

SELECTED EXCERPT
FROM LEAP OF REASON

LEAP OF REASON

MANAGING TO OUTCOMES IN AN ERA OF SCARCITY

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The core monograph from the book Leap of Reason, which is available in full at leapofreason.org

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When you find a unique opportunity to make a real difference, you focus on it and constantly reassess results. This is discipline.

—Peter F. Drucker

Greatness is not a function of circumstance. Greatness, it turns out, is largely a matter of conscious choice, and discipline.

—Jim Collins

We're Lost But Making Good Time

For the entire sixteen years I've been working full-time in the social sector, a problem has been gnawing at me, sometimes literally keeping me up at night.

Here's the problem in a nutshell: **We don't manage to outcomes, thus greatly diminishing our collective impact.**

Despite all the right intentions, the vast majority of nonprofits do not have the benefit of good information and tools to determine where they're headed, chart a logical course, and course-correct when they're off. They're navigating with little more than intuition and anecdotes. Only a fortunate few have a reliable way to know whether they're doing meaningful, measurable good for those they serve.

I know "manage to outcomes" may sound to some like fuzzy jargon—and frankly, I wish I had a better term. But I assure you, this problem is more than just a sleep-stealing concern of pointy-headed funders like me. It's a huge problem—and a huge potential opportunity—for the nonprofits themselves, for the families they aspire to benefit, and for society as a whole.

The problem is not new, but it is growing in urgency.

The cold reality is that in our present era of unsustainable debts and deficits, our nation simply will not be able to justify huge subsidies for social-sector activities and entities without more assurance that they're on track to realize results. Public funders—and eventually private funders as well—will migrate away from organizations with stirring stories alone, toward well-managed organizations that can also demonstrate meaningful, lasting impact.

To add more urgency, it's entirely possible that the bar may go even higher than that. Eventually public and private funders will see the value in favoring not just individual organizations that can demonstrate their impact but organizations working together in disciplined ways toward *collective* impact. As [John Kania](#) and [Mark Kramer](#) show in a thought-provoking [article](#) in the *Stanford Innovation Review* (Winter 2011), organizations working to achieve common outcomes within a broad, coordinated network—not just in their own silos—are much better equipped to solve big societal problems.

This monograph is intended for leaders who are willing to embrace the challenge of rigor head on, individually and collectively. It's for those who know in their bones that they want and need better information in order to fulfill the mission that compelled them to dedicate their lives to serving others.

Of course not every insight here will apply to every organization. No one would expect, for example, that small organizations with budgets under \$1 million a year would invest hundreds of thousands or millions of dollars in building fancy performance-management systems to monitor results in real time.

But even the smallest organizations can find ideas here to help them manage in a way that allows them to know whether they're making a difference or not. I believe that's a reasonable minimum requirement for anyone who aspires to do good, applies for charitable status from the IRS, and asks others to commit their money or time.

Why Managing to Outcomes Is Rare

It sounds so simple, so basic. So why do so few nonprofit professionals manage to outcomes despite a genuine passion for achieving a mission?

One big reason is that nonprofit leaders, even those who run the largest organizations, are not encouraged or supported to manage well. Many were “knighted” into their leadership positions because of their commitment to mission and achievements in serving others; they had no formal management training. Many heads of schools, for example, will share some version of the following lament: “I’m an educator, and I had no idea what managing was.” Even in a sector blessed with truly remarkable leaders and visionaries, we do not recognize and reward good management, and we have an acute shortage of management talent.

A second, related reason is that funders generally don’t provide the kind of financial support that nonprofits need in order to make the leap to managing to outcomes. The truth, ugly as it may seem, is that nonprofit behavior is very much a function of what funders require. By and large, funders want to help nonprofits do the right thing. But far too many donors—big and small, public and private—have been conditioned to insist that every dollar go to “support the cause” through funding for programs. They don’t want “overhead” to dilute their donations.

Unfortunately, this understandable desire to be careful about costs can deeply undermine the pursuit of impact. Yes, we have all seen some nonprofits that have unjustifiably high overhead costs, such as those that put on lavish galas that barely break even. But if funders see all overhead as wasteful, they will miss a huge opportunity to help their grantees make the leap to managing to outcomes—which, in my view, is the clearest pathway to impact.

To make the leap to managing to outcomes, nonprofits need creative funders willing to think big with them—not just pester them for more information on results. They need funders who understand that making the leap requires more than program funding, and more

than the typical “capacity-building” grant. They need funders who are willing to make multi-year investments in helping nonprofit leaders strengthen their management muscle and rigor.

Another reason nonprofits fail to manage to outcomes is that they fear that funders will use any information nonprofits collect against them, instead of using it to help nonprofits grow and improve. For example, educators often worry that school districts use student test scores and other educational data to restrict funding and fire teachers rather than to guide efforts to improve teacher and program quality for better student outcomes.

Granted, some nonprofit leaders have overcome these and other hurdles, and they have made truly meaningful progress toward improving outcomes by collecting, analyzing, and using information. Select hospitals like the [Cleveland Clinic](#) and the [Mayo Clinic](#), for example, have made great strides in creating a culture of information-based introspection that allows them to use and apply the information they need on an ongoing basis. The same can be said for innovative human-service and education nonprofits such as [Nurse-Family Partnership](#), [Youth Villages](#), [Harlem Children’s Zone](#), [Friendship Public Charter School](#), and the [Latin American Youth Center](#), all of which are seeing positive early indicators of greater impact. And, fortunately, there are pioneers in the foundation world, such as the Edna McConnell Clark Foundation, that have lent their financial and strategic support to help their grantees manage to outcomes.

It’s also true that a good number of nonprofits have come to appreciate the value of experimental and quasi-experimental evaluations, often conducted by third parties, to assess the effectiveness of specific programs. But even among these nonprofits, few have come to understand the importance of continuous, rigorous collection and use of information for guiding the management of their organization. This ongoing, management-oriented data collection and analysis is what managing to outcomes requires. It is a way for leaders and nonprofits to learn and grow. It is essential for achieving lasting impact.

Because of the impediments, far too few nonprofits even bother trying to manage to outcomes.

Among those who *do* try, far too many are missing the forest for the trees. They focus more heavily on the mechanics of measurement than on understanding what the data reveal. As a result, they are squandering precious time and financial resources.

Even worse, I've witnessed some misguided efforts—often foisted on nonprofits by funders—that have produced unintended negative consequences that go beyond the waste of money. In these cases, funders have turned assessment into an exercise focused on cold numbers—the equivalent of Robert McNamara's simplistic and terribly misleading Vietnam body counts—rather than using it to help nonprofit leaders achieve lasting impact for those they serve. These efforts are worse than no effort at all!

The Hudson Institute's eloquent and insightful [William Schambra](#) shares my concern about ill-considered, often harmful demands from funders. If nonprofits could speak truth to powerful foundations, he imagines they would say, "Let's decide jointly on a simple, coherent, user-friendly system to which we can both pay attention, which will prevail over bureaucratic [requirements] ... and which will feed into a serious body of knowledge. But until then, stop pretending that the problem is our lack of acceptable performance, rather than your lack of serious purpose."

"To What End?"

The simple question that has served me best throughout my business and nonprofit careers is "To what end?" I try to return to these three little words constantly during the life of any project or initiative, especially when I fear I'm drifting away from my original purpose or I'm starting to confuse ends and means.

I fear that when it comes to outcomes assessment, we have failed to keep our eyes fixed on the ends we are trying to advance.

In the wise words of David Hunter, managing partner of [Hunter Consulting](#) and a former director of assessment for the [Edna](#)

[McConnell Clark Foundation](#), “The mess you describe indeed is enormous and very destructive. . . . Few people involved in this work have thought deeply about managing toward outcomes. Most put the cart before the horse—focusing on *how* to measure rather than on *why* measure and *what* to measure.”

Every ounce of our effort on assessing social outcomes should be with one end in mind: helping nonprofits deliver greater benefits to those they serve.

Unfortunately, greater benefits are not the focus today. Measurement has become an end in itself.

- If greater benefits were the end, we would be working to help nonprofits clarify the results (outcomes) they are trying to achieve.
- If greater benefits were the end, we would do much more to help nonprofits collect and use the information that could best help them navigate toward those outcomes.
- If greater benefits were the end, we would properly differentiate between operational performance and organizational effectiveness. What good is it to focus on an organization’s overhead costs or fund development levels if we don’t have a clue as to how effective the organization is at creating benefits for those it serves?
- If greater benefits were the end, we would own up to how much encouragement and support nonprofits need in order to define and assess what they do and how well they do it. We’ve approached this challenge as if it’s about numbers when it’s really about having the right culture, a theme I will return to in detail in Chapter 3. Shifting the culture requires large and persistent investments of time, talent, and money.

Common Sense Left Behind

A vivid illustration of measurement run amok comes to us courtesy of [No Child Left Behind](#).

I've had the opportunity to be engaged in K-12 education through Venture Philanthropy Partners' work with schools in the National Capital Region, through my participation on a number of national educational initiatives, as an advisor to leaders in education, through my deep engagement with a school in Cleveland for bright students who learn differently, and as a parent of three children. Based on these varied experiences, I, like many others, believe that the good intentions of the No Child Left Behind Act have led schools and students astray.

Of course I believe we need ways to judge our schools and to assess how well our students are doing. But No Child Left Behind does these things poorly. It is the classic example of metrics over mission.

The current regime of "memorization and testing" and the growing battery of standardized tests risk rewarding targeted test preparation while not informing us or the students themselves whether they are developing the relevant skills and competencies they and our society so sorely need. Yes, it's very important to achieve—and measure—core competencies like reading and math. But where are the incentives for schools to educate young people to be curious, engaged citizens capable of critical thinking and problem solving? Where are the incentives to encourage collaborative learning? Where are the incentives to nurture students' social-psychological development? Where are the incentives to give students practical experience in the ways of life outside of school?

A good friend and mentor who is a nationally recognized education leader sheds more light on this dilemma. He points to the work of Yale professor [Seymour Sarason](#), who wrote as early as the 1960s about his fear of reductionist exercises that look at only one or two parts of what an organization does and then draw conclusions based on whatever is sampled. My friend notes, "Sampling may work fine for determining what's going on in someone's blood. But at school

these days [the only things we're sampling] are reading and math test scores, because they are easy to acquire and report.”

Another friend and colleague, head of a high school for boys, shared similar concerns. He believes that a singular focus on standardized tests encourages schools to educate students as if they were widgets on a manufacturing conveyor belt rather than individuals with their own strengths, interests, and needs. (For insights on how schools can get beyond simplistic assessments, please see Ethan D. Schafer's essay on p. 127.)

Too Hard on “Soft” Outcomes

“To what end?” are three powerful words. But as I learned in my Catholic upbringing, two words that carry just as much power are “*mea culpa*.”

Here's an example of how I looked too narrowly at outcomes—and, as a result, risked knocking nonprofits off mission.

In the early years of Venture Philanthropy Partners (VPP), we got a lot of resistance to my push for clearly defined outcomes from leaders whose organizations placed a premium on being holistic with their services and functioning as “community builders.” Although I agreed with them in concept, I felt that a focus on “community building” was too soft to be a legitimate outcome. Outcomes related to “community building” are, after all, radically ambiguous compared with outcomes like reduction in teenage pregnancy and substance abuse.

I now see that serving the entire family (holistic services) and building community are some of the very things that create the kind of environment that allows youth to avoid risks, get an education, and prepare for jobs and college. I'm kicking myself for not having seen this earlier—because I *lived* this as a kid in the 1950s. I grew up in a technically poor neighborhood in Cleveland that was actually a truly connected and supportive community, a place where it was hard to fall through the cracks.

