Breakthroughs in Shared Measurement and Social Impact

Executive Summary

Mark Kramer, Marcie Parkhurst, Lalitha Vaidyanathan

About FSG Social Impact Advisors

FSG Social Impact Advisors is an international nonprofit consulting and research organization dedicated to accelerating social progress by advancing the practice of corporate social responsibility and philanthropy. Founded in 1999, FSG achieves its mission in three ways:

- **Advice –** Advising leading foundations, corporations, and nonprofits on how to increase social impact through strategy development and evaluation

- **Ideas –** Developing and sharing original research and innovative approaches

- **Action –** Identifying long-term initiatives that address critical challenges and opportunities in the field

FSG's staff of international consultants combines the highest standards of strategy consulting with a deep understanding of philanthropy and the nonprofit sector. Our ideas are regularly featured in such publications as *Stanford Social Innovation Review, Harvard Business Review,* the *Chronicle of Philanthropy,* and many others.

FSG's ***Strategic Learning and Evaluation Center*** designs and conducts evaluations that inform strategy and support organizational learning, helping foundations and nonprofits make more effective decisions about the uses of philanthropic capital.

For more information, see ***www.fsg-impact.org.***

About the Authors

Mark Kramer (mark.kramer@fsg-impact.org) is a Managing Director and Co-Founder of FSG, and a Senior Fellow at Harvard's Kennedy School of Government. Lalitha Vaidyanathan (lalitha.vaidyanathan@fsg-impact.org) is a Director at FSG. Marcie Parkhurst (marcie.parkhurst@fsg-impact.org) is a Consultant at FSG.

Breakthroughs in Shared Measurement and Social Impact

A surprising new breakthrough is emerging in the social sector: A handful of innovative organizations have developed web-based systems for reporting the performance, measuring the outcomes, and coordinating the efforts of hundreds or even thousands of social enterprises within a field. These nascent efforts carry implications well beyond performance measurement, foreshadowing the possibility of profound changes in the vision and effectiveness of the entire nonprofit sector.

This paper, based on six months of interviews and research by FSG Social Impact Advisors, examines twenty efforts to develop shared approaches to performance, outcome, or impact measurement across multiple organizations. The accompanying appendices include a short description of each system and four more in-depth case studies.

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In brief, we have identified three different breakthroughs in shared measurement:

(1) Shared Measurement Platforms: These systems allow organizations to choose from a set of measures within their fields, using web-based tools to inexpensively collect, analyze, and report on their performance or outcomes. Benefits include lower costs and greater efficiency in annual data collection, expert guidance for less sophisticated organizations, and improved credibility and consistency in reporting.

> *Example:* The Success Measures Data System, used by more than two hundred community development organizations, provides web-based tools that enable each organization to track, analyze, and report on any of fifty different outcome indicators, all for an annual cost of $2,500.

(2) Comparative Performance Systems: These systems require all participants within a field to report on the same measures, using identical definitions and methodologies. As a result, users can compare the performance of different organizations and collect reliable field-wide data. Grantees can learn from each other's performance, funders can make more informed choices, and the field as a whole can more accurately document its scale and influence.

> *Example:* The Cultural Data Project, used by more than 2,400 organizations in three states, enables arts organizations to input an annual data profile that can generate more than seventy different reports. More than fifty funders use the data profile to populate their grant applications and reports. The Project has also led to increased government funding by documenting the aggregate economic impact of the cultural sector.

(3) Adaptive Learning Systems: These systems engage a large number of organizations working on different aspects of a single complex issue in an ongoing, facilitated process that establishes comparative performance metrics, coordinates their efforts, and enables them to learn from each other. Benefits include improved alignment of goals among the different organizations, more collaborative problem solving, and the formation of an ongoing learning community that gradually increases all participants' effectiveness.

