

CLARIFYING AND COMMUNICATING YOUR ROUTE TO IMPACT

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Introduction

This brief note outlines a methodology which a company, fund or social enterprise can use to clarify and articulate how it will create change. The aims of developing the ‘route to impact’ or ‘theory of change’ are to identify the critical elements that will ensure that your organisation’s activities lead to its intended impacts; to enable your organisation to question the assumptions it is making about how it will create change; and to enable you to monitor and report on key indicators.

Step 1: Articulate your Route to Impact

All social enterprises need to be able to articulate what problem they are seeking to address, what methods they will use to try to solve that problem, and what they expect to change as a result of their activities. This can be called the ‘theory of change’, ‘route to impact’, ‘impact chain’ or ‘impact value chain’. Articulating this route to impact can be done through narrative analysis or in a more structured way. However it is done, the aim is to systematically outline the enterprise’s activities, define the immediate outputs expected from those activities, describe what the outcomes might be and finally outline what impacts the programme is expected to have on people or the environment, taking into account what might have happened without the intervention.

For example, Figure 1 below shows the Route to Impact for Centrica's Ignite Fund -

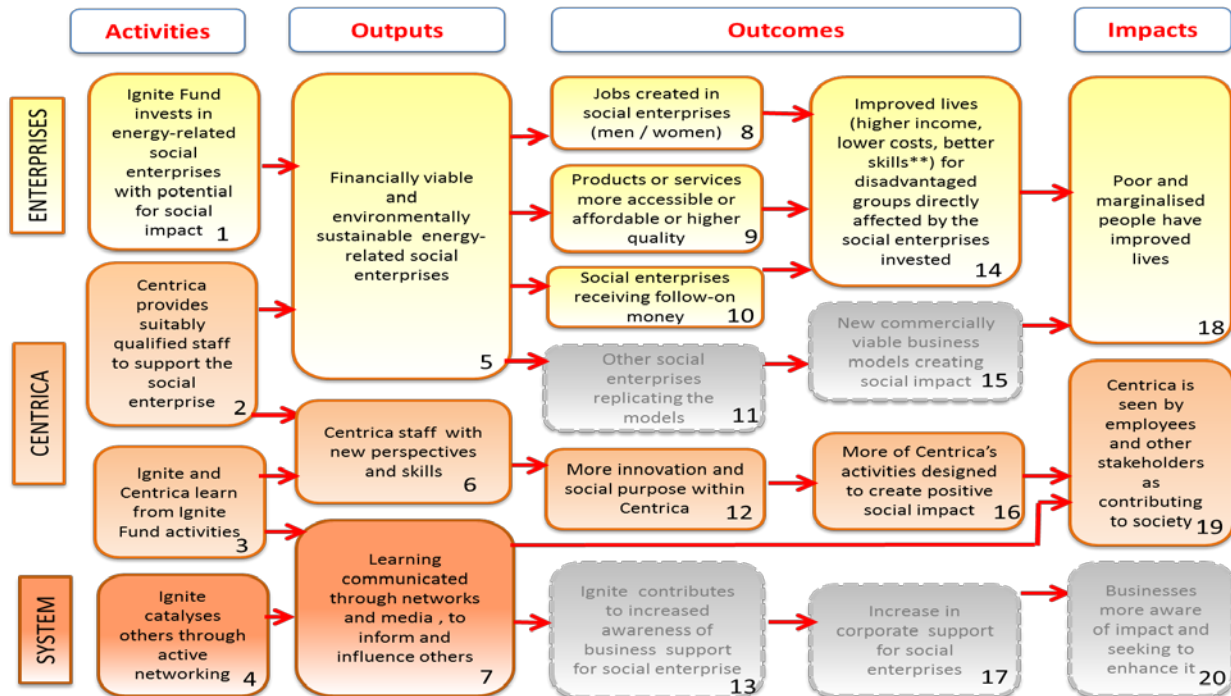
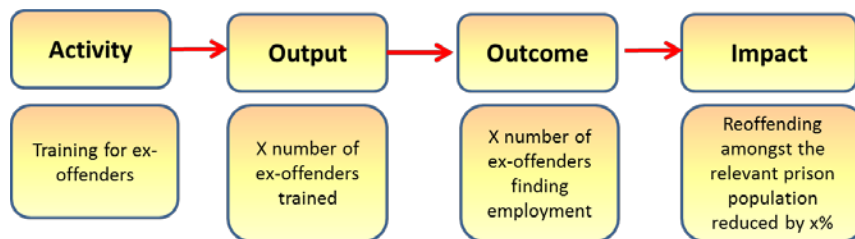


