Impact Measurement

The Unitus Seed Fund Way

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About Unitus Seed Fund

Unitus Seed Fund is the leading venture seed fund supporting startups innovating for the masses in India. Unitus invests in healthcare, education, mobile commerce & value-added services, marketplaces & e-commerce, retail & distribution, agriculture, and water & energy sectors. Founded in 2012, Unitus Seed Fund is part of the Unitus Group, a premier financial services group operating in India and other emerging markets since 2000. Unitus Seed Fund is based in Bangalore and Seattle.

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Applying Impact Measurement to a Venture Fund

Measuring impact of investments is a young and developing area. In particular, techniques and approaches for measuring impact on very early-stage companies is very nascent. We would like to share our learnings, experiences, and insights as we pursue this journey. This guide has combined the methodology and approach we applied to designing to an impact measurement framework and consists of templates by sector for multiple types of businesses that can be downloaded for use.

We've shared thoughts about the current state-of-the-art in impact assessment and reporting from two perspectives:

- First, for entrepreneurs to help them think about the value of impact assessment in their business operations, and
- Second, for entrepreneurs and investors, to understand how assessments and reporting of impact can roll up across companies and sectors at the level of a private equity fund such as Unitus Seed Fund.

At Unitus Seed Fund, we invest in startups innovating for the masses – early stage impact businesses that serve low-income (base of the economic pyramid or "BoP") populations. From discussions with the portfolio companies' CEOs on their perspectives on impact measurement, their two-fold vision was confirmed – to scale and succeed as a business *and* to scale their in-built BoP impact!

Let us assume we know how to measure business success. The goal is to provide a means to think holistically about impact measurement that produces business value. We will also cover how impact metrics can tie into various aspects and functions of the business.

Why and when should impact investors measure impact? You know you are creating it- is measuring worth the expense? This is a common question discussed in the space of impact investing. Let us start by answering "how do we measure impact" which needs us to start with what, why and when.

What does Impact Measurement Mean in a Fund Context?

Among the plethora of investment options, impact investing is an approach that merges the pure financial investment world with select goals borrowed from the philanthropy world. Let us look at both the "impact" and the "investors" in impact investors. "Impact" encompasses the social or environmental value; "investors" refer to the absolute expectation of financial return. We talk more about impacting investing trends here. Given the nature of the investment it is important to measure the *right amount* of impact so as to not hinder a business as it scales in revenues and impact.

Mission drift – hard to avoid, but you can shine a light on it

Over the last couple of years we have learnt from the microfinance industry about potential for "mission drift" – as some MFIs started to scale very fast, not all loans were being productively used – e.g. some clients used them only for consumption purposes. Some firms raised interest rates to satisfy investors at the expense of captive customers. All of this could be tracked and possibly avoided if mission drift was detected early. An important learning for impact businesses as stated by one of our portfolio companies, iSTAR's CEO, Surga Thilakan, "It is important to recognize the drift, so all stakeholders including the entrepreneurs are aware." At Unitus Seed Fund, we believe that building an impact measurement system at the seed stage would help shine a light on mission drift, thereby allowing the company and investors to decide what percentage of drift can be accepted on a continual basis.

Surveying the Options for Impact Reporting at the Fund Level

We started to think about impact measurement and what it means for a multi-sector seed fund in 2013. We took the following initial steps and found:

- There are multiple potential standards for impact measurement and reporting.
    - IRIS – comprehensive set of metrics to choose from and create your own framework. Standardization of the metrics makes it broadly comparable to other funds. Aligning to IRIS was a given as soon as we saw the comprehensive nature of their metrics and standardization across sectors and geographies.
    - B-Analytics –a web analytics platform to measure, benchmark and report impact created by funds and social enterprises, B-Lab offers a

