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“Organizational effectiveness is the extent to which an organization has met its stated goals and objectives . . . and how well it performed in the process (Yankey & McClellan, 2003). Measurement of nonprofit effectiveness reflects the diversity in the size, scope, and services of the many types of organizations. Little research or agreement exists that qualifies that best objectives or practices to obtain organizational effectiveness, but researchers agree that the goals and mission of nonprofits often differ from the goals of for-profit organizations.

Theories of Organizational Effectiveness

(reviewed in Herman & Renz, 2004; Herman & Renz, 1997)

Goal Approach

Based on the purposive-rational approach by Pfeffer (1982) and the managed systems idea by Elmore (1978), the goal approach represents the most basic model of effectiveness and one from which many future models expanded. This theory is based on the common sense idea that all organizations have goals, which become the criteria used to measure effectiveness. Though this is a popular theory, it has limitations. For example, some argue that people, not organizations, have goals. Others state that goals lack specificity, prioritization, and ignore unofficial, but essential, goals. An example of an unofficial goal might be reducing work conflict. This goal would not be mentioned in a mission statement, but is essential to organizational effectiveness. As a result, most organizations utilize more specific and current theories when assessing effectiveness.

System Resource Approach

Based on the classic ideas of Yuchtman and Seashore (1967), this theory classifies effectiveness as an organization’s ability to take advantage of its environment, ultimately allowing it to gain scarce and valued resources. Financial variables are often used as the measure of effectiveness when implementing this approach. For nonprofit organizations, financial measures may be more meaningful forms of effectiveness for the chief executive and/or the board members than for the other employees or clients.

Multiple Constituency Approach

Also known as the reputational approach, this modification of the goal model accounts for the many constituencies, or stakeholders, within nonprofit organizations. Examples of stakeholders include clients, employees, funders, licensing and accreditation bodies, board of directors, and vendors. In this model, each stakeholder advocates for different criteria to evaluate organizational effectiveness. As a result, the actual measure of effectiveness is multi-tiered and quite complex. In this approach, “effectiveness is a portfolio of performance dimensions, assessed by a portfolio of evaluators” (Balsler & McClusky, 2005).

Social Constructionism Approach

This approach is not a scientific model, but a general perspective. From this viewpoint, reality is created by the beliefs, knowledge, and actions of people. “Overall nonprofit organizational effectiveness is whatever multiple constituents or stakeholders judge it to be” (Herman & Renz,

