

Implementing Performance Management Systems in Nonprofit Human Service Organizations:
An Exploratory Study

Sara L. Schwartz, PhD
Research Director
Mack Center on Nonprofit Management in the Human Services
School of Social Welfare
University of California, Berkeley

&

Michael J. Austin, PhD
Research Director
Mack Center on Nonprofit Management in the Human Services
School of Social Welfare
University of California, Berkeley

April 2009

Funded, in part, by a partnership between the Bay Area Social Services Consortium and the Mack Center on Nonprofit Management in the Human Services

Abstract

Nonprofit human services organizations face considerable challenges evaluating agency effectiveness in relationship to performance management and complex accountability requirements that are built into multiple grants and contracts. To respond to these challenges, nonprofits have developed management information systems to collect, manage and analyze considerable amounts of financial and service data. This exploratory study examines the experiences of five nonprofit human service agencies in developing their management information systems to respond to internal and external evaluation requirements.

KEY WORDS: Information systems, nonprofits, accountability, performance management

Nonprofit human service organizations face considerable challenges related to financing, managing, and delivering services in the 21st Century. These challenges include responding to the increasingly complex accountability requirements that are built into grants and contracts, the customized and costly data tracking systems needed to respond to both financial and service-related outcomes, and the management of multiple grants and contracts each with their own timelines and reporting requirements. The nonprofit sector has accommodated an unprecedented growth and change in accountability requirements over the past several decades (Martin & Kettner, 1997; McDonald, 1997) by developing management information systems that have the capacity to collect, manage, and analyze considerable amounts of financial and service data.

Nonprofits are largely responsible for independently financing and building complex data management systems due to: 1) limited availability of off-the-shelf data management systems specific to nonprofits, 2) the scarcity of financial resources for nonprofit capacity building, and 3) limited access to practice models for developing in-house management information systems. Without models to adapt, nonprofits frequently hire consultants to provide guidance and technical assistance with developing and modifying management information systems. Given that accountability for the increasing numbers and types of grants and contracts is driven by funders, nonprofit leaders devote considerable attention to ensuring that contract requirements are met. This external focus means that nonprofits often do not use their management information systems for internal decision-making based on monitoring organizational performance. In order to better understand how the nonprofit sector has responded to external accountability requirements and the need for internal monitoring of agency operations, it is important to explore the experiences of individual agencies.

This exploratory study begins with a brief review of the literature on the response of the nonprofit community to accountability requirements given the limited resources to support the development of management information systems. The study focuses on the experiences of five nonprofit human service agencies located in the San Francisco Bay Area of Northern California in developing and utilizing management information systems. Five overarching themes emerged from the case studies along with several implications for research and practice.

A Brief Review of the Accountability Literature

Directors of nonprofit human service organizations continuously monitor the performance of their agencies by assessing program operations and effectiveness, the balance of revenues with expenditures, and the performance of staff. Two questions typically dominate this process: 1) how well is our organization doing and 2) how can we improve our overall effectiveness? These questions and the evaluation process are shaped by internal (e.g., board member and staff) and external stakeholders (e.g., funding sources and policy makers) (Speckbacher, 2003). Balancing the needs and requirements of both sets of stakeholders is complicated because of the diversity of goals underlying the evaluation process (e.g., performance versus fiscal accountability), the types of data required for evaluation, and the ways that the data are reported and interpreted.

All levels of government and types of foundations that fund nonprofits are increasingly adding more complicated accountability requirements into their grants and contracts. Although nonprofits have historically been responsible for reporting on how they use their resources, the accountability requirements have become more complex over the past several decades. This change is related to: 1) government agencies viewing contracts as public investments that have contractual obligations (Hatry, 1997; Poole, Nelson, Carnahan, Chepenik, & Tubiak, 2000;

Lindgren, 2001; McBeath & Meezan, 2006) and 2) private foundations seeking a return on their investment in the form of financial and program accountability (Benjamin, 2008; Easterling, 2000; Ritchie & Kolodinsky, 2003; Tassie, Murray, Cutt & Bragg, 2000). Nonprofits also experience internal pressures to demonstrate accountability and effectiveness from board members who often reflect the perspectives of the business community in terms of measuring outcomes (Buckmaster, 1999; Newcomer, 2008).

Performance Management

Although responding to externally-driven accountability requirements comprises an important component of monitoring agency effectiveness, it is not the only way to monitor the performance of a nonprofit organization. When it comes to organizational decision-making, it is important to note the difference between accountability and performance management.

Accountability typically refers to the measures used to monitor the use of financial resources in relationship to pre-defined objectives (Hatry, 2002; Mullen, 2004). In contrast, performance management focuses on measuring the outcomes of financial and human resource investments. While both approaches seek to address the sustainability and long-term success of nonprofits, there is an inherent tension between external accountability measures and internal performance-based decision-making. This has contributed to a greater focus on evaluation to satisfy funding sources and less attention to data collection needed for internal performance management and organizational decision-making (Hatry, 2006).

