



VISION TO VIABILITY

# OUTCOMES HAVE REPLACED GOOD INTENTIONS

Eight Essential Outcome Guidelines  
Tied to 21<sup>st</sup>-Century Nonprofit  
Sustainability

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# I traveled the Pennsylvania Turnpike between Pittsburgh and Harrisburg nearly a dozen times

in a particularly busy three-month period this past year. The rolling hills, tight curves, construction zones, and E-Z Pass tollbooths had become all too familiar. While driving home one evening long past sundown, going 65 miles per hour, I suddenly and without warning came upon a section of recently blacktopped highway. There were no painted lines — nothing to divide the lanes or to mark the outer edges of the road. For the next five miles a routine drive turned into a dangerous guessing game. In the darkness of night I had lost my reference points. Even though my headlights were on, the reference points that I was accustomed to were no longer visible. In a matter of minutes my driving paradigm had changed.

I made it through those five miles but I did so slowly, deliberately, and with a sense of uncertainty.

A recent Kresge Foundation report entitled **A Call for Action: Strengthening the Human Service Sector** pointed out:

The human services sector finds itself in an environment of profound change. The demography of our nation is being reconfigured. Technologies are being reinvented almost daily. The size and structure of governmental supports are in flux, as are governmental regulations. Our organizations face growing for-profit competition, expanded capital requirements, increasing donor expectations and, on the part of many would-be public supporters, an unsettling degree of “compassion fatigue.” Moreover, all of these trends are here to stay.

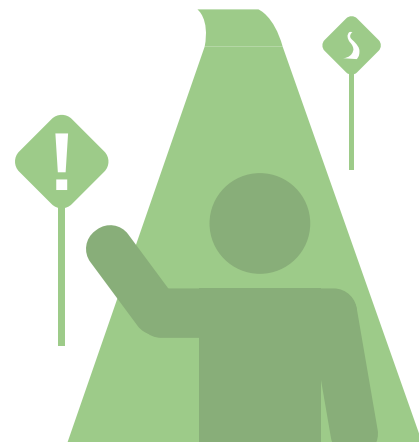
The paradigm has shifted in the nonprofit world. The lines on the highway have disappeared. Good intentions supported by the generous

accommodation of others describe a model for nonprofit sustainability that is as useless as a rotary dial telephone for online banking. Privatization, performance-based contracting, managed care, legislative mandates, and accreditation requirements are some of the forces that have erased the traditional lines in the \$1.75 trillion human services community. Competition, acquisition, consolidation, and return on investment are becoming a common part of the human services vocabulary.

In this environment of change, a new emphasis on documenting the results achieved for the dollars spent is dominating management discussions and almost every level of the service delivery ladder. Outcome measurement efforts and human services have evolved from optional to mandatory. How do nonprofit organizations compete and sustain their operations in a radically changing economic and outcomes-driven marketplace?

## CHALLENGE

Nonprofit organizations, regardless of size or mission, are confronted with increasingly significant challenges that impact their overall sustainability and effectiveness. Decreased funding is occurring at a time when needs are increasing. More need/less funds is a predicament challenging almost every aspect of the human service sector. In addition, cost justification, performance-based contracting, and the expectation to show a tangible return on the funds expended compound an already difficult nonprofit climate. No one is immune. Nonprofit sustainability requires innovative, professional, and compelling strategies that generate results equal to or greater than those promised at the time funds were obtained.



## REALITY CHECK

Is this sector-wide change the result of a temporary shift in the political climate? Is it a short-lived tweaking of the human service sector brought on by new regulatory priorities? Or is it a sea change in the way nonprofit organizations are being viewed? Without question it is a transformational change in the way the entire nonprofit sector is being assessed by funders, investors, and donors that is only going to get increasingly more demanding. The days of generous accommodation as the primary driver in funding decisions for mission-driven nonprofits are long gone. They have been replaced with higher standards of performance, the belief that there should be a measurable link between dollars spent and results obtained, and the expectation that nonprofits can document their successes in compelling ways.

