Breakthroughs in Shared Measurement and Social Impact

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FSG SOCIAL IMPACT ADVISORS

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- **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

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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.

> *These nascent efforts foreshadow profound changes in the vision and effectiveness of the entire nonprofit sector.*

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.

> ### *The cumulative annual savings among participating organizations can dwarf the initial time and money invested.*

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.

> *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.*

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.

"When we do this work, we have to say out loud: The end goal of this work is to solve the world's most intractable problems. We have to be bold enough to say: Let's end poverty, let's cure disease. If we're not that bold, we don't need to change what we're doing — but we won't solve these problems either."
—Steve Wright, Salesforce.com Foundation

Most efforts to measure nonprofit performance and outcomes have been driven by funders who are primarily concerned with the results of their grant funding. This focus has, unfortunately but inevitably, created a costly and burdensome process in which each grantee must report different data in different formats to each funder. (See Figure 1.) When professional evaluators are brought in, they too incur the costs of designing a unique evaluation process for each initiative.

Figure 1

Status Quo — Each grantee reports different measures to each funder and none learn from each other
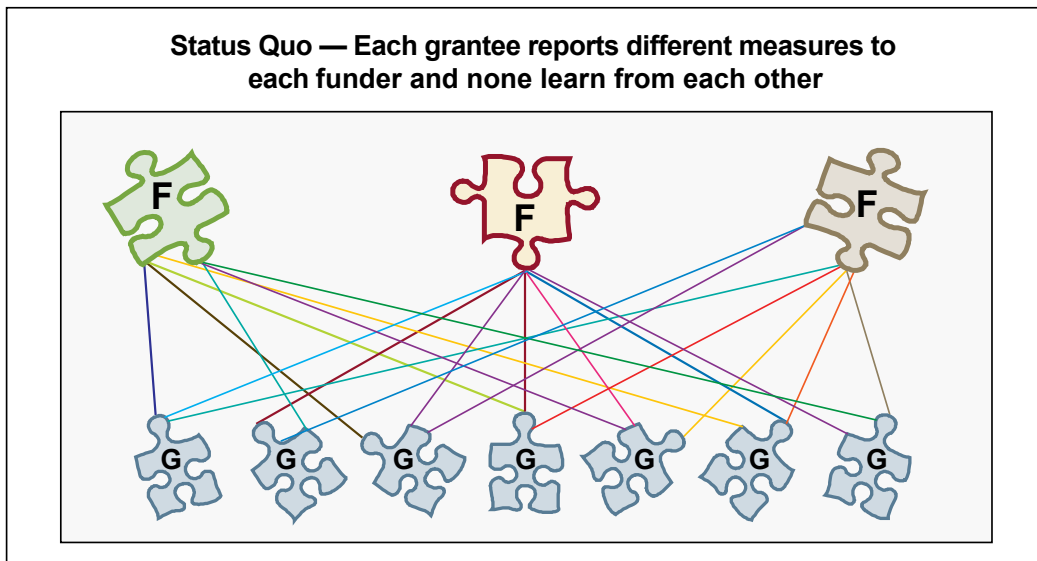
Cost and inefficiency, however, are only two of this system's drawbacks. As long as each nonprofit's work is measured in different ways, funders cannot compare the relative effectiveness of different organizations in order to make more informed choices, and nonprofits cannot identify and learn from their peers' most successful practices. Investors who seek social impact as well as financial returns cannot compare portfolios. Even the potential for learning from professional evaluation studies is limited by their incommensurability.

The most fundamental concern, however, is that this focus on individual grants and isolated nonprofit initiatives undercuts the sector's ability to solve complex social problems. Most nonprofit organizations are extremely small and cannot achieve large-scale influence on their own.[1] The issues they address — such as education, poverty, health, and the environment — are influenced by large, complex, and interdependent systems, including for-profit corporations and government agencies, that no single nonprofit organization could possibly solve.

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[1] FSG's analysis of 2006 Guidestar data concluded that fewer than 10% of U.S. nonprofits have annual budgets of more than $500,000, and only 1.2% have budgets greater than $10 million.

Funders' efforts are similarly fragmented. Most grants are small, and even the largest rarely have systemic impact.[2] Instead, funders often search for an innovative solution to a major social problem that can be first tested on a small scale, then replicated more widely. This approach makes sense, but it has obscured the importance of strengthening the effectiveness of the system as a whole by promoting learning and alignment among the entire constellation of existing organizations that influence the problem.

For example, it is important for the Greater Cincinnati Foundation to select an effective early childhood education program for funding and to know if the program is having an impact. It is far more powerful, however, if — as is the case — the Foundation also supports an ongoing collaborative process that enables staff from the program to work with a dozen other early childhood programs throughout the region to compare results, identify regional trends, coordinate their efforts, learn from each other, and gradually improve over time. Such a system heightens accountability and creates powerful incentives for continuous improvement and ever greater impact among all participants. (See the case study on Strive in the Appendix.)

A Midpoint Between Extremes

Many funders face a difficult choice when it comes to understanding the results of their grants: They can hire a third-party evaluator to study the grant-funded program and incur an additional expense, or they can accept a grantee's self-report, which often lacks hard data and objective analysis.

The performance and outcome measurement systems described in this paper offer a third alternative that falls between those extremes. These systems offer timely performance and outcome data about funded programs while imposing a minimal cost and reporting burden. In every case, the reported measures are consistently defined and the staff that manage the system train grantees, review the data, and provide objective oversight. However, these systems still depend on the grantee to collect and self-report the data. Some systems provide training in proper evaluation techniques, but none of the systems we researched use third-party evaluators to study individual organizations.

Of course, very few grants are ever the subject of third-party evaluations so, although shared measurement systems are not the equivalent of an independent evaluation, they provide a much improved alternative to the vast majority of current grantee reports.

