

# Engaging All Affected Stakeholders

Guidance for investors,  
funders, and organizations

Developed by Action Group 3  
of the World Economic Forum's  
initiative to Accelerate Impact  
Measurement and Management

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IMPROVING THE STATE  
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## Preface

Most people would agree that it is important for organizations - and those who invest in them - to listen to the voices of those affected by their activities.

However, not many are doing this consistently or comprehensively enough. Good stakeholder engagement practice remains surprisingly rare.

Many investors and organizations believe stakeholder engagement would take too much time and resources to be worthwhile. Some take a narrow view of who their stakeholders are and engage only with intended beneficiaries or end-users, ignoring other affected groups. And there are many who would like to do it, but don't know where to start.

But empirical evidence from the impact investing community shows that there is a strong cost/benefit case for stakeholder engagement. In fact, it is becoming increasingly central to impact and risk management, and an increasingly rich source of innovation. How can we really understand and be accountable for the effects of an investment/organizations' activities, without understanding the experience of those affected by it?

From the many conversations we have had on this subject in 2016 and 2017, it is clear that stakeholders in the impact investing community - and, increasingly, in traditional investment sectors and industries - want and need some guidance on appropriate (practical, credible/robust, low-cost, responsible and ethical) ways to incorporate the voices of affected stakeholders into their impact investments or organizational activities; and, importantly, on how they should respond to these voices.

This document is a collaborative effort by several individuals and organizations, who came together to help provide guidance on how and where stakeholder engagement practice should evolve. It suggests some of the many ways in which the voices of *all affected stakeholders* can be gathered - and then used to draw lessons, inform decisions, and develop strong relationships with those affected. This document references existing tools, resources, and examples of practice as of 2017 about engaging all affected stakeholders, bringing them all together into one document.

In this document, we rely on a broad definition of “all affected stakeholders”, that covers *all those significantly impacted* - i.e. not just end-beneficiary/end-customer or shareholders, but also staff, community, vulnerable and marginalized groups, and on the environment.

Specific ways to engage affected stakeholders will depend on the sector, resources and level of maturity of each organization. Some might initially fear that engaging with all affected stakeholders might bring to light viewpoints that could be hard to address. But the benefits of good stakeholder engagement outweigh its costs, both from an operational and business sense, and from a social and environmental sense.

The field of impact measurement and management is evolving rapidly. We acknowledge that this document and the guidance it provides will evolve too. We imagine that technology and data will change the practices suggested herein over the next decade, possibly going from a process based on a single organization’s perspective to more distributed and open feedback and engagement platforms - where feedback and input are not owned by organizations, but rather are open access. Our intention is to define, in today’s terms, different ways to engage with all affected stakeholders – from the bare minimum to more advanced practice.

We know that change does not need to happen overnight. We know that there is no “right place” to start; no “one size-fits all” model. Depending on the role an organization plays in the value chain (e.g., funder, impact investor, enterprise), there will be different levels of engagement.

However, every actor in the value chain has a role. For example, organizations delivering products/services will ideally engage (or work their way to engage) in all the steps described herein.

Funders and investors, while not as close to all affected stakeholders, also have an important role. They can work with their investee/organization in the field by providing guidance, and assist by allocating resources towards stakeholder engagement. They can also ask (or even require) the investee/organization to report back on the process of engaging stakeholders and, most importantly, on how the lessons that emerge are implemented to improve strategy, operations and stakeholder engagement.

Our hope is that investors/organizations can use this guidance to gradually increase engagement with stakeholders; and over time, reach a point where integrating the voice of all affected stakeholders into decision-making becomes common practice.

## Expert Group Composition

This work fits under the effort of the “Accelerating Impact Measurement and Management” working group convened by the World Economic Forum.



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## Executive Summary

Impact investments intend to generate a positive social and/or environmental return to certain sectors, communities, and/or populations alongside their financial returns.

Investments and activities of organizations will likely affect many different types of stakeholders (e.g., beneficiaries, organization's staff, community, environment).

To truly understand the extent to which impact and value are created, to identify the risk of negative impact and unintended outcomes, and to uncover ways of maximizing social and/or environmental value creation, it is critical to engage with *all affected stakeholders*. That doesn't just mean end-beneficiaries/end-customers or shareholders; it also means others affected such as staff and community, paying special attention to the most vulnerable and marginalized, and it means understanding the effects on the environment.

It is also important to keep in mind that situations are dynamic: both stakeholders and their interests might change over time. Therefore, stakeholder engagement plans should be reviewed and adapted as necessary.

This document provides guidance on some of the ways in which different types of stakeholders can be identified and engaged, and outlines how the valuable information that emerges can be used to learn, improve, and strengthen relationships.

The proposed process for stakeholder engagement is based on a 5-step continuous improvement cycle, which puts affected stakeholders at the center of activities. The steps are: planning and setting objectives; implementing activities; assessing and understanding effects; using the data gathered to learn, improve, and report; re-setting goals based on the learnings. For each step, we provide short and concrete examples of current practice by investors, funders, and organizations. The description of each of the five steps, including these practical examples, can be found on pages 10-23.

The Annex (pages 24-39) includes case studies and testimonies from different perspectives/roles in the value chain (part A) as well as reference to helpful methodologies and resources relating to stakeholder engagement and impact measurement and management (part B).

The extent to which each investor and organization engages with stakeholders will depend on their context, the level of maturity of the organization (e.g., start-up/greenfield vs. established organization) and the characteristics of the sector. What is vital is that all investors and organizations understand the perspectives of the stakeholders that are impacted by their activities, and take them into consideration when making decisions.

# Introduction: Understanding the business case

*“Giving people voice is not enough. It is listening to them that counts”* (Blagrove Trust)

## What is stakeholder engagement?

A continuous improvement process between an organization and the people potentially impacted by its activities and decisions. It encompasses a range of activities and approaches that should form part of regular business operations, and there is a considerable body of best practice know-how to draw on.

## Why should it be embraced by funders, investors, and organizations seeking to deliver impact?

An effective stakeholder engagement process allows them to increase positive impact and minimize negative impact for all stakeholders.

It is essential to any investment or activity, particularly for those that claim an explicit social or environmental purpose.

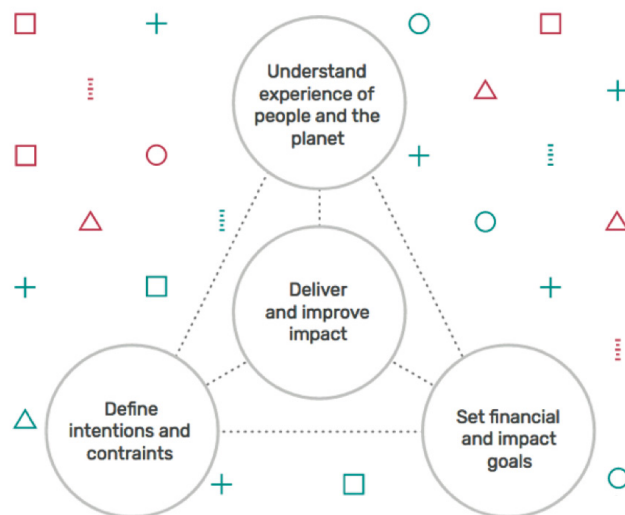
## What are the benefits of integrating stakeholder engagement as an integral part of our impact management practices?

- **It can be used to mobilize the local knowledge** of place-based and sector-based stakeholders, which is critical to implementation/delivery of activities. When stakeholders have ownership and voice they are more likely to act in ways that contribute to intended impacts.
- **It helps identify opportunities for innovation or improvement** of products/services and operations that otherwise might have been missed. Stakeholder feedback is often referred to as “gold dust” for innovation.
- **It improves risk management**, by enabling identification of potential adverse effects and conflicting interests early on.
- **It helps measure and understand the impact** of the investment/organization in order to make adjustments as needed. For example, to learn whether the effects delivered are perceived as valuable by those affected, or whether any unintended negative effects are occurring.
- **It can be used to build social capital** – such as networks and relationships – around the investment project. The goodwill and trust of businesses, governments and communities can help to make the project a long-term success.
- **It can be used to ensure a business model is inclusive** by enabling a systematic mapping and measuring of stakeholder interests by socio-economic group, sector and place.

The benefits of stakeholder engagement rely on stakeholder engagement processes being properly designed and implemented. This document offers guidance for investors, funders, and organizations seeking to deliver impact based on existing good practices.

