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COMMUNIQUÉ No. 17

Nonprofits, Innovation, and Performance Measurement: Separating Fact from Fiction

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EXECUTIVE SUMMARY

Given the recent buzz among both administration officials and major foundations about identifying and supporting innovative programs that truly “work” to address our nation’s long-standing social challenges, it seems imperative to examine what the record of innovation and performance measurement is in the nation’s nonprofit sector, and what obstacles, if any, stand in the way of even more effective activity in this area.

To meet this need, the Johns Hopkins Nonprofit Listening Post Project surveyed its nationwide sample of nonprofit organizations in four key fields (children and family services, elderly housing and services, community and economic development, and the arts) in early 2010. Key findings from the 417 organizations responding to this ground-breaking Sounding include the following:

I. Innovation Extensive but Facing Impediments

- The vast majority (82 percent) of all Sounding respondents reported implementing at least one innovative program or service over the past five years.
- Although innovation is widespread within the nonprofit sector, it is not as widespread as it could be.

Thus:

- More than two-thirds of the organizations reported having at least one innovation in the past two years alone that they wanted to adopt but were unable to.
- The vast majority of all respondents attributed their inability to adopt a proposed innovation to lack of funding.
- Especially problematic was respondents’ inability to move promising innovations to scale due to lack of “growth capital,” narrow governmental funding streams, and the tendency of foundations to encourage innovations but then not sustain support for them.

II. Performance Measurement Widespread but Limited

- A striking 85 percent of all Sounding respondents reported measuring the effectiveness of at least a portion of their programs/services on at least an annual basis, and two-thirds do so for at least half of their programs or services.
- Although output measures are the most common measurement technique (used by 95 percent of groups doing any type of performance measurement), nearly 70 percent

of organizations that measure program effectiveness reported using outcome measures, the measurement type increasingly promoted by experts in the field.

- Still, only minorities of respondents noted using the kinds of techniques that assessment experts insist are needed to make such measures truly convincing such as random assignment comparisons and social rate of return estimates.
- The major barriers limiting more extensive use of performance measurements are resource constraints—notably, lack of staff time and expertise and the high cost associated with good evaluation.

III. Recommendations for Moving Forward

Respondents offered a range of ideas to help overcome the remaining barriers to nonprofit innovation and adoption of performance measurement:

- The vast majority of respondents called for better tools to measure qualitative impacts, less time-consuming measurement tools, tools with clearer definitions, additional resources to support their measurement and research functions, greater help from intermediary organizations in fashioning common evaluation tools, and training for personnel in how to use them.
- Sizeable proportions of respondents also urged the new White House Office of Social Innovation to reduce barriers to funding including burdensome reporting requirements on federal programs, the lack of coordination among federal agencies and departments, the lack of long-term financial support, and the lack of funds for program evaluation.

Background

With considerable attention being focused in recent months among both Obama Administration officials and major foundations on the need to identify and support innovative programs that truly “work,” it seems imperative to gauge what the record of innovation and performance measurement is in the nation’s nonprofit sector, and what obstacles, if any, stand in the way of even more effective activity in this area.¹

To meet this need, the Johns Hopkins Nonprofit Listening Post Project undertook a novel systematic empirical investigation of the extent of innovation and use of performance measurement within the core of the nation’s nonprofit sector—its human service, community development, and arts organizations. More specifically, the Project conducted a Sounding, or survey, of its nationwide sample of over 1,100 nonprofit organizations in four key fields (children and family services, elderly housing and services, community and economic development, and the arts). Altogether, 417 organizations responded to this Sounding, producing a response rate of 37 percent, which is quite respectable in this field, particularly at a time of economic hardship.²

Among the major findings of this survey are these:

1) Adoption of innovative practices turns out to be widespread among nonprofits, and this applies as much to well-established organizations as to start-ups.

2) The real problem with innovation in the nonprofit sector does not appear to be encouraging organizations to innovate, but rather equipping them to scale the innovations up.

3) Most nonprofits are keenly aware of the importance and value of performance measurement and almost all are utilizing some form of measurement, but funding and other limitations are restricting many to less complicated forms.

4) Considerable opportunities exist for expanding both the extent of innovation and the utilization of performance measurement within the nonprofit sector if limitations of time and resources can be overcome.

The balance of this Communiqué examines these and other major findings in more detail.

Key Findings

I. High Degree of Innovation in the Sector

Defining innovation. One of the complications in gauging the extent of social innovation in the nonprofit sector, or elsewhere, is the difficulty of defining what a “social innovation” is. Dozens of definitions can be found in the literature and no clear consensus has yet emerged.³ After reviewing the available literature and discussing various options with our Steering Committee of nonprofit leaders, we settled on

¹Evidence of the emphasis being put on finding innovative approaches that “work” can be found in the Obama Administration’s creation of an Office of Social Innovation in the White House and in the Social Innovation Fund that it encouraged Congress to create. As Michelle Obama emphasized in her remarks about the fund, “By focusing on high-impact, results-oriented non-profits, we will ensure that government dollars are spent in a way that is effective, accountable and worthy of public trust.” For evidence of foundation interest in measurable results, see: Paul Brest and Hal Harvey, *Money Well Spent* (Hoboken: John Wiley & Sons, 2008).

²The data reported here come from the latest Listening Post Project Sounding, which was fielded January 19-February 5, 2010 to the project’s two national panels of organizations on the front lines of nonprofit operation: (1) a “directed sample” of children and family service agencies, elderly housing and service organizations, community and economic development groups, museums, and orchestras recruited from among the members of major nonprofit intermediaries operating in these fields (i.e., the Alliance for Children and Families, American Association of Museums, American Association of Homes and Services for the Aging, Community Action Partnership, League of American Orchestras, Lutheran Services in America, the former National Congress for Community Economic Development, and United Neighborhood Centers of America); and (2) as a check on any possible distortion that this sampling strategy may have introduced, a “random sample” of organizations in these same basic fields selected from IRS listings of agencies or more complete listings suggested by our partner organizations where they were available. In addition to the two national samples, the project has started to build a set of state nonprofit Listening Post samples beginning with members of the Michigan Nonprofit Association and including a parallel sample of Michigan nonprofit organizations in the same fields chosen randomly from IRS listings. Because the Michigan respondents are over-represented in the overall sample, their results were weighted to offset this, and the weighted results are reported throughout. Altogether, 417 organizations, or 37 percent of those that received the Sounding, responded. It is also important to note that 25 percent of the respondents reported revenues of under \$500,000, which is far lower than the share of small organizations in the nonprofit sector overall. While the results may not be fully representative of the organizations in these fields, therefore, they are far more representative of the bulk of the activity, which tends to be concentrated in the larger organizations. In addition, the inclusion of a significant number of small organizations in the sample makes it possible to determine whether, and how much, their experience differs from that of larger nonprofits, and these size differences are reported throughout where they are substantial. For further detail on the sample composition, see Appendix A.

³For example, Phills, Deiglmeier, and Miller, writing in the *Stanford Social Innovation Review*, define social innovation as, “A novel solution to a social problem that is more effective, efficient, sustainable, or just than existing solutions and for which the value created accrues primarily to society as a whole rather than private individuals” (See J. Phills, K. Deiglmeier & D. Miller, “Rediscovering Social Innovation.” *Stanford Social Innovation Review*, Fall 2008. Available on-line at: http://www.ssi-review.org/images/articles/2008FA_feature_phills_deiglmeier_miller.pdf). By contrast, the Drucker Institute, which offers a yearly Peter F. Drucker Award for Nonprofit Innovation, defines innovation simply as “change that creates a new dimension of performance” (see <http://www.druckerinstitute.com/Programs.aspx>).

the definition reported in the box below:

An “innovative” program or service is a new or different way to address a societal problem or pursue a charitable mission that is more effective, efficient, sustainable, or just than prevailing approaches.

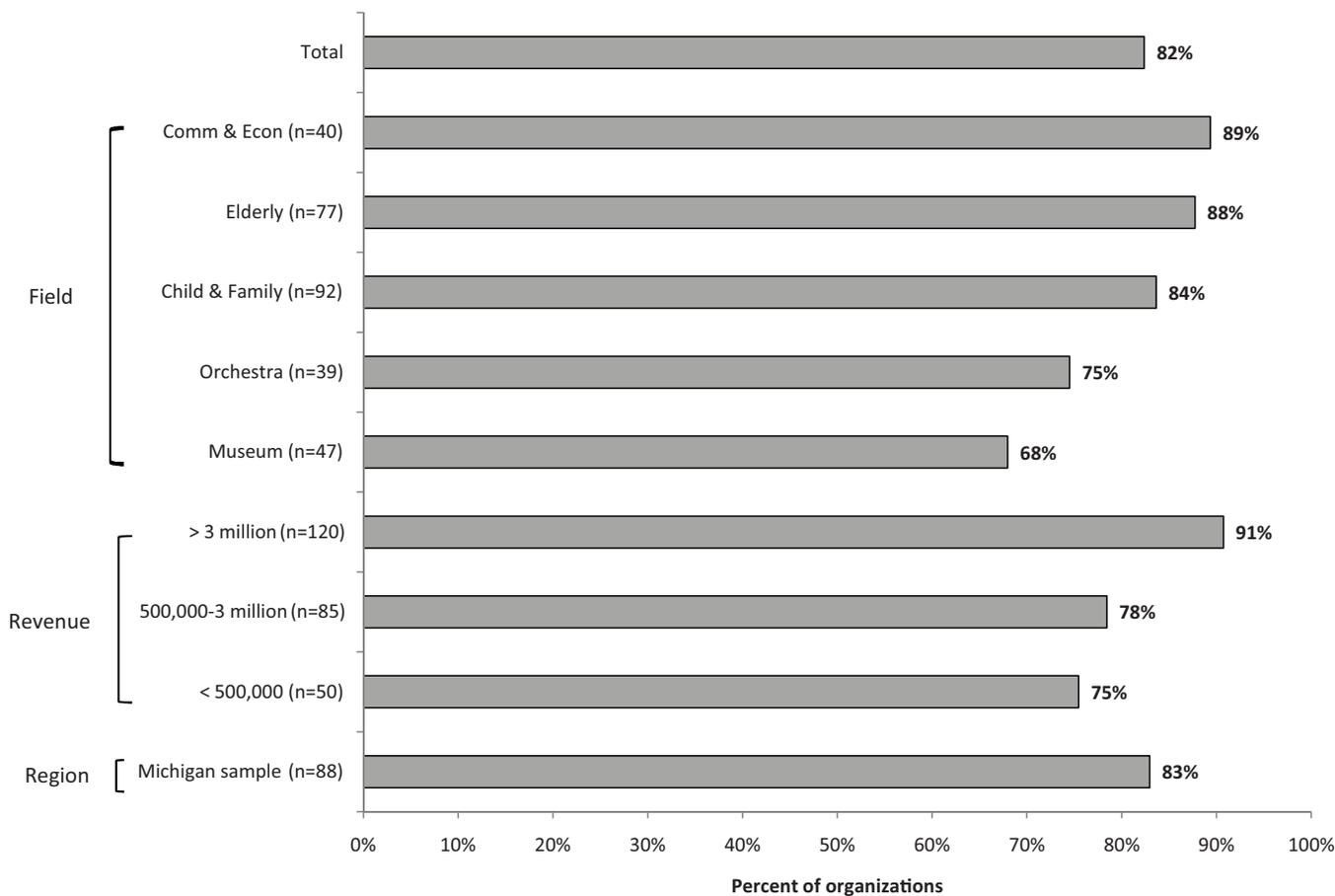
Extent of innovation. Using this definition, we found substantial evidence of widespread innovation within the nonprofit human service and arts sectors. In particular:

- As shown in Figure 1, the vast majority (82 percent) of all Sounding respondents reported implementing at least one innovative program or service over the past five years.
- Innovation is fairly ubiquitous throughout the sector, moreover. Thus, as Figure 1 also shows:
 - Substantial majorities of organizations in all five fields covered by our survey reported innovative activity during the previous five years, though the extent of innovation was somewhat less common among the arts

organizations than the human service and community development organizations.