    Comprehensive Assessment of social and environmental data, thematic & industry data assessment and custom data assessment. These assessments were not suitable as all aspects were not measurable by seed stage companies.
    - GIIRS Ratings and Analytics - B-Lab also provides GIIRS ratings for venture funds that are rigorous and comparable across companies and funds. We felt the intent to create a gold standard and cause systemic change in the impact investing space over time, was great. However, until very recently, it did not consider the size/stage of the business.
    - PRISM – a venture fund rating tool normalized to the Indian context. As one of their Pioneer Funds, we participated in their Beta testing and provided feedback from a seed fund's perspective. Considering multiple perspectives, the tool is adaptable to each fund's mission and needs in terms of the assessment and reporting. PRISM was recently launched at Sankalp 2014.
- Understand stakeholders' (predominantly fund investors') expectations
    - Simple and concise impact measurement
    - Be able to compare across similar funds, where appropriate
- Research other impact venture fund's impact reports
    - Most funds use IRIS metrics for their framework, whether or not they get GIIRS rated
    - Some provide too much information, some just touch the surface – there was no clear standardization.

The need for right-sized frameworks and metrics

From the research we found that it is particularly challenging to apply standard frameworks and rating systems to a multi-sector early-stage venture fund, for two reasons. First, existing rating systems in the for-profit domain are designed for large companies, looking across social impact, environmental impact, corporate governance, gender equality, and many other areas. Many of these metrics simply don't make sense to apply to a seed stage startup of 5-10 employees. With recent updates we hope this challenge is overcome in time. In the nonprofit domain, impact assessment and evaluation is a well-developed field. But such evaluation carries a very high cost that cannot be shouldered by struggling early-stage commercial companies.

Considering all of the above, we developed a right-sized framework that is collaborative and adaptive to the stage of the company (very early to ready for growth). Based on discussions with the portfolio companies on their intended impact, we map metrics from the broad framework.

Let's not institutionalize comparison of large oranges to green papayas

We also understand that within seed stage companies, they could be at different stages - just out of a pilot and ready to take the model to BoP or be at a stage where they are ready to scale BoP impact. Comparisons of seed-stage companies can be challenging; it is absurd to compare an established and scaled company with a startup. Appropriate impact metrics vary greatly based on the stage of investment and company growth. We made our framework adaptive to include more metrics along with growth. We have identified social, financial and ecosystem metrics at a company, sector and portfolio level. We will be rolling up common metrics from the company to sector to portfolio levels. Fundamentally, we also believe and trust our portfolio companies and that they will be ethical in reporting the social impact metrics. At all points we ensure that we do not place an undue burden on our portfolio companies or our fund operations by mutually agreeing upon a data collection system.

The following section uses Unitus Seed Fund as an example to detail the high, fund level metrics that are aggregated from company to sector to fund level and rationale behind choosing them.

Looking Under the Covers –

Unitus Seed Fund's Impact Metrics and Rationale

In the previous section, we highlighted two important concepts to keep in mind as you think about impact measurement for a seed stage fund:

- Developing an adaptive right-sized framework to measure and report impact rolled-up at the fund level.
- Tracking mission drift early on, so all stakeholders, including the entrepreneurs can make informed decisions.

In this post, we will talk about Unitus Seed Fund's right-sized framework integrating the concept of mission drift. We will focus on the common metrics that are applicable to any type of fund, that we track across our investment companies and then roll up to the sector and portfolio levels to understand the overall impact the fund has created in our portfolio companies' target markets.

We create impact in these three broad categories of metrics, each of which has been mapped to the international-standard IRIS catalog of metrics –

1. Social Impact
2. Financial Impact
3. Ecosystem Impact

Below is of each of the metrics within these categories along with our rationale behind them.

Social Impact metrics

Number of BoP Lives Touched (PI3193)

Number of unique BoP individuals who were clients of the organization during the reporting period. If the company's clients are households, number of individuals can be calculated considering the average number of members per household.

This is our primary impact measurement to track and aggregate from a company level to a sector and portfolio level. Tracking change in percent of BoP clients out of the total client individuals will enable tracking "mission drift" over time.

Number of Employees in portfolio companies (OI8869)

Number of BoP and non-BoP paid full time and part-time employees or staff across companies (This does not include any unpaid staff – volunteers / interns).

