission. Understanding and managing these pathways will help your organization achieve its primary goals and maintain a positive social profile through all of the areas it touches. For example, Dave's Killer Bread in Portland, Ore., works to create social impact through hiring convicted felons who would otherwise have trouble finding a job and reintegrating into society. The breads—low-fat, high-fiber, high-protein products made from locally sourced organic ingredients—are also designed with social impact in mind.

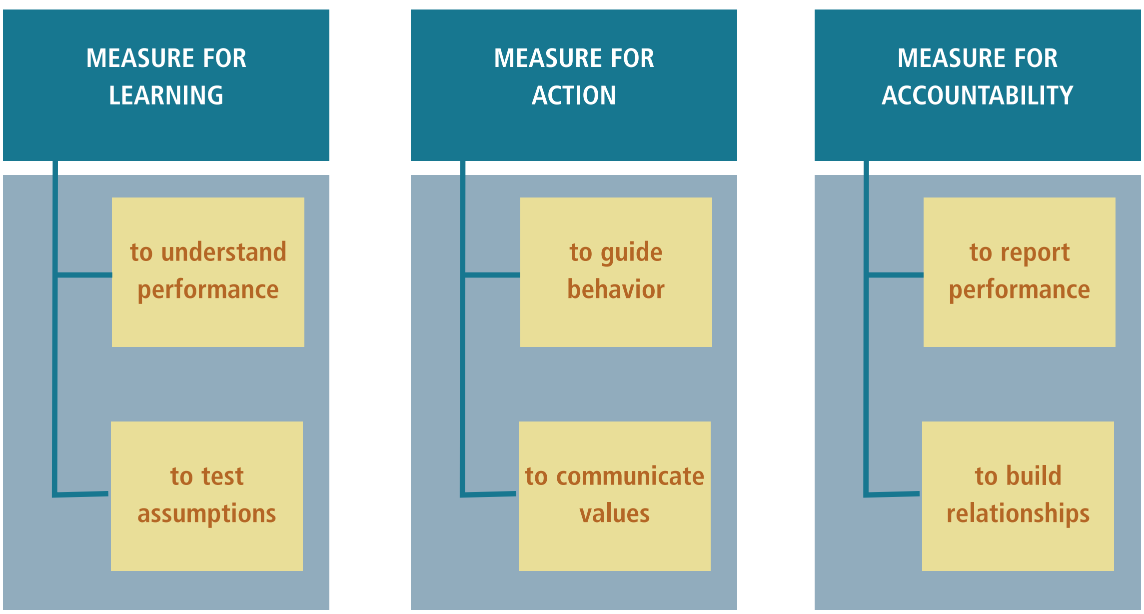
A written social mission is central in driving how the organization will use these pathways to make an impact. At its basic level, the mission describes the products or services the entity will deliver and the primary beneficiaries to whom those products and services will be targeted. Creating a compelling social impact mission and putting in place the infrastructure to promote that mission serve as the foundation for all other organizational activities. With a clear mission, your organization will be able to make ongoing changes in myriad ways while staying true to its social change objectives.

USING YOUR MISSION AS A GUIDE, YOUR ORGANIZATION WILL BE MORE LIKELY TO FIND AND ASSEMBLE THE RIGHT RESOURCES AND EXPERTISE TO ACCOMPLISH ITS GOALS.

One example of a for-profit company with a strong mission is PUMA. PUMA says it believes that by being a leader in promoting a sports-oriented lifestyle, it can contribute to a safer, more peaceful, and more creative world. When a mission is sufficiently strong and clear, and when the organization builds its identity and culture around that mission, many benefits result. Changes in the environment, technology, competition, consumer needs, and many other factors occur on a moment-to-moment basis. Formal control systems can never fully keep up, but a clear mission, with a culture that flows from it, can provide guidance on how to respond. As a result, hundreds or thousands of small decisions made by staff, investors, and other key stakeholders will propel an entity in a direction that's consistent with achieving its mission.

Mission-based guidance is especially important in

Figure 2: Basic Reasons to Measure



difficult-to-serve markets, such as areas that are torn by war, natural disasters, or a lack of basic infrastructure and institutions, as well as in organizations that change too rapidly to develop a full range of formal policies and procedures.

Using your mission as a guide, your organization will be more likely to find and assemble the right resources and expertise to accomplish its goals. With these goals in mind, you're also more likely to improve productivity because each resource will be allocated and used in a way that further achieves the outcomes you want. Your constituents will be watching, too, and they'll be alert to deviations that could impede success. That in and of itself can promote greater cooperation within the organization in pursuit of the mission.

4. How Will You Measure Success?

Measurement is the only way to know whether your organization's investment in time, money, people, and other resources is having a positive effect. (See Figure 2 for the basic reasons to measure.) This applies whether you're a for-profit corporation following your regular business model or a foundation, charity, or NGO expressly trying to improve society. Those that have this information are better positioned to adjust their resources and activities to create the impacts they desire. Still, many don't measure impact because they simply don't know how. They don't know what to measure, they don't know how to measure, and they believe they don't have the skills and expertise to implement a measurement plan and interpret the results.

A number of organizations do measure their activities and outputs, as well as their income and expenses, and often have highly sophisticated measurement systems in place. Yet, at the same time, they argue that measuring their impacts isn't possible.

