

Are We Getting Results Yet?

The Board's Role in Measuring and Monitoring Performance

United Way of Dane County

Leadership Development for Nonprofit Board Members Conference

November 5, 2016

Robin Gates

Session Objectives

The session should help you:

- Decide what to measure and monitor at the board level.
- Be a more informed consumer of performance data.
- Determine what to do after getting the performance information.



Impact matters -- comments by nonprofit leaders

Why measuring impact is important

- ✓ Governance
- ✓ Improvement
- ✓ Funders
- ✓ Focus

2015 Survey on Board of Directors of Nonprofit Organizations

STANFORD
BUSINESS

ROCK
CENTER
FOR
CORPORATE
GOVERNANCE

“Rigorous performance measurement is the bedrock of good governance,” says Meehan. “How can the board claim to understand whether its initiatives are successful unless it is measuring their impact?”


THE CENTER FOR
EFFECTIVE PHILANTHROPY

ROOM FOR IMPROVEMENT

FOUNDATIONS' SUPPORT OF NONPROFIT
PERFORMANCE ASSESSMENT

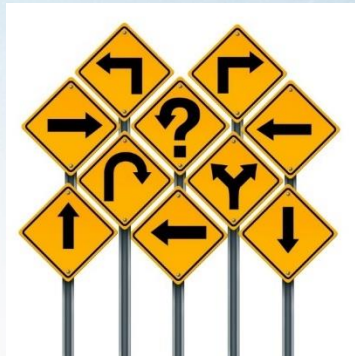
BY ANDREA BROCK, ELLIE BUTEAU, PHD, AND AN-LI HERRING

The majority of foundation CEOs believes that nonprofits should be held to higher standards of evidence to demonstrate the effectiveness of their work.²

What performance measurement problems do you face?



Feel blind?



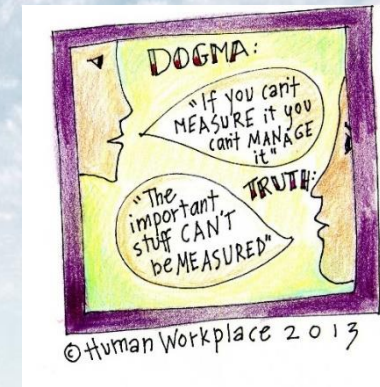
What do we
do now?



Missing something?



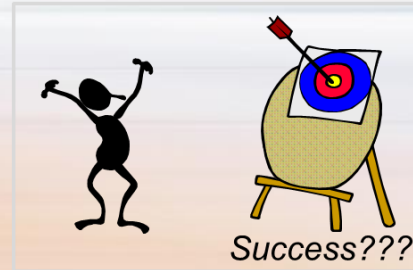
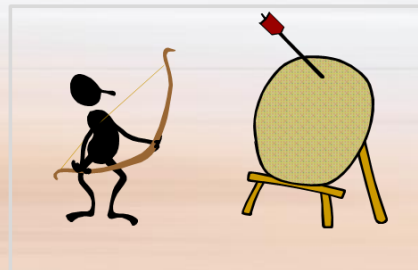
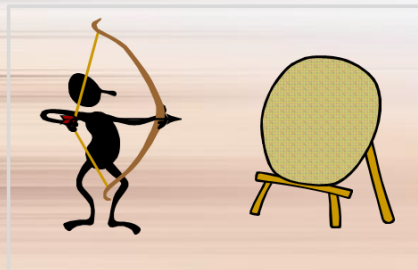
Too much information?



Is trust enough?

...Lacking such standards, managements are tempted to shoot the arrow of performance and then paint the bull's-eye around wherever it lands."

-Warren Buffett, Berkshire Hathaway 2010 Annual Report



Success???

No agreement on standards?



