

# **Transformative Evaluation and Impact Investing**

**Key results from sector-wide research**

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## AUTHORS

**Courtney Bolinson** is an independent evaluation consultant specializing in impact investment, systems evaluation, and transformative evaluation. She was the Impact Evaluation & Learning Manager at Engineers Without Borders Canada during this project.

**Engineers Without Borders Canada** (EWB) is a registered non-profit organization that invests in people and ideas to tackle the most crucial causes of poverty and inequality in Sub-Saharan Africa. Bolstered by its network of 32 chapters and over 1000 members, EWB provides seed funding, talent and mentorship to social entrepreneurs throughout Sub-Saharan Africa. EWB's advocacy work focuses on increasing Canada's aid effectiveness by equipping young Canadians with the skills to inform the public and engage with Canada's political leaders. For more information, visit [www.ewb.ca](http://www.ewb.ca).

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## CONTACT

Engineers Without Borders Canada  
[info@ewb.ca](mailto:info@ewb.ca)  
+1 416-481-3696  
[www.ewb.ca](http://www.ewb.ca)



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# SEED COACHING

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# LIST OF ACRONYMS

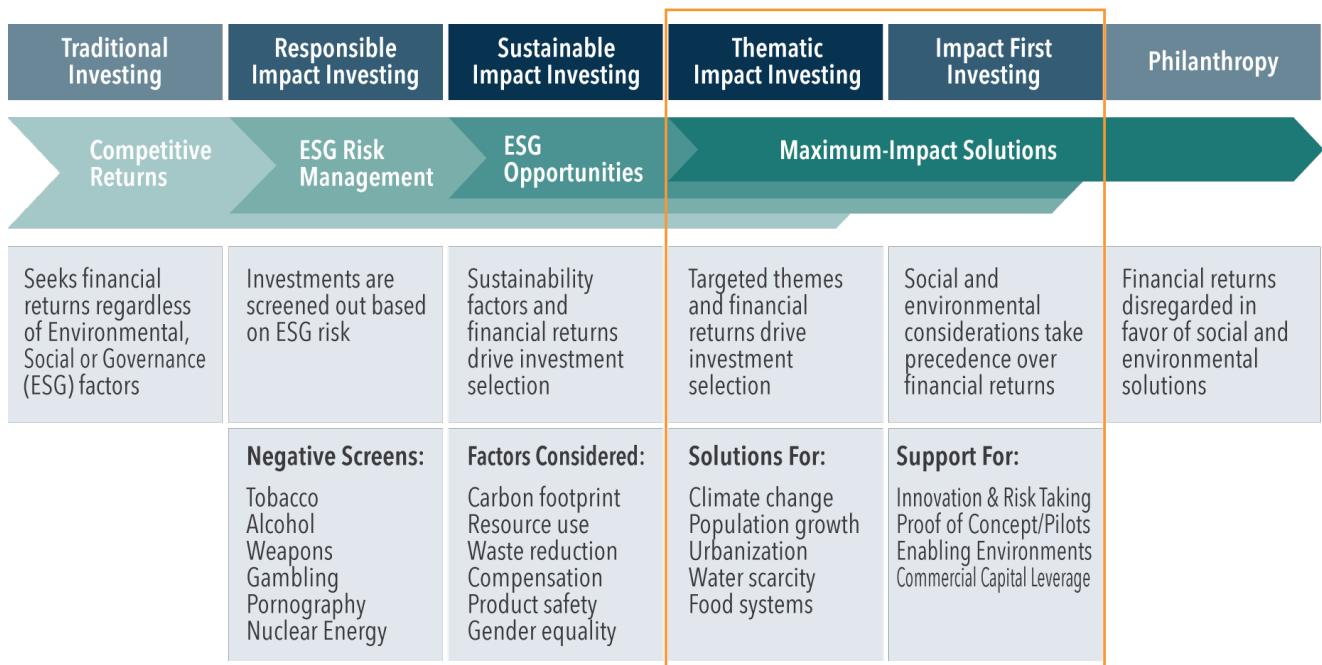
- ANDE** - Aspen Network of Development Entrepreneurs
- B2B** - Business to business
- B2C** - Business to customer
- EWB** - Engineers Without Borders Canada
- GQ** - Guiding question
- LAC** - Local advisory committee
- RCT** - Randomized controlled-trial
- TE** - Transformative evaluation

# FOREWARD

There is a broad spectrum of scales involving investment and stages of enterprises that fit under the title "impact investment."

All share the same aim of generating positive impact for people and the planet. Much has been written and established in the impact standards of institutional investors - the large scale end of the spectrum. Much less available is the ability to navigate and make sense of impact at the early stages of entrepreneurship.

The focus of this study is with impact investments made in seed-stage social startups: the earliest stages of the entrepreneurial journey. The primary audiences for this report are those who conduct or commission impact measurement activities aiming to maximize the impact of their investments (especially as it applies to the end beneficiaries), businesses and investors focusing on social justice and human rights, seed-stage social entrepreneurs, and investors or funders focused on maximum-impact solutions (see Sonen Capital investment spectrum below).



Sonen Capital: <http://www.sonencapital.com/impact/methodology/>

Transformative evaluation (TE) came onto our radar because it was highly aligned with EWB's core value of putting beneficiaries first in everything we do. Applying a transformative lens to the social impact measurement of our seed-stage portfolio seemed like a natural fit, but we couldn't find guidance on how to do it well. We decided to start to fill this gap with a multifaceted study on the opportunities and challenges with applying TE to impact investing. Thanks to the ANDE Catalyst Fund for Impact Measurement grant, we were able to pilot TE with one of our seed-stage investees, complete a metaevaluation of the pilot, conduct sector-wide research on the potential for TE, and build an introductory toolkit.

We are excited to share what we learned from the metaevaluation and sector-wide research in this report, and hope that the information will be used by investors, entrepreneurs, and others to determine the situations in which aspects of TE would be appropriate and useful in their own social impact measurement and management efforts. At the same time, this report should be understood as nascent research. There is much more to be tested and understood regarding the use of TE in impact investing. Toward the end of the report, a section on further research provides specific guidance on where to go from here<sup>1</sup>. We hope others in the sector will feel inspired to pick up the torch and contribute to this body of knowledge.

<sup>1</sup> Some of the recommendations have already been implemented in the companion publications to this report: *Using Transformative Evaluation in Impact Investing: A Case Study With Engineers Without Borders Canada and M-Shule*, and *A Transformative Evaluation Toolkit for the Impact Investing Sector: How entrepreneurs and impact investors can deepen their data collection*. Both can be downloaded on the [EWB website](#).

# EXECUTIVE SUMMARY

This report presents findings from EWB's research into TE and impact investing.

The results came from a metaevaluation of a TE pilot, a sector-wide survey (152 responses), and follow-up interviews with sector stakeholders (12 interviews). The goal of the research was to investigate the potential for TE to solve some of the data challenges faced at the seed-stage, and to learn what TE could potentially offer the impact investing sector. A case study and TE toolkit are companion publications to this report, and can be found on the EWB website.

## METAEVALUATION

EWB implemented a pilot TE with M-Shule, a social enterprise in Kenya and one of EWB's investees. Following the pilot, EWB implemented a metaevaluation to learn about TE in the impact investing sector and the degree to which it can generate value for end beneficiaries, based on EWB's experience with M-Shule.

### **Implementation**

- There were 8 main steps followed in implementing the TE: self-reflection, hiring a local evaluation team, conducting a contextual analysis, building relationships, focusing the evaluation design, collecting data, conducting data analysis and co-interpretation, and reporting results for utilization and transformation.
- TE capacity-building of the evaluation team and M-Shule, contextual analysis, relationship-building, and reciprocity were key aspects of the TE implementation.
- Elements of the TE pilot that made it different from a conventional evaluation were inclusion of marginalized constituencies and involvement of a local advisory committee in evaluation design, implementation, interpretation of data, and reporting.

### **Results for M-Shule (social enterprise)**

- The data collected was similar to what M-Shule already collected during regular customer engagement, but more rigorous, and with an emphasis on a greater diversity of stakeholders, including those most marginalized.
- The TE increased social justice because M-Shule used the evaluation results to improve their product and services for marginalized beneficiaries.

- The TE successfully validated data M-Shule had already collected, provided data that could help them refine their business strategy, prioritize product improvements, and refine the product, provided an alternative form of impact measurement that was more attainable than other methods, and improved M-Shule's relationship with its stakeholders.
- Ultimately, the TE helped M-Shule decide to pivot from a B2C model to a B2B one.
- Challenges faced during the TE included the length of the process, the expertise needed to conduct the evaluation, and the cost.

### **Results for EWB (impact investor)**

- The evaluation results enabled the portfolio manager responsible for M-Shule to more effectively check in and provide tailored support.
- Going forward, a holistic TE approach might not make sense for the EWB investment team, as they must balance cost, internal capacity, and actual value generated with impact measurement approaches. More pilots are needed to better understand the value and practical application of TE at a portfolio level.

## **SURVEY**

To supplement the direct learnings about TE via the pilot with M-Shule, EWB conducted a survey of sector stakeholders to gain an understanding of the current perception of TE, including the perceived opportunities and challenges with using TE in an impact investing context. Five key TE principles were presented in the report:

1. Social justice and reciprocity
2. Cultural respect
3. Stakeholder engagement
4. Problem identification and issues of power
5. Contextual analysis

There were 152 complete responses to the survey. The main stakeholder groups that responded to the survey were investors, intermediaries, evaluators, and consultants.

### **Key findings**

- A majority of respondents said they *definitely* or *probably* would consider using TE principles in their work.
- Many intermediaries, evaluators, consultants, funders, and networks are already applying TE principles in their work.

- Investors primarily thought TE could be applied during the pre-investment and investment selection stages.
- Entrepreneurs primarily thought *cultural respect and inclusion* could be incorporated during the initial business development stage, stakeholder engagement and participation could be incorporated during the “validating and proving out the business model” stage, while *contextual analysis, social justice and reciprocity* could be incorporated during the scaling stage.
- A majority of respondents saw potential challenges with using TE principles in impact investing, including time, resources, capacity, stakeholder uninterest in participating, a lack of standards for application, and uncertainty regarding how to practicalize TE for the impact investing context.
- Respondents weren’t sure what TE has to offer that is distinct from human-centred design, Social Value International (SROI), and the Impact Management Project (five dimensions).

## INTERVIEWS

Follow-up interviews from the survey were conducted with 12 stakeholders, including one accelerator, two consultants, one entrepreneur, two evaluators, one funder, one intermediary, three investors, and one network.

### **Key findings**

- Potential uses of TE include increasing cultural understanding and responsiveness, elevating stakeholder perspective and input, increasing understanding of social impact, and revealing unintended outcomes.
- TE can be potentially applied to impact metric selection, human-centred design principles, product development, business scaling, due diligence, co-creation of investment strategies, and understanding power dynamics in investment situations.
- Interviewees thought TE could be useful at the seed-stage because it is an alternative to costly quantitative studies, like RCTs, and it provides important data for seed-stage purposes.
- Perceived challenges include getting stakeholders on-board and involved, cost, lack of commitment to impact by investors, lack of internal expertise in TE, and TE’s academic-sounding name.
- Perceived alignment of TE and impact investing includes a similarity to human-centred design, examples of entrepreneurs already applying TE principles, and the shared aim of serving marginalized populations by both TE and impact-focused impact investing stakeholders.
- Perceived misalignment of TE and impact investing includes the need for standardization, current sector focus on metrics, high cost of TE, and the lack of familiarity and acceptance of qualitative methods as rigorous in impact investing.

- Suggested adaptations of TE to the impact investing context include matching TE to industry standards, aligning TE with business and investment frameworks, articulating TE in terms of the business case, right-sizing TE for capacity of businesses, and making adaptations for large institutional investors.

## KEY DISCUSSION POINTS

### **The potential of TE**

- The metaevaluation showed evidence that TE enables the meaningful inclusion of a wider range of customers and beneficiaries during an impact measurement and management process.
- The surveys and interviews provided evidence that a variety of impact investing stakeholders are already applying TE principles and getting benefit from them.
- Survey and interview respondents felt TE is unique in that it makes culture and context an explicit part of the customer engagement process where it otherwise may not be present.
- High percentages of survey respondents who would consider applying each of the principles in their work points to an acceptance of the group of the values behind the TE principles.
- Respondents suggested that currently, TE would be most successful with mission-focused investors and entrepreneurs, and “impact-first” investors.

