

New
Philanthropy
Capital

NPC perspectives

Talking about results

22 September 2010

Sarah Hedley

Sarah Keen

Tris Lumley

Eibhlín Ní Ógáin

Jane Thomas

Mathilde Williams

www.philanthropycapital.org

Executive summary

Scanning today's sector press and charities' communications, it would be easy to assume that charities acknowledge how vital it is to communicate the impact of their work, and that funders—particularly strategic funders such as foundations and philanthropists—seek evidence of impact when deciding which charities to support.

NPC analysed the annual reports, annual reviews, impact reports and websites of 20 of the top 100 UK fundraising charities. We found that charities in general are missing an opportunity—to communicate to potential supporters what they need and want to know.

Nearly all the charities we analysed (90%) were good at describing what they did—their outputs. But less than half (41%) communicated clearly what changes they achieved in people's lives—their outcomes. Surprisingly, larger charities were no better than smaller charities when it came to reporting on impact. Only 43% of charities showed how their achievements were related to their plans and mission. And just two thirds (65%) actually talked about the problem and needs their charity was addressing.

NPC has spent nine years researching charities and advising their funders, and has learned that there is often a chasm between the sector's rhetoric around impact and the reality. While it is undoubtedly true that most charities are *aware* of the importance of measuring and communicating impact and outcomes, our experience suggests that this has not yet translated into the *practice* of charities routinely measuring and communicating their impact.

When surveyed, donors consistently say that the two most important factors in trusting charities are how the money is spent and what it achieves. For 'informed donors', annual reports, annual reviews, impact reports and charity websites will be their first port of call to find out what they want to know. If charities are not communicating their impact in these materials, donors will look elsewhere for those that are.

NPC believes that the informed donor will become increasingly important to charities as they struggle to survive the coming storm of public spending cuts, and pressures on individual, foundation and corporate giving. Those charities that equip themselves now to communicate with these donors will be better prepared to compete in these difficult times. And while measuring outcomes and impact is rarely straightforward, we believe that charities can communicate their impact successfully by following a simple formula of five key questions:

1. What is the problem we are trying to address?
2. What do we do to address it?
3. What are we achieving?
4. How do we know what we are achieving?
5. What are we learning, and how can we improve?

Contents

1. Charities need to talk about results	1
Where to start	1
2. How are charities doing?	2
What we looked at	2
What we found.....	2
Strengths and weaknesses	4
3. Taking the next step	13
Communicating what matters	13
Communicating effectively.....	14
Getting started	15
4. Conclusions.....	16
Appendix: Methodology.....	17

1. Charities need to talk about results

Over the last decade, the way that charities communicate their work through public reporting has changed dramatically. Annual reports, once seen as purely regulatory documents that would be filed away to gather dust, are now readily accessible to the public via the Charity Commission's website. Along with annual reports, a plethora of other documents have emerged, including annual reviews and impact reports. Best practice in reporting has progressed from clarity about finances to clarity about impact—the difference a charity makes to people's lives.

Communicating impact will become an increasingly important aspect of charities' work in future. Donors increasingly want to know their donation is making a difference. Government funding is shrinking, and increasingly competitive based on evidence of results. Foundations seek outcomes in their application processes. In all areas, competition is becoming more intense and focused on what value charities can add.

Are charities able to satisfy this growing demand for communicating impact? We have reviewed the public reporting of 20 of the top 100 fundraising charities, focusing on how they talk about the results of their work. This review gives us a snapshot of how charities are doing—not of how effective they are, but of how well they communicate their effectiveness. We highlight some of the excellent ways in which some charities are doing this, but also the weaknesses across the sector.

Some charities are ready to take on the challenge of communicating impact to thrive in an ever more competitive sector. Many are not. Even those large charities that should have the resources to lead reporting practice often fail to do so. Our aim is to celebrate the achievements of those communicating well, and to encourage others to up their game. We provide practical guidance at the end of this paper to help those who want to communicate their impact better but do not know where to start.

Where to start

Regardless of who they are, we believe there are five key questions that all charities' communications around impact should answer. They are our rubric for communicating results, and we believe they can be at the centre of all charities' efforts to talk about their work.

1. What is the problem we are trying to address?
2. What do we do to address it?
3. What are we achieving?
4. How do we know what we are achieving?
5. What are we learning, and how can we improve?

2. How are charities doing?

In order to research how well charities are communicating impact in their public reporting, we used a framework we developed based on the work of Intelligent Giving, since merging with it in the summer of 2009. In this study we used only the component relating to reporting results, rather than other aspects such as governance or finances. The detailed criteria are presented in full in the Appendix.

What we looked at

We decided to focus on the largest charities, as they should be leading reporting practice given the effort they devote to it and the resources they have available. We selected a random sample of 20 of the top 100 charities by voluntary income, as we were particularly interested in the reporting of charities with significant donations from the giving public.¹ While we do not pretend this sample is representative of the whole charity sector², it is a big enough sample to draw robust conclusions on the reporting of large charities.

We added to this sample an example of a charity we knew to be very committed to communicating impact—WRVS—for comparison, although we excluded it from the numerical scoring data analysis to avoid skewing the results.

We reviewed each charity's most recent annual report, along with other documentation where available and accessible—including impact report, annual review and information about impact on the website.

We reviewed the following aspects of each charity's reporting:

- Vision and strategy: including charitable purpose;
- Problem and need: description of the problem and needs addressed;
- Overview and activities: outline and explanation of charity's work;
- Outputs: quantification of activities, services, products delivered;
- Outcomes: description of changes brought about and evidence supporting this; and
- Performance: discussion of achievements against plans.

Each review produced an overall score for the charity's quality of results reporting, scores for each of the six sections outlined above, and notes on the strengths and weaknesses of its communications. This score is not intended as an absolute measure of a charity's reporting, but it is a robust and practical comparative measure.

We present aggregate and anonymised data in this paper—we do not identify individual charities against their quality of reporting scores. Our interest here is to explore how well large charities in general are communicating their impact, not to single out poor performers. However, we do identify examples of good practice, as we know that other charities are interested in finding out about organisations they can learn from.

