

**The Measure of Success:****Nonprofit metrics**

*In the mission-driven world of nonprofits, emphasis is usually placed on qualitative values rather than quantitative ones (the intangibles of human dignity, spirituality, education, or the arts, rather than revenue or market share). If the truly important things are qualitative, how can quantitative measures be meaningful to us? How can the real value of what we stand for be measured in any meaningful way?*

Quantitative measures are not a substitute for qualitative goals. When developed and used thoughtfully, however, they are essential tools to assist in reaching them. As noted elsewhere in this series—#5: *The Structure of Planning*, and #7: *On a Mission*—a sequence of “how are we going to do that?” questions will lead you from mission to measurable actions. These will offer some important performance measures, but they are not the only bridge between mission and metrics.

Let’s take a look at why and how metrics are important to nonprofits, then consider what to measure and how to make use of the data.

**Why?**

There are four fundamental reasons for developing metrics: focus, sustainability, effectiveness, and communication.

The aphorism “we manage what we measure” points to the necessity of identifying what’s important for success, and then keeping it in focus. For most nonprofits, a fundamental benefit of strategic planning is to start from a clear statement of mission and then to identify how to achieve it, by working in steps from mission to mission based goals to supporting objectives and then measurable actions. A good strategic plan is a roadmap to mission, with milestones along the way. By defining objectives and embedding them into individual and departmental job descriptions and annual plans, you will be setting and communicating clear expectations and directions throughout your organization.

The second reason is sustainability. There is a saying that “nonprofit” is a tax status, not a business model. No matter how different the purpose, values, and culture of a museum, an environmental advocacy organization, or a shelter for the homeless are from those of a widget manufacturer—or from each other,

for that matter—they are all businesses: they must, to survive, maintain a revenue stream that covers expenses.

But it’s not only whether a nonprofit can stay afloat that matters, it’s how effective it is at achieving its mission. Whether your work involves education, health care, or the arts, the point of your activities is to achieve meaningful outcomes. No matter how qualitatively you conceive these outcomes, you can find significant metrics to monitor progress toward them at all levels of the organization. More on that below.

Fourth, beyond their direct importance to organizational operations, metrics of sustainability and success are also of interest to funders—whether individual donors, foundations or government. To attract and hold their attention, you have to communicate to them not only the value of your mission, but concrete measures that show you are delivering on it.

**What?**

Once the benefits of measurement are understood, the issue becomes what to measure. This can best be broken down into (1) defining what is useful information (and 2) to whom. Potentially useful kinds of data include:

**Environment (trends)**

An organization should be aware of changing conditions that may affect its ability to sustain itself and its mission. The broadest range of metrics involves identifying, tracking, and discussing external factors such as:

- How is the need for the organization’s programs and services changing—kinds of programs and services, increases or decreases in need, demographics, geography?
- Is the basis of or relationship between costs and revenues changing?
- Are there evolving external factors that may have an effect on the health or even viability of the organization and the way it frames its mission?

See the sidebar for illustrations of adaptation to environmental trends.

**Norms (benchmarks)**

Most nonprofits can identify other organizations that are comparable in one way or another. In some cases buyers (users) could make other choices (schools, museums, performance venues, houses of worship), and donors

can always do so. Members of an association can compare experiences with other associations to assess the value of the benefits offered.

Resources of various sorts (staff, space, marketing) used for a unit of result can vary widely. If you are aware that your organization varies from the norm in either performance or outcomes, you can examine the reasons and see if there are things you can change.

It can be difficult to acquire the data for norms. In some fields, associations gather useful data and make it available to members. Some nonprofits form benchmarking consortia to collect, share and compare data. In other cases data can be gathered by one institution; this can be a first step toward forming a benchmarking consortium.

See the sidebar for an example of the value of access to normative information.

### Performance

For performance metrics the problem is to sift through a wealth of available or collectable data and determine what is most valuable, to measure the performance of:

- the organization as a whole (for review by the governing board and senior staff and for communicating to stakeholders and the public)
- programs and services (for review in differing degrees of detail by managers, senior staff, and governing board)
- individuals (for annual evaluation by managers and senior staff).

Performance measurement is too large a topic to be addressed meaningfully here, but the basic idea is to identify and winnow the most crucial data for operating with focus, sustainability, and effectiveness. The primary sources for this information include:

- Strategic plan actions
- Standard financial reporting, such as cash flow and budget vs actual comparisons
- Key departmental data in development, communications, membership, and program areas.

**See sidebars & resources on the following page.**

### Outcomes

While trends, norms and performance data can be critical factors in assessing efficiency and sustainability, in the end it's the identification and measurement of outcomes in service of mission that fundamentally validates the organization.

Outputs (what you've done) are often confused with outcomes (what you've achieved). Sometimes it's not easy to define an outcome precisely, or distinguish it from an output (see sidebar). It may be that several measures are required to frame a desired outcome. Often discussion and definition of outcomes can in itself be an important and revealing activity for staff and board alike. As with work on a strategic plan, this should not be a one-time effort, but an ongoing process of reflection and evaluation.

