

philanthropy|uk: newsletter *inspiring giving*



A quarterly e-letter for all those interested in the development of philanthropy

Also in this issue:

Giving by numbers:

How measuring social impact stacks up

Social Return on Investment (SROI)

Government and third sector extend reach of measurement tool

Social investment news

A news round-up from the world of social investment

plus

New Philanthropy Capital states case for new non-profit profession

Stephen Dawson:
taking a measured approach to giving

welcome

Welcome to the June 2009 edition of the *Philanthropy UK Newsletter*.



Firstly, I'd like to introduce myself as the new editor of Philanthropy UK. My first few weeks have been an eye-opener. Arriving from the creative sector where innovation is the order of the day, I am agog at the breadth and depth of innovative 'good work' being done across the globe by the myriad organisations working in the third sector, as well as the pace of development.

I very much look forward to discovering more and to meeting you, the highly active members of a flourishing philanthropic community.

In this edition we focus on the topical and contentious issue of measuring social impact. Can the 'good' philanthropists do be meaningfully measured? And if so, how can the human factor of social impact be captured? In seeking some answers we canvas opinion across the sector and highlight the benefits and challenges of measurement today, with case studies showing how organisations are responding to the demand to know how donations make a difference to the world.

Also in this edition, pioneering philanthropist Stephen Dawson, who co-founded Impetus Trust, the first UK general venture philanthropy fund, shares his inspirational story in 'My philanthropic journey'.

We'd once again like to thank all involved in bringing this newsletter to you and hope you enjoy it. Please do send your feedback to us at editor@philanthropyuk.org. I'd be particularly interested to know what you would like to see included in future editions and your favourite inclusions to date.

Best wishes,

A handwritten signature in black ink that reads "Cheryl". The script is fluid and cursive, with a long, sweeping tail on the final letter.

Cheryl Chapman

Managing Editor

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Letter from America will return in September 2009

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The purpose of the Newsletter is to disseminate information about new developments in philanthropy. To submit an article for consideration, please contact the Editor at editor@philanthropyuk.org.

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Design & Artwork by **Carrington Griffin Design**

Philanthropy UK aims to inspire new giving by providing free and impartial advice to aspiring philanthropists who want to give effectively. An initiative of the Association of Charitable Foundations, we also publish *A Guide to Giving*, the essential handbook for philanthropists. www.philanthropyuk.org

Front cover Stephen Dawson meets Fairtrade farmers in Dominica, Caribbean. Impetus Trust has been investing in Fairtrade since 2007.



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Philanthropy UK is supported by the
Office of the Third Sector in the Cabinet Office

Measuring impact: capturing the good of giving

Giving by numbers: *how measuring social impact stacks up*

by Cheryl Chapman

What matters more: the pleasure or the measure of giving? Measuring social impact and expressing it as hard data, monetized metrics or financial proxies is high on the philanthropic agenda for many reasons. But establishing a causal link between activity and long-term impact – ‘attribution’ – is proving extremely difficult. Here we explore how measuring social impact is challenging the third sector, whether measurement can genuinely capture the good of giving, and if it will really serve philanthropists in making more informed investment decisions.

Tris Lumley, Head of Strategy at New Philanthropy Capital (NPC), a charity committed to improving the efficacy of giving, shared a personal vision with the 200 plus international delegates who gathered in May at its **‘Valuing Impact’** conference, held to explore whether there is a need for a world association of non-profit analysts.

“In 20 years time I’d like to see a chief impact officer in every non-profit organisation, sharing and communicating the social, economic and environmental impact they have had and helping other organisations plan their giving better.”

Many have already started down the road to measuring impact, capturing ‘added value’ and monitoring performance. But for most charities, especially the thousands of small support groups and voluntary organisations, Lumley’s vision may seem daunting.

Measuring social impact is proving a *“difficult and messy”* business says Daniela Barone Soares, CEO of venture philanthropy investment group Impetus Trust. *“But this should not be an excuse for not attempting it,”* she adds.

This drive to understand social, economic and environmental¹ activity in terms of ‘value’ and ‘return’ is powered by a number of factors.

These include local and central government, which is the single biggest funder of third sector activity. Its need to demonstrate value for money and show accountability and transparency is creating, often onerous, demands on service providers to demonstrate clear evidence of the impact they are having.

The changing profile of philanthropists over the last decade is also a factor in the push for quantifying impact – many of today’s philanthropists are successful business people who understand the world in commercial terms and actively seek data to demonstrate the value of their social investment.

However, it is not only the ‘business’ of philanthropy that is propelling the third sector towards a more metric approach – there remains a demand from all those involved to know the interventions they are making are changing the world for the better and are working to close the gap between rich and poor.

Fiona Halton, chief executive of Pilotlight, which recruits senior business people to coach and mentor charities, says: *“We need to know we are making a difference and moving in the right direction, and we can only do that through measurement. If we don’t know where we are going – how do we get there?”*

¹ Throughout the remainder of this article, we use the term ‘social’ to mean ‘social, economic and environmental’.

Ken Berger, president and CEO of Charity Navigator, a US-based charity rating service, says: *“My concern is that some people do not appreciate the life and death nature of what we are dealing with. I have been teased that I am an ‘evangelist’ for outcome measurement, but I think we ALL should be. Without outcome measurement to tell us what works and what doesn’t, we may well be wasting billions of pounds on useless or even harmful interventions.”*

Yet the central aim of measurement, to establish a causal link between activity and long-term impact, is proving extremely difficult. For example, how do you show beyond a doubt that providing advocacy services for victims of domestic abuse can lead to them becoming independent, happy individuals 10 years on?

Colin Nee, chief executive of the Charity Evaluation Service (CES), which has worked with thousands of voluntary organisations and their funders, feels that often, *“the more grandiose the aim, the greater the claim.”*

An added complexity is that some sectors of society are harder to study in the long-term than others. For example, homeless people are difficult to track and often ‘disappear’; ex-offenders are difficult to monitor as they want to leave that period of their lives behind them.

Some posture that measuring shorter-term outcomes is a better way forward, particularly as longer-term impacts don’t fit conveniently into three-year funding streams anyway.

That said, the adoption of the principle of measurement across third sector organisations is happening, albeit in a patchy fashion. Some passionately embrace it and some may be forced to ignore it because of cost, culture or lack of capacity, while most are somewhere in between.

*Pilotlight CEO Fiona Halton visits the popular music studio of Bromley based charity JusB, which it is supporting in its aims to help teenagers create a brighter future for themselves.
Photo courtesy of Pilotlight*



“Without outcome measurement to tell us what works and what doesn’t, we may well be wasting billions of pounds on useless or even harmful interventions.”

*St Mungo's staff talk in depth with clients about outcomes on a journey to recovery.
Photo courtesy of St Mungo's*

The Outcomes Star – St Mungo's

St. Mungo's is London's largest homelessness agency, running hostels, care homes, complex needs housing and supported housing that accommodates 1,400 people each night.

Its interest in outcomes was kindled in the mid-nineties. Services had previously been viewed in terms of inputs and outputs. St Mungo's decided to develop an independent system, tailor made for the homeless client group which incorporated the best elements of existing systems – it would actively include the client in their assessment, have a holistic approach and also address some of the clear weaknesses of existing fledgling systems. The aim was to increase objectivity, have very clear guidelines and have a system that was able to visually represent progress. With a grant from the London Housing Foundation it developed a system in conjunction with Sara Burns of Triangle Consulting that is now known as the Outcomes Star.

The Outcomes Star aims to provide a visual representation of the whole person. Each of the ten axes on the Star represents a key area against which a client may be assessed. The Star places the client firmly at the heart of the work done.

Plotting Stars at intervals allows both clients and staff to track changes over time, to look at the interplay between different areas of their recovery journey and to understand the journey of change. It is not simply the measuring of client outcomes that is critical but what this measure means for the service that is being



delivered. St Mungo's has linked the Star with the Cycle of Change so that its staff can easily recognise the supportive actions and behaviours that correlate with a client outcomes measure.

Elizabeth Harper, Head of Performance at St Mungo's, acknowledges that there are risks in the world of outcomes measurement. *"It is essential that the Outcomes Star fits with your existing way of working and that this way of working is client focussed and has clarity of process and purpose."*

"St Mungo's is currently using the Outcomes Star to identify patterns in different clients groups' recovery journey so that it can learn how to orient resources to offer the right support at the right time". The preliminary findings will be published this summer.

Sally Cupitt, senior consultant at CES, commented, *"Our experience over the last 20 years, combined with recent research we have done, would show that many are keen and do undertake measurement. Most do some monitoring of outputs, and many do at least some monitoring of outcomes."*

And independent consultant David Carrington, who draws on 25 years experience of senior management positions in charities, confirms that the concept is not new: *"training courses on measuring impact have been running since the 1980s,"* he says.