No money

The Board's Role in Monitoring Performance

Governing

- ✓ Assuring the organization get the results (outcomes or ends)
- ✓ Assuring results are achieved in an acceptable manner (means or operations)
 - Ethically
 - Legally
 - Sustainably
- ✓ CEO accountability

Advising

- ✓ Helping solve organization problems
- ✓ Assisting the CEO

Operational Duties of the Board

- ✓ Fundraising
- ✓ Marketing
- ✓ Advocacy
- ✓ Planning

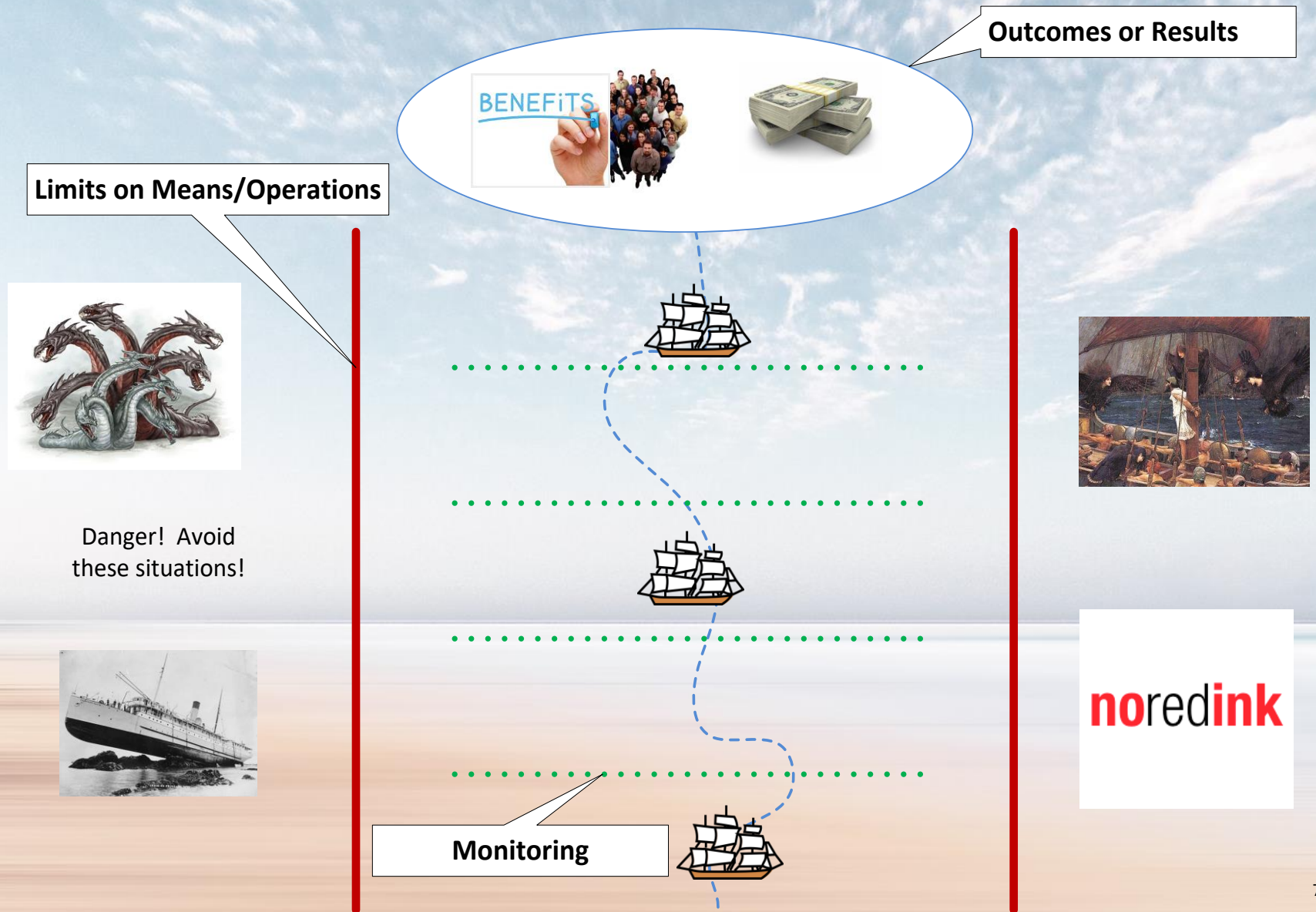
Ask:

Why are we measuring or monitoring this?

What actions will we take as a result?