### **The challenge with TE**

- The TE pilot did not provide M-Shule with much new information about their customers.
- Survey and interview respondents felt that entrepreneurs and investors may not have the expertise, capacity, or resources to do this type of impact measurement. The metaevaluation provided evidence of this.
- Cost is potentially a major barrier to the use of TE, and it is unclear who should pay for it.
- TE is relatively unknown in the impact investing sector, so applying it will require capacity-building. This takes time and may be a barrier to using TE.
- The M-Shule pilot took close to a year. If all versions of TE take a similar amount of time, the data provided back to a business may no longer be relevant, or they may have already started addressing different problems.
- Survey and interview respondents raised potential challenges that are both practical (and readily addressed) and ideological.

### **The seed stage**

- The metaevaluation showed evidence that TE addresses the seed-stage challenge of conducting impact measurement without longitudinal quantitative data.
- In the M-Shule case, the data provided to M-Shule contained a broader diversity of stakeholder perspectives and led to strengthened relationships between M-Shule and their customers. Both of these are critical for a seed-stage business.
- Based on the metaevaluation results and concerns raised by survey and interview respondents, in its current form, TE does not solve the seed-stage challenges of limited financial resources, limited capacity, and limited evaluation expertise.

## **KEY CONCLUSIONS**

- What is special about TE is that it makes a focus on social justice explicit.
- For TE to be widely implemented beyond an initial group of maximum-impact investors, a very clear business case for focusing on social justice needs to be made as it relates to an investor's or entrepreneur's bottom line
- TE can be used throughout various business and investment stages, such as impact measurement and management, solidifying a business idea or looking to scale to new markets, or developing impact strategies. This supports the idea that by utilizing evaluative thinking throughout a business or investment process, investors and entrepreneurs will be better positioned to learn, adapt, and make sharp decisions leading to greater social and financial returns.
- TE contributes a social justice option to the evaluative approaches available for impact measurement.
- For those investors and entrepreneurs that are strongly mission-focused, TE is a tool for them to stay accountable to those social justice values all along the way. For seed-stage entrepreneurs and investors, TE solves some of the key challenges faced, while leaving others unaddressed, at least in its current form. For everyone else in the impact investing sector, additional case studies and research will be needed to demonstrate the value and applicability of TE.

## KEY NEXT STEPS

- Additional case studies and examples, including for gender-lens investing, applying TE with different types of investors and at different scales of investment, and applying TE at different stages of a business should be developed.
- Clearer evidence of the financial impact of TE for investors and entrepreneurs should be provided.
- An explanation of how TE fits with current impact measurement standards, tools, and methods, such as the IMP five dimension and IRIS+ should be provided.
- A description of how to make TE cost effective, efficient, and scalable should be provided.
- Templates, question sets, and other applied tools should be developed.
- Standards, or clarity around what is “good enough” should be articulated.

# BACKGROUND

# BACKGROUND

## THE PROBLEM

Like most impact investors, EWB has been working to design a social impact measurement process that enables us to understand the social returns of our investments. As a seed-stage investor, we face many challenges, which we know are not unique. For example, many of our investee businesses are so new that they have not generated much data at a household or community impact level. We find ourselves challenged to design evaluations at this stage that provide evidence of portfolio-level impact before longitudinal or other data is available. Our investees also have limited financial resources, capacity, and expertise to design and implement social impact measurement effectively.

There are few sectoral resources, studies, and discussions regarding evaluating investments in specifically seed-stage social enterprises. Yet, at such an early stage, seed-stage businesses are in the unique position to pivot and iterate on their business models to improve their products and create greater social or environmental impact. Effectively understanding early-stage impact is necessary for catalyzing these game-changing pivots. For all of these reasons, it is important for us, as a community, to find an evaluation methodology that works for the seed-stage.

## A POTENTIAL SOLUTION

Over the past year and a half we have explored the potential for TE to address some of the seed-stage challenges. **TE is a branch of program evaluation that intentionally engages beneficiaries, especially from marginalized groups, throughout the entire evaluation.** TE is a philosophical approach, lens, and process that involves a number of principles that emphasize social justice. The approach helps identify, understand, and reveal multiple, unique experiences with a product, or program. The principles of TE and the methodological implications of these principles are displayed in the following table.

PRINCIPLES OF TRANSFORMATIVE EVALUATION	
PRINCIPLE	METHODOLOGICAL IMPLICATIONS
1. Incorporation of the intent to advocate for an improvement in human rights and social justice through addressing issues of power and establishing respectful relationships.	The importance of understanding that the current socio-economic status, societal structures and political institutions discriminate against some groups and benefit other groups. Evaluation methods are structured to address power differences. Examples of these systems are racism, sexism, ableism, heterosexism.
2. Reciprocity, or designing the evaluation to enhance benefits for the community.	Evaluations need to be structured to support transformative action; strategies to support this include inviting stakeholders to participate throughout the evaluation (e.g., help identify the problem and relevant contextual factors) and interpretation of results with a focus on transformative action. This includes setting goals to benefit the community.
3. The evaluation methodologies are responsive to and supportive of communities that may be marginalized, underrepresented or vulnerable.	The evaluation methods are selected based on relevant intersectional perspectives and needs from marginalized communities such as women, LGBTQ, low-income families, children, people with disabilities, etc. Mixed methods are generally recommended.
4. The evaluation contributes to increased social, economic and environmental justice.	The evaluation contributes to the identification of economic development strategies that incorporate both social and environmental justice. For instance, economic development projects consider the impact on the environment and social justice in the form of who causes pollution and who suffers from pollution.
5. The evaluation should promote cultural respect.	The evaluation understands, respects and takes into account the values and beliefs of the communities, such as language, social group, institutions, etc. It should be designed to challenge norms and beliefs that sustain an oppressive status quo.
6. Evaluation engages stakeholders in dialogue and encourages a democratic role for participants.	Stakeholder contribution, participation and relationship building are encouraged and highly valued.
7. Literature review includes discussions of diversity. Problem identification and contextual analysis should go beyond literature review to engage with stakeholders in respectful ways.	The literature review includes a diversity of sources. The literature should be rich and have a variety of approaches. For instance, the use of Western and non-Western authors, as well as articles from developing and developed countries. Personal interactions are also sources of knowledge that are valued.
8. Evaluation includes a contextual analysis and needs assessment.	The contextual analysis and needs assessment actively identify and characterize power dynamics, diversity, cultural context, history and systems of oppression.
9. Utilization of evaluation results.	The results must be utilized for transformative purposes. For instance, for policy change, to refine an intervention and/or to improve and expand relationships.

There are numerous reasons why we felt TE could be a good fit for the impact investing sector, especially at the seed stage. The business case for stakeholder engagement in impact investing has been clear from the beginning: businesses are more likely to succeed if the product has been tested and adapted to respond to customer needs. Experienced investors (impact-focused or not) are unlikely to invest in a startup that cannot demonstrate evidence of user engagement in their product design. **TE ensures that a wider range of customers, including those who are most marginalized, are involved in the feedback and testing process.**

In addition, much work has been done to develop impact investing best practices for stakeholder engagement that supports with impact measurement as well as the more familiar product design user testing. Leading organizations in the sector have worked to develop resources that support impact measurement and management to not be extractive, and to create value for end beneficiaries. For example, Lean Data (60 Decibels) “puts the voice of the customer at the heart of impact measurement,” the GIIN recently published a how-to guide for using IRIS+ to incorporate stakeholder voice, the language of the Impact Management Project’s five dimensions of impact refers directly to stakeholder experiences with outcomes, Social Value International recently published a supplemental guide on stakeholder involvement in SROI, and the World Economic Forum published an in-depth guide to engaging all affected stakeholders<sup>2</sup>.

**TE fits nicely into this realm, and is distinct in that it uses participatory principles and actions in order to democratize social change.** It aims to empower people (including the most marginalized populations) through participation in the process of constructing and respecting their own knowledge around social impact. The process of TE, when done well, is in and of itself transformative. A table on page 17 highlights the distinction between TE and other methods/standards in impact investing.

<sup>2</sup> For more information, visit the following: 60 Decibels, the GIIN how-to guide for incorporating stakeholder voice, the Impact Management Project, Social Value International supplemental guide on stakeholder involvement in SROI, and the World Economic Forum in-depth guide to engaging all affected stakeholders.

## TE Comparison Table

	<b>Primary technical goal/functions</b>	<b>Control of decision making</b>	<b>Selection for Participation</b>	<b>Depth of participation by beneficiaries</b>
<b>Human-centred design</b>	Ensure business solutions are user-oriented	Ultimate decision-making control by the entrepreneur, but emphasis on user involvement in every design decision	Primary users of a business product or service	Extensive: participation throughout the product design process
<b>IRIS+</b>	Increase data clarity and comparability; help investors measure, manage, and optimize their impact	Ultimate decision-making control by investor/entrepreneur (user of the IRIS+ system)	No specific guidance	Limited: already-selected IRIS+ metrics calibrated against their importance to key stakeholders. IRIS+ includes a question about relevance of metrics to stakeholders
<b>Lean Data</b>	Create value for a company and its customers	Ultimate decision-making control by entrepreneur	Focus on sample size; no guidance on inclusion of marginalized groups	Limited: stakeholders as respondents. Main data collection methods are short surveys using already-developed question sets.
<b>Social Value International/SROI</b>	Inform what gets measured and how this is measured and valued in an account of social value	Ultimate decision-making control by the entrepreneur or investor, but emphasis on "closing the feedback loop by responding to the information that is gathered"	All legitimate groups: "involving all stakeholders (not only intended beneficiaries) who experience change in their lives (outcomes) as a result of an activity or intervention	Extensive: necessary participation in almost all stages of SROI process in order to meet SVI Assurance Standard
<b>Transformative evaluation</b>	Political: empowerment, emancipation, social justice	Ultimate decision-making control by participants	All legitimate groups: especially program or project beneficiaries, especially marginalized populations	Extensive: participation in all phases of the evaluation

Table based in-part on table in Cousins and Whitmore (1998) Framing Participatory Evaluation and uses data from SVI's Standard on applying Principle 1: Involve stakeholders Version 2019 2.0), The Lean Data Field Guide (2015), and Using IRIS+ to Incorporate Stakeholder Voice (2019).

The goal of transformation is aligned with the social goals of the impact investing sector. In this sector, investments are made to address the complex problems of poverty and climate change. Investors bet on startups they believe will disrupt our current systems and create far-reaching systemic changes with a financial return on investment. Arguably, such systemic changes cannot take place unless a business is able to reach and meaningfully impact the lives of millions. **TE is well positioned, with its emphasis on inclusion, cultural-responsiveness, historical context, and addressing power dynamics, to help entrepreneurs better collaborate with a more fully representative group of stakeholders in the design and development of a social business, and to help investors check if their portfolios show evidence of desired impact.**

Finally, we felt TE might be particularly appropriate for the seed-stage, because of the emphasis on inclusive stakeholder engagement. The inclusion of multiple customer and beneficiary experiences is an asset, because it provides a fuller picture of the appropriateness and effectiveness of a particular social business model. For seed-stage entrepreneurs and investors, this type of robust beneficiary data can combat the lack of longitudinal data, and start to paint an evaluative picture of early impact. Entrepreneurs can use this data to revise their business model, products and services to be more responsive to beneficiary feedback, and investors can use this early data to inform portfolio decisions and communicate portfolio-level impact.

At the same time, TE typically involves qualitative data collection in addition to quantitative. This is less familiar for investors and entrepreneurs, and is often seen as more costly to collect and analyze. We share this concern and recognize the importance of "right-sizing" TE for the impact investing context. We foresee that some common TE methods, such as multiple focus groups or time-consuming analysis of qualitative data, will not work for resource-constrained entrepreneurs or investors. TE principles of cultural competency will need to be reconceived for funds with diverse portfolios or entrepreneurs with diverse stakeholder groups.

## THE RESEARCH PROCESS

The potential opportunities and challenges with TE compelled us to investigate the approach further. We decided to research two things: 1) actual challenges and successes when implementing a TE in an impact investing context, and 2) the perceptions of a broad group of impact investing stakeholders regarding the potential opportunity and challenges with applying TE in impact investing. To do this, we decided to conduct a pilot TE with a seed-stage portfolio investee, and conduct a sector-wide survey to test stakeholder perceptions.