What we found

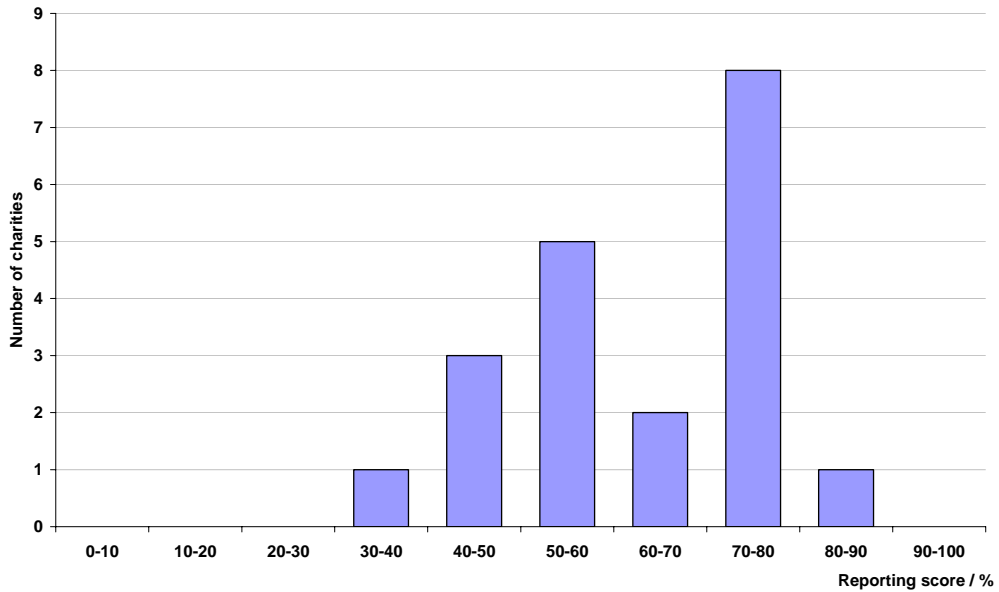
Unsurprisingly, we found that charities' reporting on results varied significantly in quality. We were surprised at quite how much they varied—scoring from 38% to 81% on our scale. We did not find a relationship between size and score—larger charities were not markedly better at

¹ The charities included in this sample are listed in full in the Appendix.

² Charity Finance Directors Group and Cass Business School have carried a related survey that does aim to be representative across the sector as a whole.

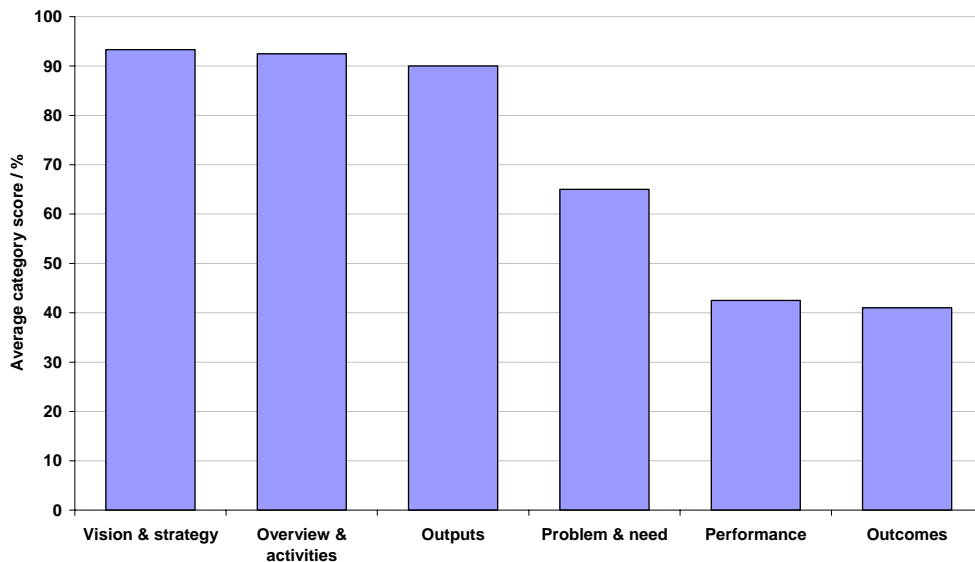
reporting on their results than smaller charities, and there was a fairly even mix of larger and smaller charities in both the highest scoring charities and the lowest scoring.

Figure 1: Charities' results reporting varies significantly¹



Beyond this variation in quality of reporting on results, we looked at how quality varied across the different aspects that make up the overall reporting score. The results were consistent with what we already know from analysing charities over the last nine years. Charities are much better at talking about what they do than they are at talking about why they do it and what it achieves.

Figure 2: Charities struggle to communicate what is most important



We recorded high average scores for charities outlining their vision and strategy (93%), and describing their activities coherently (93%). We also found that charities are good at describing their outputs (90%).

However, we found charities were much less impressive when communicating the problem they address and the needs they serve (65%). This was surprising, as received wisdom states

¹ Chart shows scores in decile ranges—if a charity scores 50% it is included in the 50-60% rather than 40-50% range.

that charities communicate need very well as they use it as the basis for their fundraising. Most disappointingly, charities' weakest areas were talking about their performance in relation to their plans and missions (43%) and about the outcomes of their work (41%).

Strengths and weaknesses

While the scores for charities' reporting tell us something about general trends, we can learn more by digging into the detail of the strengths and weaknesses within these reports. The following sections identify some examples of good practice, and pitfalls to avoid.

The examples that are used over the following pages show good practice in aspects of addressing the important questions—we do not necessarily advocate them as comprehensive examples of how to address all aspects of these questions.

What is the problem you are trying to address?

For any reader of a charity's reports, it is important for its work to be set in the context of the problem it is trying to tackle. This means telling the reader what the problem is, who it affects, how many it affects, and what its impact is on those affected.

For example, if a charity is trying to eradicate a preventable illness, we need to know how many people suffer from the illness, what proportion of cases are preventable, and what damage the illness causes to those affected.

Example of
good practice

Diabetes UK gives us a great example of how to communicate the problem it tackles in its [2009 annual report](#) and [2008 impact report](#). Within the first few pages of both reports, readers learn how many people have diabetes, what its impact is on people's lives, what it costs the NHS, and what the charity aims to do through its work.

