

THE STATE OF PLAY OF IMPACT MEASUREMENT: PERSPECTIVES FROM THE FRONT LINE

The results of a recent survey on impact measurement is revealing about practices and the use of findings. It also unearthed some strong opinions about those setting the agenda for impact measurement and the challenges involved in doing it. Anton Simanowitz and Sarah Forster of The Good Economy Partnership report.

KEY SURVEY FINDINGS

- 50% of respondents consider themselves to have excellent or good knowledge of impact measurement
- Two thirds of organisations have used impact measurement tools
- 81% believe impact measurement is crucial or important for improving business and the services provided to improve impact; 68% describe impact measurement as essential to their business
- 85% find impact measurement ‘challenging but worthwhile’
- The confusion created by too many different impact measurement tools is criticised
- Call for impact measurement data to be given greater precedence when awarding grants
- A call for client centred approach being at the fore when undertaking impact measurement

CONTEXT

The last decade has seen an increase in impact measurement and reporting among social purpose organisations and a call for more systemised impact data and reporting. In theory, impact measurement promises to provide the information for social purpose organisations to:

1. Improve impact. Provide information that can be cost effectively collected and used to provide insights and inform decision-making about strategy, targeting, service provision and resource allocation.
2. Prove impact. Provide robust and credible evidence for external reporting to demonstrate the positive social impact your organisation is having.

Progress has been made in recent years with the development of frameworks, tools and metrics to measure and report on impact. But has the burgeoning of impact measurement activity succeeded in meeting both objectives of driving learning and improvement as well as proving impact? Is there a tension between these goals with ‘improving’ needing fast, action-able data and ‘proving’ needing more rigorous and independently verified data?

A survey conducted by New Philanthropy Capital (NPC) in 2012 suggested that most impact measurement at that time was driven by the ‘proving’ agenda – both external reporting requirements and the internal desire to use impact data for marketing. To what extent has practice evolved in the last four

years to achieve a greater balance with ‘improving’? How does impact measurement fit with the broader organisational practices used to create social value? Is the next evolution a shift from impact measurement to impact management, where impact measurement is just one component of how a business operates to maximise impact?

With a view to understanding the practitioner perspective on these issues Buzzacott, Matter & Co. and The Good Economy Partnership undertook a survey which explored the following questions:

- How important do practitioners feel that impact measurement is and are they investing resources in impact measurement?
- How familiar are social purpose organisations with the tools and approaches available?
- To what extent are they using these tools?
- How well suited to social purpose organisations’ needs and capacity are the available tools and approaches, and does the supporting infrastructure effectively guide their effective and cost-effective use?
- How does measurement fit into the way in which organisations are designed and managed to maximise impact, and what are the practices that are prioritised?

Drawing on survey responses from 130 social enterprises and charities this article explores the state of play in impact measurement and management from the frontline perspective.

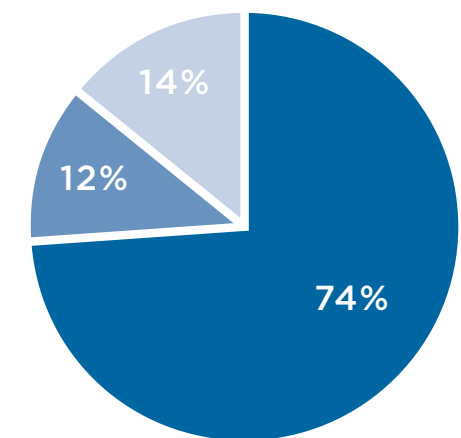
THE RESPONDENTS

The survey was broadly circulated and the 184 respondents were therefore self-selected. 74% were from charities and social enterprises, 12% social investors and 14% other. This article focuses on the views of the 130 charities and social enterprises, 84% of which are from the UK and 16% from other countries.

These organisations work in diverse sectors including the arts, education and youth, employment and training, environment, finance, hospitality and catering, housing, health and social care, leisure, retail (including fair trade), regeneration and community development and renewable energy.

