

Investing to save a social impact organisation

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Social impact organisations face external threats to their futures from swings in public policies, cuts in funding, escalating demands, fragile public confidence and shifts in the operating environment. The current era of austerity is particularly volatile. They can also fail because of in-house shortcomings such as poor governance, inadequate management, maverick leadership, skills deficits or divisive internal politics. Or there could be a combination of the above!

Donors may receive the call for help when the organisation is on the precipice of disaster, or when the leadership recognises the writing is on the wall if radical changes are not made, or when the organisation seeks to pre-empt a troubled future. Whatever the stage or level of difficulties, the donor is being asked to invest in the organisation so that it may continue to make its contribution to meet social needs. But how are judgements formed on return on investment (ROI) when that investment is first and foremost about the social impact organisation's continued existence and functionality rather than the nature, scope and capacity of services?

Saving charities, voluntary organisations, trusts and social enterprises from collapse and closure is a fraught subject full of dilemmas and risks for potential funders. How did it get to this state? How could this have been avoided? Is this bailout request going to be repeated? What is the leadership doing to mitigate against other episodes? Is this a perilously exposed organisation? Is there a better organisation to put our trust and funds into?

Balanced investment decisions responding to approaches from social impact organisational leaders, regardless of the presenting degree of difficulty – whether preparing for difficult times or facing imminent closure – need to be based upon ROI success factors and measures focused on organisational transformation. Relying upon social impact metrics alone – the benefits to be realised and the social value to be generated – has a number of constraints such as:

- Often an extensive lead-in time between investment in the organisation and improvements in outcome impact to prove a productive ROI
- Assumptions that the operating context is a relatively consistent backcloth to compare like-with-like impact performance levels for analysing ROI results



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- Failure to include consideration of the organisation's ability to respond effectively to future challenges and changes to circumstances – limiting assessment to a snapshot in time.

Kids Company is a topical example of how things can go wrong when there is inadequate attention to the delivery organisation in a demand-led social cause. Crisis funding for the cause was an almost annual occurrence focused on social impact value while organisational capabilities and financial resilience were either discounted or inadequately addressed.

In my experience, for an organisation to make the journey out of a precarious situation into safer operating terrain, the organisation's leadership needs to be committed to, and equipped for, major organisational changes. The point is to learn why it got into trouble and to increase future agility, resilience and investor value – to take the opportunity to transform results, prospects, credibility, productivity and levels of support and cooperation and so make a revisit to the point of potential disaster extremely unlikely.

This requires a well-considered comprehensive transformation programme. The mandate for transformation is the start of the process of forming the programme and investors may well be approached to help with this stage of investigations, consultations and preparation. The top row of the SocialPioneers'

Transformation Evaluation Framework (STEF) table (see below) gives the result of a mandate initiation process as a transformation plan with the change vision, objectives, governance arrangements, roles and roadmap. Securing the mandate for change and developing the plan for transformation must be driven from the top of the organisation, have clear methodologies, and be an open and transparent process. It should identify the full change agenda through wide-ranging consultations that build consensus on needs and commitments to action.

The STEF table has four transformation programme themes – leadership, governance, stakeholding and operations. Each theme has two elements that are selected because they are 'transformation critical' – vital for a positive outcome and able to be measured throughout the transformation process. Although these are all in common use internationally, they haven't previously been assembled into one evaluation framework. The reasoning behind this choice is given below.

Against each of the theme elements, the STEF table's 'Transformation Success Criteria' column lists the most significant items that should be well considered and covered in the transformation plan if there is to be a good chance of success. Each weakness or gap should be identified in the transformation plan as a risk and have a rectification and risk mitigation strategy in place.



Figure 1: SocialPioneers' Transformation Evaluation Framework™ (STEF)

Themes	Theme Elements	Transformation Success Criteria	Evidence of Progress	Transformation Programme ROI
Transformation Plan				
Mandate	Initiation	Driven from the top Clear methodology Open access for fact finding and consultation Defined criteria for success	Identified change issues and reasons Scope of participation Consensus on needs Commitment to action	Transformation Plan: · Vision · Objectives · Governance · Roles · Roadmap
Transformation Programme				
Leadership	Abilities	Appropriate mandated responsibilities Suitable available skills and experience Willingness to lead	Achievement of roadmap milestones	Deep and sustainable social impact value outcomes
	Social value	Sound end-state vision and organisational objectives	Focus on social value Benefit realisation plans and reporting	
Governance	Decision making	Effective programme governance, methods and risk mitigation arrangements	Delegation systems, transparency and accountability systems, data and information management systems, and reporting systems	Exceptional innovation and performance levels
	Workplace culture	Identified organisational behaviour change levers	Workforce engagement levels Workplace protocols in place	
Stakeholding	Social capital	Sufficient level of buy in for the programme Plans to mobilise change champions	Scope of active networks and collaborations	Highly productive internal and external relations
	Employee Engagement	Comprehensive communications strategy	Employee influence on strategies and projects	
Operations	Organisational Resilience	Thorough Implementation and Operations Plans	Performance improvements and organisational reliability	Future resilient organisational capabilities
	Trust and optimism	Evidence of change readiness	Management of changing workloads and resources Forward planning Succession and continuity planning	

