

Measuring Nonprofit Impact and Performance

Executive board members can guide their nonprofit organizations in measuring and evaluating philanthropic return on investment

by Curt Miner



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AS CORPORATE SOCIAL responsibility initiatives and social entrepreneurship have continued to grow in popularity — along with high-impact giving (giving aimed at making a social change in the world) — philanthropy has seen a worldwide upswing. With this increase in billions of dollars of philanthropic support has also come pressure on the nonprofit to measure the impact of its work. Donors, granting institutions and federal agencies want assurance that their gifts will, indeed, yield tangible results. They want to know what, exactly, their money is contributing to.

Measuring Impact

Despite this demand, the nonprofit struggles with how to measure its impact with the constituents it serves. It is, after all, a very different animal from the for-profit with its cut-and-dried measurement system focused on profit and shareholder wealth. “Did we make money?” isn’t the only consideration for the nonprofit, which must contemplate various questions in assessing its performance and its return on investment to shareholders. “If your nonprofit can answer the question, ‘How will things be different for those we serve if we are successful?’ that, then, naturally

leads to a discussion of, ‘How can we measure our impact using this definition of success?’” says Wayne Parker, Ph.D., an outcome evaluation specialist. This type of evaluation is known as a philanthropic return on investment.

Consider, for example, a nonprofit focused on afterschool programming with the goal of increasing school success. How does the nonprofit hope to change the lives of students? That depends largely on how the organization defines school success. Is it based on better grades, fewer drop-outs, more graduates or positive feedback from teachers? The organization’s answers to those questions will dictate the measurement tools needed to track success.

Parker believes executives sitting on nonprofit boards bring specific knowledge and insight to these types of evaluation and performance discussions. “Corporate folks have a background in looking at numbers that monitor performance,” says Parker. “They can bring to the nonprofit a culture of data, where decisions are made based on fact rather than impressions, hopes and wishes.”

That’s not to say, warns Parker, that data analysis must be complex. He believes nonprofits should focus on as few measures as possible — those that are most closely associated



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with the organization’s definition of success. “You don’t have to conduct elaborate research studies. In fact, the nonprofit can gather far too much data. What is needed is something easy to collect, easy to maintain, and something that doesn’t interfere with the nonprofit’s main job.”

Sometimes that data is already being gathered by others and readily available. In the case of afterschool programs, the nonprofit could compare disciplinary reports (required by all schools), looking at the frequency of disciplinary problems for program participants the year before the nonprofit’s afterschool program started and for the first year of enrollment.

In other instances, comparison impact numbers exist by which nonprofits can gauge their own performance against other, similarly focused organizations. For example, federal studies often highlight performance in fields such as health and human services, homeless endeavors and domestic issues.

It’s important to note that measurement tools need not be expensive. The federal Substance Abuse and Mental Health Services Administration, for example, provides tools for measuring drug abuse and delinquency. Other government agencies have similar and reliable public domain/free measurement tools accessible to the nonprofit. And for organizations unfamiliar with data collection and evaluation, a well-trained evaluator can also identify relatively simple tools and measurements that have proven reliability and validity.

What’s key during *any* evaluation of impact and performance, stresses Parker, is focusing on solving the community problem. “If board members, when drawing up grant or donor proposals, can answer certain questions, they increase their likelihood of being funded.” The most critical questions to understand are:

- What is the problem we’re trying to solve?
- What are we trying to do to address the problem?
- Will our intervention produce the change we seek?
- Why should our organization be funded rather than another?
- How will we know when we’re successful?

According to Parker, responses to these questions lead to a theory of change, an explanation of how the activities of the nonprofit will change the lives of constituents in a particular way. In the case of a nonprofit concerned with severe unemployment in 19- to 21-year-olds, for example, the nonprofit may look at the problem as, “These kids are beaten down” and conclude, “We must focus on programs related to self-image and self-esteem.” But there may be other solutions possible, says Parker. The organization might also consider addressing the problem with vocational skills training or interpersonal skills development.

“The theory of change is based on finding the most effective way to produce the desired change.” Part of what the board can do, says Parker, is question the logic of the theory of change within the nonprofit.

Measuring Performance

Executive board members can also guide nonprofits in choosing the appropriate Key Performance Indicators (KPIs) to evaluate performance success.

KPIs, while not always driven by dollars-and-cents measurements, *should* be selected based on the nonprofit’s goals and priorities. Key KPIs for nonprofit consideration include an understanding of the organization’s:

Constituents — Know the people whom the organization serves and also understand how it is performing in support of their needs.

True market — Understand the organization’s performance in the market it serves and how it compares with organizations providing similar services.

Employees and their performance — Understand, at the employee level, in what ways they are impacting the organization’s constituents.

Nonprofit KPIs should also measure:

Operational performance — Know what the organization is set up to do so that it is effectively providing services with the greatest impact to its constituents.

Social sustainability performance — Be able to triple focus: on optimizing financial return, social impact, and social and environmental sustainability. The “triple bottom line” is the best measure of an organization’s success.

In the end, the importance of evaluating the performance of the nonprofit comes down to one thing: sustainability. Organizations that can measure their success and prove a need for continued support will increase their social impact because they will be successful in securing more funding. ■

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