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# Impact networks

**Charities working together to improve  
outcomes**

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# Executive summary

Charities are facing severe financial pressures, greater competition for fewer funds, and higher demand for their services as public spending is cut. Many charities are scaling back and even closing some of their activities. It is crucial that remaining resources are allocated to the activities most effective in delivering outcomes, so there is a strong incentive for charities to work together as part of an impact network.

Many charities are already making a difference in people's lives by collaborating and cooperating. More charities could follow this example and experience the benefits of working together.

## What is an impact network?

An impact network is a range of activities performed by different organisations that leads to a positive outcome. This can include organisations that see themselves as distinct. For example, achieving sustained employment for an ex-offender requires cooperation between organisations providing training and advice, offering work experience placements, campaigning for access to employment, and brokering jobs. The absence of one of these activities can reduce the chance of success, while duplicating activities in the network can waste resources.

## Why do impact networks matter?

Understanding impact networks can help charities improve in three ways. Firstly, organisations that understand networks can more effectively link their activities with others, and by developing common strategies can ensure beneficiaries receive services from the most suitable provider. For example, Thames Reach, a London homelessness charity, did not have any direct experience of working with Irish travellers, but recognised that they were a disadvantaged group needing help. By partnering with a small organisation working with the Irish community in Lewisham, Thames Reach improved the available services.

Secondly, organisations can identify gaps or weaknesses in a network and take action. This could involve starting up a new in-house activity (for example, Barnardo's Sexual Exploitation Services for children). Or it could involve supporting another organisation to set up a service (for example, Macmillan Cancer Support funds specialist nurses to work in the NHS).

Thirdly, organisations that understand networks can allocate resources effectively to avoid duplication or waste, and identify activities that could be provided more efficiently by another charity.

## The role of large charities

Large charities have an important role to play in developing impact networks. They can invest funds, expertise, or reputation to strengthen other organisations. Their influence can help maximise a network's impact and attract support—but they must avoid imposing their own agendas on smaller charities.

## The challenges of impact networks

There are challenges to charities working together. Developing a close working relationship takes time and requires trust. Charities must focus on outcomes rather than individual organisations—maybe letting go of some services that are more effectively provided elsewhere in the network, or are not critical to achieving final goals. Fears of an imbalance of power can deter collaboration, particularly between large and small organisations. Charities providing similar services may be reluctant to collaborate for fear of direct competition.

## **What can funders do?**

Understanding impact networks can help funders to allocate funds in the most effective way. Commissioners could fund all the activities in the network, support a single organisation as the main contractor, or use a fund management model such as the Social Impact Bond. In a difficult economic climate, it is essential to think beyond the boundaries of single organisations and recognise the complex relationships involved in achieving success.

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# 1. Introduction and context

## Box 1: Terry's story

Five years ago, Terry's life fell apart. He lost his job because of his alcohol addiction, and his wife and daughter walked out on him. He was left homeless, spending most of his time on the streets of Bristol, and moving between hostels and B&Bs.

Over the last five, years Terry has received help to rebuild his life. As a result, he has lived at the same address now for nearly two years, he has a job as a football coach on his local estate, and he recently began to see his daughter again. Without help, Terry might still be living on the streets.

The support Terry received has come from several different organisations, many of them working together. When he was at his lowest, Terry used to call Samaritans at least once a week. Fortunately for Terry, Samaritans put him in touch with a local homelessness charity that provided counselling and made sure Terry received the full range of support he needed, such as registering with a doctor, dentist and mental health counsellor. After a few weeks, Terry's counsellor persuaded him to join the Alcoholics Anonymous group in the local Catholic church. In time, and with advice from his Citizens Advice Bureau and continued support from his counsellor, Terry was able to move into his own home. Terry's new bosses are sympathetic to the difficulties he has faced in the past, and have received advice from Rethink on how to support employees returning to work after mental health difficulties.

Charities rarely work in isolation. Terry's story is fictional, but it illustrates that positive change almost always relies on a series of activities and organisations, often acting at different points in time. The importance of good collaboration is not a new idea, and the practical challenges of collaboration are also well known. This paper suggests an approach that could help organisations to understand their collaborative relationships better and so help more people like Terry to achieve positive outcomes.

The report explores how the activities of different charities are linked. It examines how achieving impact depends on a network of activities. By developing the concept of an impact network, we show how a clearer understanding of the links between charities can help achieve better outcomes.

## Why NPC has written this report

This report provides a framework in which to think about the importance of links between the activities of different charities in achieving positive outcomes. It is an approach that we hope will encourage thinking beyond the boundaries of a single organisation. The charities we have worked with in writing the paper are some of the larger organisations either in their own fields, or in the charity sector in general, but we hope this report will be useful for all charities and funders.

We argue that:

- Charities benefit from understanding the impact networks in which they operate, and their roles within those networks.
- Charities can improve the delivery of outcomes by working with their impact networks to collaborate, to identify gaps and to reduce waste.
- Larger charities and funders have distinct, important roles in making impact networks work effectively.

In a difficult economic climate, charities are currently facing severe financial pressures, greater competition for fewer funds and, in some cases, greater demand on services as the public sector pulls back. As a consequence, many charities are facing the necessity of scaling back, or even closing some of their activities. In this context it is all the more crucial that resources are allocated to the activities, and networks of activities, that are most effective in delivering the outcomes charities are striving for—NPC believes that this creates an even stronger impetus for working together as an impact network.

## The structure of this report

The first chapter explains what an impact network is. It shows how outcomes that improve people's lives are often achieved by a network of activities delivered by more than one organisation, and emphasises the importance to stakeholders (charities, funders, government) of understanding this.

The second chapter illustrates three ways in which understanding impact networks can lead to increased impact. It draws on similar approaches from outside the charitable sector, and highlights the challenges charities face when working in these ways.

The third chapter sets out the practical actions charities and funders can take to make more use of impact networks. It also identifies some distinctive qualities of larger charities that NPC believes might be used to support impact networks.

