

# BANKWEST FOUNDATION

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### **Measuring Outcomes for Impact** in the Community Sector in Western Australia

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The University of Western Australia  
Centre for Social Impact



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The Bankwest Foundation has partnered with the University of Western Australia Centre for Social Impact (UWA CSI) to undertake a research program **Supporting Development and Growth in the Community Sector in Western Australia**. The aim of the research program is to increase our understanding of the difference community programs make and what factors can enhance the resilience and long-term financial viability of Western Australia's emerging social enterprise sector. Improving the evidence base on the measurement of the outcomes of community programs and of the financial sustainability of WA's social enterprises will support growth and innovation in the community sector and build community resilience.

Outcomes of the research program will be delivered through the **Social Impact Series** and through community workshops and forums. The present paper **Measuring Outcomes for Impact in the Community Sector in Western Australia** is the first issue of the Social Impact Series.

As community organisations seek to understand more about how to measure their impact and effectiveness, and governments, philanthropists and investors aim to better track and measure the impact of their funding, outcome measures, tools, frameworks and systems have gained more currency across the community sector and in policy circles. In 2011, an outcomes-based procurement reform was introduced in Western Australia (WA) to fund programs for increased social impact in the not-for-profit sector. This reform has generated increased interest in outcomes measurement in Western Australia and in the development of a more systematic approach to outcomes measurement in Western Australia. This paper provides an introduction to the outcomes measurement field and examines the international context of outcomes measurement in the not-for-profit sector, focusing on trends in outcomes measurement, policy and practice developments in the United Kingdom, the United States of America and Canada. It explores the evolving relationship between funders and community organisations in terms of the establishment of an outcomes measurement framework. Finally, it outlines some potential challenges and considerations facing the Western Australian community sector, funders and policy makers in implementing a richer, more effective and sustainable outcomes measurement framework.

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## INTRODUCTION

This is the first publication from the Bankwest Foundation Social Impact Series which features reports from the Supporting Development and Growth in the Community Sector in Western Australia study undertaken by the University of Western Australia's Centre for Social Impact (UWA CSI) together with the CSI nodes at Swinburne University of Technology and the University of New South Wales. The present report *Measuring Outcomes for Impact in the Community Sector in Western Australia* is motivated by the desire to achieve positive change in the lives of Western Australians and by the recognition that to do that we need to know more about the difference that our social programs make to the lives of the people they serve.

**Without effective outcomes measurement we are left in a state of uncertainty about whether our organisations and social programs and initiatives are working effectively and if we are spending scarce resources in the best way possible to achieve the greatest social impact.**

The drive for increased and more effective outcomes measurement comes from two sources. Firstly, community organisations seek to understand how they can measure their impact and effectiveness, so as to serve their clients in the best possible way. Second, governments, philanthropists, social investors and other funders are now seeking to better track and measure the impact of their funding.

The evidence presented in the present paper shows that there has been a significant trend to increased outcomes measurement, evaluation and strategic planning internationally. This trend is mirrored in developments in Western Australia. Outcomes-based procurement reform in 2011 in Western Australia focused on funding community sector programs on the basis of achieving better outcomes for Western Australians. The introduction of these reforms has been a key motivator for the present study.

The present report (Issue No.1 in the Bankwest Foundation Social Impact Series) examines the international context of, and trends in, outcomes measurement; analyses the various outcomes measurement tools and frameworks used internationally; and explores the evolving relationship between funders and community organisations in terms of outcomes measurement. This exploration provides a useful reference point for a conversation about outcomes measurement among community organisations in Western Australia and the construction of a sustainable and effective outcomes measurement system in Western Australia.

Future issues in the Bankwest Foundation Social Impact Series will evaluate the current development of outcomes measurement in WA and provide recommendations for the way forward. They will also provide findings from a large scale community organisation survey to be undertaken in Western Australia as part of the Measuring Outcomes for Impact in the Community Sector in Western Australia study. Issues to be addressed include the extent, nature, benefits and challenges of outcome measurement by WA community organisations and by major funders of social programs.

**The remainder of this report aims to answer the following questions: What are outcomes and why measure them? How has outcomes measurement developed internationally? What challenges do community organisations and funders face in implementing richer outcomes measurement across the Western Australian community sector? Where to from here?**

## What Are Outcomes and Why Measure Them?

It is important to understand what we mean by the term 'outcomes' in the context of community sector programs. Put simply, the outcomes of community sector programs are the differences these programs make to the lives of the people they engage with. Do programs supporting young unemployed people reduce unemployment below what it would otherwise be? Do justice programs reduce recidivism of those leaving jail? Do homelessness support programs lead to effective transitions to housing (relative to what would have happened otherwise)? Do all these programs improve the knowledge, skill and awareness of clients and their long-term health, social connectedness, financial resilience and well-being? Do they add to the lives of people and the strength of families and communities?

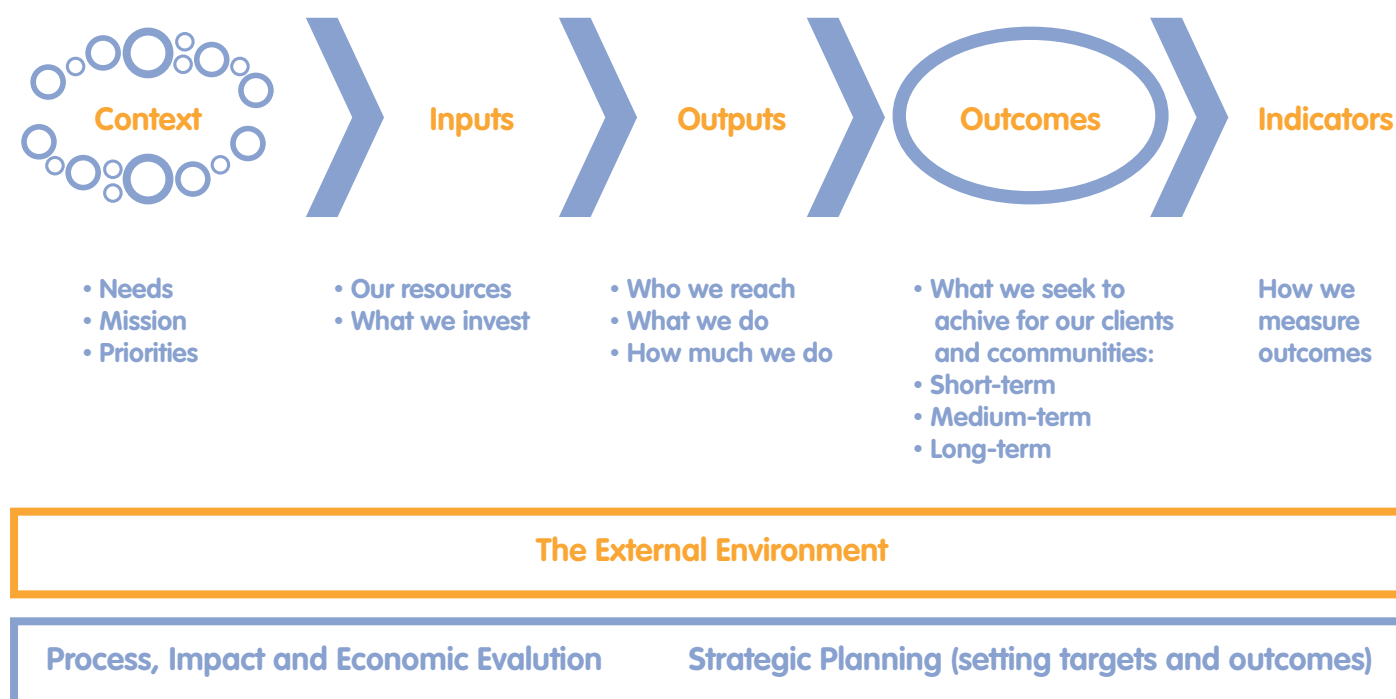
There are four fundamental reasons for measuring outcomes:

