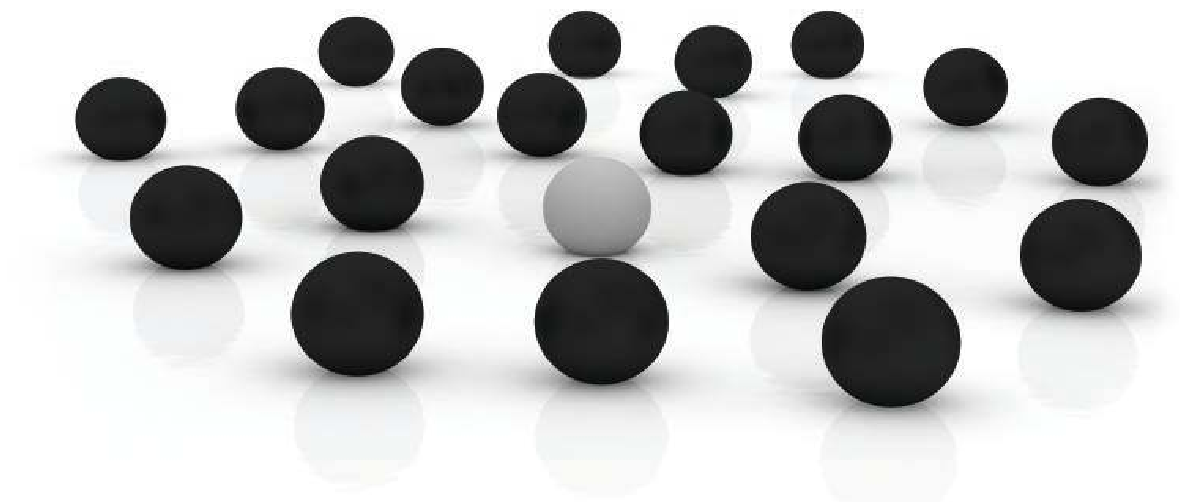
# JOINING THE DOTS

## Strand 2 Measuring the economic and social impact of local Services

## Social Impact Measurement (SIM) experiences and future directions for the Third Sector organisations in the East of England

Report prepared by Centre for Enterprise and Economic Development Research/Third Sector Research Centre at Middlesex University with Malin Arvidson, Third Sector Research Centre at Southampton University



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# Social Impact Measurement (SIM) experiences and future directions for the Third Sector Organisations in the East of England

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## Introduction

Exploring ways to measure impact is not a new focus for the third sector or social enterprises, but one that is becoming more of a concern as organisations look for ways to improve what they do and demonstrate their impact to others. In part this requires a shift in thinking from measuring outputs to measuring outcomes, and the challenge is to find ways of measuring the softer elements related to social inclusion. There is also interest from outside of organisations with pressure from philanthropic funds and public service commissioners to find ways of making their decisions on how resources are allocated.

Social Impact Measurement (SIM) is the process by which an organisation provides evidence that its services are providing real and tangible benefits to people or the environment (SEEE 2009). Issue 2 of the EEDA Social Impact Measurement (SIM) project examines a range of SIM models currently adopted by Third Sector Organisations and social enterprises. The aim is “Ultimately .... to gain a better understanding of the various social impact measurement models” (EEDA ITT 2009-082). Through the study of the experiences of a set of organisations, this research will examine why organisations are measuring impact, how they are doing this, the challenges they face and how these can be overcome. This will involve a review and evaluation of a wide range of tools used by third sector organisations to measure the impact of the work they do. It will provide guidance to assist Third Sector Organisations in selecting approaches to measuring impact and help public authorities to assess the claims made by those who are using impact measurement tools.

The research has involved a review of the literature and over 40 different methods commonly in use in the UK. Following the development of questionnaires, interviews were carried out with 40 third sector organisations, 32 of whom had carried out social impact measurement. A further 10 organisations or individuals providing training in social impact measurement to organisations in the East of England Region were also interviewed. Data was also collected on the issues raised by the attendees of two training courses on social impact measurement, one covering Social Return On Investment (led by Kate Lee) and one covering Social Accounting and Audit (led by John Pearce) each of which had 12 participants. Finally feedback from participants of two workshops, each with approximately 50 attendees, has been integrated.

