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The practice, prevalence and funding of outcomes measurement in the community sector: Findings from the Outcomes Measurement in the Western Australian Community Sector Survey

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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 to the lives of Western Australians and what factors 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 Western Australia's social enterprises will support growth and innovation in the community sector and build community resilience.

Outcomes of the research program are delivered through the Bankwest Foundation **Social Impact Series** and through community workshops and forums. This paper is the fifth paper in the **Social Impact Series**, and represents the **first quantitative study of outcomes measurement in community sector organisations in Western Australia**.

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INTRODUCTION

This is the fifth publication from the Bankwest Foundation **Social Impact Series**, and the third report in the research stream of **Measuring Outcomes for Impact in the Western Australia Community Sector**. The previous reports in this research stream explored the international experience of outcomes measurement [Issue #1] and the views of stakeholders of community sector organisations in Western Australia [Issue #3]. In this report, we present the findings of the first major Australian survey of outcomes measurement in the community sector. The Outcomes Measurement in the Western Australian Community Sector Survey was conducted end-2015 and into 2016 and sent to every community sector charity registered with the Australian Charities and Not-for-Profit Commission (ACNC) operating in Western Australia.

The Western Australian community sector covers areas as diverse as housing, community mental health, disability support services, drug and alcohol services, homelessness, and child protection services. It can include all areas of individual, family and human social need across a broad range of human service domains.

The term 'outcomes measurement' refers to the measurement of the difference that an initiative, program or organisation makes to the lives of people they engage with. Outcomes measurement provides evidence on whether initiatives, programs and organisations are making a difference to the lives of people they serve. It is an important basis of learning within organisations of what works and what doesn't work. Outcomes measurement also provides the foundation stone for evaluation, strategic planning and good governance, and is critical to good decision making with respect to the appropriate allocation of resource by funders.

This report extends the previous studies by collecting data to ascertain the state of play of outcomes measurement across the community sector in Western Australia for the first time. This allows us to provide unique empirical evidence on outcomes measurement across a wide variety of community organisations. This report focuses on the practice, prevalence and funding of outcomes measurement the community sector in Western Australia and discusses the implications of the Western Australia Government Delivering Community Services in Partnership Policy (DCSPP) in detail. The DCSPP was introduced in 2011 with a range of aims, one of which was to achieve a greater focus on outcomes in procurement, funding and measurement in the community services sector. Our next report will explore the issue of shared measurement systems and the barriers, obstacles and future design options for outcomes measurement in Western Australia.

This study sheds light on outcomes measurement practices across the Western Australian community sector. We find that **most community sector organisations believe that they understand and measure their outcomes well and that a majority report increasing their focus and effort on outcomes measurement in their organisation in the last five years. The majority of community sector respondents measured outcomes for all or most of their activities.** At the same time, a majority of community sector organisations believed that the community sector, as a whole, does not understand and measure its overall outcomes well. In line with the perspectives of community sector stakeholders from Issue #3, we found a lack of standardised practice across the sector with regards to outcomes measurement.

We also found **outcomes measurement practice differs between smaller and larger organisations** across several facets. For example, larger organisations were more likely to measure outcomes, twice as likely as smaller organisations to report that high priority was placed on funding agreements in setting the organisation's outcomes, and were more likely to have increased their effort towards measuring outcomes over the last five years. However, when small organisations do measure outcomes they measure them as intensively, if not more so, than larger organisations. Larger organisations were also significantly more likely to be aware of the DCSPP. Both smaller and larger organisations report that **funding for outcomes measurement is lacking**. Despite increased expectations for outcomes measurement from funders, very few organisations reported receiving funding specifically for it. Further, even when external funding is received, the majority of outcomes measurement is reported as being funded from internal organisational sources.

Interestingly, there were **very few significant differences in outcomes measurement practices between metropolitan and non-metropolitan based organisations**. The exception to this was with regard to some of the resources available for outcomes measurement; metropolitan organisations reported significantly greater access to training for staff in data collection, and greater access to technology assisted data collection, specialised data collection staff, and an internal measurement and evaluation unit, though the differences for the latter three were not large.

Research was conducted in compliance with UWA Human Ethics protocol RA/4/1/7233.

SECTION ONE:

OUR SAMPLE

This research represents the first empirical examination of outcomes measurement practice in Western Australia. Accordingly, it was of primary importance that our sample covered the different types of community organisations operating in the state, in terms of both size and sector. We facilitated this by capturing organisations that reported on the Australian Charities and Not-for-profits Commission Register that they had operations in Western Australia, not just those that were headquartered in Western Australia. A total of 190 organisations fully completed the Outcomes Measurement in the Western Australian Community Sector Survey. The vast majority of those completing the survey were at an executive manager level or higher in the organisation or a Board member.

The sample of community organisations achieved broad coverage of the range of the different organisations operating in Western Australia in terms of their functional area of operation in the community sector, size of organisation and region of operation. We anticipated difficulty capturing small organisations. However, our sample contains a good distribution of small (turnover of less than \$250,000) medium-sized and large organisations (turnover greater than \$250 000), enabling us to report on differences in outcomes measurement practice and perspectives between these two groups. A number of stakeholders interviewed for Issue #3 believed that outcomes measurement practice would be different for smaller versus larger organisations. The size and composition of our sample enables us to test this hypothesis.

Table 1: Community sector organisations by size of organisation

	Small organisations (<\$250k p.a.)	Medium and large organisations (>\$250k p.a.)
Size (by annual turnover)	76	114

Source: Centre for Social Impact, UWA Outcomes Measurement in the Western Australian Community Sector Survey.

We have also captured a good distribution of metropolitan and non-metropolitan based organisations. The metropolitan area is defined as the Greater Perth area, bordered by Two Rocks in the north, Singleton in the South and The Lakes in Mundaring in the East. Several of the organisations in our sample operate primarily in regional Western Australia (i.e., outside of the Greater Perth area), which is critical given the geographic diversity of Western Australia and the consequent diversity of the needs of both clients and the community service sector organisations themselves. Community organisations operating in both the metropolitan area and the regions comprised 36% of all organisations in the sample with the remainder equally spread between organisations operating only in the metropolitan area and non-metropolitan (regional-only) organisations. Put another way, 129 of the 190 organisations operated solely in the metropolitan region or elsewhere in Western Australia while 61 organisations operated solely in one or more regional areas.

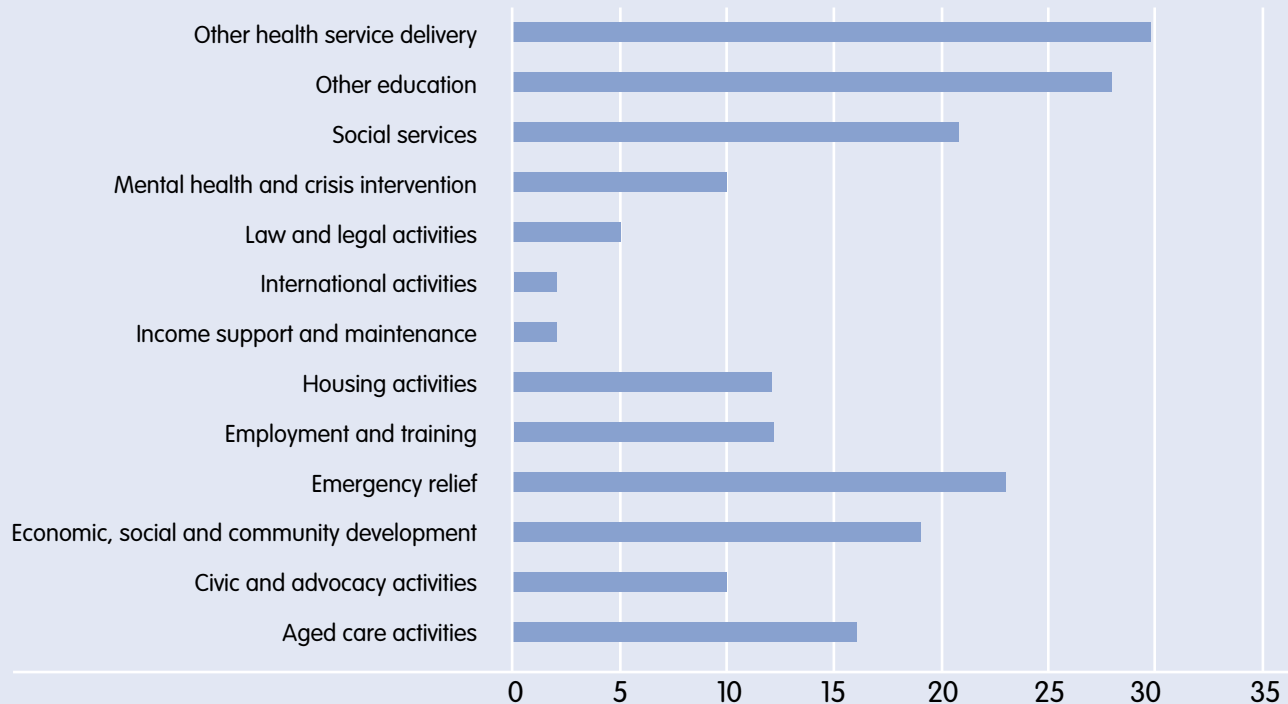
Figure 1: Organisation size by annual turnover



Source: Centre for Social Impact, UWA Outcomes Measurement in the Western Australian Community Sector Survey.

Figure 2 depicts the number of responses in our sample from each functional area of the community sector in Western Australia. This matches up well with the distribution of Australian Charities and Not-for-Profits Commission (ACNC) registered organisations in each sub-sector nationally. For example, the international activities and law and legal activities sectors represent a low proportion of our sample. However, these proportions are in line with national figures as each of these sectors represents less than 1% of all registered charities nationally.

Figure 2: Number of organisations by community sector functional area



Source: Centre for Social Impact, UWA Outcomes Measurement in the Western Australian Community Sector Survey.

