Webtrack and Beyond: Documenting the Impact of Social Purpose Enterprises

Profile of a Management Information System

By Fay Twersky
BTW Consultants-informing change

with

Jed Emerson
Executive Director
The Roberts Enterprise Development Fund

Introduction

Nationally and locally, nonprofit organizations are experiencing intense program pressure as well as funding incentives to enter into and/or step up involvement in the areas of job training, creation, placement and retention. Both public and private funding sources are increasing their financial support for nonprofits engaged in a variety of economic development strategies. This shift in funding emphasis is based on the belief that improving skills and providing access to employment is a more effective path to long-term independence for people living on the margins of our economy than the "traditional" model of social services, which is more likely to encourage dependency on human service and welfare systems. Many nonprofit organizations have found that the mainstream nonprofit job training and placement system is not effectively meeting the needs of homeless and very low-income individuals, just as for-profit businesses are not effectively meeting their needs for basic employment opportunities. And many of these organizations have shifted their focus and are searching for market-based strategies that help support long-term independence and self-sufficiency. Intuitively, this thinking makes sense. It harkens back to the adage, "Give a person a fish, and they eat for a day; teach a person to fish and they fish for life."

But is the nonprofit version of "fishing for life" true? Can this belief be borne out empirically? For the unemployed and under-employed people now being courted by the growing nonprofit economic development movement, the key question is: Are these new market-based strategies any more effective than the strategies left behind? Do these employment strategies work for some and not others? What are the real benefits to these job creation and job training approaches and what are the obstacles? And importantly, how and when can we answer these questions?

Interestingly, this renewed emphasis on economic development strategies as a means to foster self-sufficiency has as a backdrop another trend in the funding and nonprofit world, namely evaluation, and more specifically, outcome evaluation. As discussed elsewhere in this book, the nonprofit capital market has historically rewarded the *process* of the sector's work as opposed to *outcomes* that resulted from it. However, there is a shift underway in the nonprofit capital market.

For the past decade, there have been growing expectations among funders — public and private — that nonprofit organizations have a responsibility to be more accountable for the outcomes of the programs and services they provide. Supporters of nonprofit organizations want to know if funded programs are making a difference and what difference they are making. They want to know how people's lives change as a result of participating in a given program or initiative. They want to hold nonprofits to a high standard of performance and want nonprofits to report on their progress toward achieving measurable and meaningful outcomes.

The results of this emphasis on outcome-based funding and program evaluation have been mixed. Outcome evaluation has often proven a complicated undertaking for already overburdened nonprofits. And funders have often had unrealistic expectations about the ability of nonprofit organizations to credibly measure outcomes. After all, nonprofits have generally employed people who possess social service, not social science, skills. Even those organizations capable of producing evaluation data often did so in a way that was more ceremonial than utilitarian. They generally did not develop management information systems with the intention of informing practice, in part because the emphasis on evaluation has been so externally driven.

As a result, for many nonprofits the foray into evaluation proves frustrating and time consuming, often failing to produce much benefit for either the nonprofit or its funders. Still, the evaluation movement has not gone away; if anything, it has gained steam in recent years. Increasingly funders want accountability, and nonprofits are grappling with the challenge of creating systems of measurement that are meaningful as well as cost effective.

The field of social entrepreneurism is at the intersection of these two trends—one advocating for more market-oriented employment strategies to move people from dependency to independence, and the other supporting evaluation measurement and increased accountability for philanthropic and public-

sector program investments. In many ways, the intersection of these trends is a logical one given the increasing popularity of "business-like" approaches to the nonprofit sector. Funders and other supporters of nonprofit organizations are increasingly aware of the fact that they are "investors" in social programs and want to know the return on their investment.

Along with other foundations, The Roberts Enterprise Development Fund (REDF) is at the forefront of "investing" in social purpose enterprises. REDF maintains a portfolio of seven nonprofit organizations that collectively operate a total of 23 businesses. Each of these enterprises is managed against a double bottom-line: a social mission to employ low-skilled and/or formerly homeless individuals and a business mission to operate on a profitable basis. The benefits and challenges associated with these enterprises and The Roberts Enterprise Development Fund in general are thoroughly presented in other papers[1] and are not the focus of this chapter.

Our focus is the presentation of REDF's innovative approach to gathering, analyzing and disseminating information on social impact and business operations. This chapter is essentially a case study of the REDF management information system, written from the perspective of the team that developed the system. While our work focuses specifically on exploring how best to establish benchmarks of success for new market-based employment strategies, it will also be of interest to those who seek to develop meaningful measures of accountability and impact within the nonprofit world. It will also provide insight into a system that generates data for use in the calculation of a social return on investment (SROI).[2]

This chapter begins by detailing the philosophical principles underlying the REDF approach to information management. This is followed by an explanation of the components of the information gathering system, and a description of the process and stages of development of the information system. Finally, the chapter presents the challenges REDF has encountered along the way and concludes with lessons learned about how to effectively implement an management information system of this type.

