EVIDENCE AND IMPACT IN A POST-COVID WORLD

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I want you to act as you would in a crisis. I want you to act as if our house is on fire. Because it is.

—GRETA THUNBERG, 2019 ADDRESS TO THE WORLD ECONOMIC FORUM IN DAVOS[1]

Greta Thunberg's urgent plea to global business and political leaders in 2019 reverberated around the world. While most notably describing our changing climate, she foreshadowed what was to come—the deadliest pandemic seen in 100 years and a resounding call for racial reckoning—all driving a discourse on building back better (BBB).[2] At the heart of the BBB movement, a reference originally used for natural disasters, is a demand for a more just, equitable, and sustainable world.

This broader view has been burning for some time but was accelerated by the global humanitarian social and economic crisis spurred by the pandemic. As the Organization for Economic Cooperation and Development (OECD) reports, "poverty will rise for the first time since 1998 with 70–100 million people estimated to be pushed into extreme poverty, at least twice as many into poverty, with hundreds of millions of jobs lost and livelihoods affected."[3] Building back better is, thus, more than a catchy slogan. We are at a defining moment in post-industrial society about the purpose of capital in this critical moment, especially as it relates to humanity and our planet, and the use of evidence is at the center of this moment.

A NEW MODEL FOR EVIDENCE USE

We have seen the BBB discourse around evidence play out in many ways recently—from the climate change debates to the disinformation/misinformation around COVID-19, to the United States' story on social and racial justice. The use of evidence across these broader debates shows that evidence-based decision making is about more than generating proof through credible research efforts to inform policy. It is about diverse perspectives and mindsets, uptake, use, and management. The guiding principles of the American Evaluation Association (AEA),[4] the leading industry organization for evaluation professionals in the United States, addresses substantially more issues than the technical aspects of measurement and data needed for an evaluator to generate credible evidence.[5] Half of the AEA principles address matters of integrity, respect, and, importantly, contribution to the common good and advancement of an equitable and just society.

The extension beyond technical matters articulated by the AEA principles is a marked departure from the values-free, neutral observer origins of evidence generation that set itself up on a platform based on scientific methods during its first sixty years and paved the way for next generation evidence. Numerous branches of evaluation, including participatory methods, stakeholder-based methods, developmental evaluation, transformative evaluation, and equitable evaluation,[6] have been advancing the notion that data and evidence generated by evaluators should not be limited to mimicking scientific methods. The current AEA principles reflect this expanded notion of what evidence-informed decision making is, which prompts a rethinking of what it should be to meet the moment we are in (the focus of AEA's conference theme in 2021).[7]

As evaluators, we take these principles seriously, and reflect them into our practice. These principles play out in evaluative practices and become quite significant when evaluators move outside traditional provinces of public and social sector initiatives and engage with the growing body of work aimed at achieving a more sustainable and equitable future. We discuss one such experience below as a use case for next generation evidence.

IMPACT INVESTING AS A USE CASE FOR NEXT GENERATION EVIDENCE

Over the last ten years, as evaluators, we have been paying close attention to the significant growth of private sector engagement and dollars invested in addressing global threats, being both actors and reactors to the world of impact and responsible investing. Initially viewed with a critical and skeptical lens, we have learned that this is a different type of investing that challenges the mainstream model of modern capitalism and expands the previously held notion that the public sector is the only actor influencing the welfare state. The private sector has taken on a new commitment to environment, social, and governance (ESG), otherwise known as "impact" on people and the planet. Widespread adoption of this zeitgeist is apparent in the private sector's increasing alignment with the UN's Sustainable Development Goals (SDG), the growth of sustainability reporting (GRI), and the preponderance of corporate social responsibility (CSR).

Bringing our evaluative lens to this work, there are a few things we have learned through this journey that are highly relevant to next generation evidence, particularly the point that evidence and use are not simply a values-free and objective endeavor. For instance:

- "Impact" is not homogenous; rather, it is "multidimensional" and, thus, hard to easily boil down into one measurable construct or lean set of quantitative metrics.
- Prioritization of dimensions and definitions of what is "impact" are relative to the perspectives of different actors; for example, communities of people with lived experiences, investors responsible for managing capital, policymakers responsible for the public good.
- Not all actors are compelled by the same points or types of proof and statistical confidence levels on what "impact" is, which is meaningful when it comes to evidence-based decision making and action.

