Building a Common Outcome Framework to Measure Nonprofit Performance

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The Urban Institute
2100 M Street, NW
Washington, D.C. 20037
(202) 833-7200

The Center for What Works
3074 West Palmer Boulevard
Chicago, Illinois 60647
(773) 398-8858

Preface

It seems clear that nonprofit organizations need to regularly collect information on the effect of their services, if they want to continue to attract funds from foundations, government, and individual donors. And even more important, these data can help them manage their resources to maximize the services they provide and continuously improve their offerings.

With funders increasing pressure to set up measurement systems, sometimes the worse case scenario has emerged—nonprofits with multiple projects and multiple funders have to deal with different requirements for tracking outcomes for similar programs. If agreement on a common core set of outcome indicators can be reached, then outcome reporting can be efficient and focused. Even more important, successful practices could be identified across similar programs and organizations and then shared so that outcomes could be improved.

The work described in this report first provides suggested core indicators for 14 categories of nonprofit organizations and then expands the notion of common core indicators to a much wider variety of programs by suggesting a common framework of outcome indicators for all nonprofit programs. This can provide guidance to nonprofits as they figure out what to measure and how to do it and will work to ease the looming reporting nightmare that will occur unless a common framework for outcome measurement emerges. Further research is needed to further test and revise the existing core indicators for the selected programs, add core indicators for more program areas, and expand and revise the common framework for more general guidance.

We hope the initial material presented here will be helpful and act as a catalyst for further work in this crucial area.

Elizabeth T. Boris, Director
Center for Nonprofits and Philanthropy
The Urban Institute

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Introduction

For most stakeholders in the nonprofit sector, measuring performance is elusive. Nonprofit managers and staff, funders, board members, potential clients, and members of the public seeking information are often frustrated by lengthy academic evaluations and complex, meaningless statistical analysis. At the same time, there is increasing pressure on nonprofits to account for and improve results. Although classic program evaluation is one response, practitioners and funders also need the tools, capacity, and standards to track and measure their own performance.

With little actual information, practitioners base decisions primarily on narrative annual reports, anecdotes, related social science research and journal articles, IRS Forms 990, and administrative metrics (such as the percentage of budget spent on administration or fundraising). Often, information from these sources is not timely, offers little analytical or predictive value and is hard to aggregate or synthesize to help improve services. It is, therefore, of limited value to the staff members actually delivering services.

While the concept of measuring performance is not new,[1] the development of practical ways to implement actual measures is. Progress in understanding how to think about performance has been made. For example, there are many handbooks on outcome measurement, logic models, rating services, and assessment tools, but how much performance data have actually been collected and used? Citing the diversity of nonprofit work, some scholars have even concluded that systemically measuring impact in the nonprofit sector is impossible.[2] A convergence of forces, however, including increased government oversight, the call for greater accountability from various stakeholders, more professional nonprofit management, and competition for funding is accelerating the need to overcome barriers to measurement. In addition, advances in computer technology now permit performance data to more easily be collected and processed.[3]

Some of the impetus for enhancing accountability for nonprofits and their performance comes as a response to recommendations to the Senate Finance Committee by the Panel on the Nonprofit Sector (established by Independent Sector) in May 2005. The Panel recommended that, as a best practice, charitable organizations establish procedures for measuring and evaluating their program accomplishments based on specific goals and objectives. In addition, the Panel recommended a sector-wide effort to provide information and training focused on appropriate methods for program evaluation.

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[1] See, for example, *Measuring the Impact of the Nonprofit Sector*, Patrice Flynn and Virginia Hodgkinson, eds, Kluwer Academic Press, 2001; "Measuring Program Outcomes: A Practical Approach, United Way of America, 1996; and "Why Measure Performance?" by Robert D. Behn, Harvard University, Kennedy School of Government, January 22, 2002.

