

Author(s): Neel Hajra, 2010

License: Unless otherwise noted, this material is made available under the terms of the **Creative Commons Attribution 3.0 License:**

<http://creativecommons.org/licenses/by/3.0/>

We have reviewed this material in accordance with U.S. Copyright Law **and have tried to maximize your ability to use, share, and adapt it.** The citation key on the following slide provides information about how you may share and adapt this material.

Copyright holders of content included in this material should contact open.michigan@umich.edu with any questions, corrections, or clarification regarding the use of content.

For more information about **how to cite** these materials visit <http://open.umich.edu/education/about/terms-of-use>.

Any **medical information** in this material is intended to inform and educate and is **not a tool for self-diagnosis** or a replacement for medical evaluation, advice, diagnosis or treatment by a healthcare professional. Please speak to your physician if you have questions about your medical condition.

Viewer discretion is advised: Some medical content is graphic and may not be suitable for all viewers.

Citation Key

for more information see: <http://open.umich.edu/wiki/CitationPolicy>

Use + Share + Adapt

{ Content the copyright holder, author, or law permits you to use, share and adapt. }



Public Domain – Government: Works that are produced by the U.S. Government. (USC 17 § 105)



Public Domain – Expired: Works that are no longer protected due to an expired copyright term.



Public Domain – Self Dedicated: Works that a copyright holder has dedicated to the public domain.



Creative Commons – Zero Waiver



Creative Commons – Attribution License



Creative Commons – Attribution Share Alike License



Creative Commons – Attribution Noncommercial License



Creative Commons – Attribution Noncommercial Share Alike License



GNU – Free Documentation License

Make Your Own Assessment

{ Content Open.Michigan believes can be used, shared, and adapted because it is ineligible for copyright. }



Public Domain – Ineligible: Works that are ineligible for copyright protection in the U.S. (USC 17 § 102(b)) *laws in your jurisdiction may differ

{ Content Open.Michigan has used under a Fair Use determination. }



Fair Use: Use of works that is determined to be Fair consistent with the U.S. Copyright Act. (USC 17 § 107) *laws in your jurisdiction may differ

Our determination **DOES NOT** mean that all uses of this 3rd-party content are Fair Uses and we **DO NOT** guarantee that your use of the content is Fair.

To use this content you should **do your own independent analysis** to determine whether or not your use will be Fair.



PubPol 671:

Policy & Management in the Nonprofit Sector

Lecture 6:

Finish Mission, then Performance Evaluation

Neel Hajra

Recent Articles of Note

- “Once-Robust Charity Sector Hit With Mergers, Closings,” Wall Street Journal, February 1, 2010
- “Colleges and Cities Square Off Over Tax Demands,” The Chronicle of Education, January 31, 2010

Guest Lecturer

- Feb 17: Maya Enista, Executive Director, Mobilize.Org (which “acquired” Generation Engage)



First Assignment Posted!



MISSION EXERCISE RESULTS

The first rule of nonprofit management

- Consensus-based management can be hard 😊

Spread the Arts

- “To provide opportunities for creative artistic expression for local youth to strengthen appreciation of the arts in the community.”

Ann Arbor Inspired

- “To nurture the creation and appreciation of art among K-12 youth in Ann Arbor”

Arts 4 Youth

- “Arts 4 youth believes that arts education and appreciation is integral to youth development. A4Y will foster arts appreciation within Ann Arbor’s elementary and middle school students through after-school and summer arts programs.”

Ann Arbor Stars

- “Ann Arbor Stars seeks to engage and inspire art appreciation in Ann Arbor low-income middle school youth through an active theater arts experience”

Basic Comparison

	Who	Where	What	Why
Ann Arbor Stars	Low income Middle school	Ann Arbor	Theater activities	Youth Art appreciation
Spread the Arts	"Youth"	"Local"	Creative artistic expression	Community art appreciation
Ann Arbor Inspired	K-12 youth	Ann Arbor	Unspecified	Youth art appreciation
Arts 4 Youth	K-8 youth	Ann Arbor	After-school and summer arts programs	Youth Development



The Double Bottom Line (continued from last class)

Mission vs. Finance

- Mission is ultimate goal, but fueled by finance
- Finding the balance is a constant challenge

Mission **DRAINS** resources
Profit **ADDSTO** resources

Managing Double Bottom Line

Managing Mission

- Leadership
- Inspiration
- Wider range of variables

“THE PIED PIPER”

Managing Finance

- Directive
- Control
- Narrower range of inputs

“THE GENERAL”

Strong nonprofit management demands **MORE** of managers than strong for-profit management!
(but more permissive of weak management?)