Taken together, both the accountability perceptions of external stakeholders (e.g., funders) and performance evaluation of internal stakeholders (e.g., clients and staff) can provide a framework for enhancing the organizational decision-making process. Performance-based decision-making can be classified into three primary categories: 1) organizational effectiveness,

2) program effectiveness, and 3) financial performance. Organizations that incorporate all three dimensions of performance evaluation are often in a better position to manage the agency's budget, promote organizational learning, and maintain mission and program clarity (Buckmaster, 1999; Joyce, 1997; Kaplan, 2001; Moravitz, 2008; Moynihan, 2005; Poister, 2003).

Organizational effectiveness refers to the measurement of internal organizational structures and operations that: 1) use financial resources, 2) manage human resources, and 3) adapt to changing environments (Samples & Austin, 2009). Organizational effectiveness focuses on many aspects of the organization's infrastructure, including the existence, perception and use of the agency's mission statement.

Program effectiveness addresses program outcomes and improvements at both the agency and service level (Hall & Kennedy, 2008; Moxham & Boaden, 2007; Mullen, 2004; Poister, 2003; Sowa, Selden, & Sanford, 2004; Zimmerman & Stevens, 2006). Program effectiveness is based on measuring agreed-upon outcomes of success such as: 1) defined practice outcomes, 2) quality in relationship to existing service standards, 3) and outcomes based on objective indicators recognized by government agencies, political representatives, and/or collaborative nonprofit partnerships (Geer, Maher, & Cole, 2008; Hatry, 1997; Mullen, 2004; Rivenbark & Menter, 2006; Van Dooren, 2008; Whitaker, Altman-Sauer, & Henderson, 2004). In essence, program effectiveness largely relates to the accountability requirements set by both external and internal constituents.

The third aspect of performance management includes measures of financial accountability (Keating & Frumkin, 2003; McCarthy, 2007; Whitaker, Altman-Sauer & Henderson, 2004) and financial efficiency (Frumkin & Kim, 2001; Ritchie & Kolondinsky, 2003). Financial performance focuses on: 1) the cost of organizational outputs or services

(McCarthy, 2005; Moxham & Boaden, 2007; Ritchie & Kolondinsky, 2003; Sowa, Selden, & Sandfort, 2004), 2) fiscal transparency and honesty associated with the IRS 990 forms (Keating & Frumkin, 2003), and 3) the findings of independent auditors and audit committees, operating standards, and board expertise (Geer, Maher, & Cole, 2008; Greenlee, Fischer, Gordon, & Keating, 2007; Whitaker, et al., 2004). Financial effectiveness can also be assessed in terms of access to revenues and (Ritchie & Kolondinsky, 2003) performance-based budgeting (Joyce, 1997; Moravitz, 2008).

Although there are several performance management models identified in the literature (e.g., The Balanced Scorecard and Total Quality Management), nonprofits face multiple challenges when trying to adapt models that were originally designed for the public and for-profit sectors (Ospina, Diaz, & O'Sullivan, 2002). While nonprofits are often preoccupied with meeting the evaluation requirements of external stakeholders (Ebrahim, 2002, 2005; Edwards & Hulme, 1995; Uphoff, 1995), they also operate under serious resource constraints that limit the money, technology, and staff available to develop and manage internal performance evaluation systems.

Management Information Systems

An important first step in the performance monitoring of nonprofits involves the development of a management information system (MIS) to collect and process data that are used to acquire, allocate, and account for resources (Hanbery, Sorensen & Kucic, 1981). The development of an MIS requires considerable upfront planning, a factor that nonprofits often underestimate. Without sufficient planning, staff can acquire a poor understanding of these systems, operate without sufficient training to acquire the technical capacity for effectively implanting an MIS, and thereby limit the capacity of the organization to develop and utilize these

systems (Finn, Maher, & Forster, 2006; O'Looney, 2005; Schwartz & Austin, 2009).

Management information systems require the use of computer technology that involves technical, operational, and fiscal consideration (McCready, Pierce, Rahn, & Were, 1996). In addition, the implementation of computerized systems requires that considerable attention be given to staff training and change management (Monnickendam, 2000; Schoech, Cavalier, & Hoover, 2003).

The performance management challenges facing nonprofits are complicated by the lack of guidelines for building information systems. While nonprofits may contract for similar MIS services, their organizational processes are different based on their unique histories and identities. These differences make it difficult to identify how nonprofits can use common management information systems to monitor performance, respond to accountability requirements, and use performance management to guide organizational decision-making.

Nonprofit human service organizations are clearly struggling to respond to the increasing pressures placed on them to collect, manage, and report on agency financial and service data. As nonprofits diversify their resources and obtain more grants and contracts, they must also manage the accountability requirements built into these contracts along with continually evaluating the organization in relation to performance management. Both sets of information are necessary to evaluate agency performance and guide decision-making.

