

Organizational Effectiveness Literature Review

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Introduction and Background

This is an overview and analysis of recent literature related to organizational effectiveness and management in nonprofit organizations. It was originally written for internal use at the request of the David and Lucile Packard Foundation's Organizational Effectiveness and Philanthropy Program. This version was revised by the Foundation staff and contractor, The Lewin Group, for broader distribution.

Nonprofit management and organizational effectiveness are subjects of discussion among a range of different authors. This review is based on the work of academics (both educators and researchers), practitioners (nonprofit organizations, philanthropy, and management service organizations), and independent research groups. Source materials include articles published in nonprofit research journals (by academics), journals and books published commercially for the practitioner and general public (by fellow practitioners and some educators), and unpublished working papers commissioned by foundations, academic programs, and independent research groups. (See Bibliography, page 23.)

The article is organized in four sections. The first section discusses approaches to defining and segmenting the nonprofit sector. The second and third sections address the unique character of nonprofits and the range of approaches to define and measure organizational effectiveness in nonprofit organizations. The last section offers conclusions and implications to inform the field.

“Nonprofit management” is a term used largely by practitioners and some academics; it reflects a well-developed area of authorship that is commercially published and widely circulated. Nonprofit management research and writing has its origins in the 1970s, as academics and practitioners defined the needs of management in the nonprofit sector and debated the applicability of for-profit business management approaches (Brown 1986). During this period, researchers at newly established academic programs began developing a body of work about performance and organizational effectiveness in the nonprofit environment (Holland 1987).

“Organizational effectiveness” (OE) is a phrase used almost exclusively by researchers. It is less widely used in texts for the individual nonprofit manager or practitioner. OE was first found in organizational behavior theory of the 1950s. OE is defined as a process of “fulfilling objectives without incapacitating (an organization’s) means” (Ghorpade 1971). Among researchers in management, OE is characterized as “defining goals, relating resources, and determining if the goals were . . . reached” (Anthony and Herzingler 1980). Efforts to define the concepts of management and effectiveness in the nonprofit organization are influenced by varying perspectives on what constitutes the nonprofit sector and what makes it distinct.

Nonprofit Uniqueness

Interest in defining and studying the nonprofit sector formally began in the 1970s. Since then, the “nonprofit sector” is discussed throughout the literature as difficult to define in meaningful ways.

Researchers, academics, and practitioners use different approaches to defining and segmenting what they call variously the “independent,” the “third,” and the “nonprofit” sector, based on their discipline, practice, and perspective on unique aspects of nonprofit organizations.

The most simple and least descriptive mode of defining the sector is the government’s definition of organizations with tax-exempt status. Tax-exempt organizations in the United States are significant social and economic forces. In 1997, tax-exempt groups generated revenues of \$621.4 billion, 6.2% of the national economy, and employed 15.1 million people (9.7 million full- and part-time employees and 5.4 million volunteers), 6.9% of the total U.S. workforce (Independent Sector’s Web site). Although most states have laws that allow an organization to be incorporated as a nonprofit organization, that status does not necessarily exempt it from federal income tax. To qualify as a federally tax-exempt organization, an entity must meet requirements set forth in the Internal Revenue Code (Department of the Treasury 1999).

Exhibit 1. Internal Revenue Code Requirements for Tax-Exempt Organizations

To be exempt from federal income tax, an organization must be described in one of the sections of the Internal Revenue Code providing for exemption. The most common type, 501(c)(3), exempts organizations from federal income tax. 501(c)(3) organizations may include corporations, community chests, funds, and foundations, organized and operated exclusively for these purposes:

- Religious
- Charitable
- Scientific
- Testing for public safety
- Literary
- Educational
- To foster national or international amateur sports competition (but only if no part of its activities involve the provision of athletic facilities or equipment)
- To prevent cruelty to children or animals

The term *charitable* includes relief of the poor, the distressed, or the underprivileged; advancement of religion; advancement of education or science; erection or maintenance of public buildings, monuments, or works; lessening the burdens of government; lessening of neighborhood tensions; elimination of prejudice and discrimination; defense of human and civil rights secured by law; and combating community deterioration and juvenile delinquency (Department of the Treasury 1999).

