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Measuring social impact for creative businesses

Author:

Bernie Morgan

Trustee, RBS, Social and Community Capital



“Having a social impact framework will demonstrate to funders that you are making / can make a difference with their money.”



Published 2018

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Social impact measurement

— introduction

This Prosper resource is a short introduction to measuring social impact for creative businesses. Social impact measurement is becoming increasingly important for businesses that want to attract grants or social investment.

As it is an emerging concept, there are a number of different social impact models being developed and other models that are being refined. Therefore, the information in this resource is for general guidance only. The nature of the social impact field is that thinking and practice are evolving rapidly and impact models are changing rapidly too. At the end of this resource, there are links to websites with further information.

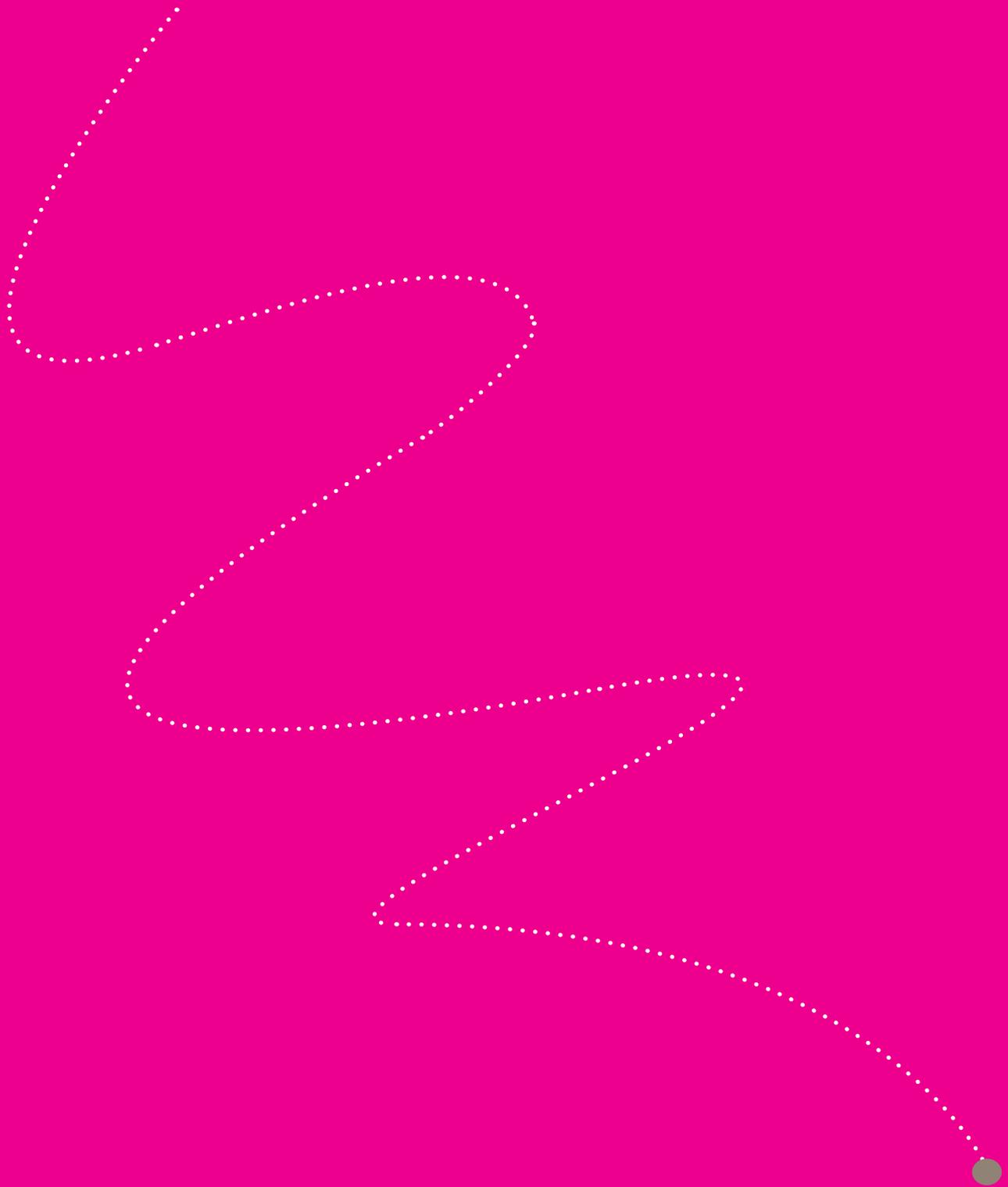
Just to clarify some of the terms used in this document. The term **grant makers** means charitable bodies that give money to charities and social enterprises in the expectation that it will have social impact. They do not usually expect the money to be returned.