[2] Paul DiMaggio, "Measuring the Impact of the Nonprofit Sector on Society is Probably Impossible but Possibly Useful" in *Measuring the Impact of the Nonprofit Sector*

[3] "Performance Measurement: Getting Results," interview with Harry Hatry, the Urban Institute at http://www.urban.org/pubs/pm/author.html

While it appears unlikely that there will be detailed federal legislation that calls for performance reporting, stakeholders are paying attention to assessing effectiveness and the need for improved measurement and tracking of nonprofit outcomes. Having a standard framework for developing outcomes and indicators can help create important tools for the sector to better communicate the value of its services.

About the Common Outcome Framework Project

The Urban Institute and its project partner, The Center for What Works, collaborated from June 2004 through May 2006 to identify a set of common outcomes and outcome indicators or "common framework" in the measurement of performance for nonprofits.[4] The work began based on a recognition that nonprofit organizations often have limited capacity or resources for collecting, analyzing, and using data to inform practice. However, funders are increasingly demanding such practice. This project has attempted to identify a more standardized approach for nonprofits, themselves, as well as the organizations that choose to fund their efforts.

To meet this need, the research team selected, and then examined, 14 separate program areas as to their missions, the outcomes they sought, and potential outcome indicators for tracking progress towards these programs' missions. The programs of nonprofit organizations almost always have multiple outcomes and require a number of outcome indicators—both those that measure "intermediate" (usually early) outcomes and those that measure "end" outcomes. The team developed sample "outcome sequence charts" for each of the 14 programs to portray the sequence of these outcomes.

The 14 programs included in this project represent only a small proportion of the great variety of programs that exist. Therefore, as a final task, we developed a common framework for outcomes, one that might provide other programs with a starting point for identifying outcomes and outcome indicators for themselves.

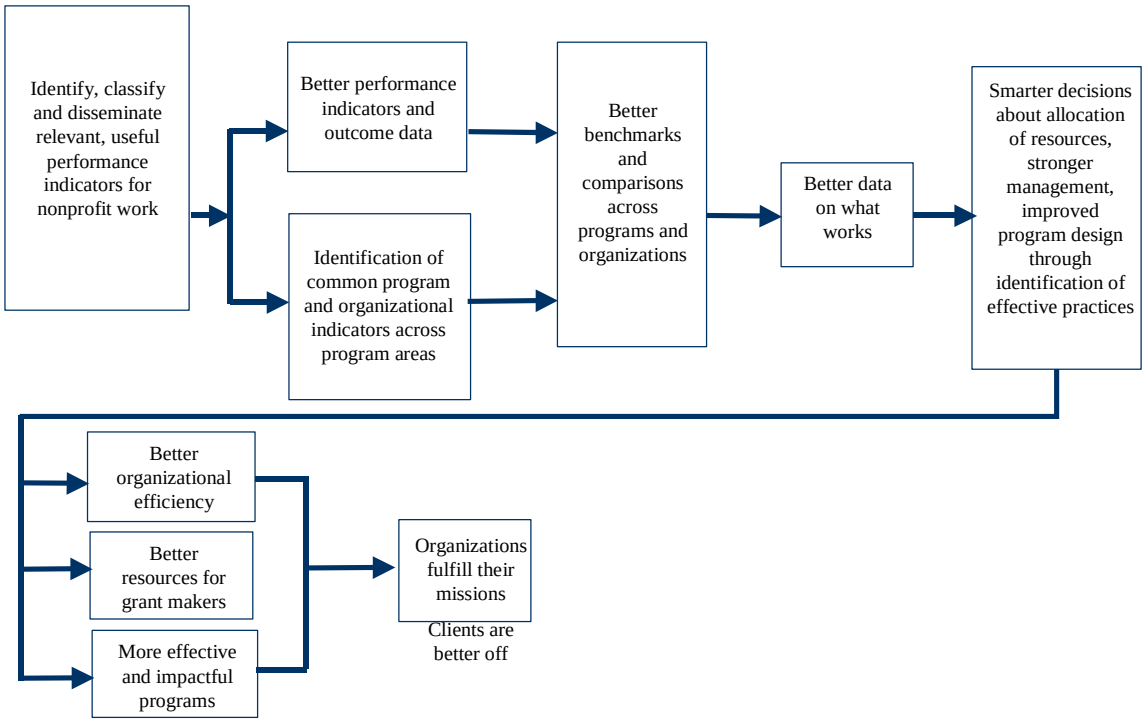
We hope that this guidance can help nonprofit organizations reduce their time and cost of implementing an outcome measurement process and improve its quality.

