

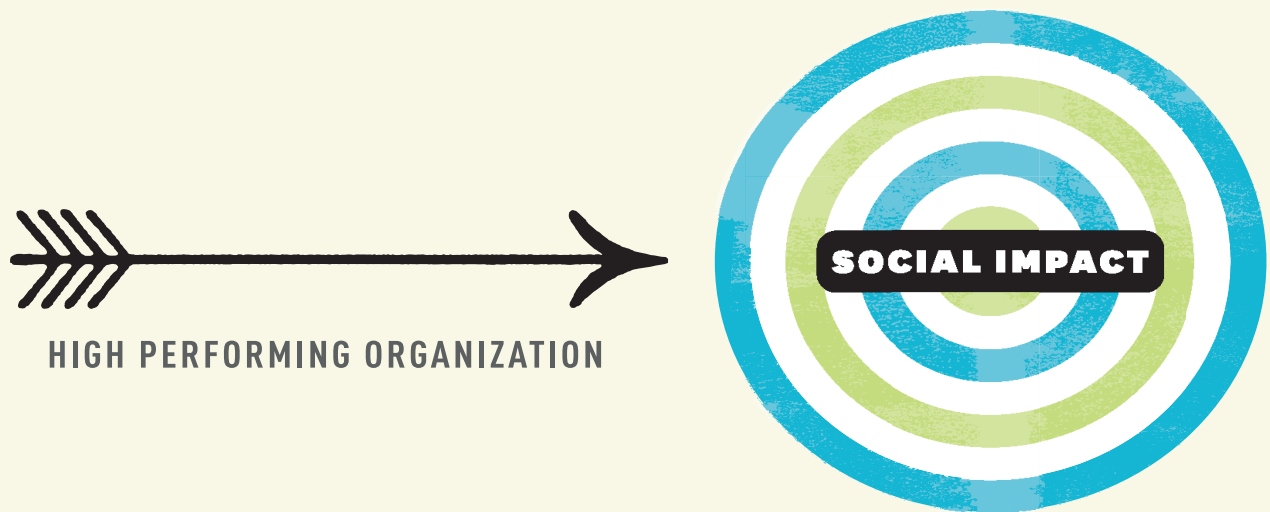


Blue Garnet's briefings pull together our best thinking, research, and experience on topics related to strategy and management in the social sector. Our aim is to provide you with actionable resources that ignite conversations and action.

Briefing

Impact Thinking: The Mindset Exceptional Organizations Share

Exceptional organizations practice a critical mindset we call “impact thinking.” It is not easy, and most will resist it or get stuck – at first. In this briefing, we explore why impact thinking can be so challenging, and examine some common misconceptions. Then, we explain how to get “unstuck” from the status quo mindset, including practical steps to take, benefits you can expect, and leading examples in the sector.



Be Exceptional.

Introduction



Lisa Watson, CEO
Downtown Women's Center

Lisa Watson, CEO of LA's Downtown Women's Center (DWC), recently led her organization through three years of unprecedented growth, increasing staff from 26 to over 60 and expanding its budget by almost 240%.

In the midst of significant change, Lisa prioritized tackling defining DWC's desired impact and to grow well. Her approach began with a key mind shift: "Before, we were thinking about inputs, outcomes, and smaller goals, but now we've taken it to the next level to measure the difference we're truly making. We know when real change has occurred." Like DWC, when it comes to measuring performance, our sector has historically focused on output at the program-level (e.g., number of meals served). But, this focus is pivoting to measure outcomes and impact at the organizational level (e.g. number of individuals who have ended the cycle of homelessness).¹

We are excited for this pivot in our sector – shifting from output to impact. Yet, it can be difficult to understand this distinction. And, leaders may likely find it difficult to invest the time to do so. Several challenges exist.

One challenge is that our system of funding focuses support on short-term, programmatic work. This system incentivizes nonprofits to focus their limited resources on short-term outputs rather than longer-term outcomes, creating an unintentional barrier to accelerated impact and demonstrated results. Hence, nonprofits are undercapitalized to make investments in realizing longer-term outcomes.

