

E-book

Outcome Metrics: Measuring What Matters in the Nonprofit World

Sage



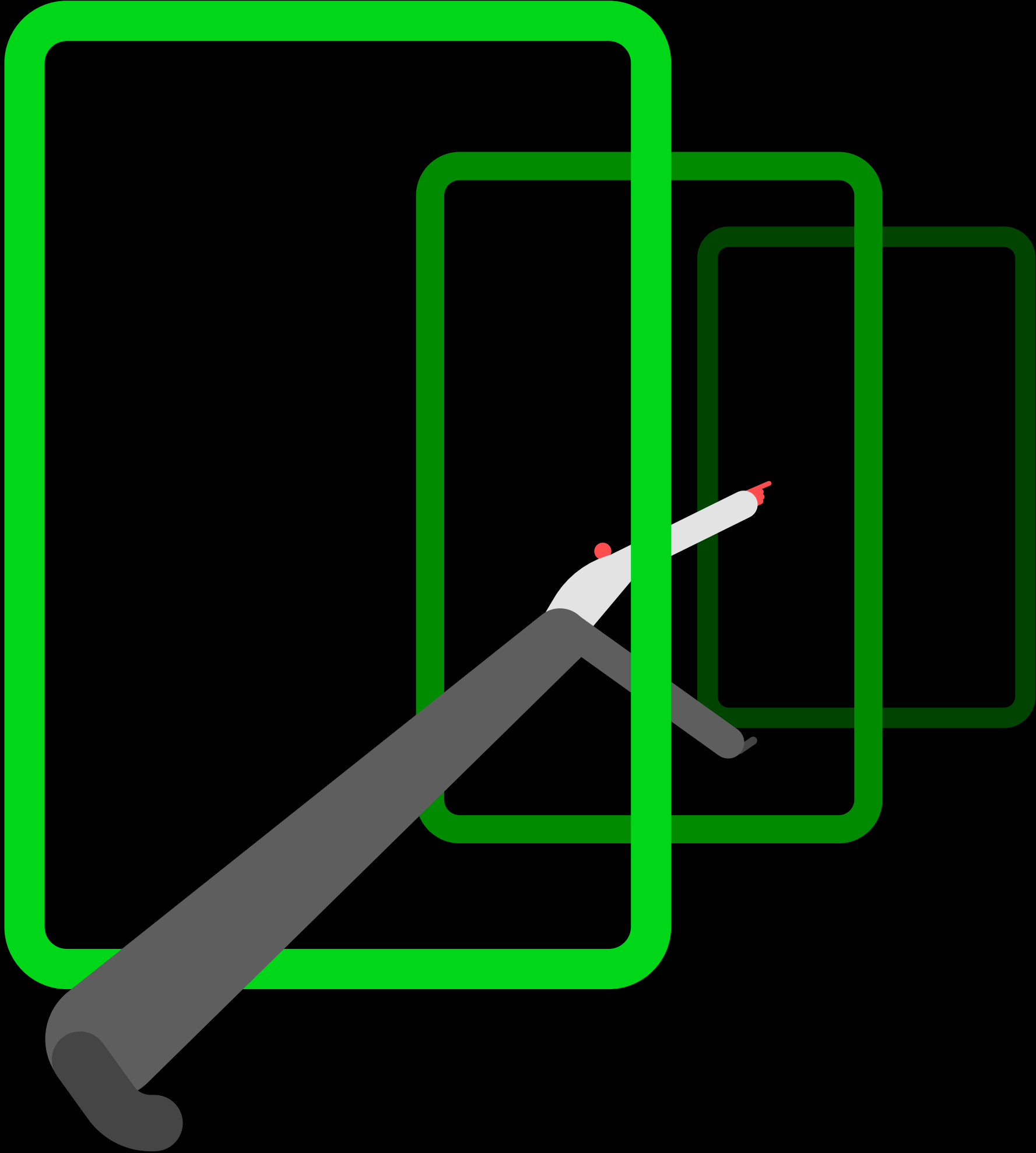
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Introduction

The age of transparency and accountability

Outcome metrics not only show funders and constituents how the organization is performing; they also help pave the way for sustainable growth and greater efficiency.

Amid increasing demand for transparency and accountability, today's nonprofits are seeking ways to both produce and to demonstrate successful outcomes. Heightened expectations and heightened scrutiny come from several sources—including evermore engaged funders looking for financial management techniques and principles employed by for-profit businesses. To meet this demand, nonprofit organizations are embracing outcome metrics to measure and report their performance.



Outcome metrics

What are outcome metrics?

Outcome metrics are powerful, essential tools for demonstrating accountability and transparency.

