Data-Driven Decision Making in Nonprofit Organizations

Amanda Kline

University of Northern Iowa

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Data-Driven Decision Making in Nonprofit Organizations

Abstract
In recent decades the nonprofit sector has come under significant scrutiny from funders, clients, and the general public. This has led to a focus on programmatic and organizational outcomes data gathering and reporting aimed at increasing accountability throughout the sector. This study analyzes the literature on how nonprofit organizations use this data to drive strategy and decision making. The three specific areas reviewed are strategic fundraising, mission drift avoidance, and limitations and obstacles organizations encounter regarding data gathering and analysis usage in the decision making process. Implications and recommendations for nonprofit professionals are also discussed.
DATA-DRIVEN DECISION MAKING IN NONPROFIT ORGANIZATIONS

A Research Paper

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Amanda M. Kline

University of Northern Iowa

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Abstract

In recent decades the nonprofit sector has come under significant scrutiny from funders, clients, and the general public. This has led to a focus on programmatic and organizational outcomes data gathering and reporting aimed at increasing accountability throughout the sector. This study analyzes the literature on how nonprofit organizations use this data to drive strategy and decision making. The three specific area reviewed are strategic fundraising, mission drift avoidance, and limitations and obstacles organizations encounter regarding data gathering and analysis usage in the decision making process. Implications and recommendations for nonprofit professional are also discussed.
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Chapter One - Introduction

In analyzing the literature on using data to drive strategy and decision making in nonprofit organizations, three broad topics are consistently addressed. These topics revolve around fundraising, mission drift avoidance, and limitations and obstacles that hinder one or more aspects of the decision making process (Lu, Lin, & Wang, 2019). Within each of these areas a set of subtopics are consistently discussed. Strategic fundraising studies most frequently focus on portfolio size and type, methods of measuring success, and best practices for utilizing data in fundraising (Lu, Lin, & Wang, 2019; Lee & Shon, 2018; Lin & Wang, 2016; Young & Kim, 2015; Stull, 2009). Studies addressing mission drift typically explore programmatic decision making (Muñoz, & Kimmitt, 2019; West, 2019a; West, 2019b; Berrett & Holliday, 2018; Sanders, 2015; Sanders, Harper, & Richardson, 2015; Young & Kim, 2015; Young, 1998), financial decisions related to mission (Ometto, Gegenhuber, Winter, Greenwood, 2019; Staessens, Kerstens, Bruneel, & Cherchye, 2019; Wolf & Mair, 2019; Valeau, Eynaud, Chatelain-Ponroy, & Sponem, 2018; Green & Dalton, 2016), and revenue diversification (Lu, Lin, & Wang, 2019). Obstacles to effective data usage most often discussed are those related to mission clarity (George, Walker, & Monster, 2019; Jones & Riley, 2014), data gathering and analysis (Hume & West, 2020; West, 2019a; Liddell & Coulombe, 2018; Valeau, Eynaud, Chatelain-Ponroy, & Sponem, 2018; Jones & Riley, 2014), staff capacity (West, 2019a; Bach-Mortensen, Lange, & Montgomery, 2018; Liddell & Coulombe, 2018; Valeau, Eynaud, Chatelain-Ponroy, & Sponem, 2018; Kovner, 2014; Carman, 2011), and organizational structure (Hume & West, 2020; LeRoux & Wright, 2010; Fine, Thayer, & Coghlan, 2000).

In order to understand the current literature and industry accepted best practices around strategic data usage in fundraising, mission drift avoidance, and the obstacles adherent in
organizations’ effective usage of data, a brief history of the sector and related topics must first be addressed (Worth, 2019; Hall, 2016). As an introduction to the literature, this chapter will explore the history and changes through time of the voluntary sector as a whole and nonprofit organizations in general, and the current atmosphere in which nonprofit organizations function. The statement of the problem to be addressed in this paper, the purpose of the study, the research questions around which the research was conducted, the significance of this study, and a brief summary are also included in this chapter.

**History**

Though the landscape of American society, the voluntary sector itself, and staffing and organization have changed drastically throughout history, the most basic funding mechanisms have, at their core, changed very little. In order to take a comprehensive look at the ways that data analysis informs fundraising and allows mission to either advance or drift, the history of the sector itself is critical (Hall, 2016).

**Colonial America**

As far back as the colonial times nonprofit organizations were active in America. While there were obvious differences from what we see today, there were enough similarities to classify those colleges, churches, and charities, among others, in the same category as modern nonprofit organizations. These early nonprofits, called voluntary associations, were self-governed by decision making boards, had no owners, were exempt from taxation, and were able to accept donations and bequests, much like today’s organizations (Hall, 2016). As Hall (2016) point out, most funding streams were single source at this time.

The growth of a market economy, brought about by increased trade with Europe, also brought to the colonies new philosophical and political ideas that allowed for new voluntary
associations to crop-up throughout the region. Hall (2016) asserts that these new associations were instrumental in advancing the revolutionary cause prior to and during the Revolutionary War; the Sons of Liberty and the Committees of Correspondence being the most notable among them. Most of these early associations were either funded by a single wealthy patron or a small likeminded group that was able to fund its own activities (Hall, 2016).

**Post-Revolution**

Regardless of the part they played in the American Revolution, many Americans, especially in the southern states, were weary of voluntary associations. As many of the groups were financed by one, or even a few, wealthy and powerful families, people saw them as too similar to the aristocracy from which they had so recently freed themselves. In response to this, several states actively broke up voluntary associations, seized endowments established before the revolution, and discouraged people from giving to private charities and foundations (Hall, 2016).

Conversely, many New England states encouraged philanthropic and charitable donations, causing these states to become “national centers for education, culture, and science, as the wealth from their industrializing economy poured into the coffers of their colleges, hospitals, libraries, and museums” (Hall, 2016, p. 7). These foundations, endowments, and charitable organizations became the foundations of many modern day nonprofit organizations, laying the groundwork for the voluntary sector that exists today. This encouragement of donation and philanthropy began to diversify funding, as many of these associations no longer existed at the pleasure of a single patron.

**Early 20th Century**

Andrew Carnegie and John D. Rockefeller were the most notable of these philanthropists, and were instrumental in instilling increased trust in charities and foundations. Carnegie saw it as
his responsibility to use his vast wealth to improve society (Worth, 2019). Carnegie urged those with such wealth to use their money not in the traditional sense of philanthropy, but to use their donations to better their communities by fighting the root causes of problems, not the symptoms (Hall, 2016). In the same vein, Rockefeller applied to congress for the largest foundation at the time, simply for the “betterment of mankind” (Hall, 2016, p. 15).

