

the
IMPACT
INITIATIVE

**RECOMMENDATION AREA TWO:
IMPACT MEASUREMENT & MANAGEMENT**

Building the Capability of Government Funders, Buyers and Investors

Recommendation 2.1

PREPARED BY THE ĀKINA FOUNDATION
as part of The Impact Initiative

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Background

Continue the kaupapa of the Living Standards Framework and Indicators Aotearoa by building the capability of key teams in government agencies, so that they can measure and grow the positive impact of their activities.

By building the capability of key teams in government agencies, setting impact indicators, and by collecting and sharing data to show what's working, government can enable more informed decision-making and policy-making, as well as better communication of impact to key stakeholders. There is also an opportunity for government to use social enterprise models to start new self-sustaining organisations that deliver against government priorities.

About The Impact Initiative

This paper was produced for the Social Enterprise Sector Development Programme, publicly known as The Impact Initiative.

The Impact Initiative is a partnership between the Department of Internal Affairs on behalf of the New Zealand Government and the Ākina Foundation, supported by the Community Enterprise Network Trust (CENT).

To find out more about the programme visit The Impact Initiative website:

www.theimpactinitiative.org.nz



Recommendation 2.1

Build the capability of government funders, buyers and investors to measure, manage and maximise the positive social and environmental outcomes they achieve

Government funders, buyers, investors and policy makers want to know how to get better data about the impact they are achieving. They want to be able to do more of what is working. This can be achieved through building their capability and capacity to measure and manage their impact.

KEY TERMS

- **Outcomes** are the positive or negative changes that happen as the direct result of a programme or an activity, and can occur over the short-term, medium-term or longer-term
- **Impact** refers to the broader social, environmental, cultural or economic change (as determined by the people experiencing the change) that occurs within the community, society, or environment as a result of the programme or activity's outcomes

What does this mean?

This recommendation is focused on the many government teams who want to know that their work is contributing to positive outcomes, from childhood poverty reduction, to emissions reduction for climate change. It recognises the frustration many of them face in not having the right information to know what is working and what is not. It highlights the opportunity to not only build a whole-of-government budget and measures focussed on wellbeing, but to also work at the level of teams within agencies to build their capability to measure, manage and maximise wellbeing outcomes.

Greater impact management capability means agencies would be well placed to:

- understand the outcomes of their policies, programmes, services, grants and investments
- measure those outcomes, to ensure continuous improvement of activity
- manage and increase the impact of activity over time, using outcome measurement to inform effective and pragmatic planning and decision-making
- stay focussed on the outcomes and impact that they are working towards, rather than the activities, outputs or processes that sit behind those outcomes
- work more effectively in partnership with communities, delivering positive social, environmental, cultural and economic outcomes and impact aligned with community-identified wellbeing goals
- Ultimately, do more of what works and less of what doesn't.

‘It’s very hard for us to tell the impact we are having on the ground ... I want to know if we’re going in the right direction ... we don’t know that yet... I’ve been trying to find ways that we can get much more immediate feedback so that we can keep making that progress. Know what policies are working and what’s not. That has been one of my real frustrations. I want to try to resolve that in this term’

- PRIME MINISTER, JACINDA ARDERN, DECEMBER 2020

Aside from increasing their own effectiveness, increased impact management capability will put government agencies in a good position to support social enterprises and other impact-led businesses like māori enterprises who are working to demonstrate to government agencies the positive impact they are achieving. Government and communities would be better able to speak the common language of outcomes. If the Government has an increased capability to observe outcomes, communities will benefit as they will be able to more easily communicate their priority outcomes to the Government, as well as what activities work best to achieve those outcomes.

Managing to outcomes

‘We are seeing an increasing focus on measuring the things that matter most — the outcomes of investments and activities that create social change. But measuring is only one half of the story. Real change comes through building a culture in both service delivery organisations and funders that understands how to use this data to *manage to outcomes*.