The most fundamental concern is that this focus on individual grants and isolated nonprofit initiatives undercuts the sector's ability to solve complex social problems.

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[2] Research by the Center for Effective Philanthropy concluded that the average grant size, even among the largest U.S. foundations, is only $50,000.

Concerns about duplication and the lack of collaboration within the nonprofit sector are nothing new. What has been missing, however, is the availability of inexpensive performance reporting and outcome measurement systems facilitated by independent staff. When organizations dedicated to similar objectives have voluntary access to comparative data and the opportunity to meet regularly with the support of trained facilitators, our research suggests that they gravitate over time toward more coordinated and aligned strategies, without the drawbacks of artificially forced partnerships.

We would have considered such a utopian vision impossible, had we not discovered that it already exists. Over the past two years, the Strive initiative has engaged hundreds of education-related organizations in the Cincinnati region in facilitated bi-weekly meetings to develop common goals, evidence-based strategies, shared outcome measures and overarching metrics of regional impact that lead them to work in more coordinated and effective ways. (See Strive case study in the Appendix.)

The barriers to developing these systems, however, are formidable. They require a far-reaching vision, millions of dollars in investment, and years of effort by large coalitions of independent organizations. Once established, ongoing staffing is essential to provide technical assistance to participants and to validate the data they submit.[3] Strong leadership is essential to overcome the initial reluctance of nonprofits and funders alike: Nonprofits frequently fear the complexity, disclosure, management time, and potential for funding biases that these systems may produce, while funders often hesitate to invest time and money in a reporting system that does not directly advance their immediate program goals.[4]

Despite these obstacles, we identified three overlapping breakthroughs in shared measurement, which are described in the following sections. None are more than ten years old, and most have been developed in the past three to five years, suggesting rapidly growing momentum and the possibility of an emerging transformation in the way the nonprofit sector measures its performance.

What has been missing is the availability of inexpensive performance reporting and outcome measurement systems facilitated by independent staff.
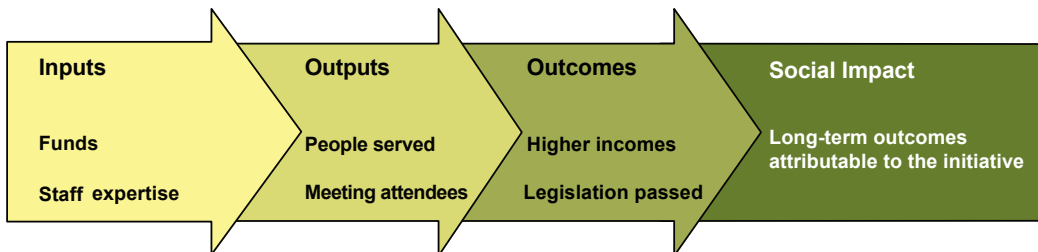
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[3] Some systems, such as IRIS, are considering using random sample audits to ensure honest reporting, although none of the systems we identified currently use independent audits.

[4] These systems also suffer from the "free-rider problem," in which the organizations that fund the costly development process obtain no greater benefit than those that merely adopt the completed system. Everyone therefore has an incentive to wait for someone else to make the investment. Yet if ever there was a field where the free-rider problem should not be a barrier, it is philanthropy, where the very objective is to provide a subsidized benefit to others. If funders need further incentive, they could also develop these tools through program-related investments, modestly raising the fees for participation to amortize and recoup the initial investment over time.

Measuring Performance or Evaluating Impact?

Funders and nonprofits often use the words "evaluation" and "impact" loosely, stretching these terms to include any type of report on the use of funds or the results they achieve. Many evaluation professionals, however, distinguish between *measuring performance* (monitoring inputs, activities, and outputs); *measuring outcomes* (near-term results); and *evaluating impact* (long-term changes that are attributable to the grantee's activities). (See Figure 2.)

Figure 2

Inputs	Outputs	Outcomes	Social Impact
Funds	People served	Higher incomes	Long-term outcomes attributable to the initiative
Staff expertise	Meeting attendees	Legislation passed	

Most of the performance measurement and outcome measurement systems described in this study do not track long-term outcomes, control for external influences, or use randomized control trials to prove that the outcomes are attributable to a particular organization's efforts.[5] Even so, they can provide valuable data that enable funders and grantees to improve their performance and increase their impact.

In an earlier study, *From Insight to Action*, we noted that many foundations are expanding their range of evaluation approaches to include more timely, pragmatic, and forward-looking techniques, often without proof of attribution. Such techniques can help them better plan their strategies, implement their initiatives, and track overall progress toward their goals.[6] The measurement systems described in this study serve many of those purposes.

Further, experienced practitioners can sometimes recognize patterns of impact without the use of randomized trials. When they engage in regular discussions using comparative data over time, they are often able to tease out key differences in their activities that correlate with better long-term outcomes, providing informal but useful lessons on how to increase their effectiveness.

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[5] Success Measures Data System includes some indicators that track long-term outcomes and are used longitudinally for that purpose. Strive also tracks regional educational achievement measures.

