

IMPACT IN THE HERITAGE SECTOR

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July 2014

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Why impact matters—even in the Heritage sector

For over ten years, NPC has spearheaded an effort to get the charitable sector to measure its impact. Alongside encouraging funders to seek the best opportunities to create impact, we have urged charities to better understand their impact. Not to prove they are the best, but to allow them to understand their work more holistically, to fulfil their potential, and to deliver on their missions with increased success.

Understanding the impact an organisation or project is seeking to achieve is critical to sound decision making. Charities and other social purpose organisations must understand what is working in order to improve and use resources efficiently and to get a proper feel for how effective they are at delivering for the beneficiaries and causes they care about. In that sense, not to worry about the impact you are creating, and not to try to get a measurement handle on it, is to let down the very beneficiaries and causes that ostensibly you have been set up to serve.

In any case, with many operating in an increasingly competitive environment and under mounting pressure from funders and commissioners to demonstrate their social impact, it is an agenda that cannot be ignored.

Many of course reject this line of argument—including in the heritage world. Some of the reasons are technical: it is just too hard to think about what the outcome from my project is and to get a sensible way of measuring it, let alone work out how much of the outcome is due to my project (the issue of 'attribution'). Others are about finance and the real world: we are a small organisation and have not got the time; funders won't fund that sort of thing; our volunteers don't want to be turned into bean counters.

Most fundamental is the idea that the 'good' of a heritage project is about heritage per se and that is something you simply know when you have it and it needs no measurement or theory of change. Art and sports organisations often make the same argument. No, they say, the real reason I care about this is not the flow of benefits that people get from doing cricket or street football or visiting a museum in terms of future employment prospects or less likelihood to go into crime. But just because it makes society a better and richer place.

Of course there is something in this—and it is by no means the case that things that cannot be or are hard to measure are necessarily unimportant. But even in these cases, you can still have a think about whether your museum really is delivering that sense of purpose as well as others, whether you are really doing as well as you could and—I say as an economist and ex Treasury hand—that you are doing all this at a sensible cost.

Seeing impact as a tool towards improvement of individual organisations and of the whole heritage sector then is the way to go. And for good or bad, this *is* the way things are going to go especially as general government and other grant funding gets tight.

Why impact matters if you want non-grant finance

To get more precise, impact is the overall difference an organisation, programme or intervention makes. Funders, such as the Heritage Lottery Fund, want to know about impact for several reasons:

- To understand the difference that their programmes are making either directly or indirectly. In order to do this effectively, the organisation must be clear on what it is seeking to achieve.

- To understand what does and does not work, this can be used to inform future decisions and performance.
- To ensure that they are achieving the most impact for their resources.

Measuring impact is just as important for heritage funders and charities as it is for other charities and funders, although the weight that funders and charities place on different outcomes will necessarily vary between sectors. Clearly heritage outcomes will be higher priority for heritage organisations but these will rarely be the only outcomes for a project.

The Heritage Lottery Fund has a set of outcomes that reflect the range of what the HLF wants to achieve and which are drawn directly from its research into what HLF-funded projects have actually delivered. HLF expects projects to achieve one or more of these outcomes. The outcomes cover heritage, people and communities and are part of the grant application process.

These sound a reasonable set of outcomes at first glance but a longer look suggests that they are perhaps a bit woolly and that few are about outcomes—rather than outputs. For example what is the change that is being sought by identifying and recording heritage? Is it to enable heritage to be enjoyed by more people which will contribute to their well being? Similarly why is it important for more people to engage with heritage? What is the change that is being sought? What does engage mean?

Heritage Lottery Fund outcomes¹

Heritage outcomes	Outcomes for individuals	Outcomes for communities/society
<p>With our investment, heritage will be:</p> <ul style="list-style-type: none"> • better managed; • in better condition; • better interpreted and explained; • identified/recorded. 	<p>With our investment, people will have:</p> <ul style="list-style-type: none"> • learnt about heritage • developed skills • changed their attitudes and/or behaviour; • had an enjoyable experience; • volunteered time. 	<p>With our investment:</p> <ul style="list-style-type: none"> • environmental impacts will be reduced • more people and a wider range of people will have engaged with heritage • organisations will be more resilient; • local economies will be boosted; • local areas/communities will be a better place to live, work or visit.

Equally of issue is whether achievement of these kinds of outcomes might help attract a different type of funder to the heritage sector.

