FORTIUS
CONSULTING

CÓMO MEDIR EL IMPACTO DE LAS IDEAS

28 OCT 2022 · PUBLICATION

We would like to reproduce in its entirety an article that was published a few years ago, so it would hardly qualify as 'news'. However, we believe that it sets the tone and guidelines on how think tanks should think about fundraising. Far from a mere search for funding action, think tanks must first offer value in what they do and, secondly, be able to account for it by measuring its impact.

This article, published for the first time by Arthur C. Brooks, then president of the American Enterprise Institute, at the [surrender of March-April 2018] (https://hbr.org/archive-toc/BR1802) (pp. 37–42) of Harvard Business Review. In the article, Brooks recalls how after the Great Recession of 2008, this group of Washington experts needed to compete even more for every dollar.

The result of the AEI work (output) is quite simple: books, research articles, opinion articles, media appearances, etc. However, determining its impact meant measuring its competitive position in the market for ideas.

Brooks describes two of the metrics used by the IEA: how many opinion articles his academics publish in prominent newspapers and how often Congress calls those academics to testify. Compared to its four main competitors, IEA can claim 36% of opinion articles during the 2015-2017 period and the largest number of testimonies (by a wide margin) in the years 2009-2017.

Full article, which was also published on the IEA website and can be accessed [here](https://hbr.org/2018/03/aeis-president-on-measuring-the-impact-of-ideas?language=en)

In the summer of 2008, I was happily working as a professor at Syracuse University when I received an unexpected phone call. Last year, the American Enterprise Institute, one of the oldest and most well-known think tanks in the country, where I had a part-time affiliation, had been looking for a new president. Were you willing to consider me for the job?

The expert group industry is very small, so it doesn’t have an established channel for leadership. Tips are never sure of the type of people who should run these organizations, and executive searches are often complicated. I happen to know that I wasn’t the first choice, the second or the third. For years I had taught and written about fund-raising and managing non-profit organizations, but I had never actually exercised it either. I’m convinced that the last thing the AEI directors said before I offered the job must have been “Ah, what the hell, let’s give it a chance.” But I was lucky. They made the offer. I accepted it.

Working as executive director for the first time is a challenging proposal at first glance. But I faced something more than the standard learning curve: between the time I took up the position, in mid-2008, and when I started, the next January, the non-profit economy collapsed as a result of the Great Recession. Charitable donations in inflation-adjusted terms fell by almost 10% between 2008 and 2009, most during the last quarter of the year. AEI is totally dependent on charitable donations, it does not accept government grants or contract research; therefore, its revenues plummeted just as it entered the door. The institute had to compete for every dollar as never before. My new colleagues and I had to show donors why their increasingly reduced philanthropic investments should come to us instead of going to others, and how investment in our work would create a tangible impact.

Even before the recession, demonstrating the impact was a growing concern in the non-profit sector. Profit-making companies can quantify their impact using metrics such as shareholder sales and profitability, but non-profit organizations cannot. That is doubly true for non-profit organizations in the world of pure ideas, such as AEI. What is the metric for us, smart thoughts per hour? However, modern philanthropists, many of whom have made great fortunes in high-tech analytic-driven companies, demand proof that their welfare dollars are working very well. Mark Zuckerberg and others like him will not give to organizations that swallow their money without producing measurable results. Their generation insists on the evidence that they are creating value with what they give. They need to see data. Having an immaterial product is no excuse.

Show impact or failure: that was my initial big challenge as president of AEI. It led me to many sleepless nights in my early years at work. But meeting that challenge turned out to be more than a matter of personal survival in a new position. It has fundamentally changed the way we do business.

A golden opportunity

Leaving a permanent job for an uncertain future as a manager of a non-profit organization may seem reckless. Actually, it was a piece of behavior patterns that I had established up to that point in life.

I grew up in Seattle in a family of artists and academics. From a very young age, I showed aptitude for music and quickly found my way to the French horn. I gave college a chance after high school, but I left it after a year and went out with the horn to earn a living as a classical music and jazz musician in the United States and Europe.

Within a few years of my career as a musician, I met a girl from Barcelona and took a job with an orchestra in Spain in an attempt to persuade her to marry me. We did not have a common language when we met, but after celebrating our 26th anniversary recently, with three children about to reach adulthood, I am pleased to report that our communication skills have improved since then.

I loved being a musician, but I always bothered not having finished school and that persistent sense only grew over time. So, when I was still living in Spain, I restarted university through correspondence courses.

A month before I turned 30, I went to my mailbox and got a degree in economics. Shortly afterwards, I went away completely from music and returned to the United States to do a master’s degree in economics, which led me to a doctorate in public policy analysis, which led me to work as a university professor. I finally landed in Syracuse.

During my decade in the academic world, I taught many students of administration and MBA, and much of my research focused on the management of non-profit organizations and social entrepreneurship. I wrote a textbook on the subject. One of the central questions that I continued to face was that of value creation:How do non-profit organizations know, except those that offer the most tangible products or services, that create a real value? The field, including me, never seemed to have satisfactory answers. I would talk a lot about "social return on investment" and "the double result", but those were more theoretical concepts than practical guidelines. The move to AEI seemed like a golden opportunity to solve these theoretical riddles from the real world of management.

