

Measuring and Maximizing the Results of Your Philanthropy

An Overview for Donors

Table of Contents

Introduction.....	1
1. Why is it important to measure and maximize the results of my philanthropy?	2
2. What does it mean to measure and maximize the results of my philanthropy?.....	4
3. How is measuring and maximizing results in philanthropy different from measuring and maximizing results in business?.....	6
4. What are different approaches to measuring results?	7
5. What are the challenges involved with measuring the results of nonprofit organizations?.....	9
6. How can I make sure I'm measuring what matters?.....	11
7. How can I avoid creating undue burden on nonprofits when I measure results?	13
Conclusion	15
Recommended Resources	16

Acknowledgement

The Goldman Sachs Philanthropy Fund acknowledges the author of this article, Melinda T. Tuan, an independent philanthropic consultant.

Important Information

This material is intended for informational purposes only. While it is based on information believed to be reliable, no warranty is given as to its accuracy or completeness. Concepts expressed are current as of the date appearing in this material only and are subject to change without notice. No part of this material may be i) copied, photocopied or duplicated in any form, by any means, or ii) redistributed without Goldman Sachs & Co. LLC's and the Goldman Sachs Philanthropy Fund's prior written consent.

Contributions made to the Goldman Sachs Philanthropy Fund are irrevocable. Assets contributed to the Goldman Sachs Philanthropy Fund and invested in the investment options are owned and controlled by the Goldman Sachs Philanthropy Fund, and are not part of a client's portfolio assets held at Goldman Sachs & Co. LLC.

In addition, subject to applicable law, you (and your employees, representatives and other agents) may disclose any and all aspects of any potential transaction or structure described herein that are necessary to support any US federal income tax benefits, and all materials of any kind (including tax opinions and other tax analyses) related thereto, without the Goldman Sachs Philanthropy Fund and/or

Goldman Sachs & Co. LLC imposing any limitation of any kind.

Please see the Goldman Sachs Philanthropy Fund Program Circular for more details on the fees and expenses associated with each separate Goldman Sachs Philanthropy Fund account.

Goldman Sachs & Co. LLC is the distributor of the Goldman Sachs Funds.

Goldman Sachs has not prepared this information and in no way endorses or adopts any statement made herein. Any website links provided are for your convenience only and are not an endorsement or recommendation by Goldman Sachs of any of these websites or the products or services offered. Goldman Sachs is not responsible for the accuracy and validity of the content of these websites.

Information and opinions expressed by individuals other than Goldman Sachs employees do not necessarily reflect the view of Goldman Sachs. Information and opinions are as of the date of this material only and are subject to change without notice.

Goldman Sachs and the Goldman Sachs Philanthropy Fund do not provide legal, tax or accounting advice. Donors should obtain their own independent tax advice based on their particular circumstances.

© 2020 Goldman Sachs & Co. LLC. All rights reserved

Introduction

“When you find a unique opportunity to make a real difference, you focus on it and constantly reassess results. This is discipline.”

Peter Drucker

The origins of the word “philanthropy” can be traced back to the 5th century BC to Aeschylus, playwright of *Prometheus Bound*. Aeschylus uses the phrase “philanthropos tropos,” or “humanity loving,” to describe Prometheus because of his decision to have compassion on the early humans. Against the wishes of Zeus, king of the gods, Prometheus gives men the gifts of fire and hope, thus improving the human condition and ultimately saving mankind from destruction.¹

If the fundamental goal of our philanthropy is to improve the human condition, the question we must answer is whether we are actually achieving that goal. Without focusing on our philanthropy and constantly reassessing its results, as Peter Drucker states above, we will not know if we are making a real difference. Without measuring the results of our philanthropy, we will not know if we are doing good or—even worse—possibly doing harm through our efforts. However, measuring and maximizing the results of our philanthropy is not as easy to do as some might think.

The purpose of this overview is to assist donors with the process of measuring the results of their overall philanthropic practice and specific grants to nonprofit organizations. This publication is designed to help donors think through the following seven key questions related to measuring results:

1. Why is it important to measure and maximize the results of my philanthropy?
2. What does it mean to measure and maximize the results of my philanthropy?
3. How is measuring and maximizing results in philanthropy different from measuring and maximizing results in business?

4. What are different approaches to measuring results?
5. What are the challenges involved with measuring the results of nonprofit organizations?
6. How can I make sure I’m measuring what matters?
7. How can I avoid creating undue burden on nonprofits when I measure results?

The rest of this article discusses each of these questions and provides recommended resources to help donors learn more about measuring and maximizing the results of their philanthropy.

¹ <http://www.philanthropicdirectory.org/about-us/philanthropy-explained>

1. Why is it important to measure and maximize the results of my philanthropy?

“If you are an individual high-net worth philanthropist, your dollars have tremendous influence, power, and hopefully, impact.”

Kim Meredith, Executive Director,
Stanford Center on Philanthropy and Civil Society (PACS)

Your giving matters.

According to Meredith, only 1% of donor households gave 49% of individual charitable gifts in 2018.² Even with a growing population in the U.S., the number of households participating in charitable giving between 2000 and 2018 has steadily decreased.³ These data illustrate how significant an individual high-net-worth individual's giving can be, and why it is so important for you to measure and maximize the results of your philanthropy.