Example: The Strive initiative includes 300 diverse education-related organizations in the Cincinnati/Northern Kentucky region. These organizations work together across fifteen networks that are organized by type of intervention, from early childhood education to career counseling. Each network meets bi-weekly to share information, develop common outcome measures, and coordinate efforts, creating a comprehensive and systemic approach to tracking and improving educational outcomes throughout the region.

Shared measurement systems may take several years and millions of dollars to develop, yet the cumulative annual savings among participating organizations can dwarf the initial time and money invested. And, as the field gains experience in developing these systems, the effort and investment to launch new systems will likely decrease.

These systems cannot replace the roles of academic researchers and third party evaluators, whose rigorous studies remain necessary to understanding why the reported results are being achieved and to what they may be attributable. Instead, the systems offer an important complement to more rigorous evaluation studies by promoting ongoing learning in timely and cost-effective ways.

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Our research identified eight common elements of success among the twenty systems we studied:

- Strong leadership and substantial funding throughout a multi-year development period

- Broad engagement in the design process by many organizations in the field, with clear expectations about confidentiality or transparency

- Voluntary participation open to all relevant organizations

- Effective use of web-based technology

- Independence from funders in devising indicators and managing the system

- Ongoing staffing to provide training, facilitation, and to review the accuracy of all data

- Testing and continually improving the system through user feedback

- In more advanced systems, a facilitated process for participants to gather periodically to share results, learn from each other, and coordinate their efforts

The most important lesson we learned, however, is the power of these breakthroughs to promote a systemic and adaptive approach to solving social problems. Adaptive Learning Systems offer a new vision of the nonprofit sector that goes beyond the current focus on one-off grants and capacity building for individual organizations. Recognizing that no single initiative can solve major social problems, these breakthroughs offer ways to increase the efficiency, knowledge, and effectiveness of the entire system of interrelated organizations that affect complex social issues. Rather than measure whether a single grant has achieved impact, Adaptive Learning Systems provide a collaborative process for all participating organizations to learn, support each other's efforts, and improve over time. We believe that shared measurement systems can help move the sector beyond the fragmented and disconnected efforts of more than a million nonprofits and tens of thousands of funders by creating a new degree of coordination and learning that can magnify the impact of funders and grantees alike.

If we are to conquer the urgent challenges that our society faces, we can no longer depend on the isolated efforts of individual grantees. Rather, we must invest in building the capacity, aligning the efforts, and tracking the performance of the nonprofit sector as a whole through shared measurement processes such as these. Our hope is that this paper will stimulate further experimentation and new breakthroughs in the development of these systems.

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Breakthroughs in Shared Measurement Systems and Social Impact

The three types of shared measurement systems in our study provide a range of important benefits, as summarized below:

System Type	Shared Measurement	Comparative Performance	Adaptive Learning
Description	A common online platform for data capture and analysis, including field-specific performance or outcome indicators	A common online platform for data capture and analysis in which all participants within a field use the same measures, uniformly defined and collected	An ongoing participatory process that enables all participants to collectively measure, learn, coordinate, and improve performance
Primary Benefit	Increased efficiency	Increased knowledge	Increased impact
Other Benefits			
Cost savings	★	★	★
Improved data quality	★	★	★
Reduced need for grantee evaluation expertise	★	★	★
Greater credibility	★	★	★
More knowledgeable funding decisions		★	★
Ability to benchmark against peers		★	★
Improved funder coordination		★	★
Improved coordination and strategic alignment			★
Shared learning and continuous improvement			★

Shared measurement systems can help us move beyond the fragmented and disconnected efforts of more than a million nonprofits by creating a new degree of coordination and learning that can magnify the impact of funders and grantees alike.

Disclaimer

All statements and conclusions, unless specifically attributed to another source, are those of the authors and do not reflect the opinions of the interviewees, The William and Flora Hewlett Foundation, or its grantees.

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20 Park Plaza, Suite 320, Boston, MA 02116
www.fsg-impact.org   tel: 866-351-8484