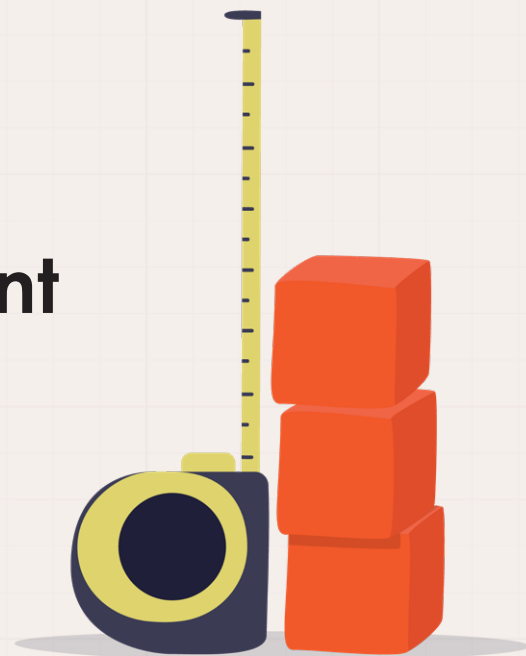


# The future of measurement to improve impact

Is your organisation measuring its impact? Does your organisation intentionally use measurement to generate actionable insights? It should. In this paper, we unpack why and present our view on what the future holds for understanding impact.



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## What do we mean by “impact” and why does it matter?

The definition of impact is highly context specific. For the purposes of this paper, “impact” refers to the positive and negative environmental, social and economic results of initiatives, policies, projects and investments.

Every intervention and every investment have an impact. This includes companies - whether through the jobs they create, the resources they consume or the communities they touch. Across sectors and geographies, pressure is building to move beyond simply measuring and assessing impact to generating insights for improvement – and taking meaningful action in response.

This shift is being driven by a widening circle of stakeholders, well beyond the traditional “development” sector. Regulators are tightening disclosure requirements. Investors are demanding credible evidence of contribution to sustainable outcomes. Communities are asking not only what companies do, but how their actions shape local realities. The expectation goes beyond simply accounting for impact, to actively managing it.

This requires careful tracing of the links between organisational decisions and societal outcomes, in order to assess what works (and what doesn't) and why. This information is indispensable for diverse stakeholders, in meeting their commitments for improved impact. But development processes are rarely simple. Tracing the links between investment and outcome requires an appreciation of the inherent complexity, non-linearity and dynamism of change - an appreciation that can bring great benefit to multiple actors.



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**The public sector** is under increasing pressure to justify resource allocation and policy choices - and this knowledge can illuminate how to optimise resources for more durable and far-reaching change. **For development finance institutions**, balancing financial and developmental returns requires careful risk assessment and mitigation, which is near impossible to achieve without deeper complexity-awareness. **For companies**, deeper insight into how change happens is essential to meet diverse stakeholders' expectations, avoid overclaiming impact and produce verifiable results. **For philanthropies**, without a systemic understanding of how change happens, achieving scale, mobilisation of non-traditional impact investors and knowledge dissemination for ecosystem-wide adoption is unlikely.

For all actors, recognising how organisations decisions affect societal outcomes is foundational. But it is not enough. This information needs to be put to use to meet the needs of the impact investment sector. This requires matching intent and action - and closing the decision-making loop for improved impact.

## A new type of evaluation user

Using statistical methods, the medical field has been measuring the impact of medical treatments for a long time. The “evaluation users” are health professionals. Economists also employ a range of statistical methods to assess the impact of economic policies.

Building on this, the evaluation profession has developed over the past 50 years to evaluate development programmes. The “evaluation users” – government, NGOs, international development agencies, donors – want answers about the developmental impact of interventions. Evaluators measure impact using a combination of statistical and other methods. The field of evaluation continues to evolve as questions of value for money, uncertainty, and unintended consequences become more pressing for constituencies and civil society.

The need to go beyond measurement, in order to generate insights for improved impact, is not a new imperative in the field of evaluation. But the way these links are made is hyper-specific to the type of evaluation user.