However, before you begin thinking about how to measure the results of your philanthropy, it is essential to first make sure you are clear on your philanthropic goals. Without clarity on your goals, it will be fruitless to determine how best to measure your progress against those goals. Doug Bauer, Executive Director of the Clark Foundation says: “If you’re making investments in social change in whatever issue you care about, you want to know you’re making a difference.” He adds: “But it’s very important before you begin measuring the results of your philanthropy to be clear with your family or spouse or foundation board about what you are trying to do and why. And to commit to being flexible, open, and thoughtful with this work.” The Goldman Sachs Philanthropy Fund’s publications “Getting Started with Your Philanthropy” and “Finding and Funding Effective Nonprofit Organizations” may prove useful resources to you in articulating your goals for your philanthropy, how you want to give, and determining which nonprofit organizations will benefit from your giving.

For example, consider the fact that not all charitable gifts are intended to “improve the human condition.”

Katherina Rosqueta, Founding Director of the Center for High Impact Philanthropy (CHIP) suggests that many donors make charitable gifts with other goals in mind. In those cases, measurement may not be necessary. She explains: “When your only goal in making a gift to your alma mater is to express gratitude for the institution and/or to enjoy the warm glow of being a benefactor, you personally experience the benefit—the intended results—of that gift. There is little need to assess further.”

If, however, Rosqueta adds, “your philanthropic goals include improving the lives of others; measurement is the only way you can assess whether your gift is achieving the change you seek.” Fay Twersky, Vice President at the William and Flora Hewlett Foundation, offers four reasons, which are not mutually exclusive, for why measurement is important:

1. **Accountability** – To determine if we and those we support are doing what was promised
2. **Informing grantee practice and decision-making** – To help those we support learn and become higher performing
3. **Informing donor practice and decision-making** – To help donors test assumptions about approaches for achieving results and support course corrections
4. **Informing the field** – To generate knowledge about what does and does not work and why, and to have that knowledge inform and shape policy and practice more broadly.⁴

A couple of other important reasons for donors to measure results are articulated by Laura Arrillaga-Andreessen, author of *Giving 2.0: Transform Your Giving and Our World*. She points out that 1) “finding out how your money is being used and the difference it is making to a problem or people you hope to help will increase your confidence in your giving decisions.” And 2): “It will also help you advocate more effectively for the causes you find compelling.”⁵

A final critical reason why it is important to measure results is to ensure that your philanthropy is doing no harm. A powerful example of this is described in *Leap of Reason: Managing to Outcomes in an Era of*

² Chronicle of Philanthropy, “The Disappearing Donor,” June 2018.

³ The Generosity Commission: Igniting America’s Spirit of Generosity. Case for Support. December 2019. www.generositycommission.org.

⁴ Twersky, Fay. “Journey to Impact: an open letter to emerging philanthropists.” *Alliance Magazine*. 1 September 2012.

⁵ Arrillaga-Andreessen, Laura. *Giving 2.0: Transform Your Giving and Our World*. Chapter 4: Determining a Destination. Assess Your Aspirations and Impact. San Francisco, CA: Jossey-Bass, 2012. p. 10.

Scarcity. One of the book's authors, Isaac Castillo, discusses how the Latin American Youth Center (LAYC) in Washington, DC, added some lessons on domestic violence to its parenting classes. The intention was to teach that domestic violence is never acceptable. In conducting pre- and post-program tests with parents, LAYC discovered the domestic violence lessons changed the participants' attitudes towards domestic violence in the wrong direction—respondents were more likely to see domestic violence as an appropriate expression of love. "In a very real sense, our program was causing harm to our participants, despite the best of our intentions," states Castillo. He adds, "Fortunately, because LAYC was collecting information...we were able to make important changes to this program before starting with the next group of participants."⁶ This example illustrates well the fundamental importance of measuring results. If not for measuring results, this nonprofit program and the donors who support it would have continued doing harm and not good to the very people they aimed to serve.

⁶ Morino, Mario. *Leap of Reason: Managing to Outcomes in an Era of Scarcity*. Venture Philanthropy Partners, 2011, pp. 96-97.

2. What does it mean to measure and maximize the results of my philanthropy?

“When measuring the results of your philanthropy, you shouldn’t just focus on what nonprofit organizations are doing. You should assess how well you are giving – how you as a philanthropist are doing your work.”

Stephanie Fuerstner Gillis, Director,
Impact Driven Philanthropy Initiative, Raikes Foundation

There are two perspectives on how you should measure the results of your philanthropy. One perspective is to look at how well you are doing at your practice of giving. The other is to look at how well the nonprofits you are funding are doing in achieving their mission. Both perspectives are important, and donors should first assess their own practices before assessing the practices of the nonprofits they fund. Self-assessment represents a key opportunity for improving and maximizing the effectiveness of your philanthropy.

Assessing your own philanthropy

In order to assess how well you are doing in your giving practices, Fuerstner Gillis suggests donors look at the gold standard practices for giving in the philanthropic sector and examine how your philanthropic practices measure up. According to Meredith Twersky, and Fuerstner Gillis, the best demonstrated practices in philanthropy include:

- Making general operating support grants
- Providing multi-year grants
- Providing flexible funding
- Making capacity-building/organizational effectiveness grants
- Ensuring grants are covering the full costs
- Listening to the nonprofits and the people and communities they seek to help to inform grantmaking and giving strategy

In addition, Fuerstner Gillis recommends donors assess how easy it is for a nonprofit to apply for funding and how quickly you are able to respond to funding requests. Mary Ann Gabino, Senior Vice President, Puerto Rico Community Foundation, who

works with a lot of donors in and to the islands, notes how right after Hurricane Maria in September 2017, they were able to get money out the door within 72 hours of identifying a need. Although the crisis situation in Puerto Rico persists, she observes “After the immediate hurricane crisis was over, we went back to our traditional approval timeframe, thus proving that a crisis can trigger a quick response from philanthropic institutions.” Gabino added, “We did it again after January’s earthquakes and are doing it now, as we face the coronavirus pandemic.” In the aftermath of the global COVID-19 health and economic crisis, these best practices in grantmaking which have been embraced by hundreds of funding entities⁷ around the globe need to become standard practice and not just in times of crisis.