Board Member Development and Education

Measurement and Board Governance



Logic Model for Performance Measurement

A logic model provides the causal linkage between what an organization does and the results or outcomes it achieves

Operational focus here

Board focus here



Inputs	Activities	Outputs	Outcomes/impacts
<i>what resources go into a program</i>	<i>what activities the program undertakes</i>	<i>what is produced through those activities</i>	<i>the changes or benefits that result from the program</i>

Defining Outcomes or Results

Outcomes or results describe the effect an organization seeks to have on the outside world. The organization exists only to produce worthwhile results.

- Three practical questions to answer
 - ✓ Who should benefit?
 - ✓ What are the benefits?
 - ✓ What should it cost to achieve the benefits?
- Guidelines for defining outcomes
 - ✓ Separate activities or outputs from outcomes or results
 - ✓ Avoid verbs that focus on means (help, provide, assist, and educate) or “effort” (support, endeavor)
 - ✓ The recipient should be the subject.

Case Study – Nature Conservancy

Acres preserved, millions

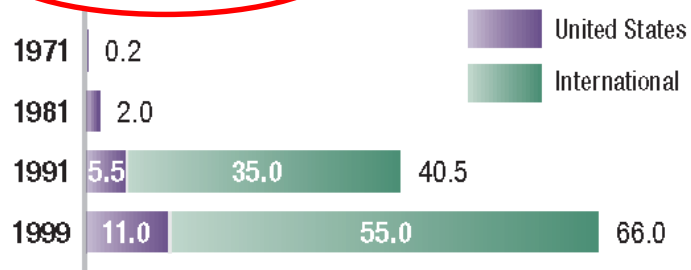
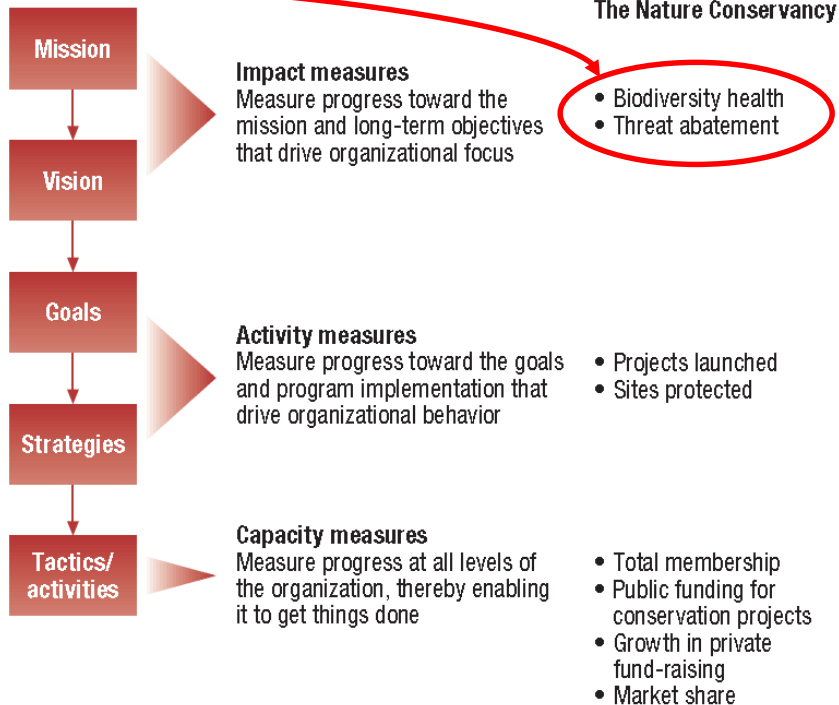


EXHIBIT 2

The family of measures

Metrics used by The Nature Conservancy



Case Study – Engineers Without Borders

Measuring Impact

AT HOME

AND ABROAD

Our vision of success is for our partner communities to enjoy an improved quality of life as a result of our collaboration. We measure more than the project functionality. Our framework assesses quality of life changes—from both successful projects and failures.



