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Report from the Field:

• Ann Arbor living wage ordinance - proposed nonprofit exemption
• NEW’s performance measurement
For Next Two Classes

• Monday (Governance) and Wednesday (Policy Making): Please have good questions for Diana and Tiffany
So Why Measure?

**Organization:**
- Attract Resources
- Management/Strategy
- Competition
- Validation
- Alignment
- Mission!!!!

**Sector:**
- Accountability
- Quality and Reputation Control
- Value and Impact
- Capital Market
- Defense to regulation
- Best practice standards
Business School Perspective?
Good to Great Model
Good to Great

• Huge hit in third sector (a retort of sorts to “business-types”)
• The monograph is NOT based on long-term research (some interviews and examination)
• Interesting HR perspective as well
The Great Equalizer

- Puts nonprofits and for-profits on equal footing (moves from “business concept” to “greatness concept”)

Business = Mediocrity?

• Feels good to say, but…
• True???
G2G’s View on Metrics

- Collins advocates for some kind of system
- Certain level of faith in correlation
- Based on viewpoint that ALL metrics are imperfect

Side note - HBR Article (to be posted):
- Which results will we hold ourselves accountable for?
- How will we achieve them?
- What will results really cost, and how can we fund them?
- How do we build the organization we need to deliver results?
Metrics as “Evidence”

• “Greatness” is a dynamic concept… and NOT about hitting benchmarks
• View of metrics as a compilation of evidence
• Quantitative and qualitative
Inputs vs. Outputs

• For-profit: Money is an input and an output
• Nonprofit: Money is primarily an input
• Common for nonprofits to focus on inputs/activities (the “look how busy we are” syndrome)
Big Hairy Audacious Goal

• Nice idea, BUT…
• …there are deep implications to the BHAG approach when taken seriously
Teach for America Today: The Benefits of BHAG?

• Huge brand / generally excellent reputation
• Record applications (35,000), including 11% of all seniors at Ivy League schools
Cleveland Orchestra: The Cost of BHAG?

• June 2009: The orchestra’s endowment fell by $27 million, or 22 percent, to $97.2 million in the year ended in June 2009.

• Median musician pay in Cleveland in 2009 was $140,200, the orchestra said, which would drop to $134,100 in the first year of a new contract. Benefits include 10 weeks of paid vacation.

• Jan 2009: Orchestra strikes.
  ◦ Musicians: “We have to offer a competitive wage and benefits to maintain the stature of the Cleveland Orchestra,” Boroff, Bloomberg
  ◦ One local TV commentator: “Bad time to strike, folks. No one is going to have any sympathetic for you and your jobs are a 'nice to have' for most of the people in the city and surrounding area, not a must-have.” Beres, WKYC

• Jan 18, 2009: Tentative agreement with striking musicians after an 18-hour negotiating session.
Performance Measurement Take-Aways

- Hard to measure mission achievement
- Often confusion between outputs and outcomes
- Strong performance doesn’t always correlate to strong support
- Response to accountability concerns
- Exposes lack of nonprofit capital/infrastructure
Policy Implications

- Government contract culture and Foundation program focus are anathema to mission-driven sector
- Difficult to establish national standards
- Lack of rational capital markets
- Perhaps application of for-profit concepts in this arena is counter-productive?
Human Resources
Introduction

1. What’s HR like?
2. What are common HR traps?
3. How might this be magnified in the nonprofit world?
The Bus

• Great illustration of issue
• Finding the right riders is HARD
• Nonprofit culture sometimes makes it harder to expel the wrong riders
• But: When done correctly, the mission alignment magnifies performance!
G2G’s NYPD Story

• Feels good, BUT…
• …what are implications on:
  ◦ Morale
  ◦ Leadership transition
  ◦ Goodwill
Science Department Story

• Denying tenure to “good” teacher made space for “great” teacher
• Put your self in the shoes of a department head… what are the implications of this G2G example?:
  ◦ Patience: Do we have the time?
  ◦ Feasibility: Is this a realistic standard?
  ◦ What about other strategic implications??
Illustration: NEW’s Bus

- In eight years: 9 terminations, 3 timely departures

- Implications on:
  - Hiring
  - Culture

![Diagram with performance and alignment metrics](image)

Neel Hajra
HR Policy Implications

• HR critical for sector success, but finding, competing for, and retaining talent is hard.
• Talent still tends to gravitate to money, but nonprofit sector does have some advantages.
• Compensation can be a no-win situation.
• Reputation of sector is a problem, but changing.
• Huge issue with the “next generation.”
Activity Part II: Mission Metrics

• In the same group that created your mission, devise five success metrics that demonstrate mission achievement.