LEAP OF REASON

MANAGING TO OUTCOMES

IN AN ERA OF SCARCITY

By Mario Morino

With essays by Carol Thompson Cole; Lynn Taliento, Jonathan Law, and Laura Callanan; Isaac Castillo; David E. K. Hunter; Tynesia Boyea Robinson; Kristin Anderson Moore, Karen Walker, and David Murphey; Patricia Brantley; and Ethan D. Schafer

Edited by Lowell Weiss and Cheryl Collins

Executive Summary

The full book is available at leapofreason.org

Wise, candid, practical advice to help organizations thrive in an era of scarcity.

Leap of Reason, the product of decades of hard-won insights from philanthropist Mario Morino and other social-sector leaders, is intended to spark the critically important conversations that every nonprofit board and leadership team should have in this new era of austerity.
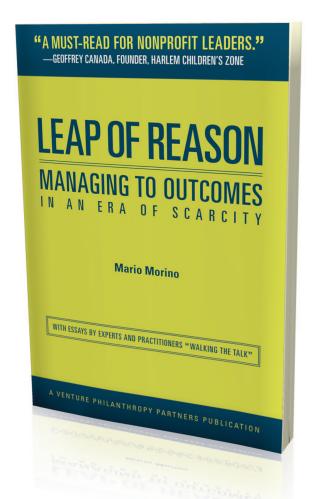
The book is anchored by Morino's monograph, which provides practical advice for social-sector leaders who know they want and need better information to fulfill the mission that compelled them to dedicate their lives to serving others. Morino makes a convincing case that the nation's growing fiscal crisis will force all of us in the social sector to be 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.

Morino's monograph is augmented by essays written by a dozen experts and practitioners with hands-on experience leading the transition to an outcomes-focused culture, a framework to help organizations get started on this transition, and a compendium of highly relevant readings.

We're Lost But Making Good Time

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. Only a fortunate few have a reliable way to know whether they're doing meaningful, measurable good for those they serve.

This is not a new problem, of course. But over the next decade, it will take on new urgency. As growing fiscal pressures force draconian budget cuts, nonprofits will

"**Passionate and provocative, this work should prove deeply relevant for any leader—government, business, or nonprofit—whose organization provides service to others.**"

—David Gergen
Professor of Public Policy, Harvard Kennedy School;
Senior Political Analyst, CNN

have to do more to show real, measurable results in order to compete for funding. These pressures will lead to an increasing migration of public and private funders from organizations with stirring stories alone, toward well-managed organizations that can demonstrate meaningful impact.

Nonprofits and funders must work together to empower nonprofits to "manage to outcomes"—in other words, to invest in continuous collection and use of information to guide the nonprofits' decisions and operations.

Every ounce of 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 of most assessment efforts today. Measurement has become an end in itself. Nonprofits and funders alike often put the cart before the horse, focusing on *how* to measure rather than on *why* measure and *what* to measure.

Some funders, in the name of "measurement" and "accountability," are foisting unfunded, often simplistic, self-serving mandates on grantees—rather than helping them define, create, and use the information they need to be disciplined managers. Most discussions of outcomes are being driven by funders demanding "more information on results" and not paying attention to what nonprofit leaders need to produce results.

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. This means encouraging and supporting nonprofits to:

○ 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.

There are great examples of innovative organizations doing all these things, including Harlem Children's Zone, the Cleveland Clinic, Youth Villages, Nurse-Family Partnership, Latin American Youth Center, and Friendship Public Charter School.

The leaders of these and other innovative organizations think deeply about the what, how, and why of their services. They talk naturally and frequently about the change happening in the lives of their clients and beneficiaries. They are genuinely hungry for reliable information that's aligned with their mission so they can assess their value to those they serve.