Another way to assess your giving practice is to examine the quality of the relationships you have with the nonprofit organizations you support. The Center for Effective Philanthropy (CEP) is a nonprofit organization focused on the development of data and insight to enable higher-performing funders. One of their well-known assessment tools is the Grantee Perception Report (GPR), an anonymous survey which CEP will send to the grantees of a donor/foundation. CEP collects the grantee feedback, analyzes the data, and benchmarks the foundation’s results against other similar foundations. The survey questions ask about a variety of aspects of the grantees’ experience with the foundation and provides useful data on the foundation’s strengths and where it needs to improve its practices and relationship with grantees. To date, more than 300 foundations have used the GPR to shine a spotlight on how they can improve their grantmaking practices and relationships with their grantees, and many repeat the GPR every few years to see how and whether they are improving over time.

In addition to these more quantitative methods, there are other ways to assess how well you are giving, depending on what your goals are for your philanthropy. As discussed in the Goldman Sachs Philanthropy Fund publications “Engaging the Next Generation in Your Philanthropy” and “Families and Philanthropy: An Overview for Donors,” many donors see their philanthropy as a way to bring the generations of their family together for a common purpose and activity. If this goal of intergenerational connection and relationship is a priority, you will want to assess how well your philanthropic practices are contributing or perhaps, in some cases, working against that goal. In these circumstances, an outside

⁷ A Call to Action: Philanthropy’s Commitment During COVID-19. <https://www.cof.org/news/call-action-philanthropys-commitment-during-covid-19>.

facilitator can help provide an objective assessment of family dynamics. Donors can also do an inventory of how they are using their time, talent, treasure and right-size their investments in each category, depending, again, on the goals for their philanthropy.

Assessing the results of nonprofit organizations

Assessing the results of nonprofit organizations is necessary and useful. However, as Fuerstner Gillis notes, “We as a field are moving away from this paradigm of each individual donor imposing any kinds of outcomes accountability on organizations, as much as we can.” And, in particular, she emphasizes it should not be the donors who are measuring results. Rather, donors should be asking nonprofits how they are and want to be measuring their results and providing resources for them to do the measurement. Phil Buchanan, President of CEP and author of “Giving Done Right” adds, “I’m not sure it’s realistic to literally measure the impact of your charitable contributions as an individual donor.”

It will be important to keep this perspective of who should be doing the measuring in mind as the remainder of this publication will focus on measuring and maximizing your philanthropy from the perspective of assessing the funded nonprofits’ performance.

3. How is measuring and maximizing results in philanthropy different from measuring and maximizing results in business?

“Because the nonprofit sector and the issues we address are so broad and deep, you can’t affix a Morningstar type of rating to suggest one group is more impactful than another. There is no universal form of evaluation or measurement for the nonprofit sector; to compare a hospital to a university to a settlement house is ridiculous.”

Doug Bauer, Executive Director,
Clark Foundation

It is much more difficult to figure out what the right ultimate measures are in philanthropy and the nonprofit sector than in business. In business, you can compare companies on the universal metrics of profit and loss and return on investment. In contrast, “the nature of measurement in the nonprofit sector is so much trickier than in the private sector” says Buchanan. He adds: “These are skills you don’t learn in an MBA program. You don’t learn about how to best analyze whether one approach to reducing childhood obesity is better than another; it’s a different skillset.”

Whereas the for-profit sector uses financial metrics such as return on investment that make apples to apples comparisons between all different types of companies possible; the nonprofit sector has no common social metrics that can be used across the entire sector. And the variety of metrics that are used are more like apples to oranges; and some metrics are not even in the category of fruit. For example, in the nonprofit sector, standard types of metrics used to measure the results of nonprofit programs and services include:

- **Outputs:** these consist of the number and kinds of people served, activities performed, and items produced by an organization during a given period (generally a year)
- **Outcomes:** these are the expected, measurable changes undergone or achieved by people participating in an agency’s core programming – generally comprising changes in attitudes, knowledge, skills, behavior, status, and social or personal condition
- **Impacts:** these are outcomes that can, using experimental research methods, be attributed (with a great deal of confidence) to the effects on participants of a program or service

- **Implementation quality:** this speaks to how well an organization performs its work in relation to key attributes that are known to be associated with beneficial experiences and results for recipients of its programming or services
- **Feedback from beneficiaries:** this captures the lived experience of those who are the ultimate beneficiaries of the programs and services provided by nonprofit organizations; this metric is most similar to customer feedback in the for-profit sector

Depending on the mission of the nonprofit organization, outputs could be as diverse as the number of children served, units of carbon diverted, or acres of forests saved. These are all numbers, but ones that are not comparable. Outcomes are similarly difficult to compare across sectors. It is not possible to compare a decrease in recidivism rates with an increase in reading scores for third-graders with the passage of the marriage equality act. And even within the category of outcomes for a particular type of nonprofit organization, it can be difficult to know which type of outcome is a positive one or a negative one, depending on the context. While there are no universally adopted social metrics in the nonprofit sector, it is possible to compare outputs and outcomes and beneficiary feedback across organizations in similar issue areas or who serve similar populations. We will discuss some of these challenges and approaches later in this publication.

4. What are different approaches to measuring results?

“How you count your impact will be shaped by how you give. So, in the same way that you apply different giving strategies to different goals and social issues, you need to apply different forms of measurement to your gifts.”