Many argue that this change is long overdue and agree with the need for change but may do little to embrace change. Some will stick their heads in the sand and try to tough it out. They will make adjustments, try to economize their way into success, circle their wagons, or chase dollars from almost any source. Others recognize that this major shift will stimulate new opportunities and will reward innovative initiatives by mission-driven organizations to rethink, rebuild, and redirect their abundant energies and levels of commitment. They see it as an opportunity to become more effective in the way they deliver their services and more competitive for declining dollars, and they know that an effective outcome management strategy will be required for any effective sustainability effort.

## OUTCOMES & SUSTAINABILITY

Although sustainability strategies include many different elements and tactics depending on the type of nonprofit organization you have, an essential ingredient is a focus on and a commitment to results. An effective outcome strategy is the foundation upon which an organization is built. It encompasses all elements of the organization's structure, function, mission, expertise, finances, and value proposition for its consumers.

The principals of Ground Floor Solutions pioneered an effective approach known as outcome-based management (OBM). It has been used effectively with hundreds of nonprofit organizations over a 20-year period. Built on a continuous improvement model that views outcome information as a vital component of service delivery, OBM is designed to simultaneously provide feedback to caregivers, practitioners, and other individuals working directly with consumers to improve their effectiveness while at the same time objectively tracking and documenting measurable results that are directed toward the needs and reporting requirements of funders. It incorporates expert content that is tied to your service model with objective outcome information. It is a radical departure from the more traditional outcome approach, which is based on an after-the-fact evaluation model.

OBM accomplishes three things at once: It improves services to the consumer, does it in an objective way that satisfies funder requirements, and enables providers to maximize the effectiveness of their unique service delivery model, creating positive and rewarding results. This trio of benefits positions nonprofit organizations to more effectively compete for funding, to position their service model for replication, and to identify portions of the model that could be scaled for greater reach and subsequently more financial support.

## EIGHT ESSENTIAL GUIDELINES

OBM is based on eight fundamental concepts that create a strategic outcome management platform for your nonprofit organization:

1. Define Success
2. Declare Your Value Proposition
3. Describe Your Secret Sauce
4. Tie Outcomes to the Key Elements of Your Secret Sauce
5. Incorporate Technology to Collect and Report Targeted Information
6. Monitor Progress – Provide Feedback – Modify Approach
7. Confirm Your Unique Differentiators
8. Tell Your Story

Let's look at each step involved in building your outcome platform. These steps are listed in the sequence in which they are completed.

**1. Define Success:** The entire outcome platform is based on your organization's definition of success. Specific processes and techniques are used to create a statement that simultaneously becomes the vision for and the yardstick by which success is measured for your organization. All key stakeholders (staff, funders, consumers, etc.) declare the results they want the organization to achieve. Although consensus is sought, there may be differences of opinion regarding the results to be achieved and the priority of each result. Arguably, this task is the most important in the initial organization planning process. It will serve as the organizational compass that guides all other planning efforts. In that single statement the company has identified key elements that will drive its organizational decisions.

You and the other key stakeholders of your organization must define exactly what you mean by success. Your definition needs to reflect the highest level priorities that you have and include the financial, strategic, and operational outcomes that you want to achieve. This simple (not an overly complicated or long) statement will simultaneously guide your organization and serve as a benchmark for measuring your success.

Many organizations confuse their mission statement with a definition of success.

Mission statements usually contain lofty ideals and soft statements of commitment to principles that include being the best, excelling at everything, and supporting goals that sound good but are not measurable. Those statements are OK for marketing pieces and website home pages, but they are not inspired and well-defined statements that are used to drive all aspects of your organization and to provide measurable benchmarks to simultaneously inspire and hold employees accountable.