To ensure our research focused on the needs and interests beyond EWB, we developed a TE research plan with the involvement of a core group of impact measurement specialists with expertise in impact investing. This group included individuals from a community development financial institution, Social Value United States, and independent consultants. In consultation with this group, we selected guiding questions to help us focus and scope the research. The high-level questions were as follows:

1. How was the pilot TE implemented?
2. How was TE different from the status quo in the pilot example?
3. In what ways was the TE pilot actually "transformative?"
4. How might TE be useful in different parts of the impact investing sector?
5. How might TE be challenging in the impact investing sector?
6. What could TE look like in different contexts in the impact investing sector?

## HOW TO USE THE REPORT

This report is organized into three main sections: data collection methods, discussion, and conclusion. Each data collection method (metaevaluation, survey, and interviews) contains a description of the respective methodology, detailed results, and a summary of the main findings. The results are organized by the guiding research questions. The discussion section ties the metaevaluation, survey, and interview results together around four key themes: 1) the potential of TE, 2) the challenge with TE, 3) the seed-stage, and 4) further research. The conclusion highlights the overall takeaways from the research.

In addition to this report, we created an applied toolkit to provide step-by-step instructions for how to incorporate TE into a fund or social enterprise. The toolkit is intended to be used in tandem with already existing methods like 60 Decibels Lean Data, to complement and deepen those metrics. We also published a detailed and replicable case study of a TE pilot with one of our portfolio enterprises, M-Shule. The case study will enable others to understand the full methodology we used, so they can replicate the evaluation process. The case study and toolkit should be used in tandem with this report to gain a full picture of what we learned regarding TE in impact investing, and can be found on EWB's website.

# RESULTS

# TRANSFORMATIVE EVALUATION PILOT

As part of our research regarding TE in impact investing, we conducted a TE pilot with M-Shule, a social enterprise in Kenya and one of our investees.

M-Shule is an adaptive, mobile education platform that uses short message service (SMS) to deliver personalized English and Math lessons to students in upper primary school in Nairobi, Kenya and beyond. M-Shule also provides data insights to schools and families regarding individual student performance. M-Shule is in a stage of solidifying their value proposition. As such, the TE pilot was used to gain new insights on the social enterprise, enhance the quality of the product, and improve content and delivery. To learn more about the pilot, including a detailed step-by-step description of implementation, lessons learned, and tips, see the associated publication "Using Transformative Evaluation in Impact Investing." To learn more about M-Shule, visit their website: [www.m-shule.com](http://www.m-shule.com). This is only one example of how TE can be applied throughout business phases. For more examples, see the associated publication, "A Transformative Evaluation Toolkit for the Impact Investing Sector."

## METAEVALUATION

After completing the pilot, we implemented a metaevaluation. Metaevaluation is defined in The Program Evaluation Standards as the systematic evaluation of evaluations and their subcomponents. While originally intended as a process to evaluate whether an evaluation adhered to the program evaluation standards of utility, feasibility, propriety, accuracy and accountability, the term can apply to any systematic evaluation of an evaluation. For our purposes, we utilized metaevaluation to learn about TE in the impact investing sector and the degree to which it can generate value for end beneficiaries, based on our experience with M-Shule.

### Methodology

Following the conclusion of the TE pilot, EWB evaluators conducted key informant interviews with evaluation stakeholders, including members of the implementing evaluation team, members of M-Shule who were involved in the evaluation, and members of the EWB Investment Team. A total of 12 metaevaluation interviews were conducted.

## Results

### Guiding Question (GQ) 1: How was the pilot TE implemented?

The TE took place in eight main steps:

1. Self-reflection & partner selection
2. Hire a local evaluation team
3. Problem identification & contextual analysis
4. Build relationships
5. Focus the evaluation & select methods
6. Collect data
7. Analyze data & engage in co-interpretation
8. Report results for utilization & transformation

In step five, the evaluation team collaboratively determined (alongside M-Shule and a representative committee of M-Shule's stakeholders) key evaluation questions to guide the data collection. The evaluators also collaboratively determined the sample (five schools in a key school district in Nairobi) and methodology (focus groups, interviews, and surveys) for the evaluation. Detailed descriptions of the steps of the TE pilot, including tips for replication, are described in the case study companion to this report, "[Using Transformative Evaluation in Impact Investing](#)." Here, we will highlight the most important elements of the implementation process, as relevant for the guiding questions of this report.

**Capacity-building** took place at the start of the TE. Not only was M-Shule unfamiliar with TE, it was the first time EWB, and the contracted Kenyan evaluation team, had conducted a TE. The pilot was overseen by Dr. Donna M. Mertens, a TE expert, which ensured fidelity to a true TE approach. However, there was a critical period of clarifying, asking questions, and making sense of TE. For M-Shule, their team felt it was helpful to understand the academic background of the approach and how it would be applied in the M-Shule case.



*At first it was a bit vague. But as we delved into it, it became a bit more easy to understand what you wanted to achieve. It became easier for me to answer the questions.*

M-Shule team member

**There was an initial focus on context.** A key aspect of TE is doing a contextual analysis at the start of an evaluation process. In this pilot, the evaluation team spent time understanding the role of various stakeholders in the Kenyan education system, the history of the Kenyan education system, the history of programs similar to M-Shule, a general profile of Kenya and Nairobi, general trends in digital technology and local cultural norms, and Kenyan education policy. The contextual analysis also involved an initial meeting with M-Shule to get a background of the M-Shule product and its business model. This was an important foundational step that helped the evaluation team determine which stakeholders to engage, how to build relationships, and how to design the evaluation in a way that was appropriate given the local context and M-Shule's previous engagements with the communities. This allowed for a more contextualized and relevant evaluation.

**Relationship-building** took place throughout the TE, between the evaluation team and M-Shule, between the evaluation team and M-Shule's stakeholders, and between M-Shule and their stakeholders. At the beginning, the evaluation team met with M-Shule's co-founders, and key members of the customer engagement team, to understand M-Shule's operations and theory of change, and to collaboratively determine goals for the evaluation. While the evaluation was conducted by an external evaluation team, M-Shule staff were critical in facilitating connections to M-Shule's stakeholders, providing data for sample selection, and providing contextual information about the selected school district. The evaluation team, in turn, was responsive to M-Shule's concerns about the evaluation.

Part of the relationship-building meant making M-Shule's stakeholders an integral part of the evaluation process. To appropriately engage with M-Shule's stakeholders, the evaluation team first met with a key ally, the local school association. A local evaluator attended two school association functions after being invited by the association's patron. This evaluator started a relationship with the school district by listening and learning at the school association functions, and having informal get-to-know-you conversations with a number of school teachers. Later, once relationships were already established, the local evaluator was able to comfortably request school participation in the evaluation.

Relationships were nourished through the development of a local advisory committee (LAC), whose participants represented all five schools involved in the evaluation, as well as all stakeholder types (head teachers, teachers, students, and parents). This group advised on the evaluation design and implementation plan, as well as engaged in co-interpretation of the evaluation results. At the end of the evaluation, a tailored summary report was provided to the participating schools, so they could also see and utilize the results for their own purposes.

“

*The evaluators weren't set up as the experts making all the decisions. There was a real sense of collaboration and sharing.*

**One of the evaluators on the pilot explained  
regarding the advisory committee**

Reciprocity was built into the evaluation from the beginning, when the LAC had an opportunity to provide input into the evaluation design so it met their needs as well. Reciprocity also showed up via a co-interpretation of results session with stakeholders, and school-specific reports on the results of the evaluation that included M-Shule's comments on how they would use/respond to the evaluation results.

**Who was involved (and not involved) and why?**

M-Shule's key stakeholders - primary school students, parents, teachers (both head teachers and subject teachers), and school directors - were engaged in the evaluation. In addition, effort was made to ensure the stakeholder groups were diverse. For students, a mix of genders, ages, class (i.e., grade) levels (relevant for M-Shule), and use-levels (high users and low users of the M-Shule product) were represented. The parents were mostly women, as it was more common for women to be available during the day when we were conducting the focus groups. For teachers, there was a mix of genders, relevant subjects taught, and seniority.

From the M-Shule side, the co-founders were involved along with the data associate and members of the customer engagement team. It was determined that these individuals would have the most to contribute to and gain from the evaluation, and so it made sense for them to spend some of their work time engaging in the process. The rest of the M-Shule team was only peripherally involved. Due to scope constraints, the evaluation did not involve local government, church leaders, the school board, the local chief, and the county education officer, among others.

**GQ 2: How was TE different from the status quo in the pilot example?**

The type of data gathered and analyzed was similar to what M-Shule already collects, only more rigorous. M-Shule's customer engagement team already collects quantitative and qualitative data from students, parents, and schools, though they don't follow a specific sample selection protocol. From their qualitative data, M-Shule was already analyzing what was and wasn't working and using that to make decisions about product improvement. From the quantitative data, M-Shule tried to analyze if they are achieving their desired impact and make strategy updates based on the findings. M-Shule used

the results of the TE similarly. The TE provided externally-collected data from a purposeful sample of M-Shule's population. The TE was also more methodical and detailed than M-Shule's typical process.

One important difference between the data collected during the TE and M-Shule's typical data collection was that the TE was focused on marginalized individuals of M-Shule's stakeholder community. The school district selected for the evaluation represented one of the most marginalized neighborhoods in Nairobi. M-Shule typically collects data from all stakeholders, without an emphasis on the most marginalized individuals.

The information generated from the TE was similar and different from M-Shule's typical data collection processes. Much of what was learned from the TE was information M-Shule had already heard from various stakeholders during the course of their own data collection. For the M-Shule team, this was a form of external validation. It was helpful to know that their data collection processes were getting valid and complete data. That being said, the TE included some interview and focus group questions that asked about different topics from what M-Shule typically tracks, for example, about the cultural fit of the product, the role stakeholders play in designing the M-Shule product, and the accessibility of the product for marginalized populations. Some of the information gathered via these inquiries was new information for M-Shule.

The style of reporting was highly different than the status quo. First, the evaluation team shared a version of the evaluation report with the M-Shule team during a meeting where the evaluators facilitated a discussion of the results, asked for M-Shule's interpretations and feedback, and facilitated a discussion of how M-Shule would incorporate the results into their business product and process.



*"The evaluation team going through [the report] with M-Shule was a good aspect that was successful. Not just having a report dropped and saying goodbye."*

**M-Shule team member**

Another major difference was sharing the results back with the communities via a tailored summary report that included M-Shule's own feedback and commentary on how they were planning to incorporate what they heard from stakeholders into the product.

Another key difference with the TE was the extent of stakeholder engagement in the process, and in particular, through the collaboration with a LAC. The LAC was first involved in the evaluation design. Their input and collaborative determination of the final focus group and interview questions was different from the status quo. The LAC also engaged in an interpretation of the evaluation results.

### **Unexpected results**

There were a number of unexpected aspects of the TE pilot. First, from the perspective of the evaluation team, some of the group were surprised at the willingness of M-Shule to engage in the evaluation. It wasn't part of what they originally agreed to when they received an investment from EWB, and they had no obligation to participate. However, they wholly participated in the TE process and found value in it.

From the perspective of M-Shule, some members of the M-Shule team were surprised to get actionable data from the evaluation, especially on the product side (as opposed to customer engagement). M-Shule team members also spoke about working with other investors who say they will "give back" but don't necessarily do this. They felt the funding of the TE by EWB was a demonstration of EWB giving back.

There were also individuals from both M-Shule and the evaluation team who were surprised by the length of the process. It was more extensive than approaches previously used by both parties. There were also a number of comments from metaevaluation respondents that because this was their first TE, they had no expectations coming into it.



*Getting the feedback and interpretation of results from the LAC was really valuable. I haven't had that before.*

**M-Shule team member**

## **GQ 3: In what ways was the TE pilot actually “transformative?**

### **Inclusion of marginalized stakeholders**

In addition to a literature review and contextual analysis, the evaluation team conferred with M-Shule team members, teachers, parents, and students to determine who is considered marginalized in the M-Shule context. A key marginalized constituency identified was primary school students. A number of stakeholders explained that in Kenyan society, children aren't typically involved in conversations about their education and they aren't empowered to take control of their own learning objectives. Though they are central to M-Shule's business, they typically do not have the autonomy or means to become a customer or use the M-Shule platform on their own.

In addition, the TE targeted one of the most marginalized neighborhoods in Nairobi. As such, almost all of the parents and students who participated in the evaluation can be considered marginalized based on their income level. This was confirmed via survey data from the evaluation.

