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Impact and evaluation of the third sector: reviewing literature and exploring ideas

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Introduction

The aim of this paper is to review material related to evaluations and impact assessments of third sector activities in the UK. The discussion engages several groups of stakeholders in an 'evaluation arena' – which includes third sector organisations themselves, funders, policy makers, and academics. The core question engaging these actors is how we should evaluate and appreciate the achievements of third sector organisations.

Organisations face technical and methodological challenges in relation to a growing demand for impact assessment. However, the development of new frameworks and tools for evaluation is not primarily underlined by technical, methodological advancement, but characterised by negotiations over contested ideas regarding the distinctiveness of the sector and how this should be reflected in the practice and interpretation of evaluation.

Overview

The paper is based on a review of literature (mainly from the UK and USA). It uses printed and web material produced by third sector organisations themselves, umbrella organisations, funders and partners, as well as academic research. The review has been guided by the following questions: who are the key actors engaged with evaluation of the third sector; what are the contested issues; and how can we analyse the way evaluation is discussed and how stakeholders interact?

The text is divided into two sections. The first outlines issues and discussion related to evaluation, and provides references to contemporary literature primarily on the third sector in the UK. This section looks into claims and expectations about the roles and achievements of the third sector, and reviews how evaluation is practised and experienced by third sector organisations. The section also briefly presents some historical perspectives on how measurements and evaluations of the sector's achievements have been used over time, and how the relationship with the state has come to play a particularly important role in how the sector is assessed and supported today.

Section two offers an analysis of evaluation practices and experiences, as presented in part one, with the intent to identify some core issues behind frustrations and tensions between stakeholders. This discussion draws on literature that has an academic foundation, and that relates to concepts of relevance in a wider context than that of the third sector. The analysis in section two focuses on the *managerial*, *methodological*, and *relational* challenges – outlined below.

Toward a framework – why is it important?

The government, as a major funder of the third sector, is becoming increasingly focused on evaluation. Other donors, as well as the third sector itself, are also placing greater importance on impact assessment to justify the cost of their activities or support.

Third sector organisations themselves often report that requirements for evaluation by funders has become more demanding over the last five years, and that their work has also become increasingly directed by this (Ellis and Gregory 2009). A report prepared for the Charity Evaluation Service notes that organisations lack skills and capacity to conduct meaningful evaluations and to transform information into organisational learning. The report 'How are you getting on?' published by New Philanthropy Capital gives a similar picture of a mismatch of expectations, resources, responsibilities and skills related to evaluation and reporting.

Various initiatives, such as Social Return on Investments (SROI), have recently been used to improve ways of framing the added values of third sector activities. Such a framework could help establish a common language for assessments. It could also serve as an instrument for organisational learning - by defining a framework for evaluation organisations can identify concepts that are key to their work, and clarify the purpose behind programmes.

However, it is clear that both weaknesses in assessing and reporting impact are not simply due to lack of technical and methodological capacity. The many and different stakeholders involved with third sector work makes it hard to find a common evaluation framework that would satisfy all interests and requirements. Disagreements regarding what language would capture project achievements and the wider community impact of third sector work, contribute to frictions between stakeholders. Understanding claims and expectations

Claims made by individual organisations largely relate to their specific goals and target groups. A wider perspective of the role and contribution of the third sector is discussed by umbrella and capacity building organisations, where local community, democratic involvement, social inclusion and well being are key concepts. These concepts focus on the sector's ability to add value at wider societal level. The current government's expectations of the third sector often echo these claims.

These claims and expectations made by and about the third sector constitute the basis on which its overall impact is to be assessed. Such claims can be hard to assess. Not only is it hard to establish cause and effect, but some claims are also subject to critique and dispute. (For a useful and short review of this debate see Taylor and Warburton 2003).

Using formal structures does not remove the fact that evaluations reflect values and beliefs about what is 'good' or 'bad', what is 'success' or 'failure'. The evaluation and impact assessment of today, then, constitute a contentious arena, where stakeholders engage in continuous negotiations over definitions, values, and interpretations of impact.

Managerial challenges

This focuses on the organisational capacity needed to carry out thorough evaluations, manage fears and expectations and establish a culture of organisational learning.

For many organisations evaluations are seen as determined by the needs of funders and are often experienced as meaningless, inappropriate or even damaging. Organisations need to manage funders' requirements, which may put financial auditing before, for example, individual empowerment. They also need to handle internal resistance to comply with increased calls for formal accountability directed upwards.

