



New
Philanthropy
Capital

NPC perspectives

The value of charity analysis

How reviewing your organisation
can help you achieve more

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Executive summary

Charity analysis is central to NPC's work. It underpins our advice to charities and funders, informs our research into topical issues in the charity sector, and in turn is informed by our in-depth research into social issues.

We have asked for feedback from 16 charities whose analyses we have published, in order to be clear with ourselves and our audience about why charity analysis is useful. What do charities think of our analysis? How have they benefited? How could our analysis improve? This paper, aimed at charity management, trustees and funders, seeks to answer these questions.

Analysis informs, challenges and reassures

If charity analysis is to create practical change in an organisation, it first needs to be used by the charity's management team and trustees as a tool for internal reflection and assessment. By identifying strengths and spotting areas for improvement, analysis can both challenge and encourage charities about their work.

The charities we spoke to told us that the process of being analysed by NPC was useful in itself, and our understanding of the context in which charities work put the analysis in a helpful, wider framework. The charities highlighted the value of receiving an independent view of their organisation from a *'critical friend'*.

Analysis prompts change

The internal reflection and assessment that analysis enables can prompt charities to make changes and improve their work. They can take action to address weaknesses or gaps that are highlighted, and can make more informed decisions about how to allocate resources and manage services. Ten of the charities we spoke to had made changes in their organisation as a result of our analysis. These changes were primarily made in three areas: management, measurement, and strategy and planning.

Analysis creates opportunities

Analysis can create good opportunities for charities, particularly when it is published and shared. The charities we spoke to told us that the analysis had created opportunities for them in three ways: attracting funding, improving communication and prompting collaboration. Its independence helped audiences, funders and potential partners to have confidence in the charity.

Conclusion

We at NPC would like charity analysis to be undertaken more widely and more regularly. This does mean investing time and money, but it is an investment worth making. It helps charities to become even more effective and change more lives, and encourages funding to flow to the organisations that make the biggest difference.

Analysis works best when trustees and management are open to criticism and potential change. But an external evaluator's perspective should be complemented by a charity analysing itself on an ongoing basis. A dynamic picture that reveals changes over time is likely to be more valuable than a static snapshot.

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Introduction

NPC recently analysed Sue Ryder, a complex charity with a turnover of £75m. We approached the meeting with the chief executive to discuss our analysis with some trepidation. How would the management and trustees react to our gradings? Had we delivered what they wanted? Was the report useful?

Thankfully, feedback from Paul Woodward, the chief executive, endorsed our approach:

'NPC's report was a fair representation of the charity, accurate, and gave the senior management and trustees lots to think about, including some specific "things to go for". The report is going to be a really valuable document when out fundraising. Funders won't have to take our word for it. When we are asking donors for big ticket donations they want a decent independent report with meaningful depth. [This is] an excellent report—agenda-setting. We also see great value in using the report as part of the "due diligence" process when negotiating with strategic partners.'

Paul's comments demonstrate the value of charity analysis from a charity's point of view—indeed, he was so pleased with the analysis that he now wants 'a regular bi-annual update to keep the score'. But Sue Ryder is just one charity. Although NPC has been commissioned by a number of charities and funders to undertake analysis privately, which indicates appetite for analysis, we wanted to understand better what charities gained from our analysis. We wanted to demonstrate to charity trustees, management and other stakeholders that analysis is valuable.

While the benefits of analysis have been well known in the private and public sectors for years, charities have not always been subject to the same scrutiny. NPC has been analysing charities for nearly a decade and we believe that analysis is key to charities becoming better at what they do. It helps charities to identify strengths and weaknesses, find out what works and what does not, and work out how to improve. It also helps them to communicate with stakeholders, including funders.

As a charity think tank and consultancy dedicated to helping funders and charities to achieve a greater impact, charity analysis forms a crucial part of NPC's work. It underpins our advice to charities and funders, informs our research into topical issues in the charity sector, and is informed by our in-depth research into social issues.

We have asked for feedback from 16 charities whose analyses we have published in the past, in order to be clear with ourselves and our audience about why charity analysis is useful. What do charities think of our analysis? How have they benefited? How could our analysis improve? This paper, aimed at charity management, trustees and funders, seeks to answer these questions.

NPC's charity analysis methodology

NPC's approach to analysis, set out in *The little blue book*, has evolved over many years of looking at charities.¹ It borrows from different analytical disciplines and is firmly grounded in a thorough knowledge of charities and the context in which they work. Our approach assesses the effectiveness of a charity's work—its ability to improve people's lives and to create lasting change for the better.

