

THE SECTOR AT ITS BEST

Keynote speech: NPC and Third Sector's Annual Conference: Improving impact measurement & analysis, 15 October 2013

Good morning and welcome to our Annual NPC conference. It's very good to see so many people here. It is really important to us at NPC to try to bring together once a year those who share our passion to help make the sector as effective as possible.

Attacks on the sector

Let me start with a few headlines you might have read about a sector of our economy that is quite possibly in crisis and out of control.



CITY A.M.
— BUSINESS WITH PERSONALITY —

Doorstep pressurised selling getting

The Telegraph

Wasting money as badly as the public sector

MailOnline

Home | News | U.S. | Sport | TV&Showbiz | Femail | Health | Science | Money | RightMinds
News Home | Arts | Headlines | Pictures | Most read | News Board

Clamp down on pay for fat cat bosses

theguardian

News | Sport | Comment | Culture

News > Politics > Tax and spending

‘Astounding’ failure to detect tax avoidance condemned

THE TIMES

no. 203,078

Who controls the money? The tyranny of an unelected, unaccountable world

THE INDEPENDENT

Economic risks: too big to fail

Some of these may sound like reasonable accusations to level at the banks, and strong reform strategies are being undertaken. But the truth is, similar criticisms are being laid at the door of the charity sector (even if we've been a bit creative to illustrate the point). Only by *some* people, *some* newspapers, about *some* charities, but they could create a volatile and dangerous cocktail that leads us to a bad place. And yet they have very little to do with the sector at its best. So let me give a few different examples I've gleaned from the work that NPC does.

Positive perspectives on the charity world

We work with lots of charities and funders, and many encouraging stories emerge.

- The small charity doing a good job in its services but hoping to better understand exactly what it's achieving so it can make an even bigger difference.
- The large charity that knows that although it's a household name and can raise donations, thinking harder about its strategy and the number of programmes it focusses on could further improve its results.
- The funder who—rather than just dish out money and glow in the inevitable thanks—wants to really find out where the need is and make sure their funding doesn't duplicate what others are already doing.
- And yes, the charity that works hard in its advocacy or lobbying role to change the law, and needs help to understand how best to marshal the evidence it collects about the impact of such a change.

Now, don't worry. NPC is not going soft on the sector: we see poor practice often and will always speak out about it. Ultimately, we care most about the beneficiaries.

Charities doing their best

But what these examples show are charities and funders trying to do their best; the sector at its best. And that's what this conference is all about. Yes, the focus of today is on measurement and analysis, but this is not an end in itself—it is never an end in itself, even for us impact geeks at NPC. The point is to try to use our resources, funding, and staff and volunteers within the sector in ways that create the most social good.

Context changing

We have to do this in a fast-changing context. Social needs have not suddenly changed and the problems of running a charity seem to have a certain timeless, almost *deja vu*, quality. But we are seeing a reconfiguration of the relationship between civil society and the state which has ramifications for us all—and not just financial. We are also seeing sweeping and frantic changes to the way contracts are put out, with payment by results becoming the new norm. Money is of course tight, and structural changes to government policies on welfare, housing, health and so on put more stress and demands on the sector.

With all this happening, we need to keep abreast of what we are achieving—and what more we could achieve—which makes the concept of impact, the measurement of it and attempts to maximise it, so important.

Changing issues in measurement

The world of measurement itself is an exciting, fast changing, sometimes confusing area. You need to keep up. We had a bit of fun on social media with our impact superheroes, [measurement boy and data girl](#), but we think what's been happening in the run up to this conference in real life—in your offices and in the field—is genuinely engaging and exciting. I want to touch on a few of the key trends, most of which you will hear about in this conference and think about how they can take us further.

The rise of data

The rise and rise of data is probably the most important new development. It's coming at us from all directions. From social media allowing us to see things in real time; digital avenues making it easier to combine data, interrogate it and react to it fast; and government at last opening up their data sets to outsiders, including us. No wonder the US group FSG [once known as the Foundation Strategy Group] talk about the 3 Vs: Sheer Volume, Greater Variety, Increased Velocity.

And this surely goes further. In the consumer world our choices are mediated by our easy access to data, in this case, the data on what other users say—TripAdviser, FancyaPint, TopTable, UpMystreet—or comparison price

web sites like moneysupermarket.com and those nice meerkats at comparethemarket.com. Or systems that gobble up data and use information gathered to ‘help’ us—I’m thinking of Amazon and store loyalty cards. Surely these trends will sweep through much of the not for profit world in due course.

But none of this is easy and it raises challenging issues, many of which we have experienced in the breakthrough work we have done in helping set up a Justice Data lab along with our good friends at Clinks.