With improved and more consistent reporting from grantees, funders, too, would be better able to assess and compare the results of their grants.

An outcome sequence chart for the project is shown as Exhibit 1.

[4] Project support was provided primarily from the Hewlett Foundation with additional support from the Cisco and Kellogg Foundations.

Outcome Sequence Chart: Creating a Common Framework for Measuring Performance



About This Report

This project description has been prepared so that the current results can be used as a resource for nonprofit organizations and their funders. Although the materials presented are not complete—without the necessary next steps of testing, refining, and expanding to more program areas—we feel they can offer guidance and help nonprofits and grantmaking organizations in developing their outcome measurement programs.

The information is presented in four parts:

Part 1: Project Approach

Part 2: Candidate Outcomes, Outcome Indicators, and Outcome Sequence charts for Specific Programs

Part 3: Draft Common Outcome Framework

Part 4: Tips on Using the Common Framework Project Materials

Part 1

Project Approach

While there is no shortage of outcomes and their indicators in some program areas, there is no centralized grouping of them or assessment of their quality that could serve as a resource for organizations that wish to develop outcome measurement systems. And because of the vast range of programs in the social sector, major gaps exist in the outcome indicators that have been developed. This project took a first step in attempting to provide a resource for quality indicators and also provide guidance for nonprofits on the development of good indicators, if indicators for their specific programs are not yet available.

First, we chose a number of specific program areas and identified program outcomes and indicators already in use and/or recommended. Outcomes are defined as the results of a program or service that is of direct interest and concern to customers of the program. Outcomes are distinguished from program outputs, which while important to the program, are primarily of internal use and not of direct concern to customers (such as the number of training sessions provided to staff).

It is often difficult to measure outcomes directly, so many indicators are proxies. For example, while tracking the avoidance of a certain kind of behavior can be difficult, a client can be tested about a level of knowledge about why someone should avoid that behavior. However, evidence that the degree to which increased knowledge leads to the desired change in behavior must be strong before this increased knowledge is deemed a "good" indicator of the desired change in behavior.

Information was collected from a wide range of sources, from national nonprofit umbrella groups in the US, national accreditation agencies in specific fields, and from national nonprofits with local affiliates. Outcomes and outcome indicators were assessed as to which ones were useful, relevant, and feasible. It is important to consider outcome information that is not usually being currently collected but should be. A highly useful basis for developing quality indicators we found to be outcome sequence chart (based on the logic model format) for the program—the sequence of a program's outputs, intermediate (earlier) outcomes, and the ultimate desired end outcomes? Once the desired outcomes are identified, with the help of the outcome sequence charts, appropriate outcome indicators for measuring progress toward those outcomes can then be identified.

Basic criteria for quality indicators included ones that were: *specific* (unique, unambiguous); *observable* (practical, cost effective to collect, measurable); *understandable (*comprehensible); *relevant (*measured important dimensions, appropriate, related to program, of significance, predictive, timely); *time bound (covered a specified period of time)*; and *valid* (provided reliable, accurate, unbiased, consistent, and verifiable data)

The characteristics of a successful taxonomy or common framework were also reviewed. The most useful tend to reflect the manner in which the sector organizes, collects, and reports the

information. Although essential principles of comprehensiveness, mutual exclusivity of elements, and logical consistency must be followed, there must be a grounding in what is actually in use by practitioners and what has worked for the specific program areas. Thus, testing by stakeholders (including nonprofit staff; funders, both public and private; clients, participants, and service users; and even the public, where appropriate) is vital.

