Nonprofit Rating Systems and Implications for Evaluation

American Evaluation Association
Annual Conference
November 11, 2010

Motivation for this Session

1. Understanding the Baseline: State of Nonprofit Evaluation Practice and Capacity

2. Summary of Conversations In the Field—Evaluation/Assessment Purpose

3. Summary of Conversations In the Field—Ratings Approaches

4. Discussion of Nonprofit Rating Systems and Implications for Evaluation

State of
Evaluation
2010

EVALUATION PRACTICE AND CAPACITY IN THE NONPROFIT SECTOR

Evaluation is the second lowest organizational priority—

only more important than research. (n = 753)

Average ranking of organizational priorities

PRIORITY

Fundraising
3.67

Evaluation
6.21

Research
7.71

1   2   3   4   5   6   7   8   9   10

Financial Management
3.90

Communications
4.77

Human Resources
5.39

Strategic Planning
5.46

Information Technology
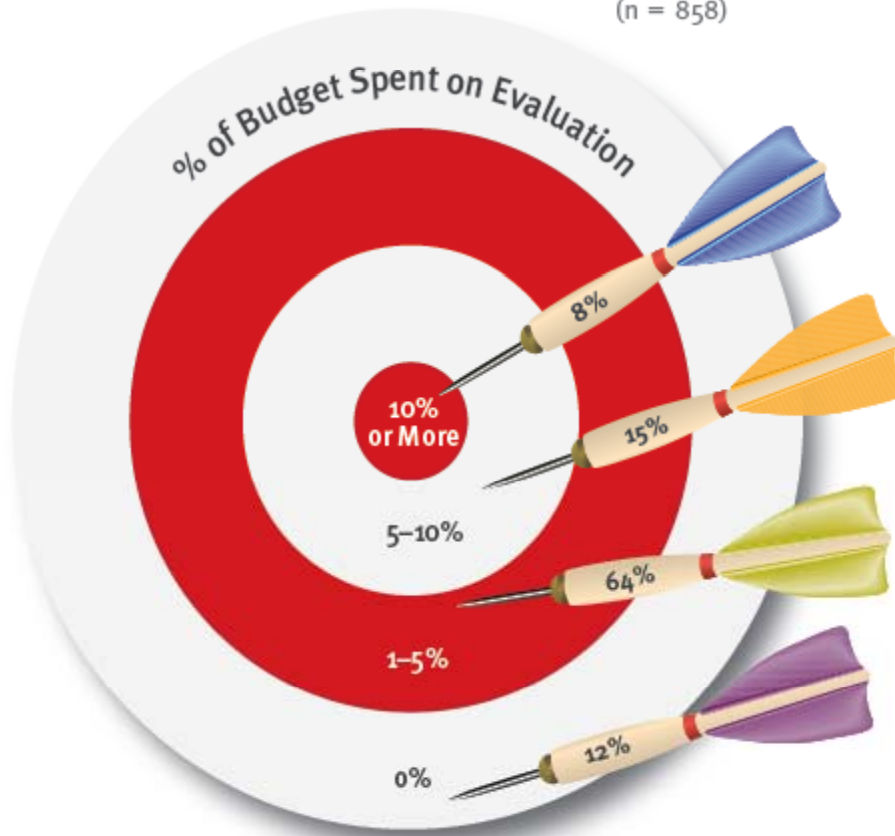5.64

Staff Development
5.71

Governance
5.77

Only **13%** of nonprofit organizations have at least one full-time employee dedicated to evaluation. (n = 899)

Professional evaluators are responsible for evaluation in only 21% of organizations. (n = 899)

