markets FOR GOOD

SELECTED READINGS

Making Sense of Data and Information in the Social Sector

JANUARY 2014

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EDITOR'S NOTES

Look for special content throughout our "Best of the Blog" posts:

AUTHOR'S UPDATE

Any commentaries found in orange are updates provided by each author since the original date of publication on MarketsforGood.org.

Hyperlinks are found in blue within the posts or authors' updates.

FOREWORD

The phrase "social sector information infrastructure" doesn't roll off the tongue, but the topic has captured the imagination and intellect of a wide range of people.

Since October 2012, MarketsforGood.org has served as the center of gravity for discussion of the information infrastructure. We've had more than 100 guest contributors, 200 comments, and 30,000 visitors. The discussion on the site has been possible due to the passion and shared expertise of nonprofit leaders, technologists, foundations, academics, evaluators, intermediaries, and many others.

Today, we're excited to present a retrospective collection of selected readings from the site. We start off this eBook with an introduction by Jeff Raikes, CEO of the Bill & Melinda Gates Foundation, in which he highlights the "continuing wave of efforts that will push our sector to achieve even greater impact." Following Jeff's introduction, the Markets for Good Collaboration Team recaps the first 15 months of the campaign, and how they expect Markets for Good to evolve going forward. The subsequent 17 posts and authors' updates provide a range of perspectives on the most critical data-related challenges facing the social sector, and how these challenges can be addressed. Posts were chosen for their high readership, topic diversity, and thought leadership. The authors debate new and recurring hurdles in the social sector, like capacity and capital constraints; how qualitative data, including stories and beneficiary insights, can be incorporated into data-driven decision processes; and big-, medium-, and small-data management.

We welcome your feedback on this eBook; please contribute on MarketsforGood.org, Twitter, Facebook, LinkedIn, Vimeo, and Storify.

We've been delighted by the Markets for Good discussion to date: enlightening, informative, and active. We offer thanks to the many individuals whose blog posts, online comments, and support have given us great enthusiasm for the future of the social sector information infrastructure, and we hope you enjoy this compilation.

Eric J. Henderson, Markets for Good Curator

INTRODUCTION

One year ago, I joined a terrific gathering of leaders from across the world of philanthropy, nonprofits, impact investing, and social enterprise in San Francisco to kick-off the Markets for Good web campaign. I am truly impressed—and enthusiastic—about the kinds of conversations that have taken shape over the last year.

So I'm thrilled about this eBook and appreciate the time the contributors took to revisit and update their contributions. The following pages are filled with big, bold ideas about how we can upgrade the system for sharing knowledge in the social sector. But most exciting of all, I know these conversations represent a continuing wave of efforts that will push our sector to achieve even greater impact on the most challenging problems facing society.

To live up to our biggest aspirations, we need to ensure high-quality data—qualitative and quantitative in nature—is accessible to funders and implementers alike. Throughout my career, I have seen the many ways robust feedback ensures we have a better sense of what works, makes us more accountable to our ultimate beneficiaries, and provides an opportunity for us to draw attention to and tackle problems none of us could solve alone.

This is just the beginning—but as you will see, there are some incredible opportunities ahead for us to make our sector more effective and, ultimately, make a bigger difference in the lives of those we serve.

Jeff Raikes, *CEO*
Bill & Melinda Gates Foundation

MARKETS FOR GOOD: 15 MONTHS OF LEARNING

We launched the Markets for Good web campaign in October 2012, to foster a conversation about increasing the capacity of people and organizations in the social sector to generate, share, and use information to make better decisions.

We offered an initial vision of "a social sector powered by information"—which we shared in the form of a video, a Concept Paper, and a Strategic Story—and invited reactions, feedback, and critiques via social media and comments on the MarketsforGood.org site. We aimed to serve as the "virtual water cooler" for a growing community of people—from in and outside the social sector—who are interested in smart dialogue about how to use data and information to create social change. Not wanting to reinvent the wheel, we have focused on connecting, aligning, and amplifying the good work already being done by a range of organizations.

Seeking to present diverse perspectives, we invited over 100 contributors from a wide variety of organizations to share their insights in the form of guest blog posts. We have learned so much thanks to the interest, enthusiasm, and shared expertise of nonprofit leaders, technologists, foundation representatives, academics, evaluators, intermediaries, and others. Contributors have highlighted many exciting efforts, from the Full Frame Initiative's work to re-frame how we define success and failure in community change, to Filantrofilia's rating system for Mexican nonprofits, to the Nonprofit Insurance Alliance Group's success in driving down the cost of nonprofit insurance coverage by using information to develop strong nonprofit risk profiles.

Emerging Themes

The MarketsforGood.org discussion has provided a rich view of what should be done to better enable the flow of high-quality information in the social sector. From Lucy Bernholz's opening call to action to our posts on viable business models for social-sector information players, several key themes have emerged:

- **Technology isn't enough.** One of the most consistent themes we've heard is that, while technology and digitally-generated data are important, making the best use of technology is not enough to ensure productive information use in the social sector.

- **Beneficiary insights.** This is not a new topic in the sector, and it goes by a few names including beneficiary feedback and constituent voice. Regardless of how it's known, the fact that it has emerged as a key theme in the data conversation shows the continued passion for making sure that we're collecting data from beneficiaries themselves, and using that to strengthen programming and/or to provide beneficiaries with a seat at the decision-making table. Tsitsi Masiyiwa of Zimbabwe's Higher Life Foundation shows that it's not all about using technology, but rather a deft mix of analog and tech methods to gain information relevant to the mission. For a
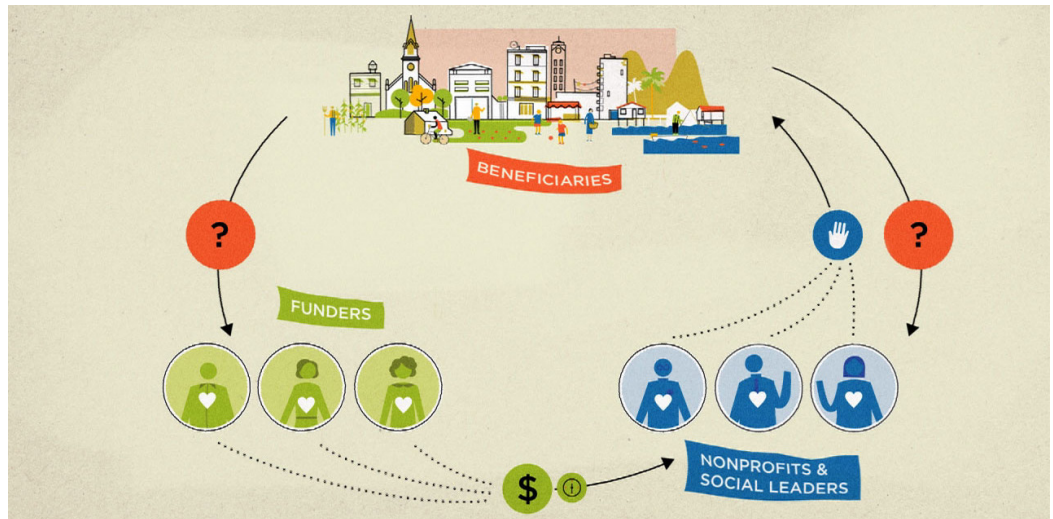
synopsis on the topic and supporting context, please see this summary on Storify or click "Beneficiary Insights" in our homepage theme listing.

- **Capacity constraints.** The social sector is still working out how to best acquire quality data and use it consistently and productively. In one of our most read posts, Laura Quinn, founder of Idealware, asserts, "We all need to understand that if we as a social sector lean on nonprofits to provide data they simply don't have the infrastructure to provide, what we'll get is not better data—in fact, we may get data that's worse." To turn this around, one of the many things that we need to do is to build in-house analytics skills. Beth Kanter's early post has continued to resonate, as she argues that the talent within the sector must include those with data skills.

- **Big data I: small data.** Amid the growing hype surrounding big data, we couldn't ignore this ubiquitous topic and how it applies to the social sector. In our "Big Data" theme, we learned that, once we deaden the hype, it's more likely "small" and "medium" data that has the most potential for use in foundations and nonprofits. An important first step is to start with the data we have: understand it, collect it in reliable and responsible ways, and analyze it properly. Taken together, this means there are multiple relevant uses for data in the social sector, and the data doesn't have to be "big." Jonathan Koomey of Stanford University grounded the big data conversation in principles on how to handle and approach data of any size.

- **Big data II: truly big data.** However, big data has plenty of applications in the social sector, and we're just beginning to understand its power. In his Markets for Good video, Robert Kirkpatrick explains how UN Global Pulse's work demonstrates that predictive analytics are feasible for the social sector, as one example of big data's use.

- **Long-term strategies.** We've hosted much discussion of what will be required to enhance social impact through deeper use of information and technology. Elizabeth Boris, director of the Center on Nonprofits and Philanthropy, makes the case that "the payoff for the nonprofit sector will require collaboration, persistence, advocacy, and patience—in addition to technology." Across our posts, we hear that the social sector must match complex problems with collaborative, long-term strategies and approaches.

- **Capital constraints.** Finally, we're hearing about continued challenges in using information to attract capital—alongside some striking examples of where information has helped to reduce market inefficiencies. Like many others, Daniel Stid reiterates the importance of the social sector's information infrastructure, while gently reminding us that information alone does not drive donors' giving decisions. Melinda Tuan, in a separate post on evaluation, notes, "The fundamental problem underlying these capacity constraints is how capital flows in the nonprofit sector." One barrier to the flow of capital is grantmakers' and investors' desire to see impact before they invest. Steve Wright counters this argument, "If investors are waiting for evidence of impact before they fund, then they are either very conservative or poorly motivated investors."

Why "Markets for Good"?

As a society, we have robust private markets for goods and services (think of Amazon). And we have robust private markets for gain (think of the stock market). These markets successfully connect buyers and sellers, in part, due to an alignment of incentives, effective feedback loops, and an information ecosystem that equips market participants with the knowledge they need to make decisions. Of course, these markets are not perfect; "market failures" are part of the reason why the work of the people and organizations in the social sector is so critical to a thriving society. But those people and organizations require capital to do their work. And the effective and efficient flow of capital requires, among other things, the flow of information. We choose "Markets for Good" as a way of framing our efforts to make the work of the social sector more effective because we want to imagine how we can use the best aspects of market dynamics—feedback loops, structured data and information, and common metrics—to increase the social sector's capacity for impact.

Ultimately, for there to be vibrant and successful Markets for Good—for us to ensure that the most effective and responsive organizations that are having the greatest impact have the capital they need to do their work—we will need to disrupt much of how philanthropy and development have historically been practiced. We will have to better listen to constituent voice and incorporate feedback into the very design of programs. We will need to invest in the capacity of organizations, so that they have the talent, resources, and tools necessary to succeed. And we will have to change the behavior of funders of all sizes, so that they are more open, collaborative, and responsive. All of this requires an ecosystem of information, empowering people to make better decisions.

Beyond the Online Conversation

The Markets for Good web campaign has been in complement to on-going, offline collaborations and periodic meetings of the Markets for Good collective. This collective is made up of a set of online giving marketplaces, nonprofit information providers, evaluators, philanthropic advisors, volunteer connection platforms, and other organizations that are focused on strengthening the global philanthropic ecosystem.

In addition, we have supported several key initiatives, including the Gates and Liquidnet Interoperability Grand Challenge, the BRIDGE project, the Reporting Commitment,

Money for Good UK, and the Aspen Institute's work in opening the Form 990. Each of these initiatives is explicitly targeted at increasing the supply of data or strengthening the social sector's "information infrastructure," the system by which we share and use information.

The Way Forward

We look forward to continuing to host a rich discussion on MarketsforGood.org and social media while we continue to engage in various offline efforts. Our aim is for a more effective practice of philanthropy and for a social sector capable of addressing the challenges of our day. We look forward to your continued energy and engagement as we seek for the "work of good" to work better than ever before.

The Markets for Good Collaboration Team
Lindsay Louie, *William and Flora Hewlett Foundation*
Darin McKeever and Victoria Vrana, *Bill & Melinda Gates Foundation*
Brian Walsh, *Liquidnet*

SELECTED READINGS

IN SEARCH OF BETTER DATA ABOUT NONPROFITS' PROGRAMS

Originally published on: 29 April 2013

Laura Quinn
Executive Director and Founder, Idealware

What are we really asking for when we require nonprofits to produce data on performance, effectiveness, and impact? While on the surface the logic is clear—we want to know this information—the full context and set of assumptions surrounding the request needs closer examination. Laura Quinn reveals the barriers to generating good data and, further, calls out a few ways that the sector can and should support requests for more and better data.

Few would dispute that there is a lack of transparency in the nonprofit sector, but the blame for that transparency falls all too often—and far too easily—on nonprofits themselves. This refrain goes, "If only they would collect better data and better show their impact, it would be clear to funders and donors where to best spend their money." While this type of thinking is hard to refute in theory, in practice it's almost impossible to live up to.

To illustrate, let's play through a hypothetical scenario: let's say you're the data and program evaluation manager for a mid-sized human service nonprofit that provides counseling to victims of domestic violence in the large city of Springfield, with about 35 social workers in the field. It's your job to help oversee the data systems, analyze data to identify how programs are going and how to improve them, report to funders and foundations on what they want to know, and to think strategically about how you're measuring and evaluating in general.

With all the recent interest in data and measurement, you have substantial buy-in from your executive team to try to think strategically about how you can best use data—after all, they hired you, and the very existence of your position speaks to their commitment. You also have the luxury of solid data systems that allow staff to enter data from any browser and see case data for their own clients, and that let you pull high-level numbers and reports on a number of important metrics.

Sounds like you're in good shape, right? Compared to a lot of nonprofits, you are—but you still have a lot to juggle. What are your biggest headaches likely to be?

- **Data quality.** Your social workers are generally on board with the idea of systematically entering data, but they're already overworked and underpaid—should they stop to enter data if it means putting a woman's life at risk? Entering data sometimes falls off the bottom of their critical priorities list, leaving the data out-of-date. You're thinking through options: would giving them mobile devices to enter data from the field help—and can you find funding for that? How about simply being stricter about data being part of their job—would that help, or would it damage morale for critical client-facing staff? What about trying to find the budget to hire someone just to help with the data entry? There are no easy solutions.

- **Providing data to funders.** Let's say your organization receives funding from two different state programs and three foundations, which is not at all unusual. There's no standard set of metrics, so each foundation asks for its own, often requesting similar metrics with meaningful differences in definitions—so, for instance, one asks for detailed data on children vs. adults served and defines children as under 16, while another asks for similar data but defines children as dependents living in a parent's household. What's more, two funders ask for client-level data so they can do their own analysis. For one, you can download the appropriate data from your system and upload it to their system, but the other won't accept an upload, so you need to one at a time copy and paste from your database all the data about the constituents you've served under their grant, field by field. (This may sound agonizing, but it's not rare. A number of funders—especially government entities—require detailed data but don't accept any form of upload or automatic data transfer, apparently expecting that nonprofits will not have any data systems of their own.)

- **Meeting changing data requirements.** It's complicated enough providing all the metrics funders want, but every year about a third of your funders change their data requirements. What's more, you're not likely to be reporting to all your funders at the same time each year, so several times per year you'll need to update your reports, your processes, and maybe even your systems to account for new requirements.

- **Defining how best to measure for improvement.** A huge part of your job is making sure you have the right data to report to funders, but is that data actually useful to your organization? Does it help you understand what's working and improve what isn't? At best, funders are likely asking for a lot of disparate data, requiring some strategy to figure out how best to use it to improve your own programs. More likely, some of what would be truly useful to internal improvement requires additional reporting and analysis, so you need to make time to work with executive management to define precisely what should be measured and how, and to make that happen.

- **Trying to measure impact.** These days, everyone wants information on actual impact. Many people will tell you it's not enough to know how many people you're serving or what happened to them after you served them—it's also critical to understand the long-term impact of your services on the community. There's just one problem: this type of measurement generally requires extensive, university-level research—often with control groups, enormous budgets, and large spans of time. If someone had already done research relevant to your services, you could use that to define your impact based on more easily gathered data, but unfortunately, nothing exists. (In fact, it's rare to be working in a program area where this kind of research does exist.) Funders don't seem interested in funding this type of research for the good of all the organizations doing this type of work, but seem to expect your organization to be able to produce it on your own with your very limited data and evaluation budget.

- **Fending off bad research.** With so many demands for data that isn't really "knowable," it's tempting to take on research projects that might appear to address them but don't provide any real value to your organization. Which means you spend a lot of time trying to dissuade the powers-that-be from taking on foolish research projects that can't possibly provide useful data on your limited budget.

- **Proving your value.** Even as you think through all this, you're often called upon to prove that the money the funders are spending on you makes sense—after all, your salary isn't directly going to help the enormous amount of women who need help, and who's to say all your work isn't just a waste of money? You're asked on a monthly basis to show how you're saving the organization money or helping with fundraising, and there's always the lurking danger that the executive team will no longer prioritize data and evaluation and you'll be out of work.

Not an easy job, right? Some might say it's nearly impossible.

But for many, if not most, small to mid-sized nonprofits, the reality is even worse. Remember, this example assumed that you had the money and buy-in to get up and running with solid data systems, which is probably not an accurate assumption for the vast majority of nonprofits. It also assumed that there was actually a person in the organization able to put any strategic thought to using data effectively on top of all things needed just to keep the doors open—again, not a likely assumption.

The point of this hypothetical exercise is, primarily, to show that we can't assume nonprofits have the resources to provide high-quality data about their own effectiveness. While that might seem like an easy and obvious thing for them to be able to do, it's not—not in the least.

How do we get them to a point where that's possible? It would take more than just a little training or a second look at their priorities. They'd need sizable investments in a number of areas. They'd need help with technology, and to understand how to best make use of data and metrics on a limited budget. They'd need a rationalized set of metrics and indicators that they're expected to report on, standardized as much as possible per sector with a standard way to provide them to those who need them.

Funders need to understand what is and isn't feasible, and to redirect the focus of their desire for community-impact evaluations from small nonprofits to the university and research world so the nonprofits they support can be unencumbered to work toward a better world.

We all need to understand that if we as a sector lean on nonprofits to provide data they simply don't have the infrastructure to provide, what we'll get is not better data— in fact, we may get data that's worse. Organizations pushed to provide impact data to get funding will provide something, but it's not likely to be the high-quality data or strategic metrics that would actually help them improve, or that would help the sector learn anything about the effectiveness of the services they provide.

These organizations rely on funders to help them meet their missions, but sometimes the burdens put on them by the reporting requirements that come with that funding can make it more difficult for them to carry out their work.

AUTHOR'S UPDATE

Since the publication of this blog post, the problem of blaming nonprofits for lack of transparency has only gotten worse, with a substantial amount of conversation about "effective" and "data-based" philanthropy. It's hard to argue the premise that donors and foundations should try to give money to those nonprofits most likely to be able to use it effectively. The weak link in this chain of logic is the assumption that the burden should be on the nonprofits to show their own effectiveness.

This assumption isn't a sound one for several reasons:

- *As discussed in depth in this post, most nonprofits simply aren't staffed to do credible research on their own effectiveness. Large research projects are likely to be a distraction from the program work they do best.*

- *Nonprofits certainly aren't staffed or well-placed to do comparative research into how well the methods they employ work compared to the methods employed by other organizations.*

- *Even if nonprofits were staffed to do this kind of comparative research, they are not unbiased. Each nonprofit is clearly and obviously incented to show the effectiveness of its own work in comparison to others'.*

What does this mean? Who could staff large research projects for unbiased comparative studies? An obvious answer is foundations, or research firms commissioned by them. I think this is the clear answer to the conundrum we're facing as a sector. If foundations want the data to be able to compare the effectiveness of different kinds of programs, they need to fund that research specifically rather than hoping it will fall out of nonprofits' work organically. And then the job of nonprofits should be only to show that they're well qualified to implement a particular kind of program, and not the validity of that kind of program itself.
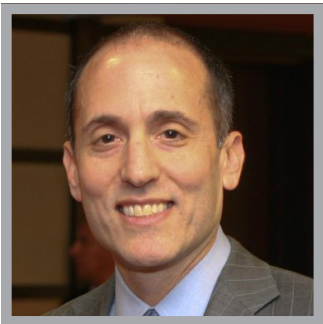
Ben Hecht
President and CEO,
Living Cities

3 REASONS WHY OPEN DATA WILL CHANGE THE WORLD: A REAL-TIME VIEW

Originally published on: 19 February 2013

Today, the social, private, and public sectors are all demanding high-quality data in their practices. Ben Hecht asks if we can use data to overcome outdated social solutions and suggests ways we can continue to make meaningful progress through data-driven government and citizen initiatives.

We have propelled ourselves into a new hyper-connected era full of both boundless promise and unforeseen consequences. The same technologies that link the world in crises, such as the Great Recession, are also producing a wealth of data that can help us solve problems in ways previously unimaginable. From social media and the data beaming out from our mobile devices to sensors that measure and track traffic patterns, pollution, consumer habits, and more; we have access to more information than ever about the world and its inhabitants.

