5

PERFORMANCE MEASUREMENT

Nonprofit organizations need to view revenue as a resource needed to achieve their missions. Obviously, revenues must exceed expenses over the long-term or an NPO will not survive.

—Glenn Rowe

Key Topics: balanced score card, customer feedback, competitive comparison, strategic objectives, blue ocean strategy

What makes an organization "good" at what it does? Or, as Jim Collins (2001) would ask, "What makes an organization great?" Most would acknowledge that accountability, effectiveness, and achievement of desired performance outcomes are minimal requirements for any organization's success. These requirements demand a measurement system relative to an organization's mission, vision, values, and strategic plan. This chapter discusses methods for establishing such systems. In doing so, we echo Worth's (2012) concern that "nonprofit managers must be committed to performance measurement but should not become overly focused on it to the detriment of delivering their mission's programs" (p. 157).

PERFORMANCE MEASUREMENT PROCESS

Before engaging in performance measurement, it is vital to understand the level and scope of the process. Measurement can be conducted for *effectiveness* or *performance* at the program/project or organizational level. Effectiveness relates to achieving the mission, while performance is a broader concept that considers financial results and other variables related to the overall organization.

Once the scope and level of analysis are determined, several questions should be answered about the evaluation process:

1. WHAT is to be evaluated—or assessed for effectiveness?

2. HOW should it be assessed?

3. WHO is responsible for conducting the assessment?

4. TO WHOM should the results be reported?

Budgets and other resource constraints may influence the answers to these questions, but rest assured that both internal and external nonprofit organization (NPO) stakeholders want ongoing evaluation and continuous improvement. For example, many donors and foundations require performance measurements at various stages of funding. This fact—along with increased calls for nonprofit accountability from monitoring organizations such as Wise Giving Alliance (www.bbb.org/us/wise-giving), Charity Navigator (www.charitynavigator.org), the Better Business Bureau, (www.bbb.org), and Guidestar (www2.guidestar.org) as well as the government (e.g., IRS form 990) and the general public (via blogs and other social media)—translates into a need for performance measurement and transparency across the nonprofit sector.

In Canada, in addition to reporting to the Canada Revenue Agency (www.cra-arc.gc.ca), NPOs can belong to organizations on a voluntary basis that encourage transparency and performance measurement. Compassion Canada (www.compassion.ca) states on its website that NPOs have come under greater scrutiny by "watchdog agencies." In addition, donors are now researching institutions they support in much more depth. Consequently, accountability standards are much more stringent. Compassion Canada is a member of Imagine Canada (www.imaginecanada.ca) and the Canadian Council of Christian Charities (www.cccc.org). Both of these organizations are NPOs themselves, and their goal is to strengthen standards of accountability for NPOs in Canada.

Imagine Canada states that it has more than 350 NPOs involved in its Ethical Code Program (www.imaginecanada.ca/ethicalcode), which is designed to raise awareness regarding accountability and ethics on the part of charities in Canada. These charities generate more than $2 billion Canadian in fundraising revenue.

Table 5.1 outlines different types of evaluative processes that may be used within organizations. Using a compilation of evaluation methods enables nonprofit leaders to keep stakeholders and the various monitoring agencies mentioned here abreast of their organizational goals and progress toward mission fulfillment.

PERFORMANCE MEASUREMENT TOOLS

Tools for gauging results of organizational efforts and resource expenditures relative to the NPO's plan come in many shapes and sizes. The strategic triangle of 3Cs by Kenichi Ohmae (2005) serves as a guide to organize the multitude of tools available. Ohmae suggests that, to develop sustained competitive advantage, strategists should focus on three main players: the corporation (i.e., the nonprofit organization), the customer (i.e., the stakeholder), and the competitor (i.e., other organizations that provide similar services to target clients or in the targeted service area). If the NPO manager fills her toolbox with the proper instruments to measure each of these elements or perspectives, she will be able to assess—and hopefully improve—the performance of her organization.

In assessing the NPO (*corporation* in Ohmae's parlance), the key is to understand the competitive advantage that enables an NPO to sustain exceptional service. (More on identifying and exploiting core competencies and competitive advantage is found in Chapter 6.) A tool used to convert intangible assets that usually form a competitive advantage to tangible outcomes is the balanced score card (BSC). This tool also incorporates the customer's perspective into its performance measurement.

Balanced Score Card

Recalling that all performance measures must relate directly to an organization's mission, vision, and strategy, Kaplan and Norton (1992) developed the concept of the BSC, encouraging

Table 5.1 Types of Evaluation	
Type	**Description and Purpose**
Rolling	Appropriate for smaller nonprofits. Leaders select one or two focal projects, programs, or operational areas per year to evaluate and construct learning growth on a year-over-year basis.
External	Contractor or other external party (e.g., student group) conducts program-specific or organization-wide evaluation over a specified period.
Internal	Internal staff or contractor with a deep, long-term objective conducts program-specific or organization-wide evaluation over a specified period.
Summative	Seeks information about activity after (or toward end) of program or project.
Formative	Internal investigation of a program while it is in progress.
Process	Answers the question of "what to do." Focuses on how to improve project, strategy, or specific operational efforts. Assesses the quality of activities. For example, measures whether training sessions are at full capacity, breaking even (revenue versus expense), and/or whether participants rate the experience well.
Outcome or Impact	Gauges program or project completion of specified objectives. Measures whether desired goals are achieved. Focuses on the results, versus the process, organizations or programs undertake to enact change. For example, training outcome evaluation would ask if participants function differently post-workshop.
Participatory	Includes feedback from clients or beneficiaries in the evaluation. May include qualitative interviews, focus groups, or quantitative surveys of current or past service recipients.

Source: Festen & Philbin, 2007. Reprinted with permission.

organizations to move beyond an overreliance on financial metrics in their strategy evaluation. The tool also helps organizational leaders convert intangible assets into tangible outcomes (Kaplan & Norton, 2000). In applying the BSC to the nonprofit sector, Kaplan (2001) claims that it bridges the gaps among mission, strategy, and daily operations by emphasizing the process with which to achieve strategic focus. The traditional for-profit BSC includes metrics related to financial performance, customer satisfaction, internal business processes, learning, and growth.

Some NPOs and governmental agencies have adopted the BSC as an essential strategic tool (Bryson, 2005; Wall, Kirk, & Martin, 2004), demonstrating that it is scalable and capable of providing alignment and focus to various organizations. The application of the BSC to the non-profit sector is not without its detractors (Kong, 2008), but it can provide focus for nonprofits seeking to consider the pull from various stakeholders and limited resources while focusing on mission accomplishment.

Kaplan (2001) suggests several tweaks to the BSC in its application to NPOs (Table 5.2). First, the traditional BSC should be redrawn to place the mission at the focal point (vs. financial success in the for-profit sector). The measures in the four other perspectives demonstrate short-term (e.g., quarterly, annual) targets and feedback that enable year-over-year control and accountability to the mission.

Table 5.2 Balanced Score Card (BSC) Adapted to Nonprofit Organizations

BSC Perspectives for Nonprofit Organization	Sample Activities, Goals, Stakeholder Involvement to Chart Progress and Measure Achievement
Social impact perspective	Articulate the organization's mission and vision.
Constituent perspective	Articulate specific stakeholders (e.g., employee, client, volunteer) and the impact each has on mission accomplishment.
Internal operations/key levers perspective	List specific goals internal to the organization that will lead to mission accomplishment (e.g., grow size and caliber of staff applicant pool, select high-quality staff to fill vacant positions, increase effectiveness of staff training, build database of stakeholders to improve community network).
Financial perspective	Record financial needs to achieve objectives and overall mission (e.g., grow and diversify revenue base, improve financial management skills of key staff, increase grant application effectiveness through training of development staff).
Learning growth perspective	List specific goals (e.g., technology purchase, training, brand development) that will build and/or sustain organizational success.

Source: Kaplan, 2001.

To measure performance relative to the NPO "customer," one must first acknowledge the complexity in defining such a customer. Because nonprofits have both clients and donors, whom they serve is not always clear. Following the stakeholder analysis discussed in Chapter 3, NPO managers may find listing several key stakeholders (i.e., clients and key donors) in parallel to be most effective.

Once leaders determine two or three high-level strategic themes (see Chapter 6 for discussion of strategic planning), explicit strategies, objectives, activities, and targets can be established to measure achievement. Table 5.3 illustrates a generic BSC for a nonprofit whose high-level theme is to improve brand equity.

Some nonprofit managers find the BSC too cumbersome to manage. Paton (2003) offers a more simplistic approach to multipoint performance evaluation in his *dashboard* model. The dashboard analyzes organizations from five perspectives across short-, medium-, and long-term horizons:

1. Current Results—monthly comparisons to established objectives (e.g., financial reporting)

2. Underlying Performance—annual reviews of programs and support functions

3. Risks—formal monitoring process to assess risks (financial, legal, reputational, and environmental)

4. Assets and Capabilities—annual assessment of physical and intangible assets that build capacity for future performance (e.g., financial investments, organizational reputation, expertise)

5. Change Projects—regular initiative to enable continuous improvements in programs and assets.

Ultimately, Paton's (2003) dashboard seeks to answer two fundamental questions: Does it work? ("Do the different activities, services, and programs achieve intended results?" pp. 139–140) Is the organization well run?

