
Mission Impossible?

Measuring Success in Nonprofit Organizations

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The difficulty of measuring performance in the nonprofit sector has long been recognized. This article begins with a case study detailing how one organization, The Nature Conservancy, tackled the challenge of moving beyond measuring activity to measuring mission impact. After several false starts, the Conservancy developed a model for measuring success, divided into three broad areas: impact, activity, and capacity. The article then presents data from interviews with leaders of thirty other leading nonprofits, who reveal how their organizations measure performance in these three areas. It concludes with some lessons learned about performance measurement in the nonprofit sector.

OVER the past decade, nonprofit organizations have increasingly turned to traditional business models to improve their effectiveness and efficiency. The lessons from the private sector have proven useful to nonprofits, particularly in such areas as strategic planning, marketing, finance, information systems, and organizational development. But one key component of the business model continues to elude nonprofits: they have been unable to duplicate the crisp, straightforward way that businesses measure their performance.

For a private enterprise, measuring success is often as simple as reading a profit and loss statement. Every business collects quantitative data on such measures as profit, return on investment, and shareholder value creation, and these numbers enable them to benchmark their performance against competitors. For a mission-driven nonprofit, however, measuring “success” is far more difficult. Imagine an organization whose mission is to alleviate human suffering. How can you measure such an abstract notion? How can an organization meaningfully assess its direct contribution to such a broadly stated mission? And by whose criteria should success be measured?

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Bryson, 1995; Drucker, 1990; Forbes, 1998; Oster, 1995; Kanter and Summers, 1987). In their book on nonprofit management education, for example, O'Neill and Young (1988) begin their list of the distinctive characteristics of nonprofits with "the ambiguity of their performance criteria" (p. 3). Also, it appears that the technical difficulties of measuring complex missions, or the political difficulties of designing measurement systems that accommodate the various stakeholders in nonprofits, has dampened the level of mission measurement within the sector. The author of an exploratory study of nonprofits operating in a single county in Ohio, for instance, reports that only 14 percent of the nonprofits surveyed claimed to collect reliable measures of mission impact (Sheehan, 1996).

Despite the low level of outcome measurement in the sector in general, there are many nonprofits working to develop and institute effective mission impact measures. The Nature Conservancy has been grappling for a decade with the question of measuring progress toward our mission of conserving biodiversity. After several false starts, we have developed a model for measuring success that is divided into three broad areas: *impact, activity, and capacity*. This family of measures is best expressed as a set of questions: Are we making progress toward fulfilling our mission and meeting our goals? Are our activities achieving our programmatic objectives and implementing our strategies? and Do we have the resources—the capacity—to achieve our goals?

This article details the lessons learned from our experience in developing and implementing this family of measures, as well as some of the insights we gleaned from interviews conducted in 1998 and 1999 with leaders of thirty other nonprofit organizations that are contending with performance measurement issues.

Measures of Success at The Nature Conservancy: A Case Study

For almost five decades, The Nature Conservancy has focused on conserving biodiversity by protecting the lands and waters that rare species need to survive. Traditionally, to measure our progress against this mission, at the end of every year we added up the numbers of acres that we had acquired and calculated the value of all of the charitable donations that we had received. These two basic indicators of Conservancy activity became enshrined in our corporate culture as *bucks and acres*.

The Beauty of Bucks and Acres

The bucks and acres measures enjoyed strong organizational support and, quite frankly, made us look good. Since 1990, the Conservancy's total revenue has grown at a rate of 18 percent compounded annually, to our current total of \$576 million. Over the same period, acres protected in the United States grew from five million to more than

ten million. We felt even better when we took the time to assess the Conservancy's performance relative to other environmental groups. A decade ago, for example, the Conservancy and was roughly the same size as the three other largest environmental groups. Today, our revenues alone exceed those of the five next-largest groups combined.