21%
Evaluation Staff or
External Evaluators

62%
Non-Evaluation Staff

17%
No One Has the Lead
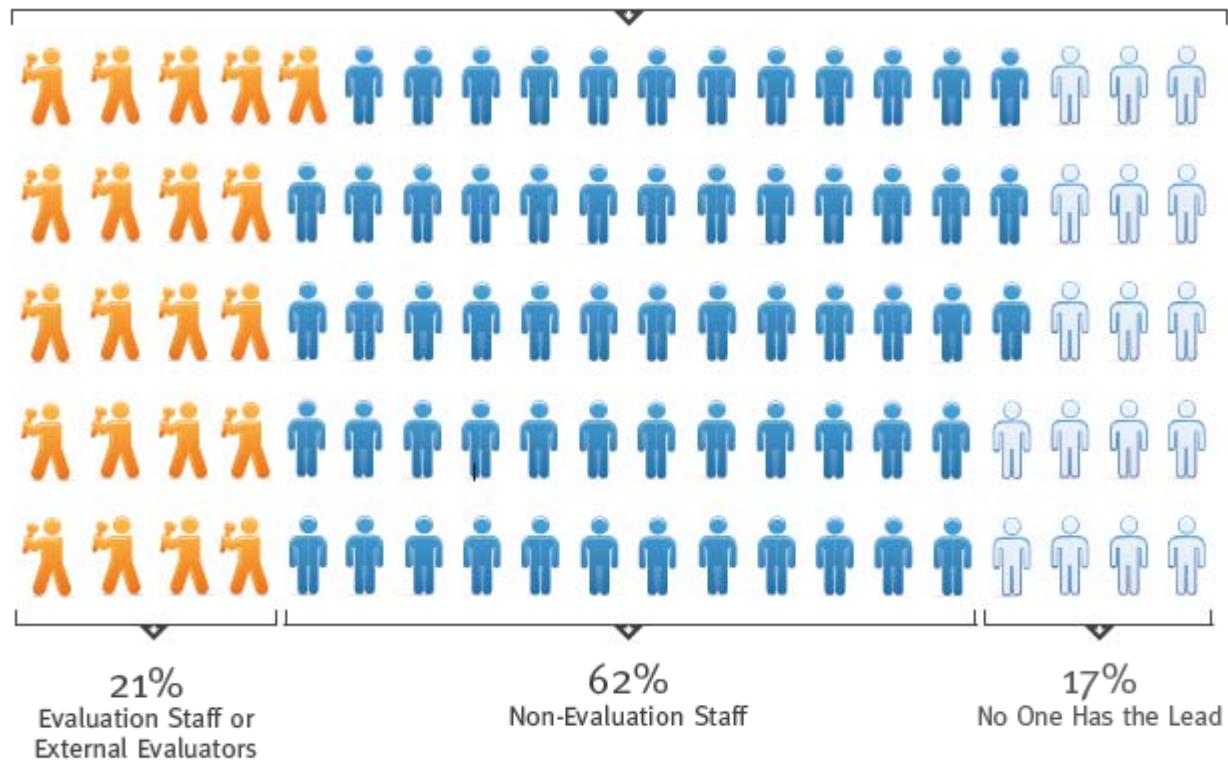
Last year, **1 in 8** organizations spent **no money** on evaluation.

(n = 858)

% of Budget Spent on Evaluation
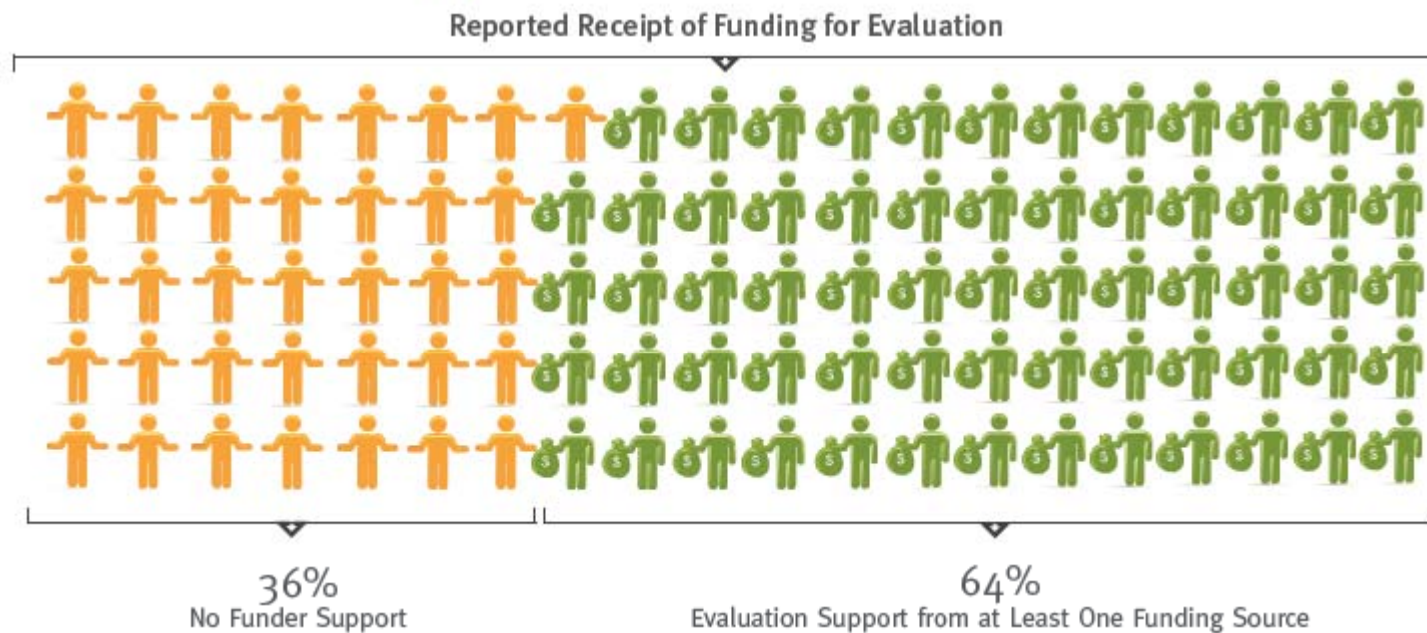
10% or More

