Social Sector

# Learning for social impact

## What foundations can do
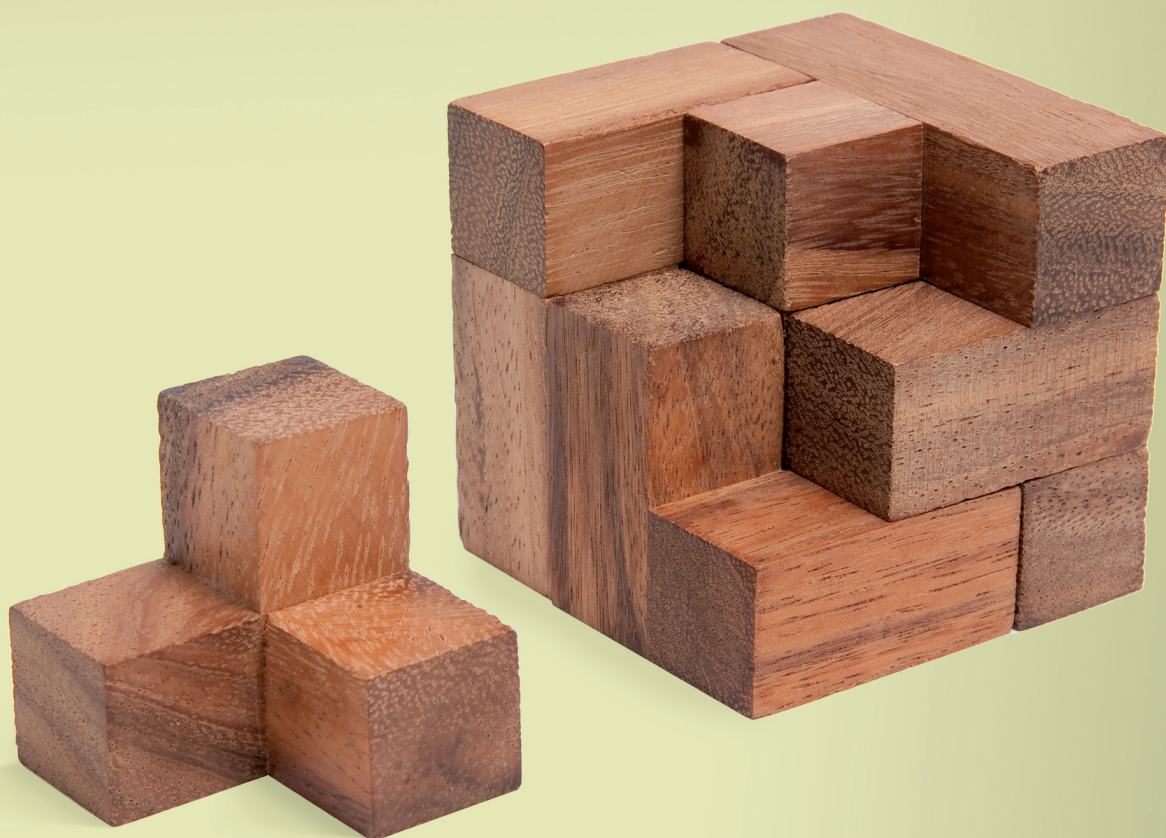
# *Preface*

In early 2009, McKinsey & Company launched a project to identify best practices for social impact assessment. Thirteen leading foundations acted as partners, sharing their time and experience. We also enlisted more than 100 thought leaders from nonprofits, academic institutions and beyond to provide their insights. We thank these many contributors, who are identified in the acknowledgments.

This paper presents our most relevant findings for foundation leaders and other funders. Additional material, including a workbook for program officers and other practitioners, is available at *sso.mckinsey.com/socialimpact*.

A few notes on scope and intent:

- This paper is intended primarily for leaders of grantmaking foundations. We believe it will also be useful for heads of other institutions, including government funders, multi-stakeholder partnerships and large nongovernmental organizations (NGOs). Our goal is to equip these leaders with a framework for thinking about impact assessment and helping their organizations adopt proven best practices.
- While assessment is extremely important to improving the execution and design of programs, the primary focus of this work is on the role of assessment in strategy, which is the main responsibility of foundation leaders.
- We view assessment here at the program cluster or portfolio level, rather than at the individual project level.
- We address the social sector as a whole and do not factor in sector-specific or geographic considerations, which may be significant.
- Our sources have been largely U.S.-based, with a few contributions from the U.K. and Europe.  As a result, we use terms that are common in the U.S.

The work described here takes one step towards a better understanding of social impact assessment.  We value the perspectives of social sector colleagues on these efforts and are eager to hear about their priorities for further work in this area.

April , 2010

# *Introduction*

In February 2009, Philanthropy for Social Justice and Peace, a group of funders, met in Cairo. The gathering brought together more than 100 leaders in philanthropy, from organizations such as the African Women's Development Fund, the Brazil Human Rights Fund, the Russian Law and Justice Foundation, and the Arab Human Rights Fund. Sessions were held on constituent engagement, structural transformation and grantmaking strategies, but what really grabbed everyone's attention was a skit entitled "Kirsty and the Evaluators: Getting a Grip on Evaluation."[1]

The plot involves Kirsty, an experienced grantmaker who has been asked for the first time to prepare an evaluation plan for her foundation's grantees. She consults experts, who brandish placards with alien terms such as "log frame" and "least squares regression." She surfs the Internet and is deluged with buckets of jargon. Then program officers descend on her, each demanding evaluations tailored to make their programs look good. In the finale, an exhausted and exasperated Kirsty begs the audience for help.

Subtle it was not. But the skit drew knowing nods from philanthropic leaders at the conference, who are also struggling to find the right metrics to apply to social sector activities. Like Kirsty, they are asking for simple solutions and common approaches to determine what works and why.

To answer this need, McKinsey & Company launched an initiative called Learning for Social Impact. We believe that the greatest value of assessment lies in learning. An emphasis on learning does not eliminate accountability; if anything it raises the bar.

The goal of social impact assessment is to drive improvements that increase the value of programs to the people they serve. We know that organizations have to account for funds spent, and describe the scope and reach of work carried out. But, there is a risk that counting outputs becomes a backwards-looking exercise. Our priority on learning makes measurement forward-looking: the focus is on making programs work better in the future.

Measurement is essential for helping grantmakers understand where their funding has the most impact. But using the right form of measurement is critical. Indeed, some types of measurement can have undesired effects: stifling

## What is Social Impact Assessment?

Social impact is a meaningful change in economic, social, cultural, environmental, and /or political conditions due to specific actions and behavioral changes by individuals and families, communities and organizations, and / or society and systems. Assessment evaluates characteristics, practices, results, and / or value of activities.

innovation or missing what is truly meaningful for social impact because it cannot be measured easily.

Our learning driven approach to assessment involves a set of five best practices, described in Chapter 1, "Making Assessment Work":

1. **Hear the constituent voice** – Grantees and target constituents are a foundation's most important stakeholders. Anchor the assessment process with the perspective of the constituents on the ground – the individuals and communities that are implementing and benefiting from the programs.
2. **Assess to learn and do** – Assessment should be undertaken in a spirit of inquiry. At every step, ask "What do we want to learn?" and build an assessment to answer that question. Highly effective foundations build evaluative thinking into their planning, and develop strategy and assessment in tandem.
3. **Apply rigor within reason** – Match the right assessment tool to the job. An initiative's assessment plan must be tailored to its strategic objectives.
4. **Be practical** – Calibrate the investment in assessment to the program being measured. Find ways to get the information you need without placing undue burdens on grantees or program managers. When possible, use tools that already exist.
5. **Create a learning culture** – Create a learning culture that provides a safe space for honest discourse about performance issues and embeds assessment and feedback in all routine tasks.