In the context of this brief review of the literature, this exploratory study examines the ways in which five nonprofit human service agencies built management information systems to respond to external and internal accountability requirements. The purpose of the study is to build knowledge about the ways in which nonprofits manage accountability requirements related

to financial and service-related effectiveness and how they use this information to guide agency decision-making.

Methods

Following a review of the literature, the first step in this exploratory study involved surveying twenty-two nonprofit human service organizations participating in the Bay Area Network of Nonprofit Human Service Agencies located in the San Francisco Bay Area of Northern California. A total of ten organizations completed the internet survey within the allotted time frame (response rate of 46%). The survey included open-ended questions about agency data management, the collection and reporting of financial and service data, and the use of data in organizational decision-making. The results of the survey indicated that:

- Local nonprofits manage between 30 and 100 grants and contracts at any given time.
- Several different management information systems and processes are needed to respond to the multiple and different accountability requirements of their funders.
- Each organization has several people at different levels of management involved with generating reports to meet both internal and external reporting needs and most of their staff members do not interact with each other when preparing monthly and quarterly reports.
- Although the majority of the organizations recognized the importance of linking service and financial data, none were actively involved in using performance management strategies to facilitate organizational decision-making.

Given that the results of the survey reflect the existing literature on nonprofit management information systems, a set of case vignettes was designed to acquire a more in-depth understanding of the five agencies. The study was funded, in part, by the public sector

partners of the participating nonprofits for the purpose of promoting increased understanding of accountability issues.

The convenience sample of five Bay Area nonprofits includes three large (e.g., annual budgets over \$20 million), one intermediate (e.g., annual budget \$10-20 million), and one small (e.g., annual budget under \$10 million) organizations. The agencies included in the study are Catholic Charities CYO, Larkin Street Youth Services, Seneca Center, Edgewood Center for Children and Families, and Samaritan House.

- *Catholic Charities:* Catholic Charities CYO is a nonprofit agency operating on a budget of \$38 million to deliver a full-range of services to children, youth, families and the elderly living in the San Francisco Bay Area.
- *Larkin Street Youth Services:* Larkin Street operates on a budget of \$12.5 million to deliver residential, therapeutic, medical, and case management services to homeless and displaced youth living in San Francisco.
- *Seneca Center:* Seneca Center is a nonprofit operating on a budget of \$38 million to deliver community-based and family-focused treatment services for troubled children and their families living in the Bay Area.
- *Edgewood Center for Children and Families:* Edgewood Center for Children and Families operates on a \$21.5 million budget to deliver a broad range of services to help children and families at home, in schools, and in the community
- *Samaritan House:* Samaritan House operates on a \$4 million budget to meet the basic daily needs of low-income individuals and families living in San Mateo County.

Based on multiple telephone and email conversations with staff that were facilitated by the agency director, a one-day site visit was used to interview key staff members involved with

data management and reporting, to review policy and procedure documents, and to see a demonstration of the online management information systems. Follow-up questions were addressed via telephone and email communications.

Findings

The five agencies included in this study have taken different courses of action to respond to both external and internal program evaluation requirements. While all of the agencies are moving towards fully computerizing their management information systems, the systems are in different stages of development. Furthermore, the agencies manage different types and numbers of grants and contracts, respond to different types of external accountability requirements, and use evaluation information in different ways to inform decision-making. The individual structure and data management needs of each agency are noted in Figures 1-5, where each case vignette addresses the issues of planning, implementation and ongoing operations. The five common themes identified across the sample of five include: 1) online data management 2) funder driven MIS, 3) decision-making, 4) organizational change and staff training, and 5) performance management.

Online Data Management

All of the agencies surveyed use off-the-shelf data management systems for financial and fundraising information. However, client data systems are in various stages of development in making the transition from “paper and pencil” data collection towards fully computerized data entry procedures. Ten years ago, client information in all five agencies was collected and managed using paper files. The movement towards online data management has been facilitated by the increased data entry requirements of public funders, the decline in the costs of computer technology, and the demands for securing sensitive client information.

While each of the five agencies in the study invested resources in developing a computerized management information system, they have used different approaches to achieve this goal. For example, Catholic Charities contracted with a company to develop and manage their online information system (off-site by CTK in Austin, Texas). Both Seneca and Edgewood invested substantial resources in developing their own internal information systems. These three large agencies operate computerized systems in which practitioners enter data directly online.

In contrast, Larkin Street and Samaritan House have devoted resources, with the assistance of outside consultants, to use “off-the-shelf” Microsoft Access to collect and manage client data. The database at Larkin Street includes all pertinent client information (collected on paper by staff and submitted for data entry) while the database at Samaritan House operates as a companion to the county databases that require direct entering of client information.

Each of the five agencies identified the following similar issues related to building and maintaining computerized information systems: 1) securing grants or designating funds in the annual budget to purchase computers and software, 2) training staff to use the software, and 3) locating technical support for assistance and updating the system as needed. The multiple entry of similar information provides similar challenges for all five of the agencies. For example, a family receiving services from Catholic Charities may be enrolled in several different programs that have different reporting requirements, internally and externally. Furthermore, this same family could receive services located in different cities, each having their own data management procedures.

