Community Action Partnership: Adapting to an Outcomes-Based World

Presented by:

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NFF envisions a world where capital and expertise come together to create a more just and vibrant society

We unlock the potential of mission-driven organizations through

- **Tailored investments**
- **Strategic advice**
- **Accessible insights**

Guided by our Core Values →
Workshop Goals

- **Discuss** the shift in the nonprofit sector toward outcomes and how those shifts impact your organization

- **Learn** what it means to have an *outcomes mindset* and why taking this approach can benefit your organization

- **Explore** the ways that financial and program data can inform decisions and improve program results

- **Assess** the role of people, networks and relationships in achieving outcomes

- **Understand** the cost of the shift towards outcomes
Agenda

The Shift to Outcomes
- What is Driving the Shift?
- An Outcomes Mindset - Challenges & Opportunities

What Does it Take to Get There?
- Building Intellectual Capital
- Aligning Human Capital
- Harnessing Social Capital

Tips for Making the Transition – Strengthening Financial Capital
- One-Time Costs vs. Ongoing Costs
- Assessing Your Current Financial Situation
- Budgeting for an Outcomes Mindset

Wrap-Up & Takeaways
- Getting Started with Data
- Key Takeaways
Funder Requirements & Expectations are Changing...

How Many of Your Funders...

- Ask us to include output or outcomes data in our reports to them
  - None: 11%, Less than half: 25%, Half or more: 43%, All: 21%

- Ask for output or outcomes data to assess the effectiveness of our programs
  - None: 11%, Less than half: 26%, Half or more: 44%, All: 19%

- Provide funding that is contingent on our organization achieving specific outputs
  - None: 26%, Less than half: 36%, Half or more: 28%, All: 10%

- Provide funding that is contingent on our organization achieving specific outcomes
  - None: 29%, Less than half: 36%, Half or more: 26%, All: 9%

Source: NFF’s 2015 State of the Sector Survey
...and Change Requires Adaptation

Organizations are operating in a changing environment with expectations for high-quality outcomes amid shifting funding streams.

Those that adapt to these conditions will be best able to achieve mission success.
How Can We Prepare Ourselves to Adapt?

How do you know that your organization is doing what it sets out to do? How do you keep track of that?

Are you able to make program changes and course correct in the face of new information?

An “outcomes mindset” is an organization’s culture and practice of using data to:

- Go beyond compliance
- Learn from program results
- Adapt service delivery
- Articulate results
Group Exercise

For Community Action Agencies that have adopted an “outcomes mindset” in order to deliver on mission:

1. What are some opportunities?
2. What are some challenges?

For Community Action Agencies that have not adopted an “outcomes mindset”:

3. What are some of the barriers?
4. What would it take? What would you need?

Instructions:

▪ Learning – take 2 minutes per question to discuss
▪ Data Collection – jot down 1 response or an example to each question
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What Kind of Investment is Needed to Adapt to an Outcomes Mindset?

**Financial Capital:**
Alignment of resources to deliver on mission long term

**Intellectual Capital:**
Knowledge of ‘What Works’: ability to track, measure, and report on program outcomes

**Social Capital:**
Network strength; connections to funders, peers and constituents

**Human Capital:**
Board and staff: the people and org culture powering your programs
**Culture of learning** uses real-time information to drive decision making and enhance service delivery.

Attracts capital by **quantifiably demonstrating outcomes** with funders/investors.

Frequently **requires upfront investment** of resources to build or improve systems.
The Components of a Theory of Change

Indicate the Data Needed to Achieve Results

Theory Of Change

Inputs
- Resources that an organization commits to a program

Activities
- Organization’s programs and services

Outputs
- Volume of a program’s activities

Outcomes
- Meaningful change for those served by a program
The “Compliance Trap” is a Barrier to Telling Our Outcomes Story

- Government Funders
- Foundation Funders
- Individual Donors
- Internal Decision-makers?
- Clients?
Breaking the Compliance Trap: The Feedback Cycle

- Providing services and counting outputs
- Conducting follow up with clients and assessing outcomes
- Making program adjustments based on outcome trends
- Advocating for funds based on what works – and what is needed.
- Providing outputs/outcomes data to funders and partners
- Analyzing output and outcome data for trends
Using Data to Inform Program Decisions in Real-Time

1. 100 single mothers took job training and ELL courses
2. 6 months later, 60 trainees were employed; 25 had earned a raise
3. As a response, access to child care added for participants
4. Advocating for funds based on what works – and what is needed
5. Sharing program data and key trends/findings in final report
6. What are key traits of clients who did or did not succeed?

