

# INVESTING IN WHAT IT TRULY TAKES TO DELIVER OUTCOMES

## Approaching Collective Challenges with Collective Responses

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*The year is 2030. Social funding has evolved to consist primarily of performance-oriented contracts, which has been a difficult transition for many organizations that have not been able to mobilize the resources needed to invest in capacity to measure their outcomes per contract requirements.*

*WorkingHands is one of nine local human services organizations in Anytown, a low-income community suffering from economic stagnation, philanthropic neglect, and environmental pollution. WorkingHands helps people coming out of jail find jobs and is the only local workforce development agency.*

*WorkingHands has been undercapitalized for decades, lacking enough staff to provide the high-touch support that Anytown residents need. Its largest contracts now require outcomes performance reporting in order to get paid, and WorkingHands struggles to collect and process the data necessary for sharing its outcomes. The executive director knows she needs to invest in infrastructure but does not have the money for it. The other eight organizations in Anytown face similar challenges; collectively, they barely provide a skeleton safety net for Anytown's people. The local government and foundations are focused on paying for performance but haven't supported the capacity building and investment needed for service providers to be able to measure results. These organizations are caught in a vicious cycle: Insufficient resources mean they can't report effectively on outcomes, which leads to reduced payments—and even fewer resources for needed services. In the end, it is the Anytown residents who pay the biggest price.*

**C**reating positive outcomes in our communities is a widely shared goal. The challenge lies in how we get there. Outcomes enthusiasts believe orienting our funding around results that can be proven through external evaluation will lead to better strategies to deliver effective services. And, in an era of limited resources, we must

direct resources more efficiently and weed out unsuccessful programs and organizations. Outcomes skeptics remind us that not every human service has outcomes that can easily be measured, and, for those that do, measuring and attributing social outcomes accurately is difficult, costly, and requires investment and time to realize. And many skeptics worry about the true motivation and unintended consequences of an increased drive to measure and fund outcomes, where prioritizing efficiency and scale overrides culturally competent and community-based responses, possibly resulting in a “race to the bottom” for human services across the country.

Both sides raise valid points. So instead of asking, “Should we move to an outcomes-oriented system?” we need to consider how we reorient our system around outcomes in a responsible way—one that avoids this bleak future for Anytown. This responsible path requires us to address two additional questions:

- 1 How do we determine whether organizations fail to demonstrate outcomes because they are truly ineffective and incapable of change or because they haven't had the resources to invest in tracking and demonstrating outcomes?
- 2 And how do we reward well-resourced, high-performing organizations while not punishing those less prepared to adapt to outcomes-oriented funding, all while ensuring that the neediest communities are served?

If we do not address these questions, our efforts to reorient our sector around outcomes could yield positive, short-term results in very narrow circumstances for some people, but leave many others more disenfranchised than they are today.

### CREATING A (REALISTIC) PATH TOWARD READINESS

We believe the shift to an outcomes-oriented system is necessary, and it cannot succeed without human services organizations capable of operating with outcomes-based funding. Yet we have collectively underinvested in our social sector for decades, primarily funding direct programs and ignoring infrastructure needs, including organizations' ability to measure outcomes.

Current efforts have focused on finding and scaling those nonprofit “unicorns,” the rare organizations that deliver great services with the capacity to prove their outcomes. These organizations certainly deserve support, but we cannot expect that a handful of elite organizations will meet all social needs and continue to deliver with optimal fidelity to their program models. The country is too big, and our social needs are too complex. The elite “winners” are not always best placed to work in all local settings; the “losers” will disproportionately be under-resourced organizations from vulnerable communities, where positive outcomes and strong community-based organizations are needed most.

If we truly desire a systemic shift, we need to invest in organizations’ ability to make the initial transition and to continue to measure their outcomes on an ongoing basis. Instead of focusing on who is already “ready,” we will need thousands of organizations to move up a continuum of readiness. This will not happen without dedicated investment, particularly in anchor institutions in underinvested communities who are serving the hardest-to-reach populations. We must fund this transition to an outcomes focus with widespread efforts to enhance the adaptive capacity of nonprofits to:

- 1 Build human capital, information technology (IT), and organizational culture to capture and analyze program data, and use these data for performance management, continuous improvement, and reporting.
- 2 Decide on meaningful and, where possible, measurable metrics of success.
- 3 Understand programs and drivers that will result in improved results, as well as the costs required to deliver such services.
- 4 Understand, articulate, and demand the full cost required to deliver outcomes.
- 5 Jointly craft funding arrangements, such as a mix of grants, fee-for-service contracts, and possibly loans with various payers, funders, and investors.

