IMPACT MEASUREMENT – PROCEED WITH CAUTION

LEESA HARWOOD – WWW.BYTHEWAVES.CO.UK

The role of philanthropists is much more complex than a balanced bank of measures, or portfolios crammed full of social, environmental or economic data. Impact metrics are essential but we should not become over-zealous about them

"TECHNOLOGY HAS SIGNIFICANTLY IMPROVED OUR CAPACITY TO COLLECT AND STORE DATA, MEASURE IMPACT AND CREATE SOPHISTICATED DASHBOARDS FOR FUNDERS."

According to the Grant Thornton 2018 Impact in Action report, "Impact measurement can no longer be viewed as a 'nice to have'." Charities can't exist for the sake of existing. As all charity trustees know, their role is not to protect the existence of the charity itself, but to ensure the optimal delivery of its charitable aims. The two are not always synonymous.

IF YOU MEASURE IT, THEY WILL COME

Having established the importance of impact measurement as a governance imperative, the report goes on to explore the link between impact measurement and the propensity of funders to give. Impact measurement is a hot topic amongst charity fundraisers today. The more they measure, the more they can reassure donors that charities are tackling the problem they have been set up to solve. More measures must mean more money. It's a compelling and popular assumption.

Technology has significantly improved our capacity to collect and store data, measure impact and create sophisticated dashboards for funders. When I started fundraising for the March of Dimes Birth Defects foundation in the USA in 1991, we could not process data in the way we do today. Back then, we relied almost entirely on stories, case studies and in-person engagement with donors. Now, charities can collect, process and synthesise data on a scale that would have overwhelmed us 30 years ago. Donors are more cynical, demanding and sophisticated. The hypothesis is simple: give donors impact data and they'll give you their money.

NO SILVER BULLET

However, we should not become over-zealous about impact measurement. Whilst impact metrics are essential to quantify the scale of the problem and the solution for governance purposes, they are no silver bullet. And if, in a philanthropic context, data and impact measurement are our only answers, we might be asking the wrong questions. Because the role of philanthropists is much more complex than a balanced bank of measures, or portfolios crammed full of social, environmental or economic data.

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The trend towards impact measurement has spawned an industry of research, insight and evaluation specialists. So, it is not surprising that the data hypothesis has gained and maintained so much traction. Now, philanthropists can commission portfolios promising measurable social returns on their philanthropic investments. They can quantify their kindness, offset their privilege or greenwash their pollution.

"TODAY, THE PUBLIC SECTOR DOES NOT ROUTINELY TAKE A HIGH-RISK, HIGH-GAIN APPROACH TO SOCIAL AND ENVIRONMENTAL SOLUTIONS."

At the same time, big charities are investing more and more in impact measurement, building entire teams to satisfy the growing demand for impact statistics to serve donor agendas.

IMPACT MEASURES – TOO MUCH OF A GOOD THING

Data is important and metrics are helpful. But you can have too much of a good thing, and there is a risk that philanthropists and charities could focus on impact measurement too much, with damaging consequences.

To understand the scale of the risk, we must trace the evolution of some of our best loved charities back to their roots, before they became the big brand, big charity names we recognise today.

Founders like Eglantyne Jebb (Save the Children) and William Hillary (RNLI) were outliers, mavericks, innovators and risk takers. They set up charities to address problems that the establishment had failed to address; they were the grit in the establishment oyster. When Jebb and Hillary sought start-up funding 100 and 200 years ago respectively, they had no idea how many lives they would save, or what their social return on investment might be. They were social entrepreneurs, taking risks and asking their backers to do the same. They saw a problem, tested solutions, failed fast, learned lessons and moved forward until more lives were saved. Not a dashboard in sight.

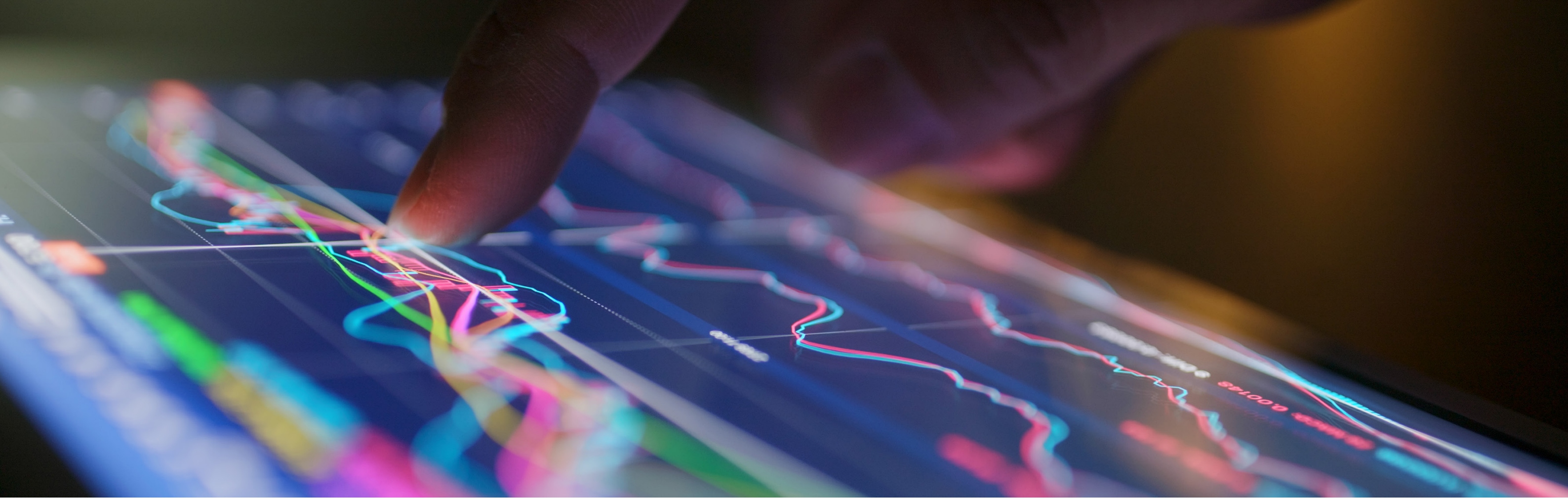
Today, the public sector does not routinely take a high-risk, high-gain approach to social and environmental solutions. Gambling with public money is a perilous political game. As many charities remain reliant on public funding, they jump through government impact reporting hoops, becoming more and more risk averse. Some charities might as well be part of the establishment itself, plugging gaps in and propping up struggling public services with neither the funding nor permission to be the grit in the oyster and shift paradigms.