Social investors are funders who invest in social enterprises. The investments may take the form of equity (a share in the business) or, more usually, loans.

For the purposes of this resource, unless otherwise specified, the term **investors** means grant makers and social investors.

While the requirements of social investors may seem onerous, they are only what would be expected of any well-run organisation, so they should be in place anyway.

Why measure social impact?



Social impact framework



If you own — or are a part of — a business that delivers social impact, you may be able to attract grants or social investment to help your business grow. However, the competition to raise these funds is increasing. Where, once, investors looked for reasons to fund a business, now many are looking at reasons not to fund them. So, if you say you have social impact, but can't provide evidence of it, they are likely to use that as a reason not to fund you.

Think of it from an investors point of view: with increasing demands on their money, they want to know that they are making the right decisions and spending their resources well. So, targeting their funds at businesses that can demonstrate impact will reassure them that they are meeting their own objectives. They can then report publicly on the difference their collective investments have made.

Therefore, having a **social impact framework** will demonstrate to funders that you are making / can make a difference with their money.

Social impact framework

— what is it?

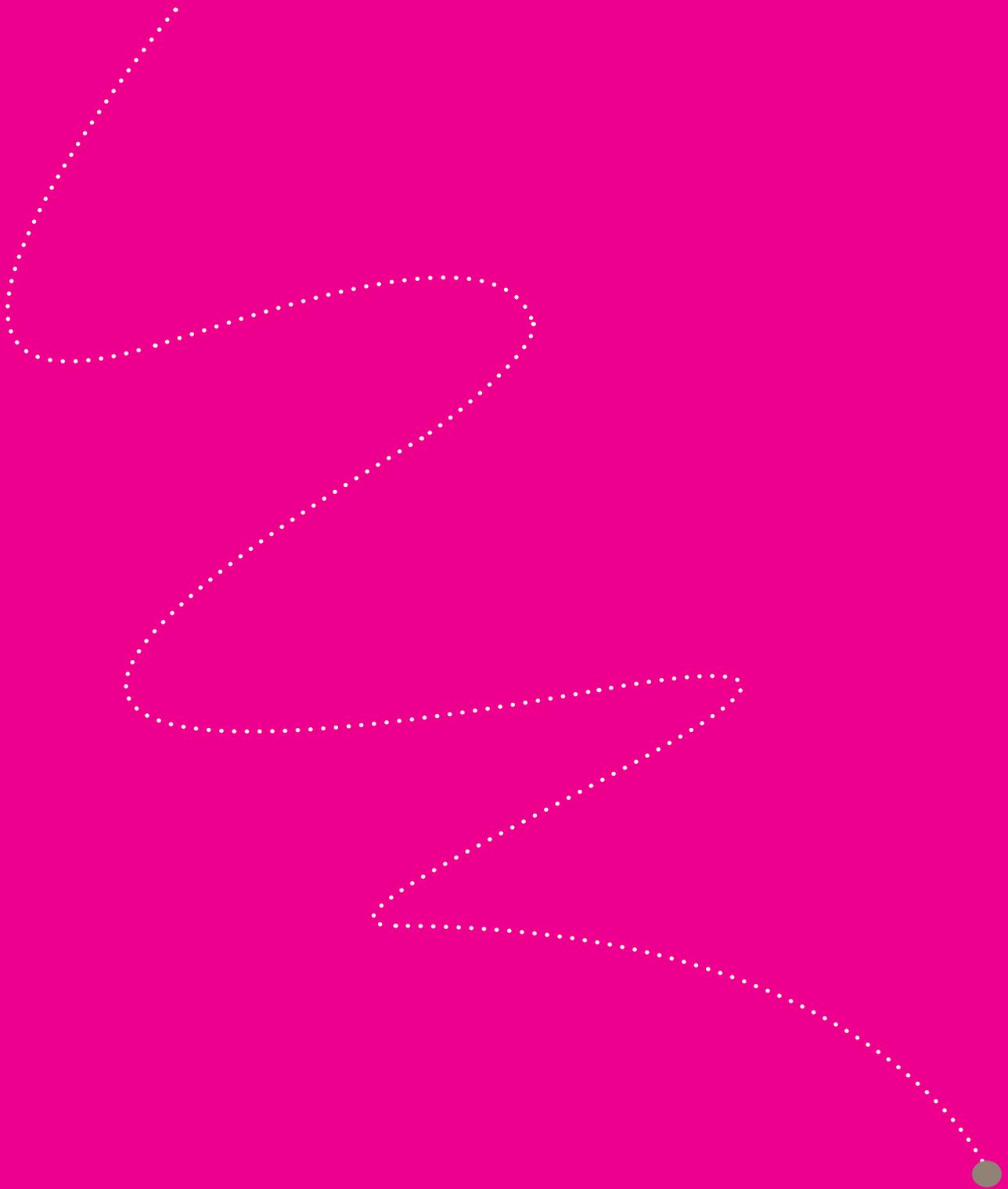
A social impact framework is a way of describing the difference your organisation is making. The measures are usually clear and tangible. They will often be in **quantitative** and **qualitative** in their measure.

