

Measuring Doing Good Well:

Reflections on Organizational and Program Performance Measurement

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Introduction:

April (2000) has been an interesting month in the accountability sweepstakes for voluntary sector organizations. The National Society For Abused Women and Children is alleged to have received donations totaling over \$119,000 over the past two years by “claiming to operate a domestic violence crisis line and support groups for battered women and to provide financial donations to shelters for abused women.” (Donovan April 8, 2000, Toronto Star) The Toronto Star investigation of the group showed it provided “none of the services it promised even though it was a registered charity with Canada Customs and Revenue Agency.” (Donovan April 2, 2000, Sunday Star).

On April 10th the Ontario Minister of Health and Long Term Care announced that she was notifying the Hamilton Health Sciences Corporation of her intent to appoint a supervisor to take over operations and develop a recovery plan for the hospital. (Government of Ontario Press Release April 10, 2000). The supervisor would hold the powers of the hospital board and administrator. The notice was a result of a joint operational review of the hospital to examine recurring deficits and governance, that found “invisible leadership and ineffective management at the senior level” (Pricewaterhouse Coopers 2000, 36) and a Board that had difficulty focusing on its role as governor and steward. (Pricewaterhouse Coopers 2000, 58).

These events may frame public perceptions that Walter Stewart and John Bryden are right. Canada’s charitable or nongovernmental sector is “rife with improper and even illegal activities” (Ferronato 1999, 8). This frame of corruption and mismanagement in voluntary

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organizations is not unique to Canada. Herzlinger asserts that US voluntary organizations “cannot afford the erosion of public confidence that has followed recent scandals at some of our best known nonprofits.” (Herzlinger 1997, 2). She laments that “there is still no way to systematically gather and disclose” information about voluntary organization performance. (Herzlinger 1997, 2)

The focus of this paper is on approaches to performance measurement in voluntary sector organizations. I will begin by reviewing some of the challenges of measuring organizational and program performance. Some of these dilemmas stem from assumptions about organizations as machines. (Zimmerman, Lindberg and Plsek 1998, 24). I will summarize key points from Mintzberg’s analysis of organization form and his observations on government and the resulting accountability paradigm. This will be compared with some of the learnings that are emerging from complexity science (Zimmerman, Lindberg and Plsek 1998, 13) and the opportunity to shift the paradigm to one of continuous organizational learning. The recommendations of the Broadbent Panel on Accountability in the Voluntary Sector will be reviewed in this context.

I will then shift the frame of analysis to program from organization and reflect on the evolution of the CMHA program review process. Finally, I will reflect on the potential of an approach to performance measurement based on minimum specifications and self-organization (Zimmerman, Lindberg and Plsek 1998, 26) to help the voluntary sector measure doing good, well.

Challenges in Performance Measurement

Moss Kanter and Summers note that while performance measurement in any organization is complex, not for profit organizations face particular challenges. Financial measures, such return on assets or profit, which allow for measurement of market satisfaction and efficiency are

reasonable measures when applied to for profit organizations. Non-profit organizations tend to be assessed in relation to their mission or services, which are “notoriously intangible and difficult to measure”. (Moss Kanter and Summers 1987, 154). Donors, clients, funders, program staff and board members may all have different perspectives about how well the organization is doing due to “the difficulty of effectiveness measurement and the varying standards of donors and others” (Moss Kanter and Summers 1987, 155).

Multiple and sometimes conflicting goals among programs or sub units makes the development of organizational performance measures difficult because of complexity and quality is difficult to measure because it tends to be subjective. (Moss Kanter and Summers 1987, 155-7). Moss Kanter and Summers argue that the limited reliance on client fees reduces focus on client feedback and the focus of measurement “is likely to shift away from output to input”(Moss Kanter and Summers 1987, 163). Internal stakeholders often assume the worthiness of their activities and sometimes “failure to achieve goals is taken not as a sign of weakness...but as a sign that efforts should be intensified.” (Moss Kanter and Summers 1987, 164)

Like Herzlinger, Moss Kanter and Summers, Murray and Balfour’s review of voluntary sector evaluation practices in Canada, suggests that the holy grail of organizational performance evaluation is not yet in sight. “It is still more talked about than practiced... it is often sporadic, short lived, and flawed. Evaluators draw their conclusions about performance from inadequate data, informally gleaned impressions and preexisting beliefs.” (Murray and Balfour 1999, 4,56)

Murray and Balfour identify the need for external evaluators to be used “because it is often difficult for people to be objective in assessing their own performance” (Murray and Balfour 1999, 3). This contrasts with Moss Kanter and Summers who identify the problems that multiple stakeholder perspectives create for performance measurement, but do not suggest

external evaluators, (Moss Kanter and Summers 1987, 158) and Herzlinger who argues that public disclosure and government oversight would suffice. (Herzlinger 1997, 2-3).

