

ENTREPRENEURSHIP & ACCELERATION

Questions from the Field



Photo by John-Michael Mass/Darby Communications

Impact Measurement | May 2016

Hi GALL team, I wonder what social enterprises think of the measurement approaches that impact investors have created? Specifically...

- ▶ Are entrepreneurs who have received impact investment funds using tools such as IRIS and B Impact Assessment?
- ▶ If they are, what factors are driving this adoption?
- ▶ If not, why not? And are they using other approaches instead?

—Tom Adams, Head of Impact (Acumen)

Thanks for the question, Tom.

While nearly all impact investors (94%) said that understanding the social/environmental performance of their investments was “very important”¹, we know relatively little about the adoption of impact measurement approaches in early-stage social enterprises. Additionally, as collecting data has often been considered to be burdensome and distracting², we agree that it would be interesting to examine impact measurement approaches among social entrepreneurs. In this data brief, we explore these questions using data from the Entrepreneurship Database Program.

¹ Saltuk, I., & Idrissi, A. E. (2015). Eyes on the horizon: The impact investor survey.

² Keystone Accountability (2010) What Investees Think: Performance Surveys. Keystone Accountability.



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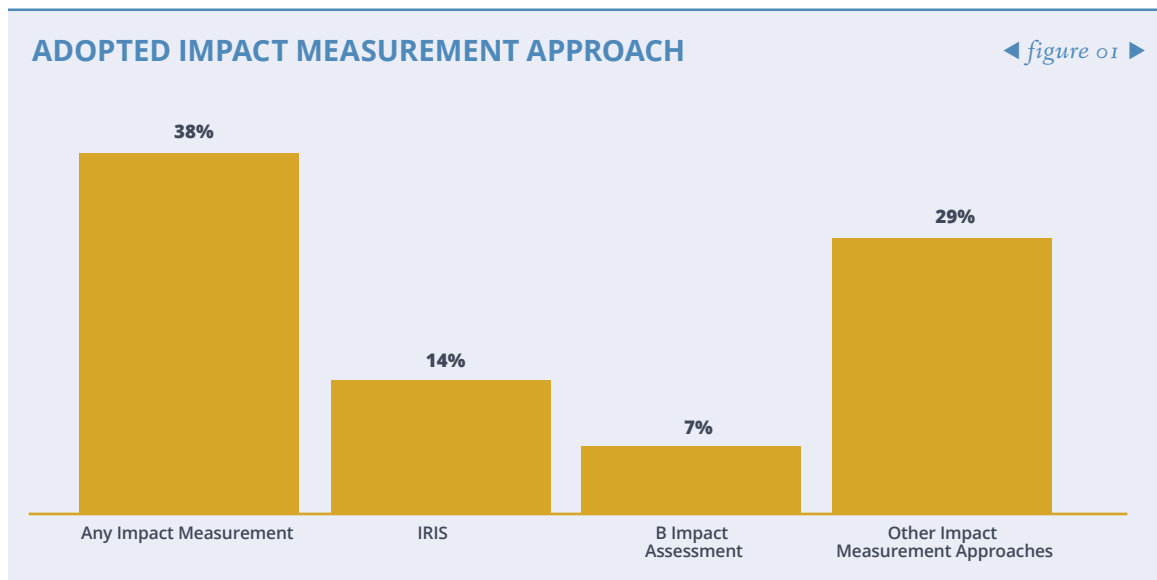
About the sample

Since 2013, the Entrepreneurship Database Program at Emory University has been systematically collecting data from entrepreneurs who apply to one of several participating accelerator programs. The data used in this analysis come from 34 programs run between 2013 and mid-2015. We removed 133 observations from ventures that did not answer any of the three questions related to impact measurement. Additionally, for 34 ventures that answered at least one of the three questions, we assume “No” responses to the other questions. From our initial sample of 3,112 ventures, the following observations are based on 2,979 early-stage ventures.