1. To provide evidence that a program is achieving its desired impact and organisations are making a difference to the lives of people they serve;
2. To explicitly identify trade-offs when deciding which programs to fund;
3. To provide the basis for learning within community organisations, and across the government and community sector; and
4. To provide a framework for evaluation, strategic planning and good governance.

By building more effective outcomes measurement, community sector services, governments, local authorities and commissioning groups are better able to understand what matters to people, families and frontline teams. Creating a successful outcomes measurement framework allows funders to be less prescriptive and the community sector to be more innovative in how it addresses social issues.

A 'program logic model' helps illustrate the place of outcomes in the overall design of services and the relationship between the resources used to deliver services, the activities provided by community services and the outcomes created by services. This model (see Figure 1) is increasingly being used in the community sector to aid the planning and evaluation of services (University of Wisconsin-Extension 2003). Correctly identifying and measuring outcomes can be difficult, but is important to ensure that the resources provided by funders to the community sector are allocated in such a way to achieve and maintain lasting impact.

**Figure 1:** Logic model illustrating the relationship between inputs, outputs and outcomes



Source: Adapted from University of Wisconsin-Extension (2003)

The program logic model shows that outcomes are not stand-alone, but rather that they are related to, and created by, a number of other factors. Firstly, outcomes flow from the **context** in which an organisation operates, **including the prevailing needs** and the **priorities** that an organisation has. The activities of an organisation convert **inputs** (the resource or investment into a program for its establishment and implementation, e.g. volunteer time) into **outputs** (the direct products or services resulting from a program or intervention, e.g. the number of people supported). An **outcome**, then, is the change or difference brought about as a result of the program's activities. Outcomes may include changes in attitudes, values, behaviours or conditions. They can be immediate (such as changes in knowledge, skill and awareness), medium term or long-term. They can occur at an individual level or at a population level. Outcomes are measured by **indicators** – which is an operational, numerical expression of an outcome. Indicators can be used to show if progress is made. For more discussion or definitions of outcomes and related concepts see Muir and Bennett (2014).

Outcomes are far more complex than either inputs or outputs due to their varying nature (short-term to long-term) as well as the fact that they are affected by external factors beyond the control of the program. These external factors may include how the program affects, or is affected by other organisations operating in the same community and the broader economic and social environment. Properly identifying and measuring an outcome requires that these factors are controlled for, which is a particularly challenging but very important task.

Outcomes are also related to other management practices. In **strategic planning**, measured indicators of outcomes are compared against **targets** – which are expressions of the goals of a program. Outcomes measurement is also an important aspect of **evaluation**. Evaluation is an overall assessment of the effectiveness and efficiency of a program in delivering outcomes. An impact evaluation seeks to control for all ‘confounding factors’ or factors external to the program itself which may influence outcomes achieved.

Controlling for ‘confounding factors’ is the most difficult task for organisations and a ‘last frontier’ for the community sector. The following two examples point to the importance of understanding the role of confounding factors:

1. Consider a community organisation that provides support for the most vulnerable people with complex needs and histories. Outcomes for that organisation may be lower than a similar organisation who works with people who are less vulnerable, or who have less complex needs. The first organisation is not necessarily less effective, but working with a more challenging client group. And that needs to be taken into account in terms of the evaluation of the outcomes achieved and the assessment of the organisations effectiveness.
2. Consider programs supporting unemployed youth compared with programs supporting the general unemployed population. Young people are particularly vulnerable to deteriorating economic conditions. This means that when the economy goes into a sharp contraction, and new jobs growth slows, young people tend to be most affected. In poor economic conditions, therefore organisations working with unemployed young people will likely display poorer outcomes compared with the general population, even if they are an effective organisation. Here, age is a confounding factor that needs to be considered.

These examples show the importance of confounding factors for community organisations. **The true test of service effectiveness is not the actual movement in the outcome indicators employed but the movement relative to the counterfactual or what would have happened in the absence of the program.** This principle underpins evaluation.

Outcomes measurement is a challenging process. However implementing outcomes measurement frameworks at the organisational and program level is increasingly being required by funders. Nonetheless, the practice of outcomes measurement remains fragmented. One reason for this is that funders and organisations have not worked together to create a common shared approach to measurement and evaluation, or provided the platforms and infrastructure for this to happen. Individual organisations too often have been left without the necessary support to implement an effective outcomes measurement system. Moreover, different arms of government (often the same government) use different approaches and frameworks to measure outcomes.

In addition to gathering evidence on the way that outcomes are measured and evaluated in the Western Australian community sector, this study also has, as one of its aims, to explore the nature and viability of implementing an outcomes measurement framework that encompasses the whole of the community sector in Western Australia. Such a framework would ensure a greater understanding of the benefits and impacts of community sector investments, direct comparability amongst different sectors and allow for cost savings in measurement resulting from joint use of shared platforms and infrastructure. A move in this direction may prove to be a real catalyst for widespread social change and impact.



## SECTION ONE: INTERNATIONAL DEVELOPMENT OF OUTCOMES MEASUREMENT

A review of the current outcome measurement policy and practices in the UK, Scotland, the US and Canada provides global evidence of a growing need for the community sector to assess outcomes. Development of outcomes measurement has largely been driven by the requirements of funders: governments, social investors and philanthropists, that community sector organisations prove the social worth of their programs. However, there is a growing awareness by organisations within the community sector that by utilising outcome measurement tools and frameworks they will better serve their clients. In this emerging world, strategic alignment of funder and organisation goals is more able to be achieved. However, challenges face the community sector in moving to an enhanced outcomes measurement system including a lack of funding for measurement and a lack of knowledge within an organisation as to how to best measure outcomes.