Simply put, managing to outcomes means defining organisational goals, rigorously measuring performance against those goals, and then continuously managing the organisation in line with those goals and measures. It means that organisations have the right information to respond and make better decisions to improve program design and delivery in a timely manner.’

– Managing to Outcomes, What Why and How, Social Ventures Australia

What are the current challenges?

Aotearoa New Zealand faces significant challenges and opportunities. As a nation we want to increase wellbeing so that New Zealanders are thriving. We want a strong economy that offers stable employment and full participation. We want to preserve and value Māori culture and be responsible guardians of our environment. The Government is tasked with achieving many of these goals. Agencies are designing policies, delivering work programmes, managing contestable funds and contracting out to hundreds of third-party organisations to help drive positive change.

The challenge is that very few parts of the Government know whether their activities are leading to positive impact. From our programme research, we understand that most government agencies are not measuring and managing their impact as effectively as they would like. Certainly some government agencies are more progressed than others but nearly all of the teams or leaders within various agencies that the programme interviewed agree that adopting an outcomes-focused approach is a journey and that they are at varying stages along that journey. Most expressed interest in growing their impact management capability.

Another challenge is that the capacity of government agencies to measure their impact is often limited by the capacity of the organisations they partner with. If a contracted delivery partner or a grant recipient cannot report their own impact to government, then the contract holder or fund manager within government cannot know what impact was achieved and how much of that impact could be attributed to

government. As a consequence, government agencies are not able to determine an aggregate view of the impact a particular team, agency, or government as a whole is achieving. This was highlighted in the media in a recent news article that quoted Government officials as noting:

‘It is difficult for us to quantify what our current investment is in the sector (due to the siloed nature of investments through different votes) and difficult to understand what the impacts of this investment are¹.’

Aotearoa New Zealand has been celebrated internationally for our adoption of a wellbeing budget and wellbeing measures. These steps greatly support the adoption of a culture that is focused on achieving wellbeing outcomes. However, implementation of a wellbeing budget will be significantly curtailed by inadequate impact measurement and management capability throughout Government.

Prime Minister Jacinda Ardern concluded the 2020 political year by saying that one of her biggest frustrations is that it is very hard for her to know what impact the Government is having on the ground, and that she wants much more immediate feedback. The Prime Minister stated that is something she would like to resolve in this term of government².