Diabetes is one of the biggest health challenges facing the UK today. More than 2.6 million people in the country are living with diabetes – and with an estimated 400 new diagnoses made every day, it is projected that this number will rise to four million by 2025. Those who live with the condition may face an immense range of complications – including cardiovascular disease, strokes, blindness, kidney disease and amputations – though many of them are preventable. It costs the NHS nearly £10bn a year – approximately 10 per cent of its total budget – to treat diabetes and its related medical conditions.

Creating a bigger impact on peo

At Diabetes UK we are constantly working to deliver demonstrable improvements to the lives of all people living with diabetes.

Diabetes, whether Type 1 or 2, is serious. It causes more deaths than breast and prostate cancer combined. The costs to people's quality of life, the economy, society and the NHS are already alarmingly high and rising.

Our work in raising awareness, education, influencing policy change and quality of care, plus funding research, has led to many significant achievements over the past 75 years.

All of these activities are, and will continue to be, vital but in themselves we know they are not enough. Not only do we want to have an impact on availability, quality and accessibility of healthcare provision, but also uptake. And uptake really must make a difference to people's lives.

We are not commissioners or providers of healthcare: that role remains with NHS and healthcare professionals. But we must continue to find new and better ways of working with them and delivering impact through them if we are to achieve our mission. It will be a challenge but going forward, demonstrable improvement to people's lives will be the measure of our success.

So how big an impact are we making?

We know that our information and education needs to reach more people. Assessing our performance against the volume of information and education we make available – regardless of quality – is clearly not enough. In future, our success will be determined by the extent to which patients and healthcare professionals receive and use our current and new services to improve quality of care and life.

Later in its impact report, Diabetes UK showed readers that the number of recipients of its information was 44% of the total number diagnosed with diabetes. This does not tell readers anything about the results of people receiving the charity's information, but it does give a sense of the proportion of the problem it is able to address.

Disappointingly, few charities we surveyed explained the problems they address as clearly as Diabetes UK. **Only 65% of the charities we analysed clearly communicated the nature, scale and impact of the problem they were addressing.** We also found that charities rarely communicated what proportion of the total problem they were dealing with, for example saying that the problem affected one million people in the UK, and the charity is able to help only 25% of them. Even where charities were quite explicit about the scale of the problem, they generally did not tell us what proportion they could address.

We can only speculate why charities often fail to describe the problem that they are addressing. It could be because they do not have the data to define the scale of the issue, but that would suggest a worrying lack of strategic planning—how can you tackle a problem unless you know how big it is? Perhaps the most likely explanation is that charities assume a level of understanding on behalf of readers that they should not. Some of the worst examples among the charity reports we analysed suggested that this was the case—they appeared to assume the reader knew a lot about the problem. For example, a charity working with disabled people described its activities in great detail but failed to communicate the issues that these activities aimed to address, leaving the reader to fill in the gaps from their own knowledge and experience.

What do you do to address it?

Once they have described the problem they are tackling, charities need to clearly explain exactly what they do to create social impact and improve people's lives. This means providing a coherent narrative spanning mission and vision, through to a breakdown of activities. In other words, a charity must explain what it does and what that is supposed to achieve.

For example, if a charity aims to improve young people's lives, what does it actually do to improve them? What are its activities, and how does it help young people through them?

Most of the charities we looked at were good at communicating what they do. This is, after all, the foundation of charities' communications on a number of fronts—to regulators, donors, and beneficiaries. The narrative (non-financial) section of a charity's annual report is supposed to provide the reader with a coherent picture of the organisation's work and commentary on the financial information in the accounts. Charities' reports and websites often start by describing what they do as they know this is of interest to most readers, for example most charities' websites feature a prominent tab titled 'What we do'.

Almost all (93%) of the charities we studied provided a coherent overview of their activities and related them to their mission and purpose. Most of them (93%) also gave a clear statement of their charitable purpose and described the changes they sought to bring about. And 90% provided a clear description of their outputs in their public reports.

Many of the charities' reports we looked at contained examples of good practice in talking about what they do. Common good practices were:

- a breakdown of activities into main categories;
- a clear graphical breakdown of activities and spending on them; and
- commentary on main activities including numbers of beneficiaries in each.

Example of good practice

Guide Dogs is a good example of a charity that communicates its activities well, as seen in its [2009 annual report and accounts](#). The charity breaks its work into main activity areas: the guide dog service, vision support services, policy, campaigns, fundraising, and research. Under these headings it gives a description of what the charity does, information about how many people it has worked with in each area and what has been delivered, as well as financial information.

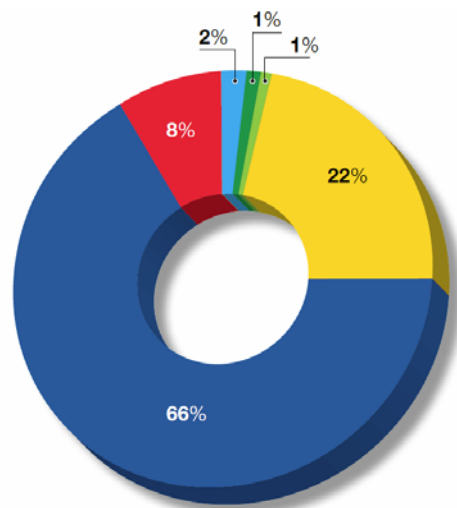
Providing the guide dog service is at the centre of what we do; it is one of our main services to blind and partially sighted people to give them independence and mobility.

In 2009:

- We organised over 11,300 home visits to clients.
- We trained 762 people with a guide dog.
- We welcomed over 250 new guide dog owners.

How we spend our money

- Provision of guide dogs
- Cost of generating income
- Advocacy
- Governance costs
- Provision of visual impairment support services
- Research



Although the vast majority of the charities we looked at communicated their activities well, there were still examples of worryingly poor practice. Common pitfalls included:

- giving a number of 'people reached' by the organisation, without any detailed breakdown across its main activities;
- not giving a clear breakdown of activities and spending across main activities; and
- not showing how activities contributed to mission and purpose, or focusing on internal/supporting activities rather than mission-related work.

It is particularly important for large charities to avoid these pitfalls, because their size means that they generally have a significant range of work to explain, and have a particular responsibility to help readers of their reports understand how their work fits together into a coherent whole. One of the worst examples we found was a household name charity that failed to break down its charitable expenditure or describe its activities in relation to any coherent breakdown. In its annual review, it stated how many beneficiaries it reached but gave no detail below the headline number, and focused much of the review on internal activities and objectives. This is a real shame, as readers would struggle to gain a coherent picture of the organisation from this report.

