



THE CENTER
FOR EFFECTIVE
PHILANTHROPY

Understanding & Sharing What Works

A PROFILE OF IMPETUS-PEF



Impetus
Private Equity Foundation

By Lowell Weiss

Cascade Philanthropy Advisors



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ABOUT THE CENTER FOR EFFECTIVE PHILANTHROPY

The mission of the Center for Effective Philanthropy (CEP) is to provide data and create insight so philanthropic funders can better define, assess, and improve their effectiveness—and, as a result, their intended impact.

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Location: LONDON, ENGLAND

Type: GRANT-MAKING CHARITY

(funds come from individuals, foundations, and corporations)

Established: 2013, following the merger of Impetus Trust (founded in 2002) and the Private Equity Foundation (founded in 2006)

Assets: \$10 MILLION

Staff: 33

Mission: We transform the lives of young people from disadvantaged backgrounds by ensuring they get the right support to succeed in school, in work, and in life.

THE IMPETUS TO LEARN AND SHARE

Impetus-PEF, formed through the merger of two like-minded foundations with roots in the UK's private-equity sector, is not the kind of grantmaker that's content to write a check and receive a report a year later. Instead, its internal team and network of seasoned *pro bono* consultants work shoulder-to-shoulder with each grantee to support learning and improvement. Chiku Bernardi, one of Impetus-PEF's investment directors, describes this intensive approach as "empathetic challenge."

Impetus-PEF developed this approach five years ago after getting hit with an unexpected challenge of its own.

Shortly before the merger of the two foundations was complete, the then-CEO of Impetus Trust invited David Hunter, the former director of assessment for the Edna McConnell Clark Foundation, to come to London to advise her team and board. She was already aware that Hunter spoke his mind—and that appealed to her. But she learned the hard way how unsparing Hunter can be when he detects daylight between rhetoric and reality.

On the first day of his four-day session in London, Hunter seized upon the fact that the new foundation, like both of its predecessors, was pushing grantees to scale before they had evidence they were achieving meaningful, measurable results. "I told them that their approach... was doing more harm than good, creating big opportunity costs for intended beneficiaries, and wasting enormous sums of money," Hunter told us. Hunter's blunt assessment was a shock—and also a timely challenge to the powerful new board.

To their credit, the executives and board saw that Hunter was right: It made little sense for grantees to scale before they knew that what they were doing was working for the disadvantaged young people they served. Hunter's royal kick in the pants prompted a major rethinking of the foundation's investment model. "Up until the point where they met with David Hunter... the conversation with our investment director was all about scaling up,"

explained Jo Rice, the managing director of Resurgo, an Impetus-PEF grantee that helps disconnected young people find jobs. “They were humble enough to say, ‘We’re having a change of heart.’”

Five years after that pivot, Hunter’s tough love has paid off. Impetus-PEF has become a sought-after partner for much larger funding entities in the UK and has earned international acclaim for its sophisticated approach to social investing. At the core of the new approach is building and disseminating knowledge on what works and what doesn’t for helping disadvantaged young people improve their own lives, and sharing the tools that can help charities improve performance and manage their impact.

“
These charities are consistently delivering from across several cycles of reporting. That’s giving us the confidence to share our model of support, learning, and results broadly.

–Elisabeth Paulson

SHARING ITS SECRET RECIPE

In a report called *Driving Impact*, and in a series of related video modules, Impetus-PEF lays out its new social-investment model at a level of detail rarely seen among funders in the UK or US.* “We’ve become almost over-excited about sharing what we do and why,” said Elisabeth Paulson, Impetus-PEF’s portfolio director.

Impetus-PEF’s leaders begin *Driving Impact* by giving Hunter credit for helping them see the flaws in their previous model and helping them redesign to “first concentrate on improving [charities’] ability to make an impact [and then] only when we are confident that an organization is reliably making an impact for the majority of the young people it serves, will we dedicate our resources to dramatically growing theirs.” Impetus-PEF’s leaders then go on to share all the ingredients and the process they use to help their partners improve their performance.

Thanks to a big push from Andy Ratcliffe, who became Impetus-PEF’s CEO in 2016, the foundation is equally focused on its own performance. “We’re obsessed with making sure we take the same medicine we ask our charity partners to—and that includes performance managing ourselves to know whether what we’re doing is working, and how we can get better. We haven’t found other foundations who’ve really cracked this so we started from scratch,” said Ratcliffe.