Funder-Driven MIS

All five agencies note that the pressure for increased accountability and program evaluation came from funder requirements in the 1990s. As the agencies diversified their

funding, they also had to respond to the rapidly changing requirements built into their grants and contracts. While several agencies benefitted from the expansion of children's mental health funds, they were also required to report on service units in real-time, requiring them to simplify and systemize their data reporting systems. Although two of the five agencies do not receive children's mental health funds, their public funders require data entry directly into county-operated databases. In most instances, these databases do not share information. For example, Samaritan House is required to enter client data directly into county databases that are specific to how the county defines the needed service. This results in a situation where services received by one client must be entered in three or four different systems. Staff interviewed at all five agencies reflected that the lack of connection between county databases and even within-county programming is frustrating because it requires double, and sometimes triple, data entry.

While most foundation grants do not require data entry into foundation-operated online data systems, they are including increasingly complex reporting requirements. Since foundations are independent nonprofits, they have control over establishing their own data reporting timelines and requirements that can place additional demands on service delivery organizations. Board members of foundations often oriented to for-profit accountability are increasingly calling for their nonprofit grantees to engage in higher levels of data collection and analysis as part of performance management.

Several points were raised related to funder-driven online data management systems. On the positive side, those agencies receiving children's mental health funds benefitted from installing their MIS much earlier than those who do not receive these funds. Agency leaders had to generate resources to help the organization develop online data management systems in order to maintain their level of funding. In contrast, the systems operated by the two agencies that do

not receive child mental health funding have less developed systems reflecting a difference in external pressure for online data management. In addition, the agencies receiving children's mental health funds were required to use their own resources to develop their MIS with little technical or financial support provided by the funders requiring the data.

A considerable source of tension for all five agencies involves the entry of the same client data into multiple public databases that do not communicate with each other, especially when nonprofits operate in multiple counties that have different processes and procedures. For example, San Mateo County has a computerized MIS where contractors can electronically submit their billing information while San Francisco County does not have the same system and therefore information needs to be double entered into the agency's database and the county database.

Decision-Making

All five of the organizations have gone through considerable decision-making processes, especially when the composition of the Board of Directors changes and new members bring higher expectations for data-based decision-making, particularly those from the public and for-profit sectors familiar with data-based decision-making.

Catholic Charities CYO, Seneca Center, and Edgewood have comprehensive online data management systems based on the investment of substantial resources and efforts to identify relevant software and hardware. All three of the agencies came to the realization that "off-the-shelf" products would not meet the reporting needs of the agency and made the decision to develop their own individualized MIS. Two agencies ultimately invested funds internally to develop an MIS while the third contracted with an outside company.

The two smaller agencies are in the process of seeking funds to computerize their MIS through foundation capacity-building grants and/or increasing board understanding of the need to update and centralize their MIS by putting systems into place to monitor data activity. It is clear from the experiences of all five organizations that building and updating an agency's MIS required significant up front planning and board/staff education. It is important to note that this planning and education process is ongoing and, in many cases, is often revisited and reevaluated by the Board of Directors. This has been particularly true for Edgewood as their board composition has changed significantly since they began to invest resources in building their MIS.

Organizational Change and Staff Training

All five organizations note that staff training and organizational change management play an important role in the successful implementation of an MIS. Catholic Charities did a considerable amount of research on the organizational changes required for implementing the MIS and built a training program for all staff that includes modules on: 1) the philosophy behind computerizing the agency's data and how it would benefit the agency, 2) how to enter data into the MIS, 3) how to extract data and reports from the MIS, 4) how to communicate across programs, and 5) how to accommodate specific program needs in relationship to the MIS. While upfront planning can facilitate the implementation process, there are ongoing training needs related to staff turnover and employee comfort level. Both Seneca and Edgewood continue to invest in staff training by involving their Quality Assurance staff in order to ensure that staff members enter data correctly. These agencies also identify ongoing training and development needs related to the use of the MIS as intended, client confidentiality issues, change management concerns, and how to use the MIS to facilitate ongoing program evaluation.

Larkin Street and Samaritan House identify different MIS challenges. Larkin Street notes that the youthful profile of their service delivery staff makes it easier to implement an MIS due to their prior experience with computers. The executive and program management staff members have experienced more difficulty in adapting to computerized data management related to understanding the philosophical rationale for a computerized MIS and recognizing how the MIS will facilitate a smoother and more accurate collection and transmission of data. In contrast, Samaritan House identifies data entry as a major concern since English is the second language for four of the five data-entry staff. This can complicate data entry and interpretation and often requires additional staff training as well as the need for more explanatory drop-down menus to enter client information. Training is further complicated by the different educational and experience levels of staff, the types of clients, and the resistance by volunteer staff to enter information into the computerized system.

