

Performance Measurement In
Economic Development: A
Strategic Approach

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Why A Non-Profit?

**There are many issues and challenges
in society.**

**Issues which lend themselves to
market solutions = Private business**

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**Issues which are the natural province of
the public sector = Government**

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A wide range of problems fall beyond the domain of the private sector and government.

These are issues addressed by the non-profit sector.

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Point of Confusion:

THE MISSION vs. THE BUSINESS

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What Business Are You In?

(That is, where does the money come from?)

- Private business—sales & profits
- Government—taxes
- Non-profits—funding

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If you are in the non-profit sector, by definition, you are in the BUSINESS of RAISING FUNDS to support your mission.

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The Funding Equation:

$$F = P + A$$

Funding = Performance (Outcomes)

+

Accountability (Quantitatively Measured)

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Why Do Non-Profits Falter?

Mainly, they fail as Fundraisers. They fail to raise sufficient funds to:

- Meet operating expenses
- Expand program capacity
- Thrive as a permanent, community-based institution.

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Datum: *Excluding churches*, there are about 500,000 non-profit organizations in the United States that receive tax-deductible contributions. There is massive competition for federal, state, philanthropic, and corporate funding as well as for individual contributions.

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What Are The Keys To Non-profit Success?

- Effective Program Design
- Benchmarked program performance
- Measurable Community Impact
- Demonstrated Capacity
- Accountability to Constituents

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Who are a non-profit's constituents?

- Program participants
- Community residents
- Local leadership (political, business, faith-based, etc.)
- Funding sources
- Partnering organizations & collaborators
- Opinion makers (media, professional networks, etc.)

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What Is The Highest Form of Accountability?

A commitment to regular, rigorous measurement of organization performance and program outcomes.

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Performance Measurement can be referred to by different names:

- Program Evaluation
- Outcomes Measurement

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But it means basically the same thing:

- Setting standards for how you do your work
- Establishing measurable (but reasonable) goals
- Evaluating the effectiveness of your efforts to reach these goals, and
- Deciding how to change programs to improve effectiveness

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Why Performance Measurement Is Important

- The need for effective non-profits is increasing.
- Funding for non-profits is decreasing.
- Competition for funds is intense.

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Why Performance Measurement Is Important

- You MUST show innovation to stand out.
- You MUST show results to be competitive.
- More “funders” are experimenting with business-based non-profit models (so-called venture philanthropy) to enhance accountability.
- Pressure to conform to business-like standards is likely to increase.

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What Does Performance Measurement Do?

- Identifies program strengths and weaknesses.
- Helps verify value of services & quantify impact on community.
- Reduces role of instinct & passion in decision making.

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What Does Performance Measurement Do?

- Improves delivery mechanisms, making services more efficient & less costly.
- Provides feedback on whether you are doing what you think you are doing.
- Produces data for more effective management, marketing, & fundraising.
- Creates a roadmap for duplication of success.

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How To Get Started?

By creating program “metrics.”

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Metric: “Of or relating to an *art, process, or science* of measuring”

- There is no ‘right’ or “wrong” way to measure program effectiveness.
- Some metrics may make more sense than others, or may be more meaningful than others.
- Some may be more relevant to a specific cultural or neighborhood context than others. It’s a judgment call.

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Metric: “Of or relating to an art, process, or science of measuring”

- In many cases metrics evolve. They are tweaked to greater precision with experience in program implementation.
- The purpose of good program design is to incorporate tools of measurement appropriate to the tasks to be performed, the social/cultural context in which they are being performed, and the outcomes being sought.

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Prerequisite - The Organization

- Properly organized as a legal entity.
- Committed, well-trained board of directors
- Clear mission statement.
- Long range strategic plan linked to mission.

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Prerequisite - The Organization

- Operating plan (program-focused business plan)
- Adequate staff (paid and volunteer)
- Community partners

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Program Components: A Breakdown

INPUTS: Personnel, materials, & resources a program uses in conducting its activities.

ACTIVITIES: Efforts undertaken by the program to meet client needs; for example, counseling, sheltering, feeding, transporting, training, informing, etc.

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Program Components: A Breakdown

OUTPUTS: Units of service provided; for example, number of people counseled, sheltered, fed, transported, trained, brochures distributed, etc. Outputs are quantitative, speaking only to the amount of stuff done, not to the measured value of those things to actual people or their communities.

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OUTCOMES: Refer to the actual benefits realized by program participants and the larger community. Outcomes refer to transformative impacts such as:

- **Acquisition of knowledge or skills** (certificates of completion; diplomas, licenses, etc.)

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- **Change in status or behavior** (unemployed to employed; renter to homeowner, etc.)
- **Change in values or condition** (reduction in teen pregnancy; expanded neighborhood watch, etc.)

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Outcome Measurement shifts the focus from program ACTIVITIES to RESULTS, from how a program operates to the actual good that it accomplishes.

CAVEAT: Many organizations experience a disconnect between OUTPUTS (volume of program activity) and OUTCOMES (actual evidence of measurable personal or community improvement). This is a concern for funding organizations and a challenge for the non-profit community.

