

## Common Approach to Impact Measurement: Four Community-Driven Flexible Standards for More Interoperable Impact Data

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### ABSTRACT

Common Approach to Impact Measurement (Common Approach) is a set of four flexible impact measurement standards designed to empower charities, nonprofits, coops, social purpose businesses (collectively referred to as social purpose organizations or SPOs), and those they serve to identify which impacts are most meaningful. These standards are not designed to make measurement more rigorous or more accurate; rather, they make measurement more useful and interoperable, and, eventually, more attuned to the priorities of those impacted.

### RÉSUMÉ

L'approche commune pour mesurer l'impact (Common Approach) comporte quatre critères flexibles de mesure d'impact conçus pour autonomiser les organismes de bienfaisance, les organismes sans but lucratif, les coopératives, et les entreprises ayant une mission sociale (désignés collectivement sous le nom d'organismes à vocation sociale ou OVS) et ceux qu'ils servent afin d'identifier les impacts les plus significatifs. Ces critères ne sont pas conçus de manière à rendre les mesures plus rigoureuses ou précises; ils rendent plutôt les mesures plus utiles et interoperables et, finalement, plus sensibles aux priorités des personnes concernées.

**Keywords / Mots clés :** impact measurement, standards, social purpose organizations / mesure d'impact, critères, organismes à vocation sociale

### INTRODUCTION

The central problem Common Approach seeks to solve is how impact data can be aggregated and shared without requiring all charities, nonprofits, and social purpose businesses to adopt uniform metrics. Solving this problem is important. It will allow charities, nonprofits, and social purpose businesses to focus their efforts on the measures of impact that are most relevant to them and those they serve rather than aligning their measures with funder priorities, investors' measures,

and collective impact initiatives. Common Approach envisions a social innovation and social finance ecosystem where each social purpose organization measures what is most relevant. Common Approach's four flexible standards are designed to enable the data interoperability required for sharing and aggregating relevant measures.

### **Prior research and theory: Why we do what we do and why we think it will work**

Flexible standards may seem like a paradox, but most widely adopted standards are flexible. As Timmermans and Epstein (2010) note in their review of standard setting, "a recurring surprising finding is that loose standards with great adaptability may work better than rigidly defined standards...The trick in standardization appears to be to find a balance between flexibility and rigidity" (p. 81). Many people are surprised to learn that accounting standards are an example of a flexible standard (Cole, Branson, & Breesch, 2012; Mennicken & Power, 2015). Research argues that flexible accounting standards are more informative (Hann, Lu, & Subramanyam, 2007) and comparable (Dye & Verracchia, 1995; Merino & Coe, 1978) than rigidly uniform ones. It is not just that flexibility is good, it is that total uniformity is harmful. Uniform indicators undermine the organization's autonomy to measure what matters (Baur & Schmitz, 2012). Uniform indicators undermine stakeholders' ability to articulate impact in their own terms (Gray et al., 1997; Brown & Dillard, 2015). Uniformity can thwart innovation (Campbell, 2002). Flexible standards, it turns out, are better for both the organizations and their funders.

Social impact measurement, however, remains polarized between flexible approaches that emphasize tailored indicators and uniform approaches that seek to create shared indicators. The advantage of tailored indicators is relevance to context. Indicators that are designed to reflect context allow for better organizational learning and innovation. Today, most organizations use these flexible approaches. The challenge is that bespoke indicators make it difficult to communicate impacts at a network and portfolio level. The challenge of communicating impact at network and portfolio levels has been addressed by creating very uniform standardized indicators. Examples include indicator banks (Wadia & Parkinson, 2011), as well as the Urban Institute's Outcomes Project, the United Nation Sustainable Development Goals (SDGs) Global Indicator Framework, IRIS+, and Global Reporting Initiative and Collective Impact initiatives (Kania & Kramer, 2011).

Common Approach is developing a middle ground that solves this polarization.

### **The Common Approach: Four community-driven standards**

The Common Approach consists of four standards: the Common Framework, the Common Impact Data Standard, the Common Foundations, and the Common Form. The first standard, the Common Framework, allows for an organization to choose the measures it finds to be the most meaningful, and its funders, collaborators, and networks can aggregate those measures. It works by aggregating indicators that are similar but not identical. A framework is difficult to create and sustain when indicators are shared using documents, spreadsheets, and PDFs. To accomplish the aggregation of dissimilar indicators, it is necessary to have the impact data (outcomes and indicators) as well as data about the data (method, date collected, source data, stakeholders, location etc.). That is the role of the Common Impact Data Standard.