Table 5.3 Connecting a Balanced Score Card to a Nonprofit's Strategic Objectives

Strategic Initiative: Improve NPO Brand Equity	Objective	Activity	Measure	Target	Time Mo./ Qtr./Yr.	Ownership
Financial			**Income Growth**	**2012 20%**		**Board of Directors**
Develop brand	Increase brand awareness	Organize community leader breakfast	# attendees	120		Board Members 1, 2
	Improve brand image	Develop direct mail campaign to support reputation value	# of inquiries # of new volunteers # of new sponsorships	250 15 5		Board Member 3, 4
Stakeholder Focus			**Grow Donor Base**	**2012 15%**		**Executive Director**
Event attendees *(Incidental donors)*	Experience the brand	Annual Gala	# attendees Post-event surveys	400 80% satisfaction		Board Member 5, 6 Volunteer 1, 2
Occasional donors	Establish brand loyalty	Telethon	# converted to committed donors	≥ 25%		Volunteer Coordinator
Committed donors	Enhance brand position	Face-to-face solicitation	Amount of increased giving 5 exceptional gifts	avg. ≥ 20% per donor $2,500/ea.		Director of Development
Internal Processes			**Improve Tracking System**	**100% donor info. accurately maintained, secured and accessible 24/7**		**Director of Development**
Donor database	Collect data to profile current prospective donors	Brand surveys	Response rate	≥ 50% per segment		
Learning and Growth			**Recruit/Train Volunteers**			**Staff Member**
Sell the brand	Develop staff skills	Fundraising training	Funds raised	$250,000		

Source: Adapted from Conway Dato-on, Weisenbach Keller, & Shaw, 2009.

Customer Feedback

The increasingly competitive environment nonprofits face due to reduced government funding, increased outsourcing of government social services through voucher-type systems, and decreased private giving (Hall, 2011) has transformed the client–NPO relationship. In addition to these environmental changes, a new cadre of wealthy entrepreneurs who view philanthropy as financial investments in transformation of systemic problems pressures nonprofits to become even more responsive to newly empowered customers and investors. Such responsiveness requires an efficient method of measuring customer/client experiences and a *needs-centered orientation* (Wymer, Knowles, & Gomes 2006).

Marketing researchers provide guidance on appropriate quantitative and qualitative methods for gathering, analyzing, and disseminating information gathered from organizational stakeholders (Wymer et al., 2006). Qualitative surveys of key stakeholders and potential donors helped Lake Eola Charter School (LECS; see the first case at the end of this chapter) understand the strength of its brand. LECS leaders also used qualitative focus groups to gather data about how parents and students visualized and described the brand while learning what characteristics the school should emphasize more. Effectiveness and simplicity are key when applying this process to nonprofits that may face financial constraints. Festen and Philbin (2007) suggest several ways to keep ongoing evaluation processes from overtaking delivery of critical services.

Often nonprofits may find strategic partnerships helpful in gathering customer feedback. Many universities offer low-cost or no-cost marketing research assistance to nonprofits in the community (Conway Dato-on & Gassenheimer, 2010) or house centers for nonprofit research (e.g., Rollins College Philanthropy and Nonprofit Leadership Center, www.rollins.edu/pnlc; the Center for Philanthropy at Indiana University, www.philanthropy.iupui.edu). Ronnie DeNoia at LECS found both these resources valuable in assessing her organization's performance. The Center for What Works (http://whatworks .org) also offers tools and tips on performance measurement.

Competitive Analysis

While the BSC helps nonprofit leaders assess performance from various perspectives, and customer feedback aids in evaluating various program/organizational processes and outcomes, Ohmae (2005) reminds us that no performance assessment would be complete without understanding alternatives available to donors and clients with whom the NPO seeks to build relationships. In other words, performance must be compared to the competition.

A common method of assessing the competition is *competitive benchmarking*. "Through this approach, organizations try to identify the best practices of other organizations they consider to be similar to them, and thus learn ways to improve their own operations" (Worth, 2012, p. 63). Again, such performance measurement may happen at the program or organizational level.

Detractors of benchmarking in the nonprofit sector point out several potential pitfalls to this approach:

1. Benchmarking may eventually result in different organizations within the same field doing things in much the same way. This generally happens when NPO leaders lose mission focus or when one's own competitive advantage is not understood fully.

2. It can be difficult to isolate indicators that lead to program or organizational effectiveness.

3. Identifying which organizations are comparable takes time and effort and may result in false comparisons and conclusions. For example, nonprofits in different locales may face very dissimilar funding environments, more or less favorable volunteer prospects, and unique staff situations.

Benchmarking is a useful tool, but perhaps more for learning than assessing overall organizational

performance. When applied effectively, however, benchmarking can be valuable for examining specific program or administrative functions and learning best practices that can be altered for adoption within another NPO.

Whether an organization uses benchmarking, NPO leaders should be aware of what alternatives to their organization's goods and services are available for the target customer or client. Two methods for comparing alternatives—one visual and one numerical—are the perceptual map and the competitive analysis matrix.

The *perceptual map* is a visual representation of the importance of different dimensions and the perceptions of alternatives along those dimensions for one or more target populations. The map depends on the positioning an organization (and/or its service offerings) has in the mind of the target audience, be that clients or funders.

To build a map, market research must be available to uncover the dimensions that the NPO's target audience uses to evaluate alternatives and an understanding of the level of importance that different dimensions hold.

Figure 5.1 shows the perceptual map a children's museum might construct when viewing its attraction versus alternative activities available to children (Garibay, 2011). Once the museum understands how children perceive its facilities versus other alternatives, it can develop programs that either fill a gap in the knowledge or activity level or seek to market itself in such a way that repositions the opinion children hold of the museum. For example, a museum's marketing might emphasize that prior knowledge is not necessary to have fun at the museum.

A *competitive analysis matrix* focuses on key factors that distinguish competitive services and

Figure 5.1   Perceptual Map: Museum Versus Alternative Activities for Children
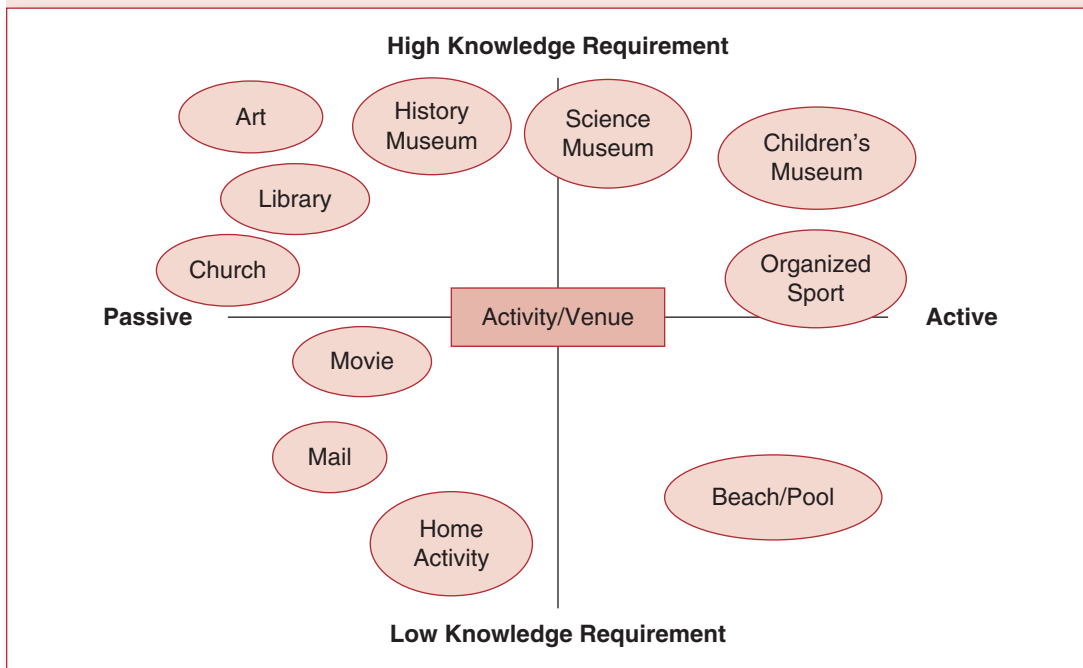
are of value to current and/or potential clients. The method for developing the matrix is similar to that outlined by Kim and Mauborgne (2005) in their development of a "blue ocean" strategy. (See Chapter 1 for additional discussion of this strategy.) Table 5.4 and Figure 5.2 display a comparison among different service providers in children's athletic services.

Table 5.4 Competitive Analysis Matrix for Children's Athletic Services

Factor	Kid City	Gymboree	My Gym
Number of services provided	4	1	1
Location convenience	4	5	.5
Price	4	5	4
Amenities	4.5	4	4
Safety	5	4.5	4.5
Qualified teachers	5	5	4
Teacher-to-kid ratio	5	4.5	4
OVERALL RATING	31.5	29	22

Scale = 1 (*not desirable*) to 5 (*desirable*).

