

PERFORMANCE EVALUATION AND REVIEW

Performance assessment is to an organization what road signs are to a driver: It enables you to assess where you are in relation to your ultimate destination.

[For non-profits,] precisely because the bottom line is not a measure of accomplishment, everything becomes a moral absolute.

(Peter Drucker¹)

God loves, when one of you is doing something, that he [or she] does it in the most excellent manner.

(Prophet Muhammad²)

What is not measured is rarely performed, and is even more difficult to improve upon since there are no points of reference or benchmarks against which to measure performance. A new trend in nonprofit management is the implementation of performance measures tied to SMART objectives to make accountability clear at each organizational level and to make it easier to trace problems back to their source.

This need for assessing performance is so important that the U.S. Congress has passed the Government Performance and Results Act of 1993 (otherwise known as the Results Act). First, this act directs executive agencies to prepare 5-year strategic plans and annual performance plans that relate their long-term goals and the short-term activities of program managers. Second, the act requires that each agency report

annually on the degree to which it is meeting its annual performance goals and the actions necessary to achieve or modify the goals that were not met. Most importantly, each agency's annual plan must identify performance measures for each goal and program activity and discuss how the agency will verify and validate its performance data.³

Of course, the business world implemented performance evaluation and review long before governments rediscovered its use. Illustration capsule 10 is an excellent demonstration of what Savola learned as a result of this self-assessment process: It had made several erroneous strategic assumptions that cost it dearly in the 1990s, and that several managerial mistakes had to be corrected.

Illustration Capsule 10
**Savola's 7 Erroneous Assumptions
and Management Causes⁴**

Savola Group in 2002, after assessing its performance from 1992-1995, stated that they had made several erroneous strategic assumptions in spite of their incredible growth and effectiveness over the years:

1. That the level of prevailing competitive activities would continue to be at around the current level.
2. That the existing "formula for success" would continue to be relevant in the following years.
3. That business plans adequately reflected funding requirements for capital expenditure and working capital.
4. Specific industry expertise could be replicated in other industries.
5. Consumers would be willing to change their consuming habits easily.
6. High quality relevant market research has been carried out.
7. Regulatory bodies would respond to "reasonable" change requests within a "reasonable" time frame.

Further probing and self-assessment led Savola decision-makers to conclude that these assumptions had resulted from 7 "management" causes for performance from 1994 to 1998:

1. Communication of group mission, strategy and goals from top down was not carried out with sufficient frequency, clarity and forcefulness.
2. The planning process in major action programs was inadequate.
3. The alignment of resources to the strategy and to the realities and requirements of market conditions was not optimal.
4. Costly systems were built long before the actual need for them arose.
5. Initiatives and action programs were not supported by rigorous financial and business justification showing the full cost-benefit of each.
6. Accountability of individuals in the current organization structure was not fully enforced.
7. A prevailing culture of avoidance of unpleasant realities led to extended tolerance of lax performance and complacency.

Planning and implementation are incomplete without an examination and review of the organization's performance. Leaders must continuously track performance, assess whether implementation is on track, detect performance gaps, and craft any necessary corrective adjustments. Based on the feedback obtained during the performance evaluation process, leaders must review and update the plan as needed. Finally, effective implementation of the plan must be tied to appropriate rewards.

As Migliore et al. indicate, the evaluation and control stage of the strategic planning and implementation process can be compared to setting out on a journey with a map.⁵ You know what your destination (objective) is, when you want to reach it (long-term or short-term), and how to reach it (strategy). As you proceed on your journey, you will be looking for signs along the road (performance measures) to determine where you are, whether you are on track, and how far you still have to go. If you find

that you have gotten off track (performance gap), you will seek to make corrections until you get back on the right road and reach your destination. Once you get there, you will need to select new routes (strategy) to take you to newer destinations.

What would happen if road signs along your route were lacking? How would you know whether you were on the right track? How would you determine what you needed to do to get back on the right track? In fact, your organization's strategic and operational plans are incomplete unless you build in performance measures before you start implementation. Your performance measures are the road signs along the path to your vision.