Source: www.socialpioneers.com

The theme elements in the STEF are internationally relevant to transformation of selected operations, complete organisations or whole systems – not just organisations in difficulty. Each element has a substantial body of research showing its vital importance in transformations.

The STEF column headed 'Evidence of Progress' introduces example measures that will inform investors and organisation leaders whether the transformation is on track to secure the desired outcomes. The 'Evidence of Progress' topics all share three particular qualities:

- They have a suit of metrics able to be chosen and applied according to the specific transformation context to greater or lesser detail
- Each allows comparative assessments to show levels of improvement or decline as transformation evolves and impacts
- They provide early indications of the performance changes that will materialise over the long term
- A combination of self-assessment, quantity measures, quality evaluations, audits and surveys can be used to evaluate.

The Theme Elements chosen for the framework because of their strong international evidence base include:

Social value

Social value is an indicator of **organisational leadership aspirations and effectiveness**. Social value measurement and analysis is guided by best practices recommended by Social Value International and by the body of research into social impact assessment.

High performing workplace cultures

Workplace cultures and arrangements gauge **the effectiveness of the organisation's systems**. Low job quality, employee dissatisfaction and failure to innovate are signs of an unsuitable and unsustainable system with poor performance and high inefficiencies.

Social capital

Social capital raises performance, morale and receptivity to participate in change. Bonding strengthens teams, linking enables collaborative action and bridging increases connectivity between those responsible for demands and those with the authority and resources. As such, social capital is an important measure of **the internal and external organisational stakeholder prospects and potential, including between the organisation and its beneficiaries**.

Employee engagement

Employee engagement should be about work engagement and organisation engagement. Employee work engagement can be defined as 'a positive, fulfilling, work-related state of mind that is characterised by vigour, dedication and absorption'. Employee engagement has powerful effects on **improving staff performance, motivation, retention, levels of sickness absence** and so on.

Organisational resilience and reliability

The key components of resilience are:

- Competence – empowered employees who believe they possess the necessary skills and abilities
- Meaningfulness – coherent challenges fitting with employee values, beliefs and behaviours to achieve a greater goal – caring for their work
- Choice – self-determining to produce what is manageable and possible
- Impact – detached coping styles and skills, avoiding stress.

Organisational reliability and the resultant influence on confidence levels among employees, donors, customers and other stakeholders are major aspects of the fabric of resilience to change, conflict, critical incidents and disruptive environments. Resilience and reliability provide critical foundations for **improving and stabilising organisational performance levels**.

Trust, optimism and well-being

Inclination to trust and support leaders and colleagues, or not, relates to the optimism within individuals and across the organisational setting. This, in turn, is significantly dependent upon levels of well-being – both personally and corporately. Trust is required when change produces uncertainties which go beyond experience and, therefore, beyond the ability to have confidence. With insufficient trust, uncertainties become barriers to progress. As all change involves uncertainties, too little trust creates the potential for complete programme failure. Trust levels are results of the judgements being made on the competence of both the plans and the people navigating the organisation through uncertainties to its new future. High trust reflects **high organisational cohesion and good prospects for collaboration**. Techniques to measure trust are well documented, but interventions to build trust less so. This subject is covered in my Leadership Navigation Guide, Followking (www.billmather.com).

By focusing on the themes of leadership, governance, stakeholding and operations, and using international, evidence-based research, organisational transformation can be evaluated for ROI in real time to ensure:

- The transformation mandate and initiation is thorough
- The transformation plan has fully considered all critical success factors

- The transformation programme is implemented to improve future leadership, systems, culture, reliability and overall performance.

The transformation produces the conditions for:

1. Deep and sustainable social impact value
2. Exceptional innovation and performance levels
3. Highly productive internal and external relations
4. Future resilient organisational capabilities.

Stepping away from the dangerous precipice and surviving for another day is not a good enough ROI. The transformation journey is for organisations and their leaders to travel to the heartlands of social impact and thrive as well-equipped and capable adventurers and explorers dedicated to social progress.

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