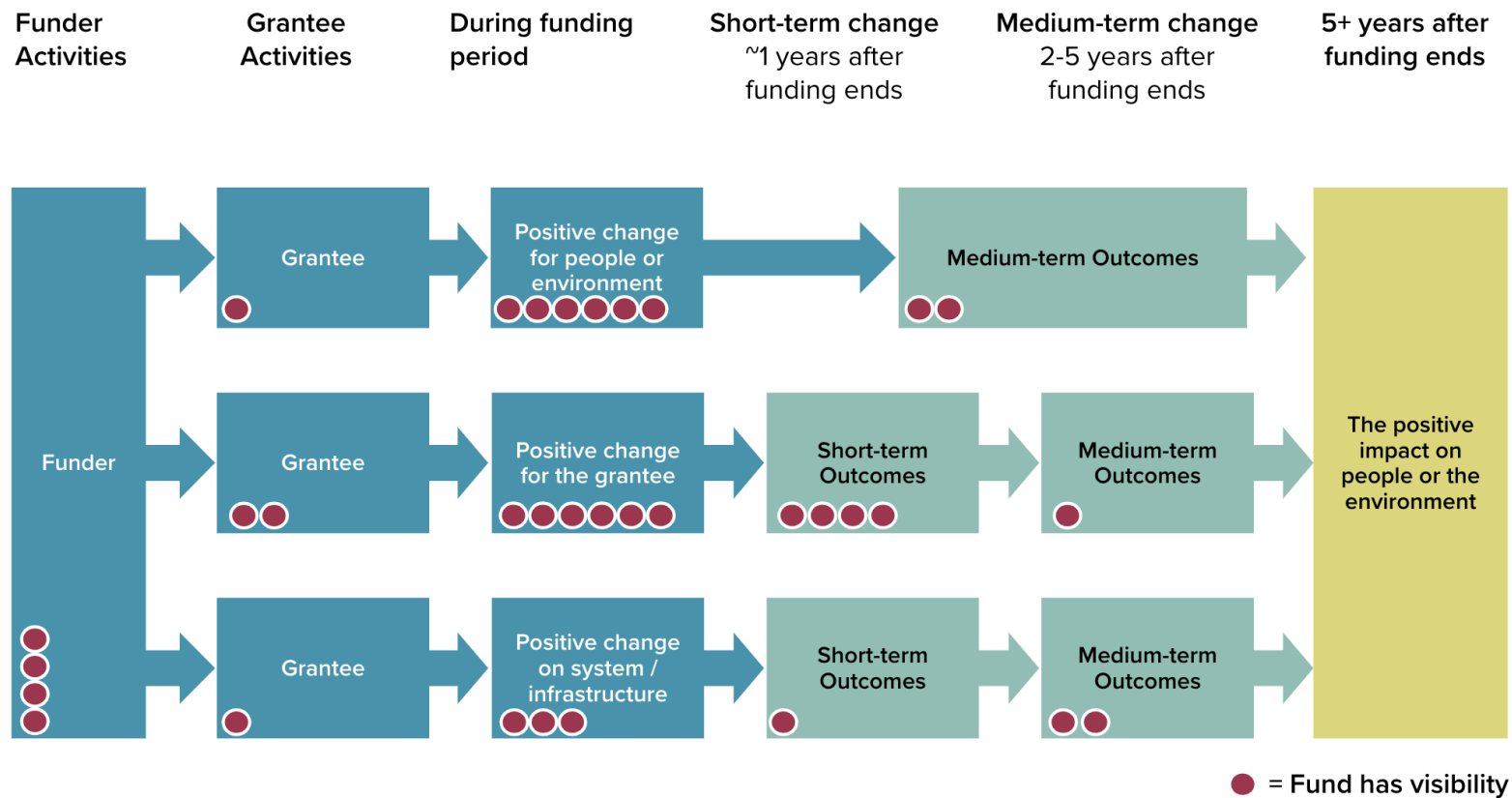
¹Stuff, January 28 2021, [Government not sure how much it is spending on third-party social service organisations](#)

² Stuff, December 7 2020, [Prime Minister Jacinda Ardern reflects on the year, plans for the summer](#)

Visibility over positive outcomes

During a programme workshop with various government agencies we asked participants to indicate where they had visibility over the positive outcomes that were achieved as a consequence of their funding.

As can be seen from the red dots on the diagram below, most participants have visibility of what was happening during the term of the funding period. Very few had visibility of the outcomes that occurred as a consequence of that funding in the longer term.