Funding organisations are equally passionate about embedding measurement into their organisations.

Paul Bernstein, CEO of Absolute Return for Kids (ARK), a philanthropy fund, says measurability and accountability is *"in our DNA"* and explains that ARK was started in response to the lack of philanthropic organisations demonstrating the impact of their funding. Brian Trelstad, CIO of the Acumen Fund, a New York-based venture philanthropy fund working to alleviate global poverty, says in the Summer 2008 issue of *Innovations*²: *"For all the innovation in social enterprise, the question remains: So what? Have these new approaches led to enduring change? Are people drinking cleaner water, living healthier lives, or moving out of poverty because of the new products designed to be affordable and accessible to the poor?"*

"We think so, but the evidence is nascent and mostly anecdotal."

Frameworks are being put in place to help gather that evidence more extensively.

For example, The SROI Network is a membership organisation which is leading a consortium managing a Cabinet Office-supported project called **Measuring Social Value**. The consortium has just published a guide to social return on investment (SROI) – a framework which expresses impact in cost benefit terms. The framework and soon-to-be online tool are at the heart of the government’s plans in supporting third sector organisations to demonstrate added social value.

But whether measurement will – or even should – ever be mandatory is up for debate.

There are calls for legislation and heavy regulation, while others believe in a lighter touch approach to measurement; where self-regulation, codes of conduct and best working practices are the order of the day.

The thinking is that ultimately market forces will demand the publishing of such information anyway as organisations compete for donors and funds.

And the hope is that the publication of outcomes will lead to wider learnings across charity sectors – though not generalisations across the third sector.

But before such hopes can be harvested, there are a huge number of challenges to overcome.

Rising to the challenges of measurement

The issues that hamper the progress of impact measurement are a long way from being solved. The first is fundamental: definition.

Defining social impact

Nee of CES says: *“Every discussion on social impact is lost in a swirl of discussion about semantics and definitions.”*

According to CES’ discussion paper **‘Assessing Impact’**, there is broad agreement that impacts are *“changes resulting from an organisation’s activities”* and are often viewed as *“the real reason for the existence of many voluntary sector organisations and the justification for the personal effort and money that go into the organisation.”*

Yet there are as many definitions as there are organisations.

Fortunately there are numerous resources that can help with defining social impact, as this table shows.

But while defining the term may be a stumbling block for some, CES’ Sally Cupitt, and author of **‘Your Projects and Its Outcomes’**, says making a distinction between outcomes and impact does not always matter, as both terms are about change.

“However, outcomes and impact refer to different levels of change, requiring different methodologies to measure them. ‘Impact’ describes longer term, broader change than outcomes, may affect a wider group of people and be affected by a range of organisations. As such, true impact assessment takes time, skills and money, and it can be harder to attribute change.”

*This example featured in CES’ Discussion Paper 9 Assessing Impact, clearly differentiates between outcomes and impacts using Beatbullying, an interagency organisation in London.
© CES, Sally Cupitt, 2004*

From input to impact			
Incomes	Outputs	Outcomes	Impacts
Staff	Web site	Increase in reporting of bullying	Reduction in bullying
Partner organisations	Literature Mentors	Increased ability to cope with bullying	
Budget	Beatbullying panels	Increased confidence and self-esteem	
Venue		Change in attitude towards bullying	
Advertising		Improved ability of local services to deal with bullying	

Identifying indicators

The difficulty of definition continues in identifying what to measure. In recent years there has been a refining of indicators from those that measure absolutes to more sophisticated ones that attempt to capture change – not just how many clients used a workshop for unemployed people, for example, but how many more clients applied for jobs and whether they felt more confident as a result.

Brian Mellon, managing director of Frontline Consultants, who work with UK's public sector organisations to increase efficacy, sums up the problem: *“What if people improving their performance ‘as measured’ are not actually achieving the outcome needed? Hitting the target, but missing the point.*

“Defining ‘the point’ – the intended impact is an essential part of initial project design and measures should be chosen at that stage. Inputs are easy – the initial funds. Processes are popular – number of computers for a school. Output counts reassure that the activity was delivered – numbers of trainee completion certificates. However, if the desired outcome was fewer young people not in employment, then none of these measures give funders a sense of what is being achieved – good or bad.”

And who should define indicators – funders or fundees?

Jamie Cooper-Hohn, co-founder and CEO of The Children's Investment Foundation Fund (CIFF) says 'both': *“It is essential that what defines success is jointly agreed by the funder and implementer at the outset of the project. Key to this being a productive exercise is de-mystifying the fuzzy aspirational jargon most entities use to describe their work and establishing clear targets for change that are*

Bespoke Tools: Acumen Fund

Acumen Fund is a non-profit global venture fund that uses entrepreneurial approaches to solve the problems of global poverty.

It seeks to prove that small amounts of philanthropic capital, combined with large doses of business acumen, can build thriving enterprises that serve vast numbers of the poor. Its investments focus on delivering affordable, critical goods and services – like health, water, housing and energy – through innovative, market-oriented approaches.

It assesses its investments along four criteria: financial sustainability, social impact, scale, and cost effectiveness.

Before it makes an investment, it seeks to understand whether there is another group in the charitable marketplace that can deliver the same product or service more cost-effectively. To do so, it has developed the Best Available Charitable Option (BACO) method.

By comparing each of its investments with a real or hypothetical charitable option, Acumen Fund has begun to quantify, at least to an order of magnitude, how its social impact, for each net dollar invested, compares with that of other philanthropic options.

With support from Google and several foundations, it has built a web-based tool called Pulse to capture enterprise performance data using social, financial and operational metrics. The tool has evolved into a platform that will be shared with social investment organizations more broadly, and over 50 groups have already tested the beta version. Pulse allows Acumen to keep metrics data and insights both reliable and readily available, cataloguing

Acumen Fund invests patient capital in enterprises that are delivering critical goods and services – like safe water – affordably to underserved markets.

Photo courtesy of Acumen Fund



by geography, portfolio, and industry. It can then analyze this aggregate pool of data to identify cross-cutting principles – and to explore and communicate breakthrough insights into how to reach base-of-the-pyramid markets. As this tool is more widely adopted, it will allow for a shared taxonomy of social metrics and increased understanding of the overall impact of social enterprises. Brian Trelstad, CIO of Acumen Fund, says: *“Though it has limitations, this calculation [of BACO] reaches to the heart of the market-based approach, spelling out the cost saving, the financial leverage, and enterprise and technology efficiencies that drive financial sustainability and social impact. This allows us to understand the opportunity cost of our charitable capital, and make informed investment decisions that deliver the greatest social impact.”*

Actress Felicity Finch, who plays 'Ruth' in Radio 4's *The Archers*, presents the case for SURE, which works to help survivors of the Rwanda genocide, at a 'Dragon's Den' style TFN fundraiser
© Barry Macdonald

Survey: The Funding Network (TFN)

The Funding Network (TFN) (<http://www.thefundingnetwork.org.uk>), founded in 2002, enables individuals to join together to fund social change projects. It's been described as a marketplace for donors and charities, as the UK's first public, open giving circle, and as the 'Dragon's Den' for charities.

It has raised over £2 million for more than 350 diverse local, national and international projects. It sponsors small and medium-size organisations for whom £5,000 would be a useful contribution.

For this small, rather informal organisation, measuring the outcomes of a project is particularly difficult – the capacity barely exists at TFN, which employs two full-time members of staff, or the charities it funds.

However TFN is now evaluating its own impact using a survey approach and committed volunteers. The main criterion was that the process should not be onerous or time-consuming for fundees.

The main objectives of the pilot were:

- To help understand the typology and size of charitable organisations funded by TFN at the point of funding and today
- To measure the impact that TFN funded projects have had on society
- To understand the nature of social change and its effect.

TFN used the New Philanthropy Capital (NPC) four tier model to analyse the level at which the charities were working within society.¹



“Because of the diversity of the funded organisations, the quantitative measurement of impact is difficult to scale and even harder to compare between organisations,” says Sonal Shenai, executive Director of TFN.

“The Pilot Impact Measurement Survey 2009: methodology, results and initial findings,” is available on request from info@thefundingnetwork.org.uk.

The approved questionnaire will be used to annually survey all of TFN's funded projects.

¹ Lumley T, Langerman C and Brookes M 2005, Funding Success NPC's approach to analysing charities.

directly measurable. For example, “improving the lives of children” needs to be translated into concrete impacts such as reduction in child mortality or increased percentages of children transitioning from primary to secondary school or fewer teenage pregnancies. There is no issue around which this clarity cannot be achieved if both parties engage with an honest willingness and desire to understand their impact.”