Respondents ranged in size but the majority were larger organisations: three-quarters have an annual turnover in excess of £250,000, half over £1 million, and over a fifth over £5 million. The NPC 2012 survey found that larger charities were more likely to have engaged with and be more positive than smaller charities about impact measurement, hence this is a bias that should be noted.

SURVEY RESPONDENTS



- CHARITIES AND SOCIAL ENTERPRISES
- SOCIAL INVESTORS
- OTHER

KNOWLEDGE, ATTITUDES AND PRACTICE OF IMPACT MEASUREMENT

Knowledge: The survey indicates a reasonable level of knowledge of impact measurement, with half of the respondents describing themselves as having a good or excellent knowledge and awareness of it, and only 5% with no knowledge or awareness. However, if impact measurement is seen as something that is an essential activity of an effective social purpose organisation, the survey highlights that there is still some way to go, with 45% describing their knowledge and awareness as poor.

Interestingly, amongst the small number of investors (22) 73% described their knowledge as excellent or good. This could be an indication of the agenda being driven by donors and investors focused on measuring their ‘social return’.

Over the last decade a number of frameworks and tools have been developed to help organisations understand, measure and report their impact. The survey listed sixteen frameworks and tools. All of these were familiar to some respondents to varying degrees. Only Social Return on Investment (SROI) was well known (by 67% of respondents); 40% were aware of the Inspiring Impact resources,

68% DESCRIBED IMPACT MEASUREMENT AS “ESSENTIAL” TO THEIR ORGANISATION

NPC’s Four Pillar approach, the Outcomes Star and PQASSO. In addition, some respondents made specific mention of HACT’s Wellbeing Measurement Tool and the Big Society Capital Outcomes Matrix. Among international respondents, the IRIS metrics, managed the Global Impact Investing Network (GIIN), were most well-known.

Attitude: There is often a sense of impact measurement being seen as a costly and time-consuming burden; indeed this was raised as the number one challenge in the 2012 NPC survey. Interestingly, in this survey only 12% of respondents felt that the cost of impact management to their organisation was too high.

Generally, respondents recognized the value of impact measurement with 68% describing impact measurement as “essential” to their organisation and 26% as “desirable/nice to have”. Only 6% stated impact measurement was “unnecessary”.

Practice: Two-thirds of organisations have used one or more impact measurement tools. Mostly they are using methodologies and tools developed by third parties, with only 7% of respondents indicating that they have developed their own.

In contrast to the NPC survey where only 5% saw “wanting to improve services” as a primary driver for impact measurement, this survey revealed a much greater commitment to using impact information for a range of purposes. Around three-quarters felt that impact information was crucial or important for a range of both internal and external needs – notably with the greatest emphasis on internal business rather than external reporting/fundraising (see table below).

HOW IMPORTANT IS IMPACT MEASUREMENT FOR THE FOLLOWING?

	Crucial	Important	Useful	Not important
Improving business and the services provided to improve impact	50%	31%	12%	7%
To communicate your organisation’s work	43%	42%	12%	3%
To attract funding and investment	36%	36%	19%	9%
Winning business and contracts	27%	28%	28%	16%
To your customers	22%	42%	24%	12%
To your board	28%	44%	22%	5%

As one respondent put it: “Impact measurement information is a great motivator for the staff team, validating their work and helping them make the case for changes they see as important to improve services provided.”

Notably, only 28% of respondents stated that impact information was crucial to their board, with some larger organisations for example establishing Impact Committees as sub-committees of the board. These can play a useful role in analysing impact information and using this to help shape business strategy.

Almost half of organisations responding produce an annual social impact report; around a fifth of these are externally verified. This likely reflects the larger size of organisations responding. Almost half of the organisations thought periodic external verification or assurance would be valuable for reporting to external stakeholders and slightly fewer thought it would be of value internally; just over one-third did not think that this would be useful or were unsure. However, the cost of external verification was seen as a major barrier. There were also fears about standards being imposed from outside.

