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# **The measurement mandate: How associations measure their performance**

## Preface

The culture of associations and nonprofits is rapidly evolving. No longer can organization board of Directors, CEOs and even their membership see themselves as simply a “nonprofit” organization as defined by the IRS code. Today, these important organizations must demonstrate results and apply key performance indicators (KPI) to their operations. Associations and nonprofits must look, act and be more like for-profit operations, but still retain their distinct mission focus.

Today, associations and nonprofits must regularly prove their results. They must objectively demonstrate a return on investment, outstanding stewardship and transparent decision-making. Effort in measuring results is becoming commonplace among the more than 64,000 trade and professional associations, and 1.2 million charitable and philanthropic organizations. These organizations must prove value to their stakeholders, investors and customers almost every minute of every day, as for-profit businesses have been doing for several decades. Focus on what is being achieved has become important than just being engaged; no matter the organization or its cause.

This research is a quantitative and qualitative attempt to see where nonprofits stand in relation to this move toward the focus on efficiency, effectiveness and results. It looks at what is being measured and what advice nonprofit leaders believe would make performance metrics even stronger and applicable to the sector.

The great news is that associations and nonprofits are focusing on performance metrics. But more can still be done as the results suggests.

I would like to thank Stephanie Tomasso, Emily Meneer, Amy Walker, and the entire Russell Reynolds Associates team for their encouragement, support, active engagement and expertise so this research could become a reality. We hope this helps associations and nonprofit CEOs, boards of directors, and the entire ecosystem of stakeholders to enable the important nonprofit sector to be more effective and efficient.

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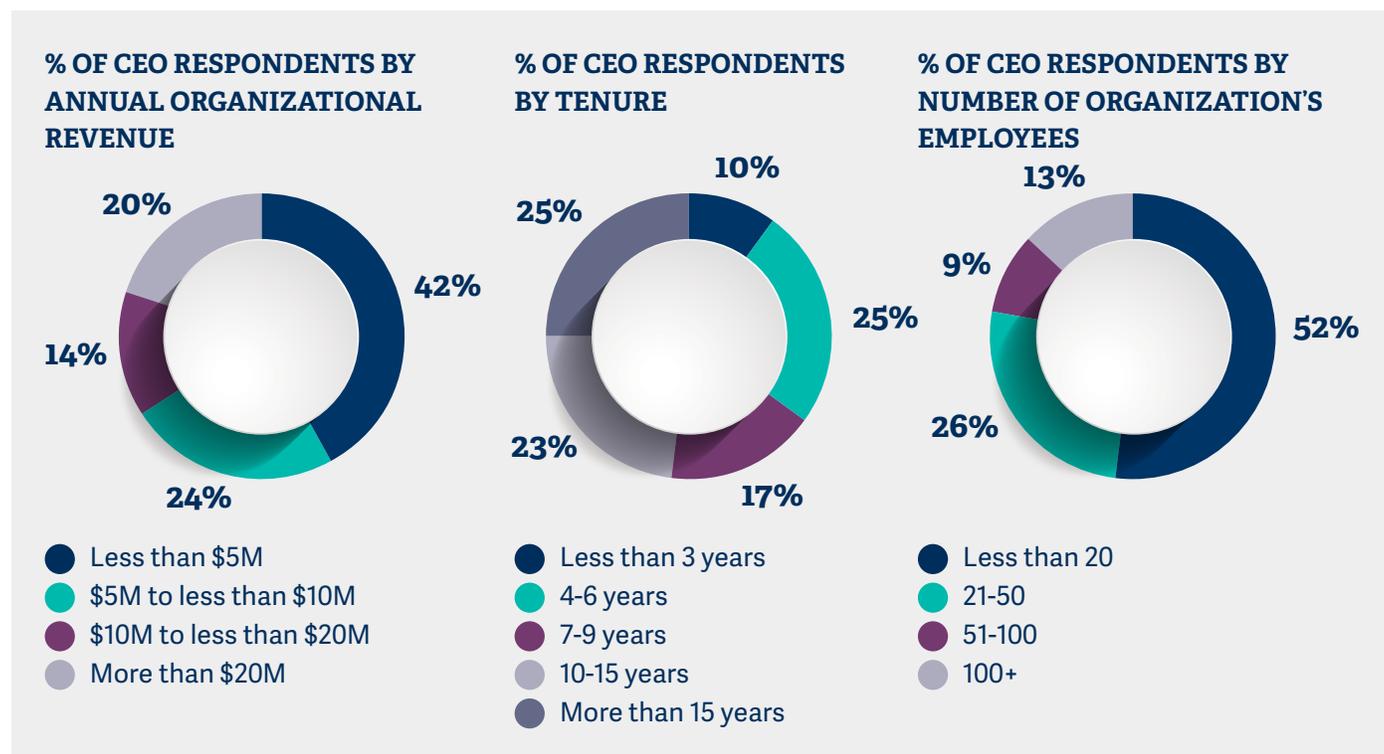