[6] See *From Insight to Action: New Approaches to Foundation Evaluation* at www.fsg-impact.org/ideas/item/488.
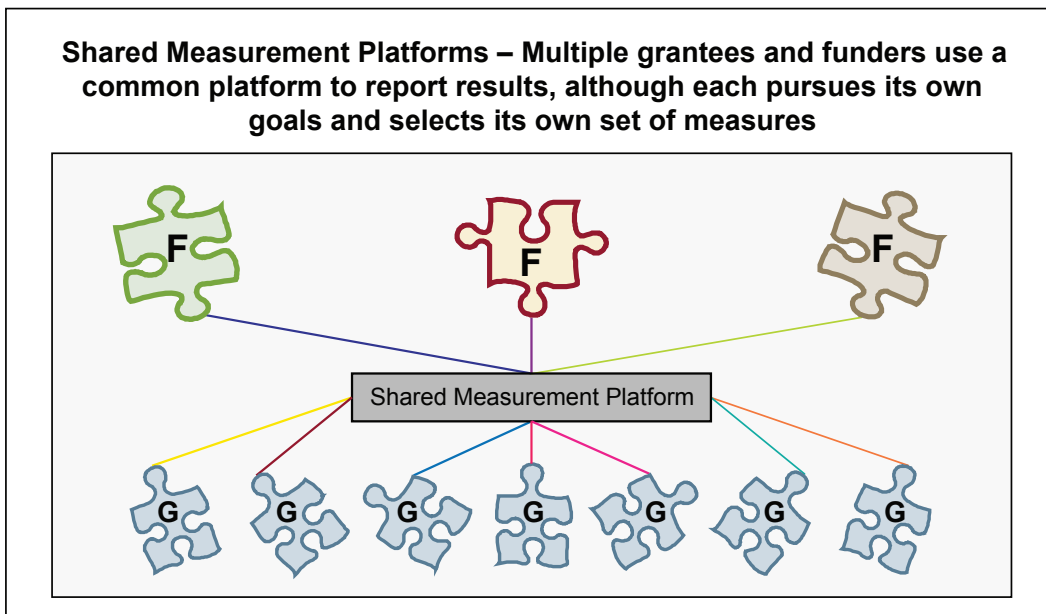
"A key benefit of Success Measures is that the community development field, broadly defined, has a new set of tools to use for its own purposes, and those tools are tailored for programs that exist in the field. The system saves organizations time and money, and it gives them credibility, because of how it has been developed."
—Maggie Grieve, Director, Success Measures Data System

Shared Measurement Platforms provide users with a wide range of field-specific outcome or performance measures, combined with data collection tools and technical assistance. These systems improve data consistency and increase efficiency by enabling inexpensive, periodic, organization-specific performance or outcome measurement. (See Figure 3.)

Figure 3

Shared Measurement Platforms – Multiple grantees and funders use a common platform to report results, although each pursues its own goals and selects its own set of measures

In general, these systems allow users to design their own outcome or performance measurement system by choosing indicators from a comprehensive list developed through extensive consultation with experts and practitioners in their field. In 2004, Debra Natenshon, CEO of the Center for What Works, together with the Urban Institute, led one of the field's early efforts to develop shared metrics. Her team poured through volumes of research and spoke with hundreds of experts before identifying ten to fifteen core outcome indicators in each of fourteen different fields.[7] The goal of the project, Natenshon says, *"Is not for nonprofits to start 'drowning in data.' It's meant to be a pool of outcomes, so users will choose maybe three metrics that are most relevant to their work. It's supposed to simplify and help clarify outcomes and success, not add paperwork."*

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[7] These outcome indicators are now available online at www.urban.org/center/cnp/projects/outcomeindicators.cfm.

Other systems run on web-based platforms that allow users to input data into pre-existing templates, analyze the results, and generate standardized reports. In contrast to the Center for What Works/Urban Institute system, which provides outcomes without a tracking process, the Monitoring & Evaluation Reporting & Integration Tool (MERIT) developed by the Nonprofit Organizations Knowledge Initiative (NPOKI) offers a tracking system for nonprofits in low resource areas without specifying outcomes.[8] The system is *"agnostic to the indicators – it can be used to measure anything,"* according to Bill Lester, NPOKI's Executive Director. The value of the system is that it serves as a platform that allows members to develop their own indicators, measure progress against them on various collection schedules, perform robust data analysis on the results, and generate reports for funders.

Shared Measurement Platforms offer a number of benefits to nonprofits and funders:

Cost savings. Grantees that use Shared Measurement Platforms gain access to a range of high quality data collection tools and platforms (e.g., web-enabled, large volume data collection and storage technologies) for significantly less money than more traditional evaluation approaches. Success Measures, for example, costs up to $10,000 for the initial training, then only $2,500 per year for participation – a fraction of what many funders and nonprofits spend on evaluation and reporting. (See the case study on Success Measures Data System in the Appendix.)

Similarly, the MERIT system enabled a global health nonprofit to track progress against 300 standard PEPFAR[9] indicators. Once these indicators were in the system, other nonprofits participating in MERIT – many of whom also received PEPFAR funding – were able to measure progress against the same indicators without additional cost.

Improved data quality and credibility. The level of research that goes into the development of these systems, the timeliness and consistency in data reporting that they permit, and the standardization that they enable across multiple grantees all contribute to a significantly better quality of data about grantee performance. At the same time, these systems offer grantees a degree of credibility that individual

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[8] Although MERIT is web-based, it can be used in an off-line mode when Internet access is not available by importing and exporting data from Excel.

[9] The United States President's Emergency Plan for AIDS Relief (PEPFAR) is a multibillion dollar effort to combat global HIV/AIDS, first launched in 2003.

organizations' idiosyncratic evaluation approaches often lack. As Natenshon observed, *"If organizations are facing pressure to measure outcomes and they don't know where to begin, they love [our system]. It gives them a set of well researched, relevant outcomes, solid indicators, and suggestions on data collection methods. It gives them a place to start."* Lois Greco, Senior Vice President and Wachovia Regional Foundation Evaluation Officer, agrees: *"When organizations have solid data behind them, they can speak with authority to policymakers and other funders – they have more confidence and credibility."*

More targeted evaluation studies. Shared Measurement Platforms can quickly identify situations in which either very good or very bad outcomes are being achieved, enabling funders to determine when a more rigorous evaluation study may be especially valuable to learn why the results have departed from normative expectations.

Shared Measurement Platforms are an important breakthrough in the nonprofit sector's ability to monitor and measure performance. They provide the building blocks of comparative data analysis, yet they do not require that organizations use them in comparable ways. Many organizations prefer this independence. For example, NeighborWorks® America, host of the Success Measures system, expects its affiliates to track different indicators using different tools within the Success Measures Data System, because each affiliate has its own goals, strategies, and desired outcomes.

