PROFESSIONAL PRACTICE STATEMENT
Performance Measurement & Metrics

BACKGROUND
This document will introduce the reader to the concept of performance measurement and metrics as applied to associations. As associations work to increase member value, there is an increasing need to measure effectiveness with respect to programs, marketing campaigns and personnel performance. Since association work often involves staff and volunteer leaders working together on a common goal, it is helpful to have tools in place to guide and evaluate this work. Following is a discussion of some methods currently being used to evaluate performance.

PERFORMANCE MEASUREMENT SYSTEMS
Performance measurement is an important cornerstone for any organization and can help ensure that:
1. Best practices in the organization are identified and expanded,
2. Processes are benchmarked against the performance of outside organizations,
3. Resources are used efficiently and effectively, and
4. Strategic activities are aligned to the strategic plan.

Performance measurement needs to involve both senior management who understand the long-range goals of the organization, and front line staff who know the kinds of measures needed for thoughtful decision making. Although there is no “perfect set” of measures, organizations should experiment with a “starter” set of metrics and evolve these measures over time. The biggest challenges in measurement are not in the collection and analysis of data, but in interpretation of results and making decisions based on the information. Education is an essential part of all measurement. Knowing what to measure, how to measure, how to use measurement and how to link these measures to other knowledge of organizational performance are critical to the successful use of performance measurement. Provide training to the teams in how to do this and set up a process for reporting, reviewing and improving.

Today, there are many business performance measurement systems in use, several of which can be adapted to nonprofits and associations, depending upon the desired outcomes of the organization. Performance management effectiveness depends on identifying and integrating appropriate business metrics that are customized to an organization’s business, strategy and industry. One system recommended by several experts in the application of performance metrics to the nonprofit and association field— the Balanced Scorecard Metrics (BSC)— will be described briefly within this statement.

Leadership is critical in designing and deploying effective performance measurement systems. Clear, consistent and visible involvement by senior executives and managers is a necessary part of successful performance measurement and management systems. Senior leadership should be actively involved in both the creation and implementation of its organization’s systems.

A conceptual framework is needed for the performance measurement and management system. Every organization needs a clear and cohesive performance measurement framework that is understood by all levels of the organization and that supports objectives and the collection of results.

Effective communication with employees, process owners, customers and stakeholders is vital to the successful development and deployment of performance measurement systems. It is the customers and stakeholders of an organization, whether public or private, who will ultimately judge how well it has achieved its goals and objectives. And it is those within the organization entrusted with and expected to achieve performance goals and targets who must clearly understand how success is defined and what their role is in achieving that success. Both organization outsiders and insiders need to be part of the development and deployment of performance measurement systems.
Accountability for results must be clearly assigned and well-understood. High-performance organizations clearly identify what it takes to determine success and make sure that all managers and employees understand what they were responsible for in achieving organizational goals.

Performance measurement systems must provide intelligence for decision makers, not just compile data. Performance measures should be limited to those that relate to strategic organizational goals and objectives, and that provide timely, relevant and concise information for use by decision makers at all levels to assess progress toward achieving predetermined goals.

Compensation, rewards and recognition should be linked to performance measurements however this linkage should be positive not punitive. Such a linkage sends a clear and unambiguous message to the organization as to what's important.

**NONPROFIT/ASSOCIATION CONSIDERATIONS**

In today's association management world, there is an increasing demand for accountability from leaders, members, the public and other stakeholders. According to Paul Arveson, in his article Translating Performance Metrics from the Private to the Public Sector (1999),1 there are differences in the application of performance management systems from the private sector to the public sector. He explains the differences in the following chart (association specifics have been added and are noted in parentheses):

<table>
<thead>
<tr>
<th>Strategic Feature</th>
<th>Private Sector</th>
<th>Public Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Strategic Goal</td>
<td>competitiveness</td>
<td>mission effectiveness</td>
</tr>
<tr>
<td>General Financial Goals</td>
<td>profit; growth; market share</td>
<td>cost reduction; efficiency; (budget compliance)</td>
</tr>
<tr>
<td>Values</td>
<td>innovation; recognition</td>
<td>accountability to public; (members) integrity</td>
</tr>
<tr>
<td>Desired Outcome</td>
<td>customer satisfaction</td>
<td>customer satisfaction</td>
</tr>
<tr>
<td>Stakeholders</td>
<td>stockholders; owners; market</td>
<td>taxpayers; inspectors; legislators (members, leaders, key stakeholders)</td>
</tr>
<tr>
<td>Budget Priorities Defined by:</td>
<td>customer demand</td>
<td>leadership; legislators; planners (members, leadership, other stakeholders)</td>
</tr>
<tr>
<td>Key Success Factors</td>
<td>growth rate; earnings; market share</td>
<td>best management practices; (strategic priorities linked to organizational mission; member satisfaction; member retention and growth; sales)</td>
</tr>
<tr>
<td></td>
<td>uniqueness</td>
<td>sameness; economies of scale</td>
</tr>
<tr>
<td></td>
<td>advanced technology</td>
<td>standardized technology</td>
</tr>
</tbody>
</table>

