Impact measurement and governance

An AICD resource for NFP directors

Australian Institute of Company Directors | social outcomes

Contents

About this guide

AICD commissioned this guide to help boards understand impact measurement for not-for-profit organisations. It introduces fundamental concepts in the context of the non-executive directors' role and duties.

THIS GUIDE COVERS THE FOLLOWING:

KEY CONCEPTS USED IN IMPACT MEASUREMENT

Impact measurement	Enables your organisation to show the difference its work makes to the lives of others
Impact management	Enables your organisation to collect data that provide insights about its processes and activities
Impact report	A report that focuses on how your organisation made changes to the lives of the people (or target of benefits, e.g., schools, the environment, animals) you serve, how your organisation did that and what you learned
Theory of change	Explains what difference your organisation seeks to make and specifically, how you expect to achieve that
Output	What happens because of your organisation's actions
Outcome	What changes in the lives of people you serve: in your communities, the environment, the schools etc

The Appendices provide an expanded glossary of terms and further information on impact measurement.

Executive summary

IMPACT MEASUREMENT PROVIDES AN EVIDENCE-BASE FOR PERFORMANCE AGAINST PURPOSE

Not-for-profit (or for-purpose) organisations exist to achieve meaningful impact. They might target a group or community, or an outcome, such as animal welfare, environmental protection or improvement. Impact measurement enables organisations to show evidence of their work and demonstrate the result.

IMPACT MEASUREMENT REQUIRES MOVING BEYOND REPORTING OUTPUTS TO REPORTING OUTCOMES

Boards have a responsibility to report to funders, donors, clients and other stakeholders, on the extent to which their organisation is achieving its stated mission or purpose. The AICD *Not-for-profit performance & governance study 2022-23* reported that 68 per cent of survey respondents considered their organisation to be highly or mostly effective in achieving its purpose.[1] The most common sources of information on effectiveness were the CEO report, business metrics collected through management systems and stakeholder surveys.[2]

Impact measurement can move boards from an **inward focus** - on operational and financial performance - to include an **outward focus** – on the outcomes created for clients, communities and systems.

THREE REASONS WHY IMPACT MEASUREMENT IS IMPORTANT FOR BOARDS:

1. Organisational performance against purpose

To provide evidence of how your organisation's activities align with its purpose

2. Stakeholder expectations

To meet the expectations of stakeholders, including funders, investors, beneficiaries, employees and volunteers

3. The obligations of non-for-profit boards

To provide a framework for meeting key obligations of not-for-profit and for-purpose boards.

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1   AICD (2023) Not-for-profit performance & governance study 2022-23, p 9.
2   AICD (2023) p 10.

IMPACT MEASUREMENT IS PART OF A SUPPORTING ARCHITECTURE

The core components include:

- **Theory of change** – clearly articulates the difference your organisation is seeking to make and specifically how it expects to achieve that change.

- **Impact measurement** – allows your organisation to demonstrate what difference it makes in the lives of others because of its work, with a focus on purpose.

- **Impact management** – a process to support collection of data that provides insights about your organisation's processes and activities in the creation of that impact.

IMPACT MEASUREMENT AND REPORTING SHOULD BE FIT-FOR-PURPOSE RATHER THAN COMPLEX

This guide does not provide a template approach. Your board must undertake the 'deep thinking' to agree on the purpose of measuring your organisation's impact. This will inform the design and resourcing, so the result is sustainable and useful. A key element is identifying the key audiences who need information about the impact of your organisation.
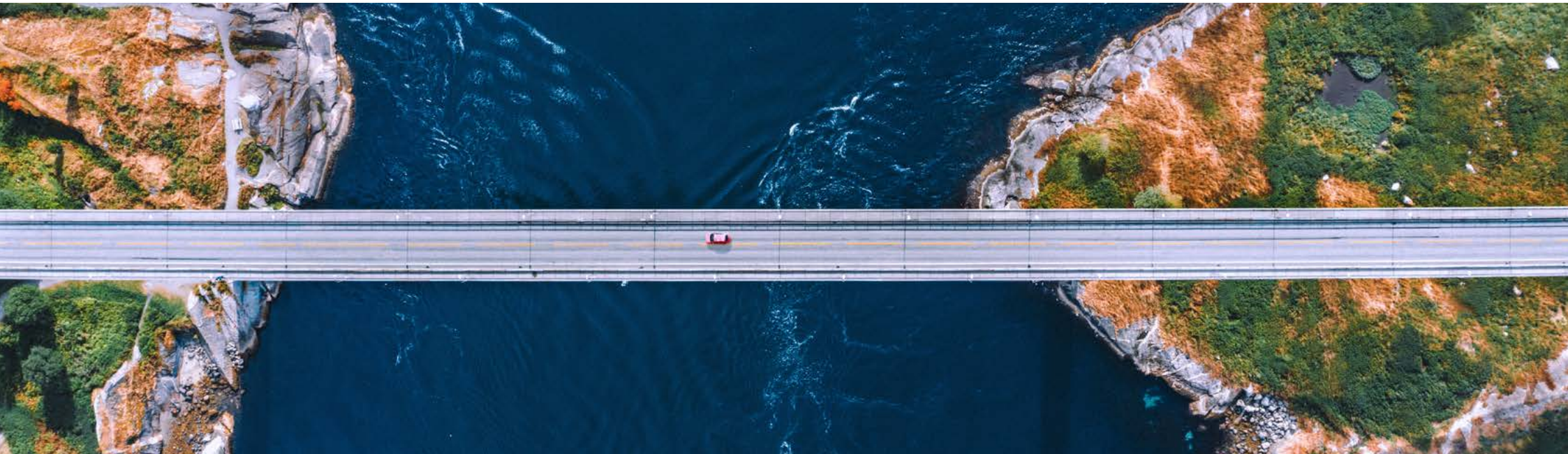
PART 1:

Why measure impact?