It is well known that funding through government grants has been hit hard since austerity became the policy of the government—and there seems little likelihood that that tap will be turned on again any time soon. So, along with many others in the non profit sector, Heritage organisations need to ask whether they can access other types of finance. And if they do want to access social investment—investors looking for some financial return but blended

¹ <http://www.hlf.org.uk/HowToApply/Pages/Outcomes.aspx#.U7KP2PidWpM>

with a social return—they are going to have to get a bit smarter on understanding and talking about what impact they have.

This paper examines two contrasting views on impact measurement in the heritage sector. The findings on impact are a subset of findings from a larger research piece that NPC carried out for HLF this year focussing on non grant finance. During the research NPC spoke with social investors and surveyed HLF grantees. The HLF grantees are from all parts of the sector—community and local history, museums and galleries, natural heritage, archives and libraries—not just historic buildings.

Investor perceptions and worries

To get some feel of the possibilities on the supply side—ie, those with the finance that heritage organisations might want—we at NPC consulted with selected social investors to get their view of organisations operating in heritage as potential investees. Social investors were also asked specifically about the impact that heritage organisations create. Although this feedback was only from a narrow range of funders it is indicative of the issues surrounding the ‘investability’ of heritage projects.

Social investors have reservations surrounding a number of things, some to do with their social impact others to do with the financial risk that surrounds them. Of course those looking to make sub-market loans to social organisations come in different shapes and sizes. Some care a lot about achieving a measurable social impact; others are happy if the organisation is one they feel is ‘social’ and then worry mostly about the financial side of the equation. Nevertheless, our work suggests that a number of things worry them.

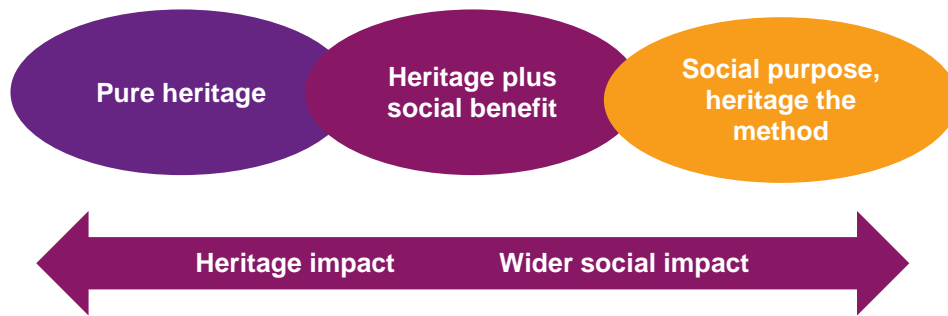
First, they often want to understand what the mission of the heritage organisation is and they want it to be clearly identified. Often, especially if they are a charitable foundation or similar, they are looking for organisations that meet a community or social need that is in common with whatever the funder sees as its priority or mission. In this sense, it is not that different from the needs of an organisation when trying to secure grant funding from this sort of organisation in most sectors already, but often the questions asked are tougher.

Second, they want to know about the impact that the heritage organisation believes it will achieve and to have confidence that it will try to measure and monitor this and respond in sensible ways when things are not going well. We found that investors feel heritage organisations are not regarded as good at measuring their social impact. Indeed for what are often seen as high-risk organisation financially—for reasons given below—they are often felt to be low impact.

Lastly, many heritage projects are regarded as high risk because heritage assets are expensive, difficult to renovate, may not be realisable if required (ie, it's often not an asset you can sell off quickly, if at all), and projects are often undertaken as one off projects by organisations lacking a track record. Additionally, although many heritage organisations have some earned income it is rarely large enough to make projects viable without grant finance, which is increasingly hard to source.

Putting it crudely, for many social investors, heritage assets must be the means to the end and not the end itself. And this forces heritage organisations to ask themselves the often uncomfortable question, where does the balance lie between preservation of heritage assets and creating social impact?

Impact spectrum for heritage organisations



The impact spectrum illustrates the range of impact that heritage projects can deliver. Demonstrating social impact is essential for many social investors, but may put pressure on 'pure heritage' goals for some organisations. There may be tension in balancing pure heritage goals with demands to demonstrate social outcomes. Some organisations may view heritage aims as primary and social outcomes as a secondary, 'access to finance' issue.

HLF has recognised the importance of the social impact of heritage projects and to some extent has been unique in this, but also realises that the sector has some way to go to in articulating and measuring impact. If the heritage world wants to access repayable finance it will need to confront this. And in any case despite philosophical concerns, many heritage organisations are likely to have implicit social impacts—preserving local heritage that helps community cohesion, for example—but just need to conceive and express them better.