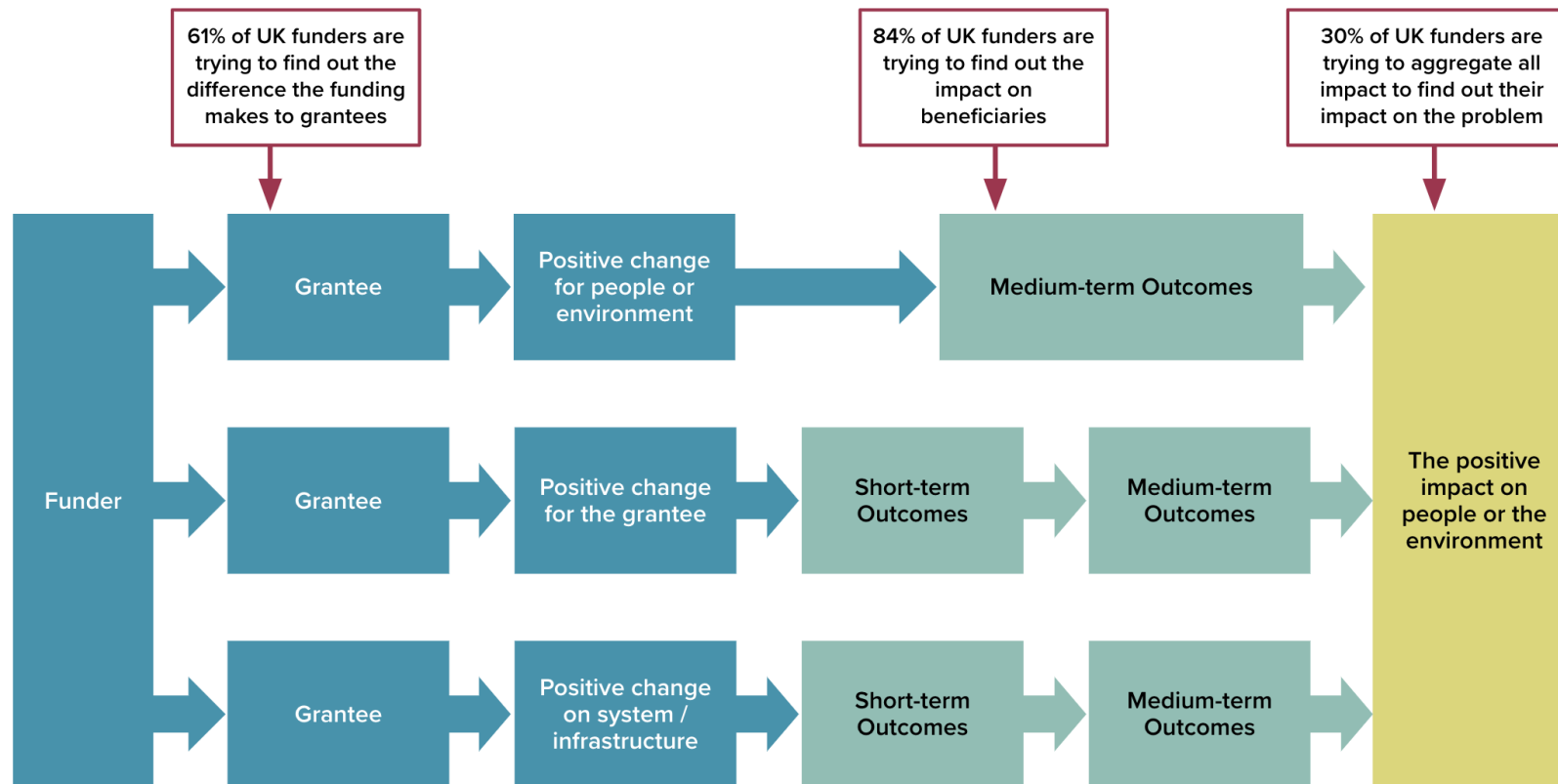
This lack of visibility is not uncommon and is due to a number of factors:

- Historically the focus has been on delivering activities (i.e. distributing grant funding) as opposed to the change that happens because of the activity (for example, the funding enabled riparian planting and diverse pasture planting. Riparian and diverse planting has reduced nitrates entering the waterway. The waterway is now measurably healthier and demonstrating an increased ability to support biodiversity and native bird life).
- It can be difficult to identify outcome priorities, to know how to measure achievement of those outcomes and to incorporate measurement into systems. This often requires external expertise.
- There is a perception (often justified) that it is difficult to maintain contact over a long period of time with the people who themselves experience positive change, or observe positive change for the environment, in order to know what change has occurred in the long term.