Figure 5.2 Visual Representation of Competitive Analysis Matrix for Children's Athletic Services
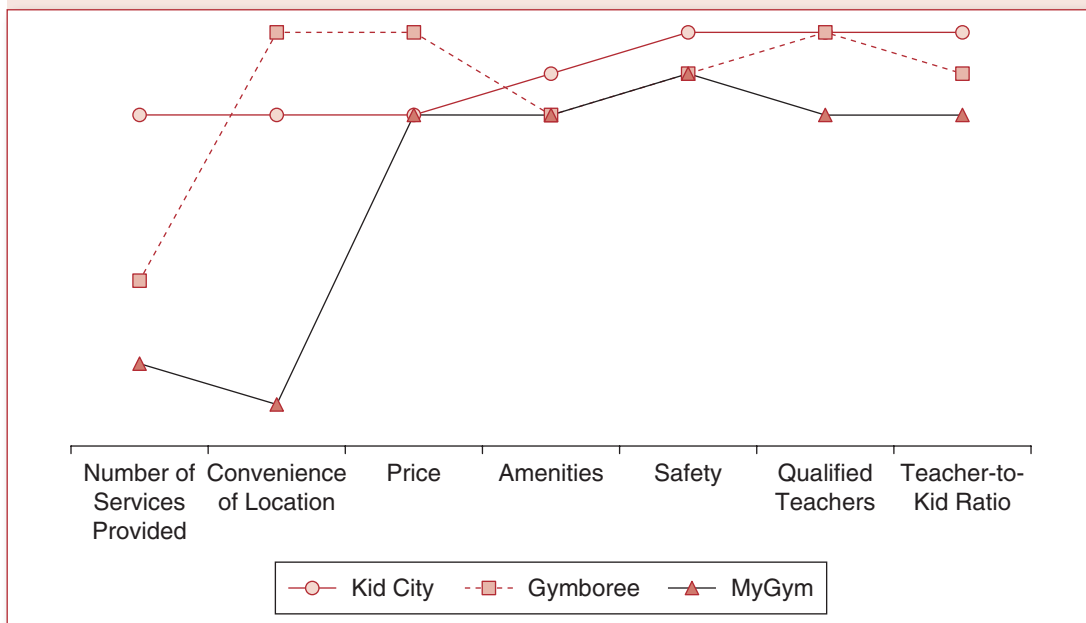
Source: Created by authors using blue ocean strategy template (Kim & Mauborgne, 2005).

Keep in mind that the purpose of the competitive analysis, in any form, is to examine organizational or programmatic advantages and disadvantages versus those offered by other service providers in the area. What the NPO manager does with the performance measurement information is equally important to conducting the evaluation. Results should be fed into a cycle of planning and strategy development. More on this will be found in succeeding chapters.

CASES

Lake Eola Charter School (United States): In late 2009, Ronnie DeNoia, principal of Lake Eola Charter School, in downtown Orlando, Florida, completed a course on nonprofit branding at the Philanthropy and Nonprofit Leadership Center at a local college. She was energized and ready to apply the new learning to evaluate the school's competitive position and to determine its level of mission fulfillment and progress toward goals. Well suited for running a school, with a doctorate in education administration, DeNoia had taken the class to shore up her understanding of planning for and managing an NPO. In her mind, the key lesson was the need for an environmental analysis to better understand the school's internal environment and external competitors in order to improve the position of the school vis-à-vis the community's educational needs. She employed an MBA intern to help her develop tools for an internal and external environmental scan. The intern just wrapped up the data collection and analysis. DeNoia was ready to use the summer "down time" to make changes for the 2010 academic year, if only she knew how to proceed.

Otago Museum (International): In existence since 1868, the nonprofit Otago Museum, in New Zealand, had undergone several changes and expansions during its history and was regarded as curator of a broad-based collection of Maori and South Pacific artifacts. In January 2010, the Otago Museum's CFO was instructed by the museum's CEO to create a BSC for the museum. The current CEO had brought a sense of customer orientation and financial acumen to the general running of the museum, evidenced by examination of customer satisfaction via surveys and focus groups and various efforts to diversify income streams. The development of a BSC was seen as a practical way to reinforce and further motivate employee behavior congruent with the focus on customer service and financial acumen. The resulting BSC needed to articulate clearly the museum's objectives and the cause-and-effect relationships linking BSC dimensions with the museum's strategic vision and mission.

REFERENCES

Bryson, J. M. (2005). The strategy change cycle: An effective strategic planning approach for non-profit organizations. In R. D. Herman (Ed.), *The Jossey-Bass handbook of non-profit leadership and management* (pp. 171–203). San Francisco, CA: Jossey-Bass.

Collins, J. (2001). *Good to great: Why some companies make the leap . . . and others don't.* New York, NY: HarperCollins.

Conway Dato-on, M., & Gassenheimer, J. (2010, May). *Service learning through NPOs: The new service-dominant logic in education?* Paper presented at the annual conference of the Academy of Marketing Science, Portland, OR.

Conway Dato-on, M., Weisenbach Keller, E., & Shaw, D. (2009). Adapting for-profit branding models to small nonprofit organizations: A theoretical discussion and model proposition. In *Proceedings of the 2009 World Marketing Congress.* Ruston, LA: Academy of Marketing Science.

Festen, M., & Philbin, M. (2007). *Level best: How small and grassroots nonprofits can tackle evaluation and talk results.* San Francisco, CA: Jossey-Bass.

Garibay, C. (2011, January/February). Responsive and accessible: How museums are using research to better engage diverse cultural communities. *Dimensions.* Retrieved from http://www.astc.org/blog/category/astc-dimensions/

Hall, H. (2011, April 22). Americans gave a lot less in the recession than experts predicted. *The Chronicle of Philanthropy.*

Kaplan, R. S. (2001). Strategic performance measurement and management in non-profit organizations. *Non-Profit Management and Leadership, 11,* 353–370.

Kaplan, R. S., & Norton, D. P. (1992). The balanced scorecard—Measures that drive performance. *Harvard Business Review, 70*, 71–79.

Kaplan, R. S., & Norton, D. P. (2000). Having trouble with your strategy? Then map it. *Harvard Business Review, 78,* 167–175.

Kim, W. C., & Mauborgne, R. (2005). *Blue ocean strategy: How to create uncontested market space and make the competition irrelevant.* Cambridge, MA: Harvard Business School.

Kong, E. (2008). The development of strategic management in the non-profit context: Intellectual capital in social service non-profit organizations. *International Journal of Management Reviews, 10,* 281–299.

Ohmae, K. (2005). *The next global stage: The challenges and opportunities in our borderless world.* Upper Saddle River, NJ: Pearson Prentice Hall.

Paton, R. (2003). *Managing and measuring social enterprises.* Thousand Oaks, CA: Sage.

Wall, A., Kirk, R., & Martin, G. (2004). *Intellectural capital: Measuring the immeasurable?* Amsterdam, Netherlands: CIMA.

Worth, M. J. (2012). *Nonprofit management: Principles and practice* (2nd ed.). Thousand Oaks, CA: Sage.

Wymer, W., Knowles, P., & Gomes, R. (2006). *Nonprofit marketing: Marketing management for charitable and nongovernmental organizations.* Thousand Oaks, CA: Sage.

LAKE EOLA CHARTER SCHOOL: SECURING THE BRAND THROUGH ENVIRONMENTAL ANALYSIS

In late 2009, Ronnie DeNoia, principal of the Lake Eola Charter School (LECS) in downtown Orlando, Florida, completed a course on nonprofit branding at the Philanthropy & Nonprofit Leadership Center at a local college. She was energized and ready to apply the new learning to evaluate the school's competitive position and to determine its level of mission fulfillment and progress toward goals. Well suited for running a school, with a doctorate in education administration, DeNoia had taken the class at the Philanthropy & Nonprofit Leadership Center to shore up her understanding of planning and managing a nonprofit organization (NPO). In her mind, the key lesson was the need for an environmental analysis to better understand the school's internal environment and external competitors in order to improve the position of the school vis-à-vis the community's educational needs. She employed an MBA intern to help her develop tools for an internal and external environmental scan. The intern had just wrapped up the data collection and analysis. DeNoia was ready to use the summer "down time" to make changes for the 2010 academic year, if only she knew how to proceed.

Charter Schools in the United States

Few doubt that today's public schools in America are troubled. One solution to what many classified as failing public education was the creation of charter schools. Such schools secured a "charter" or operating contract from the state and/or local government delineating enrollment and educational guidelines. As of mid-2010 there were an estimated 4,638 charter schools in 39 states and Washington, D.C., which served less than three per cent of the U.S. school-age population, or slightly more than 1.4 million students.[1] Charters received government funds, but operated independently as nonprofit organizations. As such, charters had to employ marketing strategies to persuade parents to select them instead of neighborhood public or local private schools. The strategies seemed to be working; in March 2010, there were 350,000 families on charter school waiting lists, enough to fill more than 1,000 additional charter schools.[2] Charters held lotteries when applications exceeded available seats.

Education Next and Harvard's Program on Education Policy and Governance (PEPG) combined resources to answer the question, "What do Americans think about their schools?" The surveys were conducted in 2007, 2008 and 2009.[3] The 2009 survey results suggested that the general public approved of charters, with supporters outnumbering opponents two to one. Among African Americans, the approval ratio was four to one. Even among public-school teachers, 37 per cent favored charters, while 31 per cent opposed them. Most charters were located in urban areas, with more than half of all their students coming from minority groups such as African Americans or Hispanics. Data gathered for the survey indicated that more than a third of charter school students were eligible for the federal free or reduced lunch program. Numerous studies emphasized the success of charter schools in terms of graduation rates and test scores.[4] Despite the generally favorable public opinion, charters were not without detractors. Charter critics relied on two often-cited, well-circulated reports: the 2004 study by the American Federation of Teachers (AFT) and a report based on ongoing research by Stanford's Center for Research on Education Outcomes (CREDO), which found more weak charter schools than strong ones.

Despite the mixed data on charter school effectiveness, the Obama administration seemed in favor of such schools and developed incentives to encourage more. To qualify for the U.S. Education Department's 2009 Race to the Top funding campaign, many states lifted restrictions on charter school numbers and enrollment requirements. Tennessee, an ultimate winner in the competition, for example, raised the state's limit on charter schools from 50 to 90. Illinois doubled the allowable number to 120 charters in the state, while Louisiana removed all numerical restrictions.[5] Given the Obama administration's emphasis on improving education through creative solutions, the competitive landscape for

---

[1] "One study of 29 countries found that the level of competition among schools was directly tied to higher test scores in reading and math." Paul E. Peterson, "Charter Schools and Student Performance," *Wall Street Journal* (Online), New York, March 16, 2010.