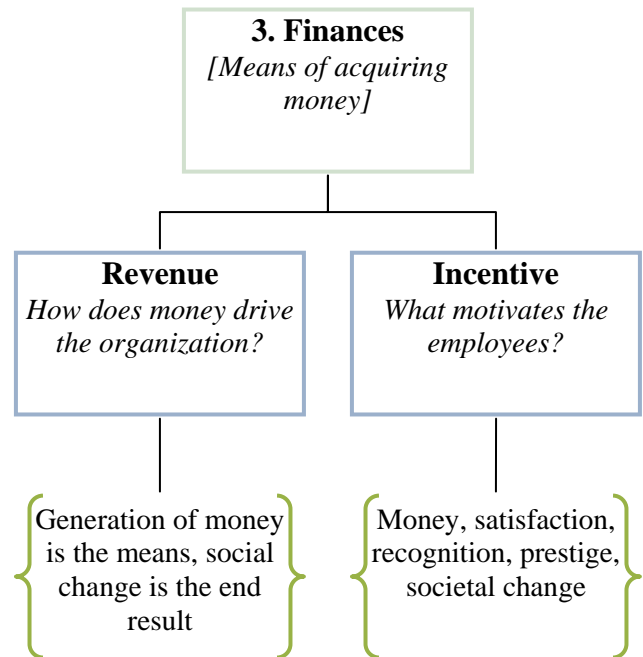
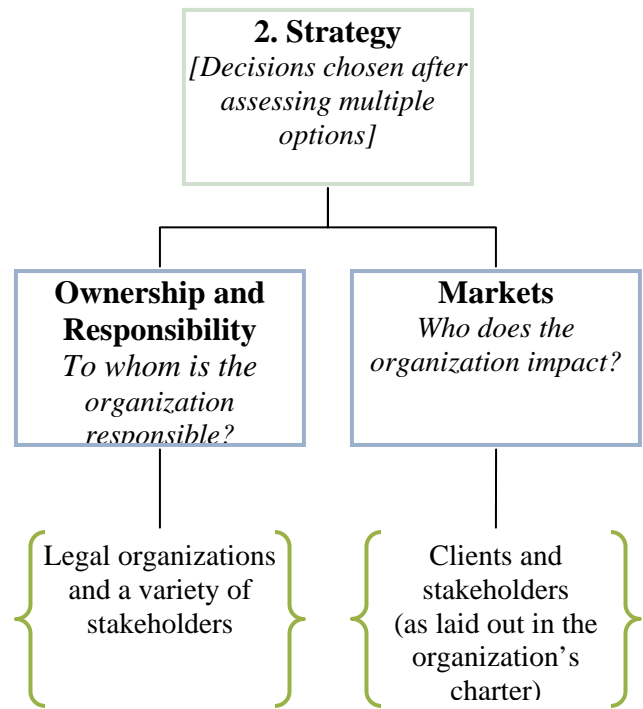
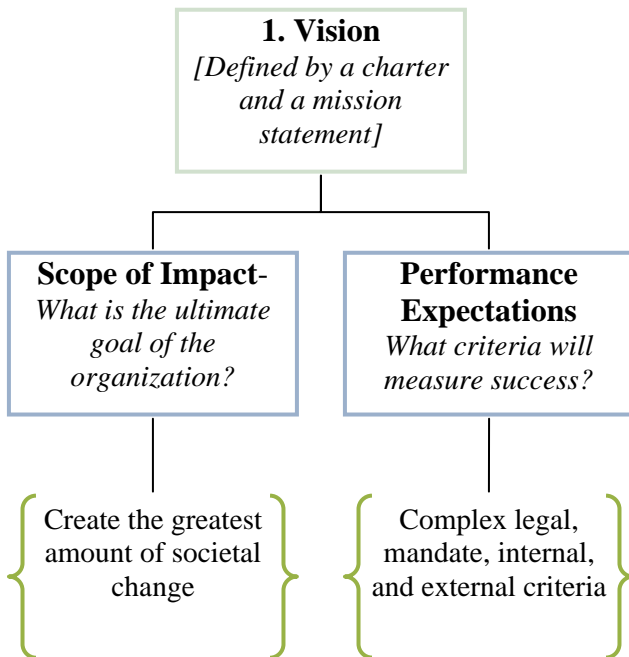
2004). The major difference between this idea and the multiple constituency approach is that people are not expected or required to behave simplistically or rationally within this theory. For example, the criteria assessing organizational effectiveness may change without warning by an outside stakeholder.

Measuring Effectiveness

Modest amounts of research have examined the characteristics of effective nonprofit organizations. Balser and McClusky (2005) suggested that a consistent and thematic approach in dealing with the variety of stakeholders resulted in higher ratings by multiple raters of the effectiveness of several organizations.

In another study, Hull and Lio (2006) provided insight into the definition and evaluation of effectiveness in nonprofit organizations using a three-point model.

Non-profit Three Point Model
(Hull & Lio, 2006)



Depending on the type of nonprofit, Schmid (2002) demonstrated that the following variables contributed towards organizational effectiveness.

Decentralized management

- Defined as collaborative decision-making (director and staff) for daily management, change, innovation, and crisis management. Most useful in voluntary nonprofit.

organizations because of informal, flexible, and highly professional environments

Centralized management

- Defined as director decision-making (without staff involvement) for daily management, change, innovation, and crisis control. Most useful in nonprofit organizations requiring high levels of supervision and control over a less mature staff.