As a response, access to child care added for participants.
Benefits & costs: Building Intellectual Capital

What are the benefits?
- Real-time info enhances service delivery
- Builds advantage in attracting capital by quantifiably demonstrating outcomes with funders and supporters

What will it take?
- **Upfront investment** of resources to develop a theory of change, and build or improve data collection systems
- **Ongoing expenditures** of resources to manage data collection and reporting
- A **cultural and mindset shift** to using data in feedback loops to inform decision making and managing performance
- **Willingness** to adjust program components in light of new data and information
Human Capital: Investing in Our People to Improve Outcomes

**Leadership** team that builds a culture of adaptive capacity

**Expert staff** who understand how the goals of their position relate to the goals of the organization

Ability to **hire, train and retain** for delivery and growth

A focus on **collaboration** across roles to improve client outcomes and meet mission long term
Data Collection & Usage: People Matter More!

Technology

People

Culture
Staff
Protocols
Partners
Upkeep
## How Does Your Human Capital Support Improvement & Adaptation?

<table>
<thead>
<tr>
<th>Culture</th>
<th>Organizational Design</th>
<th>Job Functions</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ Is the outcome strategy seen as a “continuous” process” or a “one-off” effort?</td>
<td>▪ How does a shift toward outcomes impact the existing service delivery model?</td>
<td>▪ Is there a need for discrete data role(s) or can this be managed by existing staff?</td>
</tr>
<tr>
<td>▪ Does your theory of change inform language, beliefs, &amp; norms? Does it provide identity and direction?</td>
<td>▪ What are the mechanisms &amp; protocols providing accountability for outcomes?</td>
<td>▪ What are the financial planning implications?</td>
</tr>
<tr>
<td>▪ Is performance celebrated and rewarded?</td>
<td></td>
<td>▪ What training is needed for staff?</td>
</tr>
</tbody>
</table>
Building an Outcomes Mindset: Each Role Plays a Part

- Supports investments in outcomes (staff, systems, reporting)
- Holds management accountable to results, through use of dashboards or other key mission indicators

- Defines the org’s theory of change:
  - How do our activities help us achieve our mission?
  - How are we measuring that?
  - Are we using the data to make decisions?
- Assesses key staffing/resource gaps
- Devotes resources towards outcomes

- Buys in! Results attract and motivate staff
- Holds clear understanding as to role in data entry/usage
- Staff hold the key to continuous improvement—they have the front-line knowledge about what drives results
**Benefits & costs:**
**Aligning Human Capital**

**What are the benefits?**
- Service delivery providers can use data to assess what works and inform program decisions
- Enhanced staff efficacy, motivation, recruitment and retention

**What will it take?**
- **Upfront investment** of resources to build the culture and assign responsibility for tracking metrics
- **Ongoing investment** throughout the organization to deepen skills and train staff
- A **cultural and mindset shift** to use data in feedback loops to inform decision making and managing performance
- A **recognition** that staff roles may change
Social Capital: Networks and Connection to the Community

Connection with community and target population; how your services fit within the ecosystem

Collaborative ‘muscle’ in coordinating partnership(s)

Willingness to share experiences more broadly, despite potential reputational risks

Commitment to partnership(s) in times of ambiguity and change
Outcomes are Rarely Within Any One Institution’s Control!
Collaboration: What Does it Look Like in Practice?

<table>
<thead>
<tr>
<th>Compete</th>
<th>Co-exist</th>
<th>Communicate</th>
<th>Cooperate</th>
<th>Coordinate</th>
<th>Partner</th>
<th>Integrate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competition for clients, resources, partners, public attention</td>
<td>No systematic connection between agencies</td>
<td>Inter-agency information sharing</td>
<td>As-needed, informal interaction on discrete activities or projects</td>
<td>Organizations systematically adjust and align work with each other for greater outcomes</td>
<td>Longer-term interaction based on shared mission, goals; shared decision-makers and resources</td>
<td>Fully-integrated programs, planning, funding</td>
</tr>
</tbody>
</table>

**Key Elements of Collaboration:**

- **Common Agenda** all parties moving towards the same goal
- **Common Progress Measures** getting to the true outcome
- **Mutually Reinforcing Activities** leveraging expertise and resources
- **Communications** reinforcing a culture of collaboration
- **Backbone Organization(s)** responsible for managing collaboration

*Adapted from the Collaboration for Impact / John Kania & Mark Kramer – Stanford Social Innovation Review 2011*
What Blocks Collaborative Aspirations?

