Making Sense of
Not-for-Profit Effectiveness

Presented by:

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Where It All Began

- Chatter

- Observation

- Research

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The Context

- Distinctions between sectors are shifting
  - Stakeholders advocate through volunteer leadership positions that not-for-profits should be more business-like in their operations
  - Rising competition for scarce financial resources prompted the not-for-profit sector to adopt many for-profit standards, which have proven less than satisfactory because they neglected the critical role of mission and the complexities of producing social well-being

- Not-for-profit nuances need to be considered
  - For-profit organizations tend to focus on financial issues and not-for-profit organizations tend to focus on stakeholder satisfaction
  - For-profits focus on profitability, while not-for-profits need to consider both financial health and overall productivity in addressing their missions

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More Context

- Stakeholders influence effectiveness efforts
  - Corporate executives focus on ensuring profits or maximizing shareholder wealth
  - Not-for-profit executives balance their time across all stakeholder interests

- Complexity drives value of dialogue-driven discernment
  - Self-assessments affected by egocentrism and social identity theory
  - A reliance on dialogue works well to surface sustainable strategies when dealing with complex matters, such as evaluation
  - The process of building consensus fosters a competitiveness among group members that, when resolved, results in greater commitment to the outcome

The Hypothesis

- There are common aspects of effectiveness among not-for-profit organizations that can be distilled into a standard through which not-for-profit leaders can examine capacity and not-for-profit stakeholders can make better judgments about the organizations with which they are involved

  - Informed by academic and industry research and professional experience

  - Explored via quantitative and qualitative techniques

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The Question

• Whether stakeholders are more or less aligned in what elements they deem important and relevant when considering not-for-profit effectiveness

Examined stakeholder agreement with types of effectiveness

Explored relevance of types of effectiveness

Examined importance of driving outcomes from categories of effectiveness

Gathered context on critical operational elements

The Study

Sought to validate conclusions in academic research

Gathered insight on clarity and usefulness of a working framework

Gathered insight on clarity and usefulness of a working definition

The Working Pieces

Language (definition)

- Blended academic research terms, open inquiry conducted as background, and rudimentary etymological study (nonprofit, effectiveness, purpose, profit, and gain) to identify key concepts:
  - Emphasizes stakeholders
  - Recognizes role of judgment
  - Identifies multiple resources
  - Connects to mission
  - Reflects value of results

Framework (model)

- Strikes balance between over-simplification and complexity
- Distills existing theories with practical experience for a multi-dimensional view
  - Four central areas of judgment
  - Four specific types of effectiveness
  - Four corresponding organizational outcomes
  - Multiple indicators/predictors

The Research

Sought to:

- explore common ground among practitioners about what matters when considering not-for-profit effectiveness,

- validate practitioner alignment with conclusions from academic research, and

- surface critical constructs and challenges to evaluating performance within the not-for-profit sector

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The Common Ground

- Multiple indicators matter

- Need to consider allocation of multiple resources

- Judgment should consider actions in the context of intentions

- Evaluating not-for-profits is more complex than for-profits
  - more challenging to evaluate social impact than financial reward

- Stakeholders judge based upon their individual perceptions

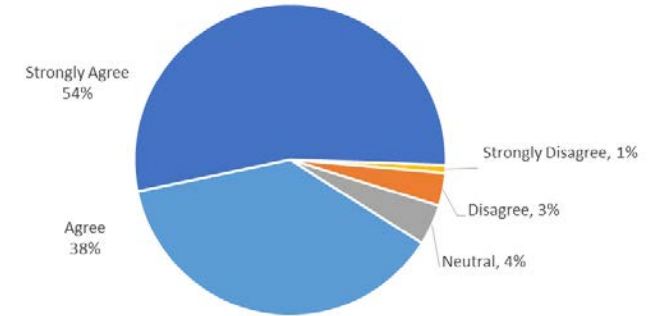Figure 5. Effectiveness cannot be judged by a single indicator

