

FOCUSING ON RESULTS:

*How Nonprofits Are
Using Data to Improve
Their Communities*

November 2018





At Bank of America, we're guided by a common purpose to help make financial lives better, through the power of every connection. We're delivering on this through responsible growth with a focus on our environmental, social and governance (ESG) leadership. We recognize that the communities we serve across the globe must be successful in order for our company to grow in a sustainable manner. That's why we develop strong partnerships with nonprofit organizations serving critical needs, bringing our collective networks and expertise as part of our commitment to help fuel economic and social progress in communities. Neighborhood Builders® is part of our effort to build stronger, more vibrant communities by equipping nonprofits and their leaders with the tools and resources to better serve individuals and families. Grant applications aligned with our focus on economic mobility are accepted by invitation only.



Social Finance is a 501(c)(3) nonprofit organization dedicated to mobilizing capital to drive social progress. Social Finance is committed to using Pay for Success to tackle complex social challenges, facilitate greater access to services for vulnerable populations, and direct capital to evidence-based social programs—all with the goal of measurably improving the lives of people most in need. Social Finance has deep experience in the design and implementation of Pay for Success projects, from early-stage feasibility assessment, to project development and capital formation, to post-launch performance management and investment support. Social Finance's sister organization, Social Finance UK, pioneered the first Social Impact Bond in the world.

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This publication wouldn't be possible without the support of the Bank of America Charitable Foundation and the participation of the 2016 Neighborhood Builders®. Special thanks to Kerry Sullivan and George Thorn at the Bank of America Charitable Foundation and Kate Murphy and Fiona Aitken Hill at Bank of America for their ongoing partnership. We are grateful to Robin Hughes at Abode Communities, John Hayner at Bridge Communities, Elizabeth Torres at Bridgeport Neighborhood Trust, Inc., Sara Dziuk and Jeffrey R.W. Knudsen at College Possible, Mario Artecona at Habitat for Humanity of Greater Miami, Susan Wally at PREP-KC, Ilene Isaacs at Table to Table, and Alice Lutz at Triangle Family Services for taking the time to provide additional insights. Thank you, as well, to Kayleigh Burgess, Annie Chor, Alexandra Cosman, Annie Knickman Plancher, Jill Scherer, Jeff Shumway, and Alex Zaroulis at Social Finance for interviewing the Neighborhood Builders®, writing, and supporting this publication.

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FOREWORD

We live in a time of incredible technological innovation and wealth creation against the backdrop of persistent poverty and growing income inequality. Ensuring economic mobility for all requires extraordinary leadership and creative partnerships. Collaboration across the public, private and nonprofit sectors is essential to help individuals and families from vulnerable communities overcome chronic and diverse barriers to success.

Strong nonprofit leaders are vital in confronting these challenges. That's why Bank of America created Neighborhood Builders®, a program that advances community sustainability by investing in economic mobility and nonprofit leadership nationwide. Neighborhood Builders®—which now encompasses a network of over 2,000 leaders—supports organizations through an unrestricted grant of \$200,000 and leadership training for the executive director as well as a next-in-line leader. By equipping leaders with the tools and resources they need to succeed, Bank of America is investing in local nonprofits and building thriving communities.

More than ever before, nonprofits understand the importance of sharing how their work is changing lives and improving trajectories. Data allows organizations to link their programs to participants' outcomes, such as graduation rates, stable housing, and long-term employment, and to know in real-time if they are on track to meet clients' needs.

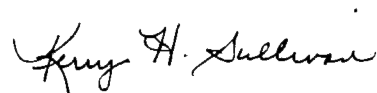
Using data and evidence intelligently is at the heart of Social Finance's work. We believe in the power of this information to drive unique partnerships and mobilize private capital in service of society, with the ability to make tremendous strides in confronting the intractable challenges we face.

This publication weaves together our beliefs in strong leadership and the use of data to move the needle on our most complex social problems. Through Social Finance's collab-

oration with a recent cohort of Neighborhood Builders®, we illustrate how high-quality nonprofits align with the growing movement around outcomes measurement and spotlight two data-driven organizations that are committed to using data to drive better results for people in need.

We have come away from this work energized by nonprofit leaders' dedication to driving better outcomes for the most vulnerable members in our society.

We are in an era where we have an abundance of data and a growing number of organizations focused on using that data well. There's an opportunity for all leaders to leverage data both as a diagnostic tool and as a way to measure success—to realize better outcomes for people in need and impact more lives in a deeper, more meaningful way.



Kerry Sullivan

President,
Bank of America Charitable
Foundation



Tracy Palandjian

Chief Executive Officer
and Co-Founder,
Social Finance, Inc.

