

The Changing Face of Nonprofit Effectiveness

David O. Renz and Robert D. Herman
Midwest Center for Nonprofit Leadership
University of Missouri – Kansas City

In an era of heightened concern for nonprofit performance, results, and accountability, we hear more and more about organizational effectiveness and our need to ensure it. Nonprofit leaders and funders all feel increased pressure to guarantee results, and it seems that the mantra of “effectiveness” has become the standard answer. And who can be against effectiveness? But what are we really talking about? And are we all talking about the same thing? The reality is that most nonprofit leaders and researchers, lacking the simple criterion of bottom-line profit or loss, struggle with the concept of nonprofit organization (NPO) effectiveness and how to make it meaningful in their own organizations. In this article, we offer a brief overview of our learning about NPO effectiveness and explain how nonprofit leaders might use these ideas.

Many managers use a "goal attainment model" as the basis for understanding their NPO's effectiveness. The goal approach assesses NPO effectiveness by the degree to which the organization accomplishes its goals. This common sense perspective is quite appealing; after all, most of us joined our organizations to help accomplish their missions. Yet, while the goal model makes intuitive sense, we find that it often is inadequate to the real-life complexities of our organizations. For example, is an organization truly effective if it accomplishes its goals for the year but must close because it has failed to raise adequate funds? And how effective is the organization that sets goals that are irrelevant to the needs of its clients? The reality is that NPO effectiveness is more complicated.

EIGHT THESES ON NONPROFIT EFFECTIVENESS

Based on our own research and our reflections on the work of many colleagues, we suggest eight theses or propositions to help understand nonprofit effectiveness.

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

The question, often left unasked, is against what are we comparing a given organization's effectiveness? The comparison may be to the same organization at earlier times, or to similar

organizations at the same time, or to some ideal model, but it always will be a matter of some kind of comparison. And the basis for the comparison is a key (though sometimes hidden) element of the definition of effectiveness (and why we often disagree about it).

2. Nonprofit organizational effectiveness is multidimensional.

Most theories and research on organizations recognize that NPOs have multiple criteria by which to judge effectiveness, and these criteria often exist independent of one another. A key implication of this reality is this: If NPO effectiveness is multidimensional, then it cannot legitimately be assessed with any single indicator. Assessments that focus on single criteria (such as fund balance, growth, etc.) are inadequate.

3. NPO governing boards make a difference in NPO effectiveness, but how they do so is unclear.

A number of studies have documented a positive relationship between board effectiveness and NPO effectiveness, and many assume that board effectiveness causes organizational effectiveness. The relationship is not necessarily that direct. It may be correct that effective boards lead to improvements in NPO effectiveness; it is equally plausible that NPO effectiveness leads to improvements in board effectiveness. We suspect both have some truth. However, there is evidence that board effectiveness can lead to NPO effectiveness and that board development contributes to improved organizational effectiveness.

4. Nonprofit organizational effectiveness is a social construction.

In other words, effectiveness is whatever significant stakeholders think it is, and there is no single objective reality “out there” waiting to be assessed. This perspective challenges many because they want effectiveness to be an objective condition that can be seen, measured, and understood in the same way by everyone. It is not that simple. Many parts of the social world are “real” because people have believed and acted in ways that are consistent with that reality. Thus, social constructions are real in their consequences (such as more funding or high credibility).

One way we explain this notion is to share the story of the three baseball umpires and how they call balls and strikes. The first said, “I just call ‘em as they are.” The second said, “I

call ‘em as I see ‘em.” The third, the social constructionist of the group, declared, “They ain’t nuthin ‘til I call ‘em!” Of course, unlike baseball, NPOs have no single umpire. All stakeholders are permitted to “call” effectiveness, and some will be more credible or influential than others. We have found that different stakeholders *who are judging the same nonprofit* often do not agree on that NPO’s effectiveness.

5. Effective nonprofits are more likely to use good management practices.

A number of studies support this thesis, including some that show a link between strategic planning practices and NPO effectiveness. The use of good or “correct” management practices is not the same as effectiveness. Nonetheless, we have found that the more effective nonprofits did show a greater use of the practices that NPO executives consider important to correct management, and certain stakeholders do seem to relate the use of good management practices to effectiveness. Further, we have found that use of practices among highly effective organizations changes over time. This leads us to be suspicious of the recent trend to identify “best practices” for NPOs.

6. The promise of “best practices” should be viewed with skepticism.

The concept of “best practices” has become something of a holy grail for those seeking to enhance NPO effectiveness, yet we have found no legitimate basis to claim that particular board and management practices are automatically best or even good. We prefer to talk in terms of “promising practices” to describe those approaches that warrant consideration because, at best, we can claim only that they are worth consideration and must be judged in the context of the specific organization.

7. The concept of NPO *responsiveness* may offer a solution to the problem of differing judgments of effectiveness by different stakeholder groups.

We often find that different stakeholder groups differed in their ratings of effectiveness for an organization. We also have found, for all stakeholder groups, that the factor of *responsiveness* was positively linked to judgments of NPO effectiveness. In light of our findings affirming that effectiveness is socially constructed, we suggest that different

stakeholders' judgments of responsiveness may effectively be used as an important indicator of NPO effectiveness.

8. Since many NPOs operate as part of a network of service delivery, we need to start thinking more in terms of network effectiveness.

Increasingly, many NPOs operate largely as part of some larger service delivery network. In this context, it is less relevant to assess individual NPO effectiveness than that of the entire set of organizations, working together as a system of service. Emphasis on the effectiveness of such NPOs as though they are separate and distinct entities can lead an observer to inappropriate conclusions.

A FEW IMPLICATIONS FOR PRACTICE

You may read this and ask, “So what?” Even if these theses are valid, what implications do they have for our work? We suggest several.

Important stakeholders frequently are not clear about what constitutes NPO effectiveness. Like art, they know it when they see it. But do you know what they look for? Further, effectiveness is not a stable construct. Over time, stakeholders can change these implicit criteria for assessing effectiveness. Help your key stakeholders clarify and communicate their effectiveness criteria. Interact with them regularly to ensure that you understand how their criteria may be changing. And, if their criteria are off base, help them refine them. We support the use of evaluation and “hard” evidence to help NPO leaders assess effectiveness, but NPO leaders should not expect all stakeholders to use or interpret evidence the same way. And, by the way, because judgments of effectiveness are unstable, we need to realize that the search for “the answer” on effectiveness is likely to be a search that will need to be repeated again and again.

NPO leaders also should be careful about adopting “best practices” for board or management. It is not that we consider practices and procedures unimportant. Every organization should continually assess and improve its practices, consistent with its values, mission, and stakeholders' expectations. But useful practices will be adopted because they align with and enable the organization to address both its own and key stakeholders' criteria and expectations for effectiveness.

This also has implications for capacity builders. The focus of capacity building should go beyond the internal organization to help NPO leaders create processes by which to identify and understand the interests and expectations of key stakeholders and create constructive strategies by which to engage them. Further, given the absence of evidence about singularly “best practices,” those who fund or provide capacity building services should offer NPOs a menu of promising practices *and* help them develop the capacity to match appropriate practices to their emerging needs.