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*WORKING HARD & WORKING WELL*

# Working Hard Working WELL &

## CHAPTER 3

### The Pillars of Performance

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An excerpt from the book *Working Hard & Working Well*, which is available in full at [leapofreason.org/workingwellbook](http://leapofreason.org/workingwellbook)

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# The Pillars of Performance

Organizations do not emerge full blown and high performing. It takes years of thoughtful design, capacity building, and program implementation for an agency to know its work thoroughly enough, learn from its efforts, understand its strengths and weaknesses, and refine its strategy to the point where it has a robust framework and platform for managing its performance. Over this period of time, it should focus on what I think of as the three pillars and six elements that support performance management.

**Table 2. The Pillars and Elements of Performance Management** (Hunter and Bohni Nielsen 2013)

PERFORMANCE MANAGEMENT					
PILLAR 1 PERFORMANCE LEADERSHIP		PILLAR 2 MANAGEMENT SYSTEM		PILLAR 3 INFORMATION AND KNOWLEDGE PRODUCTION	
<p><b>Element 1: Operational Leaders</b>— individuals who inspire commitment to organizational goals and objectives, and dissatisfaction with failure to achieve them</p>	<p><b>Element 2: Operational Managers</b>— individuals who organize work with a relentless focus on maintaining high quality and the achievement of targeted results</p>	<p><b>Element 1: Accountability Systems</b>, where front-line workers are assessed on their ability to achieve targeted results, and managers on the success of front-line staff</p>	<p><b>Element 2: Results-Focused Budgeting</b> to deploy resources to build and sustain the organization's capacity to achieve targeted results</p>	<p><b>Element 1: Measuring and Monitoring Systems</b> to learn from the work, support real-time adjustments, adapt to emergent conditions</p>	<p><b>Element 2: External Evaluation</b> to support strategic decision making <b>Formative evaluations</b> to ascertain what actually is being done and how, and <b>summative evaluations</b> to determine what is being accomplished, and why or how</p>

## Pillar 1: Performance Leadership

Currently there is a lot of interest in entrepreneurship, which is often considered the same thing as leadership. This way of thinking focuses on the role of leaders in driving innovation and/or scaling up (extending the reach of) organizations. In this vein, leadership is often described as a charismatic quality. But performance leadership is broader, and it requires two elements: operational leaders and operational managers.

### Element 1: Operational Leaders

Operational leaders are driven, with a strong sense of purpose and the ability to inspire others to follow the course they chart. But there is another side to leadership. Operational leaders relentlessly challenge the people around them. Thus they are intentionally disruptive within the organizations they steer. A leader never stops asking how well the organization is doing, never stops seeking information about organizational performance. While it is essential for a leader to mobilize commitment to high performance at all levels of an organization, it is equally essential for leaders to stimulate “performance anxiety” and drive concerns about the status quo downward through the organization.

Good leaders are uncompromising on issues such as service quality and the achievement of results. Their attitude is that the organization should—and will—do “whatever it takes”<sup>10</sup> to ensure that service recipients benefit as intended.<sup>11</sup> One way or another, performance leaders must demand, as Mario Morino bluntly put it in *Leap of Reason*, “Catch the vision or catch the bus!”

10. With a bow to Paul Tough’s *Whatever It Takes: Geoffrey Canada’s Quest to Change Harlem and America* (New York: Mariner Books, Houghton Mifflin Harcourt, 2009, first published 2008).

11. I have had the privilege of working closely with some astonishingly effective, results-focused leaders of nonprofit agencies. These include, to name only a few, Molly Baldwin of Roca, Inc. (Chelsea and Springfield, MA); Patrick Lawler of Youth Villages (headquartered in Memphis, TN, now operating in a dozen states counting the District of Columbia); Mindy Tarlow of the Center for Employment Opportunities (headquartered in New York City, now operating in three states and seven jurisdictions) Ginny Deerin and Bridget Laird of WINGS for kids (headquartered in Charleston, SC); Bob Rath of Our Piece of the Pie (Hartford, CT); Richard Buery of the Children’s Aid Society (New York City); Sam Cobbs of First Place for Youth (headquartered in Oakland, CA); Tony Hopson of Self Enhancement, Inc. (Portland, OR); Nick Torres, former President of Congreso de Latinos Unidos (Philadelphia); Lynn Peters and Kourou Pich of HarborCOV (Boston); Mark Lieberman of Family Services of Montgomery County (headquartered in Eagleville, PA); and Lise Willer, director of Social Services in Esbjerg, Denmark. All embody the qualities described in this paragraph.

