



# DOUBLE BOTTOM LINE PROJECT REPORT: ASSESSING SOCIAL IMPACT IN DOUBLE BOTTOM LINE VENTURES

METHODS CATALOG

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# INTRODUCTION

**DOUBLE BOTTOM LINE PROJECT REPORT:  
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*A Catalog of Methods for Social Entrepreneurs and Their Investors to Define, Measure and Communicate Social Impact and Return in Early-Stage Ventures*

The Double Bottom Line (DBL) is a relatively new concept for business leaders. We think of Double Bottom Line (DBL) businesses as entrepreneurial ventures that strive to achieve measurable social and financial outcomes. In the past few years, as the lines between grant-making and investing have begun to blur, the idea of measuring social return concurrent with traditional financial accounting has caught on among investors, funders and entrepreneurs. There has also been widespread movement toward more tangible accountability for the social impact created for each invested or granted dollar. “The Double Bottom Line Project” has been supported by the Rockefeller Foundation’s ProVenEx fund, which makes double bottom line investments in businesses that further the foundation’s charitable mission. The DBL Project aims to help the field of DBL ventures better apply rigorous and useful methods to assess social outcomes and return.

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## INTRODUCTION TO THE METHODS CATALOG

### THE CONTEXT FOR SOCIAL IMPACT ASSESSMENT

In the past few years, as the lines between grantmaking and investing have begun to blur, the idea of measuring a social return concurrent with traditional financial accounting has caught on among a growing group of investors, funders and entrepreneurs.

This movement toward social accountability is not sector specific. In corporate boardrooms across the globe, managers are being asked to describe their impacts on the environment, the local economy and the lives of future generations of workers and customers. Similarly, in the boardrooms of the nation's largest and most influential philanthropic foundations as well as younger and newer "venture" philanthropies, there is an increasing interest in more tangible accountability for the social impact created for each invested or granted dollar.

### NO ESTABLISHED STANDARDS, BUT BEST PRACTICES ARE EMERGING

In business, we have established generally accepted principles of accounting and an international legal infrastructure to help manage the reporting of financial returns. *A comparable standard for social impact accounting does not yet exist.* As a result of the lack of common practice around social impact assessment and reporting, ultimately many of the ventures we have studied are judged solely in financial terms, even if their social goals are a primary driver for operational choices, or if social goals were a key motivation for investment or philanthropic capital from the outset.

And yet, there are quite a few entrepreneurs and investors working to assess social impacts. This catalog, the third section in the Double Bottom Line Project Report series, documents our beginning effort to study the growing practice by ventures, nonprofits, foundations and investors who are trying to document and communicate mission-related, non-financial performance.

## A SNAPSHOT OF CURRENT PRACTICE

The most important part of this work was conducting in-depth interviews with funders that attempt to document, define, and report on the non-financial performance of their activities. Our Methods Catalog includes detail on the method they told us they use, as well as detail on how each method has been used by their specific organization or fund, based not on theory but on their concrete reported experience with costs and challenges. Obviously, others could interpret these methods differently and end up with very different distinguishing factors. This is a snapshot of current practice, which we believe allows for some interesting comparisons and lessons to emerge. An appendix that includes details about or examples of most of the methods as applied to specific, real ventures follows the catalog.

Each of the methods in this catalog is flexible—it can be applied in a comprehensive, scientifically rigorous way, which may be ongoing or very thorough (and thus costly), or it can be done in a simpler, more practical way. Either way may be functional depending on the different stage of growth or readiness to track social impact of the company and the depth to which it is applied.

## EVALUATION AND ANALYSIS

After collecting practical experience, our next task in creating the catalog was to decide how to evaluate the growing set of methods in use by both investors and executives. Which of them are most effective? Most relevant to the investor, the entrepreneur, the social scientist? When in a venture's lifecycle are they most appropriate? We reduced our evaluation work to a two-page spread so that each of the nine tools and methods currently in use can be more easily compared than in a narrative report. Each page includes detailed estimates of the resources required to apply each method and some of the potential pitfalls that occur in evaluating the results. Since we made a lot of shortcuts in order to fit our analysis onto two pages, we have included here a short primer on the terms, concepts and constraints we used to compare the methods.

The rest of the Double Bottom Line Project Report documents our experience test-running these methods on a selection of investments, and contains our recommendations for an integrated Toolkit for Social Impact Assessment, which blends some of the best of these methods into what we hope will prove to be a useful sequence for entrepreneurs and investors. In addition, we blended two of the methods cataloged, SROI and cost-benefit analysis, forming a new tool we call TROI, or total return on investment, and applied that to some real DBL ventures as well. Our experiences and lessons from those efforts can be found in other sections of our Double Bottom Line Project Report.

We believe the best use of capital will come when feasible and credible accounts of the short- and long-term impacts of social organizations can be shared with confidence among a variety of constituents, including business and nonprofit leaders, governments and policymakers, and investors. And we look forward to working with all these to improve ways to document and share the important mission-related outcomes of double bottom line ventures.

## HOW TO USE THIS CATALOG

**If you are a social investor**, managing a nonprofit or for-profit fund investing in DBL ventures, this catalog could help you identify a fund similar to yours and learn from its experience assessing social impact. Nonprofit funds could look at the Balanced Scorecard used by New Profit and the Clark Foundation, and at the Acumen Fund's method developed in association with McKinsey & Company to track operational processes in early-stage ventures that lead to ultimate impacts. Community development venture funds could look to Pacific Community Ventures' Social Return Assessment as a sophisticated yet easy-to-emulate system for tracking job creation and other outcomes in close consultation with its investee companies and an outside consultant. If you are after more thorough analysis of larger programs with a longer history, the cost-benefit analysis and PSIA tools might give your analysis an added level of credibility. We have come to believe that all ventures can benefit from a Theories of Change analysis and recommend a Theories of Change exercise before the investment in any DBL venture is finalized, to help define and align stakeholder priorities.

**If you are a social entrepreneur**, take a look at the examples in the appendix. You might be surprised at how simple it can be to create a set of output indicators that can be tracked relatively easily over time. You may be at the stage where a more in-depth cost benefit analysis is justified; even if not, you can learn from these examples. Often the effectiveness of a method seems to be determined by how useful it is for stakeholders, not by costs or credibility level. Take a look at what others have done and adapt it to what works for you. Share some of these templates with your stakeholders: what kind of information do they want or need about your social performance? In an area where there are few standards, you can form your own way.

We welcome comments on and additions to these method summaries. We have included reference information where possible to document sources and urge you to read materials before contacting the organizations whose methods we have evaluated here. Many of these organizations do not have the capacity to answer many inquiries or fully educate others on how to use their methods, but are happy to share lessons learned through this report.

## SIA PRIMER: BACKGROUND FOR COMPARING SOCIAL IMPACT ASSESSMENT METHODS

Our cross-discipline team spent a great deal of time defining common terms and creating a set of criteria with which to evaluate the various social impact methods. This section is a quick primer to the essential elements of the analysis that follows in the catalog.

### DEFINING BOUNDARIES – WHAT’S A METHOD?

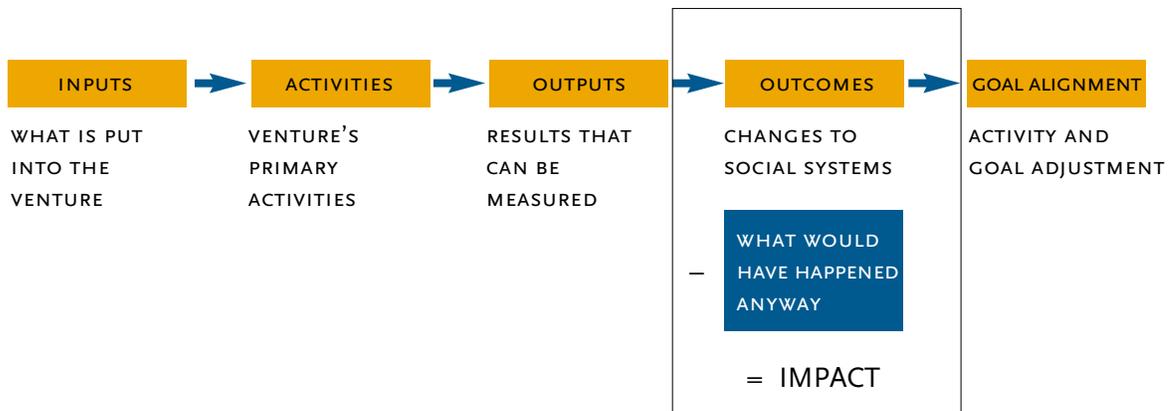
Since double bottom line ventures are by definition hybrid investments that aim to produce financial returns and mission-related impacts, but can be either for-profit or nonprofit in legal form, we cast our net broadly and attempted to look at methods and systems of evaluation from any sector. In this catalog, we defined “method” to mean an explicit process set up by a fund or entrepreneur to assess the social outcomes or impact of a company or nonprofit organization. We found methods for both early-stage social ventures and also a set used to define and assess the social responsibility of later-stage, older firms. Our Methods Catalog focuses special attention to the methods that seem most closely aligned with the needs of early-stage DBL ventures.

### CREATING A COMMON VOCABULARY: THE IMPACT VALUE CHAIN

We found that the language used by different constituents in this field was confusing and inconsistent, coming from the fields of program evaluation, business measurement, social science evaluation, policy, and foundation grant making. The first part of our project, therefore, attempted to blend definitions where possible and redefined some essential terms. Most glaring was the difference between the entrepreneur’s and social scientist’s definitions of the words “impact,” “output,” “outcome” and “social return.” Our report therefore starts with an introduction to a new vocabulary. We also created a simplified model of how social value is created. We call this the Impact Value Chain.

The key notion of the Impact Value Chain is to differentiate outputs from outcomes. *Outputs* are results that a company, nonprofit or project manager can measure or assess directly. Outputs for an after-school program, for example, could include the number of children participating in the program, the percent that drop out, and the percent that re-enroll the following year. *Outcomes* are the ultimate changes that one is trying to make in the world. For the after-school program, desired outcomes could include higher self-esteem for participants or higher educational achievement for participants. Commonly the organization running the program may not have the expertise or resources to evaluate whether an outcome has been achieved, but it is just as important for that organization to define the desired outcomes and figure out which internal output measures are most likely to be correlated with desired outcomes.

## IMPACT VALUE CHAIN



## DEFINING IMPACT

Our definition of *impact* is also quite specific, in that throughout the catalog we use a social science definition of the term. By impact we mean *the portion of the total outcome that happened as a result of the activity of the venture, above and beyond what would have happened anyway*. In social science, one needs what is called a *counterfactual* to compare to the experimental state in order to discern the dependent variable from among all other factors that could be causing a change. In our after-school program, for example, to discern real impact, a social scientist might randomly assign children to the program under evaluation and to another control program similar in most relevant aspects, and measure the differences in the children's educational achievement after both have been completed. The program's impacts would then be defined as the statistically significant difference in educational achievement between the program group and the control group, or the results *but for* the intervention. This is a sophisticated definition of impact, and one that can be costly to prove with certainty.

## ACKNOWLEDGING PRACTITIONER TENSIONS: FEASIBILITY AND CREDIBILITY

At the outset, we spent a lot of time evaluating the usefulness of the methods for different assessment problems and mapping them out in a way that would make them more useful to practitioners. Soon into this process, we realized there were two essential factors that differentiated the use of the methods, and redesigned our evaluation around these criteria. These are the notions of feasibility and credibility, which are often in conflict for practitioners trying to apply these methods.

By *feasibility*, we mean the extent to which measurement tools will be useful and applicable in the strenuous environment of a growing venture. Our report defines feasibility in concrete terms, including costs, man hours and the like, and ranks the methods in these terms.

By *credibility*, we mean the extent to which the desired approach will be sufficiently rigorous and thorough to provide measures that are credible to relevant third parties, which could include the academic, public policy and social science communities. Again, we defined the variables that make a social impact or return metric credible and rated the methods according to these variables.

The results of our evaluation process speak to the tension between these two criteria. In general, methods that are relatively inexpensive and easy to implement earned low credibility scores. Methods that produce more credible results are more expensive, take more expertise and a longer time to apply, and are sometimes infeasible in specific investment settings. Still, our work revealed excellent examples of funders and entrepreneurs using these methods in ways that successfully balance credibility and feasibility.

#### DIFFERENTIATING PURPOSES

Another lesson that emerged is that while we call these methods for social impact assessment, they have different strengths and weaknesses and some are better for some purposes than others. Our evaluation criteria include some information about the purposes and stage of organizational growth for which each method is best suited. We have further categorized the methods as falling into three general categories by function:

- 1) *Process Methods* are tools used to track and monitor the efficiency and effectiveness of outputs, variables or indicators management uses to track ongoing operational processes. Outputs can then be evaluated by the extent to which they correlate with or cause desired social outcomes.
- 2) *Impact Methods* are tools that relate outputs and outcomes, and attempt to prove incremental outcomes relative to the next best alternative.
- 3) *Monetization Methods* monetize outcomes or impact by assigning a dollar value to them.

These three categories complement and are necessary for each other: one can not get to a high quality assessment of impact without having good tools to track process outputs, and one can not make any use of impact assessment data unless they inform process management. Similarly, monetization methods depend entirely on good process data and assumptions about the economic value of outcomes drawn from historical evidence and other outside data.

**ADDITIONAL NOTES ON INTERPRETATION OF THE CATALOG:**

- We graphed the cost of *implementing* each method, not of *developing* it.
- This catalog reflects a moment in time for several methods and organizations that are undergoing rapid evolution. Data that may become outdated rapidly are the specifics about required costs, human resources, and timeframe.
- We graphed the cost of implementing the method *per company or organization* rather than per portfolio. For example, although REDF has a portfolio of four nonprofits that use OASIS, its costs are shown per nonprofit.
- The difference between implementation costs and development costs are less distinct for organizations just beginning to use a method, and more distinct for those that have been implementing a method for a few years or more.
- In some cases, the cost of implementing the method per company might decrease if the given investor applied the method to a larger number of companies. For example, the majority of the cost of implementing Pacific Community Ventures' methodology is in data analysis, which is scalable at virtually no cost. Therefore if the number of organizations in its portfolio grew, the *per company* cost of the method would decrease.
- Two significant factors affecting the resources required to implement Process Methods are the organization's understanding of its own operational processes and its cultural willingness to embrace the value of accountability and to practice performance assessment. The investors using Process Methods reported that they select organizations or companies already willing to embrace these methods. If they chose organizations that lacked this willingness, the resources required would be greater, and it might not be possible to implement the method at all.



