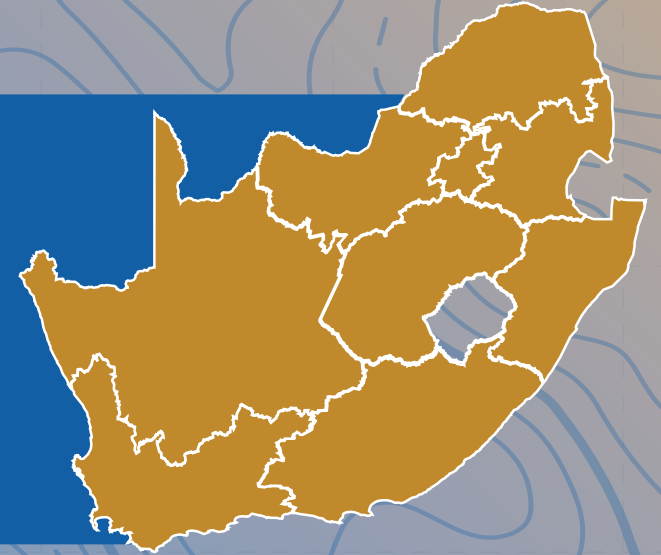


Landscape Mapping for Impact Measurement and Management in South Africa



**METRICS
SOUTH AFRICA**



Aspen Network of
Development Entrepreneurs



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SUMMARY OF KEY FINDINGS

Through the Catalyst Fund for Impact Measurement in Africa, supported by the United Kingdom's Department for International Development (DFID), the Aspen Network of Development Entrepreneurs (ANDE) South Africa chapter commissioned Genesis Analytics and Impact Amplifier to conduct research into the impact measurement and management (IMM) landscape in South Africa. We spoke to investors, intermediaries and investees in South Africa about their IMM practices. This is what they have to say about measuring and managing impact.

Genesis Analytics and Impact Amplifier have completed a study through the Catalyst Fund for Impact Measurement in Africa on *Mapping the Landscape for Impact Measurement and Management in Africa*. This is an initiative that came out of the ANDE Metrics Learning Lab South Africa Chapter. Developed from the findings of this study, Genesis, Impact Amplifier and ANDE South Africa are pleased to present the following supplementary guide. This supplementary guide is intended to serve as a companion read for the interactive infographic guide available on the ANDE website.

This supplementary guide has been created with the aim of mapping this landscape and to generate awareness and understanding of the impact space in South Africa.

This guide explores:

- Why and how organisations are measuring their impact;
- The benefits and challenges of impact measurement and management;
- How impact data is used and reported;
- The future of impact measurement and management in South Africa.

While a fairly new space in the context of South Africa, more than **two-thirds (72%)** of study participants in this guide reported having an impact measurement and management practice. **66%** of study participants believe that measuring impact is central to achieving company growth and organisational objectives. Participants whose organisations are not measuring impact expressed that limited resources, both financial and human, as well as insufficient knowledge and skills constrains their impact measurement capabilities.

Overall, the IMM approaches in use remain the same across different phases of the investment cycle with only **22%** of survey respondents reporting that their

approaches varied. Of the approaches used, our findings showed only **32%** of survey respondents reporting alignment to formal impact measurement techniques. Of the formal techniques mentioned, **DCED, ESG, IRIS and the SDGs** are the most commonly used. With **68%** of survey respondents not aligning to standardised techniques, the use of in-house custom metrics is commonly cited amongst all study participants. For those practicing impact management and measurement, **61%** of survey respondents indicated that they have been doing it for **less than two years**.

Study participants recognised a myriad of contrasting benefits and challenges associated with IMM. **92%** of study respondents recognise that the top benefit of measuring and managing impact is being able to better demonstrate how their organisations make a difference. At the same time, the most common challenge cited includes determining a clear impact definition and measurement method. Other challenges include issues with data quality and reliability as well as balancing measurement and reporting requirements. For the data that is being measured, used and reported, **investors are cited across stakeholder groups** as the most important audience for these impact results.

From mapping the landscape to forging the way ahead to advance the market, the future of impact measurement and management will be determined by a variety of factors. In particular, study participants identified partnerships and collaboration for capacity building, data-driven actions, evolved approaches and improved IMM resources. This guide intends to enable your exploration of the landscape, sharing experiences across organisations and igniting conversations. Through the exchange of ideas, the authors and funders of this study hope to lay a few more steps forward for the impact measurement space in South Africa.

Through conversations in the Aspen Network of Development Entrepreneurs (ANDE) Metrics Learning Lab South African chapter, members expressed the desire to better understand, measure and manage the impact of investing- and business activity in order to maximise positive effects while mitigating those that are negative.

We collected data from four stakeholder groups, including “investors”, “intermediaries”, “investees” and “other”. The ‘other’ category in the survey responses included a mentorship network organisation, while among interview participants this category captured international organisations that provided a holistic view of the IMM landscape in South Africa.

Classification into these groups were self-defined by study participants. While fund managers are typically considered an intermediary, many fund managers self-identified as an investor.

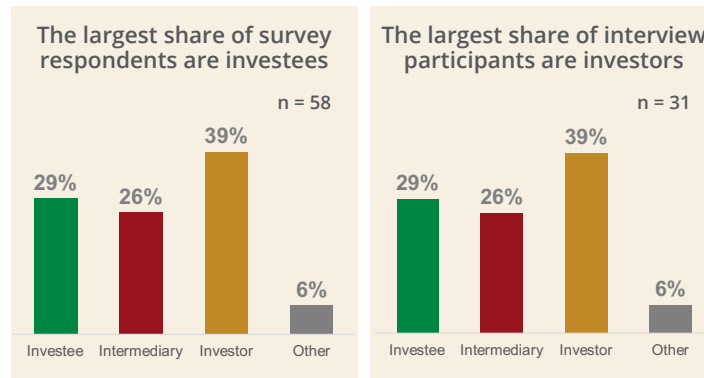


OVERVIEW OF STUDY PARTICIPANTS

In conducting research into the IMM landscape in South Africa, feedback was gathered from study participants via surveys and interview participants. We received 58 survey responses and conducted 31 interviews with investees, intermediaries and investors.

The majority of the survey respondents were investees while the majority of the interview participants were investors.

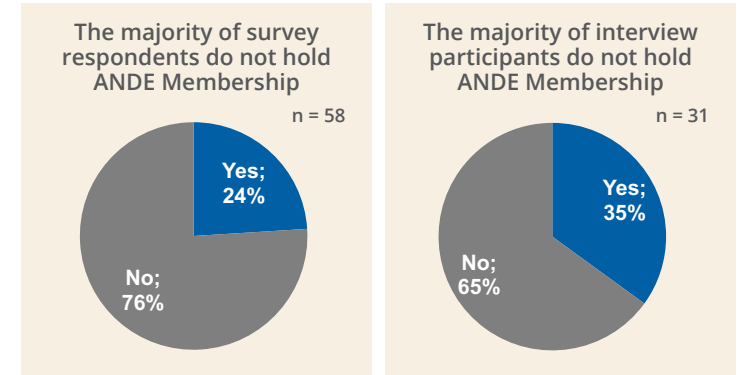
FIGURE 1: Split of survey respondents and interview participants by stakeholder group



The majority of survey respondents and interview participants were not part of ANDE, as indicated in Figure 2 alongside.

We received 58 survey responses and conducted 31 interviews with investees, intermediaries and investors.