To hold itself accountable for strengthening the most promising charities focused on improving the educational and employment outcomes of disadvantaged young people throughout the UK, Ratcliffe and his board now regularly review sophisticated dashboards to track progress. The dashboards a) present sector-wide goals for education and employment, b) track the foundation’s contributions against sector-wide goals, and c) track how individual grantees are building their capacity for impact, delivering it, and sustaining that impact as they grow. “The dashboards were designed to ensure that our key governance groups and executive team could better manage to mission,” said Paulson. “They’ve made it much easier for us to identify what’s going well in our portfolio and what’s not going so well, and prompt conversations about how to change our own program of support to do better.” Impetus-PEF shares an anonymized version of these

* “Driving Impact” Impetus Private Equity Foundation, 2016, <https://impetus-pef.org.uk/assets/publications/Report/2016-Driving-Impact-paper-FINAL-SINGLE-PAGE-SPREAD.pdf>; “Impact Management Training” Impetus Private Equity Foundation, 2017, <https://vimeo.com/album/5076252>.

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Outcomes	1	Number (#) total young people served (all ages) (# charities with data)
	2	# total young people served (11-24 y/o) (# charities with data)
	3	# expected to complete in that year (# charities with data)
	4	# total our TP with outcomes (# charities with data)
	5	Education (Level 2 English & maths)
	6	Higher education (access to higher education)
	7	Employment (Entry into employment, education and/or training)
	8	Other
	9	# estimate attributable outcomes for our TP
Investment	10	# portfolio charities (of which are new)
	11	Average organisation capacity score
	12	Charity Net Promoter Score
	13	# Investment team FTE
	14	£M grant funding paid out
	15	£M value pro bono support

An excerpt from Impetus-PEF's dashboard

dashboards almost every time it meets with or makes presentations to other funders and its own donors.

As a part of holding itself accountable for helping its grantees' improve their organizational performance, Impetus-PEF publishes its Charity Outcomes Framework, which lays out the three core organizational disciplines it deems most important (leadership, impact management, organizational sustainability) and a rating system for tracking progress.* At a recent breakfast for all Impetus-PEF investors, Ratcliffe confidentially shared data on how every grantee in the portfolio is doing with respect to the three organizational disciplines—offering the kind of data that many philanthropists seek but rarely receive from the organizations they support.

PILLAR	CRITERIA	DEFINITION
Leadership	Strength of CEO leadership	<p>Composite of score (average score across three scales below):</p> <p>1. Strategic orientation</p> <p>2. Results orientation</p> <p>3. Team leadership</p>
	Strength of senior management team (SMT)	Main functions = finance/human resources, income generation/communications, programme delivery and impact. Effectively resourced = sufficient capability and capacity.
	Strength of Board	A stable, effective Board providing oversight of strategic and organisational effectiveness, holding CEO to account and providing fiduciary oversight.

An excerpt from Impetus-PEF's Charity Outcomes Framework

* "Charity Outcomes Framework" Impetus Private Equity Foundation, 2018, https://impetus-pef.org.uk/assets/publications/Investment/Outcomes-framework-draft-scale_v7-ZN-edits-FINAL.pdf.

THE PROOF IS IN THE PUDDING

For all the rigor and transparency of Impetus-PEF's approach, it was hard for the foundation to make the case that its approach was actually working. As Paulson put it, "Until last year, we were essentially saying, 'I have an amazing recipe. I'm telling you it's going to taste good because we know what we're doing.'" Now, however, Impetus-PEF has assembled compelling evidence that its approach is, in fact, helping grantees improve their



programmatic outcomes and organizational muscle. "We're now seeing charities are consistently delivering from across several cycles of reporting," Paulson said. "And that's giving us the confidence to share our model of support, learning, and results broadly."

In terms of programmatic outcomes, Impetus-PEF's performance-management system reveals dramatic gains for many grantees over the past two years. One tutoring organization's most important programmatic indicator is the rate at which its students achieve a General Certificate of Secondary Education (GCSE) in math. Two years after it started working in close partnership with Impetus-PEF, the pass rate *increased 40 percent*. An organization that focuses on helping disconnected young people find sustained work or education saw its success rate *increase 37 percent* in two years. Another grantee's key success indicator is the percentage of students who are accepted at a top university. After two years, the organization's success rate *rose 78 percent*.