Carrington explains: “I believe that it should be universal practice for all organisations to set and measure goals, outcomes or impact in ways that are appropriate and proportionate for them – that funders should encourage (and, if necessary, help to fund) them to do so, and that funders should identify what data they need and negotiate with the organisations if the grantee's or investee's systems do not already deliver that data or proxies for it.”

Defining indicators gets murky once again when programmes focus on preventative measures as they often do – how do you measure what hasn't happened with any accuracy?

And what do you measure outcomes against? Expensive research to establish a baseline or benchmark is beyond the purse strings of many of the small organisations doing so much good work.

Shared evidence and data may well help – and there is a call for more openness and transparency.

For example the Scottish Government is supporting an SROI project led by Forth Sector Development and the SROI-Network, to create a database that would publish indicators and their relevant proxies.

But how far should transparency go?

Dierdre Mortell, co-founder and CEO of the One Foundation, a philanthropic fund based in Dublin, says: *“We need to be honest about findings and report the successes as well as the failures in order that we can learn from our actions. As long as we learn from failings then we should not be penalised.”*

There is a concern that publicising ‘failures’ in a highly competitive world will shoot those brave enough to do so in the foot as funders plump for organisations that demonstrate higher impact.

However, Brian Lamb of RNID believes that ‘warts-and-all’ publishing has given RNID greater credibility. *“When we published outcomes showing we hadn’t hit targets we waited for the avalanche of negative calls – but those that came were positive. Our honesty earned us respect and credibility.”*

Counting the cost of measurement

Many organisations discount measurement as being too costly and time consuming to be worth doing.

CES’s Sally Cupitt says: *“Many smaller organisations are having trouble finding the resources and capacity to measure outputs and outcomes, let alone impacts. They need lighter touch measurement and evaluation systems, and appropriate support in implementing these.”*

Funders too are grappling with the ‘proportionate cost’ issue. Many are happy to accept the measures being used by the organisations they fund, while others actively work to help them clearly identify more meaningful indicators within their scope.

Balanced Score Card: Impetus Trust and NPL

Impetus Trust provides charities with strategic funding, expertise and capacity building support over a defined period of time, usually between three and five years, with the aim that the charities can focus on transforming more lives.

Throughout the relationship Impetus maintains a high level of engagement including monthly meetings with each charity chief executive, and careful monitoring to ensure progress against agreed objectives – a distinguishing characteristic that underpins the trust’s successful track record on impact.

Among the tools Impetus uses to assess impact is the Balanced Scorecard – a strategic planning and management system that is used extensively across industries, government and the non-profit world to align business activities to the vision and strategy of each organisation.

The approach provides a clear prescription as to what organisations should measure in order to ‘balance’ the financial perspective.

The Balanced Scorecard was used to help the Naz Project London (NPL), which provides sexual health and HIV prevention and support services to Black and Minority Ethnic (BME) communities in London, to *“make sure the individual projects delivered on the ground tied in with higher level performance indicators,”* explains Impetus vice-chair Nat Sloane.

“Like any system, it has to be tailored to the organisation using it and it evolves over time.”

The challenge in using the Balanced Scorecard is in setting meaningful indicators and this is done in partnership with the charity and by consultation with external stakeholders. *“The stronger the alignment*

Since working with Impetus, Naz Project London, which provides sexual health services and support to Black and Minority Ethnic communities in the capital, has seen a 114% increase in the number of people helped through its groups.

Photo © Monica Masih, courtesy of NPL



between indicators and the strategic goals of an organisation the better,” says Sloane.

“The benefits for NPL are emerging in terms of specific output and outcome measures as it rolls out impact measurement for particular programmes with specific communities. More broadly, NPL is leading the way in developing an innovative ‘impact architecture’. NPL is increasingly regarded as a ‘go-to’ organisation in the sexual health sector inasmuch as leading statutory players acknowledge the thought that NPL has put into aligning its strategic vision and operational performance.”

Since working with Impetus, NPL has won a major statutory contract with primary care trusts in three London boroughs as lead contractor.

It has seen a 114% increase in the number of people helped through support groups, and grown income 31% since 2004/5. In addition NPL has launched a peer advice programme and a programme to develop community advocates.

Amy Philip, deputy director of the Pears Foundation, explains: *“Impact assessment has to be proportionate – you can’t undertake a quarter of a million pound research exercise for a grant of £10,000.”*

Victoria Warne, head of grants at London’s Capital Community Foundation (CCF), says: *“Gathering information can be difficult when funding very small community organisations. They repeatedly tell us, ‘we know this works and we know this makes a difference’ but often find it difficult to produce the evidence.”*

CCF now asks each group funded to give a short case study stating what an individual gained as a result of being part of their project. This is submitted alongside a short report detailing their achievements and any learning they have gained through their work. *“Whilst this is relatively basic, we feel this is in proportion to the size of grants we give.”*

New technology is however being harnessed to help cut costs.

Jeremy Nicholls, CEO of SROI Network, points to the proliferation in ‘off the shelf’ impact measurement software programmes as a good sign.

But existing technology is also being pressed into action; Oxfam is using mobile phones to collect data from the frontline across continents, reports their Senior Advisor of Monitoring Evaluation and Accountability Dr James Stevenson, while the internet provides analytics such as ‘visitor numbers’ and other data that could also be useful.

Skills, capacity and training

A lack of capacity, skills and training is also hindering data-collection.

But even those that do have the capacity, don’t necessarily have the skills. Training will be crucial in the implementation of measuring impact, as is building strong relationships with frontline workers collecting data and engaging organisations from the ‘bottom up’.

Motivation to collect data is also highlighted as an issue, though Halton of Pilotlight disagrees: *“Once people see the results and can clearly define the difference they are making; they become very enthusiastic about measurement.”*

So, there are a multitude of challenges facing those measuring impact. Yet these are outweighed by the benefits it will bring to all those involved – the riches of greater efficiencies, effectiveness, profit and, ultimately, positive social and environmental change.

Social Measures: The Fledgling Fund

The Fledgling Fund disburses more than \$1.5m in funding annually, supporting media for social impact. Executive Director Sheila Leddy explains that they are interested in strong stories and in how filmmakers plan to use these stories to improve the lives of individuals and communities, change policy and raise awareness. The Fund does not support the production stage of media projects, however. Instead they focus almost exclusively on post-production and outreach.

The Fund is developing new ways to successfully measure the social impact of media projects, as funders

“Once people see the results and can clearly define the difference they are making they become very enthusiastic about measurement.”

need to be able to point to outcomes. Aside from considering more traditional measurements such as awards, broadcasts and critical reviews, they also consider public awareness of the project. They try to gauge whether the general public is learning about the project, for example, by considering if it was mentioned in non-entertainment news. For example, *Ghosts of Abu Ghraib*, made with the support of the Fund, brought together a host of torture organisations, and this was another measure of impact.