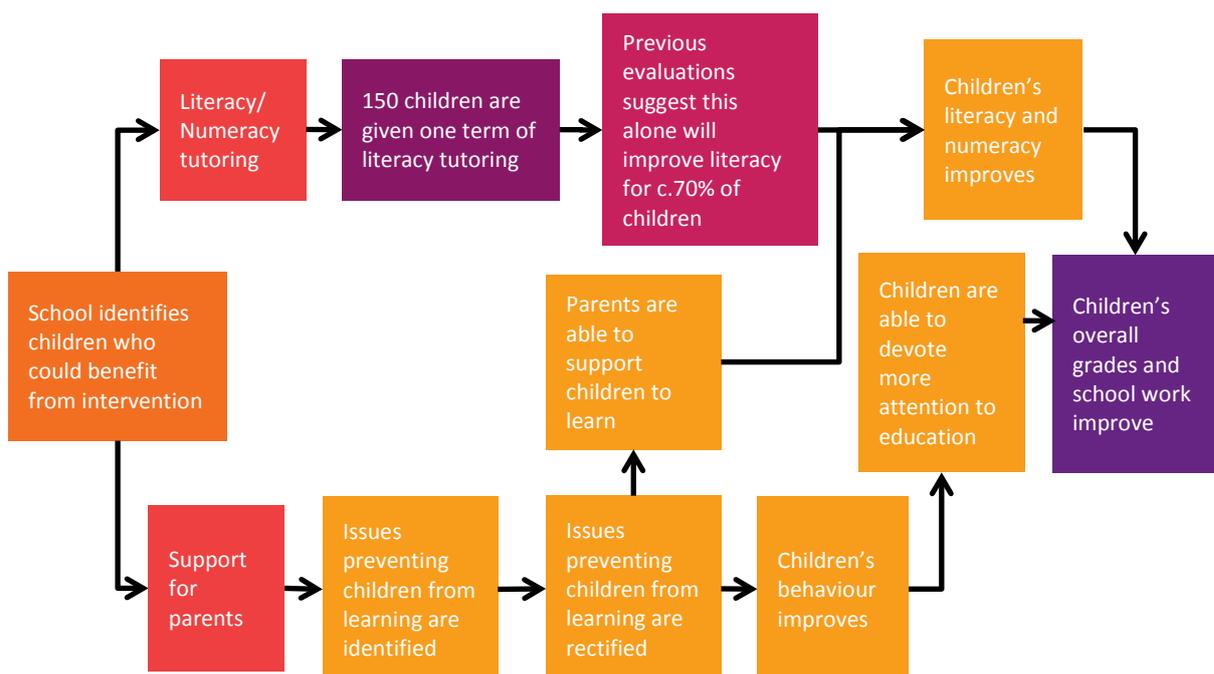
The problem we encountered was that many charities working with offenders struggled to access the right data to know whether they really reduce reoffending. The data they needed was buried away in local probation, National Offender Management Service, national and local police files. Bringing it all together has the potential to transform everything (as well as to create control groups), and with the help of the Ministry of Justice, the Secretary of State announced the new Justice Data Lab in December. We are doing more in this area of data labs as our new [paper on creating data labs](#) explains.

But charities still find measuring impact hard and a bit frightening. On a practical level, do we have the right identifier for the individual, do we have the skills and resources to carry this out? More deeply, are individuals happy to be followed up? Do all charities really want to know the truth about their impact, and do they want others to know? Will anyone listen to the results anyway or is this all just a pointless exercise? Do the benefits outweigh the costs? So Data can be a difficult issue. But one thing is for sure: it is not going away. And the sector, at its best, must embrace it.