Organizations can also maintain complete confidentiality, sharing their data only with those they wish to. Similar organizations may gravitate toward the same set of measures and find opportunities to learn by comparing results, but no regular process ensures that this will occur. Comparative Performance Systems offer a further breakthrough in taking that next step.

These systems offer grantees a degree of credibility that individual organizations' idiosyncratic evaluation approaches often lack.
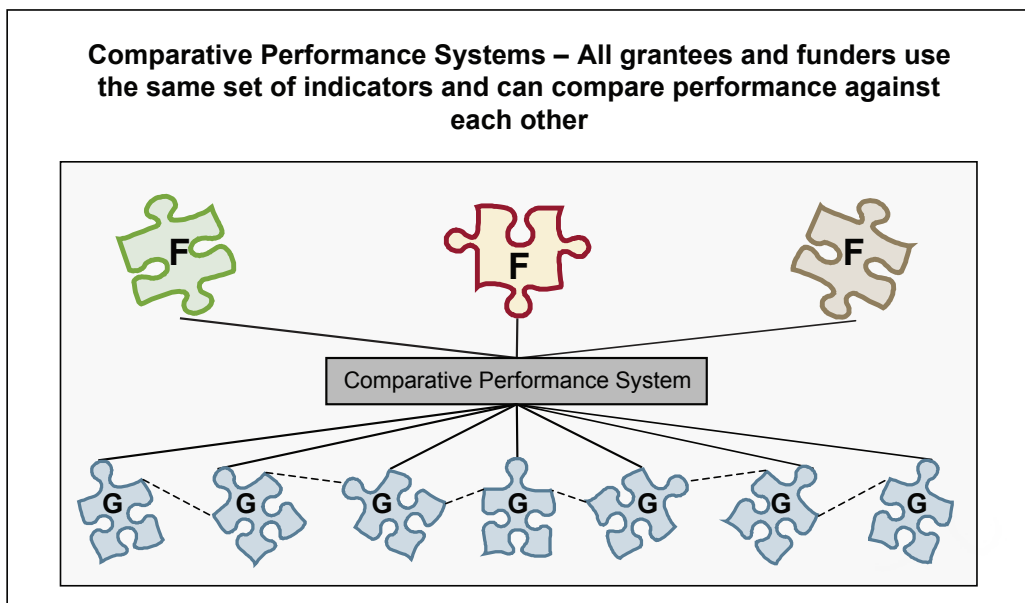
"Our vision would be to look at a small enterprise not just in the context of what it said it would do or where it's been over time, but rather in relationship to its peers. We should be able to look at the data and see what we can learn from comparing all of these organizations."
—Brian Trelstad, Acumen Fund

Comparative Performance Systems promote learning and help increase knowledge at the field level by allowing users to benchmark and compare organizational performance and outcomes using identical indicators and data collection methods. Absent the ability to compare performance on consistent measures, nonprofits and funders alike have little way of knowing which organizations and approaches offer the most effective ways to address a given social problem. (See Figure 4.)

Figure 4

Comparative Performance Systems – All grantees and funders use the same set of indicators and can compare performance against each other

Comparative Performance System

In order to reap the benefits of Comparative Performance Systems, users must agree on what they will measure and how they will measure it, as well as how to share the aggregate data for mutual benefit. This may raise concerns among nonprofits that the way measures are defined and collected might unfairly disfavor one or another of their particular approaches. Some systems avoid this issue by permitting comparisons only to aggregated peer data in order to protect the confidentiality of individual organizations. In practice, however, the nonprofits we spoke with were enthusiastic about the information that Comparative Performance Systems provide. Funders and grantees alike seemed to realize that comparisons must be made carefully and discrepancies must be viewed as an opportunity for deeper investigation rather than as grounds for automatic praise or criticism.

As Tris Lumley, Head of Strategy at New Philanthropy Capital, says, *"We have to get past that concern. We are not doing this as skeptics; we are doing this to learn incrementally how the work can be improved."*

The distinguishing feature of Comparative Performance Systems is the requirement that participating organizations track a core cluster of identical measures. As with Shared Measurement Platforms, these metrics are typically identified through an extensive consultation process within the field. For example, the 300-question "data profile" used by participants in the Cultural Data Project was developed through a series of focus groups with senior nonprofit staff and pilot tested by twenty cultural organizations in the field. (See the case study on the Cultural Data Project in the Appendix.)

Comparative Performance Systems require agreement about how common metrics will be defined and measured to ensure that the data collected can be reliably compared across organizations. As Marty Miles, Senior Program Director at Public/Private Ventures, explains: *"Organizations might share the metric of job retention, but that can be defined in a variety of ways: Did the participant stay employed with the same employer, or did they remain employed but with different employers? Or were they just working at a specific point in time like the ninetieth day after hire? Is job retention defined as a percentage of only those employed, or as a percentage of all those who enrolled in your services?"* Persuading hundreds of organizations to agree to be measured on the same set of uniformly defined indicators, then ensuring that they actually collect the data in consistent ways, makes the development of Comparative Performance Systems far more challenging than the Shared Measurement Platforms described above.

Although data can easily be compared online, many systems have found that periodic conference calls and in-person meetings among participating organizations can help to develop a more nuanced understanding of the data that is essential for meaningful comparison. The California Partnership for Achieving Student Success (Cal-PASS) system, a K-16 data-sharing platform, supports sixty-seven Professional Learning Councils (discipline-specific groups of faculty and staff across the K-16 continuum) to reflect on their data and discuss implications for curriculum and instruction. Participants view these meetings as essential to distill meaningful lessons from the comparative data.

The distinguishing feature of Comparative Performance Systems is the requirement that participating organizations track a core cluster of identical measures.

