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## Performance Measurement Is Finally Getting the Attention It Deserves

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Performance measurement is not new. In fact, the not-for-profit community has always undertaken some activity to measure success or failure. Sometimes the process utilized is informal, the measures are limited, or the elements required to make performance measurement really work are not in place. Today, limited resources coupled with the demand for greater accountability, along with improvements in information technology have resulted in more attention being paid to performance measurement. There are, however, a variety of other factors that are contributing to this positive trend.

### Changing Environment

Employees and volunteers are becoming more knowledgeable about not-for-profit leadership and management. They are constantly developing new competencies, and as a result, individuals are increasingly more prepared to support activities that lead to improved decision-making. There is greater recognition that measures set priorities and that what gets measured actually gets done. Of course this is not always the case, but when this transformation occurs, organizations seem to go through a spirit of renewal.

I enjoy facilitating a strategic thinking or planning session and watching the lights go on as innovative ideas come forward. Groups then spend more time on what they want to achieve and how they will measure success. This shift from “more of the same” or “process” to a “results focus” sets the stage for other integrative activities. In fact, performance measurement becomes part of a broader performance management initiative.

Members and key stakeholders can play key roles in performance measurement. They want value for money and they are demanding accountability. Understanding needs and wants is important as expectations are constantly changing – tolerance levels are limited. In most not-for-profits, members can walk away at any time. There are no doubt competitors who would love to look after your members’ and stakeholders’ money. All this suggests it’s time to change our attitudes about how our members and stakeholders are understood and served. We need to define our desired results and measure our progress.

This change in attitude has resulted in not-for-profits embracing the concept of continuous improvement by asking themselves, “How can we do better?” These organizations want to become high performance organizations. One of the key characteristics of a high performance organization is a strong emphasis on performance measurement using key performance indicators. High performance organizations have been described as results focused and performance measurement happy.

Leadership is a key element necessary to entrench performance measurement activity. Part of leadership involves using a governance model that ensures Board and staff roles are clear with the Board primarily focused on the future and desired results as well as targeted performance indicators.

Leadership needs to understand the importance of strategic thinking and adopt and apply a strategic management model that provides for strategy formulation, strategy implementation and strategy evaluation. In this scenario, the Board could spend one third of their time evaluating current strategy to performance indicators, another third looking at future issues, and the balance of their time developing policies to support strategy and monitoring the business/operational plan implementing the strategy.

### **Performance Measurement**

Performance measurement is an assessment of progress to planned results. The value of performance measurement lies in its usefulness in decision-making and providing accountability. Performance measurement can improve:

- decision-making
- strategic thinking and planning
- accountability
- priority-setting and resource allocation
- management of programs and services
- employee performance evaluation
- communications
- benchmarking
- change initiatives

### **What is involved in performance measurement?**

Performance measurement goes beyond the establishment of performance indicators. It is important to have a system that addresses development, monitoring, and reporting. The following system components should be in place to ensure an efficient and effective performance management system:

- Organizational strategic intent (vision, mission, goals) and targeted outcomes/results
- Performance indicator targets are developed to monitor and measure progress
- A commitment and supportive policies and resources to operate the system
- A clear understanding of applicability and links to other organizational activities, i.e. Strategic Plan, Business Plan, Advocacy Plan, Communications and Marketing Plan, Employee Evaluations
- Clear participant expectations and assigned roles and responsibilities
- Information gathering processes in place to support data collection

- Analysis and reporting activities occur regularly and are consistent with policy and processes
- Regularly scheduled reviews and updates to performance indicators to reflect organizational activity and needs.

## Performance Indicators

Performance indicators are measures used in the process of establishing, implementing and evaluating strategic direction. Indicators measure results and can often be categorized as output measures, efficiency measures, input measures and productivity measures. Indicators can be established for revenue, cost, membership growth, stakeholder satisfaction, professional standards, legislative activity, service levels and many other areas.