From an institutional perspective, the traditional measures of bucks and acres seemed to tell a story of uninterrupted success. But in the backs of our minds there lurked a nagging question. How good are bucks and acres in terms of assessing concrete, measurable progress toward our mission of conserving biodiversity? By that standard, the Conservancy was falling short. Despite our outstanding organizational results, species extinction continued to spiral out of control; indeed, Harvard's eminent biologist E. O. Wilson estimates that the species extinction rate today parallels that of the great epidemic of extinction that wiped out the dinosaurs sixty-five million years ago. How could we claim success if achieving our mission was growing more distant every day?

Obviously, many of the factors contributing to global biodiversity loss were and are beyond our control. But even at a smaller scale, we knew that we were losing the war against species extinction. From our experience in operating the world's largest system of private nature preserves, we knew of cases of endangered species that had once lived on our lands but that had, over time, vanished from those properties. In other cases, we knew of irreplaceable natural areas forever lost to development—places we had not been able to protect. Yet our performance measures did not reflect either of these realities, both of which are more accurate—if more sobering—reflections of progress toward our mission than acres protected or dollars raised.

Winning Battles, Losing the War, and Ninety-Eight Ways of Keeping Score

By the 1990s, a number of developments combined to lend new urgency to the task of updating the Conservancy's performance measures. Most important, advances in conservation biology had compelled the Conservancy to revisit its basic approach of identifying, protecting, and managing natural areas. Instead of working to protect small parcels of land through fee acquisition, the Conservancy began to work at much larger geographic scales, with the intent of maintaining or restoring the natural processes—forces like wildfire and floods—that helped shape these ecosystems in the first place. Clearly, the old acres protected measure did little to capture the effectiveness of this new strategic direction.

While the Conservancy was grappling with the issue of trying to measure its impact on entire ecosystems, it also decided to take a look at how to improve on the old bucks measure, which had always served as a kind of placeholder for the performance of various

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Conservancy field units. Among other limitations, the old bucks measure was inherently biased toward wealthy states or toward states with charismatic, high-profile projects. The Conservancy's leadership resolved to remedy these problems with a new measures system that would enable managers to compare apples with apples during the annual performance review cycle.

It took the Conservancy a year to develop its new measures system, the centerpiece of which was a list of ninety-eight leading indicators of state program performance. These included such standard metrics as total membership, percentage of membership to total population, dollars raised, dollars raised per capita, and percentage of operating budget spent on fundraising. Others were Conservancy-specific. As a major landowner, the Conservancy incurs significant expenses each year managing its system of nature preserves. Many of these preserves have a separate dedicated endowment, and this set of measures has tracked the growth of these endowments.

Taken in isolation, each of the ninety-eight proposed measures was entirely defensible, but when the Conservancy tried to implement a pilot test of this ninety-eight-point system, it promptly collapsed under its own weight. Already stretched thin, the field staff rebelled at the laborious record-keeping involved in making the system work. Some managers complained that they now had too much information, with no way of judging which of the measures were the most important. Others argued that the system contained numerous biases against smaller, resource-poor programs.

So the Conservancy took the only possible course of action. It quietly ditched the ninety-eight measures and went back to the drawing board.

The Nature Conservancy's Family of Measures

One of the lessons of the ninety-eight-measures debacle at the Conservancy was that before we designed a new measurement system we needed to clearly define and articulate the linkages between the organization's mission, vision, goals, strategies, programs, and measures in order to narrow down the number of required indicators. By the late 1990s, the Conservancy finally found itself properly positioned to develop meaningful organization-wide performance measures. In the intervening years, the organization had redefined its conservation vision, developed measurable ten-year goals, and identified its three leading-edge strategies. For the first time in the organization's history, all the pieces of the enterprise were harnessed toward a common purpose, united by a common vision and shared goals. The time was ripe to complete the process by implementing a system of performance measures relevant to the newly aligned organization.

