

# Funders' principles and drivers of good impact practice

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# 1. Introduction

Understanding what works and why is critical to sound decision making when setting out to improve the work of charities and social enterprises, and when deciding how resources are allocated by funders. By placing evidence of impact at the heart of their activities, funders, charities and social enterprises demonstrate a commitment to learning, proving and improving.

This resource is intended to help funders think about their impact, and how they can support the people and organisations they fund to do so too<sup>1</sup>. 'Impact' and 'Impact practice', which are referred to through the report, are defined below.

**Impact:** the broad or longer-term effects of a project or organisation's work (also referred to as the difference it makes). This can include effects on people who are direct users of a project or organisation's work, effects on those who are not direct users, or effects on a wider field such as government policy.

**Impact practice:** the activities that an organisation does to focus on its impact. This can include planning desired impact, planning how to measure it, collecting information about it, making sense of that information, communicating it, and learning from it.

The role of funders in shaping behaviour around impact practice is critical. Their approach to impact, and their financial and non-financial support, strongly influences practice. In this resource, we offer a framework for funders to consider their impact practice, upon which a bespoke approach can be built. This framework aims to help funders promote good impact practice amongst the organisations and people they support, as set out in The Code of Good Impact Practice<sup>2</sup>.

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<sup>1</sup> This resource is informed by the Funders for Impact Working Group, facilitated by the [Association of Charitable Foundations \(ACF\)](#), and has been adapted from the Inspiring Impact programme, which ran from 2011 until early 2022 to support voluntary organisations to improve their impact practice. It was originally published in 2013. Find out more about improving your impact practice at <https://www.thinknpc.org/starting-to-measure-your-impact/>

Downloaded from: <https://www.thinknpc.org/resource-hub/the-code-of-good-impact-practice/>

<sup>2</sup> <https://www.thinknpc.org/resource-hub/the-code-of-good-impact-practice/>

## 1.1 Why impact matters to funders

Funders operate in a complex environment, working at all levels, from local to global, allocating resources across a broad spectrum of socio-economic and environmental issues. Whether large or small, specific or generalist, reactive or proactive, many funders are considering how to prove and improve their impact practice, and support others to do so too.

Funders want to know about impact for a number of reasons:

- **To understand the difference they make, directly and indirectly.**

Funders can make a difference directly by themselves, or indirectly through the work of the charities and social enterprises they support. A starting point for funders assessing impact is to understand the difference they seek to make. From there a funder can consider what difference (intended and unintended) has been achieved through its funding.

- **To learn from what they, and those they fund, do.**

Impact assessments inform organisational learning, which can lead to improvements in decision making and performance. This can be applied at individual charity level, within and across programmes, and within funder organisations.

- **To ensure they make the most of their resources.**

Funders know that with every grant awarded, or pound spent on other support, there is an opportunity cost of not allocating that resource elsewhere. Recognising and accounting for impact can help funders to improve resource allocation and value for money. It can also help funders to identify and report on their contribution to public benefit.

Through providing grants—or other forms of investment and support—funders enable individuals, charities and social enterprises to make a difference. It is desirable therefore that there is a shared understanding of why impact matters and collective responsibility for any approach to impact assessment.

## 1.2 The benefits of evaluating impact

Evaluating impact can help funders, and the people, charities and social enterprises they support, to:

- plan how their work will make a difference, and determine how much difference they are making;

- understand what does and doesn't work and why, and detect unintended consequences;
- build an evidence base to share with others, thus influencing and informing debate, and increasing the sector's body of knowledge;
- challenge themselves and others by looking critically at their work in order to improve, to replicate good work, or to innovate and develop new processes, products, and services;
- inspire and motivate staff, trustees and stakeholders (including volunteers, beneficiaries, service users, policy informers or makers, other practitioners, and funders or investors);
- build relationships with others;
- communicate added value, and raise the profile of their work; and
- secure or leverage resources.

## 2 Principles and drivers of impact practice

Good impact practice requires careful consideration of the implications for funders and the organisations and people they support, and for the relationship between the two. Funders can play a critical role in shaping behaviour around impact practice, so the development and implementation of a funder's approach can have far-reaching consequences. Therefore, it is important that the approach is built on trust, honesty and integrity, and that the following four broad principles, are shared by all involved:

- proportionality in relation to rigour and resources;
- open mindedness, flexibility, adaptability and transparency;
- acknowledgment of respective independent values; and
- recognition that everyone can contribute to impact and impact practice.

The fundamentals of why funders evaluate impact outlined earlier, and the underpinning principles above, provide the building blocks for the development of a funder's approach to impact evaluation. This should not be an 'add-on', and should involve the whole organisation and its leadership.