But the decision to move on to EIA was also very personal: I sincerely believed in the fundamental principles of the organization. The EIA is strictly non-partisan, which avoids political entanglements and institutional positions. What unites academics and staff is a shared commitment to a simple moral maxim: the free enterprise system and American leadership in the world are pillars in the struggle to defend human dignity against poverty and tyranny and to help raise marginalized people. Knowing the incredible record of fighting poverty of global capitalism and free trade was a large part of what I had attracted by economic study in the first place. I have now had the opportunity to dedicate all my work to sharing this truth with the world.

In fact, my deep admiration for AEI raised a small problem. What if, as an inexperienced executive, I failed, hurting the organization in the process? When I tried to decide whether I was going to take the position, I had breakfast with Tully Friedman, the pioneer of private capital and a member of the AEI board for a long time since he later became president of AEI and one of my closest friends. I was worried loudly about what would happen if I failed at work and put this 75-year-old group of experts at risk. “Don’t worry about that,” he said. “If you can’t raise money or motivate scholars, we’ll fire you in a year and AEI will be fine.” This has been strangely reassuring. So, with a mixture of emotion and panic, I left my mandate and moved to Washington.

Not outputs or inputs, but impact

The leaders of non-profit organizations often make two mistakes in trying to answer the question “How do we know if we are having an impact?” The first is what I call the sui generis error. It’s the idea that our work is unique and our organization is so different from anything else that exists that we can’t compare it to or compare it to any other organization. It’s amazing how many intelligent people actually believe this from their own organizations or loved ones. It’s a false statement, but I hear it all the time. And philanthropists hear it even more often.

The second mistake is the "familiar error", so called by the story of a guy who loses his keys in the street and spends hours searching for them under a lamppost because there the light is better. Non-profit organizations that struggle to measure efficiency often resort to what is easier to see, usually inputs like how much they have received in contributions or products like how busy they have been. Obviously, this is inappropriate, because what we are really interested in is not the inputs or outputs, but impact.

The sui generis Error does not measure anything and the error of the lamppost causes the wrong things to be measured. My colleagues and I set out to avoid both pitfalls and create a better way to understand and describe our true progress.

The production of AEI is quite simple: books, research articles, opinion articles, media appearances, public events. These products effectively constitute our supply curve. But no one holds that the simple fact of writing an opinion article, publishing a peer-reviewed article or hiring an academic on television automatically guarantees a change in the way leaders think and act. As a result, our output metrics are not particularly interesting in isolation. To move from output metrics to impact metrics, we had to superimpose a demand curve in our supply curve. We had to find ways, even imperfect ways, to measure how much the leaders wanted and sought our work.

In the idea industry, this type of demand is almost never directly observed. No matter what excellent work a single organization is doing to train leaders or raise the profile of a particular topic, no metrics such as public opinion polls, election results or legislative votes can show the role of the organization in the midst of the static of thousands of other variables.

Instead of direct impact measures, we realized, expert groups should develop proxy impact measures, looking for the point where their supply curve crosses with competitive demand in the ideas market. We had to identify and track the products that leaders consume at some cost to themselves and in direct compensation with alternatives. In isolation, each of these metrics is a unique point of limited utility. But considered together, they paint a pointillist box that helps us assess the impact of our work.

Here are just two examples of the set of proxy metrics we have come to use:

The most prestigious national newspapers each receive about 1000 unsolicited opinion publications every week. The real estate "market" on the opinion pages of those newspapers is incredibly competitive and editorial staff ruthlessly rejects everything except what they think the readers most need and want. Such selectivity can reveal the competitive demand for our product. Therefore, although the total number of opinion articles written per year is only a metric of production, the number of opinion articles that our academics publish in a defined set of the most competitive media is a viable substitute for impact. Although it is far from a general figure, this metric has a particularly useful aspect: the data are, by definition, public and therefore allow comparison with their peers and competition. Every year to date, AEI has maintained a leadership.

We do the same with the testimony of Congress. Most policy experts want to testify at The Hill, but they cannot simply call the Senate switchboard and put it on file. The Senate calls out you. So, although no one believes that public testimony is the only way in which expert groups shape the debate, they offer a useful angle to measure the impact. And again, it is useful that data from around the world be in the public domain. When we initially analyzed these figures, during the 110th Congress (2007–2009), AEI took fourth place among expert groups in terms of testimony in Congress. At the 111th Congress we were the number one and since then we have maintained that position.

It is worth emphasizing again: none of these metrics is a direct measure of impact, much less a perfect one. All of these proxy metrics can be deceived or misinterpreted, and each reveals only a partial dimension of truth. And not all the proxy metrics that are worth using can be used to compare to competition. For example, the personal relationships of our academics and private briefings with policy makers and journalists are the main impact metrics, because the time and attention of leaders are very scarce. But it is impossible to compare these private data from one organization to another.