## 2. What is an impact network?

This chapter outlines the concept of an impact network. It shows how positive outcomes for people are often achieved through a network of activities delivered by more than one organisation.

### Understanding what activities are needed to achieve outcomes

Most charities exist to make positive changes to people's lives. However, the social problems charities address are often complex, and achieving a positive change or outcome involves a range of activities. Often this range includes activities delivered by other organisations. The full range of activities across multiple organisations is what we mean by an impact network.

For example, Figure 1 shows the impact network for the British Red Cross in Nottinghamshire. On the left of the diagram is the desired outcome for the beneficiaries of the charity's Emergency Response Care in the Home service: namely to be able to live independently. The central column shows the outputs the British Red Cross in Nottinghamshire has found to be important in delivering that outcome. To the right of the diagram is the full range of activities that contribute to the outputs and outcomes. It is worth pointing out that not all impact networks are this complicated!

The role of the British Red Cross in achieving the outcome is to focus on providing emergency response social care services—highlighted in blue in Figure 1. But many of the activities that contribute to the charity's desired outcome are not delivered by the British Red Cross itself, and so achieving the overall outcome relies on other organisations' work too.

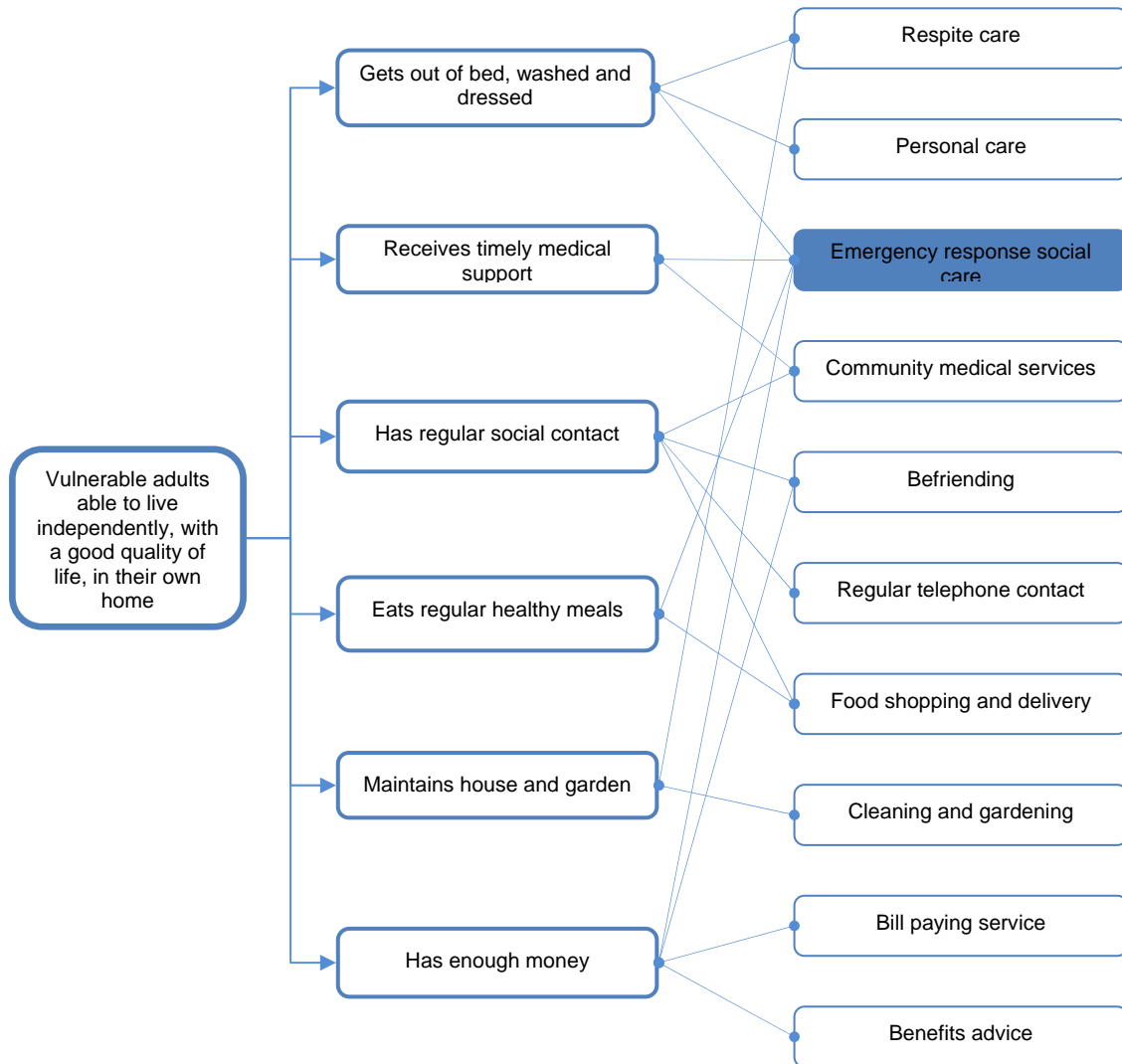
The organisations in the impact network rely on each other and need to work together to deliver the desired outcome. The absence of one of these activities can lead to a decline in quality of life for the beneficiary, and threaten his or her capacity to live independently at home. Were there to be duplication of any of the activities in the network, this would be a waste of resources.

The impact network for the British Red Cross illustrates the involvement of multiple sectors (public, voluntary and private) which often consider themselves distinct and separate. In this example, the British Red Cross works with the NHS, Social Services, small voluntary groups and private care providers in supporting vulnerable adults in Nottinghamshire.

Some of the outputs and activities that contribute to achieving a positive outcome may be outside one organisation's mission, so the impact network may imply a need for relationships with organisations that a charity has never previously seen as being part of its field. For example, providing garden maintenance is important for some vulnerable adults in Nottinghamshire, but the private sector organisations working in this area do not, of course, share a mission with the British Red Cross. In these sorts of circumstances, relationships can be very arm's-length.