Performance Management

Based on the definition of performance management as a strategy for combining financial and service data to enhance organizational decision-making, all five agencies have separate finance, fund development, and services information systems. The directors of these three agency functions are separately responsible for overseeing staff and developing monthly reports for the board and external constituents (e.g., funders). While the board is provided regular dashboard reports and updates, this information is not combined or integrated to assist in evaluating overall agency performance.

Although the agencies use separate financial and service information systems, they all recognize the importance of linking the two types of accountability information and all are working towards developing systems for overall performance management. Larkin Street has

included performance management goals in its current strategic plan and both Seneca and Edgewood are expanding their Quality Assurance and Research programs to include the assessment of overall agency performance.

Two major performance management challenges were identified by all five of the agencies. The first relates to the different education and backgrounds of employees in the finance department and those delivering clinical services. These differences often create communication barriers that interfere with linking the data analysis process. Although Finance and Programs staff share data as needed and requested, the departments reflect different organizational cultures and communication styles.

The second challenge reflects giving sufficient attention to MIS activity in relation to the immense stress and pressure experienced by nonprofits seeking to balance their budgets, market and deliver services consistent with their mission, manage human resources, advocate for policy changes and funding, and promote inter-agency collaboration and political coalitions. In addition to daily management tasks, nonprofit managers struggle to keep up with the changing accountability requirements of grants and contracts. Since these requirements call for separate financial and service information, the linking of financial and service data to inform organizational decision-making requires additional attention and resources in an already demanding environment.

Conclusion and Implications

This exploratory study sought to examine how five individual Bay Area human service nonprofit organizations developed management information systems to respond to external accountability requirements and guide organizational decision-making. The findings reflect the key themes in the literature related to: 1) developing resources to build data management

systems, 2) training staff on computerized data entry, 3) managing organizational change, 4) managing multiple and competing accountability requirements, and 5) developing effective program evaluation and quality assurance protocols to ensure data accuracy.

The results of this study highlight the common decision-making experiences based on external funding requirements. All five agencies engaged in a search process to identify promising MIS practices from “off-the-shelf” software to designing systems that responded to funder requirements. Future research is needed to document these processes so that other nonprofits can learn from them.

This study also highlights the important role of staff at all levels of the organization to successfully implement a management information system. While each organization attended to the cultural changes emerging from the implementation of their MIS by giving attention to staff training and development, the agencies recognized the need for *ongoing* training and monitoring. Given financial constraints and staff time, further attention is needed to finding ways to effectively provide ongoing training and support for program staff to help nonprofits solidify the change process.

While it is clear that the managers of these nonprofits are thinking about performance management strategies and ways to link service and financial data, they are frequently overwhelmed by their daily management tasks. Given the historical separation and cultural barriers that separate financial and program staff, there appear to be few models of how to approach performance management to enhance organizational decision-making. It is clear that nonprofit leaders need to develop strategies to help finance, technology, and program staff engage in collaborative planning to find ways to connect their data for improved decision-making.

Furthermore, both the literature and the findings from this study indicate that nonprofit human service organizations experience multiple challenges in planning, implementing, and operating management information systems. First, a considerable amount of up-front planning is required in order for a nonprofit to develop an MIS that helps the agency successfully respond to both external and internal data reporting requirements. This process begins with agency leaders and the Board of Directors, who need to assess the internal and external data needs of the agency and then make decisions about how to best proceed in terms of the agency's fiscal and programmatic capacity to build a centralized information system.

The second set of challenges involves the implementation of a new MIS. Agency leaders need to identify the training needs of all staff as well as design change management processes. Staff "buy-in" across the organization represents a major implementation challenge. In addition to addressing the needs of front-line workers who may be required to document service data in a way that is different from the past, it is also important to engage department directors on the design of new approaches to data reporting as well as the needed collaboration between finance, development, quality assurance and service activities.

A third set of challenges relates to the ongoing operations of nonprofit information systems. The need for ongoing training and development is well represented in the literature and documented in this study. Organizational leaders must identify resources for technology updates that often require additional staff training. Furthermore, it is important for leaders to recognize that both external accountability requirements and internal performance evaluation goals change over time in relationship to what is happening in the larger funding environment. A diversified funding stream provides nonprofits with some level of financial security; however, the changing accountability requirements built into grants and contracts can present multiple challenges to

ongoing processes of data collection and management. Nonprofit leaders need to regularly evaluate their MIS to ensure that it is meeting both internal and external evaluation requirements.

This paper synthesizes some of the common challenges experienced by the nonprofit community in relationship accountability reporting and data management. The five over-arching themes related to the planning, implementation and operations of nonprofit management information systems raise a number of research questions.

Planning: Considerable up-front evaluation and planning is required for decision-making in the development of nonprofit information management systems. As this study reflects, each agency went through its own decision-making process that involved assessing the needs of the agency, evaluating the options available, and making decisions about how to proceed. Inquiry into the following research questions can help inform research and practice related to planning for an MIS:

- 1) What strategies are the most effective in helping nonprofit boards and managers make decisions about the launching/expansion of computerized management information systems? In what ways does the research and consulting community facilitate this process?
- 2) How are nonprofit organizations identifying funds to build and maintain current management information systems? What role are capacity-building grants and individual donations playing in this process?
- 3) How difficult would it be to develop a generic database architecture to handle different kinds of reporting requirements (financial and service outcomes) that could be adopted by a wide variety of nonprofits?

