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Impact measurement in venture philantrophy organizations: A single case study

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WiSo-HH Working Paper Series
Working Paper No. 42
July 2017

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ISSN 2196-8128

Font used: „TheSans UHH“ / LucasFonts

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Impact measurement in venture philanthropy organizations:

A single case study

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Abstract

Purpose – This paper investigates the impact measurement needs and practices of a leading venture philanthropy organization (VPO).

Methodology – Single case study based on document analysis and semi-structured interviews.

Findings – The analyzed VPO does not only seek a certain type of data but also a certain quality to support its pipeline and portfolio management as well as its stakeholder communication. Given the investees' early development stage and the significant challenges in reaching the 'evaluation ideal', the VPO's elaborate impact measurement methodology appears to serve more as a guidepost for where the journey should eventually lead rather than a rigid specification, however. The research also unfolds critical issues surrounding attribution, deadweight, and standardization, which make it difficult for VPOs to reliably account for their own impact at the investment and portfolio levels. Lastly, this work gives rise to the assumption that the VPO-investee relationship is better explained by stewardship than agency theory as suggested by prior research.

Research limitations – The restriction to a single VPO presents a material challenge to the generalizability of the findings. Future research should thus test the findings for a larger sample.

Practical implications – This work informs (potential) investees why (VP) funders may require certain data and how this can support mission achievement, and (VP) funders how others practice impact measurement and deal with its challenges.

Originality/value – This work provides new insights into the hitherto underinvestigated VPO-investee relationship. Specifically, it answers calls for research on the impact measurement needs and practices of (VP) funders.

Keywords: Impact measurement, social performance measurement, social venture capital, venture philanthropy

Article classification: Research paper

1 Introduction

The debate about rigorous impact measurement in the (wider) social economy has picked up pace lately—not least because of "changes in the resource landscape" (Nicholls, 2009, p. 756). Foundations, governments and high net worth individuals are increasingly moving away from what Leat (2006) terms a "'fund it and forget it' approach" (p. 26; Arvidson and Lyon, 2014; Nicholls, 2009). A "new *investment* philanthropy", whereby funders aim to assess social value creation in terms of outputs, outcomes, and impact, is gaining traction, replacing "traditional models of *transactional* philanthropy", whereby success is judged by the (variety of) allocated grants (i.e. inputs; Nicholls, 2009, p. 756).

Venture philanthropy organizations (VPOs) are prime representatives of this new investment philanthropy (Nicholls, 2009). These highly engaged funders seek to maximize their investees'[1] social impact through the provision of financial and non-financial support (Hehenberger and Harling, 2014; Scarlata and Alemany, 2010). Thus not surprisingly, impact measurement forms an integral part of the venture philanthropy (VP) approach (Hehenberger et al., 2013; Pepin, 2005; Welberts, 2013).

In view of this strong focus on impact measurement and VP's innovative, "business-like approach" (Nicholls, 2010) to philanthropy, the author of this study believes that the impact measurement activities of VPOs deserve closer investigation. Using a single case study approach, this explorative research thus studies the impact measurement needs and practices of a leading VPO. Specifically, this article details the analyzed VPO's impact measurement methodology, describes what type and quality of data it needs and strives to collect, highlights the challenges in securing this data, and reveals for what purposes it is being used.

Thereby, this research contributes to the scholarly literature in two main ways: First, it addresses the shortage of academic research on the impact measurement needs and practices of funders (Barraket and Yousefpour, 2013). In particular, it answers calls for research on how VPOs specifically measure social value creation and their contribution to it (Scarlata et al., 2012). Second, this research sheds additional light on the hitherto understudied relationship between VPOs and their investees (Achleitner et al., 2013; Welberts, 2013).

This work is also highly valuable for practitioners: A recent survey indicates significant skepticism among social enterprises (SEs) whether their funders' impact measurement requirements improve mission achievement and a limited understanding for what purposes funders use the reported (impact) data (Keystone, 2013). The present research informs (potential) investees why (VP) funders may require certain data and how this can support mission achievement. With a view to (VP) funders, the article offers transparency on how others practice impact measurement and deal with the inherent challenges. Hopefully this will inspire their thinking and provide ideas on how to (further) improve their impact measurement and management activities.

The remainder of this article is organized as follows: The next section provides the theoretical foundations on impact measurement and the VP model. Subsequently, the methodology section describes the research approach and the VPO under study. Chapter four summarizes the main case study findings, followed by a discussion of these findings and concluding remarks.

2 Theoretical background

2.1 Growing pressure for impact measurement

Lately, organizations in the (wider) social economy have come under growing pressure to demonstrate their social effectiveness (Arvidson and Lyon, 2014; Barraket and Yousefpour, 2013), that is, their ability to deliver the social mission for which they were established (Bagnoli and Megali, 2011). Much of this pressure is coming from funders: In the late 1970s, the so-called New Public Management (NPM) approach found its way into many OECD countries' public administration (Hood, 1991). Based on the assumption that market orientation would enhance public service performance (Walker et al., 2011), government funding has since been awarded more competitively, tied to specific projects and results (Barraket and Yousefpour, 2013). Similarly, philanthropy has also been moving increasingly away from a "'fund it and forget it' approach" (Leat, 2006, p. 26) towards an understanding of grant-making as an 'investment', which requires measurement of the social value created (Arvidson and Lyon, 2014; Nicholls, 2009). Nicholls (2009, p. 756) dubbed this development the replacement of "traditional models of *transactional* philanthropy" by a "new *investment* philanthropy".

As a consequence, the "evaluation focus"—that is, "what is being evaluated" (Tassie et al., 1998, pp. 62-63)—has shifted towards *outcomes* and *impact* rather than *input* and *output* measures alone (Cordery and Sinclair, 2013; Greatbanks et al., 2010; Grimes, 2010; Hall, 2014; Nicholls, 2009). The so-called impact value chain (Clark et al., 2004)—also referred to as logical framework or logic model (Ebrahim and Rangan, 2010; W.K. Kellogg Foundation, 2004; Wörrlein and Scheck, 2014)—helps interrelate these terms: An organization's *inputs* (e.g., human or financial resources) and *activities* result in a number of *outputs* (i.e. direct results of the activities), *outcomes*, and ultimately *impact* (W.K. Kellogg Foundation, 2004; Wörrlein and Scheck, 2014). Especially the two latter terms are used somewhat inconsistently in the literature: According to the OECD's Development Assistance Committee (DAC)—whose definitions have been widely adopted—*outcomes* are "short- and medium-term changes in the lives of the target group … [which] coincide with the project goal … [and] can … be causally and quantitatively attributed to the project", while *impacts* are "long-term changes", which "go beyond the target group and therefore can be viewed as a change in society as a whole" (Wörrlein and Scheck, 2014, p. 16). Another common understanding is that *impacts* describe "the portion of the total outcomes that happened as a results of the activity of the venture, above and beyond what would have happened anyway" (Clark et al., 2004, p. 7; Wörrlein and Scheck, 2014). Yet others do not distinguish *outcomes* and *impacts* but use the terms synonymously (Cordery and Sinclair, 2013; Greatbanks et al., 2010; Osborne et al., 1995; Wörrlein and Scheck, 2014).