In the new attempt to develop a measurement system, we began by laying out some clear criteria for our measures. We agreed that

they had to be simple, easily collected, and easily communicated. We wanted the measures to be strategic—designed to encourage operating units to focus on the highest-leverage strategies. We also wanted them to be applicable across the organization at all levels so that managers could compare performance across units as well as “roll up” progress on a regional or national basis. And most of all, measures of success had to address progress toward mission: how the organization’s actions make a difference.

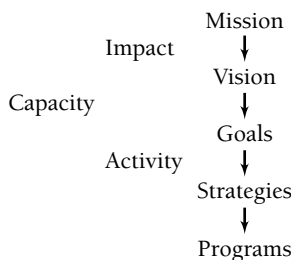
The Conservancy’s solution to this problem was to adopt a family of measures that would assess organizational performance in three main areas: impact, activity, and capacity. Impact measures would assess mission success, activity measures would focus on achieving goals and implementing strategies, and capacity measures would gauge the degree to which the organization mobilized the resources necessary to fulfill the mission. Integrated with the standard hierarchy of organization alignment, this family of measures is illustrated in Figure 1.

Conceptually, this model succeeds in meeting the goal of assessing nonprofit performance along multiple dimensions, and it also reinforces the essential linkage between mission, goals, strategies, and programs. To put some meat on this framework, the Conservancy next selected between two and four specific measurements for each measurement category, leading to a total of nine measures in all. The idea from the beginning was that the measurements would and should change to reflect differing organizational priorities. But the impact-activity-capacity family would stand as an enduring structural principle.

Not surprisingly, the Conservancy’s capacity measures proved the easiest to implement. The organization already collected information on such things as its fundraising performance, membership growth, and market share, so the new measures did not add an undue administrative burden. The activity measures, meanwhile, were drawn directly from the organization’s ten-year conservation goal and thus also proved simple to track. For example, the Conservancy has set the goal of launching six hundred landscape-scale, community-based projects by 2010; the relevant activity measure is

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Figure 1. The Family of Measures Model



the number of community-based project offices opened and the number of landscape-scale conservation plans developed.

But the most crucial measure—impact on mission—took considerably more time to refine. In the end, the Conservancy settled on two measures that it believes can serve as surrogate for mission success: biodiversity health and threat abatement. The first is straightforward enough; using existing scientific surveys as the baseline, it calls for a regular evaluation of the condition of the plants and animals the Conservancy is trying to save. The second measure builds off the first, but it features an important twist. Just measuring biodiversity health, Conservancy managers reasoned, was necessary but insufficient to assess institutional progress toward the mission, because biodiversity health is not static. A variety of threats, human and otherwise, besiege the natural world, putting plants and animals at risk. Consequently, the Conservancy selected as its second impact measure the extent to which the organization has devised strategies to abate the most critical threats to biodiversity health at a particular place.

Note that both of these measures apply only to those places where the Conservancy itself is directly engaged, with the organization squarely assuming responsibility for the conservation outcome. On the one hand, this focus minimizes the potentially distorting effects of external factors; on the other hand, it also reduces the degree to which this measure reflects progress toward the mission. Conservancy management considered this factor when developing their impact measures and determined that, in the short run, it was more practical to concentrate on the sites designated as Conservancy priorities. Eventually, the organization hopes to work with its public and private partners to measure the health of the full portfolio of natural areas that support biodiversity.

In practice, the Conservancy's impact-activity-capacity family of measures has proved very successful, meeting most of the objectives. Senior Conservancy managers report that it has been especially effective in motivating line managers; indeed, in the first year under this new system, the organization set records for all measures of conservation activity. The impact measures, meanwhile, have begun to change the behavior of locally based Conservancy staff, with a far greater emphasis on identifying "killer" threats and developing creative strategies for abating them. And the imperative of assessing biodiversity health helps keeps the organization firmly grounded in its mission.