INTRODUCTION

Over the past two decades, nonprofits have increasingly embraced data as a way to gauge progress, improve programming, and get better results for the people they serve. Organizations have stepped up their data collection and analysis practices to measure—not only how many people they serve—but also how their programs are positively impacting vulnerable communities over time. A majority in the sector has adopted this new focus on outcomes: *The Nonprofit Finance Fund's 2018 State of the Nonprofit Sector Survey found that 75 percent of the more than 2,000 nonprofits responding said they measure how services improve lives.*¹

Knowing whether programs are effective and which elements have the greatest positive effect for participants allows organizations to tailor and refine services over time—and meaningfully help more people. But data can serve another purpose as well—helping nonprofits illustrate their effectiveness to attract and secure more funding. *Nonprofits have long used compelling narratives to appeal to funders. With the recent movement around outcomes, nonprofits are being asked to use data—and where possible, evidence on the impact of their programming—to create a new kind of narrative around their organizations' results.*

Today, funders have gone beyond simply using information about results to make funding decisions and have started to link payments to measurable outcomes. *Pay for Success—a funding model based around results—has grown significantly since its introduction in 2010 and now represents a more than \$200 million market in the United States.* To participate in outcomes-focused funding approaches like Pay for Success, nonprofits must be able to communicate their impact on communities, and speak qualitatively and quantitatively about their programs' outcomes.

Strong leadership is critical in elevating the importance of data in an organization and making it a key aspect of day-to-day

operations. Although more nonprofits are paying attention to data, a recent study found that *only 6 percent of nonprofit leaders believe they are making good use of the data they collect*—using it to inform decisions and maximize social impact.² In this new environment, nonprofit leaders face questions such as what data to collect, how to ensure data integrity, and how to create a data-driven organizational culture, one that uses data to inform operations and to convey results.

To better understand how nonprofit leaders are responding to the shift toward outcomes, Social Finance partnered with Bank of America's 2016 Neighborhood Builders® cohort, and used our findings from this collaboration to inform strategies that can help the larger nonprofit community use data on results to improve communities and access new sources of funding.

ABOUT NEIGHBORHOOD BUILDERS®

Since 2004, Bank of America's Neighborhood Builders® program has helped nonprofits create greater impact in their communities by developing a pipeline of talented community leaders and equipping them to take on tough issues of poverty and inclusion while advancing cross-sector leadership. Through the program, Bank of America has invested more than \$220 million in more than 1,000 nonprofit organizations across the country, providing leadership resources to more than 2,000 nonprofit leaders.

This paper will review the history behind the outcomes movement and highlight case studies of two Neighborhood Builders®—**Bridgeport Neighborhood Trust, Inc. (BNT)**³ and **College Possible**⁴—that have successfully incorporated data into their organizational cultures. We will examine the benefits and challenges of adopting this approach and close with actionable steps nonprofits can take to share their impact and prepare to access funding in an outcomes-based environment.

² Kathleen Kelly Janus, "Creating a Data Culture," Stanford Social Innovation Review (March 2, 2018), https://ssir.org/articles/entry/creating_a_data_culture?platform=hootsuite.

³ Located in Bridgeport, Connecticut.

⁴ Headquarters located in Saint Paul, Minnesota, with programming offered in Chicago, Milwaukee, Minnesota, Omaha, Philadelphia, and Portland.

¹ "Survey," Nonprofit Finance Fund, <https://nff.org/learn/survey>.



**THE GROWING
MOVEMENT
AROUND
OUTCOMES**

A multitude of forces—within the philanthropic, social, and public sectors—have shaped the growing focus on outcomes. Underlying this shift, the digital era has made data more accessible and analytics easier to perform, making it possible for nonprofits to leverage data as a diagnostic tool and produce quantitative evidence of how their work leads to results.

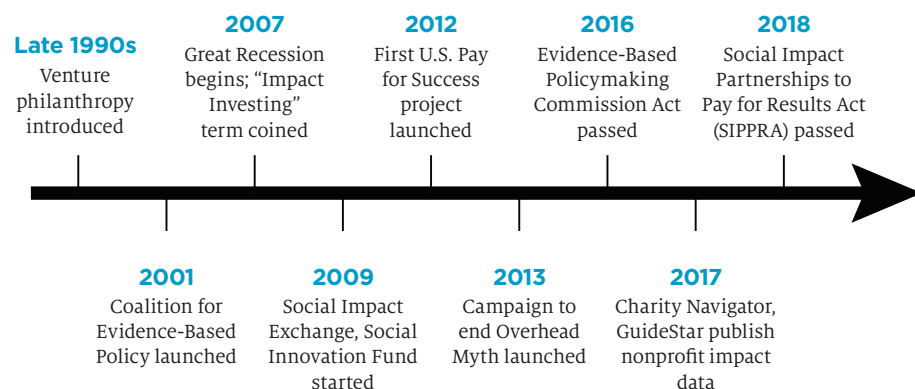


Figure 1: Timeline.

