



Acumen Fund is a nonprofit venture fund that seeks to prove that small amounts of philanthropic capital, combined with large doses of business acumen, can build thriving enterprises that serve vast numbers of the poor. Acumen Fund invests equity and loans – and intensive management assistance – in for-profit and non-profit enterprises that bring health, water, housing and energy to the poor. We focus on Africa and South Asia.

### The Metrics Challenge

Unlike venture capital investing—where the measure of return is purely financial, comparable across industries and geographies and is a low cost methodology—social investing metrics are trickier by far. How do we know if we are fulfilling our mission of creating **financially sustainable** enterprises that can deliver widespread **social impact**? How do we quantify intangible social benefits such as better health or dignity? How do we define a standard metric that measures the success of a social investment and allows us to compare investments? How do we test and convince others of what we believe to be true? And how do we do all of this in a **cost-efficient** way so that we keep maximum resources for investment?

### The Acumen Approach

We believe that metrics must be **understandable**, **inexpensive** and, most importantly, **useful**. We have defined a set of key metrics that signal to our community where and how we can have the greatest impact.

At the level of our **individual investments**, we want to know:

How many individuals are accessing a product as a result of our investment? Can the enterprise deliver this product on an ongoing basis? Is our investment more efficient than other charitable options available (see BACO)? Does it have the operational capacity to go to scale? What is our financial exposure?

At the level of our overall **portfolio**, we want to know:

Which enterprises in our portfolio have the skill and will to fulfill our shared objectives? Where should we focus our resources? Can we identify cross-cutting principles and breakthrough insights for building high performance organizations in our target markets?

At the level of **Acumen Fund**, we want to know:

Is our own investing model performing as efficiently as possible? Are we tracking our performance carefully and planning our growth accordingly?

### Defining investment success

We evaluate the success of each investment according to its ability to deliver against the three aspects of our mission, both before we invest and every six months thereafter.

	Social Impact	Financial Viability	Breakthrough Insights
Poor	Is it less cost-effective than other available social options?	Has it provided an incomplete return of capital to Acumen Fund?	Are there no additional insights from the investment?
Good	Does it provide the greatest impact per \$ invested?	Has there been a return of capital to Acumen Fund?	Has it influenced Acumen Fund investment activities?
Better	Has it proven itself scalable (at least 10x)?	Are the enterprise's core operations cash flow positive without subsidies?	Has it provided unique insights that are broadly shared with the field?
Best	Has it served 1m+ and materially improved the issue target?	Has the enterprise been able to tap into commercial capital markets (catalyzing new \$)?	Has it stimulated external replication and/or behavioral shifts?

- More than 5,000,000 people protected by long-lasting malaria bednets
- 87,000 farmers with drip irrigation systems
- 18,000 families with water filters
- 7,000 patients with hearing aids
- 107,000 microfinance borrowers
- 740,000 rural patients with access to healthcare
- 4,500 patients with anti-retroviral treatment
- 97,000 villagers with access to affordable clean water
- 3,000 women with jobs in Tanzania, most of whom previously earned less than \$2 a day.

## Our metrics method

At the level of our investments...

- **Betting on the best**

Both before we make an investment and every year consequently, we seek to understand whether there is another program in the charitable marketplace that can deliver the same product or service more cost-effectively. To do so, we have developed the **Best Available Charitable Option (BACO)** method. By comparing each of our investments with a real or hypothetical charitable option, Acumen Fund has begun to quantify, at least to an order of magnitude, how our social impact, for each dollar invested, compares with that of other philanthropic options. Though it has limitations, this calculation reaches to the heart of the market-based approach, spelling out the cost saving from the financial leverage and enterprise and technology efficiencies that drive financial sustainability and social impact.

- **Starting a dialogue**

Metrics is not a top-down process, it is a dialogue. With each new investment, our team works with the enterprise to understand the core drivers of the business model and develop milestones that act as a framework against which both Acumen Fund and the organization can evaluate success over time. Our aim? To set up a fact-based dialogue with our investees about what is going right and what needs help so that metrics ultimately becomes a management tool for the enterprises in our portfolio to improve their internal operations—and for Acumen Fund to know where it can best provide support.

- **Maintaining accountability**

With the core drivers of the business model and appropriate milestones agreed upon, we expect **Quarterly Metrics** from each enterprise on the corresponding financial, operational, and social impact metrics. We then complete our enterprise evaluation framework with a management capability assessment by our portfolio managers that gives a broader qualitative snapshot of the health of the enterprise's management team, its organizational systems, its continuing fit with Acumen Fund's mission and its potential for financial sustainability and scale. Ultimately, this information tells us how many individuals are accessing a product as a result of our work; whether the enterprise can deliver that product on an ongoing basis; and whether it has the skill and will to create market access for the poor.

- **Rigorously assessing impact**

Acumen Fund is beginning to partner with world-class research institutions to conduct statistically rigorous **in-depth socio-economic studies** with some of the enterprises in our portfolio. Our goal? To use academic quality research—into pricing or social impact, for example—that can enable us to make better business decisions and more effectively serve the poor.

At the level of our portfolio....

- **Aggregating knowledge:**

Our portfolio of investments provides us with a unique overview of market-based models that are effectively reaching the poor. Our **Portfolio Data Management System** helps us ensure that metrics data and insights are reliable and available, cataloguing by geography, portfolio, and business function (e.g., marketing, distribution, pricing, product design). We can analyze this aggregate pool of data to identify cross-cutting principles—and to explore and communicate breakthrough insights into how to reach the BOP.

- **Focusing Acumen Fund resources:**

We have decided not to spend precious resources seeking a complex absolute standard for social return by which we can rank all of our investments. Instead, our team uses their professional experience, their interactions with our portfolio enterprises and our quarterly metrics scorecards to inform an internal bi-annual **Forced Ranking** exercise. Each investment in our portfolio is ranked according to its potential for social impact, its financial sustainability and the breakthrough insights that it yields about serving the poor. The result? We decide where to focus our resources for maximum impact.

At the level of Acumen Fund....

- **Measuring ourselves:**

Each month, we publish an **Internal Scorecard** which tracks the performance of all departments across our global and in-country offices against two sets of targets. First, we measure progress made toward our annual goals, such as the strength of our pipeline, the number of deals in active due diligence, the number of investments approved and the capital raised to fund these investments. Second, we closely monitor our expenses and efficiency ratios, which enables us to enforce cost discipline in a fast-growth environment.