As marginalized constituencies, students and parents were important stakeholders involved in the TE. They were included in the LAC and they were consulted in their own separate focus groups. In both settings, the evaluation team took measures to communicate in the local language, answer questions, and check for understanding. Accommodations were made in the second LAC meeting to give students a separate space to respond to questions so they could more freely engage in conversation away from their elders. Evaluators worked to properly include these individuals in the evaluation by facilitating a discussion in the local language, rephrasing questions so they could be adequately understood and answered, and creating separate spaces where each group would feel comfortable engaging. Parents were also provided with assistance to be able to attend the focus groups. This helped ensure that income was not a barrier to participating in the evaluation.

Other marginalized members of the targeted population included students without access to a phone, students and parents who lack literacy (and therefore cannot use the platform), and students without parents. These situations are often intersectional. For example, students and parents who lack literacy are likely also low-income. The evaluation was unable to include students without access to a phone, as the scope of the evaluation was focused on current users of M-Shule (i.e. they had to already have access to a phone). The evaluation was able to include some students without parents, or who were living on campus in a children's home, if they were able to access M-Shule on another adult's phone. Their involvement in the evaluation helped capture information about their particular experiences with M-Shule.

## **Evidence of cultural and contextual responsiveness**

First, the evaluation team made an effort to talk to all stakeholders before the evaluation was designed. During the contextual analysis phase, building relationships with school directors and involving the school association, and in the engagement of a local advisory committee, the evaluation team sought a variety of contextual background to ensure the evaluation design was appropriate and inclusive. Some very tangible decisions were made to ensure an evaluation approach that was as inclusive as possible:

- During the first advisory committee meeting, it became apparent that it was difficult for children to speak freely in the presence of their parents or teachers. For the second advisory committee meeting, the evaluation team ensured a separate discussion for students only, so they would feel more comfortable providing their feedback and opinions.
- The lead local evaluator spent time prepping the data collection team, which was made up of both locals and non-locals. The lead evaluator spoke about the kind of people the team would be meeting and engaging with in the focus groups, the nature of the schools and neighborhoods they would be visiting, and prepared the team psychologically for the activity. The evaluation team also spent time discussing appropriate probing techniques and translations for the unique needs of each stakeholder group (parents, teachers, and students).
- The data collection took place in the school environment, which was seen as a neutral space. The evaluation team also showed respect by organizing the data collection activities according to the school schedules, and set up the space according to the culture of the school (room selected, who was involved, if we were introduced to non-participating students or not). As one evaluator described it, "The data collection took place in the school - not in a fancy room. It was in their space, in their setup. It felt more flexible this way."
- The use of local language during data collection was an important way to acknowledge the background of the local community, and create an inclusive and comfortable environment for all participants.
- Culturally-appropriate tokens of appreciation (or "incentives") were utilized, such as giving parents transportation money after they attended a focus group, and giving soda and cake to the participating students. Nuanced versions of these gestures were implemented to ensure cultural responsiveness. For example, the students were asked to eat their soda and cake in the focus group room, before returning to class, to minimize new power dynamics between participating students and non-participating students. This was recommended by the head teachers at most of the schools. Parents were not told ahead of time that they would receive money for their participation, as this was not customary. Instead, parents who participated were told at the end of the focus group that they would receive a small money transfer to support with bus fare.

## **Power dynamics addressed**

Power differences were identified and addressed at the level of enterprise/customers, evaluators/participants, and within and between the three stakeholder groups (parents, students, and teachers). During the contextual analysis phase, the evaluation team met with M-Shule to understand what power dynamics existed at the schools, from their experience and observation. The evaluation team also discussed power dynamics present between M-Shule and their constituency. A few potential power dynamics between M-Shule and their constituency were identified and the group discussed how the evaluation team could address this during the evaluation. The decision was made to address this by making it extremely clear that the evaluation team was completely external to M-Shule. Any time someone addressed the evaluation team as if they were part of M-Shule, the evaluators would re-state that they were not a part of M-Shule, and that they were an external evaluation team from Engineers Without Borders Canada interested in learning about education technology.

Evaluators hold power over evaluation participants when they decide how to collect, analyze, and utilize data without the involvement of the participants themselves. To address the evaluator/participant power dynamic, the LAC was put together and was involved in the evaluation design, analysis, and data ownership. This process mitigated the imbalance between evaluators and participants.

There were many power dynamics within the schools where we collected data. There were different levels of teachers, with the order of authority usually going from director to head teacher to subject teachers. Given this, to appropriately acknowledge and address these power differences, the EWB evaluation team went through the school directors and head teachers first when setting up data collection activities within the schools. They also interviewed the head teachers and directors separately from the subject teacher focus groups, so that everyone would have a comfortable space to express themselves freely. Students were also given their own separate focus groups without teachers or parents present in order to address the power dynamics of authority and deference that are present between students and adults.

This was followed in the second LAC meeting as well. The first meeting was before the evaluation design was finalized, and before the decision was made to have three separate focus groups at each school. So the first committee meeting was a group of teachers, one student, and parents engaged all together. It was clear during that meeting that the student wasn't comfortable speaking. Therefore changes were made for the second advisory committee meeting so that a group of students had a separate discussion from the adults.

During the LACs and focus groups, special efforts were made by the evaluators to engage every participant and make them feel included. Evaluators made sure to restate questions to each LAC participant and give each person an opportunity to contribute in order to further mitigate power dynamics. Discussions also took place in a circle, which helped set the tone that everyone is included in the discussion.

Finally, the evaluation team did not want to assume that we had identified and understood all relevant power dynamics in the context. So one of the focus group and interview questions specifically asked participants about power dynamics in the school and with M-Shule. Responses from participants provided new information about the power dynamics when M-Shule enters a school for the first time. Participants described the importance of who takes credit for M-Shule entering a school and some of the push and pull between teachers and head teachers/directors related to this.

### Use of TE results

There are a number of ways that M-Shule plans to use the results to refine their business<sup>3</sup>:

- *Prioritization:* The results will be used to think about what improvements would be most immediately important to stakeholders.
- *Business strategy:* The results will be used to inform M-Shule's next strategic planning.
- *Validation of current plans:* Many of the results from the evaluation validated actions and priorities already planned by M-Shule. Given this, M-Shule will continue in these areas as planned.
- *Product design:* The results will be used to make changes to the product based on stakeholder feedback from the evaluation.

In addition, teachers had been considered and involved in training and support sessions, but they hadn't been involved directly in product feedback due to capacity constraints. Based on their participation in the TE and subsequent interest in M-Shule, the M-Shule customer team began to engage this group more often. Since the TE, M-Shule ran a ideation and mini-sprint with teachers around teacher reports.

The most significant change to the M-Shule business model that resulted, in part, because of the feedback from the TE, is a current pivot from a B2C model to a B2B one. Specifically, M-Shule is pivoting to a model where they engage organizations that can purchase and provide platform access to students on their behalf, as opposed to selling primarily to parents through school engagements.

The TE provided evidence that while users saw value in the platform, the stakeholders were continuing to ask for ongoing trainings, repeated workshops, meetings with multiple levels of school management and other time-intensive direct support from M-Shule even after they were onboarded. With a lean field team, M-Shule didn't have the ability to provide such high-intensive direct support to each stakeholder at each school. Feedback from the TE also included requests for additional subjects, content, and accessibility. Such changes wouldn't be possible if M-Shule couldn't grow to a stage where they would have revenue to support such product development. These results underscored the need for a fundamental improvement to M-Shule's business model to focus operations and meet these needs.

<sup>3</sup> Specific examples not available due to confidentiality agreements.

Going forward, with the B2B structure, M-Shule's aim is to work with organizations that can provide more user training and effectively grow the business so necessary product changes can be made to support increased accessibility and effectiveness for ultimate beneficiaries (the students who are using M-Shule to do better in school). Ultimately, the hope is that this change will lead to a more inclusive product, that supports even the most marginalized primary school students, in Kenya and beyond.

### **Contribution to social justice**

There were two main ways that the evaluation approach contributed to increased social justice and human rights in the M-Shule pilot. First, the evaluation focused on the most marginalized members of M-Shule's target population. So the results reflected what M-Shule would need to focus on in order for their product to be more accessible by marginalized individuals. As such, using the evaluation results to improve M-Shule's product and services to ensure marginalized beneficiaries are receiving quality service is social-justice oriented.

Second, by designing an evaluation that was responsive to cultural context (e.g., making changes based on contextual factors or advice from the LAC), the evaluation itself increased social justice. The way the process was set up, the evaluation team made every possible provision to make sure that people the decisions were being made about were part of the decision-making process. The LAC had an opportunity to go through the evaluation questions and guide the evaluation team on what questions to change to be more relevant for the context. The committee also added questions for the evaluation team to ask that gathered information about something they cared about. The process gave the stakeholders an opportunity to also be part of the planning process.



*People who weren't part of M-Shule were able to contribute data and receive that data back and offer their own insights about the meaning of that data. This increased access to their own information, and support to take action in a sustainable way, was itself a contribution to increased social justice.*

**M-shule evaluator**

As a member of the M-Shule team described, "Hearing the voices of every stakeholder, sharing the results back to them, and getting their feedback...I really and truly believe that these are the people that need data the most and often don't get it. [The evaluation] put data and information back into stakeholders' hands, empowering even more transformation [beyond M-Shule]."

### **The investor perspective**

The evaluation results enabled the portfolio manager responsible for M-Shule to better check in with them and provide tailored support. This person now understands better what M-Shule's challenges and successes are.

Going forward, the portfolio manager responsible for M-Shule said the process "reaffirms that I want to be intentional and thoughtful [around social justice and the inclusion of marginalized individuals]." The investment director and portfolio managers are discussing what it might look like to incorporate TE into an investment process, to see if it might fit. The initial feedback is that **a holistic TE approach might not make sense, as they must balance cost, internal capacity, and actual value generated with impact measurement approaches.** That being said, they are thinking about how to build on the learnings from the TE pilot and bring them into due diligence and other areas of investment.

### **Other emergent results**

The evaluation was transformative for M-Shule because it validated a way that M-Shule can realistically go about collecting data and showing impact. It is tough to demonstrate product value in a way that external funders or investors will understand or respect. This is especially true in a sector like education, where impact is generally demonstrated by extremely long-term metrics like increased exam scores, graduation, and future job prospects. M-Shule is in a business stage where they can't demonstrate most of those results because data isn't available or they don't have the resources or tools to collect them. TE offered a respected way to conduct an evaluation such that M-Shule could understand what is most important at their startup stage: whether stakeholders feel like the product is helping them.

## SUMMARY BOX

- There were 8 main steps followed in implementing the TE: self-reflection, hiring a local evaluation team, conducting a contextual analysis, building relationships (e.g., putting together a LAC), focusing the evaluation design, collecting data, conducting data analysis and co-interpretation, and reporting results for utilization and transformation.
- TE capacity-building of the evaluation team and M-Shule, contextual analysis, relationship-building, and reciprocity were key aspects of the TE implementation.
- The data collected was similar to what M-Shule already collected, but more rigorous, and with an emphasis on a greater diversity of stakeholders, including those most marginalized.
- Elements of the TE pilot that made it different from a conventional evaluation were inclusion of marginalized constituencies and involvement of a LAC in evaluation design, implementation, interpretation of data, and reporting.
- The TE successfully validated data M-Shule had already collected, provided data that could help them refine their business strategy, prioritize product improvements, and refine the product, provided an alternative form of impact measurement that was more attainable than other methods, and improved M-Shule's relationship with its stakeholders.
- Ultimately, the TE helped M-Shule decide to pivot from a B2C model to a B2B one.
- Challenges faced during the TE included the length of the process, the expertise needed to conduct the evaluation, and the cost. These are all potential barriers for other seed-stage businesses to use TE effectively.
- The TE increased social justice because M-Shule used the evaluation results to improve their product and services for marginalized beneficiaries.

<sup>4</sup> It is important to note that the M-Shule pilot is one example of an application of TE. It was a full implementation, commissioned by an investor and implemented by an external evaluation team with a single portfolio investee. There are other ways that TE might be implemented, some of which are described in the companion toolkit publication found on the [EWB website](#).

# SECTOR SURVEY

To supplement the direct learnings about TE via the pilot with M-Shule, we conducted a survey of sector stakeholders to gain an understanding of the current perception of TE.

The data collected from the survey and subsequent interviews were used to develop content for a companion toolkit to this publication, "A Transformative Evaluation Toolkit for the Impact Investing Sector: How entrepreneurs and impact investors can deepen their data collection." (Download the toolkit [here](#).)