[1] Philanthropy for Social Justice and Peace website, http://www.p-sj.org/node/1164

Best practices for social impact assessment, including those explored in Chapter 1, have been discussed by the social sector for many years. Foundation leaders know assessment is central to demonstrating that a mission-driven organization is on the right path. They already appreciate that it is hard to do, but crucial and possible. So why should foundation leaders pay particular attention to social impact assessment today? Because the current situation creates the environment for a more productive look at assessment.

In Chapter 2, "Seize this Moment," we discuss why now is a critical moment offering an opportunity for real progress in measuring what works and why. Three significant trends shaping the sector can drive adoption of best practices, and spur creative and collaborative solutions to the challenge of measuring social impact. If the sector does not embrace this moment, it may not come again.

- **New skills and perspectives:** An influx of new talent is entering all corners of the social sector from fields like technology and venture capital, where measuring results is expected.
- **Rise in social investing:** The demand from social investors to see credible metrics of impact before accepting a below-market rate on their capital is leading to common standards and platforms for impact measurement.
- **Government demand for innovation and evidence:** The U.S. government's push for innovative solutions to social problems from nonprofits that can demonstrate results provides a real opportunity for programs to get to scale – but only if there is proof of their impact.

In Chapter 3, "Leading the Sector," we issue a challenge to foundation colleagues to take the lead in making assessment more useful sector-wide. Foundations are uniquely positioned to spearhead this effort. They have been instrumental in getting the sector this far on social impact assessment and have the convening power, bully pulpit and resources to push the issue over the finish line. We believe three coordinated steps could be significant.

- **Develop protocols for partnering with grantees** Agree on how funders cooperate with grantees on assessment, what resources they will provide, and what grantees should expect from assessment. Setting these protocols would push the sector forward in a meaningful way.
- **Agree on a limited number of common metrics** If funders and grantees can align on relevant metrics, minimize duplicate effort, and share data efficiently, both assessment and reporting can be greatly streamlined.
- **Build a system to share assessment learning** Funders can set the example for the sector by broadly sharing assessment reports through a common repository. This will encourage grantees, social enterprises and others to follow suit.

In these three chapters, the goal is to establish a clear view of best practice for assessing social impact and show why and how those practices now have the potential for widespread adoption. This is a moment when need and solution are coming closer together, for the benefit of the entire sector.

# 1 Making assessment work

Foundations are built on values and aspirations. They work with their grantees to create social change that reflects their perspectives and goals. But how can boards, donors and taxpayers know that foundations are creating social impact? How can foundations learn what to do next time to get better results? Can the experience of a single foundation and its grantees benefit the social sector as a whole?

To answer these questions we designed an approach called Learning Driven Assessment to help foundations, their grantees and other stakeholders discover ways to increase impact. "The evaluation of a program or initiative to measure its social impact is a critical element of grantmaking – it identifies what was successful, what didn't work, and what lessons can be applied to future efforts. It is a learning tool for both the organization and the funder – not a stick with which to beat grantees," as Gara LaMarche, president and CEO of The Atlantic Philanthropies told us.[2]

Making assessment a learning process involves the five best practices described below.

## 1. Hear the constituent voice

For all their resources and capabilities, foundations are not on the front lines of social change. But their grantees are. So are other stakeholders, including individuals and communities served by grantees, the public at large, and the news media. To gain the greatest insight from social impact assessment, foundations should define stakeholders broadly and engage as many of them as they can to get different perspectives. Engagement with stakeholders comes in two phases – as partners in assessment and as partners in learning.

Anchoring the assessment process in the

### Constituent voice
*Quantified summaries of constituents' feedback can provide credible performance data to managers and funders on the things that matter most. When social purpose organizations' goals depend on behavioral change by other constituents, then social purpose organizations achieve more when they build effective relationships with those constituents.*

**David Bonbright, Keystone Accountability**

### YouthTruth: Constituent voice on education

YouthTruth is a program developed by The Center of Effective Philanthropy with support from the Bill and Melinda Gates Foundation to survey students to understand how to improve school effectiveness and impact. Comparative assessments of students' high school experiences are shared with funders, district leaders, schools leaders and other students. At an Atlanta high school that participated in YouthTruth 2008-2009, school leaders learned that ninth graders were consistently having a less positive experience than  upperclassmen. The school revamped the freshman orientation program in the fall of 2009 to help kids connect better with the new school community. In an intermediate school-administered survey, students reported being more engaged in school, suggesting that higher achievement may ensue. The school is repeating YouthTruth in 2010 to further gauge its progress. After a pilot in 2008-09, YouthTruth has been expanded to survey more than 15,000 students in 70 high schools in 2009-2010.[3]

**Partners in assessment**

Let the "locals" show you around. To get a complete picture of how and to what extent programs are delivering social impact, learn what relevant constituents have to say – the grantees and the individuals and communities targeted by programs. "Billions have been spent on programs that look good to outsiders, but don't work because they don't speak to local people's concerns and realities," observes Alex Jacobs, director of research for Keystone Accountability. "The good news is that a simple, practical solution is taking shape: Ask them. Ask intended beneficiaries what they think about plans, performance and reports. It's a similar approach to customer feedback in the commercial sector. Amazingly, it's not always widely practiced in social change."[4]

Involving grantees and other constituents in the design and implementation of assessment, and in the interpretation of the results, helps ensure that you are measuring what's relevant and valuable for them. It puts the facts in context, so the story is complete and better conclusions are possible.

> ### Community voice during the tsunami recovery
>
> During the response to the 2004 tsunami in Sri Lanka, World Vision invested in a Humanitarian Accountability Team to engage with affected communities. The team provided information, listened to community concerns, connected with other stakeholders, and gave residents a greater voice in the Sri Lanka Tsunami Response Team's programming. This ensured that projects fit the community's needs. As a result, the team saved $5 million by avoiding unsuitable or unnecessary construction. For example, the accountability team learned that a proposed project for 400 apartments in Hambantota was not needed, so no building took place.[5]

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[4] Alex Jacobs, "Constituency Voice: Making Sure the Right Voices Count," 2009.
[5] See: Julian Srodecki, "Improving efficiency and effectiveness through increased accountability to communities: a case study of World Vision's tsunami response in Sri Lanka," World Vision (June 2008) available at: http://www.odihpn.org/report.asp?id=2926

field provides additional benefits. Beyond building some assessment capacity for constituents, the process develops other abilities and strengthens relationships. Constituents learn how to communicate and negotiate priorities, and they develop sufficient trust to permit greater collaboration in future.

Global Giving, an on-line fund-raising marketplace serving organizations worldwide, took the key assessment question directly to constituents with stickers that read: "What does your community need? Tell us: Globalgiving.org/ideas." Among the useful insights the program gleaned was feedback on a project in Kisumu, Kenya. Community members alerted Global Giving to the poor relationship a local nonprofit had with the youth it was trying to serve. Global Giving was able to attack the problem by sending conflict resolution volunteers to the organization and the community. Eventually, however, the community requested that Global Giving shift its support to a new organization, and it obliged.[6]

It is also useful to include additional stakeholders – other funders and collaborators, policymakers, academic experts – in assessment design, data collection and data analysis, if possible. Each will have different perspectives and needs, which may not be easily reconciled. But using multiple inputs will provide the most complete picture of what works and why – and will seed broad buy-in to conclusions based on the assessment's results.