## Key definitions and terms

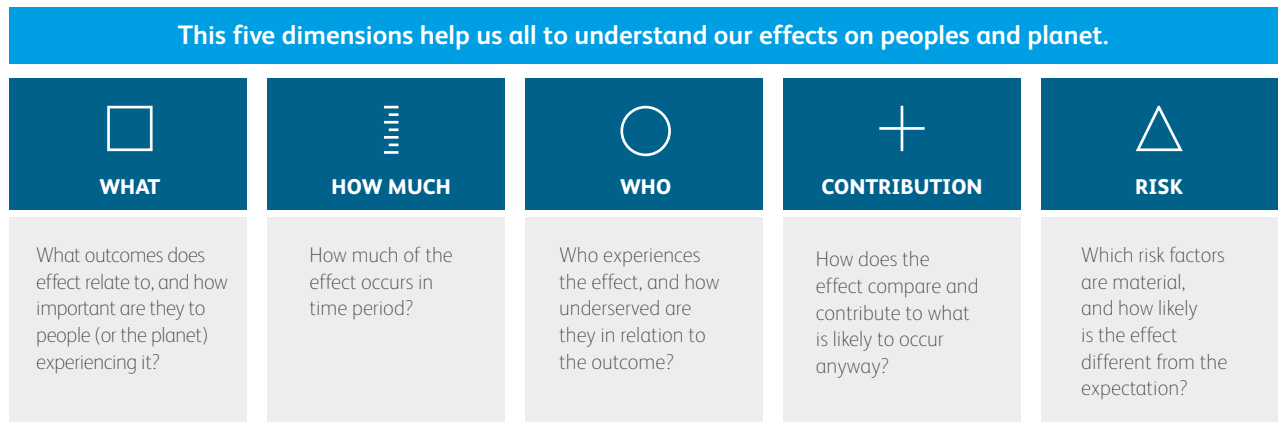
- **Stakeholders:** persons or groups who are directly or indirectly affected by an intervention, as well as those who may have stakes in a project and/or the ability to influence its outcome, either positively or negatively. These include (but are not limited to) clients/end-beneficiaries, entity management and staff, investors/shareholders, suppliers, impacted local people and communities (including marginalized and vulnerable groups), local NGOs/civil associations, local government, etc.
- **Stakeholder involvement** should ideally foster a **two-way dialogue**, be conducted in **good faith, and be responsive**<sup>1</sup>.
  - » In good faith means active and honest participation in involvement with the intention of finding common ground, and being prepared to alter initial positions to reach agreement on appropriate pathways forward. While full agreement might not be possible sometimes, it is important that there is intention to find common ground and that objectives, while different, are not opposing.
  - » Responsive means not just listening, but acting – both to increase positive outcomes and to mitigate adverse effects (ensuring that any adverse impacts are appropriately addressed including through provision of remedies and incorporation of stakeholder views in project decisions).
- **Impact Management** - As described by the [Impact Management Project](#) “*Impact management is an ongoing process of figuring out which effects experienced by people and the planet are material, both positive and negative. Guided by this assessment, and our intentions and constraints, we set impact goals and financial goals. We put in place the governance and processes to deliver consistently on those goals but we also continue to learn about the experience of people and the planet, and use that information to adapt our goals and improve*”. The chart below illustrates this concept.



<sup>1</sup> OECD “Due diligence guidance for meaningful stakeholder engagement in the extractive sector”



- **Dimensions of Impact:** The Impact Management Project suggests looking at the following five dimensions to understand impact on people and planet: what, how much, who, contribution, and (impact) risk.



For further definitions related to impact management and specifically terms that tend to be confusing (because different communities of practice use the same term to mean different things, or different terms to mean the same thing), please refer to the [glossary](#) developed by The Impact Management Project, together with Social Value US, Social Value International and the American Evaluation Association.

## Stakeholder Engagement Process

### 5 Step Stakeholder Engagement Cycle



The stakeholder engagement process is a focused version of a classic continuous improvement cycle (e.g., Deming cycle, PDCA/PDSA cycle<sup>2</sup>) where stakeholders are an integral part of an impact investment/organization’s activities.

<sup>2</sup> The Deming Cycle, or PDCA Cycle (also known as PDSA Cycle), is a continuous quality improvement model consisting out of a logical sequence of four repetitive steps for continuous improvement and learning: Plan, Do, Study (Check) and Act.



## STEP 1: UNDERSTAND STAKEHOLDERS & THEIR OBJECTIVES

Step 1A refers to designing stakeholder engagement; Step 1B refers to understanding stakeholder' objectives.

### 1A: DESIGN STAKEHOLDER ENGAGEMENT

Before engaging with stakeholders, it is essential to think about who to engage, when, and how.

For projects with multiple stakeholder groups and issues, it might be useful to develop a formal stakeholder engagement plan in advance, while for simpler projects, it might be enough to have a more informal approach as long as key considerations regarding who to engage, how, and when are defined.

*"If the importance of stakeholder engagement is not recognized, understood or adequately communicated at an organizational level, stakeholder engagement activities may not be adequately resourced or planned for. Additionally, the outcomes of stakeholder engagement activities may not be taken into consideration throughout project decisions, and business relationships may be formed which may undermine stakeholder engagement efforts, leading to adverse impacts."*

(OECD Due Diligence Guidance for Meaningful Stakeholder Engagement in the Extractives Sector)

#### Main steps for defining stakeholder engagement:



**I. Identification:** To start, its recommended to create a preliminary list of all possible stakeholders who might be directly or indirectly impacted (in a positive or negative way) and those who directly or indirectly contribute to the activities. Stakeholders will come from several different groups of people such as organization or company (owners, staff, clients/beneficiaries, investors), suppliers and community (family of clients/beneficiaries, local residents, schools, farmers, local representatives), and government and society (national, regional, and local agencies, regulators, civil organizations and NGOs, labor unions), or the environment.

Stakeholder identification should recognize differences within stakeholder groups. "Community" for example is a large and varied group that includes different types of interests with different degrees of power and influence. Further, some stakeholders may not be aware that they are "stakeholders" as they might not initially know that they might be materially affected by the project until the impact occurs.

Investors and organizations must make sure all potentially impacted stakeholders are identified in this early stage. Otherwise, stakeholder engagement activities might not include them, which would risk not being able to address potential adverse impacts.



**II. Prioritization & Assessment:** Once stakeholders have been identified, the next step is to plan how to prioritize who to engage.

A common tool to visualize differences among stakeholder groups is a stakeholder mapping matrix. While the criteria used for the matrix can vary, often traditional models use two-by-two matrixes which consider both the level of interest and likely influence of the stakeholders on the organization’s activities.

The Impact Management Project suggests looking at the materiality assessment and impact risk as a way of prioritizing: i.e. where are our most significant effects occurring? (in terms of importance of outcome, depth and breadth of effect, and level of need of the person or planet), and where are we least certain about what’s actually happening?

**Research shows that marginalized groups often bear the brunt of adverse impacts while having limited opportunities to engage or enjoy the benefits of the intervention. Stakeholders who may be adversely impacted by an organization’s decisions and activities should be prioritized, even if their level of influence in the organization’s activities is low. “It is vital to make a special effort to understand the interests and concerns of stakeholders who are unable to articulate their views (future generations, ecosystem) and give due consideration to disadvantaged and marginalized groups and other vulnerable stakeholders such as women, children, indigenous people, and migrant workers<sup>3</sup>.”**

Another important point when prioritizing stakeholders is to avoid “cherry picking”. Ideally each stakeholder group will have a representative number of people involved. This is best done through randomizing who to talk to, and looking out for diminishing returns on new opinions to ensure that most perspectives have been captured. Gathering past experience, such as interviewing former beneficiaries, can also be very helpful. In cases where the investor asks the investee to provide a list of stakeholders to contact, it is important to try to mitigate potential selection bias. This includes explicitly asking the organization to include parties where the outcomes were not ideal, talking to former clients who left the organization, reaching out through own network to parties not identified by the organization, asking stakeholders to discuss both successes and failures experienced as well as asking them who else should be engaged in the input gathering.

To begin, an organization can focus on a small number of key stakeholders and expand with time and experience. It is likely that for some stakeholder groups, a small sample is all that is required to ensure that feedback and opinion is heard.

Situations are dynamic and both stakeholders and their interests might change over time. A stakeholder group that is not influential initially might become more important over time. Stakeholder mapping and engagement plans should be reviewed as needed (as indicated in Step 5).

**III. Engagement Plan:** Once the stakeholders have been prioritized, the next step is to define when and how often to engage with the different groups, how stakeholders wish to be involved, and which are the best tools for engagement (including mechanisms to report back). Engagement plans can vary from simple to more sophisticated. The table on the next page illustrates a generic high-level plan for engagement.

*“In some cases, it may appear difficult to communicate with a stakeholder. If a stakeholder is to be included, a method of communication should be found, even if via an intermediary. Without engaging with stakeholders, it is impossible to understand their expectations and verify whether those have been met” (EVPA Practical Guide to Measuring and Managing Impact)*

<sup>3</sup> GRI, United Nations Global Compact, wbcSD “SDG Compass: The guide for business action on the SDGs”

### Illustrative high-level plan for engagement

Stakeholder type	Influence (High, Medium, Low)	Effect (High, Medium, Low)	Engagement timeline			Engagement Tools	Frequency
			Planning	Delivery of activities	Exit/re-newal of investment		
Beneficiary	Low	High	Inf sharing, consult & conset			Focus groups, survey, face-to-face	Very frequent
Staff	High	Low	Consult	Info sharing	Consult	Interviews, mobile app	Frequent
Suppliers	Medium	Low	Consult	Info sharing	Info sharing	Survey	Occasionally
Local community representative	Low	Low	Consult	Consult	Info sharing	Face-to-face	Occasionally
Investors	High	High	Info sharing, consult & conset			Face-to-face, calls, reports	Frequent

The method with which stakeholders will be involved (e.g., information sharing, consultation, negotiation, consent, feedback, opinion) will depend on what is appropriate for each stakeholder group, the context, the type of information being gathered/shared, the stage of the investment/activities, and the time and resources available. Therefore, different tools may be used for different stakeholders (e.g., quick pulse in-person surveys, online surveys, SMS surveys, phone surveys, mobile app surveys, IVR surveys, in-depth interviews, focus groups).

It is important to consider support required for stakeholders, or rather ensure the engagement process is appropriate for the stakeholders. As noted by OECD<sup>4</sup>, in some cases if support to stakeholders is not provided (e.g., if interpretation is required) some may not be able to adequately communicate their perspectives. As a result, some adverse impacts to stakeholders may not be identified, avoided, or appropriately addressed, and/or positive impacts may not be optimized and stakeholders may be dissatisfied with the result of their engagement. Another risk is that responses are inaccurate, perhaps due to different concerns or biases. This is worse than incomplete information as there may be an assumption that informed decisions are being made, when in reality the perspective offered is inaccurate or does not reflect the majority of opinion. One way that is often effective in reducing this type of bias is the use of phone surveys and offering anonymity to respondents to create an environment more conducive to open feedback. In cases where stakeholders are not engaged or not engaged in the degree needed, the investor should note that as an increased impact risk<sup>5</sup>.

## 1B: UNDERSTAND STAKEHOLDER OBJECTIVES

Once a stakeholder engagement plan has been designed, investors and/or organizations should engage with stakeholders to understand their objectives as related to the planned activities (i.e., discuss “what do we want to achieve” and “what does success look like”) as well as how to deliver, manage, and implement it.