BASIC DEFINITIONS

Theory of Change—how we effect change

The overarching set of formal relationships presumed to exist for a defined population, the intended outcomes that are the focus of the organization's work, and the logic model for producing the intended outcomes. A theory of change should be meaningful to stakeholders, plausible in that it conforms to common sense, doable with available resources, and measurable.

Logic Model—what we do and how

The logically related parts of a program, showing the links between program objectives, program activities (efforts applied coherently and reliably over a sustained time), and expected program outcomes. A logic model makes clear who will be served, what should be accomplished, and specifically how it will be done (i.e., written cause-and-effect statements for a given program design).

Inputs—what resources are committed

The resources—money, time, staff, expertise, methods, and facilities—that an organization commits to a program to produce the intended outputs, outcomes, and impact.

Outputs—what we count

The volume of a program's actions, such as products created or delivered, number of people served, and activities and services carried out.

Outcomes—what we wish to achieve

Socially meaningful changes for those served by a program, generally defined in terms of expected changes in knowledge, skills, attitudes, behavior, condition, or status. These changes should be measured, be monitored as part of an organization's work, link directly to the efforts of the program, and serve as the basis for accountability.

Indicators—what we use to stay on course

Specific, observable, and measurable characteristics, actions, or conditions that demonstrate whether a desired change has happened toward the intended outcome. Also called "outcome indicators" or "predictive indicators."

Impact—what we aim to effect

To slightly oversimplify, the results that can be directly attributed to the outcomes of a given program or collective of programs, as determined by evaluations that are capable of factoring out (at a high level of statistical probability) other explanations for how these results came to be.

Editorial Note: These definitions were adapted from the [Glossary of Terms](#) of the Shaping Outcomes Initiative of the Institute of Museum and Library Services, Indiana University and Purdue University Indianapolis; [The Nonprofit Outcomes Toolbox: A Complete Guide to Program Effectiveness, Performance Measurement, and Results](#) by Robert Penna; and the [Framework for Managing Programme Performance Information](#) of the South African government. The definitions were informed by distinguished reviewers who provided valuable insights.

My friends and I benefited from a wide range of holistic services delivered by caring adults—from family to teachers to coaches and neighbors—who simply wouldn't let us fail. Of course we didn't know it at the time, but we were the focus of a reasonably well-coordinated network of providers that collectively produced an impact greater than the sum of good individual parts.

And yet when VPP investment partners talked about “community building,” that sounded too intangible, not readily measurable—and, candidly, difficult to sell to our own stakeholders.

I regret not having been more open in my thinking back then. Instead of pushing back on what we were hearing, my colleagues and I should have done more to understand “soft” achievements that may in fact be every bit as real and important as “hard” outcomes. I aspire to do a better job of making them part and parcel of future efforts to assess outcomes and performance, even if that means using qualitative and/or subjective indicators.

The point is this: When public or private funders establish performance metrics and tie rewards or consequences to organizations' capacity to meet them, organizations and people will migrate to the behaviors that will allow them to meet their defined targets. If the metrics are appropriate and closely tied to mission, the organization can benefit. But if the metrics are simplistic and unmoored from mission, organizations will go racing in the wrong direction. To paraphrase Yogi Berra, they'll get lost, but they'll be making good time.

Backseat Driving

Ultimately, the benefits of an outcomes orientation must accrue to the nonprofit. Sadly, today most of the discussions of outcomes are being driven by funders demanding “more information on results” and not paying attention to what nonprofit leaders need in order to produce results.

We funders, in the name of “measurement” and “accountability,” are foisting unfunded, often simplistic, self-serving mandates on our grantees—rather than helping them define, create, and use the

information they need to be disciplined managers. In the words of Tris Lumley, head of strategy for the London-based [New Philanthropy Capital](#), “Great organizations . . . are built around great data. Data that [allow] them to understand the needs they address, what activities are likely to best address these needs, what actually happens as a result of these activities, and how to allocate resources and tweak what they do for even greater impact. Too often, funders set the agenda with their own requirements [and] cripple the organizations they’re trying to help.”

I strongly urge funders to see that assessment is most valuable if it is driven by the nonprofit itself. Attempts to define outcomes seldom produce positive results when they are imposed on organizations from the outside. The nonprofit needs to own the process and be the primary beneficiary of it.

And when we funders come to the table to encourage nonprofits to develop an outcomes orientation, we must be reasonable in what we expect. We can’t expect a three-person nonprofit serving homeless girls to implement a robust information system. We can, however, encourage the nonprofit to define the outcomes it seeks to achieve for the girls it serves and to develop a clear picture of how its activities will help achieve these outcomes. And yes, even this type of tiny nonprofit can collect basic data to inform its work.

No matter how small the organization, we must not run away from outcomes and their measurement altogether—that is, do nothing to assess whether we are delivering on our promises to the families who turn to us for services. As David Hunter says, “It is a really, really bad thing for nonprofits to promise to help people improve their lives and prospects . . . and then, when the matter is looked at closely, it turns out that they aren’t doing that at all!”

Take-Homes in Tweets

-  The vast majority of nonprofits have no reliable way to know whether they're on track to deliver what they promise to those they serve.

-  Managing to outcomes means investing in continuous collection and use of information to guide the organization's decisions and operations.

-  Managing to outcomes requires a significant culture shift within an organization. It is primarily about culture and people—not numbers.

-  Some funders have turned assessment into an exercise focused on cold numbers rather than using it to help nonprofits improve.

-  We must focus on *why* measure and on *what* to measure—not just on *how* to measure.

-  The nonprofit needs to drive the outcomes-assessment process and be the primary beneficiary of it.

-  Reasonableness and common sense must guide the investment in assessment.

Innovation From the Periphery

Our sector needs a major reset on the approach to outcomes—from how we think about them to how we assess them.

More than anything else, our sector needs a singular focus on managing to outcomes for greater impact. This means encouraging and supporting nonprofits to do the following:

- Gain clarity, through thoughtful introspection, on what change they are trying to create
- Gain specificity on how they will accomplish that change
- Determine what information (hard and soft) will be most helpful for gauging whether they are on course to achieve that change
- Collect and use this information to plan, make important decisions, track, course-correct, and improve
- Combine all of the above with good judgment and keen discernment, which are more important than any single metric.

In my experience, some nonprofit leaders inherently think in terms of outcomes or are at least open to doing so. They bring more

than intuition and personal agenda; they think deeply about the what, how, and why of their services; they are evidence-based; and they talk naturally and frequently about the change happening in the lives of their clients and beneficiaries. These leaders are genuinely hungry for reliable information to assess their value to those they serve. They *want* to manage to outcomes.

Leaders who have an innate desire for good information that's aligned with their mission are the ones most likely to develop a true performance culture and make a real difference in the lives of those they serve. And before those of you who rebel against the term "performance culture" get too incensed, let me urge you to step back from the jargon and debates of the times and ask yourself, How could individuals who serve others not want to know how they are doing and be able to share these findings with those they serve? This is what I seek to convey when I use the term "performance culture."

As I touched on in Chapter 1, using information to manage to outcomes and having a performance culture are dependent on an attitude and mindset that *must* come from within. Trying to impose this orientation on leaders and organizations is as constructive as trying to foist change on your spouse. As my better half will tell you (with a resigned sigh), it ain't gonna happen.

If you feel you have the mindset and tenacity to lead the transition to managing to outcomes, please be sure to read the "Ideas Into Action" section, which starts on p. 63. It contains a simple framework and questions to help you spark the right conversations within your organization and its board.

What Managing to Outcomes Looks Like

In this chapter I will describe a number of truly impressive innovators who demonstrate what is possible when organizations begin managing to outcomes.

Let me acknowledge first that I haven't done full justice to their innovative work—simply because words are not as good as pictures for illustrating what this work looks like in practice. I recommend

that you visit savingphilanthropy.org, a site where you can see managing to outcomes in action. The site features clips from the one-hour documentary *Saving Philanthropy: Resources to Results*. The film, produced in conjunction with PBS by the brother-and-sister filmmakers Robby and Kate Robinson, is aligned with the themes of this monograph and coincidentally includes a few comments from me and several other contributors to this monograph, among them David Hunter and Isaac Castillo. It profiles social service organizations that have built outcomes-oriented cultures, and it highlights the role that forward-thinking funders play in the process.

Before he was featured in the provocative movie [Waiting for “Superman,”](#) Geoff Canada, founder and CEO of [Harlem Children’s Zone \(HCZ\)](#) and one of my heroes, raised a stir with [comments](#) in the New York publication [City Limits](#). When Canada was asked to define success for HCZ, he said, “The only benchmark of success is college graduation. That’s the only one: How many kids you got in college, how many kids you got out.”

Canada could not have been clearer on the ultimate outcome HCZ is focused on achieving. It’s not improving reading levels. It’s not getting kids to graduate from high school. It’s not helping kids get into college. To Canada, these are important interim indicators that HCZ is moving in the right direction, but, ultimately, what matters is ensuring that those young people make it through college—because ample evidence shows that making it through college is what leads to lifelong results for the young people HCZ serves.

With that great clarity as a starting point, Canada and his team, aided by the [Edna McConnell Clark Foundation](#), [Bridgespan](#), and others, have gotten good at identifying the information they need to collect in order to manage to this outcome. Are all the kids in HCZ graduating from college? Of course not. But HCZ is on a very promising path.

Given that *Waiting for “Superman”* director Davis Guggenheim essentially held up Canada as a superhero, it is no surprise that HCZ came under greater scrutiny following the release of the

documentary. For example, in a *New York Times* article entitled “[Lauded Harlem Schools Have Their Own Problems](#),” Sharon Otterman reported on criticism in education circles of the high per-pupil costs at HCZ schools (around \$16,000 per year plus thousands more in out-of-classroom spending).

This criticism misses the point—and is representative of the kind of thinking we need to resist if we want to stay focused on the ultimate ends we’re trying to achieve. Canada’s mission is not merely to raise test scores. It is, in Canada’s words, to “save a community and its kids all at the same time.” And folks, that ain’t cheap. The [University of Pennsylvania’s Center for High Impact Philanthropy](#) has it exactly right: “Despite high costs of this particular model, the potential savings to society are huge. Considering costs in isolation tells you nothing about return on investment.”

Another well-known managing-to-outcomes success story is [Youth Villages](#), which helps emotionally troubled children through a wide range of residential- and community-based treatment programs in eleven states. Youth Villages rigorously tracks all the children it serves, during their treatment and often for two years after their discharge. “The state . . . shouldn’t be buying beds,” says CEO Pat Lawler. “They should buy outcomes, successful outcomes.”

Positive Outliers Close to Home

HCZ and Youth Villages have gotten an enormous amount of national attention for their efforts. But they are far from the only organizations that understand the value of managing to outcomes. This past year I had an opportunity to participate in demonstrations of three systems for managing to outcomes that were implemented by organizations I know well. All three of the systems, which the experts call “performance-management systems,” encourage and reward curiosity and continuous exploration of how to do things better.

The first of these systems was created by an organization of which I am trustee: the nonprofit [Cleveland Clinic](#). In brief, the clinic has developed a system that gives administrators and clinicians

powerful and easy-to-use tools for making smart administrative and patient-focused healthcare decisions. Using this platform, the clinic recently started sharing data with a consortium of 256 hospitals.

The system feeds off the data from the clinic's repository of electronic medical records and is augmented with an array of other well-thought-out quantitative and qualitative data—from information on patient experience to data on blood utilization. The system has allowed the clinic to improve patient access; new patients now wait, on average, fewer than seven days to see a provider. It has also allowed the clinic to decrease its use of packed red blood cells by 10 percent, which has produced significant cost savings. These are but two examples of how this information is leading to better care and lower costs.

