Measuring Change: Techniques and Best Practices for Measuring and Describing the Difference You Are Making in Your Community

Drew Tulchin
Managing Partner
Social Enterprise Associates

NWAF Social Entrepreneurship Initiative
Feb 26, 2013

This Afternoon's Session

1. Introduction

2. Foundational Notions

3. Example Tribal Mini-Cases

4. Eco-System Approach

5. Measuring Impact

6. Resources

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About Social Enterprise Associates

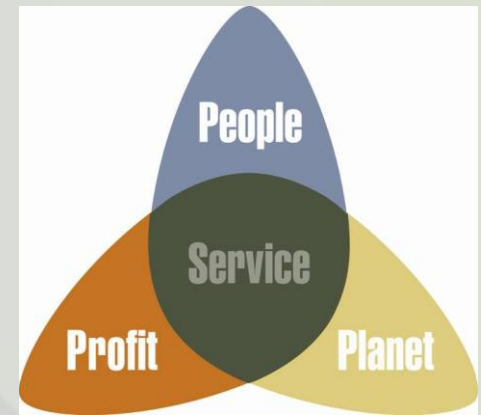**Registered 'B Corp' Consulting firm**

Network of experts around the globe

Consulting & capital raising to entities seeking social good

Focus on 'triple bottom line' solutions - profits, people, planet -
to support entrepreneurs and community organizations

2011 'One of the Best for the World' small businesses
2012 NM Sustainable Business of the Year Honoree

Drew Tulchin, Managing Partner, MBA

- 17 years; consulting in more than 40 countries & 5 Tribal Nations
- Written >100 biz/strategic plans; efforts generated >$100 mil. in impact capital
- Biz plan winner, *Global Social Venture Comp*; raised $1.2 mil. in VC capital
- Monthly columnist on sustainable communities for paper *Greenfire Times*
- Judge in national social business competitions; reviewer for gov't grants

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Recent Engagements

Southwest Native Green Fund: Structured an investment fund for small foundations to provide PRIs in green construction and infrastructure improvements

The Museum at Warm Springs: Helped organization consider best earned income strategies & their feasibility

Spirit Lake Tribe: Drafted economic development and job training chapter of their community risk and assessment plan

Regional Development Corporation: Program design & recommendations to improve rural livelihood in agriculture

Solar and Energy Loan Fund (SELF): For this Florida CDFI, conducted market study, business planning and capital raising to increase affordable loans for energy efficiency and solar energy

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Sustainable Native Communities Collaborative

Wife's work – Jamie Blosser: Betterment through architect – community design

Sustainable Native Communities Collaborative

Sustainablecommunities.org

➤ Sustainable and green design in rural and tribal communities

➤ Affordable housing, construction, education, public facilities – involve the people who use the buildings
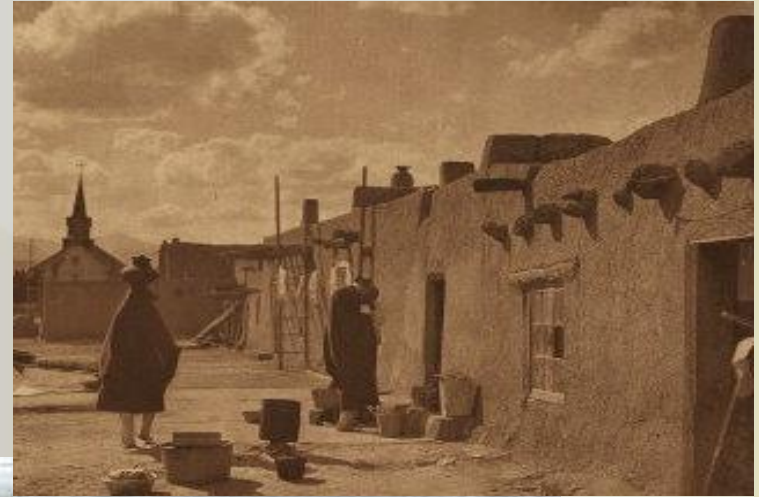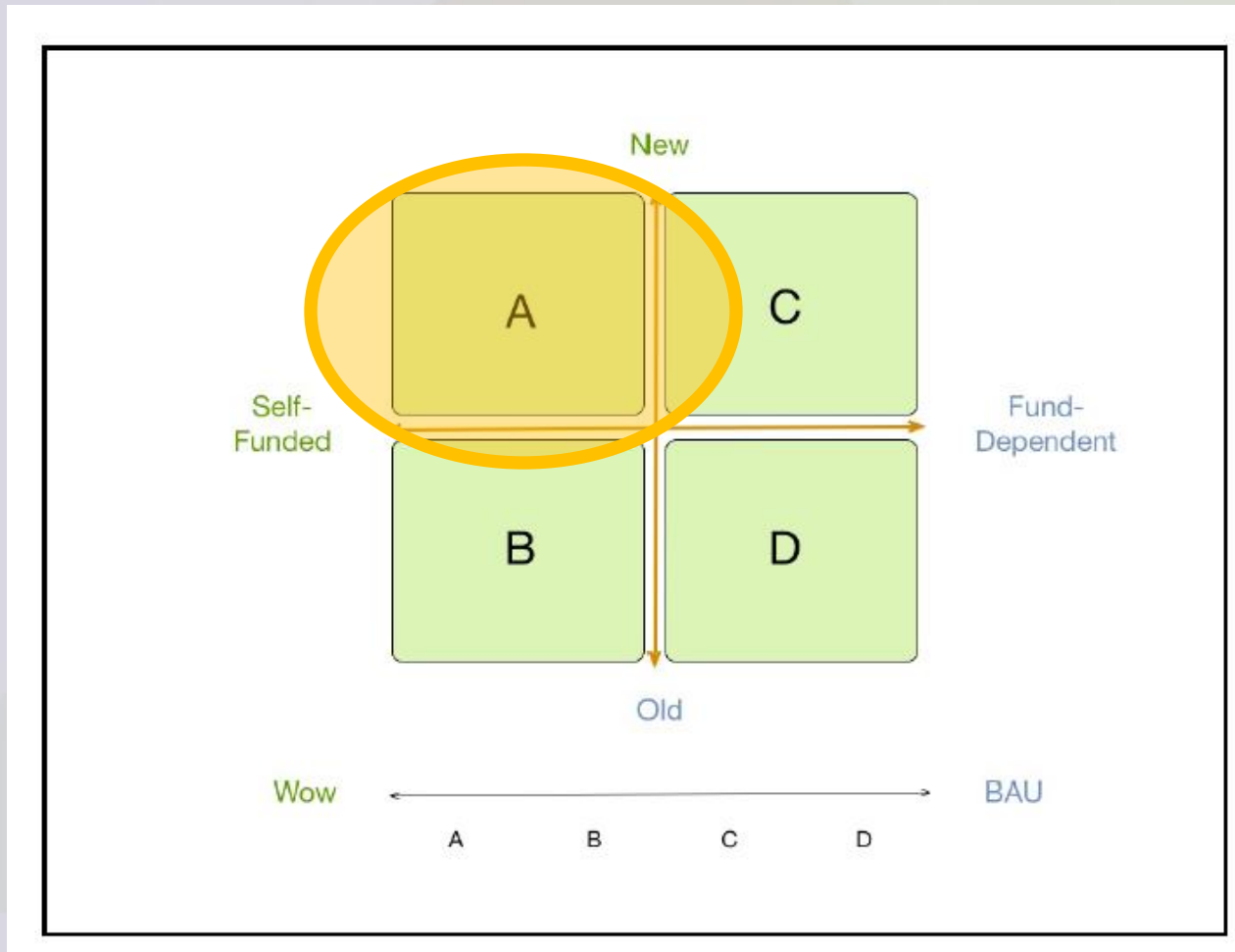
Questions / Thoughts
<u>YOU</u>
Have