Sector Implications: Governance

- Frequent disconnects between board and staff
- This can result in disconnects between a nonprofit and the public



Sector Implications: Capitalization/Funding

- Mission drains resources
- And yet: Mission is the goal!
- Partly explains:
 - Undercapitalization
 - Growing appeal of social enterprise

Sector Implications: Competing with For-Profits

- Growing competition with for-profits for gov't contracts – mission focus can be a hindrance or a help
- “Efficiency” also a challenge since consensus is inherent in mission-driven enterprise

Sector Implications: Regulation

- Reliance on mission/trust means heightened scrutiny, therefore higher cost of operations

Closing Thoughts

- Mission is a fluid, evolving concept (sometimes achieved, sometimes outgrown)
- Growing favor for broader missions – retains flexibility, allows for more entrepreneurship
- Primacy of mission partly explains why nonprofits are often perceived as being inferior to for-profits;
- Mission is a key differentiator!



Performance Measurement

De Facto NP Universal Metric?

- Overhead (“G&A”)!
- Pro’s:
 - Universal, generally accepted measure of efficiency
- Con’s:
 - Doesn’t represent quality or mission, easy to “game”, discourages strong infrastructures

Deceptively Simple

- Critical for proving value (but for whom?)
- Changing landscape
 - Heightened accountability
 - Sector blur

Recent Stronger Emergence

- Reduction in nonprofit capital since burst of stock bubble (and now recession)
- Venture philanthropy concepts starting to trickle into nonprofit realm
- Continued influx of new faces from for-profit sector
- Higher scrutiny (e.g., senate, media, etc.)
- (Ed Skloot)

For-Profit World Is Easier

- Everything funnels into profit
- Flexibility in activities and resource allocation
- “Corporate Social Responsibility” blurs this a bit – Gates speech at Davos in 2008!



Challenges of Performance Measurement

Double Bottom Line

- Mission bottom line a lot harder to measure compared to financials
- Services tend to be less tangible (i.e., less product-oriented)

General vs. Specific

- Vague/General:
 - Politics
 - Goal displacement
- Specific:
 - “Tyranny of metrics”: Criteria supplant outcomes and purpose
- Consider impact on:
 - Innovation/flexibility
 - Accountability
 - Individual staff performance

Multiple Stakeholders

- Mission Redux: Many stakeholders, each with different interpretation of mission AND performance outcomes
- Goals exist at multiple levels, sometimes hard to re-direct

Value Judgments

- Choice of metrics reflects values of decision-makers
- Examples?
 - NEW Workshop Series

External Factors

- Outcomes often driven by range of factors; organization is just one piece of the puzzle
- General result: Take credit for success, blame other factors for failure 😊

Do Great Results Yield Great Rewards?

- Donors don't always see need
 - Doesn't always drive philanthropy
 - Tendency to not cross-compare
 - Confidence in data
 - Note – is this lower standard a derogatory stance by funders?
- Great fundraising sometimes trumps great performance (consider “ROI” in these cases!)
- Anecdote sometimes trumps great performance

Institutional Pressure

- Jed Emerson:
 - “We do not use the gold standard [of [proven effectiveness]] to put pressure on our grantees...”
 - “...we reserve our largest investments for those who do reach proven effectiveness.”
- Jan Masaoka:
 - “The legitimate yearning [for measurement] often leads to trying to get results that are out of proportion to the investment.”

Internal: Management Tool

- Metrics can be critical to good management
 - Short term: Results reflect performance
 - Long term: Shapes strategy and allocation of resources
- Metrics can also heavily influence staff performance review