We use this metric to track job creation enabled by Unitus Seed Fund among portfolio companies. Tracking percentage of BoP employees will shed light on job creation among the target population.

Number of States Touched (PD6806)

States the portfolio companies are operating in, even if they are working only in one or more districts / regions within that State.

We use this location metric to map at a high level the geographic reach of the portfolio companies, and thereby track the fund's ability to reach out to low-income states as well as Tier II and III cities where the percentage of BoP population is higher.

Financial Impact metrics

$ Amount Invested by Unitus Seed Fund

$ Capital committed (over time) to our portfolio companies.

We aim to measure over time the impact created by Unitus Seed Fund to identify social return per $ invested.

$ Revenue Generated (FP4761)

Growth in value of the organization's revenue from one reporting period to another.

Using this metric we aim to track how we as a fund have enabled sustainability among businesses with in-built social impact in both the short and long term. An increase in revenue generated without a correlated increase in number of lives touched would also be an indication of mission-drift, showing portfolio companies heading up-market or raising prices on existing customers.

$ Further Capital Raised (FP8293)

$ New capital raised in the form of equity, debt or grants received as a co-investment and/or after Unitus Seed Fund makes the first round of investment.

Unitus Seed Fund plays a significant role as a capital catalyst in the impact investing industry. This metric helps us track our role in enabling growth in capital among the portfolio companies.

Ecosystem Impact Metrics

Number of Advisors

Number of Board Members, Advisory Board Members, Venture Advisors identified and on-boarded by the companies and by the fund; rolled up at different levels.

As the impact investing industry is growing as an economic model, we feel it is important to track how the network of members is building. It would also give us an insight into how proactive companies are to on-board advisors indicating expansion in size and vision.

Number of Ecosystem Partners

Number of systemic partners and collaborations established by the companies and our Catapult Partners on-boarded as a fund.

We believe every company we invest in has the potential to scale and thereby cause systemic change and possibly influence policy in the future. This metric helps us track companies' ability to benefit from, influence, and improve the functioning of the overall ecosystem.

These metrics give a seed stage fund sufficient insight into the impact created through our investment and ecosystem building activities. They are also economical to collect and will not make the data gathering and reporting processes too burdensome on the fund or our portfolio companies. In the upcoming sections, we will walk entrepreneurs through how to think about impact measurement within their companies.

Measuring Business Social Impact – Getting Started 101

In a seed-stage business, resources and time are barely sufficient to run the business. Fundamentally, the business needs to grow and become sustainable, simultaneously achieving the social impact intended. Quoting an entrepreneur, "Our business is not separate from our impact, there is no one without the other." Keeping this integrated approach in mind, let us think about ways to define impact metrics so they can be effectively utilized to improve the business:

How can measurement provide clarity to the business operation model, or highlight challenges to the process, execution and scale?

We have established that the success of the business is partly defined by whether the envisioned impact has been achieved. While identifying metrics, select ones that will indicate the efficiency and effectiveness of the implementation model and measure specific processes towards scaling the business and impact. Think of a framework that throws perspective on the organization's high level goals as well as tactical progress, in the short and long term.

For example, a vocational training business identifies their short term impact is for students to get jobs and long term impact is increase in income, they may have to look into their training design if students are unable to get a job that materially improves their income earning potential for the mid- to long-term.

Marketing / Reporting / Fundraising

A target population at the BoP combined with a relatively low-margin business model makes an impact business both tough to run and to pitch to investors. Converting the impact created back into marketing and fundraising efforts helps solve that problem. Do some market research – what are upstart competitors measuring? What are the industry standards in the established market? What impact measures will convince your customers to buy your product or service?

Take an education business working in urban slums that is having difficulty in enrolling children into the program. Going to parents and the community with performance results of current students in comparison to general performance of children in the region will help increase enrolment. It would also give investors a better picture of success and potential scalability of the impact business.