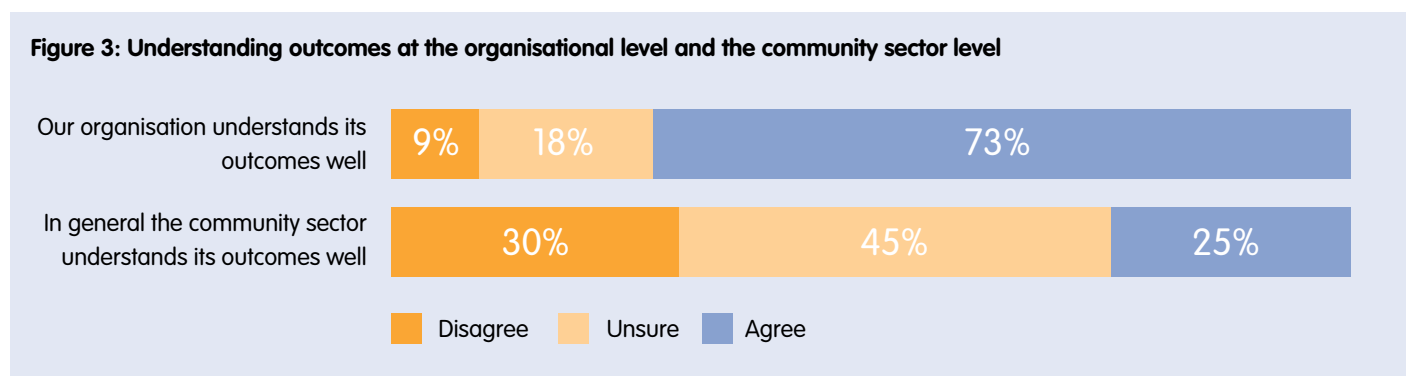
In sum, our sample achieves good coverage of the Western Australian community sector in terms of the size of the responding organisations, their geographical areas of operation, and their specific functional sub-sector. By good coverage, we mean that the proportions recorded in each category, across each 'organisational demographic' dimension line up well with the population figures recorded by the ACNC, and the number of respondents in each category are sufficient enough to provide insight into the state of play of outcomes measurement in the community sector in Western Australia. This coverage is crucial for us to be able to compare outcomes measurement practices in the Western Australia community sector to the practices reported in international literature, the perspectives presented by the stakeholders interviewed for Issue #3 and, once data is available, the national picture.

SECTION TWO: OUTCOMES IN WESTERN AUSTRALIA

A critical first step of outcomes measurement is developing a clear understanding of the outcomes an organisation seeks to influence or achieve. Our previous reports (Issue #1 and #3) showed that this is part of a cycle of outcomes practice that links outcomes frameworks, to measurement, to evaluation, review and strategy. Section two investigates this first step of outcomes measurement: the understanding of an organisation's outcomes and what it is attempting to do in outcomes measurement.

Outcomes and community sector organisations

Findings from the Centre for Social Impact, UWA Outcomes Measurement in the Western Australian Community Sector Survey showed that the majority of organisations in our sample – 73% – believe they understand their outcomes well. Only a small minority (9%) do not believe their organisation understands its outcomes well. These results are shown in Figure 3, below.



Source: Centre for Social Impact, UWA Outcomes Measurement in the Western Australian Community Sector Survey.

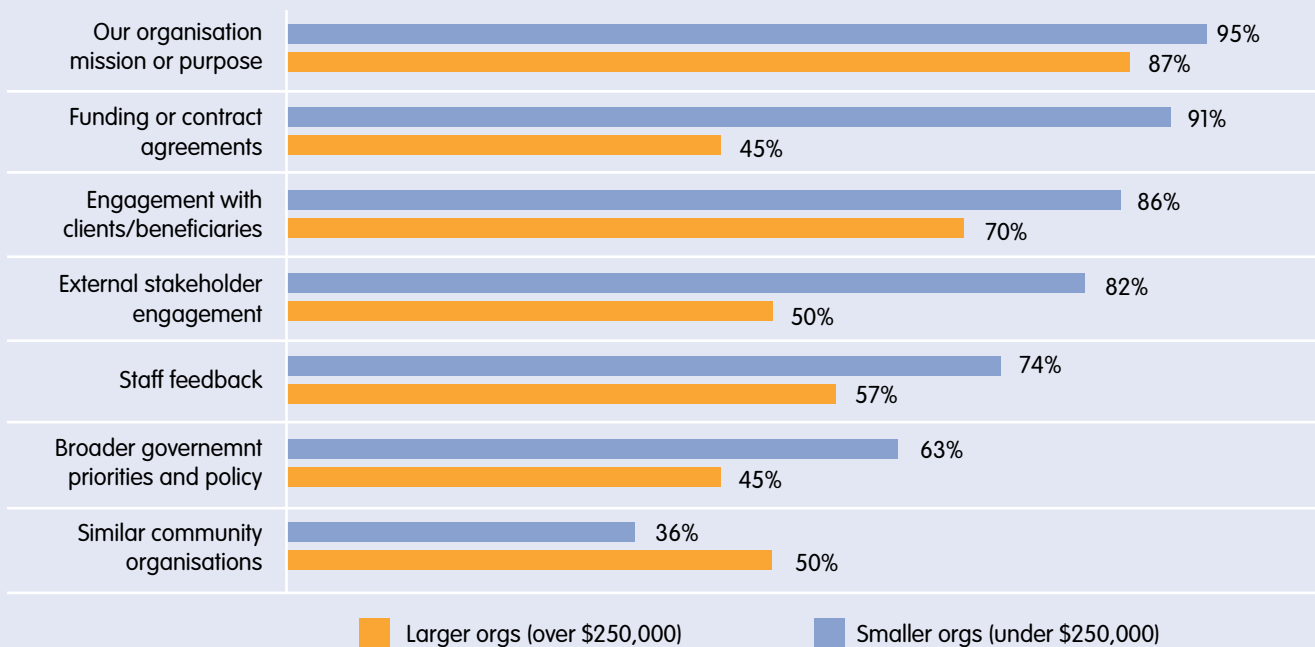
Figure 3 also shows that there is far less agreement about how well the community sector as a whole understands its outcomes. Only one-quarter of respondents (25%) agree that the community sector as a whole understands its outcomes well. Further, an even greater percentage – 30% - disagrees with this statement. This suggests that, despite confidence in their own understanding of outcomes measurement in their own organisation, there is a strong view that the community sector as a whole is not understanding and measuring its overall impact. This suggests a need on the part of the community sector and of key funders to examine how it can better understand its overall impact at a population level. This effort would involve collaboration between government and other key funders and the community sector to develop a holistic, common outcomes framework that aligns with agreed population level impacts of community sector action. Larger organisations were significantly more likely to have more negative views about the community sector's understanding of its outcomes than small organisations.

Issue #1 pointed to the role of existing frameworks and models available to help organisations design and understand their organisational and program level outcomes. Respondents were asked to indicate whether they used models from Program Logic, Theory of Change and Log Frame approaches or other models of this type (which they could nominate). Results from the survey suggest a somewhat low take-up of the commonly used Program Logic or Theory of Change framework used to organise thinking around an outcomes framework; only around a third of the sample reported that they used formal models for their outcomes design (such as Program Logic or Theory of Change). Further, small organisations (i.e., those with turnover under \$250,000) were significantly less likely to use one of these models than larger organisations. The lack of sector-wide standard outcomes measurement frameworks and practice along with the low uptake of formal, organisation-specific models to support outcomes design and measurement suggests that the community sector, and small organisations in particular, would greatly benefit from greater training and support for capacity building around outcomes measurement. There has already been a strong program of work in Western Australia by the Western Australian Council of Social Services around capacity building in the community sector, but our results suggest wider take-up of opportunities is required.

Figure 4 below also shows the importance of some different priorities for organisations when setting their outcomes. The highest priority is placed on the organisational purpose or mission when setting outcomes for both larger organisations (95%) and smaller organisations (87%). Community sector organisations are appropriately prioritising first their mission and purpose when defining the outcomes that they seek to measure. Figure 4 shows that smaller and larger organisations then place different emphasis on other priorities. While funding and contract agreements are important in setting outcomes for 91% of the larger organisations, this was only important for under half (45%) of

the respondents from small organisations, representing a statistically significant difference between the importance of funding and contract agreements in larger versus smaller organisations.

Figure 4: Priorities for setting outcomes, by size of organisation



Source: Centre for Social Impact, UWA Outcomes Measurement in the Western Australian Community Sector Survey.

Figure 4 also reveals that what similar community organisations were doing and achieving in terms of outcomes was significantly more important for smaller organisations than for larger ones. Moreover, for small organisations, the outcomes of similar community organisations were more significant than funding or contract agreements, and broader government priorities and policy, and of equal importance with external stakeholder engagement. This suggests that, compared with larger organisations, peer networks and stakeholder engagement are relatively more important for smaller organisations in setting their outcomes. This could be because smaller organisations have to forge their niche in order to maintain their specific place in the community sector and thus be aware of what similar organisations are doing, or that they are more specialised in their outcomes measurement, or it could simply be that larger organisations have a broader range of external influences and sources of information that are relatively more important to them.

Overall, these findings in relation to outcomes measurement in Western Australia paint a complex picture. Most organisations feel they understand their outcomes well, yet remain pessimistic about how well the community sector as a whole is measuring and understanding its outcomes. Further, despite the confidence of respondents in their understanding of their organisation's outcomes, fewer organisations than expected report using common models designed to facilitate the development of an outcomes measurement framework such as a Program Logic or Theory of Change model. It is important to note that, it could be, as some stakeholders suggested in Issue #3, a lack of common terminology across the community sector about these models that explains the low uptake reported or that the managers completing the survey may not have been aware of the use of these models at lower levels in the organisation.

In terms of setting outcomes, both smaller and larger organisations report that their own mission and purpose are important determinants of the outcomes pursued. However, for all the other determinants, there was a very different pattern on priorities between larger and smaller organisations. Broadly speaking, larger organisations placed greater importance than smaller organisations on all of the determinants put forward (funding agreements, client engagement, external stakeholder engagement, staff feedback, and government policy), with the exception of what similar community organisations were doing, which smaller organisations reported as more important. Though there are differences between smaller and larger organisations with regard to the different levels of importance placed on each priority, it is clear that all community sector organisations are juggling a number of priorities when setting their outcomes. Further, these priorities will not always be aligned with one another and may in some cases compete for organisational resources. Therefore, our results reflect the fact that setting and measuring outcomes is a complex and dynamic process influenced by many internal and external forces.

SECTION THREE:

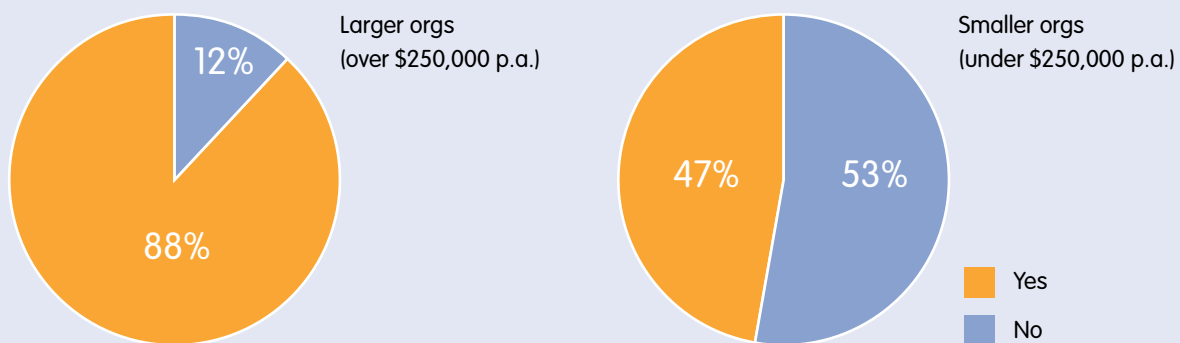
OUTCOMES MEASUREMENT IN PRACTICE

Section Two explored how well community sector organisations in Western Australia feel they understand their outcomes, and the factors that determine the setting of these outcomes. This section takes the next step and explores whether and how community sector organisations measure their outcomes. Within the former topic (whether outcomes are being measured), we examine the extent and quality of outcomes measurement, what it is used for, and how and why outcomes measurement practice has changed over time. In exploring how outcomes are measured we look at the types of data collected, the human resources available to facilitate outcomes measurement as well as the availability of other resources, such as technology. From this section we gain an understanding of the actual practice of outcomes measurement in Western Australia, which builds upon our understanding of outcomes measurement internationally and the perspectives on outcomes measurement given by key Western Australia stakeholders and presented in Issue #3.