Each of these lessons acknowledge varying perspectives on how evidence is generated, what "good enough" evidence looks like for a "data-driven decision," and the trade-offs that result from generating data and evidence that are not rooted in a universal understanding and acceptance of rigorous methodologies or the very meaning of impact itself. For instance, standards of evidence for public policy decisions demand more scientific rigor than is the case for agile private sector business decisions that are likely to be guided by signals and rapid experimentation to influence their evidence-based decision making and actions.[8] Similarly, breadth and depth of intended impact are variables that can be valued differently by people with lived experiences and those who manage capital. The Impact Management Project set out to create a norm for defining dimensions of impact to include five dimensions: What, Who, How Much, Contribution, and Risk.[9]

These lessons matter when we consider the large, and possibly immense, scale of this new investing space, which had an estimated market size that in 2020 ranged between $715 billion[10] and $37.8 trillion.[11] The lower estimated market size restricts the label of impact investing to investments in private sector businesses that intentionally aim to generate positive, measurable social and environmental impact alongside a financial return.[12] The larger estimate, in contrast, is more internally focused and based on ratings of companies' internal (ESG) practices and policies.[13]

CONNECTING ACTORS ACROSS THE EVIDENCE SPECTRUM

Recognizing the growth and scale of this space and the synergies between "impact" measurement and evaluation, in 2016, the American Evaluation Association (AEA) and its members launched several initiatives to bring these discussions together, from bringing together leaders focused on both evaluation and impact measurement to explore these topics, called "Impact Convergence," to launching a new group within AEA focused on what the convergence could look like.[14] Numerous connections and publications emerged between AEA, its members, and intermediary organizations responsible for developing and/or providing measurement principles, standards, tools, and verification, for example, Impact Management Project, GIIN, Toniic, OECD, World Economic Forum, Salesforce, and UNDP. Notably, the forum section of the *American Journal of Evaluation*'s[15] 2018 fall volume focused on "Where Impact Measurement Meets Evaluation" while Salesforce's[16] e-publication about impacting responsibly prompted deeper learning that reflected principles of AEA and, in particular, bringing an equitable evaluation lens to influencing the reimagining of next generation evidence.[17]

The combination of evaluators' (and other technical assistant providers) growing influence across these platforms combined with the growth and scale of private sector investment in social good and sustainability signal what is on the horizon for next generation evidence. Importantly, and given the BBB narrative, an essential part of the formula for achieving sizable and durable impact must focus on advancing inclusiveness and sustainability in how evidence is defined. Along this theme, two areas remain to be developed and are the topics of multiple discussions, particularly as it relates to equitable and inclusive next generation evidence: 1) the relative value of stakeholders, people and communities affected by policies and investments, in defining success and affecting management decisions, and 2) the inclusion of externalities in determining positive and negative impacts.[18]

The Imperative for Stakeholder Engagement

Stakeholder engagement is a necessary part of evidence generation. How can we understand and be accountable for the effects of an intervention, investment, or enterprise's activities without understanding the experiences of those affected by the activities?

Today, there is a clear sense that stakeholder voice matters in the design and provision of products and services[19] and the planning and implementing of activities.[20] Data collection methods for stakeholder engagement are even readily available.[21] Yet, these practices are not regularly instituted, and this must change. Addressing this shortcoming is the focus of a peer learning partnership of evaluators and impact measurement and management professionals supported by an OECD global action initiative[22] funded by the European Union. In particular, the peer learning partnership aims to surface the drivers and barriers to the effective leveraging of capacity building efforts and public policy to foster stakeholder-engaged practices about evidence generation.

Externalities and Unintended Consequences

We next turn to consideration of "externalities" in determining impact. Let's use this working definition excerpted from Oxford Languages[23] to describe externalities as viewed from an economic perspective:

> a side effect or consequence of an industrial or commercial activity that affects other parties without this being reflected in the cost of the goods or services involved, such as the pollination of surrounding crops by bees kept for honey.

In this example, the illustration of an externality is a positive example that creates positive impact, but let's also recognize the potential negative impacts that can occur through exploiting externalities associated with direct operations, supply and value chains, and business partnerships resulting in negative effects on climate and people. These range from pollution to raising the earth's temperature to poor or unethical work conditions, suppressed wages, health risks, and a widening race and gender wealth gap.