## Methodology

This section of the report shows data collected from 152 impact investing stakeholders via a survey distributed during July 2019. Respondents answered questions regarding TE principles and whether they would consider using them, work already being done that is aligned with TE principles, what they thought would be challenging about using TE in impact investing, and their thoughts on the ways in which engaging the people who will ultimately be impacted by a social enterprise early, often, and in a culturally-appropriate way could lead to better decision making and increased social and financial return on investment.

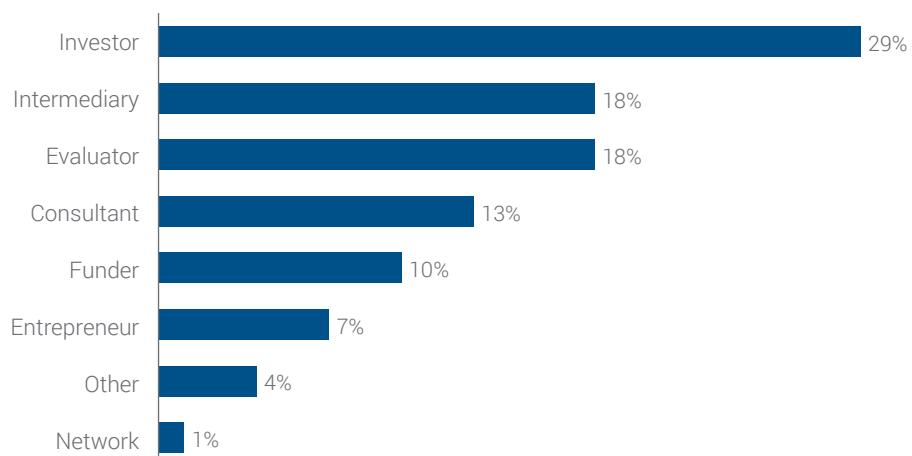
Respondents were contacted via email if they were thought to be involved in the impact investing sector in one of the following roles: investor (someone making or contributing to investment decisions, such as fund managers or investment team members), funder (someone providing capital to funds or impact investing programs, such as limited partnership or grantors), entrepreneur, intermediary (such as an accelerator), consultant, evaluator, or network. The first question on the survey confirmed if a respondent was involved in the impact investing sector or if they were contacted by mistake. If they were not involved with the impact investing sector, they did not fill out the rest of the survey.

All results presented in this section are from self-reported data. We were not able to independently verify any individual responses or systematically follow up for clarification regarding any unclear or incongruent responses. While we did hear from a diverse constituency of sector stakeholders, this is not a representative or statistical study. Therefore, all data should be seen as indicators of areas of interest, learning, or where more data is needed.

## Sample characteristics

There were 152 complete responses to the survey. Figure 1 shows the distribution of respondent type. The main stakeholder groups that responded to the survey were investors, intermediaries, evaluators and consultants.

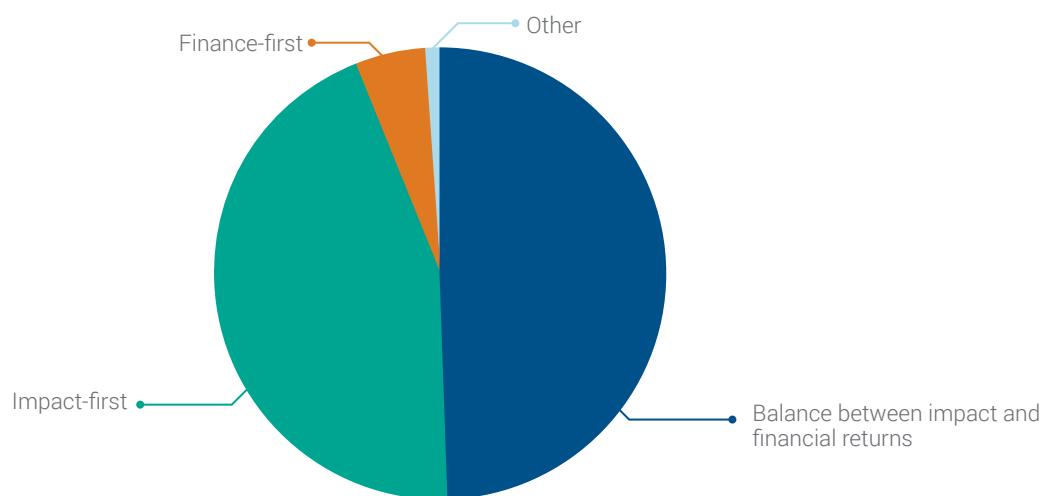
Figure 1: Distribution of respondent type



To further understand the respondent group, a breakdown of type of investor can be seen in Figure 2 below. "Impact-first" refers to maximum-impact solutions shown in Sonen Capital's spectrum of impact investing, shown on page 5.

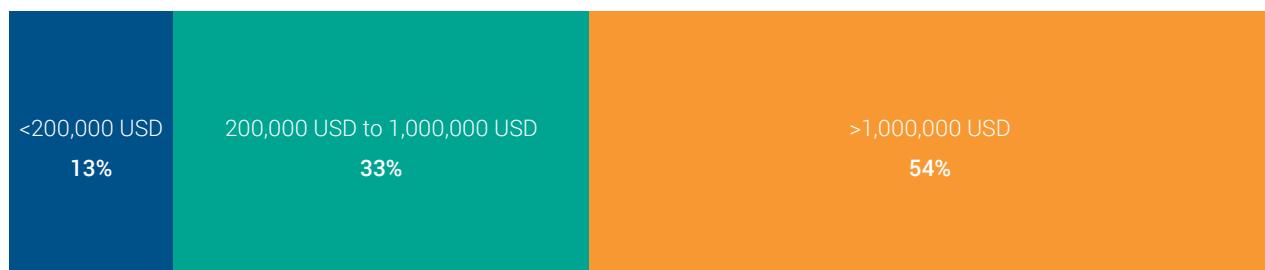
There was a similar number of investors who considered themselves impact-first (44%) and balanced between impact and financial returns (49%). Only two respondents considered themselves as finance-first investors (5%).

Figure 2: Type of investor



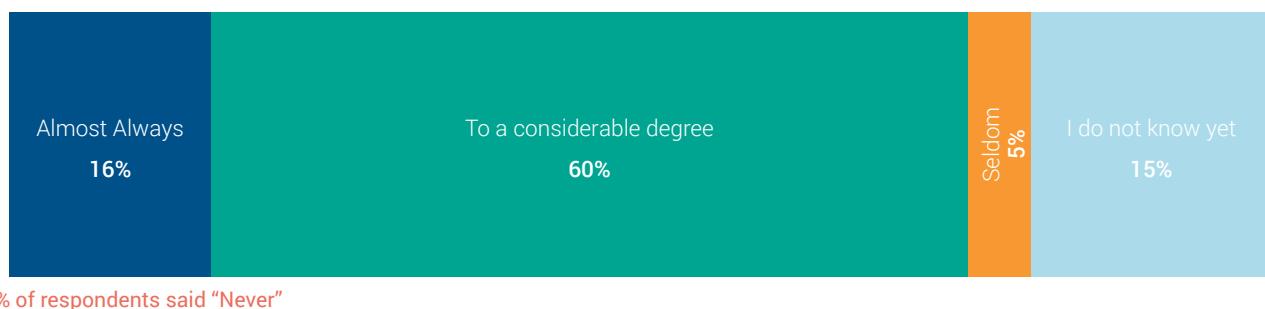
Investors who responded to the survey represent a spectrum of fund sizes, ranging from under USD \$200,000 to more than USD \$1,000,000, as shown in Figure 3.

Figure 3: Most investor respondents invest more than \$1,000,000 USD annually.



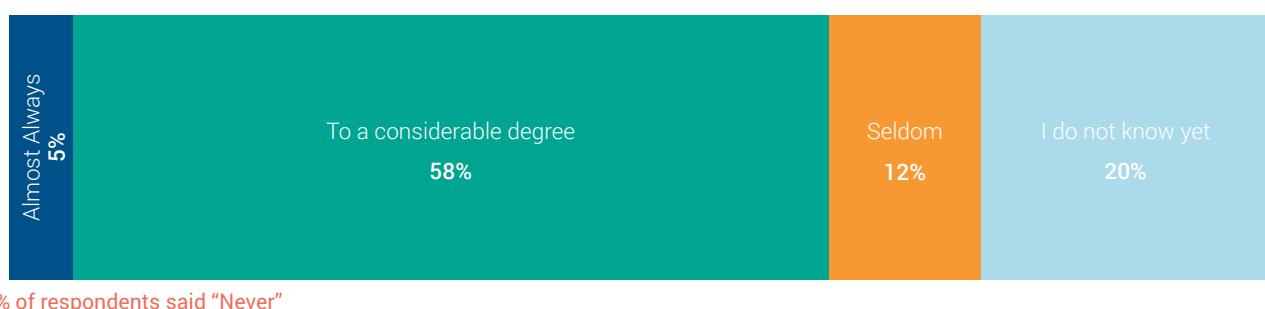
Investors who responded to the survey largely reported that their investments are meeting their expectations for social returns, as shown in Figure 4.

Figure 4: Have your impact investments met your expectations for **social returns**?



Similarly, most investors who responded to the survey said their investments are largely meeting their expectations for financial returns, as shown in Figure 5.

Figure 5: Have your impact investments met your expectations for **financial returns**?



The entrepreneurs who responded to the survey also represented a spectrum of business scale. Figure 6 shows how much capital the participating entrepreneurs aimed to raise in their last funding round.

Figure 6: Most entrepreneur respondents aimed to raise between \$200,000 and \$1,000,000 USD in their last funding round.

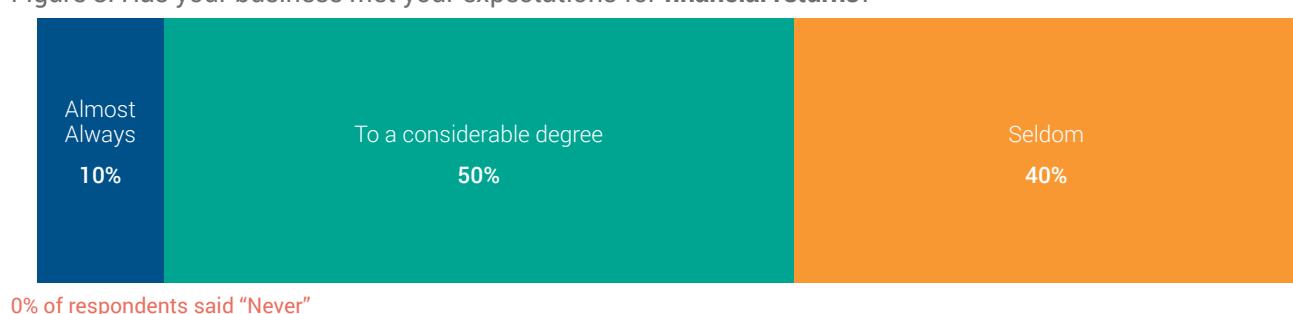


The small sample of entrepreneurs is largely meeting their expectations for social returns, and a bit of both for financial returns, as shown in figures 7 and 8, respectively.

Figure 7: Has your business met your expectations for **social returns**?

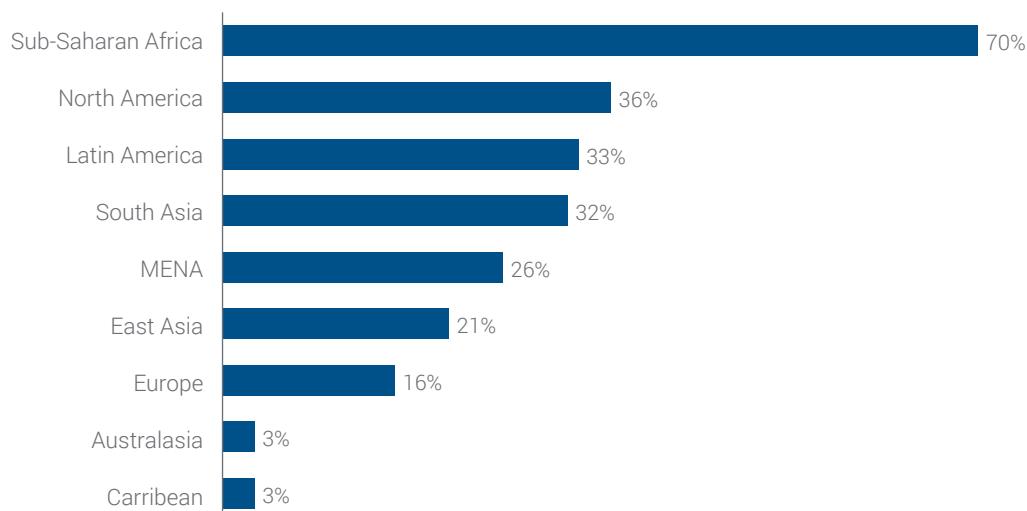


Figure 8: Has your business met your expectations for **financial returns**?