Within Philanthropy

Philanthropy has seen an expanding emphasis on impact measurement and scale. Venture philanthropy, introduced in the late 1990s, advanced a focus on nonprofits' measurable results—a technique used successfully by many venture capital firms.⁵ For example, Venture Philanthropy Partners launched in 2000 with an emphasis on monitoring and outcome evaluation, at a time when few nonprofits did so.⁶ The Great Recession brought with it a renewed sense of urgency to deploy philanthropic dollars more effectively. Greater need among vulnerable communities, together with a dip in the value of foundation assets,⁷ made it critical that

5 "Venture Philanthropy Embraces Key Strategies of Venture Capitalists," Knowledge@Wharton (May 19, 2003), <http://knowledge.wharton.upenn.edu/article/venture-philanthropy-embraces-key-strategies-of-venture-capitalists/>.

6 "History," Venture Philanthropy Partners, <http://www.vppartners.org/about/history/>.

7 Steven Lawrence, "Foundation Growth and Giving Estimates," Foundation Center (June 2012), <https://www.issuelab.org/resources/13540/13540.pdf>.

8 With the passage of the Personal Responsibility and Work Opportunities

OUTCOMES-BASED FUNDING APPROACHES

Pay for performance is not a new concept—New York, for instance, has incorporated performance-based payments in its employment contracts for decades.⁸ However, policy shifts toward funding performance are accelerating, while diverse approaches are being introduced that reflect interest from philanthropy and private investors in partnering with government to bring programs that work to more people.

individual grants made a sizeable impact. Separately, the term "impact investing" was coined in 2007, and spurred a need to devise ways to rigorously measure social outcomes alongside financial returns. IRIS, a catalog of generally-accepted impact performance metrics, began development the following year and is now offered as a free resource by the Global Impact Investing Network (GIIN) to promote transparency, credibility, and accountability in the impact investment industry.⁹ In tandem, there has been an aspiration to reach greater scale—to make a significant dent in the social issue at hand. A leader in this area, the Social Impact Exchange launched in 2009 to identify effective programs and connect them with funders to help them expand.¹⁰

Within the Social Sector

Meanwhile, social sector leaders have increasingly called for elevating outcomes data above other metrics. In particular, maintaining a low overhead rate—the percentage of a nonprofit's expenses that go toward administrative costs—has been called into question as a benchmark for investing in a nonprofit. This historical focus has had a dampening effect on nonprofits' investment in better internal systems (think data analysis and evaluation) to achieve lower administrative costs.¹¹ To guide the sector away from a focus

Reconciliation Act (PRWORA) and the national adoption of Temporary Aid to Needy Families (TANF), America introduced a wave of performance-based programs in the 1990s. For example, the New York City welfare-to-work program, which was started in 1999, utilized a 100 percent performance-based payment structure.

9 "About IRIS," Global Impact Investing Network, <https://iris.thegiin.org/about-iris>.

10 Sean Stannard-Stockton, "The Social Impact Exchange," Stanford Social Innovation Review (December 30, 2009), https://ssir.org/articles/entry/the_social_impact_exchange.

11 Ann Goggins Gregory and Don Howard, "The Nonprofit Starvation Cycle," Stanford Social Innovation Review (Fall 2009), https://ssir.org/articles/entry/the_nonprofit_starvation_cycle.

on overhead, GuideStar, BBB Wise Giving Alliance, and Charity Navigator launched a campaign in 2013 to end the “Overhead Myth.”¹² At the same time, data on results has received growing attention and scrutiny. For example, in 2017, Charity Navigator announced a first-of-its-kind initiative with GuideStar to publish nonprofit impact data on both websites, which together reach 20 million people each year. Michael Thatcher, CEO of Charity Navigator, called the initiative a signal that “sharing impact-related information is the next phase of accountability and transparency for public charities.”¹³



Within the Public Sector

Critically for many nonprofits, the largest funders of human services in the United States—federal, state, and local governments—have also begun to integrate outcomes-based considerations into their funding decisions. Signs of the federal government’s move toward evidence-based policymaking is reflected in the 2018 passage of the Social Impact Partnerships to Pay for Results Act (SIPPRA), which commits \$100 million to catalyze the development of Pay for Success projects nationwide.¹⁴ Receiving bipartisan support, SIPPRA marks the first time a structure and funding stream have been established to incentivize and support the drive toward a more outcomes-focused human services system.

