

How impact practice can help funders do more with their giving

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Impact is the difference you make. If you can establish whether your funding is creating an impact you can increase that impact, take more informed decisions, and make your funding go further. Impact practice is increasingly common among charities. But in order to really drive change, funders must support their grantees' impact practice, and they must examine and improve their own work. Here's how to get started.

Good impact practice is for funders too

Many funders have a positive attitude to impact measurement: 88% think that it makes charities more effective and 89% think it makes funders more effective too.¹ But at NPC, we think that good funder impact practice is not as widespread as it should be. Funders have told us that the main challenges to understanding the impact of their grantees is the lack of knowledge, skills and capacity of these grantees.² If funders value knowing about grantee impact, we think they should play a bigger part in solving these challenges. Good impact practice is often poorly resourced, but this does not need to be the case. For example, if you value impact data but your grantees lack evaluation skills, then you will need to invest resources in up-skilling them. We also think that funders can be role models by thinking through their own approach as much as they would like their grantees to.

It is fair to say that funders face challenges in engaging in good impact practice. Establishing the right approach to impact measurement is hard enough for a charity, but for funders there are often added layers of complexity. The type of funding you give, and what you think your impact is (your theory of change³) will influence your approach. Other variables such as the sorts of projects you fund, your grantees' skills and your own resources must also be considered. There will always be trade-offs: for example, a diverse portfolio of projects makes it difficult to assess your overall impact on a particular issue.

Here we outline how funders can support their own and their grantees' impact practice in a way that is appropriate and proportionate to the type of funding they give. We explain how funders can implement these ideas into the four areas of the cycle of good impact practice⁴: *plan, do, assess, review*. By drawing on examples of funders already adopting these approaches we hope to bring this advice to life.

¹ Baumgartner, L., Kail, A., Van Vliet, A. (2013) *Funding impact*. New Philanthropy Capital.

² Ibid.

³ See Kail, A., and Plimmer, D. (2014) *Theory of change for funders: Planning to make a difference*. New Philanthropy Capital. for a guide on to create a theory of change for your funding.

⁴ Inspiring Impact (2013) *Funders' principles and drivers of good impact practice*.

Your approach to impact will depend on what type of funder you are

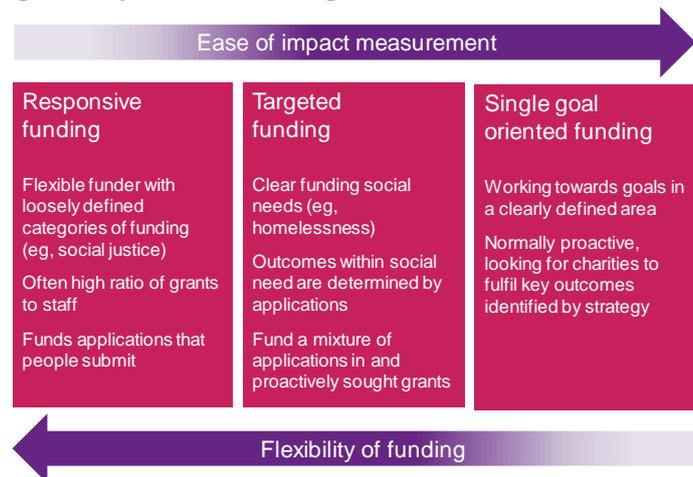
A funder’s approach to measurement should be built into its grant making cycle, rather than being something that happens at the end of projects. Thinking through the type of funding you give, and what you set out to achieve, can help to understand what you need to measure.

So you need to identify the type of funding you give

The charity sector thrives because of the different types of funders, the various types of funding, and the various roles these play. The sector needs some funders that have focused aims and are looking to see outcomes achieved in a specific area. It needs others that take a more responsive approach, allowing people closer to the issues to decide what they want to see changed.

This spectrum affects how funders can use impact measurement. For example, if you fund widely, then it becomes harder to compare grantees’ impact as they may not be doing comparable work. It also makes aggregation of individual grantees’ results impossible and drawing out common lessons becomes more difficult. Each funder should, however, think about what impact measurement means for them and how they can encourage grantees to use it.