The point is not to look for a perfect proxy. Instead, non-profit organizations operating in the ideas sector can create a panel, equip it with a wide variety of variables like these and then use it to measure the revealed preferences of public leaders and acceptance of the organization's work.

Clarify the mission

At the same time as we started building this impact panel, my management colleagues from AEI and I made several complementary changes. For example, we have modified the way the organization speaks of itself to better reflect our definition of success. Mission statements from expert groups are often lists of boring products ("We conduct high-quality policy studies") than true expressions of purpose. In consultation with our academics and followers, we wrote a new statement of purpose: "The American Enterprise Institute is a group of public policy experts dedicated to defending human dignity, expanding human potential and building a more free and secure world. The work of our academics and staff promotes ideas rooted in our belief in democracy, free enterprise, American power and global leadership, solidarity with those on the periphery of our society and a pluralistic business culture." We try to make clear the moral objective of our ideas, which is to serve others, especially the marginalized in society.

Measuring impact

Op-Eds

Scholars in expert groups write many opinion articles, but that is a measure of production. To better understand their impact, AEI began to track how many of its opinion articles published three major newspapers, the The New York Times, the Wall Street Journal, and the Washington Post and how their locations are compared with those of competition expert groups over time. The percentages reflect the annual averages for the period 2015 to 2017.

Testimonies of Congress

Testifying before Congressional committees is another way in which EIA academics can have a real influence. When Arthur Brooks arrived and urged EIA to start collecting this data, the organization took fourth place in this measure. Since then, it has placed itself in the first position and its market share has grown.

Then we launched a series of high-profile business ventures specifically designed to create impact and fulfill our new statement of purpose. Some of them are quite unusual, such as research on happiness, experimental multimedia companies and an important collaboration with the Dalai Lama. Our latest adventure in this series focuses on despair and human dignity in the United States. Its goal is to find and propose long-term solutions to the underlying causes of social and economic despair that defined both sides in the recent presidential elections. The programme has four main pillars: vocational and technical training to help people find good jobs; use free enterprise to strengthen the economic security of families; reform the criminal justice system; and find new strategies to curb the epidemic of opioid abuse.

Built and marketed as an internal start-up, this company does not displace any of our other jobs. To promote it among investors, we have created a prospect and a pitch deck, just like any start-up. We approach potential donors as we would with venture capitalists (which many of them are). We talk about ROI and establish the basket of impact metrics that we will use to demonstrate success.

Our new approach to impact has also helped us to perfect the development and segmentation of our audience. We believe that in the market of ideas we can classify potential consumers of our products into four groups according to their responsiveness to a given message: true believers (who already agree), persuadable (who are open to receiving news from us), hostiles (who think our perspective is stupid or evil), and apatic (who doesn't care about a bulldozer). We cross these four groups of attitudes with the five key demographic groups (political leaders, business leaders, media, community leaders and academics) that form our target audience. This gives us a matrix of 4 x 5 and allows us to balance our strategies and offers in these groups to maximize impact and more effectively fulfill the principles of our mission.

Our strategy paid off.

As expected, these changes were not always easy to implement. I made many mistakes along the way. Some colleagues complained that I was asking them to devote too much time and energy to collecting data and, in some cases, they were right. More than once, I was the victim of measuring something completely wrong. For example, I worried when attending a series of live events started to go down. But after a few months, someone told us that we had started streaming the events live on the Web, where they received a lot of traffic. This information resulted in an even better metric, subscribers to events and original video programming on our YouTube channel, a measure by which AEI now leads the expert groups sector.

Despite some setbacks, our strategy has paid off. Since 2008, AEI’s operating revenues have averaged an average annual growth of about 10%; the institute bought and renovated a new headquarters in central Washington, D.C.; and we’ve gone from 140 full-time fellows and staff members to 220. More importantly, we’ve seen the impact of our research on policymakers and other leaders dramatically increased. It's an exciting time at AEI.

Naturally, this growth required changes in our management structure. Managers now have more authority and autonomy with regard to internal administration, while my role has become increasingly outward-oriented. These days I am traveling about half the time, meeting with potential investors and delivering 175 speeches a year about our work.

Remembering my first days as a leader of the IEA, I am grateful for the frightening demands that led to the changes we made. As donors demanded proof that our intrinsically amorphous products were having an impact, we learned to measure and demonstrate it. Given the imperative of spreading the word about our work in a crowded market, we invested in our communications systems that will bear fruit in the coming years. However, I have clear evidence that the crisis is the mother of the invention.

Other non-profit organizations are asking about our systems and several important foundations have asked our staff to help their other beneficiaries adopt some of our practices. It's satisfying to see this. But, above all, I am grateful to be able to help our social enterprises increase the impact of their efforts on a world that needs them more than ever.

[Arthur C. Brooks] (https://hbr.org/search?term=arthur%20c.%20brooks&searchtype=search-all) was president of the American Enterprise Institute from 2009 to 2019