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**User Patterns of Key Performance Indicators
Among Non-Profits in New York City and Westchester County**

Prepared for

**The Helene and Grant Wilson
Center for Social Entrepreneurship**

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Introduction and Methodology

This study was sponsored by The Helene and Grant Wilson Center for Social Entrepreneurship (The Wilson Center) and its planning stages began in mid 2009. During all phases of the study, The Wilson Center through its Director, Rebecca Tekula, Ph.D., has offered technical support and a great deal of understanding. In addition, staff efforts from The Wilson Center have taken the lead in gathering and initial analysis of the questionnaire data. I am grateful for the opportunity to have worked in such a supportive environment.

After a brief description of the study participants, the four major questions which guide the research are explored:

- What percent of the non-profits in the study use KPI's and what are the different **purposes** served by the non-profit's sector adoption of KPI's?
- What are the various uses of KPI'S by non-profits?
- What are the pressures that come from funders to use KPI's?
- Why do some non-profits not use Key Performance Indicators?

The context inside of which these questions were posed is one that has changed rapidly over the last several years. For many years non-profit organizations concentrated their considerable energies on meeting the needs of the poor and underserved. Rarely, were they concerned with documenting and measuring the outcomes of their efforts. However, as competition for scarce resources has grown and as non-profits have been under more and more pressure to be accountable, their organizations have moved to satisfy the needs of important funders by becoming more results oriented.

Outcome measurement, many times called performance measurement, is an old approach for getting work done in an accountable way. Guba and Lincoln (1981) tell us that the Emperor of China over 2000 years ago instituted performance measurement requirements for his public officials. Objective based approaches in the United States are attributed to Ralph Tyler. Many other industrial and management scholars have explored this area and the Federal government in the Government Performance and Results Act (GPRA) brought a great deal of pressure to become more accountable in both the public and private sectors.

A great unexpected outcome of using KPI's is the building of a field-based collaboration. Each quarter we visit one of the non-profits who are working on KPI's shared with other non-profits who also attend these quarterly meetings. We have great discussions in a very sharing mode about common problems and possible changes.

In order to answer the questions guiding this study, several data sources were called upon. (See Appendix for copies of questionnaire). Of primary interest were non-profit agencies in New York City and Westchester County. There were 91 respondents in the New York City population and 22 from Westchester County. The New York City population was surveyed by an internet questionnaire. The Westchester County non-profits received questionnaires at workshops sponsored by the United

Way of Westchester/Putnam, Inc. in conjunction with The Wilson Center. There were a total of 113 questionnaires suitable for analysis across the two populations of New York City and Westchester County. All of these data were gathered in the winter and early spring of 2011.

In addition to the non-profits’ responses there were two other sources of data. These data were drawn from funders. One of the funders is a local-regional organization which raises money and funds hundreds of small to large non-profits across Westchester and Putnam Counties. The second data source was a funder at the national-international level. These interviews were held in the late spring 2011. When funder opinions and attitudes become part of this report, their input will be displayed in a shaded box in the section of the report most appropriate. The shaded boxes contain paraphrased material from one-on-one interviews.

The purpose for having two angles of vision on the use of KPI’S was to enrich the topic with those responses from agencies receiving money with the expressions of funders. It is important to understand that the funding agencies interviewed for this research were not chosen because they had any direct or proximate experience with the agencies that became our data sources.

There is a second limitation to this study. The data from non-profits were not drawn at random and therefore does not represent a probability sample. It is a convenience, non-probability sample and, therefore, the findings cannot be applied outside of the sample studied. Put simply, there is no external validity to this study. The data, however, are suggestive of issues and conditions that may have relevance to a larger population of non-profits.

Description of Respondents

Table 1

Wilson Study of Key Performance Indicators (KPI’S)
Influence on Non-Profits in New York, June 2011

Positions of Respondents

Non-profit Position	N	%
Senior manager	37	36
Administrative	18	17
Middle manager	18	17
Non manager professional	13	12
Other	15	18

There were 2 Executive Directors; 1 CEO and 1 Board Member within the “Other Category.” The respondents to the questionnaire were predominantly from the upper part of Non-profit

management and leadership (70%). This pattern – upper level respondents – provides a useful “bias” to use when discussing the results of the study.

Leadership skills either have developed more since the use of KPI’s or, we the funder, are more aware of a leader’s abilities. I can’t imagine operating without this approach now that we have experienced the new relationship with the field. This data-driven shift has been important to us and putting us on more stable ground as we make more decisions that hopefully meet the needs of the non-profit and the clients they serve.

