

PIONEERS POST SPECIAL REPORT



# IMPACT MEASUREMENT

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## PERSPECTIVES FROM THE FRONT LINE

RESULTS FROM A SURVEY  
EXPLORING IMPACT MEASUREMENT  
IN SOCIAL PURPOSE ORGANISATIONS

IN PARTNERSHIP WITH

**Buzzacott**  
CHARTERED ACCOUNTANTS

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## PARTNERS AND SUPPORTERS

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Buzzacott has a dedicated team of social enterprise auditors and advisors. We are unique in the depth of support and expertise that we can provide to social enterprises and our level of engagement with those who fund, finance and advise the sector.

We support social enterprises from a start-up phase with accounting, VAT, tax and business advice through to providing audit and advisory services for growing and established social enterprises, including FCA-regulated social finance providers and grant-giving foundations. Our team has four specialist audit partners and around 70 staff: big enough to allow individual, complementary specialisation, but small enough to ensure a personal service so valued by clients in the sector.



The Good Economy Partnership is a social advisory firm focused on the role of business and finance in creating an economy that works for everyone. We provide advisory, research and data analytic services to investors, business, government and social purpose organisations. Our work includes helping develop practical, user-led social impact measurement and management systems that can be used for business and investment decision-making.



Matter&Co is a specialist marketing company committed to building the social enterprise, mission-led business and impact investment marketplace.

We build brands, strategies and PR campaigns, produce films and events, and create content for digital and print media. Above all, we tell stories that make a positive difference across business and society – stories that matter.

We run Pioneers Post – the magazine for social entrepreneurs, impact investors and responsible business leaders (and a social enterprise itself). We are also the company behind the Good Deals conference and the NatWest SE100. And we're one of the UK's first Certified B Corporations, committed to business as a force for good.



Esmée Fairbairn Foundation aims to improve the quality of life for people and communities throughout the UK both now and in the future. We do this by funding the charitable work of organisations with the ideas and ability to achieve positive change.

The Foundation is one of the largest independent grant-makers in the UK. We make grants of £30 million to £35 million annually towards a wide range of work within the arts, children and young people, the environment, social change and food. We also commit up to £35 million in social investments in organisations that aim to deliver both a financial return and a social benefit.

# INTRODUCTION

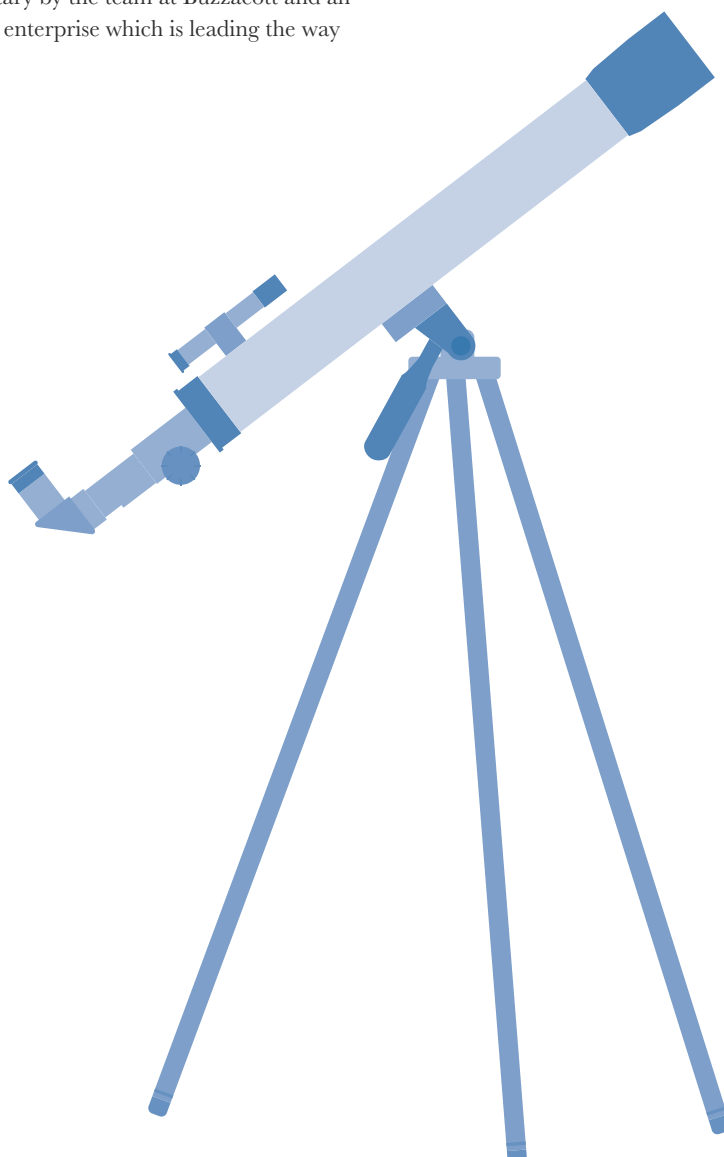
This Pioneers Post special report examines the findings of the Buzzacott Social Impact Survey, which explored attitudes towards and the use of impact measurement among social purpose organisations. The survey was conducted in autumn 2016 by Buzzacott, Matter&Co and The Good Economy Partnership. It was supported by the Esmée Fairbairn Foundation.

The interim analysis by Anton Simanowitz and Sarah Forster of The Good Economy Partnership was published in Pioneers Post Quarterly, issue 6.

This final publication includes the original analysis plus extra graphics, additional commentary by the team at Buzzacott and an insight into a successful social enterprise which is leading the way in impact measurement.



The complete survey analysis was carried out by Anton Simanowitz and Sarah Forster of The Good Economy Partnership.