When clear goals are articulated and agreed at the start, and there is a clear impact measurement and management system in place, it increases the likelihood that stakeholders will own the findings and that the investor and/or organization will rely on them for value-added decision-making.

<sup>4</sup> OECD “Due diligence guidance for meaningful stakeholder engagement in the extractive sector”

<sup>5</sup> For guidance on assessing impact risk refer to <http://www.impactmanagementproject.com>

## Investor example:

Acumen’s approach to understand stakeholders’ objectives focuses on letting end-users of products/services of companies they invest in shape and define impact and value. Their Lean Data approach listens to the voice of the customer and allows them to provide open feedback and information on what is valued, what is demanded, and how companies could be delivering better. (For further details on Acumen’s Lean Data refer to Annex B).

## *Differing expectations among stakeholders*

Expectations may differ among different types of stakeholders, and may even differ within stakeholders of a same group. What success is for an investor can be very different than what it means to a beneficiary or the local community. Actively engaging with different stakeholders provides opportunities to identify different perspectives and values early on. If conflicting or opposing interests are identified these can then be addressed collaboratively. It is recommended to facilitate transparent discussions about values and priorities with different stakeholder groups (e.g., investors, delivery teams and communities) around the same table, so that all sets of voices are validated and a shared understanding of the impact investment can be reached.

As a minimum, an investor and/or organization should factor in the perspectives of all affected stakeholders when making decisions. And ideally, the investor and/or organization will involve stakeholders into the decision-making to make sure that the conclusions reached are acceptable to all affected stakeholders (e.g., making adjustments in terms of who is served, quality of delivery, client experience and identifying negative/unintended outcomes).

## Examples where expectations were not aligned

**Misaligned expectations - Program that focused on getting long-term unemployed people back into employment based on a variation of “welfare to work” model** (Practical Guide to Measuring and Managing Impact, EVPA). Other than the participants, two important stakeholders were the government (subsidizing salaries for two years) and the employing company (accepting to take on the long-term unemployed for two years). Not ensuring expectations were aligned led to the failure of this program. For two years the people in the program received a salary from the organization running the program (subsidized by the government) rather than from the employing company. For the government, the expectation was that after the 2-year period, the people receiving subsidized salaries would be offered a permanent job and taken onto the payroll of the company. However, the company saw this as an opportunity to have free labor for 2-years and did not intend to hire the participants at the end of the 2-year period. Unsurprisingly the organization running this program did not achieve its impact objectives and eventually closed.

**Lack of understanding stakeholders’ viewpoint - CEMEX’s Patrimonio Hoy initiative** (“The base of the pyramid promise”, Ted London). CEMEX, a multinational Mexican cement producer company, set out to target low-income customers as a way to build its market share and customer base. At the time, low-income customers built about half of Mexico’s homes every year. The company had a number of failed pilots before reaching scale in this market. One example of something that didn’t work was when created a new product – a smaller, 25-kilogram bag of cement – with the theory that providing smaller lower-priced packages would increase sales because lower-income customers would be able to afford them more easily. The company created this new product without engaging their targeted customers hence failing to realize that having large bags outside of one’s house was seen as a sign of prosperity.

## Example of how to address conflicting expectations

**Evaluation of a health promotion program.** The funding body of an ambitious program of social change contracted with many not-for-profit organizations (NFPs) to undertake health promotion activities at multiple levels, from mass media information campaigns, to sector/organization-specific interventions, aimed at improving attitudes and behaviors toward more social and economic inclusion of people with disabilities.

The funder brought the NFPs and disability representatives together to engage in developing a shared understanding of what success would look like and how the value of the program should be measured. The funder considered it very important to include an economic analysis, comparing the costs and benefits of the program in monetary terms. However, the NFPs and disability representatives were resistant to this approach, as they felt such analysis would reduce the perceived value of the program to economic effects that were easy to value in monetary terms, at the exclusion of valuable social outcomes.

The meeting, facilitated by an independent evaluator, provided an opportunity for both sets of perspectives to be explained and explored. The NFP and disability representatives learned that economic analysis could, in fact, include monetary valuation of intangible social outcomes using credible economic methods – though they were still not very comfortable with the idea of using money to value changes in people’s lives. The funder gained a deeper understanding of why NFPs and disability representatives wanted the value of the program to be expressed in ‘consumer voices’ to give the impacts a human face and provide a more nuanced picture.

The stakeholders around the table reached an accommodation in which both viewpoints were acknowledged as valid, and both forms of evidence – consumer voice and economic analysis – were included. It was agreed that particular care would be taken to ensure that the results of the economic analysis were presented alongside contextual information and qualitative evidence, to enhance the credibility and validity of findings for sector stakeholders and decision-makers alike.



## STEP 2: IMPLEMENT ACTIVITIES

The activities of an organization should be implemented in line with the agreed objectives and in a way that includes processes to integrate the voice of stakeholders on an ongoing basis. This is important to ensure open communication and build trust across the stakeholder universe, and ultimately to maximize positive impact potential.

Gathering feedback from stakeholders should go beyond just data gathering and include building a relationship with stakeholders where there is an incentive to provide candid feedback and where the organization shows its ability to listen and make changes (e.g., improvements to or launch of new products/services) as a response. This is an important step even when feedback is being obtained on behalf of the organization by independent third-parties.

NPC and Keystone Accountability<sup>6</sup> suggest that an ideal feedback culture should have two types of feedback-gathering processes in place: one that allows for continuous feedback through micro-data collection mechanisms that take very little time for respondents, and one that enables occasional in-depth data gathering through more rigorous data collection techniques.

### Investor examples:

[LeapFrog Investments](#) conducts ongoing quick pulse surveys and occasional focus groups. [Acumen](#) uses their Lean Data approach to reach out to end-customers and gather data and feedback through cost- and time-effective means to collect data at scale that enables their investee companies, and themselves as investors, to make informed decisions at a micro- and macro-scale.

### Online tools for stakeholder involvement

Several tools exist that can help organizations gather input from stakeholders across the globe, in several languages, and through several communication channels such as voice, text message, social media message, etc. Some examples include: [ULULA](#) a multi-language supply chain management, stakeholder involvement and M&E software for responsible supply chains, [Laborvoices](#) for supply chain management which includes feedback from workers on suppliers, and [Laborlink](#), an online worker-centric solution that uses direct worker feedback to identify and evaluate factory improvements. Tools such as these should be transparent and also be audited to ensure feedback gathered is genuine.

Keystone Accountability also suggests considering those stakeholder groups that do not answer surveys or do not want to provide feedback, as a valuable source of input. Not just to increase the sample of respondents (and hence decrease the likelihood of bias) but also to ensure that nobody feels they lack a voice or representation. A classic example of the cost of only listening to clients with a strong voice (though not necessarily the majority of clients) has been seen in microfinance, where some financial service providers listened to the voice of strongest clients through satisfaction surveys and responded by moving upmarket to meet their needs, not realizing the large number of clients left unheard and whose needs were being unmet by the new strategy.

<sup>6</sup> NPC and Keystone Accountability "User Voice-Putting people at the heart of impact practice"



Some organizations go as far as counting non-responses as the lowest satisfaction score possible, forcing them to work on winning high participation. Others work to continuously test and improve representativeness of the sample set to ensure key segments of voices don't go unheard.

Grievance systems can help identify and respond to any concerns that may arise from affected stakeholders. These systems should be fair and transparent, include methods for gathering input in a confidential way as well as appropriate responses to remedy the identified issues. Responses will vary depending on the size and nature of the issue identified and what is appropriate for the stakeholders involved and the context. Some examples include apology, financial or non-financial compensation, guarantee of non-repetition, modification in procedure, replacement/repair of product/service, etc. Grievance systems can also provide a source of continuous learning for the organization, identifying opportunities to build stronger processes and preventing future harm.

As an organization gathers data from its stakeholders, either through surveys, grievance systems, regular client interaction, passive data (e.g., electronic usage and behavior data), it should have clear processes and systems in place to analyze it and react to it. This means not just being clear on the data being gathered but also on who within the organization should receive it, analyze it, and how to respond to it (including mechanisms to report back to stakeholders).

As noted by the SPTF<sup>7</sup>, there will be different levels within an organization involved in gathering and analyzing stakeholder data (e.g., management, customer service, research, risk management, sales teams, program/project teams).

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<sup>7</sup> SPTF "Universal Standards for Social Performance Management Implementation Guide"



## STEP 3: UNDERSTAND STAKEHOLDERS' EXPERIENCE

Both investors and organizations must understand the effects that the organization's activities have on stakeholders (people, community, environment, etc.). This means verifying whether the objectives set are being achieved and to what extent, as well as understanding whether they match expectations of affected stakeholders.

For this, an organization and/or investor should not just rely on one type of data source (e.g., just quantitative measurements or just direct feedback from stakeholders) but use several sources of data (such as results from outcomes measurement, direct input from stakeholders, and stakeholder feedback gathered by third-parties), which should all be triangulated to obtain a more accurate assessment of the impact delivered.

### *Assessing impact and value creation through outcomes:*

Ideally organizations and investors will have an impact management system in place. Each investor and organization will choose how to assess the impact of their intervention or investment according to their resources, context, and goals set. What is important is that the information used to guide decision making is proportional to the decision being made. The experts and initiatives behind this work believe that to truly assess impact, using output data is not enough - outcomes data is required. As noted by SPTF<sup>8</sup>, outcome data measures *change for clients that is plausibly associated with the services provided*. While it does not measure attribution, it does not require expensive and lengthy studies such as Randomized Control Trials (RCTs) and it provides much more robust data than client stories or output (activity level) data. *(For further details on hierarchy of results and recommended resources for impact/outcomes management refer to Annex B).*

### **Investor examples:**

Global Partnerships (GP), an impact-led investor whose mission is to expand opportunity for people living in poverty, launched a case study initiative to gain deeper insight into the clients served and outcomes achieved through its investments. With philanthropic support from the Swiss Confederation and JPMorgan Chase & Co., GP contracted Microfinance Opportunities (MFO), a third-party expert in field research. With the support of MFO, GP worked alongside a select set of investees to align research objectives and co-design context-specific surveying instruments. MFO then contracted, trained and oversaw a team of local enumerators who spent roughly four weeks in the field, interviewing 200 – 400 clients (per case study). Reasonably short in duration and light-touch in terms of investee resources and client time, these case studies were designed to capture relevant and directional data. The results were then used to inform Global Partnerships, their funders, and their investees work.