Staff roles / Trainings

Are all your staff working towards the same business goals and same impact? Alignment of staff is critical, and even more so for customer-facing staff, as they form the voice for the organization. Design staff roles and responsibilities, trainings and communication guidelines with your impact in mind.
For example, as a new agriculture technology solutions business, you may face credibility issues with farmers. Having your sales and marketing staff trained to say a standardized story, translated to the local language, could help you overcome that problem. Incorporate regular feedback and improvement based on cultural nuances without changing the crux of the story.

Monitoring, Learning and Evaluation systems

Businesses generally have monthly or quarterly performance metrics to ensure targets are on track. Hiccups and mis-steps, are continually recognized and fixed on an ongoing basis. Based on your impact measurement results, performance metrics could be added or modified to bring in more focus and clarity to the larger vision of the organization.

Let's take an example of a healthcare business providing a screening service with the desired outcome that the screened patients are treated for health issues detected from the screening. An example of a typical business metric would be number of units of screening equipment installed per month and the number of screens completed. But the business metric might not follow the customer through to find out if the positive screens result in treatment. In the long run, if the intended impact (treatment) is not achieved, the business ultimately will not succeed. So adding a monthly performance metric on number of patients treated post screening and identifying causes for any under-treatment would increase what you ultimately wanted as impact, thus strengthening the value proposition of the business as well.

Team Achievement!

Nothing like a cheer to all the team members – full time and part-time employees, volunteers and interns working on the ground breaking systemic and cultural barriers making the business happen. Share the impact results with all your staff, have discussions, get feedback and suggestions so they are motivated to improve and perform better. Don't forget to celebrate!

As you think through your impact measurements, focus on what is unique about your business. Try to keep the number of indicators to a minimum (more in the next post) for two main reasons – (a) it keeps the organization and impact focused; (b) it allows optimal use of limited financial and human resources. Researchers from Innovation for Poverty Action have devised a set of principles, the CART -- credible, actionable, responsible, and transportable data collection. Impact businesses should also keep these principles in mind as they think about measurement.

Keeping the above in mind, here is an example of an education business score card (numbers are all hypothetical):

Social Impact	**# Lives Touched**			**#Employees in companies**			**# States Touched**		
	2012	*2013*	*% G*	*2012*	*2013*	*% G*	*2012*	*2013*	*% G*
	1000	2500	150%	30	70	133%	1	1	0%
Financial and Systemic Impact	**$ Revenues**			**$ Further Capital**			**# Ecosystem partners**		
	2012	*2013*	*% G*	*2012*	*2013*	*% G*	*2012*	*2013*	*% G*
	50000	70000	40%	100000	500000	400%	1	1	0%
Sector Specific Impact	**% Student Test Pass Rate**			**% Student Attendance**			**# Educators Trained**		
	2012	*2013*	*% G*	*2012*	*2013*	*% G*	*2012*	*2013*	*% G*
	85%	94%	11%	75%	82%	9%	25	60	140%

The sample score card keeps the business's focus to three broad categories of impact:

- Social – Number of clients, job creation and geographical reach
- Financial and Ecosystem – Sustainability of the business, potential to scale and role in systemic change
- Sector specific – Student performance, participation / retention and quality of content and delivery

To summarize, identify metrics that help you measure and track what you envisioned for the business to create as impact is coming true keeping in mind the stage and time of measurement.

In the next section, we will talk about adapting a commonly used evaluation framework – logic models - to measure impact in social businesses keeping in mind the stage of the business.

