

Comparing Apples and Oranges: How to Identify High-Performing Organizations

Jeff Mason 21 September 2009

Today, more money flows into the nonprofit sector than ever before. However, the ineffective way in which we distribute these funds is preventing us from significantly moving the needle on our country's most pressing social issues. Nonprofit organizations typically secure funds via relationships, brand recognition and storytelling. As a result, funds are spread thin, and their allocation is based on information that has nothing to do with an organization's ability to improve the lives of those it serves.

The fact that organizations receive funds by excelling in activities unrelated to performance creates an incentive system that fuels the sector's ineffectiveness. To improve, we need to financially reward high-performing organizations. By doing so, we will encourage others to be high-performing — establishing a healthy capital allocation process that focuses on performance. But how do we identify the high-performing organizations that we should financially support? How can we compare

organizations with different missions and different practices?

To identify a high-performing organization we first need to clarify what it means to be “high-performing.” High-performing organizations have capable leadership, clear goals and clear objectives; they diligently collect quality data; they use this data to understand which of their efforts work and which do not; and they use this knowledge to make adjustments to their approach to continuously improve. It’s these characteristics that enable an organization to run impactful social programs. Without these organizational characteristics, intentionally achieving impact is impossible.

Achieving impact involves bringing about measurable, sustainable positive change. Impact by definition assumes causation, which can only be established via formal evaluation. As we all know, formal evaluation is time-consuming and expensive. Many very good direct service organizations simply can’t afford it. So, when looking to make an effective social investment, if we focus on determining whether an organization has high-performing characteristics then we can increase the likelihood that we are funding an organization capable of delivering an impactful program.

The high-performing characteristics mentioned previously are applicable to all types of organizations. Therefore, by focusing our social investment due diligence on

understanding whether or not an organization has high-performing characteristics, we can compare apples and oranges. We can compare organizations with different missions and different practices to determine which is organizationally more capable of running an impactful program. Additionally, focus on funding organizations with high-performing qualities will encourage others to adopt these qualities.

Many nonprofit service providers and funders understand that our current modus operandi is ineffective and inefficient. A variety of efforts such as the Alliance for Effective Social Investing (www.alleffective.org) are under way to drive more funds to high-performing nonprofits. Some members of the Alliance have created the Social Value Assessment Tool (on the alleffective.org site), which provides a set of questions that can be used to identify a high-performing organization. Charity Navigator is considering use of this tool in the next generation of its rating system, and the tool is now being tested.

Jeff Mason is Vice President of Social Solutions, a facilitator of performance management across the human service sector. In 2008 he developed and launched the Alliance for Effective Social Investing, featuring some of the most influential leaders spanning the nonprofit sector. He recruited thought leaders across the country and abroad for this group, to join forces and improve the distribution of funds to nonprofit organizations.