Do organisations measure outcomes?

Overall, 72% of the organisations in our sample measured outcomes. However, the size of organisations factored strongly in influencing whether or not organisations undertook outcomes measurement.. Figure 5, below, shows that measuring outcomes is significantly more common in larger organisations – with 88% of larger organisations measuring outcomes, and under half of small organisations (47%) measuring outcomes. This finding is consistent with international evidence outlined in Issue #1 which found that smaller organisations felt less able to develop the expertise required for outcomes measurement (Milbourne 2009), and also the views of key stakeholders outlined in Issue #3, who indicated that small organisations have fewer resources available for outcomes measurement.

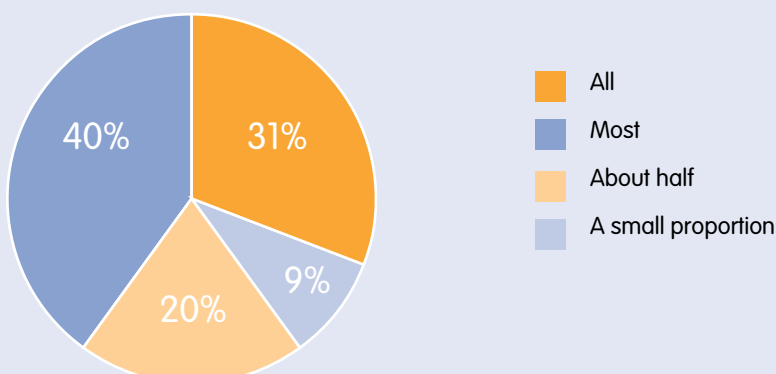
Figure 5: Does your organisation measure outcomes in its Western Australian operations?



Source: Centre for Social Impact, UWA Outcomes Measurement in the Western Australian Community Sector Survey.

For those organisations that do measure outcomes – 136 in total in our sample– there were mixed results on the extent of their outcomes measurement in their organisation. Figure 6 reveals that the majority (71%) of these respondents measured outcomes for all (31%) or most (40%) of their activities.

Figure 6: Proportion of activities for which outcomes are measured

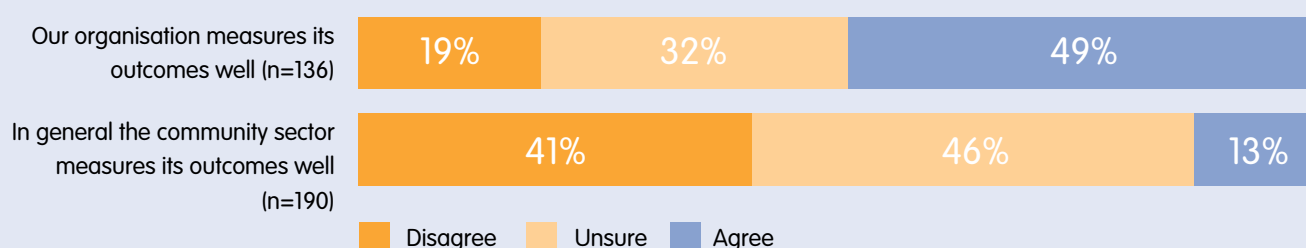


Source: Centre for Social Impact, UWA Outcomes Measurement in the Western Australian Community Sector Survey.

Of those organisations that do measure outcomes, 39% of small organisations report measuring outcomes for all of their activities, compared with only 28% of larger organisations. This finding suggests that while small organisations are less likely to measure outcomes overall, they may be more likely to measure outcomes more intensively. This may reflect the challenge of measuring outcomes for larger organisations that operate with multiple programs and service diversity.

In terms of comparing outcomes measurement practice in Western Australian community organisations to the international landscape, Pritchard et al. (2012) found that 52% of 1000 UK charities surveyed measured outcomes for all of their activities, while only 31% of our sample indicated the same extent of measurement. However, 76% of our total sample engaged in some kind of measurement, in line with 75% of Pritchard et al.'s (2012) UK sample as well as the US and Canadian figures; 78% of US non-profits surveyed stated that they regularly collected outcomes data and over 75% of Canadian voluntary organisations reporting that they had undertaken evaluation in the previous year (Hall et al. 2003; Nonprofit Finance Fund 2014).

Figure 7: Measuring outcomes at the organisational and community sector level

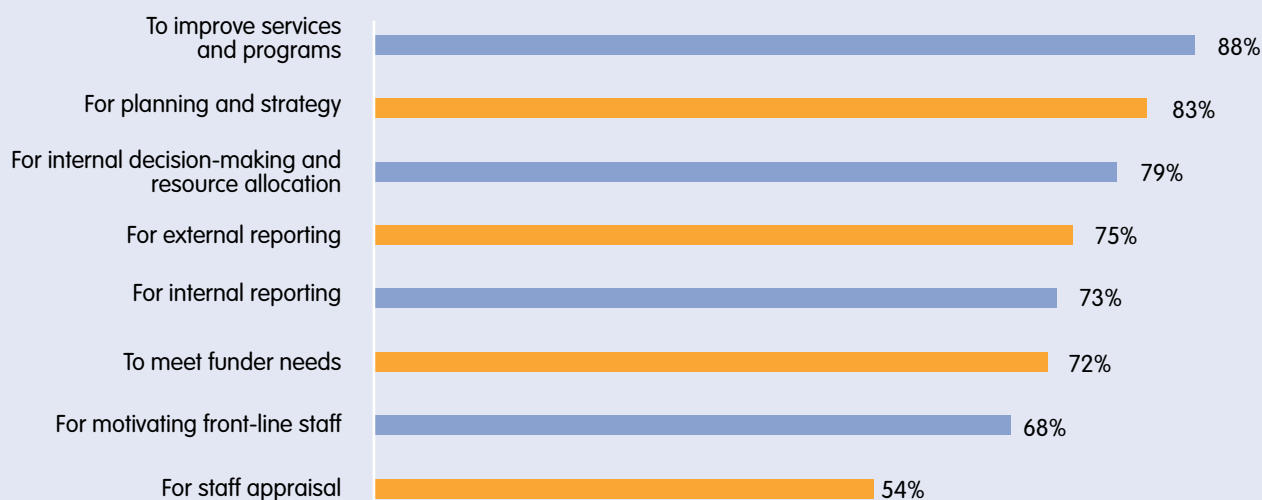


Source: Centre for Social Impact, UWA Outcomes Measurement in the Western Australian Community Sector Survey.

The respondents also indicated their confidence in the quality of measured outcomes in Western Australia, shown in Figure 7, above. This shows that nearly half of the sample (49%) believes their organisation measures its outcomes well. Far fewer respondents believe that the community sector generally measures outcomes well as a whole (13%), and nearly half of the sample disagrees with this statement (41%). This sense of pessimism about the quality of measurement in the sector compared with that of the organisation echoes the concerns about the ability of the sector as a whole to understand its outcomes (illustrated in Figure 3 above). Again, larger organisations tended to be more negative about how well outcomes are measured in the sector.

Finally, Figure 8 below presents a range of reasons why organisations find outcomes measurement important. This shows that the most common reasons identified across the sample are primarily 'internal' in orientation, such as seeking to improve services and programs (88%), for planning and strategy (83%), and for internal decision-making and resource allocation (79%). The least important reason for outcomes measurement was for staff appraisal.

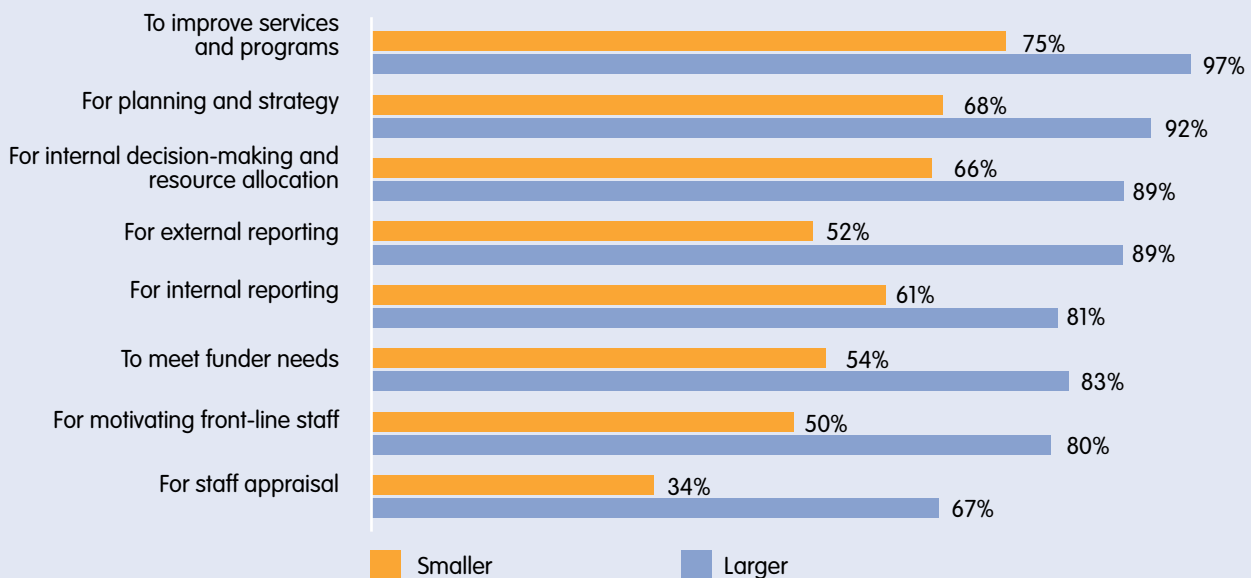
Figure 8: Reasons for measuring outcomes (per cent considered important)



Source: Centre for Social Impact, UWA Outcomes Measurement in the Western Australian Community Sector Survey.