Leaders focus on driving strategic performance. The focus on tactical performance management is delegated to managers.

## Element 2: Operational Managers

In contrast to leadership, the role of management is to be supportive—but with great expectations regarding what the staff can accomplish. Where leaders create anxiety, managers must channel it into productive work conforming to high standards. A manager’s job is to deploy appropriate resources (funds, materials, information) toward operations in order to sustain excellence, nurture staff development in individualized ways targeted to improving those competencies that affect performance, and encourage incremental improvements in performance by individuals and in aggregate—with celebrations for successes small and large. But while managers will and indeed should empathize with the work challenges of the staff, it is essential for managers not to join “underground” complaining about leaders’ incessant demands for improvement. Rather, strong managers align with the organizational imperatives articulated by leaders—or, when disagreeing in a given instance, communicate this privately to the leaders along with suggestions on how to deal with the matter.<sup>12</sup> And, of course, it is managers who implement and drive the organization’s accountability system. Advice for performance managers could be: “Keep your focus on the charted course, your eye on the compass, your hand on the tiller, and your attention on what lies in front of you. Get the boat to the right port safely and on time.”

High-performing organizations need both leaders and managers. Too many leaders without the counterbalance of managers will drive an organization into chaos. On the other hand, too many managers operating without leadership do little more than perpetuate the status quo. As the aphorism has it, the only way to coast is downhill. It is not easy—though it is essential—for organizations with a

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12. It is probably harder to be an effective performance manager than a performance leader. At least it is more complex. Some fabulous managers with whom I have been honored to work—who are relentless in their focus on the quality and effectiveness of daily performance—include [Brad Dudding](#) of the Center for Employment Opportunities (New York); [Lee Rone](#) of Youth Villages (Memphis, TN); [Anisha Chablani](#) of Roca, Inc. (Massachusetts); [Hector Rivera](#) of Our Piece of the Pie (Hartford, CT); and [Dominique Bernardo](#) of Congreso de Latinos Unidos (Philadelphia).

commitment to high performance to have leaders in positions that drive strategy and managers in positions that drive operations.

## Pillar 2: Management System

Neither leaders nor managers can function adequately without policies, procedures, and processes—that is, a management system to provide an operational framework and the levers to pull so that work gets done right. For the purpose of supporting performance management, two elements of management structure are worth emphasizing: accountability systems and results-focused budgeting.

### Element 1: Accountability Systems

What does it mean for an organization and its staff to be accountable? Simply put, it means that the organization (a) gives each employee the means for assessing how well he or she is performing in relation to both the quality of work and the results the organization expects, (b) supports staff members<sup>13</sup> in bringing their efforts to a level that meets the organization's standards of excellence, (c) helps employees who fall short to diagnose why, (d) provides staff with individualized development opportunities to improve performance-related competencies, (e) if necessary, brings added resources to bear so staff can better meet performance standards . . . and, when all else fails, (f) discharges those staff (including managers) who, after receiving all this support, cannot bring themselves up to snuff. Such an approach to accountability requires:

- *Clarity* about what the organization is working to accomplish and what is expected from employees in each job position
- *Transparency* regarding performance expectations for all employees<sup>14</sup>

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13. This includes volunteers whenever they are used in critical areas. High-performing organizations manage volunteers' work as if they were paid staff—at least with regard to the quality and effectiveness of their efforts.

14. Some organizations take transparency even farther, sharing actual staff performance data. The Center for Employment Opportunities posts such data internally, every month.

