IMPROVING NONPROFIT PERFORMANCE
A Primer on Performance Management to Drive Better Outcomes for Participants

"We have engaged in the process of developing a performance management system because we want to know that the programming we work on so passionately is benefitting the participants."

ABUNDANT LIFE CHURCH
2011-2012 Boston Capacity Tank Participant

Performance management is more than collecting, analyzing, and reporting data. It is the multi-step, self-correcting process of using explicit and measurable objectives to clarify what the organization is doing and achieving, and adjusting activities as needed. Anchored to the mission of the organization, this process allows the organization to use data to learn and improve continuously in order to achieve better outcomes for program participants and the community. The term "outcomes" refers to the intended mid- and long-term results for program participants: the change that nonprofits work to achieve.

There are a number of different terms used in the field to describe this process, including performance measurement, managing to outcomes, becoming outcomes-driven, and performance management. In this report we use the term performance management.

The purpose of this report is threefold: 1) to communicate to nonprofit organizations and funders the value of performance management, 2) to explain the stages of development and implementation of a performance management system, and 3) to provide key considerations for nonprofit organizations and funders for successful implementation of a performance management system.

WHY MANAGE PERFORMANCE

"This process has helped us realize that we can't be all things to all people and that we should focus on what has the biggest impact."

BOYS AND GIRLS CLUB OF GREATER LOWELL
2011-2012 Boston Capacity Tank Participant

- **To serve participants better:** The performance management system provides information to help the organization better understand its programs' strengths and challenges, and continuously improve its programs and operations.[1] In addition, clearly defined outcomes enable the organization to be accountable to the people it is serving.

- **To achieve focus and alignment:** Performance management aligns everyone in the organization with the organization's strategy and mission, and encourages them to find innovative ways to achieve strategic outcomes in their daily operations.[2] By quantifying and measuring the strategy, the organization reduces ambiguity and confusion about objectives and methods.

- **To ensure progress towards the mission:** Performance data on both long- and short-term outcomes informs leadership that the program is operating as intended; it also helps them plan and guide improvements if the program is not operating as intended or not producing the desired outcomes.[3]

- **To better use scarce resources:** Performance management aids nonprofit leaders to better allocate scarce organizational resources to achieve the best outcomes for their target population.

- **To expedite innovation:** The performance management system enables nonprofit leaders to test and quickly refine new approaches to address the needs of their target population. In addition, it allows the organization to adapt to changing circumstances more quickly and effectively.[4]

- **To provide credible evidence of success:** Carefully thought-out performance measures enable the organization to demonstrate its social value to external stakeholders. Nonprofits are encountering increasing competition from a growing number of organizations for limited available funding. Additionally, increasing portions of nonprofit revenue will come from funders that offer performance-based contracts, which tie funding to specific outcomes for the target population. These trends are putting increasing pressure on the organization to provide credible evidence through performance management that it produces social value.[5]

"We realized that the world was changing around us and that case studies and testimonials weren't going to be enough anymore."

THE BOSTON TENPOINT COALITION
2011-2012 Boston Capacity Tank Participant

DEVELOPING AN EFFECTIVE PERFORMANCE MANAGEMENT SYSTEM

Developing a performance management system is an extremely rewarding process that requires significant commitment, time, and effort to be fully implemented. Before the process even begins, the organization's leadership (executive team and board) must embrace the need to manage the organization efficiently and with ongoing attention to the quality and effectiveness of its work.[6]

Once the leadership is fully committed, they engage management and staff in the process of building a data-driven organization. Successfully building and implementing a performance management system involves three major steps, outlined in the diagram on the right. This process is shown in greater detail on page 3.
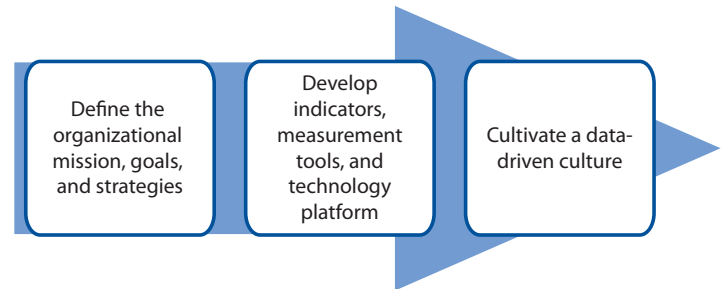
1. DEFINE THE ORGANIZATIONAL MISSION, GOALS, AND STRATEGIES

"The theory of change has resolved some questions and tensions that have existed in our organization for years."