- Innovative activity was particularly pronounced among the larger organizations, challenging the common assumption that organizations become less innovative as they grow in size and become more bureaucratic and suggesting that innovation requires resources, a point to which we will return below.
 - Finally, although our Michigan sample included a larger proportion of small and medium-sized organizations than the national sample, there was little variation between the two samples in terms of the extent of innovation: sizable proportions (over 80 percent) of organizations in both samples reported innovations within the past five years.
- Much of the reported innovation is relatively recent, moreover, suggesting that the well of innovation in the sector

Figure 1: Share of nonprofits that implemented at least one new innovative program/service in the last five years, by field, size, and region (n=340)



Source: Johns Hopkins Nonprofit Listening Post Project Innovation/Performance Measurement Sounding, 2010

has hardly run dry despite the economic tensions of the past couple of years. Thus, of the organizations reporting an innovative program/service over the past five years, over half (54 percent) reported that the innovation had been put in place within the previous two years.

Given this ubiquity of innovation, it should come as no surprise that the innovations reported were quite varied. Examples included the following:

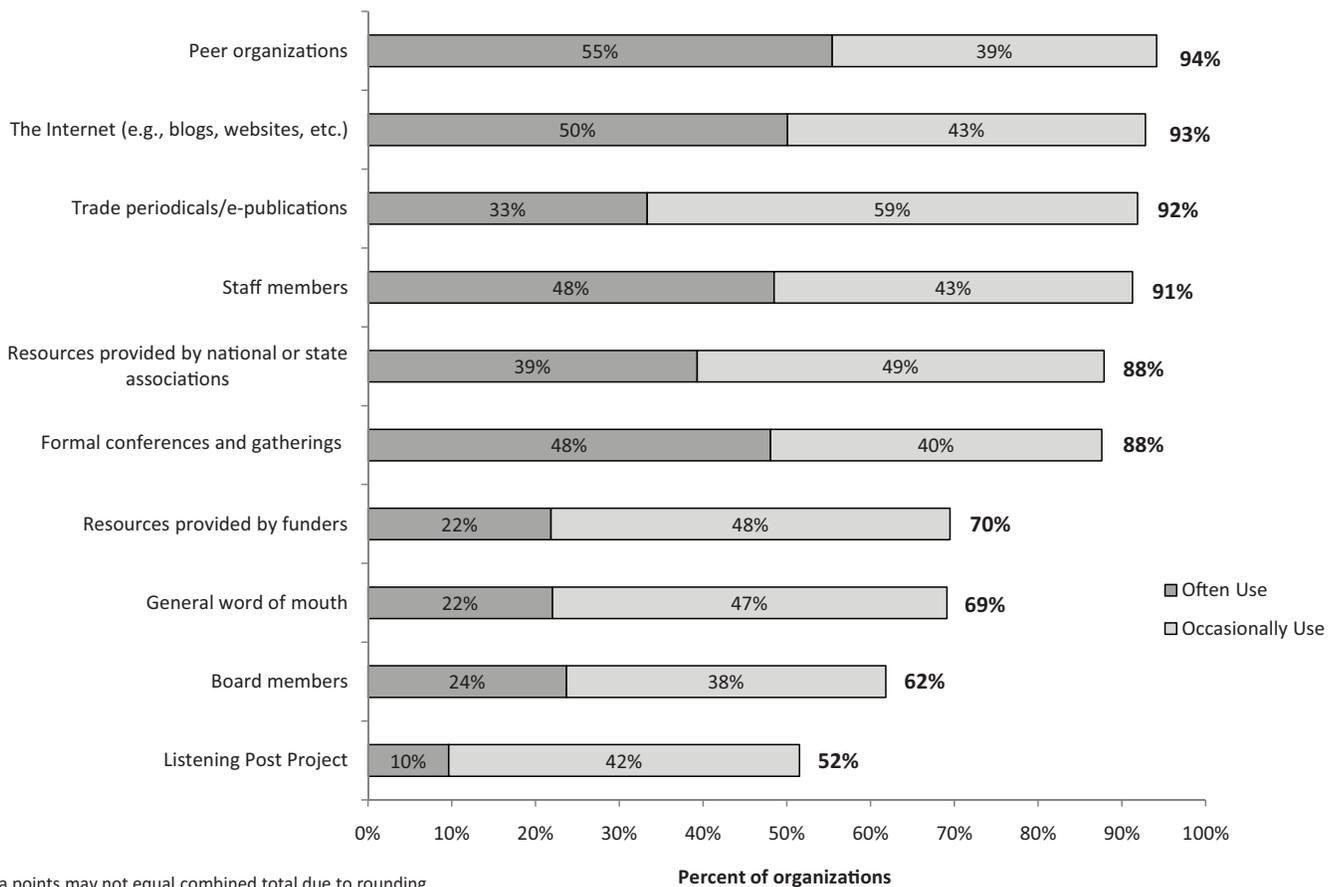
- A transitional support house for domestic violence victims with substance abuse issues that made provision for residents to stay with their children;
- An Alzheimer’s Day Care and Resource Center that incorporates the latest research on lighting, colors, design, and acoustics;
- A comprehensive family poverty program that includes a range of individual and group interventions to move families from poverty to independence;

- A distance learning lab linking local grade schools with live feeds from NASA;
- A museum-based Teachers Institute where teachers can earn much-needed credits towards their certification renewal, and at the same time learn more about the museum and the resources it can offer their students; and
- A music and wellness program that connects a local orchestra to new segments of the community by arranging performances in hospitals, health care facilities, and even patient rooms.

Sources of innovation. Significantly, much of the impulse to innovate, as well as much of the information that drives the innovations, originates within the nonprofit sector itself. Several aspects of the survey responses lead us to this conclusion.

- In the first place, as shown in Figure 2, respondents do not seem to be at a loss to find promising ideas for in-

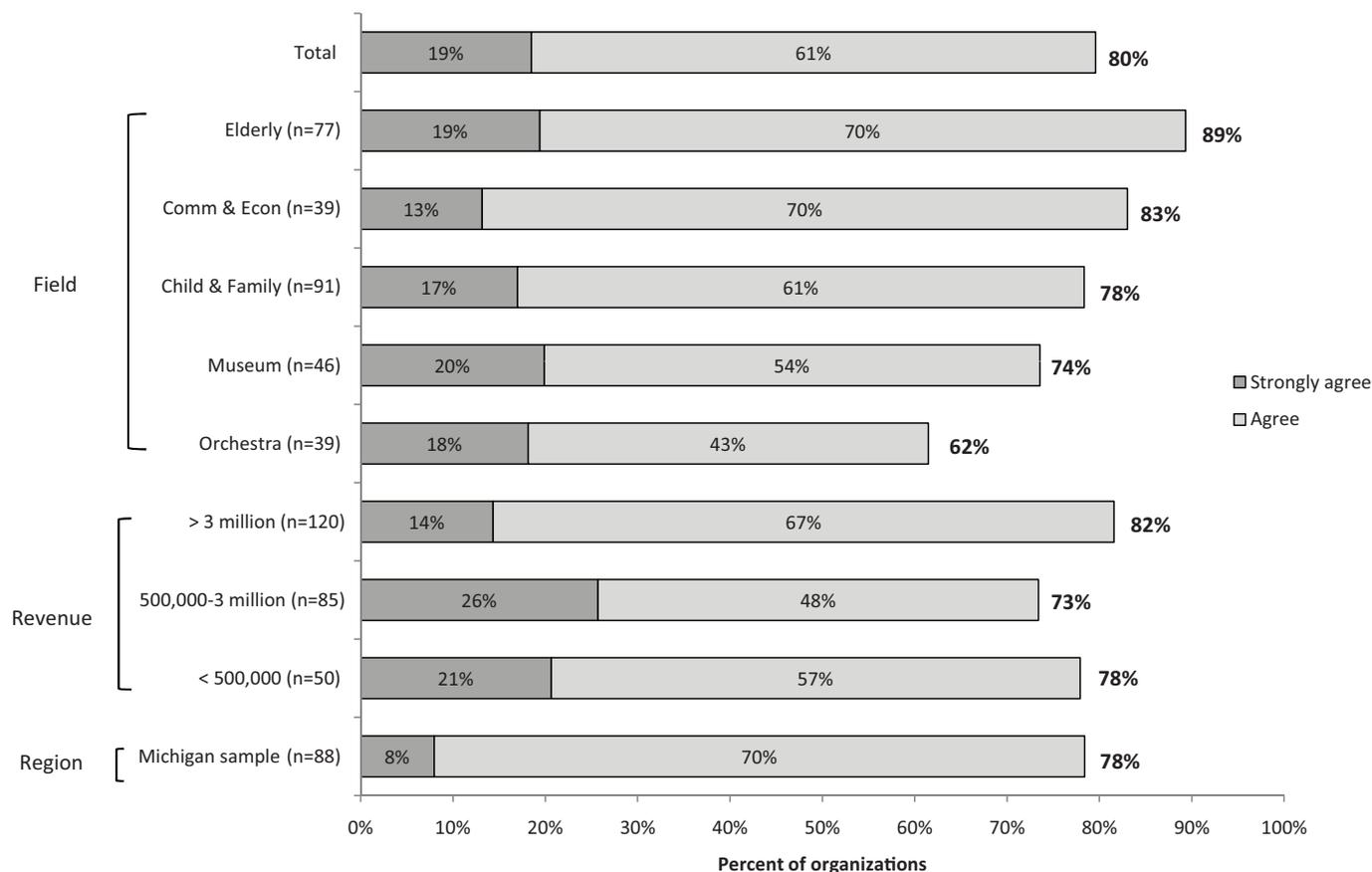
Figure 2: Sources nonprofits rely on to learn about innovation (n=340)



* Data points may not equal combined total due to rounding.

Source: Johns Hopkins Nonprofit Listening Post Project Innovation/Performance Measurement Sounding, 2010

Figure 3: Share of nonprofits that believe “organizations in my field are innovative,” by field, size, and region (n=340)



*Data points may not equal combined total due to rounding.

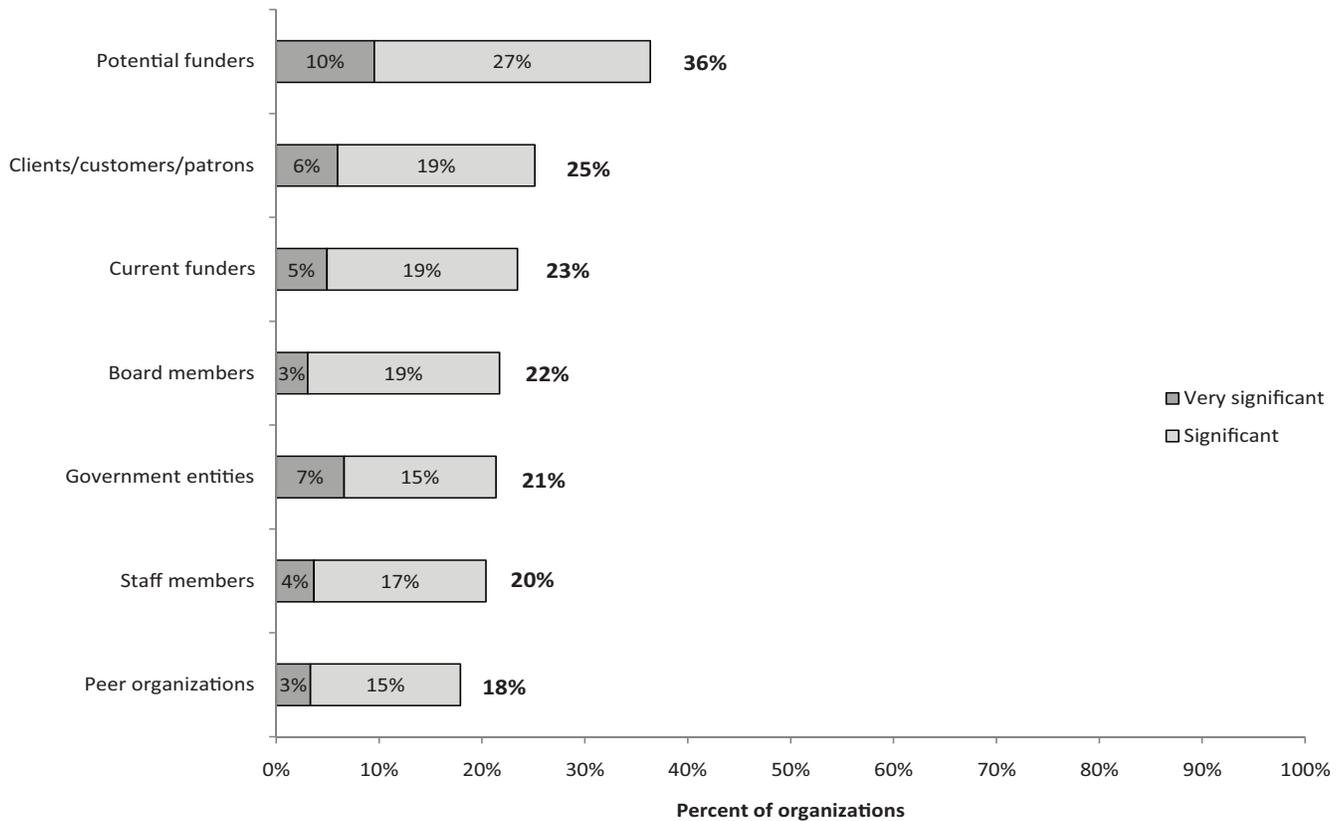
Source: Johns Hopkins Nonprofit Listening Post Project Innovation/Performance Measurement Sounding, 2010

novative programming, and the most common sources of these ideas—cited by 88 to 94 percent of all organizations—are mostly within the nonprofit sector, indeed within the fields that the organizations occupy. These include peer organizations, blogs and websites, trade periodicals, conferences, other information distributed by trade associations, and organizational staff.

