
Nonprofit Organizational Effectiveness: Contrasts Between Especially Effective and Less Effective Organizations

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How do key stakeholders of nonprofit organizations (NPOs) judge the effectiveness of their organization? Are the judgments of stakeholders similar, and how are board effectiveness and the use of practitioner-identified correct management procedures related to judgments of effectiveness? This study focuses on a subset of especially effective and less effective NPOs from a larger sample and finds that the especially effective have more effective boards (as judged by various stakeholder groups), have boards with higher social prestige, use more practitioner-identified correct management procedures, and use more change management strategies. Practical implications discussed include adopting more correct management procedures and change management strategies.

The question of how to understand and assess the effectiveness of charitable nonprofit organizations (NPOs) continues to challenge practitioners and scholars alike. Is an NPO with rapidly growing revenues and an increasing surplus more effective than one

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that is cutting back and running a deficit? Is the NPO with low fundraising expenses more effective than one with moderate expenses? Many would argue that what really determines NPO effectiveness is the extent to which that organization's mission is being achieved. However, is the organization that achieves its mission but cannot sustain adequate funding effective? It is often also technically difficult to assess the extent of mission accomplishment. For example, how could one assess with any certainty whether an organization has accomplished its mission to reduce (and ultimately eliminate) child abuse? Would evidence of no change in a community's rate of reported child abuse indicate that the organization was ineffective? We believe most researchers and managers would answer no.¹

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If assessing mission accomplishment for a particular organization is difficult, then comparing the extent of mission accomplishment across different types of NPOs is impossible. How could the mission achievements of women's shelters and at-risk youth development organizations be fairly or objectively compared? Although because of recently enhanced interest in program outcomes assessment (Greenway, 1996) comparisons of program effectiveness among NPOs providing similar services are likely to improve, outcomes evaluations cannot provide for comparisons across different types of programs. In addition, program outcomes evaluations do not include all the dimensions that many stakeholders regard as relevant to overall organizational effectiveness.

In spite of such difficulties, a wide array of NPO stakeholders—such as foundation, corporation, and federated funding officials; individual donors and volunteers; government agents who contract with NPOs; and board and staff members—do make and act on their assessments of NPO effectiveness. On what bases do such stakeholders judge effectiveness? Are these judgments based on similar criteria? Are the judgments consistent across stakeholder groups? Are stakeholder judgments related to what some define as “objective” indicators of NPO effectiveness? We believe these questions are fundamental to the work of NPOs and that developing answers to them is important both for theory and practice.

In prior research (Herman and Renz, 1997) we found that stakeholders often differ markedly in their judgments of the effectiveness of the same NPO; that judgments of effectiveness are *not* related to “objective” indicators of effectiveness (by objective indicators we mean use of what are seen to be correct procedures) as defined by NPO chief executives; that different types of stakeholders use some of the same bases—most notably board effectiveness—as well as different bases for making effectiveness judgments; and finally, that only organizational size of several possible characteristics is related positively to effectiveness judgments for all stakeholders. These results for the entire sample ($N = 64$) of organizations suggest that effectiveness judgments are characterized by substantial dissensus and that objective indicators of effectiveness and various management strategies are not related to effectiveness judgments.

We find such conclusions troubling. In this article we investigate whether the dissensus about effectiveness also holds when analyses focus only on the organizations deemed best and worst. Perhaps the dissensus is more characteristic of NPOs in the middle; perhaps stakeholders' judgments of and the relations between judgments and objective indicators of effectiveness are more consistent in those NPOs that are regarded as especially effective or especially less effective. In particular, based on analyses of the especially effective and less effective NPOs in our sample, we will provide initial answers to the following four questions: Is board effectiveness as judged by different stakeholders related to both objective effectiveness and judgments of effectiveness? Are the objective indicators of NPO effectiveness correlated with stakeholder judgments of effectiveness? Are there differences among different stakeholders in the relationship between objective effectiveness and judgments of effectiveness? And finally, what organizational characteristics are correlated with the objective indicators of and stakeholder judgments of NPO effectiveness?