"We should not forget our ultimate goal is social impact – measurement is merely a tool to help us maximise this; second, the move to better measures of social return on investment is a journey. The important thing is to embark on that journey, get the benefit from the first steps, and not worry too much that nirvana is a long way off; third, the sector [UK] is going to need a lot of help."

(Leighton and Wood, 2010)

### BOX 1: HISTORICAL DEVELOPMENT OF OUTCOMES MEASUREMENT

**Community organisations have engaged in measurement since the late 19th century, but what is measured has changed.**

The initial focus of community organisations in the late 19th century was simply on measuring need, e.g., how many people live in poverty? While the requirement to identify and measure need has not disappeared, the nature of measurement has become increasingly complex as organisations within the community sector become increasingly capable to serve the needs of the people identified as requiring help. As organisations became more accountable in the 20th century, there was an increasing focus on input and output measurements in the community sector (Barman 2007). Measurement focus has shifted again in recent years, as many community sector organisations seek to measure program outcomes and overall lasting impact on society. Indeed, organisations are increasingly required to do so. Research based in the UK, Scotland, Canada and the US has shown that funder requirements and a 'need-to-prove' a program's worth are the primary drivers behind an increase in impact measurement (Pritchard et al. 2012, Hendricks 2008, Hall et al. 2003).

## International Government Frameworks for Outcomes Measurement

Several governments around the world have implemented system-wide outcomes measurement frameworks. In Scotland and the UK more generally, there has been an increased focus on outcomes measurement and better collaboration between the public sector and the community sector in order to better influence service provision. In the US, outcomes measurement has been used as a tool for resource allocation decisions. In Canada, a government funding model change brought about an increased focus on results. However, a major initiative designed to improve the ability of the community sector to assess and communicate their performance failed due to a lack of funding, a lack of suitable frameworks and the absence of effective knowledge transfer. The following sections provide an overview of the experiences in these three jurisdictions in implementing outcomes measurement policy.

### Scottish Government Policy

The Scottish Government in 2007 implemented the Scottish National Performance Framework. Revised in 2011, the Framework contains 16 National Outcomes identifying what the government wants to achieve and 50 National Indicators which are measured to track progress. In this case, a whole of government outcome-based approach has been adopted. This extends past public sector agencies to public sector partners, who must be able to prove their contribution to the national outcomes through the implementation of outcomes performance measurement systems. This system has helped to improve the effectiveness of services to communities.

**The Scottish government places a large emphasis on the use of the Social Return on Investment (SROI) framework.**

(See Box 2)

## UK Government Policy

In the UK more generally, there has been increased focus on the measurement of social impact and outcomes to improve the effectiveness of public sector collaboration with non-government community sector providers. Public authorities consider economic, social and environmental well-being in their public services contracts (The Public Service (Social Value) Act, 2012) and consider social value ahead of procurement. Consequently, non-government organisations that develop strong outcomes measurement systems are more able to prove their social value and so are advantaged in the procurement process (Harlock 2013).

As part of the renewed belief in community solutions to social problems, the Open Public Services Reform program aims to align non-state providers with the needs and preferences of their community (Arvidson 2014), as well as promote transparency and evidence-based review of results.

### Outcomes based commissioning

**Outcomes based commissioning is a system of procurement for organisations within the community sector. This is known as an 'evidence-based' approach, meaning that organisations must measure and document their movement towards achieving certain short-term, medium-term or long-term outcomes. Funders are usually heavily involved in dictating the outcomes they want to see achieved aligning the interests of organisations with those of the funders whose grants and contracts provide incentives.**

## US Government Policy

At a federal level in the USA, the Government Performance and Results Act [GPRA] 1993 and the GPRA Modernisation Act of 2010 were introduced with the purpose of embedding the use of outcomes-based decision-making in the federal budgeting process. As federal agencies must report on outcomes for government-backed programs, there has been an improvement in the evidence base on outcomes. The GPRA Modernisation Act has also heightened emphasis on priority-setting, cross-organisational collaboration and analysis of goals and measurement to improve outcomes (United States Government 2010).

## Canadian Government Policy

The Canadian Government in the early 2000s switched to a project funding model for community organisations, resulting in increased results-based accountability (see Box 3). In 2000-2005, the Voluntary Sector Initiative [VSI] was implemented to improve the capacity of voluntary organisations to assess their performance as a means for improving their programs and communicate their effectiveness to their funders, stakeholders and the public. However, due to design flaws in the majority of cases where this was implemented, the impact is often unknown. The flaws identified included: a lack of funding to allow engagement of the whole sector, lack of a clear reporting and accountability framework, a lack of effective knowledge transfer and an overly laborious and complex structural design (Human Resource and Skills Development Canada 2009).

## Social Investment and Philanthropy as Drivers of Outcomes Measurement

While government is often the dominant source of funding for community sector organisations, innovation in the areas of social investment and philanthropy are increasingly playing a role in the sector. These two alternative funding sources have also been drivers of outcomes measurement. Social investment is unique because of its 'blended value proposition' where investors look to place capital and capabilities to generate social and environmental value as well as financial returns for their investment (Clark et al, 2013). Innovations in philanthropic giving, though often small in scale relative to government funding, are also influencing the sector and driving change.

### Social Investment

Social investment is a growing phenomenon across the community sector although its impact is yet to be felt in Western Australia in a significant way at present. Social investors place capital and capabilities to fund projects and organisations that deliver financial as well as social or environmental returns (J.P. Morgan, 2014). Informed by their experience in traditional finance settings, social investors are placing new demands on existing outcomes measurement approaches. This includes greater emphasis on clear articulations of purpose



and outcomes achieved, often by employing the use of quantifiable measures and indicators. Further, social investors often fund a variety of projects, and seek consistent, standardised measures that allow them to compare organisations, track performance over time, and aggregate performance figures. At the same time, social investors demand higher standards of rigour, objectivity, consistency and credibility of measurement (Social Impact Investment Taskforce, 2014).

Social Impact Bonds (SIBs) are one form of social investment that seeks to bring new funds into social interventions in the community sector. SIBs refer to a partnership between private investors, a service provider and government to deliver an intervention and achieve defined social outcomes. The success of SIBs hinge on an effective and credible outcomes measurement system, and considerable effort has been placed on developing reliable outcomes measures for these instruments. SIBs have been launched around the globe, including two currently in operation in New South Wales [NSW]. The NSW government has cited the move from outputs to outcomes in the community sector as a critical objective of the program (New South Wales Department of Premier and Cabinet 2015).