Background on The Roberts Enterprise Development Fund

The Roberts Foundation established The Roberts Enterprise Development Fund in January 1997 as a philanthropic venture. Its mission is to: "raise the standards of excellence and integrity in the nonprofit and philanthropic community nationwide through the development and dissemination of innovative approaches to address critical social issues."

In order to pursue that mission, REDF has pioneered an approach to charitable giving known as "venture philanthropy." This practice involves the application of fundamental venture capital principles to the field of philanthropy. As such, REDF makes philanthropic investments in a portfolio of seven San Francisco Bay Area nonprofit organizations operating social purpose enterprises. These organizations receive core financial investments from REDF in addition to a full complement of other support, including:

◈ capital grants for the business,

◈ targeted business analysis and assistance,

◈ involvement and partnership with REDF through Venture Committees,

◈ organizational capacity-building through the Farber Interns and Farber Fellows Program,

◈ business networking through Partners-for-Profit, and

◈ access to and training in the use of technology and outcome measurement.

Evaluation as Management Information

Consistent with venture capital practices employed by the private sector, REDF established a management team to oversee its portfolio, track trends and address a variety of management issues. Central to REDF's work is the desire to understand the impact of its investments, from a business as well as social perspective. To that end, REDF invited our evaluation and management information consulting group to be part of the management team from the Fund's inception. REDF's Information Management Team (known as "IMT") includes REDF staff, a business analyst, technology experts and specialists in nonprofit evaluation.

From the beginning, REDF's Executive Director was clear that while he valued information, he had a resistance to the notion of "evaluation." He was concerned that too often nonprofit organizations view evaluation as another hoop to jump through in order to satisfy funders and don't generate information of practical use to program managers. He wanted an information gathering system that would provide meaningful data and be useful to (and used by!) the nonprofit organizations.

This led the "evaluators" on the IMT to revise our own nomenclature, to look for different ways to describe the collection and analysis of data in order for all REDF participants to appreciate the value and application of information. We avoided using the word "evaluation," instead using names that describe the various components and purposes of the work, such as "business operations analysis," "ongoing social impact assessment," and "management information." This change in language has in fact helped to continually remind our consulting team that this is not business as usual for us either. We are engaged in a process of developing a new and different kind of information system with REDF and all the groups in the portfolio — a system that in many ways has more in common with business operating systems than nonprofit evaluation systems.

The principles guiding the development of REDF's information system are in some ways familiar to us as research and organizational consultants, and in other ways, have been new and challenging. We have never slipped into anything remotely like a "data collection maintenance mode" in our REDF work. This is because the REDF initiative and businesses are too dynamic and the information system, in order to maintain relevancy, must keep pace with the needs of managers for real time data upon which to make decisions regarding both their business and social program operations.

Four principles have guided development of REDF's management information system to date:

1 *Informs Decision-Making*- The information gathered should be directly related to practitioner activities and objectives. The information system will therefore build organizational capacity, rather than be a drain on organizational resources in order to meet external demands.

2 *Timely Feedback* - Information should be available in a timely way, so practitioners (and REDF) can use it to make adjustments in real time. One of the vehicles for accomplishing this is the use of appropriate technology.

3 *Easy to Understand* - Without compromising the integrity of the data,the information is analyzed and presented in a way that is easy to understand and digest. This has meant effective use of graphics, charts and color presentations.

4 *Ongoing Reflection* - REDF and the groups in its portfolio should continually reflect on the information, its meaning and relevance. This has required an essential balancing of data collection consistency (in order to conduct credible trend analysis) with flexibility at every stage of the system's development.

A Two-Pronged Information System: Business Operations and Social Impact

There are two parallel tracks to the REDF management information system. One concerns the effectiveness of business operations and the other is focused on social impact. Both tracks are management tools intended to assist both program and business managers. And both tracks make use of a customized web-based communication system, which REDF has named "WebTrack." WebTrack is a private area on REDF's web site, accessible only to those individuals and groups directly involved in portfolio activities. WebTrack is designed to support efficient communication of information about business operations and social impact between each of the businesses and the Information Management Team. It is also the vehicle for jointly preparing and sharing agendas for monthly Venture Committee meetings.

This section describes the different aspects of this two-pronged information system.

Business Operations

For all REDF social purpose enterprises, there are standard financial indicators that measure the financial health of the business. In addition, each business identifies other operational indicators that are of particular interest to them. Our consulting team has assisted each business in defining each business indicator and developing the necessary processes for collecting those data. Exhibit 1 at right shows the standard business performance indicators all REDF enterprises collect as well as examples of the kind of customized indicators some businesses have also chosen to track.