Comparative Performance Systems offer multiple benefits to nonprofits, funders, and the field as a whole:

Learning how to improve nonprofit performance. Nonprofit organizations can analyze their own performance in comparison to benchmarks set by their peers, enabling them to identify and learn about more efficient or effective practices. As one executive participating in the Cultural Data Project explained, *"If I find a dance company that is actually operating with 60% earned revenue, I want to talk to them! This will allow me to really hone in on how we operate."*

Documenting field-level impact. Despite the scale of the nonprofit sector in the United States, surprisingly little reliable data exists about the extent of spending and the outcomes achieved by the many nonprofits working in specific fields and regions. When data is collected on a uniform basis, however, it becomes possible for the first time to describe the full scope of activity within an entire field. For example, the Pennsylvania Cultural Data Project was able to document the collective economic impact of arts organizations in Philadelphia. According to Peggy Amsterdam, President of the Greater Philadelphia Cultural Alliance, this data led each of the major mayoral candidates in 2006 to include culture as a campaign issue. After the winner, Michael Nutter, took office, he increased the city's funding for the cultural sector by $2 million and has since advocated to sustain this level of arts funding despite recent city-wide budget cuts.[10]

More knowledgeable grantee selection and assessment. Comparative data allows funders to make more realistic assessments of grantee performance by placing results in the context of field-wide norms and trends. Such data also enables funders to identify and direct their funds to the highest performing organizations within a field, thereby improving their own effectiveness as grantmakers. (See the case study on Pulse and IRIS in the Appendix.)

Some funders have even begun to use Comparative Performance Systems as a tool to make funding decisions between different types of interventions. The Robin Hood Foundation, which aims to reduce poverty in New York City, has developed an innovative evaluation methodology that compares many different interventions by

When data is collected on a uniform basis it becomes possible for the first time to describe the full scope of activity within an entire field.

[10] Darlene M. Siska, "Grant makers spur creation of statewide nonprofit database," *Chronicle of Philanthropy*, Feb. 12, 2009. Available online at http://philanthropy.com/free/articles/v21/i08/08t000301.htm. Joann Loviglio, "Philly mayor supports arts groups even amid cuts," *Associated Press*, March 8, 2009. Available online at www.culturaldata.org/wp-content/uploads/philly-mayor-supports-arts-groups-even-amid-cuts.pdf.

monetizing their ultimate impact on poverty. According to Michael Weinstein, Senior Vice President, the methodology *"compares the poverty-fighting value of any two grants, no matter how different in purpose. In effect, we estimate benefit-cost ratios to compare the value of apples (graduating fifty more students from high school) with the value of oranges (training an extra seventy-five home health aides)."*[11] These comparisons work well across different programs that produce economic benefits, such as increased wages, but are more problematic when the goal is non-monetary, such as better health or art appreciation. A funder could set a subjective "value" on such benefits but different funders are unlikely to agree on the same value. Most comparative performance systems, therefore, select issue-specific measures and avoid the added complexity of translating results into a universal measure of value or social return on investment.

Improving funder performance. Many funders have already benefited from the Comparative Performance Systems that the Center for Effective Philanthropy (CEP) developed. CEP's Grantee Perception Report, for example, surveys grantees about their funders' performance on a variety of identically defined comparative measures.[12] Nearly 200 foundations have already used these reports to assess and improve their own performance as funders. CEP has also developed a range of other comparative reports, focusing on such issues as staff satisfaction or board performance.

More recently, FSG's Community Foundation Insights (CFI) division has developed comparative performance measures on the economic sustainability of community foundations. CFI's online database enables participating community foundations, using consistently defined data, to benchmark their financial and operational performance against a self-selected set of peers.[13]

The knowledge that can be gained through increased use of Comparative Performance Measurement marks a significant breakthrough for the social sector. Funders and grantees are moving ever closer to a point where meaningful comparative data will be broadly available across diverse fields and issues. The need remains, however, for strategic alignment of similarly directed efforts across different sectors and organizational boundaries. A system that promotes systems-level alignment and coordination, in addition to performance comparisons, offers the most powerful breakthrough in measuring and advancing social impact. Adaptive Learning Systems offer a further breakthrough in taking this next step.

> *Funders and grantees are moving ever closer to a point where meaningful comparative data will be broadly available across diverse fields and issues.*

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[11] Michael M. Weinstein, "Measuring Success: How Robin Hood Estimates the Impact of Grants," 2008. Available online at www.robinhood.org.

[12] See www.effectivephilanthropy.org for details on the GPR and other comparative performance reports.

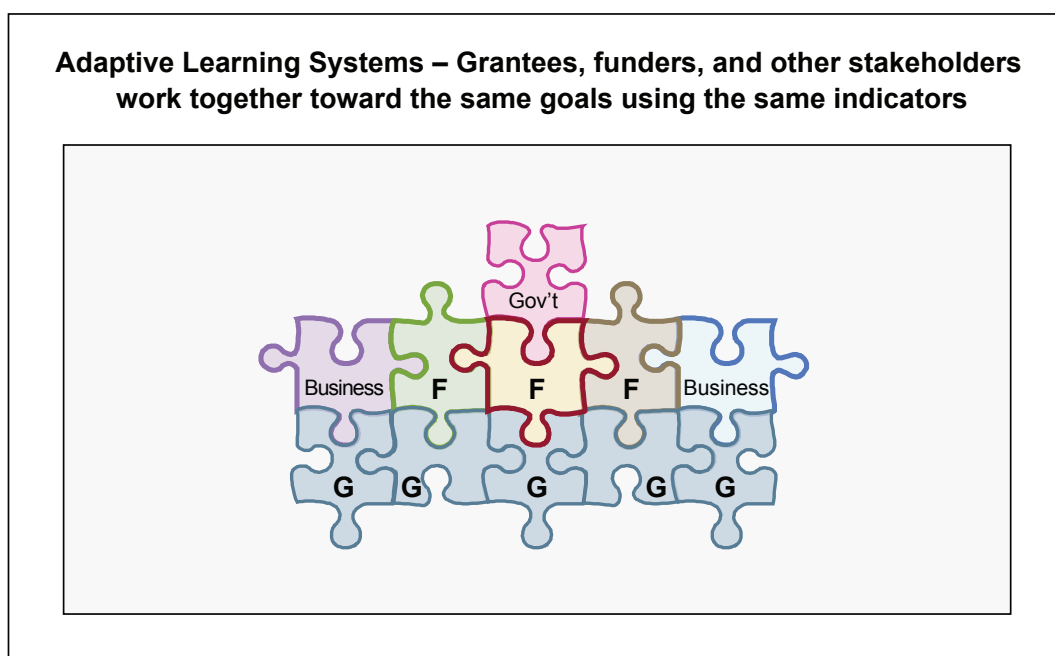[13] See www.CFInsights.org for details on Community Foundation Insights.