Distinguishing between program-level impact and organizational-level impact represents a second challenge. Program-level measures are important. However, it is essential to understand how individual programs work in concert within an organization to create lasting change for clients. How can funders determine when one organization is effective and another is not if impact is solely focused on individual programs? We need a shift to understand organizational performance with measures that take a systems view on impact. Organizational-level measures help to create clarity on how an

organization's capabilities, assets, and program execution work in concert to achieve success.

As a third challenge, defining the word "impact" can prove vexing. While impact has become a hot topic in recent years, it seems each organization has a different definition of what it means. For example, over half of nonprofits say they measure their long-term impact, but most are referring to programmatic impact, not organizational.² As a result, nonprofits miss the critical opportunity to understand, discuss, and share their organization's long-term impact.

Confronted with these systemic barriers, what is a nonprofit leader to do? We believe that clarifying how to think about impact is part of the solution.

To be clear, the question is not whether or not nonprofits are making a difference – DWC's community feedback strongly indicates that they do. Lisa explained that for DWC, it was about "getting everything aligned and having clarity of focus around what we truly are trying to accomplish." Nonprofits are driven by their passion to create an impact. The difference is that exceptional nonprofits continuously learn and improve by holding themselves accountable to strategically, deliberately, and effectively monitoring their performance against their intended impact.

We believe this "impact-thinking" mindset can be a catalyst to breaking free from the status quo, and is a critical first step to defining, developing and implementing meaningful measures that demonstrate your organization's impact.³

The Impact Thinking Mindset:

An organization's longer-term, holistic, and dynamic view of achieving its desired social impact. This mindset is characterized by continuous learning and accountability for results that strategically, deliberately, doggedly and effectively pursues its intended impact

Status Quo Thinking

There are many opinions about how to measure impact, but we have not heard enough discussion about how to *think* about measuring impact.⁴

Common statements we hear that reflect the prevalent status quo thinking are:

- “We’re under pressure to deliver more programs with less money, so we can’t allocate spending for this”
- “We have silos that prevent integrated measurement across programs”
- “Impact is too difficult and expensive to measure, especially since we work with underserved communities”
- “We can’t admit what we don’t know”
- “We don’t have the leisure of thinking long-term. There are immediate needs to meet.”

Common limiting practices, reinforced by structural issues and underinvested capacity, sustain this mindset:

- Mission statements that emphasize the “means” and not the “ends”
- Prevalence and focus on logic models, which do not “start with the end in mind,” are often academic and overly complex, or focused on individual programs (e.g. it is not uncommon for one organization to have multiple logic models yet still without clarity on ultimate impact)
- Dashboards focused on only parts of an organization (e.g. programs, fundraising, finance)
- Lack of organizational strategy for programs (i.e., portfolio view of programs)
- Individual program evaluations and surveys used as a proxy for overall organizational success
- Accountability standards that fall short of ultimate social change (e.g., “did you find employment for x individuals?” instead of “How do you define and monitor lasting success for those you serve, and how have you performed against that definition?”)

We understand why these limiting practices exist. After all, they are common and sometimes necessary. Swimming upstream to change and improve can be overwhelming and time-intensive. For instance, many nonprofits feel like they do not have the capacity to measure anything more than what they are required by funders to report on – information that typically does little to inform their work. When asked about measurement and evaluation efforts, most nonprofit

leaders say they feel unequipped due to lack of staff time, expertise and leadership support.⁵

As a result, organizations may not do the challenging and sometimes divisive work of deciding which measures matter most. Without clearly defined priorities, creating measures becomes a reactive or retrospective process, instead of a proactive and meaningful process that begins with the core business model.

Although it is helpful to understand why nonprofit leaders feel unequipped to evaluate their work, we believe there is more than limited staff time, expertise, and leadership support at the root of the problem. In our experience, releasing the status quo mindset is the first step to ultimately measuring and growing social impact.