Hall (2016) suggests that by encouraging their fellow millionaires’ philanthropy, the nonprofit work in America was able to move from the small scale initiatives of the early years to “an unprecedented scale and scope, becoming an important source of innovation in addressing problems of education, health, and social welfare” (p.12). This also allowed for increased diversification among many of these large scale movements, as funders and foundations gathered together to make social and societal change.

**Modern Nonprofit Organizations**

Beginning in the latter part of the 20th century, nonprofit organizations began to go through a transformation. Most notable among the changes was that charities, foundations, and other nonprofits began to work in concert with one another, creating what is now the voluntary sector, organizations began to hire professional staff at all levels of organizational structure, and business practices were brought into the fold (Worth, 2019).

While the external environment has changed drastically since the time of the robber barons, Worth (2019) also notes that present day philanthropists such as Bill Gates and Warren Buffett follow many of the same principles set forth by Carnegie. While modern nonprofit organizations are subject to ever increasing external requirements for reporting and accountability, they are more equipped to meet such expectations than at any other time in American history, due to the increasingly professionalization of the sector.
While large donors still have some mission control in many organizations, they are no longer able to dictate mission, programs, staff, or clients as they once could. Though the wealthiest in the United States are still a very small, yet hugely influential group, a new level of wealth has come to exist in society. Globalization and technological advances have led to a new group of moderately wealthy donors, who bring a different perspective to their philanthropy (Hall, 2016). These new donors are results-oriented; they want to see measurable impacts. Much of the increased accountability and oversight in the voluntary sector likely comes from this philosophical view.

**Competitive Market**

While the quantity of nonprofit organizations continue to rise yearly in the United States, 90 percent of those in existence today began after 1950 (Hall, 2016), the amount of available funding is fairly stable from year to year. Grants, foundations, and traditional elite donors seem unable or unwilling to bridge the gap. This shortfall often leads organizations to self-fund, whether that is by increasing prices for services, increasing dues in membership organizations, or appealing to staff and volunteers to cover outstanding costs.

Due, in part, to the increased competition for grant and foundation funding, many nonprofits have turned to corporate partnerships. Corporations are increasingly taking part in philanthropic and charitable activities, frequently with staff dedicated to social funding, programs, or partnerships. Nonprofits can often find not only funding, but new volunteers and programmatic partners or content in these corporations. Staff and boards need to be careful to find money that fits the services, not to create programming to obtain the money.
External Pressures

Grant makers and corporate funders alike frequently impose requirements on organizations regarding reporting, spending restrictions, programmatic content, or services provided. When programming or service specifications are part of accepting monies, the result can lead an organization away from its core mission. This effect is called mission drift. As West (2019b) points out, organizations need to find donors and partnerships with similar goals to programs or services provided rather than creating new programs simply because that is where the funder will send money.

Even individual donors often come to the table with an agenda. A donor can restrict donations to one program or push the organization’s board of directors to consider items or issues they deem important, even if they are not necessarily in full alignment with the organization’s mission. As long as the restrictions and requirements fit within the core mission of the organization, the funds should not cause the organization to stray from its goals. However, when nonprofits create programming to suit donors, frequently in order to maintain those funds from year to year, mission drift can quickly become a serious issues (West, 2019b).

Even when grants, donations, or other funding come with very few restrictions, reporting requirements have greatly increased in recent decades. While the staff time required to obtain the necessary data should not be discounted, it can lead to more mission-centric decision making. When decisions are made with the mission in mind, is likely to strengthen an organization and increase the ability of the staff and board to make impact and progress toward the goals of the organization (West, 2019a).
Statement of Problem

In a 2018 survey of 460 nonprofit professionals 95% indicated that their organization collects data regarding various aspects of operations and outcomes, while only 6% were confident that the data is used effectively (Liddell & Coulombe, 2018). According to West (2019a, p.10), "Developing a data-driven decision-making culture starts at the top. Leaders must welcome analytics and use data when making decisions,” and Valeau, Eynaud, Chatelain-Ponroy, & Sponem, (2019, p. 146) contend that “through mission-based strategic planning, [stakeholders] also contribute to economic effectiveness” of nonprofit organizations.

The problem is that the nonprofit sector as a whole does not, as a matter of course, make data-informed decisions (LeRoux & Wright, 2010). Understanding nonprofits’ challenges and the infrastructure needed to use data effectively in fundraising and to avoid mission drift will increase organizational stability and sustainability within the sector.

Purpose of Study

The purpose of this study is to understand ways in which nonprofit organizations use data to drive decision making and strategy, and what obstacles keep many organizations from using data effectively. The areas of strategic fundraising and mission drift avoidance will be specifically examined.

Throughout the research process the same set of variables continued to surface regardless of which lens was used to analyze the literature. The differences related to each question were related to an organization’s staff size and capacity, how an organization’s staff measured success, the breadth of programming provided by the organization, and the organization’s clarity of mission. At least one of these variables was either part of the research questions studies were created to answer or the basis of the findings of the studies.
Staff size and capacity, specifically capacity for gathering, analyzing, and using data, directly affect an organization’s ability to effectively fundraise, provide mission-driven programming, and find mission-compatible donors, volunteers, and clients. When all parties buy into the mission of an organization, it is more likely that the mission will be driven forward and not sidetracked by the whims of staff, board members, or high dollar donors.

The ways in which organizations measure success can lead to ineffective data usage at any level within an organization or in any size of organization. For instance, an organization that employs a data analyst but measures only outputs and not outcomes will only see part of the organizational success picture. This will likely cause both fundraising and program strategy to suffer, which can lead to lower development totals and cause organizations to diverge from their missions in order to gain funds.

An organization’s breadth, depth, and variety of programming, while extremely variable among nonprofits, relate to fundraising and mission in a similar way. A large organization with large and varied development and program teams is also likely to have a staff member to gather and analyze data and put it in a usable form for these staff members. A small organization with departments of just a few people or staff who perform multiple duties is unlikely to have an analyst to help drive strategy. Varied programming does not necessarily mean that mission drift is likely, but the capacity to maintain diverse yet mission-centric programming is significantly less attainable in smaller organizations than in extremely large nation nonprofits.