Formalization

- Defined as formal documented rules and regulations used in the evaluation process and staff meetings. Most useful in nonprofit organizations needing to ensure clients' quality of life with strict rules.

Worker Autonomy

- Defined as the freedom given to directors and supervisors in dealing with their subordinates, programs, and resources. Most useful in nonprofit organizations where its highly professional employees seek personal development and risk-taking opportunities.

Coordination

- Defined as the level of teamwork necessary to plan and implement activities. One level is "tight" coordination, where staff and directors are highly involved and need to work as a team to ensure effectiveness. Another level is "loose" coordination, where goals are constantly adapted to different types of clients, useful in non-profit organizations offering many types of services.

Control

- Defined as the level of power over program implementation details, planning, and resources. One level is "close" control, maintained where employee professionalism and performance is low. Another level is "loose" control, where employee professionalism is high. Control is most useful in nonprofit organizations that need to quickly adapt to a diverse and changing client base.

Empowerment

- Defined as giving authority and power to be delegated among different interest groups. Most useful in nonprofit organizations with highly professional staff.

Finally, the board of directors is ultimately responsible for evaluating a nonprofit organization's level of effectiveness. "Boards and management must agree on critical indicators that flow from the organization's mission, vision, and strategic priorities and take into consideration community needs, comparable organizations, and the operating environment" (BoardSource, 2005).

Nine Theses for Nonprofit Effectiveness

Based on their own research and the studies of other researchers, Renz and Herman (2002) provided eight ideas to improve the understanding of organizational effectiveness.

1. *"Nonprofit organizational effectiveness is always a matter of comparison"*

The comparison can be to a variety of sources, such as the organization in previous years, similar organizations, or an ideal model. The choice of comparison must be thoughtfully and carefully selected.

2. *"Nonprofit organizational effectiveness is multidimensional"*

For nonprofits, effectiveness is based on multiple and independent criteria. Therefore, the assessment of effectiveness must also occur with multiple indicators.

3. *"Nonprofit organization governing boards make a difference in nonprofit organization effectiveness, but how they do so is unclear"*

Scientific research demonstrates a relationship between board effectiveness and organizational effectiveness, but there is currently no evidence describing which element, the board or the organization, causes those changes.

4. *"Nonprofit organizational effectiveness is a social construction"*

This idea returns to the social constructionism model, where effectiveness is whatever the

stakeholders define it as, despite their varying degrees of credibility and influence.

5. *“The more effective nonprofit organizations are more likely to use correct management practices”*

This concept has been proven in scientific research. In particular, there has been a link shown between strategic planning processes and nonprofit organizational effectiveness.

6. *“Claims about ‘best practices’ for nonprofit boards and for the management of nonprofit organizations warrant critical evaluation”*

There is no scientific proof that “best” board or management practices are best or even good for any particular nonprofit. The authors propose considering “best practices” as “promising practices” because the unique characteristics of each non-profit require unique practices.

7. *“A measure of nonprofit organizational effectiveness that emphasizes responsiveness may offer a solution to the problem of differing judgments of effectiveness by different stakeholder groups”*

In their research, the authors found that all stakeholder groups’ “responsiveness was positively linked to judgments of nonprofit organizational effectiveness.” Responsiveness may be an effective indicator of effectiveness.

8. *“It can be important to distinguish among different types of nonprofit organizations in order to make progress in understanding the practices, tactics, and strategies that may lead to nonprofit organizational effectiveness”*

There are many varieties of nonprofits, though typically they all receive public support and are not allowed to distribute their earnings. However, there may be differences in assessing effectiveness for “donative” versus “commercial” charities. Donative organizations receive revenue mainly from donations, while commercial organizations receive revenue mainly from mission-related earned income.

9. *“Nonprofit organizations increasingly operate as part of networks of service delivery. Therefore, network effectiveness is becoming as*

important to study as organizational effectiveness”

Emphasizing effectiveness statistics for an individual organization may lead readers to inappropriately generalize conclusions from the research to the entire system or network of organizations.

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