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## Capacity to Implement Performance Measurement in Small Nonprofits

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Performance measurement (PM) has long been applied to public and private organizations with varying degrees of success (Berman and Wang 2000; Julnes and Holzer 2001; Wang 2010). The dominant feature of PM in the private sector is financial, which is inadequate for nonprofits. Although many nonfinancial measures have been developed in the public sector, lessons learned in implementing these measures may not be completely appropriate for many small or midsized nonprofits (hereinafter SMN) that have a fluid customer base, diversified service structures, unstable funding sources, and “intangible, bundled, and difficult to measure” inputs and outputs (Speckbacher 2003, 269). While researchers generally agreed PM is a useful tool for performance improvement and accountability in nonprofits, empirical evidence on the implementation is very limited, particularly among SMNs (Lynch-Cerullo and Cooney 2011; Stone, Bigelow, and Crittenden 1999; Thomson 2010).

This study fills this gap by providing a detailed description and lessons learned by a team who designed and implemented PM systems in SMNs as part of a nationwide experiment funded by the Corporation for National and Community Service (CNCS). Adopting a capacity-building approach popular in public sector PM research, this action research provides empirical evidence that leadership buy-in, technical competency, staff expertise, and institutionalization are key factors for success in performance measurement implementation in SMNs. This study examines two specific questions: What strategies may improve the implementation capacity of PM in SMNs? How do these strategies work?

### **Framework: A Capacity-Building Approach**

In this study, PM is defined as a “managerial tool used by organizations to improve performance through describing, monitoring, understanding, and evaluating organizational performance” (Wang 2010, 12). With an overall goal of improving accountability and service delivery, an effective PM system often focuses on outcomes to achieve desirable goals that align with the organization’s mission. While PM systems have been implemented primarily in the public and private sectors, these systems can be useful for management and decision making by leaders within nonprofit organizations.

In the last decade, the nonprofit sector has increased the use of PM primarily because more funders are requiring extensive monitoring and reporting of performance information to fulfill the nonprofits’ fiduciary responsibility (Benjamin 2010; LeRoux and Wright 2010; Ochs 2012). Carman (2007; 2009) discusses internal and external factors leading to the increased reliance of PM, specifically detecting fraudulent behaviors, discovering and tracking funding sources, and improving service delivery.

Despite the need for PM, only a small number of nonprofits implement the system; most only report output, not outcome, data. Others find themselves overwhelmed with data that lacks a connection with strategic decision making (Carman 2007; Carman and Fredericks 2010; Poole et al. 2001). Implementing PM by SMNs appears particularly challenging despite these organizations’ prevalence in service delivery. With over 1.1 million registered 501(c)(3) nonprofits in the U.S., small to midsized organizations dominate the sector; nearly three quarters of all registered nonprofits report less than \$500,000 in gross receipts (Scope of the Nonprofit Sector 2013). Small nonprofits filing IRS Form 990-N are primarily younger with limited experience in management and operations (Roeger 2010).

Several organizational characteristics make a case study of PM implementation in SMNs unique. First, these nonprofits have limited financial resources and a weaker financial condition compared to larger nonprofits. SMNs tend to rely on unstable funding sources (i.e., external grants), which often fluctuate with the grant agency’s financial conditions. Lack of financial resources makes it difficult to hire full-time performance managers and purchase equipment for PM systems (Miller 1998; Taylor and Sumariwalla 1993). Second, frequent leadership turnover and little board oversight may make it less likely to adopt PM systems, which often require relatively large investments for long-term impact. Lastly, these nonprofits provide different services that address a variety of community needs. Therefore, an effective system must account for multiplicity of service delivery.

Of all the challenges to effectively adopt and implement a PM system for SMNs, the greatest appears to be the lack of political, financial, technical, and managerial resources in these organizations (Carman and Fredericks 2010; Connolly and York 2003; Stevenson et al. 2002; Taylor and Sumariwalla 1993). Moreover, lack of resources suggests poor implementation even if a system is adopted. Indeed, sustaining PM requires sufficient resources (Carman and Millesen 2005). In this context, the term *capacity* refers to the ability of organizations to develop political, financial, technical, and managerial resources in order to carry out their missions and achieve their aims (Honadle 1981; Ingraham, Joyce, and Donahue 2003; Johnson et al. 2004).

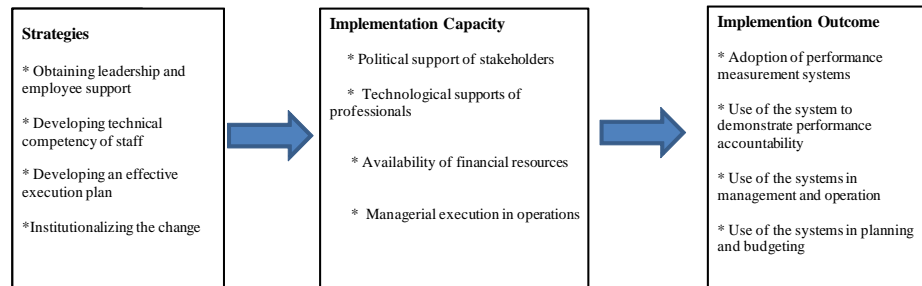
According to the capacity-building approach, institutional capacity is required to implement a managerial initiative such as PM. Capacity is linked to organizational performance (Ingraham Joyce, and Donahue 2003; Pew Center on the States 2010; Rainey 2009), and is needed to establish goals, acquire resources, satisfy customers or

citizens, reconfigure internal management processes, be competitive for external funding sources, and adapt to changes (Benjamin 2010; Daft 1997; Mintzberg, Raisinghani, and Theoret 1976; Pfeffer and Salancik 1978).

In a capacity-building model of PM for SMNs, successful PM implementation is a result of greater capacity developed for the implementation process. The model (Figure 1) emphasizes the need to develop systematically sufficient financial resources, technologies, managerial execution, and political support for strengthening implementation capacity (Horton et al. 2003).

(Horton et al. 2003)

Figure 1: A Capacity-building Approach to Enhance Implementation Capacity



Political capacity is the level of stakeholder support for implementing PM. Manager and employee support is critical; they are employing PM systems and could sabotage the system through poor execution

or an unwillingness to cooperate. Board member support legitimates change, forecloses back channels, and secures funding for PM. Board members or managers may be reluctant to give support if they perceive change as too politically risky (e.g., fear of being isolated by technicality of PM) or as a technical matter for low-level managers to handle (e.g., PM is just a tool or technology) (Poole et al. 2001; Wang et al. 2012).