They can measure financial or non-financial criteria that reflect an organization's, program's, or initiative's efficacy. They're derived by carefully defining outcome indicators, data-collection methods, analytical techniques, and presentation vehicles that collectively show a rich picture of organizational performance.

These outcome metrics may go by many names and fit in countless categories. Many nonprofits obtain their best results by measuring across multiple dimensions for blended scorecards that encompass activities, capacities, financial results, and other metrics. Ultimately, well-defined outcome measures help organizations to continuously adapt and improve.



Reading levels achieved

Investment per reading level achieved



Meals served

Cost per meal served



Clean water wells

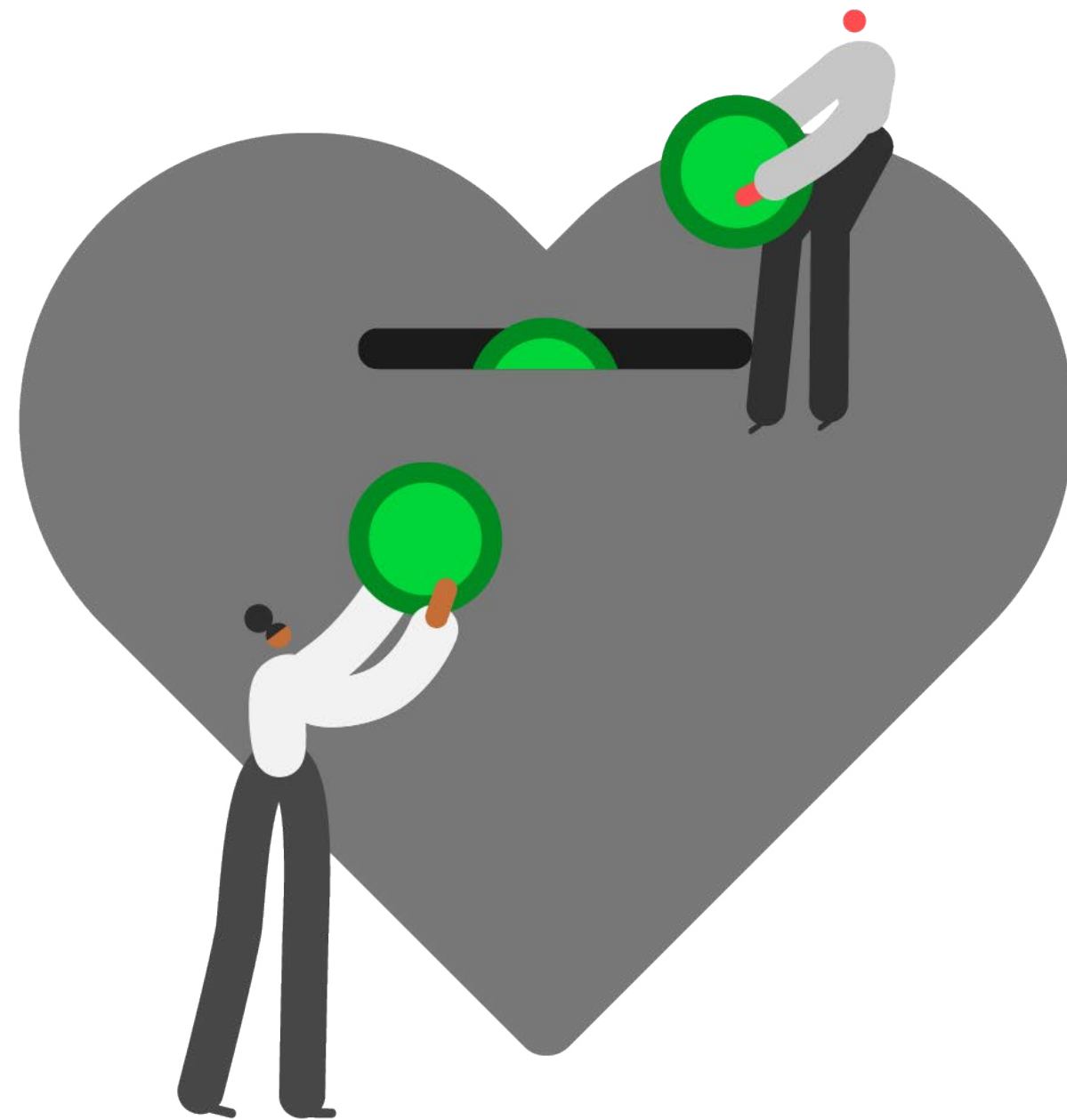
Clean water recipients per dollar spent



Patients seen

Cost per patient seen per practice area

Why outcome metrics matter



The importance of outcome metrics can be seen from a variety of perspectives and functions within the organization. These include:

Funding

In a competitive environment, the ability to define, measure, monitor, and report the metrics that define success can encourage new and additional funding from donors, foundations, and other benefactors. For instance, demonstrating achievement of key milestones can unlock subsequent rounds of multi-year grants.