In surveys administered to entrepreneurs when they applied to accelerator programs, we asked three questions about impact measurement practices:

- ▶ Does your venture regularly track itself against any of the IRIS impact measures?
- ▶ Has your organization ever taken a B Impact Assessment?
- ▶ Does your venture regularly track impacts using any other established measurement approaches?

Approximately 38% of the ventures in our sample report implementing some form of impact measurement (Figure 1). The rates of IRIS and B Impact Assessment usage are very low, at 14% and 7% respectively. However, nearly 29% report using other established measurement approaches.³

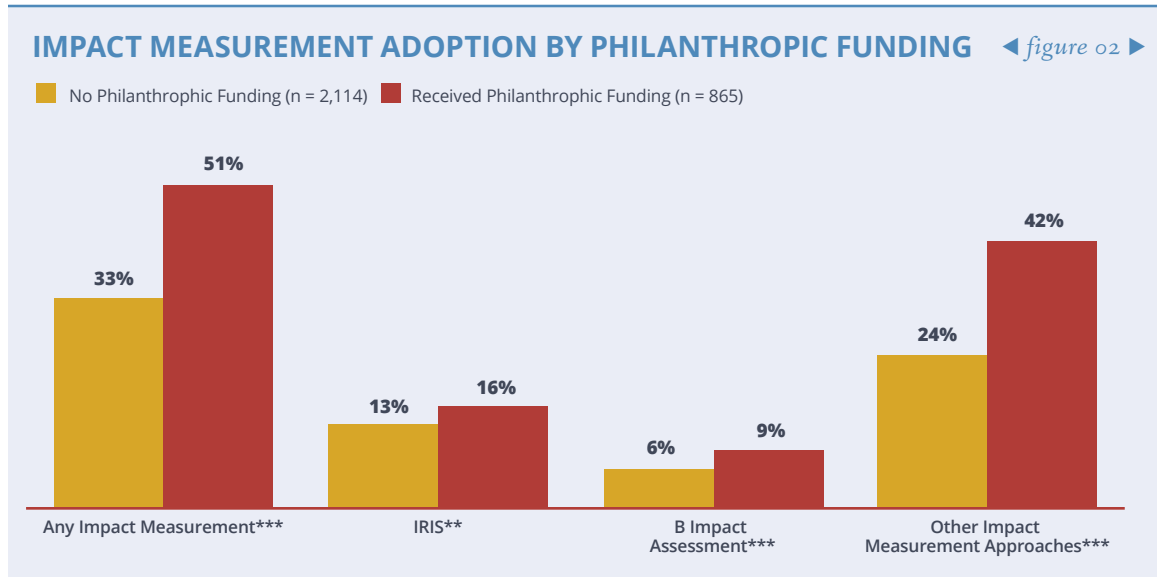


We also asked entrepreneurs about the type of funding they had previously received (equity, debt and philanthropic investments) and about previous accelerator program participation. By analyzing impact measurement usage across the ranges of these variables, as well as venture age, we shed some light on the types of ventures that are more likely to report measuring their impacts and how.

³ Respondents were able to select multiple impact measurement approaches so these categories should not be considered mutually exclusive and do not add up to 100.

Philanthropy

We first look at impact measurement differences among ventures based on whether they received some philanthropic or grant funding. **Over half the ventures with some philanthropic funding report measuring their impact in some way (i.e. with IRIS, B Impact Assessment or some other approach).** This compares with only 33% among those who received no prior philanthropic funding, a highly significant difference at the $p < .001$ level. A similar pattern is seen across adoption rates of IRIS, B Impact Assessment and Other Measurement Approaches as well (Figure 2).