<sup>8</sup> SPTF "Guidelines for Outcomes Management for Financial Service Providers"

### *Verifying outcomes and value achieved:*

Approaches that can be used to triangulate information to help verify outcomes achieved include:

- **Interviews/focus groups** – direct feedback from stakeholders. These can be done internally by an organization or conducted via third-party. What is important –as noted earlier- is that the samples are representative and that the research method used (e.g., questions) are clear and neutral in order to minimize the subjectivity that this method can have.
- **Desk research** – comparing trends that emerge from outcome results against external data/reports.
- **Passive data** – using data collected electronically through systems to understand behavior and usage, including payments.
- **Benchmarking** – comparing the performance of an organization/investee to others in the same country/region or of similar size/scope.

Assessing and verifying outcomes should ideally be conducted several times as a reality check. For investors for example, that would be at a minimum during due diligence, at some point during the investment, and during the exit phase.

### *Understanding both positive and negative effects:*

Unexpected and negative results should also be measured, discussed and integrated into decision-making (as noted in the next section). While some negative effects might reduce over time, some others might require significantly adapting or stopping activities. A way to reduce negative effects is to involve the most affected vulnerable stakeholders from the beginning and try to reach a shared understanding of the objectives of the intervention. All material effects on stakeholders (both positive, negative, and unintended) should be measured on an ongoing basis, identifying whether there is either progress/improvement, no change, or worsening, and such information used for decision-making.



## STEP 4: LEARN, IMPROVE & REPORT

The quantitative and qualitative findings from the feedback process are incredibly valuable to identify learnings and areas of the strategy or impact management process that can be improved. Stakeholder data and input are important sources of evidence to inform changes in strategy, help identify innovations or modifications to products/services, discover new opportunities, improve performance, adjust objectives and monitoring, and review resource allocation.

Feedback from customers has been described as “gold dust for innovation” because frequent and meaningful engagement with customers allows providers to better understand the small details that might otherwise have been missed that can help fine tune or create new products/services and therefore better serve clients. Most organizations and investors are well aware of the value for a business of engaging with its core customer or client, but engaging all other materially affected stakeholders is and also a key driver of learning.

Uncovering [negative or unintended effects](#) as a result of this process is equally as important as improvements to positive impact. In some cases, negative results might help decide on a significant change in strategy or allocation of funds, or help identify innovations or new solutions.

### Organization example: LIFT

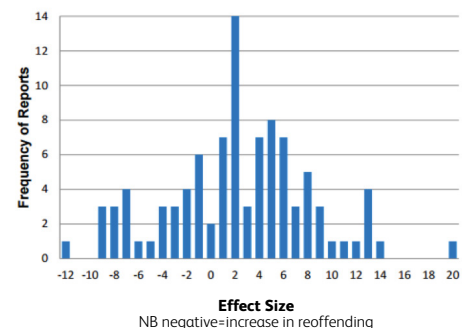
A nonprofit dedicated to ending intergenerational poverty, LIFT, gathers feedback from constituents on iPads and then displays the results on TV screens in their offices to “close the loop” with members, to help ensure they are drawing the right conclusions from data and to hear how members perceive and interpret the data. Further, to dig deeper in trends identified in the surveys, LIFT runs focus groups with constituents. This process allows LIFT to not only better understand members’ responses – and how they could improve the phrasing of questions – but also created a space to have a dialogue with members around the challenges they face and how LIFT can better meet their needs. As a result, LIFT has identified new programs and implemented changes to its operations. (Please refer to the Annex A to see the full case study).

### Private investor example: Using customer voice to inform improvements at companies – Acumen’s Lean Data.

Acumen’s Lean Data is an approach to impact measurement and management which is customer-centric, delivering valuable insights for investee companies and Acumen as an investor. Customer voices and opinions are used by companies to inform their work: many companies have made real changes to service delivery such as updating marketing messages to better reflect what customers value, retraining sales teams to ensure they are effectively targeting and selling to customers, improving customer services to meet customers’ needs better thereby increasing retention and ARPU, spending money on the right sales channels. As a result, companies have seen increased customer satisfaction and loyalty, increased referral rates, increases in sales, reductions in default, more effective ambassador programs, and more. It’s also providing useful feedback for companies across different geographies and for those thinking about expanding to new countries by identifying what is and isn’t working for customers.

## Public funder example: The UK Ministry of Justice and Justice Data Labs

The UK Ministry of Justice launched an initiative called [Justice Data Labs](#) (suggested and co-designed by NPC) through which it helps charities working to decrease re-offending to understand the outcomes achieved by the beneficiaries of their programs. The chart on the right illustrates the importance of measuring both positive and negative outcomes. Many programs designed to decrease re-offending are not working. Only by measuring the negative outcomes can programs be re-designed or funds allocated differently.



### Communicating & Reporting

The process of learning and improving is also an important opportunity to openly share information with stakeholders. Sharing learning and how the information gathered was used strengthens the relationship with stakeholders by building trust, giving them a sense of ownership, and showing the value of their input – all while keeping investors and companies accountable to those they seek to serve. When communicating back with stakeholders, this should be done in a way that is clear, transparent, and valuable to each stakeholder group.

It is also advisable to regularly evaluate existing feedback mechanisms and identify whether there are needs for adjustment in order to better communicate with affected stakeholders and involve them in decision-making.

There are several ways to share information with stakeholders, from more informal sharing of learnings (social media, events, focus groups) to publishing formal reports, audits, ratings, and through producing of assurance reports. The length, quality of disclosure, and frequency of reporting will vary depending on the context and the characteristics of the organization and the audience being reported to.

In terms of what is reported, at a minimum, all organizations should share key insights learned as a result of the engagement, as well as the decisions taken based on their input.

As it is becoming more normative for organizations to report on their sustainability (e.g., through [GRI](#)), investors and organizations will be increasingly expected to report on the impact generated by their activities and how affected stakeholders were integrated into decision-making. As noted by the [SDG Compass Guide](#)<sup>9</sup>, the development of standards and regulation is central to move towards better disclosure practice, as is an understanding of the role that non-financial data and information plays in continuous success.

## Sector example: Responsible Inclusive Finance

Stakeholders in the inclusive finance sector have worked together to develop and implement standards that put clients at the center of all strategic and operational decisions of financial service providers ([Universal Standards](#)), a common social assessment tool for organizations ([SPI4](#)) which is aligned to the standards, and a common social due diligence and monitoring tool for investors ([ALINUS](#)) also aligned to the standards. Social rating agencies have also worked together to align their assessments to the standards. Further, several countries around the world have adapted their regulatory framework to the standards. By having common measurement tools, aligned with the standards, benchmarks are available that can help an organization and its investors speak the same language, compare performance to others in their region and worldwide, and use the data obtained for learning, improving, and reporting.

<sup>9</sup> GRI, United Nations Global Compact, wbcscd “SDG Compass: The guide for business action on the SDGs”



## STEP 5: (RE) SET GOALS BASED ON LEARNINGS

Using the lessons learned from step 4 to assess and refine Steps 1,2, and 3.

Stakeholder engagement is a cyclical process. Situations are dynamic, and so learnings and past experience (both positive and negative) enable us to: reassess the original goals of the organization based on what was learned (Step 1), review the strategy to deliver against these goals (Step 2, for example by discontinuing or improving what didn't work and enhancing what did work), and plan better ways to collect and use qualitative and quantitative data for decision-making based on our improved understanding of our impact (Step 3).

### Organization Example: VisionSpring

VisionSpring uses a female village entrepreneur model to sell affordable eyeglasses in rural India. Management of the organization was frustrated that their most successful female entrepreneurs were dropping out just as they were gaining momentum. A detailed assessment revealed that the success of the women was creating tensions with the male heads of households. After learning this, VisionSpring started to engage male heads of households, and was able to retain their top sales women (Inclusive Business Hub – “Inclusive Business Checklist”).

When stakeholders are able to see that their voice is being heard and that adjustments, changes, or innovations are designed in response to their input, the relationship with stakeholders is strengthened and their perceived experience with the product/service improves. Even when changes cannot be made, it is important for stakeholders involved to understand the rationale behind this so that they feel that their feedback was taken seriously.

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## Looking ahead

As of 2017, there is significant momentum and collaboration among actors in the impact investing and development sectors (e.g., World Economic Forum, Impact Management Project, GIIN, SPTF, UNPRI, Social Value International, AEA, among others) to help advance impact measurement and management and to ensure stakeholder engagement is part of normal business operations. This document is part of this effort.

While practice will continue to evolve significantly in the coming years, hopefully including the development of principles or standards and common tools, one thing is clear: **to change peoples' lives, the people whose lives are to be changed should be asked about their experience, and this feedback should be integral to decision-making.**

We encourage every organization along the investment value chain (funders, investors, organizations/enterprises, etc.) to claim an active role in ensuring that the voices of all affected stakeholders are listened to and integrated into decision-making, leveraged for learning and improving, and that those results are communicated back to stakeholders.

We know that change won't happen overnight. We hope this document can be used as guidance to gradually increase stakeholder engagement towards achieving a new norm: where integrating the voice of all affected stakeholders is common practice for all types of organizations.

