

What is a Nonprofit Performance Management System?

And why does my organization need one?

Performance management

is a system of organizational practices designed to improve an organization's effectiveness, for nonprofits defined as increasing participant outcomes.

How do we define organizational success? We often use measures not within the bull's eye of meeting the organization's mission:

- Amount of money we raise
- Caliber of our financial management practices
- Qualifications of our staff
- Strength of our partnerships
- Quality of our programming

While all these are essential for a healthy organization, none of them tells if the organization is meeting its mission.

The profit of the nonprofit sector is our participant outcomes. **Our organizational performance is ultimately defined as success in achieving participant outcomes.** A nonprofit performance management system enables an agency to answer these questions:

- What outcomes are we helping our participants accomplish?
- How well are we doing?
- With whom must we partner?
- How can we improve?

A complete nonprofit performance management system includes these 17 commitments and practices:

1. Program practices build on effective practice in the agency's field
2. Mission statement describes target population and intended outcomes, and is clear, compelling, concise, and concrete
3. Program logic model(s) clearly and concisely demonstrate(s) how theory of change works
4. Specific indicators measure participant outcomes
5. Accurate data sources and data collection procedures exist for each indicator
6. Technology system compiles and reports data on participant characteristics, program participation, and outcomes progress
7. Agency collects participant outcomes data using this system
8. Agency analyzes participant outcomes data: What does it say? What does it mean? What do we learn?
9. Human resource performance appraisal system connects individual performance with organizational performance and gives feedback
10. Agency uses outcomes data to improve service delivery (both tactical and strategic decisions), reward staff performance, and inform management decisions
11. Participant outcomes improve over time
12. Written program plans describe actual program implementation
13. Funders receive regular reports on participant outcomes
14. Participant recruitment and enrollment process engages target population
15. Ineligible participants receive appropriate referrals
16. Enrolled participants receive needed partner support to achieve outcomes
17. Participants "graduate" to reliable partner for long-term outcomes

The goal is to use outcomes data to drive decision making, to manage to improve participant outcomes. For many nonprofits, this shift represents significant culture change, requiring a 3 to 10 year transition. For this reason, we recommend engaging outside assistance to guide your agency through the process of building your performance management system.

The payoff for your investment is increased participant outcomes. The process leverages every other dollar and every other hour invested into your organization. “It’s no longer good enough to make the case that we’re addressing real needs. We need to prove that we’re making a real difference. ...Are we ready to take a sector-wide leap of reason? If not now, when?” Leap of Reason, by Mario Morino (pp. 42 and 45), provides a compelling case for the value of nonprofit performance management systems. To download the **FREE book**, visit [leapofreason.org\getit](http://leapofreason.org/getit).

The Capacity Institute of the Black Ministerial Alliance helps youth agencies build 17 performance management practices over two years. For more information, visit <http://www.bmaboston.org/node/4>.