The Social Impact Partnerships to Pay for Results Act (SIPPRA) appropriates \$100 million to the U.S. Department of the Treasury to support the launch of state and local Pay for Success initiatives. SIPPRA creates an opportunity for state and local governments to leverage federal resources to tangibly advance policy initiatives while building a foundation for outcomes-based decision making.



SIPPRA builds upon several efforts in recent years to expand government transparency and accountability. The Coalition for Evidence-Based Policy, founded in 2001, aimed to link government spending with research around what works and preceded the launch of other clearinghouses that bring attention to effective social programs. In 2009, the creation of the White House Office of Social Innovation and Civic Participation as well as the Social Innovation Fund—with a goal to find what works and make it work for more people—represented a shift toward public-sector funding of effective solutions. After this, federal government agencies have included Pay for Success in programs supporting workforce development, homelessness, education, and criminal justice, among other areas (see, for example, the Workforce Innovation and Opportunity Act of 2014¹⁵ and Every Student Succeeds Act of 2015¹⁶). Finally, the Evidence-Based Policymaking Commission Act of 2016 was a critical step forward in elevating the use of public-sector data and evidence to inform policy.¹⁷

¹² “The Overhead Myth,” GuideStar, BBB Wise Giving Alliance, and Charity Navigator, <http://overheadmyth.com/>.

¹³ “Charity Navigator and GuideStar Announce First of Its Kind Collaboration to Publish Charity Results,” Charity Navigator. (September 11, 2017), <https://www.charitynavigator.org/index.cfm?bay=content.view&cpid=5244>.

¹⁴ Matt Bannick and Tracy Palandjian, “A Landmark Moment for Pay for Success | 3 for 3: Enacting the Recommendations in Private Capital, Public Good,” Omidyar Network blog (February 19, 2018), <https://www.omidyar.com/blog/landmark-moment-pay-%C2%Aosuccess-3-3-enacting-recommendations-private-capital-public%C2%Aogood>.

¹⁵ “Pay for Success in the Workforce Innovation and Opportunity Act: Frequently Asked Questions,” America Forward (September 9, 2014), http://www.americaforward.org/wp-content/uploads/2016/12/WIOA-Pay-for-Success-FAQ_FINAL-1.pdf.

¹⁶ Arden Kreeger et al., “The state of pay for success in 2015,” Urban Institute (December 30, 2015), <https://pfs.urban.org/pay-success/pfs-perspectives/state-pay-success-2015>.

¹⁷ “Commission on Evidence Based Policymaking,” Office of Management and Budget, https://obamawhitehouse.archives.gov/omb/management/commission_evidence.



ADAPTING TO THE OUTCOMES MOVEMENT:

*Spotlight on Bank of
America's Neighborhood
Builders®*

To better understand how nonprofits are approaching the growing movement around outcomes, Social Finance worked with Bank of America's 2016 Neighborhood Builders® cohort to assess their efforts around collecting outcomes data and planning for scale.

Social Finance surveyed 39 Neighborhood Builders® and interviewed eight. Some survey respondents were fairly new and had been in operation less than a decade while others had longstanding histories stretching over 100 years. Their annual budgets ranged from less than \$1 million to \$18 million. Their programs worked with a variety of populations, including children, at-risk youth, and families, and addressed issues including hunger, behavioral health, homelessness, academic achieve-

ment, and economic self-sufficiency. Although the respondents were diverse, themes emerged across their responses.

Echoing other recent surveys¹⁸, most of the respondents reported that they collect programmatic data.¹⁹ Many said that they track programmatic data on participants along a defined set of metrics, and more than half said they had three or more years of data demonstrating their outcomes.

Only 12 percent indicated that they have performed an external impact evaluation of their program, although 38 percent of organizations recognized that evaluations could be found on similar programs. The low percentage of nonprofits that have undertaken a formal evaluation likely reflects the often considerable time and expense it involves, which prohibits many organizations from pursuing one.

In addition, most of the respondents are thinking deeply about scale: They are either positioning for scale, ready for expansion, or in the process of bringing their programs to more participants in their current geography or serving a wider area.

¹⁸ Nonprofit Finance Fund, *ibid.* Kathleen Kelly Janus, *ibid.*

¹⁹ These respondents selected either "We track programmatic data of our program(s) on participants along a defined set of metrics" or "We have 3+ years of data demonstrating our outcomes along a defined set of metrics" in response to a question on programmatic evidence.

Figure 2:
Respondents address a range of social issues.
The organizations are diverse in the challenges they tackle.