Accountability

Funders are increasingly tying their support to stringent accountability. They want to see where their monies are going and the results that are achieved—whether it's organizational growth and new locations or more nonprofit partnerships and matching funds. Nonprofits must provide exceptional transparency into the organization's outcome metrics, controls, and reporting.

Stewardship

From development and accounting to operations and programming, the ability to define, track, and report outcomes (showing where you are and where you want to go) will help ensure good stewardship. This, in turn, will boost donor confidence and strengthen your credibility—which supports your growth and your ability to pursue your mission.

Performance

Who is monitoring nonprofit performance?

With intense competition for donor dollars—and funders insisting on greater accountability and visibility—nonprofits must show fiscal responsibility as well as program results.

The call for greater transparency and accountability is growing louder. Charity evaluators, like Candid GuideStar and Charity Navigator, are diving deeper into nonprofit results—and they're expanding their evaluations and criteria to include the tracking and reporting of non-financial performance and outcome metrics.

For instance, Charity Navigator has for years used very specific financial metrics when computing its nonprofit ratings, which have a significant impact on nonprofit funding.

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Now the organization has declared that financial metrics are not enough, and they will begin tracking outcome metrics—and the reporting of those measures.

Your efforts to track outcome metrics for your organization will encourage accountability among other organizations while building your credibility and reputation. You can expect your community to become more engaged and supportive—resulting in a virtuous cycle of greater visibility, strengthened credibility, and a more committed support network.

Linking metrics to your mission

Outcome metrics deliver value only if they are tightly linked to your core values and mission.

It is best to start with a simple template that defines what matters—your organization’s short- and long-term objectives—and the impact metrics that effectively map to them. Set goals and strategies that help ensure your activity metrics support the overarching mission.

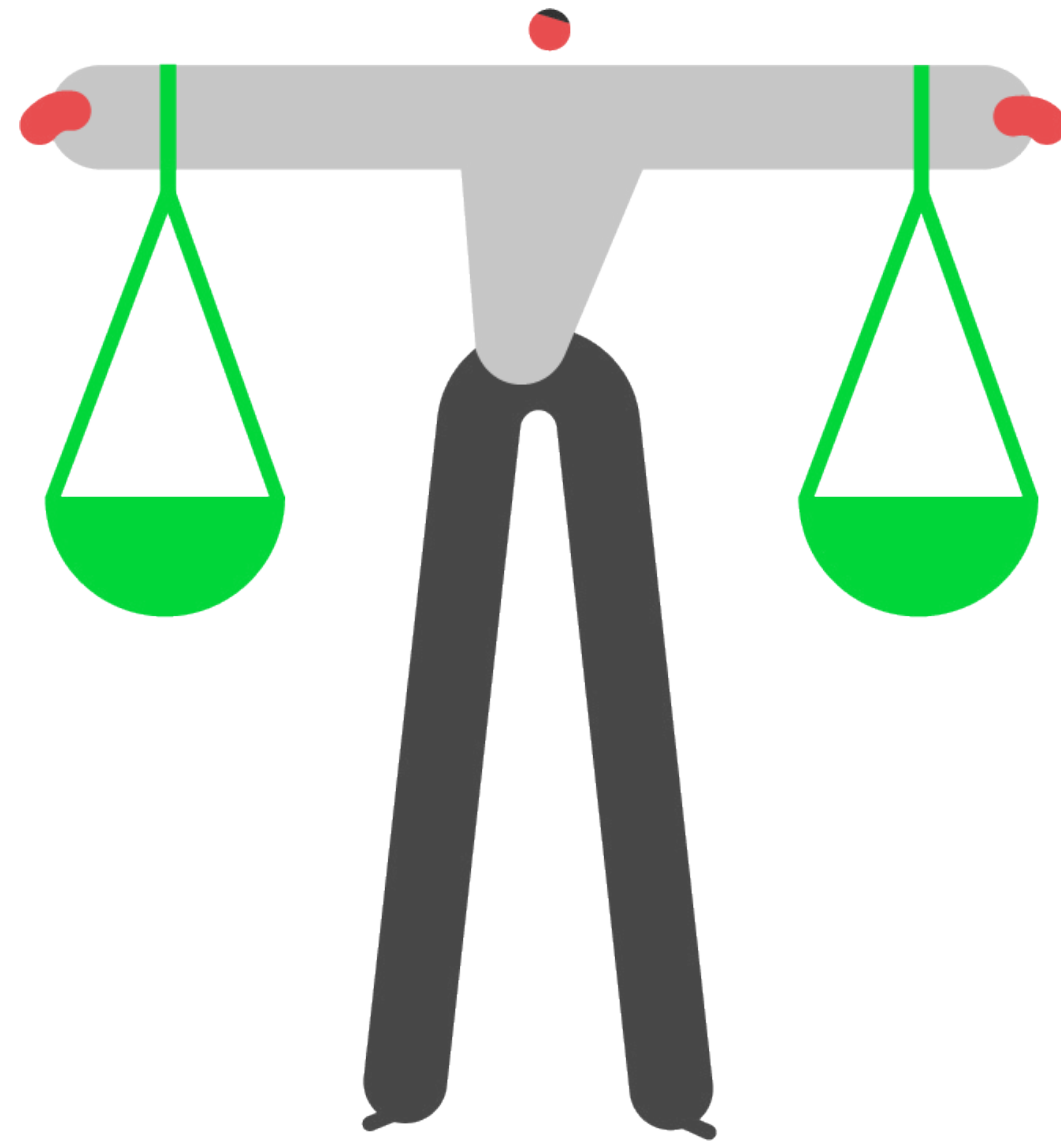
These might include progress toward goals, and program implementation (e.g., projects launched and sites protected). Finally, drill down to define the supporting tactics and activities. These might be measures of memberships, funding, or growth in fundraising.