FIGURE 2: Split of survey respondents and interview participants by ANDE membership

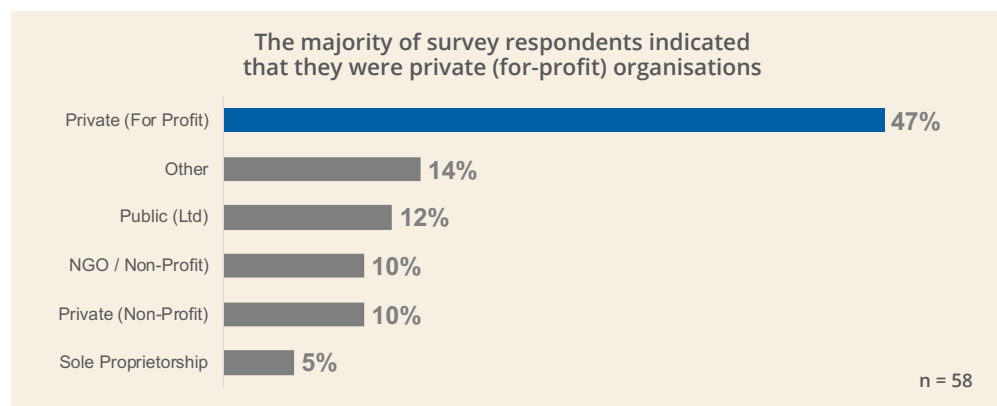


Due to ANDE’s work with stakeholders who support small and growing businesses (SGBs), the ANDE network was very useful in reaching investors and intermediaries. Yet, these results are likely driven by the research team’s efforts to push out the survey and key informant interviews to larger networks beyond ANDE, specifically to include a range of investees. This has enabled a better understanding of what is being used to measure and manage impact beyond the ‘traditional’ network of organisations who are in the Metrics Learning Lab. This is important because it is assumed that those in the Learning Lab are more advanced in terms of IMM due to their ongoing engagement in metrics discussions through the Lab.

Through the survey, we were able to collect more disaggregated data. This enabled the further breakdown of characteristics of the sample into the legal structure of the organisation, organisation type and the sector in which participants are involved.

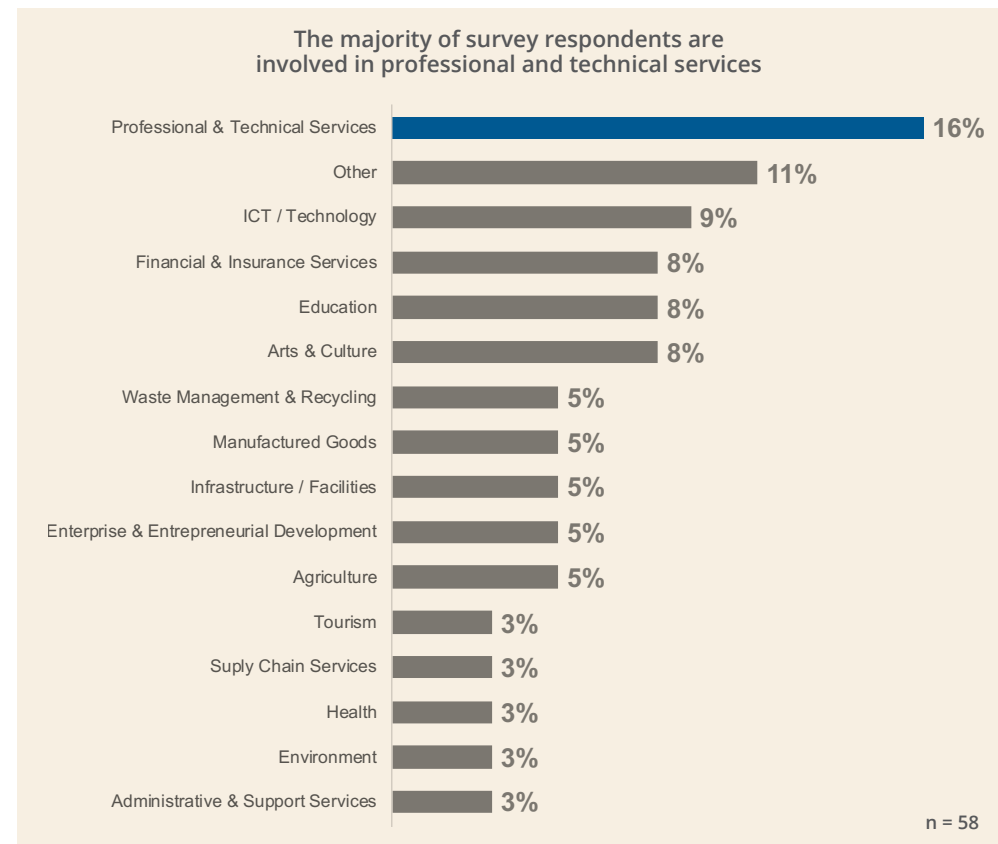
For the legal structure of organisations, the overall majority of respondents indicated they are private (for profit), as shown in Figure 3 below. When further disaggregated, this is the case for both investors (55%) and investees (56%) while intermediaries are equally split between non-governmental organisations (NGO's) / Non-profit and private (non-profit) at 29% for each sub-group.

FIGURE 3: Legal structure of organisations among survey respondents

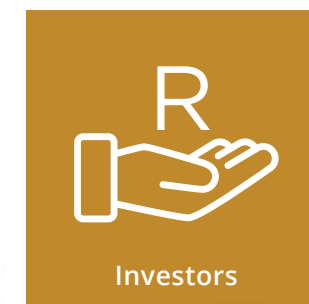


Survey results indicated that respondents are involved in a broad range of sectors, with the majority in professional and technical services. This was a promising indication of the broad array of sector activities across the landscape and the survey coverage in reaching a diverse number of respondents.

FIGURE 4: Sector focus among survey respondents



Survey results indicated that respondents are involved in a broad range of sectors, with the majority in professional and technical services.



Impact measurement and management (IMM) refers to the practices and methods used to generate and use data on impact to advance the intended social and environmental impacts from investment and business activities. For the purposes of this study, we were not prescriptive about defining IMM because we anticipated that IMM practices would be diverse, based on criteria including organisation type and size. Instead, we were interested in study participants placing themselves on a spectrum, based on their organisations practices.

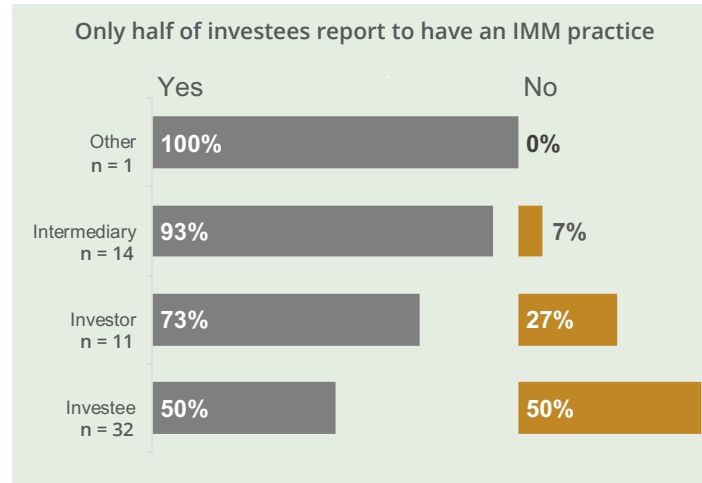
Despite the growing body of knowledge on IMM, activity and interest in IMM, the field remains in nascent stages. The IMM landscape in South Africa and more broadly, is complicated by a myriad of different approaches, tools, frameworks and methodologies, driven by a diverse set of actors, needs and motivations.



MEASUREMENT

66% of all survey respondents and 84% of interview participants reported having an IMM practice. When looking at the survey respondents reported IMM practice according to organisation type, we see that only half of the investees surveyed reported/report having an IMM practice. This is indicated in Figure 5 below.

