

Third Sector Research Centre

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## **Impact measurement practice in the UK third sector: a review of emerging evidence**

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## Abstract

This paper reviews emerging evidence about how the UK third sector is measuring its performance and impact. Impact measurement has become an increasingly important activity for third sector organisations in recent years, yet impact – and how to measure it – remain contested issues in policy, research and practice. By examining what we think we know about how third sector organisations undertake impact measurement and identifying areas for further research, this paper therefore aims to contribute to the ongoing discussion and debate about whether, and how, organisations should measure their impact.

This review examines five key questions: how is impact and its measurement understood in existing research, policy and practice? what do we know about who is undertaking impact measurement in the sector? why are organisations measuring their impact? what practices and approaches organisations are using to measure impact? and key challenges and implications of impact measurement for the sector. Research on impact measurement is at an early stage, and has thus far tended to be boosterist in nature; nevertheless this review reveals a growing concern that requirements and demands for impact data from third sector funders are taking precedence over the requirements and needs of beneficiaries and service users. In this context, approaches which focus on organisational learning are being developed from within the third sector.

### Keywords

Impact, performance, social impact, social value, third sector.

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## 1. Introduction

The idea of evidencing impact is not necessarily a new phenomenon for the third sector. Many third sector organisations (TSOs) have long been required to argue their effectiveness in tackling social problems, supporting vulnerable people or promoting particular causes in order to raise funding or attract volunteers (Kendall and Knapp, 2000; Chapman et al., 2012). Many TSOs have governance or organisational arrangements in place to ensure some kind of internal and external monitoring and accountability of their activities (Hyndman and Jones, 2011), and the Charity Commission in England and Wales has long played an important regulatory role in ensuring TSOs continue to act in the public benefit (Hind, 2011). Yet recent evidence suggests that TSOs have increased their efforts in evaluating and measuring the impact of their services and activities over the last decade, and that an increased proportion of TSOs' resources is being devoted to impact measurement related activities (Ellis and Gregory, 2008; Ogain et al., 2012).

Existing literature on impact measurement in the third sector suggests that a number of forces have combined to create a perceived increased demand for impact data from the sector (Arvidson and Lyon, 2013; NPC, 2010). TSOs in receipt of government income report increased pressure to demonstrate their achievements due to the development of more intensive performance regimes in the public sector and shifts towards outcomes-based commissioning (Ellis and Gregory, 2008; Dacombe, 2011; Wimbush, 2011). More recently, the Public Services Social Value Act (2012) aims to encourage via legislation both commissioners and TSOs to consider and evidence the wider social impact of their services (Teasdale et al., 2012). These developments have taken place in the context of an apparent wider trend towards evidence-based policy making across the UK and elsewhere underpinned by a 'what works' approach, leading to new demands for evidence and data about effective public policy solutions (Sanderson, 2002; Martin et al., 2010). Whilst it is not clear from existing research how these developments are shaping TSO impact evaluation practice on the ground, these shifts have been cited as significant drivers for evidencing impact in existing literature, amongst TSO leaders, and by TSOs and practitioners themselves (Ellis, 2009).

At the same time, there has been a drive for enhanced impact measurement practice from within the third sector itself. At the forefront of this movement has been the Inspiring Impact Network ([www.inspiringimpact.org](http://www.inspiringimpact.org)): a partnership of influential organisations including (among others): the Charities Evaluation Service (CES), the National Council for Voluntary Organisations (NCVO), New Philanthropy Capital (NPC) and the Association of Chief Executives of Voluntary Organisations (ACEVO). Policy and guidance on impact from within the sector has stressed that evaluating and measuring impact is vital for TSOs to understand the effects of their interventions and services for their beneficiaries and service users (Lumley et al., 2011). In turn, it is said that this can help TSOs understand how to use resources effectively to have most benefit, and assist with organisational planning and learning (NCVO, 2013). Measuring impact has also been said to help TSOs attract volunteers, improve staff motivation, and secure funding (Lumley et al., 2011; NPC, 2010). Finally, the current context of austerity and a competitive funding environment has added extra impetus to the perceived need for TSOs to demonstrate their achievements, as funders seek out services and

organisations which provide most value for money (Cabinet Office, 2010b, c; NPC, 2010; Arvidson and Lyon, 2013). There have thus been calls from public policy makers and some third sector practitioners that TSOs must find new ways to measure and demonstrate their impact over the last two decades (Lumley et al., 2011; ACEVO et al., 2012; Cabinet Office, 2010a; Cabinet Office, 2006, 2007; NAO, 2009). In response to this perceived need a growing marketplace of toolkits, consultancy services, guidance and advice for the sector has been emerging.

Yet recent research by TSRC has argued that there is a pressing need to go beyond the boosterist and normative nature of much existing research on impact measurement and undertake a more critical appraisal both of the implications and challenges of impact measurement for the sector, and of the impacts reported by TSOs themselves (Lyon, 2010; Lyon and Arvidson, 2011). TSRC has thus critically examined the underpinning logics of evaluation and impact measurement processes (Arvidson, 2009), how TSOs use evaluations and impact data (Lyon and Arvidson, 2011; Arvidson and Lyon, 2013), and put to scrutiny the methodology of a key tool – SROI – for measuring the impact of TSOs (Arvidson et al., 2010; 2013). In so doing TSRC's research has challenged assumptions about the neutrality of impact evaluations and evidence, and highlighted the widespread contestation around how impact can be measured and established. This in turn has raised further questions about how impact measurement is understood and undertaken amongst UK third sector organisations: in particular, which third sector organisations are measuring their impact, reasons and motivations for measuring impact, what practices and tools are used by organisations to measure their impact, and the challenges faced by TSOs. This paper therefore aims to shed light on these questions by synthesising findings from existing research on impact measurement practice in the UK third sector and identifying gaps in existing knowledge.

There are a number of challenges in attempting a review of this kind however. Firstly, research on the scale and nature of impact measurement practice in the third sector is at an early stage. To date the field has been dominated by non-profit specialist organisations, consultancies, infrastructure organisations, practice networks, and various third sector funding bodies. This has resulted in an extensive field of grey literature on third sector impact measurement and evaluation practice comprised of reports, reviews and evaluations of TSOs and their activities, good practice guidance on impact measurement, and toolkits (e.g. Fitzhugh and Stevenson, 2009; Rinaldo, 2010; Rickey et al., 2011; Stevenson et al., 2010; CfE, 2012; ACEVO et al., 2012). Whilst this literature provides some useful insight into individual organisational TSO approaches to impact measurement, it has tended to approach impact measurement from a boosterist perspective and there are relatively few robust and comprehensive large-scale studies on practice across the UK third sector as a whole.