## Introduction

Sitting at the intersection of the private, public and nonprofit sectors, trade and professional associations are subject to a variety of pressures to evolve and respond to changing trends: increased regulation and greater demands for transparency, the volatility and uncertainty of the current political environment, and calls for increased “professionalization” and results orientation within member-driven organizations and industry groups. These trends can leave associations with conflicting priorities, tasked with becoming simultaneously more strategic, professionalized and results-oriented at the same time as needing to remain nimble and flexible enough to respond to the constantly changing political, economic and social pressures that impact member needs.

In order to reconcile these seemingly conflicting mandates, more associations are turning to the tools of performance measurement to provide the necessary strategic focus and organizational dexterity. By integrating objective, data-driven measures of success into everything from strategic planning to day-to-day operations, associations are able to provide stakeholders with measurable proof of their impact at the same time as establishing early warning systems that can help them to course correct when necessary.

To better understand how associations are adopting performance measurement, Russell Reynolds Associates partnered with George Mason University’s Schar School of Policy and Government to survey the CEOs of more than 150 associations with an estimated average annual organizational revenue of \$15 million. The data reveals that while performance measurement can be a significant source of strategic and operational value, the metrics and approach used must be tailored to the unique aspects of the sector and not adopted wholesale from either corporate or nonprofit methods.



## WHY PERFORMANCE MEASUREMENT MATTERS

Once the sole purview of the private sector, performance measurement has become an increasingly important tool in the nonprofit and association space, part of the ongoing trend of “professionalization” of the sector. According to a recent study by the American Society of Association Executives (ASAE), 89 percent of association leaders consider performance measurement important to their organization’s success.<sup>1</sup>

The term “performance measurement” can refer to a variety of tools, frameworks and processes, but in the broadest sense refers to the method by which an organization collects, analyzes and uses data on its progress toward stated goals. For associations, this is likely to include metrics related to member acquisition and retention, member satisfaction, ability to influence policy and advocacy, and annual revenue or profitability.

While specific objectives and uses of performance measurement tools vary from association to association, most leaders acknowledge their value for promoting the efficient and effective use of resources, aligning day-to-day work with longer-term strategic objectives, identifying and scaling best practices, benchmarking performance against other organizations, and helping employees to understand how their individual work contributes to the broader strategy.



It’s important to note that, in order to be genuinely valuable and not just another bureaucratic exercise, performance measurement must become part of an organization’s broader governance efforts—in other words, the “measurement” must lead to “management.” Identifying metrics and setting targets is the easy part, but the true value comes from knowing how to interpret the data and making use of what it’s saying. In most cases, this will require training or the addition of new skill sets.

1. Metrics for Success, American Society of Association Executives (ASAE), July 2016 <https://www.asaecenter.org/resources/articles/foundation/2016/metrics-for-success-process-to-progress>

## WHAT DOES EFFECTIVE PERFORMANCE MEASUREMENT LOOK LIKE?

01



Starts with the identification of goals (usually the mission) and works backward to identify the people and processes that contribute to the fulfillment of those goals

02



Built around a clearly articulated and understood conceptual framework (usually the strategic plan)

03



Involves board, senior leadership and front-line staff in the design process to ensure that the ultimately agreed-upon metrics are measuring the right activities and are realistic to measure

04



Output that is timely, relevant and concise

05



Viewed by the organization as a constantly evolving (as opposed to finite) process so that adjustments can be made as metrics are tested and put to use