- Further confirming this point, when asked what the most significant barriers organizations confronted in learning about innovations, the two most common responses were lack of staff time to attend conferences and read periodicals (cited by 65 percent of the organizations), and lack of resources to attend conferences and access periodicals (cited by 56 percent of the organizations). Testifying to the impact of peer contacts, organizations that identified such contacts as a source of ideas for innovations were significantly more likely to have adopted innovations.

- One reason for the heavy reliance on peers as a source of innovative ideas is the perception among nonprofit executives that their peers are, in fact, innovative. In other words, nonprofit executives do not accept the characterization of their colleagues as being un-innovative. To the contrary, as shown in Figure 3, four out of every five respondents (80 percent) credited the peer organizations in their field as being “innovative,” and this varied only slightly by field, size of organization, or region, though the orchestra executives seemed somewhat less certain about the innovativeness of their peer organizations. Although nearly half (43 percent) of all respondents conceded that businesses may be even more innovative than nonprofits, there still seems to be a strong culture of innovation within the nonprofit field. Indeed, only 13 percent of all respondents agreed with the statement that “innovation is less important than maintaining ‘tried and true’ programs or services.”

Figure 4: Sources of pressure to incorporate innovations (n=340)



*Data points may not equal combined total due to rounding.

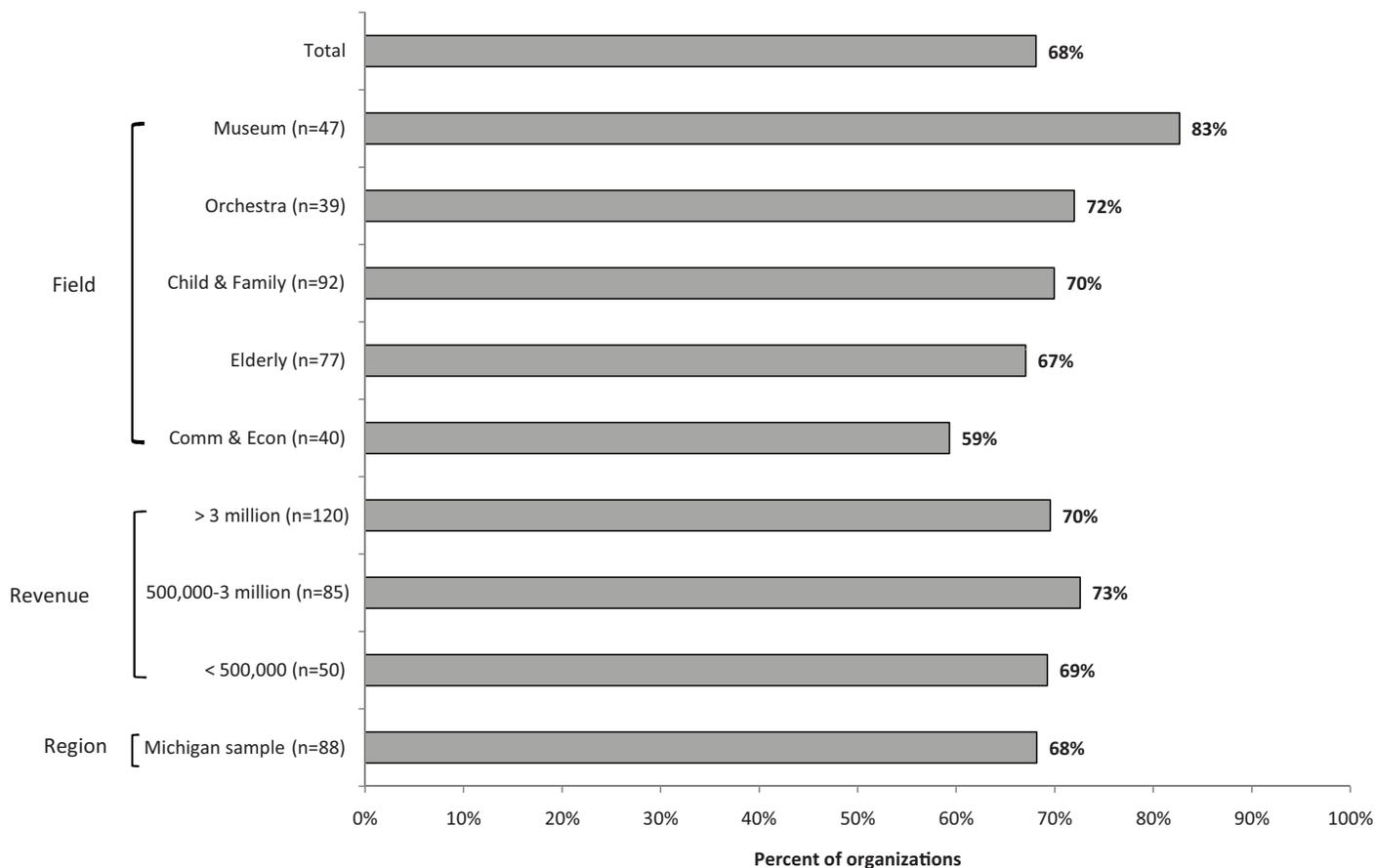
Source: Johns Hopkins Nonprofit Listening Post Project Innovation/Performance Measurement Sounding, 2010

• Further reinforcing this point, organizations did not identify any clear external source of pressure to innovate. The most commonly cited such source, as Figure 4 shows, were “potential funders.” But only 36 percent of respondents identified this source as being a “significant” or “very significant” source of pressure for innovation, though organizations that cited this source of pressure were far more likely to report adopting an innovation than those that did not. Other sources, such as clients, current funders, board members, or government entities were cited by much smaller proportions of respondents, usually in the 20-25 percent range.

Barriers to innovation. While innovation is widespread within the nonprofit sector, it is not as widespread as it could be. Indeed, fully two-thirds (68 percent) of the organizations reported having at least one innovation in the past two years alone that they wanted to adopt but were unable to. Examples of such innovations included:

- A Veterans Green Job Corps through which veterans could gain job training and a needed peer group while continuing their ethic of national service by focusing it on environmental and energy efficiency projects;
- A study booth from which community members and researchers could access a visual database of a museum’s objects and photographic collections;
- The incorporation of green concepts, including solar and wind power generation, into a traditional nursing home facility;
- The adoption of electronic medical records for direct caregivers;
- A night-time adult daycare center to meet the needs of those with dementia who are often up all night; and
- The development of university degree programs for people with developmental disabilities.

Figure 5: Share of nonprofits unable to adopt an innovation in the past 2 years (n=340)



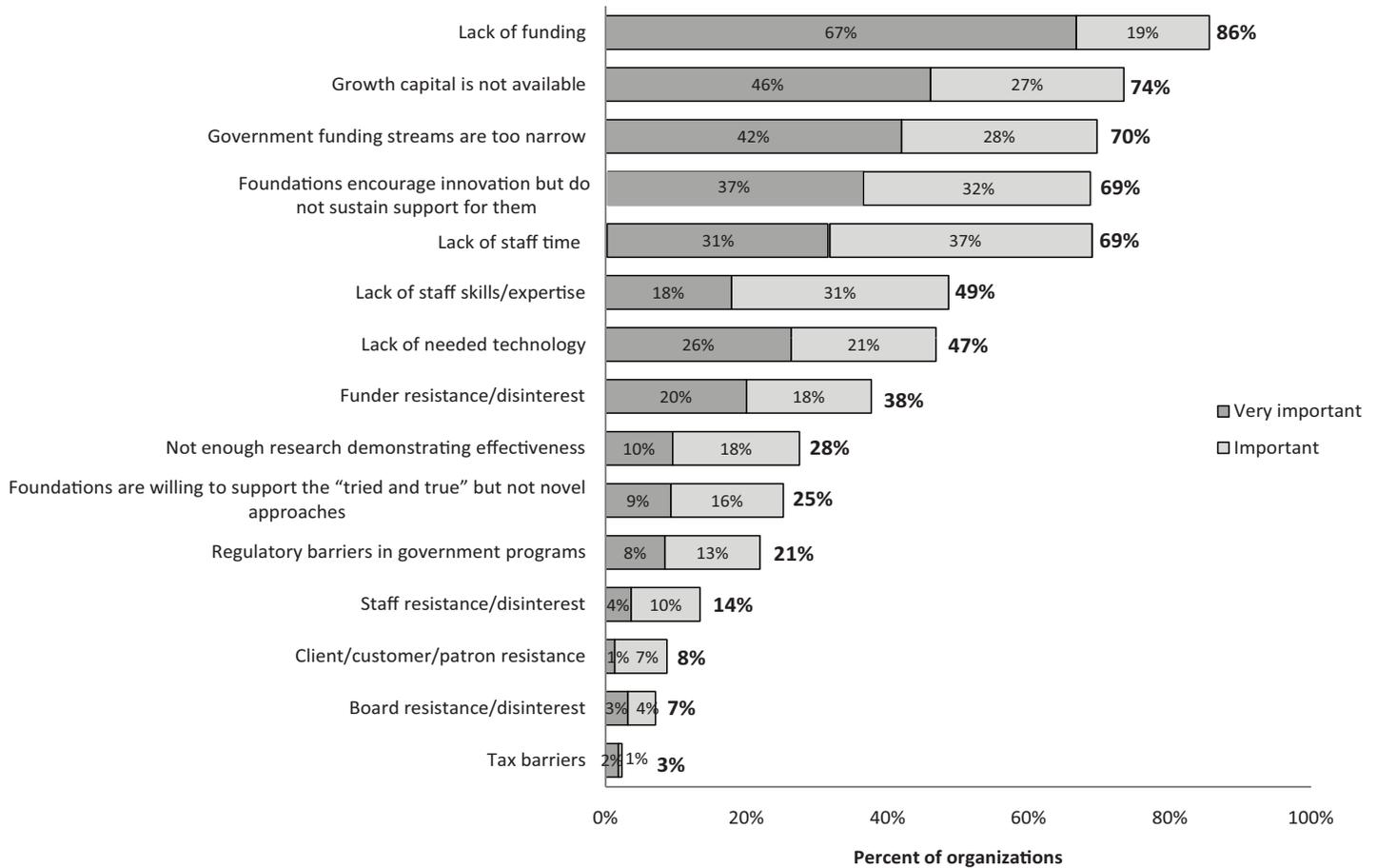
Source: Johns Hopkins Nonprofit Listening Post Project Innovation/Performance Measurement Sounding, 2010

As reflected in Figure 5, substantial majorities of organizations in all fields, and of all sizes, reported being unable to move ahead with at least some innovation in the past two years. At the same time, there were some significant variations. In particular, museums and orchestras seem to have been thwarted more extensively than community development and elderly service organizations in moving forward with desired innovations.