Laura Arrillaga-Andreessen,
Giving 2.0: Transform Your Giving and Our World

As discussed in the Goldman Sachs Philanthropy Fund publication “Getting Started with Your Philanthropy,” there are many possible goals donors may have for their philanthropy related to why, when, where, what, with whom, and how you want to give. Similarly, there are many different approaches to measuring results and the right measurement approach should be tied to the goals for your philanthropy. These approaches fall into three broad categories and purposes:

1. **Performance monitoring:** often used for accountability purposes
2. **Evaluation:** used for continuous improvement, learning, and proof of impact
3. **Feedback from beneficiaries:** used for continuous improvement, learning, and demonstrating evidence of need

Performance Monitoring and Accountability

If you are most interested in accountability—namely, what did I get for my money—you may measure the results of your philanthropy by looking backward to see what was accomplished. Performance monitoring measures for accountability include how the grant dollars were spent, whether the goals of the grant were achieved in the desired time frame, and the outputs achieved by the nonprofit organization. For example, you may assess how many young people have been served by an afterschool program and perhaps gather some demographic information about the youth to know more about them. The *Give Smart*

authors argue this approach is akin to scorekeeping because it focuses on what was accomplished rather than why something happened or how to improve upon those results in the future.

Evaluation for Continuous Improvement, Learning, and Proof of Impact

If, on the other hand, you are most interested in measuring for continuous improvement and learning, or to inform grantee and donor practice and decision-making, you may measure the results of your philanthropy by asking yourself, “Given these results, and what we now know, how can we get better?”⁸ In these cases, you may want to measure the outcomes generated by the nonprofit organization. For example, assuming the nonprofit has the capacity to measure its outcomes, you may learn how/whether the youth in the afterschool program are advancing in their reading levels, improving in their schoolwork, or achieving on other standardized tests.

Another approach to evaluation is to look for proof of impact: to see if the results (outputs and outcomes) can be tied to the specific efforts of the nonprofit program in question and inform the field about evidence-based practices. In these cases, you are asking for the holy grail of measurement. Demonstrating proof of impact typically involves a one-time assessment which looks at the outcomes of a program and attempts to attribute those outcomes specifically to that program. For example, an impact evaluation (e.g., a randomized controlled trial or RCT) would examine the outcomes of the afterschool program as they pertain to reading levels and try to demonstrate that those increased reading levels are attributable to the program and not to other factors such as at-home support, in-school teacher quality or socio-economic factors, to name a few. This particular approach to measuring results has gained a lot of attention lately in both the philanthropic and public sector spheres. The *Give Smart* authors are careful to point out that while impact evaluations such as RCTs are appropriate and valuable for some organizations, “the number of nonprofits that would benefit from some sort of rigorous and costly impact evaluation is actually fairly small.”⁹

⁸ Tierney, Thomas J. and Joel L. Fleishman. *Give Smart: Philanthropy That Gets Results*; Chapter Six: Am I Getting Better? New York: *Public Affairs*, 2011. p. 197.

⁹ Tierney and Fleishman. p. 199.

Feedback from Beneficiaries

A third, and equally important approach to assessing your giving practice and measuring a nonprofit's results involves listening to the people who are the ultimate beneficiaries of your giving and the nonprofit programs and services. In the latter case, this might involve surveying or conducting focus groups with the youth involved in the afterschool program about their level of satisfaction with the tutors, instructional setting, and overall experience with the program. For the former case, you might conduct anonymous surveys of the nonprofits you fund to ascertain their level of satisfaction with your giving practices, approachability and the level of trust in your relationship.

Historically, using feedback from beneficiaries to inform nonprofit and philanthropic practice has taken a back seat to performance monitoring and evaluation. As Twersky wrote in her article, "Time for a Three-Legged Measurement Stool": "By listening to customers' experiences, preferences, and ideas, we can gain unique insights that will help improve the quality and effectiveness of social programs."¹⁰ Buchanan emphasized the importance of organizations trying to hear in a systematic way from the people they seek to help and pointed to a tool called Listen4Good, developed by Fund for Shared Insight, a national funder collaborative of some of the largest foundations in the world, that can help customer-serving nonprofits listen to their beneficiaries and act on what they hear. "This is one source of information that is often overlooked," Buchanan stated. "And while it doesn't apply to every organization, as not every organization has human beneficiaries, for those that do, it's crucial."

In each of these approaches to measuring the results of your philanthropy, it is essential that you make sure you are measuring what matters and that you try to avoid creating undue burden on nonprofit organizations in the process. We will discuss each of these points in the following sections.

¹⁰ Twersky, Fay. "Time for a Three-Legged Stool of Measurement." *Stanford Social Innovation Review*. Winter 2019.

5. What are the challenges involved with measuring the results of nonprofit organizations?

“The list of challenges is long: The level of difficulty involved with what nonprofits are trying to accomplish, the very long tail of some of the impacts, the conundrum of how you measure causality and attribution, and that it’s not popular among donors to want to pay for these measurement efforts.”

Chuck Harris, Chief Development Officer,
Blue Meridian Partners

Measurement in the nonprofit sector is very difficult. Nonprofit organizations are working on the world’s toughest problems, such as climate change, poverty, and global diseases. And many of these problems are ones that have defied governmental and business solutions.

There are many challenges involved with measuring the results of nonprofit organizations. Some of these we’ve discussed in previous sections, including the lack of common metrics in the nonprofit sector, as compared with the business sector and the issue of attribution. Several other challenges include the long timeframe to measure impact, the difficulty in assessing whether outcomes are positive or negative, the reluctance among donors to pay for the costs associated with measurement, and the overall misaligned incentives for measurement. Each of these is discussed briefly below.