Without measurement, however, there's a real risk that resources will be wasted. To keep investing without finding out if your efforts are doing any good jeopardizes your ability to maximize the effects of the resources you're able to direct toward social problems. Worse still, by failing to measure impact, you risk the possibility that your actions are harming the very groups they're intended to help. As an example, in a strange twist, one published experiment found self-esteem to be lower among students who had been through the D.A.R.E. (Drug Abuse Resistance Education) program, perhaps because they had experimented with alcohol or cigarettes, which had been lumped together with other drugs to be avoided.

Measurement Guidelines. The most important benefit of measurement, and one that's rarely discussed, is that in order to decide which metrics to use, *you first need to understand what it is you're measuring.* For example, everyone on the board of an organization that provides free education to girls might agree that one of the group's primary goals is "empowerment." When asked for ideas about how to measure empowerment, however, it quickly becomes clear that the board members differ greatly regarding what constitutes empowerment. One member believes that the number of girls completing their education is a good metric, another suggests putting off pregnancy and marriage, another favors women working outside the home, and still another insists that participation in family decision making is the best measure.

The process of defining your own terms and creating an impact measurement system can be instrumental in uncovering differences in beliefs and values and in creating an opportunity to overcome those differences and develop a shared vision of the organization's impact objectives. Therefore, to get the most out of your measurement system, keep these three basic rules in mind:

1. Measures should be actionable. If a measurement won't affect the way you or your stakeholders do things, it probably isn't worth taking. Before deciding to collect a measurement, ask yourself what you'll do once you get that information. If the results don't affect actions, and you don't expect that to change in the future, there's no need to collect them.

2. Measures should be manageable. Too many measures can create information overload or increase decision-making costs. A small number of items critical to achieving your goals is usually sufficient—one rule of thumb suggests 10 or fewer at a time. When measures are manageable, you can easily formulate a picture of how your efforts are doing and make changes as needed to improve performance.

3. Measures should be comparable. If you can use the same measurements repeatedly, you'll be able to evaluate your performance against your own targets and identify trends over time. Finding measures that have already been validated elsewhere can also save time and increase the reliability and comparability of your findings. For example, Co-ordinated Action Against Domestic Abuse, a U.K.-based charity, promotes a shared monitoring tool for domestic abuse professionals and organizations—allowing them to learn from each other's mistakes and avoid the time and resources needed to reinvent the wheel, so to speak.

Measurement Methods. Beyond broad guidelines, measurement approaches can be divided into four basic categories: *trained judgment*, *qualitative research*, *quantification*, and *monetization*.

• **Trained judgment** involves discussions and observations of programs by experienced professionals.

• **Qualitative research** requires systematic, in-depth research on social impacts that can include site visits, structured interviews, and focus groups.

• **Quantification** refers to data and reports in numerical form, something that management accountants and other financial professionals may be charged with creating and evaluating. These can include direct measurements and survey responses.

• **Monetization** involves qualitative evaluation that converts some or all of the measured impact into monetary values—again, something you or the members of your team may be assigned to handle.

Each method has strengths and weaknesses, of course, but the one you choose should be driven by your organization's measurement goals. Many groups use multiple approaches to serve a variety of purposes or to triangulate for greater understanding of performance.

Once earlier steps in the cycle are completed—once it's clear what's available to contribute, which problem will be the focus of your efforts, and what the necessary steps should be—progress and impact are absolutely measurable. In fact, once an organization or individual has clarity and rigor around the target social impacts, many appropriate measures can be developed or even adapted from existing measures.

5. How Can You Increase Impact?

With a clear understanding of the links between actions and impacts and a well-designed measurement program, you're on your way to meeting your goals and logging successes year after year.

But what if that isn't enough? Sadly, social and environmental problems will always be greater than our ability to address them. Once you've developed the ability to be consistently successful in creating social change, you may feel that it's time to take on bigger challenges. Organizations can radically increase their impacts through innovation, through scaling successful approaches, and through leveraging impact by working with others.

Unique Role of Financial Experts

The time is right for financial experts to focus on impact. Virtually all stakeholders involved with social impact—investors, regulators, community members, trade partners, and beneficiaries—are more interested than ever in making sure that these investments in dollars and manpower make a difference. While this puts pressure on organizations to deliver, it also leads to a great deal more attention toward providing much-needed support and resources.

There's a role for everyone when it comes to maximizing impact—from the individual entrepreneur looking to do good, to nonprofits and NGOs, to impact investors and corporate social responsibility departments at socially conscious organizations. But with their measurement expertise and financial skills, management accountants and financial executives have a unique role to play in terms of allocating resources and measuring impacts. The kinds of skills and knowledge that go into analyzing risks, costs, and benefits related to economic factors can be leveraged quite easily toward measuring and maximizing the sort of social impacts an organization hopes to make. Leaving this sort of work—the measurement of past successes and failures and the forecast for future social impacts—to others with less training and skill runs the risk of allowing an organization's social impacts to fall short of their full potential.

The social and environmental issues we face today are tremendous. But individuals and organizations are making great strides in many areas, and there has never been more interest in solving the big problems. Tackling the challenges that lie ahead will require all of us to invest our scarce resources in the most strategic and effective ways possible. **SF**

Note: *This article is based on and draws from the authors' 2014 book,* Measuring and Improving Social Impacts: A Guide for Nonprofits, Companies, and Impact Investors, *published by Berrett-Koehler Publishers of San Francisco, Calif.*

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