Implementation: Once decisions are made around how to build an MIS, agency leaders need to attend to the training and organizational change needs related to system implementation. Inquiry into the following research question can inform nonprofit management practice:

- 4) In what ways can nonprofit managers most effectively guide organizational change efforts related to the implementation of a new MIS?
- 5) What forms of communication and training techniques are the most helpful for employees, particularly in decentralized organizations?

Operations: Once the MIS has been implemented, managers need to develop procedures to ensure that the system is meeting the changing external and internal needs of the organization. In addition, as this exploratory study suggests, nonprofit managers need to facilitate the linkage between finance and service data in order to provide an holistic view of agency functioning that informs decision-making. Inquiry into the following research questions can inform organizational decision-making:

- 6) In what ways can nonprofit Boards of Directors use financial and service information to most effectively govern the organization? What types of information would be the most helpful to inform strategic decision-making?
- 7) What tools and information would help nonprofit managers initiate communication between finance and program staff with the goal of developing systems to link the different forms of accountability information? What strategies and practice models can help nonprofit managers and leaders implement performance management systems and strategies for decision-making?

- 8) Given the establishment of performance management systems in nonprofit human service organizations, how are the data being used to inform decision-making at the level of the board, management and staff?

Figure 1: Agency A – Catholic Charities CYO (CCCYO)

Planning

- Prior to 2008, CCCYO did not have a systematized way of managing data across the agency.
- In 2007, CCCYO leaders decided to invest resources in building a centralized MIS to streamline service data collection and capture actual utilization rates.
- After an assessment of off-the-shelf products, the agency purchased a customized MIS developed and managed off-site by Community Techknowledge (CTK) in Texas. The MIS is named the Client Online Data Inventory (CODI).

Implementation

- CODI took one year to develop and was implemented in June 2008. Significant attention was given to preparing for the organizational change effort and providing staff training on CODI.

Operations

- CODI calculates utilization rates and collects demographic information on clients served.
- Each program has access to CODI and uses it at different levels. The long-term goal is to have all service data electronically available in CODI.
- The Finance and Development Departments use “off-the-shelf” software to collect and manage financial and fundraising data.
- The Finance Department has a Contracts Department that is solely devoted to monitoring and administering the agency’s 95 grants and contracts.
- Finance, Development, and Programs and Services operate separately and prepare reports to funding agencies and the board of directors independently.
- Agency leaders are beginning to link service and financial data to identify agency needs and develop a strategic direction to meet these needs, including generating resources.

Figure 2: Agency B – Larkin Street Youth Services (LSYS)

Planning

- In 2001, LSYS hired a consultant from CompassPoint to help build an access database to manage service data and meet the accountability reporting needs of the agency.
- In 2008, the agency began piloting a computerized Client Track System in their HIV assisted/after care program. LSYS is seeking funding to expand Client Track agency-wide.

Implementation

- LSYS has used up almost the available space in the Main Client Database and built a Sequale system to provide back-up space.
- All programs collect client data on paper forms which are then entered into the MIS.
- Training issues associated with Client Track involve helping agency leaders and program directors feel comfortable with a computerized system conceptually and in practice.

Operations

- Finance and Development use “off-the-shelf” software that was purchased by the agency.
- The Director of Finance, Director of Research and Evaluation, and Information Systems Manager develop monthly service and financial reports for the board and work together to prepare the accountability reports required by their 40 public grants and 200 private contracts.
- Although they share data, Finance, Research, and Information Management have separate databases and report information only out of their domains.
- LSYS’s strategic plan addresses performance management and the linkage between service and fiscal data for agency decision-making.

Figure 3: Agency C – Seneca Center

Planning

- Seneca developed its first computerized clinical MIS in the late 1990s to respond to the incident reporting requirements of licensing agencies.
- After a lengthy review of pre-packaged programs, Seneca develop an Information Technology Department to build an internal MIS to meet the agency’s needs. This system was fully funded by the agency’s operating budget.

Implementation

- Program managers, QA, and Training train staff on how to use the MIS and the laptops that they were provided for data entry. This training is ongoing and as needed.

Operations

- The MIS is comprehensive and all programs enter data online. Client data flows across the agency electronically, from client intake to mental health notes to billing.
- Finance and Development use “off-the-shelf” software.
- Quality Assurance monitors clinical record quality and ensures that information flows consistently across the organization and conducts regular audits and reviews.
- Seneca has its own Seneca Clinical Model. The agency is systematizing the model in its MIS, with the goal of developing an evidence-based practice.
- Program directors oversee their programs and generate monthly reports, as does Finance. The Assistant Director combines the reports for funders and the board.
- Seneca recognizes the value of performance-based decision-making and is building mechanisms to assess overall performance. Their biggest challenge involves the diversity of locations and services provided by the agency and their multiple contract requirements.