Based on these early results, then, it seemed that the Conservancy's three-part approach met the threshold requirements for an effective system of nonprofit performance measures. Intrigued by the Conservancy's experience—and suspecting that the impact-activity-capacity approach could work regardless of an organization's mission—we decided to test this hypothesis with senior managers from other leading nonprofits.

The Family of Measures Meets the Independent Sector

In order to explore the usefulness of the impact-activity-capacity construct, we interviewed senior managers—typically the chief executives—of thirty well-known nonprofit organizations. We intentionally excluded from our sample universities, hospitals, and donor-advised funds, choosing instead to focus on traditional mission-driven nonprofits. Within this category, we selected organizations identified by other practitioners as “well-managed” or “cutting-edge” in instituting management systems. Conducted during 1998 and 1999, the interviews were held in person and lasted from a minimum of one hour to as much as half a day, with the discussion centering on but not limited to issues of measuring performance. In some cases, we interviewed the representatives of the same organization twice over the two-year period between the original draft of this article and the final product. The following organizations participated:

- American Red Cross
- American Cancer Society
- America's Second Harvest
- Girl Scouts of the USA
- Boy Scouts of America
- Goodwill Industries
- YMCA
- March of Dimes
- United Jewish Appeal
- American Lung Association
- American Heart Association
- Save the Children
- Chesapeake Bay Foundation
- National Wildlife Federation
- CARE USA
- Metropolitan Museum of Art
- American Museum of Natural History
- National Museum of Natural History
- Morgan Memorial Goodwill
- Mothers Against Drunk Driving
- Special Olympics
- City Year
- Appalachian Mountain Club
- National Trust for Historic Preservation
- World Wildlife Fund–U.S.
- World Resources Institute
- Environmental Defense
- Planned Parenthood
- International Rescue Committee
- Teach for America

Measuring Impact on Mission

None of the organizations we interviewed had solved the general question of measuring success in nonprofits, nor had any of them discovered the nonprofit analog to “profit” for a private sector enterprise. A few organizations, such as the Metropolitan Museum of Art and the National Wildlife Federation, did not even attempt to directly measure mission impact. But these organizations were very much in the minority of the group that we sampled. Far more typical was the comment of the head of strategic planning for one billion-dollar nonprofit: “We collect a lot of data, but very little information.”

Examples abound of organizations caught in a comparable quandary. The American Association of Retired Persons (AARP), with one of the largest memberships of any of the groups we interviewed, has struggled for years to determine what it calls “strategic outcomes”—measuring how its work has helped advance AARP’s mission of addressing the needs of people fifty and older. Sometimes even a clearly stated mission and excellent outcome information are not enough. Consider the American Heart Association (AHA), whose mission is reducing disability and death from cardiovascular disease and stroke. Although the government collects comprehensive data about both of these illnesses, the AHA has been unable thus far to link its activities to changes in these measures or to use them to manage performance and revise its strategy.

The more abstract the mission is, the more difficult it is to develop meaningful measures of outcome or mission impact. CARE USA exists “to affirm the dignity and worth of individuals and families living in some of the world’s poorest communities.” To measure its mission impact, CARE is developing its Index of Household Livelihood Security. This index is intended to serve as a quantitative measure of a community’s progress in terms of long-term human and social development. Included in the index are such traditional measures of social development as infant mortality, per capital income, and life expectancy, as well as a mix of nontraditional measures that are used to assess such things as local attitudes, the role of women, and environmental sustainability. CARE is still piloting this index but is already discovering that it is enormously expensive, and some of its managers are questioning how the information generated from this system would be used to change CARE’s programs or strategies. Even so, the Index of Household Livelihood Security represents a step in the direction of defining and quantifying mission success for CARE.