FIGURE 5: IMM practice according to organisation type



The survey also asked respondents to indicate why they are not currently measuring impact. The figure alongside provides the top six ranked reasons as to why organisations are not measuring impact.

The majority of study participants report that their organisations do measure impact.

FIGURE 6: Why organisations are not measuring impact



As indicated in Figure 6, resources feature prominently as an important constraint preventing organisations from developing an IMM practice. This is consistent with the findings in Figure 5 alongside, which indicated that half of investees were not measuring impact. Those investees tend to be smaller enterprises. When asked what would enable their organisation to adopt IMM, many investees mentioned 'human resources', 'financial backing', and 'support'.

Additionally, 'training and tools' were also commonly mentioned, in line with the second-ranked barrier above. However, some intermediaries and investors also expressed resource constraints as a barrier to developing their own IMM practice. Consequently, study participants recognise that measuring impact entails a cost, which some organisations are not able to bear at this stage in their development or without external support.

These findings are consistent with results from other studies. One study conducted with investors in Latin America found that costs and resources were most frequently identified as the number one challenge in measuring impact¹.

Interestingly, one investee commented, **“It’s [IMM] not something we would envisage doing even if we had the resources since there is general consensus that providing access to basic clean energy has significant positive socio-economic and environmental impacts”**. The challenge with this sentiment, is that without actually measuring impact, these organisations run the risk of over-stating impact. Additionally, it limits organisations from understanding where they may be creating negative impact.

While study participants recognise that there are certain costs entailed in measuring impact, many interview participants expressed the view that the benefits outweigh the costs, which will be discussed further in the **Cost of Measurement** section below. In terms of why organisations are measuring impact, the largest share of survey respondents (55%) indicated that measuring impact is central to achieving company growth and objectives.

FIGURE 7: Why organisations are measuring impact



“ IMM has helped our growth, employee attraction, and retention. It is no longer a grudge purchase; it has to be taken seriously because so much of our growth depends on a good understanding of our impact. **”**

- Investor

While the reasons for which organisations initially started an IMM practice varied, many interview participants also noted that their organisations have bought into and continue to measure impact because they appreciate the value that it creates for their organisation, both in terms of organisational growth and achievement of objectives.

¹ Aspen Network of Development Entrepreneurs and The Association for Private Capital Investment in Latin America. 2018. The Impact Investing Landscape in Latin America: Trends 2016 & 2017. Available: https://cdn.ymaws.com/www.andeglobal.org/resource/resmgr/research_library/latam_reports/latam_impinv_eng_2018_digita.pdf.

To understand the measurement techniques that organisations are using, the research team first aimed to understand whether organisations are using different techniques in each stage of the investment cycle. This is particularly important given different methods for measuring and managing impact can be used for different objectives based on the stage of investment.



MEASUREMENT TECHNIQUES


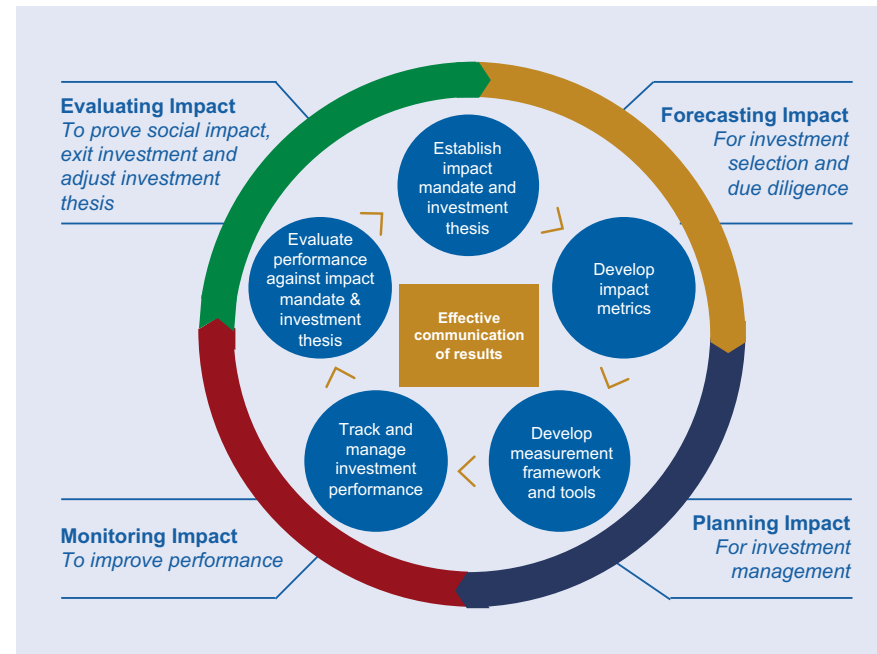
We adjusted this diagram below based on the United Nations results-based management cycle , which is used in donor and government funded interventions. This adaptation was based on our observations across organisations that work in impact investing or small and growing business (SGB) support.

FIGURE 8: Mapping the IMM process to the investment cycle



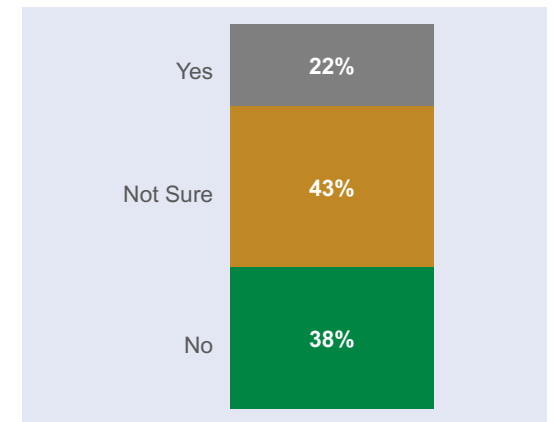
Through this, we aimed to understand during which stages of investment organisations are practicing IMM, which techniques are most frequently used in each stage of the investment cycle and the purpose of IMM in each stage.

We also aimed to understand how organisations are using data across the investment cycle, given that the majority of respondents noted that impact measurement supports growth.

22% of survey respondents indicated that their approach varies according to the investment cycle.

However, only 22% of survey respondents indicated that their approach varies according to the investment cycle. This is indicated in Figure 9 below.

FIGURE 9: IMM approach according to the investment cycle



32% of survey respondents reported that their organisation aligns to formal impact measurement techniques.

Further to this, only 32% of survey respondents reported that their organisation aligns to formal impact measurement techniques. This is indicated in Figure 10 on Page 8. Among these survey respondents, as well as interview participants, the most frequently cited IMM techniques were:

- ↓ Donor Committee for Enterprise Development (DCED) standard
- ↓ Environmental, Social and Governance (ESG) criteria
- ↓ Impact Reporting and Investment Standards (IRIS)
- ↓ The Sustainable Development Goals (SDGs)

This is consistent with the findings from the ANDE East Africa Landscape Mapping study as well as a study conducted by the **Global Impact Investing Network (GIIN)** ↓, which found that IRIS and the SDG indicators were the most commonly cited sets of standardised metrics ².

“ We are drawing on the DCED standard – it is so pragmatic. It provides a useful frame to think about our results chain and what we are doing... However, this is selective adoption of DCED where relevant.

- Intermediary ”

However, few of the study participants who are using these formal techniques were applying them in full. Instead, these participants noted that their organisation adopts standardised techniques where relevant, and then builds on these formal techniques with custom or in-house developed techniques. For example, 42% of survey respondents who reported to use standardised metrics indicated they use a “combination of some already established metrics and internal metrics to account for unique product / services offered”. Interview participants explained that the benefit of combining standardised and custom techniques is that they are able to create a more structured IMM practice while accounting for adaption to context.

While approximately a third of survey respondents reported to align to formal techniques, most survey respondents (68%) and interview participants noted that their organisation is not aligning to formal techniques. This is indicated in Figure 10 on Page 8.

