

building a performance measurement system

USING DATA TO ACCELERATE SOCIAL IMPACT

by Andrew Wolk, Anand Dholakia, and Kelley Kreitz

ABOUT THE AUTHORS



Andrew Wolk

Widely recognized as a leading social innovator and a pioneering teacher of social entrepreneurship, Andrew founded Root Cause in 2004 and continues to lead its strategic direction. He consults to organizations across the nonprofit, for-profit, and government sectors that are seeking to advance effective solutions to pressing social problems. In addition, he has authored a number of publications on social innovation. They include a report for the Aspen Institute on policy recommendations for advancing social innovation, a chapter on social entrepreneurship and government in the Small Business Administration's 2007 annual report to the President of the United States, and Root Cause's first *How-to Guide, Business Planning for Enduring Social Impact*. In 1999, Andrew designed and taught one of the first courses on social entrepreneurship in the country. For the past five years, he has taught social innovation and entrepreneurship at MIT. He is also a Gleitsman Visiting Practitioner in Social Innovation at the Center for Public Leadership at Harvard University's Kennedy School of Government.



Anand Dholakia

Anand is a senior consultant at Root Cause. Since joining Root Cause in 2005, he has led business planning engagements for nonprofits and government agencies in a variety of fields, including aging, civic engagement, microfinance, transportation, and youth development. Anand has also worked extensively in the field of performance measurement and has developed performance measurement systems for numerous organizations in the United States and Bermuda. Before joining Root Cause, he worked as an independent consultant to nonprofits and social enterprises in Greater Boston and in India, completing projects in strategy, business planning for earned income ventures, market research, and financial modeling.



Kelley Kreitz

Kelley developed and launched Root Cause's knowledge sharing initiative in 2006. As Root Cause's chief knowledge officer, she works with Root Cause consultants and clients to develop practical and field-building resources for advancing social innovation. She co-authored Root Cause's first *How-to Guide, Business Planning for Enduring Social Impact*, and has edited a number of publications on social innovation. Before joining Root Cause, Kelley worked for New Profit Inc. on initiatives aimed at building the field of social entrepreneurship and served as the senior writer for GreenBiz.com, a knowledge center on business and the environment.

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InnerCity Entrepreneurs (ICE)

www.innercityentrepreneurs.org

Robert Chambers

Bonnie CLAC

www.BonnieCLAC.org

Marcia Kerz

OASIS

www.oasisnet.org

Esme Williams

Big Brothers Big Sisters of Bermuda

www.bbbs.bm

WHY PERFORMANCE MEASUREMENT?

Performance measurement provides vital information for advancing social innovation: the process of developing, testing, and honing new and potentially transformative approaches to existing social issues. With the right performance metrics, data, and analysis in hand, social innovators—nonprofit organizations, government agencies, and businesses that offer innovative, results-driven solutions to social problems—can make well-informed management decisions to drive continuous improvement and long-term social impact. Integrating performance measurement into day-to-day operations does not have to be complicated or prohibitively resource intensive—and the payoffs make it well worthwhile. Using data to drive decision-making will help social innovators to carry out their missions more effectively. It will also aid in building funder confidence and securing new and returning investments.

In Root Cause’s experience with our clients, the right approach to performance measurement enables leaders of organizations dedicated to social impact to answer such fundamental questions as these:

- How do we know how well our organization is progressing against our mission and goals?
- What should we measure in order to have critical information without becoming overwhelmed with data?
- How should we report and discuss our performance internally among staff and board members to maximize learning?

- Where should we focus our organization's limited resources in order to increase our effectiveness today and achieve sustainability over the longer term?
- How can we most effectively measure and communicate our performance and impact to external stakeholders?

An internally driven performance measurement system will help you to answer these and many more questions as you work to turn your organization's social innovations and programmatic efforts into lasting social impact.

HOW TO USE THIS GUIDE

Building a Performance Measurement System describes a five-step process for building or refining a performance measurement system that will serve as an essential tool for assessing your organization's progress in carrying out its mission and identifying opportunities for improvement.

We have prepared this guide for two primary uses:

1. **A step-by-step, practical guide** to create or strengthen a customized performance measurement system for:
 - Start-up or existing nonprofit organizations (including direct service, advocacy, associations/networks, and capacity-building organizations) seeking to incorporate performance measurement into their day-to-day operations for the first time
 - Organizations seeking to refine an existing performance measurement system

We recommend reading the guide through once in its entirety before getting started on your own performance measurement system. The appendix includes several templates to help you complete the components of your performance measurement system. You may choose to use these templates as points of reference for formatting your own documents. Ready-to-use electronic versions of our templates are also available at www.rootcause.org/PerformanceMeasurement.

2. While this guide focuses on the particular concerns that nonprofits face in developing a performance measurement system, it also provides **an introduction to performance measurement for**:
 - Organizations of all types—nonprofits, governmental initiatives, and for-profit social enterprises alike—whose primary goal is social impact
 - Social impact investors—including foundations, corporations, government, and individuals—seeking to consider performance measurement from the perspective of nonprofit organizations
 - Students of social innovation, social entrepreneurship, and nonprofit management

INTRODUCTION TO PERFORMANCE MEASUREMENT

THE PROMISE OF PERFORMANCE MEASUREMENT

A performance measurement system provides an efficient way for organizations dedicated to social impact to collect and make use of data about their programs and operations. If you consider your organization to be part of the growing field of social innovation, a performance measurement system proves particularly important. It is a tool that informs the process of developing, testing, and honing

Imagine having at your fingertips a clear picture of your organization's progress in achieving its mission and goals.

new and potentially transformative solutions to some of our most pressing social issues, including poverty, unequal access to health care, and the achievement gap in education. Imagine having at your fingertips a concise set of quantitative and qualitative data, which provides a clear picture of your organization's progress in achieving its mission and goals. Imagine a culture of learning that engages your entire staff in data-driven decision-making, helps you identify opportunities for improving your activities and operations, and ultimately accelerates your organization's progress toward enduring social impact. Imagine using data-based evidence of your organization's successes to aid in securing new and returning investments. If this scenario is not yet a reality for your organization, you are not alone. Yet getting there is less daunting than it might seem.

Performance measurement fits within the vast field of evaluation, which has spawned an equally extensive body of literature, tools, and methodologies on the topic. Mastering this complex field is the

work of entire careers. Nevertheless, making use of performance measurement to run the best organization possible does not have to be complicated.

Root Cause's approach to performance measurement offers a comprehensive, flexible framework that any organization can customize. This simpler alternative to other measurement systems can complement any strategic tools or methodologies that your organization may be using, such as the Theory of Change and logic models. Our performance measurement system will help streamline your existing measurement efforts. It is also ideal for organizations that are seeking an efficient approach to building a performance measurement system from the ground up.

Chances are your organization is already measuring at least some of your work—particularly in response to outside demands. In the nonprofit sector, funders increasingly require organizations to provide data to document the use and impact of their funding. That is particularly true for **social impact investors** who consider their funding an investment in successful approaches to a target social problem and look for a measurable social return. Similarly, government agencies require performance data to support accountability and transparency. Despite these demands, externally driven measurement does not necessarily serve internal performance assessment needs. An organization may have data relating to a few select programs and initiatives, but little understanding of its organization as a whole, and piecing together a measurement system based solely on external requirements can lead to an overwhelming flood of fragmented data.

A performance measurement system establishes a culture of learning that leads to increased social impact.

Instead, what's needed is a customized, internally driven performance measurement system that meets your external stakeholders' requirements while also empowering your organization to make strategic internal decisions and improvements. Ultimately, a performance measurement system establishes a culture of learning that leads to increased social impact—which, as we have seen, current and potential social impact investors appreciate.

Case in Point: Advancing Social Innovation through Performance Measurement at InnerCity Entrepreneurs (ICE)

At Root Cause, our own experience illustrates how using performance measurement as a tool for internal learning and improvement is well worth the effort it requires. InnerCity Entrepreneurs (ICE) began in 2004 as a Root Cause social enterprise that helps a diverse group of urban entrepreneurs strengthen and grow their existing businesses. The initiative promotes job creation, wealth generation, and community development.

Early on, ICE began collecting data as part of a performance measurement system that has proven instrumental in honing the organization's approach to small business development. For example, during a review of its data in 2006, the organization identified a drop in applications from potential participants. Further investigation indicated that the businesses ICE targeted generally took more time to decide to commit to the organization's rigorous business-training program than the recruitment process allowed. As a result, ICE started its recruitment process for 2007 six months earlier than usual. Consequently, ICE received more applications to its Boston program than in earlier years—in fact, 60 percent more applications than the previous year.

Making a commitment to tracking and communicating its results to external stakeholders through an annual external report, which we call a **report card**, also helped the organization retain its original social impact investors while attracting new ones. For example, in 2005, ICE found that its graduates in its first two years of operation had created 77 new part- and full-time jobs in Boston. Fifty-nine percent of those jobs went to residents from the businesses' local neighborhoods. Reporting this performance data externally helped ICE secure several new funding sources, including a multi-year funder who helped to cover the salary of a CEO, a new position aimed at enabling the organization to scale nationally. By 2009, ICE had launched two more Massachusetts locations in Worcester and the Merrimack Valley. The organization also secured a partnership with the Small Business Administration (SBA) through its Emerging 200 (e200) Initiative in order to bring ICE's StreetWise Steps™ curriculum to 15 cities across the United States.