THE BOSTON PROJECT MINISTRIES, INC.
2011-2012 Boston Capacity Tank Participant

The process of defining organizational goals and strategies includes clarifying the organizational mission, articulating a theory of change, and developing a logic model. The **mission** articulates an organization's purpose.[7] Defining a clear, concrete, and compelling purpose clarifies the reason for the organization's existence and serves as a foundation for all strategic work.

The process of articulating a theory of change and a logic model gives the organizational leadership clarity about the specific outcomes they are trying to achieve. The **theory of change** should do the following:

- Describe the issue that the programs address
- Identify the target population and its specific characteristics
- Outline the desired outcomes of the program activities

- List successful strategies or "best practices" the organization has identified through research that have helped similar populations achieve the type of results the program promises
- State the assumptions behind how and why the identified strategies will work
- Identify additional factors that may influence the organization's ability to create change, such as the existing policy environment[8]

The **logic model** provides a visual representation of the theory of change by showing the connection between the dosage, duration, and sequence of planned activities thought to bring about change and the desired short-term, intermediate, and long-term results for program participants.[9]

2. DEVELOP INDICATORS, MEASUREMENT TOOLS, AND TECHNOLOGY PLATFORM

The theory of change and the logic model enable the organization to make better decisions about which data to collect. Anchoring the selection of indicators to the mission, theory of change, and logic model enables the organization to focus on data that informs specific decisions and to avoid the temptation to over measure.[10] In this stage of the process, the organization works to select and define the following:

- Indicators and targets for the inputs (resources needed)
- Program activities and operations

- Outputs (direct results from activities)
- Outcomes (changes for program participants resulting from those activities) defined in the theory of change and the logic model

The organization also develops the process, including measurement tools (e.g. pre and post surveys), technology, and procedures for data collection and utilization that will lead to improving the quality and effectiveness of its programs.