Murray and Balfour distinguish between formative evaluation, which contributes to organizational learning, and summative evaluations that pass judgement and may have positive or negative consequences such as changes in program funding levels. (Murray and Balfour 1999, 4). They suggest that a culture of accountability must develop between the entity being evaluated and the evaluator and that emphasis should be placed on the development of benchmarks or relative standards, rather than absolute measures. (Murray and Balfour 1999, 56-7). Herzlinger in contrast argues that answering four key questions which review matching of goals with financial resources, intergenerational equity, sources and uses of funds and organizational sustainability will suffice as “useful measures of performance” that organizations can ask themselves. (Herzlinger 1997, 2-3).

Moss Kanter and Summers point out the “virtual absence of control systems in human service organizations and suggest developing an “explicit and complex array of tests of performance that balance clients and donors, board and professionals, groups of managers, and any of the other constituencies with a stake in the organization.” (Moss Kanter and Summers 1987, 164).

The framing assumption here is if you can measure it, you can assess and control it. Meg Wheatley suggests that there is a risk of developing control mechanisms that “paralyze employees and leaders” and focus on “control rather than productivity”. (Wheatley 1997, 2). She suggests that we think of organizations as machines and that we expect them and the people in them to “perform to specifications with machine like obedience” (Wheatley 1997, 1)

Mintzberg and the Machine Metaphor

Mintzberg states that machine bureaucracies, “which fit most naturally with mass production” are the legacy of industrialization and are the dominant organizational form in the private sector. (Mintzberg 1981, 7-8). Mintzberg also asserts that the government as machine model has been the dominant model for government, “a machine dominated by rules, regulations and standards of all kinds” (Mintzberg 1996, 80). While there has been an evolution recently to a performance control model, the “motto of which could be Isolate, Assign and Measure... (which) all too often comes down to nothing more than the same old machine management.” (Mintzberg 1996, 81).

While the voluntary sector has a variety of structural forms, a dominant organizational form identified by Mintzberg would likely be the professional bureaucracy, which relies on the standardization of skills of paid staff and service volunteers. This form of organization has to surrender power to the people who deliver services and tends to result in a decentralized structure. (Mintzberg 1981, 8). This leads to the complexity identified by Moss Kanter and Summers and complicates the gathering of data about organizational or program performance. Mintzberg suggests that operating procedures carried out by professionals in this model are rather standardized, using open-heart surgery carried out in a hospital setting as an example. (Mintzberg 1981, 8) While the techniques of an operation might be standardized, each client is different, and Mintzberg himself acknowledges that outcomes vary depending on what variables are measured. (Mintzberg 1996, 79). These problems of measurement are magnified in community mental health services where many of the variables such as availability of housing or levels of poverty, or medication compliance will influence the “success” of community mental health programs. Standardized measurements of performance for voluntary sector organizations

are further complicated by the wide variety of services they provide. As Mintzberg states, “Where is the magic envelope with the one right answer? You won’t find it. The fact is that assessment of the most common activities...require soft judgement-something that hard measurement can’t provide.” (Mintzberg 1996, 80)

In Canada, 60% of the income of the voluntary sector comes from governments, so government at all levels has a vested and declared interest in performance management for the sector. (Panel on Accountability and Governance in the Voluntary Sector 1999, 13). Given the proportion of government funding, government approaches to voluntary sector performance management tend to focus on compliance with regulations and standards, reflecting the machine model, which still remains governments’ opus operandi.

Complexity Science As an Alternative

Zimmerman and colleagues suggest that complexity science is now challenging the machine metaphor of organization. “Its focus on emergence, self organization, interdependencies, unpredictability and nonlinearity provides a useful alternative.” (Zimmerman, Lindberg and Plsek 1998, 13) They suggest that most organizations are complex adaptive systems, which are not amenable to control by central bodies. (Zimmerman, Lindberg and Plsek 1998, 8). In a similar vein, Wheatley states that “organization occurs from the inside out, as people see what needs to happen...and use their own creativity to invent solutions.” (Wheatley 1997, 3).