The ability to maintain diversity of programming and funding is frequently rooted in an organizations mission clarity. When staff, volunteers, funders, and clients all understand what the mission is and agree as to why it is important to achieve, the strategic search for funding and programmatic changes are likely to drive the mission forward.
Gathering, analyzing, and effectively using data to strategically find funding and drive mission forward is a challenging task at any level. The organization’s clarity of mission, its ability to gather and analyze data, an organization’s staff size and capacity, and how an organization’s staff is structured, lead directly to obstacles that prevent nonprofits from using data to secure funds and advance mission. At any organizational size, barriers to effective data usage exist.

**Research Questions**

Three questions, rooted in the varied ways that nonprofit organizations both use and struggle to use data, serve as the basis of this research. The following questions will be discussed in this study:

1. How do nonprofit organizations use data to inform fundraising strategies?
2. How do nonprofit organizations use data to prevent mission drift?
3. What challenges prevent nonprofit organizations from using data to inform decisions?

**Significance of Study**

This study explores a collection of ways in which nonprofits use data to effectively inform decision making and strategic initiatives that support fundraising and avoid mission drift. Common obstacles to effective data usage and potential strategies to combat those challenges are also discussed.

The first section of the literature review explores data usage as it leads to strategic fundraising. Within that topic, size and diversity of fundraising portfolios, methods of measuring fundraising success, and use of data to inform strategic fund development planning are discussed.

Section two discusses utilizing data to avoid mission drift. Topics explored in this section include using outcomes data to create, expand, or abandon programs or services that keep the mission at the center of decision making and strategic processes, and ways that diversification of
revenue streams can lead to mission advancement when financial, programmatic, and development data are used strategically.

The final section lays out the most frequently found obstacles organizations face in using data to their advantage. Included subtopics reflect the variables of organization’s staff size, structure, and capacity, how an organization’s staff measured success, the breadth and diversity of programming provided by the organization, and the organization’s clarity of mission.

**Summary**

The earliest roots of American nonprofit organizations lay in either a single patron or a small likeminded group funding the activities of a voluntary association while simultaneously dictating mission, programs, beneficiaries, and staffing. Using this model, people often distrusted the associations and, in several post-revolutionary states, were actively dissuaded from philanthropic giving to private charities, foundations, and others, thus further limiting the diversity of an organization’s income.

During the early 20th century, while people became more trusting of nonprofits, the funding model had remained fundamentally unchanged. Millionaires such as Carnegie and Rockefeller were still funding groups and moving programs and mission to suit their ideals. While it is a donor’s obligation to find organizations with missions they believe in, organizations should not be forced to alter their mission in order to conform to a donor’s desires.

The professionalization of the voluntary sector in recent decades has allowed nonprofit organizations to increase the diversity of income streams by using tested business practices. Through diversification, no one donor should have the ability to drastically move the mission of an organization.
The environment around nonprofit organizations is in a constant state of change, and researchers find new lenses through which to view processes, practices, and programs. At this juncture, the literature does not form a consensus around whether or not a diverse funding portfolio, no matter how well aligned with an organization’s mission, should be the goal of a fund development department (Lu, Lin, & Wang, 2019). While some researchers (Berrett & Holliday, 2018; Stull, 2009; Sanders & McClellan, 2014) have found empirical evidence that a large, diverse portfolio leads to stable funding, many others (Lu, Lin, & Wang, 2019; Corrigall-Brown, 2016; Lin & Wang, 2016; Te'Eni & Young, 2003) have found empirical evidence that a large portfolio should be avoided in favor of just a few relationships.

Future review of this topic will focus primarily on finding strategic, mission focused funding and avoiding mission drift, and whether or not these initiatives make any difference in program effectiveness and mission advancement. A discussion of how to optimize fundraising and programmatic impact through strategic use of data, and best practices to combat obstacles to effective data usage in planning is also included.
Chapter Two – Literature Review

The purpose of this study is to understand ways in which nonprofit organizations use data to drive decision making and strategy, and what obstacles keep many organizations from using data effectively. The areas of fundraising and mission will be specifically examined. In this paper a collection of ways in which nonprofits use data to effectively inform decision making and strategic initiatives that support fundraising and mission advancement are analyzed. Common obstacles to effective data usage and strategies to combat those challenges are also discussed.