CASE STUDY 1: Aligning to the Sustainable Development Goals

While many stakeholders engaged as part of the landscape mapping study are thinking about the SDGs only at a thematic level, one mainstream investor who has impact funds - ‘the investor’ - described the involved process that their organisation undertook to align to the Sustainable Development Goals.

According to this investor, the SDGs “provide a good platform to promote impact and sustainability of investments”. To align their investment portfolio to the SDGs, the investor reviewed each of the Sustainable Development Goals and the associated indicators. Next, they reviewed all reports related to their existing portfolio and collected data from portfolio companies to track how each of their investments directly contribute to the SDGs. Additionally, their team identified indirect links or contributions to the goals, as well as how their activities may negatively contribute to each of the SDGs. So far, the investor has completed this process for 75% of their funds.

According to the investor, their efforts to align investment activities to the SDGs have resulted in a number of benefits for the organisation. Clients increasingly have an appetite to understand how organisations are integrating the SDGs into their work to understand their impact on countries and communities, and the investor is able to communicate this value.

² The GIIN. The State of Impact Measurement and Management Practice. First Edition. 2017. Available: ↓ https://thegiin.org/assets/2017_GIIN_IMM%20Survey_Web_Final.pdf.

Levels of a theory of change:

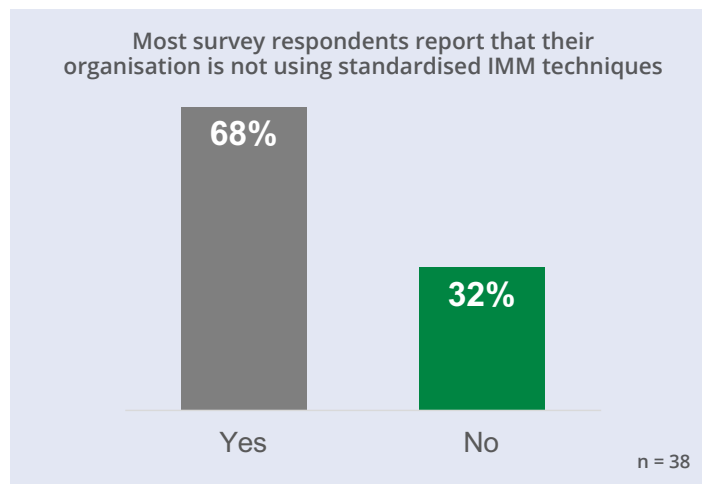
Activities
– what you do

Output
– the direct result of your activities

Outcomes
– results or changes from the intervention or investment, such as changes in knowledge, behaviour, social action or status

Impact
– the longer-term social, environmental or economic consequences of an intervention or investment

FIGURE 10: Survey respondents' reported use of standardised techniques



Some interview participants reported that their organisation has a **theory of change** ↓ and aligned internally-developed metrics, both of which are key steps in developing an IMM practice.

Having an explicit theory of change is advantageous in that it encourages investees, intermediaries and investors to probe their impact thesis and to identify and understand potential challenges and underlying assumptions.

However, many interview participants expressed that they do not have a clearly articulated theory of change, or understanding of how their activities lead to their intended impact, but that they do have some key metrics they are tracking, and are using surveys and interviews to collect the data for the metrics.

BOX 1: Theories of change in impact measurement

Having a theory of change ('logic model', 'formalised impact thesis', or 'results chain') is used to understand the change or impact that an organisation is pursuing. Having an explicit theory of change is advantageous in that it encourages investees, intermediaries and investors to probe their impact thesis and to identify and understand potential challenges and underlying assumptions.

Additionally, theories of change also enable organisations to select key metrics based on an understanding of the intended impact pathway, or interconnected chain of results. Ultimately, theories of change encourage organisations to be judicious in pursuing business activities and/or investments to ensure that these are in line with the impact that they aim to achieve. In this regard, theories of change can also be used for accountability and strategising. It is worth noting that while these are key advantages of theories of change, these advantages are potentially limited if the theory of change is treated as a static document. Theories of change should be living documents that are updated as the interventions and their contexts change.

A simplified example of a theory of change is provided in Figure 11 on Page 10.

Many interview participants reported that their metrics focused on activities or outputs, but do not move up the chain to outcomes or impacts. This is largely driven by resource constraints, as interview participants expressed the view that developing more holistic frameworks for IMM can be expensive from a time and cost perspective, but also due to difficulties in clearly measuring impact because it is a step removed from the direct activities of the organisation. However, it should be noted that the challenge of measuring impact is common in the industry, as it can be difficult to measure metrics that are removed from the immediate activities of the organisation. Despite this challenge, it is important that the outcome and impact levels of the theory of change are measured. Measuring outcomes and impact enables organisations to validate the impact of their activities. This also ensures that organisations are not over exaggerating their impact or claiming impact that does not exist, which is referred to as 'impact washing'³.

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Measuring outcomes and impact enables organisations to validate the impact of their activities.

.....

Furthermore, some study participants indicated that they sometimes struggle to differentiate between outputs, outcomes and impact. Even among those who did not express this view explicitly, we observed through discussions that these terms are often used interchangeably, indicating that many study participants appeared unclear about the "impact chain", cascading from outputs, to outcomes and impact. Lack of clarity and inconsistent understanding of these terms can be a challenge to the extent that it may inhibit meaningful engagement between stakeholders and interrogation of theories of change. Information/ understanding imbalances between organisations can also inhibit informed decision-making when providing and/or receiving investment and other types of support. Figure 11 on Page 10 provides an example of how a solar home system distributor would differentiate between output, outcome and impact.

BOX 2: The National Development Plan

Given the study's focus on the South African context, one surprising finding from the study is related to the limited number of participants who referenced South Africa's National Development Plan (NDP) as a foundational framework guiding their IMM approach. While we cannot reach a strong conclusion in this regard, we suspect that this may be due to limited awareness of the **Development Indicators**  that South Africa is using to monitor the progress toward the goals specified in the NDP.



The company is still puzzled by theory of change and feel that we can do more to be impact-oriented.

