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THE NONPROFIT DASHBOARD

USING METRICS TO DRIVE MISSION SUCCESS

SECOND EDITION

BoardSource®

Library of Congress Cataloging-in-Publication Data

Butler, Lawrence, 1942-

The Nonprofit Dashboard: Using Metrics to Drive Mission Success / by Lawrence Butler.

p. cm.

Prev. ed.: ©2007

Includes bibliographical references.

ISBN 1-58686-131-X (alk. paper)

1. Nonprofit organizations--Evaluation. 2. Organizational effectiveness--Measurement. 3. Performance--Measurement. 4. Dashboards (Management information systems) I. Title.

HD62.6.B88 2012

658.4'01--dc23

2012029488

© 2012 BoardSource.
First Printing, August 2012
ISBN 1-58686-131-X

Published by BoardSource
750 9th Street, NW, Suite 650
Washington, DC 20001

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INTRODUCTION

It's been said that "if you don't know where you're going, any road will take you there." But knowing the destination — even having a road map — while essential, is not enough. What if there were no road signs, speed and fuel gauges, and warning light indicators? No external signals to indicate progress along a chosen path and internal signals to keep the driver aware of the vehicle's speed, condition, and performance?

Like the instrument panel on the dashboard of an automobile, dashboard reports present a quick, comprehensible overview of an organization's status and overall direction. Instead of speed, RPM, and engine temperature, the dashboard typically displays preselected, critical measures of organizational performance and mission effectiveness. With dashboard reports that present key indicators in consistent formats, board members can readily spot changes and trends in these measurements. And like the dashboard inside a car, these reports often display the equivalent of warning lights that only flare up when there is an impending problem or when certain variables stray outside of predetermined limits.

WHY CREATE A DASHBOARD?

Board members and senior staff may wonder why they need another report adding to the already overwhelming array of documents disseminated to the board in thick meeting binders, attached to e-mail messages, and on Web sites or intranets. What does a dashboard report give them that any number of other reporting formats don't already accomplish?

The answer, of course, is that governing boards do *not* need more reports or more information. What they do need is more meaning — and the dashboard report is one practical tool for conveying meaning directly and succinctly to hard-pressed board members. The dashboard report helps nonprofit leaders focus their attention on what matters most in their organizations, and, in doing so, gain greater insight and ascribe greater meaning to other available data. The learning opportunities gained from defining key performance indicators and tracking, reviewing, and evaluating them allows nonprofit leaders to improve and further fulfill the mission of their organizations. Learning is the major driver for this kind of information — why do it if not to learn from it, act upon it, and, ultimately, make better decisions about the organization's future?

At a time when governance has come under increased scrutiny by the media, regulatory agencies, and the public at large, the board's ability to quickly access critical outcome and performance information is being encouraged as never before. More and more, the board's information resources are being viewed as vital to effective governance — from general oversight and monitoring of performance, to raising red flags and making strategic decisions. And yet, board members claim that as they receive more data than they can handle, they continue to receive less meaningful information.

Dashboards also provide a great opportunity for partnership between board and staff. Creating these reports is largely a staff-driven process in support of the board's oversight role. The reports themselves help in maintaining both staff accountability and board focus on overall organizational performance rather than operational detail.

There are at least 10 benefits that boards can gain from using dashboards (which I explore in greater detail in Chapter 4):

1. Save time by reviewing highlights.
2. Track progress toward goals.
3. Understand system dynamics.
4. Spot potential problems.
5. Identify patterns and anomalies among similar entities.
6. Identify patterns and anomalies among diverse factors.
7. Expand board member comfort zones.
8. Bring all board members up to speed around a shared knowledge base.
9. Maintain a governance perspective.
10. Reinforce board oversight by linking to structure and process.

ABOUT THIS BOOK

In updating the 2007 edition of this book, I recognize that this particular reporting format is no longer the novelty for nonprofit organizations it may have been five years ago. Dashboards, it seems, have caught on just about everywhere. Most notably, so-called "digital dashboards" have proliferated on the Web where the 24/7 accessibility and highly interactive nature of this medium enables users whenever and wherever to view the current dashboard and selectively click on hyperlinks, pop-ups, and drop-down menus to drill down to more detailed layers of data.

Digital dashboards permit huge amounts of data to be drawn from multiple sources and instantly pulled together in a high-level overview of the enterprise. What's more, these data can be continuously updated. The savings in time and effort on the part of the user (not to mention the savings in paper and trees) is astonishing.

And yet, as I considered how best to revise my earlier treatment of dashboards, I kept returning to one important reality: Most board members of nonprofit organizations are not senior managers of complex, multiproduct, multidivisional corporations for whom dashboards have become essential executive reporting and control tools. The needs of nonprofit board members have not changed in five years. Their fiduciary and governance responsibilities remain the same. They still need to understand how well their organizations are performing along key dimensions that are ultimately driven by mission, values, and institutional aspirations.

So, other than the promise of greater accessibility and interactivity offered by digital dashboards, what has really changed for boards of trustees and other members of nonprofit governing boards? In my view, very little. The key to effective dashboards is what it has always been — knowing what to measure and why. To be sure, those organizations with the technical resources to develop digital dashboards for presentation online will be able to offer their boards the benefits of greater accessibility and interactivity; but they will not necessarily be able offer them greater insight and understanding. In this regard, even organizations that continue to use paper copies and three ring binders are capable of deriving the true benefits of dashboards — namely, the benefits of a thoughtful process of identifying what should be measured in order to better understand whether and to what degree the nonprofit enterprise is achieving its goals.

Chapter 1 sets the stage by orienting those boards that are considering dashboards to help them better understand how this reporting technique fits within the context of effective governance practice and the cycle of program planning and evaluation. In Chapter 2, I tackle the central task of any dashboard development effort — determining what to measure. Toward that end, I suggest several ways boards in collaboration with staff might define the kinds of performance metrics that appear on the dashboard. Chapter 3 is intended primarily to help the board and staff to design dashboards that have real communicative power. In Chapter 4, I discuss how dashboards can be most effectively used in the context of board meetings and decision making. Finally, in Chapter 5, I describe a process that board and staff may undertake to develop an ongoing dashboard capability as part of a broader board information enhancement program.

Remember: No two organizations are exactly alike. The information an organization chooses to display in a dashboard should reflect its own particular strategic plan, goals, and mission. Each organization that undertakes this process needs to pick and choose the key indicators, design format, and board-staff collaboration process that

works best for its particular circumstances. This book is not intended to be a one-size-fits-all instruction book that gives a nonprofit an exact blueprint for developing, designing, and maintaining a dashboard reporting system. It does, however, present the options, offer detailed illustrations and considerations, and provide a template from which to start.

USING THE BONUS DASHBOARD GENERATOR MATERIAL

To help organizations get started with their own dashboard reports, the downloadable bonus material includes dashboard generator files, using Microsoft® Excel, with templates for creating customizable dashboards and how-to instructions for working with the files (also see the Dashboard Generator Instructions beginning on page 63).

Also included in the bonus material is a survey for creating a baseline assessment of how the board views the kind of information it currently receives and the way in which it receives it. The information gathered is intended to help staff identify how it can communicate more effectively with the board and assist in developing the dashboard (see Chapter 5 for more detail).