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Organisational performance against purpose

Not-for-profit (or for-purpose) organisations exist to create meaningful impact. These organisations measure impact by the change they create in the lives of their beneficiaries, or target (e.g., the environment, animal welfare, etc).

Impact measurement provides information on your program's performance against identified improvements, additional investment or possible changes.

Board discussions may have a disproportionately **inward focus** on the organisation and financial performance. Impact measurement changes this to an **outward focus** on outcomes created for clients, communities, and systems:

Does what we do work?

How well does it work?

How can we improve it to better deliver on our purpose?

IMPACT MEASUREMENT AND THE RISK-RETURN EQUATION FOR NOT-FOR-PROFITS

Performance information, at program and organisational levels, enables boards to assess, monitor and make decisions about the level of risk they are willing to take to create impact. The trade-off between risks and returns is known as 'the risk-return equation'.

In a for-profit context, the risk-return equation relates to the level of risk an organisation is willing to take to create a financial return for shareholders, while managing reputational risk and compliance obligations.

In a not-for-profit, many boards try to minimise or reduce risk altogether because they are using public funds. However, the risk of not taking action may mean not achieving impact.

Investing in new service design and implementation comes with risk, but without it, your impact may stagnate or go backwards. By measuring impact, your organisation reassures the board that progress aligns with the organisation's purpose. It also provides crucial performance information to assess and manage risks associated with future actions.

Impact measurement is increasingly recognised as a core requirement for good governance. This is especially true for the for-purpose sector, where measuring impact provides assurance to funders and investors of the extent to which the organisation is achieving its purpose.

"

Non-profits pretend to measure impact; funders pretend to believe them...

In a social sector that lacks a market-like mechanism to separate the wheat of effective intervention from the chaff of mere good intentions, performance [impact] measurement is essential.

— Stanford Social Innovation Review[3]

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3   Jonker, K. & Meehan, W. (2014). Clear Measurement Counts. Stanford Social Innovation Review.

Stakeholder expectations

Measuring impact is fast becoming a core requirement for the for-purpose sector. Directors should understand and value impact measurement as they oversee organisational effectiveness. For-purpose organisations are working in a changing environment and experience the following:

- **Shifting funder attitudes towards investment in the sector**

  Government and philanthropic funders increasingly seek transparency over trust to demonstrate the organisation delivered outcomes.

- **Shifting focus towards evidence informed decision making**

  Government and philanthropic funders increasingly require 'a theory of change', an evidence-base for programs and an impact measurement framework.

- **Shifting arrangements towards outcomes-based contracting**

  Government and philanthropic funders are shifting from output-focused to outcomes-based contracting, where providers are paid on performance of agreed outcomes.

- **Increased competition for funding**

  Funding is highly contested with 60,112 charities registered with the Australian Charities and Not-for-profits Commission (ACNC)[5], combined with an increase in for-profit providers all vying for market share.

- **Increased demand for services and increased cost of delivering services**

  Tighter resourcing within not-for-profit organisations requires greater clarity in what works for whom, and under what conditions, to inform prioritisation.

- **Increase in individualised funding packages and consumer-driven care**

  This has resulted in higher expectations for client-centricity, with quality providers using insights generated through impact measurement to deliver better client outcomes.

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4   The Hon. Dr Jim Chalmers, MP (2023). 'Capitalism after the Crises' The Monthly, February 2023.
5   Australian Charities and Not-for-profits Commission (2023).

Obligations of not-for-profit boards

IMPACT MEASUREMENT AND THE ACNC GOVERNANCE STANDARDS

Impact measurement can support directors acting with reasonable care and diligence, specifically in reference to the following standards:[6]

ACNC Governance Standards	Link to impact measurement
STANDARD 1: **PURPOSES AND NOT-FOR-PROFIT NATURE** A charity must be not-for-profit and work towards its charitable purpose. It must be able to demonstrate this and provide information about its purposes to the public.	Provides evidence of your organisation's work towards the charitable purpose the organisation was established to achieve. Impact reporting makes information about the organisation's purposes available to the public.
STANDARD 2: **ACCOUNTABILITY TO MEMBERS** A charity that has members must take reasonable steps to be accountable to its members and provide them with adequate opportunity to raise concerns about how the charity is governed.	Provides a level of accountability, a line of sight to the organisation's activities and the results of those activities

6   Australian Charities and Not-for-profits Commission's (ACNC) Governance Standards.

THE AICD NOT-FOR-PROFIT GOVERNANCE PRINCIPLES[7]

Direct links between AICD principles and impact measurement

AICD Principles	Link to impact measurement
PRINCIPLE 1 – PURPOSE AND STRATEGY The organisation has a clear purpose and a strategy which aligns its activities to its purpose	Provides evidence to assess whether the organisation is aligning activities to its core purpose.
PRINCIPLE 6 – PERFORMANCE The organisation uses its resources appropriately and evaluates its performance	Provides evidence to analyse whether the organisation is using resources to maximise positive outcomes
PRINCIPLE 7 – ACCOUNTABILITY AND TRANSPARENCY The board demonstrates accountability by providing information to stakeholders about the organisation and its performance	Provides evidence to determine whether the organisation is creating positive change in the lives of clients and communities it serves.

