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Understanding impact in philanthropy: Foundations



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Unpacking ‘impact’ in philanthropy

In 2022, Foundation North commissioned the Centre for Social Impact (CSI) to strengthen its practice around understanding the impact the Foundation supports. CSI associates interviewed funders and evaluators, reviewed relevant literature and explored Te Tiriti o Waitangi considerations around understanding impact.

From this process, this report shares some foundations for thinking about and understanding impact in philanthropy. It covers:

- the tricky landscape of philanthropy and ‘impact’
- a way to think about impact
- a framework for different aspects of impact in philanthropy
- spectrum of approaches
- good practice principles.

Links to further resources are provided in Appendix One.

Two companion reports¹ address:

1. Te Tiriti o Waitangi considerations in understanding impact in philanthropy.
2. Leading thinking and emerging practice in understanding impact.

¹ Available at <https://www.centreforsocialimpact.org.nz/knowledge-base>.

The landscape of philanthropy and 'impact'

Philanthropy is about gifting money and other kinds of support to enable 'good' in the widest sense. It is all about making a positive impact in the world.

However, understanding the impact of philanthropic giving is challenging for many reasons, including these below.



The power dynamics of philanthropy – funders typically determine the outcomes sought, design the funding process, hold decision-making power and determine what will be reported back and how. This creates conditions where applicants are required to show how their proposal 'fits' funder outcomes, can encourage overstating potential impact or telling funders what they think they want to hear. It creates a game to be played by applicants, and sometimes a guessing game, if funders are not transparent in their purpose and processes.



Impact is achieved by the groups funded, which is usually **out of the line of sight of funders**. How do funders get a sense of what is happening as a result of their funding or non-funding support?



Showing direct cause and effect between funding and impact is often difficult or impossible, especially for larger, more complex initiatives. Given the messy realities of life and wide range of forces impacting on a place or social issue, impact contribution rather than direct attribution is more appropriate and realistic.



Progress and outcomes are often sought by funders in very **short time periods** (one year or less), when the nature of change is often longer term, with unpredictable ripple effects. Funder governance terms are also short-term, constraining the ability to support and see change occurring over the long term.



It is **not possible to evaluate everything** funded – **what is reasonable for funders to ask** in terms of reporting back? **What do funders actually need or want to know** about?



In line with what they need or want to know, **where should funders put their evaluative focus**, resource and effort? How do they get a **sense of impact across** different types of funding and large and small grants?



There are very **uneven understandings and skills** across the board (funders, iwi and community sector) about what evaluation is and how to evaluate. It is quite a specific skillset. **What capacities are needed in funding organisations and what support should funders provide** in this regard to groups they fund, to identify and meet their own reporting requirements?



If philanthropy is about giving or gifting, and good due diligence occurs in the application and assessment process, **should funders even ask for feedback** on how it went, especially for small amounts of funding support?



Mainstream philanthropy in Aotearoa is founded on Western world views and assumptions. So is evaluation. **What about kaupapa Māori, Pacific, Asian and other non-Western approaches to understanding impact? How can reporting 'asks' from funders be made in ways that suit diverse communities, and be equitable in the process?**

The issues above, combined with a competitive funding environment, typically arms-length relationships between grantees and funders and a traditional philanthropic focus on accountability and compliance, can result in a tendency for groups to report mainly on activities or the most obvious outcomes.

A way to think about ‘impact’

In philanthropy, ‘impact’ is often used as a catch-all term for the overall difference made from providing funding and non-funding support. It has two elements:

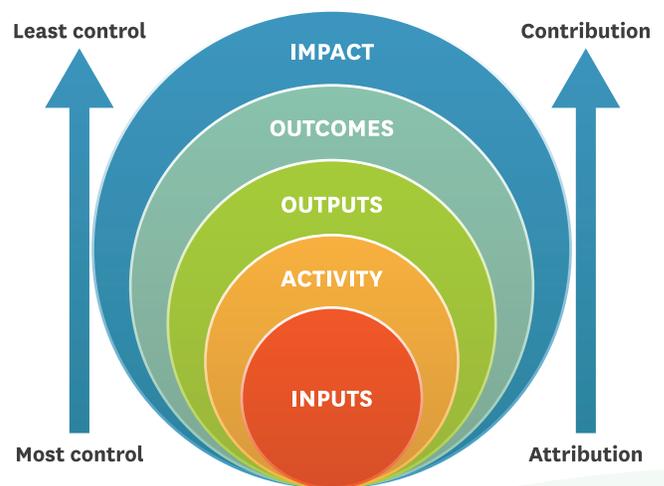
1. **The impact being achieved by groups supported.**
2. **How funders are supporting that impact to occur.**