As ICE's experience demonstrates, internal performance measurement systems enable organizations to make ongoing improvements to their models, while retaining existing investors and attracting new investments that can further propel their social impact.

WHAT IS A PERFORMANCE MEASUREMENT SYSTEM?

In the private sector, performance measurement enables for-profit organizations to collect data that help identify potential improvements to their business models. By acting on the knowledge provided by this data, an organization can ultimately increase its financial performance. As one business management article explains, a “business model is just a model. It is based on a series of assumptions that might not be valid.”¹ Performance measurement can help turn assumptions into well-understood facts and show the way to improvements that lead to more effective business models.

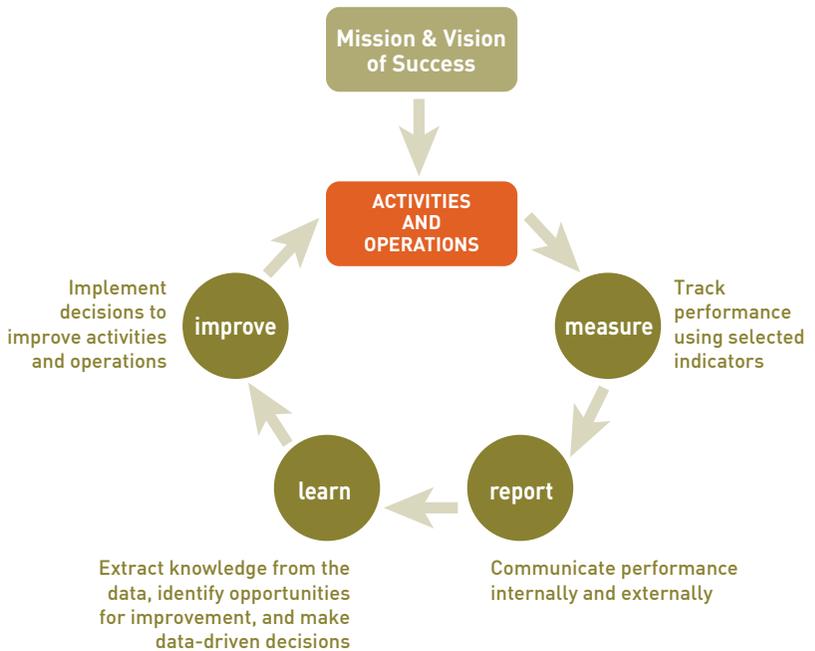
Performance measurement can help turn assumptions into well-understood facts and show the way to improvements.

Performance measurement serves a similar purpose when applied to advancing social innovation to address social problems. It helps identify opportunities for improvement in an organization's approach to achieving social impact, and it can inform day-to-day and longer-term decision making.

As illustrated in Figure 1, a performance measurement system constitutes a cycle that includes four major phases of activity. In what follows, we discuss each phase and introduce several key components of a performance measurement system.

1 Neely, Andy and Mohammed Al Najjar. “Management Learning Not Management Control: The True Role of Performance Measurement,” *California Management Review* 341 (2006): 102.

Figure 1. The Performance Measurement Cycle



Mission and vision of success: The mission articulates an organization's purpose, and a vision of success describes how the world will be different if the organization succeeds in carrying out its mission. The mission and vision of success work together to guide an organization's activities and operations.

Activities and operations: Activities are any programs, services, and initiatives run by an organization. Operations are the organizational infrastructure that supports these activities, including human resources, technology, and financial management. Together, activities and operations constitute everything an organization does to carry out its mission and realize its vision of success.

The performance measurement cycle starts and ends with an organization's activities and operations, as it continually moves through the following phases:

Measure: Organizations operating performance measurement systems use **indicators**, metrics that are tracked regularly, to assess their activities and supporting operations.

Report: To compile performance measurement data into a format that is easy to analyze, organizations can use two main types of reporting tools:

1. A **dashboard** includes a focused selection of indicators to provide periodic snapshots of the organization's overall progress in relation to past results and future goals. All performance measurement systems should include a **management dashboard**, which enables an organization's leadership team to track overall organizational performance. Many organizations also choose to create **program-level dashboards** to track individual programs or internal areas, such as marketing or human resources, at a more detailed level.
2. A **report card** contains highlights from an organization's internal dashboards and facilitates sharing data externally with social impact investors and other stakeholders. This external reporting tool helps to establish accountability with social impact investors.

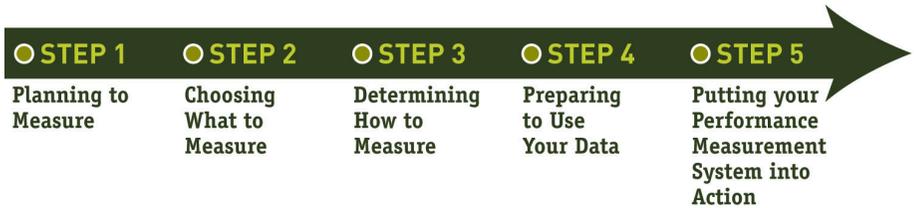
Learn: Using the reporting tools listed above, an organization's leadership and other key staff members review and interpret performance data in order to make well-informed decisions and identify opportunities for improvement and necessary course corrections.

Improve: The organization implements its decisions to improve its activities and operations. From there, the performance measurement cycle begins again.

BUILDING YOUR OWN PERFORMANCE MEASUREMENT SYSTEM

This introduction has described the promise of performance measurement and provided a preliminary description of a complete performance measurement system. The rest of this guide will walk you through our five-step process to build or refine a performance measurement system (see Figure 2 below), which we have developed through our own experience and our work advising social innovators in the United States and abroad.

Figure 2. The Five-Step Process to Build a Performance Measurement System



MAKING A COMMITMENT: WHAT TO CONSIDER BEFORE YOU START

While we believe that performance measurement is an essential and accessible tool for any organization, it is important to understand the commitment it requires. The organizations that benefit the most from performance measurement typically have the following commitments in place before they get started.

A commitment to...

✓ **Employ knowledge drawn from your data to drive decision-making:**

Your organization, particularly senior leadership, must commit to examine results critically and learn from them. Building a performance measurement system will not be worth the effort unless you take action as opportunities for improvement are identified.

✓ **Devote staff time to build the performance measurement system and oversee performance measurement once the planning process has ended:**

Think about the resources required for planning and implementing a performance measurement system. The initial development phase may require a few weeks to several months, depending on the size and complexity of your organization. You will need at least one staff person to devote a portion of his or her time to leading the effort and several others at multiple organizational levels to contribute to the overall design, develop measurement tools, and put processes in place.

As we will discuss in more detail in the pages that follow, once you have developed the performance measurement system, we recommend assigning responsibility to a senior staff member to ensure the system is maintained. We also recommend assigning a group of staff members, including leadership, the responsibility for regularly reviewing your data, drawing conclusions, and ensuring that the lessons learned inform future decision-making.

✓ **Agree on the organization's mission and vision of success:**

It is important to have a clear sense of your mission before getting started. We also suggest articulating a vision of success, which describes what the world will look like if your organization succeeds in its work, to help guide the process of choosing what to measure.

Building a performance measurement system will likely raise questions about how you interpret your mission and which actions are most important for achieving it. Anyone involved in the process should be committed to reaching a consensus when the need to bring your mission and vision into sharper focus arises. If your organization is in the middle of reevaluating or revising its mission or vision, it is best to complete that process before developing a performance measurement system. (For help clarifying your mission and vision of success, we recommend the first *How-to Guide* in our series: *Business Planning for Enduring Social Impact*.)

STEP 1

PLANNING TO MEASURE

GOAL: Assemble a working group that will develop your performance measurement system. Audit your current measurement activities.

FORM A PERFORMANCE MEASUREMENT WORKING GROUP

To get started, form a performance measurement working group that includes your organization's leader and key program staff. Designate one person to direct the group. Measurement working groups typically include one to five people, depending on the size of the organization. Be sure to include anyone who will be critical to getting the performance measurement system up and running once it is in place.

CONDUCT A PERFORMANCE MEASUREMENT AUDIT

A performance measurement audit will help you build on any existing measurement practices that your organization may already have in place.

To conduct the measurement audit, answer the questions below. (Appendix A provides a template to guide you through answering these questions and documenting your responses.)

- 1. What indicators are you currently tracking?** Compile a list of all the indicators that your organization currently tracks, both quantitative and qualitative.

2. **How and when are you tracking these indicators?** In most organizations, multiple staff members involved in activities and operations engage in data collection using a variety of tools to capture data at different times. For all of your current measurement practices, list who is measuring, when, and how.
3. **Where and how are you storing your data?** Make sure you know where all of the data currently collected by your organization end up. Take stock of all file collections, spreadsheets, databases, accounting systems, and other tools. Create a master list of data storage locations, if you do not already have one.
4. **How are you reporting your data?** Methods of reporting your data can include dashboards, report cards, annual reports, stakeholder newsletters, and internal program reports. For each report, assess which indicators and other content are reported, to whom, and how often. Also document who develops the reports.
5. **How are you reviewing and using your data?** Assess how your organization makes use of collected data. Who reviews your performance reports and when? Do you hold regular performance review meetings? How do you analyze and interpret data? How do you incorporate conclusions drawn from your data into decision making?

CONCLUDING STEP 1

Your answers to the questions asked in this step will provide a reference point as you build your performance measurement system in the steps that follow. Before you proceed to Step 2, consult the checklist pictured here to ensure that you have completed all of the necessary preparations.

