Exploring Alternative Performance Systems

Elizabeth Keating

April 2003
Agenda

- Overview of Performance Research
- The Leading Models
  - United Way System
  - The Balanced Scorecard
- Classic Problem Areas
- What is the capacity of your organization?
Performance Measurement Academics

- Harry Hatry (Urban Institute)
- Gormley (Georgetown) and Weimer (Rochester)
- Kaplan (HBS)
- National Center for Public Productivity (Rutgers University)
- Ammons (North Carolina Local Government Performance Measurement Project, UNC)
- Project on Performance Management and Measurement (Rockefeller Institute, SUNY)
Attributes of Effective Metrics

- Valid
- Reliable (non-manipulatable)
- Understandable
- Relevant/Timely
- Comprehensive
- Nonredundant
- Cost-effective to Collect
- Measures a controllable facet of performance
Performance Measurement Models

Program Outcome Model

INPUTS  \[\rightarrow\] ACTIVITIES  \[\rightarrow\] OUTPUTS  \[\rightarrow\] OUTCOMES

Resources:
✓ money
✓ staff
✓ volunteers
✓ equipment & supplies

Constraints:
✓ laws
✓ regulations

Services:
✓ training
✓ education
✓ counseling
✓ mentoring
✓ internships

Products:
✓ classes taught
✓ counseling sessions conducted
✓ educational materials distributed
✓ hours of service delivered
✓ participants served

Benefits for People:
✓ new knowledge
✓ increased skills
✓ changed attitudes or values
✓ modified behavior
✓ improved condition
✓ altered status

United Way
United Way Approach

- Intended for Program-Level Analysis
  - Has tended to be used for program evaluation

- Reported Focus on Outcomes
  - Many measures are actually outputs (i.e. short-term and in the immediate control of organization)

- Outcomes may be linked to funding
  - Efforts made to improve short term results rather than making strategic decisions about program viability, program design, allocation of resources, staff assessment and training
Performance Measurement Models

Balanced Scorecard (Kaplan)

Note: Purple square also sometimes called learning and growth
Balanced Scorecard

- Widely adopted in business, government and nonprofits

- Some systems internally developed, others externally imposed
  - Trade-off between usefulness for organization and benefit of comparability across organizations for potential funders

- Designed to develop groups of measures in 4 key areas
  - Not clear that it is always a scorecard or balanced
  - May miss some of the areas identified by the family of measures
Classic Problem Areas

- Developing the Goals and Objectives
- Determining Resource Allocation & Program Selection
- Understanding the Input-to-Outcome Relation
- Operating the Measurement System
- Making Disclosures and Performance Assessments
- Setting Performance Targets
- Involving Staff
Developing Goals and Objectives

Mission: Support a religious movement

Objective: Maximize the children attending religious summer camps, while ensuring a minimum quality of experience

Problems:
- Slow to respond to evolving community needs
- Unclear values and mission to develop tradeoffs between multiple objectives
- Focus on outputs not outcomes in statement of objectives
Determining Resource Allocation & Program Selection

...helping old and new camps along the full religious spectrum, while developing a reputation for success

Problems:
- Resources allocated to projects with high likelihood of success
- Funding availability drives program selection
- Lack of controlled experimentation
- Historical precedent and politics lead to diverse and diffuse program selection
Understanding the Input-to-Outcome Relation

...by funding capital improvement projects

Problems:

- Not understanding the transformation from inputs and outcomes (poor cost estimation)
- Lack of funding, staff capabilities, or other resources
- Poor sense of comparative advantage
- Inadequate analysis of community needs or competitors
Operating the Measurement System

...using a measurement system designed by an outside consultant

Problems:

- Organization is not committed to performance measurement
- Staff do not understand how to collect, analyze or interpret data
- Measurement system can not be revised or evolve to meet new needs
Selecting the Metrics

...who also recommended the metrics

Problems:

- Metrics are not consistent with mission
- Metrics are not consistent with the purpose/role of the PM system
- Metrics do not meet one or more criteria for effective measures
- Metrics are not understood by the staff
Making Disclosures and Performance Assessments

... with no plan for disclosing performance to the board, staff, or clients or process for assessing recent performance

Problems:

- Constituents are poorly informed and feel out of touch with the organization
- Organization becomes out of touch with community
- Little organizational learning or improvement occurs from the performance system
Setting Performance Targets

... but with five-year projections for capital expenditures and associated outcomes

Problems:

- Performance targets do not reflect current performance and organizational objectives
- Performance targets are not updated
- Performance targets fail to motivate staff since they are too high or too low.
Involving Staff

... with no clear relation between the PM system and staffing, but risks are implied

Problems:

- Staff are not motivated to be trained to operate the PM system
- Free-rider problem discourages staff involvement
- Staff address risks by:
  - negotiating lower performance targets
  - manipulating the metrics
  - interpreting unfavorable results favorably