[2] Ibid.

[3] William Howell, Martin West and Paul E. Peterson, "The Persuadable Public," *Education Next,* 9:4, Fall 2009, http://educationnext.org/persuadable-public, accessed July 13, 2010.

[4] Paul E. Peterson, "Charter Schools and Student Performance," *Wall Street Journal* (Online), New York, March 16, 2010.

[5] Anne Marie Chaker, "Expanding the Charter Option," *Wall Street Journal,* August 13, 2009, pp. D1-D2.

charter schools in the country would become more crowded in the near future. Todd Ziebarth, a vice-president for policy at the National Alliance for Public Charter Schools in Washington, D.C., supported the expansion of charter schools across the country but cautioned that, along with the high-quality charter schools, some "bad schools—those with poorly defined missions" might arise.[6]

Charter Schools
in Central Florida

In Florida, the charter school law was enacted in 1996. By 2009, there were 356 charter schools enrolling more than 104,000 students.[7] In a letter to the *Wall Street Journal,* Florida's Governor Crist wrote that in 2009 the state ranked "third nationally in the number of charter schools and fourth in the number of charter-schooled students." He quoted the "2009 Quality Counts: Portrait of a Population" report released in January 2009, noting that "Florida's education ranking jumped from 14th to 10th in the nation, and its overall grade improved from a C+ to a B-."[8]

The state of Florida placed no restriction on the number of charter schools and mandated that all charters be approved and financial records be reviewed by the local school board. According to the charter school law, students enrolled in a charter school were funded as if they were in a basic or special program as appropriate, and were funded the same as students enrolled in other public schools in the school district. According to state mandate, teachers in charter schools needed to be certified, could collectively bargain, were not required to join local teachers' unions and would not be eligible for state retirement as were public school teachers. The State Department of Education was required to prepare an annual report comparing test scores of charter school students with test scores of comparable public school students in their school district.[9]

Florida joined the Race to the Top campaign and attempted to receive funding for both public and charter school initiatives. The state finished fourth in the first round of competition—just missing funding opportunities—and applied for the second round in early June 2010. Throughout the state, tempers flared regarding the role of teachers' unions and merit pay.[10] Some stated that this discord was the primary reason for the state missing funding in the first round and hoped the shortcoming would be overcome in round two.

Within Central Florida (including the Orange County School District where LECS resided), support for charter schools was fierce among parents but missing in the press. Reviews of local press coverage showed articles about the poor performance and inadequate services of charter schools, outnumbering positive articles. For example, articles dating back to 2007 gave abundant detail of under-representation of certain student groups, citing facts such as 60 per cent of charters served a smaller portion of students who qualified for free and reduced-price meals than their typical district school and trailed the districts by three per cent in service to disabled students. Carlo Rodriguez, who oversaw charters for the state, attributed the enrollment differences to parent preferences. Articles also

---

[6]William Howell, Martin West and Paul E. Peterson, "The Persuadable Public," *Education Next,* 9:4, Fall 2009, http://educationnext.org/persuadable-public, accessed July 13, 2010.

[7]www.publiccharters.org/states, accessed June 3, 2010.

[8]*Wall Street Journal* (Eastern Edition), New York, January 10, 2009, p. A10.

[9]http://mb2.ecs.org/reports/Report.aspx?id=65, accessed June 3, 2010.

[10]Chris Williams, "Walking away from millions: 9 states pass on 'Race to the Top' education grant program," June 1, 2010, http://education.gaeatimes.com/2010/05/31/walking-away-from-millions-9-states-pass-on-race-to-the-top-education-grant-program-4055, accessed June 3, 2010.

complained about the requirement of parent volunteering in charter schools (typically 40 hours annually)[11] without discussing the advantages of parental involvement in their children's education. The local papers also overemphasized the financial trouble of poor-performing schools while barely mentioning the numerous charter schools run as financially viable organizations (e.g. "Charter School in Orange Must Shape Up or Shut Down—Audit finds lavish spending by administrators despite heavy debt";[12] "District probe closes Orange charter school—The facility was mismanaged and lacked financial accountability, officials say"[13]). Below these headlines that highlighted the closing of one school each year, the content briefly mentioned that there were 19 other charter schools in the district without such financial difficulties. Notwithstanding this bad press, Florida earned a "B" for its charter school law in a study by the Center for Education Reform in 2009 ("A"-rated states were California, Minnesota and Washington, D.C., with a majority of states receiving a grade of "C"),[14] suggesting Florida's oversight of charter schools was adequate.

This press coverage left a bad taste in the mouths of many in Orlando and the Central Florida community. Although Lake Eola Charter School was often cited as the exception to the rule, the overall bad impression of charter schools resulted in a public relations nightmare and marketing challenge for DeNoia and her school board. DeNoia mentioned that "every year after the annual charter school bashing by the *Sentinel*" she would have to "get on the phone and call students' families and LECS supporters to point out that their school was financially sound and highly ranked in comparison to both other charter schools and local public schools." DeNoia also used the school's website to emphasize this point: "We are proud to report that we are in our Magnolia Avenue facility for the eleventh year and have achieved fiscal stability (and a surplus), a remodeled school, and a curriculum that resulted in Lake Eola Charter School receiving another 'A' as part of the Governor's Award Program" (nine years running).[15]

LAKE EOLA CHARTER SCHOOL: FROM YESTERDAY TO TODAY

DeNoia was in the unique position of running both a school and a nonprofit organization. She felt confident in her ability to design a curriculum, assess student performance, and manage teachers. She was less confident in her ability regarding the management of a nonprofit. Despite this reservation, she was proud of LECS and was eager to discuss its origins and its future. DeNoia recalled the history of the school where she had dedicated what seemed like "every waking moment" over the past decade with energy and enthusiasm. Although she had a board of directors upon which she could rely for advice, she felt responsible for the integrity and destiny of the school.

> We conceived Lake Eola Charter School as a K–8 center of educational excellence fourteen years ago [1996], and received charter approval in 1998. The first year presented challenges of the actual physical location. We acquired and converted an old parking garage on a major road in downtown Orlando. The concept was to build a school that utilized all the downtown public facilities, rather than building an isolated school that needed to create all its own resources—where education was separated from

[11]Vicki McClure and Mary Shanklin, "Charters serve fewer poor, disabled," *Orlando Sentinel,* March 25, 2007.

[12]*Orlando Sentinel,* April 8, 2008.

[13]*Orlando Sentinel,* July 4, 2007.

[14]"Charter Laws Across the States," www.edreform.com/About_CER/Charter_School_Laws_Across_the_States/?Charter_School_Laws_Across_the_States, accessed June 4, 2010.

[15]www.lecs.org, accessed June 4, 2010.

daily life. We envisioned [and have been successful in] using the Lake Eola park for physical education, the public library for research/reading, and downtown architecture for history and geometry lessons. The second year brought challenges of fiscal stability. During this time, the board actively secured public and private funding and developed the concept for the LECS Foundation [ultimately established in 2004] as an ongoing supporting body for the school. Beginning in the third year, we fine-tuned a first-class, non-textbook curriculum utilizing resources from primary source materials such as websites and practical application exercises. We continued to strengthen the curriculum and the teaching staff every year. Moving forward, we'd like to find a new facility and expand our charter to include high school. Our waiting list is too long and has been for years. A new facility would enable us to better meet the educational needs of our community. After all, that's what this is all about—right?

Unlike many public schools, Lake Eola Charter School employed a cluster system for students after grade three. This system placed students in the fourth and fifth grades in mixed-grade classes. Similarly, middle schoolers (sixth, seventh, and eighth grades) were assigned to mixed-grade classes. This flexibility encouraged communication among students of various ages and created a more family-like atmosphere. Teachers facilitated active learning rather than "pouring it in"—thus developing ownership of one's education on the part of students. Educational research suggested that such approaches improved critical thinking skills. All lessons were differentiated to meet each student where he or she was rather than where their ages dictated they should be.

Another aspect that contributed to the family-like culture was parental involvement. There was no tuition fee at LECS but parents were required to volunteer twenty-five hours per school year for families with one child enrolled at LECS and thirty hours per school year for families with two or more children enrolled at LECS. Alternatively, parents could "purchase" their required volunteer hours, if absolutely necessary, at the rate of $10.00 per hour. Most parents exceeded the minimum requirement of volunteer hours. Parents were committed to their children's education and routinely demonstrated that commitment through active involvement.

To ensure continued educational success among students and help teachers develop themselves professionally, DeNoia invested LECS time and money into ongoing professional training for teachers. She was particularly proud of the reading curriculum at the school, which encouraged self-paced reading among students. Rather than focusing on having students read required texts, critical reading skills were applied to all reading via extensive reading logs, based on Nancie Atwell's research. Students select among three challenge levels: choice in challenge, just right, and holiday reading. This choice is what promotes the competitive spirit; students average 20–25 books per year. The teacher responsible for designing the reading curriculum often presented at professional conferences where she also made sure she was current in educational methodology. In-house seminars encouraged teachers to share what they had learned at such professional conferences with others on staff.