## CURRENT STATE OF PERFORMANCE MEASUREMENT AMONG ASSOCIATIONS

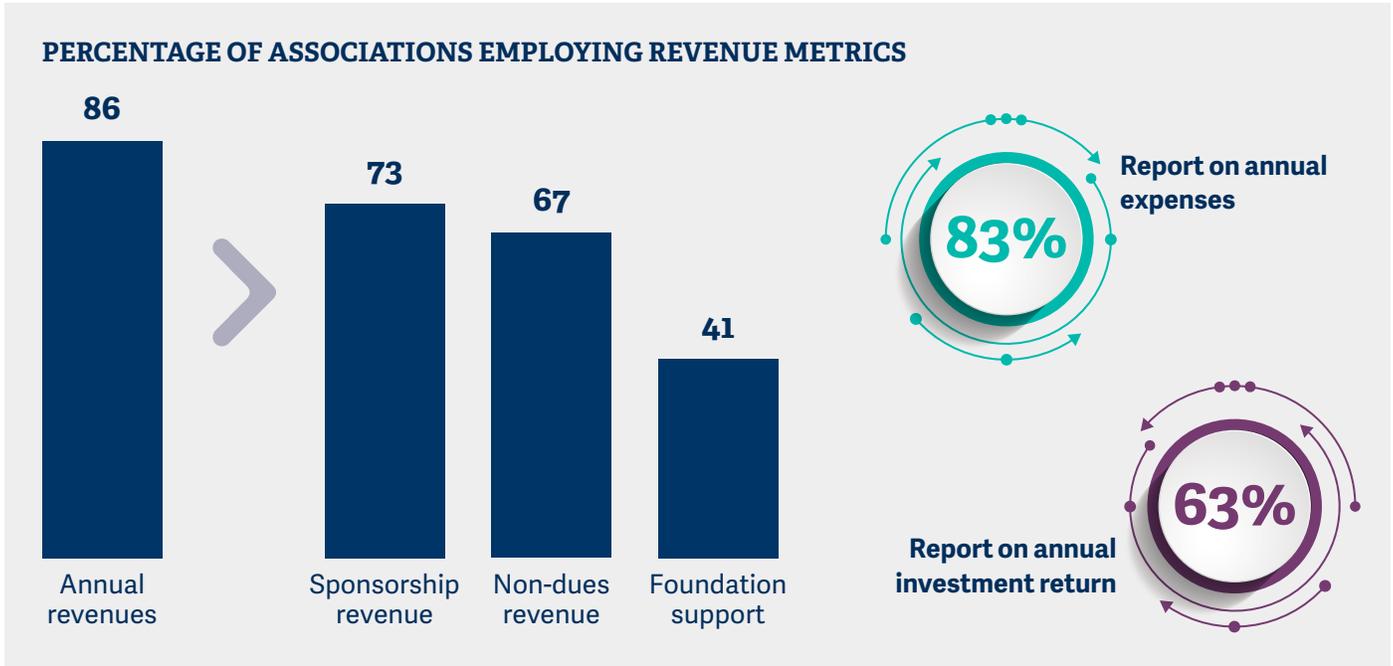
More than 90 percent of associations report using a mission statement to guide their work, but slightly fewer employ a multi-year strategic plan or formal goals to measure progress toward their mission. Perhaps unsurprisingly, qualitative goals are slightly more common, likely due to the nature of associations' advocacy and policy influence work, which does not lend itself easily to quantitative metrics.