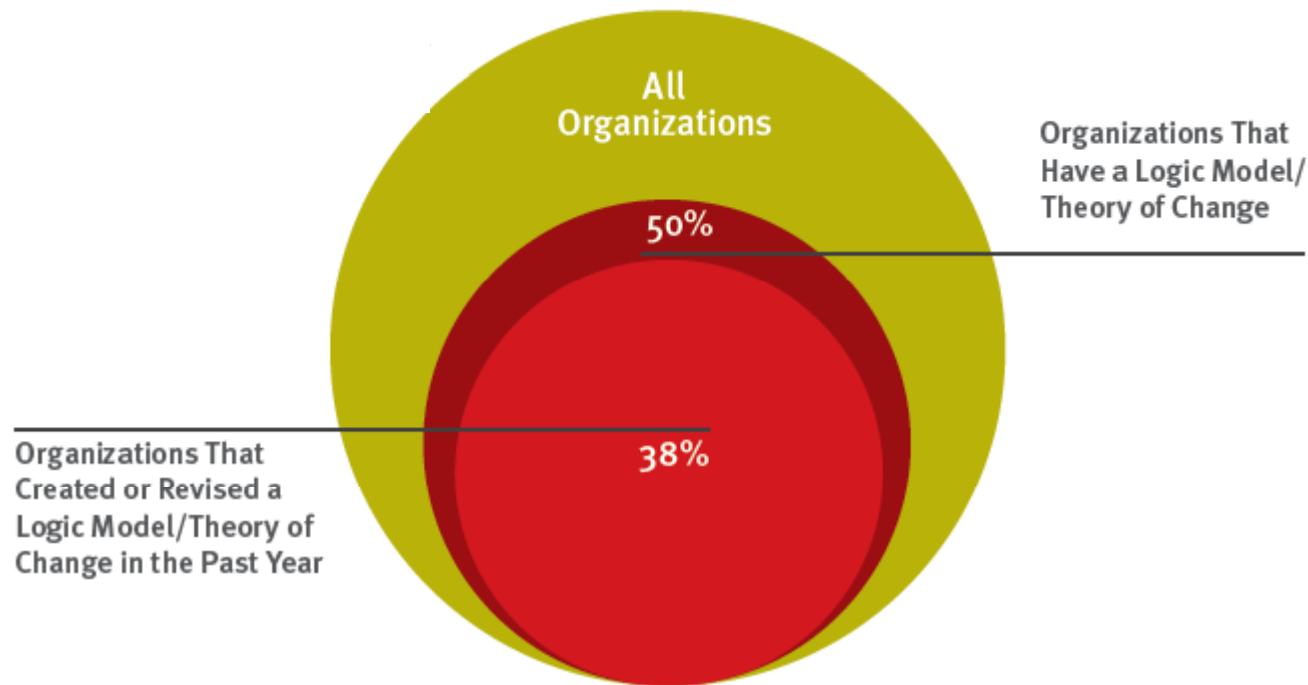5–10%

1–5%

0%

8%

15%

64%

12%

Less than a quarter of organizations devote the minimum recommended amount of 5% of their budget to evaluation.