Most funders think about impact in terms of 1 above and spend little time considering how their own practice supports groups to be successful or not. Impact in 1 above is the combined result of intentional effort, resource and activity by groups being funded:

INPUTS
<ul style="list-style-type: none"> • People • Skills • Money • Resources • Time • Strategy
ACTIVITIES
<ul style="list-style-type: none"> • Engage people and places • Do things with them
OUTPUTS
<ul style="list-style-type: none"> • These many people • These kinds of people • Doing these kinds of things in these places
OUTCOMES
<ul style="list-style-type: none"> • Changes for participants and places • Attitude and behaviour change • New learning
IMPACTS
<ul style="list-style-type: none"> • Community level changes • Ripple effects • Population environmental and system changes

▲ Funder reporting often reflects **activities** and **outputs**

Much current reporting in philanthropy occurs at the level of activities and outputs, or what was done, where, with whom. In terms of their sphere of influence and ability to demonstrate impact, groups have most control over what they do directly (inputs, activities and outputs), which decreases as goals become more complex and other forces come into play. The same is true for funders.



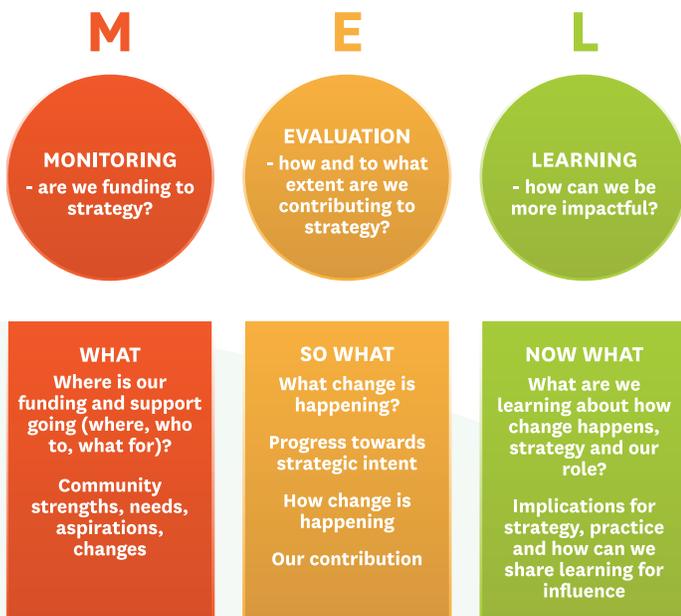
When it comes to 2 above – how funder practices support impact or not – the only foolproof way to explore this is by asking the groups you support how they find your practices, and how you might change them to be more enabling, from the application process to reporting. Other than through anonymous surveying of applicants, few funders proactively create safe spaces for the groups they fund to give them honest feedback on their practices and how they help or hinder change efforts. Fewer still co-design their funding processes with their communities, and especially with those they most wish to support.

A frame for thinking about impact

Seeking to understand impact involves a spectrum of activity covering **monitoring, evaluation and learning (MEL)**. A MEL framework is useful for thinking about evaluation and getting a deeper and richer understanding of impact.

A MEL framework is relatively simple, using a ‘what, so what, now what’ approach. ‘What’ is descriptive and captures what is being done. ‘So what’ is the evaluative part – what difference is that making? ‘Now what’ is about learning – what does that mean for us going forward?

A MEL Framework can use these kinds of questions to guide a funder’s evaluative activity.



An effective approach to understanding impact in philanthropy gathers useful information on:

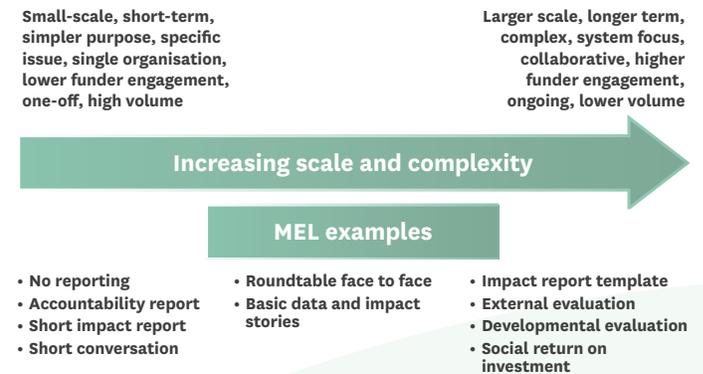
- where funding and support is going, who to and what for
- outcomes and changes arising, linked to funder support
- what is being learned in terms of how to be more supportive and impactful.