**Figure 1: Mapping the impact network for the British Red Cross's Emergency Response Care in the Home Service in Nottinghamshire**



The idea of modelling activities as an impact network is a concept rather than a precise method. Its aim is to give an understanding of the activities that are needed together, not in isolation, to achieve a positive outcome. It may be necessary for charities to collaborate with other organisations to understand the network, so as to avoid the pitfall of assuming that only their own services and activities are important.

The concept of an impact network can be applied to a variety of different circumstances, each with its own complexity. For example:

- activities that are consecutive in time, and activities that must be coordinated simultaneously;
- activities that are either very localised, or that are national or even international;
- activities designed to achieve specific outcomes for individuals, and those aimed at achieving long-term improvement for a whole sector.

## 3. How impact networks can improve outcomes

This chapter illustrates three ways in which understanding impact networks can improve outcomes. It draws on similar approaches from outside the charitable sector, and highlights some of the challenges charities face in working in this way.

NPC believes that all charities would benefit from understanding and working with the impact networks within which they operate. Our research suggests that an effort here should lead to greater effectiveness in delivering positive outcomes, in three main ways:

- there should be more effective links between activities and organisations;
- gaps in activities can be identified and addressed;
- resources can be allocated to avoid duplication and waste.

In the sections that follow, we explore each of these benefits by drawing on examples from charities and from other sectors.

### 1. More effective links between activities and organisations

Understanding impact networks can help charities to identify where closer links between activities within the network will increase impact. Greater impact through better links between activities can be achieved in two main ways:

- through closer alignment of the strategies of organisations in the impact network;
- by charities coordinating delivery of activities or by collaborating to deliver activities.

#### Closer alignment of strategies

Charities can use the impact network concept to develop a common strategy for achieving a desired outcome, and to agree responsibilities for delivery of the activities needed. The process can clarify the role of different organisations and activities in the network, and enable charities to focus efforts where they will be most effective. This approach can help ensure that all the activities needed to deliver the desired outcomes are provided and that there is no unnecessary duplication. For example, a charity may not be very effective at service delivery but strong at influencing public policy—collaboration in developing strategy can ensure these two different but important roles are delivered by the organisations most effective at doing so.

#### **Box 2: In practice—Alignment of strategy to deliver outcomes**

When the UK Vision Strategy was developed, there was a consultation process (led by the RNIB) with 650 organisations and individuals to identify three common strategic outcomes to support people with, or at risk of, vision impairment. The analysis of the impact network gave clarity about which activities should be prioritised and what roles different organisations should play for each outcome. Within each outcome, the priority actions needed for its delivery were also agreed. Organisations within the UK Vision Alliance were then able to align their corporate strategies and activities with the priority actions.

## Increased impact through better coordination and collaboration

Greater impact can be achieved through good coordination (working separately but in a synchronised way) and/or close collaboration (working together to deliver activities).

Good coordination can increase impact in several ways. As well as the obvious benefit of ensuring that an individual receives the full range of support needed and at the right time, coordination can also increase impact by synchronising services in ways which amplify their effect (for example, coordinated campaigning activities) and by reducing delays and costs. Without coordination, outcomes can be poorer, or non-existent.

Close collaboration ensures that beneficiaries receive the full range of services they need from the most effective provider. Good collaboration can also achieve multiple outputs from single activities, for example, service user consultations can both improve the quality of service and gather data for policy work.

Links can be built across organisations through informal structures that may need no more than regular communication to have benefit. Links may also be created through formal coalitions, or by integration via merger. Many contributors to our research felt that effective collaboration often stems from working relationships between individuals, and happens much more frequently at an informal service delivery level than the corporate level. Whether collaboration occurs at corporate or front-line level, on a formal or informal basis, the impact network concept helps to ensure it is clearly focused on achieving greater impact.

### Box 3: In practice—Coordination in the delivery of activities

A good example of synchronised activity is Oxfam GB's Climate Change Campaign work in Bangladesh. Oxfam coordinated the establishment of a coalition of over 150 Bangladeshi organisations—the Campaign for Sustainable Rural Livelihoods—to lobby the government in Bangladesh. The coalition was seen by Bangladeshi policy-makers as being representative and having broad backing, and it was more effective in influencing thinking than either individual lobbying by grass-roots organisations or by Oxfam as an international NGO. The Campaign for Sustainable Rural Livelihoods' Climate Justice Campaign led directly to policy change, and later to successful demands being made by the Bangladeshi government at the Copenhagen summit of 2009 (Cugelman & Otero, 2010).

### Box 4: In practice—Designing linked activities for collaboration

Thames Reach uses collaboration when an outcome requires activities outside its own core services. The charity's strategy is based on its 'core business model': the activities and services it is best at delivering, whilst seeking to collaborate with organisations in the impact network providing linked activities. For example, Thames Reach did not have any direct experience in working with Irish travellers but recognised that they were a disadvantaged group which needed assistance. The charity formed a partnership with a small organisation whose focus was the Irish community in Lewisham and were experienced in working directly with individuals from the community. Thames Reach acted as the main contact with the commissioner, the London Borough of Lewisham, and were the conduit for the funding and responsible for overseeing the quality of the service delivered. By working together in this way they improved the scope of the provision offered.

Thames Reach has also had a highly productive collaboration with a research consultancy to achieve multiple outputs from activities. The charity does not see research as its core business, but through this collaboration it has designed its activities so that the information gathered can be used for research and analysis outputs.

## 2. Using impact networks to identify and address gaps in activities

Charities that understand their impact networks should usually be better able to identify gaps in activities and weaknesses in the capacity of organisations in the network.

If there is a gap or weakness in the impact network, then organisations in that network should take action to address it—or their ability to achieve the outcomes they seek could be compromised. Organisations can address these gaps and weaknesses in several ways: they may choose to strengthen the capacity of existing organisations through funding or expertise; they may decide to start up the activity themselves; or they may encourage and support others to provide the service. Understanding the impact network and the strengths of the organisations within it can be helpful in deciding which of these options to take.