Common Motivations:

- Advance mission delivery
- Improve, expand, and/or preserve services
- Adapt and/or innovate to address gaps in service delivery model and improve client outcomes
- Gain operational efficiencies

Potential Barriers:

- Knowledge
- Resources
- Trust
- Risk!
Benefits & Costs: Harnessing Social Capital

What are the benefits?
- Improved ability to serve the “whole person” and meet client needs holistically
- Stronger connections to clients and peers
- Increased ability to organize and advocate

What will it take?
- **Upfront investment** to provide staff the room to build relationships (at conferences, networking events, in person meetings, etc.)
- **Ongoing investment** to build the ‘collaborative muscle’ needed to coordinate with multiple partners
- An **organizational culture** that is committed to partnership in times of ambiguity and change
- **Openness** to learn from and share experiences broadly, despite potential reputational risk
Do you have the right financial resources and information to support mission delivery?

Are your programs effective in delivering on mission? How do you know?

Are your relationships and partnerships supporting effective mission delivery?

Do you have the right team? Are board, mgmt, and staff aligned in support of outcomes?

What Are Your Strengths? What Additional Investments May be Needed?
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Identify Investment Needs: What Does it Cost to Deliver on Outcomes?

An organization changes when adapting to an outcomes mindset. This affects expenses in two ways:

**One Time, Upfront Expenses**
- Consultants
- Evaluation design
- Technology Investments

**Additional Annual Expenses**
- New Staff
- Program Supplies
- Evaluation Costs
Steps To Ensure Sufficient Financial Capital To Support Outcomes Mindset

Know Your Starting Point:
Are operations sustainable? Where are your risks?

Identify Investment Needs:
How will service delivery & infrastructure need to change?

Plan & Budget for Full Cost:
What is the full cost of capacity & infrastructure needs?

Financial Capital: Outcomes Mindset
Structural flaws of the business model necessitate full cost funding

It is important for organizations to understand and articulate their full costs

Budgets need to demonstrate full costs in order to:
- Deliver outcomes
- Cover the cost of change and adaptation
- Cover longer-term needs like savings & facilities
Comprehensive Financial Health Supports
Adaptation and the Outcomes Mindset

Consistent surpluses

Healthy business model
(exhibited on the income statement)

Healthy capital structure
(exhibited on the balance sheet)

Reinvestment into the business model
### Your Starting Point: Assess Your Current Financial Situation

Start with a quick pulse check using financial indicators:

<table>
<thead>
<tr>
<th>Indicators to Calculate</th>
<th>What It Shows</th>
<th>Where to Find It (over 3 years)</th>
<th>How to Calculate</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. OPERATING SURPLUS or DEFICIT</strong> <em>(Financial Performance)</em></td>
<td>Your ability to cover operating expenses with revenue from your core business model, <em>reflects the strength of the business model</em></td>
<td>Income Statement (Audit, IRS Filing, internal statements, budgets)</td>
<td>Operating Unrestricted Revenue – Operating Expenses</td>
</tr>
<tr>
<td><strong>2. MONTHS OF CASH</strong> <em>(Liquidity)</em></td>
<td>How long you can cover short term obligations and day-today expenses, <em>best measure of solvency</em></td>
<td>Balance Sheet (Audit, IRS 990 Filing, Internal Financials, Bank Stmts)</td>
<td>Total Cash <em>(Total Expenses / 12)</em></td>
</tr>
<tr>
<td><strong>3. MONTHS OF LIQUID NET ASSETS (LUNA)</strong> <em>(Availability)</em></td>
<td>How much of net assets is truly liquid and available for use (less restricted cash and outstanding obligations), <em>better measure of “true” liquidity for many nonprofits</em></td>
<td>Balance Sheet (Audit, IRS 990 Filing, internal Financials)</td>
<td>Total Unrestricted Net Assets – <em>(P&amp;E – P&amp;E Debt)</em> <em>(Total Expenses / 12)</em></td>
</tr>
</tbody>
</table>
# Take Your Financial Pulse
(Looking at 3+ Year Trends Best)

