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MANAGING TO OUTCOMES IN AN ERA OF SCARCITY

Using a Theory-of-Change Approach to Helping Nonprofits Manage to Outcomes

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Along with many others who work in the nonprofit sector, I believe that most claims about nonprofit organizations' ability to deliver results as promised are unsupported by credible evidence. Indeed, I think it is fair to say that the sector suffers generally from a pervasive case of unjustifiable optimism—by which I mean over-claiming nonprofits' effectiveness while under-measuring their performance.

Yet, paradoxically, many nonprofits in fact are *over*-measuring. They are, as has been noted by many observers, suffocating under the crushing weight of data—data they collect frantically, often resentfully, and use mostly to satisfy their diverse funders . . . but for little else.

So, to ask the famous question, what is to be done? Is there a way for nonprofit organizations to navigate between the serpentine Scylla of unsupportable optimism and the engulfing Charybdis of mind-numbing over-measurement? Yes there is. In a nutshell, the answer is to develop robust theories of change that serve as blueprints for achieving specific results in well-defined domains—that is, to make their strategic visions operational.

Making Theory of Change a Practical Reality

To simplify the matter a bit in this short essay, a theory of change for social service nonprofits consists of a series of "if → then" statements that add up to a prescription for the design and management of an organization and the services it delivers in order to help the population(s) it targets achieve key, socially meaningful outcomes.

It's worth emphasizing that any theory of change can be useful only if it is tailored to serve a clear purpose. For example, if the object is to support the design, implementation, and evaluation of a new service program (say preventing drug and alcohol abuse among teenagers), a solid theory of change most likely will focus narrowly on issues of target population, program/service elements, dosage and duration of service utilization, and outcomes. But if the organization is farther along and the purpose is to help it to deliver current programming more broadly and sustainably, then a useful theory of change will need to expand its scope: It will need to address not only program issues, but also organizational and financial matters.

I have developed a four-day approach to helping nonprofits develop theories of change tailored to their specific ambitions and needs. I insist on working with *vertically integrated teams* consisting of representation from the board, executive leadership, mid-level management, and a sampling of front-line staff. In these workshops we review in great detail the organization's mission; goals; objectives; target population; targeted outcomes; key indicators for managing performance and assessing success; organizational capacities; the degree of alignment among its constituent parts (e.g., multiple programs, multiple sites); data gathering and use at all levels of the organization to manage performance; and systematic efforts to learn from performance and understand whether the organization's efforts are achieving outcomes as intended. I work to help the group achieve consensus on all these matters, and where this is not possible, to have the executive director commit to a fully transparent process for making an executive decision.

When successful, these workshops have two results: (a) an *output*, consisting of a very detailed blueprint that shows not only each step the organization will be taking to achieve alignment with its mission but also each step it will take to manage at high levels of performance, effectiveness, and efficiency; and (b) an *outcome*, in that the organization moves to a new level of clarity about its mission; high transparency regarding its operations; substantial alignment among its various operational units behind the achievement of its mission, goals, and objectives; a deeper and more realistic understanding of its resource needs; a new view of accountability for results; and a highly focused, streamlined approach to gathering and using performance data to support the achievement of success.

For example:

- Our Piece of the Pie (Hartford, CT) realized that its legacy program of elderly services and its open-enrollment daycare center bore no relation to its mission to help inner-city, low-income young people successfully transition to adulthood. It decided to limit daycare access to teenage mothers and redesigned elderly services as a social enterprise providing stipends and work-readiness training—both dedicated to helping young people in its case-management program.

- Juma Ventures (San Francisco, now replicating in San Diego) decided to pull back its early growth efforts in order to deepen its target population to include first- and second-year (low-income) high school students (because starting, as it had, with third-year students could not provide sufficient program dosage and duration to assure the attainment of its educational and work-related outcomes) and implement intensive case-management services.

- Congreso de Latinos Unidos (Philadelphia) serves individuals and families living mostly in the city's North End and other predominantly Latino neighborhoods. In the theory-of-change workshops, Congreso consolidated some sixty semi-autonomous, contract-driven programs with an aggregate of several hundred outcomes into a core case-management program with three key outcomes (health, education, and employment). The old programs became specialized services; clients develop individualized service plans and "pathways" through the system as their individual needs dictate. In other words, Congreso moved from being "program-centric" to being "client-centric."

- Summer Search (a national organization headquartered in San Francisco) significantly clarified its target population; revised its ways of talking and working with teens; and abandoned some legacy practices that could not survive rigorous scrutiny.

- The Center for Employment Opportunities (New York, NY, and now replicating upstate) helps prisoners transition into employment upon their release. As part of developing its theory of change, the organization studied its participants and found that its success with young adults (age 18–24) was much lower than with adults—and as a result built youth development practices into its programming for its younger clients that increased its effectiveness with them. A recent, rigorous evaluation has shown that the organization significantly reduces recidivism.

- Roca (Chelsea and now also Springfield, MA) scaled back its service capacity for several years to rethink and codify its use of "transformational relationships" and allocate its resources more effectively to help gang- and street-involved young adults leave violence behind and gain sustained employment.

While it is essential that nonprofits develop theories of change, this is just the first step. To become high performing, they must implement (build) what is called for in the blueprint. In general, it takes anywhere from three to six years. In the cases mentioned above, the organizations went on to reconsider board responsibilities; rethink fundraising strategies and goals; redesign organizational structures; deepen management capacities; introduce new HR systems with clear accountability for results; and design and implement performance-management data systems that capture who gets served, the delivery of all elements of programming as codified, monitoring of service quality, appropriate service utilization, and the achievement of outcomes.

Are You Ready for Change?

Is this theory-of-change approach suitable to all nonprofits? No! In my experience there are a few indicators that a nonprofit is ready to undertake this kind of work, all of which must be present for the exercise to yield the kinds of results I have described:

1. **Executive leadership.** The executive director must have arrived at the view that the organization may well not be delivering what it promises, and also must find this situation intolerable (and hence be ready to make very tough decisions). By the way, contrary to the views held by many, I have never seen a board that has driven the commitment to redesign a nonprofit in order to become high-performing and effective.

2. **Board support.** The board must be willing to engage in the process even though it recognizes that in all likelihood more will be required of it as a result—especially with regard to fundraising.

3. **Financial solvency.** An organization must have a sense that it is sustainable before it can participate wholeheartedly in such a workshop. If it is struggling to pay its rent or meet payroll, it is very unlikely that it will have the "space" to take a step back and wrestle with fundamental issues.

4. **Organizational culture.** The organization must have a strong and widely shared sense that it needs data to manage well and work effectively—even if, so far, such efforts have been unfocused, funder-driven, burdensome, and mostly useless in people's daily work.

Conclusion

Bring up performance management with many nonprofit leaders and you've got a good chance of watching their eyes glaze over or widen with fear and loathing. Performance management conjures up the worst dehumanizing practices of the corporate sector and reeks of data gathering run amok.

But this need not be the case. If a nonprofit really knows what it is doing and why—if it has a theory of change that is meaningful (to key stakeholders), plausible (in that it makes sense to stakeholders and key experts), doable (within the resources and capacities of the organization and, perhaps, its strategic partners), assessable (with measurable indicators of progress and success), and monitorable (with well-articulated implementation and performance standards), then designing simple, useful performance metrics really isn't forbiddingly hard, and managing to outcomes can be a reality.

Those who depend on nonprofits in order to overcome structural and individual obstacles and to improve their lives and prospects deserve no less.