

## Measuring Effectiveness

### *A Distinction Between For-Profit and Non-Profit Sectors*

Increasingly governing boards of non-profit institutions are questioning their organizations' operational effectiveness; sincere and intelligent questioning based on their fiduciary responsibility and stirred by media reports of management abuses in the non-profit sector. Often such questioning is followed by ways to measure operational effectiveness from a *business-like* perspective, applying *business metrics*, *business principles*, and *incentive-based compensation*. Well-intentioned perhaps, but seldom leading to reliable and constructive outcomes.

Measuring operational effectiveness of a non-profit organization can be a valued exercise when guided by observations made by Jim Collins, author of the popular publication ***Good To Great and the Social Sectors***. In this monograph the author offers the following observation:

*The confusion between inputs and outputs (in measuring effectiveness) stems from one of the primary differences between business and social sectors. In business, money is both an input -- a resource for achieving greatness -- and an output -- a measure of greatness. In the social sectors, money is only an input and not a measure of greatness.*

The author goes on to state that the critical question in the social sector is not “*How much money do we make per dollar of invested capital?*”, but rather “*How effectively do we deliver on our mission and make a distinctive impact, relative to our resources?*”

***How are you measuring your organization's operational effectiveness?***