Visit www.associationforum.org to find more association management research, best practices and samples.
ASAE’s website provides a multitude of articles under “performance management” that address various aspects of performance management systems. One article, written by Francie Dalton, details the application of a metrics-based management system, which she defines as a form of managing processes, outcomes and performance that relies on three components:

1. **Current state:** Establishes the right now regarding key association priorities.
2. **Desired state:** Establishes clear targets for those priorities.
3. **Evidence-based performance measures:** Establishes measurable outcomes to bridge the gaps between the current and desired states.

**METRICS**

A metric is a meaningful measurement taken over a period of time that communicates vital information about a process or activity, leading to fact-based decisions. Metrics are usually specialized by the subject area. In business, they are sometimes referred to as key performance indicators (KPI). Performance metrics should be constructed to encourage performance improvement, effectiveness, efficiency and appropriate levels of internal controls. They should incorporate “best practices” related to the performance being measured.

**CHARACTERISTICS OF A GOOD METRIC:**

- Drives appropriate action
- Meaningful to the customer (member, donor, etc.)
- Simple, understandable, logical and repeatable
- Clearly defined
- Data that’s economical to collect
- Shows how organizational goals and objectives are being met

**DEVELOPING METRICS**

Since it is not resource-effective to measure everything, organizations should therefore select and monitor the key metrics. To identify those key metrics you must identify your key work processes or those processes which create the most value for the organization. To identify those, look at those products and/or services you provide to your members and document the internal steps that design, produce, and deliver those products and services. Then consider the support processes that make these member-driven processes possible, such as your key support processes in sales, marketing, finance, human resources, IT, etc. Once you’ve identified your key processes and their current state, identify areas to improve (desired state), and determine measurements to bridge the gap.

You will want to provide training for staff on how to develop metrics. Metrics should pass the “SMART” test, in that they should be Smart, Measurable, Attainable, Realistic and Timely.

Ask the following questions when developing performance metrics:

1. Is the metric objectively measurable?
2. Does the metric include a clear statement of the end results expected?
3. Does the metric support member requirements, including compliance issues where appropriate?
4. Does the metric focus on effectiveness and/or efficiency of the system being measured?
5. Does the metric allow for meaningful trend or statistical analysis?
6. Have appropriate industry or other external stands been applied to the metrics?
7. Does the metric include milestones and/or indicators to express qualitative criteria?
8. Are the metrics challenging but at the same time attainable?
9. Are assumptions and definitions specified for what constitutes satisfactory performance?
10. Have those who are responsible for the performance being measured been fully involved in the development of this metric?

While not comprehensive, a list of some common areas measured by association metrics include: membership numbers, event and education attendance, growth in certification programs, member satisfaction, service and benefit usage, grants and scholarships utilized, media imprints, Web site trends, impacts of advocacy programs, retail sales, and sponsorships. Below are some examples of performance measures.

EXAMPLE 1: MEMBERS’ PROFESSIONAL DEVELOPMENT PROGRAM

<table>
<thead>
<tr>
<th>Goal</th>
<th>A community for valuable connections and enhanced professional and technical skills.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Objective</td>
<td>Enhance professional development skills of members to make them more marketable to industry.</td>
</tr>
<tr>
<td>Action Plan</td>
<td>Target new graduates. Create easily accessible and successful methods of delivering education for new graduates by conducting two webcasts for students about professional development issues. Two webcasts held by June, 20XX</td>
</tr>
<tr>
<td>Responsibility</td>
<td>Staff, local association presidents and industry professional liaisons.</td>
</tr>
</tbody>
</table>
| Metrics/Key Performance Indicators | 1. More than 50 students attend each webcast.  
2. Evaluation feedback yields an average 4.0 (out of 5.0 scale) for usefulness and applicability of the content. |
Example 2: Association Committee Membership Enhancement Project

<table>
<thead>
<tr>
<th>Goal</th>
<th>An ongoing, sustainable pool of members for all association volunteer roles.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Objective</td>
<td>Engage members in association volunteerism through a leadership development initiative</td>
</tr>
</tbody>
</table>
| Action Plan | 1. By second quarter 20XX, create a volunteer component of the member profile in the member database where members may indicate their volunteer interests and preferences.  
2. By third quarter 20XX, develop and distribute via email to all members a marketing piece making a professional and a personal case for volunteering  
3. By fourth quarter 20XX, develop and deploy an annual invitation to volunteer, encouraging use of the volunteer database to indicate preferences and interests  
4. By fourth quarter 20XX have the nominating committee use the member database as a resource for identifying new leaders  
5. By first quarter 20XX, develop and deploy online and classroom volunteer orientation modules  
6. By third quarter 20XX, develop and deploy annually a classroom chairperson’s training module  
7. Spotlight current volunteer involvement and achievements in the monthly member newsletter beginning first quarter 20XX  
8. By 2nd quarter 20XX, begin issuing press releases on new volunteer appointments to the volunteers’ local media outlets |
| Responsibility | Staff, Professional Development Committee and Nominating Committee |
| Metrics/Key Performance Indicators | 1. A 20% return by year end 20XX in the number of volunteers who complete the interest/preference section of their member record  
2. An increase of 5% in the number of members volunteering for committee service at the national level  
3. An increase of 10% in the number of members volunteering for committee service at the local level |