The other two systems were equally impressive—especially because they were developed by community-based organizations that are nowhere near the sheer size and scope of a world-renowned medical institution like the Cleveland Clinic.

One was developed by the [Latin American Youth Center \(LAYC\)](#), a VPP investment partner that provides a broad range of human services to help youth and their families live, work, and study with dignity, hope, and joy. At VPP, we have watched LAYC make significant progress in adopting an outcomes orientation, take material steps toward managing to outcomes, and initiate an evaluation approach that could lead to earning distinction as an “evidence-based program.” LAYC's work in outcomes measurement and program evaluation has improved dramatically over the past five years. Today, LAYC is seen as a leader in the nonprofit community in the creation and implementation of data-collection systems, the use of data to evolve program design, and the generation of program-outcome information within a multi-service organization. (For more insights on LAYC's outcomes framework and performance-management system, please see Isaac Castillo's essay on p. 95.)

The other system was developed by [Friendship Public Charter School](#), another VPP investment partner. In 1998, Friendship founder

[Donald Hense](#) and I stood in jeans outside a run-down DC elementary school. He pointed across the street and said, “That’s where we’re going to put our first school.” Today, to Donald’s great credit, Friendship is a thriving network of ten schools and academies, serving eight thousand children.

Friendship’s performance-management system produces dashboards for each student, teacher, classroom, and school, providing timely qualitative and quantitative insights on how students are doing on the skills they need to learn. This information, easily available to all teachers as well as students and their families, allows for much earlier and more effective intervention when kids are having trouble. As word gets out about what Friendship has built, it will set a higher bar for schools around the country—including affluent private schools—and give a new sense of what’s possible.

Angela Piccoli is a second-year teacher at one of the Friendship schools. This year her classroom included a majority of students who were low performers relative to their grade-level peers. “I was petrified to show students their data at the beginning of the school year, as many were barely readers,” says Piccoli. “I thought it would unsettle the entire class and lead to overwhelming tension and anxiety.” Sharing the data with students, however, is a non-negotiable requirement in Friendship’s model and is expected of all teachers, so Piccoli did. And what happened? “My students responded to the data. They helped each other. They knew what they had to do and they kept improving. They have become cheerleaders who encourage each other.”

Piccoli’s students maintain their own graphs, which they color in with their results after each assessment. “I cried when I saw on my last interims how well the students did,” she says. “It was the first time that they read the assessment themselves rather than having it read to them.” Each of Piccoli’s students has become a reader. And by taking ownership of their own data, the students have gained confidence in themselves as learners.

At the beginning of this year, Friendship added non-academic indicators—indicators related to students’ well-being—to its performance-management system. According to Friendship COO Patricia Brantley, “We saw immediately the interrelationship between struggling teachers and struggling classrooms. Attendance and discipline issues weren’t spread out evenly among classrooms; there was a clear correlation between student non-academic outcomes and teacher performance.”

At Friendship’s first meeting to share data on attendance and truancy disparities between classrooms, one principal remarked, “Kids can’t just fall through the cracks anymore, because we can see them right when they need us to do so. This is the data that I needed to ensure that every adult is focused on the most important work.” As Brantley puts it, “We use the data as the common driver of urgency for leadership and urgency for management.” (For more insights on Friendship’s performance-management system, please see Brantley’s essay on p. 117.)

From Periphery to Core

All of the previous examples suggest that positive change is percolating. For even as most nonprofits and funders in the core of our sector continue to “major on minors,” it’s clear that some leaders are achieving remarkable progress on the periphery of our sector.

It is impossible to predict how quickly change will migrate from the periphery to the core. For some, change will be slow, especially for funders stuck in their ways and nonprofits that are woefully under-resourced or don’t have a leader to champion outcomes thinking. For other funders and nonprofits, change will come sooner. This is especially true when they get a good look at the way the innovators on the periphery are managing to outcomes today and see the greater impact they’re achieving as a result. To borrow from Hewlett Foundation CEO [Paul Brest](#), those who get a glimpse of what’s possible feel like sailors navigating by dead reckoning in a world with GPS.

This phenomenon brings back a lot of memories from my career in the software industry, when I had a front-row seat on the process of technology adoption and the systems change it enabled. Today I'm seeing a convergence of (a) a rather select group of nonprofit leaders hungry for information to help them do better what they do; (b) fundamental changes in technology, data architecture, and data accessibility; and (c) external financial pressure to demonstrate value for the money. This convergence is eerily familiar to those of us who worked with the likes of Boeing, the U.S. Department of Defense, and Federal Express in the 1970s, '80s, and '90s to implement early versions of performance-management systems.

In those days we helped executives peer into the ways that information systems could help them manage their resources and produce improved results (i.e., outcomes). And, gradually, as executives saw the potential with their own eyes and were able to put it into the context of their organizations, their view of what was possible with good information was forever changed.

In those business sectors, innovation migrated from the periphery to the core relatively quickly. Investors could see how performance-management systems contributed to companies' bottom line, and so they were willing to fund the hard work that went into building these systems. As I will discuss in greater detail in Chapter 5, in the social sector we need to make a similar case to funders. We need to prove that investments in managing to outcomes and performance-management systems will allow organizations to produce greater impact.

Mindset Over Matter

As we develop the case for investment in performance-management systems, it's vital for us to avoid getting caught up in a mere appreciation for the technologies they use or the aesthetics of their user interfaces. Take it from a former high-tech executive: Technology is *not* the decisive factor in whether organizations make the transition to managing to outcomes and raise their impact. Far more important is

the mindset of the leaders who put these systems in place—a mindset that can prevail even in organizations that can't afford to build sophisticated data systems.

Leaders like the ones I've profiled in this chapter take on the challenge of managing to outcomes not because it's "important," not because it's a trend or a good marketing tool, and not because a funder or investor said they had to. They do it because they believe it to be integral to ensuring material, measurable, and sustainable good for those they serve.

In the next chapter I will offer insights on how leaders can help to cultivate this mindset in their organizations through the two most powerful tools at their disposal: people and culture.

Take-Homes in Tweets

🗨️ Funders can make a big impact on the causes they care about if they encourage and support their grantees to do the following:

🗨️ Gain clarity on what change they are trying to create

🗨️ Gain specificity on how they will accomplish that change

🗨️ Determine what information will be most helpful for gauging whether they are on course

🗨️ Collect and use this information as the basis for understanding what's working, planning, decision making, and improving.

🗨️ Leaders with an innate desire for good information are the ones most likely to make a real difference in the lives of those they serve.

🗨️ Leaders who see performance-management systems for the first time feel like sailors navigating by dead reckoning in a world with GPS.

🗨️ The best performance-management systems help users do what they do better and make what they do easier.

🗨️ The technology behind these systems is not nearly as important as the mindset of the leaders who put these systems in place.

Culture Is the Key

In my forty-plus years of experience in the for-profit and nonprofit sectors, I have come to see that there's a common denominator among organizations that manage to outcomes successfully: They all have courageous leaders who foster a performance culture.

An organization's culture has a huge impact on whether the organization can achieve what it hopes to for those it serves. To me, all organizations should strive not only to foster a *healthy* culture, where their people understand the mission and feel appreciated for their role in fulfilling it. They should also strive to nurture a *performance* culture.

Once again, I use the term "performance culture" with some trepidation. I know it's radioactive for some, especially those in the education field.

But the term as I'm using it shouldn't be threatening. I mean simply that the organization should have the mindset to do what it does as well as it possibly can and continually seek to do even better. For example, there are many teachers I know who would not naturally see themselves as representing or contributing to a performance culture per se. And yet they stay after school to tutor or counsel; grade papers late into the night; care immensely about helping students learn and grow; and even show up to cheer their students on at games, plays, and other events. These teachers may not see what they

do as being driven by a performance mentality, but their actions in serving their students speak louder than words.

A Great Culture Starts With Great People

Nurturing a performance culture begins with recruiting, developing, and retaining the talented professionals you need to fulfill your mission. Failure to do so is, to me, literally a dereliction of duty of board and management—from executive director to line supervisor. Board and management need to “get the right people on the bus, in the right seats,” in the famous words of management expert [Jim Collins](#).

I’m a big believer in the notion that what makes things happen is people. Best practices are wonderful, but they are most effective in the hands of highly talented people. I’d take the best talent over best practices and great plans any day of the week. Too many of us think that organizations and systems solve our challenges. They play a vital role, but the key lies in the people who execute those plans.

To amplify this point, I will share a long quotation from a leader of great distinction in the educational, philanthropic, and nonprofit sectors:

I despair over the money being expended by our sector on evaluation, measurement, etc. The simple truth is that if you don’t stay focused on the quality and energy of leadership, all the rest is beside the point. We all continue to avoid the tough but vital question of gauging . . . the assessment of the human element. . . . My own experience that now stretches over fifty years is that we are a long way from quantifying the critical element of judgment.

So this is the basic question: Do you have the right talent, leadership, and judgment in place to execute your mission? Next to questioning the mission itself periodically, this is the most important question boards and management must ask themselves.

Asking and answering this “hot potato” question is difficult. It might require change and improvement on the part of those already

on the bus, *including the person driving it*. It might require bringing different people on the bus. Most often it requires a combination of the two.

The truth is that we're not good at this type of change in our sector. We often sacrifice the quality of our programs and services in order to protect those who aren't doing their jobs well.

Why? For one thing, we generally lack effective ways to assess the performance of staff so that we can help them improve or move on. More important, executives just don't want to deal with the confrontation that's sometimes required when we know a staff member's performance isn't good enough. We avoid providing the honest, constructive feedback people need to improve. When steps for improvement don't work, we are loath to make changes, especially terminations, lest we rock the boat. Too many of us allow appeasement and accommodation to override doing our best for those we serve.

It's a delicate balance when you're dealing with someone's career (and livelihood). Candidly, there are times I've made the go/no-go call too quickly. I've seen people develop to become solid performers, even leaders in their organizations, after I thought they weren't going to make it. Fortunately, others saw something in them that warranted going the extra step.

Such decisions are never to be taken lightly, and there's no checklist of steps. It comes back to the quality of judgment of those making the decisions. Intuition and instincts are an important part of the equation.

In the early years of VPP, I took the team to visit the offices of [General Atlantic, LLC](#), a preeminent global growth-equity firm that invests to build great companies. In a discussion with one of the best executives I've had the pleasure of knowing, one member of the VPP team asked, "What's the most important thing you do to help the firms in which you invest?" He said simply, "Make sure the firm has a great CEO, and then make sure he or she has or gets a great number two. It's all about the people."

I can't begin to relate how true this has been in all aspects of my business and nonprofit careers. In 1987–88, as CEO of Morino Associates, Inc., I recruited a new executive-management team with the background and experience to lead our firm to where we aspired to go. Trust me, it was not a popular action, but it proved central to allowing the firm to achieve what it did in the years that followed.

In 1989 we merged with another firm to create LEGENT Corporation. One of the smartest and best actions we took was to recruit three new outside board members who were seasoned executives and had “been there, done that.” Absolutely priceless! Very soon I came to see that they had more insights in their little fingers about building great organizations than I possessed in my entire body (and I was heavier in those days). Being around them while we worked through the integration of the firms was invaluable professional development for me.

After I transitioned to the nonprofit world, recruiting Carol Thompson Cole to VPP in 2003 was a defining action. She both fit into and helped build our culture in positive ways. Carol's leadership is the primary factor underlying the broad-based acceptance and success of Venture Philanthropy Partners to date.

If we had more time and space, I could offer a dozen additional stories that emphatically illustrate the value of getting the right people with the right judgment at the right time to help an organization succeed. But what is probably even more instructive is to acknowledge that each time I strayed from going after the right leader, I inadvertently set my new hire up for failure and needlessly caused great angst for those around me and our organization. And it always took a toll on those we served.

