

the
IMPACT
INITIATIVE

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

Developing and Implementing Outcome Indicators

Recommendation 2.2

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.

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

'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

7 December 2020, [interview with stuff.co.nz](https://www.stuff.co.nz)

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](https://www.theimpactinitiative.org.nz):

www.theimpactinitiative.org.nz



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Recommendation 2.2

Develop and implement a set of consistent outcome indicators that can be used to measure and improve impact.

There is an opportunity to develop standardised indicators to help government and partners consistently deliver, measure and improve outcomes. This recommendation explores how government could enable a more aligned approach that will increase the effectiveness of activities designed to improve Aotearoa New Zealand.

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
- **Indicators** (also known as outcome indicators) measure whether the programme or activity is achieving the expected outcomes/changes in the short, intermediate, and long term

What does this mean?

We recommend the development of a set of indicators that can be used to measure progress on a project, an investment or at grant level. The indicators should be designed to be relevant and accessible to multiple government agencies regardless of different approaches to funding and contracting. A standardised set of indicators creates an opportunity to measure the impact government is having when it undertakes activities directly and also when it engages with external organisations to deliver goods or services.

Government is uniquely placed to take a leadership role in developing these indicators and setting the tone for the social sector and private sector to more easily measure and communicate their impact. This could help organisations to attract customers, investors and funders who are aligned with that impact and to ultimately increase their impact.

What are the current challenges?

Across government, the social sector and the private sector, very few organisations are measuring what matters. Most are not measuring the impact of their activities at all. Some are measuring the outputs of their activities but not the changes that happen because of those outputs. For example, a key measure of success for many funds is whether the funding has been distributed. Often KPIs are included in funding contracts which require the recipient organisation to demonstrate that the money has been spent delivering a particular service, such as employment training. The funding recipient is generally not required to report on the positive outcomes experienced by the people who received the service. These outcomes could include securing employment, social inclusion, financial security and improved mental health.

As a consequence, most organisations do not have the right information to manage their impact. They are not able to make informed decisions to increase their impact or to communicate their impact to key stakeholders.

In order to effectively manage impact, an organisation needs:

- 1) Clarity on what impact it intends to have, and
- 2) Identified indicators that can help it learn whether it is achieving its intended outcomes.

Indicators inform which data should be collected in order to communicate impact to stakeholders. It can be difficult for organisations to identify indicators without knowing which indicators will resonate with stakeholders. When it comes to designing indicators, organisations either do not know where to start or they might try to select from thousands of indicators included in hundreds of existing databases and frameworks, leaving them overwhelmed.

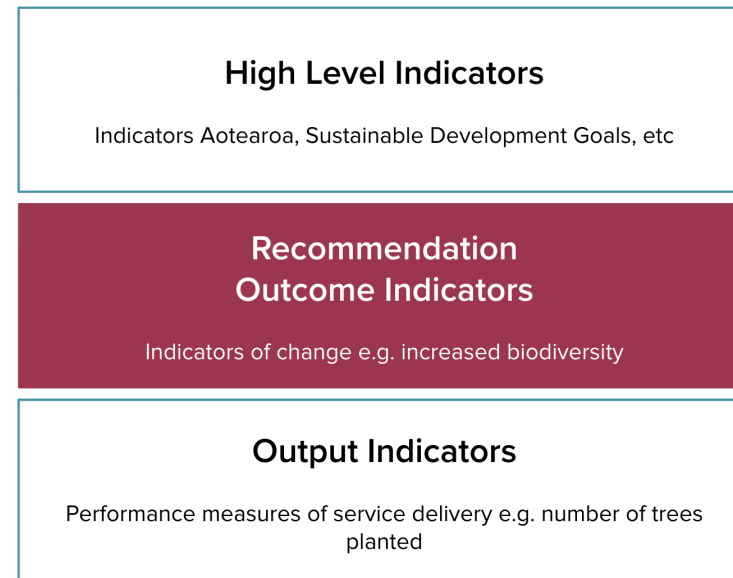
The opportunity for change

There is a need for leadership in this space so that all sectors can have certainty around what the commonly used indicators are. The Government has taken some steps towards developing indicators but for a different purpose.

