

# LEAP OF REASON

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## MANAGING TO OUTCOMES IN AN ERA OF SCARCITY

“Ideas Into Action”

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# Ideas Into Action

## A Framework to Get You Started

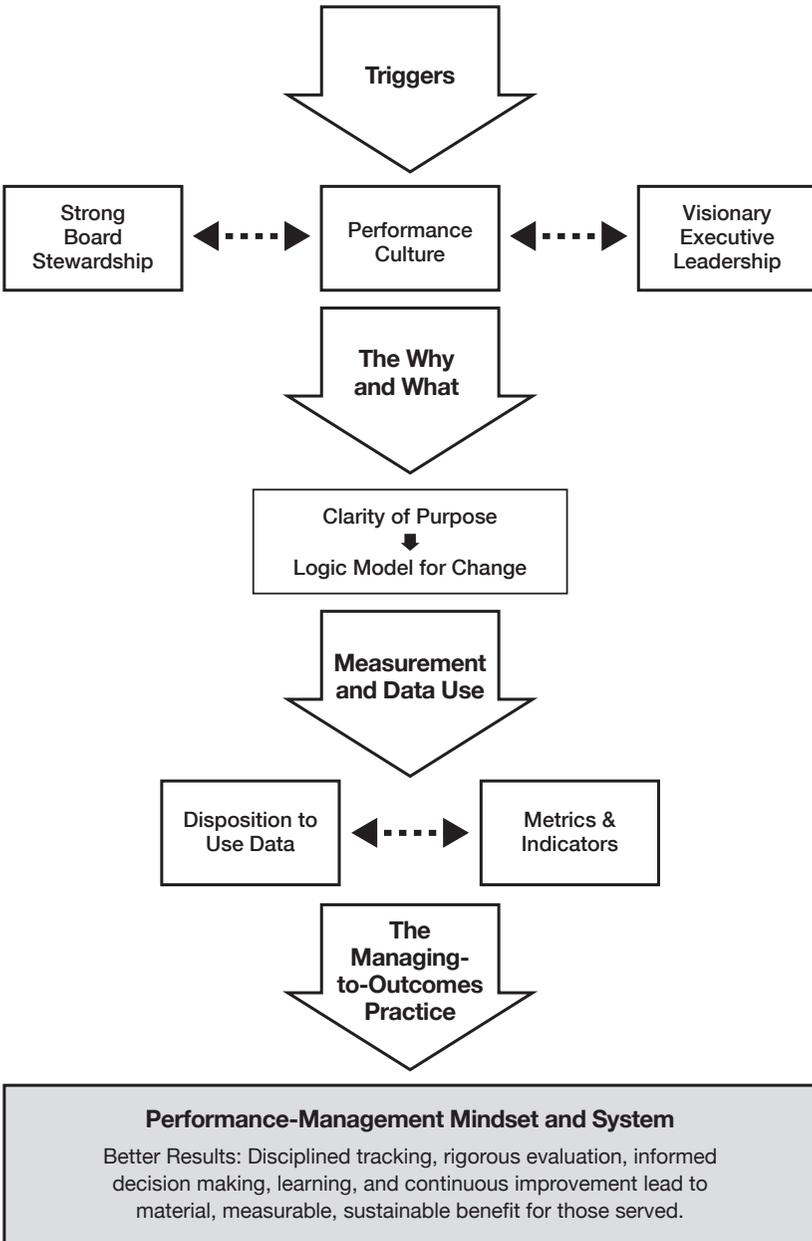
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To bring home and make actionable the key points in this monograph, I offer below a framework that you can use to evolve to the practice of managing to outcomes. This framework is far from perfect, as VPP's investment partners made clear during a wonderfully open and candid discussion we hosted. But it reflects many years of implementing management systems in the private sector and more than a decade of experience in the nonprofit sector to understand what's working, assess performance, and focus on outcomes. It's also informed by a wealth of views from people smarter than I, who have been kind enough to share their thinking over the years and who provided wonderful feedback in response to early versions of this monograph.

As you will see, my starting premise is that it takes a bold spark to ignite outcomes and performance thinking. This spark should emanate from the board as well as the organization's leader, because it is the board's responsibility to ensure that the organization is clear on what change it is focused on creating and also to ensure that the organization is actually delivering on this core purpose.

But, of course, reality is rarely neat and orderly. It may be that a visionary executive or manager—either one who is new to the organization or one who has been with the organization for years—steps forward against all the odds and naysayers and takes responsibility for driving toward a greater outcomes focus.

**Framework for Managing to Outcomes**



Let me say this as clearly as I can to nonprofits and funders alike: The challenge of managing to outcomes has little to do with systems, processes, or technology. The real challenge is that organizations cannot hope to manage to outcomes unless they have in place an engaged board; leadership with conviction; clarity of purpose; and a supportive performance culture.