What are you achieving?

A charity's results—the changes its work brings about in people's lives—should be central to its reporting. This should start with talking about what is produced or delivered (outputs) but must go further, to describe what is actually achieved for its beneficiaries (outcomes and impact).

The most successful charity reports we evaluated were excellent at both describing the outcomes of their work and connecting outputs with outcomes. In other words, they told readers both what tangible products their work delivers (eg, training sessions, hours of counselling, people receiving advice), as well as what those outputs achieve (eg, improved skills, increased self-esteem, better informed people able to exercise their rights).

Example of
good practice

WRVS is an example of a charity that takes reporting on its achievements seriously, as its landmark [2008 social impact report](#) shows.



WRVS's impact report shows how a charity can clearly communicate what it is achieving, once it invests in measuring its results. Against its primary goal, 'to help older people get more out of life by providing practical support', it describes the main changes its work achieves in terms of quantified improvements in people's lives. These are measured changes, based on surveying WRVS's beneficiaries. The way WRVS communicates its results allows the reader to draw a clear thread through the problem that is being addressed, what WRVS does, and what change that creates against the original problem.

Successful communication of outcomes is often down to whether the charity can answer the 'so what?' question. For example, if a charity runs an after school program for children whose parents are working, so what? Who does this benefit and how? What would happen to these children without the program? Most of these 'so what?' questions have simple (maybe even obvious) answers. However, in order to effectively communicate impact, charities must critically examine their outputs, identify their outcomes, and demonstrate the link between the two to donors and to potential beneficiaries of the organisation.

We found that **while most charities (90%) were thorough and comprehensive in presenting the outputs of their organisation, only 41% explained their outcomes and connected these outcomes to their outputs.** More than two thirds (70%) did not even include statements of an intent to evaluate or measure their outcomes.

There are a number of reasons why charities may not be communicating their results in their public reports. They may routinely measure the outputs of their work, but not yet systematically

capture their outcomes. They may have data on their outcomes, but believe that the best way to communicate impact is through individual stories about beneficiaries.

In the worst cases, some of the charities we analysed failed to describe their results at all in terms of changes to the lives of their beneficiaries. But on the whole, there was some attempt to communicate what the charity was achieving, but it was often far from comprehensive or convincing. Common weaknesses we found included:

- scattering statements about outcomes haphazardly throughout reports, with gaps where some activities' results are not described at all;
- leaving the reader to draw conclusions about overall results from case studies; and
- focusing on internal, organisational achievements.

Our overall assessment is that charities are currently much less systematic about communicating their outcomes than they are about their outputs.

Talking about non-mission-related achievements

One of the most common and frustrating aspects of the reports we studied was their tendency to talk about achievements that related to the charity as an organisation, rather than to its mission or beneficiaries. While such achievements are of primary importance to those working within the charity, they are of much less interest to stakeholders who want to know whether the organisation is effective and efficient. Only if these organisational achievements are followed by answers to 'so what?' questions can the reader gain a sense of how they are important to beneficiaries' lives.

Some of the most frequently cited achievements that were not mission-related were:

- increasing fundraising income;
- increasing awareness of the charity and its brand;
- opening new branches, projects and locations;
- reducing costs; and
- reducing carbon emissions and environmental impact.

It may be important to manage such factors, and vital to trustee boards and management teams to report on them. In addition, some aspects like environmental impact are now expected to be reported on by large organisations. But the reader gains little from charities focusing on such non-mission-related achievements at the expense of reporting their impact on people's lives, unless they are directly linked back to the charity's mission and social impact.

How do you know what you are achieving?

To effectively communicate impact, charities must provide evidence to back up claims of produced outcomes. And those charities that take their effectiveness most seriously will go further than this, and explain their approach to measuring their impact in order to engage stakeholders. Even if most readers of charities' reports will not seek detailed evidence of impact, knowing it is there is vital to building relationships with donors that are based on honesty and trust.

Example of
good practice

A good example of talking about evidence and outcomes is provided by Children with Leukaemia in its [2009 annual report](#). This describes the core work of the charity—funding research—and talks in some detail about both the findings of research it has funded and the clinical trials involved. Using commentary from the researchers themselves, the charity manages to explain what is a complicated research process in an engaging way, that leaves the reader with a good understanding of what the research has achieved and what evidence has been captured through it.

How does MRD testing work?

Dr Jerry Hancock heads the team in the Bristol Genetics Laboratory where the technology was developed. Bristol is one of the four UK laboratories now responsible for measuring MRD in samples collected from children with leukaemia.

Dr Hancock explains how the process works:

"When leukaemia is suspected we get sent a diagnostic sample to confirm the diagnosis. We then process the sample and extract on average 100 million cells.

"The first stage of the process is to separate the leukaemic cells from the rest of the bone marrow sample. The DNA from these cells is then used to identify the genetic fingerprint that is used for the MRD test. The genetic fingerprint is important because that's what we use as the MRD marker. Each patient's leukaemia has its own unique genetic fingerprint. That's what we need to decode.

"Clinicians will send us a new bone marrow sample for each child after 28 days of therapy. We use a 'molecular photocopier' to quantify the amount of



residual disease present in each patient. This shows how well the child has responded to treatment."

The results are turned round very quickly and reported back to the child's doctor so that they can decide on the best course of treatment.

Dr Nick Goulden is a Consultant Paediatric Haematologist at Great Ormond Street Hospital, one of the world's leading centres for the treatment of childhood leukaemia. Dr Goulden treats hundreds of leukaemic children every year and has been



Dr Nick Goulden

involved in the development of MRD testing since it was first initiated, some 20 years ago. He picks up the story:

"If, at the end of the first month of treatment, the MRD level is low or negative then most of those children will be cured – probably more than 95%. This is the group of children that we are beginning to be able to show can have their treatment reduced.

"When you're treating children, the most important thing is to do as little harm as possible. Chemotherapy does have side effects - both in the short-term and, just as important, in the long-term. Anything that allows us to get the same cure rates but reduce toxicity has to be a good thing."

