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Social-Sector Impact and Excellence

The Call to Be More Strategic

*Ask not what your country can do for you; ask what you
can do for your country.*

—JOHN F. KENNEDY

OVER FIFTY YEARS AGO, American citizens took President John F. Kennedy's ringing words to heart. In the years since, the number of registered tax-exempt organizations working to solve our country's most serious problems has grown by an astonishing 600 percent—from 200,000 organizations in the 1960s (Hall and Burke, 2002) to over 1.4 million in 2013 (National Center for Charitable Statistics, 2013).

In recent years, these organizations have faced much higher scrutiny of their value and societal impact than ever before. National, state, and local governments can no longer afford to fund initiatives simply because they propose a viable solution. Today, both public and nonprofit organizations are being asked to articulate, justify, and defend what they are doing for the country beyond consuming valuable resources. Funders expect organizations to clearly demonstrate how programs and services are making an impact. Effective measurement and communication of outcomes are essential components of future funding success across the social sector.

What quantifiable and socially desirable changes have occurred as a result of a particular programmatic or organizational effort? How was behavior changed, knowledge increased, the community strengthened, and quality of life enhanced? In other words, did the organization and its programmatic effort fulfill its stated mission? And to what degree were the anticipated results achieved? These are the central questions that must be raised about today's social sector organizations.

The Imperative of Managing to Outcomes

Funders are rapidly modifying grant application processes to include program outcomes along with a plan for the measurement and evaluation of those outcomes. Such expectations extend beyond government grants. Large corporate foundations are shifting requirements as well. One example: while many online grant applications had begun to shrink the physical space allowed for organizations to present the case for funding, Chase Bank now allows applicants approximately ten pages to capture the programmatic impact of previous grants and demonstrate a clear return on investment.

Some funders are providing substantial, unrestricted funding to those nonprofit organizations that align with the funder's mission and can demonstrate clearly how programs are achieving desired results. The Edna McConnell Clark Foundation provides an example. The foundation chooses and structures its investments largely on the basis of empirical evidence that a potential grantee's programs helps economically disadvantaged young people get an education, hold a job, or avoid risky behaviors (Edna McConnell Clark Foundation, 2013).

In order for a nonprofit to be considered for a multiyear investment designed for significant capital growth, it must demonstrate that the organization systematically collects data and verifies, on the basis of this internal data, that young people are benefiting from a particular program. Grantees must show the potential to produce a higher level of evidence through ongoing measurement, such as conducting an independent

evaluation of the program's effectiveness within the designated investment period.

Social-sector organizations that are thriving in this new reality are communicating impact and value in a clear and compelling fashion. These government and nonprofit organizations frequently turn to numbers to make the case for the investment of both public and private funding. Those serving in key roles at such leading-edge organizations are willing to engage in difficult conversations rooted in the facts.

Demonstrating value requires more than gathering client testimonials that speak to the effective delivery of a needed service. This type of data works well for communication materials, but it does not ensure immunity to funding cuts. For an illustration of this reality, we can examine what has happened in recent years to those organizations focused on arts education.

In general, people enjoy the arts and share the view that students increase their artistic skill in such programs. Yet these organizations have suffered significant program budget cuts. Why? Funding has decreased because many of these organizations have failed to offer solid data or proof about how programs and services solve community problems or address priorities identified by funders. The lack of concrete evidence makes it easier for funders to justify the elimination of funding support to these organizations.

This reality extends to all social-sector organizations. Successful organizations remain ahead of the curve in measuring and communicating outcomes. They adopt systems that align performance measures with both the organization's mission and the funder's priorities. Successful government agencies and nonprofit organizations share success stories that use a combination of facts and anecdotes.

The case study that follows traces the story of how a strong Medicaid-funded organization might make the case for funding and offers one example of a success story. By focusing on relevant and important outcomes, this hypothetical organization will significantly improve its chances of obtaining adequate funding. Notice the use of hard data and numbers in this example.

Making the Funding Case: A Case Study

Our program serves ten thousand seniors, providing nursing-home level as well as long-term care services and supports to patients in their own home. Without these services, 60 percent of our clients would require care in nursing homes. The remaining 40 percent would require a child or family member to quit a job or make significant economic sacrifices were they to continue to provide care.

Our programs are provided at one-third the cost of nursing home care, saving an estimated \$180 million annually in state Medicaid spending. We achieve this by keeping approximately six thousand seniors out of nursing homes. With federal and state Medicaid dollars received, we employ one hundred people and reinvest more than \$3.5 million back into our communities through salaries. In addition, we contract with nine local home care agencies, which collectively employ more than 270 direct care workers who provide critical care to the seniors in our communities.