# Annex



## PART A: PRACTICAL CASE STUDIES AND TESTIMONIES

### A1: SOCIAL INVESTOR TESTIMONY: GRASSROOTS CAPITAL MANAGEMENT

#### How a Social Investor Engages Stakeholders

Grassroots Capital Management PBC (“Grassroots”) promotes investments in multiple bottom line businesses that deliver social and financial value and work to strengthen communities and eliminate poverty. Grassroots’ investments are primarily equity and quasi-equity, which enables them to establish long-term partnerships with their portfolio companies and often take an active governance role. Through their board representation, Grassroots is able to help shape and guide strategy and help their portfolio companies’ base decisions on the interests of all relevant stakeholders, rather than solely on the maximization of shareholder value.

As described earlier, any company’s business practices have an impact on multiple stakeholders – the clients, the community, the environment – whether intentionally or unintentionally. For a double-bottom line company like a responsible financial service provider (FSP) or a fund investing in FSPs, the company’s mission would normally include an intended intentional positive effect on a specific stakeholder group, such as rural women in underserved areas. Below is an illustration of how Grassroots funds engage stakeholders throughout the investment process.

Stage	Engaging Stakeholders
<b>Fund Design and Launch</b>	When articulating the fund’s theory of change, consider which stakeholders will be intentionally impacted by the fund’s investments
<b>Investment Selection</b>	In identifying potential portfolio companies, the company must have a stated and demonstrated focus that is in line with the Fund’s impact objectives. Preference is given to those actively engaging stakeholders (through diversity in board members, management and staff; involvement in the communities in which they operate; etc.)
<b>Investment Due Diligence</b>	Assess each company using proprietary questionnaires. Confirm that the company is engaging relevant stakeholders during the appropriate phases of policy design and decision-making.
<b>Investment Decision</b>	Consider favorably those institutions that have a clearly articulated plan for stakeholder engagement and regularly engage stakeholders throughout the decision-making process.
<b>Post-Investment</b>	Through the participation of our own diverse investment team members on the board, we help guide the company in implementing its stakeholder engagement plan.
<b>Exit</b>	The objective of the Fund is to ensure alignment among the diverse stakeholders of the Fund and portfolio companies. Engaging these stakeholders from the start of the investment enables value creation throughout the investment period and beyond.

In order for the board to consider the interests of stakeholders who would be materially affected by a decision or policy, board meetings should include discussions of the effects that policies or decisions will have on these relevant stakeholders, and the board should take those effects into account when making decisions. For example, an institution with a mission to expand access to basic services to the underserved may consider an initiative that does not yet yield commercially attractive returns but is nonetheless essential in meeting the basic needs of its clients. The board should weigh the financial considerations and how the initiative would contribute to the social mission in equal measure. To do this, the board must receive necessary information about how stakeholders are affected by the company’s policies or decisions.

In addition to requiring and regularly reviewing reporting provided by management, the board should also get first-hand information from the relevant stakeholders themselves, by:

- **Ensuring there is representation from stakeholder groups on the board of directors:** diverse board composition has many benefits, including broadening perspectives and avoiding group think, leading to innovative responses to opportunities and solutions. For example, if the institution’s mission is to reach rural women, having the perspective of these women represented on the board can help the institution better understand and therefore resolve issues affecting these stakeholders.
- **Reviewing stakeholder feedback during board meetings:** a FSP can look for feedback from clients, through focus groups, client satisfaction surveys, and complaints mechanisms. It can also seek feedback from employees, through the performance appraisal process, employee satisfaction surveys, or whistleblower or open door policies. The institution can also collect feedback from the community, through online forums for stakeholders to provide feedback.
- **Visiting relevant stakeholders during board meetings:** It is a good idea to meet with clients and employees of the institution if the decision is to open branches in a new geography, investors or board members could meet with key members of the community as well as potential staff members to get their feedback.
- **Holding an annual stakeholder meeting:** most companies aren’t able to involve stakeholders in regular board meetings so an alternative would be to hold an annual meeting where major suppliers, clients, other members of the community where the company operates, investors and other relevant stakeholders can attend and share feedback. Some FSPs also conduct health fairs or other ways to engage their clients and communities that could be opportunities to get feedback from these stakeholders.

## A2: FUNDER TESTIMONY: BLAGRAVE TRUST

*A foundation leading charge in prioritizing feedback*

“From ‘Brain + Heart + Ears: A Profile of The Blagrove Trust,’ developed collaboratively by the [Leap of Reason Ambassadors Community](#), licensed under CC BY ND <https://creativecommons.org/licenses/by-nd/4.0/>”

	<p><b>The Blagrove Trust</b> Location: South East England</p>	<p><b>Year established:</b> 1979 <b>Staff:</b> 3</p>	<p><b>Active grantees:</b> 60 <b>Average grant size:</b> \$40,000</p>
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## Not Just for the Big Guys

We wish we had a nickel for each time we've had a discussion about helping grantees become high-performance organizations and heard a response like this from a funder: "I get it, but we're not exactly the Gateses or Waltons."

This reaction reflects the conventional wisdom that supporting grantee performance is relevant only for foundations with billions of dollars and hundreds of staff members. We have a different view. We've seen funders with significant but hardly stratospheric resources helping their grantees make the leap to high performance.

The UK's Blagrave Trust, which focuses on helping disadvantaged young people transition successfully into adulthood, is a case in point. With an endowment of approximately \$50 million, it's not a massive foundation. It has only two (going on three) staff members and some outsourced finance and admin support. Its members typically work out of their homes when not on the road visiting with grantees (which they always call "partners"). And yet Blagrave is punching way above its weight—by combining intellectual rigor (brainpower), humility and openness with its grantees (heart), and a deep commitment to listening to the young people it aims to serve (ears).

"Walking beside Blagrave Trust as it has deepened its feedback practice has been incredible," says David Bonbright, chief executive of [Keystone Accountability](#). "Now we are looking on with mouths agape as Blagrave is working with others to change funder attitudes across the UK."

Providing almost all of its partners with flexible, multi-year grants has been part of Blagrave's formula. But even more important has been the passion of Blagrave's 46-year-old director, **Jo Wells**, to learn from mistakes she witnessed—and in some cases, contributed to—in her prior life delivering international aid.

## Shadows on the Equator

In 1997, Wells's employer, an international NGO based in London, asked her to move temporarily to Brazzaville, Republic of Congo. Brazzaville, a large city in Francophone central Africa that had been devastated by civil war, wasn't an easy place for a 20-something British woman to live. But Wells never felt unsafe, and her French was excellent. She built close relationships with many people who, despite losing relatives and having to start all over again, taught her lifelong lessons in resilience. All in all, it was a great assignment for someone who grew up with an abiding belief that people shouldn't stand by and do nothing in the face of brutal inequities.

When Wells arrived in Brazzaville, hundreds of thousands of internally displaced refugees were returning to their former homes after years in the bush. Wells was given three months to set up a program for delivering seeds and tools to help these families get back on their feet. "I was told, 'Your role is to develop an agricultural rehab program.... It's what we've done elsewhere. That's our model,'" Wells recalls.

But once she began listening to the families, she learned that these communities didn't want seeds and tools. "I found out they had different views about what they wanted." And yet the aid organization lacked the flexibility to take action in response to what they learned, because they feared they would lose credibility with their funders if they did. "That's crazy to me now. What a tragedy to think we would lose credibility with funders for listening and acting on what we learned!"

Wells learned similar lessons in other hotspots around the globe. She frequently saw aid organizations and their funders failing to listen and respond to those they aspired to serve—and doing harm as a result.

In northern Uganda, for example, she saw agencies prioritizing children for aid, often taking them away from their grandparents to put them in child-friendly spaces while their parents worked. In the process, they completely ignored—and greatly undermined—the elders, who had been respected leaders and often the primary caregivers in the community. “The children got looked after, but there was quite significant harm in terms of community cohesion,” Wells says. “When we [later] did a study on the effects of the humanitarian response, we saw that ignoring the elders and their needs fundamentally [hurt] the social dynamics in those communities.”

## Charitable Check-writing No More

**Herbert Blagrove** grew up in the rolling countryside of southern England and served as an artillery officer on the frontlines in the First World War. After the war, he became a major sports figure, playing professional cricket, directing the Southampton football club to a national championship, and training 350 winning racehorses.

He and his wife, Gwen, had no heirs. Neither did his brother, Peter. “Herbert Blagrove had a big estate. He wanted to put his wealth into causes close to his heart, including support for injured jockeys,” says Wells.

Years later, the trustees sold a large Blagrove property to make it possible for them to raise their level of giving. And that, in turn, helped them raise their sights. Four years ago, they hired Wells to transition the foundation from charitable check-writing to a more-impactful approach. “From the beginning of my time here, I was sure that some of the worst dynamics I saw [while delivering international aid] were not going to be part of the Blagrove narrative.”

Her first year was a whirlwind—getting used to being on the funder side of the table for the first time, learning from other funders who operate in the southeast England, visiting charity leaders, and talking to the young people they serve.

She had assumed, perhaps naively, that the principle of listening to those you intend to serve and acting on their views would be embedded in the practice of domestic charities. She quickly discovered that she was mistaken. In fact, she learned that the situation was worse than what she had seen in the international arena.

“Although I saw the international humanitarian community making a lot of mistakes regarding community engagement, there was then and remains explicit policy commitments at the highest levels ... to accountability to affected populations,” she notes. “When I joined the [domestic arena], I found little evidence of any narrative or debate around accountability to those we serve and how that happens in practice.”

## High Performance Requires Listening

Wells has made “first, do no harm” the North Star for Blagrove. And that has meant putting listening to beneficiaries and acting on their insights at the core of all of Blagrove’s grant processes. “This idea that impact measurement is separate from listening and responding to user voices, I honestly don’t know where that came from,” says Wells. “You can’t have one without the other.”

