If you are a nonprofit leader operating in today's hardscrabble environment, you're undoubtedly spending an exceptional (and unacceptable) amount of time looking for support and fiercely competing for shrinking philanthropic dollars. No matter how good your program is, you may be one of many who are only a few months shy of having to fold your tent.

So the one thing you probably don't want to hear is what may sound like cold businesspeak: take time, now, to gather and dive more deeply into hard data. Get better at measuring your performance. Business discipline for nonprofits is not an oxymoron. Better measurement can help, not hinder, your mission. It's a key to your success, perhaps even your survival. Contrary to the fears of some, it doesn't have to be complicated or overwhelming. Done thoughtfully, it can be your secret weapon, resulting in significant improvements in your operations, an invaluable learning experience and cultural shift for your staff, better communication with your funders, and a reliable roadmap toward increased social impact.

The pressure on nonprofits to prove their worth has never been greater. Doing good is no longer good enough. Today there's a spotlight on better measurement, all the way from the top. Sonal Shah, head of the new White House Office of Social Innovation, said at the recent SoCap09 panel on which I served that measurement is the "major theme" as the social enterprise sector grows up.

President Obama set the tone in June when he outlined the plan for new Social Innovation Fund: to find the "most promising nonprofits in America, examine their data and rigorously evaluate their outcomes...We'll invest in those with the best results that are most likely to prove a good return on our taxpayer dollar."

Every time I talk with a social impact investor — whether an individual donor or from a foundation, government agency, or company — one theme resonates: "What works?" Social impact investors tell us that, unlike their experiences in the private capital market, they often find it difficult in the nonprofit sector to access reliable, insightful, and useful information about performance. They want more transparency and more proof that your organization is well run, sustainable, and making a difference.

"I know what social issues I feel passionate about funding," one frustrated philanthropic investor told us in a common refrain. "But I don't understand which organizations within those social issues are making the most difference."

Your measurement must be meaningful. Many organizations publish annual reports that track their budgets and client numbers. Far fewer take on the challenge of measuring social impact — uncovering and reporting, through hard data as well as personal stories, their progress toward realizing their mission.

We at Root Cause found that, over the last three years, all the applicants to our Social Innovation Forum whose statistics we tracked used some form of measurement, including financial health and client growth. But only one-third of them were engaged in meaningful measurement of impact.

Our own experience this past year illustrates how using performance measurement is well worth the effort.
In a search for better ways to measure social impact work beyond the usual financial statements, we asked half a dozen gutsy leaders of small to medium-size nonprofits in the greater Boston area who had been selected as Root Cause "social innovators" to participate in a year-long pilot program to improve their performance measurement.

They agreed to come up with new measurement indices tailored to their organizations and follow the results closely for a year, checking in quarterly to report their progress. At the end of the year, they shared their results in public reports and a panel discussion before curious potential investors — the upsides, the downsides, the "aha" moments of more transparency and accountability.

All of them reported that developing a customized, data-driven performance measurement system took a bit of work; occasionally they had to go back to the drawing board. But their efforts proved powerful in giving them a clearer picture of how well their mission matched their programs and provided more convincing evidence to potential donors that their money would be invested in ideas that worked.

Organizations that complete the Social Innovators program grow an average of 30 percent a year, compared to the average nonprofit growth rate of 5 percent a year. The social innovators who participated in the program said that the payoff in both improved operations and grateful investors was worth it.

Designing a solid performance measurement system is less daunting than it might seem; you don't have to gather an enormous amount of data. While there's much discussion today about standardized indices, you can go a long way right now in creating a program that is both customized to your needs and easily understood by funders.

These are the key things to address:

- Review your mission. Make sure it's specific enough and that all your programs and services link to it.
- Select measurement indicators tied to your organization's strategic plan and internal goals.
- Include indicators not only for organizational health and program performance, but also for social and economic performance that give a real sense of your organization's outcomes and progress in meeting its vision. Example: If your goal is to get high school students into college, you'll want to track what percent of your program's graduates enroll in college because of your work, not just the number of students you counseled. Select indicators that will drive effective behaviors.
- If you're just starting out on this, keep it simple; don't get overwhelmed. Focus on what's most helpful to better understand your progress in carrying out your mission. You can refine later.
- Employ a variety of measurement tools, including spreadsheets and intake forms, interviews, observations, and surveys. (You might want to hire an evaluation expert to help you create a meaningful survey.)

It is important, of course, that your measurement system allows room for experimentation; that's the essence of innovation. Especially in the early years, you need to have some time and freedom to test what works.

- The best part: Be prepared for some terrific learning opportunities for your efforts. Your data will help you more clearly see opportunities for ongoing improvement and modifications in your programs, ultimately leading to more success and an impressive "report card" that will help you keep current donors and impress potential ones.

If you put a stake in the ground in impact measurement and organizational metrics, you'll be one of those who is rewarded with resources. And those with resources to give will continue to invest, because you've clearly shown both them and yourself how you're meeting your goals and developing enduring solutions to social problems.

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