## Grantee perceptions

In 2006, the William and Flora Hewlett Foundation commissioned the Center for Effective Philanthropy to survey its grantees. Based on grantee feedback, the foundation launched a year-long project to streamline its processes, including simplifying the grant application without sacrificing its strategic value. "The Grantee Perception Report has helped us learn how to improve relations with our most important group of stakeholders," Paul Brest, the foundation's president, announced.[7]

[6] http://www.globalgiving.org/pfil/1713/TechnologyAided_RealTime_Feedback_Loops_in_International_Philanthropy.doc
[7] http://www.hewlett.org/what-we-re-learning/our-approach-to-philanthropy/grantee-perception-report/2006-grantee-perception-report

## Partners in learning

Once you have results, share them. The stakeholders who helped design the assessment process should be rewarded with the knowledge and insights the assessment yields. Bear in mind that different stakeholders will want different types of information: policymakers seek hard facts and figures, while grantees may want how-to guides or comparative experience papers.[8] And don't forget to enlist stakeholders in developing solutions to overcome the obstacles you uncover through the assessment.

By sharing your knowledge broadly you can contribute to the development of best practices, common metrics and benchmarks related to your work. Communities of practice, such as the iScale[9] network that develops and shares innovations for scaling impact, can help you spread the word.

### 2. Assess to learn and do

Two key choices shape an assessment that will support successful programs. First, set learning as the assessment's primary goal. To do this, begin with as much knowledge as you can develop about the target problem and the possible solutions; then understand how your program works and how it can work better; then test whether it will work at scale. Second, integrate assessment goals and results into all your program decisions: build your assessment plan as you plan your strategy and design your program. When you do this, assessment guides your actions; it's not an academic review or an isolated exercise.

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**Communities and networks**

- iScale is a networked social enterprise committed to developing and sharing innovations for scaling impact. iScale facilitates the Impacts Community of Practice, bringing together evaluation experts and practitioners to share experiences, explore specific challenges that networks face in measuring their impact, and develop solutions.
- In May 2009, New Philanthropy Capital and Bertelsmann Stiftung sponsored a meeting to explore the establishment of an association of social impact analysts, which would organize networking events and learning opportunities, share practical tools, and hold forums to discuss issues related to the assessment of nonprofits. One goal of the association would be to elevate nonprofit analysis to professional status, perhaps using the association as an accrediting body.[10]

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## Start with the right question

*Evaluation planning should always begin with the questions to be explored. But that is not yet the norm. In part, this is because people assume that the question of interest is "Did it work?" Well, that could be the most useful question to explore, but it also could be "How did it work?" or "How will it work?" or "Does it work every time?" or "Why did it work?"*

**Jackie Williams Kaye, The Atlantic Philanthropies**

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[8]  A comparative experience paper shares various approaches to the same problem and identifies commonalities and challenges between the approaches. In addition, it suggests when a certain approach is best suited for a given situation

[9]  iScale is a "networked social enterprise committed to creating, developing, applying, promoting, and sharing the innovations for scaling impact to address the world's most pressing challenges." The organization expresses this commitment in a variety of ways, such as social media platforms, communities of practice, action-learning processes, impact planning and assessment, and strategic mapping. For more information, please visit http://www.scalingimpact.net/

[10] http://www.philanthropycapital.org/how_we_help/big_ideas/association_nonprofit_analysts.aspx

**Let learning drive the assessment**

We use the term Learning Driven Assessment to describe an approach that seeks insights about the program being measured, applies lessons from the assessment to improve program strategy, and drives results. It is an assessment undertaken with a spirit of inquiry, not of judgment. "It all starts with What do we want to learn?", says Jackie Williams Kaye, strategic learning executive of The Atlantic Philanthropies.[11] "Useful questions lead to answers that get used." These Learning Questions include: What problems do you need to address? What opportunities do you want to pursue? What information do you need to plan and take effective action?

This approach differs from other assessments, which audit results of a program once it's over, determine which programs are "best" primarily for purposes of asset allocation, or simply gather stories to communicate the foundation's work. Such assessments may fail to identify what works and why. They don't consider unintended consequences (both positive and negative). They often ignore environmental influences that enhance or undermine a program's success. These assessments can fail to ask "does the community support it?" and "what do the intended beneficiaries think about it?" A Learning Driven Assessment captures all these facets.

A Learning Driven Assessment not only takes in all the relevant information needed to draw lessons from specific programs, it also captures critical information at all stages – as programs are conceived, while they are being designed, and during their execution. By asking Learning Questions throughout the grantmaking process, managers get real-time input, enabling them to correct programs that aren't yet delivering their expected impact and continuously fine-tune program strategy. Also, Learning Driven Assessment captures knowledge from expectation "failures" as well as successes, harnessing the full range of what can be learned to benefit future work.

**Plan assessment and action together**

"It is a mistake to view evaluation as something embodied in isolated, after-the-fact reports. Highly effective foundations build evidence and analytical thinking into their planning, and use assessment to drive an ongoing cycle of learning, revising, re-assessing and improving. "It is essential for the donor and the recipient organization to have candid discussions about the progress measures they will use, and to do so at the time the donation is made (not when the first report comes due!)," says Edward Pauly, director of research and evaluation at The Wallace Foundation. "Agreeing on progress measures at the beginning of the philanthropic work generally makes it possible for both the donor and the recipient to work for progress."[12]

Foundations make three primary types of decisions in pursuit of their missions: strategic direction, program design and program execution. A well-planned assessment provides the specific information needed to support each type of decision. The feedback loop connecting assessment data to these decisions is critical, ensuring that results are interpreted and applied (Exhibit 1). This is a fundamental change for many foundations, which often separate direction-setting and assessment activities.

We emphasize learning, though not for its own sake. The goal of a good assessment is ultimately to drive better results. Therefore, the lessons from the assessment must be timely, specific and actionable. If the assessment is planned by the same team defining the strategy and programs, it is more likely to be practical and relevant.

Our focus here is on how assessment and strategy develop in tandem, which is most relevant for foundation leaders. Asking the right questions during the planning process ensures that the strategy will be specific and goal-oriented, with signposts to chart progress and provide early warnings if programs are falling short – because assessment is built in. The alternative – trying to retrofit a strategy with an assessment plan – is like trying to install a speedometer once the car is racing down the highway at 100 miles an hour.

*"Everyone has a plan... til they're hit."* **Mike Tyson**

*Regardless of the level of effort to learn prior to grant initiation, the real opportunity to increase the probability of social impact presents itself after the grant is made. It is at this point that assumptions regarding grantee or foundation effectiveness collapse in the face of the very real circumstances of the work supported.*

**Patricia Patrizi, Patrizi Associates**

[11] Jackie Williams Kaye, "Enhancing Evaluation: The Answer Is in the Form of a Question," 2009.
[12] Edward Pauly, "Philanthropy with Impact: A Guide to Evaluative Thinking for Foundations and Donors," 2010, Forum for Active Philanthropy.