Outcomes and indicators were collected for fourteen different program areas to help inform the development of the common framework. Lists of quality outcomes and their indicators were selected for program areas ranging from emergency shelter to youth mentoring to health risk reduction programs. The 14 program areas are listed in Part 2. The outcomes identified for these 14 programs were then reviewed for common elements, which then became the basis of the draft of the common framework, described in Part 3.

The project efforts and products to date represent the completion of our first phase of work. More work is highly desirable to further refine, test, and expand the outcomes framework to increase its relevance and maximize its potential utility for the sector. The following tasks represent next steps:

- Development of an interactive website tool, including references to sample data collection instruments and protocols, “build-your-own” outcome sequence charts, etc. Linking the outcome indicators to actual existing data collection instruments, such as questionnaires or interview protocols would considerably increase the helpfulness of this material.

- Expanding the number of program areas for which candidate outcomes, outcome indicators, and outcome sequence charts are available on the Internet.

- Refinement of the outcomes framework by adding common indicators.

- Developing program performance outcomes and indicators for internal organizational strategy, including: management effectiveness, financial sustainability, and community engagement.

Part 2

Candidate Outcomes, Outcome Indicators, and Outcome Sequence Charts for Specific Programs

The 14 nonprofit program areas selected for detailed analysis emphasized health and human services but also included some programs that extend beyond the typical client-centered services to broader community outcomes and interests. They include the following:

- Adult Education and Family Literacy
- Advocacy
- Affordable Housing
- Assisted Living
- Business Assistance
- Community Organizing
- Emergency Shelter
- Employment Training
- Health Risk Reduction
- Performing Arts
- Prisoner Re-entry
- Transitional Housing
- Youth Mentoring
- Youth Tutoring

For each, we developed a program description, an outcome sequence chart, and detailed spreadsheets with associated program outcomes and outcome indicators, described in more detail below. This material for each of the above 14 program areas is provided at http://www.urban.org/center/cnp/commonindicators.cfm

Program description: A short paragraph illustrating the types of programs included.

> Includes the scope or coverage of activities included or excluded from consideration. Appears on both the outcome sequence chart and the indicators spreadsheet for each program area.

Outcome sequence chart: A visual depiction of the order in which program outcomes are expected to occur.

> Connects outcomes with directional lines and arrows to indicate the expected sequence of key results. Intended to provide a quick one-page snapshot for each program area, whereas the outcome indicator tables (described below) offer a more comprehensive review and detail. The outcome sequence chart for the project, provided above, is an example.

Comments, caveats, and suggestions about the program outcome sequence charts include the following:

- The focus is exclusively on program results—intermediate or end outcomes. Some diagrams cover program inputs, activities, and outputs that occur internally and at the earlier stages of a program. The focus here on outcomes is deliberate. We hope that nonprofit organizations will concentrate more of their (often limited) data collection efforts on measuring and reporting program results, rather than merely counting internal activities (for example, number of staff training sessions held) or outputs (number of pamphlets produced or distributed) that are increasingly of less interest to stakeholders such as foundations or the public.[5]

- The charts organize outcomes from left (first to occur) to right (later to occur). Boxes at the left are usually intermediate outcomes, which tend to be realized sooner than end or final outcomes, on the right. In some cases, the end outcomes may take so long to achieve that they may appear to be beyond the scope of the program to track or imagine claiming responsibility. While these are valid concerns, we chose to include such longer-term, end outcomes to illustrate the ideal or ultimate goal for program participants or other recipients of services, such as the broader community.