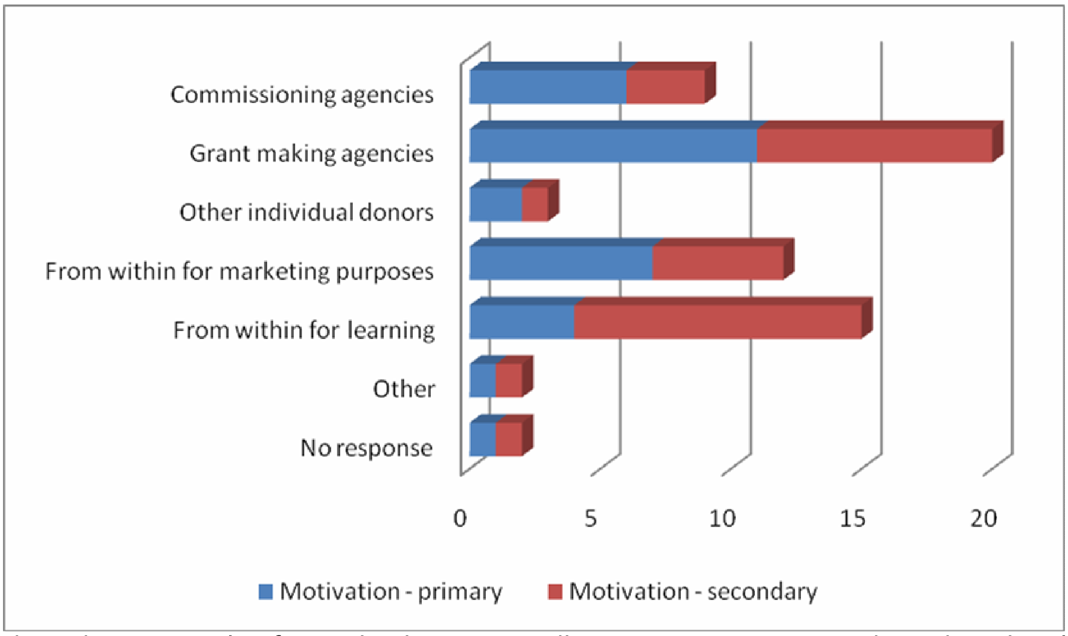
## Motivations to measure

Our survey of 32 organisations measuring impact found a range of different motivations. The main and secondary motivations are presented in the figure below. The data shows the motivations which may be different to the actual triggers that initiated the social impact measuring exercise. In many cases organisations were wanting to measure but it was only when they were offered free services as part of a pilot project or pro-bono support from a private company that they were able to do it. Others started measuring when they had a new chief executive or had pressure from a national office.

The relationship to commissioners was an important motivation for organisations currently delivering public services as well as those looking to enter this field. Where there is the competition for contracts, social enterprises can use social impact measures as additional information to demonstrate their added value and the wider social benefits that they can bring. SIM has become important in an era of individual budgets where users can decide who to 'buy' services from and therefore take on the role of commissioner. Information on impact can be used to attract users and to demonstrate that an organisation is offering the best services or likely to provide longer term benefits.

Pressure from grant making agencies were the most common motivating factor (stated by 19 of the 32 interviewees), and this can be both through requiring social impact measurement evidence in applications as well as requiring organisations to collect impact measures once they have received funding. In this way organisations are marketing their services to funders. Having information on social impact was not seen as the only way to get support, but it was important for attracting attention and as one organisation stated, "getting them through the door". This information was also being used to attract donations from individuals and demonstrate how far their money would go to address particular problems. Again this can be seen as a form of marketing in an increasingly competitive fundraising environment.

Figure 1. Motivations to measure impact




(N= 32, based on a sample of organisations responding to requests sent out through regional networks)