OF PROJECTS

WERE FUNCTIONAL
AS DESIGNED



OF PROJECTS

DEMONSTRATED MAINTENANCE HAD BEEN
SUCCESSFULLY PERFORMED



OF COMMUNITIES

SHOWED THE CAPACITY
TO SUSTAIN THE PROJECT

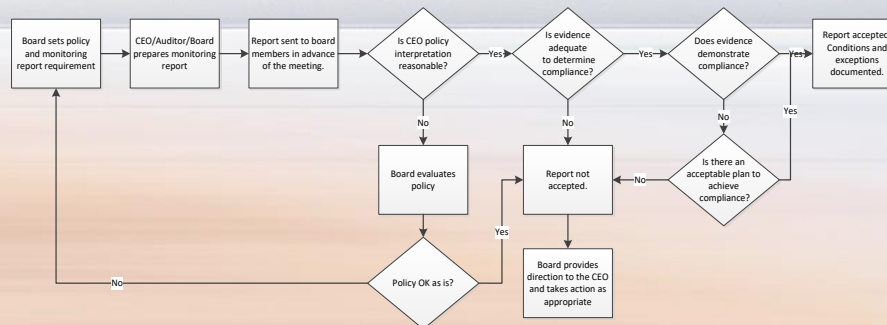
IMPACT REVIEWS

PROJECT MONITORING

EXTERNAL REVIEWS

The Monitoring Process

1. Establish desired outcomes or results – Board agreement
2. Develop operational interpretation of outcomes (CEO)
 - ✓ What does this mean in the real world
 - ✓ What performance level is acceptable
3. Gather and review evidence regarding performance
4. Conclude whether outcome is being met or not
5. Board takes action as appropriate
 - ✓ Accept report
 - ✓ Accept report with qualifications or required actions



Monitoring Methods



CEO report



Independent audit



Direct inspection
by the board

Policy ➡ Interpretation ➡ Evidence ➡ Compliance (yes/no) ➡ Acceptance/Action

Example - Outcomes

	Who benefits	Benefits/Results Achieved	At what cost
<u>Board stated outcome</u>	<i>The organization should benefit low income, disadvantaged people.</i>	<i>People served should achieve improved mental health.</i>	<i>Improvement is achieved at less cost than alternatives.</i>
<u>Operational interpretation</u>	<i>80% of people serviced annually are Medicaid eligible.</i>	<i>50% reduction in annual hospitalizations one year after entering program .</i>	<i>Per person annual program costs are less than avoided hospitalization costs.</i>
<u>Evidence</u>	<i>Annual average from case management system shows 83% are Medicaid eligible.</i>	<i>25% reduction in annual hospitalizations.</i>	<i>Actual costs are 20% less than avoided hospitalization costs.</i>
<u>Conclusion</u>	<i>Outcome met.</i>	<i>Full benefits not achieved.</i>	<i>Outcome met.</i>
<u>Board action</u>	<i>Accept.</i>	<i>Request CEO prepare plan to improve performance.</i>	<i>Accept.</i>

Measuring and Monitoring Operations

- Establish conditions or performance that are unacceptable
 - ✓ Illegal
 - ✓ Unethical
 - ✓ Too risky
 - ✓ Imprudent
- CEO practical interpretation of limitations
- Review performance
 - ✓ Type of monitoring and review
 - ✓ Schedule for review
- Board response as appropriate

Example – Operational Requirements

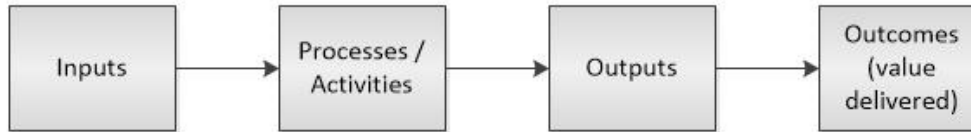
	Finance	Treatment of Staff	Compensation
<u>Board stated operational requirement or limitation</u>	<i>Expenditures should not exceed revenue.</i>	<i>CEO must not deviate from written personnel policies that carify rules for staff, provide for effective grievances, and protect against wrongful actions.</i>	<i>CEO may not provide compensation that deviates materially from the geographic market for the skills employed.</i>
<u>Operational interpretation</u>	<i>Annual spending is equal to less than revenues received. No individual month will exceed revenue by more than 5%.</i>	<i>A comprehensive personnel manual meeting industry standards is made available to all employees; Grievances are documented and responded to.</i>	<i>Biennial compensation study shows no material deviation from geographic market.</i>
<u>Evidence</u>	<i>Monthly YTD spending is less than revenues; No month exceeds 5% limit.</i>	<i>Personnel Committee inspection of personnel manual and grievances shows compliance.</i>	<i>Study shows certain job classifications significantly under compensated. Affected classifications show high turnover.</i>
<u>Conclusion</u>	<i>Outcome met.</i>	<i>Outcome met.</i>	<i>Outcome not fully met.</i>
<u>Board action</u>	<i>Accept.</i>	<i>Accept.</i>	<i>Board requests plan for raising compensation for affected job classifications.</i>