ADDRESSING THE CHALLENGES OF IMPACT MEASUREMENT

Whilst we see relatively high levels of awareness, recognition of importance, collection and use of impact data, several challenges were made about current approaches to impact measurement. These do not claim to be representative of the views of charities and social enterprises in general, rather they were raised as comments by survey respondents. Our aim is to share these voices as a reflection of frontline perspectives that we believe are a constructive contribution to the debate and development of impact measurement and management.

Consolidation of tools and approaches: The last decade has seen the growth of specialist organisations and an infrastructure to support impact measurement (much of it building on long established approaches

for monitoring and evaluation), but many practitioners find the range of options confusing. There was a call for more standardisation and consolidation. As one respondent put it: “A simple and consistent method of evaluation needs to be introduced and not every Tom, Dick and Harry coming up with their own version and trying to convince the world their one is best.” Others highlighted the need to support organisations in selecting the most appropriate impact measurement approaches and tools that fit with the operational reality of organisations: “There is a huge burden to find the right

ONLY 2% FIND IMPACT MEASUREMENT EASY

Almost half of organisations responding produce an annual social impact report; around a fifth of these are externally verified.

measurement tool for the organisation and context, which means that it can fall lower down on the priority list as it’s hard to achieve.”

There have been some notable (and well-accessed) resources developed to support this process, for example in Inspiring Impact (www.inspiringimpact.org), the ‘Prove/Improve’ website (www.proveandimprove.org) and Big Society Capital’s Outcomes Matrix (www.bigsocietycapital.com/impact-matrix). However, it seems that more is needed in this area to fit tools with purpose and capacity, and to provide independent guidance on how to select the appropriate approach for the organisation that is seeking to measure impact.

The terminology and technical focus of impact measurement can also be alienating. Several respondents highlighted the need to build the capacity of charities and social enterprises to be able to use the available tools. There was a call for “impact measurement costs to be allowed within funding bids” and to focus on developing the impact measurement skills of charity and social enterprise staff “rather than growing an industry of consultants retaining knowledge and expertise”. That is not to say specialists are not needed. Nearly 40% of respondents had received external technical assistance to develop an impact assessment framework. However, only 2% find impact measurement easy. For the majority (85%) it is challenging but worthwhile and for 11% too complex and difficult.

Need for Proportionality: Often the literature on impact measurement fails to distinguish between what’s appropriate for different types of organisation and different stakeholders. For example, a community enterprise may have a very different need to measure its impact compared to a large-scale charity delivering a commissioned service that claims better outcomes or a social business operating at scale to tackle a specific social problem that has raised significant investment. As one community enterprise put it: “We are a successful small social enterprise but we do not have the resource to commit too much time to measuring our impact. We have no investors nor shareholders and the community we serve do not ask any questions regarding social impact.”

This begs the question: what is the role of impact measurement for this organisation? Getting clear on motivation – why an organisation wants to measure its impact – is an important first step in deciding what makes sense to do given the form and stage of development of the organisation.

Standardisation: This is a recurrent theme in impact measurement. Investment professionals who come from a world of business and finance are often the people most in search of a standard way of measuring and comparing social performance, as is done with financial performance. Some respondents highlighted the need for comparability between organisations and *“simple, consistent formats for reporting trends over time against targets”*. This would enable a greater focus on longitudinal social performance analysis. However, front line organisations stressed the complexity of social issues and the need to maintain flexibility in measurement to fit to individual organisational context, goals and capacity.

“Organisations must be allowed to develop impact measurement approaches because they see the benefit in it and in a way, appropriate to them, and not because there is a top down pressure (from ‘impact investors’ or others) to impose a measurement framework.”

This tension suggests a need to define more clearly what should be standardised – the process for measurement, the indicators, reporting, or the assessment of rigour. One solution proposed is to focus more on sector specific principles and standards that allow meaningful comparability across organisations delivering similar services. Most of the work to date on impact measurement has sought generic cross-sector approaches, but there is a lot that organisations can learn from peers in the same sector both in terms of sharing experience and in identifying common approaches, tools and indicators for measuring, managing and reporting on impact.