*Assessment in action*

*Chance UK, the mentoring charity, changed its approach as a result of what it found through impact measurement: Female mentors tended to be more effective at helping young people overcome social and emotional problems; male mentors tended to be more effective at addressing behavioral problems. The charity was able to change the way it matched mentors and young people, making its mentoring more effective and helping more young people address the challenges they face. Until we as a field collect these stories, and weave them into our promotion of measuring social impact, we'll fail to get people as excited as they should be.*

**Tris Lumley, New Philanthropy Capital**

**Exhibit 1**



Foundation strategy lifecycle
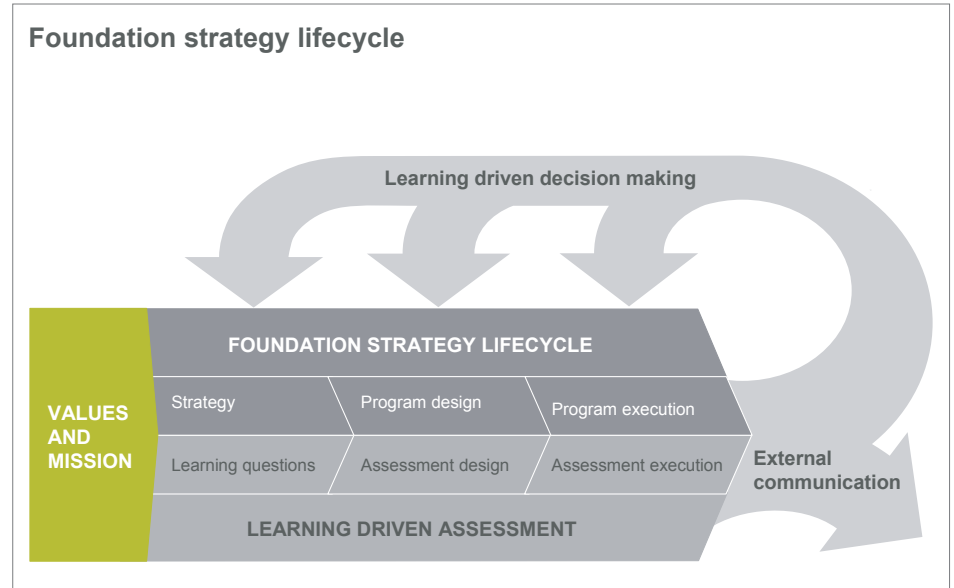
### 3. Exercise rigor within reason

The most rigorous assessment design is not always feasible or appropriate for the program you are evaluating. The best assessments are tailored to a program's objective. We have defined 24 generalized social sector objectives as a starting point for assessment planning. These objectives correspond to six Types of Intervention (knowledge development, services and products, capacity enhancement and skills development, behavior change, enabling systems and infrastructure, policy) and four Stages of the Solution (framing, prototyping, demonstration, scale up). This framework, the "Universe of Initiative Objectives" is described in greater detail in the following special section, which also provides guidance on how to match the assessment approach to the Stage of the Solution, and how to design a Learning Driven Assessment.

*Universe of initiative objectives*

We define a universe of Initiative Objectives that describe goals for social sector programs, based on Type of Intervention and Stage of the Solution. These Initiative Objectives apply across program areas, geographies and populations.

Social interventions – the levers we pull to effect social change – fall into the six categories: Knowledge Development; Product and Service Development and Delivery; Capacity Enhancement and Skills Development; Behavior Change Programs; Enabling Systems and Infrastructure Development; and Policy Development and Implementation (Exhibit 2).

We define four Stages of the Solution for a social sector problem, which describe the phase of planning or implementation that the intervention has reached (Exhibit 3). The progression is often iterative, nonlinear and unpredictable, because external events, preliminary results, or developments in other programs can force the organization to go back and rethink a previous step. The assessment design, data collection and data analysis will be different for each of the four stages. See "Match the assessment approach to the Stage of the Solution."

Some problems are new and require research to develop a basic understanding. This is the Frame the Problem phase. When problems are better understood and solutions are being prototyped, it is time to Develop an Approach to solve the problem. Next the approach is tested to Demonstrate and Refine the Solution. Finally, there are problems that are well understood, strategies have been proven, and these solutions need to be Scaled and Sustained.

## Exhibit 2

### 6 types of social intervention

| | Knowledge development | Service / product development and delivery | Capacity enhancement and skills development | Behavior change programs | Enabling systems and infrastructure development | Policy development and implementation |
|---|---|---|---|---|---|---|
| **Description** | Discovering, developing, interpreting or sharing knowledge to solve existing or expected problems | Providing goods and services to fulfill unmet needs of constituents | Helping organizations or individuals strengthen their capabilities | Sharing information and providing motivation to assist individuals to change their behavior for positive social benefits | Establishing systems and infrastructure that facilitate social change | Promoting or resisting a change in government, multi-lateral, or corporate policy |
| **Examples** | ▪ Medical research<br>▪ Policy research<br>▪ Traditional wisdom | ▪ Soup kitchens<br>▪ Performing arts<br>▪ Anti-malaria bed nets<br>▪ Hybrid seeds | ▪ Vocational training<br>▪ Technical assistance | ▪ Seatbelt campaigns<br>▪ Drunk-driving awareness<br>▪ Handwashing | ▪ Networking opportunities<br>▪ Convenings<br>▪ Definition of common standards<br>▪ IT systems | ▪ Grassroots campaigns<br>▪ Lobbying<br>▪ Litigation |

## Exhibit 3

### 4 stages of the solution

| | Description | Examples |
|---|---|---|
| **Frame the problem** | Define and fully understand the problem | ▪ Conduct analysis to understand key drivers of childhood obesity in the United States |
| **Develop an approach** | Brainstorm ideas and design solution approach | ▪ Design alternative models for vocational training programs including implementation plan, costs, benefits and drawbacks |
| **Demonstrate and refine the solution** | Implement approach at limited scale to test and refine the solution | ▪ Launch a new after-school program and refine its operations<br>▪ Assess effectiveness of a bed net distribution program that has been operating for 5 years |
| **Scale and sustain** | Bring to scale and embed social change in the status quo | ▪ With federal government support, develop Children's Zones in top 20 US cities based on the Harlem model |

As illustrated in Exhibit 4, each Type of Intervention and Stage of the Solution has an initiative objective. So, a vaccination program (a Service or Product Development and Delivery intervention) that is in pilot phase (Demonstrate and Refine the Solution) has the initiative objective to "target constituents' needs for service/product met in pilots." Taken together, the Initiative Objectives reflect the broad universe of social impact work.

For each initiative objective, we have defined a set of generalized Learning Questions to help define a customized assessment plan. To learning more about designing a Learning Driven Assessment, see "A Learning Driven Assessment in three steps".

**Exhibit 4**

## Universe of initiative objectives

| | Type of social intervention | | | | | |
|---|---|---|---|---|---|---|
| Stage of the solution | **Knowledge development** | **Service / product development and delivery** | **Capacity enhancement and skills development** | **Behavior change programs** | **Enabling systems and infrastructure development** | **Policy development and implementation** |
| **Frame the problem** | Problem's context, root causes, effects and scale are fully understood | Target constituents' need and demand for service/ product fully understood | Target constituents' capabilities/skills gap and demand for program fully understood | Problem's context, causes, effects and target constituents fully understood | System gaps in coordination, trust and access fully understood | Context of issue and potential role for policy fully understood |
| **Develop an approach** | Evidence-based hypotheses developed and research method designed | Proof of concept for service/ product demonstrated | Program options designed and most promising model selected | Program options designed, and most promising model selected | Gap-closing options designed, and most promising solution selected | Policy options designed and most promising solution selected |
| **Demonstrate and refine the solution** | Hypothesis proven | Target constituents' needs for service/ product met in pilots | New knowledge/ skills applied by target constituents in pilots | New behavior exhibited by target constituents in pilots | Effective solution applied by early adopters | New policy position adopted by vanguard leaders |
| **Scale and sustain** | New knowledge adopted and broadly applied to address problem | Need and demand for all target constituents fully met by service/ product | Capabilities/ skills gap for all target constituents fully met by program | Problem solved through mainstream role modeling of new behavior by target constituents | System gaps eliminated through mainstream use of effective solution | Issues improved due to full implementation and broad enforcement of new policy |

*Match the assessment approach to the stage of solution*

- When framing the problem, an observational assessment helps in understanding the current and historical situation. Existing data can put the problem in context, and interviews or surveys can gather more targeted information.
- To evaluate alternative prototypes, use simulations or models, which are low-risk, cost-effective means for comparing how approaches will work. Solicit feedback on these ideas from constituents and experts, too.
- In early pilot testing, the goal is simply to execute the program successfully.  At this stage, assessment should focus on implementation and process. Only a preliminary review of results is appropriate. In the more mature pilot phase, once the program is operating as intended and has had time to produce results, experiments (including randomized controlled trials) and quasi-experiments can be used. A wide range of methods for gathering and assessing data should be employed to demonstrate the effectiveness of the pilot before scaling up.
- When replicating successful programs, observational or quasi-experimental designs should be used to determine whether a program continues to yield expected benefits at broad scale. Assessment should focus on how the model performs in different geographies, for different populations of constituents, and over time.

