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Balancing mission and measurement: Institutional pressures on evaluation practices in nonprofit community development loan funds

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ABSTRACT

Nonprofit Community Development Financial Institution loan funds (CDLFs) occupy a distinct position in efforts to address place-based inequality, channeling capital to underserved communities while maintaining financial sustainability. CDLFs were developed based on an integrated hybrid ideal in which social and commercial logics are inseparable in organizational identity and operations. Yet CDLFs face growing pressure from funders, regulators, and third-party rating systems to demonstrate "impact" through output-focused metrics, raising a central question: how do Community Development Loan Funds interpret evaluation and outcome measurement requirements, allocate responsibility for measurement work, and make trade-offs among financial, operational, and social impact priorities in practice? Drawing on interviews with 39 CDLF leaders, we examine the factors that affect evaluation and outcome measurement practices. We find that CDLFs experience pressure through three mechanisms: (1) funder-driven compliance demands that prioritize outputs, (2) organizational cultures that define "the work" as lending rather than community development, and (3) organizational design choices in hiring, incentives, and technology that center on banking logic. These dynamics shape how place-based development capital is allocated and justified, with implications for accountability to borrowers in underserved neighborhoods. A field-level mechanism we term collective vulnerability helps explain persistence, because rigorous outcome measurement threatens individual organizational legitimacy.

KEYWORDS
Community Development Financial Institutions; hybrid organizations; nonprofit evaluation; community development

Introduction

Community Development Financial Institutions (CDFIs) are hybrid organizations that channel capital to underserved communities while maintaining financial sustainability (Benjamin et al., 2004). Nonprofit CDFI loan funds (CDLFs), rooted in social justice movements, were founded to balance social impact and strong financial performance (Rubin, 2008). This integrated hybrid ideal suggests that evaluation systems should connect lending activities to community outcomes (Craig, 2002; McCall & Hoyman, 2023). However, in practice, evaluation often centers on financial outputs while treating social outcomes as peripheral, despite integration being central to the sector's legitimacy.

These tensions matter for urban and community development because CDLFs sit upstream in local investment ecosystems (Benjamin et al., 2004; Immergluck, 2008). They influence which neighborhoods, projects, and organizations can access patient capital, and they help translate federal and private incentives (including CDFI Fund programs and Community Reinvestment Act–driven capital) into place-based development strategies. When evaluation systems reward capital deployment while

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obscuring whether borrowers and communities benefit over time, the sector's accountability structure can shape urban development outcomes, yet remain difficult to assess empirically (McCall & Hoyman, 2023; Rubin & Stankiewicz, 2001).

Over four decades of institutionalization and growth, field-level pressures have challenged the integrated hybrid model claimed by CDLFs (Rubin, 2008). This study examines whether, and under what conditions, evaluation practices in nonprofit CDLFs are associated with mission drift, potentially shifting attention and resources away from community goals by weakening the linkage between lending activities and intended outcomes. Evaluation is central because measurement operationalizes and justifies competing logics to external audiences (Craig, 2002).

We use selective coupling theory to explain how hybrids manage competing demands. Selective coupling describes how hybrids adopt, combine, or compartmentalize practices associated with different logics to secure legitimacy and resources. Previous research frames this approach as a strategy to sustain hybridity; it can also lead to drift when core practices reinforce commercial logic and social aims are relegated to compliance (Pache & Santos, 2013). In CDLFs, evaluation becomes the main area for this dynamic: organizations prioritize funder-legible output measures and compliance routines, while outcome measurement and community feedback remain weak or under-resourced. This helps explain why integrated rhetoric persists despite differentiated operations.

Drawing on in-depth interviews with 39 CDLF leaders, we investigate what shapes evaluation and outcome measurement in nonprofit CDLFs and how these factors affect mission alignment. Our findings reveal a gap between integrated hybrid rhetoric and differentiated operations, with commercial activities prioritized and social development relegated to the periphery. This has important implications for governance and accountability, especially given the limited power of those served (Battilana & Lee, 2014; Ebrahim et al., 2014).

This article makes three contributions to scholarship on hybrid organizations, institutional complexity, and mission drift. First, we show that mission drift can occur through organizational form change, not only through program substitution or resource reallocation. In the CDLF case, the drift is visible as a shift toward differentiated operations while integrated rhetoric is maintained, a field-level pattern with consequences for sector legitimacy and community accountability. Second, we identify three organizational mechanisms through which commercial logic becomes centered in the core while social development is relegated to the periphery, (1) funder driven compliance pressures that prioritize outputs over outcomes, (2) organizational culture that defines "the work" as lending rather than community development, and (3) organizational design choices in hiring, incentives, and technology that center banking logic. Third, we identify a field-level mechanism, collective vulnerability, that helps explain why output-focused evaluation persists even when organizations recognize the value of outcome measurement. In a reputationally interdependent field, rigorous outcome measurement can threaten not only individual legitimacy but the sector's shared value proposition, creating strong incentives to maintain ambiguity by treating output metrics as sufficient evidence of impact.

Theoretical framework: Hybrid organizations and institutional logics

Hybrid organizations combine elements from multiple institutional sectors and are increasingly common in complex environments (Billis, 2010; Litrico & Besharov, 2019). Institutional logics theory explains how organizations navigate this complexity by focusing on shared beliefs about goals and practices, which can conflict in hybrid settings (Cobb et al., 2016). CDLFs, for example, face pressures to meet financial expectations while serving borrowers excluded by conventional lenders (Pache & Santos, 2013).

When hybrids face incompatible demands, they rarely adopt one logic wholesale. Instead, they engage in selective coupling, adopting certain practices to satisfy powerful audiences while resisting or reshaping others (Pache & Santos, 2013). While selective coupling can stabilize organizations, it can also lead to drift when practices privilege a single logic. Over time, evaluation routines rewarded by resource-controlling audiences become "the work," while mission-oriented practices remain symbolic.

In CDLFs, evaluation routines are especially consequential, as measurement defines what counts as performance. Output-focused reporting can both satisfy compliance requirements and shift attention to activities most legible to funders, even when these are weak proxies for community development.

The aspirational integrated hybrid

In its ideal form, a hybrid social enterprise seamlessly integrates social and commercial value creation, with each action advancing both goals (Lee et al., 2012; Powe, 2025). This integration eliminates trade-offs between mission and financial performance and enables profits to support ongoing mission growth and large-scale impact.

However, social impact and financial returns are not truly independent; they can reinforce or undermine each other. Even highly integrated social enterprises, like microfinance organizations, experience mission drift (Battilana & Lee, 2014; Carrick-Cagna & Santos, 2009; Christen & Drake, 2002; Dichter & Harper, 2007). This study examines the mechanisms and conditions that drive or prevent such drift.

Core and periphery in hybrid organizations

Thompson's (1967) organizational core-periphery framework, adapted by Battilana and Lee (2014) helps conceptualize hybrid organizational dynamics. Battilana and Lee (2014) define the core as "the part of the organization that functions to transform inputs into outputs. By contrast, the function of the organization's periphery is to respond to the exigencies of the organization's environment, and thereby to seal off the core from the disruptive influence of ancillary activities" (p. 407).

This perspective raises critical questions for hybrid organizations: which logic occupies the core, and which is relegated to the periphery? An organization may claim dual commitment to social and commercial objectives, but if commercial activities constitute "the work" while social evaluation is treated as ancillary compliance, the organization has effectively centered commercial logic in its core regardless of its stated mission.

In this study, we use evaluation practices as a diagnostic tool, since measurement systems indicate what the organization treats as core work and which stakeholders it is designed to satisfy.

Integrated vs. differentiated hybrids: A critical distinction

Ebrahim et al. (2014) distinguish between two ideal types of hybrid organization based on how they structure the relationship between commercial activities and social beneficiaries (see Table 1). This

Table 1. Characteristics of integrated vs. differentiated hybrids.

Dimension	Integrated Hybrids	Differentiated Hybrids
Core structure	Social beneficiaries are commercial customers; social and commercial value created through similar activities	Separate business lines: commercial activities generate revenue that subsidizes distinct social programs
Logic relationship	Both logics equally central and inseparable in strategy and operations	Commercial logic funds social activities, logics can be structurally separated
Primary drift risk	Means-ends decoupling: activities are implemented but connection to intended outcomes breaks down	Policy-practice decoupling: social activities are routinely deprioritized in favor of commercial profits
Beneficiary exit	Meaningful: when social beneficiaries withdraw, revenues are affected	Limited impact: social beneficiary exit does not discipline through market signals
Key governance need	Monitor whether activities reach intended beneficiaries and produce intended outcomes	Strengthen downward accountability since market mechanisms will not automatically discipline drift
Measurement requirement	Must demonstrate causal connection between activities and social outcomes	Must track social outputs separately and prevent cross-subsidization erosion

Synthesized from Ebrahim et al. (2014), Battilana and Lee (2014), Bromley and Powell (2012), Cornforth (2014), Ramus and Vaccaro (2017).

distinction is central to our analysis because the two forms face distinct mission-drift risks and require different governance responses.

The CDLF case: Claimed integration, operational differentiation

CDLFs present themselves as integrated hybrids. Their market positioning is to lend to underserved borrowers while simultaneously generating commercial returns (i.e., loan repayment and interest revenue) and community development outcomes (i.e., business growth, housing stability, wealth building) (Benjamin et al., 2004; Smith, 2008). This positioning is central to how the sector explains its public purpose and attracts philanthropic and public resources (Rubin, 2008). An integrated model implies a clear means-end connection between lending activity and community outcomes, and it implies that evaluation should be capable of assessing that connection (Battilana & Lee, 2014; Ebrahim et al., 2014). Yet much of the measurement infrastructure in community development finance emphasizes outputs, such as loans closed and dollars deployed, making it difficult to systematically evaluate borrower and community outcomes (Benjamin et al., 2004; McCall & Hoyman, 2023). This tension motivates the study; it raises the possibility that organizations can sustain an integrated narrative while relying on measurement practices better suited to output reporting than to outcome assessment. Such a dynamic creates a risk that integration is asserted rather than demonstrated, especially when outcome measurement is costly and not strongly rewarded (Ebrahim et al., 2014; McCall & Hoyman, 2023).

Why organizational form matters

The distinction between integrated and differentiated hybrids shapes which governance mechanisms are suitable and highlights key mission drift risks. If CDLFs operate as differentiated hybrids while retaining integrated rhetoric, the sector faces a governance mismatch: using mechanisms designed for integration while operating with differentiated structures (Cornforth, 2020; Ebrahim et al., 2014).

