



## Increasing Mission Impact<sup>SM</sup>

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Philanthropy is thriving in the United States, helping nonprofit organizations to enrich the lives of countless people here and abroad. Generous Americans out-give their counterparts in the U.K., the next most generous givers, by more than a two-to-one margin.<sup>1</sup> We are doing much good. But could we be better at doing good?

It would be difficult to imagine someone making an investment in a business without a clear understanding of its expected return. Yet donors regularly make significant investments in nonprofit organizations without knowing what impact their investments are likely to make. In fact, while nonprofits have honed their mission statements to crisply define a compelling cause, few have been able to articulate how to measure progress toward fulfilling that mission. Philanthropists want their contributions to make a difference, but how can they be sure that their generosity is leading to desired results? Simply put, nonprofits must demonstrate and increase their “mission impact.”

The stakes are high. As the most successful and affluent Americans of the last quarter century enter retirement, the nonprofit sector has the potential to receive some \$6 trillion from philanthropists over the next several decades.<sup>2</sup> In the wake of the recent ethical failures of some well-known nonprofits, such giving is driving a movement toward greater accountability, which will increase the importance of demonstrating outcomes. In its 2005 report to the Senate Finance Committee, the Panel on the Nonprofit Sector recommended that charitable organizations establish procedures for measuring and evaluating their program accomplishments based on specific goals and objectives.<sup>3</sup> Yet nonprofits for the most part fall short in focusing on mission impact. For example, a recent study of higher education institutions found that performance indicators such as student satisfaction and employment rates were least emphasized, and recommended that they pursue “evidence-based rather than rhetoric-based” strategies.<sup>4</sup>

### Benefits

Perhaps the biggest obstacle to measuring mission impact is that it can be very difficult to identify indicators or measures that accurately show progress, and particularly ones that demonstrate the causal link between a nonprofit’s efforts and a desired result. Caring for the poor, improving health, and increasing appreciation for the arts are all noble causes – causes whose results can be hard to measure.

But the upside makes the effort worthwhile. Among the benefits identified and realized by nonprofits that have adopted mission impact measures are:

- Better focus for the organization’s work based on clearly specified desired outcomes
- Identification of existing programs that need to be modified or even eliminated

- Identification of new programs and services that result in improved mission impact
- Improved planning and budgeting based on clear goals and outcomes
- More motivated staff who observe tangible progress and whose time is better focused on the most productive activities
- Recruitment of more volunteers and partners who want to be involved with an organization that can demonstrate that it is making a difference
- Attraction of more financial support from individual donors and foundations who seek accountability and proof of results
- Favorable public recognition, competitive distinction and increased brand value

Tangible benefits are achievable. Implementing outcomes measures helped Duke Children's Hospital focus on strategies that improved results, including a 25% reduction in average length of stay, a 25% decrease in average cost per case, a 9% increase in family satisfaction and an 8% improvement in whether families would recommend DCH to others.<sup>5</sup>

## Approaches

The good news is that progress is being made in measuring mission impact, leading to the benefits described above. A primary concept in the work of many nonprofits and foundations is to classify various types of measures. For example, United Way has developed a framework that defines four types of measures:<sup>6</sup>

- Inputs are resources a program uses to achieve program objectives. Examples are staff, volunteers, facilities, equipment, curricula and money.
- Activities are what a program does with its inputs – the services it provides – to fulfill its mission. Examples are sheltering homeless families, educating the public about signs of child abuse and providing adult mentors for youth.
- Outputs are products of a program's activities, such as the number of meals provided, classes taught, brochures distributed or visitors served.
- Outcomes are benefits for participants during or after their involvement with a program. Outcomes may relate to knowledge, skills, attitudes, values, behavior, condition or status. In social services, examples of outcomes include greater knowledge of nutrition, improved reading skills and greater financial stability.

These groupings of measures are helpful in showing that outcomes are distinct from other types of measures – and less often reported. Donors typically receive reports that indicate inputs, activities and outputs. But reports that indicate outcomes are less common and tend to be anecdotal.

The Nature Conservancy recognized a need for better measures and, in so doing, developed criteria for selecting measures: simple, easily collected, easily

communicated, and applicable across the organization.<sup>7</sup> Using these criteria, the Conservancy created a “Family of Measures Model”:

- Impact measures assess mission success
- Activity measures focus on achieving goals and implementing strategies
- Capacity measures gauge the degree to which the organization mobilized the resources necessary to fulfill its mission

The Nature Conservancy’s improved strategic focus and initiatives have led to a doubling of estate gifts over the last six years to over \$70 million<sup>8</sup>.