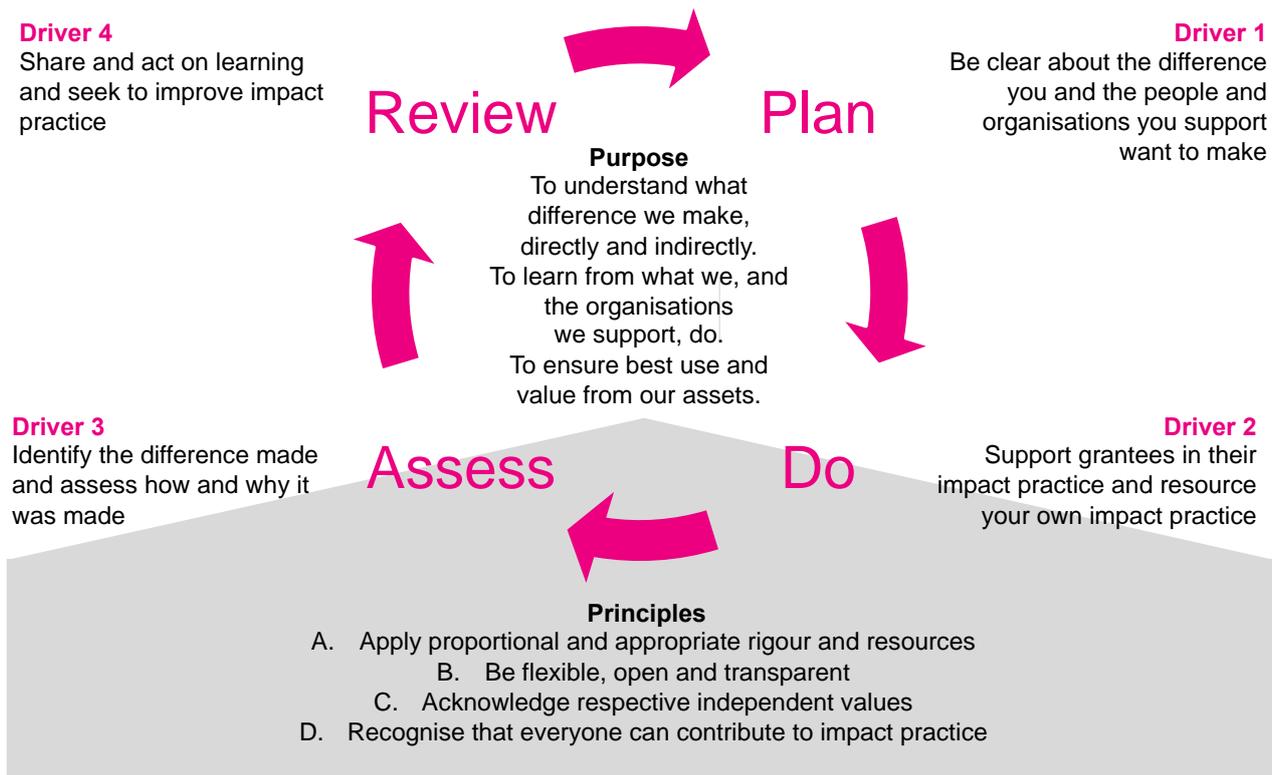
Because learning is key, funders should consider how to ensure that an impact approach moves beyond compliance reporting. For example, success and failure should be accepted equally; unintended consequences recognised and valued; and cause and effect thought of within a broader system.

Evaluating impact requires both time and money, so it is important that a funder's approach does not create excessive or unnecessary reporting for funders or those they support, and does not overload funders with data. Routine and affordable approaches should be used.

No universal set of rules can be applied to all, however four key drivers of impact practice for funders have been identified, linked to the [cycle of 'plan, do, assess, review'](#). These are outlined in Section 3.

### 3 A framework for funders to consider impact practice

The framework below is intended to help funders to develop and improve their own impact practice, and the impact practice of the people and organisations they support.



At the heart of the framework lies purpose. It is important that this remains at the core and that the impact cycle (plan, do, assess, review) revolves around, and contributes to, understanding the difference made, organisational learning, and ensuring best use of resources.

The four guiding principles (A-D) underpin the entire framework and inform and influence the approach at all stages in the cycle. Each of these principles needs to be considered in the funder's own environment and context, and applied appropriately, so that each funder can develop the right approach for them.

Each stage of the cycle has a key driver of activity (1-4) relevant to funders. The features of this framework are explored in more depth in the following pages.

## 4 Principles

### A. Apply proportionate and appropriate rigour and resources

Proportionality has implications for resource allocation (time and money) and on reporting requirements. It is important to avoid wasting effort or starting with unrealistic expectations, which can be counter-productive in the long run. However, it is also important to ensure findings about an organisation's impact are compared either to similar data collected over time, or to other approaches, in order to draw meaningful conclusions. Proportionality should relate to:

- the purpose, nature, scale and complexity of the learning; and
- the skills or capacity of the funder and of those it supports.