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## SUMMARY OF KEY CHARACTERISTICS

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METHOD	PROCESS	IMPACT	MONETIZATION	PRIMARY APPLICATION TO DATE	
				NONPROFIT	FOR-PROFIT
Theories of Change	●			●	
Balanced Scorecard (BSc)	●	◐		●	
Acumen Scorecard	●			●	●
Social Return Assessment	●				●
AtKisson Compass Assessment for Investors	●	◐			●
Ongoing Assessment of Social Impacts (OASIS)	●	●		●	
Social Return on Investment (SROI)		●	●	●	
Benefit-Cost Analysis		●	●	●	
Poverty and Social Impact Analysis (PSIA)		●	●	●	●



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## GLOSSARY OF TERMS

## GLOSSARY OF TERMS

This glossary defines the variables we have applied to define and evaluate the methods listed in the DBLP Methods Catalog.

**FUNCTIONAL CATEGORY:** The broadest classification of the method, in the upper right boxes.

**PROCESS:** The method can be used to track and monitor the efficiency and effectiveness of outputs, variables or indicators that track ongoing operational processes that can be measured by management. Outputs can then be evaluated by the extent to which they generate, correlate with or cause desired social outcomes.

**IMPACTS:** The method can be used to relate outputs and outcomes, and to prove incremental outcomes above what would have happened if the venture or organization did not exist.

**MONETIZATION:** The method can be used to monetize outcomes or impact by translating them into a dollar value.

**CREDIBILITY RISK FACTORS:** This lists the primary risk factors that each method must address in order for the results to be most credible to third parties, which could include academic, public policy and social science communities. Not all methods attempt to be credible for all Functional Categories (process, impact and monetization), or to serve all specific Functions Purposes as defined above, so these risk factors represent risks in applying the method to the functions and purposes targeted for that method.

**IMPACT VALUE CHAIN:** Describes the types of data the method includes in its analysis:

**INPUTS:** The resources (money, staff time, capital assets, etc.) required to operate the venture or organization.

**OUTPUTS:** Indicators and other measurable variables from an organization's operations that management can directly measure.

**OUTCOMES:** Specific changes in attitudes, behaviors, knowledge, skills, status, or level of functioning that result from enterprise activities, such as finding a job, avoiding getting sick, or reducing emissions by a certain amount.

**IMPACT:** The difference between the outcome for a sample exposed to an enterprise's activities and the outcome that would have occurred without the venture or organization.

**GOAL ALIGNMENT:** The management process of evaluating whether outcomes or impacts met desired goals and determining what can be done to improve operations.

**APPLICABILITY TO LIFECYCLE STAGES:** Indicates the range of venture stages for which this method seems most appropriate. The ranking ranges from light orange for weak applicability to a fuller orange for stronger applicability.

**ASSESSMENT PURPOSES/FUNCTIONS IN INVESTMENT PROCESS:** The stars indicate the different purposes for which the method could potentially be used, and to which it is best suited. They include:

**SCREENING:** The method can be useful for the investor screening ventures for social reasons at the time of investment, to help filter for certain traits or qualities.

**PARTNERSHIP FORMATION:** The method can be useful for clarifying the investors' and entrepreneurs' expectations, aligning those expectations, and building trust.

**MANAGEMENT OPERATIONS:** The method can be useful for day-to-day operations monitoring, and provides data for regular management decision-making and/or investor oversight.

**SCALING:** The method helps clarify the key input/activity relationships that drive outputs and outcomes, clarifying what can and should be scaled. It can contribute to helping management and investors manage rapid growth.

**EXTERNAL REPORTING:** The method can be useful for reporting to parties outside of the venture/investor relationship, such as to funders or potential funders, funders' boards, the public, or other entities that require performance reports such as on an annual basis.

**EXIT:** The method can provide information useful to exit decisions.

**RETROSPECTIVE EVALUATION:** The method is particularly useful for summative (backward-looking or historical) social impact assessment.

Circle ratings of the method's applicability to these purposes were created based on conversations with the practitioners in addition to our own analysis, and follow this scale:

- 0 CIRCLES:** Does not serve this purpose
- 1 CIRCLE:** Contributes or could contribute somewhat to this purpose
- 2 CIRCLES:** Serves this purpose substantially but is not the only thing that would be required
- 3 CIRCLES:** Is all that is needed to fulfill this purpose

**FEASIBILITY DATA AS SUPPLIED BY PRACTITIONER:** This section shows the approximate costs and timing of expenditures over the first three years of the venture in the specific case in the example.

**COST/TIME:** This graphs a working estimate of the costs associated with the total staff time represented pictorially in the “Time Breakdown.” It does not include the cost of any technology (software) or capital assets.

**TIME BREAKDOWN:** This shows estimates of time required to implement this method or system, expressed as the average number of days per month a full-time employee (FTEs) of the particular description below is required:

**MANAGEMENT:** Time contributed by management of the venture itself. Management time is shown in orange.

**STAFF:** Time contributed by other non-management employees of the venture in supporting the method's use. Staff time is shown in blue.

**CONSULTANT/THIRD PARTY:** Time contributed by a third party consultant hired to provide initial consulting advice or ongoing data collection and analysis. Consultant time is shown in red.

**INVESTOR:** Time funders or investors spend creating or maintaining the method or system, expressed on a per venture basis. Investor time is shown in green.



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## METHOD SUMMARIES

## THEORIES OF CHANGE

### PROCESS

There are at least two methods that go by similar names, both of which involve articulation of the underlying assumption about cause and effect in mission-driven organizations, but which are otherwise distinct.

“Theory of Change” is practiced by the consulting firm The Bridgespan Group, Inc., which has formalized a process in which brief set of statements outlining an organization’s “theory of change” are articulated to help align organizational goals with processes and management with staff.

Another method, “Theories of Change” was formally developed by Carol Weiss and other academics for use in evaluating community-wide initiatives, where it is difficult to assess social impacts using experimental or quasi-experimental methods. This framework emphasizes the understanding by stakeholders of how exactly the enterprise will generate social impacts. It highlights the causal relationships between actions, short-term outcomes, and long-term outcomes. Although this method does not provide the statistical certainty of an experimental or quasi-experimental research approach, it can build a compelling case for social impacts by determining whether a logical connection exists between the problems addressed, the actions taken, and subsequent changes in key outcomes. These assumptions can be continually tested against actual evidence gathered from proxy data research studies and/or practice when the method is implemented on a continual basis.

The New Schools Venture Fund illustrates an example of a hybrid of these two versions of the model.

### APPLICATIONS TO DATE

The Bridgespan version has been applied by many nonprofits. The Weiss version has been applied a variety of community initiatives, notably the Jobs initiative mounted by the Annie E. Casey Foundation. These initiatives have addressed impacts on employment, income, housing, and other outcomes. A hybrid version of the method has been applied by New Schools Venture Fund and informally by many businesses, management consultancies and nonprofits.

### OBSERVATIONS

The Weiss approach applied in an ongoing manner has high feasibility and low cost if an organization already intends to collect the needed activity and outcome data for a venture to test its assumptions. Otherwise, the method is more difficult and costly. Other versions of the method do not require data collection and are thus highly feasible.

The method supports a conclusion that a venture has generated impacts, but it does not measure impacts unless other methods are utilized. By itself, its social science credibility is therefore moderate to low.

### POTENTIAL RISKS TO CREDIBILITY

- (1) Poorly specified impact value chain (logic model).
- (2) Failure to articulate key assumptions about causal links in model(s).
- (3) Weak analytical tests of causal links in the model(s).
- (4) Misinterpretation of research evidence, especially in terms of claiming impacts.

### IMPACT VALUE CHAIN



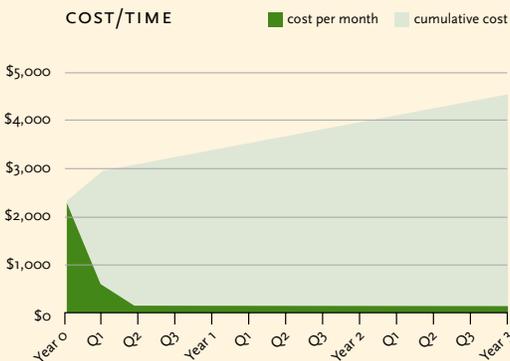
### APPLICABILITY TO LIFECYCLE STAGES



### ASSESSMENT PURPOSES/FUNCTIONS IN INVESTMENT PROCESS



### FEASIBILITY DATA AS SUPPLIED BY NEW SCHOOLS VENTURE FUND



### TIME BREAKDOWN

	PERSON DAYS/MONTH (APPROX.)
MANAGEMENT	LESS THAN
STAFF	LESS THAN
CONSULTANT/THIRD PARTY	LESS THAN
INVESTOR	LESS THAN

## BALANCED SCORECARD (BSC)

PROCESS

IMPACT

**DEVELOPED BY:** Robert Kaplan and David Norton

**ORIGINATION:** 1992

### SUMMARY

The Balanced Scorecard proposes that companies measure operational performance in terms of financial, customer, business process, and learning-and-growth outcomes, rather than exclusively by financial measures, to arrive at a more powerful view of near term and future performance. It advocates integration of these outcomes into firms' strategic planning processes. The scorecard is a framework for collecting and integrating the range of metrics along the Impact Value Chain, and is adaptable to an organization's stage. It helps coordinate evaluation, internal operations metrics, and external benchmarks, but is not a substitute for them.

### APPLICATIONS TO DATE

The Balanced Scorecard has been used by many large corporations, such as Mobil, Apple Computer, and Advanced Micro Devices. In addition, many organizations in the private and nonprofit sectors, including the Federal government and various school districts, have used approaches based on the Balanced Scorecard. Recently Kaplan has adapted the Balanced Scorecard for nonprofits, suggesting that such institutions adopt strategic performance measures that focus on user satisfaction. New Profit Inc., a venture philanthropy fund, has applied its version of the scorecard to the nonprofits in its portfolio since 2000. The summary below is based upon New Profit's application among scalable nonprofit social enterprises.

### OBSERVATIONS

The feasibility of the Balanced Scorecard is high for companies and/or organizations willing to undergo a process involving monitoring and management decisions as well as data collection and analysis. The method does not currently attempt to estimate ventures' impacts, although New Profit Inc. plans to incorporate this into its version by mid-2004.

### POTENTIAL RISKS TO CREDIBILITY

- (1) Selection of inputs, outputs, and/or outcomes that are not actually related to impacts or overall financial performance.
- (2) Weak correlation between outcomes chosen and true impacts (even if the right outcomes are selected).
- (3) Lack of counterfactuals (outputs or outcomes may be misinterpreted as impacts).

## IMPACT VALUE CHAIN



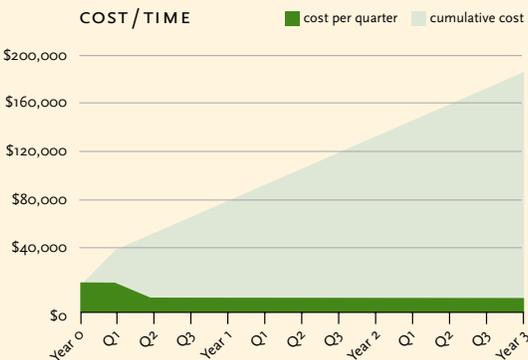
## APPLICABILITY TO LIFECYCLE STAGES



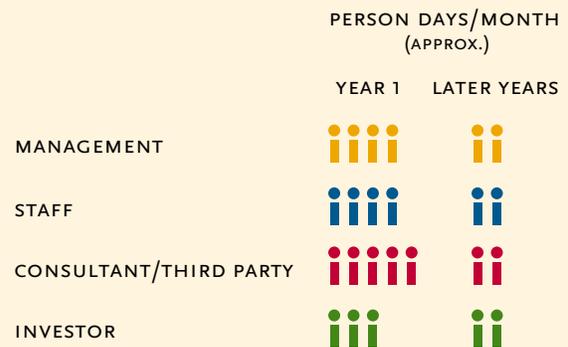
## ASSESSMENT PURPOSES/FUNCTIONS IN INVESTMENT PROCESS



## FEASIBILITY DATA AS SUPPLIED BY NEW PROFIT INC.



## TIME BREAKDOWN



## ACUMEN FUND SCORECARD

### PROCESS

**DEVELOPED BY:** Acumen Fund, a nonprofit enterprise that invests in and grants to both nonprofit and for-profit ventures in its portfolios, in association with consultancy McKinsey & Company.

**ORIGINATION:** 2001

### SUMMARY

The system assesses the social venture investments in Acumen's portfolio of for-profit and nonprofit companies. It entails tracking progress on short- and long-term outcomes, which is assessed in terms of outcome milestones and benchmarks. Progress on selected outcomes is interpreted according to the method as likely to lead to investment "impact," meaning outcomes, rather than the social science definition of impact (outcomes net of what would have happened without the venture's existence).

### APPLICATIONS TO DATE

The Acumen system has been applied since 2002 to investments in the fund's portfolios. The system has also been considered a model for assessments by similar funds.

### OBSERVATIONS

This approach has high feasibility and low cost if an organization already intends to collect the needed cost, revenue, and outcome data to screen potential ventures. Otherwise, the method is more difficult and costly.

The method's outcome measurement strategy is good, but the system does not measure true impacts (defined as outcomes net of what would have happened without the venture's existence) at this time, as these will only be apparent in the medium to long term. Its social science credibility is consequently moderate to low. Acumen intends to build consideration of true impacts into the method by 2004.

### POTENTIAL RISKS TO CREDIBILITY

- (1) Selection of inputs, outputs, and/or outcomes that are not actually related to impacts or overall financial performance.
- (2) Weak correlation between outcomes chosen and true impacts (even if the right outcomes are selected).
- (3) Lack of counterfactuals (outputs or outcomes may be misinterpreted as impacts).

## IMPACT VALUE CHAIN



## APPLICABILITY TO LIFECYCLE STAGES



## ASSESSMENT PURPOSES/FUNCTIONS IN INVESTMENT PROCESS

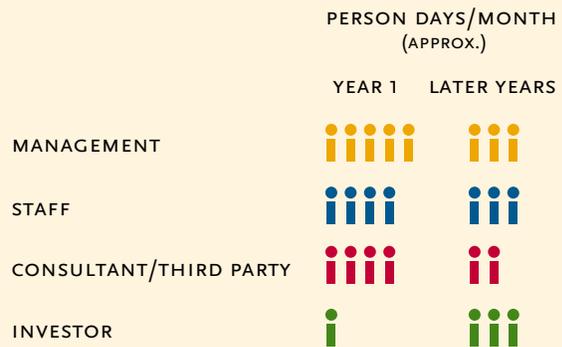


## FEASIBILITY AS APPLIED BY ACUMEN FUND



Note: Management and Staff salaries reflect rates in developing countries, and include benefits at 20%.