What is a Performance Measure?

A performance measure is composed of a number (how much) and a unit of measure (what).

Performance measures let you know quantitatively:

1. How well you are doing,
2. If you are meeting your objectives,
3. If your customers and other stakeholders are satisfied, and
4. If and where improvements are needed.

A performance measure is composed of a number (how much) and a unit of measure (what). A common mistake made when using performance measures is to engage in "bean counting," such as asking how many applications the membership department processed last month. This is a meaningless measure, since the number has no denominator and, therefore, no basis for comparison. A more informative measure might be something along the following line: Of the applications received by the membership department last month, how many were processed? How long did it take to process each application (as compared to the previous month)?

Measuring Performance

Effective organizations align their objectives and resources in order to meet their mission-driven goals.

As depicted in figure 13, performance assessment is a relatively straightforward process that starts with three steps. Step 1 involves how to develop the strategic plan's mission, goals, strategies, and objectives. Steps 2 and 3 focus on developing and using performance measures.

Effective organizations align their objectives and resources in order to meet their mission-driven goals and attempt to tie their

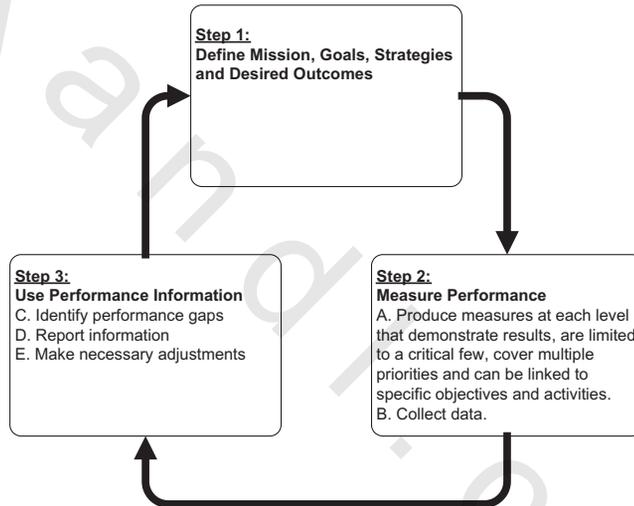
They attempt to tie their goals, objectives, and performance measures.

goals, objectives, and performance measures at each organizational level to consecutive levels.⁶ The ultimate goal is to establish a clear set of performance measures that are clearly linked back to the organization's strategic goals and mission. Developing such a set of measures is both time-consuming and requires *shura* among your organization's various hierarchical levels and departments.

Practice A: Produce a Few Critical and Cost-effective Measures

A well-designed and effective set of performance measures needs to exhibit five key characteristics.⁷

Figure 13
Key Steps in Performance Assessment



[Source: United States General Accounting Office, "Executive Guide: Effectively Implementing the Government Performance and Results Act" (GAO/GGD-96-118, June 1996) p. 10.]

Use a limited, parsimonious set of relevant measures that satisfy multiple priorities simultaneously.

1. **Demonstrate results.** Performance measures must provide feedback to each organizational unit or level to show how well it is meeting its objectives and goals.
2. **Limited to the vital few.** Use a limited set of relevant measures, and make sure that your followers or employees use only a few critical measures to determine how to measure perform-

ance, locate the gaps, track down accountability, and fine-tune the organization. Too many measures are simply confusing and may involve people in so much detail that they lose track of the bigger picture. Too many measures also mean that your people are wasting valuable time measuring every detail instead of implementing that particular part of the plan.