AUTHOR'S UPDATE

At Living Cities, we see extraordinary promise in marrying the emerging civic technology and data movement with leading systems-change initiatives to bring about faster, deeper, and broader results. We are working with leaders in the Civic Tech movement such as Code for America to understand what this might look like, and how to get there. Recently, I wrote a blog with Code for America's Abhi Nemani on this topic.

Can this data help us to address our seemingly intractable social and economic challenges and the complexity resulting from the interdependence of local, national, and global systems? Can we use data to overcome outdated ways of tackling issues such as poverty and inequality that have not adapted to today's realities?

Early indications tell us that the answer is yes; however it will require an unprecedented commitment to opening up data from many sources, especially government. While government has always been the biggest generator, collector, and user of data; it has yet to put this data to work in a way that is commensurate with its immense potential to move the needle on poverty, inequality, disease, and environmental degradation. This is starting to shift as the emergent movement in government to put open data to work, often referred to as civic tech, has governments and organizations everywhere publishing and harnessing more of their information than ever before. Here are three reasons why the use of open data will change the world.

1. It is Revolutionizing the Relationship between Citizen and Government

The future of decision making is all about data. Today, all levels of government, from small cities to the White House, are sharing, communicating, and co-producing with citizens in new ways. These are all steps towards Government 2.0—a fundamental change in the relationship between government and citizen, making information and

services more broadly available and replacing the expertise of bureaucracy with that of the citizen.

By opening up information historically kept under lock and key, the public sector is making a commitment to transparency, which is extremely important in a democracy where citizens should know both what a government is doing and how they are doing it. Information about school test scores and crime reports increase understanding of how education and law enforcement policies are working. This can help people to make more informed personal decisions in a data economy—about what neighborhood they choose to move to, whom to vote for in the next election, and myriad other life events.

As people have become accustomed to the user-centric experiences of commercial online platforms, from Facebook to Amazon, it is no surprise that many are advocating for the idea of 'government as platform'—a democratization of the exchange of information and services.

This model has 'self-service' elements that streamline engagement and make it more cost-effective. Cities, such as Boston, are empowering residents to be their 'eyes and ears' by enabling people to report potholes and graffiti via text message, Twitter, or through a mobile app that detects potholes without the user having to do anything at all. And, New York's comprehensive 311 platform has become the nerve center for this new relationship. 311 enables residents to efficiently connect with city agencies, receive information, file complaints, and resolve issues. Where people might previously have had to make 10 calls or more before reaching the appropriate agency, now 85% of 311 customers have their inquiry resolved over one call. In addition, analysis of 311 call patterns allows the City to respond proactively to issues, such as dispatching extra workers to fix roads, to appropriately concentrate resources, and to get a clear picture of city agency performance measures.

2. It is Driving Innovation for Economic and Public Good

Beyond transparency and civic participation, the power of open data is that it can fuel unexpected commercial and public benefit. The U.S. National Weather Service provides a great example of the impact of broadly sharing public information in real-time, and in easily readable formats. Think how government weather data has long been used by countless websites, app developers, and media outlets. These uses are estimated to create annual economic value of $10 billion.

Now, the boom in smartphones and apps further elevates this potential. At the federal level, the U.S. Department of Health and Human Services has partnered with the nonprofit Institute of Government to launch the Health Data Initiative (HDI). HDI encourages innovators to develop applications using health data to raise awareness of health issues and systems performance, and spark community action. Popular apps that have been built off open health data include Castlight Health that works like the popular travel site Kayak to compare healthcare costs at different facilities, taking your insurance coverage into account. And, innovative mayors, such as New York's Mayor Bloomberg are launching contests to create apps that use city data to improve city life. Code for America provides a forum for accelerating promising local approaches,

tracking 669 apps in 278 cities. From real-time transit schedules, to online restaurant sanitation reports, to parking locator tools; data, in the hands of tech-savvy citizens and organizations, is already working to improve quality of life around the world.

As more data is accessed, analyzed, and repackaged in useful forms, we will continue to see increasing levels of public-private collaboration and innovation in the future. But, in order for the open data movement to reach its transformative potential, it must dream even bigger—moving innovation from the periphery of how government operates (transactional issues) to addressing systemic issues.

3. It is Harnessing Predictive Possibilities

In terms of tackling wicked problems, many experts believe that real-time data analysis and enhanced pattern recognition will be the most revolutionary force of all. In addition to the wealth of government data, most private sector companies have a real-time data warehouse where they store and analyze huge amounts of useful data on the economy.

And, it will most likely not be long before data philanthropy—private sector 'donating' data to the public sector—takes hold. All of this data will combine to open up innumerable predictive possibilities.

Although we are just beginning to understand the range of problems that predictive data analytics can address, diverse fields such as health care, economic development, and education are paying attention and beginning to identify ways that it can change lives while also saving dollars.

Already, Google searches are being analyzed to predict flu outbreaks. And, crime analysis is enabling police departments to deploy officers to places where crimes are likely to take place—before they take place. Data analytics is also being used effectively to determine which students might be at risk of failing or dropping out of school a decade or more from now. These advances enable governments to be more nimble and responsive, and potentially to prevent negative outcomes altogether. It is not difficult to imagine that, soon, analytics of private-sector data will help governments to create more informed and proactive fiscal policy, and to foresee and prepare for extreme weather events.

There is no doubt that we are living in an increasingly complex world. But, now, as Rick Smolan says, data has given the world a nervous system; enabling us to collect, analyze, triangulate, and visualize vast amounts of data in real time. This could help us to build "humanity's dashboard"—a powerful tool that can fight poverty, crime, and disease.

Open data alone cannot fundamentally change the relationship between government and citizen, drive the next economy, or predict the future. But, as it becomes increasingly available, it is fair to expect people to use it to do so.

As leaders and organizations are acknowledging that even their best individual efforts can't stack up against today's complex and interconnected problems, they are putting aside self-interests and collaborating to build a new civic infrastructure to advance their shared objectives. It's called collective impact and it's a growing trend across the country. Collaboration really is the new competition. And, data-driven decision making is a key element of that movement.

This article highlights sources of information that can help interpret urban policies and compare them against other efforts around the country—accelerating innovation.

UN Global Pulse is an example of an effort aimed at advancing this vision as it was founded with the realization that the same data, tools, and analytics that power business can help speed up the public sector's ability to understand where people are losing the fight against hunger, poverty, and disease, and to plan or evaluate a response.

DAILY DOSES: HOW CONTINUOUS FLOWS OF DATA CAN SHARPEN YOUR WORK

Originally published on: 04 September 2013

Bridget Laird
CEO, WINGS

Conversations on nonprofit information usually branch out quickly to talk about impact. But what about the process to achieve impact? Performance measurement along the route? Less common is the talk of what the steps are that lead up to impact on a real-time and day-to-day basis. Bridget Laird discusses which data to track, why, and what to do about those metrics—daily—which is how we gain a clear line of sight into what delivering on a mission really looks like.

AUTHOR'S UPDATE

Before we had proof of WINGS' effectiveness, we knew we were getting results. The WINGS program was filled with smiling kids and engaged college-aged staff members; teachers and parents told us of better grades, improved behavior, and increased social skills. Our community learned about the daily work of WINGS through positive press, and we were feeling good! The University of South Carolina conducted informal research on our program and, in our eyes, made the case for WINGS to grow. In 2006, WINGS expanded into eight existing after school programs in two new regions in just one year. We shared our curriculum and conducted several staff trainings, monitoring the program from afar. How would we measure success in our new programs? Well, we had no idea—we didn't have a single metric. Our new programs failed and we quickly scaled back, determined to learn from our mistakes and prepare to grow effectively—without compromising quality.

Although results-driven since our beginning, WINGS gained new focus after developing a clear Theory of Change and clarifying precisely what factors and efforts were driving our educational outcomes. Detailed, easy-to-access records allow managers to monitor whether the program is being implemented with fidelity. Real-time feedback provides powerful motivation for our staff in aligning efforts with outcomes.

But by far the most significant gain is that this continuous flow of data provides us with valuable lessons in how to improve our program model for maximum effectiveness.

WINGS is an education program that teaches kids how to behave well, make good decisions, and build healthy relationships. We do this by weaving a comprehensive social and emotional learning curriculum into a fresh and fun after-school program. Founded in 1996, we currently serve over 700 low-income students in South Carolina and Georgia and recently received a $2.5 million grant from the Edna McConnell Clark Foundation through the Social Innovation Fund to replicate even further.

Because we are dedicated to analyzing the scientific effectiveness of our program, WINGS is currently undergoing a four-year randomized-control trial conducted by the University of Virginia.

However, as we await results from this trial, it is imperative that we focus on monitoring daily internal data. Every WINGS program relies on a performance-management system to track the progress of individual students toward the desired educational outcomes enumerated in our Theory of Change. That Theory states that kids who receive a comprehensive social and emotional education for 15 hours a week within an after-school program for two years or more will develop high social and emotional skills, and utilize those skills in everyday life. They will demonstrate improved behavior and school attendance in elementary school, and behave better and become more attached in middle school with the future hope and expectation of high school graduation.

Here are some of the short-term outcomes that are stepping-stones to the long-term outcomes we seek:

- WINGS students will develop strong social and emotional (SE) skills.
- WINGS students will utilize SE skills in everyday life.
- WINGS students will demonstrate high attachment to school.

We are able to track each student's progress toward our outcomes and pinpoint difficulties in mastering the curriculum's 30 learning objectives.

WINGS is also able to use our performance-management system to analyze where we can make improvements in our model.

For example, one way we measure whether students are utilizing SE skills in everyday life is to review social-development grades on students' report cards. WINGS staff learned from data analysis that a number of students were not receiving positive social-development grades from classroom teachers despite our target that 85% of students will receive positive grades. In response, each WINGSLeader (part-time staff) was required to develop a specific plan for the kids who were falling short, and to share the plan with their teachers to intensify and coordinate efforts.

The data showed us those deficits, and demonstrated whether the adjustments that WINGS made in response solved the problem. The results from the next round of report cards validated that the adjustments made a difference.

By building into our process an ongoing review and assessment of the data, WINGS has become far more responsive and accountable. Monitoring the data at frequent intervals means that WINGS doesn't wait until the end of the year, or even the end of a school term, to review how staff efforts are progressing.

But most importantly, this continuous flow and analysis of information allows us to refine and evolve our program model as we prepare to replicate as effectively as possible. *After years of discipline, strategic planning and constant monitoring of our metrics and outcomes, we're in year two of our four-year randomized-control trial impact study—the gold standard of evaluation. We anticipate the impact study will validate our work and further define appropriate methods to replicate WINGS—effectively.*

Geoff Zimmerman
Director, Continuous Improvement, The Strive Partnership

USING COMMUNITY-LEVEL DATA TO DRIVE EFFORTS FOR COLLECTIVE IMPACT

Originally published on: 19 November 2012

Jeff Edmonson, a recent recipient of the American Express NGEN Leadership Award and founder of StriveTogether wrote, "The big vision of Strive is to support every child, from cradle to career. And in order to get every child to succeed from cradle to career, it's going to come down to something relatively unremarkable: data and how we use it." This post presents that leading example in greater detail, teaching us how we can turn data into positive social change for our communities.

Data-informed decision making is a central tenet to collective impact and building the civic infrastructure. Data can serve as the translator when it comes to understanding what is really happening in a community. In the words of one prominent local Strive partner, "People are entitled to their own opinions, but they are not entitled to their own facts."

There are three ways that an anchor institution or backbone organization can play in promoting the use of data-informed decision making: (1) promoting the use of community-level data, (2) promoting collaborative data-management systems, and (3) promoting continuous improvement and collaborative action.

All three are critical roles that need to be played in a community, and in this post I'd like to focus on the first one—promoting the use of community-level data. We released the first Strive report card for Cincinnati, Covington, and Newport in 2008 and the aim of this effort was to provide a catalyst for discussion in our community about the current state of education.

By reviewing trends over time, we can highlight where we are having the greatest impact and where we may need to focus more energy along the cradle-to-career journey. The report highlights trends on key community-level outcome indicators across three cities, five school districts, and multiple post-secondary partners.

The eight core outcome indicators to be collected, reported on, and analyzed are:

- Percent of children assessed as ready-for-school at kindergarten
- Fourth grade reading achievement
- Eighth grade math achievement
- High school graduation
- ACT composite score
- Percent of students enrolling in college
- Post-secondary retention
- Post-secondary completion

Academic

Birth · Kindergarten · 4th grade · 8th grade · 12th grade · College - Career

Student & Family Support
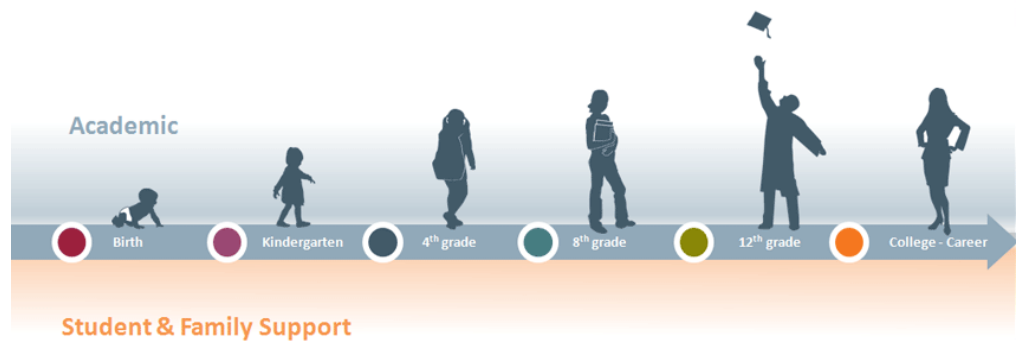
Strive developed these indicators with a data committee comprised of experts from the community and various institutions that are represented in the indicators. One of the first efforts we undertook was to develop criteria for selecting indicators. Since the original list of potential indicators was between 75-100 at the start, these criteria were essential to help us determine which indicators to include and which to leave out.

Two of the most important are that the indicators be population based, representing conditions at the community level, and not at the programmatic level; and that the indicators be a valid measure of concepts outlined on the Strive Student's Roadmap to Success, which includes critical benchmarks and key transition years from birth through college and into a career. The full list of criteria can be found in the 2012-13 Partnership Report.

Strive is also creating tools to help any community put together their own report card and publish it to print and/or web. The Community Impact Report Card (CIRC) provides a turnkey online platform to help communities think through the report card process—managing, visualizing, and reporting outcome indicators that the local community has identified and agreed upon. CIRC is the only tool currently available that directly supports the process of building a cradle-to-career community education report card. CIRC launched at the Strive convening in Milwaukee in September, 2012.

The tool also helps communities think through how to structure specific measures under big overarching goals. The foundational elements in the Community Impact Report Card are Goals, Outcomes, Indicators, and Measures.

- **Goals** are the big aspirations that must be achieved to realize the partnership's vision (e.g. Every child will be prepared for school).

- **Outcomes** are points along the cradle-to-career continuum that are key levers to be moved in order to achieve the vision and goals (e.g. Kindergarten readiness).

- **Indicators** are established measures that are used to track progress toward the outcomes and goals (e.g. Percent of children who are assessed as ready-for-school at kindergarten).

- **Measures** are the specific ways in which an indicator is measured, including the calculation method and/or assessment (e.g. Percent of children who are assessed as ready-for-school at kindergarten through the Kindergarten Readiness Assessment-Literacy (KRA-L)).

Being able to effectively collect and communicate population-level indicators is essential to helping steer the overall work of a large collective impact effort.

They can become a set of shared measures that multiple cross-sector stakeholders have their eye on together and can work together to make measurable change.

We are now seeing incredible momentum behind data, but it is possible that the topic remains relatively unremarkable for the wider public, except where it counts: impact.

AUTHOR'S UPDATE

Collaborative data-management systems and continuous quality improvement are two other areas that a backbone staff can help catalyze. The key here is promoting data use as a part of daily work, not in addition to it.

A data-management system enables the collection and connection of student-level academic and non-academic data from multiple sources across the cradle-to-career pipeline. Successful implementation requires four areas of attention: **(1) Shared ownership:** *broad-based cradle-to-career partnership support and school district leader champions;* **(2) Information systems:** *assessment of existing local data systems, and a plan for data integration, warehousing, and analysis;* **(3) Privacy and processes:** *protection of student data in accordance with applicable laws and a means to monitor and regulate system use; and* **(4) Capacity to use data:** *adequate training and support for schools, providers, funders, and the community.*

In order to use data effectively, the importance of a rigorous, yet flexible, continuous improvement process can't be overstated. In Cincinnati, we're learning from local experts using the Rapid Cycle Improvement Collaborative and working to extend it further in the local community. And in the words of another prominent local Strive partner, we're working to create a culture to become "the best at getting better."

Mari Kuraishi
*Co-Founder and President,
GlobalGiving Foundation*

CHILDREN'S PARTIES AND THE DEMISE OF THE SOVIET UNION

Originally published on: 22 October 2012

Markets for Good proposes an upgraded information infrastructure as a fundamental step for the social sector to be able to meet the challenge of solving dynamic social problems. Mari Kuraishi shares her view on the explicit and implicit structures that would define that infrastructure and why we'll have to shift our thinking to get there.

In another life, I was a trained Sovietologist who got to work on the undoing of the Soviet Union. In that context, it was mostly about how to bring markets to life on the foundation of a badly faltering planned economy. And so we went in with all the confidence warranted as experts on market economics from the World Bank—only to be stopped short by one of those deadly Soviet jokes.

"Oh, you're from the World Bank [Mirovoi Bank]? Oh yes, you must be important people. Because, you know how we used to have the State Planning Agency [Gosplan] here in the USSR? Well we know you work at a much grander scale than Mirplan [the World Planning Agency]."

Of course, it hadn't occurred to us at the World Bank—one of the bastions of the Washington consensus—that we were in the business of planning. We thought we were spreading the gospel of the power of markets. But the Russians were right. The World Bank was, in fact, trying to put together five-year plans for economies, and issuing loans behind those plans. Which went a long way towards explaining why the work of the Bank was so complicated and required mastery of details worthy of Robert McNamara.

Perhaps there was a time when economic growth could be planned top-down. But it clearly doesn't exist today, when innovation or exogenous forces can make market leaders if not entire sectors uncompetitive in far less than five years.

> So most of the field has come around to the idea that in situations of complexity, the best thing is to create sound institutions that can mediate change by transmitting feedback signals as quickly and richly as possible, and letting individual actors respond to those signals.

So that's what we tried to do in the former Soviet republics after our egos had been taken down a notch—build institutions, like stock exchanges (standards), anti-trust agencies (regulatory monitoring), or commercial courts (conflict resolution).

Just as the international development field has not absorbed the importance of markets at the meta level, the philanthropic sector has not taken the importance of institutions that facilitate the flow of information, capital, and labor to heart.

> **There are far too few standards to credibly establish when something is working, no industry-wide monitoring, and fewer conflict resolution mechanisms. There are disincentives to reveal what's not working, creating in effect what some people perceive to be a market for lemons.**

Markets for Good is therefore breaking new ground by making a case for a much more systemic look at the field of philanthropy. If successful, it will allow us to transition, finally, from the world in which we treat every challenge as complicated—and therefore if we have a well enough thought-through logframe, everything can be mapped out—to treating challenges as complex in nature instead.

What it means is that we can finally have a field that has the tools necessary to test emergent solutions and iterate towards an answer because we get feedback in as close to real-time as possible.

AUTHOR'S UPDATE

Some people believe that international development is far too established an industry to be amenable to radical re-configuration. But then, I bet that global hotel chains like Sheraton or Marriott never thought that one of their competitors might turn out to be Airbnb. Perhaps they still don't see Airbnb as being in the same business—but Airbnb has, by developing some of the finest grained feedback mechanisms I've seen, reconceived the lodging provision business. Five years in, they boast over 300,000 (on average) places to stay available in 192 countries.

Airbnb doesn't have to plan out 10 years in advance to anticipate that tourism in emerging markets will be booming. When those markets will be ready for tourism, the local providers will be coming up to speed, and the supply of lodging, one room and one apartment at a time, will emerge. That frees up Airbnb's bandwidth to be thinking of better ways of ensuring that consumers have the experience they expect—and to be fine tuning that feedback loop. That is radically different approach from being expected to come up with completely thought-through answers to challenges that are by their nature complex because they shift in real-time.

And now my last analogy. As anyone who has planned a party for toddlers can testify, complex problems require emergent solutions. The framework proposed by Markets for Good will make it possible for the system as a whole to entertain more solutions, and to double down on them as they prove to be effective in context.

Phil Buchanan
President, The Center for Effective Philanthropy

WHICH DATA? AND WHO WILL PAY FOR IT?

Originally published on: 30 October 2012

Performance assessment is an acknowledged necessity for nonprofits to operate effectively and attract capital. Phil Buchanan discusses the role of foundations in helping nonprofits carry out this vital function and the challenges for everyone involved.

Markets for Good is a welcome push for the development and use of data to inform better decisions and, ultimately, better philanthropy. I could not be more supportive: indeed, "Better Data, Better Decisions, Better Philanthropy" is the tag line of the organization I lead.

But I have two worries about this effort. My first worry is that there is data … and then there is data.

In the current moment, in which 'big data' is almost fetishized, I fear the chasing—and use—of data in a less than discerning way. We should all be careful not to promote the use of potentially misleading metrics, such as administrative-cost ratios or "lives touched." In the words of one nonprofit board chair denied funding on the basis of the latter metric, "I could give a lollipop to every kid in Boston and do really well."

