End 2 End
STREAMLINE IMPACT MANAGEMENT

Poverty Data
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Add New Project

Sustainable Development Goals

Good Health and Well-Being

Unmesh Sheth

sopact
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1. OVERVIEW

Did you know, more and more companies see strategic value in standards like the Sustainable Development Goals? According to SDG Reporting Challenge 2017,

- 62% of companies mentioned the UN SDGs in their reporting
- 37% of companies selected priority SDGs
- 79% of companies that prioritized the SDGs chose SDG 13 Climate Action
- 28% of companies set quantitative targets and linked these to societal impact

In other words, companies are starting to align with the United Nations' Sustainable Development Goals (SDG) in their impact reporting. But are they acting on this professed interest or simply impact-washing? While there are multiple impact frameworks, standards, and tools trying to address this question, most organizations still struggle to understand, measure, and communicate their impact.

But doing so is more critical than ever. While seeking jobs, products, and investments, millennials are much more attuned to corporate impact than previous generations. They are asking hard questions beyond surface-level statistics and reporting. How are you creating an impact? Where is it coming from? What are the externalities? Who are stakeholders and beneficiaries? One of the biggest challenges facing private equity, corporate, impact investors, and other asset owners is how to build a portfolio that defines and generates true impact. This challenge is addressed by the efforts of groups such as the Impact Management Project (IMP), TONIIC T-100, and OCED.

In 1994, I worked with TIBCO/Reuters which helped revolutionize enterprise software integration, which is now ubiquitous and fundamental to any enterprise application or cloud-based application integration. Back then promise was to create a Software Bus similar to Intel's Hardware Bus. This allowed us to create a loosely coupled design that can flexibly exchange information with infinite scalability.

The time has come to apply a similarly flexible approach that allows flexible data integration between Asset Owners, Asset Managers, and Assets. The key is to build a flexible system that cross-links any impact standards, be they SDG, IRIS, GRI, or Custom Metrics, for their asset/investment/grantee. The Impact Management Project (a collaborative effort by over 700 organizations, from different disciplines and geographies, to agree on shared fundamentals as an impact measurement framework) is defining portfolio impact categories, assessment methods, and overall portfolio analysis tools.

Such progress is essential for impact funders (asset owners), but we must also take the extra step to gain insights from the impact makers (assets) themselves. Let me explain how we see the Impact Ecosystem.
2. IMPACT ECOSYSTEM

Over the last three years at Sopact, we have been experimenting and collecting feedback from hundreds of social sector companies; working with multiple standard bodies, and leveraging our own experience in uniting an impact ecosystem through technology to bring together the impact ecosystem’s key players:
Impact Funders (=asset owners)
Impact Managers (=asset managers), and
Impact Makers (=assets).

In the following section, we describe how we can address the challenges involved in effectively using different standards and frameworks across this impact ecosystem.

According to Impact Management Project - A Guide to Mapping the Impact of an Investment, asset owners are increasingly interested in the impact of their investments on society and the environment. Against this backdrop of growing interest from asset owners, asset managers are increasingly looking to assess and communicate the effects of investments on people and planet.

For asset owners there is no single linear impact management process; the process is iterative, with different entry points. And, as with any iterative process, data is imperative in informing each subsequent iteration.

Let us see how all three players, Impact Owners (Funders), Impact Managers, and Impact Makers view their role and how can they streamline the impact management by collaborating. Let us dive from the middle.
How can we have an endless data and resources flowing between each layers of assets? What are the essential elements to drive an entire impact management bringing much needed accountability and efficiency? What is missing in our current system is a common framework and mutually aligned standards by assets and asset managers.

Observing last ten years, we have seen a rise in the use of leading frameworks, from the Theory of Change to Impact Management Project. We have also seen a boom in the use of other standards, starting with the Sustainable Development Goals (SDG) and IRIS/GRI etc. While these standards and frameworks are a good starting point, they are not sufficient to truly understand the impact of assets. Other initiatives from the UN, IMP, and TONIIC are attempting to build integrated frameworks which better capture these impacts. For example, TONIIC's T-100 provides a cross-linking between Impact Management, SDG, and IRIS. Again, these standards are useful, but they still have limitations. They require more flexibility to accommodate other qualitative/quantitative custom and standards-based metrics. They require a foundation of metrics search, selection, data collection, analytics, and reports. Unfortunately, many investors use simple SDG-mapping but they have yet to streamline the process on their own for deeper impact insights.