What is it that is impeding greater innovation within the nonprofit sector? From the evidence in our survey, it appears that the obstacles to greater innovation are more external to the organizations than internal. Thus, as shown in Figure 6:

- Few organizations cited staff resistance, client resistance, board resistance, or tax barriers as important or very important challenges to instituting desired innovations, though board resistance was cited as a constraining factor by a quarter of the orchestras.
- Nor did regulatory barriers in government programs or lack of research demonstrating the effectiveness of the innovations pose challenges for most organizations, though the regulatory factor did affect about a third of the family and children and elderly service organizations, both of which are heavily engaged with government programs.
- By contrast, the vast majority of all respondents (86 percent) attributed their inability to adopt a proposed innovation to lack of funding, and most of these (67 percent) cited this factor as being “very important.”
- Especially problematic in the view of substantial proportions of the organizations experiencing disappointment in advancing proposed innovations was the inability to move promising innovations to scale. Thus, 74 percent of respondents cited the lack of “growth capital” as a major obstacle to implementing an innovation, 70 percent cited government funding streams that are too narrow to accept novel approaches, and 69 percent pointed to a tendency of

Figure 6: Challenges to adopting innovative programs/services over the past 2 years (n=230)



*Data points may not equal combined total due to rounding.

Source: Johns Hopkins Nonprofit Listening Post Project Innovation/Performance Measurement Sounding, 2010

foundations to encourage innovations but then not sustain support for them.

- Other reasons identified as “important” by sizeable proportions of respondents included lack of staff time (69 percent), lack of staff skills or expertise (49 percent), and lack of needed technology (47 percent). The lack of staff time and lack of needed technology were particularly significant barriers to the museums, with 89 percent of these organizations citing lack of staff time and 78 percent citing lack of technology as critical barriers to innovation (see Appendix Table B-1).
- Typical experiences recounted by executives of surveyed organizations include the following:

- “The current economic climate prevents us from seeking funding above and beyond our ‘normal’ operating expenses that have been significantly cut. We rely heavily on contributions and grants, all of which are used to keep us in business, instead improving our business.”
- “We wanted to be able to offer an outreach program that we had one year of funding to explore and try, which was extremely successful. Sadly, the foundation that funded it took a heavy hit in the economy and couldn’t continue funding. Innovative programs are so often funded for an insufficient time period. It is very sad that such good new programs die for lack of funded time.”
- “Concepts and designs for new innovation require significant research and development expenditure. Not-

for-profits just do not have the money and staff time to investigate and develop new ideas to a level where they can actually go for funding. Funders won't fund concepts, they want proof that it will work and have a positive impact on the organization.”

- “Everyone I know is working so lean that time to explore innovations is very limited. If we have any one employee out ill for over a week we have significant program break down.”
- “Balancing time between maintaining critically important services and researching/planning pilots and finding funding for promising practices is very difficult. It’s challenging to choose funding for victim safety vs. an innovative prevention program.”
- “Staff time is a huge problem, not just time to attend conferences or read periodicals, but the time that’s nec-

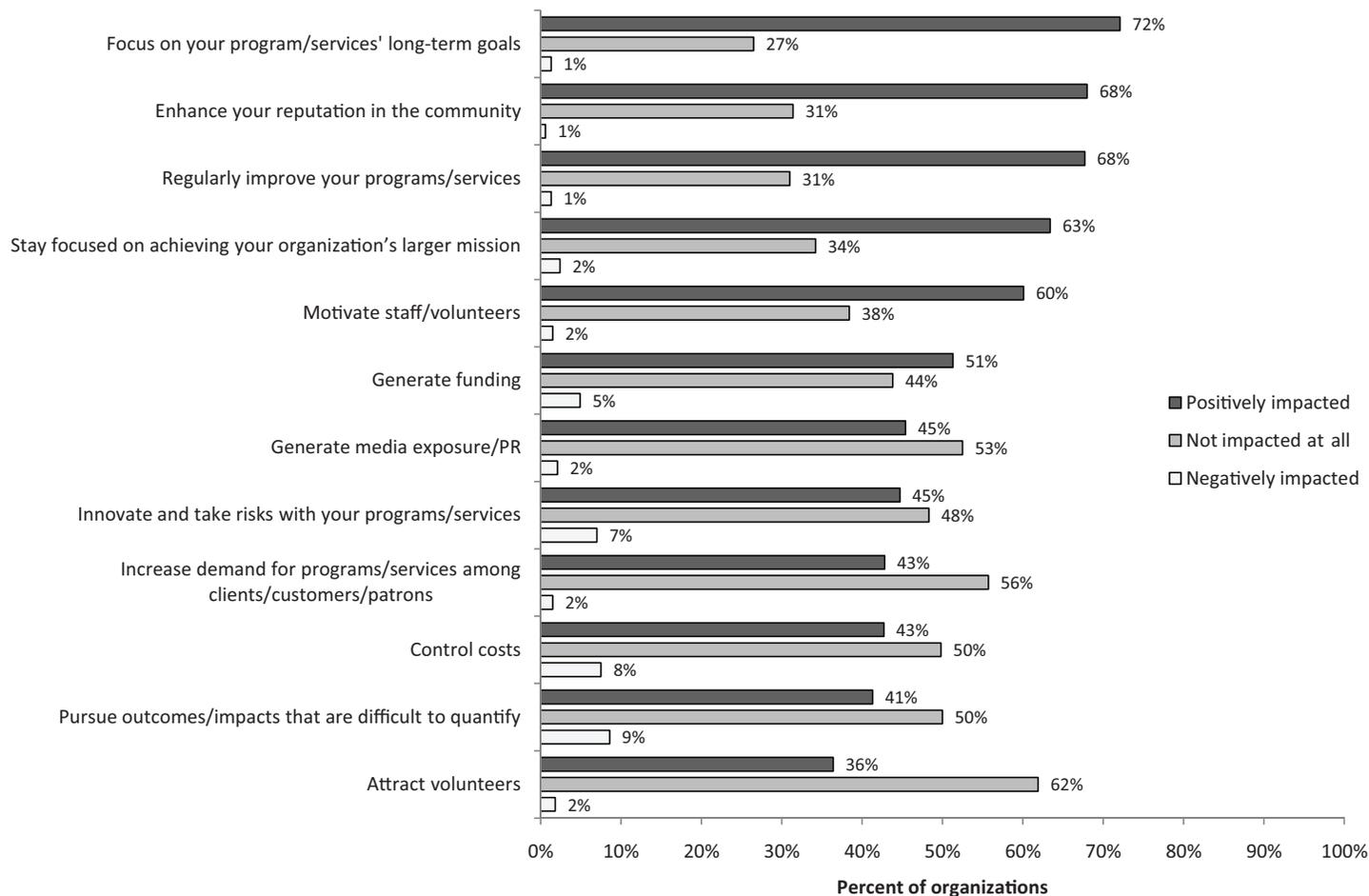
essary afterward, to digest, think about how to apply/ implement what one has learned.”

II. Performance Measurement Widespread

In addition to demonstrating a far greater impulse to innovate within the nonprofit sector than recent accounts seem to acknowledge, our survey also suggested quite strongly that nonprofits have firmly imbibed the mantra of performance measurement that is widely prevalent in government, business, and foundation circles. At the same time, they are struggling to implement this mantra in the midst of competing pressures for limited resources of time and money.

Internalization of the performance measurement mantra. The literature on performance measures identifies numerous concerns that nonprofits and sector stakeholders have about

Figure 7: Perceived benefits and drawbacks of performance measurement (n=340)



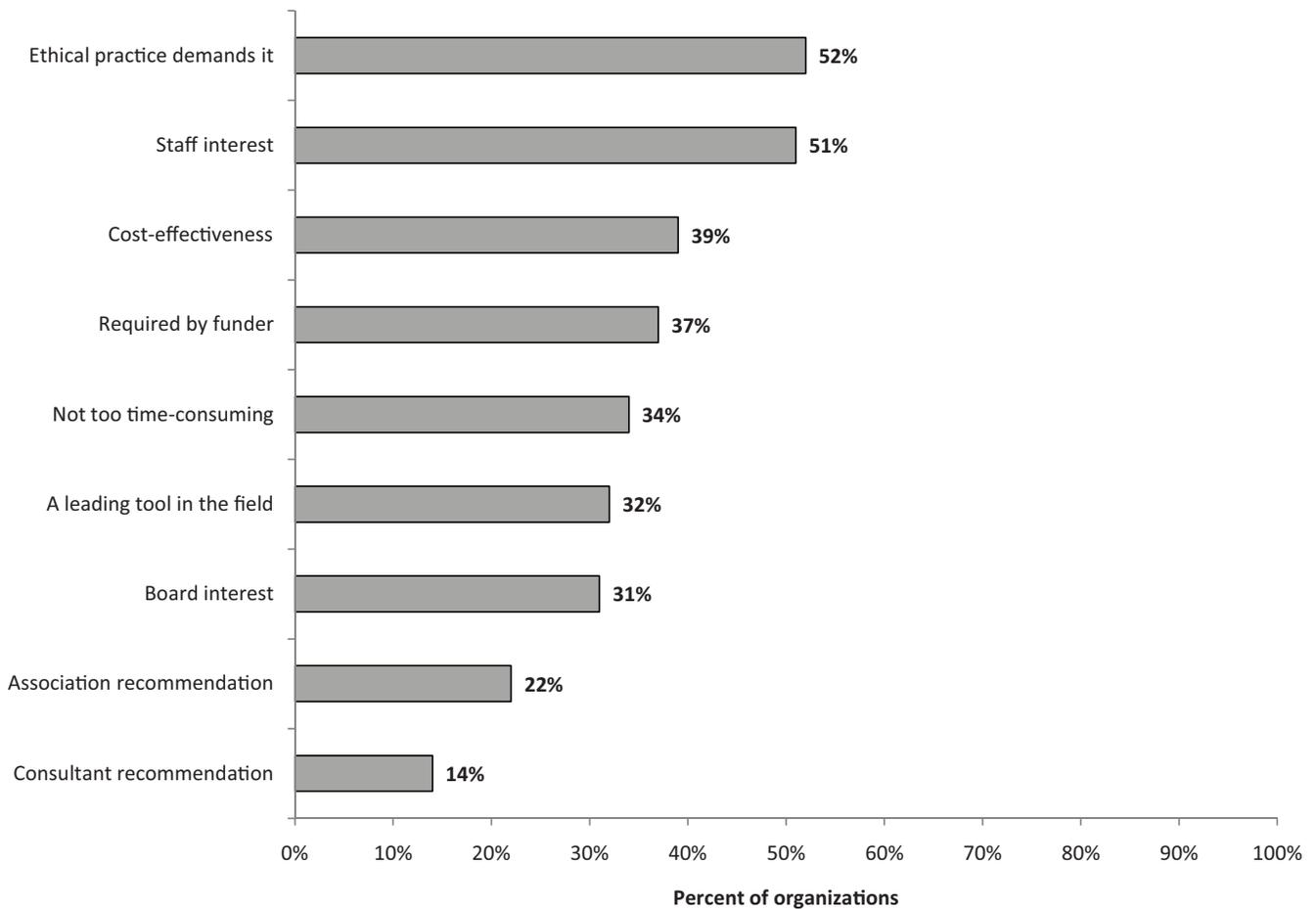
Source: Johns Hopkins Nonprofit Listening Post Project Innovation/Performance Measurement Sounding, 2010

such techniques.⁴ Key concerns include the possibility that such techniques can cause organizations to sidestep hard-to-achieve outcomes because they are difficult to quantify, lose sight of the organization’s long-term goals and mission, and shy away from innovation and risk-taking.

Quite encouragingly, our survey reveals that few of these concerns persist among nonprofit executives. To the contrary, substantial majorities have come to see important positive effects from performance measurement. In particular:

- As shown in Figure 7, few nonprofit executives reported any negative effects of performance measurement on their organizations’ abilities to pursue their long-term goals, innovate and take risks, or stay focused on their missions. To the contrary, sizable proportions saw performance measurement as either positively affecting the organizations’ abilities in these areas or having no negative effect on them.
- While downplaying the potential negative effects of performance measurement, survey respondents identified a number of important positive effects. Prominent among

Figure 8: Factors motivating adoption of particular performance measurement to evaluate recent innovation (n=212*)



*Represents organizations that adopted a particular innovative program/service in the last 5 years

Source: Johns Hopkins Nonprofit Listening Post Project Innovation/Performance Measurement Sounding, 2010

⁴ See, for example: Alnoor Ebrahim, “Accountability Myopia: Losing Sight of Organizational Learning,” in *Nonprofit and Voluntary Sector Quarterly* 34(1):56-8, 2005; Rosabeth Moss Kanter and David V. Summers, “Doing Well While Doing Good: Dilemmas of Performance Management in Nonprofit Organizations and the Need for a Multiple-Constituency Approach,” in *The Nonprofit Sector: A Research Handbook* (New Haven: Yale University Press, 1987); and William J. Ritchie and Robert W. Kolodinsky, “Nonprofit Organization Financial Performance Measurement: An Evaluation of New and Existing Financial Performance Measures” in *Nonprofit Management & Leadership* 13(4):367, 2003.

these were enhancing the organization’s reputation in the community (68 percent of respondents), regularly improving programs and services (68 percent), and motivating staff and volunteers (60 percent). Whatever their initial hesitations or doubts, in other words, nonprofit managers seem to have firmly internalized the performance measurement mantra.