3. **Respond to multiple priorities.** Islamic organizations often respond to the needs of multiple stakeholders that may, at times, conflict with each other. Within shar'i parameters, an organization's leader should seek to use measures that satisfy multiple priorities simultaneously, rather than just one or two.
4. **Link to responsibility centers.** Performance measures should relate to those units responsible for specific objectives and goals in order to ensure accountability and to make certain that the unit officers/leaders responsible keep in sight the outcomes they are trying to achieve.
5. **Balance ideal performance measures** and/or a large number of measures against real-world considerations. If a Muslim leader were to spend a lot of time developing the perfect performance measure or measuring the performance of anything and everything, how much incremental information would he/she really obtain from the extra effort needed to fine-tune a performance measure or analyze a forest of measures? Are his/her subordinates wasting their time measuring everything? The cost and effort of gathering and analyzing data must always be balanced against the real-world consideration of how much value is derived from the data provided by each new performance measure.

Types of Performance Measures

There are several types of performance measures, such as:

- **Input measures.** Also known as economy measures, these focus on the cost of obtaining inputs of a certain level of quality at the minimum cost, such as the cost per employee to provide a certain service.
- **Efficiency measures.** These ratio indicators of performance measure how much output is provided for a given input or how much input is used for a fixed output. This could be the number of zakah applications processed by an assessor per day or the cost per customer served and/or the time needed to serve a customer.

- **Output measures.** These consist of the quantity of the organizational, divisional, or departmental workload, as well as the work product, as part of its strategy. One example is the percentage of students enrolled in your Islamic school who graduate with a "B" average or better.
- **Outcome or effectiveness measures.** These assess whether a quality product or service that meets the needs of its intended customers or stakeholders was delivered. For example, what percentage of customers were satisfied with a service or product? In quantitative terms, how have the Muslim community at large and the general public benefited by the organization meeting its objective? What is the percentage of the Muslim community, the public, or individual customer who responded to our survey were satisfied with our products or services?

When developing a performance measure, be sure to tie them back clearly to the other elements in the strategic and operational plan (e.g., mission, goals, and objectives) at the organizational or unit level, depending on which level the measure will be used to assess performance. Table 5 illustrates how this is done.

Table 5
**Linking a Performance Measure to the Strategic Plan
 (Membership Unit)**

Membership Unit Goal Statement	To improve the services provided to registered members.
Unit Strategy	Use web-based service request forms instead of mail-in request forms.
Unit Objective	To improve response time to members by x% within/by a predetermined time period.
Unit Performance Measure	Percent improvement in response time to members during a predetermined time period.
Linkage of the Goal to the Organization's Mission	Links to "To provide our members with an economic and timely level of service."
Linkage of the Membership Unit Goal to the Organization's Goal	Links to Organization Goal: "Maximize service delivery to membership."

Although performance measures should generally be derived from organizational or unit objectives, table 6 provides a list of sample performance measures by area for illustration purposes only. We will also discuss, in detail, practices A through E, as described in steps 2 and 3 in figure 13.

Table 6
Sample Performance Measures by Functional Area

Area to be Measured	Sample Measure
Personnel	% of employees/volunteers trained to do their job % of problems adjudicated by immediate supervisor Number of member complaints per month
Management	% of target dates attained during the last quarter % of increase in market share over prespecified time period % of revenue (or donations) generated over predefined measurement period % of improvement in customer satisfaction survey
Quality Assurance	% of time to answer customer complaints % of orders requiring corrective actions % of products/services meeting stakeholder satisfactions Number of suggestions per employee
Shipping/Manufacturing	% of customer orders filled according to specifications % of late shipments of products/services % of unplanned overtime during each quarter
Information Systems	% of time required to debug programs % of corrections on data entry
Membership or Registration	% of repeat problems corrected per month % of time improvement in correcting a predetermined number of problems % of cost in correcting a predetermined number of problems

Practice B: Collect Data

Although relevant and reliable data are critical to leaders of Islamic organizations, it can be arduous and costly to collect. Leaders will have to weigh the cost of collecting data against the need to obtain such data, and in a manner accurate enough to substantiate performance.