- Investor 


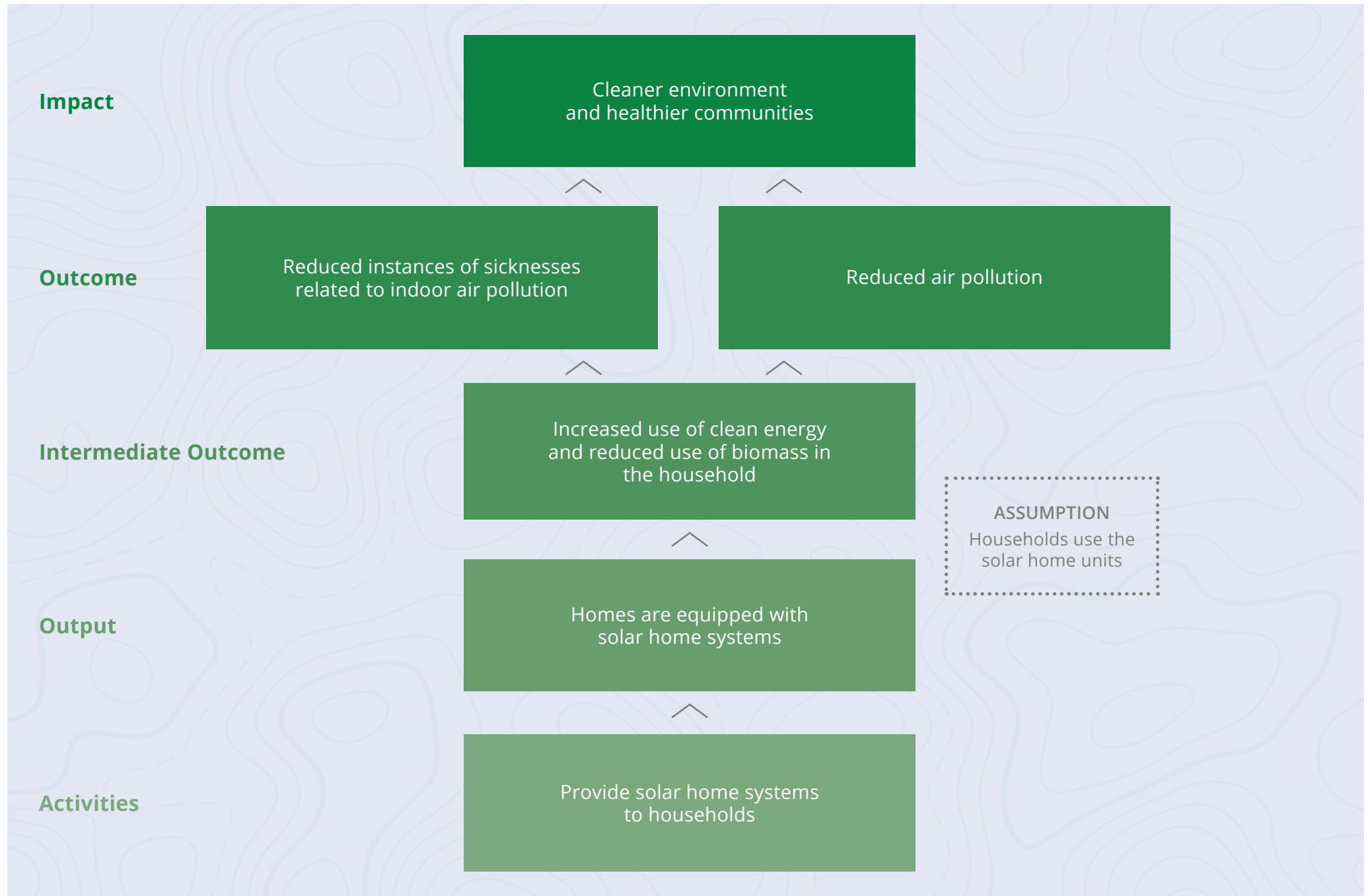
³ Verrinder, N.B., Zwane, K., Nixon, D. & Vaca, S., 'Evaluative tools in impact investing: Three case studies on the use of theories of change', African Evaluation Journal 6(2) (2018). Available:  <https://doi.org/10.4102/aej.v6i2.340>.

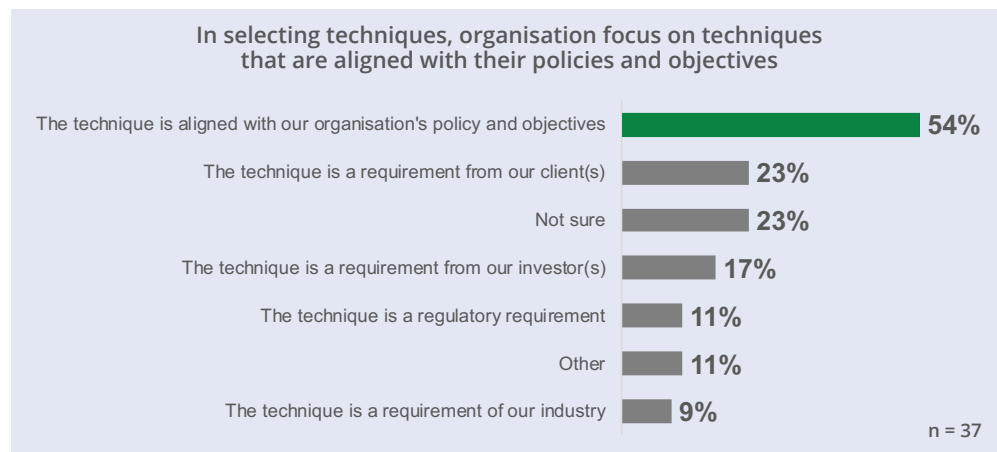
FIGURE 11: Theory of change for a solar home distributor



Getting started with IMM and ongoing development

54% of survey respondents reported that their organisation selected IMM techniques because the techniques are aligned with their organisation's policies and objectives.

FIGURE 12: Selection of techniques



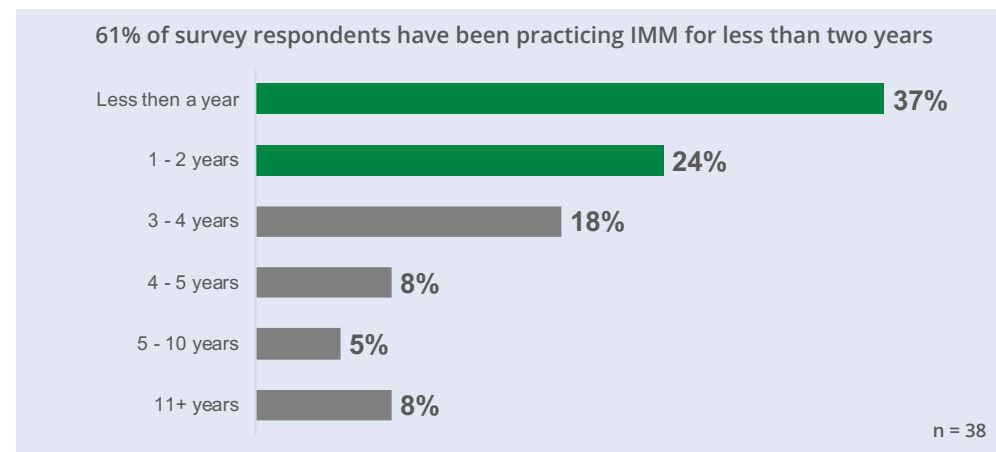
While this response is intuitive, it indicates that many respondents recognise that different impact measurement techniques can be used for different objectives, and therefore it is important to select techniques that are in line with the organisational objectives and strategy. Through the interviews, we found that many organisations went through a process of identifying approaches, methods and metrics available (whether standardised or not standardised), and then adapted the parts of these techniques that were relevant to their organisational context and needs.

“Our approach is a combination... IRIS is built into our database where there is natural alignment. However, I find that IRIS can be unwieldy and difficult to work with.

- Investor”

The various stages of measurement practices identified above are adequate considering that many of the organisations represented in the study only recently started measuring and managing their impact. Among survey respondents, 61% indicated that their organisation had been measuring for less than two years. This is shown in Figure 13 below.

FIGURE 13: Survey respondents' period of time practicing IMM



Similarly, many interview participants indicated that their organisation is fairly new to IMM. However, many organisations – including investees, intermediaries and investors – expressed the view that more mature and formalised approaches to measuring and managing impact are necessary in order to more accurately account for and understand the effects of organisational activities and investments. Not only is this a requirement for investees who need to demonstrate their impact to potential investors, this is also a requirement for investors since they are also accountable to their board, limited partners (LPs) and/or donors.

These considerations lead to discussions around the perceived value of standardised IMM approaches; Box 3 on Page 12 presents the perspectives on standardisation.

Costs of Measurement

While few participants were able to comment on specific costs associated with their IMM practice, many commented on the main factors driving the cost of their approach. The primary cost driver was related to human resource hours, as organisations recognise that it can take a lot of time to develop a comprehensive IMM approach and to collect the data necessary to measure impact. Related to this, if the organisation does not already have a resource with sufficient knowledge and skills to develop and manage the IMM process, they need financial resources to hire these skills. These findings are intuitive and are also consistent with the top three reasons why survey respondents indicated that their organisation is not measuring impact, indicated in Figure 6 on Page 4.