The full respondent sample (investors, intermediaries, evaluators, consultants, entrepreneurs, networks, etc.) conducts work globally, with an emphasis on sub-Saharan Africa.

Figure 9: Location of business, investments, or area(s) of focus for survey respondents



## Key findings

### GQ 4: How might TE be useful in different parts of the impact investing sector?

The main content of the survey was intended to test whether the principles of TE were relevant for members of the investment sector. As such, we briefly described some of the key TE principles and asked respondents if they would consider applying each principle to their work. The high percentage of respondents saying they *definitely* or *probably* would consider using each of the TE principles points towards shared values and an openness to the potential value of TE (see Figure 10).

Figure 10: Willingness to apply TE principles



## GQ 5: How might TE be challenging in the impact investing sector?

At the same time, not every respondent felt the principles were relevant, or reported that they would consider applying them to their work (see Figure 11). This suggests that some respondents don't see the relevance of the principles to their work, don't know how to apply them, or don't see them as a priority.

Figure 11: Uncertainty around applying TE principles



### Principles, as described in the sector survey

PRINCIPLE	DESCRIPTION
Social justice and reciprocity	One of the basic principles of transformative evaluation (TE) is understanding and considering how societal structures and political institutions discriminate against some groups and benefit other groups. In impact investing, TE can help investors, entrepreneurs, local communities, and other stakeholders establish respectful relationships with one another, and use evaluation results to contribute to policy change and refine a product or program to be more socially just.
Cultural respect	A key element of TE is the promotion of cultural respect by understanding, respecting and taking into account the values and beliefs of local communities such as language, perspectives, social groups, institutions, etc. In practice, TE can help identify relevant intersectional perspectives and needs from local groups (e.g., women, children, people with disabilities) and match them with appropriate data collection methods.
Stakeholder engagement	The contribution and participation of stakeholders (particularly marginalized beneficiary groups), as well as relationship building, is encouraged and highly valued by TE. In practice, this might mean establishing small local advisory committees to be involved in the design and/or implementation of an impact measurement process.
Problem identification and issues of power	TE helps us understand the ways in which carrying out impact investment may address and/or perpetuate systems of social and economic injustice. For instance, TE can help develop investment theses rooted in a comprehensive understanding of the causes of inequality.
Contextual analysis	A contextual analysis involves identifying power dynamics, cultural context, history and systemic oppression during the research process.

#### GQ 4: How might TE be useful in different parts of the impact investing sector?

#### GQ 6: What could TE look like in different contexts in the impact investing sector?

Respondents who did not self-identify as investors or entrepreneurs (i.e. intermediaries, evaluators, consultants, funders, networks, etc.) were asked to identify which TE principles they were already applying in their work. Many of these respondents self-reported to already be applying TE principles (see Figure 12).

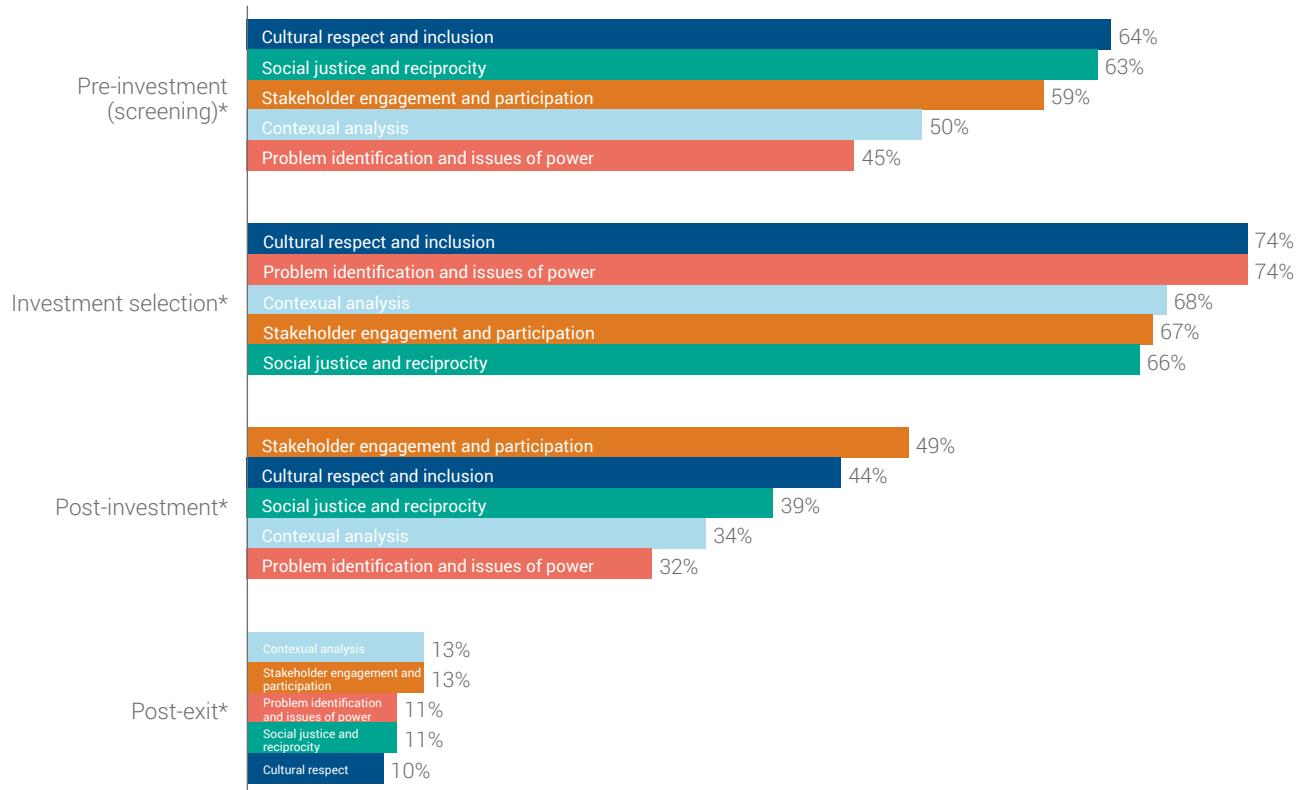
Figure 12: Current application of TE principles in the impact investing sector



This group of respondents did not include investors or entrepreneurs

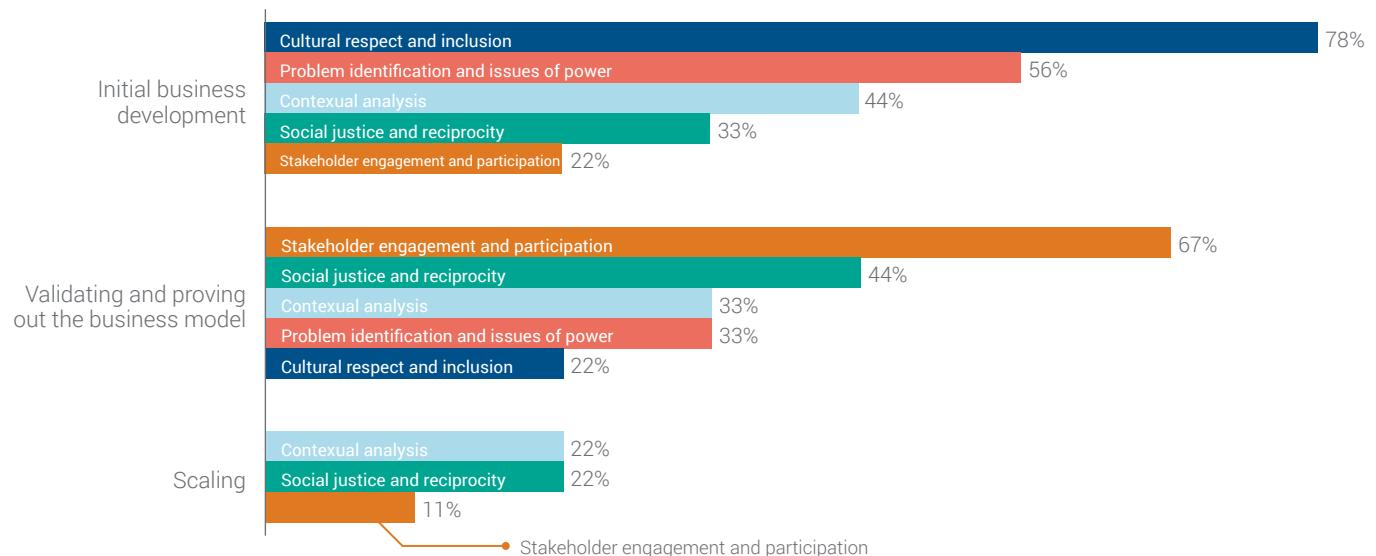
Investors and entrepreneurs were asked to identify stages of the investment and business processes where they thought TE principles could be applied. Investors primarily thought TE could be applied during the pre-investment and investment selection stages. Entrepreneurs primarily thought cultural respect and inclusion could be incorporated during the initial business development stage, stakeholder engagement and participation could be incorporated during the “validating and proving out the business model” stage, and contextual analysis and social justice and reciprocity could be incorporated during the scaling stage. More details are in figures 13 and 14.

Figure 13: Suggested application of TE principles to investment



Note: respondents were allowed to select all principles that applied for each investment stage

Figure 14: Suggested application of TE principles to business



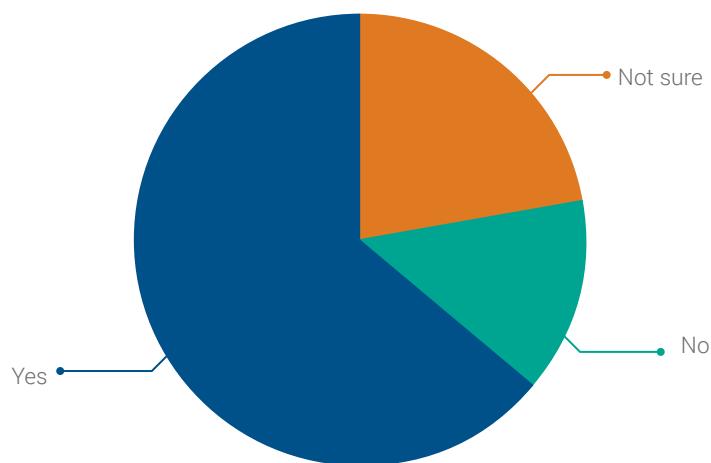
Note: respondents were only allowed to select one principle per business stage

## Potential challenges

### GQ 5: How might TE be challenging in the impact investing sector?

When asked whether they saw any potential challenges using TE principles in impact investing, 64% of respondents (n=145) said "yes," 14% said "no," and 22% were unsure (Figure 15). The main challenges respondents raised were the time and resources necessary to do TE. Given this, some respondents felt that TE is best suited to companies with existing impact measurement infrastructure, or investors/funders/grantors who have the resources to commission a TE. Regardless, whoever is conducting the TE would need to be fully committed to spending the time and resources necessary.

Figure 15: Most respondents saw potential challenges with using TE principles in the impact investment sector



Another challenge raised by respondents was the potential lack of capacity of entrepreneurs and investors to implement TE themselves. In this case, they would need the resources to hire an external person or team to conduct the TE.

Another commonly-mentioned challenge was stakeholder engagement. A number of respondents commented that it may be difficult to get stakeholders to be involved at the level necessitated by TE, even if the commitment on the part of the entrepreneur or investor is present. It may be difficult to find people willing to be involved in research or impact measurement, especially for investors or intermediaries who are often one or more steps removed from communities/stakeholders.

Similarly, there is concern that the principles may be applied in an inconsistent, or tokenistic way. Respondents emphasized the importance of a clear tracking or accountability system if the principles are to be applied, to ensure they are implemented with fidelity and consistency. One respondent explained the importance of "ensuring the concepts translate into effective processes that overlooked communities feel they are not only a part of, but a key player in."