Approaches to Performance Measurement

Internal vs. External Control

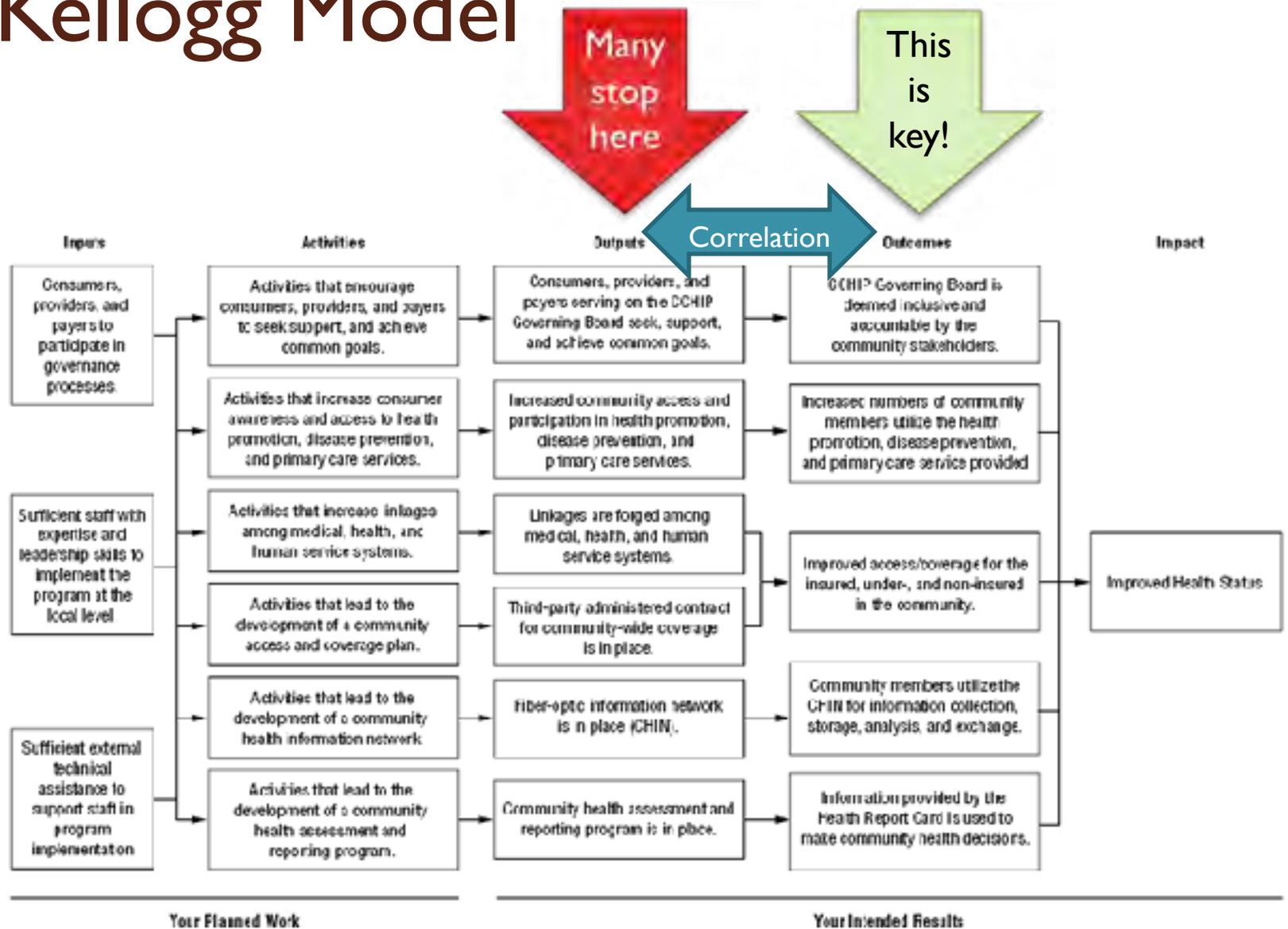
Internal: Measure What Org Does

- Easier and more affordable process
- More tangible results
- Easier to demonstrate achievement

External: Measure Whole Picture

- Better Demonstration of Impact
- More nuanced view of 'ecosystem'