Secondly, impact is an ambiguous and contested concept in research, and there are an abundance of approaches to measuring and evaluating impact in the third sector. This has resulted in conceptual confusion (Hall, 2012; Barman, 2007). This lack of conceptual clarity around impact measurement amongst TSOs has implications for the reliability of evidence and research undertaken on impact measurement practice in the sector, and means it is difficult to generalise with confidence from existing research findings on impact measurement practice in the third sector. For example, a recent survey by NPC (Ogain et al., 2012: 33) notes:

‘impact measurement means different things to different people...We therefore...take charities’ responses about whether they are measuring impact...at face value’.

Given the significance of the conceptual debate on impact the first section of the paper presents a synthesis of the various approaches and meanings associated with impact measurement in relation to the third sector.

The remainder of this paper reviews existing research on the theme of impact measurement in the UK third sector in order to answer the questions above. The paper is structured as follows. Section 2 gives a brief overview of how the literature and research for this review was sourced. Section 3 then discusses the key terms and concepts associated with impact measurement and acknowledges some of the challenges that arise for research from this conceptual lacuna. Section 4 reviews evidence on who is undertaking impact measurement in the third sector, and underlying motivations. It goes on to discuss what it is that organisations are measuring and evaluating in their impact measurement activities and the different approaches and methods used. Section 5 reviews emerging challenges and implications for the third sector identified from the literature in relation to impact measurement. The final section (section 6) draws together key issues and findings from the review and suggests a range of research priorities for further investigation.

## 2. Methodology for the review

This was not a formal systematic review of the literature, but this review sought to be as comprehensive as possible in drawing together the significant contributions to this research area and synthesising their key findings. A search was conducted of relevant databases and a snowballing technique adapted, alongside a call out to relevant practice organisations and networks requesting relevant materials. Items were included where they focused on impact measurement practice, and they made mention of third sector organisations in the UK. Although the focus of this review was what we know about impact measurement practice in the UK third sector, literature with an international focus on third sector practice was included where it was contextually and conceptually useful. Indeed there is a growing literature addressing impact evaluation and performance measurement in the international aid and NGO sector and in the social enterprise sector, particularly in the US (see Arvidson, 2009, and Hall, 2012, for a discussion) with potential for transferability of lessons learned. Overall, however, many of the items retrieved as part of this review were not robustly designed research projects in good quality peer-reviewed journals, with many of those retrieved being either pieces from the trade press, policy documents or pieces published by particular bodies with an interest in this area.

The sources reviewed here were published between 2000 and 2013, and include overarching commentary on policy and practice developments and their implications for the sector, and primary research and evaluation examining the processes, practices and experience of (UK) TSOs undertaking impact measurement. This body of literature constitutes and reflects the research response that has developed out of the escalating interest in evidencing the impact of the third sector in both public and third sector policy and practice. Although the review includes evidence from the four

UK countries, the majority of research has been carried out in England and to a lesser extent Wales, and the findings reported here reflect this. The literature review was complemented by six informal semi-structured interviews with leading individuals from academia, policy and practice. These interviews were designed to verify findings and challenges identified in the literature review, and assist in horizon scanning of prospective future challenges and developments in impact measurement for the UK third sector.

### 3. Impact and its measurement as contested concepts

#### 3.1. Sector versus organisational impact

As noted above, impact and impact measurement are contested concepts in third sector practice, policy and research. This can be related in part to the diversity of the sector itself: its' activities, interests and goals, and the complexity of environments and contexts in which it operates, so that different TSOs may have very different approaches and reasons for undertaking impact measurement activities depending on their particular organisational objective. For example, organisations may want to find ways to measure their effectiveness in tackling social problems if they are in a service providing role, or in bringing such problems to public attention if they have a campaigning role (Kendall and Knapp, 2000). In addition TSOs have multiple stakeholders: funders, donors, users and beneficiaries of their services, volunteers, employees, and the wider local community or population, all of whom may have different expectations and perceptions of the role and achievements of TSOs, and who will have varying capabilities and opportunities for making explicit demands for impact data. There may thus be multiple and various demands for impact data from TSOs by external stakeholders, and by TSOs themselves, as well as different perspectives on what types of data are most useful (Hall, 2012; Kendall and Knapp, 2000).

The diversity of the sector's roles and functions, as well as conceptual and empirical disputes concerning its boundaries (Alcock, 2010), has presented researchers with difficulties in ascertaining the sector's *aggregate* or overall contribution or impact in particular contexts. It has furthermore led researchers to question the usefulness and appropriateness of devising a (set of) universal measure(s) or indicator(s) for the sector's impact (see Arvidson, 2009: 7-10, for a review of the challenges in developing common evaluation frameworks for the sector), although some attempts have been made. Kendall and Knapp (2000) for example have developed a framework of eight suggested domains and possible performance indicators to address and capture the sector's various political, economic and social roles and contributions across a range of contexts. There have also been a number of worthy attempts to formally map and scope the sector's contribution to a number of areas of activity (Kendall and Knapp, 1996; Clarke et al., 2012). However, debate about the nature of the sector remains extensive and inconclusive, and in this context research on impact measurement practice in the UK has tended to focus on establishing the impact and approaches of individual TSOs, rather than the third sector as a whole.

### 3.2. Social impact and social value

More recent debates about the sector's impact by policy-makers and academics have circled around capturing and demonstrating the *social impact* and/or *social value* of the third sector and its activities (e.g. Arvidson et al., 2010, 2013; Westall, 2009; Teasdale et al., 2012; Gibbon and Dey, 2011; Wood and Leighton, 2010; Polonsky and Grau, 2010; Nicholls et al., 2009; Cabinet Office, 2007). The concepts of social impact and social value have early citations in international social entrepreneurship literature and practice, concerned with the social ends and outcomes of the activities of social enterprise and non-profit organisations (see e.g. Teasdale, 2010; Lyon, 2010; Polonsky and Grau, 2010; Bagnoli and Megali, 2011; Sheridan, 2011; Flockhart, 2005; Bull, 2007). However the concepts of social impact and social value themselves lack an agreed definition (Polonsky and Grau, 2010), and this conceptual confusion has further muddied the water surrounding impact measurement practice for TSOs.

In the UK third sector context, social impact has been broadly referred to as the wider external benefits to society, the economy, and/or environment that TSOs can create via their activities, rather than focusing purely on direct outcomes for individual or private beneficiaries or stakeholders (Arvidson et al., 2013). It therefore refers to the overall difference that organisations make. Social impact has been contrasted to the economic impact of the sector, which focuses more narrowly on the impact of the sector to the economy and/or particular economic systems, and draws on market theories and measurement tools (Westall, 2009). Yet debates about the social value created by third sector activities have been strongly influenced by economic conceptions of value. Westall (2009) argues that monetary value and monetisable outcomes have tended to dominate conceptions of value, leaving little room for alternative understandings of value, such as motivations, beliefs, and 'valued' activities, and how these may be created and/or upheld by TSOs. Arvidson et al. (2013) meanwhile have noted the challenges in measuring social or environmental value by their very (qualitative) nature, so that such benefits become subordinated to economic indicators that can claim greater rigour in terms of data quality. Francis and Byford (2011) have in addition pointed to the importance of undertaking economic evaluations in public policy areas to understand how to make best use of available resources within the current climate of austerity. Many of the tools developed and utilised for measuring the social value of the sector have thus focused on calculating and attributing a monetary value to the overall impact of TSOs' activities.