Supporting links between AICD principles and impact measurement

AICD Principles	Link to impact measurement
PRINCIPLE 3 – BOARD COMPOSITION The board's structure and composition enable it to fulfill its role effectively	Supports the board to improve its capacity and knowledge, to understand performance data and the links between how the organisation's actions align with its purpose and strategy
PRINCIPLE 8 – STAKEHOLDER ENGAGEMENT There is meaningful engagement of stakeholders, and their interests are understood and considered by the board	Supports directors to understand the organisation's stakeholders, particularly clients and/or communities served, their needs and expectations. Impact reporting provides information to stakeholders, so they can offer feedback about how well the organisation's impacts align with their lived experience.
PRINCIPLE 10 – CULTURE The board models and works to instil a culture that supports the organisation's purpose and strategy	Provides directors with a methodology to define and model a desired culture based on impact, that aligns to the organisation's purpose and strategy, across systems, symbols and leadership behaviour.

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7   Australian Institute of Company Directors. (2018). Not-for-Profit Governance Principles. Sydney: AICD.
The AICD Not-for-Profit Governance Principles are currently being reviewed and an updated version will be available in early 2024.

Australian Institute of Company Directors

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PART 2:

What do boards need to know about impact measurement?

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An understanding of the key concepts and purposes of impact measurement empower the board to request evidence-based information, ask the right questions, and make informed decisions focused on impact. In the same way that boards should receive, understand, and respond to financial information about the organisation, the board should have a similar governance role regarding impact.

THIS SECTION INCLUDES:

Principles of effective impact measurement

- **Focus on the impact and work backwards.** Many monitoring and evaluation frameworks focus too heavily on the activities of an organisation and not enough on what happens because of those activities. An impact measurement framework should begin with the benefits that the organisation wants to create for the clients and/or communities it serves. You can trace your organisational activities back from there, as lead and lag indicators of that impact.

- **Measure only what matters.** If you're not going to use particular data to make decisions, do not collect it. Use insights gathered to tell an authentic and compelling story about how your activities create impact and inform strategic decisions.

- **Keep it simple.** A complex measurement system will discourage people from capturing quality data and engaging with the framework, as well as being time consuming and costly to manage.

- **Check the materiality of findings.** In impact reporting, question whether the outcomes achieved are material or significant compared to other programs for a similar cohort.

- **Embed the impact measures into decision-making processes.** If impact measurement is relegated to the once-a-year annual report, it becomes a burden rather than a tool. As the organisation gains insights, respond to that information as soon as possible, such as linking measurement reporting to a standing agenda item for board and executive meetings.

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Fundamentals of impact measurement

Understanding some of the key concepts that underly impact fundamentals will give boards a sufficient base to begin measuring organisational impact, as well as understand the positive changes created in the lives of clients and/or communities.

Problem statement

This is a concise statement about the problem your organisation seeks to address, that will improve the current state of the target group. The problem statement should be linked to purpose and confine the problem to a timeframe in which the organisation can effect change. For example, it is not helpful if the problem statement is "648 million people are living in extreme poverty in the world", because your organisation's ability to have an impact is highly unlikely. Instead, you need a tangible goal that your organisation is capable of achieving over the medium to long term.

Target cohort

This is the specific group of people with defined characteristics (such as age, geographic location, risk and protective factors) your organisation serves. Not-for-profit organisations often have a diverse range of target groups who benefit from their activities. A target cohort can also include activities that impact the environment or animal welfare.

It is important to understand **the difference between an output and an outcome.**

Output

An output happens because of what the organisation does. For example, if an organisation runs a training workshop in health-related services, disability support or aged care, an output would be that 30 people attended and rated the workshop as highly informative because it provided strategies to remain active to benefit their health and wellbeing.

Outcome

An outcome is the change that occurs in the life of a client or beneficiary. For example, if after participating in a workshop, a person engages in physical activity and continues an exercise program over six months. If, as a result, they have better balance and fewer falls, then this is an outcome.

> "
> We often chase rainbows without thinking about what the pot of gold looks like, and when we get there, we're not sure if it's the one we wanted.

— **Georgie Somerset FAICD**
Director:
Royal Flying Doctors Service, AgForce, Australian Broadcasting Corporation, Wide Bay Burnett Regional Development Australia (RDA) Committee, Red Earth Community Foundation, South Burnett

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OUTCOMES ARE CHANGES MEASURED OVER TIME

Short-term outcomes

These relate to emotions, mindset changes, awareness, learning new skills and motivation. For example, "I feel equipped to find and select physical activities that suit me," shows that because someone has acquired knowledge, they feel confident to increase their activity.

Medium-term outcomes

These relate to preparation, organisation, application and initiation of a desired change. For example, "I have enrolled in an exercise program in my local area," shows that someone has the ability to get social support to increase their activity.