(n = 858)

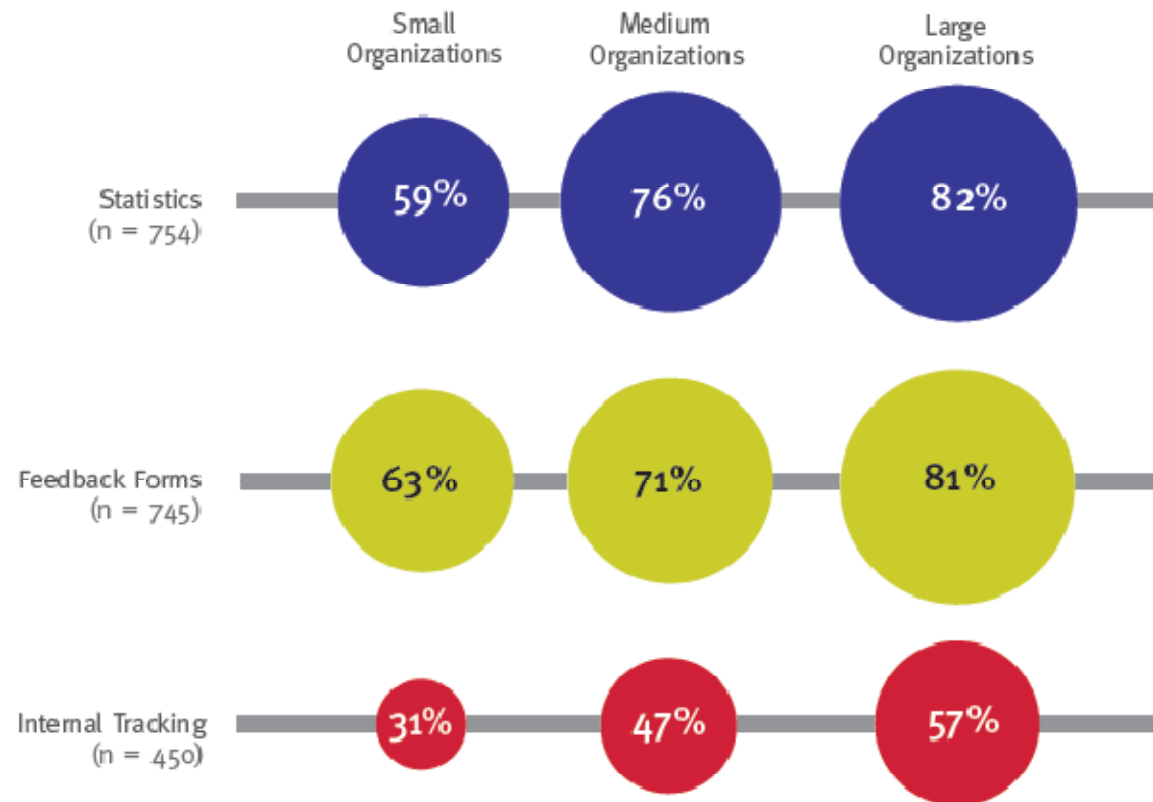**36%** of nonprofit respondents reported that **none** of their funders supported their evaluation work. (n = 858)

Reported Receipt of Funding for Evaluation

36%
No Funder Support

64%
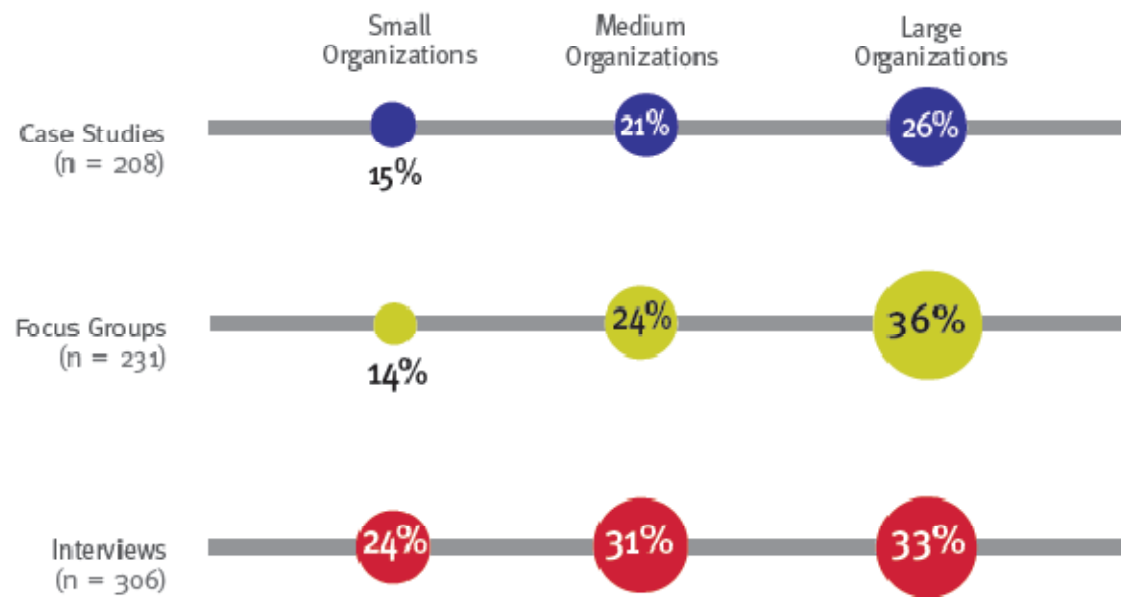Evaluation Support from at Least One Funding Source

