HOW TO CONSTRUCT PERFORMANCE MEASURES

Guide for Grant Applicants to the Walton Family Foundation’s Home Region Program

This guide is designed to help grantees and Program Officers as they work together to establish quality performance measures that support continuous learning and improvement.

April 2022
How does the Walton Family Foundation approach strategic learning and evaluation?

Our organization is committed to the practice of strategic philanthropy, including both structured planning as well as evaluation and learning. This approach informs all our grantmaking strategies and our efforts to learn from our own work and the work of our grantees. Through this approach, the Walton Family Foundation and our grantees remain accountable for learning and strategic adaptation in service of social and environmental impact.

Performance measures are an important tool for how we approach strategic learning and evaluation here at the Walton Family Foundation.

What are performance measures and why do we use them?

Performance measures are statements that describe the direct products and services delivered by a program (outputs) as well as the impact of those products and services (outcomes). Performance measures identify:

- WHAT will change or be accomplished through the program
- WHO will create the change or accomplishment
- WHEN the change or accomplishment will occur
- HOW MUCH change will occur or what the level of accomplishment will be
- HOW WE WILL KNOW the change occurred
We use performance measurement to help understand, learn from, and improve the Foundation’s strategies and the work of grantees. **High quality performance measures should:**

- Be grounded in a shared understanding of the theory of change guiding the work and how success will be defined, including what information grantees currently collect and find valuable;
- Emphasize the key outcomes that will drive longer-term impact;
- Focus on collecting information that provides feedback on progress and the theory of change, including key assumptions and hypotheses; and
- Provide support for the development of new insights and lessons that inform strategic shifts and course corrections.

**At WFF, performance measures serve a variety of functions in support of ongoing strategic learning, including:**

1. Generate actionable insights about strategic shifts or adjustments that may be needed for continuous improvement and greater impact;
2. Inform conversations with WFF staff at interim points in the grant and at the close of a grant;
3. Ensure that new initiatives (developed by grantees or WFF) can benefit from the insights gained through prior projects; and
4. Inform WFF learning efforts across strategy areas to better understand how the Foundation’s approaches may need to be adjusted.

All WFF grantees are required to provide a final narrative and financial report, on a timeline that is specified in each Grant Agreement. As part of the reporting process, grantees assess progress toward the agreed grant performance measures and supply the evidence specified in the ‘How we will know’ element of the measure.

This information is reviewed by Program Officers and, as appropriate, staff within the Strategy, Learning, & Evaluation Department (SLED) and used to support learning and improvement - both for grantees and WFF - in the following ways:

- **At the level of individual grants**… data on key measures helps to inform adjustments or course corrections that may be needed.

- **Looking across grants**… information that is collected across a portfolio of grants can reveal patterns and provide important insights.

- **At the level of strategy**… in some cases data from these measures contribute to WFF’s understanding of progress toward meeting broader strategic objectives.

**Note:** Performance measures should NOT be used as a substitute for a more detailed work plan that captures a wider array of activities that may be supported by grant funds, or for project management toward meeting specified objectives. Rather, the measures developed in the grant application should be viewed as a tool that supports learning and strategic adaptation in service of advancing the impact of both the grantee and the Foundation.
The number of performance measures included in each Grant Agreement should reflect the level of funding, the length of the grant period, and the type and complexity of work being conducted. The performance measures are not meant to capture every detail of the work required to implement a project. Instead, they are the most important outputs and outcomes that reflect the theory of change.

When developing performance measures, please keep the following points in mind:

- **Start by articulating what success will look like** for this grant through a small number of key outcomes, and how you’ll measure progress toward those goals.

- In many cases the intermediate outcomes in a theory of change can provide the strongest starting point for developing performance measures.

- Once the outcomes are in place, consider the 1-2 outputs that you see as critical to achieving those results.

- Consider how you might use the data collected on these measures to draw important insights and lessons that can inform your work along the way, including hypotheses you are most interested in testing.

- Longer term grants (more than 1 year) and larger grants (>-$500k) often entail more complex theories of change and will therefore have a larger number of measures.

In general, a grant should have more outcomes than outputs in the performance measures section. This will allow for adaptive management of the grant so the grantee can determine the best path to achieving the outcomes of the grant.