The benefits of measurement

More effective organisations

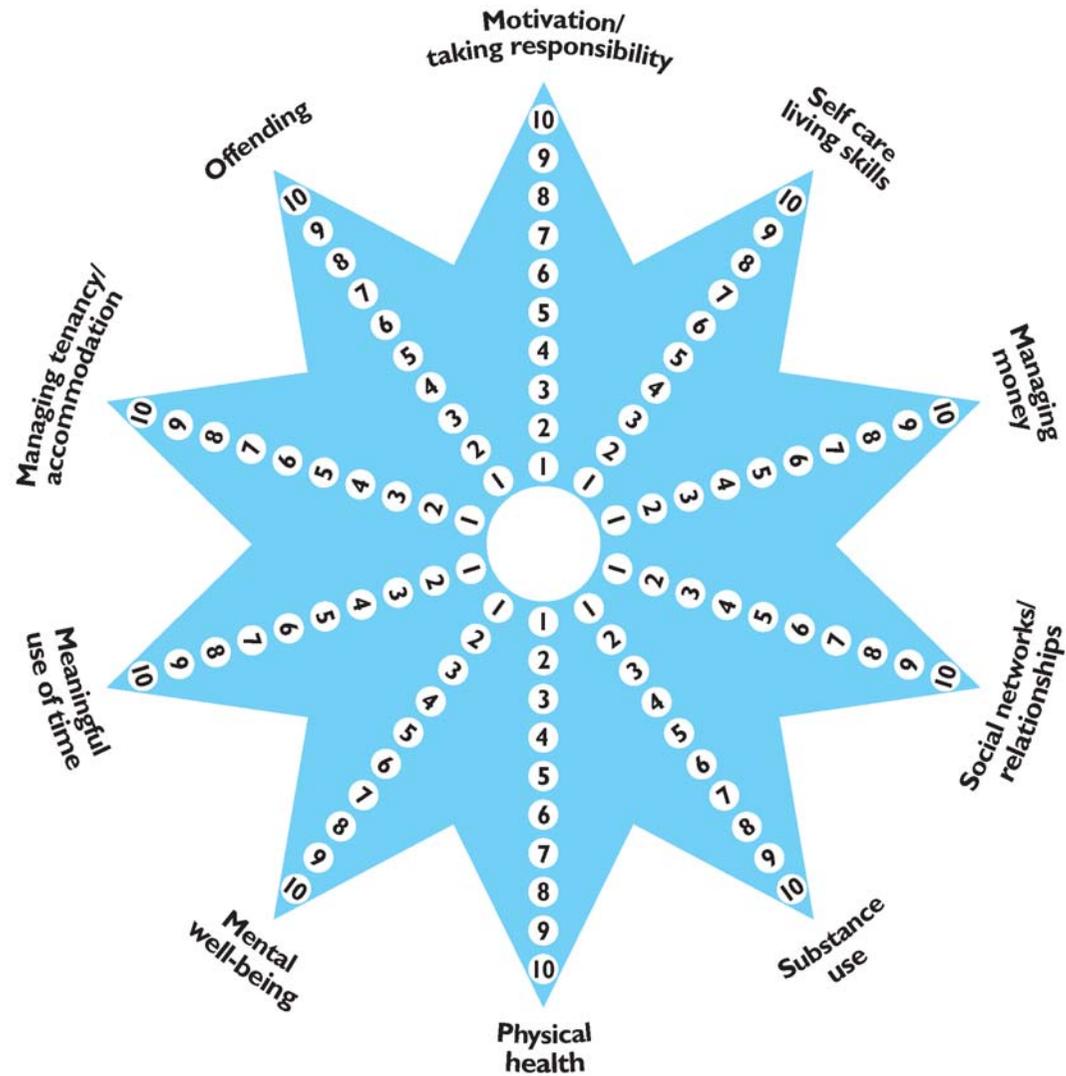
Organisations that measure and evaluate learn a lot about themselves, about how to deliver more effectively, and as a result build expertise and knowledge that can lead to sustainable futures and policy change: *‘If you can’t measure it, you can’t manage it.’*

The Pears Foundation’s Philip says: *“We believe that being able to quantify impact should increase a charity’s chance of being considered experts in their field and being offered a seat at the policy table, as well as leading to improvements in their practice. Impact assessment is not just about keeping funders happy; charities themselves should want evidence that they are achieving their aims.”*

Measurement is only the starting point on the road to more effective organisations and governance. Evaluation and learning join up this virtuous circle, and is widely accepted as best practice.

Elizabeth Harper, performance director of St Mungo’s, London’s largest charity for the homeless, explains how implementing their ‘Outcomes Star’ measurement: across a wide range of services has brought both expected and unexpected benefits.

“Not only have we been able to measure and plot individual clients’ journeys but also we have been able to aggregate ‘outcomes star’ data to help us identify strengths and weaknesses in our services, and this supports our performance improvement.”



The Outcomes Star, devised by St Mungo’s in conjunction with Triangle Consulting, is a visual representation of the whole person, with each of the ten axis on the Star representing a key area against which a client may be assessed. Photo courtesy of St Mungo’s

Innovation and development

Impact measurement helps organisations take calculated risks, innovate and create scalable programmes that help more people and help themselves to become more sustainable organisations.

For example, applying clearly defined key performance indicators (KPIs) as ARK does has helped it identify innovative programmes that have been scaled up. Its Antiretroviral Therapy (ART) Programme in South Africa, which ensures that mothers and children infected with HIV receive life-saving drugs, exceeded its 2010 aims by 21 months. The charity is now rolling out this programme to Mozambique with the aim of enrolling 5,000 HIV+ mothers, caregivers and children onto ART by 2010, thus preventing a further 22,500 children from becoming orphans.

Victoria Hornby, of The Sainsbury's Family Charitable Trusts (SFCT), which helps a wide range of causes, cites the *Every Child a Reader* programme, part funded by its JJ Charitable Trust, as an example of how evaluation led to development. *"By measuring the impact the pilot achieved in cost benefit terms, they learned that for every £1 spent, £18 would be saved in future spending. The scheme went on to win government support and is being widely implemented across the UK – it's the ideal scenario."*

Impetus Trust's Barone Soares adds: *"Looking at potentially transformational programmes and extrapolating from the findings can ultimately lead to policy change."*

Inspiring donors

By expressing philanthropy in numbers, value, cost benefits and ratios, the belief is it will inspire more people to join in: *"Knowing what you are paying for and what you will get in return will give more people confidence to invest in social change so that giving will become a bigger part of their spending plans. Philanthropy will no longer be just for the super rich,"* says Martin Brookes, Chief Executive of NPC.

Mapping outcomes also helps philanthropists navigate their way round the world of need. *"Having a clear idea of the way different organisations are changing the world makes it easier for donors to choose between different causes and helps the causes compete better for scarce resources,"* says Brookes.

Building trust, integrity and legitimacy

In his business ethics blog, Professor Chris McDonald of Saint Mary's University in Halifax, Canada, explains how measurement is being used as a way for charities to build legitimacy: *"Rather than grounding their legitimacy in terms of the number of people they represent, [they] gain legitimacy from their track record of successfully using donor money to promote their stated goals. Others lack legitimacy precisely because they're so bad at doing what they claim to do."*

Charity Navigator's Berger adds: *"I believe that an outcome-driven culture is vitally important for a charity to be at its best and to be trusted. Objective data will become more and more important for the public's perception of a charity's ongoing legitimacy."*

"Objective data will become more and more important for the public's perception of a charity's ongoing legitimacy"

Bulky Bob's is FRC Group's waste management and recycling business, which employs and trains long-term unemployed to help them back into work. Photo courtesy of FRC Group

Social Return on Investment (SROI): FRC Group

Founded in 1988, FRC Group has grown from a small community based response to poverty in inner city Liverpool to being one of Britain's best known social businesses turning over millions of pounds.

Verity Timmins, FRC's Impact Manager, says: "As a social business with charitable status, we feel a sense of moral obligation to prove the added value we create," and the group has won many awards for its reporting.

The business had used a number of approaches to measurement over the years and turned to the Social Return on Investment (SROI) framework in 2005. Among other aspects of its business, it used SROI to measure the impact of its Driving Change programme, which helps the long-term unemployed into employment.

Jeremy Nicholls, CEO of SROI Network, a membership organisation taking a lead on the issues around accounting for value.



The SROI framework maps the added value of an organisation's work, expressing it in financial proxies (see 'SROI: Government and third sector extend reach of measurement tool', in this issue).

The first step for FRC was to conduct a small focus group with Driving Change trainees and identify the impacts the programme could achieve by thinking around how improving skills, qualifications and training could benefit trainees and wider society, economically and socially.

"Stakeholder engagement and context is key in identifying these impacts," says Timmins. "As well as the tangible impacts of getting people back into work, such as increases in tax contributions, there were some surprising intangibles.

"A man who had been unemployed for twenty years said being employed on a 12-month 'Driving Change' programme working within Bulky Bob's, our waste management and recycling business operated on behalf of local authorities, had changed the way his children viewed their own futures – he had become a role model offering them hope that they too would be employed."

Timmins says applying values to intangibles is still a developmental area within SROI, "how do you start to put a price on renewed confidence?" she says, but the more the SROI network grows and information is shared the easier it is becoming.

"The map helps in putting some theory into the practice and identifying factors such as how long it takes for results to be felt, for example. One thing it clearly identified for us is the tipping points. It showed us the levers of change and how to use them to bring about greater impact. For example it showed us that training



programmes with larger cohorts had a marked effect on confidence for those taking part as it stretched and developed their team-building skills," explains Timmins.

The analysis showed that for the Oldham Driving Change programme in Greater Manchester (2006) the SROI was £2.22 for every £1 invested.

"What SROI allows you to do is translate a very long story into something that's short and speaks in a meaningful language to many different people," says Timmins.

“Philanthropists and donors will always want to meet the people benefiting from their donations and hear their stories. That is the pleasure of giving and for many the whole point.”

Conclusion

So there is broad agreement that measuring social impact should aim to deliver primarily on two fronts – it should lead to more effective management and should demonstrate ‘value for money’.

Yet doing so cost-effectively, consistently and meaningfully is a work in progress.

And of course there is the routinely difficult task of measuring ‘softer’ outcomes, such as improved self-esteem or the impact of being a positive role model to one’s children, which are often needed to fully demonstrate how a donation has helped to change lives.

Barone Soares of Impetus Trust summarizes:

“Philanthropists and donors will always want to meet the people benefiting from their donations and hear their stories. That is the pleasure of giving and for many the whole point. The best approaches combine both ‘hard’ and ‘soft’ measurements; numbers alone cannot tell the whole story.”