A Lean Adaptive Approach to Impact Measurement

Quickly summarizing the previous section for entrepreneurs –

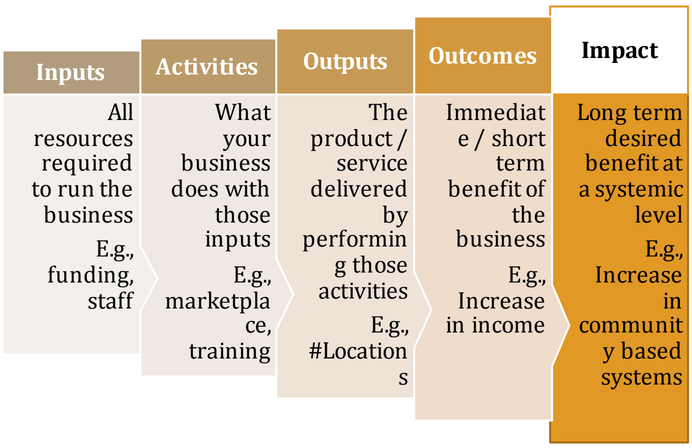
1. It's important to identify metrics that can be tied directly into your business operations. Presuming that your social impact is built-in to your business model, you want to have a small number of easily-tracked metrics that tell you if your implementation model is working.
2. You may be doing a lot of things, leading to huge impact. However, it's important that you find realistic and measurable indicators that can be affordably tracked over time and that align with the essence of your desired impact.

Thinking Strategically about Impact Measurement

Taking off from the second point, let us start with how we should approach thinking through impact indicators strategically. A "logic model" is a common outcome-oriented approach used by non-profits and large funding organizations while building a monitoring and evaluation framework. Every business germinates from an idea, evolves to a vision to a plan, and ultimately delivers results. A logic model provides clarity and perspective to the plan of actionable items and intended results at different frequencies of measurement. It enables an organization break their vision down, brainstorm and identify measurable indicators. Taking a lean approach, I have mapped the concept of logic models to assessment in the impact investing space.

Logic models – easier than you'd think

A basic logic model is shown in this graphic below:



Let us look at each aspect of the model briefly:

- **Inputs** include all the resources and materials that go into the business. Typically a business would have human resources (staff / employees / volunteers / interns), financial resources (equity / debt / grant), materials and infrastructure, partnerships / collaborations, technology (database / online platform), beneficiaries and time.
- **Activities** comprise every process you establish in your business. For example, some of the activities in a training business would be - hire trainers, locate an appropriate space and purchase necessary materials.

Inputs and activities together make up your business plan of actionable items. Accounting for all of them as you think about impact metrics would help you connect and make your business model more effective and efficient over time.

- All your inputs and activities immediately result in **outputs**. Common outputs across all businesses would be number of customers, employees, locations and partnerships. Every business would have some specific outputs, for example a healthcare business could monitor the number of equipment installations or facilities established, and count the number of patient screenings and business transactions.
- **Outcomes** go one step deeper to measure the benefit or value-add of the business. In some businesses the benefit maybe instantaneous (e.g., availing clean drinking water) and in other cases there is a certain time frame after which the benefit is realized (e.g., income increase from a livelihood business).
- **Impact** is every company's ultimate vision of change which disrupts the market and causes systemic change. For example, an education business's impact could be to improve students' learning thereby enabling them to join better schools and get better jobs. This can be measured by the number of students who move to schools with higher performance track records over time and by the quality of jobs they get after graduation.

Frequency counts…

The frequency at which outcomes and impact are measured are decided based on the business model. For some companies, short term may mean 6 months to a year, or in the case of education sector companies, one academic year. Long term, on the other hand is defined based on the vision and macroeconomic conditions that will enable systemic changes. It could range from 2 to 5 years depending on the ultimate impact the business hopes to achieve.

Don't forget to document underlying risks and assumptions

While identifying inputs, activities, outputs, outcomes and impact,

- Take into account the **risks and assumptions** made. For instance, for a livelihood business, long term impact may depend on a bill that is going to be passed by the government. Being considerate of the dependence on external factors that cannot be controlled gives a holistic picture to your definition of metrics and interpretation of reports.
- Identify **measurable indicators** and a lean process for tracking of outputs, outcomes and impact. For instance, for a healthcare business, if an expected outcome is early detection of health issues, a measurable indicator could be tracking discharge or outpatient summaries.

Right-size your logic model depending on stage of your business

Now, let's take a logic model into the context of the stage of an impact business, considering the amount of impact actually created and feasibility of measurement.