LECS and its students received much acknowledgment for academic accomplishments, including the Governor's Recognition Program. Students achieved success at the local, state and national levels in a variety of competitions, such as the National Geographic Geography Bee, the Modern Woodsmen Oration Contest, the Dr. Nelson Ying Science Fair, the Florida Science and Engineering Fair, Odyssey of the Mind, No Boundaries, and the Radiant Peace program. Further, LECS eighth-grade students received high admission rates to International Baccalaureate Diploma Programs, magnet schools[16] and advanced placement programs in

---

[16]A magnet school is one that exists within the public school system yet exists outside of zoned school boundaries. The purpose of a magnet school is that it usually has something special (e.g. academic or creative emphasis) to offer over a traditional public school, which makes attending them an attractive choice to many students. Most magnet schools require students to apply and be accepted based on demonstration of proficiency in the area of the school's emphasis. Source: www.publicschoolreview.com/articles/2, accessed August 13, 2010.

private and public high schools throughout Florida. Communication with LECS alumni indicated satisfaction with academic preparedness and high success in post-LECS academic endeavors.

Focus group and survey data collected from LECS students, employees and parents by the intern DeNoia employed showed high satisfaction with the school. Selected survey results are included in Exhibit 1.

Exhibit 1 Survey Data Collected From LECS Donors, Students, Employees and Parents

Donor Responses

How well does Lake Eola Charter School satisfy your needs?

Answer Options	Response Percent	Response Count
Very Poorly	0.0%	0
Poorly	0.0%	0
Somewhat Poorly	0.0%	0
Somewhat Well	0.0%	0
Well	15.4%	2
Very Well	76.9%	10
Unable to Answer	7.7%	1
answered question		13
skipped question		4

How much do you like Lake Eola Charter School?

Answer Options	Response Percent	Response Count
Strongly Dislike	0.0%	0
Dislike	0.0%	0
Somewhat Dislike	0.0%	0
Somewhat Like	0.0%	0
Like	23.1%	3
Strongly Like	76.9%	10
Unable to Answer	0.0%	0
answered question		13
skipped question		4

How trustworthy is Lake Eola Charter School?

Answer Options	Response Percent	Response Count
Not at all Trustworthy	0.0%	0
Less Trustworthy	0.0%	0
Somewhat Less Trustworthy	0.0%	0
Somewhat Trustworthy	0.0%	0
Trustworthy	23.1%	3
Very Trustworthy	76.9%	10
Unable to Answer	0.0%	0
answered question		13
skipped question		4

Exhibit 1 (Continued)

How favorable is your overall attitude toward Lake Eola Charter School?

Answer Options	Response Percent	Response Count
Very Unfavorable	7.7%	1
Unfavorable	0.0%	0
Somewhat Unfavorable	0.0%	0
Somewhat Favorable	0.0%	0
Favorable	15.4%	2
Very Favorable	76.9%	10
Unable to Answer	0.0%	0
answered question		13
skipped question		4

How would you assess the educational value of Lake Eola Charter School?

Answer Options	Response Percent	Response Count
Very Poor	0.0%	0
Poor	0.0%	0
Somewhat Poor	0.0%	0
Somewhat Good	0.0%	0
Good	7.7%	1
Very Good	92.3%	12
Unable to Answer	0.0%	0
answered question		13
skipped question		4

Lake Eola Charter School is an educational leader among schools in the Orlando area.

Answer Options	Response Percent	Response Count
Strongly Disagree	0.0%	0
Disagree	0.0%	0
Somewhat Disagree	0.0%	0
Somewhat Agree	7.7%	1
Agree	38.5%	5
Strongly Agree	53.8%	7
Unable to Answer	0.0%	0
answered question		13
skipped question		4

The level of donor satisfaction with the overall service Lake Eola Charter School provides has _____.

Answer Options	Response Percent	Response Count
Declined Significantly	0.0%	0
Declined Somewhat	7.7%	1
Been Stable	30.8%	4
Increased Somewhat	7.7%	1
Increased Significantly	0.0%	0
Unable to Answer	53.8%	7
answered question		13
skipped question		4

Parent Responses

How well does Lake Eola Charter School satisfy your needs?		
Answer Options	**Response Percent**	**Response Count**
Very Poorly	0.0%	0
Poorly	0.0%	0
Somewhat Poorly	2.1%	2
Somewhat Well	7.2%	7
Well	25.8%	25
Very Well	63.9%	62
Unable to Answer	1.0%	1
answered question		97
skipped question		10

How much do you like Lake Eola Charter School?		
Answer Options	**Response Percent**	**Response Count**
Strongly Dislike	0.0%	0
Dislike	1.0%	1
Somewhat Dislike	2.1%	2
Somewhat Like	3.1%	3
Like	14.4%	14
Strongly Like	78.4%	76
Unable to Answer	1.0%	1
answered question		97
skipped question		10

How trustworthy is Lake Eola Charter School?		
Answer Options	**Response Percent**	**Response Count**
Not at all Trustworthy	1.0%	1
Less Trustworthy	1.0%	1
Somewhat Less Trustworthy	2.1%	2
Somewhat Trustworthy	4.1%	4
Trustworthy	18.6%	18
Very Trustworthy	71.1%	69
Unable to Answer	2.1%	2
answered question		97
skipped question		10

(Continued)

Exhibit 1 (Continued)

How favorable is your overall attitude toward Lake Eola Charter School?

Answer Options	Response Percent	Response Count
Very Unfavorable	0.0%	0
Unfavorable	1.0%	1
Somewhat Unfavorable	3.1%	3
Somewhat Favorable	5.2%	5
Favorable	30.9%	30
Very Favorable	58.8%	57
Unable to Answer	1.0%	1
answered question		97
skipped question		10

How would you assess the educational value of Lake Eola Charter School?

Answer Options	Response Percent	Response Count
Very Poor	0.0%	0
Poor	0.0%	0
Somewhat Poor	0.0%	0
Somewhat Good	4.1%	4
Good	9.3%	9
Very Good	86.6%	84
Unable to Answer	0.0%	0
answered question		97
skipped question		10

Lake Eola Charter School is an educational leader among schools in the Orlando area.

Answer Options	Response Percent	Response Count
Strongly Disagree	0.0%	0
Disagree	2.1%	2
Somewhat Disagree	2.1%	2
Somewhat Agree	4.1%	4
Agree	13.4%	13
Strongly Agree	77.3%	75
Unable to Answer	1.0%	1
answered question		97
skipped question		10

The level of parent satisfaction with the overall service Lake Eola Charter School provides has _____.

Answer Options	Response Percent	Response Count
Declined Significantly	1.0%	1
Declined Somewhat	8.2%	8
Been Stable	38.8%	38
Increased Somewhat	24.5%	24
Increased Significantly	13.3%	13
Unable to Answer	14.3%	14
answered question		98
skipped question		9

DeNoia believed that the success of the school—as revealed by the survey responses—emanated from the strong mission and vision that kept all staff focused on the same goal. In other words, based on the mission statement, parents, staff and potential donors learned why the school existed and were able to give their time and money with confidence. The mission statement and vision were as follows:

Mission: Lake Eola Charter School's mission is to provide differentiated instruction leading to mastery of national standards, and to use best practices to develop comprehension, computation, critical thinking, character and community service in our family of learners in the city of Orlando.

Vision: Lake Eola Charter School's vision is to create a laboratory environment for other urban schools to observe best practices that produce a positive result in math, science, social studies and language arts. This vision not only includes using city resources to build lifelong skills, but also to establish a personal connection to the citizens and cultivate a sense of community service.

After completing the course on nonprofit branding, DeNoia knew it was important to engage in strategic planning for her organization so that over time the school's strengths would continue to build and be leveraged to realize the vision. Such planning, she learned, included gathering data about LECS in three important areas: (1) organizational effectiveness and performance, (2) measuring strengths and weaknesses against peers (benchmarking), and (3) measuring performance against mission. So, DeNoia set the intern to work gathering the information to enable the strategic planning process to begin.

LECS: Organizational Effectiveness and Performance

DeNoia felt great about the feedback received from students, staff and parents collected in surveys and focus groups. She knew there was room for improvement, however, and instructed the

intern to collect and organize information on LECS. DeNoia could provide her idea of what worked and what did not, but she wanted the intern to synthesize the data collected and combine it with information available from the state and popular press in a usable fashion. The intern suggested using a SWOT format. DeNoia did not really know what that entailed but trusted the intern was learning something about this in his MBA program and told him to proceed.

Looking more closely at LECS, the intern found the following strengths, weaknesses, opportunities and threats from both primary and secondary research.

Strengths: The greatest strength of LECS was the excellent track record of student performance. This conclusion was clearly supported by the average Florida's Comprehensive Assessment Test (FCAT) score students at LECS received. In addition, LECS had been an "A"-rated school for more than nine consecutive years. Another impressive strength of LECS was parent satisfaction with the school. Parents expressed their satisfaction with LECS in focus groups, stating they were extremely happy with their children's performance in the school and the overall structure of the teaching program. A final strength of LECS was the "private school feel the school has with no additional associated costs," as expressed by students and parents. LECS maintained a private school feel because of the culture of the school. The class sizes were relatively small, and there was a close relationship between parents and school administrators/teachers as well as between students and teachers. In addition, the education the students received was perceived to be on par with private schools and was ranked on par based on test scores and student placement.

Weaknesses: The greatest weakness of LECS was the lack of communication from the school to the greater community and parents. Although the school organized charitable events with some regularity (mostly attended by parents and school staff) and although people observed children playing in the park during recess, not many people knew about LECS. This was

mainly due to the lack of marketing of the school. The other side of this communication weakness related to the school's communication with parents. During the focus group, parents communicated very strongly about this weakness and many stated this as the number one problem with the school. Parents indicated a very high level of satisfaction with educational excellence in both the quantitative and qualitative research, yet expressed concern with the limited communication about school assignments and activities.

A second weakness of LECS was the limited operating budget of the school. Because the school did not receive as much state funding as public schools, LECS needed donations to make up this difference. This was often difficult, resulting in a school with a smaller budget than its public counterparts.