These relationships result in the infusion of an additional \$6.7 million back into our local community in the form of salaries. Because employees no longer need to take off from work to provide care for their loved ones, employers save an additional \$40 million in annual turnover and absenteeism costs. In addition, our programs reduce the length of hospital stays and readmits for those served by a full 30 percent compared to those who do not receive our services, saving an additional \$50 million annually in Medicare spending.

A Closer Look. This case statement clearly demonstrates this program's unarguable impact. A cut to this program could result in more than 370 individuals becoming unemployed and consequently result in the likely tapping of unemployment resources. Ten local businesses would face significant economic trouble should funding be discontinued. Cutting funding to this organization would also result in an increase of over \$180 million dollars in state Medicaid spending for nursing home care and a possible additional \$50 million in Medicaid spending due to extended hospital stays.

Furthermore, without the continuation of funds, approximately six thousand seniors would be forced to leave their homes and move into nursing homes. Approximately four thousand families would suddenly need to cope with the stress of determining how to manage and afford care for their loved ones, resulting in a potential \$40 million burden on local employers.

This organization brings indisputable value to many stakeholders—area employers, aging seniors, individuals caring for loved ones, policy makers, politicians, and employees. The organization has successfully demonstrated its program's benefit to the community with numbers that correspond to issues of primary concern to funders. These numbers also track back to the specific problems the funder wishes to solve and are tied to the specific communities the funder desires to serve. Crafting this type of narrative may not make an organization immune to funding cuts, but it will ensure that decision makers and taxpayers alike understand the true consequences of their investment decisions.

Embracing a Measurement Culture

While the preceding illustration is inspiring and provides a goal for today's social-sector organizations to strive for, it is important to avoid being fooled by the simplicity of the result. Creating an organizational culture that consistently measures and communicates impact and value is far more complex than simply hiring an evaluator or analyst to consolidate and crunch numbers. To truly achieve and sustain impact, organizations must shift the underlying organizational culture and make deep, systemic changes.

Change is difficult for all involved. But the sweetness of sustained success often more than compensates for the temporary inconvenience of embracing such change. The research and evidence needed for today's social-sector leaders to take the first step toward a new future is available now. The chapters that follow provide a step-by-step, strategic plan for those government and nonprofit organizations that seek to attract the investment of time and dollars and lead the sector to a higher level of impact and excellence.

Three Critical Components of Sustained Change

The motivation to create and sustain real change is a function of three factors. The first of these is *dissatisfaction with the current state*. This is followed by the *articulation of a clear vision* that includes a statement of what is possible. Finally, an organization must take the first concrete steps toward *achieving the stated vision* (Beckhard, 1969). All three factors must be present in order for an organization to overcome its natural resistance to change.

If we are to realize the vision of a thriving social sector composed of highly effective, efficient, and impactful government and nonprofit organizations, executives, program leaders, and staff must work in concert to adopt high-performance measurement cultures. High-performing social-sector organizations not only measure and communicate outcomes but also effectively use collected data to retain employees, attract donors, win grants, and secure positive press. They expand services and operations. The work these new and improved social-sector organizations do will change lives and strengthen communities in an unprecedented and unparalleled ways. Results not yet seen within the sector will soon be realized when high-performance measurement cultures become the norm rather than the exception.

The journey to impact and excellence requires more than a set of metrics and spreadsheets. Specific leadership skills and strategies will ensure that the ideal measures and tactics empower organizations to become more effective and efficient. However, rushing to action without a full understanding of the situation at hand could prove detrimental. Before adopting a plan to move from the current state to the desired state—one where impacts are clearly communicated and social-sector organizations are richly rewarded for achieving such impacts—crucial elements must be put in place.

The Next Step

Social-sector organizations must first understand where they currently stand in terms of reaching their desired goal of impact and excellence. The next two chapters take an in-depth look at the desired future state and the current reality of many government

and nonprofit organizations and in the social sector as a whole. Chapter Two includes a thorough examination of the barriers that keep organizations from the success they desire and demonstrates how it is possible for organizations to overcome common barriers to success.

Impact & Excellence

Chapter One Discussion Questions

1. What changes in your organization's environment have already occurred and are likely to impact your organization's future? Consider the following areas:
 - a. Funding changes
 - b. Emerging "best practices"
 - c. Federal and state policy changes
 - d. Public interests and opinion
 - e. Population shifts
 - f. Other changes
2. What is the public's current perception of your organization's effectiveness? Do individuals in your community have an awareness and opinion of your organization? If given an opportunity to do so, can you prove, defend, or debunk the prevailing attitude or perception?
3. What is your organization's inarguable value? What would happen if your organization closed its doors tomorrow? Who would be impacted? What absence would be felt? What gap might be experienced? Would anyone care or notice?