However you establish and define your outcome metrics, keep it simple and never lose focus of what truly matters to your organization.



Success

The key to success is a balanced approach



The key to success is to balance financial-based with performance-based outcome metrics.

Outcome metrics include all measures that reflect organizational performance and impact.

Outcome metrics can include:

- Performance (e.g., program efficiency)
- Outcomes (e.g., meals served)
- Capacity (e.g., membership growth)
- Financial (e.g., budget to actual)
- Sustainability (e.g., operating reliance)

If you report solely financial-based metrics, your potential funders won't know whether you are successful in your mission and in meeting your stated goals.

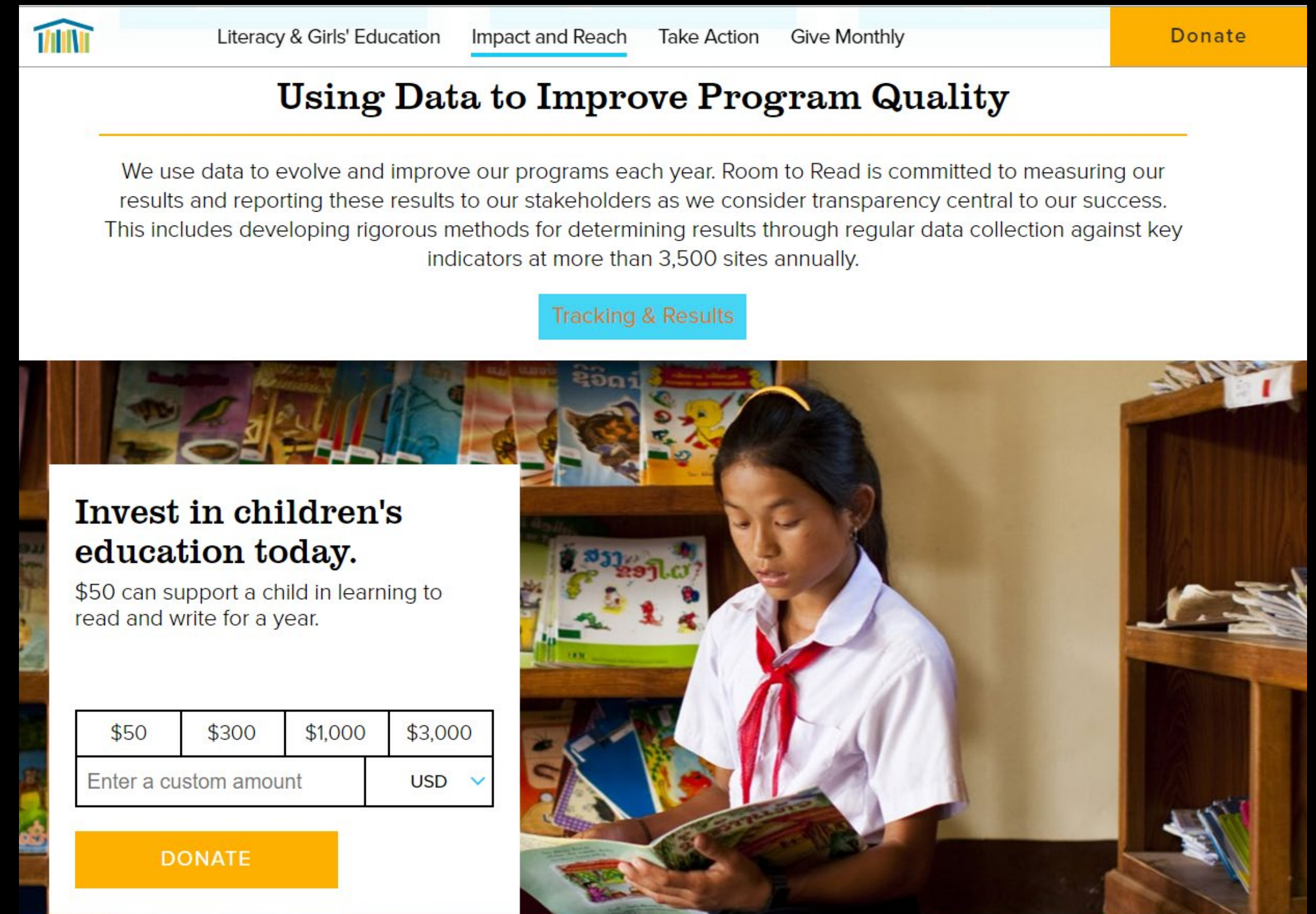
Consider this: Your programs and activities can grow and be hugely successful, but without organizational capacity and sustainability, the programs—and their impact—will come to an end.