Ultimately, funders should prioritise their MEL effort to inform their strategy development and support impact towards the

things that they and their communities care about. There is a spectrum here of funders determining their strategy virtually by themselves (with no community input or research evidence), to basing their strategy entirely on priorities identified by their communities and what research evidence tells them is important. Good practice favours the latter approach.

Spectrum of approaches linked to funding focus, level and type

In terms of understanding impact, different MEL approaches are useful depending on the level and type of funding and support provided.



At the smaller scale, higher volume end of funding (on the left), the focus tends to be on monitoring (what is being done, where, with who), with usually very low-level evaluation (so what) and typically no learning focus (now what). As the level of funding increases and becomes more complex and longer term, the MEL focus ideally gets more evaluative (so what) and learning focused.

The non-funding roles of funders such as convening, capacity support, advocacy and research are less commonly evaluated, but are potentially activities where there is a more direct line of sight around influence and impact.

The key tool most funders employ for reporting back from grantees are variations of an accountability or impact report, completion of which may be a condition of granting, or of getting further support. These can range from being very short and simple, to being long and challenging for grantees to

complete.

Rules of thumb guiding reporting methods are:

- Funders should only seek reporting information from grantees that they will **actively** use to inform their practice, strategy or decision making.
- MEL information should address the ‘what’, ‘so what’ and ‘now what’ questions above, through questions that are useful to all via processes that work for communities. Quantitative and qualitative information are equally valid and important to capture.
- Funders are explicit to themselves and to grantees about what they want to know from grantees from the outset. Ethical and transparent use of grantee data is paramount, with any public use of grantee information always negotiated and mutually agreed.

General good practice

Foundational good practice relating to MEL for funders has these elements.

1. Reflect on how you see and position yourselves as a funder in relation to tangata whenua and communities via your values, strategy and practice. What does this reveal about your approach to power sharing, equity and inclusion? Identify how your values will be manifested in your MEL approach.
2. Review research evidence, community feedback and national to local indicator sets to understand community needs, interests and aspirations, to guide strategy development.
3. Be clear what you are evaluating and why. Evaluation can't provide useful answers unless it asks useful questions, based on what you most need or want to know. For funders, these questions typically relate to:
 - a. What is our context? What are communities telling us is most important? What are our community needs, interest and aspirations? How are these changing over time (to inform strategy)?
 - b. Are we funding to our strategy?
 - c. How and to what extent are we contributing to our strategic outcomes?
 - d. What are we learning about how to be more impactful?
4. Seek only reporting information that you will use, that responds to your MEL questions. Ensure ethical use of data.
5. Gather lean reporting information across granting that is useful for all parties, and in ways that work for diverse communities.
6. Co-design application and reporting questions and processes with your communities and road test them with these communities.
7. Focus deeper dive MEL effort to reflect where resources are going, spaces where funding support is clustered over time and to reflect strategic priorities, places and communities.
8. Be clear to applicants and grantees what your reporting expectations are, any support available to meet them and how to access that support.

We see time and again that good relationships drive change and lie at the heart of achieving impact. Fundamentally, MEL processes should aim to strengthen rather than weaken funder/ community relationships. Testing this by asking applicants whether your reporting processes are helpful and user friendly and adapting them in response, is a good place to start.

Further resources

- Coffman, J. and Beer, T. 2016. How Do You Measure Up? Finding Fit Between Foundations and Their Evaluation Functions. The Foundation Review. Vol. 8(4), Article 6. <https://doi.org/10.9707/1944-5660.1325>.
- Better Evaluation, <http://www.betterevaluation.org/> (International).
- Grantmakers for Effective Organizations and Issue Lab, Evaluation in Philanthropy, Perspectives from the Field (2009) <https://www.issuelab.org/resources/27153/27153.pdf> (USA).
- Inspiring Impact, <http://inspiringimpact.org/>, including the Code of Good Impact Practice and tools to help improve your impact practice (United Kingdom).
- Peak Grantmaking (2020), <https://www.peakgrantmaking.org/insights/why-do-foundations-struggle-with-evaluation/>.
- Stanford Social Innovation Review and the Stanford Center on Philanthropy and Civil Society (2023). Advancing Evaluation Practices in Philanthropy, <http://stanford.ebookhost.net/ssir/digital/16/index.php?email=free@ssir.org>.
- Tamarack Institute, <http://www.tamarackcommunity.ca/evaluatingcommunityimpact> (Canada).
- The Philanthropic Initiatives (2020). <https://tpi.org/how-can-you-tell-if-your-philanthropy-has-made-a-difference-try-evaluation/>.
- What Works Website, www.whatworks.org.nz (Aotearoa/New Zealand) – Rachael Trotman, Manu Caddie and Community Research.



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