Foundational Notions
A Little Bit of Theory
(it won't hurt, honest)

Getting to WOW

Mutiple Bottom Lines

Defining bottom lines:

Single Bottom Line = financial profitability

Double Bottom Line + social / community impact
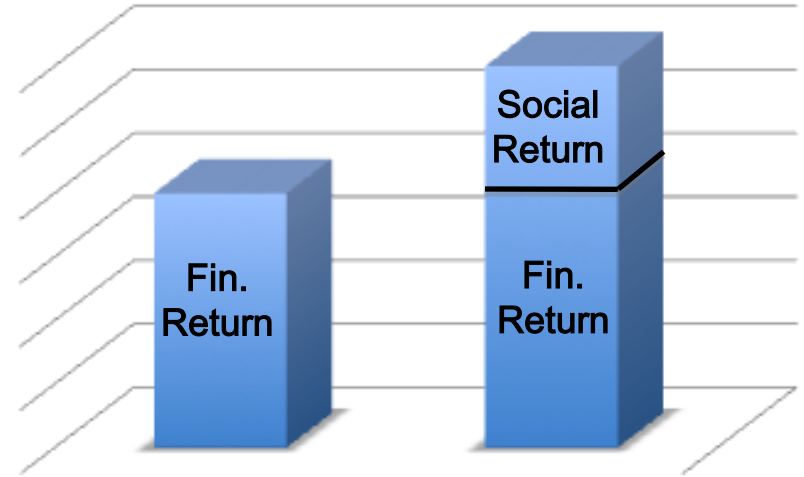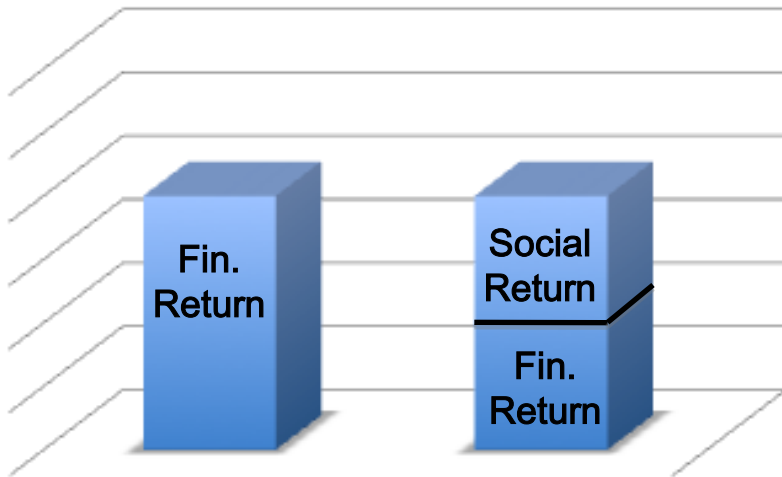
Triple Bottom Line + environmental impact

Quadruple Bottom Line + cultural impact

(The 4th Dimension...cool)

Thinking About Returns

Social Return as _substitute_ for Financial Return with respect to ROI
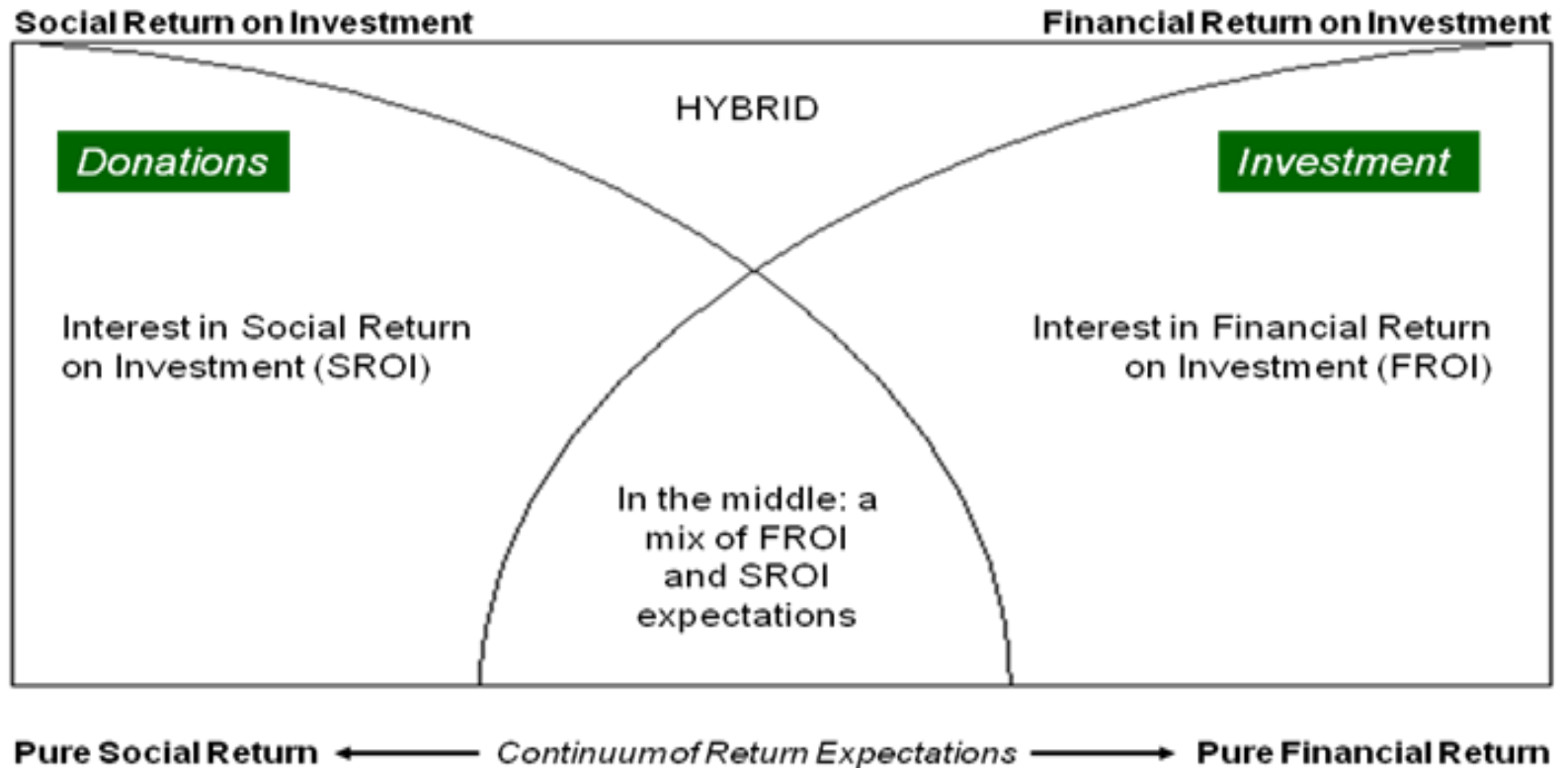
Social Return _in addition to_ Financial Return