- Participant satisfaction is a very important, but sometimes overlooked element of program performance. While some debate about terminology (for example, are factors such as timeliness or ease of service an outcome or better grouped as separate indicators of quality?), program satisfaction is of interest and should be measured by most providers. Satisfaction indicators tend to be similar across program areas, so they are included in a box below the chart. This is a reminder to include one or several such measures in the overall measurement framework.

- The outcome sequence charts are limited in their ability to fully illustrate the dynamic and sometimes circular nature of many programs. Because they are identifying key outcomes for a program area, they are intentionally somewhat generic. Most charts illustrate a series of outcomes on a continuum that proceeds from left to right and are connected by a series of forward arrows. In some cases, however, we attempted to illustrate exceptions or the more circular nature of results by using dotted lines, arrows pointing in both directions, or stacked boxes (intended to reflect a certain equality among outcomes, rather than a rank-order or intended sequence.)

- We consulted many sources in the production of these charts and subsequent sets of indicators. The key written sources of materials are noted at the bottom of outcome

[5] We make a limited number of exceptions to this rule by including a lead box to illustrate the position and relative nature of outputs in relation to recommended program outcomes. See for example, affordable housing, advocacy, or performing arts. The inclusion of these references were made at the recommendation of program reviewers who argued that it was important to at least acknowledge that without such outputs being produced by the program there would never be cause or reason to track or measure subsequent outcomes.

sequence charts and also at the end of the tables of outcome indicators. We encourage users to locate and consult these references for additional examples of indicators, and for information on data collection strategies, program context, etc. In addition to reviewing numerous written sources for each program area, we consulted with project advisors and content experts for each program area. These individuals provided essential feedback and helped us to refine the charts as they are currently presented.

- Finally, these outcome sequence charts are intended to be a starting point for organizations establishing outcome measurement processes. These charts are not intended to be comprehensive, but rather to identify outcomes and associated indicators that meet important selection criteria and have been vetted by experts in the field. They almost always should be modified by a nonprofit organization so as to better meet the needs of the organization.

Table of Outcomes and Outcome Indicators: Provides detailed information for each outcome and outcome indicator identified for a particular program area.

Each indicator is accompanied by a suggested data collection strategy, explanatory notes (where appropriate), as well as a suggested classification as an intermediate or end outcome indicator.

Comments, caveats, and suggestions about the outcome indicator tables include the following:

- The outcomes and outcome indicators are expected to be key result areas of interest for many if not all nonprofits for this particular program area.

- One or more candidate specific outcome indicators are included for each program outcome. Outcome indicators are expressed in a measurable format (such as a number and/or percent) and attempt to capture and report measures of the program outcome.

- A suggested data collection procedure for obtaining data for each outcome indicator is included. Having a sound practical data collection procedure is vital to obtaining the outcome data. More than simply offering a framework for consideration and discussion, we hope these materials can readily be incorporated into planned or on-going management and data reporting efforts.

- Notes providing additional details or caveats related to specific outcome indicators are included on the spreadsheets. Often they provide suggestions for important client groups that might be considered individually at the stage of data analysis and reporting.

As noted earlier, the table of outcome indicators and outcome sequence charts for the 14 program areas examined during this project can be found at http://author.urban.org/center/cnp/commonindicators.cfm and http://www.whatworks.org.

Part 3

Draft Common Outcome Framework

A common outcomes framework provides an organized, generalized, set of outcomes and outcome indicators that nonprofit programs can use to help them determine the outcomes and outcome indicators appropriate for their service programs.

This draft was developed using basic classification principles and the extensive information gathered during the development of the outcomes and indicators for the 14 specific program areas described in Part 2. To develop the common outcomes framework, we reviewed the outcomes and outcome indicators for these specific program areas to identify those that appeared to be applicable across multiple program areas.

The framework has these major purposes:

- It provides a starting point for programs to begin developing their own outcome measurement process.
- For programs that already have some form of outcome measurement process, it provides a checklist for reviewing their coverage to determine whether other outcomes and/or outcome indicators should be included in their outcome measurement process.
- To the extent that nonprofit organizations use such common outcome indicators, this will provide an opportunity for across-program comparisons, enabling each nonprofit organization to benchmark itself against other organizations that are providing similar services.

