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Get "SMART" Measure Your Impact

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How do you prove your organization's impact?

Calls for accountability about the true impact of nonprofit work are on the rise. The problem: There *is* no single, shared framework to evaluate the impact of charitable activities.

// It's helpful to understand what went right—and what went wrong—with the procedures you used. //

We need a standardized solution we can apply across a broad range of nonprofit operations. To find such a solution, we need to identify the core principles any evaluation tool must embody.

That's what we'll do in this article. But first, let's take a quick look at the trends driving this push for accountability and the challenges in implementing a solution.

Calls for Accountability

Increased financial scrutiny in the for-profit world stemming from scandals at companies like Enron led to new regulations regarding financial disclosure and internal controls. The Sarbanes-Oxley Act of 2002 was one such piece of legislation.

Some of these practices have been adopted into the nonprofit world (which has not been without its own scandals), with growing demand for increased internal controls and accountability. This demand has translated into greater scrutiny of administrative costs and reporting metrics based largely on *numeric* output: the number of meals served, the number of children placed in foster care, for instance.

The emphasis on numbers was highlighted by the recently passed Oregon law eliminating state and local tax subsidies to exempt organizations that spend more than 70% of donations on administrative expenses. Unlike past attempts to ban such organizations from soliciting donations (a practice ruled unconstitutional by the Supreme Court in 1980), this latest

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legislative solution seems likely to stick. Other states are already following Oregon’s lead.

In addition, a number of state and federal government agencies are moving to more of a pay-for-success model. They either set performance and tracking standards that nonprofits must meet, or they disburse funds based on an organization’s ability to reach specific benchmarks.

Add to that the fact that individual donors, foundations, and government organizations are still smarting from the economic crisis. Everyone is searching for a way to assure that scarce resources go to the most “worthy” projects. In that context, it is perhaps not surprising that pay-for-success programming and data-driven leadership practices are becoming more prevalent. Government agencies are paying for concrete and measurable social outcomes only after they are achieved, and taxpayer dollars are flowing largely to social programs with proven results.

Searching for Answers

Without a shared framework for evaluation, most organizations tend to simply measure what they can. While more information is better than less, data collection that is neither coordinated or strategic limits an organization’s ability to build upon data reported by other entities. This makes assessing impact difficult, if not impossible.

The absence of a standardized approach isn’t attributable to lack of viable models for outcome assessment. In fact, quite a number of models have evolved in the past 20 years, with a range of proposed approaches.

Despite improvements in financial reporting standardization, an equivalent discipline of evaluating impact hasn’t materialized. The challenges involve the technical aspects of measuring progress as well as values-based decisions about which measures are appropriate and how much progress can be considered a success. In other words, it’s not just measuring success that is the challenge. It’s deciding what success even *looks* like in the first place.

Highlighting this challenge is the movement claiming that financial benchmarks alone should not be the focus. Rather, organizations should be held accountable for the overall “impact” of the work.

One vexing problem is the lack of agreement on terminology. The terms *output*, *outcomes*, and *impact* are often used interchangeably, but they mean very different things:

- **Output** is the activity you have performed—serving meals to the homeless, holding workshops, and the like.

- **Outcome** is the difference you have made as a result of your activity—homeless people are in a safe environment and no longer hungry; workshop attendees have gained the intended knowledge.

- **Impact** is the change that has occurred in society—poverty has been reduced, for example—as a result of your work.

Outputs and outcomes are often straightforward, but things get fuzzier when we try to measure impact. Aside from the moral dimension, what measurable societal benefit has accrued? For example, does providing resources to the underprivileged reduce crime? Does training people reduce unemployment? Because answers to such questions aren’t clear-cut, models measuring social impact tend to be controversial and hotly debated.

SHOULD YOU MEASURE IMPACT AS WELL AS OUTCOME?

Among the objections to impact measurement is the suggestion that, while it may be more relevant, it tends to be less reliable. Metrics based on impact are also less easily compared. Numerical comparisons are far more likely to provide relevant context when we measure our outputs and outcomes than when we try to measure our impact.

Additionally, one of the most compelling arguments against impact metrics is the fact that they’re difficult to *control*. What if the same jobs training program is delivered to two groups of individuals and the makeup of one group happens to result in poorer long-term employment results? Is it fair to evaluate an organization based on outcomes that are out of its control?

While these debates continue, what *is* clear is that metrics and provability remain at the heart of the search for effective measurement.

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An example

Despite the difficulties of homing in on a unified solution, some high-profile examples have shown the intriguing potential of more rigorous and thoughtfully designed measurement. One such example is a well-known program with a mission of getting more inner-city youth enrolled in college. On the surface, the program appeared to be very successful: The numbers of such youth going to college increased dramatically, and administrative costs were low. However, years later it was discovered that very few of those youth actually *graduated* from college.

While output data suggested that the program was successful in achieving its goals, the outcomes were not achieved. The

long-term impact of that program was understandably called into question.