On the first tab (“[Listening](#)”) of Blagrove’s website, the foundation asserts, “We believe passionately in the importance of listening and responding to those we seek to serve—both young people who benefit from what we fund, and organizations that benefit from receiving those funds.” Blagrove has backed up this aspiration with the following “walk the talk” measures.

*Prioritizing Youth Voice in Applications:* In its application form, Blagrove doesn’t ask potential partners to answer extensive questions, because Blagrove’s due-diligence process relies more on site visits than application forms. But one application question, in particular, requires a lot of thought and data: “What do young people think about your organization?” In a world of need, Blagrove wants to steer its resources preferentially toward those organizations that can answer that question well.

*Creating a Feedback Fund:* In addition to funding organizations that already have strong listening practices, Blagrove also wants to help organizations improve their ability to listen, learn, and adapt. So she asked her board to support the creation of a \$50,000 fund specifically for these projects. The results from the pilot, which Blagrove synthesized in “[Feedback Fund 2016: Lessons Learned](#),” convinced the once-skeptical board to expand that fund significantly. At the end of 2017, Blagrove and three other funders will launch the Listening Fund with an initial investment of \$1.2 million. Additional funders are considering adding to the pot.

*Involving Youth in Board Discussions:* To help her board understand the foundation’s work at a deeper level, Wells now invites young people to share their stories with board members. “I began by bringing three young people [associated with [Fixers](#), one of Blagrove’s partners] to our board meeting,” she says. “They had a strong impact on the board. One young person talked ... about being a bully when she was at school. She wanted people to understand that her bullying was a cry for help herself. Her own life was so crap, she wanted other lives to be as crap as hers. She’s now made a [video](#) about it. She wants people to take time to take bullies aside and ask them what’s going on in their lives.”

*Giving Youth Two Seats on the Board:* The Blagrove trustees are now in the process of inviting two young people to become trustees, with full decision-making power—a practice almost unprecedented in the foundation world.

*Changing Course:* Blagrove isn’t afraid to make significant course corrections based on what it learns from listening. For example, Blagrove has recently learned that even those young people who are able to get jobs often struggle to live independently. “We are hearing about young people who are making themselves homeless, because they simply cannot navigate the benefit system and don’t know where to turn for support.” Blagrove will soon bring its partners together to discuss what it should do differently in terms of services, research, and advocacy to support this group.

*Stripping Out Burden:* Based on feedback from partners, Wells and her regional grants manager, **Tessa Hibbert**, have stripped back their processes to ease the burden on applicants and partners. “We recently said we don’t want [customized] monitoring reports,” says Wells. “We want the same information they’re producing for their own internal management.... We don’t ask for info that we don’t know how we’ll use. We don’t spend time reading stuff that’s not useful for us or them. We choose to invest in relationships, not forms.”

*Engaging in Research and Advocacy:* In 2015, Blagrove commissioned [Keystone Accountability](#) to [study youth charities’ listening practices](#). And in 2016, Blagrove and the Esmée Fairbairn Foundation commissioned [Listening for Change](#), which shed light on the many ways in which funders are missing opportunities to encourage their partners to listen to and learn from their clients. Blagrove also helped convene the first ever [UK Feedback Summit](#), in November 2016, to help improve listening practices across the nonprofit sector.

## How Listening Improves Results

When organizations adopt robust listening practices, they almost inevitably discover challenges hiding in plain sight.

An organization that supports disabled young people used Blagrave’s resources to commission an independent survey of its young clients and their parents and then followed up with interviews. The organization learned that there were no afterschool opportunities for 16- to 18-year-olds with special needs. They used that information to convince other providers to increase their services and erase this service gap.

Wells introduced the [Mayday Trust](#), a charity based in Oxford which helps young people successfully transition out of homelessness, prison, and foster care, to Bonbright and other leaders in the feedback community. Mayday Trust’s leaders used what they learned to build processes for surveying homeless clients. The feedback wasn’t easy to hear, because it challenged everything about the charity’s model. “**Pat McArdle** is a courageous, passionate leader,” says Wells. “She thought she and her staff were responsive. She knew they were passionate about supporting vulnerable individuals. But they heard from their clients, ‘The focus on needs makes us feel small. There’s no space to talk about the real underlying issues we have.’”

In response, Mayday completely changed how they work with their clients. “The results were so powerful that they demanded a need for radical change,” Mayday acknowledged in its [Wisdom from the Street](#) report. “Change not only in how we delivered support, but in how our entire organization thought, acted, and responded to make sure the individual was at the heart of every decision we made and every action we took. A whole cultural change was needed. So that’s what we did.”

## Partner Voice

To get a partner’s perspective, we reached out to **Steve Crawley**, the longtime head of [Youth Action Wiltshire](#), an organization with an annual budget of \$800,000, nine full-time staff, and a focus on vulnerable youth in rural communities largely neglected by other service providers. Crawley has been working in the charitable sector his entire career and loves what he does. With a warm smile, an innovative mind, and ever-present baseball cap, he’s the kind of leader who can just as easily inspire a trustee of major foundations as a young man struggling to stay in school.

Based on Youth Action Wiltshire’s strong reputation in the community and the trust it had built with youth, Wells reached out to Crawley shortly after she joined Blagrave. She was interested in learning about his services for youth not in education, employment, or training (a group known in the UK as “NEET” youth).

From the first meeting with Wells, Crawley felt at ease. “It was not the kind of meeting with shirt and tie and you feel nervous the whole time,” says Crawley. “It was a very supportive meeting. She asked in-depth questions about why we had planned as we had.”

Wells was impressed with the organization’s youth outcomes and the way beneficiary feedback contributed to those outcomes. For example, she learned that when Youth Action Wiltshire conducts volunteering projects for NEET youth, it does so in a bottom-up, youth-driven way. “We provide some training at the start—leadership training, problem-solving training,” says Crawley. “Then we help them carry out a needs analysis in the community. Then they get to decide what project they want to conduct. They say how the budget is going to be used. They set the timeframe.” Crawley acknowledges that it’s more challenging for his staff to manage that way. But he’s learned that if adults take the lead, there’s less ownership, and the project doesn’t achieve the same impact.

Crawley has high praise for Wells. “Jo is the most informed grants manager I’ve ever talked to,” an amazing statement given that Wells has only been working on youth issues for four years. He has similar praise for Hibbert, who long ago worked for Youth Action Wiltshire’s team focused on young people caring for ill family members. “She’s fabulous,” he says. “She knows all about Wiltshire . . . and has taken the time to map provision of services in Wiltshire. They have a thorough understanding of the challenges young people face here.”

He also has praise for the kind of support they’ve provided. During Blagrove’s first three-year grant, “They provided us with specialists that were [tailored to our needs], such as [Feedback Labs](#), who’ve helped us truly converse with those we didn’t successfully support. We wanted to understand the 10 percent of people for whom we’re not the right support and why we weren’t right for them.” Blagrove’s second three-year grant was in the form of general operating support. “They said, ‘We believe in the work you’re doing. Put the money where you most need it.’”

As a result of four years of mutual trust-building, Crawley can share the good, the bad, and the ugly with Wells and Hibbert without fear of losing support. “The biggest thing with Blagrove is that they understand our work well enough that I can talk about things that need to change [in] our work.”

## Conclusion

Wells is quick to point out that she’s uncomfortable with others saying Blagrove is an exemplar. “We’re at the beginning of this journey,” Wells says. “That’s not just me being humble. That’s the truth.”

That may be the case. But four years into Wells’s tenure, Blagrove has made significant progress on the journey to high-performance funding.

- Blagrove’s executive team and board offer multi-year grants, because they know the problems they’re addressing can’t possibly be solved in a year or two.
- They model listening to partners and those they aspire to benefit—rather than simply supporting partners to do more listening.
- They are willing to make significant programmatic changes in response to new insights and data from partners, beneficiaries, or other funders.
- They pay heed, not just lip service, to Wells’s learned-the-hard-way commitment to “do no harm.”
- They’ve moved almost entirely to flexible, general-operating support that enables partners to learn and adapt.
- They ensure that external evaluations have real learning value for partners and are not just hoop-jumping exercises for the benefit of funders.
- They hold themselves accountable for a long list of [commitments to the organizations they fund](#).
- They join with other funders rather than needing to invent and lead everything themselves.
- They share their learnings for the benefit of others in their field.
- They amplify the voices of their partners and the young people they serve.

So yes, like all funders, they have a long way to go before they could even entertain the idea of resting on their laurels. But so far, they’re making all the right moves. And funders of any size would be wise to take a look.

## Blaggrave's Lessons for Other Funders

We asked **Jo Wells** to share her 20/20-hindsight reflections on Blaggrave's work to support partners' pursuit of performance. Here are her top five lessons, with insights on ways other funders can integrate high performance into their own processes.