V. Increased Impact: Adaptive Learning Systems

"You need a critical mass to make change — by themselves, organizations are not going to be able to accomplish it because the needs are so much greater than any one organization can take on. By working together, though, they can make real change."

— Pat Brown, Director for Systems Innovation, Strive

Adaptive Learning Systems involve highly structured, long-term processes that build the capacity of participating organizations to collectively define, measure, learn from, coordinate, and continuously improve their efforts. (See Figure 5.)

Figure 5

Adaptive Learning Systems – Grantees, funders, and other stakeholders work together toward the same goals using the same indicators

Adaptive Learning Systems also help to align organizational strategies and goals among the dozens or hundreds of organizations that influence an issue, thereby building the collective capacity of the entire nonprofit system. This is essential to solving complex social problems. Our failing public education system, for example, cannot be fixed only by improving early childhood school readiness, nor by targeting afterschool programs in middle school, nor by boosting college preparation efforts in high school. Any lasting solution must address the entire educational continuum.

Within and across this continuum, the ways in which different organizations coordinate and support each other's work profoundly influence the effectiveness of the system as a whole. If early childhood programs aren't aligned with kindergarten requirements, tutoring programs have no access to classroom materials or student test scores, and college preparation programs are not linked to local universities, the effectiveness of each program suffers. Even at a single point on the continuum, the lack of consistency across dozens of tutoring programs in a given city undercuts their success as students move among them from year to year.

A Comprehensive Approach to Social Change

One example of a successful intervention along the entire educational continuum is the New York City-based Harlem Children's Zone. This organization's holistic approach to problem solving follows low-income children from cradle to college, offering a level of stimulation and support that is typically reserved for wealthier children. The Zone's results are so impressive that President Obama recently proposed to replicate the program in twenty cities around the country. We believe the Zone provides an excellent example of the powerful potential for systems-level change that is offered by a comprehensive, multi-faceted approach to problem solving. Our research indicates that this sort of approach can only take root when multiple organizations and institutions within a field agree to align their strategies and monitor their progress toward common goals using mutually agreeable metrics. In the case of the Zone, all initiatives are managed by a single organization, while in Adaptive Learning Systems, a single infrastructure supports multiple independent organizations. In both cases, however, improving alignment among many different interventions addressing a single social problem is critical to its solution.

Funders have long expressed concerns about duplication, fragmentation, and lack of coordination within the nonprofit sector, yet they have rarely invested in the infrastructure necessary to overcome these problems. The formation of United Way agencies, decades ago, was one attempt to overcome duplication on the fundraising side, but the emergence of data mining and web-based technologies has created a powerful new opportunity to foster collaboration and alignment on the strategy, measurement, and service delivery sides as well.

The Strive initiative in Cincinnati demonstrates that such an infrastructure can be created. Strive's 300-plus members, which include a diverse range of nonprofits, school districts, foundations, and corporate funders, work in a coordinated fashion to address education issues from cradle through the transition to a career. Strive issues an annual "report card" to the community, comprised of ten basic measures of educational success across the region. Although the initiative has only been in full operation for two years, a majority of these core educational outcome measures have already begun to show improvement. In addition, Living Cities, a collaborative of foundations and financial institutions, recently committed to replicate the Strive initiative in four additional cities.[14] (See the case study on Strive in the Appendix.)

Funders have long expressed concerns about duplication, fragmentation, and lack of coordination within the nonprofit sector, yet they have rarely invested in the infrastructure necessary to overcome these problems.

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[14] The four cities are Hayward, CA; Indianapolis, IN; Houston, TX; and Richmond, VA. Feoshia Henderson, "Strive Education model makes a giant leap into national spotlight," *Cincinnati Soapbox,* May 12, 2009. Available online at http://soapboxmedia.com/features/0505strive.aspx.

Strive offers a powerful example of an Adaptive Learning System's potential to improve strategic alignment and promote continuous learning among the many different organizations that affect a social problem. These systems are highly complex, however, and require significantly more time and effort to establish than other types of shared measurement systems. In Adaptive Learning Systems, no outside organization determines what or how to measure; instead, a facilitated process allows the participating organizations to reach agreement together on the measures that they will use. They can then track those measures with web-based tools and a common reporting framework.

The fundamental components of an effective Adaptive Learning System include the following:

An organizing framework and agreement on goals. Strive has separated participating organizations into fifteen action networks at different points on the educational continuum. (See figure 6.) Early childhood programs work together, for example, as do tutoring programs, and career counseling programs. Although each participant focuses on coordination and measurement within its own network, all agree to a common set of ten overarching goals and impact measures that Strive tracks and reports annually to the community. As Debbie Curl-Nagy, Strive's Associate Director, notes: *"We encourage all organizations, even social service organizations, to measure progress against academic outcomes and not just [program-specific indicators such as] self esteem."*

Tackling the entire scope of the problem, while highly ambitious, paradoxically simplifies the task for each network, as each one can focus entirely on its own contribution, knowing that other networks are working on other aspects of the problem. It also simplifies coordination: All tutoring organizations now know how to contact all afterschool programs, and vice versa. The networks also have the clout to insist on access to information and coordination from large institutions, such as the public school system, that no single nonprofit could command.