*A learning driven assessment in 3 steps*

- In Step 1, we provide Learning Questions and a recommended short list of assessment options that are based on the Initiative Objective. Exhibit 4 illustrates the Universe of Initiative Objectives, based on the six Types of Intervention used in the social sector and the four Stages of development of the Solution to social problems.
- Step 2 of the process helps the practitioner customize the Learning Questions to the specific portfolio of grants, and develop relevant metrics.
- In Step 3, the practitioner factors in organization-level priorities, such as mission, values or cost, to finalize the assessment plan.

For a complete explanation of this process and guidance on how to apply it, please consult *sso.mckinsey.com/socialimpact.*

## 4.  Be practical

Foundations often set the rules when it comes to program assessment. Because they influence the scale and nature of the assessment for a given program, they need to judge wisely when a major investment in assessment is appropriate.  Foundations should understand the burden they place on grantees that apply for and "service" their grants – and think carefully about what information is really needed for a meaningful assessment. Foundations also can avoid overburdening their own staffs by looking for existing assessment tools and methods, rather than building something new every time a program strategy is launched. By making meaningful assessment as easy on grantees as possible and re-using proven tools, foundations can help maximize the resources available to drive social impact.

**Don't measure everything**
Not every program requires a Cadillac assessment plan. If a global foundation is providing a small grant for a local program in its headquarters city; if a grant represents minor follow-on support, rather than lead funding; if the program is already winding down – the Volkswagen assessment will suffice. But, by all means, do make the big assessment investments where it counts – the program with potential to scale; the innovation that might be a real game-changer; for flagship programs operated by the foundation itself.

As Edward Pauly says, "evaluations are not appropriate when donors are supporting an established, well-managed organization to continue its good works.  Careful progress measurement should be the core of evaluative thinking in those cases.  Only when a donor is supporting a previously untried innovation, a tricky reform, or an activity whose effects are highly uncertain. . . . [O]ne of their most valuable resources is more knowledge about what works and why.[13]

While it's important to gather all the facts to evaluate whether a program is successful and to understand the context of the work, remember that assessment is resource-intensive. "Funders need to be cognizant not to make grantees jump through hoops on trivial things that take up valuable staff time and distract them from their core mission. Evaluation is a valuable tool, but it also takes time and effort and funders should weigh the value of the exercise and the relevance of its findings against the cost of the time it takes," advises Gara LaMarche "There is nothing more demoralizing for a grantee than to do all the work only to have it ignored."[14]

A thoughtful, comprehensive assessment plan that is based on the right questions and crafted with grantee participation avoids a "fishing expedition" that yields vast quantities of unusable data. Too often, says David Hunter, former director of assessment for the Edna McConnell Clark Foundation, funders demand "reams of data concerning their finances, activities, and products in formats and for purposes that often are idiosyncratic to each funder, arbitrary, and virtually impossible to explain or justify – and certainly have nothing to do with evaluation or, for that matter, with helping people."[15]

Often, a grantee winds up tracking different metrics on the same program for different funders. By collaborating with one another to define common metrics, funders can relieve their grantees from such duplication of effort and will likely get better data. By asking the grantees what metrics matter most to them, funders can ensure the assessment yields maximum benefits.

*Useless paperwork breeds mistrust*
*Grantees know that their reports are used by grantmakers primarily as a way of checking compliance and perceive this as further evidence that grantmakers do not trust them, according to our focus group participants. Grantseekers also suspect that many of their reports do not receive much attention. They wonder why they are required to provide such detailed and lengthy reports just to prove that they complied with the grant terms.*

**Project Streamline Report**

[13] Edward Pauly, "Philanthropy with Impact: A Guide to Evaluative Thinking for Foundations and Donors," 2010, Forum for Active Philanthropy.
[14] McKinsey interview, February 2010.
[15] David Hunter, "Performance Management – Navigating Between a Rock and a Hard Place," December 28, 2007.

## Borrow, don't reinvent

The social sector is rich in resources for designing social impact assessments. Funders can tap the Center for Effective Philanthropy,[16] Grantcraft,[17] and Grantmakers for Effective Organizations.[18] Networks like iScale and communities of practice such as the Network on Development Evaluation[19] of the OECD-DAC can connect practitioners with others who have successfully faced with the same challenges.

Tools and Resources for Assessing Social Impact (TRASI)[20] is a new resource, which was developed by McKinsey and the Foundation Center.[21] It is the first cross-sector repository of social impact assessment tools. Now hosted by the Foundation Center, TRASI contains 150 examples of how social impact is being measured by foundations, nonprofits, social investors, social enterprises and others seeking social change. While social impact assessment is complex and different sectors, geographies and constituents have unique needs, our research indicates that the field is very fragmented. Our motivation in creating TRASI was to make existing approaches readily available so that fewer resources are spent on reinventing the wheel.

### Can we learn about assessment from video games?

The social sector is finding new ideas for assessment in lots of different places—including the video gaming world. One example, *Darfur is Dying*, assesses the impact of participatory game experiences based on measurable civic engagement in the real world. In this online game, the player assumes the role of a member of Darfur refugee family. As a result of role-playing a refugee in the game, more than 40,000 players have taken real-world actions, such as sending a message to universities urging divestment in Sudan or donating to an NGO working in Darfur. By tracking actions that players take outside the game, it's possible to assess the impact of the game.

A second example introduces the notion of real-time impact assessment. E-Line Media, a digital entertainment publisher, is currently working on a game called Talkers and Doers to teach entrepreneurial skills to low-income youth. By completing missions in the game, players unlock real-world opportunities to make money. Nonprofits that work with low-income youth partner with the game developers to assess and optimize the impact of the game daily, maximizing the game for both fun and impact. For example, if players are not taking desired actions in the game – like connecting with on-line and real-world mentors - designers will tweak the game design, experimenting with various approaches until mentorship signups meet targets.

A third model embeds assessment in the game itself. The ability to complete all of the levels and finish the game means that a certain level of proficiency has been attained. This model is most relevant to games that focus on education and knowledge development.

- Alan Gershenfeld, E-line Media

[16] The Center for Effective Philanthropy is a nonprofit organization with the mission to provide data and create insight so philanthropic funders can better define, assess, and improve their effectiveness and impact. For more information, please visit http://www.effectivephilanthropy.org/index.php

[17] GrantCraft is a project of The Ford Foundation designed to promote discussion about strategic and tactical lessons in philanthropy. For more information, please visit http://www.grantcraft.org/

[18] Grantmakers for Effective Organizations is a coalition of more than 2,000 individual members representing 350 grantmaking organizations committed to building strong and effective nonprofit organizations. GEO helps grantmakers improve practices: Learning for Improvement, Leadership Development, Money and Stakeholder Engagement. For more information please visit http://www.geofunders.org/home.aspx

[19] The Network on Development Evaluation (NDE) is a subsidiary of the Development Assistance Committee, which functions under Organization for Economic Cooperation and Development. NDE works to increase the effectiveness of international development programs by supporting "robust, informed and independent evaluation." NDE gathers together evaluation directors and specialists from OECD development cooperation agencies and multilateral development institutions. For more information, visit http://www.oecd.org/site/0,3407,en_21571361_34047972_1_1_1_1_1,00.html

[20] For more information visit http://trasi.foundationcenter.org/

[21] The Foundation Center is a national nonprofit service organization recognized as the nation's leading authority on organized philanthropy, connecting nonprofits and the grantmakers supporting them to tools they can use and information they can trust. Its audiences include grantseekers, grantmakers, researchers, policymakers, the media, and the general public. The Center maintains the most comprehensive database on U.S. grantmakers and their grants; issues a wide variety of print, electronic, and online information resources; conducts and publishes research on trends in foundation growth, giving, and practice; and offers an array of free and affordable educational programs. For more information go to http://foundationcenter.org/

## 5. Create a learning culture

A Learning Driven Assessment can only come to life in an environment where inquiry, feedback and continuous improvement are valued – and where honest dissent is encouraged. Foundations need metrics and benchmarks to design and implement assessment, but they also need a learning culture. This culture must exist within the foundation and extend to all stakeholders engaged in the assessment process.