### How?

It is one thing to identify and gather data, and quite another to make best use of it. Once the critical metrics have been defined, including determination of who should receive what data, and how much data they can absorb, there is still the question of how to present it.

Some people can look at standard financial reports and immediately identify the most important information; others can only understand the import of numbers through distilled and simplified graphs. Since information is meaningless unless it is understood and used, sufficient thought must be invested in communicating appropriately to the various audiences.

Among the commonly used tools are:

- Graphs of benchmark and trend data, which can be updated periodically to provide current context.
- Strategic plan monitoring checklists, for a quick overview of the progress of implementation compared to the intended schedule.
- Dashboards, which typically use vivid graphic tools, such as colors, dials and graphs to make them easy to read, though limited in the depth or quantity of information conveyed. Different dashboards can be developed with the information needed by different audiences.
- The balanced scorecard, which distills a broad array of information into a concise summary report, from which key performance indicators can be distilled and tracked.
- Financial models, which can define and track a complex array of variables for major initiatives (see *Critical Issues #6: Financial Modeling*)

In a future number of Critical Issues we'll look at the visual design of these tools, and how to use them to communicate most effectively.

**on Outputs and Outcomes**

Mission and vision statements are qualitative goals. The only way to pursue them, however, is through discrete actions that can be measured (performance outputs), compared (norms), projected (trends) and evaluated (outcomes).

In these examples, the outputs involve simple data gathering. The outcomes are also straightforward data; the challenge is to determine what combination of data points combine to a meaningful measure of accomplishment. One way to select outcome metrics is parallel to the process, in creating a strategic plan, of working up and down the scale from mission to mission-based goals to supporting objectives to measurable actions (see *CI #5: The Structure of Planning*, and *CI #7: On a Mission*). The actions are performance measures. By changing the question from “how will we get there?” to “how will we know we’ve gotten there?” you can develop a version of the plan based on outcomes rather than actions.

Output	Measurable outcome
# of people served	# (or %) who <ul style="list-style-type: none"> <li>complete the program (if that is a significant challenge)</li> <li>find a job (or still are employed after X months)</li> <li>are accepted for college (or complete college within X years)</li> <li>increase their depth of their involvement</li> </ul>
Number of tickets sold	<ul style="list-style-type: none"> <li>Number and length of press mentions</li> <li>Popular and critical success</li> <li>Conversion from single ticket buyers to subscribers or members.</li> </ul>
Website visits	# who take specific actions: <ul style="list-style-type: none"> <li>Donate</li> <li>Send a message to an elected official</li> <li>Enroll in a program</li> </ul>

In each of these cases, the ultimate qualitative outcomes are still the mission and vision statements; the measurable outcomes achieve objectives that support mission-based goals that collectively lead to achieving the mission.

**Planning for yourself?**

We’re happy to offer as much (or as little) advice or guidance as you need. Use our experience to assure your success. Contact Sam Frank to discuss the possibilities. 617 340 9991 sbf@synthesispartnership.com



**Environmental trends**

As competition for leisure time activity has increased and audience preferences have shifted, outdoor museums such as Mystic Seaport have seen decreasing attendance levels. In response to this trend, the Mystic Seaport board of trustees and staff took action to understand the reasons for this decline and determine new approaches that would be relevant to contemporary audiences. This led them to plan a new all-weather, all-season indoor museum using 21st century technology to complement their existing offerings.

Recognizing that its ability to maintain its leadership of the preservation movement is predicated on effective communication with the public, and that a younger public communicates in new ways, the National Trust transformed its website into PreservationNation.org. PreservationNation.org is built on Web 2.0 (social media) principles of open, interactive communications allowing users to participate in the dialogue through blogs, wikis, and other online tools. It is “a virtual town square where people share proven tools, make connections, and get inspired to save historic places.”

**Norms**

Data on comparable organizations can be quite revealing. The data collected by the National Association of Independent Schools offers members extensive information on admissions, staffing and compensations, resources, and fundraising. Despite this rich resource, some schools have found it worthwhile to form their own benchmarking consortia to share more targeted and detailed information. When a parent survey (see *CI #2, The Secret Life of Surveys*) indicated strong support for additional facilities, a school was able to draw on its benchmark data to show that it had almost 25% more square feet of building area per student than its peers, and over 9 times the deferred maintenance burden per square foot. These facts led parents to change their priorities, and support more pressing objectives.

**More resources**

- CI 1: Why Plan? (<http://bit.ly/SyPci01>)
- CI 2: The Secret Life of Surveys (<http://bit.ly/SyPci02>)
- CI 4: On Boards (<http://bit.ly/SyPci04>)
- CI 6: Financial Modeling (<http://bit.ly/SyPci06>)
- CI 7: On Mission (<http://bit.ly/SyPci07>)
- CI 9: Brand Identity (<http://bit.ly/SyPci09>)
- CI 11: Integrated Planning (<http://bit.ly/SyPci11>)
- CI 13: Facility Planning (<http://bit.ly/SyPci13>)
- CI 14: Managing Change (<http://bit.ly/SyPci14>)
- CI 15: Strategic Action (<http://bit.ly/SyPci15>)