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Good morning, I'm delighted to be here to talk about impact measurement. I am here both to evangelise and to sound a warning. Because while I think we need impact measurement if we are to deliver the promise of the social sector, if we carry on the way we are, we'll probably never get there.

Before I start, I'd like to tell you a bit about myself to give you an idea of where I'm coming from. First off, I'm a geek, and I'm proud! I grew up fascinated by science and engineering—I wanted to know how things worked, to take them apart and put them back together again. I spent half my time buried in Lego, building aeroplanes and spaceships. Happily, as a dad, I now spend half my time buried in Lego, building aeroplanes and spaceships...

At university, I became fascinated by the philosophy of science—how we come to know things about the world, and how we use that knowledge to make progress in our theory and practice. After a detour through the worlds of management consulting and dot com firms, I found myself looking for a career in which I could make a difference, and this led me to New Philanthropy Capital—at the time, a charity that offered advice to philanthropists based on research.

So, in 2004 I'd become a social researcher, studying the field of ageing and older people and trying to identify the approaches that could best help improve people's lives. And I found a bunch of contradictions that meant charities, and philanthropists, were not having the impact they should.

Here's an example. I was researching meals-on-wheels delivery services, which charities were often running using volunteers. The volunteers wouldn't just bring the food, they'd spend time with the person in their home, checking they were OK, seeing if there was anything they could do to help, or just providing a bit of human contact.

Then, in the 1980s and 1990s, local governments, which generally funded these services, worked out that they could save money if they changed how these services were delivered. Instead of delivering hot meals every day, why not deliver frozen meals once a week, and give the person a microwave to warm them up? Much more efficient: faster, cheaper. Charities started losing out to private sector providers who ran the whole show like a business.

The problem with all of this was that no-one worked out what older people wanted or needed—otherwise they might have found that the social element of the volunteer's role was as important as the hot meal. Take Alice, who needed someone to change the light bulb in her kitchen so she could see to cook safely. Or John, who after the death of his wife found it so hard to keep on with things that he barely left the house or spoke to a soul in any given week. Or Maureen, who was going without heating in the winter because she couldn't afford it. A volunteer, even in five minutes, can change Alice's light bulb, give John a hug and a bit of a chat, and get someone to come in and help Maureen apply for the benefits she's entitled to.

If only the charities had measured the impact of their volunteer-run meals-on-wheels services, they would have been able to lobby the councils when they started shifting to the frozen, weekly service. Rather than charities

competing with private providers to deliver the cheapest service, they could have made the case for delivering the best service. And I'm not talking about complex evaluation—I'm talking about asking service users what's important to them in their lives and what they get out of the service, and comparing the two.

I am passionate about impact measurement; in fact, you could say obsessive. Not because I'm a geek and I love the technical detail of it all, but because of the good impact measurement can do for the people we're trying to help. Look at Alice, John and Maureen. Measuring the impact of the volunteer-provided services means telling the stories of what's important to them—a little bit of help around the house, basic human contact when you're feeling isolated, or help making sure you're getting the financial support you deserve.

In other words, impact measurement gives a voice to those who are otherwise not heard. It's about power.

I care passionately about impact measurement because I believe when it's done right, it gives power to the beneficiary. It tells authentic stories about their lives, what they want and need, and what helps them. And power is at the heart of what I want to talk about today—how impact measurement can be used to give power to those the social sector aims to serve, and also how it can be used to take power away and keep it in the hands of vested interests.

I should also say a few words about the organisation I work for—NPC or New Philanthropy Capital. We're a think tank and a consultancy, based in London. We were started 12 years ago by a group of wealthy individuals (partners from Goldman Sachs) who thought that philanthropists needed help—research and advice—to enable them to focus their giving and target effective interventions and organisations. Great idea! But fast forward seven years, and it didn't quite work. Philanthropists had other things on their mind aside from impact, and most charities weren't measuring impact anyway, so we were struggling to work out what the most effective interventions were.

For me, it offered a warning about the way things work (or don't) in the social sector. It was an indication that neither charities nor their funders were seeking to maximise their impact.