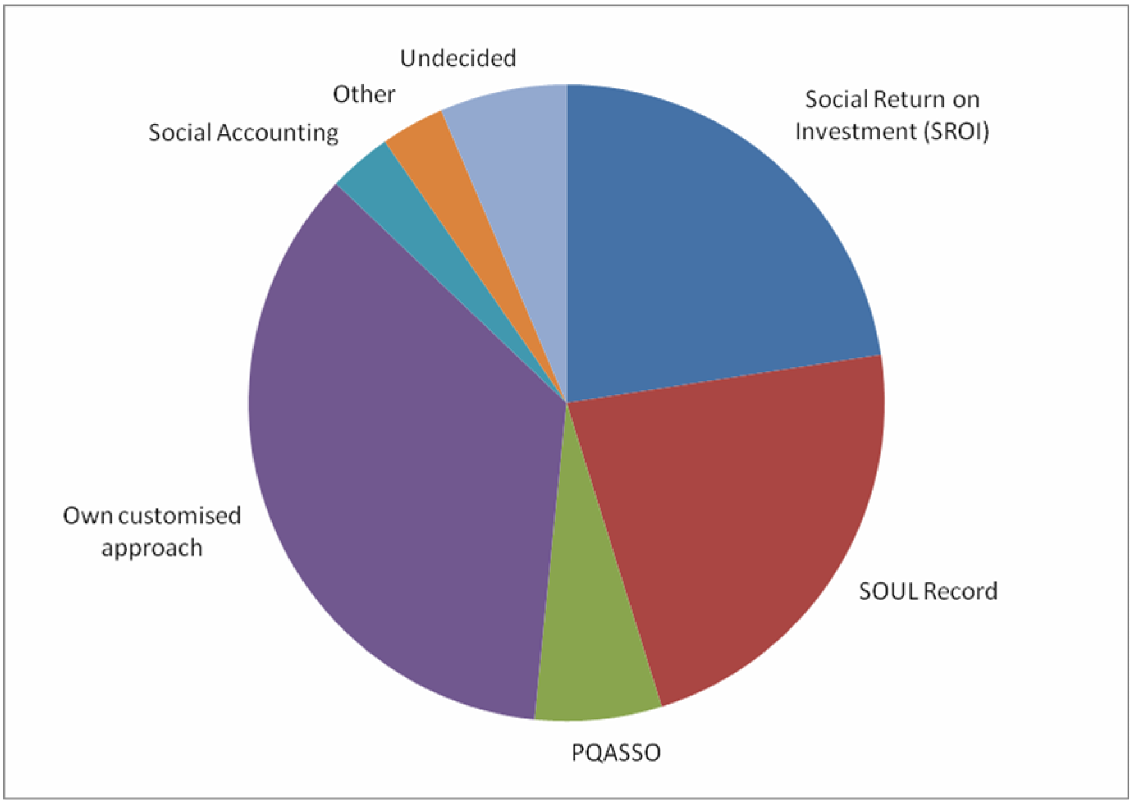
Just under half of those interviewed were carrying out SIM that aimed to encourage learning within the organisation. Only four of these had this as a primary reason with 11 having it as a secondary reason. This includes providing information to senior mangers, other staff, volunteers and trustees. The role of this data in influencing trustees was reported to be particularly important as senior managers wanted to use the findings to develop longer term strategies that either continue what they are doing or develop new directions.

Finally, SIM was found to be used for lobbying activity by those organisations that want to use evidence from impact of their service delivery to change national, regional and local policy. The results of SIM can therefore be used to back up their arguments and demonstrate the importance of their area of work.

## Approaches to measuring

While this study does not purport to be representative as it only included those organisations that volunteered to be interviewed, the figure below gives an indication of the different methods currently being used by organisations in the East of England. A brief description of each approach is given below.

Figure 2. Approaches to measuring




*Social Return on Investment (SROI)*
Social Return on Investment (SROI) is a model which provides a monetary value for service outcomes in their broadest sense. It aims to calculate a financial rate of return for money invested in services by calculating in financial terms the social value of the service provided. SROI is a development of cost-benefit approaches and has been designed as a framework applicable for organisations or single projects, capable of retrospective evaluation and predictive forecasting. However the ratio produced by SROI should not be used as a comparison of social value between different organisations as the process (i.e. of proxy value calculation) will be different in each case unless, perhaps, if undertaken by the same independent auditors. Its advantages lie in the ability to communicate impact and help decision making. Its limitations include difficulties in monetizing social impacts, and the amount of resources and training that are required to carry it out.

*Social Accounting and Audit*
Social accounting and audit is a well established process of collecting performance information for social, environmental and economic objectives. The approach can be adjusted to have differing degrees of detail and can also include elements of other approaches such as SROI and SOUL Record. The defining element of this SIM process is the emphasis on audit by an independent panel with at least one trained audit professional (SEEE 2009). The stages set out by the Social Accounting Network (2008) include: involving everyone in the organisation; social, environmental and economic planning, including the organisation's mission, aims and goals; consultation and gathering of data for social, environmental and economic accounting; establishing a panel of social, environmental and economic auditors, including independent professional auditors and a range of other interested organisations/parties, in order to ensure a robust process.