### **Questions to Guide You**

These questions are applicable to most, but not all, nonprofits. They are probably most relevant for nonprofits with annual budgets of \$2 million or more (not that budget is the only pertinent factor). Although smaller nonprofits cannot be expected to take this on fully, I don't want to hand out too many exemptions or "indulgences." Even small nonprofits should be expected to understand, with at least some level of rigor, what outcomes they would like to achieve, what produces positive results for those they serve, and how they might begin to assess outcomes as they grow larger. And boards should demand this conversation.

## TRIGGERS

### Strong Board Stewardship

- Does your board know what the organization does to produce positive results, how the organization actually delivers its services, and how it is run?
- Does your board see governance and stewardship as leadership, where board members and executives work together to ensure the success of the organization, or is the board primarily focused on fundraising?
- Does your board accept responsibility for overseeing the organization's quality and ensure that what you do benefits those you serve in material, measurable, and sustainable ways?

#### **My Core Assumptions**

The board of directors must take every step necessary to ensure that the organization has clarity of purpose, the right leadership in place, and a performance culture. It must also have a deep understanding of those the organization serves and the outcomes it aims to achieve. It must have the wherewithal to codify and assess what it does, course-correct, and improve. When it comes to managing to outcomes, the buck stops with the executive director. But when it comes to ensuring that the executive director manages to the right outcomes, the buck ultimately stops with the board.

## Visionary Executive Leadership

- Do you have a strong desire and commitment to drive higher performance by managing to outcomes? Are there others on your senior leadership team who share this commitment?
- Are the individuals who share a commitment to managing to outcomes the type who “get things done” and have the stature within the organization to influence others?

### **My Core Assumptions**

Evolving your organization to manage to outcomes requires, for most non-profits, a fundamental change in mindset and behavior. This bold change doesn't come from an endless series of planning sessions, outsourcing the task to consultants, or delegating it “to be implemented.” It is driven by visionary leaders who are willing and able to disrupt the old way of working and who often show the same obsessive tendencies you see in successful private-sector entrepreneurs. These leaders win over “early adopters” and understand how to introduce change in manageable doses. Ideally, as the lead executive, you are the person who provides this life force.

## Performance Culture

- Are you confident that the right people are in the right positions? If not, do you have a plan and the conviction to make necessary changes?
- Has everyone—staff, managers, executive team, and board—fully bought into the reality that, when all is said and done, nothing matters if your organization’s beneficiaries have not gained materially, measurably, and sustainably from your products or services?
- Do all members of your organization know in reasonably clear terms what you expect of them?
- Do you take time to work with staff, alone and in teams, to solicit and amplify their best thinking, provide constructive feedback, and candidly but respectfully critique their weaknesses?

### My Core Assumptions

Making the commitment to be an outcomes-focused organization is a quantum step, and leadership has to want to do it. You’ll need people on your staff who will embrace the learning process and make this transformation happen. Measurement and systems take honed skills to be done right—this is not an opinion, but a demonstrated fact—so you’ll need to invest in developing your staff.

Organizations that develop the internal capacity to engage and educate management and staff on the disciplined use of information get great returns and continue to improve over time. Those that don’t develop this capacity wind up with an ineffective operation and, eventually, an atrophied system. A performance culture makes the difference.

## THE WHY AND WHAT

### Clarity of Purpose

- What is your organization’s purpose—that is, what are you in business to do?
- Can you state clearly whom you are in business to serve? To what degree do you serve only the group or set of groups you intended, and to what degree do you serve others?
- Is your mission so clear and grounded that executives, managers, and front-line staff members know it; apply it as the litmus test for all decisions and actions; and use it to motivate themselves?
- What are the guiding principles and/or core beliefs that underpin your organization’s very existence, and are they instilled and demonstrated throughout your organization?
- Does your board keep you focused on your mission, guiding principles, and intended beneficiaries?
- Do you make time to revisit and refine your purpose and strategies, with input from those you serve, on a regular basis?

#### **My Core Assumptions**

Having been both villain and victim when it comes to clarity of purpose, I cannot stress enough the importance of being clear and focused on what you do and expect. Be explicitly clear on purpose, guiding principles, and whom you serve. As my good friend Marc Morgenstern so astutely said, “An expectation unarticulated is a disappointment guaranteed.” In this case, an intended outcome not articulated and assessed is a disappointment guaranteed!

### Logic Model for Change

- Can you clearly define and describe the range of programs and services you provide?
- Can you state clearly the outcomes you are trying to achieve for your intended beneficiaries through each program and service your organization offers?
- Can you define, with reasonable specificity, what each of your programs and services actually does that leads to these outcomes?
- Can you demonstrate that your programs and services are informed by insights from those you serve as well as relevant research and/or the proven practices of others in the field?