Strongly Agree 54%
Agree 38%
Neutral, 4%
Disagree, 3%
Strongly Disagree, 1%

Figure 7. A not-for-profit organization should be judged on how well it uses its resources to advance its aim and deliver the desired effect

Strongly Agree, 39%
Agree, 50%
Neutral, 7%
Disagree, 4%
Strongly Disagree, 0%

Figure 10. Stakeholders judge an organization's effectiveness based upon their individual perceptions

Agree 60%
Neutral 5%
Disagree 2%
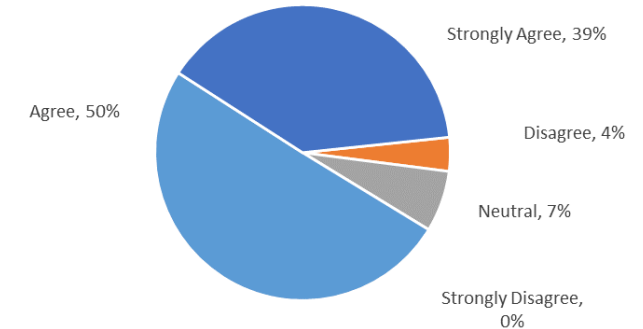Strongly Disagree 1%
Strongly Agree 32%

Figure 8. Not-for-profit effectiveness can be judged by determining how aligned the organization's intentions are with its actions and the impression it leaves with its stakeholders
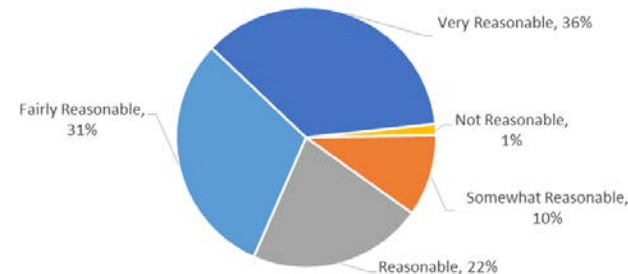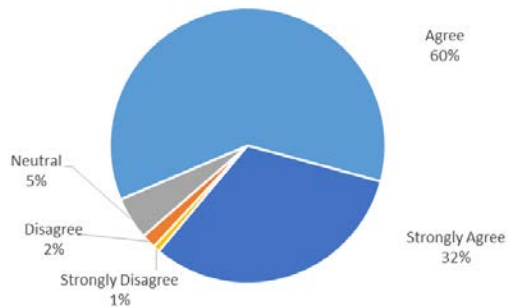
Very Reasonable, 36%
Fairly Reasonable, 31%
Not Reasonable, 1%
Somewhat Reasonable, 10%
Reasonable, 22%

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More Common Ground

results

- Not-for-profit organizations benefit from performance measures
  - Measures should be simple, easily collected, and easily communicated
  - One to five measures may be most appropriate (61% response)

Yes 97%

No 3%

- Not-for-profit organizations should be mindful of business-like practices in their operations

Business-like Characteristics
- Fiscally sound/sustainable/responsible
- Operationally efficient, sound management
- Accountable, results-focused
- Programmatic impact & financial health synergy
- Professional
- Strategic, planned with goals
- Focused on mission/clients
- Good HR practices, fair working conditions
- Follow standard business models
- Resilient to changing needs
- Engaged Board of Directors
- Sound basis for decision-making
- Accept risk
- Long-term investments in building relationships
- Known for what it does

Figure 14. Not-for-profit organizations should be more business-like in their operations

Agree 38%

Neutral 24%

Disagree 10%

Strongly Disagree 5%

Strongly Agree 23%

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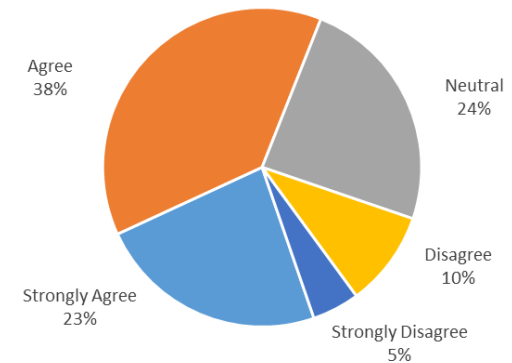
Still More Common Ground

r e s u l t s

- Not-for-profit organizations should allocate financial resources toward a variety of intentions
  - Delivering programs and/or services
 - Strengthening internal systems
  - Achieving stated results

