Author(s): Neel Hajra, 2010

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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

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.”

Source: Public Policy 671 winter 2010 student cohort
Ann Arbor Inspired

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

Source: Public Policy 671 winter 2010 student cohort
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.”

Source: Public Policy 671 winter 2010 student cohort
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”

Source: public policy 671 winter 2010 student cohort
### Basic Comparison

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<td>Youth Art appreciation</td>
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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
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


- **Mission**
  - Impact measures: Measure progress toward the mission and long-term objectives that drive organizational focus
  - Metrics used by The Nature Conservancy:
    - Biodiversity health
    - Threat abatement

- **Vision**

- **Goals**
  - Activity measures: Measure progress toward the goals and program implementation that drive organizational behavior
  - Metrics used by The Nature Conservancy:
    - Projects launched
    - Sites protected

- **Strategies**

- **Tactics/activities**
  - Capacity measures: Measure progress at all levels of the organization, thereby enabling it to get things done
  - Metrics used by The Nature Conservancy:
    - Total membership
    - Public funding for conservation projects
    - Growth in private fund-raising
    - Market share
Model Themes

McKinsey
Mobilization of Resources
Staff Activities
Success in Achieving Mission

Kellogg
Inputs
Activities
Outcomes
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.”
“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…”
“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.”