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 delivery level. This makes it hard to apply Indicators Aotearoa to a single contract for goods, services, investment or grant. In addition, it is our understanding that Indicators Aotearoa is not currently being funded for ongoing development.

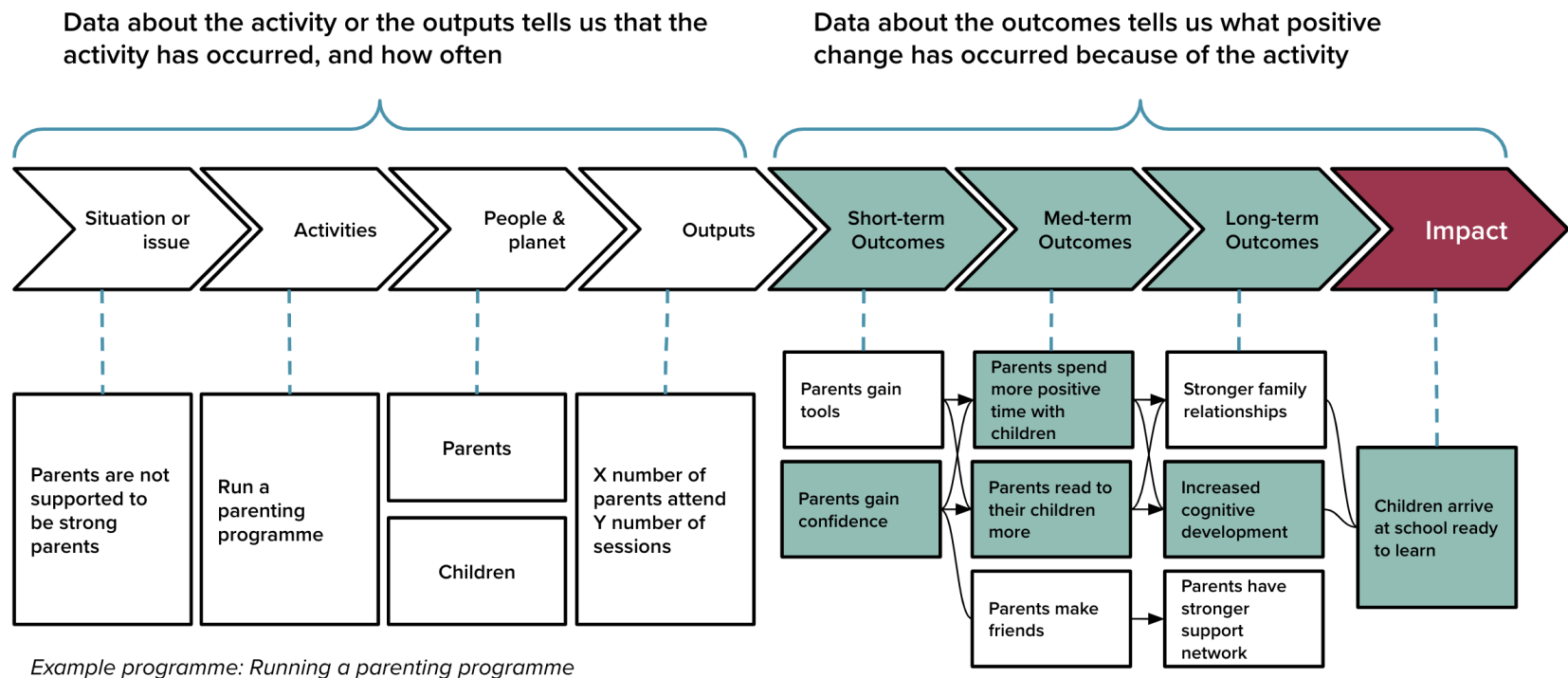
In the absence of consistent government indicators that could be used at the delivery level, government agencies are each developing their own approaches that are not aligned and will not work together. For example, government agencies that are working to grow their impact through social procurement are each interpreting the Broader Outcomes differently and we have observations that some are starting to develop their own indicators to include to determine success.

What is needed is indicators that can be used at the delivery level to measure short and medium-term impact. Those indicators should have a clear line of sight to outcomes within government frameworks such as the Living Standards Framework. They should be able to be used by different agencies, different industries and delivery organisations of different sizes.