The development of the Social Return on Investment (SROI) methodology has been a high-profile attempt in the UK to address the social value of the sector (Nef, 2007). It attempts to capture the wider social, economic and environmental benefits of TSOs and translate them into a monetary value, based on cost-benefit principles (Arvidson et al., 2010; Millar and Hall, 2012; Nicholls et al., 2009; Flockhart, 2005). It is therefore an example of a 'blended value' accounting tool, which attempts to bring together different conceptions of value (Nicholls, 2009). Other widespread social impact reporting practices (common amongst the social enterprise sector in particular) similarly focus on financial aspects of impact. Two common approaches include social accounting and social auditing (Polonsky and Grau, 2010). Social accounting attempts to attribute financial values to all inputs into an organisation – for example the contribution of volunteers – as well as quantifying the value of organisational outcomes.



However critics have pointed to the difficulties in assigning financial value to intangible outcomes, and suggested that other values – such as a feeling of contributing to society experienced by volunteers – will be overlooked (Polonsky and Grau, 2010). Social audit meanwhile utilises more qualitative information in conjunction with financial data to track and assess progress towards mission objectives within core activities. The focus is thus on internal performance of an organisation, and this type of reporting is therefore often highly individualistic and poses problems for comparability (Nicholls, 2009).

SROI has been promoted particularly by UK governments as a means to assess the cost-effectiveness of third sector services. Its promotion initially under the Labour government in England stemmed in part from widespread concerns in the third sector that commissioning and procurement processes were too heavily focused on price, efficiency and economies of scale, and did not sufficiently take into account the wider social, economic and environmental benefits that organisations might bring to society via services delivered (Cabinet Office, 2007; Macmillan, 2010). In particular there were concerns that this narrow focus created barriers for TSOs wishing to access public service contracts (Bhutta, 2005; Blackmore, 2006). This followed arguments by third sector representatives, such as ACEVO, that TSOs are more responsive to local need, have a higher level of public trust, are better able to develop innovative services, and better engage citizens in the services they receive (ACEVO, 2003): thus TSOs create (added) social value when compared to other sectors as deliverers of public services (although there is little robust evidence to date to support these claims (Macmillan 2010; 2012)). In this context, SROI has tended to be utilised in the UK as a means of creating a more level playing field for TSOs wishing to access public service delivery opportunities, by capturing these wider and distinctive benefits. SROI has been promoted widely by government as the method of choice particularly for social enterprises (Department of Health, 2010; Nicholls et al., 2009), and there has been a proliferation of reports and guides to measuring social value using SROI from within the third sector, government and other support organisations (for example Nef, 2007; Nicholls et al., 2009; Fitzhugh and Stevenson, 2009; Heady and Keen, 2010; Rinaldo, 2010; Stevenson et al., 2010).

Questions continue to be raised about whether financial measures alone are appropriate for capturing and measuring the social impact of the third sector (Sheridan, 2011). SROI has been criticised in recent years for its perceived narrow focus ultimately on the financial calculation and economic valuation of services, its use predominantly by public sector commissioners and TSOs in public service delivery contexts, and for its perceived complexity (Arvidson et al., 2010; Ryan and Lyne, 2008). Nevertheless it has been used successfully in a number of interventions and settings and has been praised for its engagement of stakeholders in the methodology, thus it remains a high-profile and valued tool within the sector (Millar & Hall 2012; Department of Health, 2010).

Understanding the social impact and value of the third sector also remains a key focus for policy-makers. It has recently been enshrined in legislation through the Public Services (Social Value) Act 2012, which aspires to introduce the concept of social value to public service contracts. The Act was an important development in attempting to level the playing field for TSOs vis a vis commercial organisations by requiring commissioning bodies to consider the wider social, environmental and economic benefits of potential service providers. However the lack of a clear definition of social value or reference to any particular organisational form means there are doubts about its potential impact for

the third sector, as any organisation that creates social value can potentially benefit (Teasdale et al., 2012). Meanwhile the lack of clear guidance about how to measure social value poses potential problems for its implementation amongst commissioners (Teasdale et al., 2012). In the meantime, the question of how best to measure and establish social value continues to frustrate researchers and practitioners alike (Arvidson et al., 2013).

### **3.3. Impact measurement as a socially constructed process**

A number of scholars have adopted a more critical approach to the concept and practice of impact measurement and evaluation. Arvidson (2009), Barman (2007) and Hall (2012) have argued that evaluations and assessments of impact should not be appraised purely as technical and scientific exercises; rather evaluations reveal and reflect a range of values, assumptions and ideals about what should be measured, and how. Such values, assumptions and ideals vary across time and different social settings, therefore evaluations and their results need to be treated not as wholly objective activities but rather always understood and considered in the particular context in which they are carried out (ibid). Carmel and Harlock (2008) for example have argued that performance targets and goals for TSOs delivering public services often reflect the agendas of their government funders, and prioritise particular activities and ways of working based on private or commercial sector practice in order to promote efficiency and cost-effectiveness at the expense of other objectives.

Such perspectives promote a questioning of how different impact measurement tools and practices utilise and prioritise different types of data, information, and ideas about knowledge generation (Hall, 2012; Barman, 2007). Taking this perspective it is possible to see how some methods produce information which is considered more reliable and valid than others. A common disagreement in such debates concerns the claim that case studies and stories can be subjective, whereas performance indicators and statistics are more objective (Hall, 2012). Westall (2009) for example has noted that tools which focus on external impacts and financial proxies, such as SROI, pose challenges for capturing and assessing qualitative experience and tacit knowledge that is more difficult to express and measure. Such tools also neglect other dimensions of value creation other than monetary value (ibid). Westall (2009: 1-6) and Arvidson et al. (2010) further argue that focusing on external impacts neglects the significance of organisational and cultural values upheld in the process of measuring an organisation's impact and how this may affect the result.

Extending this viewpoint Lyon and Arvidson (2011) go on to caution us against taking the results of impact measurement evaluations at face value. They note a number of opportunities for discretion in an evaluation process: firstly in the choice of who carries out impact assessments, secondly in the selection and identification of indicators, thirdly in the collection and analysis of data by deciding which stakeholders to consult and involve, what data is collected and by which methods, and finally in the presentation of results. Indeed they argue that impact reporting can be used strategically by organisations in negotiations with their stakeholders and can be a powerful tool for marketing and political purposes, particularly in the context of a competitive funding environment where there is a danger of organisations inflating or using discretion in the presentation of their results (ibid: 3). Impact reporting can thus be seen as a 'socially entrepreneurial process' (ibid: 4), with opportunities for organisations to shape perceptions about their activities and achievements and influence their

environment for their own gain. These considerations have implications for the comparability of impact assessments between and across TSOs, and for assumptions about the transparency and legitimacy of impact measurement processes.