This chapter is made up of three sections followed by a brief summary. The first section focuses on strategic fundraising. Section two deals with mission drift avoidance and using data to advance the mission of an organization. Section three looks at the common obstacles to effective data usage in nonprofit organizations, and is followed by a brief summary. Sources cited in each section are shown in Table 2.1, which is divided into three main sections corresponding to those in this chapter.
<table>
<thead>
<tr>
<th>Study Areas</th>
<th>Sources</th>
</tr>
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<tbody>
<tr>
<td>Strategic Fundraising</td>
<td>Lu, Lin, &amp; Wang, 2019; Lee &amp; Shon, 2018; Lin &amp; Wang, 2016; Young &amp; Kim, 2015; Stull, 2009</td>
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<tr>
<td>Fundraising Portfolio</td>
<td>Lu, Lin, &amp; Wang, 2019; Berrett &amp; Holliday, 2018; Corrigall-Brown, 2016; Lin &amp; Wang, 2016; Sanders &amp; McClellan, 2014; Stull, 2009; Te’Eni &amp; Young, 2003</td>
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<td>Measuring Success</td>
<td>Bryan, Robichau, &amp; L’Esperance, 2021; West, 2019a; Valeau, Eynaud, Chatelain-Ponroy, &amp; Sponem, 2018; Lin &amp; Wang, 2016; Sanders, Harper, &amp; Richardson, 2015; LeRoux &amp; Wright, 2010</td>
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<td>Pfeilstetter, 2020; Ranucci &amp; Lee, 2019; Staessens, Kerstens, Bruneel, &amp; Cherchye, 2019; Lee &amp; Shon, 2018; Sanders &amp; McClellan, 2014; Young, 1998</td>
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<tr>
<td>Mission Drift Avoidance</td>
<td>Pfeilstetter, 2020; Lu, Lin, &amp; Wang, 2019; Muñoz, &amp; Kimmitt, 2019; Ometto, Gegenhuber, Winter, Greenwood, 2019; Ranucci &amp; Lee, 2019; Staessens, Kerstens, Bruneel, &amp; Cherchye, 2019; West, 2019a; West, 2019b; Wolf &amp; Mair, 2019; Berrett &amp; Holliday, 2018; Valeau, Eynaud, Chatelain-Ponroy, &amp; Sponem, 2018; Raišienė, &amp; Urmanavičienė, 2017; Ramus, &amp; Vaccaro, 2017; Green &amp; Dalton, 2016; Sanders, 2015; Sanders, Harper, &amp; Richardson, 2015; Young &amp; Kim, 2015; Jones &amp; Riley, 2014; Sanders &amp; McClellan, 2014; Young, 1998</td>
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<td>Programmatic Decisions</td>
<td>Pfeilstetter, 2020; Muñoz, &amp; Kimmitt, 2019; West, 2019a; West, 2019b; Berrett &amp; Holliday, 2018; Sanders, Harper, &amp; Richardson, 2015; Young &amp; Kim, 2015; Sanders &amp; McClellan, 2014; Benjamín, 2013; Fine, Thayer, &amp; Coghlan, 2000; Hoefer, 2000; Young, 1998</td>
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<td>Revenue Diversification</td>
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<td>Obstacles to Effective Data Usage</td>
<td>Bach-Mortensen, Lange, &amp; Montgomery, 2018; Lee &amp; Shon, 2018; Carman &amp; Fredericks, 2008; Fine, Thayer, &amp; Coghlan, 2000</td>
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<td>Mission Clarity</td>
<td>George, Walker, &amp; Monster, 2019; Jones &amp; Riley, 2014; Carman &amp; Fredericks, 2008</td>
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<td>Data Gathering and Analysis</td>
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<tr>
<td>Staff Capacity</td>
<td>Bryan, Robichau, &amp; L'Esperance, 2021; West, 2019a; Bach-Mortensen, Lange, &amp; Montgomery, 2018; Liddell &amp; Coulombe, 2018; Valeau, Eynaud, Chatelain-Ponroy, &amp; Sponem, 2018; Kovner, 2014; Carman, 2011; Carman &amp; Fredericks, 2008</td>
</tr>
<tr>
<td>Organizational Structure</td>
<td>Hume &amp; West, 2020; LeRoux &amp; Wright, 2010; Carman &amp; Fredericks, 2008; Fine, Thayer, &amp; Coghlan, 2000</td>
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Strategic Fundraising

Fundraising is necessary to the sustainability of most nonprofit organizations, though methods and strategies vary widely across the voluntary sector (Lee & Shon, 2018). With the professionalization of the nonprofit sector, most nonprofit professionals strive to create or support cohesive revenue strategies for their organizations, depending on their roles within their organizations (Stull, 2009). Yet, the research is divided on which strategies are considered best practices (Lu, Lin, & Wang, 2019) and which are even appropriate to the sector (Young & Kim, 2015). Differences in conclusions regarding how large or diverse a fundraising portfolio should be (Lu, Lin, & Wang, 2019), whether or not commercialization is beneficial (Stull, 2009), and what fundraising success even means (Lin & Wang, 2016) are all points that lack consensus among researchers.

Fundraising Portfolio

Neither researchers nor practitioners agree as to whether a large, diverse fundraising portfolio or a small, relatively homogeneous portfolio is advisable (Lu, Lin, & Wang, 2019). Some empirical studies have found that large, diverse fundraising portfolios lead to stable and sustainable funding (Berrett & Holliday, 2018; Stull, 2009; Sanders & McClellan, 2014). Other empirical studies have found that small portfolios that focus on a few strong relationships are most effective (Lu, Lin, & Wang, 2019; Corrigall-Brown, 2016; Lin & Wang, 2016; Te’Eni & Young, 2003).

Lu, Lin, & Wang (2019) acknowledge that terms such as small, large, homogenous, and diversified are relative to staff size and capacity. Neither group of researchers proposes specific definitions for any of these portfolio types nor is there consistency between studies of what small or diversified consist (Lu, Lin, & Wang, 2019). However, both groups make the point that
portfolio type should be dependent on what the staff is capable of managing successfully (Lu, Lin, & Wang, 2019).

**Diversified Portfolio.** The case for a large, diversified fundraising portfolio is based on the idea that economic and market fluctuations are more easily absorbed by organizations which gain revenue from diverse streams (Lu, Lin, & Wang, 2019). Berrett & Holliday (2018) and Sanders & McClellan (2014) both determined that a highly diversified revenue stream allows nonprofit organizations to increase outputs and reach goals. Stull (2009) found that entrepreneurial approaches to funding and diversifying revenue can not only help an organization weather hard economic times, but can also lead to mission advancement when taken on strategically.

Though some are concerned that nonprofits utilizing entrepreneurial practices will, over time, weaken the public’s trust in the sector as a whole, Stull (2009) posits that, when approached with the mission at the center of the process, these approaches can actually drive mission forward. Even so, Stull (2009) acknowledges that entrepreneurial ventures can be high risk both financially and in the potential for mission drift.

**Simple Portfolio.** Keeping fundraising to a small, relatively homogeneous group of funders limits the amount of staff needed to keep the fundraising relationships strong, thus lowering overhead expenses and allowing a larger percentage of money brought in to be fed back into an organization’s mission (Corrigall-Brown, 2016). Lu, Lin, & Wang (2019) found that a large, diverse portfolio has little effect on an organization’s financial capacity, and Te’Eni & Young (2003) found that shifts in the economy have little effect on organizations with strong financial partnerships.
Finally, Lin & Wang (2016) found that organizational characteristics and relationships are a stronger indicator of financial stability than economic environment. The key characteristics found to impact fundraising capacity more than portfolio type or size are internal management quality, perceived fiscal stress, equity in funding relationships, and recent operational cuts (Lin & Wang, 2016).

**Measuring Success**

A large portfolio with numerous contacts is not necessarily a measure of fund development success (Lin & Wang, 2016), nor is the economic bottom line the only way to measure success (West, 2019a). Success in fundraising may mean turning enough profit at the end of the fiscal year to give staff raises, it may mean ending the year with a balanced budget, or it may focus on the ratio of achieved outcomes to money invested in programs (Sanders, Harper, & Richardson, 2015).