Given the complexity identified by Moss Kanter and Summers, the problems with the government as machine, and the fallacy of hard measures identified by Mintzberg and Murray in their reviews, (Mintzberg 1996, 80; Murray and Balfour 1999,6) an application of the principle of minimum specifications (Zimmerman, Lindberg and Plsek 1998, 26) to performance

management may provide a reasonable approach. Zimmerman and colleagues suggest, “we would be better off with minimum specifications and general senses of direction” and then allow for appropriate autonomy for self-organization and adaptation. (Zimmerman, Lindberg and Plsek 1998, 26) Intricate accountability measures could be replaced by the four questions outlined by Herzlinger, which were cited earlier. Minimum specifications could tie organizational performance to mission and set out general directions for governance and financial controls.

The assumption with this approach is that most organizations would want to do the right thing, which is in contrast with the machine model in government, which developed as “the major countervailing force to corruption” (Mintzberg 1996, 80). As Ferronato has pointed out, the Canadian public “generally has a positive outlook toward charitable (voluntary sector) organizations” (Ferronato 1999, 8), so it should be possible to develop accountability measures that help organizations achieve their missions, rather than framing them to stamp out corruption, which is episodic rather than pervasive.

Panel on Accountability

The Broadbent Panel acknowledges the wide variety of voluntary sector organizations “from small entirely volunteer run initiatives... to large institutions... they include recreational associations, service clubs, local community associations, advocacy groups and community development organizations.” (Panel on Accountability in the Voluntary Sector 1999, 8). They note, “In many respects organizations already have to meet more and higher standards of accountability than in the private sector.” (Panel on Accountability in the Voluntary Sector 1999, 12) Their recommendations for performance measurement features a “Good Practice Guide for Governance” which provides general direction for boards of directors on: mission, strategic planning and risk management; transparency and communication; structures; board role and

development; fiscal responsibility; human resources oversight; assessment and control systems; succession planning and diversity; and transparency. (Panel on Accountability in the Voluntary Sector 1999, 80-3)

The Panel also proposes: support for developing improved outcome assessments, differential reporting requirements based on size, a code of ethical fundraising and a review of reporting forms and existing legislation to support common definitions and harmonized reporting requirements as well as more consistent accounting practices (Panel on Accountability in the Voluntary Sector 1999, 87-93).

The brevity and clarity of the proposals can be contrasted with the 87 Principles and Practices for Non Profit Excellence which reflect the same ideas in much more detail (Minnesota Council of Non Profits 1998, 1-15) The Broadbent Panel's recommendations, especially the Good Practice Guide for Governance, are framed as minimum specifications allowing self organization on the part of voluntary sector organizations. They are consistent with and build on Herzlinger's four questions. There is a reliance on organizational self-assessment rather than the use of external evaluators. The assumption is that more effective governance will emerge through natural organizational processes and transparency rather than external controls.

CMHA Program Review: Emergence of Minimum Specs

As Herzlinger has suggested four questions to measure voluntary sector organizational performance, CMHA has seen four key questions emerge as minimum specifications for our program review process. This is the story of how we got there.

CMHA is a complex adaptive structure with control distributed throughout our system, rather than centralized control. (Zimmerman, Lindberg and Plsek 1999, 10) Our programs have considerable autonomy. In the absence of detailed program evaluation requirements by funders. CMHA has developed a program review process for our community support programs that combines United Way's Onsite Analysis, with an accreditation model and outcome measurement based on an MIS, (management information system) which collects similar information for each program on client characteristics and outcomes.

Over a 12-year period we used the same process for program review. A committee of staff, clients and board members would review MIS data and narrative reports that had been prepared by program staff in a two and one half hour meeting. The meetings were fairly mechanical, and featured questions and discussion about each section of the report: inputs, processes, outputs and outcomes. Committee members tended to get ensnarled in the volume of data and on more than one occasion examples of the measurement inference fallacy surfaced. (Murray and Balfour 1999, 6). While the meetings always ended with positive statements about each program's strengths, staff expressed frustration with a process that took a month of their time to prepare reports and meetings that did not result in useful learnings about the programs. This was not a result of the "look good-avoid blame mindset" (Murray and Balfour 1999, 10) as the programs were rarely, if ever criticized.