### PERCENTAGE OF ASSOCIATIONS EMPLOYING PERFORMANCE MEASUREMENT TOOLS



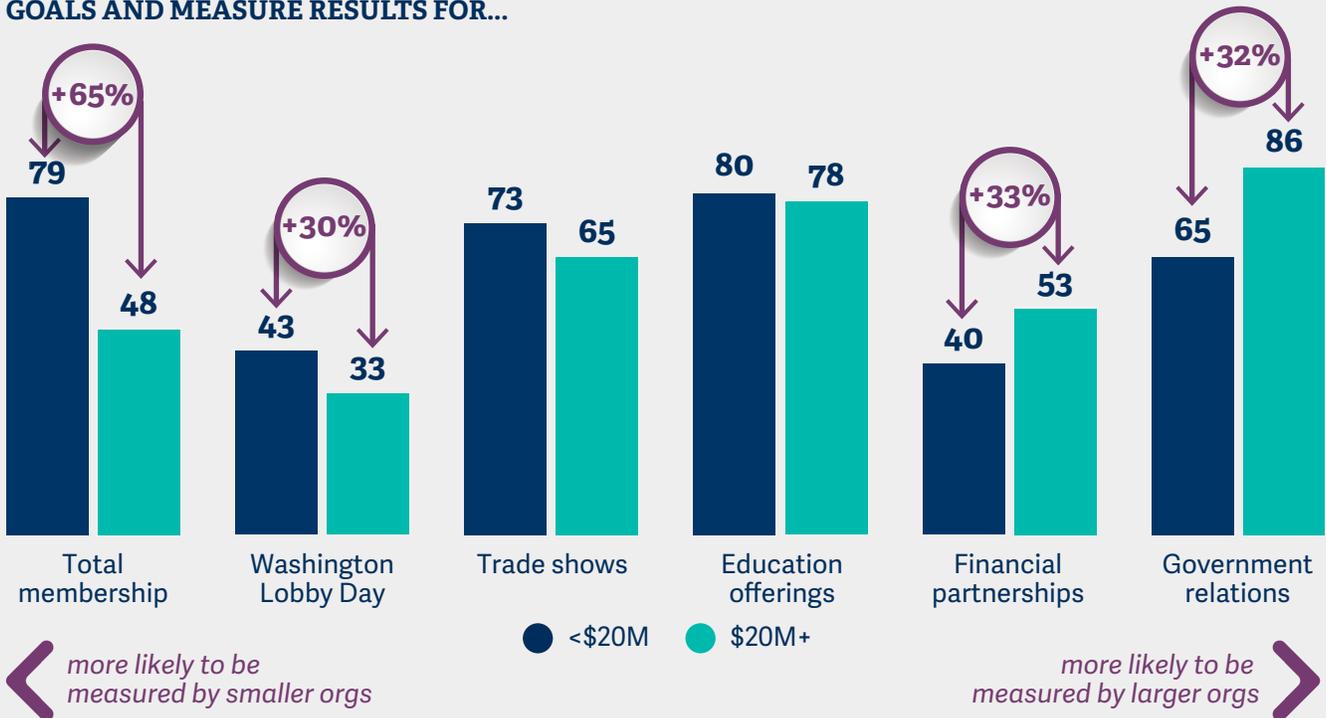
While 100 percent of associations with \$20M+ revenues employ a multi-year strategic plan and formal employee review process, 16 percent of associations with < \$20M revenues do not

Associations employ a variety of financial and operational metrics in their performance measurement. Most common among them is annual revenue, which 86 percent of associations measure. The majority of associations measure revenue at a granular level, whether that's tracking revenue from sponsorship, foundations or revenue-generating activity beyond dues collection. A similar number (83 percent) also report on annual expenses, but only three in five associations track their annual return on investments.



Beyond financial metrics, many associations also track progress against operational goals, such as growth in membership, level of educational offerings or success of lobbying efforts. While rates of financial metrics tracking are mostly consistent regardless of organization size, use of operational metrics varies considerably more between the smallest and largest associations. Organizations with less than \$20M in annual revenues are 65 percent more likely to measure their annual membership size and 30 percent more likely to measure the impact of their Washington Lobby Day. Conversely, organizations with more than \$20M in annual revenues are 32 percent more likely to measure the results of their government relations activity and 33 percent more likely to measure results of financial partnerships such as credit card programs, insurance or software offerings. Since trade associations tend to have larger budgets than professional associations, it makes sense that the larger the organization, the more likely they are to focus on these types of “influence” activities.