### A WELL-CONSTRUCTED DEFINITION OF SUCCESS INCLUDES FIVE ELEMENTS:

1. **Declare** the over-riding priority of the organization
2. **Identify** the marketplace in which the organization operates
3. **Define** the unique value proposition that the organization provides
4. **Indicate** the outcomes the organization will achieve
5. **Determine** a timeframe for achieving these results

Although the definition of success is used to motivate and to inspire, it is also a mechanism for measuring results. How well did we do? How well are we doing? In that regard, periodic review and modification of the definition of success is good, but your definition of success should not change weekly or quarterly as results are reported. It needs to stand as an established standard that is reviewed and modified as new opportunities present themselves, as major market conditions change, or as the annual organization planning calendar dictates.

**2. Declare Your Value Proposition:** Nonprofit organizational sustainability and growth are inextricably linked to a well-defined value proposition. The concept of a value proposition, however, is not traditionally associated with nonprofit organizations or the services they provide. Many people think of value proposition as an organizational concept and fail to see its essential role in nonprofit performance. Simply put, a value proposition in the nonprofit world is the implied promise of benefit that both the customer (funder) and the consumer will receive from your organization. This step focuses your attention on discovering and defining the value that you bring to your customer and to your consumer.

When completing this step, express in tangible terms the benefits that you want associated with your organization. What do you do better than anyone else? In the auto world we associate Prius with economy and green values; we tie BMW to engineering and style; and with Mercedes we think of luxury and class. In the retail world Wal-Mart is low prices, convenience, and selection. Nordstrom is high-end quality and customer service. What values are tied to your organization that both consumers and customers can depend on? The answer to this question is fundamental to financial sustainability. Who benefits most from what you do? How do you convince funders that contracting with your organization is going to generate benefits of equal or greater value than the costs? Be careful in this step to keep the consumer/customer distinction in balance. Too much emphasis on one at the expense of the other will weaken your effectiveness and overall value as an organization.

**3. Describe Your Secret Sauce:** This step challenges you to define and describe the elements (or combination of elements) of your service model that are uniquely yours. What is it about your particular approach or model that produces the results that you promise in your value proposition? In other words, produce a concise statement that describes the elements of your approach that you are convinced leads to your success. We refer to this as your **secret sauce** in the same way the ingredients that form the basis for Coca-Cola make that drink special, or the recipe for Kentucky Fried Chicken makes that food unique. What are the ingredients for your success model? Let's say that you have a very successful leadership-training model. What do you do that leads to your graduates being more effective in their field, hired more often, or consistent high-end performers? When this step is completed, you can then start to build a continuous improvement approach to collecting information that reflects back on those key ingredients. The secret sauce provides direction on how you can best achieve the competencies that you need to produce the results that are tied to your organization delivering on your value proposition.

**4. Tie Outcomes to the Key Elements of Your Secret Sauce:** This step requires that you build your outcome model around the key elements of your service approach. In other words, you define the outcomes that your service model has the ability to influence — not any more or

any less. You also tie the specific outcomes to the priorities that you have established in your definition of success. The rule of thumb should be that only actions that directly influence a behavior or outcome should be reported on. For example, let's say that your organization works with ex-offenders and that you are contracted with the Department of Corrections to achieve a 20% recidivism rate for the individuals you work with (compared with a national average of 45%). It is agreed that this reduction saves \$30,000 per year for each individual who is not re-incarcerated in addition to the benefits of reduced crime, fewer victims, and so on. Your approach suggests that gainful employment, consistent interaction with a mentor, and one-on-one counseling prevent re-incarceration. You should not be collecting data on educational performance, medical history, or other behavior unrelated to your approach or outside the purview of what you can control. This step requires that you have a definable model that a funder thinks will work and that you can define in a defensible manner.