It is impossible to predict how quickly this outcomes mindset will spread in the social sector. For some organizations, change will be slow, especially for funders stuck

> **"A successful entrepreneur and an entrepreneurial philanthropist, Mario delivers an emphatic message in this valuable monograph: A highly disciplined managerial approach is absolutely essential if nonprofits are to produce the demonstrable and sustainable impact that all desire."**
>
> —Steve Denning
> Chairman, General Atlantic, LLC

in their ways and nonprofits that are woefully under-resourced. For other funders and nonprofits, change could come quickly if they were to get a good look at the way the innovators are managing to outcomes today and see the greater impact the innovators are 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 memories from Morino's career in the software industry. Starting in the 1970s, businesses began to see how "performance-management systems"—the information systems that support managing to outcomes—could contribute to their bottom line, and so they were willing to fund the hard work that went into building these systems. In the social sector we need to make a similar case and prove that investments in performance management will allow organizations to produce greater impact.

As we develop the case for investment in performance-management systems, we must avoid getting caught up in a mere appreciation for the technologies they use. 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.

Culture Is the Key

There is a single common denominator among all organizations that manage to outcomes successfully: They all have courageous leaders who foster a "performance culture."

Nurturing a performance culture begins with recruiting, developing, and retaining the talented professionals you need in order to fulfill your mission. Failure to do so is a dereliction of duty of board and management.

> **" This monograph is a must-read for nonprofit leaders. It will help you stay singularly focused on your core mission and help you be effective at making a difference in people's lives. "**
>
> —Geoffrey Canada
> Founder, President and CEO, Harlem Children's Zone

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. "Man has not figured out how to create [coral reefs]," says high-tech CEO Jim Roth. "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 organizational culture.

So how do we nurture a culture through words and deeds?

- **Recruit culture leaders.** Find people whose personalities, attitudes, values, and competencies exemplify the culture to which you hope to evolve.

- **Walk the talk.** Model—that is, live—the behavior you want others to practice.

- **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.

- **Answer the question "To what end?"** Defining an organization's true purpose is absolutely essential to cultivating a performance culture.

- **Ensure that everyone's moving toward the same destination**. Once an internal debate draws to a close and the leadership team establishes a plan of action, everyone must close ranks and align to the overarching goals.

- **Ensure a balance between leaders and managers.** Leaders are *inherently* disruptive and dissatisfied with the status quo. Managers have to keep the trains running on time. There must be good balance between the two—or else the organization will be too chaotic or too static.

- **Be clear and direct about what you expect.** 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.

- **Encourage self-improvement and personal growth.** Encourage people to ask questions, seek advice, help each other, push each other's thinking, and look for ways to improve.

Incremental Change Is Not Enough

The past decade and a half has been particularly fertile for research, development, and dialogue on the topic of effectiveness. We'd like to believe that this progress is a

> "Leap of Reason is an important guide for the social sector. It's a quick read, but it gets us thinking in profound ways about how to collect and use information to gain the results we seek."
>
> —Jane Wales
> Founding President, Global Philanthropy Forum;
> Vice President, The Aspen Institute

sign of a pervasive, disruptive transformation throughout the social sector. Yet the reality is that the promising developments still touch only a small minority of nonprofits and funders.

We need a change, and it has to be big. We will need nothing short of quantum, sector-wide change to accomplish our important missions in an era of brutal austerity.

Our economy has taken a broadside hit, and most economists agree that we are now in the midst of a profound structural shift at the federal, state, and local levels. In a cruel irony, not only will deep budget cuts 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 the social sector to reinvent itself. Incremental responses will be insufficient.

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*.

A *Quantum* Leap of Reason

Morino offers the beginnings of a brainstorm on actions that could allow us to find the opportunity in crisis.

- **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 let's bring out the "carrot" as well, by shining 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.

Establish a prestigious award. Organizations that best exemplify managing to outcomes should be awarded cash prizes of $500,000 each, the current MacArthur "genius grant" level. The awards would highlight great successes for everyone to see, and the money would allow the winners to fuel further progress. We should follow up with the winners to see whether or not their successes continued, and why.