LECS's third weakness involved searching for donations and the tools necessary to enable this. During research, the intern found several errors/missing data regarding past donors, board of director members, and parents. A flaw in the organization's ability to achieve long-term success was the inability to collect, store and sort relevant data on each stakeholder group. Known in the industry as Constituent Relationship Management (CRM), CRM strategies should (1) enhance the involvement (e.g. volunteer time, donations) of existing stakeholders by motivating them to engage in behaviors that generate higher returns (e.g. more volunteer hours, increased value or frequency of donations), and (2) extend the duration of relationships, thereby maintaining enhanced behavior for a longer period of time. A subset of this weakness was that LECS did not fully leverage the fundraising resources in which the school had invested, i.e., DonorEdge software to help with CRM. Donor contributions made up a significant portion of the school's operating budget, making this weakness very problematic.

DeNoia felt that a fourth weakness, the physical facility of the school, stood in the way of future growth. The facility was outdated, with limited technology. To students and outside observers, the school felt cramped and dark.

A new facility with upgraded technology would make the school more attractive to prospective students and donors. A final weakness of LECS was the lack of afterschool programs such as sports and music. Although the school had a very popular Space, Technology and Engineering Program (STEP), for which students expressed passion, the school's lack of other afterschool programs put it at a disadvantage as compared to other public and private schools.

Opportunities: As more parents became dissatisfied with Orange County public schools, there was an opportunity for LECS to attract students from these schools. Since LECS provided an excellent education for no extra cost versus a public school, parents might have been inclined to take their children out of public school and enroll them in charter schools like LECS.

Although LECS was currently at student capacity (with a waiting list each year for more than five years), its excellent educational rating and satisfied parent population provided great leverage points from which to attract public support. Another opportunity for LECS revolved around the state of the economy. When the economy is tight, parents seek more affordable education for their children. Therefore, parents might have been inclined to take their children out of private schools and place them in LECS because of its high academic ratings. This was viewed as an opportunity for LECS to position itself as the solution to the gap between public school service and private school price.

Threats: In contrast to the opportunity a weakened economy provided LECS, it also posed a threat for the school. In a destabilized economy, donors would be less inclined to donate, which negatively affected the operating budget of the school. Another threat came from local newspapers such as the *Orlando Sentinel* that annually published articles disparaging charter schools in Orlando and throughout the state. Although the paper generally gave praise to LECS, the articles overall did not bode well for the school since they gave charter schools a negative connotation. DeNoia was also acutely

aware of the threat posed by the high name recognition of the private schools in the area as well as their marketing expertise (on staff and on their boards) and marketing funds. The final threat to LECS was state funding. Despite the recent favorable trend of charter school support among politicians, local teachers' unions and many taxpayers did not support charter schools in theory or in practice. DeNoia noted that, "Lake Eola Charter School operated on less money than the traditional public schools in Orange County. We did not benefit from the half penny sales tax and were required to pay an annual administrative fee to Orange County. This resulted in a drain to our operating budget of more than $50,000 per year." In other words, public schools had more access to state funding than charter schools, and when these charters

were unable to attract donations, this threat presented great problems for these schools.

LECS: BENCHMARKING AGAINST COMPETITORS

At DeNoia's request, the intern compiled a list of private schools located within two miles of LECS. DeNoia considered these to be the potential direct competitors of the school. The resulting list included five schools: The Christ School, Lake Highland Preparatory School, New School Preparatory, St. James Cathedral School and Trinity Lutheran School.[17] The intern decided to use the SWOT analysis and available data to determine what to include in the comparison across schools. The results were compiled in a table (see Exhibit 2).

Exhibit 2 Comparison Information—LECS Versus Private Schools Within Two-Mile Radius

Orange County Private Schools						
	The Christ School	**Lake Highland Preparatory School**	**New School Preparatory**	**St. James Cathedral School**	**Trinity Lutheran School**	**Lake Eola, Charter School**
Grade Range	K–8	PK–12	PK–8	PK, 3–8	PK–8	K–8
Religious Affiliation	ID	ND	NR	Catholic	Lutheran	ND
Non-Profit?	Yes	Yes	No	Yes	Yes	Yes
Students per Teacher	K-14 P/S-20	12	14	18	12	17
Total Enrollment	350	2035	90	480	230	
Notable Feature	CS, A, D	CS, A, B, D	CS, A, C, D	CS, A, B, C	CS, A, B, C	STEP
2007–2010 Tuition Range	$7,455–$8,225/yr	$9,000–$15,225/yr	$10,400/yr	$5,600–$7,235/yr	$6,500–$6,650/yr	N/A

Source: Orlando Magazine, February 2010.

Note: PK = Prekindergarten; K = Kindergarten; P = Primary; M = Middle; S = Secondary; ID = Interdenominational; ND = Nondenominational Christian; NR = Nonreligious; CS = Competitive Sports; A = Art; B = Band; C = Choir; D = Drama.

---

[17]Data collected from *Orlando Magazine,* February 2010.

Based on DeNoia's years of experience as a principal and teacher in Orlando, she knew that Lake Highland was the largest and most recognized name in the private school category. Perhaps ironically, it and St. James were the source of most of the students who transferred to LECS from a private school. Lake Highland sat on a beautiful 26-acre site near downtown and provided an enclosed environment for privileged students. DeNoia felt she could not compete with the extensive amenities offered by the school but that LECS offered a more "realistic city feel that prepared students for life." The other private schools were not as big as Lake Highland and focused on their religious affiliations much more. Most, though certainly not all, students in the religiously focused schools came from families that attended corresponding churches.

A second category of competitor schools compared LECS to other charter schools and public schools in the Orlando area.[18] The public schools were chosen because each was an "A" school located within a two-mile radius of LECS. There were 19 charter schools in the Orange County Public School (OCPS) district and four within a close radius of LECS: Nap Ford Community, Hope, Passport and Rio Grande. The four public schools in the same geographic area were Fern Creek, Hillcrest, Princeton and Rock Lake (see Exhibit 3).

Nap Ford Community School, established in 2001, was the newest charter school and stood apart from other charter schools by serving children in one of the most economically depressed areas in Orlando. Its location in Orlando's Parramore neighborhood, a district with a majority of African-American families known for its economic plight and troubled streets, meant a significant percentage of students lived at or below the national poverty level. The school's objective was to target the high-risk neighborhood and provide an educational program that offered children quality education in a positive environment, with a holistic model focused on body, mind and spirit. Hope originally based its charter on offering an inclusion model for autistic children but had since expanded to emphasize an intimate atmosphere that developed children academically and emotionally. Rio Grande, the most similar to LECS in its general education–based charter, had demonstrated inconsistent rankings by the state of Florida in its earlier years but since 2006 reports ranked the schools as either "A" or "B." Finally, Passport School offered an inclusive environment where children with disabilities (approximately 15 per cent of the enrollment) were educated with their non-disabled peers.

Both DeNoia and the intern expressed frustration that the data available on private schools was not the same as that available for public schools. DeNoia noted, however, that private schools were not required by the state of Florida to report the same information that traditional public and charter schools needed to provide. She felt it was unfair and limited parents' ability to compare schools fairly, but it was a reality with which she learned to live.

A third category of potential competitors was homeschooling. When DeNoia arrived at LECS in 2000, "approximately twenty-five per cent of our population was former homeschooled students. While that number has dropped significantly, charter schools traditionally attract homeschoolers and LECS continues to do so." For the 2008–2009 school year, Florida school districts reported home education of 42,431 families or 60,913 students; statewide, the trend had been growing consistently since 1999.[19] This number represented approximately two per cent of the PK–12 enrollment for that year and was the largest year-on-year growth in homeschooling (8.5 per cent) since 2005 (10 per cent). In the Orange County School District (where LECS was located), the most current school year

[18]Data in competitive analysis above collected from www.greatschools.com, accessed February 15, 2010.

[19]"Home Education Program," School Choice, Florida Department of Education, October 2009 Newsletter, www.floridaschoolchoice.org, accessed June 25, 2010.

Exhibit 3   Comparison Information—LECS Versus Public and Charter Schools Within Two-Mile Radius

		Criteria					
		Florida School Grade	FCAT Math Grade 3 (%)	FCAT Reading Grade 3 (%)	Students per Teacher	Average Years Teaching	Teachers With Advanced Degree (%)
Charter	Lake Eola Charter School	A	100	94	17	8	31
	Nap Ford Community Charter	N/A	31	31	23	15	14
	Hope Charter School	A	87	81	15	N/A	50
	Passport Charter School	A	50	50	29	28	0
	Rio Grande Charter	B	50	27	12	N/A	29
Public	Fern Creek Elementary	A	75	72	12	14	21
	Hillcrest Elementary	A	78	69	15	15	56
	Princeton Elementary	A	81	81	15	13	38
	Rock Lake Elementary	A	69	57	12	16	22

Source: Compiled by intern for LECS.

showed a decrease of 1.7 per cent of families pursuing the homeschooling option.[20] Neither DeNoia nor the intern was certain how to interpret this contradiction between Orange County and the state of Florida. Since not many home-schooled children had transferred to LECS in recent years, DeNoia told the intern not to worry about this category of competitors unless the data indicated a reason to be concerned.

DeNoia was uncertain if the information compiled by the intern was comprehensive. She thought perhaps she was either missing critical data or that she needed a method of comparison for the information.

[20]Data in competitive analysis above collected from www.greatschools.com, accessed February 15, 2010.