A sector-based approach can make sense when it is practitioner-led. In the UK, HACT has focused on developing tools that are specifically designed for housing organisations which were mentioned as straightforward and useful. Internationally, the GIIN is helping facilitate the development of more standardised, sector-based impact measurement methods and indicators in partnership with specialist sector bodies, including those in affordable housing, sustainable agriculture and clean energy.

Tyranny of data? The tension between organisational and external stakeholder needs is highlighted by a sense from some that expectations around impact data are unrealistic. Complex measurement processes can be both a burden to frontline organisations and can mean that the quality of data reported suffers. There was a call for *“greater honesty in terms of what it is possible to measure and report on”*, and *“greater appreciation of the inherent uncertainty about benefits and the lack of transferability of findings from one context to another”*.

The concept of ‘optimal ignorance’ is perhaps useful here. Ultimately data should help answer the ‘so what question’ and provide answers that inform better decisions. Towards this end the concept of ‘lean data’ developed by Acumen is interesting. Designed specifically for social enterprises, Acumen engages social entrepreneurs in a conversation about what they want to know about their customers and then uses low-cost technology and



74%

**OF RESPONDENTS
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methods to gather high-quality data quickly and efficiently. The data Acumen’s Lean Data team gathers is typically a mixture of both social performance and wider customer insights such as on consumer satisfaction, willingness to pay, and customer archetypes that help inform business decisions.

Despite SROI being the best-known impact measurement methodology, there was a plea not to bring everything back to monetary terms – a move that is particularly prevalent in the UK where charities and social enterprises are often expected to demonstrate how they deliver both value for money and savings to public expenditure. Monetising outcomes may be relevant and useful in specific circumstances but not all.

“The continued move to monetize outcomes is a nonsense and common key impact themes are far more worthwhile.”

“We need to focus on indicators that talk to real issues on the ground, across multiple dimensions of poverty and NOT try and bring everything back to monetary terms.”

Business case for impact measurement: Several respondents highlighted a need to focus more on ensuring that impact measurement drives learning and improvement, and for the organisational ‘business case’ for measurement to be clearer, to ensure that the benefits outweigh costs. There was a call for improved understanding and focus on what information is of value to social enterprises and charities in being better at creating impact, particularly in the case of external stakeholders. As one respondent put it: *“Funder/donor impact measurement/management systems need to be couched more in helping frontline organisations collect useful data for themselves, and acting as a partner in this, rather than framing this as an ask from the investee to the investor, with no utility to the former.”*

Whilst acknowledging external stakeholders’ need for impact information, there was a sense from the survey that there is a need for more accountability in their use of impact reporting; 74% of respondents felt that funders should focus more on impact information when awarding grants. There is a common experience that information is asked for but not used in decision-making, or that social investors do not consider impact information when setting expectations around financial return. This is of concern if organisations compete for funding based on claimed impact.

“Social investors say they are concerned about impact but ask only briefly about it while focusing enormous efforts on financial projections, governance and competence.”

Is there actually a shared recognition between frontline organisations and funders that to deliver impact we need to think in terms of ‘good organisations’ and assess organisational capacity and culture to deliver impact on a sustainable basis? Do we need to take a step back and think about where measurement fits into the organisational systems that ultimately deliver impact?

FROM MEASUREMENT TO MANAGEMENT?

At its heart, this is a question of how we move from impact measurement defined as *“set of practices through which an organisation establishes what difference its work makes”* to impact management – the set of practices through which an organisation learns about what makes a difference and uses this to improve its performance towards this end. Measurement thus becomes just one component of a ‘high performing’ organisation that can consistently deliver on its good intentions.

A growing number of practitioners, investors and donors are moving in this direction. The entrepreneurship development network ANDE for example, in its vision for Metrics 3.0 highlights the progress made in measurement that focuses on accountability and standardisation, but points to a need to move to a concern

with ‘value creation’. Their vision is to integrate impact with financial and operational metrics to help organisations *“develop better products and services, improve resource allocation, and build more efficient and impactful businesses”*.