* Significant at the $p < .10$ level. ** Significant at the $p < .05$ level, *** Significant at the $p < .001$ level

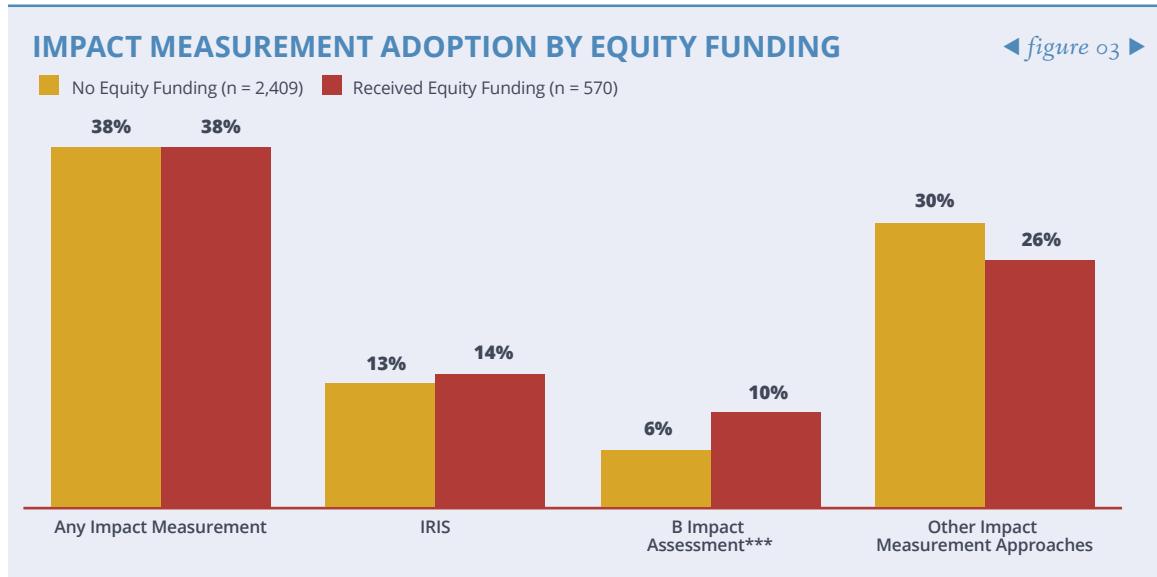
The IRIS and B Lab Approaches

IRIS is a catalog of generally accepted performance metrics that leading impact investors use to measure social, environmental, and financial success; evaluate deals; and grow the sector’s credibility. Developed to increase the transparency and credibility of the impact investing industry, IRIS provides a common language for communicating results. The IRIS initiative also collects IRIS-aligned performance data from organizations around the world to support industry-wide benchmarking and analysis.

The B Impact Assessment is a free, confidential tool developed by B Lab to help any for-profit business measure and manage their social and environmental impact. It is also the standard used to provide B Corp certification and GIIRS ratings. The BIA provides a comprehensive and rigorous assessment of a company’s impact, looking across their Operational Impact (commonly referred to as ESG) and their Business Model Impact (products/services and target beneficiaries).