Technical capacity concerns the ability of an organization to use PM technologies, including computers and information technology for data processing. Technical savvy and expertise can be acquired from universities, private consultants, professional institutions, and other research communities (Carman and Fredericks 2008; Wang and Berman 2001). Using internal professionalization to develop human capital and establishing relationships to external resources are essential for strengthening social norms, trustworthiness, and institutionalizing change within organizations (Lubell, Leach, and Sabatier 2009; Wang et al. 2012).

Financial capacity is the ability to assemble the resources needed to support an organization's mission and operations. Developing and institutionalizing funding mechanisms (i.e., a separate budget item in a grant proposal for PM) is critical for SMNs, which often have a shortage of resources to explore financial sources. Diversifying funding sources is important to withstand an economic downturn and is vital for PM system sustainability (Wang et al. 2012).

Managerial capacity regards an organization's ability to articulate the goals and principles of a PM system, to incorporate them into the strategic planning process and operation, and to monitor and evaluate achievement. Organizations can ease the implementation of these systems by having permanent institutional arrangements (e.g., designated staff for PM). Nonprofit managers learn best practices by routinely establishing, monitoring, and assessing performance goals, which can improve collaboration among various units (Poole et al. 2001; Wang et al. 2012).

The capacity-building model emphasizes the development of proper strategies to acquire capacity and an understanding of the political and institutional contexts in which the strategies work (Lawrence, Lorsch and Garrison 1967; Scott 2003). In light of the dynamic, interactive, and collaborative nature of policy-making processes, the model stresses various efforts to build stakeholder support from external citizens, businesses, and other groups by identifying their motives and meeting the stakeholders' expectations for participation (Bingham Leary, and Nabatchi 2005). Strategies are called for to develop technical infrastructure, managerial execution, and a culture of performance improvement, which are particularly important in SMNs because of their often limited access to resources and information (Berman and Wang 2000; Julnes and Holzer 2001).

## Method

This section provides details about the CNCS grant program, the university team, and the nine SMNs who participated in the study. Specific details include the participant selection process, implementation design of the grant program by the team, study design of the capacity building process, along with data collection and analysis process.

## Background

The CNCS Nonprofit Capacity Building Program, authorized by the Edward M. Kennedy Serve America Act of 2009, provides grants to develop and implement PM systems in SMNs that serve areas of education, healthy

futures, clean energy/environment, veterans, and economic opportunity (CNCS 2011).<sup>1</sup> A team of faculty and graduate students at the University of Central Florida (“the team” or “we” hereafter) worked directly with nine local SMNs between October 2010 and September 2012. The two faculty members have published in PM and managerial reforms, and the three graduate students completed related Masters of Public Administration courses. The faculty provided additional training and guidance on PM and qualitative data collection methods to the students throughout the process. Support from external consultants in managerial reform is not only important, but in many cases more economical as technical support is essential (Berman and Wang 2000; Wang et al. 2012).

The selection of a SMN was based on its service areas, status in a strategic planning process, service to underserved and disadvantaged communities, limited access to resources, and an assessment of its willingness to participate. The nine nonprofits selected are located in distressed, underserved, low income, rural areas of Lake, Sumter, and Orange counties in central Florida. Despite having well-defined service functions (i.e., education, healthy futures, and economic opportunity) and populations, these organizations have limited access to funding sources and limited fundraising capabilities. As provided in Appendix A, they averaged five full-time staff and an annual budget of \$315,905. Like many in the country, they operate in areas with low-paying jobs, high unemployment, high poverty rates, aging populations, high rates of food insecurity, and low education (Lobao and Kraybill 2005; Waugh 2013).

### Implementation Design

The team adopted the Urban Institute’s Nonprofit Common Outcome Framework and the PM logic model to develop 27 PM systems. The framework helped the team standardize the process of measuring outcomes across 14 program areas, which is especially useful for nonprofits with limited organizational capacity (Urban Institute 2006). The framework includes assessing unmet community needs, establishing resources and programs, and developing performance measures. Modeled after this framework, the team’s capacity-building process targeted three key service areas in each nonprofit to design performance goals, specific measures, and data collection and analysis mechanisms (Appendix A).

There are two phases in building organizational capacity for nonprofits to implement PM. During the first phase, the team developed PM systems consisting of performance goals, objectives, specific performance measures, computerized data collection, and analysis tools and mechanisms for three selected service areas within each nonprofit. After extensive consultations with the managers and staff, we designed 50 electronic intake forms using Microsoft Access. Lastly, the team developed client satisfaction surveys, pre- and post-test instruments, along with volunteer, instructor, and employer/client evaluations (Table 1).

**Table 1: Details on 27 Performance Measurement Systems in the 9 SMNs**

Nonprofit Number	PMS Programs	PMS System Details
1	<ul style="list-style-type: none"> <li>• Kids in Motion</li> <li>• Mujeres en Poder</li> <li>• SNAP</li> </ul>	<ul style="list-style-type: none"> <li>• 3 outcome performance measurement systems</li> <li>• Access database system (intake forms)</li> <li>• 3 surveys (parent, client, referral)</li> <li>• Pre/post test</li> </ul>
2	<ul style="list-style-type: none"> <li>• Chronic Disease Self-Management Program</li> <li>• Colon Cancer Prevention and Education Program</li> <li>• Employment Training and Placement Program</li> </ul>	<ul style="list-style-type: none"> <li>• 3 outcome performance measurement systems</li> <li>• Access database system (intake forms)</li> <li>• 4 surveys (2 client, participant, employer evaluation)</li> </ul>
3	<ul style="list-style-type: none"> <li>• After School Program</li> <li>• Stepping Out Program</li> <li>• Summer’s Out Program</li> </ul>	<ul style="list-style-type: none"> <li>• 3 outcome performance measurement systems</li> <li>• Access database system (intake forms)</li> <li>• 4 surveys (2 client, 2 parent)</li> </ul>

<sup>1</sup> The CNCS grant, a total of \$320,000, was a 50/50 cost share with the university. After the standard 40% university fee deduction, the grant team had \$192,000 to spend on two professors (summer salary), three graduate students (pay and tuition), nine laptops (one for each nonprofit), Microsoft trained consultants, and materials and supplies.