Figure 4: Agency D – Edgewood Children and Family Services

Planning

- Edgewood built their first MIS in the late 1990s to streamline accounting of incident reports, restraints, and mental health billing.
- In 2004, agency leaders decided to build on the database to respond to growing fee-for-service requirements. A Governance Group surveyed possibilities. The agency decided to build their own internal MIS (the portal) with funds from the operating budget.
- Edgewood would like all service data in the portal and is developing additional systems for QA to track existing contracts and report requirements through the portal.

Implementation

- One challenge has been the cultural shift of the portal and staff training, which occurs at the program level (e.g., agency training is not currently offered).

Operations

- The MIS is currently used only for fee-for-service billing clients, which captures the majority of the agency’s clientele but not all of the programming.
- All programs electronically submit their data, which flows to Finance for billing.
- Finance and Development use “off-the-shelf” software. Finance provides weekly tracking reports to QA and program managers. The board receives monthly financial and service reports. Quarterly agency-wide performance reports are provided to the board.
- Finance and Programs are kept separate and reports are written independently.
- QA reviews service data and follows up with program directors as needed.
- Edgewood is just beginning to link service and financial data to evaluate the agency’s overall performance to guide decision-making.

Figure 5: Agency E: Samaritan House

Planning

- In 2001 a consultant built a database to collect data not entered into county websites. The agency also purchased an assessment tool to monitor client change (the Matrix).

Implementation

- The agency is experiencing challenges related to the accuracy of entered service data, training staff to enter data appropriately, and getting buy-in from medical staff volunteers.
- Other challenges involve developing resources to update the MIS, centralizing the system, and training staff to enter data in real time.

Operations

- Each program that Samaritan House has its own MIS and data management process.
- Client data are entered into county databases related to their funding source. These databases do not interface, making it difficult to track clients across programs.
- Service data is presented at monthly board meetings in a dashboard format.
- Financial and Development data is entered into “off-the-shelf” software. The board receives monthly and quarterly reports on finance and development.
- Service and financial data are not linked to evaluate overall agency effectiveness.
- The agency’s approximately 30 contracts have different reporting requirements. Samaritan House has developed a system where the grants manager sends reminders to the Finance Director and Clinical Director of reports due, collects the information from them, compiles it into report format and sends it to the Director of Operations and ED for approval.
- Monitoring is done by the Director of Finance, Director of Programs Operations and Director of Client Services.

References

- Benjamin, L.M. (2008). Account space: How accountability requirements shape nonprofit practice. *Nonprofit and Voluntary Sector Quarterly*, 37(2), 201-223.
- Buckmaster, N. (1999). Associations between outcome measurement, accountability and learning for nonprofit organizations. *The International Journal of Public Sector Management*, 12(2), 186-197.
- Ebrahim, A. (2005). Accountability myopia: Losing sight of organizational learning. *Nonprofit and Voluntary Sector Quarterly*, 34(1), 56-87.
- Easterling, D. (2000). Using outcome evaluation to guide grantmaking: Theory, reality, and possibilities. *Nonprofit and Voluntary Sector Quarterly*, 29(3), 482-486.
- Finn, S., Maher, J.K., & Forster, J. (2006). Indicators of information and communication technology adoption in the nonprofit sector: Changes between 2000 and 2004. *Nonprofit Management and Leadership*, 16(3), 277-295.
- Geer, B.W., Maher, J.K., & Cole, M.T. (2008). Managing nonprofit organizations: The importance of transformational leadership and commitment to operating standards for nonprofit accountability. *Public Performance and Management Review*, 32(1), 51-75.
- Hall, L.M., & Kennedy, S.S. (2008). Public and nonprofit management and the "new governance". *The American Review of Public Administration*, 38(3), 307-321.
- Hanbery, G.W., Sorensen, J.E., & Kucic, A.R. (1981). Management information systems and human resources management. *Administration in Social Work*, 5(3-4), 27-41.
- Hatry, H.P. (1997). Where the rubber meets the road: Performance measurement for state and local agencies. *New Directions for Evaluation*, 75, 31-44.
- Hatry, H.P. (2002). Performance measurement: Fashions and fallacies. *Public Performance &*