The timeframe to impact

For another, the timeframe to achieving lasting impact is often very long, spanning decades, if not longer. An article in the *Harvard Business Review* called “Audacious Philanthropy” touted the social-impact success stories of the past century, many propelled by private philanthropists. These examples, including virtually eradicating polio globally, creating the 911 emergency services system in the United States, and ending apartheid in South Africa are efforts that have transformed or saved the lives of millions of people. Yet, as the authors point out, each of the 15 social movements they researched for the article took decades to achieve breakthroughs. In fact, nearly 99% of the efforts spanned more than 20 years, with a median of about 45 years across all of the examples.¹¹

The difficulty of assessing, at times, whether outcomes are positive or negative

Jennifer Laird, Program Director at RTI International, an independent, nonprofit institute that provides research, development, and technical services to clients worldwide, noted that in their experience designing measurement programs, the outcomes they suggest are positive ones to measure, may actually be the opposite given the context in which the nonprofit is working. For example, in RTI’s work evaluating the outcomes for social enterprise employees funded by REDF, a venture philanthropy that supports job-training and employment for individuals with barriers to employment, RTI suggested that a decrease in use of public benefits over time would be a positive outcome for the employees. However, the social enterprises pointed out that in many cases, because their employees are so disconnected from society due to mental illness, recovery from drug and alcohol abuse, or incarceration, an increase in use of public benefits can be a positive outcome. For these individuals, becoming connected to public services is a sign of their integration back into society, and means they are getting treatment for their barriers to employment.

The reluctance of donors to pay for nonprofit measurement efforts

Nonprofits are usually strapped for the funds needed to run their organizations, and face great difficulties in finding the time, resources, and expertise necessary to measure their results. Whereas many nonprofit leaders are skilled in program design and implementation, fewer nonprofits have measurement experts with social science and statistical research backgrounds on staff. At the same time, most donors are reluctant to pay for the expenses associated with building nonprofit staff capacity or hiring expertise to measure results. In light of these challenges, it is a matter of leadership and will on the part of the nonprofit management and the donors that support the nonprofit to pay for and prioritize measuring results to inform their own practice.

The overall misaligned incentives for measurement

Lastly, there are often misaligned incentives for nonprofits and donors alike to measure their results. More money does not necessarily flow to programs or organizations with the highest quality measurement processes and accurate measurement results. In fact, sometimes donors may perceive the higher expenses involved with measuring well as unneeded overhead

¹¹ Ditkoff, Susan and Abe Grindle. “Audacious Philanthropy.” *Harvard Business Review*. September- October 2017. <https://hbr.org/2017/09/audacious-philanthropy>.

resulting in money (wrongly) flowing away from such programs. Stories and pictures can convince donors to give to a lower-performing organization in the absence of any real data; and capricious donors often drop high-performing organizations in favor of the new and exciting innovations of unproven start-up organizations. Similarly, donors have few incentives for demonstrating that their philanthropic efforts have possibly resulted in little measurable benefit or, worse, have caused harm to beneficiaries.

All of these factors combine to create significant challenges in measuring the results of nonprofit organizations. They also point out specific opportunities for the wise and thoughtful donor to partner with the organizations they fund to make meaningful measurement possible. The remainder of this publication focuses on how donors can pursue measuring results in ways that can benefit both the donor and the funded nonprofit organizations.

6. How can I make sure I'm measuring what matters?

"The key is to design all measurement with action and decisions in mind and to ask: 'How and when will we or others use this information?'"

Fay Twersky, Vice President,
William and Flora Hewlett Foundation

Nonprofit leaders tell countless tales of their efforts to measure results at the request of donors, only to discover the binders of results are sitting, unread, on shelves collecting dust. In order to ensure you are measuring what matters, consider the following five guidelines.

Measure what matters to the nonprofit

As we've stated earlier, it is important that donors ask the nonprofit what they measure and how they measure their results. Buchanan warns donors to be careful not to presume they can define the right measures saying, "I don't think the donor should come in with a measuring tape and do the measuring." Instead, he recommends donors ask the nonprofits what they think are the right ways to assess progress or performance, and find out what they think they need to do better given their goals.

Measure with an equity approach

In recent years, there has been a growing movement among evaluators to align evaluation practices with the values of equity, and even more powerfully, to use evaluation as a tool for advancing equity. The *Equitable Evaluation Initiative* recommends people consider the following four aspects:

1. Diversity of their teams moving beyond ethnicity and culture to disciplines, beliefs, and lived expertise
2. Cultural appropriateness and validity of their methods
3. Ability of the design to reveal structural and systems-level drivers of inequity (present-day and historically)

¹² Bob Ottenhoff, past president of GuideStar, compared the use of overhead ratios as a proxy for nonprofit excellence to "asking which airlines spend the least on maintenance to decide where to invest." Forwarded email communication to Melinda T. Tuan, April 11, 2016.

4. Degree to which communities have the power to shape and own the evaluative work and the knowledge it generates

As a donor, you have the opportunity to ask these questions about the nonprofit's approach to evaluation and support their efforts to incorporate these aspects in their measurement activities.