### 3.4. Emerging definitions amongst practitioners

Notwithstanding the contestation and range of approaches to conceptualising and measuring impact in research, there has been a normative and emergent consensus in recent years amongst influential organisations in the field surrounding 'best' or 'good' practice for impact measurement for TSOs (NCVO, 2013; Lumley et al., 2011; CFG et al., 2012). This (normative) approach to impact measurement is sector-specific, and is sensitive to the particular contexts in which TSOs operate. This approach thus differs from understandings of impact produced in other sectors and settings which may prioritise and prescribe different evaluation techniques and of evidence (such as Randomised Controlled Trials in clinical and medical settings). The development of such approaches can also be seen as an attempt to resist techniques and approaches imposed by external funders (Ellis, 2009).

Recent guidance produced by the Inspiring Impact Network and published on its behalf by NCVO (2013) defines impact as the 'wider overall difference that an organisation makes'. This guidance calls for a comprehensive and cyclical approach to impact measurement involving a reflexive cycle of activities and processes broadly involving:

- Planning what impact an organisation wants to have and how best to achieve it
- Collecting data and information about impact
- Reviewing and analysing the data and information collected to understand the impact made
- Communicating the information about impact and learning from it in organisational practice

(NCVO, 2013: 4-6)

In this view impact measurement is said to mean more than gathering and utilising information for day-to-day operation e.g. how TSOs are involving volunteers or directing expenditure (although such activities may well influence or contribute to an organisation's overall success in meeting its objectives); it is also said to mean more than establishing quality, performance or reputability of services and activities, for example through Quality Marks and accreditation schemes (NCVO, 2013). The Inspiring Impact Network (NCVO, 2013) also distinguishes impact and its measurement from other activities such as monitoring, reporting or evaluation. These activities are perceived as elements or parts in an overall impact measurement cycle, or as stand-alone processes with particular applications, for example resource monitoring and project management (see NCVO, 2013: 4; Ellis and Gregory, 2008). From this perspective, the key terms and practices associated with impact measurement for TSOs have been defined as follows:

- *Monitoring*: refers to the collecting of data and information and tracking of progress routinely, systematically and continuously against a plan, and sometimes against targets. The information might be about activities, services, people using services, or outside factors affecting the organisation or project. This information will not in itself explain progress or lack of progress.

- *Reporting*: is similar to monitoring as it involves the collecting of information and tracking of progress against a plan, however it also involves the analysis and summary of data and information to explain achievements. Reporting is often undertaken for a specified audience, and often focuses on presenting results or outcomes (which could be positive and/or negative).
- *Evaluation*: describes a process which involves the gathering of data and undertaking of research in order to make judgements and determine the value or worth of something, such as a service, or activity. The process might include comparing data collected with other services or activities, or involve and invite stakeholder feedback (e.g. from service users or funders), in order to make judgements and reach conclusions about the worth of a service.
- *Inputs*: describe the resources that contribute to a programme or activity, including income, staff, volunteers, equipment; and units of time e.g. number of hours.
- *Outputs*: countable units that are the direct product of an activity, for example, the number of people accessing and using a service, the number of hours spent on a particular activity, or it may describe the different aspects and activities that make up a service.
- *Outcomes*: describe the *end result(s)* of a service or activity, for example, improved confidence as a result of attending a workshop, improved well-being as a result of using a support service, or a reduction in the number of hospital admittances as a result of a falls-prevention programme. Outcomes may refer to results for individuals, an organisation, or for a specified population.
- *Impact*: refers to the overall and longer term difference an organisation makes through its programmes, interventions, or services. 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. It also includes both positive and negative effects.
- *Impact measurement*: refers to the set of practices through which an organisation establishes what difference it makes.

(See NCVO, 2013: 4; Ogain et al., 2012: 7-33; Ellis and Gregory, 2008: xi-8)

## 4. Existing evidence on impact measurement practice(s) in the UK third sector

### 4.1. Who is undertaking impact measurement in the UK third sector?

As noted at the outset, research on how TSOs are measuring their impact in the UK is at a fledgling stage and has tended to be relatively small-scale in nature. However there has been a growing number of more comprehensive attempts to gauge the extent and form of impact measurement practice amongst TSOs in recent years. One such recent large-scale study in this area is NPC's survey of impact measurement practice among 1000 charities and social enterprises in the UK (Ogain et al., 2012). Their survey, which sampled organisations from a range of fields of activity and subsectors across the four UK countries, indicated that over three quarters of organisations (in their sample) were undertaking impact measurement for at least some of their activities (ibid: 12-13). Three quarters of the respondents meanwhile said that they invested more effort in impact measurement practice than five years ago (ibid: 12-13).

Another large-scale study by the Charities Evaluation Service (CES) in 2008 involving an online survey with 682 TSOs and 89 funders, interviews with 88 TSOs and providers of monitoring and evaluation software and systems, similarly found that there had been a substantial increase in organisations undertaking impact measurement activities in recent years, and that TSOs were devoting an increased proportion of their income to these activities (Ellis and Gregory, 2008). These findings resonate with a smaller-scale study commissioned by the East of England Development Agency (EEDA) and conducted by Lyon et al. (2010). In interviews with 40 TSOs and social enterprises in the East of England, Lyon et al. (2010) found that 32 organisations had undertaken impact measurement activities, and that efforts for impact measurement had increased in recent years. A study by Breckell et al. (2010) at Cass business school and commissioned by the Charity Finance Directors Group (CFDG) meanwhile found mixed results amongst its survey of CFDG members and a wider sample of some 75 charities. Their study found only 8% of wider charities were reporting their impact, although many more provided some information about outcomes (68%), whilst 52% of the CFDG members sampled reported measuring output, outcomes and impact information.

These findings suggest that a significant proportion of TSOs at least are engaged in some kind of impact measurement activity, and that this proportion is growing. However impact measurement was variably and broadly defined in the studies, thus the depth, quality and types of activities respondents were including as impact measurement in their responses is unclear (see e.g. Ogain et al., 2012: 12). Indeed Breckell et al.'s study (2010) remarks on the confusion around terminology in the sector and they point to inconsistencies in findings as a result of differing views on what constitutes outcome compared with impact information (ibid: 10-11). It is thus difficult to draw conclusions about the extent to which TSOs are genuinely measuring and reporting their impact – defined as the 'overall difference made by an organisation' (NCVO, 2013) – or whether TSOs are engaged in more limited but nevertheless related impact measurement activities, such as performance monitoring, output or outcome measurement.