Given the above-mentioned aspiration for *impact* evidence and the common use of the term *impact* to refer to any changes resulting from an organization's activities (Dawson, 2010; Wörrlein and Scheck, 2014), (social) impact measurement has become a catchphrase, an umbrella term with regard to the measurement of an organization's social effectiveness. It can be commonly found in academic (e.g., Arvidson and Lyon, 2014; Dawson, 2010; Gibbon and Dey, 2011; McLoughlin et al., 2009) and practitioner contributions (e.g., Best and Harji, 2013; Olsen and Galimidi, 2008) and is used by the studied VPO. For all these reasons, the present research also adopts this term.

2.2 The venture philanthropy model

The above-cited new investment philanthropy has been extended in the VP model (Nicholls, 2009).[2] VPOs have adapted venture capital (VC) practices to the funding of SEs (Scarlata and Alemany, 2010). The latter can be defined as non-profit, for-profit, or hybrid organizations (Austin et al., 2006), which rely on market-based efforts to accomplish social objectives (Grimes, 2010), thereby balancing social and financial goals (Achleitner et al., 2013; Mair and Martí, 2006; Zahra et al., 2009). VPOs pursue a high engagement strategy, combining financial and non-financial support to develop stronger portfolio organizations (POs) and maximize their social impact (Hehenberger and Harling, 2014; Scarlata and

Alemany, 2010). The financial support can be in the form of both donations and capital-preserving or return-bearing investments (Achleitner et al., 2013). What is also particular about VPOs is that they typically do not fund individual projects (so-called 'project financing') but core operating costs to build organizational capacity and ensure long-term viability (Hehenberger and Harling, 2014; John, 2006; 2007; Welberts, 2013). Impact measurement forms an integral part of the VP approach (Hehenberger et al., 2013; Heister, 2010; Pepin, 2005; Welberts, 2013); funding is generally linked to "clear and agreed outputs and outcomes" (Nicholls, 2010, p. 80) and the continuation thereof to the achievement of certain pre-defined performance milestones (John, 2006).

3 Methodology

3.1 Research approach

Due to its exploratory and descriptive objective, this research follows a qualitative case study approach. Case studies allow the researcher to understand and describe a complex social phenomenon in-depth and take into consideration the specific dynamics present within and the context of the case (Eisenhardt, 1989; Heister, 2010; Yin, 2014) without being "restricted by limited or narrowly defined variables" (Grimes, 2010, p. 767). Cordery and Sinclair (2013, p. 197) explicate the need for "qualitative research into the use of performance frameworks both within [third sector organizations] and also between [third sector organizations] and their external stakeholders", including resource providers. Similarly, Dawson (2010, p. 524) points out that case studies have been recommended "as a good method for investigating performance measurement in organisations". Case study research is also not uncommon in VC research and has already been applied to the study of VPOs (Heister, 2010).

A single case study design was chosen as this allowed the researcher to develop the required in-depth understanding of the VPO's impact measurement practices and capture the perspectives of various internal and external stakeholders. The data collection process comprised the analysis of publicly available and internal documents as well as semi-structured interviews. While an interview guide (see Appendix) served as a reference point to structure the conversations, it was possible to diverge from it when it appeared beneficial to further enquire about the interviewees' particular experiences and perspectives (Grimes, 2010). In total, ten interviews were conducted over the course of five months in addition to three informal meetings with the VPO's COO, who is responsible for the impact measurement process. The interviews ranged in length from 30 to 135 minutes. Each interview was transcribed immediately—resulting in 144 pages of single-spaced text—and coded for the purposes of analysis. To capture different views, the researcher interviewed seven VPO employees (a partner, the COO, two client advisors, two investment managers (IMs), and the head of marketing and communication). She also had the chance to conduct interviews with the CEO and the financial director of two POs, representing different sectors, geographies, funding structures, and life cycle stages, and the social investment manager of one of the VPO's co-investing clients, a small private foundation.

3.2 Case description

LGT Venture Philanthropy (LGT VP) was chosen as the object of study since it presents a particularly apt case to study a VPO's impact measurement needs and practices: First, LGT VP is a leading VPO, 'representing both worlds' in that it provides both grants and investments. Second, it has an elaborate impact measurement methodology in place, which has been continuously refined over the years. Third, LGT VP was interested in this research and willing to provide the researcher with valuable access to its internal and external stakeholders. This is a critical requirement for case study research in general (Yin, 2014) and VP/VC research in particular (Heister, 2010).

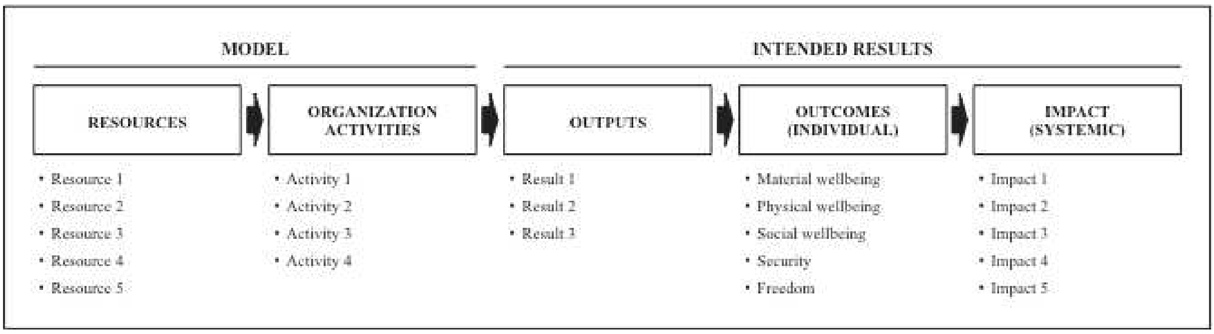
Endowed with a long-term philanthropic commitment by the Princely Family of Liechtenstein, LGT VP was launched in September 2007 with the mission to increase the sustainable quality of life of less advantaged people. The VPO provides growth and expansion capital of $200,000 to $10 million to young, strongly growing SEs with a scalable model, focusing on six regions—i.e. Latin America, Africa, India, China, Southeast Asia, and the UK—and five themes—i.e. education; agriculture, nutrition and forestry; health and sanitation; renewable natural resources; information and communication technology (ICT). Hitherto, LGT VP has funded 47 POs with $42 million (primarily equity or debt). LGT VP is organized as a non-profit entity; profits originating from its investment activities are accordingly reinvested in (new) POs. Besides investing the funds of the Princely Family of Liechtenstein, LGT VP puts external clients in the position to make a direct donation to and/or co-invest in one or more of its POs, thereby charging a management fee. While donations to LGT VP's portfolio in its entirety are possible, investments are not.[3] As part of its VP approach, LGT VP provides network access and management know-how to its POs through local IMs, who spend at least half a day per week with their POs, as well as ICats fellows, experienced professionals, who are matched with temporary positions in the POs.