*SOUL Record (Soft Outcomes Universal Learning)*
Soul Record aims to measure soft outcome progress with projects assisting adults, young people and children. It specifically measures adults' progress in attitude, personal/interpersonal and practical skills and children and young peoples' progress against 'Every Child Matters' criteria (e.g. being healthy, staying safe, enjoying and achieving, making a positive contribution, economic wellbeing). SOUL Record offers a range of questionnaires, worksheets and observation sheets for organizations to use where appropriate, with a spreadsheet results package designed to assist collation of data and to provide graphic display of results. It has been developed by Norwich City College and is widely used in the East of England as well as other regions. The Social Accounting Pilot Report (2007) suggests that, although this is a narrowly defined approach, it could be used in collaboration with a broader social accounting approach, enabling organisation to tailor measurements to their unique vision and values.

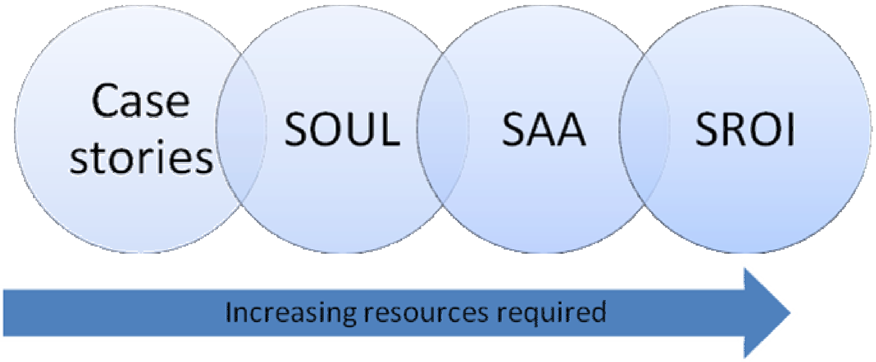
*PQASSO*
PQASSO (Practical Quality Assurance System for Small Organisations) is a quality management system designed to assist organisations to run more effectively and efficiently, developed for the charity sector. It is only a partial SIM toolkit, being particularly strong with regard to performance, but weak on the specifics of how to undertake impact assessment. It can be seen as a framework within which approaches to measuring impact can be integrated into management systems.

*Customised approaches*
Of the 32 organisations, 11 were developing their own customised approaches that draw on other elements. Many were relying on case stories that showed the effect of their services on users. Others were developing systems that set out Key Performance Indicators against which impact was being measured and also using balanced scorecard approaches. The latter approaches assist organisations to clarify and articulate their strategic objectives and to decide how they will deliver their economic, social and environmental bottom lines. It also provides a mechanism for organisations to track performance holistically through quantitative and qualitative information. This is primarily an internal tool and identifies critical elements of social and business strategy.