The most notable examples of mission impact measurement were found in Girl Scouts of the USA (GSUSA) and Boy Scouts of America (BSA), both of which are dedicated to helping young people reach their full potential as citizens. Both organizations commissioned large-scale, professional “outcome surveys” to establish that Scouting worked—that Boy Scouts and Girl Scouts did indeed turn out to be more successful and more responsible citizens than people

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who had not been Scouts. Having collected sufficient empirical data to confirm this hypothesis, the organizations then turned to increasing the numbers of children involved in their programs, especially in demographic groups that had been historically underrepresented in Scouting. Mission success for the Scouting organizations therefore is defined by how many children participate—easily tracked and easily used as a management tool to evaluate strategies and measure the performance of individuals and operating units.

But even this approach has its limitations. For instance, the assumption that Scouting “works” is relative. Former Scouts may be more successful than their non-Scout counterparts, but was Scouting the reason? Furthermore, achieving successful life outcomes is far different from reaching one’s full potential, as set forth in the BSA’s mission statement. This point is not intended as a criticism of either the BSA or the GSUSA, who have both devoted more thought to the issue of measuring nonprofit success than any of the other groups we interviewed. Rather, it illustrates the leaps of faith and reliance on surrogates of mission impact that typify the nonprofit experience with measures. Or, as the chief executive of one nonprofit remarked, “Measuring mission success is like the Holy Grail for nonprofit—much sought after, but never found.”

Measuring Capacity and Activity

Every organization we interviewed could rattle off its basic statistics for financial activity, fundraising, membership, and so forth. For some smaller organizations, attempts to measure success went no further than these kinds of financial and programmatic indicators. A case in point is the Appalachian Mountain Club (AMC), an organization of some seventy-six thousand members that is dedicated to the protection, enjoyment, and wise use of the mountains, trails, and rivers in the northeast United States. The AMC makes no systematic effort to assess progress toward its mission. Instead, the AMC focuses on five “strategic priorities,” setting annual objectives for each and measuring progress toward those objectives.

The newest and smallest group in our sample, The National Campaign to Prevent Teen Pregnancy, has set a concrete objective: to reduce teen pregnancy by one-third by 2005. But as a new organization whose strategies center on such intangibles as raising public awareness and changing social norms, the National Campaign has decided against spending a lot of effort trying to measure its impact as of yet. “In the short term, it may be more realistic to focus on [the Campaign’s] capacity, its programmatic strategy, and its specific activities,” the Campaign’s president concluded.

Some of the larger and more sophisticated organizations we interviewed had developed excellent, well-conceived measures of capacity and activity, primarily for purposes of managing performance. CARE USA, for example, has developed a set of what it calls

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“performance ratios,” which are intended as measures of operational efficiency, financial strength, program diversity, and funding risks. Every six months, CARE calculates such ratios as program expenses to total expenses, management and general expenses to total expenses, and fundraising expenses to total dollars raised. CARE managers then compare the results against a set of predetermined targets and use the resulting information to assess staff performance and modify goals and strategies as necessary.

Activity measures, as we define them, also proved to be particularly important indicators of institutional success for organizations whose missions focus on providing certain kinds of service or assistance. Big relief agencies like the American Red Cross and the International Rescue Committee, for instance, lean heavily on activity measures, such as response time to disasters, number of disaster victims served, refugees placed, and so forth. Along similar lines, MADD tracks the numbers of victims of drunk driving that it serves each year, and Goodwill Industries measures their progress toward mission by counting up the number of people entering Goodwill training programs and being placed in jobs.

Only one organization that we interviewed—the World Wildlife Fund–U.S. (WWF)—asserted that it did not collect data systematically on its capacity. “We certainly keep an eye on things like membership and fundraising,” said WWF’s president, “but we want our board and donors to focus on our conservation results.” By contrast, WWF has recently developed a sophisticated, goal-driven set of measures for its activities, with specific targets set for each of its main areas of programmatic emphasis.

The Family of Measures Depends on Measurable Goals

The most important lesson we took away from these interviews relates to the critical importance of using performance measures as a way of linking and reinforcing mission, goals, strategies, and measures. From our observations of The Nature Conservancy’s experience, our initial hypothesis was that organizations would create a set of measures to track progress toward mission, and then they would subsequently use the results of those measures to revise their strategies. But after researching how other organizations had tackled the measures conundrum, the flaw in our reasoning became evident.