Zooming back to the present, realising that the original model wasn't going to work, we set about trying to raise awareness and encourage action around the lack of impact measurement, and then working with charities, social enterprises, funders and investors to help them implement an impact-focussed approach. That, in a nutshell, is what we're working on today.

I want to cover three themes to explore the impact measurement landscape. The first is why charities measure impact, and what we know from research into charities' and funders' practices and attitudes. The second is how the whole sector works once you zoom out from the behaviour of individual charities and funders, and look at them all in aggregate. And finally, the third is to put forward some new ways of doing things that might get round some of the challenges we'll observe in the first two.

## Research on impact practice

First, I'm going to share some data, drawing on research we did last year into the impact practices of a thousand charities and social enterprises, and more recent research with funders, both independent foundations and corporates.

Everyone's talking about impact—that's pretty indisputable.

When I started out in this field ten years ago, there were lots of people who would openly challenge whether you really needed to measure your results to know that your approach worked. I remember many conversations with charity chief execs who essentially said *'look, we know what we're doing, and we don't need some fancy evaluation to tell us what we already know.'*

But that's changed. Today, less than a third of people believe that you don't need impact measurement to know whether your approach is working, and more than three quarters believe that impact measurement makes organisations more effective. Attitudes have changed, and so, apparently, has practice. Three quarters of organisations are putting more effort into measuring impact than they were five years ago. And three quarters are measuring some or all of their work.

You're all here today to talk about impact measurement. Impact's definitely on the map. And yet...

Our research told us something pretty interesting about *why* charities are measuring impact. They're doing it because funders want them to: more than half of all respondents said that funder requirements were the primary motivation behind an increase in impact measurement, more than twice as significant as internal leadership. And only one in twenty said the main reason was to improve services.

A really clear finding: impact measurement is done for funders.

Further research shows that funders are indeed pretty interested in impact: 44% use evidence of impact to shortlist applicants, 33% use it to inform public debate, and overall, 79% say they collect outcomes data from grantees. Nearly 90% of funders believe impact measurement is a critical element of the capability of the organisations they fund. Corporates are even more focussed on impact than independent foundations—the majority say impact is “extremely important” to them, whereas the majority of foundations say it's “somewhat important”.

Charities measure impact because they think funders demand it. And funders increasingly do demand it. So what's the problem? If we go back to the research on charities, we find that although they measure results to keep funders happy, the main benefit is being able to provide a better service. And that's great for those of us in the impact measurement world—measure your results and you can improve them! That's exactly what we want.

But unfortunately, this is only true for a minority: just a quarter say they've improved their services as a result of measuring their impact.

If we think about this for a minute, it shouldn't come as much of a surprise. You approach impact measurement as something that will enable you to jump through funder's hoops, not as something you need to successfully embed in practice or analyse the results of. And consequently, you don't use those results. You collect data that enables you to tick some boxes in an application process, but you don't have a use for that data.

Impact measurement, today, is driven by the desire to prove your impact, not improve it.

## Impact at the sector level

Armed with that knowledge, I want to start exploring what this means for how charities—and the sector—function. Of course, this may not accurately capture your own approach to impact measurement, but this is what we find at the aggregate level.

Let me jump into a comparison between businesses and charities for a moment. Not because I want charities to act like businesses—far from it. But I do have an important point to make here.

If a business creates a good product that people want to buy at the price they sell it, the business will thrive. So there's a direct link between value to the customer and the success of the model. That may seem pretty obvious, but it's a point worth emphasising. By purchasing the product, the customer tells the business that they value it at least as much as the price it's sold at. If the product is not valued by the customer, no-one buys it and the business fails.

But with charities we have something very different. A charity works with people to improve their situation. In general, someone else pays them to do this, and they generally pay them on the basis of a forecast of what value, or impact, they'll provide to the beneficiaries. And in general, a charity can be successful if it can bring in the money—if it can write good fundraising copy and win grants and contracts, pretty much regardless of the impact it actually has on the people it's supposed to help. In other words, businesses have a feedback loop between the customer and their fortunes, and charities don't.