# FOREWORD

With so much recent talk of echo chambers and rejection of experts, it seems the perfect time to be looking at the place of impact measurement in the world of social purpose organisations. Is there a risk that it is of interest only to a small band of practitioners reinforcing each other's beliefs in a tight-knit circuit of events and media outlets? Is there a risk that impact measurement is fake news?

This survey set out to test the relevance of impact evaluation to those who work in frontline organisations, as well as the advisers and investors. The good news is that the case for evidence-based and thoughtful approaches to maximising social value are widely accepted. Less reassuring are findings that only 28% of boards believe impact measurement is crucial, and that there remains a mismatch between grassroots and specialists' outlooks.

Among the detailed findings, there are calls for approaches that are easier for organisations to adopt without intermediary support, a reduction in technical jargon and increasing standardisation. These are all understandable demands that highlight a need to either compromise some of the established approaches in the discipline, make a better case for 'doing it right', or both.

Taking stock of the insights on the following pages, there is good cause to believe that with a few judicious nudges and some easier to use 'off the shelf' tools, a more objective and intentional approach to social value creation can find its place at the heart of strategy, planning and management of all social purpose organisations.

A key component of this final push is to reconsider the framing of the proposition. There is still a residual perception that impact measurement is dependent on subjective layers of assumptions and value filters; an esoteric and technocratic pursuit at best, and near anecdotal marketing fluff at worst. For this to be put behind us, entrepreneurs, leaders and boards will need to be convinced that planning and evaluating social value creation should be their primary concern, not an add-on. I hope that this report will provide food for thought on how best to make the rallying call.



**Eddie Finch**, *Partner,*  
*Charity and Not-for-Profit Team, Buzzacott*

**Buzzacott**  
CHARTERED ACCOUNTANTS

# WHY DID WE CARRY OUT THIS RESEARCH?

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 their 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 their 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, actionable data and ‘proving’ needing more rigorous and independently verified data?

Making an Impact, 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 report explores the state of play in impact measurement and management from the frontline perspective.

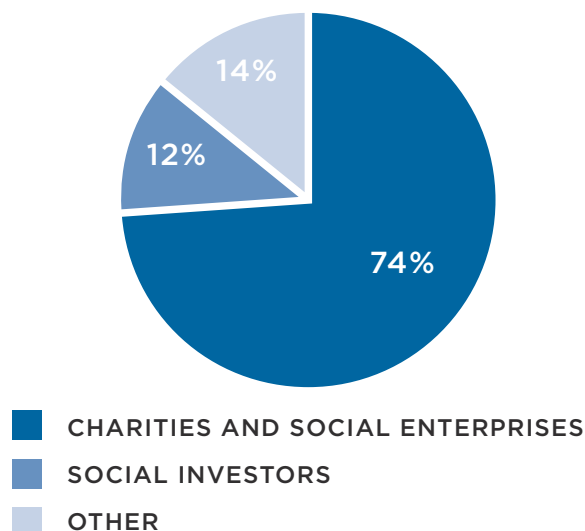
## METHODOLOGY

A 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



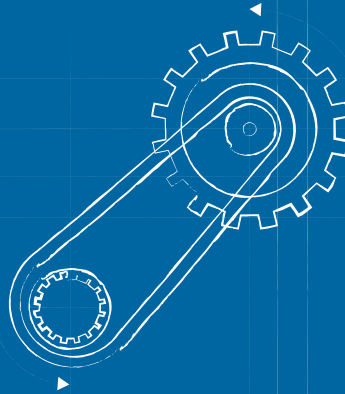
# KEY FINDINGS

## IMPACT MEASUREMENT IS WELL-RECOGNISED AND USED BY MANY:



50%

CONSIDER THEMSELVES TO  
HAVE EXCELLENT OR GOOD  
KNOWLEDGE OF IMPACT  
MEASUREMENT



66%

HAVE USED IMPACT  
MEASUREMENT TOOLS

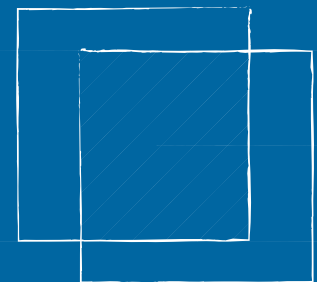


68%

DESCRIBE IMPACT  
MEASUREMENT AS ESSENTIAL  
TO THEIR BUSINESS

81%

BELIEVE IMPACT  
MEASUREMENT IS  
CRUCIAL OR IMPORTANT  
FOR IMPROVING BUSINESS  
AND SERVICES TO  
IMPROVE IMPACT



85%

FIND IMPACT MEASUREMENT  
'CHALLENGING BUT  
WORTHWHILE'

## BUT CHALLENGES REMAIN:

Too many different impact measurement tools cause confusion.

Impact measurement data should be given greater precedence by funders when grants are awarded.

The focus should always be on the clients – the people that organisations seek to serve.



# RECOMMENDATIONS

*Progress has been made in impact measurement, but there is a need and an opportunity to respond to the experience of frontline organisations and to see measurement as one part of the process of managing to maximise impact.*

## OUR FIVE SUGGESTIONS ARE AS FOLLOWS:

1

### BE REAL

Impact measurement must be grounded in reality, with indicators that relate to real issues.

2

### AVOID JARGON

Language must be user-friendly – avoid technical jargon.

3

### BUILD CAPACITY

If funders want impact data, they should invest in helping front line organisations to do it.

4

### FOCUS ON CHANGE

The most useful data is information that will help guide management and improve services.

5

### SUPPORT PEER LEARNING

Sector-wide organisations can and are doing more to support shared learning.



# 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 51% describing their knowledge and awareness as non-existent, poor or fair (figure 1).

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.

