Our Impact Approach

Explained

Social Investment Business

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A) WHY?

1. Beyond external evaluations of Big Lottery programmes, Social Investment Business (SIB) has released very little in recent years with regard to either the impact it is having or its overall approach to impact. We wanted to publish a short, succinct document outlining how we intend to tackle impact measurement and management, and our timetable for sharing the results of our new approach.

2. In declaring how we think about impact, how we will approach its measurement and management, and in being open about what we are trying, we will be **transparent** and open to others and **accountable** for our efforts to our customers.

B) WHAT?

1. What kinds of questions would we like to answer?

   Investing for impact means that we need to be in a reasonably **informed** position at application stage about the positive change we might expect from a given organisation, and how our support might contribute to increasing that change. We need to balance that requirement with maintaining reasonable expectations of data collection and management by the organisations we fund (i.e. not asking too much of organisations who are already very busy with their day job).

   To try and get this right, we have taken inspiration from impact evaluations.

   An impact evaluation aims to assess the change that has been brought about as a result of a project. Typically, this kind of evaluation tries to:

   - Identify the state of things at the start (the baseline)
   - Compare this to the state of things at the end (the endline)
   - Compare this change-over-time to a situation in which the project did not occur (the counterfactual)

This is often called taking an experimental, or quasi-experimental approach. This means that the situation is controlled, a little like it would be in a laboratory, in order to try and attribute a particular change to one intervention.

Deploying finance and support does not often allow for the strict requirements of an experimental approach, but we can still take the principles that underline this kind of evaluation to collect and analyse information that will give us a reasonable baseline, endline and counterfactual for an organisation, a fund, and across the SIB portfolio.

2. What are our principles?

To do this we aim to build on existing data on the historical portfolio, and on the systems that are already in place and which provide a rich source of information.

With this in mind, we aim to implement an approach to impact that is:

- **Reliable**;
- **Relevant**;
- **Reasonable**;
- **Reciprocal** and
- **Responsive.**

This means that evidence collected will be as reliable as can possibly be expected, as relevant as it possibly can be to each investee, their staff and beneficiaries, customers and wider community, and reasonable to implement without making undue demands of time and resource.

We will aim to ensure that our approach is reciprocal by being **transparent** about our approach, sense-checking it with our customers, and **sharing** data and analyses in ways that are useful to them. We will respond to what the data and feedback from our customers tells us, and make timely changes on the basis of that evidence.

We will also aim to set clear targets for impact delivered across a fund, at the same time as benchmarking financial performance. We will have to test new approaches to predictive modelling for impact across a fund and learn as we go.

Taken together, applying these principles will mean that we can judge the impact of an organisation from application, through the lifetime of a grant or loan, to an exit point, learning from each investment, but also from the portfolio as a whole and making adjustments to improve our service in response to our data analysis and our growing understanding of what is possible.

3. What is our hypothesis or Theory of Change?

It is always easier to evaluate impact against a clearly defined model. Models are often set out formally in a Theory of Change. We are setting out the SIB model in a set of core categories that we believe support an organisation to be impact-led.

These categories are based on our existing data, and on wider evidence on organisational behaviours.

Because SIB supports social businesses by deploying finance, and we are interested in the health and resilience of the whole organisation, these categories focus on the kinds of organisational behaviours that have the greatest direct impact on inequality. These include paying fair wages, prioritising training and progression, introducing and expanding profit sharing, and broadening access to representation and governance. These kinds of organisational behaviours take businesses beyond good practice towards the kind of social contribution that leads to the structural change that reduces inequality.

The categories are:

Business model	this focuses on business structures that are more likely to lead to equitable behaviour and outcomes.
Employment	this focuses on employment practices that are more likely to lead to equitable outcomes for lower wage earners.
Market	this centres on the fit between the product or service and an evidenced need, service or product quality, and standard-setting.
Community	this assesses community voice, the business impact on its supply chain and trading for community benefit.

Equalities	this assesses the business's focus on reaching and involving marginalised workers, members and communities.
Leverage	this assesses whether and to what extent a business is leveraging finance from its members and community, from grant funding, and from repayable sources.

4. How can customers participate in assessing impact?

Feedback should be always be a systematic part of a good evaluation. Finding out how a fund or programme affects staff, beneficiaries, customers, clients and – where appropriate – the wider community, is a crucial part of making an effective assessment. Feedback serves both to assess process and, if well-designed, can also contribute to impact measurement.

We will involve customers in assessing impact by:

- Consulting with the customer focus group on our core categories
- Introducing regular peer review of our scoring with our customers, clients and stakeholders as part of accountable audit processes
- Collecting regular feedback through short surveys and open questions
- Encouraging customers to consult with their own communities and to tell us about the changes they have made as a consequence of listening to their stakeholders

C) WHEN?

1. We are publishing our core categories alongside this report and inviting people to give us feedback on them.
2. In the spring of 2019 we will publish retrospective analysis of our loan book using the categories.
3. In the summer of 2019 we will publish our first impact report.
4. By the autumn of 2019 we will publish definitions and literature reviews for each core category alongside our timetable for systematically reviewing them against our data, and new evidence.

Additionally, we will in future look at:

5. Introducing **new categories**

   We have a commitment to ensuring that customer feedback is integrated into decision-making across the full chain of delivery. We are mindful of

the data burden on the frontline and will test new approaches to additional data collection with frontline organisations before integrating new measures into the impact categories, but aim to do so if these are useful to understanding our impact, and that of our investees.

6. **Peer review** and audit

   As we develop our data sets and scoring, we have the ambition to invite customers and our peers to conduct regular audits of our impact data, holding ourselves to high standards of accountability for the social impact that we aim to create.

   We are very keen to hear from you if you have reflections and feedback on this approach. The full categories are published alongside this outline, and link to a survey so that you can run a test score on your organisation. Do let us know what you think.