

Struggling to Measure Charitable Impact

10.22.19 | Linda J. Rosenthal, JD



For nonprofit leaders today, it's no longer good enough to have programs and activities that are popular and apparently well-received or to have services that beneficiaries often use. Recently, more and more funders are insisting that grant recipients demonstrate "impacts" of the funding they provide. That's according to a recent "benchmarking survey," [Nonprofit Standards \(June 2019\)](#), from BDO's Institute for Nonprofit Excellence. It asks board chairs and chief executives about "key issues and trends" so they have the "data needed to make good decisions." A particular finding of note is that, especially in the health and human services sector, "more and more funders want more information" – specifically – on "outcomes and impacts." (*emph. added*) According to Jacob Harold, now executive vice president of Candid, the organization formed after the merger of GuideStar and the Foundation Center, "there are three important pieces of information that a donor looks for: the organization's impact, the legitimacy of the organization and the organization's finances." Michael Thatcher, CEO of Charity Navigator, explains that – previously – the discussion in the nonprofit sector has been about "... where the money is going." The focus is changing; "now it's more of what the money is doing."

What is "Impact"?

The bottom line is to "figure out ways to make sure that" money given to nonprofits – and to social enterprises – "will have an impact." But what, exactly, does that mean? What information and data are required to determine impact? And how do nonprofits go about collecting the relevant data, evaluating and measuring it, and presenting it to the satisfaction of grantors and donors?

In [Measuring and Improving Social Impacts: A Guide for Nonprofits, Companies, and Impact Investors](#) (2014) authors Marc J. Epstein and Kristi

Yuthas describe with simple examples [at Table 2, p. 4] the difference between “goals based on outputs (outcomes)” vs. “goals based on impacts.” For instance, Organization A says that it wants “to deliver meals to 10,000 homeless people.” That’s an “output goal.” When it says it wants “to reduce hunger by 5%,” that’s an “impact goal.” Or Organization B says it wants to “provide 1 million insecticide-soaked bed nets.” That’s an “output goal.” But the “impact goal” is better explained as wanting “to reduce malaria by 5,000 cases.” Similarly, for Organization C, the output is teaching “reading to 500 primary school students”; the impact is increasing “literacy in the village by 10%.”

“One common problem,” the authors explain, “is defining success in terms of what the organization produces rather than the impacts that result.” They acknowledge that “the distinctions here can be subtle, but it is essential that we focus on impacts for the following reasons: actions don’t always have the anticipated results, instincts aren’t always correct, and without understanding impacts it is difficult to improve them.”

“...Social impact metrics are a “defined system or standard of measurement to track the progress of change by your organization. Impact-oriented organizations use either standard metrics or custom metrics to track change.”

Challenges in Measuring Impact

You may be relieved to learn that “nonprofits have consistently been challenged with measuring their impact,” said NetHope CEO Lauren Woodman. “As these organizations work to expand their mission by acquiring more donors and increasing gift size, there’s never been a more important time to provide visibility into the results.” And just 18% of senior nonprofit executives reported in this most recent BDO benchmarking survey that they “offer their donors and funders access to real-time reports” instead of annual reports (65 percent), emails (54 percent) and one-on-one meetings (39 percent).”

Conclusion

In Measuring for Impact: It’s Not a ‘One-Size-Fits-All’, Nhu Te, editor-in-chief for Nonprofit PRO, explains in more detail how that the nonprofit sector “has been struggling with figuring out the right way to articulate impact and across all of the different areas of the sector.” Part of the challenge is developing useful “taxonomy or language for measuring” it, given the breadth and scope of nonprofit organizations. But she emphasizes that while “quantifying impact is not easy,” that doesn’t mean that philanthropy experts and leaders shouldn’t try.