In differentiated hybrids, beneficiary attrition does not affect revenues, so market mechanisms do not discipline mission drift (Ebrahim et al., 2014; Mair et al., 2015). Governance must therefore actively strengthen beneficiary voice through downward accountability measures such as board representation, feedback systems, and mission monitoring (Cornforth, 2020; Ebrahim et al., 2014; Mair et al., 2015). Without these mechanisms, drift is structurally likely regardless of organizational intentions.

This distinction is crucial for urban and community development, where the downstream effects of financing decisions are spatial and distributive (Benjamin et al., 2004; Rubin, 2008). If systems prioritize volume and financial performance, CDLFs may expand lending without assessing whether capital improves borrower stability, community institutions, or access to opportunity, creating an accountability gap in resource allocation (McCall & Hoyman, 2023; Rubin, 2008).

Mission drift in hybrid organizations

Sustaining hybridity is a persistent challenge for hybrid organizations. Mission drift, when organizations diverge from their social purpose, is a recurring concern in research on social enterprises and nonprofits. Identifying mission drift can be difficult, as some changes may be appropriate adaptations to new circumstances (Cornforth, 2020). Mission drift is not a single phenomenon but a set of related organizational dynamics that weaken alignment between stated social purpose and actual priorities. Drift can occur through changes in activities, target populations, resource allocation, incentives, or by weakening the connection between core operations and intended outcomes (Cornforth, 2020; Jones, 2007). In hybrids, this often results from governance and accountability structures favoring powerful stakeholders, especially when measurement emphasizes easily counted outputs over mission-relevant outcomes (Ebrahim et al., 2014; Maier et al., 2016).

Sources of mission drift

Mission drift is often the result of commercial pressure; organizations prioritize profitable activities over mission-aligned ones to generate revenue. However, Jones (2007) notes that commercial ventures are only one path to mission drift and not necessarily the most threatening. Government and foundation funding, as well as other mission-aligned funders, can also distort organizational activities and measurement. This is especially relevant for CDLFs, which rely on multiple funders with distinct expectations and reporting requirements (see Table 3). High dependence on any resource provider, combined with competing institutional demands, can lead to mission drift even without explicit commercial pressure (Cornforth, 2014).

Two forms of decoupling

Bromley and Powell (2012) identify two distinct forms of decoupling that manifest differently in hybrid organizations:

Policy-practice decoupling occurs when organizations symbolically adopt policies but do not implement them (Bromley & Powell, 2012). This is the classic mission drift risk for differentiated hybrids: social programs exist on paper but are deprioritized as commercial activities take precedence.

Means-ends decoupling occurs when organizations implement practices, but their connection to intended outcomes is uncertain (Bromley & Powell, 2012). This is the main mission drift risk for integrated hybrids: lending activities may be faithfully executed, yet the link to community development outcomes is unproven or weak.

Bromley and Powell (2012) note that in today's accountability-focused environments, policy-practice decoupling is less common, while means-ends decoupling is increasing. Organizations may "walk the talk" procedurally, implementing all required activities and reporting metrics, yet fail to test whether these actions achieve social outcomes. We use this distinction to clarify the risk of mission drift in CDLFs. While CDLFs are perceived as integrated hybrid organizations, their evaluation practices emphasize outputs and compliance. This fosters means-ends decoupling and, when community development work is peripheral, policy-practice decoupling.

Mission drift as governance failure

Ebrahim et al. (2014) frame mission drift as a governance failure to balance dual performance objectives, what is measured, and who benefits. Mission drift is acute for social enterprises, which rely on commercial revenue and face pressure to prioritize commercial activities. Governance structures can either mitigate or worsen this pressure.

In integrated hybrids, governance must assess whether activities reach intended beneficiaries and if those beneficiaries have a meaningful exit option. Such an option exists when (a) beneficiaries are important enough that their departure would impact revenue, and (b) social performance is explicitly tied to serving them (Ebrahim et al., 2014). Even if the first condition is met, beneficiaries may lack alternatives in underserved markets, making the second condition necessary to prevent exploitation.

Evaluation as a focus of logic tension

Organizational evaluation practices both signal and shape the kinds of performance an organization treats as important (Immergluck, 2015). According to Immergluck (2015), measurement occurs at multiple levels: inputs (funding, employees), activities (underwriting, loan servicing), outputs (loans originated), intermediate outcomes (business growth, housing rehabilitation), and end outcomes (long-term impact: reduced unemployment, reduced poverty).

These levels matter because organizations do not only differ in what they can measure, they also differ in what they treat as "evaluation." Thus, it is important to note the distinction between

programmatic evaluation, the episodic use of output data to assess goal achievement, and *organizational evaluation*, which coordinates measurement for strategic learning, mission alignment, and accountability to stakeholders (Carman, 2011; Mitchell & Berlan, 2018).

This distinction clarifies why output-heavy measurement systems can tilt hybrid organizations toward one logic. When CDLFs focus evaluation on programmatic outputs (loans deployed, dollars originated), they center commercial logic. Outcome measurement and mission alignment, key aspects of organizational evaluation, are relegated to the periphery as compliance tasks rather than core learning (Thompson, 1967). Reflecting Thompson's (1967) framework: output counting becomes "the work," while outcome assessment is treated as ancillary.

Funders often prioritize easily quantifiable metrics (loans deployed, clients served, jobs created) and label these as "impact." While this allows for comparability, it can be detrimental when metrics are unclear, data collection is challenging, or there is no rigorous model linking outputs to end outcomes (Castillo, 2018). Focusing only on activity and output counts hinders organizational learning and limits CDLFs' ability to refine tactics and demonstrate measurable progress toward their missions.

Why study CDLFs as hybrid social enterprises

CDLFs provide a useful case for theorizing hybridity and institutional complexity because they operate at the intersection of public certification, private capital markets, and community development goals (Benjamin et al., 2004; McCall & Hoyman, 2023; Rubin, 2008). In principle, they utilize an integrated model, linking lending practices directly to borrower outcomes, or a differentiated model, in which financial intermediation dominates, and community goals are addressed indirectly (Battilana & Lee, 2014; Ebrahim et al., 2014). Unlike early nonprofits that generated unrelated commercial revenue streams (Weisbrod, 2004), CDLFs ideally create both social value and commercial revenue through a unified strategy. In practice, they choose between generating revenue to fund mission activities (differentiated) or embedding mission into lending itself (integrated) (Ebrahim et al., 2014; Pache & Santos, 2013).

Few studies examine hybrid lenders serving direct-action agencies and the public (Battilana & Lee, 2014). Most research focuses on international microfinance, but U.S. CDLFs operate in a unique regulatory context (CDFI Fund certification and CRA) that shapes their hybrid logics (Benjamin et al., 2004; McCall & Hoyman, 2023; Rubin, 2008). This study addresses the gap by examining CDLFs as a distinctive hybrid social enterprise.

The federal CDFI fund and certification context

The federal Community Development Financial Institution Fund was established to expand financial services in low-income and minority communities (Greer & Gonzales, 2017; Park & Quercia, 2020). Historically, inequitable lending and redlining fueled disinvestment in urban areas (Lynch et al., 2021). CDFIs were created to deliver financial services to underserved individuals and organizations (Patraporn, 2017; Smith, 2008). Most CDFIs are structured as revolving loan funds, with others as245depository institutions like banks and credit unions (see Table 2). Like microfinance organizations, most CDFI loan funds are nonprofits focused on community lending needs unmet by commercial banks, such as small business and predevelopment loans for affordable housing (Dorius, 2011; Mosley et al., 2019; Rubin, 2008; Shaffer et al., 2006).

Why CDLFs are a distinctive hybrid case

Unlike depository CDFIs, nonprofit CDLFs have characteristics that make them valuable for examining how external pressures shape hybrid structures and mission alignment (see Table 2). Four features distinguish CDLFs from other nonprofit hybrids. First, CDLFs are informationally opaque and more flexible than depository CDFI banks and credit unions. They are not subject to the same public

Table 2. Nationwide certified CDFIs.

Community Development Financial Institution Type	Certified CDFIs (Q1 2025)[a] #	%	Total Assets (FY 2023)[b] $ billions	%
Loan Fund ("CDLF")	570	40%	$38	9%
Credit Union ("CDCU")	490	34%	$282	65%
Bank/Thrift ("CDB")	197	14%	$113	26%
Bank/Depository Holding Company ("CDHC")	162	11%	–	–
Venture Capital Fund ("CDVCF")	13	1%	$3	1%
Total	**1,432**		**$436**	

[a]Source of Q1 2025 certified CDFI count: CDFI Fund Certified CDFIs list, accessed December 12, 2025 from https://www.cdfifund.gov/programs-training/certification/cdfi. [b]Source of FY 2023 total assets: CDFI Fund Annual Certification and Data Collection Report (ACR): FY 2023 Snapshot, accessed December 12, 2025 from https://www.cdfifund.gov/sites/cdfi/files/2024-12/2023_ACR_Public_Report.pdf. Note: Holding companies were excluded from the asset analysis to avoid double-counting since they were certified based on activity of affiliate bank CDFIs.

regulation, allowing greater variation in balancing competing logics and reducing external visibility (Benjamin et al., 2004; Fishbein, 1992; Rubin, 2008). Second, CDLFs occupy an "upstream" position, functioning as nonprofit lenders to direct service nonprofits like daycare centers and housing counseling agencies. This exposes them to distinct financial market logics and performance pressures not faced by traditional social service nonprofits (Wallace, 1999). Third, a large share of CDLF funding comes from private-sector banks, incentivized by federal guidelines like the Community Reinvestment Act. This creates resource dependencies with commercial actors that shape CDLF behavior (Seidman et al., 2017; Thomson, 2011). Fourth, achieving and maintaining CDFI certification requires extensive evaluative reporting to access funding streams. CDLFs must comply with reporting requirements from both the federal agency and commercial bank funders, facing complex and sometimes conflicting demands from multiple external stakeholders (Benjamin et al., 2004; Ebrahim et al., 2014; McCall & Hoyman, 2023; Rubin, 2008).