While there were no significant differences between metropolitan and non-metropolitan based organisations in terms of the reasons for outcomes measurement, larger organisations were more likely to place higher importance on a number of different reasons rather than on a limited set. For example, internal decision making was indicated as important by 89% of large organisations versus 66% of smaller organisations, internal reporting was important for 81% of larger and 60% of smaller. Interestingly 80% of large organisations indicated that outcomes measurement was important for staff motivation, while 41% of small organisations stated that outcomes measurement was not at all important to staff motivation. Outcomes measurement was far more important for external reporting and meeting funder needs to large organisations (89% and 83% respectively) than small organisations (52% and 54% respectively).

Figure 9: Reasons for measuring outcomes, by size of organisation



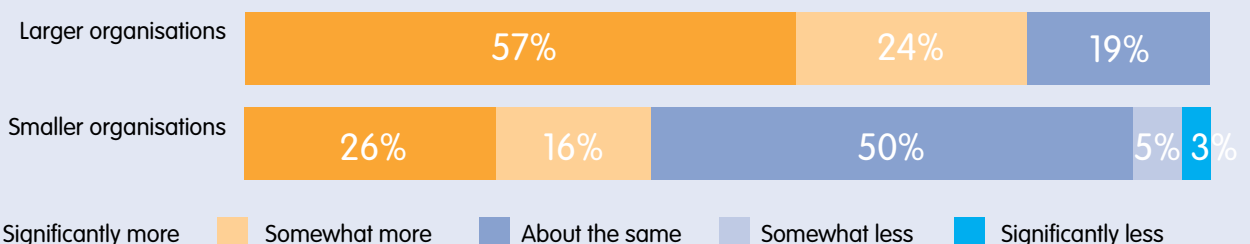
Source: Centre for Social Impact, UWA Outcomes Measurement in the Western Australian Community Sector Survey.

Is outcomes measurement becoming more common?

Issues #1 and #3 also suggested that outcomes measurement was an emerging practice, and growing in importance for many organisations. Overall, 65% of respondents to our survey report making more effort on outcomes measurement in their organisation in the last five years.

Figure 10, below, shows how the respondents' practice of outcomes measurement has changed in the last five years, and shows that change in effort is significantly associated with organisation size. Larger organisations overall seem to be making more effort in outcomes measurement – with 81% reporting they were making more effort in the last five years compared with only 42% of smaller organisations (26% significantly more and 16% somewhat more), and over half of smaller organisations reporting the same, or less effort being made.

Figure 10: Change in effort in outcomes measurement in the past five years

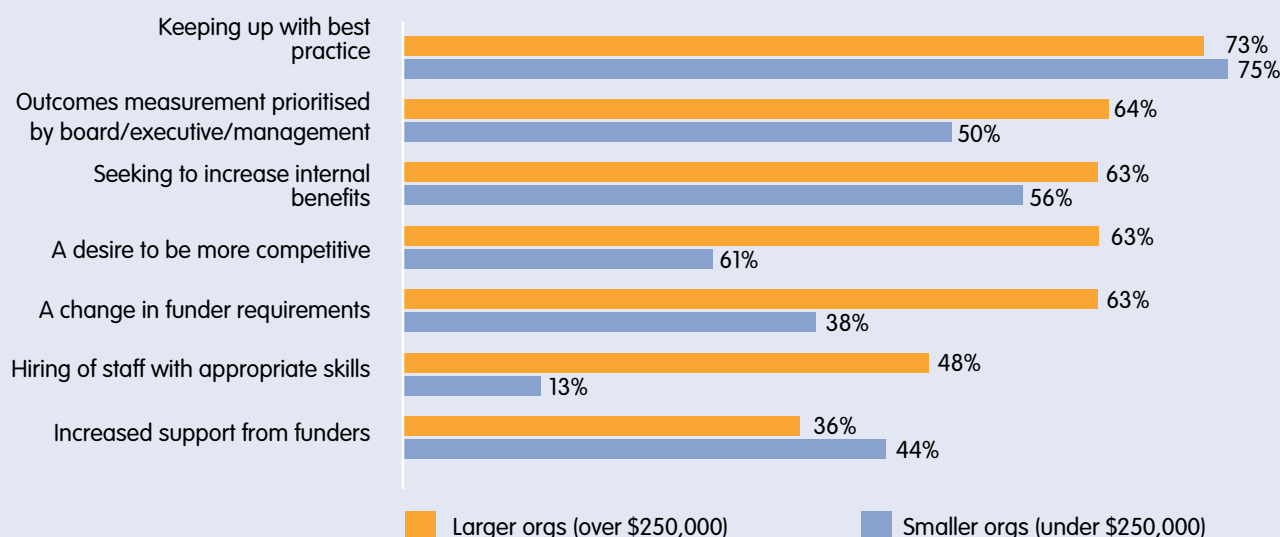


Source: Centre for Social Impact, UWA Outcomes Measurement in the Western Australian Community Sector Survey.

Our survey also shows that organisations that are currently measuring outcomes across more of their organisational activities are significantly more likely to report making more effort in outcomes measurement in the last five years. This indicates that much like the international environment, outcomes measurement in Western Australian community organisations is an area of increased importance, and that when outcomes are being measured they are doing so more intensively. It is not particularly surprising that this increased effort is reflected more in larger organisations, as these organisations generally have greater expectations of impact placed upon them by both funders and the community at large, as well as more resources available to facilitate outcomes measurement. It is interesting that smaller organisations that do measure outcomes were more likely to measure them for all of their activities, yet smaller organisations were less likely to have increased their effort over the last five years. This could indicate that outcomes measurement in smaller organisations is driven by internal factors which tend to remain more static, while larger organisations are more influenced by factors and trends within the external environment. This is not to say that outcomes measurement is not driven by internal factors in larger organisations; rather that larger organisations balance both internal and external determinants of outcomes that all have relatively high priority (as Figure 4, above indicates).

To further explore these findings, Figure 11 presents the relative importance of different reasons for increased effort in outcomes measurement over recent times, split by smaller and larger organisations. This shows that the most important reason for increased effort in outcomes measurement for both groups is keeping up with best practice. Some of these differences between larger and smaller organisations were significant, for example, changes in funder requirements and hiring of more staff were stated as reasons for increased effort of larger organisations towards measuring outcomes significantly more than smaller organisations. These two factors go hand in hand; if funders require greater reporting of outcomes, the organisation may have to hire staff with the appropriate skills to measure these outcomes. Interestingly, a desire to be competitive was significantly more important for the increased effort of larger organisations versus smaller organisations. This may reflect the pressure of external factors such as funder expectations and broader sector shifts falling harder on larger organisations, meaning that they have to demonstrate their outcomes more in order to be competitive.

Figure 11: Reasons for increased effort, by size of organisation



Source: Centre for Social Impact, UWA Outcomes Measurement in the Western Australian Community Sector Survey.

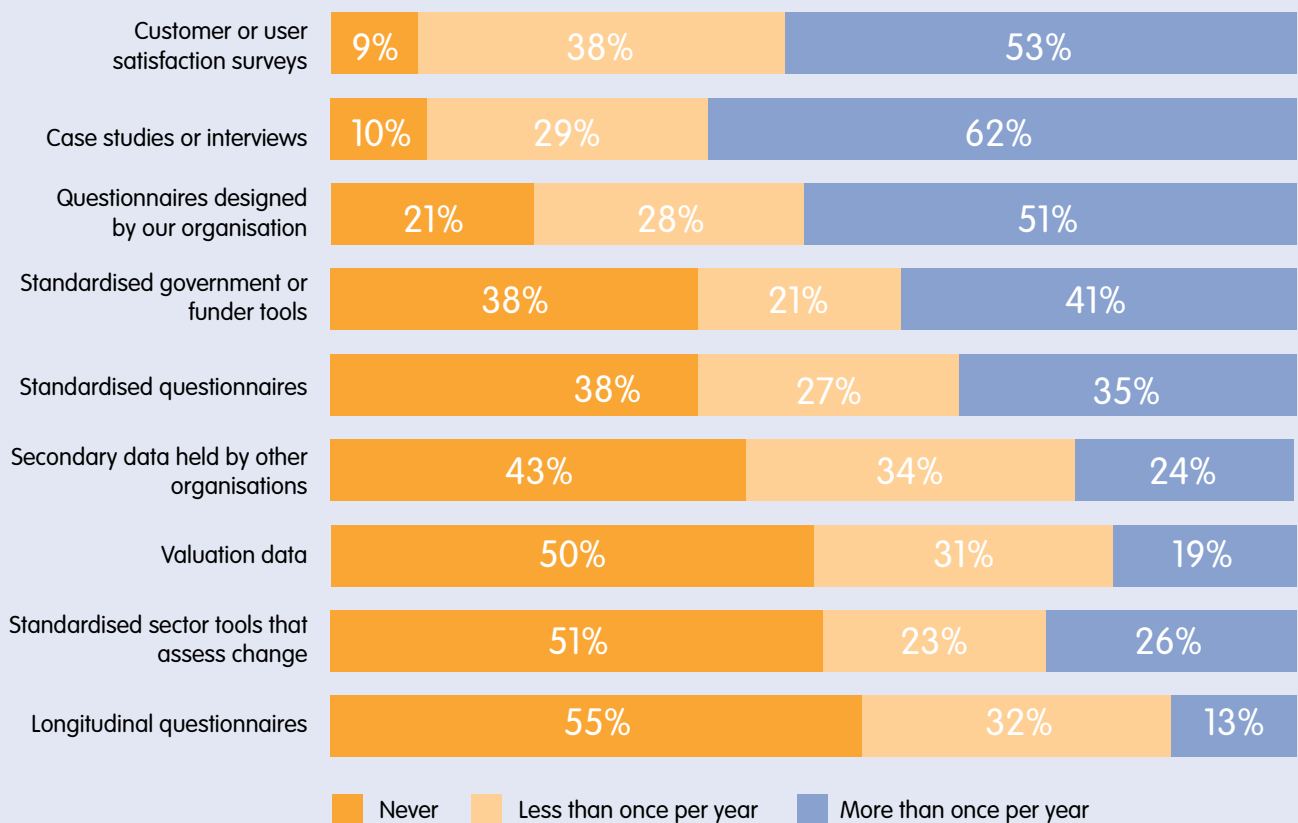
How do organisations measure their outcomes?

Issues #1 and #3 highlighted the range of ways that organisations can measure outcomes, and that practice is more diverse than standardised. This is mirrored around the world in other studies of outcomes measurement. The survey showed that a number of specific tools are used among organisations that measure outcomes. This includes Results Based Accountability (used by 32% of organisations in most or all of their services), Social Return on Investment (10%) and Outcomes Star (6%). Larger organisations were also significantly more likely to use one of these tools than smaller organisations. The relatively high uptake of Results Based Accountability (RBA) is very positive in light of the efforts of Anglicare WA and other organisations, supported by the Western Australian Social Innovation Fund, to not only

implement RBA within many of their services, but to secure funding to assist other community organisations with implementation.