Nurturing Culture Change

Leaders can't simply create by edict the organizational cultures they desire. The best we can do is to influence culture through our words and deeds. An organizational culture is a complex, organic system that has a lot in common with a coral reef. “Coral reefs are one of

nature’s most beautiful creations,” says high-tech CEO Jim Roth. “Man has not figured out how to create them. What we do know is we can care for them and nurture them to survive and thrive or kill them through neglect and abuse.” The same is true of culture.

So how, precisely, do we nurture a culture through words and deeds? What can we do to strengthen the connective tissue that binds an organization together and cultivate an orientation toward performance? Here are some of the things that I think are most pertinent:

- **Recruit culture leaders.** An effective way to influence culture is to find people whose personalities, attitudes, values, and competencies exemplify the culture to which you hope to evolve. Sometimes these leaders are sitting right in your midst, waiting for the opening and encouragement to do their thing. At other times you have to recruit from outside the organization. It is often the combination of developing from within and recruiting from outside that fosters a performance culture.
- **Walk the talk.** Model—that is, live—the behavior you want others to practice. In my corporate life that meant getting out to talk with and listen to our customers. It meant (and still does) little things like answering a phone within a few rings and picking up that piece of trash on the floor. And it meant bigger things, like being sure that the decisions on corporate direction and people’s careers were grounded in the organization’s guiding principles.

I’ve been fortunate to be involved in a three-year transformation of a school, guided by a leader the board recruited in 2007. From its inception, the school’s teachers and staff genuinely cared for the students they served. In fact, this caring attitude was the defining characteristic of the school for more than two decades. But as the organization grew from a small school with several grades to nearly four hundred students in grades one through twelve across two campuses, the stakes changed.

Starting with the leader's unrelenting commitment to the students, intense work ethic, strong values, and abiding belief in the potential of his staff, he led a quest to change the culture. And he did so by first "walking the talk" himself and then getting the faculty and staff to do the same. For example, he, the faculty, and the administrative staff changed the dress codes for faculty; highlighted the importance of individual responsibility; ended the practice of students sometimes referring to teachers by first names; encouraged curiosity and new ideas; achieved a greater level of transparency; and made excellence in teaching the norm. They effectively modeled behaviors of a learning community for the students to emulate, and it's beginning to yield results.

- **Know what you stand for.** Take the time to flesh out your core beliefs and your guiding principles, and then do what it takes to make them more than just slogans on the wall above the water cooler.

In my corporate life, I was a fanatic about customer service, and we recruited people we thought were inclined the same way. One day I dropped into the office of a systems developer who wanted to share a new idea. As he sketched his suggestions on a whiteboard, I asked him what our customers would think. He was utterly dismissive of our customers' input, and that turned out to be a career-altering error. Being highly responsive to and respectful of our customers was a guiding principle of our firm and a sacred part of our organizational culture.

A well-defined and accepted set of guiding principles is important to any organization, but I suspect that it is especially important for those in the nonprofit sector. It may sound corny, but take the time—through an inclusive process—to define the principles that guide what you do as an organization and as individuals. Then ensure that these principles are embraced by and instilled in every member of your team.

Northeast Ohio's Lawrence School, which is the subject of the essay by Ethan Schafer on p. 127, did an outstanding job in this regard. You can see the clarity of the school's vision, mission, and guiding principles on its website (lawrenceschool.org/about/mission). There's nothing pro forma about these statements. The leadership team—staff and board—invested three months in debating and fleshing them out. Once that comprehensive process was complete, every member of the leadership team took the time to assimilate these definitions and then work to instill them throughout the full faculty, administration, and student body. The definitions are no longer words on paper but principles upheld by everyone in the school.

- **Answer the question “To what end?”** As I noted in Chapter 1, with all the rhetoric around mission, scaling, accountability, and the like, the reality is that we often have to go back to basics and ask, “To what end?” Defining an organization's true purpose is absolutely essential to cultivating a performance culture.

Some years back, I participated with a school's leadership team in a frustrating process that was supposedly about instilling “excellence in education.” The school's programs were, at best, only average. Many within the ranks knew that the academic programs were middling, and some parents suspected it as well. As is always the case, the students knew it most of all. Yet the school's administrators and board members refused to face reality and failed to examine what they were trying to accomplish for the students they served. “To what end?” went completely unaddressed. The lack of clarity about purpose continually limited the leadership's ability to put the school on a trajectory toward excellence.

In contrast, I've had the recent opportunity to get to know a Catholic high school and its new leader. From our discussions it is evident that he has a clear vision for what excellence in education looks like for his institution—a vision that's deeply

rooted in the institution's values. The leader is taking bold steps with his board to ratchet up the dialogue on excellence. He has already moved to introduce the [International Baccalaureate \(IB\)](#) program for the school's educational core and brought in a top-notch educator with extensive IB experience to implement it. Clearly, this school is setting a course to answer "To what end?" in a way that will provide strong guidance for faculty, students, and families.

○ **Ensure that everyone's moving toward the same destination.**

In my business life we once brought in a speaker to inspire our team and get everyone on the same page. He gave great examples of getting folks involved and buying into mission, the normal song and dance of inspirational speakers. But he wrapped up the session with a pithy statement that is indelibly etched into my memory: "Catch the vision or catch the bus!" Harsh? For sure, and it's unlikely that you'll use it at your next all-hands meeting. On point? Very much so.

Don't get me wrong. I welcome constructive questioning, and many colleagues, past and present, have war stories about "spirited" debates that took place within our teams. But once the debate draws to a close and we set a plan of action, everyone is expected to close ranks and align to the overarching goals. It's even OK for the dissenters to continue their line of questioning within the team. But if their actions, overt and covert, work in direct opposition to the goals, that's the time when they need to move on.

Several years ago, an organization I know well undertook a transformation to address some problems and materially improve its programs and services. The organization had done a good job while it was small. As it expanded to provide a broader set of services, quality suffered. To rectify this, the organization's leaders decided to revamp what they did to be more evidence-based in their programs.

Some of the longtime staff members who were fixed in their ways found this new approach hard to accept, even though the changes were showing positive results. After a reasonable length of time had passed, the leaders set out to work with those not yet onboard, making it clear that the organization was committed to this new approach. The leaders laid out their expectations clearly and helped staff members transition to the new approach. This clarity and thoughtful approach resulted in the departure of some staff members, but those who chose to remain “caught the vision.”

- **Ensure a balance between leaders and managers.** Leaders are *inherently* disruptive, dissatisfied with the status quo, questioning. They move the organization and people out of their comfort zones. They drive change, always looking for ways to improve. An appropriate motto of leaders is “The only way you can coast is downhill!” A healthy organization needs leaders in key strategic positions—including, of course, the top!

Managers, by contrast, have to keep the trains running on time. They make sure people do their jobs well, achieve intended results, and have the competencies and resources they need to succeed in their work. An appropriate motto of managers is “Stay focused; hold steady on the tiller.”

There must be balance. If leaders hold too much sway, the organizational culture often ends up being chaotic, even threatening, and the organization becomes at best unreliable. If managers prevail too much, the organizational culture tends to be self-satisfied and tied to maintaining the status quo. The organization will be a poor bet for sustained high performance.

- **Be clear and direct about what you expect.** I’ve struggled for a long time to uphold this principle and still don’t always do a very good job. Many years ago, my partner in the software business overheard me talking to a person on our development

team. Never one to miss a chance to help me get better, my partner said, “You really raked John over the coals for not doing a good job on the routine you asked him to develop. Did you ever explain to him what ‘good job’ meant? If not, you have no grounds to criticize him. You never let him know in clear enough terms what you wanted from him—and then you expected him to read your mind!”

If you want associates to do their jobs as well as they can, you have to be clear about what you want them to do. You have to have a process for assessing their performance—one that involves their input—so that they get regular feedback on what they do well and where and how they need to improve. One of the tragedies of most organizations is that the people who work there get almost no meaningful feedback, robbing people of vital insights for how they could be better.

- **Encourage self-improvement and personal growth.** Are you ever puzzled (or dismayed) when people don’t ask others for advice or help? When there is an important discussion and people don’t ask questions or take notes? When people aren’t curious enough to explore beyond their assignment? When people don’t give input?

A few years back I was working with school leaders to help them frame a business plan, and I vividly remember asking one of the principals, “What do you think about how we can improve the curriculum?” First came a long pause and a look of astonishment. Finally the principal replied, “No one ever asked me for my input before. We are simply told what to do.” In my view, that was a crystal-clear sign of an unhealthy culture and an organization not likely to achieve its intended outcomes.

It is not just important but imperative to encourage personal growth. One nonprofit executive shared what he tells his people: “Life is change. Therefore, as individuals or as an

organization, by definition, either we're getting better or we're getting worse."

In my experience, people who improve, innovate, and adapt are curious souls and self-learners. An organization's culture should encourage people to ask questions, seek advice, do research, improve what they do and how they do it, help each other, push each other's thinking, probe, nudge, adapt, look at things from different vantage points. All of these behaviors lead to improvement and innovation for the organization and the individuals who are part of it.

Conversely, if you really want to stifle this kind of positive culture, all you have to do is kill the dialogue by saying, "This is how we do things"; demean or punish people for asking questions or offering advice; fail to acknowledge when they need help or direction; or avoid being clear and forthright. You can be sure you'll turn everyone off. They'll keep their heads down and do only what's required of them. They'll comply to survive—and add nothing more.

My Darth Vader Years

I don't want to leave you with the impression that I've figured out all the mysteries of nurturing a performance culture. In fact, when I look back over my career, I see many things I would do differently—especially things I would do with more compassion. Those who know me will not be shocked to learn that back in 1991 at a raucous team celebration for our software business, I was presented with a humorous video depicting me as Darth Vader.

Despite my shortcomings as a leader, I worked very hard to nurture a performance culture. Factoring in that I might be engaging in slightly revisionist history, I believe that the people in the company really cared about what they did and how they did it. They cared about our customers and each other—so much so that these relationships often grew to close friendships, anchored in mutual respect. People worked hard not because I decreed that they should but

because they wanted to do their work very well; they wanted to experience the exhilaration of excellence. When we made mistakes, our openness allowed us to quickly admit and rectify them. It was inherent in the culture that we would respond this way.

It wasn't always sunshine and lollipops, because there was always pressure to perform to high expectations—not just to the firm's expectations but to their peers' and their own. But I have received many notes over the years from those who worked with me during that era saying that those years were some of the most enjoyable and rewarding in their careers. And I honestly believe our work had a lasting impact on those we served (our customers) and the field.

I don't wish Darth Vader-style leadership on any organization. What I do wish is that all leaders would take the time to establish real clarity on the ends they want to achieve, have the courage to line up the right team to fulfill the mission, make clear what they expect of their teams, be disciplined in their execution, and model the behaviors they want the organization to exhibit. When you combine all of these things with a good heart, respect, and genuine caring, you almost inevitably shape an organizational culture in which people take pride in what they do and are eager to excel and play a role in fulfilling the organization's mission. And that's a great formula for creating a real difference in the lives of those you serve.

Take-Homes in Tweets

 An organization's culture has a huge impact on whether the organization can achieve what it hopes to for those it serves.

 All organizations that manage to outcomes successfully have courageous leaders who foster a performance culture.

 An organization with a performance culture focuses on doing what it does as well as it can and continually seeks to do even better.

 We can't simply create by edict the culture we desire. The best we can do is to influence culture through our words and deeds.

 The best way to influence culture is to recruit and retain top talent whose values and skills match the culture to which you aspire.

 Take the time to flesh out your guiding principles, and do what it takes to make them more than just slogans on the wall above the water cooler.