The key thing is that your framework must be yours: it must measure what you have set out to do.

Therefore, if you are an organisation that is set up to give disadvantaged young people the opportunity to learn broadcasting skills — the impact you must measure is based on this objective.

It is important to make your framework simple and usable. Otherwise, you and your colleagues may find it too time consuming to collect and analyse data. Which would defeat the object of the exercise.

Evidence for social investors



Legal forms

Investors will need evidence that your legal form is one that is appropriate for an organisation which is having a social impact. Some of these legal forms are:

- Registered Charity
- Charitable Incorporated Organisation
- Community Interest Company
- Company Limited by Guarantee
- Industrial and Provident Society / Co-operative

Social investors are unlikely to invest in sole traders or Companies Limited by Shares, as these are usually pure commercial legal forms.

Board

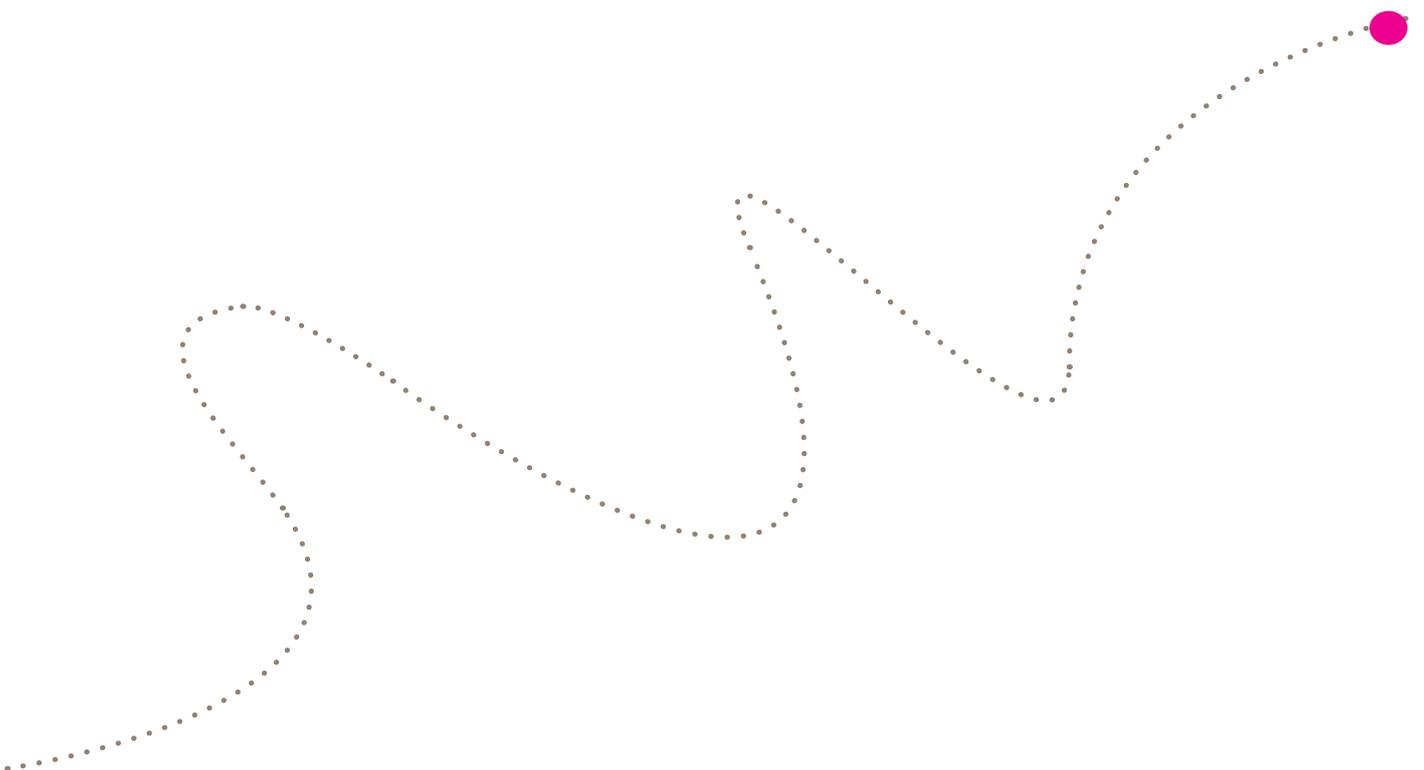
— governance structure