- *Human resource practices* that support accountability for high performance
- *Monitoring* of a few key variables that define success at the level of individual staff members and, in aggregate, for programs, divisions, and the organization as a whole

It can be tempting for leaders to push for top-down, command-and-control accountability systems. And in the short run, especially in times of great organizational stress—such as to work through a crisis, uncover fraud, or head off financial ruin—top-down control may in fact be necessary. But this is not what performance management ultimately is about. It is a matter of creating the conditions where basic operating parameters are designed so that work drives the organization’s strategic interests—so that work optimizes the organization’s ability to achieve its goals and meet its objectives. Once these are established, systems, supports, and processes must be put in place that will enable front-line staff and their supervisors and managers to work creatively and bring personal expertise to bear in ways that are guided by these parameters (and evaluated in terms of them). This is a matter of tactical management.

The merits of such “[guided self-management](#)” are well articulated by [Atul Gawande \(2009: 79\)](#) when discussing the utility of carefully designed, intelligently implemented checklists to drive successful surgery:

*The real lesson is that under circumstances of true complexity—where the knowledge required exceeds that of any individual and unpredictability reigns—efforts to dictate every step from the center will fail. People need room to act and adapt. Yet they cannot succeed as isolated individuals, either—that is anarchy. Instead, they require a seemingly contradictory mix of freedom and expectation—expectation to coordinate, for example, and to measure progress toward common goals.*

## Element 2: Budgeting for Results (Outcome-Based Budgeting)

I will leave the technical tasks of budgeting and financial management to appropriately trained experts. But from a performance-management perspective, budgeting in the nonprofit sector often falls short in two ways: failure to budget in a front-loaded manner for significant capacity-building costs, and failure to distinguish growth capital needs from operating revenue needs.

**Failure to budget for capacity building.** Since the vagaries of funding bedevil nonprofit organizations from the moment of their inception, a common solution is to launch them on a shoestring budget that is inadequate to support the capacity building needed for high performance. Things like performance-management data systems and even staff training are often put onto wish lists that will be made real “when we get funding.” Unfortunately, wishing can go on forever, and consequently many nonprofits work hard and long to deliver value to intended beneficiaries without the full array of systems, process, competencies, and facilities it would take to do so reliably and sustainably. Sadly, many funders are only too happy to perpetuate this situation by making targeted, program-only grants.

**Failure to separate growth capital needs from operating revenues.** The matter of growth capital is not well understood in the nonprofit sector. The frequent failure to budget adequately for this is a particular instance of failure in up-front capacity building that emerges as a critical obstacle to success when an organization seeks to grow or extend its reach through methods such as replicating sites or franchising. Such scaling-up requires more than simply increasing operating revenues in parallel with growing service volume. It also requires very significant building of new capacities and competencies in the central headquarters and the assurance that new entities will have adequate resources and the right capacities from

the moment their doors open.<sup>15</sup> Unfortunately, funders (who should know better) frequently are complicit in faulty budgeting. They often drive scale-up ventures by making grants that pay for the unit-based cost of expanded program capacity (increasing the number of people served) but do not cover the many additional costs that are inherent to building a larger organization and managing it well (Miller 2005).

In contrast, outcome-based budgeting links allocations not only to building and sustaining operational capacities but also to maintaining the production chain that leads to intended (and measurable) outcomes.

## Pillar 3: Information and Knowledge Production

Few beyond the occasional Luddite would dispute the assertion that if an organization does not collect key information about operational functioning, it cannot manage its performance effectively, reliably, sustainably, and accountably. **The issue for performance management is not whether to collect data; it is which data to collect—and then how to convert performance data into actionable information to support both tactical and strategic decision making.** There are two main sources of organizational knowledge production: measuring and monitoring systems, and evaluation.