4 Case study findings

4.1 Impact measurement methodology

Upon LGT VP's foundation the board asked the team to come up with a tool that would allow it to compare an organization's social impact[4] the way financial return on investment (ROI) allows for the comparison of an organization's financial performance across sectors and regions. Over the years, the team has developed and refined its impact measurement methodology. Its so-called *Impact Assessment Framework* rests upon two core tools: the logic model as used and described by the W.K. Kellogg Foundation (2004) and the Depth of Impact Grid (DIG), which draws upon the five dimensions of wellbeing as identified by the World Bank's 'Voices of the Poor' research (Naranyan et al., 1999; 2000) and picked up by the United Nations Millennium Ecosystem Assessment (Alcamo et al., 2003). Combined these tools produce the so-called *Impact Model* (see Figure 1).

Figure 1: Impact Model



Source: Adjusted from LGT VP (2013).

The first two categories of the Impact Model describe an organization's model in terms of utilized *resources* (e.g., human/financial resources, land) and *activities* (e.g., construct schools, train teachers). Using measurable key performance indicators (KPIs) the *output* category captures an organization's *reach of impact* (i.e. the number of direct beneficiaries reached by its products/services; e.g., the number of pupils enrolled) as well as other relevant outputs (e.g., the number of established schools). The *outcome* category assesses the *depth of impact* for the targeted beneficiaries (e.g., improved opportunities to progress and improve livelihood) along the five dimensions of wellbeing, that is, material, physical and social wellbeing, security, and freedom, using measurable KPIs whenever possible. Lastly, the *impact* section captures the systemic impact for the population or community at large (e.g., increased school enrolment and completion rates among low-income communities).

LGT VP's Impact Assessment Framework also avails itself of Nesta's Standards of Evidence (Puttick and Ludlow, 2012) to assess the level of proof a (prospective) PO is able to provide. It distinguishes five evidence levels (LGT VP, 2013):

1) <u>Logical explanation of impact</u>: The organization can describe what it does and why it matters in a logical, coherent and convincing way.
2) <u>Data indicates some impact</u>: The organization collects data that attests some change in its beneficiaries' situation.
3) <u>Data validates impact</u>: The organization can prove that its product/service is causing this change through use of a control group.
4) <u>Independent evaluation validates impact</u>: The organization's impact is confirmed by an independent evaluation.
5) <u>Independent evaluations validate replication of impact</u>: The scalability and replicability of the organization's model is confirmed by multiple replication evaluations.

4.2 Data requirements and associated challenges

4.2.1 Data requirements

LGT VP's Impact Assessment Framework prompts that ideally a (prospective) PO should provide measurable, externally validated output, outcome and impact data that are clearly attributable to the organization's work. This is supported by the interviews: Output data are generally deemed insufficient to (reliably) assess whether—and to what degree—the VPO has accomplished its mission to improve the quality of life of less advantaged people through its investments. The preference for quantitative over qualitative data is vividly echoed in a statement by an IM: *"We definitely would like to see that the impact is quantified to whatever extent it is possible."* Only measurable KPIs allow for a comparison of the achieved results over time (i.e. trend analysis), against set targets and a relevant control group. The interviews further support the value of third party evaluations. Besides increasing a PO's credibility, thus, potentially facilitating fundraising, independent evaluations offer additional benefits: First, they allow for the alignment of incentive structures with the pursued mission (internally or externally, for example, through the use of innovative financing structures such as social impact bonds; SIBs[5]), which can be problematic with internally collected data as the involved parties have an interest to under-/overstate results. Second, they may allow for benchmarking to foster learning and improvement, for which the POs—and oftentimes also their funders—typically lack the comparative data. Lastly, they can help overcome resource issues. Yet, third party evaluations should generally be 'additive'; they should not crowd out internal efforts to monitor mission achievement.

4.2.2 Methodological, conceptual, and practical challenges

The qualitative and long-term nature of many intended outcomes/impacts as well as issues surrounding attribution (i.e. the degree to which a result must be ascribed to the activities of others) were cited as key challenges around obtaining quantitative outcome and impact data. Another significant challenge in obtaining reliable and clearly attributable outcome and impact data pertains to the fact that impact measurement—especially when involving large-scale, randomized control trials—takes away time from business activities and direct mission fulfillment. In this context, one IM stressed that VPOs had to be pragmatic and tailor their impact measurement expectations (i.e. extent, sophistication, and frequency) to a PO's development stage. Before bringing its impact measurement to the next level a PO had to become (commercially) viable; otherwise its survival could be jeopardized. Accordingly, output measures may suffice for early-stage POs for the time being. The VPO may then draw upon third party research proving a clear link between certain outputs and outcomes and make do with qualitative, somewhat subjective, depth of impact assessments. This does not mean, however, that the PO—with the VPO's support—should not think through what it should seek to measure in the medium- to long-term.

POs may not only lack the time but also the technical skills to conduct evaluations. While third party evaluations can help overcome such resource constraints, they are oftentimes unaffordable for young SEs. The studied VPO does not consider it its mandate to broadly fund third party or conduct own evaluations—besides, it could not said to be unbiased itself. Yet, it does not rule out that it will provide financial resources or non-financial support to help set up impact measurement capacity and systems or occasionally fund third party studies, going forward. Moreover, it is considering to conduct select standardized beneficiary interviews at the onset of an investment and again a few years later to understand whether and how the beneficiaries' lives have changed, thus, somewhat verifying the POs' claimed outcomes.

Lastly, co-investors may also present a challenge to obtaining the desired data (quality). The VPO may be co-investing with so-called financial-first (rather than impact-first) impact investors[6] or even purely commercial investors, who have different views regarding the necessity and scope of impact measurement and may not be willing to finance (sophisticated) evaluations or systems. Given these differing views combined with the increasing availability of impact capital as more investors become interested in the field, attractive SEs may have the freedom to impose their own impact measurement methodology or choose a funder with lower requirements.[7] But even with like-minded co-funders (i.e. impact-first impact investors or grant-makers), problems might arise. (Large-scale) Funders that become engaged at a later point in time may insist on certain measurement requirements. Consequently, a PO may decide to *"follow the money"* and start tracking a different set of KPIs for which there is no historic comparison.

4.3 Data use

The VPO's Impact Assessment Framework is supposed to support three main activities: pipeline management, portfolio management, and stakeholder communication (LGT VP, 2013).

4.3.1 Pipeline management

Pre-investment, the primary purpose of the Impact Assessment Framework is to help the team and board assess an organization's impact potential and, thus, make an informed investment decision (LGT VP, 2013). Organizations applying for funding must submit information on their actual and planned social/environmental impact. As a minimum, they need to be able to convincingly describe their theory of change (i.e. evidence level 1). They do not have to complete the Impact Model. This is done by the IM based on the provided information. To better gage an organization's (depth of) impact, the IM selectively interviews beneficiaries. If the IM decides—in an iterative process together with the regional heads, partners, and global team as a whole—that an organization's impact potential is worthwhile and that it also fulfills the requirements of the three other due diligence components (i.e. business/management quality, capabilities, and risk assessment) the deal is presented to the board, which makes the final investment decision.