## Costs of Social impact measurement

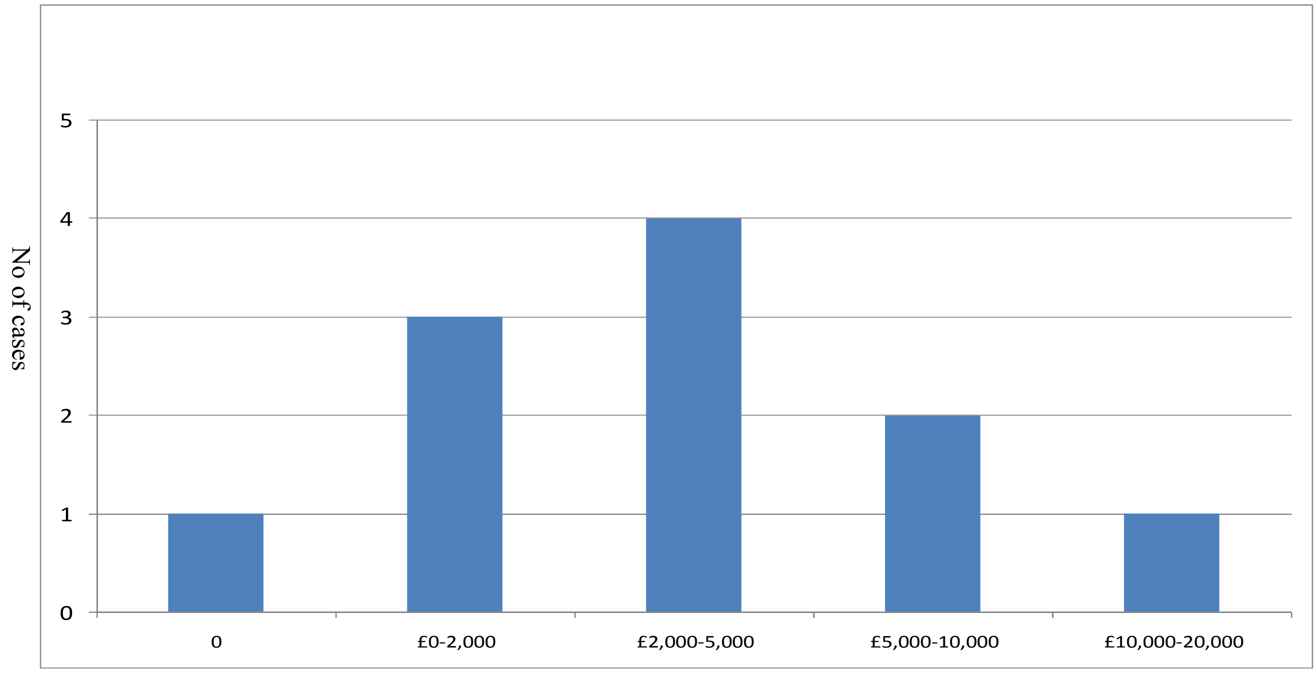
The approaches outlined above are not discrete approaches but rather there is considerable overlap. Analysis of the data shows that the key factor in choosing a method is the amount of resources available for the exercise and the types of data required.  Some methods are less resource intensive but then have limitation in terms of their rigour (this issue will be discussed later). Organisations often start at one end of the spectrum and move towards the more resource intensive end of the spectrum over time. The exception to this is when more intensive SIM approaches are offered free of charge and carried out by external consultants.

Figure 3: Resource intensity of methods




The study also asked organisations the costs of their social impact measurement approaches and the results are presented in Figure 4. This question could only be answered by 11 organisations that had set out to do a SIM exercise separately to their other work, and estimates have been included for the costs of staff time in collecting and preparing data.

Figure 4: Costs of measuring impacts




Those organisations that have embedded the SIM approaches in their service delivery were not able to answer the question as data collection was being carried out by all staff. For larger organisations, particularly those with public service contracts, such approaches are a requirement to the delivery of the service and therefore the cost of SIM cannot be distinguished from the delivery operations. In such cases respondents reported that hundreds of thousands of pounds are put into reporting systems that satisfied commissioners and the prime contractors that were subcontracting to these third sector organisations. The costs of the IT systems and labour were covered by the payments within the contracts but it entailed the organisation investing upfront, before they had been assured of the contract. However, without the systems in place they would not have been able to have the contract, and so considered it to be a very good use of their resources. Similarly, grant funders are encouraging organisations to include monitoring and evaluation costs in their bids and businesses plans so measuring impact is not seen as an external cost but part of the service delivery.

## Analysis of methods used and challenges faced

The range of differing approaches to SIM all share a common set of key steps. The extent to which the organisation can explore each one of these elements in detail does vary depending on the data required and the resources available.

The key steps in theory include the following:

- Clarifying outcomes and indicators with internal and external and external stakeholders
- Causality, counterfactuals and deadweight - how much of observed changes are caused by the activity and what would have happened anyway
- Measuring: collating data, collecting data
- Analysing data
- Reporting
- Embedding measurement in the organisation's practices

In practice, the study found a range of challenges that organisations faced.

*Identification of indicators*
Deciding what to measure is a critical issue. Some organisations were more focused on their core objectives and desired outcomes than others, with those organisations with chief executives coming from the private sector showing more focus. However, in most cases examined it also appears that the choice is influenced by a few staff, funders and commissioners with little evidence of wider consultations with different stakeholders. The process of selecting indicators was also assumed to be a neutral process ignoring the potential power imbalances that can shape what is measured and therefore the direction an organisation may go in. The reports on measuring impact made little reference to the process of identifying indicators and who had been involved. Those organisations carrying out SROIs were also found to be relying on key indicators that could be quantified such as the value of volunteering, while other indicators that relied on qualitative data were included as additional evidence to support the quantitative data. There were also concerns over putting financial values on some social outcomes such as reduced crime.