The next section of this article briefly discusses development of scholarly approaches to conceptualizing and researching organizational effectiveness, focusing on the theoretical perspectives that guided this study. The second section describes the sample organizations and our research procedures. The third section reports the results of this study, and the final section presents our conclusions and the implications of the study, including what we regard as some of the practical implications.

Theoretical Perspectives on Organizational Effectiveness

The theory of organizational effectiveness has a complex history. In brief, it may be summarized as the development of alternatives to or modifications of what has been called the goal model of effectiveness. The idea that organizations have goals is, of course, the commonsense view and a fundamental aspect of two widely accepted perspectives on organizations: the purposive-rational (Pfeffer, 1982) and managed systems (Elmore, 1978) models. However, over time there have been many criticisms of the goal model (summarized in Mohr, 1982). In reaction, several alternatives have been proposed. Cameron (1986), for example, distinguishes the alternatives as system resource, internal processes, multiple constituencies, competing values, legitimacy, fault driven, and high performing models. Others have distinguished somewhat different categories.

We find two contemporary perspectives on organizational effectiveness especially relevant to research on nonprofit charitable organizations. The multiple constituency model, which we regard as a modification of the goal model, recognizes that an organization comprises multiple stakeholders or constituents who are likely to use

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different criteria to evaluate its effectiveness (see Kanter and Brinkerhoff, 1981, for an early statement of the model; Zammuto, 1984, for a review of differences within the multiple constituency model; Tsui, 1990, for an empirical study; and D'Aunno, 1992, for a discussion of multiple constituency models in relation to human service organizations). The multiple constituency model conceives of differing groups of stakeholders, such as clients or customers, board members, staff, volunteers, and funders, as probably having different goals and requires that we—whether researchers or practitioners—recognize the potential differences in their interests. Given the nature of NPOs, the multiple constituency model must be part of any approach to understanding their effectiveness.

Social constructionism, the other perspective on which this research is based, is not a specific model of organizational effectiveness. Rather, it is a more general ontological perspective, that is, a philosophical position about the nature of reality. Social constructionism considers reality or some parts of reality to be created by the beliefs, knowledge, and actions of people. This reality is not a pre-existing thing independent of people, although people may believe that what they have created exists independently. As Scott (1995, p. 50) summarizes, “In the social constructionist view, individuals do not discover the world and its ways but collectively invent them.” In some cases, as individuals and groups invent reality they may achieve collective agreement about the nature of this reality. In other cases, individuals and groups may disagree and be more or less aware of the extent of disagreement about the nature of reality.

It is sometimes suggested that NPO effectiveness assessment may be described by the parable of the blind men and the elephant. In that well-known parable, one man touches the elephant's tail and so describes the elephant as like a rope; another touches the back and says the animal is something big and bristly; and so on. The analogy implies that effectiveness is a real thing that may be perceived in partial and thus different ways. The social constructionist view, however, says there is no elephant at all. Rather, different people look for different things and what they “see” is determined by a social process.

The social constructionist view treats organizational effectiveness as stakeholder judgments formed in an ongoing process of sense making and implicit negotiation. Although multiple constituency models share with social constructionism an emphasis on effectiveness as judgments by stakeholders, multiple constituency models treat stakeholder goals (that is, effectiveness criteria) as rationally predictable and somewhat stable. A related view is the “garbage can” model of organizations (Cohen, March, and Olsen, 1972), which agrees that judgments of effectiveness are an outcome of a stream of interactions and impressions that may change frequently. Also, stakeholders may not be completely aware of their criteria or the information they use to reach judgments on those criteria.

We do not assume that the social construction of organizational effectiveness is necessarily complete or stable. And given the perspectives that guide this research, we assume that NPO effectiveness cannot be considered a real property of an organization in the way that the number of employees is a real property, for example; instead, it is a set of judgments by various stakeholders. Conceivably, however, the social processes resulting in judgments of NPO effectiveness could lead various constituencies to develop the same criteria and to evaluate information relevant to those criteria in the same way. If so, research would find that stakeholders reach the same judgments about effectiveness and it would appear that there is a real property called effectiveness out there.

