

BILL & MELINDA
GATES *foundation*

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Dear Colleagues,

The Bill & Melinda Gates Foundation is committed to engaging in strategic and actionable measurement for our strategies. As part of that process, we wanted to understand the “state of the art” in social value calculations – how different foundations and nonprofit organizations measure and/or estimate the linkage between philanthropic capital and social benefit -- to inform our thinking and potentially our approach.

We commissioned a landscape of methods used in the field, from traditional forms of cost-benefit analysis to some of the newer adaptations in the social sector, such as social return on investment, expected return, and others. The paper was not intended to be exhaustive but rather to identify and highlight a variety of interesting efforts to define and measure social value creation. We engaged Melinda Tuan, a thought leader in blending business and philanthropic practice, to conduct the scan. The paper she produced provides a description of a range of methods currently in use. To further deepen our understanding of those practices and their limitations, we convened a day-long discussion with the practitioners and experts involved in each effort.

In the process of conducting and discussing this scan, and as reflected in the paper itself, we learned that there are a number of interesting social value calculations in use throughout the sector. We also learned about their limitations in terms of data quality and comparability. We now appreciate that while each method generates actionable information for its own users, no one approach has yet emerged as the single best method. In fact, to some extent, it was the discipline and rigor of application that is the most important common ingredient among the methods. Each of the practitioners acknowledged the importance of their calculation model forcing them to make their assumptions explicit and transparent. It is only once the assumptions are laid bare, that a true debate about the merits of a program, strategy or grant relative to costs can fully be vetted and debated, even if not fully known with precision.

It is with that point in mind that we share this paper with you. We know there are many others grappling with similar questions and we want to offer the benefit of the knowledge and experience we have aggregated. We hope that this paper contributes to the ongoing conversation about how best to measure and express the value of the work of the independent sector, both the giving and the doing.

We believe this is a conversation well worth continuing.

Sincerely,

Alex Friedman

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Chief Financial Officer

Director, Impact Planning and Improvement