3. CULTIVATE A DATA-DRIVEN CULTURE

Perhaps the most important part of successfully developing and implementing a performance management system is the organizational development work to create a culture of data-driven decision-making at individual, programmatic, and organizational levels.[11] This is on-going work that begins by engaging all levels of staff in the design of the performance management system to ensure that everyone who will be contributing to and using the system—as data providers, data collectors, analysts, and decision makers—benefits from the system.[12] Key staff should understand their role in the performance management process, and its importance for improving service delivery and fulfilling organizational goals. Leadership needs to set a clear expectation for staff to collect and use data. That expectation has to be balanced with opportunities for staff to experience data being directly useful to them. Consistent staff engagement in determining the data that is most useful to them and development of staff capacity to use data well will increase staff buy-in. That will ensure the proper, continuous use of the system, including accurately entering data into the system on a regular basis and routinely using data to make decisions and implement improvements.[13] Furthermore, leadership should create specific opportunities for staff at all levels and for the board to learn from data, to make decisions based on that data, and to implement improvements.[14]
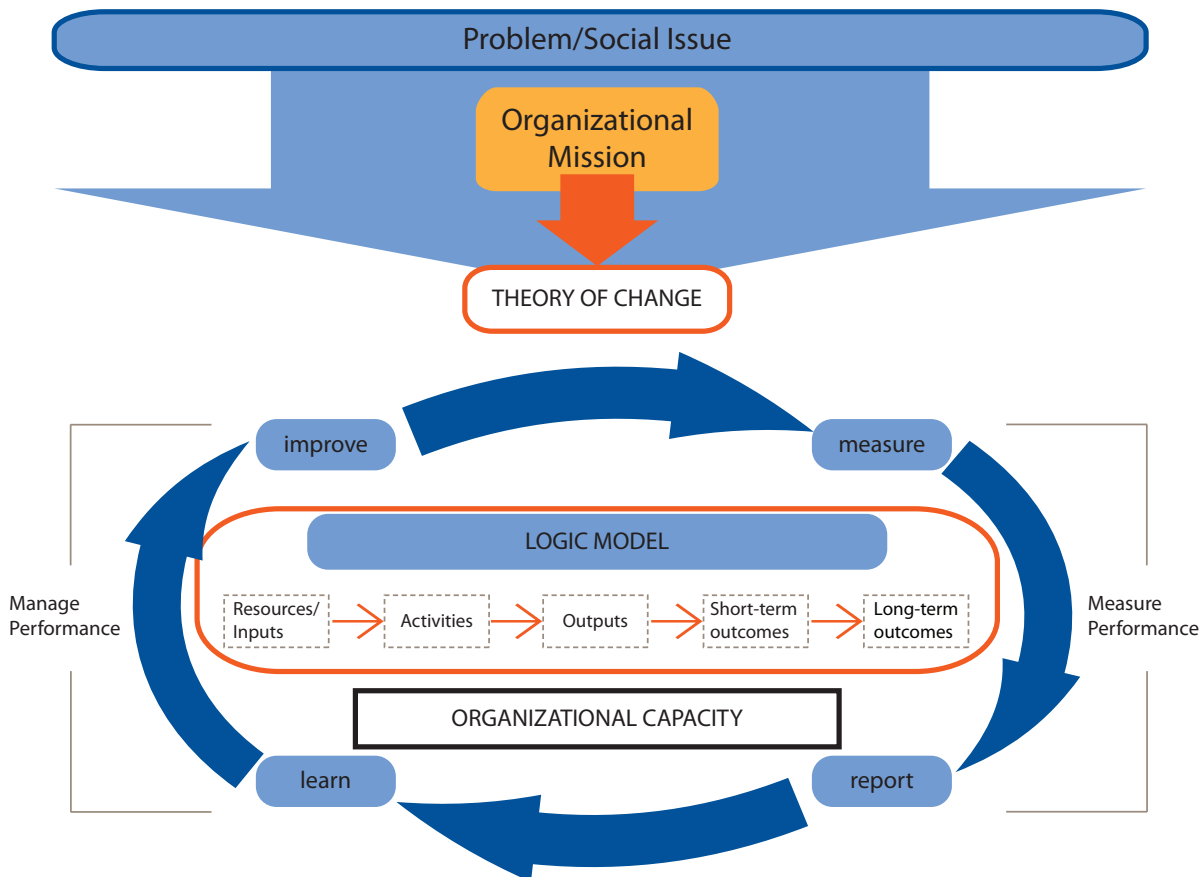
PERFORMANCE MANAGEMENT IN ACTION

"We need to measure the great work that we are doing so that we can get out into the community and tell them. This work will give us the opportunity to tell our story."

MALDEN YMCA
2011-2012 Boston Capacity Tank Participant

After completing the three major steps of successfully building and implementing a performance management system, outlined in the previous section, the organization is ready to put its performance management system into action and start collecting data. The data-driven organization continuously uses performance management to inform its decisions to improve outcomes for participants. Anchored in its mission and theory of change, the organization collects and reports data, and uses it to learn and improve on its inputs, activities, outputs, and short- and long-term outcomes for participants. In addition, the performance management process is used to inform the design and management of other aspects of the organization's capacity, such as its governance, and financial and human-resource management. As the organization integrates performance management into its culture, it will revisit the various components of the performance management system itself, in order to improve and refine it. The continuous performance management process is depicted in the diagram below.