### Element 1: Measuring and Monitoring Systems

Ah, the need to measure. Anybody familiar with the nonprofit sector has heard the pervasive complaint that direct-service agencies are being forced by their funders to collect reams of data. There is more than some truth to this narrative: nonprofits are indeed “**drowning in a sea of data.**”<sup>16</sup> Data they collect frantically, often resentfully, and use mostly to satisfy their diverse funders.<sup>17</sup> Data they feed into funders’ databases, mold into reports whose formats are predetermined by

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15. There are some nonprofits that have made this distinction and in fact do invest up front in growth costs. These include Youth Villages and the Nurse-Family Partnership.

16. Snibbe 2006.

17. Each of which may well require the collection of unique data sets, and require that they be reported in dedicated databases that are of no use at all to the reporting nonprofit for managing its own performance.

funders, and massage into long applications for grants. Data that do not help nonprofits manage their own operations.<sup>18</sup> And it is undeniable that such frantic measuring to feed many masters creates a drag on nonprofits, often to the point of hampering their ability to do the work that is at the core of their missions.

But this fact does not lead to the conclusion that nonprofits shouldn't measure performance. The question is not *whether* to measure; it is *what* to measure. And to answer this question, an organization must have a very clear, well-articulated framework: an operational blueprint that describes its strategic goals and objectives and provides the tactical parameters within which staff will work in order to drive the organization to success in achieving its mission. Such a blueprint for strategic success—also known as an “[organizational theory of change](#)”—must, among other things, list the essential variables that an agency will monitor to keep itself on course. The elements for a blueprint of this kind are discussed in detail below. For now, it is enough to point out that constructing an actionable blueprint requires an organization to understand its mission extremely well, give up sentimental ideas about what it would like to accomplish if the world were a better place, and have the discipline to focus (and focus and focus) on that for which it holds itself accountable.

Here, to put some meat on these bones, is a generic list of the kinds of things that a high-performing social service agency will most likely monitor (Hunter 2006a, 2006b):

- a.** Program enrollment criteria and their use
- b.** Program participation by enrolled participants (time, frequency, duration)
- c.** Program completion (and characteristics of those who fail to complete a program)
- d.** Essential indicators of program quality

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18. There is indeed reason to complain of funders' practices in this regard. Few funders are considerate of grantees when it comes to imposing transaction costs—and this at the same time that funders tend to resist paying even close to the costs of the management overhead needed to drive high organizational performance. But this explanation, while true, is not an acceptable reason for nonprofits to reject the need to collect critical data in order to drive organizational performance. Performance-management consultants have a key role to play in helping nonprofits get over this hurdle.

- e. Incremental progress on short-term outcomes for enrolled participants
- f. Aggregated intermediate and long-term outcome data

It is worth highlighting the need for organizations to understand their work thoroughly so that they can limit data collection to only those items that will drive operations and support essential organizational learning. The need is for a disciplined focus on data collection. This kind of focus has two drivers: first, every item added to the data collection system brings new expense—the costs of measurement activities, analysis, conversion into usable information, and delivery of information to decision makers in a timely manner (Kusek and Rist 2004).<sup>19</sup> Second, the more things an organization measures, the less it can focus on operational essentials—the core of its work. The performance-management adage “Focus, focus, focus” is especially relevant to the collection of performance data.



### Selecting Performance Indicators

The acronym “CREAM” provides a useful guide to the selection of performance indicators to monitor. Indicators should be:

- Clear (described in concrete, operational language)
  - Relevant (tightly linked to essential variables that drive performance)
  - Economical (affordable to measure)
  - Adequate (sufficient for the collection of essential performance data)
  - Monitorable (measurable within the capacities of the organization itself, not needing external evaluators)
- (Kusek and Rist 2004:166ff)

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19. Once again to state the obvious: The more an organization measures, the more unhelpful data it will generate and the more its operations will be gummed up by such activities. In performance measuring and monitoring, less is better. But it is not easy to identify the few essential things to measure—or the discipline to hold to them. Here it is worth resurrecting the military acronym KISS—for “Keep it simple, stupid.” Performance data should be KISSable—and high-performing organizations will undertake the rigorous self-reflection necessary to design performance data sets that meet this joyful standard. One approach to doing so is the “theory of change” workshop described in Chapter 4.