Legal definitions of nonprofit organizations based on tax regulation focus on service for the broader public. Organizations secure special tax status for creating “public good.” Individual organizations maintain and support public institutions and cultural values through a defined public service role, and are compensated by the government for that effort.

For researchers studying nonprofits, the tax regulations are insufficient criteria for defining the sector. Instead of relying on tax-exempt status, researchers from the fields of social science, business, and public adminis-

tration developed different definitions of what makes nonprofit organizations distinct, and a range of approaches to segmenting the sector into smaller groups of organizations for study. Researchers discuss the organizations in the nonprofit sector as having characteristic roles or relationships within and across sectors, in society, and in the economy. Some focus on nonprofit organizations' role in providing services. No one approach is widely accepted among researchers. For example:

Nonprofits respond to market failure. This definition of nonprofit organizations, framed by Weisbrod and Hansmann, sees the sector's origins and survival based on its role filling market gaps left by private industry and government (Weisbrod 1998; and Hansmann 1996).

Nonprofits are part of civil society, working with government to serve the people. This approach rejects the response to market failure concept and focuses on the historical, collaborative relationship between government and the nonprofit sector. According to Salamon, nonprofit organizations make up "third-party government" by receiving compensation for providing services that are complementary to that of the public sector. The nonprofit sector is a collection of organizations with distinct forms: they are private, not part of the government apparatus, not distributing profits, self-governing, and serving a public purpose (Salamon 1997).

Other approaches by researchers embrace the blurring of for-profit, nonprofit, and government-sector boundaries, and focus on the interactions among and interdependency of these organizations. For example:

Nonprofits are part of the market economy characterized by permeable boundaries between sectors. This approach shifts away from the perspective that sees nonprofit organizations as passive players in the economy, filling gaps left behind by the market's "real" forces: business and government. According to Hammack, Young, and Van Til, the nonprofit sector actively participates in the market, providing services, existing in the same environment as business and government, as well as building cross-sector relationships and experiencing competition (Van Til 1998; Hammack and Young 1993). Examples of this type of nonprofit organization include hospitals or child care facilities providing care, competing for clients, and interacting with government and the for-profit sector.

Some academics and researchers insist that "nonprofit sector" is an artificial term that shifts the focus from the meaningful difference among nonprofit organizations to tax law that separates nonprofits from other organiza-

tional types. According to others, the nonprofit sector is an invention of a government agency based on the concept of a sectored economy that ignores opinions that boundaries between all three organizational types have always been overlapping (Hall 1994). [The Commission on Private Initiatives and Public Needs (The Filer Commission) began work to research and frame public policy toward U.S. charitable organizations in 1974.] The sector's variability in terms of organizational type, scale, or sphere of influence makes nonprofit sector a hollow term. A small, community-based organization may have more in common in terms of management or OE with a small business or local government office, than another nonprofit organization, like a national professional association or religious group.

Philanthropy and nonprofit professional organizations representing practitioners seem less interested in market relationships or cross-sector interactions. Practitioners seem to define the sector in terms of goals and approach. (Based on the definitions used by the W. K. Kellogg Foundation, ARNOVA, Independent Sector, and Urban Institute, found at their Web sites.) Nonprofit organizations have different goals than organizations in the for-profit and government sectors. Nonprofits are "mission-driven" groups with common legal forms and specific financial constraints. Philanthropy and practitioners recognize the need for an interdisciplinary network of scholars and nonprofit professionals developing and disseminating research.

Segmentation of Nonprofit Organizations

Without agreement around a meaningful definition of the sector, researchers, professional organizations of nonprofit practitioners, and philanthropy have developed different modes of grouping nonprofit organizations. The most widely used segmentation tools are based on nonprofit organization's industry or area of service.

The IRS taxonomy of nonprofit organizations based on general area of service. This method organizes all nonprofits into eight types.

