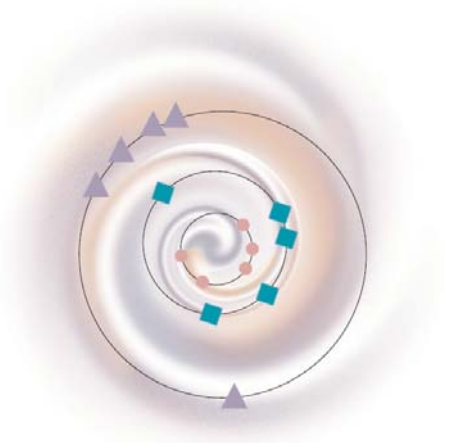


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# **NONPROFIT** Advancement Through Sharing **World**

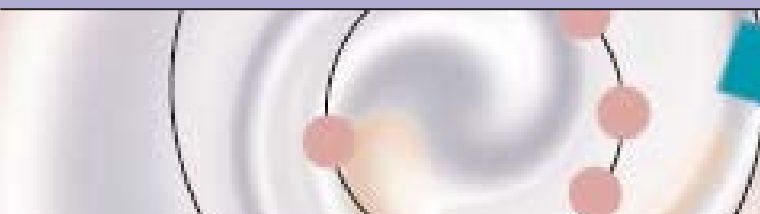
November/December 2005



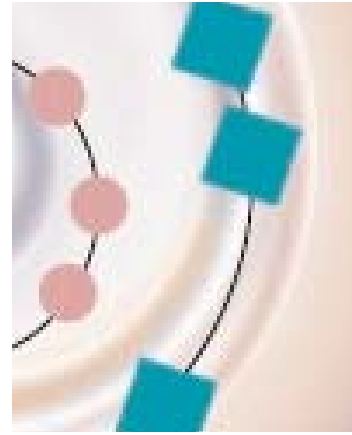
## Performance-Based Management Builds Support & Funding

Why (and how) to measure your activities

by Baldwin Tom & Bill Frentzel



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# Performance-Based Management Builds Support & Funding

Why (and how) to measure your activities

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In the for-profit world, the measuring stick is in currency: If something costs more than it is worth in results, do not spend the money.

It is different in the world of non-profits. Often, spending is unrelated to obvious result. For example, an organization encouraging heart-healthy lifestyles might find it hard to show progress, since results may only be felt decades from now. Yet it's still crucial to measure performance.

## Why Does It Matter?

It matters because organizations get much of their funding from corporate donors, government funders, and individual contributors who are accustomed to the for-profit bottom-line orientation. And the trend toward accountability is increasing, thanks to such measures as the Sarbanes-Oxley Act of 2002, which demands higher standards of governance for corporations. Organizations' board members are starting to ask tough questions regarding program effectiveness. One way you can meet this need is to modify and apply the performance-based management tools used in the for-profit sector.

## What Are the Steps to Take?

### 1. Decide what you want to measure.

First, choose a management activity to target for your performance measurement system. Start with just one, since each activity will require different measures. For example, you can use performance measures to:

- **plan** and track progress toward strategic objectives

- **manage** the work of individuals and organizational units
- **relate** your resources to program outcomes as part of performance-based budgeting
- **improve** service quality, productivity, and customer service as a key part of the quality movement
- **communicate** results to stakeholders, and benchmark your organization's activities against other organizations.

### 2. Build a cause-and-effect model.

It's important to understand cause-and-effect relationships within your organization's programs. To do so, the first step is to gather performance information by studying:

- **inputs** – such as numbers of staff and volunteers trained and the cost of supplies
- **activities** – the means by which the organization connects inputs and outputs
- **outputs** – *all the results* due to the inputs
- **outcomes** – the *desired results* of the program
- **impacts** – the resultant and desired *effects* of the outcomes

The next step is to construct a hierarchical model of cause and effect for your organization's major programs (Figure 1). This model will show you:

- **program** activities, as they relate to inputs or resources

- **outputs** produced by those activities
- **outcomes** stemming from those outputs
- **ultimate** impacts occurring as a result of the outcomes.

Developing an input/output model of cause and effect for your organization's activities can lead to new insights and may prove valuable even if you never implement a performance measurement system. You may find that the way you thought that your organization worked isn't actually the case. You may discover better ways to do the work or design your organization's premises.