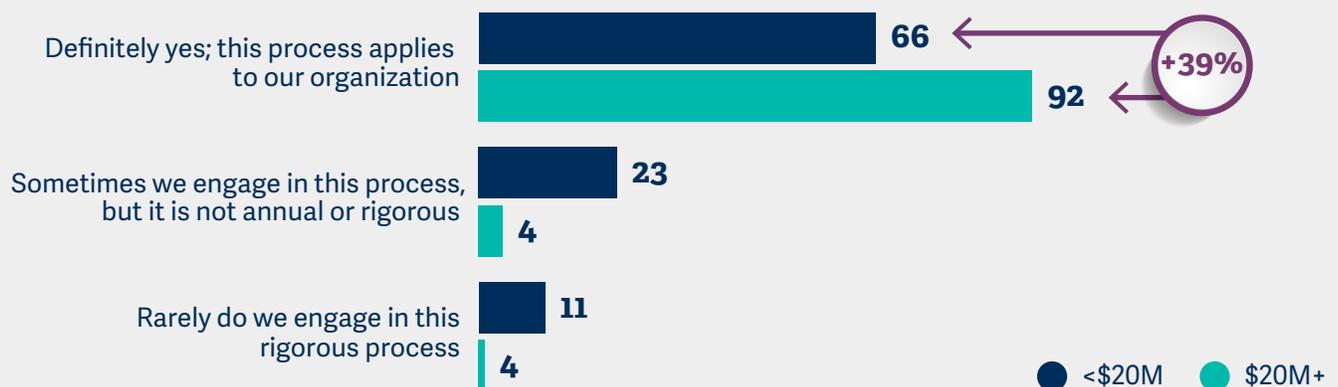
**PERCENTAGE OF ASSOCIATIONS WHO SET SPECIFIC PERFORMANCE GOALS AND MEASURE RESULTS FOR...**



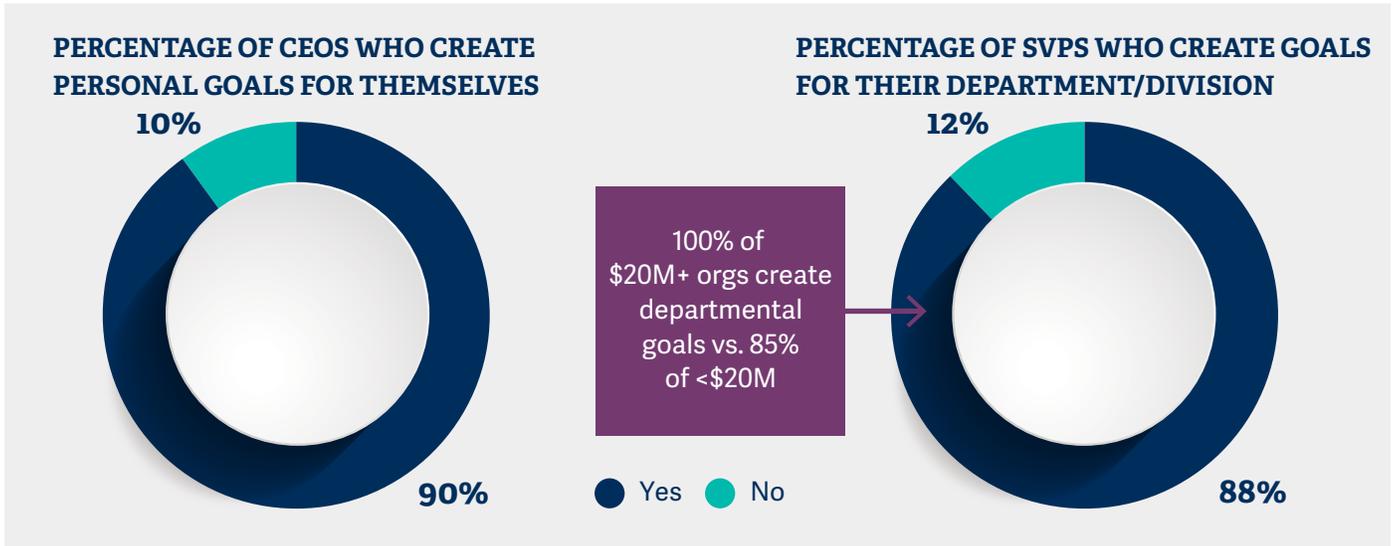
Equally important to the specific metrics an association seeks to use are the management processes deployed to make sense of those metrics. Almost all associations surveyed (94 percent) reported creating organizational goals prior to a new year, with 71 percent noting that this is a collaborative process between the CEO and C-suite. However, the cadence and discipline with which progress against these goals are measured varies considerably, with the larger organizations being more likely to employ a rigorous process of monitoring and evaluation and smaller associations only nominally or informally tracking progress.