<table>
<thead>
<tr>
<th><strong>1. Operating Surplus/Deficit</strong></th>
<th>“Room to Breathe”</th>
<th>“Making It Work”</th>
<th>“Vulnerable to Shocks”</th>
<th>“Need to Take Action Now”</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Surplus/Deficit</td>
<td>Consistent surpluses Enough to fund longer-term needs</td>
<td>Smaller surpluses Can cover operations but not long-term needs</td>
<td>Variable operating results May be breakeven over time but not building financial strength</td>
<td>Regular or sizable deficits</td>
</tr>
<tr>
<td>Months of Cash</td>
<td>6+ months Able to manage cash flow, able to invest in long-term needs</td>
<td>2-5 months Some financial flexibility, able to manage cash flow needs</td>
<td>1-2 months Limited ability to manage day to day cash needs</td>
<td>&lt;1 month Low to negative cash &amp; trending downward, scrambling for cash</td>
</tr>
<tr>
<td>Months of Liquid Unrestr. Net Assets</td>
<td>6+ months Positive liquidity plus reserves sufficient for business model</td>
<td>2-5 months Have some financial flexibility, but not enough in reserves</td>
<td>1-2 months Limited liquidity with little to no reserves</td>
<td>&lt;1 month Low to negative liquidity &amp; trending downward; no reserves</td>
</tr>
<tr>
<td><strong>Other Financial Signs</strong></td>
<td>Stable operating model, healthy balance sheet, resources to adapt</td>
<td>Working operating model, modest balance sheet, modest surpluses (on average)</td>
<td>Unpredictable operating model, thin balance sheet, uneven profitability or breakeven</td>
<td>Weak operating model, Heavily leveraged balance sheet</td>
</tr>
<tr>
<td>Implications for managing risk &amp; opportunity</td>
<td>Can tolerate risk &amp; jump on opportunities. Leverage your strength by leading with your partners.</td>
<td>Limited ability to withstand risks and pursue opportunities. Focus on maintaining surpluses so long-term stability is not affected.</td>
<td>Little tolerance for risk, opportunities can present risk to stability. Focus on nimble decision-making to generate surpluses while maximizing mission impact.</td>
<td>No room for error, opportunities should focus on ways to avoid deficits while maximizing mission impact. Nimble decision-making is crucial.</td>
</tr>
</tbody>
</table>
## Budgeting for an Outcomes Mindset: Incorporating Upfront & Ongoing Costs

<table>
<thead>
<tr>
<th>Marine Center Budget</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>(FYE 12/31, in 000s)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program fees</td>
<td>$227</td>
<td>$237</td>
<td>$252</td>
</tr>
<tr>
<td>Foundation grants</td>
<td>175</td>
<td>175</td>
<td>175</td>
</tr>
<tr>
<td>Individual contributions</td>
<td>230</td>
<td>240</td>
<td>255</td>
</tr>
<tr>
<td>Released from restriction</td>
<td>150</td>
<td>150</td>
<td>150</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>$782</td>
<td>$802</td>
<td>$832</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personnel</td>
<td>$504</td>
<td>$558</td>
<td>$567</td>
</tr>
<tr>
<td>Professional fees</td>
<td>91</td>
<td>94</td>
<td>90</td>
</tr>
<tr>
<td>Occupancy</td>
<td>74</td>
<td>76</td>
<td>78</td>
</tr>
<tr>
<td>Depreciation</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Supplies and other</td>
<td>40</td>
<td>39</td>
<td>47</td>
</tr>
<tr>
<td>Costs of outcomes measurement</td>
<td>10</td>
<td>12</td>
<td>13</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>$729</td>
<td>$789</td>
<td>$805</td>
</tr>
<tr>
<td><strong>Operating Surplus/Deficit</strong></td>
<td>$53</td>
<td>$13</td>
<td>$27</td>
</tr>
<tr>
<td><strong>One Time, Upfront Expenses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Data collection system</td>
<td>$40</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Evaluation consultant</td>
<td>10</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Change in Net Assets</strong></td>
<td>$3</td>
<td>$13</td>
<td>$27</td>
</tr>
</tbody>
</table>