<table>
<thead>
<tr>
<th><strong>Grant Amount Per Year</strong></th>
<th><strong>Length of Grant Period</strong></th>
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<tbody>
<tr>
<td><strong>2 YEARS OR FEWER</strong></td>
<td><strong>3 YEARS OR MORE</strong></td>
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<tr>
<td>Less than $250K</td>
<td>1 output &amp; 2 outcomes</td>
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<tr>
<td>Between $250K and $1M</td>
<td>2 outputs &amp; 3 outcomes</td>
</tr>
<tr>
<td>Above $1M</td>
<td>3 outputs &amp; 4 outcomes</td>
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Developing Performance Measures

Grantees are responsible for generating a set of draft performance measures as part of the initial proposal development process. These draft measures are then reviewed by the grantee’s Program Officer, revised (as necessary) in collaboration with the grantee, and approved by the Strategy, Learning, & Evaluation Department (SLED).

Three basic steps for constructing good performance measures

The process of developing performance measures includes three basic steps, which are described in detail below:

1. Identify key outcomes and outputs
2. Identify targets for each outcome and output
3. Identify a measurement strategy for each target

To assist grantees in developing strong performance measures, WFF now provides an online tool called The Metrics Bank. This resource includes hundreds of pre-developed, customizable metrics, sortable by program, initiative, and grant objective. The Metrics Bank was developed using real performance measures from WFF grants made over the past several years. We highly encourage grantees to take advantage of this resource when developing draft performance measures.

Identify key outcomes and outputs

The first step in writing good performance measures is to define a program or organization’s key outcomes and outputs. These statements should describe WHO will do WHAT (two of the five elements of a strong performance measure). As noted earlier, the number of outputs and outcomes will vary based on the complexity of the work and on the length and amount of the grant.
Outcomes involve some level of change related to knowledge, attitudes, capacity, opinions, behavior or social/environmental condition that results, at least in part, from the work of the grantee. For example, outcomes could describe changes in public opinion, public policy, or quality of life. Outcomes are by their nature outside of a grantee’s control because they are focused on the impact of the work, not the execution. Example questions that might help you develop outcomes include:

- What changes do you expect as a result of your major categories of work during the grant period?
- Are these outcomes a logical result of your work?
- Will you be able to accurately identify if this change has occurred?

Outputs refer to the products, programs, and services that grantees are planning to deliver or produce during the grant period. Output measures do not include activities that an organization undertakes to produce outputs (e.g., hiring staff). Rather, they refer to the steps along the way that lead to creating important, measurable, and enduring change. This distinction is important because a focus on activities provides an incomplete picture of the theory of change.

As shown in the diagram above, an organization may want to report that it selected Fellows for their new school leadership program (an activity); however, that alone is not the output that leads to change. Instead, it is what the Fellowship program does that truly matters (e.g., trains leaders) and that should be the focus of a grantee’s output measures.

EXAMPLE: Creating New Businesses

To help grantees think through the outputs and outcomes for their grant, the diagram below includes an example for a program intended to create new businesses in Northwest Arkansas (NWA). In the example, one output leads to a series of outcomes that build off one another as a series of causes and effects (i.e., what will happen first, as a result this will happen next, and so forth) that are expected for this example program.

Note: Outcome measures can be particularly challenging to identify for complex social change work. The SLED team is available to help grantees and Program staff identify potential performance measures for key goals of the grant.

Note: Not every funded program will have performance measures tied to longer-term outcomes, depending on the duration of the grant. Outcomes occurring beyond the grant period should not be included in grant performance measures.
Identify targets for each performance measure

Once the outputs and outcomes are identified, grantees need to determine the numerical target of HOW MUCH of a particular accomplishment (for output measures) or change (for outcome measures) will demonstrate success and WHEN the change or accomplishment will take place. Grantees should set targets that are ambitious yet achievable. The performance of a program is not judged by the number of targets met, but by the extent to which progress is made towards the proposed targets and the insights that are gained about what worked well and where strategic adjustments were needed.

We recognize that changes in outcomes are often not directly within the control of our grantees. Meaningful social and environmental change takes time, is unpredictable, and does not always go as planned. The intent of setting targets for outcome measures is not to cast blame or judgment when they’re not met; but rather to ground deeper discussions about what level of change is possible and to better understand why some goals were achieved or unrealized by the end of the grant.

The following diagram includes sample targets for each of the outputs and outcomes identified for the example program presented in step one.