Performance indicators can be categorized based on the organization's business activity or strategic priorities. Some organizations use the four-quadrant model in the balanced scorecard model - the quadrants are customer, internal business, financial perspective, learning and growth. Yet another approach uses the concept of core competencies. Each organization needs to develop categories and indicators based on individual needs. Some characteristics of performance indicators include:

- They are critical indicators of success from a stakeholder point of view
- They can be measured without the need to establish complex and costly measuring systems
- They speak to the value-added contribution of the organization
- They are reliable ways of measuring something
- The measurement is recognized as valid by others in the same business

Performance indicators should not be developed without input from key stakeholders who understand what has to be measured based on the desired results. Performance indicators are ideal benchmarking measurements. Benchmarking performance indicators against those of high performance organizations may identify a performance gap and an opportunity for improvement.

Some key questions to answer in developing performance indicators are:

- What is the name of the performance indicator? Provide any additional explanation of the performance indicator that is necessary to provide clarity.
- Who will use the information?
- What performance question are you answering? Are there any terms that require definition? If so, provide definitions.
- What are the components and data sources of the performance indicator?
- Who will collect the performance indicator information and how often will it be collected?
- Are there any issues relating to performance data collection?

- Who will analyse and report the data?
- What will the method of analysis be – historical, to target, etc.?
- How often will the data be reported?
- Who will receive the performance reports?
- Who will act on the performance results?

Avoid the use of too many indicators and ensure what is being measured is valued by those affected by the performance indicators. Sample performance indicators are:

- Cost of fundraising
- Non-dues income percentage
- Accumulated surplus to operating expenditure
- Employee/Volunteer morale
- Volunteers used
- Number of public policy positions
- Legislative influence situations
- Product/service delivery cycle time
- Development of guidelines/standards
- Member satisfaction
- Member participation in services
- Image and awareness rating

Indicators are monitored to identify opportunities for improvement and relevance of strategy. One of the most important reports a Board can receive is a listing of performance indicators that identifies the target and actual status along with narratives on significant variances.

### **Is this a Fad?**

Performance measurement will be around for a long time. This is no fad. Technology, accountability, critical decision-making, risk management initiatives and member expectations will, if anything, result in even more advances in performance measurement activity. In fact, there are a number of different approaches being used and within the next year or two all governments will have undertaken major upgrades in performance measurement activities to improve accountability and decision-making.

Not-for-profits who have the Federal Government as a key stakeholder and funder have recently learned that the Treasury Board of Canada has departments moving to results-based management and accountability frameworks. Program logic models are being used as part of the government's results based approach. This activity means not-for-profits hoping for contribution agreements will be expected to have similar performance measurement capabilities in order to meet submission and reporting needs. If you partner with government, I suggest you look at making improvements in your planning and performance measurement activities to ensure you are able to meet the requirements. The Treasury Board of Canada website has available a "Managing for Results Self-Assessment Tool" as well as a guide, "Preparing and Using Results-

Based Management and Accountability Frameworks”. A word of caution: it is possible to meet submission and reporting requirements without adopting the same complex framework. Many associations use business models that can generate the same information. In looking into the various models I have found different approaches and terminology, but each result in improvements to performance measurement.

Students in the second course of the CAE Program respond to a class discussion item that asks them to describe and discuss the process used to establish links between strategy, performance standards and member satisfaction in their associations and evaluate its effectiveness. Student discussion and questions suggest some have never thought about making this link. Others are engaged in some performance measurement activities, but there appears to be no overall coordinated approach.

Performance measurement remains a weak area for not-for-profits. Leaders and managers have an opportunity to make improvements in performance measurement activities by improving or adopting relevant policies and models that suit their organization’s specific needs.

*This column features innovation and practical solutions applied to challenges, trends, issue and opportunities for the association community. Column editor Jim Pealow, MBA, CMA, CAE is a consultant and the Association Management Education Program Lead Instructor/Coach for CSAE. He can be reached at [jim@amces.com](mailto:jim@amces.com).*