UK Study of Funders

Internationally, we are seeing funders working to look for ways to better understand the impact they are having. A study of UK funders in 2013 found that 84% of funders were trying to find out the impact on

beneficiaries and 30% of funders were trying to aggregate all of the impact they were having across their various activities to learn their impact on the problem. *Source: NPC Funding Impact report*

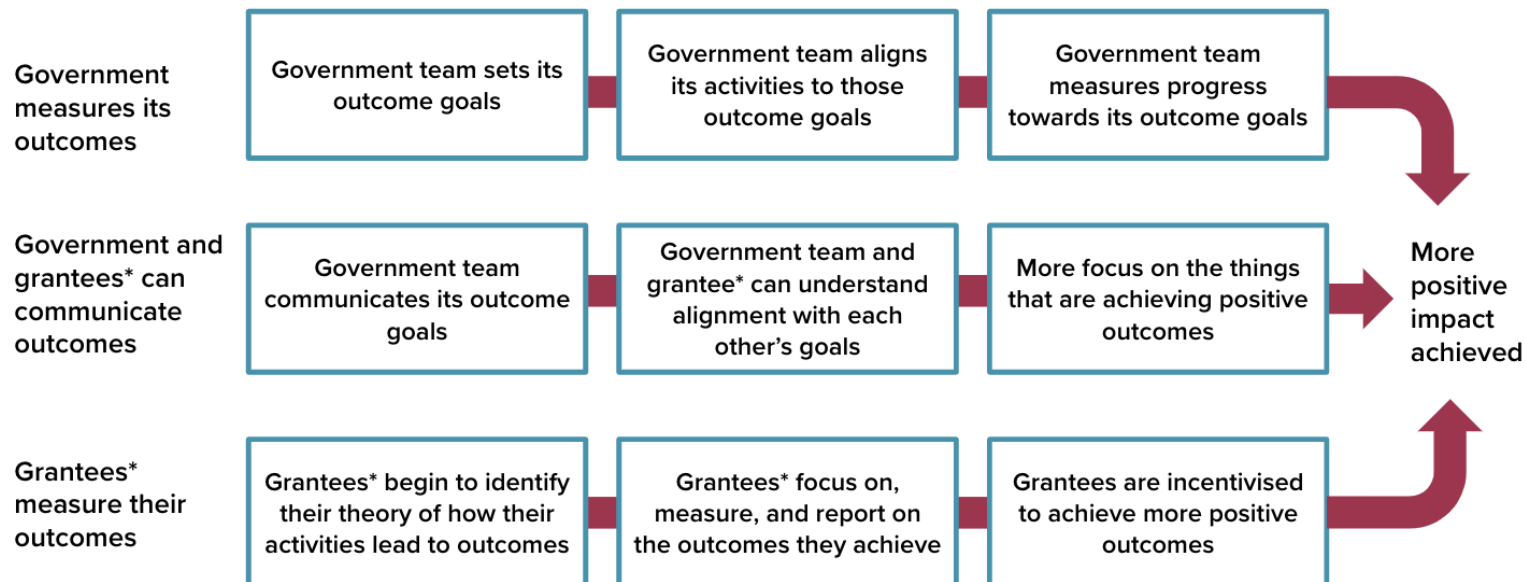


What would the change enable?

Greater impact measurement and management capability will enable agencies to have more visibility of the impact they are having, beyond case studies or an annual evaluation report. This will support them to manage their impact by setting goals and making decisions based on relevant and timely data about which actions are creating positive change. They will also be better able to communicate to stakeholders including Ministers, other government agencies, the community and delivery partners which is likely to lead to more effective collaboration.

This improved decision-making and improved communication could help to grow an outcomes-focused culture that continuously works to increase the positive impact of the agency. Communication by the Government of their impact goals will enable social enterprises and other purpose-driven organisations to better identify opportunities to contribute and innovate. If government agencies have real clarity of the impact goals they are hoping to achieve, and are able to clearly communicate those goals, then suppliers, contractors or grantees are able to demonstrate alignment with those goals more easily, and ultimately work in partnership to increase the positive impact, as represented in the following diagram:

Government's ability to measure impact is reliant on grantees/investors/contractors ability to report their impact