Programs often have similar goals. For example, many different types of programs seek to change knowledge, attitudes, behavior, and status or condition of clients/participants. Many different types of programs seek to achieve the same quality-of-service elements. If the types of outcome information collected across a wide number of targeted program areas are collected, reviewed for quality, and grouped by program area, the results are likely to be useful to those and other nonprofits providing similar services.

Such an arrangement of outcomes with associated indicators can become a standard framework that provides guidance and context, helping users learn what they need to know. For example, although much information on program outcomes is available from a web-based key word search, the results are likely to be undifferentiated—overwhelming in volume and time consuming to assess for relevance. And the search results might vary significantly if different key terms were chosen for the search.

The development and refinement of the common framework should continue to be an iterative process, as outcomes and indicators are collected for even more programs. An excerpt

from the common framework is presented below. It includes program-centered outcomes (reach, participation, satisfaction); participant- centered outcomes (knowledge/learning/attitude, behavior, condition/status); community-centered outcomes (policy, public health/safety, civic participation, economic, environmental, social); and organization-centered outcomes (financial, management, governance). Little work has been completed on the organization-centered outcomes. The full version of the current draft framework can be found at http://author.urban.org/center/cnp/commonindicators.cfm and http://www.whatworks.org.

Common Framework of Outcomes
Excerpt: Participant-Centered Outcomes

1) Knowledge/Learning/Attitude

a) Skills (knowledge, learning)
Common Indicators:
Percent increase in scores after attending
Percent that believe skills were increased after attending
Percent increase in knowledge (before/after program)

b) Attitude
Common Indicators:
Percent improvement as reported by parent, teacher, co-worker, other
Percent improvement as reported by participant

c) Readiness (qualification)
Common Indicators:
Percent feeling well-prepared for a particular task/undertaking
Percent meeting minimum qualifications for next level/undertaking

2) Behavior

a) Incidence of bad behavior
Common Indicators:
Incidence rate
Relapse/recidivism rate
Percent reduction in reported behavior frequency

b) Incidence of desirable activity
Common Indicators:
Success rate
Percent that achieve goal
Rate of improvement

c) Maintenance of new behavior
Common Indicators:
Number weeks/months/years continued
Percent change over time
Percent moving to next level/condition/status
Percent that do not reenter the program/system

3) Condition/Status

a) Participant social status
Common Indicators:
Percent with improved relationships
Percent who graduate
Percent who move to next level/condition/status
Percent who maintain current level/condition/status
Percent who avoid undesirable course of action/behavior

b) Participant economic condition

Common Indicators:

Percent who establish career/employment
Percent who move to long term housing
Percent who maintain safe and permanent housing
Percent enrolled in education programs
Percent who retain employment
Percent with increased earnings

c) Participant health condition

Common Indicators:

Percent with reduced incidence of health problem
Percent with immediate positive response
Percent that report positive response post-90 days

Part 4

Tips on Using the Common Framework Project Materials

- Outcome information seldom, if ever, tells *why* the outcomes have occurred. Your program will seldom be 100 percent responsible for those outcomes. Inevitably, other factors, both external and internal, will affect outcomes. However, outcome information is vital for indicating what needs to be done to improve future outcomes. Your choice of outcome indicators to track should not be determined by the extent of your influence over the outcome but the importance of the outcome for your clients.

- Outcome data should be used to identify where results are going well and where not so well. When not going well, the program needs to attempt to find out why. This process is what leads to continuous program learning and program improvement.

- Outcome information is much more useful if the measures are tabulated for various categories of customers/clients, for example, by gender, age group, and race/ethnicity, income level, etc.

