
ORGANIZATIONAL CAPACITY: ISSUES AND CONCERNS REGARDING PERFORMANCE STANDARDS

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After 30 years of housing development and neighborhood renewal, more and more stakeholders in community development ask how to measure effectiveness aside from the traditional means of bricks and mortar. Funders, in both philanthropy and the public sector, encourage (and often require) the nonprofit sector in general to measure the outcomes of their efforts. Tools of performance measurement and standards increasingly attempt to gauge and improve the effectiveness and efficiency of community development corporations (CDCs). This paper discusses three categories of performance measurement and standards:

1. Process measurements, which include systems and procedures such as quality improvement through total quality management (TQM).
2. Outcomes measurements, which apply to the results of systems, procedures, and production, such as housing units built or development leading to community improvement.
3. People measurements, which address issues of quality and performance in human resource systems, such as employee retention.

DEFINITION

In brief, performance measurements and standards create tools designed to assess the linkage between organizational strategies and achievements. These tools seek objective answers to critical questions, including these: How did a particular program engender the intended outcomes? How is this organization benefiting the community? How are management and human resource systems successfully developing organizational capacity?

Given recent pressures to extend and enhance performance measurement and standards, leaders in the CDC field need to raise and address additional questions about both standards that are set internally by individual organizations and those that are imposed externally by groups of organizations, intermediaries, and/or funders. For example, what accepted field-wide definitions of performance measure-

ment and performance standards exist, and should they? If they do, how can the community development field and CDCs in particular develop a coherent and widely accepted definition of performance measurement for their work? How should their organizations strive to achieve individual or field-derived standards? What benefits and costs of various approaches exist? The question of how and if the field would benefit from standards is complicated, controversial, and beyond the scope of this paper. The trend toward some degree of performance measurement and standards, however, seems to have taken root, and CDCs and community development practitioners cannot wholly avoid the trend.

EXAMPLES OF THE THREE CATEGORIES OF PERFORMANCE STANDARDS IN CDCS

Community development corporations operate under many of the standards for process, human resource, and outcome management that help govern the nonprofit sector generally. Focusing on three categories of standards may be particularly useful in the case of CDCs:

- 1. Process-focused standards.** Given the many commercial predilections and aspirations of contemporary CDCs, a host of standards aimed at measuring process has taken hold in this particular nonprofit field. For example, TQM—an organizing set of standards focused on process rather than inputs or outputs, which helps identify systemic flaws—has been used at the organization level. Other function/process measurements also have been used at this level, including lending ratios, amount/percentage of funding obtained, and budget growth.
- 2. People-focused standards.** On the human resource side, the influx of money and attention from funders such as the Human Capital Development Initiative (HCDI) and the ongoing work of local Community Development Support Collaborations have increased the use of human resource audits (Glickman 2003; The Urban Institute 1996). Likewise, preliminary work from the Living Cities Milano Collaboration should highlight a “People First” cultural standard, already posited to exist in high-performing CDCs. Future research will test these relationships (<http://www.lcmmix.org/links.cfm?cat=0&top=0>).
- 3. Outcomes-focused standards.** Initially, CDCs were held to performance measures of units and square footage of housing and commercial space constructed and rehabilitated. More recently, funders have begun to seek a broader set of

qualitative and quantitative standards relating to organizational capacity (Fredericksen and London 2000) and performance outcomes.

There are major differences between internally set organization standards and externally imposed field-wide standards:

- 1. Organization standards.** Much of the burgeoning evaluation literature within and around the CDC field suggests the organization is itself the best resource for impact indicators. Lately the CDC performance outcomes category has taken a giant leap forward through initiatives such as the Success Measures Project launched in 1997 by the Development Leadership Network with support from the McAuley Institute (as cited by the National Housing Institute, along with other evaluation resources found at <http://www.nhi.org/online/issues/119/EvaluationRscs.html>. (See the Success Measures Project's practitioner-friendly website at <http://www.developmentleadership.net/>.) This network of community development practitioners and other stakeholders has identified and created 44 community development program impact measures that can be grouped in three broad areas: housing programs, economic development programs, and community-building initiatives. The network's literature emphasizes that organizations select their own indicators to "reflect their own unique vision, strategy and circumstances." The indicators vary depending on the area of impact.
- 2. Field standards.** Networks of organizations, field intermediaries, funders, and even regulators have developed field-wide standards and applied these to organizations in the for-profit sector and, to a lesser extent, the nonprofit sector. Field-wide standards, however, have not taken hold in the CDC industry. Although CDCs operate under some generic standards applied to nonprofits, the debate continues as to how (and whether) to develop CDC-specific standards in process, human resource management, and performance outcomes.

THE BOTTOM LINE: WHAT WORKS BEST FOR CDCs?

Standards established within the organization are more likely to affect the internal organizational effectiveness of CDCs (for example, quality of service and staff motivation), whereas field-wide standards are likely to impact external outcomes (such as funding level, media perception of organizational effectiveness, volunteer interest, and so forth). Both sets of outcomes may be desirable under different circumstances, but in some cases, complying with field-wide standards may be costly and not fundable. The CDC field, as well as the nonprofit sector

more generally, has concerns about the wisdom of one-size-fits-all standards. Thus, it remains unclear whether internal or field-wide standards are superior. Performance enhancement may be achieved through standards derived from the organization, but external stakeholder resources may be more likely to be elicited through field-wide standards.

CONCLUSION

Given the questions raised by this paper and the various issues that CDCs must consider, we believe the community development field should proceed cautiously when considering performance measurement. Performance is in the eyes of the myriad beholders, leading some to believe that one-size-fits-all standards will never please everyone. Indeed, in the nonprofit sector, which includes vastly different organizations in terms of size, age, and even state nonprofit legal requirements, standards can have a chilling, conforming effect.

Certainly, the imposition of standards and certifications from without (or above) has a different effect from the encouragement of performance improvement from within organizations or across organizational fields. Only thin and disappointing evidence exists on the direct correlation between performance measurement and organizational effectiveness. Still, there may be reasons to move ahead, bearing in mind the lessons of experience across sectors.

Standards and performance measurement often confer legitimacy both within and upon a field; they can encourage organizations to endeavor to achieve the standards, which may in turn lead to greater levels of effectiveness. Further, if standards lead to additional accessible information and knowledge, benefits may emerge for constituents such as donors/funders, potential employees/partners, and, of course, communities.

If performance measures are to be useful, CDCs must align the category of selected performance standards (process, people, outcomes) with performance measures related to that category of performance. The effectiveness of process-related standards can be assessed best through measuring process improvements, whereas people-related standards should be tied to individual and group performance outcomes, and outcomes standards should reflect overall organizational performance improvement.

Performance measurement and standard compliance are costly (and rarely funded). The community development field must recognize the issues associated with measurement and standards, and leaders in the CDC field must address weaknesses with the proper perspective and resources. If field-wide standards are to be set, critical questions remain on how to do so. Who will set the standards? What are the expectations? What funding will exist for compliance? What are the costs and benefits of compliance and noncompliance?

Without satisfactory answers to these questions, this paper advises a considered review of the value of performance measurement and standards to the CDC field.

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