Goldilocks Case Study: Acumen

Acumen: Defining Impact in Impact Investment

Acumen raises charitable donations to invest in enterprises that help solve some of the world's toughest social problems. As a non-profit impact investor, the organization invests with 'patient capital' meaning it invests in seemingly risky markets that may require working over a longer time horizon to develop viable businesses producing goods and services that benefit the poor. Through these investments, Acumen aims to maximize social return while also turning a profit, which also supports the sustainability of the enterprises in the long run. Among supporters of impact investment, this is known as a "third way" for international development assistance, occupying a space in between traditional philanthropy and for-profit private enterprise.

Acumen has been a leader in pushing for a more concrete definition of social impact in impact investing. The organization prioritizes two things in its own approach to monitoring and evaluating its investments: first, to measure impact as rigorously as possible and second, to create data systems that respond to the decision-making needs of the companies in its portfolio. Acumen employs a number of tools and processes that help meet these priorities, such as a due diligence process that defines a theory of change and establishes key social impact metrics. Acumen has also recently made a big push to improve the feasibility of impact reporting through its Lean Data Initiative, which helps enterprises and investment managers focus data collection on the top priorities for operational data use.

In this case, we examine the theories of change and measurement strategies for two Acumen investments to serve as examples of the Acumen approach. We find Acumen's work on the theory of change for each investment to be quite strong. Our recommendations focus on the Goldilocks principles of Credible and Responsible, suggesting improvements to the measurement strategy along two lines: 1) strengthening theories of change to include a more complete recognition of the potentially broader social impact of its investments, including third-party positive or negative impacts, such as those that occur when one business simply displaces sales or employment from another, and 2) focusing on conducting impact evaluations only when credible results are viable.

Lessons for Others

1. A solid theory of change is foundational for demonstrating how commercial enterprises can produce social impact.

Theories of change should identify the risks and assumptions of the approach and require thinking about tradeoffs or behavior changes individuals may have to make to participate in the program.

2. Theories of change also demand that organizations consider how creating new opportunities for one group may affect the welfare of others.

Do improvements for the targeted individuals come at the cost of those not in the program? Are markets for new products or services expanded, or do sales simply shift to certain individuals?

3. Impact evaluation should be done only when it can be done credibly and when an organization is committed to acting on the results.

When a credible impact evaluation is not possible, or not desired, resources may be better spent monitoring and analyzing operational issues.

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