Of course, you can argue that there are models in the social sector where a feedback loop does exist: true social enterprises, where the customer pays for the product and its outcomes; personalised budgets, where the service user chooses and pays for services; and payment by results, where funding is linked to measured outcomes. But these are still very much the exception, not the norm. If funders used evaluation to drive their decision-making—embedding robust impact measurement and an accurate view of beneficiaries' lives—there would be a feedback loop. But they don't—not yet.

Let's look at an example. Does anyone know about Scared Straight programmes? They aim to prevent young people getting into gangs, drugs and crime by taking them to meet convicted offenders in prisons. Pretty popular in the US. It not only doesn't work, research shows it can actually increase the likelihood of young people getting into exactly the behaviours it's trying to prevent. A programme that does harm. Does this stop its fundraising success? Not yet! Despite lots of campaigning from the growing impact movement, it's still going strong.

I could cite numerous ineffective and sometimes harmful charities that are able to raise money, and numerous examples of effective charities that really struggle to get funding. I'm sure you've experienced both types too. Essentially, charities can be successful (in terms of their own finances, sustainability and growth) without having to be successful in delivering on their mission (in terms of the aims they want to achieve). I'd go so far as to argue that an organisation's mission and its sustainability can be in direct conflict with each other. Of course, you need to build an organisation to deliver anything, but after that it creates its own drivers and incentives around keeping it there: growing it, employing people, raising the funding.

There are lots of ways in which this disconnect or tension between mission and sustainability can show itself. It can be seen in charities' fundraising—using techniques that raise money but are in conflict with the organisation's ultimate mission. I saw this in the fundraising images and messages the big ageing charities liked to use. They used pictures of frail, sad, grey, lonely older people because they motivated people to give. But the programmes staff would get frustrated, because they knew that to really improve the lives of older people they needed to help people to view ageing as a positive process, and therefore raise people's expectations of what they'd get out of it and what they should put in.

The tension between mission and sustainability can also be seen in what charities decide to focus on—something often called mission drift. In the refugee sector, I saw lots of examples of charities delivering arts programmes for refugees, not because these programmes had been shown to really benefit refugees, but because arts funding was available. I'm not saying these programmes weren't of great value, but the charities' decision to get into the area was often driven by the money, not by the beneficiary.

And ultimately, the tension between mission and sustainability is hard-wired right into the model of charity itself. If we exist to stamp out a particular problem, there's a perverse incentive for us not to stamp it out (or redefine the problem that we're trying to tackle) once it looks like we're making progress. It's for this reason that organisations themselves are dangerous, and that we, as social change agents, have to remind ourselves to keep them under our control, not the other way round.

But I don't want to suggest we should be completely naïve about this. If I'm a charity chief executive looking at my mission alongside my budget shortfall for this year, I know which one is going to exercise my board most and keep me up at night. It's all very well being focussed on mission, but if we're not here next year, there is no mission.

But I believe that great leadership—or what I call impact leadership—is about holding these two competing forces in balance, and in using a relentless focus on impact to ensure that the organisation is successful at delivering impact first and income second. Impact leadership means: using impact measurement to improve your work, to critically assess your own performance year on year and look for opportunities to change and refine; to being open to change, and using failure as an opportunity to learn, not something to sweep under the carpet; and to searching for the truth about your work, because it's your duty to those you're trying to help.

The alternative is to get caught up in focussing on the money first and impact second, leading to the all too common refrain I hear from chief execs: *'this impact stuff is really important, and we want to make progress, but if I'm honest it isn't the thing keeping me up at night.'*

Too often today, leaders are interested in proving (not improving) impact; essentially, it's a marketing exercise.

## Imagining an anti-social sector

I've talked about why charities (in general) measure impact, and the danger that they're using it to prove themselves, not improve themselves. Now what I'd like to do is to reflect on behaviours that we see in the social sector to see whether there are different alternative interpretations of what's really going on.

Is anyone familiar with the term gestalt switch? That when you look at something, there may be two different ways of seeing it, and your brain basically chooses one of them? Like a wireframe cube—it could be one way round, could be the other. Or the picture of two faces looking at each other, that could also be a vase.

I want you to imagine something very much like that but in the form of a charity.