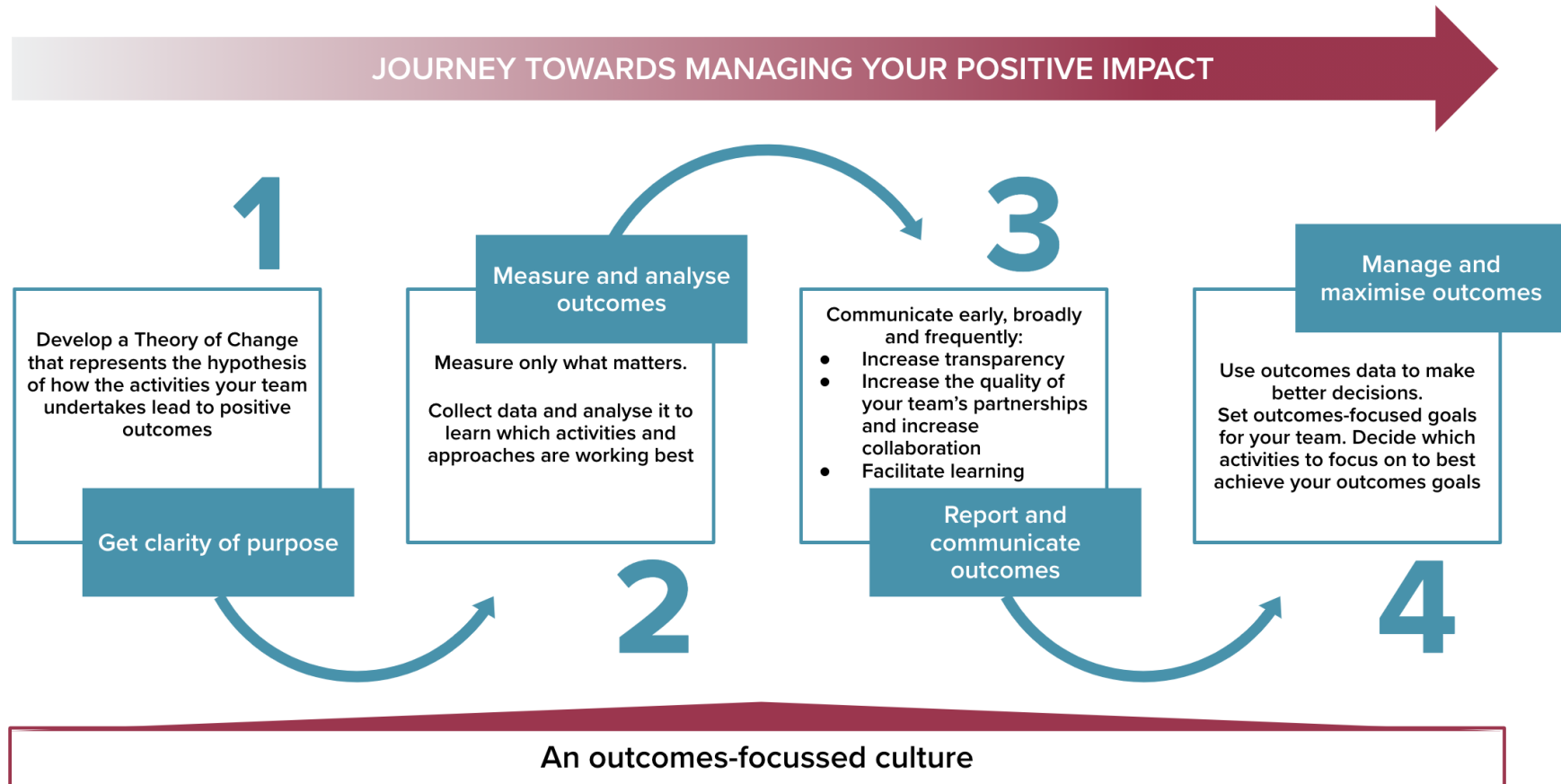


**includes grantees as well as any organisation the Government team has contracted, purchased from or invested in*

What work has been done already?

Ākina has worked with many different types of outcomes-focused entities, including government agencies who are wanting to gain greater visibility of the impact they are having.