On a monthly basis, each of the businesses enter their business operations indicator data onto a customized data entry form which they access from their private web page maintained via WebTrack. With a push of the button, those data are electronically sent to the information consultants; within three business days, the trend analysis for each indicator is posted back up on the business' web site for viewing.[3] The trend analysis compares actual data with targets for each

Exhibit 1

Business Operations Indicators for the REDF Portfolio

Standard Financial Indicators

◆ Gross sales monthly

◆ Gross sales year-to-date

◆ Gross profit monthly

◆ Gross profit year-to-date

◆ Net profit before social costs and subsidy monthly

◆ Net profit before social costs and subsidy year-to-date

◆ Net profit including social costs and subsidy monthly

◆ Net profit including social costs and subsidy year-to-date

Examples of customized monthly Operations Indicators
(these indicators differ by enterprise)

◆ Customer satisfaction

◆ Cost of goods sold

◆ Cost of direct labor

◆ Number of sales calls monthly

◆ Timely completion of jobs

◆ Revenue per square foot

◆ Inventory reliability

◆ Inventory turnover rate

◆ Production wastage

indicator, as shown in the examples provided in Exhibits 2 and 3. The targets have already been established by the Business Manager

and/or Executive Director and are based upon projections included in the individual business plan(s).

The projected targets represent a business' plan for effective and efficient operation of the venture at given points in time. The targets can vary monthly to reflect different seasonal expectations (for instance, an ice cream scoop shop might expect lower sales in the winter months), expansion plans (which might cause increases in costs before commensurate increases in sales), or other vagaries of the market in a particular industry. Again, it is important to stress that the targets are not externally imposed; they are set by the business managers themselves in consultation with senior management and investors.

This business indicator component of the WebTrack system also allows for the production of a portfolio-wide analysis of REDF. For the REDF Information Management Team, we produce a portfolio-wide trend analysis for each standard indicator as well as monthly Pareto charts that graphically identify the source of variance from target to actual financial performance. These are all posted on the REDF IMT's private web page.[4]

Exhibit 2
Monthly Gross Sales — Actual Versus Target
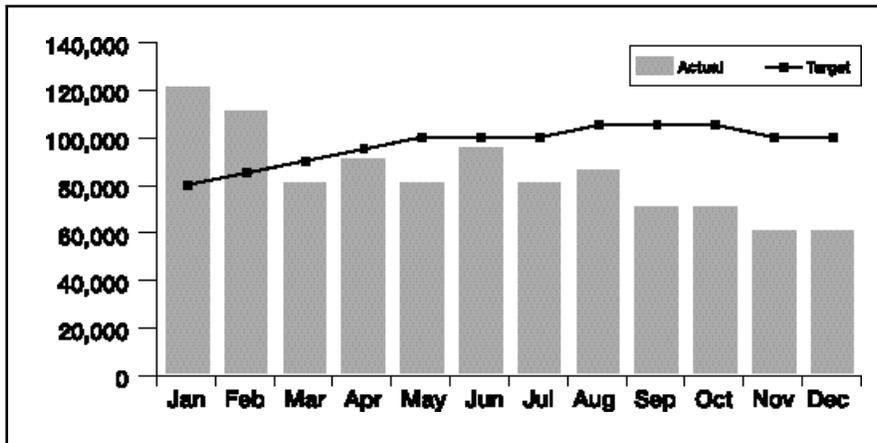
	Actual	Target
January	120,000	80,000
February	110,000	85,000
March	80,000	90,000
April	90,000	95,000
May	80,000	100,000
June	95,000	100,000
July	80,000	100,000
August	85,000	105,000
September	70,000	105,000
October	70,000	105,000
November	60,000	100,000
December	60,000	100,000

Exhibit 3
Customer Satisfaction — Actual Versus Target
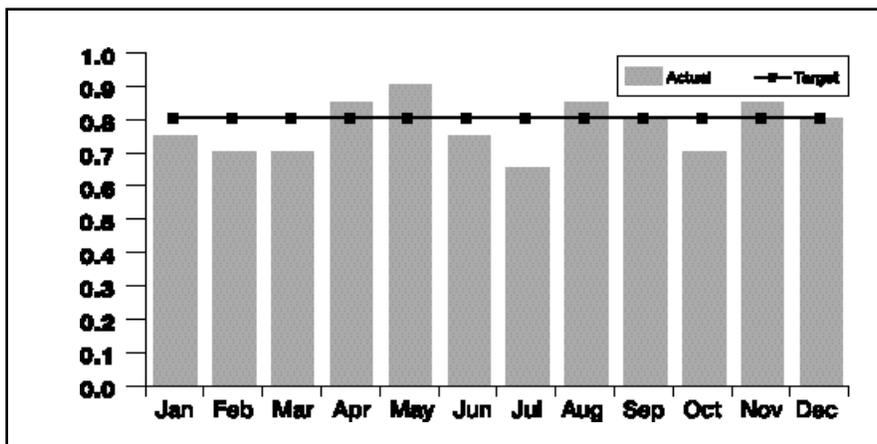
	Actual	Target
January	0.75	0.80
February	0.70	0.80
March	0.70	0.80
April	0.85	0.80
May	0.90	0.80
June	0.75	0.80
July	0.65	0.80
August	0.85	0.80
September	0.80	0.80
October	0.70	0.80
November	0.85	0.80
December	0.80	0.80