Figure 15. Determinations of how not-for-profit organizations should allocate resources

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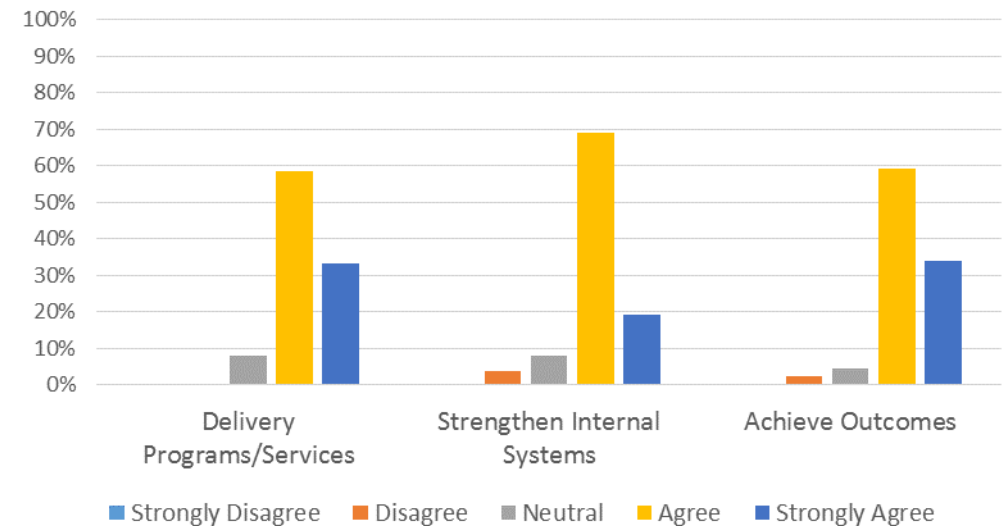
The Critical Criteria

- Respondents see value components of effectiveness discerned from academic research

- Open-ended responses reflect perceived value in similar themes:
  - Impact
  - Sustainability
  - Delivery
  - Satisfaction

results

Figure 16. Value of types of performance measures in determining effectiveness of a not-for-profit organization

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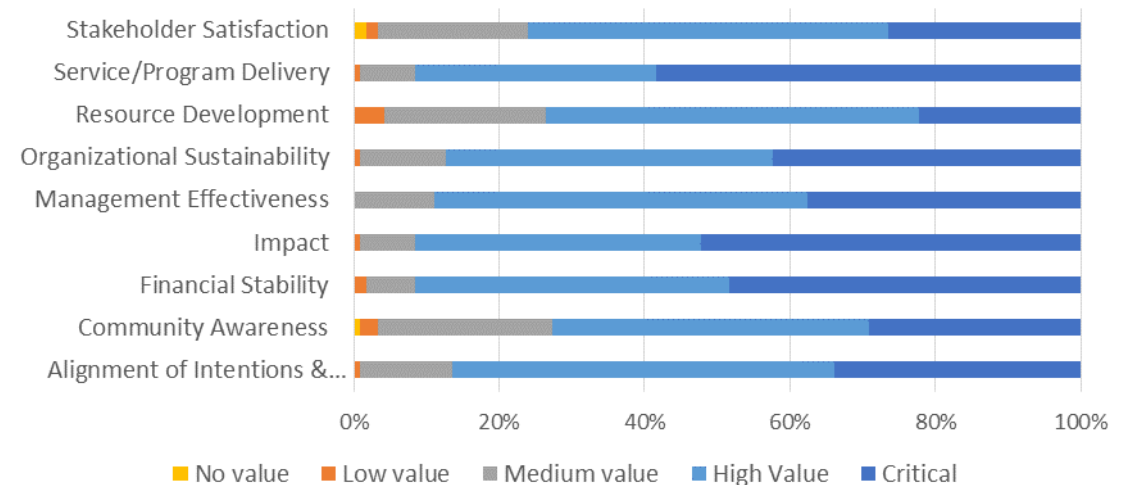
The Framework Components