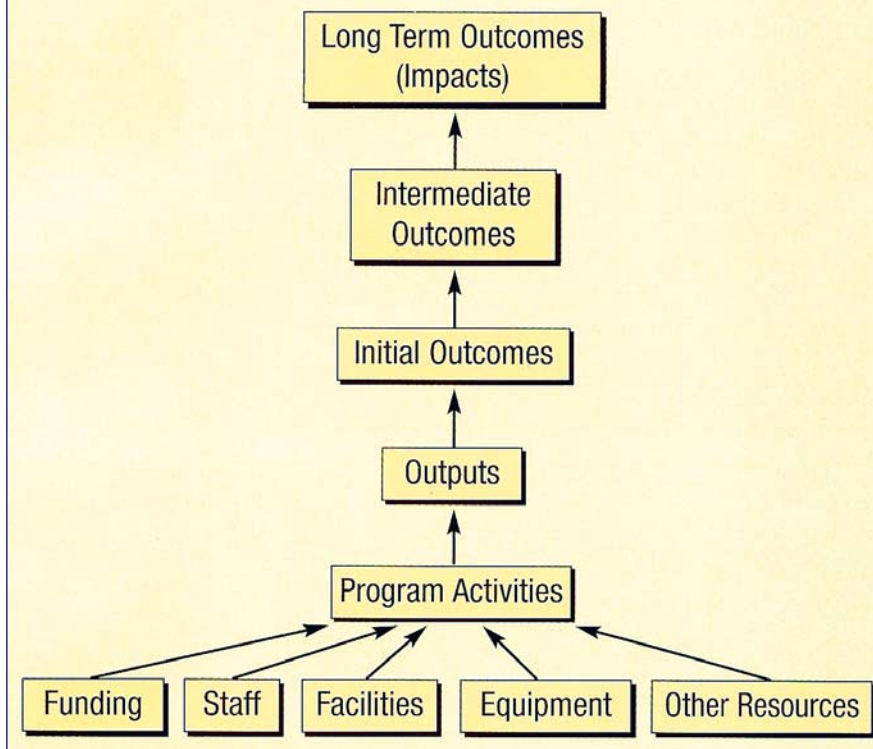
### 3. Choose key factors to measure.

Next, decide which parts of your targeted management activity to measure. For example, suppose that in step 1 you targeted internal process improvement. In that case, you could measure how many people, hours, external inputs, phone calls, and other such factors are needed to complete the task.

Be sure each factor you choose actually drives the activity. Measuring performance is a cost in itself, as staff time will be diverted from doing the actual work. So don't try to measure everything. Pareto's Rule will likely hold true: 20% of factors you could measure will address 80% of the results-producing activities you need. Measuring more than 20% may be counter-productive.

Figure 1

## Hierarchy of Cause and Effect for Program Performance Measurements



#### 4. Measure key factors.

Once you've tagged the factors you'll measure, answer these questions:

- **What measurement data** will you use to monitor improvement of these factors? To measure time needed for a task, for example, you might use timesheets gathered by managers.
- **Does this information already exist** somewhere in the organization? Or do you need to start a new procedure (such as having managers keep timesheets)?
- **At what level of your organization** will you collect the data? If you must "roll up" the data from your organization's lower levels, reporting delays may occur and it may take longer to capture all the data.
- **How often** will you monitor and report on these results?

#### 5. Track progress & act on findings.

Once you have your measuring process in place, get to work ironing out problems, eliminating bottlenecks, and

making improvements. Then, track your progress on a regular basis.

This needn't be an elaborate process. Pencil-and-paper records work well, although having the data in a spreadsheet program such as Excel lets you easily prepare charts and graphs.

This information will provide guidance on areas you need to improve. For example, you may notice that volunteer retention is decreasing. You can then find out why and take steps to deal with it.

Over time, you'll find that some measurements you are making are no longer needed because the problem has been corrected or you have new insights which demand different measures. Replace them with others that are more relevant. This iterative process will ultimately create a most efficient and effective organization.

Operators of a food bank, for example, might think that the critical factor is

efficiency of stocking shelves. However, the measurement process may show that a more important factor is the speed of turnaround of delivery trucks: Donor companies don't want their vehicles left waiting for a space at the loading dock. To keep donors satisfied, more staff could be assigned to unloading trucks.

Just diagramming your process can reveal as much as a 20% gain in efficiencies. But acting fully on your findings can boost process improvements by another 20%, for an overall gain in productivity per unit of resources (money, in-kind donations, staff time, volunteer time, etc.) used.

#### 6. Present your results.

While the data you develop can improve efficiencies, it also has other uses. One of these is building credibility with donors, volunteers, regulators, municipal officials, and other people whose support is critical to success. Too often, nonprofits have a reputation for not using resources wisely.

If you can show that you've examined your organization's program activities and are measuring critical factors, your organization will stand out from others looking for resources. Go a step further and show clear progress in these areas, and your requests for support are much more likely to be marked "Approved."

#### Resources

Dixon, Greta Kmarie, "Evaluating Nonprofit Programs: Now It's Essential," *Nonprofit World*, Vol. 12, No. 3.

Minnis, William C., "Four Steps to Evaluation Success," *Nonprofit World*, Vol. 23, No. 2.

Vogt, Jean, "Using Your Outcome Measurement System," *Nonprofit World*, Vol. 18, No. 1.

Whitehouse, Sheldon, "The Sarbanes-Oxley Act & Nonprofits: 'But I Thought That Didn't Apply to Us,'" *Nonprofit World*, Vol. 22, No. 5.

These resources are available at [www.snpo.org/members](http://www.snpo.org/members). Also see Learning Institute programs on-line: Outcome Measurement ([www.snpo.org/li](http://www.snpo.org/li)).

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## About the Authors



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Dr. Baldwin Tom CMC® holds masters and doctorate degrees in biochemistry and immunology and a master's degree in business administration, and is a Certified Management Consultant. His 27-year career includes work as a biochemist and research scientist, and ten years as a management trainer with United Way of America. Trained as a facilitator by the firm that wrote the book, "Making Meetings Work," he is recognized as an expert facilitator and has trained over 500 managers in the meeting management area. Dr. Tom serves as chairman of the board of the Institute of Management Consultants, USA, Inc. His consulting firm, The Baldwin Group, was honored in 2001 as the "Small Disadvantaged Business Contractor of the Year" by the US Department of Agriculture.

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