## TIME BREAKDOWN



## SOCIAL RETURN ASSESSMENT

PROCESS

**DEVELOPED BY:** Pacific Community Ventures (PCV), a nonprofit organization that manages two for-profit investment funds that invest in companies that provide jobs, role models, and on-the-job training for low-income people, and that are located in disadvantaged communities in California.

**ORIGINATION:** 2000

### SUMMARY

PCV developed the method for its own use in assessing the social return of each investee and of its portfolio overall. The system entails tracking progress specifically on the number and quality of jobs created by PCV's portfolio companies. It helps the fund target and improve its services to its investees and to a group of companies to which it provides business advisory services. The method is separate from financial performance assessment.

### APPLICATIONS TO DATE

Pacific Community Ventures' social return assessment has been applied to investments in its portfolio since 2000. The method has also been considered a model for assessments by comparable organizations, primarily community development venture capital funds.

### OBSERVATIONS

This approach has high feasibility and low cost if an organization already intends to collect the needed demographic and jobs data for a venture. Otherwise, the method is more difficult and costly.

The method's output measurement strategy is good. The system does not attempt to measure true impacts (defined as outcomes net of what would have happened without the venture's existence). Its social science credibility is consequently moderate to low.

### POTENTIAL RISKS TO CREDIBILITY

- (1) Selection of inputs, outputs, and/or outcomes that are not actually related to impacts or overall financial performance.
- (2) Weak correlation between outcomes chosen and true impacts (even if the right outcomes are selected).
- (3) Lack of counterfactuals (outputs or outcomes may be misinterpreted as impacts).
- (4) Reliability of data collection procedures, including factors like cooperation of investees.

## IMPACT VALUE CHAIN



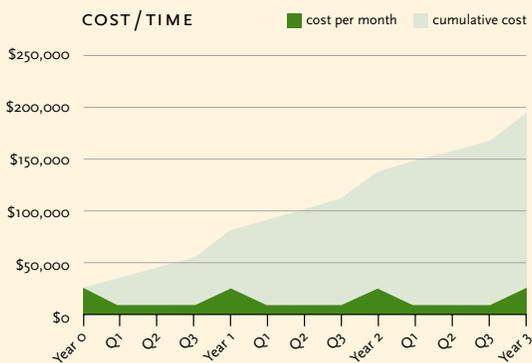
## APPLICABILITY TO LIFECYCLE STAGES



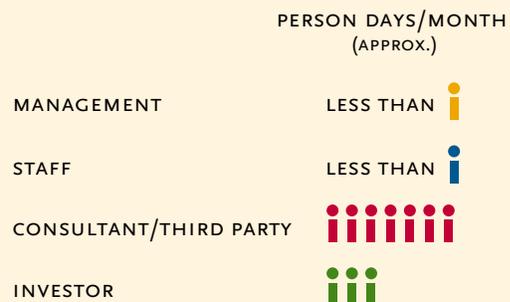
## ASSESSMENT PURPOSES/FUNCTIONS IN INVESTMENT PROCESS



## FEASIBILITY DATA AS SUPPLIED BY PACIFIC COMMUNITY VENTURES



## TIME BREAKDOWN



## ATKISSON COMPASS ASSESSMENT FOR INVESTORS

PROCESS

IMPACT

**DEVELOPED BY:** AtKisson Inc., a sustainability consultancy, in collaboration with Angels with Attitude I, LLC, a seed- and early-stage venture fund that invests in for-profits that advance sustainability.

**ORIGINATION:** 2000

### SUMMARY

This method builds on AtKisson's Compass Index of Sustainability, a tool for assessment of the sustainability of communities. The framework for investors is designed to integrate with the reporting guidelines of major CSR standards, particularly the Global Reporting Initiative (GRI) and the Dow Jones Sustainability Index (DJSI), as a venture matures. The method incorporates a structure with five key areas: N = nature (environmental benefits and impacts) S = society (community impacts and involvement) E = economy (financial health and economic influence), and W = well-being (effect on individual quality of life), and a fifth element, + = Synergy (links between the other four areas and networking), and includes a point-scale rating system on each of the five areas. Each area has several indicators each of which has specific criteria. The method has been peer reviewed by corporate executives, economic academicians, and investment professionals.

### APPLICATIONS TO DATE

The method for investors has been applied by Angels with Attitude to screen potential investments and to assess their ongoing progress towards sustainability.

### OBSERVATIONS

This approach has medium to high feasibility and low cost, particularly if an organization already intends to collect the needed operational, cost and outcome data for a venture. The framework covers all areas of economic, social and environmental impact, and provides an initial overall analysis that guides the evaluation to focus on those areas most pertinent to a company's products and operations. Investment performance indicators identified by the methodology are discussed and agreed upon with investment candidate companies.

The method captures impact in some areas where a pretest serves as the counterfactual, but otherwise it does not explicitly attempt to assess impact. Its social science credibility is consequently moderate to low.

Given that early stage companies and investors rarely do external reporting, the method has not been used for this purpose to date. However it does provide essentially all information that would be needed for external reporting.

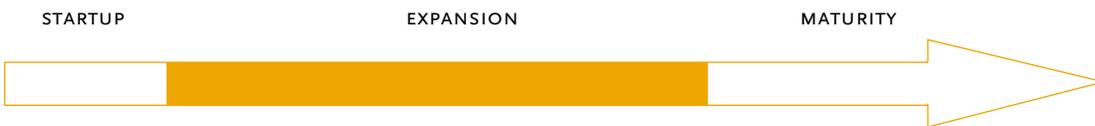
### POTENTIAL RISKS TO CREDIBILITY

- (1) Selection of inputs, outputs, and/or outcomes that are not actually related to impacts or overall financial performance.
- (2) Weak correlation between outcomes chosen and true impacts (even if the right outcomes are selected).
- (3) Lack of counterfactuals (outputs or outcomes may be misinterpreted as impacts).
- (4) Reliability of data collection procedures, including factors like cooperation of investees.
- (5) Subjectivity of the basis for a score on a given subcategory.

## IMPACT VALUE CHAIN



## APPLICABILITY TO LIFECYCLE STAGES



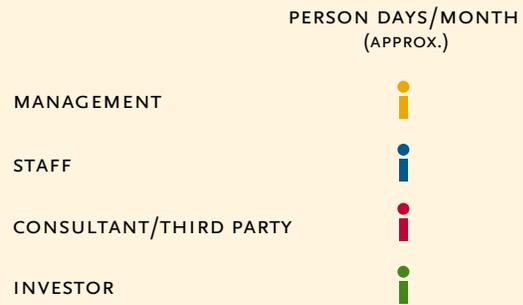
## ASSESSMENT PURPOSES/FUNCTIONS IN INVESTMENT PROCESS



## FEASIBILITY DATA AS SUPPLIED BY ANGELS WITH ATTITUDE AND ATKISSON, INC.



## TIME BREAKDOWN



## ONGOING ASSESSMENT OF SOCIAL IMPACTS (OASIS)

PROCESS

IMPACT

**DEVELOPED BY:** REDF, a nonprofit enterprise that makes grants to a closed portfolio of nonprofit agencies which cumulatively run 15 businesses, in collaboration with its portfolio agencies.

**ORIGINATION:** 1999

### SUMMARY

REDF developed this system for its internal use and that of the nonprofit agencies in its portfolio to assess the social outputs and outcomes of the agencies overall, including the social enterprises they each operate. The system is a customized, comprehensive, ongoing social management information system (MIS). It entails both designing an information management system that integrates with the agency's information tracking practices and needs, and then implementing the tracking process to track progress on short- to medium-term (2 years) outcomes.

### APPLICATIONS TO DATE

OASIS has been implemented by four nonprofit agencies in REDF's portfolio, which collectively run several enterprises that produce and market goods and services and, in the process, employ disadvantaged individuals. The agencies are all located in the San Francisco Bay Area. OASIS has been considered a model for assessment by other organizations.

### OBSERVATIONS

This approach as it has been implemented to date has moderate to low feasibility if the organization is willing to undergo a process involving monitoring, data collection, analysis and management decision-making. It has moderate to high cost. Cost estimates below assume the organization is already ready and willing to track social performance data. The estimates exclude the cost of gathering ongoing financial performance data, since this is already done as part of standard business operations.

The method's outcome measurement strategy is good and it therefore has high social science credibility compared with other methods used by double bottom line ventures.

### POTENTIAL RISKS TO CREDIBILITY

- (1) Selection of inputs, outputs, and/or outcomes that are not actually related to impacts or overall financial performance.
- (2) Weak correlation between outcomes chosen and true impacts (even if the right outcomes are selected).
- (3) Lack of counterfactuals (outputs or outcomes may be misinterpreted as impacts).
- (4) Reliability of data collection procedures, including factors like cooperation of investees.

## IMPACT VALUE CHAIN



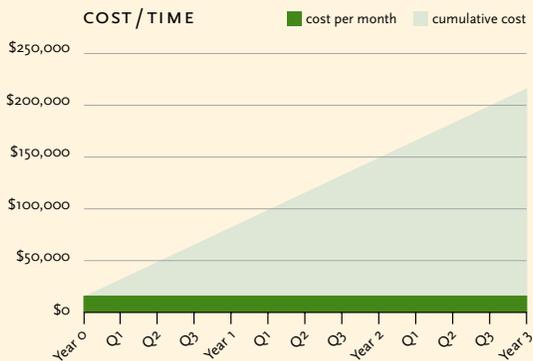
## APPLICABILITY TO LIFECYCLE STAGES



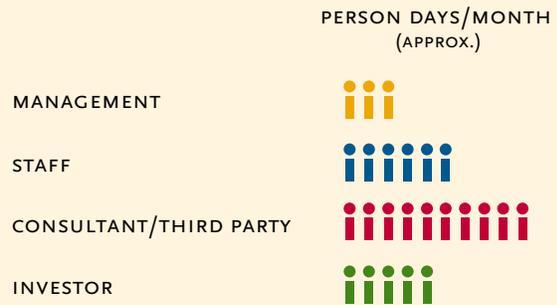
## ASSESSMENT PURPOSES/FUNCTIONS IN INVESTMENT PROCESS



## FEASIBILITY DATA AS SUPPLIED BY REDF AND RUBICON



## TIME BREAKDOWN



## SOCIAL RETURN ON INVESTMENT (SROI)

IMPACT

MONETIZATION

**DEVELOPED BY:** REDF, a nonprofit enterprise that makes grants to a closed portfolio of nonprofit agencies which cumulatively run 15 businesses, in collaboration with its portfolio agencies.

**ORIGINATION:** 1996

### SUMMARY

REDF developed social return on investment (SROI) analysis to place a dollar value on ventures in its portfolio with social as well as market objectives. The approach combines the tools of benefit-cost analysis, the method economists use to assess nonprofit projects and programs, and the tools of financial analysis used in the private sector. Conceptually, the approach differs from these established types of analysis, notably in what is considered a "social" benefit. Practically, it is more accessible to a broad range of users, substituting readily understood terms and methods for technical jargon and complicated techniques.

### APPLICATIONS TO DATE

SROI was applied by REDF between 1997-1999 to 23 businesses owned and operated by seven nonprofit organizations in the San Francisco area. All these ventures produce and market goods and services and, in the process, employ disadvantaged individuals. SROI has also been used, often in a modified form, by other organizations to assess ventures with similar features.

### OBSERVATIONS

SROI has high feasibility and low cost if an organization already intends to collect the needed cost, revenue, and outcome data for a venture. Otherwise, the method is more difficult and costly. Cost estimates below assume the organization is already ready and willing to track social performance data. The estimates include the cost of gathering these data, and exclude the cost of gathering ongoing financial performance data, since this is already done as part of standard business operations.

The method's credibility is higher than most other approaches presently employed in the social venture field because it can be based on actual data on the venture's outputs and outcomes, and on proxy research. However, it is lower than rigorous economic analyses because of the absence of counterfactuals specifically designed for comparison to the actual venture's constituencies (comparisons to what social outcomes would have happened if the venture did not exist).

### POTENTIAL RISKS TO CREDIBILITY

- (1) Poor impact measurement based on weak research design.
- (2) Poor social accounting framework (e.g., lack of clarity about party from whose perspective benefits are calculated).
- (3) Lack of counterfactuals (outputs or outcomes may be misinterpreted as impacts).
- (4) Missing important intangible impacts and/or costs.

## IMPACT VALUE CHAIN



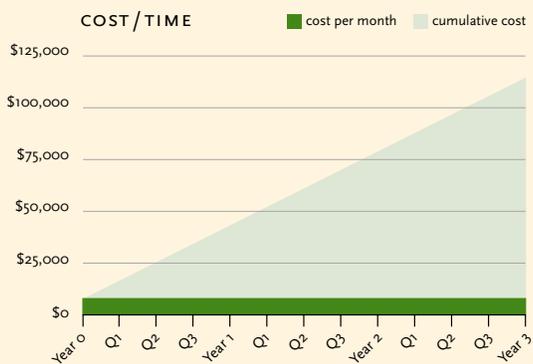
## APPLICABILITY TO LIFECYCLE STAGES



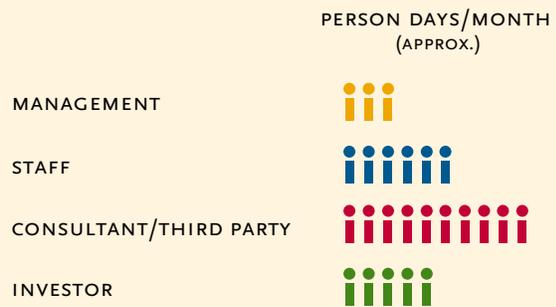
## ASSESSMENT PURPOSES/FUNCTIONS IN INVESTMENT PROCESS



## FEASIBILITY DATA AS APPLIED BY REDF TO AN AVERAGE SOCIAL ENTERPRISE IN ITS PORTFOLIO



## TIME BREAKDOWN



## BENEFIT-COST ANALYSIS

IMPACT

MONETIZATION

**DEVELOPED BY:** No single person, but 19th century French economist Arsène-Jules-Étienne-Juvénal Dupuit is sometimes given credit. Vilfredo Pareto, the 19th century sociologist after whom the Pareto Rule is named, contributed greatly. In the 1950s economists like I.M.D. Little (Oxford), Zvi Griliches (Chicago, Harvard), and Kenneth Arrow (Stanford), also moved the field forward.

**ORIGINATION:** The 18th century. Modern techniques began to be developed in the U.S in the 1940s.

### SUMMARY

Benefit-cost analysis (also called “cost-benefit analysis”) is a type of economic analysis in which the costs and social impacts of an investment are expressed in monetary terms and then assessed according to one or more of three measures: (1) net present value (the aggregate value of all costs, revenues, and social impacts, discounted to reflect the same accounting period; (2) benefit-cost ratio (the discounted value of revenues and positive impacts divided by discounted value of costs and negative impacts); and (3) internal rate of return (the net value of revenues plus impacts expressed as an annual percentage return on the total costs of the investment).