Resource dependency and funder influence

How organizations respond to external pressures depends on their resource relationships. When stakeholders control resources vital to survival, organizations are more likely to comply; without such dependencies, they can resist or ignore demands (Battilana & Lee, 2014; Oliver, 1991; Pfeffer & Salancik, 2003; Wry et al., 2013). For CDLFs, this creates a structural asymmetry: funders can enforce preferences through resource control, while beneficiaries (borrowers and communities) cannot (Cobb et al., 2016; Ebrahim et al., 2014). Upward accountability to funders is enforced by exit threat, but downward accountability to beneficiaries must be built through governance, as market signals do not provide it (Ebrahim et al., 2014; Pache et al., 2024; Ramus & Vaccaro, 2017). This becomes especially important when funder demands for measurement conflict with approaches that support organizational learning and mission alignment (Cobb et al., 2016; Litrico & Besharov, 2019).

The rise of impact measurement infrastructure

As social impact investors deploy more capital to CDLFs, a cottage industry of assessment systems and consultants has emerged to quantify impact (Jackson, 2017; Thornley & Dailey, 2010; Zdenek & Walsh, 2017). Though some evaluation practices yield positive outcomes, community development advocates increasingly worry about CDLFs' measurement misalignments, echoing concerns about nonprofit commercialization (Christensen & Ebrahim, 2006; Weisbrod, 2004).

Consultants tend to focus on easily quantifiable outputs (Privett & Erhun, 2011), which can cause mission drift by prioritizing what is measurable over what is meaningful (Maier et al., 2016). When CDLFs adopt measurement practices aimed at funder preferences rather than mission-aligned

Table 3. Funder mission pressures on CDLFs.

Funder Type	Potential Mission-Distorting Pressure	CDLF examples
CDFI Fund	Emphasis on particular metrics, deployment requirements, certification criteria	Emphasis on deployment speed and volume over borrower success; certification criteria that may not reflect local community development needs; reporting metrics that prioritize outputs (dollars deployed, transactions closed) over outcomes (borrower business survival, wealth building); target market definitions broader or narrower than organizational mission
Bank investors (CRA)	Geographic requirements, transaction volume, types of qualifying activities (e.g., jobs created)	Lending must benefit bank assessment areas rather than areas of greatest need; preference for larger transaction sizes that reduce due diligence costs per dollar; emphasis on easily documented qualifying activities like affordable housing over harder-to-document community development (outputs over outcomes); reporting requirements for examiner-friendly metrics (unit counts, AMI levels, jobs created/retained for LMI individuals)
Foundations	Program-specific restrictions, theory of change requirements, reporting demands	Program-specific restrictions fragmenting lending strategy; theory of change requirements reflecting funder rather than community priorities; reporting demands misaligned with operational learning; grant timelines pressuring rapid deployment over careful underwriting
Impact investors	Return expectations, risk tolerance limits	Return expectations pushing toward lower-risk borrowers; risk tolerance limits that screen out highest-need applicants; portfolio management requirements designed for conventional finance (diversification, concentration limits); due diligence demands favoring borrowers with stronger documentation capacity

learning, systems intended to demonstrate impact may contribute to drift from impactful activities (see Table 3).

Lessons from commercial microfinance

Microfinance organizations (MFOs) provides the closest empirical parallel for hybrid lending, while underscoring that U.S. CDLFs operate in a distinct field shaped by certification, CRA-driven capital, and place-based missions (Benjamin et al., 2004; Immergluck, 2008; Rubin, 2008). MFOs and hybrid social enterprises both serve underserved populations, blend development logic with financial sustainability, and face pressure from diverse, sometimes conflicting, stakeholders (Battilana & Lee, 2014; Cobb et al., 2016). Microfinance literature provides valuable insights into hiring, deliberation, and funding that inform our CDLF analysis (Canales, 2014; Cobb et al., 2016). However, key differences, CDLFs' place-based mission, product complexity, regulatory context, and network infrastructure, make direct application of MFO findings unsuitable.

The microfinance literature identifies three organizational dynamics with direct relevance to understanding mission drift in CDLFs (see Table 4).

These dynamics span organizational levels: hiring and socialization influence individuals, deliberation structures affect group decisions, and funding environments drive field-level resource flows. Mission drift can emerge from any level, so effective governance must address all three. We explore these dynamics in CDLF evaluation practices.

Methodological approach

Building on the framework and contextual literature above, we develop several expectations about how mission drift may show up in CDLF evaluation practices. First, funder resource dependency is likely to steer organizations toward funder-preferred metrics, even when those metrics crowd out mission-aligned learning. Second, organizational culture, shaped in part by hiring practices and staff

Table 4. Microfinance insights for CDLFs.

Dynamic	Microfinance Finding	CDLF Application
Hiring & Socialization	Staff background shapes organizational culture: "tabula rasa" hiring with intensive socialization maintains balance; hiring from established fields imports their logics	CDLFs hiring primarily for banking skills without mission socialization may create banking-logic cultures, founding conditions matter
Deliberation Structures	Individual "balance" talks; team-level diversity succeeds; homogeneous teams drift in predictable directions	Loan committees need discretionary diversity; homogeneous teams represent drift pathways regardless of which logic dominates
Funding Environments	Funder convergence under uncertainty creates supply-side drift pressure; smaller, more mission-focused organizations lose access to capital when need is greatest	CDLF sector health requires funder diversity; counter-cyclical capital sources necessary for mission alignment during uncertainty

Findings column draws on Battilana and Dorado (2010), Canales (2014), and Cobb et al. (2016). CDLF applications represent authors' syntheses.

backgrounds, should influence how CDLFs define "core work," and whether outcome evaluation is treated as central or pushed aside. Third, organizational design choices, especially incentive systems and technology investments, should signal which logic is embedded in day-to-day operations and therefore occupies the organizational core. Finally, we expect the gap between claimed organizational form (an integrated hybrid) and actual operations (often more differentiated) to be visible in how CDLFs describe their evaluation constraints, tradeoffs, and priorities.

To examine these dynamics, we used a qualitative methodology with semi-structured interviews focused on the commonality of the lived experience among a particular group (Creswell & Creswell, 2017). We conducted 39 in-depth interviews with interviewees whose job duties included conducting or managing data collection, impact measurement initiatives, and program evaluations for CDLFs (see Appendix Table A1). The majority of interviewees (72%) were at a mid-level management level or higher (see Table 5).

We classified job titles according to the industry standard categorization used for annual comprehensive review of CDLF compensation data in Opportunity Finance Network's (OFN)[1] CDFI Loan Fund Compensation Survey Report. We conducted an analysis of the 16 other job titles categorized under OFN's "research" positions. These roles were involved in or directly responsible for various activities, including compiling, developing, maintaining, and monitoring economic, demographic, market, product, and competitor trends. Additionally, they worked on comparative databases and provided information related to supply, demand, pricing, and market trends as needed for internal reporting, tracking, and utilization. In the context of CDLFs, key roles involved in evaluation include those that manage and analyze economic, supply, and market trend information, and deal with specific funding streams, funder priorities and relationships.

Initial invitations to participate were shared through CDLF networks. We expanded participation using snowball sampling. Our goals were primarily exploratory and to support theory-building, not to generalize with statistical certainty (Atkinson & Flint, 2001). Nonetheless, we took several steps to ensure our sample reflects a broad range of the CDFI loan fund population and to mitigate the common biases of snowball sampling (Creswell & Creswell, 2017). Interviews were conducted via Zoom, recorded, transcribed, and analyzed using MaxQDA. Interviews followed a semi-structured guide comprised of open-ended questions around strategies used to manage funder data reporting requests, and internal data collection and measurement for individual loan products.

Table 5. Roles of interviewees.

Role	Interviewee count (%)
C-Suite	31%
VP/Officer	28%
Manager/Director	13%
Analyst/Associate/Coordinator	28%

Table 6. Frequency counts of top four themes.

Challenges	References to Challenges (f)	Examples
Data Collection and Reporting	189 (38%)	" … the funder expects us to follow up to demonstrate that impact. The amount of energy that people put into collecting measures in a certain way for funders, I don't think there's the same value generated on the back end." "I would say that banks tend to be more transactional, you know, am I getting CRA credit for you. And clients tend to be more interested in the impacts going deeper and broader. And so that comes with varying degrees of needing to collect impact data on the work that we do." "I wish that the banks would ask for impact information, maybe even on an annual basis. And provide some feedback."
Lack of Dedicated Staff Expertise	176 (35%)	"Data Science staffing is definitely a big thing. We don't have anyone who's focused on that. Now, given we, only have an eight-person organization." "We have the desire to collect this data, we have the culture to support it, it's just the implementation part that's been a little more challenging at this point. I would say again time constraints and staffing expertise, yeah that's a challenging thing for us."
Technology Systems Infrastructure	95 (19%)	"You know the cost of migrating to new systems and to take your old data and put it into a sort of more attainable form. CDFIs generally operate on very sort of antiquated forms of technology … " " … systems are inadequate, or the data collection entry points are fragmented across different programs, across different siloed technology … "
Non-Supportive Culture/Norms	43 (9%)	"So as an example, our financial counselors have a spreadsheet with 20 or 30 plus data points. And, after each counseling session … they would set aside 15 minutes or a half hour to go through that sheet and enter the data. But if that doesn't happen, it's easy to fall behind."

To maintain a consistent interview process, researchers ensured that the same interviewer conducted all interviews using the semi-structured guide, promoting continuity in tone, question delivery, and follow-up prompts across interviewees. By interviewing a range of interviewees, we were able to triangulate different perspectives on data collection and program evaluation. Our descriptive codes provided detailed information about each participant and their institutional roles. Interpretive codes were organized around critical implementation episodes, further stratified by planning constraints, and highlighted findings that encapsulated the key concepts relevant to our research question.

To analyze these interviews, we employed Fereday and Muir-Cochrane (2006) hybrid-thematic method, which combines an inductive assessment with a deductive codebook to analyze the transcripts ($n = 39$). Deductive codes were derived from the literature on impact measurement and evaluation, including scholarship specific to community development (Bjørnholt & Larsen, 2014; Giloth, 2019; Jackson, 2001), but also nonprofit organizations writ large (Carman, 2009; Glasgow et al., 2017; Gugerty & Karlan, 2018; Mayhew, 2012). Six independent coders identified four themes related to respondent challenges in data collection, impact measurement, and program evaluation (see Table 6).

To ensure intercoder reliability in theme development, two coders external to the research process analyzed a sample of 60% of the coded data (Neuendorf, 2016). Interrater reliability was calculated using MaxQDA. A Cohen's kappa was performed, and the results were significant, with 93% agreement on challenge areas and 89% agreement on pressures and sources of pressure.