The nonprofit groups that reported the most success in developing performance measures had all developed specific, actionable, and, most critical, *measurable* goals to bridge the gap between their lofty missions and their near-term operating objectives. Rather than expending inordinate effort in measuring mission, these groups have concentrated on identifying and then achieving goals that will move them in the direction of mission success—tacitly abandoning a direct

measure of success in favor of a cheaper, faster, more useful surrogate of organizational performance.

Typically framed as ten- or fifteen-year goals, these “stretch” objectives serve several purposes. Being concrete and tangible, they represent a less daunting target for staff and donors than achieving ultimate mission success for the organization. At the same time, they are challenging enough to inspire the organization’s supporters to new levels of engagement. Because of their specificity, they are excellent for assessing the performance of staff and individual operating units. Properly conceived, they help ensure that the organization remains aligned to achieve its mission over the long run. And in the shorter term, organizations have been able to use measurable goals to accomplish a wide range of programmatic ends—from public positioning to overcoming internal opposition to new management initiatives.

Two examples illustrate how measurable goals have served as effective surrogates for measures of mission success. The American Cancer Society (ACS) is dedicated to eliminating cancer as a major health problem by preventing cancer, saving lives, and diminishing suffering from cancer. It faces the dilemma common to nonprofits with extremely ambitious missions: figuring out how its work has made an impact on its mission amid a sea of other variables. In other words, how can a group like the ACS distinguish between changes in cancer rates that result directly from its actions and changes caused by broader trends in society? In the best of all possible worlds, a measure of mission impact for the ACS would answer that question.

But the ACS has steered clear of this trap. In the view of ACS management, mission success is mission success and it does not much matter which organization or agency takes or deserves credit, as long as progress gets made. What does matter, in their view, is how the ACS allocates its limited resources to the greatest possible effect, and with the luxury of good data on cancer, the ACS knows with relative assurance that prevention, screening, education, and advocacy programs are effective in reducing both the incidence of and mortality rate from cancer. Thus, over the past few years the ACS has been refocusing its effort to bolster its programs in these areas and to limit the growth of others, such as its support for cancer research. Institutionally, the key to this process has been the development and adoption of what it calls “2015 Goals.”

The 2015 Goals are simple, clear, and compelling: to achieve a 50 percent reduction in cancer mortality rates and a 25 percent reduction in overall cancer incidence rates by the year 2015. These certainly qualify as “stretch” goals for the ACS. Although cancer rates fell in 1996 for the first time on record, the rate of decline will have to accelerate sharply for the ACS to accomplish these publicly announced objectives. What’s more, they represent logical, achievable steps along the way to the organization’s long-term mission—a good example of

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how measurable goals can act as a bridge between an organization's current condition and its desired outcome. Most of all, though, the 2015 Goals have enabled the leadership at the ACS to align all the parts of a widely dispersed, independent-minded enterprise to pursue the highest-leverage strategies and programs.

"Once we got everyone to agree on the goals—and who could disagree with the goals?—everything else fell into place," reports the chief executive of the ACS. "It was immediately obvious to all of our staff that business as usual would not get the job done and that we had to be smarter about allocating our resources and more aggressive about trying new strategies. Our new emphasis on advocacy, for example, is the direct result of setting these 2015 Goals and figuring out the most effective way of achieving them. Mobilizing major public resources for cancer research makes for better leverage than raising all that money ourselves."

The 2015 Goals have had a number of other important benefits for the American Cancer Society, as well. They have provided the necessary mission-related context to allow management to consolidate the organization from fifty-two independent divisions to seventeen in only two years—an almost unprecedented accomplishment for nonprofit organizations with an affiliate structure. The adoption of these unifying, organization-wide goals also enabled management to winnow out staff members who opposed greater degrees of collaboration among operating units. And perhaps most important over the long run is the fact that the ACS intends to use these goals to help frame the public debate over tobacco legislation, public funding for cancer research, and other hot-button issues.