The analyzed VPO does not make use of benchmarking to support its investment decision-making. Some interviewees expressed a general skepticism towards benchmarking. More often than not, organizations would differ greatly with a view to the context in which they operate and the issues they are trying to tackle—even within the same (sub-)sector. Benchmarking would not take such differences into consideration and disregard non-quantifiable benefits (e.g., the facilitation of markets), leading to unreasonable simplification, information loss, and potentially erroneous conclusions. Rather than benchmarking different investment opportunities the VPO seeks to assess a deal individually and develop an understanding of whether what the organization is doing is effective within the specific context. Naturally, thereby the team and board draw upon their longstanding investment experience. As such, one question the IMs need to consider during the due diligence is what similar solutions the VPO has previous looked at and what were the lessons learned.

Consequently, the VPO does also not make use of SROI[8] calculations to compare different investment opportunities. While an IM acknowledged the generally *"good principle ... to try and find a unit of impact that can be used across a broad range of investment opportunities, solutions and populations"*, he criticized that qualitative goals such as improving someone's quality of life oftentimes *"cannot be monetized and shouldn't be monetized"*. Besides, some interviewees pointed to the subjectivity inherent in the necessary assumptions, which would yield different SROI figures, and another one mentioned the significant resources required to perform SROI calculations.

To help focus its limited resources, the VPO is currently preparing so-called 'Impact Papers', which describe the most critical problems in different sectors and geographies. For instance, such an Impact Paper would describe the agricultural value chain in India pointing out its weaknesses and what was needed to strengthen or 'repair' it. This then allows the VPO to purposefully look for and source deals tackling the identified problems.

Once the VPO makes its investment decision, the responsible IM—in collaboration with the PO's management—determines the relevant output/outcome KPIs to be tracked and reported (typically quarterly) during the post-investment phase, building strongly upon what is already being tracked by the PO. No differences are made depending on the PO's organizational form (i.e. for-profit versus non-profit) or the type (i.e. grant, debt, equity) or size of the investment.

4.3.2 Portfolio management

Post-investment, one of the two primary purposes of the Impact Assessment Framework is to support the IMs and the POs' management teams to collaboratively optimize impact (LGT VP, 2013). The comparison of a PO's social performance against the set targets as well as over time allows for the identification of performance deviations. Follow-up analyses—e.g., interviews with beneficiaries or a critical investigation of the funding structure—may become necessary to (better) understand the reasons for these deviations and devise corrective actions. Although, as a value-adding VP investor, the VPO aims to *collaboratively* optimize impact, it demands a certain self-reliance of its POs. As one interviewee explained: *"We do not want to be the ones managing the organization. We want to see that they … develop the capabilities required to manage the organization professionally 'at scale'."* Together with the POs' management team, the IM will decide whether an identified issue is *"something that needs support from investors or … something that needs to be handled by the management [team]"*.

The VPO also reserves the right to abandon POs that have not developed as envisioned. Whenever using loans or grant money, the VPO stages its capital infusions, making follow-up financing conditional to the achievement of certain pre-defined performance milestones, both social and financial ones. As such, impact measurement helps protect the VPO against overinvestment in unprofitable POs, both in terms of financial and social return.

Impact measurement seems to be viewed as less of a means to prevent that the POs' management teams deliberately act against the VPO's interests, however. This becomes particularly evident in the following statement: *"We work so closely with the organizations that we shouldn't be surprised by the impact data… If they really started to drift from their mission, we should realize this relatively quickly… Given that we have our people on the ground we know exactly how the money is being spent and which impact is being created."* More generally, it seems that the VPO-PO relationship is characterized by a relatively high level of trust and interest alignment. As another LGT VP employee noted: *"[During the due diligence] it is the first priority to get to know the entrepreneur and understand his motivation … If he is authentic … and the investors he attracts also have more of a socially-oriented agenda, then it is relatively unlikely that he will drift from the social mission."* Similarly, one of the IMs referred to a *“basic alignment in terms of vision and mission ... that ha[d] to be in place ... before [LGT VP] invest[ed] in [a] company”*.

4.3.3 Communication

Stakeholders and purpose

Post-investment, the second important function of the Impact Assessment Framework regards the provision of evidence to communicate the VPO’s impact to its stakeholders (LGT VP, 2013). Depending on the stakeholder, the objectives differ: While impact communication to the board, existing clients, and the public authorities is mainly an accountability measure, information provided to the general public also serves marketing purposes for the VPO’s services and its POs.

The interviews support the particular importance of impact measurement for fundraising purposes. (Potential) Clients would want to know whether their money was being used effectively as mission achievement was their main motivation to become involved. A client advisor noted: *“It is important to offer transparency to our clients regarding what is happening with their investments, what is being achieved... Not only from an accountability perspective but also from, let me call it, a ‘passion perspective’.”* Similarly, a client explained: *“We provide concessionary rates for many investments if we feel that impact is really worthwhile. So impact analysis is critically important because how are we going to decide that a company deserves a concessionary rate?”*

The communication of credible impact data was further cited to be important for a VPO to attract and retain human resources, be it permanent employees, volunteers, or pro bono partners.

Stakeholders’ data requirements

The document analysis revealed no material differences with regard to the impact data being communicated to different stakeholders. Moreover, the interviews did not indicate a principal need for different impact data for communication versus portfolio management purposes. They did show, however, that in their communication to (potential) clients VPOs should complement quantitative KPIs with anecdotes. While reporting quantitative KPIs over time helps (prospective) clients understand how a PO has developed and scaled, success stories provide the relevant context to these numbers, *"bringing them to life"* and putting "*a real concrete face on … the value chain"*. As an IM explained: "*For a current investor … narratives may not be so important. But for a new investor … to get the full sense of the business and make a more informed decision … narratives may be important."* Moreover, (potential) clients would exhibit different preferences: Some were very interested in quantitative data, while others would prefer storytelling. Generally, no differences could be reportedly observed depending on the type (i.e. grant vs. investment) or amount of funding provided or the type of client (i.e. individuals vs. institutions). Although, institutional clients might be more likely to demand quantitative KPIs for their own accountability and reporting activities, they may be equally interested in stories.

Despite the cited benefits, storytelling plays a marginal role in the VPO's formal reporting. In this regard, one interviewee explained: *"We are interested in people who want to put their brains to work with their heart. … They have the desire to solve a problem or do something good. But we are … catering to people who want to have a rational way of doing so."* The VPO's limited use of storytelling in its formal reporting can also be explained by its history: Until 2012 when it started to offer co-investing services, it had reported exclusively to its board, which mainly consists of individuals with a commercial background, who are generally more interested in tangible metrics. Nonetheless, the VPO always seeks to provide contextual information (including anecdotes and success stories) in its verbal communication with its board and (prospective) clients to facilitate the interpretation of quantitative metrics. It is further considering to put greater focus on storytelling in its formal reporting going forward.