Findings

This research explored the challenges CDLFs face in evaluation and how these affect mission alignment. We found that CDLFs experience a "commercial logic core/social development periphery" dynamic: banking logic dominates the core, while mission-oriented evaluation is pushed to the periphery. This pressure arises from three mechanisms: (1) funder relationships, (2) organizational

culture, and (3) organizational design. A fourth, field-level dynamic, "collective vulnerability," explains why these patterns persist even when recognized by individual organizations.

These mechanisms result in organizations that resemble differentiated hybrids more than the integrated hybrids CDLFs claim to be. Despite being perceived as achieving both commercial returns and community outcomes, respondents described organizations where outcome evaluation is separated from and subordinated to lending.

Mechanism 1: Inter-organizational relationships and funder pressure

Our findings reveal that pressures from external sources, particularly those related to funder-driven output-focused data collection and compliance reporting, force CDLFs to divert resources away from social development activities. This diversion contributes to mission drift in three key ways: (1) staff time and energy are drawn away from the primary goals of the organization; (2) organizational activities focused on measurable outputs take precedence over long-term social development impact; and (3) a heightened emphasis on customized financial outcomes reporting, coupled with staffing choices aimed at meeting these expectations, pushes CDLFs to adopt behaviors more akin to conventional banks than mission-driven organizations.

Social enterprises manage their hybrid identity through relationships with external stakeholders, especially funders. Their dual mission/commercial nature can attract diverse capital but also creates challenges, as funders may question their commitment to particular logics (Battilana & Lee, 2014). Organizations with a dominant logic may find different investment pathways (Wry et al., 2013). Institutional theory and resource dependence suggest organizations comply with demands from essential resource providers and resist those from others (Battilana & Lee, 2014; Oliver, 1991; Pfeffer & Salancik, 2003).

Funder-driven output focus over outcomes

Our interviewees described data collection, organizational evaluation, and social mission outcome measurement norms as shaped by external funding that prioritizes outputs as data indicators while actively discouraging measurement of other dimensions. Several respondents found reporting requirements, whether to the CDFI Fund or organizations using similar formats, particularly burdensome. They reported that data collection focused on short-term output indicators to produce compliance-driven programmatic evaluations, with outputs such as the number of loans issued dominating the reporting.

As one manager explained, "It is just output data. It is not impact data, but it is for compliance, and that is what most CDFIs will collect . . . CDFIs are not funded to do anything else, and most investors are satisfied with a low bar." This manager used the term "compliance" broadly to include not only requirements for CDFI Fund certification but also reporting demands from other organizational funders. This sentiment reflects how major funders incentivize data collection and impact measurement in ways that emphasize easily quantifiable outputs (Privett & Erhun, 2011).

Funders frequently demanded quantifiable metrics regardless of whether accurate data collection was feasible, particularly for complex community development outcomes. This pressure converted evaluation practices that could otherwise strengthen service delivery and strategic planning into time-consuming compliance exercises. Some respondents noted that unrealistic reporting requirements incentivized poor data quality: "I think sometimes funders ask for things that are almost begging for us to give them bad data. Like wanting to know the race and ethnicity of project beneficiaries. We do a lot of facilities financing, so the students or the people [that use those facilities] . . . we will not know!"

Funders differed in their understanding of the practical difficulties of impact measurement and in how long they were willing to wait for meaningful results (Verbruggen et al., 2011). Output-oriented metrics were often valued for enabling basic comparisons in a diverse CDLF landscape because output data allows for rudimentary "apples-to-apples" comparisons. However, although basic outputs offer illusory comparability, the definitions of the output

metrics vary by stakeholder, and collecting them often diverts staff energy from mission-driven work. CDLFs adopted a commercial approach in their evaluation practices, emphasizing short-term, funder-driven outputs to meet compliance expectations while attempting to maintain legitimacy with resource-controlling audiences.

Customized reporting as capacity drain

Over time, funding entities required increasingly customized reporting. As one manager noted, "Different funders define things slightly differently." Respondents emphasized that reporting requirements meant deciding between allocating staff time to programmatic work or to compliance reporting (Greiling & Stötzer, 2016). One participant quantified this tradeoff: "While we appreciate our funders' support, the constant need for custom reports diminishes the impact. If we did not have to customize these, our staff resources could increase by 15 to 20%."

While some organizations had the means to make significant investments in technology to improve evaluation, most respondents described how limited resources and high day-to-day operational demands constrained both investment and implementation. One respondent noted: "We have things like ten different spreadsheets and then our loan servicing software and … we are going to try to combine it all and put it into Salesforce … But then, the staffing takes time."

Fractured data collection and management systems create additional challenges for impact measurement (Voida et al., 2011). Any gains from adopting an automated reporting system were lost when the funder's demand for customized reports required manual processing.

Regardless of technology-driven efficiency gains, nearly all interviewees felt that funders heavily influenced technology system changes (Corder, 2001). CDLFs chose to invest in technological upgrades that improve operational efficiency and compliance capacity rather than systems that would support long-term mission evaluation or social outcome tracking. Reflecting a move to center banking logic at the core and social development logic at the periphery, CDLFs aligned their reporting infrastructure and staff capacity with funder-driven compliance norms, reinforcing market-oriented evaluation practices over mission-aligned learning and reflection.

Voluntary reporting for market credibility

Partly as a response to the rise of social impact investing, a sizable portion of our sample also engaged in voluntary reporting to third-party assessment and accreditation organizations (Feng et al., 2019). The most frequently mentioned entity was Aeris, which provides financial strength and impact management ratings to CDLFs (Zdenek & Walsh, 2017). As of July 2022, about 14% (78) of all certified CDLFs have been rated by the company in the last 18 months (Community Development Financial Institutions Fund, 2022). When asked about the utility of feedback received from third-party assessments, one participant said: "I do not know that it has been super useful to this point, but it has been useful in planning for the future …. It gets us better suited to interact with a lot of foundations and family offices that are really more interested in impact investing versus just investing in CDFIs as a part of their business."

A notable minority of CDLFs (16%, 92) do not pay for a rating but voluntarily report data to third-party organizations. One respondent explained the strategic calculation: " … ratings are extremely stringent, and normally only the largest of CDFIs are ready to undertake that process … you do not want to do it and then get a low score. So, it is always better to wait until you are a larger CDFI with more robust data, programs, and policies." Most respondents perceived ratings as necessary for funders, supporting prior literature on organizations complying with market-driven evaluation standards to maintain credibility and access to capital. Notably, the utility of these assessments was framed in terms of funder relationships and market positioning rather than organizational learning or mission improvement. Voluntary reporting thus reinforced commercial logic even when undertaken in the name of "impact."

Mechanism 2: Organizational culture

As organizational members engage in activities, enact design factors, and interact with constituents in their environment, they develop patterns of shared values and behavioral norms that constitute organizational culture (Schein, 2010). Our findings reveal that CDLF culture has come to define "the work" in ways that center banking logic while treating mission evaluation as peripheral.

Defining "the work": Lending as core, evaluation as peripheral

Without exception, all interviewees noted that they functioned with limited staffing and were forced to focus staff resources on core operational activities. Limited staffing is typical in the nonprofit sector, as nonprofits continually struggle to do more with less. However, internal conflicts arise when staff time must be strategically divided between additional data collection for outcomes measurement and core output-counting activities. Shared values around completing repeated tasks become embedded in organizational cultural norms.

One participant's framing was particularly revealing. They described the ability to dedicate personnel to evaluating activities as a tradeoff between "analyzing our work versus doing the work." "The work" in their conceptualization referred to making loans, providing technical assistance to businesses, raising capital, and deploying capital. Notably, "the work" did not include improving program delivery through organizational learning.

This cultural definition of core work was echoed by other respondents. Another shared: "CDFIs are about making loans ... then doing loan monitoring." One diplomatically expressed skepticism about outcome measurement, noting that "assessment and evaluation can be improved with a clear use case," implying that the current use case for evaluation was unclear.

This cultural encoding of commercial logic has significant implications. When the shared definition of "core work" excludes mission evaluation, resources will never flow to outcome measurement, regardless of what strategic documents say. Organizations allocate limited staffing resources toward activities that align with financial performance and external funder expectations, rather than those that would deepen mission-based learning. In Thompson's (1967) terms, they center commercial logic in the organizational core while sealing off outcome evaluation as ancillary or disruptive.

Time horizon mismatch

Loan funds prioritize capital deployment and view borrower engagement duration as "the life of the loan." However, measuring long-term borrower outcomes often requires a longer time horizon. Current CDLF industry norms fail to prioritize efficiency and accountability for long-term programmatic impacts. Respondents reported challenges balancing multiple tasks and de-prioritizing impact measurement due to limited resources.

This time horizon mismatch reflects a deeper cultural issue. If borrower engagement ends at loan repayment, then borrower outcomes are outside the scope of organizational attention. The cultural definition of when the relationship ends determines what gets measured, and what does not.

Mechanism 3: Organizational design

Organizational design is how leaders formally translate strategy into action (Chandler, 1962). Design features include formal structure, incentives and control systems, and governance. Incentives and control systems dictate how behaviors or outcomes are measured and rewarded, making them central to how organizations combine multiple logics. Systems that measure performance on both business and social dimensions are important design factors for hybrid organizing, offering a means to align organizational member incentives with multiple objectives by creating a shared understanding of how those objectives are jointly evaluated and rewarded (Jensen, 2002). Our findings reveal that CDLF's organizational design systematically centers banking logic through hiring practices, incentive systems, and technology investment.

Hiring for banking capabilities

Given that nonprofit loan funds' core activity is financing, respondents indicated that hiring practices focus on skill sets for navigating financial activities such as underwriting, portfolio management, and loan servicing. For our respondents, this created internal organizational cultures focused on counting outputs, as in commercial banks. One respondent explained their top staffing challenge as a "constant tension between production and … maximizing impact. So, our lending teams are provided with number and dollar goals for production each year. We do not have goals specific to impact." Most interviewees described the tendency to measure success by loan production metrics as rooted in external pressures. As one participant explained: "It is just hard because the most important [thing] for investors is … the cash flow … not all of them ask for the narrative pieces, just quarterly financial statements."

Most respondents stated that the field focuses on counting easily measurable outputs, such as affordable housing units. One CDLF contextualized the issue: "I think a lot of the impact that we track and report on is jobs and affordable housing units. And that is because the field is so focused on that. When you layer on top, I think we have not prioritized staffing up in impact measurement."