In contrast to the American Cancer Society, the BSA used goals primarily for measuring performance and not as a proxy for measuring mission success. As noted earlier, the BSA is convinced that Scouting works and has commissioned research to prove it. As a result, its primary measure of success is the percentage of eligible youth participating—an easily quantifiable figure and perhaps the closest thing we encountered to "profit" in the nonprofit sector. And like any well-managed business, the BSA compiles lots of data to assess how each of its thousands of operating units is doing in this most critical measure of performance.

To collect information about *density*—the percentage of eligible boys in a given area participating in Scouting—and other key performance indicators, the BSA uses a tool called the Index of Growth. Beginning with demographic data for each local BSA council or district, the Index of Growth then measures performance in twenty-three separate areas, including density figures for each BSA level (Cub Scouts, Webelos, Explorers, and so forth), total youth population per professional executive, and percentage of operating income from investments. Intended also as a goal-setting mechanism, the index includes a line for an annual objective for each of the twenty-three measurements. On a single page, therefore, the BSA is able to

capture the most relevant information about any of its local councils, and the uniformity of reporting and the universality of the measures make it easy to roll up the figures by region, by state, or nationally. The benefits of this system are clear: they show precisely how each council is doing in comparison to its peers. Councils that do not make progress toward reaching minimum standards on each measure face the risk of having their charters revoked by the national organization.

Lessons Learned

Our experience at The Nature Conservancy and our interviews with other organizations have reinforced our conviction that performance measures must be tailored to the missions and goals of individual institutions. Based on our observations, it seems clear that no generic scorecard nor any universal set of indicators will work in all cases for all nonprofits. That said, we do believe that nonprofits tackling the issue of measuring success can draw valuable lessons from the experiences of other organizations.

Lesson 1: Measuring Mission Depends on Measurable Goals

For most nonprofits, measuring mission success really is mission impossible. It is simply too difficult and too expensive to establish a direct linkage between an organization's annual efforts and the impact of those efforts on the organization's mission. To be sure, given unlimited resources, some nonprofit organizations might be able to make some headway on this question. The Nature Conservancy, for example, could conceivably collect comprehensive data on the status of biodiversity if it were willing to pay for it. But the benefits that this information would provide in terms of measuring staff performance and revising strategies simply do not justify the astronomical cost of collecting and analyzing the data.

We found that nonprofits, rather than pouring resources into measuring mission, had more luck in setting a measurable, mission-oriented goal and then assessing progress against that goal. If properly conceived and directly connected to the organization's mission, these kinds of goals can serve as acceptable surrogates for the mission when measuring performance and assessing overall institutional progress. The best of these goals, in our judgment, were those that (1) set the bar high, but not too high, (2) helped focus the organization on high-leverage strategies (3) mobilized the staff and donors, and (4) served multiple purposes, such as setting the larger public agenda about a certain issue.

Alternatively, organizations can narrow their mission statements. Goodwill Industries and America's Second Harvest, for example, have tightly focused, measurable missions and, as a consequence, they are able to collect and apply detailed information about their institutional

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progress. Both of these organizations report that the clear definition of success that appears in their mission has played a critical role in their ability to manage performance, develop new strategies, and avoid mission drift.

Lesson 2: Keep Measures Simple and Easy to Communicate

Our interviews persuaded us that the success of a system of nonprofit measures is directly proportional to its simplicity. One of the organizations in our sample, for instance, did The Nature Conservancy one better: instead of 98 separate measures, it launched a program with 169! Needless to say, the staff spent inordinate amounts of time collecting data, and managers also spent inordinate amounts of time trying to analyze it. “And the whole time we were doing that,” noted a senior executive, “we weren’t improving our programs.”