We should be interested, instead, in philanthropy supporting the development of data and performance management systems of the kind promoted by Mario Morino and David Hunter—ones that speak to the efficacy of the work and drive continuous learning and improvement. We should also support the development of systems that serve the needs of multiple organizations pursuing shared goals, as demonstrated by the Stuart Foundation in its child welfare work. This kind of work ain't easy. Or cheap.

This relates to my second concern, which is that, when it comes to nonprofit performance assessment, funders talk the talk, but too many don't even crawl the crawl, much less walk the walk. At the Center for Effective Philanthropy, we have surveyed CEOs of large foundations and seen that they believe in holding nonprofits to higher standards of evidence. Yet we know from our surveys of grantees that funders, in general, do precious little to support nonprofits in doing the difficult work of performance assessment.

Assessing the performance of a human services organization is far, far more challenging than assessing the performance of a business—requiring different analytic approaches and techniques.

In our surveys of 41,000 grantees of 284 foundations, we see that, at the typical foundation, less than 10% of grantees report getting assistance beyond the grant for the development of performance measures. And in a recent, separate survey of nonprofit leaders who comprise our "Grantee Voice" panel, we see that 71% of foundation grantees say they do not get any support—financial or non-financial—from any of their foundation funders.

It's not that nonprofits aren't trying to do this work. On the contrary: our survey and a recent survey by New Philanthropy Capital in the UK shows that nonprofits care about assessment and are working on it. But they're not getting the support they need and want. There are exceptions among foundations—well-known ones such as Edna McConnell Clark Foundation and lesser known ones such as St. Luke's Foundation in Cleveland. But they are clearly exceptions.

Where will nonprofits get the support for this work if not from foundations? The median organizational budget of the foundation grantees in our dataset is just $1.4 million. Nonprofits are stretched thin already.

It's not just that funders don't generally step up to support nonprofits with needed financial and non-financial support to build performance management systems. It's that many continue to focus on administrative-cost ratios and impose arbitrary limits on 'overhead,' which is often ill-defined, in ways that actually create a disincentive for nonprofits to do this kind of work.

AUTHOR'S UPDATE

For Markets for Good to result in meaningful change, a big part of the emphasis must be foundations stepping up and supporting the development of good, credible data and robust nonprofit performance management systems.

I see some signs of progress. A perhaps unlikely coalition of organizations called the Overhead Myth is pushing for reducing reliance on overhead as a performance measure. Funders and nonprofits are coming together to discuss the need for investment in performance management—for example at the inaugural "After the Leap" conference organized by Morino. And I hear somewhat less breathless talk of big data as some sort of panacea, and more of a focus on asking, "which data?" and "what will we learn from it?"

Look, there are big differences between how data can be used effectively in business—for example to chart consumer behaviors and preferences and tailor products and services accordingly—and how it can be used for social change. Fact is, nonprofits and foundations are working on the toughest problems, the very ones that have not been solved by business or government. That fact alone should be a useful reminder that, while better data holds much promise, it won't be easy.

Nothing in the social sector ever is.

Beth Kanter
Co-Author, Measuring the Networked Nonprofit

DOING THE MATH OURSELVES
Originally published on: 02 October 2012

What are the skills and mindsets that nonprofits need to embrace data for social change? Beth Kanter writes about data literacy as an in-house necessity for nonprofits.

In a resource constrained world, many nonprofits view measurement and data as "yet another thing on our to-do list" or as a lost cause because "we don't have that expertise on staff."

While many nonprofits are using social media and networks, few are effectively using data to measure the results.

NETWORKEDNONPROFIT.ORG

You know this chart we've based the past three years of strategy on? Call me crazy, but I think it's sideways.
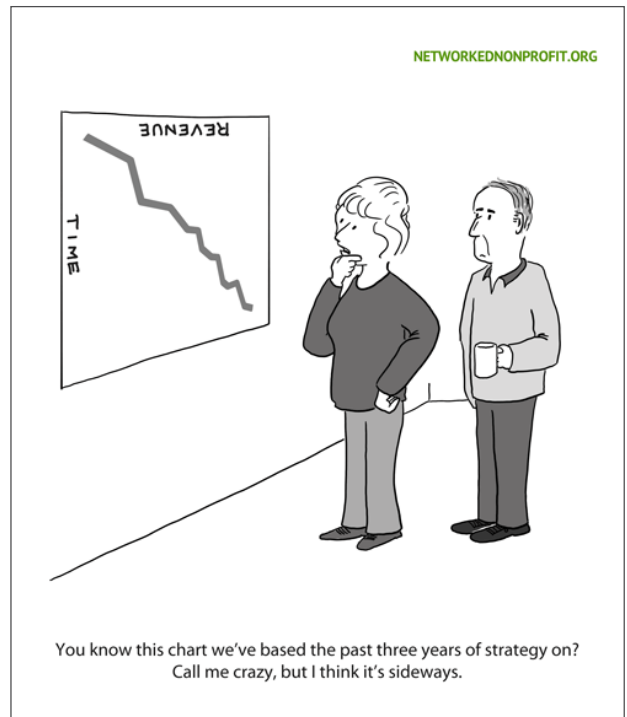
While writing the book Measuring the Networked Nonprofit: Using Data to Change the World with measurement expert, KD Paine, I spent most of 2011 thinking about how nonprofits could reap insights from data. The book demonstrates how nonprofits can use their data to improve their networked approaches for social change. The frameworks and tips we outlined were tested in real-time as part of my work as visiting scholar at the Packard Foundation with their grantees.

I discovered that the biggest challenge for many was not necessarily collecting or organizing data, although those are real challenges. The far bigger issue is making sense of it all. And the first step forward is a mind shift toward becoming a data-informed nonprofit organization.

In the private sector, one of the most sought-after professionals today is the data scientist and there are important discussions taking place about data literacy. "Data Scientist" is a newly-defined job that requires being part data geek, analyst, communicator, visualizer, storyteller, and interpreter. This individual works with program experts to apply what is learned from the data. Most nonprofits would not have the resources to hire one of these in-demand professionals.

The goal is to build this capability in-house, but when that is not an immediate option, there are a few solutions for the interim. Jake Porway, founder of DataKind (formerly Data Without Borders), and a self-described "data scientist with a social mission"

offers one solution: a volunteer matching service that pairs nonprofit organizations with data scientists to help these organizations leverage big data from multiple sources for social change.

Working with volunteers who have professional skills is nothing new to nonprofits. In a more recent evolution, the Analysis Exchange has been matching analytics experts from the private sector with nonprofits to help set up a system for collecting their web data and understanding it. A step closer to in-house capability would be for nonprofits to direct the tools they already use to recruit board members, staff, and volunteers, e.g. LinkedIn, toward finding people to help them with their data.

To reap the benefits of big data for social change, nonprofits must develop the organizational culture and skill set that allows them to embrace it themselves. While it may be indispensable at times to bring in the advice of an expert data scientist, being data-informed and data-literate must become part of the nonprofit's DNA.

Data literacy is about having leadership that is always asking, "What does the data mean?" It's about leadership that values the difference between hunches and data-informed decisions.

> **Most importantly, data-informed organizations are able to develop a culture of intense curiosity that enables them to dig beneath the surface of a problem, create a hypothesis, formulate questions, and use the data to help learn.**

DoSomething.org is an example of a nonprofit that has built this kind of data infrastructure. They have two staff data analyst positions, and, as part of their data-informed culture, they have made data literacy an essential competency for everyone in the organization. The leadership has acknowledged the change in their decision-making processes. It isn't about just collecting data or being "driven by data." It is an enterprise-wide commitment to collecting the right data, asking the right questions, and bringing their organizational vision and wisdom into interpreting that data.

The result is a shift from ad hoc data analysis and simple (though detailed) record keeping to a systematic approach for improving their programs and campaigns by using data.

All staff in nonprofits need skills in swimming in the data, making discoveries, and communicating what it means to improve their programming. This means learning skills for visual display of data and information as well as the ability to tell a clear and compelling story—even if it shows that something didn't work. This competency can't be outsourced to consultants. It must reside within the organization.

AUTHOR'S UPDATE

To update her original post, here Beth offers useful tips for those working towards "the best strategies for helping nonprofits develop a data-informed culture."

1. **It starts at the top.** *Creating a data-informed culture comes down to leadership. If you are the executive director, facilitate cross department teams and discussion about success and the key metrics that let you know you have achieved it. Encourage your staff to collect only meaningful data and encourage discussions that lead to transformed practice. It might be worth using "Design Thinking" facilitation or an outside facilitator to help your organization make progress toward culture change and understand the one metric that matters most.*

2. **Become a curator of metrics.** *If your organization cannot support a full-time or even part-time "data scientist," appoint a "curator of metrics." This is a person on your team who understands the different types of metrics and ensures the organization is using data in an intelligent way. A curator of metrics knows how to help guide the organization in choosing and applying the right metrics and he or she reports insights in a way that connects to organizational goals.*

3. **Use experiments to evolve.** *One way to evolve into a data-informed organization is through implementing a series of measurement experiments. Each needs to have solid metrics and should be designed to provide results. Keep the end in mind when agreeing on how experiments should be structured, run, and measured. The experiments should not be random, but help you develop and test your strategies and tactics and lead the way to best practices. Make sure you have a good reflective process in place so you can learn from both successes and failures.*

4. **Up everyone's Excel skills.** *There are many free and fun tutorials out there packed with time-saving tips for using Excel for analysis and visualization. If your staff fears the spreadsheet, these resources and some quick mentoring can help them get onto the path of being a data nerd and loving it: Top Excel Tips from a Nonprofit Data Nerd.*

5. **Take a baby step, a data collection project.** *To get started, select a project, event, small campaign, or program that is a high priority on your organization's work plan for the year. Incorporate social media and apply a couple of good metrics. Be mindful of other organizational deadlines that may divert energy and focus from this first important step. Don't try to measure everything or collect all potentially relevant data. Make the project easy to manage and have a clear idea of what you want to learn. Make sure that everyone who can benefit from using the data participates.*

NOTES FROM THE FIELD: MEXICO AND SOCIAL-SECTOR DATA

Originally published on: 23 April 2013

Anne Hand
International Resources Executive, Filantrofilia

Anne Hand argues that a culture change in the social sector is needed if we are to make the necessary steps toward systematic and coordinated high-quality data collection. This commentary focuses on gathering the raw material in Mexico, where Filantrofilia conducts its work as a rating organization with information on over 300 organizations.

Imagine you have a million dollars you would like to contribute to an organization that really impacts its beneficiary population. Imagine you would like to do this in the Mexican context. You do some research, and ask around for specific, detailed information on the performance of certain programs that catch your interest. Mexican nonprofit organizations tend not to have this sort of data, and if they do it's generally incomplete. This is due to a number of factors:

- **The culture of nonprofits.** NGOs don't necessarily see themselves as needing sustainable business models and don't see the need to document everything.

- **Relevant data rarely used to make decisions.** Sometimes data in the Mexican nonprofit context is only generated if a donor specifically requests it.

- **Lack of transparency.** On this point, I note three types of NGOs in Mexico that use data to self-monitor performance: (1) those who know they should use data to measure their own performance and do it (a minority), (2) those who know and don't do it because the day-to-day is challenging enough (majority), (3) those who choose not to do it, primarily for reasons of "safety," which may be reasonable but not the best justification.

- **Market forces.** The Mexican social sector as a market is not yet mature enough to compensate for those who don't like to collect data on impact and performance. This is a trend we've noted particularly with respect to welfare organizations.

- **Different definitions of performance.** There is a lack of sector-wide consensus on what "performance" might mean. When we at Filantrofilia talk about performance, what we are really discussing is the impact of an organization's operations for its beneficiary population.

Filantrofilia's rating system takes into account institutional development and social impact of an NGO and constructs an aggregate of this data to understand performance in terms of how successful the NGO is at its projects (social impact) and how organized the NGO is in terms of being a social business (organizational development). In addition, we always suggest that rated NGOs incorporate their own metrics and indicators in their work, if they do not already do so. These metrics will often include:

- Impact and results indicators for specific programs
- Systematized information
- Databases with relevant information for programs and services

To maintain our impartiality, however, we do not offer NGOs consulting services on implementing these recommendations.

With this backdrop, there is still much we do not know about the way that NGOs incorporate either their own data or data from our ratings to improve performance. This is because of Filantrofilia's relatively short time operating, and the need for a critical mass of rated and re-rated organizations to effectively address this question. What we do know right now is that NGOs take and adapt many of our suggestions for improvement.

Most NGOs say they don't have money to bring their data operations up to speed. Information and Communications Technologies (ICT) and M&E systems are expensive. Many also cite a lack of human resources, the talent needed for sustainable integration of data-driven management. Complicating the issue is that donors don't give specifically for IT systems or databases: they give for operational support.

A business that only invests in the last step before the final output—say, a beverage manufacturer funding only the delivery of current product sets—misses out on dynamic market data pertaining to everything leading up to that step: R&D, management development, feedback, and information systems, among other critical business competencies. The social sector is no different.

What do we need, then? Most importantly, we need a culture change at the sector level that would welcome a natural alignment of professionalization and capacity building. Donors should understand how their support might best impact organizational sustainability. If we take the for-profit example, funding allocation has been done in this way for a long time, simply to ensure competitiveness.

On behalf of the NGOs we work with, Filantrofilia would welcome this shift in culture toward a social sector that takes its data seriously. The current infrastructure, in these terms, is too highly fragmented by individual organizational capability. This will require a meeting of the minds and agreed-upon funding strategies quickly following, to the benefit of everyone currently involved and all future participants.

AUTHOR'S UPDATE

Filantrofilia was founded in 2009, with the mission of maximizing the impact of philanthropy in Mexico through rating, professionalizing, promoting, and channeling resources to nonprofit organizations. To date, Filantrofilia has worked directly with more than 300 Mexican nonprofits, rating their organizational development and measuring their social impact. This rapid growth is testament to the need for both a clear picture and actionable recommendations for nonprofits, in addition to transparent, accessible information for potential donors. Our state-of-the-art crowdsourcing platform allows Mexican nonprofits to use the latest technology to fundraise within the Mexican legal and financial structures in place for nonprofits. We plan to continue working with the best national and international nonprofits and foundations to assess the good work Mexican nonprofits are doing.

As members of the Clinton Global Initiative (CGI), in December, 2013 we presented a year-long pilot proposal to the CGI Latin America Conference in Rio. We recommended an innovative program to strengthen the social sector's human resource capacity. Additionally, we are continuing talks with potential international partners who are interested in our rating system and looking for ways to adapt it to their national contexts. Finally, we are glad to promote Mexican nonprofits through our alliances with international platforms, such as GlobalGiving, and movements such as #GivingTuesday.
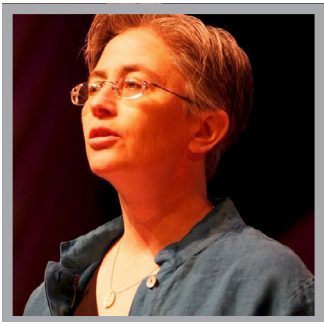
Lucy Bernholz
Author, Philanthropy2173.com

AUTHOR'S UPDATE

LET OUR DATA DEFINE US

Originally published on: 02 October 2012

In this post, the first of our two-part series online, Lucy Bernholz issues a challenge to the social sector: to discover the potential in our data and to change the way we use it.

Solutions to shared social challenges should not be proprietary. To achieve our social missions we should share what we know—widely, accessibly, and openly. We should define our work and our enterprises by our data and data practices. *Foundations and nonprofits are beginning to use data as a core resource in their work. As they do so, they are improving their own practice, finding new partners, and uncovering new opportunities. They are also becoming more familiar with the costs of using data well, the new skills required, and the generative nature of data—it's useful not just in its original form, but in combination with other data sets. These new practices and improved understanding of how digital data can be useful, in the near and long term, bode well for philanthropy.*

What will it mean for philanthropy as more nuanced understanding of data becomes the norm not the exception? Data used for and generated by efforts at improving the human condition should be shared. Investments in structures that allow for data cleaning, sharing, maintenance, and appropriate use should be fundamental parts of all funding strategies—as their benefits will rebound to (and beyond) each contributor. Creative Commons or other open-licensing standards should be the default for research and findings. Open-data protocols should be the norm for data sets developed with philanthropic resources. The best privacy protocols and attention to human rights protections should be widely understood, available, and used when needed. Equitable access to broadband, data analysis, and digital skills must be provided. The skills that are required for using data—assessing credibility, identifying bias, seeing significance, and storytelling—should be part of the sector's workforce.

We Should Set the Standard for Using Data as a Public Purpose Resource

We should show businesses and governments what it means to use data well and imaginatively to solve problems, vet solutions, and protect individual privacy. We should be encouraging the innovators and 'miners' who can manage huge data sets and see new solutions in them. We should be nurturing the ethos of hacking for good, encouraging techies, coders, and public agents to put our data to work in making communities safer, healthcare more accessible, transportation more reliable, cities greener, and art more available. We should be willing to experiment and innovate with mashed-up data sets and stay the course until the efforts yield new insights, new partnerships, new forms of giving, and new knowledge about solutions.

Why should we do this? To achieve our goals. We exist to address shared problems, we should share the resources that can help move us forward. Data are such a resource.

But We Are Nowhere Near Such a Reality

Foundations and nonprofits lag far behind both commerce and government when it comes to using data as assets and resources. The Markets for Good initiative, with its recommendations on infrastructure, interoperability, and access is a great start. It details a platform and set of operating standards by which existing data sources—reports, compliance documents, grants, and due diligence reviews—can be made visible and useful. It lays the groundwork for better mapping of issues, shared planning efforts, and potential new ways of working. *Other interesting possibilities come from the smaller, less visible efforts of foundation colleagues, sharing information to advance their own practice. The Foundation Center's expanding service of funder portals, such as the one for water and sanitation supporters, WASHfunders.org, are also important starting points. Emergent conversations about the need to share both raw and analyzed data, in standardized ways such as through IssueLab, further demonstrate the ways these practices are moving forward. The US made some important progress on opening up 990 information in the past twelve months, and products such as those available from Ajah.ca in Canada are garnering attention as examples of 'what's possible' when the data are open and online.*

Let us view the Markets for Good initiative as a small step toward a giant leap in making change. One in which networks of individuals can crowd fund experiments and link them to sustaining institutions. Where the data created by a failed foundation investment in a digital news experiment becomes the raw material for another experiment, one that might work. Where the lessons learned from hundreds of independently operated after-school programs can be aggregated and analyzed for all to use. Where the data trails generated from online giving sites are re-constituted into "community sensors" that reveal the needs and strengths of different communities. Where new forms of enterprise and fiscal sponsorship, peer-based accountability, and mobile payment mechanisms can be created.

To define ourselves by our data we also have to recognize that Markets for Good is only a start. It will make available data that we can use, but more importantly it will set the stage for innovation off of that data. Let's look to these markets for the raw materials of change—just as the National Weather Service fuels the Weather Channel and countless weather apps, or federal satellite data unleashed the creation of the GPS industry and mobile maps—let's not stop at the stage of collecting, cataloging, opening, and sharing data.

BIG DATA FOR THE CONSUMER JOURNEY

Jerry Nichols
Senior Director, Worldwide Performance Management, SAP

Think of the different ways certain tech phenomena have reshaped the world: intermodal containers in the 50s, the digitization of music in the early 80s, and the Web of the early 90s. Today, big data is a type of summary event, an omnivore fed by the old and new, the physical and the digital. A viable approach for this "big" phenomenon begins with understanding how people interact with your organization and business model. Jerry Nichols provides a practical framework for dealing with big data in the social sector where the "consumer" is the nonprofit beneficiary.

Big data is best characterized by four dimensions: (1) volume: the amount of information created, collected, and stored, (2) variety: the sources and types of information, (3) velocity: the speed that data are captured, processed, analyzed, and delivered through insights, and (4) value: the tangible contribution of business strategies and tactics, informed by big data.

Organizations are awash with data—90% of the world's data has been created in the past two years alone and 2.5 quintillion bytes of data are created daily. This explosive growth is attributed to: (1) the proliferation of smart phones, social media, videos, scanner data, operational data marts, and (2) advances in technology that include both lower costs for data storage and increased/faster computing power of machines, which are becoming increasingly smaller. Much of the qualitative and emotion-based data from social media channels are public information, so organizations can leverage social media monitoring to understand, monitor, and influence the volume of conversations and tonality of their brand.

One way to drive value from big data is leveraging it to measure, monitor, and optimize the consumer journey of a marketing campaign. This process starts first with defining the primary goals of the campaign (e.g. increasing sales, decreasing time to market), and then mapping out the macro-level phases that occur throughout the consumer journey that lead to the desired outcome.

For nonprofits, we may want to both increase participation in the cause (e.g. community size, volunteerism rates) and donations. In order to accomplish this (from a consumer-journey perspective), we would first need to: (1) increase overall awareness of the brand, and (2) have more individuals interacting with the brand and learning more about it and its cause.