According to the client advisors, (prospective) clients were not pushing (strongly) for standardized KPIs or a monetization of impact. Having said this, one of the VPO's partners noted that more experienced clients might desire data that allows them to compare the impact of similar organizations in their portfolio. Likewise, the VPO's board would also seek data, which allowed it to compare different investments in terms of social impact. Yet, it would accept the team's arguments why standardization and benchmarking would not lead to meaningful conclusions in most instances. While one client advisor explained that there was no active demand for externally validated data on the part of (prospective) clients, a client interview did reveal a general preference for such data given that both investees and impact investors—including themselves—always had a natural interest to *"look good"*.

An interesting point of discussion concerns the question whether there is a greater need for impact measurement for for-profit SEs and impact investors than for NPOs and donors. The interviewees did not affirm this. In contrast, some even mentioned that there might be a greater need for NPOs to prove their impact as for-profit SEs might be able to attract capital from more commercial (impact) investors with lower impact measurement expectations. Moreover, a PO's CEO explained that the beneficiaries' willingness to pay for an organization's products or services would strengthen an organization's impact proposition.

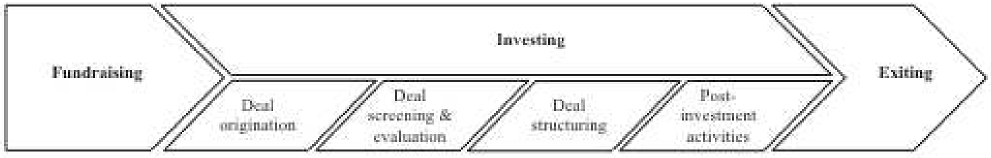
Challenge to account for own impact at investment and portfolio levels

The interviews and document analysis show that the VPO's impact measurement and communication focuses primarily on the outputs and outcomes of the individual POs. Yet, it does not allege a direct cause-effect relation between its own work and the changes in the beneficiaries' quality of life. As one IM noted: "*We don't have an impact on the less advantaged people directly. We have an impact on the organizations. That's a different level.*" As such, the VPO does not directly attribute its PO's outputs/outcomes to its (non-) financial support; in particular, it does not calculate the contribution of its (facilitated co-) investments as a percentage of these outputs/outcomes, as suggested elsewhere (see Hehenberger et al., 2013) and done by one of its co-investing clients. Albeit, this client mentioned two shortcomings with this approach: First, it disregards that early stage funding generates greater impact as it makes available resources when few others are willing to invest. Second, the funder base may change over time, making one's impact contribution *"a moving target"*. Rather than subtracting out its impact contribution, the VPO seeks to describe verbally how its support has helped the POs develop necessary capacity and progress more generally, whenever possible. Even before the VPO becomes invested, the IMs need to diligently analyze how the VPO's support could help maximize impact by answering questions such as: If we did not invest, would the organization get capital nevertheless? If we did invest, what would we do more effectively to maximize impact? (LGT VP, 2013) A detailed capabilities assessment is carried out by the IMs as part of the due diligence and serves as a critical input to these questions. The assessment is repeated from time to time to determine how the PO has progressed and where (non-financial) support is most needed going forward. In its formal reporting, the VPO generally outlines its contribution along three dimensions: financial support (i.e. own investments), know-how and intellectual support (esp. ICats) and network access (esp. facilitated co-investments from clients).

The document analysis and interviews also reveal challenges regarding the communication of the VPO's impact at the portfolio level. In line with the cited issues and concerns surrounding benchmarking, the VPO's broad scope and the particular context and specific KPIs of the POs would make it difficult to meaningfully aggregate output data—besides the number of people reached—at the portfolio level. And naturally, the problems around carving out the VPO's impact contribution also apply with regard to the portfolio level. Acknowledging this 'shortcoming', the VPO is considering to make use of Grabenwarter and Liechtenstein's (2011) 'gamma factor' to communicate portfolio success more clearly going forward. This approach forbears to define and aggregate standardized metrics but seeks to determine whether the pursued objectives were met, exceeded, or not reached for the individual POs (Grabenwarter and Liechtenstein, 2011). The resulting multiple[9] can be aggregated across the portfolio resulting in "an impact-performance measure of an asset manager" (Grabenwarter and Liechtenstein, 2011, p. 56).

Figure 2 summarizes the above findings. It highlights the use and users/addressees of impact data, the data requirements and the challenges around procuring this data along the VC/VP investment process (Scarlata et al., 2012). The interviews and document analysis did not reveal any significant findings for the deal origination and exiting phase. These two process steps are, thus, shaded.

<u>Figure 2</u>: Impact data requirements and use along the VP investment process



	Fundraising	Deal origination	Deal screening & evaluation	Deal structuring	Post-investment activities	Exiting
Use of impact data	Communicate impact to acquire funds		Assess an org's impact potential to make an informed investment decision	Determine sensible targets/ milestones to be included in the investment contract as input for staged financing	Ensure and enhance mission achievement; communicate impact for accountability purposes	
Primary users/ addressees of impact data	External: General public; existing clients		Internal: Investment managers; regional heads/ partners; board	Internal & external: Investment managers; regional heads/ partners; board; POs	Internal & external: Investment managers; regional heads/ partners; board; POs; existing clients; public authorities; general public	
Requirements on impact data	Quant. output and outcome KPIs (historic, current, projected), ideally adjusted for exogenous factors and externally validated; qual. success stories		Quant. output and outcome KPIs (historic, current, projected), ideally adjusted for exogenous factors and externally validated; qual. beneficiary feedback	Quant. output and outcome KPIs (historic, current, projected), ideally adjusted for exogenous factors and externally validated	Quant. output and outcome KPIs (historic, current, projected), ideally adjusted for exogenous factors and externally validated; qual. success stories	
Associated challenges	Qualitative, long-term nature of many intended outcomes; issues around attribution; resource constraints (i.e. time, skills, financial resources), lack of comparable data across organizations					

<u>Source</u>: Own illustration based on Scarlata et al. (2012).

5 Discussion

5.1 Impact measurement methodology, data requirements and associated challenges

There appears to be little debate and ideological conflict within the analyzed VPO regarding the necessity and benefits of impact measurement and what constitutes a commendable evaluation. The Impact Assessment Framework does not only bring out *what* data the VPO seeks but also makes a statement as to the *quality* this data should have: Ideally, a (prospective) PO should provide quantitative output, outcome, and impact data that are clearly attributable to its work and have been validated by a third party. The VPO's methodology and evaluation 'ideal' exhibit traces of what Hall (2014, p. 321) terms the 'scientific evaluation logic':

> The scientific evaluation logic … [places] a strong focus on systematic observation, [the] gathering of observable and measurable evidence, and … objective and robust experimental procedures. Its ideals are those of proof, objectivity, anti-conflict and reduction... Of fundamental concern … is … that alternative explanations … have been considered and ruled out.

Yet, the methodology also includes elements of the 'bureaucratic evaluation logic' in that a PO's activities are translated into pre-defined, standardized categories, the evaluation follows a sequential step-by-step process, and actual outcomes are compared with pre-determined goals (Hall, 2014). These findings support two of Hall's (2014) claims, namely, that evaluation practices can exhibit characteristics of different evaluation logics, and that "elements of the scientific and bureaucratic evaluation logics are located in techniques typically developed by funders" (p. 332).