Organizations that have a learning culture:
- Value honest appraisal, open dissent and constructive feedback
- Undertake intelligent risk-taking in pursuit of insight and impact
- Engage in strategic decision-making
- Exhibit curiosity; seek innovation and excellence
- Pursue informed exploration with an orientation to the future
- Consider the relevant context, and make difficult decisions based on evidence and new understanding
- Provide a space where staff can share stories and lessons from their least successful efforts: what happened, why it happened, and what they will do differently next time.

### Not according to plan

There is as much to learn from foundation programs that fail to meet expectations as from programs that have met or exceeded them – perhaps more. The Robert Wood Johnson Foundation defines programmatic failure as not meeting desired ends, and organizational failure as not learning from programmatic failure or success. In its 2010 report, To Improve Health and Healthcare (vol. 13), the foundation reflects on some of its less successful programs and the related lessons. Comparing learning in philanthropy with learning in science, the foundation reminds us of the healthy tension between a passionate belief in hypothesized explanations and eagerness for objective evidence to test those beliefs.

A successful learning culture requires the full support and participation of foundation leadership – everyone has a role. Foundation leaders must show by their actions that they, too, are learning and that learning is always valued, even when it is painful. Paul Brest, president of the William and Flora Hewlett Foundation set a good example in March, 2007 when he published a statement on the foundation's website, in which he frankly described how a program failed and invited readers to pay attention to "the story of a philanthropic initiative that did not meet the expectations of its many stakeholders." Brest acknowledged that the decade-long community improvement program that had cost more than $20 million "fell far short of achieving the hoped-for tangible improvements in residents' lives." He went on to share some of the valuable lessons.

## What is a learning culture?

*It is important that people charged with helping nonprofit organizations plan evaluations position these evaluations to provide credible, useful information that has the potential to have an impact on decision-making. Evaluation approaches that are coupled with what we know about how people learn in organizational contexts improve the likelihood that evidence will inform choices. At Atlantic, we have evaluation experts, an organizational development expert, and an internal facilitator on staff to help establish a continuum from evaluating to learning.*

**John A. Healy, The Atlantic Philanthropies**

# *2 Seize this moment*

Foundations have played a major role in developing the field of social impact assessment. Practicing what they preach, many foundations assess how they themselves measure up. More than 170 funders have submitted to assessment by their stakeholders in Grantee Perception Reports[22] and 30 have shared the results publicly. These are some of the signs of very real progress.

Yet the conversation about how to measure social sector results that has been under way for 20 years began to stagnate prior to the global economic crisis. Now that foundation endowments and donations are falling[23] and demand for services is surging,[24] it is more important than ever for resources to flow to high-performing nonprofits and programs.

In working with foundations and thought leaders to identify the best practices we describe in Chapter 1, it became increasingly clear that the time is right to push real sector-wide reforms in social impact assessment. There are three long-term trends shaping the social sector that we believe will move the needle on assessment: a flood of new talent with fresh perspectives entering the sector; the rise of social investors willing to back ventures that generate a social bottom line;

and federal government support for social sector innovation in the U.S.

## *1. New skills and perspectives*

Over the past 10 years, the demographics of the social sector have changed. Dot-com founders, serial entrepreneurs, venture capital investors and hedge fund managers have become influential donors and leaders of foundations and nonprofits. Freshly minted M.B.A.s, who have studied social entrepreneurship, social innovation, and the nonprofit capital markets, are taking jobs in the sector.

These "philanthrocapitalists"[25] are eager to measure social returns. Where they come from, everyone uses common standards, shared benchmarks and widely-accepted measures of value. So, it is only natural that they look for the same sort of tools to guide their efforts in the social sector. These new players, notes Gara LaMarche, have brought about "a heightened emphasis on measurability and incorporating lessons from the business world." So, even though many lessons from business assessment are not directly applicable to philanthropy, "the increased focus on evaluation and measurement is a good thing," he says.[26]

The challenge for the sector is to apply the principles that underlie traditional business assessments – measuring, tracking, understanding sources of success – in ways that make sense in the social context. "When investors evaluate a business, they ultimately need to answer only one question – how much money will it make?" notes Michael Edwards in *Just Another Emperor?* "The equivalent for civil society is the social impact that organizations might achieve, alone and together, but that is much more difficult to evaluate, especially at the deeper levels of social transformation."[27] Efforts by these new practitioners to create hybrid metrics, such as the "social rate of return" on investments in citizen action, may be doomed, he concludes.

The wholesale adoption of investment measures won't capture what is most unique and important in the social sector. But more smart heads contributing to the solution can only help solve the persistent problems of social impact assessment. This talent migration offers an opportunity to harness experience from technology, medicine, business and investing, and build off that experience to develop solutions that truly fit the social sector.

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[22] The Center for Effective Philanthropy's Grantee Perception Report is used by more than 170 funders to gain comparative, candid feedback collected through confidential surveys from more than 50,000 grantees. The report provides feedback in areas such as: quality of interactions, application and reporting processes, and perceptions of impact.

[23] The Foundation Center estimated that 2009 giving by the nation's more than 75,000 grantmaking foundations would decrease by up to 13 percent. For 2010, 26 percent of foundations expect that their giving will be lower than in 2009. http://foundationcenter.org/gainknowledge/research/pdf/researchadvisory_economy_200911.pdf

[24] *Hunger in America 2010* reports a staggering increase of 46 percent in the number of Americans receiving annual emergency food aid through the nation's network of food banks since 2006. More than one in three client households are experiencing very low food security – or hunger – an increase of 54 percent in the number of households compared to 4 years ago. http://feedingamerica.org/faces-of-hunger/hunger-in-america-2010.aspx

[25] Coined by Bill Gates, the term "philanthrocapitalism" refers to the call for a new capitalist system with the dual mission of making profits and fixing the world's inequalities. (See "Gates Pushes Creative Capitalism," *Financial Times*, 25 January 2008.) According to the idea of philanthrocapitalism, companies should think more broadly about the ways in which their actions can benefit both the greater good and their own bottoms lines. Others have expanded this definition to include the adoption of business-like practices in the social sector.

[26] McKinsey interview, February 2010.

[27] Michael Edwards, *Just Another Emperor? The Myths and Realities of Philanthrocapitalism* (New York: Demos, 2008), p. 66.

## Understanding risk as part of social impact assessment

Once we have measured a program's social return, how do we know if the return was "enough"?

In for-profit investment management, there is a basic concept of risk-adjusted rate of return. Riskier investments require higher returns to compensate for their risk. Financial investors even have a tool – the Sharpe Ratio – to compare investments on the basis of risk and return.

In the social sector, risk is not clearly defined and we lack tools to measure it. Many who think about measuring impact never consider measuring risk. Yet risks abound: concept risk, design risk, execution risk, discovery risk, and the risk of failing to stick to one's moral and political convictions.