Define key indicators across the spectrum to ensure that you are getting—and giving—a complete picture to key stakeholders, staff, and constituents. Your website is a great way to communicate that focus, and to ensure that both internal and external constituents have access to the information.

Real-world example of using outcome metrics to tell your story

The top question on most donor's minds is: What will be the impact of my gift?

If you can't do the most good with their money, they'd prefer to give it to another charity. Outcome metrics provide support for your story by showing impact, accountability, and a laser-focus on mission success.



The screenshot shows the Room to Read website. At the top is a navigation bar with links: Literacy & Girls' Education, Impact and Reach (highlighted), Take Action, Give Monthly, and a yellow Donate button. Below the navigation bar is a section titled "Using Data to Improve Program Quality". The text in this section states: "We use data to evolve and improve our programs each year. Room to Read is committed to measuring our results and reporting these results to our stakeholders as we consider transparency central to our success. This includes developing rigorous methods for determining results through regular data collection against key indicators at more than 3,500 sites annually." Below this text is a blue button labeled "Tracking & Results". The main part of the page features a large photo of a young girl in a white school uniform with a red neckerchief, sitting and reading a book. Overlaid on the left side of the photo is a white box with the text: "Invest in children's education today. \$50 can support a child in learning to read and write for a year." Below this text is a donation form with a table of options: \$50, \$300, \$1,000, and \$3,000. There is also a field for "Enter a custom amount" and a dropdown menu set to "USD". At the bottom of the form is a yellow "DONATE" button.

On the Room to Read website, donors learn that \$50 can support a child in learning to read and write for one year.

Room to Read

Plan set up

Tips for setting up your plan

With your mission and a balanced approach firmly in mind—and with your leadership engaged—define the top three indicators that best reflect your progress and impact, and how you will measure and monitor them.

Next, identify supporting metrics that help ensure peak performance. Ensure each metric aligns with your strategic mission. Make those measures integral to your annual strategic plan. When you focus on what and how to measure, you inform other aspects of your strategic planning, strengthen your stewardship and performance, and increase your mission impact.



Resources for nonprofits

As you start to define, track, and report on your outcomes and performance metrics, the following organizations can be valuable resources:

National Council of Nonprofits

Candid

Urban Institute

Charity Navigator

Helpful metrics

Program efficiency

This metric may be the most important for many charity evaluators, board members, and donors because it shows how funds are used for overhead, or for making progress.

The basic formula is:

$$\begin{aligned} & \text{Total program services expenses} \\ & \div \text{Total expenses} \\ & = \text{Program efficiency} \end{aligned}$$

Revenue per member

Many membership-based organizations rely heavily on membership dues and program fees. How much revenue are you generating from your membership?