For ultimately, impact can be many things, depending on the objectives of the donor and the cause supported.

Philanthropy UK Director Susan Mackenzie offers some examples in A Guide to Giving (2nd ed., 2005):

“Impact is the social return on your investment in a disadvantaged community; it is the standing ovation at the performance of a musician you have supported; it is inspiring others to give. Impact is a park preserved; a patient cured; a diploma earned; a mouth fed. Impact is helping a woman gain the self confidence she needs to start her own enterprise; it is the smile on the face of a young cancer patient, simply because you showed up; it is your own satisfaction in knowing you have made a difference.”

Einstein put it another way: *“Not everything that counts can be counted, and not everything that can be counted counts.”*

SROI:

Government and third sector extend reach of social return on investment

by Roxanne Clark

Social Return on Investment (SROI), the social impact measurement tool, has seen a marked flurry of attention in recent months that positions the analysis tool at the heart of the government's plans in supporting third sector organisations to demonstrate added social, economic and environmental value.

The disparity in how organisations, both funders and the funded, define outcomes and impact has long been an ongoing barrier to impact measurement. To address this issue, an SROI framework, which measures and accounts for a broader concept of value and incorporates social, environmental and economic costs and benefits, was pioneered by REDEF, a US venture philanthropy fund.

Writing in the third edition of Philanthropy UK's A Guide to Giving, Jeremy Nicholls, Chief Executive of The SROI network, described SROI as a story in which the return

ratio provides "a hook for the analysis". He added that the tool attempts to bring a quantitative approach – 'providing a 'voice' for values which we would all recognise but find difficult to express in financial terms – thereby allowing us to compare the impacts of an organisation to the investment being made.'

The tool has evolved over recent years into an increasingly recognised global framework, and new approaches are making SROI more accessible to a wider variety and size of organisation.

An aspect of this development is a government-backed three-year programme of work, the Measuring Social Value project, which aims to create a standard tool to measure SROI of third sector organisations. It was launched by the Office of the Third Sector (OTS) in November last year.

Led by The SROI Network, the consortium running the project includes New Philanthropy Capital, New Economics Foundation, the Charities Evaluation Service and the National Council of Voluntary Organisations.

The project is running alongside a complementary project to be funded by the Scottish Government's Third Sector Division (TSD). This project will have particular responsibility for the development of an SROI portal and of new training materials for practitioners.

An initial outcome of the OTS's project is the recent launch by the Secretary of State for the then Business, Enterprise and Regulatory Reform, Lord Mandelson, and Liam Byrne, then Minister for the Cabinet Office, of a new Guide to Social Return on Investment, the purpose of which is to standardise practice, develop the methodology, and provide more clarity on the use of SROI.

The guide, which builds on three earlier SROI guides, identifies six stages of analysis:

1. Establishing scope and identifying key stakeholders
2. Mapping outcomes
3. Evidencing outcomes and giving them a value
4. Establishing impact
5. Calculating the SROI
6. Reporting, using and embedding the analysis

These stages can fulfil a range of purposes including being used as tool for strategic planning and improving, for communicating impact and attracting investment, or for making investment decisions.

Nicholls sees the guide as a refinement and development that complements other growth in SROI.

"There is much happening in SROI at the moment including training and support and we want to harness this," he told Philanthropy UK.

"Our next step is to engage investors and commissioners in conversations and get them involved to increase demand and impact. It is a vital time to take SROI to the next level."

For more information on SROI, see the SROI chapter in A Guide to Giving (2008).

To download a copy of the new Guide to Social Return on Investment, please visit the SROI Network website.

- ▶ A Guide to Giving: www.philanthropyuk.org/AGuidetoGiving
- ▶ Guide to Social Return on Investment: www.thesroinetwork.org

From passion to profession: *the case for an association of non-profit analysts*

by *Esther Paterson, New Philanthropy Capital*

The last quarter of a century has seen the rise of many new professions, including investment managers, alternative healing practitioners, social entrepreneurs, call centre operators to name but a few.

Now, perhaps it is time to add another one to the list: the non-profit analyst.

Commercial organisations have been scrutinised by analysts and rating agencies for many years, but in the charity world, such independent analysis is either new or absent. Non-profit analysis is too diverse and inconsistent to be called a profession. Outside the third sector, there is little awareness that non-profit analysis even takes place, and outside their own organisations, there is little support for people who assess third sector organisations.

In response to this need, New Philanthropy Capital (NPC) and the Bertelsmann Foundation hosted a groundbreaking conference on 19th May, to discuss the possibility of an Association of Nonprofit Analysts (ANA).

The event brought together 200 professionals from all over the world. Some make grants or interpret social impact. Others commentate on charitable performance or create social impact themselves.

And they all have one thing in common: a passion for non-profit analysis. All aim to change lives: helping the vulnerable, nurturing families and improving communities. As Martin Brookes, Chief Executive of NPC, said in an address to the conference: *'That purpose*



NPC's Martin Brookes (right) and The Economist's American Business Editor and New York Bureau Chief Matthew Bishop (left) discuss the issues around valuing impact at NPC's conference in May
© Kristian Buus

embraces us all. Everyone in this room wishes to apply hard-nosed analysis to achieve social good. We want to get more out of the third sector—that is at the heart of our work. We approach it in different ways, with different philosophies, but with that basic common goal.”

From this common goal came a day of challenge and debate, as participants explored how impact analysis is transforming the non-profit sector. Responses to the event were overwhelmingly positive.

But the conference aimed to go beyond this one day of networking and debating methodologies. It was a conference with ambition, looking to create a collective endeavour more lasting and useful for non-profit analysis. It was the idea of ANA that turned a conference about impact into a groundbreaking first step.

The proposed association has the potential to raise the profile of the discipline of non-profit analysis and shape it as a profession, uniting people from a disparate array of fields. It would provide support for analysts and forums for sharing and learning. And it would improve the sector, encouraging better standards, frameworks and judgements about the performance of nonprofits.

As Brookes put it: *“If an association can help us to find better ways of understanding and analysing non-profits - without losing the stories and anecdotes which convey the richness and importance of their work—it will contribute towards a better sector and a better world.”*

In the conference’s closing plenary, participants cast their votes about the idea of the association – 80% said that they would like to become a member, and a quarter said they would be interested in becoming founding members.

This feedback will be taken on board when NPC, the Bertelsmann Foundation and other interested organisations plan their next steps and explore the practicalities of establishing an association.

Through ANA, the charitable sector itself would become more effective in helping the most vulnerable and disadvantaged. In the words of keynote speaker Matthew Bishop: *“Charity analysis can transform both the sector and the way that money works in society as a whole ... I think that this will be a significant meeting that will be looked back on as a turning point in philanthropy.”*

To find out more about ANA, and to see a report from the conference, visit www.nonprofitanalysts.org.



Esther Paterson has co-authored the report Short changed, on financial exclusion and When I’m 65, which is an update on NPC’s earlier older people report. Esther has a Masters in the Psychology of Religion from the University of Cambridge.

Adam Ognall



What's new in social investment?

A brief round-up of developments from the social investment world

By Adam Ognall, UKSIF

First community-based forest project to seek public funding launched

The Cochabamba Project in Bolivia is now open to UK investors by means of an industrial and provident society. Profits from the sale of timber are shared equally between farmers and investors. Cochabamba is one of only three forestry projects to be accredited for CO2 credits through the Kyoto mechanism.

► www.cochabamba.coop

High Bickerton innovates for sustainable rural regeneration

The Devon village has set up its Community Land and Property Trust (CLPT) to sustain village life over 20 years. The CLPT, in partnership with Wessex Reinvestment Trust, will raise grants and loans for 17 mixed-tenure homes.

► www.communitylandtrust.org

Social Finance appoints its first CEO

David Hutchison, formerly Head of UK Investment Banking at Dresdner Kleinwort, has been appointed CEO of Social Finance.

► www.socialfinance.org.uk

Fair Finance's Faisal Rahman named Young Global Leader

At The World Economic Forum annual meeting at Davos, Rahman was named as one of its Young Global Leaders 2009.

► www.weforum.org

NESTA and Office for Third Sector incentivise investment in social enterprise

The one-year, £90,000 facility is designed to give social enterprises help, through broker incentives, to access risk capital.

► www.nesta.org.uk

Government to consult on social investment wholesale bank

The consultation, announced in the Budget, will examine the design and function of the Bank whose aim would be to develop the social investment market by increasing the supply of finance.

► www.cabinetoffice.gov.uk/third_sector

Money for Change campaign highlights role of CDFIs in recession

The Community Development Finance Association-led Action Plan sets out the steps needed to take the sector forward in its work with businesses and individuals in deprived communities.