In February 2015, the NSW government extended its participation in the social investment market with the release of a Social Impact Investment Policy (New South Wales Government 2015). With this policy, the government intends to find further opportunities to use social investment to deliver better services and results in NSW. A newly created Office of Social Impact Investment - a joint initiative of the NSW Department of Premier and Cabinet and the NSW Treasury - will be charged with delivering on 10 commitments. One of these commitments states that the NSW Government will develop an outcomes measurement framework for social impact investing in NSW, to be accompanied by the release of benchmark cost and outcomes data for all government investments made. Though this policy remains in early stages and focuses on social investment, it should nonetheless generate an environment conducive to improved outcomes measurement practices.

### Philanthropy

Outcomes measurement is also shaped by innovation and trends in philanthropy around the globe. Across the world, large philanthropic organisations, such as foundations like the Gates Foundation, W. K. Kellogg Foundation, Omidyar, and United Way America, have led the way in improving standards of outcomes measurement among their grantees and demanding that outcomes measurement is a critical element of program design and execution. This has included the creation of knowledge resources, communities of practice and specific guidance for outcomes measurement that have been developed in consultation with community sector organisations (W. K. Kellogg Foundation 1998, Hendricks et al 2008, Gates Foundation n.d.). One example is United Way America, who first began disseminating programs related to outcomes measurement in 1996. As of 2008, it was estimated that 450 local United Ways encouraged approximately 19,000 local agencies to measure outcomes as well as providing a suitable framework for that measurement (Hendricks et al. 2008).

Philanthropic giving itself has been evolving, with the emergence of high-engagement, partnership-based and innovative approaches to grant making known as 'venture philanthropy'. This form of philanthropy is informed by the experience of venture capital and private equity and involves a high level of engagement between the funder and the organisation being funded. This engagement is over an extended time period, and encompasses the contribution of skills, services, networks, and a focus on organisational capacity as well as the provision of capital. Venture philanthropy is highly performance-based and places new demands on the sophistication and integration of outcomes measures throughout community organisations (John 2006, 2007).

## Global Evidence of Outcomes Measurement

**Without empirical evidence to assess the direction that community organisations are heading, there is no basis to make conclusions on what is working and what isn't working. Further, it is important to ensure community organisations have a strong voice in the future of outcomes measurement, and to hear from them about what funders are asking for, what resources are going to be required to improve performance, and what it is that organisations are currently lacking. Three landmark surveys in the UK, the US and Canada have proven to be very helpful in identifying the requirements for a working outcomes measurement system as well as how far along community organisations are in terms of their development. Overall, results indicated that community organisations are increasingly using outcomes measurement frameworks, although they face significant challenges along the way. Two significant challenges include a lack of funding for outcomes measurement programs and a lack of knowledge of what a framework entails.**

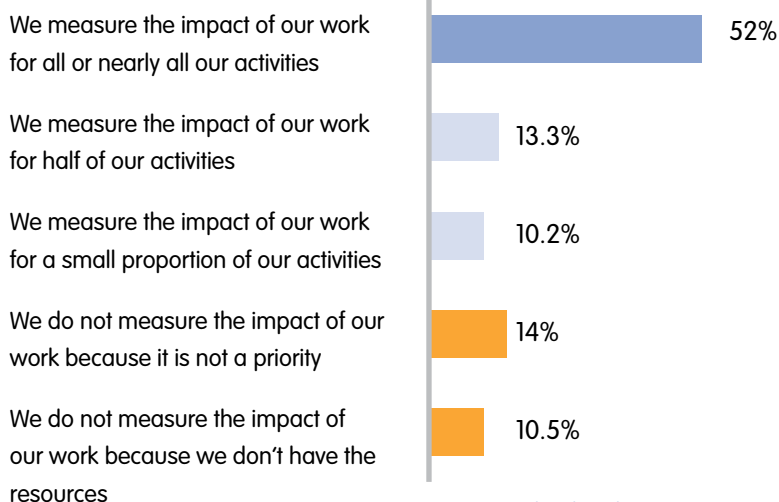
## In the UK

A landmark study completed in 2012 pointed to the increased adoption of outcomes measurement in the UK community sector. From a survey of 1000 charities with income greater than £10,000 it was shown that close to 75% of charities in the UK measure some or all of their work. In addition, nearly three quarters have invested more in measuring results over the last five years. More than half of all charities interviewed said that they have made impact measurement a routine part of their work, embedded across all activities or services (Pritchard et al 2012). This is shown in Figure 2.

However, these results should be viewed in the context of findings of a 2010 study by Leighton and Wood, who found that many organisations seem to conflate outputs and outcomes. In other words, they are not clear where outputs end and outcomes begin, merging both outputs and outcomes in a common undifferentiated pool. Their study surveyed 30 social organisations, and found that in many cases outputs were cited to demonstrate impact or value, whereas often they actually demonstrated the scale or reach of an organisation. Those organisations which did attempt to measure value often did so for only selected programs. This indicates that organisations may not fully understand how to implement outcomes measurement frameworks, and that measurement is often not fully integrated across organisations. But it also simply reflects the fact that outcomes measurement is hard.

**Figure 2: Engagement with impact measurement in the UK**

How would you describe your organisation's current approach to measuring its impact?



Source: Pritchard et al, 2012

## In the USA

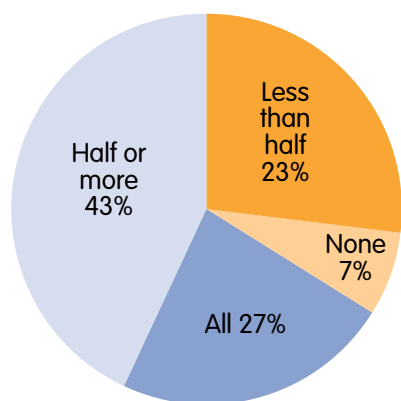
In 2014, a comprehensive survey of non-profits in the USA was conducted by the Non-Profit Finance Fund. The survey was completed by 5,019 non-profit organisations, with coverage across every state of the country. This survey has confirmed findings from the UK and Canada showing that although the percentage of organisations collecting data and using outcomes measurement has increased, organisations face significant barriers to effective outcomes measurement and evaluation.

In the US study, 78% of the respondents were found to 'regularly' collect some form of outcomes data. More than half of the organisations stated that they planned to undertake investment into outcomes measurement in the future, such as long-term strategic planning and investing time and money into professional development of staff over the next 12 months. This points to progress in improving outcomes measurement. Further, 77% of the organisations interviewed agreed that the use of outcomes measurement helped to assess impact in some way (Nonprofit Finance Fund 2014).