Drawing on international best-practice, we have identified a process for building Impact Measurement and Management capability and working towards adopting an outcomes-focused approach. In its simplest form, it follows the steps identified in the diagram below:



Progress is being made to better measure the impact of public service delivery. At the top level, work has also been done to set a clear agenda for Aotearoa New Zealand that is focused on wellbeing outcomes with the Living Standards Framework and a Wellbeing budget. The opportunity we have identified is to focus not only at the top overarching level, but to also focus at the action level, on the teams within government who are working to achieve wellbeing outcomes. This includes those working via non-government organisations. As a starting point, we have identified two types of teams within various Government agencies which are expressing particular interest in growing their impact capability:

- Procurement buyers: the procurement teams who are exploring social procurement, and
- Funders: the teams administering funds, particularly contestable funds.

Procurement

The Impact Initiative white paper *Strengthening Government Procurement* discusses the need for building the capability of procurement professionals in key government agencies. This capability should include defining the positive social & environmental outcomes to be achieved and managing the impact, so that procurement teams are able to understand the positive impact that can be achieved from procurement. This will be necessary to ensure ongoing buy-in and commitment to social procurement within the procurement team. It will also enable the aggregation of outcomes data to gain a comprehensive picture of the value of social procurement and the extent to which the Broader Outcomes are being achieved.

Fund administration

As part of the programme, Ākina ran a workshop with government officials involved with contestable funds across the Ministry of Social Development, the Ministry of Business, Innovation and Employment, the Department of Conservation, the Department of Internal Affairs, the Ministry for Primary Industries and the Ministry for the Environment. The focus of the workshop was to work with fund managers to explore the journey of taking an outcomes-focussed approach and to work together to identify what fund managers can do immediately to support decision-makers to maximise impact.

The following insights were gathered as a result of the workshop:

- Government funders generally express a desire to have greater visibility of the impact of their funding.
 - There are an overwhelming number of frameworks and approaches that add unnecessary complexity to the challenge of knowing where to start. Agencies see value in a simple approach that is manageable and starts with setting clear impact goals before identifying the key things to measure so that the agency does not become overwhelmed by the burden of gathering and analysing too much data.
 - An outcomes measurement framework is only useful if it is used, which only happens with change management, internal buy-in and capability building within teams.
 - Government agencies recognise the need to integrate any impact measurement approach into existing systems which requires time and dedicated resources.
- There is a need to explore ways to get data from grantees beyond the end of the funding term.
 - Government funders recognise that they could work together to learn the best ways to implement the right systems to support the operationalising of an outcomes-focussed approach.
 - Due to Covid-19, there are many new funds launching which presents an opportunity for funds to get clear on their outcomes priorities right from the start. By communicating those outcomes priorities early, it will increase the quality of applicants, and increase the alignment between projects and fund's outcomes priorities.
 - There is a perception that regulations and policies present barriers to taking an outcomes-focussed approach, but certain agencies recommended that these perceived barriers should not put others off starting the journey, as those agencies had overcome the barriers.

What could be done next?

Below are recommended actions that could be implemented to develop solutions to the challenges identified above.

1. Build capability around impact management

Both government agencies and partners need to increase their capability to identify their outcomes priorities and develop a Theory of Change or a hypothesis that represents how their activities will lead to their priority outcomes. This hypothesis is essential for then measuring and testing the hypothesis and making decisions to maximise the outcomes articulated in the hypothesis. Indicators should only be used when agencies understand their impact objectives and have a Theory of Change, so that they can use indicators appropriately.

Ākina recommends each agency take an approach similar to the approach it has tested with a wide range of organisations including various central and local government agencies. The approach prioritises simple pragmatism in order to enable the embedding of an outcomes-focused learning culture rather than undertaking overly rigorous point-in-time assessments.