How do you measure your activities to show this?

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Continuum of Return Expectations

Morino Institute, Blended Value Proposition

Where "Social Enterprise" Falls

Financial Return

For-Profit

Social Enterprise

Non-Profit

Social/Environmental Return
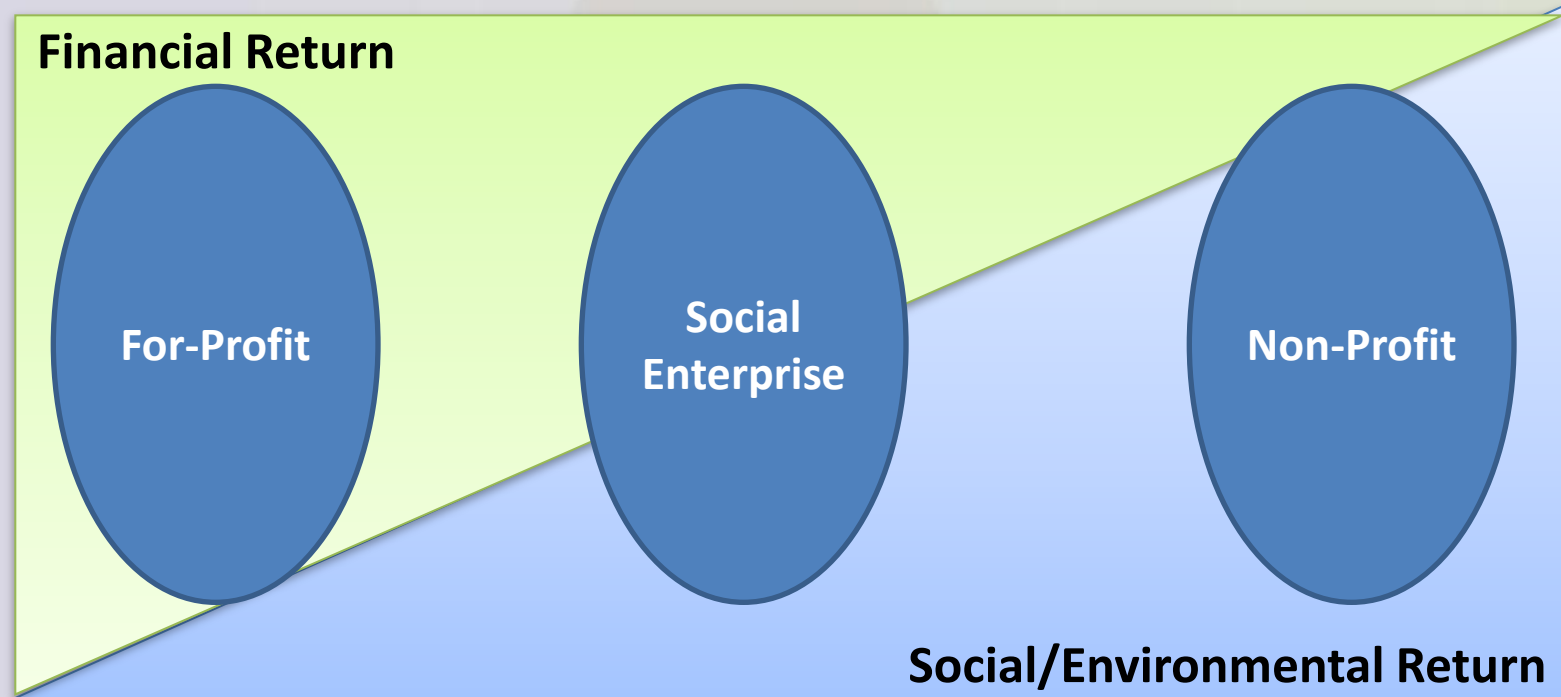
Social Enterprises can meld For-Profit & Non-Profit Models
- Mission-driven seeking social, environmental returns
- Not charity, recovers costs from operations through business
- Blended value proposition

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Group Activity
Where Tribal Enterprise Falls

What are the institutions more typical in Indian Country?

What are mission-driven entities your members use/access?

Let's list them.