- Participants affirmed the various aspects of the framework:
    - Areas of judgment
    - Types of effectiveness
    - Indicators/predictors
    - Intended outcomes

When questioned about the potential removal of the outcome language from the preliminary framework, an interviewee rallied for its inclusion believing that "the outcome language speaks to nonprofits."

Figure 17. Types of performance on which not-for-profit organizations should be judged

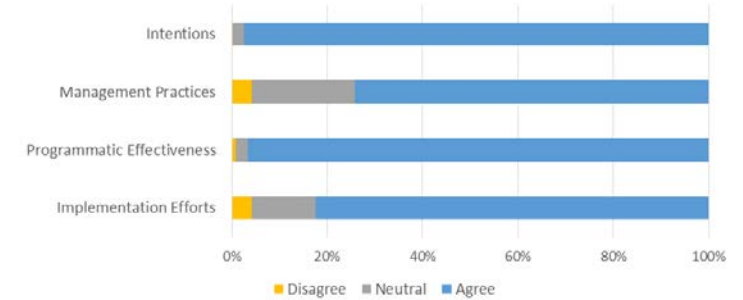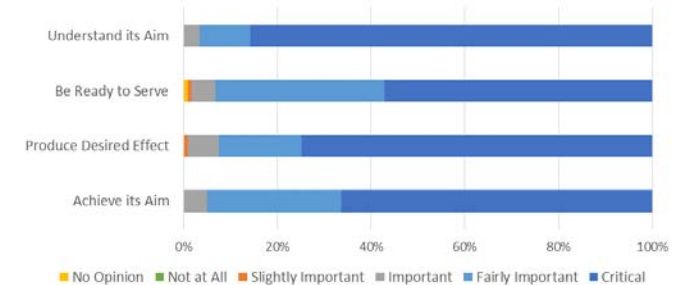Figure 19. Criticality of indicators of not-for-profit effectiveness

Figure 18. Areas important for building and evaluating effectiveness in not-for-profit organizations

results

The Working Standards

Definition

- Participants appreciated the multi-faceted approach and citation of multiple resources, yet found the language complicated and were concerned about its subjective nature

Figure 21. Respondent reaction to working definition of not-for-profit effectiveness
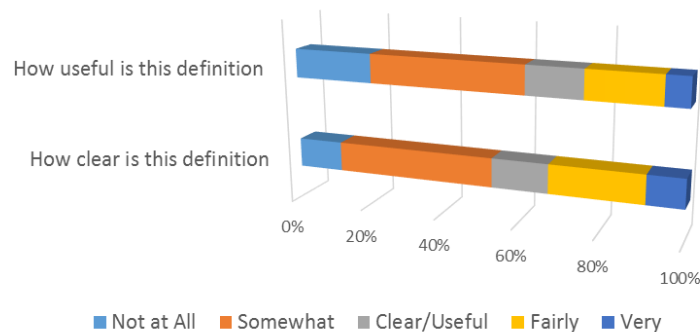
Framework

- Participant commentary included ways to enhance the framework by simplifying it, shifting to a more fluid design, and leveraging it via a dialogue-based application

Figure 20. Respondent reaction to the preliminary framework as a means of identifying and understanding various elements of not-for-profit effectiveness