However, a number of interview participants indicated that the costs associated with their IMM are manageable because they have integrated the data collection processes into other business activities, or are planning to do so. For instance, some investors have integrated baseline data collection into standard due diligence and/or investment planning processes, while investees are doing the same when signing on customers to their platforms or services.

“Some of the costs have been paid for by organisations that are interested in this data even though a lot of this data is collected automatically. It would be ideal to bring someone on board to do thorough data collection and analysis, but this would need to be funded. We need assistance to develop the platform to have the right metrics in place. It might be a research/data management partner or funding/financial partner.

- Investee ”

The most frequently cited benefit of adapting standardised approaches is that it enables the organisation to compare their results across portfolios or time, but also to other programmes and initiatives.

BOX 3: Perspectives on standardisation

Interview participants provided diverse perspectives on the merits and challenges associated with adopting standardised approaches to measuring and managing impact. The most frequently cited benefit of adapting standardised approaches is that it enables the organisation to compare their results across portfolios or time, but also to other programmes and initiatives. For instance, one intermediary noted, “Our desire to adopt these metrics, besides trying to deliver a better programme, is that we are trying to benchmark our work against other organisations and their learnings”. In this regard, impact results are also verifiable, because there is transparency around the approach to measuring impact ⁴.

The second frequently cited benefit is related to the onerousness of measurement when funders have divergent measurement and reporting requirements. When funders and supporters adopt standardised IMM practices, this reduces the measurement burden on investees.

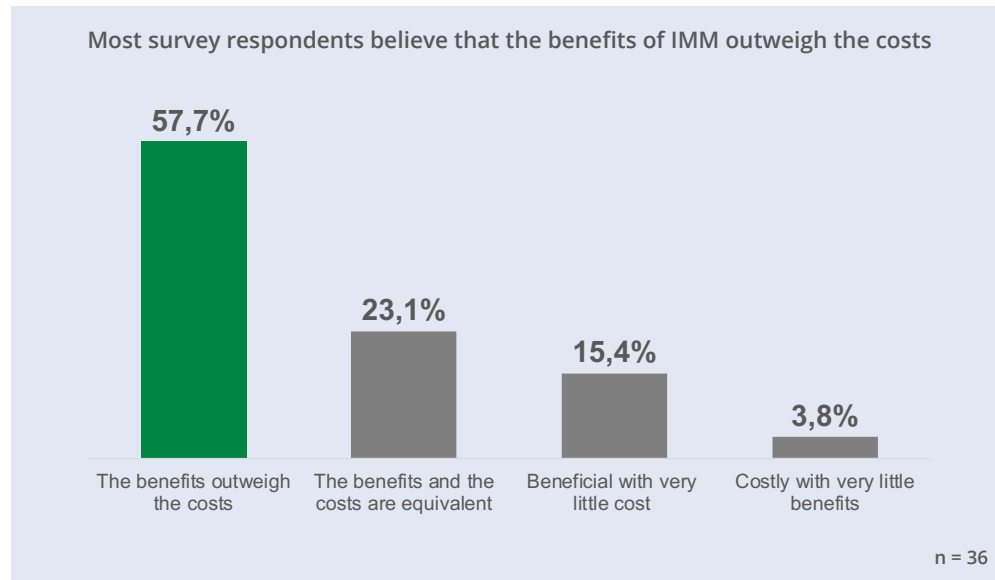
In contrast, some interview participants expressed concerns around the prospect of adopting standardised IMM approaches. Most commonly, these interview participants expressed the concerns that standard metrics, for instance, may not sufficiently capture the nuance of the programme or context. For instance, one investee noted, “the challenge sometimes is actually finding metrics or measurements or techniques that align themselves to your company”, and explained that when ill-suited metrics are enforced, this can be a waste of resources.

⁴ Sara Olsen and Brett Galimidi. 2008. Impact Measurement Approaches: Recommendations to Impact Investors.

Available: https://c.yimcdn.com/sites/ande.site-ym.com/resource/collection/9956451A-8457-4856-BD92-F872B293491B/RIIC_Report_Final.pdf.

Despite their perspectives on costs associated with measuring and managing impact, most survey respondents agreed that the benefits of IMM outweigh the associated costs. This is indicated in Figure 14 below, while the following section explores the benefits and challenges associated with IMM in more detail.

FIGURE 14: Survey respondents on the benefits and costs of IMM



.....

These findings are intuitive and are also consistent with the top three reasons why survey respondents indicated that their organisation is not measuring impact.

.....

“ It is costly if it is a separate thing. My strategy going forward is how to build it into the business process. Definitely try to integrate it. This thing about using digital platforms to generate data is that it’s more cost effective than having to develop a whole M&E capacity in the organisation. ”
- Intermediary



BENEFITS AND CHALLENGES INVOLVED IN IMM

Benefits

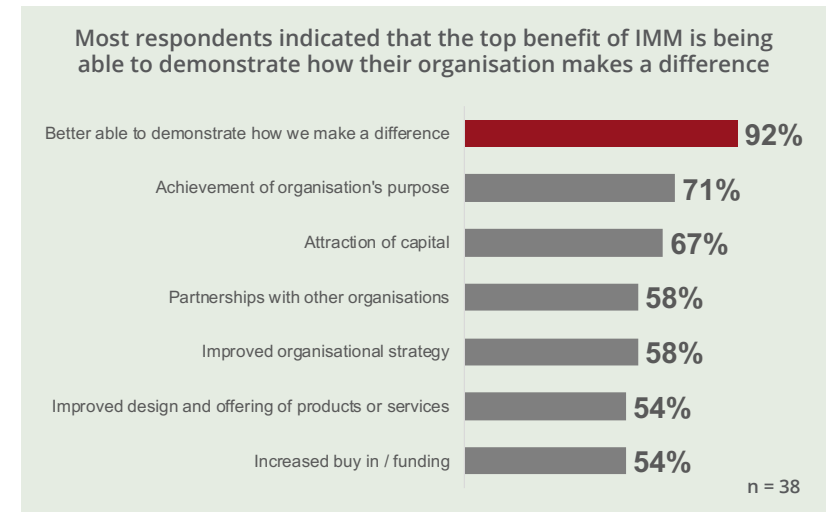
We asked study participants to report on the perceived benefits of measuring and managing their impact. Figure 15 alongside lists the top 7 benefits of IMM selected by survey respondents, with “Better able to demonstrate how we make a difference” as the top benefit, selected by 91,7% of survey respondents. This was also cited as the number one benefit of IMM in the ANDE East Africa landscape mapping study.

Many of these benefits were also communicated by interview participants. For instance, one investee providing software services noted, **“Measuring our impact provides guidance and helps us to tailor our platform to what the community needs. This has a big impact on future phases and opens up a lot of opportunities”**. This sentiment is well aligned to the achievement of organisational purpose as well as improved design and offering of products or services.

Many of the benefits identified above speak to each other well. IMM can ‘close the loop’ between strategising, implementing and improvement, ensuring that organisations are able to achieve their purpose. In this way, IMM influences both short-term decision-making as well as long-term organisational strategy.

.....
**Better able to demonstrate
how we make a difference.**
.....

FIGURE 15: Benefits of IMM



While these benefits are important for internal audiences and programming, they are also important from the perspective of external communication, including attracting capital and other support, and building partnerships to achieve a common purpose. Importantly, many interview participants expressed the view that the requirements for communications with funders and investors have shifted from output to impact reporting, necessitating intermediaries and investees to adopt more holistic frameworks to attract capital and maintain relations. Similar views are also expressed in Verrinder, Zwane, Nixon Williams and Vaca ⁵.

⁵ Verrinder, N.B., Zwane, K., Nixon, D. & Vaca, S., ‘Evaluative tools in impact investing: Three case studies on the use of theories of change’, African Evaluation Journal 6(2), (2018). Available: [https:// doi.org/10.4102/aej.v6i2.340](https://doi.org/10.4102/aej.v6i2.340).