The interviewees pointed to a number of challenges in reaching the evaluation ideal. Most of them are not specific to the studied VPO, its POs or the VP model: Challenges surrounding the qualitative and long-term nature of many social objectives and attribution are regularly cited in the impact measurement literature (e.g., Austin et al., 2006; Luke et al., 2013; Nicholls, 2009; Roder, 2011). Roder (2011) specifically highlights the difficulty of operationalizing the objective to improve a beneficiary's quality of life. Similarly, time constraints, competing work commitments, and a lack of skills and experience do not appear to be particular to the VPO's POs but are commonly mentioned as key barriers for social sector organizations to undertake impact evaluations (e.g., Barraket and Yousefpour, 2013; Cordery and Sinclair, 2013; Roder, 2011). Especially evaluations aiming to fulfill the ideals of the scientific evaluation logic would require "skills in quantitative data collection, experimental procedures and the writing up of research findings" (Hall, 2104, p. 333) typically not present in social sector organizations. In view of competing resource demands, (VP) funders have to be pragmatic and tailor their expectations to a PO's development stage to ensure its long-term viability. This is underscored by the fact that—despite its elaborate impact measurement methodology—the analyzed VPO does not rigidly require candidates for funding to submit a specific type of data (e.g., quantitative outcome KPIs). Acknowledging that it is investing in young organizations, it is willing to help its POs devise a refined impact measurement over time. The elaborate impact measurement methodology therefore serves more as a guidepost for where the journey should eventually lead.

One particular challenge for VPOs—or impact-first impact investors more generally—lies in the fact that impact investing is arousing much interest, also from more commercial investors with (potentially) laxer impact measurement expectations. While the number of VPOs and impact investors—and, thus, the impact capital waiting to be invested—has increased substantially over the last years (Achleitner et al., 2013; Clark et al., 2012), the number of organizations offering (return-bearing) investment opportunities is still limited (Koh et al., 2012; Mayer and Scheck, 2013). These organizations may consequently try to negotiate laxer impact measurement requirements or opt for funders with lower expectations to begin with. Prior VP research indicates, however, that the "overall positive effect of business advisory and network access compensates almost three times the joint effect of information … and control rights" (Mayer and Scheck, 2013). VPOs with a strong non-financial value proposition should, thus, have no reason to fear negative consequences due to more stringent impact measurement.

5.2 Data use

Impact data is used for three main purposes by the studied VPO: to support pipeline management pre-investment and portfolio management and stakeholder communication post-investment. By and large, these objectives correspond to the traditional management and financial accounting goals, namely, to measure and report (non-)financial information to support internal decision-making and communicate it to external parties such as investors or regulators (Horngren et al., 2003). Given its 'hands-on' approach, the analyzed VPO does not use the data only to guide its own decision-making (i.e. where to invest, remain invested, or provide follow-on financing) but also to advise its POs. This distinguishes VPOs from more traditional non-profit funders, who are less "intimately involved at strategic and operational levels" (John, 2007, p. 7), rarely take a seat in their grantees' board (Letts et al., 1997; Welberts, 2013), and assume an "oversight role to uncover poor management rather than a *partnering* role to develop capable management and adaptive strategies" (Letts et al., 1997, p. 38). These funders exercise external accountability to ensure the appropriate spending of financial resources and minimize corruption but typically do not actively encourage and support learning and improvement (Newcomer et al., 2013). As such, the way impact data are used by the studied VPO reminds of the strategic functions impact measurement/reporting fulfills for SEs themselves, i.e. performance enhancement, resource acquisition, and organizational legitimacy/control of goal attainment (Bassen, 2007; Nicholls, 2009).

5.2.1 Pipeline management

The case study findings highlight the "great if not impossible challenge to compare social value creation of different, unrelated heterogeneous interventions" (Kroeger and Weber, 2014, p. 513). While there seems to be a general wish to seek out and invest in the "socially most productive" (Scarlata et al., 2012, p. 289) organizations, there also appears to be great concern that benchmarking social performance data would lead to undue simplification and possibly erroneous conclusions because it disregards an organization's specific context and challenges as well as non-quantifiable benefits.

Given that "current approaches neither clearly reflect social value creation nor specifically permit … comparisons" Kroeger and Weber (2014, p. 513) have recently developed "a conceptual framework for comparing the social value creation of different and unrelated interventions that serve different needs of different treatment groups in different socioeconomic and institutional contexts". It is beyond the scope of this paper to describe and critically review this framework. It could be an interesting avenue for future research to test its applicability with practitioners, however.

5.2.2 Portfolio management

The VC/VP literature typically differentiates post-investment activities into controlling and value-adding activities (Welberts, 2013). Although the boundaries are not clear-cut, the former generally aim to reduce agency issues, that is, the risk that the PO will pursue interests opposed to those of the VPO, and the risk of failure, while the latter seek to increase the POs' value (Welberts, 2013). The VC/VP literature traditionally considers the right to receive regular updates and formal reports on the POs' performance a control right (Scarlata et al., 2012; Welberts, 2013). Interestingly, however, it appears that the analyzed VPO views impact measurement and reporting at least as much as a value-adding device that allows for the identification of problems, the provision of targeted support, and the development of corrective actions. This finding is in line with prior research according to which formal reports present no end in themselves but provide VPOs with the necessary information to help the POs increase social impact (Scarlata et al., 2012).

Although the case study findings do not allow for a conclusive statement, they suggest that the relationship between a VPO and its POs could better be framed by stewardship (Davis et al., 1997; Donaldson and Davis, 1991) than agency theory (Jensen and Meckling, 1976) as suggested by prior research (Mayer and Scheck, 2014; Scarlata, 2010; Scarlata et al., 2012). The general assumption appears to be one of interest alignment, cooperation and trust—as suggested by stewardship theory (Scarlata and Alemany, 2010; Van Slyke, 2007; Welberts, 2013)—rather than that the PO's management (i.e. the agent) is likely to pursue own interests, which diverge from those of the VPO (i.e. the principal; Welberts, 2013). During the extensive due diligence the VPO seems to develop so-called strategic trust—that is, "trust that is based on knowledge of and experience with the other party and a mutual expectation of reciprocity" (Van Slyke, 2007, p. 171)—that the PO's management team will work diligently and sincerely towards achieving the social mission, which is further strengthened by the frequent interaction between POs and IMs post-investment. This assumption is supported by the reference to a "trusted relationship with the supported organizations" on the VPO's website (LGT VP, 2014) and in line with Roder (2011), who assumes that the relationship between a funder and a SE evolves from a principal-agent pre-investment to a principal-steward relationship post-investment. The VPO's consistent use of staged financing for which impact data serve as a critical input appears to somewhat contradict the assumption of a trusted stewardship relationship. In this regard, it is important to note that the use of staged capital infusion may not point to a lack of trust and a perceived risk of mission drift (or other agency issues) but rather present a means for the VPO to remain flexible in case the organizational model does not prove as effective as expected in fulfilling the social mission.