Measure program results, not overhead

At a fundamental level, measuring what matters means measuring program results and not overhead expense ratios. For many years, donors have mistakenly used the percentage of a donation that goes "directly" to a program as an indication of the quality and/or effectiveness of the program. This practice makes no sense in a for-profit context—imagine deciding which airline is the best based on how little it spends on maintenance¹²—yet it is fairly widespread in the philanthropic sector. Thankfully, this perspective on overhead in nonprofit organizations is changing. In fact, the CEOs of the three leading sources of information about charities (BBB Wise Giving Alliance, GuideStar and Charity Navigator) wrote an open letter to the field stating that "in most cases, focusing on overhead without considering other critical dimensions of a charity's financial and organizational performance does more damage than good."¹³

Measure philanthropic contribution, not attribution

In a blog post by the Center for High Impact Philanthropy on "Impact Myths," the authors retell the story of a group of villagers pushing a dangerously placed boulder up a hill. You join them at the last moment and your additional effort finally gets the boulder in a safer place. The question is: who gets the credit?¹⁴ Most nonprofit organizations are funded by multiple sources, and many grants are too small to allow for analyses of philanthropic contribution much less attribution. Fuerstner Gillis suggests donors need to get more comfortable with letting go of attribution and instead understand their contribution to the larger picture. Perhaps the best advice overall on this topic is a quote attributed to Harry S. Truman: "It is amazing what you can accomplish if you do not care who gets the credit."

¹³ <http://bit.ly/1U1yMrz>.

¹⁴ The Center for High Impact Philanthropy, 2013, *Impact Myths: Attribution and Contribution*, impactsp2 blog, <http://bit.ly/1tjaxK0>.

Measure in the broader context, not just the program results

It is important to measure not just whether the program works, but also whether there are other approaches that might generate better results and maximize the outputs, outcomes and/or impact for your philanthropic dollar. Melissa Berman, President and CEO of Rockefeller Philanthropy Advisors states: "Without considering the broader context, donors run the risk of funding 'successful' programs that make no real difference in addressing the problem they are seeking to solve."¹⁵

Caroline Fiennes, author of *It Ain't What You Give, It's the Way That You Give It*, uses a case study on finding the best strategy and programs to keep rural Indian children in school to demonstrate the power of measuring in the broader context. Researchers identified the possible causes and solutions to the problem, including providing children with transportation to school, school uniforms, and rewarding parents who sent their children to school with conditional cash transfers. Each of these programs was "successful" in that more children attended school as a result of the specific intervention. However, a fourth program, deworming (treating the many children who had intestinal worms), proved to be the most effective program for keeping children in school by a magnitude of twenty-five. While the other three programs were doing good and not harm, the opportunity cost of capital was significant. Or, as Fiennes describes it, "every time a donor puts \$1,000 into the wrong programme, fully 24 children needlessly miss out."¹⁶

At the end of the day, measuring what matters is about asking the right questions, using information to inform action, engaging in learning, being flexible, practicing humility, and keeping the big picture in mind.

¹⁵ Rockefeller Philanthropy Advisors. "Assessing Impact".

¹⁶ Fiennes, Caroline. *It Ain't What You Give, It's the Way That You Give It*. Kindle e-book. February 21, 2012. p. 157.

7. How can I avoid creating undue burden on nonprofits when I measure results?

“The only way to get closer to being less burdensome is to ASK nonprofits what information would be useful to them in service of their mission. The co-creation of definitions of progress and indications of success go a tremendous way towards less burden.”

Jara Dean-Coffey, Director,
Equitable Evaluation Initiative

Unfortunately, many donors create unnecessary burdens on nonprofit organizations in their demands for measurement. Berman observes that “many nonprofits today are suffering unduly from donors’ enthusiasm for reporting and assessment. Each donor, they feel, has a different set of reporting requirements—and the burden can be overwhelming.”¹⁷ The following are five ways you can avoid creating extra burdens on the nonprofit organizations you fund.

Allow the nonprofits to drive the measurement effort

Philanthropy experts suggest the best way to make sure you as a donor are not creating undue burden is to ask the nonprofits what they are currently measuring and how they are measuring their results to inform their own effectiveness. The experts agree that measuring results is most valuable to the nonprofit and donor if the effort is driven by the nonprofit itself. They believe “the best charities will welcome questions about their success, and will have thought long and hard about the issues, and will give informed answers.”¹⁸ Ideally, you should look for measures that can serve double duty—informing both the nonprofit and you as a donor.

Right-size your measurement expectations

Berman describes one example of a donor who wanted a nonprofit to conduct a ten-year longitudinal study of its afterschool program participants. No one at the organization had the skills or background to engage a research firm but more importantly, this type of study would cost more than the entire nonprofit’s budget. Sadly, this type of request for bespoke measurement is not uncommon among donors. There

have been other examples of nonprofits needing to measure customized results for each of over 75 different funding sources. Dean-Coffey warns donors against “differentiating yourself by having inconsequential nuances to your wording, due dates, and forms that create busy work for organizations that are supposed to be your partners in your mission.” All this translates into more time spent by nonprofits on measuring results for external audiences, instead of spending time on program delivery and measuring results to inform their own practice.

When thinking about measurement, it is important to keep the size and scope of the organization and the size of your charitable gift in mind, as well as learn what other funders are expecting of the organization in terms of measurement. If you are giving more at the \$50,000 level as opposed to the \$1,000,000 level, Twersky suggests “you would do well to ride on the coattails of others’ measurement investments”¹⁹ instead of imposing any new requirements on the nonprofit.