Additional Staffing to Support Outcomes Measurement

Program Supplies & Ongoing Costs Related to Outcomes Measurement

Below the line: One Time, Upfront Costs of Outcomes Measurement
Benefits and costs: Strengthening financial capital

What are the benefits?
- Resources to invest in the infrastructure of the organization in addition to maintaining impactful, innovative programs
- Adaptability to external and internal influences

What will it take?
- **Upfront investment**, and reinvestment, in the business model to maintain service impact while producing surpluses. (Must understand biz model!)
- **Ongoing investment** of time to calculate and plan a capital structure that supports mission and covers full costs
- A **cultural and mindset shift** to using data to manage financial performance
- **Willingness** to make tough financial and program decisions in support of mission
<table>
<thead>
<tr>
<th>Strengths</th>
<th>Example: Consistent operating surpluses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gaps</td>
<td>Example: Insufficient liquidity (cash/unrestricted liquid net assets)</td>
</tr>
<tr>
<td>Investment</td>
<td>What one-time and/or ongoing investment will be needed? Over what timeframe?</td>
</tr>
</tbody>
</table>
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Focus on usability and performance

- What can you track with existing resources to learn what’s working? What additional resources are needed? Include those costs in the budget and communicate them with supporters!

USE, don’t abuse!

- Greatest staff buy-in comes when they can see that data is being used: dashboards, regular reports
- Think about how data can incentivize collaboration and continuous improvement

Be bold and advocate for your methodology

- There will always be flaws, government/funders will always require different metrics, but the best platform is a consistent, internally-driven performance management system—and the confidence to ask for the full cost of operating it
Key Takeaways

- There is a **significant shift** in the funding of social services, with greater emphasis on outcomes versus outputs.

- Incorporating an outcomes mindset into your work will help you to **achieve better results for the people you are working with** and lead to greater mission success.

- This will require investment in an organization’s **intellectual, human, social and financial capital**—and the recognition that these capacities are interconnected.

- **Understanding, quantifying and communicating resource needs** for your organization to build or maintain an outcomes mindset is key.
Thank you.
## APPENDIX: Identifying Risk & Opportunity in Your Budget (Business Model)

### BUDGET

#### REVENUE
- Earned
- Contributed
  - Private Sources
  - Government

#### EXPENSES
- Personnel
- Professional fees
- Occupancy
- Program Costs
- Admin Costs
- Other

#### Surplus/Deficit

### Revenue Dynamics:
- Do we have revenue concentration?
- What might shift in any gov’t support?
- Affected by changing funding mechanisms (block grants)?
- Might private funding shift away from some mission areas toward others?
- Possible declines in giving due to estate and charitable giving tax policy changes?
- Shifting markets affect earned revenue?
- What’s secured/guaranteed or not?

### Expense Dynamics:
- Increased demand?
- New partnerships or funding opportunities that require staff time and financial resources?
- Staff or expenses contingent on securing funding that’s now uncertain?

### Profitability & Savings:
- What is your ability to tolerate a deficit due to what’s at risk or the cost of opportunity?
- Any opportunities to generate savings?
## APPENDIX: Assessing Risk & Opportunity on Your Balance Sheet (Capital Structure)

### Statement of Financial Position

<table>
<thead>
<tr>
<th>Assets</th>
<th>Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>Payables</td>
</tr>
<tr>
<td>Receivables</td>
<td>Deferred Revenue</td>
</tr>
<tr>
<td>Investments</td>
<td>Debt</td>
</tr>
<tr>
<td>Property &amp; Equipment</td>
<td>Net Assets</td>
</tr>
<tr>
<td></td>
<td>Unrestricted</td>
</tr>
<tr>
<td></td>
<td>Restricted</td>
</tr>
</tbody>
</table>

- Do we have enough cash to cover payment delays?
- How likely that contract payments will be delayed or unfulfilled?
- Are our investments under water?
- Do we have repairs or replacements that MUST be made to facility?
- Are we behind on debt repayment?
- Are we obligated to deliver a service for which we have already been paid?
- Do we have access to reserves?