Ex-Ante Impact Assessment &
Value Network Analysis for SI

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SIMPACT

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In this paper, a conceptual framework is presented to conduct an ex-ante impact assessment for social innovation. The building blocks for an ex-ante impact assessment are goal formulation; developing the relationships between inputs, outputs and outcomes; determining the role of stakeholders to achieve the objectives; calculating the impact; and deciding on the social innovation. These building blocks are sequentially interconnected to each other. In the paper, we present the experience of three cases of social innovation with the framework. The following questions are discussed with results from the three case studies: How can you clarify your social goals and make them more measurable? How can you translate your goals into practical action roadmaps? How do you manage the sponsors and the stakeholders needed in your decision making? What kind of result can you expect from such an ex ante impact assessment? We summarize our lessons for each of these questions. In conclusion, our conceptual framework aims to be a practical guide to both assessor and assessee by structuring the development and decision process. A toolbox has been developed, which consists of a series of steps sprung from our conceptual framework.
1 INTRODUCTION

Social innovators and social investors want to do good, but as many commentators acknowledge, they lack a framework to decide upfront what is needed and how to choose between actions (Brest and Born, 2013). Social innovators are confronted by considerable scepticism about achieving both financial and social impact with their social investments. They are in need of instruments to learn how to get more impact from their investment, up front. The starting point for any assessment, however, is also that the social innovators need more financial support (Howaldt et al., 2016). You need to attract finances or combine different financial sources, even if you are not looking for an economic profit or ways to cover the financial costs. A good insight ‘ex-ante’ is therefore not a luxury, but a necessity.

The work on the ex-ante impact assessment of social innovations has been focused on a conceptual framework that helps social innovators, social investors and (public) policy makers make decisions about developing continuing and upscaling social innovations. The framework integrates discussions about how to value social innovations, how to use mixed-method approaches to measure this value and how to co-create the decision process the different actors dealing with social innovation. Because the field of social innovations is still in its development phase, and maybe it may never develop into a clearly manageable reality because of the many market frictions connected to it but also because of the complexity of the social innovations (Brest and Born, 2013), the assessment has to be a process in which stakeholders take on a co-creation role. The methodology behind this framework has remained as practical as possible, learning from the perspectives of two social innovation cases and one investor in social innovation. The impact assessment will necessarily be different in process and outcome between these cases, but between social innovations in general, mainly because of the different contexts in which social innovation are developed.

In this paper, first the stepwise approach to conduct an ex-ante impact assessment of social innovation is summarised. Next, the decision situation of three cases of social innovation is presented. The three cases have shown how the framework helps them to prepare future decisions on their social innovation initiatives.

2 A FIVE STEP FRAMEWORK FOR EX-ANTE IMPACT ASSESSMENT OF SI

The SIMPACT-project has refrained from developing new sophisticated approaches to measure social and economic values for investors. A lot of work has been done in the hundreds of methods that have been developed over time (see for overviews: Maas and Liket (2011) and Grieco et al. (2015)). It is however of importance to select those building blocks and integrate these building blocks in such a way that social innovators (and other stakeholders) find solutions to deal with their decision making situation. In the SIMPACT-project, this has resulted into a five step approach to ex-ante assessment of social innovation. Figure 1 shows the main components of the framework.

The building blocks for an ex-ante impact assessment are goal formulation; developing the relationships between inputs, outputs and outcomes; determining the role of stakeholders to achieve the objectives; calculating the impact; and deciding on the social innovation. These building blocks are sequentially interconnected to each other. These five steps need clarification:

Step 1 - Determining goals, socio-economic outcomes of the social innovation: what are the goals of the social innovation? Which outcomes should be achieved? A general list of socio-economic goals is not possible, but may be deducted from what policy makers find important. Probably, the following questions are important for policy makers: are there social vulnerable groups that aren’t being addressed through normal social policies?; Can we find new social approaches that can help us redefine social policies? How can we benefit from social innova-
tions in the private sector and then apply them to the process of policy making? In the USA, the «Impact Investing Policy» of the Obama Administration identifies eight policy areas in which social innovations need to be supported (Grace et al., 2015). Such a list could be useful at the different policy levels.

Step 2 - Determining causation: once the goals are clear, it is necessary to relate the outcomes to the inputs. Several methods are possible such as for example the ‘impact value chain’ (Clark et al., 2004), Logic Model (Rizzo et al., 2015) or a Theory of Change (Clark and Taplin, 2012).

