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Measures of change

By Sarah Murray



Causes covered by the S&I 100 include nursing, health, education and food distribution for low-income residents of New York

Investors seeking a safe home for their money often turn to stock market indices such as the S&P 500 when conducting research. Now, philanthropists can turn to something similar. The Social Impact 100 index rates non-profit-making organisations based on third-party evaluations of their social impact and their ability to grow to serve more people.

The S&I 100 was launched in November by the Social Impact Exchange, a US membership organisation of philanthropists, funders, companies, non-profits and research firms. It is the latest addition to a number of online services that help donors to make more informed giving decisions.

GuideStar International – created in 2007 through the merger of two UK-based charities, GuideStar UK and Civil Society Systems – has websites in the UK, Belgium, India, Israel and the US that provide information collectively on millions of non-profits.

Other online evaluators include Charity Navigator, which assesses the financial health, accountability and transparency of some 6,000 US charities. Meanwhile, Philanthropedia says it has more than 3,000 experts who have reviewed 560 US non-profits across 36 causes, and Give Well works to assess the impact of non-profit programmes and organisations' fundraising and administrative costs.

Even so, the philanthropic sector remains underserved when it comes to the availability of uniform data to help donors pick philanthropic investments.

“Some of the basic building blocks for data exchange are simply missing or not widely adopted,” says Darin McKeever, a deputy director and member of the policy and government affairs team at the Bill & Melinda Gates Foundation, which is developing Markets for Good, an initiative to promote non-profit data sharing.

He points to unique identifiers such as ISBN (International Standard Book Numbers) or bar codes, which allow the exchange of all kinds of information about consumer products but have no equivalent in the non-profit sector.

“Because of all these bespoke classification systems, it is incredibly costly to pull together information,” he says. “And what limited money there is often goes into assembling basic data, not more in-depth analysis.”

Alex Rossides, Social Impact Exchange president, says the S&I 100 represents a big step forward. “Now, donors can feel confident they are not putting their money into organisations that are not effective,” he says.

“It is difficult in this sector to really know that an organisation is having an impact – the S&I 100 changes that whole dynamic.”

To be listed, organisations must meet strict criteria, including third-party assessments. “It is not enough to have conducted 10,000 hours of tutoring time,” explains Rossides. “You have to show improved literacy rates.”

Non-profits must also demonstrate financial sustainability, what they have achieved and a plan showing how they will expand their services. Data are reviewed by outside experts for statistical soundness.

Of course, measuring the impact of non-profits is far tougher than analysing corporate performance. Take a cause such as world hunger, for example. Famine relief agencies might count the number of people receiving food supplies, yet a non-profit working to raise awareness of hunger among policy makers would find it harder to measure its impact.

This is perhaps why online evaluators use so many different approaches. “There is a real range in what the services offer,” says Jane Wales, president and chief executive of Global Philanthropy Forum and vice-president of philanthropy and society at the Aspen Institute. “Some provide the kind of data that [are] in an organisation’s tax returns, while others attempt to rate charities, but using very different standards across organisations.”

Moreover, in the past, some measurement tools have been relatively blunt instruments. Many

focused on the percentage of the budget spent on fundraising or overheads, even though investment in training or information technology systems might improve operational efficiency, leaving more cash for mission-driven activities.

Signs are emerging that the sector is developing more sophisticated assessment tools. For example, GuideStar USA has joined forces with the Better Business Bureau's Wise Giving Alliance and the Independent Sector network to launch Charting Impact, through which non-profits create an impact report based on questions about their goals, strategies, capabilities and ability to measure results.

Melissa Berman, president and chief executive of Rockefeller Philanthropy Advisors, approves of the increased focus on effectiveness but says: "The challenge is that we are not quite as good yet at measuring effectiveness as we are at measuring efficiency."

For this reason, Patrick Rooney, executive director of Indiana University Center on Philanthropy, says charity evaluators are only a starting point for donors. "They help define and identify the types of organisations whose mission aligns with their goals, but donors making a significant gift should not rely on them alone."

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