All this talk of measurement is not meant to belittle the collection of inspirational stories by nonprofit agencies. Such stories can be a source of joy, pride, and motivation to organizations, their staff, their supporters, and even their clients. But stories cannot substitute for measurement. Standing alone, a story—no matter how inspirational—provides no insight into an agency’s overall achievements. Does the success celebrated in the story represent a typical outcome for this organization, or is it an anomaly? Without measurement, we cannot know.

On the other hand, quantitative performance data alone don’t provide the kind of contextual, nuanced information we need to understand how effectively an agency is working. For this we need external evaluation.

## **Element 2: External Evaluation**

Definitions of evaluation are manifold and emphasize various dimensions and approaches. I won’t enter into the myriad debates here. Instead, I will rely on the generally accepted (broad) view that evaluation entails the systematic assessment of an attempt to produce significant change through intentional actions. Thus the objectives of evaluations include determining whether implementation conforms with design standards, whether goals and objectives have been met, whether intended outcomes have been achieved, whether impact or contribution can be established, and how likely it is that the evaluated effort is sustainable.

It is useful to highlight two fundamentally different but highly complementary kinds of evaluations, formative and summative.

### **Formative Evaluations**

Such evaluations are undertaken during the course of a project (or intervention, program, or initiative) and answer the following kinds of questions:

- What is the program model, and what are its constituent elements? Are all elements being held constant, or are some

changing in response to emerging realities or experiences?  
And of these elements, which are more likely to be essential  
in producing intended outcomes?

- Is the project reaching the people it was designed to help?
- Are services being delivered as designed (with fidelity to the model)? At the specified levels of intensity (e.g., two hours per day), at the intended frequency (e.g., three times per week), for the expected duration (e.g., a full calendar year)?
- Is the project enrolling people who meet the participation criteria (target population)?
- Of those who are enrolled, are there any subgroups that benefit more than others? Less than others? If so, what seem to be the reasons?
- Are there some subgroups that fail to complete the protocol at higher rates than others? Reasons?
- What are the patterns of service utilization?
- What is the rate of achievement of short-term and intermediate outcomes? Long-term outcomes?
- Are some outcomes more likely to be achieved than others? If so, why?
- Given the number of people being served, how big an effect would the project have to have on participants for this to show up as a statistically significant outcome? (This is called doing a “power analysis”—the smaller the number of participants, the larger the effects have to be to show up as statistically significant outcomes.)

In general, while formative evaluations utilize internally generated performance data, they also rely on the independent collection of performance data as a means to check the validity and reliability of the internally generated data. Such evaluations are extremely important for learning about how a project has been implemented and how it is running, and they point to areas that need to be improved in order to increase the effectiveness of what is being done. While

formative evaluations do not ultimately answer questions of causality or contribution to the achievement of outcomes, they are very useful for organizations that are serious about undertaking their work with integrity and dedication to doing whatever they need to do to ensure that participants in their services benefit as intended. Such evaluations should be undertaken by external evaluators who have the distance and objectivity to ask and answer hard questions that are very difficult to address rigorously in the hurly-burly of ongoing work.

## Summative Evaluations

Such evaluations are undertaken after a project has been running reliably for a significant length of time with fidelity to the codified model. Summative evaluations answer the following kinds of questions:

- What is the codified program model?
- Was it delivered with fidelity to implementation standards?
- What are the characteristics of the people who have received services?
- What are the patterns of service utilization? What are the patterns of participants completing the project as intended?
- How many participants, and what percentage of participants, achieved short-term, intermediate, and long-term outcomes?
- What was the size of the effect for participants who reached intended outcomes (e.g., how many points did the rating of a child's literacy and numeracy improve)? What was the level of statistical significance for the achievement of each outcome (e.g., did it reach the "gold standard" of a degree of confidence of 95 percent)?<sup>20</sup>

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20. "Degree of confidence" means the statistical probability that the observed changes are due to the project intervention as opposed to other causes, such as normal maturation, other life experiences, or participation in other activities. Evaluators accept a degree of confidence of 95 percent as the level at which the effectiveness of a given intervention has been established, although this is a matter of tradition and has no inherent value. In fact, that percentage means that one out of every twenty studies is probably wrong in its findings. This is why such program evaluations should be repeated at reasonable intervals, which hardly ever happens in the social sector. Often a single evaluation of a program is used to tout its effectiveness for years and even decades. A good example is the study of Big Brothers Big Sisters by Public/Private Ventures (Grossman and Tierney 1998), which to this day is cited as evidence that this mentoring program "works."