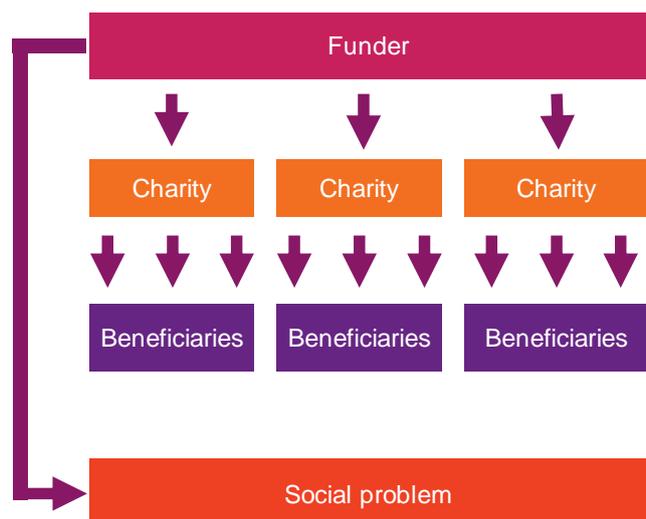
Figure 1: Spectrum of funding⁵



...and where you are making an impact

Funders can achieve impact in a number of different ways, as shown in Figure 2. They can have a direct impact on **beneficiaries** through funding charities to deliver services—for example, by funding a charity to work with disengaged young people, a funder might help more students stay in school. They can also have a wider impact on **organisations**—for example, by providing funding in a difficult time, a funder may help an organisation to stay afloat and therefore conserve important knowledge and expertise. Or through capacity-building work with grantees, a funder can help a charity become more efficient—with governance or evaluation training, for example. Funders can also have a direct impact on a **social problem** via their own activities. They can be important agents for change. They can, for example, use the experiences of their grantees to advocate on their behalf, or spread good practice about what works.

Figure 2: types of funder impact⁶



⁵ Baumgartner, L., Kail, A., Van Vliet, A. (2013) *Funding impact*. New Philanthropy Capital.

⁶ Kail, A., and Plimmer, D. (2014) *Theory of change for funders: Planning to make a difference*. New Philanthropy Capital.

It is important to think through where you are aiming to make an impact. You can then develop your theory of change, which describes the change you want to make and the steps involved in making that change happen. This will influence your strategy, and it will also help you to work out what you should focus on measuring.⁷

...then you can establish your approach

Once you have a sense of the sort of funding you give, and where you think your impact will be, you can start to identify your priorities for measurement. Table 1 summarises the approaches that should be prioritised for different types of funding.⁸

Table 1: Summary of recommended impact measurement approaches by type of funding

	Measuring the impact of funding on charity	Measuring the impact of funding on beneficiaries	Measuring the impact of funding on social problem
Responsive funder	Focus on this	Support grantees to do this	Do not do this
Targeted funder	Can do this	Focus on this	May be possible
Single goal funder	Can do this	Can do this	Focus on this

Impact should be a focus throughout your funding cycle

Impact is the difference you make. The cycle of good impact practice is about planning what impact you want to have and how best to achieve it. It is then about collecting information about your impact, assessing what impact you are having, and communicating and learning from it. Your impact as a funder could be about your impact on beneficiary outcomes, or on your grantee organisations' sustainability, or even your contribution to knowledge of what works. By understanding your impact, you can make more of a difference through your work because you know where best to focus your funding and your efforts.

Here are some examples of how a range of responsive, targeted and goal-oriented funders have *planned, done, assessed* and *reviewed* their impact. The type of funding they give, and what they want their impact to be, has driven this practice.

Plan for impact

Planning your impact practice is about working out the purpose of your impact measurement. For example, are you looking to understand your own impact, do you want to generate robust findings to influence policy, or do you want to simply encourage grantees to engage in good quality impact practice?

Figure 3 : The cycle of good impact practice



⁷ For guidance on developing your theory of change, see Kail, A., and Plimmer, D. (2014) *Theory of change for funders: Planning to make a difference*. New Philanthropy Capital.

⁸ This is explored in further detail in Baumgartner, L., Kail, A., Van Vliet, A. (2013) *Funding impact*. New Philanthropy Capital.