1. Arts and Culture
2. Education
3. Environment and Animals
4. Health
5. Human Services
6. International
7. Public and Societal Benefit
8. Religion Related

(Department of the Treasury, Internal Revenue Service, 1999)

Standard Industrial Classification (SIC) Codes (Standard Industrial Classification Manual, 1987). SIC codes, developed by the Department of Labor, offer four mutually exclusive types, which overlap with and expand on the IRS taxonomy.

1. Human Services
2. Public Service
3. Membership Service
4. Organizational Service (Smith 1992)

Other approaches use area of social service or public good, rather than industry, to segment nonprofit organizations. For example:

Salamon's "Civil Society" Concept. Consistent with his approach to defining the nonprofit sector as "third-party government"—providing services complementing the public sector—Salamon segments organizations by a range of different services provided across the industries described above. Within this framework, organizations are segmented by their role in creating public good and can have multiple types.

1. Value Guardian (e.g., organizations that foster pluralism, diversity, for freedom, such as churches and citizen organizations)
2. Service Provision (e.g., organizations providing publicly financed services like health care)
3. Advocacy and Problem Identification (e.g., organizations, such as unions or consumer advocates, mobilizing the public to respond to societal problems)
4. Social Capital (e.g., professional associations, which build bonds of trust within industries or fields of study to ensure that vital information is communicated among individuals and organizations)
(Salamon 1997)

This concept defines nonprofit organizations as critical components of a democratic society, not merely a service market, and is grounded in the study of civil society, rather than organizational or management theory.

Some practitioners offer alternative systems of segmentation based on organizational characteristics, rather than types of services or mission. Attributes such as the number of staff and size of budget are suggested methods of grouping because they are related to organizational behavior, according to authors. An organization's characteristics, including organizational age and source of revenue, are related to its ability to react to changes in the environment, respond to challenges, foster leadership, and innovate (Light 1998).

Regardless of the debate on the relevance of the “sector” or mode of segmentation, most academics, researchers, and practitioners agree that nonprofit organizations are characterized by tremendous diversity in origin, size, finance, types of activity, people served, and the means to reach goals (Boris 1998). The belief that nonprofit organizations have unique needs that are distinctly different from government and business drove the development of nonprofit management training and research, creating a demand for both education and scholarship. Any approach to working within the nonprofit sector, studying its change and growth, providing education and training, or evaluating the effect of grantmaking, requires balancing the perspectives that recognize the sector as unique and those that focus on its internal diversity.

Management Practice in Nonprofit Organizations

The “field of nonprofit management” can be considered in terms of a “field of practice” and a “field of knowledge.” As we suggested in the document *A Working Evaluation Framework for the Organizational Effectiveness Program*, a field emerges through key events that can be characterized as either related to the work done by nonprofits (practice) or the information generated about them (knowledge). From practitioner- and research-based sources we characterize some of the key events in the development of nonprofit management since 1940.

Exhibit 2. Milestones of an Evolving Field

1940–1968: As America emerged as one of the world’s economic leaders during and after the Second World War, a new welfare system was developed in the United States through unprecedented tax and budget mechanisms to ensure stability and prosperity. This shifted many previously public service activities into the private sector (Hall 1996).

1971: The Association for Research on Nonprofit Organizations and Voluntary Action (ARNOVA) was founded as the Association of Voluntary Action Scholars. This was the first professional group for researchers studying nonprofit organizations and nonprofit management. The organization published one of the first journals about the nonprofit sector and its management, the *Nonprofit and Voluntary Sector Quarterly*. The organization and the journal represented early attempts to recognize and professionalize the study of the nonprofit sector (ARNOVA’s Web site 2000).

1974: The Department of the Treasury and the House Ways and Means Committee cosponsored the Commission on Private Initiatives and Public Needs (The Filer Commission) to examine government policy response to the growing number of nonprofit organizations. The resulting policy recommendations sparked the first broad-scale academic interest in nonprofits, their regulation, and management (Hall 1996).