Long-term outcomes

These relate to behavioural change, change in circumstances and systems change. For example, "Because I have continued to exercise for six months, I have had fewer falls than before I started exercising" demonstrates a person's behavioural change over time is leading them towards improved safety, health and wellbeing.

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IDENTIFYING WHAT LEVEL OF OUTCOME TO MEASURE

Example: Defining outcomes in health-related services, disability support or aged care

Before defining the organisational outcomes relevant to your organisation, you will need deep discussion and reflection. Reporting often focuses on outputs, such as the number of services provided and the number of people who accessed services (short-term outcomes). Measures often only assess the safety and quality of services (medium-term outcomes), rather than progress in a person's health and wellbeing (long-term outcomes).

Achieving long-term improved health and wellbeing may not be possible for some target groups (in the case of people with degenerative diseases like dementia, for example). Outcome measures may relate more to improvements in their medium-term quality of life, such as minimising distress, and better self-management of their physical, mental, emotional, financial and social wellbeing. Maintaining social connection is also important, as loneliness is common and reduces both a person's quality of life and their health outcomes.

An organisation's position on the service spectrum - from prevention to early intervention to response - also impacts their possible outcome. For example:

- **Long-term outcomes:** Prevention refers to programs and services designed to develop protection and prevent risk factors for ill health and wellbeing. Here, an outcome might be improved self-care and healthy routines.

- **Medium-term outcomes:** Early intervention refers to programs and services designed to support people who show signs of needing support or have vulnerabilities that may escalate. Here, an outcome might be increased help seeking behaviours.

- **Short-term outcomes:** Response refers to programs and services that happen, for example after someone becomes ill or has an accident, where an outcome might be decreased hospitalisations.

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Impact architecture

Impact measurement is part of a broader framework, or impact architecture, that supports organisations as they identify, measure, report and make decisions to create impact.

THEORY OF CHANGE

A theory of change is a map of how impact is created. It articulates what difference an organisation seeks to make and specifically, how it expects to achieve that change. A theory of change has several elements:

Problem statement

Strategic activities

Short to medium term outcomes

Long term outcomes

Desired impact
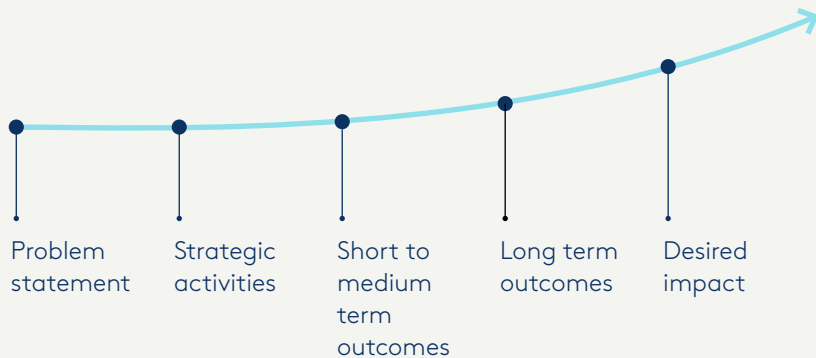
THEORY OF CHANGE

Articulates what difference you are seeking to make and specifically how you expect to achieve that change.

IMPACT MANAGEMENT

Provides data to learn about what is and is not working so that you can adapt your program and/or theory of change to do better (outputs and shorter term outcomes/focus on process)

IMPACT MEASUREMENT

Enables you to demonstrate what difference you are making in the lives of others as a result of your work (focus on purpose)

QUESTIONS FOR BOARDS

- What is the problem our organisation seeks to solve?
- Who is our target cohort?
- What strategic activities does our organisation need to take to enable change?
- What are our desired outcomes in the short to medium term?
- What are our desired outcomes in the long term?
- What are the key barriers that may delay progress on achieving desired outcomes?
- What is our desired impact at an individual/community/system level?

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THEORY OF CHANGE EXAMPLE: Streetwise Opera[8]

Streetwise Opera is an opera company that enables people who've experienced homelessness to find inspiration and empowerment while they rebuild their lives and identities.

STREETWISE OPERA'S ACTIVITIES

Links to community arts groups

Volunteering placements

Productions and Performances

Opera Trips

Singing and acting workshops

CONTEXT

People who are or have been homeless are often socially isolated, culturally excluded and have poor mental and physical health

OUTCOMES

increased social skills

more friends

more social contact

increased sense of belonging

more motivated to engage

increased self-esteem

increased confidence

more positive about the future

increased creative skills

increased enjoyment of life

IMPACT

INCREASED SOCIAL INCLUSION
- Increased engagement with services
- Better relationships with people
- Greater involvement with other activities

PERFORMERS ARE MORE ABLE TO MAKE AND SUSTAIN POSITIVE CHANGES IN THEIR LIFES
- Increased engagement in education, training and work
- Gaining and sustaining stable accommodation
- More involment in community activities

IMPROVED WELLBEING
- Improved mental health
- Reduced drug and alcohol use
- Feeling physically healthier

8   Streetwise Opera. (2019). Theory of Change. This example appears in the public domain.

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IMPACT MEASUREMENT FRAMEWORK

An impact measurement framework tests the theory of change. If the data shows that your organisation is not achieving the desired impact, then you should adjust the theory of change to reflect these insights, as well as adjusting programs/initiatives/interventions, to increase impact over time.

