Measuring impact: Prospects and challenges for third sector organisations

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Abstract

Third sector organisations (TSOs) face increased pressures from a variety of stakeholders to measure their impact. As a result there has been a significant growth in the market of tools for this purpose. In this paper we analyse some of the practical choices facing TSOs thinking about whether and how to engage in the impact measurement agenda.

Introduction and policy context

The idea of evidencing impact is not necessarily a new one for the third sector. Many third sector organisations (TSOs) have long been required to argue their effectiveness in tackling social problems, supporting vulnerable people or promoting particular causes in order to raise funding or attract volunteers. However, over the last decade there has been a growing interest in impact measurement in the third sector, and a sharp rise in the efforts of some TSOs to evidence the impact of their services and activities. A survey by New Philanthropy Capital (NPC) for example found that of one thousand charities and social enterprises, 75% measured the impact of some or all of their activities, and almost three quarters had increased their investment in impact measurement related activities over the last five years (Ogain et al, 2012: 2). The survey also suggested that measuring impact has become a key focus for trustees and senior managers of TSOs (Ogain et al, 2012).

Interest in impact measurement has been driven by a number of factors. As public services have increasingly been contracted-out to non-statutory providers over the last two decades, TSOs providing such services have experienced pressures to demonstrate the outcomes and effectiveness of their interventions (House of Commons Public Administration Select Committee 2008). The Public Services (Social Value) Act 2012 has recently set out the expectation that public sector commissioners and TSOs seek ways to demonstrate the wider social, environmental and economic impacts of services (Harlock, 2014) Finally, the ongoing competitive funding environment means that TSOs perceive a greater need to demonstrate their achievements to funders who seek out organisations which provide most value for money (Inspiring Impact, 2013). Indeed, there is evidence that funders' requirements are more important than any other factor in driving impact measurement practices, particularly among TSOs providing public services, leading to concerns about what exactly is being prioritised and measured in such processes (Ellis and Gregory, 2008). Meanwhile major cuts to funding streams for TSOs alongside increased need among service-users resulting from government welfare reform policies mean that many TSOs are faced with these pressures at a time where they are striving to achieve 'more with less' (Milbourne, 2013).

Yet there has also been a drive for impact measurement from the Inspiring Impact Network (see www.inspiringimpact.org), that has sought to engage with policymakers on this agenda and to promote the sector. This partnership of influential national third sector infrastructure organisations includes among others the National Council for Voluntary Organisations (NCVO), New Philanthropy Capital (NPC), the Charities Evaluation Service (CES) and the Association of Chief Executives of Voluntary Organisations (ACEVO). The network has emphasised the organisational benefits of evaluating and measuring impact to TSOs, including improved interventions and services for beneficiaries, targeting resources to greatest effect, and assisting with organisational planning and learning (Inspiring Impact, 2013).

However understanding around impact measurement for the most part remains low among TSOs, particularly smaller organisations, and there has been much confusion over how to define and measure impact (Harlock, 2013). *Results, successes, outcomes, outputs, cost-effectiveness, efficiency*, and *quality* have – at varying times and by various authors – been "bundled together with 'impact'" (see Aiken, 2009: 4). *Monitoring, reporting, evaluation* and *performance* have meanwhile also been conflated with the process of impact measurement, particularly in relation to TSOs delivering public services, and this has further muddied the water around what is being measured (Ellis and Gregory, 2008).

A useful definition of impact adopted by the Inspiring Impact (2013: 4) network is:

> "the broad or longer-term effects of a project or organisation's work (also referred to as the difference it makes). This can include effects on people who are direct users of a project or organisation's work, effects on those who are not direct users, or effects on a wider field such as government policy."

Inspiring Impact's (2013) definition therefore goes beyond an assessment of the impact of a single activity (output) or outcome for a single individual: it means an organisation's impact as a whole, and this is the definition we adopt in this paper.

TSOs face a number of practical and value-based questions about whether and how to engage with the impact measurement agenda. These include deciding whether or not to measure impact at all, balancing stakeholder – especially funder - expectations with organisational needs, and assessing both the benefits and costs of undertaking impact measurement. Those TSOs that do choose to measure their impact face further questions about how to implement impact measurement and how to select from the extensive array of products and tools now available (Metcalf, 2013). Given the significant diversity of the third sector the answers to these questions are likely to vary substantially, depending on organisational capacity, motivation, skills, knowledge and access to impact measurement tools (Breckell et al., 2010). The rest of this paper aims to help practitioners think through some of the issues and tensions that measuring impact may present in their own particular organisational contexts. It draws on a review of the published practice literature and interviews with eight key practitioners working in the impact measurement field, undertaken in 2013.

Making choices

Who are you doing it for and why?

Requests for evidence of impact can come from a range of stakeholders: funders, clients and beneficiaries, and so-called patrons. Stakeholders can have very different ideas and requirements about what should be measured and how, and these may influence practitioners' decisions about whether and how to measure their impact. Stakeholders' demands can result in a mismatch with TSOs' own motivations, systems and processes for impact data collection and reporting, and our interviewees suggested that TSOs need to be mindful of these differences and actively negotiate their approach to avoid compromising their own organisational needs and becoming tied to ill-fitting tools. Such negotiations will require managing stakeholder expectations, and being realistic and honest about what can be achieved in terms of impact measurement.