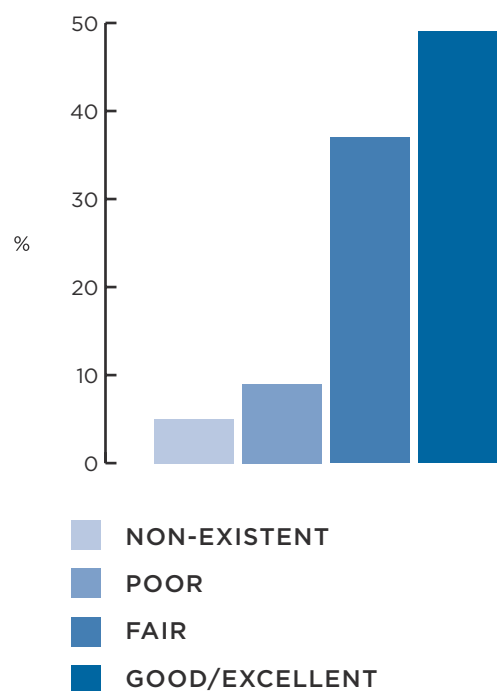
Over the last decade, a number of frameworks and tools have been developed to help organisations understand, measure and report their impact. Our survey listed 16 frameworks and tools. All of these were familiar to some respondents to varying degrees (figure 2). Only Social Return on Investment (SROI) was well known (by 67% of respondents); between 30% and 40% were aware of the Inspiring Impact resources, NPC's Four Pillar approach, the Outcomes Star or 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 by the Global Impact Investing Network (GIIN), were most well-known.

## ATTITUDES

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 recognised 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”(figure 3).

**FIGURE 1: HOW WOULD YOU DESCRIBE YOUR KNOWLEDGE AND AWARENESS OF IMPACT MEASUREMENT?**



# 2/3

**OF ORGANISATIONS HAVE  
USED ONE OR MORE IMPACT  
MEASUREMENT TOOLS**

**FIGURE 2: WHICH SOCIAL IMPACT MEASUREMENT TOOLS ARE YOU AWARE OF, AND WHICH ONES HAVE YOU USED?**

	Aware of	Have used
Social Return on Investment (SROI)	67%	30%
Outcomes Star	40%	21%
Inspiring Impact Tools	32%	4%
PQASSO	31%	10%
NPC's Four Pillar approach	30%	8%
Assessing Change (Charities Evaluation Services)	27%	8%
IRS (Impact Reporting and Investment Standards)	25%	2%
IRIS metrics	23%	4%
Total Impact Measurement and Management (PWC)	18%	0%
B Impact Assessment	18%	2%
GIIRS Rating System	14%	1%
Good Analyst methodology for impact measurement	13%	7%
Learning Driven Assessment (McKinsey)	11%	0%
EVPA guide to measuring and managing impact	11%	0%
G8 Taskforce Guidelines	7%	1%
DCED standards for results measurement	4%	0%

## 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 (figure 4).

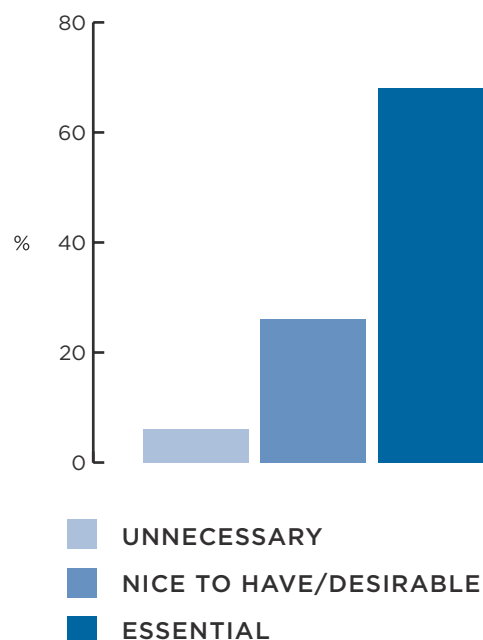
As one respondent put it: “Impact measurement information is a great motivator for the staff team, validating their work and helping them make the case for changes they see as important to improve services provided.”

Notably, only 28% of respondents stated that impact information was crucial to their board, although some larger organisations have established 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 respondents produce an annual social impact report; around a fifth of these are externally verified. This likely reflects the larger size of respondents. 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.

**FIGURE 3: IN RELATION TO YOUR ORGANISATION, WOULD YOU DESCRIBE IMPACT MEASUREMENT AS...**



**FIGURE 4: HOW IMPORTANT IS IMPACT MEASUREMENT FOR THE FOLLOWING?**

	Crucial	Important	Useful	Not important
To improve 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%
To win business and contracts	27%	28%	28%	16%
To your customers	22%	42%	24%	12%
To your board	28%	44%	22%	5%

# WHEN IMPACT MEASUREMENT IS IN YOUR DNA



*As the SE100 Social Business Award Impact Champion, Manor House Development Trust is leading the way in impact measurement. Lee Mannion reports.*

Woodberry Down might sound like a quaint countryside village, but it's actually an area of Hackney, London that is undergoing radical change – nearly 2,000 homes, which made up the Woodberry Down Estate, have been demolished and are being replaced by 5,561 new ones. Redmond Community Centre, which looks out over a sizeable sailing reservoir and nature reserve, also has a home here. It is owned and operated by Manor House Development Trust (MHDT), which will celebrate its tenth birthday this year – it has been delivering community services in the area since 2007.

Manor House Development Trust was named Impact Champion at the annual SE100 Social Business Awards in January 2017 – recognised for its commitment to and success in

demonstrating and communicating the social and environmental impacts of what it does.