STEP 1 CHECKLIST

- Designated performance measurement working group
- Performance measurement audit documented in the template provided in Appendix A

STEP 2

Step 1 ● STEP 2 Step 3 Step 4 Step 5

CHOOSING WHAT TO MEASURE

GOAL: Choose the indicators that you will use to track your organization's progress toward carrying out its mission. Compile your selections in a master indicator list.

In this critical step, you will select the indicators that will make it possible to assess the fundamental areas of your organization's performance. You will also compile your indicators in a master indicator list that will serve as your starting point for developing additional elements of your performance measurement system later on.

UNDERSTANDING INDICATORS

The wealth of literature on nonprofit measurement and evaluation has generated many ways of thinking about indicators over the years. To keep performance measurement as simple as possible, we focus on the three major categories of indicators that are summarized here in Figure 3 and explained in the pages that follow.

Figure 3. Categories of Indicators and What They Measure



1. **Organizational health indicators** provide critical insight into your organization's capacity to carry out its mission, including your progress toward what we call **financial sustainability**: capturing a reliable and varied stream of revenue sources to ensure that your organization will be able to exist for years to come.² Such indicators include total revenue and expenses; the percentage of the expense budget covered by committed revenue; the percentage of your income sources that you consider renewable and reliable; and the distribution of your income between foundation funding, individual donors, earned income, and other sources.

Organizational health indicators should also assess the size and quality of your team by measuring the number of staff and volunteers, in addition to staff and volunteer satisfaction. Many organizations also decide to track their effectiveness in implementing new plans or meeting organizational goals.

As you begin measuring your organizational health indicators regularly, they should provide you with a sense of how your financial and operational capacity is changing over time.

As you begin measuring your organizational health indicators regularly, they should provide you with a sense of how your financial and operational capacity is changing over time.

2. **Program performance indicators** focus primarily on your organization's activities and the **outputs**, or the short-term results, produced by those activities. Depending on the nature of the organization's work, program performance indicators could include the number of individuals enrolled in a given program, members in an association, partner organizations, individuals engaged through advocacy efforts, or individuals reached through

² For information on how to create a financial sustainability plan, see *Root Cause's How-to Guide: Business Planning for Enduring Social Impact*.

a communications campaign. Many organizations also find it valuable to gather demographic information on their beneficiaries or other key stakeholders.

In addition, program performance indicators cover program quality, such as satisfaction level of beneficiaries, program efficiency, and program costs.

3. **Social and economic impact indicators** allow you to assess your organization's **outcomes**, its longer-term progress in meeting its mission and realizing its vision of success. For example, an organization aimed at getting high school students into college would want to know what percent of the program's graduates go on to enroll in a college or university. Depending on its mission and vision, the organization might also decide to track how many of those students complete their degrees or even the types of careers those graduates pursue and their average salaries. Social and economic impact indicators may also measure the costs of achieving an organization's outcomes.

Additionally, this category includes indicators that assess the larger, systemic impact of your work. For instance, you might choose to measure how your approach has impacted the work of other organizations in your field or new stakeholders that you have helped to bring into the effort to address your target social problem. This type of impact often proves difficult to predict, and you may need to document new systemic outcomes qualitatively as they come up.

Many organizations also track indicators that focus on systemic impact from an economic perspective. Do the activities save money previously spent on other programs? Do they help generate new economic activity? We highly recommend choosing a few indicators to answer questions such as these. Eventually, success for any type of organization dedicated to solving social problems relies on its ability to demonstrate both its social and economic impact.

SELECT YOUR INDICATORS

Now let us look more closely at the process of selecting these indicators. For the moment, do not worry about how to track the indicators, as we will undertake that work in Step 3. At this point, focus on what you will need to know in order to assess your organization's success in carrying out its mission and its progress toward its vision of success. Your organization's strategic plan or business plan, along with any additional internal goals should inform your selection of indicators. Keep your performance measurement audit readily available so that you can refer to any indicators that you already track—particularly those required by your social impact investors—while developing your new performance measurement system.

KEY TO SUCCESS

Keep It Simple

Selecting indicators can initially feel overwhelming—don't get hung up on trying to get it perfect the first time. As you integrate performance measurement into your day-to-day operations, you will have opportunities to adjust your indicators over time. At this point, you should focus on what you think will be most helpful in gaining an understanding of your organization's progress towards carrying out its mission.

Choose Organizational Health Indicators

Organizational health indicators are typically more straightforward to select than indicators in the other categories. No matter what type of activities an organization engages in, it always requires financial, team, and infrastructural resources to carry out those activities. Thus, as mentioned above, organizational health indicators for any organization should be chosen to provide a mix of financial sustainability data, information on team capacity, and, possibly, information on effectiveness in meeting its goals and milestones.

Figure 4 lists the indicators that many organizations include in their organizational health category. Using this as your guide, while taking into account your organization's current priorities, make a list of about five to ten organizational health indicators.

Figure 4. Common Organizational Health Indicators

Financial Sustainability	<ul style="list-style-type: none"> • \$ amount of revenue, expenses, net surplus (loss) • % annual expense budget covered by currently committed funding • % variation between budgeted and actual revenue and expenses • # months of cash available at current spending rate • % revenue mix (individuals, foundations, government, earned income, etc.) • # funders at various funding levels, \$ amount, and % of revenue contributed
Team Capacity	<ul style="list-style-type: none"> • # full-time and part-time staff • # board members • # volunteers • # staff hours devoted to each program • ratings of staff and volunteer satisfaction
Implementation Effectiveness	<ul style="list-style-type: none"> • % milestones met • % goals achieved

Choose Program Performance Indicators

Now we can turn to indicators that will help you assess your activities, the outputs they produce, their quality, and their costs. Unlike organizational health indicators, program performance indicators vary greatly depending on programmatic activities in which your organization engages and the social issue your activities aim to address. As you choose this set of indicators, refer once again to your own organization's priorities and goals. Pay particular attention to what you think are the key drivers of your program performance. In addition, look at precedents set by other organizations in your field. They may be using indicators that your organization will need to track as well in order to compare your work and communicate with your peers.

Figure 5 provides a list of sample program performance indicators for several common programmatic areas in which nonprofit organizations work.

Figure 5. Common Program Performance Indicators

Programmatic Areas				
	Direct Service	Advocacy/Policy	Association/ Network	Capacity Building
Activities	<ul style="list-style-type: none"> • # inquiries or applicants • # classes or sessions • average length of service 	<ul style="list-style-type: none"> • # petitions launched • # supporters recruited 	<ul style="list-style-type: none"> • # members • # events • # member communications 	<ul style="list-style-type: none"> • # workshops • # articles disseminated • # coaching hours
Outputs	<ul style="list-style-type: none"> • # beneficiaries served • % participants who complete program 	<ul style="list-style-type: none"> • # petition signatures submitted • # emails, letters, or calls to legislators • # policy proposals developed 	<ul style="list-style-type: none"> • # members engaged through program activity • % members using services 	<ul style="list-style-type: none"> • # clients served • # clients engaging in programming
Quality	<ul style="list-style-type: none"> • % beneficiary satisfaction • % beneficiaries recommending your organization to their peers • qualitative interview data 	<ul style="list-style-type: none"> • % petition drives meeting signature target • % supporter satisfaction • qualitative interview data 	<ul style="list-style-type: none"> • % member satisfaction • % members recommending your organization to their peers • qualitative interview data 	<ul style="list-style-type: none"> • % client satisfaction • % clients recommending your organization to their peers • qualitative interview data
Program Costs	<ul style="list-style-type: none"> • \$ amount for individual program areas • \$ amount per beneficiary served 	<ul style="list-style-type: none"> • \$ amount for individual program areas • \$ amount per campaign, petition, or policy recommendation 	<ul style="list-style-type: none"> • \$ amount for individual program areas • \$ amount per member 	<ul style="list-style-type: none"> • \$ amount for individual program areas • \$ amount per client

To illustrate the selection process for program performance indicators, let's consider a handful of the program performance indicators selected by the Big Brothers Big Sisters of Bermuda (BBBS), an affiliate of Big Brothers Big Sisters International. The organization's mission is to: "create and support one-on-one relationships between caring mentors and young people in need. Through these consistent, long-term relationships with positive role models, our young people, who are primarily from single parent homes, are able to measurably enhance their emotional, social, and recreational well-being and reach their full potential." Its vision is that, one day: "every young person in Bermuda has access to the consistent, caring relationships and positive role models they require to meet their developmental needs and reach their full potential."

Given this mission and vision, the most fundamental indicator of program performance is the number of matches between young people and mentors. Yet, this indicator alone would not provide the organization with enough information to evaluate its model for matching youth to mentors and identify opportunities for improvement. To gain such insight, the organization needed additional indicators that would shed light on some of the processes that the organization undertakes in order to help develop and maintain the critical long-term relationships between mentors and mentees. BBBS determined that it particularly wanted to better understand its recruitment practices. Thus, in addition to the number of youth-mentor matches, the organization chose several program performance indicators to inform these processes, including:

- Number of inquiries received from potential mentors and mentees
- Number of applications received from candidates
- Percentage of adults who submitted an application after inquiring about the program
- Number of applications in process
- Percentage of applications accepted

Since the quality of the mentoring relationship is essential to the program's success, BBBS also chose to assess the satisfaction of youth and mentors participating in its programs.

