

Outcome Funding

Progressive grant making is no longer interested in only short-term outputs: funders are increasingly interested in the impact of their funding rather than just the outputs.

Coupled with a growth in opportunities in public service delivery, voluntary and community organisations are exploring ways of measuring impact like never before.

What do we mean by outcome funding?

Outcome funding refers to the process whereby funders fund for change brought about by particular activities - or outputs - not simply the delivery of outputs themselves. It is sometimes referred to as the 'investor approach'.

The Investor Approach

In the wider context, outcome funding is an aspect of the 'investor approach', whereby funders work more closely with those whom they fund to achieve agreed goals.

The investor approach is defined as: 'investing for results rather than allocating funds', and can also mean funders working with voluntary and community organisations in the pre-application stage to help recipients develop organisational capacity as well as providing project funding.

The Investor Approach - a way forward for the Community Fund written by David Carrington for the Community Fund in 2002 refers to the experience of several US grant-makers. One of these is the W.K. Kellogg Foundation. The preface to one of their reports on grant-making states:

'If you don't know where you're going, how are you gonna know when you get there?'

It sums up rather well the specific subject of outcome funding, and asks two fundamental questions of both the grant itself and of the grant programme and its outcomes.

For an individual grant:

- How can a grant-maker and a grant applicant identify and validate the outcomes of the work that a grant is intended to make possible?
- And for the grant programme within which an individual grant is made: What outcomes is the funder hoping to achieve through this grant programme?

It may seem self-evident that any funder - whether an individual donor or an organisation, within both the voluntary and community and public sectors - would need to be clear about these questions. How else could the funder decide to allocate resources, time and skills to the grant making process?

It is true that the concept of a funder defining themselves as an 'investor' is not new within the UK; there are several examples of funder adopting an 'engaged approach' to grant making. Yet, with some notable exceptions, the practice of most grant-makers has not been constructed to answer these questions effectively.

Beyond 'What?', 'Where?', 'For Whom?'

When David Carrington was Director of the Baring Foundation, the organisation was probably ahead of the game in their ability to report in considerable detail on the activities they funded:

- What?
- Where?
- For whom?

They were good on amounts and quantity.

In the jargon, they were very informative about inputs and outputs. This proved invaluable when the press suddenly became interested following the Baring Bank crisis in 1995 that removed the source of 85% of the fund's income. Their database and information management systems meant they could send within a few minutes pie charts and tables to any journalist who asked for factual information about what had been funded.

But if one of those journalists - or one of the trustees - had asked:

- What had been the impact of the grant programme?
- What had been achieved?
- What had been the difference made to the lives of the 100's of people that were being assisted by the organisations who were in receipt of the grants Barings had provided?
- What had worked and why?

-then the fund would have had to resort to anecdote and example.

They were good at 'counting the beans' but had no real overall evidence of the results - the lessons learnt and outcomes.

The Baring Foundation is regarded as a progressive funder, and as such was one of the early proponents of outcome funding.

When they did attempt more subtle evaluations (for example on the value of 12 grants made to produce 'tool-kit' type guidance materials) they found out how many had been produced and distributed, but only one grantee had systematically followed up the users of the guidance to find out if the material had been used and for how long, what value it had had, what lessons had been learnt.

The rest judged success by the level of demand that had followed the marketing of the materials and/or the fact that they had distributed them all. That they might never have been taken out of the wrapping, or had spent the last year gathering dust on a shelf did not seem to be a question the grantee organisations had ever got round to checking. Output was everything.

The Outcomes of Giving

As Joel Joffe, the former Chair of the Allied Dunbar Charitable Trust, wrote in his Foreword to *Monitoring and Evaluation - A practical guide for grant-making trusts*, published by the Association of Charitable Foundations:

'All too often grant-makers focus on the giving itself rather than the outcomes of the giving. Having given, they frequently fail to ask the key questions: has our grant made a difference? Has it contributed towards positive change, towards improving the quality of life of others? Has it achieved what we intended it to achieve, and - very important - has it represented value for money?'

Outcome funding and assessment is a way of thinking and an approach - and is increasingly becoming the norm for funders, developing their evaluation requirements beyond that of simplistic bean-counting audits. It is a way of focusing not so much on what we do as what we achieve. Or, perhaps more accurately, focusing better on what we do by focusing on what we achieve.

What do we mean by outcome assessment?

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Five key tasks

In The Investor Approach - a way forward for the Community Fund, David Carrington sets out five clear tasks that all funded organisations should undertake:

1. Set out clear outcomes and performance targets which a particular function or new project is intended to deliver.
2. Be clear in advance about the steps that it will take to achieve those targets.
3. Have a procedure for stocktaking as they complete each step.
4. Be ready to adjust or amend the targets/timetable/methods if their experience and learning demonstrate that to do so would be appropriate.
5. Establish a system of keeping those organisations that are helping them (with funds or other resources) well informed about progress and learning.