Group Activity
Where Tribal Enterprise Falls

Financial Return

For-Profit

Non-Profit

Social/Environmental Return
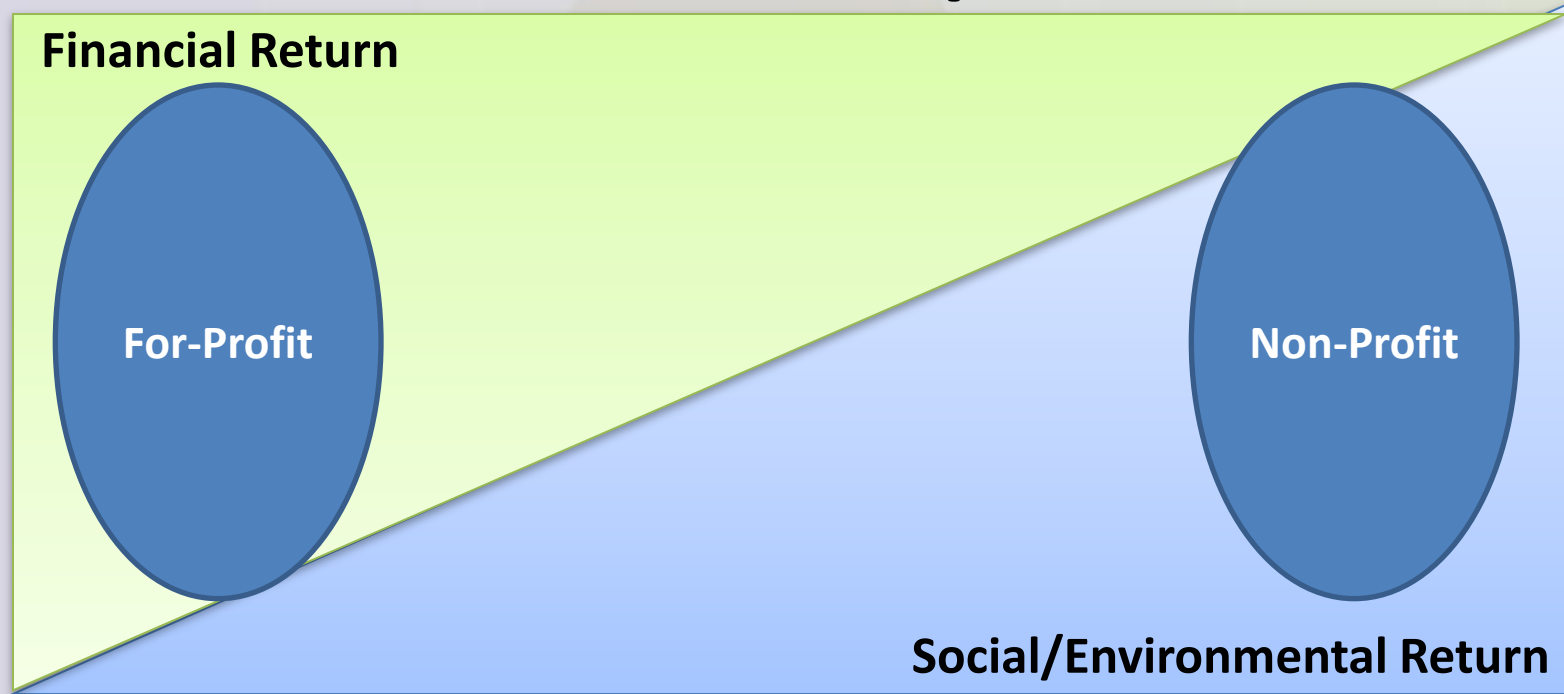
Where do we place Tribal Entities? Tribal businesses, tribal member owned businesses, co-ops, tribal gov't, NGOs, etc.

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Native Examples & Mini Cases

The Museum of Warm Springs
Warm Springs, OR

BAU:
Budget shortfall every year; building assets deteriorating

WOW:
Diversify income: ed programs, exhibits, gift shop. Culture: Canoe Family, 'export' members' crafts, host cultural artifacts

Impact:
Preservation of Tribal heritage; job creation; connect Elders/youth

Emergency Response Safety Complex Santa Domingo, NM

BAU:

Insufficient buildings; poor construction; services don't fit needs

WOW:

Green construction, state of art facility, qualify for state services, training

Impact:

Building saves money in smaller energy footprint, they offer state services ($)
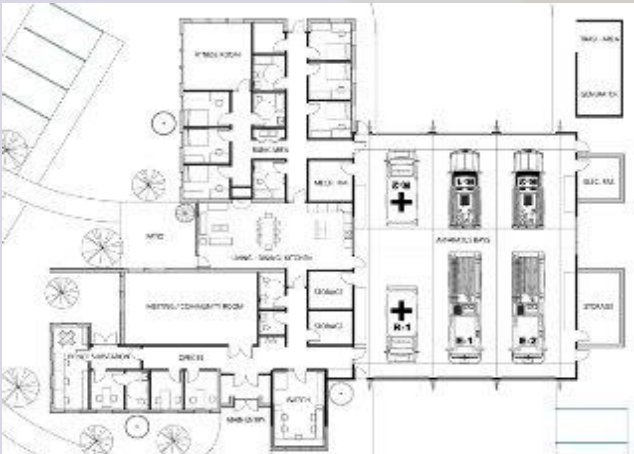
Nawitka Catering
Portland, OR

BAU:
Unemployment & income insecurity

WOW:
Work experience, training, employment to Portland based Native, Alaskan Natives

Impact:
Economic & community development
Ready for work when students grad

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Southwest Native Green Fund
AZ & NM

BAU:
Lack of $ for tribal infrastructure
Native efforts can't 'afford' green

WOW:
Partnership augments public grants w/ foundation PRIs for 'green' additions to tribal construction & infrastructure

Impact:
New $, relations in Indian Country, local jobs, energy savings, community dev

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What Makes a Successful Entity?

P + O + M= S

Problem + Opportunity + Mission = Solution

1. How great is the 'pain'?

2. What is the alternative in the 'marketplace'?

3. What is your 'special sauce'?

4. What is the value of what you offer? And, to WHOM?

Making A Successful Tribal Venture

Group discussion

1. **What is the actual pain you are addressing?**

2. **How is it 'solved' now (however badly)?**

3. **What VALUE do your customers assign to it?**

Sustainable Community Eco-system

Economic Gardening

1. Entrepreneurial approach regional prosperity - 'everyone wins'
2. "Grow from within", support what exists already
3. Contrast w/ traditional business assist: focus on collaborative & collective well being for businesses in community

(Will provide more details)