### APPLICATIONS TO DATE

Benefit-cost analysis is used by economists to evaluate investments when important consequences of an investment are not fully reflected in revenues and expenditures. It is used to evaluate a wide variety of public sector investments (many types of domestic government programs and foreign aid programs, as well as foundation-funded and other social investments) as well as double-bottom line investments that generate social impacts as well as revenues.

### OBSERVATIONS

Benefit-cost analysis is designed to measure the social return on an investment. However, it can also be used to estimate the returns to particular groups within society, such as investment beneficiaries, employers, or taxpayers. The credibility of benefit-cost analysis depends on the use of an appropriate research design to measure impacts.

Conclusive benefit-cost analysis cannot be conducted until social impacts have been measured. However, the social returns to an investment can be estimated based on informed assumptions about the expected social impacts.

### POTENTIAL RISKS TO CREDIBILITY

- (1) Poor impact measurement based on weak research design.
- (2) Poor social accounting framework (e.g., lack of clarity about party from whose perspective benefits are calculated).
- (3) Missing important intangible impacts and/or costs.

## IMPACT VALUE CHAIN



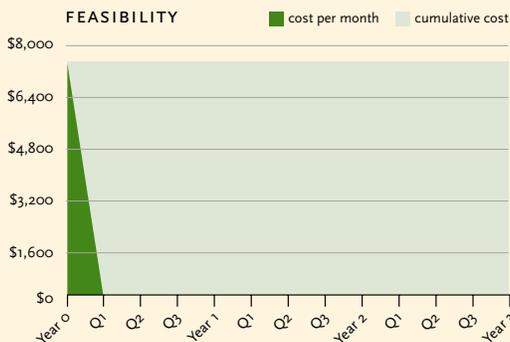
## APPLICABILITY TO LIFECYCLE STAGES



## ASSESSMENT PURPOSES/FUNCTIONS IN INVESTMENT PROCESS



## FEASIBILITY DATA AS SUPPLIED BY ABT ASSOCIATES TO PROJECT PROGRAM IMPACT OF AMERICORPS



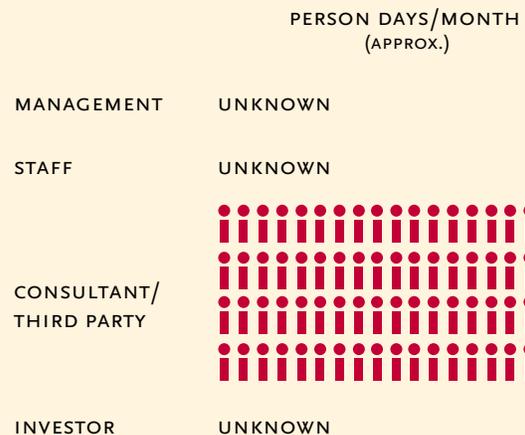
## TIME BREAKDOWN



## FEASIBILITY DATA AS SUPPLIED BY ABT ASSOCIATES FOR A RETROSPECTIVE ANALYSIS OF PROGRAM IMPACT OF AMERICORPS



## TIME BREAKDOWN



## POVERTY AND SOCIAL IMPACT ANALYSIS (PSIA)

IMPACT

MONETIZATION

**DEVELOPED BY:** The World Bank

**ORIGINATION:** 2000

### SUMMARY

PSIA is a systematic analytic approach to “the analysis of the distributional impact of policy reforms on the well-being of different stakeholder groups, with a particular focus on the poor and vulnerable...” (PSIA User’s Guide). It is not a tool for impact assessment in and of itself, but is rather a process for developing a systematic impact assessment for a given project. Its components are not new, but PSIA has been formally articulated as a systematic approach by the World Bank in 2003. The method emphasizes the importance of setting up the analysis by identifying the assumptions on which the program is based, the transmission channels through which program effects will occur, and the relevant stakeholders and institutional structures. Then program impacts are estimated, and the attending social risks are assessed, using analytical techniques that are adapted to the project under study.

### APPLICATIONS TO DATE

PSIA as a systematic approach was first demonstrated in projects funded by the World Bank in 2001. However, in assessing hundreds of economic development projects in countries around the world, the World Bank has applied various components of the approach for many years to agriculture and rural development, infrastructure development, and industrial development in developing nations.

### OBSERVATIONS

PSIA was designed for use by Bank staff and government analysts with input from local non-governmental stakeholders in developing countries. The feasibility and cost of PSIA would challenge organizations with limited research resources.

The method’s social science credibility is generally high.

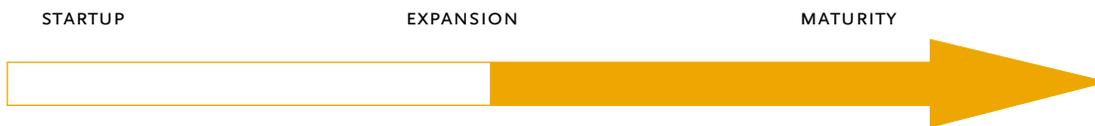
### POTENTIAL RISKS TO CREDIBILITY

- (1) Poor impact measurement based on weak research design.
- (2) Poor social accounting framework (e.g., lack of clarity about party from whose perspective benefits are calculated).
- (3) Missing important intangible impacts and/or costs.

## IMPACT VALUE CHAIN



## APPLICABILITY TO LIFECYCLE STAGES



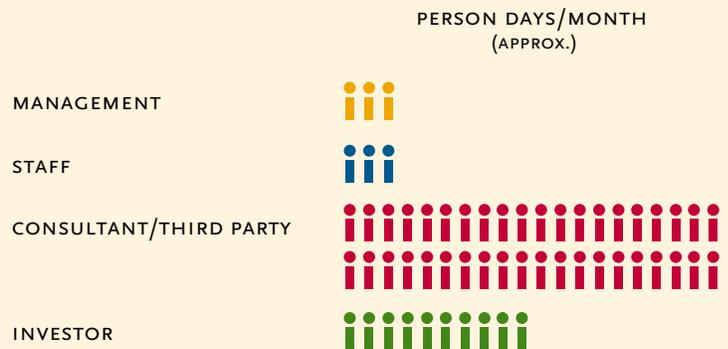
## ASSESSMENT PURPOSES/FUNCTIONS IN INVESTMENT PROCESS



## FEASIBILITY AS APPLIED BY THE WORLD BANK IN A HYPOTHETICAL UPPER-RANGE CASE



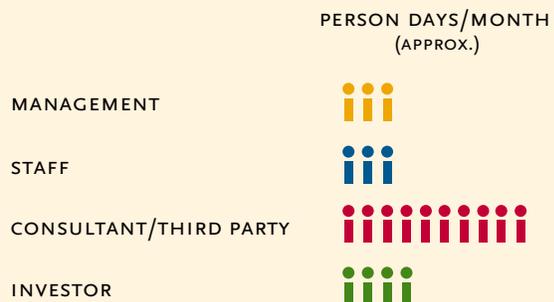
## TIME BREAKDOWN



## FEASIBILITY AS APPLIED BY THE WORLD BANK IN A HYPOTHETICAL LOWER-RANGE CASE



## TIME BREAKDOWN



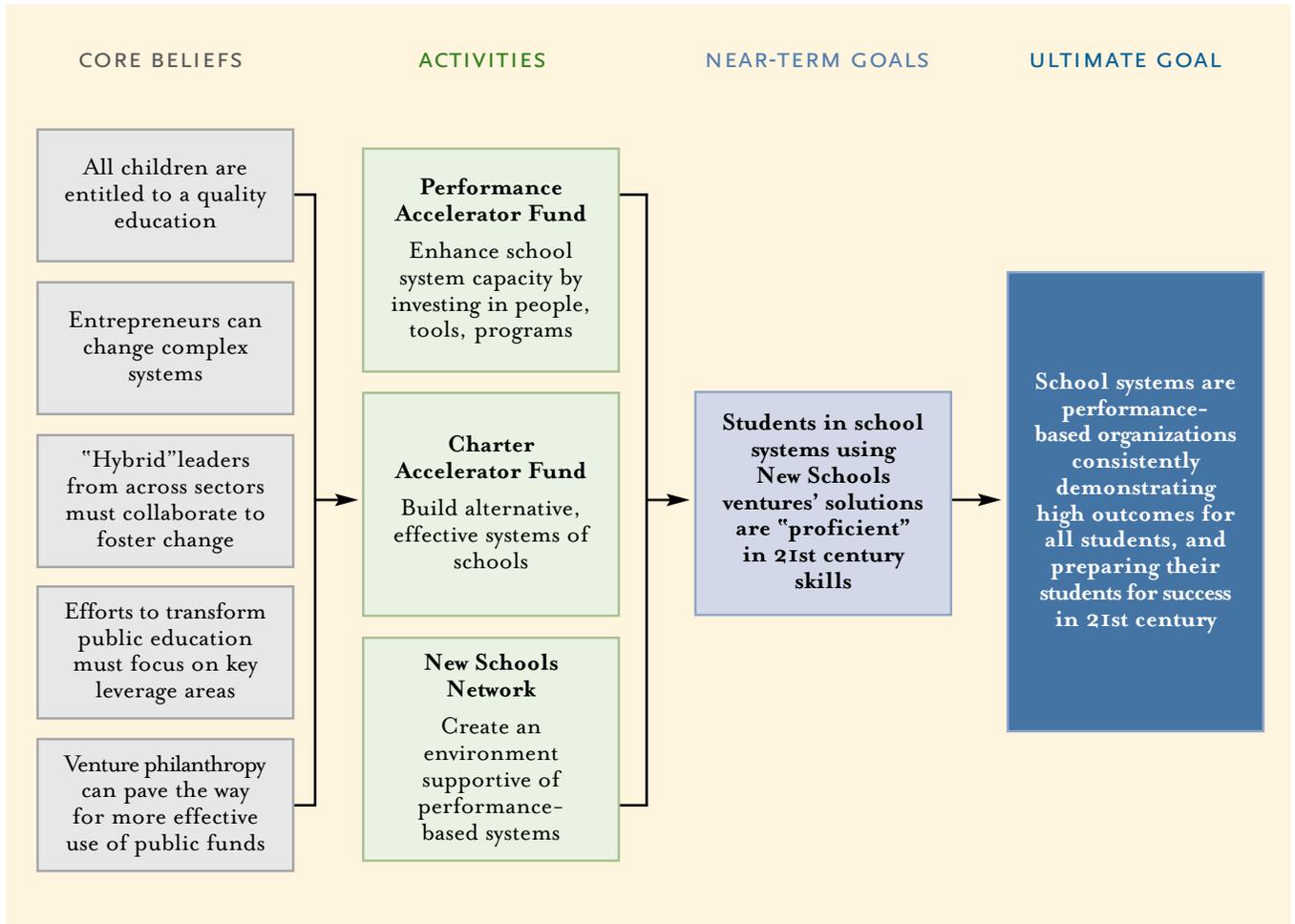


DOUBLE BOTTOM LINE PROJECT REPORT:  
ASSESSING SOCIAL IMPACT IN DOUBLE BOTTOM LINE VENTURES  
METHODS CATALOG

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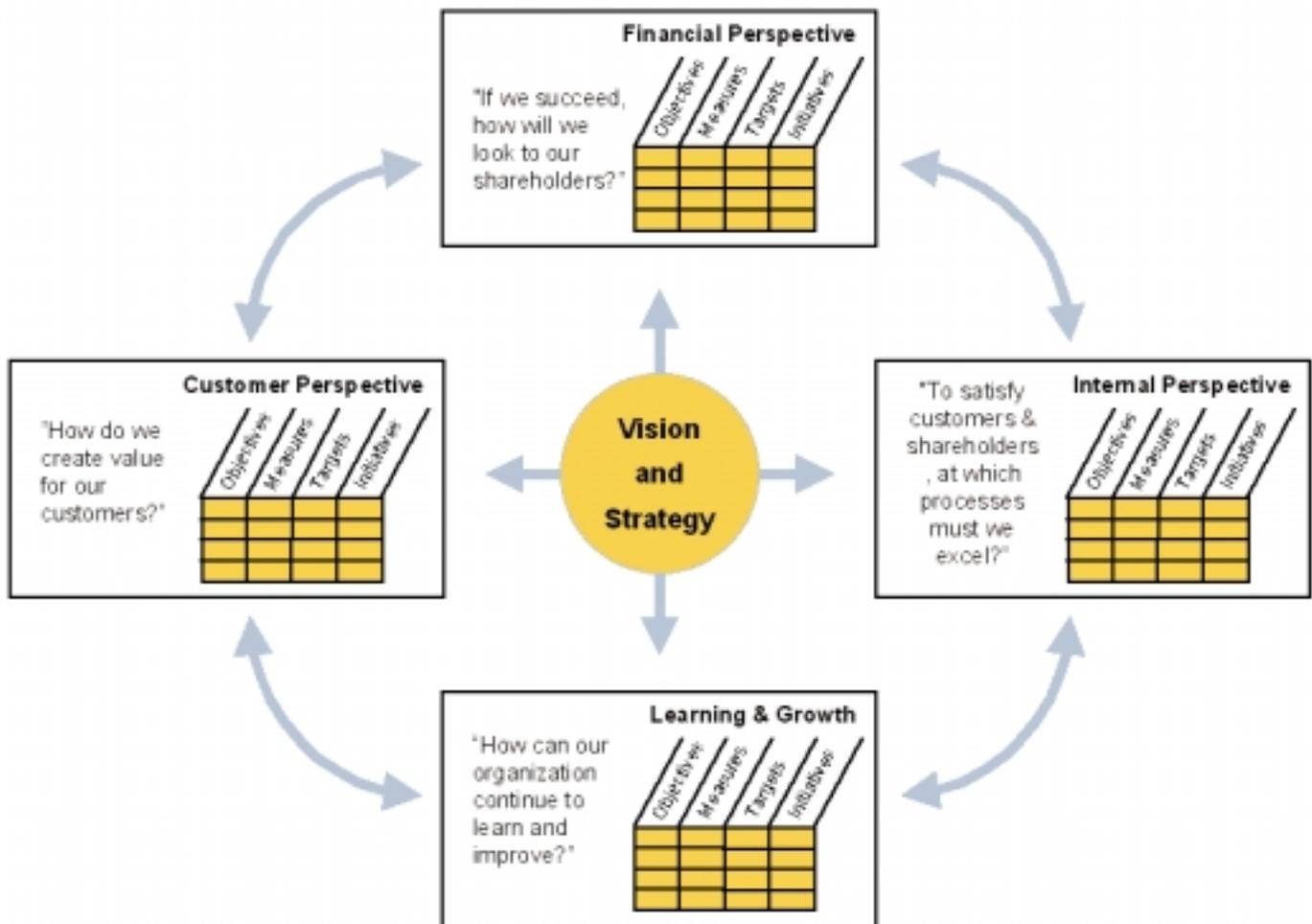
## **APPENDIX: METHOD DETAILS AND EXAMPLES**

NEW SCHOOLS VENTURE FUND THEORY OF CHANGE



#### FOUR PERSPECTIVES OF THE TRADITIONAL BALANCED SCORECARD

The traditional Balanced Scorecard translates strategy into action for organizations focused on primarily financial outcomes. It contains four perspectives:



The Balanced Scorecard is modified for organizations that include a focus on social outcomes by adding a fifth perspective: Social Impact.