While there is no dollar amount that one can attach to programmatic outcome attainment, raising enough money to support the staff and programs that lead to mission advancement, in which the outcomes are rooted, is one potential measure of fundraising success (Sanders, Harper, & Richardson, 2015). Another possible metric of fundraising success is the ratio of fundraising expenses, including staff, supplies, venues, etc., to the amount brought in through a specific initiative or event (Valeau, Eynaud, Chatelain-Ponroy, & Sponem, 2018). Social accounting as defined by Valeau, Eynaud, Chatelain-Ponroy, & Sponem (2018) takes both of these metrics into account by assessing and motivating both internal and external stakeholder engagement, quantifying outcome and programmatic progress, and quantifying social value while also examining the fundraising cost ratio.
When nonprofit organizations use only one metric, dollars brought in, contacts made, etc., strategic decision making is significantly less likely to occur or be effective than when several areas of data are used simultaneously to make decisions and set goals (LeRoux & Wright, 2010). Success toward any objective should not be determined by any one data set, as the work being analyzed is not done in a vacuum, but is impacted by multiple factors (Bryan, Robichau, & L'Esperance, 2021).

**Applying Data to Fundraising**

Using data to inform funding decisions streamlines the fund development process (Pfeilstetter, 2020; Sanders & McClellan, 2014; Young, 1998). When organizations utilize fundraising expense ratios, fundraising staff are able to put their time and departmental funds into events and initiatives that make the most strategic sense and produce the greatest yields and the strongest relationships with as little time, travel, and expense as possible (Lee & Shon, 2018). Measuring programmatic outcomes, mission advancement, and social performance and using them to guide fundraising strategy is critical to measuring the overall success of organizations (Staessens, Kerstens, Bruneel, & Cherchye 2019).

Organizations that utilize commercial revenue streams such as fees for services, admission or ticket sales, etc., are able to keep fundraising expenses significantly lower than organizations that do not employ such strategies (Lee & Shon, 2018). When fees for programs and services that cover the entire overhead thereof are assessed, fundraising is not nearly as crucial as when fees cover part or none of the costs incurred (Ranucci & Lee, 2019).

**Mission Drift Avoidance**

While the effectiveness of nonprofit organizations is gauged and scrutinized through a multitude of differing lenses, in one way or another all are connected to mission advancement
There exist instances in which an organization can avoid mission drift without simultaneously advancing mission; however, for the purposes of this study mission drift avoidance and mission advancement will be considered together.

Mission drift is often viewed through an exclusively programmatic lens (Muñoz, & Kimmitt, 2019; West, 2019a; West, 2019b; Berrett & Holliday, 2018; Sanders, 2015; Sanders, Harper, & Richardson, 2015; Young & Kim, 2015; Young, 1998) or from a strictly financial viewpoint (Ometto, Gegenhuber, Winter, Greenwood, 2019; Staessens, Kerstens, Bruneel, & Cherchye, 2019; Wolf & Mair, 2019; Valeau, Eynaud, Chatelain-Ponroy, & Sponem, 2018; Green & Dalton, 2016). A third group of researchers argue that neither program nor finances can truly be considered without the other (Pfeilstetter, 2020; Lu, Lin, & Wang, 2019; Ranucci & Lee, 2019; Raišienė, & Urmanavičienė, 2017; Ramus, & Vaccaro, 2017; Jones & Riley, 2014; Sanders & McClellan, 2014).

**Programmatic Decisions**

Analyzing programmatic data, as it relates to the mission, in order to create, expand, or abandon programs or services keeps the mission at the center of decision making and strategic processes (Muñoz, & Kimmitt, 2019; West, 2019a; West, 2019b; Berrett & Holliday, 2018; Sanders, Harper, & Richardson, 2015; Young & Kim, 2015; Young, 1998). Organizations avoid mission drift, in part, by finding revenue streams that feed current, mission serving programs rather than creating programs to fit available funding (Pfeilstetter, 2020; West, 2019a; Sanders & McClellan, 2014).

Though most researchers and practitioners agree that outcomes measurement and accountability are crucial to nonprofit success, there is little consistency within the sector as to
how outcomes should be assessed and what accountability to stakeholders looks like (Benjamin, 2013; Fine, Thayer, & Coghlan, 2000; Hoefer, 2000).

**Applying Data to Mission**

Diversification of revenue streams can lead to mission advancement when financial, programmatic, and development data are used strategically (Lu, Lin, & Wang, 2019; Ranucci & Lee, 2019; Jones & Riley, 2014). Strategic, mission-centric, data-informed decision making creates sustainability and advances mission (West, 2019a; Ramus, & Vaccaro, 2017; Green & Dalton, 2016). As Jones & Riley (2014) point out, the nonprofit sector as a whole has become subject to significantly more scrutiny in recent decades, requiring organizations to report more data regarding outcomes and finances to funders, constituents, and even the Internal Revenue Service.

Using data to find funding sources with a mission that is complimentary to an organization’s mission creates sustainable funding streams which require relatively fewer restrictions and less extraneous data gathering than when fundraisers apply for numerous grants that have little to offer toward mission advancement (Sanders, Harper, & Richardson, 2015; Thomson, 2011). When funders ask for data that is being gathered to be used as part of mission-centered decision making by an organization’s leadership, reporting to funders becomes a simple process of sharing the data rather than using staff time to gather information used only for reporting purposes (Thomson, 2011).

**Revenue Diversification**

While creation and implementation of a cohesive revenue strategy is critical to all nonprofit organizations, there is more than one school of thought regarding precisely what that strategy should look like (Lu, Lin, & Wang, 2019). The best practice strategies have changed
over time as the environment, the competitive market, and the professionalization of the voluntary sector have evolved. Diversification of funding sources has become the goal of many in the sector. By diversifying income streams, an organization’s budget is less shocked if one source does not do well for a time.

For example, if the Northeast Iowa Food Bank, located in Waterloo, Iowa, loses its regular donations from local Hy-Vee grocery stores for six months it will have a large and sudden hole in resources. If Hy-Vee were the food bank’s only supplier, the organization would have very little to offer clients who need the services the organization provides. However, according to the Northeast Iowa Food Bank’s frequently asked questions landing page on their website, other suppliers such as Fareway, Walmart, and Target stores are part of the food pipeline as well (2019). Those donations, while perhaps not filling the gap, would still make the Hy-Vee loss less painful to the bottom line.