The businesses use the information on their private pages whenever it is needed. Some managers use it to reflect on their expectations of performance or identify problem areas in need of attention. Others use it to assess performance during their monthly Venture Committee meetings with REDF. And a number of groups use the trend analysis in presentations to Board of Directors or other stakeholders. The REDF management team itself makes use of the reporting system to track portfolio performance as a whole, and as a management tool for identifying strengths as well as trouble spots across the portfolio.

Social Impact

While assessing business performance is important to these groups, achieving a social impact is at the heart of their mission. There are two levels of the social impact component of WebTrack. The first focuses on compiling basic aggregate employee information across all agencies. In order to ensure consistency, the businesses worked with members of the IMT to develop a fixed set of demographic and employment indicators. As shown in Exhibit 4, information gathered includes such factors as:

◆ Age

◆ Gender

◆ Ethnicity

◆ Disability status

◆ Homelessness status

◆ Number of employees entering and departing the venture

◆ Reasons for departure

◆ Other relevant data

Each organization collects this data for its employees and feeds that information into the quarterly reporting system. This quarterly report provides the investor with the employee profile for each enterprise and the portfolio as a whole.

Exhibit 4

1998 Aggregate Employee Data for Businesses in REDF Portfolio

	Quarter 1		Quarter 2		Quarter 3		Quarter 4		1998	
	Jan-Mar	%	Apr-Jun	%	Jul-Sep	%	Oct-Dec	%	Total	%
REDF Portfolio Employees									**544**	
Continuing from Last Quarter	239		265		279		276			
New This Quarter	110		94		69		32		305	
Rehires This Quarter	0		0		0		3			
Total Employees This Quarter	**349**		**359**		**348**		**311**			
Full-Time or Part-Time Status										
Full-Time	149	43	154	43	146	42	135	43		
Part-Time	175	50	166	46	167	48	146	47		
Unknown	25	7	39	11	36	10	30	10		
Employees Who Left This Quarter	84		80		72		55		291	53
Reasons for Leaving										
Education	4	5	2	3	5	7	3	5	14	5
Vocational Training	6	7	10	13	13	18	3	5	32	11
Other Employment	33	39	35	44	24	33	20	36	112	38

Exhibit 4 (continued)

	Quarter 1		Quarter 2		Quarter 3		Quarter 4		1998	
	Jan-Mar	%	Apr-Jun	%	Jul-Sep	%	Oct-Dec	%	Total	%
Employees Who Left This Quarter										
Reasons for Leaving *(continued)*										
Life Circumstances	18	21	11	14	10	14	8	15	47	16
Fired or Laid Off	23	27	15	19	15	21	12	22	65	22
Other Reason	0	0	7	9	5	7	9	16	21	7
Employees Continued to Next Qtr	**265**		**279**		**276**		**256**		**253**	**47**

Pay Per Hour *(All Target Employees This Quarter)*					
Minimum Pay	$ 5.15	$ 5.75	$ 5.75	$ 5.75	$ 5.15
Maximum Pay	$20.00	$14.59	$14.59	$17.00	$20.00

New Employees

	Quarter 1		Quarter 2		Quarter 3		Quarter 4		1998	
	Jan-Mar	%	Apr-Jun	%	Jul-Sep	%	Oct-Dec	%	Total	%
Demographic Characteristics										
Race/Ethnicity of New Employees*										
African-American	119	34	37	39	13	19	6	19	175	32
Alaskan Native/Native American	1	0	0	0	1	1	0	0	2	0
Asian/Pacific Islander	33	9	6	6	12	17	6	19	57	10
Hispanic	59	17	14	15	18	26	6	19	97	18
White	99	28	25	27	21	30	14	44	159	29
Multiracial	19	5	4	4	2	3	0	0	25	5
Other	2	1	0	0	0	0	0	0	2	0
Unknown	17	5	8	9	2	3	0	0	27	5
Total	**349**		**94**		**69**		**32**		**544**	

Age Ranges of New Employees*										
Under 16 years old	7	2	1	1	5	7	0	0	13	2
16-22 years old	133	38	29	31	30	43	19	59	211	39
23-39 years old	101	29	26	28	15	22	9	28	151	28
40-54 years old	58	17	14	15	16	23	3	9	91	17
55 and over	5	1	0	0	3	4	1	3	9	2
Unspecified	45	13	24	26	0	0	0	0	69	13
Total	**349**		**94**		**69**		**32**		**544**	