Step 3 - Determining the role of stakeholders: for the impact assessment, it should be clear who will play a role in the assessment process, when and how. The main role of the stakeholders is to agree with the assessor (creating a common ground) and to support the assessor with decisions in the process and with selecting criteria, if needed.

Step 4 - Calculating impact: an important step is to calculate the possible impacts from the social innovation. Social, economic and enterprise impact can be assessed with the use of existing tools. The impact assessment should be accompanied by a set of tests needed to check the counterfactual nature of the results. For each of the impacts, the degree of uncertainty (likelihood) should be estimated. In addition, attention should be spent on barriers and enablers to achieve the goals and objectives.

Step 5 - Decision process: the outcome of the impact assessment should be presented and discussed with the stakeholders. With social innovation, stakeholders are part of the community and the specific networks that are built when addressing a social challenge. Discussing the decision process to value social and economic outcomes with stakeholders, can give a lot of insight on the context where social innovation is applied and the target groups they are addressing. Many social target groups can only be addressed through stakeholders that have a know how in the contexts where these innovations might be developed.

Steps 2 and 3 need to be conducted in parallel after Step 1. Steps 4 and 5 follow sequentially after these first steps.

3 THREE CASE STUDIES

3.1 Social Innovation Investment at a Cross-road

To assess the usability of the newly developed conceptual framework for conducting an ex ante impact assessment, three case studies were conducted; two case studies covered specific programmes of social innovation, whereas one could be seen as infrastructural, guiding decisions about investing, governing and supporting/monitoring social innovations. The cases are presented in the separate text boxes in this paper. Lessons learned from the case studies were deducted for the different steps of the framework. Each of these cases was launched in the past years without using some kind of cost benefit analysis or other economic evaluation.

The objective was to improve the working conditions for ageing workers in cities (Dutch Labour and Education Fund (LEFC)), to get unemployed some work experience (I-DID) or to support major social causes in Scotland and improve living conditions of people in difficult situations (Inspiring Scotland). All three cases are however at a crossroad: they need to show results to guarantee continuity for their actions. Only Inspiring Scotland has experience with identifying the social impact of their programmes. The other two examples have not got this experience. All three cases currently experience quite some tensions with and between their sponsors and stakeholders. Their ‘markets’ are under pressure from other projects and (social) investments. And, in the case of I-DID for example, the objective was to get out of a subsidy relationship with the City of Utrecht, but this seems not to work as planned. An ex-ante impact assessment was conducted with these three organisations to support them in their future decision making. The result of these interventions is helpful for other social innovations.
In this brief, we want to insist on the following main lessons connected to this approach and the three cases:

How can you clarify your social goals and make them more measurable?

How can you translate your goals into practical action roadmaps?

How do you manage the sponsors and the stakeholders needed in your decision making?

What kind of result can you expect from such an ex ante impact assessment?

We summarize our lessons for each of these questions.

3.2 Measurable Social Impact

When looking at economic impact of a social innovation, one tries to identify changes in (business) output, value creation, employment levels, income levels and wealth measures (Weisbrod and Weisbrod, 1997). The measurement and estimation of these economic impacts can become a very complicated matter, requiring deep economic and econometric expertise. For most social innovators, this is way further than suits their needs. Economic impacts of their innovations can be identified at the level of the economy, but also at other meso- and micro-levels. Impacts are not always tangible. In most situations, it will not even be possible to monetise impacts from a social investment. The impacts may also be multifold: unemployment risks may need to be balanced with gender discrimination. For most decision makers, it may not be sufficient to maximise certain social impacts, but rather to optimise different outcomes or to balance certain outcomes.

For the I-DID case, the discussion was to speed-up the reintegration of citizens with little work experience. But at the same time, it was about given the company access to cheap labour. The City of Utrecht, investing into the project, needed to deal with the question how long they would support the reintegration effort, but also paying the price of giving I-DID access to cheap labour. All these outcomes must be calculated. It requires mixed methods to value the different kind of economic and social benefits connected to these investment. But making it even more complicated, assessors will need to check for the intention to change investments (is there any scope creep during the project?); are the results counterfactual, meaning that the social impact results would not have appeared without the investment?; what about the additional impact above what would otherwise have occurred naturally?; and has been accounted for alternative factors that may have induced the impact, for displacement effects on other social groups, and for possible drop-off effects over time (gradual reduction of impact over time) (GECES, 2014)?
In the end, all this sophistication should be balanced by what the social innovator is trying to achieve (and who’s funds he or she is using). Common sense is a great good in such matters. Anyway, a rigid analysis does have its’ advantage in this sense that it helps to identify possible risks related to the future investments that may be planned. Not only the benefits are important, an impact assessment should also take into account which risks exist that may reduce the likelihood to achieve the social impacts. A good assessment will also deliver a risk management plan. A collaborative co-creative approach with stakeholders and other parties is needed to develop a risk management plan that can encompass all of these risks.

