



Mapping the journey from inputs to impacts

There is a great focus in the non profit world of reporting on outputs, outcomes and impacts and many non profit organisations (NPOs) are putting much emphasis on this. In many cases they find that they are not achieving the results they are seeking. In others the results may be being achieved but perhaps not at an unacceptable cost. Most NPOs are resource constrained and the link between the inputs being used and the outputs being delivered is important. This means the performance must be managed. The reality often is that despite acknowledging the desire to better manage performance, NPOs continue to struggle with issues that prevent them from achieving long-term strategic objectives in an effective and efficient way.

The challenge for many non profits is:

- How do we identify what matters?
- How do we record what matters?
- How do we report on what matters?

This requires understanding of both financial and non financial measures of what matters. When considering this, the focus is inevitably on value creation. The answer to the question ‘why are we not achieving what we set out to achieve in the most effective way?’ often lies in a lack of focus on how processes are being carried out and what is being measured. Many organisations that are competing for funding and indeed those that are just reassessing their effectiveness have found that they need to go back to basics and understand how they do things. This means that the issue of inputs and activities cannot be overlooked. In particular, it is vital to really appreciate the linkages between inputs and activities with outputs and outcomes – some NPOs have difficulty with this and clarifying the concepts may be helpful. (See box at the end of this note).

Much has been said in the sector about output measures and very little on process measures and in many cases where I have been asked to help with understanding why the outcomes are not being achieved in an effective way I find that the issue lies with the way the processes and activities are being carried out.

So what is a process and why do we need to understand them?

A process is a collection of activities which create an output that is of value. Process measures track and report the activities of a process and are useful to motivate people to control the process. They are important since they monitor progress and allow organisations to react rapidly to improve and check whether the process is still in control. They are different from output measures which track and report the results of a process and are useful to control resources.

Process measures should focus on cost, quality and time paradigms to see if a process can be done cheaper, better and quicker. This means that all these aspects need to be understood and focussed on in a balanced way. Sometimes they pull in different ways.

Cost-based measures address the financial side of performance and ask is the cost acceptable and is there a way to reduce it

Quality-based measures focus on “goodness” and examine how well products or services meet stakeholder needs

Time-based measures focus on speed and responsiveness

All three need to be balanced – so it may be possible to deliver excellent quality but the cost may be prohibitive. It may be possible to deliver a service or response very swiftly but the quality may be compromised.

When an organisation is looking at process measures it is not measuring what the organisation is delivering as outputs and outcomes nor is it looking at the achievements of strategy, it is rather looking at the way the organisation is carrying out activities. As organisations get larger and as there is a greater focus on outputs and outcomes the more boring aspects of measuring and improving processes often falls by the wayside and the effectiveness becomes a challenge.

On the practical side it is important to avoid a piece meal approach, the aim should be to focus on the horizontal linkages between processes and functions. For example, consider a charity that seeks grants to deliver services. The whole process covers many functions. These include:



- identifying the service that is needed,
- considering who might fund it,
- the application for a grant or contract,
- negotiation and acceptance of terms,
- the provision of the service,
- the monitoring and evaluation,
- financial reporting and control,
- the follow up of grants to ensure it is paid and that there is no later clawback

Understanding the relationship between processes and functions can help break down a silo mentality which is all too prevalent in our sector. Since the processes run across functions, performance measures must follow.

Process mapping

The best way to understand a process is to map it. This refers to a way usually by a flowchart of depicting and defining exactly what the organisation does. The aim is also to link this to who is responsible for each function and what are the critical success factors and measures of success. This requires understanding as to what standard a process should be completed and how the success of a process can be determined. If this is done properly there can be no uncertainty as to the requirements of every internal business process

When trying to map the process:

- Define the boundaries of what is being mapped
- Start at a high level first.
- Understand the core process and the sub processes within it
- Involve the people closest to the process.
- Walk through the process yourself.
- Think end to end and consider the horizontal linkages between process and functions
- Keep it simple.

I have often found that once the process is mapped there is great value in discussing the map with the individuals involved to ask them to look at the key tasks and consider:

- What they think they are doing?
- Why they do it?
- Who they do it for?
- How long it takes?
- How often it is done?
- Should someone else be doing it?
- Should it be done at all?
- Can the task be improved?
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Why bother?