Private sector investors and shareholders are a new type of evaluation user. Their information needs are different, and so are types of measurement and assessment methods that will serve them. They should not be left to reinvent the wheel or repeat well-trodden, painful ground littered with epic mistakes that have been made in the traditional development sector.

But we also should not presume that approaches and methods developed in the evaluation field can be (or should be) transplanted wholesale.

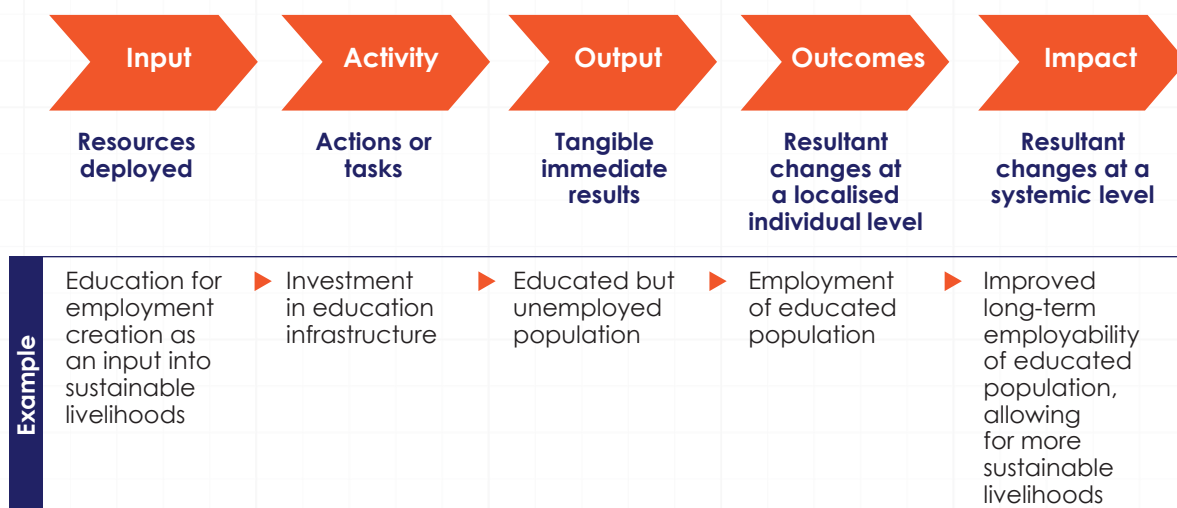
## What are the available approaches to use measurement for improved impact?

Generating insights to improve impact is the focus of two related but distinct fields: evaluation (and M&E) and impact measurement and management (IMM). These fields have different approaches and methods. But they also have much in common - including a shared commitment to link measurement to decision-making for improved impact.

Evaluation is rooted in traditional development practice and is focused on assessing the effectiveness of projects and programmes. The primary focus is to systematically trace the effects of an intervention, to establish contribution or causality<sup>1</sup>, in order to judge whether change is “good” and “good enough”. But as the evaluation field evolves, there is a growing imperative to assess impact at scale, to assess systemic change, and to validate if impact is durable. Evaluation practice is also at pains to identify under what conditions change happens, and the project or programme's role in creating these conditions. It uses a variety of approaches and methods in the pursuit of robust and credible findings.