For example, Robin Hughes, President and CEO of Abode Communities, a Los-Angeles based nonprofit focusing on creating service-enhanced affordable housing and socially-beneficial community facilities, described her organization as in the process of scaling. She explained that Abode Communities' growth strategy includes expanding its affordable housing production and preservation services geographically to the neighboring six counties in Southern California. By contrast, Table to Table, a food rescue organization that delivers fresh food to social service agencies in northeastern New Jersey, is looking to deepen its impact within its existing footprint. They recently invested in refrigerated warehouse space for short-term food storage. Today, rather than start and end everyday with empty trucks, they can now significantly increase their ability to accept and distribute greater amounts.

Our survey showed that many respondents are focused on outcomes and intend to bring their programming to more people. While the Neighborhood Builders® are not necessarily representative of the nonprofit sector as a whole,²⁰ they can offer insight into how nonprofits are approaching the growing focus on outcomes.

²⁰ For example, while 24 percent of our respondents had budgets less than \$1 million, 77 percent of public charities nationwide fall into this category. Source: Brice McKeever, "The Nonprofit Sector in Brief 2015: Public Charities, Giving, and Volunteering," Urban Institute (October 29, 2015), <https://www.urban.org/research/publication/nonprofit-sector-brief-2015-public-charities-giving-and-volunteering>.

38 PERCENT OF ORGANIZATIONS RECOGNIZED THAT EVALUATIONS COULD BE FOUND ON SIMILAR PROGRAMS.

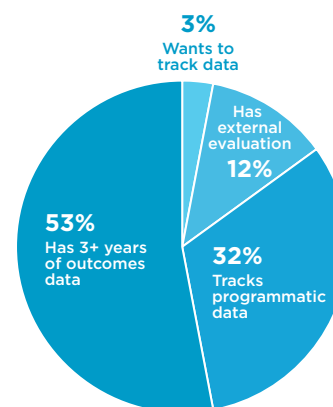


Figure 3: Program evidence.
WHAT EVIDENCE EXISTS AROUND YOUR SPECIFIC PROGRAM?

When asked what evidence exists around their specific programs, respondents largely pointed to their own data as illustration of their effectiveness.

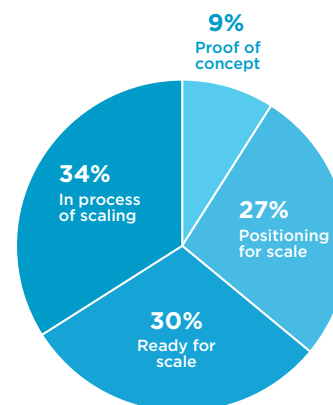


Figure 4: Scale.
HOW WOULD YOU DEFINE YOUR ORGANIZATION'S GROWTH STAGE?

Many survey respondents are already in the process of expanding their programs, either to new geographies or deepening their impact within their existing footprint.

FEATURED NEIGHBORHOOD BUILDERS®



Bridgeport Neighborhood Trust, Inc. (BNT)

ISSUE AREA: Housing

MISSION: To lead, empower, and change Bridgeport neighborhoods, improving quality of life through affordable housing opportunities

FOUNDED: 1986

ANNUAL BUDGET: \$5 million

PEOPLE SERVED PER YEAR: 1,500

Bridgeport Neighborhood Trust (BNT) is a community development nonprofit focused on affordable housing development, property management, and wealth building, with over 30 years of experience in southwestern Connecticut.

Over the past 12 years, BNT has grown significantly: increasing its staff from one to 25, growing the operating budget from \$100,000 to over \$5 million, and improving its net worth from \$14,000 to over \$40 million. Started as an all-volunteer

community organization dedicated to supporting its neighborhood, BNT has since sharpened its menu of services and developed strong practices around data collection in order to deepen its understanding of the local community as well as progress toward its mission. When Elizabeth Torres became executive director of BNT in 2009, the organization did not have a history of tracking metrics: ***“We did not have any data***

pre-2009. We really have collected everything since I started,” she said. “I really wanted BNT to be about achieving results.”



Over the years, Torres has seen funders become more focused on outcomes as well, and she emphasized the increasing need to quantify progress for them. “People who are supporting our efforts want to see real outcomes. They’re getting really smart and thoughtful about how their dollars are invested.” She noticed that

discussions with funders can have a mushrooming effect on data collection. “The more information we shared, the more it sparked funders’ interest in other measures. For example, we have noticed more questions in the last three to four years around the impact of our building projects on the economy, such as how many temporary construction jobs they create and the value of those contracts that stay in the city.”

The information BNT gathers allows it to quantify and communicate the number of units it has in development, the occupancy rate in its buildings, and whether graduates of its homeownership education programs have neared or attained their goal of owning a home.

Torres is eager to better understand how the work BNT is doing is affecting people’s lives beyond housing. “We just recently finished a demographic report that showed that the population living in our housing is mostly single moms. We know there’s so much more we can do to support those families.” She is interested in gaining more insight into how BNT’s housing

affects those women's employment outcomes and their children's academic performance.

