BIZCOMMUNITY

Measuring the impact of social investments

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In recent years, a well-documented trend has emerged within the field of community investment and development. Social investors, non-profits, social enterprises and governments are united by a common goal: Sustainable social change. To reach this goal, the social sector must identify what approaches work — and why. Two factors have emerged to drive this development: A higher demand for accountability, and a need for greater effectiveness of development investments in the face of limited resources.

Funders are increasingly asking for **demonstrable results** – to understand the difference they make, directly and indirectly. This trend is accelerating, as the development and in particular the funding sector is increasingly looking **to pay for results** – to learn from what they, and those they fund, do. It is not just donors that care about impact. In an age of **competition, transparency, recessionary economies, there is growing competition for resources –** therefore, justifying investment on social causes requires a rigorous assessment approach. A social impact assessment can provide funders and development practitioners with valuable insight into the future sustainability of development initiatives.

“Social Impact Assessment includes the processes of analysing, monitoring and managing the intended and unintended social consequences, both positive and negative, of planned interventions (policies, programs, plans, projects) and any social change processes invoked by those interventions.”

The goal of impact assessment is to drive improvements that increase the value of development programs to the people they serve. Social impact assessment helps organisations to plan better, implement more effectively, and successfully bring initiatives to scale. Assessment also facilitates accountability, supports stakeholder communication, and helps guide the allocation of scarce resources. There is a great deal of debate on **how** to measure social impact, due in large part to the difficult nature of assessing social change. It takes money. It takes time. It takes imagination and creativity. In spite of these challenges, social impact assessment is not only necessary but critical.

Impact assessments identify **what works and why**. It considers both the intended and unintended consequences (positive and negative) as well as **social, environmental and economic impacts** that enhance or undermine a programme's success. Social impact assessments consider the impacts or influences of projects according to changes experienced by various stakeholder groups across a number of impact dimensions such as:

- **Time frames -** short-, medium- and longer-term
- **Objectives –** intended, unintended, positive and negative, direct and indirect
- **Investor/Donor benefits –** monetary benefits, positive branding and employee/customer loyalty, increased access to markets, reduced costs and risks, etc.
- **Community benefits –** community impact which could include tangible benefits (job creation, skills development, increased access to services such as education and health, improved nutrition, or increased safety and security or capacity), as well as intangible benefits such as empowerment, behaviour changes, etc.

Impact assessments will have increasing relevance into the future and the demand for such assessments will continue to grow for several reasons including the increasing investment in developing countries. The combination of weak institutions and increasing community expectations creates potential for increasing conflict between companies and local communities. Impact assessments should be seen as an appropriate, useful management process that reduces risk and brings benefits to investors and to communities – in other words, supporting the concept of shared value. There is thus a rock-solid, strong business case for projects to do effective impact assessment and management.

Impact assessments consider changes in people's way of life, their culture, community, political systems, environment, health and wellbeing, their personal and property rights and their fears and aspirations. The typical types of social impacts that occur as a result of the community investment and project related changes can be grouped into a number of overlapping categories, for instance:

- Lifestyle impacts – on the way people behave and relate to family, friends and cohorts on a day-to-day basis
- Cultural impacts – on shared customs, obligations, values, language, religious belief and other elements which make a social or ethnic group distinct
- Community impacts – on infrastructure, services, voluntary organisations, activity networks and cohesion
- Quality of life impacts – on sense of place, aesthetics and heritage, perception of belonging, security and liveability, and aspirations for the future
- Health impacts – on mental, physical and social well-being

Impact assessment can benefit social investors in the following ways:

- **More effective investments:** understanding how social projects create value, and who benefits, can help companies design better targeted programs. By learning what works well and what does not, companies can improve the effectiveness of future investments, ensuring they maximize the benefits of their social investment budget.
- **A business case for future investment:** valuing the social benefits created by an investment program helps to demonstrate the return for every Rand spent. Demonstrating the value to beneficiaries, as well as to the business, can help community managers secure greater support from the rest of the company for continuing social programs.
- **Improved management and monitoring systems:** the information gathered on the inputs, outputs, outcomes and impacts of social investment can be used to implement effective strategies for monitoring future progress
- **Identify opportunities to improve programs:** an impact assessment can highlight why programs are not delivering the expected benefits and offer opportunities to implement corrective plans
- **Build stronger relationships with community stakeholders and project providers:** listening to feedback from the beneficiaries of social programs and the NGOs or local government organisations that deliver the projects can help build deeper relationships with communities and partner organisations.

Because impact assessment involves the processes of managing the social impacts of development and contributes to shared value by improving outcomes for local communities as well as for the investor (corporate or government), it should be undertaken whether it is legally required or not. The amount of effort invested in the impact assessment to adequately identify and manage social impacts should be commensurate with the likely project impacts and risks. The real value of conducting social impact assessments lies in ensuring the future sustainability of the economy, the environment and society.

Next Generation Consultants have developed the Investment Impact Index over the past 10 years. We have conducted numerous impact assessments for social investors. We have recently documented our impact and return methodology and this is available free of charge. To get a copy of this document, please visit our website at www.nextgeneration.co.za or send an e-mail to: rrossouw@nextgeneration.co.za

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