The basic formula is:

$$\begin{aligned} & \text{Member revenue} \\ & \div \text{Member count} \\ & = \text{Revenue per member} \end{aligned}$$

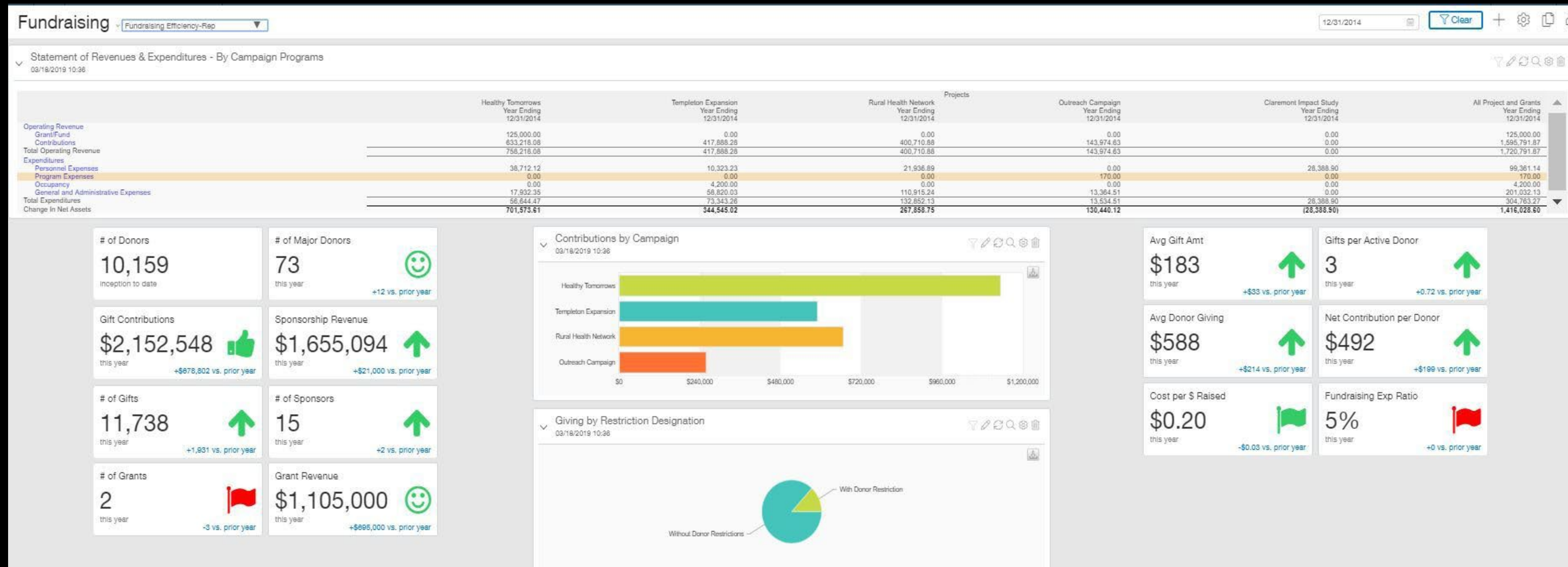
Fundraising efficiency

How much do you spend to raise a dollar? This metric shows how efficiently your organization raises funds.

The basic formula is:

$$\begin{aligned} & \text{Unrestricted fundraising expenses} \\ & \div \text{Total unrestricted contributions raised} \\ & = \text{Fundraising efficiency} \end{aligned}$$

Automating fundraising efficiency metrics



A modern, fund accounting solution, like Sage Intacct, can easily track and tag your expenses and revenue to automatically calculate and report on this key metric.

For example: If your annual gala raises \$1.5 million and costs \$350,000, your fundraising efficiency is \$0.23. It cost you \$.23 to raise \$1.

Right system

The right financial system matters

As you pursue a strategy based on outcome metrics, consider your financial management solution and how it can simplify the process.

A modern, fund accounting solution, like Sage Intacct, will automatically tag and track your data by key dimensions—giving you instant visibility and insights so you can proactively manage locations, programs, members, and funds. The right system can provide access to statistical data that enables you to automatically calculate key metrics such as financial (revenue), statistical (membership), or a combination (donations per attendee).

It can offer the visibility, automation, access, and adaptability you need to grow your organization and succeed. Whether you benefit from fast and easy reporting or automated processes that yield greater efficiencies, you will be a better steward of donor dollars.