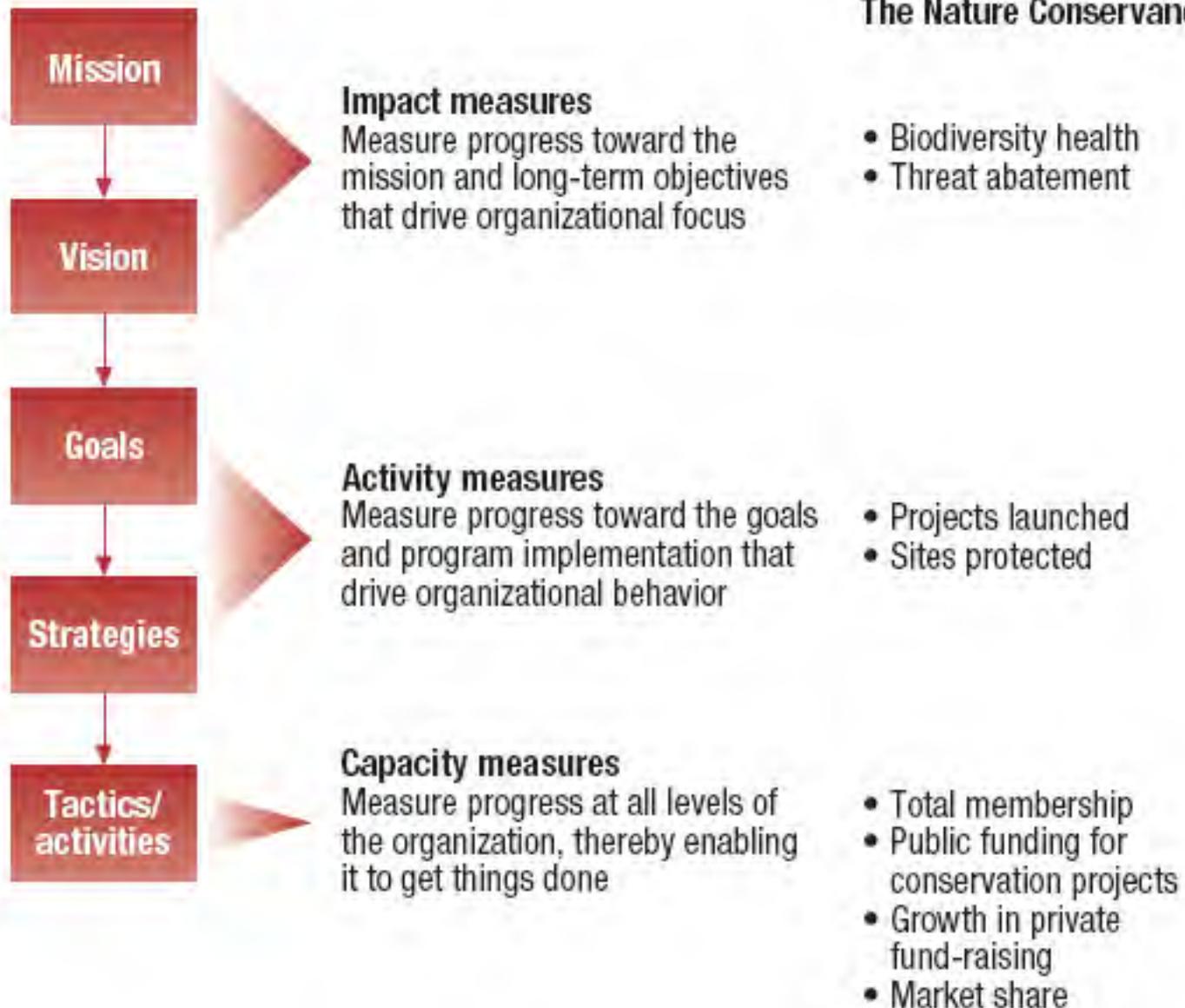
Kellogg Model



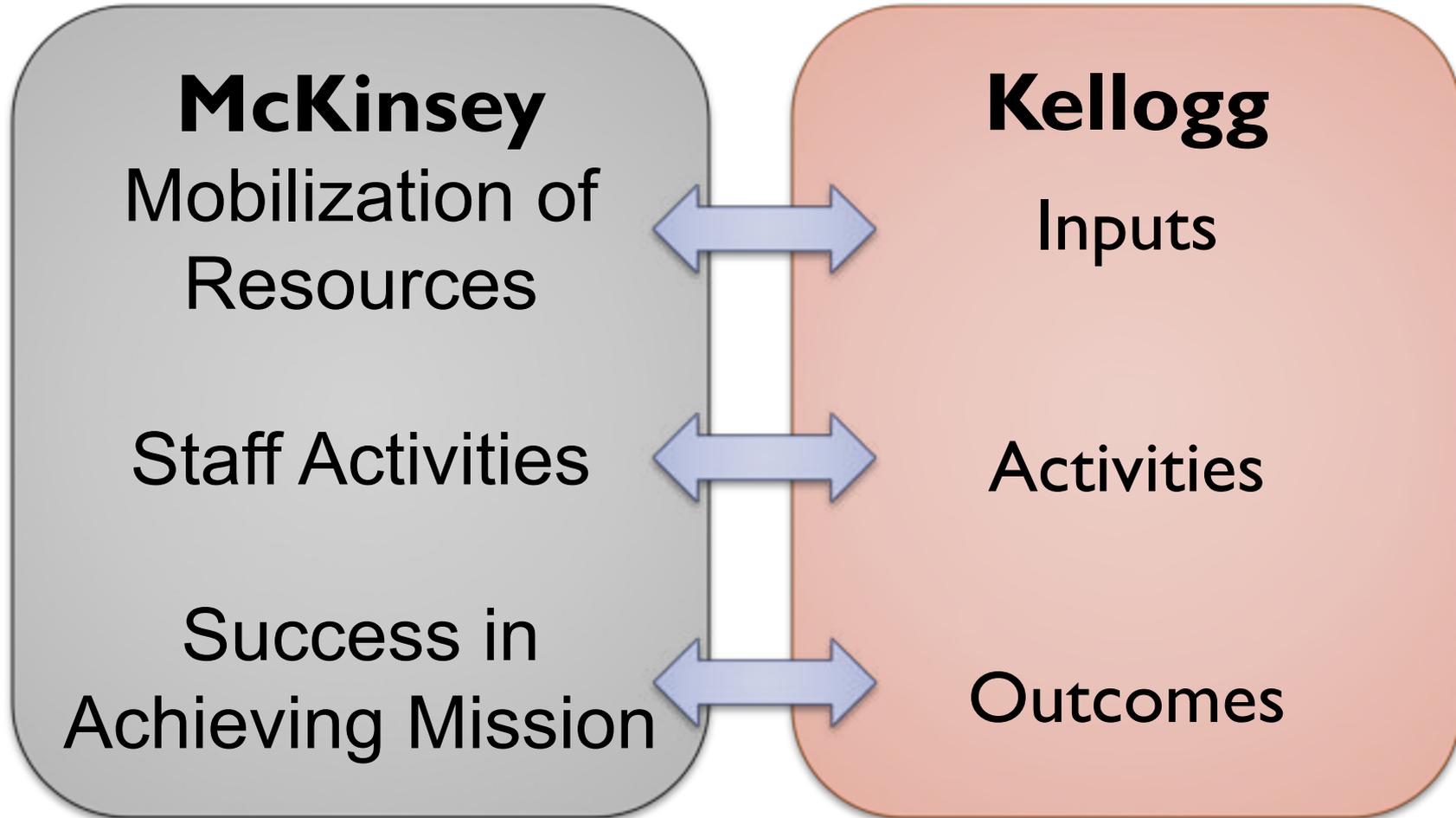
McKinsey Model

Source: John Sawhill and David Williamson, Measuring What Matters in Nonprofits, The McKinsey Quarterly, 2001

© PD-INEL



Model Themes



Another Framework:

- Organizational Survival (Kanter & Summers)

Good to Great Model

- Focus of second half of lecture



Accountability and Policy

Should we strive for a universal framework?

- Diversity of sector doesn't lend itself to monolithic approach
- Can result in a “race to the bottom” (performing to the metrics, not to impact)
- But what this mean about a rational capital market for nonprofits?
- And what about the sector's overall accountability?

Response to Scrutiny?

- Good performance measurement can alleviate hyper- and micro-scrutiny
- Can force organizations to live up to promises
- But what about measures as values – different people interpret differently

Charity Evaluation Services

- **CharityNavigator**: Relies mostly on financial data from nonprofit tax returns.
- **BBB Wise Giving Alliance**: Evaluations of charities based on a set of best practice standards.
- **Givewell**: Independent charity evaluator that performs more comprehensive assessments.
- **American Institute of Philanthropy**: Annual list of national charities graded on an A – F scale.



Masaoka

THE EFFECTIVENESS TRAP

- “With a broader view of effectiveness as a process as well as an outcome, we can pursue broader ambitious goals that take years to evolve.”

Cunningham & Ricks

WHY MEASURE?

- “Donors do not see a need for performance measurement”
- “Donors do not have time for performance measurement”
- “Donors do not have confidence in performance measurement”
- “Donors do not want to see nonprofit resources dedicated to performance measurement”
- “Donors look to institutional funders...”

Kanter & Summers

DOING WELL WHILE DOING GOOD

- “The ideal performance assessment system in a nonprofit organization would acknowledge the existence of multiple constituencies and build measures around all of them...”



Caruso

CAN FOUNDATIONS TAKE THE LONG VIEW AGAIN?

- “Each of three reports conclude that general operating support yielded better results for foundations and grantees alike, particularly as larger grants are offered over a longer period.”