Many see the exercise as a waste of time and prefer to work in an intuitive manner. In my experience they are missing out on the opportunity of making real value gains. The benefits of really understanding processes are numerous. The type of analysis offered is extremely valuable because it can identify improvements in a number of aspects in the work place, including:



- *Understanding of the work process:* Process Mapping helps everyone to understand the work processes being performed in the organisation. They can see what each individual's job entails. A good grasp of specific activities and their relationship to other groups helps management make effective decisions and leads to better relations between departments.
- *Utilisation of Resources:* Process Mapping can help management make the most effective use of resources. It encourages those who are most closely involved in a work process to participate in determining how to use resources efficiently. For example, Process Mapping information might indicate that certain employee's talents are wasted on checking work rather than producing their own work. A shift in task assignments might result in better use of their talents.
- *Training Procedures:* The documentation produced resulting from Process Mapping provides a basis for excellent training packages. The documentation describes the tasks involved in each job and in what order each task needs to be completed. Process Mapping documentation is particularly useful for a new manager because it describes the functions of the organization and shows how these functions are accomplished.
- *Work Flow:* Analysing Process Mapping documentation can determine ways to improve work flow. I have seen cases where a process map has instantly highlighted that certain tasks are repeated for no real reason. In other cases, it becomes clear that it would be cost-effective to use automated equipment that makes some tasks more efficient.

However, beware the danger of becoming obsessed with processes without considering how they add value to the organisation and what you are trying to achieve. The aim is to link them with outcomes and impact and then consider how you can improve your processes to add value. Best in class organisations are using performance measures to quantify how well the activities within a process work towards achieving a specified goal. This can provide early warnings of operational problems, identify areas for improvement and present a clear indication of what action needs to be taken to ensure the organisation stays on track. Bear in mind the need to monitor both processes and outputs. In essence, process measures can drive the organisation to improve whereas output measures keep the score. A balance between both is vital.

(see box on next page)



Understanding Inputs, Activities, Outputs and Outcomes and Impacts

Inputs are the resources that contribute to a programme or activity, including income, staff, volunteers and equipment. Many of these may be reflected in accounting records but many such as volunteer time are not..

Activities are what an organisation does with its inputs in order to achieve its mission.

Outputs are countable units, and are the direct products of programmes or organisations' activities. They could be children immunised, animals relocated, classes taught, training courses delivered or people attending workshops. In themselves they are not the objectives of the organisation but some reporting appears to be confusing these with objectives. The outputs are often quantifiable and lend themselves to tables and charts.

Outcomes are the benefits or changes for intended beneficiaries. They tend to be less tangible and therefore less countable than outputs. Outcomes are usually planned and are therefore set out in an organisation's objectives. The Trustees' Report should highlight outcomes. It is sometimes difficult to properly define outcomes and to be able to claim them as a result of a charity's activities. However, this should not prevent the reporting of outcomes.

Impact is all the changes resulting from an activity, project or organisation. It includes intended as well as unintended, negative as well as positive, and long-term as well as short-term effects. Impact reporting difficult and many of the "impact report" are in fact reporting on outcomes but most make commendable efforts in identifying, recording and reporting on what matters.

Example:

Some years ago I worked with an NGO with a mission to deliver education in Sub Saharan Africa. It planned to do this by building schools. Donors were surprised to find that the organisation had used their contributions to dig wells. The answer to this explains the issue

The strategy was to provide schools and teachers but the children they were trying to educate were spending most of the day going to the nearest water source to collect water. The schools were empty. The inputs (the contributions from the donors) were not delivering the outcomes or the impacts. The activities and outputs had to be changed and wells were needed before the schools. It had to carefully consider whether digging wells was the most efficient and effective way to achieve the outcomes it was seeking.

The organisation has achieved outcomes and some of them are additional to those originally envisaged in the plan. The impact is what has been achieved through the education – how has it improved the lives of the children and their communities.

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Pesh is Special Advisor to the Charity Finance Group and having been a member of the Committee that produced the 1995, 2000, 2005 and 2015 Charity SORPs he has a wealth of knowledge and expertise on reporting by charities. He is also a member of the Practitioner Advisory Group that provides advisory input and feedback in the development of the world's first Internationally applicable Financial Reporting guidance for non-profit organisations. He was a member of the Accounting Standard Board's Committee on Accounting for Public Benefit Entities and was also a member of the Charity Tax Commission

Pesh was the partner leading teams working with social purpose and non profit organisations at Crowe, Deloitte, Arthur Andersen and BDO Binder Hamlyn. During this time these firms have been listed as the lead provider of audit services to charities for the 30 consecutive years. He now provides wide ranging consultancy services to Social Purpose and Non Profit organisations.



[Pesh Framjee LinkedIn](#)