Equity Funding

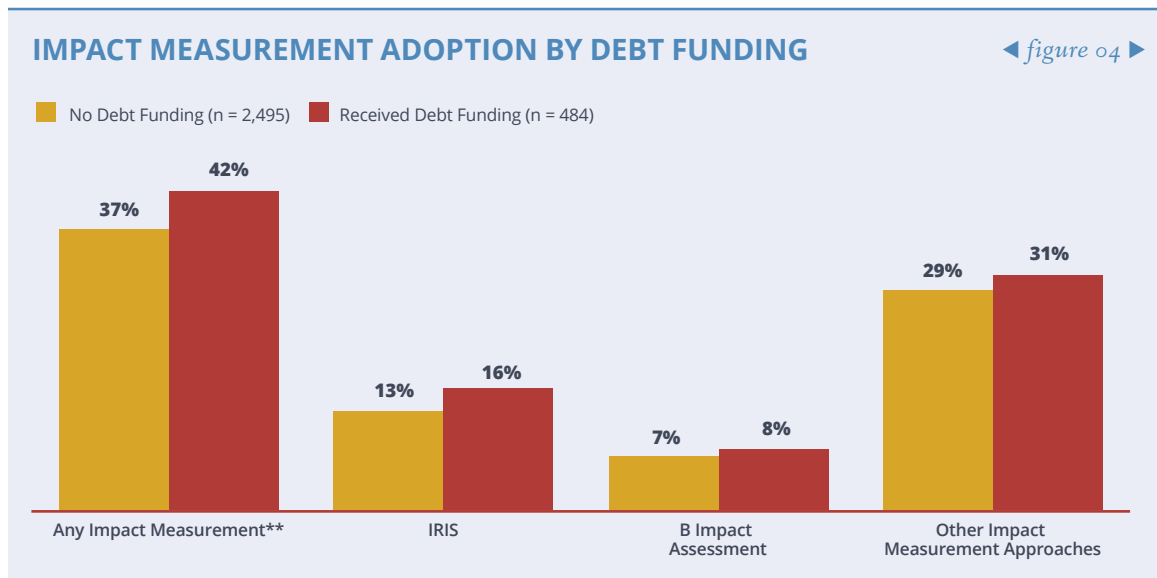
When comparing ventures with and without prior equity funding, a different picture emerges. Impact measurement adoption in general is very similar in each sub-sample, as just 38 percent of ventures with and without equity funding measure their impact in some way. We see slight variation, however, when looking at differences based on measurement type. For instance, ventures with prior equity funding report using the B Impact Assessment more often than those without, ten percent versus six percent respectively. However, other differences are not statistically significant (Figure 3).



* Significant at the p<.10 level. ** Significant at the p<.05 level, *** Significant at the p<.001 level

Debt Funding

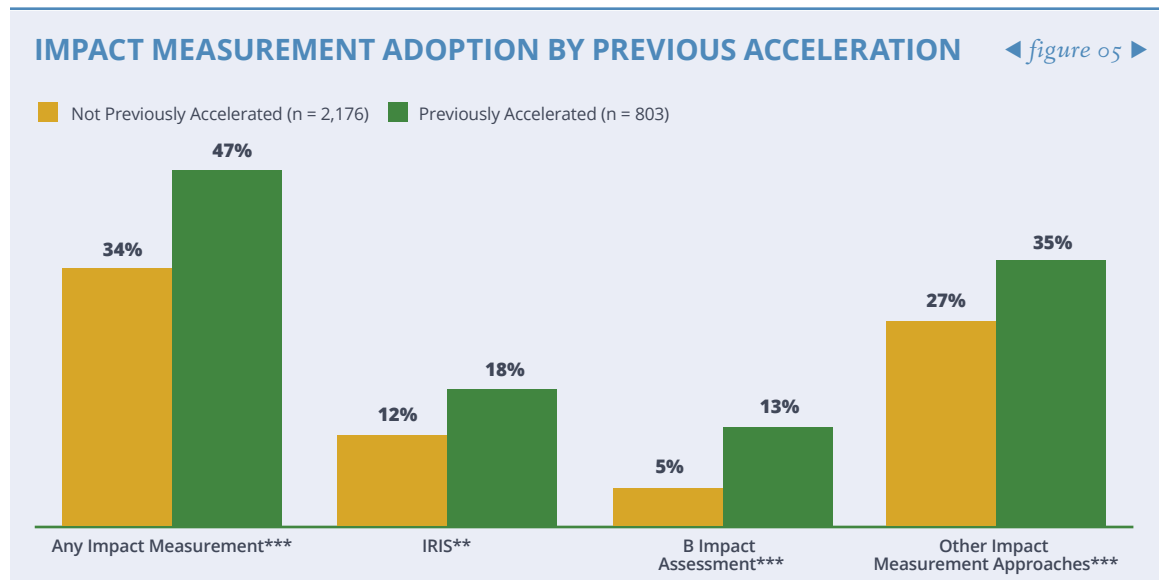
The final funding category that we consider is debt funding (Figure 4). Here, we see that ventures with some prior debt funding are somewhat more likely to measure their impact, 42 percent versus 37 percent for those with no prior debt funding. However, when looking across specific measurement approaches, we see no statistically significant differences.