Key terms

Looking more specifically, there is a pressing need for clarity of definitions around the emerging debate. The Investor Approach devotes a whole section to 'the jungle of terms and confusing definitions'.

The four key terms are:

- Inputs
- Outputs
- Outcomes
- Impact

There seems to be general agreement about the meaning of the first two that are quantifiable and relatively straightforward to measure:

Inputs - the resources that are to be used to run a service, project or programme; the money, people, facilities, equipment.

Outputs - the numbers, for example, of people helped, doors painted, leaflets distributed, or hits on a web page.

What is more problematic is getting some clarity and valid measures of outcomes and longer-term impact because they may not be so easily quantifiable. Indeed attempts to quantify outcomes may distort them.

An example

As an illustration of the outcome approach in action, here is a World Bank example - nothing to do with the voluntary sector or community enterprises! This is about the monitoring of a loan to control a particularly harmful emission from diesel buses:

- The input: financial and technical assistance
- The output: the number of new engines installed
- The outcome: the reduced harmful emissions from diesel buses
- The impact: reductions in ambient concentrations of the harmful emission in previously polluted areas and reductions in health problems caused by respiratory diseases.

Another US foundation referred to in *The Investor Approach* as having set out some useful and thoughtful definitions is the Edna McConnell Clark Foundation. The Edna McConnell Clark Foundation seeks to use its resources to 'improve the lives of people from low-income communities.

They define outcomes as:

'the 'enduring changes' in conditions that are achieved as a result of efforts undertaken'

To assess the desired impacts The Edna McConnell Clark Foundation have adopted a number of definitions relating to outcome assessment that are appropriate to their aspiration to influence developments at a number of levels:

- The individual level - which includes changes in people's knowledge, skills, abilities, and attitudes
- The organizational level - which includes building new capacity and the adoption of new policies and practice
- The neighbourhood or community level - which could include changes in job training or local employment rates, crime rates, school achievement rates, use of public spaces and community facilities;
- The policy level - which might include the adoption of new laws, regulations or quality standards, public and private sector funding practices, and so on.

Many UK funders would share a similar ladder of aspirations.

We have drawn attention to US experience partly because there has been much more debate among their foundations than over here about outcomes, but there is a lot now happening here in the UK too - and the decision of the Big Lottery Fund to build all their future grant-making around outcomes will intensify and increase these developments.

Five further points help to explain outcome assessment in more detail:

1. Outcome assessment is a process

Outcome assessment is a way of thinking and a process enabling us to understand the impact that our work is having in our target markets. As such the process, if it is to be effective, needs to be integrated fully into product design and delivery - not bolted on as an afterthought, as an end of project evaluation or funder requirement.

2. As such it is a two way street

A valuable addition to the list of outcome levels about which funders should be concerned is their own performance. Equally, as funders move to an outcome funding approach they must be prepared to invest resources and expertise to allow funded organisations to develop outcome measurement systems. 'The Investor Approach' suggests that, 'for a funder to expect applicants and grant recipients to adopt such good management practice would itself, therefore, seem to be good practice. So, too, would be a willingness on the part of the funder to invest time and resources in helping those organisations which it wants to support but which do not as yet have the capacity or skills to set, measure and manage outcomes.'

3. Clarity is key

Clarity as to desired outcomes is essential. What exactly do we want to achieve? What change do we want to effect?

4. As is an understanding of intermediary outcomes and 'distance travelled'

What will progress towards final outcomes look like? What are the staging posts and way markers? Outcome assessment should consider not only the final outcome but intermediate, outcomes too. Outcome assessment is as much about measuring 'distance travelled' as it is about capturing finite destinations. Paying attention to the stepping-stones will help the process of outcome assessment become a means for continual learning and development. It will also discourage funders from seeing anything short of the agreed desired outcome as complete failure.

5. And outcome assessment is not the only method

It is also the case that outcome assessment should be deployed as one method of monitoring and evaluation in conjunction with other evaluation and learning tools including quantitative and qualitative output evaluation.

Why is an outcomes approach important?

Together, outcome funding and assessment provide a discipline and framework for doing things better. Very simply it is deciding what you want to achieve, recording how well you achieve it, and then using this information to help you achieve more.

The Importance of Outcome Funding

So why exactly is an outcomes funding approach helpful for the funded organisation? To be effective every organisation needs to be clear about what they are trying to achieve, whether they are succeeding, and if not, why not.

Specifically adopting an outcomes approach helps voluntary and community organisations to:

Understand what we do

It sounds obvious, but this approach can help everyone involved in a project to be really clear about what they are working towards, which improves their effectiveness by focusing their efforts on a common goal, and also increases their motivation, by letting them see exactly what they achieve through their actions. The information collected can itself be very motivating, because it will often include specific evidence of service user progress, or satisfaction.