And who bears these risks? The donor receives the tax advantage and the warm and fuzzy feeling that comes from being altruistic, regardless of whether real social impact is generated. It is the constituent who bears the full cost – at least an opportunity cost – if the donation is used ineffectively and inefficiently, and fails to generate a social return.

Risk is an unavoidable dimension of innovation and social change work, and a relevant – though missing – part of the conversation on social impact assessment.

## 2. Rise in social investing

Access to capital is a strong motivator for developing common approaches for measurement in the social sector. Socially responsible investors[28] offer that access – but they want reliable metrics of social impact to guide their investing. According to a recent report by the Monitor Group, "impact investing has the potential to grow to about 1 percent of total managed assets, which would result in about $500 billion of capital channeled toward social and environmental impact."[29] This is significant. As a point of comparison, assets of all U.S. and European foundations, along with U.S. donor advised funds, total approximately $862 billion. Annual global grantmaking is approximately $110 billion.[30]

A number of efforts are under way to help social enterprises share information on the social impact they generate. These include common standards and platforms like the B Rating System,[31] the Global Impact Investing Ratings System (GIIRS),[32] and the Impact Reporting and Investment Standards (IRIS),[33] which help social investors and social enterprises communicate and agree on measures of value.

[28] Socially responsible investors seek social impact as well as financial return when investing capital. They consider environmental, social and corporate governance criteria in addition to standard financial analysis when making investment decisions.

[29] "Investing for Social and Environmental Impact," Monitor Group, January 2009.

[30] U.S. foundation source: http://foundationcenter.org/gainknowledge/research/pdf/fy2009_highlights.pdf ; U.S. donor advised funds source: http://www.cof.org/files/Bamboo/programsandservices/research/documents/dafjuly09.pdf ; European foundation source: http://www.efc.be/NewsKnowledge/Documents/EFC-RTF_EU%20Foundations-Facts%20and%20Figures_2008.pdf

[31] The B Rating System is a survey created by B Labs that helps an organization assess its impact on each of its stakeholders and allows the organization to use tools and best practices embedded in the survey to improve its social and environmental performance. It can be used formally by companies that wish to become "Certified B Corporations," or as a general benchmarking tool for any group that is interested in measuring impact. For more information go to  http://www.bcorporation.net/become/BRS

[32] GIIRS, or Global Impact Investing Ratings System, is an open-source rating system that provides impact investors with independent and objective tools to assess the social and environmental impact of individual companies and of their larger investment portfolios. GIIRS development is being overseen by B Lab, a non-profit dedicated to building a marketplace of socially impactful companies, funds and investors, with support from The Rockefeller Foundation. For more information go to  http://www.rockefellerfoundation.org/

[33] IRIS, or Impact Reporting and Investment Standards, is a group of financial, operational, and impact metrics that helps increase the transparency of social and environmentally-oriented investments through a "user-configurable, open-source XBRL-enabled toolset." IRIS is a joint initiative of The Rockefeller Foundation, Acumen Fund, B Lab and others. For more information go to http://iris-standards.org

Tools like Pulse[34] from the Acumen Fund, are now used to collect and report results of social enterprises at the portfolio level. Communities such as the Global Impact Investing Network (GIIN)[35] and the Aspen Network of Development Entrepreneurs (ANDE)[36] support collaboration, develop infrastructure and build capacity for social investing. Foundations have helped seed and support all of these efforts, using their convening power, capital and ability to publicize.

Social impact is the same, whether it is generated through a social investment or a grant, and can be measured in a similar way. Therefore, the work of the social investment community in assessment should benefit the social sector as a whole. By setting common metrics, shared benchmarks, and collecting data in a sector-wide repository, the social investment community has started to build an important platform for understanding and measuring social impact.

### 3. Government demand for innovation and evidence

The Obama Administration has created several innovation funds[37] that will source proven solutions to social problems from non-profits. The White House Office of Social Innovation, meanwhile, intends to promote social innovation throughout the federal government, including through the Corporation for National and Community Service's new Social Innovation Fund. While the Social Innovation Fund funding is relatively small, its influence will likely be large. It will help to showcase innovative nonprofits that are proving their effectiveness, which may attract other sources of federal funding to finance scale-up.

### Innovation:
### How to measure a moving target
*Innovation is all about navigating uncertainty and we've found this to be a sticking point in conversations about evaluation, where you are presumed to know what you need to measure in advance. There is huge value in determining what to measure early on so that you will know if you are on track. But it is also critical to regularly assess whether you need to alter your measurement criteria as you learn more. This practice of prototyping and iteration are key tools to guide us through foggy projects.*

**Aaron Sklar, IDEO**

[34] Pulse is a portfolio data management platform that helps social investors track, measure and evaluate financial, operational, and social data to better understand the global impact of their portfolios. For more information go to http://www2.app-x.com/pulse/

[35] GIIN is a non-profit dedicated to increasing the effectiveness of impact investing. GIIN has three main areas of focus: the GIIN Investors' Council brings together and supports leading impact investors; IRIS is a group of financial, operational, and impact metrics that help increase the transparency of impact investing; and GIIN's education initiative provides research and analysis to support institutions as they begin or expand an impact investing program, informs policymaking related to impact investing, and conducts and distributes new research to the larger impact investing community. For more information go to http://www.globalimpactinvestingnetwork.org/cgi-bin/iowa/home/index.html

[36] ANDE, the Aspen Network of Development Entrepreneurs, is a global network of organizations dedicated to propelling entrepreneurship in emerging markets. Housed in the Aspen Institute, ANDE works to increase the amount and effectiveness of investment and business assistance provided to entrepreneurs in developing countries. For more information go to http://www.aspeninstitute.org/policy-work/aspen-network-development-entrepreneurs/about-ande

[37] Innovation funds have been created as part of the Corporation for National and Community Service, the Department of Education, the Department of Health and Human Services, the Department of Housing and Urban Development, and the White House Office of Faith-Based and Neighborhood Partnerships.

Another way the Social Innovation Fund is expected to punch above its weight is by helping advance social impact assessment. According to the enabling legislation, applicants to the Social Innovation Fund must "propose to focus on improving measurable outcomes" and prove program effectiveness with data, "including, where available, well-implemented, randomized controlled trials." If an applicant does not have sufficient evidence of success, it may apply to work with a research organization to evaluate its program. In addition, up to 5 percent of the Social Innovation Fund's $360 million may be used for research to improve evaluation, benefiting the social sector as a whole.[38]

The Office of Management and Budget, which has oversight responsibility for the social innovation funds along with thousands of other government programs, has also signaled the importance of assessment. "Rigorous ways to evaluate whether programs are working exist," OMB Director Peter Orszag has written on his blog. "But too often such evaluations don't happen. They are typically an afterthought. . . . This has to change, and I am trying to put much more emphasis on evidence-based policy decisions here at OMB."[39]

The prospect of significant government resources to bring effective programs to scale, coupled with a demand for rigorous evidence of impact, has enlivened the discussion of assessment. Not all the talk is positive, to be sure. Many in the social sector are excited by the possibility of a new funding source. But there is also unease about how success will be measured. Some of the methods of evaluating programs to which Orszag alludes, such as randomized controlled trials, are not the most appropriate approaches for assessing nascent programs (at the proof of concept or early pilot stages) and could wind up choking off innovation. At a minimum, the attention from Washington undeniably has the potential to push the debate on best practices in social impact assessment further.