You will need a board structure with most of the above legal forms. But, even if you don't need one, investors usually want you to have a strong governance structure with an active board that is fit for purpose. There are differing requirements of boards in the legal structures above. Generally speaking, boards are volunteers who oversee the strategy or the organisation, ensure it is delivered as well as ensure the organisation meets all legal and financial requirements and good practice.

Boards should have diversity — investors will expect this. How this diversity works in practice is for you to think through and demonstrate in your operations.

Make sure you are keeping minutes of your Board meetings — as decisions should be tracked and evidenced if needed.

Investors pay great attention to the people involved in the business — so they are likely to investigate the backgrounds of individual board members (as well as management). They know the value of an active board. They often use the phrase: “it's people who make projects happen” to guide their thinking.



Governing documents

Your governing documents are likely to be requested by investors.

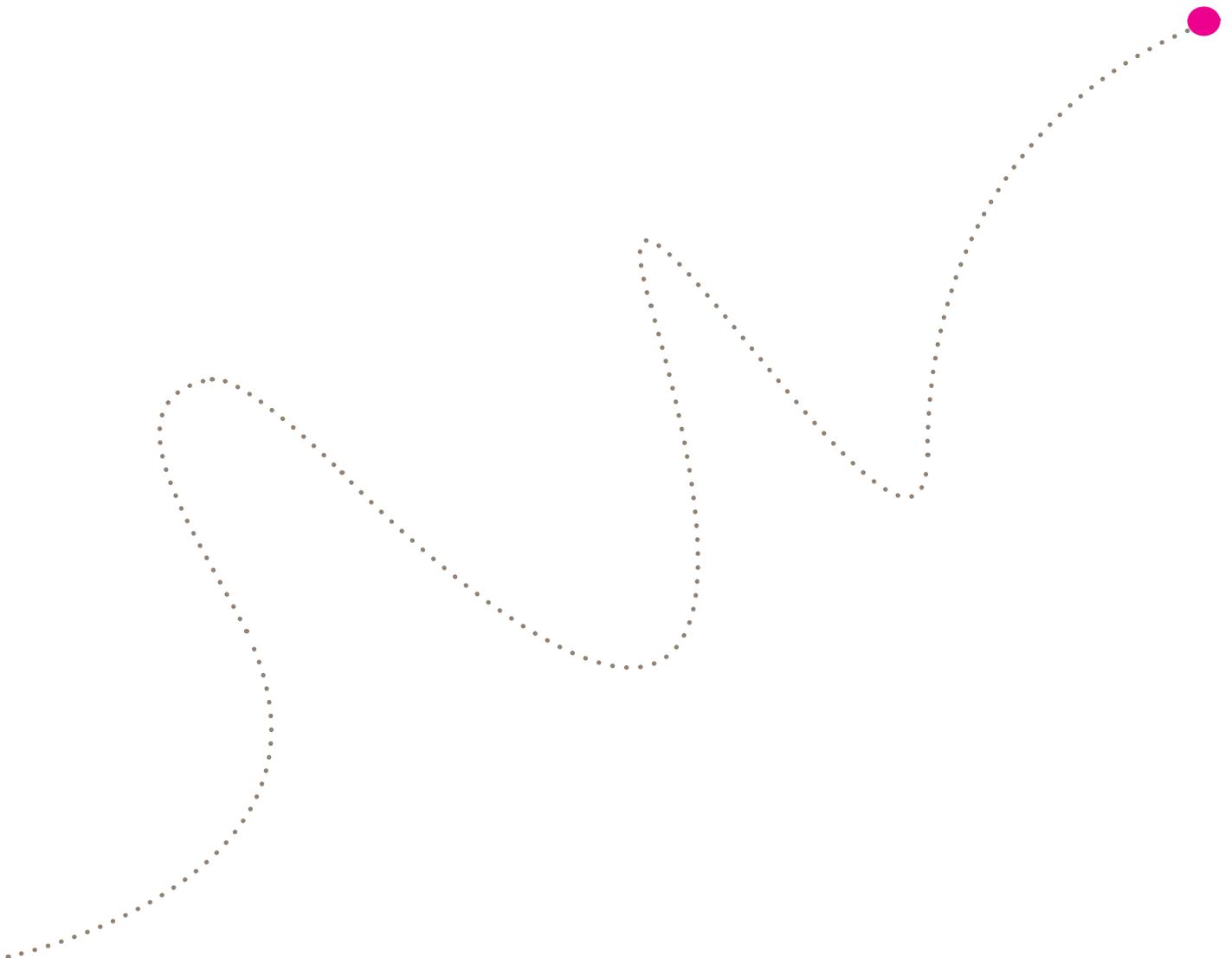
Different legal forms have different requirements, but there are some generic issues that should be covered to give investors confidence. Items they will be looking for include:

- That your objects encapsulate your social objectives.
- What will happen to any profit you make — usually profits are invested back into the business or disbursed to a social cause?
- What will happen in the event of the dissolution of your organisation? They will be looking for a clause that says your assets will be distributed to organisations with similar objectives
- The terms of office of your board members. They will be looking for around a third of board members standing down every year. This gives the organisation fresh perspectives while retaining corporate memory.

Financial systems and procedures

All investors will want to see strong financial management and systems. Organisations should be able to report accurately on their financial position at any given time. There should be a formal system for purchasing goods and paying invoices — with more than one person involved.

In addition, social investors will want to see that any potential investee can actually pay back the money. So they will rigorously examine your finances to ensure that you do not take on more than you can afford.



Policies and practices

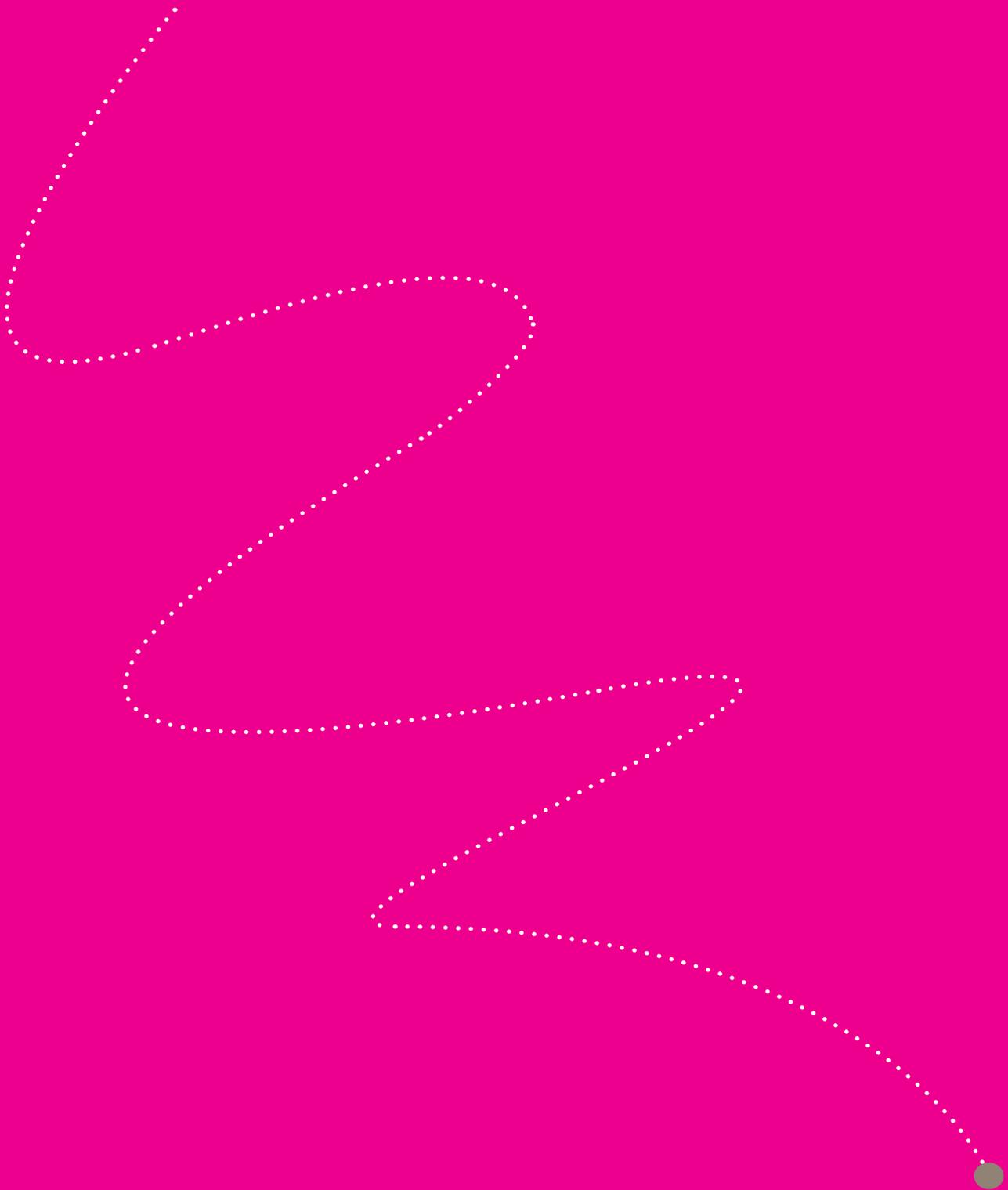
Investors will need to know you have the correct policies and practices in place for your organisation. Examples of these include:

- **Disclosure and Barring System (DBS)** if you are dealing with children or vulnerable adults
- **Human Resources (HR)** systems including whistleblowing guidance
- **Equality** and **Diversity** policies
- **Data Protection** policy (new GDPR regulations come into force in May 2018, so make sure you are compliant)

General Data Protection Regulation (GDPR)

Legislation about data protection must be observed when keeping personal data. It is important to ensure compliance. If you have any queries, consult a lawyer or subject expert.

Measuring social impact



Measuring social impact

— articulating your vision and mission

As mentioned above, you need to be clear about what you have set out to do before you start to measure it. So, you need a **vision** and **mission**, which are statements of your reason for being. If you don't have these, you need to work with your whole team to articulate them as soon as possible. As a guide:

- Your **vision** is the way you want the world to look — how you see a perfect world (e.g. we see a world where everybody, regardless of their background, has the opportunity to explore and reach their creative potential).

- Your **mission** describes what your organisation is doing to make your vision a reality (e.g. our mission is to offer free broadcasting courses to young people aged 14-24 from disadvantaged backgrounds in our community).

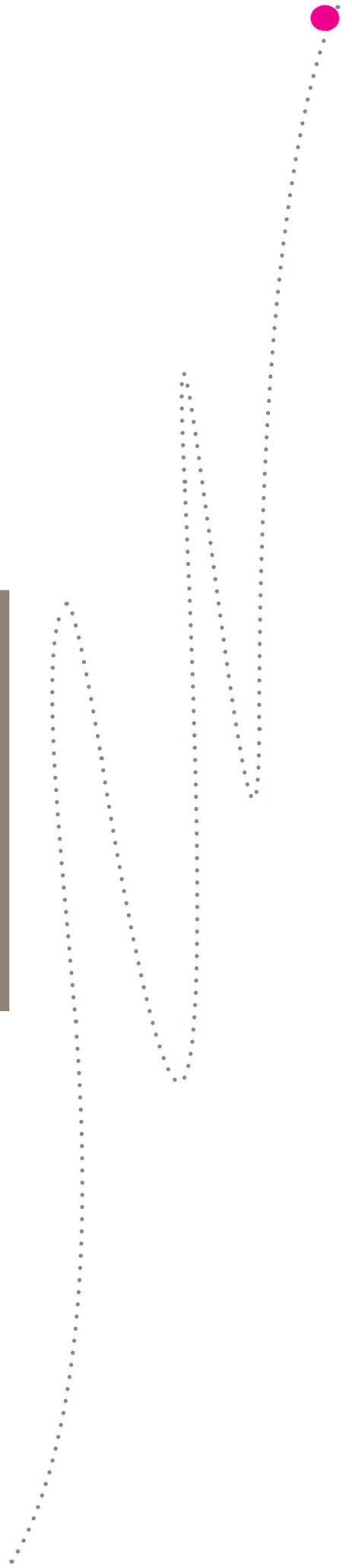


Systems and procedures

Using your vision statement as a guide, you should now set up systems and procedures that will demonstrate that you are delivering this **vision**. So, using the example above your data collection points could be:

- How many young people attend your courses
- Their ages
- Their addresses (so you can check they are from your community)
- Their backgrounds — ethnic
- Their attendance records
- The difference that your course had made to them and their lives (you may need to capture this after interviewing them)
- If they are working, how much income they are generating between them
- If they have come off benefits as a result of your intervention, how much money the state has saved

Reporting your social impact



Reporting annually on your social impact will ensure you are delivering your **mission** and provide confidence to stakeholders that their funds are making a difference.