Be flexible and adaptive in the timeframes for measuring results

We all know the world is a rapidly changing place. Nonprofit organizations and donors need to be able to adapt and change as well. In an article entitled “Funding for Outcomes,” Mario Morino, author of *Leap of Reason*, points out that “the goal must be to help grantees define and use current information to manage their operations toward outcomes. They need relevant, timely data and the flexibility to track, course correct, and adapt their approach when necessary to stay focused on the ultimate results they’re pursuing.”²⁰ As a donor, you need to be flexible in your expectations for measuring results and the timeframes associated with those results instead of, for example, insisting on tying metrics to specific milestones years in advance. In this way, you can help “fuel learning and improvement by and within the staff so that nonprofits can keep getting better and better at meeting the needs of those they serve.”²¹

Fund the nonprofits’ measurement efforts

The reality is that “for most nonprofits, measurement can feel like an added cost burden on an already overfilled plate. Yet for them and you to achieve ever better results, measurement is essential,” say the *Give Smart* authors. “As a donor, you can add significant

¹⁷ Rockefeller Philanthropy Advisors. “Assessing Impact”.

¹⁸ Silk, Roger D. and James W. Lintott. “Chapter 7: Effective Foundations: The Business of Philanthropy.” *Managing Foundations and Charitable Trusts: Essential Knowledge, Tools, and Techniques for Donors and Advisors*. Hoboken: John Wiley & Sons, Inc. 2011.

¹⁹ Email communication, December 13, 2013.

²⁰ Ditkoff, Susan Wolf. “Funding for Outcomes.” <http://bit.ly/1UFfXY2>.

²¹ Ibid.

value simply by helping them develop the capacity to do it.”²² Practically speaking, this translates into providing the funding and resources necessary for nonprofits to measure their own results and/or hire the expertise necessary to assist them in their efforts. Additionally, this can mean helping the nonprofit research what and how others in their field/sector are measuring so as to avoid reinventing the wheel. As discussed earlier, for many nonprofits, measurement is an underfunded area and one where a thoughtful donor can make a big difference.

Collaborate with other funders on common measurement activities

Whenever possible, you can help lift the burden of measurement from nonprofits by collaborating with other donors to create common measures and measurement systems. In one example of a missed opportunity, a nonprofit was funded by three different donors to measure the results of a particular set of programs. Each donor provided the nonprofit with funding and technical assistance to build a customized database to collect the requested data. As a result of these seemingly well-intentioned efforts, the organization was left with three different databases that did not link to each other or a central data collection system; and each system had to be individually maintained by the already stretched nonprofit staff.

If the donors in question had instead talked with each other about their mutual interest in measuring the results of the same organization and program, perhaps a single, integrated measurement system could have been developed and certainly a lot of burden on the nonprofit would have been avoided. Dean-Coffey challenges donors to “work in partnership with your fellow funders to find ways not only to ask the same questions but to accept the same answers.”

In summary, the following three simple steps may help you help the nonprofits you fund measure results without creating undue burdens on their organizations:

1. Ask the nonprofit what results they currently measure and how they measure them
2. Ask the nonprofit what other results they would like to measure to inform their own practice; how they might go about measuring them; and what resources they might need

3. If the nonprofit needs assistance in measuring results, coordinate the provision of funding for measurement capacity and expertise with other donors to avoid duplication of efforts

Ultimately, the best way to guard against creating undue burden on nonprofit organizations is to follow Twersky’s advice to emerging philanthropists and constantly ask yourself: “How and when will we or others use this information?”²³

²² Tierney and Fleishman. pp. 202 – 203.

²³ Twersky, Fay. “Journey to Impact: an open letter to emerging philanthropists.” *Alliance Magazine*. 1 September 2012.

Conclusion

“For individual donors, find organizations whose goals overlap with yours. Ask yourself, ‘Are they pursuing strategies that have been shown to be effective? Do they collect data that show they are making progress?’ If so, you should be comfortable supporting them instead of tracking where every dollar is spent.”

Phil Buchanan, President,
Center for Effective Philanthropy
and author, *Giving Done Right*

In his book, *Giving Done Right*, Buchanan describes ten differences between ineffective Givers and effective Givers. Several of those differences address the points we’ve made in this publication and serve as a good summary of how to measure and maximize the results of your philanthropy:²⁴

Ineffective Givers	Effective Givers
See nonprofit grantees as implementers of their vision and seek to track how grantees spend every dollar	See nonprofit grantees as essential partners in achieving shared goals and provide consistent, unrestricted support
Look for one-size-fits-all performance measures, like administrative cost ratios or “cost per life touched”	Understand that assessment in giving is uniquely complex and crucially important and tailor their approaches to goals and strategies
Seek credit and attention for its own sake	Focus on results, not credit
Hold a clear and fixed idea of what is best for those they seek to help without incorporating their views	Listen and learn from those who are most directly affected by problems and by the nonprofits working closely with them

As you and the nonprofits you fund measure your results, you have an opportunity to build a trusting relationship. Donors have a unique opportunity to come alongside nonprofit organizations, to ask good questions, help build the nonprofits’ capacity to answer their measurement questions, inform and improve their

practice, and ultimately make a real difference for humanity. Buchanan writes in his book, whose subtitle reads “Effective Philanthropy and Making Every Dollar Count”: “Ironically, the best way to make every dollar count is not to try to count every dollar by obsessing over how the dollars you provide to a nonprofit are used.”²⁵

This publication has been designed to help you think about measuring the results of your philanthropy. A list of resources for each of the seven questions is included at the end of this publication to help you explore each of these issues more deeply. For more information on this topic or additional assistance with philanthropic topics, contact your Goldman Sachs Private Wealth Advisor.

²⁴ Buchanan, Phil. “Giving Done Right: Effective Philanthropy and Making Every Dollar Count.” p. 194.

²⁵ Ibid, p. 188.