Once the consumer journey is defined, the channel strategy is aligned to each phase of the targeted response path including: paid media, owned media (properties owned

by a brand [e.g. website, Facebook page, videos, and physical events]), and earned media (volume and sentiment of social-media discussions). The owned and earned media channels are mission-critical for nonprofits, as they provide a lower cost option to reach consumers and have them interact with the cause.
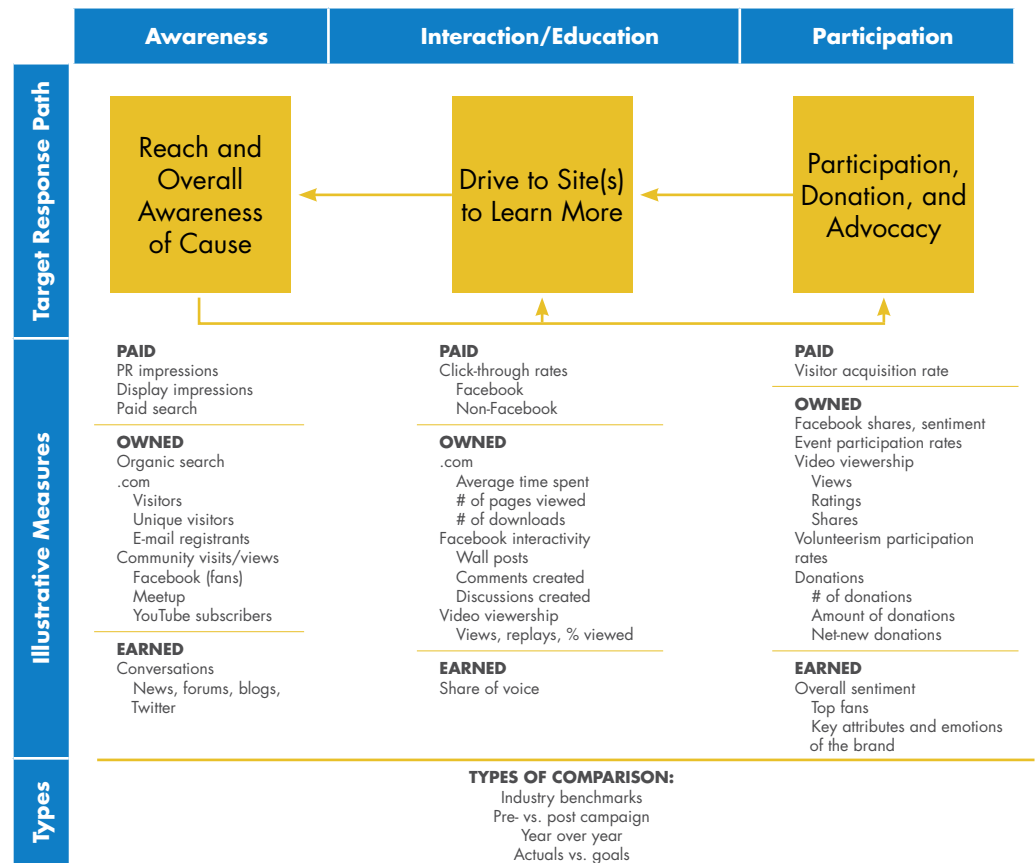
Additionally, nonprofit organizations can use social media as an "activation tool" by publishing time and/or event-specific content related to the cause (e.g. events such as a parade, walk, or even a national holiday), and by identifying and engaging with top influencers. It's interesting to note that social-media channels (e.g. Facebook, Twitter) are increasingly becoming an "owned" channel—meaning that brands are now owning this space to proactively publish user content and participate in the consumer discussion through these valuable assets.

As illustrated in Illustration 1 below, once the consumer journey and channel strategy are defined, we can then leverage channel-specific metrics to baseline, measure, and monitor in-market performance.

Illustration 1: Overview of the Consumer Journey by Targeted Response Path

Big Data for the Consumer Journey
Success metrics should align with key stages of increasing awareness, interaction/ education, and participation

	Awareness	Interaction/Education	Participation
Target Response Path	Reach and Overall Awareness of Cause	Drive to Site(s) to Learn More	Participation, Donation, and Advocacy

Illustrative Measures	**PAID**
	PR impressions
	Display impressions
	Paid search
	
	OWNED
	Organic search
	.com
	  Visitors
	  Unique visitors
	  E-mail registrants
	Community visits/views
	  Facebook (fans)
	  Meetup
	  YouTube subscribers
	
	EARNED
	Conversations
	  News, forums, blogs,
	  Twitter
		PAID
		Click-through rates
		  Facebook
		  Non-Facebook
		
		OWNED
		.com
		  Average time spent
		  # of pages viewed
		  # of downloads
		Facebook interactivity
		  Wall posts
		  Comments created
		  Discussions created
		Video viewership
		  Views, replays, % viewed
		
		EARNED
		Share of voice
			PAID
			Visitor acquisition rate
			
			OWNED
			Facebook shares, sentiment
			Event participation rates
			Video viewership
			  Views
			  Ratings
			  Shares
			Volunteerism participation rates
			Donations
			  # of donations
			  Amount of donations
			  Net-new donations
			
			EARNED
			Overall sentiment
			  Top fans
			  Key attributes and emotions
			  of the brand

Types	**TYPES OF COMPARISON:** Industry benchmarks Pre- vs. post campaign Year over year Actuals vs. goals		

The sources of big data for the consumer journey are varied and metrics are driven by each source. Much of the paid media metrics would come directly from media-company reporting, owned media metrics would come from both internal/corporate reporting and public tools (e.g. Google Analytics, Facebook Insights, and YouTube), and earned media metrics would come from robust social media monitoring tools. Once the reporting sources are identified, and metrics are defined and evaluated (and agreed upon by stakeholders), an ongoing process to measure results throughout the campaign should include: cadence, participants, and report format, which should be defined and agreed upon up front.

To help set realistic Key Performance Indicators throughout the consumer journey, it's best to benchmark historical performance where possible. The types of comparison for the benchmarking should include both industry benchmarks and year/year (to account for seasonality). Once in-market, any opportunities or performance issues identified 'upstream' in the consumer journey allows organizations more time and flexibility to impact results via in-market tactics.

In addition to optimizing the consumer journey, this process shows corporate responsibility via stated goals that are tracked and reported, including: (1) in-market for optimization and (2) post campaign for pre- vs. post-campaign and actuals vs. goals comparisons.

While this context was for nonprofit organizations, the approach for using big data for the consumer journey is similar in the for-profit arena. For-profit organizations (B2C and B2B alike) may place a greater focus on paid media performance (including: TV, out-of-home, radio, print, direct mail, and digital channels) and owned properties (including metrics from customer relationship management systems, enterprise resource planning systems, and human resources talent management systems).

Though it is mission critical for organizations to have complete, accurate, and timely information for decision making, it's the business objectives that should always drive the overall strategy and tactics of the organization.

Big data is an important means for the journey, but big data is not the journey itself.

Common Tools for Measuring Success: Metrics for Nonprofits

Regarding tools for measuring success metrics of the consumer journey (awareness, interaction/education, and participation), there are both public and fee-based tools. It's important to note that the technology in this space is rapidly changing. Since this article was originally published, Twitter went public, so we should expect some proprietary measurement tools. Additionally, Google has re-branded Keyword Search to Google Insights for Search. Organizations should conduct a review of digital analytic tools (at least annually) to ensure best practices given the latest trends. With that said, below are some recommendations for today's world.

Illustration 2: Awareness Success Metrics and Tools by Channel Type

Channel Type	Metric	Common Tool/Source
Paid	PR impressions	Media partner reporting
	Media impressions	Media partner reporting
	Paid search	Media partner reporting
Owned	Organic search	Google Insights for
	Website visitors	Search
	Unique website visitors	Google Analytics
	E-mail registrants	Google Analytics
	Facebook fans	ConstantContact
	Twitter followers	Facebook insights
	YouTube subscribers	NetBase
		YouTube insights
Earned	# of social media conversations	NetBase
	# of news mentions	NetBase
	# of forum mentions	NetBase
	# of blog posts	NetBase

Illustration 3: Interaction/Education Success Metrics and Tools by Channel Type

Channel Type	Metric	Common Tool/Source
Paid	Facebook click-through rates	Media partner reporting
	Non-Facebook click-through rates	Media partner reporting
Owned	.com	
	Average time spent on site	Google Analytics
	# of pages viewed	Google Analytics
	# of downloads	Google Analytics
	Facebook interactivity	
	Wall posts	Facebook insights
	Comments created	Facebook insights
	Discussion created	Facebook insights
	Comments created	Facebook insights
	Video viewership	
	Views	YouTube insights
	Replays	YouTube insights
	% Viewed	YouTube insights
Earned	Share of voice	NetBase

Illustration 4: Participation Success Metrics and Tools by Channel Type

Channel Type	Metric	Common Tool/Source
Paid	Visitor acquisition rate	Media partner reporting
Owned	Facebook shares, sentiment	Facebook insights
	Event participation rates	Internal reporting
	Video viewership	
	Views	YouTube insights
	Ratings	YouTube insights
	Shares	YouTube insights
	Volunteerism rates	Internal reporting
	Donations	
	# of donations	Internal reporting
	# Amount of donations	Internal reporting
	Net-new donations	Internal reporting
Earned	Share of voice	NetBase
	# of blog posts	NetBase

Denise Raquel Dunning, PhD
*Founder and Executive
Director, Let Girls Lead*

THE TRUE "BENEFICIARY" IS THE ORGANIZATION THAT LISTENS

Originally published on: 30 January 2013

Dr. Denise Raquel Dunning contends that the social sector is missing out on knowledge and expertise that is patently available in the voices of people and communities served. If we do not listen then we fall short in our responsibility to convert that data into accountable programming, policy change, and scalable impact. Advocacy, education, and participatory storytelling are tools that Let Girls Lead is using to change that.

We have failed the individuals and communities we seek to serve. Our current thinking and existing approaches in the social sector are inadequate. Foundations, nonprofits, and governments attempt to solve other people's problems: poverty, homelessness, hunger, disease, and barriers to information and services both in the US and around the world. Given all the data, program evaluations, and survey results at our fingertips, we think that we have the information we need to develop sustainable social-sector solutions. We are wrong. While we may have a glut of information and even the best of intentions, our initiatives will continue to fall short until we recognize that it is not us, the 'experts,' but instead our 'beneficiaries' who have the solutions that both they and we need.

Within even the hardest to reach communities, there are leaders who understand the needs of their families and communities. These community leaders are the best data source we have as we develop, implement, and evaluate programs in the social sector. There is no question that national surveys, field studies, and various forms of quantitative and qualitative data all have a role to play in the conceptualization, development, and implementation of social-sector programs. Yet while these sources may be necessary, they are certainly not sufficient. All too often, we miss the most crucial data points, the ones that are directly in front of our faces—the knowledge, expertise, ideas, and experience of community-based leaders.

While project 'beneficiaries' may not have all the solutions to the world's problems—like how to develop new vaccines or improve national GDP—their knowledge of their own cultural and political realities must be paramount in the creation of sustainable social-sector programs. Without integrating the expertise of the people and communities we seek to serve, social-sector interventions ranging from environmental conservation and HIV prevention to policy advocacy and democratic governance are doomed to fall short of their full potential. We must work in partnership with local leaders, communities, and organizations to create and sustain true social change. Only by listening to the stories of poor communities, hearing and amplifying the voices of marginalized groups, and respecting the inherent capacity and expertise of local leaders will our work in the social sector bear fruit.

This philosophy is the foundation of Let Girls Lead, which empowers girls and their allies to lead social change through advocacy, education, economic empowerment, storytelling, and strategic partnerships. An independent evaluation demonstrates that Let Girls Lead has contributed to improving the lives of over three million girls in Africa and Latin America.

Recognizing that our data sources alone are inadequate to achieve the scale of change necessary, Let Girls Lead invests in social entrepreneurs to develop innovative and effective solutions that improve girls' health, education, and livelihoods. Let Girls Lead's results include the passage of laws, policies, programs, and funding that protect girls from violence, ensure that girls can go to school and see a doctor when they need one, learn skills to help lift themselves out of poverty, and develop their own solutions to the obstacles they face.

Challenges in Collecting the Data

Investing in 'beneficiaries' and recognizing the value of the knowledge and data they can provide us is risky. In the social sector's existing view, using data from a randomized survey is unassailable. Consulting with a village chief who may not have even completed primary school is not. But if we can acknowledge that our existing data sources are insufficient and that local communities may in fact have exactly the data that we need, we have the potential to transform our impact and the scalability of social-sector initiatives.

Nonetheless, even programs that seek to prioritize beneficiary insights have a hard time collecting this data, as a few critical factors hinder our ability to listen to program participants and integrate their wisdom and expertise. Firstly, while the social sector holds out monitoring and evaluation as a big priority, far too few funders are willing to invest the time and resources necessary to make this possible. Without significant support for both formative and summative evaluation, our collective understanding of social-sector impact will remain limited. Secondly, a false dichotomy between social-sector research and interventions prevents meaningful knowledge sharing. While social scientists collect important data, this research is rarely linked to programmatic interventions—not surprisingly, program staff rarely incorporates this data into the design and implementation of programs. Lastly, for an organization to effectively integrate data from project participants, there must be an institutional culture of learning, a willingness to recognize that we don't have all the answers, and a desire to adapt our own models to better address the priorities of the very people who will be most affected by our interventions.

Case Study: Liberia

In Liberia, Let Girls Lead invested in the vision and aspirations of two women leaders who had the audacity to believe they could successfully advocate for a national law to protect children. During Liberia's 14-year civil war, up to 75% of women and girls suffered sexual violence, and girls continue to be socially marginalized: prevented from attending school, forced to undergo female genital mutilation, and seen by many in their families and communities as disposable. Given these enormous challenges, we never would have risked investing in the near impossibility of comprehensive legal protection for both girls and boys had we focused merely on traditional data sources. Instead, we

listened and trusted in the expertise of our 'beneficiaries' to successfully advocate for passage of the National Children's Law, landmark legislation that is transforming the future of Liberia's children for generations to come. A video case study documenting how we achieved this milestone can be found here.

Case Study: Malawi

In Malawi, Let Girls Lead moved beyond statistics demonstrating the devastating effects of child marriage on girls' health, education, and livelihoods. We also went straight to the source—child marriage victims and local leaders who are advocating to increase the national legal age of marriage. We are partnering with village chiefs, community-based organizations, and national advocates to enable young women to raise their voices and create their own solutions to the social and economic problems they face.

Through this innovative model, young women have convinced chiefs in southern Malawi to pass community bylaws prohibiting men from marrying girls under the age of 21. Given the harsh penalties—men who violate these bylaws lose their land and are required to pay a fee of seven goats—there has not been a single case of child marriage in participating communities since we began this work in 2011. Further, many girls are leaving forced marriages, returning to their families, and completing school. Catherine, an inspiring girl leader from Malawi, shares her story of being kidnapped, escaping a forced marriage, and her own vision for her future in this powerful video.

By creating a platform for Catherine and other girls to share their stories, Let Girls Lead has helped our partners in Malawi catalyze a national dialogue about the need to end child marriage. These partners are using the video as an advocacy tool to both increase the legal age of marriage to18 and to transform girls at the village level.

The Takeaway

Seeing project 'beneficiaries' as experts turns the social sector on its head. Like it or not, the game has always been one in which we view the governments, foundations, and nonprofits as the experts responding to the needs of less fortunate individuals and populations. And when our interventions fail, we invariably attribute these failures to the very communities that we seek to 'help'—the villagers who weren't sufficiently skilled to maintain our over-engineered pit toilets or the at-risk teenagers who didn't have the drive necessary to graduate from our well-intentioned mentoring programs.

The time has come for us to upend the social sector's dominant paradigm and recognize that 'beneficiaries' are not the communities in which we implement interventions. In fact, we are the true beneficiaries of the knowledge and expertise that local leaders and communities can generously share with us—if only we would ask.

AUTHOR'S UPDATE

The Power of Storytelling

Let Girls Lead has learned that listening to 'beneficiaries' is fundamental to maximizing impact. Further, we have found that participatory storytelling is a powerful strategy for local communities, leaders, and organizations to share their solutions and successes. To that end, Let Girls Lead is producing ¡PODER!, a powerful documentary about girls' leadership premiering in March 2014. Filmed in the Western Highlands of Guatemala where fewer than 10% of Mayan girls finish school and more than half become mothers before age 19, ¡PODER! captures how indigenous girl leaders transformed their community. Emelin and Elba, two Mayan girls aged 13 and 16, overcame tremendous obstacles to convince their mayor to invest in adolescent girls, funding policies and programs to ensure that girls can go to school, stay healthy, and learn important skills to escape poverty.

PUT YOUR DATA WHERE YOUR MOUTH IS

Originally published in two parts on: 14 January 2013 & 17 January 2013

David Bank
*Co-Founder and Editor,
Impact IQ and ImpactSpace*

The social sector at large (and Markets for Good, in particular) is asking critical questions about data collection, use, and sharing, and also dealing with the answers head-on… Which data? Who pays for data? Where's the accountability? and others. In this abridged post, originally published in two parts, David Bank of Impact IQ simplifies the data discussion by asking: where is the data?!

I'm an old-school journalist steeped in the timeless wisdom: follow the money. So when I assigned myself in 2012 to cover impact investing, I wanted to know who was making bets on what and how they were working out. To my surprise, there was no daily, weekly or even annual dealsheet of the kind that venture-capital and private-equity investors take for granted.

There was no easy way for me to track private investments of equity or debt in for-profit enterprises explicitly seeking and measuring positive social and environmental results along with financial returns.

If it was hard for me to track "impact" deals, how could impact investors themselves? How could new investors and entrepreneurs just exploring the opportunities make sense of the marketplace?

White papers were easy to find. There was the foundational 2008 Monitor Institute report that made a "good guess" at a $500 billion impact investing market in a decade. And a 2010 JP Morgan report that estimated impact profits of up to $667 billion from just five base-of-the-pyramid sectors—urban housing, rural water, maternal health, primary education, and microfinance. And the Hope Consulting survey that multiplied the 69% of financial advisors at least warm to the idea of "sustainable investing" by one-third of their clients and 10% or so of their portfolios. That came to 2.5% of the $26 trillion in managed investments, or $650 billion.

None of these estimates took me to actual investments backing the numbers, so I kept looking for the deals. ImpactBase is a terrific resource from the Global Impact Investing Network, the closest thing to an industry association for the nascent field. It now counts 221 funds with $14 billion in committed capital. The GIIN counted 2,200 impact deals worth $4.4 billion in 2011, up from 1,000 deals worth $2.5 billion in 2010.

In their most recent survey, the GIIN and JP Morgan report that 99 fund managers who committed $8 billion to impact investing in 2012 expect to commit $9 billion this year. Most of those investors reported they had at least one "home run"—an investment that significantly outperformed expectations while delivering the intended impact.

But there's no way to identify those deals. The GIIN collects data from funds and

provides it to JP Morgan in aggregated and anonymized form only. PCV Insight, which surveyed 300 private equity firms and found 69 firms with $4 billion in assets that can be considered impact investors, doesn't list the funds. ImpactAssets does produce an annual list of 50 impact investment funds, but doesn't track their portfolio investments.

If impact investing is such a compelling way to leverage private capital for social impact, where are the impact deals?

Even impact true believers have grumbled they keep hearing the same examples, be it Bridge International Academies' low-cost private schools or d.light's solar lanterns. Terrific ventures, but not nearly big enough to shoulder the whole load of expectations. Impact investing risked death by anecdote and allowed the conventional wisdom to take hold: there was too much impact money chasing too few impact deals.

Too much money? As if! The veritable explosion of small and growing businesses, entrepreneurial start-ups, social ventures and NGOs with innovative approaches, and disruptive technologies is one of the bright spots in the global economy. But few of the entrepreneurs trying to build scalable models to cost-effectively deliver transformative change for vulnerable populations would say there's too much money. No, the first problem to address is just getting the information.

Openness challenges the traditional practices of some investors and funds, as well as of some data providers in other investment domains. Some investors want to guard their privacy; fund managers don't want to telegraph their strategies. Both funders and entrepreneurs can be wary of premature publicity for ventures that may fail. Some funds, of course, publish lists of their portfolio companies, but generally without deal details. Many deals are so small they don't get announced, much less picked up by the media.

The pros and cons increasingly favor disclosure: to show the world that impact investing is a real and growing market and to attract new investors…to gain insight and forge common solutions from the ecosystem of stakeholders…to validate their portfolio teams and perhaps get some credit themselves…and to embrace accountability in a market robust enough to stand up to scrutiny.

Deals are real-time indicators of the flow of capital, such as it is, toward a sustainable, inclusive economy for the 21st century. Are we approaching a tipping point? The data is in the deals.

As we explored the terrain of impact investing for Impact IQ, the start-up media platform I founded last year, we tested our arguments for transparency and disclosure on every entrepreneur, angel investor, fund manager, and social-venture accelerator operator we met. Nearly everyone supported openness, except perhaps when it came to their own data.

Along with my colleague, Avary Kent, Impact IQ started building the case (with the support of Kevin Jones and Penelope Douglas of SOCAP and the Stiefel Family Foundation). One of the first public supporters was Acumen Fund, which on its own

had disclosed general information about its portfolio results and lived to tell the tale. Others that agreed to "put their data where their mouths are" included First Light, Hub Ventures, Toniic, Unitus Seed Fund, Unreasonable Institute, and Village Capital.