LECS: Moving Forward

DeNoia knew that with the recent political upsurge in support for the concept of charter schools at the federal level and, to a lesser extent, the state level, now was the time to act. It seemed that the last decade of academic success was a strong foundation upon which to build a plan. She had a short-term goal of growing the LECS Foundation to enable completion of the school's two long-term goals: (1) securing a new facility, thus expanding enrollment at the K–8 level, and (2) extending the charter to the high school level. How could she use the data collected to position LECS positively in the community and with various stakeholders (current parents, current and prospective students, possible funders and the board of directors) in order to achieve the objectives? Where should she start?

OTAGO MUSEUM

In January of 2010, Chris Farry, the Otago Museum's chief financial officer, was instructed by the museum's chief executive officer, Shimrath Paul, to design a comprehensive Balanced Score Card (BSC) for the museum. It needed to indicate clearly the museum's strategic objective(s), the strategic business themes that support the objective(s), and the cause-and-effect relationships linking BSC dimensions with strategic themes and objectives.

Museum Background

The Otago Museum in New Zealand began operating on September 15, 1868. At that time, it was located in the post office building in Dunedin's Exchange area, a building in which it shared space with the University of Otago.

As the Otago Museum's collections grew, so too did its need for larger premises. On August 11, 1877, the museum moved into its present site at 419 Great King Street. The cost to construct these purpose-built premises, which at the time featured two main galleries, was £12,500.

In 1877, responsibility for managing the museum became vested with the University of Otago. This arrangement lasted nearly 80 years, and, during this time, the university oversaw two major additions to the museum and helped it to become what in 1929 was described as "the finest teaching museum in the Commonwealth."[1]

In 1955, the museum's ownership transferred to a trust board, which was authorized to attract funding from various local authorities in the Otago region. Generally speaking, the principal funders continued in recent times to be the Dunedin City Council, Clutha District Council, Central Otago District Council, and Waitaki District Council.

Further expansions of the museum occurred in 1963, 1996, and 2002. The latter two expansions

[1] N. Peat, *Otago Museum Collected Stories,* Otago Museum, Dunedin, 2004.

were particularly noteworthy, for they very powerfully showcased the museum's attempt to go beyond its traditional role of displaying static work to creating an environment that was capable of engaging and interacting with visitors. Not coincidentally, the 1996 and 2002 expansions occurred under the leadership of Shimrath Paul. Paul, who became the director in 1995, brought a very fresh approach to the running of the museum. Unlike his predecessors, who were typically biologists or anthropologists, Paul was, among other things, an MBA graduate. As such, he brought a sense of business acumen, including a customer focus, that was less evident in the museum's prior directors. He also diversified the museum's income stream, which at the time of his arrival was about 95 per cent derived from the New Zealand government and the four local authorities noted above. Ever since 2009, only about half of the museum's funding came from these four sources, with the balance being comprised of gift shop sales; the museum café; the hiring of the museum's facility areas for conferences, weddings, seminars, etc.; various special exhibition fees; and the selling of tours to the cruise boat lines as one of the latter's passenger activities.

The museum had about two million items on display or in safekeeping. This number represented about 15 per cent of all museum-held items throughout New Zealand. The museum's collection could best be defined as broad-based. It held a wide array of displays showcasing birds, insects, marine animals, and fossils; owned a variety of significant Maori and Pacific Island artifacts; and boasted a collection of ship builders' models considered to be among the finest in the Southern Hemisphere.

The museum had about 60 full-time equivalent employees. During a typical 12-month period, the museum attracted between 300,000 to 400,000 visitors. With a regional population of about 130,000 people, Otago Museum was the highest-visited museum per capita in Australasia. As Dunedin was not an international gateway, it did not have a large tourist visitation, and maintaining high and increasing visitor numbers relied primarily on encouraging repeat local visitors. Dunedin's relative isolation meant that the museum had to offer an experience that consistently attracted the repeat visitor. In practical terms, this experience translated into the imperative of changing exhibits and offering an excellent whole-visitor experience.

MISSION AND VISION

The Otago Museum was a non-profit organization with the mission of providing "service and development" to its community.[2] The museum prided itself on its ability "to acquire, record, research, conserve, communicate, and exhibit material evidence of people, knowledge and the environment for the education, entertainment and inspiration of local communities and visitors."[3]

The museum's vision statement, as stated in its annual report, was "To be an inspirational museum of which the people of Otago and New Zealand are proud."

The vision statement was supported by a mission statement that, again as stated in the museum's annual report, was "To inspire and enrich our communities, and enhance understanding of the world through our collection, our people and the stories we share."

In striving to accomplish its vision and mission statements, the museum had three primary areas of focus: culture, nature and science. These foci were further enumerated by the following six strategic objectives:

1. To develop our culture and capabilities

2. To continually evolve and grow

3. To increase engagement and quality of experience for our communities through access to and outreach from the museum

4. To actively care for, protect and develop our collections and physical environment

---

[2]Otago Museum Annual Report, 2006–2007.

[3]Ibid.

5. To increase our resources and use them wisely

6. To build and contribute to productive partnerships and strategic alliances

The strategic objectives, and in particular the museum's ability to achieve the objectives, were underpinned by three key results areas:

1. Being seen as a community leader in the offering of knowledge, learning opportunities and experiences that are relevant, contemporary, topical, widely accessible and consistently high in quality.

2. Having staff and the Otago Museum Trust Board work together to demonstrate effective, positive management of collections, resources and skills.

3. Ensuring a culture that is positive and continually developing, where everyone takes responsibility for individual and collective behaviour, demonstrating agreed values and redressing unacceptable ones, as determined collectively and also individually through self and peer assessment.

Position as of 2010

The museum had achieved large increases in its visitor numbers in recent years. The nearly 20 per cent increase in visitor numbers from 2007 to 2008 was partly attributed to its Discovery World Tropical Forest, which featured more than 1,000 imported tropical butterflies. Of course, other reasons behind its significant rise in patronage included its motivated workforce and its focus on customer satisfaction. As an example of this commitment, the museum had won several tourism and best workplace awards, including in 2006 when it won an Unlimited/JRA Best Places to Work in New Zealand Award under the category "One of the 10 best small workplaces."

Management believed that a major driving force behind the museum's current success was

its organizational culture. This culture was put together by the staff, board and large stakeholders at a strategic planning workshop. Management believed that a healthy culture must be dynamic—owned and implemented by the staff and supported, not driven, solely from the top.

This culture in its strategic plan was:

Through actively, positively and fully sharing our skills and positive attitudes with the team, our individual contributions can become key parts of the Museum's total strengths. Together our collective intelligence and abilities will create a work environment which invigorates, inspires and challenges us—and helps us to achieve our vision and mission for the people of Otago and beyond. Our culture is developed through the agreed behaviours being demonstrated and through the expectation that some behaviours will not be acceptable within our team.[4]

An enumeration of the expected and unacceptable behaviours for working as a team at the museum, which was collated by the whole staff, is presented in Exhibits 1 and 2.

Competitive Environment

The Otago Early Settlers Museum, the Dunedin Public Art Gallery, and Olveston each embraced a goal that was similar to that of the Otago Museum. Namely, each organization sought to use its collections to enrich its visitors' understanding of the world.

The Otago Settlers Museum was established in 1898 and was commonly heralded as one of New Zealand's finest social history museums. The museum's permanent and temporary exhibitions showcased Otago's rich cultural tapestry and diversity.

The Dunedin Public Art Gallery was established in 1884 and remained in recent times one of New Zealand's most significant art museums. It housed a fine collection of European art, including

---

[4]Otago Museum Strategic Plan, 2006–2011.

Exhibit 1 Behaviours Expected From Everyone

Passion	Enthusiasm	Fun
Creativity	Imagination	Friendliness
Happy	Positivity	Social
Accountability	Organized	Cooperation
Commitment	Drive	"Can do" attitude
Adaptability	Flexibility	Respect
Curiosity	Proactivity	Openness and honesty
Determination	Loyalty	Dedication
Reliability	Common sense	Professionalism
Hardworking	Helpful	Supportive
Initiative	Inspirational	Self-belief
Know limits	Balance	Sense of purpose
Detail-focused	Self-motivation	Innovative
Continuous learning	Up for a challenge	Strong work ethic
Ethical behaviour	Problem solving	Trust and trustworthiness
Sharing each other's successes	Forthcoming with information	Recognition of our diverse skills
Responsibility	Sharing	Depth
Working to the best of our ability	Recognition of our individuality	Risk aware but not risk adverse
Solution-oriented	Think on our feet	Pride in our work
Asking for help if you need it	Development of self-empowering environment	Understanding our place in the organization
Pulling in the same direction	Appreciation and saying thank you	Listening and understanding
Acknowledging others	Telling it like it is	Giving recognition
Constructive feedback/criticism	Giving help when others need it	Identifying opportunities
Accept when you are wrong, get over it, move on, learn from it	Acceptance of individual's capacity	Meeting both personal and group challenges and objectives
Brainstorming together	Pulling together	Fantastic communication
Value others	Focused on common goals	Adherence to systems
Enjoying ourselves and our teammates	Challenge each other positively	Committed to meeting deadlines
Strength through good group dynamics	Moving outside our comfort zones	Wanting to be part of the team
Focus on the big picture	Giving our personal best	Healthy lifestyles
Working together	Team focus	Community focus

Exhibit 2 Behaviours Not Tolerated

Unconstructive negativity	Insularity
Complacency	Lack of initiative
Narrow-mindedness	Gossiping
Dishonesty	Sulking
Hostility	Not working in the same direction
Bureaucratic restrictions	Exclusion
Bad attitudes	Disinterest
Lack of communication	Not owning the goals
Lack of caring	Backstabbing
Having a narrow focus	Arrogance
Working in silos	Self-importance
Put-downs	Disrespect
Inflexibility	Lack of vision
Wasting resources	Lack of imagination
Wasting opportunity	Unwillingness to help
Blame	Rudeness
Elitism	Ignorance
Whinging/whining/ grizzling	Lack of common sense
Unproductive criticism	Inhospitableness
Discourteousness	Judgmental
Inaccessibility	Laziness

paintings by Monet, Gainsborough, Turner, Rosa, Claude Lorraine, Burne-Jones and Tissot. The collection also featured New Zealand art from 1860 to the present, and had significant holdings of Japanese prints and the decorative arts.