MRD testing was introduced into the treatment regime for ALL in UK ALL 2003, the national clinical trial for ALL that ended in 2009. The trial proved that if intensity of treatment is adjusted based on each child's MRD response, the outcome for patients is substantially improved. The trial was so successful that the NHS has now adopted MRD testing as part of the standard treatment regime for children with ALL. It is thought that this innovation may drive the survival rate for childhood ALL above 90%.

CHILDREN with LEUKAEMIA has invested more than £3 million in this ground-breaking work.

Beyond this example of good practice, we found that charities use a number of types of evidence to back up statements about their impact. Most commonly, qualitative data is produced in the form of case studies that demonstrate an outcome. Higher quality evidence, such as larger scale evaluations, is rare but highly effective in communicating impact.

We found that the majority of charities in our study failed to provide evidence in their reporting to back up their results. **Only 35% of reports contained appropriate evidence to support charities' outcomes. None of the reports¹ were judged to supply the reader with high-quality evidence** (defined as including the methodology, scale and results of study).

One of the most striking aspects of how charities communicate what they achieve is their reliance on case studies. It is not surprising that case studies should be a primary mechanism to illustrate outcomes to potential donors—human stories are often the most compelling way of getting across a real sense of a charity's impact on its beneficiaries. But it is striking that a single case study is often used as the only evidence of impact for a whole project, programme or even charity.

While case studies are tremendously important to illustrate charities' impact at a human level, they are insufficient for communicating impact comprehensively. To borrow the maxim of a US evaluator, charities need to ensure that they use 'No numbers without stories; no stories without numbers'. In other words, charities need to report either the effects of their work on a representative sample of beneficiaries, or else report the effects for everyone they work with. Case studies on their own are like thank you letters—while it is always heartening to see how

¹ Apart from WRVS, whose reporting was judged to include high-quality evidence, but which has been excluded from the scoring analysis in this study.

much one person has benefited from a charity's work, what we want to know is how much the charity's beneficiaries as a whole have been helped.

Common problems we found in this area included:

- providing no evidence at all to support statements about outcomes;
- providing insufficient evidence, such as a case study; and
- providing evidence haphazardly, ie, for only some activities or outcomes.

What are you learning, and how can you improve?

Assuming that a charity communicates the problem it tackles, what it does, what it achieves and how it knows, what the informed donor really needs to know is what the charity does with all that information. After all, clarity about goals and achievements is most important for the charity itself, not the donor, so it can learn about and improve its work. The final aspect for charities to communicate, then, is how they respond to what they learn about their work, and continuously improve in order to meet their long-term goals.

Example of good practice

A good example of reporting on performance at the organisational level (with some degree of reporting on progress against long-term strategic goals) is provided by Marie Curie Cancer Care's [2009 impact report](#).

Marie Curie's report follows best practice in laying out its performance against its plans. Beneath the high-level goal of improved care and choice at the end of people's lives, the charity lists specific aims and its targets for this year. It then provides an assessment of its performance against these targets. The following example shows policy changes and new funding have been achieved to contribute to better outcomes for people who are dying.

We will campaign for patients and communities experiencing inequity in end of life care and lack of choice in place of care and place of death.

Three year aim 2008/11

- We will work together with commissioners to achieve a 10% reduction in hospital deaths nationally for cancer patients.
- The amount of government funding available for all end of life care in Scotland, Northern Ireland, Wales and England will be increased.

Target 2008/09

- We will ensure that Marie Curie is engaged in all relevant developments affecting end of life care.
- We will campaign to increase the amount of government funding available for end of life care in England, Scotland, Wales and Northern Ireland.

Achievement 2008/09

- ☺ We contributed significantly to the development of the *End of Life Care Strategy for England* published by the Department of Health. We contributed to the *Living and Dying Well* strategy and the *National Plan for Palliative Care* published by NHS Scotland. We also influenced the *Report of the End of Life Implementation Board* in Wales.
- ☺ The Department of Health strategy included additional funding of £286 million. Around £3 million has been allocated in both Scotland and Wales.

Comment

This year has seen major announcements in each of the four UK countries, and Marie Curie has been influential in this work.

The End of Life Care Strategy for England was announced with significant additional funds although it was disappointing that these funds were not ring-fenced within Primary Care Trust budgets.



While Marie Curie's impact report shows its high-level strategic goals over a three year period (10% reduction in hospital deaths) it does not report back on progress towards them, presumably intending to do so at the end of that period in 2011. But in general, the charity

reports we analysed did not join the dots between what they knew their work had directly achieved and the overall goals they wanted to achieve in the longer-term.

Across our study, we found that only 43% of charities were communicating clearly what they were achieving against their plans. Less than half (45%) talked about what they were learning and improving, or mentioned challenges or failures they had encountered and how they were learning from them.

In the area of performance and reporting against plans and targets, the most common weaknesses we found were:

- failing to state any concrete or measurable objectives or indicators;
- focusing on internal or non-mission-related objectives;
- failing to talk about challenges and problems faced; and
- not relating performance to progress against ultimate goals.

Confronting challenges

In order to build relationships with stakeholders that are based on trust and a perception of integrity, charities need to be more open about the problems they face. Very few of the reports we read discussed aims that had not been achieved or problems that had been encountered during the year. Being open about challenges and problems presents an image of integrity and transparency to the informed donor, and is vital for effective charities that are committed to maximising their impact.

Example of good practice

An example of a charity confronting problems is WRVS, which in its [2008 impact report](#) was brave enough to publish how its services had been scored by a combination of service users, volunteers, management and other stakeholders. These ratings showed that some services were highly valued, and that others had more questionable benefit. Being this clear about variation in the performance of different services will naturally lead readers to ask what should be done about the services with lower performance, but show the charity's fundamental commitment to transparency.

How we assessed our overall impact

Each service was ranked using a points system, shown below.

60 points	the people who use our services emotional, tangible/practical and process benefits
20 points	volunteers as agents of service delivery and beneficiaries of WRVS activity
20 points	financial does the project break-even?
10 points	commissioners and opinion formers their viewpoints
10 points	operating environment adequate resources to do the job (volunteers, clear expectations and WRVS management support)

The table shows how each of the services scored. The score out of 120 is calculated as a percentage.