Source: Edward Lowe Foundation

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Good to Great – Jim Collins
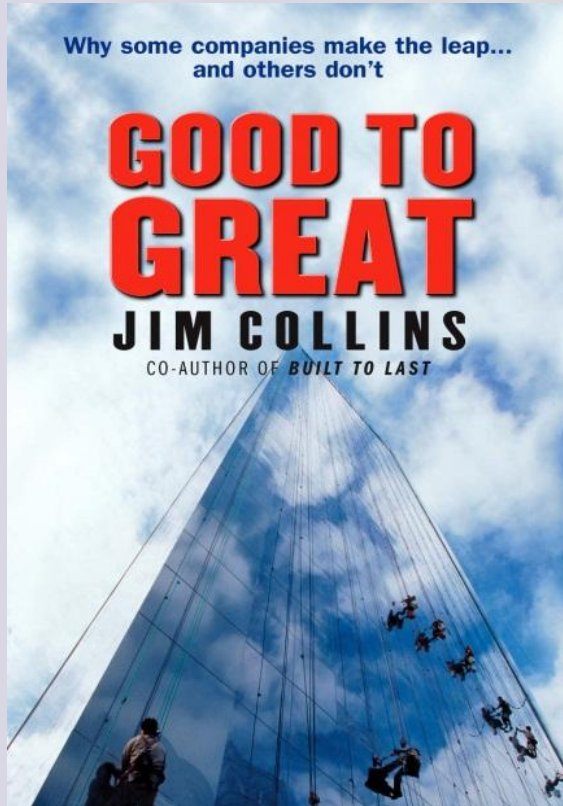
Summary
- How companies transition from average to exemplary
- "Greatness" = financial performance multiples better than market average
- Key is narrow focus of company resources on field of competence

BOU to WOW: What are qualities of successful entities you know will 'make it'?

Cathedral Within – Billy Shore
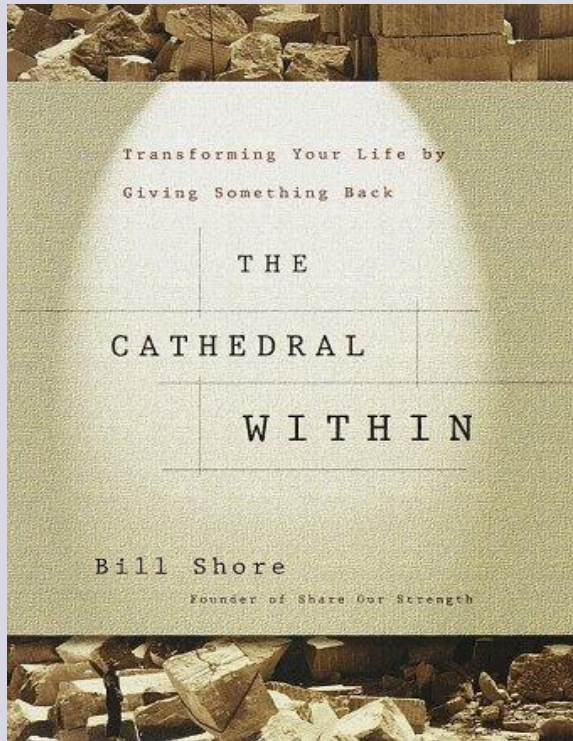
Summary

- Uses metaphor of architecture to look how individuals lead/change in public life
- Transformation of society takes time - like building European cathedral
- Leadership must plan / think about final, long after they are gone

BOU to WOW: What do you need to put in place now for the 'longview' to achieve the change you want?

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Tipping Point – Malcolm Gladwell
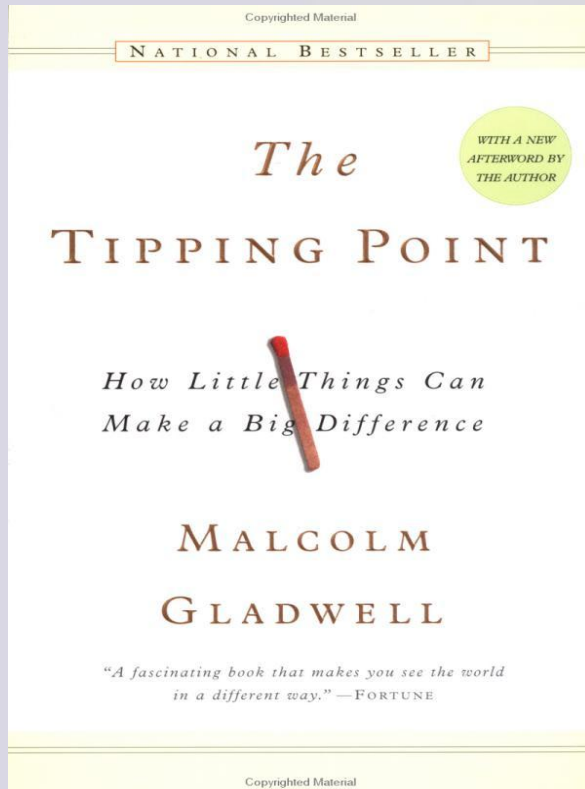
Summary
- Describes "mysterious" sociological changes in everyday life
- "3 rules of epidemics" (or 3 agents of change):
  1. Law of the Few
  2. Stickiness Factor
  3. Power of Context

BOU to WOW: How does 80/20 play out in your experience? How do you reach the 'Tipping Point' in your community?

Group Discussion:
How to Advance Community Sustainability?

What is the difference between a rural / tribal area and more typical US community?

What strengths and resources do exist?
What building blocks are lacking / needed?

Financing & Sustainability

Identify Resources You Need - Really

Identification

3 Ts, time, treasure, talent

- What do you have
- What do you need
- Where can you get it

Note: it **will** take 2x as long; cost 2x as much

Examples

1. New board members
2. Training / counseling from business people who've walked in these shoes
3. Partnerships
4. Government programs
5. Financing options

Unrealistic beginnings lead to unreasonable requirements

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Different Sustainability Over Time