Sopact Impact Cloud platform follows four simple step process:
STEP 1: TOC DRIVEN IMPACT FRAMEWORK
STEP 2: METRICS SELECTION
STEP 3: RESULTS DATA COLLECTION AND TRACKING
STEP 4: TOC RESULTS REPORTING

STEP 1: TOC DRIVEN IMPACT FRAMEWORK, SELECT GOALS & TARGETS

Impact Cloud first enables an intelligent TOC building process by simplifying the seemingly complex alphabet soups of goals, targets, and indicators. This is done using various impact indicator mapping efforts backed by the relevant industry standards (IRIS metrics) for each organization’s unique context. Asset managers and assets can build theory of change driven impact framework to define, monitor, and report results in a consistent manner.
STEP2: METRICS SELECTION

Once the goals and targets are set, depending on the user journey (business/corporate, impact investor, international development or philanthropy), SoPact aligns metrics that link with appropriate standards. For example, business would likely use SDGCompass-based mapping from SDG to over 10+ standards such as GRI, CDP and other. For impact investment, we follow TONIC T-100 mapping between SDG and IRIS. In addition, we cross-link various other standards such as GRI which tends to be qualitative metrics with IRIS which tends to have related quantitative metrics. By linking them together different users can create a rich reporting end result.

The metrics repository of 2500 + metrics in the platform is designed based on one the most flexible and powerful taxonomy to simplify selection based on any standards, framework, focus lens etc.
STEP 3: RESULTS DATA COLLECTION AND TRACKING

Once metrics selection is done collecting data result is a next step. While Impact Funders (asset owners) who are at the top of the Impact Ecosystem invest or contribute billions of dollars through impact managers (asset managers) it is unfortunate that there is a significant lack of collected results and trust in data. There is a significant misalignment of outcome metrics and result data between all of payers.

This challenge raises questions such as,

1) Why keep investing/granting money where impact objectives of impact owners are not aligned with recipient organizations?

2) How can we create a simple but effective system that inspires trust between different players?

3) How can we create “Social Impact Operating System” that bridges data trust between top to down and down to up level organizations?

Impact Cloud empowers Makers (assets) to create their own Theory of Change, select metrics from Metrics Catalog, allow Project Management, System Data Aggregation, Stakeholder Outcome Analytics, and Reporting. Impact Makers can see the result in a dashboard format to see constant progress.

Asset Managers can work with portfolio companies (assets) to aggregate historical data, collect results using online data collection, self-reporting or directly syncing results from assets simply by proper access if assets are using Impact Cloud.

Impact Cloud platform can collect result many ways such as,

- Self reporting by partners who has permission to enter directly in the system
- Email with link to collect results from partners (assets, program leaders, etc)
- Importing results in the system in EXCEL form
- Importing results from other data systems such as Salesforce, Donor management
- Seamless integration of the data systems (custom solution can be done by Sopact)
STEP 4: TOC RESULTS, SDG & IMP REPORTING

IMPACT INSIGHT + REPORTING IN THE SAME PLATFORM

Reporting based on standards and framework allows each player to demonstrate impact in a common language. Since all the impact data management is located in a single Impact Cloud, it is possible to build useful impact reports that align well with,

1) The theory of change based reporting
2) Impact management reporting based on five dimensions of impact
3) Indicators from SDG, IRIS, GRI, or any other standards

Impact Cloud's revolutionary approach allows the evaluator to review their qualitative and quantitative results, build effective visualization, derive impact learning and align outcomes through drag and drop based SDG, TOC and IMP wizards for reporting.
4. IMPACT REPORT BUILDER

Impact Cloud’s report builder allows organizations to incorporate multiple elements to create compelling stories around their impact. With a simple drag and drop mechanism, users can create as many reports as needed throughout the year using an reusing elements like text, images, and data. Reports can be saved as PDF, printed, and saved as templates to facilitate the process even further.
5. IMPACT MANAGER'S VIEW

Impact managers (=Asset Managers) are at the forefront of this iterative impact management process, executing strategies to yield the best returns (financial + impact returns) for the asset owners.