Gender of New Employees*										
Female	114	33	36	38	19	28	11	34	180	33
Male	225	64	58	62	50	72	21	66	354	65
Unknown	10	3	0	0	0	0	0	0	10	2
Total	**349**		**94**		**69**		**32**		**544**	

Exhibit 4 (continued)

	Quarter 1		Quarter 2		Quarter 3		Quarter 4		1998	
	Jan-Mar	%	Apr-Jun	%	Jul-Sep	%	Oct-Dec	%	Total	%
Other Characteristics of New Employees*										
Disabled	108	31	51	54	26	38	11	34	196	36
Incarcerated/Hospitalized year prior to hire	26	7	15	16	4	6	1	3	46	8
At Risk for Homelessness	175	50	66	70	33	48	24	75	298	55

Training Component: *2 programs linked to businesses*										
Number of Trainees	23		51		50		34			
Transfer to Employment at Enterprise	4		0		1		3			
Transfer to Other Employment	7		6		3		28			

* Total does not include rehires

The second level of information tracking associated with social impact is an intensive social impact study. The purpose of this level of analysis is to shed light on the long-term impact of the employment experience in the REDF social purpose enterprises, assessing their effectiveness as a strategy for moving people from dependency to self-sufficiency. Whereas all 23 businesses participate in the aggregate data collection described above, a subset of 20 businesses participate in this employee-specific information-gathering effort. At present, they do so on a voluntary basis. Participation in this element required a substantial amount of additional data collection, but also held out the opportunity to obtain new and valuable information. (The groups were so interested in this social impact tracking effort that while REDF initially invited 11 businesses to participate so as not to overwhelm the businesses with information demands, the agencies themselves requested that additional businesses be included in the effort).

Participation in the intensive social impact assessment involves collecting individual-level data at six-month intervals for a two-year period (continuing to track the individual post-employment in a REDF Portfolio business, in most cases). The information gathered includes detailed characteristics of individuals at the time they begin employment, allowing REDF and the enterprise to definitively track change over time.

For example,this element of the data collection will yield insight on whether individuals with a history of sporadic employment are more or less likely to benefit from this model of employment training than those who have a history of chronic unemployment. Collecting data on an individual basis provides the capacity to identify correlations between employee characteristics and outcomes. Furthermore, this analysis lays the foundation for comparing impact with type and amount of investment required — thus creating the framework for a social return on investment (SROI) calculation.

As with the business indicators, the intensive social impact study includes a core set of indicators collected across the full sample of agencies. These core indicators are presented in Exhibit 5 below.

Exhibit 5
Core Social Impact Indicators

Core Indicators

◆ Job retention

◆ Job placement

◆ Job promotion

◆ Wages

◆ Barriers to employment

◆ Reliance on public assistance

◆ Utilization of social services

◆ Housing stability

◆ Self-esteem

◆ Personal support

◆ Involvement in the criminal justice system

◆ A full complement of demographic characteristics

In addition, each business developed a set of customized indicators, reflecting special needs and interests of a given venture's employee pool. For example, one group working with high-risk youth was particularly interested in substance use among its employees, while another group employing people with a history of mental illness had a particular interest in tracking their clients' use of psychiatric services.

REDF supported the development of interview instruments as well as the creation of an automated database system for each group. As with the business indicator data, this system is designed to utilize Internet communication capabilities and provide feedback in real time. The information will be analyzed and provided to each enterprise in a customized form as well as compiled for use by REDF in calculating its social return on investment. While this effort is underway, we will conduct a literature review in the field to collect comparable impact data from different employment strategies and be in a position to compare the social impact of the social purpose enterprise with that of other employment training and self-sufficiency strategies. While this meta-analysis will not provide the same level of rigor offered by a true comparison group, it will provide a useful framework and backdrop for analyzing the results of the REDF initiative, both in terms of human benefit and with respect to quantifying social costs and benefits over time.

Creating the Journey Along Our Information Highway

Creating this information system has been both challenging and exciting each step of the way. In order to develop a truly useful system, it was necessary to balance the constituent interests of seven diverse organizations as well as the investor, while maintaining the integrity of a consistent data collection effort. The process has been more time- and resource-intensive than originally imagined. Before choosing an approach, other models for similar ventures, including Pioneer Human Services in Washington State, were examined. While the REDF system design benefited from the work of others, it was still necessary to design a system to meet the unique needs and requirements of the REDF Portfolio.

The business indicator WebTrack system took approximately six months to develop and implement. It continues to undergo refinements as targets change, businesses mature and different information needs emerge. While the relatively straightforward quarterly employee reporting system was completed after a two-month development process and beta test, the more intensive individual-level social impact information system has taken a full year to develop. It has involved enormous effort, significant financial resources, and countless consultations with each group on every aspect of design and development.