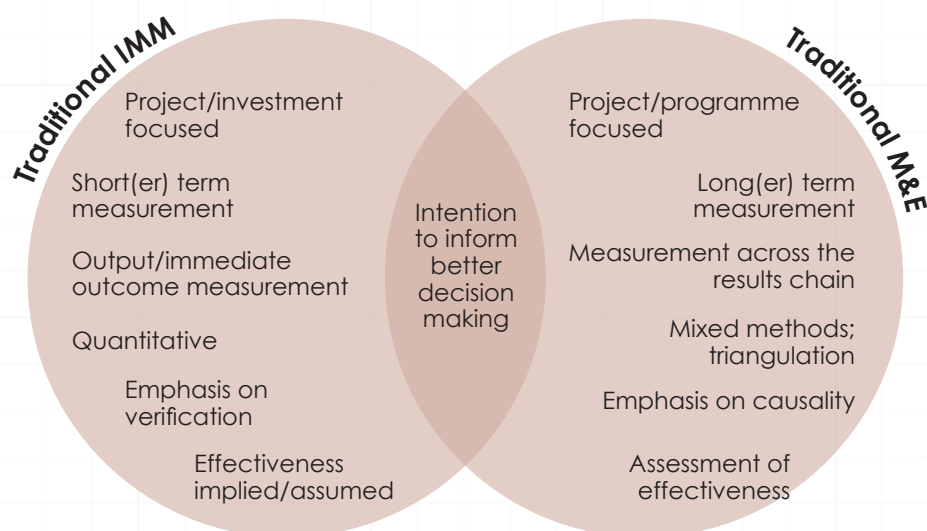
IMM on the other hand, is usually primarily focused on assessing whether the specific objectives of an impact investment has been met. This means that IMM has tight, narrow parameters for measurement – and often specifically focused on short(er) term metrics and seldom measuring large-scale or systemic change. But, IMM is founded on ensuring that the results of measurement activities are used in investment decision-making, in order to support impact investors' intention to simultaneously achieve financial and impact returns. Developments in the field of IMM have emphasised impact reporting assurance and impact verification for this reason.

1. The evaluation profession has a sophisticated understanding of causality, based on decades of hard-won, collective experience of development failure. A good evaluator is extremely sceptical of premature claims of success.



*Depiction of a basic theory of change*

In recent years, the evaluation field and the IMM field have been moving closer together. IMM practices are trending toward a greater focus on ultimate and systemic outcomes of investments, particularly capital allocators. There is also greater emphasis on adaptive management based on IMM findings. While the evaluation field is exploring areas like 'monitoring as evaluation' and rapid evaluation to ensure decision-makers have the information they need, when they most urgently need it. The evaluation field has also included new explorations, including data visualisation practitioners who already cross-pollinate with IMM practitioners. These are positive developments and set the stage for even more useful measurement practices in future.



*Typical areas of alignment and divergence between IMM and M&E*

There are, however, areas of divergence between IMM and M&E that continue to influence how these fields develop, especially when it comes to what is prioritised in 'making sense' of data. A case in point is the different emphasis IMM and M&E places on the need for data standardisation, compared to the highly sophisticated practices in the field of evaluation for contextualisation and deepening inquiry. In impact investing, while several international and local tools and frameworks have been developed to guide the measurement of impact, there is no universally accepted approach. At the same time, the principles generally accepted as best practice have been developed in specific market contexts which may limit their applicability in others. In M&E, there is a recognition that different stakeholders value different things, and that there are different ways of knowing. Standardised measurement risks erasing the perspective of those intended to benefit, and so this has not been as high a priority.

## What does the future of IMM and M&E look like?

The future of measurement practice is already moving beyond compliance or reporting exercises (for IMM), or overly specified, hyper-analytical methods-focused activity (for M&E), to become a recognised strategic and managerial discipline.

The organisations that succeed will be those that embed evidence-based insights into every decision, including how resources are allocated and performance is managed. As they do so, the tension will be in how well they can retain the original strengths of these disciplines.

To make this shift, organisations will need to adopt more **systemic approaches** to measuring and managing impact. Rather than focusing on isolated projects or organisational boundaries, future frameworks will need to consider how interventions interact within broader systems – whether food, energy, health or finance. The interaction between actors in a system – eg public vs private sector actors – can determine whether impact is desirable and durable. This is easily overlooked when one is immersed within an organisational boundary, or even a single subsystem. A better handle on these dynamics is essential to identify levers for systems change, and to ensure that actions taken in one area do not create unintended consequences elsewhere.