Furthermore, introducing integrated evaluation, such as performance management systems, can provoke some serious questions regarding mission, visions and goals of both organisations and its staff. Although the idea of performance management is well established in both private and public sectors, applying it to a third sector-context may appear complicated. For example, the management of staff may need to account for volunteers who are also clients, and an evaluation system that links financial reward to performance risks changing the value based motivation often associated with non-profit work.

Methodological challenges

Although many aspects of the work of third sector organisations are measurable, many of its goals have a normative quality which is hard to assess.

Quantifiable data may be straight forward to retrieve, but does not necessarily give a full picture of what an organisation has achieved in terms of added values. Qualitative material, such as individual narrative of experiences or life histories, may be more appropriate at capturing this. However, there are difficulties faced in their interpretation. What gets narrated and how may depend on imperatives to display certain self images, for example, or power relations between an organisation's staff and clients. We must understand the different dimensions of data and be imaginative in terms of what it represents.

Problems often arise in evaluations due to confusion between process and substance, which in policy terms may translate into 'more treatment means greater impact'. Yet this may not be the case; do participatory activities automatically lead to empowerment of participants, for example? There is a need to look into assumptions regarding project activities and outcomes, and the difficulties of isolating what factors contribute to change.

Relational challenges

Is getting evaluation right just a matter of capacity, leadership, methodology and skill? Or is there something more intricate involved; i.e. how are evaluation procedures and their outcomes related to relationships between doers, receivers and givers of charity work?

Evaluations are not only about accountability, but about establishing legitimacy and justifying an organisation's right to exist. Measurement, for example, has been used in the third sector to support claims about need. Claims linked to organisational goals can be direct pointers for evaluation procedures. However, other claims may make up part of an organisational rhetoric, aimed at gaining attention or establishing legitimacy in a competitive environment. Furthermore, 'legitimacy' may mean different things to different people. Whilst government bodies may emphasise fiscal and operational legitimacy, third sector organisations often emphasise political and moral legitimacy.

Understanding evaluation today means not just mastering the technical side of producing and analysing data, but a recognition that it is placed in a political arena where values, power and resources constitute the bases for differing interpretations of data.

Conclusions and further questions

The aim of this paper has been to take preliminary stock of evaluation-related activities in the UK third sector, and give an analytical perspective of the challenges involved in formulating frameworks for evaluation.

The idea of an 'evaluation arena' has been used to capture some essential traits of these challenges: there are several actors, with different interests and expectations, engaged in efforts to define suitable ways of evaluating and appreciating what third sector organisations contribute to target groups and society at large.

The **managerial challenge** focuses on organisational capacity needed to carry through evaluations. The **methodological challenge** highlights the need for understanding the possibilities and limitations of different methods, and the difficulties involved with interpreting data. Finally, the **relational challenge** summarises a landscape of relations which includes very different actors, reflecting how needs, dependence, and power come to play important roles in how ideas, claims and aims are negotiated.

As is clear from this paper, an initial discussion about evaluation and impact assessment of the third sector invites a series of empirical and theoretical investigations. With the perspective of looking into how evaluation and impact is articulated and negotiated between actors, the following research questions can be identified:

1. Are services provided by the third sector more accountable, effective and inclusive than that of other sectors? And if the third sector is different from other sectors, how should this be reflected in evaluations that aim to assess their impact and efficiency?
2. What informal forces can be detected that may counteract the changes – i.e. unintended effects of formal accountability by way of evaluation - feared to be detrimental to important traits of third sector organisations.
3. Evaluations and control are important components of formal accountability relationships between organisations and funders. But what other types of 'accountability transactions' could or do exist?

4. How do current experiences of requirements for evaluations affect strategies adopted by third sector organisations regarding tendering and fundraising?
5. Accountability, delivered through improved standards of evaluations, is seen as an important means to ascertain that organisations are efficient in using their funds. But what other expectations are linked to increased accountability and transparency? For example, how can formal accountability benefit clients? Can improved accountability improve knowledge regarding the work of third sector organisations? Can it enhance clients' possibility to exercise voice and choice? Research into these issues would involve a closer look into not just what characterises the third sector, but their clients - and how provision of information and assessments can serve a clientele that is often defined as vulnerable and with limited possibilities to access, comprehend, and use information.

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