Following is a description of the four steps of the performance management process depicted in the diagram on the previous page:

Measure: The organization diligently tracks the metrics that were selected based on the organizational goals and strategies. These metrics are used to assess its inputs, activities, outputs, and short- and long-term outcomes.[15]

Report: Compiling performance management data into formats that are easy for organizational leadership as well as frontline staff to understand and analyze is key to unlocking the potential for increased organizational knowledge.[16] The most useful formats for data reporting will vary, depending on the level of detail needed by staff or board members. Each staff member generates or receives reports on data that they need to evaluate to increase the effectiveness of their work. In addition to the ongoing internal reporting, periodically the organization shares data externally with funders and other stakeholders. External reporting of data helps to establish the organization's accountability.[17]

Learn: Using the reporting tools, the organization's leadership and other key staff members review and interpret performance data to make well-informed decisions and identify opportunities for improvement and necessary course corrections. Learning happens in a variety of ways: for example, discussing with staff the meaning behind the numbers, talking with program participants to understand their experience, and coming up with other questions to further explore with data (such as what are the characteristics of those participants who are successful compared to those who are not).

Improve: The organization implements its decisions to improve the effectiveness and efficiency of its programs and services, staff performance, organizational infrastructure, and internal capacity based on the knowledge it gained from the collected performance data. These improvements, in turn, will lead to improved outcomes for the organization's beneficiaries. From here, the performance management cycle begins again.[18]

Developing and implementing a performance management system is one of several capacity-building strategies that the organization can employ in order to enhance its ability to provide effective services reliably at high levels of quality.[19] In addition to developing and implementing a performance management system, the organization may need to reconsider board responsibilities, strengthen financial sustainability, rethink fundraising strategies and goals, introduce new human resources systems with clear accountability for outcomes, work on developing strategic alliances with other practitioners and funders in the same field, and strengthen its public advocacy efforts.[20] All of these strategies can and should be linked to the performance management system.

SUCCESSFULLY IMPLEMENTING PERFORMANCE MANAGEMENT SYSTEMS

RECOMMENDATIONS FOR NONPROFITS

Develop a culture of continuous improvement: Traditionally, most nonprofit organizations have been using data for external reporting to funders and other stakeholders, and not for internal improvement. Therefore, to implement a performance management system, frequently the entire culture of the organization must change.[21] Organizations are most likely to succeed in becoming data-driven by engaging frontline staff in the process and helping them to understand that data and service are bound together because the information from the data will help to improve the results of their services.[22]

Learn from others: The adoption of performance management is often perceived by organizations as a daunting task. Organizations should talk to organizations that have already invested in performance management and are achieving results. Such conversations are a good way to learn about challenges and potential solutions as organizations begin to implement performance management systems and build cultures that are outcomes-driven. In addition, it is often very helpful to work with an outside facilitator or consultant who can help the organization move through the most challenging steps.

Start small: Starting small, keeping things simple, and gradually making larger, more systematic changes can be the key to long-term success for some organizations.[23] Start by asking the most basic questions: 1) Are we improving the lives of our program participants? 2) Do we have the data to prove we are improving their lives? 3) What technology do we have in place to track those measures? This will help organizations recognize that if they want to make a difference they need a system that provides them with information about how they are doing. That information will enable them to improve their program outcomes. Often, organizations do not need to invest in costly data-collection systems, but can start managing performance by using programs such as Excel and Access to track initial measures of success. It is very important to understand the types of data and reports that are most useful to manage performance before investing in implementing a larger database.

Improve data-management capabilities of staff: Staff need to learn how to use the database the organization adopts—how to input data, how to generate reports and, when things go wrong, how to troubleshoot. Organizations should develop good documentation about their database systems to support formal and informal training for staff to ensure that data is collected, input, and used efficiently and effectively.[24] Ultimately, data collection and use should become integrated into the staff's everyday activities.