### Strengthening the capacity of the network

Some of the charities that NPC spoke with for this research see their primary role as building the network, supporting the development of its capacity, and ultimately helping it to stand alone without support.

#### **Box 5: In practice—Acting as an investor to help the network achieve sustainability on its own**

The concept of investing in partners is now integral to the approaches of both Oxfam GB and Christian Aid. Christian Aid describes this approach as empowering people and local partner organisations to address their own needs. This investment approach is central to the charity's theory of change as:

- working in this way ensures sustainable change is not reliant on Christian Aid in the long term;
- stronger local partners are able to increase the scale of their activities; and
- Christian Aid is able to move on to support emerging issues or new territories.

Oxfam GB is also an investor—it describes its overall purpose as being to work with and through others to overcome poverty and suffering. Whilst Oxfam GB does deliver services directly, it also acts as an investor in other organisations in the belief that *'local communities and other civil society partners can better understand, represent, and address the rights, needs, and aspirations of poor people.'* (*Working with others: Oxfam GB partnership policy*, 2007)

At the beginning of a new partnership, Oxfam GB will aim to identify how to help its partners become stronger organisations, and then seek ways of meeting these needs. Alongside financial support, Oxfam's staff often share their experience via training and acting as advocates on behalf of partners. Oxfam will also help partners to identify external sources of capacity building support (*Oxfam GB in Partnership: A Global Strategic Evaluation*, 2007).

### Starting up the activity in house

New charities usually form in response to an identified need which is not being fulfilled. However, gaps are also identified by existing organisations which they decide to address themselves. A successful example of this is Barnardo's Sexual Exploitation Services for children. Through the charity's work with extremely vulnerable children, it identified a need to provide support to those who were being sexually exploited, in order to work towards better

overall outcomes for those in this situation. At the same time, Barnardo's has also succeeded in changing the public's perception of these children, from criminals to victims.

## Venturing: Enabling others to fill the gap

Instead of starting an activity itself, a charity might decide to encourage and support another organisation in setting up the service.

In the commercial world, the practice of investing in external ventures is often known as venture capital, and is undertaken either for strategic or financial reasons. A good example of venturing in the charity sector is Macmillan Cancer Support (see Box 6).

### Box 6: In practice—Venturing within the impact network

Macmillan Cancer Support wants to improve the provision of support and care for people with cancer. It has identified the need to support the improvement of activities delivered by others in its impact network—especially the NHS—to achieve this goal. It does this through:

- practical support: funding specialist nurses and other medical staff on a time-limited basis;
- standard setting, eg, the Macmillan Quality Environment Mark;
- campaigning for changes in practice by other organisations in the impact network.

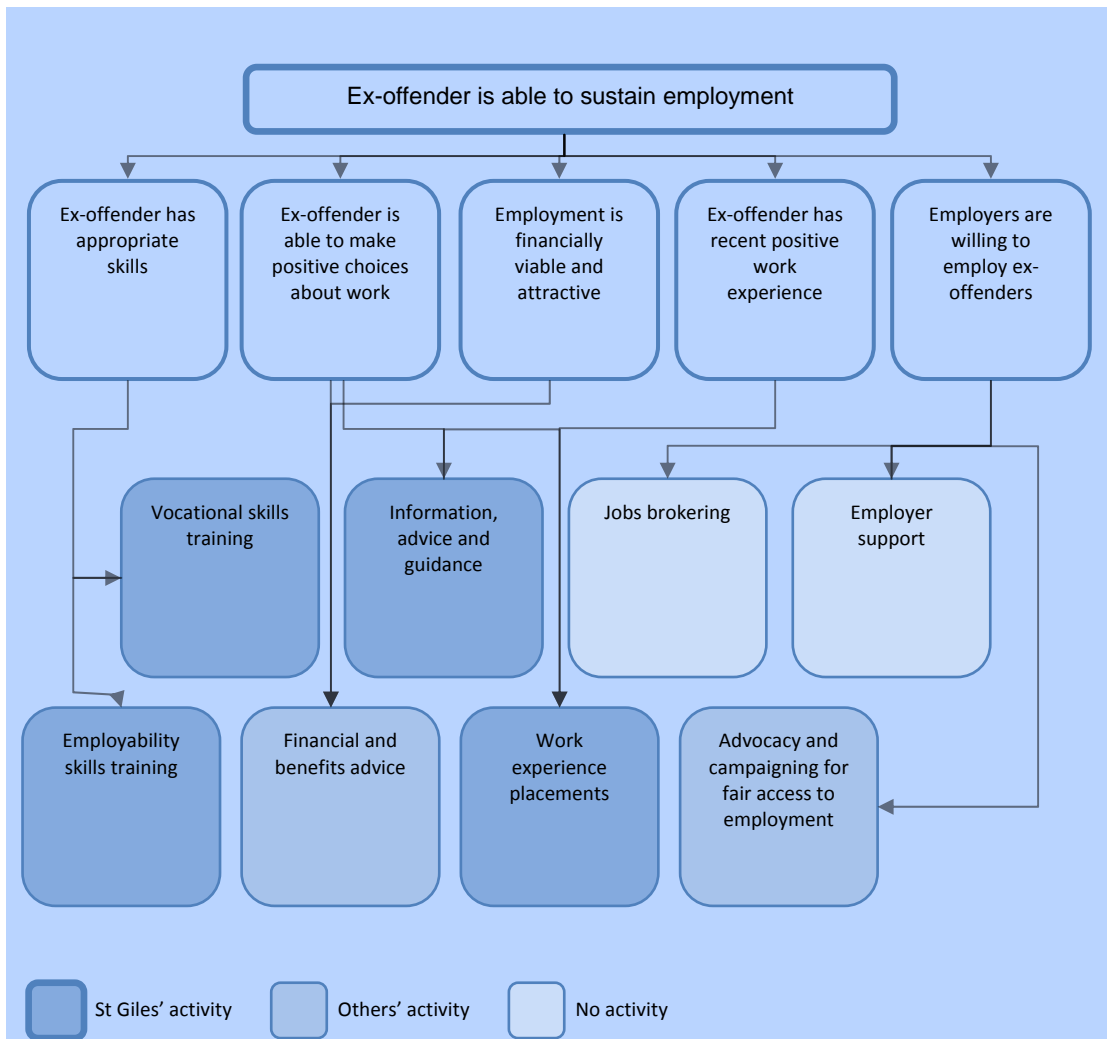
Macmillan's strategy sees it operating a little like a catalyst for service development in the NHS. The charity invests funds in the provision of a Macmillan Nurse, working within the NHS typically for three years. The charity's desired outcome is that the nurse is retained and funded by the NHS permanently. This is, then, a strategic investment in a new activity to achieve an outcome where there is a gap in the impact network. Macmillan's impact is made attributable by branding the roles as Macmillan Nurses.

