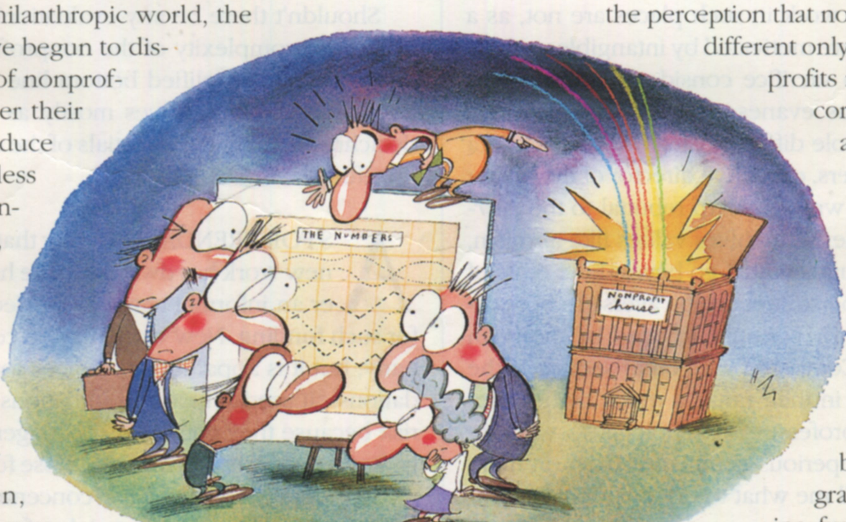
IT'S NOT IN THE NUMBERS

A "metricking" craze seems to have taken over the philanthropic world. Amid their enthusiastic bean counting, grantmakers may be missing the point.

by **John Sedgwick**
Illustration by **Hal Mayforth**

BRENDA WAY, THE ARTISTIC DIRECTOR of a struggling dance company called ODC San Francisco, is frustrated. Foundations, in search of quantifiable results, will give her grants for audience-building, but they are reluctant to support the new work she believes is necessary to sustain any audience she builds. What's more, while the outreach programs produce impressive figures in a foundation's annual report, they actually do little to cultivate new devotees of modern dance. If anything, Way thinks they may even be counterproductive, because they expose potential audience members to dance in a way that may only make them wonder what the big deal is. For one grant, ODC (which stands for Oberlin Dance Company—no connection to the college) packed a San Francisco opera house with a thousand squirmy elementary-school children for a lecture demonstration. "It was like a TV show for the kids," Way says. "The impact was pathetic, but the numbers were glorious."

Oh, those numbers. If there is a single unifying belief in the fragmented world of philanthropy, it is in the holiness of numbers. Numbers of audience members, numbers of parishioners over 65, numbers of formerly drug-dependent adults removed from drugs for a six-month period, numbers of meals served to homeless individuals whose gross annual income falls below the federal poverty line. In a complex, uncertain era, such numbers offer the simple verity of a string of digits. Obviously, numbers have their place in any business operation, but in the philanthropic world, the numbers craze may have begun to distort the very purposes of nonprofits, causing them to alter their activities solely to produce better numbers, regardless of the effect on the fundamental cause. Thus, at ODC, Way runs those out-of-scale outreach programs. She would much prefer to up the impact by drastically limiting the number of participating children, and by increasing the number of times they get involved.



"But when we pitch that, grantors say, 'That's marvelous, but for this grant . . .' They're driven by the numbers."

BRENDA WAY'S PLIGHT MAY BE EXTREME, but it is by no means unique. "All not-for-profits are under great pressure to show measurable results," says Thomas Ference, a professor at Columbia Business School's Institute for Not-for-Profit Management. He dubs the trend "metricking" and, like many of his colleagues, he attributes its development to the gradual ascendance of the entrepreneurial, for-profit paradigm in the nonprofit arena. It's not quite clear why this has happened, whether it has come with all the new money that is breaking into philanthropy, or if it is the second stage of the Reagan revolution. But whatever the cause, says Ference, "There is the perception that nonprofits and for-profits are different only in degree, not kind." Nonprofits might not have a for-profit corporation's bottom line, the argument goes, but if they are truly doing something worthwhile, they have something comparable, if they would only dig for it. And, with their funding on the line, dig they have done.