BNT faces a challenge shared by many nonprofits in their efforts to expand data collection: time.

Torres highlighted that BNT does not have the resources to hire people devoted to data and measurement, and existing staff are already stretched thin with many competing priorities. In addition, better internal systems are needed to support more streamlined tracking. "Opportunities for tracking are endless," she said, underlining the need to be selective in pursuing a set of metrics given resource constraints.

For nonprofits just starting down this road of data collection, Torres offers straightforward advice: "Just start." She explained that when she began BNT's data collection efforts, she knew the data would not be useful until two to three years down the road, and it was not immediately clear what information would be most helpful to track.

As BNT looks to scale up its housing counseling programs and expand operations in the City of Bridgeport and throughout Fairfield County, tracking data will continue to be important in assessing progress toward organizational goals and refining operations to achieve desired results.

**PEOPLE WHO ARE
SUPPORTING OUR
EFFORTS WANT TO
SEE REAL OUTCOMES.
THEY'RE GETTING
REALLY SMART AND
THOUGHTFUL ABOUT
HOW THEIR DOLLARS
ARE INVESTED.**

ELIZABETH TORRES

Below: BNT strives to lead, empower, and change Bridgeport neighborhoods, improving quality of life through affordable housing opportunities.





College Possible

ISSUE AREA: Education

MISSION: To help low-income youth prepare for and earn admission to college and graduate

FOUNDED: 2000

ANNUAL BUDGET: \$20 million

PEOPLE SERVED PER YEAR: 30,000

College Possible is a nonprofit AmeriCorps organization that helps prepare low-income youth for college admission and persistence in the United States through an intensive curriculum of coaching and support.

Data has played a key role in College Possible's operations since the nonprofit's founding in Minnesota in 2000. "College Possible has truly been data-driven from day one," said Jeffrey R.W. Knudsen, Director of Data Analytics & Evaluation for College Possible. He explained that the organization's founder, Jim McCorkell, integrated information tracking into College Possible's culture from the start because he believed it was a nonprofit's responsibility to do so.

Knudsen emphasized that data collection alone is not in itself important, but rather that the data collected can be used to inform decisions. Setting up a nonprofit to avoid being "data rich but information poor" will ensure that data is used efficiently to drive strategy. Knudsen distinguished between two types of

data: "what" data (outputs, such as number of people served) and "so what" data (information that indicates progress toward an organization's mission). He noted that funders are now asking more "so what" questions.



College Possible has had success with data collection in part because it has been intentional about getting in front of potential issues. Knudsen attributed College Possible's effective process to

incorporating data expectations into job descriptions and making employees accountable to one other. He said: "When nonprofits make data collection an extra task beyond the 40-hour work week, it is one of the first things to fall off the to-do list." He also highlighted the importance of employees seeing the value of the data they collect. If nonprofits are only collecting output data and not actionable data to inform decisions, practitioners never see the results of their efforts, with adverse effects on data integrity, he noted.

Platforms for data collection must fit seamlessly with a nonprofit's operations if they are to be leveraged successfully, according to Knudsen. College Possible recently began using a student information platform called CoPilot. "Having an elegant system like that has been helpful," he said. "Without systems, it's difficult to grow and keep the data entry processes as easy and as low a burden as possible. If we didn't have anyone curating that experience for us, it would be overwhelming."

College Possible is unique in having undergone a randomized controlled trial (RCT) with successful findings. Knudsen describes the RCT as occurring at a very opportune moment: A researcher at Harvard University, Dr. Christopher Avery, identified that College Possible was recruiting at levels that it could not serve, making it possible to form experimental and control groups to assess the organization's effect on college enrollment. After deep internal discussion, the College Pos-