KEY TO SUCCESS

Choose Indicators that Will Provide You with a Variety of Data Types

Indicators from any of the categories discussed above can provide different types of data. To get the most accurate picture possible of your organization's performance, it can be helpful to ensure that you are collecting a variety of data types. Below, we describe two major groupings to consider. We recommend choosing from each of the groups as you select indicators that will best serve your organization.

Quantitative versus Qualitative: The tension between quantitative and qualitative data is the subject of a timeless debate. Today evaluation experts generally agree that these two types of data support each other, and both are necessary to produce a complete picture of an organization. As the saying goes: "No numbers without stories, no stories without numbers."

Numbers versus Percentages: Quantitative data can take the form of whole numbers or ratios. Generally, a mix of the two is necessary for generating meaningful data. For example, an organization placing high school students in colleges would likely want to look at the number of students who complete its program and the ratio or percentage of participants who complete the program.

Choose Social and Economic Impact Indicators

So far, we have selected indicators that assess the ability of your operations and activities to deliver immediate and short-term results. Organizational health and program performance indicators stay within the scope of day-to-day operations and activities in order to help you determine the strength of your organizational infrastructure and how well you are delivering your programs and services.

In choosing your social and economic impact indicators, you will look beyond the day-to-day to determine whether your organization is achieving its desired social impact. Like program performance indicators, social and economic impact indicators vary greatly depending on the organization.

This stage of creating a performance measurement system tends to be the most challenging, as it intersects with more complex questions raised by the social sciences. Your goal is to make use of existing standards established by researchers and organizations working in your field, while staying focused on collecting the information that will prove most useful in assessing your progress toward achieving your mission and vision of success.

Your goal is to make use of existing standards established by researchers and organizations working in your field.

As with program performance indicators, start by referring to your organization's mission and vision statements, in addition to your latest strategic or business plan. Round out this internal perspective by looking for indicators used by other organizations, in addition to performance measurement categories established by social scientists working in your field. This will help you evaluate the indicators you are considering and identify the most important ones for your organization. If you are unsure where to turn in order to identify the best sources of such information on your field, we recommend hiring a contract researcher to aid you in selecting appropriate social and economic impact indicators. Many organizations find this to be a resource-efficient way to complete this part of a performance measurement system.

Figure 6 lists some sample social and economic indicators for organizations working in four major programmatic areas.

Figure 6. Common Social and Economic Impact Indicators

Programmatic Areas				
	Direct Service	Advocacy/Policy	Association/Network	Capacity Building
Outcomes	<ul style="list-style-type: none"> # beneficiaries experiencing targeted outcomes % success rate 	<ul style="list-style-type: none"> # policy changes implemented # new coalitions created 	<ul style="list-style-type: none"> # members indicating that they experience targeted outcomes % success rate 	<ul style="list-style-type: none"> # clients demonstrating improvement in key capacity areas % success rate
Outcomes Costs	<ul style="list-style-type: none"> \$ cost per successful outcome 			
Impact Generated	<ul style="list-style-type: none"> \$ amount saved in social service costs \$ amount in new economic activity generated Quantitative and qualitative data addressing higher-level systemic outcomes, such as new practices that your organization brought to its field or new stakeholders engaged in addressing the target social issue 			

For an example of how to choose social and economic indicators, consider the experience of Bonnie CLAC. This nonprofit organization provides a Financial Literacy Course and individual budget counseling, car-buying assistance, and loan guarantees to low- and moderate-income individuals. During a business-planning process with Root Cause, the organization defined the following vision of success: “One day, very low to moderate income people will have access to credit at affordable interest rates and a variety of broadly available educational opportunities to obtain a selection of reliable and affordable cars, which lead to improvements in their lives and are consistent with maintaining a sustainable environment.”

To choose indicators that show the organization's progress toward that vision, Bonnie CLAC determined that it would need to look at three major categories of impact. The first two categories—the economic situation of its beneficiaries and the health and lifestyle of its beneficiaries—address the longer-term outcomes of the organization's activities. The third category addresses the organization's systemic impact on the environment.

Recognizing that finding the best indicators within any of those categories could easily constitute an extensive, long-term evaluation project, Bonnie CLAC hired a researcher to review current research in the fields most closely related to the organization's work. By making use of existing research, Bonnie CLAC was able to select the most accepted indicators that would also help the organization assess and improve its progress toward its mission and vision.

- To measure its impact on the economic situation of its beneficiaries, the organization determined that it would look at: improvement in its beneficiaries' credit scores, improvement in their wages; whether or not they were able to keep jobs for longer periods of time; and increase in disposable income.
- To measure its impact on the health and lifestyle of its beneficiaries, Bonnie CLAC chose to assess: access to healthcare; overall health and well-being; and family and community involvement.
- To assess its systemic impact on the environment, the organization chose to look at gallons of gasoline saved and reduced carbon emissions as a result of helping clients to buy more fuel-efficient cars than they would otherwise have been able to afford.

Select Indicators that will Drive Effective Behaviors

Keep in mind that once performance measurement has become integrated into your organizational culture, your indicators are likely to influence staff behaviors.

Consider the experience of OASIS, a national nonprofit that provides lifelong learning classes and service opportunities for older adults. The organization had determined that it needed to shift the focus of its measurement to align with the organization's renewed priority to expand participation in its programs, while increasing participation among low-income populations. OASIS had historically assessed growth by tracking the number of older adults who were registered members at each affiliate organization in its network. This created an incentive for each affiliate to sign up as many members as possible, even though those who signed up for OASIS's free membership did not necessarily participate in OASIS programs. Thus, focusing on membership levels encouraged behaviors that did not necessarily drive the growth that would truly help OASIS achieve its mission.

Increasing the emphasis on indicators that measure the number of active participants, instead of the number of members, positioned the organization and its affiliates to assess growth more effectively. The change also shifted the organization's approach to driving that growth. OASIS staff members and affiliates began to devote more attention to recruiting and retaining active participants rather than solely increasing membership numbers.

COMPILE A MASTER LIST OF YOUR INDICATORS

Compiling the indicators you have selected within a master indicator list will help to ensure that you are choosing the indicators that will be most useful to your organization. As we will discuss in more detail later on, you will draw on your master indicator list to compile a focused selection of key indicators into a master dashboard as well as more detailed, program-level dashboards. These dashboards will enable your organization's leadership to assess performance on a regular basis.

Compiling a master indicator list will help to ensure that you are choosing the most helpful indicators for your organization.

In the sample master indicator list shown in Figure 7, the indicators that have been selected are listed under their corresponding indicator category. The column directly to the right of the "Indicator" column includes a place to check off whether each indicator is currently being tracked. The remaining four columns provide a place to note whether each will be included in the management dashboard or a program-level dashboard. We will assign the indicators to one or more dashboards in Step 4.

Figure 7: Sample Master Indicator List

Indicators	Currently Tracking?	Include in Management Dashboard?	Include in Program-Level Dashboard 1?	Include in Program-Level Dashboard 2?	Include in Program-Level Dashboard 3?
Organizational Health Indicators					
revenue	X				
expenses	X				
net surplus/loss	X				
% revenue mix (individuals, foundations, earned income, etc.)					
# program managers	X				
% milestones met					
Program Performance Indicators					
# program applications	X				
# clients served	X				
# program sessions	X				
% clients male/female	X				
% clients satisfied with program					
% clients who would recommend your program to their peers					
\$ cost per participant					
Social and Economic Indicators					
% participants who achieve program goals	X				
% amount saved in other social services made unnecessary as a result of program					

Using the template provided in Appendix B, take a moment now to plug the indicators that you have chosen into the first column of the master indicator list. Check off any indicators that you currently track.

CONCLUDING STEP 2

As you conclude Step 2, look back over your indicators one more time and ensure that they include any indicators that your social impact investors require you to track. Keep your master indicator list handy as you begin the next step, which will focus on determining how to measure your indicators.

STEP 2 CHECKLIST

- Master indicator list with first two columns completed

STEP 3

Step 1

Step 2

● STEP 3

Step 4

Step 5

DETERMINING HOW TO MEASURE

GOAL: Determine how you will collect your data for each indicator, and select appropriate methods for storing your data. Specify when you will measure each indicator and who will be responsible for ensuring that your indicators are measured.

Now that you have chosen your indicators, you can focus on how to track them. In this step, you will identify any measurement tools that you will use to capture data, choose how you will store your data, and articulate the processes that will enable your organization to track data regularly once the performance measurement system is in place.

As discussed earlier, your organization may already be collecting much of the data for your indicators. If so, this step will provide an opportunity to audit and streamline your existing measurement practices.

PREPARE YOUR MEASUREMENT TOOLS

Turn to the master indicator list that you completed at the end of the previous step and take a look at the column labeled “Currently Tracking?” For any indicator that you are not already tracking, you will now need to determine how to do so in the future.

The measurement tools and processes you choose will depend on your specific needs and the programmatic areas your organization engages in. Organizations focused on human services, for

example, frequently make use of inquiry and intake forms to collect data on the process of accepting beneficiaries into one or more programs and on the beneficiaries themselves. At BBBS, the office coordinator continuously tracks mentors and youth mentees from their initial inquiries to their acceptance into the program. When the organization first receives an inquiry from a potential mentor or mentee, the office coordinator immediately logs the inquiry directly into a standard computer database. The coordinator also maintains application files for each application received and enters key data from these application files into a program database on a weekly basis. Once applicants are accepted into the program, their files are transferred to a BBBS case manager who oversees the files until the applicants are ultimately placed in a mentoring relationship with a youth mentee. By using this set of tools and an overarching measurement process, BBBS maintains readily available data for several core program performance indicators.