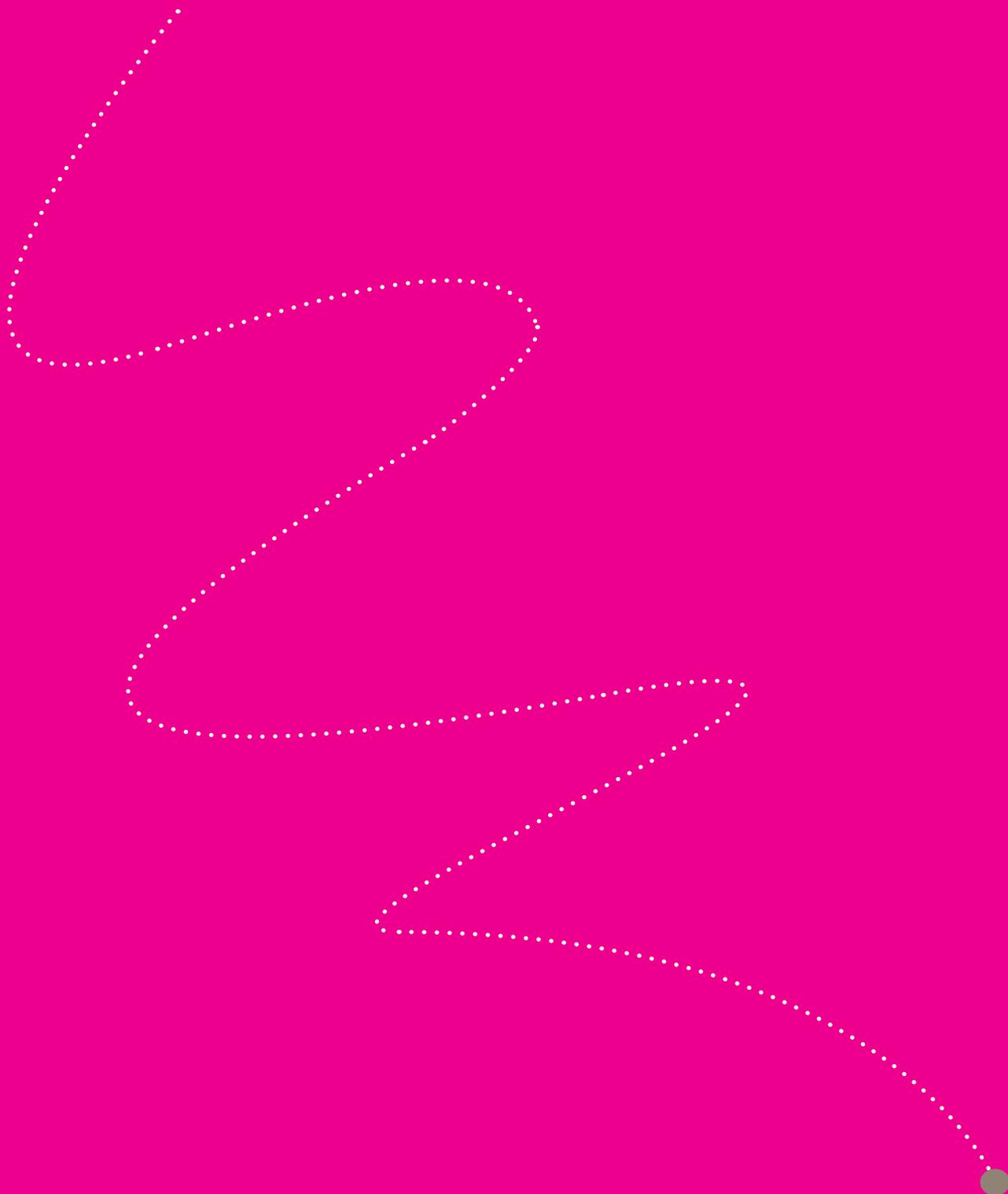
Use your website to capture this work, try and use pictures and film of beneficiaries too. Ensure your report is captured in your annual accounts too, as investors will read them as a part of their due diligence process.

This need only be narrative rather than the full report, capturing the key data.

Your report should include:

- Your **mission** and **vision**
- The information collected through the **data points** above for the most recent year
- **Pictures, case studies** and **quotes**
- Any previous **social impact data** you have, so you can report on cumulative impact.