Respondents were also unsure of how to practicalize and streamline TE into already-existing business or investment practices. Many people wrote that it is not currently clear how to implement the principles. There were also some questions regarding “what is good enough?” One respondent gave the example that “an advisory group is a weaker form of stakeholder inclusion than having a board of directors composed of stakeholders.” It isn’t clear whether both of these implementations of TE principles would be acceptable, or if only the latter would be “good enough.” Others mentioned the concern that it would be difficult to apply TE across many sectors and geographies, especially during due diligence.

Additional challenges raised by survey respondents can be seen below:

- TE may yield unhelpful results
- TE challenges traditional power structures, which is always difficult
- TE is currently presented in a way that is very academic and inaccessible
- TE may not have buy-in from investors. Example quotes: “Motivations of impact investors vary and are not always aligned with justice.” “Rarely do we see investors or investees committing to the transparency and partnership necessary for these principles to be fully implemented.”
- Impact measurement consultants provided examples where they have been challenged to do similar analysis, such as adding a gendered lens, to their work. Adding a TE lens will be even more difficult.

## Hypothesis

**GQ 4: How might TE be useful in different parts of the impact investing sector?**

**GQ 5: How might TE be challenging in the impact investing sector?**

Survey respondents were asked to explain whether they agreed with the following hypothesis, and why or why not:

*We hypothesize that engaging the people who will ultimately be impacted by a social enterprise early, often, and in a culturally-appropriate way can lead to better decision making and increased social and financial return on investment. For example, engaging beneficiaries during the seed-stage of a social enterprise can identify where the business is not a cultural fit, and will therefore not be fully accepted by the community.*

The responses were mixed. Most respondents agreed in theory, but restated many of the potential challenges with implementation described in the previous section. Respondents emphasized that a clear, appropriate process for implementing TE as an investor or entrepreneur needs to be presented. As one respondent put it, “the devil is in the details.” In particular, some respondents weren’t sure what TE has to offer that is distinct from human-centred design, Social Value International (SROI), and the Impact Management Project (five dimensions).

Other respondents agreed and said they are already implementing many of the principles. Some respondents felt this is basic business 101 training - that customers should be engaged early so an enterprise will understand barriers for production and consumption before scaling. Again, respondents felt this was similar to the principles of human-centred design.

Still other respondents disagreed with the premise altogether. One respondent explained that the hypothesis presumes that beneficiaries are identifiable apriori, but in reality, businesses that have had massive social and financial return on investment, such as M-Pesa and Uber, didn't start with this premise. The respondent further explained, "Real innovation makes its own market, it doesn't start with the flawed assumption that there [is] a list of "beneficiaries" neatly organized in a table or spreadsheet somewhere." Others took issue with the idea that stakeholder engagement should take place early and often. As one respondent put it, "It has to be after you identify a niche and develop the business idea. Otherwise you might lose track of your original idea due to competing interests."

## SUMMARY BOX

- A majority of respondents said they *definitely* or *probably* would consider using TE principles in their work.
- Many intermediaries, evaluators, consultants, funders, and networks are already applying TE principles in their work.
- Investors primarily thought TE could be applied during the pre-investment and investment selection stages.
- Entrepreneurs primarily thought cultural respect and inclusion could be incorporated during the initial business development stage, stakeholder engagement and participation could be incorporated during the “validating and proving out the business model” stage, and contextual analysis and social justice and reciprocity could be incorporated during the scaling stage.
- A majority of respondents saw potential challenges with using TE principles in impact investing, including time, resources, capacity, stakeholder uninterest in participating, a lack of standards for application, and uncertainty regarding how to practicalize TE for the impact investing context.
- Respondents weren’t sure what TE has to offer that is distinct from human-centred design, Social Value International (SROI), and the Impact Management Project (five dimensions).

# SECTOR INTERVIEWS

## Methodology and sample characteristics

Survey respondents were given the opportunity to opt-in to a follow-up interview, resulting in 51 individuals who opted-in. From this list, a purposeful sample was selected to include a mix of investors, accelerators, entrepreneurs, evaluators, consultants, funders, and networks. Interview invitations were sent to 23 individuals. Interviews were conducted with 12 stakeholders, including one accelerator, two consultants, one entrepreneur, two evaluators, one funder, one intermediary, three investors, and one network.

Interviews were conducted over Skype or by phone. A general script was followed, though targeted questions were also asked based on individual respondent answers to the survey. The data was analyzed into codes and themes using MaxQDA, a qualitative data analysis software.

## Key findings

The key findings have been organized by guiding question.

### GQ 4: How could TE be useful in different parts of the impact investing sector?

### GQ 6: What could TE look like in different contexts in the impact investing sector?

Interviewees discussed many ways they thought TE could be useful in the impact investing sector at large. Overall, interviewees thought TE could be used to increase cultural understanding and responsiveness, elevate stakeholder perspective and input, add depth to understanding of social impact of the sector, and to reveal unintended outcomes (especially that would bring about challenges for immediate beneficiaries). A few respondents suggested that TE principles could be applied generally to impact metric selection, so the metrics are more focused on inclusion, gender, accessibility, and so forth. They could also be applied to human-centred design principles, to make sure the methodology explicitly includes customers from marginalized populations.

For businesses in particular, interviewees thought TE could be used for product development and scaling a product. For example, during product development, entrepreneurs could use TE to check their assumptions and incorporate stakeholder feedback. When scaling a product, they could use TE to clarify how the product is working, consider distribution channels, and ensure maximum effectiveness before starting to scale. Respondents thought that TE would be particularly useful for B2C companies<sup>5</sup> with a specific social mission statement. One interviewee spoke of using TE not just for product development, but for looking at the transformative nature of the business operations. They explained, “**Through its**

<sup>5</sup> The term business-to-consumer (B2C) refers to the process of selling products and services directly between consumers who are the end-users of its products or services. Most companies that sell directly to consumers can be referred to as B2C companies. As a business model, B2C differs significantly from the business-to-business model (B2B), which refers to commerce between two or more businesses. (Source: <https://www.investopedia.com/terms/b/btoc.asp>).

**operations, how is the business providing ownership opportunities for people of colour, women, other marginalized groups? How is it providing good job opportunities or opportunities for upward mobility? What is the participation [in the business] like? Do workers have a voice in decision making? Can they offer their creativity?"**

For investors in particular, interviewees thought TE could be used during due diligence, and for the co-creation of investment strategies with stakeholders. One respondent provided a specific example of how investors could apply TE during due diligence: "visit the business during work hours and see how employees are doing, or conduct quick surveys with employees." Respondents felt that TE would be most useful for investors who are deeply committed to social impact, such as foundation investors, and those who have a direct relationship with a social enterprise (rather than intermediaries). Interviewees also thought TE could be used to address power dynamics in investment situations, such as setting up blended finance models so they are responsive to grantee/investee needs.

For the seed stage in particular, interviewees thought TE was useful because it is more accessible than running a randomized controlled-trial (RCT), which is often thought of as a gold standard. So it provides an accessible way to demonstrate impact which in turn can help seed-stage businesses get more donor funding early on. For seed-stage businesses, investees thought TE would make a lot of sense because it helps entrepreneurs take the time to deeply understand their customer(s), including the local culture, before they converge on a business idea. For seed-stage investors, TE supports with using stakeholder-informed data to make decisions about the best way to deploy capital.

Finally, many of the interviewees mentioned how contextual analysis could be particularly useful in impact investing, such as for designing a business or investment strategy, or even during due diligence. For example, one respondent explained how contextual analysis could be used during due diligence: "**don't just look at the financial health of the business, consider economic justice, such as if the sourcing is sourcing local, and consult with people experiencing the problem.**" Another respondent suggested that investors could use contextual analysis to understand what can help or hinder the investment effort, such as opportunity-identification.



*Don't just look at the financial health of the business, consider economic justice, such as if the sourcing is sourcing local, and consult with people experiencing the problem.*

**One respondent explained**

## **GQ 5: How could TE be challenging in different parts of the impact investing sector?**

While interviewees thought TE could be useful in a variety of ways, they also felt it would be challenging to implement. First, even if an entrepreneur or investor is sincerely interested in involving a variety of stakeholders by using TE, it can be difficult to get the right people in the room, and stakeholders might not be that interested in engaging. Interviewees also mentioned the cost of TE and the question of who actually pays for it. The group was largely skeptical of investor willingness to spend more money on impact measurement. As one respondent explained, "At a minimum, investors want their money back. While people are interested in the social returns, getting the money back is a key consideration. Are there conversations about mission drift? Yes. But the primary concern is about getting money back. Validation of impact is soooo light touch. People are satisfied with impact metrics that parallel business metrics."

Along the same lines, some of the consultants who were interviewed described the current push-back they receive for even light-touch evaluation, like developing a theory of change or sending out a survey. They felt that TE requires even more, and so is likely to get more push-back. Some respondents spoke of a lack of deep commitment to impact by investors. One respondent explained that "impact investing comes from finance where investors are used to a financial framework of how they evaluate investments. They are learning how to incorporate aspects of program evaluation into their impact measurement and management practice, but it isn't part of their core driver."

Part of the concern around cost is that investors and entrepreneurs would need to outsource TE, as they often do not have a dedicated staff person with the capacity to do TE. Even if there is a dedicated data analyst, or individual with impact measurement training, TE requires local expertise and experience. So if that individual is not local to the culture or context of the business product or investment focus, there is a need to hire or partner with a local. TE also takes longer than other forms of impact measurement, which increases the cost as well. The time, cost, and capacity challenges are especially pronounced for seed-stage businesses.

Some particular challenges for investors were highlighted. First, that investors have portfolios of ventures, and it feels unrealistic to do a TE with every one of them. Also, investors are generally removed from beneficiaries/customers, and so conducting a TE requires the buy-in and support of the enterprise to facilitate stakeholder engagement. This will likely be challenging for investors to manage.

Finally, respondents felt that the term "transformative evaluation" would find difficulty with investors and entrepreneurs. They felt that the term sounds academic and unclear and may be a barrier for business-oriented stakeholders to use it.

## **Alignment, misalignment, and adaptations needed**

Interviewees described three main ways TE is already aligned with impact investing. First, it is similar to human-centred design, which is understood and widely utilized by social entrepreneurs. Second, it became clear that interviewees felt that a good business is likely to already be applying some TE principles, such as stakeholder engagement and identification of negative impacts (and how to mitigate them). Finally, respondents explained that impact investing is different from regular investing in that there is an aim to serve a population (or the environment) that needs services, and this population is often a marginalized group. TE is aligned with this aim.

At the same time, interviewees saw potential misalignment between TE and impact investing. First, the current impact measurement standard in impact investing is to have impact metrics that parallel business metrics. TE is more in-depth than metric selection. Also, standardization is desired by investors and entrepreneurs. Investors and entrepreneurs want a template they can easily follow for impact measurement. TE is difficult to standardize since it is so context-dependent. In addition, as already mentioned, interviewees felt that TE would be more expensive than other forms of impact measurement. This is at odds with investment because the cost of TE will cut into investment margins and business profit margins. Finally, there is a common belief that RCTs and quantitative studies involving counterfactuals are the gold standard for impact measurement. It may be difficult for investors and entrepreneurs to accept that mixed method approaches, involving qualitative data collection and analysis, are as rigorous.

Given the challenges and potential misalignments with the sector, interviewees suggested a variety of adaptations that would need to be made for TE to be effectively applied in impact investing. First, TE will need to match industry standards, including alignment with the IMP five dimension, IRIS+, and others. TE should also be aligned with financial and business frameworks. Second, a clear business case for the use of TE needs to be articulated, to counter the concerns around the high cost (time and resources) of TE. Respondents suggested that the business case should include things like how it leads to a more sustainable and successful business, its market advantage, how it helps the bottom line, the idea of TE as marketing, and how it can enable sharper decision making for investors. The business case should include business language rather than evaluation language. Third, **TE cannot overburden businesses. There needs to be a realistic version that balances a social justice approach with capacity of a company, especially at the seed stage.** Finally, TE will need to be adapted for large institutional investors.

