

MEASURING SUCCESS

The Value of Evaluation

Tracking success is at the core of creating a culture of evaluation within a nonprofit organization, where program decisions are made based on facts rather than impressions or hopes.

By Wayne Parker, Of Counsel

When a philanthropic foundation reviews the performance of its investment portfolio, they look at their financial return on investment (ROI), the calculation of which is dollar-based and clear cut. Funders, particularly large ones, are increasingly seeking to measure the performance of their grants portfolio like an investment portfolio, as well. However, the ability to calculate the “social return on investment” created by grants is much more difficult than measuring financial ROI. The key questions that foundations want their grantees to answer are “What positive change will occur as a result of this grant?” and “How can we measure our impact using this definition of success?”

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, better in-school behavior, fewer dropouts, going on to the next level of schooling after graduation, positive feedback from teachers, or a combination of factors? The answer will help determine the appropriate measurement approach and tools needed to track success, and this is the key. In fact, tracking success is at the core of creating a culture of data within a nonprofit, where program decisions are made based on facts rather than impressions, hopes, and wishes.

Data does not need to be complex to drive good decision-making. Generally speaking, nonprofits should employ as few measures as possible, focusing only on those that are most closely associated with the organization's definition of success. Organizations often gather far too much data and are unable to employ it effectively. What's needed is data that is easy to collect, easy to maintain, easy to interpret, and which supports the organization's ability to focus and deliver on its mission.

In turn, when seeking grants from foundations – and other institutional and individual funders – the most crucial questions a nonprofit organization can answer for themselves and their funder are:

- What is the problem we are trying to solve?
- What are we doing to solve the problem?
- Will our intervention produce the change we seek?
- Why should our organization be funded over another doing similar work?
- How will we know if we are being successful?



Responses to these questions lead to a theory of change – an explanation of the activities the organization will undertake to change lives and create impact that can be measured as success.

Evaluating performance and measuring success is important to funders and grantees alike, and it enables both types of nonprofits to use facts to make decisions for increased social impact. Grant-seeking organizations that effectively measure their success are more likely to be able to prove a need for continued support, just as grant-making organizations that measure the social ROI of their philanthropy are more apt to be successful and make a difference.

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