Microfinance is one example of a sector that has been through this journey, embedding measurement as one component of organisational systems and processes to create social value. Microfinance organisations initially concentrated on measuring outputs – number of clients reached, numbers of loans disbursed, and amount of money repaid. There followed a donor-driven focus on assessing the impact of microfinance to demonstrate poverty reduction outcomes. However, later it was recognized that measuring end results was not timely or useful for improving practice. The focus then shifted to ‘social performance management’ – how product design, organisational systems, governance and management come together to deliver social value and impact. This resulted in the development of the Universal Standards for Social Performance Management by practitioners and funders working together.



90%

**OF ORGANISATIONS
SURVEYED COLLECT
FEEDBACK FROM
CLIENTS/BENEFICIARIES**

A focus on managing impact puts impact and social value at the core of the design, governance and management of organisations. Measurement provides the data to inform decisions, focusing on providing management with feedback on each step of the process and not just outcomes. So what does this mean in practice?

We would argue that most important is a focus on the people the organisation serves – some call this taking a client or person-centred approach. The survey reveals that this is actually where social enterprises and charities focus most effort when it comes to impact measurement. Ninety percent of the organisations in the survey collect feedback from clients/beneficiaries, but less than half (47 percent) feel they do this well (see table overleaf).

TABLE 2. IMPACT MANAGEMENT PRACTICES

	% Not a focus	Trying	Doing well
Get feedback from clients/beneficiaries	10	43	47
Identify specific beneficiary/client groups and monitor if we reach them	11	48	41
Get feedback from front-line staff about what works and what doesn't	16	44	40
Track direct short term outcomes for our clients	12	48	40
Include impact Key Performance Indicators as part of our business KPIs	25	37	38
Report and discuss impact performance at the Board	15	34	38
Define a theory of change for what we seek to achieve	28	44	27
Train staff to understand their role in delivering positive outcomes	16	58	26
Identify key steps in operations for us to deliver to achieve impact	18	58	23
Manage what matters in our operations to deliver impact	16	62	22
Identify barriers to target client groups accessing our services	23	58	17
Track longer term outcomes	9	75	16

Of course, client feedback is not the same as impact measurement, but an understanding of client needs, experience and outcomes is at the heart of an organisation that delivers social value. Whilst market driven businesses often succeed or fail based on their responsiveness to clients, many social enterprises and charities lack feedback loops that link their financial sustainability to the quality of the products and services they deliver as their beneficiaries are often not paying customers. Acumen, for example, is moving to place ‘knowing your customer’ and data that is valuable to improving services for customers at the heart of their measurement work: “The approach incorporates two main features: first, a shift in mindset away from reporting and compliance and toward creating value for a company and its customers; and second, the use of methods and technologies for data collection that favour efficiency and speed while maintaining rigour.” This second point – the use of technology – did not arise in the survey, but is certainly important given the potential to reduce the cost of gathering client level data and impact measurement and management techniques in the future. Interestingly the two areas that are most commonly focused on by impact measurement specialists – theory of change and measuring

longer term outcomes – score lowest.

- 28% of organisations say that defining a formal ‘theory of change’ is not a focus: *“I find the obsession with theory of change frustrating as we are all encouraged to produce yet another flow chart which ends up being a smoke and mirrors exercise.”*
- Only 16% of organisations saying that they are tracking longer term outcomes well, with 75% trying to do this but finding it challenging.

Is there too much focus on things that are too difficult? Whilst tracking outcomes is important, are there simpler things that organisations can and should be doing first that will help them build a better understanding of how their services create value for clients and to improve their practice? Can the language of impact measurement be simplified, use less jargon and be brought back to essential good ‘business practices’ for creating social value? It seems many organisations are already doing much to create impact or social value, but measurement is not supporting this in a way that it might. Perhaps there’s a need, as one respondent put it to simply return to basics; so whilst every social purpose organisation needs to be clear about who it serves, why and how, it does not necessarily need to express this in a formal ‘theory of change’.