The community centre was opened in 2011 but still feels new, bright and airy. There is a library here and a kitchen where cookery classes are on offer teaching people how to create healthy meals. The kitchen is often in use as “anyone is welcome to come in for a cup of tea,” confirms Gloria Obilana, who staffs the reception desk at the centre. The noticeboard also reveals that the centre offers zumba, mindfulness and pottery classes. On top of this, there are childcare services and employment programmes.

But MHDT does more than just that. It works with the community to identify opportunities that are mutually beneficial. Noticing that London was increasingly building upwards (office

## WHAT MHDT IS MEASURING

In the introduction to the MHDT Social Impact Report 2009-2015, chief executive Simon Donovan says the report “moves beyond anecdotes and scientifically shows how our approach to community development has improved local people’s lives”.

With a mixture of evidence, examples and case studies it highlights the small behavioural changes residents have adopted which have empowered them to take steps to live happier, more rewarding lives.

Findings include:

- People were six times more likely to feel part of the community after attending Trust activities.
- Residents saved an average of £179 a year on fuel bills after just two visits from a home energy assessor.
- 53% of unemployed people who attended Woodberry Works Club sessions multiple times secured employment as a result.

See more at [www.mhdt.org.uk](http://www.mhdt.org.uk)

blocks and housing developments of several storeys) the staff thought that it might be a good idea to offer training in the shape of a Working at Height programme. You know – those crazy people that abseil down the side of buildings washing windows and the like.

A group of 12 unemployed Hackney residents had the opportunity to gain qualifications and further to that, employment. That’s typical of the kind of thing MHDT means when it describes part of its work as “empowering people so they feel they are able to do something that they were not able to do before”. Some of the participants have gone on to be part of grounds maintenance company Brighter Environment CIC.

Creating companies like these is occasional income for MHDT. Other sources of revenue come from hiring out the community

centre and charging management fees to run programmes for organisations, including the local council and housing association.

As the SE100 Impact Champion, MHDT takes impact measurement very seriously. Its website proclaims “We believe measuring our impact is essential to influence other organisations to follow our approach to community development”, and has a wealth of information about how it’s done. There are also several impact reports available.

CEO Simon Donovan says: “It’s always been in the DNA of MHDT to report on and to show what we do. It gives us a sense of being able to explain and prove what we do and that’s enormously important at a time of cuts and finances being difficult. We also use our impact to determine which kinds of activities and policies we want to advance as the organisation progresses.”

“With us you’re talking about a ten-year process to be able to create a community. A lot of that can’t be visualised in one place at one time. By measuring your impact and presenting it in a way that is colourful and absorbing to the reader, it helps show people what your work is, what it is that you’re achieving.”

MHDT emphasises the usefulness of the discovery of negative outcomes to help shape strategy. SE100 awards judge Ben Carpenter of Social Value UK commented: “Their approach was impressive because they embraced all outcomes (not just the ones they were aiming for).

“Their reporting included unintended outcomes (both positive and negative ones) which shows how their impact measurement is much more than just reporting – it is clearly embedded in their thinking and used to inform service design and improvements.”



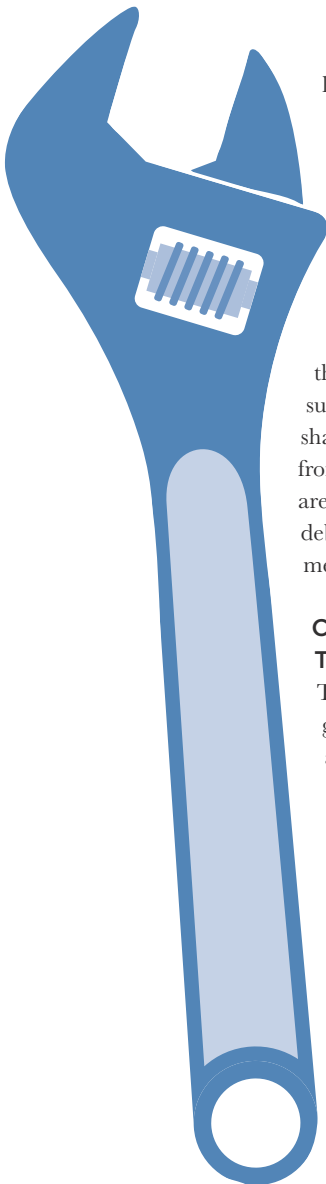
The SE100 Index was created in 2010 by Matter&Co in partnership with NatWest. It tracks the growth and performance of the UK’s social enterprises via an online market intelligence platform at [www.se100.net](http://www.se100.net). The SE100 Social Business Awards are an annual celebration of the best of the SE100 Index.

See films and more information about all of the SE100 award winners at [www.pioneerspost.com](http://www.pioneerspost.com).





# ADDRESSING THE CHALLENGES OF IMPACT MEASUREMENT



Whilst we see relatively high levels of awareness, recognition of importance, and collection and use of impact data, several challenges were highlighted 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

commented: “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 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,” was another comment.

There have been some notable (and well-accessed) resources developed to support this process, for example in Inspiring Impact ([www.inspiringimpact.org](http://www.inspiringimpact.org)), the ‘Prove/Improve’ website ([www.proveandimprove.org](http://www.proveandimprove.org)) and Big Society Capital’s Outcomes Matrix ([www.bigsocietycapital.com/impact-matrix](http://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 (figure 5).