It is also difficult to draw conclusions about the representativeness of the studies for the UK third sector as a whole. Ogain et al. (2012: 8) note that their sample of TSOs was skewed towards large charities and social enterprises (those with an income over £100,000), which may have affected the findings as larger TSOs were reported to be more likely to measure their impact than smaller organisations. Lyon et al. (2010) meanwhile note that only organisations which volunteered to be interviewed were included in their study, and were therefore more likely to be undertaking or have some knowledge of impact measurement. It is also unclear how impact measurement practice varies geographically across the UK. Both Ogain et al. (2012) and Ellis and Gregory (2008) sampled a greater number of organisations from England than from the other three UK countries. Thus the results may yield a particularly English dimension, reflecting the higher profile that impact measurement has experienced in English third sector policy, research and practice (ibid). Lyon et al. (2010) adopted a regional focus in their study, and a regional study is currently underway by the Impact Hub in the South West (see [www.southwestforum.org.uk](http://www.southwestforum.org.uk)), but without a comparable dataset for the other English regions it is difficult to allude what such studies may tell us about whether, and how, practice may vary across English regions.

Chapman et al. (2012, 2010a,b) meanwhile in an ongoing longitudinal study comprising qualitative case study analysis of organisational practice and quantitative analysis of sector trends in the North East of England found a very small proportion of organisations were engaged in impact measurement activities. Their findings suggested that impact measurement was particularly limited amongst smaller TSOs, and that where this took place it was often in a piecemeal fashion and rarely involved assessments of impact at the organisational level.

Chapman et al.'s study (2012) resonates with other research that suggests that larger and more established TSOs are more likely to be undertaking impact assessments. Ogain et al. (2012: 14-15) for example found that larger organisations (defined as those with an income over £100k per year) were far more likely to be undertaking impact measurement than smaller organisations (those with an income less than £100k per year), and that they also were measuring a greater proportion of their activities. Ellis and Gregory (2008) and Breckell et al. (2010) similarly found that a greater proportion of larger TSOs were engaged in monitoring and evaluating their activities than smaller organisations. Key reasons reported for the variations in levels of practice across small and large organisations were differences in resources, capacity, and ability to access support and information about impact measurement (Ogain et al. 2012; Ellis and Gregory, 2008; Breckell et al., 2010). Chapman et al. (2012) meanwhile point out that smaller organisations tend to have a stronger inter-personal relationship with their beneficiaries than larger organisations, and may hold the belief that they take the right approach to their activities simply because they have been doing it a long time, thus impact measurement is not prioritised.

Relatively less is known about whether and how impact measurement practice may vary across specific subsectors and fields of third sector activity. Though Ogain et al. (2012) investigated TSOs engaged in a variety of service areas their report does not analyse variations in practice between fields of activity. Wilkes and Mullins have investigated social impact measurement practice amongst some 34 housing organisations known to be assessing their impact, (see also section 4.3 below). However without comparable data for the housing sector it is difficult to draw conclusions about practice across the field as a whole, though they do note that smaller organisations were less likely to be measuring their impact (Wilkes and Mullins, 2012; also Mullins, et al., 2010).

Some commentators report that organisations in certain subsectors, such as the social enterprise sector, youth, and criminal justice for example, are further ahead in measuring their impact and are adopting more advanced practices because they have had greater government support and investment for impact measurement, particularly where they are involved in delivering welfare or public services (Ellis and Gregory, 2008; Lumley et al., 2011). Also cited as a potential indication of how developed impact measurement practice may be in a particular subsector or field of activity is the development and availability of tools for organisations working in that particular area (Wadia and Parkinson, 2011). However there is little robust and comparative research evidence about uptake and use of tools between subsectors, thus claims about whether the existence of tools can be correlated to third sector practice in particular areas are difficult to substantiate.

Indeed recent research on impact measurement amongst social enterprises in the UK reveals remarkably low levels of impact reporting, and in particular a low uptake and use of the SROI



methodology (Sheridan, 2011; Millar and Hall, 2012), despite significant government encouragement and promotion of SROI amongst the social enterprise sector (Department of Health, 2010). Studies suggest that a diverse and complex range of factors influence organisational behaviour and uptake for impact measurement including available resources, capacity, skills, organisational values, as well as perceptions about the strengths and weaknesses of tools such as SROI themselves (see also Arvidson and Lyon, 2013; Breckell et al., 2010). Therefore the availability of tools in certain subsectors does not necessarily indicate higher levels of impact measurement practice, although it may influence and shape how practice comes to be standardised in certain fields (Ellis and Gregory, 2008; Hall, 2012). These issues are reviewed in more detail in section 4.3 below. Such studies meanwhile highlight the need for further in-depth research across TSO subsectors and fields of activity in order to draw conclusions about the extent and nature of practice in different areas of the third sector's work, and particular challenges or parameters of distinctiveness faced by the sector working in these different areas.

#### **4.2. Why are organisations undertaking impact measurement?**

A key question for research has been why organisations decide to measure their impact. Research has revealed a range of factors why TSOs decide to undertake impact measurement, however the most significant motivation for organisations appears to be perceived pressure from funders and/or to meet funders' requirements (Lyon et al., 2010; Chapman et al., 2010a, b). There is evidence that this is particularly the case where organisations are in receipt of government funding via grants and contracts for services delivered (Ellis and Gregory, 2008). Ogain et al. (2012) for example in their study looked at the association between funding sources and levels of impact measurement practice across TSOs and found that TSOs receiving government funding are most likely to be undertaking impact measurement (ibid: 28). Their study also suggests that government-funded TSOs are also the most likely to have increased their efforts in measuring their impact. The reasons for this apparent trend are not explored by Ogain et al. (2012) but other research has argued that government funding typically requires more extensive monitoring and evaluation and is more costly than any other funding type (Heady and Rowley, 2008; Heady and Kean, 2008; Heady and Keen, 2010; Ellis and Gregory, 2008; Dacombe, 2011).

Whilst it is not clear whether impact measurement actually leads to increased funding and revenue for TSOs from funders (Heady and Rowley, 2008; Heady and Kean, 2008), research suggests that improving overall competitiveness is nevertheless a key driver for TSOs (Ogain et al., 2012; Lyon and Arvidson, 2011). Improved marketing, communications, publicity and profile are meanwhile cited as key benefits by NPC (2010). There is evidence that small organisations in particular perceive the benefit of potential increased income from funders as a result of impact measurement, and that they are also more likely to receive support from funders to undertake impact measurement (Ogain et al., 2012: 22). Such findings appear to resonate with the reported differences between large and small organisations in capacity and resources to undertake impact measurement cited earlier, and suggests that smaller organisations are perhaps more likely to perceive impact measurement as a means to improve their funding base and sustainability. However some smaller organisations have also reported

feeling that there is too much pressure on organisations to measure impact (Ellis and Gregory, 2008; Chapman et al., 2012).