1. **Be clear about your niche, including what you're not good at.** This advice sounds obvious, but we haven't always followed it. We have wasted valuable time and energy (ours and our partners') trying things that we were not suited to doing well. For example, we tried supporting the development of new, untested ideas, but we learned that proper R&D requires more time and money than we have. When we set out to determine the right niche for Blaggrave, part of our analysis was: What can small funders do well that larger ones find difficult? What issues have resonance across a system and can enhance other's work, beyond ours and our partners'? Both are very important if you care about greater impact. We knew helping our partners listen well was a good niche for us because we have experience in this area; we believe listening and applying what we learned enhances all areas of funded work (whether policy change or practice), and we can model that behavior.
2. **Be ambitious and humble in equal measure.** When I say "ambitious," I mean that we funders should never become complacent or comfortable. (The job of a funder should get harder as we get better at it, and that's a good thing.) We need to be prepared to learn and improve all the time in pursuit of better results. When I say "humble," I mean that that we need to be ruthless about shining a light upon what we're doing—not just what our partners are doing. Let's face it: We funders have largely failed to produce lasting social change through our own work. We need to own up to this fact and act accordingly.
3. **Organizational culture is key, and people drive change.** To make a good funding decision about a charity, you need to understand the culture of that organization. You only get a sense of culture when you invest the time in meeting people and building relationships. An organization that looks great on paper may not be as great in person. Conversely, an organization that is weak on paper may be staffed by some incredible people doing great work in an area of severe need. We at Blaggrave have experience with both. People drive change—and the social sector, of all sectors, should value that. But great people who can drive change successfully come in all shapes and sizes and bring different skills. Prescriptive performance frameworks don't always allow for that diversity to flourish. If you value "lived experience," for example, you may not have people who are brilliantly educated and who can write lovely reports. We need to find ways to accommodate those skills as a sector. We do that at Blaggrave by building relationships that give us confidence in our funding. (And, in all humility, it doesn't always work.)
4. **Learning for whom?** Never ask for data from partners unless 1) you are going to use it and 2) you are 100 percent sure it's useful for the partners and for public benefit at large. We learned this lesson the hard way. We funded some expensive evaluations that didn't uncover anything that the organizations didn't already know and didn't have any real benefit for those they serve. So for us as a small funder, funding expensive, retrospective evaluations is usually not worth the investment. We want to focus on what can change things for the better for individuals in the here and now—as well as engage in a collective discussion about gaps in knowledge and areas requiring more focused research.
5. **Funders can add value by convening conversations and enabling collaboration.** Collaboration takes time, effort, and resource—things most charities have in short supply. Our partners value the effort we make to bring them together to network and learn from each other, and we could do more. There is a lot of attention currently on funder-to-funder collaboration, and it is important. But the best collaborations also bring in other stakeholders around ideas to build meaningful partnerships—charities, funders, academics, people with lived experience, and others. It's that diversity that creates energy and innovation.



## A3: A CONSTITUENT VOICE™ CASE STUDY: LIFT

### By Keystone Accountability

#### Background

Founded in 1998, LIFT is a national nonprofit dedicated to ending intergenerational poverty. Since then, LIFT has helped 100,000 low-income individuals achieve their goals. Today LIFT connects hardworking parents and caregivers of young children to the people, tools, and resources they need. LIFT operates in Chicago, Los Angeles, New York, and Washington, D.C. communities with some of the highest rates of concentrated poverty. By fostering relationships between low-income parents and caregivers of young children (members) and dedicated volunteers (advocates), LIFT helps families build the personal well-being, social connections, and financial strength to secure basic needs and achieve long-term goals and aspirations, like a safe home, living wages, or a better education.

#### Problem

When working with LIFT staff, members always drive the meeting agenda toward their goals because they know what is best for their families. However, LIFT realized that there was a critical gap in how they measured results and looked for ways to improve program outcomes. Similar to many other organizations, LIFT's evaluation agenda counted the easily quantifiable results, like the number of job applications completed and the number of jobs secured. However, members' voice and perceptions of LIFT were not assessed systematically.

*"LIFT's ethos, values and programs have always highlighted member voice and member-driven goal planning. But it dawned on us that we were focused on collecting traditional information that wasn't reflecting member voice in our evaluation"* (Sophie Sahaf, Vice President Program and Evaluation, LIFT).

#### Approach

With a commitment to rectifying the misalignment between its values and evaluation practice, LIFT began working with Keystone Accountability to implement Constituent Voice™. After a pilot phase in 2013, LIFT rolled out Constituent Voice™ to its four cities in September 2014.

How does it work? Members complete short surveys at the end of each in-person meeting on one of several iPads in each LIFT office.

Survey questions cover three broad categories: service quality, relationship quality, and member loyalty. Each survey contains five to eight questions that have been selected from a larger pool, and members respond to a different set of questions each time they come. This approach allows LIFT to collect information on a diverse set of topics while limiting the burden on individual members, as each survey only takes one to two minutes to complete. Most respond on a scale of 0 (completely disagree) to 10 (strongly agree), which enable the results to be analyzed using the Net Performance Score. LIFT administers surveys on iPads for several reasons. First, the iPads allow members to self-administer surveys, creating space for more honest feedback. The iPads are also a cost-effective alternative to telephone or in-person attempts to gather feedback, which can take significant staff time. Finally, collecting feedback while members are physically in the office allows LIFT to reach those who don't have regular access to a phone or computer.

LIFT has also made important strides in increasing and maintaining a strong response rate. This in part was helped by organizational leadership elevating feedback as a critical information source, and – importantly – tracking to ensure feedback systems were implemented with integrity. Each region had a target set for their survey response rate and progress was reported on a monthly performance scorecard. Regions then were able to reflect on the response rate and how they could improve it, leading to a significant improvement in response rates. In the first year of implementation, the average response rate was 35 percent; by the third year, it had increased to over 60 percent.

These high rates of participation have two demonstrable benefits: Firstly, members are vested in the feedback, and this is evident in how it comes up regularly in conversations with staff; and secondly, staff don't need any convincing that the data gives an accurate and reliable reading of member experience.

*“We use the survey as a form of triangulation, to generate ideas or confirm something we thought. But we know surveys alone are not enough” (Sophie Sahaf, Vice President Program and Evaluation, LIFT).*

Respondents give a rating from 0-10. Those who answer 9 or 10 are considered promoters, passives give 7 or 8 and detractors give 0-6. Detractors are unhappy and could damage the organization through negative word of mouth. The net performance score is generated by subtracting the percentage of detractors from the percentage of promoters.

LIFT regularly monitors survey responses for trends and actionable insights and identifies opportunities for improvement. Then staff members “close the loop” with members to help ensure they are drawing the right conclusions from the survey data, and to get members to help them discover more meaning. LIFT does this in two main ways.

First, LIFT shares survey results via television screens in each office. Like most human service organizations, LIFT's literature features lots of member success stories. While these are inspiring, the survey results add a whole new dimension to how LIFT communicates member experience -- a story in attractive graphs and numbers that captures all member voices. It's also valuable to hear how members perceive and interpret the data.

Second, to make sure LIFT is interpreting the feedback correctly, and to dig deeper into the trends they see in their results, LIFT runs Constituent Voice™ focus groups, the first of which were done in 2014. LIFT wanted to collect qualitative details that would confirm or challenge their assumptions about certain findings and provide insight into the rationale behind responses. This process allowed LIFT to not only better understand members' responses – and how they could improve the phrasing of questions – but also created a space to have a dialogue with members around the challenges they face and how LIFT can better meet their needs. For example, through these focus groups LIFT heard resounding interest from members in more opportunities to connect with peers. These included occasions to share advice on job searches and parenting as well as to simply receive encouragement from others in similar situations. LIFT has since integrated peer groups in many of our programs.

## Results

### Testing the Theory of Change

LIFT believes that a strong relationship is a critical first step to supporting its members' progress towards their goals; a trusting relationship, rooted in dignity and respect is a foundation of LIFT's theory of change. To validate and test this theory of change, LIFT matches members' survey responses against measures of their progress at LIFT (like the number of goals they've completed), to explore whether or not survey scores of relationship quality consistently relate to member progress. To ensure independence and quality this analysis is done by independent consultants.

By analyzing this data, LIFT was able to establish a positive correlation between high member scores in their relationship with LIFT, and success in achieving their goals. For example, members with high scores on questions related to relationship quality make almost three times as much progress on their goals.

In addition, LIFT found that members with stronger social networks and inner resilience made more progress on their goals.

It also found that members with stronger confidence and capacity to aspire make 40% more concrete steps towards their goals.

## Changes to Service Delivery

Over the last three years, these and other insights from LIFT's Constituent Voice™ process have helped LIFT elevate their members' voice and think critically about areas for improvement. As a result, LIFT has made various changes to its operations.

- **Introduction of peer support groups** – Both survey data and focus groups pointed to members' demand to get to know their peers and learn from one another. As a result, peer support groups were introduced. At its offices, LIFT now offers quarterly parent cafes in Los Angeles, a weekly peer support group in Chicago, and informal family suppers for parents in New York.
- **Changes in opening hours** – To accommodate members who struggled to attend meetings during working hours, some LIFT offices started opening in the evenings.
- **More emphasis on high quality referrals** – LIFT found that some members were better connected to the community, and were achieving much more progress in achieving their goals. As a result, LIFT collected coherent data on referrals to better identify, which referrals had the highest value. Moreover, LIFT invested more in volunteer training to ensure that clear and precise information was shared with members. As a result, LIFT increased the number of members who received services from trusted community partners.

## Co-designing programs with members

LIFT recently embarked on a co-design process, building new pilots around financial capabilities and social capital. The voices of LIFT's members helped identify critical barriers, brainstorm methods to tackling those challenges and make the program approach stronger. This constant cycle of feedback allowed LIFT to continuously refine and improve. This gave LIFT the confidence of developing a service that is valuable and accessible to all of its members.

Over the last few years, LIFT has learned through trial and error about how to meaningfully integrate feedback into their work. What started with a survey evolved into a much broader approach to gathering member input that has influenced the design of program pilots, helped LIFT tweak its program offerings, and has illustrated to members that LIFT values their input and will use it to ensure they are always designing and implementing programs that serve them better. LIFT's organizational culture has always aspired to be 100 percent member centered and member driven. With Constituent Voice™, LIFT has the organizational systems that underwrite that culture every day.

Looking ahead, LIFT hopes to collect more open-ended feedback, dive into analyzing qualitative feedback, and benchmark its performance against other organizations. This all leads to using feedback to drive better results for members.