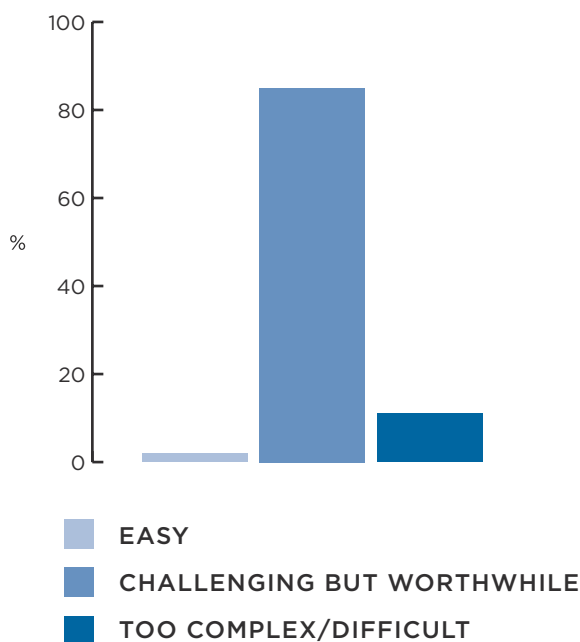
## NEED FOR PROPORTIONALITY

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 with 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.

One community enterprise said: "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 focus upon, given the form and stage of development of the organisation.

**FIGURE 5: DO YOU THINK IMPACT MEASUREMENT IS...?**



## 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.

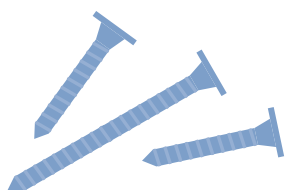
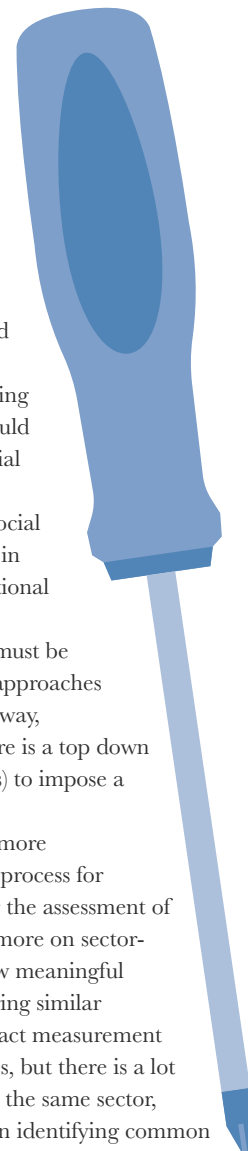
Some respondents highlighted the need for comparability between organisations and "simple, consistent formats for reporting trends over time against targets". This would enable a greater focus on longitudinal social performance analysis. However, frontline organisations stressed the complexity of social issues and the need to maintain flexibility in measurement to fit to individual organisational context, goals and capacity.

One respondent said: "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 in our survey 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 methods to gather high-quality data quickly and efficiently. Acumen’s Lean Data team gathers data which is typically a mixture of both social performance and wider customer insights on aspects such as 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.

One respondent argued: “The continued move to monetise outcomes is a nonsense and common key impact themes are far more worthwhile.”

Another said: “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.”

## THE BUSINESS CASE FOR IMPACT MEASUREMENT

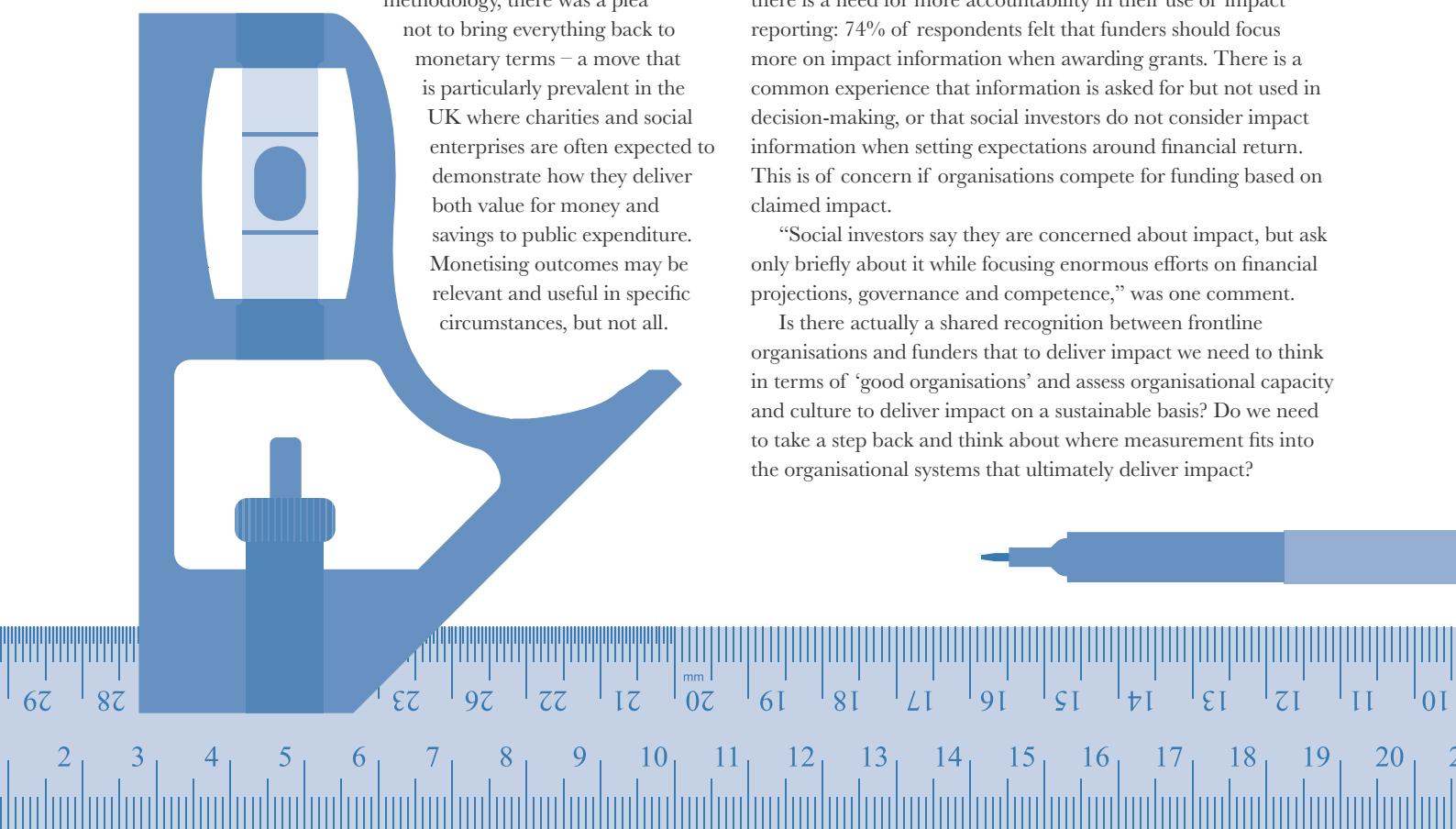
Several respondents highlighted a need to focus more on ensuring that impact measurement drives learning and improvement, and for the organisational ‘business case’ for measurement to be clearer, to ensure that the benefits outweigh costs. There was a call for improved understanding and focus on what 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,” was one comment.