The Common Impact Data Standard is a data ontology, or a structure, for organizing impact data. The standard makes it easy for software to share impact data, including all the related data (method, stakeholders, etc). Social purpose organizations (SPOs) implement this standard by using aligned software. The Common Impact Data Standard does not require SPOs to collect more data. It simply provides a structured way to record data that organizations already have—assuming their impact measurement practices meet the minimum criteria of the Common Foundations.

The Common Foundations outline the five essential practices that are common to many impact measurement tools and frameworks and based well established prior work (Social Impact Investment Task Force, 2014; Common Approach, 2021). They are designed to be a minimum standard. Rather than defining gold-standard or excellent impact measurement, Common Foundations are a relatively low bar that must be cleared. The purpose is to give social purpose organizations freedom to choose the tools and frameworks. Any tool or framework that includes these five practices meets the Common Foundations: 1) describe the intended change, 2) use performance measures, 3) collect useful information, 4) gauge performance and impact, and 5) communicate and use results. Any organization that is doing these practices has the impact data to begin using the Common Impact Data Standard and the Common Framework.

The Common Form represents basic data about the social purpose organization such as the name of the organization and the organization's identifying number (business ID or tax number), address, size, and location. This information must be collected and shared alongside the impact data for two reasons: it helps to identify the organization that is sharing the data and it provides contextual details to support analysis of the data.

### **Standards are communities, not documents**

Common Approach believes that standards are communities, not documents. That means the quality of a standard is defined more by the qualities of the community of users than by the quality of the technical specifications. Every standard is in constant need of refining and updating. Standards remain relevant when they have an engaged community of users committed to ongoing refinement. Common Approach focuses on building that community and governance processes.

The Common Approach is still very much a learning experiment. It began as an idea in 2017, emerging from community-based consultations held by Ontario's Social Enterprise Impact Measurement Task Force (2017). It was funded as a project of Carleton University in 2018 as a coalition of community partners. In 2021, Common Approach became its own entity with a community-connected board of directors and committees of community members to guide the standards forward. The work is intentionally slow, in order to build community and trust.

### **What do we know, what do we not know?**

The Common Approach standards have been tested individually and in simulations. However, much like how a telephone is only useful if the people you want to talk to also have a telephone, the Common Approach is only useful if the organizations one wishes to share impact data with have also adopted the Common Approach standards. In October 2022, Common Approach launched the Pathfinder Pilot, which will test all four standards within three networks of social purpose organizations that wish to share and aggregate their impact data without adopting uniform measures.

The Common Framework has previously been tested using indicators articulated by SPOs. These studies demonstrated how a Common Framework might have been created with those indicators (Common Approach, 2019; 2022a). Because the studies were based only on impact data (indicators) but did not use the Common Impact Data Standard (none of the associated data), the study lacked insight into the degree of similarity among dissimilar indicators, which means the usefulness of the resulting framework could not be assessed.

The Common Impact Data Standard has been implemented by six impact measurement software. This tells us that the data standard can be adapted to the backend of existing impact measurement software. Combined, these six software have over 2000 users. This means that 2000 SPOs are using the Common Impact Data Standard, although many do not even know it. Fox and Ruff (2021) showed that the Common Impact Data Standard allowed impact measurement to be represented digitally in a way that facilitated the development of a Common Framework. A subsequent study based on published impact reports showed that the Common Impact Data Standard is able to represent most of the content in the reports. It could represent outcomes, metrics and indicators, descriptions of those served, and location. It could not represent descriptions of the problem. Findings from that study have led to the development of version 2.1 (Common Approach, 2022b), which, at the time of writing, is under public review.

The Common Foundations has been tested through interviews with those who have completed the Common Foundations self-assessment and analysis of their self-assessments.<sup>1</sup> To date, 161 SPOs have taken the self-assessment. Of these, 48 answered “yes” to all questions, indicating that they meet the minimum essential practices (on average, SPOs answer “yes” to 74 percent of the questions). These interviews, along with community input, led to revisions resulting in version 2 of the Common Foundations.

### **What are the expected outcomes?**

Common Approach strives to enable a new kind of impact data interoperability that replaces the need for uniform measures. Doing so will help to create a social innovation and social finance sector that prioritizes the impact measurement needs of social purpose organizations over the needs of funders without disregarding fund-level and network-level measures. If achieved, decision-making by policymakers, foundations, and investors will be driven by metrics that are grounded in community priorities. This means they are able to better reflect the voices and priorities of the people and ecosystems that grantmakers and social finance seek to serve. This shift in power to the social purpose organization, and those they serve, is crucial to enabling a more equitable, sustainable world.

### **NOTE**

1. The Common Foundations self-assessment is available at <https://www.commonapproach.org/foundations-self-assessment/>

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