¹ New Philanthropy Capital (2010) *The little blue book*.

Our analysis framework is divided into six parts:

- activities;
- results;
- leadership;
- people and resources;
- finances; and
- ambition.

Our charity analysis methodology is flexible and can be applied to all sorts of charities in a variety of ways. Charities can use *The little blue book* to carry out their own analysis, or can ask expert analysts at NPC to carry out an independent analysis for them. This can be anything from a relatively quick 'health check' to an in-depth investigation, so the resulting product varies depending on the purpose of the analysis. Ideally, the analysis is used as an internal tool for reflection and improvement, but it can also help charities with fundraising and communications.

About this paper

We first published full charity analyses (with the charities' permission) in 2009. Previously, we had only published short, two-page notes on charities that we recommended to donors, which told readers little about what was really going on. By making the full analyses public, we hoped to help charities and funders understand the benefits that analysis can bring, and inspire them to think more deeply about the effectiveness of their own organisations.

There are now 20 examples of analysis on our website, and in March 2011, we asked 16 of them for feedback.¹ Through phone conversations, we found out how they used the analysis, what outcomes they had seen as a result, if there were any other benefits, and how they thought we could improve the process or product.

Sections 1 to 3 discuss the three themes that emerged from our conversations:

- Analysis informs, challenges and reassures.
- Analysis prompts change.
- Analysis creates opportunities for funding, communication and collaboration.

Section 4 discusses the challenges of charity analysis, looking at what the charities found difficult about the process and what they thought could be improved.

We are publishing our findings in this paper for four reasons. First, we want to understand the benefits of charity analysis from the charities' perspective. Second, we want to promote charity analysis in general (not just NPC's charity analysis methodology) as a valuable tool to help charities become better at what they do. Third, we want to analyse our own performance by reflecting on our activities, finding out what we have achieved and working out how we can improve. And fourth, we want to be transparent about our activities, motivations and results.

¹ Four of the charities were not able to give us feedback: one was going through a particularly difficult time, two went through the analysis process too recently, and one had gone through such a change in staff that there was no one available with knowledge of the analysis. We did not interview charities that had commissioned analysis privately, as most were analysed too recently.

1. Informing, challenging and reassuring

If charity analysis is to create practical change in an organisation, it first needs to be used by the charity's management team and trustees as a tool for internal reflection and assessment. Almost all the charities we spoke to found their analysis informative in some way, giving them greater insight into certain areas—particularly management, finances and results.

All charities have strengths and weaknesses, and NPC's analysis framework can be used to identify them and spot areas for improvement. In this way, the analysis can both challenge and reassure charities about their work.

The Lucy Faithfull Foundation, for example, said that the analysis challenged its reliance on statutory funding. Other charities said that the analysis challenged them on issues such as management, organisational structure and results measurement. As we see in the next section, these challenges then prompted the charities to implement changes.

But the charities spoke more about the reassurance and encouragement they had received from our analysis than the challenge. This may be because they are, on the whole, excellent charities, and their analyses are published on our website as examples of good practice. For example, three of the charities (Quaker Social Action, Standing Together and Thames Reach) told us that the analysis had given them greater confidence in their work. Edinburgh Cyrenians said, *'It was very reassuring to find nothing too badly wrong and to have positive feedback on overall good health,'* and the Brandon Centre said it was good to have a *'sense of being on the right path'*.

When it came to being informed, challenged and reassured, three aspects of the analysis particularly stood out in our conversations with the charities: the process, the importance of context, and the independent view that NPC provided.

The process

A third of the charities we spoke to told us that the process of being analysed by NPC was useful in itself. Beat explained that explaining and giving evidence for its activities was a helpful and revealing process, and Thames Reach said that the process was *'fascinating'*.

Edinburgh Cyrenians said that the analysis *'was worth the effort for the intrinsic value of answering [the analysts'] intelligent questions'*. The charity now has the grading grid from NPC's analysis methodology (set out in *The little blue book*) on its office wall, using it as a way to check regularly that its activities are staying on course and continually improving.

The importance of context

NPC's approach to analysis is rooted in an understanding of the context in which charities work. Through our research into different sectors, we have built a wealth of knowledge about the size and nature of social needs, how the public and private sectors tackle various problems, and what charities are doing to help.