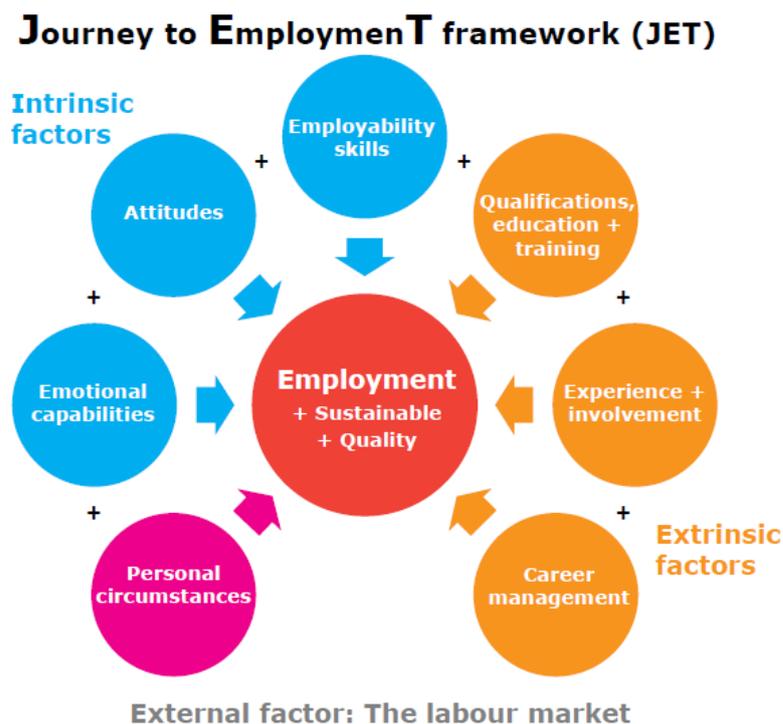
Understanding and sharing

But data on its own gets us nowhere. As a good economist, how can I believe anything else having been brought up to believe that “data-mining” is a terrible sin to be avoided at all costs. You need to know what you are trying to use the data for and how to use it efficiently and effectively. Today, we focus on two aspects of this:

1. One is the use of some sort of [theory of change](#) to identify what it is as an organisation you are trying to achieve and how you think you contribute to that outcome. In our work this often turns out to be the hardest bit of the lot. Below is a typical theory of change for a charity working with children falling behind at school. Then, testing your TOC against existing knowledge, understanding which areas you really add value to and thinking about how to really measure your outcomes, are all crucial.



2. The second aspect is a little more about the sector than individual charities doing better—and this is the idea of shared or collective measurement. Below shows some [shared measurement work](#) we have done recently around the issue of youth employability. If we can agree—with sectors where it makes sense—what outcomes we want, and develop shared ways of measuring them, then we can learn from each other, improve, and ultimately increase the likelihood of resources flowing to those charities and those interventions that work best. It may even persuade organisations and funders with similar aims to work together to confront a major issue. You never know! So it's a vital agenda and one that we have been pursuing as part of the [Inspiring Impact](#) coalition and program that our chair today, David Carrington, chairs. Again, not an easy agenda for the sector where people are competing for funds and where, despite being there only to serve beneficiaries, charities and funders put a very big weight on survival and the health of their own institutions. But where it works we will see the sector at its best.



Social investment and social impact investing

One area that impact sounds like it must matter in is social investment where a sub-market return on a loan is justified by the creation of a social impact.

This area often links into new commissioning models and payment by results contracts. Indeed in many situations, Social Impact Bonds are about having a payment by results contract financed up front by investors to help charities through cash flow and risk issues.

Certainly I hope that this move to payment by results and social investment will place greater demands on impact measurement and that this will spread to other sectors. The degree to which this is the case, however, is a bit uncertain. In our experience, most social investors get most hung up on the financial return, with measurement of the social impact bought coming in a poor second, although we hope the work being kicked off by the G8 Task Force on Social Impact Investing, which includes a strand on measurement that we are involved in, will start to put that right.

And clearly most of the outcomes people are looking for, especially where government contracts are concerned, are about public expenditure cashable savings rather than wider social impact.

In any case, my take is that social investment is of more relevance to the new breed of social entrepreneurs who want to set up businesses—albeit with a social purpose—and find capital hard to access. For them, success will be defined more around creating enough surplus to reinvest than just on 'doing good'.

Funders

Much of the sector inevitably revolves around what people are prepared to pay for. Whether grants or social investment or contracts it is what they are prepared to fund that matters. Our research at NPC shows that when funders are keen to understand (and pay for some work on) the impact of those they work with, this feeds back to the charity or social enterprise. And ultimately, this helps the charity improve and is therefore a good thing.

I hope that today you will grill funders in the room on what they are really looking for and how they plan to help the sector improve.

So where do we go now?

What do we do with all these thoughts, trends, innovations? Are we just confused and bewildered?

The danger is that we may end up with lots of analysis but little influence on the way we actually use resources. Just like the danger with the new What Works centres springing up, we want to avoid creating a musty (if virtual) depository of evidence that never gets used.

People have to use the data, the measurement, the sharing, and the data visualisation to actually change what they do and how they work. Good charities and funders do this, but it is by no means automatic. So we can't let up. The "forces of conservatism" is a phrase that gets people's backs up, but it is vital to be aware of the power of a desire to carry on doing things in old ways even when better ones exist.

On the other hand, there is also a danger that all this change and all these choices lead to paralysis. Or even an obsession with doing the latest thing. We must never demand that everyone does things the same way as they progress in our multi-faceted and varied sector. After all, pluralism is one of the great strengths and contributions of the sector to our society and life.

The best defence against the kind of accusation I outlined at the beginning—of mis-selling, complacency, and squandering resources—is first to be very good at what we do. And second, to be able to back that up. That then is the sector at its best.

I believe that today's conference—and the work that we try to do every day at NPC—is part of helping us achieve that goal. I hope very much that you enjoy the day and go away enthused and determined. Thank you very much.