		<ul style="list-style-type: none"> <li>• Pre/post test</li> <li>• Mentor daily report</li> </ul>
4	<ul style="list-style-type: none"> <li>• Adult GED Program</li> <li>• Nurturing Families Program</li> <li>• Sin Fronteras Youth Group Program</li> </ul>	<ul style="list-style-type: none"> <li>• 3 outcome performance measurement systems</li> <li>• Access database system (intake forms)</li> <li>• 2 pre/post evaluations</li> <li>• 2 surveys (client, participant)</li> </ul>
5	<ul style="list-style-type: none"> <li>• Food Bank Program</li> <li>• Jobs Program</li> <li>• Summer Feeding and Enrichment Program</li> </ul>	<ul style="list-style-type: none"> <li>• 3 outcome performance measurement systems</li> <li>• Access database system (intake forms)</li> <li>• 4 surveys (2 client, participant, employer evaluation)</li> <li>• Counselor assessment form</li> </ul>
6	<ul style="list-style-type: none"> <li>• Blind Babies Intervention Program</li> <li>• Independent Living Program</li> <li>• Vocational Rehabilitation Program</li> </ul>	<ul style="list-style-type: none"> <li>• 3 outcome performance measurement systems</li> <li>• Access database system (intake forms)</li> <li>• 2 surveys (client)</li> <li>• 3 pre/post tests</li> <li>• Instructor assessment form</li> </ul>
7	<ul style="list-style-type: none"> <li>• GED Program</li> <li>• High School Graduation Initiative Program</li> <li>• Resource and Referral Program</li> </ul>	<ul style="list-style-type: none"> <li>• 3 outcome performance measurement systems</li> <li>• Access database system (intake forms)</li> <li>• 3 surveys (2 client, referral)</li> </ul>
8	<ul style="list-style-type: none"> <li>• Workforce Readiness Program</li> <li>• Housing Opportunities for Persons with AIDS Program</li> <li>• Project AIDS Care Waver Program</li> </ul>	<ul style="list-style-type: none"> <li>• 3 outcome performance measurement systems</li> <li>• Access database system (intake forms)</li> <li>• 3 surveys (2 client, employer)</li> </ul>
9	<ul style="list-style-type: none"> <li>• Father's Support Group Program</li> <li>• Gents to Gentlemen Program</li> <li>• Fatherhood Academy Program</li> </ul>	<ul style="list-style-type: none"> <li>• 3 outcome performance measurement systems</li> <li>• Access database system (intake forms)</li> <li>• 4 surveys (2 parent, 2 participant)</li> <li>• Pre/post test</li> </ul>

Efforts in the second phase focused on implementing and institutionalizing systems in management and decision-making. As recommended by the literature (e.g., Carman and Fredericks 2008; 2010), the team maximized interactions with the nonprofits by providing extensive hands-on training workshops, in-person monitoring, and technical assistance (Table 2). The team instructed the directors and staff on demonstrating and monitoring performance status and trends; using the data to improve performance; evaluating the effectiveness of performance enhancement initiatives; demonstrating the connection between organizational and individual performance appraisal; and presenting the results to stakeholders and funders.

**Table 2: Grant Outputs Per Quarter**

<b>October 2010 – March 2011</b>			
<b>Activity</b>	<b>Number of Units</b>	<b>Number of Participants Reached</b>	<b>Details</b>
Communications	90	106	The majority of the phone and email interactions have been as introductions between the nonprofit organizations and the graduate research assistants (GRAs). More recent communications include gathering program information for designing the performance measurement systems and providing progress updates.

On-site Assistance	Technical	37	77	The majority of the face-to-face meetings thus far have been to gather program information from the nonprofits. Also, meetings were held to introduce the faculty and GRAs to the nonprofits.
Training Events		0	0	No trainings for the nonprofits were completed during this reporting period.
Training Materials Developed		0	0	No trainings for the nonprofits were completed during this reporting period. The only training materials developed during this period were for the GRAs.
<b>April 2011 – September 2011</b>				
<b>Activity</b>		<b>Number of Units</b>	<b>Number of Participants Reached</b>	<b>Details</b>
Communications		212	228	The majority of the phone and email interactions have been between the nonprofit organizations and the GRAs. This communication includes gathering program information for designing and finalizing the Access databases and performance measurement systems, as well as providing progress updates.
On-site Assistance	Technical	60	118	The majority of the face-to-face meetings thus far have been to gather program information from the nonprofits and to provide them with technical assistance in the use of the new Access database systems.
Training Events		0	0	No trainings for the nonprofits were completed during this reporting period. The trainings started in the beginning of October and will be reported during the next reporting period.
Training Materials Developed		0	0	No trainings for the nonprofits were completed during this reporting period. The only training materials developed during this period were for the GRAs. The non-profit organization one-on-one and group trainings were started in early October and will be reported in the next reporting period.
<b>October 2011 – March 2012</b>				
<b>Activity</b>		<b>Number of Units</b>	<b>Number of Participants Reached</b>	<b>Details</b>
Communications		438	520	The number of participants reached includes duplicates of individuals within the organizations. GRAs have set up weekly phone conversations with their organizations during this implementation phase to tighten the feedback loop.
On-site Assistance	Technical	70	134	The number of participants reached includes duplicates of individuals within the organizations. The on-site technical assistance has varied from working on the Access databases, piloting pre and posttests, teaching how to code data, and hosting mini-Excel and

			Access training sessions with staff.
Training Events	30	72	The number of participants reached includes duplicates of individuals within the organizations. These trainings included individual organizational trainings, as well as two Executive Director Roundtable meetings in which the nine organizations were brought together with a trainer.
Training Materials Developed	27	72	Binders were provided to each organization containing tabs for each set of training materials, such as the individual training materials and materials from the consultants.
<b>April 2012 – September 2012</b>			
<b>Activity</b>	<b>Number of Units</b>	<b>Number of Participants Reached</b>	<b>Details</b>
Communications	447	551	The number of participants reached includes duplicates of individuals within the organizations. GRAs have set up weekly phone conversations with their organizations during this implementation phase to tighten the feedback loop.
On-site Technical Assistance	56	108	The number of participants reached includes duplicates of individuals within the organizations. The technical assistance has varied from working on the Access databases, finalizing pre and posttests, teaching how to code and analyze data, and hosting mini-Excel and Access training sessions with staff.
Training Events	26	67	The number of participants reached includes duplicates of individuals within the organizations. These trainings included individual organizational trainings, as well as an Executive Director Roundtable meeting in which the nine organizations were brought together with a trainer.
Training Materials Developed	45	115	Training materials included: three webinars detailing the performance measurement process, as well as individual training and Access training materials from Microsoft-certified trainers. All materials were added to the binders provided to each nonprofit in the previous quarter.

### *The Study*

The study is an action-based research in which researchers observed and examined the process of capacity building of PM systems while helping design the systems (Brydon-Miller, Greenwood, and Maguire 2003). The research team adopts a pathway case study method (Gerring 2007) to elucidates how implementation capacity of PM is affected by organizational strategies designed for SMNs. Implementation capacity, adopted as an intermediate variable in a path in this study, links implementation strategies and outcomes (see Figure 1). The study provides operational details of the capacity-building process while exploring theoretical relationships of the path. The unit of analysis is a single case in which a carefully detailed observation of the causality process is conducted as required by the pathway case study method.