Researchers are split as to whether or not funding diversification is advised (Lu, Lin, & Wang, 2019). Some posit that it is more efficient to maintain just a few income sources. Researchers from both sides of this issue have found empirical evidence to back their claims, making consensus, at this point, impossible (Lu, Lin, and Wang, 2019). While no studies suggesting that nonprofits use only one income stream were found, many do discuss the inefficiency of a large fundraising portfolio. In general, those studies conclude that good and complete management of just a few income sources is preferable to an overlarge portfolio that requires more staff time to manage effectively and, potentially, a larger propensity toward mission drift when all the external pressures from each source are taken into account.
Obstacles to Effective Data Usage

Obstacles encountered by organizations desiring to make data-informed decisions are varied based on organization size, location, environment, notoriety, and other factors (Bach-Mortensen, Lange, & Montgomery, 2018; Lee & Shon, 2018). A few commonalities show, to varied degrees, across all subsectors and contributing factors; the four most prevalent challenges being clarity of mission, data gathering and analysis competency, staff capacity, and organizational structure and data processes (Bach-Mortensen, Lange, & Montgomery, 2018; Lee & Shon, 2018; Fine, Thayer, & Coghlan, 2000). These challenges are discussed in this section.

According to Carman & Fredericks (2008), the initial problem hindering data-driven decision making is typically organizational culture regarding data gathering and its usage in the decision making process. Table 2.2 (Carman & Fredericks, 2008, p.66) describes three broad viewpoints regarding data as a cultural norm within an organization.
Table 2.2

*Characteristics of the Viewpoints*

<table>
<thead>
<tr>
<th>Evaluation as a Resource Drain and Distraction</th>
<th>Evaluation as an External Promotional Tool</th>
<th>Evaluation as a Strategic Management Tool</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Staff in need of training and education about key evaluation concepts and tools</td>
<td>• Funders that are interested in evaluation results</td>
<td>• A focus on using evaluation data to make decisions</td>
</tr>
<tr>
<td>• A perception that the current focus on outcomes and evaluation is just another fad</td>
<td>• An organization experiencing some degree of financial uncertainty</td>
<td>• A strategic plan that is reviewed regularly</td>
</tr>
<tr>
<td>• A board in need of training about roles and responsibilities</td>
<td>• The capacity to carry out data collection and summarize the results</td>
<td>• A master database that tracks evaluation data, including demographics, outputs, and outcomes, and is able to generate meaningful reports</td>
</tr>
<tr>
<td>• An organization with a range of capacity issues</td>
<td>• A focus on using evaluation data for report writing (compared to making decisions)</td>
<td>• An active program planning and evaluation committee as part of the board that reviews evaluation data regularly</td>
</tr>
<tr>
<td>• An organization in need of a low-cost, user-friendly way of gathering and tracking evaluation data</td>
<td>• Recognition that evaluation data can be used to promote specific programs and the organization</td>
<td>• Regular efforts to gather client satisfaction data, gaps in services and community needs, and agency strengths and weaknesses</td>
</tr>
</tbody>
</table>

The first column of Table 2.2 describes organizations that do not use data effectively, in which staff, the leadership team, and the Board of Directors view data gathering and evaluation in general as drain on resources and a distraction to staff (Carman & Fredericks, 2008). These organizations are the most likely to experience mission drift and be financially unstable (Carman & Fredericks, 2008).
The middle column of Table 2.2 describes organizations that effectively use data and evaluation as a promotional and reporting tool, but do not use them to drive the decision making process or advance mission (Carman & Fredericks, 2008). In this group of organizations, reports are accurate and effective, but the data are not used for purposes beyond reporting and marketing (Carman & Fredericks, 2008).

The third column of Table 2.2 describes organizations in which the leadership team and Board or Directors work together to drive the mission forward by using data and evaluation as a strategic management tool (Carman & Fredericks, 2008). These organizations actively use evaluation data in both strategic planning and daily decision making (Carman & Fredericks, 2008).

Mission Clarity

In order to think strategically the mission must be the center of all decision making, thus clarity of mission and employee buy-in are essential (Jones & Riley, 2014). When an organization’s mission is unclear to any group of internal stakeholders, external stakeholders, or even the general public strategic funding and mission advancement are impossible (Jones & Riley, 2014). One important part of mission clarity is strategic planning. Stakeholder buy-in and consultation, staff and financial capacities, and effective data gathering and analysis are all critical to the creation of a clear plan that can be implemented and advance the mission (George, Walker, & Monster, 2019).

As shown in Table 2.2, review of an organization’s strategic plan frequently an using reports that show either progress toward or derivation from the organizational mission and strategy are key to clarity of mission, both for the staff and Board of Directors (Carman & Fredericks, 2008). Organizations without clear Board of Directors roles and responsibilities or
limited staff buy-in of the mission generally experience mission drift (George, Walker, & Monster, 2019) and view funder required reporting as an annoyance rather than a strategic opportunity (Carman & Fredericks, 2008).

**Data Gathering and Analysis**

While 95% of nonprofit professionals claim that their organization collects data regarding various aspects of operations and outcomes, only 6% were confident that the data is used effectively (Liddell & Coulombe, 2018). Though nearly all organizations gather some type of data, most either do not gather usable data or, when they do, lack the ability to use it in a meaningful way (Jones & Riley, 2014). Data gathered often reflects outputs rather than outcomes (West, 2019a; Liddell & Coulombe, 2018; Valeau, Eynaud, Chatelain-Ponroy, & Sponem, 2018).

Most nonprofits do not hire full time data analysts due to a perception that this role is only affordable at the largest organizations (Hume & West, 2020). As such, a competency gap occurs, making the funder required data gathering and analysis more difficult (Hume & West, 2020). Current staff must be trained to gather and analyze data, and must practice the skills in order to effectively use the data (Hume & West, 2020). Carman and Fredericks (2008) show in Table 2.2 that even organizations that have the capacity to collect and report data effectively often do not use those reports in the decision making process.

**Staff Capacity**

Many organizations do not have the capacity to either gather or analyze data in an effective way (West, 2019a; Liddell & Coulombe, 2018; Valeau, Eynaud, Chatelain-Ponroy, & Sponem, 2018). When staff who are not trained in research methodology or data analysis are left
doing these tasks, it is unlikely that any data gathered can be used to accurately and effectively inform strategy (West, 2019a).