Our research also included an attempt to identify what practitioners (chief executives of nonprofit charities, representatives of funder organizations, and technical assistance providers) consider to be objective effectiveness criteria. We do not assert that these practitioners as compared with others (such as board members, front-line staff, or volunteers) somehow better know objective reality. Rather, we believe that these practitioners are likely to be required to make judgments about the effectiveness of their own and other NPOs and, therefore, we can discover what criteria they think they use to make such judgments. We use these practitioner-defined criteria to determine if and how they are related to judgments of effectiveness by other types of stakeholders.

Sample Organizations and Research Procedures

Our study population of organizations was drawn from a single large metropolitan area. We are interested in the relationship between board effectiveness and organizational effectiveness, so we examined NPOs in which boards would likely have great importance. Thus, we selected only local organizations or local independently incorporated affiliates or chapters of national organizations. Among these, our sample included two types of organizations: health and welfare charities that receive some funding from the local United Way, and charities that provide services to customers with developmental disabilities.

Local United Way health and welfare charities were included because they are a very prominent part of the publicly supported charity portion of the nonprofit community. Developmental disabilities services organizations were included because they are fairly similar in size and complexity to health and welfare organizations but likely to differ in terms of funding dependencies, receiving greater proportions of their revenues from government agencies. While it turned out that the developmental disabilities organizations were slightly more dependent on government, that slight difference is not related to other variables. Thus, in subsequent analyses the distinction is unimportant and not made.

We needed data on several classes of variables: objective organizational effectiveness criteria; judgments of the effectiveness of

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boards; judgments of the effectiveness of the organizations; and other organizational characteristics, such as age, total revenues, strategies, and so on. Exhibit 1 provides a summary of our data collection procedures. To avoid common source correlation we collected the judgment data from different individuals in three general stakeholder groups: the chief executive (for board effectiveness) or senior managers (for organizational effectiveness), board members, and funders (officials from foundations, corporate contributions programs, and federated fundraising organizations).

The objective organizational effectiveness criteria were developed by conducting group meetings with the practitioners (executives, technical assistance providers, and funders) in which they were asked to identify the criteria they actually used in evaluating their own or other nonprofit organizations. Participants in both groups frequently described as the most important criteria what we regard as organizational inputs and processes rather than outputs or outcomes. For example, participants in both groups agreed that conducting and using needs assessments, having a plan, measuring client satisfaction, recruiting effective board members, and having a clear mission were indicators of effectiveness. As can be seen, these criteria were often qualified by what seem to us to be judgments—"effective" board members, "clear" missions, and "thorough" or "well done" needs assessments, for example. The group meetings resulted in

Exhibit 1. Summary of Data Collection Procedures

<i>Classes of Variables</i>	<i>How Measures Were Derived</i>	<i>How Data Were Collected</i>
"Objective" organizational effectiveness criteria	Focus group/Delphi process with practitioners	Document reviews in sample organizations
Board effectiveness Judgments	Used instrument <i>Self-Assessment for Nonprofit Boards</i> developed by National Center for Nonprofit Boards (Slesinger, 1991)	Questionnaires sent to sample organizations' CEO, two board officers, and two funders of organization
Organizational effectiveness judgments	Created instrument	Questionnaires sent to sample organizations' board president, two senior managers, and two funders of organization
Other organizational characteristics (1) Age, strategies, etc. (2) Financial data (3) Board prestige	Literature review to identify likely important variables	(1) Interviews with sample organizations' CEO (2) Form 990 (3) Ratings from three experts (averaged due to high intercorrelations of ratings)

lengthy lists of criteria, about twenty-five for health and welfare charities and about thirty-five for developmental disabilities charities.

The lists then were revised in a Delphi process, which resulted in a set of eleven evaluative criteria for health and welfare organizations and fifteen (including the same eleven) for developmental disabilities charities. Exhibit 2 lists the items that the nonprofit executives identified as objective indicators of NPO effectiveness.

Because these criteria focus on the use of certain procedures, we regard them as indicators of the effectiveness of correct procedures. We determined the extent to which nonprofit organizations used these procedures by having our interviewers examine documents showing that such procedures were in place. We have no basis for determining whether some of these procedures are more important than others, so we have necessarily treated them as having equal weight.