Recommended Resources

1. Why is it important to measure and maximize the results of my philanthropy?

- Arrillaga-Andreessen, Laura. *Giving 2.0: Transform Your Giving and Our World*. Chapter 4: Determining a Destination. Assess Your Aspirations and Impact. San Francisco, CA: Jossey-Bass, 2012.
- Morino, Mario. *Leap of Reason: Managing to Outcomes in an Era of Scarcity*. Venture Philanthropy Partners, 2011. www.leapofreason.org.
- The Philanthropic Initiative. "Making a Difference: Evaluating Your Philanthropy." 2015. <https://bit.ly/2yhuet1>.
- Tuan Melinda. "Finding and Funding Effective Nonprofit Organizations: An Overview for Donors." Goldman Sachs Philanthropy Fund. <http://bit.ly/1WFNiFP>.
- Tuan Melinda. "Getting Started with Your Philanthropy: An Overview for Donors." Goldman Sachs Philanthropy Fund. <http://bit.ly/1UheLeP>.
- Twersky, Fay. "Journey to Impact: an open letter to emerging philanthropists." *Alliance Magazine*. 1 September 2012.

2. What does it mean to measure and maximize the results of my philanthropy?

- Stannard-Stockton, Sean. "Getting Results: Outputs, Outcomes & Impact." *Tactical Philanthropy*. June 29, 2010. <http://bit.ly/22SOcP8>.
- Ditkoff, Susan Wolf. "Funding for Outcomes." *Stanford Social Innovation Review*. December 6, 2013. <http://bit.ly/1UFfXY2>.
- William and Flora Hewlett Foundation, "A Practical Guide to Outcome-Focused Philanthropy." November 2016. <https://bit.ly/3ej6bui>.

3. How is measuring and maximizing results in philanthropy different from measuring and maximizing results in business?

- Buchanan, Phil. "Giving Done Right: Effective Philanthropy and Making Every Dollar Count. Chapter 6: No Easy Answers: Assessing Performance." New York: *Public Affairs*. 2019. pp. 135 – 140.
- Le, Vu. "Why Impact-Per-Dollar is a terrible, harmful way to measure nonprofit effectiveness." December 1, 2019. <https://bit.ly/2VpVihL>.
- Tuan, Melinda. "Measuring and/or Estimating Social Value Creation: Insights Into Eight Integrated Cost Approaches." The Bill & Melinda Gates Foundation. 2008. <http://bit.ly/1tbB8rF>.

4. What are different approaches to measuring results?

- Center for Evaluation Innovation, Institute for Foundation and Donor Learning, Dorothy A Johnson Center for Philanthropy, Luminare Group. "Equitable Evaluation Framing Paper." *Equitable Evaluation Initiative*, July 2017. <https://bit.ly/3eYyILG>.
- Equitable Evaluation Initiative. www.equitableeval.org.
- Rockefeller Philanthropy Advisors. "Assessing Impact." www.rockpa.org. <http://bit.ly/1tbzW7O>.
- The Center for High Impact Philanthropy, 2013, "Impact Myths: The Dangers of Rose-Colored Glasses." *impactsp2* blog, viewed 31 October 2013, <http://bit.ly/1ZzPm0d>.
- Tierney, Thomas J., and Joel L. Fleishman. *Give Smart: Philanthropy That Gets Results*. Chapter Six: Am I Getting Better? New York: *Public Affairs*, 2011. www.GiveSmart.org
- Twersky, Fay. "Time for a Three-Legged Stool of Measurement." *Stanford Social Innovation Review*. Winter 2019. <https://bit.ly/2K2W7rv>.

5. What are the challenges involved with measuring the results of nonprofit organizations?

- Buchanan, Phil. "Giving Done Right: Effective Philanthropy and Making Every Dollar Count. Chapter 6: No Easy Answers: Assessing Performance." New York: *Public Affairs*. 2019. pp. 135 - 158.
- Ditkoff, Susan and Abe Grindle. "Audacious Philanthropy." *Harvard Business Review*. September-October 2017. <https://bit.ly/2K1Tfer>.

6. How can I make sure I'm measuring what matters?

- Fiennes, Caroline. *It Ain't What You Give, It's the Way That You Give It*. Chapter 14: Tracking Your Own Impact. Kindle e-book. February 21, 2012.
- Taylor, Art; Harold, Jacob; and Ken Berger. "The OVERHEAD Myth Letter." June 17, 2013. <http://bit.ly/1U1yMrz>.
- The Center for High Impact Philanthropy, 2013, "Impact Myths: Attribution and Contribution." *impactsp2* blog, viewed 31 October 2013. <https://bit.ly/2KG0zNa>.
- Twersky, Fay; Buchanan, Phil; Valerie Threlfall. "Listening to Those Who Matter Most, the Beneficiaries." *Stanford Social Innovation Review*. Spring 2013. <http://bit.ly/1tjecr6>.

7. How can I avoid creating undue burden on nonprofits when I measure results?

- Brock, Andrea; Buteau, Ellie; and An-Li Herring. "Room for Improvement: Foundations' Support of Nonprofit Performance Assessment." The Center for Effective Philanthropy. 2012.
- Lawry, Stephen. "When Too Much Rigor Leads to Rigor Mortis: Valuing Experience, Judgment and Intuition in Nonprofit Management." *Nonprofit Quarterly* (2011).
- The Bridgespan Group. "How Do I Measure Performance – Both Mine and My Grantees' in a Practical Way?" <http://bit.ly/25N8L4U>
- The Center for High Impact Philanthropy and Wharton Social Impact Initiative. *Beyond Compliance: Measuring to Learn, Improve, and Create Positive Change*. September, 2013. <http://bit.ly/1PKffdp>.