Service	Score
Country Cars	82%
Fife Home Support and Good Neighbours	81%
Salford Royal NHS Foundation Trust hospital services	73%
Pembrokeshire Meals on Wheels	71%
Hastings Community Centre	45%

Marie Curie Cancer Care also demonstrated good practice in clearly setting out which objectives had been met and which had not, or had only partially been met. However, more

than half of the charities in our study were not so forthcoming about challenges and problems. One example of confronting challenges head on is described below in Box 1.

Box 1: Fifteen

Jamie Oliver's social enterprise, Fifteen, published a refreshingly candid 'warts-and-all' self-commissioned report on its performance back in 2008. The report highlighted that the apprenticeship scheme linked to Oliver's restaurant—which trains young people from deprived backgrounds to work as chefs—was not without its flaws.

Fifteen acknowledged that some students did not receive enough personal support to successfully 'graduate', and others were recruited on social eligibility rather than any real desire to be a chef—they therefore lacked the sticking power to succeed. As former director Liam Black wrote at the time, *'This is not a typical annual report or PR document, it is a warts-and-all look into the guts of Fifteen, celebrating what's great about this place but acknowledging too when and how we have missed the mark.'* The social enterprise, which aims to give its recruits a trade, a sense of purpose and a positive social network, has since drawn up a new plan of action to target these shortcomings.

By critically evaluating their own work, charities can ensure that they are operating as efficiently and effectively as they can. Fifteen may have had some difficulties in the past, but by learning from its mistakes, it can fix them and look to the future.

Progress towards ultimate goals

Ultimately, charities' reporting on performance against their plans should tell the reader whether they are moving closer to their strategic, long-term goals. These goals might be to eradicate child poverty in the UK, preventable blindness in Asia, to improve vulnerable young people's life chances through mentoring, or to end the detention of child refugees.

These macro-level goals are generally only achieved over significant periods of time, and involve contributions from many actors—charities, politicians, businesses and individuals. When charities report on their performance, therefore, it is logical that they focus on more micro-level goals against which they can chart progress and their contribution more precisely.

Charities measure success in many different ways. One thing is true of all these approaches to measurement: in order to have a coherent strategy and make an impact, charities must have targets and indicators which help them to measure progress. Disclosure of these numerical objectives not only gives the charity attainable goals but also reveals to potential donors an effort to make a concrete and measurable difference.

It is surprising that **we did not find any examples of good practice in our study, in terms of charities reporting on progress against their overall long-term strategic goals.** Even the best examples of reporting on performance focus on their achievements at an organisation level, without relating this back to whether the overall problem they aim to tackle is improving, getting worse or staying the same.

3. Taking the next step

Communicating what matters

We believe that by focusing on the five main questions highlighted in this report, charities can better communicate the impact of their work. The list below aims to give charities a clearer understanding of the detail they should include.

What is the problem we are trying to address?

- Discuss the need or problem that your charity is looking to address and quantify the scale of the problem and the demand for its services.

What do we do to address it?

- Include a clear, stated purpose that addresses what changes will be brought about by the charity's activities.
- Give a coherent overview and breakdown of activities that paint an overall picture of your charity, informing potential donors and beneficiaries of exactly what your charity does, and how many people these activities work with.

What are we achieving?

- Provide a clear description of the charity's outputs and outcomes for the year.
- Connect your charity's activities and services to outcomes, and describe its impact in relation to the problems its aims to address and the people the charity helps.

How do we know what we are achieving?

- Show that you recognise the importance of evaluation, assessing and determining impact, and explain clearly your approach to measurement and outcomes.
- Use appropriate evidence, and where possible high quality evidence,¹ to support these measurements.

What are we learning, and how can we improve?

- Explain how the current year's achievements compare to what was planned for the year, disclosing the targets and indicators your charity uses to measure its success.
- Include any references to problems your charity has experienced during the year, as this reveals your organisation is willing to identify challenges and formulate a strategy for confronting them.
- Where possible, relate your achievements over the year to your overall strategic objectives, and progress towards your eventual goals.

¹ We define high quality evidence as the presentation of a study's results along with the methodology used and the scale of the study.

Communicating effectively

As well as telling people what they need to know, it makes sense to apply the principles of good communication when trying to get your message across. These basic principles may seem clichéd, but they are often overlooked in reporting, perhaps because it is traditionally driven from a compliance perspective first, with the main audiences being seen as regulators, then accountants, then eventually less closely involved readers such as potential donors.

Think about your audience

Be clear about your target audience and adapt your communications strategy accordingly. Is it foundations, informed donors, the general public, policy makers or service users?

Drawing up a communications plan to define your audience—or making proper use of it if you have one already—can help you determine the most effective ways to communicate your impact. An effective communications strategy will also highlight whether you are collecting the right data in the first place. For example, information on the financial benefits generated by your services may be interesting to public funders. Other donors may be more interested in the social value your work creates. Box 2 shows an example of how the charity CAADA tailors its messages on impact to different audiences, separating out the cost savings it generates for criminal justice, police and health services.

The number of different audiences charities have to connect with is challenging, and this is one reason why some charities now produce an impact report alongside their annual review. The annual review typically has more of a fundraising slant, whereas the impact report allows the charity to go into more detail about how it measures and understands its results.

Think about the different knowledge levels of your audience. For example, individual donors may know less about the charity sector and the issues you are addressing than grant-makers. Remember that donors can only base their decisions on the information you give them. So if you focus on communicating information on administration costs and how your money is spent, rather than on the results you achieve, then donors will also focus on the former rather than the latter.

Make information about impact accessible

Although not all people will want the sort of information about your charity discussed in this paper, if those that do cannot find it easily then you cannot start a dialogue with them. Many of the charities whose reports and websites we studied currently make it hard to find their annual reports, impact reports and annual reviews. Although there is competition for prominence on the home page, best practice guidance about transparency and common sense suggests that the annual report should be easy to find, and no more than three clicks from the home page.

This is not just about presenting your information about impact in a way that is easy to find, it is also about ensuring that you choose ways to communicate and articulate your impact that are appealing and interesting. Most charities realise the benefits of including case studies as a way of bringing stories about impact to life. But also think about combining them with data—clear, easy to interpret graphs, diagrams and statistics—as a way of helping to put results in context. For example, the charity CAADA, whose work is described in Box 2, combined a piece of economic analysis with case studies of the women they have helped—putting a face to the numbers.