1977: Yale University established the Program on Non-Profit Organizations in its school of business (now located in its divinity school). The groundbreaking program offered an international center for multidisciplinary study of philanthropy, voluntarism, and nonprofit organizations. The program was perceived widely to be the first research and academic training program of its kind (Hall 1996).

1980: The Independent Sector (IS) was established as a national coalition of nonprofit organizations. IS is considered to be the first professional organization for the nonprofit sector, focusing on communications, policy, and research for nonprofit organizations (Independent Sector's Web site 2000).

1983: The University of San Francisco established its Institute for Nonprofit Management. The Institute laid the foundation for future research with a critical early agenda (Brown 1986).

1984: Thomas Wolf published *Managing A Nonprofit Organization*. Based on his teaching at Harvard University in the 1980s, this book responded to some of the nonprofit management concerns that were first emerging as many nonprofits, founded after 1960, faced new challenges with organizational maturation, leadership transition, and other concerns (Wolf 1999).

1988: The first conference on the topic of university-based programs in nonprofit management was convened in San Francisco, California. This conference was the first opportunity for researchers and educators to meet and discuss approaches to research, as well as the training needs of the nonprofit sector (Mirabella and Wish 1999).

1997: A report supported by the W. K. Kellogg Foundation identified over 170 colleges and universities offering nonprofit degree programs or providing courses on nonprofit management. This report described the enormous growth in institutions providing nonprofit management degrees, and suggested an increased demand for leaders with nonprofit-specific management skills and training (Mirabella and Wish 1999).

1998: The first meeting of Grantmakers for Effective Organizations (GEO), an authorized affinity group of the Council on Foundations, was convened. This marked the first effort to unite funders in a coordinated manner around nonprofit management and organizational effectiveness (Grantmakers for Effective Organizations' Web site 2000).

Since the late 1970s, the body of written work on nonprofit management practices grew, incorporating a range of approaches, disciplines, and philosophies. The study of nonprofits became institutionalized with the establishment of over 100 academic research and training programs over the last 30 years (Mirabella and Wish 1999). The supply of professionals and the increase in research and number of academic programs seems to be a reaction to the demands of nonprofit organizations, which grew from 50,000 organizations in 1950 to over 1 million in 1990 (Urban Institute Center on Nonprofits and Philanthropy Web site 2000). As the sector grew, the emphasis on management training and professionalization sparked both scholarly literature and work intended for use by practitioners.

Examining different perspectives on nonprofit management, it is safe to say that management frameworks overlap. Academics, researchers, and practitioners would agree that a considerable number of management skills are transferable across sectors and applicable in different organization types. The differences in the literature are in emphasis, characterized in the following descriptions of general perspectives on nonprofit management.

The Business/For-profit Perspective: Management is management, regardless of sector. Some authors (e.g., R. Anthony and D. Young) focus on the similarities of management in diverse environments. This group focuses on the financial needs of nonprofit organizations (e.g., specialized accounting, lack of a profit measure of success), and suggests that overarching core competencies of management serve all organizational types (Anthony and Young 1993). From this perspective, good management includes satisfying multiple stakeholders, developing nonfinancial measures of organizational health, valuing vision, building a passionate workforce, spreading expertise throughout the organization, and managing in uncertain conditions, regardless of sector (Nelson 1999).

The Public Administration/Government Perspective: Management among nonprofits and government organizations is different from management in the for-profits. Among some (e.g., M. Moore and C. Letts), nonprofits and government organizations have similar management needs, which make them distinct from for-profits. In these models, government and nonprofit organizations and their management methods are different from for-profits because they receive revenue from sources other than customers and they produce value by providing services for which no revenue is anticipated, rather than building profit for shareholders. Managers of nonprofit and government organizations require skills that

focus on three key issues: public value, sources of legitimacy and support, and operational capacity (Moore 1999). Managers in government and nonprofits both use the mission to guide organizational activities. Similarly, this definition of management includes matching organizational resources and capabilities to challenges and opportunities, building commitment among staff and board, supporting technology and administrative change, and monitoring stakeholders for feedback on performance. Implementing these management skills requires considerations unique to government and nonprofits, such as reconciling internal organizational concerns about change in mission or organizational focus, vulnerability to public criticism about budgeting or fundraising, and difficulty measuring value (Moore 1999).