Aside from issues to do with funding and funders' requirements, TSOs have reported other perceived benefits to impact measurement. Lyon et al. (2010) and Chapman et al. (2010a, b) report that TSOs see genuine benefits to improving outcomes for their beneficiaries, as well as better targeting of their activities and resources. Indeed improving services was by far the most important benefit of impact measurement perceived by TSOs in the recent survey by NPC (Ogain et al., 2012: 18-19). There are indications that TSOs are also developing impact measurement and evaluation as part of (normatively) good organisational management, practice and governance (Ellis and Gregory, 2008: 10). Impact measurement appears to be prioritised by trustees and senior management particularly in larger organisations (Chapman et al., 2012), and is perceived to lead to improved strategy and business planning, and opportunities for partnership working (Lumley et al., 2011; NPC, 2010). Thus although the initial driver of impact measurement and evaluation amongst some TSOs appears to be external requirements from funders, some evidence suggests that other benefits to impact measurement may be realised in the process, and that these become valued by the organisation overtime (Lyon et al., 2010). Finally whilst there is a consensus in existing research that significant numbers of TSOs are assessing their impact as a result of pressures from funders – particularly government funders and commissioners (Ellis and Gregory, 2008; Breckell et al., 2010) – there is a relative lack of research on precisely what these demands look like in practice, and in what ways these requirements are shaping and influencing how TSOs measure and report their impact.

#### **4.3. What practices and tools are TSOs using to measure their impact?**

Existing research suggests that TSOs vary widely in what they measure, and how they approach impact assessment (Ogain et al., 2012; Ellis and Gregory, 2008, Breckell et al., 2010). TSOs appear to undertake impact evaluations to different degrees, with some organisations carrying out fuller impact assessments involving planning and organisational learning techniques as prescribed by Inspiring Impact and other practice networks (NCVO, 2013), and others engaging in more simple activities and practices such as collecting feedback about services (Lumley et al., 2011).

Ogain et al. (2012: 33-35) found that collecting output data was by far the most common practice reported by TSOs in their study (84% of organisations). In contrast, very few organisations utilised advanced planning tools and evaluation practices, such as before and after measures, long-term follow up, and randomised control trials, with their use concentrated amongst larger, high capacity organisations, or those funded via government grants and contracts (ibid: 36; see also Chapman et al., 2010a; Ellis and Gregory, 2008; Millar and Hall, 2012). A small number of organisations surveyed by NPC meanwhile reported utilising academic evidence in impact measurement practice to design new programmes, interpret evaluation results and compare results to other programmes (ibid: 37). Ogain et al. (2012) instead found a higher use of internally collected case studies, customer satisfaction forms, and bespoke questionnaires designed by organisations themselves to report impact, while the use of standardised questionnaires, scales and tools was much less – only 15-20% of TSOs (ibid:35-37).



Whilst more subtle exploration of the factors affecting TSOs' approaches to impact measurement were not explored by Ogain et al. (2012), wider research suggests that concerns about ethical appropriateness – particularly in relation to Randomised Control Trials – and the ability of scientific approaches to capture aspects qualitative of TSOs work in key service providing areas have also been reported to influence tool choice (Nef, 2007; Hall, 2012; Francis and Byford, 2011). Meanwhile staff skills and training for such advanced techniques are reported to be costly and distract resources from other areas (Millar and Hall, 2012).

Of the 32 organisations interviewed by Lyon et al. (2010) in the East of England, 11 (one third) were developing their own customised approaches to measuring their impact. This included case stories which showed the effect of their services on people using it directly or indirectly, and tailored performance indicators to clarify and develop their strategic objectives and the delivery of their social, economic and environmental impacts (ibid). Tools requiring high levels of resource input, such as SROI and Social Accounting and Audit, were found to be utilised less by organisations than those tools requiring fewer financial resources, staff time and skills. The exception to this was when more intensive approaches were offered free of charge to organisations by external consultants, or where impact measurement systems were effectively imposed on organisations by funders (Lyon et al., 2010). Ellis and Gregory (2008) and Moxham and Boaden (2007) meanwhile found a high proportion of organisations used tools and systems prescribed by funders and public sector commissioners, often without the costs of such activities covered in funding agreements. As well as imposing cost burdens, such tools prioritised accountability to funders/commissioners and left little room for organisational innovation and learning (Ellis and Gregory, 2008; Moxham and Boaden, 2007).

Organisational arrangements are also reported to influence and shape the nature and outcome of impact measurement practice within an organisation (Ogain et al., 2012), with differences in practices between organisations that have embedded and integrated impact measurement into routine staff practice for internal performance management purposes, others choosing to externalise impact measurement processes via consultancies for example, and others establishing a dedicated team or individual to carry out impact assessments (Lyon et al., 2010; Breckell et al., 2010; NPC, 2010; Lumley et al., 2011). At the same time there is evidence to suggest that organisational practice tends to become more sophisticated and advanced over time, with greater allocation of resources, as organisations accrue experience of impact measurement (Lyon et al., 2010).

These findings raise questions about variations in the quality of practice amongst TSOs, and in the quality of tools developed and used by TSOs for impact measurement practice. A small number of studies have evaluated the methodology of particular tools, frequently occurring in the social entrepreneurship literature (Arvidson et al., 2010; Flockhart, 2005; Nicholls, 2009). SROI is the most researched, with mixed conclusions about its effectiveness (Arvidson et al., 2010, 2013; Bull, 2007; Millar and Hall, 2012). However there is a relative lack of research on available impact tools for the sector and their perceived strengths, weaknesses and applications.

One such attempt to shed light on the perceived strengths and weaknesses of impact tools is Wilkes and Mullins (2012) study which reports on the social impact tools used by 34 housing organisations. Of the 34 organisations surveyed they found that 35% used internally developed tools,

41% used externally developed tools, and 9% used a mix of both. They found that 11 externally developed tools in total were being used by the housing organisations surveyed. Wilkes and Mullins (2012) study highlights the difficulties in making comparisons and judgements about the strengths and weaknesses of the tools, as tools were often being used in different ways by the housing organisations and/or had been adapted to suit their own particular organisational needs. For example, some tools were used to assess the impact of particular projects, whilst others were used to assess organisational performance. Tools also varied in the level at which they both collected and generated data: some tools generated data about change at the individual level, which could then be aggregated to assess a wider project or service, while others involved wider stakeholders and generated data at the community level.

Recent research by Substance (2012) has meanwhile uncovered 134 separate tools associated with impact measurement practice available for the third sector – and acknowledges that this is probably not an exhaustive list. The database compiled by Substance reveals that tools vary widely in terms of their scope, application, methods and cost. The majority of tools are service area or sub-sector specific, and/or have been developed to assess particular dimensions of impact or an organisation's work – for example individual service user outcomes, or quality. There are concerns about whether and which tools genuinely measure impact as defined by emerging good practice networks (NCVO, 2013), and which tools might be seen as marketing devices, such as accreditation or quality assurance tools (Lyon and Arvidson, 2010). Their research also raised concerns about whether and which tools can capture and/or assess meaningfully outcomes for all TSO stakeholders (NPC, 2010).