Once your organisation creates impact, you can use the measurement framework to build reporting for a range of stakeholders, using both narrative and numerical descriptions of that impact, to appeal to the intended audience.

9   Parkinson, D. (2017). Streetwise' approach to monitoring & evaluation. Streetwise, With One Voice.

IMPACT MEASUREMENT EXAMPLE: Streetwise Opera[9]

Streetwise Opera's impact reporting flows from their Theory of Change and shows evidence of the outcomes they achieved.

OUR AIM
Our aim is to improve wellbeing and increase social inclusion by enabling people who have experienced homelessness or are at risk of homelessness to make and sustain positive changes in their lifes through engaging in high-quality creative activities.
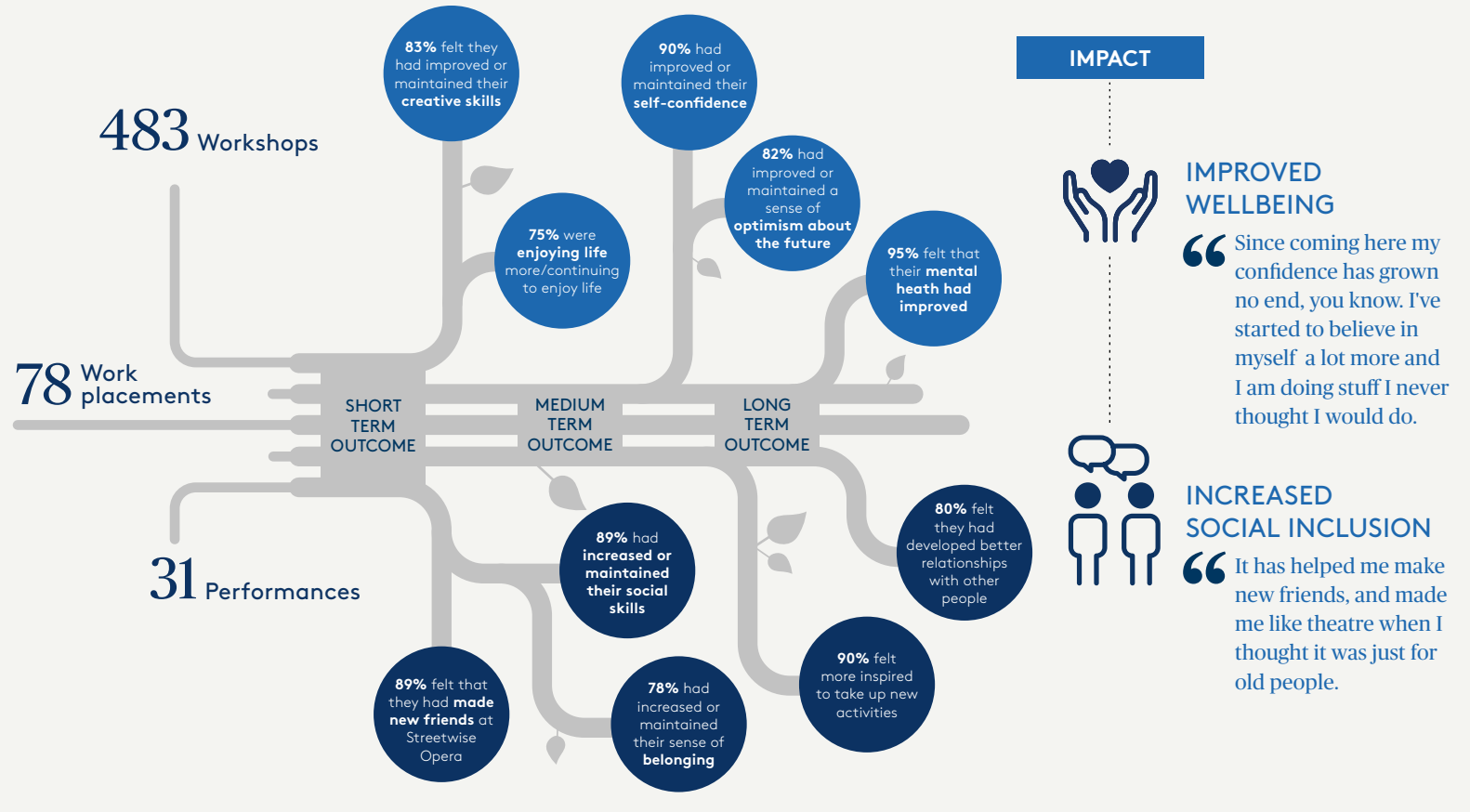
WHO WE HELPED
667 Performers

60% Male

40% Female

483 Workshops

78 Work placements

31 Performances

SHORT TERM OUTCOME

MEDIUM TERM OUTCOME

LONG TERM OUTCOME

83% felt they had improved or maintained their **creative skills**

90% had improved or maintained their **self-confidence**

82% had improved or maintained a sense of **optimism about the future**

75% were **enjoying life** more/continuing to enjoy life

95% felt that their **mental heath had improved**

89% had **increased or maintained their social skills**

80% felt they had developed better relationships with other people

89% felt that they had **made new friends** at Streetwise Opera

78% had increased or maintained their sense of **belonging**

90% felt more inspired to take up new activities

IMPACT

IMPROVED WELLBEING
" Since coming here my confidence has grown no end, you know. I've started to believe in myself a lot more and I am doing stuff I never thought I would do.