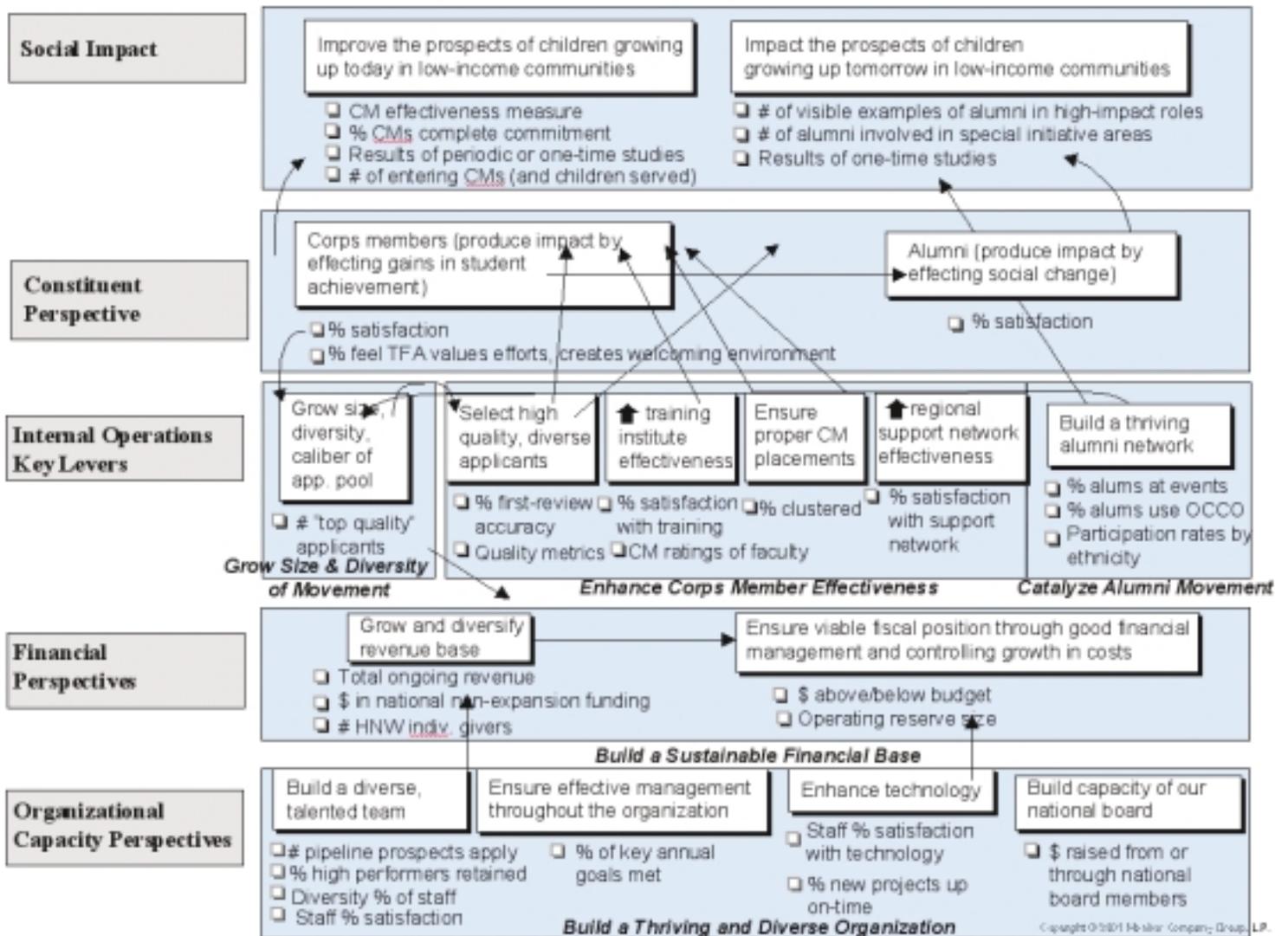
BALANCED SCORECARD BLANK REPORTING TEMPLATE  
(ABRIDGED FOR SAMPLE PURPOSES)

Aspect	Objectives	Measures	Q1 Actual	Q1 Goal	Annual Goal	Program Officer	Program Manager (filled out by New Profit)	Comments
Social Impact		1.						
		2.						
		3.						
Financial		4.						
		5.						
Customer		6.						
		7.						
		8.						
Internal Operations		9.						
		10.						
		11.						
		12.						
Organizational Capacity/ Growth		13.						
		14.						
		15.						
		16.						
		17.						

TEACH FOR AMERICA BALANCED SCORECARD STRATEGY MAP  
(ABRIDGED FOR SAMPLE PURPOSES)

Vision: Ensure that one day all children in this nation will have the opportunity to attain an excellent education.

Mission: To build a national corps of outstanding recent graduates, of all academic majors, who commit two years to teach in public schools in low-income urban and rural communities and who become lifelong leaders in pursuit of expanding educational opportunity.



## TEACH FOR AMERICA BALANCED SCORECARD

Vision: Ensure that one day all children in this nation will have the opportunity to attain an excellent education.

Mission: To build a national corps of outstanding recent graduates, of all academic majors, who commit two years to teach in public schools in low-income urban and rural communities and who become lifelong leaders in pursuit of expanding educational opportunity.

Aspect	Objectives	Measures	02 Q3 goal	02 Q4 goal	03 Q1 goal	FY05 goals
Social Impact	A. Improve the prospects of children growing up today in low-income communities	1. % of CMs who demonstrate reasonable evidence of dramatic gains in student achievement	(benchmark: setting year) (rough result = -25% with lower bar for elem.: 1.5 in math or literacy; est'd 10-15% w/higher bar)			30% (tentative)
		-1.5 grade level gains in math and either reading or writing for elementary (if revised, see suppl. Memo)				
		- subject-matter mastery for secondary				
		- EIP mastery for special ed				
		2. # of new CMs begin teaching		1350		2000
		3. Track results of principals' survey and Mathematica study	N/A			N/A
Internal Operations	F. Select high quality, diverse applicants to join corps	4. % of entering CMS will complete their commitment	87%			90%
		5. % highly satisfied with TFA (top 2 on 7-point scale)	65% (see special initiatives: may revisit this measure)			75%
		6. % strongly agree TFA values their efforts (top 2 of 7)	70%			
		7. Average GPA of entering CMs	3.45			3.45
Financial	K. Grow and diversity revenue base	8. % of entering CMs held leadership positions	86% minimum			87% minimum
		9. Total annual operating funds raised (excluding expansion funds)		\$20.688 million		\$35.8 million
Organizational Capacity	Q. Enhance technology capabilities	10. Total # of individual givers of \$k or more	100 (baseline)			200
		12. Minimum % of staff members strongly agree (top 2 of 7) they have the technology support needed to meet their goals			65%	70%
		13. % significant projects up and running by target date			75%	75%
Note: The above is an abridged version of the TFA Balanced Scorecard: the full version has 37 measures. ©2001 Monitor Company Group						

## ACUMEN FUND SCORECARD QUARTERLY PROGRESS REPORT

**Investment Name:**

**Investment #:**

**Reporting Quarter:**

**Date Submitted:**

### 1. PRODUCT DESIGN AND DEVELOPMENT

**Product design (if applicable)**

**Product manufacturing (if applicable)**

**Other Sub-Categories (investment specific)**

Investee to provide detailed comments for each sub-category

### 2. SERVICE DELIVERY/DISTRIBUTION/MARKETING

**Service Delivery**

**Distribution model**

**Marketing**

**Other Sub-Categories (investment specific)**

Investee to provide detailed comments for each sub-category

### 3. ORGANIZATIONAL CAPACITY

**Sub-Categories (investment specific)**

Investee to provide detailed comments for each sub-category.

Any changes (additions/deletions) from the organization should be listed here.

### 4. EXTERNAL RISKS

**Sub-Categories (investment specific)**

Investee to provide detailed comments for this section if new external risks have emerged or others have faded away.

## 5. FINANCIAL PERFORMANCE

### Sub-Categories (investment specific)

Investee to provide an overview of the financial performance for this review period.

This gives the aggregate of what was budgeted versus what was spent.

## 6. FINANCIAL REPORT

Activity	Budget	Expenditure	Variance	Notes (on variance > 10%)

## 7. ADDITIONAL COMPANY REPORTS

Investment specific standard company reports voluntarily shared with Acumen as a result of investment agreement.

## PACIFIC COMMUNITY VENTURES SOCIAL RETURN ASSESSMENT EXPECTED OUTCOME AREAS AND INDICATORS

Pacific Community Ventures utilizes three instruments to track a number of key outcome areas (outlined below). The employee tracking form and employer survey have been administered annually since 2000. PCV conducted the employee survey in the fall of 2003; ongoing frequency of administering this instrument is still to be determined. Each survey tracks performance with respect to several metrics within each outcome area. The grid below provides a sample metric used in each instrument for each of PCV's key outcome areas.

OUTCOME AREAS	EMPLOYEE TRACKING FORM (COMPLETED QUARTERLY BY PCV'S FINANCED BUSINESSES)	EMPLOYER SURVEY (COMPLETED ANNUALLY BY PCV'S FINANCED AND ADVISED BUSINESSES)	EMPLOYEE SURVEY (ADMINISTERED IN 2003, ONGOING FREQUENCY TBD.)	SECONDARY DATA COLLECTION (DONE BY PCV AS NECESSARY)
Job Training Capacity & Building Transferable Skills	Sample Metric: # of employees receiving promotions	Sample Metric: Types of training offered	Sample Metric: Skill attainment	
Job Hiring & Retention Within Community	Sample Metric: # of new hires	Sample Metric: # of entry-level employees	Sample Metric: Rationale for taking job	
Quality Jobs	Sample Metric: Pay rates of jobs	Sample Metric: Pay rates of jobs	Sample Metric: Importance of various benefits	
Strategic Location in Target Community		Sample Metric: Hire employees locally	Sample Metric: Employment accessibility	Sample Metric: Low-income census tract and zip code analysis
Strong Profit Sharing or Equity Sharing Program for Workers	Sample Metric: Opportunities for employees to share in company success such as: Stock options	Sample Metric: Opportunities for employees to share in company success such as: Stock options	Sample Metric: Relative importance of profit sharing to employees	
Economic Reach of Business		Sample Metric: Market reach of company		
Matching of Business to Available Trained Workers	Sample Metric: # of employees hired through job training or Welfare-to-Work programs	Sample Metric: Link to job training programs		
Founder/Management from Target Community Population		Sample Metric: Entrepreneur grew up in target community/ neighborhood		
Demographic Characteristics of Employees	Sample Metric: Race/Ethnicity		Sample Metric: Gender	

EXECUTIVE SUMMARY OF A COMPREHENSIVE ASSESSMENT

## Pacific Community Ventures Investments at Work



### PCV Portfolio Companies\*

#### Financed

- Howler Products (San Francisco)
- Just Desserts (Oakland)
- Latte Dah Café (East Palo Alto)
- Niman Ranch (Oakland)
- Now & Zen (San Francisco)
- Timbuk2 Designs (San Francisco)
- Vida (Brisbane)

#### Advised only

- BPS Technology (Santa Clara)
- Comet Skateboards (Oakland)
- First Light Destinations/Evergreen Lodge (San Francisco)
- Give Something Back (Oakland)
- Jeremiah's Pick Coffee Co. (San Francisco)
- Moving Solutions (San Jose)
- Pacific American Services (Oakland)
- Planet Organics (San Francisco)
- Ripple Effects (San Francisco)
- Rosenblum Cellars (Alameda)
- Sunrise Specialty Company (Oakland)

\* As of December 31, 2002

#### PCV Team

Penelope Douglas, *President*  
Jacob Singer, *Director of Portfolio Management and Investment Development*  
Eduardo Rallo, *Chief Operating Officer and Director of Portfolio Management*  
David Rosen, *Director of Finance and Administration*  
Pete November, *Director of Business Services*  
Trevor Smith, *Associate Portfolio Manager*  
Megan Hall, *Manager of Marketing and Business Services*  
Reina Johnson, *Office Administrator*

Report and Executive Summary prepared by  
BTW Consultants.

In 1999, Pacific Community Ventures (formerly known as Silicon Valley Community Ventures) became the first community development venture capital organization in California. Pacific Community Ventures (PCV) seeks to strengthen companies in traditionally overlooked areas to help develop the communities around them. They do this primarily by working with companies that provide good jobs with marketable skills to residents of low- to moderate-income (LMI) communities. PCV provides its portfolio companies with business advisory services, workshops, and a resource network to help entrepreneurs gain access to existing knowledge and expertise within the business community. In addition, PCV provides equity investments to a subset of companies within its portfolio. As of December 2002, PCV has invested \$3 million in 10 companies and provided advisory services to 47 businesses.<sup>1</sup>

In 2001, PCV refined its investing philosophy to strengthen its portfolio with respect to both social and financial returns. This change in philosophy resulted in a 2002 portfolio that is PCV's strongest group yet. Despite difficult economic times in the Bay Area, this portfolio of businesses continued to provide high quality jobs to residents of LMI communities.

### PURPOSE OF THIS ASSESSMENT

PCV is a "double bottom line" investor, working to achieve social as well as financial returns on its investments. PCV measures the social return on its investments by determining the extent to which the businesses in its portfolio are providing high quality jobs to residents of LMI communities. While there are no "industry standards" for measuring and reporting on the social impact of double bottom line investments, PCV has developed its own standards and measures for assessing social return. For the past three years, PCV has engaged the serv-

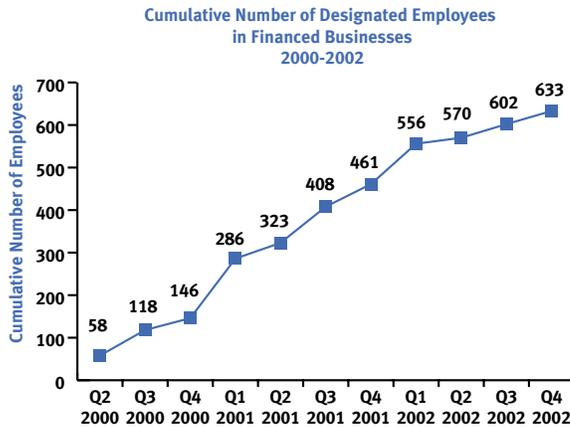
ices of BTW Consultants, a consulting firm specializing in evaluation and planning services for the non-profit and philanthropic sectors, to assist in developing an approach and measuring the social return on its investments. Together, PCV and BTW developed measures in the following areas: 1) job training and the cultivation of employee skills; 2) employee retention and advancement; 3) wages and benefits; 4) wealth creation mechanisms; 5) hiring practices; and 6) business location and market reach.