Effective impact measurement would require more staff and technology resources. Respondents stated that the process of hiring staff is influenced by external expectations, including those of funders, and the characteristics of those individuals further influence the culture of decision-making within the organization. These hiring choices reflect prioritization of market-oriented logics, financial productivity, and investor-aligned reporting over social mission evaluation. This strategic emphasis on financial performance over social outcomes reinforces an internal culture where mission alignment takes a back seat to operational efficiency and lender benchmarks.

Limited staff capacity for data analysis

Issues around staffing occur throughout the data collection process. On the front end, programmatic staff must balance data entry with other administrative duties. One respondent described this as a "struggle with getting our frontline people …, to get them to truly internalize the need for there to be rigor around [data entry]."

Once data are entered, analytical capacity becomes the bottleneck. Only one respondent indicated they had personnel with the skill levels to analyze data meaningfully. According to that participant: "It is my job to do data science for the organization, and I was hired to bring a certain level of rigor to the work … I have done it for 15 years. And I do not think you can just assume that other staff can take it on."

Some organizations address this challenge by training existing finance staff in data analysis skills. As one participant stated: "We try to make sure that they are all trained to do all the things … because we are a nonprofit, they can make more money doing the same thing at a bank."

As institutions compete with private-sector financial companies, many respondents also felt they could not offer the competitive compensation needed to attract skilled data analysts. These staffing trade-offs illustrate how human resource decisions are guided by market-based constraints and funder-driven reporting needs rather than by a strategic emphasis on internal capacity for evaluating long-term social impact.

Technology investment for compliance, not learning

A few respondents made significant technology investments and improved service delivery through resulting efficiency gains. However, training staff to integrate new technology into business processes was a significant barrier due to high demands in day-to-day operations. A manager noted: "The systems available to our industry are not particularly user-friendly, or there are many limitations with them, and … it doesn't make it any easier to get frontline staff who have … different demands on their time." Many CDLF managers described their inability to temporarily trade off lower programmatic activities (originating loans) to prioritize technological integration or evaluation upgrades.

Technology investments prioritized funder-mandated reporting or streamlined lending operations rather than systems designed for mission evaluation or long-term impact tracking.

For those who invested in technology and trained their staff to use it, the primary remaining challenges were related to data integration from transaction partner CDLFs that had not made similar investments. One participant stated: "A hurdle is finding an abundance of partners that also collect impact data to assure that we are doing mission alignment [work]. That is our business model. 99% of our loans are with participating partners."

Combining capital with other CDLFs for large transactions is a standard way to pool risk and gain exposure in projects with higher returns (Sowa, 2009). However, loans taking longer to originate due to technology integration challenges also increase origination costs at the organizational level, potentially limiting upside. As partnerships emphasize financial performance and capital deployment, commercial logic is further reinforced in evaluation infrastructure, even when it conflicts with mission-based goals.

Emergent finding: Collective vulnerability

Beyond the three organizational-level mechanisms, a field-level dynamic emerged from our interviews that explains why CDLFs collectively resist rigorous outcome measurement even when individual organizations recognize its potential value. We term this dynamic *collective vulnerability*, defined as a shared recognition that rigorous measurement poses an existential threat not just to individual organizations but to the entire sector's legitimacy.

While funders generally drive institutional evaluation practices (Carman & Fredericks 2010), our respondents showed reluctance to question historical measurement practices, citing "social costs." As stated by one participant: "There is a great social cost to questioning the way that we have done things historically, and the way CDFIs have done things, because it suggests that if you say that our impact has not been significant, it has not been sufficient." Additional dialogue from other interviewees echoed this reluctance to question historical impact measurement practices. The underlying concern is that if rigorous assessment discovers that what individual CDLFs have been doing has not worked as well as claimed, that admission would undermine the legitimacy of the entire CDFI sector and their own organizational identity. CDFIs have built their identity and funding relationships around a story of community impact. Questioning that narrative threatens not just future funding but retroactively delegitimizes decades of work. There is a collective vulnerability implied in this dynamic: it is not just "our organization might look bad" but "the whole industry's value proposition might be called into question."

Focusing measurement at the output level (loans made) rather than the outcome level (lives improved) creates ambiguity. There may be an implicit sector-level equilibrium among CDFIs to not probe too deeply, particularly in uncertain political environments. Prior research on microfinance hybrids found that as uncertainty increased, both public and private funders placed greater emphasis on funding larger organizations and less on past financial performance (Cobb et al., 2016). This creates additional supply-side pressure for mission drift precisely when rigorous measurement might be most valuable.

The collective vulnerability mechanism may help explain why the field maintains measurement at the output level: the downside of discovering problems is concrete (funding loss, legitimacy threat), while the upside of discovering success is marginal (funders already believe the story). Under asymmetric risk, uncertainty avoidance is rational.

Summary: From integrated rhetoric to differentiated operations

Across the organizational mechanisms and the collective vulnerability dynamic, a consistent pattern emerges: CDLFs commonly describe routines that separate lending from outcome learning, even while maintaining integrated rhetoric.

In an integrated hybrid ideal, social and commercial value creation are designed to be mutually reinforcing. Across our mechanisms, CDLFs often described routines more consistent with a differentiated pattern where lending is treated as the core, and outcomes are managed as peripheral compliance. The pattern shows up in how work is defined, who is hired and rewarded, and what technology is built to track.

- Work is organized and rewarded around loan production, while outcomes are framed as reporting overhead.
- Staffing, incentives, and technology investments prioritize banking efficiency and compliance over impact learning.
- Sector-level reluctance to interrogate outcomes helps stabilize legitimacy, even as it limits evidence of community change.

Taken together, these features align with differentiated hybridity in which commercial lending logic dominates the organizational core, while social value claims are maintained rhetorically.

Mechanism variation

Although output-focused routines were widespread, respondents described meaningful variation when outcome measurement becomes more feasible (see Figure 1). Organizations with more unrestricted funding, dedicated analytic staff, and integrated data systems reported greater capacity to track outcomes beyond loan origination. In contrast, smaller organizations and those more dependent on customized funder reporting described evaluation as a perpetual compliance treadmill that crowded out learning investments.

Variation also appeared by business model and partnership structure. CDLFs engaged heavily in participations described added barriers to outcome tracking, because data definitions, collection routines, and technology systems differed across partners. In these contexts, evaluation infrastructure reinforces the primacy of banking logic because it had to support deal execution and investor reporting first, while borrower and neighborhood outcomes remained difficult to attribute and costly to track.

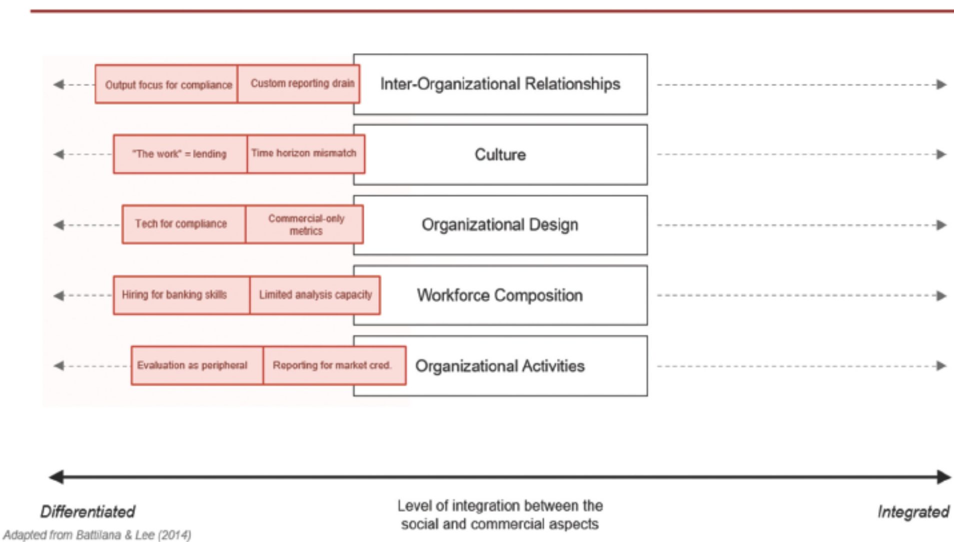

Figure 1. Hybrid organizing in CDLFs.

Discussion

We set out to examine how evaluation practices in nonprofit CDLFs shape organizational priorities, with attention to whether certain approaches may be linked to mission drift by loosening the connection between lending activities and intended community outcomes. Our findings show that CDLFs respond to both external and internal pressures by prioritizing commercial logic and relegating social development to the periphery (Battilana & Lee, 2014; Ebrahim et al., 2014; Pache & Santos, 2013). Funder-driven compliance steers evaluation toward easily quantifiable outputs; organizational culture defines "the work" as lending; and hiring, incentives, and technology choices reinforce banking logic over mission learning. Collective vulnerability at the field level helps explain why these patterns persist; rigorous outcome measurement can threaten the legitimacy of individual organizations and the sector (Bromley & Powell, 2012; Cobb et al., 2016). In urban and community development, what gets measured becomes what gets financed (Carman, 2011; Immergluck, 2015; McCall & Hoyman, 2023; Mitchell & Berlan, 2018). Output-centered accountability favors deal volume and speed but struggles to capture whether lending improves borrower stability or neighborhood opportunity. This shifts resource allocation toward what is countable rather than what is consequential, even when organizations retain strong mission rhetoric.

Surprisingly, external funders are not the only source of pressure. Internal culture can also devalue rigorous evaluation, as staff and leaders see outcome assessment as peripheral to lending. This convergence of external and internal pressures affects organizational learning and the underserved communities CDLFs aim to serve.

Organizational form change as sector-wide mission drift

Our findings point to a conclusion that extends beyond individual organizational challenges: the gap between CDLFs' claimed organizational form and their operating routines suggests a field-level pattern of mission drift (Cornforth, 2020; Jones, 2007; Litrico & Besharov, 2019; Maier et al., 2016). This is not a story of individual organizational failure but of field-level institutional change.

CDLFs emerged from the civil rights, worker rights, and social justice movements of the 1960s–1980s, founded by pioneers who "focused on social, economic, and political justice and ensured they were delivering strong financial performance as well as community impact" (OFN, 2023). This founding vision reflects an integrated hybrid ideal: both social and commercial logics equally central, inseparable in organizational identity and operations. In integrated hybrids, beneficiaries are customers; lending to underserved borrowers simultaneously creates commercial returns and community development outcomes through a single, unified strategy.

Yet our respondents described organizations where this integration has broken down. "The work" is defined as lending, not community development. Outcome measurement is compliance overhead, not core organizational learning. Staff are hired for banking skills and evaluated on production metrics with no goals specific to impact. Technology investments prioritize funder reporting over outcome tracking. These are the organizational features of differentiated hybrids: where commercial activities dominate the organizational core and social purpose is structurally separated, relegated to the periphery.