INCREASED SOCIAL INCLUSION
" It has helped me make new friends, and made me like theatre when I thought it was just for old people.

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Impact management

Impact management focuses primarily on outputs, while impact measurement focuses on outcomes.

Impact management is the process of monitoring, reporting, and responding to internal information about programs and activities that contribute to impact. The focus is generally on activities and outputs (was the course run? how many attended? etc). It provides information so you can assess the effectiveness of your organisation's management and actions.

Most organisations measure and report on this information because it is easy to collect and attribute. This shows what your organisation 'is doing' – running programs, helping, advocating for change, and the success of these activities. This data is critical to understand what your organisation might change to ensure your future actions are more effective and efficient.

Common impact management data:

User data - demographics and characteristics
Age, gender, cultural identity, healthcare card as an indicator of socioeconomic status, disability status, and assessed level of risk (where applicable)

Engagement data - frequency and nature of usage
Programs or services accessed, instances of support and support type, method of engagement and referrals to partner agencies or other programs/services
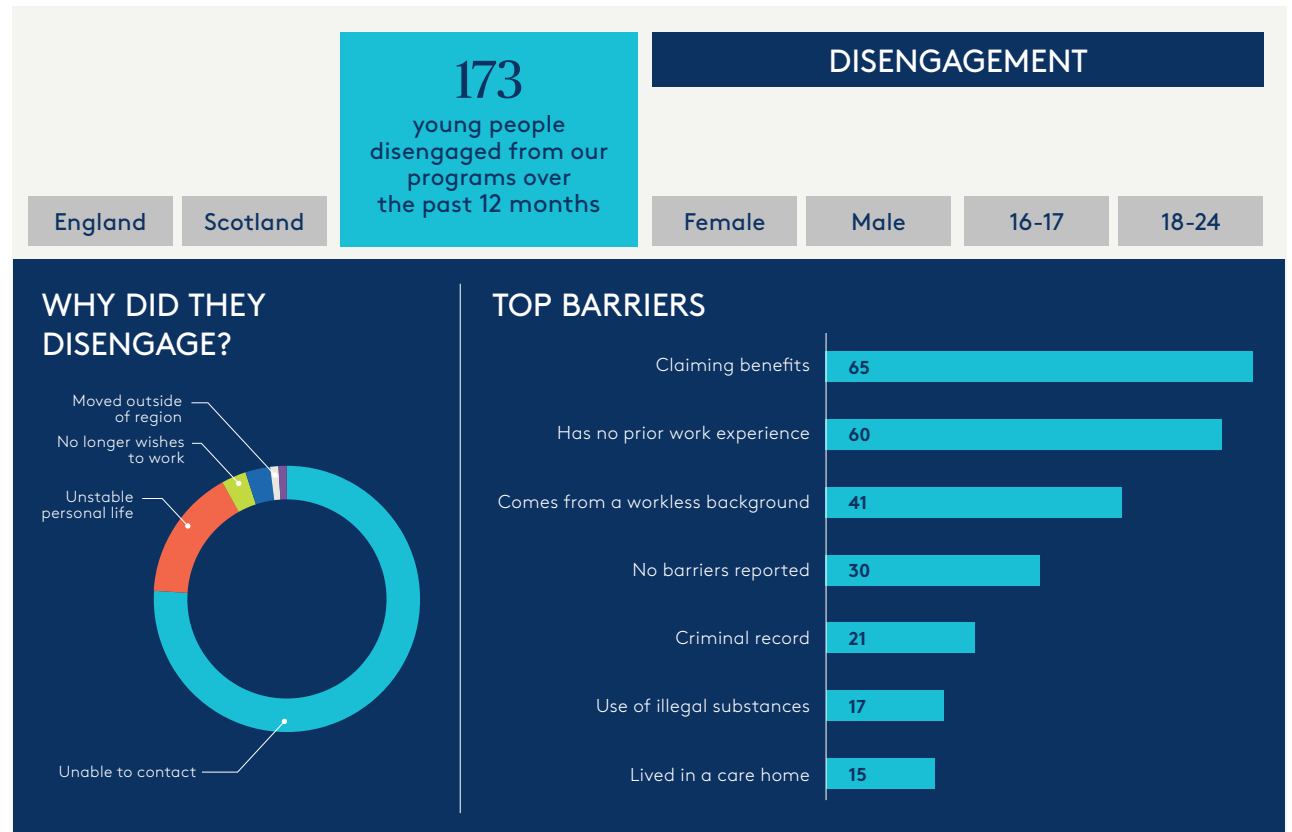
Feedback data - quality and relevance of the service
Formal feedback through surveys, case studies and program evaluations, and informal feedback through emails, quotes, social media and suggestion boxes

IMPACT MANAGEMENT EXAMPLE: Street League

Street League in the UK uses the power of sport to tackle poverty and offer young people opportunities to succeed in life and the workplace. These activities also address youth unemployment.

This Street League dashboard showed the reasons why young people disengage from their programs. This interactive dashboard while no longer on their website is a good example of how reporting can be done.

173 young people disengaged from our programs over the past 12 months

England | Scotland

DISENGAGEMENT

Female | Male | 16-17 | 18-24

WHY DID THEY DISENGAGE?