Decide what outcomes you want to achieve

You will need to think about the results you want your funding to achieve. [The Robertson Trust](#) takes a number of different approaches to funding and it focuses on different outcomes accordingly. Through its Open Grants programme the trust is a more responsive funder. Its theory of change focuses on outcomes for grant holders, including capacity building and learning, rather than outcomes for beneficiaries. In contrast, its Innovation and Learning programmes are more targeted. So the theory of change for this work focuses on outcomes for beneficiaries, organisations, and influencing policy and practice.

Identify the need you are trying to address

How much you research the need you are trying to address, and how much you ask your grantees to do this research is linked to how responsive or targeted you are as a funder. The [Calouste Gulbenkian Foundation \(UK branch\)](#), more of a goal oriented funder, has researched evidence of need to inform its strategy. It has used this understanding of the landscape to develop a detailed strategy. This strategy specifies the issues it is seeking to address, who it wants to work with, the outcomes it wants to achieve for beneficiaries, and the approach it will take.

If you are a funder who has a very clear understanding of the need you want to address, like the [Calouste Gulbenkian Foundation \(UK branch\)](#), you might not need to ask applicants to research and explain this need in detail. Instead, you could ask them to indicate which need their work is meeting and how. Responsive funders are likely to fund widely. Funding widely means it is hard for funders to have a good internal understanding of need or solutions across so many areas. This means that applicants need to work harder to explain the need for their project and why their solution is appropriate.

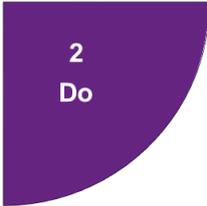
Establish your approach to grantee evaluation

If you want grantees to report on their impact, it is important to consider the types of projects you are funding, as well as the sort of funding you are giving. For example, if you are funding new or innovative projects, there may be very little existing evidence to show that those sorts of projects have an impact, so you may need to ensure grantees are evaluating whether or not the project works. On the other hand, asking grantees to show over and over again that they are achieving impact may not be necessary for well established and well evidenced interventions.

The [Bill and Melinda Gates Foundation](#) focuses more or less on evaluation depending on the type of project. For example, when there is little existing knowledge about how best to achieve impact, evaluation is a higher priority, so that the evidence base can be built. A proportionate approach like this means that time is well spent collecting only the most useful and important data. If a grantee's time is well spent, the funder can be more confident that their donation was spent effectively and efficiently.

Measure your impact

If you are asking your grantees to measure their impact, it is important to support them to do so. This is worth considering even if you are not asking them to report back to you in detail. The type of support can vary. It will depend on the outcomes you are interested in and how flexible or prescriptive you want to be towards your grantees. All of this is linked to the type of funding you give.



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Do

Think about how you can support grantees to measure their impact

[BBC Children in Need](#), which supports small community groups through to large national charities, recognises that not all its grantees will have the skills or capacity to measure impact. It funds a vast number of projects that influence a wide range of outcomes, so it does not have the resources to invest in bespoke evaluation support for each project. Instead, BBC Children in Need's approach is to provide training to build the capacity of grantees so

that each one has the skills and knowledge to measure its impact in the way that is appropriate for them. For the funder, this type of support means that the quality of impact reports it receives is likely to be higher.

All of the projects funded by [Spirit of 2012](#), on the other hand, are working towards a specific goal—that of improved well-being and attitudes to disability. So Spirit asks all grantees to measure these outcomes in the same way using validated tools. It developed its approach in consultation with grantees. It recognises that there are additional outcomes that the projects are working towards, so has developed a suite of other tools that grantees can pick and choose from. A consultative and supportive approach like this means funders are more likely to enjoy an honest relationship with a group of engaged grantees.

Work out how you can resource your own impact practice

It is important that funders do not forget to find out whether their own approach is helping or hindering grantees. [Reach for Change](#) provides funding, business support and networking opportunities to social entrepreneurs. As well as supporting the entrepreneurs to measure their impact on their beneficiaries or customers, Reach for Change also monitors the extent to which its support affects the development, capabilities and strength of the entrepreneurs, their strategies and their organisations.

[Comic Relief](#), [Paul Hamlyn Foundation](#) and the [City Bridge Trust](#) all survey their grantees to understand what they find helpful and frustrating about their processes, communications and the relationship they hold with them as funders. Funders often ask independent organisations such as the [Center for Effective Philanthropy](#) and [nfpSynergy](#) to conduct these surveys on their behalf. The benefit to funders is that they are likely to get a genuine picture of whether their approach is right for grantees, and how they can improve.