A highly structured (but flexible) process that is data-driven. A structured and facilitated process is the key mechanism for improving the learning and alignment of participating organizations. The process should include a well defined set of steps and tools that help organizations work together to identify or develop effective interventions, define outcomes, measure and analyze results, and continuously improve their efforts. Each network progresses at its own pace, however, while participation is voluntary and open to all relevant organizations.

Highly engaged professional support. Organizations in the Strive partnership require guidance to design action plans and use data effectively. Strive therefore provides well trained facilitators, data/analytics support, technology support, strong communications systems, and committed leadership. In addition to the facilitators, each network works with a highly trained coach who helps participants define the problem, develop action plans and shared indicators, measure and analyze progress, and improve their action plans on an ongoing basis. Strive has adapted the "Lean Six Sigma" methodology and uses trained corporate volunteers from General Electric Corporation to teach this process to its network facilitators.

Figure 6

Student's Roadmap to Success: Critical Benchmarks and Transition Years
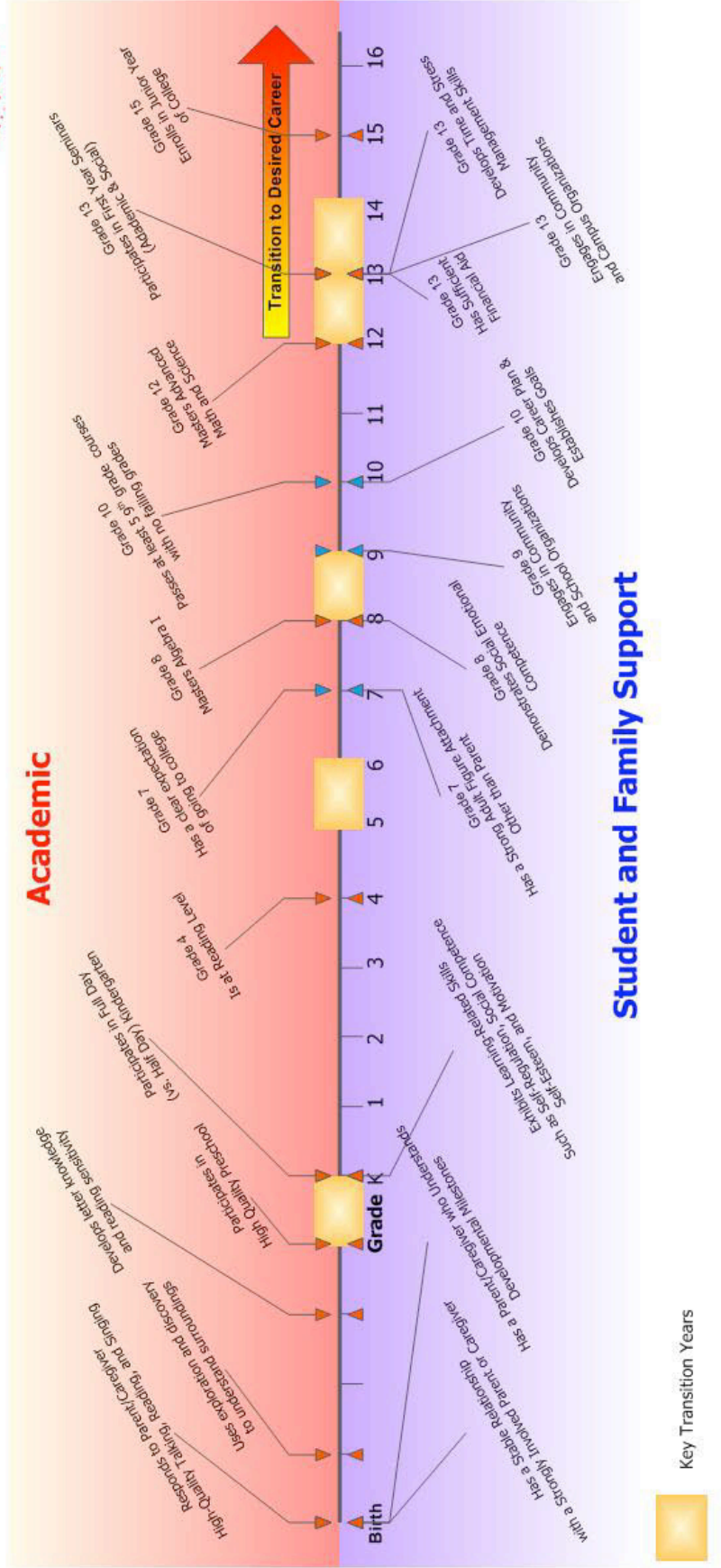
Researched by the University of
Cincinnati, Center for Urban
Education 2006

Source: Strive website, www.strivetogether.org.

The greatest benefit of an Adaptive Learning System is its capacity to help participating organizations to improve their performance and coordinate their efforts over time.

Collaborative problem solving. A collaborative approach to problem solving enables different constituencies to identify their areas of common interest and work together toward achieving mutual goals. The tutoring network within Strive, for example, brought local school districts together with local tutoring organizations to develop an action plan that more closely aligns tutoring services with student learning in the classroom. The network also developed online dashboards to share student academic performance data so that tutoring services can address the specific academic challenges a student faces.