SoPact Impact Cloud provides a built-in theory of change lifecycle management to streamline this ongoing process and engage upstream and downstream players. Most organizations define a theory of change to clearly articulate how the flow of activities in a project or program will lead to improvement in the life of a beneficiary. The challenge here is that at some point in the life cycle, even if with a robust theory of change, organizations simply do not have a holistic process to define the right outcomes and indicators, to collect results, track progress and report consistently in alignment with their original theory of change. In other words, asset managers face a complex workflow which has been traditionally fragmented -- outcomes mapping using Tool A, data management with Tool B, impact reporting with Tool C, etc.

Impact manager will have a dashboard with all the assets information at the fingertip.
6. IMPACT MAKER'S (ASSET) VIEW

Assets are enterprises such as non-profits, social enterprises or small & growing business (SGB). Assets should normally follow the similar theory of change approach aligned towards beneficiary and stakeholder. Impact Cloud provides a similar consistent approach for Asset and Asset Manager in managing the theory of change. The primary difference between the two is that Asset Managers primarily are interested in aggregating results from their portfolio companies such as partners, grantees or investee. These results are often summary results collected for a specific period, such as monthly, quarterly, or annually.

Assets, on the other hand, collect results from individual stakeholders such as beneficiaries, volunteers, employees, or 3rd party etc. Often they use different techniques such as online survey, offline data collection, or data collected in systems (packaged or custom). The fundamental goal here is to aggregate results by data sources or stakeholders. The key to the asset is to provide program or investment summary of results for outcome on a pre-agreed frequency. The data collected can be summarized into by specific indicator or outcome measurement.
According to Impact Management Project, understanding impact generated as an asset owners can achieve a number of distinct objectives. First, it enables the asset owner to mitigate reputational risk by ensuring that personal or organizational values are being upheld by the impacts generated. Second, understanding impact is also crucial to the financial bottom-line. In other words, asset owners need to be able to discern how investment in impact is also contributing to overall strategic goals, including their financial outlook. Of course, the asset owner will also want to know how investments are yielding impact returns in their areas of interest. These three objectives help asset owners and their teams to make investment decisions and better refine their portfolios over time. So, how might asset owners better understand the impacts of their assets? Similar to the asset classes approach used by traditional investors, a classification system (e.g., by impact areas) can be used to organize portfolios. The Investor’s Impact Matrix (from the Impact Management Project) can be a useful framework for doing so. According to the IMP, this framework:

- Improves visibility of investment products for asset owners, increasing their confidence that their intention can be matched to suitable product and thereby stimulating efficient capital flows;

- Allows asset managers/product providers to present their investment products transparently and authentically, preventing inappropriate comparisons and enabling them to match to asset owners’ intentions.

Furthermore, Impact Management Project defines five dimensions of impact for each type of effect: intended and unintended, positive and negative. For each effect, the level of performance is evaluated for all five dimensions.

The real challenge is that investors must use a data-driven approach to assess this impact. This is where Sopact’s Impact Cloud provides a flexible foundation of services that allows the evaluator to continuously assess results based on internal and external data.
CONCLUSION

The key to the success of impact measurement & management (IMM) is that the process aligned with the theory of change should be integrated from impact framework creation, metrics selection, data collection, results tracking, evaluation, analysis, and communication.

Most asset managers today still aggregate results from the assets using Excel-based manual processes. They often have a pseudo impact data aggregation framework, which requires investees or grantees to provide data on a regular basis. Many even use the B-Labs-based B-Assessment approach. While they provide IRIS-based frameworks to aggregate results most feel that this approach is too limited. B-Assessment-based approaches might be useful, especially the GIIRS rating, although most investees think that this approach does not convey necessary context. Lastly, social and environmental metrics used by IRIS are too limited and do not clarify true impacts.

The best data aggregation:
Allows asset managers to define metrics specific to the context that is unique to each enterprise (asset).

Allows enterprise and asset managers to measure progress against their own unique targets.
Performs a simplified analysis of assets with similar or different metrics.
Allows the results from different assets and asset managers to be composed in a unified way, reducing the tremendous data aggregation and reporting burden.

Impact Cloud reporting provides built-in widgets that beautifully facilitates an integrated theory of change and impact management reporting combined with a portfolio or fund-level automatic reporting. The story-driven wizards also allow creating dynamic tables and charts combined with integrated impact learning and narratives from social media feeds.

Moving from fragmented impact measurement to streamlined impact management enables funders to make better decisions based on a reliable and effective process.

Our vision is that you manage your TOC throughout your mission life cycle. So, we are coming with a complete free product. Available to you by the end of January 2019.

Signup for Free Impact-Cloud
Start your impact journey today!