What do heritage organisations say? Results of the NPC survey

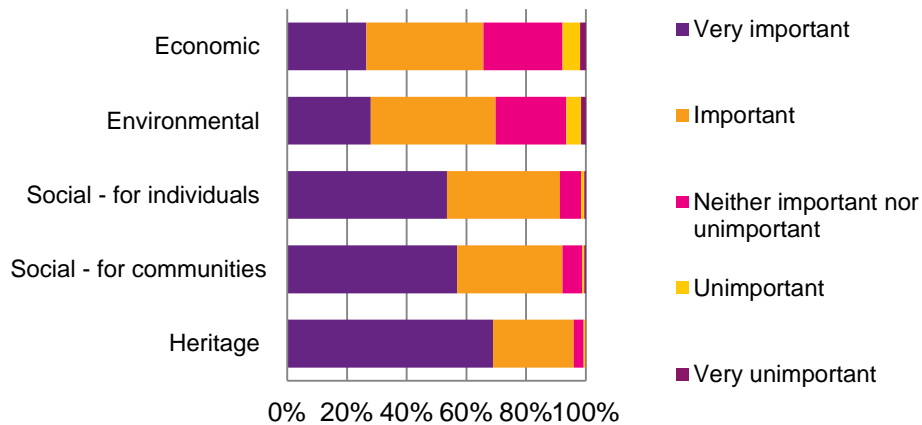
So if that is what potential investors think, what do our heritage family make of it all? To get at this we undertook a survey (details below) of heritage organisations to ask them about the importance they placed on measuring outcomes, their ability to measure them, how they do it and how they might do it better.

The data for this report has come from a survey that was sent to 2,658 recent grantees of the Heritage Lottery Fund. Organisations were given 4 weeks to respond. The survey had 30 questions. 1,170 organisations began responding and 955 completed the entire survey.

The survey asked heritage grantees about their appetite and experience of non grant finance in the heritage sector. Several questions in the survey focussed on an organisation's approach to impact and measurement.

Rather pleasingly, if you take the answers at face value, then it appears that heritage organisations agree with NPC in thinking that it is very important to measure outcomes.

How important is it for your organisation to measure the following types of outcomes?

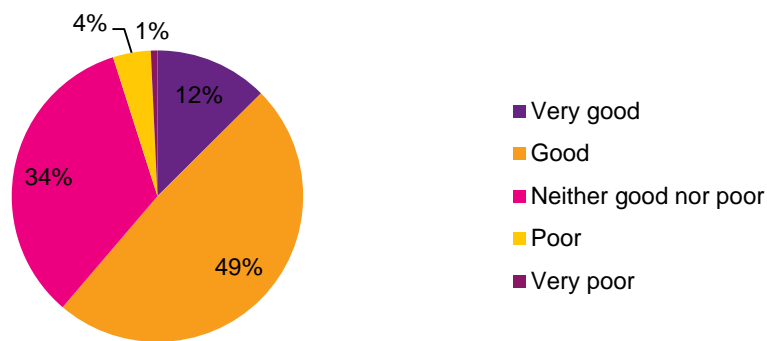


Not surprisingly, heritage outcomes are regarded as the most important to measure in the sector, closely followed by social outcomes, split between those for individuals and communities. Over 90% of organisations believe it is very important or important to measure heritage and social outcomes. Economic and environmental outcomes on the other hand are rated much lower.

These figures can be compared to NPC’s work *Making an Impact: measurement among charities and social enterprises*² which found that impact measurement appears to be becoming more of an accepted way of life across the charity sector—three quarters of charities say they measure impact for some or all of their work, and just over half say they measure impact for all or nearly all of their activities.

More controversial are heritage organisations’ views of how well they do all this. Sixty one percent of organisations (544 organisations) rate themselves as good or very good at measuring outcomes with only 5% of organisations owning up to being poor or very poor.

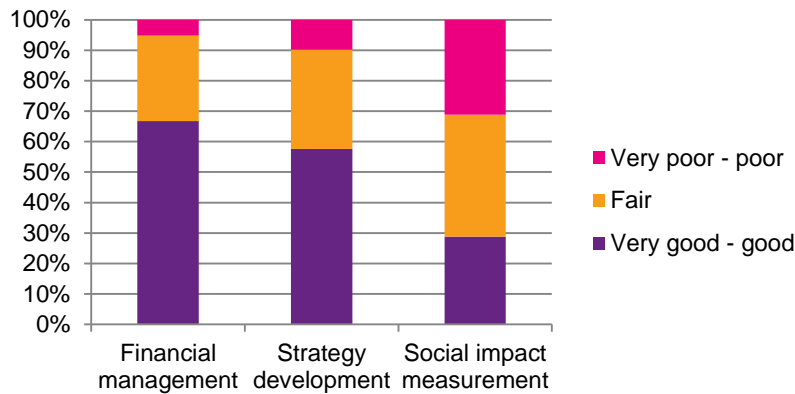
How good is your organisation at measuring the outcomes that are important to you?