Learn from data: Organizational leaders must be willing and able to disrupt the old way of working and move beyond the use of data solely for reporting back to funders. Leaders must be open to realities that the data reveal—especially when those realities point to hard decisions—and foster an environment where data are seen as a tool for discovery and ongoing learning rather than judgment.[25]

RECOMMENDATIONS FOR FUNDERS

Make investments to change lives: The ultimate purpose of philanthropic giving is to effect change in the lives of people and communities, not to keep programs running. To help organizations produce those desired changes, funders must provide both financial and nonfinancial support for the implementation of performance management. For example, funders can support organizations in the development of a theory of change and logic model (independently or by hiring a consultant), the development or acquisition of a technology platform, and staff training. Through these efforts, funders will be able to access better data about the impact of their investments.

Commit for the long haul: Funders often commit only for part of the performance management implementation. In addition to receiving support in the initial stages when the organizations are conducting strategic work and implementing the performance management system, organizations need support to continue to use and maintain the system. It is important that funders are clear on the true costs of making a performance management system work—including technical support, equipment maintenance and upgrades, data-entry time, and staff training—and provide support to the organizations to meet these costs. Furthermore, funders can help by supporting organizations' learning from their data—asking what they think is going on behind the numbers they report, what help they might need in analyzing their data further, etc. In addition, funders can assist organizations with the development of revenue streams that will allow them to maintain the performance management system after the funding is phased out.

Reduce the data-reporting burden: Service providers are often forced to enter data into multiple databases maintained by state or local funders—separate from providers' own efforts to maintain the same data inhouse. Although organizations spend significant time and resources responding to various external requests, it is often difficult for them to get summary reports or analyzed data back from funders to whom they submit their data. To reduce the reporting burden, funders can work to make their reporting systems more flexible, allowing nonprofits to upload data from the organization data files and giving them the ability to produce summary reports of the data they have provided.[26]

Facilitate the development of flexible technology platforms: Organizations need to have access to better data-collection systems that are flexible and affordable. Funders can tackle performance management in a systematic way by investing in the development of shared data systems for a group of organizations that serve the same population and have the same type of funding. The shared data systems may take several years and millions of dollars to develop, yet the cumulative annual savings among participating organizations can dwarf the initial time and money invested.[27] As an added benefit, shared data systems would give funders access to more robust data sets allowing them to assess the combined impact of the cohort, to benchmark the performance of organizations against their peers, and to more easily identify areas for capacity development across the cohort.

To illustrate the benefits of performance management, below are case studies of two nonprofit organizations using performance management systems. The first one describes an organization that has recently embarked on the process of developing a performance management system. The second one tells the story of an organization that has been benefitting from an established performance management system for more than five years.

PROJECT HIP-HOP

About Project HIP-HOP (PHH)

Project HIP-HOP (Highways into the Past—History, Organizing, and Power) works with Boston youth ages 14-20. The organization trains young people to use art as a tool to understand their lives and society, educate the broader community, and advocate for systemic change. Just as the Civil Rights generation found its purpose through social movements, PHH believes young people find a sense of their own efficacy by being change agents in their community and the broader society.

Becoming Data-Driven

The decision to develop a performance management system came out of PHH's strategic planning process in 2009. The organization started by trying to answer two main questions:

- What are the core skills that youth should acquire through the program?
- How can the organization most effectively and efficiently assess if it is getting the results it wants for its participants and for the community?

In 2011, as part of the Capacity Institute,[1] an initiative of the Boston Capacity Tank, PHH developed its theory of change and logic model, and also defined its target population and the outcomes that it is working to achieve. The organization is currently working to determine the data that it wants to track and is also working with a database designer to develop the data-collection system. Following that, PHH will work on developing an information-management plan that will establish the process for data collection and data use to improve performance.

Key Lessons Learned

The process of developing a performance management system has already brought several benefits to PHH:

Clarity on program length allows for realistic goals: Choosing the amount of time that the average person is going to stay in the program has enabled PHH to determine the outcomes that the organization can realistically hold itself accountable for within that timeframe.

Target population focus improves effectiveness: Clarifying the program outcomes has helped PHH realize that the program will not work for all young people and that, to be the most effective, it is important to focus its resources on the youth that the program is designed for. As a result, the organization has become more intentional in its enrollment process.