This charity—let's call it Help the Homeless—a fictional organisation I should add, runs programmes for homeless young people, offering temporary accommodation, support and training to prepare them for long-term tenancies and employment. Let's imagine that we don't know anything about this charity's outcomes—we don't know what happens to people as soon as they've left the programme. But we do know that they all say it's a fantastic programme in their exit survey, they're extremely complimentary about the staff and thoroughly satisfied with the organisation.

On the surface, everything looks pretty good. The staff are happy (they can see the programme's helping people), the board is happy (there's good feedback, and the funding keeps coming in), and the funders are happy (they hear great things about the organisation).

But imagine what really happens to service users once they leave the programme: their improved lives fall to pieces without the continued support of the organisation; they can't maintain a stable tenancy or job because underlying issues persist; that instead they turn up at the doors of Homeless Help, a similar outfit to Help the Homeless.

Now I want to try the gestalt switch thing. What I want us all to do is imagine that Help the Homeless is actually run by people who are much more interested in themselves than their service users. The management want to run a successful organisation, that's well-funded and can justify their healthy salaries. The staff want to feel good about helping other people, but don't feel a need to actually verify whether they really are helping in the long term. The board is more interested in basking in the reflected glory of a successful and growing organisation than it is in challenging the leadership, or getting to grips with what the real impact is for end users. And the funders are quite happy that they've made good grants, and that the organisation gets good feedback from those it works with.

So in the absence of real evidence that tells us what happens to service users after the charity's programme has finished, it's possible that either of these pictures is true. The social sector, in which beneficiaries benefit from the

work of social sector organisations and staff, or what I'm going to call the anti-social sector, where organisations and staff benefit from beneficiaries playing along with their programmes.

This anti-social sector has principles and values that are the opposite of the real social sector. It's built on an upside down principle of public benefit—let's call it private benefit. For all intents and purposes, it looks just like our social sector—with programmes that look like they're there to help combat inequality and deprivation, but everyone working in it is mainly in it for themselves.

So in the anti-social sector, the charities exist for the staff, the board, and the donors—not for the beneficiaries.

Pretty repugnant idea isn't it.

I'm not doing this just because I want to conjure up the worst possible view of charities, but for a reason. I want to see what sort of behaviours we would expect in this upside down world.

Charities exist on behalf of the staff, boards, and funders here, so that's who we'd expect them to be accountable to. We'd expect them to report to all these stakeholders, and to prioritise their needs for information above others. For example, we'd expect reporting to be geared towards the needs of the funders, telling them the sorts of things they wanted to hear. To the giving public, they'd tell good news stories, with lots of happy pictures of smiling beneficiaries, emphasising how little money they spent on overhead costs.

Because there's no need to be accountable to beneficiaries, charities wouldn't put too much effort into measuring impact. And when they did, they'd focus on making sure they were measuring and reporting the things their funders were interested in, not what beneficiaries wanted to know. You could be pretty certain there wouldn't be any effort to actually communicate any of this to beneficiaries, or feed their views into improving or refining programmes.

And because the relationship between charity and funder is the most important relationship in this anti-social sector, we'd expect the charity to protect that relationship aggressively, ensuring that no competitors get a look in. They'd pretend no other organisations existed, or at least that no other organisation was anything like as effective.

Help the Homeless, for example, would ignore the contributions of the outreach programmes that brought people into the shelter in the first place, and the role of the tenancy support organisation that might help a service user transition from the shelter through to stable temporary accommodation—because each funder would be funding each organisation only on its own merits, not on how it delivered anything of value in conjunction with others.

In the anti-social sector, charities would find it incredibly hard to collaborate, and their natural tendency would be to be incredibly competitive. Always trying to emphasise its own uniqueness, an organisation would distance itself from its competitors rather than explore potential synergies. And an organisation's board would reinforce this isolationism—it would see its main duty as stewarding the organisation's future, and therefore maintaining its uniqueness.

You'd never share with your competitors. If you had a way of doing something that you knew worked, you'd guard it from others' prying eyes—it would be your competitive advantage. So there wouldn't be much in the way of sharing data or outcomes frameworks, let alone information on costs.