With new information in hand, program staff reallocated some of their resources into supporting students while in college. This actually lessened the initial planned output (fewer students were taken into the program and thus fewer students went on to college). But it ultimately increased the number of students who graduated.

This example highlights the importance of identifying well-conceptualized outcome goals and securing agreement among stakeholders as to what constitutes a success. It also speaks to the slippery and sometimes difficult-to-quantify notions of long-term impact.

This isn't to say that you shouldn't try to measure your impact. Every nonprofit should make a serious run at evaluating the impact of its activities. But it's important not to put all your faith in such measures. Yes, evaluate your impact, but also put effort into assessing your outcomes and your output, and understand that those measures are easier to quantify.

In addition to measuring output, outcome, and impact, it's essential to measure the *processes* you use on your way to your goals. Regardless of the level of "success" identified by the evaluation, data about your processes are extremely valuable. Such information will sharpen your understanding of what works, what doesn't, and what needs to be changed, adapted, and improved.

The Keys to Evaluation Success

With a little planning and attention to detail, it *is* feasible to evaluate outcomes and impact for most philanthropic activities. Here are the principles that will increase your chances of evaluation success:

TRANSPARENCY

The link between your proposed outcomes and your success in achieving those results should include detailed information about the resources required. This relationship is often referred to as the "causal linkage."

This relationship must be clear for each of your proposed outcomes. The flow from resources to activities to outcomes should be evident. To achieve transparency, you must articulate the following:

- **Activity demands:** What activities do you need to perform to achieve your intended outcome?
- **Resource requirements:** In addition to financial support, what resources will be needed to ensure that those activities occur?

A tremendous advantage of pinpointing causal linkages is that they help you evaluate elements of the work process. As noted above, it's vital to assess the processes you use on your way to your goals. Such information will help you correct mistakes and strengthen procedures.

// Is it fair to evaluate an organization based on outcomes that are out of its control? //

MULTIPLE MEASURES

Be sure you have at least two measures for each outcome. This gives you evidence from multiple perspectives. It will also avoid a scenario where there is only one measure and the results aren't positive.

HISTORICAL CONTEXT

It's rarely possible to make an apples-to-apples comparison of outcomes with identical target populations in the same environment. It *is* possible, however, to compare outcomes with previous years, reports from organizations with similar objectives, and evaluation reports in the philanthropy and human services literature.

Such information offers valuable perspectives into how your program's level of success compares with peer organizations and benchmarks. You can use these insights to improve and refine your program.

DATA REVIEW PLANS

You should have plans in place to share the data you gather with your stakeholders and service recipients. The best nonprofits revise programs based on lessons learned from the results. Their programs continue to evolve based on new and emerging insights and knowledge.

Focus on Evaluating Your Processes

As the above discussion makes clear, one of the most important things you can measure is your process. Even if you don't reach your goals, it's helpful to understand what went right—and what went wrong—with the procedures you used.

The reality is that many programs don't reach the hoped-for level of success on their first try. But, if you've been collecting process data related to your resources and activities, you'll know how to make the next time better.

A SMART Solution

The acronym SMART captures the crucial elements of an evaluation program or set of metrics. As applied to nonprofit activities, the identified outcomes must be:

Specific: Instead of aspiring to "cure poverty," consider an outcome like "increase the wages of graduates of our training program." It's much more focused and gives a clear sense of what you plan to accomplish.

Measurable: You need to have data available that you can use to measure the outcome. For example, you might use pay stubs to calculate the hourly wages of clients who get jobs after attending your training program.

Action-oriented: The outcome must reflect a change for the better among the target population (“there will be more of X or less of Y”).

Realistic: Be sure your goals are realistic. Consult published literature and online materials to see the results of past programs. Such research will give you a good idea of what realistic outcomes look like. Also, whatever you’re measuring, don’t focus on too many outcomes. You’ll be more successful if you evaluate only a few outcomes at a time.

Timed: Outcome goals must specify the time period during which the program will operate and what outcome measures will be collected.

When you combine these SMART elements with the principles of good evaluation described above, you will have a high probability of success. Not only will you gain verifiable and consistent reporting and accountability, but your results will clarify which innovations are most workable and point the way to changes in subsequent program development. Taking your evaluation results to heart will also assure a culture of continuous improvement, which is the hallmark of an excellent organization. ■

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How Do You Stack Up?

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Measuring Outcomes in the Real World (Vol. 30, No. 6)

Performance-Based Management Builds Funding & Support (Vol. 23, No. 6)

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Setting Up a Control System for Your Organization (Vol. 16, No. 3)

The Sarbanes-Oxley Act & Nonprofits: But I Thought That Didn’t Apply to Us (Vol. 22, No. 5)

Using Your Outcome Measurement System (Vol. 18, No. 1)

Is Your Organization Achieving Optimal Performance? (Vol. 29, No. 3)

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Key Performance Indicators: Nonprofits Need Them, Too (Vol. 31, No. 2)

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New Internal Control Guidance: What You Need to Know (Vol. 28, No. 1)

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