So what really is going on here, since this is very different from what we found in our conversations with social investors who did not rate the sector’s appetite for or skills in impact measurement very highly? The clue is in the next chart where the same heritage organisations that said they were great at outcome measurement also say they have few of the skills to actually do it. Organisations generally think that their knowledge and skills around finance, management and governance are good (67% of organisations rate their financial management skills as good/very good). Knowledge and skills around social impact measurement however are more likely to be rated as fair or poor with only 29% of organisations rate their social investment skills and knowledge as good or very good.

² Ni Ógáin. E, Lumley. T, and Pritchard. D (2012) *Making an impact: Impact measurement among charities and social enterprises*

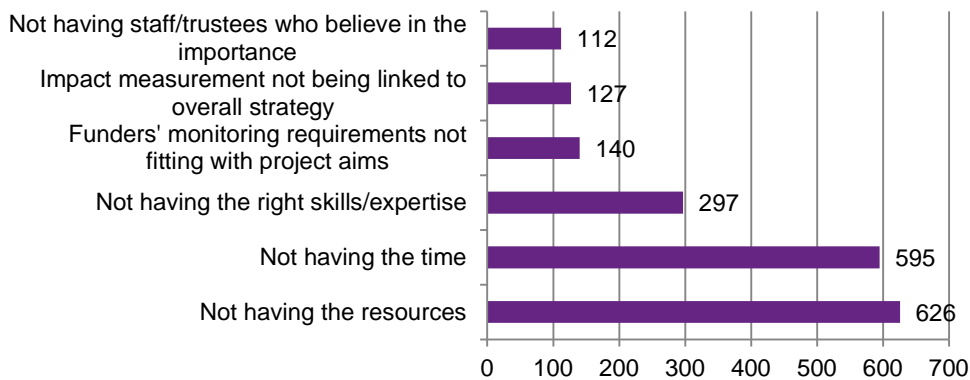
Please rate your organisation's capacity in the following areas:



Therefore, it is something to do with the depth or quality of what respondents are counting as impact measurement?

A first point to note is that while a majority of heritage organisations think they are very good at measuring outcomes they also say that not having the skills to do it is the third biggest barrier when trying to measure outcomes –coming behind familiar issues like not having the resources or the time.

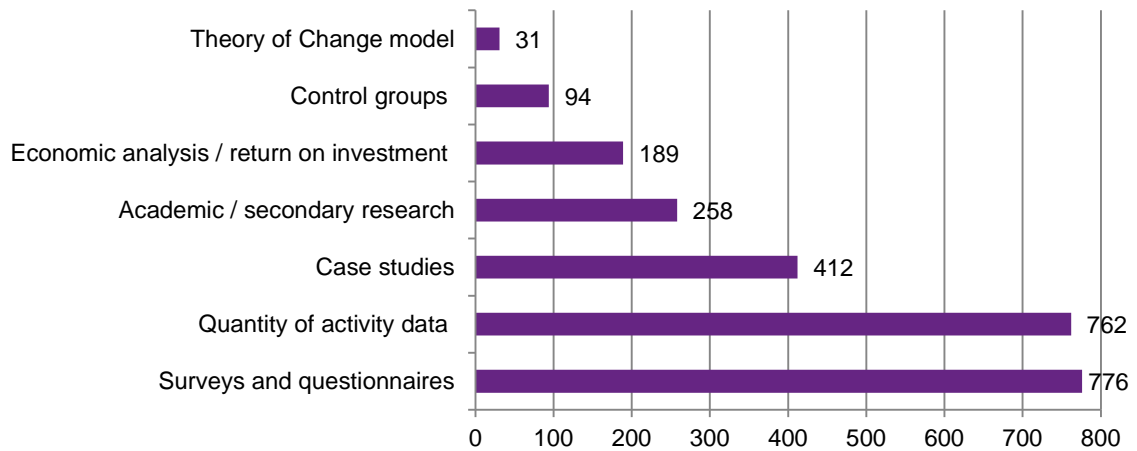
What are the main barriers to measuring your outcome/impact?