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 a set of practices through which an organisation establishes what difference its work makes, to impact management as a 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’. Its 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, such as the number of clients reached, the numbers of loans disbursed and the 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 recognised 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.

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?

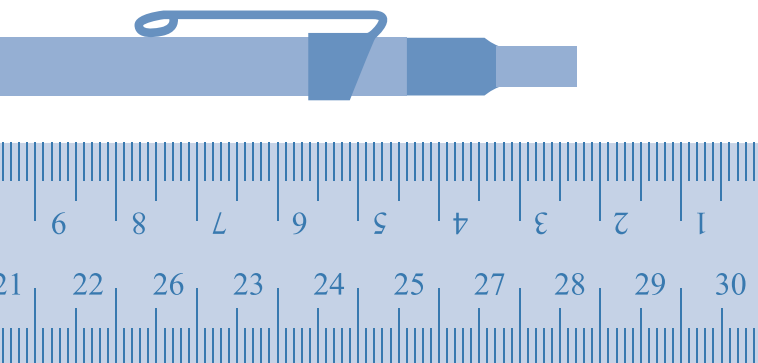
We would argue that most important is a focus on the people the organisation serves – some call this taking a client- or person-centred approach. The survey reveals that this is actually where social enterprises and charities focus most effort when it comes to impact measurement: 90% of the respondents collect feedback from clients/beneficiaries, but less than half (47%) feel they do this well (figure 6).

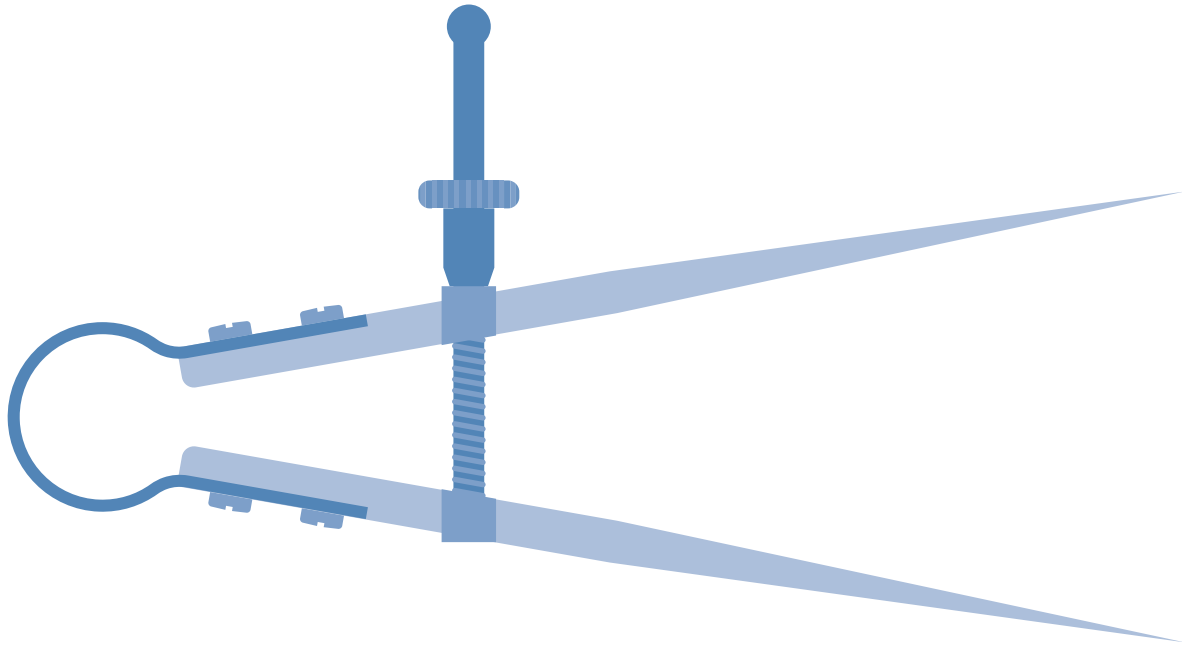
Of course, client feedback is not the same as impact measurement, but an understanding of client needs, experience and outcomes is at the heart of an organisation that delivers social value. Whilst market-driven businesses often succeed or fail based on their responsiveness to clients, many social enterprises 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 its measurement work. The approach incorporates two main features: first, a shift in mindset away from reporting and compliance and towards 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 our 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. As one respondent said: “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.” And only 16% of organisations say 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? While 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 pointed out, to simply return to basics, so while 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 the following:

- 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?