This knowledge informs our charity analysis and allows us to put charities' work in context. Three of the charities we spoke to emphasised how useful they found this perspective. For example, St Basils told us that because its analysis was carried out with an understanding of the homelessness sector, it enabled the charity to make helpful comparisons with other organisations.

An independent view

Around half the charities we spoke to told us that it was particularly valuable to get an independent view of their organisation. For example, Just for Kids Law said, *'We have found the analysis invaluable for the objective critique it gave over our charity,'* and two other charities called NPC a *'critical friend'*.

Quaker Social Action (QSA) explained why objective analysis is so important. QSA puts a lot of emphasis on reflection, but believes that if you only reflect internally, you run the risk of only seeing what you already know is there. *'When you're getting on with your work, it's not easy to benchmark yourself and work out how you're doing, so an external perspective is useful. An outsider's opinion can reveal things that looking at your own organisation doesn't reveal.'*

2. Prompting change

The internal reflection and assessment that analysis enables, described in the previous section, can prompt charities to make changes and improve their work. Where analysis highlights weaknesses or gaps, charities can take action to address them. Analysis also provides a useful overview of the whole organisation, which can help charities to make decisions about how to allocate resources and manage services.

Ten of the charities we spoke to had made changes in their organisation as a result of the analysis. These changes were primarily made in three areas: management, measurement, and strategy and planning.

Management

Beat's senior management team used the analysis to look at how they could strengthen the team and restructure some of their work around professional services and skills. Before NPC's analysis, the Brandon Centre was already looking to strengthen its management team. NPC's work gave the charity added impetus to take this forward, and the analysis informed how the team was strengthened.

Our analysis of Chance UK highlighted one particular weakness in the charity: an over-reliance on the chief executive. As a result, the charity reviewed its management structure and made several changes. It has introduced new senior management posts to create a second tier of management below the chief executive, and has recruited several new trustees to the charity's board. The chief executive is doing less of the charity's day-to-day running and more political manoeuvring and fundraising. She has also noticed that knowledge and information are being shared more widely across the organisation. Thanks to a process that was kickstarted by NPC's analysis, the chief executive believes that there is no longer a problem of over-reliance on her.

Measurement

At NPC, we are committed to helping charities to achieve a greater impact, so examining results and results measurement systems are important parts of the analysis process. This has inspired change in three of the charities we spoke to.

For example, our analysis of IntoUniversity found that the charity did not prioritise measurement sufficiently. It has taken this on board, spending time and money to create a robust, in-house database to track the results of its work.

Following our analysis, Thames Reach has a renewed understanding of the importance of assessing projects' success, and now builds evaluation costs into funding bids for new initiatives.

Our approach to impact measurement also influenced a charity's organisational structure. After our analysis, Quaker Social Action created a new post: quality and engagement manager.

Strategy and planning

Our analysis of Barnardo's has been reflected in its latest business plan, entitled *Being Braver*. For example, the analysis commented on the charity's strategic prioritisation, and it has now incorporated into its plan a more coordinated approach to working with the most disadvantaged children, underpinned by improved demonstration of effectiveness and outcomes. The business plan also responds to our comments on Barnardo's finances—it emphasises the need for voluntary funds to be more clearly targeted, and it addresses our recommendation to be more ambitious in raising voluntary funds.

Similarly, Just for Kids Law has used our analysis as a framework for its strategic and organisational plans. The trustee board discussed the analysis to draw up an immediate set of actions, then reflected on the analysis at a strategy day to review progress and look at what actions still needed to be put in place (for example, strengthening the board and appointing an operations director). The operations director has since used the analysis as a framework for the one-year organisational plan.

Charity analysis has influenced the Lucy Faithfull Foundation's planning in a different way. The analysis highlighted some issues that the charity did not previously consider to be problems—for example, it was highly reliant on statutory income. As the analysis predicted, this reliance subsequently became a problem, but because it had been flagged up by NPC, it was addressed much earlier than it otherwise would have been.

3. Creating opportunities for funding, communication and collaboration

The previous two sections have shown that analysis can be an important tool for charities to reflect on and improve their work. But analysis can also create opportunities, particularly when it is published and shared. The charities we spoke to told us of three types of opportunity that had arisen as a result of the analysis: attracting funding, improving communication and prompting collaboration.

In each of these opportunities, particularly when it came to funding, the issue of attribution came up several times. Four of the charities told us that the analysis may have helped to attract funding, but they could not be sure. Some funders may be prompted to give by the analysis published on NPC's website, but they might not mention this to the charity.