Institutional theory predicts that when there is high uncertainty about the technology for achieving specific outcomes or when outcomes are difficult to measure, organizations are likely to emphasize following approved procedures to achieve or maintain their legitimacy (Meyer and Rowan, 1977; DiMaggio and Powell, 1983). Thus, it is not surprising that the objective NPO effectiveness criteria identified by practitioner-experts are matters of correct procedure.

We believe that board effectiveness, like organizational effectiveness, should be considered a social construction. To collect stakeholder judgments of board effectiveness, we adapted the eleven items shown

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Exhibit 2. “Objective” Indicators of Effectiveness Identified by Senior Nonprofit Executives (as Developed in Delphi Process)

For all Nonprofit Organizations

Mission statement
 Use of form or instrument to measure client satisfaction
 Planning document
 List or calendar of board development activities
 Description of or form used in CEO performance appraisal
 Description of or form used in other employees' performance appraisal
 Report on most recent needs assessment
 By-laws containing a statement of purpose
 Independent financial audit
 Statement of organizational effectiveness criteria, goals, or objectives
 Board manual

Additional Indicators for Developmental Disabilities Organizations

Description or form for measuring satisfaction of families of customers
 Description or form for measuring satisfaction of funders
 Report or form for report incidence of illnesses or accidents of customers
 Report or form for report of incidence of customer abuse or neglect
 Reports or evaluations from inspection and regulatory bodies

in *Self-Assessment for Nonprofit Governing Boards* (Slesinger, 1991) and measured the following items: mission definition and review; CEO selection and review, and working relationship between the board and CEO; consistency of program selection with mission and program monitoring; the giving and soliciting of contributions; financial management; strategic planning; new board member selection and training; working relationship between board and staff; marketing and public relations; conduct of board and committee meetings; and role in risk management. The normative literature on the management of NPOs assigns the board of directors a fundamental role in the governance and leadership of such organizations, arguing that board effectiveness is a condition of organizational effectiveness (for example, Carver, 1997; Chait, Holland, and Taylor, 1991). Two studies (Bradshaw, Murray, and Wolpin, 1992, and Green and Griesinger, 1996) that directly assess the relation between board effectiveness and organizational effectiveness provide some empirical support for this view.

These questionnaires about board effectiveness were sent to chief executives, two board officers, and two funders of each organization. The instrument asked them to rate their organization's effectiveness on a scale of 1 to 5 for each of the items. The instrument was completed by 250 individuals, including 63 CEOs, 101 funders (several organizations were rated by the same funders), and 86 board officers.

We also developed an instrument to measure nine elements of nonprofit organizational effectiveness: financial management, fundraising, program delivery, public relations, community collaboration, working with volunteers, human resource management, government relations, and board governance. To avoid common source correlation, these questionnaires were sent to the same types of stakeholders but different individuals: an organization's board president, a (nonofficer) board member, two senior managers, and two funders. These respondents were asked to assess their organization's effectiveness on each of the nine items. We received returns from 162 people, including 35 board presidents, 28 board members, 60 staff, and 39 funders (again, some funders rated several organizations).

Finally, we collected data on several other characteristics of these organizations. Financial data were collected from IRS Form 990. Data on such variables as organizational age and various change management strategies (that is, legitimation, retrenchment, and new revenue strategies; see Bielefeld, 1992, for discussion of this and other strategies) were collected during CEO interviews. We also expected that board prestige would affect or be related to judgments of board effectiveness and organizational effectiveness. Galaskiewicz (1985) shows that differences in the prestige of nonprofit boards are widely known. As a result, we measured board prestige by asking three longtime participants in the area's nonprofit sector to rate the prestige of the members of each board in our sample. The three experts' ratings were highly consistent. We computed a single prestige score for each board by taking the mean of the three individuals' ratings.

As noted earlier, in previous analyses (Herman and Renz, 1997) we found substantial variation among different stakeholders who judged the effectiveness of the same organization. We also found that across the entire sample of sixty-four organizations the judgments of different stakeholder groups were *not* closely related. For example, the judgments about organization effectiveness by management staff had no strong relationship to those of funders and essentially no relationship at all to those of board members; similarly, the judgments of board members had only a low relationship to those of funders. These results are consistent with the view that there is not a single organizational effectiveness reality out there but rather that different stakeholders “create” effectiveness on the basis of the criteria and impressions they deem most relevant.