Critically, this transformation occurred while integrated rhetoric was maintained. CDLFs continue to position themselves as organizations where lending is community development. This remains the sector's raison d'être and the basis for claims on philanthropic and public resources. The rhetoric-reality gap is the mission drift. Over 30–40 years of institutionalization, professionalization, and growth, CDLFs have shifted from integrated toward differentiated operations while maintaining integrated positioning (Ebrahim et al., 2014; Pache & Santos, 2013; Rubin, 2008).

The untestable claim problem

Social impact measurement is crucial for CDLFs because their value as integrated hybrids depends on demonstrating that lending to underserved borrowers produces both commercial returns and community development outcomes. Validating this means-ends connection is essential to the model.

However, means-ends decoupling cannot be tested (Bromley & Powell, 2012; Ebrahim et al., 2014), because CDLFs collect data only on activities (outputs), not social impact (outcomes) (Dorius, 2011; Immergluck, 2015; McCall & Hoyman, 2023). Without outcome measurement, it is impossible to assess whether lending and assistance achieve intended effects or to make broad claims about CDLF effectiveness in advancing economic opportunity.

This creates an untestable claim: CDLFs assert integrated hybrid status but cannot demonstrate the means-ends connection that defines it. The sector's core proposition, that channeling capital through CDLFs produces unique community outcomes, remains unverified without outcome measurement.

Our *collective vulnerability* finding may help explain why this persists. CDLFs have built identity and funding on claims of community impact. Rigorous measurement that could reveal ambiguous or negative results threatens future funding and past legitimacy. Limiting measurement to outputs provides plausible deniability, allowing assumed impact without proof. Because the risks of exposing problems outweigh the benefits of confirming success, organizations rationally avoid uncertainty, even as it undermines the sector's ability to demonstrate value.

Governance mismatch

The distinction between integrated and differentiated hybrids determines which governance mechanisms are appropriate and what mission drift risks are most salient (Battilana & Lee, 2014; Cornforth, 2020; Ebrahim et al., 2014; Mair et al., 2015). Each form requires distinct governance responses.

In integrated hybrids, the main mission drift risk is means-ends decoupling: activities are implemented, but their connection to outcomes breaks down (Bromley & Powell, 2012). Governance must monitor whether activities reach and benefit intended recipients. Since beneficiaries are customers, their exit impacts revenue and provides some market discipline for mission alignment (Ebrahim et al., 2014; Mair et al., 2015).

In differentiated hybrids, the main risk is policy-practice decoupling: social activities are deprioritized for commercial profits. Since beneficiary exit does not affect revenue, market mechanisms will not discipline mission drift (Ebrahim et al., 2014). Governance must actively strengthen beneficiary voice through board representation, feedback, and mission monitoring.

If CDLFs operate as differentiated hybrids but retain integrated rhetoric, the sector faces a governance mismatch: differentiated structures without the governance mechanisms needed (Cornforth, 2020; Ebrahim et al., 2014). Upward accountability to funders is enforced by the threat of resource withdrawal, while downward accountability to beneficiaries must be built internally, since market forces do not provide it (Oliver, 1991; Pfeffer & Salancik, 2003; Wry et al., 2013). Without these mechanisms, drift toward commercial priorities becomes structurally likely, regardless of organizational intentions (Cornforth, 2014; Maier et al., 2016; Pache & Santos, 2013).

Implications for community development

The organizational dynamics documented in this study have direct consequences for the underserved communities CDLFs were created to serve (Benjamin et al., 2004; Rubin, 2008). Understanding these implications is essential for assessing whether CDLFs (and the substantial public and philanthropic resources channeled through them) are achieving their intended community development purpose (Benjamin et al., 2004; Immergluck, 2008; Rubin, 2008).

Borrowers bear the cost of governance gaps

When CDLFs operate as differentiated hybrids without appropriate governance mechanisms, borrowers and communities bear the cost (Cornforth, 2020; Ebrahim et al., 2014). Ebrahim et al. (2014) note that beneficiaries may be "captive" to organizations in underserved markets due to a lack of alternatives or competitors. CDLF borrowers (by definition, those underserved by conventional financial markets) often have no meaningful exit option. They cannot discipline CDLFs through market mechanisms the way customers can discipline conventional businesses.

This creates asymmetric accountability (Oliver, 1991; Pfeffer & Salancik, 2003; Wry et al., 2013). Funders can enforce their preferences through resource control; borrowers cannot. Without active governance mechanisms to strengthen borrower voice, borrower needs do not systematically shape organizational behavior (Ebrahim et al., 2014; Pache et al., 2024; Ramus & Vaccaro, 2017). CDLFs may genuinely intend to serve their communities, but organizational structures oriented toward funder compliance and lending volume can crowd out attention to whether borrowers' benefit.

The stakes of the untestable claim

The untestable claim problem has major implications for community development (Bromley & Powell, 2012; Dorius, 2011; Immergluck, 2015; McCall & Hoyman, 2023). Substantial public resources flow to CDLFs, CDFI Fund grants, CRA-motivated bank capital, impact investing, and philanthropy, based on claims of community impact. If CDLFs cannot demonstrate unique community outcomes, the rationale for this allocation is undermined (Carman, 2011; Mitchell & Berlan, 2018).

This is not to suggest CDLFs lack impact. Respondents described meaningful work with real borrowers facing challenges, and staff witnesses transformative individual outcomes. However, without systematic outcome measurement, the sector cannot learn what works, justify expanded resources, or identify and address unintended harms (Carman, 2009, 2011; Gugerty & Karlan, 2018; Mitchell & Berlan, 2018).

Implications for urban development strategy

CDLFs occupy a critical "upstream" position in the community development ecosystem, functioning as financial intermediaries that channel capital to organizations directly serving communities, such as daycare centers, affordable housing developers, small businesses, and community facilities (Benjamin et al., 2004; Immergluck, 2008; Rubin, 2008). If CDLFs drift toward conventional lending logic, this affects not only their direct borrowers but also the entire downstream network of community development activities they finance (Shaffer et al., 2006; Wallace, 1999).

Urban development scholars and practitioners should attend to CDLF mission drift as a systemic issue, not merely an organizational management challenge (Cobb et al., 2016; Cornforth, 2014; Litrico & Besharov, 2019). The field-level collective vulnerability dynamic suggests that individual organizational reform is insufficient; sector-wide infrastructure for outcome measurement and accountability is needed. Community development scholarship has established that building stable, affordable housing, effective schools, family economic opportunity, safe environments, healthcare access, and supportive community relationships all support positive community outcomes (Craig, 2002; Dorius, 2011; Shaffer et al., 2006). Whether CDLFs are effectively channeling resources toward these ends, and whether CDLF practices are effective, are empirical questions the sector currently cannot answer.

Implications for CDLF governance and practice

Given these community stakes, what organizational changes would realign CDLFs with community benefit? Our findings suggest that the challenge is not simply technical capacity but structural

Table 7. CDLF governance assessment.

Element	Key Questions	Drift Indicators
Mission Clarity	Is mission precisely defined? Do stakeholders share interpretation?	Ambiguous mission statement; divergent manager interpretations; mission language changes without formal process changes
Board Composition	Does board include beneficiary perspectives? Is there logic diversity?	Board dominated by funders/investors; no community representation; declining mission expertise
Accountability Direction	Is there meaningful downward accountability to beneficiaries?	No systematic beneficiary feedback; community voice mechanisms weak; borrower complaints untracked
Monitoring Focus	What gets monitored: activities, outputs, or outcomes? Financial or Social?	Monitoring dominated by financial metrics; outcome tracking absent; behavior-based controls lacking
Strategic Review	How often does board assess mission alignment? What triggers review?	Mission review rare or absent; drift not on board agenda; external pressure triggers review

Drawing on Ebrahim et al. (2014) and Cornforth (2014).

alignment between organizational systems and mission goals (see Table 7). The following implications emerge from our analysis.

Strengthen downward accountability

If CDLFs are operating as differentiated hybrids, governance mechanisms must actively strengthen beneficiary voice, since market mechanisms will not do so automatically (Cornforth, 2020; Ebrahim et al., 2014; Mair et al., 2015; Pache et al., 2024; Ramus & Vaccaro, 2017). This could include direct representation on internal committees and the Board of Directors, systematic feedback mechanisms that surface borrower experience, complaint mechanisms with visibility to governance, and community advisory structures with meaningful input into organizational priorities.

An important role of governance in hybrids is assessing whether activities reach the intended beneficiaries and whether beneficiaries have a meaningful voice (Battilana & Lee, 2014; Cornforth, 2020; Ebrahim et al., 2014). Even when borrowers constitute an important part of the organization's market, they may be captive due to a lack of alternatives. Active downward accountability mechanisms become necessary to minimize incentives for organizations to prioritize funder preferences over borrower needs.

Our respondents described a "constant tension between production and maximizing impact," with lending teams provided with number and dollar goals for production but no goals specific to impact. This reflects a performance system that measures only one dimension of hybrid purpose. Systems that measure performance on both business and social dimensions are important design factors for hybrid organizing, creating a shared understanding of how multiple objectives are jointly evaluated and rewarded (Jensen, 2002).

Research on microfinance hybrids offers instructive examples. Los Andes, a successful Bolivian microfinance organization, implemented incentive systems for loan officers that tied compensation to both volume and quality: officers could earn up to 105% of their base salary for high loan numbers combined with low delinquency. This system prevented drift toward larger loans (easier to serve) or higher delinquency (inadequate borrower support) (Battilana & Dorado, 2010).

In the CDLF context, dual-objective systems might include: loan officer goals set by business line with both volume and borrower outcome components; portfolio manager performance tied to workout navigation success (borrower recovery), not just workout volume; organizational dashboards that display commercial and social metrics with equal prominence; and board reporting that systematically addresses both dimensions.

Attend to hiring and socialization

Our findings revealed that hiring practices focus on skill sets for financial activities, underwriting, portfolio management, and loan servicing, creating internal cultures focused on counting outputs

Table 8. CDLF organizational design assessment.