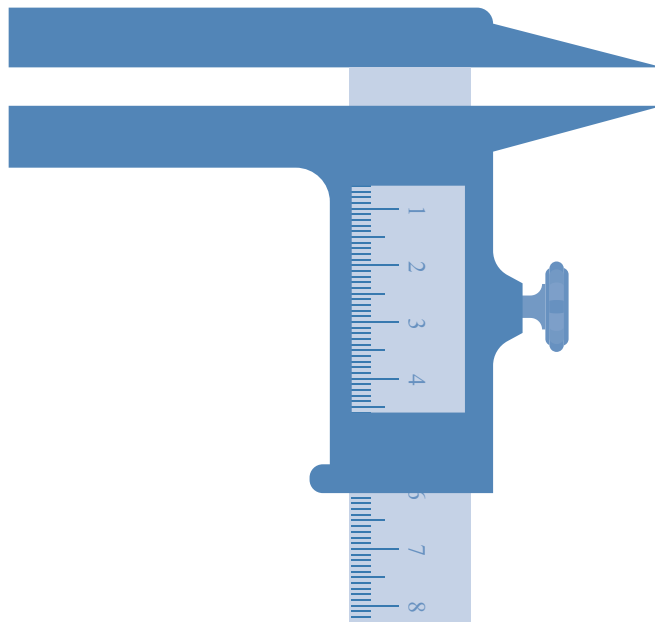
- Are your products and services and the way in which they are delivered the most effective way to achieve the outcomes you want to achieve?
- What are the risks your clients/beneficiaries face? How does your work mitigate these? How might you exacerbate these?
- How consistent is the delivery of your products and services?
- How clear are frontline 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 everyone is 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.

**FIGURE 6: RANK THE CURRENT STATUS OF YOUR ORGANISATION IN  
RELATION TO THE FOLLOWING IMPACT PERFORMANCE AREAS**

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

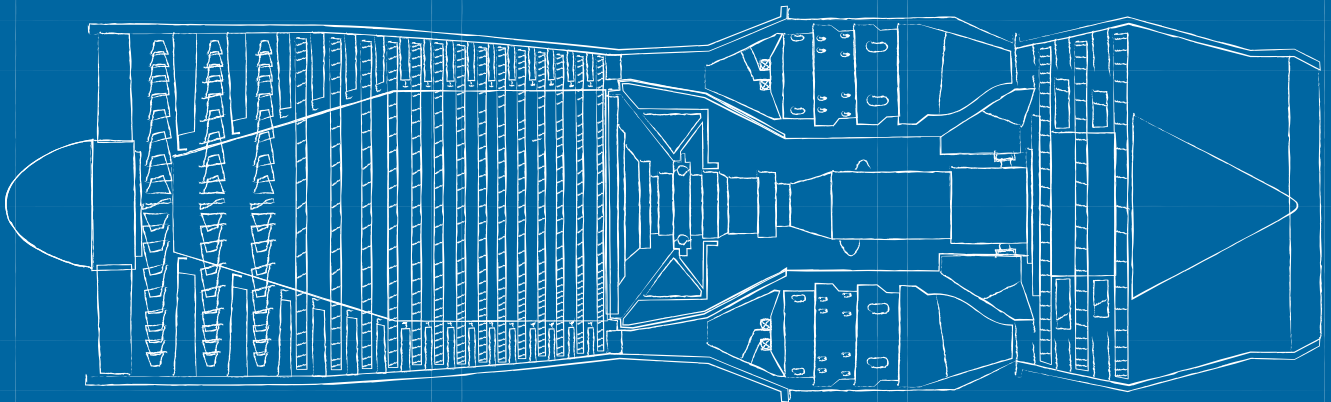
*Figures are percentages*



## CONCLUSIONS

# MOVING FORWARD

FIGURE 1 JET PROPULSION SYSTEM



While highlighting the progress that has been made in impact measurement, this survey suggests a need and an opportunity to respond to the experience of frontline 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.

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.

## WE HIGHLIGHT FIVE SUGGESTIONS FOR HOW THIS CAN BE DONE:

1

### MAKE IMPACT MEASUREMENT USEFUL

Ensure expectations and approaches are proportional to the form and stage of development of the organisation, and are 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.

2

### 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 an organisation reaches, how they are served and whether they benefit becomes seen as a normal part of managing a good business.

3

### 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. While 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.

4

### 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?

5

### 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 frontline 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.

# AN ADDITIONAL PERSPECTIVE

*Eddie Finch from Buzzacott's charity and not-for-profit team and Matt Katz of the corporate finance team highlight and discuss some key points from the research.*



*Eddie Finch*



*Matt Katz*

There are many interesting findings that Anton Simanowitz and Sarah Forster have highlighted in the research report. For the team at Buzzacott, five findings were of particular note; these are illustrated in the table opposite.

From these findings and our discussions together, there are a number of key takeaways that we think charities, social enterprises and advisors in this space would benefit from considering further.

## INVESTORS' KNOWLEDGE

The survey pointed out that among the small number of investors (22), 73% described their knowledge of impact measurement as excellent or good. In our experience, there is definitely an increasing supply of money looking for investments with good social return. Therefore, the investors' knowledge has to be good to understand the wide variety and quality of impact measurements presented to them to ensure they know what they are investing into and that they will be able to monitor the impact over an extended period of time.