As action research, this capacity building is also the process of data collection and analysis for the research. The team systematically collected data throughout the capacity-building process including field notes and weekly

summaries of observations in each SMN, pre- and post-tests of individual trainings, and anonymous evaluations after group trainings and presentations. In the final months of the grant, the team conducted semi-structured interviews with the managers. The purpose of the interviews was to understand their perspective of the process, implementation of the PM systems, and use of data analysis in organizational decision-making processes. The exit survey (response rate of 78% with 7 of the 9 nonprofits responding), distributed by CNCS, included closed and open-ended questions about each process phase.

To reduce researcher bias, the team met weekly to discuss the field notes and other collected data and to modify individual and group training strategies. Additionally, we used a modified grounded analysis to analyze the data in the open-ended exit survey questions, interview transcripts, and field notes (Emerson, Fretz, and Shaw 2011; Strauss and Corbin 1998).

## Findings

This section presents key findings about strategies in implementing the PM systems. We also provide examples, through nonprofit leaders' own words in the interviews, to further elaborate how these strategies were implemented (Table 3).

### Table 3: Selected Examples and Comments Given by Nonprofit Leaders in the Interviews on Performance Measurement Capacity Building

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One director, who was reluctant to adopt at first, elaborated on her reason to attend the leadership training:

*"I have been to a lot of trainings. Very seldom are things adapted to your setting. But your training is different. Using real performance data [in the demonstrative programs] was the key to for us to see the value of the system and buy into the idea that this is a tool that we can use. Seeing our own data helps us understand how the system really worked and how we could utilize it. It changed us from a doubter to believer."*

An agency director illustrated the effect of the technical training:

*"Our partnership [with the team] and the Access training have been an eye-opening experience. We had been searching for a way to document our services and the number of recipients for each service. We kept file drawers filled with paperwork but did not have a tool to gather helpful information. With the partnership and the Access training program, we know that we will be able to analyze the data and document the successes and challenges electronically, adjust programs to fit needs, and develop programs that are needed in the community."*

An agency director elaborated on working on an execution plan for performance measurement:

*"We realized we needed to maximize this new tool. Along with our monthly organization meetings, we held separate planning meetings specifically to discuss the performance measurement system with program managers and organizational leaders. We identified resources needed. Through attrition, we were able to hire people to enter data we had from the past 10 years. We also hired an individual who was good at statistics from the local university to analyze the data."*

Comments on outcomes and institutionalization of performance measurement:

*"By implementing the system, I learned how to ask questions [to my employees] that give me the information I need in terms of improving performance to best serve the community....The performance measurement system provides us with the ability to collect data and use it in the grant application. Currently, I am utilizing the performance data in the Closing the Gap grant application. I like the idea that we can now look at all of our programs and clearly see opportunities for performance improvement and the directions we should be going in the future to improve our service quality."*

*"Having the opportunity to learn performance measurement was a significant milestone for professional advancement for our agency. Not only did we learn the importance of incorporating this data into our agency communication, but also we received the training and tools to gather and analyze the information. Client intake forms and program performance data are now a critical part of our operations. With help of the system, we are able to go into our archives and invest the resources to enter 10 years of past program outcome data (student report card data). This was a long and tedious process but we now have 10 years of data on file to access. We are very optimistic that the performance measurement system has given us a valuable tool to help us more effectively tell our story and document our performance."*



*“The data collected from the performance measurement system indicated that the enrollment in our School’s Out Summer Camp this year was significantly greater than previous years, which is more than we expected. Consequently, we developed new strategies and methods to achieve our program goals and objectives. We will need to recruit additional tutors and create new partnerships with other recreational centers throughout Central Florida to meet the demands.”*

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### *Finding 1: Obtaining Leadership and Stakeholder Support*

PM not only requires a change in the organization’s reporting format, but, more importantly, the stakeholders’ understanding regarding the importance of PM and commitment to use the data in improving management and decision making (Eckhart-Queenan and Forti 2011). Studies suggest successful implementation of managerial reform depends largely on early leadership and stakeholder support (Alaimo 2008; Fredericksen and London 2000; Joffres et al. 2004). To obtain this support, we demonstrated the value of PM through leadership trainings on the basics and benefits of these systems and continual efforts throughout the program.

The SMNs were mostly unaware of PM before the program. Except when the state mandated it, they invested little in data collection. The managers were using collected customer data (primarily input and output data) for state-mandated reporting – not for management purposes. Therefore, at the outset of the grant, the team organized several information sessions introducing the need, purpose, value, and process of PM. To increase leadership buy in, the team incorporated many of the basic input and output measures the organization was already collecting. For example, from Appendix A, reused input measures included annual budget of the (KIM) program, number of employees in the program, and number of students in the program. The team reused these output measures: number of tutoring courses offered in the program, number of tutoring hours offered in the program, and number of tutors used in training.

Although all participating agencies showed initial interest in developing and implementing the system, each team member documented signs of resistance from four SMNs when we started requiring them to invest time and resources to learn and adopt the system. Reasons for the resistance included not seeing the immediate benefits of the system; fears regarding a shortage of funding and staff needed to fully implement and maintain the system over time; and concerns that the technicality of maintaining and using a system was beyond their capacity.

The team adopted several strategies to reduce these concerns. First, we quickly developed several examples of PM systems related to the organizations’ service areas and presented them to demonstrate the usefulness of the systems for peer learning. The team carefully selected common services and specifically targeted leaders from two agencies who showed strong support for implementation. For example, seven SMNs had education-based programs. We developed a demonstrative program for a GED program showing the need and purposes of PM, a data collection mechanism, and a preliminary analysis based on the limited information. We then formatted the results into a stakeholder report for the organizations.

Once other agency leaders with similar programs saw the management and decision making benefits of the system, the team observed an increase in phone and email communication between the assigned team member and agency managers, specifically requests for additional staff trainings. Moreover, we documented a 23% increase in the group training attendance between the first and second halves of the grant’s second year.

Next, as highlighted in the field notes, many leaders were initially concerned about the technical complexity of the systems; therefore, our strategy also focused on developing an effective, easy to use, and, importantly, inexpensive to maintain system (Carman 2007; Carman and Fredericks 2008). After examining the pros and cons of several performance data collection and analysis systems, the team used Microsoft Excel and Access; many managers were familiar with the systems and had the software installed on their computers. This effort significantly reduced leaders’ concern about technical requirements and resources needed for the PM systems and increased their support for the systems. For example, one agency collected customer information for a state mandate on an existing Excel database. Thus we developed a demonstrative example of a PM system in her agency by modifying the existing Excel system to make it appropriate for PM purposes. After using the new system for a few weeks with her staff, she talked with other agency directors at the next training session about the ease and effectiveness.