Adaptive leadership. Over time, as a group of organizations measures, analyzes, and learns what works and what does not, individual participants choose to modify their efforts in ways that advance the overall network's success. Adaptive Learning Systems thereby encourage participants to confront and solve their own problems, rather than impose a pre-determined solution. As we have suggested in an earlier article, such a process of adaptive leadership can be a highly effective approach for funders to promote social progress.[15]

Creation of a rich learning environment. Through a shared process of defining, measuring, and analyzing key data points, Adaptive Learning Systems foster the development of rich learning environments. Each of the fifteen Strive networks has met every two weeks for over two years, building trust and enabling learning that a shorter or less intensive process could not have achieved.

Similarly, FSG has been working for more than a year on behalf of the David and Lucile Packard Foundation to assist seventeen grantees in its Marine Fisheries sub-program to create a common evaluation process. The effort to develop a common organizing framework has provided the structure for continuous learning and greater coordination among all grantees as well as with the Packard Foundation's program officers.

Adaptive Learning Systems offer a powerful opportunity to build organizational learning and effectiveness, supplementing the benefits of the other breakthroughs described earlier with a systems-level approach that represents an important step forward in solving complex social problems.

> *Adaptive Learning Systems offer a powerful opportunity to build organizational learning and effectiveness.*

[15] See Heifetz, Kania, and Kramer, *Leading Boldly*, Stanford Social Innovation Review, Winter 2004.

VI. Conclusions and Recommendations

Our research suggests that momentum is developing around a more systemic approach to outcome measurement, driven by the desire for greater efficiency, knowledge, and impact. In addition, shared outcome measures help create transparency and accountability and thereby enable the identification and development of higher performing organizations.

Funding individual initiatives and evaluating their impact in isolation rarely solves complex social problems. Instead, lasting progress depends on improving the alignment, coordination, and learning of the entire constellation of organizations that affect an issue. Well structured, facilitated, and ongoing processes, supported by appropriate funding, technology, and analytics, are necessary to create the mechanisms and culture of continuous learning and improvement needed to achieve meaningful social change. We conclude, therefore, that Adaptive Learning Systems hold the greatest potential for moving the field toward its ultimate goal of solving social problems.

Across all of the systems we studied, eight elements of success consistently re-appeared and are worth noting for those who seek to create any type of shared measurement system:

- 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 all participants to gather periodically to share results, learn from each other, and coordinate their efforts

The idea of measuring performance across multiple organizations — and funders' willingness to support those efforts — is still very new. The power and potential of shared measurement systems, however, is already clear.

The breakthroughs described in this study have all emerged in recent years, suggesting that new technologies and an entrepreneurial vision may be pushing the field past many ingrained assumptions about measurement and collaboration. Although several of the systems we studied have rapidly gained substantial scale, the idea of measuring performance across multiple organizations — and funders' willingness to support those efforts — is still very new. Much experimentation and learning will be needed before these breakthroughs can be adopted widely enough to significantly increase the effectiveness of our nonprofit sector. Their power and potential, however, is already clear. Our hope is that this paper will encourage funders and nonprofits to expand the use and develop the full potential of these recent breakthroughs in shared measurement.

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.
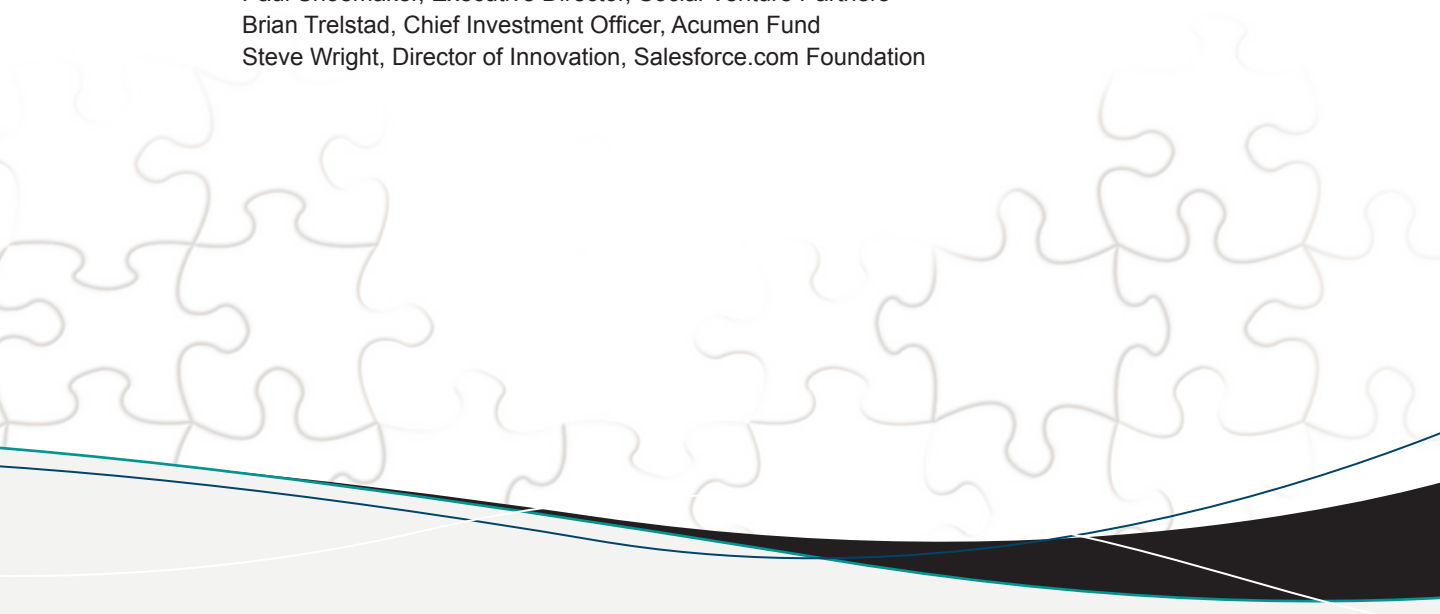
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