- Very early stage companies could track outputs and identify one or two outcomes for future measurement. Recognizing systemic impact could still be a thought-in-progress, you might place ultimate impact measurement on the back burner at this stage.
- Seed stage companies could track outputs and the one or two outcomes identified in the previous stage. At this point, identify one or two directions you plan to head towards achieving systemic impact as a business and start to measure progress towards that impact.

- Growth stage companies, with a lot more clarity on outputs and outcomes, and more resources can now track metrics indicative of long term impact as well, linking the impact achieved to the outputs and outcomes, using the knowledge of the end to end operations to facilitate business process improvement and impact optimization.

Be lean

At all stages, keep the metrics to a minimum - 3 to 6 outputs, 2-3 outcomes and 1-2 long term impact indicators. While designing data tracking systems, integrate them into your regular processes to avoid making data collection a chore. For example, a livelihood business could collect baseline data on current income in the first on-boarding document of a customer. Along similar lines, Acumen and Grameen Foundation are partnering on a Lean Data Initiative.

Adapt as you grow

As the company moves from one stage to another, the number of relevant metrics could increase without losing focus on the core impact of the business.

For a more detailed understanding of the logic model, please read The Kellogg Foundation's step-by-step guide here.

Next Steps

Taking a short break here, we recommend reading the Toniic Institute's E-Guide to Impact Measurement and Early-Stage Global Impact Investing.

Sector Templates

In this section, we share with you an actionable and downloadable template that is designed based on the approach and metrics discussed above, across certain types of businesses in five sectors that can be rolled up to measure portfolio level impact. For businesses that are a combination from the listed sectors, choose metrics as applicable from both sectors. For example, healthcare marketplace businesses can align measures from both healthcare products and marketplace and e-commerce. Click on the sector to download the template as aligned to your fund or business' sector focus.

Sectors and types of businesses

Education and Skilling

Services and products that improve educational performance and outcomes for children and adults. Schools of any kind, from pre-K through higher education; individual, conglomerate, or networked.

1. *Knowledge Delivery for Students or Teachers* – Development of specific skills / life skills / subject based skills / extra-curricular / co-curricular
2. *Infrastructure Facilities* – Construction of schools / libraries / restrooms / classrooms
3. *Technology for Education* – Hardware solutions – educational tablets / laptops / phones
4. *Online Platforms for Education* - MOOCs / e-content development / e-trainings / educational analytics / educational assessments
5. *Financial Aid* – Educational support through scholarships or loans

Healthcare

Affordable and accessible healthcare products and services.

1. *Health Products* – Production and/or sales of drugs / medicines / medical equipment / screening equipment / insurance
2. *Health related services* – Screenings / tests / vaccinations / mobile clinics / treatments / consultations

Mobile Commerce & Value-Added Services

Products and services leveraging technology innovations to benefit the clients.

1. *Mobile or Web based apps* – Applications that provide access to education / healthcare / finance / increases income / improves agricultural outcomes

Marketplaces and E-Commerce

Marketplaces providing new distribution channels, improving access to new markets and geographies.

1. *Online and offline marketplace* - Marketplaces for education / healthcare / finance / agriculture products or services

Agriculture

Products or services that increase productivity, disrupt supply chains, enable better access to markets, increase sustainability, and provide other benefits to farmers and their communities.

1. *Farming Inputs/Products* – Production of seeds, fertilizer, organic inputs, irrigation tools, pesticides
2. *Farming Information Services* – Development of weather apps, irrigation suggestion apps, agriculture best practices apps
3. *Integration of the Supply Chain* – Market linkage systems including storage / refrigeration / sale avenues with larger players
4. *Financial Products* – Crop / climate change insurance, crop loans

Retail and Distribution

Creation of new products and services delivered through innovative distribution channels.

1. *Retail & Distribution* – Distribution of education / healthcare / finance / agriculture products or services

Water and Energy

Affordable drinking water and off-grid energy, accessible in rural locations.

2. *Water & Energy* – Production and distribution of drinking water and energy