Figure 1: Initial Route to Impact for Ignite Fund (source: Impact Value)

One way to approach the route to impact is as follows -

- Start by articulating the objectives or intended **impacts** of the social enterprise. In order to focus on the most important elements of the enterprise, there should really only be a small number of objectives or intended impacts. For example, a social enterprise's intended impact may be to reduce reoffending amongst the prison population.
- List the **current factors** that are preventing those objectives being met. One key reason why ex-prisoners reoffend may be that they cannot get jobs. One key reason why they cannot get jobs (although not the only one) is that they receive poor or limited training.
- List the **activities** that the social enterprise is developing to address the shortfalls identified.
- Link the activities (training for ex-offenders) to the direct **outputs** (number of ex-offenders trained). The outputs should be clearly attributable to the activities and should be measurable.
- Link the outputs (number of ex-offenders trained) to the wider **outcomes** (number of trained ex-offenders finding employment). Here there is a less direct link but it will be possible to assess the extent to which the training contributed to the employment.
- The outcomes should then lead to the intended broad **impacts** that you have already defined.
- List any **assumptions** that you are making in creating these links. In the example above, we are assuming that the training will lead to employment and that employment will reduce the likelihood of re-offending. These assumptions will need to be questioned during the life of the programme.



Your enterprise may create some outcomes and impacts that are important and relevant but which you do not plan to track actively. In Figure 1 above, these areas are indicated by the grey boxes.

Once you have articulated your route to impact, you can develop other components of your impact assessment framework as follows –

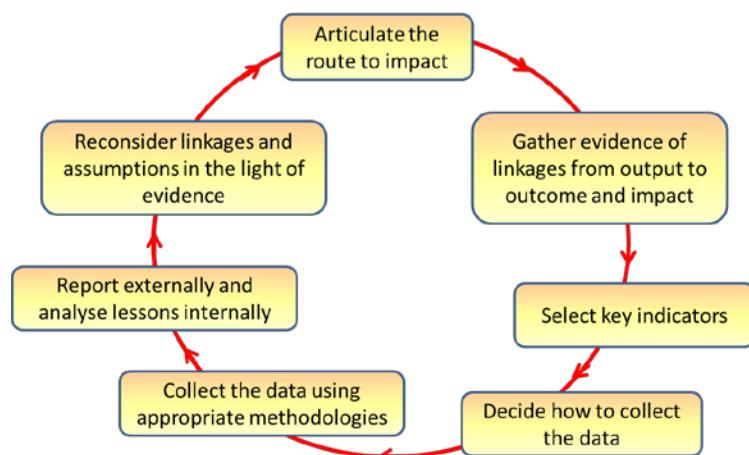


Figure 2: The impact monitoring cycle

Step 2 - Select indicators

It is obviously important to select indicators that provide you, your investors and other stakeholders with the information required to assess how well the enterprise is doing in delivering its intended impact. The indicators must also be realistic: it makes no sense to develop indicators that cost a disproportionate amount to measure, or that measure something that cannot be attributed to the social enterprise.

For each of the boxes in your route to impact diagram, consider what you could measure to show how the activities of your social enterprise have created change. This is most straightforward for the outputs, and becomes more complicated with the outcomes and impacts.

Also consider whether you will need to do some measurement of the **baselines** before your enterprise started making an impact, so that you will be able to see how your own interventions have changed things.

And you may want to develop **targets** – for example, for the number of beneficiaries (employees, customers) you plan to reach.

Step 3 – Decide how to collect the data

You can collect some data straight from the records of the social enterprise – for example, number of people employed, number and price of goods sold, additional capital invested in the business and so on. Other data may require customer surveys or a deeper analysis of the impacts on specific groups of people through consultation. The approach will depend on the nature of your indicators as well as the resources available for data-gathering.

Step 4 – Prepare a pro forma for reporting to investors

When you have collected the data, you will want to report to investors and other stakeholders. The next step is therefore to create a template for reporting. This should capture all of the relevant indicators, including financial indicators. It may also include narrative boxes. You can use case studies to illustrate the types of impact you are making, but they can only supplement and not replace the indicators.

Step 5 – Design a process for learning lessons on what works

In order to ensure you are achieving the impact you want, it will be important to review the linkages between your activities and the impacts and to test the assumptions you are making about them. On a regular basis (probably annually), you will want to analyse this and prepare a report for internal use. This can then be used to prepare recommendations on how the activities of the social enterprise might need to be adjusted to maximise its effectiveness.

Conclusion

These 5 steps can help you to create a robust impact assessment framework.