<sup>1</sup> Through the first quarter of 2003, PCV has committed approximately \$4.5 million to 11 businesses.

This assessment was made possible through generous support from The Mitchell Kapor Foundation.

## EMPLOYMENT IN THE PCV PORTFOLIO

### DESIGNATED EMPLOYEES WORKING IN PCV-FINANCED BUSINESSES



Cumulatively, in the past three years, a total of 633 designated employees<sup>2</sup> have worked in PCV’s financed companies.

PCV seeks to work with companies with strong business models that lend themselves to significant local hiring. Designated employees account for more than half of the workforce at almost all 2002 PCV portfolio companies. This is a substantial increase from 2001, when this was the case for only about half of the companies in the PCV portfolio.

### WAGES AT FINANCED COMPANIES

PCV invests in and develops companies that invest in their employees. One of the primary ways companies can do this is by paying employees a living wage. Average hourly wages in PCV’s financed portfolio have steadily increased over the past three years, from \$10.54 in 2000 to \$12.19 in 2002. This is a 16% overall increase in average hourly wages and translates into more designated employees earning a living wage. Seventy-one percent of 2002 financed companies pay average hourly wages above San Francisco’s 2002 living wage of \$10.25 an hour. This is an increase from 2001 when only 50% of financed businesses paid average hourly wages above San Francisco’s living wage of \$10.00 an hour.

Comparison of Overall Weighted Average Hourly Wage at Financed Companies, 2000-2002

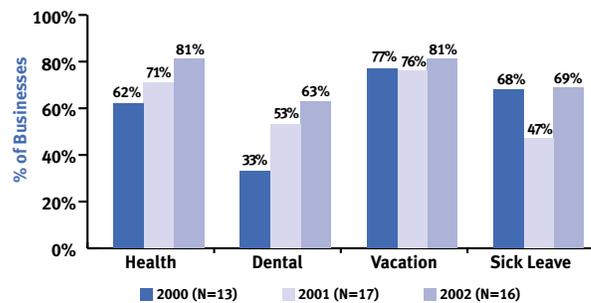
Year	Number of Companies	Number of Employees	Average Wage in 2002 Dollars <sup>a</sup>	San Francisco Living Wage <sup>b</sup>
2000	7	98	\$10.54	\$9.00
2001	8	380	\$10.72	\$10.00
2002	7	375	\$12.19	\$10.25

a. Calculated using the Bureau of Labor Statistics inflation calculator.  
 b. This is reflective of San Francisco’s Minimum Compensation Ordinance. Hourly rate does not include benefits, although employers are required to participate in an additional health care accountability ordinance.

## BENEFITS

In 2002, the proportion of PCV employers providing health and paid leave benefits is at its highest yet - overall, 81% of 2002 companies offer health insurance and vacation time to their designated employees, 69% provide sick leave, and 63% provide dental insurance. Delving further into the specific issue of health insurance, the data indicate that more designated employees enroll in company sponsored health insurance when the employers pay the majority of the cost. The proportion of employees enrolled in an insurance plan declines as employees become responsible for more of the cost of their health care coverage.

Percent of Financed and Advised Businesses Offering Health and Paid Leave Benefits to Designated Employees, 2000-2002



In 2002, 81% of portfolio employers offered some type of wealth creation benefit to stimulate asset accumulation for designated employees. The majority of companies offered either bonuses or participation in a 401(k)/IRA plan. Relatively few companies offered other types of wealth creation mechanisms such as stock options/ESOP, profit sharing and/or liquidity coverage.<sup>3</sup> PCV recognizes how challenging it is for small businesses to offer these types of benefits to their employees, especially during recessionary times.

### CULTIVATING SKILLED EMPLOYEES

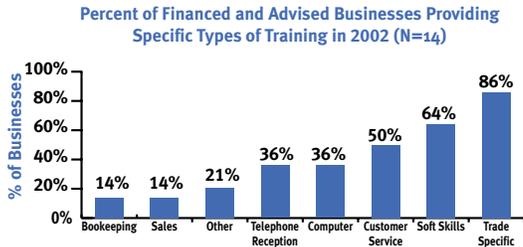
PCV wants to invest in companies that cultivate skilled employees and considers job training and skill building essential for the career development of entry-level employees. There are three aspects to the question of skill cultivation:

**Q:** Do PCV portfolio companies provide training and if so, in what areas?

**A:** All 2002 PCV portfolio employers provide some form of job training to their designated employees. The three most common types of training include: trade specific skills such as manufacturing techniques and equipment operation (86%); soft skills<sup>4</sup> (64%); and customer service (50%).

**Q:** How much training do PCV portfolio companies provide?

**A:** Overall, during the first year of employment, the typical designated employee receives 66 hours of training in the first quarter of employment and 55 hours of training in subsequent quarters.



**Q:** Are PCV portfolio companies providing the training and skills most critical to success at their companies?

**A:** 2002 PCV portfolio employers have improved their ability to match training with the skills they identify for success at their companies. All 2002 employers who identified trade specific skills and customer service skills as important to succeed at their companies, train employees in these areas. However, while practically all employers identify “soft skills” as being critical to succeed at their companies, 64% of these employers actually provide soft skills training to their designated employees.

## EMPLOYEE RETENTION AND DURATION

Employee retention can be positive for both portfolio companies and their employees. An employee staying in a good job for a significant period of time accrues wages, benefits, and skills over time, and a company that is able to retain its employees cultivates a skilled workforce and saves on recruiting and training costs.

PCV’s 2002 employee data seem to reflect changes in the local economy and labor market. More employees are staying longer at PCV portfolio companies, and those who are leaving are generally doing so as a result of layoffs.

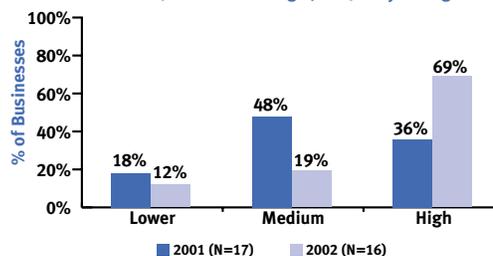
- ✓ Sixty percent of PCV portfolio companies in 2002 estimate that, on average, designated employees are staying at their companies for more than two years - more than twice the percentage reporting such duration of employment in 2001.
- ✓ This year, 40% of designated employees working in PCV-financed companies left those companies, which is the lowest proportion to leave in three years. The majority (67%) of employees leaving did so as a result of lay-offs. Reasons other designated employees left in 2002 include: to seek other employment (15%); because they were fired (12%); and life circumstances such as illness, moving, pregnancy, etc. (7%).

## JOB QUALITY INDEX

Although there is no accepted or validated metric for what constitutes a “high quality” job, PCV is setting high standards for the companies it chooses to invest in and develop. PCV and BTW Consultants created a job quality index where-in companies are assessed based on the types of benefits and

wealth creation mechanisms offered to designated employees, available training opportunities, and the provision of a living wage.<sup>5</sup> In 2002, many more PCV portfolio companies are providing high quality jobs to their designated employees than were doing so in 2001: 69% of portfolio companies in 2002 as compared to only 36% in 2001.<sup>6</sup> This increase affirms PCV’s new investment and growth strategy; more mature companies joining the PCV portfolio are providing higher quality jobs for designated employees.

**Percent of Financed and Advised Businesses in 2001 and 2002 with Low, Medium and High Job Quality Ratings**



## CONNECTING WITH LOW- TO MODERATE-INCOME COMMUNITIES

PCV helps companies located in or near traditionally overlooked areas gain access to capital, business advice, and the resources they need to contribute to community vitality. In return, successful PCV portfolio companies can help to increase the local tax base and provide quality employment opportunities for individuals who live locally.

## BUSINESS LOCATION

All 18 companies that received financing or advising services from PCV during 2002 are located in or near low- to moderate-income (LMI) areas in the Bay Area. More specifically, eight companies are located in San Francisco County; six are in Alameda County (all were in Oakland); three are in Santa Clara County (East Palo Alto and San Jose); and one is in San Mateo County. 2002 PCV portfolio companies chose their locations for three primary reasons: 1) market access, 2) employee access, and 3) affordable rents. While it is not noted as a primary reason for business location, 83% of PCV portfolio companies have taken advantage of tax savings available to companies that are located in and hiring from low-income communities.

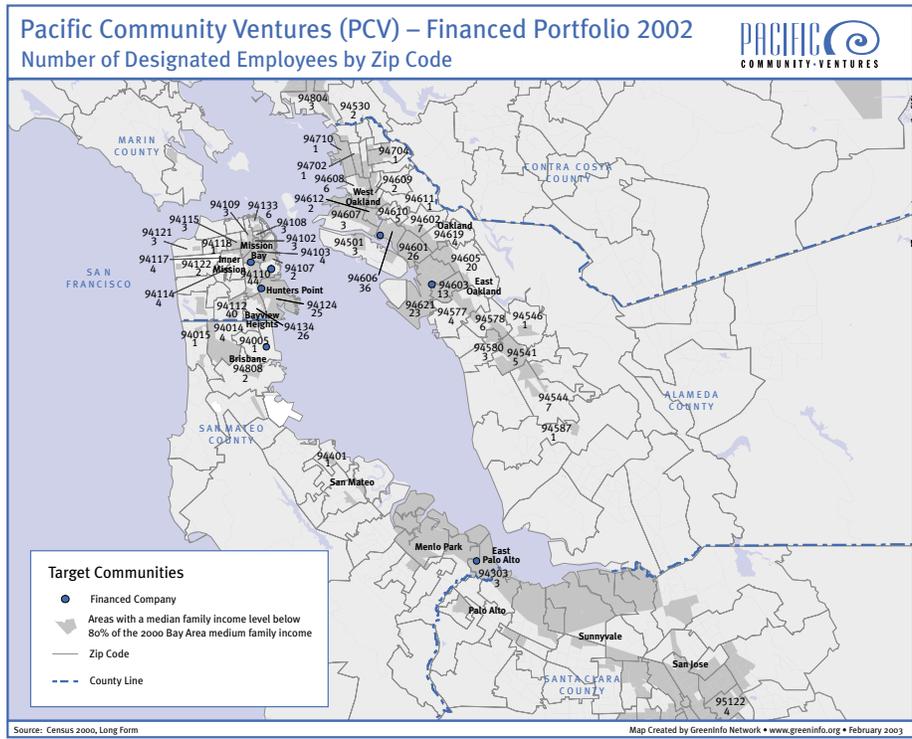
<sup>2</sup> Two criteria were used to identify designated employees: 1) employee resides in a low- to moderate-income zip code; or 2) employee was hired through a referral from a local non-profit organization, job training program, or welfare-to-work agency.

<sup>3</sup> Liquidity coverage refers to pre-determined severance in the event of a company sale.

<sup>4</sup> “Soft skills” refer to a broad range of interpersonal or social skills, and include such things as attendance, punctuality, and professional appearance.

<sup>5</sup> The scoring system used is as follows: 2 points for health insurance, 1 point for dental insurance, 1 point for vacation and/or sick leave, 1 point for at least one wealth creation mechanism (bonuses, stock options/ESOP, profit sharing, and/or liquidity coverage), 1 point for having a 401(k)/IRA plan in place, 1 point for soft skills training, 1 point for trade-specific training, 1 point for training in at least one functional skills area (computers, customer service, sales, phone reception, bookkeeping, and/or other skills), and 2 points for providing an average wage equal to or higher than San Francisco’s 2002 minimum compensation ordinance of \$10.25 per hour.

<sup>6</sup> Note that the 2002 job quality index is slightly different from the one used in 2001. The 2001 index did not include living wage data because at the time they were not available for advised businesses.



**FIGURE 1**  
 DURING 2002,  
 FINANCED  
 COMPANIES  
 EMPLOYED 375  
 INDIVIDUALS FROM  
 LOW- TO MODERATE-  
 INCOME ZIP  
 CODES IN THE  
 SAN FRANCISCO  
 BAY AREA.

**HIRING**

Figure 1 displays the zip code of residence for the 375 designated employees who worked in PCV-financed companies in 2002. Almost all designated employees reside in LMI zip codes in Alameda or San Francisco Counties (94%), with the largest proportion in Alameda coming from East Oakland (36 employees) and the largest proportion in San Francisco coming from the Mission (44 employees) and the Excelsior (40 employees).

In 2002:

- ✓ 48% of designated employees live within 3.5 miles of the companies for which they work(ed).
- ✓ 67% of PCV portfolio employers partnered with job training programs to hire employees. To date, this is the largest proportion of PCV employers to use these programs.

**CONCLUSION**

In 2002, PCV and its portfolio businesses have made progress in the face of challenging economic conditions. While there were substantial layoffs in these companies in 2002, there were also tangible improvements in the quality of jobs provided to the workers. More companies are offering living wages and most are providing benefits packages and many hours of training to their employees. Not surprisingly, workers are staying at their jobs longer, probably in part due to the lack of options elsewhere, but also because of the high quality of the jobs they are in.

A few years ago, PCV was a start-up organization, with experienced people at the helm, but also learning and evolving as it went, refining its approach and practice. Over the past four years, PCV has accomplished a great deal. It has built a stronger portfolio of companies, and a solid foundation upon which to build and learn, and extend its own market and community reach statewide.

**Pacific Community Ventures Board of Directors and Board of Advisors**

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REDF ONGOING ASSESSMENT OF SOCIAL IMPACT (OASIS)  
INVENTORY OF CONTRACT<sup>1</sup> AND DATA COLLECTION REQUIREMENTS TEMPLATE

MATRIX TEMPLATE

Contract/Funder	Program/Component	Data Collected for Contract (including process and outcome objectives)

<sup>1</sup> Ensure this includes current contracts as well as any contracts pending.