Clear logic model brings focus to the organization: The development of the logic model enabled PHH to communicate the program goals more effectively. Internally, it has helped leadership keep PHH focused only on programs that accomplish the organizational goals. Externally, the ability to communicate clearly about the scope of its activities has helped the organization pick community partners more strategically and be more effective in its interaction with funders.

Keys to Success

- Use outside facilitators to expedite consensus between the organization's board and staff
- Engage staff early in the process and involve them in determining the outcomes that they will be held accountable for, in order to increase buy-in
- Develop a performance management system in a cohort of peer organizations to exchange solutions
- Do not rush through the process; ensure that enough time has been budgeted for the development of the performance management system
- Be ready to make hard decisions and accept that you cannot serve everyone and that by focusing on your target population you can serve them better

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[1] The Capacity Institute is a two-year capacity workout of the Boston Capacity Tank to develop performance management systems for agencies serving youth at high risk.

ROCA, INC.

About Roca, Inc.

Roca, Inc. developed an intervention model to help disengaged and disenfranchised young people move out of violence and poverty, take responsibility for their actions, and get jobs. Roca's primary target population is very high-risk young males ages 18-24, who have had at least one felony arrest, have dropped out of high school and not achieved a GED, and who are unemployed and lack a consistent work history.

Becoming and Staying Data-Driven

In trying to understand if the organization was really helping youth change their lives, Roca's leadership realized that they needed proof that it was creating the desired level of impact for the young people it served. With this recognition, the organization made the commitment to get clear about its desired outcomes and to develop a system to measure its progress and outcomes at the participant level, embarking on a path to develop a robust performance management system. Roca has been benefitting from its performance management system for more than five years and it continues to use data to learn and improve its effectiveness in serving its target population.

Key Lessons Learned

As it continues to learn through performance management and research, Roca has made a number of programmatic and organizational adjustments:

Becoming a single-service organization: Eleven years ago, Roca was a multi-service organization. The development of a theory of change and a performance management system has transformed Roca into a single-service organization that now implements a strategic model with clearly defined outcomes and the activities necessary to get young people to those outcomes.

Narrowing in on a target population for whom the program is most effective: The clearly defined outcomes have ensured target-population enrollment. For example, the new "no re-incarceration" outcome requires that Roca enrolls only youth with a history of incarceration. Turning away at-risk youth if they don't fit the target population criteria is difficult, but Roca has learned that focusing its time, energy, and resources gives the best chance for success with its target population.

Switching from a three-year to a two-year intensive model: Data showed Roca that young people who stayed in the program longer than 24 months were becoming complacent, not improving, and actually getting worse. Realizing that it needed to move participants through the program more quickly, Roca adapted their intervention model with a new timeline and benchmarks, and trained staff to the new timeline.

Keys to Success

- Start by clarifying the target population and the outcomes your program aims to achieve
- Ensure that the organizational leadership is fully committed to the process
- Keep staff focused on the mission, target population, and intended outcomes, with guidance from the organizational leadership
- Be willing to make hard decisions when the data calls for them: Roca made significant changes to its model in order to increase the likelihood of being effective

CONCLUSION

The development of the performance management system is a difficult process that requires a significant amount of time and energy from management and staff throughout the organization. However, when implemented and used properly, performance management will produce meaningful and measurable results efficiently and effectively.

Performance management can be successfully implemented in both large and small organizations. While larger organizations may have more capacity to institute performance management systems, smaller and newer organizations can often adapt to the systems more quickly with the right amount of consistent support. Implementing performance management does not have to be a complicated endeavor from the start; it can begin with small-scale steps in the right direction. Once the organization recognizes that the system helps improve outcomes for participants, it can build on it and expand its use. To start the process, it is often very helpful to work with an outside facilitator or consultant who can help the organization move through the most challenging steps.

Organizations must understand that performance management systems are critical to effective program delivery. By implementing and using a performance management system, organizations can measure and demonstrate the real and positive change they are making in the lives of the people they serve.

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