



'ROI' IN THE SOCIAL SECTOR



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What does 'ROI' mean in the social sector?

Short answer? **Not much.** In the social sector, Return on Investment (ROI) is not sufficient for making good decisions about what programs to invest funding in. We know what you're thinking: "But, ROI is an important marker of efficient and effective deployment of resources. Without it, how should decisions about investing be made?"

Funding partners want to invest in organizations and programs most likely to succeed in helping people – not because those programs make money. Because "helping people" isn't easily monetized (though many try!), a critical part of nonprofit storytelling is helping finders understand why and how their investment results in lasting change. Defining what it means to help people is a **value-driven and data-informed conversation.**



Three Hard Truths about Data

Dashboards of data and graphs are a critical part of understanding a nonprofit's impact story. We all like to believe that data (and statistical significance) make something "true" - but let's talk honestly about what data can and cannot tell you. Here are some hard truths about data.

- **HARD TRUTH #1: The best measure of the success of a program is to measure what clients walk away with.** This is called Immediate Impact and is the knowledge, skills, abilities, confidence, and motivation they did not have before. Additionally, clients should be satisfied and happy with the services they received. You and your funders probably want to know that clients take these things and make important changes in the future. But, it's very, very, very, very hard to measure this.

- **HARD TRUTH #2: Statements of impact are not necessarily 'good' or 'bad' because the number is going up or going down.** For example, are more calls to Child Protective Services **good** because more abused children are being identified that otherwise were getting overlooked, or **bad** because there is more child abuse in the community?

- **HARD TRUTH #3: Statements of impact are not necessarily 'better' or 'worse' than each other because one number is higher or lower than another.** For example, if Organization X achieves 80% success and Organization Y achieves 50% success, X is not necessarily better than Y. X may be tackling an easier issue; X or Y might need more meaningful measures of success; Y might be a newer organization and still working to best keep clients engaged but have an objectively better program; Y might have lost their director or star staff mid-year or X might have hired amazing new staff mid-year; the economic or policy priorities in the community may have changed for one organization and not the other resulting in changes in funding or referrals.

DATA MUST BE UNDERSTOOD IN CONTEXT



**"Data is critical, but just one part of an impact story.
Data must be understood in context."**

- Maryfrances Porter, PhD

Understanding Impact: Value-driven, Data- informed

- Funders invest in organizations **aligned with their own values and goals - they are not in it for the money, they are in it for improving community conditions.**
- Nonprofits must tell a **clear story** about how they are addressing **an urgent and real need in the community.** This assessment of needs may be data-driven (e.g., based on what public health data, like obesity rates are up), values-driven (e.g., everyone should have access to fresh food), or both.
- Nonprofits must tell a **convincing story** about how they deliver **solutions which are high quality and likely to produce results.** Therefore, nonprofits should be able to tell the story about how they are a robust organization, with strong, stable leadership, and how they implement solutions rooted in something known to actually works in the long-term: **(a)** be clearly shown to be effective by research (i.e., evidence-based), **(b)** expected to be effective based on what we understand from science (i.e., evidence-informed), or **(c)** demonstrated to be effective in other communities (i.e., best practice).
- Nonprofits must tell a **confident story** about their **immediate impact as being meaningful in the context of the complexity** of the lives and needs of clients being served and the community context in which it happens.



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