Attracting funding

Our charity analyses can influence funding. We work closely with many funders on a bespoke basis, and we draw on our charity analysis when we advise them. Charities also use the analysis in their fundraising, as we discuss further in 'Improving communication' below. Some funders have given to charities as a result of coming across the analysis on our website. Others use our charity analysis notes as a check-point in their due diligence process, although their decision would not be entirely based on this.

For example, one funder wanted to support a small organisation strong enough to withstand the recession, where his money would make a difference. He knew that Chance UK had been analysed by NPC, and this was critical in his decision to fund it over the 40 other organisations he had looked at. This relationship then led to further funding—the funder was featured in *The Times* and the article profiled Chance UK. As a result, two grant-making trusts approached the charity with offers of funding.

Other charities have also received funding as a result of the analysis. For example, Edinburgh Cyrenians has received financial support from three corporate foundations; St Basils received £60,000 from a corporate funder; Samaritans has received a £60,000 grant from a family foundation; and IntoUniversity knows of at least one corporate funder that has donated after seeing the analysis on our website.

Jodi Manning, operations director at Just for Kids Law, explains the link for her charity between the analysis and increased funding: *'The analysis is directly attributable to the strengthening of our charity, and in turn our increase in dialogue between funders and an increase in funds over the last financial year. The report has been a really invaluable tool not only in developing our strategy but also how we can engage with funders about what we do.'*

Improving communication

Every charity we spoke to told us that NPC's analysis helped them to improve their communications—this was the one area where there was consensus among the charities. Most mentioned the benefit in relation to fundraising, but several referred to communications more generally too, using parts of the analysis in marketing materials and speeches, for example.

The value of analysis in communication comes down to the independence of the analysis and the validation and endorsement it can provide.

Just for Kids Law remarks: *'What has been an unforeseen consequence is how useful it has been to communicate our value to funders and external stakeholders. We did expect this but perhaps just how useful it would be was not expected.'*

The Place2Be uses its analysis to show potential funders that they have been scrutinised and shown to be accountable and effective. St Basils uses quotes from its analysis in its marketing materials and in fundraising, to *'provide comfort'* to potential donors through external review and validation.

IntoUniversity told us that its analysis is *'an endorsement that we have been able to use everywhere to add gravitas to the charity, particularly at early stages of our growth. NPC said that the service we offer is good, that the charity is well managed and that we use our resources efficiently—all that has helped enormously. It's been fantastic, really key.'*

Three of the charities explained that it is not only the analysis itself that helps them to communicate, but also the fact that the analysis has been done by NPC. For example, the chief executive of Chance UK told us that *'NPC's evaluation acts as a kind of kite mark'*, and Just for Kids Law said that *'because NPC is a respected organisation, it gave weight to the analysis when presented to funders'*. Thames Reach said that the analysis is valuable because NPC is a well-regarded and respected commentator in the sector.

Prompting collaboration

Our charity analysis has also prompted new partnerships and collaborations between organisations. For example, Edinburgh Cyrenians has received support from PricewaterhouseCoopers. It was selected as a charity host for the company's Responsible Leadership Programme, and has ongoing links to senior partners of the firm. Edinburgh Cyrenians also has new relationships with two law firms and the John Lewis Partnership as a result of seeing our analysis of the charity.

Quaker Social Action received some pro bono support from a lawyer based in an international law firm. The lawyer saw that the charity had been through NPC's analysis process, and as a result did a large project for QSA looking at legal structures for its Down to Earth project.

4. The challenges of charity analysis

One of the most important reasons for finding out what charities think about our analysis is to understand the impact of our work and see how we could make it better. We have looked at the challenges that charities face in the analysis process and any criticism they have, as well as looking at the benefits of the analysis.

Resources required

Three of the charities we spoke to commented that the analysis was quite resource-intensive for them—although all three qualified this comment by saying that the process was nevertheless worth it. For example, the chief executive of St Basils told us that being analysed by NPC was more demanding than she had anticipated, but committing resources to the analysis made it all the more useful. Thames Reach told us that during the analysis, staff were asked for information that they did not always have to hand. They found the process *'fascinating but demanding'*.