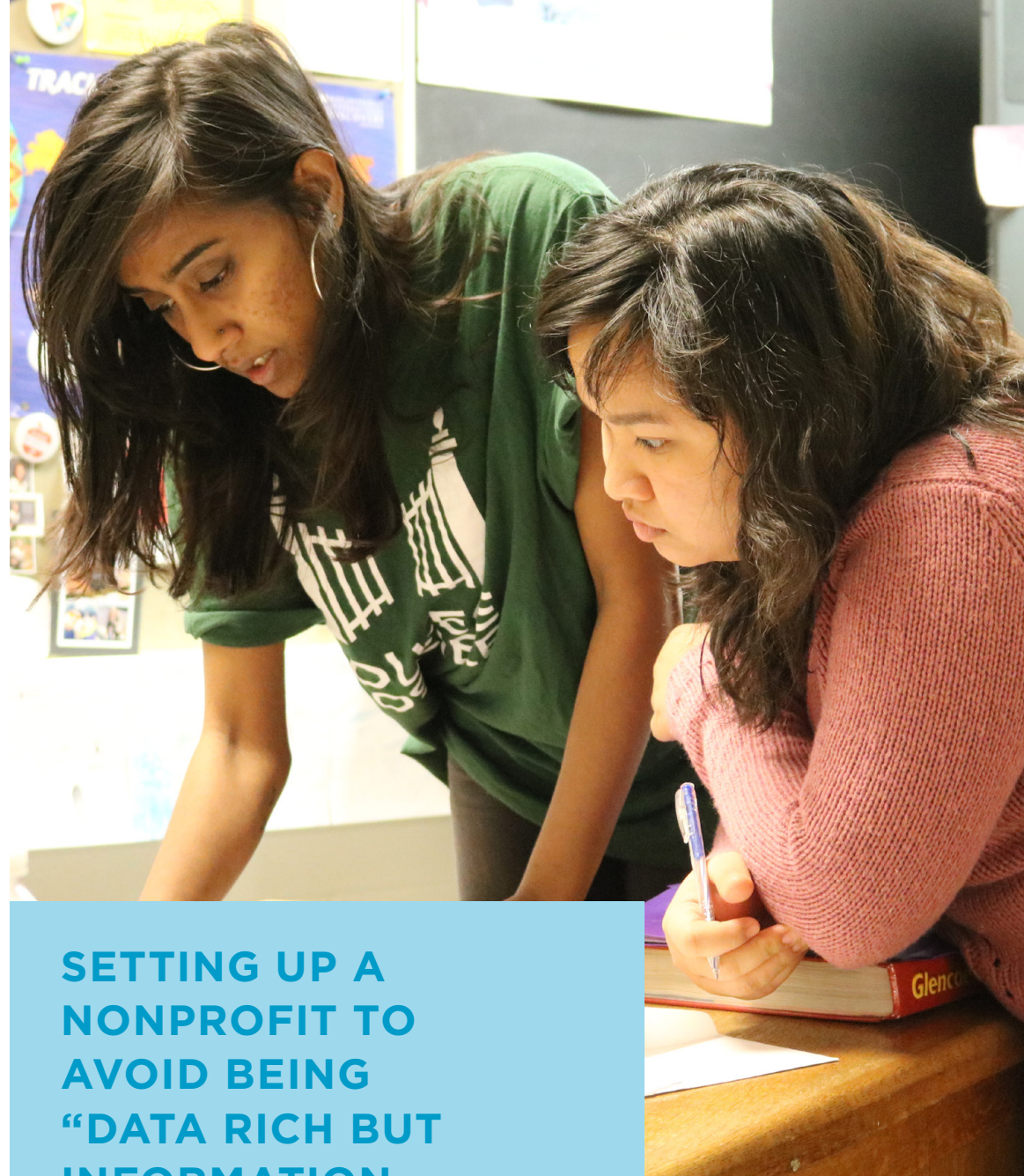
sible leadership team decided to go for it. Knudsen described the results as “a total coup.” “It suddenly placed us on a level of evidence that few nonprofits ever have. It was a confirmation that we’re doing the right things here,” he said.

Although RCTs have become an aspirational benchmark for many organizations, Knudsen underscored that organizational readiness is key. “If you’re still developing what you’re doing, it’s likely that even the most rigorous design will lead to null findings or an inability to capitalize on any positive findings. You need great clarity regarding what version of the program drove the detected result(s) in order for an RCT to be impactful.” He recommended undergoing earlier-stage research, such as process evaluations and implementation studies, to identify what is driving impact before undergoing an RCT, which can be difficult and costly to implement and disruptive to services.

Looking forward, Knudsen explained that data will help inform the path to achieve the organization’s next level of growth. He emphasized that RCTs provide a “black and white answer” and do not necessarily point to what “levers” or aspects of the program are leading to positive results. College Possible is now looking to identify what components are the most powerful and in what dosage to improve students’ lives. At the same time, they are taking a long view and trying to assess how having a college degree contributes to breaking cycles of intergenerational poverty by doing more studies with alumni.

**SETTING UP A
NONPROFIT TO
AVOID BEING
“DATA RICH BUT
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STRATEGY.**

Above: College Possible aims to make college admission and success possible for low-income students through an intensive curriculum of coaching and support.





**GETTING
STARTED**

KEY TAKEAWAYS FROM FEATURED NEIGHBORHOOD BUILDERS®:

- If you haven't started collecting data yet, don't get bogged down in the details—just start.
- Strong leadership can be highly influential in creating a data-driven organizational culture.
- Streamlined processes for data collection that are part of individual job descriptions and where data is actively used in decision-making will support high-quality data over the long-term.
- Don't do an RCT just to do an RCT—make it a thoughtful decision and ensure its results can be used to inform future programming.