 Ensure that everyone is moving toward the same destination. In other words, help people catch the vision or catch the bus.

Incremental Change Is Not Enough

In the last chapter I shared ideas for how nonprofit leaders can drive culture change within their organizations to support a relentless focus on doing the most good for those they serve. In this chapter I want to look at driving this type of culture change at a sector level. As hard as it is to drive culture change at the organizational level, we have to set our sights even higher. As you will see in my unflinching forecast below, we will need nothing short of quantum, sector-wide change to accomplish our important missions in this new era of brutal austerity.

An Emerging Movement

Starting a century ago with the likes of Rockefeller and Carnegie, leaders have looked for ways to achieve greater impact by increasing the effectiveness of their work in the social sector. The past decade and a half has been particularly fertile for research, development, and dialogue on the topic of effectiveness.

Just look at some examples of what has emerged over the past fifteen years:

- [Bill and Melinda Gates](#) and [Warren Buffett](#) roared onto the philanthropic scene with a willingness to invest massive resources based on data and evidence.

- We witnessed the fundamental transformation of the [Edna McConnell Clark Foundation](#) toward evidence-based funding, culminating in the launch of the [Growth Capital Aggregation Pilot](#). This pilot brought together foundations, corporations, and individual philanthropists to commit \$120 million in growth capital to support the expansion of three highly effective organizations: [Nurse-Family Partnership](#), [Youth Villages](#), and [Citizen Schools](#).
- Large, well-established foundations such as [Hewlett](#), [Robert Wood Johnson](#), [Irvine](#), [Annie E. Casey](#), and [Kellogg](#) placed greater focus on nonprofit effectiveness and impact.
- Many top-notch consultants and advisors that focus on effectiveness and impact got their start, including the [Bridgespan Group](#), the [McKinsey Social Sector Office](#), the [Monitor Institute](#), [FSG Social Impact Advisors](#), the [Center for Effective Philanthropy](#), [Grantmakers for Effective Organizations](#), and [Arabella Philanthropic Investment Advisors](#).
- [VPP](#), [New Profit](#), the [New Schools Ventures Fund](#), [Nonprofit Finance Fund Capital Partners](#), [REDF](#), [Robin Hood](#), [SeaChange Capital Partners](#), [Strategic Grant Partners](#), [Social Venture Partners](#), and others ushered in a different way to help nonprofits succeed.
- [New Philanthropy Capital](#), [Impetus Trust](#), [The One Foundation](#), and the [European Venture Philanthropy Association](#) have helped spread the philanthropic-investment approach far beyond America's shores.
- Outcomes theory and thinking gained greater intellectual heft thanks to the efforts of [Michael Bailin](#), [Elizabeth Boris](#), [Isaac Castillo](#), Paul Decker, [Harry Hatry](#), [David Hunter](#), [Kristin Moore](#),

[Robert Penna](#), [Elizabeth “Liz” Reisner](#), [Lisbeth “Lee” Schorr](#), [Nadya Shmavonian](#), [Gary Walker](#), [Karen Walker](#), [Hal Williams](#), and others.

- [Donors Choose](#), [GlobalGiving](#), [GuideStar](#), [Kiva](#), [MyC4](#), [Network for Good](#), [Social Impact Exchange](#), [VolunteerMatch](#), and scores of innovative online models have been changing the way people give their treasure and talent, as outlined in an outstanding report by [Lucy Bernholz](#) with [Ed Skloot](#) and [Barry Varela](#) (leapofreason.org/Bernholz).
- Capital markets for social innovation are no longer a pipe dream, as anyone can see on vivid display at the annual [SoCap conference](#) in the Bay Area and in the work of pioneers like the [Acumen Fund](#).
- The President created the [White House Office of Social Innovation and Civic Participation](#), and the [Corporation for National and Community Service](#) launched the [Social Innovation Fund](#).

I’d so like to believe that this progress is a sign of a pervasive, disruptive transformation throughout the social sector. I’d like to believe that the majority of nonprofits are now poised to materially improve their impact by being more analytical about causal relationships and more rigorous in how they assess their performance. I’d like to believe that the majority of funders are poised to make decisions based on evidence and merit rather than loyalty, stories, and relationships. Yet the reality—in absolute terms—is that the promising developments I’ve highlighted here and in Chapter 2 still touch only a small minority of nonprofits, foundations, and donors.

Drucker’s Prescient Challenge

A number of years ago I had the privilege of participating in a three-day “Social Entrepreneurs Initiative” hosted by the philanthropist [Robert Buford](#) and led by the legendary management expert

Peter Drucker. In the group of a dozen amazing participants, I was clearly the weak link—the one who would have been kicked off the island first if we’d been on reality TV.

Mr. Drucker, always prescient, saw the outlines of an emerging movement toward greater innovation, effectiveness, and impact in the social sector. Though impressed by the emerging movement this group epitomized, he wasn’t convinced that it would amount to wholesale change in the mindset and culture of the social sector. The key was to figure out how to grow this emerging movement into a true force for change.

My fervent hope is that Managing to Outcomes could serve as the banner under which many of us with diverse skills, talents, and offerings could come together to meet Drucker’s challenge and convert a promising movement into a potent force. And let me reiterate that the Managing to Outcomes banner is *not* about pushing nonprofits to drink the metrics Kool-Aid, implement fancy reporting technologies, or adopt complex measurement methodologies. It is about encouraging nonprofits and funders to cultivate for themselves an outcomes-focused mindset and the passion to be as effective as we possibly can for those we serve!

Neither VPP nor I have earned the place or have the chutzpah to lead a charge of this magnitude for the sector. But to help kick things off, I would welcome helping to convene a select group of early adopters, those leading practitioners who have “been there and done that”—especially those who overcame and learned from failures. It is my hope that out of this cadre of leaders and doers will emerge a collective leadership that could put our sector on a different and much more rapid trajectory.

The Big Game Changer

I don’t like to sound Machiavellian, but the first order of business for this leadership group must be to heed the fifteenth-century philosopher’s admonition to “never waste the opportunities offered by a good crisis.” (No, Chicago mayor Rahm Emanuel was not the

originator of this sentiment.) The crisis I'm referring to is the dire fiscal reality for federal, state, and local governments, which will have an impact on almost every nonprofit in America whether or not it receives government funds.

Our economy has taken a broadside hit, and most economists and budget watchers agree that we are now in the midst of a profound structural shift. Congress will eventually enact major cuts in the growth rates of Medicaid, Medicare, and Social Security. Even more threatening to our sector are likely cuts in the real amount of discretionary spending—not just growth rates. In a cruel irony, these cuts will not only reduce the supply of funding for many of the services that nonprofits provide; they will also dramatically increase the demand for these services.

The magnitude of the combined hit—greatly reduced funding and increased need—will require organizations to literally reinvent themselves. Incremental responses will be insufficient. I agree wholeheartedly with Dr. Carol Twigg, president and CEO of the [National Center for Academic Transformation](#), who concludes, “We will have to produce significantly better outcomes at a declining per-unit cost of producing these outcomes, while demand for our services will be increasing.”

I've consulted some of the country's smartest budget experts on these trends. They tell me that, if anything, I haven't gone far enough in my depiction of this stark reality. For example, they point to the dire situation at the state and local levels, which will only get worse when the federal government pulls back. As National Council of Nonprofits CEO Tim Delaney [reported](#) in the [Nonprofit Quarterly](#), “State government revenues fell almost 31 percent in 2009, which is the sharpest decline since [the Census Bureau] started collecting such data in 1951. . . . State and local governments are starving.”

The frightening budget forecasts at the federal, state, and local levels are just one manifestation of a larger philosophical shift. In the twentieth century, under Democrats and Republicans, government services expanded dramatically. Many of us took for granted that

when we identified a new program to handle some unmet need, we could say to the government, “Now add that to your portfolio.”

The reality today is that outside of healthcare, the expansion of public funding and government services as a share of our economy is going to come to an end, if it hasn’t already. In this new era, public policy debates increasingly will focus on how best to use or repurpose existing resources.

To respond to such a daunting game changer, we will all need to raise our games to a much higher level and seize the opportunity in the crisis. As Education Secretary [Arne Duncan](#) spelled out in a speech he called “[The New Normal](#),” the challenge of doing more with less “can, and should be, embraced as an opportunity ... for improving the productivity of our education system ... if we are smart, innovative, courageous in rethinking the status quo.” *New York Times* columnist David Brooks [agrees](#): “This period of austerity will be a blessing if it spurs an effectiveness revolution.”

And let’s not forget that effective programs can reduce the nation’s budget problems. For example, if serious and expensive problems like dropping out of school are prevented, then productivity and tax receipts will increase. Similarly, if criminal behavior is reduced, then taxpayers will benefit from lower costs for incarceration and rehabilitation.

We need to rethink, redesign, and reinvent the why, what, and how of our work in every arena from education to healthcare to public safety—as will the government. We need to reassess where we have the greatest needs so we can apply our limited resources to have the most meaningful impact. We need to be much clearer about our aspirations, more intentional in defining our approaches, more rigorous in gauging our progress, more willing to admit mistakes, more capable of quickly adapting and improving—all with an unrelenting focus and passion for improving lives.

It’s no longer good enough to make the case that we’re addressing *real needs*. We need to prove that we’re making a *real difference*.

Real-Life Opportunity Costs

To illustrate the urgency, I will offer some examples of organizations that are *not* making a real difference—and that will inevitably come under greater scrutiny as funding choices become harder and harder.

[Drug Abuse Resistance Education \(D.A.R.E.\)](#), a drug-prevention program whose advertising bumper stickers are about as ubiquitous as McDonald's restaurants, is present in more than half of U.S. school districts, all fifty states, and thirteen foreign countries. Created in 1983 by then-Los Angeles police chief Daryl Gates, D.A.R.E. is typically delivered in schools by visiting police officers presenting the dangers of drug use. The program has gained enthusiastic support among educators, law enforcement agencies, and the media.

But there's a hitch: *Numerous studies have shown D.A.R.E. to be without impact. It simply does not measurably affect drug use.* There is an enormous social cost to this lack of results—the lost resources that could have been put into prevention programs that actually work, and the lost potential of children and young adults who might have been diverted from drug use by such programs.

Consider another well-known program, Scared Straight, which arranges for juveniles who are getting in trouble with the law to meet, up close and personal, lifers who let them know that prison is hell. The idea is that this will terrify the kids and propel them back onto the straight and narrow path.

But you might want to know that rigorous experimental research shows that *Scared Straight is more harmful to teens than doing nothing.* What does this mean? It means that Scared Straight has been proven to *increase violence* among teenagers who participate in its visits to prison. Nevertheless, Scared Straight not only thrives in the U.S. but has spread to at least six other countries. (Please see p. 96 for Isaac Castillo's candid account of how a program under his purview was exacerbating domestic violence rather than ameliorating it—and how his organization, informed by outcomes data, addressed the problem head-on.)

Unfortunately, we see examples like D.A.R.E. and Scared Straight in every community.

We see mentoring programs where frequent turnover among mentors and failed matches reinforce youngsters' sense of their low worth and poor prospects.

We see hospitals and clinics that provide grossly substandard care and do not follow the medical mantra of "Do no harm."

We see foster-care programs that stop supporting kids when they "age out" of the system at age eighteen or twenty-one—exactly when they need intensive support (50 percent will be homeless within a year).

We see programs aimed at getting people off welfare and into jobs that don't provide any job-based coaching and support—even though it's well known that job retention is a huge challenge for people leaving welfare.