Figure 12 below provides an overview of the different types of data used by organisations to measure their outcomes. Customer satisfaction surveys and case studies or interviews are the most commonly used data, with organisation-specific questionnaires used by 51% of respondents. Interestingly, 51% of respondents reported that they never use standardised sector tools. This could indicate an absence of standardised sector tools, but at the very least it indicates low usage of them which highlights a need to develop them so that organisations can draw on them, the efficiency of outcomes measurement can be increased, and the community sector as a whole can better understand its outcomes. The use of organisation-specific questionnaires and the lack of standardised tool use indicate that outcomes measurement in Western Australia has still room for development, a concern echoed in the international landscape (Nicholls 2009; Harlock 2013). Particularly concerning is the low use of longitudinal data; longitudinal data is critical to capturing the full impact of programs over time, which, in turn, is central to establishing the value of individual programs, organisations, and the community sector as a whole.

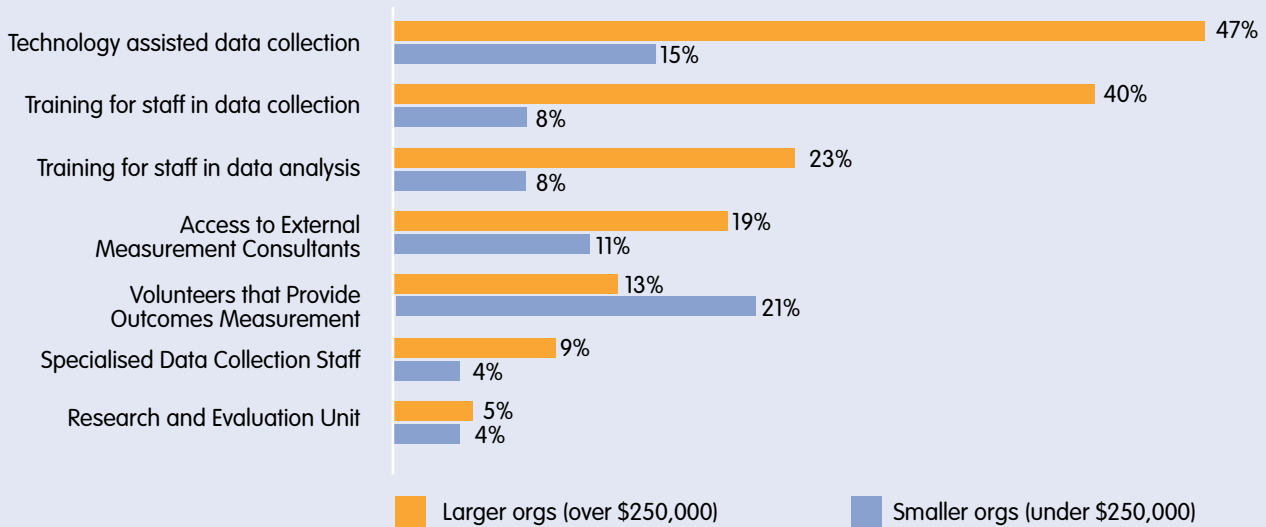
Figure 12: Methods for measuring outcomes, by frequency of use



Source: Centre for Social Impact, UWA Outcomes Measurement in the Western Australian Community Sector Survey.

Note: Percentages may not add up to 100% due to rounding.

Figure 13: Resources for outcomes measurement, by size of organisation

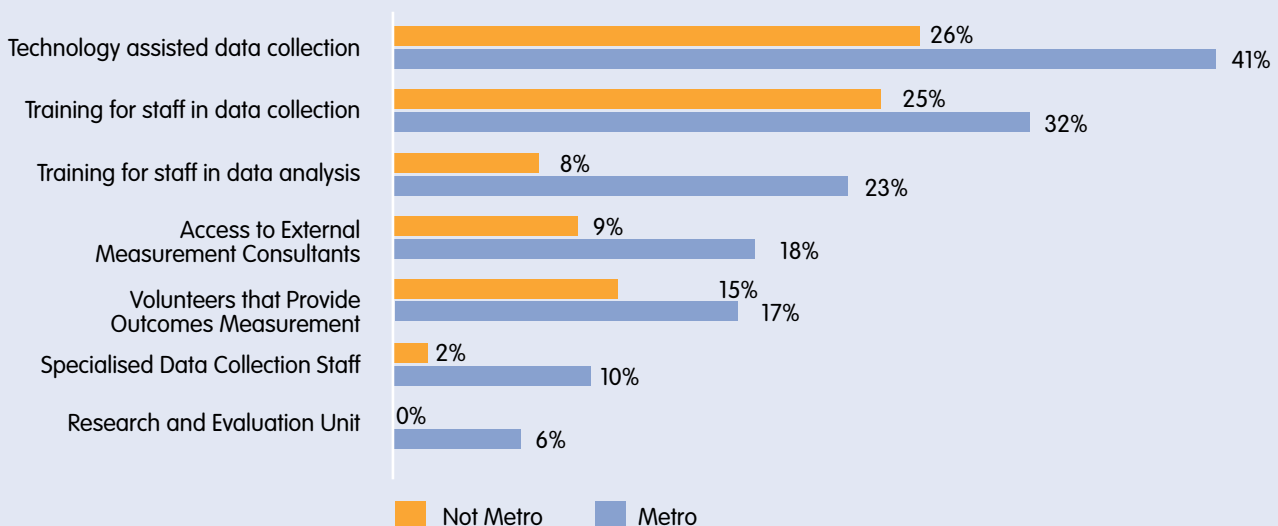


Source: Centre for Social Impact, UWA Outcomes Measurement in the Western Australian Community Sector Survey.

Figure 13 (above) shows the considerable differences in capacity for outcomes measurement between smaller and larger organisations, providing further evidence for the differences between these two groups. In particular, there are significant differences between smaller and larger organisations in the three resources most commonly used by larger organisations. While 47% of larger organisations use technology assisted data collection, only 15% of smaller organisations do so. Further, larger organisations more commonly offer training for staff in data collection (40%) and data analysis (23%) compared to smaller organisations (8% for both). Additionally, Figure 13 also shows that smaller organisations rely more on volunteers (21%) than larger ones (13%) which may reflect the relative lack of resources available for outcomes measurement within smaller organisations.

Figure 14, below, further extends this analysis to show differences in resources available between organisations that do not operate in metropolitan areas and those that do. Much like smaller organisations, non-metropolitan organisations generally have less access to resources for outcomes measurement. These differences were (borderline statistically) significant with regards to access to specialised data collection staff, technology-assisted data collection, and a research and evaluation unit, and strongly statistically significant for training for internal staff in data analysis and evaluation.

Figure 14: Access to resources for outcomes measurement, by region of operation



Source: Centre for Social Impact, UWA Outcomes Measurement in the Western Australian Community Sector Survey.

To summarise: most (76%) of responding organisations measured outcomes for at least some of their activities, a rate that is comparable to international figures (Pritchard et al. 2012; Hall et al. 2003; Nonprofit Finance Fund 2014). Larger organisations were significantly more likely than smaller organisations to measure outcomes. However, of the smaller organisations that do measure outcomes; a larger proportion reported measuring outcomes for all activities (39% for smaller organisations versus 28% for larger). In terms of the reasons driving outcomes measurement, internal reasons such as service improvement, planning and strategy, and internal decision making were the most prominent. However, external drivers such as external reporting and funder needs were still reported as important for the majority of respondents (75% and 72% respectively).

Some areas of outcomes measurement practice differed significantly between smaller and larger organisations. Larger organisations reported more effort directed towards outcomes measurement in the last five years while the majority of small organisations reported the same amount or less effort. For the organisations (small and large) that did report more effort, keeping up with best practice was the greatest driver, while changes in funder requirements and a desire to be more competitive were significantly greater reasons for larger rather than smaller organisations. As was expected, larger and metropolitan-area based organisations reported greater access to measurement resources. In keeping with international trends, responses from our sample indicate a lack of use of standardised data collection tools, with 51% saying they never use standardised sector tools.

The divide between smaller and larger organisations in terms of the extent of outcomes measured, the amount of effort over time, and drivers of this effort both reflects, and is compounded by, a lack of standardised practice (tools, frameworks and/or methods) across the community sector.

SECTION FOUR:

FUNDERS AND OUTCOMES MEASUREMENT

This section covers three topics: how outcomes measurement is funded, awareness and impact of the Delivering Community Services in Partnership Policy (DCSPP), and the role of different funding sources in outcomes measurement. The Delivering Community Services in Partnership Policy was introduced in Western Australia in 2011, and involves changes to the way the government funds community services and the way that community sector organisations are expected to report their outcomes. Specifically, the policy states that the state government is to fund community services based on outcomes, which in turn affects applications for funding, government decisions about funding, and the reporting requirements of community organisations.

Issue #1 found that outcomes measurement internationally has been driven by funders, and predominantly government funders. In addition, stakeholders interviewed for Issue #3 noted that, while funders are expecting more reporting on outcomes, it is often not allocated any further resources to do the outcomes measurement required. Therefore, it is important for us to examine the role of funding and funders, and the DCSPP in particular, in outcomes measurement across the Western Australian community sector.

Funding outcomes measurement

In the Outcomes Measurement in the Western Australian Community Sector Survey we examined whether outcomes measurement was funded externally, either through the inclusion of relevant line items in external funding contracts or specific purpose grants for outcomes measurement, or from internal organisational resources. The question put to respondents was: "In general, how do you usually fund outcomes measurement?" Respondents were required to choose one from the following options:

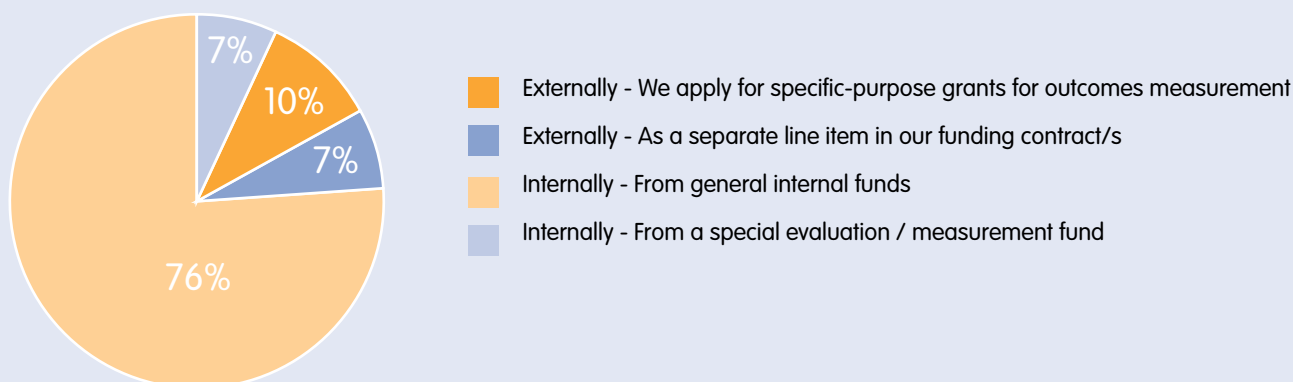
- 1) Externally - We apply for specific purpose grants for outcomes measurement.
- 2) Externally – As a separate line item in our funding contract/s
- 3) Internally – From general internal funds
- 4) Internally – From a special evaluation/measurement fund.