5.2.3 Communication

Lastly, impact data also provides the basis for the VPO's own reporting to its board, (prospective) clients, the public authorities, and the general public. In communicating impact data to these stakeholders, the VPO is meeting accountability demands as well as marketing itself and its POs as worthy recipients for (financial) support. The findings highlight the importance of credible impact measurement for fundraising. Yet, the interviews do not allow for a general conclusion as to what type of data is most valued—or even required—and whether differences exist across private and institutional clients or the type of funding (i.e. grants, debt, or equity). There is particular ambiguity regarding the question whether donors/investors demand standardized data, which facilitates "cross-intervention comparisons and [allows to] evaluate … initiatives in different operational areas" (Jäger and Rothe, 2013, p. 513) as could be derived from the literature (also see Grabenwarter and Liechtenstein, 2011). Future research should go further into these questions. Given the varying preferences of (potential) clients, VPOs appear to be well advised to complement quantitative metrics with qualitative storytelling in their reporting. To that effect, this research provides a first answer to Greatbanks et al.'s (2010, p. 582) question whether "funding bodies, and if so which type, would be open to receiving anecdotal evidence either in addition to, or as a replacement for, … impact performance". While the studied VPO clearly deems quantitative metrics indispensable, anecdotal evidence is considered beneficial as a supplement to provide the relevant context and serve different tastes (also see Connolly and Hyndman, 2013). All the same, the VPO makes little use of storytelling in its formal reporting. This is not all too surprising in view of VP's rational and "business-like approach" (Nicholls, 2010, p. 80); "story-telling … is likely to clash with the ideal of objectivity because stories are subjective experiences" and typically there is a "'bias' towards good-news stories" (Hall, 2014, pp. 330-331). The interviews with the POs did not indicate that storytelling could be more aligned with their values and self-image than quantitative metrics, or that the language and approach of methodologies such as the logic model could be experienced as "alienating, confusing and culturally inappropriate" as suggested in prior research on voluntary organizations (Greatbanks et al., 2010; Hall, 2014, p. 329). This could be due to a selection bias of VPOs towards organizations with more "rationalized organizational identities" (Grimes, 2010, p. 770) or a self-selection bias, vice versa. Admittedly, it could also be due to sampling bias as interviews were only conducted with for-profit POs. Future research should, thus, explore whether VP investees display a different evaluation ideal than (other types of) organizations (supported by other types of funders).

Given the risk of mission drift—without the comfort of reliable impact information, there might be fears that "for-profit providers will favor their personal profits over quality services" (Dees and Anderson, 2004, p. 8)—and the sometimes cited skepticism of "'profiting from the poor'" (O'Donohoe et al., 2010, p. 26), it is surprising that the interviews did not attest a greater need for credible impact measurement for for-profit SEs and VPOs engaging in impact investing than for NPOs and donors. In contrast, there were views that impact measurement might be even more important for NPOs given that for-profit SEs may be able to attract funding from more commercial investors with lower impact measurement expectations and that a beneficiary's willingness to pay for a product/service would strengthen an organization's impact proposition. In line with the above, the VPO's impact measurement requirements are as strict for NPOs as for for-profit organizations. The VPO's impact measurement requirements also do not differ depending on the type of funding provided (i.e. grants or investments). This somewhat contradicts Scarlata and Alemany's (2010) finding that formal monitoring is less prominent when VPOs finance NPOs with grants.

This research also brings to light the challenges around communicating a VPO's own impact contribution, which is somewhat problematic in view of VPOs' ambition to be "value-added investors" (Scarlata and Alemany, 2010, p. 121). Given that VPOs typically invest in capacity building rather than project financing, it is difficult for them to establish a clear link between their inputs and their POs' impact. Attribution and deadweight (i.e. "what would have happened anyway"; Hehenberger et al., 2013, p. 10) issues present formidable challenges in this regard. It is even more difficult for VPOs to communicate their portfolio impact. Besides issues surrounding attribution and deadweight, matters are complicated further by the fact that the POs are oftentimes active in various thematic areas, combatting differing challenges, thus, tracking divergent output/outcome KPIs. This plurality makes it nearly impossible to find a 'one–size-fits-all' denominator besides the number of people reached, and sets VP clearly apart from VC where portfolio success can be relatively easily summarized given that "performance is first and foremost associated with the absolute return, i.e. capital appreciation that is achieved throughout the investment period" (Reiner, 2013, p. 41). Innovative approaches—such as Liechtenstein and Grabenwarter's (2011) 'gamma factor'—seek to overcome the tension between the need for individuality of KPIs for (portfolio) management and comparability for external communication. Future research should explore how other VPOs deal with the challenges around communicating their impact contribution at the investment and portfolio levels, what approaches are generally available, and what methodology is favored by (potential) clients.

6 Conclusion

This explorative research set out to investigate the impact measurement needs and practices of a leading VPO. It provides a detailed account of what data the VPO strives to collect and for what purposes the data are being used. Thereby, the present research does not only contribute to the scholarly literature, which has, thus far, neglected "the needs and practices of funders in relation to impact measurement" (Barraket and Yousefpour, 2013, p. 449), but also provides SEs with transparency as to why (VP) funders require certain data, and informs (VP) funders how others practice impact measurement and deal with its challenges.

Specifically, this research illustrates that the VPO in question does not only seek a certain type of data to support its pipeline and portfolio management as well as its stakeholder communication but also distinguishes different quality levels. Having said this, it acknowledges the early development stage of its investees and the significant challenges in achieving its evaluation ideal. The elaborate impact measurement methodology therefore seems to serve more as a guidepost for where the journey should eventually lead than a rigid specification. The present work reinforces the importance of impact measurement to ensure and enhance mission achievement and acquire (preferential) funding. Yet, it does not allow for a general conclusion as to what type of data is most valued—or even required—by clients and whether differences exist across private and institutional clients or the type of funding provided (i.e. grants, debt, or equity). Future research should go further into these questions. Generally, a VPO seems to be well advised to complement quantitative metrics with qualitative storytelling to attend to the varied preferences and provide the necessary context to the numbers. Interestingly enough, the conducted interviews did not bring to light a greater need for impact measurement for for-profit SEs. In light of previous research and the absence of the non-distribution constraint, this is somewhat surprising. Future work should, thus, verify this finding with a greater number and different types of funders. The study at hand further unfolds critical issues around attribution, deadweight, and standardization, which make it difficult for VPOs to reliably account for their own impact contribution at the investment and portfolio levels. Future research should explore how other VPOs deal with these challenges. Lastly, this research gives rise to the assumption that the VPO-PO relationship might be better explained by stewardship than agency theory as suggested by prior research. Given the implications, this hypothesis should be investigated further in future work.

A key limitation of this research lies in the fact that it is based on a single VPO. This presents a material challenge to the generalizability of the findings. Consequently, future research should replicate this work extending it to additional VPOs. Moreover, it would be interesting to compare the impact measurement needs and practices of different types of funders, for example, VPOs versus more ‘hands-off’ funders, impact investors versus donors, or financial-first impact investors versus impact-first impact investors. Lastly, it would also be an interesting avenue for future research to explore whether organizations funded by VPOs display a different evaluation ideal than NPOs and SEs funded by other types of funders as could be assumed based on this research.