Element	Key Questions	Drift Indicators
Hiring Practices	Where do we recruit? What backgrounds dominate? How do we balance banking vs. community development experience?	Shift toward hiring from conventional finance; declining mission-background staff; skills-first hiring without values assessment
Socialization	How do we create organizational identity? Do new hires understand both logics?	Reduced onboarding investment; no immersion in mission activities; separate training tracks for finance vs. program staff
Team Composition	Do decision-making bodies have logic diversity? Do credit committees include both perspectives?	Homogeneous credit committees; deliberation dominated by single logic; lack of productive mission friction in decision-making
Locus of Integration	Where does mission reside: in who we serve, who we employ, or what we sell?	Integration points declining; mission relegated to specific products rather than organizational identity

Drawing on Battilana and Dorado (2010), Canales (2014), and Litrico and Besharov (2019).

similar to those of commercial banks (see Table 8). Research on microfinance hybrids suggests that hiring choices shape organizational culture in ways that may be difficult to reverse (Battilana & Dorado, 2010).

CDLFs that hire primarily from banking backgrounds without intensive mission-focused socialization may import banking logic and embed it in organizational culture (Battilana & Lee, 2014; Pache & Santos, 2013; Schein, 2010). While the increasing complexity of financial lending may make "tabula rasa" hiring approaches difficult, CDLFs can invest in socialization processes that emphasize both financial discipline and development mission. The key insight is that hiring is not neutral, it shapes which logic becomes culturally dominant.

Cultivate deliberation diversity

Research on microfinance organizations found that productive tension between logics is best negotiated at the team level rather than the individual level (Canales, 2014). Credit committees with "discretionary diversity" (including both relationship-oriented and rule-oriented members) produced better outcomes than either homogeneous teams or individuals attempting to balance both orientations internally.

For CDLFs, this suggests that diversity of orientations within decision-making units (loan committees, investment committees) is more valuable than attempting to create "balanced" individuals (Battilana & Lee, 2014; Cornforth, 2020; Pache & Santos, 2013). Homogeneous rule-oriented teams may erode mission connection; homogeneous relationship-oriented teams may erode financial discipline. Both represent drift pathways. The deliberation structure, not individual judgment, should produce balanced outcomes.

Invest in outcome measurement capacity

Only one of our 36 respondents indicated having personnel with the skills to analyze data meaningfully. Without internal capacity for outcome measurement, CDLFs cannot learn which practices work, demonstrate value to stakeholders, or identify practices that may need adjustment (Carman, 2011; Greiling & Stötzer, 2016; Gugerty & Karlan, 2018; McCall & Hoyman, 2023; Mitchell & Berlan, 2018). Building this capacity requires investment in staff with data analysis skills, data architecture that supports outcome tracking (not just compliance reporting), longitudinal borrower follow-up extending beyond the life of the loan, and integration with partner CDLFs on shared measurement approaches.

Importantly, outcome measurement should be framed as organizational learning rather than external accountability (Carman, 2009; Gugerty & Karlan, 2018; Mitchell & Berlan, 2018). The goal is not to prove impact to skeptics but to understand what works so CDLFs can do more of it. As

Table 9. CDLF organizational performance assessment.

Dimension	Key Questions	Drift Indicators
Mission	Are we serving our intended communities? Do managers agree on how activities advance mission?	Target population shifts; declining proportion of mission-eligible borrowers; manager disagreement on mission interpretation
Money	Is lending financially sustainable? What are true costs including allocated overhead?	Cross-subsidization patterns changing; margin pressure on mission products; cost-allocation obscuring performance
Merit	How well do we execute lending? What are borrower outcomes?	Declining borrower success rates; reduced TA quality; outcomes not tracked or deteriorating

Adapted from Krug and Weinberg's (2004) three-dimensional model.

reflected in Table 9, reframing measurement in this way may help mitigate the collective vulnerability dynamic by emphasizing improvement over legitimacy threat.

Implications for funders and policy

Our findings demonstrate that funder behavior shapes CDLF evaluation practices and organizational priorities. Funders seeking true community development outcomes, not just capital deployment, should consider how their requirements may inadvertently contribute to mission drift.

Align reporting requirements with outcome measurement

Previous research demonstrates that conflict between evaluation reporting and CDLF practices occurs when funders unilaterally define reporting processes without input from those being funded (Benjamin et al., 2004; Cutt & Murray, 2000). Nearly all our respondents described responding to multiple overlapping reporting frameworks, each with slight differences in definitions and metrics. The issue is not that different funders ask for entirely different things; rather, they request similar things in varying ways: different demographic categories, different definitions of jobs created, and different timeframes for reporting.

A practical step forward would be for major CDLF stakeholders (including the CDFI Fund, Community Reinvestment Act banks, and philanthropic investors) to collaborate on streamlining metrics and definitions. Agreeing on common definitions of key outcomes (e.g., what counts as a "job created" or an "affordable housing unit") would reduce the customization burden and improve data comparability across the field (Carman, 2011; Cutt & Murray, 2000; Greiling & Stötzer, 2016).

Shift emphasis from short-term outputs to longer-term outcomes

Funders might shift emphasis from short-term outputs to longer-term outcomes in their evaluations. Doing so means accepting that meaningful impact data are more challenging to collect and may not fit neatly into annual grant reports (Bopp et al., 2017). Providing flexible funding or capacity-building grants specifically for impact evaluation can empower CDLFs to develop necessary infrastructure (Gugerty & Karlan, 2018; Mayhew, 2012; Thomson, 2011). This could involve hiring specialized staff, investing in data systems, or commissioning independent evaluations.

By lowering pressure for immediate quantifiable results and instead supporting a culture of learning, funders could help CDLFs use evaluation as a tool for improvement rather than mere compliance (Carman, 2009; Christensen & Ebrahim, 2006; Gugerty & Karlan, 2018; Thomson, 2011). A more dialogic, partnership-based approach to accountability that values practitioner insights would likely enhance both the accuracy of reported data and actual community outcomes achieved.

Provide counter-cyclical capital

Research on microfinance organizations found that under conditions of uncertainty, both commercial and public funders converged in their behavior, focusing more heavily on organization size and less on social performance, with funding increasingly flowing to larger organizations that systematically engaged in less social outreach (Cobb et al., 2016). This creates perverse dynamics: when uncertainty rises, community needs for development-oriented lending intensify, but funding flows away from smaller, more mission-focused organizations.

A healthy sector requires funders with different logics channeling capital to different organizations (Battilana & Lee, 2014; Litrico & Besharov, 2019; Pache & Santos, 2013). Counter-cyclical capital sources for these counter-cyclical community lenders become necessary for mission alignment. Public and philanthropic funders should consider whether their behavior under uncertainty inadvertently undermines the mission-focused organizations they intend to support (Oliver, 1991; Pfeffer & Salancik, 2003; Wry et al., 2013).

Policy implications

The CDFI Fund's reporting requirements and certification criteria shape field-level norms (Greer & Gonzales, 2017; McCall & Hoyman, 2023). If certification emphasizes output metrics without equal attention to borrower outcomes, it signals to the field that outputs matter. Policymakers should consider whether current CDFI Fund requirements inadvertently reinforce the commercial-logic core/social-development periphery pattern documented by our findings.

Similarly, Community Reinvestment Act implementation shapes bank behavior toward CDLFs (Fishbein, 1992; Park & Quercia, 2020; Seidman et al., 2017; Thomson, 2011). If CRA credit is available for capital deployment without attention to community outcomes, banks have no incentive to push for outcome measurement and may actively resist it if outcomes prove difficult to demonstrate. CRA modernization efforts should consider how regulatory incentives shape not just capital flows but the evaluation infrastructure of the community development finance sector.

Toward honest positioning

Our analysis suggests that CDLFs must choose an organizational identity and align governance mechanisms accordingly. If CDLFs are to be perceived as integrated hybrids that create commercial returns and community outcomes through a unified strategy, demonstrating the means-ends connection is essential (Bromley & Powell, 2012; Craig, 2002; Ebrahim et al., 2014). Outcome measurement is core to organizational learning, not compliance overhead. Investing in measurement infrastructure validates the model. Governance must monitor for means-ends decoupling by ensuring lending produces intended community outcomes (Bromley & Powell, 2012; Cornforth, 2020; Ebrahim et al., 2014).

If CDLFs are differentiated hybrids, using commercial lending to subsidize separate social activities or focusing mission primarily on who is served, different governance is needed (Battilana & Lee, 2014; Ebrahim et al., 2014; Pache & Santos, 2013). Output measurement addresses the commercial side, but explicit monitoring of social activities and the establishment of downward accountability to beneficiaries are essential (Cornforth, 2020; Ebrahim et al., 2014; Ramus & Vaccaro, 2017). Governance must prevent policy-practice decoupling by ensuring social purpose is not routinely deprioritized. The current state is unsustainable; claiming integrated status to justify resources while operating with differentiated structures and lacking necessary governance (Bromley & Powell, 2012; Maier et al., 2016; Pache &

Santos, 2013). This rhetoric-reality gap leaves borrowers without a voice, the sector's value proposition untestable, and community outcomes to chance.

The path forward requires honestly assessing organizational form and aligning governance (Cornforth, 2020; Ebrahim et al., 2014; Pache & Santos, 2013). Integrated hybrids should invest in demonstrating the means-ends connection; differentiated hybrids should implement downward accountability. Either path can serve communities, but not the mismatch between rhetoric and reality our findings document. The CDFI sector emerged from movements for social, economic, and political justice. Honoring that legacy requires not just intentions but organizational structures that produce outcomes, and measurement systems to determine if they do.

Contributions

This study makes contributions to scholarship on hybrid organizations and mission drift, to community development research, and to practice in the CDFI sector.

Contributions to organizational theory

Organizational form change as mission drift

We contribute to hybrid organization theory by showing that mission drift can take the form of organizational change, a shift from integrated to differentiated hybrid operations, while integrated rhetoric persists. Drift can occur even as the stated mission remains, if the structural relationship between commercial and social activities changes.

This extends Ebrahim et al. (2014) integrated or differentiated hybrid typology by showing the distinction is dynamic, not just taxonomic. Organizations may shift along this continuum over time, and the *gap* between claimed and actual form is itself mission drift with governance implications. When organizations claim integrated status to justify resources but operate with differentiated structures lacking proper governance, beneficiaries bear the cost.

The collective vulnerability mechanism

Second, we identify a field-level mechanism, collective vulnerability, that explains why mission drift persists even when organizations recognize their limitations. While prior research documents organizational responses to competing logics (Battilana & Dorado, 2010; Pache & Santos, 2013) and field-level funding pressures (Cobb et al., 2016), our contribution is to show how a *shared belief system* sustains field-level measurement practices: rigorous outcome measurement is seen as threatening not just individual legitimacy but the sector's value proposition.