That meant simply broad support for "the voluntary and timely disclosure of basic information about financial investments in ventures and projects that seek social, environmental, and financial returns, consistent with regulatory and confidentiality requirements."

At the same time, ImpactSpace was building a robust database platform and pumping in data about just such deals. Ravi Kurani, Zuleyma Bebell, and their team collected public data and started entries for more than 500 impact investing financial organizations and ventures including, for example, more than 100 deals completed by Root Capital.

Of course that's barely a start. Many entries remain incomplete. But new funds and companies are going up quickly. The newly announced Unitus Seed Fund, for example, has posted its four early deals and will add to its portfolio page as it closes its planned dozen investments a year in base-of-the-pyramid ventures in India. Already that page shows that Hippocampus Learning Centers, which is building a network of low-cost private schools, leveraged seed financing from Unitus to raise Series A financing from Acumen Fund and Lok Capital. An ecosystem is coming into focus.

Collaborating for Impact

In the spirit of collaboration, Impact IQ and ImpactSpace are merging their complementary efforts. Think of it as TechCrunch and CrunchBase—for impact. ImpactSpace is building the data store and tools for gathering, filtering, and displaying the data. Impact IQ is about notable deals, compelling people, and gathering trends. Together, we're building the database through voluntary submissions, manual "scraping" of public data, and old-fashioned reporting.

We're committed to open-source and open data. "Open impact data" means that basic deal data—venture, investor, amount, type, and date—is available for re-use by stakeholders and service providers of all kinds. As a public good, the basic layer of open data is available under an open-data license to any number of free and paid-for products and services—apps—serving the needs of impact investors and entrepreneurs. Data fields are compliant with industry standards, such as the IRIS taxonomy, to facilitate data exchange and integration.

Common and open data platforms can support the very specific services needed by different stakeholders. For example, the network of social-venture accelerators is collaborating to create a common application form to enhance collaboration and reduce the burden on social ventures. Academic researchers are using open impact data and tools to analyze trends and practices in impact investing. Emerging social finance mapping efforts, such as the Impact Investing Ecosystem Map in Mexico and the Ayllu Initiative in India can draw from, and contribute to, the open impact database.

Transparency

Transparency is needed across the capital spectrum, but one area is particularly ripe for openness: the new class of start-up entrepreneurs mixing technology, emerging

markets, and new financing mechanisms to disrupt business as usual in food, water, health care, education, energy, and even sanitation.

Angel investor networks such as Investors' Circle are buzzing with activity, and greater transparency is the price of admission to this new environment. 'Accelerators' are open for applications every month to drive new ventures toward investor pitch days. New seed funds, such as Unitus, are raising capital from venture capitalists such as Vinod Khosla. Accredited-investor exchanges and portals such as Mission Markets in New York, the Impact Investment Exchange in Asia, and MaxImpact in Zurich are looking for deals. 'Crowdfunding' sites eagerly await federal regulations to offer equity stakes in start-ups to smaller investors.

Sen. Michael Bennett of Colorado, an author of last year's federal crowdfunding legislation, recently wrote to Mary Schapiro, chairwoman of the Securities and Exchange Commission, that many entrepreneurs, angel investors, lawyers, and software developers feel "that businesses must be transparent about their capital structure before participating in a crowdfunded offering." Such practices will migrate upstream over time.

Challenges Ahead

We know there are practical and conceptual question marks all over the place. Impact investing is not only, or even primarily, about equity; tracking debt, project finance, and other forms of financing may be even more important and more difficult. Financing is not the only, or even the best signal of a venture's success; companies able to bootstrap their growth from revenues won't show up in a dealsheet of investments.

One of the biggest challenges is measuring, valuing, and communicating social and environmental benefit. Impact, of course, is what sets these investments apart.

Money follows money. Today's seed investment is tomorrow's growth company and maybe the next world-changer. Tracking such investments can itself help catalyze capital for the sustainable and inclusive future. As the data geeks would say, impact deal data "wants to be free."

Curator's Note

I asked David what he would advise right now to bring this call for data to life. He offered the following:

- **Tag impact deals.** Use the #impinvdeal as a hashtag for flagging financing events on Twitter. Combined with the already popular #impinv, it's an easy step toward real-time reporting of impact investing.

- **Add or edit your profile.** Add a company, financial organization, or person profile. (You can also send a spreadsheet or link to your portfolio to info@impactspace.org.) If your venture or financial organization is already in ImpactSpace, please review and update the information.

- **Put Your Data Where Your Mouth Is.** Add your organization to the roster of those supporting disclosure of basic impact investment deal data.

AUTHOR'S UPDATE

"Follow the money" remains a reliable guide as impact investing enters a new stage. Growing capital commitments and the trend toward transparency and open data means more information is becoming available about both financial returns and social and economic results.

A few pioneers offer a small preview of the flow of data that is (eventually) coming. This fall, the Impact Investing 2.0 project profiled a dozen social impact funds with $1.3 billion in assets. Sonen Capital released an analysis of the impact portfolio of the KL Felicitas Foundation, which increased its impact assets from 2% to more than 85% between 2006 and 2012. B Lab launched B Analytics, to help investors integrate impact performance data.

Still missing is the weekly or quarterly deal sheets of the kind that serve venture capital and private equity investors in other domains, or the ongoing fund database to track internal rates of returns, multiples, rankings, and benchmarks. "Aggregate data on impact investing deals and publish the findings," recommended the World Economic Forum in a report pointing to increased institutional investor interest. "An intermediary is well-suited to aggregate, report, and segment sector information on impact deals, track records, demonstrated exits, and realized returns."

ImpactSpace, is moving to fill the gaps. Our open impact database includes more than 3,000 companies and 500 impact investors and 1,500 deals. We are developing partnerships with funds, accelerators, networks, exchanges, and conferences to create a universal database of value to the entire field. Our thematic coverage will illuminate sectors where impact is already driving results.

Increasing capital commitments, the proliferation of platforms and intermediaries, and an increased appreciation for the economic value of a robust data commons is nudging impact investing toward greater transparency and openness. The original dozen firms that pledged to "Put Your Data Where Your Mouth Is" through "the voluntary and timely disclosure of basic information about financial investments in ventures and projects that seek social, environmental, and financial returns, consistent with regulatory and confidentiality requirements," no longer seem like oddballs or radicals.

That doesn't mean the time has passed to be recognized as a pioneer. We have a goldfish bowl with the remaining stock of "Put Your Data Where Your Mouth Is" buttons. One can be yours to keep at no cost, and with considerable benefits. Just take the pledge to open your data for impact. And send us your spreadsheets.

Ken Berger
President and CEO,
Charity Navigator

AN INTERVIEW WITH KEN BERGER

In this interview with Ken Berger, a frequent media commentator on charitable giving, he offers a spot check on the state of information that is shaping how organizations are evaluated and perceived.

Eric J. Henderson, Conversation Curator, Markets for Good (EH): You were recently interviewed on Fox Business News to discuss fraudulent fundraising for charities, highlighting "The Worst Charity in America." What is the state and scale of fraudulent donation activity today?

Ken Berger, President and CEO, Charity Navigator (KB): Having spent almost 30 years in direct service and then nonprofit management, before I joined Charity Navigator, I was struck by the amount of questionable, unethical, and outright fraudulent practices undertaken by some nonprofit leaders. My 5+ years at Charity Navigator has only reinforced my impression that the problem of nonprofit fraud, as well as questionable activities, is significant and the sector has yet to take it as seriously as it should.

Based on these experiences, I believe the investigative reports conducted by the media reflect the tip of the iceberg of the problem we face. It is not a rarity as some claim, it is a BIG problem. I am not saying a majority of charities fit this profile but far too many do. However, state and federal regulatory and enforcement entities are under funded and therefore barely capable of keeping on top of the problem, while the nonprofit sector continues to grow at a rapid pace (faster than the for-profit sector over the past decade).

AUTHOR'S UPDATE

Furthermore, some leaders within the sector tend to either install Band-Aid corrective measures or get defensive about the issue rather than taking real action. To maintain the precious public trust that we need to thrive, I think we need to stop circling the wagons and call out the scoundrels and thieves in our midst more often.

The nonprofit sector typically reacts to problems of fraud and mismanagement through its trade associations, which develop standards; sign-on by individual nonprofits is voluntarily. Many do not. My direct answer to your question, given the state of affairs I have just described, is that [fraud] is and should be a major concern for donors. For many average donors, this state of affairs causes mistrust and a search for who can help them to identify good charities. With the explosion of easily accessible information, many donors are overwhelmed and struggling to find their way. The challenge is to find meaningful information that will direct them to ethical and high-performing charities in spite of these realities. We at Charity Navigator struggle mightily each day to try to do just that.

One way forward is for charities to be more transparent. The more transparent a charity is with information that it shares with donors (warts and all), the more valued and trustworthy it is, and therefore the higher the rating we anticipate it will receive from us. Higher ratings by Charity Navigator will drive more money to these more

transparent organizations that are innovative and take risks, and that then adapt and learn from their outcomes (positive and negative) to get to the best results.

EH: You've been a pioneer in research and reporting on nonprofits with Charity Navigator. In that context, what do you see as the first steps in upgrading the information infrastructure for the social sector, especially as it relates to assessing nonprofit performance?

KB: There are many pioneers out there who have been kind enough to lend their wise counsel and support to our efforts. In many ways, they spurred us on to this effort. Anyway, I think there are two critical first steps in upgrading the information infrastructure.

Firstly, funders have got to be willing to provide serious financial and technical support to charities as they work to build the required performance-management systems necessary to supply meaningful information on their outcomes as well as to do the best job they can at meeting their mission! Funders (at least the larger ones) should strive to become role models for having these systems in place within their own organizations as well.

Secondly, charities have got to change their tendency toward 'duck and cover' (discussed in response to your earlier question) when it comes to supplying this meaningful information publicly. Before we started down the road to measuring results (and we are not measuring results directly just yet), we were criticized by some within the sector for not focusing our rating system on what mattered most (the results of a charities work). *Now that we are looking into this area, we are told by some charities that it is too complicated, too expensive, and so on. The litany of excuses needs to end and the creativity and the innovation that the sector is known for should be used to find the way for each organization's unique circumstances. There is plenty that CAN be done for organizations to measure what matters. I do not have space here to respond to the many excuses that are made, but there is almost always a way to measure your results in a meaningful way if you put your mind to it. We need to have the attitude that we will do it, whatever it takes, because this is a matter of life and death for many.*

Thirdly, we need to start getting inserted into the 'outcomes movement' for greater awareness and sensitivity to the size and complexity of organizations. Did you know, for example, that little more than 1% of the charities in the US garner approximately 86% of the revenues that come into the sector each year? At the other end of the spectrum, roughly 45% of charities in this country are very tiny and garner less than 1% of the revenues each year! So when we talk about these topics, we really need to put it in the context of organization size. Usually, we are talking about the 'big guys' that have the resources to build needed infrastructure. Yet then those same expectations are often imposed on all charities by funders. We need to start asking, how do you manage and measure your results if your organization is small? Is there a place for these smaller organizations at the table in this effort? I think the answer is yes, but we need to do much more work in this area to help them get there.

After years of research, we concluded that, although we would love to measure the results of charities' work (especially the bigger ones for starters), we had been asked to do the impossible. Because as of today, the vast majority of charities (large and

small) do not publicly report meaningful evidence of their results. Furthermore, for many charities, it is because they have not yet built the performance-management infrastructure to have anything to report on!

For those high-performing charities out there, we hope the newest dimension of our evaluation system (focused on the quality of how a charity publicly reports on its results) will begin to untie this Gordian knot. As a consequence, we believe we will help the sector move toward a greater focus on managing, measuring, and reporting on its results as well as beginning to identify the best standards of evidence-based practice for at least some types of programs. *For other types of programs that are in earlier stages of development, we may be more concerned about evidence that the organization is adaptive and learning how to identify the best outcomes.* I cannot think of any other information-related priorities more important than this effort. In fact, Paul Brest, who recently stepped down as head of the Hewlett Foundation, has described the work that Charity Navigator is doing in this area as "the most important work that is going on in the nonprofit sector." Who am I to argue?

EH: With Charity Navigator, how have you dealt with the tendency to rely on high-profile metrics, such as the overhead ratio? What other information would you counsel individual donors to rely upon—ones that may give a reliable view of organizational health and performance?

KB: Excellent question! The best answer I can give you can be found on our website with the launch of what we call CN 3.0 on January 23, 2013. You can find a concept note, methodology, and hundreds of charities we have already run through the evaluation. In summary, we believe that for a donor to make a wise charitable giving/social-investment decision they need to consider three types of accountability—financial, organizational, and mission related. But that is inside baseball talk. On the website, we call these three dimensions of our evaluation system (1) financial health (not just overhead), (2) accountability and transparency (especially governance and ethical best practices), and (3) results reporting (especially outcomes). Of course the question of a charity's results is the most important dimension of all and we intend to weight it accordingly once we get to the point of integrating it into a charity's rating. (A few years away for now, we only plan to post the information on this dimension until we have gathered it on all the charities we rate, for a variety of reasons.) Anyway, go to our web site and check it out!

To emphasize the importance of looking at metrics other than just overhead, we co-signed a letter with GuideStar and BBB called the Overhead Myth. In this letter, "To the Donors of America," we urge donors to not use overhead as their primary focus and to consider these other dimensions. However, I think the Overhead Myth letter is not going to be very useful in the long run unless we craft a second letter, "To the Charities of America." I would call the letter the "Output Myth" and remind charities that if they want donors to look at things other than overhead, they need to start supplying such information (e.g. outcomes) in the public square.

EH: With 30 years in the social sector, what would be your biggest wish regarding how we use information? What changes do you believe are needed?

KB: *Clearly we need a paradigm shift. We want to change the paradigm from where it is today: "the organizations that do the best marketing win" to "the organizations that provide the most meaningful results win." This means that people get past the slick marketing and storytelling to also consider data. Don't get me wrong, storytelling is important to see results at the granular and heartfelt level. However, if there is nothing that stands behind it to show that those meaningful results happen consistently, it is a dead end. It is also a dead end to just have lifeless data. You need both. To cause this paradigm shift we need:*

1. *More leaders to speak out and join the effort.*
2. *More organizations to join the early adopters.*
3. *To collectively use whatever opportunities we have to educate others (donors, foundations, government, the media, and your staff) about how critically important this change is for the betterment of all.*

You know I spent 30 years working in the trenches serving the homeless and other people in need on the streets, in shelters, and in residential programs. I saw plenty of people who were not truly helped and some even froze to death for lack of what was needed. I KNOW that had we managed our resources better and had a robust performance-management system in place, we could have done so much more. I am sad to say that this issue was not even on our radar. I am happy to see that it is now starting to gain momentum. We all need to get a fire in our belly to fight for this shift of paradigm!

My simple yet bodacious dream for the social sector (especially 501(c)3's) is that in perhaps 10 or 20 years it will become standard practice for every charity of a certain size to not only conduct a financial audit, but also a results audit. Of course, this will require the hard work of our developing agreed-upon standards of reporting and measurement for every type of program out there. It is also expected that this results audit would be publicly reported. Hopefully it would also cut down on the sea of meaningless reporting requirements of many funders and get us all on the same page, to what is truly meaningful information and measuring what matters rather than feeding the paper monster.

Once we achieve that, we can then conduct the challenging work of comparing the performance of one charity against another by program. In addition, charities will be able to learn much more from one another to discern what are the most effective approaches to achieve the best outcomes. Why does this matter? Because I believe it can greatly increase the efficiency and effectiveness of our precious social sector. As a consequence, many more charities will provide evidence of social value (meaningful change in people lives and in communities). Therefore, we will have a much better world as a consequence. Then I can retire and rest!

Bahia Ramos
Director, Community Foundations,
Knight Foundation

METHODS & TOOLS FOR COMMUNITY "GIVING DAYS"

Originally published on: 25 July 2013

Upgrading the information infrastructure in the social sector depends heavily upon building the proper skill sets in-house. This post highlights the role of foundations in supporting that professional development. Bahia Ramos offers insights on effective fundraising for community foundations and a heads-up on a new toolkit to support one of their principal activities, giving days.

For many community foundations, giving days—online fundraising marathons—are a way to engage new donors. The process popularizes philanthropy so that anyone with Internet access and a bankcard can donate to issues that are important to them. In 2012, Knight Foundation launched a Giving Day pilot program, providing grants from $20,000 to $100,000 to eight community foundations for their own trial runs. We learned a lot about the challenges and the rewards of giving days, information that we want to share.

As a result, we're assembling an online toolkit, the Giving Day Playbook, to guide community foundations through the basics of running a giving day. It will cover setting goals, engaging donors, and analyzing the events after they happen. It will help streamline the decision making and planning for the day, and serve as an expert resource to guide foundations through the process.

Our pilot program produced commendable results. For example, during Miami Foundation's inaugural Give Miami Day, 4,992 people gave over $1.2 million to 300 nonprofits. The group of eight community foundations raised over $5.2 million for their nonprofits from more than 40,000 donors. They averaged $124 per gift.

But the benefits went beyond the financial. Giving days allowed the community foundations to raise their public profiles. It enabled them to increase community knowledge about the issues most important to local residents and to build awareness about foundation leadership around those issues. For many of the community foundations, the giving days represented their first interaction with a new group of donors; it opened doors to discussions about larger gifts and more formal relationships, such as starting funds at the foundations.

However, despite fundraising success and community visibility, the giving days generally did not financially benefit the community foundations themselves. The focus was on the rewards for the nonprofits. Our initial evaluation revealed three major challenges for the community foundations:

• Many community foundations did not set goals for the day.
• Marketing and managing the challenge was resource intensive.

- The success of the platforms used to coordinate giving varied in their fee structures and in their effectiveness.

With this knowledge, Knight can strengthen the capacity of community foundations to design and manage their online giving days. We want to ensure that our community foundation partners have the best tools and resources to make their giving days effective and efficient. That's why our toolkit will include:

- An implementation guide to help with outreach, setting goals, and marketing the day.
- Technical assistance from experts and peers in the field.
- A reliable tech platform to capture data and promote the events on social media.

The Giving Day Playbook, which we plan to debut later this summer, will allow us to share the experiences our partners have had with the broader field of philanthropy. The result will be a resource that can be tailored to suit the needs of each community, ensure organizational sustainability, and help to capture consistent data that can measure impact across communities.

AUTHOR'S UPDATE

Since last summer, we've been working with over 20 community foundations from our Knight communities, as well as talking with the larger field about the steps they are taking to throw giving days. Much of that feedback was incorporated into the Giving Day Playbook. We have found these points are the most helpful to think about as you plan your campaign:

1. ***Set an audience goal.*** *Think about what you would like to accomplish. You may want to reach a certain dollar amount, or this may be your opportunity to court a new set of donors. It is helpful to think about who you are targeting and how you tailor your message to that audience. The Giving Day Playbook's planning section can help you with your goals.*

2. ***Work online and offline, too.*** *Social media has been the most common and effective way for communicating giving day events, and reaching a large population. But don't forget the old-fashioned art of bringing people together, face-to-face, to celebrate the spirit of giving and all the great assets of your community. Leverage community champions to hold promotional activities in which the public can engage and help spread the word.*

3. ***Evaluate.*** *Once it's over, take a deep breath—and take a look at the data. This may include quantitative information and qualitative information you've received from community surveys. What trends is the data showing you about your community? What did you learn about your target audience that may help with future engagement? Who were your most engaged champions and followers, and how do you keep them involved in your work? Giving days can provide a wealth of information about your community and the issues people feel are important to its success. Extend the value of these 24 hours and use ideas you've created year-round.*

FROM RAW DATA TO INFORMED DECISIONS: WHAT WE CAN LEARN FROM THE FINANCIAL INFORMATION SERVICES SECTOR

Originally published on: 19 November 2012

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How do we collect the right data and create the right performance analytics? These questions may seem cliché by now, but until organizations are prepared with the answers, our work is not yet done. Sunand Menon draws from his experience in the financial services industry to offer ways that the social sector could be more performance-oriented and effective.

Approximately $300 billion in philanthropic giving is distributed annually to more than one million nonprofit organizations in the US alone. However, there seems to be no clear way to gauge how well these resources are being used, since there is insufficient information, transparency, access, quality, and utility.

If the right data is collected and the right performance analytics are created, they could help pinpoint the highest performers, and result in better decision making and more efficient allocation of resources, which ultimately will provide greater value to those in need. Sounds good in theory. But how do we do this?

Take the example of the financial services industry. Information companies servicing financial services firms have been successful in collecting, analyzing, and disseminating data, analytics, and research to help investors make better investment decisions. Many of the systems and processes that are readily available and taken for granted in financial services information can also be implemented in the social sector.

Companies like Thomson Reuters, Bloomberg, Standard & Poors, Morningstar, and Lipper have thrived by collecting data (no matter how opaque or infrequently generated), developing performance criteria that help make sense of the data (no matter how objective or subjective), and distributing it in a manner that allows for better decision making. They achieved success by providing value across the spectrum of content services—from "data," to "information" (in the form of value-added analytics such as classifications, indices, and ratings), to "knowledge" (in the form of human insights, research, and best practices). And they maintained that success by investing in high-quality, scalable operations, and by building brands that signify independence, accuracy, and reliability.