Our results confirm that, from a funding perspective, outcomes measurement is still largely internally driven with 83% organisations indicating that outcomes measurement was usually funded internally. The vast majority of organisations report using general internal funds as the means for funding outcomes measurement (76%) with a further 7% of organisations reporting that a specific internal fund was used

to finance outcomes measurement. Only 7% of respondents reported that outcomes measurement is usually funded from separate line items in funding contracts. Interestingly, 10% of respondents reported that they funded outcomes measurement from grants specifically for measurement. The availability of and need for separate grants to fund outcomes measurement reflects the resource-intensive nature of the outcomes measurement process.

These findings suggest that the task of funding outcomes is largely a matter for organisations themselves and that grants for measuring outcomes for specific activities from funders are not the main source of funding outcomes in the community sector in Western Australia. The fact that the majority of respondents indicated that they fund outcomes measurement from general internal funds rather than a dedicated external source can perhaps help explain the lack of standardised practice in outcomes measurement across the community sector.

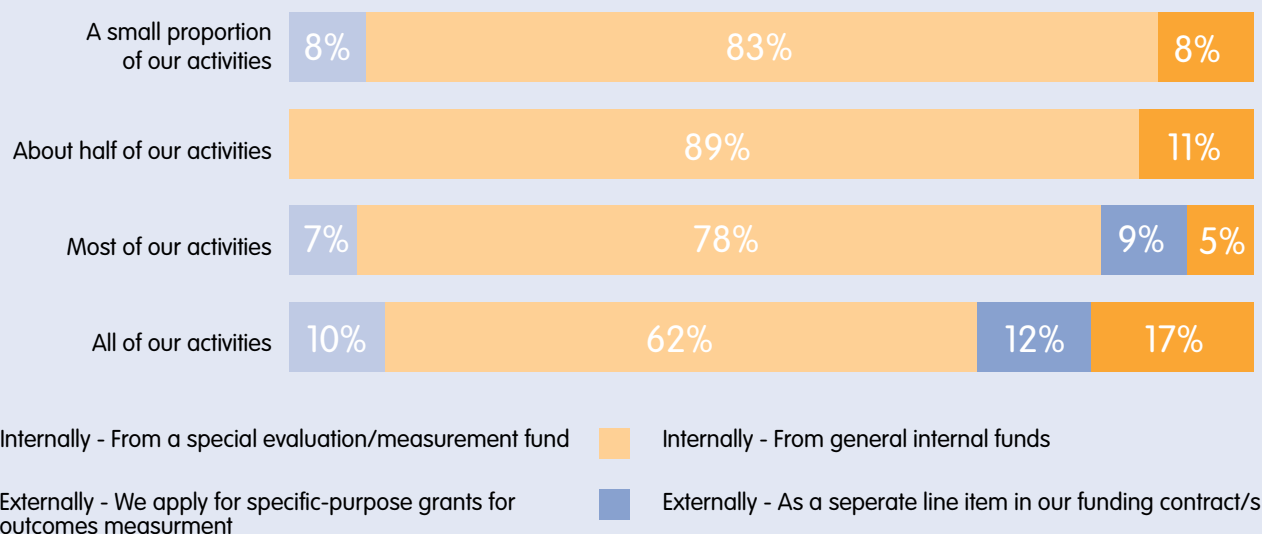
Figure 15: Paying for outcomes measurement



Source: Centre for Social Impact, UWA Outcomes Measurement in the Western Australian Community Sector Survey.

While the majority of outcomes measurement funding was internal regardless of the extent of measurement, Figure 16 below illustrates that external funds played a much more prominent role for organisations that undertake outcomes measurement for most or all of their activities. For example, 29% of organisations that measure outcomes for all of their activities reported receipt of external funding for outcomes measurement versus only 8% of those that only measure outcomes across a small proportion of their activities. In addition, 10% of organisations that did measure outcomes for all of their activities funded their measurement usually through a special evaluation and/or measurement fund.

Figure 16: Funding outcomes measurement, by the extent of outcomes measurement

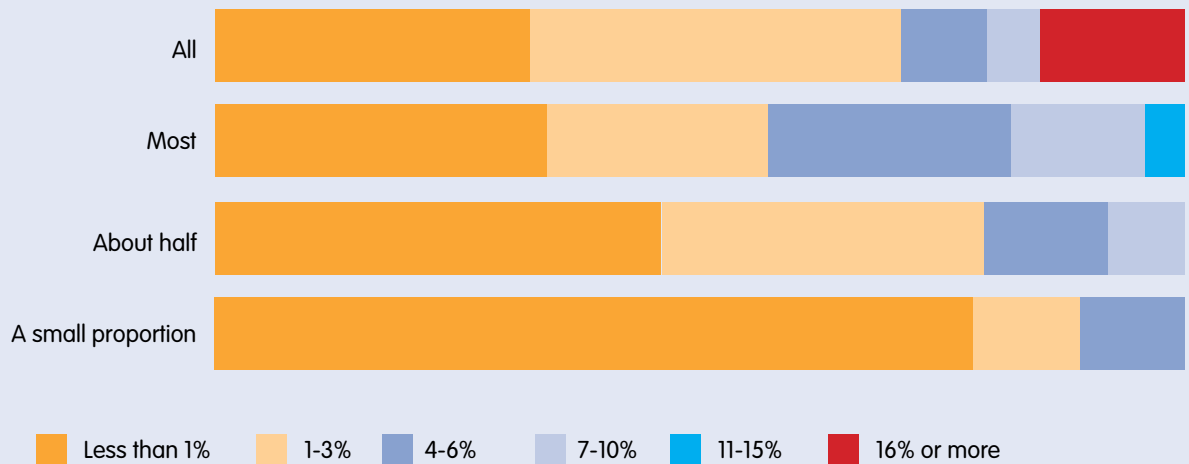


Source: Centre for Social Impact, UWA Outcomes Measurement in the Western Australian Community Sector Survey.

Note: Percentages may not add up to 100% due to rounding.

As Figure 17 indicates, the extent of outcomes measurement appears to correlate with the percentage of the organisation's budget spent on it. Those organisations that measure all of their outcomes spend more of their budget on outcomes measurement while those that measure a small proportion of their outcomes spend less on outcomes measurement. Those organisations that reported that they measured all of their outcomes were also the only group to report spending more than 16% of their annual budget on outcomes measurement. Overall, smaller organisations spent significantly less of their budget on outcomes measurement than larger organisations.

Figure 17: The Proportion of budget spend on outcomes measurement, by the extent of outcomes measurements undertaken

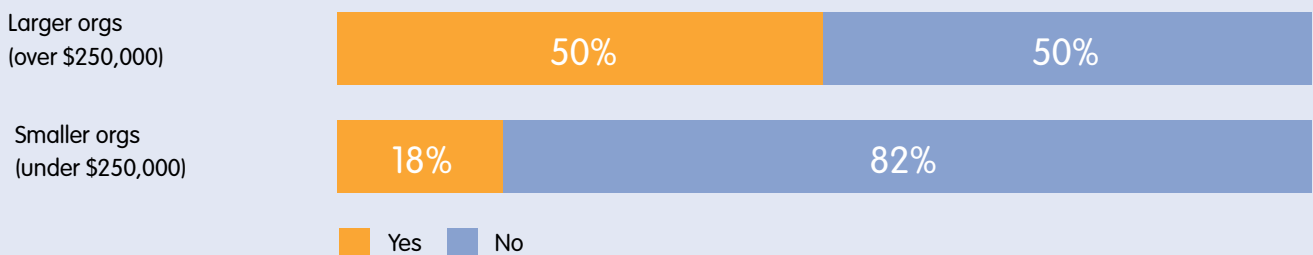


Source: Centre for Social Impact, UWA Outcomes Measurement in the Western Australian Community Sector Survey.

DCSP Policy and outcomes measurement

The literature presented in Issue #1 suggests that government policy has been a major driver of outcomes measurement practice internationally. In light of the intention of the DCSP to increase the focus of community services on outcomes, we asked respondents about their familiarity with the policy and the effect it has had on outcomes measurement within the organisation and across the sector.

Figure 18: Familiarity among organisations with the DCSP, by size of organisation



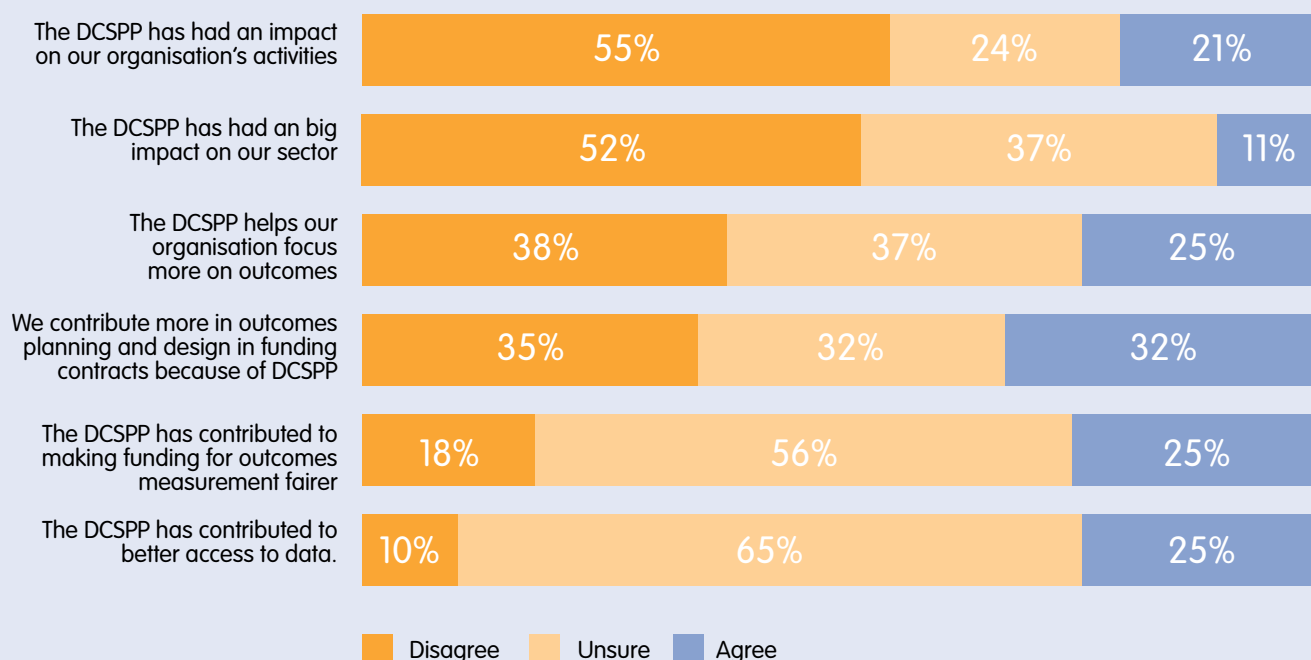
Source: Centre for Social Impact, UWA Outcomes Measurement in the Western Australian Community Sector Survey.