3.3 Translating Goals into Practical Action

Roadmaps

The three cases showed that it is not sufficient just to identify the social objectives and the type of investment required. The LEFC case showed that from day one, some actions do not always appear to be the right choice of action. Several project lines were abandoned after several months, either because of too little support from the communes, either the project did not seem achievable within budget and time planning. For the LEFC, it became clear that they needed to be more systematic about thinking how the project lines support the goals they had identified. The technique of the Theory of Change (Clark and Taplin, 2012) was very helpful for the Fund to identify how the required impacts are linked to sub-goals and to the inputs in their project. Discussing these causal explanations was helpful to uncover the preferred impacts in the social innovation and the possible problems in the execution of the projects.

3.4 Dealing with the Stakeholders

The three cases showed that the initiatives were not conducted in an isolated environment. Discussing with the cases, it was clear that social innovation has a lot of sympathisers, but only very few stakeholders are prepared to fund or support the project when it starts. Together with the cases, we identified what the stakeholder networks were and how each of the stakeholders added or influenced value to the social innovations. It was helpful for each of the cases to see how extensive these stakeholders networks could be. Next, the instrument of Value Network Analysis is helpful for mapping this tangible and intangible value exchange (Allee, 2008). The Value Network Analysis gives an overview of the network-as-is. To estimate the impacts, it is also necessary to have a clear view on how the stakeholders cooperate, share and exchange value in the social innovation.

In estimating social and economic impacts, the involvement of stakeholders in a co-creation process is of prime importance. The impacts of a social innovation are not a simple given thing. Valuing impacts is a subjective process, it requires context and connection to the interests of stakeholders in the social innovation. Social innovators and other stakeholders need to co-create the impact assessment. The process should be done in such a way that the role of the stakeholders needs to be clear. Borrowing from the Measuring Impact Framework (IFC, 2008), stakeholders should only be integrated once the es-
timations have been prepared. Stakeholders should have a clear view on what they can bring in their ideas.

3.5 Co-Creation as an Explorative Exercise

Given the fact that assessing the economic and social impact of social innovations is a complicated matter, the following question is how to approach the ex-ante part of the impact assessment. Ex-ante means that the impacts should be predicted. One of the most developed predictive models is Exploratory Modelling and Analysis (Kwakkel and Pruyt, 2013).

The lesson from this model for policy makers and investors is that the predictive exercise helps to understand what inputs help to influence social and economic outputs and outcomes, but also to see how much of the actual outcome can be influenced. Using these lessons helps to build benchmarks such as for example the IRIS (Impact Reporting and Investment Standards) and GIIRS (Global Impact Investment Rating Systems) (Brest and Born, 2013). Scenarios can be built and teach us how to deal with future change once these impact futures move in the direction of one of the calculated scenarios. Building these scenarios is also helpful for identifying the risks that possibly influence the achievement of the required economic and social impacts. It is important to understand which enablers and barriers there are for achieving the impacts. Within social innovation, the possible social benefits are more or likely to happen. This means that to achieve these benefits, an impact assessment should also take into account which risks exist that may reduce the likelihood to achieve the social impacts.

4 A TOOLBOX FOR SOCIAL INNOVATORS, POLICY MAKERS AND SOCIAL INVESTORS

In conclusion, our conceptual framework aims to be a practical guide to both assessor and assessee by structuring the development and decision process. Structuring the decision process provides grip to social innovators, social investors and policymakers, because most of the times when an impact assessment is not used, processes are less rational, manageable and difficult to reconstruct. An impact assessment does not necessarily have to be a complex process. Even relatively simple tools, use of historical data and a little bit of help from a fresh pair of eyes may already do good to most social innovators. Therefore, also a toolbox has been developed, which consists of a series of steps sprung from our conceptual framework. The toolbox presents a selection of tools for performing a social impact assessment, ranging from complex and refined towards simple and straightforward. Even the complex tools can be used to deduce important steps and food for thought. Possible tools for performing a social impact assessment are not limited to those proposed in this toolbox. In fact, customization is advised and needed to fit to the scope and stage of a social innovation, and the available time, budget and knowledge resources. It is key to provide a tailor-made ex-ante assessment of social innovation.
References