- Moved outside of region
- No longer wishes to work
- Unstable personal life
- Unable to contact

TOP BARRIERS

Barrier	Value
Claiming benefits	65
Has no prior work experience	60
Comes from a workless background	41
No barriers reported	30
Criminal record	21
Use of illegal substances	17
Lived in a care home	15

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THE DIFFERENCES BETWEEN IMPACT MEASUREMENT AND OTHER FRAMEWORKS

Impact measurement versus accreditation

Accreditation assesses the quality and care of services delivered by approved providers against the quality standards relevant to that sector. This often focuses on internal processes for quality assurance. While there is some overlap and the ultimate goal is client protection, impact measurement specifically focuses on the external outcomes for the clients and/or communities served.

Impact measurement versus program evaluation

Traditional program evaluations focus on activities to test the effectiveness of programs to achieve their intended outcomes. These may or may not include client-level impacts. Impact measurement focuses explicitly on the client, rather than the program. The primary question of impact measurement is 'what has changed in the lives of the clients and/or communities served'.

Impact measurement versus satisfaction surveys

Many organisations report on client satisfaction with the quality of services provided, for example "78 per cent of clients were satisfied with our services in the last year". Unless that satisfaction enables sustained behavioural change, then it is incorrect to claim this as an outcome. An outcome demonstrates a lasting change in the circumstances of the clients and/or communities served. This data is useful as part of impact management.

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PART 3:

How to start the board's impact measurement journey?

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"

What are the skills and attributes needed on our board and investment committee and executive team to deliver on a social impact strategy? These attributes might include openness to challenge, commitment to continual learning, and avoidance of group think. Do we need fresh thinking, impact-savvy skills, or lived experience of disadvantage? What professional development is needed to bring our board and management up to speed?

— Jane Crombie GAICD
Director:
Hand Heart Pocket, Directors Australia, AICD QLD,
RSLQ Investment committee, Cromwell Property Group

How to start the board's impact measurement journey?

When focussing on outcomes rather than activities, directors need to expand their knowledge and skills to measure impact in the governance processes. This is no different from the questions directors need to ask about financial information presented to them and the decisions that follow.

This is required to ensure that client outcomes are duly elevated in board decision making, and that the whole board understands the process and views impact measurement as central to delivering on purpose and strategy.

Across the not-for-profit and for-purpose sector, organisations show varied maturity in their use of impact measurement to ensure they achieve their organisational purpose and to test organisational effectiveness.

Most organisations are accustomed to traditional activity-focused reporting, detailing outputs (such as the number of hours of service) rather than outcomes (such as improved quality of life). Also, they may not have enough funding to cover indirect costs, such as the systems and resourcing required to support impact measurement.

Conversely, those organisations that publish their annual report and title it "Impact Report" show that they are at a higher level of maturity. This is also apparent when organisations apply for grants.

Recent analysis by Think Impact of SmartyGrants data from several funders found that the overall quality of grant seekers outcome statements was poor.[10] The researchers reviewed 664 grant seeker outcomes from nine grantmakers across 19 funding rounds. Most grant seekers wrote activity statements focused on outputs, while only 3 per cent wrote outcomes statements that could be measured.

10   Robbie, K. (2022) How do we mainstream outcomes for grant makers and grant seekers? Interview with Jen Riley, SmartyGrants Chief Impact Officer. Think Impact.

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A process for moving to an impact focus

FIVE STEPS TO START YOUR BOARD'S IMPACT MEASUREMENT JOURNEY

- **Step 1**
  Understand the fundamentals of impact measurement.

- **Step 2**
  Agree on the problem statement, target group, outcomes and desired impact.

- **Step 3**
  Provide resources to ensure your organisation has the required capability and technical infrastructure.

- **Step 4**
  Oversee and interrogate impact reporting to the board.

- **Step 5**
  Use impact insights to make decisions and develop an organisational strategy.

> "
>
> The board and the leadership should go back to the purpose and the theory of change -
>
> Why do we do what we do?
>
> Do we know how change is being achieved in our organisation?
>
> Do we understand what we're funded to do, and does it reflect our purpose?
>
> Does our practice reflect our purpose?

— Anne Cross FAICD
Director:
AICD, St Vincent's Healthcare, University of Queensland, Opera Queensland

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Questions for boards

Questions your board and directors should ask, both on a regular basis and as impact data is presented include:

Clarity in the problem statement and desired future state

- What is the primary problem that we are trying to solve in our organisation?
- Does our purpose reflect that problem and the desired future state for our clients?
- What data do we have that helps us to better understand that problem?
- Have we engaged with those clients and community members whose lived experience could inform our desired future state?

Assurance that approaches are based on contemporary best practice

- What does evidence say about what works?
- How is our approach aligned with this evidence?
- How does evidence link our strategic activities to outcomes in the theory of change?

Tracking progress against outcomes

- What data shows whether we are making progress to reach our specified outcomes and towards the future state our clients desire?
- What lessons are we learning from this data about what works and what doesn't work?

Validity of impact measurement

- What are the assumptions behind our impact measurement framework?
- Are our outcomes material or significant?
- How are we tracking outcomes over time to measure our sustained impact (such as post program exit)?

Resourcing for impact

- Are committed resources sufficient to measure our impact and learn from what we find?

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> **"**
> There is a sweet spot between too academic and too simplistic when it comes to impact measurement, something that is customised to the organisational approach but can still be compared to other organisations.