The Getty Leadership Institute has worked to help arts organizations measure improvement in art appreciation, an important part of their mission. Their indicators of progress rely on surveys of museum visitors, measuring the percentage of respondents who:

- had a greater appreciation of specific artworks or movements,
- demonstrated an improved understanding of why some artworks are more valuable than others, and
- expressed a desire to return to the museum in the not-too-distant future.<sup>9</sup>

In turn, the indicators of progress have helped arts leaders shape their exhibits, programs and performances to strengthen art appreciation.

## Obstacles

Without question there are many obstacles to identifying and implementing mission impact measures. The Robert Wood Johnson Foundation, which works on improving the health and health care of Americans, has seen success after implementing mission-related policies in its work with grantees. RWJF has identified five common obstacles and responses to implementing outcomes measurement:

- Some of the important work has no easily identifiable quantitative measures. Response: create proxies related to the goal that the work/service intends to change.
- The board may be uncomfortable with imperfect measures. Response: align the goals of the staff and board by gaining input from the board early in the process, and commit to refine measures over time.
- It is difficult to justify the spending of resources that could otherwise be allocated to programs. Response: assessment will drive learning and improvement, setting the stage for more efficient use of resources in the future.
- Nonprofits having broad mission statements cannot single out their work’s unique impact. Response: focusing on people served helps establish the causal link.
- Specific measures may limit a nonprofit’s ability to act opportunistically. Response: clear goals and better understanding of past successes (and failures) will help the nonprofit to choose the best combination of opportunities.<sup>10</sup>

## Conclusion

A recent United Way survey found that only 51% of Americans trust nonprofits to do what they say they're going to do with donations they receive.<sup>11</sup> The Brookings Institution found that only 11% of Americans believe that charitable organizations do a very good job of spending money wisely.<sup>12</sup> Without mission impact measures, it is difficult to envision how these statistics will change.

A lack of confidence results in lower giving to worthy nonprofits. And without the benefits of using good mission impact measures, many nonprofits will continue to under-perform in the effectiveness of their programs and services. Should resources and performance lag, the real tragedy will be for those people whose health did not improve, whose knowledge and skills did not grow, and whose quality of life did not increase.

There is a solution. Our great nonprofit institutions have an opportunity to accomplish even more. Improving the way nonprofits *measure* fulfillment of the mission will lead to *increased* mission impact. It is time for philanthropists and nonprofit leaders to commit to making this happen.

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<sup>1</sup> Charities Aid Foundation. "International Comparisons of Charitable Giving, November 2006." CAF Briefing Paper. (2006): 2.

<sup>2</sup> Havens, John J. and Paul G. Schervishi. "Millionaires and the Millennium: New Estimates of the Forthcoming Wealth Transfer and the Prospects for a Golden Age of Philanthropy." Social Welfare Research Institute. Boston College, Boston, MA. 19 Oct. 1999: 3.

<sup>3</sup> Urban Institute. "Building a Common Outcome Framework to Measure Nonprofit Performance," December 2006.

<sup>4</sup> Eduventures. "Competing in Online Higher Education." (2006): 43.

<sup>5</sup> Kaplan, Robert S. "Strategic Performance Measurement and Management in Nonprofit Organizations." Nonprofit Management and Leadership 11.3 (2001): 365.

<sup>6</sup> United Way Outcome Measurement Resource Network, "Measuring Program Outcomes: A Practical Approach." 27 Nov. 2007 <<http://www.unitedway.org/Outcomes/Resources/MPO/glossary.cfm>>.

<sup>7</sup> Sawhill, John C. and David Williamson. "Mission Impossible? Measuring Success in Nonprofit Organizations." Nonprofit Management & Leadership 11.3 (2001): 375.

<sup>8</sup> Hall, Holly. "Much-Anticipated Transfer of Wealth Has Yet to Materialize, Nonprofit Experts Say." The Chronicle of Philanthropy 18.12 (2006).

<sup>9</sup> Anderson, Maxwell L. "Metrics of Success in Art Museums." The Compleat Reader." Getty Leadership Institute (2004): 17.

<sup>10</sup> Giudice, Phil and Kevin Bolduc. "Assessing Performance at the Robert Wood Johnson Foundation." The Center for Effective Philanthropy Case Study Series, (2004): 5.

<sup>11</sup> Gallagher, Brian. "Answering the Wake-Up Call: Change is Necessary for America's Nonprofits." 14 Nov. 2007 <[www.unitedway.org/About/accountability\\_non.cfm](http://www.unitedway.org/About/accountability_non.cfm)>.

<sup>12</sup> *ibid.*