Other common measurement tools include: Web analysis tools such as Google Analytics to track Web site traffic and usage, attendance forms or logs to track participation, and e-mail and Web messaging tools to track communications efforts.

Surveys

For any type of organization, surveys can constitute an especially valuable measurement tool to help track a range of indicators. They are particularly useful for social and economic impact indicators, which often prove challenging to track. Surveys can also serve as tools for measuring beneficiary or staff satisfaction, assessing progress toward a particular short-term goal, or soliciting opinions from stakeholders about new programs and activities that are under consideration. A number of online tools, such as FormAssembly, SurveyMonkey, and Zoomerang, make it simple to develop and distribute surveys internally or externally, in addition to analyzing the data you collect.

The following guidelines will help you to create an effective survey:

- **Know what information you are trying to obtain with your survey.** What indicators are you seeking to track with your survey? What questions about your organization, programs, or stakeholders do you ultimately hope to answer?
- **Specify the target audience of the survey.** Are you seeking to reach staff, board members, beneficiaries, or other external stakeholders?
- **Develop questions that will address your audience clearly and generate the information you need.** As you develop your own survey or interview questions, refer back to the indicators that your survey will seek to track. Try to be as clear as possible in formulating your questions in order to ensure that they will generate useful data. Also, consider including a few open-ended questions that can help to add depth and context to your quantitative results. Pay attention to the total number of questions and overall length of the survey, making sure that you do not overwhelm your audience with too many questions.

If your organization does not have research expertise internally, an external research consultant can help to vet your survey questions.

- **Determine the best way to reach your target audience.** Organizations generally decide whether to collect survey data online, by phone, or in person by determining which method will most reliably obtain the necessary information. If you can rely on your survey groups to complete an online questionnaire with accurate data on their own and get back to you in a timely manner, this is often the most cost-effective choice. However, if you imagine needing to do repeated follow-ups to receive the completed surveys, and your survey group is manageably small, a phone call or in-person survey may be a better option.

- **Determine the frequency with which you will conduct your survey.** This will depend on such factors as the purpose of the survey, the structure of your programs, the way in which beneficiaries are served, and internal and external reporting requirements. For example, service organizations may choose to survey program participants at the end of their program cycles or at another fixed periodic interval. Surveys may also be used as tools to answer one-time strategic questions. When determining survey frequency, pay attention to avoiding survey overload of your target audience.
- **Test your survey.** If you are planning to survey a large group, testing your survey first on a sample group will help you to ensure that it provides the information you need.

KEY TO SUCCESS

Seek Streamlined Methods of Collecting Data

At times, you may come across an indicator that is difficult to measure with any of the tools mentioned above. When that happens, do not throw out the indicator altogether. Instead, you will need to look for a way to make an accurate estimate that you can improve upon over time.

For example, while developing its performance measurement system, OASIS determined that, in order to assess its progress in carrying out its mission, the organization needed to know the number of low-income older adults enrolled in its classes. OASIS did not want to require its participants to disclose household income information, so the organization found an alternative: gathering household zip codes from each person who registered for a class as a proxy to identify those who lived in neighborhoods that qualify as low income. Using zip codes allowed the organization to estimate participant income from readily available census data. Since OASIS sought to increase the number of low-income residents served by its programs, one of its indicators became “the number of program participants living in poverty-area zip codes.”

DETERMINE WHERE TO STORE YOUR DATA

As you select methods for tracking your data, it is also important to make sure that you are storing your data in a centralized place that is easy to access and update. Ideally, the processes for tracking your indicators created so far in this step will link directly to your data-storage tools so that data are compiled as soon as they are captured. As a result, ongoing data tracking will be more streamlined and can be integrated into daily operations and the culture of the organization.

We recommend three main data-storage options, listed here from least to most robust:

1. Spreadsheet software
2. Standardized or packaged database, customer relationship management, accounting, or other software
3. Custom-built database or other software

Your selection from among the above options will depend on the size of your organization, available resources, and how long the organization has been operating. Many small organizations use a simple Microsoft Excel **spreadsheet** to track all of their indicators. If you are currently using a paper-based system, we recommend moving your information to a spreadsheet, which will simplify the process of tracking and using your data down the line.

Databases offer a more robust way of collecting and organizing data. Standardized databases, such as Microsoft Access and Salesforce, are powerful data storage tools. If you choose this option and do not already have it up and running, you may want to consider hiring a technology expert to help you set up the database to meet your organization's needs. A number of packaged program management software options are also available for organizations working in specific areas such as human services or community development.

Large organizations with unique data needs may find it most cost-effective to create **customized software**. OASIS, for example, worked with a software developer to create a custom database that allows the national office and all of its 21 local centers to enter and

directly access data relating to organizational health, program performance, and social and economic impact indicators. These data are instantly accessible via a range of custom reports that can be generated by either local centers or the national office.

ASSIGN RESPONSIBILITIES

Also, make sure you assign the responsibility for tracking your indicators. If your organization has multiple programs, for instance, you may divide the indicators among program managers. After you have developed your tools for reporting this data in the next step, these program managers may further delegate performance measurement tasks.

In tandem with assigning responsibilities, you should provide guidelines for when data should be collected. As the examples in this step indicate, you may collect data at different times, depending on the indicator. Some operational and program data will come in on an ongoing basis; surveys might be conducted annually or several times per year.

CONCLUDING STEP 3

As you reach the end of this step, you should have a clear understanding not only of how you are measuring each indicator, but also who will measure, when, and where the data will be stored. Take a moment to document your approach to collecting and storing data for each indicator before proceeding to the next step. You may revisit some of these processes after you assign your indicators to a management dashboard and, possibly, additional program-level dashboards in the next step.

STEP 3 CHECKLIST

- List of measurement tools, storage locations, and managers responsible for measuring indicators

STEP 4

Step 1

Step 2

Step 3

● STEP 4

Step 5

PREPARING TO USE YOUR DATA

GOAL: Build your management dashboard and any additional program-level dashboards that you would like to use. Establish a team and schedule for reviewing your management dashboard and any program-level dashboards. Finalize measurement and reporting responsibilities. Understand how to analyze your data.

Raw data are about as useful as no data at all. Thus, this step will prepare your organization to make use of the data you collect. You will create your reporting tools—a management dashboard and, possibly, additional program-level dashboards—in order to facilitate review and analysis of your data. You will also name the team members who will review performance results regularly, in addition to establishing the review schedule that this team will follow. By the end of this step, the team members to whom you assigned responsibility for measuring indicators in the previous step should have the information they need to finalize their processes and further delegate responsibilities, if necessary. In addition, our discussion of data-analysis techniques here should provide you with a basic understanding of how to use your data to identify and make continuous improvements to your activities and operations.

BUILD YOUR REPORTING TOOLS: DASHBOARDS

Once your performance measurement system is up and running, your dashboards will become your organization's primary tools for reviewing data and drawing conclusions. The purpose of any dashboard is to provide a snapshot of your organization's progress on its way to its vision of success. A dashboard includes a focused selection

of indicators drawn from your master indicator list. For each indicator, it shows current results in relation to:

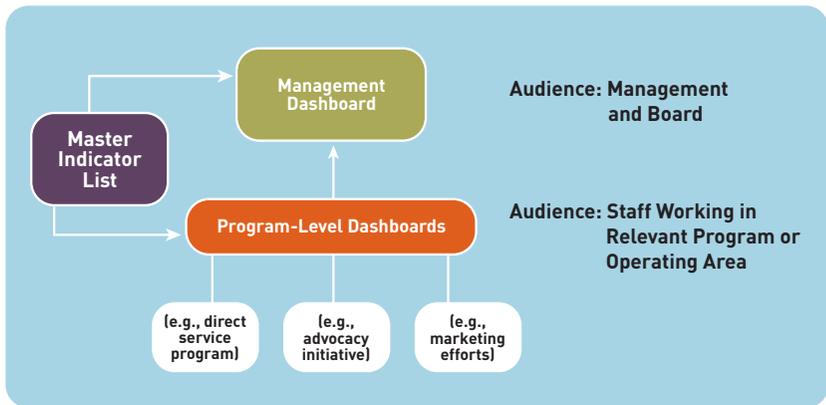
- A **baseline**, or initial measurement. For some indicators, you may be able to define your baseline right away if data from the previous months or years are available. If you do not yet have data, you will need to wait until the performance measurement system is up and running to collect a first round of results.
- A **target**, the result that you will work to achieve within a specified period. Targets should be based on your own organizational goals. Whenever possible, they should also relate to existing standards in your field.

There are two main types of dashboards:

1. **Management dashboard:** All performance measurement systems should include this management-level reporting tool, which provides a birds-eye view of your organization's performance through a selection of key indicators from your master list. Your organization's leadership will review the management dashboard regularly in order to analyze organization-wide successes and challenges in carrying out your mission.
2. **Program-level dashboards (recommended):** If your organization is big enough to include multiple programs or departments, we highly recommend creating additional program-level dashboards, which track the performance of individual programs, initiatives, operating areas, or departments at a more detailed level. A program-level dashboard will contain only the information relevant to managers and other key team members working in a specified area, which might be a particular initiative, or an internal operating area such as marketing or human resources.