In further analysis of the data, we observed that some organizations were much more consistently judged than others and that these consistently judged organizations were much more likely to be judged as especially effective. In particular, we found that of the ten NPOs considered especially effective, nine are among the relatively consistently judged. Their average effectiveness scores range from a very high 1.25 (1.0 represented the highest possible rating) to an also high 1.71. In contrast, among the ten least effective NPOs, only four are among the relatively consistently judged. And among the six that were inconsistently judged, none received especially high ratings; their ratings varied from middling to low. The average effectiveness scores of the ten least effective NPOs range from 2.68 to 3.56 (the lowest of the effectiveness ratings given). It seems that NPO stakeholders are more likely to reach similar conclusions about levels of exceptional effectiveness than about more ordinary effectiveness.

When we found that the organizations that different stakeholders judged the same were those that were especially effective, we decided that we might understand the correlates of effectiveness better if we focused on that subset of organizations as well as on those organizations that are considered much less effective. Thus, for the purposes of our analysis, we selected the ten NPOs that received the highest overall average effectiveness scores and the ten that received the lowest scores (both from across all three stakeholder groups). We selected ten of each (rather than thirteen of each, for example), because a sample of twenty provides a feasible number for analyses and because we are familiar with lists of top ten and bottom ten.

Results

The following paragraphs describe the results of our study.

Judgments of Board Effectiveness and Objective Effectiveness Indicators

Are board effectiveness judgments related to objective organizational effectiveness indicators?

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Surprisingly, for the entire sample of sixty-four NPOs, the relationship between judgments of board effectiveness and objective indicators (correct procedures) of effectiveness is virtually zero. In contrast, when analyzing only the especially effective and the less effective, we do find a moderate relationship (Table 1 presents statistical data for results reported in this section). This correlation suggests that as NPOs increase their use of correct procedures, stakeholder judgments of board effectiveness also increase. The especially effective NPOs, on average, use 86 percent of the correct procedures, whereas the less effective use only 70 percent.

Judgments of Board Effectiveness and Organizational Effectiveness

In our previous analyses of our full sample, we found that overall judgments of board effectiveness and organizational effectiveness were highly correlated. Further, controlling for board prestige did not appreciably affect the relationship. When we limit the analyses to the especially effective and less effective, the correlation between board effectiveness and overall judgment of effectiveness is very strong.

Table 1. Comparison of Relationships: Full Sample and Ten Most and Least Effective NPOs

	<i>Objective (Procedural) Effectiveness</i>		<i>Overall Judged Organizational Effectiveness</i>	
	<i>Full Sample</i>	<i>Most/Least</i>	<i>Full Sample</i>	<i>Most/Least</i>
<i>Board Effectiveness</i>	<i>ns</i>	<i>.40</i>	<i>.64</i>	<i>.83</i>
<i>Organizational Characteristics</i>				
Size (total revenue)	.25	.33	.27	.43
New revenue strategies	.33	.27	ns	.34
Legitimation strategies	.28	.372	ns	.38
Retrenchment strategies	.25	ns	ns	ns
Organization age	.26	.23	ns	ns
Board prestige	ns	.22	.23	.395
<i>Overall Organizational Effectiveness</i>				
For funders	ns	—	—	—
For senior staff	.29	.58	—	—
For board members	ns	.56	—	—

Note: The values reported are correlation coefficients (sometimes referred to as *r* values). Correlation coefficient values range from -1.0 to 0 to +1.0. The closer the value is to +1.0, the stronger the positive relationship between the two values is (that is, when one increases, the other increases). The closer the value is to -1.0, the stronger the negative relationship between the two variables is (when one increases in value, the other decreases). A value of zero means there is no relationship between the two values. "ns" means there is no statistically significant correlation (that is, the correlation is close to zero).

Here again, controlling for board prestige does not appreciably change the relationship. In other words, in limiting the analysis to those NPOs that are especially effective or less effective, we find that the strong relationship between judgments of board effectiveness and judgments of organizational effectiveness becomes even stronger.