Demonstrate our achievements to funders

Most organisations already do this in some way, but sometimes use different tools and language to describe the process. Funders are increasingly using an 'outcome approach', particularly the Big Lottery Fund. It is therefore preferable for voluntary and community organisations to use this type of approach and vocabulary when discussing the results of their work, because it will make it easier for funders to understand what their grant will achieve.

Provide a user-led service

The process of monitoring users' opinions, and collecting qualitative data, makes it possible to respond directly to their wishes and needs. It helps to make future work more reactive, and can help a project's management board, or trustees to take users' views into account in their long-term strategic planning.

Be accountable to our stakeholders

Analysis and reporting on how far desired outcomes have been achieved makes an organisation, or project more accountable to all stakeholders, including funders, trustees, management staff and service users. This information can also be used for annual reports, and reports to supporters.

Improve the quality of our outputs

Gathering information on how far your outputs have helped to achieve certain desired outcomes can help with a project's continual performance improvement, by exposing problems in service delivery, and demonstrating which products are most effective.

Plan for the future

Being clear and focused about desired outcomes is invaluable in organisational and project planning. The continual monitoring of how far these are being achieved aids future planning.

Improve our overall effectiveness

An organisation which continually refers back to pre-determined outcomes will be well planned, user-focused and accountable to all stakeholders. They will be aware of new needs, and priorities in their field, and will be able to react intelligently in their future plans. They will be able to assess continually the quality, and effectiveness of their outputs, and will therefore be to respond quickly to problems. The staff, volunteers and service users will be fully aware of what they are aiming for, and how much is being achieved, making them more focused, motivated and, therefore, effective.

Continual improvement

Outcome funding emerges, as a way of thinking, focusing primarily on what is to be achieved not simply what is to be done. It is clear that an organisation attuned to this way of thinking is more likely to identify what works well and what new learnings can be integrated into the forward planning and design. Outcome assessment also means keeping a continual eye on the impact of work not simply taking a retrospective look at the end of a project.

Motivation

Outcome funding can also be extremely motivating for staff and volunteers because it establishes a mechanism for noting milestones - and thereby actually seeing the difference that an organisation is making to the community it serves.

More money

It also increases the likelihood of future fundraising success, demonstrating an open, learning organisation and, 'value for money' to potential donors.

Critical Challenges

What do organisations need to be aware of when adopting an outcomes funding approach?

Understanding the challenges of adopting an outcomes funding approach is the first step in negotiating them. Specific operational questions that you need to be aware of include:

Attributing cause

How to allow for all the other internal and external factors, which contribute to an outcome? How can organisations attribute outcomes to their specific work? How can a contribution to a wider set of change-drivers be captured? One way of overcoming problems of attribution is to relate the outcome assessment process closely to the project. This sounds self-evident but linking assessment systems to particular outputs provides both a specific and manageable framework for assessment, and goes some way to ensuring that the particular influence of a specific project is captured.

Time

When to assess? Grant periods are seldom aligned to the time it will take to resolve complex problems - how can you judge outcomes or impact after just a couple of or three years? Any system of outcome assessment must be realistic about what its outputs can achieve in any given time frame.

Prevention activities

Many voluntary organisations' purpose is to stop things from happening, which poses the challenge of how to measure conjecture - i.e. what would have happened had an intervention not taken place.

Measuring baseline data and unintended consequences

Assessment of the position before an activity takes place is important in order to judge subsequent distance travelled. But tying assessed outcomes to stated aims and baseline information has the disadvantage that it can lead to blinkered assessment - only looking for what you are expecting, and failing to capture unintended and unforeseen consequences.

Assessment systems must ask sufficiently open questions such that unexpected outcomes may be recorded and reviewed.

Quantifying qualitative information

A lot of work undertaken by voluntary and community organisations does not lend itself to hard statistical measurement. For example, a youth mentoring charity can't claim to have boosted levels of self-esteem by 33% in the past year. Assembling sensitive qualitative data is key challenge.

User involvement in definition and verification

How to take proper account of user aspirations and experience? If outcome assessment is not directly relevant and meaningful to an organisation's users, it is bound to be flawed. Further, exploiting customer expertise will help organisations test, fine-tune, and improve assessment systems as they are implemented.

Proportionality

How to keep outcome assessment systems simple and affordable?

Control

Outcome assessment should not become an agent of control for funding agencies. It is a tool for both parties and sensibly used can add to funding flexibility by focusing less on prescriptive outputs and more on long-term change. US experience shows clearly that if outcome funding is to be positive asset, then the outcomes approach has to be a toolkit for the grantee organisation to use -not a management regime imposed by the funder.

Diversity

No single method can be applicable to all forms of voluntary and community organisation. Outcome assessment is an approach that all organisations will have to tailor to their own particular circumstances.