We recommend running a pilot with one particular agency that has a proven level of capability as well as a desire to increase that capability. We recommend working with that agency to identify appropriate next steps they could take to build their impact management capability and then supporting them on that journey. We then recommend showcasing the experience of the agency to others who have expressed interest in building their own capability.

2. All government agencies should be taking an outcomes-focused approach

All government agencies should have the mandate to take an outcomes-focused approach. By having a clear Theory of Change that aligns with their agency strategy, agencies can measure what matters and increase their understanding about which approaches are working. This approach will enable the Government to better report on and communicate their impact and use data to make better decisions to maximise impact.

3. Develop a common set of outcome areas and indicators

Through work with government agencies, social enterprises, charities and corporates we have identified that different language is often used by organisations working towards very similar outcomes. There is an opportunity to streamline language and enable consistency across agencies. As referenced in recommendation 2.2, when government agencies are identifying their outcomes priorities and developing Theories of Change, they would benefit from being able to draw from a standardised list of outcomes and indicators. Recommendation 2.2 outlines the opportunity to develop some consistent indicators that could be used by government agencies to streamline their outcomes measurement. Using consistent indicators would assist with aggregation, meaning the Government can get a clearer picture of its overall impact. Ensuring that government is using common language and common indicators would in turn help those outside government to speak the same language as government. Those non-government organisations who report to government would then have fewer indicators against which they must measure themselves, in instances where they are required to report to multiple parts of government.

As discussed in recommendation 2.2, this is an area where leadership from the Government would be very beneficial. The Government has made progress towards defining and articulating the Government's overarching wellbeing objectives through the Living Standards Framework and Indicators Aotearoa. This work serves a different purpose, however from what is needed by teams who are contracting, funding or investing in external organisations. Indicators Aotearoa represents a good start towards identifying what is important to New Zealanders and measuring the extent to which we, as a country, are

achieving our wellbeing objectives. However, these indicators operate at a population level, rather than indicating change that could happen at a programme or contract level. This makes it hard to apply Indicators Aotearoa to a single contract for goods, services, investment or grant. In addition, Indicators Aotearoa is not currently being funded for ongoing development.

Our recommended approach is to begin with a particular type of government team, such as procurement teams across various agencies, and design indicators with them in mind. The indicators should be designed in a way that works for those government teams and also for the non-government organisations who may be asked to report against them. The indicators should also be designed in a way to enable data to be aggregated to understand the extent to which the outcomes in the Living Standards Framework are being achieved. Most importantly, they should give government teams and non-government organisations better evidence of what is working and what is not, so that more effort can be invested in the things that work, ultimately leading to greater impact.

the **IMPACT** INITIATIVE

The Impact Initiative (The Social Enterprise Sector Development Programme) was allocated \$5.5m in government funding over three years. It is delivered by Ākina in partnership with the Department of Internal Affairs and with support from the Community Enterprise Network Trust (CENT).

The programme concludes in March 2021 with the delivery targeted recommendations outlining the next steps for the Government to support the ongoing development of social enterprises, as well as opportunities for government to tap into the impact social enterprises create. The recommendations have been developed with government agencies and with consultation from sector representatives.

PROGRAMME PRIORITIES

- Understanding and supporting the conditions for a thriving social enterprise sector in Aotearoa New Zealand
- Making it clear how social enterprise is contributing to government's economic, social and environmental goals
- Working with the Government to articulate what it needs to do to support social enterprises, after the programme.

PROGRAMME PARTNERS



ākina

CENT

Programme activity highlights

- Uncovering the ways in which social enterprises deliver against the Government's priority areas
- Developing cross agency and public-private working and advisory groups to collaborate on social enterprise
- Uncovering legal barriers for social enterprise and exploring ways to address these
- Testing ways to support and grow social enterprises through place based networks
- Engaging strategically with government to support the development of broader outcomes through social procurement
- Developing and growing Aotearoa New Zealand's first social procurement marketplace (Fwd) and enabling access for government buyers
- Supporting social enterprises to access capital and get ready for impact investment
- Creating and testing business development tools and resources for social enterprises