Table 2

Wilson Study of Key Performance Indicators (KPI’S)
Influence on Non-Profits in New York, June 2011

Length of Service of Respondent

Length of Service	N	%
10 years +	34	34%
7-10 years	12	12%
4-6 years	21	21%
.....
1-3 years	19	19%
Less than 1 year	15	15%

The model category of respondents has 10 years plus experience in their organization. Sixty-seven percent of the respondents had 4 or more years of experience. Thirty-three percent of the respondents had 3 years of experience. Assuming that there is a high correlation between length of service and age, this suggests a study question of interest: When dividing population at dotted line, do younger non-profit respondents represent a different population from their older counterparts?

Question 1: What percent of the non-profits in the study use KPI's and what are the different purposes served by the non-profit's sector adoption of KPI's?

Table 3

Wilson Study of Key Performance Indicators (KPI'S)
Influence on Non-Profits in New York, June 2011

Use of KPI'S by Non-Profit Respondents

	N	%
<u>Yes</u> our organization uses outcome measurement procedures	77	68%
<u>No</u> our organization does not use outcome measurements	36	32%

The responding non-profit participants were part of organizations that at more than a 2 to 1 ratio used outcome measures. This result follows more than 10 years of influence by key organizations (United Way, et al) to change non-profits in the direction of measurable accountability. The 32% of the respondents rejecting this popular approach have a variety of reasons for doing so (See Table 7).

The indicators we use are flexible. Because we have close contact with our grantees. This flexibility helps the relationship. If a grantee reports no real progress and cannot explain why, that is a cause for concern. If they are encountering serious problems along the way, they talk to us and we usually work to adjust the indicators as appropriate. Essentially, the KPI's change to reflect changes in the realities on the ground.

Table 4

Wilson Study of Key Performance Indicators (KPI'S)
Influence on Non-Profits in New York, June 2011

Purposes of KPI'S

Possible Purposes	% Yes	% No
Monitoring progress	76%	6%
Improving practice	73%	6%
Helping organization achieve goals	68%	9%
HELPING FUNDERS DETERMINE FUNDING	58%	31%
HELPING FUNDERS EVALUATE SUCCESS	57%	12%
Don't know	33%	66%

Respondents defined the three major purposes as leading all others: Monitoring Progress, Improving Practice and Helping organization achieve goals. For the purposes of this study, all three of those purposes selected by the respondents in top in rank have an Internal emphasis. That simply means that they help the non-profit organization with their day-to-day of quarterly -to- quarterly activities. It emphasizes the importance of KPI's as forming a mirror that the non-profit can see its image of how they are doing.

The next two in the ranking which are in capital letters are "HELPING FUNDERS DETERMINE FUNDING" and "HELPING FUNDERS EVALUATE SUCCESS." In this response pattern, non-profit participants shifted from seeing an Internal value to an External funder's value. Funders are part of an External world which is very important but not as important to our respondents as Internal processes.

The use of KPI's allows us, at the point of funding, to know where we can help. In the past, that was at best a vague understanding; now it is concrete and allows us to intervene more successfully.

Question 2: What are the various uses of KPI'S by non-profits?

Table 5

Wilson Study of Key Performance Indicators (KPI'S)
Influence on Non-Profits in New York, June 2011

Rankings of Potential Uses of KPI'S

Rankings	Uses	%
1	Change in program design	93
2	Improve program impact	90
3	Articulate program procedures and outcomes	89
4	Plan program future	88
5	REPORT TO FUNDER	87
6	OBTAIN ADDITIONAL FUNDING	83
7	Design ongoing monitoring and evaluation	79
8	Respond to questions and criticism	76
9	Promote programs	75
10	Aid in strategic planning	74
11	Allocate organizations' resources	73
12	Improve public relations	69
13	Train staff	68
14	Reassign staff	54

The reader will notice that Table 4 is a close parallel to Table 5. Table 4 houses purposes of KPI's and Table 5 lists and then ranks specific uses of KPI's. The top rankings in Table 5 are all of an Internal nature. The four top ranked uses emphasize how the manager of the non-profit can use KPI's to improve program performance. Rankings 5 and 6 are directly related to an External reality (IN CAPITAL LETTERS) that of the funding world.

Once again, just as in Table 4, the respondents in this study saw KPI's from the Internal value they added (management use), more than the External value (accountability to funders).

Funding decisions are easier. We take a three-year approach and look very carefully at results after the first year. We send summaries on to the decision makers that allow them to make data-based decisions and avoid anecdotal approaches.

Having outcome measurement makes it easier to grant money. We use outcomes as a way to talk about results. This is all under the framework of assessing the organizations we grant money to. The conservation program assessment is based on the common law of the conservation field. There are established indicators in different categories that applicant organizations have to address. This helps us filter their responses.

Question 3: What are the pressures that come from funders to use KPI's?