I certainly don't mean to suggest that these programs typify the nonprofit sector. There are many demonstrably effective nonprofits that are playing vital roles in our communities and helping people improve their lives every day—not to mention countless others that may be making a difference but simply do not have the data to demonstrate their success. But the stark truth is that there are too many nonprofits that are just not doing enough to ensure that they're making a positive difference. I am truly frustrated by the number of cases I come across in which nonprofits settle for mediocrity or cause potential harm to those who have given their trust.

Perhaps I am so passionate about this issue because I've seen, up close, the real-life costs and consequences of ineffective programs. The academic development of a member of my extended family was set back several years by a school that, despite its worthy intentions, did not have the capabilities to meet this young person's needs. A dear friend died prematurely when a "healthcare provider" turned out to be a callous radiation butcher. Weeks before her death, she said, "I have every ground to sue him, but why? I'll be dead anyway."

If Not Now, When?

Keep in mind: You're hearing this frustration from a stalwart social-sector advocate. If I'm this frustrated, think about the mass of voters who do not have a strong understanding of the social sector and how they would react to radio, TV, and Internet pundits pointing an angry finger at a host of social programs that not only waste taxpayer money but might actually cause harm to purported beneficiaries. Imagine the Congressional hearings that would ensue. Imagine how hard it would be to defend, much less advance, all the good that our sector does. Imagine all the babies that would get thrown out with the bathwater.

Are we ready to take a sector-wide leap of reason? If not now, when?

Take-Homes in Tweets

 The past decade and a half has been fertile for research, development, and dialogue on the topic of effectiveness.

 Progress will be incremental, however, unless we grow this effectiveness movement into a true sector-wide force for change.

 Our country's grim fiscal situation is both a frightening reality and an opportunity to make a quantum change.

 There are already too many examples of ineffective programs that cast a bad light on our sector and will not fly in an era of austerity.

 Imagine all the babies that will get thrown out with the bathwater if our sector *cannot* offer evidence that our work matters.

 We must mobilize a sector-wide leap of reason. If not now, when?

A Quantum Leap of Reason

Back in the 1980s, an authority in the field of change management shared his view that dramatic personal change doesn't happen until what you had stops or is taken away. The death of a loved one, a serious illness or health scare, job loss, divorce, or financial ruin—each of these is the sort of turning point he had in mind.

The social sector is in for a similar jolt over the next decade. We can respond with infighting, robbing Peter to pay Paul, or continuing our incremental efforts to be better. Or we can respond with greater discipline, unity, and focus on making a quantum change in the effectiveness and impact of our entire sector.

In this chapter, I will draw from the insights of key thought partners who believe deeply in the necessity of making a quantum change. Borrowing from their brainpower, I offer the beginnings of a brainstorm on one of the trajectories for sector-wide actions that could allow us to find the opportunity in crisis.

The ideas I will offer are not exhaustive. They are at best a collage of ideas to begin the conversation, stimulate more thought, and provoke rich debate. I hope they show that there are concrete, tangible actions catalytic leaders could take to help get this sector over the big hurdles that have blocked widespread adoption of outcomes thinking and practice.

Demonstrate What's Possible

A natural place to start is to help nonprofits and funders alike understand the “value proposition” for taking the leap of reason. Yes, our frightening budget realities provide a big incentive—the “stick”—for taking the leap. But we need to be intentional about making the “carrot” element clear as well. We must shine a bright spotlight on the wonderful nonprofit innovators who are showing that managing to outcomes—driven by mission and applied with judgment and a supportive culture—is a pathway to much greater impact.

There are many different ways to show nonprofits and funders what they’ll gain if they take the leap of reason. [Matt Miller](#), the wise writer and thinker, suggests commissioning seasoned journalists to produce compelling magazine-style narratives that tell the story of nonprofits that have successfully made the leap of reason. Imagine the value of these narratives if they documented in plain English how managing to outcomes helped an organization produce greater impact, how continuous improvement became the new norm, how turnover diminished as staff members felt greater accomplishment, and how much easier it became to provide meaningful information to the board and funders. The articles, published quarterly, could serve as a launching pad for a series of convenings and webinars featuring the nonprofit leaders profiled, as well as policymakers, funders, and experts.

High-quality videos could extend the reach and persuasive power of these stories. We need videos with viral potential (e.g., the finalists in Tactical Philanthropy’s [Fantastic Video Contest](#)). Perhaps it would make sense to commission short films from name-brand filmmakers like Davis Guggenheim and others who have worked closely with the philanthropist Jeff Skoll and his [Participant Media](#) or [Ted Leonsis](#) and his “filmanthropy” efforts.

Establish a Prestigious Award

The best awards do a good job of bringing positive attention and legitimacy to a field or discipline. The [Nobel Memorial Prize in Economic Sciences](#) is not an official Nobel Prize. It was established in 1968, nearly seven decades after the original [Nobel Prizes](#) in Physics, Chemistry, Physiology or Medicine, Literature, and Peace. Its creation gave the field of economics, which at the time was considered “a soft science” not nearly on par with a “hard science” like chemistry, a huge boost in intellectual credibility.

Given how much positive attention the [MacArthur Fellowships](#) (a.k.a. the “genius grants”) generate each year, I suggest that the organizations that best exemplify managing to outcomes be awarded cash prizes of \$500,000 each, the current MacArthur level. Prizes should be awarded to organizations within different size categories. The awards would highlight great successes for everyone to see, and the money would allow the winners to fuel further progress. And, to be consistent with the philosophy of outcomes assessment, we should follow up with the winners to see whether or not their successes continued, and why.

We ought to explore connecting these awards to Drucker’s legacy. One way to do that would be to build on the [Peter F. Drucker Award for Nonprofit Innovation](#), which goes to “existing programs that have made a difference in the lives of the people they serve.” (I’ve had no discussions with the team at the Drucker Institute that administers these awards, so I have no idea if this is feasible.)

Create a Social-Sector Analogue to ISO 9001

In the business world, more than a million companies and organizations around the globe have embraced the ISO 9001 quality standards for their management systems. The standards are published by a Geneva-based NGO called the [International Organization for Standardization \(ISO\)](#).

It is important to note that certification is *purely voluntary*. So why have more than a million companies done so? One big reason

is that companies have a direct financial incentive to adopt the standards: Many major purchasers require their suppliers to achieve certification so they can ensure that suppliers have management systems in place for delivering what they promise.

And there's another carrot for companies to adopt the standards: Research suggests that companies get a strong return on their investment in ISO 9001 certification. On average, those that receive certification do better financially and operationally than peers of similar size without certification.

The social sector would greatly benefit from a similar *voluntary* program of management standards, based on the core principles of managing to outcomes. If the management standards were thoughtfully developed and allowed for differences among nonprofits of different purposes, sizes, and budgets, these standards could proliferate throughout the social sector. Over time, public and private funders would most likely come to require their grantees to achieve certification, just as major corporate purchasers have done with their suppliers. Enlightened funders would provide funding for nonprofits to go through the certification process and to train staff in how to apply these practices—perhaps leveraging volunteers from corporations or government agencies with ISO standards experience.

For funders, there would be great value in knowing that prospective grantees adhere to outcomes-based management practices that give them a good chance at producing real impact. The value would be just as high, or perhaps higher, for the nonprofits themselves. Achieving certification would not only help nonprofits to accomplish more; it would also help nonprofits attract higher levels of funding, talent, and overall support.

Encourage Performance-Based Funding

For years we've heard discussions in our sector about "funding what works." Why not take this concept to the next level?

I had considerable experience with performance-based funding in my business career. Our clients often negotiated to put

“service-level agreements” in place, for example. By the terms of the agreement, we had to meet clearly stated performance criteria in order for us to receive full payment for our services.

It’s more challenging to enter into this type of agreement in the social sector, owing in part to the lack of systems for collecting and documenting performance metrics. But it can be done. At VPP we enter into agreements with our nonprofit investment partners that lay out mutually agreed-upon goals for organizational development actions, outputs, and outcomes. An after-school tutoring program’s goals included (a) goals for strengthening the organization (actions), (b) goals for increasing the number of students receiving tutoring (outputs), and (c) goals for improving students’ reading proficiency (outcomes). When done right, goals like these become a nonprofit’s North Star.

We review our investment partners’ progress against these goals on an annual basis. We are not overly rigid in these reviews; we recognize that the best-laid plans often go awry for reasons not within the nonprofit’s control. But these reviews create common expectations, and they have a significant impact on the goals, structure, and size of our investments in subsequent years. VPP has good company in this type of funding. The [Edna McConnell Clark Foundation](#), [Robin Hood](#), [New Profit](#), [New Schools Ventures Fund](#), [REDF](#), and other private funders tie their investments to performance criteria.

In this era of government scarcity, an increasing number of public funders are sure to adopt similar practices. The Urban Institute’s [Making Results-Based Government Work](#) presents a comprehensive study for introducing performance management into all facets of state government to “link monetary rewards/penalties to achievement of the desired outcomes.” At the federal level, President Obama has included \$100 million in his 2012 budget proposal to test Social Impact Bonds, a concept imported from Great Britain. “The plan uses private, profit-motivated investment money to fund public services up-front,” [says](#) *Fast Company* contributor Alex Goldmark. “The government only pays if the services deliver as promised, and only out

of government cost savings. No taxpayer money wasted on failed programs in this plan.”

Performance-based funding can be as fancy as Social Impact Bonds or as basic as a relatively modest grant my family and I made to a school in Ohio several years ago. To develop the grant agreement, I worked with the school administrators to establish clarity on the results the school was after; what they planned to do (their logic model); and what specific criteria we would use to determine mutually whether they were making progress and whether continued funding was warranted. The agreement, just three pages in length, made it easy for both parties to align expectations.

Build Sector Knowledge

Our sector must build and make accessible the knowledge base on managing to outcomes. The “Compendium of Top Readings” on page 77 is one attempt, but more comprehensive initiatives are underway. Here are three that are particularly noteworthy:

- [Child Trends](#), [Social Solutions](#), and the [Urban Institute](#) are joining forces to build the [Outcomes and Effective Practices Portal \(OEPP\)](#), which will become available on the web in late 2011. Currently in beta testing, OEPP provides nonprofits in the human services field a set of comprehensive resources on program outcomes, effective practices, performance indicators, and tools for gauging performance. Ultimately, OEPP will help leaders answer critical questions like these: (a) What outcomes should I expect from my program? (b) How can I measure these outcomes in a valid but not overly onerous way? (c) What are the key components of my program that I should manage and track on a day-to-day basis to give it the best chance of achieving its intended outcomes?
- McKinsey & Company’s Social Sector Office has an impressive repository it calls Learning for Social Impact (lsi.mckinsey.com).

The site includes tools, best practices, lessons learned, profiles, interviews, landscape analyses, and historical perspectives on outcomes assessment.

- The Annie E. Casey Foundation's National Survey Indicators Database (tarc.aecf.org/initiatives/mc/mcid/) is designed to help users find survey questions, measures, and instruments that can contribute to meaningful data-collection activities.

Over time, these and other initiatives to build and disseminate knowledge will have to broaden to cover the entire landscape of social-sector programs. And they will have to get increasingly sophisticated about providing insights tailored to specific organizations at specific points in their development. After all, managing to outcomes never lends itself to a cookie-cutter, one-size-fits-all solution, as a notable leader in the social sector sagely cautions:

We can't treat all nonprofits as if they are the same, simply because they fall within the same IRS category. For instance, does managing to outcomes apply in the same way for a human services organization with a \$75 million budget, of which 90 percent or more of its revenue comes from public sector contracts; a high school serving six hundred students with a \$6 million budget, of which 80 percent is funded from tuition and 20 percent by charitable giving; and a community arts organization with a budget of \$600,000 with more than 70 percent of its funding from private donations? . . . Not only are the three organizations vastly different in their strategic responsibilities as well as their governing responsibilities; they are also widely different with respect to their operational capacities and staffing needs.

