If You Want to Manage It, *Measure* It.

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Seasoned managers know the Principle of Inspection all too well: "You get what you *in*spect, not what you *ex*pect." Also known as The Measurement Principle, this principle states "What gets measured gets done."

Although this principle is embraced without question in the for profit commercial world, nonprofit organizations have been slower to understand its criticality when it comes to effective performance management. There are no doubt many reasons why this is the case, but I suspect that several key reasons top the list.

First, many (most?) nonprofits and charities were founded by people motivated primarily by philanthropy and for religious or humanitarian reasons. Their goals have been the improvement of life as we know it, whether at the level of individual, family, neighborhood, community, nation, or the world. Because organizations are often the "lengthened shadows" of their founders, the cultures of these organizations were shaped in fundamental and powerful ways by the values of these founders. Unlike their counterparts in the business world, where the pursuit of profit and return on capital led to operational and financial processes demanding advanced quantitative analytical techniques, founders of nonprofits have pursued goals that were seen and felt as largely qualitative.

Second, because nonprofits have historically attracted staff who differed in significant ways in their values and education from their commercially oriented counterparts (for example, I've never met anyone

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who went to work for a nonprofit to become wealthy!), a great many nonprofits have been staffed by those educated in the liberal arts where quantitative analysis was simply not a priority.

Third, for many decades most donors relied more on the *impression* that nonprofits were doing a good work than they did on hard *facts*. Heartwarming *stories* were more important than lifeless *statistics* (one could argue that this is still very much the case) and the lack of intense competition among nonprofits made inter-organizational comparisons of productivity and cost-effectiveness secondary concerns at best.

True. As stakeholders, donors were figuratively buying "shares" in the organization's ability to produce life-changing, community-changing, or world-changing results, but few would have viewed their gifts through the cold rational-analytical lenses of "return-on-investment." In recent years a quiet donor revolution has taken place in the turbulent wake of the customer revolution, however, and new donor perceptions and expectations are in many cases changing the demands donors are making upon nonprofits. This, in turn, is "raising the bar" in terms of nonprofit performance and stakeholder reporting, and consequently, the importance of metrics.

In this article, we'll take a brief look at "5 Ms" as they impact nonprofit management and management's ability to persuade increasingly skeptical donors that gifts to *your* organization are sound investments:

- Does measurement really matter?
- What should you measure?
- How should you monitor these measures?
- How do you use measures to motivate?
- What's the message?

Does Measurement Really Matter?

For those already persuaded that measurement matters, you'll be pleased to know that the jury is out on the importance of metrics. In their book *Bullseye! Hitting Your Strategic Targets Through High-Impact Measurement*, William Schiemann and John Lingle document the differences measurement makes in organizations:

Measurement Managed Companies Exhibit Different Cultures

Reported	Measurement Managed Organizations	Non Measurement Managed Organizations
Clear agreement on strategy among senior management	93%	37%
Good cooperation and teamwork among senior management	85%	38%
Unit performance measures are linked to strategic company measures	74%	16%
Information within the organization is shared candidly and openly	71%	30%
Effective communication of strategy to organization	60%	8%
Willingness by employees to take risks	52%	22%
Individual performance measures are linked to unit measures	52%	11%
High levels of self-monitoring of performance by employees	42%	16%

John H. Lingle and William A. Schiemann, "Is Measurement Worth It," Management Review, March 1996, pp. 56-61. Taken from Bullseye!, p.12.

A few moments spent reviewing the substantial – and in some cases dramatic – differences that measurement makes should persuade even skeptics and naysayers of the benefits of sound metrics. But if we concede that measurement really matters, exactly *what* should we measure?

Measuring the Critical Few

Conceptually, organizations have measures that fall within four categories: *inputs*, *throughputs*, *outputs*, and *outcomes*.

Inputs are generally measures of resources and efforts. That is, how much time, talent, effort or budget went into a particular program, project, event or activity.

Throughputs are often measures of efficiency that deal with things like cycle times. For example, How long does it take to turn around receipts and thank you letters once a gift is received? Clearly, a start-to-finish receipt/thank you cycle time of 24 hours is much more attractive than a week.

Outputs are measures of productivity. For an organization distributing medicine to fight River Blindness, for example, the number of Mectizan tablets distributed to villagers would be an output. *Outcomes*, on the other hand, would be the number of people actually healed of River Blindness. Outcomes speak to the end results that program staff and donors alike are seeking. Likewise, a community development specialist might have conducted 24 training workshops (outputs), but how were skills of participants actually enhanced and what impact did participants subsequently in their work have as a consequence (outcomes).

The simple rule of thumb on metrics is to apply the principle of the critical few or the "80/20" principle. This principle suggests that 20% of your measures will yield 80% of the desired results, with another 80% yielding only 20% of the data, insight, or action needed. Prudent organizations will first identify the Key Result Areas (KRAs) most important to the organization's mission and vision. Generally, these are four to seven areas (more than seven raises a real question as to how key these areas really are).

How do you know if your KRAs are really key? Once they've been identified, you'll know they're truly key if:

1. Succeed in these areas and failure elsewhere will probably not matter.

2. Fail in these areas, and no amount of success in other areas will matter.

Once identified, the organization should then proceed to identify the Key Performance Indicators (KPIs) within each of these KRAs. At the *corporate* level (measures will increase in number at the divisional or departmental level as they cascade through the organization), most organizations should have no more than 20 to 30 measures that are truly key to determining how well the organization is performing.

By way of example, most nonprofits today would say that the area of donor development or fundraising is a Key Result Area. Within this KRA, measures like total gift income, ROI (return-on-investment), total number of active donors, number of new donors, donor retention rates, and average annual giving would likely be key performance indicators.

At this point several relevant "sidebars" may be in order.

There are some who, due either to their aversion to accountability or simply to naivete, like to claim that what they do really can't be measured. I respond with the Principle of Quantification which states, "If something exists, it exists in some amount. And if it exists in some amount, it *can* be measured." Admittedly, the mere fact that it can be measured doesn't mean it *should* be measured, that it's important to measure it, that it's cost-effective to capture the data, etc. But I encourage a healthy skepticism regarding any claims that something can't be measured.

> Those who claim what they do can't be measured are misguided — or naive. If something exists, it exists in some amount. If it exists in some amount, it can be measured

Second, strive to measure what you want (i.e., those measures that are really important), rather than resigning to want what you can currently measure. That is, don't be like the proverbial drunk searching for his car keys under the lamppost. Although he lost his keys on the other side of the street, he continues to look under the lamppost because the light is better there!

Third, strive to heed Albert Einstein's admonition to "Make things as simple as possible, but no simpler." That is, pursue a minimalism in your measures that reflects a "less is more" posture. The fewer measures you have without leaving truly key measures out, the better off you'll be. Because your real goal in all measures is to achieve and sustain a strategic focus on what matters most, the more you clutter the dashboard with less important measures, the more the entire exercise becomes self-defeating.

Monitoring

Measurement is the first step that leads to control and eventually to improvement.

If you can't measure something,
you can't understand it.

If you can't understand it, you can't control it.

If you can't control it, you can't improve it.

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