There is an enormous literature about the technical requirements for doing summative evaluations that meet professional practice standards. In general, it is fair to say that evaluators believe that only randomized control trial (RCT) evaluation strategies<sup>21</sup> can adequately establish causality with regard to a project's ability to produce outcomes for participants.<sup>22</sup> There is considerable resistance to RCT evaluations among nonprofit practitioners, some of it for justifiable reasons, some having more to do with an antipathy to importing "science" into a field that sees itself as one of "art." One common concern has to do with expense, and indeed RCT evaluations can be very costly. But they need not be so if they use public data sets to determine outcomes for both participants and members of control groups (Coalition for Evidence-Based Policy 2012).

Furthermore, it is not always necessary to prove causality beyond all doubt. Indeed, the government of Canada has relied on evaluations that allow for "contribution analysis" rather than nailing down causality—that is, establishing with a great deal of confidence that an intervention has indeed contributed to participants' achievement of outcomes as intended (Mayne 2001).<sup>23</sup>

A note of caution: It is a good idea to establish that a project is ready for a summative evaluation by first undertaking at least one formative evaluation and then making the tactical and strategic adjustments that are identified as essential to increase the likelihood that the effort will be effective.

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21. This is where randomizing methods are used to place preapproved participants into the program being tested and into a control group; consequently both groups are composed of people whose demographic and baseline characteristics are the same. This method has the virtue of eliminating what is termed "selection bias" as an explanation for why and how much program participants benefit.

22. Outcomes that have been proven to be the result of a given program or intervention through the use of RCT evaluations are called "impacts" (Gueron 2005).

23. This is something that seems to have escaped the thinking of American foundations and other funders such as the United Way, which often impose unrealistic evaluation expectations on grantees that are not ready to undertake them and where RCT evaluations may not even be appropriate.



## Steps for Establishing Program Contribution

In order to develop confidence that a given program is making a meaningful contribution to the achievement of specific outcomes, the following steps are essential:

- **Clarify and refine the chain of “if-then” assumptions that underlie the program or intervention.** This involves specifying the target population that is being served, the activities and other outputs provided by the program, the short-term outcomes leading to intermediate outcomes, and the long-term outcomes that are made more likely by the achievement of intermediate outcomes.
- **Look for opportunities to gather evidence of any kind that strengthens the linkages of these assumptions** (or undercuts them, which then requires rethinking of the program model). This may involve doing case studies, identifying relevant research or evaluations on similar programs or with regard to similar target populations.
- **Track program implementation.** Specifically, see if the program is being delivered with fidelity to the original design. (This is done by tracking implementation standards and managing against performance standards.)
- **Use multiple sources of evidence about how well the program is working.** At a minimum, track the following data:

  - Enrollment data—the demographic and baseline profiles of those enrolled in the program
  - Participation/service utilization data—the dosage that each of the enrolled participants is receiving, how often, and for how long
  - Program completion data—including the rates at which people drop out early or are dismissed before achieving targeted outcomes, and the reasons for these events
  - Short-term outcome data
  - Intermediate outcome data
  - Key staff and client anecdotes, especially those which illuminate issues of program access, early program departure, indicators of program quality (good and bad), and unanticipated consequences that might suggest a need to reconsider some program elements
- **Undertake formative evaluations periodically.**

- At strategically relevant points, and if feasible, undertake a summative evaluation.

(Adapted from [Mayne 2001: 16](#))

Finally, with regard to performance management, it is not a bad idea to subscribe to the simple mantra **“No stories without data—and no data without stories!”**

Some of these matters are discussed further in Chapter 5.