NPC is sensitive to the time charities need to put into being analysed, and we now stress this upfront. Over time, we have also become more efficient in organising the process. For charities with less time to commit to a full analysis, we offer alternatives—for instance, analysis focusing on particular aspects of the charity, or a shorter, higher level analysis. In practice, however, we find that most charities opt for the full analysis, even though the process is intensive.

Shelf life

The main criticism that the charities had of our analysis was that it does not stay relevant for very long because of the level of detail in the report. For example, finances, staff situations and activities can change quite quickly, so our comments in these areas may not be applicable after a few months have passed. Most of the charities said that they believed their analysis had a shelf life of one to two years for making internal improvements and for contributing to communications, although some still use the less detailed parts of the analysis more than two years on. Edinburgh Cyrenians, for example, says the analysis is still useful three years down the line, because it points to *'long-lasting drivers and characteristics'*.

Writing an evaluation of a charity that stays relevant for more than one or two years would mean compromising on the level of detail that we tend to go into, and would make the analysis less worthwhile in the first place. The solution here is to update the analysis after a year or so has passed. This need not be costly or as time-consuming as the original analysis. Focusing on particular problem areas that were identified in the initial analysis, and highlighting changes to grading rather than going into great detail, would be useful and interesting. Timely updates would also mean that the analysis would reveal changes over time, which would be valuable for charities communicating with stakeholders and audiences, and worth the investment.

5. Conclusion

Charity analysis is key to helping charities to become better at what they do. Through scrutiny and reflection, charities can identify their strengths and weaknesses, find out what works and what does not, and work out how to improve. They can also use analysis as an opportunity for independent validation and a tool to raise their profile with funders, stakeholders or potential partners.

At NPC, we would like charity analysis to be undertaken more widely and more regularly. This does mean investing time and money—NPC now charges for charity analysis and the cost of this depends on the size and complexity of the charity, and also the specifics of the brief. But it is an investment worth making: it helps charities to become even more effective and change more lives, and encourages funding to flow to the organisations that make the biggest difference. Analysis need not be grueling and it comes in many different shapes and sizes, so charities can choose what is most appropriate for them at the time. Those commissioning analysis from NPC tend to choose an in-depth assessment in preference to a lighter one, but there is certainly scope for limiting analysis to a particular project or aspect of the charity.

Analysis works best when trustees and management are open to criticism and potential change, and there is value hearing the independent opinion of an external evaluator. However, this should be complemented by a charity analysing itself on an ongoing basis, always asking itself about whether it is achieving its objectives in the best possible way. A dynamic picture that reveals changes over time is likely to be more valuable than a static snapshot.

When charities commission NPC, we agree with the charity upfront as to whether the findings should be published or kept private. This allows us to analyse charities that believe there may be problems which need to be confronted, and such issues are kept confidential. However, other charities may be sufficiently confident to publish the findings. Increasingly charities are asking for private analysis in the first instance, followed a potential public analysis once progress has been made in improving areas needing attention. NPC believes this to be an extremely valuable process.

To read the analyses of the 16 charities featured in this report, and others, visit our website: http://www.philanthropycapital.org/how_we_help/research/examples_of_charity_analysis/

If you would like to discuss any of the findings or ideas in this report, or find out more about NPC's charity analysis service, contact Iona Joy, Head of Charity Effectiveness, on 020 7620 4850 or ijoy@philanthropycapital.org.

Appendix

We are grateful to the 16 charities that gave us feedback on our analysis of them:

- Barnardo's
- Beat
- Chance UK
- Co-ordinated Action Against Domestic Abuse
- Edinburgh Cyrenians
- IntoUniversity
- Just for Kids Law
- Lucy Faithfull Foundation
- NSPCC
- Quaker Social Action
- Samaritans
- St Basils
- Standing Together Against Domestic Violence
- Thames Reach
- The Brandon Centre
- The Place2Be



New Philanthropy Capital

New Philanthropy Capital (NPC) is a charity think tank and consultancy dedicated to helping funders and charities to achieve a greater impact.

We provide independent research, tools and advice for funders and charities, and shape the debate about what makes charities effective.

We have an ambitious vision: to create a world in which charities and their funders are as effective as possible in improving people's lives and creating lasting change for the better.

For **charities**, this means focusing on activities that achieve a real difference, using evidence of results to improve performance, making good use of resources, and being ambitious to solve problems. This requires high-quality leadership and staff, and good financial management.

For **funders**, it means understanding what makes charities effective and supporting their endeavours to become effective. It includes using evidence of charities' results to make funding decisions and to measure their own impact.

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