Figure 8 illustrates how these two kinds of dashboards work together as part of a performance measurement system. Drawing a selection of indicators from the master indicator list, the management dashboard informs your management team and board, while any program-level dashboards provide relevant data to leaders and staff members of individual programs or other key operating areas. As the arrow connecting the two kinds of dashboards indicates, these program-level dashboards should inform the management dashboard. We recommend including a few key indicators from any program-level dashboards in your management dashboard in order to ensure that the management team stays connected to the work and goals of individual programs and activities.

Figure 8: Overview of Performance Measurement Reporting Tools



Create Your Management Dashboard

Now let's take a closer look at what a management dashboard should contain. Figure 9 provides a sample management dashboard based on a dashboard that BBBS recently began to use. As you can see, the dashboard has been designed to facilitate quarterly reviews of the organization's data. To place current and future quarterly results in context, the columns labeled "2008 Baseline" and "2009 Target" show past performance and end-of-year goals for each indicator.

Figure 9: Sample Management Dashboard

Indicator	2008 Baseline	Q1	Q2	Q3	Q4	2009 Year to Date	2009 Target	Difference from 2009 Target to Date
Organizational Health								
Financial Sustainability								
Revenue	Financial data withheld for privacy purposes							
Expenses								
Net Surplus/Loss								
Team Capacity								
Case Managers	3	3				3	tbd	tbd
Case Manager Hours per Week	40	40				40	50	(10)
Program Performance								
Recruitment of Big Brothers and Big Sisters (Mentors)								
Inquiries	74	28				28	60	(32)
Applications	44	7				7	49	(42)
Orientations	36	10				10	49	(39)
Application/Inquiry ratio (%)	59%	tbd				tbd	82%	tbd
Applications in Process	17	11				11	n/a	n/a
Recruitment of Little Brothers and Little Sisters (Mentees)								
Inquiries	82	20				20	115	(95)
Intakes	58	14				14	98	(84)
Intake/inquiry ratio (%)	71%	70%				70%	85%	(15%)
Matches								
Current Matches	119	125				125	147	(22)
Social and Economic Impact								
Success of BBBS Matches								
Mentees improving self-esteem (%)	n/a	tbd				tbd	tbd	tbd
Mentees improving values/ responsibility (%)	n/a	tbd				tbd	tbd	tbd
Mentees improving academic performance (%)	n/a	tbd				tbd	tbd	tbd

The way in which the indicators in Figure 9 have been organized provides insight into the process of selecting indicators for the management dashboard. Notice that within each of the three main categories of indicators (organizational health, program performance, and social and economic impact) the dashboard contains a number of subheadings. BBBS selected these subheadings based on its current management concerns and goals in order to ensure that the indicators that it selected from its master indicator list would address the organization's most pressing strategic questions. To provide a snapshot of organizational health, BBBS's dashboard focuses on financial-health data (withheld here for privacy purposes)

As an organization fills in the blanks of its management dashboard on a regular basis, it will be able to assess the core elements of its performance and how they change over time.

in addition to information on the size of its team. The organization's program performance indicators focus on recruitment of mentors and mentees because these are the primary drivers of BBBS's core work of establishing and maintaining mentoring relationships. The fact that this part of the dashboard includes more indicators relating to the recruitment of mentors than indicators showing the recruitment of mentees reflects a major organizational priority: increasing the number of mentors recruited to better meet the large demand from youth interested in becoming mentees. The social and economic impact category completes the story by showing the success of the mentoring process once mentors and mentees have been matched. (The spaces marked "tbd" in this section show areas that the organization has recently begun measuring and will begin to report later in the year.)

As BBBS continues to fill in its management dashboard on a quarterly basis, it will be able to assess the core elements of its performance and how they change over time.

The actions below will walk you through the process of creating your own management dashboard. (Appendix C provides a template to help get you started.)

Choose your subcategories

To aid in the selection of indicators to include in your management dashboard, and to ensure that it is user-friendly, define subheadings that will help guide reviewers of the dashboard. There are numerous ways to organize any dashboard. What is most important is that it presents information in a logical and intuitive format, which will help the individuals reviewing it to interpret the data presented in relation to key organizational goals. For example, as discussed above, BBBS organized its program performance indicators to aid in assessing its core recruitment processes and the corresponding results by creating subcategories focused on the recruitment of mentors and mentees (process) and on the length and quality of the matches created between them (results).

Identify the most important indicators from your master list

Think about which indicators will give you the best sense of the organization's overall capacity, its progress toward its mission, and any current strategic priorities that require management attention. Keep in mind that the management dashboard may end up being weighted towards certain categories of indicators—as we saw above in BBBS's focus on program performance indicators that tracked its mentor recruitment process.

If you are unsure how to get started, try distributing a copy of the master indicator list to each member of your measurement working group and ask them to check off the indicators that they feel are most important to review at the management level. You can use these sheets as a starting point for selecting your final list of indicators for the management dashboard.

As you make your final decisions, revisit your subcategories and adjust them as necessary to organize your indicators as clearly as possible. On your master indicator list, check the column labeled "Include in Management Dashboard?" for any indicator that you selected.

Create Your Program-Level Dashboards

If you run an organization with multiple programs or initiatives, we highly recommend creating additional dashboards to aid managing staff in monitoring those areas on a more detailed level. You might also create dashboards to help internal departments, such as marketing and operations, set and monitor progress towards their own targets.

To create any program-level dashboards that you decide upon, follow the steps that you used to create the management dashboard above. We have provided a basic template in Appendix D to help you format your program-level dashboards. Also, check off the indicators that you select in the appropriate column of your master indicator list. Finally, return to your management dashboard and make sure that it includes a few indicators that will help your management team stay connected to what your program-level managers will track.

Review Your Master Indicator List

Once you have gone through the process of selecting the indicators to be included within your dashboards, refer to the master indicator list and note any indicators that have not yet been selected. At this point, work with the measurement working group, in addition to the managers to whom you assigned responsibility for tracking indicators at the end of Step 3, to determine whether these remaining indicators belong on a dashboard so that you can track and analyze them. You may decide to hold off on measuring these remaining indicators for the moment and reconsider them once you have been through a few cycles of your performance measurement system.

PREPARE YOUR DASHBOARDS FOR PERFORMANCE REVIEWS

Now that you have developed the basic structure for your dashboards and selected the indicators to measure, you can add some depth and basis for comparison by defining preliminary baselines and targets for each indicator.

Determine Preliminary Baselines

To define your baselines, start by referring to your performance measurement audit to locate any currently stored data that pertains to your indicators. Fill in the relevant spaces in the “Baseline” column. If you could easily collect baseline data for any of the remaining spaces in this column, do so at this point.

Since you likely selected a variety of new indicators that are not yet being tracked, there will be some cases in which baseline data are not yet available. Following the example of BBBS above, mark those spaces as “tbd” for now. When you launch your performance measurement system, you will begin filling in those blanks.

Define Your Targets

Next, for each indicator on your dashboards, identify the target that you will be aiming for and when you hope to reach it. Based on past performance and any current plans and goals, what results does the organization aim to achieve for each indicator? Remember that targets can be moving or fixed. For example, you may set a target for client satisfaction at 95 percent, which may remain constant over time, while your target for program participants may be raised each year.

A good rule of thumb is to begin by setting improvement-oriented, but realistic targets, which you and key members of the organization feel confident you can meet. For example, consider a membership organization that has chosen the total number of members as one of its primary performance indicators. Its baseline membership is 20,000, and it has set a target of hitting 30,000 by the end of its next annual performance measurement cycle. If the organization is in an early phase of growth and seeking to expand to new geographic areas or new member types, this may be reasonable. However, if the organization has been growing its membership at an annual rate of four percent per year for the past three years, and is now primarily allocating resources toward strengthening its infrastructure, a lower target would make more sense.

As you set each target, enter it into the “Target” column in your master indicator list. As with baselines above, you may have some new indicators for which you do not have enough information to set a target at this point. Mark those indicators as “tdb” for now and plan to fill them in as part of the initial cycle of your performance measurement system. Once you have launched your performance measurement system, you will continue to update all of your targets as you gain more experience working with performance measurement, continually collect more data, and build upon your existing knowledge of the organization.

KEY TO SUCCESS

Link Your Targets to Performance Expectations for Your Management and Staff

We recommend linking your targets to performance expectations for the managers and staff members who are directly involved with your performance measurement system. Establishing accountability in this way will help to ensure success.

PLAN FOR REGULAR PERFORMANCE REVIEWS

After preparing the management dashboard and any program-level dashboards that will serve as your primary tools for analyzing your data, you can create a review schedule by taking the actions described below.

Create a Management Dashboard Review Team and Schedule

Start by identifying the group that will review your management dashboard. This team will hold primary responsibility for drawing lessons from your performance measurement system and employing those lessons to inform organizational decision making. If you already have a management team, that team should play this role. If you do not have a formal management team, think about which staff members can provide a range of perspectives to help interpret the data and draw conclusions that will affect your activities and operations. At minimum, we recommend including the organization's leader and leaders of relevant programs or operations areas. You might also consider members of your board.

Next, create a regular meeting schedule. Meetings should take place often enough to ensure that your organizational learning becomes integrated into the culture of the organization and to allow you to react to your learning and make decisions in a timely way. Quarterly reviews are a popular choice among many organizations. Whenever possible, incorporate the review of performance data into existing meetings so that it becomes an integral part of the management function and can directly inform management decisions. Many organizations, for example, make performance data reviews part of ongoing management and board meetings.