As new forms of investing grow as a disrupter to traditional investing (based on the principle of profit first and foremost), so must our understanding about what is material to value creation of an enterprise. The director of the UNDP Standards, Fabienne Michaux, suggested in an April 8, 2021, Impact Entrepreneur webinar, "profit generated from enterprise activity is privatized yet some of the costs of production of these profits on stakeholders outside the company are socialized." The stakeholders Michaux is referring to are society, the environment, and future generations. Along these lines, Social Value International (SVI) has long advocated that the data and evidence required in accounting for business value needs to redefine what is material. Data requirements and the evidence used to inform decisions are based on narrowly focused financial data at the expense of valuing impact, either positive or negative, that have global consequences. This field-level shift would be game-changing for the type of data and evidence that would be tracked and used as a basis for decisions across all private sector business activity. This possibility is not out of reach, particularly among standard-setting organizations for international accounting standards and reporting that are actively engaged in developing sustainability disclosure standards, recognizing the complexity of such an undertaking and the significance of global standards that are interoperable across systems.[24]

CONCLUSION

Throughout this narrative, we have asserted that we are at a pivotal moment in time, one where, as a global community, we need to collaboratively navigate through a post-pandemic era while faced with the dire state of affairs of people and planet.

The AEA has had, itself, to contend critically over the last few years with evaluation's own history in promoting inequitable and exclusive practices, which has led to the explosion of repositioning and reimagining what a responsible evaluation practice could and should look like, from electing its first woman president of color to reviewing its intellectual property rights to enable more equitable membership services to reviewing a more inclusive and equitable approach to who receives its highest awards to explicitly releasing public statements regarding recent hate crimes to African, Asian, and Latinx Americans.[25] All this with the goal of questioning the role of evidence and signaling that, as evidence generators, we must educate, and at times re-educate, ourselves on our own intersectional understanding of race in American and the historical power that the scientific academic method, as the ultimate truth, has had on further marginalizing communities.

As an association, we are finding a new way forward that considers how data and evidence can be designed and then actioned to advance a more equitable and just society. This way forward must include more voices of lived experience (stakeholder voices) and a prioritization on a lens of equity and sustainability (externalities). Critically, more equitable and responsible evaluation practices must permeate not only the traditional places where evaluation works, such as public sector finance, but also be used to ensure that private capital grows to be a force for good and held to account for impacts on people and planet to prevent what is known as impact washing, the practice of overstating or falsely claiming benefits of a product/service to sell more of it.[26]

What will this take? Coming from the world of social sector financing, primarily government and philanthropy, and grounded in the knowledge that using evidence to scale impact is not novel in the context of contemporary business practices, we believe building back better will require a reimagination of how we use evidence to adapt.

And so it goes. We are at a critical juncture in our own human story, where adaptation is a necessity. As discussed throughout this paper, paramount to this next scene is adapting how we use evidence to scale impact to fight against impact washing. This call to action is applicable across all forms of capital, private and public. As we collectively continue to push forward, we can expect the next rational step to bringing the worlds of public and private sector financing in service to people and planet even closer together will be to regulate it. To quench the flames that Greta Thunberg speaks to, this is clearly needed to ensure good intentions translate to scalable impact that advance equity, resilience, and sustainability.

NOTES

1. See “Our House is on Fire: Greta Thunberg, 16, Urges Leaders to Act on Climate,” The Guardian, January 25, 2019, www.theguardian.com/environment/2019/jan/25/our-house-is-on-fire-greta-thunberg16-urges-leaders-to-act-on-climate.

2. See Prevention Web, International Recovery Platform, www.recoveryplatform.org/assets/tools_guidelines/GFDRR/Disaster%20Recovery%20Guidance%20Series-%20Building%20Back%20Better%20in%20Post-Disaster%20Recovery.pdf.

3. “Investment and Sustainable Development: Between Risk of Collapse and Opportunity to Build Back Better,” Discussion Paper for Joint IC-CAC Session at the 2020 Roundtable on Investment and Sustainable Development, OECD, www.oecd.org/investment/Between-risk-of-collapse-and-opportunity-to-build-back-better.pdf.

4. See www.eval.org/About/Guiding-Principles.

5. “Guiding Principles for Evaluators,” n.d., American Evaluation Association, www.eval.org/Portals/0/Docs/AEA_289398-18_GuidingPrinciples_Brochure_2.pdf.