The most significant caveat in this step involves commitments that your organization makes to obtain funds that have specific outcome expectations defined outside of your normal outcome system. Let me explain. Many times nonprofits obtain funds to prove the efficacy of their approach or their model because they have nothing to support what they believe to be true and effective. They agree to participate in research-driven agreements that are heavily weighted with data collection, data tracking, and data reporting models. Oftentimes these projects track what was done as opposed to what was accomplished. They are heavy on outputs as opposed to outcomes. Success in human services is too often measured by persons served or services provided and too rarely by results achieved. If care is not taken, the overhead incurred related to these funds can be daunting. The best option is to establish a defensible and evidence-based outcome approach that you include in any contract bid or grant request.

**5. Incorporate Technology to Collect and Report Targeted Information:** Advanced cloud-based applications take advantage of the latest smart technology and the power of broadband Internet access. These technologies should be a part of any outcome strategy used by a nonprofit organization. The cost efficiencies, ease of use, flexibility, and low maintenance make them important assets.

Data collection, management, and reporting tools need to easily produce useful information. Technologies used to manage, report, and compare information must be perceived by end users as producing direct benefits that outweigh the amount of work required to collect and enter the information. When expert knowledge directly related to the nonprofit's service model is incorporated into the outcome system, the perceived benefit to the end user increases exponentially.

#### **6. Monitor Progress – Provide Feedback – Modify**

**Approach:** Continuous improvement requires continuous feedback. Tracking progress is no longer a process tied to a calendar; it is a real-time feature tied to dynamic dashboards, alerts, reminders, and customized feedback accessible from almost any location from multiple devices.

Old-school thinking viewed progress reporting as a routine carried out at predetermined intervals. Some of the most obvious ways involved financial reporting and personnel performance feedback. The financial health of a organization was considered a vital sign that should be monitored regularly, compared against projected performance benchmarks, and used to adjust key variables such as sales, cost of goods, operating expenses, and cash flow. Personnel reviews were equally critical because they provided regular feedback to employees on their performance, including where they had been particularly successful and where they needed to improve. Both financial reporting and personnel reviews were essential but relying on feedback tied to the calendar is not only ineffective but also counterproductive.

One of the key benefits of having a strong definition of success for your organization is that it contains measurable outcomes that provide both a compass to guide your decisions as well as a yardstick to measure your progress. Technology advancements and intuitive cloud-based applications provide start-up companies with affordable access to tools that even five years ago would have been cost prohibitive and unreliable. Tracking progress provides access to valuable feedback for all aspects of your organization.

One rule of thumb for your outcome approach should include the following maxim: **Monitor the energy-to-result ratio.** For each unit of organizational energy expended, there should be an equal or greater amount of movement toward the desired results. All organizational activity is directly related to a desired outcome.

#### **7. Confirm Your Unique Differentiators:**

Nonprofits must build a competitive advantage based on solid evidence of success. This means that your service model must be defensible and show that positive outcomes are directly tied to your approach. The best way to build this case is to be able to concisely explain the unique features of your approach that distinguish your organization from others. Too often nonprofits say the following: "We cannot explain exactly what we do that makes a difference. Our approach is unique. We deal with the person holistically and it is hard to define the exact combination of supports involved in our service model." This is a complete nonstarter. You have to be able to define your secret sauce in detail. You need to know the exact combination of supports and approaches that led to your success. Your outcome platform should produce the objective evidence that clearly substantiates the unique qualities of your approach.

**8. Tell Your Story:** At the end of the day, nonprofits have one compelling task to complete as it relates to sustainability. **You have to be able to tell the story of your organization in such a way that funders, no matter what type, will be convinced to donate, hire, or invest.** The most convincing argument that your organization can make is that it produces results equal to or greater than the costs involved. The burden of proof is on your organization, however. A significant component of any outcome strategy is your plan for telling your story. In this type of communication you must convince the listener to understand your appeal. If you accomplish all eight of these steps, your organization will be well on its way to having a compelling story to tell — a major aspect of an overall financial sustainability strategy.

Contact Ground Floor Solutions for more information.

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