Invest in a good information management system, and instill a sense of discipline in implementing and gathering data until it becomes routine and automatic among the organization's members. To keep costs and time for data collection down, leaders may decide to build performance data collection directly into the daily operations rather than create a parallel and entirely new data collection system.⁸ This process would be similar to the self-evaluation process that Islam encourages Muslims to engage in regularly to detect any erroneous personal behavior. Islamic organizations need to monitor themselves as they perform their work, instead of waiting for months or a whole year to do so. A small set of information-rich and built-in performance measures can help all organizations monitor and evaluate themselves.

Practice C: Identify Performance Gaps

Results-oriented Islamic leaders from some of the most effective organizations mentioned above do not stop after engaging in strategic planning and performance measurement. Rather, they use the information obtained to identify performance gaps and continuously improve their performance.

Gathering performance data is futile, unless you use it to identify the gap between the organization's actual performance and the intended level of performance. After identifying these gaps, you can see which areas need improvement and where to direct scarce resources. Since this process takes place within the context of an overall strategic plan, you can initiate actions that will keep your organization on target with respect to your overall vision and mission. When determining the size of the performance gaps, try to benchmark your organization against the best ones in your niche or area – whether secular or not, private or public. This type of comparison will enable you to understand just what your actual performance improvement potential can be and how to get there. For example, CAIR recently asked sympathetic persons of other faith-based communities to provide feedback about its website's appearance and content. The results were quite revealing and induced CAIR to revise its website's look and content.

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Practice D: Report Information

As the information gathered through practice C can be quite complex, it must be translated into terms that are user-friendly and meaningful to the relevant body of decision-makers: the board of directors, the *majlis al-shura*, or the executive committee. Performance reports are more helpful when they

- always report performance numbers along with the cost per output, service, or outcome achieved;
- provide longitudinal, trended data that show how the organization or unit has performed over time; and
- explain how the information gathered has been used to initiate corrective actions.

This level of accuracy and transparency is important, because then the decision-makers can make informed decisions⁹ and key external stakeholders (e.g., donors, investors, members) can see the tangible link between promises and actual deliverables.

Practice E: Make Necessary Adjustments

Corrective adjustments may entail:

- Altering your organization's long-term direction and thus revisiting the organization's vision and mission. Such adjustments are rare, and should be done only when circumstances have changed drastically. Such deep, quantum-level changes may be out of your hands and require a vote from the board of directors or even ratification by a majority of your stockholders or registered members.
- Reprioritizing or reframing the organization's goals, dropping those that have become irrelevant and/or adding new ones.
- Raising or lowering performance objectives.
- Modifying strategies for certain goals.
- Improving strategy execution.

Generally, an organization would not change its vision, mission, goals, and strategies every year. Minor adjustments may be made, unless there is a major internal or external environmental jolt. Of course, the amount of adjustment made is likely to be a function of the organization, what it is doing, the velocity of its external environment, the size of the external environmental jolts, and the unit's location within the organization.

Corrective adjustments can be both concurrent (during the current planning and implementation cycle) or long-term (during the next cycle) depending on the magnitude of the changes required.

Recalibration is hard and Umar did not hesitate to make changes if those appointed to positions of authority did not meet his standards or if he sensed trouble ahead.

ISNA is an excellent example of an organization adjusting its goals. After years of growth, it went through a slump as the nature of services provided to its members changed. More importantly, it realized its inability to meet the needs of non-students in Muslim communities. As a result, it established a Leadership and Training Development Center to re-energize leadership in North America's Muslim communities.

Structural changes are sometimes only part of the solution. At times, the organization's leadership process itself may require recalibration. Umar did not hesitate to make changes if those appointed to positions of authority did not meet his standards or if he sensed trouble ahead. For example, he demoted Khalid ibn Walid who, along with being the Ummah's best military leader and strategist, was sometimes too harsh in his military raids and, at other times, extravagant in his tastes (e.g., for clothing and poetry). Umar removed him to preempt potential future problems. As pointed out by Altalib, Ammar ibn Yasir was a highly respected Companion who lacked any administrative *savoir-faire* or political savvy.¹⁰ Although Umar made Ammar governor of Kufah, he soon dismissed him because he could not fulfill his duties effectively.