In this anti-social sector, you'd actually see impact measurement working against the beneficiary. You'd see charities using impact measurement to claim results for their work that overstated their contribution, that didn't take into account what would have happened anyway or the effect of other agencies, or that simply used bad data to make spurious outcome claims.

What about funders' behaviour in the anti-social sector? We'd expect donors to have influence in decision-making, like how the money should be spent. Perhaps donors should decide what chief execs' salaries should be, they'd say, because they're the ones paying the bills, and it's their opinion that matters.

And if donors wanted to get involved in shifting an organisation's priorities, that certainly wouldn't be out of the question. You'd prefer us to work only with children below the age of ten? No problem! You like innovation so you want something that hasn't been done before? No problem!

We might expect to see a high degree of self-interest among funders in the conditions, rules and processes they'd attach to their funding. They might say you can't have two grants from us in a five year period. Or that you can't talk to us about two different funding proposals at once. Or that we won't fund you if your income is over a million pounds. Or that we'll only fund projects, not core costs, so we can ensure we can point to exactly what it is that we've funded.

OK—that's enough. I think you get the point!

## Which sector are we really in?

Let's check those behaviours:

- Reporting and accountability geared towards funders first and foremost? Tick.
- All good news stories, no real substance in impact reporting? Tick.
- Cult of individualism and uniqueness? Tick.
- Competition before collaboration? Tick.
- Sharing data and evidence? Not so much.
- Impact measurement used as a marketing tool? Tick.
- Funders wielding inappropriate influence? Tick.
- Focus on meaningless measures like overheads? Tick.
- Mission drift due to funders' programme conditions? Tick.
- Pointless funding rules designed for the funder, not the charity or beneficiary? Tick.
- Funders seeking genuinely collaborative proposals from charities? Not so much.

I'm not saying that the social sector is actually full of people who are just in it for themselves and don't give a damn about what actually happens to the beneficiary. But I am saying that if all the behaviours you'd expect in our anti-social sector are evident in the real social sector, we'd better start worrying.

Without the evidence of our impact to show that we really are making a difference to the lives of beneficiaries, it really doesn't look good. We can much too easily make the gestalt switch between the social and the anti-social sector.

## What should behaviours look like in the social sector?

I have a habit of depressing everyone. But I try to follow that by cheering everyone up..

What would the social sector look like if everyone was acting as though the beneficiary really were at the centre of the universe, and maximising social impact really was what we're all working towards? And can we do more of that?

We'd be accountable to our beneficiaries above all others. We'd go out of our way to ensure that not only could beneficiaries find out what we'd done and achieved in their name, but that their feedback fed into and informed our revised strategies.

We'd tackle the power inequality in the relationship between funder and funded head on, honestly and without fear. We'd tell funders: here is our vision of a better world (built on what our beneficiaries tell us matters to them); here's how we plan to get there, and this is what we need to deliver. If you're in, on these terms, that's fantastic, thank you. If you're not, no problem. But you don't get a say in this—your desires aren't that important in the end.

We'd be crystal clear about our goals, and seek out others who shared them. We'd be upfront about the fact that none of us can achieve any of our social goals alone. Together, perhaps we can. We'd develop shared strategies, common frameworks, and we'd go out and get them funded. We'd merge like crazy if it got us closer to reaching our goals.

We'd share data. If we found something that worked, we'd make it our mission to get everyone doing it the same way. We'd see plagiarism not only as the greatest type of flattery—it would be our purpose in life to be copied. Our public benefit.

Do you know what we'd look like? We'd look like we were really in this to solve social problems, not muck about around the edges making a big problem a little bit smaller.

## So what next?

I'm not now going to tell you that NPC has it all sorted. But there are two strategies we're betting a lot on around impact measurement that I want to share before I finish.

First, Inspiring Impact. This is a ten year programme that aims to make a step change in the UK social sector's use of impact measurement. It was borne out of a recognition of the problems I've just been talking about, in the specific context of impact measurement. I'd been spending my time putting in grant applications for impact measurement projects where I'd be saying NPC has a really unique approach to this; we'll do it in a different way from anyone else; work with us, not with them.