Lastly, as a strategy to sustain leadership buy-in throughout the program, the team revisited the value and benefit of PM in trainings and in Executive Director Roundtable Meetings to ensure agency leaders retained the big picture in the technical details. Established local speakers provided four-hour presentations on the nationwide use of PM systems in nonprofits, on how to incorporate performance information in grant applications, and on how to present performance data to multiple stakeholders.

### *Finding 2: Developing Technical Competency of the Staff in Nonprofits*

Implementing PM includes data collection and analysis; agencies must feel confident in their technical

capability to maintain and use the system (Carnochan et al. 2014; Connolly and York 2003). In developing PM systems, the team focused on several key steps in developing the technical competency of the nonprofit staff, especially the ability to generate, analyze, interpret, and store data. First, the team conducted an initial assessment of existing data collection capacity and developed technical training modules. At the start of the grant, only two agencies possessed computerized client and workload databases; others had hard copies of the data. Hardly any data was used in managing performance. Moreover, staff members' ability to use Access (for data collection) and Excel (for data analysis) was lower than expected.

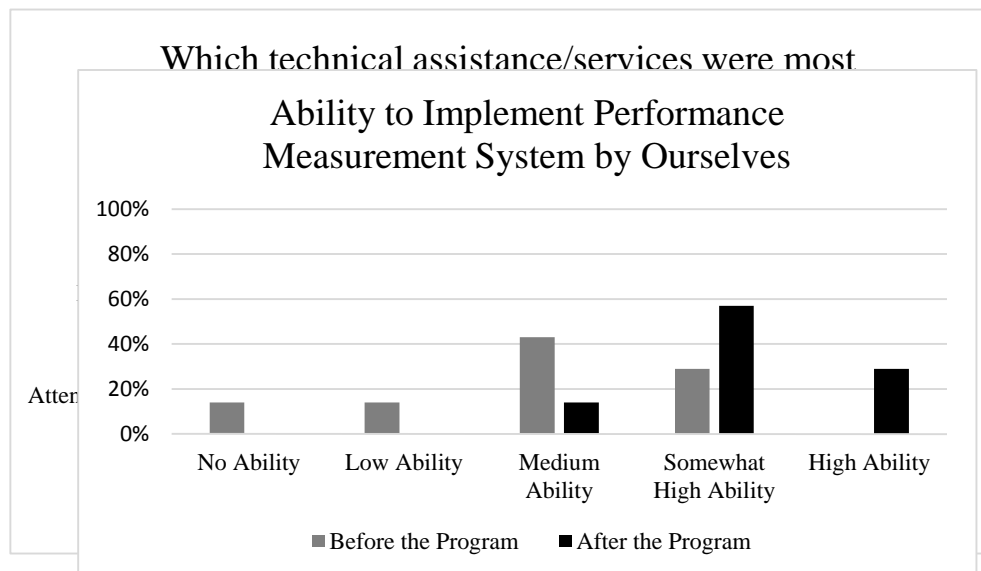
Second, multiple training sessions were organized and consisted of two parts. In basic training, the team and Microsoft-certified consultants developed a baseline Access database to demonstrate the application of data collection. We organized several hands-on sessions in a computer lab for the staff to learn the systems. Then, one-on-one training sessions focused on developing customized Access-based data collection systems for each SMN.

While the customized trainings can be viewed as time consuming, they were essential because a "one size fits all" system would not work for nonprofits providing multiple services. Our team found the directors and staff could more easily understand the various elements of a logic model and PM system when applying them directly to their existing program. Nearly every participant positively discussed these customized trainings, a common theme in the field notes and interviews, with the research team. To reinforce the new knowledge and skill set, staff completed homework assignments and attended hands-on training shortly afterwards (Miller, 1998). Additionally, the team created a three-part webinar series, which covers the basics of performance analysis and the logic model; the benefits of implementing a PM system; identifying data collection methods; and the relationship between PM systems and the logic model.

Enhanced technical capacity also helps overcome organizational resistance. One form of resistance stemmed from a leader's concern about how to integrate the Access-based PM system with their existing data management system that assisted their visually impaired or blind clients. Our team integrated their synthesized speech program into the Access-based PM system so clients could continue using their original data entry system for the newly designed PM system.

Results from the exit survey indicate the nonprofit directors perceived the various technical assistance and services as helpful with the Executive Director Roundtable Meetings (86%), Access Database Training (86%), and Individual/One-on-One Training (86%) as most beneficial (Table 4). The survey also showed an increase in the SMNs' ability to implement the PM systems. As provided in Table 5, 43% of the respondents stated their organization's ability to implement a PM system prior to beginning the capacity building program was at a medium level. After the program, their ability increased with 57% of the respondents stating a somewhat high level of ability. Two respondents (29%) indicated a high level of ability after the program, whereas none of the respondents selected this option when starting the program.

**Table 4: Nonprofit Director's Perception of Beneficial Technical Assistance and Services**



**Table 5: Nonprofit Directors' Perception of Ability to Implement PMS Before and After Capacity Building Grant Program**

Adopting a PM system requires proper institutional arrangements. Performance goals should be stated in the organization's goal and mission statements. Measures

must be developed to assess the achievement or underachievement of these goals, while mechanisms are established to monitor and track performance. Importantly, organizational leaders should designate and train individuals or units to be responsible for executing performance improvement (Eckhart-Queenan and Forti 2011).

At the outset of the program, none of the agencies had performance goals and measureable objectives nor had developed outcome measures. Many had success stories about their services, while a few were comfortable using input or output data (i.e., the number of clients served, the number of trainings offered, etc.); however, none could conceptualize those stories quantitatively and use the data in management. The team made several efforts to develop a plan for these agencies, by first creating a PM system for three key service delivery areas. Consensus was then reached among agency leaders about the performance goals, objectives, and key measures. We developed key measures to assess inputs, processes, outputs, and outcomes largely based on the logic model of performance improvement (Appendix B).

Second, the team worked closely with the nonprofits to refine the systems to fit their needs and specific circumstances. Care was taken to include valid measures that were inexpensive to obtain. We made an effort to use the organization's existing data wherever possible to reduce data collection costs. The staff learned key elements of the systems in customized, hands-on trainings. They generated and analyzed performance data through intake forms, pre- and post-tests, and satisfaction surveys. The team provided training on implementation throughout the grant period and sometimes based on agencies' requests. As discussed in the next section, once the agencies became comfortable with the systems, we encouraged them to make organizational changes to sustain them.