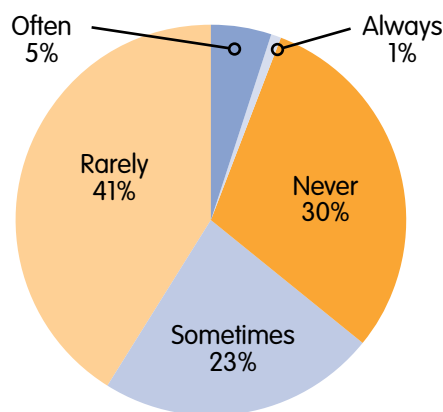
However, the majority of organisations cited numerous barriers to being able to collect and use outcome measurements including not enough staff or time, a lack of staff expertise and an inability to track clients over a long period of time (Nonprofit Finance Fund 2014). An additional challenge facing organisations is, once again, a lack of funding. While 70% of organisations stated that half or more of their funders required impact measurements, only 6% reported that funders covered the costs of impact measurement (See Figure 3). This clearly demonstrates the gap in funding in regard to measurement.

**Figure 3: Funders' Demands vs. Funding**

How many funders ask for impact/program metrics?



How often do funders cover the costs associated with impact measurement?

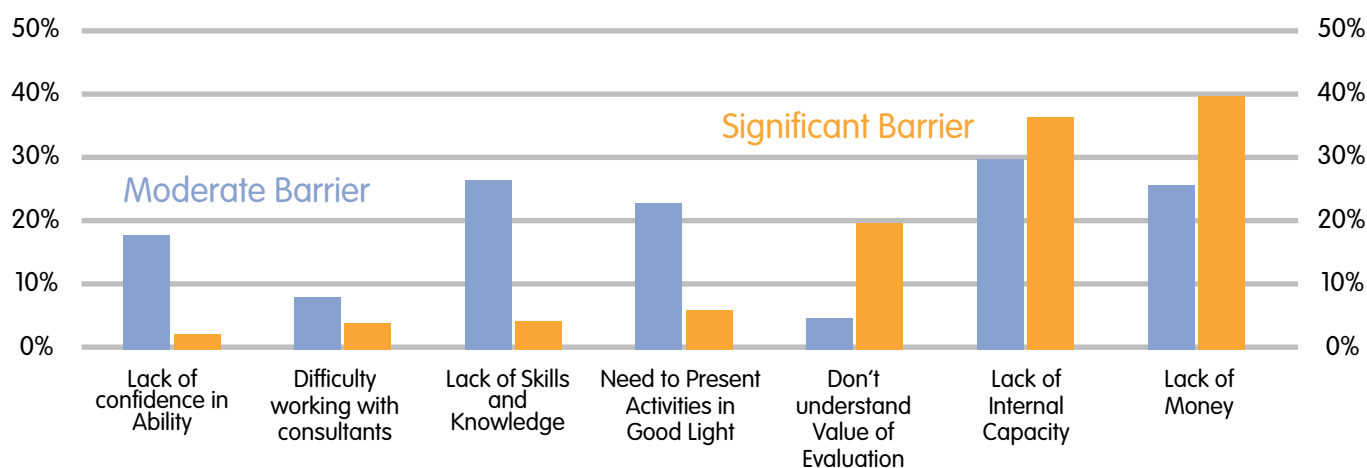


Source: Nonprofit Finance Fund, 2014

### In Canada

In Canada a 2001 survey of 1,965 voluntary organisations and 322 funders found that more than three-quarters of organisations had done some sort of evaluation in the previous year. The evaluation was used for both internal use and to meet funder requirements. Almost half reported that the requirement to undertake evaluation had increased over the previous three years. Funders reported that they expect more evaluation information than they did in the past, and that they are increasingly looking for evaluations that report on program outcomes rather than outputs. However, less than half of funders provided funding for evaluation or allowing project funds to be used for evaluation purposes (Hall et al. 2003).

Survey results also identified that although funders are increasingly expecting outcome evaluations, it appears that voluntary organisations may not fully understand what this entails (Hall et al. 2003). Figure 4 shows some of the moderate and significant barriers that organisations face in outcome evaluations. A lack of funding, a lack of internal capacity and a lack of skills and knowledge were the most common responses.

**Figure 4: Organisations' Barriers to Evaluation in Canada**


Source: Hall et al, 2003

## SECTION TWO: ELEMENTS OF AN OUTCOMES FRAMEWORK

### The Current Landscape

Despite the growing practice and interest in outcomes and their measurement, there remains no standard practice in outcomes measurement, and practice remains fragmented, diverse and often idiosyncratic (Nicholls 2009, Harlock 2013). There is also a rapidly expanding marketplace of tools, ideas, new approaches, toolkits and guides that are complex and confusing for practitioners (Hall, 2012). Box 2 provides a brief introduction to three of these approaches to outcomes measurement used in the community sector.

#### **BOX 2: SOME TOOLS FOR OUTCOMES MEASUREMENT**

A number of measurement tools have been developed; many proprietary or sector specific. Three tools for incorporating social, environmental, economic and other values into decision making are Social Return on Investment (SROI), Social Accounting and Audit (SAA), and Results Based Accountability (RBA). These methods help organisations understand and account for the impact of their work.

**SROI:** a principles-based method for measuring extra-financial value, such as social value, not currently reflected in conventional financial accounts. Value created is measured relative to resources invested. It sets out a process for working with stakeholders to identifying outcomes, modelling the link between activities and outcomes and measuring value. The unique feature of SROI is the requirement to apply monetary proxies to social, economic and environmental value. This is seen as both one of the major strengths and the major challenge of this methodology.

**SAA:** based on similar principals to SROI, and requires that organisations publish audited social accounts. Impact is demonstrated and reported but not necessarily measured and SAA does not require application of financial proxies to value social outcomes, or calculation of a SROI ratio. Other differences include: SAA reports outputs as well as outcomes, requires reporting on internal issues and only reports on what has happened (Nichols and Pearce 2010).

**RBA:** A strategic method that looks to utilise defined indicators to assess an organisations ongoing achievement of defined outcomes. The RBA has no set framework; this flexibility allows organisations to use basic principles to construct their individual method of demonstrating the impact they are having. Due to its flexibility, the RBA is able to be used to monitor population, environmental and social impact as well as performance accountability. It is dynamic and is subject to revision, as predetermined outcomes as well as indicators may become irrelevant down the track.

The challenge of understanding and selecting the appropriate technique or reporting framework for any particular organisation can be difficult. This challenge is compounded by the lack of expertise and skills in the community sector to implement tools that sometimes require considerable skill, understanding, time, resources and technical ability. Therefore, many organisations are not in a position to properly grasp the opportunities offered by outcomes measurement tools and analysis.

There have been some attempts to consolidate and co-ordinate the field of outcomes measurement by governments, and ecosystem actors (such as large foundations). Box 3 (on the next page) provides an overview of some of these initiatives.