Challenges

While study participants clearly recognise the value and benefit of IMM, many are dissatisfied with their level of clarity and understanding of IMM and experience a variety of challenges in trying to measure and communicate their impact.

1 Determining a clear impact definition and how to measure:

Many respondents lacked a formalised Theory of Change and struggled to clearly define their impact and to choose appropriate frameworks and methodologies to assess their impact. This was also described in the Measurement section.

2 Challenges in data collection and reliability of data:

Many study participants expressed that data collection is time consuming, costly, and fraught with challenges to obtain consistent and high-quality data, necessitating a careful balance between rigour of the assessment and the associated cost. This holds particularly true for investors and intermediaries who interact with a portfolio of investees. An additional challenge these stakeholders experience is aggregating diverse data types and sets into one coherent impact framework.

These results are similar to findings from the GIIN, which found that 'collecting quality data' and 'aggregating, analysing and/or interpreting data across a portfolio' were considered significant challenges for 43% and 32% of survey respondents, respectively ⁶. To address these challenges, many study participants indicated that they plan to further strengthen their ability to measure and communicate impact, for example by building out the platforms and tools to collect data or by creating a dedicated IMM team/function.

3 Balancing measurement and reporting requirements when there are two or more funders/supporters:

As impact frameworks and metrics are often not aligned, investees and intermediaries struggle to effectively satisfy reporting obligations when two or more funders require different depth and breadth of reporting, creating an additional burden for the organisation.

.....

Despite the perceived operational challenges associated with measuring and managing impact, a majority of the survey respondents indicated that the benefits of IMM outweigh the cost (shown in Figure 14).

.....

“ We have an MIS [management information system] where people register. That is the first point where we try to gather data. But what we should be doing annually is going back to membership to ask how [the] situation has changed. That requires human and financial resources, which we don't have.

- Intermediary ”

6 The GIIN. The State of Impact Measurement and Management Practice. First Edition. 2017. Available: https://thegiin.org/assets/2017_GIIN_IMM%20Survey_Web_Final.pdf.



USING DATA AND REPORTING RESULTS

In considering the adoption of IMM practices, the purpose of the data collected, who it is used by and the extent to which it is used is central. Drawing on the interviews conducted, IMM tends to be considered more valuable when the data has multiple uses and multiple consumers. In terms of how data is used, it is important to collect data points that can assist in providing business insight as well as impact-insight. For instance, collecting data points around socio-economic demographics and product/service access and use, can assist the business in understanding their market, while also shedding light on inclusion and affordability for underserved populations. Insights gained through this process can assist organisations to review pricing, for instance, to better respond to different market segments and to reach targeted populations ⁷.

In terms of the multiple consumers of IMM results, the survey asked respondents to report on the most important consumers of their IMM data. Overall, the most important consumers of IMM data are investors, customers and the internal team as shown in Figure 16. This is in contrast to the ANDE Landscape Mapping study in East Africa, where the three primary consumers of impact data were internally-focused, including the internal team, Board of Directors, and the Executive/Senior management team.

.....
Collecting data points around socio-economic demographics and product/service access and use, can assist the business in understanding their market.
.....

FIGURE 16: Most important consumers of IMM data



Looking more closely at the results, there is a range of views across the intermediary, investee and investor groups (as shown in Figure 17 on Page 17):

- For intermediaries, **the general public is the most important consumer** of their IMM data.
- For investees, **customers are the most important consumer** of their IMM data.
- For investors, **boards of directors are the most important consumers** of IMM data.

While there are differences in terms of the number one ranked consumer of IMM data across intermediaries, investees and investors, all three stakeholder groups highlighted the importance of investors as consumers of their IMM data. All three stakeholder groups also highlighted that the individuals (the survey respondent) were the least important consumers.

⁷ Impact Management Project, CDC70, and UKaid, Creating Stakeholder Value: Lessons in using Surveys for Impact Measurement and Management. 5 December 2018.

FIGURE 17: Consumers of impact data, by stakeholder group

	External users					Internal Users		
	Beneficiaries	Customers	General public	Individual	Investors	Board of directors	Executive team	Internal team
Intermediary	6	4	1	8	2	5	3	7
Investee	3	1	7	8	2	5	6	4
Investor	7	5	3	8	2	1	6	4
Other	4	3	6	8	2	5	7	1

Legend

1	2	3	4	5	6	7	8
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Most important consumers of data --- Least important consumers of data

The interviews conducted reinforced the findings from the survey where a number of study participants highlighted the importance of using IMM data internally to make better decisions and inform their interventions; as well as the importance of IMM data in communicating their work to an external audience – current funders, future funders and the general public.

From an internal use perspective, study participants noted that it is essential that feedback mechanisms are built into IMM systems so that their teams are able to use the data and reflect on their progress. Related to this, one study participant noted that their organisation conceptualises IMM as being linked to their research and development as both aim to improve the effectiveness of the work of the organisation. An important mechanism for this is the use of dashboards which allow organisations to have an almost real-time view of their work. Where organisations are relatively new to IMM, the importance of a champion was highlighted by study participants. One participant, for example, noted that it took two years for their broader team to buy into IMM and that these two years were spent on proving the worth of the data produced from the IMM system.

From an external perspective, and as shown in the survey results, investors (current and future) are key consumers of IMM data. IMM is often required for current investors, but study participants noted that the same information is used to attract additional funding. In these instances, IMM is used for accountability and marketing.

Study participants highlighted the importance of making IMM data available to beneficiaries. Specific examples given during the interviews related to enterprise development programmes. It can be difficult to collect reliable data from enterprises, but there is a belief that enterprises will be more interested in collecting this data if they see that it can help them better run their businesses. It is worth noting that the feedback given to beneficiaries does not necessarily have to be written, with one study participant noting that they hold monthly meetings with beneficiaries where they facilitate feedback from beneficiaries, and provide feedback to beneficiaries.

“ The deeper you go is where you start getting real actionable information from the underlying data. [It is] very much a case of let’s report where things are rather than understanding what’s going to be exceptionally useful, both for us, our stakeholders and the underlying businesses and how we actively intention that data from day one to understand what learnings we can augment.

- Investor ”

8 “Other” included advisory, consultant, fund manager, N/A, not sure, start-up, support to SMME sector and entrepreneurial development, and technology partner.



FUTURE OF IMM IN SOUTH AFRICA

Study participants shared their current perceptions of the landscape and how they envision the future of IMM. Overall, and as elaborated on below, the future of IMM is one based on data-driven investment and decision-making; an evolution of approaches that are grounded in practicality, improved utility and relevance of IMM resources; and a focus on partnerships and collaboration.

1 Data-driven investment and decision-making

Many study participants highlighted the importance of data and evidence in making impact investment decisions. Organisations working in this space need be able to collect and use better data to communicate their impact and thus provide evidence for their investment decisions.

Simultaneously, investees communicated that it is difficult to secure funding for their businesses and noted risk aversity and limitations on funding as a common challenge. Taken together, the dual purpose of measuring impact and effectively communicating and using the information to change or reinforce organisational strategy, has the potential to support the organisations' investment readiness and ability to attract funding.

Collecting, utilising and communicating good quality data is therefore important for businesses. Reframing the conversation around IMM to focus on its value in driving business decisions and attracting investment will lead to more productive engagements on IMM.



They [grant makers] want to understand the impact that you are having on your community. It comes into every grant making applications, impact is probably 25% of decision-making for grant giving.

- Investee

I think more about, how can South Africa build a deeper capability as a country in better thinking, design and the use of data in how we invest in our social grants?

- Investor

We're getting to that point where this isn't seen as fluff anymore. This is core to success.

