Identifying the main issues helps to define the focus of the self-assessment process. The following sections will help you develop deeper, more detailed strategic questions. We have provided a brief section on each component of the performance model; these have been adapted and refined from our earlier work, *Institutional Assessment*. Use the following sections in any order to focus on areas you wish to explore.

**A FRAMEWORK FOR ASSESSING ORGANIZATIONAL PERFORMANCE**

The International Development Research Centre (IDRC) and Universal! Management Group have constructed a framework to help organizations assess themselves. Our approach can help you clarify important issues and guide the collection of data to help you make decisions to improve your organization's performance and capacity.

In brief, the framework encompasses four areas:
Your organization's performance is made visible through the activities it conducts to achieve its mission. Outputs and their effects are the most observable aspects of an organization's performance.

Ideas about the concept of performance vary considerably. Each interest group or stakeholder may have an entirely different idea of what counts. For instance, administrators might define your organization's performance in terms of the amount of money brought into the organization through grants, whereas a donor might define performance in terms of your organization's beneficial impact on a target group.

In our experience, very few organizations have performance data readily available. However, it is usually not difficult to generate this information from existing data or to develop mechanisms for gathering performance data.

Data gathering tends to be mechanical and technical. It is far more difficult to obtain consensus on the merits of particular performance data and indicators. It is even more difficult to arrive at value judgments regarding acceptable levels of quantity and quality for each performance indicator. The real questions are these: How does your organization define good performance? Does good performance help your organization attain its mission? The second of these questions is particularly important for organizations that have very diverse stakeholders.
When you are diagnosing your organization and its performance, the number and choice of indicators are critical. "Wise" organizations try to identify 10-15 key performance indicators that they can regularly monitor to assess their own performance. It is also wise to have a set of other variables to monitor as a barometer to help understand performance. These other variables may include employee morale, timeliness of financial information, economic indicators, absenteeism, and number of new funders.

**YOU MAY ALREADY HAVE INDICATORS**

Although we have often worked with organizations that never went through the process of thinking about their indicators, we have found that every organization has a unique set of organizationally appropriate indicators. Your organization needs to create its own indicator-monitoring list. Not all the indicators you develop will have the same importance, and you may also find that the appropriate indicators change as your organizational-performance issues do or as the organization evolves.

**Effectiveness**

The effectiveness of your organization is the degree to which it moves toward the attainment of its mission and realizes its goals. Effectiveness, however, is not a simple concept. The basic difficulty in analyzing effectiveness lies in the fact that many organizations make multiple statements about their missions and goals. Sometimes these statements are in the organization's charter; other times, in their strategic documents. Regardless of where you find these statements, you need a clearly defined guide to the raison d'etre of the organization.

**A BALANCING ACT**

One research institution was caught in a dilemma that many funded institutions can relate to. External donors offered to fund it to carry out environmental-impact projects. Although fascinating and lucrative, these projects would lie outside the mission of the institute, which was primarily to promote economic and social-science research. In addition, the research institute would have to hire an expert in environmental issues to carry out the projects. If the institute accepted this funding, the results of the research would not be fully used by the national government, but the institute would gain revenues from external donors.

The dilemma for this organization was to understand the trade-off between ensuring its own financial sustainability and working toward its mission.
How effective is your organization in working toward its mission?

- The charter, mission statement, and other documents provide the raison d’être for the organization.
- The mission is known and agreed to by staff.
- The mission is operationalized through program goals, objectives, and activities.
- Quantitative and qualitative indicators are used to capture the essence of the mission.
- A system is in place to assess effectiveness.
- The organization monitors organizational effectiveness.
- The organization uses feedback to improve itself.

Some Indicators of Effectiveness

- Number of clients served
- Quality of services or products
- Changes with respect to equality
- Environmental changes
- Quality-of-life changes
- Service access and usage
- Knowledge generation and use
- Collaborative arrangements
- Demand for policy or technical advice from stakeholders
- Replication of the organization’s programs by stakeholders
- Growth indicators in terms of coverage of programs, services, clients, and funding

Efficiency

An organization must be able not only to provide exceptional services but also to provide them within an appropriate cost structure. Performance is increasingly judged by the efficiency of the organization (for example, the cost per service, the number of outputs per employee, the number of outputs per person per year, the average value of grants per person). Whatever the overall size of the unit, performing organizations are viewed as those that provide good value for the money in both quantitative and qualitative terms.

Efficiency Issues

How efficient is your organization in the use of its human, financial, and physical resources?