### BOX 3: CONSOLIDATION IN OUTCOMES MEASUREMENT

**Databases of tools and techniques:** publicly-available databases that collect, list and assess different outcomes measures and tools. Some of these databases include professional or open-source feedback mechanisms for practitioners to review or discuss the relative merits of different outcomes measures, tools or techniques. These are often sector-specific. Some examples include:

- Tools and Resources for Assessing Social Impact [TRASI] managed by the Foundation Center in the USA
- Inspiring Impact resource database (from the UK)
- Evaluation Support Scotland “Thematic Guides” (also from the UK)

**Indicator banks and metrics:** publicly-available databases that catalogue individual measures, metrics and indicators of inputs, outputs, and outcomes. Some examples include:

- Global Value Exchange
- Impact Reporting and Investment Standards [IRIS]

**Associations and communities of practice:** virtual support networks connecting practitioners with experts, resources and support for outcomes measurement. Some are publicly-available and require nominal membership fees. They may be associated with measurement generally, or with a single tool or technique. Some examples include:

- Social Value International (a merged association of the Social Impact Analysts Association and the SROI Network)
- Social Impact Measurement Network of Australia [SIMNA]
- SROI Canada
- Inspiring Impact (from the UK)

**Specialist consultancy services and practitioners:** including a marketplace of support providers that are both not-for-profit and for-profit in nature. They often provide pro-bono support or publications. Some include:

- New Philanthropy Capital (UK)
- Trucost (Global)
- Shujog (Singapore)
- Social Ventures Australia (Australia)
- FSG (USA)

Despite these many support services and resources, the landscape remains complex and challenging, particularly for organisations exploring outcome measurement for the first time.

## Standardisation and Consistency

This complexity has led to calls for standardisation in the area of outcomes measurement, particularly from funders. The following presents some of the key elements of this debate (c.f. GECES 2014).

### The benefits of standardisation

- Can be cheaper to apply on an ongoing basis
- Allows summation and aggregation of results across organisations
- Easier for reporting and may encourage more regular reporting
- Can simplify the landscape of tools and techniques
- Can be integrated into management tools and technology
- Easier and cheaper to verify and assure
- More objective and comparable between organisations

## The risks of standardisation

- Cannot capture the subjective nature of social change
- Cannot capture the diversity of organisations and the change they create
- Prioritises quantifiable outcomes over qualitative
- Top down measures are meaningless and overly bureaucratic
- Can drive perverse incentives, 'gaming the system', and undermine innovation
- Not responsive to the nuances of organisations and cannot achieve buy-in from staff
- Burdensome and rarely fully funded
- Not relevant or useful for organisations

At the heart of this debate is the fundamental challenge of measuring and understanding the complexity and diversity of social and environmental outcomes in a reasonable, efficient and proportionate way. The example of Big Society Capital in Box 4 provides an overview of a recent approach in the UK to address this challenge in an innovative and collaborative way.

Some key messages and learning can be distilled from the debate over standardisation and the experience of Big Society Capital. The following table summarises some of these:

FOCUS		Whose role?
CONSISTENCY	of <b>PROCESS</b> in articulating outcomes and choosing measures	Market or ecosystem actors (e.g. Government)
FLEXIBILITY	of <b>CHOICE</b> in articulating organisational outcomes, selecting measures	Community Organisation
CONSISTENCY	of <b>USE</b> of measures once decided	Community Organisation

## BOX 4: THE BIG SOCIETY CAPITAL OUTCOMES MATRIX

Created in 2013, the Big Society Capital Outcomes Matrix is a collaborative project to map and define social outcomes in the UK in a consistent way. Its focus is the area of social investment but is freely-available and suitable for use for many community organisations. A series of defined outcomes are proposed in the form of a matrix:

*"The outcomes matrix is a tool to help social investment financial intermediaries (SIFI's) and social sector organisations to plan, measure and learn about their social impact. It aims to develop common ground and language for social investment and impact assessment in the social sector. The outcomes matrix represents a map of need in the UK. It has been designed from a beneficiary perspective and includes nine outcome areas which reflect what a person needs to have a full and happy life. The outcomes and measures are not intended to be prescriptive or exhaustive but should provide a helpful starting point for organisations to consider their social impact."* (Ogain et al., 2013)

Each of the outcome areas has an overall outcome for both the individual and community, which is then linked to a series of associated outcomes. Supporting documentation links each outcome to a series of possible metrics and outcome measures. Organisations are able to select the outcomes and measures that are most resonant with their organisation, their mission, and their stakeholders.



## Features of Good Outcomes Measurement, Evaluation and Strategic Planning

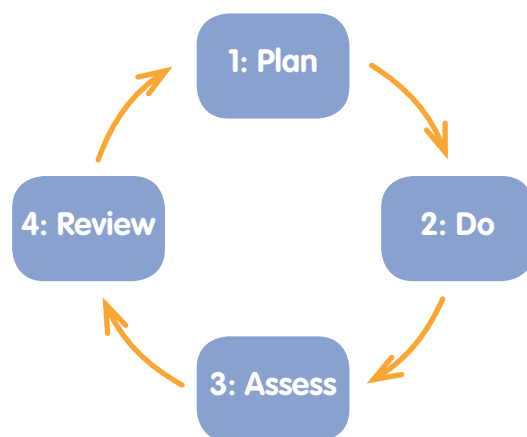
A good outcomes measurement framework provides robust data to assist with strategic planning, the setting of organisational targets, and evaluation of the extent to which targets are met as well as addressing issues such as unintended consequences. Both short and longer term measures are required to assess progress towards longer term targets and re-assessment of strategies where required. It must be well supported in terms of leadership, training and resources.

Inspiring Impact – a partnership of voluntary sector organisations in the UK – proposes a holistic approach to outcomes measurement that it calls 'Impact Practice' (National Council of Volunteer Organisations 2013). They characterise good impact practice as a cycle of action and behaviour in organisations rather than a standalone process.

Figure 4 summarises the four key elements. First **Plan**: organisations must plan, identify, and understand their desired impact and what they need to measure; and the foundations for this include the specification of the program logic model and theory of change with accompanying indicators and targets set. Second **Do**: the organisation must deliver the work, and collect information on outcome indicators. Third **Assess**: The organisation must assess the information collected, making sense of the data and drawing conclusions about outcomes. Finally **Review**: The organisation must communicate impact, learn from the findings and use them for improving work and on-going strategic planning including the setting of targets.

Box 5 points to a number of other elements that contribute to the success of outcomes measurement, and should guide any effective outcomes measurement framework.