“We must look beyond short-term achievements that please funders, staff, and stakeholders but yield only incremental change, and instead hold ourselves accountable for the harder-to-achieve long-term outcomes that will ultimately solve social problems.”
“When Good Is Not Good Enough,” Stanford Social Innovation Review, 2013

Notes

- (1) This shift is largely due to push from foundations and government for increased innovation and evidence, and a rise in social investing where measuring results is expected. Some trends: Social Impact Exchange developed an index of 100 scaling nonprofits with evidence-based impact; Grantmakers for Effective Organizations has 400+ members seeking to improve their ability to support effective grantee organizations
- (2) Nonprofit Finance Fund State of the Sector Survey, 2013
- (3) Impact “doing” is about translating learnings into action as a result of this mind shift
- (4) Encouraging signs do exist in sector such as Exponent Philanthropy’s “10-minute Impact Assessment”

Getting Unstuck

Impact thinking is like a muscle that must be flexed to fight against the status quo, and like working a muscle, takes work to build—likely causing some growing pains at first.

Lisa Watson of the Downtown Women's Center (DWC) says it best, *"To be honest, impact thinking can be very complex and it's not always the easiest process. You have to think about values, what's most important, and what's not; how you prioritize and the stake you want to put in the ground...but it's important for all organizations to go through."*

It takes leaders like Lisa with dogged and deep-seated determination to do this work well. Impact thinkers are problem-solvers, driven by their tenacity to continue learning and evolving. Impact thinking is about engaging in the ongoing, rigorous process of asking key questions. How does your organization define success? What does it hold itself accountable to? How does it learn and improve? These questions can be more specific at the program level, but should be the same at the highest level for impact-driven organizations.

We suggest three steps to getting your organization "unstuck" and on the path to impact thinking:

1. **Prepare mentally by learning about and framing impact thinking.** Realizing that you may be stuck in a status quo mindset is the first step. To break free, become a champion of impact thinking and change. Research and understand the difference between your ultimate "ends" and the "means" to get you there. Be prepared to answer questions about the value of impact thinking.
2. **Get the right people at the table.** As you begin this work, you will quickly realize you cannot do it alone—you need your team to be impact thinkers too. Before changing any organizational practices to align with the impact thinking mindset, identify whom to engage on this journey, and help them understand the benefits.
3. **Invest time to build your muscles.** Organizational mind shifts take time and require patience. You will need a plan to build your organization's impact-focused practices. The process should be iterative and informed by values, beliefs, and data.

As you embark down this road, allow for uncertainty, or even failure. You may start with more questions

than answers, and the information you have available on your impact may be messy. Impact thinking emphasizes the value of learning, and part of learning is about risking failure and being willing to face challenges head-on as you test, adapt, and build knowledge. Challenges, setbacks, and failures should be expected.

Theories about learning teach us that looking ahead and learning from success (and failures) as quickly as possible can become a virtuous, self-reinforcing cycle.¹ Progress can begin with these three steps, which will build the momentum you need to continue to move forward.²



Start small to build momentum and a virtuous cycle

Benefits of the Mind Shift

It may be difficult to convince your organization to focus on impact thinking. Arm yourself with an understanding of these benefits so you can advocate for necessary change. Impact thinking will help your organization to:

Get to greatness and scale. No organization achieves greatness without understanding their current reality.³ Impact thinking will help you define where you are now, enabling you to move forward.

Build critical thinking & innovation capacity. Impact-driven questions provide insight into best practices for achieving results. These questions also build capacity to innovate by focusing efforts where they matter most.

Learn how to use data to gain insight that informs decision-making. This is where performance management and continuous improvement kick in to elevate your work.

Save time and money. By continuously asking "So what?" about measurement, organizations will answer the most critical questions and minimize resources allocated to less important ones, making measurement more effective in the long run.