If philanthropists also encourage charities to adopt a culture of excessive outcome measurement, they will inadvertently erode the ability of charities to experiment, fail then succeed. They will add another layer of risk aversion on top of already overly cautious public sector restrictions.

Then there is a danger that charities (in their eagerness to deliver the agendas of cautious funders demanding specific outcomes from predictable projects), focus on measuring existing, short-term activity (or process) rather than new, higher risk, longer term, longer tail, innovative projects without such certainty of immediate outcome. Consequently, charities are more likely to stick with what they know and aim for incremental improvement rather than transformational change — low risk with short-term, incremental gain.

Charities then become trapped in outdated business models, unable to evolve or experiment with their own operational architecture which inevitably leads to unimaginative solutions downstream. It is no coincidence that ground-breaking, global initiatives like Give Directly's Universal Basic Income 12-year pilot, and the world's first community entrepreneur lending platform, Kiva, originated outside the traditional charity sector where innovation on this scale is harder to achieve. Closer to home, UK fundraising initiatives like Serendipity — a digital platform that enables charities to collaborate to deliver a donor-focused, thematic philanthropic experience — have, ironically, been set up outside the charity sector. Serendipity's founders recognised that charities just couldn't attract funders to take a risk on a fundraising experiment of this nature, so they set up a for-profit company because it was easier to attract innovative, entrepreneurial backers in the private sector environment.

And yet, the world has never needed an innovative, non-establishment, socially and environmentally focused sector more. We already know that big problems need big solutions. The roads to environmental sustainability, financial, gender and race equity are littered with inadequate, low risk, incremental improvements. It is possible that with the best of intentions, over-use of restrictive impact measures by funders contributes to this problem.



THE NEW PHILANTHROPIST MOVEMENT — RISE UP AND TAKE A RISK

So, what does this mean for funders and philanthropists? Should they abandon impact measurement altogether? Should they treat charities and non-profit organisations as unstructured, social skunkworks? No. Just as social and environmental impact measurement is not the single solution, nor is it the sole, root cause problem. In moderation, and with carefully considered metrics, impact measurement can help the sector to innovate and think big.

But, it is important for philanthropists to realise how important their role is as a financial lifeline for transformational innovation in the charity sector. Few charities can afford to ringfence an innovation budget, or fund truly impactful R&D activity. If their funders are preoccupied with measuring the impact of existing, tactical activity, this will continue to be the case.

"BIG PROBLEMS NEED BIG SOLUTIONS. AND THE CHARITY SECTOR HAS THE APPETITE, EXPERIENCE AND DNA TO MEET THE CHALLENGE."

Few funding streams can or will support charities to unleash their transformational DNA. There is a real opportunity now for philanthropists to step up and raise the innovation bar: ringfence some of their philanthropic investment for high-risk, high-gain solutions; buy their chosen charities the time and headspace to think big and shift some paradigms. Big problems need big solutions. And the charity sector has the appetite, experience and DNA to meet the challenge. But only if its funders get the balance right between high and low-risk metrics across their portfolios. We all know that by setting the right measures, we can drive a game-changing culture. Philanthropists, your time has come!

LEESA HARWOOD - OWNER, BY THE WAVES

Leesa has had a 30-year career in the charity sector, first as a Fundraiser in the USA with the March of Dimes and American Cancer Society, then with Save the Children UK, and Business in the Community. Most recently, she was Director of Lifesaving and Fundraising at the Royal National Lifeboat Institution, leading the UK's lifeboat and lifeguard rescue service as well as the fundraising team. Leesa now runs her own consultancy By the Waves. She advises philanthropists on how to give effectively, and works with charity leaders on how to generate income and build funding and operating models, as well as coaching and advising on leadership and governance. She is a Trustee at The Big Issue Foundation and Interim CEO at Jeans for Genes. From time to time, she writes for various publications about philanthropy, fundraising and charity leadership.