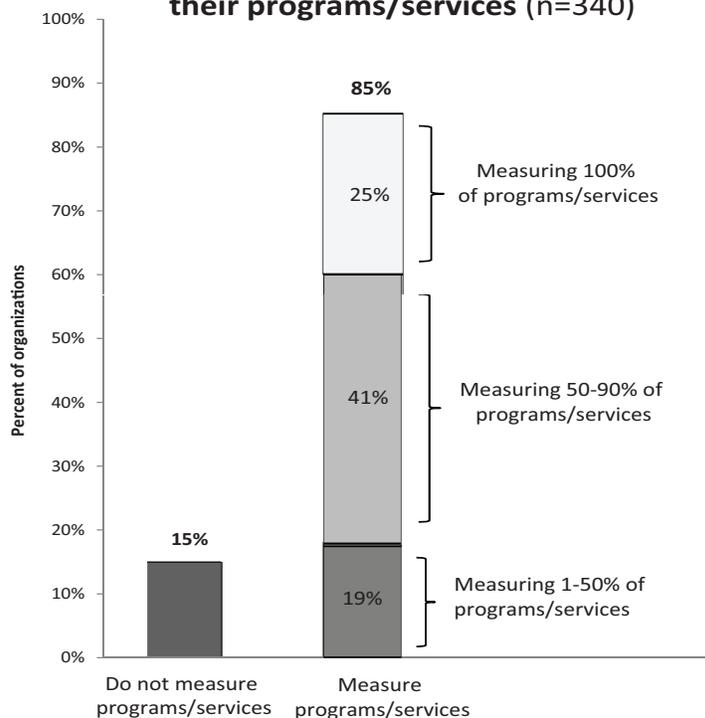
- As further evidence of the internalization of the desirability of performance measurement, relatively few nonprofit managers cited external pressures such as consultant recommendations, funder requirements, or cost as the motivating factor for their choice of performance measurement technique to assess the innovations they have adopted in recent years. Rather, as shown in Figure 8, they tended to cite internal factors such as staff interest (51 percent) and ethical or good business practices (52 percent).

Extent and types of performance measurement. Very likely reflecting this widespread recognition of the benefits of performance measurement, nonprofit organizations are now making active use of such measurement. In particular:

- A striking 85 percent of all Sounding respondents reported measuring the effectiveness of at least a portion of their programs/services on at least an annual basis, and two-thirds do so for at least half of their programs or services (see Figure 9).
- Some notable variations were evident in the extent of use of such effectiveness measures, however. Thus, focusing on the share of agencies that report measuring at least half of their programs at least once a year, Figure 10 shows that nearly 90 percent of family and children service agencies utilized performance measurement this extensively as compared to only 39 percent of the responding museums. Similarly, large organizations were more likely to apply performance measurement to half or more of their programs compared to smaller organizations (77 percent vs. 53 percent).
- It is not sufficient to know whether any performance measurement is being done, of course. It is also important to know what type of performance measurement is being used because there are important differences in the validity and insights available from various types. Increasingly, experts in performance measurement have emphasized the need to go beyond simple output measures that quan-

tify the amount of various service or program activities that occur (e.g., the number of performances an orchestra executes, the number of classes a jobs readiness program provides, or the number of individuals a soup kitchen serves). Rather, they urge an emphasis on outcomes, i.e., the consequences that result from the program’s activities.⁵

Figure 9: Share of nonprofits measuring their programs/services (n=340)

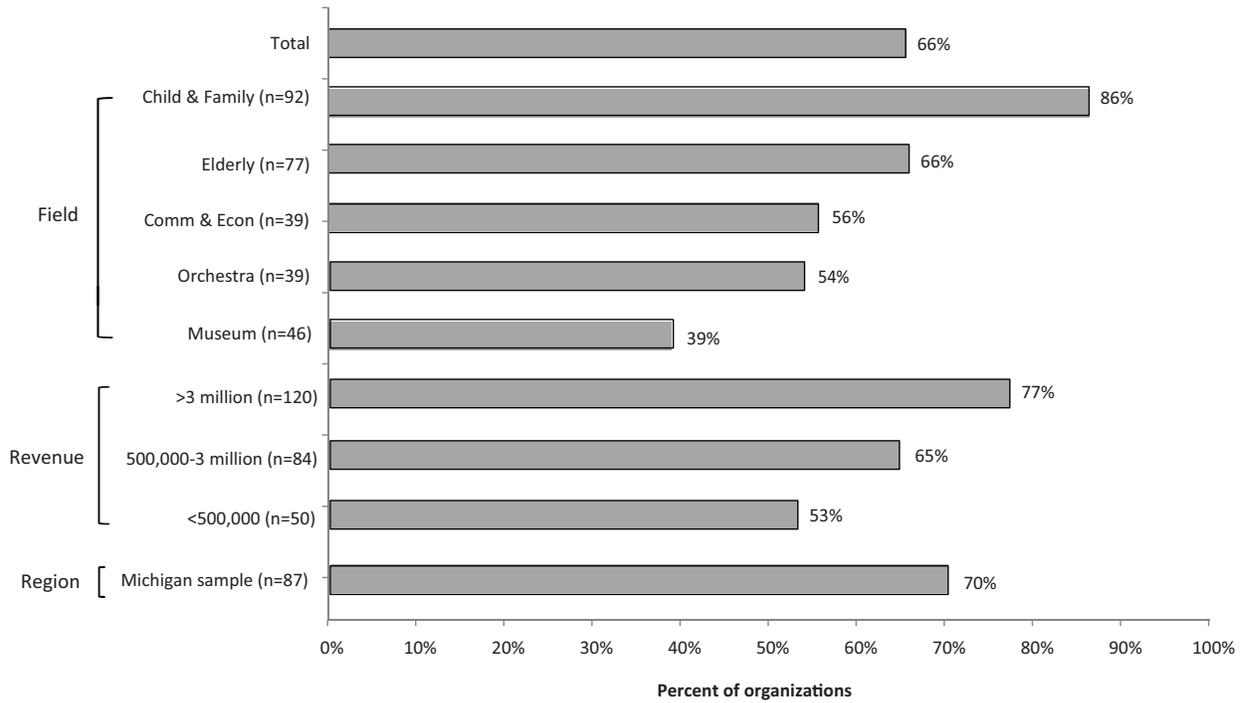


Source: Johns Hopkins Nonprofit Listening Post Project Innovation/Performance Measurement Sounding, 2010

- Not surprisingly, our data suggest that output measures remain the most common in the nonprofit field. However, outcome measures have become surprisingly widespread. In particular:
 - Over 80 percent of all respondents reported some use of output measures (see Figure 11), and among those doing any performance measurement, virtually all (95 percent) reported use of output measures (see Appendix Table B-2).
 - In addition, about half (50 percent) of all respondents reported using efficiency measures, which calculate the unit cost of an organization’s outputs.

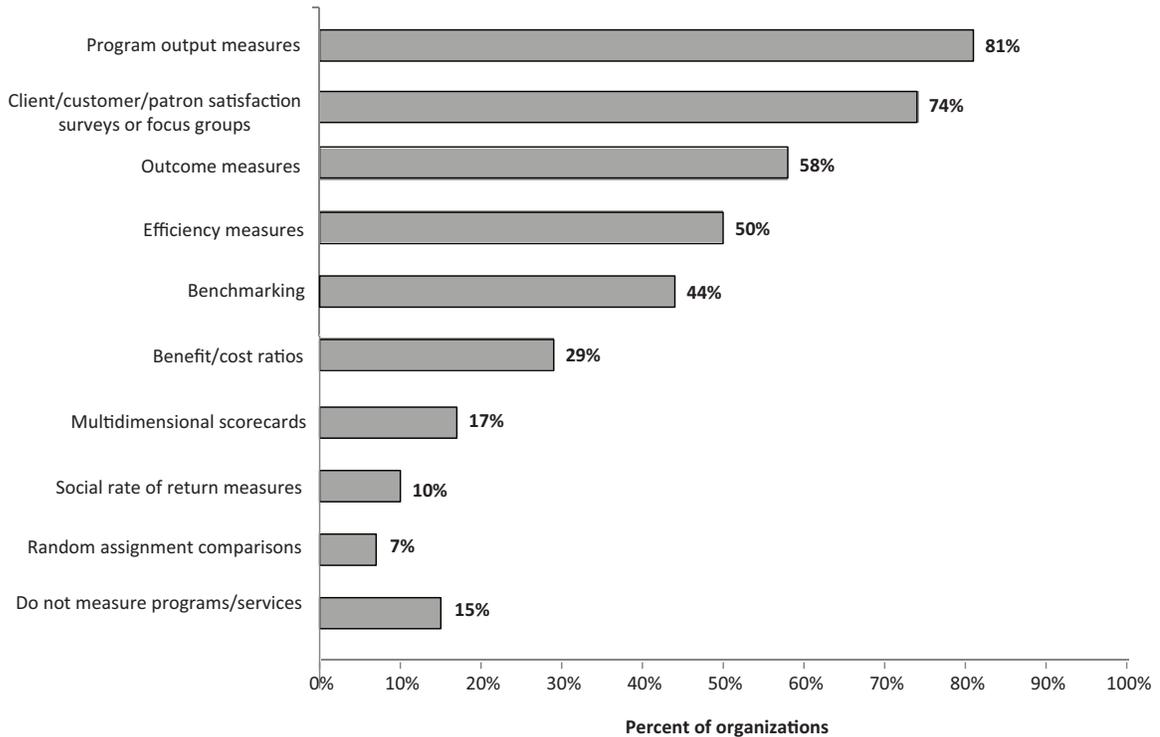
⁵ See, for example, The United Way of America’s *Measuring Program Outcomes: A Practical Approach* (1996), pp. 1-9, and The Urban Institute and The Center for What Works, *Building a Common Outcome Framework to Measure Nonprofit Performance*, 2006.

Figure 10: Share of nonprofits measuring the effectiveness of more than 50% of their programs/services (n=340)



Source: Johns Hopkins Nonprofit Listening Post Project Innovation/Performance Measurement Sounding, 2010

Figure 11: Nonprofit use of various forms of performance measurement (n=340)



Source: Johns Hopkins Nonprofit Listening Post Project Innovation/Performance Measurement Sounding, 2010

- Also widespread were client/customer/patron satisfaction surveys or focus groups. Three out of every four respondents reported using such measures, and among the organizations doing any performance measurement, this figure reached 87 percent.
- Of particular significance, close to 60 percent of responding organizations reported using outcome measures to evaluate the effectiveness of their programs or services, and among the organizations doing any performance measurement, nearly 70 percent reported some use of outcome measures.
- Interestingly, the respondents reporting use of these more sophisticated outcome measures were also significantly more likely to report the broadest variety of benefits from performance measurement. Thus, as shown in Table 1, the organizations reporting use of outcome measurements were significantly more likely than organizations not using such techniques to report positive results with respect to nine of the twelve possible consequences of adopting performance measurement, whereas those reporting use of output measures scored significantly higher than those

not using this technique with respect to only three of the potential benefits. In other words, it appears that use of performance measurement, and especially the more sophisticated forms of such measurement, pays off for organizations.

- While over half of all organizations reported using the more sophisticated outcome measures, this was not true across the board. Rather, as Figure 12 shows, smaller organizations, arts organizations, and organizations serving the elderly were considerably less likely than other organizations to utilize such techniques. One reason for this in the case of the arts may be the greater difficulty of specifying desired outcomes. As one arts executive put it: “We are never quite sure what ‘effectiveness’ means—more people coming to more concerts, or more satisfying concerts, or what exactly. It’s not the same thing as addressing homelessness or literacy rates or other much more measureable activities.” Also at work, however, is likely the higher cost of outcome measurement.