The stated goal of evaluation by most nonprofit managers is to make well informed decisions, though frequently, this is not the reality (Carman, 2011). This disconnect is often due to a lack of understanding and training regarding evaluation methods, data analysis, and correlational versus causational data (Bach-Mortensen, Lange, & Montgomery, 2018, Carman & Fredericks, 2008). When staff are trained in how to utilize the data they have, strategic decision making follows naturally (Bryan, Robichau, & L'Esperance, 2021; Kovner, 2014). Carman & Fredericks (2008) show in Table 2.2 that the difference between organizations that use data for external purposes and those that use data to drive decision making is primarily staff training and capacity.

**Organizational Structure**

An organizational structure that leads to the decentralization of data does not foster data-driven decision making and planning (Hume & West, 2020; Fine, Thayer, & Coghlan, 2000). When staff from disparate departments gather and utilize their own data without sharing it with the rest of the staff or analyzing it in tandem with other departmental data gathered, everyone sees one piece of the picture rather than the whole, causing a disjointed strategy that lacks cohesion (Hume & West, 2020).

When an organization’s Board of Directors works to create a cohesive strategy to lead staff toward mission achievement and has a strong working relationship with the Executive Director or Chief Executive Officer, who is highly trained and educated, strategic and data-informed decisions are very likely to become standard for the organization (LeRoux & Wright, 2010). Such organizations are like to maintain a clear mission, a robust strategic plan, accessible
and meaningful reporting documents, and a well trained staff who use the data in both long term and daily decision making (Carman & Fredericks, 2008). Table 2.2 shows that these organizations value evaluation and strategically use data at all levels or the organization (Carman & Fredericks, 2008).

**Summary**

The purpose of this study is to understand ways in which nonprofit organizations use data to drive decision making and strategy, and what obstacles keep many organizations from using data effectively. This chapter explored the current literature regarding data-driven decision making in the areas of strategic fundraising and mission drift avoidance, along with the four most common obstacles to effective data usage – mission clarity, data gathering and analysis, staff capacity, and organizational structure and data processes (Lee & Shon, 2018).
Chapter Three – Synthesis and Discussion

In analyzing the literature about using data to drive strategy and decision making in nonprofit organizations, three broad topics were consistently addressed. These topics are strategic fundraising, mission advancement or drift, and limitations and obstacles relative to one or more aspects of the decision making process (Lu, Lin, & Wang, 2019), specifically mission clarity, data gathering and analysis, staff capacity, and organizational structure (Lee & Shon, 2018). This section is dedicated to understanding the impact, analysis, and potential best practices relative to each area.

Synthesis & Key Findings

When organizations look for and accept funding streams without analyzing where the source fits into mission, money is harder to find, staff become less mission driven, and the mission itself suffers (West, 2019a). However, when funding sources are focused on the same or similar mission as the organization, gathering required data for reporting purposes is simple to find using current data tools, staff and other stakeholder buy-in is high, and both parties are able to drive mission in a mutually beneficial way (Sanders, Harper, & Richardson, 2015, Thomson, 2011).

Though the ultimate goal of all nonprofit organizations is to advance the stated mission, nearly all organizations find themselves engaging in work that does not support that mission at some point (Bach-Mortensen, Lange, & Montgomery, 2018). Findings suggest that mission drift is best avoided by using outcomes based data to drive organizational decision making (Carman & Fredericks, 2008). When meaningful evaluative data is consistently collected, analyzed, and used to guide strategic planning, mission drift is unlikely to occur, and mission advancement is probable (Carman & Fredericks, 2008).
Regardless of organizational size or staffing, obstacles to effective data usage exist (Lee & Shon, 2018). Though mission clarity, data gathering and analysis, staff capacity, and organizational structure are the most typical and often impactful issues, others certainly exist (George, Walker, & Monster, 2019). These four general topics encompass many issues that lead to inefficient, ineffective, or simply a lack of data-driven decision making within nonprofit organizations (Carman & Fredericks, 2008).

It is worth noting that research related to best practices regarding data usage is extremely limited; nearly all studies available at this time either focus on a single case study or strategic deficiencies. Though both of these are critical to understanding how to effectively use data to drive strategic, mission-centric decisions, neither can be used to create a research based, generalizable set of best practices that can be used reliably across organizations in the voluntary sector.

**Strategic Fundraising**

While nearly half of the available research contain data that supports the idea that a nonprofit organizations should maintain a highly diversified portfolio and a variety of income streams, just as many show that the opposite is best; likely, the truth lies somewhere in the middle (Lu, Lin, & Wang, 2019). Organizations should maintain a diversified portfolio and alternate revenue streams, but only to the point that the staff can manage effectively (Lu, Lin, & Wang, 2019).

This means that a small organization with only one development officer should maintain a relatively small portfolio that contains some diversity and one to two alternative revenue streams; only as much diversity in funding as the single employee can maintain with a high degree of quality and consistency (Stull, 2009). A large organization with a large department of
 fundraisers, development officers, grant writers, and the like can diversify to a much greater
degree without sacrificing the necessary relationships that fundraising depends on (Stull, 2009).

In either situation, using current and year over year data to strategically choose where and
when to fundraise, how much each ask should be, and which alternative streams to pursue allow
the organization to maintain fewer relationships and spend less staff time and money to gain the
same amount of funding (Lee & Shon, 2018). By analyzing year over year data, fundraisers are
able to determine whether or not a funding relationship makes strategic sense or if it has become
inequitable and no longer in the organization’s best interest for the future (Carman, 2011).

Successful fundraising professionals use data in a few important ways. They use data to
increase the return on investment (ROI) when assessing success of events, grants, and individual
and corporate donor portfolios. For instance, using data to narrowly and accurately target a
campaign greatly increases the ROI over a blanket mailing. Another key point, is that an accurate
measure of success is not how many contacts are made or even how much money is brought in;
the most important measure of success is how much time and money were spent to bring in each
dollar raised and whether or not there is a potential future from each particular funding stream
(Sanders & McClellan, 2014).

Mission Drift Avoidance

In order to avoid mission drift, organizations must make all decisions with the mission in
mind (Carman, 2011). This means that funding organizations, donors, programs, clients, and
staff should be chosen because of their link to the mission. The most reliable and least subjective
way to do this is through data (Stull, 2009).
Organizations that keep mission at the center of the decision making process are able to do this by utilizing meaningful reports to inform their decisions. Programs should be continually assessed in order to determine whether or not they actually advance the mission (Carman & Fredericks, 2008). Both current outcomes data and improvement data should be used when making programmatic decisions (Carman & Fredericks, 2008). By regularly assessing programmatic outcomes, data can be compared year over year in order to show improvement to funders, stakeholders, and the community, and reports for funders are readily available (Carman & Fredericks, 2008).