Interestingly, they have all co-existed while developing different types of performance metrics—some of which are more accepted than others. Standard & Poors and Thomson Reuters advocate different data classification schemas ("GICS" vs. "TRBC").

Lipper and Morningstar use different fund ratings criteria ("Lipper Leaders" vs. "Star Ratings"). There is rarely one universally agreed criterion.

As long as the metrics are simple and generally representative, as long as they are being used and are helpful to the customer, and as long as they are initially endorsed and socialized by a few key players in order to gain traction, they can succeed.

Ah, you say. But what about all the failings of the financial services industry, for example, the mortgage crisis? Why should we take lessons from an industry that played a key role in the economic crisis we are currently in? How can we avoid such disruptions in the social sector?

You are right. The above is likely not sufficient. In my view, there are at least two other very important considerations—transparency and aggregation.

Many failures seem to occur when there is a lack of transparency—take the example of the recent ruling by the Federal Court of Australia that S&P "deceived" and "misled" 12 local councils that bought triple-A rated constant-proportion debt obligations. According to the *Financial Times,* the court said a "reasonably competent" rating agency could not have given a triple-A rating to the "grotesquely complicated" securities, and that they had published information that was either "false" or involved "negligent misrepresentations." Even in this failure, there are lessons to be learned.

The takeaway for the nonprofit industry would be to create easily understandable, transparent methodologies that facilitate better apples-to-apples comparisons, and therefore more informed decision making. And of course, to avoid creating a rating entity that is generally paid by the organizations it rates!

Aggregation also plays an important role in avoiding financial market disruptions, allowing us to gain multiple viewpoints before deciding. Let's take the example of a mutual fund. Look at its Lipper rating. Look at its Morningstar rating. Read up about it. Speak to people. Compare its performance against a benchmark index. Form a view, and then make a decision. That's "information complementarity" at work. And it generally works—as long as there is sufficient transparency, and there is the ability to review multiple, aggregated viewpoints.

So Why Hasn't this Approach Been Adopted in the Nonprofit World, and What Would It Take to Do So?

Firstly, there seems to be lukewarm interest and incentive from nonprofits and funders to build such metrics and infrastructure—unlike in industries such as asset management, where the success of a firm is critically dependent on demonstrating its high performance and low costs. This is said to be slowly changing, since many large foundations are now signaling a desire for increased transparency, efficiency, and performance monitoring. This needs to further gain momentum.

Secondly, there seems to be an overly strong emphasis on ensuring that as many stakeholders as possible come together and agree on a set of metrics and taxonomies, before officially launching a solution. This may result in a protracted set of discussions, and produce a 'lowest common denominator' set of metrics that may not be optimal.

The nonprofit world could consider convening a group of key influencers (e.g. prominent foundations with a history of interest and research in this area, and subject matter experts with 'gravitas') to design these metrics, test them, gain feedback, tweak them, endorse them, and then create programs to gain adoption.

These are valuable lessons that could help make the social sector more performance-oriented and effective in the future. The solutions do not have to be perfect; they should be transparent and good enough to ensure that the end user is able to access and make use of the 'raw data' and transform it to actionable, 'informed decisions.'

AUTHOR'S UPDATE

The focus of this piece that I wrote, based on my overall experience in the information industry, is very much centered upon the thesis that 'good enough' information can enable more effective decision making—as long as (1) the methodology used to evaluate is transparent, and (2) you are able to aggregate views from different sources and models. You don't necessarily have to have perfect information—there are rarely occasions where everything is known and modeled. Financial services is an example of a sector that exemplifies this mindset.

Predicting outcomes in nonprofit effectiveness is more similar to predicting outcomes in financial services performance versus, say, predicting outcomes in chemical plants. In my previous life as a chemical engineer, when I was designing a factory for a chemical process, I knew the equations that govern the chemical reactions, and I could model them physically, and knew that I could simulate and replicate a scenario every single time if I wished.

That cannot be said about financial services. Take for example how private equity benchmarks are normally calculated. They rely on regular self-reporting (!) of fund performance, which can be irregular, spotty, and in many cases, inaccurate. However, it is still seen as 'good enough' for institutional investors who wish to have a general flavor of overall PE performance in order to help make investment decisions.

Yes, it would be great to have some sort of model or process in place that is akin to a predictable chemical process equation where everything is vetted and confirmed to be accurate every time. However, I would argue that one could also make decent decisions by sensible aggregation of viewpoints that are backed by transparent methodologies. And it would help tremendously if there were a few key evangelist organizations that pave the path for all of us.

DATA POINTS AND DATA AGENTS

Originally published on: 05 March 2013

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Daniel Ben-Horin founded TechSoup Global in 1987 on the belief that technology is a powerful enabler for social change. How is technology drawing us closer to meeting needs on the ground? We count on it to connect us in ways not previously possible, but the recurring question is, "What are we doing with it?" Daniel and Keisha Taylor survey this landscape of social change through the dual lenses of data and technology.

Data has always been the basis upon which societies have been able to thrive. In times of austerity and in times of trouble, the need for data becomes even more glaring. When Hurricane Sandy recently hit, access to data helped people get what they needed, for example through maps of pharmacies, Red Cross shelters, and open gas stations. When the Haitian earthquake struck, Ushahidi's crisis map built on text messages and diaspora translations was pivotal to rescue efforts.

For most people, problems are local: when will the next bus come, how can I find support to send my child to school, what trusted organizations help women with health issues, and which should I support? But these local needs 'roll up' to the big global issues—climate change, poverty, disease, hunger, and education—which are, essentially, the sum of local issues. Data connects local and global issues and informs coherent solutions.

We need to know how to find the data and how to make it visible to a wide range of actors. A particularly key actor is Civil Society—the name given to the millions of NGOs and other community-serving organizations that, collectively, serve as a bridge between the needs of citizens on the ground and the policy decisions made by governments.

The good news is that a range of interesting efforts is taking aim at the problem of connecting the millions of dots and, finally, creating a valid picture of global Civil Society. These efforts include:

AUTHORS' UPDATE

As the hurricane approached, New York City's IT Department immediately published data to the City's Open Data portal, and helped to develop a customized New York City-centric Hurricane Sandy map to help victims. The City served and informed about 10 times more individuals by utilizing an open-data strategy.

We run an open wiki called HackerHelper, which provides resources to help users come up with global, regional, and local solutions around key issue areas such as these.

The Open Data Barometer found that only one in 10 countries is delivering on open-government data promises. Government datasets are also often issued in inaccessible formats and go unused.

Simultaneously, The Open Knowledge Foundation published the results of community-based surveys in 70 countries. The UK and US top the 2013 Open Data Index followed by Denmark, Norway, and the Netherlands. Cyprus, St Kitts & Nevis, the British Virgin Islands, Kenya, and Burkina Faso ranked lowest. Many countries were not assessed because of lack of government openness or civil-society engagement, including 30 members of the Open Government Partnership.

In addition, WINGS has worked with the Foundation Center to explore how to develop a common data vision for the philanthropic sector. The consultation has produced a draft Charter that is also open to comment.

1. Markets for Good aims to be a collaborative hub for all those concerned about data and impact-driven investment. It will help multiple stakeholders in the social sector better use and share information.

2. The recently launched AidData Center for Development Policy will develop geo-spatial data and tools to enable aid to be targeted, coordinated, delivered, and evaluated more effectively.

3. The International Aid Transparency Initiative (IATI), voluntary and multistakeholder in nature, developed a common and open international IATI standard that makes aid-spending information easier to access, use, and understand.

4. Commercial interest is developing quickly in the arena of global civil society. Consider: what would an organized view into the NGO sector mean to one of the competing search engines? How would it play out in the subdomain space?

5. TechSoup Global itself is engaged in a variety of projects that collect data on the sector and its wealth of stakeholders:

   - The Gates and Hewlett Foundations are supporting a range of data-savvy NGOs (GlobalGiving, GuideStar US, Foundation Center, and TechSoup Global) to design a system to assign unique identifiers to NGOs around the globe through a first-of-its-kind Basic Registry of Uniquely Identified Global Entities (BRIDGE).

   - We are developing Global Eligibility Services, which we currently operate with local NGO partners in 45 countries as part of our product donations program, to make it much easier, by the click of a button, to find out if an NGO is legally registered in its country.

   - Our GuideStar International program supports public online databases of NGOs in Belgium, Luxembourg, India, Israel, and the UK. We plan to launch in additional countries in Asia and Europe.

   - Partnering with the John Hopkins Center for Civil Society Studies and its Director Lester Salamon, we plan to extract micro data used by statistical agencies around the world and feed it into our GuideStar Program.

   - In collaboration with the Council on Foundations in the US, TechSoup Global has developed NGOsource to help reduce barriers to international grantmaking by streamlining the process of determining if an NGO outside of the US is equivalent to one registered in the US. (This is a requirement of US tax law.)

Encouraging as these projects are, we cannot content ourselves with a top down view into Civil Society. We must also assist civil society organizations to become sophisticated in data access, manipulation, and display skills. They are increasingly being counted but still rarely do the counting. They are data points not data agents.

The voices of those working in this sphere must be heard and included in our big-data world. Their bottom-up view should also be combined with the bird's-eye-view that government and inter-governmental agencies gain from large datasets.

For example, the Society for the Promotion of Area Resource Centres (SPARC) and Slum Dwellers International (SDI) found that helping the poor to gather data about their communities created solidarity around the data, improved dialogue with government, and influenced decision making. Communities produced much better data than professionals could in a more cost-effective way, while solving language issues, removing cultural barriers, increasing trust, and introducing maps where none existed.

Projects like DataKind, which seeks to embed volunteer data scientists inside NGOs, are also addressing this issue.

In sum, bottom-up, participant-driven approaches can complement top-down, comprehensive "big data" approaches to enable us to truly 'see' the helping organizations around the world, and to enable these organizations to carry out their missions at a much higher level.

We also run the risk of excluding those that are not technologically connected and therefore generate no data in the use of big data for more informed decision making.

The UN Global Pulse initiative is promoting "data philanthropy," which encourages corporations to provide data openly and for free to help solve developmental problems.

This can also relate to offline environments. The World Bank Group Open Finances program and World Bank Institute's Open Contracting Partnership assessed the demand for open financial data in offline villages in Indonesia and Kenya. They found demand for financial data communicated inclusively using interactive methods suitable in local contexts.

In addition, The Open Data Institute has created 13 global "Nodes," enabling open-data projects through training, research, development, and case-study example sharing.

Caravan Studios holds Generator sessions with communities to help understand their problems and imagine practical solutions.

This video by Rick Smolan, author of The Human Face of Big Data, explains how the information we share online and the information companies collect is developing into a big-data global nervous system.

A list of all local, national, regional, and inter-governmental open government data sites is maintained on the data.gov site. This still represents just a small portion of all the data that such agencies hold.

The Report "A New Global Partnership: Eradicate Poverty And Transform Economies Through Sustainable Development" has called for a "data revolution" to underpin global development goals. It recommends that technology be used to collect and combine data to track progress and aid decision making.

DIVINING A VISION FOR MARKETS FOR GOOD

Originally published on: 20 February 2013

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Founder, GuideStar*

This paper proposes a detailed option for an upgraded social-sector information infrastructure, which addresses the central questions posed by Markets for Good.

Over the past fifteen years, scores of American social entrepreneurs have tried but been largely frustrated in their efforts to promote more intelligent, proactive, and generous philanthropy via the Internet. For the most part, they have been unable to bring their databases, site traffic, and transaction activities to scale. The early Internet experience has been equally frustrating for managers of nonprofits. They are buffeted by numerous increasingly intense and generally conflicting demands for information. They receive inconsistent market signals from donors, both individuals and institutions, and watch the great bulk of online giving flow to causes that are hot, visual, and immediate instead of to those that are thoughtful, well managed, and persistent. Like the online philanthropy entrepreneurs, nonprofit leaders are frustrated by their own failure to exploit the transformative promise of the Internet.

While frustrating, this result was predictable. Our efforts to promote online philanthropy are stuck in a tangled web of ineffective and inconsistent practice that extends throughout the universe of philanthropy. We have sought, through our sophisticated tools and exhaustive data, to untangle a part of that web. Certainly there have been bright spots— modest untangling and change has occurred here and there. But the pace of that change has been painfully slow. This paper argues that change will continue to be hampered unless we invoke strategies to untangle the entire web— that is, remove impediments that inhibit progress throughout the entire philanthropy ecosystem, which is the aspirational name I use in this paper to describe the interconnected, information-driven, innovation-embracing philanthropic universe we must resolve to build together.

This paper revisits early initiatives to facilitate more generous and intelligent philanthropy, and flags the causes of entrepreneurial frustration. It then discusses, in turn, the pertinent attributes and challenges facing each of four component systems of an inclusive philanthropy ecosystem: the philanthropy knowledge system; the giving system; the nonprofit management and reporting system; and the nonprofit evaluation system.

It concludes the discussion of each component system by identifying opportunities for social entrepreneurs to intervene productively. And, it highlights the systemic potentials of the philanthropic universe and the necessity for social entrepreneurs to pursue opportunities for coordinated or collective action across the ecosystem. Indeed, without a commitment to build this ecosystem together, the entrepreneurs and others who build and lead nonprofit organizations will continue to operate within a confusing and ineffective resource marketplace. And, most importantly, the people and planet served by these actors will be denied the benefits of a well-functioning philanthropy ecosystem.

The Drive to Make Giving Better: Early Initiatives Revisited

We haven't always sought to turn donors on to the rewards of smart, proactive philanthropy. We haven't always believed that we could elevate them to greater heights of discerning generosity by offering them immediate access to evaluative, fiscal, and programmatic information about nonprofits. Indeed, throughout its long history, American philanthropy has been very slow to move from its longstanding association with alma maters, churches, hospitals, and other local institutions— an association fortified by friends, family, pride, and proximity—to embrace the hundreds of thousands of distant, more cause-focused nonprofits that proliferate around the planet.

Community Chests and United Ways

Attracting the attention and allegiance of new donors has always been a difficult and expensive proposition for nonprofits that lack human ties to their targets. The most successful have deployed sophisticated marketing methods of messaging, direct mail, and friends-of-friends networking. Throughout the twentieth century, local Community Chests and their United Way offspring popped up to capture and rationalize donor interest in local social agencies. While still relying on tried-and-true direct mail and a network of workplace "arm twisting," United Ways have long researched local community need and purported to fund the most effective charitable responses. In this way they conduct, albeit not always cost effectively, the evaluation and funds-sourcing functions for local charities that online intermediaries, as we will see, seek to do for nonprofits and causes throughout the world. But note that, despite their ubiquity and longevity, United Ways still process less than 2% of total giving.

The National Charities Information Bureau, Better Business Bureau, and American Institute of Philanthropy

Direct mail campaigns by national nonprofits seeking donations countrywide grew in prominence in the 1960s and 1970s. In response, state charity offices and national watchdog groups, principally the National Charities Information Bureau (NCIB), Better Business Bureau (BBB), and American Institute of Philanthropy (AIP), emerged to protect the public from fraudulent solicitors and inefficient charities. NCIB and BBB, each working with populations of roughly 350 nonprofits, identified those organizations that exceeded their standards and those that fell short. AIP offered letter grades for selected standards for the six hundred nonprofits it rated. The expressed purpose of these efforts was consumer protection, and the primary focus of analytical attention was nonprofit fundraising practice. The perverse upshot of the whole exercise has been a widely accepted, two-generations-long tradition of nonprofit evaluation based largely on the magnitude of fundraising and administration ratios.

The NCIB and BBB combined operations in 2003, revisited respective evaluative standards, and now offer a more holistic view of general fiduciary practice, as well as fundraising practice, in their reviews of 1,200 nonprofits.

GuideStar and Charity Navigator

GuideStar launched its comprehensive website in 1998, offering extensive financial and limited descriptive information, all self-reported and non-evaluative, on the hundreds of thousands of nonprofits that complete the Form 990. GuideStar assembles vast amounts

of data from all American nonprofits, which helps donors and others to identify, compare, track, and connect with groups performing work that resonates with their own interests and values.

Charity Navigator, also seeking to take advantage of the data management and broad distributional functionality of the web, was founded in 2001 and has become the most highly trafficked website of the evaluative services. Using a relatively few financial data fields from the Forms 990 of 5,500 organizations, it applies star ratings for each of four indicators of the financial efficiency of organizations and three indicators of the financial capacity of organizations. Charity Navigator has sought lately to reorient its evaluative model to focus increasingly on organizational accountability and results, thereby diminishing its single-minded focus on simple financial calculations, an evaluative method now largely in disrepute.

The formation of Network for Good, originally a partnership of AOL, Yahoo!, Cisco Systems, GuideStar, and VolunteerMatch in 2000, provided a pivotal and instructive moment in this concentrated historical development. The question arose whether GuideStar should use its mountains of data to construct and display an evaluative framework, like the one eventually launched by Charity Navigator, but on a much larger scale. The principals at the time determined that GuideStar must remain a neutral aggregator of this largely self-reported information by charities. Beyond continuing to digitize the voluminous financial data resident in the Forms 990, they determined that GuideStar should strive to capture additional narrative information about the intentions, program activities, objectives, and accomplishments of all charities.

GuideStar's principals subscribed to the theory that a nonprofit's "worthiness" was largely a function of the values of the evaluator or other observer. Further, if it could assemble all the pertinent information about each organization and provide the robust mining and analytical tools, donors could theoretically do their own ranking and rating. GuideStar had confidence in the integrity of the do-it-yourself theory, but acknowledged that a donor public would likely seek the help of "expert" evaluators to help them identify the right organizations. It envisioned the ultimate emergence of a substantial network of evaluators, each bringing differing institutional perspectives, fundamental values, and subject and geographic expertise to proprietary evaluative models. It used the "movie critic" metaphor to explain its vision that one day millions of disparate donors would come to trust the judgment of one or more scores of evaluators to identify worthy nonprofits. In this conception, GuideStar would play a valuable role in supporting the emergence of this network of evaluators with data and Internet visibility.

Happily, new evaluation schemes seem to emerge regularly, and other new efforts that identify "excellent" giving opportunities (e.g. GlobalGiving) evaluate implicitly through their choices of programs to display, though they do not rank or rate nonprofits. Just as we have seen in every other walk of life, philanthropy has seen an explosion in information sites, Web 2.0 interaction sites, and now directly focused social network initiatives, such as scores of apps and thousands of custom pages grafting philanthropic services and nonprofit causes onto the Facebook platform. With these developments, perhaps we will go full circle, once more depending upon friends and virtual neighbors for the connections to social expression through philanthropy.

Progress to Date

So far, despite the churn, time has told a disappointing story. The amount and quality of philanthropic activity springing or gaining confidence from serious evaluative activity, at least that which can be adduced from web activity, is hardly in line with the expectations of the early Internet social entrepreneurs. In 1999, Pete Mountanos promised that Charitableway would become the "Amazon of philanthropy." It was a little scary, but we believed him. While the hubris of subsequent initiatives has not matched that of this pioneer, our own founding expectations have rarely been fulfilled. Certainly the full value of online information services in supporting offline donations has not been studied adequately, but the contention that the web has revolutionized donor behavior, as it has virtually every other human transaction, is not remotely supported by the data.

The early frustrations have not inhibited efforts to use electronic technology and the web to rationalize and facilitate giving. But, like the wild philanthropic marketplace they seek to tame, these efforts are all over the map with respect to motive, method, and message. This uncoordinated entrepreneurial quality is at once the strength and continuing weakness of this movement. Operating independently, without a holistic view of the ecosystem they hope to improve, online initiatives today constitute little-heard noise in a vast forest of nonprofits.

By no means does our sketchy early experience demand that we cease these efforts, but this will remain a tough road. In the larger economy, Internet information and transactional services succeed when they offer "consumers" a value proposition that builds upon current, self-interested decision processes. Like Amazon or E*Trade, our online philanthropy solutions also ask users to change to electronic transaction processes. But the success of these ventures also requires our users to switch from an affiliative, borderline-self-interested decision process to one that is more discerning, "other" centered, and cause related.

The institutional barriers to the success of online ventures do not end there. Lest we forget, another major operating challenge these initiatives face is the need to capture information about large numbers of nonprofits to feed proprietary databases. This requirement compels each service to ask nonprofit organizations to report differently and, at times, behave perversely, in reaction to our requests for information that are varied, conflicting, and often internally irrelevant.

The online philanthropy entrepreneurs could take comfort in the knowledge that they are not alone. Numerous systemic barriers to so-called rational behavior limit the progress of innovative initiatives in other areas of the philanthropy ecosystem, such as the promotion of "impact reporting," the sharing of grantee due diligence data, and the encouragement of best grantmaking practice by foundations. However, the continued failures of these initiatives bode poorly for our own. In practice, we need these types of initiatives, which lift the entire ecosystem, to succeed.

An Alternative Vision for the Philanthropy Ecosystem

We have not succeeded to date because we have not accounted for the complexities and contrary economies of philanthropy as it exists today. We are attempting to

interject creative online methods into a philanthropy ecosystem that does not yet value, promote, and reinforce the importance of information, consistency, or effectiveness. If we continue to innovate without a sense of the whole and without assiduous attention to the major driving conditions, we will continue to spin our wheels.