It ultimately wasn't true, and it wasn't getting us anywhere. We might think we're good at what we do (I happen to think we are), but in the end most organisations share 90% of the same stuff with everyone else when it comes to how you measure impact—it really isn't rocket science! But we were spending all our time planting our flag in the intellectual landscape, marking out our territory, putting down the competition.

I wondered whether we could get most of the impact measurement industry to agree on some core stuff. Like a shared gap analysis—that most organisations had far from embedded useful impact measurement, and that meant the social sector was massively underperforming. Like a shared vision, and even strategy, of how we might achieve system change by tackling specific barriers.

What we ended up with was a collaborative 10 year programme to try to achieve a step change in the sector. We split out the barriers, and therefore our strategies into 5 areas: leadership, measurement tools, support, shared measurement, and funders. We've been working on those for over a year, and have developed a Code of Impact Practice for charities, and Impact Principles for funders. Now we're building the digital platform that, from spring next year, will help social purpose organisations work out how their practice looks against good practice, how to improve, and to find measurement tools that work for them. And it's all built around a central principle that impact measurement needs to work first and foremost for the frontline organisations that are doing the work—it needs to be embedded in practice, and it needs to be designed to result in learning and improvement.



I have high hopes for Inspiring Impact. But it will have been a success even if it fails in some of its grander aims, if it manages to get the impact industry to speak with a more common voice, and give more uniform guidance to those who need help.

The second strategy is shared measurement. It's based on the principle that everything should be as simple as possible, but no simpler. In other words, that within any given field, or working towards any given outcome, it should be possible for most of the field to agree on 80% of the most important outcomes, and therefore also measurement tools. You can't do this at the level of the whole social sector—there clearly is no magic bullet that measures improvement in mental health in the same frame as decreases in domestic violence, or educational attainment using the same measure as the quality of someone's death. But within each field, we believe, you can reach workable consensus.

Why do we need to do this? At the moment, each charity or social enterprise that plans to work out how to measure its impact does so in the spirit of the early explorers—setting out as though no one has done so before, with no maps of the territory to guide them. Pretty inefficient. And because everyone measures everything differently, it's impossible to compare two interventions. It's impossible to learn about what works, and certainly what works best. It's impossible to make sensible resource allocation decisions, either within an organisation, or when deciding what to fund. And it's impossible to build an evidence base over time.

Of course, there are challenges with getting consensus on anything, let alone the tricky subject of what outcomes are most important and how they should be measured. Sophisticated organisations will have their own frameworks already and would therefore have to give something up to move to a shared framework. Funders find it hard to back a single horse on impact measurement, often preferring to give the field free choice over what to measure. But we believe it's possible, and we're going to continue to test and pilot shared approaches to see whether we're right. Today we're implementing a youth employability framework called JET in the UK, and working in the criminal justice field on shared measurement for prisoners' and ex-offenders' peer and family relationships. It's early days, but we're learning fast, and we have high hopes.

As I hope I've made clear, I'm not saying I have the right answers, but I hope I've shared some of the right questions.

At the beginning, I said I was passionate about impact measurement because I believe it has the power to give a voice to those who are disenfranchised. Remember Alice, John and Maureen—who all benefited from volunteers spending a bit of time with them while they delivered a meal. Impact measurement gives them a voice, to say 'don't give us frozen food once a week—we need the volunteers to enrich our lives.'

Ultimately, I believe impact measurement has the potential to be a powerful force for good, giving voice to the authentic but as yet untold stories of people who lack the power and voice to speak for themselves. But I also believe that if we don't overcome the great challenges that face us, there is a danger that we don't seek out and uncover the truth, but rather engage in a game. A game that benefits organisations, not the people they are supposed to help. I do not want to be a parasite on poverty, so I will fight to make impact measurement work for the beneficiary. I do not want to be caught in situations where I am not sure if I am in the social sector, or the anti-social sector, so I will fight to encourage leaders to focus on what they're trying to achieve with absolute clarity.

I believe those of us who seek to understand and use evidence of impact to improve and inform social programmes are engaged in one of the most important endeavours in the social sector, at a time when perhaps more than ever we need to speak truth to power.

We need to live up to that challenge, and help ensure that we are part of the solution, not part of the problem.