**ASSESS THIS STATEMENT IN RELATION TO YOUR EXPERIENCE:**

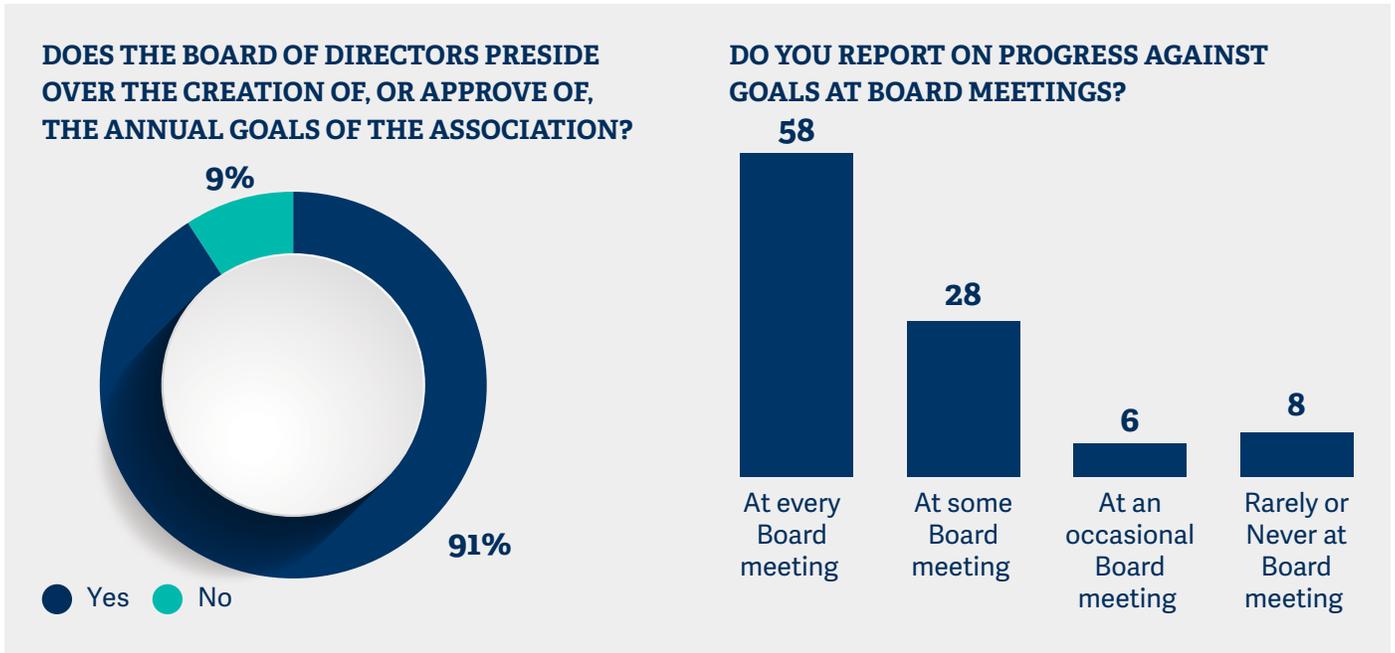
*“Each year, the CEO and the senior leadership of the organization meet to discuss and agree on the QUALITATIVE and QUANTITATIVE goals for the organization for the next calendar or fiscal year.”*



Beyond organization-wide goals, setting targets and metrics for evaluating the performance of individual leaders is another helpful tool in driving overall impact. By connecting the broader organizational strategy and performance measurement process to individual goals, it becomes easier for leaders and front-line employees alike to see how their work fits into the larger picture. This in turn can drive greater collaboration between individuals and departments who see how their work impacts others, as well as increased employee engagement and satisfaction. In the most sophisticated organizations, these metrics are directly tied to compensation, but best practice is to make this relationship positive rather than punitive.