In addition, I would also hope to see new low-cost, high-value networks and initiatives emerge. For example:

- **An Evidence and Outcomes Research Network.** This “expert network” would coalesce research expertise from the likes of [Child Trends](#), [Hunter Consulting](#), [Public/Private Ventures](#), and other nonprofits, academic research centers, and research groups from federal labs and agencies. The network would be organized around major areas like disease management, early-childhood development, and workforce development. It would conduct or commission research—which would be peer-reviewed—to provide a more objective and systematic assessment of what works, how, and how well. (The [Coalition for Evidence-Based Policy](#), which works to inform federal policy, is already showing the value of having a good clearinghouse of information on social programs and interventions that have the strongest evidence of effectiveness.)
- **A Managing-to-Outcomes Support Network.** This network would be a professional learning community that would enhance idea exchanges among practitioners, researchers, academics, and consultants. In addition to the informal learning that such networks make possible, they can help create structured services such as webinars, videocasts, and wikis. The managing-to-outcomes support network could use these services to systematically advance understanding of the intricacies of transitioning to a culture of outcomes assessment.
- **Managing-to-Outcomes “Boot Camps.”** These boot camps would bring together small groups of nonprofit and funder executives for intensive three- to five-day workshops that would help them get started on the path toward managing to outcomes.

- **Managing-to-Outcomes Fellowships.** Such fellowships would allow nonprofit leaders and senior staff to work within and learn from nonprofits with a well-established culture and systems for managing to outcomes.
- **Certified Roster of Consultants.** A consultant roster would provide the names of individuals and organizations that are highly qualified to assist leaders who want to take the leap of reason or have already taken the leap and need support and guidance to be even more effective.

Develop Models for Outcomes-Driven Collaborations

When nonprofits gain greater clarity on the outcomes they seek to achieve, they often come to two realizations: “We can’t get there from here” and “We can’t get there alone.” An increasing number of youth-development and education organizations, for example, are likely to conclude, like the Harlem Children’s Zone, that (a) the outcome that ultimately matters most is the percentage of young adults who finish college or get a good job, and (b) moving the needle on this long-term outcome is beyond the reach of any single organization, no matter how good its programs.

Therefore, a focus on long-term outcomes should bring with it an inexorable pull toward multi-organization collaborations capable of delivering the comprehensive set of services and supports needed by those served. And that is why, as we develop a field-wide strategy to help individual nonprofits develop strong performance cultures, we also need to invest in learning how to build successful outcomes-driven collaborations.

Important work is already in progress. Cincinnati’s [Strive Partnership](#), profiled by John Kania and Mark Kramer in the [Stanford Social Innovation Review](#), is focused on achieving better results in education, from cradle to career. The collaboration involves more than three hundred leaders of local organizations, including nonprofits, district schools, foundations, government agencies, universities,

and community colleges. “These leaders realized that fixing one point on the educational continuum—such as better after-school programs—wouldn’t make much difference unless all parts of the continuum improved at the same time,” Kania and Kramer report. “Their ambitious mission became to coordinate improvements at *every* stage of a young person’s life.”

In the National Capital Region, [youthCONNECT](#), a new public-private partnership led by VPP and supported, in part, by the [Social Innovation Fund](#), has brought together six nonprofits into an outcomes-driven network to help guide young people aged fourteen to twenty-four to a successful adulthood.

Taking this concept to scale on a national level is [Achieving the Dream: Community Colleges Count](#), a coalition of 130 community colleges representing 1.6 million students. The coalition is helping community colleges develop a sharper outcomes orientation by focusing all its members on tracking data to measure and improve student persistence and completion, which traditionally have been shockingly low, especially among minority and low-income students. Achieving the Dream teaches colleges how to use data to develop a culture of evidence, and it encourages courageous conversations about what the evidence reveals about student achievement.

These and other existing initiatives are the first small steps up a long, steep hill. It is hard enough for a single organization to build a performance culture. It will be far, far harder to build a network of organizations, each committed to building a performance culture and all animated by a shared commitment to outcomes-driven collaboration. But this is a hill we have to climb, for only such collaborations can achieve the social gains that we so urgently need.

Improve Voluntary Outcomes Reporting

In addition to supporting efforts to revise the IRS Form 990 to be a better reporting tool, we need to do much more to enable sites like [GuideStar](#), the [National Center for Charitable Statistics](#), [Charity Navigator](#), [Charity Guide](#), [GiveWell](#), and [GreatNonprofits](#) to make

performance data—not just operational and financial data—available on the nonprofits they profile.

I am not one who believes that more information automatically translates into better donor decisions. The truth is that giving is fiercely personal, often driven more by loyalty and emotion than by evidence. Having said this, I do believe that our fiscal crisis will force greater decision-making rigor on governments, with a powerful spill-over effect for private funders.

In a changing world in which funders increasingly ask to see outcomes and impact information, the nonprofits that voluntarily share it would have a strong comparative advantage. The organizations that were not inclined to provide it would stand out for their lack of an outcomes culture and transparency.

Voluntary reporting of outcomes information need not be highly sophisticated to be valuable. For example, nonprofits could provide the following:

- Brief descriptions of their intended outcomes, their methodology for producing these outcomes, and an explanation of the length of time it might take to see results (given that, realistically speaking, few outcomes can be tied to an annual reporting schedule)
- The number of individuals they served for whom the outcomes were achieved as well as the number for which progress toward outcomes was made (moving the sector away from the nearly useless but widely accepted norm of “people touched”)
- And, ideally, the estimated average cost to produce the intended outcomes.

An advisory board of distinguished experts could provide stewardship and help establish credibility for this reporting. A facilitated group of peer reviewers could assess the filings, reject those that are

inadequate, and offer advice to those who pass and those who fail the review. Such an effort could easily be included as part of the social-sector ISO certification I sketched earlier.

Encourage Funders to Invest in Nonprofits' Management Capacity

I know many nonprofit leaders who are not managing to outcomes today but are strongly predisposed to do so. They inherently know what their outcomes are and very much want to assess and manage to them. But they are severely hamstrung by the lack of funding available to do this hard work.

As I touched on in Chapter 1, there is no escaping the fact that funders will have to provide the general operating support that nonprofits need to develop the talent as well as build the human processes and technology systems for managing to outcomes. At a minimum, funders should be supporting capacity-building efforts to help nonprofits (including executives and staff) to (a) track the outcomes of those served, (b) undertake at least basic analysis of this information, and (c) identify how they can use the information to learn and improve their programs over time.

For my money, these investments have a tremendous return on investment. They are anything but “pouring dollars into overhead”!

As Carol Thompson Cole noted in the Foreword, in its first portfolio VPP made direct investments of nearly \$3 million (10 percent of its total investments) to support outcomes-oriented culture change and the development of performance-management systems. On top of that significant financial investment, our professional investment team and outcomes experts provided significant strategic assistance to support these efforts. VPP is investing even more to help its second portfolio of nonprofit investment partners manage to outcomes.

We Like Difficult

It is not clear to me whether the ideas I've laid out in this chapter have real merit. But I do know this: We must tap the collective brainpower of the social sector to get great ideas on the table now, ahead of the budget axe.

Addressing the fiscal challenge will not be easy. But that is no excuse for us to bury our heads in the sand.

A few years ago, [Melinda Gates](#) spoke before the [Council on Foundations](#) and shared a lovely, telling anecdote. She once overheard her youngest daughter, Phoebe, struggling to tie her shoes and saying to herself, "This is difficult. But I *like* difficult."

Melinda and her husband like difficult as well. Difficult is how they have chosen to give meaning to their lives.

[Chuck Feeney](#) is another remarkable philanthropist who likes difficult. After transferring virtually all of his personal and family assets to the Atlantic Foundation, he invested strategically and provided sterling moral leadership to overthrow a century of accepted dogma in favor of a new philosophy called "giving while living."

Today, "[giving while living](#)" is no longer just a clever slogan or an outlier concept. It has influenced and inspired a whole generation of donors, including Melinda and Bill Gates.

I believe "managing to outcomes"—an overarching ethic of rigorously pursuing meaningful, measurable good for those we serve—can and must become a viral concept in the social sector.

After years of incremental gains, our sector is more than ready for a quantum leap. It's time to dramatically increase our collective impact precisely when we're needed the most.

I qualified for [AARP](#) membership a long time ago, so I don't have forever to wait. And, much more important, neither do the hundreds of millions of people around the globe who need us to take on the difficult, even the impossible, and do it with a commitment to be as effective as we possibly can be.

Take-Homes in Tweets

-  The social sector is in for a big jolt. We must respond by making a quantum change in the effectiveness and impact of our entire sector.

-  We must help nonprofits and funders alike understand the “value proposition” for managing to outcomes—through data and stories.

-  We could start a prestigious award, perhaps linked to the Drucker legacy, to build awareness of the importance of managing to outcomes.

-  We could establish a voluntary program of management certification, based on the successful ISO 9001 quality standards.

-  We could encourage various kinds of performance-based funding that would explicitly link payments to the achievement of outcomes.

-  We could support the development of common frameworks within social-sector fields to create efficiencies and greater collective impact.

-  We don’t need to wait for the full force of the fiscal storm to hit before we open our eyes to the truth of what’s on the way.

-  The time to dramatically increase our collective impact is now, when we’re needed the most.

Ideas Into Action

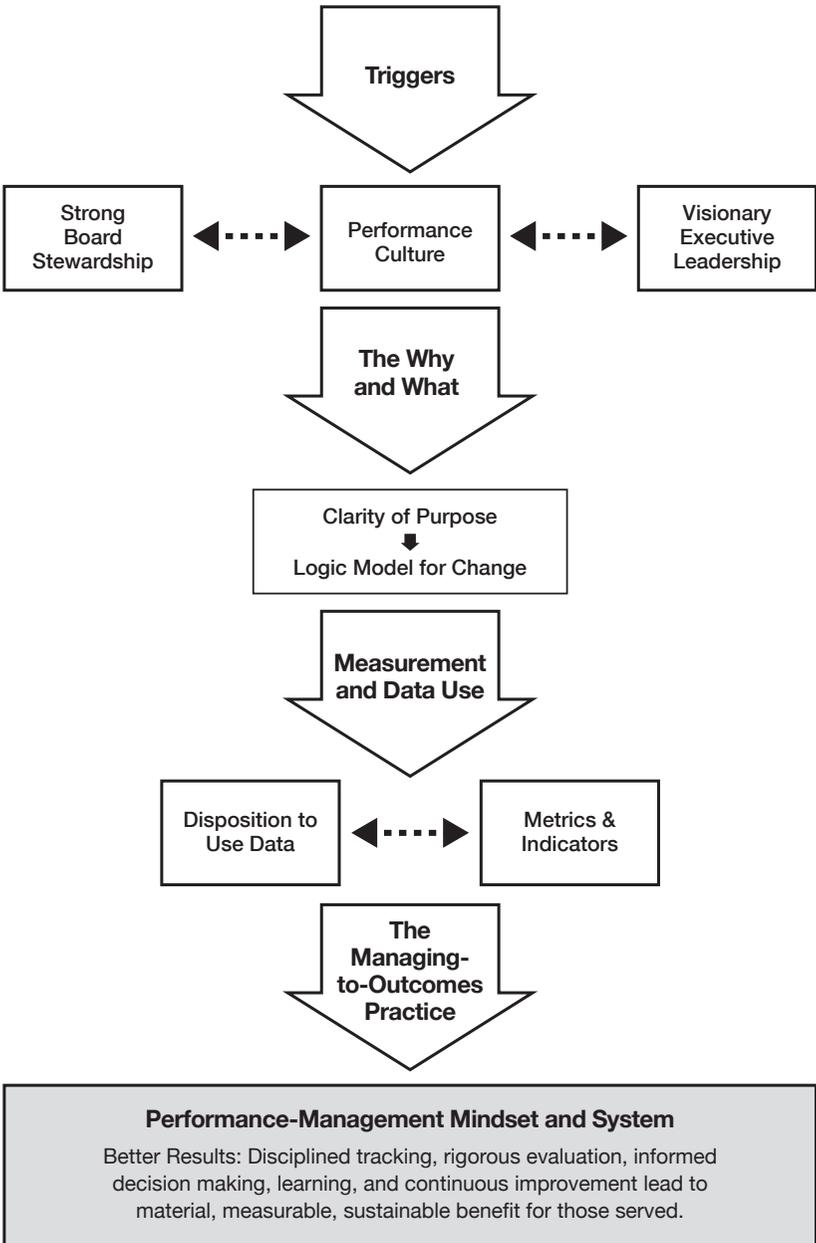
A Framework to Get You Started

To bring home and make actionable the key points in this monograph, I offer below a framework that you can use to evolve to the practice of managing to outcomes. This framework is far from perfect, as VPP's investment partners made clear during a wonderfully open and candid discussion we hosted. But it reflects many years of implementing management systems in the private sector and more than a decade of experience in the nonprofit sector to understand what's working, assess performance, and focus on outcomes. It's also informed by a wealth of views from people smarter than I, who have been kind enough to share their thinking over the years and who provided wonderful feedback in response to early versions of this monograph.