Financial Sustainability

Organization Sustainability

Self-Financing

Financial Resources

Flexible funds from public and or private donors

Self-financing

Income from investments

Capital Reserve Fund
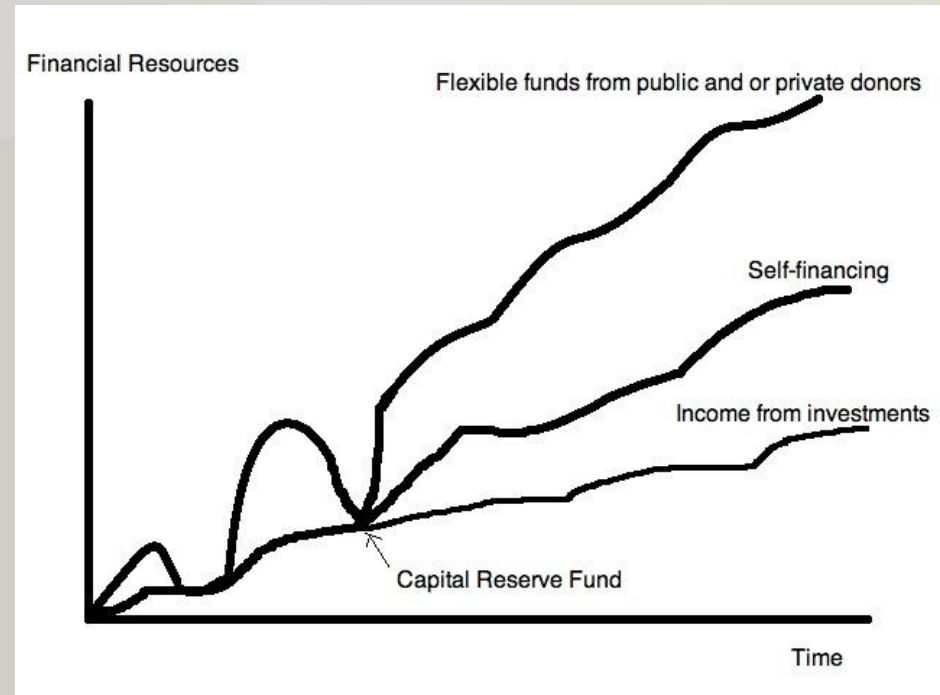
Time

Different types of money over time can be 'sustainable'

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New Mexico Examples

Example	What it is?	Indian Country Fit?
Permaculture Credit Union — INVESTING IN SUSTAINABILITY	Mission driven financial institution that is member owned and operated by people who care for the earth	
SANTA FE TIME BANK — Reweaving Community One Hour at a Time	Barter system with matching opportunities to track exchange of time 1:1	
SLOWMONEY	Movement to steer new $ to businesses not VC based: local food enterprises, organic farms, sustainable ventures	
BUY LOCAL FIRST www.santafealliance.com	Community education / action by independent business council to get people buying from one another	

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Crowd-Sourcing

Example	What it is?	Indian Country Fit?
PR★SPER INVEST. BORROW. PROSPER.	Peer-to-Peer lending. Individuals / small business can borrow money. Anyone can lend $50 as part of a larger group	
LendingClub	Formalizes 'friends and family' investing. First peer-to-peer lender to register offerings with SEC. Make any debt offering legal	
INDIE GOGO	International crowd funding has hosted 100,000 + campaigns raising $400 mil +. Individuals / orgs in music, charity, business, film, etc.	

Group Activity: which ones are fits?

Which of these entities or ideas are the best fit for your organization and community?

How can we bring MORE $ and NEW sources of capital into our communities?

Measuring Your Impact

Why Measure Social Impact?

1. Improved program management: more effective planning; more effective evaluation

2. Increased understanding of impact of work

3. Stronger communication of value to 'people that matter' (internal, external stakeholders)

4. Enhanced attention to social, economic, cultural & environmental value created

Steps for Sound Measuring

Define
- Theory of Change, Impact Value Chain
- Your Mission

Count
- What are you doing?
- How many?

Quantify
- Social Value with Leading Indicators

Monetize
- Social Value in Monetary Terms (SROI)

1. Use impact map: identify key areas measure, indicators reflect change

2. Structure investigation, ask good questions. No garbage in, garbage out. Choose best 'research method' to suit info, budget, timetable, skills

3. Store information in systematic fashion

4. Look at data (analyze, digest what collected)

5. Get it out there

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Impact Value Chain

INPUTS	→	ACTIVITIES	→	OUTPUTS	→	OUTCOMES	→	GOAL ALIGNMENT
What is put into the venture		Venture's primary activities		Results that can be measured		Changes to social systems		Activity and goal adjustment

− WHAT WOULD HAVE HAPPENED ANYWAY

LEADING INDICATORS

= IMPACT

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Logic Model

Problem Statement
A description of the problem that the project seeks to solve

Goal
The intended aim or impact over the life of the project

Rationales:
Why will project activites produce results

Assumptions:
What factors necessary for project success are already in place?

Resources:
People, time, materials, funds dedicated to or consumed by the project

Activities:
The actions the project takes to achieve desired results

Outputs:
The tangible direct products of project activities

Outcomes:
The changes expected to result from the project --- changes within programs, organizations, communities or systems

External Factors:
Other influences on program results; circumstances beyond project control

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Measuring social returns harder than measuring financial returns

EASY **HARD**

Tangibility Spectrum

TYPE I	TYPE II	TYPE III	TYPE IV
• Sales revenue	• Goodwill	• *Health*	• *Life*
• Capital assets	• Insurance	• *Safety*	• *Freedom*
• Investment returns	• Depreciation	• *Biodiversity*	• *Dignity*
• Dividends	• Liability	• *Clean air*	• *Happiness*
• Etc.	• Projected revenues	• *Safe water*	• *Etc.*
	• Emission credits	• *Education results*	
	• *Income changes*	• *Political stability*	
	• *Education access*	• *Cultural Advancement*	
	• *Earnings potential*	• *Etc.*	
	• *Technology benefits*		
	• *Etc.*		

40

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Information About Value...

5 ways to articulate value creation

Financial information	accounting: cash in, cash/work out
Monetizable	translating non-financial value into $ equivalent
Quantitative	numbers: size, magnitude or degree
Qualitative	description: kind, type, or direction
Narrative	storytelling

Audience 1

Audience 2

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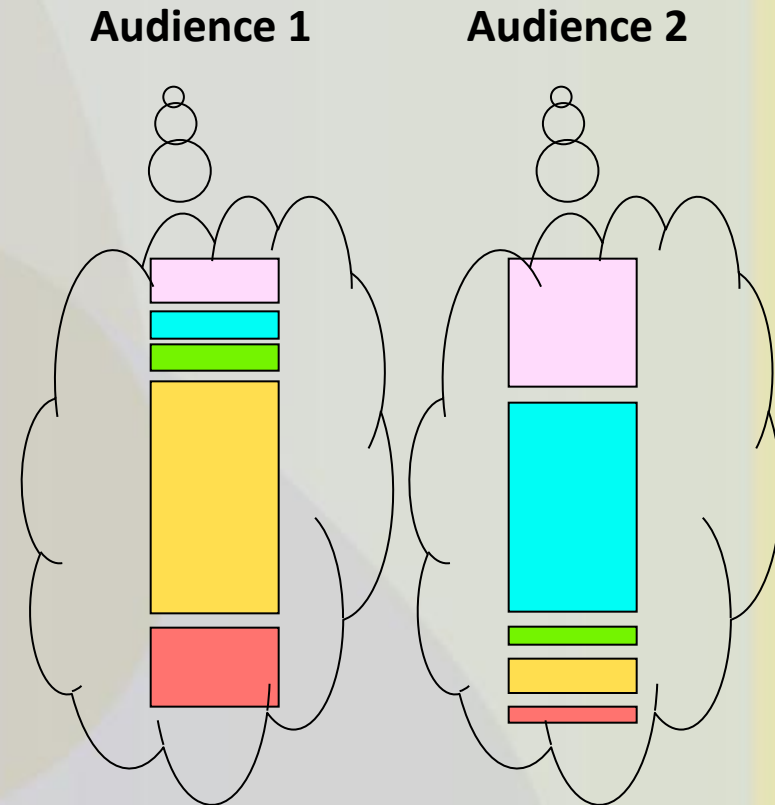
Continuum of Financial / Social Expectations