### Box 7: In practice—Deciding how to tackle a gap in activities

When St Giles Trust was considering the support necessary to get ex-offenders back into employment, it identified the importance of a recruitment agency service providing jobs brokering and employer support. Figure 2 shows the impact network including the activities undertaken by St Giles, others, and where no services were in place for St Giles' beneficiaries.

St Giles Trust recognised that its clients were not currently well served by existing agencies, and so considered the opportunity for a recruitment agency, focusing specifically on recruitment of ex-offenders and supporting employers, to do so. A key consideration was whether the new service should be integrated with St Giles Trust, thereby capitalising on its strong reputation and experience of the client base; a stand alone start-up entity; or an integrated service with an organisation with existing recruitment agency experience and contacts. The decision rested on which option would be most effective and efficient in achieving the desired outcome: ex-offenders in sustained employment.

**Figure 2: Impact network for ex-offenders sustaining employment**



### 3. Allocating resources to avoid duplication or waste

Many charities are facing cuts in their funding so are having to make difficult decisions about how they allocate resources. Understanding the outcomes achieved by different activities is essential to making those decisions within an organisation, but an appreciation of the impact network should also help a charity identify which activities could potentially be offered more effectively or efficiently by another organisation. This would help achieve 'more for less' and requires charities to put beneficiaries first and their own organisations second.

#### **Box 8: In practice—Improving effectiveness through outsourcing**

Macmillan Cancer Support understands the importance of financial and benefits advice in supporting people living with cancer, and their families. Although it provides its own information and advice services, it identified that financial and benefits advice can be highly specialised. So, whilst it wants to provide a joined-up service for people with cancer, Macmillan has outsourced some of its face-to-face financial and benefits advice to other organisations, initially working exclusively with Citizens Advice Bureaux and now with a broader range of organisations. The services provided are funded by and branded Macmillan, but are delivered by specialists to improve effectiveness.

**Box 9: In practice—Reallocating resources to more effective activities**

The MS Society decided in summer 2010 to stop operating its four respite care centres. The decision attracted lots of debate amongst its members and more widely in the charity sector, including via NPC's blog\*. The MS Society believes its respite centres provide an excellent level of care and are popular among people that use them, but the number of people able to use them is limited, and the charity believes it important for people with multiple sclerosis to have the opportunity to choose from a wide range of short breaks, adaptable to their care needs as well as to where they live.

The MS Society does not have the financial resources to provide UK-wide short break support and also run the centres. It had a difficult decision to make, but based on evidence of impact, it chose to withdraw from the respite centres. The charity is seeking to transfer them to another, larger care provider, which may be able to provide a financially viable service through achieving better economies of scale and better utilisation rates (MS Society, 2010).

\* <http://newphilanthropycapital.wordpress.com/2010/09/03/ms-societys-use-of-evidence-more-than-a-little-careless/>

## The challenges of working with impact networks

The challenges of charities working together are well known, and include:

- the time it takes to establish and support collaboration;
- the need for trust between individuals and organisations;
- the need for cultures that focus on outcomes over organisations for their own sake.

Beyond this, the research for this report has highlighted some specific challenges for charities seeking to work more closely with other organisations in an impact network.

### Assessing the relative value of activities

The first challenge is in mapping the activities in an impact network and identifying which activities are critical to achieving the outcome sought.

Mapping the range of activities needed to deliver a positive outcome is not straightforward, especially in complex social issues which span many organisations. The UK Vision Strategy took a year's work, and a significant investment from RNIB.

When an analysis of an impact network suggests that some of a charity's activities do not make a significant contribution to the overall outcome, it can be hard to accept this and to decide to stop doing the work: giving up on something previously committed to is tough. The case of the MS Society's decision to withdraw from residential respite care shows how controversial decisions on relative value can be. It also highlights how this approach is not about choosing between good and bad, but usually about choosing between good and better for a group of beneficiaries with differing needs.

We also need to recognise that the outcomes of some activities can seem small, though they may be very significant for a beneficiary. For example, encouraging someone with a mental illness to get out of bed in the morning and get dressed can be a small but important first step in recovery.

However, simple approaches can be effective: talking to beneficiaries about what other services they receive and value; talking to front-line staff about who else they work alongside and regularly refer to will yield helpful information that can be used to identify the impact

network, and to provide some assessment of the importance of activities.

## Investing in external organisations

Another challenge for charities working together in impact networks arises in connection with the need to support activities or organisations not under the charity's control. The RNIB has managed this in its recognition of the important role played by local support charities for blind and visually impaired people. It has provided financial support (including loans) to some of these, requiring the charity to trust these smaller organisations to use the funds wisely.

A second challenge of investing in other organisations is associated with the problem of attribution. Difficult anyway, it becomes harder still to measure the contribution to outcomes of building the capacity of another organisation (Abdy & Bolton, 2007). In addition, when supporting activities delivered by other organisations, there can be a concern that the collaboration should not lead to a dependency of one organisation upon another. Organisations like Oxfam GB and Christian Aid have explicit objectives in building the capacity of their partners so that they can be sustainable on their own, but the process is neither easy nor short-term.