The Considerations

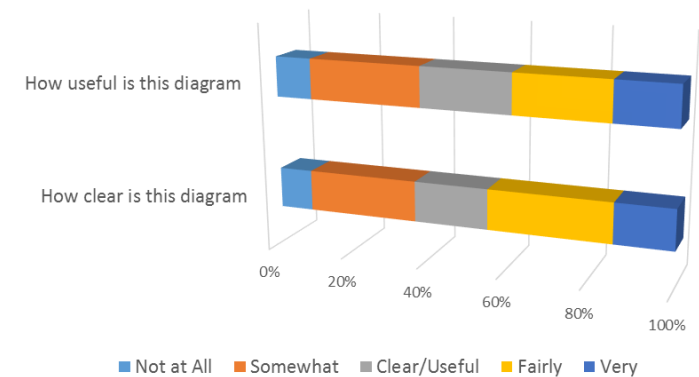- Situational variability reinforces the value of a multi-faceted framework, implies challenges in bringing together diverse groups around a standard, and suggests value in a dialogue-driven discovery rather than a data-driven deduction

- An engagement-based, rather than assessment-based, approach was identified as useful due to the conflicting viewpoints and diverse perspectives held by respondents and through discussions with practitioners
  - Diffuses discomfort about documenting an unflattering reality
  - Deepens engagement of stakeholders
  - Fosters accountability for the organization's functionality

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The Iteration

- The multi-dimensional framework was deemed valuable to guide reflection as a discovery guide. When stakeholders, internal and external to the not-for-profit organization, examine operations from these multiple dimensions, they broaden their thinking and provide a pathway to progress that can be followed by others in the community who believe in the mission.

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The Iteration

discussion

Organizational Capacity
(Recognized Achievement)
- Enlightened Leadership
- Engaged Human Capital
- Financial Stability
- Intended Reputation

Sustainable Impact
(Producing Desired Effect)
- Programmatic Integrity
- Stakeholder Satisfaction
- Sustainable Processes
- Aligned Actions

DO

Sustainable Systems
(Readiness for Service)
- Strategic Operating Plan
- Brand Framework
- Adaptable Methods
- Integrated Outreach

Organizational Clarity
(Understanding of Aim)
- Ideology & Identity
- Aligned Governance
- Operations Model
- Statement of Impact

SAY

Multi-dimensional model of effectiveness to frame reflection and guide conversations promoting highly functional not-for-profits.

Some Practice-Based Implications

- Bias of not-for-profit employees about management practices

- Aversion to accepting prevalence of judgment's role in the sector

- Supplemental values-based model personalizes the framework discovery

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Some Practice-Based Implications

Intention

Stability

How have my actions advanced
the organization in these areas?

Productivity

Growth

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The Summation

- The sector needs shared constructs through which to advance conversations about not-for-profit effectiveness in a respectful and outcomes-oriented manner.

- Stakeholders of the not-for-profit sector identify and understand the complexities of the work and will benefit from models that promote reflection and frame conversations to advance effectiveness one organization at a time.

- This study provides those models and paves a pathway to discovery for how practical questions in each of the areas might become a catalyst for best practices that bring people together in the organization's interest and work to align intentions, actions, and impressions for the benefit of all the organization serves.

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The Evolution

- Discerning leading questions for model components
- Discerning application among nonprofits
- Focusing definitions to align stakeholders

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The Research Method

method

- Mixed-method – electronic survey and practitioner interviews
    - secure opinions about academic concepts
    - assess components potentially critical to not-for-profit effectiveness
    - understand the influence of perception when determining performance

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The Electronic Survey Participants

- Snowball sampling
- 141 qualified respondents (of 145)

method

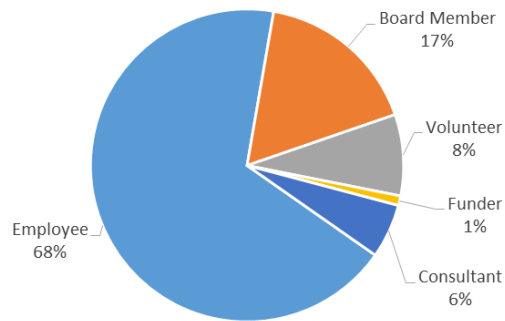Figure 2. Primary role in the not-for-profit sector as self-identified by survey respondents