— Matt Gardiner MAICD
Director: QCOSS, ACOSS, Your Town, Child Wise

Reporting impact with integrity

WHO IS YOUR AUDIENCE AND WHAT DO THEY NEED TO KNOW?

The public

The public is mostly interested in the big picture' impacts of your organisation. If your organisation is supporting young people to enter the workforce, a publicly available report would communicate how many young people your organisation has worked with to become work-ready, find and stay with jobs that pay a living wage.

Funders (government, philanthropic and corporate) and stakeholders

Funders require more detailed reporting. For example, if your organisation is supporting young people to enter the workforce, then employment pathway outcomes could be broken down by sub-groups. This would show funders the extent to which your program is delivering outcomes to targeted groups of young people (for example, those with an experience of out-of-home care, young parents or First Nations young people). Your report for funders would compare groups and relative changes over time.

Beneficiaries (clients and/or communities)

Impact reporting can help clients and communities understand whether your organisation is delivering outcomes relevant to them. This supports a person-centred approach, enabling them to provide feedback about the relevancy and effectiveness of services delivered, based on their knowledge and experiences.

Employees and volunteers

If your organisation demonstrates impact and progress towards achieving organisational outcomes, this can motivate employees and volunteers. Reporting at the program level links the work of individual employees and volunteers to the broader impacts of the organisation. Reporting on organisation-level impacts give these employees and volunteers evidence that they contribute to the organisation's mission and purpose.

IMPACT MEASUREMENT AND GOVERNANCE
PART 3: HOW TO START THE BOARD'S IMPACT MEASUREMENT JOURNEY?

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MAKE IMPACT REPORTING COMPELLING

The not-for-profit and for-purpose sector often uses client stories to show impact. These stories are far more meaningful when you use data to explain the changes in the clients' lives. Combining numbers and narrative mean you reach a broader range of people, as some readers respond better to stories, others to numbers and many a combination of the two.

BE COMFORTABLE WITH THE COMPLEXITY OF IMPACT MEASUREMENT

Impact measurement is also the art of balance between the known and the unknown, order and messiness, action and reflection, numbers and narrative.

Directors should resist the urge to reduce impact to an economic or financial value alone. While this may be important to attract investment, funders also should grapple with the complexity of human behaviour and systems when they assess and allocate funding. A regular, open-minded dialogue with them about the meaning of your impact measures is crucial for effective investment.

BE CLEAR ABOUT YOUR SPHERE OF INFLUENCE

Impact reporting should be full, open and honest. To avoid over-claiming outcomes, consider how much influence your organisation has had in delivering those outcomes. This comprises what the organisation can:

- control
- influence
- contribute to.

Generally, an organisation controls its strategic activities, outputs and short-term outcomes; influences medium to long-term outcomes and contributes to a desired impact, but never claims full attribution.

> ❝
> # No numbers without stories, no stories without numbers
>
> — New Philanthropy Capital[11]

11 Thorne, M. and Noble, J. (2016).
Stories and numbers: Collecting the right impact data.
New Philanthropy Capital.

Appendices

Appendix 1:
Glossary of key impact measurement terms

Attribution - the extent that an organisation can consider whether changes are a direct result of a program, initiative or intervention

Baseline - an assessment of the current situation, as a reference point to track progress

Benchmark - an assessment of performance against a comparative group

Distance travelled - an assessment of how far an individual has come over the life of the program against agreed outcomes

Impact architecture - the cascading structure that scaffolds impact focussed work, centred around the Theory of Change

Impact fundamentals - key concepts to measure positive changes created in the lives of the organisation's clients or communities

Impact management - enables the organisation to collect data that provides insights about its processes and activities

Impact measurement - enables the organisation to demonstrate what difference they make in the lives of others, with a focus on purpose

Impact report - an annual report that focuses on the organisation's activities that changed the lives of people they serve, how those outcomes happened, and what the organisation learned about how to improve those services in future

Lag indicators - measures what the organisation has already achieved, looking backward

Lead indicators - indicates where the organisation is likely heading, looking forward

Outcome - something that changes in the lives of the organisation's clients and/or communities

Output - something that happens because of the organisation's actions

Problem statement - a concise statement about the issue the organisation seeks to address - the current state of the target group

Target cohort - the specific group of beneficiaries with defined characteristics, such as age, geographic location, risk and protective factors who the organisation serves

Theory of change - articulates what difference the organisation seeks to make and specifically, how it expects to achieve that change

Appendix 2: Further information on impact measurement

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About the authors

The Australian Institute of Company Directors is committed to strengthening society through world-class governance. We aim to be the independent and trusted voice of governance, building the capability of a community of leaders for the benefit of society. Our membership includes directors and senior leaders from business, government and the not-for-profit sectors.

About Social Outcomes

Social Outcomes is a for purpose enterprise that was established in 2014 to work with clients across all sectors to maximise their desired social, cultural, or environmental impact through an evidence-based design process. Social Outcomes work with large global companies, major non-profit organisations, government agencies, philanthropic organisations, peak bodies, impact investors, as well as smaller not-for-profits, and social enterprises.

Social Outcomes work with clients to design theories of change, impact measurement frameworks and impact strategies designed to leverage organisational strengths to maximise impact generation and provide ongoing insights. Social Outcomes also assess the impact that organisations are creating and author impact reports, as well as undertaking cost benefit analyses that quantify the value of the impact generated.

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