Social Value Creation Expectations

High

Low

Risk / Return Expectations

High

Philanthropy donation

No expectation of return

PRI from foundation

~0-2% year interest

SRI debt

Fewer obligations ~3-5% interest

Bank debt

~6-8% year interest

Venture capitalist

Ownership stake 20% a year

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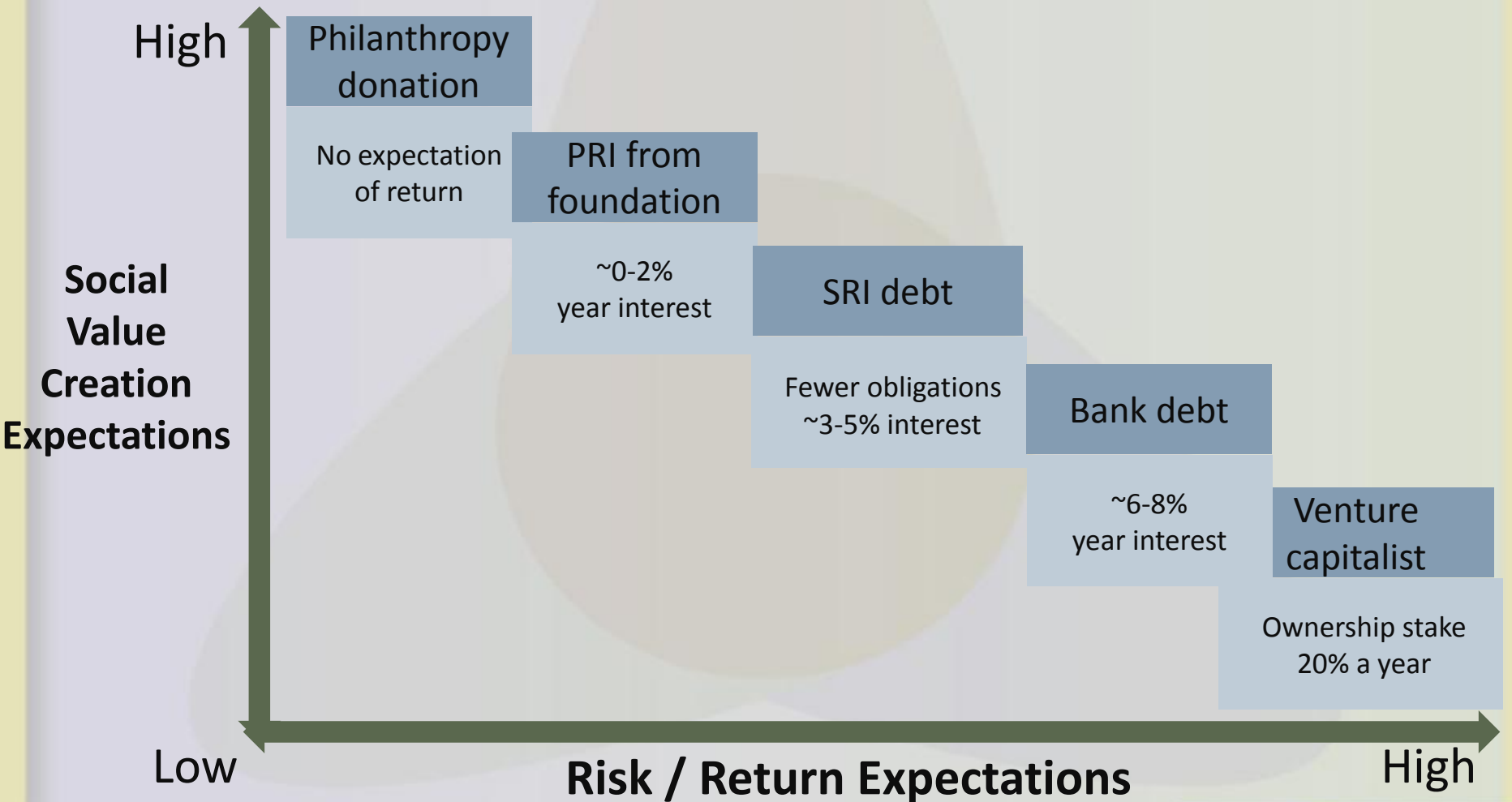
Social Return on Investment (SROI)

Non-financial value created relative to investment – measuring impact

Goals

    Assess actual value created
    Inform management decisions
    Align investment with value

Answer questions like

    Where is best place to spend the next dollar?
    What resources do we leverage from partners?
    What are social benefits of this work in greater terms?

SROI Ex: Robin Hood Foundation

Measures every grant it makes to fight poverty in NYC

Observe program outcomes	**Place $ value on benefits created**	**Do metrics for cost-benefit ratios**

Job-training social enterprise entity

		Cost –Benefit Ratio
Trainee Earning Inc	$2.6M	
Intergen. Income Boost	$0.3M	Benefits / RH Cost
Total Income Boost	$2.6+0.3 = 2.9M	$1.45M / $0.2M
Robin Hood Benefits	$2.9*0.5 =1.45M	7.25x
Robin Hood Cost	$0.2M	

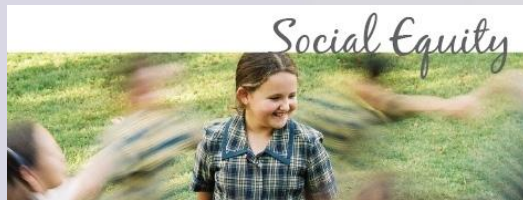**Every $1 spent by Robin Hood, earnings of clients rise $7**