**Figure 4: Good Impact Practice**



### Box 5: Features of a Good Outcome Measurement Framework

<b>Technical</b>  Computer systems and software available to allow for the collection and analysis of unit record data  Technical backup available on an ongoing basis	<b>People</b>  Strong and transparent leadership  Involvement of a range of stakeholders in the development of outcomes and indicators (including staff, management, investors and primary funders)  Use of common language and terminology across the organisation, and a need to simplify terminology	
<b>Breadth</b>  Recognition of qualitative and quantitative information  Recognition of negative and positive outcomes, and externalities  Relevant to objective and stakeholders, as well as culturally relevant  Accurately reflect changes in the consumer group's condition over time to create a comprehensive picture of service effect and enable comparison to other similar populations  (Siggins Millar Consultants 2003)	<b>Program</b>  Program improvement as primary motivator  Correctly identified priority areas in which the organisation has the most impact  Measurement requirements are proportional to program size, and are not excessively resource intensive  Use of logic (or similar) model to identify link between program activities and outputs, short, medium and long-term outcomes	<b>Across time</b>  Implementation recognises the longer timeframe required to develop/ implement a functioning framework  Intermediate outcomes are identified to measure progress  Training is both initial and ongoing. It must be well-resourced and documented  Ongoing evaluation process and feedback to decision-making to identify unintended consequences and allows for ongoing innovation

**Independent verification** of the organisation's results to ensure that results have not been tampered with and that the organisation has disclosed all relevant information

## SECTION THREE: APPLICATIONS TO WESTERN AUSTRALIA

### State of Play within Western Australia - Delivering Community Services in Partnership Policy (DCSPP)

The Delivering Community Services in Partnership Policy (DCSPP), introduced by the Western Australian Government in 2011, aims to establish a primary role for outcomes in the relationship between government agencies and community organisations who are funded or whose services are purchased. A critical part of this policy is a movement away from government agencies specifying the activities and price of particular services, toward working more closely with community organisations to set outcomes and pursue effective service delivery collaboratively. This implies a commitment to collaborate to achieve the best outcome for service users. Further, public authorities must consider the history of a service provider's performance, quality of governance and the context in which negotiations arise. The policy also requires outcomes to be reviewed against original service objectives.

This creates a number of challenges for the government and the community sector to consider, including the extent to which cross-sector and cross-departmental comparisons will be made and whether it is possible to introduce a unified outcomes measurement system that applies across the community sector. The challenges that the WA Government and the WA community sector will face in implementing a more structured and systems wide outcomes measurement framework are outlined in the next section. Future issues of this series will also return to considering these and other related issues.

### Challenges/Gaps

Section one of this report has reviewed the policy attempts to encourage the use of outcomes measurement frameworks around the world. The Western Australian community sector needs to ask itself in what ways does it want to see outcomes measurement evolve: what type of measurement framework to implement and to what scale? Does it want to see individual organisations tailor their own frameworks without any shared measurement system (creating a fragmented system) or does it want to see an overarching framework and infrastructure? An overarching framework could maximise the efficiency with which community and state-wide goals are achieved, as it enables joint use of a common infrastructure and greater comparability of organisations effectiveness in service delivery. However, installing such a system would be a difficult process and requires leadership and significant commitment of resources. We must ask ourselves if it is worth it. With this in mind, we look to identify the key challenges arising from such a task.

### Measurement challenges

#### 1. Showing the causal relation between a program and outcomes

In the past, the community sector has used descriptive and case study type evidence to show success of programs. The new focus on outcome measurement requires more sophisticated measurement tools to demonstrate the relation between program activities and social impact.

Measuring the causal relation creates challenges for several reasons. First, social problems are complex and do not occur in isolation from each other (see challenges 3 and 12). Second, changes often occur over a longer period of time, but there is a lack of consistent longitudinal data to demonstrate change (see challenge 4).

#### 2. Establishing an individual organisation's impact

The activities of the organisation must be put into context, taking into account the wider political, social and economic factors that may have contributed to social impact being achieved.

### 3. Robust longitudinal data

Outcomes of social programs are often not observed in the short-term, but in the medium to longer term. Organisations typically do not maintain contact with beneficiaries after exiting a program and the current fragmented data collection systems maintained by governments, other funders and by social organisations means that in most cases it is not possible to obtain longitudinal data on beneficiaries, and thus to know what the longer term outcomes are. There is a role for government to play here to provide the infrastructure for standardised data collection, preferably in a unit record format that can be linked across community sector organisations and government services. The Australian homelessness sector provides an example of where this occurs now, with the Specialist Homelessness Services Collection. The Western Australian linked administrative data, used to good effect in the health sector and in medical research, can be put to use in the WA community sector to enhance our understanding of the impact of social program. Such a task will take considerable resourcing, leadership and co-ordination over an extended period.

### 4. Inflation of outcomes

The requirement to compete for funding based on outcomes creates motivation for organisations to inflate their results when 'marketing' services. The majority of organisations conduct research in-house, with no independent evaluator and often assumptions are excluded within reports (Lyon and Arvidson 2011). Ensuring objective and consistent evaluation across organisations is a significant challenge.

## Standardisation challenges

### 5. Development and availability of standardised measurement tools and terminology

A large number of diverse standards and frameworks have been developed to measure social value. In both the UK and the US these have largely been developed by funders, creating a fragmented, ad-hoc approach to measuring value (Tuan 2008, Leighton and Wood 2010). The lack of a standardised framework with comparable measurement techniques is considered a major gap in outcome measurement (Tuan 2008, Leighton and Wood 2010 and Pritchard et al 2012).

"Until a tremendous amount of resources are invested in creating a comparable infrastructure for measuring and analyzing the results for the social sector, integrated cost approaches to measuring and/or estimating social value will continue to be practiced more like an isolated art form than widespread science." (Gates Foundation, nd)

A lack of consistency makes comparisons near impossible. Standardised tools and data needs to be available to remove the need to evaluate outcomes from scratch and reduce the burden placed on the community sector (Leighton and Wood 2010). This includes development of a database of standardised unit values for government services and shadow prices (see challenge 7).

The Social Return on Investment (SROI) framework has been identified as a favoured evaluation framework for UK and Scottish governments and policy makers, as it seeks to ascribe monetary value to social value and thus provide the most comprehensive measure of social value to date (Leighton and Wood 2010). However it is also seen as the most resource intensive and complex method; and Leighton and Wood (2010) found that organisations that employed it often did not have the resources, expertise or available data to conduct a robust evaluation.

"Using SROI may identify social value that is important or significant enough to need to be incorporated into the service being commissioned. However, it is worth noting that the outcomes relating to that social value will then need to be monitored in that contract. In some cases this may introduce a disproportionate cost, in which case it may be more effective to encourage rather than require delivery of that social value." (Cabinet Office, Office of the Third Sector 2009)

## 6. Measurement of 'soft outcomes' and establishing 'shadow prices'

Many outcomes are not easily measured using traditional methods; these are referred to as 'soft outcomes.' Outcomes that cannot be easily quantified cannot be counted, evaluated or compared. An interim study by the Scottish Government found that despite funders requiring soft outcomes be considered, they focused on hard outcomes. As a result, many agencies were unable to demonstrate their value. The most vulnerable users were viewed as missing out because they were less likely to achieve quick and measurable outcomes (Scottish Government 2011).