## SUMMARY BOX

- Potential uses of TE include increasing cultural understanding and responsiveness, elevating stakeholder perspective and input, increasing understanding of social impact, and revealing unintended outcomes.
- TE can be potentially applied to impact metric selection, human-centred design principles, product development, business scaling, due diligence, co-creation of investment strategies, and understanding power dynamics in investment situations.
- Interviewees thought TE could be useful at the seed-stage because it is an alternative to costly quantitative studies, like RCTs, and it provides important data for seed-stage purposes
- Perceived challenges include getting stakeholders on-board and involved, cost, lack of commitment to impact by investors, lack of internal expertise in TE, and TE's academic-sounding name.
- Perceived alignment of TE and impact investing includes a similarity to human-centred design, examples of entrepreneurs already applying TE principles, and the shared aim of serving marginalized populations by both TE and impact-focused impact investing stakeholders.
- Perceived misalignment of TE and impact investing includes the need for standardization, current sector focus on metrics, high cost of TE, and the lack of familiarity with and acceptance of qualitative methods as rigorous in impact investing.
- Suggested adaptations of TE to the impact investing context include matching TE to industry standards, aligning TE with business and investment frameworks, articulating TE in terms of the business case, right-sizing TE for capacity of businesses, and making adaptations for large institutional investors.

# DISCUSSION & CONCLUSION

# DISCUSSION

## THE POTENTIAL OF TE

TE is a philosophical approach, lens, and process that involves a number of principles that emphasize social justice. It is the process of applying TE principles to an evaluation, and the use of the evaluation results for transformative purposes, that make TE unique. As mentioned early on in this report, the expectation from the beginning was that TE could enable the meaningful inclusion of a wider range of customers and beneficiaries in a variety of business and investment stages or activities. With the M-Shule pilot, we saw evidence of this playing out. The TE pilot emphasized the inclusion of marginalized populations and successfully engaged key marginalized groups throughout the evaluation process. The TE approach also successfully mitigated the power imbalance between evaluators and stakeholders because stakeholders actively participated in the evaluation design, and the pilot engaged stakeholders who had not been effectively engaged in the past (including marginalized members of the population).

From the surveys and interviews, we also found evidence of a variety of impact investing stakeholders already applying TE principles and getting benefit from them. These respondents described TE's value-add as its focus on cultural responsiveness and context, and the provision of a set of tools for doing that well. Respondents suggested that **TE makes culture and context an explicit part of the customer engagement process where it otherwise may not be present.**

The survey respondents were clearly open to the idea of TE principles. The high percentages of respondents who would consider applying each of the principles in their work points to an acceptance by this group of the values behind the TE principles. The survey and interview results also highlighted where respondents felt TE could start out in the sector, to have the greatest chance of successful takeup. For example, respondents suggested focusing initial efforts with mission-focused investors and entrepreneurs, and "impact-first" investors.

## THE CHALLENGE WITH TE

There were a number of challenges with TE experienced during the M-Shule pilot. For example, the type of data collected was not that different from M-Shule's typical data, though it was more rigorously collected and more robust (included stakeholder groups not typically engaged by M-Shule). So **in the M-Shule case, the value-add of TE did not include the provision of new data.**

The reasons why M-Shule wasn't already collecting data in a more rigorous and robust way are resources and capacity - they don't feel they currently have the expertise or finances to do more than they already are. This is aligned with what was learned from the sector survey and interviews as well. **Respondents felt that entrepreneurs and investors may not have the expertise, capacity, or resources to do this type of impact measurement.** This begs a common, yet unanswered question in the impact investing community: who should pay for evaluation activities? The entrepreneur? An investor? A grant? Arguably all of these are possibilities, and it would be helpful to have examples of what a TE might look like in each of these scenarios.

In the M-Shule TE, the evaluation team had to build their own capacity (most on the team hadn't used TE before) as well as the capacity of M-Shule, so everyone understood the process clearly, and their respective responsibilities. This type of capacity-building would likely be important any time someone is new to TE. Even if an experienced, external evaluation consultant is hired to conduct the evaluation, they will still need to spend time explaining TE and orienting the enterprise, investor, or other commissioning stakeholder to the approach if they are unfamiliar with it. This takes time and may be a barrier to using TE.

**The M-Shule pilot took close to a year, which is a long time in a business context. It is unclear if this is largely because it was a new process for all involved and personnel challenges created delays, or if TE is inherently time-consuming.** At the same time, since TE ideally involves local evaluators, any non-local evaluation commissioner may face similar challenges with hiring and managing personnel. So the longer time may be an inevitable part of TE. If this is the case, the data provided back to a business may no longer be relevant, or they may have already started addressing different problems, by the time a TE is finished. This highlights the importance for TE to be adapted to fit the timely needs of investors and entrepreneurs.

For the investor in the M-Shule case (EWB), the evaluation results helped the portfolio manager better support the venture. However, a non-transformative evaluation could have provided a similar value. The TE-specific results in the M-Shule case seemed to be less important for EWB as an investor. More testing is needed with investors that can provide evidence of the value-add of TE.

While many survey respondents were open to using TE principles in their work, many of them also pointed out that widespread takeup of the principles would depend on how they are being executed. Some challenges mentioned were practical and readily addressed with further testing and tool development (e.g., how to involve stakeholders if they don't seem interested in participating, or the need for standards to identify "good" TE), and some challenges were more ideological, referring to a need for a deeper commitment to impact measurement and a change of mindset by investors to be more willing to invest in evaluation activities. A couple of respondents referred to a very high level challenge - that in order for TE to be successful, consumers would need to demand a high level of impact evidence from investors. At the sector level, respondents described how currently business, finance, and social science are clashing in impact investing. They felt that **bridging is still necessary to bring these disciplines together more effectively, and if TE is to be successful, it must effectively bridge these groups.**

## THE SEED STAGE

This research project was originally premised on the idea that TE may be able to solve common challenges and tap into the unique opportunities present at the seed-stage. In particular, we wanted to know whether TE could address the challenges of the lack of available longitudinal quantitative data, limited financial resources, limited capacity, and limited evaluation expertise. We also wanted to know if TE could provide robust beneficiary data well-suited to the product design needs of seed-stage businesses.

The results from the M-Shule metaevaluation and the feedback from survey and interview respondents are mixed in this regard. **M-Shule felt that TE was valuable for them because it provided a rigorous, known, and accepted method for evidencing impact that is more accessible than an RCT.** So TE does seem to address the seed-stage challenge of conducting impact measurement without longitudinal quantitative data. In the M-Shule case, the data provided to M-Shule contained a broader diversity of stakeholder perspectives than usual, including perspectives of marginalized populations. The process of the TE pilot strengthened the relationships between M-Shule and their customers while at the same time helping M-Shule decide to pivot from a B2C to B2B business model. These results are critical for a seed-stage business. **The diversity of perspectives enables a seed-stage business to make changes to their product or service so it better serves their full range of customers, and strengthened relationships can act as a form of marketing.**

At the same time, it seems unlikely that M-Shule could have conducted the TE on their own, without the staff and resources provided by EWB. M-Shule staff said in their metaevaluation interviews that while they learned a lot from the TE process, they didn't feel they would be able to do it themselves (at least to the same extent as in the pilot). This suggests that **in its current form, TE does not solve the seed-stage challenges of limited financial resources, limited capacity, and limited evaluation expertise.** Guides, toolkits, case studies, and other resources are needed that provide versions of TE that are accessible for seed-stage businesses with small budgets and limited evaluation capacity.

## FURTHER RESEARCH

As already mentioned, the main challenges expected by survey and interview respondents have to do with the execution of TE. Investors, entrepreneurs, consultants, and intermediaries all want to know how to apply TE in a way that makes sense for their realities. To support this, **there needs to be a great deal more experimentation with TE to better adapt it to the impact investing sector.** In addition, the results of this study are mainly the perceptions of sector stakeholders regarding TE in impact investing, or the metaevaluation results of a single TE pilot. **More case studies, pilots, and research will need to be conducted to adequately evidence the financial and social impacts of using TE as compared to non-transformative evaluations.**

A summary of the suggestions for further research and testing gathered from the metaevaluation, surveys, and interviews are on this and the following page. See the [companion toolkit](#) to this report, "A Transformative Evaluation Toolkit for the Impact Investing Sector," for examples of what TE could look like at various stages of a business or investment cycle.

### **Respondent recommendations for next steps**

- Additional case studies and examples, including for gender-lens investing, applying TE with different types of investors and at different scales of investment, and applying TE at different stages of a business
- Comparisons between TE and conventional evaluation
- A list of the conditions necessary for success
- Increased research into the financial impact on entrepreneurs and investors who utilize TE
- Identification of similar evaluation initiatives already taking place in and out of the impact investing sector, lessons learned, and any potential duplication of effort
- How TE fits with current impact measurement standards, tools, and methods, such as the IMP five dimension and IRIS+
- How to make TE cost effective, efficient, and scalable
- How to build TE into normal business and investment operations
- A longer-term pilot evaluation to measure any financial results for the business and/or investor due to the TE
- Templates that make applying TE easier
- An explanation of how TE is different from approaches such as human-centred design
- TE metrics that can be compared across a portfolio of investments
- Clarity regarding how TE intersects with environmental sustainability
- Standards, or clarity around what is "good enough?" Similarly, how to conduct metaevaluation of TE to ensure fidelity to the principles

- A list of questions and answers including:
  - Who commissions a TE?
  - Who are the primary users of a TE?
  - What are the limitations of TE?
  - How is TE related to systems-thinking?
- A decision tree for when to use TE, or what level of TE to use
- Question sets, such as TE survey questions, TE interview questions, overall guiding questions, transformative human-centred design questions, or transformative lean data questions (to complement 60 Decibels Lean Data)
- Tips for implementing a TE
- Talking points for entrepreneurs using TE to convince investors and funders of its validity and rigour
- Identification of the relatively simple and low cost ways for incorporating TE into other impact measurement approaches

# CONCLUSION

**What is special about TE is that it makes a focus on social justice explicit.** Activities such as building evaluation capacity, conducting a contextual analysis, and building relationships with stakeholders, are not unique to TE. Arguably, any good evaluation would involve these types of activities, and as many survey respondents and interviewees also said, any good *business* would involve some of these activities as well. **What TE does is it provides a framework for entrepreneurs, investors, and other impact investing stakeholders to conduct daily activities through the lens of social justice.**

An important question is - **do impact investing stakeholders actually want to conduct their work through a social justice lens?** While impact investing fundamentally aims to provide social or environmental returns in addition to financial returns, there is a broad spectrum of the depth at which various impact investors prioritize or emphasize the social impact aspect of their work. As many survey and interview respondents pointed out, TE is unlikely to be relevant for impact investors that are not prioritizing a social mission. **For TE to be widely implemented beyond an initial group of maximum-impact investors, a very clear business case for focusing on social justice needs to be made as it relates to an investor's or entrepreneur's bottom line.**

Another key idea that came out of the research was that **TE can be used not only for impact measurement and management purposes, but it can also be used throughout various business and investment stages**, such as when entrepreneurs are solidifying their business idea or looking to scale to new markets, or when investors are developing their impact strategies. Evaluators have been promoting this idea from the beginning of the impact investing sector. Thought leaders such as Karim Harji, Ted Jackson, Veronica Olazabal, Sara Olsen, Jane Reisman, and Kate Ruff have been highlighting the value that program evaluation practices, and particularly **evaluative thinking**, can contribute to the impact investing community. These practitioners argue, as did many respondents to the surveys and interviews, that **by utilizing evaluative thinking throughout a business or investment process, investors and entrepreneurs will be better positioned to learn, adapt, and make sharp decisions leading to greater social and financial returns.**

**Evaluative thinking** is a disciplined approach to inquiry and reflective practice that helps make sound judgements using good evidence.

As Jane Reisman and Veronica Olazabal concluded in their Impact Measurement Landscape paper (2016), “The next generation of measurement will be stronger if the full range of options comes into play and the more evaluative approaches become commonplace as means for developing evidence and testing assumptions about the processes of change from a stakeholder perspective— with a view toward context and systems.” TE contributes to this discourse by adding a social justice option to the available evaluative approaches to utilize in impact measurement. For those investors and entrepreneurs that are strongly mission-focused, TE is a tool for them to stay accountable to those social justice values all along the way. For seed-stage entrepreneurs and investors, TE solves for some of the key challenges faced, while leaving others unaddressed, at least in its current form. For everyone else in the impact investing sector, additional case studies and research will be needed to demonstrate the value and applicability of TE.

## APPENDIX A - BIBLIOGRAPHY

The academic literature on evaluation and impact investing is sparse, so we did not conduct an academic literature review for this project. Rather, we relied on the gray literature base of professional publications and articles for much of our literature review and contextual analysis. This bibliography contains a list of sources consulted throughout this project.

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