- Staff members are used by the organization to the best of their abilities.
- Maximal use is made of physical facilities (buildings, equipment, etc.).
- Optimal use is made of financial resources.
- The administrative system provides good value for cost.
- High-quality administrative systems are in place (financial, human resources, program, strategy, etc.) to support the efficiency of the organization.
- Benchmark comparisons are made of the progress achieved in the organization.
**SOME INDICATORS OF EFFICIENCY**

- Cost per program rates
- Cost per client served
- Cost-benefit of programs
- Output per staff
- Employee absenteeism and turnover rates
- Program-completion rates
- Overhead - total program cost
- Frequency of system breakdowns
- Timeliness of service delivery

**Relevance**

Organizations in any society take time to evolve and develop, but they must develop in ways that consolidate their strengths. Organizations face internal and external crises, and no organization is protected from becoming out of date, irrelevant, or subject to closure. To survive, your organization must adapt to changing contexts and capacities and keep its mission, goals, programs, and activities agreeable to its key stakeholders and constituents.

**RELEVANCE ISSUES**

Has your organization remained relevant?
- Regular program revisions reflect changing environment and capacities.
  - The mission is undergoing review.
  - Stakeholder-needs assessments are conducted regularly.
- The organization regularly reviews the environment to adapt its strategy.
- The organization monitors its reputation.
- The organization creates or adapts to new technologies.
  - Innovation is encouraged.
  - The organization regularly undertakes role analyses.

**SOME INDICATORS OF RELEVANCE**

- Stakeholder satisfaction (clients, donors, etc.)
- Number of new programs and services
- Changes in partner attitudes
- Changes in role
- Changes in funders (quality and quantity)
- Changes in reputation among peer organizations
  - Changes in reputation among key stakeholders
  - Stakeholders' acceptance of programs and services
- Support earmarked for professional development
- Number of old and new financial contributors (risk of discontinuance, leverage of funding)
- Changes in organizational innovation and adaptiveness (changes appropriate to needs, methods)
- Changes in services and programs related to changing client systems
ARE WE ADEQUATELY BALANCING STAKEHOLDERS DEMANDS?

A social-service agency had to balance its ways of being relevant to its beneficiaries and funders:

« Beneficiaries - Because of increasing demands from the community to provide more home care for the elderly, the agency was tempted to put more of its resources into this type of service.

a Funders - One of its funders wanted the agency to increase its promotion and advocacy for voluntary work in and beyond the immediate community.

The Board of Directors and management were thus faced with two not necessarily convergent sets of demands from two important stakeholders.

Financial viability

To survive, your organization’s inflow of financial resources must be greater than the outflow. Our experience has shown that the conditions needed to make an organization financially viable include multiple sources of funding, positive cash flow, and financial surplus.

FINANCIAL VIABILITY ISSUES

Is your organization financially sustainable?

• Existing funding sources offer sustained support.
• The organization consistently obtains new funding sources.
• The organization consistently has more revenue than expenses.
« Assets are greater than liabilities.
» The organization keeps a reasonable surplus of money to use during difficult times.
• The organization monitors finances on a regular basis.
• Capital assets and depreciation are monitored.
• The organization does not depend on a single source of funding.

SOME INDICATORS OF FINANCIAL VIABILITY

» Changes to net operating capital over 3 years
• Ratio of largest funder to overall revenues
« Ratio of cash to deferred revenues
• Ratio of current assets to current liabilities
• Ratio of total assets to total liabilities
« Growth in terms of number of funders, amount of resources mobilized, assets, capital, and revenues
• Levels of diversification of funding sources
» Partners hired to provide services on a regular basis
## EXERCISE 9. Analyzing organizational performance

**Instructions:** This is a good time to go back and review the performance issues you identified in Exercise 5 (Chapter 2, p. 20). Afterward, fill in the table below to show
- The problematic aspects of your organization's performance (effectiveness, efficiency, relevance, financial viability);
- Some of the signs (indicative issues) that tell you these are problems; and
- Some questions you could ask to allow you to assess the extent of each problem.

<table>
<thead>
<tr>
<th>Main performance issue</th>
<th>Signs of the problem</th>
<th>Questions to ask to help assess the extent of the problem</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effectiveness</td>
<td>[Example]</td>
<td>[Example] How many staff have submitted articles for publication?</td>
</tr>
<tr>
<td></td>
<td>Only 10% of the people on staff have had a refereed article published in the past 3 years</td>
<td>Does the organization encourage or reward publication?</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Does the organization plan or allow time for staff members to work on articles they wish to publish?</td>
</tr>
<tr>
<td>Efficiency</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Relevance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial viability</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>