This lack of time and resources is consistent with answers to another question in the survey which found around one third of heritage organisations function with no paid staff and a further one third of organisations have only one-five paid staff.

A second, linked point is that the way they think about assessing impact is often not very sophisticated. As the chart shows, few go beyond surveys, measurement of activity or case studies (aka anecdotes).

How do you measure your outcomes/impact?



The middle ground?

So here is the conundrum: social investors view the sector as having low social impact and heritage organisations are not regarded as good at measuring their social impact whereas the sector says it values outcome measurement and thinks it is good at it, although lacking some skills.

The reality probably lies somewhere in the middle and there may be a mismatch in perception between social investors and heritage organisations surrounding impact. Heritage organisations may not be communicating and measuring their impact in the language social investors can comprehend or grab hold of. For example heritage organisations may not be capturing and communicating the volunteering benefits of their work. Volunteering has a positive relationship with impact and most heritage projects involve volunteers.

Impact increases with broader social purpose and use of volunteers



There need not necessarily be a trade-off between social and heritage outcomes. The sector could work together on shared measurement frameworks that make explicit the links between heritage and social outcomes and where there are gaps develop tools to gather evidence.

To enable this to happen, organisations need to develop a culture that sees both collecting and using data intelligently as part and parcel of the job, something that is alien to many of them at present. The survey found that most organisations are collecting some data on their impact, with surveys and questionnaires and output data the most common. But few are using it to really get a grasp of impact in the true sense of the word.

Next steps

Heritage organisations have identified that their social impact measurement skills are not as high as they could be.

There is a clear role for the HLF to continue its work on promoting these skills, building the capacity for grantees by providing training and signposting to written guidance about impact measurement including its own good practice in evaluation. HLF should continue to provide funding for impact measurement, ensure there is clarity around the costs of impact measurement and encourage organisations to actually do it and do it well.

To promote the development of an evidence base in the sector, HLF can use the application process to ask for evidence of previous impact where possible. The fund can also promote and/or develop shared measurement where practical to evaluate different organisations working in the same way and to build a body of accessible evidence on the nexus between heritage impact and social impact.

Recent research by NPC in *Funding Impact, Impact measurement practices among funders in the UK*³ found many funders are still not using impact measurement as much as might be expected given their generally positive attitude towards it. They are keen for charities to submit evidence of what they have achieved with their funding, but less than half of funders (42%) are using this information to compile programme evaluations, only a third are trying to use this information to influence the public debate, and less than a third (29%) are using it to influence other funders. This suggests that lots of information is not being used as much as it could be—possibly resulting in less effective funding in the sector overall. The need to up our game rests with funders as much as heritage and other beneficiary organisations.

Last thoughts

In times when unrestricted funding is harder to come by, if heritage organisations want to access other kinds of finance they will often have to get much more focused on measuring and talking about impact. This must never be at the expense of delivering what only heritage projects can, or of turning heritage assets simply into vehicles for the achievement of non heritage objectives. But it is surely a key part of the mix.

The sector needs to get on with embracing this sort of approach and making it work for providers as well as funders. While the sector may well want to lobby for more state resource into the sector, measuring and talking about impact has to be a much better approach to the future than sitting around complaining about the drop off in government grants and hoping that something will turn up.

³ Kail, A, Van Vliet, A., Baumgartner, L (2013) *Funding impact: Impact measurement practices among funders in the UK*.

TRANSFORMING THE CHARITY SECTOR

NPC is a charity think tank and consultancy which occupies a unique position at the nexus between charities and funders, helping them achieve the greatest impact. We are driven by the values and mission of the charity sector, to which we bring the rigour, clarity and analysis needed to better achieve the outcomes we all seek. We also share the motivations and passion of funders, to which we bring our expertise, experience and track record of success.

Increasing the impact of charities: NPC exists to make charities and social enterprises more successful in achieving their missions. Through rigorous analysis, practical advice and innovative thinking, we make charities' money and energy go further, and help them to achieve the greatest impact.

Increasing the impact of funders: NPC's role is to make funders more successful too. We share the passion funders have for helping charities and changing people's lives. We understand their motivations and their objectives, and we know that giving is more rewarding if it achieves the greatest impact it can.

Strengthening the partnership between charities and funders: NPC's mission is also to bring the two sides of the funding equation together, improving understanding and enhancing their combined impact. We can help funders and those they fund to connect and transform the way they work together to achieve their vision.

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