► www.moneyforchange.org.uk

NEF calls for rebuilding financial sector through community finance

IOUK: banking failure and how to build a fit financial sector analyses the behaviour of the UK banking sector. It calls for government strategy to support community finance initiatives as they finance small businesses when banks are unable to lend.

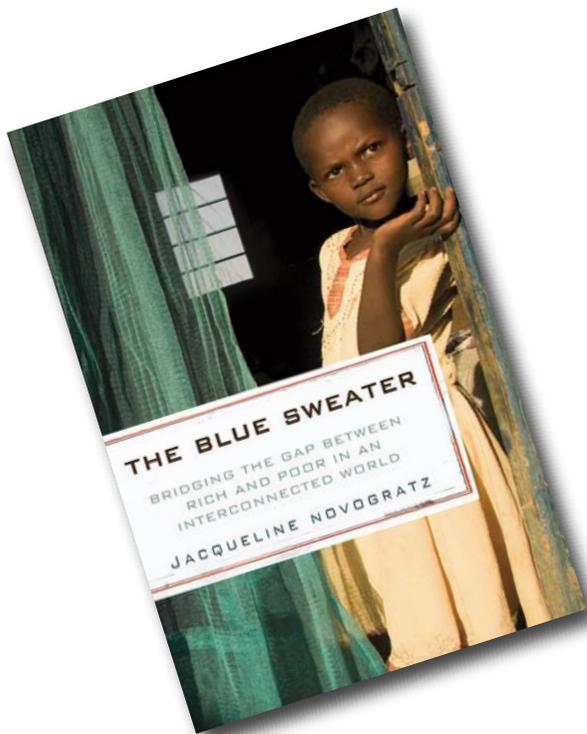
► www.neweconomics.org

If you require further information on these stories or have a social investment news item, please contact Adam Ognall, UKSIF Deputy Chief Executive, at adam.ognall@uksif.org.

Publication reviews and notices

review

by Beth Breeze, Publications Editor



The Blue Sweater: Bridging the gap between rich and poor in an interconnected world

Jacqueline Novogratz

New York: Rodale, 2009. 256pp. Hardback.

ISBN 1-59486-915-4. £24.49. www.rodalestore.com

This book, written by the founder of the trailblazing venture philanthropy Acumen Fund, is categorised by its publishers as a 'Memoir' and marketed as "*part coming-of-age story, part blueprint for effecting real change*". Autobiography is a tricky genre at the best of times and can make the most self-effacing author come across as a self-centred companion. When the subject matter of the book is ostensibly about improving the lot of the poor, an 'all about me' focus could be even more jarring. So I am relieved to report that Novogratz relates her personal journey in a way that enhances her central message and avoids unduly irritating the reader. Her message is that market-driven solutions can offer sustainable solutions to entrenched poverty. Whilst this is a commonly expressed view today, this ground was in part broken by Novogratz who set up microfinance programmes and helped poor

women to launch profitable businesses in Rwanda. The story is also set in a variety of other African towns and cities, as well as in India and Pakistan; the portraits of their landscapes, inhabitants, colours, sounds and smells are so vividly evoked that the reading experience is almost 3D.

This travelogue style is adroitly used to confront the reader with more challenging issues. For example, a key theme is the tension between deploying compassion or intellect to change the world. Fresh out of a career in international banking, Novogratz sides firmly with the latter, confident that "*the developing world need(s) management skills... not just people with good intentions*". This quote typifies her frequently dismissive approach to 'traditional charity', which she felt "*often lacked clear measures and accountability and seemed at times more focused on making donors feel good than on effecting change*". She is clearly frustrated by donors who are motivated by "*a few good stories*" to offer sticking-plaster solutions instead of using data-driven strategies to make systemic change. Yet after two decades of working alongside the poor, learning to listen and being inspired by individuals such as John Gardner and a Buddhist monk named Maha Ghosananda, she comes to acknowledge that changing the world requires both heart

*“there is indeed a way to combine
‘power and love’ but it requires nothing less
that the reinvention of philanthropy”*

and head: *“There had to be a way to combine the power, rigor and discipline of the marketplace with the compassion I’d seen in so many of the programs aimed at the very poor”*.

After 20 years of working for the UN, the World Bank and the Rockefeller Foundation, Novogratz concludes that there is indeed a way to combine ‘power and love’, but it requires nothing less than the reinvention of philanthropy. Her decision to pursue solutions that *“lay between the market and the traditional philanthropic model”* is embodied in the organisation that she went on to found. Her determination to ‘change the face of philanthropy’ is undoubtedly audacious and a vignette reveals the depth of her disquiet at what went before, describing a wine-fuelled brainstorming session to name the new organisation which includes the suggestion: *“Ain’t your Grandma’s Philanthropy”*. Given that the Rockefeller Foundation (founded in her great-grandparents’ generation) funded the development of what was eventually called the Acumen Fund and provided one of the fund’s first multi-million dollar commitments, this is perhaps an unfair sentiment.

Novogratz also makes immoderate criticisms of those who fail to join her in rejecting ‘traditional charity’ and persist in ameliorating symptoms rather than tackling root

causes. Whilst systemic change is clearly an essential factor in eradicating the inequalities that exist in our world, I am not sure it is necessary to censure those who try to do good in less ambitious ways. Giving a hungry man a fish is not an act that stands in opposition to teaching him how to fish, nor does it prevent others from ensuring that the waters in which he fishes are unpolluted, to use Novogratz’s extension of the well-known Chinese proverb to encapsulate the Acumen Fund approach.

Feeding people, empowering people and providing ‘patient capital’ so that businesses can serve the poor, are all acts that exist on the same compassionate spectrum. Some people may only possess sufficient resources to contribute to short-term fixes, but this makes them fellow travelers, not the enemy, of those who are fortunate enough to command the resources required to effect long-term solutions. It may be true to state that *“generosity is far easier than justice”*, but any approach that dismisses generosity or disparages the instinct to help makes me nervous, and fearful that the brave new world of philanthropy could become elitist, accessible only to those with enough time and money to engineer systemic change.

Ironically, Novogratz’s central criticism of traditional charity for creating unbridgeable worlds between donors and recipients, with all the inevitable power dynamics

that entails, is at odds with the book’s dominant metaphor of ‘the blue sweater’. As a child she donated a favourite jumper to a ‘Goodwill’ collection, only to spot it many years later being worn by an African boy. Whilst this experience does indeed illustrate how we are all interconnected, and how our actions touch people across the globe, it is surprising that this act of traditional charity – of a rich American donating cast-off clothing to the unknown poor – is her catalyst for action.

Whilst the idea of a blue sweater crossing continents does not accurately encapsulate her approach to international development, it does serve as a useful prop to engage readers in Novogratz’s call for action. It also enables her to tell a far more complex and timely story about the need to rethink capitalism so that it is more creative and inclusive, and able to tackle, rather than further entrench, the global poverty in which we are all – however unwillingly – interconnected. It is a story that is worth telling, and well worth reading.

Influential reading: *Bernard Mercer*

In each newsletter, Philanthropy UK invites an influential person from the philanthropy sector to tell us what books have most inspired and shaped their approach to philanthropy.

Our 'influential reader' in this edition is Bernard Mercer, Chief Executive of the Forests Philanthropy Action Network and former Publications Editor of Philanthropy UK.

Bernard says:

My hopeless, lifelong infatuation with the printed word began in childhood, where there were almost no books – if you discount Foxe's *Book of Martyrs*, Bunyan's *Pilgrim's Progress*, the *Bible* (King James version) and innumerable nonconformist tracts from the very strict end of the spectrum. But tucked away in a corner were Cassell's *Anthology of English Poetry* (a school prize for my mother) and a volume of the ubiquitous early 20th century *Poems of Today*. These were so nourishing they were almost a substitute for food. Poetry has remained at the heart of my booky life ever since, along with science fiction, history, a few novels and biographies, philosophical assortments, and environment/natural history.

As an ideal philanthropic reading list, there are many omissions, especially the great works of political, economic and social theory, and the biographies of famous and inspirational donors, foundations, and charity leaders. But apart from pointing to the glaring gaps in my library, this may tell us something about the nature of the 'philanthropic profession'. Unlike actuaries and quantity surveyors, we are not required to toil over textbooks and pass examinations. Most of us arrive in this world by accident rather than design.



Bernard Mercer

I feel there is a need for more formal and academic philanthropic training – we must be mindful of the dangers of dilettantism and ideology (free-market and otherwise). But we should also be unashamed of the drive to better the world, which, in my experience of working with funders and their advisors, is our common denominator. The diverse inspirations and influences that have led us into this field are sources of strength, not weakness.

