

USING IRIS+ TO INCORPORATE STAKEHOLDER VOICE

Developed in partnership with Tris Lumley (NPC) & Ayna Wyatt and Mishkah Jakoet (Genesis Analytics, South Africa)

HOW-TO

PURPOSE

This document provides guidance on how to use IRIS+ to incorporate the voices of affected stakeholders into impact measurement and management practice.

AUDIENCE

Impact investors. May also be useful to enterprises and intermediaries or service providers working with impact investors.

LEVEL: BEGINNER

REFERENCE

Use this document with

 **FUNDAMENTALS**
[IRIS+ and the Five Dimensions of Impact](#)
[IRIS+ Core Metrics Sets](#)

 **IRIS METRICS**
[IRIS Catalog of Metrics](#)

BACKGROUND

Impact investments are investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return. IRIS+ provides a system to help impact investors translate their intentions into real impact results.

While impact measurement and management (IMM) is considered a technical discipline built on logical frameworks, quantitative data and analysis, it has another facet through which it answers a much more human question – does the impact generated live up to what people and planet want and need? IRIS+ provides a practical approach to answer that question. By incorporating the stakeholder voice into IMM practice, IRIS+ Core Metrics Sets help align the collected and analyzed data with what is most important to key stakeholders.

This guidance shares a “why-how-what” rationale for incorporating stakeholder input into impact investments via IRIS+ Core Metrics Sets and IRIS metrics. In doing so, it looks at:

- Why stakeholder voice is needed in impact investment
- How to incorporate stakeholder voice in investors’ practices through IRIS+
- What that looks like in practice, illustrated by case examples.

Why stakeholder voice is needed

Impact investing requires effective impact measurement and management practice, and stakeholder voice is a cornerstone of that practice. While this is widely acknowledged, practice is still developing within the growing impact investment field and is not yet implemented consistently across. IRIS+ helps impact investors to accelerate and make their incorporation of stakeholder voice consistent. The adoption of IRIS+ not only ensures investors are accountable for the impact they intend to create, it also means they will be able to learn and improve as rapidly as possible.

As noted in the World Economic Forum’s [Engaging all affected stakeholders into investments and activities of organizations](#) report, the benefits of integrating stakeholder engagement into impact management practice include:

- **Ability to mobilize local knowledge**, which is critical to implement/deliver activities
- **Ability to identify opportunities for innovation or improvement** that otherwise might have been missed
- **Improvement of risk management**, by identifying potential adverse effects early on
- **Improved measurement and understanding of impact**, including the ability to make adjustments as needed
- **Opportunity to build social capital**, which can help make the investment or project a long-term success
- **Prospect to ensure a business model is inclusive**, by understanding the interests of stakeholders affected.

ABOUT THE GIIN

The Global Impact Investing Network (GIIN) is the global champion of impact investing, dedicated to increasing its scale and effectiveness around the world. The GIIN builds critical market infrastructure and supports activities, education, and research that help accelerate the development of a coherent impact investing industry. IRIS+ is managed as a public good by the GIIN.

By incorporating stakeholder voice into their practice, impact investors ensure they, and the enterprises they invest in, are customer-centric, as well as accountable and effective. When this happens consistently across the impact investment market, the field will develop and improve, while also maintaining its customer-centric character.

How to use IRIS+ to incorporate stakeholder voice

Incorporating stakeholder voice into an investor's practice requires finding the balance between principle and practicality, vision and realism. IRIS+ Core Metrics Sets help maintain that balance by ensuring the key outcomes sought to measure impact have been calibrated against their importance to key stakeholders and are backed by evidence.

Specifically, the IRIS metrics Importance of outcome to stakeholder (OI5495) included in the "What is the goal?" section of IRIS+ Core Metrics Sets, and Stakeholder Engagement (OI7914) included in the "How is change happening?" section help understand the value of the outcome being sought by the investment or enterprise from the perspective of those affected as well as whether input from affected stakeholders is gathered during product design, development and and delivery of products and/or services.

When using IRIS+ Core Metrics Sets, investors can incorporate stakeholder voice as follows:

- **Importance of outcome to stakeholder.** Having identified which outcomes are sought by the investor and which stakeholders are key to the investment or enterprise, the IRIS metric Importance of outcome to stakeholder (OI5495) can help confirm whether the outcomes sought by investors and affected stakeholders are aligned. Investors might use prioritization or ranking approaches to ask affected stakeholders which outcomes are the most important to them, or to place the outcomes in a ranked order. This would provide stakeholder weighting within the IMM system, which can help prioritize outcomes and data across the IMM process. The metric can be incorporated in different ways. For example, it can be included in surveys to target stakeholders during the due diligence phase of an investment, as well as during ongoing consultation by the investee alongside its day-to-day operations.

Understanding the importance of the outcome to affected stakeholders may be an iterative process, depending on how mature the field is and how much is already known about which outcomes are most important. It also may serve as an alignment exercise, refining the IMM approach of the investor to more closely reflect the interests of key stakeholders.