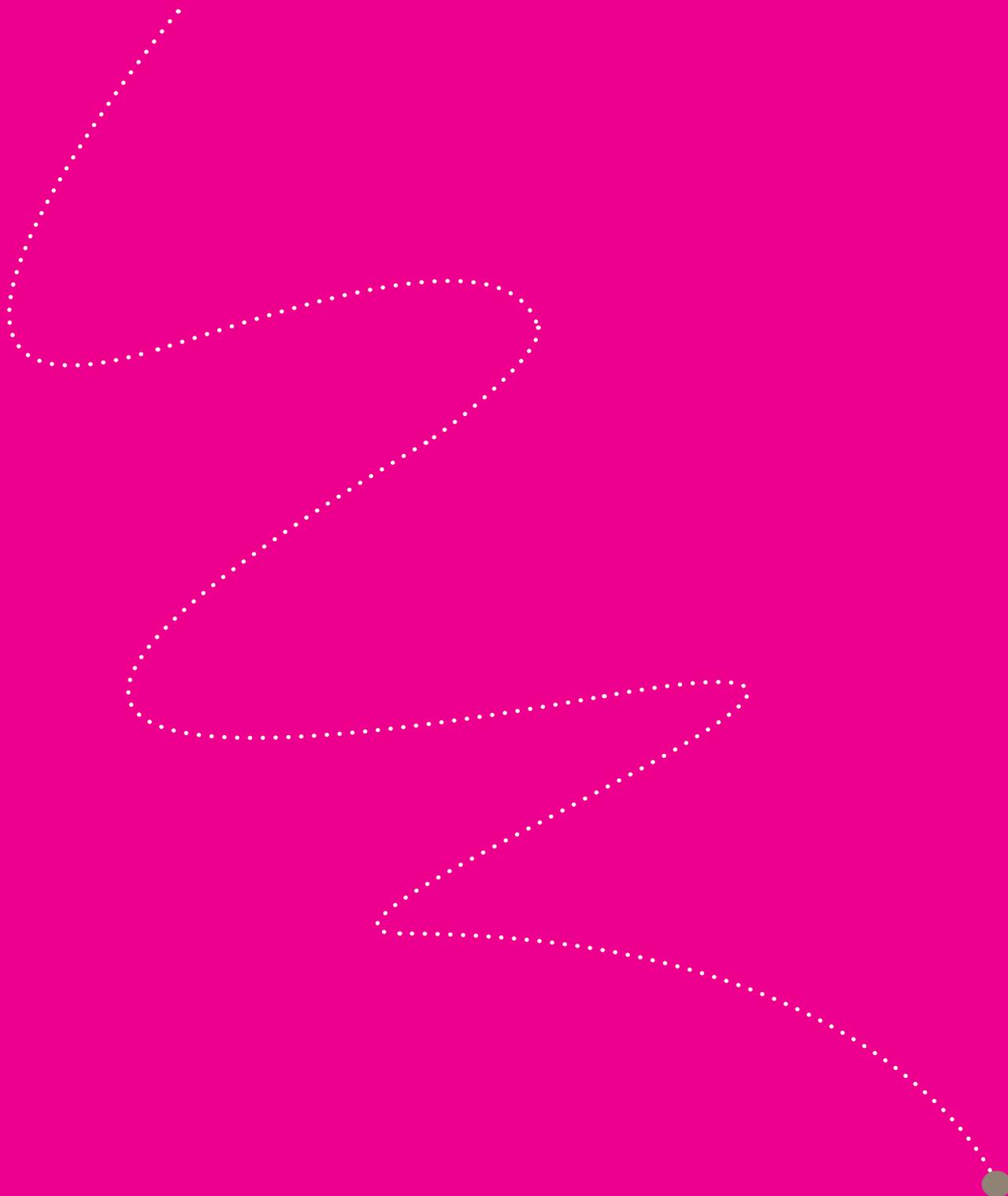
Social impact framework



Social impact framework

| Input | Resources | Outputs | Outcomes |
|---|--|---|--|
| Grants from xxxxx | X staff | X broadcasting courses | X% of attendees continued to study broadcasting elsewhere |
| Support from Board | X volunteers | X attendees | X% of attendees working / volunteering |
| Income from revenue-generating activities | X staff / volunteers training programmes | X% of attendance identified by gender / age | X% of attendees say it improves their confidence |
| | | % attendees from local community | X% of attendees say it improved their communication skills |
| | | % attendees from disadvantaged backgrounds | X% move onto being employed due to confidence gained |

Social investors and grant makers



Social investors and relevant grant makers

- **Esmée Fairbairn Foundation**
esmeefairbairn.org.uk/social-investment
- **Joseph Rowntree Foundation**
www.jrf.org.uk/our-work
- **RBS Social and Community Capital**
www.business.rbs.co.uk/business/social-community-capital.html
- **Charity Bank**
charitybank.org
- **Big Issue Invest**
bigissueinvest.com
- **Key Fund**
thekeyfund.co.uk
- **Social Investment Scotland**
www.socialinvestmentscotland.com
- **Ulster Community Investment Trust**
www.ucitltd.com
- **Social Investment Business**
www.sibgroup.org.uk
- **Social Business Trust**
www.socialbusinesstrust.org
- **Triodos Bank**
www.triodos.co.uk
- **CAF Venturesome**
www.cafonline.org/about-us/caf-venturesome



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