The focus on attaining quick, clear results with clients had, it was argued, led to those with some of the greatest need being overlooked in the pursuit of targets. For instance, the outcomes-focused approach encouraged competition between services for groups of clients who can easily have measurable 'positive' outcomes. (Scottish Government 2011)

A range of flexible frameworks are required so that social outcomes that cannot easily be measured and quantified are recognised in addition to those that are measureable and quantifiable. These frameworks must still allow organisations to measure impact based on comparable principals and terms of reference (Leighton and Wood 2010). Moreover, many, so-called 'soft outcomes' such as 'well-being' and 'quality of life' are, in fact amenable to measurement as long as the appropriate valid, robust measures are adopted.

Often shadow prices (the dollar values assigned to outcomes) are used in an attempt to quantify soft outcomes. For example, the cost per Quality Adjusted Life Year is used by the UK Government as part of the decision as to which interventions are recommended for adoption by the National Health Service (Mason, et. al 2007). Willingness to pay methodology, ascertained through employing questionnaires, can be used to help discover the value to society of a particular social or environmental good or service. There is some contention with the usefulness of shadow prices. Karloy (2008) found that shadow prices do not consistently capture the full range of societal benefits or costs. Also, even when there was well-established literature for valuing outcomes, shadow prices were not being consistently used across studies of social programs.

## 7. Standardised vs localised outcomes and measurement tools

In the UK and Scotland, government is the primary funder of social initiatives, and recent measurement framework development is largely dominated by a need to show how projects meet government social policy objectives. There is the danger that competitive funding regimes strictly framed around broad government policy priorities lead to generic targets, and do not recognise the expertise and advantages that small community organisations have to offer. The push for standardisation should not be at the expense of recognising the benefits of more customised outcomes measurements that recognise local circumstances. Even though a particular set of services or delivery methods may have been rigorously shown to be effective under certain conditions, this does not automatically equate to program effectiveness at a given local site, which may operate under quite different conditions (Hendricks et al 2008).

## 8. Large vs smaller community organisations

Larger organisations are more able to develop expertise in measuring outcomes and evaluating programs and thus gain funding. However, less experienced organisations feel they lack both the time and skills to compete in bidding (Milbourne 2009). This may have a negative impact on smaller, more localised organisations to obtain funding. This is unfortunate as it is these organisations which may have specialised local knowledge and, therefore, a greater ability to meet local needs. The challenge is to maintain a proportional burden of evaluation in line with the scale and nature of the organisation undertaking it (Leighton and Wood, 2010).

## Other Implementation challenges

### 9. Alignment of stakeholder outcome measurement requirements

Research based in the UK, the US and Canada has shown that funder requirements and a need to prove a program's worth are the primary drivers behind an increase in impact measurement (Hall et al 2003, Pritchard et al 2012, Hendricks 2008). In the UK, funder requirements is cited as twice as important as internal leadership (Pritchard et al 2012). Where a number of funders are involved, an organisation is potentially required to measure different outcomes for each funder, creating onerous reporting burdens. Funder requirements are not necessarily aligned with those relevant for program improvement. The challenge for community organisations lies in establishing an outcomes reporting framework that meets the needs of both their organisations and their wide variety of funders, without being overly onerous.

### 10. Development of a knowledge base, ongoing training and resources

Lack of understanding about outcomes measurement, frameworks and tools, and how outcomes can be used by an organisation are seen as major challenges (Hendricks et al 2008, Leighton and Wood 2010, Pritchard et al 2012). Development of the required knowledgebase and skill set to successfully implement outcomes measurement requires considerable initial and ongoing resourcing to provide appropriate training and resource materials. Ongoing resourcing must consider the developing nature of the impact measurement environment, the need for staff to develop expertise over a reasonable period, as well as staff turnover.

### 11. Need for alignment between sectors

There is a requirement that there is cooperation between the public sector and community sector in identifying proper initiatives that are able to be properly linked to community approved outcomes. In addition, it may help to adapt existing measurement techniques currently used in the private sector rather than investing new techniques (Leighton and Wood 2010). Coordinating cross-sector collaboration presents many organisational challenges.

### 12. Funding for complex issues

Many social issues are complex and require integrated input from several services. This creates difficulty in funding and in isolating the effect of individual services on outcomes. In the UK (McGough & Dunbar-Rees 2013) and Canada, coalitions in the community sector have been developed to combat this problem. However, this solution brings its own difficulties:

- Increased complexity in documentation and management.
- Establishment of a legitimate network where all alliance members and stakeholders have equal say
- Breaking down of organisational barriers and a significant cultural shift.

### 13. Setting a realistic initial standard while appropriate infrastructure is developed

It is important that initial requirements for measurement of social outcomes and impact are realistic and recognise the large number of challenges faced in this area as well as the diverse programs which exist within community organisations. Leighton and Wood (2010) point out that attempting to roll out a gold standard evaluation framework before an initial benchmark of good outcomes evaluation has established itself within the community sector as a whole has the possibility of creating an ever more fragmented sector. Community sector organisations ahead of the pack on evaluation may come to monopolise public service contracts, and the rest become left further and further behind – seeing no financial or other reward, and having no assistance, in improving their outcomes evaluation even in the most basic ways.

### 14. Balancing funder requirements, learning and improvement

The need to gain funding by meeting funders' requirements have been key drivers of monitoring evaluation and impact measurement practices, while internal motivators, such as learning and improvement, are a secondary influence. To obtain the full value of outcomes, they must be used to provide practical knowledge and learnings to further develop initiatives with an aim of better meeting the needs of beneficiaries. Organisational culture must also promote the use of outcomes for learning. Negative outcomes must not be obscured as they represent opportunities to learn from mistakes and to work collaboratively on unresolved problems.

## WHERE TO FROM HERE?

This report has examined current international trends in outcomes measurement, examples of outcome measurement frameworks and identified particular challenges that will face Western Australian community sector organisations and the community sector as a whole (funders, providers and consumers) as it progresses the outcomes measurement and evaluation agenda. What type of system of outcomes measurement do we want? What kinds of measurement tools and frameworks should individual organisations adopt?

This first report addresses the first aim of the research program, namely: **'What can we learn from international experience and models that may inform the development of outcomes measurement in W.A in the community sector'**. The report increases our understanding of the benefits of implementing outcomes measurement systems, trends worldwide in outcomes measurement as well as providing an assessment of what has worked and what has not and what types of challenges we face in implementing outcomes measurement at the organisational, program and systems level.

The Centre for Social Impact now aims to construct and implement a survey in Western Australia which will provide the most comprehensive overview of the state of play on outcomes measurement in Western Australia at both the organisational, program and systems level. This evidence base will inform our own thoughts and recommendations on what we feel is necessary to achieve a sustainable and effective outcomes measurement system for the community sector. Through surveying organisations within the WA community sector we will be able to better understand how to construct a system that works best for WA.

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