Half of organizations reported having a logic model or theory of change, and **more than a third** of organizations created or revised the document within the past year. (n = 452)

All
Organizations

Organizations That
Have a Logic Model/
Theory of Change

50%

Organizations That
Created or Revised a
Logic Model/Theory of
Change in the Past Year

38%

Reported Use of Quantitative Evaluation Practices

	Small Organizations	Medium Organizations	Large Organizations
Statistics (n = 754)	59%	76%	82%
Feedback Forms (n = 745)	63%	71%	81%
Internal Tracking (n = 450)	31%	47%	57%

Reported Use of Qualitative Evaluation Practices

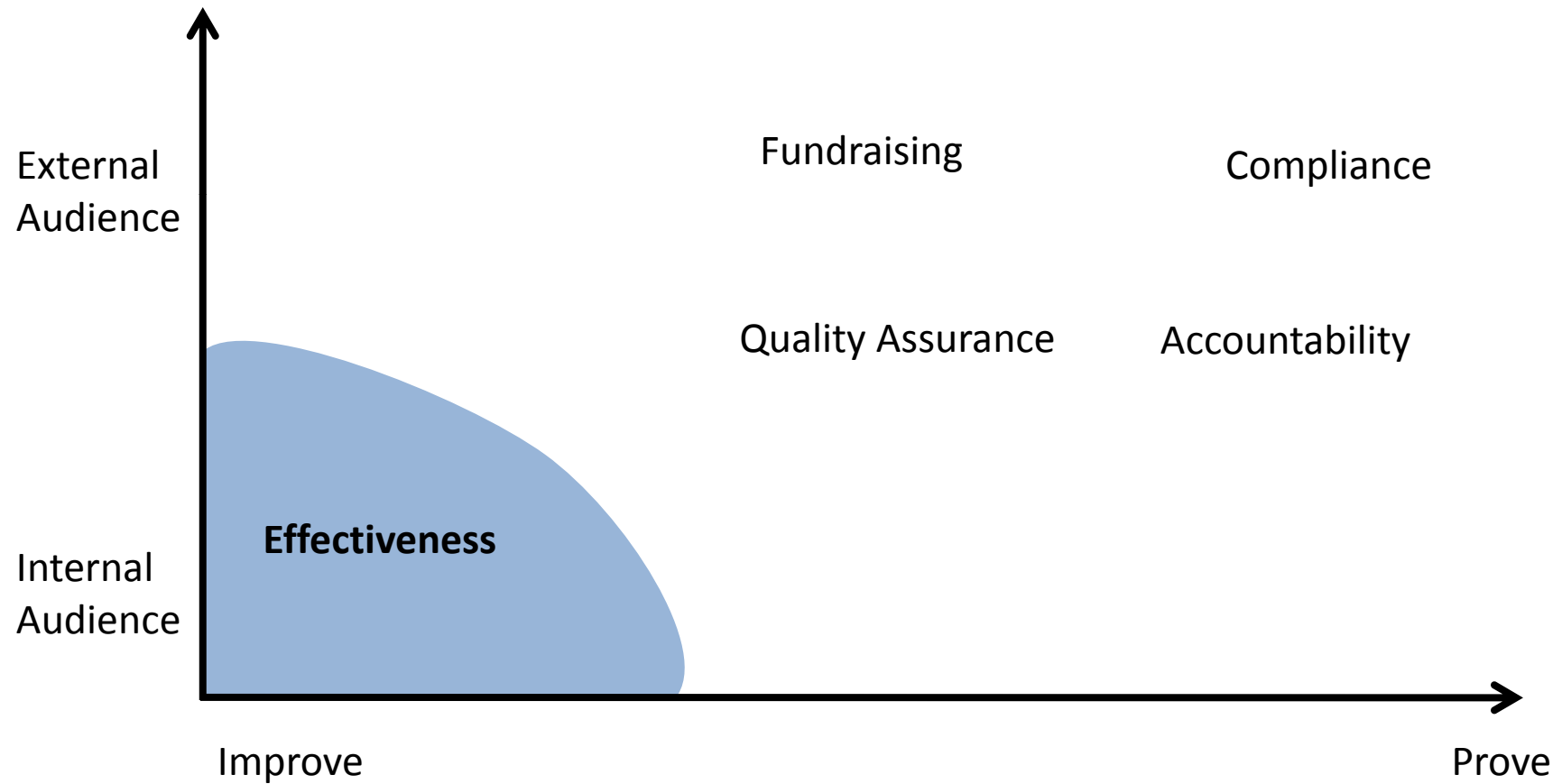|	Small Organizations	Medium Organizations	Large Organizations
Case Studies (n = 208)	15%	21%	26%
Focus Groups (n = 231)	14%	24%	36%
Interviews (n = 306)	24%	31%	33%