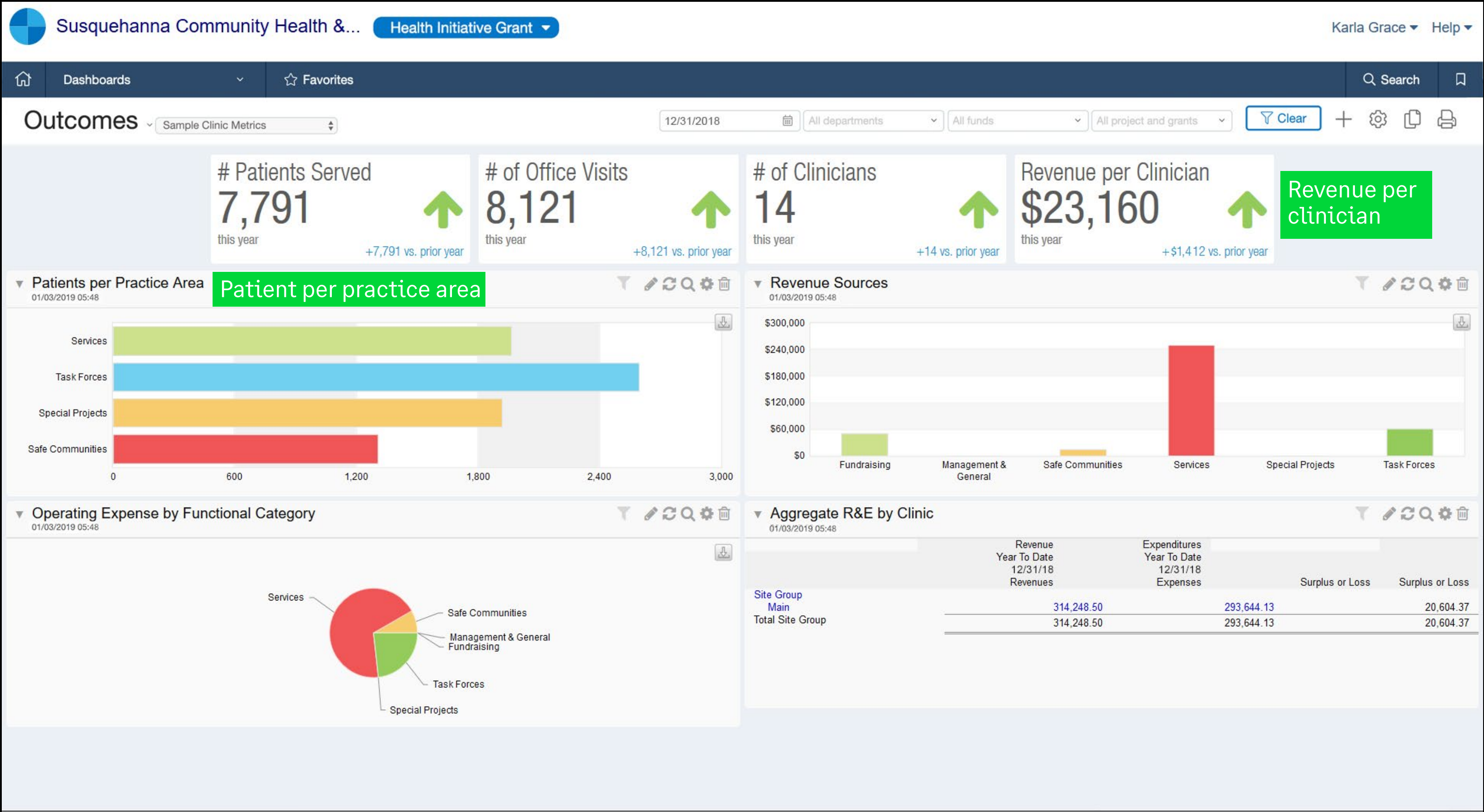
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Perhaps you want to measure attendance, volunteer hours, meals served, immunizations given, or constituents funded. The key is to integrate and calculate those statistics against budgets, plans, projects, and expenses.

For example, if your organization is membership driven, you may want to track revenue by membership count compared to the prior year. Metrics such as these let you easily monitor, track, and report on outcomes. A best-in-class financial management solution, like Sage Intacct, can do it all within your system of record.

Real-time visibility is a requirement



Sage Intacct dashboards provide real-time visibility into data. They enable you to monitor and proactively manage outcomes. Program managers may look at metrics related to programs, locations, and budgets; grant managers may monitor grant renewals, new awards, and funding pipelines.