The Practitioner/Nonprofit Researcher Perspective: Management training for nonprofits. The most widely discussed approach to management in nonprofits focuses on the applicability and relevance of for-profit management strategies in nonprofit organizations (Young 1989). Most of the authors in this vein (e.g., P. Drucker, K. Kearns, S. Oster, T. Wolf, and D. Young) agree that nonprofit managers have been trained principally in a service discipline rather than management. Many nonprofit managers focus on delivering services, rather than on developing the organization as a whole (Oster 1995). According to these authors, nonprofit managers need traditional business management training that is tailored for the nonprofit environment: responding not only to fundraising and financial uniqueness, but also key issues around managing volunteer and nonvolunteer staff and developing methods for determining performance (Drucker 1990). This body of literature contains the most well-developed discussion of core competencies required of a nonprofit manager. (See Exhibit 3 for examples of nonprofit management skills.)

Among those who advocate for management training for nonprofit managers, some insist that skills cannot be taught in the broad context of a monolithic nonprofit sector. Instead, some academics suggest a highly focused model for management training programs, providing education focused on operating in a specific organizational industry (e.g., health care, philanthropy, education). Other approaches use a disciplinary focus to guide training around general, professional skill-sets (e.g., law, social work, public administration). Keeping programs focused on skills relevant to a particular industry, or education within an established academic discipline, prevents nonprofit management training from focusing on the broad sector, becoming overly general and irrel-

evant to practitioners, according to some authors (Hall 1996). One way to do this is by preparing nonprofit managers through professional schools that provide degrees in social work, law, or public policy, and include a concentration in the skill set's application in the nonprofit environment.

Exhibit 3. Examples of Nonprofit Management Skills from Multiple Sources (Wolf 1999; Kearns 1996; Oster 1995; and Drucker 1990)

The following is a list of examples of nonprofit management skills synthesized from multiple sources.

- Interpreting and translating the mission into organizational direction
- Working with a board
- Building key relationships with staff, volunteers, community, constituents, donors, and alumni
- Developing strategies to market services
- Fundraising
- Introducing innovation and reacting to change
- Recruiting and maintaining volunteers
- Managing volunteers for performance, building the capacity of people, and staff development.

The Independent Researcher/Academic Perspective: A new mode of nonprofit management is needed. Alternatives to tailoring traditional, for-profit management concepts for the nonprofit organization are emerging. These approaches include concepts such as Paul Light's organizational "Innovation" (Light 1998). Within the Innovation framework, nonprofit managers need not only human resources and fiscal management skills, but also the ability to generate ideas and develop learning systems. Other perspectives redefine the nonprofit manager in terms of approaches to fundraising, relating to constituents as clients, and positioning the organization for service (Dees 1998; Letts, et al. 1999). The "Social Enterprise" approach to nonprofit operations offers new methods for reaching financial stability and meeting mission-related goals through strategic fundraising, developing marketing approaches, and a client-focused perspective to translate the mission into service. The Social Enterprise approach requires a different nonprofit manager, with business-specific organizational skills and credibility to succeed in a "commercial market" environment.

Just as nonprofits have begun to embrace for-profit methods for management (e.g., the Social Enterprise approach), there is a growing interest among for-profit managers for information on nonprofit management strategies (Nelson 1999; Independent Sector 2000). The for-profit sector has begun to find that many of the nonprofit manager's skills are relevant to the business environment (Moss-Kanter 1999). The business community seems most interested in the nonprofit organization's ability to manage for multiple stakeholders, create inclusive systems of decision-making, tap into the passion and commitment of volunteers and staff, work in a changing and uncertain atmosphere, and build alliances across organizations (Drucker 1990). For-profit management seeks the flexibility, responsiveness, and service/customer-focused approach that characterizes nonprofit management.