1. Understanding the Baseline: State of Nonprofit Evaluation Practice and Capacity

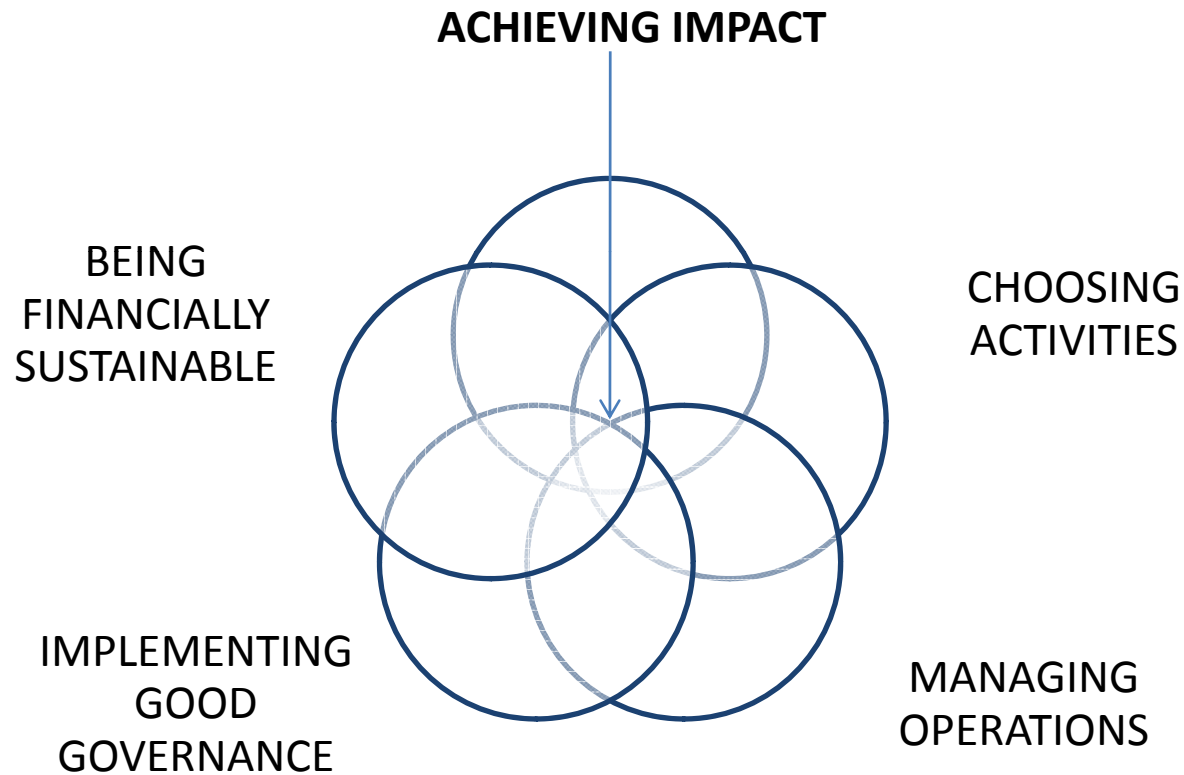2. Summary of Conversations In the Field—Evaluation/Assessment Purpose

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Evaluation Purpose

What is Effectiveness?