A shift is needed in the focus of measurement

Government delivery is usually reliant on outputs as a measure of success. Agencies often measure what happens in the first half of the diagram below: whether or not an activity has occurred. They generally do not ask about the second half of the diagram; what the outcomes of that activity are and what positive change the activity has enabled for New Zealanders or the environment. A shared set of indicators would enable agencies to measure the outcomes, not just activities.



What would the change enable?

Having a standardised set of outcome indicators would unlock a number of significant opportunities.

1. Visibility over the impact of government

Government is working to improve wellbeing outcomes for Aotearoa New Zealand through funding, procurement, investment and service delivery. A consistent set of indicators would assist government agencies in gaining improved visibility of the impact they are having. Clearly defined measures would help to support agencies to overcome a perception that measuring impact is too difficult. They could support agencies to measure not just outputs, but outcomes - to measure the positive changes that have happened because of the Government's efforts.

2. Increased collaboration for impact

A consistent set of clearly defined indicators can facilitate increased collaboration by acting as a shared language. This would support collaboration between government agencies and organisations that deliver goods or services to or for the Government. The organisations would then be better able to demonstrate how they are achieving the Government's goals.

Consistent indicators would also facilitate collaboration between government agencies. Indicators would enable agencies to aggregate the results from multiple contracts, and compare the efficacy of different

programmes. Different agencies could aggregate, share or compare data between government agencies. Currently there is no way for agencies to talk about how they achieve outcomes for each other and collaborate on those outcomes. For example, Ara Poutama Aotearoa, Department of Corrections could be achieving health goals, but they aren't equipped to measure those outcomes and communicate them in a way that would enable collaboration with the Ministry of Health.

We know that the non-profit and social enterprise sectors and even larger businesses have limited capability and capacity to report on their impact. Currently, they are required to report multiple indicators across multiple contracts in order to satisfy different contracting requirements. A standardised set of indicators would reduce the time and resource reporting, and enable more useful, effective data to be generated.

Potential users: case studies

Potential users of indicators: Procurement

Social procurement is about intentionally delivering positive social or environmental outcomes within a procurement process. There is a significant opportunity for the Government to achieve wellbeing outcomes through expenditure as detailed in our procurement recommendations white paper. Defining and measuring wellbeing outcomes is fundamental to social procurement and it is necessary for those involved in procurement on both the buyer and supplier side to speak the same language. Social procurement depends on reporting provided by the market and government needs to enable effective reporting from suppliers and key stakeholders.

Government procurement relies on having the ability to benchmark and measure the contribution of procurement activity towards increasing positive outcomes at an agency level, and an all-of government level. Creating a common and consistent approach will also open opportunities for collaboration between agencies and most importantly, monitor the effectiveness of social procurement activity to identify best practice and potential areas for improvement.

Potential users of indicators: Impact Investment

Startup investors are increasingly seeking broader reporting from their portfolios. In some instances this includes data relating to environmental, social and governance (ESG) screens and in other instances it includes data specifically about longer term impacts. This is all part of a general shift to better understand the broader value that investment portfolios are creating. Measuring the broader outcomes of businesses is in its infancy in Aotearoa New Zealand, which leads to inconsistency and confusion around how this should be approached, despite the fact that Kiwi startups deliver many consistent outcomes. This makes the data challenging to compare and understand at a broader level.

A simple, but significant solution to this would be to create a small number of 'common outcome indicators' that startups could choose to report against in order to demonstrate the social and environmental outcomes they achieve. These outcomes could then be linked to the outcomes within Indicators Aotearoa to enable the Government to understand the positive social and environmental outcomes that the startup sector delivers. Not only will this more accurately demonstrate the value of the sector, it will also demonstrate other ways that the sector can be supported to further accelerate its growth.

What work has been done already?

Ākina has started work on two projects that would support the Government to create alignment in this space. We have developed a set of indicators that can be used in procurement to track social procurement outcomes. We have also developed a draft set of indicators across several domains of current wellbeing to test the feasibility of developing common outcomes and indicators.

What could be done next?

Below is a range of options that could be implemented to develop solutions to the challenges identified above.

1. Develop a common set of indicators

Subject to insights and recommendations from the Social Wellbeing Agency, 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, or Broader Outcomes, 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.