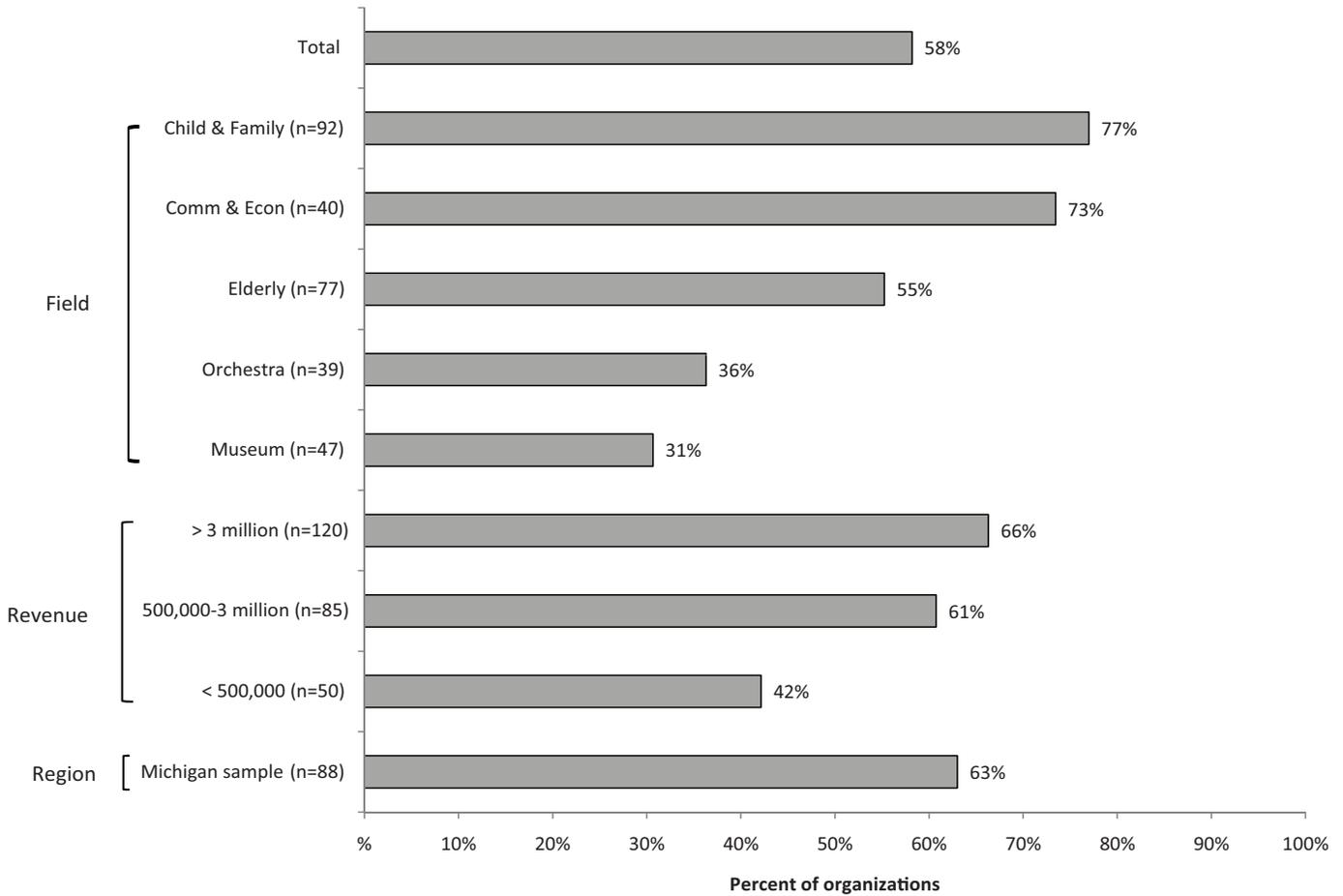
Barriers to performance measurement. This latter finding begins to suggest that while nonprofit organizations are

Table 1: Variations in the benefits of performance measurement based on the type of measurement

	Focus on your programs' long-term goals	Pursue outcomes that are difficult to quantify	Innovate and take risks with your programs	Stay focused on achieving your organization's larger mission	Generate funding	Regularly improve your programs	Increase demand for programs among clients	Control costs	Enhance your reputation in the community	Motivate staff/volunteers	Attract volunteers	Generate media exposure/PR
Measurement Tool	n=288	n=281	n=286	n=286	n=287	n=286	n=283	n=286	n=286	n=283	n=284	n=285
Outcome measures	√	√	√	√	√	√			√		√	√
Benchmarking		√	√			√	√	√	√	√		√
Multidimensional scorecards			√			√		√	√	√		
Social rate of return measures								√			√	√
Program output measures			√			√						√
Client/customer/patron satisfaction surveys or focus groups	√					√	√					
Efficiency measures				√				√				
Benefit/cost ratios								√				
Random assignment comparisons												

The above table shows the relationship between the types of measurement tools used by an organization and the degree to which an organization reported benefits from using measurement tools. A √ mark indicates a positive relationship between using a particular tool and the perceived benefit of measuring programs. This means that where there is a check, we have confidence that there is a positive relationship between using the marked tool and experiencing the marked outcome.

Figure 12: Share of nonprofits using Outcome Measurements, by field, size and region (n=340)



Source: Johns Hopkins Nonprofit Listening Post Project Innovation/Performance Measurement Sounding, 2010

making far more active use of performance measurement than has been widely assumed, and while they seem to have come to recognize the benefits such measurement offers, significant barriers continue to impede more widespread and intensive use of these techniques.

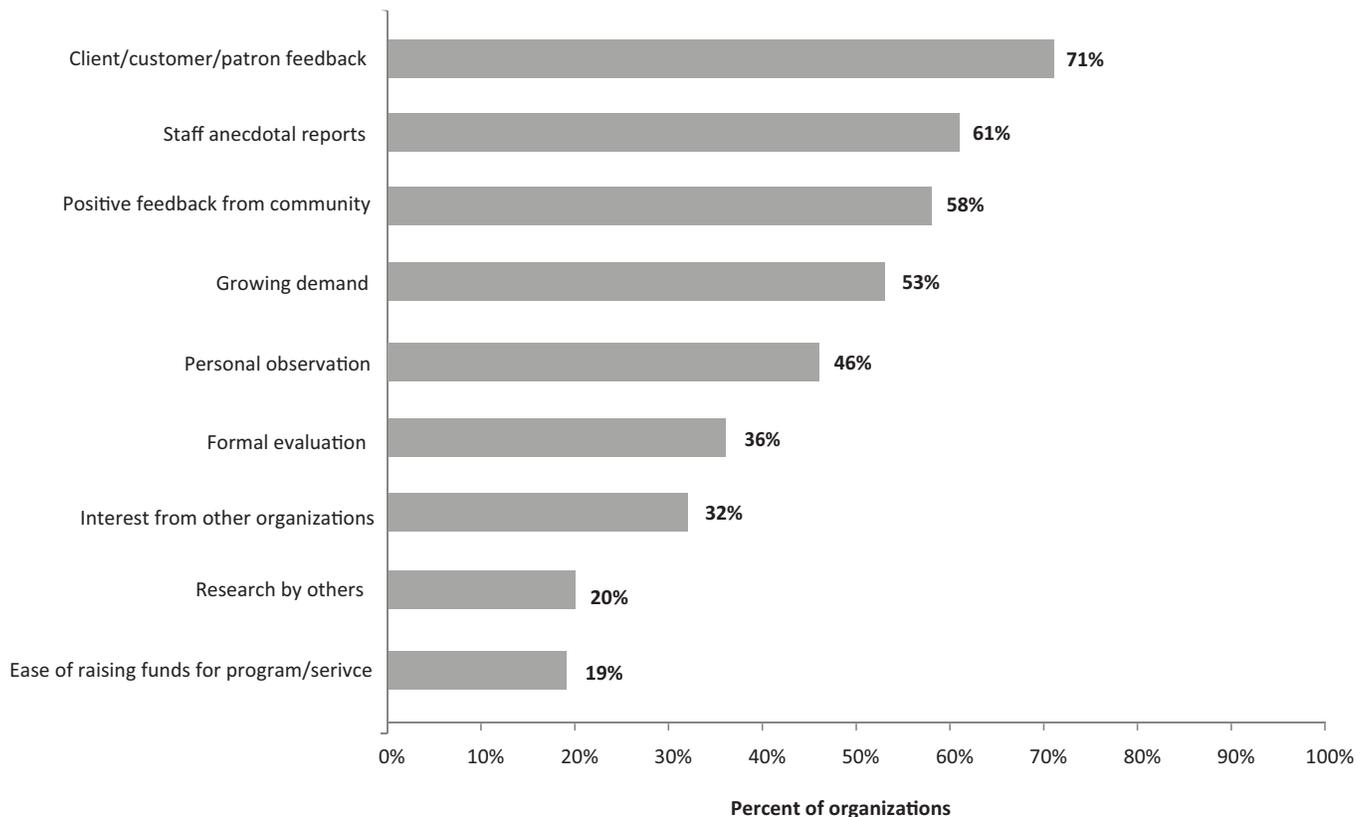
- This conclusion finds additional support in other data reported in Figure 11. What these data reveal is that while sizable proportions of organizations are using outcome measures, they are still not utilizing the kinds of techniques that assessment experts insist are needed to make such measures truly convincing. Most notably, only 7 percent of the organizations reported using “random assignment comparisons” in which the recipients of services are selected randomly and compared to a “control group” of similar individuals also selected randomly. To

be sure, such controlled experiments are too expensive to use in all circumstances and may not even be suitable. But the limited use of such techniques is an indication of the limits of performance measurement under current circumstances. So, too, is the limited take-up of “social rate of return” estimates, which calculate the long-term financial return to society from a program’s investment in its services.⁶

- Also suggesting the limits on current performance measurement practices is the evidence respondents provided on the sources they actually used to reach judgments about the effectiveness of the innovations they identified as having recently adopted. As shown in Figure 13, the most common source of such judgments, cited by over 70 percent of the organizations, was client feedback—not a

⁶ See, for example, Gary Burtless (1995), “The Case for Randomized Field Trials in Economic and Policy Research” in *The Journal of Economic Perspectives*, 9:2, pp. 63-84; and Larry L. Orr (1999), *Social Experiments: Evaluating Public Programs with Experimental Methods* (Thousand Oaks, CA: Sage Publications, Inc.).

Figure 13: Basis for gauging the success of recent innovations (n=340)



Source: Johns Hopkins Nonprofit Listening Post Project Innovation/Performance Measurement Sounding, 2010