Often, nonprofits will themselves suggest a bottom-line evaluation in grant proposals, by requesting funds to provide counseling to X battered women, or to increase the awareness of the local museum's new show by Y percent. Sometimes, if the yardstick is not there, the granting agency will dispatch what are now termed "technical assistance" managers to work with the nonprofit to develop one. The trend is so established that the *Harvard Business Review* last year published an influential article recommending that foundations and other donors look to venture capitalists for inspiration, claiming that they are all in the business of maximizing return on investment ("ROI").

It's pretty to think so, but, in the view of many analysts of the nonprofit sector, there are important differences between for-profits and nonprofits that make the search for the elusive Holy Grail of the nonprofits' ROI a difficult one. To begin with, their operating structures are radically different, for the nonprofits have no single, integrated point of sale. Their customers, that is, are not the payers. The homeless may use the homeless shelter, but it's a collection of well-heeled benefactors who pay the bills. Consequently, in place of the single bottom line, there are several, including the psychic rewards of the benefactors, the well-being of the generally underpaid staffers who do the actual work, and, ultimately, the benefits of the nonprofit's service to its clients. (Indeed, it could be argued that the search for ROI represents the ascendancy of the funders' desire for a clear sense of accomplishment.) Further, the services that the typical nonprofit provides are rarely so narrowly defined as those of for-profits, making any one ROI-type number meaningless. For instance, the clients of that homeless shelter might not only be homeless, but also drug-addicted, psychologically unbalanced, in flight from an abusive spouse, sick, or unemployed. A nonprofit might reasonably feel hamstrung if it has to focus on just one aspect of its work.

It might also be that nonprofits are not numbers places. Certainly, the people who work in such places are not, as a rule, numbers types. They are motivated by intangibles, which is why they are willing to sacrifice considerable income in exchange for something as evanescent as the pleasure of doing good. "There's a whole different dimension to life in a nonprofit," says Bruce Sievers, executive director of the Walter and Elise Haas Fund, who wrote a sharp rebuttal to the *Harvard Business Review* article. "It involves values like altruism, the common good, and pluralism that go beyond the ethic of personal gain." Nonprofit personnel can be averse to bottom-line thinking—and, rightly or wrongly, irritated by the bean counters who insist on it. Compared with other sectors of the economy, nonprofits have in their ranks a much higher proportion of professionals—professors, psychologists—who are less likely to respond to imperious commands from on high. "You get this: 'You can't tell me what to do, I'm a professional,'" says Columbia's Ference.

Finally, while for-profit corporations get their revenue from a wide range of sources, nonprofits are beholden to a relatively small number, who may have undue influence over the nonprofits' activities as a result. Not so long ago, those few influential donors were far more trusting than they are today. "It used to be," says Sievers, "that the donors pretty much just plopped their money down on the table and said, 'Here.'" They were confident that the nonprofit recipients knew what they were doing; they had such faith in the enterprise that they didn't insist on numerical accountability. Undoubtedly, when unwatched, those nonprofits wasted money in various forms of bureaucratic "wheel-spinning," as one commentator put it. But the current metricking obsession can lead to its own waste. Besides steering nonprofits toward measurable outcomes, metricking leads funders away from making much-coveted "unrestricted" gifts for general operating expenses, which is now one of the fastest-shrinking donation categories by foundations. By concentrating so much on programmatic output, they leave the nonprofit entity itself to wither away. Without those grants for general support, nonprofits are ironically obliged to cut back on such useful number-crunching personnel as bookkeepers, and also to trim management-training programs, which can be key to developing the full talents of the staff. The *Harvard Business Review* article even noted that staff-development was one of the more deplorable areas of nonprofits—without seeming to recognize that the prescription to rely more on ROI-type thinking would only worsen the problem.

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Shouldn't there be any evaluation? Of course, but it must reflect the complexity of the nonprofit's mission. As it is, the demand for a simplified bottom line comes largely from the benefactors, and it serves mostly as an index of their own detachment from the essentials of the eleemosynary endeavor they fund.

AS FOR BRENDA WAY, now that foundation support for new work has dwindled, she has had to cobble together an informal network of Medici-like private patrons for such funding. New work may be central to the dance company, but it is apparently too dicey for many of today's foundations. "It used to be that foundations were willing to take the risk because they could see the bigger picture," she says sadly. It now appears that many of those foundations and their kin in the nonprofit world have concentrated so heavily on the numbers that they have lost sight of what those numbers represent—and, more important, what they don't. ■