Our journey along this information highway is far from complete, but already we have learned a great deal about what it takes to develop a comprehensive system of this sort. By sharing the details of each stage in this process, we hope to make this experience a useful one for others seeking to develop the appropriate tools for tracking social impact over time. In the REDF experience, the steps of this journey included the following components:

◆ Assessment of Organizational Capacity

◆ Gathering and Cataloguing Indicators of Interest

◆ Designing and Re-Designing the Information Tracking System

◆ Implementation of the System

◆ Provision of Ongoing Technical Support

◆ Execution of System Analysis and Feedback

◆Continual Re-Assessment of MIS Requirements

We address each of these in turn.

Assessment of Organizational Capacity

For both the business and social impact components of WebTrack, the consulting team conducted an assessment of organizational capacity for each REDF group. This assessment revealed that more than half the organizations lacked formal written indicators for both business operations and employee outcomes. While all of the organizations were interested in demonstrating effectiveness and were eager to create an assessment system, very few were actually systematically collecting information in order to inform practice when this effort began.

Gathering and Cataloguing Indicators of Interest

In addition to the core set of four financial indicators established by the REDF business analyst as described earlier, IMT members worked extensively with each enterprise to develop unique business operational indicators that would provide useful information related to their own business practices. This process involved multiple meetings with the business manager from each enterprise and, in some cases, other staff. The IMT worked with each business to identify targets for each indicator and then assisted in identifying or developing a method for measuring progress toward meeting those targets. For example, one business was interested in diversifying its client base; the IMT worked with them to develop a system for tracking revenue by client type on a monthly basis. Although the consultation process was time-consuming, the success of WebTrack hinged on the quality of information gathered and the decisions made at this stage of development.

The process of identifying the social impact indicators, while similar to the business indicators process, was much more extensive. The first step involved meeting with each group's business manager and/or Executive Director to develop a list of expected social outcomes. These lists were then compiled into a matrix of expected outcomes by enterprise for REDF's review and input. Using this list, REDF staff selected the outcomes where there was a critical mass of interest identified by REDF funded organizations and these outcomes then became part of the core information set for the portfolio. REDF also wanted to ensure these indicators would produce all the data REDF itself would require for calculating a social return on investment.

Through this process, some organizations ended up having a small number of indicators added to their reports that they themselves had not generated for their own enterprise. Most of the groups accepted the value of and need for a core set of indicators that could be shared across the portfolio. One organization resisted adding specific indicators that it had not itself identified, believing that they were not appropriate to their population and program. This stimulated a series of discussions about the "requirements for participation" in the assessment. In the end, although REDF offered to drop the additional indicators, the organization opted to incorporate them instead, understanding the value of the information for itself and the larger portfolio.

Designing and Re-Designing the Information System

The mechanics of developing the business indicator information system were fairly straightforward, requiring analysis but not instrument development. The system for measuring social impact, on the other hand, required a considerably greater level of effort. Once it was clear what information was needed, it was necessary to develop questions that would capture that information, using methods that would not be overly burdensome to the organization. The first step was to develop an interview instrument for the core social indicators and distribute it to each organization for review and comment. After incorporating suggested changes, IMT members worked with each enterprise to develop questions that reflected their specific areas of interest and additional social outcomes.

During this phase, groups had the opportunity to incorporate questions that were important to them as program managers as well as questions they needed answered for other contract reporting purposes. For

example, one group emphasizes vocational training in addition to enterprise employment. They added questions about specific job skills and employment history to meet reporting requirements for a public contract under which they operate a portion of their program. By designing the system to incorporate additional indicators for other purposes, REDF is hoping to reduce any duplication of effort on the part of the participating organizations and provide a streamlined system for information gathering and use. In many cases REDF supplemented its funding of the agencies to facilitate this approach. The end goal is an integrated MIS[5] capable of generating custom reports for a variety of investors and stakeholders.

To ensure its utility, the instrument was pilot tested in each organization. In some cases this resulted in a need to refine the core set of indicators — not an easy task. Changing questions because of one group's pilot test frequently had implications for other groups. This made for an iterative process of adaptation, with careful coordination and ongoing communications with each organization. In addition, the process of automation had to wait until all the instruments were finalized. The alternative — changes to the system at a later stage — would have resulted in frequent modifications to the database programming effort at great cost, potentially to the integrity of the system itself.

Implementation

Once the design was complete, the focus shifted to implementation. With the business indicators as well as the quarterly employee reporting, the first issue to arise was the need for timely and accurate data submission. During the first six months of implementation, about one-third of the groups did not submit their information on time or submitted incomplete or inaccurate data. It was found that these difficulties were often signs of other performance issues within the business such as a faulty accounting system, ineffective staffing, inadequate staff training and capacity, or outdated client/employee-tracking systems.