- **Stakeholder engagement.** Having established that the outcomes sought by investors and affected stakeholders are aligned, investors can use the IRIS metric *Stakeholder Engagement* (OI7914) to track whether affected stakeholders are being involved in the design, development, and delivery of products and services. This may also be an iterative process where organizations refine their approach based on input received.

Additionally, investors may refer to other IRIS metrics related to stakeholder engagement such as Client Feedback System (OI5049), Client Satisfaction Ratio (PI7163), Community Engagement Strategy (OI2319), and Employee Feedback System (OI3601).

In order to incorporate stakeholder voice effectively, approaches employed by impact investors should:

- **Have a transparent scope.** It is helpful to ensure stakeholders are aware of how their perspectives will be taken into account in terms of what is possible and what is out of scope for future changes. This alignment ensures integrity, builds trust between stakeholders and impact enterprises, and establishes trust in the actual process of incorporating stakeholder voice.
- **Be proportionate to the context.** There is no correct answer as to how much to engage with stakeholders. The spectrum spans from fixed approaches with little input to open consultations with broad input. Investors can take an approach that is proportionate to their investment and to the context in which they operate. If IMM is immature in the area of investment and little is known about what customers want and need, a greater degree of investment in stakeholder voice is warranted than in more mature fields.
- **Contribute to building the field.** Understanding what best serves the needs of people and planet through stakeholder voice is a cumulative endeavor and offers an opportunity to build the field. The more that is understood about customers' needs and how well they are met, the better an impact investment can collectively serve them in future.



To learn more about IRIS+ Core Metrics Sets, please refer to IRIS+ Guidance: [Using IRIS+ Core Metrics Sets](#)

Investors and enterprises that deliver on these three aims will also achieve what they need to ensure the investment or enterprise is in the best position to thrive, grow and maximize impact. They will be credible due to their transparency, efficient due to the practicality of their approach, and effective due to their customer-centricity.

What stakeholder voice looks like in practice

While this document aims to condense key aspects of incorporating stakeholder voice into investors' practice, this theory only comes to life when illustrated in practice. Therefore, this guidance includes an example of stakeholder voice being incorporated into IMM in South Africa – to illustrate the *why* and *how* of incorporating stakeholder voice into impact investments, as well as the benefits in practice.

Case Example | The South African Jobs Fund (by Genesis Analytics)

Unemployment is arguably the most pressing social and economic issue facing South Africa. In 2011, the South African National Treasury launched the [Jobs Fund](#) in response to South Africa's persistently high unemployment rate. The Jobs Fund is a competitive grant fund based on [challenge fund](#) principles. It was designed based on the recognition that an effective response to unemployment requires partnerships between the public and private sectors. Further, the Jobs Fund aims to go beyond simply funding work opportunities. It aims to discover innovative models that prioritize systemic solutions and sustainable permanent jobs.¹ Through its project partners, the fund initially aimed to support and sustain 150,000 new permanent jobs.

The main quantitative measures monitored by the Jobs Fund on a quarterly basis

The Jobs Fund in numbers



126 approved projects



~USD 500 million in funding contributed



~USD 700 million leveraged from project partners



225,981 sustainable new jobs

Initially, the fund's management faced the massive task of proving its relevance and providing evidence of its achievement to the rest of the government, particularly government entities working to address unemployment. This meant that the initial impact measurement focus was almost entirely for accountability to the rest of government.

However, the fund's management maintained its personal commitment to use the Jobs Fund as a mechanism for learning what works and why for employment in South Africa. It commissioned an evaluation focused on implementation experiences and perspectives in order to generate more detailed and nuanced information about the changes the Jobs Fund influenced, as experienced by supported entrepreneurs. The evaluation generated useful qualitative information, mostly sourced through interviews with project partners and

entrepreneurs, and focus groups discussions with those who were newly employed. At the same time, it also contributed important insights for improving the performance of the Jobs Fund and the effectiveness of project partners' activities.

Craft and design incubator. The Jobs Fund invested in an incubator focused on crafts and design, an initiative that had shown good success in achieving employment-related targets. However, this overarching performance was quantitatively assessed, and it left question marks about the sustainability of enterprises and jobs beyond the period of funding. The qualitative data collected through the evaluation uncovered the importance of particular features of the program, such as matchmaking between enterprises and crafts buyers, and careful coaching through trade shows. It also highlighted the incubation team's knowledge of the craft and design sector. The entrepreneurs were able to indicate specific ways this support helped them become more viable, and how this promoted the stability of the new jobs. This qualitative information was, therefore, invaluable as evidence of the credibility of the number new jobs.