As the field of nonprofit management evolves, so does the discussion of performance. The definitions of and relationship between OE and management are unclear in the literature on nonprofit organizations. One way to characterize the relationship between management and effectiveness is to distinguish between the way work is done and how well goals are met. Management is commonly defined as the *accomplishment of purpose through the organized effort of others*. Effectiveness is the *degree to which an organization accomplishes its purpose* (Bower 1977). Management can be seen as a set of skills and decisions that contribute to an organization's effectiveness.

OE and Performance in Nonprofit Organizations

Since the 1970s researchers have worked to develop systematic ways to define and measure performance in nonprofit organizations. This interest has grown over the last 10 years, as nonprofits have faced increased demand to document their work and prove their value (Boris 1998). According to many researchers and practitioners, this represents a “crisis” for nonprofits, as organizations respond to charges of inefficient use of resources and methods of service (Salamon 1997; Saxon-Harrold and Heffron 2000). A central part of this discussion focuses on the concept of effectiveness, developing meaningful ways of demonstrating the way nonprofit organizations operate and achieve their mission.

Achieving Mission versus Organizational Survival

Most of the effectiveness discussion is framed by a tension between two organizational conditions: “achieving mission” and “sustaining adequate funding” (Herman and Renz 1998). OE is often characterized as a combination of “social” and “financial” performance (Siciliano 1997). Neither concept is consistently defined in the literature. The list in Exhibit 4 illustrates some of the organizational domains that are discussed as part of the two components of OE in nonprofits.

Exhibit 4. Two Components of OE and Sample Domains in Nonprofit Organizations (Herman and Renz 1998)

Achieving Mission	Organizational Survival
Goal Attainment	Quality of Staff
Productivity	Productivity
Quality of Work	Adaptability
Constituency Satisfaction	Acquisition of Resources
	Staff Moral
	Volunteer Participation

The literature’s treatment of OE is often more conceptual than practical. OE is discussed in terms of “concepts,” “models,” “domains,” and “indicators.” Models are essentially groups of domains linked together to form a whole concept of OE. Exhibit 5 highlights one practitioner management service organization (MSO) model of OE.

Exhibit 5. The CompassPoint Model of OE in Nonprofits
(Allison and Kaye 1997)

1. **Leadership/Management** (board performance, executive director, leadership in the community)
2. **Relationships** (internal climate among staff, teamwork)
3. **Mission** (agreed upon translation of purpose, consensus on activity/goal)
4. **Planning** (specific planning documents and efforts in place)
5. **Structure** (clear internal structure, authority, decision-making, chain of command)
6. **People** (human resources, clear roles in the organization, management)
7. **Systems** (fundraising and access to financial resources, technology)
8. **Results and Quality** (program evaluation, client satisfaction)

We found little evidence that OE models have been implemented or tested in nonprofit organizations, and much of the discussion remains conceptual (Holland 1987).

Some researchers and academics do not use the term OE, but seem to discuss similar concepts of performance in nonprofits. Organizational “capacity” is one of the concepts found in performance discussions. According to one approach, organizational capacity is a nonprofit’s ability to make change and have an effect. Capacity is one component of an organization’s larger approach to performance (others include expansion of programs, diffusion of best practices, and policy reform activities) (Letts, et al. 1999).

Capacity has three components:

1. **Program Delivery Capacity:** budgeting, project management, and staffing
2. **Program Expansion Capacity:** funding, staff coordination, and strategic fundraising
3. **Adaptive Capacity:** soliciting and using feedback to guide work, learning, and becoming and remaining responsive, innovative, and motivated

The third type of capacity (adaptive) is the concept that overlaps most with discussions of effectiveness, focusing on the key elements necessary to move beyond program delivery to meet goals. Adaptive capacity includes four types of organizational processes that move a nonprofit toward better performance.

1. *Quality processes* to continuously measure services and make improvements
2. *Product development* to tap the talents of staff, understand client needs, and create innovative responses
3. *Benchmarking* to identify and implement best practices
4. *Human resources management* to attract and keep motivated staff to advance the organization's goals (Letts, et al. 1999)

Adaptive capacity enables organizations to define and deliver quality services, motivate staff and volunteers, and demonstrate value.