This mechanism operates through asymmetric risk: the downside of exposing problems (funding loss, legitimacy threat) is concrete, while the upside of confirming success is limited (funders already believe in impact). Uncertainty avoidance is thus rational for organizations, even as it undermines the sector's ability to demonstrate value. Collective vulnerability is not conspiracy or naivete, staff genuinely observe transformative outcomes for individual borrowers, but anecdote is not evidence of sector-wide impact. The field has developed shared practices that maintain this ambiguity. This contributes to institutional theory by showing that field-level measurement practices are sustained not by explicit coordination, but by shared incentives and beliefs rather than formal rules.

Internal sources of logic dominance

Third, we extend understanding of how institutional logics become dominant in hybrids. While prior research highlights external pressures, funder demands, regulation, and market competition as sources of mission drift (Jones, 2007; Maier et al., 2016), our findings add that internal organizational culture can independently center commercial logic by culturally defining "core work."

When staff defines "the work" as lending rather than community development, and frame outcome evaluation as "analyzing our work versus doing it," resources will not flow to mission measurement, regardless of the strategy documents. This internalization of commercial logic reinforces external pressures, creating an *echo chamber* that accelerates drift. Funder demands and internal culture mutually reinforce the commercial core/social periphery pattern. This builds on Thompson's (1967) core-periphery framework, as adapted by Battilana and Lee (2014), by showing empirically how "the core" is culturally constructed through shared definitions of legitimate work, which can diverge from the stated mission.

Contributions to community development research

CDLFs as a distinctive case of hybrid mission drift

We contribute to urban and community development literature by examining community development loan funds, an understudied organizational type in mainstream nonprofit research. Unlike well-studied international microfinance hybrids (Battilana & Dorado, 2010; Canales, 2014; Cobb et al., 2016), U.S. CDLFs feature place-based missions, complex lending products, a unique regulatory environment (CDFI Fund certification, CRA), and network structures that shape their organizational logics.

CDLFs play a critical "upstream" role in community development, channeling capital to organizations that directly serve communities. This exposes them to financial-market logics and gives them leverage over downstream activities. Understanding mission drift in CDLFs is therefore central to evaluating the effectiveness of community economic development infrastructure.

The untestable claim as a sector-level problem

We identify a major gap in community development evidence: the CDFI sector's value proposition, that channeling capital through CDFIs produces unique community outcomes, remains untested at scale. CDLFs collect output data (loans, dollars deployed) but not outcome data (borrower or community effects), making it impossible to make broad claims about effectiveness.

This has implications for both scholarship and practice. Substantial public and philanthropic resources flow through CDLFs based on assumed impact. If CDLFs cannot demonstrate unique outcomes, the rationale for this funding is undermined and alternative development strategies cannot be fairly evaluated. The collective vulnerability mechanism helps explain why this measurement gap persists despite decades of calls for better impact assessment.

Accountability asymmetry and community voice

We show that accountability asymmetry in CDLFs limits community voice in economic development. Upward accountability to funders is enforced by exit threat, while downward accountability to borrowers and communities must be actively built. Without mechanisms for downward accountability, borrower needs rarely shape CDLF behavior, even though borrowers are the intended beneficiaries.

This raises broader concerns about whose voice shapes neighborhood investment decisions. CDLFs were created to serve underserved communities, but if governance privileges funders over borrowers, the sector may reinforce exclusion. Our findings highlight that organizational form matters: differentiated hybrids need distinct governance mechanisms from integrated hybrids to ensure accountability to communities.

Limitations and future research

This research relied upon qualitative inquiry because of its ability to elucidate lived experience and support theory development. Although this approach provides an in-depth analytical lens that fosters the development of new constructs and frameworks, it also has limitations.

First, this study focused on a sample of 39 CDLFs. However, the goal is theoretical explanation rather than statistical generalization, so findings should be interpreted as transferable insights to similar lending organizations and fields. Qualitative designs are well-suited to identifying recurring mechanisms across heterogeneous organizations, especially in fields where practices vary by size, funding mix, and business model. Future research could employ survey instruments or mixed method designs to assess the prevalence of the patterns we document across the broader CDLF population.

Second, while we identified organizational form change as a sector-level pattern, our cross-sectional design cannot directly observe this change over time. However, we infer a shift toward differentiated operations from consistent descriptions of incentives, staffing, technology choices, and definitions of "the work," alongside persistent integrated rhetoric. This inference is theoretically grounded, but it should be tested more directly. Future research could employ longitudinal designs or historical analysis of organizational documents to trace the trajectory from integrated to differentiated operations within specific CDLFs or across the field.

Third, our aim was to understand the overall process through which CDLFs approach evaluation and outcome measurement in practice, including how organizations interpret requirements, allocate responsibility, and make tradeoffs. The patterns we report reflect what interviewees emphasized when describing that process, especially the constraints, incentives, and organizational routines that shape what gets measured. At the same time, we do not assume these experiences characterize all CDLFs. It is likely that some organizations have developed more integrated, learning-oriented measurement systems than those highlighted in our interviews. Future research should intentionally identify and examine such cases to clarify the conditions and strategies that enable more robust outcome measurement.

Fourth, the sample focuses on nonprofit loan funds rather than the full CDFI ecosystem, including banks and credit unions. This scope strengthens internal coherence, since loan funds face distinct accountability structures and resource dependencies, but it limits cross-type comparison. Comparative studies across CDFI types could exploit variation in regulation, balance sheet structure, and data infrastructure to test whether the commercial core and social periphery pattern is more pronounced in some forms than others, and whether certain regulatory environments reduce or intensify means-end decoupling.

Taken together, these limitations do not weaken the central contribution. They clarify what the study is designed to do: identify mechanisms through which institutionalized evaluation demands shape practice and potentially drive organizational form change in a field where the core value proposition depends on an often-untested outcomes claim. The findings provide a grounded basis for subsequent measurement, comparison, and causal testing, while offering immediate implications for governance and funder design aimed at aligning mission, accountability, and learning.

Conclusion

We investigated how evaluation practices in nonprofit CDLFs influence organizational priorities, focusing on whether specific approaches contribute to mission drift by weakening the link between lending activities and intended community outcomes. Our findings show that evaluation systems in nonprofit CDLFs actively define "the work" and can shift organizational form. Across 39 interviews, we find a consistent pattern: commercial logic dominates the core, while social development is peripheral, driven by funder compliance, a culture that equates mission with lending, and design choices that favor banking routines over community learning. Collective vulnerability explains why output-focused measurement persists, as rigorous outcome evidence can threaten sector and organizational legitimacy. In urban and community development, this means capital is allocated based on what is countable rather than what is consequential. Rebalancing mission and measurement require aligning governance with organizational reality, strengthening accountability to borrowers and communities, and investing in outcome measurement as a tool for learning rather than just compliance (Battilana & Lee, 2014; Ebrahim et al., 2014; Thompson, 1967).

Note

1. Opportunity Finance Network is a national CDFI loan fund industry advocacy organization and one of the only publicly available sources of de-identified CDFI loan fund organizational data.

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Appendix

Table A1. Organizational characteristics of respondents.

	CDFI Characteristics		Financial Capacity (5 Year Mean)		
ID#	Founded[a]	FTEs[b]	Unrestricted Net Assets[c]	Change in Unrestricted Net Income[d]	Total Net Income[e]
1710	1984	7	$1,178,899	$142,232	$295,968
4780	1987	53	$8,435,297	$5,412,860	$41,167,803
8650	2009	9	$452,991	$34,528	$1,193,600
1961	1980	687	$139,567,157	$8,732,494	$23,453,445
2085	1995	75	$43,156,799	$3,807,814	$15,380,049
2236	1990	129	$44,469,794	$5,978,033	$5,445,852
2623	1992	11	$4,231,884	$613,934	$715,448
4033	2000	9	$6,248,176	$696,898	$548,253
4639	2003	4	$26,510,405	$388,231	$386,231
4721	2019	7	$14,422,588	($4,371,670)	($1,468,308)
4797	1991	161	$19,145,424	$1,188,818	$1,398,439
5531	2000	15	$10,371,740	$1,397,978	$1,055,681
5848	1988	17	$9,475,277	$674,031	$782,842
6403	1998	47	$7,683,694	$200,406	$422,402
6537	2002	0	$7,683,059	$1,523,399	$1,192,425
7205	1998	22	$12,068,813	$4,539,895	$3,341,192
7214	2014	2	$48,193	$3,793	$22,155
7998	2006	48	$27,907,919	$1,932,182	$2,226,637
8239	1999	5	$36,640	$36,640	$183,907
8465	2005	44	$3,044,821	$540,909	($2,163,905)
8803	2020	4	$1,946,450	$324,902	$857,339
9349	1995	18	$31,025,582	$3,530,327	$3,801,674
9675	2014	1	$139,819	($728,237)	($47,680)
1557	1993	10	$7,356,243	$728,765	$915,448
1659	2012	4	$69,376	$4,856	$42,322
2996	1980	833	$193,357,104	$285,404,693	$54,669,387
4171	1984	12	$12,362,129	$ 3,937,977	$1,057,015
3379	1983	11	$33,551,265	$17,273,787	$8,558,523
3843	1979	30	$8,976,368	$4,013,120	$5,863,835
3880	2014	12	$12,087,554	$5,053,680	$2,154,259
5300	1988	9	$33,429,118	$19,818,031	$3,417,039
6020	1996	18	$100,277,161	$20,400,368	$10,820,078
6741	1985	85	$125,408,573	$58,455,360	$19,693,393
7582	1992	8	$10,691,466	$5,155,380	$2,230,951
8102	1982	27	$8,241,921	$4,252,617	$(11,776)
9609	1998	24	$7,589,641	$6,976,870	$2,003,113
3230	2005	44	$5,609,281	$7,792,681	$896,342

[a]Form 990, Box L. [b]Form 990, Part I, line 5 for the most recently completed tax year. [c]Average of values from Form 990, Part X, line 27 for the most 5 recently completed tax years. [d]Average of change in unrestricted net income as indicated on each respondent's Statement of Activities. These values were compiled from each organization's audited financial statements over the past 5 years. [e]Average of values from Form 990, Part 1, line 19 for the most 5 recently completed tax years. ($n = 39$) Respondent characteristics are based on the CDFI's Form 990. Averages are based on available tax years 2016 through 2023. Two of the organizations were omitted from the list due to the revocation of their tax-exempt status after the completion of the analysis.