A key message from the Inspiring Impact partnership (2013) is that rather than seeing impact measurement as something simply imposed on to the sector by funders or others, it can be an opportunity for TSOs to learn about their effectiveness in meeting their own goals. They argue that measuring impact can help TSOs identify and understand trends in service user and wider outcomes, and understand where to target resources to greatest effect. Furthermore by engaging service users in impact measurement processes, organisations can potentially create a space for service user voice and experience to shape the development of services and interventions. Interviewees suggested that impact measurement processes can also utilise the unique experiences and knowledge of frontline staff and volunteers about effective practices and procedures, to facilitate the achievement of desired impacts and outcomes for service users. Organisations thus need to start by asking themselves who they are doing impact measurement for and why, in order to shape an approach that will suit their purposes.

What are the potential benefits and costs of impact measurement?

Some commentators are encouraging TSOs to view the practice of impact measurement as a process whereby organisations can strategically promote their social mission and gain influence in the particular arenas in which they work (Arvidson and Lyon, 2014). TSOs may be able to use evidence of their (positive) impact to attract new funders, volunteers, and patrons to their activities, and gain wider recognition and resources. Using evidence of impact in this way can help create organisational sustainability, especially if an organisation is able to demonstrate impact(s) to multiple funders and successfully diversify its income. However, our interviewees advised being realistic about the likelihood of attaining additional resourcing at a time when many funders are 'tightening their belts'. Instead, understanding what is effective about an organisation's activities and services, both from a service user and organisational point of view, can help TSOs target their resources more effectively and help improve the experiences and outcomes for their service users.

Careful consideration over the cost implications and affordability of impact measurement programmes is crucial. This is likely to vary significantly given the wide range of tools and options available. Resources for staff training, external consultancy and support systems for the utilisation of some tools may be required, as well as investment in marketing and communications systems in order to effectively report results. Kazimirski and Pritchard (2014: 25) urge TSOs to be mindful of the comparative price of different techniques. TSOs should consider the apparent value added by more expensive tools, for example, do they offer a greater degree of robustness and reliability? Or

does the brand image carry credibility? These questions are particularly important for smaller, lower-income organisations and those with limited capacity to engage with this agenda.

Another key consideration is how resources are to be distributed for impact measurement within organisations; in the context of constrained finance some TSOs may struggle to divert resources from other areas of activity such as frontline service delivery, and organisations must consider any trade-offs.   A key lesson from our interviews was that TSOs and funders both need to make sure the costs of impact measurement are factored into funding agreements.

How are you going to measure your impact?

If an organisation does decide to measure its impact, it faces decisions about how to implement this. Over 130 different tools and techniques are currently available to TSOs to measure their impact (Inspiring Impact, 2015). This marketplace is not static, and tools are continually being developed and updated as the industry around impact measurement evolves. This presents TSOs with a significant degree of choice, yet also means that they face time-consuming research and decisions to select the practices most suited to their specific needs. These needs can vary widely depending on organisational goals, size and capacity. A number of guides and websites have been produced by those working in the impact measurement field to assist TSOs in making informed choices about different available tools. We provide a brief overview of some of these guides here.

Proving and Improving (2014)

http://www.proveandimprove.org/

The Charities Evaluation Service (CES) offers a *Proving and Improving* website featuring three components of guidance developed by the New Economics Foundation (NEF). Firstly, their *Tool Decider* is a multi-ringed wheel that helps TSOs to shortlist from a range of available tools, based on their income band, purpose (strategy/impact/quality), and focus (people/environment/economic). The wheel draws on an initial list of around 20 impact measurement tools. Secondly, their *Comparing Approaches* chart provides a brief description of the tools, listing potential benefits, resource requirements, complexity level and types of user support available. Finally, the *Tools for You* booklet provides slightly more detailed summaries of the 20 tools – offered as a "starting point" rather than a "comprehensive catalogue" (NEF, 2009).

EEDA Getting Started Guide (Rinaldo, 2010)

http://www.socialauditnetwork.org.uk/files/8113/4996/6882/Getting_started_in_social_impact_me asurement_-_270212.pdf

A second guide – targeted specifically at small and medium-sized organisations new to impact measurement – has been developed on behalf of the East of England Development Agency (EEDA). Based closely on the *Proving and Improving* guide, it provides information about 19 tools

categorised as Social Impact, Quality Systems or Outcomes Tools. It leads the TSO through a number of statements or questions about their needs and priorities in order to develop a shortlist of tools, based on their motivations, readiness and capacity, and the type of impact they wish to measure.