ACHIEVING IMPACT

BEING
FINANCIALLY
SUSTAINABLE

CHOOSING
ACTIVITIES

IMPLEMENTING
GOOD
GOVERNANCE

MANAGING
OPERATIONS

Adapted from *Toward a Common Language: Listening to Foundation CEOs and Other Experts Talk About Performance Measurement in Philanthropy.*
The Center for Effective Philanthropy, 2002.

The Issue of Effectiveness

1. On what research or evidence did the organization design its programs?

2. What information does the nonprofit collect about the results of its programs?

3. How does the organization systematically analyze the information it collects?

4. How has the nonprofit adjusted its activities in response to new information?

5. Does the organization have an absolute focus on producing results?

Probing Questions All Donors Should Ask Before Making a Significant Gift
By Sean Stannard-Stockton, CEO Tactical Philanthropy Advisors, www.tacticalphilanthropy.com

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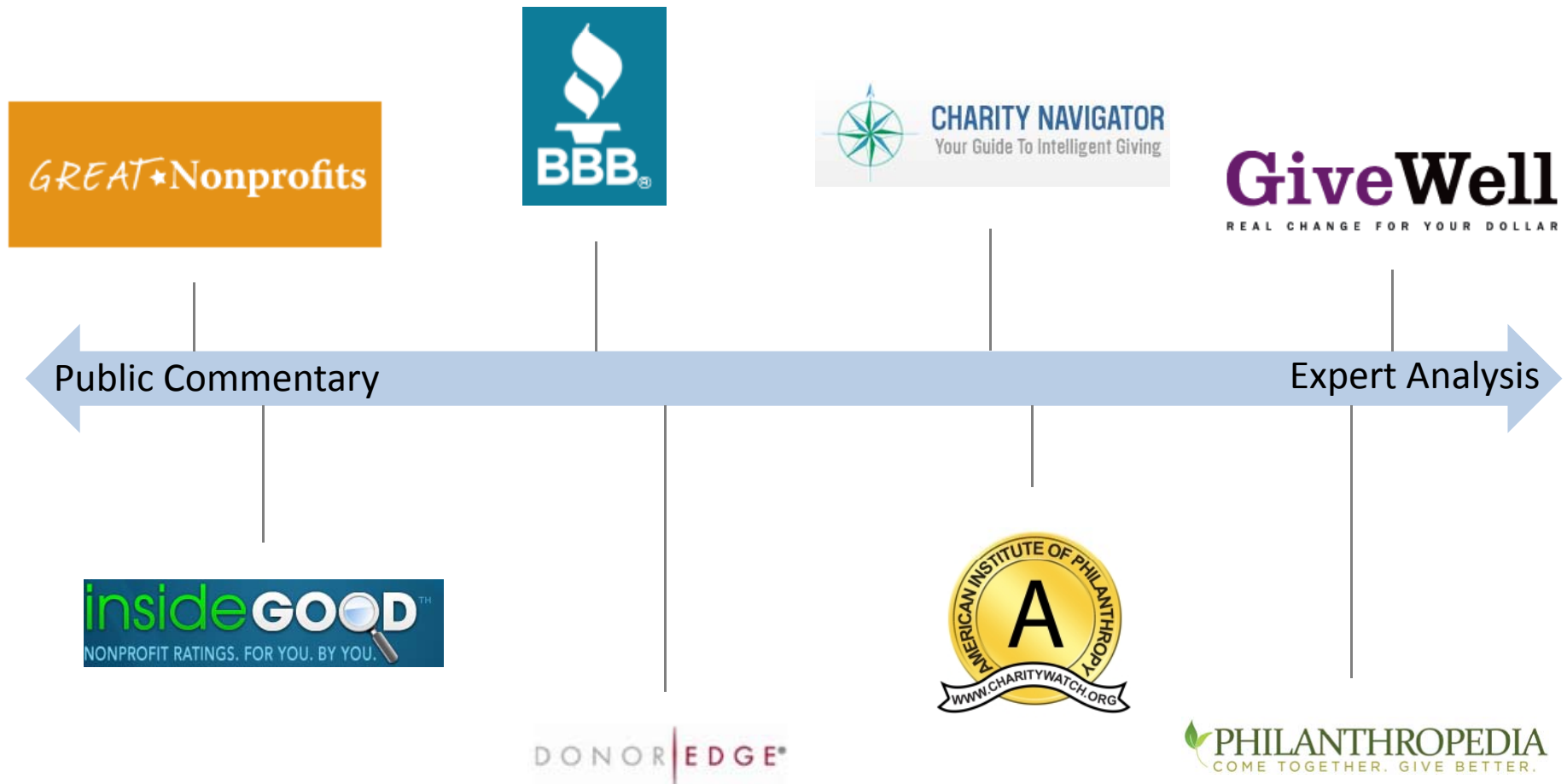2. Summary of Conversations In the Field—Evaluation/Assessment Purpose