## BOARD-LEVEL BUY-IN

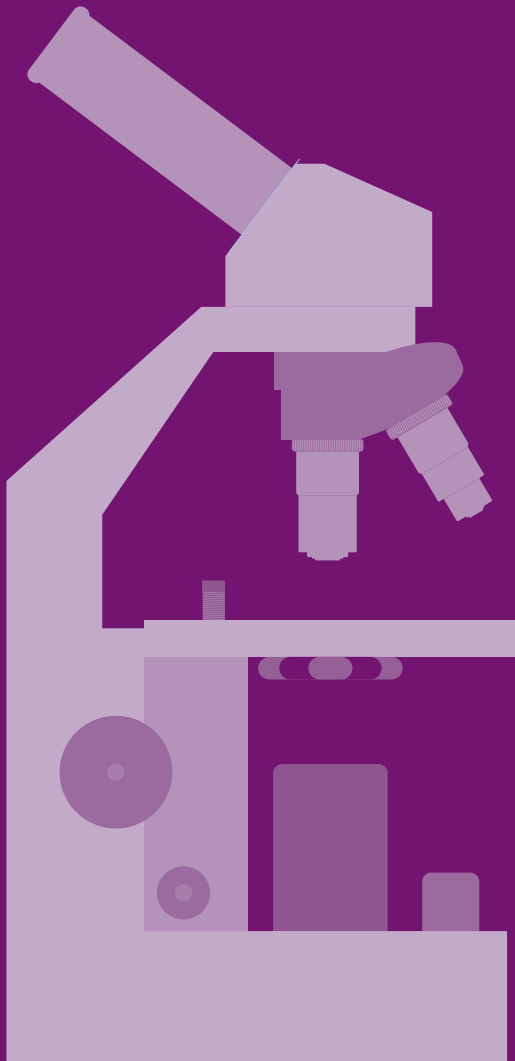
Whilst it is pleasing that 72% of boards feel impact measurement is at least 'important' it is disappointing that only 28% believe it is 'crucial'. In our view, planning and managing social value should be the fundamental objective of any social purpose organisation, and this cannot be done without a clear understanding of what that value is and how it is created. This, for us, is one of the most pertinent findings from the survey and highlights an ongoing need to persuade boards that, whether we call it impact measurement or not, this should be the core concern of a social purpose organisation, not a "nice to have". We doubt that we would find 72% of respondents asserting that managing finance was not crucial to their board!

## MEASURE WHAT MATTERS

One of the challenges of impact measurement raised in the research was that different types of organisation and different stakeholders have different needs in terms of the type of



# BUZZACOTT'S FIVE FINDINGS OF NOTE



- 50% believe impact measurement is crucial in improving services but a significantly lower proportion, 28%, believe it is crucial to their board.
- 68% believe impact measurement is essential, but 45% believe they have poor knowledge and awareness of the subject.
- Respondents say there can never be a “one size fits all” approach to measurement methods. However, some degree of standardisation will increase the uptake of impact management, as organisations see it as furthering their objectives.
- Measuring and reporting impact based on a “theory of change” can be complex and difficult to maintain, which reduces the number of organisations that record and utilise this information. There is a desire for simplification.
- Overall, there is an increased tendency to plan and lead based on impact management. However, many still see the measurements as an expedient for investment or fundraising, rather than a way to achieve core goals.

impact measurement they undertake. This is crucial. The guiding principle should be to measure what matters and that will usually only be those things that could make a material difference to impact. This should be guided by commonly agreed principles, but could range from simple output data for some activities (which can often be related to more sophisticated outcome measures that have been developed) rather than the sophisticated information that public sector commissioners or social investors may require.

## THE IMPORTANCE OF STANDARDISATION

The research also looked into the issue of standardisation, and the fact that some professionals in the sector, particularly investment professionals who come from a world of business and finance, are calling for a standard way of measuring and comparing social performance.

We believe that standardisation is essential as the investment market matures. At the moment, the investors need to get deep into understanding the impact that is being returned by their investment so they, in turn, can communicate it to their stakeholders. This takes time and creates barriers to entry for new entrants to the investment market as there is a learning curve, additionally, the lack of standardisation increases risk as the investment decision becomes more judgemental than scientific.

We do need, however, to be clear what standardisation might mean. It may be useful to see impact evaluation presented in a more consistent format and to be assured that it has been derived using general accepted principles. However, it is unlikely that a set of measures can ever be designed that will deliver numbers that can simply be compared between organisations, or even projects of the same organisation.

Related to this, one survey respondent said: “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.”

We understand the philosophy behind this and agree with it, however, the converse is that without standardisation the sector has a responsibility to regulate and impose the measurement framework. This will further increase the flow of monies in, give investors confidence to make decisions and invest and report back to their stakeholders in a balanced and consistent manner.

There is a parallel here with accounting. Organisations structure budgeting and accounting information, often supplemented with non-financial indicators (such as room occupancy or staff turnover) to provide useful information that provides business insight and supports good decision-making. They also produce statutory accounts and other financial information for markets in highly standardised and tightly defined formats. Well organised businesses use the same source information to deliver both types of information, capturing and

analysing it in a way that can be summarised in different ways for different audiences’ needs.

There is no reason why impact information cannot be managed in a similar way to serve primarily management objectives but also supply external stakeholders with data in commonly agreed formats.

## HAVING SOCIAL IMPACT AT THE HEART OF YOUR STRATEGY

There was a sense from the survey that there is a need for more accountability in the 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, the researchers said, if organisations compete for funding based on claimed impact.

We believe that it is going to take time for impact measurements to genuinely sit in front of an assessment of financial risk that surrounds an investment. Therefore, it is even more important for enterprises to embrace impact measurement early in their business development so it can be included as a proven KPI to balance against the financial risks. Funders are looking to make investments rather than grants and therefore they will always want to be comfortable that, no matter what the impact, they will see their investment returned at the very least. As impact measurement matures and becomes more standardised it will become more important in the assessment.

Organisations should, some might say must, have social impact at the heart of their strategy if they wish to credibly claim to be for “public benefit” or “social purpose”. This principle applies equally to investors as to those seeking finance. For an “impact first” investor, an objective view of the social value to be created should be a key concern – indeed many might be prepared to accept a very high risk of not seeing their investment returned if the social value return is high.

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