Research undertaken by Wadia and Parkinson (2011) has further raised questions over the availability and accessibility of tools for the sector in different subsectors or fields of third sector activity. They found 15 outcome and outcome indicator banks to assist with impact measurement practice across 28 areas of service provision, many of which are related to welfare and/or human services provision – for example, work with disabled people, mental health, and domestic violence. They found limited banks or sources of outcome measures available for the third sector in advice provision, animal protection, conflict resolution, international development, hospices, human rights/equality, religious activity, research, science and technology, and sports and recreation, although there are a growing number of tools and approaches in the international aid and development, and NGO sector (see Arvidson, 2009; Ebrahim, 2002; also [www.bond.org.uk](http://www.bond.org.uk)).

While it is difficult to draw conclusions about the effectiveness and suitability of tools from existing research, what these studies do collectively suggest however is that choice of tool and approach to impact measurement is highly context-bound, and dependant on what an organisation wants to achieve. A key issue in the literature relates to the challenges of developing shared measures and tools for the sector and/or subsectors, and their strengths and limitations relative to bespoke, internally developed tools. Research by Wilkes and Mullins (2012) found very limited development and utilisation of joint indicators and impact measures by the research participants in their study, but found enthusiasm for the development and involvement of such indicators. They noted the potential for local collaboration with partners, sector benchmarking, and sector profiling. Similarly Nef (2007) note that

organisations interviewed in their study expressed a feeling of shared common ground with each other in terms of the outcomes they set out to achieve, and that the development of shared outcomes would allow and facilitate shared learning, networking and collaboration. Nef (2007) also suggest that developing shared outcome indicators could enhance the effectiveness of funding for TSOs and TSOs services themselves by allowing better comparisons between different projects. At the same time, shared measures have the potential to enable wider assessments of sector impacts to particular fields of activity and contexts, which may otherwise remain elusive; there are clearly benefits to the development of shared measures for research purposes.

However, the literature also argues that access to shared measures should not be seen as a substitute for the process that organisations need to go through when planning and assessing their own work (Wadia and Parkinson, 2011: 1). It is vital that organisations identify and assess impacts that are truly relevant to their work, not simply transferred or taken from elsewhere (Ellis and Gregory, 2008). Wilkes and Mullins (2012) study of housing organisations found that there were challenges in the utilisation of tools that were applicable to all activities and which can measure all the required dimensions of impact. Rather than seeking the 'holy grail' of a single tool, Wilkes and Mullins (2012) suggest that a toolkit would be needed to measure diverse outcomes of organisations' activities and investments, for different stakeholders (see also Mullins et al., 2010). This resonates with findings from other studies into impact measurement practice amongst social enterprises which found that internal and customised tools and techniques developed by organisations themselves are deemed more relevant and responsive, and better suited to day-to-day delivery in the ways they could be integrated into activities, organisational goals and available resources (Bull 2007; Millar and Hall, 2012). As noted at the outset, this reflects the diversity of TSOs in terms of their structure, objectives and outcomes, even amongst subsectors such as social enterprises (Millar and Hall, 2012). Such findings suggest that there is no one definitive or standardised way of measuring impact, and that TSOs instead require a wide range of tools and methods to define their impact(s) in a meaningful way.

## 5. Challenges and implications for the sector in undertaking impact measurement

Research has distilled a number of challenges for the sector in undertaking impact measurement. There has been a rapid growth in sources of support available to the third sector to assist with impact measurement over the last two decades. However this support has been fragmented and largely uncoordinated, available from a variety of consultancy, infrastructure and other specialist organisations working in a number of fields (Ellis and Gregory, 2008, Ellis, 2009). This support has also varied in cost and expense to TSOs (Lumley et al., 2011). This has resulted in inequitable and variable take up and access by TSOs, who have varying capacity and resources with which to access this support (Ellis and Gregory, 2008). Notwithstanding mixed opinion over the perceived strengths and limitations of standardised tools and shared measures for impact measurement, many experts in the field note that there is also a lack of low cost, off-the-shelf tools for organisations, and that existing tools and support is mainly geared towards and accessed by higher capacity organisations willing and able to pay (see also Ellis and Gregory, 2008). In addition, the interviews carried out as part of this review suggested that help is needed by organisations to navigate this growing marketplace of tools

and support mechanisms and make informed choices and decisions about how to measure their impact.

Another key concern expressed by practitioners is the staff skills and training in research and evaluation techniques necessary for robust impact measurement practice (Ellis and Gregory, 2008; Ellis, 2009; Millar and Hall, 2012). Wilkes and Mullins (2012) found that a significant challenge was the lack of analytical skills amongst people using impact tools. They found that such skills were essential in accurately utilising the data and information produced by the tool and making decisions and statements surrounding impact measurement. Arvidson (2009: 15-17) has referred to a range of 'methodological challenges' which must be managed by staff in an impact measurement process including the selection of appropriate tools, selecting and interpreting data, and dealing with the limitations of impact data itself and what it can capture.

Much has also been researched and written about the challenges posed by external funders' requirements for impact data, particularly by government funders and public sector commissioners. Where TSOs are delivering public services, there are concerns that funding cycles with their short time scales act to increase the reporting focus on targets, outputs and early deliverables amongst TSOs (Ellis, 2009). There is also a danger that short term funding cycles lead organisations to prioritise monitoring as a performance measurement activity, and are a disincentive to focus on longer-term results and impacts (Breckell et al., 2010; Leat, 2006).

Research also suggests that many TSOs are finding levels of monitoring inappropriately burdensome and complex, and that funders do not adjust monitoring requirements proportionately to the level of funding, (Ellis and Gregory, 2008; Audit Commission, 2007). TSOs have reported facing multiple and not necessarily commensurate requirements for reporting from different funders, and a mismatch between TSOs' own systems and processes for data collection and impact reporting, and the systems and processes required by funders (Alcock et al., 2004; Cairns et al., 2006; Heady and Keen, 2008). In this context Lumley et al. (2011) suggest there is increasing need for joined-up approaches to evidence and reporting requirements between funders and TSOs.

A key issue raised in the expert interviews undertaken for this review is who will bear the cost of impact measurement activity. Particularly in the context of constrained public finances, there are concerns that the burden will fall to TSOs rather than public sector funders, and that support is still needed for TSOs to account for the full costs of impact measurement practice in funding agreements. In particular there are concerns that smaller, lower capacity organisations who have insufficient resources to meet demands for impact data or who find it difficult to frame their benefits in the language of quantifiable outcomes and impacts may become increasingly vulnerable; indeed there is a concern that the environment of increased competition for funding may compound the vulnerabilities of smaller, lower capacity organisations (Ellis and Gregory, 2008).