Olveston was the former home of David Theomin and his family. It was designed by London architect Sir Ernest George as an "eloquent expression of one man's dreams." Built in 1906, the 36-room house served as a portal to turn-of-the-19th-century early New Zealand life, albeit a rather privileged life.

The Otago Museum needed to compete in this rather crowded competitive space. To assist with its strategic and operational planning, the museum operated what it called a Resources, Operations and Priorities (ROP) system. Each year the ROP system produced a detailed annual plan as well as a three-year plan and a 15-year development plan. Together these plans formed what the museum referred to as its "Statement of Intent." More specifically, the annual and three-year plans set out the museum's prioritized objectives and the required resources, especially the human and financial resources, needed to achieve these objectives for each of the two specific time periods. Some of the typical intentions showcased in the annual and three-year plans included the range and types of museum exhibits being contemplated, especially any new exhibitions; museum upgrades and renovations; and forecasts of the museum's financial performance.

The three-year plan was less detailed and had a greater strategic focus than the annual plan. In addition, the three-year plan helped provide the context for and parameters around the setting of the annual plan, for it was always the case that the annual plan needed to link with the succeeding three years embodied by the rolling three-year plan.

The adoption of a new annual plan and three-year plan began with senior managers heading off-site for a four- or five-day strategic ROP workshop. This strategic management workshop usually occurred in May. In preparation for the workshop, feedback was solicited from five key stakeholders: the Otago community, the four principal funders (Dunedin City Council, Clutha District Council, Central Otago District Council, and Waitaki District Council), visitors to the museum, staff, and the museum's board.

The strategic workshops were also used as a forum for debating ways to capitalize on the museum's core competencies. Exhibit 3 presents what the museum's management saw as its strengths, weaknesses, opportunities and threats (SWOT).

Exhibit 3 SWOT
Strengths
An Otago-wide organization located in Dunedin
Otago Museum Trust Board Act 1996
Well-developed and proven infrastructure and business practices
Committed, highly skilled team
Community sense of ownership and pride
Ability to "make a difference" in our community
Committed management team focused on developing the organization and the people who are part of it
Location between city centre and university
Well-considered development plan
Weaknesses
Reliance on local authorities with small ratepayer bases for core funding
Resources don't match ambition
Reliance on revenue generation and fundraising
Depreciation largely unfunded
Flat organizational structure limits perception of development opportunities
Visitor parking is limited
Opportunities
Revenue-generation ideas
Harbour development
Settlers Museum redevelopment
Offsite exhibition ideas
Outreach bus
National and international market for exhibits and exhibitions
Threats
Local community spending behaviour
Limited number of quality exhibitions on touring circuit
Skilled/experienced labour shortage in museum sector

FINANCIAL POSITION

According to the chief executive (CE), the museum operated on a very tight budget. Unlike its New Zealand peers, the museum received significantly less funding from the New Zealand government. Te Papa, for example, received about $30 million of national funding during 2009, while the Otago Museum received no national funding and less than $4 million from its four contributing local authorities. Consequently, the museum's senior managers often spoke about a gap between what they perceived as the museum's expected duty and the funding being provided.

The museum attempted to bridge the funding shortage with the introduction of user-pay systems on specific touring exhibitions; profits from its shop and café; and charitable fundraising campaigns. Any remaining funding shortfall required the museum to reschedule or scale back the introduction of its plans, i.e., introduction of new exhibits, hiring of new employees, and museum upgrades and renovations.

The museum's café, gift shop, and tourism and facilities operation were the three main ongoing "business units" expected to make significant contributions to the museum's funding base. The museum's café was operated by an outside contractor, who leased the museum space. The gift shop was directly run by the museum. Gift shop employees were responsible for recommending, sourcing and selling shop items. Discovery World Tropical Forest, an interactive science centre, levied a visitor's admission fee, $9.50 for adults and $4.50 for children, in order to be completely self-funding.

There were a number of other more transitory or minor business units. The former comprised internationally sourced special museum exhibitions, which had a loan fee not able to be covered internally by the museum, where an admission fee was charged to assist with the costs. These admission fees were calculated to encompass all the exhibit's costs, plus a desired profit. Being the first New Zealand museum to source these exhibitions and organizing for the freighting and distribution of the exhibitions to

other New Zealand and Australian museums was also used to offset the original exhibition cost and generate a small profit. The profit was intended to be used to support the museum's ongoing activities, including its community programs and any planned gallery redevelopments and structural upgrades. Other business units included the hiring of the museum's facility areas to the public and corporate for special functions, such as office parties, weddings, etc.

Exhibits 4 to 7 present the financial statements for the year ended June 30, 2009.

Exhibit 4   Statement of Financial Performance for the Financial Year Ended June 30, 2009

	2009	Budget	2008
	$	$	$
Income			
Grants—Government and other	248,265	244,321	270,603
New Zealand Lottery Grants Board	–	–	–
Local authorities	3,642,294	3,657,711	3,432,580
Public	1,952,377	1,454,525	2,365,700
Legacies & bequests	5,235	500,000	70,291
Investment income—Dividends	125,206	79,995	165,222
—Interest	607,117	433,293	637,160
Realized net gains/loss on sale of financial instruments			
Instruments	−147,676	–	251,134
Total income	**6,432,818**	**6,369,845**	**7,192,690**
Expenditure			
Employee benefits expense	−2,577,716	−2,577,556	−2,600,211
Depreciation and amortization expense	−1,114,959	−1,293,405	−1,163,797
Other expenses	−2,667,506	−2,636,871	−2,409,319
Total operating expenditure	**−6,360,181**	**−6,507,832**	**−6,173,327**
Surplus for the year	**$72,637**	**($137,989)**	**$1,019,363**

Exhibit 5   Statement of Financial Position as at June 30, 2009

	2009	Budget	2008
	$	$	$
Current assets			
Cash and cash equivalents	6,467,451	220,355	4,367,360
Trade and other receivables	181,081	403,213	224,410
Inventories	153,821	129,757	155,174

	2009	Budget	2008
	$	$	$
Other financial assets	530,673	–	1,974,556
Other current assets	72,295	–	66,315
Total current assets	**7,405,321**	**753,325**	**6,787,815**
Non-current assets			
Other financial assets	3,782,282	7,455,615	4,419,321
Property, plant and equipment	15,765,629	16,733,801	16,723,427
Total non-current assets	**19,547,911**	**24,189,416**	**21,142,748**
Total assets	**26,953,232**	**24,942,741**	**27,930,563**
Current liabilities			
Trade and other payables	468,369	379,563	659,797
Employee entitlements	819,144	–	730,298
Total current liabilities	**1,287,513**	**379,563**	**1,390,725**
Total liabilities	**1,287,513**	**379,563**	**1,390,725**
Net assets	**25,665,719**	**24,563,178**	**26,539,838**
Equity			
Reserves	10,674,458	8,461,525	10,543,847
Capital	14,991,261	16,101,654	15,995,991
	$25,665,719	**$24,563,179**	**$26,539,838**

Exhibit 6 Statement of Recognized Income and Expense for the Financial Year Ended June 30, 2009

	2009	2008
	$	$
Available-for-sale financial assets		
Valuation gain/(loss) taken to equity	–946,756	–799,695
Net income recognized directly in equity	**–946,756**	**–799,695**
Surplus for the year	72,637	1,019,363
Total recognized income & expense for the year	**–874,119**	**219,668**
Statement of changes in equity for the financial year ended June 30, 2009		
Equity at beginning of year	26,539,838	26,320,170
Total recognized income & expense for the year	–874,119	219,668
Equity at end of year	**$25,665,719**	**$26,539,838**

Exhibit 7   Cash Flow Statement for the Financial Year Ended June 30, 2009

	2009	Budget	2008
	$	$	$
Cash flows from operating activities			
Government, local authorities & the public	5,890,126	6,035,942	6,101,572
Dividends	125,206	79,995	165,222
Interest received	603,864	433,293	565,954
Payments to employees	−2,573,082	−2,577,556	−2,500,324
Payments to suppliers	−2,736,138	−2,823,240	−2,146,411
Net cash inflow/(outflow) from operating activities	1,309,976	1,148,434	2,186,013
Cash flows from investing activities			
Proceeds from maturity & sale of other financial assets	1,160,712	–	2,483,441
Proceeds from sale of property, plant & equipment	–	–	–
Purchase of property, plant & equipment	−196,378	-1,104,600	-655,273
Purchase of other financial assets	−174,219	–	-356,987
Net cash inflow/(outflow) from investing activities	790,115	-1,104,600	1,471,181
Cash flows from financing activities			
Repayment of portion of Climate Control Levy	–	–	58,869
Net cash inflow/(outflow) from financing activities	–	–	58,869
Net increase in cash & cash equivalents	**2,100,091**	**43,834**	**3,716,063**
Cash & cash equivalents at the beginning of the financial year	**4,367,360**	**176,520**	**651,297**
Cash & cash equivalents at the end of the financial year	**$6,467,451**	**$220,354**	**$4,367,360**