Third, the execution plan consisted of a cross-agency educational component through peer learning in which all participating nonprofits discussed their success and failures with the PM systems at group trainings and the Executive Director Roundtable Meetings. This peer learning strategy appears effective as it was a common theme in the analysis of the field notes and interviews.

#### *Finding 4: Institutionalizing the Change*

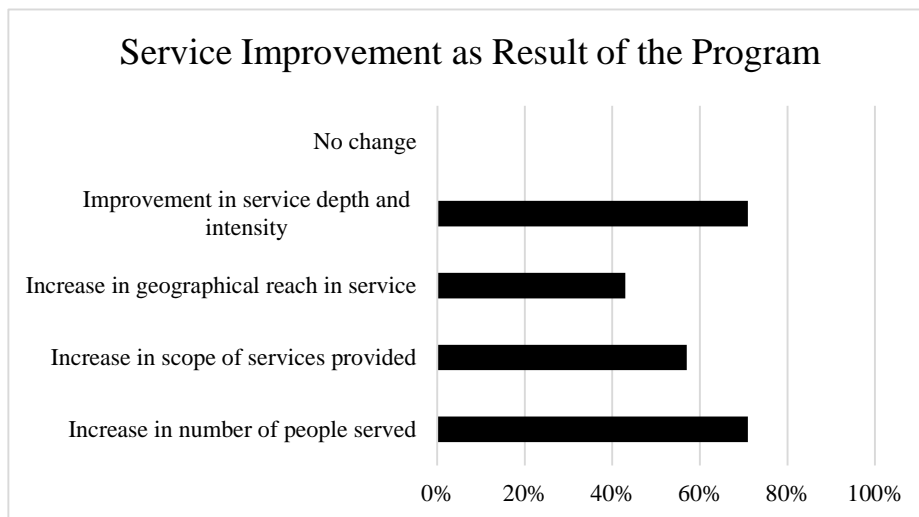
PM requires long-term commitment and a culture of continual performance improvement. In addition to the institutional arrangements made to facilitate the execution of a PM plan, the team encouraged the agencies to develop a performance culture to foster long-term use. The team's efforts focused on two critical areas of institutionalization: communication and management.

First, the team asked the agencies to incorporate performance goals in their organizational goal statements, as well as set performance expectations for the staff. We observed and noted in the field notes an increase in using PM terms in communication among the leaders and staff, especially in the second year of the grant. The team worked with several agencies to write the initial results from the PM systems for the agency's website and newsletters for current and potential clients, donors, and stakeholders to review. These results often included pie charts and bar graphs to illustrate outcomes. For example, two outcome measures highlighted in an organization's quarterly newsletter were: "After one year in the Kids in Motion Program, students attain a minimum 2.5 GPA and work to increase their reading and math grades by one whole letter grade or more" (Apopka Family Learning Center 2013). Additionally, "56% of parents noted a positive gain in their child's motivation to study" (Apopka Family Learning Center 2013, 1).

One immediate impact of the systems on management was in grant applications. By the time this paper was completed, an agency secured four grants totaling \$250,000, which is the most funding secured in the agency's history. Another agency received a Disney Shine Grant for \$30,000, which was a \$12,500 increase from the previous year. Both agencies attributed the increased funding to the use of outcome data gathered with the new PM systems. Adoption of PM systems requires proper strategies and sufficient institutional capacity (Carman and Fredericks 2008; Connolly and York 2003). More than 80% of the exit survey respondents are very confident and 14% of the survey respondents are extremely confident that the improvements made during the two-year program will be maintained or continued. The nonprofits' adoption efforts have produced initial benefits; such benefits should help the agencies institutionalize PM in their management practices.

Another impact of PM systems on management is problem identification and solving. The team witnessed organizational learning within some SMNs, which resulted from the evaluation process. Those leaders and staff used the new performance data to discover issues and make changes, including expanding existing programs, creating new programs, changing personnel, and applying for more and larger grants. As highlighted in Table 6, survey respondents indicated "increased the number of people served" (71%) and "increased the depth and intensity of services" (71%) as the top responses to ways they increased services with the new systems.

#### **Table 6: Service Improvement as a Result of the Capacity Building Grant Program**



### Conclusion

The use of PM systems in nonprofits has gained momentum in the last decade when many funders began requiring performance monitoring and reporting. Studies regarding the implementation of these systems are needed, especially for SMNs. The literature suggests these organizations often lack the capacity

to implement PM systems (Benjamin 2010; Carman 2009; Carman and Fredericks 2008; Carman and Millesen 2005; Connolly and York 2003). Applying a capacity-building framework, this study provides a rare opportunity to observe the development of PM systems in SMNs. The results provide evidence that effective implementation should include efforts to obtain and develop leadership support, enhance technical competency, design a feasible execution plan, and institutionalize organizational change to overcome some common barriers. While the level of PM capacity building varied in each of the nine nonprofit organizations, the process overcame organizational and management obstacles. The effectiveness of performance implementation strategies is likely contingent on several conditions in implementation. Understanding these conditions is necessary for effective implementation and theoretical exploration.

The first condition concerns how PM training is conducted. It is necessary to provide customized training at the outset of the process for a nonprofit unfamiliar with the concept. Examples of PM systems for individual programs in the nonprofits should be developed in the training, and more importantly, the program implementation and modification should be closely monitored for potential retraining opportunities. Based on our experience, a nonprofit is able to model its own PM systems after examples. As discussed in the literature and this case study, individual training and weekly monitoring allowed the team to recognize and address implementation subtleties, which varied among the nonprofits. Generic training, such as classroom or webinar training, is perhaps more effective after completing the customized training in which opportunities arise for the implementers to share their experiences and learn “best practices” from their peers.

Second, continual funding and support is key. Along with the potential funding from a central agency (e.g., federal government, United Way), efforts should be made to solicit support from local universities and voluntary support from college students. Many graduate public administration and nonprofit programs have PM courses, which can include experiential learning and community-based research (Holzer and Lin 2007; Mirabella 2007). Moreover, many nonprofits with established PM systems may be willing to share their experience and provide support. Collaboration and learning networks among local institutions can be keys to sustain PM system development, implementation, and maintenance (Carman and Fredericks 2010).

Moreover, it is important to identify motivations for sustaining PM. Our experience suggests that instrumental motivations for participation include funder requirements in grant application and reporting, the chance to adopt new technology associated with the implementation, and updating engaged board members on a program’s performance. Potential adopters are involved in a process of constantly evaluating these benefits against the costs (i.e., time spent and resources consumed). The sustainability of a PM system depends on the ability to demonstrate the long-term values through improved service outcomes and achieved organizational goals.