This early experience highlighted the need for quality control. Because of these concerns, six months into the process, the consulting group met with each of the enter-prises to assess the usefulness of the system and ask for recommendations. Overwhelmingly, enterprise staff of REDF funded organizations expressed that the system was useful, particularly the analysis charting trends over time. They also offered constructive suggestions to eliminate other parts of the analysis they viewed as less useful in their work. Their suggestions were implemented and the IMT continues to monitor the effectiveness of the system, making refinements as needed.

With respect to the more intensive social impact system, the issues that have arisen thus far largely concern who conducts the interviews. There are important legal concerns regarding an employer asking certain personal questions of employees even within the context of a social purpose enterprise. These are not insurmountable: a social service provider within an agency can conduct the interview as long as the information provided is never used to make a personnel decision in the business.

Regardless, the question of who conducts the interviews has a direct bearing on organizational resources. Follow-up interviews in particular can be extremely resource-intensive because they generally require significant time locating and contacting individuals, even when incentives are provided.[6] Some of the groups wanted their own staff to conduct all of the interviews — baseline and follow-up — while others did not feel they had enough internal resources for any interviews at this time. For its part, REDF wanted to ensure that the follow-up effort remained a high priority, regardless of who assumed the responsibility.

The groups were presented with a choice: the baseline interview and data entry process could either be conducted by in-house agency staff or by an interviewer retained by the IMT consulting group. Either way, the organization would have access to the information. The choice was really more a function of readiness and organizational capacity. For a few of the businesses with a lot of activities on their plate, it was a relief to delegate this information gathering effort for the time being. All of the other groups were prepared to conduct the interviews themselves, viewing this as an opportunity to build their internal management information capacity. The IMT consultants provide training for their staff in interviewing techniques and continue to offer

groups ongoing technical assistance in administering the interviews.

Because it is such a significant undertaking, the follow-up tracking and documentation process is being spearheaded by the IMT consulting team on behalf of all the groups until there is common agreement that a particular group is ready to take on the follow-up responsibility. At such time, the follow-up effort will be transitioned to the individual organizations in the portfolio.

Ongoing Technology Support

Information Technology (IT) specialists have been an essential part of every stage of the REDF management information system development in order to ensure effective and appropriate use of technology resources. First, these IT specialists helped equip all of the groups with the basic hardware and software needed in their operations and provided them with e-mail capacity and Internet access. Next, the IT specialists prepared the customized reporting forms for the businesses' financial and operational indicators on the WebTrack system. Now, they are customizing databases for the organizations to track social outcomes. For many organizations, the involvement of these IT specialists has allowed them to use technological resources to a far greater extent than ever before. In some instances, organizations have contracted independently with these IT specialists to develop other information systems, some client-related, some donor-related, but all concerning management information in one form or another.

Analysis and Feedback

All of the thinking and preparation at the beginning of the process has direct payoff when it comes time for analysis. The targets were already set for the business indicators, the WebTrack system was in place on the REDF web site, and the software application to graph the trends was built and customized for this process. IMT members were thus able to download all information sent by REDF organizations, add it to an existing data set, graphically depict the trends for each indicator and post them on the web site — all within three business days. The technical aspects of the system have fallen into place; the remaining challenge is to ensure that the busi-

nesses effectively use the information to inform practice.

In order to help ensure the organizations make full use of the data and that data interpretation is accurate, the organizations are directly involved in data analysis. For example, with the quarterly reports, summaries were prepared for individual organizations to review. In reviewing the information of one of the businesses, we discussed why the upper end of the wage range was substantially higher for that business than many of the others. We learned that some of the "target population employees" in the business had developed enough skills and experience to be promoted into supervisory positions and command wages commensurate with those new responsibilities. Knowing the story behind the numbers provided a fuller understanding of the employees in that business and shed light on the larger issues related to movement in the labor force.

For the more intensive social impact assessment, it is anticipated that the pre-planning will again pay off. IMT members will be analyzing the information based on an organization's and REDF's hypotheses of change. If the statistics and demographic data are to be significant to the organization, they must be accompanied by important questions, such as:

- What does this mean to you?

- What story do you read in these facts and figures?

- What other questions do you have to add to this data set?

- What other social impacts can you describe that illustrate, corroborate or contradict the findings from the data?

This is the starting point for interpretation. IMT members will then piece each of the stories together to get a clearer picture of the whole in order to better understand whose lives are changing, in what ways, and over what period of time.

Continual Re-assessment of Information Needs

Nonprofit organizations and their information needs are changing all the time. New

funding sources emerge which can influence nonprofit organizational development, strategic directions and associated information needs. Internal forces, such as a Board of Directors, new executive leadership, or a new management focus can also demand new information. Similar to REDF's expectation for the businesses — that they will continually incorporate new information and allow it to influence their practice — throughout the development of the information system itself we have faced an ever-changing environment and have had to incorporate new information and new demands along the way. This will be an ongoing process of reassessing and even reinventing the system to meet changing needs and demands.