Government funders, private donors, corporate partners, and impact investors who want to enjoy the benefits of an outcomes-oriented system will need to make significant upfront investments to enable service delivery agencies to undertake this work.

## BUILDING THE BRIDGE TO OUTCOMES: CONDITIONS FOR SUCCESS

Beyond funding investment in adaptation for specific organizations, the shift to an outcomes orientation requires coordinated change across the social system. We cannot shift the system if we do not overcome current confusion about the different motivations of various stakeholders and assumptions about who is responsible for making this system work.

The concept of orienting around outcomes is gaining momentum partly because it appeals to different people for different reasons. But what are the different motivations for focusing on outcomes? They cover a spectrum of intent:

- Make meaningful impact on intractable problems in communities.
- Ensure quality services are being delivered.
- Guarantee funds are being used effectively.
- Provide a means by which to justify funding cuts.
- Create a fig leaf of acceptability for an agenda to withdraw from the commitment of collective responsibility to care for all communities.

The complex partnerships necessary to pull off outcomes-oriented work are hard to initiate and maintain when motivations are unclear. All participants must understand their own motivation and share it openly with partners. We can come together for different reasons, but lack of clarity and obfuscation sow debilitating distrust. And trust is fundamental to establishing a new set of relationships and contracts based on aligning stakeholders and resources around shared goals and performance.

Beyond clarifying motivations, a healthy shift to outcomes will require systemic change that all stakeholders must undertake together. No one part of our system can be responsible for leading a shift that requires everyone to work in different ways. Government and private donors cannot build the new system by simply changing funding rules. Human services agencies cannot unilaterally decide to orient around outcomes when their funders still focus on compliance with activity-focused contracts. And the communities we serve cannot, on their own, insist that the service providers in their neighborhoods orient around outcomes.

But they can work together effectively if we recognize that all of the above are necessary and jointly responsible to make the system work. We have to change the blame game that dominates today's outcomes discussion, where government and private donors insist that service providers must, on their own, improve their ability to measure outcomes; service providers insist on maintaining the status quo just to keep their doors open day to day; and community members become largely disempowered from participating in this conversation and thus do not demand change. The promise in outcomes is in a collective response. There is a role for everyone to play in this transition—service providers, industry groups, local and federal government, private sector actors, and, more broadly, communities. Each social issue likely will require a different set of partners to establish the right formula for moving toward outcomes in that field. For example, ensuring the best health outcomes will require a new set of partnerships between health systems and community-based organizations, which will look inherently different from how local communities plan for and achieve high-quality early childhood care and education. But we need to recognize that we are all collectively responsible to build and maintain a social system that reaffirms our commitment to each other, while acknowledging the history of under-investment in poor communities and our social system in general.

Creating new ways of working together is difficult, but the explosion of recent innovation points to both its possibility and importance. Public-private partnerships, collective impact approaches, performance partnership pilots, and Pay for Success contracts offer new models for such collaboration. These early efforts are time-consuming and resource-intensive, as new partners learn to speak each other's language, integrate data and platforms, and devise strategies for bridging silos and ensuring responses that include the community. The high upfront costs of such systems transitions are partly driven by the need to correct for historic underinvestment in data, systems, and collaboration, which could be a barrier to the broader uptake of these models. Programs like the Social Innovation Fund have offered one means of funding the required transitions and overcoming barriers to systems change. To maintain this momentum, government, philanthropy, and the private sector will need to expand support for this adaptation.

So, what could this mean for the residents of Anytown?

*What if the county board supervisor, a regional foundation, investors committed to the community, the leaders of WorkingHands and their peers, and the clients they serve had all joined together almost 20 years earlier to agree on what they wanted to achieve for their community and collaborated to make it happen? What if they had suspended their suspicion of each other long enough to see the complementarity of their motivations and the common ground in their collective aspirations? And what if they had mobilized the political will to make the investments necessary to enable all participants to thrive in a new outcomes-oriented system? This could spark a new way of working together—a virtuous circle, instead of a vicious one—in which better results build trust and buy-in across stakeholders and deepen their collaborative commitment. And we know from our work in communities across the country that this is not an impossible dream. But it will take clarity, honesty, and an appreciation of how far we need to go to make this our waking reality.*

To achieve better outcomes for the communities we all care about, we must approach collective challenges with collective responses. We will reach our best results by taking a system-wide approach, investing in many organizations' ability to adapt and capture outcomes, rather than focusing on the few who are ready or near-ready now. Nor can we expect to transition to an outcomes-oriented social sector by investing in organizations one-by-one. We must move the system together. There is a role for everyone in this new paradigm—one built on trust, partnership, and catalytic investment by those social impact investors willing to be this era's innovators and builders.

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