But if we can step back and examine the methods, signals, and accountability of the entire philanthropy ecosystem, we will not only improve the prospects for the existing online intermediaries but also identify multiple additional opportunities for fruitful intervention. We will recognize that, far from a zero-sum shootout among the current group of online entrepreneurs, if we are to elevate philanthropy and nonprofit practice appreciably, many more savvy intermediary actors will likely be needed to innovate in what may yet become a vibrant, continuously improving philanthropy ecosystem. But first, we should attempt to reach agreement on a vision for an ecosystem that we intend to help build together. Here is my candidate for that vision:

The nonprofit sector will play an increasingly and recognizably effective role in our social economy and civil society. Its initiatives will continue to capture and offer institutional expression to the hopes, ideas, and energies of private citizens. But in the near future, supported by strategically coordinated information and transactional (mostly online) services, it will do so in ways that are at once more purposeful, coordinated, and accountable. Individual donors will seek out and support organizations that are doing work that they value.

Institutional donors will be accountable, consistent, transparent, intentional, and demanding in their philanthropy. Communities will articulate common objectives and track collective progress. Nonprofits will report consistently about their own objectives and institutional progress. Resources will be directed to organizations that best meet society's evolving needs. Superior social and environmental progress will result and our liberal democracy will be strengthened.

Properly construed, these activities operate with a set of semi-discrete component systems that in turn are nested within an encompassing philanthropy ecosystem. Innovative but mutually reinforcing work by numerous intermediaries, existing and prospective, within and across the systems, will be needed if we and advance social and environmental progress as a result.

To explain the workings, impediments, and opportunities of the philanthropy ecosystem more fully, I have divided its principal activities into ostensibly discrete but ultimately interconnected:

1. **The philanthropy knowledge system.** The theoretical repository of pertinent social and environmental indicator data; government and corporate activities and policies; community objectives; and expert opinion about effective intervention methodologies that informs, constrains, and motivates nonprofits, donors, and intermediaries in the philanthropy ecosystem.

2. **The giving system.** The complex network of donors, trustees, institutional advisors, online transaction services, and formal philanthropic institutions that originate and/or manage over $300 billion in annual charitable gifts and grants.

3. **The nonprofit management and reporting system.** The process of objective setting, planning, performance tracking, and reporting that resides at the heart of every excellent nonprofit organization's management system.

4. **The nonprofit evaluation system.** The network of auditors, evaluators, accreditors, regulators, experts, information websites, journalists, friends, and others who seek to inform, influence, validate, and/or protect donors and their decisions.

In the sections that follow, I have attempted to depict each system's salient attributes, its interconnectedness with other systems, the bottlenecks and inefficiencies that impede its success, and the opportunities for tech-savvy social entrepreneurs to intervene and innovate.

The Philanthropy Knowledge System

Donors, nonprofits, and intermediaries respond to what they hear and learn from the news, public opinion, policies of governments and corporations, studies of successful interventions, and information that drives disparate behaviors of the actors in the philanthropy ecosystem is chaotic, and the signals these actors send and receive are inconsistent. If we expect to achieve our vision for a more intentional and connected philanthropy ecosystem, we must find better ways to access and assess this information and convert it into of information are particularly important and promising, and will comprise a robust philanthropy knowledge system to support the philanthropy ecosystem.

As we convert chaotic information into useful knowledge, it is critical to establish a common language and frame of reference. Today, we can access compelling data indicating the status of virtually every issue, which can support interventions at every level. The State of the USA, a nonprofit based in Washington that seeks to provide exhaustive indicator data with a toolbox of visualization tools, is one of dozens of compelling new services.

With excellent indicator data readily available, we should expect political leaders, communities, and private citizens to identify priority indicators to establish and track consistent objectives for progress for each priority indicator. If donors and nonprofits synchronize their objectives with those of their communities, we can expect information chaos to dissipate and collective action to emerge.

The marketplace of expert opinion is vast and uncoordinated. Foundations commission and fail to share proprietary studies about needs, data, and effective interventions. Nonprofits are asked sporadically to assess the impact of their own programs. Little is done with this information. There is a great need for a public repository of expert opinion about effective solutions and useful interventions.

Very often we think of the nonprofit sector as a closed system in which much of society's good work is performed. We acknowledge that government also performs much good work, though that assessment is continuously challenged. We seldom think about the role of business, beyond corporate social responsibility, with respect to its positive impact upon social or environmental objectives.

We have an excess of information swimming around, or more likely lying dormant,

in the filing cabinets of foundations, government entities, nonprofits, and academics. Making the best of this information accessible and useful, turning it into knowledge that can power collective action and consistent provision of resources to effective non-profit programs, is both a critical need and a tremendous opportunity for the Internet entrepreneur who wants to change the rules of the game. Without this common and virtual repository of knowledge, we cannot materially improve the effectiveness of the nonprofit sector.

What Is the Importance of the Knowledge System Within the Philanthropy Ecosystem?

The knowledge system provides the context for the strategies and actions of each of the ecosystem's participants and predicates defensible so-called theories of change. A properly functioning knowledge system will offer greater clarity about the absolute and relative standing of each community's progress with respect to a broad range of social indicators (the metaphorical needles and dials); a formal statement of the priorities of each community (geographic or subject area), and objectives for these priorities; an inventory of successful intervention methods, and accompanying expert commentary to support effective program selection by nonprofits and funders alike; and a full record of government programs and business activities germane to each programmatic area.

What Are the Bottlenecks or Impediments to Making this System Function Optimally?

The vastness of a well-functioning knowledge system is clearly daunting. Agreement over what is important or which language to use is elusive. The inclinations of both non-profit managers and private foundations to "do their own thing," commission their own duplicative research, operate within narrow communities of practice, fail to share knowl-edge, and ignore the innovations of others are major barriers. Low data literacy in some quarters and the fast-rising belief that no one will agree on anything, worsened by our inane red/blue political "discourse," are certainly obstacles to consensus. Innovations in the giving and nonprofit management and reporting systems will be needed to compel the actors to build, respect, and make the most of the knowledge system.

What Are the Principal Opportunities for the Innovative Social Entrepreneur?

Many, if not all, of the critical components of the knowledge system are already resident in specific online initiatives as well as in the nooks and crannies of the web. The opportunities presented to the social entrepreneur are information design and online data aggregation. There are many public and private online sources of useful indicator data. The State of the USA already endeavors to assemble and display data in one eas-ily accessible place, together with tools to help understand and visualize the data. The Results-Based Accountability™ program has developed tools to help communities (geographic and subject subsector) select priorities, establish objectives, and track prog-ress using these types of indicator data. There are doubtless many other pertinent initia-tives. From where I sit, the four opportunities listed below could compel policy-makers and enable their communities, donors, nonprofits, and other agents of progress to access common information, set common objectives, and employ the most effective strategies.

- **The expert source.** A well-indexed online catalogue (or set of subject-defined subsector catalogues) that would aggregate studies of conditions surrounding and

causes for each indicator, evaluations of relevant current and past interventions and programs, and studies of untried prospective solutions.

- **The catalogue of social intervention.** Designed to complement the expert source, this online resource would catalogue the public, business, and nonprofit initiatives that have implications for each indicator and serve as a primary source of data for strategy development and partner selection.

- **Mash-up of The State of the USA and Results-Based Accountability™ services (or some similar combination).** This is an opportunity to give geographic and subject subsector communities a robust and convenient way to determine priorities, establish objectives for improvement, track progress, and publish all of the above (perhaps to the community objectives catalogue that follows).

- **The community objectives catalogue.** This online resource would combine and catalogue pertinent social progress indicators with objectives that had been established for every bona fide geographic and/or subject subsector community. They may conflict. Cohesion is a goal, not a prerequisite. The market of resource providers and practitioners ultimately decides. The catalogue enables that "transaction." In addition to objectives, the catalogue would display the current (and past) value for each indicator. Its purposes would be to focus donor and nonprofit attention on established objectives; encourage collective action; generate new programmatic initiatives that address the documented "sense of community intent;" compel communities to focus on collective objective setting; and encourage greater public data literacy and adoption of a common language for social progress.

The Giving System

The giving system, as described here, consists of principals—those individuals and trustees who have legal "ownership" of philanthropic assets—and intermediary transaction services, which offer decision, distribution, and accounting support and handle approximately 20% of $300 billion in annual giving.

Principals

These individuals have the ability, power, and ultimate responsibility to direct charitable resources effectively. They control donation decisions by giving directly, working through transaction services, or delegating their donation decisions and transactions to expert intermediaries.

Charitable gifts come from over 65% of American households. Their gifts totaled $251 billion in 2009, of which only 44% went to destinations other than local churches, private foundations, and alma maters—less than $78 billion was directed to disadvantaged people.[1]

Individual donors seldom seek corroboration of the effectiveness of their contributions, their job being done when they give and claim a tax deduction. In a thriving philanthropy ecosystem, donors will take responsibility for their charitable gifts and demand performance from both nonprofits and intermediaries.

Advisors, typically the original donor to donor-advised funds, comprise an increasingly

powerful segment of the donor population.[2] Technically, advisors "recommend" to the boards of the host institutions that they make gifts from each relevant fund. Practically, they call the shots on grants from over $27 billion currently sitting in such funds.[3] With few exceptions, original donors and their heirs can determine the disposition of charitable gifts from their "accounts" indefinitely.

The founding donor to charitable trusts and private foundations can choose to retain control (for him or herself and his or her heirs) over charitable distributions. Practically, over time, family gives way to independent trustees and institutional fiduciaries. These trustees become legal owners, controlling vast sums in dedicated, generally long-term, charitable vehicles. Like individuals, they have the authority to direct charitable distributions; with respect to the largest funds, they effectively cede that power to professional grantmaking staff, an intermediary role in this construction.
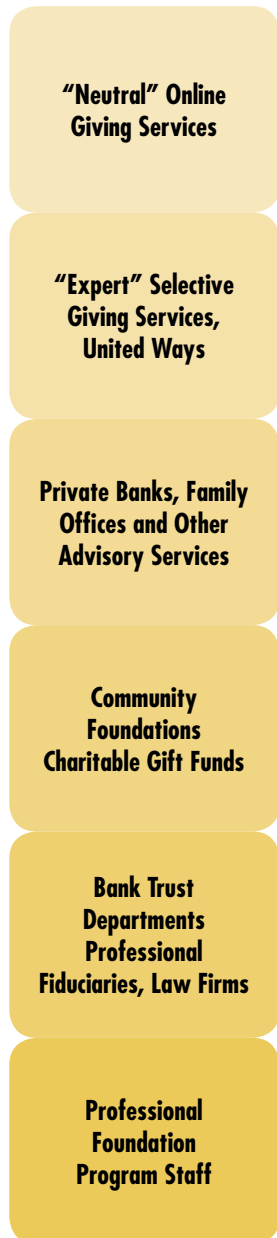
Giving Transaction Intermediaries

Much of the country's giving is conducted through intermediaries that either execute a donor-directed or donor-advised gift or actually determine and execute gifts on behalf of donors. Six models of intermediary activity are explained below.

- **The neutral model.** This first, "neutral," model, used by JustGive and Network for Good, is the purest use of the web to facilitate proactive giving by donors. The more knowledgeable, sophisticated, and intentional donors become, the more these services can be integrated with personal accounting and planning services. The higher the quality of nonprofit reporting into such services, the greater the role and value of this model.

- **The expert model.** The second model, in which a donor gives through an intermediary, guided by experts, to nonprofits of the expert's selection is a century old. United Ways have long selected portfolios of "winner" local social agencies and distributed donor gifts accordingly. Services that aggregate interesting projects or worthy organizations (e.g. GlobalGiving and GiveWell), or use experts to rate organizations (e.g. Philanthropedia), allow donor choice, but only to a small number of preselected opportunities.

- **Advisory services.** An industry of formal donor advisory services, a third model, has emerged among private banks, family offices, accounting and law firms, and dedicated donor advisors, each of which seeks to differentiate its services to wealthy clients. The quality of such services varies broadly, but as other institutions enter the field and the industry matures, the potential for greater accountability and competence increases.

- **Community foundations.** This fourth model has tremendous potential to compel "advisors" to the accounts that comprise the bulk of community foundation assets to be more strategic and intentional. Community foundations have long wrestled with simultaneously serving donors and their own community objectives. The best look for ways to entice donor advisors to be partners in specific community initiatives. The huge charitable gift funds, established by mutual fund companies, make few attempts to promote pro-activity by advisors.

The Giving Transaction Intermediaries

"Neutral" Online Giving Services

"Expert" Selective Giving Services, United Ways

Private Banks, Family Offices and Other Advisory Services

Community Foundations Charitable Gift Funds

Bank Trust Departments Professional Fiduciaries, Law Firms

Professional Foundation Program Staff

- **Trust departments and independent trust companies.** Hundreds of thousands of trusts, supporting organizations, and private foundations are effectively controlled by bank trust departments, independent trust companies, and law and accounting firms. In some examples of this fifth model, these institutions serve as trustee and staff. This expansive population of philanthropic institutions is hardly transparent and generally ignored in analysis of the nonprofit sector.

- **Professional foundation program staff.** Calling professional foundation program staff an "intermediary" in this construction is novel. This characterization, the sixth model, reflects the fact that private foundations, with their captive endowments and no need to report to external stakeholders, are largely immune to influence and oblivious to external, or even internal, accountability for the quality of their grantmaking and investment decisions. Professional grantmaking staff often calls the shots for the putative owners: the trustees.

Figure 1: The Giving System
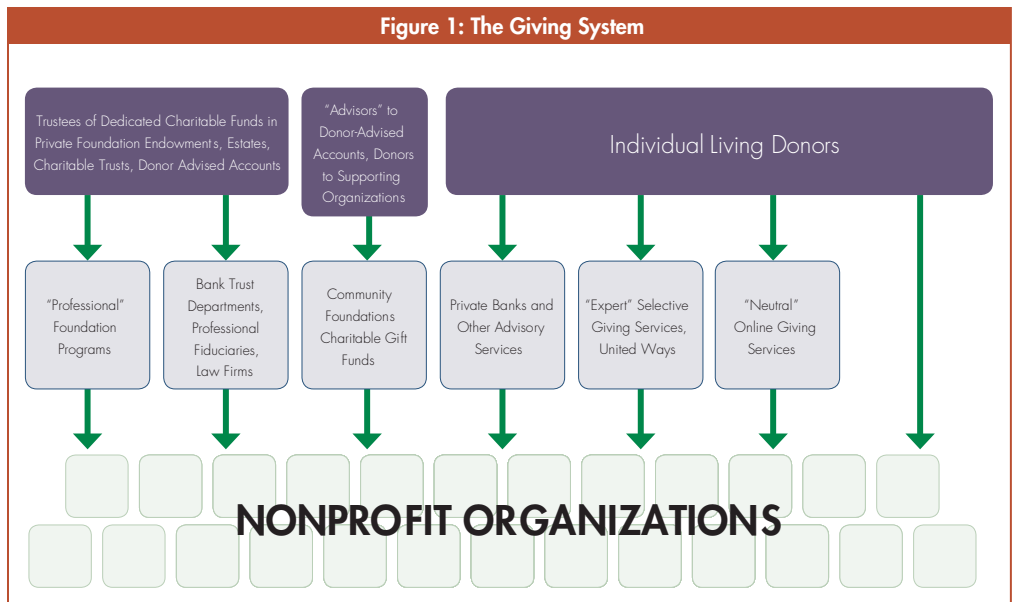
The current movement of gifts and grants (green arrows) from donor principals (purple shades) directly to nonprofits at the bottom, as well as through relevant intermediaries (gray shades).

What is the Importance of this System within the Philanthropy Ecosystem?

Nonprofit organizations often have opportunities to earn revenue through commercial or service activities and may be eligible for government payments for specific services. Nonetheless, philanthropic gifts and grants comprise the stock of capital that nonprofits use to support strategic evolution, new initiatives, and capacity development. The giving system comprises the philanthropy ecosystem's lifeblood of intentionality, innovation, and responsive capacity. The participants in this system, principals and transaction intermediaries, must take their role very seriously and send informed, faithful, and consistent signals and resources to nonprofit organizations.

What Are the Bottlenecks or Impediments to Making this System Function Optimally?

Donor principals of all kinds are fundamentally unaccountable, which in turn compromises the accountability of the process of allocating philanthropic resources. In

general, fulfillment of IRS requirements to realize a tax deduction by an individual or institution, or satisfaction of the statutory payout requirement by a private foundation, is the only auditable "bottom-line" reporting requirement that donor principals have to any external audience. One might expect compensating internal accountability within institutional philanthropies like foundations. However, program staffs that effectively make most recommendations for foundation grant distributions recognize that their poor decisions will not impact the foundation fiscally. The same 5% of the endowment will be available to them to distribute the following year. As a consequence, foundations themselves have few, if any, effective mechanisms for either external or internal accountability. A philanthropy ecosystem that lacks an accountable resource allocation process is by definition suboptimal. We cannot expect nonprofit organizations to function effectively if donor principals, particularly institutional donors who are looked to as powerful "experts," are fundamentally unaccountable.

What Are the Principal Opportunities for the Innovative Social Entrepreneur?

There is no shortage of innovative giving-transaction strategies promoted by social entrepreneurs on the Internet, but these efforts will not be valued until donors recognize that they truly have "skin in the game," and that, as the allocators of financial resources to nonprofits, they must be accountable for their decisions. It is therefore critical for social entrepreneurs to focus on activities that promote accountability by donors, especially foundation trustees, and transactional institutions. Here are some opportunities:

- **Foundation practice watch.** This initiative would evaluate the grantmaking processes of foundations on public websites. The Center for Effective Philanthropy (CEP) has developed methodologies intended to help foundations understand and track grantee satisfaction with their own grantmaking. This is a good start, and CEP staff likely has many thoughts about how to make the foundation sector more effective and accountable through evaluation. However, CEP operates within the intellectual sphere and under the financial boot of the institutions it could evaluate. CEP and existing or new groups like it, such as the National Committee for Responsive Philanthropy, must be encouraged and independently funded to take on a more incisive role in foundation-practice evaluation. Also, existing or new entrepreneurial agencies should pursue the additional initiatives below.

- **A center for grantmaking impact.** This initiative would evaluate foundation programs on their effectiveness, the quality of their reporting, and the congruence of their grantmaking strategies with community needs and goals, and report such findings on a public website. In a bid to encourage internal and external accountability in private foundations, the center would view trustees as a principal audience for this work product, encouraging them to demand more from program staff.

- **New intermediary grantmakers.** If trustees of foundations remain dissatisfied with the conduct of their resident program staff, they should utilize the services of other grantmaking institutions to manage all or a portion of their annual grantmaking budgets. Social entrepreneurs could remake the grantmaking model to be more efficient, effective, and accountable, and sell that service to endowments and wealthy people.

Such services would enable the necessary separation between endowments and grantmaking, and establish a degree of accountability unattainable in our dominant private foundation model.

- **Foundation worthiness calculator.** The strategies above would improve the internal accountability of foundations, but until foundation trustees become accountable externally for the activities and decisions of their institutions, we cannot expect the giving system to perform optimally. Today, accountability for trustees begins and ends with proper fiduciary conduct. A service that would not only reveal the effectiveness of the grantmaking program of a foundation but also report on each foundation's institutional strategy to maximize the value of its capital (e.g. more rapid payout, mission investment of endowment, collaborative grantmaking with other foundations, use of multiple grantmaking intermediaries, etc.) would have considerable, highly leverageable value for the entire philanthropy ecosystem.

- **Catalogue and evaluations of the donor-advised fund programs of community foundations and major charitable gift funds.** This entire field would benefit if a new service were formed to review the value propositions offered by each of these transaction intermediaries. These intermediaries have the potential to become highly productive forces in the education of donors and the accountability of the giving system, but no external party is watching, evaluating, or reporting. A new evaluative service could assess the degree to which each intermediary provides its donor advisors consistent reporting by nonprofits, nonprofit performance tracking information, pertinent knowledge from the environmental knowledge system, and other support to become more intentional and discerning donors.

To achieve that end, a common reporting core, such as that promoted by the Charting Impact initiative of Independent Sector, the Better Business Bureau (BBB), GuideStar USA, and the William and Flora Hewlett Foundation, should accompany all nonprofit reports. These critical questions, or a very similar set of reporting elements, are central to any useful planning, managing, and reporting system. In the spirit of common objective setting, rather than follow my own entrepreneurial inclinations to advance a new, proprietary set of questions, I will use Charting Impact's model and five questions to make this point.[4]

1. **"What is your organization aiming to accomplish?"** Charting Impact's first question in essence asks the organization to state a vision for a distinct future (within a distinct time frame) that will result from successful completion of its work. This is the organization's "intended impact." It is also a question that must be revisited for relevance every reporting period, because it forms the essential rationale for the nonprofit and the cornerstone for its strategic plan. I would argue that the vision the organization offers should have external as well as internal characteristics: external with respect to what the organization's good work will mean for society; internal with respect to what the organization will look like at that future "vision" date.