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How does Evaluation differ From Rating?

✓ Audience (one organization vs. many)

✓ Purpose (compliance vs. external decision-making)

✓ Rigor (dependent on the evaluation/rating format)

✓ Cost (amount and who pays)

✓ Questions asked (how/why of impact vs. yes/no)

✓ Experience and expertise of assessor

Examples of Nonprofit Rating Systems

GREAT★Nonprofits

BBB

CHARITY NAVIGATOR
Your Guide To Intelligent Giving

GiveWell
REAL CHANGE FOR YOUR DOLLAR

Public Commentary → Expert Analysis

insideGOOD
NONPROFIT RATINGS. FOR YOU. BY YOU.

AMERICAN INSTITUTE OF PHILANTHROPY
A
WWW.CHARITYWATCH.ORG

DONOR EDGE

PHILANTHROPEDIA
COME TOGETHER. GIVE BETTER.

Other Types of Ratings / Common Measures

Mash Ups

Common Measures / Shared Measurement Systems

Case Example #1: GreatNonprofits

Case Example #1: GreatNonprofits

Case Example #2: Nonprofit Taxonomy of Outcomes

WhatWorks® — THE CENTER FOR

BENCHMARKING FOR NONPROFITS

WHO WE ARE   WHAT WE DO   OUR RESEARCH   ACCESS OUR TOOLS   CONNECT WITH US

Outcomes For Your Program

Urban Institute

Adult Education	Employment Training
Advocacy	Health Risk Reduction
Affordable Housing	Performing Arts
Assisted Living	Prisoner Re-entry
Business Assistance	Transitional Shelter
Community Organizing	Youth Mentoring
Emergency Shelter	Youth Tutoring

WhatWorks Outcomes Portal

www.WhatWorks.org

Case Example #3: Charting Impact

1. What is your organization aiming to accomplish?

2. What are your strategies for making this happen?

3. What are your organization's capabilities for doing this?

4. How will your organization know if you are making progress?

5. What have and haven't you accomplished so far?

Case Example #4: Charity Navigator

0VERALL SCORE: 0 – 4 STARS – Risk Assessment
★★★★

FINANCIAL	ACCOUNTABILITY/ TRANSPARENCY	EFFECTIVENESS/ RESULTS

EFFECTIVENESS/RESULTS
6 Questions*

1.	What is the charity's commitment to reporting results?
2.	How does the charity demonstrate the demand for its services?
3.	Does the charity report its outputs (what it does)?
4.	Does the charity report its outcomes (defined as the identifiable differences that it makes through its work)?
5.	What is the quality of evidence for reported results?
6.	Does the charity adjust and improve in light of its results?

*For this prototype, CN is using 6 questions devised by Keystone Accountability and New Philanthropy Capital.

CHARITY NAVIGATOR 2.0

EFFECTIVENESS/RESULTS
3rd Party Evaluations/Reviews

<u>Weighted score based on quality and rigor of data:</u>

1. Volunteer Reviews
2. Primary Constituents Feedback
3. Independent Expert Reviews
4. Independent In-depth Research and Analysis

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Put on your thinking hats!

Questions for Break-out Groups

1. Is it possible to develop meaningful common measures for a field as diverse as the nonprofit sector?

2. What can we learn from the experiences of fairly well-known, sector-wide approaches such as Charity Navigator, Great Nonprofits, etc?

3. What is the effect of nonprofit rating systems on traditional program evaluation? What might a relationship look like?

4. What would the ideal nonprofit ratings system take into consideration when computing rankings?

5. What can we learn and apply to our own work from this discussion?

Contact us to Discuss Further

Johanna Morariu – jmorariu@innonet.org

Debra Natenshon – debra@whatworks.org