## PART B: PRACTICAL METHODOLOGIES AND RESOURCES

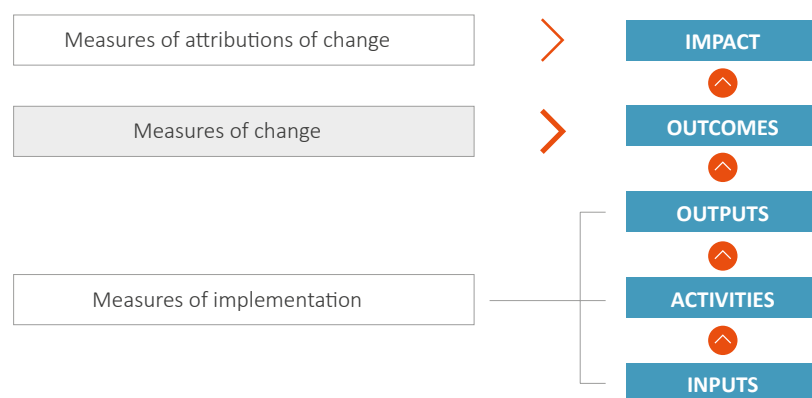
### B1: FURTHER GUIDANCE ON WHAT AND HOW TO MEASURE

As noted in the main section of the document, when setting shared objectives, impact investors/organizations must engage stakeholders to ensure that there is a shared agreement in terms of the overall objective (“what do we want to achieve”), what “good” or “success” looks like (and what counts as credible measurement), and how it will be measured.

Each investor/organization will choose what and how to measure according to their objectives, resources, and priorities. In terms of evidence and prioritizing what to measure, while not going into detail in this document, the experts and initiatives behind this work believe that to truly assess impact, using output data is not enough - outcomes data is required. As noted by SPTF, outcome data measures *change for clients that is plausibly associated with the services provided*. While it does not measure attribution, it does not require expensive and lengthy studies such as Randomized Control Trials (RCTs) and it provides much more robust data than client stories or output (activity level) data (see hierarchy of results below).

When selecting outcome indicators, investors/organizations will choose the ones that are relevant to their context, mission, and intervention. What is important is that the outcomes selected relevant, usable, clear, feasible, comparable, important, material, and useful in achieving the outcome desired.

#### Hierarchy of results<sup>10</sup>



Adapted from Gates Foundation: **A Guide to Actionable Measurement**

As noted above, this document does not go into detail into impact measurement and management, as several resources on this topic already exist. Resources for further reading on the topic of measurement and management includes:

- [A practical guide to measuring and managing impact](#) – EVPA
- [Guidelines for Outcomes Management for Investors](#) – SPTF
- [Guidelines for Outcomes Management for Financial Service Providers](#) – SPTF
- [The Impact Management Project](#)
- [Thinking Beyond Measurement](#) – Kinnect Group
- [Navigating Impact](#) – GIIN

<sup>10</sup> SPTF “Guidelines for Outcomes Management for Financial Service Providers”

## B2: ACUMEN'S LEAN DATA

Lean Data came about due to a desire to shift focus from impact measurement and data collection that was about top-down compliance: what data is important to the investor, to bottom-up accountability to customers (or beneficiaries). It's about time- and cost-effective ways of collecting, analyzing and sharing data that helps companies succeed and helps us understand social impact and customer value. Among early stage businesses there is a tendency to be product-centric rather than customer-centric, which results in a low understanding of value proposition, making scaling much harder.

Lean Data helps companies understand their customers and value proposition, which also gives us Acumen a better understanding of customer value and impact. Lean Data uses low-cost technology and methods to gather high-quality data quickly and efficiently. Acumen does the end-to-end work of designing surveys, data collection, analysis and results sharing. They collect data focused on helping make better decisions for businesses. And they are starting to track relative performance against sector or portfolio benchmarks. Acumen uses a variety of methods to listen to customers, ranging from phone interviews, SMS and IVR surveys, online, in-person. They always translate to the local language, and keep questions short and snappy – both to keep the cost down, but more importantly to ensure a positive experience. Selecting the most appropriate method for:

- The customer base
- The objective of the data collection
- Funds available
- The environment

Using Lean Data across its portfolio is helping Acumen to separate themselves and the funds they work with in terms of how they understand their companies, the end-customers in the markets we work, as well as their ability to know and describe their social performance. It's starting to inform investment decisions – as they can use comparable portfolio-wide data and customer insights to make the best possible investment decisions. They are using the findings to share and discuss internally, which is informing how they work with their companies for success and scale. They are collecting data that is invaluable for their portfolio companies.

## B3: IDENTIFYING EXTERNAL CHALLENGES TO ENGAGEMENT

(OECD “Due Diligence Guidance for Meaningful Stakeholder Engagement in the Extractives Sector”)

Proactively identifying and developing strategies to external challenges ensures that stakeholder engagement activities are effective and that potential risks or issues to engagement are anticipated and avoided rather than being dealt with reactively.

Specific external challenges to stakeholder engagement linked to the local and operating context of an operation should be identified and strategies to respond to challenges should be developed during the planning phase and revised according to changing circumstances and feedback from stakeholders.

A list of common challenges is listed below:

- Social or cultural norms that might prevent certain individuals or groups in a community from participating in engagement activities
- Power dynamics with sides that can dominate meetings or create a coercive atmosphere which hinders inclusive engagement
- Logistical constraints such as isolation, terrain, and poor infrastructure that can make it difficult for certain stakeholders to participate
- Socio-economic constraints such as transportation cost that can make it difficult for certain stakeholders to participate
- Legislative requirements and repressive regimes
- Competing interests and expectations among stakeholders
- Inherited issues stemming from poor stakeholder engagement in the past
- Misalignments between expectations and reality

For suggestions on how to address these challenges, refer to Due Diligence Guidance for Meaningful Stakeholder Engagement in the Extractives Sector” by OECD, pages 52-57.

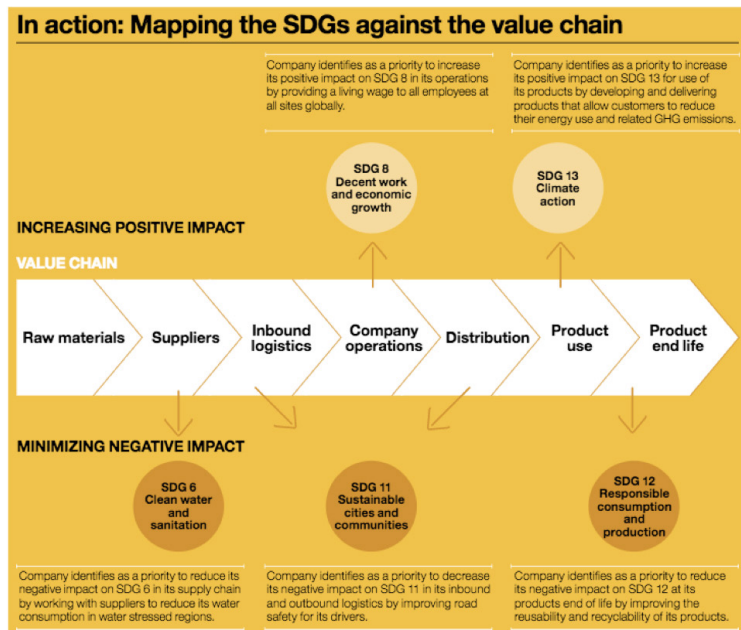
## B4: MAPPING THE VALUE CHAIN TO IDENTIFY IMPACT AREAS

The greatest social and environmental impact that your company has on the SDGs may be beyond the scope of the assets it owns or controls, with the greatest business opportunities being potentially further upstream or downstream in the value chain (SDG Compass Guide)<sup>11</sup>.

Many investors/organizations are framing their investment strategies around the SDGs. Not all SDGs are relevant for every investment/company activities. The extent to which each investment or company can contribute to a particular outcome, e.g., related to the SDGs, will depend on several factors.

As noted by the SGD Compass Guide, a strategic approach means understanding the current, potential, positive and negative impacts that an investment/activity will have on the SDGs. For this, it is suggested that organizations/investors map their/the investee value chain to identify impact areas (see example below). This mapping process must include engaging with external and internal stakeholders as paying attention to their issues, concerns, interests, and expectations. This comprehensive understanding will help an investor/organization understand the full impact of their activities on the SDGs.

For further details refer to the [SDG Compass Guide](#)



<sup>11</sup> GRI, United Nations Global Compact, wbcSD "SDG Compass: The guide for business action on the SDGs"

## B5: USEFUL RESOURCES AND TOOLS

The list below includes some of the many useful resources that exist today in regards to stakeholder engagement and impact management and that were referenced for the development of this document. This is not an exhaustive list.

- [A practical guide to measuring and managing impact](#), EVPA, June 2015
- [Due Diligence Guidance for Meaningful Stakeholder Engagement in the Extractives Sector](#), OECD, April 2015
- [Feedbacklabs.org](#)
- [Feedback Commons](#)
- [Feedback Loop Quiz](#) (a short quiz to assess stakeholder engagement)
- [Fund For Shared Insight](#) (a funder collaborative making grants to improve philanthropy by promoting openness and sharing)
- [Good Governance Guide, Stakeholder Engagement \(public sector\)](#), Governance Institute of Australia, 2015
- [Guidelines for Outcomes Management for Investors](#), SPTF, eMFP, 2016 (including examples of practice by several investor organizations)
- [Principles of Social Value](#), Social Value International
- [SDG Compass, The Guide for Business Action on the SDGs](#), GRI, UN Global Compact, wbcSD (guidance for companies on how they can align strategies and measure and manage their contribution to the realization of the SDGs; mapping the value chain to identify impact areas on pages 12-13)
- [Social Audit: A Toolkit Guide for Performance Improvement and Management](#), Centre for Good Governance (stakeholder Analysis Matrix, page 54)
- [Stakeholder Engagement: A good practice handbook for companies doing business in emerging markets](#), IFC, 2007 (guide for corporations, including international standards for reporting stakeholder engagement, stakeholder engagement studies for different project scenarios)
- [Stakeholder Mapping](#), BSR, November 2011
- [Supplementary Guidance on Involving Stakeholders](#), Social Value International
- [The Impact Management Project](#)
- [Universal Standards for Social Performance Management Implementation Guide](#), SPTF, 2017 (guidance on who within an organization should be involved in analyzing data from)
- [User Voice – Putting people at the heart of impact practice](#), NPC and Keystone Accountability