2. **"What are your strategies for making this happen?"** Or, "What programs will you pursue to achieve this larger vision?" Or—maybe—"What is the organization's theory about how it will achieve change (the intended impact)?"[5]

3. **"What are your organization's capabilities for doing this?"** This is the reality question, anathema to many a social entrepreneur. But an answer is essential for every serious effort, even if the answer indicates capabilities short of what's required at the moment. A more useful construction might be, "What are your organization's current resources and your plan to secure any additional resources and competencies required to achieve your objectives?" Ultimately, the resources and objectives must be reconciled, or, if not, objectives must be restated. This is an excellent exercise that must be conducted in one form or another each reporting period.

4. **"How will you know if your organization is making progress?"** Though an important question, this requires some art to develop. It's an unusual organization for which the actual "output" of its program activity will equal demonstrable progress toward the longer-term vision. With respect to tracking the organization's progress against strategic objectives and toward achieving its vision, it is important to choose metrics that can be discerned easily and measured accurately; understood by staff and utilized in their own periodic internal reporting; and for which a reasonable case (theory of change) can be advanced for its correlation with the impact the organization intends to have.

5. **"What have and haven't you accomplished so far?"** The fifth and final question is the regular performance report. It must be emphasized that answers to at least one (and probably more than one) of the first four questions will change each reporting period. We should also expect the answer to question five to change, and when it does, the reasons for the change should be flagged and incorporated along with the progress statement in any reporting. Appreciation of these changes, regular restatement of answers to these questions, and faithful reporting of the results of the process are the hallmarks of a learning organization. Every participant in the philanthropy ecosystem must respect the central importance of this process.

Likewise, it is not enough for GuideStar USA, the Better Business Bureau, Independent Sector, and the Hewlett Foundation to commend the five questions to nonprofits as best practice. Nonprofit organizations' answers to these questions must be thrust front and center in the information systems developed and displayed by each of these actors, by all other evaluators, and in the grant application and reporting forms required by all foundations, donor intermediaries, and other institutional philanthropists. Only then can we expect that the substance of the questions will be taken seriously and internalized in the sequential planning/reporting/planning/reporting processes of each nonprofit.

In other words, the "audience" for the Charting Impact initiative must all be serious participants in the philanthropy ecosystem, and foremost among these are the nonprofit organizations themselves. Although the level of sophistication and quality that nonprofits bring to their reporting will vary considerably, every organization has ample opportunities to interject consistent responses to the five questions in every reporting venue.

What is the Importance of this System within the Philanthropy Ecosystem?
To achieve its potential, the philanthropy ecosystem requires that nonprofit organizations operate and, just as importantly, report as effectively and consistently as possible.

Without an expectation and fact of dependable reporting by nonprofits, the ecosystem will not move beyond its current dysfunction.

What Are the Bottlenecks or Impediments to Making this System Function Optimally?

The failure of the donors and intermediaries comprising the giving system to take nonprofit reporting seriously, agree on a common application for grants, and demand a common annual report that derives from the nonprofit's internal planning/management/reporting process is the principal impediment to optimal functioning of the nonprofit management and reporting system. Unless nonprofits can count on donors to coordinate to reinforce the value of excellent and singular reporting, they cannot expect to benefit externally from consistent donor signals or internally from more effective management processes. Instead, they are more likely to spend scarce managerial time responding to multiple and disparate requests for information that may be impossible to internalize in any cohesive reporting system.

What Are the Principal Opportunities for the Innovative Social Entrepreneur?

We must do everything possible to focus the attention of donors and their intermediaries on the necessity for cohesion in the funding application and regular nonprofit reporting processes.

- **Revisit the Charting Impact program.** Redirect the promotion of the Charting Impact program from nonprofit organizations to donors and donor intermediaries. If every donor and intermediary demanded an annual report that featured the five questions, the quality of nonprofit reporting—and, as a consequence, philanthropy and nonprofit management—would improve immediately. Short of that, attempts to influence nonprofit reporting behavior will fail.

- **Synchronize all standard nonprofit reporting systems.** This opportunity will require social entrepreneurs to engage in a program of education and advocacy with established ecosystem reporting systems to reinforce the ethos of the Charting Impact program. For twelve years, GuideStar USA, the most ubiquitous and neutral reporting venue, has asked that nonprofits voluntarily enter answers to survey questions that are quite similar to Charting Impact's. If GuideStar USA ensured that its own reporting form was precisely consistent with the five questions, and honored or featured the most faithful, multiyear nonprofit reporters, it would be an immediate boon to this movement. Additionally, even though the IRS recently revised its Form 990, it might be willing to include these questions in the next iteration if the principal ecosystem actors could converge around the five questions. The inclusion of these questions on the universal reporting form for all tax-exempt organizations would aid in the effort to create a common reporting formula benefiting nonprofits and the public in general. Further, associations of nonprofits could include the five questions in the best practices they promote to their members. Groups that honor the best annual reports could require that proper attention to the five questions become a central criterion for consideration. Finally, the principal nonprofit sector media could be trained to look for answers to the five questions in their reporting on individual nonprofits instead of focusing on financial ratios, as they do today.

- **Use common foundation grant applications and annual reports.** Any effort to cajole, coerce, or otherwise convince foundations to adopt common policies with respect to grant applications and subsequent evaluation of the performance of organizations would be well worth undertaking. To be meaningful, this would require that foundations first focus intently on the nonprofit organization as an entity rather than on its individual programs. Further, foundations should use the formal, annually revised business plan and annual report of each organization, both of which would emphasize the organization's response to the five questions as its primary source of information about an organization. In this way, foundations would reinforce more effective internal management systems and strategic planning as well as pertinent reporting. They would also benefit from the receipt of better information and presumably more effective nonprofit interventions.

- **Establish a service to audit nonprofit output/outcome reporting.** The planning/management/reporting information environment envisioned here asks nonprofit organizations to self-report their accomplishments versus their objectives. Presumably, donors will identify organizations with work that coincides with their own purposes and values. In a well-functioning philanthropic ecosystem, both donors and nonprofits would have access to a robust philanthropy knowledge system, and donors would have the ability to reward organizations that pursue objectives that are most consistent with community goals and expert opinion about effective solutions. One concern would be how to determine whether the organization's reported accomplishments are accurate. We rely now on accounting firms to audit the veracity of a nonprofit's self-reported financial statements, and we can expect the development of firms that audit and validate reported organization accomplishments. Such developments would add appreciably to the integrity of the ecosystem.

The Nonprofit Evaluation System

Figure 2, "The Nonprofit Evaluation System," depicts the entire flow of information about nonprofit organizations reported directly and indirectly through intermediaries from nonprofits themselves as well as content-contributing intermediaries to donors and donor transaction intermediaries. Most nonprofit self-reporting is made through standard reporting channels

Some nonprofit reporting, mostly promotional, finds its way directly to individual donors. Some of it, grant applications and performance reports, flows directly to foundation program staff. The financial statements of substantial organizations are audited by public accountants. Data flows directly to regulators (including the Form 990 to the IRS and state charity officials) and finds itself posted at neutral online data services, notably GuideStar. From these channels, data flows to third-party evaluators and then, along with what is still a limited quantity of evaluative content, to donor transaction intermediaries and donors. The system comprises the evaluation methods and strategies shown in the middle of the figure.

Evaluation Methods

Online initiatives promoting more generous or intelligent philanthropy seek to evaluate nonprofit organization worthiness from distinct points of view. It could well be argued that evaluation is as much a function of the evaluator's values as it is of the substance

Figure 2: The Nonprofit Evaluation System
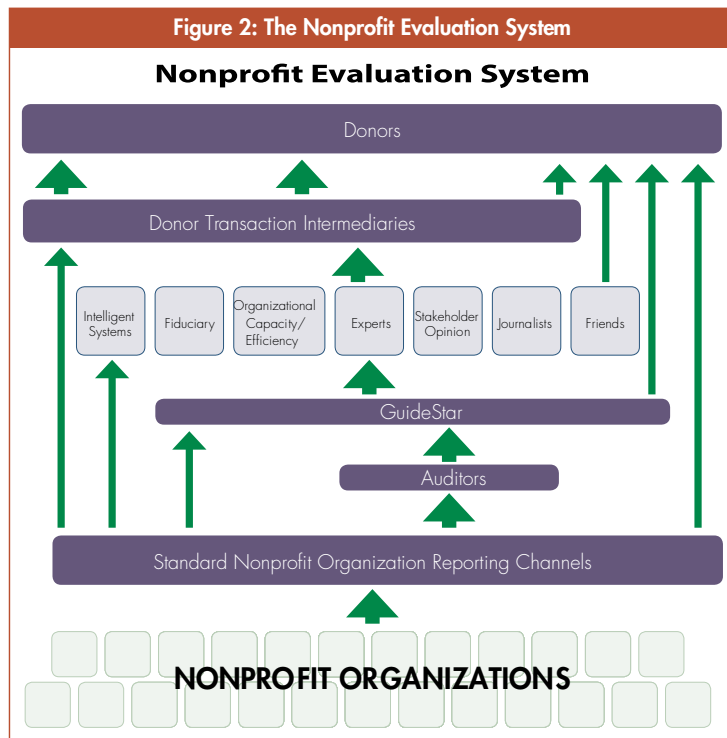
of the organization's work. Theoretically, there are as many ways to assess the worthiness of a nonprofit as there are evaluators or even donors. Seven evaluative methods, existing and theoretical, are covered below.

1. **Implementing intelligent systems.** Intelligent systems recognize the pivotal importance of values and would enable individual donors to employ their own, using customizable evaluation algorithms and exhaustive data about the full population of nonprofits. There are no truly intelligent systems today, but with better data (maybe GuideStar X 2) we could implement this intellectually attractive methodology.

2. **Assessing fiduciary and fiscal integrity.** The BBB Wise Giving Alliance is an example of the second evaluative method, one largely concerned with fiduciary and fiscal integrity. It derives from the perceived need to protect the donor-consumer from fraudulent fundraising. This method does not address nonprofit operations and effectiveness.

3. **Assessing organizational capacity/efficiency.** Charity Navigator and periodic "best charities" lists focus upon the financial ratios of organizations as indicative of their efficiency, health, and capacity. While popular, this third approach lacks analytical integrity. Charity Navigator also evaluates organizations for accountability and transparency, and has recently announced analysis that will better reveal the impact made by organizations. The jury is out on this.

4. **Asking experts.** Asking "expert" practitioners, academics, and funders to review the bona fides and work of organizations has significant inherent appeal. Philanthropedia seeks to assemble a body of informed opinion to help donors identify the most effective nonprofit organizations.

5. **Asking other stakeholders.** Beyond seeking the point of view of external experts about the worthiness of an organization, is it not equally valid to seek and display input of other stakeholders of an organization—staff, beneficiaries, donors, etc.? Keystone Accountability has pressed donors and evaluators to adopt this fifth methodology. GreatNonprofits seeks to capture broad stakeholder sentiment about nonprofits.

6. **Journalists.** Journalists have long been the principal public evaluators of nonprofits. Their evaluative method typically focuses on organization attributes the journalist deems "newsworthy." We would be wise to remember the power of journalists and seek to advance their knowledge and sophistication accordingly.

7. **Friends.** Friends have always been the most important implicit evaluators of non-profits. Traditional philanthropy counts on the human tendency to share interests and preferences. Social network philanthropy initiatives are betting that reliance on friends will become ubiquitous on Facebook. Hopefully, these initiatives will bring objective system knowledge as well to this crowded venue.

What is the Importance of this System within the Philanthropy Ecosystem?

Theoretically, using intelligent systems, donors will one day manipulate data and generate their own custom evaluations of nonprofits. Even if this expectation is realized, we will doubtless witness increasing demand for third-party evaluations of nonprofit organizations. If these evaluators can reinforce proper and consistent nonprofit reporting (for example, the five questions), are transparent in revealing their own values, and contribute insight as well as adopt a cohesive philanthropy knowledge system, they will be an important and progressive component of the ecosystem. In fact, we need many more evaluators bringing many more perspectives and transparent values to this work. However, if evaluators encourage perverse economic behaviors by organizations (via overemphasis on financial ratios, for instance), erode the sophistication of donors by dwelling on irrelevant measures of worthiness, or let their perceived need for scale compromise the quality of their work product, they will be detrimental to the ecosystem.

What Are the Bottlenecks or Impediments to Making this System Function Optimally?

Perhaps the principal impediment to making this system function optimally is the failure of its practitioners to understand the practices, deficiencies, opportunities, and interconnectedness of the components and systems within the philanthropy ecosystem. Internet entrepreneurs are driven by a perceived need to achieve scale. When an Internet entrepreneur thinks about evaluating nonprofits, the first question faced is, "How can I evaluate large numbers of organizations so that I have sufficient scale to get noticed and influence behavior?" The inevitable result is the selection of highly "leverageable" methodologies (e.g. simple financial ratios, networked friends' endorsements, Zagat-inspired stakeholder opinion, and wiki-like networks of experts), each purporting to be the most useful means of assessing nonprofit worthiness. Underscoring and encouraging this phenomenon, though, is the absence of more pertinent and readily available information about nonprofits and the environment in which they function, such as those envisioned within the philanthropy ecosystem.

Another barrier is the absence among evaluation practitioners of a clear understanding that this is not an ordinary sector to remediate like banking, book selling, music, or rummage sales. There is no first-mover advantage. This is no zero-sum game. There is nothing to lose and everything to gain through close collaboration among evaluators, helping new ones get started (especially ones with different methodologies), contributing to a common knowledge base, and reinforcing excellent nonprofit reporting practice.

A final barrier is reputational. It is easy for nonprofits and serious donors to discount the current work product of evaluators, particularly the online variety. The misconceived shortcuts taken by a few can hinder progress for everyone in this space.

What Are the Principal Opportunities for Innovative Social Entrepreneurs?

- **The evaluator network.** Serious evaluators should form an association to ensure high analytical standards (and encourage reinforcement of the five questions); identify opportunities in the evaluation space; attract others to the field; classify the association members by expertise (for those who specialize in nonprofit subsectors) and type of evaluation; and promote their work product through a common web interface. GuideStar USA could provide the most logical venue and organizing device for this service. It already has a head start through its relations with several online evaluators, although its recent merger with two evaluation agencies may compromise either its neutrality or the appearance of its neutrality in this regard.

- **New knowledge/reporting-based evaluation algorithms.** This approach would reconcile information from the philanthropy knowledge system and nonprofit management/ reporting systems. From the knowledge system it would capture information about the most effective intervention strategies and community objectives. From consistent nonprofit reports (featuring answers to the five questions) and audited financial and output/outcome reports, it would capture information about the capacity and success organizations have in achieving their stated objectives. The resulting evaluative report would use the combined information to assess the extent to which an organization (1) established interventions and objectives based upon well-supported assumptions about the correlation of its expected operating outputs and community-valued outcomes, and (2) performed the stipulated interventions and achieved the stated outcomes.

- **Establish a service to audit nonprofit output/outcome reporting.** This opportunity was presented in conjunction with the nonprofit management and reporting system described early on in this article. Its inclusion here in the third-party evaluation section underscores the overlapping quality of these systems. But repetition is warranted in this case. The same energy that is now expended by an "evaluator" could very productively be devoted to verifying the programmatic representations of nonprofits. It would provide the philanthropy ecosystem with information of greater integrity and reinforce conducive and consistent nonprofit reporting methods (the five questions again).

Figure 3: The Philanthropy Ecosystem

Philanthropy Ecosystem

Donors

Indicator Data

Community Objectives

Expert Opinion about Needs and Effective Solutions

Activities in Government and Business Sectors

Donor Transaction Intermediaries

Third Party Evaluations

Exhaustive Reporting Database/GuideStar

Audit of Financials and Output/Outcome Data

Reports Prepared by Nonprofits

NONPROFIT ORGANIZATIONS

The Philanthropy Ecosystem

With vibrant subsystems each functioning well within the overarching ecosystem, we cannot help but enjoy more satisfying philanthropy, greater innovation, and better societal outcomes. As the figure "The Philanthropy Ecosystem" describes, in this high-functioning philanthropy ecosystem, we will:

- Work from a common knowledge base.
- Seek consensus around community objectives and collective action.
- Require consistent reporting by nonprofits that is at once internally valuable for the organization and publicly transparent.
- Direct resources to organizations that do well the work society values.
- Demand accountability not only of foundations, trusts, and intermediaries but also of ourselves—the vast population of individual donors who account for the great majority of charitable giving.

As we build this ecosystem, we will introduce dependable market signals, establish consistent expectations, and instill dynamics that not only ensure mutually reinforcing progress but also demand and reward far greater innovation, online and otherwise, than we have witnessed to date.[6]

Conclusion

The positive implications of a high-functioning philanthropy ecosystem are substantial. The success of the whole, as well as the success of each of the parts, requires successful innovation throughout. While expansive, the scenario developed here is hardly revolutionary.[7] Rather, each component system described in this paper should be immediately

recognizable. All of the ecosystem's existing institutions will continue to play major roles. No legal or regulatory changes are proposed. Innovation and change will be evident at the edges; in the connective tissue linking people, institutions, and subsystems; and in greater accountability and a stronger ethos of common objective setting and collective action.

The frustrations encountered by today's online social entrepreneurs will continue so long as we fail to recognize the systemic nature of the philanthropy universe and the need to embrace innovation throughout. We cannot blame nonprofits for being unaccountable if donors are inconsistent and unaccountable themselves. We cannot expect great results if the major players will not coalesce around common objectives and collective action. We cannot expect the success of innovative efforts by individuals to promote excellent philanthropy online if the rest of the philanthropy ecosystem is not functioning sensibly.

Finally, as we take on this surfeit of entrepreneurial challenges, we must remember why we are doing it. We do it to secure better outcomes for the causes we care about. We do it to build a stronger civil society and more competent and resilient nonprofit organizations. We do it to make safe the proposition that private initiative for the public good remains an essential facet of our democratic society. Narrow and "siloed" thinking as well as protection of turf, methods, brands, and the like have no place here. Instead, we must recognize this universe for what it is, embrace a common vision for a high-functioning philanthropy ecosystem, and set out together to build and link the components of that ecosystem. Only then will our frustrations dissipate and our ambitions ignite.

AUTHOR'S UPDATE

This piece was penned two and one half years ago. In that time, many initiatives have been pursued and much thought has been applied to this general area. For me, two items stand out that would deserve a nod or totally transform the piece were I writing it today.

The first is big data. Certainly there is value for the social sector in having access to the knowledge that can now be generated about progress in people's lives and correlations among "disparate" variables that may turn out to change-causative. This knowledge will help with program design and objective setting at all levels. It's not all great; aside from privacy concerns, I do worry that the analytical appeal of big data may distract the principal analysts from further work on the economics and contributions of individual organizations.

I would make another nod to the field of impact investing, b-corps and the like. These efforts raise the ante, perhaps by over-promising, for our assessment and measurement of the impact of organizations. But the bigger implication of this work is the broader perspective we are now more inclined to take as we view the relevance of the work of organizations across the spectrum. Is tax status or return of profit to

equity holders the criteria by which we should categorize the social-worthiness of enterprises? How about intention to do good? I'm no longer convinced.

So rather than focus on the philanthropic ecosystem today, I'd broaden the treatment to include the social utility of the full universe of investments and enterprises. In a tax-status blind world, how do all of our investments and enterprises contribute to or deplete the critical regenerative capital of society?

FOOTNOTES

1. The Center on Philanthropy at Indiana University, Giving USA 2010: The Annual Report on Philanthropy for the Year 2009 (Chicago: Giving USA Foundation, 2010), 6–9.

2. Donor-advised funds are hosted and are technically owned by community foundations and charitable gift funds.

3. Ben Gose, "Charities Can Expect More Money to Flow from Donor-Advised Funds," Chronicle of Philanthropy, July 11, 2010.

4. For Charting Impact's five questions, see www.guidestar.org/rxg/update-nonprofit-report/charting-impact.aspx.

5. The Bridgespan Group may be the principal proponent of a planning/reporting language that places "intended impact" and "theory of change" at the heart of a good organization's strategic plan.

6. Today, it makes good sense to focus our attention upon developing the philanthropy ecosystem as described herein. Nonetheless, it will soon be necessary to incorporate two other emerging systems into any future analysis (t h e on l in e social entrepreneurs will make sure that this happens). One, the social network system is shaping behavior in myriad ways. At a minimum, the Facebook and Twitter duopoly has become an essential venue for nonprofit organizations and a source of "friend-based evaluation." The jury is out concerning the degree to which the ad hoc actions and associations of online social networks will supplant many activities and associations traditionally conducted and enabled by nonprofit organizations.

   Likewise, a second emerging system, the social enterprise system, is capturing significant mindshare from a broad swath of society. Among its captives are many already committed professionally to the philanthropic ecosystem. What are the limits of this system? Can it realistically challenge the provenance of nonprofit organizations in our conception of a social action marketplace and in the hearts of donors? How can we most productively think about these developments?

   For the sake of simplicity, I have avoided consideration of the extensive system of volunteer activity. Suffice it to say that implications of improvements of the philanthropy ecosystem that improve the participation, sophistication, and satisfaction of individual donors should hold true for volunteers as well.

7. A revolutionary solution might scrap the private foundation model for one less inherently autonomous and disconnected. It might scrap tax deductibility of organizations that operate in areas of dubious social benefit or simply don't need the money. It might require accelerated payouts to defray the social cost incurred when foundations warehouse capital perpetually.