Align individual performance to your ultimate outcome.⁴ From Lisa Watson's perspective, being accountable to goals energizes staff: "Our new definition of success created excitement despite the fact we'd be doing something that not a lot are willing to do."

Answer questions funders and investors are asking. Such as: What does success look like for your organization? How do you monitor progress? How do you know your business model is working?

Who is Leading the Sector?

The Edna McConnell Clark Foundation, in collaboration with four leading foundations, has launched PropelNext California. This initiative helps youth-serving organizations boost their impact through funding and support to develop theories of change, performance management systems, and organizational cultures focused on learning and evaluation.

The Hewlett Foundation is refining its approach towards collecting information to improve strategy and decision-making. "Randomized controlled trials are not the only way to do it. I start with the assumption that it's about social impact; it's about outcomes. That requires having a sound theory of change. It requires that organizations and donors

Local spotlight: The Downtown Women's Center uses an Impact Formula and performance dashboard⁵ to measure and track progress at the organizational level.

Understanding DWC's Impact Formula involved thinking differently about goals. They gained insight into the true cost to deliver services and how to effectively allocate resources. "This got everyone moving on the same path and more accountable," Lisa explains, "which gave clarity to everyone about what we're trying to accomplish and where we invest resources. That clarity makes for a much stronger organization."

A core component of creating DWC's performance dashboard was developing measures that track clients' progress towards stabilization and freedom from the cycle of homelessness. "Through impact thinking we're able to measure ending the cycle of homelessness – exactly what it takes to get there, how to stay on track, and how we can be more effective. This got everyone talking about the complexity of these issues and led to ongoing discussion around what success is. If [all nonprofits] were really clear, it would have huge implications for the sector as a whole." -Lisa Watson

change their behavior based on knowledge about what works and what doesn't." -Paul Brest

The Urban Institute has done research and created tools on outcomes and measurable indicators of success. Their impact measurement framework helps to create a common language and is making progress with organizational-level questions.

The Mulago Foundation focuses on proven solutions and organizational capacity, believing that "those organizations that do measure impact perform better and evolve faster, and discussions around measuring impact almost always lead to new ideas about effectiveness and efficiency." Their specific funding criteria use five steps to determine impact and calculate "bang for donor buck."⁶

The Conrad Hilton Foundation is advancing the conversation by asking the purpose behind measurement: "It's great that we're talking about metrics and measurement, and I think we're all moving in the right direction...but I don't care how rigorous you crunch the numbers and the data, at the end of the day somebody's going to have to say, 'What does it mean?'" - Steve Hilton⁷

What is Your Opinion?

We would love to hear your thoughts on this topic. What questions do you have? Dive deeper into this content or learn more about what we do by emailing hello@bluegarnet.net.

For more insights from Blue Garnet, check out our blog at www.bluegarnet.net, and follow us on Twitter @hellobluegarnet. Stay in touch for additional resources on impact thinking and other topics related to strategy and management in the social sector.

Authors Jennifer Shen & Giselle Timmerman

Notes

- (1) Cooperrider, David & Sekerka, Leslie (2006) Toward a Theory of Positive Organizational Change, Organization Development.
- (2) Weick, Karen (1981) Small Wins: Redefining the Scale of Social Problems, American Psychologist 39: 40-49.
- (3) Jim Collins in Good to Great emphasizes disciplined thought and confronting the facts as a basic stage to achieving greatness.
- (4) Ulrich, David (1997) Measuring Human Resources: An Overview of Practice and a Prescription for Results, Human Resource Management, 36, 303-320.
- (5) The Blue Garnet Impact Formula[®] incorporates an impact statement, 3-4 strategic priorities, and 10-12 initial metrics for measuring success. The dashboard includes metrics to measure success, baselines and targets, aligned to the organization's impact statement.
- (6) <http://www.mulagofoundation.org/ideas/r/how-we-think-about-impact>
- (7) Steve Hilton at Fishbowl 2: Aspen Philanthropy Working Group