## Perceptions of power imbalance can deter engagement

Another challenge in establishing effective impact networks stems from the imbalance in power and influence of different-sized charities. This reflects a perception that larger organisations—with well established brand names and influence—may wish to use their power to impose their own priorities on others. For example, larger disability charities have seldom, historically, collaborated with smaller organisations run primarily by disabled people. Scope, a large charity in this field, is working hard to put the rights and needs of disabled people at the heart of its strategy and overcome this perception about power, including working closely with some of these smaller disabled people's organisations. This barrier can be reinforced by the behaviour of funders—especially in the public sector—which seek to minimise risk through commissioning a well known, larger organisation rather than smaller ones.

Christian Aid and Oxfam are highly aware of how their power could inhibit their partnerships with local community organisations. Their power over smaller organisations comes from their access to substantial funding and their influence over national and international policy. The risk is that this power drives the activities and strategy of their partners and defeats their goal of building strong, sustainable partners and communities. Both organisations have thus developed policies that ensure that the benefits of this power are shared with smaller partners, for example, national policies are influenced to give partners support, and ensure long-term capacity is built.

## What is the role for formal integration between linked activities?

Not so much a challenge as a question of form and structure, is the issue of whether and how to formalise collaboration. As links between activities of separate organisations become stronger and more effective, a case for formal integration via joint venture or merger may become apparent. However the positive incentives to merge are much lower in the charity sector than in the commercial sector where realising financial gains can motivate management and shareholders.

NPC's research found that most mergers appear to occur in response to a financial crisis, rather than for strategic reasons (Copps, 2009). However, a survey of eleven mergers by Social Finance and KPMG did find links between activities to be behind these decisions, which is encouraging. The top three drivers for merger were: (i) provision of wider, more consistent services; (ii) increased campaigning influence; and (iii) better geographical reach (Social Finance Ltd, 2009).



### **Box 10: In practice—More effective links through merger**

The RNIB has used merger as a tool to support linkages within the UK Vision Strategy. When Action for Blind People joined the RNIB Group, the links between the activities of the two organisations were strengthened by:

- enabling the pooling of resources—especially in back office and fundraising functions, but also in management experience;
- optimising the design of service delivery—so that complementary and linked activities previously operated separately by the two organisations were delivered to service users by a single provider in an integrated package.

RNIB and Action for Blind People retained their separate brands because it was felt better value could be achieved by differentiating the two organisations activities publicly.

## **Competition**

Another challenge to establishing and working with impact networks is the issue of competition. As funds get tighter and demand for services increases, this could become an even greater hurdle to collaboration. Thames Reach has a clear view on this: it is unlikely to collaborate with an organisation with which it is in direct competition. This is because the services provided by each organisation are likely to be similar and there is a risk of duplication. However, on occasions, it will reach agreement with a similar homelessness charity concerning which part of a package of services each will offer within a consortium model of service delivery.

## 4. How can impact networks be applied?

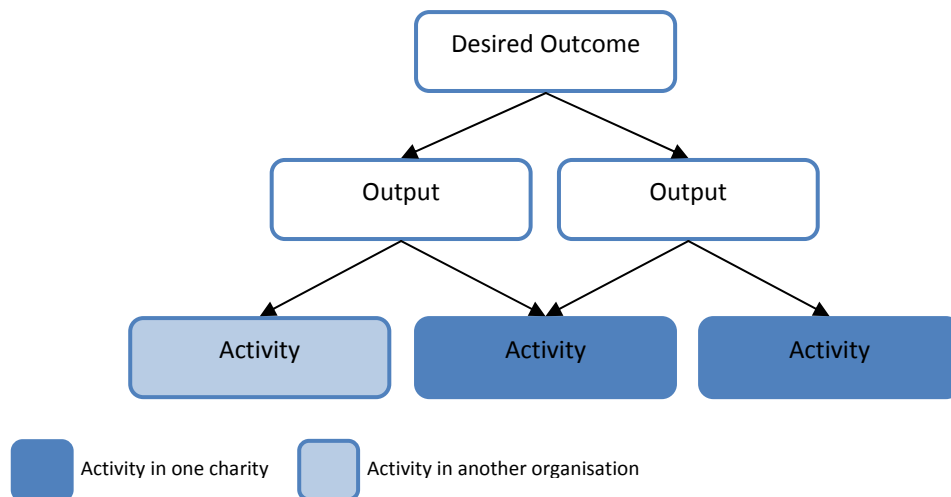
This chapter shows how charities and funders can use impact networks to boost outcomes. It also identifies some distinctive qualities of larger charities that can be used to support impact networks.

### How to use the impact network concept

The starting point for any charity is to map out the impact networks it works within. One way that charities can think this through is to use a process of 'backwards mapping', starting with the desired outcome and using this to identify the outputs required to achieve it, and then the activities required to deliver the outputs (Figure 3). Charities can also talk to service users to help understand the full range of services they receive (including from other organisations), and which services are the most important. This should identify all the activities needed to deliver the outcome.