Developing measures that can be easily understood and communicated is almost as important as keeping measures simple. Measures that require little interpretation or that can be presented graphically allow staff members, donors, and key stakeholders—including the critical media audience—to see how the organization is doing. Organizations that seek to use their measures for public positioning have a greater incentive to make their measures easy to communicate, but clarity in expressing organizational progress is a worthy objective for any nonprofit.

In keeping with our injunction to keep measures simple, nonprofits should also consider the relative effort they want to place on assessing their impact, activity, and capacity. Larger, more mature organizations, for example, should probably focus much of their time on developing good surrogates for mission impact. However, smaller and newer organizations will likely want to focus on ensuring that they are building a sound foundation in such areas as membership and fundraising before trying too hard to measure impact.

Lesson 3: Measures Are Marketable

We believe that measures of success can serve as powerful marketing tools for nonprofit organizations. Although the impetus for developing measures has largely been from the professional staff at nonprofits, many of our respondents anticipate in the near term a dramatic increase in interest in this issue on the part of boards of trustees, major donors, members, and public officials. Accountability in the independent sector has been a long time coming, but a more sophisticated group of boards and major donors, particularly in the foundation world, is bringing the question of measures rapidly to the fore. Nonprofits that have adopted and implemented effective systems of performance measures will be well positioned to take advantage of this trend.

Measures can serve other marketing purposes as well. Groups such as the Chesapeake Bay Foundation and the American Cancer

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Society have used measurable goals as a way of influencing public opinion and setting the public policy agenda. Measures can also be very useful in communicating to a nonprofit's membership about the performance of the organization. To the lay public, measures impart a sense of focus and businesslike competence on the part of a nonprofit, which can be enormously comforting to donors who want to make sure that their charitable dollars are being used in the most efficient and effective manner possible.

Lesson 4: Manage with Measures

Measures are only as good as the use to which organizations put them. All the data on density for the BSA—or the excellent demographic research done by the GSUSA—would be useless if those organizations did not apply that information in making day-to-day management decisions and in setting long-term strategy.

We found that measures served two primary managerial purposes for nonprofits. First, and perhaps most important, the existence of systems of measures helps establish a culture of accountability within nonprofits. For years, the independent sector has gotten a free ride in this regard; very few donors or boards ever held management accountable for results, and on the rare occasions when they did, it took a long time to gather the necessary evidence to act. Performance measures of the type we have described here vastly simplify that process—for boards, senior managers, and program managers alike. If one of the operating units of Goodwill Industries is experiencing inexplicable declines in the numbers of people it serves, management knows about it in short order and can take corrective action. That spirit of accountability then trickles down throughout the organization.

Over the longer term, meanwhile, a unified set of goals and measures can also help align an organization, especially groups that are structured as federations. The national offices of organizations such as Goodwill, the American Cancer Society, the Boy Scouts of America, and the Girl Scouts of the USA have very limited authority over their local branches; at most, they control the use of the logo or can refuse to renew the charter of a local chapter. But by taking a leadership role in developing and then gaining organization-wide acceptance for a single goal and set of measures, these national offices can greatly increase their influence, particularly by aligning competing factions within the organization around a common purpose.

Conclusion

This final lesson underscores a critical point. An integrated system of performance measures is no substitute for a compelling mission, uplifting vision, clear goals, and innovative strategies. It would be a serious error to imagine that a nonprofit can develop effective measures in the absence of strategic alignment. Indeed, a sound system

To the lay public, measures impart a sense of focus and businesslike competence on the part of a nonprofit, which can be enormously comforting to donors who want to make sure that their charitable dollars are being used in the most efficient and effective manner possible

of measures—the impact-activity-capacity model, or some other—is strongest when it helps bind together and unify the other components of organizational strategy. In the race to develop measures, therefore, nonprofits need to ensure that they take care of first things first—and then worry about assessing progress.

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