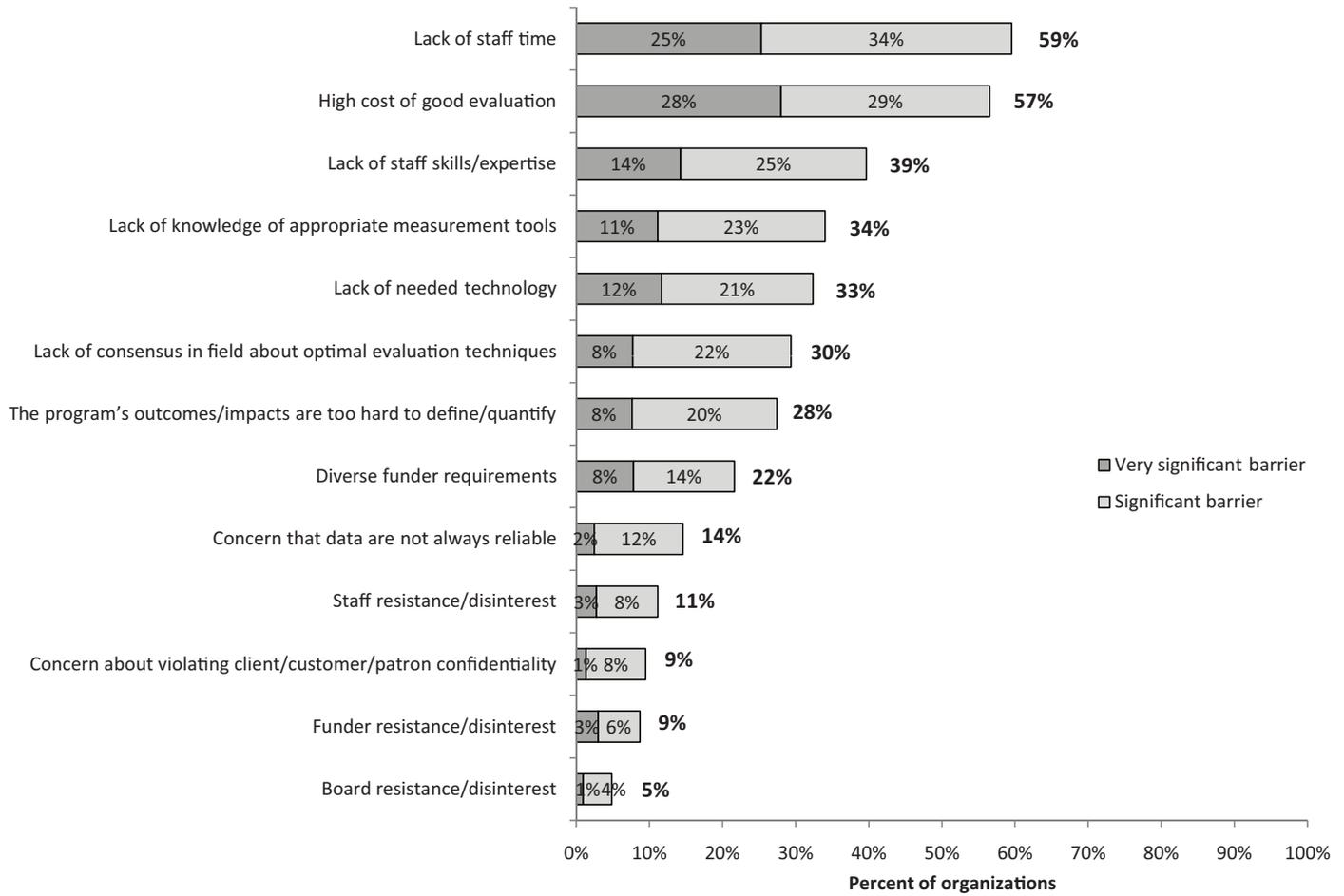
bad basis for judgment but far from conclusive about ultimate impacts. By contrast, only 36 percent of the organizations cited a formal evaluation that they had initiated or supported. In fact, far more respondents cited “anecdotal reports” from staff and “personal observation” as bases for their judgments about the effectiveness of their innovations than cited “formal evaluation.”

What, then, is impeding an even more robust embrace of sophisticated performance measurement in the nonprofit sector? Respondents to our survey offered some intriguing insights, as revealed in Figure 14:

- In the first place, on the positive side, some of the barriers that might be presumed to stand in the way of better performance measurement in the nonprofit sector did not surface as especially prominent in the minds of these executives. Included here are such factors as board or staff resistance, concerns about violating client or patron confidentiality, concerns about data reliability, or lack of suitable measures of program outcomes.

- Rather, the principal barriers appear to be resource constraints—notably, lack of staff time and expertise and the high cost associated with good evaluation.
- Typical were comments such as the following:
 - “We have specific and comprehensive goals for ideal measurement of programs, but these are severely limited by staff time and financial constraints. Unfortunately, this has a spiraling effect: in times when funding is scarce, funders grow stricter in their measurement requirements while this is precisely the time when we do not have the resources to invest in extra staff or technology to fulfill these requirements.”
 - “The better we can measure the effectiveness of our programs, the better we can improve them and the better case we can make to gain support from funders. The challenge is coming up with cost-effective means to evaluate our programs to get data that is statistically sound and programmatically relevant. Good evaluation is expensive, and requires expertise—both beyond our current resources.”

Figure 14: Barriers or challenges to measuring the effectiveness of programs/services (n=340)



Source: Johns Hopkins Nonprofit Listening Post Project Innovation/Performance Measurement Sounding, 2010

- “A key challenge is that multiple funders equals multiple interests. Certain funders want certain types of outcomes and others want other types of outcomes, so we are constantly pulled in various directions to meet funder-driven outcome requirements, thus taking up an inordinate amount of staff and financial resources to evaluate many different aspects of services.”
- While the barriers to more widespread use of performance measurement did not vary significantly by organizational size or region, they did vary somewhat by field. In particular, arts and culture organizations were considerably more likely than their counterparts in social services and community development to identify as significant challenges to more extensive performance measurement such factors as board resistance (6-13 percent vs. 1-3 percent, respectively), and concern about data reliability (17-23 percent vs. 6-13 percent, respectively).
- Interestingly, children and family agencies were more likely than their counterparts in other fields to rank as significant challenges the high cost of good evaluation (65 percent vs. 57 percent) and diverse funder requirements (37 percent vs. 22 percent).
- Moreover, elderly housing and service organizations were significantly less likely than their counterparts in other fields to perceive staff time as a barrier to performance measurement (28 percent vs. 50-63 percent, respectively). (see Appendix Table B-3 for details on barriers to measurement by field, size, and region.)

III. What Is Needed?

What, then, can be done to overcome the remaining barriers to nonprofit innovation and adoption of performance measurement? Here as well our respondents offered some useful clues, as noted in Figure 15. In particular:

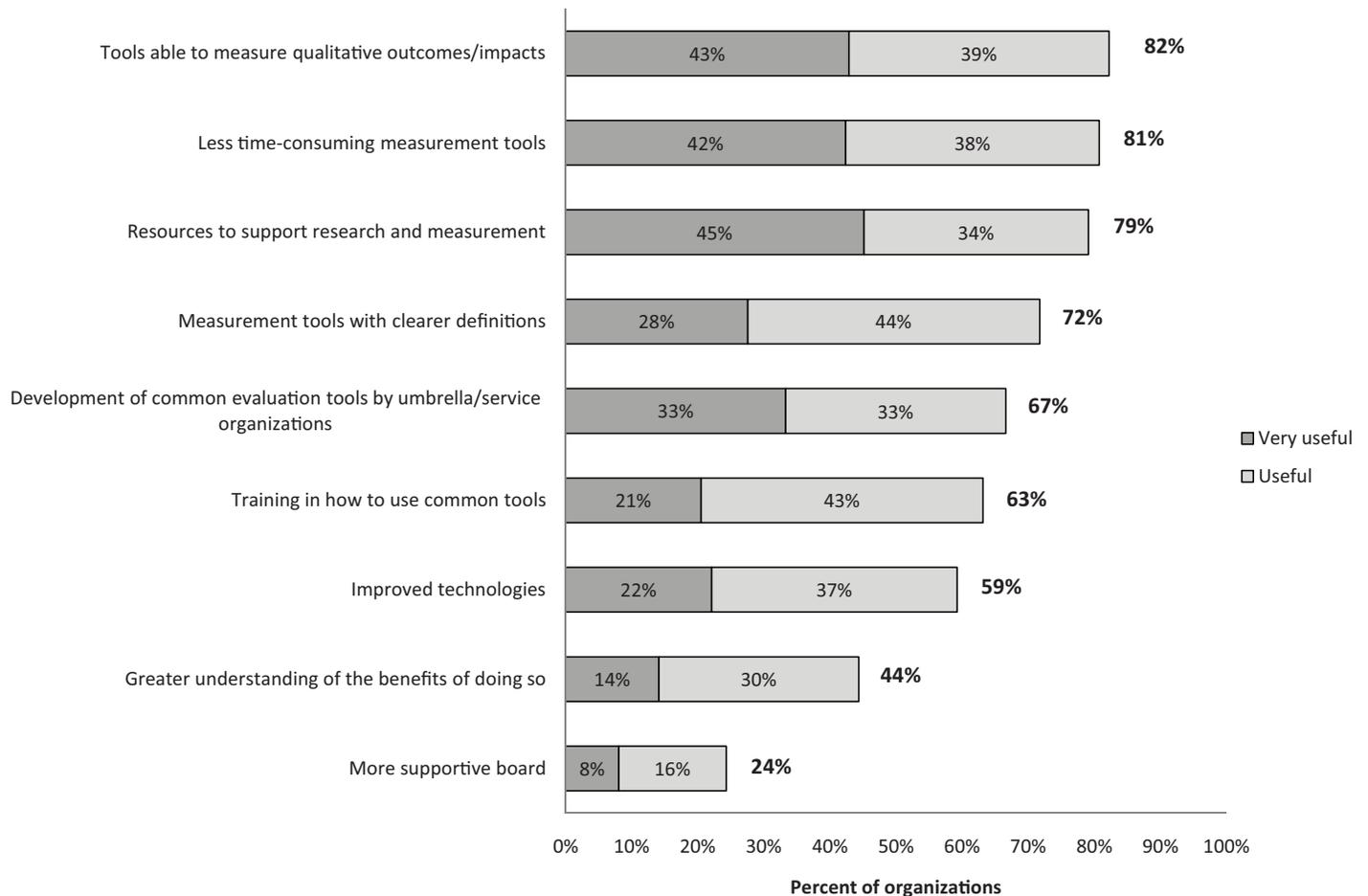
- Over 80 percent of the respondents called for better tools to measure qualitative impacts and less time-consuming measurement tools for all kinds of impacts.
- A nearly equal proportion emphasized the need for additional resources to support the measurement and research function.
- Sizable proportions of organizations also called for measurement tools with clearer definitions, greater help from their intermediary organizations in fashioning common evaluation tools, and training for personnel in how to use them.

- As one respondent lamented, “The message that evaluation is important is heard loud and clear. The message that we need help developing the methodology to do so and assistance in implementing it and paying for it is not being heard at all.”

In light of the challenges they identified with both innovation and performance measurement, respondents had a variety of suggestions to offer to the new White House Office of Social Innovation, the recently created unit in the Executive Office of the President charged to help nurture social innovation.

- Not surprisingly, roughly two-thirds (62 percent) of all responses urged action to reduce barriers to funding. Included here were burdensome reporting requirements on federal programs, lack of coordination among federal agencies and departments, the lack of long-term financial support, and the lack of funds for program evaluation.

Figure 15: Supports to improve nonprofit performance measurement (n=340)



*Data points may not equal combined total due to rounding.

Source: Johns Hopkins Nonprofit Listening Post Project Innovation/Performance Measurement Sounding, 2010

- Interestingly, while acknowledging the need to continue support for “tried and true” programs, most respondents took advantage of the opportunity to applaud the Office’s emphasis on innovation, risk-taking, or promising practices.
- Characteristic of the sentiments expressed were these:
 - “The Medicare and Medicaid programs were launched in the 1960s, and the survey tools and measures that are used today by the Federal and State governments for those programs were spawned in the 1970’s, and stayed there. Innovation can sometimes lead us toward non-conformance to today’s norms, and therefore, in the government’s viewpoint, to non-compliance.”
 - “Creative innovation happens daily in agencies and is necessary to keep social programs afloat in times of public disinterest. Refrain from wasting agency staff time by making us comply with esoteric gimmickry that becomes the method of the moment and, instead, pay attention to the innovation that is already occurring and provide the needed financial support to keep that innovation alive.”
 - “Social Innovation monies are only available to very large organizations which risks disqualifying truly innovative programs that could make serious positive impacts in a community. Starting small could likely mean better stewardship of monies as pilots would not require such a large grant to begin work. Please consider a smaller structure in which you will disperse this funding—you are missing some opportunities!”
 - “Funding for innovation needs to be done long-term: many organizations get themselves in trouble when they get a funding spike for an ‘innovative’ program, only to find that their increased overhead cannot be supported in subsequent years. Innovation funding is not just program funding: it is also capital funding.”
 - “Innovation is great, and I support it—but there is also a huge need for funding to support the proven programs (that get more expensive every year) that are part of our current operations. I think it is a dangerous practice to encourage innovation when organizations are finding it hard to sustain their core mission due to difficulty in attracting funding for basic operating costs.”
 - “Innovation can be challenging when private funders have committed to organizations based on what they know already works. Funders are mixed about whether

or not they are willing to take risks on innovation. Risk taking is a general challenge in our sector and needs to, when appropriate, be rewarded not penalized if something doesn’t work 100 percent.”

Conclusion

The spirit of innovation is thus very much alive and well in America’s nonprofit sector. Organizations continue to value innovation and to adopt innovations at an encouraging rate. What is more, nonprofit organizations seem to have bought into the importance of performance measurement and are widely utilizing a variety of performance measurement techniques.