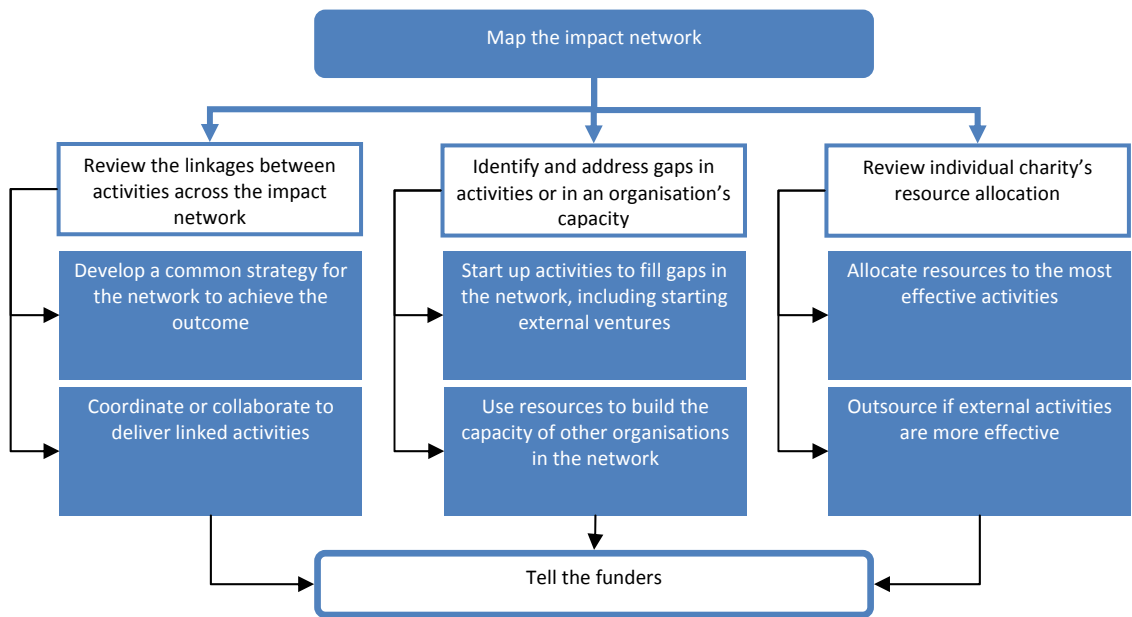
#### Figure 3: Backwards mapping

(Copps & Vernon, *The little blue book: NPC's guide to analysing charities, for charities and funders*, 2010)



The next step is to think through how the different activities are linked or should be linked. This could identify opportunities to develop a common strategy or additional collaboration. It may also show that some existing activities are not critical to achieving the outcome. Figure 4, below, illustrates a process charities can use to apply the concept of impact networks.

Understanding the network may highlight gaps in the activities necessary to deliver the outcome sought. It may also illustrate how the network relies upon activities being delivered by an organisation without the capacity to do so, or which might be vulnerable.

**Figure 4: How to use impact networks to improve delivery of outcomes**

The impact network can also help a charity allocate its resources to deliver the best possible outcomes. It should help a charity understand which activities are critical to delivering the desired outcome and which might be ‘nice to have’. It may even illustrate that a particular activity would be better delivered by another organisation—especially if there is duplication.

It is vital that charities tell their funders that they are part of a network of activities needed to deliver outcomes. As funders increasingly seek to support the delivery of outcomes, charities will need to communicate the often complex networks necessary to achieving this.

## The distinct role of larger charities in developing impact networks

We believe that there is a particular opportunity for larger charities to develop and support impact networks. This stems from their greater financial and managerial capacity, their engagement in a wide range of activities and their ability to convene groups together. Furthermore, larger organisations often have a greater external influence which can be used for the benefit of the network. The UK Coalition Government’s Big Society policies may also create opportunities for larger charities to work with smaller local community partners.

For these reasons, we feel that larger charities have a responsibility towards developing a strong impact network to enhance the outcomes they seek. This view is supported by our research, which shows several examples of large charities achieving better outcomes for their beneficiaries through impact networks. In our examples we have observed the larger charity acting as an investor, intervening either:

- by investing its funds, expertise or reputation to strengthen the organisations in the network, or
- using scale and influence to help the network maximise its impact, and to attract support for the network.

## Larger charities directly investing funds, expertise or reputation to strengthen the network

Larger charities have assets in the form of experience and skills, reputation and sometimes funds that can be invested in impact networks. We have found examples of larger charities acting as strategic investors in ensuring outcomes are achieved, rather than taking a narrow view of just developing the activities of their own organisations. The investment by Macmillan in Macmillan Nurses is a good example of this, as is the support that the NSPCC gives to CEOPS, the online child protection agency.

### Box 11: In practice—Thinking like an investor in the impact network

Macmillan Cancer Support is a good example of a larger charity whose theory of change is based upon being an investor and bringing about change through other partnerships within its impact network. It risks its own capital in starting up or supporting the development of services not directly under its control.

## Larger charities using scale and influence to help the network maximise its impact, and to attract support for the network

Large charities can play an important role in the formation and strengthening of relationships between organisations in the network. For example the UK Vision Strategy would not have been developed without the leadership of the RNIB (see Box 12). Larger charities can use their visible brands and the trust they inspire to attract support for the network—this is the role played by Scope in enabling Disability Lib to attract funding from the Big Lottery Fund.

### Box 12: In practice—Building relationships between organisations and individuals in the impact network

RNIB's leadership of the UK Vision Strategy is a very large-scale example of a larger organisation building relationships across an impact network. The process of developing the strategy involved 700 people, took one year and had a multi-hundred thousand pound budget.

Similarly, in Nottinghamshire, the British Red Cross plays a key role in brokering and coordinating NHS, local authority, voluntary sector and private sector activities to support vulnerable adults.

### Box 13: In practice—Having a strong voice on policy on behalf of the impact network

Oxfam's Climate Change Campaign work in Bangladesh was enhanced by the charity's international campaigning experience and influence. So, Oxfam gave local support to NGOs in Bangladesh in campaigning for a change of national government policy, and reinforced its support for the impact network by campaigning on the international stage at the Copenhagen summit (Cugelman & Otero, 2010).

### **Box 14: In practice—Using the trust of funders for the benefit of an impact network**

Scope is the accountable body for Disability Lib—the coalition undertaking capacity-building work with some of the smaller disabled people’s organisations. Scope’s involvement gave the Big Lottery Fund the confidence to award £4.2m to support smaller organisations in this field.

Both Christian Aid and Oxfam have strong public fundraising activities which they use to channel funds to their partner organisations in the developing world. They also act as ‘fund managers’ for institutional donors such as the EU.