Interestingly, 63% of our respondents were not familiar with the contents of the policy. The extent of familiarity with the policy differed significantly between smaller and larger organisations. Figure 18, above, highlights that only 18% of smaller organisations reported that they were familiar with the policy, compared with 50% of larger organisations. As DCSP replaced an existing policy (Funding and Purchasing Community Services Policy) respondents may not be familiar with the name of the policy, as opposed to being unaware of the contents and the actions required as a result of the policy.

Of the respondents that were aware of the DCSP, 55% agreed that the policy has had an impact on the organisation's activities. Only 38% of respondents believed that the policy helped their organisation to focus more on outcomes and 35% reported more focus on outcomes planning and design in funding contracts resulting from the DCSP. This may suggest that the DCSP's goal of outcomes-focused service funding and delivery is only partially being achieved on the ground.

Interestingly, only 18% of respondents agreed that DCSP has contributed to fairer funding of outcomes measurement while 25% disagreed, and only 10% believe the policy has contributed to better access to data. It is important to note that a large proportion of the sample were unsure about DCSP's contribution to fairer outcomes measurement and data access; however, the results do reveal some areas of negative sentiment regarding the policy.

Figure 19: The impact of the DCSP on organisations' outcomes measurement, by level of agreement



Outcomes measurement and the funding of community organisations

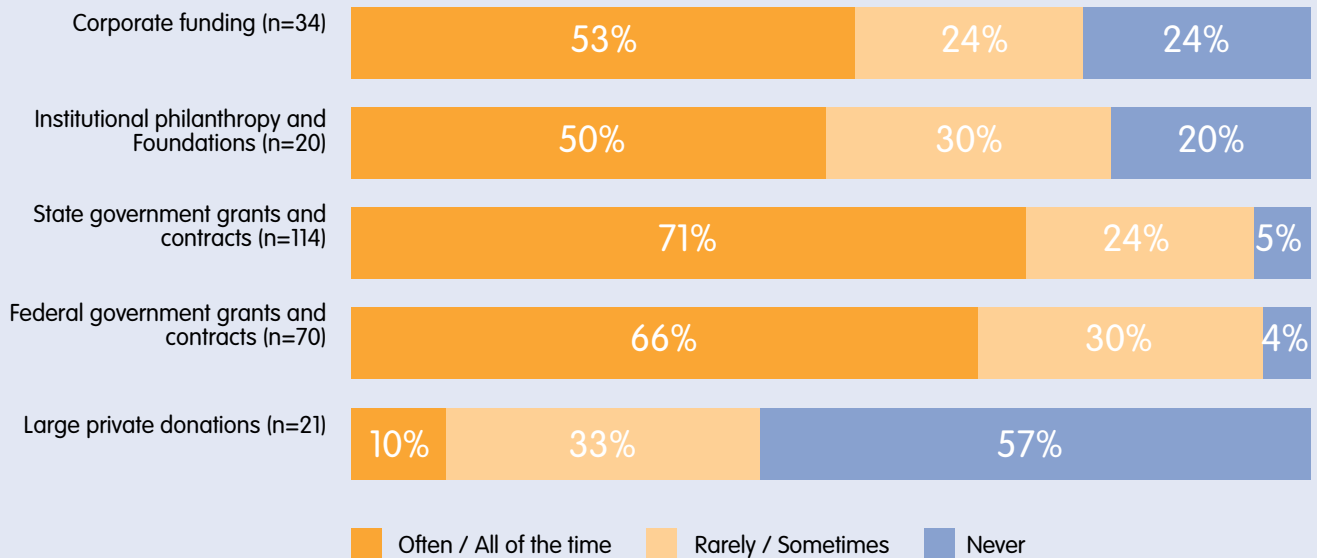
As outcomes measurement has been driven in part by funders, it is important for comparison purposes as well as general understanding of the outcomes measurement landscape to understand how community sector organisations in Western Australia are funded and the expectations of these funders around setting and reporting outcomes.

Table 2: Sources of Funding for Organisations

	Smaller orgs (<\$250k p.a.)	Larger orgs (>\$250k p.a.)
State government grants and contracts	28%	36%
Public fundraising (including small individual donations and crowdfunding)	19%	6%
Trading income and fee for service	12%	15%
Membership revenue	12%	3%
Investment income and other	9%	2%
Federal government grants and contracts	6%	27%
Corporate Funding	6%	5%
Large private donations	5%	2%
Institutional philanthropy and foundations	1%	3%

Source: Centre for Social Impact, UWA Outcomes Measurement in the Western Australian Community Sector Survey.

Figure 20: The extent to which reporting on outcomes is required, by type of funder



Source: Centre for Social Impact, UWA Outcomes Measurement in the Western Australian Community Sector Survey.

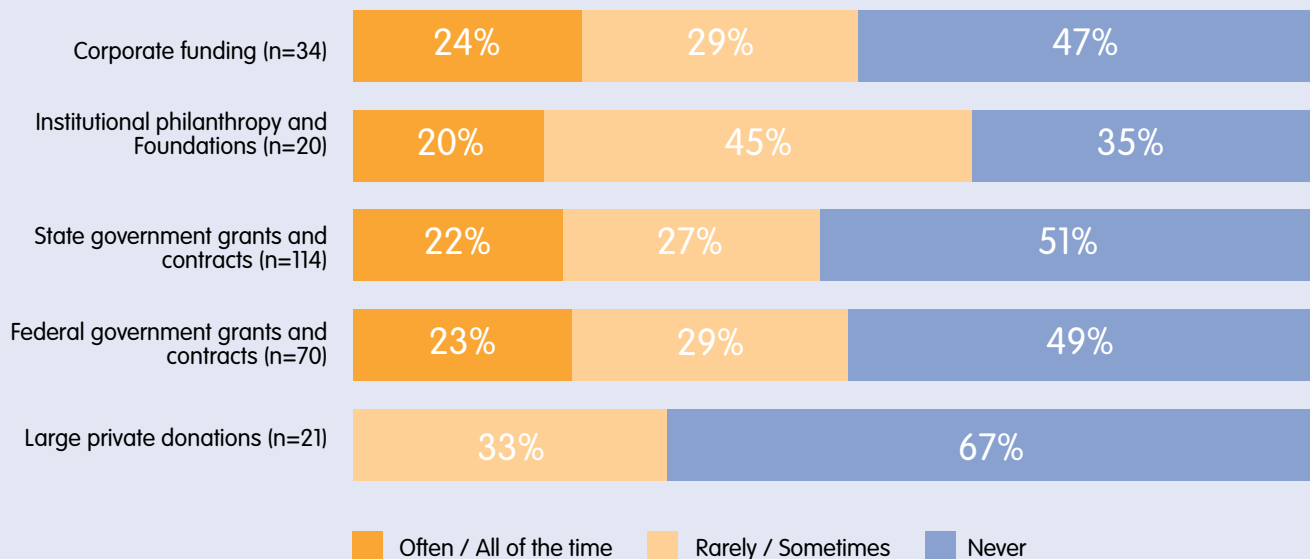
Note: Percentages may not add up to 100% due to rounding. The values of n listed refer to the number of organisations receiving a specific source of funding.

Government grants and contracts were a major source of funding for all respondents in our sample (see Table 2). A higher proportion of smaller organisations' funding was dependent on state government funding rather than federal (28% vs. 6%) while it was a more even split for larger organisations (36% state and 27% federal). This makes the relatively low awareness and impact of the DCSP among small organisations even more surprising. Public fundraising was a more prominent funding source for smaller organisations (19%) than larger organisations (6%). Smaller organisations sourced 12% of their income from membership revenue versus 3% for larger organisations.

The expectations of funders with regards to outcomes measurement and reporting from the services they fund are quite varied (see Figure 20). As expected, government funders most frequently required the measurement and reporting of outcomes. Interestingly, despite the relatively low proportion of community sector organisation budget derived from corporate funding, 53% of organisations receiving this type of funding reported that they were expected to report outcomes often or all of the time. Similarly, institutional philanthropy and Foundation funding represents a very low amount of funding, yet 50% of organisations that receive this funding report that they are expected to report outcomes often or all of the time. Large private donations had the least demands in terms of outcomes measurement, but few (n=21) responding organisations reported receiving these types of donations.

Despite the demands of funders for outcomes measurement, specific funding for it is still not widespread, with 51% of state government grant recipients and 49% of federal government grant recipients stating that they never receive funding for outcomes measurement from these funders (see Figure 21). Similarly, 47% of corporate funding recipients reported never having funding provided for outcomes measurement. Institutional philanthropy and Foundations were the most "in the middle", with 45% of organisations receiving this type of funding reporting that they were rarely or sometimes provided funding for outcomes measurement.

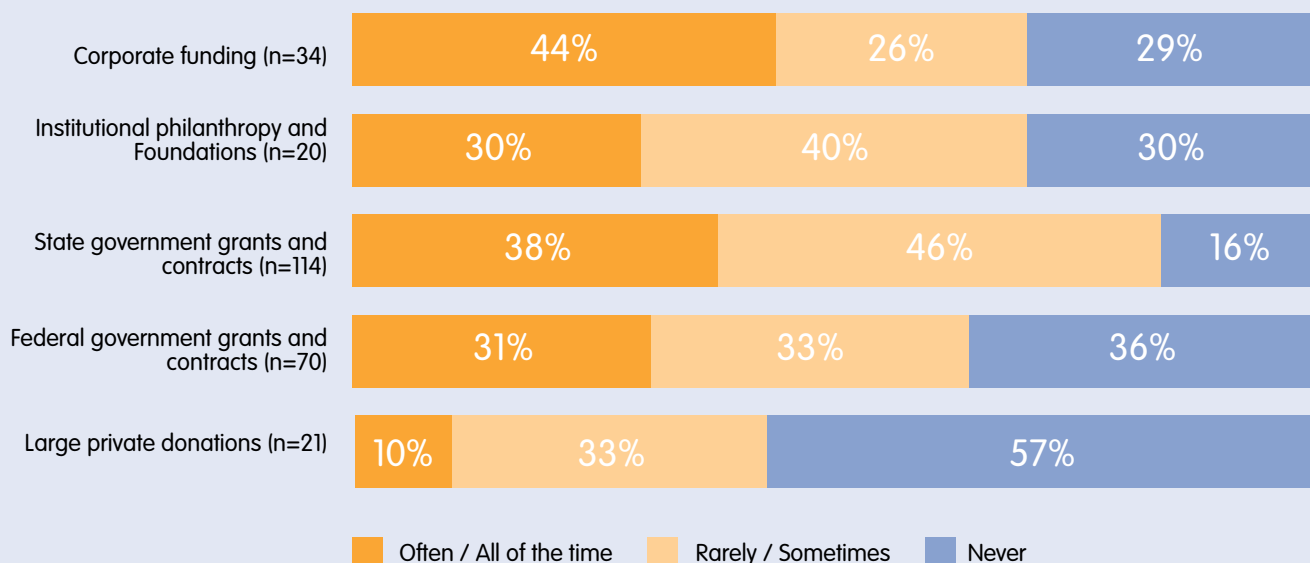
Figure 21: Provision of funding for outcomes measurement, by type of funder



Source: Centre for Social Impact, UWA Outcomes Measurement in the Western Australian Community Sector Survey.
Note: Percentages may not add up to 100% due to rounding.