At the same time, however, organizations are experiencing considerable frustration in balancing the urge to innovate with the reality of limited resources to scale up the innovations or carry out the performance assessments needed to demonstrate their impact and effectiveness. Given the importance of the social innovation carried out in the nation’s core nonprofit sector, and the increased demand for metrics that can demonstrate the effectiveness of these innovations, it may be time to address the resource and other challenges that our dedicated nonprofit executives are identifying in sustaining innovation and demonstrating its effectiveness. Hopefully the evidence generated here will help spur and target such action.

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APPENDIX A: PROJECT BACKGROUND AND SAMPLE INFORMATION

1) Project Background

The Listening Post Project is a collaborative undertaking of the Johns Hopkins Center for Civil Society Studies and eleven partner organizations—Alliance for Children and Families, Alliance for Nonprofit Management, American Association of Homes and Services for the Aging, American Association of Museums, Community Action Partnership, League of American Orchestras, Lutheran Services in America, Michigan Nonprofit Association, National Council of Nonprofits, the former National Congress for Community Economic Development, and United Neighborhood Centers of America. The Listening Post Project was launched in 2002 to provide more reliable and timely information on the major challenges facing U.S. nonprofit organizations and the promising approaches nonprofit managers are applying to cope with them.

2) Sampling Strategy

The project includes two national panels of grassroots nonprofit organizations on the front lines of nonprofit operation. The first is a “directed sample” of children and family service agencies, elderly housing and service organizations, community and economic development groups, museums, theaters, and orchestras recruited from the memberships of our partner organizations. The second is a “random sample” of organizations in these same basic fields selected from IRS listings of agencies or more complete listings suggested by our partner organizations where they were available. The random sample thus makes it possible to check on any possible distortion introduced by relying on the directed sample. In addition to the national samples noted above, the Listening Post Project has been developing a cross-section of state Listening Post samples. The first of these state samples, covering Michigan, has participated in the past six Soundings, since September 2008. The state sample includes organizations selected from among members of the Michigan Nonprofit Association as well as a parallel sample selected randomly from IRS listings of Michigan nonprofits in similar fields.

3) Sounding Distribution

The current Sounding was distributed to these panels on January 19, 2010 and closed on February 5, 2010. As Appendix Table A-1 demonstrates, the Sounding was

distributed to 1,140 organizations (688 “directed” and 452 “random” groups), and 417 responded. The overall response rate was 37 percent, which is considered respectable for surveys of this magnitude in this sector. Because agencies self-selected into our sample from among member agencies of national umbrella organizations in their respective fields, we do not present the results as necessarily representative of the entire nonprofit sector. However, the sample agencies are distributed broadly across the nation and reflect reasonably well the known characteristics of the organizations representing the vast bulk of the resources, if not the vast bulk of the individual organizations, in their respective fields.

	Total sample	Directed sample	Random sample
Sample	1140	688	452
Respondents	417	283	134
Response rate	37	41	30

Source: Johns Hopkins Nonprofit Listening Post Project Innovation and Performance Measurement Sounding, 2010

4) The Michigan Effect

A total of 215 surveys (to 92 “directed” and 123 “random” groups) were sent to the Michigan nonprofit organizations. Although the overall Michigan response rate was 41 percent, which is slightly higher than the response rate of the overall sample, the response rate from the directed group reached 48 percent (see Appendix Table A-2 for details on the Michigan sample). As Michigan respondents made up 23 percent of the overall sample and their actual representation in the overall population of organizations is just 3 percent, the sample was weighted to more accurately reflect the actual representation of Michigan nonprofits within the nation as a whole. Appendix Table A-3 illustrates the difference between the original sample and the weighted sample.

The analysis contained within this report uses the weighted sample as shown in Appendix Table A-3, as it provides a more accurate representation of the nonprofit sector in the nation.

Appendix Table A-2: Michigan sample, by field, size, staff size, and sample						
	Total		Directed sample		Random sample	
By field	N	%	N	%	N	%
Child & family services	34	39%	25	48%	9	25%
Community & economic development	16	18%	10	19%	6	17%
Elderly housing & services	11	13%	3	6%	8	22%
Museums	7	8%	4	8%	3	8%
Orchestras	2	2%	2	4%	0	0%
Theaters	5	6%	0	0%	5	14%
Education	6	7%	5	10%	1	3%
Other	7	8%	3	6%	4	11%
Total	88	100%	52	100%	36	100%
By size*						
<500,000	35	42%	22	44%	13	39%
500,000-3 million	30	36%	19	38%	11	33%
>3 million	18	22%	9	18%	9	27%
Total	83	100%	50	100%	33	100%
By staff size*						
1-9 FTEs**	24	45%	20	56%	4	24%
10-49 FTEs	15	28%	10	28%	5	29%
50-199 FTEs	9	17%	3	8%	6	35%
200+ FTEs	5	9%	3	8%	2	12%
Total	53	100%	36	100%	17	100%
*Size and staff size figures are not available for all organizations						
**FTE=Full time equivalent						
Source: Johns Hopkins Nonprofit Listening Post Project Innovation and Performance Measurement Sounding, 2010						

Appendix Table A-3: Innovation and performance measurement sounding sample, organization characteristics								
Type of organization	Unweighted		Weighted					
	Total sample		Total sample		Directed sample		Random sample	
By field	N	%	N	%	N	%	N	%
Child & family services	122	29%	92	27%	62	26%	30	29%
Community & economic development	54	13%	40	12%	26	11%	14	13%
Elderly housing & services	87	21%	77	23%	63	27%	14	14%
Museums	53	13%	47	14%	26	11%	20	20%
Orchestras	41	10%	39	12%	30	13%	9	9%
Theaters	21	5%	17	5%	2	1%	15	14%
Education	15	4%	10	3%	10	4%	0	0%
Other	24	6%	18	5%	17	7%	0	0%
Total	417	100%	340	100%	237	100%	102	100%
By size*								
<500,000	81	25%	50	20%	22	13%	29	34%
500,000-3million	111	34%	85	33%	51	30%	33	40%
>3million	136	41%	120	47%	99	58%	21	25%
Total	328	100%	255	100%	172	100%	83	100%
By staff size*								
1-9 FTEs**	84	34%	63	32%	33	25%	29	47%
10-49 FTEs	52	21%	39	20%	25	19%	14	22%
50-199 FTEs	49	20%	41	21%	26	20%	15	23%
200+ FTEs	59	24%	55	28%	49	37%	5	8%
Total	244	100%	197	100%	134	100%	63	100%
By region								
Michigan	88	21%	11	3%	6	3%	4	4%
Rest of the nation	329	79%	329	97%	231	97%	98	96%
Total	417	100%	340	100%	237	100%	102	100%
*Revenue and staff size are not available for all organizations								
**FTE=Full time equivalent								
Source: Johns Hopkins Nonprofit Listening Post Project Innovation and Performance Measurement Sounding, 2010								

APPENDIX B

Appendix Table B-1: Barriers to adopting an innovative program/service in the last two years, by field, size, and region

	Total	Field						Revenue			Michigan sample
		Child & family	Elderly	Comm & econ	Museum	Orchestra	Other	< 500,000	500,000-3 million	> 3 million	
n*	230	63	51	23	38	28	24	33	61	83	60
Lack of funding	86%	88%	84%	87%	87%	79%	83%	87%	85%	86%	85%
Growth capital is not available	74%	79%	62%	77%	76%	72%	75%	83%	81%	67%	73%
Government funding streams are too narrow	70%	77%	77%	74%	56%	61%	66%	68%	63%	74%	70%
Foundations encourage innovation but do not sustain support for them	69%	76%	59%	78%	54%	71%	83%	69%	73%	68%	69%
Lack of staff time	69%	71%	47%	76%	89%	65%	74%	68%	75%	64%	67%
Lack of staff skills/expertise	49%	49%	38%	45%	65%	43%	56%	53%	55%	46%	42%
Lack of needed technology	47%	33%	43%	34%	78%	42%	60%	44%	54%	39%	48%
Funder resistance/disinterest	38%	51%	35%	46%	13%	43%	35%	39%	37%	41%	42%
Not enough research/metrics demonstrating the innovation's effectiveness	28%	22%	31%	19%	24%	50%	24%	27%	25%	33%	23%
Foundations are willing to support the "tried and true" but not novel approaches	25%	28%	22%	27%	14%	22%	43%	22%	21%	24%	25%
Regulatory barriers in government programs	21%	32%	36%	18%	3%	4%	22%	23%	17%	25%	25%
Staff resistance/disinterest	14%	10%	9%	11%	13%	21%	26%	17%	11%	13%	19%
Client/customer/patron resistance	8%	8%	8%	9%	3%	18%	9%	11%	10%	7%	14%
Board resistance/disinterest	7%	8%	2%	1%	5%	25%	2%	4%	9%	8%	16%
Tax barriers	3%	2%	6%	1%	3%	0%	0%	1%	2%	4%	3%
*The N represents the average number of respondents for this series of questions as some respondents did not respond to all barriers provided.											
"Other" is composed of theaters, education, environment, non-hospital health, and disaster relief.											
Source: Johns Hopkins Nonprofit Listening Post Project Innovation and Performance Measurement Sounding, 2010											

Appendix Table B-2: Use of measurement tools by nonprofit organizations, by field, size, and region

	Total	Field						Revenue			Michigan sample
		Child & family	Elderly	Comm & econ	Museum	Orchestra	Other	< 500,000	500,000-3 million	> 3 million	
n*	289	88	69	35	31	29	36	35	73	113	76
Program output measures	95%	97%	91%	97%	90%	93%	100%	91%	97%	95%	96%
Client/customer/patron satisfaction surveys or focus groups	87%	86%	93%	85%	87%	72%	96%	81%	87%	87%	83%
Outcome measures	68%	80%	62%	84%	47%	49%	72%	60%	70%	71%	72%
Efficiency measures	59%	66%	63%	52%	56%	56%	46%	40%	60%	73%	45%
Benchmarking	51%	52%	70%	34%	50%	38%	41%	33%	45%	65%	39%
Benefit/cost ratios	35%	32%	31%	31%	34%	56%	35%	34%	39%	38%	42%
Multidimensional scorecards	20%	25%	31%	9%	16%	10%	12%	6%	17%	31%	12%
Social rate of return measures	12%	15%	10%	13%	0%	0%	28%	7%	7%	12%	12%
Random assignment comparisons	8%	13%	1%	3%	7%	0%	22%	6%	7%	9%	3%

*The N represents the average number of respondents for this series of questions as some respondents did not respond to all barriers provided.

Source: Johns Hopkins Nonprofit Listening Post Project Innovation and Performance Measurement Sounding, 2010

Appendix Table B-3: Challenges nonprofits face in their efforts to measure the effectiveness of programs/service, by field, size, and region

	Total	Field						Revenue			Michigan sample
		Child & family	Elderly	Comm & econ	Museum	Orchestra	Other	< 500,000	500,000-3 million	> 3 million	
n	340	92	77	40	47	39	45	50	85	120	88
Lack of staff time	59%	63%	28%	52%	50%	51%	51%	42%	50%	52%	52%
High cost of good evaluation	57%	65%	37%	46%	35%	38%	48%	33%	46%	48%	49%
Lack of staff skills/expertise	39%	28%	27%	37%	33%	28%	27%	29%	27%	34%	27%
Lack of knowledge of appropriate measurement tools	34%	24%	26%	27%	28%	28%	16%	24%	25%	26%	24%
Lack of needed technology	33%	36%	24%	14%	26%	31%	15%	20%	27%	32%	32%
Lack of consensus in field about optimal evaluation techniques	30%	29%	32%	20%	22%	15%	7%	18%	19%	28%	27%
The program's outcomes/impacts are too hard to define/quantify	28%	23%	17%	24%	16%	26%	19%	14%	17%	21%	21%
Diverse funder requirements	22%	37%	12%	22%	9%	13%	16%	16%	23%	20%	21%
Concern that your data are not always reliable	14%	8%	13%	6%	17%	23%	5%	13%	11%	12%	10%
Staff resistance/disinterest	11%	8%	5%	8%	9%	13%	3%	7%	6%	8%	6%
Funder resistance/disinterest	9%	12%	6%	5%	4%	5%	3%	3%	8%	8%	6%
Concern about violating client/customer/patron confidentiality	9%	6%	9%	11%	2%	13%	1%	7%	16%	3%	10%
Board resistance/disinterest	5%	1%	0%	3%	6%	13%	3%	3%	7%	2%	3%

Source: Johns Hopkins Nonprofit Listening Post Project Innovation and Performance Measurement Sounding, 2010

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