The findings of this study should be viewed with several caveats. First, this study is exploratory in nature and relies on limited data sources; the results should be confirmed by studies with more samples before the findings can be generalized. Samples from SMNs in urban or suburban areas should be included in future research because these nonprofits may face different capacity building challenges. Second, this study relies on knowledge (or judgment or perception) of experts and managers to observe the implementation process of capacity building. We believe the findings that experts and managers perceive a pivotal role of capacity building in developing PM systems are robust; common sense supports this notion given their critical responsibility. Nonetheless, the study needs to be complemented, and potentially moderated, by the perspectives of other stakeholders (e.g., funders or clients who likely

play a role in funding the capacity-building process and judging the outcome of PM systems). Additionally, future research should analyze not only the value of the team implementing performance measurement systems in small nonprofit organizations, but also the effectiveness of the capacity building model on nonprofits that share specific common characteristics.

Moreover, this study focuses on capacity-building strategies at the implementation phase of PM. The effectiveness of strategies may change during different phases of the policy cycle. The ongoing nature of the capacity-building process suggests new strategies could emerge to influence capacity while the process moves along with new issues and challenges surfacing. Yet, despite these limitations, this study reminds us of the importance and complexity of managerial reforms, and how capacity building in implementation is generally as important as the formulation of the reforms themselves, and sometimes more so.

### Authors' Biographies

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#### Appendix A: Descriptive Details of the Nine Nonprofit Organizations

Nonprofit Number	County Service Area	IRS Rule Date	Mission Statement	NTEE Classifications	2010 Budget*	Staff (Full Time)	Board
1	Orange, Seminole	1978	The creation of a unique, educational environment of hope and encouragement for lifetime learning.	<ul style="list-style-type: none"> <li>▪ B90 (Educational Services)**</li> <li>▪ O50 (Youth Development Programs)</li> <li>▪ P40 (Family Services)</li> </ul>	\$506,185	9	Yes, strong board governance that meets quarterly
2	Orange	2006	To provide health education and services to individuals and	<ul style="list-style-type: none"> <li>▪ P20 (Human Service Organization)**</li> </ul>	\$129,877	4	Yes, but not actively engaged

			families in need due to economic, social and health disparities.				
3	Orange	1992	<b>We offer quality, affordable after-school, computer-assisted tutoring.</b>	<ul style="list-style-type: none"> <li>▪ B90 (Educational Services)**</li> <li>▪ O51 (Youth Development Service Club)</li> </ul>	\$633,036	2	Yes, but not actively engaged
4	Orange, Seminole	2007	We are a service learning community dedicated to empowerment of Central Florida's immigrant and working poor communities through education, advocacy, and spiritual growth.	<ul style="list-style-type: none"> <li>▪ A23 (Cultural &amp; Ethnic Awareness)</li> <li>▪ B90 (Educational Services)</li> <li>▪ O01 (Alliances &amp; Advocacy)</li> <li>▪ P28 (Neighborhood Centers)**</li> </ul>	\$786,087	10	Yes, strong board governance that meets six times a year
5	Lake	1997	Our mission statement is saving souls, encouraging hearts, and changing our surrounding community. We sum this up in three simple words: save, encourage, and change.	<ul style="list-style-type: none"> <li>▪ X20 (Christianity)**</li> </ul>	\$110,000	8	Yes, but not actively engaged
6	Lake, Sumter	2006	We are committed to excellence in providing rehabilitation, community education, and support services for people with low vision or blindness, and their families to promote independence, acceptance, and self-confidence.	<ul style="list-style-type: none"> <li>▪ G41 (Eye Diseases, Blindness, &amp; Vision Impairments)**</li> <li>▪ P86 (Blind &amp; Visually Impaired Centers)</li> </ul>	\$229,213	9	Yes, strong board governance
7	Lake, Orange, Osceola, Seminole	2004	We serve at-risk individuals in the greater Central Florida area to alleviate racial and ethnic disparities in health education, employment, and incarceration through health,	<ul style="list-style-type: none"> <li>▪ B60 (Adult Education)**</li> <li>▪ J22 (Job Training)</li> <li>▪ O50 (Youth Development Program)</li> </ul>	\$123,213	1	No board



			education, and social programs.				
8	Lake, Orange, Osceola, Seminole	2004	We provide support to homeless persons living with and affected by HIV and AIDS by providing the following: housing, guidance, referrals, food, clothing, education, and daily living skills in a home-like environment.	▪ L40 (Temporary Housing)**	\$315,533	5	Yes, but not actively engaged
9	Orange	2007	We provide young fathers under the age of 24 years old, with supportive, community-based resources to assist them to actively participate in the lives of their children and families in order to strengthen their communities.	▪ P45 (Family Services for Adolescent Parents)**	\$10,000	1	Yes, but not actively engaged

\* The grant started in 2010; therefore, this budget was used in the selection process.

\*\* Primary NTEE classification.

### **Appendix B: Example Outcome Performance Management System: Kids in Motion Program (KIM)**

Agency Name: Apopka Family Learning Center

Agency Mission: To create a unique, educational environment of hope and encouragement for lifetime learning. To help families address vital issues of education, literacy, parenting skills, health care and financial management.

Service Delivery Area #1: Education, Youth Tutoring

Program: Kids in Motion (KIM)

Program description:

Kids In Motion (KIM) is an after-school academic enrichment program for children ages 5 to 12. KIM is designed to help students K-5 improve their academic performance. Children receive 15 weekly hours of academic instruction, tutoring, and guided parental support. KIM also introduces children to positive social activities, and provides a unique educational environment of hope and encouragement for lifetime learning. Moreover, KIM helps parents learn valuable techniques for becoming more involved in their children's education, methods of conflict resolution, empathy self-awareness, how to establish family values, and how to implement non-violent forms of discipline for their children. Families receive support on sensitive topics and trained facilitators lead personal discussions among parents and children to address issues of drug and alcohol abuse, physical, verbal and emotional abuse, and anger management.

Performance Goals:

- Improvement of academic performance of participating students
- Provision of a culture of family support for participating students and their families

Performance Objectives:

- Objective 1: All participating students maintain a minimum GPA of 2.0
- Objective 2: Fifty percent (50%) or more participating students improve their GPA
- Objective 3: Ninety percent or more (90%) participating parents improve their skills in creating an amicable learning environment for their children

Target clients: K-12 students and their parents in the city are eligible for the program

**Performance Management Logic Model (Reference: CNCS Performance Measurement Toolkit, Version 4, 2010):**

The Logic Model:

Community Need → Inputs → Activities → Outputs → Intermediate Outcomes → End Outcomes

Community Need	Inputs	Activities	Outputs	Intermediate Outcomes	End Outcomes
The following unmet need is identified in the community.	In order to carry out our set of activities, the following is needed.	In order to address the need, the following activities are carried out in the program.	Following evidence or service delivery is produced to carry out the activities.	Intermediate results/impact expected.	End results/impact expected.
A large number of low academic performing students in the community.	After-School program to assist needed students and their parents.	After-school tutoring program for students and parent-assisting program.	Level of student and parent enrollment and participation in the program.	-Improvement in program enrollment and participation.  -Improvement in students' attitude and behaviors towards school work.	Improved academic performance and achievement.