If I were to recommend reading for students new to philanthropy, I would put more weight on speeches, presentations and papers than books. This is because the last decade-and-a-half has been more intellectually vibrant in our field than any previous period, with a flowering of thought and practice across strategic and venture philanthropy, social investment and enterprise, and analytical philanthropic research. Most of the ablest minds are still at work, including Martin Brookes, Dwight Burlingame, David Carrington, Bill Drayton, Jed Emerson, Joel Fleishman, Geoff Mulgan, Jacqueline Novogratz, and Robert Putnam.

My personal choices may seem to defy any logic so far as connectivity with philanthropy is concerned. **A Canticle for Leibowitz** by Walter M. Miller is perhaps the greatest of all apocalyptic science fiction novels, borne out of the author's participation in the bombing of the Monte Cassino monastery in World War II. It tells us what might happen if we give up on bettering the world and allow hubris, fear and greed to take over. Edward Abbey's **Desert Solitaire** is a trumpet blast for wild nature, set in the canyon lands of Utah. Abbey was a tempestuous and swaggering figure, and the fulminating, brooding and

“the last decade-and-a-half has been more intellectually vibrant in our field than any previous period, with a flowering of thought and practice across strategic and venture philanthropy, social investment and enterprise, and analytical philanthropic research.”

volcanic writing matches the landscape. Theodor Adorno's **Minima Moralia**, originally published in 1951, is virtually the only philosophical work that I can find which truly captures what it is to think and feel in a world where God has long departed – yet morality remains. **The Tragedy of the Commons**, a 1968 paper by Garrett Hardin, is still central to the ongoing debate within philanthropy on the tension between caring for people and caring for the environment. Hardin sees the **Universal Declaration of Human Rights** as the ultimate act of anthropogenic hubris, legitimising the exhaustion of natural resources, down to the last fish.

My final choice is a poem, *On the Death of Dr Robert Levet*, which was written in 1782, when its author, Samuel Johnson, was 72 years old. This was one of the first poems celebrating the life of someone who was not rich or famous. Today he would probably be acclaimed as a social entrepreneur. Levet was a physician to London's poor, walking miles each day, from Marylebone to Houndsditch, often taking gin or brandy as his fee, and was seen by many of Johnson's friends as a rather strange drunk. But Johnson understood that this was a man of awesome charity, as the poem conveys:

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*“In misery's darkest caverns known,
His useful care was ever nigh,
Where hopeless anguish pour'd his groan,
And lonely want retir'd to die.*

*No summons mock'd by chill delay,
No petty gain disdain'd by pride,
The modest wants of ev'ry day
The toil of ev'ry day supplied.*

*His virtues walk'd their narrow round,
Nor made a pause, nor left a void;
And sure the' Eternal Master found
The single talent well employ'd.”*

notices

by Beth Breeze, Publications Editor

Natural Philanthropists: Findings of the Family Business Philanthropy and Social Responsibility Inquiry

Beth Breeze

Despite the extensive literature on family foundations and corporate philanthropy, little is known about the philanthropy of family businesses, which straddles these categories. There is some anecdotal evidence, and some well known philanthropic names amongst family businesses, but there has been an absence of robust information on the distinctive nature and impact of this type of philanthropy in the UK. This report, based on focus groups and expert interviews with family business owners, provides new data and analysis on the scale, scope and impact of family business philanthropy and social responsibility; it provides examples of good practices that demonstrate benefits to both the community and the companies, and it makes recommendations, aimed at government, charities and family businesses themselves, to create a more enabling environment to encourage other family business owners to start or scale up their philanthropic and socially responsible activities.

London: Institute for Family Business and the Community Foundation Network, June 2009. ISBN 978-0-9551898-7-6 50pp. Available from www.ifb.org.uk

Perpetuity or Limited Lifespan: How Do Family Foundations Decide?

Loren Renz and David Wolcheck

The question of whether a foundation should exist forever (in perpetuity) by building up an endowment and distributing only the interest, or should 'spend down' by spending both capital and interest within a set time-period, is one that has gained increased attention in recent years. In the UK, Lord David Sainsbury has become a notable example of spending down, declaring his intention to give away the full value of his Gatsby Foundation during his lifetime. This is therefore a timely report, which presents the findings of a survey of more than 1,000 family foundations in the US, and explores their motivations and decision-making around this big question. It finds that perpetuity remains the norm, whilst 12% plan to spend out and a further 25% are as yet undecided. Smaller foundations that are run by the living donor rather than by staff are most likely to decide to have a limited lifespan. The two leading reasons for choosing a perpetuity model are a desire to have a long-term impact on the community and a desire for family engagement across generations.

Washington DC: The Foundation Center in cooperation with Council on Foundations, April 2009. 46 pp. Available online at <http://foundationcenter.org/gainknowledge/research/pdf/perpetuity2009.pdf>

The First Principle of Voluntary Action: Essays on the independence of the voluntary sector

Matthew Smerdon (ed.)

Since 2006 the Baring Foundation's grants programme '*Strengthening the Voluntary Sector*', has taken a close interest in deepening understanding of the changing nature of the independence of voluntary action. Given the advantages and disadvantages that can ensue from greater contact between voluntary organisations and all branches of government, Baring is interested in exploring how these new relationships can operate to greatest effect. This report contains contributions addressing this question from seven countries – England, Scotland, Wales, Northern Ireland, Canada, Germany and the USA. The essays confirm that independence is fundamental to the principle and practice of voluntary action and conclude that prime responsibility for protecting independence lies with the sector itself.

London: Baring Foundation, March 2009. 136pp. ISBN 978-1-906172-02-2

Free to download at <http://www.baringfoundation.org.uk/FirstPrincipleofVA.pdf>

The 21st Century Potential of Constituency Voice

David Bonbright, David Campbell and Linda Nguyen

This report, authored by David Bonbright of Keystone Accountability, David Campbell of Binghamton University (USA), and Linda Nguyen of the Alliance for Children and Families USA, argues that human services organisations should make better use of feedback. It suggests that the for-profit marketplace has benefited from taking customer satisfaction seriously, and notes that non-profits are willing in principle to do likewise, but often find implementation difficult. This report aims to ease that process by outlining key recommendations for improving the utilisation of feedback from social projects, sharing findings from an ongoing learning and innovation project on the human services sector in the US and providing learning which deepens understanding of the challenges of ensuring that feedback improves project impact. It concludes with recommendations for enhancing feedback mechanisms and opportunities for increasing and sharpening the utilisation of feedback data across multiple purposes by agencies and funders.

London: Keystone, March 2009. 44 pp. Available online at <http://www.keystoneaccountability.org/node/241>

Hidden Surrey: Why local giving is needed to strengthen our communities

Helen Bowcock

Although Surrey is one of the wealthiest counties in the UK, this report demonstrates that it has many pockets of deprivation, which suffer the double disadvantage of going largely unnoticed and receiving lower levels of government spending due to per capita allocations being depressed by general levels of affluence. Bowcock presents very localised statistics to prove that this general picture is deceptive, and uses case studies to make a persuasive argument that domestic community philanthropy is both necessary to meet these hidden needs, and is a fulfilling option for donors who wish to strengthen the communities in which they live.

Guildford: Surrey Community Foundation, March 2009. 50pp. A summary is available online at <http://is.gd/Avf> or contact lucy@surreycommunityfoundation.org.uk for a copy of the full report.

How Are You Getting On? Charities and funders on communicating results

Gustaf Lofgren

This report seeks to help both charities and donors to better communicate results. By understanding how funders use results information and what drives their satisfaction with it, charities can improve their funding applications and their reporting. By understanding the challenges charities face in this area and what other funders ask for and use, funders can make appropriate demands for results information and improve their own use of it. A grasp of the concerns expressed by charities and funders can help support providers improve their services for both groups. This interim report, commissioned by the National Performance Programme, builds on new research by New Philanthropy Capital into the communication of results information by charities to funders, and funders' use of this information. It also focuses on the external support charities receive for monitoring and evaluation and the financial and non-financial assistance available from funders for this work.

London: New Philanthropy Capital, April 2009. 46pp. Free to download at <http://www.philanthropycapital.org/download/default.aspx?id=993>

Breaking the Cycle: Charities working with people in prison and on release, an update for donors, funders and charities

Adrian Fradd and Rebecca Wyton

The aim of this report is to consider the implications of recent changes in the criminal justice system on the work of charities and on the role and impact of private funding. These include changes to government infrastructure, a new approach to tackling re-offending and the reorganisation of government funding. In the last decade, the prison population has been rapidly growing, despite falling crime rates, which has had significant repercussions for the sector. The need for philanthropy for people in prison and on release remains morally, socially and financially compelling. People in prison are one of the most disadvantaged groups in the UK, and the current system is failing to rehabilitate prisoners and to reduce re-offending. By helping prisoners deal with their problems, donors can reduce re-offending, thus reducing the huge personal and social costs of crime. Nevertheless, donors should be informed and realistic about their role and their potential impact. This complex sector requires nuanced advice about what can be achieved and where private philanthropy can have the most impact, and this report provides useful context.