## **The investor-investee relationship**

As we have described earlier, building a strong relationship between organisations within an impact network can be a challenge. This challenge can be increased when a well-intentioned organisation seeks to intervene to develop the activities of another. Large charities need to be sensitive of their relatively greater strength and influence, and ideally should not try (or be seen to try) to impose their own strategies or agendas on smaller organisations. This type of relationship can be framed as an investor and investee working together to develop the investee charity, so that a common outcome can be achieved. Our research suggests that collaboration is most productive when driven by personal working relationships, so larger charities should look at building trust and confidence at individual and local levels as well as corporate levels, when investing in their impact networks.

## **Funders and impact networks**

Impact networks can be used by funders as well as charities. If funders are clear about the outcomes they are looking for, then understanding the impact network associated with achieving the outcome will help them to allocate funds in the most effective way. This is especially important in the current climate of reduced budgets and greater demand on funds. Funders can also use impact networks to encourage and facilitate positive relationships between organisations in the network—although the success of those relationships is ultimately down to the individuals concerned.

For the public sector in particular, where there is a strong drive towards funding outcomes over outputs, it is essential that commissioners recognise the need to support impact networks to achieve an outcome. This can be through funding the full range of individual activities in the network; through funding a single organisation as the ‘main contractor’, with the expectation that some services will be subcontracted to other organisations; or through a fund management model such as Social Impact Bonds (see Box 15). There are pros and cons to all of these approaches, but the key point is that whatever approach is adopted, it is important that all activities in the impact network are funded if the best outcomes are to be achieved.

Some grant-making foundations position themselves as early-stage funders, or funders of innovation. An appreciation of the impact network concept when funding innovation should lead funders to go beyond simply supplying money and into more engagement with the network. This might include brokering relationships between the innovation and existing activities; funding measurement of the performance of the network (with and without the innovation in play); and supporting the network to replicate its activities elsewhere. One example of this is the True Colours Trust’s work with East Anglia Children’s Hospices (see Box 16).

Although the concept of impact networks should help funders identify which activities are critical to achieving the outcomes they seek, it is important that funders expect to pay a fair

price for those activities—reflecting both direct costs and a realistic apportionment of overheads required to provide the service. Sometimes it might be the case that a certain activity is dependent on another aspect of the organisation, for example, the credibility of an organisation involved in lobbying for a change in policy might be dependent on research or on experience gained through direct services.

**Box 15: In practice—Fund management to support impact networks**

The innovation of the Social Impact Bond to reduce reoffending by prisoners released from Peterborough prison is an example of a funder—the Ministry of Justice—recognising a network of activities needed to deliver an outcome, and using a third party fund manager Social Finance (with external investors) to deliver this. The Social Impact Bond is a sophisticated example of funding an overall network through a fund manager.

**Box 16: In practice—Funding innovation within impact networks**

In 2007 the True Colours Trust identified that a key issue in children's palliative care is parents' lack of access to support for symptom control. This causes distress for children and parents and, due to a prudent approach from health professionals, often leads to avoidable hospital admissions.

The Trust approached East Anglia Children's Hospices to develop a programme to provide a 24/7, community-based service to tackle this issue. With True Colours' support, East Anglia Children's Hospices have collaborated with the public sector and charities to design a new service that was launched in early 2010.

True Colours is funding an economic analysis of the service, and will work with East Anglia Children's Hospices to package the model so that it can be replicated around the country.

## 5. Conclusion

Charities are facing severe financial pressures as funding is reduced and demand for services increases. In this context it is more important than ever that charities work with a clear focus on how best to deliver outcomes and longer-term improvements for their beneficiaries, and that resources are allocated to the activities that are most effective in doing this. We believe that applying the concept of an impact network can help charities and funders to meet this challenge.

### Understanding and working within an impact network can boost effectiveness:

#### **There will be better links between activities.**

Understanding impact networks can help charities to identify where closer links between activities within the network will increase impact. This can be achieved through closer alignment of strategies between organisations, by charities coordinating delivery of activities or collaborating to deliver activities.

#### **Gaps in activities can be identified and addressed.**

Charities that understand their impact networks are better able to identify gaps in activities and weaknesses in the capacity of organisations in the network. Organisations can address these gaps and weaknesses in several ways: they may choose to strengthen the capacity of existing organisations through funding or expertise; they may decide to start up the activity themselves; or they may encourage and support others to provide the service.

#### **Resources can be allocated to avoid duplication and waste.**

Charities are facing cuts in their funding and so are having to make difficult decisions about how they allocate resources. An appreciation of the impact network will help a charity identify which activities could potentially be offered more effectively or efficiently by another organisation. This will help achieve 'more for less', but requires charities to put beneficiaries first and their own organisation second.

### Larger charities have a responsibility in supporting their networks

There is an opportunity for larger charities to play a particularly important role in strengthening their impact networks. They can help to bring organisations together and can use their reputation to attract external support for the network. Larger charities can also invest their funds and expertise directly in the network to fill gaps in provision and strengthen capacity of important organisations.

If larger charities operate unilaterally and do not foster a strong impact network, we believe they could risk compromising the outcomes they deliver for their beneficiaries. However, working relationships between larger and smaller organisations can be characterised by suspicion and mistrust, so larger charities need to play a sensitive role in supporting smaller charities to enhance the performance of the overall impact network.

## Funders can use impact networks to maximise their effectiveness

Funders are increasingly seeking to fund outcomes rather than outputs of activities. But to do this effectively—ensuring that resources are directed to the organisations and activities that are most effective in bringing about the outcome—funders need to understand the impact network.

In the face of budget cuts, funders should be careful not to cut funding to activities which are vital to the outcomes of a wider impact network, noting that some of those activities and their linkages may be hidden.



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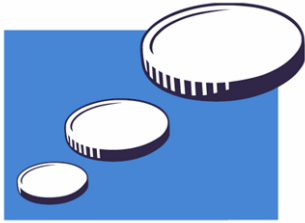
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