Objective Indicators and Stakeholder Judgments of Effectiveness

Are the objective indicators of NPO effectiveness correlated with stakeholder judgments of effectiveness, and are there differences among stakeholders in this relationship? In the full sample we found no relation between these two variables, except for the funders. Among funders alone, there was a significant positive correlation. In contrast, the correlations between objective effectiveness and judgments of effectiveness by senior management staff and board members were near zero.

When we limit our analysis to the especially effective and the less effective NPOs, the relationship between objective effectiveness and judgments of effectiveness is even stronger for funders and becomes statistically significant for staff and board members as well. These results show again that eliminating organizations in the murky middle from the analyses helps clarify the relationship among these variables.

Organizational Characteristics Correlated with Effectiveness Indicators and Judgments

What organizational characteristics are correlated with the objective indicators and judgments of NPO effectiveness? When we consider only the especially effective and less effective NPOs we find several notable relationships.

Size (as measured by total revenues) is related to both objective effectiveness and judgments of effectiveness. Pursuit of strategies of seeking new revenues is related to judgments of effectiveness and more weakly to objective effectiveness. Pursuit of strategies of legitimation is also related to both objective effectiveness and judgments of effectiveness. Pursuit of retrenchment strategies is weakly related to objective effectiveness, though the correlation value is not much different from the correlation between these two variables in the full sample. Similarly, the relationship between organizational age and objective effectiveness among the best and the worst is about the same as the relationship between those variables in the full sample. We find that board prestige is moderately correlated with judgments of effectiveness, but it is only weakly correlated with objective effectiveness (and not statistically significant, given the sample size).

In short, we find that both objective effectiveness and judgments of effectiveness are generally correlated with the same organizational characteristics and strategies. This is consistent with the view that there is a positive relationship between “doing things right” (objective effectiveness) and being judged effective in the subset of the most

and least effective NPOs. This is not generally the case for middling organizations.

Conclusions and Implications

Two very different sets of conclusions may be drawn from this research, one set methodological and one about nonprofit effectiveness.

Two Conclusions

The first set of conclusions, the methodological conclusions, may be the most significant. How to conceive and measure organizational effectiveness has long been a troubling and controversial issue. This research suggests that the results and interpretations will be substantively affected by which organizations are studied. Further, if organizational effectiveness is taken to mean those organizational behaviors, characteristics, and outcomes that are important to many stakeholders and is judged in somewhat similar ways by them, we believe that organizational effectiveness is unlikely to vary substantially among existing organizations. Only those organizations that exceed some fairly high minimum level of effectiveness are likely to survive for long. Thus, the relationship between objective (correct procedure) effectiveness and judgments of effectiveness and the relationship between those measures and other characteristics of organizations may, in a general sample, be small and show little agreement about effectiveness and its correlates. However, if we hone in on the subset of most and least effective organizations, as we did in this study, we may clarify the relationships between judgmental and procedural effectiveness and their correlates.

Our second set of conclusions is specifically about NPO effectiveness. Compared with the results in the full sample, analyses using only the especially effective and less effective NPOs demonstrate much greater consensus about the relationships between correct procedure and judgments of effectiveness, and between both of those measures and various other correlates of effectiveness.

Furthermore, although the generalizability of this study is obviously limited given the small number of cases from one metropolitan area, the results do lend support to the commonly promoted idea that adopting various management practices (needs assessments, strategic planning, and measures of customer satisfaction, for example) and certain management strategies (seeking new revenue sources, enhancing legitimation, and cutting costs, for example) are likely to enhance effectiveness. Our study certainly does not establish a causal connection from using correct procedures or changes in management strategies to judged effectiveness because it is based on cross-sectional data. Also, the relationships between practices and judgments of effectiveness are likely to interact and feed back over time. Nonetheless, we regard the evidence presented here as among the most convincing we know of for supporting advocacy of profes-

How to conceive and measure organizational effectiveness has long been a troubling issue; this research suggests that the results will be affected by which organizations are studied

sional management practices in charitable NPOs. As usual, more research is necessary; these results should be tested in other places with different organizations. Longitudinal research is especially needed to clarify the causal relations among the variables.