## REDF ONGOING ASSESSMENT OF SOCIAL IMPACT (OASIS) FUNCTIONAL GROUP INTERVIEW PROTOCOL

Used for mapping operational processes and existing client information flow and gaps

### I. Application

- (a) What are the components of the programs?
- (b) How is eligibility to participate in the programs assessed?
- (c) Who is eligible for the programs?
- (d) Does each of the programs have its own application process, or is there one general one?
- (e) What are the criteria for involvement?
- (f) How are applicants identified/referred to each program or to the overall program?
- (g) How are referrals documented and tracked?
- (h) What are the steps to apply to the programs?
- (i) Which forms are used, and are they automated?  
How are they administered?
- (j) What are the strengths and weaknesses of the application process?
- (k) What are the strengths and weaknesses of the application forms?

### II. Enrollment

- (a) Does each program have its own enrollment process, or is there one general one, or is there both?
- (b) When are, if any, the “program cycles”?
- (c) Once an applicant is accepted, what are the steps in the enrollment process?
- (d) Which forms are used, and are they automated?  
How are they administered?
- (e) Which forms are required/optional?
- (f) What are the strengths and weaknesses of the enrollment process?
- (g) What are the strengths and weaknesses of the enrollment forms?

### III. Services/Activities

- (a) What is the range of services that is offered to the participant?
- (b) How are the particular services/activities that a participant will access determined?
- (c) Which services/activities are required/optional?
- (d) How are services received, documented and tracked?
- (e) Which forms are used, and are they automated?
- (f) Which forms are required/optional?
- (g) Is there any quality assurance on services/activities, and if so, how is this documented?

- (h) Is there other case management that should be documented?
- (i) What are the strengths and weaknesses of the services/activities tracking process?
- (j) What are the strengths and weaknesses of the forms used in the services/activities tracking process?

#### **IV. Exit**

- (a) Is there an automatic exit date, or a limit to how long a participant can be active in programs?
- (b) Is there a different exit process for each of the programs or just one general one?
- (c) Once an applicant completes the program, what are the steps in the exit process?
- (d) Which forms are used in the exit process, and are they automated?  
How are they administered?
- (e) Which exit forms are required/optional?
- (f) What are the strengths and weaknesses of the exit process?
- (g) What are the strengths and weaknesses of the exit forms?

#### **V. Follow-up and Outcomes**

- (a) What kind of contact does the organization have with program graduates?
- (b) What outcomes are tracked on participants?
- (c) At what time points are participants assessed for changes/status updates?
- (d) How are follow-ups administered? Who administers them?
- (e) Which forms are used, and are they automated?
- (f) Are there incentives for participating in the follow-ups?
- (g) What are the strengths and weaknesses of the follow-up process?
- (h) What are the strengths and weaknesses of the follow-up forms?

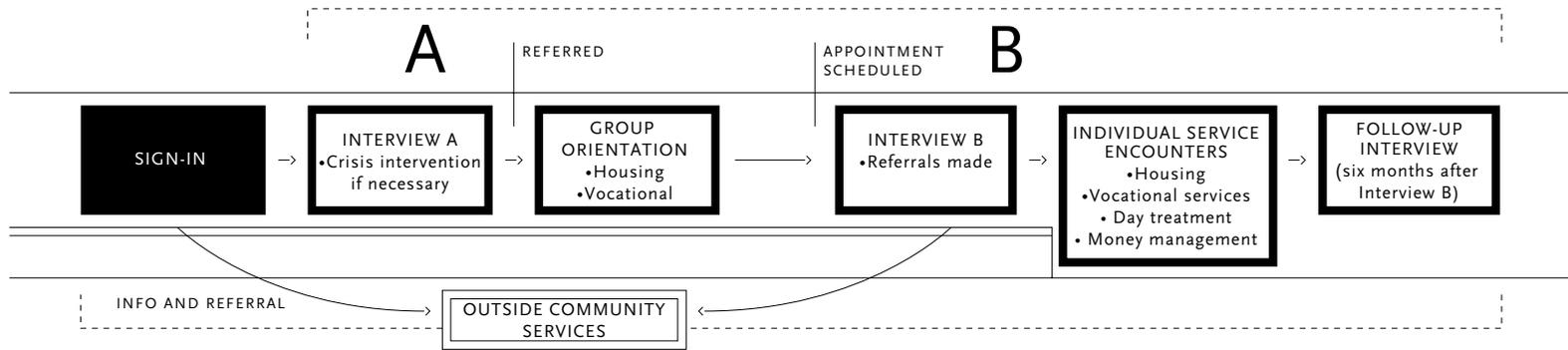
#### **VI. Forms**

These are the forms that we are currently aware of in the programs.  
Are there other forms used that we are not aware of?

#### **VII. How Information is Used**

- (a) How is the information that is collected used?
- (b) Is the information fed back to the programs? To the Board?
- (c) Is the information useful? In what ways?  
In what ways is it not useful?
- (d) Is the information accurate?

RUBICON PROGRAMS INC. BASIC CONCEPTUAL DESIGN FOR CLIENT INFORMATION FLOW



RUBICON PROGRAMS INC. CICERO (THE RUBICON VERSION OF OASIS)  
 SCREENSHOTS OF CASE MANAGER DATA ENTRY FORM AND BASELINE SUMMARY REPORT

Individual Service Encounter - Microsoft Internet Explorer

Address: http://server3/oa7.asp?dept=hc&mantype=enc&llconsumerid=2248&butary=Create+New+Encounter

**Individual Service Encounter** OCERO-RUBICON: Danny Fong

**HOUSING/CASE MANAGEMENT**

STAFF INITIALS:  DATE OF ENCOUNTER (month/day/year):   
 OTHER STAFF PRESENT: 1.  2.  3.  LENGTH OF ENCOUNTER:  minutes

**LOCATION OF ENCOUNTER**  
 Indicate the location at which the encounter occurred:

Main: 2500 Blossell       Resource Center       West Richmond Apts.       Telephone  
 E&T: 232 Broadway       Brookside Shelter       Virginia Street Apts.       Home visit  
 Bday: 101 Broadway       Richmond Works       Idaho Apts.       Workplace visit  
 Bakery: 154 South 23rd       Sojourn       Ohio/21st/22nd Apts.       Other (specify):   
 Garden: 970 13th       San Joaquin Apts.

**CONSUMER INFORMATION**

Consumer name: Danny L. Fong  
 Birth date: 1/1/60

**PROGRAM**

Check **one** Program for which you are the responsible staff person in this encounter. Check enrollment or exit if appropriate:

Project Independence       Independence Transitional Housing       Housing Search

Done Local intranet

Baseline Summary / Multiple Programs - Microsoft Internet Explorer

Address: http://server3/oa7.asp?dept=hc&mantype=enc&llconsumerid=2248&butary=Create+New+Encounter

**Baseline Summary Report** CICERO-RUBICON: Danny Fong

**REPORT PARAMETERS**

Programs: Program One  
 Report Begin Month: January 2001  
 Report End Month: February 2001  
 Number of Persons Served: 93

**HOUSING REPORT**

Living Situation at Intake	Number for Whom This Applies	Percentage of Total Selected Participants
Permanent housing	60	65%
Permanently staying with family	5	5%
Permanent, pending eviction	2	2%
Temporarily with family	10	11%
Temporarily with friends	4	4%
Emergency shelter	2	2%
Motel	1	1%
Board and Care	1	1%
SRO	1	1%
Street	2	2%
Other (specify):	5	5%
<b>Total number who responded</b>	<b>93</b>	<b>100%</b>

Homeless Status	Number of Selected Participants	Percentage of Total Selected Participants

Done Local intranet

EXAMPLE CALCULATION OF AVERAGE SOCIAL COST SAVINGS

EXCERPTED FROM “SROI METHODOLOGY PAPER” (REDF, 2001)

FIGURE 3-8

CALCULATION OF AVERAGE SOCIAL COST SAVINGS  
PER EMPLOYEE FOR ENTERPRISE ABC

	Total Decrease (Increase) in Annual Visits	Average Cost per Visit/ Use in SF Bay Area	Total Decrease (Increase) in Annual Cost	# Target Employees Responding to Question	Average Cost Savings per Target Employee
<b>Public Assistance Programs</b>					
TANF	-	-	\$ 0	20	\$ 0
GENERAL ASSISTANCE	-	-	\$ 300	20	\$ 15
FOOD STAMPS	-	-	\$ 3,362	20	\$ 168
SSI	-	-	\$ 5,004	20	\$ 250
<b>Social Service Programs</b>					
FOOD BANKS	1,050	\$ 26	\$ 27,300	20	\$ 1,365
CASE MANAGEMENT	980	\$ 41	\$ 40,180	17	\$ 2,364
COMMUNITY CLINICS	34	\$ 86	\$ 2,924	20	\$ 146
MENTAL HEALTH TREATMENT	222	\$ 176	\$ 39,072	20	\$ 1,954
HOUSING SERVICES					
(SHELTER, TRANS. HOUSING, GRP HOME)	1,650	\$ 62	\$ 102,300	20	\$ 5,115
EMERGENCY ROOM	2	\$ 211	\$ 422	18	\$ 23
LEGAL SERVICES	4	\$ 1,029	\$ 4,116	18	\$ 229
SUBSTANCE ABUSE TREATMENT	2	\$ 8,060	\$ 16,120	20	\$ 806
MEDI-CAL (INCLUDES EMPLOYEE AND DEPENDENTS)	10	\$ 3,762	\$ 37,620	20	\$ 1,881
<b>Criminal Convictions<sup>21</sup></b>					\$ 1,328
<b>AVERAGE PUBLIC COST SAVINGS</b>					<b>\$ 15,644</b>

<sup>21</sup>Calculation of the cost of criminal conviction is based on the difference from expected recidivism and is discussed on the next page. (Figure 3-9)

**FIGURE 3-9: DETERMINING THE COST SAVINGS FOR DECREASED CRIMINAL CONVICTIONS**

In the following example, in order to determine the actual cost savings from the criminal justice system we must look at both baseline and follow-up data regarding convictions. According to this example we looked at data from 20 Baseline interviews and additional data at Follow Up interviews six months later.

**Criminal Convictions Data**

BASELINE		Individuals	FOLLOW UP*		Individuals
Ever Convicted		7	First Time Convictions		1
Never Convicted		13	Repeat Convictions		2
Total		20	Not Convicted		17
			Total		20

\*data reflects six month time period since baseline

In order to determine what the cost savings to society are, we need to calculate the number of people from our sample statistically expected to have been convicted of a crime (calculated using the recidivism rate multiplied by the total number ever convicted) and subtract the number of people who actually were convicted in the time period from baseline to follow up. In an effort to be conservative, new convictions at follow up were added to the calculation.

**Reduction in Expected Criminal Convictions**

Expected # of repeat convictions (Recidivism Rate x Total # Ever Convicted)	-	Actual # of repeat convictions	-	Actual # of first time convictions	=	Reduction in expected conviction
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EXAMPLE: USING 1999 CALIFORNIA RECIDIVISM RATE OF 67.6%<sup>22</sup>

(67.6% x 7)	-	2	-	1	=	1.73
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Once the total number of decreased convictions are calculated, an average cost savings per person must be computed. In our example, 1.73 fewer individuals convicted of a crime due in part to their employment at the Enterprise ABC. Therefore, 1.73/20 is multiplied by the average cost savings per person of \$15,353 resulting in a cost savings of \$1,328 per person as shown below.

**Average per Person Cost Savings for Criminal Convictions**

Difference between expected and actual convictions for employees of Enterprise ABC	(1.73)	x	Cost saving per person	\$15,353	=	\$1,328
Total Sample Size	20					

<sup>22</sup>Source: Rate of Felon Parolees Returned to California Prisons, State of California Department of Corrections Data Analysis Unit, March 2000 (www.cdc.state.ca.us)

RUBICON LANDSCAPE SERVICES SOCIAL RETURN ON INVESTMENT (SROI) REPORT  
 REPRINTED IN ITS ENTIRETY WITH PERMISSION FROM REDF

# Rubicon Landscape Services

PARENT AGENCY: RUBICON PROGRAMS

**BUSINESS SUMMARY:** Rubicon Landscape Services provides landscaping services to large-scale residential and commercial properties and is based in Richmond, California.

1999		INDEX OF RETURN
Enterprise Value	\$13,915,597	10.72
Social Purpose Value	\$10,665,211	8.21
Blended Value	\$24,523,967	18.89

Investment to date	\$1,298,360
Number of Target Employees	52
Percentage of Target Employees	84%
Hourly Wage Range	\$6.05-\$14.59

Employment Risk Assessment (ERA)			
Homeless or at-risk of homelessness	35%	Public assistance	24%
Convicted of a crime	34%	Not a high school graduate	27%
Mental health issues	29%	With dependent children	26%

### OVERVIEW

- 1999-2000 gross sales of over \$3.9 million with sales expected to increase to \$7.8 million by 2004
- Receives no outside funding or subsidies, and has been generating net income since 1995
- Hires over 50 disabled or economically challenged employees from San Francisco Bay Area
- Stable workforce that receives relatively high wages for the industry

### TARGET EMPLOYEE STATISTICS

#### AVERAGE TIME WITH RUBICON

#### LANDSCAPE SERVICES

All positions are permanent

#### AGE

- 9% 19-21 years old
- 20% 22-29 years old
- 31% 30-39 years old
- 40% 40-49 years old

#### RACE/ETHNICITY

- 59% African-American
- 21% White
- 12% Latino/a
- 8% Other

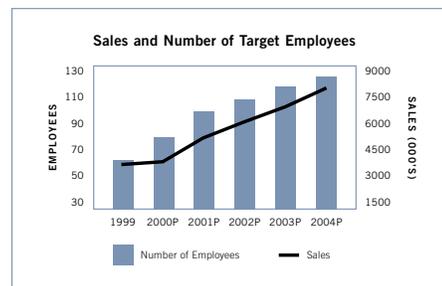
#### GENDER

- 86% male
- 14% female

### EMPLOYEE HIGHLIGHT

Greg was raised in San Francisco in a family that had trouble with drug and alcoholic abuse. After he turned 18, he started living on the streets. Between the ages of 11 and 35, he was incarcerated several times and was recently released from San Quentin Penitentiary in December 1999.

After his release, he entered a residential drug rehabilitation and employment training program and was eventually referred to Rubicon and was hired by Rubicon Landscape Services. Greg works on one of Rubicon's new landscape installation crews and is learning many new skills. A decent paying job and the extra support he gets from Rubicon have provided the structure he needs to focus his life. Greg tends to maintain a positive outlook, which is good for crew morale. During his interview at Rubicon, Greg said that if given a chance to prove himself, he would not let us down and he has been good to his word.



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**Rubicon Programs Agency Mission Statement**  
Helping people and communities build assets to achieve greater independence — Rubicon works with people who are homeless or living in poverty and people with disabilities to develop their assets and build their self-worth so that they succeed in achieving greater independence.