Tech incubator. The Jobs Fund also funded a tech incubator, aimed at supporting tech start-ups. This program gave tech entrepreneurs access to software and supported their skills development. Through this support, the program achieved over 100% of its employment target. However, when this evaluation engaged tech entrepreneurs one year after the funding ended, they generally reported that many of these jobs no longer existed. Tech entrepreneurs expressed varied experiences within the incubator, with many reporting that, when the benefits of

¹ While one of the objectives of the Jobs Fund relates to job creation, IRIS+ refers to employment, or jobs sustained and supported. The Jobs Fund defines "sustainable jobs" as those that exist beyond the grant period. The expectation is that grantees report the number of jobs that still exist two years after the grant period has ended. Among other criteria, the Jobs Fund assesses grant applications for additionality, as a de jure measure of whether the jobs are in fact created rather than supported. New jobs are also measured as a function of existing jobs and total jobs.

participating in a program or staying committed to a new job are uncertain, it's unlikely that people will "stick it out" or that employment will stabilize. This level of detail provided by the evaluation showed that the incubator needed to reconsider aspects of its model and adjust its support, in order to improve impact.

As the work of the Jobs Fund shows, capturing the voice of affected stakeholders is crucial to improved impact measurement and management. Context matters, and the change enterprises and people experience are not uniform.

Integrating the voice of stakeholders into IMM through IRIS+

As shown in this example from South Africa, capturing the voice of affected stakeholders is critical for understanding the effects the intervention has had on them. Since its launch, the Jobs Fund has remained committed to learning. The Jobs Fund's management views stakeholder engagement as a crucial enabler of learning. However, as this case shows, stakeholder engagement had limited engagement with the entrepreneurs or those accessing job opportunities until some years into the Jobs Fund's operations, despite recognition that this would be valuable for measuring new, permanent jobs.

In practice, stakeholder engagement in the early years of the Jobs Fund focused on:

- **Monitoring progress by communicating with partners.** This was communicated with project partners. Engagement with individual entrepreneurs or job opportunity recipients was limited, until the evaluation. However, this limitation was made transparent. Lessons learned would highlight that inclusion of the appropriate metrics from initial engagement would be most useful. This can be conducted in the form of entrepreneur application or intake forms, ongoing surveys and business reporting processes, or embedded as part of mentorship and other support services often offered in enterprise development programs.
- **Understanding from project partners' perspectives what worked as well as implementation risks.** The Jobs Fund was ultimately experimenting with new ways for the South African government to collaborate with private enterprise and NGOs. Thus, implementation was central to the learning agenda. However, the result was a limited focus on the perspectives of those benefiting from investments.
- **Disseminating lessons to the rest of government and other funders in South Africa.** The Jobs Fund hosted annual Learning Forums to assist diverse groups of stakeholders in achieving their knowledge and learning dissemination goals. Collaborative Learning Forums hosted in recent years by the Jobs Fund have engaged entrepreneurs and those accessing job opportunities directly to share the experiences of what worked and what did not, and the reasons why. This has been a valuable process in sharing the lessons learned with other relevant stakeholders investing in private sector development and enterprise development programmes in the country.

Taking all of these areas into consideration indicates the potential contribution of IRIS+, as it standardizes the incorporation of stakeholder engagement metrics in impact measurement and management.

The Jobs Fund plays a critical role in South Africa's response to unemployment and recognizes that understanding the needs of the unemployed, whose voices are often excluded, is essential. As shown by this case, engaging entrepreneurs and those accessing new job opportunities elevated key information about projects. Without this information, the Jobs Fund would have overstated the level of success achieved, but would not have captured the lessons learned from testing different models. Activities such as focus group discussions, learning forums and surveys with participating target groups can help to ensure that investments serve these groups better in future.

By including stakeholder engagement metrics in IRIS+ Core Metrics Sets, both investors and enterprises can ensure that capturing the voice of stakeholders is part of regular IMM practice.

End Note

This guidance provides a useful starting point for impact investors' efforts to better serve the needs of people and planet by consistently incorporating stakeholder voice into their practice. IRIS+ contributes to those efforts by providing specific standardized metrics and guidance to incorporate stakeholder voice into their practices. Investors seeking to further develop and deepen their practice may also find the following resources helpful.

- World Economic Forum: [Engaging all affected stakeholders into investments and activities of organizations](#)
- Impact Management Project: [What is impact? Who](#)
- Feedback Labs: [Is feedback smart?](#)
- Social Performance Task Force: [Universal standards for Social Performance Measurement](#)
- Social Value International: [Principles of Social Value](#)
- NPC/Keystone: [User voice: Putting people at the heart of impact practice](#)
- NPC: [Make it count: Why impact matters in user involvement](#)



info@thegiin.org

www.thegiin.org

[🐦 @theGIIN](https://twitter.com/theGIIN)

© 2019 Global Impact Investing Network. All rights reserved.

These materials do not constitute tax, legal, financial or investment advice, nor do they constitute an offer to invest. Readers should consult with their own investment, accounting, legal and tax advisers to evaluate independently the risks, consequences and suitability of any investment made by them.

The information contained in these materials is made available solely for general information purposes and includes information provided by third-parties. The GIIN does not warrant the accuracy, completeness or usefulness of this information. Any reliance you place on such information is strictly at your own risk. We disclaim all liability and responsibility arising from any reliance placed on such materials by any reader of these materials or by anyone who may be informed of any of its contents.