#### **My Core Assumptions**

An excerpt from “Daniel and the Rhinoceros,” which David Hunter wrote when he was director of assessment at the Edna McConnell Clark Foundation, captures my assumptions much better than I can: “The [Edna McConnell Clark] Foundation has learned that grantees benefit from consultations provided in the area of evaluation, in which they are assisted in specifying the group(s) they seek to serve, clarifying outcome objectives for programs’ participants, describing program elements through which they intend to help participants achieve targeted outcomes, and identifying the human, material, organizational, and fiscal resources needed to deliver systems as intended... This amounts to developing a theory of change—a formal rendering of the approach adopted by the organization to change something about the world ... and becomes the guide whereby the organization structures its daily activities to achieve its strategic goals and objectives. It also provides the framework within which each organization can examine what works and what does not work within its own programming and manage performance for continuous improvement.”

## MEASUREMENT AND DATA USE

### Disposition to Use Data

- Does your organization systematically collect and use information, however basic, to guide your programmatic and operational decisions and execution? In other words, is there a base upon which to build?
- Can you show tangible examples of how you use information in the daily course of operation? For example, do you have a well-defined budget with regular expense-to-budget reporting? Do you engage in regular collection and reporting of basic operational data (e.g., a school might track the number of applications, enrollment, student turnover, faculty turnover and churn within the year)?
- Do people at each level buy in to the importance and utility of information as a fundamental benefit and responsibility of their work?

#### **My Core Assumptions**

The aphorism “You can lead a horse to water, but you can’t make it drink” is especially applicable to measurement, use of data, and managing to outcomes. All the flashy systems, aesthetics, and favorable circumstances won’t make someone do something he or she doesn’t want to do. At the outset, don’t make the mistake of mandating or imposing. Instead, seek out and work with those who have a demonstrated predisposition to use information to do what they do better—or who at least are not set against it. Past behaviors are reasonable predictors of staff members’ affinity for a performance-management approach. Orchestrate it so that front-line staff have early victories when working with data, and then highlight these victories so that the whole staff sees how data can help them do their jobs better. As the value becomes clearer, others will come on board.

## Metrics and Indicators

- Can you identify the two or three most important pieces of information for managing to your outcomes?
- Can you define the few leading indicators that help you determine if you are doing the right things to eventually achieve the outcomes you intend for those you serve?
- Are the people at various levels of your organization intimately involved in identifying the information that they need to do their jobs and that you need to guide your efforts?

### My Core Assumptions

Think of each outcome as what you have to manage toward. Ask what you need to know that will tell you when the outcome has been achieved and what leading indicators inform you that you are on track to get there. Most strong organizations track more than two or three measures, but they prioritize the top two or three to stay focused on what really matters. PLEASE don't make the cardinal sin of "information design"—basing the definition of metrics on what you know is available rather than on what you need!

Be meticulous and absolutely demanding in scrutinizing each metric so you don't drown in data. Ask why you have selected each one. Could there be better ones? Easier ones that would serve as well?

Invest heavily in defining your first set of metrics while also recognizing that this will be a continuous learning process and that the metrics and your ability to use them will evolve over time.

## THE MANAGING-TO-OUTCOMES PRACTICE

### Performance-Management Mindset and System

- Is responsibility for establishing a performance-management mindset, process, and system vested in a senior member of the leadership team who has a title such as Chief/Head of Mission Effectiveness?
- Have you encapsulated and codified the metrics and indicators into an organized system that regularly collects, assimilates, stores, analyzes, and reports on the information and is accessible for inquiry?
- Is there a professional who truly understands how to read data—that is, who understands what goes with what, who can see patterns in numbers, who can interpret trends for others?
- Does the organization understand the importance in investing in such people?
- Is the board “on board” with ensuring sufficient funds are in place to support such investment?
- As demanding as this may sound, is the system designed to be simple, intuitive, visually appealing, and fast?
- Are staff, managers, executives, and the board sufficiently trained in how the performance-management system works so they can monitor and manage their own performance and the performance of staff under their scope of responsibility?
- Do you expect—even demand—that staff and managers apply relevant information (planning, operational, demographics, etc.) to drive decision making and execution?

- Is there a high adoption rate by leadership and staff in using the system itself and information that comes from it?
- Are you willing to share your organization's performance with your board? With your funders? With those you serve?
- Do you have processes in place to explore and improve your system over time?

### **My Core Assumptions**

The definition of "system" is "a set of interacting or interdependent entities forming an integrated whole." The inanimate entities of a performance-management system are the raw data, collection processes, information architecture, data store, reports, and user interface. But the leadership and staff bring life to the data and processes through keen judgment and decision making; curiosity and desire for continuous improvement; and the technical know-how to ensure system integrity and accuracy.

No performance-management system is perfect, so the strongest organizations encourage continuous refinement of their systems to make them simpler, more intuitive, more visually appealing, and more beneficial.