The literature offers different methods of measuring OE based on examining organizational skills, characteristics, and outcomes. The three approaches outlined below represent strategies for measurement that cut across OE models.

OE as organizational capabilities: Some methods of measuring OE focus on capabilities necessary to accomplish an organization's mission.

Examples include an organization's ability to:

- Acquire resources
- Attract skilled staff or volunteers
- Create cooperative linkages with the surrounding environment
- Remain adaptable to changing circumstances
- Ensure involvement of constituencies
- Create shared commitment to goals and directions among staff
- Create quality services
- Maintain satisfaction and high morale among participants (Holland 1987)

In this framework, OE indicators are measured as a set of skills and abilities. These skills provide resources and create a functioning organizational culture to meet goals or other predetermined targets.

OE as characteristics, processes, and inputs: Other discussions of OE measures focus on organizational characteristics rather than functional capabilities. Effectiveness is considered a social construction based on judgments of individuals or groups. Flowing from concerns that capabilities might be difficult to measure as they are mediated by different stakeholder perceptions, this approach examines OE as inputs and processes. The approach focuses on the presence of organizational practices and formal documents.

- Mission statement
- Form to measure client satisfaction
- Planning document
- Calendar of board development activities
- Recruiting and training staff
- Form used in CEO and other employee performance appraisals
- Board manual (Herman and Heimovics 1994)

In this approach, effectiveness is measured by the presence and quantity of these organizational elements and activities.

OE as an outcome, the result of processes: Other measures of nonprofit OE focus on organizational outcomes. These approaches see OE as the *result* of processes, organizational structures, and management decisions. Examples include:

- Greater rank and file participation in decision-making (decentralized power structure)
- Primary goals that serve the general welfare
- Less internal conflict (Smith I and II 1999)

Effectiveness is reached through processes such as encouraging participation among clients and offering mentoring to volunteers and staff. In this framework, OE is measured as a product of an organization's ability to develop strong leadership, recruit active members, rely on internal resources, and generally survive and grow (Smith I and II 1999).

Challenges to OE Measurement

Because so much of the discussion of effectiveness and performance is conceptual, there are few widely accepted approaches to measuring OE in organizations. One of the few consistencies in the discussion of OE measures is the agreement about the challenge it poses funders, nonprofit managers, trustees, and academics alike (Siciliano 1997). Compared with financial measures like profit or loss, efforts to measure effectiveness are described as “ambiguous” in nonprofit organizations (Holland 1987). Other authors report concerns about resources and the ability of nonprofits to devote time to evaluation. Authors blame funders, trustees, and nonprofit managers for the lack of interest in and support for OE evaluation (Hall 1996).

Other barriers are attributed to lack of theoretical grounding.

- OE is viewed as an abstraction, a hypothetical construct, not an objective property or characteristic that may be observed.
- Nonprofit organizations have ambiguous goals, amorphous linkages among components, and wide variety of constituencies. This suggests a variety of very different criteria for success (Holland 1987).

Most researchers and academics discussing OE agree that creating actual metrics is the most significant barrier to conducting evaluation. An interested organization has a difficult task in deciding on organizational domains, agreeing where to look for change (i.e., capability, characteristic, outcome), and creating indicators to capture evidence of change. “Indicators” are measures within each domain (e.g., a client satisfaction questionnaire might be a source for indicators under the Results and Quality domain from the model above). The literature is undecided on the types of indicators that are most valuable to evaluation of OE. Some authors describe indicators that can be counted (e.g., requests for services, costs per unit of service, press releases, staff retention rates, budget size). Other indicators are more impressionistic (e.g., staff opinions about the work environment, relationships with the broader community, the quality of services, or the degree to which the organization is meeting its mission) (Herman and Renz 1998).