- **Output**: Entrepreneurs are trained to start up and run a business
  - **Target**: At least 25 Entrepreneurs will be trained to start up and run a business by June 2023

- **Short-term Outcome**: Entrepreneurs start up new businesses
  - **Target**: At least 75% of Entrepreneurs will open a business in NWA within 3 months of completing the training (September 2023)

- **Intermediate Outcome**: Entrepreneurs grow their new businesses
  - **Target**: At least 50% of these new businesses will see an increase in revenue by the end of their first year of operations

- **Long-term Outcome**: New businesses employ more residents
  - **Target**: At least 50 NWA residents will be employed by these new businesses by September 2025
Identify measurement strategies

The final step is to think about how the target for each output and outcome can be measured (the HOW WE WILL KNOW element of strong performance measures). In some cases, it may be difficult to measure outcomes (e.g., organization staff may not have access to certain groups impacted by the program). When this happens, grantees should attempt to find proxy measures or other indicators to confirm that intended outcomes of a program have occurred. The following diagram identifies potential measurement strategies to provide evidence for each of the outputs and outcomes for the example program.

**Output**
Entrepreneurs are trained to start up and run a business

**Short-term Outcome**
Entrepreneurs start up new businesses

**Intermediate Outcome**
Entrepreneurs grow their new businesses

**Long-term Outcome**
New businesses employ more residents

**Measurement Strategy:**
Grantee staff record the number of Entrepreneurs enrolled in the program

**Measurement Strategy:**
Official records on new business licenses

**Measurement Strategy:**
Grantee staff survey business owners and record revenue changes at their firms

**Measurement Strategy:**
Grantee staff survey business owners and record the number of employees at their firms

**Target:**
At least 25 Entrepreneurs will be trained to start up and run a business by June 2023

**Target:**
At least 75% of Entrepreneurs will open a business in NWA within 3 months of completing the training (September 2023)

**Target:**
At least 50% of these new businesses will see an increase in revenue by the end of their first year of operations

**Target:**
At least 50 NWA residents will be employed by these new businesses by September 2025
Putting it all together: Writing good performance measures

Using the information generated above, grantees can combine the five elements (WHAT, WHO, HOW MUCH, WHEN, HOW WILL WE KNOW) to write clear performance measures for each output and outcome. Building on from the example presented above, below are sample performance measures for each output and outcome:

Output
Entrepreneurs are trained to start up and run a business

**Target:** At least 25 Entrepreneurs will be trained to start up and run a business by June 2023

**Measurement Strategy:** Grantee staff record the number of Entrepreneurs enrolled in the program

**Output Performance Measure**
By June 2023 [WHEN], grantee staff [WHO] will train at least 20 Entrepreneurs [HOW MUCH] to start up and run a business [WHAT], as evidenced by a list of training participants [HOW WE WILL KNOW].

Short-term Outcome
Entrepreneurs start up new businesses

**Target:** At least 75% of Entrepreneurs will open a business in NWA within 3 months of completing the training (September 2023)

**Measurement Strategy:** Official records on new business licenses

**Outcome Performance Measure**
By September 2023 [WHEN], at least 75% [HOW MUCH] of Entrepreneurs [WHO] will open a business in NWA [WHAT], as measured by official records on new business licenses [HOW WE WILL KNOW].

Intermediate Outcome
Entrepreneurs grow their new businesses

**Target:** At least 50% of these new businesses will see an increase in revenue by the end of their first year of operations

**Measurement Strategy:** Grantee staff survey business owners and record revenue changes at their firms

**Outcome Performance Measure**
By September 2024 [WHEN], at least 50% [HOW MUCH] of these new businesses [WHO] will see an increase in revenue [WHAT], as measured by a survey of business owners [HOW WE WILL KNOW].

Long-term Outcome
New businesses employ more residents

**Target:** At least 50 NWA residents will be employed by these new businesses by September 2025

**Measurement Strategy:** Grantee staff survey business owners and record the number of employees at their firms

**Outcome Performance Measure**
By September 2025 [WHEN], at least 50 [HOW MUCH] NWA residents [WHO] will be employed by these new businesses [WHAT], as measured by a survey of business owners [HOW WE WILL KNOW].

Conclusion

Performance measures are a core element of WFF’s approach to strategic learning that is in service of continuous improvement and impact. We look forward to continuing to partner with our grantees to better understand the most effective ways of addressing the problems we seek to work on together.