- Investor

Many large corporations consider strong IMM to be critical to unlocking funds and growing the sector.

- Intermediary

Investment will naturally follow evident results/ impact.

- Intermediary 

2 Approaches need to evolve, while remaining pragmatic:

Because of the importance of evidence in making investment decisions, study participants emphasised that IMM approaches need to evolve. More specifically, study participants expressed the view that further developing organisational IMM approaches will augment the meaningfulness and utility of metrics and results reported.

The view that IMM approaches should be a focus in the IMM space does not necessarily mean that organisations must adopt standardised techniques. Instead, study participants emphasised that approaches should be *clearly articulated, fit-for-purpose and holistic*. While organisations may adopt standard techniques where relevant, most study participants recognised that custom metrics are also necessary to measure different types of impact and to maintain relevance to the organisation. On the topic of formal guidance and mapping of metrics one investee noted, **“I don’t think there is anyone who is better equipped than the guys driving the company to do that [select custom metrics] ... but there are pros and cons to that”**.

Study participants emphasised that while approaches need to evolve, they must remain pragmatic and suitable for the context and stage of the business. Improving data quality along with making better use of data and technology was a key focus of participants. Many participants, who in this study were from small organisations, experienced difficulties in integrating IMM as part of normal business processes.

Study participants emphasised that while approaches need to evolve, they must remain pragmatic and suitable for the context and stage of the business.

“ We need to track the data that we are collecting and use that to make decisions on what the platform provides. We are using the system to get stats, but there is potential to go deeper in terms of developing a more integrated impact approach and go that extra step.

- Investee ”

Consequently, the final approach used should depend on the context, capacities and information needs of the individual organisation.

“ My feedback is trying to make this as practical as possible. So, I think just getting more people who can learn how to do it themselves, even if it’s at a basic level, and then improving the standard of M&E. People who are part of the industry need to be thinking differently and not making it bigger, more complicated, and more expensive.

- Investor ”

Based on the findings from this study as well as from other organisations⁹ working in this space, these are some general principles that should guide the development of IMM approaches:

- **Participatory:** Approaches should be developed based on collaboration between relevant organisations (for instance, the investor and the investee). The approach should be aligned to the data needs of both parties;
- **Appropriate:** The approach should combine techniques that are rigorous but appropriate to the size and stage of the organisation, and the expected scale of impact; and,
- **The final approach should be value-adding:** Approaches should assist organisations to access data that allows them to better understand their business. Data collected should provide both business insight and impact-insight.

Following these principles will assist organisations in developing relevant and appropriate IMM practices and ensure that the approach is sufficiently integrated in the normal course of business operations. This will help to limit the costs associated with measuring and managing impact.

This will help to limit the costs associated with measuring and managing impact.

“ We need to simplify and make things easier. Take into account evolution and context where M&E systems need to be more adaptive.

- Intermediary

.....

Focus on using IMM to do things better.
Be pragmatic and relevant.

- Intermediary

.....

It is easy for there to be an overemphasis on measurement so to lose sight of what we're trying to do. Ideally, I would want something that is simple and indicative of outcomes. Weighing up what is it we need to measure and how can we measure it in the simplest, cost effective way for everyone.

- Intermediary ”

⁹ Impact Management Project, CDC70, and UKaid, Creating Stakeholder Value: Lessons in using Surveys for Impact Measurement and Management. 5 December 2018.

3 While there are many IMM resources, these are overwhelming and difficult to navigate:

While stakeholders in our landscape recognise that IMM approaches need to evolve, many study participants experience challenges in digesting IMM resources. While many are available, not many provide the necessary clarity and practicality. This has led to confusion in the IMM space amongst many of the participants in our landscape.

“ It needs to be completely demystified. I don't know what metrics we're supposed to be using, what are we supposed to be doing? We need some guidelines. ”
- Investor

Central to improving the accessibility of resources is increased knowledge sharing in the IMM space around how organisations practically implement IMM approaches. Increased collaboration across stakeholder groups would help to generate a unified understanding of what type of IMM approach is appropriate at different stages of business. This would also avoid a top-down approach to measuring impact which may be ill-suited to the context of the business and result in poor data.

Additionally, given the amount of investment in the social sector, participants expressed the view that the public and private sector should increase engagement around how the impact generated through these investments is measured and validated. In doing so, these stakeholders could share accessible resources on IMM given their understanding of the South African landscape. Evaluators and impact managers have a role to play in facilitating and participating in these engagements, given their experience in measuring and managing impact.

“ For our space and what we want to achieve, what are the right questions and what metrics do we need? ”

- Intermediary

For us, it is [an] ongoing learning space. It is different to [the] traditional accounting space. Years and years of stabilising, definitions being clarified. In impact, people are still trying to understand what that means and why it's important... I am not sure there is a single unified way to think about impact investing, rather think about the context. You learn and refine as you go. Moving up layers of impact but keeping it simple to focus everyone's mind.

- Intermediary

There is a lot of information. Need to make data readily available and understandable to the end receiver. It would also be helpful knowing what is out there as a base to start from.

- Investee

We haven't been following any framework or model. I would like to compare what we do internally to what is out there so we can improve it, make it holistic. See how we can change to make it better.

- Investee

4 Partnerships and collaboration for capacity building is needed:

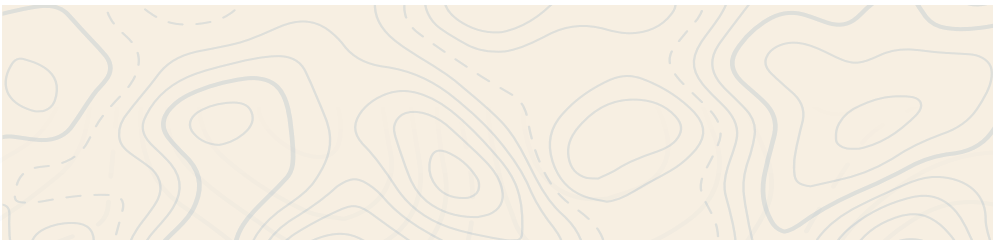
Improved partnerships and collaboration for sharing IMM knowledge and practices will help to build organisations' capacity to practice IMM. Both investees and investors expressed the view that they find it difficult to engage across the stakeholder groups to communicate what is practical and feasible for the investee, while maintaining the rigour that investors require.

Ultimately, these efforts should be used to create a shared understanding of the value of IMM and how to effectively and appropriately measure and manage impact.

“ Learning is important for us as well, to look at what other people have achieved, then emulate and learn from their lessons to try and involve this in other programmes as well.

- Intermediary ”

Both investees and investors expressed the view that they find it difficult to engage across the stakeholder groups to communicate.



“ It is educating investors on the importance to actually go and measure the speed at which a company can execute and get a new product to market, kill assumptions, and validate their own ideas instead of chasing impact metrics that you can't see in a startup environment until the company has matured. Yes, going into a Series A investment, absolutely, for early stage investors and so on there is absolutely no way to get a clear sense of metrics on the table, not in our line at least, that we could have shown to someone that would have made sense in that scenario and so on.

- Investee

I think what is required for private investors to come into this industry on a large scale is for government to firm up their policies [on impact measurement].

- Investee

I think there needs to be a stronger unified agenda from government and from the social sector and all the NGOs and the funders to say this is important and to focus not on just measuring inputs but measuring actually the long-term outcomes and having some clear way of how you are going to do that. So, I think it has to be a conversation that needs to not be a conversation but actually starting to be turned into action and how people behave and where you invest, how you execute the programmes and the kind of questions the government should be asking.

- Investor

The last issue is how to have this conversation and move our investees forward on this topic. There is not a meaningful conversation behind why. Showing that to our investees and saying, "This is how we do it", would help that conversation. Just like board level, "This is what we do. What do you do?"

- Investor ”



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