Input Measures

- The annual budget of the (KIM) program
- The number of employees in the program
- The number of full time equivalent (FTE) employees in the program
- The number of volunteers in the program (Volunteer performance)
- Other input measures

Activities and output measures

- The number of tutoring courses offered in the program
- The number of tutoring hours offered in the program
- The number of tutors used in training
- The percentage of tutors who have a college degree
- The percentage of students or parents who are satisfied with the tutoring service provided by a tutor (Tutoring effectiveness)
- The amount of grants obtained for the program (Fundraising performance)
- The number of network events that the program staff have participated for the past 12 months (Networking performance)
- Other activities output measures

Outcome measures (see below for an outcome-oriented measurement system)  
(Reference: Common Outcome Framework—The Urban Institute, 2006)

#### Outcome Sequence and Indicators

Increased enrollment (intermediate outcome) → Increased Participation (intermediate outcome) → Improved Attitudes (intermediate outcome) → Increased Study Outside of School (intermediate outcome) → Improved Academic Performance (end outcome)

<b>Outcome</b>	<b>Indicators</b>	<b>Data Sources</b>	<b>Data Collection Procedures</b>	<b>Notes</b>
Increased enrollment	Indicator #1: Number of student enrolled in tutoring.	Agency performance data base	(1) The data will be collected in the intake process or in other phases of the program. (2) The data will be collected over time on an annual basis so comparison over time can be made	Alternatively, data can be obtained from the survey of the parents.
Increased participation	Indicator #1: Number of students participating in tutoring. Indicator #2: Percent of enrolled students participating in tutoring.	Agency performance data base	(1) The data will be collected in the intake process or in other phases of the program. (2) The data will be collected over time on an annual basis so comparison over time can be made.	
Improved attitudes	Indicator #1: Number of students' parents (teachers) reporting improvement in the students' attitude and motivation towards schoolwork.  Indicator #2: Percent of participating students' parents (teachers) reporting improvement in the students' attitude and motivation towards schoolwork.	Parent (teacher) survey data base	Parent (teacher) survey will be conducted after the tutoring program based on the Orange County calendar school year.	Survey Instrument attached

Increased study hours outside of school	Indicator #1: Number of students who increased (or maintained) their weekly hours of homework/reading.  Indicator #2: Percent of students who increased (or maintained) their weekly hours of homework/reading.	Parent (teacher) survey data base	Parent (teacher) survey will be conducted after the tutoring program based on the Orange County calendar school year.	Survey Instrument attached
Improved academic performance	Indicator #1: Number of participating students who improved their test performance and overall GPA.  Indicator #2: Percent of participating students who improved their test performance and overall GPA.	Parent (teacher) survey data base	Parent (teacher) survey will be conducted after the tutoring program based on the Orange County calendar school year	Survey Instrument attached

Computer technologies:

- Microsoft Office Access template for data entry
- Access for data storage
- Microsoft Office Excel for data analysis and graphic presentations

Data analysis:

- Performance data description (univariate analysis) to compare with performance objectives established above. Example: presenting the data of the four outcome indicators above
- Performance data understanding (bivariate and multivariate analyses) to discover the input or output factors that may influence the outcome indicators. Example: analyzing the relationship between “the percentage of students or parents who are satisfied with the training provided by an instructor” (i.e., tutoring effectiveness) and “the percent of participating students who improved their test performance and overall GPA”.

Result use:

- Result presented to stakeholders for performance accountability. Example: presentation and incorporation of outcome results in the annual strategic planning process or in annual board meeting where parents and teachers are invited.
- Results presented to demonstrate the factors that may influence outcomes and how to use the results to improve service delivery. Example: if tutoring effectiveness is found to affect academic performance, then a strategy should be choosing more effective tutors.
- Results to evaluate individual performance. Example: individual tutors will be evaluated by their tutoring effectiveness and educational credential.
- Results to improve managerial decision making. Example: efforts should be strengthened to discover the means to hire more effective tutors.

**Parent Survey Instrument**

*Instruction: This survey is designed to help Apopka Family Learning Center improve the service and help their customers. Your responses are completely confidential. No individual survey response will be reported. Please focus on one child at a time to answer the following questions. If you have more than one child in the Kids in Motion (KIM) program, please use one questionnaire for each child.*

Question 1: How many of your children participated in the Kids in Motion Program (KIM):

Question 2: What was the age of your child when entering the KIM program:

Question 3: What grade was your child when entering the KIM program:

Question 4: What was the gender of your child (check one)?

Female  Male

Question 5: Please evaluate the following statements about your child. Please choose one of the following five boxes.

- My child has become more motivated to study at home after KIM

Strongly Agree  Agree  Disagree  Strongly Disagree  Don't know or Can't say

- My child has become more interested in school assignments at home after KIM

Strongly Agree  Agree  Disagree  Strongly Disagree  Don't know or Can't say

- My child has increased his or her study hours on homework or reading at home after KIM

Strongly Agree  Agree  Disagree  Strongly Disagree  Don't know or Can't say

- My child has improved his or her school test performance and overall GPA (grade point average) after KIM

Strongly Agree  Agree  Disagree  Strongly Disagree  Don't know or Can't say

Question 5: Approximately, what was your child's Grade Point Average (GPA) the year right before KIM:

Question 6: Approximately, what was your child's GPA since participating KIM:

Question 7: My child's GPA has been 2.0 or above since KIM participation (Choose one).

Yes  No

Question 8: Please evaluate the following statements about you. Please choose one of the following five boxes.

- I have spent more time with my child on his or her education

Strongly Agree  Agree  Disagree  Strongly Disagree  Don't know or Can't say

- I have become more involved in my child's school work

Strongly Agree  Agree  Disagree  Strongly Disagree  Don't know or Can't say

- I have become more aware of my child's behaviors outside of school

Strongly Agree  Agree  Disagree  Strongly Disagree  Don't know or Can't say

- I feel that the KIM program has had a positive impact on my child's academic performance

Strongly Agree  Agree  Disagree  Strongly Disagree  Don't know or Can't say

- I would recommend the KIM program to others

Strongly Agree  Agree  Disagree  Strongly Disagree  Don't know or Can't say