**Rubicon Landscape Services Mission Statement**  
To provide stable employment and livable wages to people from disadvantaged populations while offering premium landscape maintenance services and dedicated support to our customers.

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## MANAGEMENT

### RICK AUBRY PH.D., EXECUTIVE DIRECTOR — RUBICON PROGRAMS INC.

Dr. Aubry has been director since 1986, overseeing growth of the agency from \$980,000 to over \$14 million in annual revenues. Before assuming directorship of Rubicon, Dr. Aubry worked as a therapist, program administrator, house painter and cab driver. He has a Ph.D. in Psychology from the Wright Institute Berkeley, an M.A. from W. Georgia University and a B.A. from Syracuse University.

### DON WAXMAN, DIRECTOR — RUBICON LANDSCAPE SERVICES

Mr. Waxman joined Rubicon in 1996 and has over 20 years experience in the landscaping industry, including running his own firm. Under his leadership, Rubicon was able to attain new contracts in the public and private sectors, and set up controls to monitor the financial operations of the company.

### JOHN RUSSELL, SALES REPRESENTATIVE — RUBICON LANDSCAPE SERVICES

Mr. Russell joined Rubicon in the fall of 1999 with a background in corporate landscaping sales.

## BUSINESS DESCRIPTION

Based in Richmond, California, Rubicon Landscape Services provides grounds maintenance and landscape installation services to large-scale residential, commercial and institutional properties throughout the San Francisco Bay Area.

## BUSINESS PROFILE

The business was originally established twenty years ago primarily to provide employment-training opportunities in janitorial and landscape maintenance to mentally disabled people in Contra Costa County through federal set-aside contracts.

As of 1999, federal sector work accounted for less than 30% of annual revenues, with increasing sales coming from municipal and private sector contracts. Rubicon Landscape Services' current market segments include public contracts (70%) and private sector

contracts (30%). Rubicon Landscape Services competes against national and local companies for private and public sector landscape installation and maintenance contracts.

## NEW INITIATIVES

Beginning in fiscal year 2001, Rubicon Landscape Services will expand its private sector contracts. By 2003, it expects private sector contracts to increase to 40-45% of its sales. The strongest growth potential is in eastern Contra Costa County, Southern Alameda County, Santa Clara and San Mateo Counties.

## STRENGTHS AND CHALLENGES

### STRENGTHS

- Over 15 years of experience in landscaping market and pursuing social mission
- Stable work force
- Experienced management team
- Consistently high quality service
- Strong reputation in the landscaping industry

### CHALLENGES

- Almost 40% of sales are from two customers
- Maintaining appropriate geographic expansion
- Planning for increases in necessary equipment and staffing for growth
- Increased competition from nonprofits vying for federal and state set-aside contracts

## OUTLOOK

In fiscal year 2000, overall growth is expected to be moderate. \$7.8 million in sales is expected by fiscal year 2004, more than doubling 1999's revenues. Rubicon Landscape Services has an aggressive plan to target additional market segments and expand on the existing profitable relationships. Over the next five years, it will need approximately \$300,000 in capital expenditures and \$500,000 in additional working capital to achieve this level of revenue growth.

Rubicon is well positioned to manage its growth strategy. It has hired experienced managerial staff, continues to develop new customer relations, and monitors changing market conditions.

## SROI Analysis — Rubicon Landscape Services

### SOCIAL PURPOSE RESULTS

Rubicon Landscape Services employs disabled and economically challenged individuals from the San Francisco Bay Area. On average, Rubicon saves the public \$12,277 in public assistance and social service costs and generates \$1,880 in new taxes per target employee. This translates to a social purpose value worth almost \$11 million and a social purpose index of return of 8.21. In 1999, on average Rubicon was able to increase a target employee's wages by over \$12,500 per year. The net financial improvement to the target employee, after considering the new taxes they must pay and their reduced public assistance, was approximately \$9,850 per year.

### ENTERPRISE FINANCIALS

Since 1995, Rubicon Landscape Services has been self-sufficient, not relying on outside funding for any revenue, and has provided the parent agency with additional income. Sales in 2000 increased only slightly as a result of recent military base closings. 2000-2001 will again feature double-digit sales increases. Because of its social mission, Rubicon chooses to retain existing target employees even when this may negatively impact margins. Overall, Rubicon Landscape Services has an enterprise value of almost \$14 million. This value is eleven times the initial investment in the enterprise.

### SOCIAL PURPOSE ENTERPRISE INDICATORS

Most Rubicon positions are full-time. The total number of employees is expected to increase slightly in 2000 and more dramatically in following years. Assuming the cost savings and new tax revenue remain constant on a per target-employee basis for the projected 78 to 140 target employees over the next ten years, total social savings and new taxes yield \$15.2 million in today's dollar. It will only cost Rubicon approximately \$4.6 million in social operating expenses to generate such value. In addition, Rubicon Landscape Services is expected to provide the parent agency with over \$11 million in revenue.

### REVENUES AND EXPENSES

Since 1995, 100% of Rubicon's revenues have come from sales. Beginning in 1998, Rubicon focused on managing its expenses that result from the social mission, decreasing the proportion of social operating expenses to overall expenses without reducing social benefits.

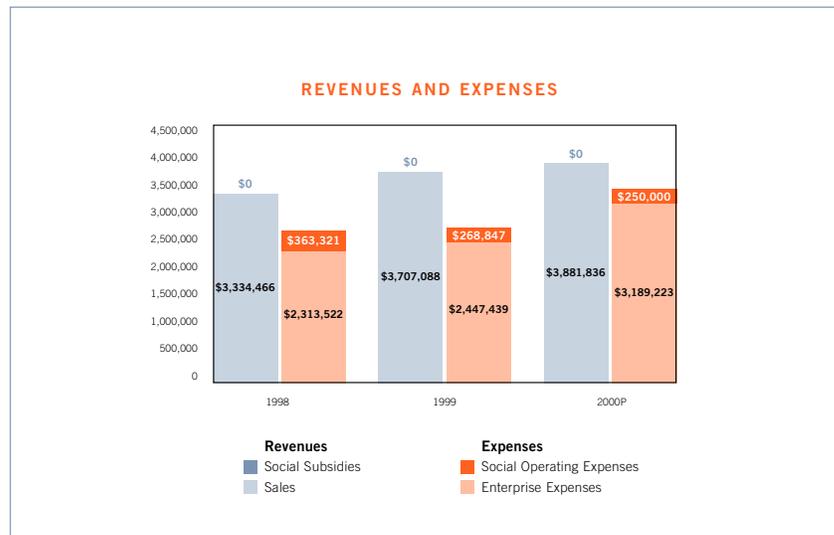
SOCIAL PURPOSE RESULTS (PER TARGET EMPLOYEE)		1999
PUBLIC SAVINGS		\$12,277
NEW TAXES		\$1,880
WAGE IMPROVEMENT		\$12,533
FINANCIAL IMPROVEMENT		\$9,848

ENTERPRISE FINANCIALS	1998	1999	2000P
SALES	\$3,334,466	\$3,707,088	\$3,881,836
GROSS MARGIN	59%	61%	45%
NET MARGIN (BEFORE S&S) <sup>1</sup>	31%	34%	18%
NET MARGIN (AFTER S&S)	20%	27%	11%

SOCIAL PURPOSE ENTERPRISE INDICATORS	1998	1999	2000P
TOTAL EMPLOYEES / TOTAL TARGET EMPLOYEES	NA	62/52	78/54
FTE EMPLOYEES / FTE TARGET EMPLOYEES	NA	62/52	78/54
SOCIAL OPERATING EXPENSES PER TARGET EMPLOYEE	NA	\$5,170	\$4,630

TOTAL PROJECTED INVESTMENT	\$0
TOTAL PROJECTED SOCIAL SAVINGS AND NEW TAXES	\$15,236,969
TOTAL PROJECTED SOCIAL OPERATING EXPENSES	\$4,571,759
TOTAL PROJECTED CONTRIBUTION TO PARENT	\$11,140,355

<sup>1</sup>S&S: Subsidies and Social Operating Expenses



## KEY SOCIAL IMPACT FINDINGS

Select Results from the Rubicon Enterprises Employee Survey

Enterprise employees participated in face-to-face interviews designed to retrospectively gather information about their situation at the time of hire (baseline) and six months prior to the date of the interview (follow-up). The retrospective interviews assess each employee's experience of change in the areas of employment, income, housing stability, use of public assistance, use of social services, criminal justice involvement, and other barriers to employment. The results below reflect key findings on the social impacts based on the responses of Rubicon Enterprises' employees interviewed from Rubicon's Landscape Services and Bakery enterprises. Only statistically significant changes and changes reflecting an impact among more than 20% of the interviewed employees are included.

### EMPLOYMENT

91% of respondents experienced a real increase in monthly income from work from their time of hire to their time of follow-up. The average amount of increase is \$1,223 per month.

### BARRIERS TO EMPLOYMENT

Comparing time of follow-up to time of hire, a significantly smaller proportion of respondents experience the following as barriers to finding and keeping a job: substance use issues (28% down to 0%), lack of childcare (26% down to 10%), a need for education/skills training (36% down to 12%), physical health issues (32% down to 18%), mental/emotional health issues (21% down to 7%), and lack of transportation (23% down to 14%).

### HOUSING

30% of respondents have experienced an increase in the stability of their housing situation while 59% remained in a stable home and 11% stayed at risk for homelessness. Housing stability did not decline for any respondents.

74% of respondents who spent some money on housing at time of hire are spending a smaller proportion of their total monthly income on

housing at time of follow-up. The proportion of income that respondents spend on housing has decreased from 44% at baseline to 22% at follow-up, a proportion well below the 30% guideline proposed by HUD for low-income communities.

### PUBLIC ASSISTANCE AND SERVICE UTILIZATION

33% of respondents stopped receiving public assistance benefits from time of hire to time of follow-up. At the same time, there is a very significant increase (32%) in the proportion of monthly income accounted for by work sources. On average, at time of hire, work sources accounted for 59% of respondents' total monthly income, as compared to 91% from work sources at time of follow-up.

41% of respondents became insured with private health insurance since employment at a Rubicon enterprise.

### SATISFACTION WITH RUBICON PROGRAMS

100% of respondents say they would recommend Rubicon programs to a friend or family member seeking vocational services.

## BENEFIT COST ANALYSIS OF JOB CORPS

SUMMARY OF DAVID A. LONG, CHARLES D. MALLAR, AND CRAIG V.D. THORNTON,  
“EVALUATING THE BENEFITS AND COSTS OF THE JOB CORPS.”

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The Job Corps provides a comprehensive set of services to disadvantaged youths. The approach used to value its various benefits and costs was to measure each effect in terms of the resources saved, consumed, or produced as a result of the program. In estimating the program's effects data were collected in periodic interviews with Corpsmembers and with a comparison group of similar youths who were never enrolled in the Job Corps. Multiple regression techniques, controlling for both observed and unobserved differences between Corpsmembers and youths in the comparison sample, were used with these interview data to estimate the effects of the program during the period covered by the interviews. The effects after this period were estimated by extrapolating the interview data, assuming that impact magnitude declined over time at a steady rate.

The goods and services Corpsmembers produce in conjunction with their vocational training are used by both the community at large and the Job Corps centers themselves. Additional output, valued based on earnings, is produced by Corpsmembers after they leave the program. Part of the earnings goes to the community in the form of higher tax payments. The value of output foregone when youths participate in the Job Corps, indicated by the earnings of the comparison group, is a cost of the program. The estimated value of reduced criminal activity is based on differences in arrests between Corpsmembers and comparison youths and the estimated resource cost savings per arrest. The costs of the Job Corps, and the cost savings associated with not using transfer, drug treatment, and other training programs are based on participation rates for Corpsmembers and comparison youths and pertinent program expenditure data. Adding together these benefits and costs, there is a substantial gain for Corpsmembers and a modest loss to others in society, resulting in a positive net value for society as a whole.

THE ESTIMATED BENEFITS AND COSTS OF THE PROGRAM PER CORPMEBER ARE:

	SOCIETY	CORPSMEMBERS	REST OF SOCIETY
<b>BENEFITS</b>			
<b>Output produced by Corpsmembers</b>			
In-program output	\$757	\$83	\$673
Post-program output	3,896	3,896	0
Tax payments on post-program output	0	-582	582
<b>Reduced dependence on transfer programs</b>			
Reduced transfer payments	0	-1,357	1,357
Reduced administrative costs	158	0	158
<b>Reduced criminal activity</b>			
Reduced criminal justice system costs	1,152	0	1,357
Reduced personal injury and property damage	645	0	645
Reduced value of stolen property	315	-169	484
<b>Reduced use of other programs</b>			
Reduced drug/alcohol treatment	30	0	30
Reduced use of education and training	390	0	390
Reduced training allowances	0	-49	49
<b>COSTS</b>			
<b>Program operating expenditures</b>			
Center operating expenditures	(\$2,796)	0	(\$2,796)
Transfers to Corpsmembers	0	1,208	(1,208)
Central administrative costs	(1,347)	0	(1,347)
<b>Opportunity cost of Corpsmember labor</b>			
Foregone output	(841)	(841)	0
Foregone tax payments	0	153	(153)
Other expenditures	(46)	185	(214)
<b>NET PRESENT VALUE</b>	<b>\$2,271</b>	<b>\$2,285</b>	<b>(\$214)</b>
<b>BENEFIT-COST RATIO</b>	<b>1.45</b>	<b>1.82</b>	<b>0.96</b>

WORLD BANK POVERTY AND SOCIAL IMPACT ANALYSIS (PSIA) DETAIL  
EXCERPTED FROM A TRAINING PRESENTATION GIVEN IN MOSCOW, MAY 27, 2003

HOW ? THE 10 PSIA ELEMENTS

- Asking the right questions
- Identifying stakeholders
- Understanding transmission channels
- Assessing institutions
- Gathering data and information
- Analyzing impacts
- Enhancing design and compensatory schemes
- Assessing risks
- Establishing monitoring and evaluation systems
- Fostering policy debate and feedback into policy choice

ANALYZING IMPACTS: TOOLS

Types	Examples
Social tools	Participatory poverty assessment (PPA) Social impact assessment (SIA)
Economic tools for direct impact analysis	Incidence tools Poverty mapping
Behavioral models	Supply and demand analysis Household models
Partial equilibrium tools	Multi-market models
General equilibrium tools	CGEs SAM-IO
Macro-micro models	I-2-3 PRSP PAMS



DOUBLE BOTTOM LINE PROJECT REPORT:  
ASSESSING SOCIAL IMPACT IN DOUBLE BOTTOM LINE VENTURES  
METHODS CATALOG

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Catherine Clark, William Rosenzweig, David Long and Sara Olsen

January, 2004

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