Lessons Learned

We have learned several fundamental lessons so far in this process. We feel they are worth noting for those who have an interest in designing an effective management information system in partnership with nonprofit organizations. These lessons fall under three main headings:

◆ Time: It takes an enormous investment of time to develop a system that balances the sometimes conflicting needs of multiple constituencies. This is particularly true if one is seeking to involve nonprofit organizations in the design and development of the system, as opposed to a more traditional evaluation method of sending in "independent" evaluators to assess a program's effectiveness. The process of system design must accommodate the managers' schedules since there are countless competing priorities for their time.

◆ Resources: The development of the system has required a significant investment of financial resources. It has been necessary to involve experts in a range of areas, including data collection, technology, and legal issues. In addition, The Roberts Foundation provided incentives for the employee interviews, compensated the organizations for the time needed for systems development and is now going to cover the cost of follow-up interviews. It is estimated that from 1997 to 1999, REDF will have invested close to $800,000 in the portfolio nonprofits to build these systems. In order to make the system fully automated, an additional amount in excess of $1,000,000 will be required.

REDF is presently working to identify other funding partners to underwrite this process of development.

◆ Flexibility: Perhaps the most important lesson we have learned is the need for flexibility: there is no fixed template to guide this work, or "off the shelf" program to implement. Rather, every aspect of the system must be designed to give way to the changing environment and to respond to the needs of the organizations as they arise.

A recent development illustrates the primacy of flexibility:

The IMT recently learned that many of the groups no longer needed to utilize the full complement of information available on the WebTrack business indicator system to manage their business operations. It was learned that while WebTrack had been instrumental in helping groups jumpstart their business information gathering efforts, over recent months many of the businesses had moved to an even more frequent — daily or weekly — review of financial data. The businesses still see a vital need for WebTrack and the business indicator trend analysis it produces, particularly for looking at historical information, making future projections and demonstrating business results to investors. But with respect to day-to-day business information needs, many of the groups are now beyond WebTrack. REDF views this as a success and is working with the portfolio to refine the WebTrack business indicator system to continually meet these new emerging needs — for example to fully automate the reporting system itself.

With respect to the social impact information system, the groups are also in a different place. They are greatly looking forward to using WebTrack for accessing social impact information. The groups anticipate the social impact data WebTrack supports will add significant value to the organizations and their social purpose enterprises. They have a strong interest in generating credible social impact data, participating in ongoing analysis of the data and identifying meaning and implications for practice.

The lesson here is that it is essential for a management information system to be dynamic and for its developers and users to exercise maximum flexibility to stay relevant. WebTrack is an essential foundation of the REDF Portfolio information management system. It provides a consistent platform for data communication and a jumping-off point for even more complex and frequent information usage. It helps provide answers to important practical questions, and sometimes helps to frame new questions that move the groups and this system to its next level of capacity and sophistication. The information exchange process is in itself a moving target and so our goal has become to continually build "WebTrack and Beyond."

Finally, it is clear that the task of creating the perfect information system is never fully accomplished because responsive nonprofit organizations operate in a dynamic human world. New programs must always be developed, and they often demand new sources and types of information. These changes inevitably involve additional financial investment, as well as additional staff and consultant time. But, as one of the Executive Directors recently explained, "...maintaining the centrality of evaluation and information in the enterprise keeps groups focused on outcomes and on measuring progress towards accomplishing their goals. This process of generating and reflecting on information in itself adds ongoing value. It helps groups to identify and then focus on the work that is most effective in accomplishing both their social and their business missions."

The WebTrack system will continue to be refined as The Roberts Foundation and its investees move forward into the future. Working together to build information systems that generate data with high integrity is clearly viewed as benefiting both the investor and investee — and that fact will allow players on both sides of the table to continue to improve the quality of their efforts over the years to come.

Footnotes

1 The Roberts Enterprise Development Fund: Implementing a Social Venture Capital Approach to Philanthropy, Stanford University Graduate School of Business, October 1998 and Chapter 1: The Roberts Enterprise Development Fund: A Case Study on Venture Philanthropy.

2 Please see Chapter 8: Social Return on Investment, for a more detailed discussion of SROI.

3 Because of the potential sensitivity of the information, each business has a password-protected, private web location that no one outside of their business or the REDF IMT can access.

4 Because of the sensitivity of this collective information, only members of the IMT and George Roberts (the donor) have passwords to this private web page.

5 Management Information System

6 Twenty-dollar incentive coupons are provided by REDF to compensate interviewees for their time during each follow-up interval. About half of the groups have also requested that their employees be offered incentives for participating in the baseline interviews. REDF has responded affirmatively to all of these requests.