Impetus-PEF's support is a major factor in these big gains—with the foundation's non-financial support probably being even more important than its checks. In year one, senior staff members help each charity develop and align behind an impact strategy and what kinds of systems it needs to drive consistent delivery, reliable outcomes, and continuous improvement. In the next phase, Impetus-PEF's team helps each organization to implement the strategy and systems. The model is anchored in trust-based relationships, providing deep support over multiple years. Each investment-team member works with a maximum of four charities and spends 100 hours a year with each charity CEO (more when you count time spent with other members of the charity's team). *Pro bono* consultants with specialized skillsets supplement this support.



Elisabeth Paulson

In terms of organizational performance, Impetus-PEF's grantees are also making impressive gains. Using statistics assembled from its performance-management system, Impetus-PEF can see that the longer it works with its charity partners, the stronger they become. It can also see places where its work with grantees has not been helpful enough. For example, the team initially thought that if its grantees were able to produce and demonstrate better programmatic outcomes, private and public funders would step up their support for those organizations. Unfortunately, that did not happen—and, as a result, financial-sustainability did not go up. "So once again, we adjusted our model of support," Paulson said. "We developed a team focused on co-investment. And we now begin work with charities on financial sustainability at a much earlier phase of our investment."

‘IF YOU BUILD IT, THEY WILL COME’ IS FANTASY

Impetus-PEF’s realization that its grantees were not making significant progress on financial sustainability and scalability also gave the executives and board additional incentive to invest in influencing the funding ecosystems in which its grantees operate. As Jenny North, Impetus-PEF’s former director of policy and strategy, explained to the Leap Ambassadors Community, “Sharing is caring!... We’re too small on our own to really deliver on our intentions for young people. We need partners who are aiming for the same goals.... So now we’re opening up a lot to find ways to work much more closely with others, share what we’re learning, and learn from them.”

In practice, that means Impetus-PEF is making a big investment in building and sharing evidence on what works in education and employment and how to develop and sustain performance—and then using that research to advocate for approaches that work with government and other funders.

For example, Impetus-PEF helped create the Education Endowment Foundation (EEF) in partnership with The Sutton Trust and the UK Department for Education. EEF has used rigorous external evaluators to test different approaches to closing the educational-attainment gap in the UK. “One of the big things we’ve seen from these trials is that even with the best of intentions, a lot of things don’t work,” Ratcliffe said. “It’s a stark message that if you want to get the best out of your philanthropic dollars, you have to invest in learning whether it works.”

Impetus-PEF is starting to see other funders pay attention, including some of the largest sources of government funding. One of the biggest kahunas in the UK is the Big Lottery Fund, which awards almost a billion dollars a year. The Big Lottery Fund recently invited Impetus-PEF to work with the organizations funded by Talent Match, its massive investment in youth employment. Impetus-PEF’s Sherine Mahmoud led Driving Impact workshops for the Talent Match leaders. A team of Impetus-PEF investment directors then gave a subset of the Talent Match grantees customized support on impact management. “Working with Big Lottery at this critical juncture is a huge opportunity for us to share the amazing benefits of mainstreaming impact management,” said Paulson.

CONCLUSION

Yes, it took a brash outsider to shake things up for Impetus-PEF. But the foundation was ripe for and receptive to change. Not only does it have executives who care about learning and improvement. It also has a business model that does not allow for complacency. Because it must raise its operating budget every year from individuals and institutional donors, it has a strong market incentive to invest in systems that can help it achieve and demonstrate meaningful, measurable impact.

Impetus-PEF’s funders—many of whom have grown frustrated writing checks without really understanding what happens next—are delighted by what they’re learning



We’re obsessed with making sure we take the same medicine we ask our charity partners to—and that includes performance managing ourselves to know whether what we’re doing is working, and how we can get better.

—Andy Ratcliffe

from Impetus-PEF and its grantees. That's raising their expectations for their other philanthropic efforts. In the coming years, those higher expectations are likely to spread beyond a small group of UK -based funders. Ratcliffe's mantra "We're not here to do good. We're here to do the best" could inform philanthropic practice in countries around the world.

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