- Management Review*, 25(4), 352-358.
- Hatry, H.P. (2006). *Performance measurement: Getting results* (2nd ed.). Washington DC: The Urban Institute Press.
- Joyce, P.G. (1997). Using performance measures for budgeting: A new beat or is it the same old tune? *New Directors for Evaluation*, 75, 45-62.
- Kaplan, R.S. (2001). Strategic performance measurement and management in nonprofit organizations. *Nonprofit Management and Leadership*, 11(3), 353-370.
- Lindgren, L. (2001). The non-profit sector meets the performance-management movement: A programme-theory approach. *Evaluation*, 7(3), 285-303.
- Martin, L.L., & Kettner, P.M. (1997). Performance measurement: the new accountability. *Administration in Social Work*, 21(1), 17-29.
- McBeath, B., & Meezan, W. (2006). Nonprofit adaptation to performance-based, managed care contracting in Michigan's foster care system. *Administration in Social Work*, 30(2), 39-70.
- McCready, D.J., Pierce, S., Rahn, S.L., & Were, K. (1996). Third generation information systems: integrating costs and outcomes. Tools for professional development and program evaluation. *Administration in Social Work*, 20(1), 1-15.
- McDonald, C. (1997). Government funded nonprofits and accountability. *Nonprofit Management and Leadership*, 8(1), 51-64.
- Monnickendam, M. (2000). Participative system implementation for creating user oriented computer systems in human services. *Administration in Social Work*, 24(1), 57-74.
- Moravitz, C. (2008). Performance-based budgeting: Integrating objectives and metrics with people and resources. In P.de Lancer Julnes, F.S. Berry, M.P. Aristigueta, & K. Yang

- (Eds.), *International handbook of practice-based performance management* (pp. 361-392). Thousand Oaks, CA: Sage Publications, Inc.
- Moxham, C., & Boaden, R. (2007). The impact of performance measurement in the voluntary Sector: Identification of contextual and processual factors. *International Journal of Operations and Production Management*, 27(8), 826-845.
- Moynihan, D.P. (2005). Goal-based learning and the future of performance management. *Public Administration Review*, 65(2), 203-216.
- Mullen, E.J. (2004). Outcomes measurement: A social work framework for health and mental health policy and practice. *Social Work in Mental Health*, 2(2/3), 77-93.
- Newcomer, K. (2008). Assessing performance in nonprofit service agencies. In P. de Lancer Julnes, F.S. Berry, M.P. Aristigueta, & K. Yang (Eds.), *International handbook of Practice-based performance management* (pp. 25-44). Thousand Oaks, CA: Sage Publications, Inc.
- O'Looney, J. (2005). Social work and the new semantic information revolution. *Administration in Social Work*, 29(4), 5-34.
- Ospina, S., Diaz, W., & O'Sullivan, J.F. (2002). Negotiating accountability: Managerial lessons from identity-based nonprofit organizations. *Nonprofit and Voluntary Sector Quarterly*, 31(1), 5-31.
- Poister, T.H. (2003). *Measuring Performance in Public and Nonprofit Organizations*: San Francisco, CA: Jossey-Bass.
- Poole, D.L., Nelson, J., Carnahan, S., Chepenik, N.G., & Tubiak, C. (2000). Evaluating performance measurement systems in nonprofit agencies: The program accountability quality scale (PAQS). *American Journal of Evaluation*, 21(1), 15-26.

- Ritchie, W.J., & Kolondinsky, R.W. (2003). Nonprofit organization financial performance measurement: An evaluation of new and existing financial performance measures. *Nonprofit Management and Leadership*, 13(4), 367-382.
- Rivenbark, W.C., & Menter, P.W. (2006). Building results-based management capacity in nonprofit organizations: The role of local government. *Public Performance and Management Review*, 29(3), 255-266.
- Samples, M. & Austin, M.J. (2009). *Performance management in nonprofit human service organizations*. Berkeley, California: University of California, Berkeley.
- Schoech, D., Cavalier, A.R., & Hoover, B. (1993). Using technology to change the human services delivery system. *Administration in Social Work*, 17(2), 31-52.
- Schwartz, S.L., & Austin, M.J. (2009). Financing and evaluating nonprofits: Mapping the knowledge base of nonprofit management in the human services. Berkeley, California: Mack Center on Nonprofit Management in the Human Services, University of California, Berkeley.
- Sowa, J.E., Selden, S.C., & Sandfort, J.R. (2004). No longer unmeasurable? A multidimensional integrated model of nonprofit organizational effectiveness. *Nonprofit and Voluntary Sector Quarterly*, 33(4), 711-728.
- Tassie, B., Murray, V., Cutt, J., & Bragg, D. (1996). Rationality and politics: What really goes on when funders evaluate the performance of grantees. *Nonprofit and Voluntary Sector Quarterly*, 25(3), 247-363.
- Van Dooren, W. (2008). Quality and performance management: Toward a better integration: In P. de Lancer Julnes, F.S. Berry, M.P. Aristigueta, & K. Yang (Eds.), *International handbook of practice-based performance management* (pp. 413-432). Thousand Oaks,

CA: Sage Publications, Inc.

- Whitaker, G.P., Altman-Sauer, L., & Henderson, M. (2004). Mutual accountability between Government and nonprofits: Moving beyond “surveillance” to “service”. *The American Review of Public Administration*, 34(2), 115-133.
- Zimmerman, J.M., & Stevens, B.W. (2006). The use of performance measurement in South Carolina nonprofits. *Nonprofit Management and Leadership*, 16(3), 315-327.