

MANAGEMENT OF PERFORMANCE INDICATORS



This material is created as part of the Next Gen initiative. Next Gen is a joint initiative of the Active Citizens Fund Operator in Bulgaria and the Active Citizens Fund Operators in Slovakia and Lithuania to enhance the capacity of young leaders of civil society organisations. The Active Citizens Fund Operator in Bulgaria is the Open Society Institute - Sofia Foundation in partnership with Workshop for Civic Initiatives Foundation and Trust for Social Alternative Foundation.

Sofia 2024

This material is created with the financial support of the Active Citizens Fund Bulgaria under the Financial Mechanism of the European Economic Area. The entire responsibility for the content of the document carried by the Active Citizens Fund Operator in Bulgaria and under no circumstances can be taken to reflect the official opinion of the Financial Mechanism of the European Economic Area.

MANAGEMENT OF PERFORMANCE INDICATORS

Performance indicators (PIs), inputs and outputs, outcomes and quality control form part of the organisation's monitoring and evaluation procedures (see Resource Material 18). PIs set the standards against which the organization's performance and achievements will be judged by the organization itself and, in some cases, by a donor or purchaser of services. The most important indicators are called key performance indicators (KPIs).

The indicators are divided into broad categories that coincide and can be applied individually or together:

- quantitative - which are based on input and output values;
- qualitative - describing or assessing the quality of certain services or products, often based on a subjective assessment;
- financial - which are based on price;
- procedural - which are based on how decisions are made and how people are involved in the service or activity;
- outcome-based - based on what happens as a result of the service or activity;
- of social and environmental impact - look more broadly at the impact of the organisation's activities and services;
- comparative - based on a comparison of what the organisation has done with what others are doing, or with complete inaction.

This Resource Material includes:

- jargon of the implementation process;
- types of indicators;
- the consequences of introducing performance indicators.

Jargon of the execution process

Performance refers to what the organisation does: the services it offers, the activities it organises, the goods or services it produces. Performance refers not only to the services or activities intended for users, members of the organisation or society, but also to internal activities such as information management, e-services and financial and management functions.

- Performance indicators are the criteria applied to measure or evaluate specific aspects of what the organisation does, for example how many children come to the nursery, how much time is spent on different activities in the nursery and what children get out of the activities.
- Performance expectations or performance standards define an agreed minimum level of performance, for example the minimum (or maximum) number of children that should come to each group, how much time should be allocated to different activities, what children should be able to do after participating in activities for a specific period.

The aim of the monitoring is to seek to improve the standard of performance over a period of time, for example to increase the number from 12 to 15 per collection by 31 March or to take children to the library at least fortnightly starting next month. Goals can be meaningful if expectations or standards are clear.

Performance may relate to quantity, quality, results, price or degree of participation.

Approaches to performance indicators

When thinking about performance metrics, the best starting points are to ask:

- What services or activities do we offer?
- Who uses each of the services or activities?
- What are we trying to achieve for each user group?
- What standards or expectations do we already have about the quality or quantity of services to be provided, the number and type of users, or outcomes they are aiming for?
- How do we assess whether we are achieving these standards or expectations? Are these methods working well?
- Are there other ways to assess how well we are doing?

This approach is rooted in the organisation's own values, shared goals, priorities and ways of working.

Some of the metrics already applied, perhaps too informally, may form the basis for more formal performance metrics required by donors or buyers.

Qualitative indicators

Quality-based metrics - services, users, time or anything else - are the easiest and therefore the most commonly used. Figures or statistics are collected and, at the end of the period, compared and evaluated against any targets that have been set. Qualitative metrics are often referred to as performance metrics because they measure what goes into or out of the organization.

The three types of quantitative indicators are production costs, productivity from activities or services and contractor or user productivity. These are described below and can be compared to give average or related estimates.

In order to use quantitative estimates, there must be appropriate and workable procedures for monitoring the numbers (of people, visits, time, bookings, etc.) This is discussed in Resource Material 18.

Embedded costs

Inputs are what is used to provide the service. Estimating input costs may include the number of staff involved, the amount of time required, how the premises are used, equipment, financial costs and the number of enquiries or potential users.

Results of activities or services

In manufacturing, results refer to the quantity of goods produced. In the civil sector, it is more likely to refer to the type and quantity of services, activities or equipment provided by the organisation. An assessment of productivity might include, for example, the number of sessions conducted by the organization, the number of home visits, the number of room bookings, the number or percentage of empty units, or the number of training materials produced.

Results obtained from users and customers

And what if no one comes to the sessions or buys the training materials? The results obtained from users or customers refer to the number of people who use a service, take part in an activity or buy a product - the number of people who, literally or metaphorically, walk through the door. Evaluation may include the total number of users and clients, the number of new users, the number or percentage of referrals to higher authorities from some types of agencies, the number or percentage from specific groups (such as ethnic, age, family), the number or percentage of cases closed, or the number of training materials sold.

Making sense of the numbers

By themselves, most figures relating to production costs or results are meaningless.