*Causality and counterfactual*
The study found that there was limited analysis of what causes changes and comparison to what might have happened without the intervention being evaluated. This can be referred to as the counterfactual and can be used to ascertain the extent of deadweight, or the proportion of the suggested impact that may have happened if the organisation's intervention had not been present. This is notoriously difficult to identify when there are complex socio-economic situations constantly changing with a wide range of public policy and third sector activities attempting to have an influence. How organisations therefore decide how to measure their net benefit varies and is a further area of potential bias.

*Measuring*
The collection of data is time consuming and most organisations were relying on collating what they already had rather than starting new surveys. There was evidence that organisations are reluctant to collect information as they perceive surveys as a form of monitoring staff and volunteers. Some organisations were including new data to be collected from beneficiaries as they started to use the service which could then be used to measure impact at a later date, although this required much foresight. For those using surveys to collect data, there are questions raised over the extent to which there is bias in samples and bias from leading questions. There is also potential bias in trying to measure the monetary value of social impacts as some of the softer indicators are harder to measure. Organisations aware of this ensured they took a conservative value that they felt was low but could be easily defended.

*Using results by the organisation and others*
There was concern about how others outside the organisation would use the results of any SIM report, and the extent to which measuring impact can lead to a loss of control by senior managers. Interviewees were honest in admitting that negative impact measurement results would not be made public as it would damage their reputation, although these results would be valued as a way of making internal strategic changes.

There are also questions raised about how the organisation and others use the findings. With the SROI approach, a ratio is produced that states the social return for every one pound invested/donated or contracted. While proponents and trainers of this method stress that it is more than this single figure, organisations were open in their desire to have a single figure that they could quote on their promotional material. They were also explicit in their desire to use the data to compare themselves to others in order to win contracts or gain more grants, despite the caveats that SROI should not be used for comparative purposes.

Finally, in only a small number of cases was SIM becoming embedded in the organisations with the others seeing the exercise as a one off activity, particularly when it was funded by pilot projects.

In summary, there are six points of potential bias that those carrying out SIM and those reading SIM reports should be aware of:

1. Defining what is (and what is not) being measured
2. Collecting and measuring data
3. Setting proxies for monetisation
4. Analysing net benefits
5. Presenting results
6. Using results

These can be minimised through having transparent procedures and systems of external validation.

## Conclusions

This is an exciting time for third sector organisations with challenges of how to demonstrate their impact. In response to this demand a wide range of approaches to measuring impact are emerging and being developed. There is therefore a need to take a step back to reflect on the different approaches and the factors that need to be considered when using different methods.

This study has shown that there is no holy grail for a detailed impact measurement without spending time and money.  The amount of resources allocated to this will depend on the objectives of the organisation. The report does not set out a single methodology but outlines the range of approaches that are each suitable for different purposes. It has not tried to set out all methods and approaches as this is done elsewhere – for example see www.proveandimprove.org

The challenge to organisations is knowing what method is most suitable for them. The choice of what method to use can be informed by answering the following four key questions:

1. What do you need the information for? Who is the customer or user of information?
2. What outcomes and indicators do you want to measure?
3. What resources do you have available?
4. How can you minimise bias?

This report sets out how organisations can learn from others about how they answer these challenging questions for their own situation. The report shows that organisations are turning measuring into an opportunity to develop new work, and improve services, and in this way it is seen as a positive action rather than something they have to do for others.  Measuring impact is therefore seen as a form of marketing, with more detailed information combining quantitative and qualitative having greatest influence.

Organisations are also putting the cost of measuring into their proposals and business plans. In this way costs are not seen as prohibitive in generating information that will allow them to grow and have a greater impact.  The costs are hard to ascertain if the process is embedded as part of internal procedures for keeping records on beneficiaries within the organisation - what might be called 'social bookkeeping'.

There are also lessons for commissioners of services and grant makers. They are driving the interest in measuring impact but they must have a greater understanding of what can be measured and the resource implications. They also have to be aware of potential bias in some figures that might be quoted and the dangers of comparing social impact measurements that have used different approaches.