Table 6

Wilson Study of Key Performance Indicators (KPI'S)
Influence on Non-Profits in New York, June 2011

Funder Pressure

Requiring KPI'S	N	%
YES	62	75%
NO	21	25%
Use of Funder Generated KPI		
YES	51	61%
NO	33	39%

Data in Table 6 show that most funders (75%) have applied pressure by requiring KPI's on proposals. Additional pressure has been applied according to the study respondents by (61%) of the funders. This pressure takes the form of funders originating KPI's for non-profits to follow. The initial pressure is the simple requirement to list KPI's within a proposal and the greater pressure to "force" KPI's upon a non-profit who wishes to receive funding. Data in Table 3 indicates that 31% of our respondent population has not yet succumbed to either type of pressure.

Donors give a BIG YES to use of Key Performance Indicators. It allows us to tell very interesting stories about individual non-profits regarding their challenges, implementation problems, efforts to overcome problems and finally their successes.

I think KPI's are mostly a fad driven to a large degree by the growth of wealthy individuals in philanthropy (Gates, Buffet, etc.) who think you can measure everything because it was true in their success of their respective companies. When you are dealing with social change, measurement is much more difficult. I think the most important thing in philanthropy should be worrying about the number and durability of the good organizations out there for us to support and not weighing them down with KPI's that might be relevant in Year One of a grant but not in Year Three.

Question 4: Why do some non-profits not use Key Performance Indicators?

Table 7

Wilson Study of Key Performance Indicators (KPI'S)
Influence on Non-Profits in New York, June 2011

Rankings of Reasons for Not Using KPI's

Ranking	Reasons	% YES
1	Too busy with day to day delivery of service	68%
2	No pressure from Board to use outcome measurement	65%
3	No leadership supporting change to outcome measurement	57%
4	No pressure from funders to use outcome measurement	57%
5	No training available	50%

The top reason that Non-profits gave was the simple and direct one: they were too busy with day to day delivery of services. It is clear that in order to implement a KPI program you must “clear the decks” and make space for it to happen. The ranking which followed too busy tended to support the conclusion that if there was no pressure and leadership to make it happen then KPI's would not become part of a non-profits regular practice. The final reason (no training available) is difficult to imagine but would be possible if matched with the top ranking reason (too busy). One would lead directly to the other. If a non-profit organization has its attention exclusively focused on day to day delivery of service, then training possibilities would not be part of their vision.

I do not think using indicators improves service. A lot revolves around the program officer/grantee relationship. The officer knows the problems really well. The decision to grant or not grant is made depending more on the quality of the people in the organization as opposed to a specific set of KPI's.

We should pursue measurements but only to the degree you can quantify what you are seeking. One should not assume that all social change is equally susceptible to quantification. Excessive emphasis on metrics at the project level has the potential to distract grantees from their broader objectives. I think KPI's are not particularly helpful in a lot of cases. Having said that, I have seen them help some organizations, particularly newer ones with inexperienced leadership stay focused. I think KPI's are a fad but not a short-term one. They will be with us for a long time.

Conclusions

Conclusion One

Approximately two out of three of the respondents are part of non-profit organizations that have a history of using Key Performance Indicators (KPI's). These respondents (68%) come from senior and middle management levels of their respective organizations. They are in a position to have been involved directly in the operation and implementation of programs accountable under outcome measurement and to be aware of the different purposes served by this approach. The modal category of experience (34%) is 10 or more years.

This group of experienced managers gave the following purposes the highest ranking: Monitor progress, Improving practice and Helping their organization reach their goals. All three of the top ranked purposes can be seen as "Internal" uses of KPI. Put simply, the veteran respondents saw Internal management as the more important use of KPI. Helping funders determine funding and assisting funders evaluate success while important "External" purposes were not ranked as high.

Conclusion Two

Purpose and utility tend to match up well among the sample of respondents. Driving purpose of KPI's were monitoring and improving specific programs and helping with organizational goals. Correspondingly, the major use of KPI's was: changing program design, improving program management, articulating program process and outcomes and planning program futures. This more refined restatement of the role of KPI's points to the use of the outcome measurement process to manage more effectively program implementation. Not until the fifth level ranking is an External use selected (Report to Funders). The External world of funding is relatively of less importance than improved management using KPI's as a tool.

An important question arises from this finding. If KPI's are going to continue to be used by non-profits as part of the management process, then the question becomes: Are non-profit managers trained adequately in the areas of management by objectives and other technical approaches?

Conclusion Three

Funders have responded to the accountability trend over the past 25 years and have, in place, two formal levels of pressure according to our respondents. Level One is the requirement for the non-profit receiving funds to use KPI's as an accountability measure. Level Two requires non-profits to "sign-on" to specific KPI's developed by the funder.

Both Level One and Two pressures are ignored or avoided by 30% of our sample. In addition, most non-profits who receive funds define KPI's as a valuable Internal management tool and not as an accountability measure.

We fund a lot of programs between our domestic and international efforts. Consequently, our use of KPI's has not been consistent. We have evolved gradually because there was not a strong emphasis on quantitative indicators on the conservation front; there was more focus on qualitative assessment. At the present time, we have reached a greater balance between quantitative and qualitative.