- It may be wise to start tracking only a very small number of the indicators, especially if you have had only very little experience with such data collection and have very limited resources. Not all outcomes or indicators listed will be relevant to every organization. Once your organization becomes more comfortable with outcome measurement, then more outcomes and indicators can be added to the system.

- Review the list of outcome indicators for the program that most closely matches, but also check out the common framework to see if the more general set suggests other relevant indicators.

- Selecting which outcomes and indicators to monitor is crucial. Sessions with staff and board members, and perhaps clients, to discuss what outcomes and outcome indicators your program should monitor will be important and will keep all aware of the outcome measurement efforts. The staff and board members will be the persons most able to use the findings to improve services.

- Some of the most important client outcomes and outcome indicators will require new data collection procedures (such as determining the extent to which improved client conditions have been sustained for at least, say 6 or 12 months, after service to the client has been completed). Nonprofit organizations should not give up too quickly on implementing such data collection procedures. Often, surprisingly inexpensive procedures can be used, especially if the program has any type of aftercare process.

Additional resources:

- Urban Institute Series on Outcome Management for Nonprofit Organizations:
  - "Key Steps in Outcome Management" by Harry P. Hatry and Linda M. Lampkin (http://www.urban.org/publications/310776.html)
  - "Finding Out What Happened to Former Clients" by Ritu Nayyar-Stone and Harry P. Hatry (http://www.urban.org/publications/310815.html)
  - "Developing Community-wide Outcome Indicators for Specific Services" by Harry P. Hatry, Jake Cowan, Ken Weiner and Linda M. Lampkin (http://www.urban.org/publications/310813.html)
  - "Surveying Clients about Outcomes" by Martin D. Abravanel (http://www.urban.org/publications/310840.html)
  - "Analyzing Outcome Information" by Harry P. Hatry, Jake Cowan and Michael Hendricks (http://www.urban.org/publications/310973.html)
  - "Using Outcome Information" by Elaine Morley and Linda M. Lampkin (http://www.urban.org/publications/311040.html)
- The Center for What Works Performance Measurement Toolkit and other tips, tools, resources and training (http://www.whatworks.org/displaycommon.cfm?an=1&subarticlenbr=13%20)
- 2006 Performance Measurement: Getting Results, forthcoming, 2nd edition by Harry Hatry (http://www.urban.org/books/pm/chapter1.cfm);
- "Measuring Program Outcomes: A Practical Approach" by the United Way of America (http://national.unitedway.org/outcomes/index.cfm)
- Ten Steps to a Results-Based Monitoring and Evaluation System," 2004 by World Bank
- "Guidebook for Performance Measurement, 1999 by Turning Point"
- Boys & Girls Club of America, "Youth Development Outcome Measurement Tool Kit (http://www.bgca.org/)
- *Benchmarking for Nonprofits: How to Measure, Manage, and Improve Performance* by Jason Saul (http://www.fieldstonealliance.org/productdetails.cfm?PC=52)

Appendix

Common Measures Advisory Committee Members

Audrey R. Alvarado, Executive Director
National Council of Nonprofit Associations

Patrick Corvington, former Executive Director
Innovation Network, Inc.

Kathleen Enright, Executive Director
Grantmakers for Effective Organizations

Kathleen Guinan, Executive Director
Crossway Community

Susan Herr, Managing Director
Community Foundations of America

Amy Coates Madsen, Program Director
Standards for Excellence

Ricardo Millet, former President
The Woods Fund of Chicago

Mark Moore, Director
The Hauser Center for Nonprofit Organizations

Margaret C. Plantz
United Way of America

James Saunders
The Evaluation Center

Laura Skaff, Director of Evaluation
Volunteers of America

Ken Voytek
Goodwill Industries International, Inc.

Dennis R. Young
Andrew Young School, Georgia State

Common Measures Project Staff

The Urban Institute

Linda Lampkin
Mary Winkler
Janelle Kerlin
Harry Hatry

The Center for What Works

Debra Natenshon
Jason Saul
Julia Melkers
Anna Seshadri