As you will see, my starting premise is that it takes a bold spark to ignite outcomes and performance thinking. This spark should emanate from the board as well as the organization's leader, because it is the board's responsibility to ensure that the organization is clear on what change it is focused on creating and also to ensure that the organization is actually delivering on this core purpose.

But, of course, reality is rarely neat and orderly. It may be that a visionary executive or manager—either one who is new to the organization or one who has been with the organization for years—steps forward against all the odds and naysayers and takes responsibility for driving toward a greater outcomes focus.

Framework for Managing to Outcomes



Let me say this as clearly as I can to nonprofits and funders alike: The challenge of managing to outcomes has little to do with systems, processes, or technology. The real challenge is that organizations cannot hope to manage to outcomes unless they have in place an engaged board; leadership with conviction; clarity of purpose; and a supportive performance culture.

Questions to Guide You

These questions are applicable to most, but not all, nonprofits. They are probably most relevant for nonprofits with annual budgets of \$2 million or more (not that budget is the only pertinent factor). Although smaller nonprofits cannot be expected to take this on fully, I don't want to hand out too many exemptions or "indulgences." Even small nonprofits should be expected to understand, with at least some level of rigor, what outcomes they would like to achieve, what produces positive results for those they serve, and how they might begin to assess outcomes as they grow larger. And boards should demand this conversation.

TRIGGERS

Strong Board Stewardship

- Does your board know what the organization does to produce positive results, how the organization actually delivers its services, and how it is run?
- Does your board see governance and stewardship as leadership, where board members and executives work together to ensure the success of the organization, or is the board primarily focused on fundraising?
- Does your board accept responsibility for overseeing the organization's quality and ensure that what you do benefits those you serve in material, measurable, and sustainable ways?

My Core Assumptions

The board of directors must take every step necessary to ensure that the organization has clarity of purpose, the right leadership in place, and a performance culture. It must also have a deep understanding of those the organization serves and the outcomes it aims to achieve. It must have the wherewithal to codify and assess what it does, course-correct, and improve. When it comes to managing to outcomes, the buck stops with the executive director. But when it comes to ensuring that the executive director manages to the right outcomes, the buck ultimately stops with the board.

Visionary Executive Leadership

- Do you have a strong desire and commitment to drive higher performance by managing to outcomes? Are there others on your senior leadership team who share this commitment?
- Are the individuals who share a commitment to managing to outcomes the type who “get things done” and have the stature within the organization to influence others?

My Core Assumptions

Evolving your organization to manage to outcomes requires, for most non-profits, a fundamental change in mindset and behavior. This bold change doesn't come from an endless series of planning sessions, outsourcing the task to consultants, or delegating it “to be implemented.” It is driven by visionary leaders who are willing and able to disrupt the old way of working and who often show the same obsessive tendencies you see in successful private-sector entrepreneurs. These leaders win over “early adopters” and understand how to introduce change in manageable doses. Ideally, as the lead executive, you are the person who provides this life force.

Performance Culture

- Are you confident that the right people are in the right positions? If not, do you have a plan and the conviction to make necessary changes?
- Has everyone—staff, managers, executive team, and board—fully bought into the reality that, when all is said and done, nothing matters if your organization’s beneficiaries have not gained materially, measurably, and sustainably from your products or services?
- Do all members of your organization know in reasonably clear terms what you expect of them?
- Do you take time to work with staff, alone and in teams, to solicit and amplify their best thinking, provide constructive feedback, and candidly but respectfully critique their weaknesses?

My Core Assumptions

Making the commitment to be an outcomes-focused organization is a quantum step, and leadership has to want to do it. You’ll need people on your staff who will embrace the learning process and make this transformation happen. Measurement and systems take honed skills to be done right—this is not an opinion, but a demonstrated fact—so you’ll need to invest in developing your staff.

Organizations that develop the internal capacity to engage and educate management and staff on the disciplined use of information get great returns and continue to improve over time. Those that don’t develop this capacity wind up with an ineffective operation and, eventually, an atrophied system. A performance culture makes the difference.

THE WHY AND WHAT

Clarity of Purpose

- What is your organization’s purpose—that is, what are you in business to do?
- Can you state clearly whom you are in business to serve? To what degree do you serve only the group or set of groups you intended, and to what degree do you serve others?
- Is your mission so clear and grounded that executives, managers, and front-line staff members know it; apply it as the litmus test for all decisions and actions; and use it to motivate themselves?
- What are the guiding principles and/or core beliefs that underpin your organization’s very existence, and are they instilled and demonstrated throughout your organization?
- Does your board keep you focused on your mission, guiding principles, and intended beneficiaries?
- Do you make time to revisit and refine your purpose and strategies, with input from those you serve, on a regular basis?

My Core Assumptions

Having been both villain and victim when it comes to clarity of purpose, I cannot stress enough the importance of being clear and focused on what you do and expect. Be explicitly clear on purpose, guiding principles, and whom you serve. As my good friend Marc Morgenstern so astutely said, “An expectation unarticulated is a disappointment guaranteed.” In this case, an intended outcome not articulated and assessed is a disappointment guaranteed!

Logic Model for Change

- Can you clearly define and describe the range of programs and services you provide?
- Can you state clearly the outcomes you are trying to achieve for your intended beneficiaries through each program and service your organization offers?
- Can you define, with reasonable specificity, what each of your programs and services actually does that leads to these outcomes?
- Can you demonstrate that your programs and services are informed by insights from those you serve as well as relevant research and/or the proven practices of others in the field?

My Core Assumptions

An excerpt from “Daniel and the Rhinoceros,” which David Hunter wrote when he was director of assessment at the Edna McConnell Clark Foundation, captures my assumptions much better than I can: “The [Edna McConnell Clark] Foundation has learned that grantees benefit from consultations provided in the area of evaluation, in which they are assisted in specifying the group(s) they seek to serve, clarifying outcome objectives for programs’ participants, describing program elements through which they intend to help participants achieve targeted outcomes, and identifying the human, material, organizational, and fiscal resources needed to deliver systems as intended... This amounts to developing a theory of change—a formal rendering of the approach adopted by the organization to change something about the world ... and becomes the guide whereby the organization structures its daily activities to achieve its strategic goals and objectives. It also provides the framework within which each organization can examine what works and what does not work within its own programming and manage performance for continuous improvement.”

MEASUREMENT AND DATA USE

Disposition to Use Data

- Does your organization systematically collect and use information, however basic, to guide your programmatic and operational decisions and execution? In other words, is there a base upon which to build?
- Can you show tangible examples of how you use information in the daily course of operation? For example, do you have a well-defined budget with regular expense-to-budget reporting? Do you engage in regular collection and reporting of basic operational data (e.g., a school might track the number of applications, enrollment, student turnover, faculty turnover and churn within the year)?
- Do people at each level buy in to the importance and utility of information as a fundamental benefit and responsibility of their work?

My Core Assumptions

The aphorism “You can lead a horse to water, but you can’t make it drink” is especially applicable to measurement, use of data, and managing to outcomes. All the flashy systems, aesthetics, and favorable circumstances won’t make someone do something he or she doesn’t want to do. At the outset, don’t make the mistake of mandating or imposing. Instead, seek out and work with those who have a demonstrated predisposition to use information to do what they do better—or who at least are not set against it. Past behaviors are reasonable predictors of staff members’ affinity for a performance-management approach. Orchestrate it so that front-line staff have early victories when working with data, and then highlight these victories so that the whole staff sees how data can help them do their jobs better. As the value becomes clearer, others will come on board.

Metrics and Indicators

- Can you identify the two or three most important pieces of information for managing to your outcomes?
- Can you define the few leading indicators that help you determine if you are doing the right things to eventually achieve the outcomes you intend for those you serve?
- Are the people at various levels of your organization intimately involved in identifying the information that they need to do their jobs and that you need to guide your efforts?

My Core Assumptions

Think of each outcome as what you have to manage toward. Ask what you need to know that will tell you when the outcome has been achieved and what leading indicators inform you that you are on track to get there. Most strong organizations track more than two or three measures, but they prioritize the top two or three to stay focused on what really matters. PLEASE don't make the cardinal sin of "information design"—basing the definition of metrics on what you know is available rather than on what you need!

Be meticulous and absolutely demanding in scrutinizing each metric so you don't drown in data. Ask why you have selected each one. Could there be better ones? Easier ones that would serve as well?

Invest heavily in defining your first set of metrics while also recognizing that this will be a continuous learning process and that the metrics and your ability to use them will evolve over time.

THE MANAGING-TO-OUTCOMES PRACTICE

Performance-Management Mindset and System

- Is responsibility for establishing a performance-management mindset, process, and system vested in a senior member of the leadership team who has a title such as Chief/Head of Mission Effectiveness?
- Have you encapsulated and codified the metrics and indicators into an organized system that regularly collects, assimilates, stores, analyzes, and reports on the information and is accessible for inquiry?
- Is there a professional who truly understands how to read data—that is, who understands what goes with what, who can see patterns in numbers, who can interpret trends for others?
- Does the organization understand the importance in investing in such people?
- Is the board “on board” with ensuring sufficient funds are in place to support such investment?
- As demanding as this may sound, is the system designed to be simple, intuitive, visually appealing, and fast?
- Are staff, managers, executives, and the board sufficiently trained in how the performance-management system works so they can monitor and manage their own performance and the performance of staff under their scope of responsibility?
- Do you expect—even demand—that staff and managers apply relevant information (planning, operational, demographics, etc.) to drive decision making and execution?

- Is there a high adoption rate by leadership and staff in using the system itself and information that comes from it?
- Are you willing to share your organization's performance with your board? With your funders? With those you serve?
- Do you have processes in place to explore and improve your system over time?

My Core Assumptions

The definition of “system” is “a set of interacting or interdependent entities forming an integrated whole.” The inanimate entities of a performance-management system are the raw data, collection processes, information architecture, data store, reports, and user interface. But the leadership and staff bring life to the data and processes through keen judgment and decision making; curiosity and desire for continuous improvement; and the technical know-how to ensure system integrity and accuracy.

No performance-management system is perfect, so the strongest organizations encourage continuous refinement of their systems to make them simpler, more intuitive, more visually appealing, and more beneficial.