BALANCED SCORECARD METRICS

An alternate system for developing metrics is the Balanced Scorecard Metrics system (BSC). It was developed by Dr. Robert Kaplan (Harvard Business School) and Dr. David Norton in the early 1990s. Traditional performance metrics provide information on an organization’s past results. BSC, by contrast, can better predict future performance or how well the strategic plan is being executed.

The BSC process is a continuous, cyclical process focused on internal processes and external outcomes. The system’s control is based on performance metrics that are tracked continuously over time to look for trends, best and worst practices, and areas for improvement. It delivers
information to managers for guiding their decisions. BSC provides a view of an organization from four perspectives:
1. User (voice of the customer/member)
2. Financial objectives
3. Internal processes
4. Change & growth potential

From each of these four perspectives the association must define its strategic objectives. It should then define three or four elements it will measure for each objective and define the target value sought for each measure. Lastly, the organization should define the initiatives it will undertake to reach those targets. BSC relies on a well-defined strategy and an understanding of the linkages from objectives to initiatives. Organizations should identify both past and lagging measures that can be used as a measure for future performance. Finally, organizations should determine those measure most appropriate for their goals and not simply adopt the successful metrics of another organization.

SIX SIGMA PROCESS

Six Sigma is another tool organizations can use to help them improve work flow, minimize redundancy and inefficiencies, and improve the quality of the customer experience. Six Sigma is a blend of metrics and strategy, changing data into knowledge that leads to new opportunities. Six Sigma’s success within an organization is having the core concepts be integrated into the overall business strategy. “Six Sigma should not replace other initiatives, but instead offer a tactical methodology to determine the best approach for a given situation/process.” (Breyfogle, et. al, 2001).

The following information is an overview of the Six Sigma process. For more details, references have been cited at the end of this practice statement that can help guide you in the use of the Six Sigma process. After reviewing the various tools, it will be up to the organizational leadership to decide which tool works best for you.

Six Sigma stands on the basic premise: Define, Measure, Analyze, Improve, Control (DMAIC). This is the problem solving approach often used by those who implement the tool.

- **Define:** This is the overall problem definition. This should be as specific and complete as possible.
- **Measure:** Accurate and sufficient measurements and data are needed. Data are the essence of many Six Sigma projects.
- **Analyze:** The measurements and data must be analyzed to see if they are consistent with the problem definition and to see if they identify a root cause. The problem solution is then defined.
- **Improve:** Once a solution is identified, it must be implemented. The results must then be verified with independent data. Past data are seldom sufficient.
- **Control:** A verification of control must be implemented. A robust solution will be easier to keep in control than a qualitative solution. (Brusse, 2010)

Investing in Six Sigma is most successful when there is complete commitment to the process and six sigma personnel support. This will generate the results an organization is seeking. The commitment includes:
- “Creating an infrastructure with executive management that supports cultural change
- Using “30,000 foot level” metrics and cost of poor quality when selecting projects
- Selecting the “right” people and realigning resources as needed
• Selecting the right provider with an effective training approach
• Selecting the right projects that meet customer needs and provide bottom-line benefits
• Developing project metrics that yield insight into the process and discourage the “firefighting” approach to solving problems
• Applying the right tools at the right time
• Setting SMART goals (Simple, Measureable, Attainable, Realistic, Timely)
• Making holistic process improvement through wisdom of the organization.” (Breyfogle, et.al 2001)

There are many resources that go into great detail on Six Sigma. Like any improvement process, champions and supporters are needed for the success of the program. Training and dedication are also needed so the process is implemented correctly and effectively. Evaluating the process is valuable to determine the effectiveness of the process.

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REFERENCE LIST
Strategic Score-Keeping, Jim Dalton, CAE, Association Management, June 2002
Developing Performance Metrics, University of California Approach, 2005, Oak Ridge Associated Universities
Key Performance Indicators: How an organization defines and measures progress toward its goals, F. John Reh, http://www.about.com
The Balanced Scorecard, NetMBA, http://www.netmba.com
Extensive resource for information on the Balanced Scorecard Metrics system is the Balanced Scorecard Institute Web site: http://www.balancedscorecard.org.