They only make sense if:

- be related to each other, so that production costs are directly related to the results of the activity, or services are directly related to the productivity of users;
- *or* if averaged, for example, to give an average number of customers per session, average sales volume per week, average time to respond to complaints;
- *and* putting it in some kind of context where change can be assessed: either against figures from a previous period or against agreed targets for that period.

An organization may use the following estimates:

- production costs are one consultant (staff) using the meeting room and most of the reception area (facilities) for 46 weeks of the year for three hours per week (time), using the office approximately seven hours per week for the necessary administrative work and supervision;
- to conduct 46 weekly counselling sessions (service outcomes);
- attended by 325 different people during the year, of which 62% came once, 23% came twice and 15% came three or more times (results obtained from users).

These statistics are interesting but do not reveal much about whether the organisation is working as intended, whether the work is being done well, whether numbers are going up or down, whether the nature of the advice sought is changing, or whether clients are satisfied with the service and are implementing the advice they have received.

Figures in values-based organisations

Because quantitative metrics measure what an organization does in terms of how much, how fast, or how cheaply, they are often an inappropriate basis for asserting an organization's values.

One way to make quantitative metrics more relevant is to define them in relation to the organisation's goals, its methods and its values: what the organisation is trying to achieve, how it offers its services and why it works the way it does.

If the purpose of an advice centre is to provide local people with information and access to social and housing benefits and public services:

- inputs may consist of one consultant using the premises for the 46 weeks of consultation sessions described above (service outputs)
- based on self-referrals and on referrals from other local communities and organisations (method) and committed to encouraging people to follow up their own requests rather than relying on consultants or other professionals to do it for them (values)
- Which means 325 people described above (user results).

But even within a value-based framework, indicators of inputs and outcomes are limited and often inconsistent. It is more appropriate in most CSOs to move from inputs and outputs to outcomes: what happens as a result of service use. Outcome indicators are described below.

If CSOs do not build the right qualitative indicators, donors or service users may focus only on quantitative indicators without considering service quality or outcomes.

Financial indicators

For the financial assessment, the organisation needs to be aware of the total cost of providing the service: not only the direct costs (such as consultant costs and additional telephone and computer time required for the consultancy) but also indirect costs such as a proportion of rent, gas and electricity, time for administrative and management activities. The test of whether the donor or purchaser of the services covers all costs - not just the direct costs - is called the full cost recovery.

The most commonly applied financial metric is the unit cost: what is the cost per service user, per visit, per hour, per day, etc. It is obtained by dividing the total cost by the number of service users, visits, hours, etc.

Some donors pressure CSOs to reduce spending in order to use it for non-essential financial needs or require them to use funds raised from other sources to subsidize services (such as donations, bequests, and fundraising activities). The implications of tying to a certain quantity or quality of work for which the donor or purchaser does not want to bear the full cost must be considered very carefully.

Qualitative indicators

Qualitative indicators assess not how much is provided or how much it costs, but how it is provided and how appropriate it is. They should take into account not only the service but also how it is managed.

Qualitative indicators are often divided into objective (e.g. evaluation against externally agreed standards or against an external assessor) and subjective (such as service user satisfaction or self-assessment). Even so-called objective indicators are based on subjective opinions about what is and is not a 'good' service. These opinions may or may not be valid for certain organizations.

Quality assessment refers to the process of agreeing quality standards and targets, implementing procedures to achieve the targets and regularly monitoring performance against the standards and targets.

Externally agreed quality standards

In Bulgaria, Workshop for Civic Initiatives Foundation (WCIF) together with other CSOs has developed Standards for Good Governance of a CSO that can be followed to improve the quality of governance in a CSO. For CSOs providing social services under the Social Services Act, they should apply the Regulation on Quality of Social Services, which describes standards and criteria for quality of a specialized social service.

For some service providers, such as accommodation or legal information and advice, there are mandatory external standards and the organisation's performance will be assessed against these standards. These standards represent the acceptable minimum. Where compliance with the standards is a legal requirement, the assessment may be made by a regulatory body, independent scrutiny or approved consultants. Where compliance is optional, the organisation may carry out internal assessment (self-assessment) or invite an external assessor.

Internally accepted quality standards

External standards do not exist in many areas of work, and even where they do, they may not be appropriate for a particular organisation. In this situation, an organisation, ideally in consultation with its users, can develop its own criteria for what constitutes a good quality service. The assessment can be done internally or by external consultants.

It is important to be cautious about setting standards formed only by professionals or others who do not actually use the services or activities. The process of setting quality standards can be long and complex, involving discussion with users about what they perceive as a good service.

Setting quality standards is difficult, especially if people in the organisation do not agree on the standards or feel threatened by their application. But every organisation needs to be able to 'prove' that it is doing its job well. Without such indicators, there is a risk that only quantitative and financial indicators will be used, or quality standards set by (possibly inappropriate) external bodies.

If self-assessment against internally defined standards is undertaken, it is important to be mindful of existing biases.

Agreed standards

Standards can be negotiated between donor/user and supplier. The opinion of service users must be taken into account.