Performance and the Board-CEO Relationship

- The board has one employee – the CEO
- Organizational and CEO performance are one in the same
- CEO performance should be assessed against stated expectations
 - ✓ No informal, verbal “understandings”
 - ✓ Performance assessment should involve the entire board
- Clear feedback and honest discussion is critical
 - ✓ Formal response to performance monitoring reports
 - ✓ Action plans required as needed
 - ✓ Constructive dialog with the CEO
- CEO performance is the board’s judgment aided by performance monitoring

Perspectives in Measuring Performance

- 1 Understand how the organization creates value – the value chain



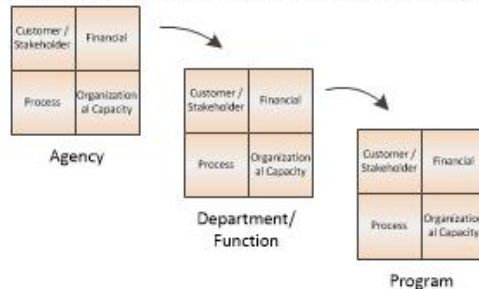
The value chain establishes the causal linkage between what the organization does and the results achieved.

- 2 View performance from a balanced perspective



The balanced scorecard approach assures that performance is measured in all key areas.

- 3 Understand the relationships between organizational units, functions, and programs and align performance measures and scorecards accordingly.



Cascading, aligned measures helps all parts of the organization know how they fit into the big picture.

- 4 Link performance measures to the organization's goals, performance targets, and strategies.



Agency goal achievement is furthered by linking performance measures with top level goals and strategies.

What can go wrong?

Problem	Suggested response
Organization resistance and fear	<ul style="list-style-type: none"> ✓ Align around mission ✓ Reward learning from failure
Performance does not meet expectations	<ul style="list-style-type: none"> ✓ Ask for analysis to determine root causes ✓ Ask for corrective action plan
Misinterpretation of performance data	<ul style="list-style-type: none"> ✓ Ask for benchmarks from similar organizations ✓ Set minimum standards and goals for performance ✓ Measure against past performance ✓ Understand measurement system error ✓ Learn about variation: common cause vs special cause
Too difficult or too expensive to measure	<ul style="list-style-type: none"> ✓ Accept “good enough” ✓ Start small and set priorities ✓ Be creative; look for proxies; sample; less frequent reporting
Unintended consequences	<ul style="list-style-type: none"> ✓ Avoid emphasizing one measure too much ✓ Use judgment in applying measures ✓ Use performance rewards carefully
Measurement conflicts between funders, regulators, and the board	<ul style="list-style-type: none"> ✓ Look for acceptable alignment ✓ Offer alternatives
Lack of performance measurement expertise	<ul style="list-style-type: none"> ✓ Seek board expertise ✓ Partner with academic resources
Data system barriers	<ul style="list-style-type: none"> ✓ Build easy data access into IT strategy

Take Aways

- Measuring nonprofit performance is important
- Performance measurement can be complex
- Can be successful if the:
 - ✓ Purpose is understood
 - ✓ Approach is systematic
 - ✓ Practical problems are acknowledged
 - ✓ Organization keeps at it

Resources on boards and performance measurement and monitoring:

My website: www.robingates.net/nonprofit-board-governance/

Guidestar Platinum Program: <https://learn.guidestar.org/platinum>

Leap of Reason website: <http://leapofreason.org/>

Carver website: www.policygovernance.com

BoardSource: www.boardsource.org