Perhaps the need is to better define the questions that impact measurement should aim to answer. These would involve applying an ‘impact lens’ to the business model, systems and processes of an organisation and might include:

- Are you clear about who your target clients are? Do you reach them?
- What is your understanding of ‘your clients’ needs? How do they differ for different clients? How do you gather feedback on clients’ use of your services – their experience, how their needs are changing?
- Are your products and services and the way in which they are delivered the most effective way to achieve the outcomes you want to achieve?
- What are the risks your clients/beneficiaries face? How does your work mitigate these? How might you exacerbate these?
- How consistent is the delivery of your products and services: how clear are front line staff about what is important in what they do daily to deliver impact? How do you manage what matters for your clients?
- How does your organisational culture, performance

management, incentives and messages support your focus on social value, and how much do your staff understand about what you do and why?

- What information do you have from clients and staff exploring if things are working well or identifying opportunities to improve products, services or the systems for delivery? Are staff rewards and incentives oriented towards impact creation?
- How is a client perspective part of your board’s focus? Does the board consider the impact of decisions for clients? Does the board monitor a range of data relating to who is reached, the quality of service delivery, client feedback and outcomes?
- How much are the needs of your clients and the benefits you seek to deliver core to the business model of your organisation? Does the future success of your organisation depend on being able to deliver sustainable impact and the success of your clients?

These questions could be aligned with the due diligence funders perform so that all are agreed on the fundamental questions that are relevant to an organisation focused on impact creation. Then comes the question of how to measure results and what success looks like. ■

MOVING FORWARD

Whilst highlighting the progress that has been made in impact measurement, this survey suggests a need and opportunity to respond to the experience of front line organisations, and to see measurement as one part of the process of managing to maximise impact. There is a call for greater consistency, simplicity and less jargon around impact measurement and ensuring approaches are grounded in operational realities to enable organisations to learn, improve and be more effective in responding to clients’ needs and wants.

We highlight five suggestions for how this can be done:

- **Make impact measurement useful.** Ensure expectations and approaches are proportional to the form and stage of development of the organisation, and driven by what is useful. Any tool is only as good as the extent to which it meets the needs of a specific organisational context. Resist the drive to bring everything back to monetary terms and focus on finding indicators that relate to real issues on the ground and have value for organisations.
- **Make language user-friendly.** The term ‘impact measurement’ – much like impact investing – is too flat and leads people to make comparisons between fundamentally different product/service offerings that serve different purposes for users. Further, the technocratic language of impact measurement can be alienating. Efforts need to be made to simplify the language used so that information about who you reach, how you serve them and whether they benefit becomes seen as a normal part of managing a good business.
- **Support capacity building of front line organisations.** Just as any good business invests resources

in financial management, resources are needed for impact measurement and management. Whilst this needs to be proportionate to the organisation, funders should be open to funding such costs as an investment in helping build strong, sustainable, high impact organisations.

- **Focus on information that will guide management.** Are there simpler things that organisations can and should be doing – such as gathering improved client feedback – that will help them reach the people they seek to serve, build a better understanding of how their services create value and improve their practice?
- **Build peer learning and bottom-up collaboration.** Support practitioners to work together to share practice and experience. Collaboration between similar organisations may be a user-friendly way to build standards, indicators and benchmarks based on real-life experience of front line organisations. Sector organisations such as NPC, Social Enterprise UK, Big Society Capital and GIIN could play a role in supporting this process and ensuring impact measurement is useful for all stakeholders.

Beyond these messages the results of the survey sound a note of optimism in highlighting the continuing uptake of impact measurement, the broad recognition of value for improving practice, and the extent to which many organisations are already using impact information to better serve their clients. Many challenges remain, but perhaps the key is to maintain a focus on the people who we seek to benefit, to ensure that their voices are heard and that there is ‘downward accountability’ as well as ‘upward accountability’ to donors or investors. For all stakeholders impact measurement ultimately should be driving better decision making towards this end.