Whether your organization is looking to start incorporating data into a narrative around program results or you are interested in refining your existing data-driven narrative, the series of questions below may serve as a guide. They are intended to stimulate thinking around your top program goals and help you identify actionable next steps to capture your value-add in the communities you serve, with the goal of accessing outcomes-based funding.

1 Identify who is being served

- **Who are your clients?** Be as specific as possible. Consider age, gender, socioeconomic status, and whether they are a part of a vulnerable population, such as veterans or the chronically homeless.
- **What geographic region do you serve?** Clarify whether you serve individuals nationwide or within a specific state, county, or city.

2 Measure your outcomes

- **How do you expect the target population to change as a result of your services?** Select a limited number of goals in order to focus your efforts to capture these results.

- **What evidence do you have that these changes have occurred?** Consider evaluations and data you have collected on your specific program as well as evaluations of similar programs.²¹
- **What is the associated value of these outcomes?** Calculate the benefits of the program outcomes against the program's costs. Be clear about who this value accrues to (e.g., the state government, the larger community, the individuals themselves) and over what timeframe. For example, benefits from a job training program may center on an individual's finding and maintaining a better job than he or she had before. Value associated with that new job would likely include increased income for that individual, higher tax revenue to the state government, and savings from decreased welfare payments by the state government.
- **What systems do you need to put in place to improve data gathering and use information in real time?** Think about your organizational capacity-building needs, and what you might do to better capture data to inform whether your organization is achieving your target results as well as how to use data on a regular basis to manage performance. Needs might include specific staff, new data collection processes, or computer software that streamlines performance management.

3 Assess outcomes-based funding opportunities

- **What outcomes-based funding opportunities are available to fund your work?** Review opportunities through government agencies, foundations, and intermediaries, such as Social Finance.²² Reflect on how this funding aligns with your organizational growth strategy and aspirations for scale.

²¹ When comparing your program to similar programs, remember to take into consideration how the target population or geography may be different than your own.

²² Social Finance occasionally hosts competitions for outcomes-based financing feasibility studies and structuring work.



- ## OUTCOMES-BASED FUNDING MODELS

Outcomes Rate Card

Performance-Based Contracting

Prevention Fund

33

CONCLUSION

To succeed in today's outcomes-focused environment, non-profit leaders would do well to embrace data collection and see firsthand the transformative power that it can have in making progress toward their mission. At the same time, demonstrating impact—through data, measurement, and outcomes—has become essential to telling an organization's story.

As funding (both philanthropic and public-sector) continues to move toward a focus on paying for outcomes and reaching greater scale, nonprofits can stay ahead of the curve—but doing so means a shift in thinking and internal resource allocation. Often nonprofits emphasize the need for time and staff capacity to begin this journey toward measuring for results—certainly both are necessary. But equally and perhaps more important is a commitment by nonprofits to use whatever data are available, ask hard questions (what evidence is there that this program worked, what systems do you need to implement to gather and use data in real time), and make difficult but necessary choices that prioritize participant outcomes and data collection over competing demands.

When gathering and utilizing data become a core tool for managing an organization, the daily work of program execution naturally prepares it for outcome-based funding. Ultimately, nonprofits that are capable of framing their work as both compelling and critical, both for its effect on individuals and the communities they serve and its relevance on the larger policy context, will thrive in this new environment.



RESOURCES TO CHART YOUR PATH TOWARDS OUTCOMES-BASED FUNDING

- **Social Finance, “New Tools to Amplify Impact: A Pay for Success Guide to Building Nonprofit Capacity”**
http://socialfinance.org/content/uploads/2016/10/AmplifyImpact_Final-I.pdf
- **Federal Reserve Bank of San Francisco and Nonprofit Finance Fund, “What Matters: Investing in Results to Build Strong, Vibrant Communities”**
<https://www.investinresults.org/>
- **Nonprofit Finance Fund Pay for Success website**
<https://www.payforsuccess.org/>
- **Results First Clearinghouse Database**
<https://www.pewtrusts.org/>
- **J-PAL North America, “Administrative Steps for Launching a Randomized Evaluation in the United States”**
<https://www.povertyactionlab.org>
- **National Implementation Research Network, “The Hexagon Tool”**
<http://nirn.fpg.unc.edu/>
- **Social Finance, “The Social Impact Partnerships to Pay for Results Act”**
<http://socialfinance.org/what-is-pay-for-success/sippra/>
- **Impact Bond Global Database**
<https://sibdatabase.socialfinance.org.uk/>



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