Tools for Success (Roberts, 2013)

http://www.cass.city.ac.uk/__data/assets/pdf_file/0003/160518/11ImpactAssmt.pdf

A third guide to impact measurement tools is the Cass Business School *Tools for Success* booklet, (Roberts, 2013). It encourages TSOs to adopt impact measurement practices and provides advice on getting started. It guides TSOs to develop an 'impact map' to help align impact measurement practice with organisational mission and to identify what needs to be measured. The *Tools for Success* guide makes specific reference to the NPC *Wellbeing Measure*, Triangle Consulting's *Outcome Stars* and *SROI (Social Return On Investment)* tools, but overall provides significantly less detail on the tools available than either the *Proving or Improving* materials or the *EEDA Getting Started Guide*.

Impact Hub (Inspiring Impact, 2015)

http://inspiringimpact.org/

The *Impact Hub* is an online database created by Substance. This is a significant development and at time of writing it contains information about over 130 resources aimed at helping TSOs "improve [their] impact practice" (Inspiring Impact, 2015). These include database and case management systems, diagnostic tools, public datasets and training resources. Users can filter the full database of tools according to category; sector; format and cost. The amount of detail provided on each tool or resource varies. The website does not facilitate side-by-side comparison of different tools – TSOs must read information on each option unlike (for example) the *Proving and Improving Comparing Approaches* chart that considers the relative merits of shortlisted tools. However, the *Impact Hub* offers users the opportunity to write reviews of impact measurement tools - a potential means of information-sharing among TSOs.

Further considerations

The guides outlined above provide a starting point for TSOs that have decided to engage in impact measurement, but it is important to remember that they are not exhaustive. If using these guides to help choose a specific approach or tool, TSOs may wish to give deeper consideration to what exactly is being measured. Approaches based on collecting numbers and statistics can be useful for reporting outputs such as staff/volunteer time, numbers of service users seen, activities undertaken, and data about costs and financial performance. However impacts such as increased service user confidence, well-being or other benefits may be better demonstrated by collecting qualitative data about service users' experiences, for example through stories, diary keeping, videos or interviews (Alexander and Smaje, 2008). While some funders still view numerical approaches as more rigorous,

comparable and necessary for financial reporting (Soteri-Proctor, 2010), mixed methods approaches are gaining popularity. Kazimirski and Pritchard (2014: 28) for example advise collecting "No numbers without stories; no stories without numbers", to provide a comprehensive picture of organisational impact.

Another consideration is how far externally developed impact tools are truly relevant and responsive to an organisation's particular activities, or whether an internally developed or customised approach may be more easily integrated into existing activities, goals and organisational resources. This is an important issue for smaller or niche organisations offering specialist services, or for organisations piloting new services and projects. There is growing interest in the use of 'shared' impact measures for TSOs working in particular fields to demonstrate and more easily compare their impact, based on utilising standardised methods and/or indicators (see Inspiring Impact, 2014; Slater and Aiken, 2014). At the organisational level, shared measures may make it easier for organisations to learn from each other, save the costs and duplicative efforts of developing their own tools, and help foster collaborative relationships to achieve mutual goals (Inspiring Impact, 2014: 4). Standardised approaches may also be helpful in the longer term to understand the third sector's impact at the aggregate level across different fields, and would therefore certainly be of use to policymakers and researchers. However TSOs looking to adopt or develop standardised measures will need to weigh up potential benefits against costs accrued from their application or involvement in their development. They also need to carefully consider for whom standardised approaches have been developed and whether they reflect and align with individual organisational behaviours, practices, values and the priorities of their particular stakeholders (Power, 1997). TSOs working within the same or similar fields can continue to display remarkable diversity in terms of their goals, activities, size and scale (Slater and Aiken, 2014), and a dilemma facing practitioners is whether, over time, the use of standardised measures may produce 'mimetic' effects and erode organisational distinctiveness.

Conclusion

We have tried to pose questions that practitioners need to ask themselves when considering whether and how to measure their impact. At a time when wider research points to an increasingly fragmented sector, different TSOs are likely to have not only different capabilities but also motivations for measuring their impact. Furthermore TSOs will experience different levels of autonomy over how they engage with this agenda depending on their particular role and how they are funded. There have been concerns that this is an agenda driven by policy makers and public sector commissioners targeting TSOs involved in delivering public services to prove 'best value' in a time of austerity and respond to public sector performance regimes. More widely, there are concerns that TSOs' ability to measure their impact will be limited to the few and better resourced, as the industry for impact measurement continues to grow. There is a role for funders and third sector leaders in promoting more joined-up approaches to impact measurement to avoid the imposition of ill-fitting techniques, and/or the privileging of a narrow selection of 'popular' approaches.

For smaller organisations, the best advice may be to keep things simple. As Cath Lee (2012) – former Chief Executive of the Small Charities Coalition – warns, small TSOs should be wary of

diverting valuable times and resources by heading down 'blind alleys' as they navigate the growing number of impact measurement options. On the other hand larger organisations with greater capacity and more flexibility may be better placed to experiment with implementing different approaches, and sharing the lessons from their experiences. The current political and financial context presents considerable challenges for TSOs in relation to this agenda, at a time when TSOs must balance competing demands on their limited resources. Clear and simple neutral guidance about how to implement impact measurement in practice is therefore an important element of supporting TSOs to realise its potential benefits, rather than experiencing it as an additional burden.

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