#### **Practical considerations for funders**

- The total resources at a funder's disposal (financial and technical) and the opportunity cost and value added of investing in impact practice.
- The cost and potential value of impact practice to the people and organisations supported.

### B. Be flexible, open and transparent

It is important to take a flexible approach and adapt practice as appropriate. Openness and transparency build trust, foster ongoing dialogue and ensure genuine learning about what works well and what does not.

#### **Practical considerations for funders**

- Existing impact practice and relevant tools and approaches.
- How will feedback be provided on impact practice and the findings from impact assessment shared?

## C. Acknowledge respective independent values

Working practices of funders and charities are driven by their own values, which define their independence of purpose, voice and action. Funding relationships, including impact practice, should be based on mutual recognition of respective values, roles and responsibilities.

### **Practical considerations for funders**

- How are funders' values articulated?
- Are the values of the organisations and people supported understood?

## D. Recognise that everyone can contribute to impact practice

Widespread organisational involvement can inspire and motivate staff, trustees and stakeholders and contribute to development of both the organisation itself and its practices.

### **Practical considerations for funders**

- How does leadership embrace good impact practice, and is there a commitment to widespread organisational involvement?
- How does support provided build capacity around impact practice?

## 5 Drivers of good impact practice

### 5.1 Plan

#### **Driver 1: Be clear about the difference you, and those you support, want to make.**

Being clear about the difference you want to make is a prerequisite to planning your organisation's activity, and central to any approach to impact evaluation. This will define the nature, scope and detail of work undertaken, and help determine the type and level of evidence required and the most appropriate methods and tools to collect and analyse it. It will also help identify the potential for the use of shared data or adoption of [shared measurement approaches](#).

#### **Practical action for funders and people and organisations they support**

- Define and articulate the difference you intend to make;
- Seek to understand the difference the people and organisations you support intend to make, and the contribution your support will make to this;
- Identify the type and level of evidence needed to assess the difference made;
- Communicate intended impact and discuss impact practice with people and organisations you support;
- Explore a range of research methods and impact assessment tools;
- Consult with stakeholders in the development of your approach; and
- Seek to identify sources of shared data and the potential for shared measurement.

## 5.2 Do

### **Driver 2: Support people and organisations in their impact practice, and resource your own impact practice.**

Funders play a role in supporting impact in many ways and at all stages in the impact cycle. It is important to invest in work that makes a difference in the first place, and then to assess and learn from it. Only impact assessment tools that focus on evidence relevant to the desired outcomes should be used. Tools should use quantitative and qualitative data as appropriate, and should also seek to capture unintended impact. Reporting of all impact—positive, neutral and negative—should be encouraged. Shared measurement should be considered where appropriate, at all levels—the organisation, programme, and project.

#### **Practical action for funders and people and organisations they support**

- Think 'impact' and invest resources in making a difference;
- Put in place systematic approaches for gathering relevant evidence for your own work;
- Encourage applicants to cost in an appropriate level of external or self-evaluation in funding proposals, or embed impact assessment in a 'funding plus' support package;
- Work with the people and organisations you support to enable them to gather relevant Evidence;
- Engage and collaborate with others, and seek to use shared measurement approaches as appropriate.

## 5.3 Assess

### **Driver 3: Identify the difference made and assess how and why it was made.**

Thorough analysis is required to draw out lessons that can inform decision making and future practice. This analysis should focus on what the change has been, and the causes of that change. Comparisons should be drawn where possible over time or against other activity, and consideration given to what could be done differently.

### **Practical action for funders and people and organisations they support**

- Take steps to ensure that the data you gather and evidence you report is robust;
- Seek to assess the contribution that your funding has made to the people and organisations you support;
- Explore what others are doing in the field.

## **5.4 Review**

### **Driver 4: Share and act on learning and seek to improve impact practice.**

Knowledge and learning are valuable commodities which should be shared with others. Funders should expect to learn from their peers too. But acquiring knowledge is only valuable if it is acted on to inform decision making and change future policy and practice—this applies equally to funders and the people and organisations they support. Creating and assessing impact are not static processes: they require constant review and refinement of your approach, taking into account cost and effectiveness and, in particular, feedback from stakeholders.

### **Practical action for funders and people and organisations they support**

- Share learning with the people and organisations you support and other delivery stakeholders to help inform their impact practice;
- Seek to identify who else might benefit from the learning;
- Share learning with external stakeholders to help inform policy development where appropriate;
- Use learning from impact evidence to inform your strategy and policy, and to help prioritise your grant-making and support;
- Regularly review your impact practice;
- Seek feedback from people and organisations you support on your impact practice;
- Offer feedback to people and organisations you support on their impact practice; and
- Amend your impact practice in light of feedback and learning.