Schedule Reviews for Program-Level Dashboards

If you have chosen to create program-level dashboards, now is the time to name the review teams for those reports as well. Typically, these teams should involve the leader of the program, department, or initiative that the dashboard is meant to help assess, in addition to that person's key staff. As with the management dashboard, ask

the designated leader to determine how often the team will review the dashboard and try to incorporate the review schedule into existing meetings.

Assign Responsibility for Updating and Providing Review Teams with their Dashboards

Now determine which staff members will hold the responsibility for compiling data and preparing the management dashboard and any program-level dashboards in time for scheduled review meetings. These individuals may be the same staff members that you assigned to the various measurement tasks in Step 3. At this point, your performance measurement is finalized enough for those staff members to delegate measurement responsibilities, if they choose to do so.

PREPARE TO LEARN FROM AND ACT ON YOUR DATA

Your performance measurement data will contain a wealth of useful information about your activities and operations. In reviews of your management and program-level dashboards, your data should spark and inform deeper interpretation and analysis of why performance turns out the way it does and how it can be strengthened.

Key Questions to Guide Your Analysis

As you review your data, start with these basic questions for each indicator:

- How have results changed over time, either positively or negatively?
- How do results compare to the baseline and targets?
- For indicators being tracked for the first time, what do the results show?

Also, look across all of your indicators to see relationships and patterns, analyze and interpret the results, and begin to ask probing questions and look for answers. In particular, consider:

- Why have results exceeded or missed the targets?
- What are the underlying drivers?
- How do the data align or not with intuitive expectations regarding activities and operations?
- What areas require further research?

Throughout your analysis, look for linkages between organizational performance, program performance, and social and economic impact. In your first few cycles, much interpretation of your data will be based on management and staff expertise and intuition. As you complete additional measurement cycles and have the benefit of historical data, your data will test your intuition, challenge established assumptions, and build a more accurate picture of your performance and its underlying drivers. Ultimately, you will be looking to answer:

- What is working and what is not?
- What opportunities for improvement exist?
- What challenges need to be addressed and how?
- Where should we focus our attention and resources?
- Which decisions regarding our activities and operations should we ultimately make based on this knowledge?

As an example of the type of analysis and interpretation that you will engage in, let's return to ICE. In 2008, the organization saw a decline in the average of total annual sales among that year's class of entrepreneurs compared to previous years. At the same time, the average annual growth rate among its entrepreneurs that year increased in relation to previous years. The drop in average annual sales was explained by the fact that many of the businesses accepted in 2008 were smaller than those accepted in previous years. The increased annual growth rate in 2008 suggested that working with

slightly smaller companies could bring ICE closer to carrying out its mission of strengthening and growing existing businesses. As a result, the organization determined that smaller existing business constituted a key target market that would enable it to increase its impact. Soon afterward, the organization began strengthening its outreach efforts to those businesses, thanks to the conclusions it reached through performance measurement.

Using Graphs and Charts as Tools for Analysis

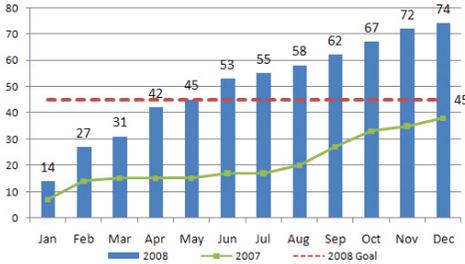
Displaying some of your data visually can help reviewers identify patterns within your data. Many organizations choose to supplement their dashboards with a set of graphs and charts, which can be easily created through applications such as Microsoft Excel. Like the numeric management and program-level dashboards considered above, these visual representations of your data enable the comparison of current performance against past performance and a future target. Which indicators you choose to represent visually and how you present them will ultimately depend upon the preferences of the review team members.

BBBS's experience provides an example of how graphs and charts can facilitate the analysis of results recorded in a dashboard. Figure 10 shows four charts that are part of a graphical dashboard that BBBS uses to supplement its management dashboard discussed above. These four charts focus on the process of recruiting mentors and mentees.

Looking at Chart 1, BBBS was able to make a quick comparison of its cumulative inquiries from individuals interested in mentoring a youth as a big brother or big sister in 2008 with its total number of inquiries in 2007. The 2008 inquiries (pictured here in a bar graph that shows monthly tallies of the cumulative inquiries for the year) far exceed those of 2007 (shown in the solid line that stretches across the bar graph). In addition, comparing the bar graph with the dotted line in this chart reveals that the number of inquiries in 2008 exceeded the organization's goal for that year.

Figure 10: BBBS Sample Graphs

1. Inquiries from Potential Big Brothers and Big Sisters (Cumulative Year-to-Date)



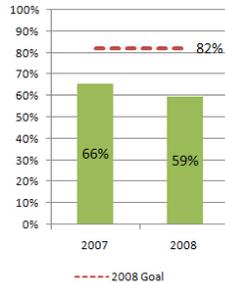
2. Inquiries from Potential Big Brothers and Big Sisters (Month-to-Month)



3. Big Brother and Big Sister Applications Received (Cumulative Year-to-Date)



4. Ratio of Applications to Inquiries



Next, by turning to Chart 2, BBBS was able to further analyze its 2008 inquiry results. The bar graph here shows the number of inquiries received during each month of 2008, rather than reporting them cumulatively, as in Chart 1. The line in Chart 2 shows the same data for 2007. We can see in this second chart that the organization received particularly high numbers of inquiries in January, February, April, and June of 2008. This observation led the review team to formulate the following questions aimed at identifying effective ways to generate more inquiries: “What helped drive the spikes in inquiries in January, February, April, and June of 2008? What had driven the smaller inquiry spikes in January, February, September, and October of 2007? Were there other cyclical factors at work behind the relatively slower months of March, May, July, and December of both 2007 and 2008?” After investigating, the team learned that the inquiry spikes in both years coincided with newspaper coverage of their programs. By looking closely at the format and content of the coverage during those peak months, the team began to formulate messaging

that could help them replicate their success with future media outreach. BBBS also determined that it could benefit from a marketing strategy that would maintain a more continuous presence among key media outlets.

Charts 3 and 4 provide additional examples of the role that graphs play in facilitating data analysis and interpretation. In Chart 3, we can see that, like the number of initial inquiries considered above, the total number of applications submitted by potential big brothers

By regularly reviewing its data, an organization can begin asking questions about its day-to-day activities, which future data can help to answer.

and big sisters in 2008 (shown in the upper of the two solid lines) also exceeded 2007 numbers (shown in the lower of the two solid lines), in addition to surpassing its 2008 goal (indicated by the dotted line). A look at some related data in Chart 4, however, demonstrated that there was actually a slight decrease in the percentage of initial inquiries that

resulted in submitted applications. While this percentage had been 66 percent in 2007, it dropped to 59 percent in 2008. This simple observation led to a valuable insight: although the application number was bigger and exceeded its target in 2008, there was a prime opportunity to further increase the number of applications received by converting more inquiries into applications. As a result, BBBS began to focus on improving the steps used to follow up on inquiries and to process applications more quickly.

As BBBS's experience demonstrates, performance measurement data can help an organization develop a much clearer sense of how it does its work. By regularly reviewing its data, an organization can begin asking specific questions about various parts of its day-to-day activities and operations, which future data can help to answer. These answers, in turn, lead to further insights and increasingly better-informed decisions that drive at deepening an organization's social impact.

CONCLUDING STEP 4

This step has laid the groundwork for reporting, reviewing, and learning from your performance data and, ultimately, applying that learning to make better-informed, more strategic decisions. You should reach the end of this step with a clear sense of the kinds of questions that your performance measurement system will prompt you to ask and enable you to answer. Once you have completed all of the items listed in the checklist pictured here, you can continue to Step 5. In that final step, we provide advice on launching your performance measurement system and improving upon it as you complete your first few measurement cycles.

STEP 4 CHECKLIST

- Management dashboard
- Program-level dashboards (if applicable)
- Management dashboard review team and review schedule
- Review team and schedule for program-level dashboards (if applicable)
- List of measurement and reporting responsibilities
- Understanding of the analysis and questions that the review team will engage in

STEP 5

PUTTING YOUR PERFORMANCE MEASUREMENT SYSTEM INTO ACTION

GOAL: Launch your performance measurement system. Prepare to update your baselines and targets, refine your performance measurement system, and publish a report card for external stakeholders within the first few cycles of your performance measurement system.

The previous four steps have guided you through developing a customized performance measurement system. In this final step, we discuss how to launch your system and how to refine it after you have completed a few cycles. Finally, we describe the process of reporting to your external stakeholders through report cards.

THE PERFORMANCE MEASUREMENT CYCLE

Let's return to the framework of the performance measurement system discussed in the introduction. Now you can see the tasks that your organization will carry out on a regular basis as it repeatedly progresses through the performance measurement cycle.

Figure 11. The Performance Measurement Cycle



Measure: Designated staff members will collect data for the indicators selected in Step 2 via the measurement processes and tools developed in Step 3.

Report: Designated staff members complete and send the management dashboard and any program-level dashboards developed in Step 4 to the appropriate review teams.

Learn: Following the review schedule for your dashboards, also developed in Step 4, the management and program-level review teams meet regularly to interpret and analyze reported data.