When regular and consistent outcomes data is analyzed, an organization is able to position itself as an authority in the area when promotors are applying for funding, speaking with donors, clients, or volunteers, and educating the community. When staff, fundraisers, and volunteers use outcomes data to back up personal stories and anecdotes, equitable partnerships with funders, stakeholders, and the community emerge (Carman, 2011).

**Obstacles to Effective Data Usage**

A lack of mission clarity is often an issue when it comes to strategic planning and decision making (Carman & Fredericks, 2008). When stakeholders are either unclear about an organization’s mission or mission support is limited, especially among staff and board members, the mission suffers; when all stakeholders are invested in an organization’s mission, it becomes the center of the decision making process (Carman & Fredericks, 2008).

Obstacles to effective data gathering and analysis often go hand in hand with those related to staff capacity. Though these two areas are different, they frequently appear together (Carman & Fredericks, 2008). Data gathering and analysis problems are mainly issues of resources, while those in staff capacity are issues of expertise (Carman, 2011). Organizations that
do not have the financial resources for detailed, large scale, or longitudinal outcomes research
typically do not have a staff member with the time and expertise to gather, analyze, and
disseminate the data either (Carman, 2011).

Organizational structure also has an impact on data usage. When there is not a centralized
data manager, each department or staff member is in charge of their own data gathering (Hume
& West, 2020). This piecemeal approach overuses stakeholder good will, unnecessarily taxes
limited resources, and frequently does not assess the goals and outcomes that should be
measured (Carman & Fredericks, 2008). When one person is charged with strategically targeting
data gathering, assessing tools, and scheduling assessments the organization obtains more
meaningful and accessible information (Carman & Fredericks, 2008).

Implications for Practice

Though many nonprofit organizations do not have the capacity to collect and analyze
large scale or longitudinal data, all are able to collect and use simple data sets (Carman &
Fredericks, 2008). The most basic areas of analysis, stakeholder interest and satisfaction, are
attainable for all, and can help use staff and volunteer time in a way that best serves the
organization, the mission, and everyone involved (LeRoux & Wright, 2010).

Strategic Fundraising

Organizations can use donor interest and satisfaction data to create improved and
diversified presentations, campaigns, and appeals. A donor who is interested in improving girls’
access to STEM (science, technology, engineering, and math) experiences may not be interested
in supporting a financial literacy program, but may increase the annual donation to support a
program focused on mechanical engineering. By collecting data regarding donor interests it is
possible to target an appeal to those who will be most likely to support a specific goal of the
organization. When done strategically, an organization is able to maintain a better ROI than a constant barrage of blanket appeals to all donors (Lee & Shon, 2018).

ROI should always be one of several metrics used to determine success of fundraising strategies and initiatives (Lee & Shon, 2018). This allows staff to use their time and resources strategically, maintain strong relationships with donors, and increase donor satisfaction. Donor satisfaction, mission similarity, and reporting requirements are metrics that should be considered alongside ROI, as it should not be the only metric used in strategic decision making (Lee & Shon, 2018).

**Mission Drift Avoidance**

Though program satisfaction is not necessarily related to mission advancement, it is an important part of data gathering (LaRoux & Wright, 2010). A program or service that is shown to advance an organization’s mission is not a quality program if stakeholders are not satisfied with it and do not participated or make use of it. Thus, satisfaction of customers, donors, and other stakeholders should be regularly assessed, though it should not be the driving factor behind programmatic decisions (Stull, 2009).

In order to show funders and stakeholders that a program advances a nonprofit organization’s mission, outcomes data must also be gathered, though this is often much more challenging (Carman, 2011). If outcomes data for a goal is relatively clear cut and can be assessed with a simple question (eg: “Do you receive government food assistance?”) most organizations have the capacity to gather that information and use it to drive decision making. However, most goals are more nuanced, and they must be assessed with similarly complex data gathering methods. In its simplest form, most outcomes data can be roughly obtained using some kind of sliding scale or ranking system. Even organizations that lack the capacity for extensive
data gathering and analysis can use the information from such a scale to avoid mission drift (Hume & West, 2020).

Organizations need to gather data using the most effective tools for the purpose, ensure data integrity, and utilize only the relevant data to inform the decision making process (Hume & West, 2020). Hume & West (2020) point out that creating a culture of data-driven decision making takes time, and that it is advisable to start small evaluating one program or service before creating a robust research plan.

**Obstacles to Effective Data Usage**

When an organization lacks the staff capacity, money, or other necessary resource to maintain a robust research and analysis plan, data gathering should be kept to its simplest forms; the minimum a nonprofit organization should undertake is to learn about stakeholder interests and satisfaction (Stull, 2009). These can be measured by a few simple questions related to organizational goals, program and communication satisfaction, and future interests (West, 2019a).

A capacity gap in data analysis and evaluation can be solved in two ways; by hiring a new employee with the necessary skill sets, or by training the current employees to gather and understand the data needed to make strategic decisions (Carman & Fredericks, 2008). Hume & West (2020) posit that most nonprofit organizations are financially unable to hire professional data analysts, but by identifying current staff with some of the necessary skills, a firm understanding of the organization itself, and a willingness to learn, that training and practice can be used to build experience within the organization.
Suggestions for Future Research

The vast majority of available research focuses on strategic and implementation deficiencies among nonprofit organizations. Though specific case studies exist as to positive practices, they are not necessarily able to be generalized into sector wide best practices. Case studies describe what worked for a specific organization in a specific situation and are often not able to be reproduced by organizations of a different size, staff structure, location, etc. and should not be considered industry standard or best practices. Future research to examine which practices are most effective across varied organizations throughout the voluntary sector is necessary to determine a consistent set of best practices for strategic use of data.

Concluding Comments

Though many nonprofit organizations collect at least some data, the majority do not have the capacity and expertise to use it to make strategic, data-driven decisions. By putting an organization’s mission and stakeholder data at the center of all decision making processes, a nonprofit can increase fundraising impact, increase stakeholder satisfaction, and advance mission. Many obstacles to successful data use exist, though many can be dealt with by keeping all stakeholders invested in the organization’s mission, using data collection tools that fit the level of staff capacity, and a unified approach to data gathering.
References