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Prior Experience with Accelerator Programs

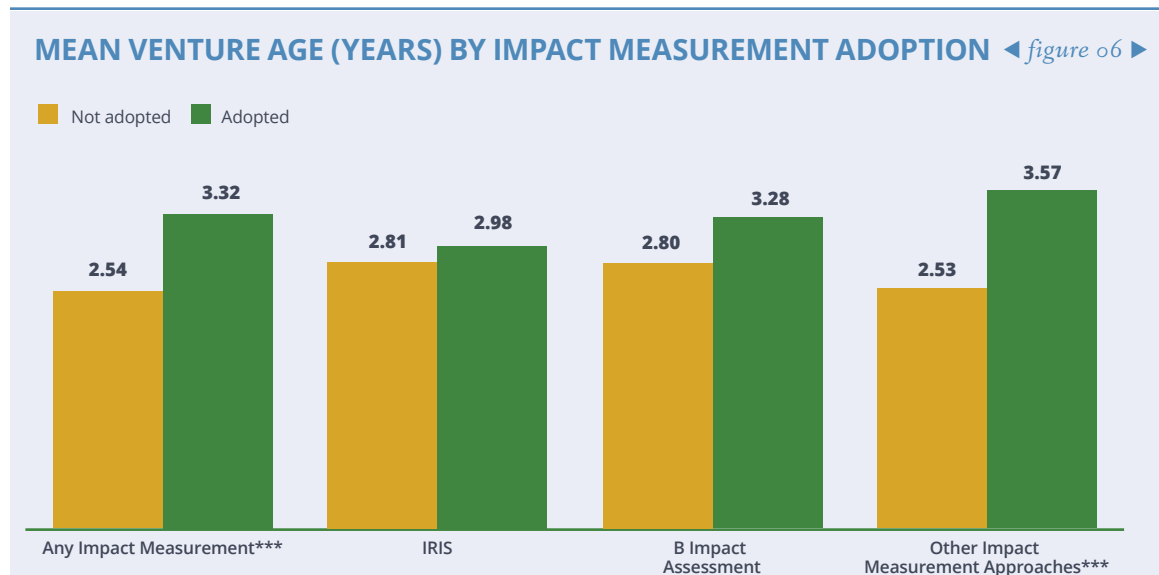
Another potential consideration for understanding the drivers of impact measurement is whether a venture has previously participated in an accelerator program. Our next graph (Figure 5) clearly shows that ventures with prior accelerator experience are more likely to measure their impacts. **Roughly 47 percent of ventures that had already participated in an accelerator program measure their impact, compared to only 34 percent for those yet to be accelerated.** This pattern is consistent when we break down the data by measurement type, with considerable differences observed in the adoption of IRIS, B Lab, and other measurement approaches.