Quadruple Bottom Line

QBL Example:
City of Norwood Payneham & St Peters in Australia

CityPlan 2030

 Social Equity

 Economic Prosperity

 Environmental Sustainability
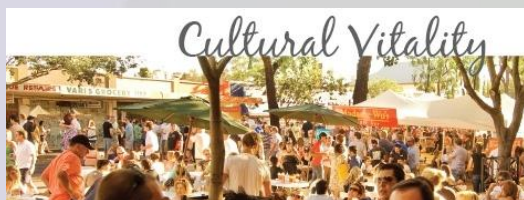
 Cultural Vitality

1. Meets people's needs: i.e. facilities for elderly, children, community groups

2. Balanced budget. Plans with financial best value, expected life span, maintenance, ops costs included

3. Minimizes water, energy consumption, waste to land fill, etc.

4. Enhances cultural identity, sense of place
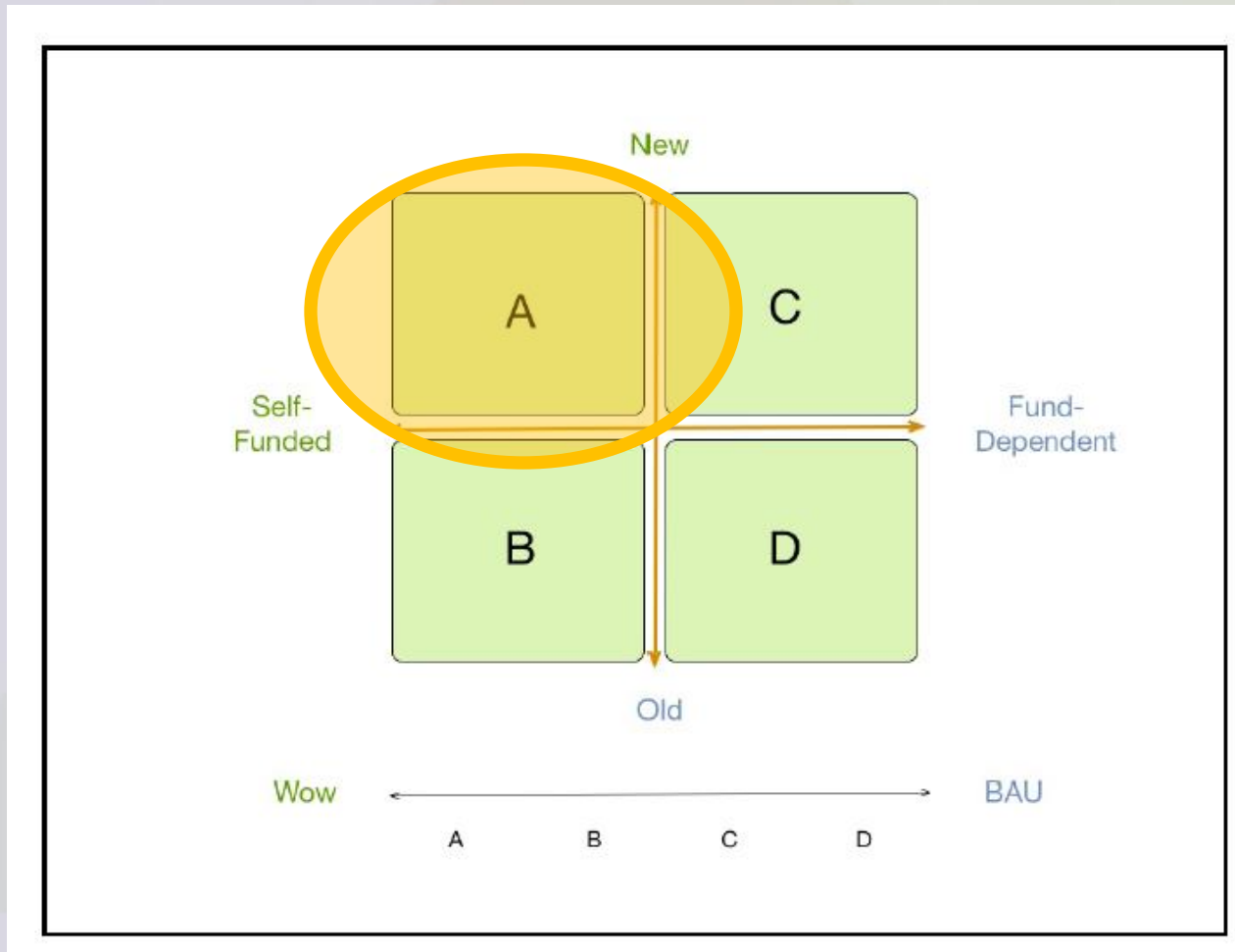
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Group Activity:
You Try It

1. What are your KPIs- Key Performance Indicators?
2. What can you readily measure?
3. What would you ideally like to measure?
4. What is your system to capture data?
5. How do you express impact?

Resources

Getting to WOW

Resources

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Tip Sheets

Tip Sheet #11: Business Plan Outline for Social Enterprises (PDF) Create a meaningful business plan to identify your goals, document your direction, and engage your stakeholders.

Tip Sheet #10: Surfing the Crowd Funding Wave, Is it Right for Your Effort? (PDF) Originally posted in the November 2011 Investors' Circle Newsletter to help evaluate if this alternative source for capital can help grow & sustain good causes.

Tip Sheet #9: Resources for Scaling Up Social Enterprises (PDF): Highlighting the use of networking organizations, financing entities, and academic programs to successfully scale up social enterprises.

Incorporating Your Business: Co-Authored with the University of Michigan Law School International Transaction Clinic, this series explains the legal documentation to register your company.

Check It Out

We're partnering with Social Enterprise Alliance to provide social enterprise trainings via webinar the first Wednesday of every month.
Up Next: June 6th at 1pm CDT

Join us at the First Annual Asia Impact Forum June 25 & 26 in Singapore.

Raise Money

We help businesses and nonprofits to access the capital they need to start or grow. More information HERE

Resources

U.S. Small Business Association (SBA)

Social Enterprise Alliance

Social Impact Exchange

IdeaEncore

seToolbelt

Social Venture Network

SBDC, local business school & other orgs

Brainstorming List
Ways to bring in Earned $

Earned Income Ideas	Investment Ideas

Group Activity

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Brainstorming List
Ways for YOUR Org to Earn $

Earned Income Ideas	Investment Ideas
Program service fees	Leveraging banks
Product sales	Peer Lending
Events	Membership fees
Facility revenue	Get your work pre-paid
Sponsorships	Capital gains
Awards, competitions	Marketing partnerships
Advertising	Licensing
Honorariums, speakers	Social Impact Bonds