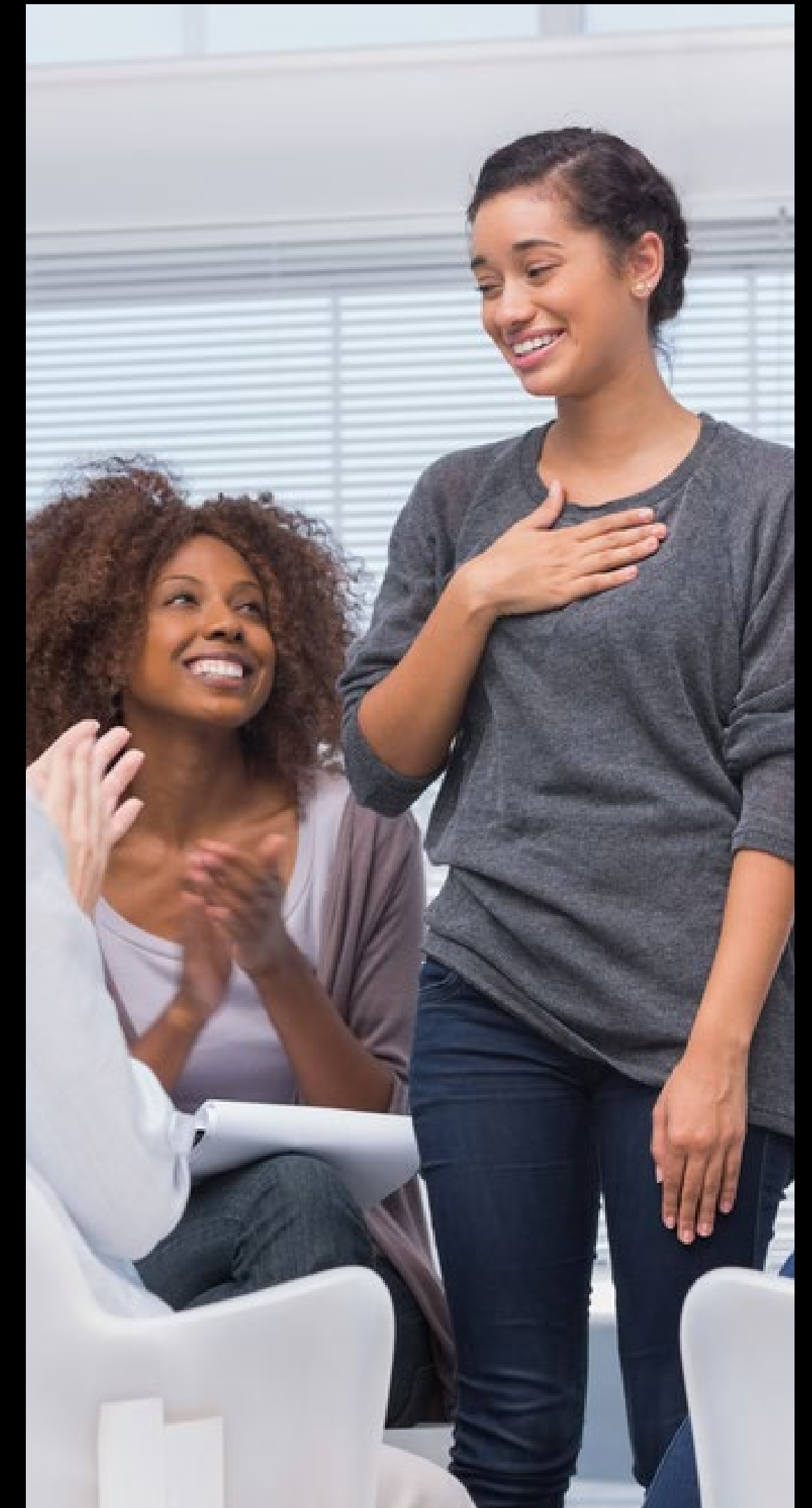
Conclusion

Making a difference

Take the first step—define the key metrics that best measure what is most important to your mission.

Don't get bogged down with tactical issues such as "Who will measure what and when?" The subsequent details and processes follow naturally—especially when you use a modern financial system that makes it easy.

Take advantage of external resources to get up to speed quickly. You may have too few or too many metrics, but consistent progress brings success. Balance your approach with metrics that reflect the complete picture of your organization's health and impact. Measuring and reporting outcomes will require extra effort. But doing so will bring immediate and long-term benefits to your organization as well as its funders and constituents.



About us

Since 1998, Kiwi Partners has been facilitating the good deeds of amazing organizations, by providing accounting, HR, and consulting services to nonprofits. In 2022, Kiwi Partners joined the Arabella Advisors family, continuing to provide expert advice and operational support to help our nonprofit clients realize bold visions and go from idea to impact. We enable clients across the philanthropic sector to tackle society's biggest challenges more efficiently, effectively, and equitably.

Is Sage Intacct the best fit for your organization? Our consulting services team can help review your accounting processes and technology to determine optimal tools and recommend best business practices for you. What we do:

- Find efficiencies that improve reporting, save time, and strengthen internal controls.
- Advise on technology selection and accounting related tools.
- Guide your team through implementation, ensuring full use and understanding of new procedures.
- Deliver and implement new accounting manual, procedures, systems, and reporting packages.





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