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Venture Age

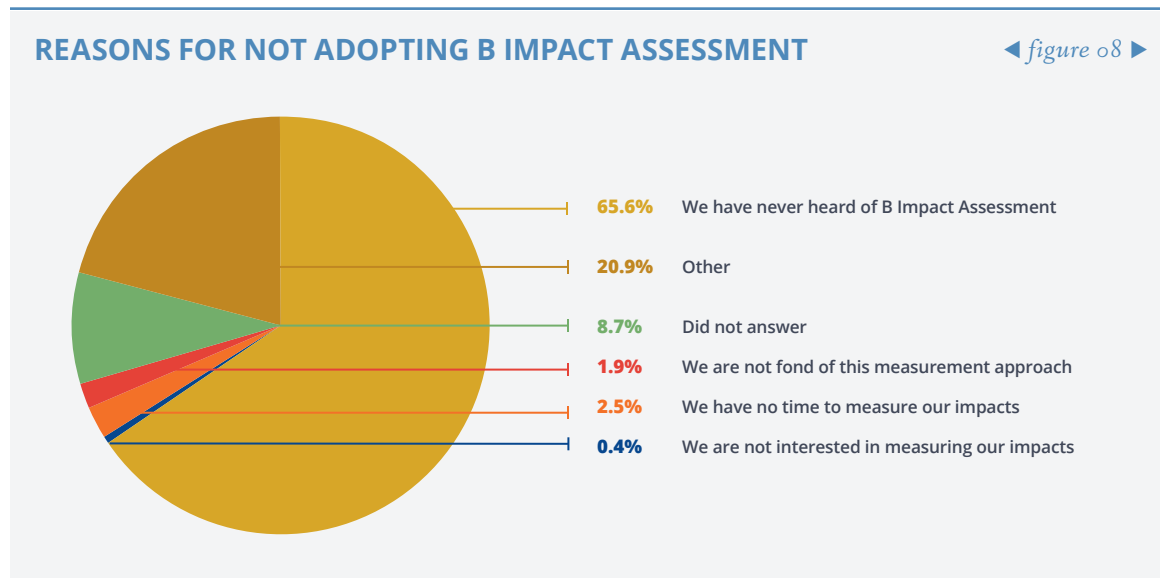
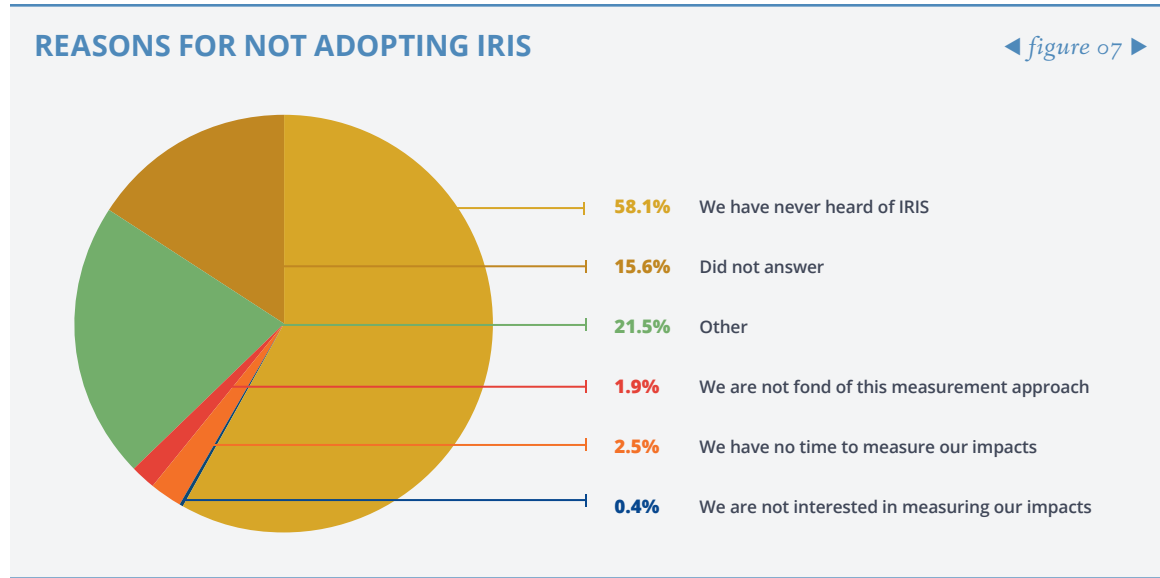
One may wonder whether these different effects are partially due to the age of the venture when they entered our database. Here, we look at the average age of the sampled ventures based on their reported measurement practices (Figure 6). Ventures that measure their impacts are slightly older on average than those that do not; 3.3 years versus 2.5 years respectively. It is interesting to note that among ventures that do measure impacts, those that use IRIS are the youngest (at roughly 3.0 years) while those that use other measurement approaches are the oldest (at roughly 3.6 years).



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Reasons for not Adopting IRIS or B Lab

Before reviewing the other measurement practices reported in our data, it is important to consider why these young ventures are not using IRIS or B Lab approaches. We asked entrepreneurs to select a reason for not adopting these methods and found a lack of awareness to be the general reason for non-adoption. **Nearly 60 percent of entrepreneurs in our sample said they had never heard of IRIS, and nearly two-thirds said they had never heard of B Lab (Figures 7 & 8).** Very small percentages of ventures said that they had either no time to measure their impacts, were not interested in measuring their impacts, or were not fond of that particular method.