Create a social-sector analogue to ISO 9001. More than a million companies and organizations have embraced the ISO 9001 quality standards for their management systems. 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 standards were thoughtfully developed and allowed for differences among nonprofits of different purposes, sizes, and budgets, these standards could proliferate.

Encourage performance-based funding. Social Impact Bonds, which President Obama supports, are one example of tying payments to performance. "The government only pays if the services deliver as promised, and only out of government cost savings," *Fast Company* explains.

Build sector knowledge. Our sector must build and make accessible the knowledge base on managing to outcomes, and tailor this knowledge to specific organizations at specific points in their development.

Develop models for outcomes-driven collaborations. Whtten 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." Therefore, a focus on long-term outcomes should bring with it an inexorable pull toward multi-organization collaborations capable of delivering a comprehensive set of services. We need to invest in learning how to build successful outcomes-driven collaborations.

Improve voluntary outcomes reporting. We need to do much more to make performance data—not just operational and financial data—available to donors. Our fiscal crisis will force greater decision-making rigor on governments, with a powerful spillover effect for private funders.

Encourage funders to invest in nonprofits' management capacity. 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.

Addressing the fiscal crisis will not be easy. But that is no excuse for us to bury our heads in the sand. Hundreds of millions of people around the globe 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.

Summary of the Additional Sections of *Leap of Reason*

Ideas Into Action: A Framework to Get You Started

This section brings home and makes actionable key points from the book. It consists of a framework and a detailed set of questions tied to it, which nonprofit boards and executives can use to determine where they stand—and where they want to go—with regard to each of the major components of managing to outcomes.

Compendium of Top Readings for Mission Effectiveness

This section provides a directory of articles, reports, books, and tools that amplify key themes of the book and will help you take the leap toward greater mission effectiveness.

First Do No Harm . . . Then Do More Good

Isaac Castillo, director of learning and evaluation for the Latin American Youth Center (layc-dc.org), provides an introspective look at how one of his organization's programs was causing harm—and how good data helped the organization turn it around.

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

David E. K. Hunter, managing partner of Hunter Consulting (hunterconsulting.com) and a former director of assessment for the Edna McConnell Clark Foundation, argues that nonprofits are wise to invest in developing a robust theory of change—not just an attractive Power-Point slide but a true blueprint for making the strategic vision operational.

Managing to Outcomes: Mission Possible

Tynesia Boyea Robinson, executive director of Year Up, National Capital Region (yearup.org/locations/national-capitalregion.htm), reflects on her experiences developing performance-management systems in for-profit and nonprofit settings and concludes that most nonprofits are just as well suited to managing to outcomes as their for-profit counterparts. She then details the three most valuable lessons she has learned about building performance-management systems with nonprofits.

Performance Management: The Neglected Step in Becoming an Evidence-Based Program

Kristin Anderson Moore, Karen Walker, and David Murphey, senior scholars and researchers at Child Trends (childtrends.org), explain how performance management, which allows nonprofits to manage and improve their performance *on an ongoing basis*, differs from and complements better-known forms of assessment, such as random-assignment evaluations conducted by third parties.

What It Takes: Building a Performance-Management System to Support Students and Teachers

Patricia Brantley, chief operating officer of the Friendship Public Charter School (friendshipschools.org), describes the hard work that has gone into collecting, using, and communicating data at her schools to support teacher development and improve student outcomes—efforts that have yielded significant results."

An Integrated Approach to Outcomes Assessment

Ethan D. Schafer, consulting psychologist and assessment center director at the Lawrence School (lawrenceschool.org), acknowledges that there is no simple toolkit for schools and other organizations to get a true sense of what's working and what's not. He describes the integrated, comprehensive approach Lawrence is taking—first by clarifying what's important to measure, and then by determining how best to do so using both qualitative and quantitative means.

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