6. See, for example, M. C. Alkin and J. A. King, “The Historical Development of Evaluation Use,” *American Journal of Evaluation* 37, no. 4 (2016), pp. 568–79; C. A. Christie and M. C. Alkin, “An Evaluation Tree,” in *Evaluation Roots: Tracing Theorists’ Views and Influences*, edited by M. C. Alkin (Thousand Oaks, CA: SAGE Publications, 2013), pp. 11–57; D. M. Mertens, *Transformative Research and Evaluation* (New York: Guilford Press, 2009), www.equitableeval.org.

7. See American Evaluation Association, www.eval.org/Events/Evaluation-Conference/Conference-Theme.

8. M. Reeves and M. Deimler, “*Adaptability: The New Competitive Advantage*,” July–August 2011, *Harvard Business Review Magazine*.

9. See Impact Management Project website, https://impactmanagementproject.com/impact-management/impact-management.

10. See “What You Need to Know about Impact Investing,” Global Impact Investing Network, n.d., https://thegiin.org/impact-investing/need-to-know/#how-big-is-the-impact-investing-market.

11. “ESG Assets May Hit $53 Trillion by 2025, A Third of the Global AUM,” Bloomberg Professional Services, February 23, 2021, www.bloomberg.com/professional/blog/esg-assets-may-hit-53-trillion-by-2025-a-third-of-global-aum/.

12. “Impact Investing,” Global Impact Investing Network, n.d., https://thegiin.org/impact-investing/#:~:text=Impact%20investments%20are%20investments%20made,impact%20alongside%20a%20financial%20return.

13. Particularly relevant to this paper, the former is more outcome-leaning and the latter is more output-leaning. K. P. Pucker, "Overselling Sustainability Reporting: We're Confusing Output with Impact," May–June 2021, *Harvard Business Review Magazine*.

14. See Impact Convergence website, http://impactconvergence.org/.

15. See *American Journal of Evaluation* 39, no. 3, September 2018, Sage Journals website, https://journals.sagepub.com/toc/aje/39/3.

16. See Impacting Responsibly, Salesforce.org website, www.salesforce.org/about-us/impacting-responsibly/.

17. And a 2020 comprehensive handbook about impact investing lifted up compelling questions about next generation evidence, including highly participatory and equity/justice-focused transformative evaluation and the nature of evidence, including the relevance of stakeholder voice and innovative perspectives about evidence for decision making.

18. Absent these two components, the evidence for successful initiatives aiming to do good (large or small) are valued solely through a funder, investor, or company-driven lens, favor quantitative metrics, and obscure potential negative impacts that can result from mission-driven activities. Additionally, the opportunity to manage for impact post interventions is severely hindered when stakeholders are not engaged in evidence development processes or when externalities are left out of the equation.

19. See "Stakeholder Engagement," Global Impact Investing Network, n.d, https://iris.thegiin.org/metric/5.0/oi7914/.

20. See Social Value International, May 2018, https://www.socialvalueint.org/principles.

21. Such evidence can be generated through processes involving co-creation of success measures and solutions, using technology assisted survey methods or storytelling to elicit stakeholders' perspectives, or embedding stakeholder engagement throughout management and governance decisions. See, for example, Strategy Development: Most Significant Change (MSC)," ODI, January 13, 2009, https://60decibels.com/; https://odi.org/en/publications/strategy-development-most-significant-change-msc/; https://keystoneaccountability.org/.

22. See "Promoting Social and Solidarity Economy Ecosystems," OECD, www.oecd.org/cfe/leed/social-economy/fpi-action.htm.

23. See Google definition, www.google.com/search?q=externalities+definition&oq=externalities&aqs=chrome.1.69i57j0i433l2j0l4j69i61.7324j0j4&sourceid=chrome&ie=UTF-8.

24. Janine Guillot, "Markets are Speaking, the IFRS Foundation is Listening," Value Reporting Foundation, December 16, 2020, www.sasb.org/blog/markets-are-speaking-the-ifrs-foundation-is-listening/.

25. Statement form the AEA Board of Directors Regarding Racism and Inequality in our Society, American Evaluation Association, March 31, 2021, www.eval.org/Full-Article/statement-from-the-aea-board-of-directors-regarding-racism-and-inequality-in-our-society.

26. See "Impact Washing: What It Is and How to Stop It" https://online.hbs.edu/blog/post/what-is-impact-washing.