

More nonprofits embrace data-driven decision making

For-profit tactics boost results—and funding

By: Judith Messina / November 15, 2018



In a world awash in data, it's not only Wall Street firms and Silicon Alley data scientists crunching numbers these days.

Nonprofits, traditionally viewed as risk-averse, slow-moving organizations, are increasingly getting on the performance-review train. A growing number of firms are amassing information, analyzing trends and testing methods to better inform strategy, justify programs and convince funders their money will be put to good use.

Sometimes the evidence compels an organization to boldly transform the way it pursues its mission.

For example, data showed that the Bowery Residents Committee's homeless clients were staying in shelters longer and returning in greater numbers even though more of them were getting jobs. That prompted CEO Muzzy Rosenblatt to dig deeper, revealing that the path from shelter to housing was congested. In response, BRC became a real estate developer—a first for a homeless organization—leveraging city vouchers for 135 units of permanent affordable housing to build a 200-bed Bronx shelter, which opened in May.

"We saw the length of stay going up—recidivism going up—and needed to figure out a way to change the external reality," Rosenblatt said.

BRC routinely gathers data on clients and programs, searching for trends and matching input, such as helping clients apply for housing, to output, such as housing placements. Rosenblatt reviews the results at quarterly meetings, to which he also invites board members, foundation reps and other nonprofits.

"Using resources more entrepreneurially to get greater impact and giving partners comfort that these projects are not crazy risky and are data-driven—that's the paradigm shift," he said.

Nonprofits are becoming more sophisticated data analysts, running randomized control trials and seeking out insights from other nonprofits to find out what works and what doesn't.

Last year nonprofit information service Guidestar saw a 138% increase in the number of nonprofits—from 1,630 to 3,882—that earned its platinum seal for providing not just financial information but also metrics illustrating performance and progress in achieving their mission.

"It's really a big impact differentiator," said Gabe Cohen, senior director of marketing and communications at Guidestar. "People are starting to realize that if they can track data, they can make better decisions and increase funding."

Removing subjectivity

The Center for Employment Opportunities, which helps the formerly incarcerated enter the workforce, is collecting stats on a new program that promises to reduce recidivism and keep its young adult clients motivated. Even with data, teasing out the causes of success or failure is difficult when countless variables, including housing and child care responsibilities, get in the way of clients' goals. But without data, it's impossible.

"It takes some rigor to figure out what levers are most important to get people back on track," said Brad Dudding, the new chief impact officer at the 25-year-old organization.

At Per Scholas, which trains underrepresented populations in technology, randomized trials have helped validate its training model but also caused it to pull the plug on an expensive program that put similarly aged youth in the same class. After tweaking, the graduation, certification, placement and retention rates in the program were still lower than in classes with a mix of youth and adult students.

"I call those Frankenstein programs," said CEO Plinio Ayala. "You believe the assumptions and keep pumping in money, but the effectiveness is not there. Data eliminates all the subjectivity, all the emotion."

For some nonprofits, data has been the impetus—and the underpinning—for experimentation and improvement. The Center for Court Innovation, a policy and research organization that works to improve the justice system, used data to illuminate that clients—people involved in the justice system, usually defendants—are sensitive about how they are treated. The organization has now operationalized that insight in its staff training to ensure clients feel respected.

Project Renewal, which seeks to end homelessness by providing health and employment services as well as affordable housing, knew there was significant turnover in its residential aides staff—at

a cost of 16% of salary to replace each aide. But seeing the stark 148% annual turnover figure led to a new training and support program that boosted morale and cut turnover in half.

"Impressionistically, people realized there was a lot of turnover, but the numbers make you see it in a whole new way and allow you to quantify savings," said Jody Rudin, COO of the organization, which now has six employees—10% of its administrative staff—dedicated to performance measurement and evaluation.

For many nonprofits, the data mindset remains a work in progress. It may require a culture change and, for small outfits, a heavy lift to gather the necessary money, skills and people.

Data analysis is far from ubiquitous in the nonprofit world. A national survey by a collaboration of EveryAction, a customer-retention software maker, and the website Nonprofit Hub found that 40% of nonprofit professionals use data to make decisions.

"They can tell stories, which is really important, but they don't have the infrastructure to say tactically and strategically where they are making a difference," Dudding said.

Some worry that an emphasis on data can overshadow qualitative and often unmeasurable but still important outcomes.

Others fear that when cash inflows are entirely dependent on government and philanthropy, there may be no second chances if the data throw a spotlight on a failed program. Longstanding organizations that have built up good will can weather bad results, but young nonprofits could suffer.

Embracing failure as a learning tool has not quite permeated the nonprofit mindset, something CEO Greg Berman of the Center for Court Innovation, for one, is fighting to change.

"I reject the kind of pass-fail analysis where something is a massive success or total failure," said Berman, co-author of *Trial and Error in Criminal Justice Reform: Learning From Failure*. "Even with projects that are less than shining successes, if you dig into the data, there's always something you can learn from it."

What is clear is that the passion for data is likely to intensify.

"The God-will-provide approach is no longer the way to do business in the nonprofit world," Ayala said. "Nonprofits need to clearly delineate the return on investment, and you can only do that with data."