Box 2: Co-ordinated Action Against Domestic Abuse (CAADA)

CAADA is a national charity that builds professional advocacy services in the domestic violence sector. It helped to develop a partnership model of supporting high-risk victims called MARACs (Multi-Agency Risk Assessment Conferences) that bring together agencies to make sure no abuse victims fall through the cracks.

CAADA knew that MARACS were effective in preventing further abuse and that this had cost-saving implications for statutory agencies. It decided to produce a cost-benefit analysis to provide the hard evidence required to demonstrate the value of MARACS.

Before carrying out the analysis, CAADA considered how it wanted the findings to be disseminated. CAADA found it helpful to know ahead of time for example, that the report would be sent to local agencies, as the return to the police and other agencies was then built into the analysis from the beginning.

To create maximum impact with its results, CAADA broke down the cost savings to different agencies in its final report. This allowed it to demonstrate that the return generated by MARACS for the criminal justice service was 1,109%, for the police 550%, and for the health service 533%. CAADA was then able to draw out these individual figures in its targeted communications. A representative from CAADA says that the charity has been *'overwhelmed by local professionals across the country who have used the report to go to their managers and say, "You know, I really need time to do this work."'*

There are also a variety of measurement techniques that can deliver very powerful communications messages for different audiences. For example, a Social Return On Investment analysis outlining the perceived social value created for every £1 spent by a charity may work well for financially focused audiences, a measured change in the well-being of beneficiaries may be a more meaningful indicator for other audiences, and a compelling case study set in the context of data on a charity's overall impact across all its beneficiaries may work best in other cases.

Use all the data you have

Many charities find that they struggle to communicate their impact because they think they do not have enough data to work with. Other charities think that the data they do have is not interesting or relevant to external audiences. But we have found that many charities are actually sitting on more impressive data than they realise, but simply need to spend some time analysing and reflecting on it, or they need help interpreting it.

Getting started

There are a number of resources for those wanting to improve how they communicate their results—we mention just a few to get started:

- **NPC seminars and training:** [forthcoming events](#)
- **ImpACT Coalition:** [Transparency Manifesto](#) and [ImpACT Toolkit](#)
- **Charity Finance Directors' Group:** [forthcoming survey](#) on impact reporting in conjunction with Cass Business School
- **Charity Commission:** [forthcoming guidance](#) on performance reporting
- **NPC services:** including [reviewing charities' reporting & measurement](#)
- **In the US:** Charity Navigator is developing a rating approach to encompass how nonprofits communicate their results. NPC's and [Charity Navigator's efforts](#) in this field are mutually reinforcing, and we aim to harmonise our questions and criteria as much as possible, and learn collaboratively as we develop and deploy our approaches.

4. Conclusions

If charities today are to compete for the dwindling financial resources that are available to them, they have to be able to demonstrate the results their work achieves.

Yet in our review of the public reporting of 20 of the top 100 UK fundraising charities, we found that although charities say they are aware of the importance of talking about their results, this is not yet mirrored in reality.

While there are areas of good practice, such as charities describing what they do, and explaining their mission and purpose, most of the charities we reviewed are failing to communicate what they achieve. This includes large charities with significant resources to devote to the challenge of good reporting. Most are not presenting evidence to prove their impact. And the majority of charities are not yet showing how their achievements meet their plans and long-term goals.

Charities that do not clearly communicate their impact run the risk of falling short in an increasingly competitive sector. They will not attract the donors, commissioners, or foundations that may be critical to their future fortunes. And they risk losing the public's trust as other charities become more transparent.

Despite this critical assessment, we believe that charities can quickly improve how they talk about results. Rather than starting from a focus on regulatory compliance, we suggest that charities start by focusing instead on answering five key questions highlighted in this report, on identifying the audiences they need to communicate with, and on making the most of the data they have. Doing so will create a richer way of engaging and inspiring donors.

This paper has only scratched the surface of how charities communicate their work. There is more to be explored on the links between a charity's transparency and its impact; the story of how New Philanthropy Capital and Intelligent Giving merged and subsequently developed their approaches to transparency and effectiveness; and on how charities' reporting can be improved in areas other than results. NPC will return to these subjects in [a future paper](#).

Appendix: Methodology

Sample of charities

We created a random sample of 20 of the top 100 UK fundraising charities, defined by voluntary income from the Charity Commission Register of Charities. We removed from this sample organisations whose primary activity is grant-making, in order to focus our research on operational charities.

The random sample comprised:

- Action for Blind People
- Action for Children
- Alzheimer's Society
- Barnardo's
- Children with Leukaemia
- Children's Society
- CLIC Sargent
- Diabetes UK
- Guide Dogs
- Leonard Cheshire
- Marie Curie Cancer Care
- Motor Neurone Disease Association
- NSPCC
- Parkinson's UK
- Royal British Legion
- Salvation Army
- Scope
- Sue Ryder Care
- The Tennis Foundation
- Youth Sport Trust

In addition to the random sample, we included the charity WRVS in our study, because it is frequently used (by NPC and others) as an example of good impact reporting by charities and we wanted to test our existing judgements and perceptions of its reporting against the analytical framework we were using.

Although we included WRVS in the study as a whole, we did not include its scores for quality of reporting in the numerical analysis, as we did not want to skew the results.

Review methodology

For each charity reviewed, we restricted the materials we considered to its latest annual report and accounts, annual review, impact report and website.

When reviewing information on the website, we followed existing guidance on the accessibility of important information, and only reviewed relevant material that we could locate in a brief search of the site. This meant that we only reviewed material about a charity's results on its website if we could find it within five minutes of exploring the site, using its own navigation links and search facility.

The review methodology has been developed as part of NPC's merger with Intelligent Giving, a charity website that reviewed charities' public reports and rated them with a quality of reporting score. Since our merger, we have focused on extending Intelligent Giving's methodology to focus on how charities report on their results. This was applied to the sample of charities defined above, in order to reach quantitative scores and qualitative judgments about their reporting.

It is worth emphasising that this review looks at how well charities communicate what they achieve, rather than being a judgment of what they achieve.

The review methodology consists of the questions that follow below, which were all answered either 'Yes' or 'No'. Reviewers answered these questions following clear criteria about what was required to achieve a 'Yes'. These criteria are included below in any cases where it is not immediately obvious what would constitute a 'Yes'.

Reviewers carried out an independent assessment of a charity against the criteria. Any instances of borderline judgements were discussed and peer-reviewed.