As independent and objective stewards of the organization’s strategy, the board is a vital stakeholder in the performance measurement process. It is therefore no surprise that 91 percent of associations report that their board presides over the creation or approval of annual goals. Once goals are established, regular monitoring of progress to enable necessary course correction is important, which is why almost three in five association boards review progress against goals at every board meeting, with another third reporting out at least multiple times per year.



## DEFINING AN ASSOCIATION-SPECIFIC APPROACH TO PERFORMANCE MEASUREMENT

What is evident from our data and in our work with many of the leading trade and professional associations is that while there is much to learn about performance measurement from the experience of the private and nonprofit sectors, their approaches cannot be adopted wholesale for the association context. The unique nature of association work, particularly as it relates to exerting influence and shaping policy or educating members, is often intangible and does not lend itself easily to short-term quantitative metrics.

*“Metrics for a public policy organization are inherently more difficult than for our membership. ... Many of our policy goals are multiple-year objectives, and progress measures are often more qualitative than quantitative and not easily convertible into a transparent ROE-type metric.”*

—Manufacturing Trade Association CEO

This can frustrate association board members, some of whom are drawn from the corporate world and are accustomed to viewing all strategic decisions through a data-driven lens and setting metrics that are more suited to measuring sales of products versus affecting long-term change. Association board members may need help understanding how nonprofit governance differs, and best practices for measuring and managing for non-financial results.

Whereas companies can often exert significant control over the variables that impact their performance, the outcomes that associations seek to achieve are often subject to variables that are completely outside of their control. As a result, associations may find it easier to measure inputs (such as number of events held or number of meetings with policymakers) rather than outcomes (such as the ultimate success rate of individual lobbying campaigns or how an educational offering ultimately changed member behavior). However, it’s nevertheless important that associations continue to monitor the relationship between their inputs and the ultimate outcomes to avoid investing resources in activities that do not contribute to achieving their mission.

*“Consider how to find a balance of process and outcomes measures. Process measures (how many people attended) are easy. Outcomes measures (did the training have an impact on future behavior) are harder. You need to try to find a balance of both as resources permit.”*

—Association CEO

## ADVICE TO ASSOCIATION CEOs AND BOARDS



### **Recognize and respect the difference between for-profit and nonprofit contexts**

- Senior leadership should work with the board to ensure there is consistent agreement about the purpose of performance measurement and the change that the organization is ultimately seeking to measure
- Help board members to understand the unique context of an association and why traditional corporate metrics might not be appropriate
- Equally, the corporate executives who comprise many association boards have considerable expertise to share from the private sector, and management should avail itself of this expertise when designing or improving performance measurement systems



### **Think carefully about what you are trying to measure and manage for and whether that is better evaluated quantitatively or qualitatively**

- The nature of association work lends itself better to qualitative measures, but in the push for results or greater professionalization, some organizations may be tempted to focus on quantitative metrics
- In reality, both are necessary and each has a role to play, but they must be employed thoughtfully



### **Consider reporting progress against goals and implementation of the strategic plan at all board meetings to encourage board buy-in of and alignment around strategy and reinforce a culture of results orientation**

- The board is responsible for setting the overall strategic direction of the organization and cannot fulfill this responsibility without objective data to inform their decision-making
- By making the strategic plan the focal point of every meeting agenda, board discussions are more likely to provide the type of meaningful input that management requires of the board and will help prevent the board from overstepping its role by getting drawn into tactical and operational issues

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Russell Reynolds Associates is a global search and leadership advisory firm. Our 425+ consultants in 46 offices work with public, private and nonprofit organizations across all industries and regions. We help our clients build teams of transformational leaders who can meet today's challenges and anticipate the digital, economic and political trends that are reshaping the global business environment. From helping boards with their structure, culture and effectiveness to identifying, assessing and defining the best leadership for organizations, our teams bring their decades of expertise to help clients solve their most complex leadership issues.

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The background features several thick, angular lines in teal and purple. A teal line starts from the bottom left, goes up and right, then right and up, then right and down, and finally right and up. A purple line starts from the top left, goes down and right, then right and down, then right and up, and finally right and down. There are also thin, dark blue lines forming a grid-like pattern in the upper right quadrant.

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