More widely, fears have been expressed that demanding reporting requirements can be a disincentive to impact measurement, and may lead to a situation of 'compliance instead of commitment' (Ellis and Gregory, 2008). Organisations and their staff may lack a sense of ownership over their impact measurement and miss the potential value and opportunity for organisational learning (Arvidson, 2009). Arvidson (2009: 12-14) has referred to such challenges as 'managerial

challenges', and points to the significance of managing expectations, managing unreasonable demands for data, and managing organisational resistance as key tasks in the evaluation process. In this context, some have argued that impact measurement requires leadership within an organisation to promote and embed the wider value and learning to be gained by the process of impact measurement (Lumley et al., 2011; Ogain et al., 2012).

## 6. Conclusions and recommendations for future research

The overall conclusion from this review is that there is a relative scarcity of robust research on impact measurement practice in the UK third sector. This is despite its recent higher profile and attention in public and third sector policy and practice. There is an extensive body of grey literature on impact measurement practice, however this has tended to be small-scale and boosterist in nature. The field has also suffered from a lack of theorisation of key concepts and critical appraisal of previous research, with a few exceptions. A number of studies are emerging which attempt to address this theoretical and empirical gap, but in general empirical research on impact measurement practice in the UK third sector, particularly which organisations and subsectors are undertaking impact measurement and the practices and tools they are using, is limited.

Despite this relative lack of robust research, a number of key findings, emerging issues and conclusions can be drawn from the evidence reviewed here:

- Impact measurement related activities have increased across the sector in the UK in recent years, however there are inconsistencies in levels of practice and understanding amongst TSOs. Practice appears to be concentrated amongst larger, higher capacity organisations, with smaller organisations undertaking impact assessments in more limited ways. Differences in capacity and access to resources and support for impact measurement appear to underpin variations in practice. Larger-scale analysis of trends are needed in order to draw conclusions about how practice may vary across different subsectors and fields of activity, and across the UK geographically.
- Understanding social impact has been a key focus of research on third sector impact measurement, but the evidence base for the sector's distinctive social value remains limited. Social impact measurement has mainly relied on complex tools such as SROI which have not seen widescale adoption by the sector, and SROI and other social impact tools have been subject to criticism for their focus ultimately on the monetary value of activities delivered. The social entrepreneurship literature appears to have the highest concentration of studies of social impact measurement tools and their applications, yet these suggest that take up of tools has been limited even by social enterprises.
- Funders and commissioners demands for impact data appear to be a key driver and motivation for many organisations undertaking impact measurement, heightened by the context of a competitive funding environment. There are growing concerns that funders and commissioners requirements are shaping and dominating approaches to impact measurement in the third sector over the needs of service users, beneficiaries and TSOs themselves.

Recent guidance on impact measurement from third sector bodies and networks has focused on the benefits of impact measurement to TSOs and their wider stakeholders, and the evidence reviewed here suggests that TSOs perceive other benefits to impact measurement above and beyond the needs of funders. There is however a need to understand how changes and developments in funders and commissioners requirements will shape impact measurement in the third sector in the future, and the arising challenges and implications for TSOs, their funders, and commissioners alike.

- This review has raised questions over the quality and robustness of impact measurement practice amongst TSOs. This refers both to impact measurement tools themselves and organisational practice: staff skills and training, resourcing, and learning and review processes. The review has also highlighted problems of comparability across subsectors and fields of activity due to the lack of standardised and shared measures, and concerns around discretion in impact assessment processes and selective presentation of results by organisations.
- This review has pointed to challenges of inequitable access to support, guidance and tools for third sector impact measurement, as well as a number of operational and practical challenges for TSOs in measuring their impact including capacity, skills and training, and resource allocation. Multiple and often conflicting funder and stakeholder demands for impact data bring a new dimension to these challenges, as different demands require different approaches, systems and processes for measuring impact, with implications for TSOs' accountability to their beneficiaries and service users.

A number of future research priorities have been suggested by this review:

1. There is a need to scrutinise the role of funders and commissioners and their requirements for evidence in shaping impact measurement practice amongst TSOs. There is a need to assess changes in the public sector commissioning environment and its implications for the third sector in terms of its approaches to impact measurement where TSOs are delivering public services. Key questions are what implicit values underpin and characterise this environment, and whether and how public sector performance regimes reflect and capture the specific impacts of TSOs.
2. There is a need for further research on the impact measurement tools and practices being used both by the sector as a whole, and across different fields of activity and subsectors, building on existing studies which have begun to gauge how organisations are measuring their impact. There is a particular need for further research on the tools/ toolkits and resources available to TSOs for impact measurement in different subsectors, their applications, features, and perceived strengths and weaknesses.
3. This review has raised questions over the possibilities for development of comparable outcomes and shared measures across TSO subsectors and fields of activity. Further research could address the tensions between the development and dissemination of shared measures and toolkits, and the need for attention to process and sensitivity to specific organisational context which make replication difficult.

4. Further research is needed on the implications of impact measurement for how organisations operate, in particular the effects on organisational accountability. Further research could consider how impact measurement processes prioritise and involve different stakeholders, and the implications of these processes for organisations relationships with service users and beneficiaries.
5. This review has raised questions about the role of impact measurement in securing funding for organisations. This is a particularly pertinent issue in the context of a competitive funding environment. Future research could consider the implications of undertaking impact measurement for resource management and whether and how impact measurement improves TSOS' sustainability.

Future research must distinguish between the need for individual organisations to understand their impact, and the need for larger scale studies that examine the impact of the third sector both as a whole and across sub sectors and fields of activity, providing the evidence base for policy makers. There are also important questions to be raised about the longer term implications of impact measurement practice for TSOs, as new professional skills, resources, and organisational arrangements are required to undertake impact assessments. Finally, in a context of austerity, there is a pertinent question over who should carry the financial burden of impact measurement: funding bodies who require impact data to justify their funding decisions, or TSOs themselves.



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## About the Centre

The third sector provides support and services to millions of people. Whether providing front-line services, making policy or campaigning for change, good quality research is vital for organisations to achieve the best possible impact. The Third Sector Research Centre exists to develop the evidence base on, for and with the third sector in the UK. Working closely with practitioners, policy-makers and other academics, TSRC is undertaking and reviewing research, and making this research widely available. The Centre works in collaboration with the third sector, ensuring its research reflects the realities of those working within it, and helping to build the sector's capacity to use and conduct research.

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## Economic and Social Impact

Assessing the economic impact of third sector organisations is a key research priority for TSRC. It is linked to our mapping and measuring of the sector, and has a particular focus on the role that third sector organisations play in delivering public services and contributing to general community wellbeing. We are engaged in a review of the wide range of existing methods and tools for measuring impact within TSOs including Social Return on Investment (SROI), blended impact measures and other adaptations of cost/benefit analysis. We will also develop sector wide analysis of economic impact of third sector activity and its contribution to the wider economy, including analysis of workforce trends, volunteering and third sector value.

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