In October 1998, some new members of the committee asked critical questions about the value of one of our programs that left the consumer who was attending the meeting fearful that the program would be cancelled, even though he had just provided testimony about how important it was to him. Staff said they were frustrated that some committee members didn't seem to understand the program, in spite of the discussion and pre circulation of written material and data from the MIS.

In response the leadership of the Program Review Committee convened a meeting with staff to discuss their concerns and options for changing the process. A working group was formed. The group developed a proposal that was endorsed by the Program Review Committee and implemented for the balance of the review cycle. The proposal and its results are summarized below:

“The Program Review Committee began meeting to review CMHA community support programs in October 1998. In January and February 1999 changes were made to the process to minimize staff frustration and ensure that the process was useful to staff and committee members.

The committee has observed that the community support programs we reviewed are functioning very well, with no significant issues requiring Board attention.

Recommendations:

1. The goals of program review should be:

- *To determine if the program is operating as expected in terms of who is served, how the service is provided, incorporation of best practices and outcomes*
- *To collaborate with program staff in discussing options/actions in relation to key issues*

2. Program reviews should answer the following questions:

- *Who is the program serving?*
- *What is the program model and are services consistent with the model and quality of care*
- *What outcomes is the program producing?*
- *Are program services in keeping with best practices?*
- *Discussion of strengths and areas of improvement” (CMHA Program Review Committee 2000, 1)*

The repositioning of the CMHA program review process was a good example of complexity science in operation. First we attended to the outliers, or the concerns about our process rather than ignoring the issues. (Zimmerman, Lindberg and Plsek 1998, 12) We then accepted the proposal and the four questions as minimum specifications and allowed each program to self organize around the story it wanted to present to the committee, drawing on available data and information program staff saw as relevant. As Wheatley suggests, we were able to encourage the creativity that lives throughout CMHA but keep “local solutions localized” at the program level. (Wheatley 1997,4)

Over the next year we will be implementing the PSR toolkit for outcome measurement (Ontario Federation of Community Mental Health and Addiction Programs, International Association of Psychosocial Rehabilitation Services 1998) which will allow us not only to compare client outcomes across similar programs in the agency, but to compare our programs with other programs in the community mental health field who are using the same tool. This will allow for outcome benchmarks to emerge over time as Murray and Balfour suggest, and allow our discussions to go deeper. (Murray and Balfour 1999, 4) The toolkit itself can be thought of as a minimum specs or minimum data set approach to client characteristics and outcome data.

Final Reflections

Susan Phillips has observed that the implementation of the Social Union Framework Agreement will challenge the voluntary sector to develop “effective accountability regimes that include: strategic objectives, meaningful, reliable and practical performance indicators, outcomes linked to programs and public reporting mechanisms”. (Phillips 2000, 3). This is no small task. What is needed is an accountability regime based on the approach outlined in the Broadbent Panel Report and mindful of the pitfalls of program evaluation identified in Murray and

Balfour's review. The emphasis should be on minimum specifications and disclosure rather than absolute standards. There should also be an effective public complaints mechanism with the power to investigate quickly and invoke sanctions if necessary.

It is probably prudent to rely on minimum specs and self-organization rather than bureaucratic micro management. John Ralston Saul reminds us "management is about systems and quantification, not about policy and people." (Saul 1995, 101). If as Phillips suggests, the Social Union Framework Agreement aims to "enhance innovation and mutual learning in the design and delivery" of services through "better performance measurement and reporting" (Phillips 2000, 3) we will need to ensure that performance measures are based on Mintzberg's normative control model which he says is "not about systems but about soul." Guidance would come from "accepted principles rather than imposed plans, by visions rather than targets...Performance is judged by experienced people, including recipients of service, some of whom sit on representative oversight boards". (Mintzberg 1996, 81).

The performance control approach, which is now fashionable in government circles, is not as effective according to Mintzberg; it compromises "flexibility, creativity and individual initiative." (Mintzberg 1996, 81). Saul's analysis is more stark and cynical: "our actions are only related to tiny, narrow bands of specialist information, usually based on a false idea of measurement, rather than upon any knowledge- that is understanding- of the larger picture." (Saul 1995, 5). In the design of performance measures for voluntary sector we are challenged to see both the big (organizational) picture and the smaller (program) frame and make sense of both in terms of the public good.

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