Improve: Based on the insights and conclusions drawn from the reported data, the review teams assign responsibilities for implementing improvements to the organization's strategy, activities, and operations.

LAUNCH YOUR PERFORMANCE MEASUREMENT SYSTEM

Your first performance measurement cycle will most likely have some gaps that you will fill in future cycles. For the first cycle, focus on what you have available:

- Begin measuring the indicators that you are prepared to track at this point, using the tools and processes that you developed in Step 3. If you have decided to implement more involved software-based storage tools, use a temporary data-storage location such as a spreadsheet, until your storage tools are ready.
- Report the available data via your management dashboard and program-level dashboards at the time determined by your established review schedule.
- Conduct your initial performance reviews to begin interpreting and analyzing the reported data, paying particular attention to how the review process itself works.
- Make decisions regarding activities and operations based on your data review.
- Update existing or develop new measurement tools and processes as needed.

Along the way, keep track of any questions that come up so that you can address them in future cycles.

UPDATE YOUR BASELINES AND TARGETS

After you complete your first performance measurement cycle and collect new data, you can begin establishing preliminary baselines for any indicators for which you did not have any previous data. Fill in any blanks that you left in your management dashboard and program-level dashboards in Step 4.

You can also adjust the targets that you set when you first created your management dashboard. As you seek to set more accurate targets, consider past trends, current performance in relation to past targets, contextual factors, your organization's most current strategic or business plan, and the input of the stakeholders involved in meeting those targets. Update your targets so that they remain realistic but also ambitious enough to enable your organization to meet its goals. You should continue to revisit and update these targets in future cycles of your performance measurement system.

REFINE YOUR PERFORMANCE MEASUREMENT SYSTEM

As you progress through your first few performance measurement cycles, you will also want to revisit the various components of your performance measurement system itself. You may discover, for instance, the need to add a new indicator or adjust an existing one in order to collect the most useful information. On the other hand, you may find that the data produced by an indicator are not entirely useful. Or the measurement process for that indicator could turn out to be too resource intensive.

For example, in 2008, after four years of data collection, ICE decided to add two new indicators: “percentage of businesses with increased sales” and “percentage of increased sales per business.” These indicators replaced another indicator: “increase in average sales per business.” Together, the two new measures better captured the growth of ICE participants over time.

While making adjustments is common as you learn more about what is most relevant and important to measure, we recommend keeping your changes to a minimum. Your performance measurement system will prove most useful when you are able to collect consistent data over an extended period.

MAKE AN EXTERNAL COMMITMENT TO CONTINUOUS IMPROVEMENT: REPORT CARDS

Once you have completed the performance measurement cycle enough times to feel comfortable with it, you can begin to share some of your data and conclusions with external stakeholders. This can be done through existing publications, such as an annual report, or via a report card. A report card presents highlights of the data collected in your management dashboard. It allows your organization to hold itself accountable to partners and social impact investors and to build the confidence with social impact investors that will lead to investment and re-investment.

In contrast to your internal dashboards, which present data in numerical and, possibly, graphical format, a report card requires additional explanation for readers who may not be familiar with your day-to-day operations. For this reason, report cards generally include quite a bit of text. This text should explain your organization's mission and vision, in addition to describing some of the key lessons and insights that the data you are reporting demonstrate. Since potential social impact investors are one of the primary audiences for this document, you will want to describe any major successes that your data reveal. At the same time, we recommend that you do not shy away from reporting some of your weaker data. Demonstrating that you can recognize a shortcoming and turn it into an opportunity for improvement can go a long way toward building confidence in your organization.

Report cards also provide opportunities to share qualitative data. For human services organizations, testimonials from the populations you serve can help to illustrate the value that your organization provides. Photographs and other visual images also help to ensure that your report card incorporates your performance data into a compelling story about what your organization is accomplishing and where it is ready to go next.

For a sample report card, see www.rootcause.org/Performance-Measurement.

CONCLUDING STEP 5

As you complete Step 5, your new or refined performance measurement system should be up and running. You should also have a sense of the work you will need to do in upcoming measurement cycles to update baselines and targets, make additional refinements to your system, and begin reporting your performance data to external stakeholders.

STEP 5 CHECKLIST

- First cycle of performance measurement system underway
- Understanding of how to update baselines and targets and make additional refinements in future cycles
- Plan for launching an external report card once you have completed a few measurement cycles

CONCLUSION

This Root Cause *How-to Guide* has sought to provide you with the information you need to put a performance measurement system to work to advance your own approach to creating social impact. As we have discussed throughout this guide, an internally driven performance measurement system will produce concrete benefits for your organization. Integrating performance measurement into higher-level management and day-to-day operations will enable your organization to learn from successes and failures. It will enable you to identify opportunities to better accomplish your mission and progress toward your vision of success. In addition, it will likely help you build

As a method of assessing and improving new approaches to social issues, performance measurement constitutes an essential tool for advancing social innovation.

the confidence of your social impact investors and secure new and returning investments.

We also believe that performance measurement has a key role to play in the work of solving social problems much more broadly. As a method of assessing and improving new approaches to social issues, performance measurement constitutes an essential tool for advancing social innovation. By helping social innovators make calculated steps toward maximizing their social impact, performance measurement brings data-driven rigor to the work of solving social problems. This rigor is precisely what many of those who typically fund efforts to address social problems—individuals, foundations, corporations, and government alike—have also started to seek, as they look for ways to get the most out the money they invest in social impact. Ultimately, we see performance measurement as an important part of an emerging environment in which the public, private, and nonprofit sectors work together to develop and advance successful approaches to our most pressing social problems.

4. **How are data reported?** Assess how performance data are reported, both internally and externally. Reporting methods can include dashboards, report cards, annual reports, stakeholder newsletters, and internal program reports. For each report, list your target audience, which indicators and other content are reported, how often, and who develops the reports.

Report & Description	Audience	Indicators Reported	Frequency	Staff Involved
Internal				
External				

5. **How are you reviewing and using your data?** Assess how the organization makes use of data that are reported. This includes review processes such as who reviews what information, how often, in what setting. It also includes how data are interpreted and analyzed; how well the organization is able to learn from its data; and how that learning impacts its decisions related to its overall strategy, activities, and operations. Note your responses in the space below.

APPENDIX C: MANAGEMENT DASHBOARD TEMPLATE

Use this template to create your management dashboard in Step 4.

For an electronic version of this template, visit www.rootcause.org/PerformanceMeasurement.

Indicator	Baseline (Previous Year)	Q1	Q2	Q3	Q4	Total Year to Date	Target (Current Year)	Difference from Target in Current Review
Organizational Health Indicators								
Financial Sustainability								
Team Capacity								
Infrastructure (optional)								
Program Performance Indicators								
Sub-category 1 (e.g., program outputs, quality, efficiency, costs)								
Sub-category 2								
Social and Economic Indicators								
Sub-category 1 (e.g., impact generated, systemic results)								
Sub-category 2								

APPENDIX D: PROGRAM-LEVEL DASHBOARD TEMPLATE

If you plan to have program-level dashboards for specific departments or programs, use this template to aid your work in Step 4.

For an electronic version of this template, visit www.rootcause.org/PerformanceMeasurement.

Indicator	Baseline (Previous Year)	Q1	Q2	Q3	Q4	Total Year to Date	Target (Current Year)	Difference from Target in Current Review
Organizational Health Indicators (of program)								
Program Financial Sustainability								
Program Team Capacity								
Program Infrastructure (optional)								
Program Performance Indicators								
Sub-category 1 (e.g., program outputs, quality, efficiency, costs)								
Sub-category 2								
Social and Economic Indicators (of program)								
Sub-category 1 (e.g., impact generated, systemic results)								
Sub-category 2								

“Root Cause has written what may be the best available guide to building a performance measurement system.”

— JACOB HAROLD, The William and Flora Hewlett Foundation

“Because Root Cause’s How-to Guide was so clear and practical, the entire staff could embrace performance measurement as a way to improve our own work and share our story and success with the community and our funders.”

— BETTY SOUTHWICK, WriteBoston

If your organization is dedicated to social impact, you know how challenging it can be to evaluate progress on achieving your mission. A performance measurement system can provide your organization with the internal knowledge necessary to help you accelerate your organization’s social impact, in addition to generating performance data that is increasingly required by funders.

This practical guide provides an easy-to-follow, five-step process for developing a performance measurement system that will serve as an essential tool for any organization seeking to:

- Select what to measure in order to obtain a clear picture of the organization’s progress in achieving its mission, goals, and vision
- Develop dashboards for internal reporting and learn how to analyze performance data to gain insights into the organization’s strengths and identify opportunities for improvement
- Create a culture of learning and continuous improvement that involves management, board, and staff in making strategic, data-driven decisions and ultimately accelerates the organization’s progress toward enduring social impact
- Develop report cards to communicate performance and impact to external stakeholders
- Use data-based evidence to aid in building funder confidence and securing new and returning investments

Building a Performance Measurement System draws on Root Cause’s unique performance measurement methodology, which was developed through its work with social innovators throughout the United States, as well as a number of international organizations. It is the second in our series of Root Cause *How-to Guides*.

Root Cause is a nonprofit organization dedicated to advancing innovative, proven solutions to our most pressing social and economic problems. We support social innovators and educate social impact investors through advisory and consulting services, knowledge sharing, and community building.



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