Ākina could work with government, social enterprise, non-profits, economists and academics to develop a set of indicators that could be piloted. The Social Wellbeing Agency has expressed interest in playing a key role in this work. In addition to, or as an alternative to selecting a

specific type of government team, an appropriate approach could be to initially focus on a particular outcome area or sector, such as employment or waste. Selecting a specific area will enable the development and testing of this approach without having to engage across all of government.

Ākina is well placed to undertake this work because we have strong relationships across different sectors and stakeholder groups. We take a pragmatic approach that will result in a set of indicators that is highly usable and able to be implemented.

2. Develop a common set of outcome areas

A common set of indicators would benefit from a common set of outcome areas. In developing outcomes across social enterprise, government and commercial partners we have recognised that there are often common areas that outcomes fall into. We recommend that the indicators are paired with common outcome areas to enable government and partners to be more clear on the outcomes that are being targeted.

3. Impact management capability

We believe that both government and partners need to increase their capability to understand and identify relevant outcomes and indicators for collaboration. Indicators should only be used when agencies understand impact management and are able to use indicators appropriately.¹

¹ This need for increased capability is also discussed in *Recommendation Four: short name of recommendation* [\[insert link\]](#)

4. Embed use of the indicators into contracts

Our research has shown that few government agencies have visibility of the outcomes of their contracting/funding. Further work is needed to help government agencies understand how to include outcomes and indicators in their contracting and adjust contract terms so that ongoing data collection is possible.

5. Ensure measures don't become targets at the exclusion of everything else

Experience teaches us that there is a risk that measures become targets. Government agencies will need to walk a fine line to ensure that contracts are developed in a way that incentivises partners to learn from using outcomes and indicators, rather than to penalise non-performance or become blind to impact that does not yet align with a developed indicator.

6. Develop a common understanding of what works

Many overseas governments have developed a collection of evidence that demonstrates the effectiveness of certain interventions in different sectors. For example, the UK Government operates the [What Works Network](#) which includes areas such as [social outcomes for children](#) and [local economic growth](#). Using resources such as the Integrated Data Infrastructure (IDI), the New Zealand Government should develop new insights that can assist social enterprises, corporates and non-profits to select interventions that are based on evidence.

Much of the existing evidence has been developed overseas and work would be needed to transfer it to the Aotearoa New Zealand context. In addition to overseas approaches, much of the required information is likely to be available from previous studies.

7. Develop and implement tools to help organisations collaborate to describe the outcomes they are seeking

Government should utilise a software tool to help agencies and partners to easily develop an outcomes model (Theory of Change) that uses the outcomes and indicators developed above.

Existing platforms could be tailored and extended to meet local needs. Such a tool would make it easier for organisations to apply the outcomes and indicators:

- The UK Government recently released their Social Value Model for accounting for social value in central government procurement²
- In Auckland, project management company Height worked with Auckland Council's Healthy Waters to develop an indicator list and toolkit³
- Other frameworks have been designed for more generic application rather than specifically for procurement such as the [Outcomes Matrix](#).

² UK Government Commercial Function, Social Value Model, 2020 accessed: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/940826/Social-Value-Model-Edn-11-3-Dec-20.pdf

³ Height, Sustainable Outcomes Toolkit, 2019 accessed from <https://heightpm.com/toolkit>

Once organisations are able to consistently articulate their outcomes and impact, the Government should work to collect this data in a consistent manner. The only example of collecting impact data that we are aware of is the required [reporting for broader procurement outcomes](#). This reporting is taken from existing data and manual reporting. Extending this approach across all government contracts and grants would enable much more transparency of the impact the Government is having and how it is achieving impact through partners.

Ākina expects that a technology solution will eventually be necessary for the latter parts of impact management to collate and store data and to enable effective monitoring and analysis of the data. There are a number of existing technology solutions but unfortunately our observation is that none will be immediately fit for purpose. Ākina trialled Impact tracking software [SoPact](#), which seemed to be the most appropriate. Our experience was that in some cases social enterprises struggled to use the platform to input data which indicates that in its current form the tool is not completely fit for purpose. There could be opportunities to tailor the tool to better suit Aotearoa New Zealand's needs.

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 the 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



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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.