Conclusions

The literature that contributes to a “field of knowledge” of nonprofit management represents a wide range of voices, and is characterized by limited dissemination and few opportunities for peer review. Materials produced by practitioners, researchers, or academics have a restricted sphere of influence because of the lack of formal communication mechanisms in the field. Researchers do not have well developed formats for communicating with each other (e.g., peer-reviewed journals, established associations of nonprofit researchers with broad-based membership) or a method for communicating with practitioners (e.g., widely used and standardized training/curriculum, professional/trade publications for nonprofits with relevant management information). Current journals (e.g., the *Nonprofit and Voluntary Sector Quarterly* and *Nonprofit Management and Leadership*) have a very small circulation (less than 5,000). The established nonprofit professional groups, which could lead efforts to coordinate and circulate research through their membership, represent a small minority of nonprofit professionals (ARNOVA reported only 900 members in 1998) and have little ability to disseminate information on a broad scale throughout the sector.

Efforts to build a “field of practice” are also weakened by the lack of effective communication methods to transmit information to practitioners. Findings from the literature suggest that nonprofit managers are not accessing the resources they need because there are no widely used communication networks among practitioners (e.g., to share approaches, best practices). Few opportunities for practitioners to access management or OE resources and training developed by researchers exist. In addition to limited access, many nonprofit managers are not equipped to use what they might receive. Findings from the literature suggest that as most nonprofit managers are trained in service delivery rather than management, few have the necessary skills to diagnose organizational problems or interpret the approaches and materials that might be applicable to solving problems. Interest by foundations and nonprofit boards in providing resources to support nonprofit managers’ efforts to access training or other management resources have been limited.

However, there is a growing group of organizations that are building connections among professionals and researchers, supporting the development of materials, and bridging gaps between resources and practitioners (Saxon-Herald and Heffron 2000). Though these organizations or initiatives recently emerged, they are actively contributing to a sense of momentum in the field by guiding and supporting research, creating opportunities for communication, and providing services to practitioners (e.g., Alliance for Nonprofit Management, Grantmakers for Effective Organizations, Nonprofit Assistance Center, Aspen Institute).

Relevant to building both the “field of knowledge” and the “field of practice” are approaches to defining and segmenting the nonprofit sector. Our discussion of segmentation in this document suggests that breaking down the nonprofit sector into smaller units of analysis (e.g., by industry, service type, staff or budget size, etc.) is essential to the work of a range of authors. Researchers and educators, creating information about nonprofit management and communicating skills to practitioners, seem interested in segmenting the sector both to study it and to create relevant resources for it.

Overarching the discussions of the field, defining the sector, and segmentation is concern about language and terminology. We found that terms have multiple meanings in the literature about nonprofit management and OE; there is little consistency with regard to usage or definition from author to author. We also found that different groups use different language, and that the historical or disciplinary legacy of terms can affect the range or type of influence work might have. Understanding which authors or institutions use which language provides context for informed decision-making by foundations as they develop internal and external communication regarding their goals. The discussion of nonprofit management, OE, and performance measures in nonprofits will inform the effort to define and use the concept of “capacity” within the evaluation framework.

Another set of findings derived from the literature review is based on what is missing from the body of material. As we suggested in the last deliverable, the literature on nonprofit management and OE does not use the phrase or the concept of “field building.” Nor is the literature yet an integrated body of knowledge, with momentum to identify weaknesses in research to strengthen the field. With the limited range of dissemination and communication, the state of the literature and research suggests a field in its youth. Independent academic training programs, research institutions, and practitioners functioning without a fully realized communication

network, common language, or a coordinated agenda characterize the field. Without a developed field of knowledge and practice, researchers and educators interested in nonprofit management and OE choose to operate at the margins of their established disciplines (e.g., public administration, business, social sciences) and the systems of communication and validation those disciplines provide. Because of the field's youth, many researchers may prefer to remain anchored professionally to their established field, rather than help to develop a new one.

The literature will not provide a blueprint for building the field, though it reveals some of the components that must be coordinated and strengthened. The growth of nonprofit management education programs, the interest in developing effective curriculum, and the emergence of professional organizations and journals suggest there are opportunities for building the field.

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