The Life You Can Save: Acting Now to End World Poverty

Peter Singer

Australian philosopher and Princeton's touring professor Peter Singer returns to a pet topic in this book – no, not man's treatment of animals, for which he found notoriety following the 1975 publication of his book **Animal Liberation** – but our collective moral duty to save lives; the tenet being “*if we can save lives, then shouldn't we save lives?*”. The book is a statement of his personal optimism about the world's ability to make a difference: “*I really think we have a capacity to make a big impact on extreme poverty in a way that we didn't in the 70s*”, he said in a recent article in The Guardian (23 May 2009). In the book, Singer proposes a practical solution in the form of a scale of giving modelled on a progressive tax system, based on a percentage of earnings across several thresholds. Singer's aspiration is for cultural change and he talks of the current economic crisis as a time for ‘reassessment’ of values and a ‘rejection’ of current consumption habits.

London, March 2009, 224pp ISBN 978-1-4000-6710-7,
Hardback, £14.99 available online at
www.thelifeyoucan-save.com

Dead Aid

Dambisa Moyo

This provocative book, written by a Zambian-born, Harvard-trained economist, has attracted much attention for its claim that ‘aid to poor countries does not work’. Moyo argues that in the modern, globalized economy, simply handing out more money - however well intentioned - will not help the poorest nations to achieve sustainable long-term growth. This book analyses the history of economic development over the last fifty years and claims that aid crowds out financial and social capital and feeds corruption. The better alternative to aid, suggests Moyo, is improved access to capital and markets which, combined with the right policies, can enable even the poorest nations to prosper.

Allen Lane: London, March 2009. Paperback, 188pp.
£14.99 www.dambisamoyo.com/deadaid

New Philanthropy Capital: London, April 2009. 44pp.
Available online at
<http://www.philanthropycapital.org/download/default.aspx?id=991>

My philanthropic journey

For good measure: the impetus for venture philanthropy

Photo ©Nuno D'Uva

by *Stephen Dawson, Impetus Trust*

I've had a social conscience for as long as I can remember, ignited perhaps by two years spent teaching English in Madagascar immediately after university. But for many years thereafter, I was too busy with my business life to develop it further. In those years, I did contribute to some charities, but in a totally reactive, random way.

One of the main reasons I set up Impetus Trust was because those previous experiences as a donor had been most unsatisfactory. I was frustrated that I had no idea how effective or efficient these charities were and suspected that my money made no real difference to the charities or their beneficiaries. Feedback was nil in almost every case.

In 1997, I read the seminal Harvard Business Review article *Virtuous Capital: What Foundations Can Learn From Venture Capital*, which is arguably the intellectual basis for venture philanthropy. I was not in a position to do anything about it but I filed it away.

When I was retiring from venture capital company ECI, time became available, and also money, which opened up enormous possibilities. Doing something in the charity world was something that had been in the back of my mind for many years and I dug out that HBR article. I began to think about whether there was a way I could transfer my experience investing in small- and medium-sized businesses to helping charities in the same way.

In 2001, I started doing research and began talking to people about... well, it wasn't even recognised as 'venture philanthropy' in the UK at the time. Impetus was created in 2002, to provide strategic core funding and expertise to high potential charities.





Stephen Dawson meets Fairtrade farmers in Dominica, Caribbean.
Photo © Grant Masom, courtesy of Impetus Trust

The Impetus model is like a magnifying glass, focussing resources onto an organisation, for a finite period of time. This is great because everybody involved feels part of an exciting journey, bringing together our donors, co-investors, pro bono experts, and our capacity-building investment directors. It encourages a feeling of excitement in the charity, of urgency.

During that time – typically three-to-five years – we help the organisation achieve a set of specific objectives, including building its income generation capacity. Once our agreed investment period is over, we are then able to move on to work with other organisations. That works well, and avoids having organisations become dependent on us.

“It’s been an exciting and effective journey. It’s a gift of time and money and a big chunk of my life, but it has been enormously satisfying.”

We look for organisations that have ambitious leaders, a good model, and which are going places or have a good chance of going places. A lot of charities do a lot of good work, but without an economic model that’s scalable. At Impetus we want to see fairly rapid results, so we are looking for established organisations with a scalable model and where it is possible to measure the impact our investment is having.

I think it’s important to measure impact at two different levels. At Impetus, we have some quick summaries of performance that we compare across the portfolio, based on two very simple measures each organisation in our portfolio tracks: income growth and the number of people they help. This is great for our donors, because they can instantly see the really big impact their money is having. Secondly, with each organisation we have a project that helps them to work out the key indicators that are important for them and for their beneficiaries, so they can demonstrate their impact to their supporters.

We are not satisfied with this though. We are always trying to find better ways of measuring outcomes. It’s relatively easy to measure outputs, for example, the number of people who have been on a training course; it’s much harder to measure the effect on that person’s life, whether it has helped them to get a job or a skill that will make a long-term difference to their life. We are working on measuring social return on investment, which potentially could be applied across the board to our

charities to give a richer feel to impact beyond the two very simple measures of income growth and people helped.

Our long-term vision is for our work with our charities to drive change not only within the charity, but to inspire change across an entire sector or system. That’s when we will know we are achieving the really big impact we dream of and we believe venture philanthropy can deliver.

It’s very satisfying to look at the charities we are working with, seeing the progress they’ve already made and how they – and the 186,000 people they will help this year alone – are being transformed. Hearing some of the stories of the people who have benefitted is what brings it all to life. Even if there’s not a direct causal relationship between what we’ve done and helping ‘Fred’, you can see the chain and I know that a lot more Freds are being helped than would have been otherwise without this initiative.

It’s been an exciting and effective journey. It’s a gift of time and money and a big chunk of my life, but it has been enormously satisfying.

Stephen Dawson was Chairman of venture capital company ECI before founding Impetus Trust with Nat Sloane, in 2002. Impetus invests in 3-4 new charities addressing economic disadvantage each year. There are 13 charities in the Impetus portfolio, which is valued at £11m. www.impetus.org.uk

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Quarterly news highlights

*Have you missed these top stories?
All articles are available to read in the
News and Events section of our website
www.philanthropyuk.org*

12/06/2009 **Reading tea leaves: tracking the impact of the recession on giving**

As the first wave of recession shock subsides and the world settles reluctantly into acceptance, the global giving community has begun in earnest to assess current and long-term impacts. This new regular column aims to sort the speculation from the true statistical situation of the impact of the UK's slide into recession on charitable giving.

14/05/09 **Billionaire advocates giving while living**

Publicity shy multi-billion-dollar philanthropist Chuck Feeney has featured in a documentary on Irish television to inspire 'giving while living'. In the film he talked about how he made and then anonymously gave away a multi-billion-dollar fortune, including \$1.2 bn (£790m) to Irish causes.

14/05/09 **Top social businesses ranked in new index**

Donors in the UK and eleven other countries can now give to Italian charities tax efficiently. And, Italian donors will be able to make tax efficient gifts to those countries, now that Italy has joined the Transnational Giving Europe (TGE) network.

30/04/09 **Britain's biggest donors give even more despite the recession**

In contrast to the decline in overall wealth the top 100 philanthropists on this year's Sunday Times Rich List increased their giving by 8%. In total, £2.8 bn was given by those on the Giving List, £216m more than last year.

30/04/09 **Obama's first hundred days: the changes charities need?**

President Barack Obama's first 100 days in office has presented a mixed assortment of positive steps and potential concerns for US donors that includes legislative change to encourage donors and help innovative charities as well as proposals that may have a negative knock-on effect.

23/04/09 **Giving and Philanthropy Ambassador announced**

Dame Stephanie Shirley has been appointed as the Government's Giving and Philanthropy Ambassador. She will work to support Ministers and the Office of the Third Sector (OTS) in championing giving and philanthropy.

23/04/09 **A Big Issue for new social investment fund**

A new £10m social investment fund is being launched by Big Issue Invest (BII), the investment subsidiary of the Big Issue magazine. It will aim to invest in social enterprises in the health and social care, environment, and employment and skills sectors and will invest between £100,000 and £500,000 in each business.

23/04/09 **Gulf in public awareness of tax-effective giving**

A third of UK adults are not aware they can give to charity tax efficiently, according to a report from the Charities Aid Foundation (CAF). Only 29% of respondents could name Gift Aid, while 7% named payroll giving and only 1% could name legacies as a means of tax efficient giving.

16/04/09 **Social banking defies the credit crunch**

Profits rose by 69.8% at Co-Operative Financial Services (CFS) banking business as social banks defied the downturn in 2008. Triodos, Unity Trust Bank and Charity Bank increased lending to charities and social enterprises, as well as deposits.