Each question's response was converted into a numerical score, 'Yes'=1 and 'No'=0. These numerical scores were summed for each category to give a category score, eg, maximum score for Vision and strategy = 1 + 1 + 1 = 3. Numerical scores were summed for each charity to give a total score.

Data are presented in this paper based on the following analysis:

- Category scores: shown in Figure 2 and throughout the paper's text, these are derived from averages across all 20 charities of each charity's category score.
- Total scores: shown in Figure 1, these are derived from total scores of each charity.

Review questions

Vision and strategy

Does the annual report contain a mission statement?

Is the mission statement clear?

Does the mission statement address the changes (outcomes) the charity hopes to achieve?

- If the mission statement focuses on what the charity does instead of what it hopes to achieve, it is awarded a 'No'.

Problem and need

Is there a clear statement and discussion of the problem the charity aims to address?

- To select 'Yes', reports must give a reasonable idea of the problem the charity is working to address, including what it is, its scale, and impact on those affected.
- This discussion may be located in a dedicated section of the report, or it may be scattered throughout. Extensive detail is not necessary but overall the reports should give a sense of why the charity is doing what it is doing.

Overview and activities

Is there a breakdown and/or general overview of all the charity's mission-related activities?

- To select 'Yes', reports should give you a good sense of all the mission-related services the charity provides and/or the areas the charity works in.

Does the annual report mainly focus on mission-related activities?

- To select 'Yes', the majority of the discussion of the charity's activities should focus on work it does to achieve its mission statement. Discussion of internal goals—eg, reducing the charity's environmental impact or restructuring the fundraising team—are acceptable so long as they represent less than half of the discussion.

Outputs

Is there a clear description of the charity's mission-related outputs for the year?

- For a 'Yes', reports must give a clear idea of what the charity has done this year and where it has done it, meeting these conditions:
 - The majority of outputs relate to the charity's mission-related activities.
 - The outputs relate to the majority of the charity's mission-related activities or to the majority of the charity's expenditure.

Outcomes

Is there a general statement of intent about the charity's approach to outcomes measurement?

Is there a discussion of demand for the charity's services?

- Reports should disclose numbers of beneficiaries taking up/using the charity's services.
- There should be at least some breakdown of how many people have used different services. Figures are not necessary for every output, but should give a sense of the demand for the charity's services overall.
- If the charity admits it does not know how many people use its services, award 'Yes'.

Is there a clear description of the outcomes achieved by the charity in the year?

- Reports should include a description of the outcomes the charity has achieved for its beneficiaries. Outcomes might be presented as statements, or via case studies and beneficiary feedback.
- Award 'Yes' only if:
 - Outcomes are given for the majority of the charity's activities; or
 - Outcomes are given for fewer than half of activities but these represent more than 50% of total expenditure.
- If the charity admits it does not know what its outcomes are, award 'Yes'.

Is there sufficient evidence to support these outcomes?

- Automatically award 'No' if 'No' was awarded for the previous question.
- Ideally each outcome will be directly linked to a piece of evidence to support it. But select 'Yes' if the evidence provided is broadly proportionate to the outcomes disclosed, ie, the number of outcomes should be roughly similar to the number of items of evidence.
- The evidence provided can be either low-level or high-quality (see next question)—both constitute sufficient evidence.
- Low-level evidence includes:
 - beneficiary feedback;
 - case studies;
 - external recognition (from other charities, experts, or decision makers etc.);
 - anecdotes;
 - a statement that an evaluation has taken place;
 - analysis (such as economic analysis);
 - an explanation of how the charity has changed its practices as a result of findings.

Is high-quality evidence (includes scale, methodology and results) used to support these outcomes?

- High quality evidence must include details of the methodology that was used and the results of the study. At a minimum this requires disclosure and discussion of:
 - The scale of the study, eg, how many people did they speak to?
 - The method used, eg, a survey or interviews.
 - The results themselves.
- If the outcome is a result of indirect or campaigning work, reports should provide a robust explanation of how it has attributed the outcome to its work.

Performance**Does the annual report explain how this year's outputs and outcomes compare to what was planned for the year?**

- If reports contains plans, select 'Yes' if:
 - The majority relate to the charity's mission-related activities.
 - They are specific to the year being reviewed.
 - The majority of plans are matched to either an output or outcome in the year.

Is there a clear description of the targets and indicators the charity uses to measure its success?

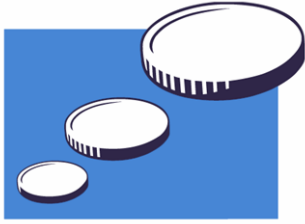
- Reports must provide at least one example in which performance targets have been set, and reveal whether this target has been met.
- If there are no examples of targets and related performance, select 'No'.
- If targets have been set, select 'Yes' if:
 - The target and the performance measures are given as a figure.
 - The target relates to the charity's mission-related activities.
 - It is specific for this year.

Is there any discussion of problems the charity experienced during the year?

- Reports should discuss:
 - Something that went wrong or didn't go as expected;
 - Where the charity changed something that wasn't working; or
 - The charity revealing an area of weakness.
- Select 'Yes' if reports:
 - Discuss at least one problem the charity experienced.
 - Missing a target does not by itself count as a target unless it is accompanied by some discussion.
 - Purely financial problems do not count, unless report explains how a financial problem has affected the mission-related work.
 - The problem relates to the charity's mission.

Do the charity's reports as a whole give you a sense of its progress towards its mission?

- Award 'Yes' if reports collectively give a sense of how the outputs and outcomes described will help achieve the mission statement.
- Ideally there should be a coherent narrative and link between mission, outputs, outcomes and achieving the mission. This does not need to be explicitly drawn out, but reports should give an overall impression as to how the outputs, outcomes and mission statement fit together.



New Philanthropy Capital

New Philanthropy Capital (NPC) is a consultancy and think tank 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**, this 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.

New Philanthropy Capital

3 Downstream 1 London Bridge London SE1 9BG

t: +44 (0)20 7785 6300 **f:** +44 (0)20 7785 6302

w: www.philanthropycapital.org **e:** info@philanthropycapital.org

A company limited by guarantee. Registered in England and Wales No. 4244715.
Registered charity number 1091450.

New Philanthropy Capital © All rights reserved