Evaluation by external evaluators

To avoid accusations of bias, external consultants are sometimes hired when evaluating an organization or service that uses agreed-upon standards (external, internal, or a combination).

If standards have not been agreed in advance, consultants will assess according to their idea of what the organisation or service should be. It is important to check that any standards or criteria they use are appropriate for the organisation.

Satisfied end users

Questionnaires, interviews or meetings can be useful in assessing service user satisfaction.

Process indicators

Process indicators emphasise how decisions are made about the organisation and its services.

Involvement in policy decisions

For many organisations, 'user involvement' or 'community involvement' is seen as far more important than quantity and cost. However, it can be very difficult to assess levels of participation (by users, employees, the community) in policy issues and other general decisions made by the organisation. Regardless of the difficulties, organizations may want to develop ways to assess both the quality and quantity of participation in policy decisions, especially by users.

Solutions for own services

Organisations need to develop clear policies, procedures and standards for assessing the type and level of people's involvement in decisions affecting their own services.

Again, it is important to show that it is not just a symbolic exercise. It's not unusual to hear something like, „We talked to every service user at least three times in the first month and gave them the opportunity to share what they wanted.“ The key words here are talk to them and give them the opportunity. It doesn't say that service users talk to us or tell us what they want or that we provide what they want!

Results

Outcomes are what happens as a result of the organisation's work. They can only be evaluated if there is some way to check or track what happens after a service has been delivered. In order to evaluate some outcomes, it may also be necessary to know what the situation was before the service was provided.

In the aforementioned consulting work, for example:

- Of the 325 people consulted, 26% received new or increased benefits and 8% learned about and enrolled in adult education courses as a result of contact with the center (outcomes: immediate or short-term);
- All those who enrolled in adult education stayed in the course for at least six months and at the end of that period took tests, showing increased literacy, numeracy and/or vocational skills (outcomes: long-term).

As long as the organization is clear about what it is evaluating and has procedures in place to collect information, it is usually not difficult to evaluate at least some immediate or short-term results. In the longer term, the organization may want to assess the impact on individuals, groups or the community. This may require relatively precise tracking. Some outcomes, such as greater trust, are extremely difficult to assess.

The results can be assessed by:

- indicators for purposes such as successfully applying for benefits, passing a test or getting a job after a course of study, getting temporary accommodation;
- observation by employees, such as degree
- participating in a group;
- users' own observations of what has happened to them as a result of joining the organisation.

Outcome evaluation must take into account whether the outcome was obtained because of the organisation or would have happened anyway.

Social and environmental impact

In the commercial sector, corporate social responsibility and companies providing information on the positive and negative impact of their activities on the communities and environments in which they operate is growing in importance. This is not a new idea for most CSOs, but some are beginning to assess its impact in a more structured way, sometimes called a social audit.

BENCHMARKS

Comparison with other suppliers

This involves comparing the organization's numbers, costs, quantity, etc. with someone else's. For something to mean something, similar quantities must be compared.

Setting standards is comparing one organisation to another operating to a high standard.

Comparison with inaction

For some organisations or services it may be appropriate to compare what has been done and achieved with what the situation would have been if the organisation did not exist.

Implications for organisations

Taking the time to consider appropriate performance metrics and how they can be introduced helps the organization clarify:

- what it is trying to do and achieve;
- what it defines as „good service“;
- how it can prove that it offers good service;
- how these indicators can be applied to the terms of a donation, contract or service agreement;
- which indicators would not be appropriate to include in the terms of a donation, contract or service agreement.

Such consideration can ensure that any metrics included in an agreement with donors or purchasers of services are appropriate for the organisation and its users.

But applying performance indicators can too:

- put the organisation in the position of setting the minimum standards it is confident it can meet, rather than the higher standards it should aim for;
- to guide the organisation to focus on easily measurable services and outcomes;
- lead to a compulsory assimilation of so-called objective, externally set standards that are not appropriate for the organisation;
- lead to attempts to measure or evaluate aspects of the organization's performance that are too complex or time consuming to properly assess;
- spend excessive and often unnecessary time and effort, not only to determine appropriate indicators, standards and targets, but also to gather information, analyse it and revise its objectives accordingly;
- lead to a situation where information is collected and processed without anyone knowing what it will be used for - and probably never will be used for.

Performance indicators can help organisations to offer better and more useful services and can help donors and purchasers of services to make sure that a quality service is being provided that reaches the right people. However, performance indicators can also require so much time and effort that there is little time left to deliver services.

LIST OF QUESTIONS FOR DEFINING AND IMPLEMENTING PERFORMANCE INDICATORS

Do service users, staff and managers share what constitutes ,good service? Are these definitions of good service recorded and applied as a basis for evaluating the performance of the organisation?

Does the organisation show innovation in offering new perspectives on good service and how it should be evaluated rather than using imposed performance indicators and evaluation methods?

Are there adequate mechanisms to negotiate performance indicators with donors/buyers?

Is the focus on quality and outcomes (impact or results) rather than quantity and cost?

Is the amount of time spent monitoring performance sufficient?

Does the organization operate within an externally validated performance framework and if so, is this appropriate for the organization?