Assess your impact

Assessing and analysing is about making sense of the data you and your grantees have collected, and starting to draw conclusions. Single goal and targeted funders might be able to understand impact on a particular issue, whereas responsive funders should focus more on assessing their impact on grantees.



Aggregate your data

The [Elton John Aids Foundation](#) is working towards three clear goals, one of which is that there are '*no more AIDS deaths*'.⁹ It knows there is good existing evidence to say that accessing HIV treatment prevents AIDS deaths. So it focuses grantees' measurement on a simple metric: the number of people accessing treatment through its programmes. An approach like this means a funder can aggregate data across its programmes and understand its overall progress towards its goal.

Understand what works

[The Tudor Trust](#), a responsive funder, recognises that its broad approach means it cannot evaluate the overall difference it is making on the ground. Instead, it focuses its assessment on helping grantees to understand what works and what does not. It supports each grant holder to develop an evaluation plan that works for the grantee and helps it to learn. This learning is fed back to the Trust through the reporting process. For funders like this, it means they have a valuable and in-depth understanding of each project.

Figure out how best to support grantees

[Paul Hamlyn Foundation](#) commissions independent surveys of its unsuccessful applicants and its grantees to understand how it can improve its processes and support. The analysis compares the data to earlier surveys and to data from similar foundations. Baselineing (comparing over time) and benchmarking (comparing with others) in

⁹ See the Elton John Aids Foundation website: london.ejaf.org/what-we-do/

this way helps the foundation to interpret what the data means. This analysis allows the foundation to review its processes and, longer term, grant-making strategy, and enables them to better support their grantees.

Review your impact

This stage is about learning from your findings, using them to improve, and sharing them externally. It should not be an afterthought. In fact, when you are planning your approach, you should be asking yourself what you want to learn, and how you are going to share what you have learned.



Again, different funders have different approaches. Many of the funders we have mentioned bring together grantees to share knowledge through seminars and conferences.

Big Lottery Fund's [Realising Ambition consortium](#) is producing a series of short, regular 'Programme Insights'¹⁰. Each of these is designed to share reflections, learning and practical implications from the programme. The series includes insights into the ingredients of successful project replication, and how projects have refined their services using monitoring and outcome data. Sharing successes and learning quickly, rather than producing a long evaluation report at the end of the programme, means that more people will engage with the insights. The funder's impact can therefore be felt quicker and more obviously.

[The Robertson Trust](#) has an explicit aim to share learning widely to influence policy and practice. It identifies the stakeholders it wants to influence at the start of new programmes, and sets up advisory groups as appropriate to share learning. It used what it learned when it gave evidence at the planning stages of the new Community Justice Bill in Scotland, and its evidence contributed to the Scottish Government's recent decision to allocate £1.5m for Prison Visitor Centres. The trust publishes sector-specific insights learned from its projects. It also funds the Funders Evidence Exchange, which is delivered by Evaluation Support Scotland and supports funders to share lessons and knowledge. Funders leading the way like this are a valuable resource to policy makers, practitioners and charities.

Good impact practice makes your funding go further

Funders have an exciting opportunity to make their funding go further. They can ensure they are giving the right support by investing in understanding their own impact. Those who have a well thought out approach to impact have a valuable asset that goes beyond their financial means. Not only will they enjoy a stronger relationship with their grantees, by supporting charities to understand what works and what does not they help improve impact across the entire sector.

By showcasing good practice, we hope that other funders will think carefully about their approach to impact. Getting it right could have a significant impact on social issues, and ultimately mean that charities can develop the best services for the needs of their beneficiaries.

Further resources

Baumgartner, L., Kail, A., Van Vliet, A. (2013) *Funding impact*. New Philanthropy Capital.

Kail, A., and Plimmer, D. (2014) *Theory of change for funders: Planning to make a difference*. New Philanthropy Capital. for a guide on to create a theory of change for your funding.

Inspiring Impact (2013) *Funders' principles and drivers of good impact practice*.

¹⁰ See the Catch 22 website: <https://www.catch-22.org.uk/services/realising-ambition/programme-insights/>

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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