Practical Implications

We believe this study has three principal practical implications. First, for those NPOs whose stakeholders are telling them they are not doing well, investing in adopting or improving management practices may be a good idea. For NPOs that are judged to be less effective, stakeholders' judgments may change if they see evidence of increased use of correct procedures. Pursuing strategies of seeking new revenues, enhanced legitimation, and retrenchment may also change judgments of effectiveness. Further, as the data suggest, because funders' overall judgments of NPO effectiveness are more highly correlated with the implementation of these procedural elements of objective effectiveness, they may be disposed to support an organization that is seeking to develop or strengthen these good management practices.

Second, as we have argued more extensively elsewhere (Herman and Renz, 1997), attempts to improve management practice and adopt appropriate strategies will probably not be enough to align stakeholder judgments with the organization's (that is, the dominant coalition's) goals and objectives. Top managers and boards will need to get the best possible reading on the criteria important to stakeholder groups and communicate the organization's goals and achievements to those stakeholders in ways that emphasize those criteria. We are not advocating giving out selective or distorted messages. It is crucial to the integrity of the organization (and the legitimacy of the nonprofit sector as a whole) that messages about the organization not be fundamentally different for different audiences. However, if one stakeholder group cares most about program X of an organization (rather than other programs), giving more attention to X in communications to that group while still communicating about other programs and outcomes seems appropriate and ethical. Continuing attention to and interaction with stakeholders are essential to understanding their judgments of effectiveness. Such attention and interaction are the bases for affecting their judgments of effectiveness and, thus, their actions that will affect the future of the organization.

The research also has implications for the increasingly active discussion now under way in parts of the nonprofit community about evaluation, performance measures, and outcomes assessment. Every evaluation process is grounded in some concept of effectiveness, but many of the current discussions employ only a vague and implicit notion of that construct. This research reinforces the value and, indeed, the imperative of developing a dialogue about effectiveness and evaluation with the most significant of the nonprofit's multiple constituencies.

Although the generalizability of this study is limited, the results lend support to the idea that adopting various management practices and strategies is likely to enhance effectiveness

The research has implications for the increasingly active discussion under way in the nonprofit community about evaluation, performance measures, and outcomes assessment

In some communities, attention now is focused on developing formal measurement, evaluation, and reporting systems to assess NPO mission accomplishment and community or client outcomes. In most cases, these are funder-driven systems oriented to judge performance by the rational-purposive and goal models of effectiveness. But we also know that in a world of multiple constituencies rational goal criteria are not necessarily consistent or synonymous with the full range of judgment criteria that will be used to assess the NPO's effectiveness. At worst, the evaluation system will assess criteria irrelevant to key stakeholders.

It is in the interest of the NPO and its leadership to facilitate a dialogue with key stakeholders to surface and overtly identify the various performance criteria, outcome measures, and other constructions of effectiveness that sooner or later will become the basis for stakeholder judgments of the organization's effectiveness. It will be important to integrate the externally mandated or prescribed evaluation criteria to the greatest degree possible with other key stakeholders' goals and bases for judgment. This inclusive approach may seem overly demanding to the already overworked NPO executive, but the alternative is to leave the organization open to multiple and divergent perceptions that are likely to undercut the overall judgment of the organization's effectiveness. Sooner or later, this judgment will affect the availability of the political, financial, and other resources essential to the organization's survival.

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Note

1. In a recent study of nonprofit charitable organizations in Columbus, Ohio, Sheehan (1996) found that only 14 percent of those responding to a questionnaire supplied outcome measures when asked to explain how they determined mission accomplishment. Instead, they more often assessed mission accomplishment in terms of inputs and processes. In responses to a follow-up questionnaire sent to the organizations that had outcome measures, Sheehan found that in fewer than half did any other respondent provide an outcome measure identical to that given earlier by the chief executive. This study suggests that mission accomplishment is not often used to assess NPO effectiveness. We argue elsewhere (Herman and Renz,

1997) that outcome measures are used infrequently not only because there are technical difficulties in assessing outcomes but also because the social construction of effectiveness often makes vagueness and discretion in “defining” effectiveness in the interests of both NPOs and their stakeholders.

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