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CASE STUDY:
EDGEWOOD NEIGHBORHOOD SAFETY
PROGRAM METRICS

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EDGEWOOD SAFETY PROGRAM

- Program Goal: Safer Neighborhood
- Research: Police Interviews; Statistical history
- Key Insight: How APD Uses Crime Stats

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**INDICATORS DEVELOPED AS A
RESULT OF RESEARCH:**

- An increase in the number of reported crimes (police data)
- Increased police presence (car, foot patrols)
- Increased arrests (police reports)
- Expanded neighborhood watch program
- Increased community participation

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CRITICAL LESSON LEARNED:

- Program design must be based on facts and policy, not guess work or flawed assumptions.
- Appropriate indicators can seem counter-intuitive.
- In the Edgewood case, (because of the way the police department used crime statistics in assigning resources) the best way to REDUCE criminal activity was to INCREASE the level of reported crime.

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MAXIM: GENERATING OUTPUTS IS RELATIVELY EASY.
DOCUMENTING OUTCOMES CAN BE VERY HARD

Performance measurement (on-going, integrated program evaluation) seeks to reduce or eliminate this disconnect by introducing a stronger commitment to planning, management discipline, monitoring, and continuous quality control/evaluation.

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MLK Historic District
Block-by-Block development strategy

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**STRATEGIC SHIFT, BASED ON
PERFORMANCE EVALUATION**

- Problem: After several years, little progress toward neighborhood revitalization
- Conclusion: Flawed development model, acquisition strategy
- Action: Rethink strategy in light of market trends

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KEY INSIGHTS:

- Scale is important in revitalization
- Rules of the market apply to all, including non-profit developers
- Capacity = Survival
- A 3-legged stool works better than a 1-or-2-legged stool

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STRATEGIC CHANGES ADOPTED

- Block-by-block “massing” of improvements
- Projecting future cost of development, based on expected success
- Aggressive development of staff skills & capacity
- Aggressive development of government & private partnerships

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Outcome Measurement Tools

- **Outcome Targets:** Numerical or proportional goals a program sets to measure its impact within a defined group or population.
- **Performance Indicators:** Benchmarks or milestones that measure progress toward the ultimate goal as you implement a program.

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Note: The use of Outcome Measurement Tools presumes the existence of an Operating Plan (business plan) describing exactly how the program is to be implemented and managed.

This means a program budget, personnel deployed with well-defined duties, designated outreach activities, data collection strategies, periodic analysis of the data collected, reporting to the board and other constituents, and using findings to tweak or modify program operations.

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Data Collection Methods

Each **Performance Indicator** or **Benchmark** requires the collection of data. Program managers decide what data are appropriate to collect. **It is important to design the program so that collection of this data is incorporated into everyday program operations.** Here are some considerations:

- What are our baseline statistics?
- What kinds of data do we need to target?
- Is it practical to get the data being sought?

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Data Collection Methods

- Will there be any cost?
- Who will do the collecting?
- How will collecting be integrated into job responsibilities?
- When do indicators require data to be collected (timeline)?
- Who will synthesize & report data?

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What methods will be used to collect & analyze data?

- Questionnaires?
- Interviews?
- Surveys?
- Specialized research? (police, government stats, etc.)
- Technology (hardware & software)

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Reporting Evaluation Results

What constituents should be targeted?

- Board & staff
- Funders
- Community supporters (current and prospective)
- Partners & Collaborators
- Opinion shapers
- Media

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Reporting Tools

- Annual Report
- Quarterly reports to funders & supporters
- Web site
- Presentations (community, business & interest groups)

NOTE: Different constituencies may require a different level and scope of information

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Improving Organizational Effectiveness By Measuring Performance and Outcomes

Improved Program Design

Most grassroots organizations cannot mobilize the kind of resources required to completely transform a community. But establishing a framework for measuring performance and outcomes in programs of limited scope can improve non-profit effectiveness by:

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- Compelling staff and directors to focus on very specific, high-priority community problems that lend themselves to measurable outcomes.
- Set realistic goals within the scope of the organization's capabilities.
- Demonstrate effective, reproducible strategies for intervention and improvement.
- Invent creative new strategies that maximize the return on resources (return on investment).

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Improved Management Practices

- Creates a "feedback loop" that zeroes in on:
- An organization's capabilities and deficiencies
- Need for specific personnel and skill sets,
- Training and technical assistance needs
- Improvements in service delivery
- Strategies for partnering & collaborating
- Setting goals for future performance

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An Often Overlooked “Measurable Outcome”

Often organizations fail to measure the increased organizational capability that they build internally, through the implementation of programs. Objectifying and cataloging increased organizational capabilities can point the way to future organizational growth and funding opportunities.

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Get Started

- No one is born with program measurement skills. Everyone learns them.
- Effective implementation requires leadership—a commitment at the top.
- Everyone—board, staff, and funding organizations must understand the proposed program design and be supportive.
- Start with a pilot or demonstration effort. Use that to build comfort with the concept and perfect data collection/analysis/reporting procedures.
- Don't be discouraged. Program measurement is intended to identify problems.

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**Front Porch Program Proposal
Case Studies Discussion**

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Thank You!

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