A First Look at Other Common Measurement Approaches

Lastly, we take a closer look at the “Other Impact Measurement Approaches” referenced in the graphs above. For entrepreneurs who reported using an approach other than IRIS or B Lab, our survey followed up by asking them to describe their measurement practices. These answers varied widely, ranging from regular business performance tracking to donor-designed monitoring and evaluation tools.

To make sense of this diversity of responses, we examined the text responses and captured the most common answers. First, we excluded any responses that (a) referred to future intended practices or (b) were not detailed enough to categorize (e.g. “internal” and “research and data”). Next, we allowed each response to be included in up to three categories, so for example if a venture measures changes in household income through a survey, that response would be fall under “Indicators” and “Surveys”.

Table 1 lists the most common types of responses and examples of specific practices included in each group.

APPLICANT POOL CHARACTERISTICS

◀ table 01 ▶

CATEGORY	EXAMPLES
Analytics	General data collection; Google Analytics; Financial indicators
Evaluation	Impact assessments; Monitoring and evaluation, External evaluators
Mission-Specific Indicators	Specific social impact indicators, such as ‘farmer revenue’ or ‘employment rates’
Standards	International Organization for Standardization (ISO); Social Return on Investment (SROI); Environmental Impact Assessment; Other government or sector standards
Surveys	Qualitative and quantitative questionnaires and surveys

Most of the responses fall into an “Analytics” category, which includes a range of methods that track business performance data. Mission-Specific Indicators also covers a considerable range of responses, including any measurable indicators of social impact. Interestingly, the Standards category, which captures other currently-accepted measurement approaches, is relative rare. When seen alongside the low uptake of the IRIS and B Lab approaches, our data are clearly painting a picture of a sector in its infancy when it comes to impact measurement.

What Does this Mean?

These data highlight important differences in enterprise characteristics when it comes to emphasizing social impact measurement. So far, it seems clear that ventures that measure impacts are more likely to have received grant funding in the past and somewhat more likely to have received debt funding. We also find that impact-measuring ventures are on average older and more likely to have been through an accelerator program in the past.

So what does this mean for investors, accelerators, and entrepreneurs? While the analysis provided in this brief offers only a preliminary look into impact measurement among early-stage ventures, it should shed light on some areas for deeper consideration:

1. Our data suggest that early-stage social enterprises are largely unaware of IRIS and B Impact Assessment. While this is understandable given that these approaches were developed for use by impact investors, there may be an opportunity to educate early-stage entrepreneurs about these options so that they are better aligned with potential sources of investment at later stages of their development.
2. We see that in our sample older ventures are more likely to measure their impact. Moving forward, it will be helpful to examine whether younger ventures are less aware of impact measurement practices or whether they are too early-stage to have any measurable impact.
3. Ventures in our sample that have received philanthropic funding or have been previously accelerated are also more likely to measure their impact. Future research could examine whether this means donors and accelerators are a platform to promote impact measurement practices or if they are in fact more likely to support entrepreneurs that measure their impact.

We hope these insights allow for a better understanding of impact measurement practices among early stage ventures. As we continue to collect data, we will address more questions about trends in the field of entrepreneurship and acceleration.

Global Accelerator Learning Initiative

The Global Accelerator Learning Initiative (GALI), a collaboration between ANDE and Emory University, is designed to explore – and answer - key questions about enterprise acceleration such as: Do acceleration programs contribute to revenue growth? Do they help companies attract investment? GALI builds on the Entrepreneurship Database Program at Emory University, which works with accelerator programs around the world to collect and analyze data describing the entrepreneurs that they attract and support. These data also provide an opportunity to explore interesting questions around early-stage entrepreneurship, such as the topic discussed here.



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To learn more about GALI, please visit www.andeglobal.org/accelerators.