The Outcomes Measurement in the Western Australian Community Sector Survey not only addressed the question of whether funders of services also directly funded outcomes measurement, but also whether they collaborated with services in setting the outcomes to be measured. Funders engaging with services around the setting of outcomes was a more common phenomenon than outcomes measurement being specifically funded by funders (see Figure 22). Generally speaking, joint service-funder setting of outcomes at least some of the time was more common than never doing so. Setting outcomes together often was reported by 44% of organisations that receive corporate funding, 38% that received state government grants and 31% of federal grant recipients. Large private donors were the only funders that the majority of recipient organisations reported that they never set outcomes with. This finding is consistent with the relatively low demands of large private donors for outcomes measurement.

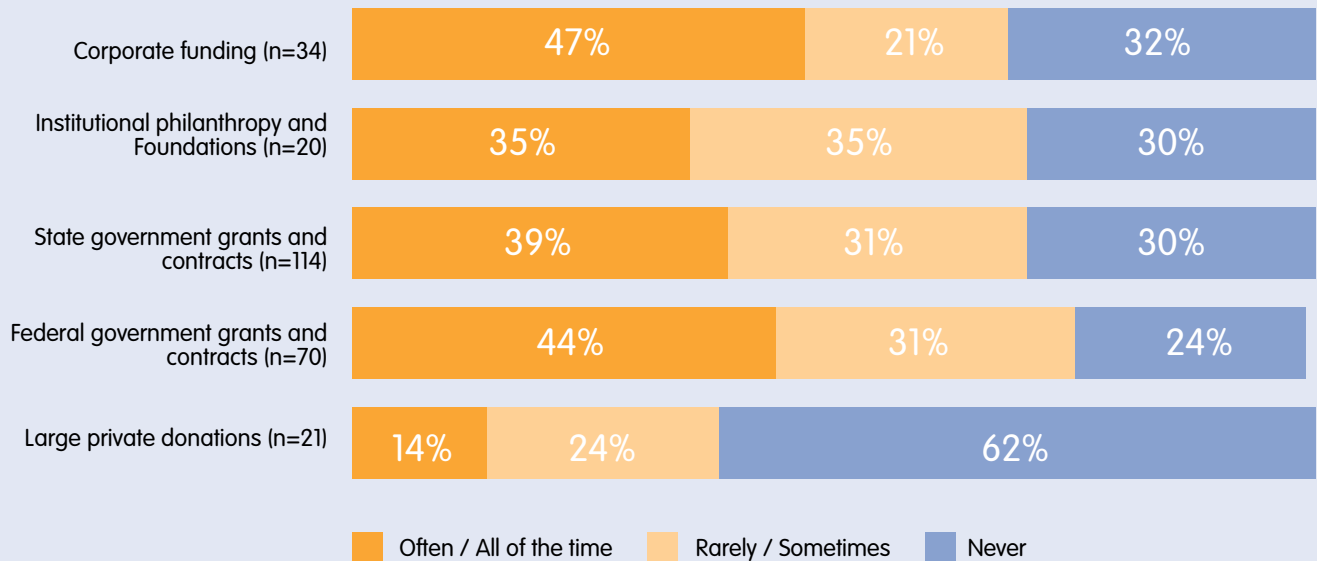
Figure 22: Extent to which funders and services work together to set outcomes, by funder type



Source: Centre for Social Impact, UWA Outcomes Measurement in the Western Australian Community Sector Survey.
Note: Percentages may not add up to 100% due to rounding.

Figure 23 examines the question of payments from funders being linked to outcomes being achieved. Funders setting payments contingent on outcomes, at least some of the time, was relatively common, with corporate and federal government funders most likely to do so, with 47% and 44% of organisations receiving this funding (respectively) reporting this happens often, followed by state government (39%) and institutional philanthropy organisations (35%). These results confirm a growing nexus between milestone funding payments and outcomes achievement. Further research is needed to understand the extent to which funding for community sector organisations has moved to a 'payment by results' or 'performance pay' framework.

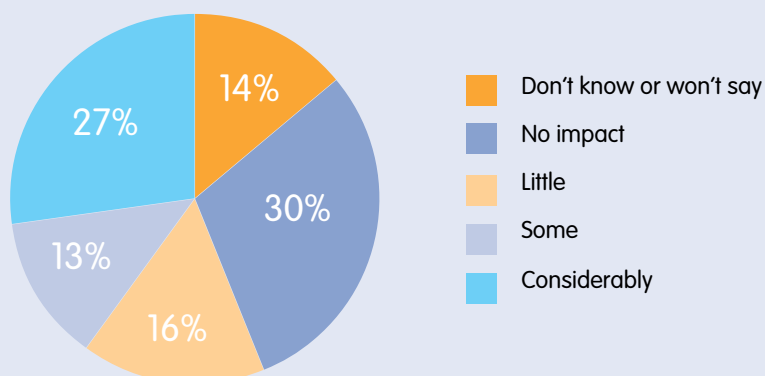
Figure 23: Extent to which milestone funding payments are contingent on achievement of outcomes, by funder type



Source: Centre for Social Impact, UWA Outcomes Measurement in the Western Australian Community Sector Survey.
Note: Percentages may not add up to 100% due to rounding.

The final topic we address is the move in some areas of the community sector to individualised funding arrangements (i.e., funding for individual clients or consumers rather than grants to organisations). How this plays out in terms of community sector organisations in terms of their outcomes measurement practices is unclear. And this is confirmed in the findings from the Outcomes Measurement in the Western Australian Community Sector Survey, where 46% of our sample reported individualised funding having little or no impact on their outcomes measurement practice and a further 14% indicating that they didn't know or can't say. However, on the other hand, 27% of organisations reported that individualised funding has had considerable effects. These findings suggest that individualised funding is having a significant effect in areas where it has been fully implemented and no or little impact elsewhere.

Figure 24: The impact of individualised funding on outcomes measurement practices



Source: Centre for Social Impact, UWA Outcomes Measurement in the Western Australian Community Sector Survey.

In summary, these results present a fascinating picture about the outcomes measurement landscape in Western Australia. The relative importance of outcomes measurement is reflected in funders' demands for outcomes measurement, and their involvement in the collaborative setting of outcomes. Further, many of these funders are seeking to ensure that these measures are reported by making some payments contingent on these outcomes. However, comparatively little funding is provided to facilitate the outcomes measurement process. This appears to put community sector organisations in a difficult situation; in order to receive funding for their programs, they have to report on their outcomes and to achieve outcomes, but in order to report on their outcomes, they have to draw from internal funding sources that are not specifically allocated to the program in question. This supports the findings in relation to how organisations fund outcomes measurement (i.e., overwhelmingly from internal funds) presented in Figure 15.

SECTION FIVE:

WHERE TO FROM HERE?

This report presents the state of play of outcomes measurement practice in the Western Australian community sector. While most respondents feel that their organisations understand and measure their outcomes well, there is a lack of clarity about the broader sector's understanding and measurement of outcomes and of sector-wide reporting of outcomes. How should the community sector as a whole report on its outcomes? What population level indicators should be used to understand overall impact? This pessimism was particularly prominent in larger organisations, which perhaps indicates a greater understanding of the need for community sector wide change in this area and pressure to be "standard setters" for the broader sector. There is a need for the community sector to come together as a whole to share and develop standard practices for outcomes measurement and to consider community sector wide reporting of outcomes.

Reflecting the international literature, our respondents indicated that they have placed an increased emphasis on outcomes measurement over the last five years. However, while the literature states funder expectations are the driver for increased outcomes measurement internationally, both larger and smaller organisations report that keeping up with best practice was the most significant driver for their increased effort towards outcomes measurement. Despite this increased effort, there is a lack of standard practice across the community sector with regards to outcomes measurement. Few organisations report using standardised tools to measure their outcomes. This may increase the resource burden on organisations in measuring their outcomes; without standard practices, an outcomes measurement process has to be developed for each program or other unit of evaluation that the organisation wishes to measure outcomes for. This, in turn, constrains the organisation's ability to measure their outcomes effectively and comprehensively.

Organisations have also experienced an increased emphasis on outcomes measurement from funders. However, despite funders expecting greater measurement of outcomes, collaborating on setting them, and making payments contingent on them in many cases, our respondents still report a lack of funding specifically for outcomes measurement. As our results also find that organisations that are funded for outcomes measurement tend to measure them more extensively, a need for organisations to have funds specifically allocated to outcomes measurement is highlighted.

Interestingly, despite government contracts and grants being major sources of funding for organisations in our sample and government policy being a major driver of outcomes measurement internationally (as highlighted in Issue #1), our results indicate relatively low awareness and impact of the DCSPP. This is somewhat surprising as the intention of the policy was to place greater emphasis on client outcomes by providing funding for specific outcomes and, accordingly, expecting community organisations to report on these outcomes. Most organisations in our sample did indeed indicate more effort being invested in outcomes measurement over the last five years. Therefore, the policy may be having an impact on practice without the respondent being aware of the specific name of the policy.

However, very few of our respondents felt that the DCSPP was contributing to fairer funding of outcomes measurement or better access to data, and the response was somewhat ambivalent regarding the policy's contribution to a greater focus on or planning towards outcomes measurement. This indicates that the DCSPP requires better communication and frameworks around its expectations and changes with regards to outcomes measurement.

Finally, although the sector is inevitably going to be affected by the shift towards individualised funding, our results indicate that these effects are not yet being felt in the outcomes measurement area. This is somewhat expected as the legislative changes and associated implementations are still underway. However, it indicates a likely reactive response to a guaranteed upcoming change. Again, this points to a need for the community sector to collaborate to develop shared understanding of and practices for outcomes measurement.

Our next report in this stream of research will explore shared measurement issues and the barriers, challenges and future design options for outcomes measurement in the Western Australian community sector. In light of the findings of this report, we will seek to understand why there is a lack of standard practice and collaboration across the sector and what can be done to break down these barriers.

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