Notes

[1] Note that that the term ‘social investment’ is sometimes understood to not only include investments but also non-returnable grants (e.g., Nicholls, 2010). For simplicity, the term ‘investee’, thus, also comprises ‘grantees’, and ‘investment’ ‘donations’ in the following.

[2] The terms *VP* and *social venture capital* (SVC) are sometimes used synonymously (e.g., Achleitner et al., 2013; Miller and Wesley, 2010). Others (primarily) associate SVC with capital-preserving or return-bearing loans, equity, or mezzanine capital (Achleitner et al., 2011; Heister, 2010; Meadows and Pike, 2010), thus, considering it a sub-form of VP, which is generally understood to comprise both donations and (return-bearing) investments (Achleitner et al., 2011; Heister, 2010; Hehenberger and Harling, 2014; Welberts, 2013).

[3] Clients may invest in Impact Ventures UK, which is managed by LGT VP and was launched in partnership with the German private bank Berenberg.

[4] As for the sector at large, the term *impact* is used somewhat inconsistently by the analyzed VPO: In the narrower sense it refers to the impact category of the Impact Model; in the broader sense it is used to reference an organization’s positive effects more generally.

[5] SIBs are a type of outcomes-based contract (see Warner (2013) for more information). One of LGT VP’s POs, Educate Girls, has recently launched such an SIB (see Perakis (2014) for more information).

[6] Impact investors aim for a social and/or environmental impact in addition to a financial return (GIIN, 2014).

[7] In this regard, it was mentioned that an organization’s willingness to engage in serious impact measurement was a proxy for its management quality and, thus, a sign for a VPO to invest or not.

[8] By analogy with financial ROI, SROI (social return on investment) “compares the net benefits of a project to the investment required” (Luke et al., 2013, p. 238). For more information on SROI see, for example, Hall (2014) or Manetti (2014).

[9] For a detailed instruction on how to calculate this multiple see Liechtenstein and Grabenwarter (2011).

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Appendix: Interview guide

1. ***Information on the interview partner***

   (a) Short overview of professional background

   (b) Current role/responsibilities

2. ***Organizational background and identity***

   VPO:

   (a) What do you perceive to be the main differences between your organization and other (SE) funding organizations and between your POs and other SEs/NPOs?

   POs:

   (a) Information on number of employees, date of founding, profitability, organizational form, and funding

   (b) How do you conceptualize your organization's performance/success? How would you describe your organization's mix of financial and social/environmental objectives?

   (c) What do you perceive to be the main differences between SEs and traditional NPOs?

   Client:

   (a) Information on history, mission, (past and current) (impact investing) activities

3. ***Importance and benefits of impact measurement***

   (a) How important do you deem impact measurement for funders and SEs? Why? What are the key benefits/purposes?

   (b) In your view, what makes a 'quality' impact evaluation? What (type of) information should be collected, how and by whom? (How) Does this differ depending on the target audience and purpose for which the data is being used? Do you think your views are shared by your colleagues/the POs/your funders?

4. ***Impact measurement practices***

VPO:

(a) (For what reasons) Does your organization (contractually) require the POs to measure their social impact? What do these requirements look like? (How) Do they differ by the type of PO, financing instrument, or amount?
(b) When and why was the impact measurement process formulated? Who was involved? How was it decided upon? Was there any discussion/disagreement regarding the design/approach?
(c) Does your organization become involved in determining impact KPIs and milestones? How are these agreed upon? Do you think the POs would not collect (any of) this data if they weren't required to? Do they track any additional data beyond funder requirements?
(d) (How) Does your organization acknowledge existing impact measurement practices and/or requirements of other funders? (How) Do the impact measurement requirements of other funders differ? How do the POs balance these different requirements?
(e) Have the POs institutionalized client feedback? (How) Is the collection of client feedback fostered by your organization/other funders?
(f) (How) Does your organization/the POs take into consideration issues of deadweight, attribution, drop off, or unintended consequences?
(g) (How) Does your organization's engagement change the impact measurement practices of the POs?
(h) (How) Does your organization support the POs' impact measurement? What support would they need?
(i) Does your organization engage in own impact measurement activities?
(j) (How) Does your organization assess the impact of its own work/its impact at the portfolio level?

POs:

(a) When and why did your organization start collecting and communicating impact data?
(b) What impact data is your organization required to measure by the studied VPO? How was it agreed upon? (How) Have the funder requirements changed your organization's impact measurement practices?

(c) Does your organization have to comply with impact measurement requirements of other funders? (How) Do these differ from the requirements of the studied VPO? How does your organization balance these different requirements?
(d) Would your organization not collect any of the impact data if it were not required to do so by the studied VPO/other funders? Does your organization collect any additional impact data beyond funder requirements?
(e) Has your organization institutionalized client feedback?
(f) (How) Does your organization take into consideration issues of deadweight, attribution, drop off, or unintended consequences?
(g) (How) Does the studied VPO support your organization's impact measurement? How does this compare to other funders? What support would you need?

Client:

(a) How important is the demonstration of intended outcomes for the selection of investees/intermediaries? What (type of) information is most useful for this purpose?
(b) What role does impact measurement play once your organization is invested? Does it require its impact investees/intermediaries to measure their social impact? What (type of) information does it require?
(c) How does your organization communicate the impact of its own work/its investments?

5. *Usage of impact data*

VPO:

(a) What does your organization/you do with the impact data? For what purposes/ audiences is it being used?
(b) What happens if performance targets are not met?
(c) How do the POs use the impact data?
(d) How effective do you deem your organization's impact measurement requirements to secure funding, gain legitimacy, learn and improve? What needed to be different? Do you think your views are shared by the POs? (How) Does your organization incentivize learning and improvement based on impact measurement?

POs:

(a) What influence does the impact data have on your work with the studied VPO? How does this compare with other funders?
(b) What happens if performance targets are not met? Has this ever happened?
(c) What does your organization do with the impact data it collects? For what purposes/audiences is it being used?
(d) How effective is the impact data your organization is required to measure by the studied VPO/other funders to secure funding, gain legitimacy, learn and improve? What needed to be different?

Client:

(a) What does your organization do with the impact data? For what purposes/audiences is it being used?

6. ***Tensions and challenge embedded in impact measurement***

(a) To what degree do you perceive there to be any tensions embedded in impact measurement? Where do you see the greatest challenges? What could funder so to help overcome these challenges?

Only for VPO:

(b) Have you ever experienced any resistance from a PO with regard to impact measurement in general and your organization’s requirements in particular? How was this dealt with?
(c) Do you think the POs perceive impact measurement to be a central part of their work? How can this be achieved?

7. Conclusion

(a) Overall, how effective do you deem the studied VPO's impact measurement process and requirements? What would you change?

(b) Are there any important aspects with regard to impact measurement, which we have not yet discussed?