### Randomized controlled trials: for mature programs only

Randomized controlled trials are an important tool, but they are most suitable for measuring programs at the mature pilot phase. Even then, experimental design should be used alongside other types of measures to ensure a comprehensive understanding of the results in the proper context. David Bonbright, chief executive of Keystone Accountability, summed up the concerns of social sector colleagues in a 2008 article on using experimental evaluation:

"First it really is expensive. This might be OK if there were not much cheaper alternatives. Second, while a properly conducted experimental evaluation will prove that X program will produce Y outcome, it does not tell you why. Consequently, it is not particularly helpful for scaling up program X to achieve Y in other settings (context turns out to matter, as many studies have shown)."[40]

[38] Serve America Act, 2009. For more information go to http://www.nationalservice.gov/about/serveamerica/index.asp
[39] http://www.whitehouse.gov/omb/blog/09/06/08/BuildingRigorousEvidencetoDrivePolicy/
[40] "Against Experimental Evaluation: Proving or Improving, Alliance Magazine, March 2008.

Foundations have contributed to all three of the trends reshaping the social sector. They provide an avenue for new donors and leaders to enter the social sector; they have supported the research and creation of networks and platforms that facilitate social investing; and they have offered thought partnership and matching funds for the government's Social Innovation Fund.

Foundations can take the lead going forward as well. In Chapter 3, we describe three specific steps for foundations to move social impact assessment ahead: partnering with grantees, agreeing to common measures, and sharing assessment lessons.

Foundations have the opportunity to seize the moment. If they do not, the same stagnant conversation about assessment will be rattling through the conference halls and meeting rooms 10 years from now – and the social sector can expect to lose the benefits of these three trends as human capital, financial capital and intellectual capital move on.

*Proven innovation that works*

The programs described below have been cited as proven social innovators and are under consideration to be scaled up with federal funding.

**Nurse-Family Partnership.** This well-established home-visitation program has proven to be effective in improving the long-term health and well-being of poor first-time mothers and their children. Over three decades, randomized controlled trials were conducted with three diverse populations in New York, Tennessee, and Colorado, demonstrating the benefits to first-time, low-income mothers. Follow-up research continues today, documenting the long-term outcomes for mothers and children.[41]

**Harlem Children's Zone.** Harlem Children's Zone offers a comprehensive set of programs that engage local residents to provide a safe learning environment and positive opportunities for children and families in New York City's Harlem community. Over 10,500 youth are served each year through early childhood education, charter schools, after-school and summer enrichment programming for youth, and help for teens to gain access to college or other post-secondary education opportunities.[42] The organization's Promise Academies seek to improve academic achievement and life outcomes in high poverty areas. This approach has produced enormous gains that eliminated the black-white achievement gap, according to research by two Harvard economists.[43]

**Carrera Adolescent Pregnancy Prevention Program.** This program of the Children's Aid Society helps children aged 10 to 18 avoid pregnancy and risky sexual behavior. Emphasizing their potential, rather than their risks, the program helps children develop a desire for a productive, risk-free future and provides opportunities for them to discover interests and develop talents, while emphasizing education and employment. Philliber Research Associates found the CAS-Carrera program yielded a 50 percent reduction in teen birth rates in communities served, along with a multitude of positive outcomes for both boys and girls, including higher graduation and college admission rates, and increased adoption of healthy living practices. The program is the only fully evaluated teenage pregnancy prevention program in the country with statistically proven effectiveness.[44]

[41] See their website: http://www.nursefamilypartnership.org/
[42] See their website: http://www.hcz.org/
[43] "Are High-Quality Schools Enough to Close the Achievement Gap?" Willie Dobbie and Roland G. Fryer, Jr., Harvard University, 2009.
[44] See their website: http://www.stopteenpregnancy.com/

# 3 Leading the sector

Foundations should remain in the lead, promoting improved social impact assessment. They are ideally positioned to drive best practices that will benefit their own organizations, their grantees and the entire social sector. If the top 25 U.S. foundations agreed to cooperate on the following three initiatives, think what they could accomplish.

- **Develop protocols for partnering with grantees**.
  Codify how foundations should collaborate with grantees on planning, implementing and learning from assessment. Stipulate levels of technical assistance and financial support for assessment in every grant. Create a "grantee bill of rights," describing what grantees can expect from their funders, including feedback on what's working – and the ability to provide funders with feedback as well.

- **Agree on a limited number of common metrics**.
  Adopt a basic set of metrics that foundations agree to accept from their grantees. Grantees would post their annual results to a common repository. A neutral party, such as the Foundation Center, can collect the assessment data and develop benchmarks, perhaps following the example set by IRIS.[45]

The first step is to develop a common taxonomy to guide data gathering. Even setting metrics for operational effectiveness as a means of getting this system in place is a start. To walk the talk, foundations must also collaborate on a basic set of metrics to report on their own work – and post those annual results, too.

- **Build a system to share assessment learning.**
  Commit to contributing all portfolio- and strategy-level assessment reports to a master clearinghouse so the whole sector can benefit. Encourage grantees to contribute their major evaluation reviews as well. Build off existing capacities such as PubHub,[46] a collection of almost 5,000 research reports and case studies about work supported by foundations. Tap affinity groups of funders such as Grantmakers for Effective Organizations and the Evaluation Roundtable,[47] which seek to improve assessment practices, and groups that bring together funders, grantees and others, such as Independent Sector,[48] which have the capacity to design the system. These efforts can bring forth the first social sector-wide repository for learning by funders, NGOs, social enterprises, activists and others seeking social change.

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[45] IRIS, or "Impact Reporting and Investment Standards" is an effort initiated by The Rockefeller Foundation, Acumen Fund, and B Lab with the goal of establishing a common framework for defining, tracking, and reporting impact investment performance. IRIS builds on already-existing efforts in the sector to create one language that allows for comparison across the wide range of organizations that seek to have social impact. This framework includes descriptor indicators that focus on an organization's missions and specific initiatives, common financial indicators, operations indicators, sector-specific indicators, and a glossary of key terms and metrics. For more information go to http://iris-standards.org/

[46] PubHub showcases the knowledge generated or supported by foundations, and fosters the exchange of best practices and lessons learned in the field of philanthropy. PubHub's searchable catalog of annotated links to foundation-sponsored reports, allows access to the latest publications on specific issues from across the full spectrum of philanthropic activity in the United States. For more information go to http://foundationcenter.org/gainknowledge/pubhub/about_pubhub.html

[47] The Evaluation Roundtable is a group of evaluation and program executives at North American foundations with a deep commitment to evaluation and learning.

[48] Independent Sector is the leadership forum for 550 charities, foundations, and corporate giving programs committed to advancing the common good in America and around the world. For more information go to http://www.independentsector.org/index.htm

So, if the most powerful foundations in the United States got together, and did these things, what would be the result? The U.S. social sector would soon have a very powerful platform for impact assessment that could be expanded and adapted globally. An investment in assessment would be an investment in learning and driving social change. The timing is perfect as the need is universal. Who will take the lead?

### Feedback: There's an app for that

One nascent example of a system to share learning is Keystone Accountability's Feedback App. Organizations survey their constituents on some common questions. Feedback is shared anonymously with the organization, and aggregated in a repository. Over time, the repository will enable benchmarking, allowing an individual organization to see how its own constituent feedback compares to the average feedback of peer organizations working in the same sector or region. The more organizations that use the app, the better the benchmarks become. More information can be found at http://feedback.keystoneaccountability.org/

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We hope this report is helpful to foundation leaders and others. It is only a beginning and we are exploring additional opportunities to deepen our work on Learning for Social Impact. We have already identified some ideas for future work:

- Concrete examples of how social impact assessment findings are used to improve programs
- Special challenges of assessment in the developing world
- Project assessment from the perspective of nonprofits and social enterprises
- Sector-specific and geography-specific assessment frameworks.

Please share suggestions and comments by emailing socialimpact@mckinsey.com

# Acknowledgements