Board Member 17%
Volunteer 8%
Funder 1%
Consultant 6%
Employee 68%

Figure 3. Location of the not-for-profit organization as self-identified by survey respondents

Wisconsin 97%
Minnesota 1%
Illinois 1%
Texas 1%
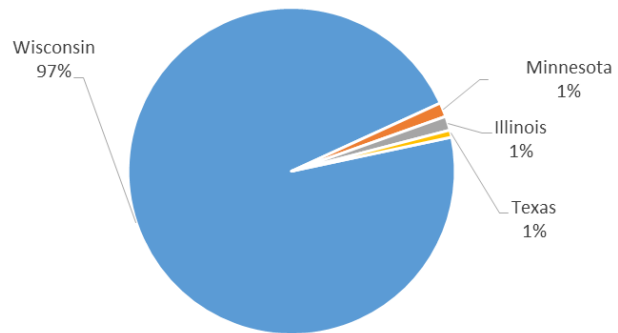
Figure 4. Sector of the not-for-profit organization as self-identified by survey respondents

Social/Human Service 42%
Advocacy/Social Action 11%
Community/Econ Development 11%
Education 9%
Health Care 4%
Arts & Culture 4%
Environmental 4%
Capacity Building 4%
Foundation 3%
Housing 3%
Religious 1%
Other 4%

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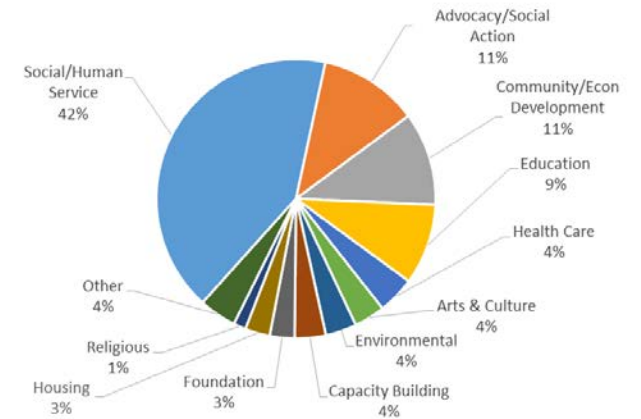
The Electronic Survey Materials & Procedures

method

- Data collected through an instrument deployed via SurveyMonkey

- 53 questions (rating, ranking, multiple choice, open-ended) grouped into 5 sections
  - Expectation (types of resources, cross-sector principles, evaluation complexity)
  - Performance (types of measures, types of effectiveness, critical indicators)
  - Perception (agreement on subjectivity, critical determinants)
  - Judgment (clarity, usefulness and impression of the working definition)
  - Building Blocks (clarity, usefulness and impression of the working model)

- Participants were screened for active participation with a not-for-profit

- The survey was active for a three-week period

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The Interview Participants

- Nonprobability convenience sampling

- Two executive leaders from 501(c)(3) organizations
  - Regulated by Chapter 181 of Wisconsin Administrative Code
  - Over 15 years in existence
  - Executive tenure greater than five years
  - Founding principles of social justice
  - In the midst of significant organizational change

- Active research participants

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The Interview Materials & Procedures

- Semi-structured 90- to 120-minute interviews over a six-week period
  - Audited the electronic survey post-distribution
  - Clarified definitions of terms and discerned components of the model
  - Informed and reviewed iterations of the multi-dimensional framework
  - Provided feedback on various aspects of effectiveness
    - What it means
    - Why it matters
    - What they look for
    - Relationship with judgment

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Limitations

- The survey mechanism for the questions requiring ranking was confusing for some respondents and forced choices that did not reflect their desires.

- The practitioner interviews may have had unduly influence on the resultant model.

- Attributing the findings to the broader not-for-profit sector is subjective to interpretive error because the survey did not track organizations with which respondents were affiliated.

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Opportunities for Future Research

- Pursuit of the common definition

- Exploration of funder perspectives on effectiveness

- Creation of the questions to guide the dialogue-driven discovery

- Clarify aspects of effectiveness as predictors or indicators

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