This evolution will also **blur the boundaries** between evaluation and IMM. Evaluation is often concerned with causality and has a proficiency in using mixed methods. IMM brings tools for verification and communication. Both support continuous learning and performance improvement. **Technology** will play an enabling role. Advances in data analytics, artificial intelligence and digital platforms are making it possible to gather, analyse and visualise impact data in real time and with far more granular details. This can unlock new frontiers in our knowledge of how change happens, who it affects and what conditions are needed to replicate and scale the most promising investments, projects and programmes.

## What will it take to get there?

**The future lies in drawing on the strengths of both:** using the discipline and rigour of evaluation to strengthen the credibility of impact claims combined with IMM's focus of only measuring what will be valuable for investment decision-making. Together, these fields can generate the insights needed to deliver impact at scale – which is what stakeholders will increasingly expect of every organisation, regardless of sector or mandate.

The first step is greater cross-pollination between the M&E and IMM communities. Both fields have developed useful applications of measurement and assessment techniques, yet are mostly disconnected. Building bridges between practitioners in both fields will demystify differences, allow greater ease of combining and learning from the abundant methods, approaches and resources available. There is a particular opportunity for IMM to leapfrog – to learn from the evolution of evaluation, and to apply these lessons now. Not only for improved IMM practice, but also to ensure that Impact Investing does not repeat the mistakes made over many decades through traditional development interventions.

These communities should prioritise developing **common tools and frameworks** where possible and clearly identify areas of necessary divergence. Theories of change are already used in both fields and have good potential to be a common tool. But there are also legitimate differences in what audiences (evidence users and decision-makers) need, which is reflected in the diversity of standards and methodologies.

**“Translation”** between IMM and M&E, and indeed between traditional and non-traditional development actors more generally, will be highly advantageous and those with the capacity to “code switch” will have an important role.

# How can organisations start to use measurement for improved impact?

For organisations ready to improve measurement practices, and to ensure they act on results, it can be daunting just getting started. Every organisation is different in important ways, but the first steps are similar:

The first is to **acknowledge reality**. Using measurement for decision-making begins with an honest appraisal of how an organisation affects people and the environment – positively and negatively, directly and indirectly. This requires openness to what the data reveals, acceptance of what each piece of data can and cannot tell us, and the willingness, integrity and courage to confront uncomfortable truths.

**Leadership commitment** will be the decisive factor. Embedding evidence-based decision-making into core strategy requires a shift in mindset: from treating impact measurement as a superfluous and siloed activity, to realising that it is a driver of long-term value. This means integrating impact thinking into governance, planning and decision processes and holding senior teams accountable for both financial and societal outcomes.

Next comes **improving organisational impact assessment capability**. A starting point is investment in skills training and knowledge building for teams. Generating actionable insights is dependent on data quality and credibility, which is in turn dependent on the people who conduct the impact assessments. But this won't be enough. Financial resources also need to be made available to build data systems and conduct measurement activities. Organisations also need to make space and time available to close the loop for use. This includes regular opportunities for learning, reflection and adaptation – not just reporting.

Finally, every organisation needs a **clear theory of change**: a coherent view of how its activities are expected to lead to desired outcomes and the assumptions that underpin those links. A well-articulated theory of change anchors measurement in purpose and intentionality. It provides a basis for testing whether strategies are working, and for making informed decisions about where to focus effort and resources. Both fields already have good use cases for theory of change – now the challenge is to ensure that these are not neglected in measurement sectors and that they don't become tick-box exercises.

Starting here – with realism, commitment, capability and clarity of logic – lays the groundwork for a mature understanding of impact that can evolve over time and guide meaningful action.

## Conclusion

Impact is fast becoming the focus of the future. It tells us not only how organisations perform, but how they shape the world. The challenge is to move beyond intent and rhetoric towards clarity, credible measurement and genuine integration of impact into decision-making. That means embedding impact into organisational processes of strategy, investment and accountability – not as a separate agenda, but as integral to how organisational success itself is defined. The future of impact measurement and management lies in this integration: when measurement for improved impact becomes how organisations contribute to a more sustainable, equitable world.